November 2025

Mortgage Radar

Your monthly guide for residential and investment property financing

"The imputed rental value has been abolished: For many homeowners, this makes it worth bringing forward planned renovations such as facade renovations, new windows, or a new kitchen. Those who act now can save several thousand francs in taxes."

Fredi Pfammatter, *Head of Corporate Clients & Mortgages*

Interest rates at the long end are falling further

In its September monetary policy assessment, the Swiss National Bank left the key interest rate unchanged at 0.00%. The economic backdrop remains characterized by geopolitical uncertainty, pending negotiations about lower US tariffs on Swiss goods, low inflation, and a still strong Swiss franc, which is at a multi-year high against the euro.

Yet the SNB sees no reason to return to negative interest rates. **Consequently, the key interest rate is expected to remain stable at 0.00%, while rates at the long end should stay under pressure.**

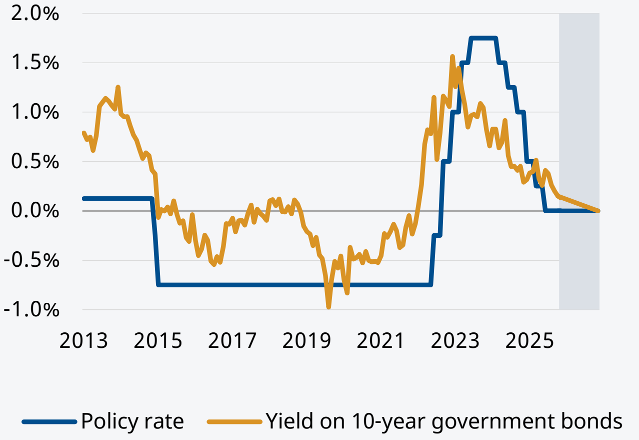
Mortgage rates and residential property financing

Fixed-rate mortgages have become slightly less expensive recently, particularly ten-year mortgages. Such mortgages can be taken out at interest rates of between 1.50% and 1.80% depending on the provider. SARON mortgages remain the most inexpensive option at interest rates of around 0.90% to 1.20%, while fixed-rate mortgages with two to five-year terms currently range between 1.15% and 1.40%.

The current level of interest rates remains highly attractive by historical standards, even if it no longer matches the lows seen during the pandemic. For many borrowers considering a new mortgage or refinancing, the question arises whether they should lock in today's favorable terms for the long term. **Existing mortgage holders can also lock in the interest rate for their future renewal as early as today using a so-called forward mortgage – often up to two years in advance.** While this provides planning certainty, it also entails risks: Determining the margin is often non-transparent and can vary significantly. Therefore, independent advice is recommended to obtain the best possible offer.

Yield on 10-year government bonds continues to decline

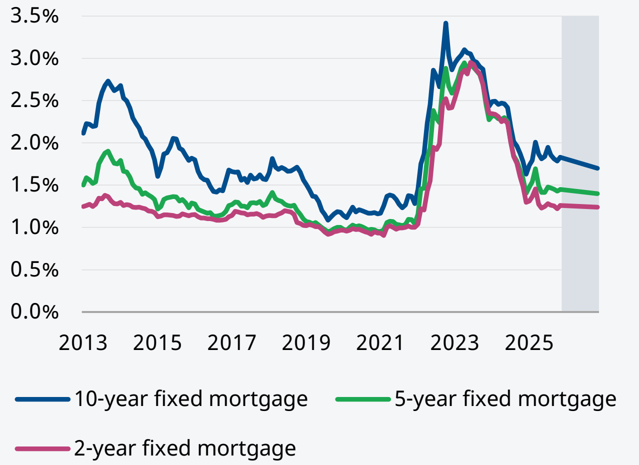
Development of key Swiss interest rates and forecast



Source: SNB, smzh ag.

Fixed rates with 10-year terms are becoming cheaper

Development of interest rates for fixed-rate mortgages and forecast



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

Abolition of imputed rental value: Renovate or wait?

With the adoption of the real estate ownership taxation reform, the taxation of imputed rental value will be abolished, as will the possibility to deduct maintenance costs and mortgage interest for tax purposes (see first illustration). **The new regulation is expected to enter into force no earlier than the 2028 tax year, but property owners are already faced with important decisions.**

One such decision concerns bringing forward maintenance or renovation work. Whether doing so is worthwhile depends on the individual situation. Anyone planning renovations amounting to approximately CHF 50,000 in the next few years could – depending on their marginal tax rate – save between CHF 10,000 and CHF 17,500 in taxes if the work is completed before the reform takes effect (see second illustration). It is important to note that only measures that preserve value are deductible, not those that increase value. The latter can be deducted from capital gains upon the sale of a property.

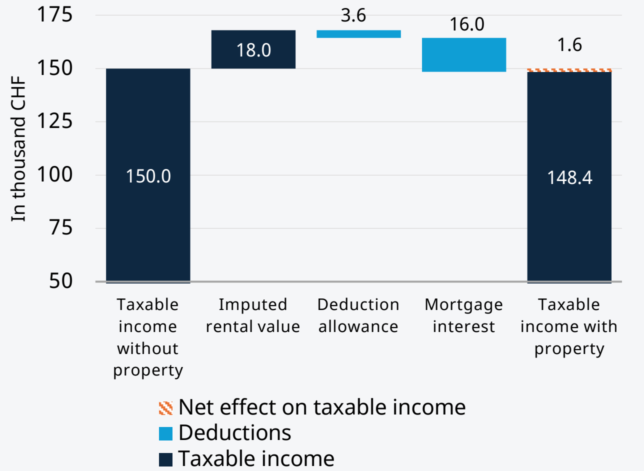
As many property owners are likely to take advantage of the remaining deduction opportunities, an increase in renovation activities can be expected toward the end of the transition phase. This could lead to bottlenecks and price premiums for skilled tradespeople. **Early planning and commissioning of specialized firms are therefore advisable.**

How to finance renovation work without sufficient equity?

A lack of own funds does not have to be an obstacle to a planned renovation. Banks offer the possibility to extend the existing mortgage framework – provided that market value and affordability allow for it. Banks are especially open to value-enhancing or energy-efficient renovations, as such measures reduce energy consumption and increase a property's value.

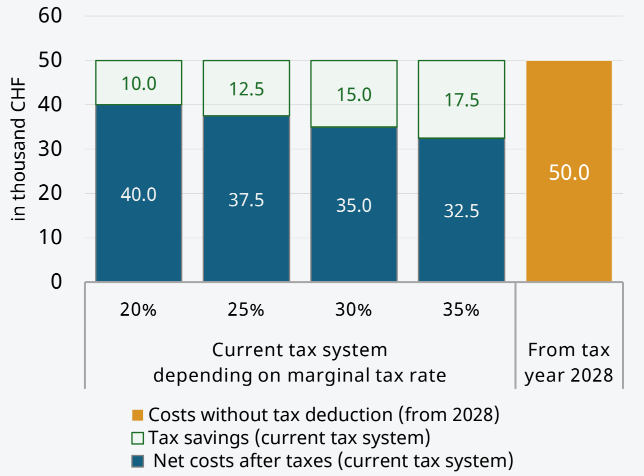
For energy-efficient projects that meet criteria such as the GEAK standard or lead to tangible CO_2 reductions, financing may, in individual cases, exceed the usual limits. In such situations, banks sometimes offer preferential conditions or expanded financing options. In addition, there are public funding programs that can provide several thousand francs in subsidies depending on the type of measure. Those who combine different sources of financing and coordinate planning early with an experienced real estate advisor can realize even larger renovations without putting excessive strain on their own budget (see illustrations below). **Working closely with an expert makes it easier to quickly identify suitable solutions and implement them efficiently.**

How the current system works (for now)
Example: Tax impact of imputed rental value and deductions



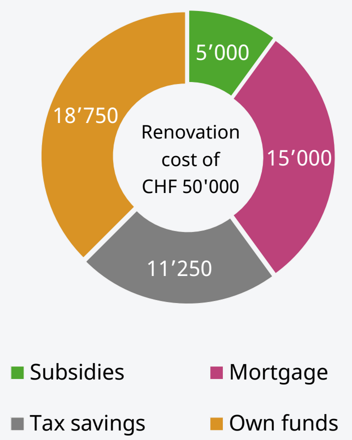
Assumptions: Market value property of CHF 1,000,000, loan of 80%, mortgage rate of 2.00%, imputed rental value of CHF 18,000, flat-rate allowance 20% of imputed rental value.

Renovating now or later?
Cost comparison in case of a renovation valued at CHF 50,000



Assumptions: The shown renovation costs of CHF 50,000 are fully tax deductible. According to official releases, the reform is expected to enter into force no sooner than the tax year 2028.

Possible financing structure of a renovation
Oftentimes even less than half in equity is sufficient



Assumptions: The shown values are based on empirical evidence. Actual values may differ.

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

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