smzh

December 2025

# Mortgage Radar

## Your monthly guide for residential and investment property financing

*“There are strong indicators to suggest that banks may significantly open their lending channels for investment properties and construction projects in 2026. Yet, they are expected to remain cautious when it comes to pricing, meaning a reduction in lending margins will likely take more time.”*

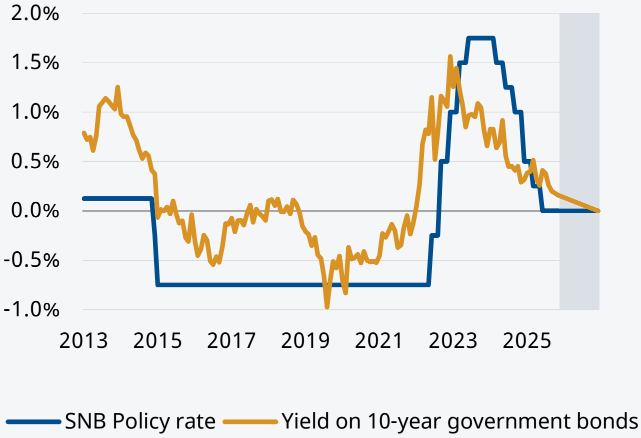
***Burak Er, CFA,*** *Head of Research & Advisory Solutions*

### Interest rates at the long end are continuing to fall

In its September monetary policy assessment, the Swiss National Bank (SNB) left the key interest rate unchanged at 0.00%. While the agreement with the US to reduce tariffs on Swiss exports may provide some relief, the economic environment remains challenging. Monetary policy continues to be shaped by low inflation and a strong Swiss franc.

At present, the SNB sees no reason to return to negative interest rates. **Accordingly, the policy rate is expected to remain stable at 0.00% in the short term, while long-term interest rates are likely to remain under pressure.**

**Long-term interest rates are continuing to fall**
Development of key Swiss interest rates and forecast



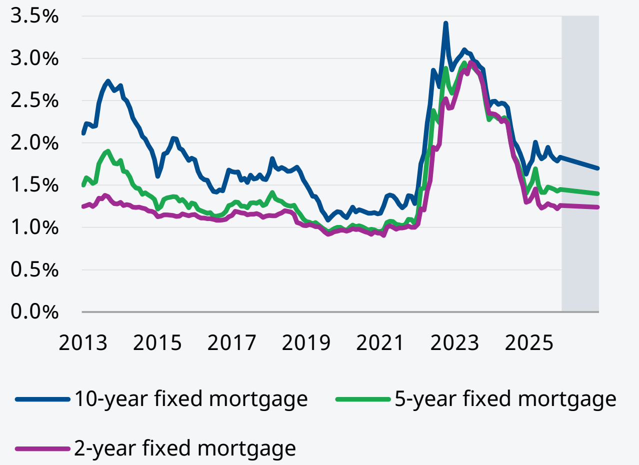

Source: SNB, smzh ag.

### Mortgage rates and home financing

Interest rates for fixed-rate mortgages remain unchanged compared to the previous month. Currently, ten-year mortgages can be obtained at rates between 1.50% and 1.80%, depending on the provider. SARON-based mortgages continue to be the most cost-effective option, with rates of around 0.90% to 1.20%. Fixed-rate mortgages with terms of two to five years are currently available at between 1.15% and 1.40%.

The current interest rate environment is highly attractive, and the actual borrowing costs for mortgages are lower than they have been in years. **However, affordability remains a hurdle: banks continue to apply significantly higher imputed interest rates and are under increasing regulatory pressure to strictly adhere to these requirements.** For many prospective buyers, this means that, despite seemingly sufficient equity, the desired financing may not be approved. It is therefore highly recommended to clarify financing options early on, even for buyers who are confident in their borrowing capacity.

**Fixed rates holding steady**
Development of interest rates for fixed-rate mortgages and forecast




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

## Outlook 2026: Why credit conditions for investment properties are likely to ease

In recent years, lending for investment properties and construction projects has been highly restrictive. Rising interest rates, the demise of Credit Suisse, and the introduction of Basel III at the beginning of 2025 have all contributed to a particularly cautious risk policy in these segments. Meanwhile, the mortgage market has stabilized, and **several structural factors suggest that bank financing is likely to become more broadly accessible again next year.**

### Growth picking up again

During this interest rate cycle, the mortgage volume responded almost inversely to the policy rate: as rates rose, lending activity declined significantly due to higher bank margins. In addition, UBS reduced its mortgage holdings. However, other banks were able to fully absorb this reduction, which is reflected in a low but positive growth rate in 2023 and 2024. Since the start of the rate-cutting cycle, a clear increase has become evident again. **This renewed growth momentum is primarily attributable to an increase in customer deposits and declining bank margins.**

### Client deposits are returning, balance sheets are improving

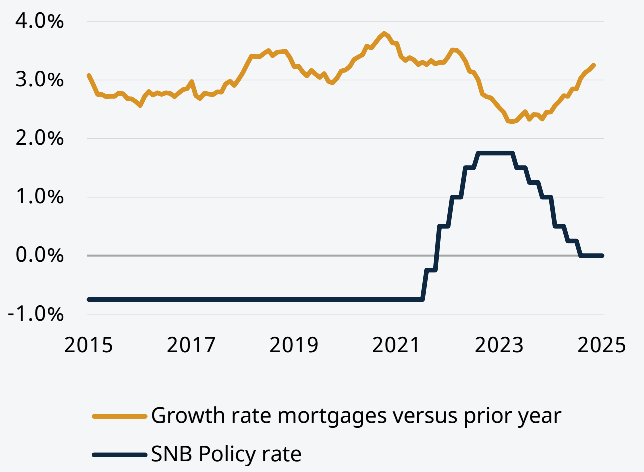
On the one hand, favorable client deposits are returning to the banks after having been withdrawn during the period of rising interest rates, when attractive alternatives to savings rates were available. As the environment shifts back to low interest rates, these deposits are increasing again. This strengthens banks' liability side and improves the availability of low-cost refinancing options. Previously, institutions had to compensate for the temporary decline in deposits by relying on more expensive and complex capital market bonds.

### If deposit margins decline, volume becomes key

As interest rates have fallen, the spread between the key interest rate or SARON and the interest paid on client deposits has also decreased, reducing banks' deposit margins. To maintain profitability, institutions must either enforce higher lending margins, serve riskier segments, or increase their lending volume. Given growing competition, enforcing higher margins is likely to be challenging, which means that **financing for investment properties and construction projects should benefit from increased lending supply in 2026**. While more financing is therefore expected in this segment, pricing remains tight for the time being due to higher risk premiums on bank bonds and the continued pricing power of banks.

**Interest rate reversal reinvigorates mortgage lending**

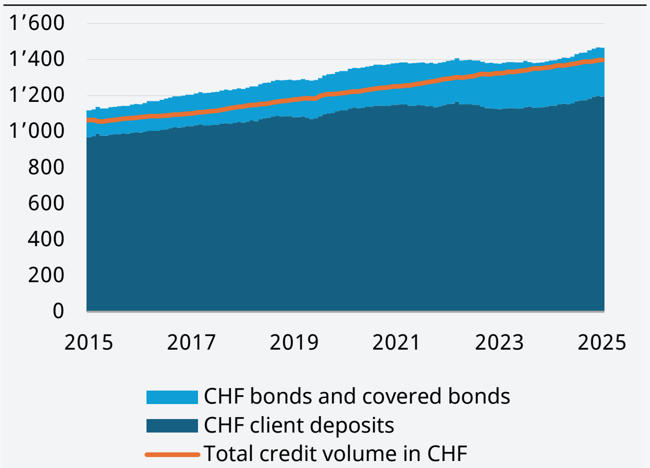
Growth rate total mortgage volume vs. SNB policy rate




Source: SNB, smzh ag.

**Growing client deposits strengthen liability side**

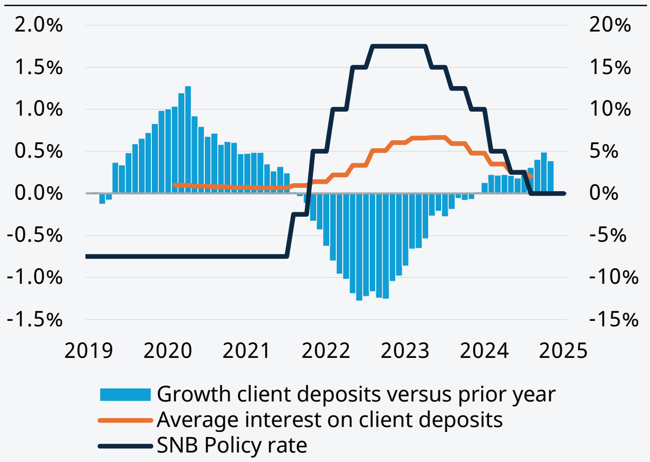
Selected bank liability positions vs. total lending volume in CHF




Source: SNB, smzh ag.

**Cheaper refinancing, but declining deposit margins**

Average interest on client deposits vs. SNB policy rate




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

**Rafael Szucs**
Head of Key Clients & Corporates
+41 43 355 12 71
szucs@smzh.ch

**Burak Er**
Head Research & Advisory Solutions
+41 43 355 12 88
be@smzh.ch

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smzh ag
Tödistrasse 53, CH-8002 Zurich
+41 43 355 44 55
contact@smzh.ch
www.smzh.ch