

Mortgage Radar

Your monthly guide for residential and investment property financing

“The financing environment remains challenging, particularly for construction and development projects. What matters is not only the interest rate offered, but above all the loan-to-value ratio and amortization.”

Burak Er, Head Research & Advisory Solutions

Long-term interest rates are rising significantly

On September 24, the Swiss National Bank left its policy rate unchanged at 0.00%. At 1.0% in September, inflation is above its spring level but remains within the range of price stability, and the economy is growing solidly. The SNB is therefore under pressure neither to ease nor to tighten. We expect a first hike to 0.25% in 2027. The market is pricing in more than two hikes by mid-2027.

At the long end of the curve, by contrast, the movement has been significant. The yield on ten-year Swiss government bonds has risen from 0.30% at the beginning of the year to around 0.60%. This has been driven by higher yields in the US and Europe as well as rising domestic inflation. A return to the summer lows has therefore become unlikely. **We expect long-term rates to move sideways at their current level.**

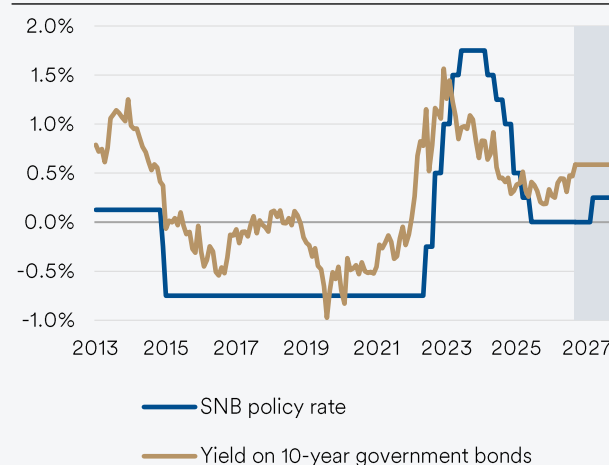
Mortgage rates and home financing

Fixed-rate mortgages have followed this increase. Depending on the provider, ten-year terms currently range from around 1.75% to 2.25%, five-year terms from 1.70% to 2.10%, and two-year terms from 1.45% to 1.85%. At around 0.90% to 1.15%, SARON mortgages remain the most cost-effective option.

With rate hikes back on the agenda, many homeowners are considering switching to a fixed-rate mortgage. Those who switch pay the premium from day one. It would take more than three rate hikes for a SARON mortgage to become as expensive as a five-year fixed-rate mortgage. **It makes more sense to base the decision on your own affordability and to compare several providers.**

10-year bond yields are rising significantly

Monthly values of key Swiss interest rates and forecast



Source: SNB, smzh ag.

Fixed interest rates are rising

Monthly fixed-rate mortgage rates and forecast



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

Investment properties are still hard to finance

Since 2022, banks have been financing investment properties at noticeably lower loan-to-value ratios. This is driven by the revised Capital Adequacy Ordinance, which took effect at the beginning of 2025. It sets out new rules for how much capital a bank must hold against a mortgage loan. **For owner-occupied residential property, it must hold less. For investment properties, the requirement increases, particularly at high loan-to-value ratios and for construction projects.** Banks adjusted their lending even before the ordinance took effect.

Investment properties tie up more capital

Until the end of 2024, the risk weights in the Capital Adequacy Ordinance did not distinguish between owner-occupied and rented residential properties. The revised ordinance now also differentiates by type of use: for a mortgage on an investment property with a loan-to-value ratio above 60%, a bank must hold more capital than before, and the requirement increases further as the loan-to-value ratio rises. **Construction loans for investment properties are the most heavily affected.**

Higher capital requirements lower a bank's return on equity. The bank has two ways to protect it: it can raise its credit margin and pass the cost on to the borrower, or it can shift its business to segments with lower requirements.

Banks have used both approaches

In May 2026, MoneyPark and the Lucerne University of Applied Sciences and Arts surveyed 50 banks. The responses point to a middle course: for investment properties, the majority charge a premium of up to 25 basis points, while for development financing, 39% demand between 51 and 100 basis points. **Three quarters shifted their new lending in 2024 and 2025 toward owner-occupied residential property, and 74% report a declining share of project development financing.** The study estimates the financing gap at CHF 12 to 24 billion per year. By comparison, the Swiss mortgage market grows by a net CHF 36 billion or so per year.

Investment properties: the right bank is key

The change in mortgage lending is structural. The challenging environment is likely to persist, particularly for construction projects and development financing. What matters is therefore not only the interest rate, but also securing the financing, the loan-to-value ratio, and amortization. **The key factor is access to a bank whose risk appetite matches both the property and the borrower.**

Investment properties: more cautious lending

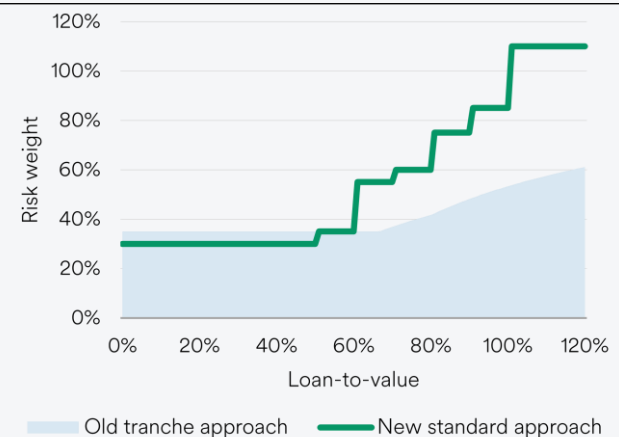
Median LTV ratio of new mortgages, by segment



Source: SNB, smzh ag.

Risk weight rises with the LTV ratio

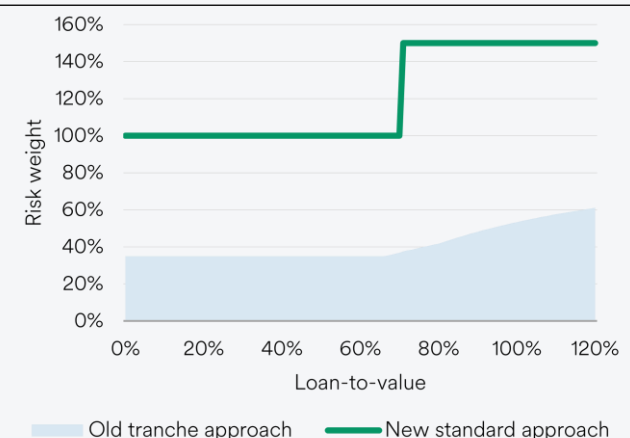
Risk weight by LTV ratio, residential investment property (existing)



Source: Capital Adequacy Ordinance (SR 952.03), smzh ag.

Construction loans carry the highest risk weight

Risk weight by LTV ratio, residential investment property (new build)



Source: Capital Adequacy Ordinance (SR 952.03), smzh ag.

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



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