

Interest rate forecast for PostFinance Ltd mortgages

The cut in the SNB's policy rate makes Saron mortgages more attractive again. However, fixed-rate mortgages with a medium term still provide a less expensive financing solution.

Current economic outlook

On 21 March 2024, the Swiss National Bank (SNB) decided to cut its policy rate from 1.75 to 1.5 percent. This means the SNB is the first western central bank to relax its monetary policy conditions after the sharp rise in inflation over recent years. The SNB cut interest rates somewhat earlier than most market participants had expected, but the move doesn't really come as a surprise in view of the relatively weak domestic economy. A further interest rate cut can even be expected over the course of this year.

Swiss inflation has weakened significantly of late and, at 1.2 percent, is now back within the SNB's target range. In addition, the Swiss economy has barely grown for six quarters, making another rise in

inflation unlikely. The cut in interest rates also raises hopes that the Swiss franc will weaken again after its sharp increase towards the end of 2023. This may boost the domestic export sector and, in turn, the economy.

The policy rate cut is currently having little effect on long-term mortgages. This is essentially due to the fact that long-term interest rates in Switzerland were already at a very low level before the interest rate cut and lie well below short-term interest rates. With a yield to maturity of 0.6 percent on 10-year Swiss government bonds, an increase – despite the fall in the short-term interest level – cannot be ruled out.

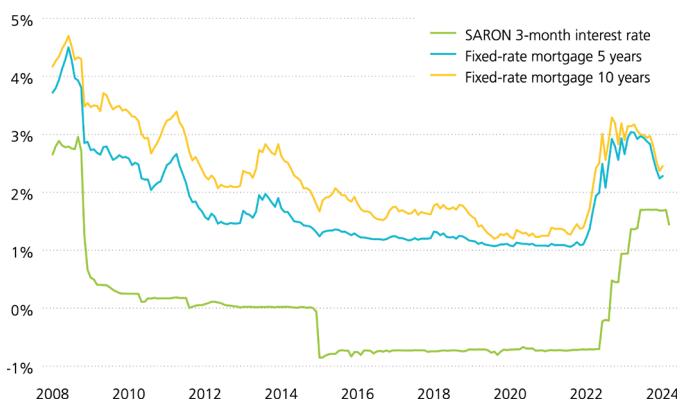
Interest rate forecast

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

No significant changes to mortgage rates are expected over the coming months. In view of low inflation and the weak economy, the SNB may cut interest rates again, leading to a lower Saron rate. However, this move would probably only benefit long-term mortgage rates to a limited extent. Capital market interest rates are currently already well below money market rates as well as below the rate of inflation, which isn't sustainable long-term. We actually anticipate that interest rates on longer-term fixed-rate mortgages will go up again over the medium term.

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

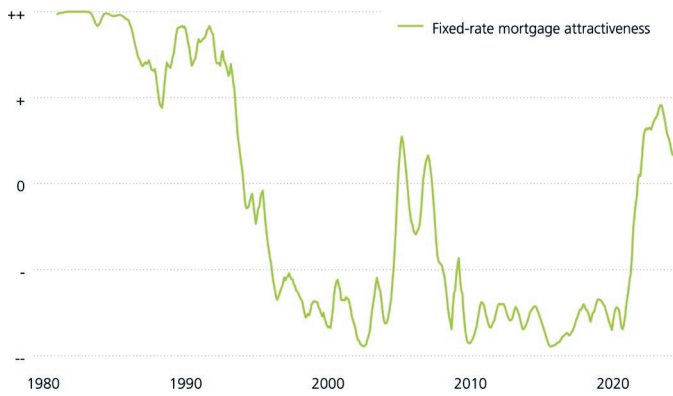
Development of mortgage rates in Switzerland



With the relaxation of monetary policy after the global financial crisis, both the short-term Saron rate as well as medium and long-term mortgage rates have fallen. It was not until the SNB tightened its monetary policy again in response to the sharp rise in inflation during the COVID-19 pandemic that the level of interest rates rose significantly again. In March 2024, the SNB has now cut its policy rate again for the first time. This and further relaxation measures were already expected on the capital market. As a result, interest rates on fixed-rate mortgages have fallen sharply over the past six months.

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

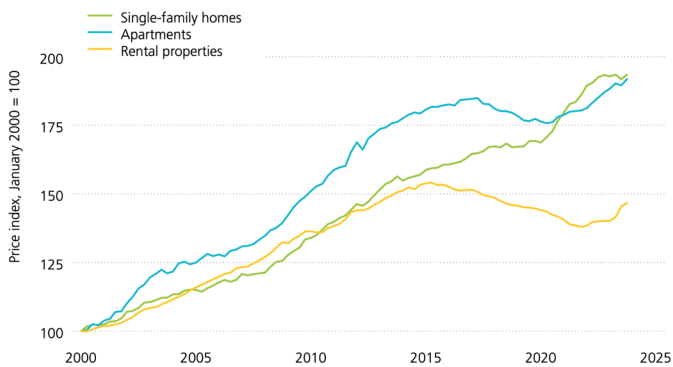
A Saron or fixed-rate mortgage



The SNB's latest decision makes short-term money market financing solutions, such as Saron mortgages, less expensive again. According to the PF attractiveness index, medium-term, fixed-rate mortgages are currently even more attractive than Saron mortgages. However, this situation could change again over the coming years. On one hand, there is a risk of the financing costs of fixed-rate mortgages rising again due to upward pressure on long-term interest rates. Further policy rate cuts would also make Saron mortgages even more attractive.

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

Real estate price trend for single-family homes and condominiums



The decline in real estate prices for apartments and single-family homes in the third quarter of 2023 did not turn out to be a sustained trend reversal. These prices climbed sharply again in the final quarter. A key factor was the significant fall in capital market interest rates in December. Lower capital market interest rates are leading to higher valuations. The value of rental properties has also gone up even further. In addition to lower capital market interest rates, rent rises – permitted by the increase in the reference interest rate – have played a key role.

Source: SFSO

Swiss economic data

Indicators	Q2 2023	Q3 2023	Q4 2023	2023	2024	2025
GDP growth	0.4%	0.4%	0.6%	0.7%	1.0%	1.4%
Inflation	2.1%	1.6%	1.6%	2.1%	1.3%	1.5%
Unemployment	1.9%	2.0%	2.2%	2.0%	2.4%	2.2%
Net immigration (number of people)	29,000	22,000	22,000	95,000	80,000	75,000
EUR/CHF exchange rate	0.98	0.97	0.94	0.97	0.93	0.91

Source: Bloomberg, Web Financial Group, BfS

Which mortgage is best suited to which interest rate situation?

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

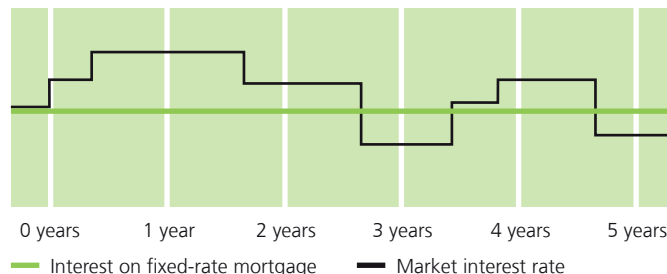
What's the right product for me?

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.

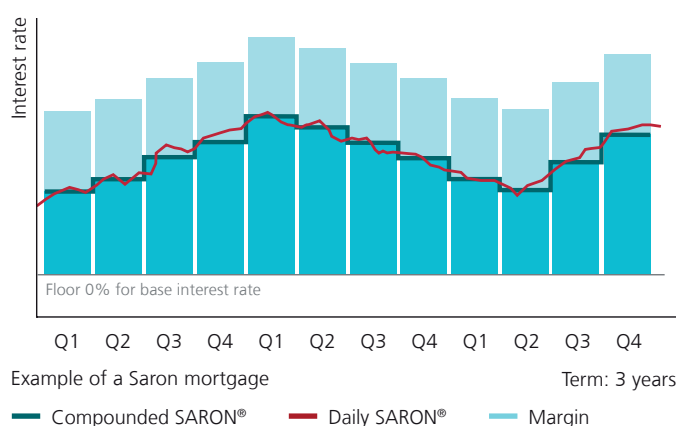
Term and interest rate



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? Our [Market overview](#) provides an analysis of the current real estate market in Switzerland.

Create a financing proposal now: [Mortgage financing proposal](#)

Do you have any questions?

Our advisors would be happy to assist you. You can also reach us by telephone on 0848 888 700 (max. CHF 0.08/min. in Switzerland) or online at [postfinance.ch/mortgage](#).

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