

Interest rate forecast for PostFinance Ltd mortgages

Another cut to Swiss policy rates has reduced the cost of Saron mortgages again. However, fixed-rate mortgages remain attractive due to low capital market interest rates by historical comparison.

Current economic outlook

Saron mortgages became even more attractive in mid-June after the Swiss National Bank's (SNB) second interest rate cut. With a policy rate of 1.25 percent, money market interest rates now stand at the level of inflation rates again. This is remarkably low by historical comparison. As another sharp rise in inflation is not expected, the conditions for stability on the Swiss interest market appear to have been created.

The fact that Swiss inflation has reentered the range equated with price stability is also due to our weak economic performance. Per capita income in Switzerland has not risen for over two and a half years – the result of weak global demand for industrial goods and

the economic weakness of our northern neighbour Germany. This headwind looks set to hold back Swiss economic growth into the coming winter.

A weak economy can also lead to low capital market interest rates for extended periods and, in turn, attractive interest rates on long-term fixed-rate mortgages. Interest rates on 10-year Swiss federal government bonds, for example, currently stand at just over 0.5 percent. We believe that this may be just a temporary development. If the economy picks up in winter, a slight rise in capital market interest rates may be expected.

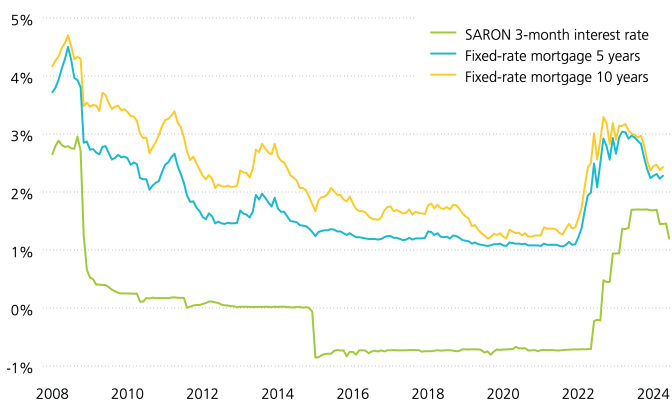
Interest rate forecast

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

The table shows our mortgage interest rate forecast for various terms. We do not expect a significant change for the time being. As inflation is still falling, the SNB may even cut interest rates again in the autumn, which would lead to a further reduction in Saron interest rates. Expectations of another cut to interest rates could cause long-term mortgages to trend sideways. If the economy improves this year, however, interest rates on fixed-rate mortgages would then be expected to rise.

→ 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%

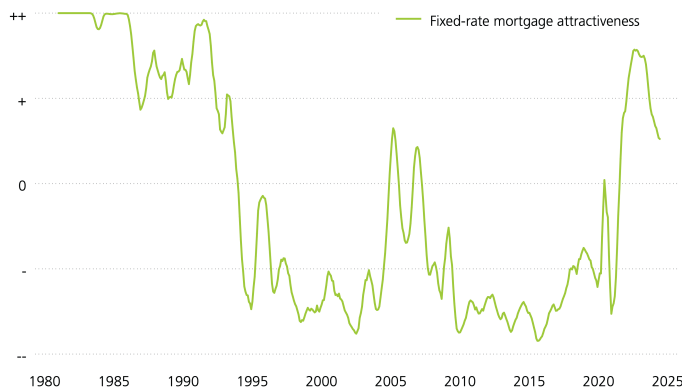
Development of mortgage rates in Switzerland



With the relaxation of monetary policy after the global financial crisis, both the short-term Saron rate and 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 and June 2024, however, the SNB lowered its policy rate again. These and other expected relaxation steps were gratefully received on the capital market, with interest on long-term mortgages falling.

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

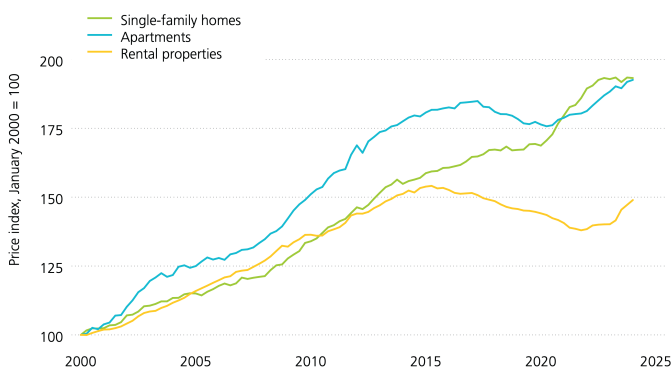
A Saron or fixed-rate mortgage



PostFinance's attractiveness index indicates that fixed-rate mortgages have become less attractive again. In particular, the SNB's decision to lower its policy rates twice this year is making short-term money market financing solutions, such as Saron mortgages, increasingly attractive. However, fixed-rate mortgages are currently still more attractive than short-term money market financing options due to historically low capital market interest rates, although this may change in the foreseeable future. We expect capital market interest rates to rise slightly again from winter, which would increase the finance charges of fixed-rate mortgages once more. Another cut to policy rates in the autumn is a very real possibility, and this would make fixed-rate mortgages even less attractive.

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

Real estate price trend for single-family homes and condominiums



Real estate prices for apartments rose again in the last quarter, albeit less sharply than during the previous quarter. In contrast, single-family home prices have stabilized. This trend variance is largely explained by the current high prices for single-family homes. After the pandemic, single-family home prices have climbed much more sharply than those for apartments. The former may now have reached a price level where apartments are seen as more affordable. The value of rental properties has clearly risen again. Further rent rises – permitted by the increase in the reference interest rate – have played a key role in this.

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, 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.

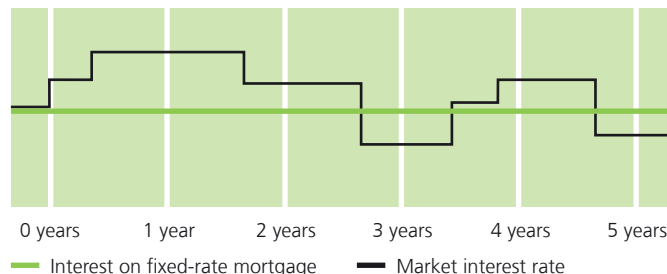
What's the right product for me?

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.

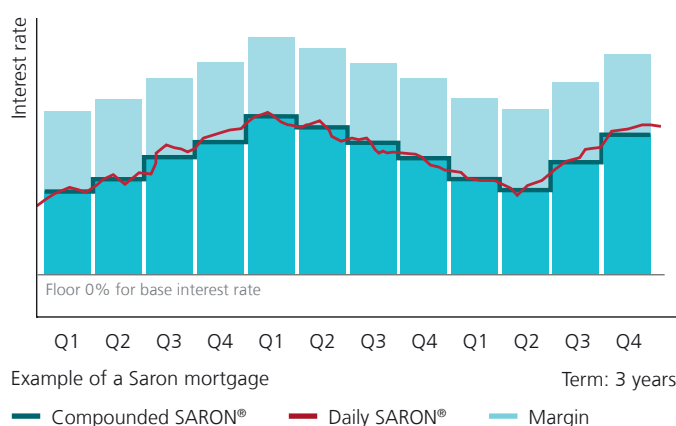
Term and interest rate



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 0848 888 700 (max. CHF 0.08/min. in Switzerland) or online at postfinance.ch/mortgage.

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PostFinance Ltd
Mingerstrasse 20
3030 Bern

www.postfinance.ch

PostFinance