

Interest rate forecast for PostFinance Ltd mortgages

Following the Swiss National Bank's (SNB) new policy rate reduction, SARON mortgages will become even cheaper. However, fixed-rate mortgages still remain attractive due to the low level of capital market interest rates.

Current economic outlook

As part of its monetary policy assessment at the end of September, the SNB has decided to reduce the policy rate to 1.0 percent. The attractiveness of SARON mortgages has risen again as a result. For the SNB, this was the third relaxation to monetary policy in a row. These measures can primarily be understood as a reaction to the changing international environment. Both the US Federal Reserve and the European Central Bank have begun their interest rate reduction cycles and are likely to continue pursuing these in the next 12 months. Under these circumstances, the SNB will probably be anxious to avoid excessive upward pressure on the Swiss franc.

At the same time, the interest rate reduction reflects the persistent weakness of the Swiss economy. The sluggish performance of domestically oriented economic sectors has contributed to a further fall in inflation, creating the scope to relax monetary policy. By cutting interest rates, the SNB is also pursuing the goal of re-stimulating domestic demand and investment activity in particular.

Unlike SARON mortgages, however, the positive effects on fixed-rate mortgages are likely to be limited. Long-term capital market interest rates are already exceptionally low, with expectations of further significant relaxation measures by the SNB already factored in. We do not believe that this level appears sustainable over the long term, primarily because the SNB is likely to want to avoid a return to zero interest rates.

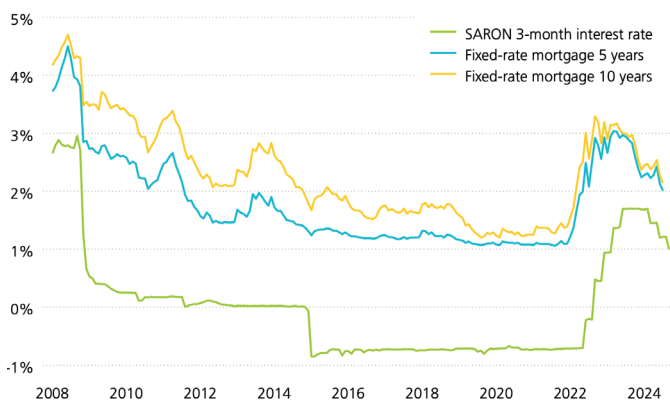
Interest rate forecast

Forecast for	3 mths	6 mths	12 mths
Saron	↘	↘	↘
5-year fixed-rate mortgage	↘	→	↗
7-year fixed-rate mortgage	↘	→	↗
10-year fixed-rate mortgage	↘	→	↗

We expect mortgage interest rates to fall slightly in the next three months. During the coming year, we anticipate a further interest rate cut by the SNB and therefore lower SARON rates due to the predicted relaxation of monetary policy by the major central banks. A gradual recovery of the Swiss economy could again lead to a slight rise in interest rates for fixed-rate mortgages during this period.

→ interest rates moving less than 0.25% ↗ interest rates rising between 0.25% and 0.49% ↗ interest rates rising more sharply than 0.50%
 ↘ interest rates falling between 0.25% and 0.49% ↘ interest rates falling more sharply than 0.50%

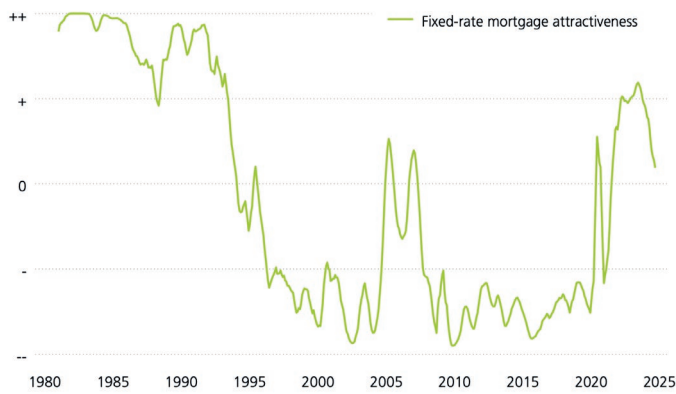
Development of mortgage rates in Switzerland



Following the tightening of monetary policy and the increase in inflation rates after the COVID-19 crisis, interest rates and therefore costs for medium- and long-term fixed-rate mortgages in Switzerland rose considerably, reaching their highest level for more than 10 years in spring 2023. Since then, however, interest rates have been falling. The costs for these mortgages are now significantly lower once again, although they remain higher than they were before monetary policy was tightened in spring 2022. Despite a possible further fall in money market interest rates in the next year, we expect that long-term interest rates and therefore the costs for fixed-rate mortgages may rise again slightly due to the gradual recovery of the Swiss economy.

Source: SIX, figures up to and including December 2021 based on Libor and from January 2022 on Saron.

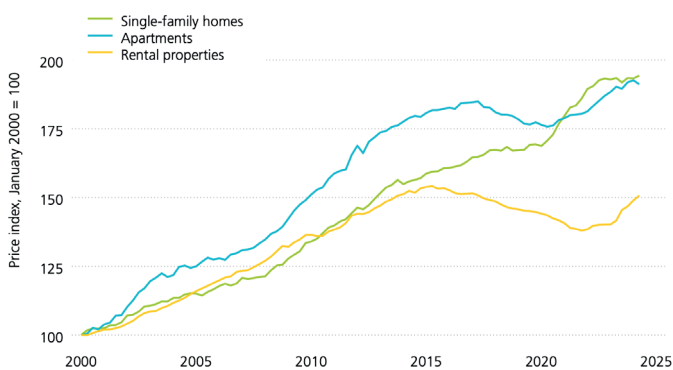
A Saron or fixed-rate mortgage



The PF attractiveness index continues its sideways trend, signalling that money market financing is increasingly able to compete with fixed-rate mortgages again. The SNB's policy rate cuts – of which there have now been three this year – have made money market financing considerably more attractive. Fixed-rate mortgages are still more attractive than money market financing options due to historically low capital market interest rates. However, this situation could change in the next 12 months. Firstly, we anticipate a further policy rate cut in spring. And secondly, we expect fixed-rate mortgages to become slightly more expensive over the course of the next year.

Source: PostFinance Ltd, SNB, SIX, Web Financial Group, SECO, KOF

Real estate price trend for single-family homes and condominiums



Prices for rental apartments are continuing to trend sideways. The prices for single-family homes have also risen again in the last quarter, after stabilizing briefly in the previous quarter. This development was spurred on by the decline in long-term capital market interest rates. By contrast, prices for owner-occupied apartments fell significantly in the third quarter and are currently lower than at the end of last year. In light of the relaxation to monetary policy, potential apartment buyers might be hoping for further drops in financing costs and waiting to make their purchases, which may have been reflected in lower offer prices.

Source: SFSO

Swiss economic data

Indicators	Q4 2023	Q1 2024	Q2 2024	2023	2024	2025
GDP growth	0.5%	0.6%	1.8%	0.7%	1.8%	1.4%
Inflation	1.6%	1.2%	1.4%	1.3%	1.2%	1.0%
Unemployment	2.2%	2.4%	2.3%	2.4%	2.4%	2.4%
Net immigration (number of people)	22,000	24,000	22,000	95,000	85,000	75,000
EUR/CHF exchange rate	0.94	0.97	0.95	0.97	0.94	0.91

Source: Bloomberg, Allfunds Tech Solutions, BfS

Terms

Inflation: Inflation is the sustained rise in the general price level for goods and services in an economy over a particular period of time. When the price level rises, the purchasing power of money falls, i.e. fewer goods and services can be bought with the same amount of money as before.

Economy: The economy refers to a country's current economic situation and reflects changes and fluctuations in economic activity. Sooner or later, upturns are followed by downturns, which is known as an economic cycle. A strong economy means good economic performance and vice versa.

Capital market interest rates: Capital market interest rates have a term of over one year. They play a decisive role in the cost of long-term financing.

Money market financing: Money market financing is available for a term of up to a year.

Policy rate: Policy rates are interest rates set by central banks and are key monetary policy instruments. Policy rates determine the interest rate at which commercial banks can borrow liquidity from central banks. As a result, most short-term interest rates in an economy fluctuate with policy rates.

Which mortgage is best suited to which interest rate situation?

At PostFinance, you'll find the ideal financing solution for your property.

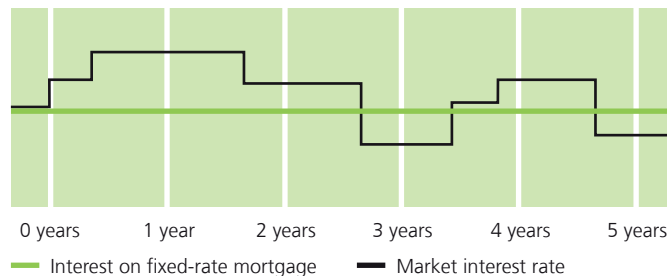
What's the right product for me?

A mortgage with a fixed rate or one where you can decide on the level of risk and security for yourself? We offer individual solutions to finance the purchase of your own home.

Fixed-rate mortgage

Perfect when interest rates are low and expected to rise. You're protected against interest rate rises and can plan your costs precisely.

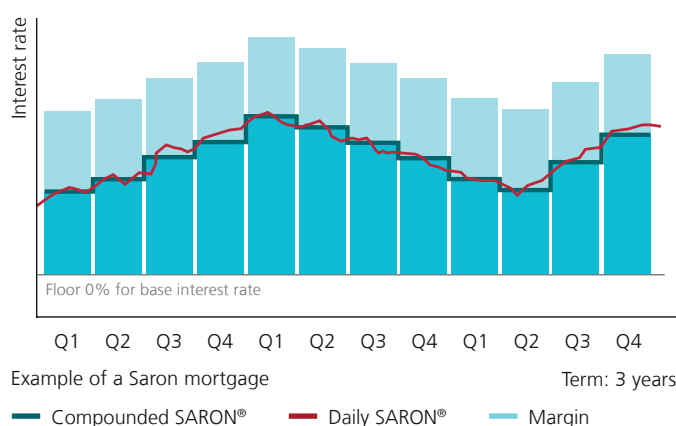
Term and interest rate



Saron mortgage

A Saron mortgage is ideal when interest rates are high to average and when declining rates are expected. The interest rate can fluctuate significantly during the term, depending on the market situation. However, the option of switching to a PostFinance fixed-rate mortgage during the term means you remain flexible.

Term and interest rate



Interested in real estate as an investment opportunity? In our [Investment compass](#) under "Market overview", you will find an analysis of the current real estate market in Switzerland.

Create a mortgage quotation now: [create a mortgage quotation](#)

Do you have any questions?

Our advisors would be happy to assist you. You can also reach us by telephone on +41 58 448 14 14 (at telecom provider's rate) or online at postfinance.ch/mortgage.

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