Mortgage Radar

Your monthly guide for residential and investment property financing

«The SNB's key interest rate remains at 0.00%. For households, particularly young families, this may not be the perfect time to take out a fixed mortgage, but it does provide a very favorable opportunity to do so and secure low financing costs in the long run.»

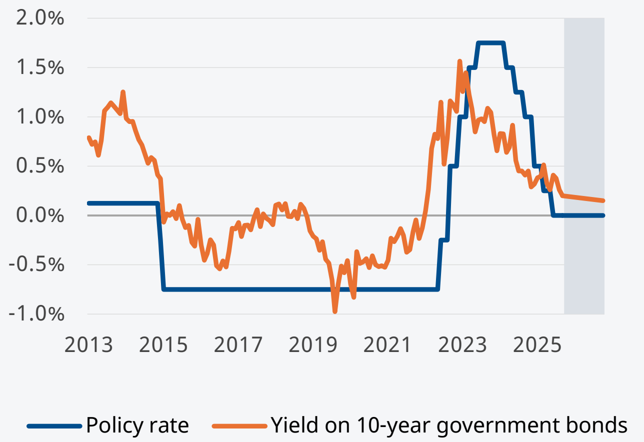
Rafael Szucs, Head of Key Clients & Corporates

The SNB's key policy rate stays at 0.00%

The Swiss National Bank (SNB) left its key policy rate unchanged at 0.00% in its September monetary policy assessment. For now, the SNB is there-fore pausing the cycle of six consecutive rate cuts since March 2024, which reduced the rate from 1.75% to 0.00%.

Whether this marks the end of monetary easing or whether negative rates could soon follow depends on the economic outlook. Recent US tariffs have put pressure on the Swiss economy and clouded the outlook. Nevertheless, there currently is no immediate need for the SNB to act: It traditionally refrains from supporting specific economic sectors, and discussions with the US are ongoing. **We therefore expect the key policy rate to remain stable at 0.00%.**

SNB leaves policy rate at 0.00%
Development of key Swiss interest rates and forecast



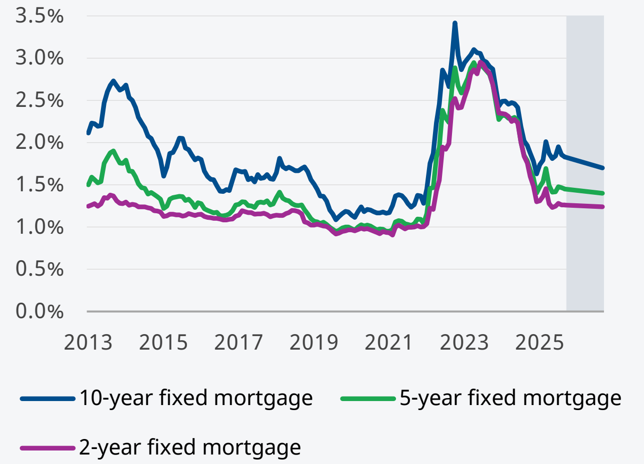
Source: SNB, smzh ag.

Mortgage rates and residential property financing

Fixed mortgage rates continue to trend sideways, though at somewhat reduced momentum of late. SARON-based mortgages remain the most affordable option, offering rates of around 0.90% to 1.20%, while two- to five-year fixed-rate mortgages are currently at 1.25% to 1.45%. For ten-year terms, rates are between 1.60% and 1.90%.

It is worth noting that, although the SNB has lowered its key rate to 0.00%, banks have increased their margins on SARON mortgages since the beginning of this year - effectively resulting in an increase of about 0.25%. **A key consideration for borrowers** is that many contracts allow for margin adjustments after just two years. This effectively means that financing costs can rise even without changes in the key policy rate. Whoever wishes to avoid this risk should actively renegotiate terms, consider refinancing, or switch to a fixed-rate mortgage in a timely manner.

Limited room for lower fixed mortgage rates
Development of fixed-rate mortgages and forecast



Source: smzh ag. Average values based on indicative rates.

No more key interest rate cuts: Is it worth switching to a fixed-rate mortgage at the moment?

Historically, SARON mortgages have almost always been less expensive than ten-year fixed-rate mortgages and currently offer an advantage of around 0.50% per year. For those who prioritize low costs and are comfortable with fluctuations, SARON mortgages are typically the better choice.

However, this decision is not just about interest rates – it also depends on individual circumstances. Fixed-rate mortgages are appealing for households that value predictability and security more than maximizing savings. This is especially true for young families, who often have tight budgets and are more affected by rising costs. While interest rates are no longer as attractive as they were at the onset of the pandemic, current conditions still offer a favorable opportunity to lock in long-term security.

Anyone looking to secure favorable long-term financing today needs not only the right bank, but also the right bank advisor, which tends to be a matter of chance. This makes partnering with a broker who is closely connected to the banks and can efficiently place financing with the right institution all the more valuable.

When will credit conditions ease for investment properties?

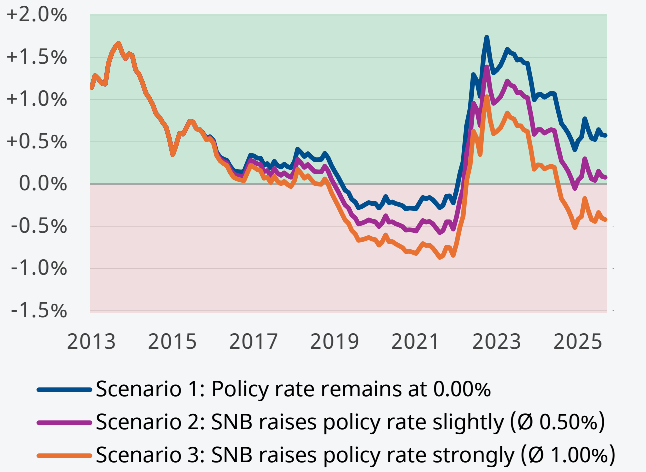
A negative SARON or swap rates below 0.50% offer little help if a bank is unwilling to extend credit in the first place – regardless of what interest rate an investor might accept. Since last year, many construction projects – especially those that require a higher risk tolerance – have frequently been rejected by banks. When financing is approved, it is often done with significantly stricter requirements.

The reasons go beyond the new equity capital regulations that took effect at the start of 2025 and the demise of Credit Suisse along with the concurrent mortgage reductions by UBS. The interest rate environment itself has also played a role: higher margins have supported bank profitability, allowing banks to generate higher profits with lower lending volumes.

Now that the low-interest-rate environment is back and the yield curve has normalized, banks' high margins are coming under renewed pressure. **Over the medium term, they will be forced either to take on higher risks or to finance greater volumes.** However, it will take time for this new balance to emerge. Investors should therefore consider alternative strategies and work with brokers who can provide direct access not only to advisors, but also to credit risk managers and decision-makers within the banks.

SARON for the price, fixed rates for peace of mind

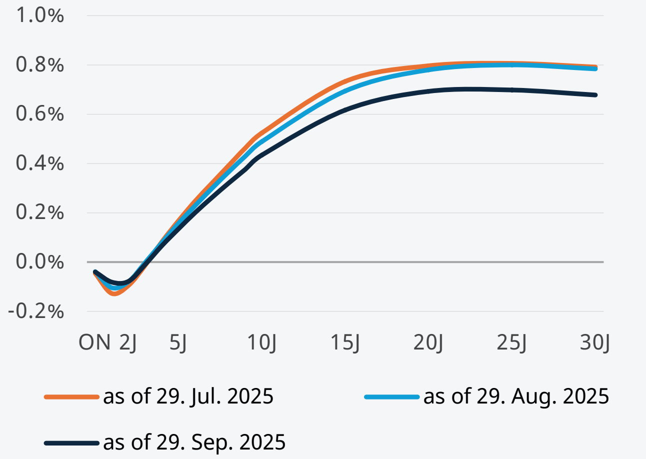
Savings SARON vs. 10-year fixed-rate mortgage



Source: SNB, smzh ag. Above the 0-line: savings with SARON. Below the 0-line: savings with 10-year fixed mortgage.

Swiss swap curve stable

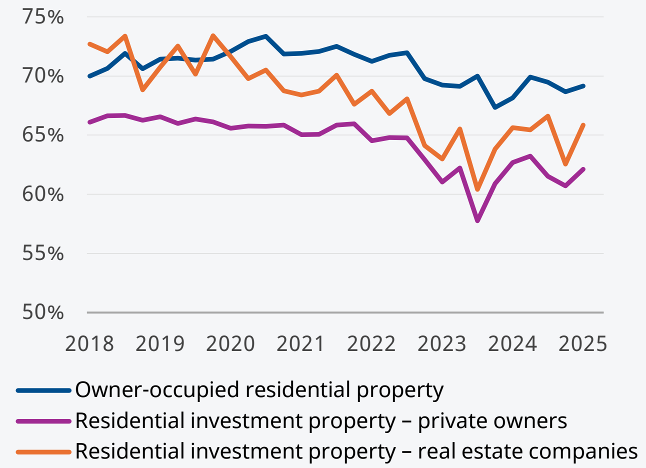
Interest rate swap curve compared to previous months



Source: Bloomberg, smzh ag.

Lower loan-to-value ratios for investment properties

Median loan-to-value for new credit agreements



Source: SNB, smzh ag.

Do you have any questions about real estate or mortgages? Contact our experts

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