smzh

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Mortgage Radar

Your monthly guide to residential and investment property financing

"SNB rate hikes are possible next year. For long-term fixed mortgage rates, however, developments in the capital markets matter more. Anyone who needs to refinance in 2027 should therefore not rely solely on expected policy rate decisions."

Rafael Szucs, Head Key Clients & Corporates

Long-term rates hold at a higher level

The Swiss National Bank (SNB) will conduct its final monetary policy assessment of the year in December. Inflation rose to 1.5% in October but remains within the SNB's target range. At the same time, the economy is growing solidly, so there is currently no immediate need for action. However, the SNB makes its decisions on a forward-looking basis: higher interest rates abroad could weaken the Swiss franc and push up import prices. **We therefore expect the SNB to keep its policy rate at 0.00% for now and to take a first step to 0.25% in March 2027 at the earliest.**

At the long end, September's rise in rates did not continue in October. The yield on 10-year Swiss government bonds stood at around 0.50% at the end of October, below its end-of-September level. The September rise was driven mainly by international capital markets, as the analysis on page 2 shows. Over the coming months, momentum is likely to keep coming primarily from abroad. **We therefore expect long-term rates to move sideways at an elevated level, though with continued higher volatility.**

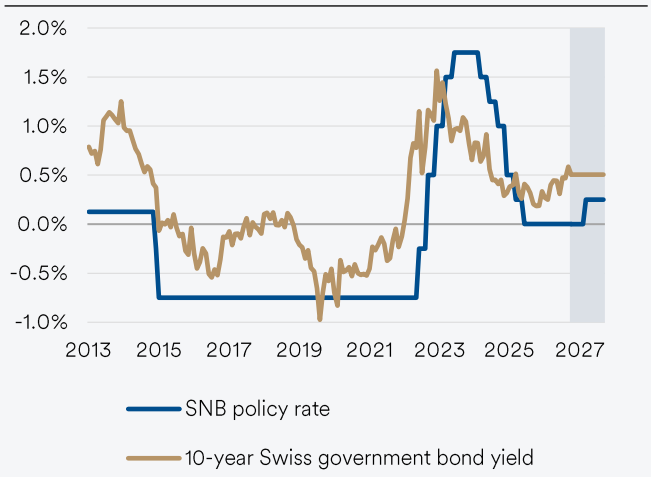
Mortgage rates and home financing

Fixed-rate mortgages rose in September and have held at that level. Depending on the lender, 10-year terms range from around 1.65% to 2.10%, 5-year terms from 1.55% to 1.95%, and 2-year terms from 1.35% to 1.75%. At around 0.85% to 1.15%, SARON mortgages remain the lowest-cost option.

Many homeowners whose mortgage matures in 2027 are likely receiving higher offers now than they did in the summer. **However, the rate differences between banks are in some cases larger than the increase of recent months.** A structured comparison of lenders can therefore offset the additional cost on its own.

10-year bond yield remains elevated

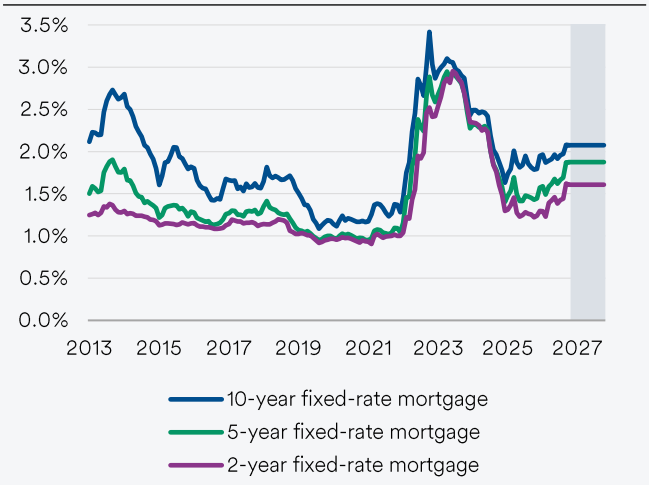
Monthly key Swiss interest rates and forecast



Source: SNB, smzh ag.

Fixed rates remain at a higher level

Monthly fixed-rate mortgage rates and forecast



Source: smzh ag. Averages based on lenders' posted rates.

The rate turnaround abroad is reaching Switzerland

In September, the U.S. Federal Reserve raised its policy rate for the first time since 2023, while the ECB did so for the second time this year. Further hikes are under discussion. Long-term capital market rates have also risen significantly since late summer. Despite the unchanged SNB policy rate, Switzerland cannot fully escape this trend. Admittedly, the yield on 10-year Swiss government bonds has risen by only about a third as much as U.S. yields since June. **Fixed-rate mortgages, however, rose by a comparable amount: 10-year terms became around 0.3 percentage points more expensive.**

Locking in a rate costs almost as much as in 2019

SARON mortgages, by contrast, have barely become more expensive. The premium for a 10-year fixed-rate mortgage now stands at around one percentage point, only slightly below pre-pandemic levels. **On a mortgage of CHF 800'000, this equates to additional costs of just under CHF 8'000 per year.**

Shorter terms offer little relief either. For 5-year fixed-rate mortgages, the premium is around 0.8 percentage points, or just over CHF 6'000 per year.

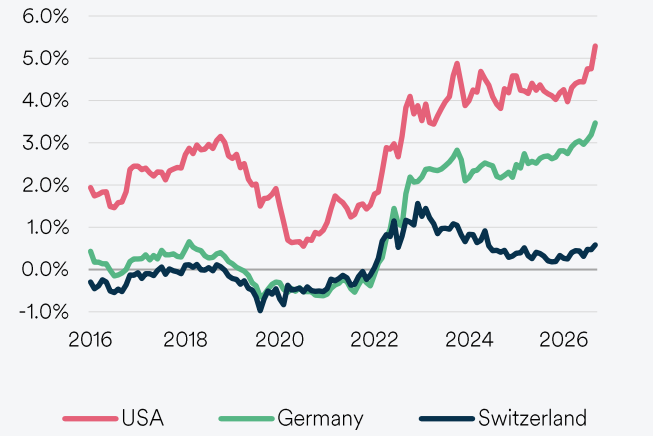
Is locking in a rate worthwhile right now?

A 10-year fixed-rate mortgage only becomes cheaper than a SARON mortgage if the policy rate rises significantly on average over the term. At current terms, short-term rates would need to average around 1.00% for both options to cost the same. Historically, that would be a relatively high level: over the past ten years, the policy rate averaged slightly below zero, and since 2000 around 0.5%. **We expect a first rate hike in March 2027 at the earliest, but see no compelling reason for a sustained increase. SARON is therefore likely to remain the more cost-effective option.**

The right term depends on your individual situation

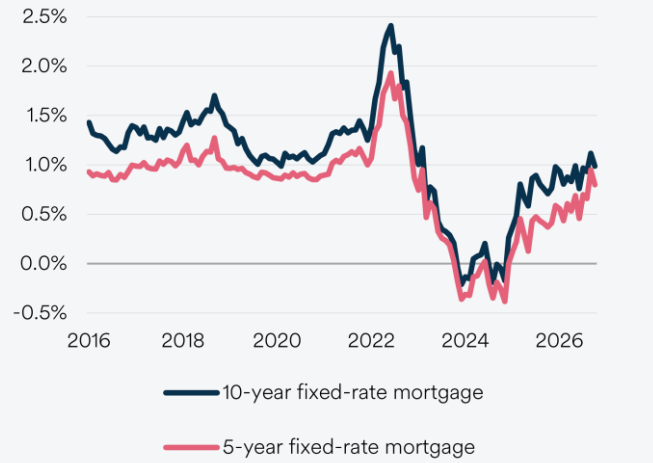
With a SARON mortgage, the borrower bears the interest rate risk. If the policy rate rises by one percentage point, a mortgage of CHF 800'000 incurs around CHF 8'000 in additional interest per year, assuming the increase is passed on in full. Borrowers who can absorb such fluctuations are likely to be better off with SARON given current rate expectations. Where affordability is tight, however, the planning certainty of a fixed-rate mortgage can justify the premium. **Ultimately, your personal financial situation is what matters.**

Swiss long-term rates won't stay insulated forever
10-year government bond yields



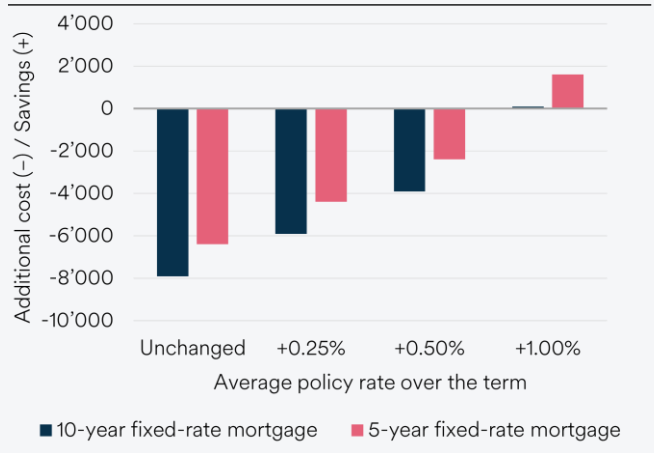
Source: Bloomberg, smzh ag.

Rate-lock premiums are back near 1.0%
Premium of fixed-rate mortgages over SARON mortgages



Rates based on monthly median values across lenders.
Source: SNB, smzh ag.

One more point on the policy rate offsets the premium
Per year on CHF 800'000 at current market rates



Assumptions: 10-year fixed-rate mortgage 2.03%, 5-year fixed-rate mortgage 1.84%, SARON mortgage 1.04%.
Source: SNB, smzh ag.

Questions about your property or mortgage? Contact our experts



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