

Mortgage Radar

Your monthly guide for residential and investment property financing

“With investment properties, it’s not the individual interest rate that matters, but the structure of the overall financing. Loan-to-value, amortization, duration, and bank requirements all need to align – only then can the available financing capacity be used effectively.”

Rafael Szucs, Head Key Clients & Corporates

SNB holds policy rate at 0.00%

The Swiss National Bank held its policy rate at 0.00% in its June 18 monetary policy assessment, in line with expectations. Despite ongoing tensions surrounding the Strait of Hormuz and upward pressure on global inflation risks, the SNB currently sees no sufficient grounds to intervene via the interest rate instrument.

Instead, it has slightly raised its inflation forecast. Annual inflation stood at 0.60% in May and is expected to climb to roughly 0.80% over the remainder of the year, according to the SNB. Thereafter, the SNB anticipates inflation settling back at a somewhat lower level. **This leaves monetary policy room intact, and the SNB is likely to keep the policy rate unchanged for the time being.**

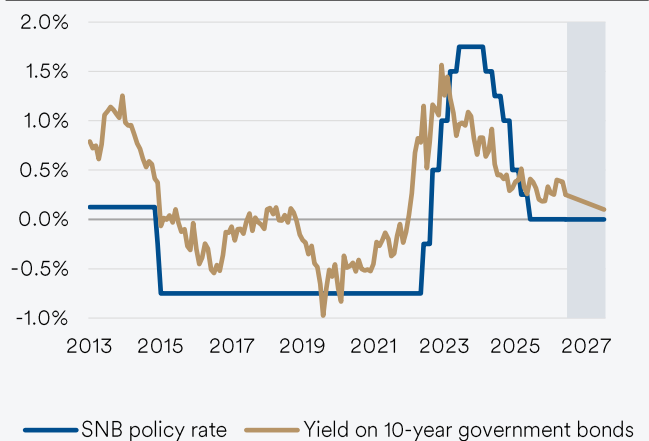
Fixed-rate mortgages slightly cheaper again

Fixed-rate mortgage rates have edged down slightly compared to the previous month. Ten-year fixed mortgages are currently available at rates between 1.65% and 2.10%, depending on the provider. SARON mortgages remain the most cost-effective option at roughly 0.90% to 1.20%, while fixed-rate mortgages with two- to five-year terms currently range between 1.25% and 1.55%.

Thanks to the SNB's zero-rate policy and robust economic conditions, the mortgage market continues to grow. Banks remain particularly competitive in lending for owner-occupied homes, which strengthens borrowers' negotiating position. For new mortgages and refinancing alike, a structured comparison of providers is therefore worthwhile. **In a volatile rate environment with high competition, this can help secure better terms and put financing on a solid long-term footing.**

We expect no change in key interest rates

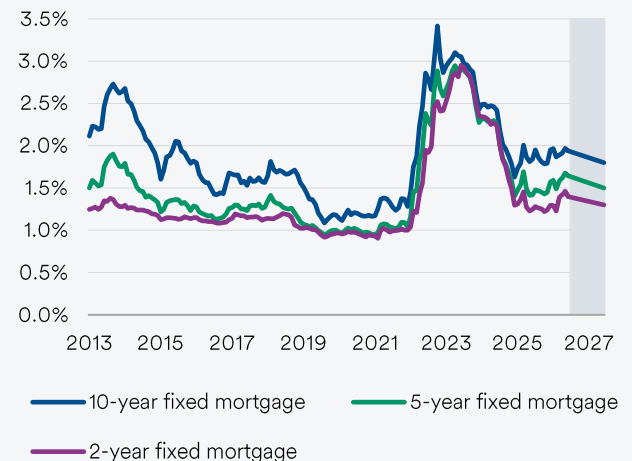
Key Swiss interest rates and forecast



Source: SNB, smzh ag.

Will fixed interest rates rise further?

Interest rates for fixed-rate mortgages and forecast



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

Short-term swap rates have calmed down again

Following the escalation between Iran and the US, swap rates rose across the entire yield curve, with the most pronounced increase at the short end. Whereas the market had previously priced in more rate cuts than were ultimately delivered, expectations briefly reversed after the situation intensified in late February: the market temporarily priced in up to two rate hikes by year-end. **This movement has since calmed down considerably.**

For investors who manage their debt financing through fixed advances with regular rollover, developments at the short end remain critical. **As rate-hike expectations have receded, the choice of maturity has once again become less significant from a pure interest-cost perspective.**

The swap curve remains steep

The interest rate swap curve has moved within a range of roughly 20 basis points over the past few months. However, its shape remains steep: hedging premiums for longer maturities continue to be elevated.

From a pure cost-of-funds standpoint, there is currently a strong case for keeping duration relatively short and entering into long-term rate hedges only when a high degree of planning certainty is the priority. For investors, this means that not every longer-term hedge automatically creates added value. What matters is whether the cost of the additional security aligns with the investor's own risk profile, property strategy, and intended holding period. **Regularly reviewing the financing structure can therefore help avoid unnecessary hedging costs and make targeted use of available financing capacity.**

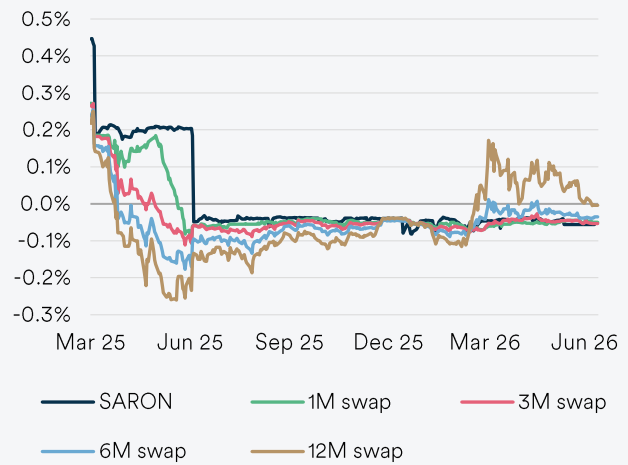
Financing for income-producing real estate has become more accessible

Banks are once again showing greater willingness to finance income-producing real estate. Lending criteria, however, remain demanding. SNB data on new loan originations show that loan-to-value ratios for residential income properties have stabilized at a lower level following the decline of recent years. In practice, individual banks are once again accepting somewhat higher loan-to-value ratios, depending on property quality, location, and income profile.

Loan-to-value remains a key factor but is not the only criterion. Margin, amortization, and internal bank valuation also influence available financing capacity. **What matters most is a professional financing approach that aligns the property, capital structure, and bank requirements as a whole.**

Intra-year swap rates have calmed down again

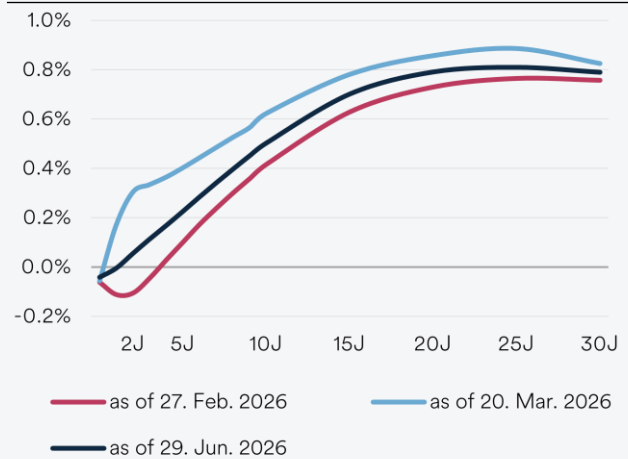
Development of SARON and intra-year swap rates



Source: Bloomberg, smzh ag.

Swap curve remains elevated

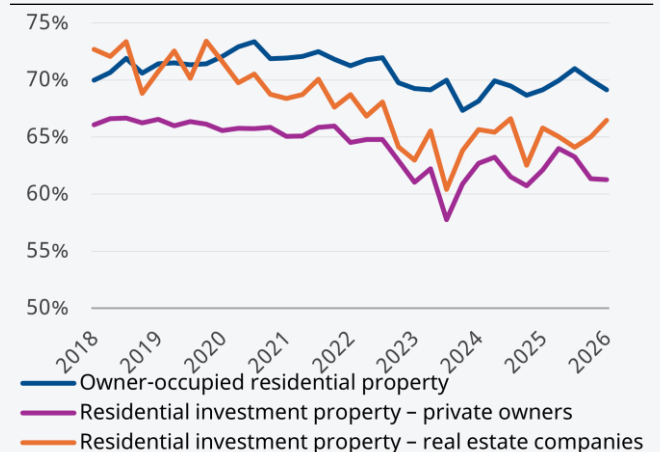
Swap curve compared with previous months



Source: Bloomberg, smzh ag.

Loan-to-value of residential investment properties still low

Median loan-to-value of new loan closings



Source: SNB, smzh ag.

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



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