

# Mortgage Radar

Your monthly guide for residential and investment property financing

*“The mortgage market is highly competitive, yet the offered interest rates vary significantly from one provider to the other. A structured comparison of offers and professional negotiation sustainably improves one’s financing and can help save several thousand francs a year.”*

**Rafael Szucs, Head of Key Clients & Corporates**

## Long-term interest rates are edging up slightly

In its December monetary policy assessment, the Swiss National Bank (SNB) once again kept its policy rate at 0.00%. Although inflation has fallen more than expected in recent months and recently dropped to zero, the SNB does not currently see any reason to return to negative interest rates. A clear shift to weaker economic indicators and a heightened risk of deflation would be required for such a move, which at present appears unlikely. **In the short term, the policy rate is therefore expected to remain stable at 0.00%. However, long-term interest rates are generally moving in line with German yields and are likely to remain volatile as a result.**

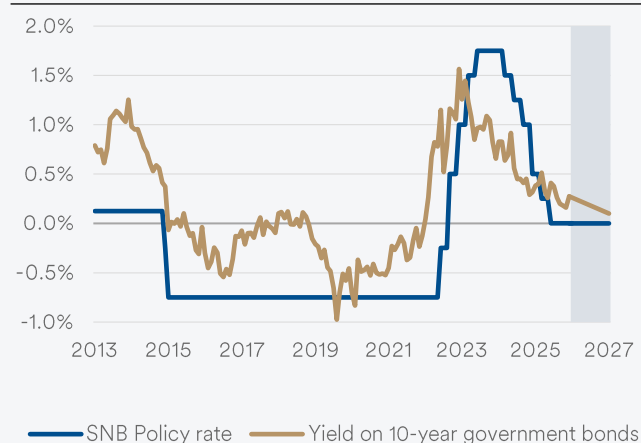
## Mortgage rates and own-home financing

Interest rates for fixed-rate mortgages have increased slightly compared to the previous month. Currently, ten-year mortgages can be obtained at rates ranging from 1.60% to 2.00%, depending on the provider. SARON-based mortgages remain the most cost-effective option, with rates around 0.90% to 1.20%, while fixed-rate mortgages with terms of two to five years are currently available at rates between 1.20% and 1.45%.

Even though interest rates for fixed-rate mortgages fluctuate, they currently remain at attractive levels. For many households, a staggered financing approach may initially appear to offer sensible protection. However, **in practice, this often results in the bank having greater negotiating power when it comes to re-financing the shorter-term portion, which can ultimately lead to higher interest rates.** A better option is to structure the financing fairly over the entire term, ensuring sufficient flexibility for future negotiations.

### Interest rate for 10-year bonds on a slight increase

Key Swiss interest rates and forecast



Source: SNB, smzh ag.

### Fixed interest rates rising slightly

Interest rates for fixed mortgages and forecast



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

### The mortgage market is continuing to grow

The mortgage market is picking up again. After two years of restrictive lending practices, outstanding loan volumes are once more growing at a stronger pace, reaching 3.3% year-over-year – above the ten-year average of 3.0%. At the same time, the number of available offers is increasing, which is **improving the negotiating position for borrowers when entering new agreements or refinancing existing loans.**

### Wide range of offers for fixed-term mortgages

The differences between fixed-rate mortgage offers are significant. Despite intense competition, some providers charge noticeably higher or lower interest rates. **For a ten-year fixed-rate mortgage, the difference can be around half a percentage point per year.** For a mortgage of CHF 800,000, this translates to approximately CHF 4,000 more or less in annual interest costs and around CHF 40,000 over the entire term.

### Higher credit margins for SARON mortgages

Credit margins for SARON-based mortgages have increased in recent years. While SARON mortgages remain the most cost-effective option, **current margins are higher than they were before the pandemic – typically by an amount equivalent to at least one SNB policy rate cut.** Conditions also vary between providers, sometimes by more than 0.25 percentage points. For a mortgage of CHF 800,000, this means approximately CHF 2,000 more or less in annual interest costs, or about CHF 20,000 over ten years, assuming the margin remains unchanged.

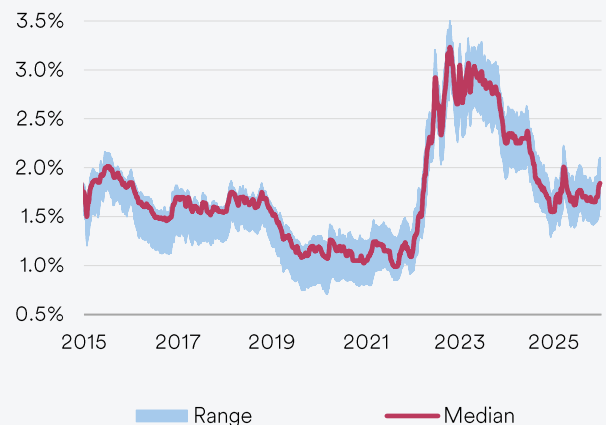
### Partnering with a broker often pays off

This makes it clear: every basis point matters. Mortgage borrowers should carefully review all offers. In addition to the interest rate, factors such as loan-to-value ratio and amortization agreements are particularly important. **Any commitment should always be made in the context of all underlying conditions, rather than based on a single criterion.**

The analyses presented in the illustrations are based on data from over 50 lending institutions. Just as interest rates vary, the specific terms and conditions also differ significantly. **Those who compare and negotiate their financing using data-driven insights can improve their terms sustainably and save several thousand Swiss francs per year.**

### Wide range for 10-year fixed-rate mortgages

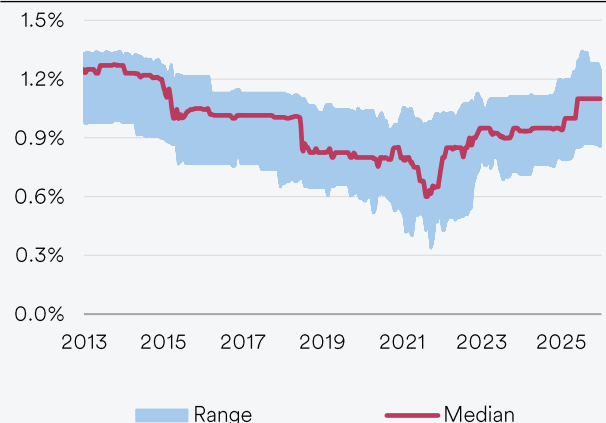
Median and range of offers since 2013



Source: smzh ag. Based on published indicative rates. The breadth captures 90% of all observed offers.

### High credit margins for SARON mortgages

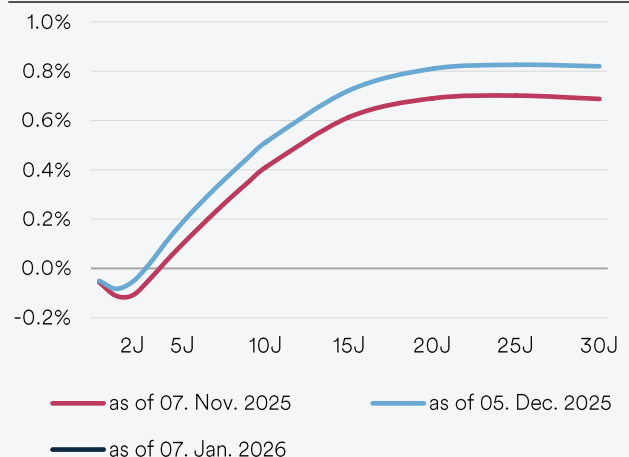
Median and range of offers since 2013



Source: smzh ag. Based on published indicative rates. The breadth captures 90% of all observed offers. Values prior to January 1, 2022 (switch to SARON) correspond to LIBOR credit margins.

### Interest rate swap curve trending upward

Interest rate swap curve compared to previous months



Source: Bloomberg, smzh ag.

## 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 of 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

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