

Interest rate forecast for PostFinance Ltd mortgages

Recent significant cuts to interest rates on fixed-rate mortgages have provided less expensive financing options in the form of medium-term Saron mortgages. However, interest rates on long-term mortgages may rise again over the medium term.

Current economic outlook

Interest rates on longer-term mortgages have fallen sharply in Switzerland over recent months. These cuts are due to two main factors. Firstly, the global economy has weakened considerably. China is in recession, while Europe is at risk of sliding into one due to Germany's weak economic performance. This is also impacting on the Swiss economy, which, due to the fact that it is small and open, has close links with the European and Chinese economies. The economic weakness has also caused Swiss inflation to fall more quickly than many economists expected.

Secondly, the central banks have responded to this economic news by not raising interest rates on the money market. The financial

markets are actually starting to reflect the first interest rate cuts in their expectations for 2024. This has led some banks to cut their refinancing rates significantly, which they will probably pass onto their customers over the coming months.

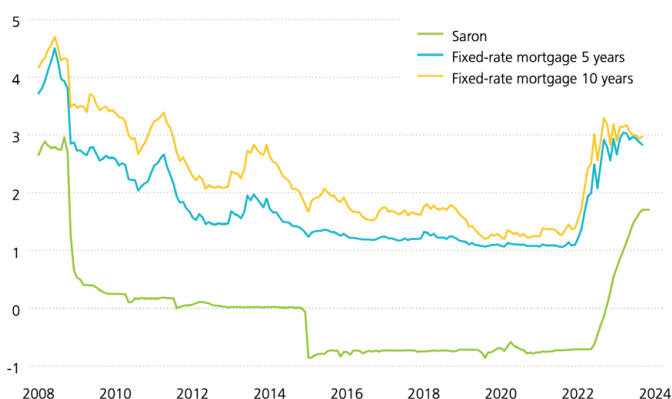
At the same time, we can imagine that current capital market rates may be slightly too low. In light of rising rents and incidental rental costs, inflation in Switzerland is set to rise again slightly over the coming months. With expected inflation of over 2 percent, final yields to maturity of just 0.6 percent on 10-year Swiss federal bonds seem too low, which means a general increase in the interest rate level is expected over the course of the year.

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 next three months. In view of the weak economy and moderate inflation, SARON rates are likely to fall slightly over the course of the year. At the same time, capital market-oriented, long-term mortgage interest rates are set to rise, because capital market interest rates should not lie below expected inflation for a long period.

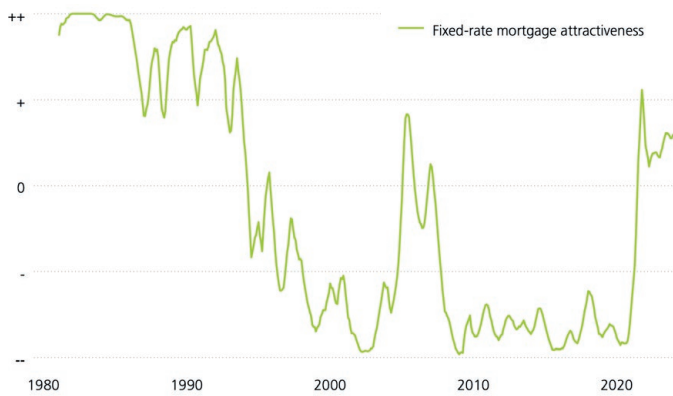
Development of mortgage rates in Switzerland



With the easing of monetary policy due to the global financial crisis, interest rates on medium- and long-term mortgages have continually fallen. There was a reversal in trend only after the inflation problem that arose following the COVID-19 crisis. In mid-2022, the Swiss National Bank (SNB) tightened monetary policy considerably to rein in inflation, causing mortgage interest rates to go up again. However, interest rates on fixed-rate mortgages have dropped again recently due to the prospect of a relaxation to monetary policy, and they are now more than competitive against Saron mortgages.

Source: SNB; the figures up to and including May 2021 are based on Libor and from June 2021 on Saron.

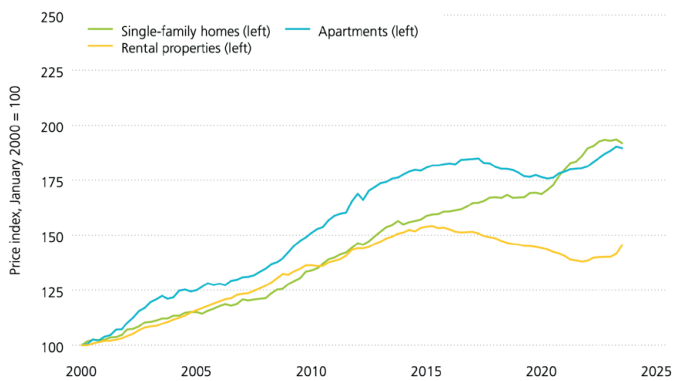
A Saron or fixed-rate mortgage



Weakening inflation and the prospect of monetary policy easing have led to a fall in swap rates and, as a result, longer-term fixed-rate mortgages. The costs of a medium-term, fixed-rate mortgage are now much lower than those for a Saron mortgage. As a result, a medium-term, fixed-rate mortgage is currently a more attractive financing option than the money market. To enable a Saron mortgage to compete with a fixed-rate deal, the policy rates in Switzerland will have to be cut not just quickly, but also significantly. However, long-term interest rates may rise again in the medium term, increasing the financing costs for a fixed-rate mortgage once more.

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 and single-family homes fell slightly during the third quarter of this year. Significantly higher long-term capital market interest rates during the third quarter, the weak Swiss economy and gloomy consumer sentiment put the price trend under pressure. However, the tight supply situation continues to prop up prices and may well have prevented a more drastic correction. Rental property prices are currently rising. Rent rises – made possible by an increase to the reference interest rate – seem to have played a key role in making rental properties more attractive.

Source: SFSO

Swiss economic data

| Indicators | Q1 2023 | Q2 2023 | Q3 2023 | 2023 | 2024 | 2025 |
|------------------------------------|---------|---------|---------|--------|--------|--------|
| GDP growth | 1.6% | 0.3% | 0.3% | 0.5% | 1.0% | 1.2% |
| Inflation | 3.2% | 2.1% | 1.6% | 2.0% | 2.0% | 1.2% |
| Unemployment | 2.1% | 1.9% | 2.0% | 2.0% | 2.2% | 2.4% |
| Net immigration (number of people) | 29,000 | 22,000 | 22,000 | 95,000 | 80,000 | 75,000 |
| EUR/CHF exchange rate | 0.99 | 0.98 | 0.96 | 0.97 | 0.94 | 0.91 |

Source: Bloomberg, Web Financial Group, SFSO

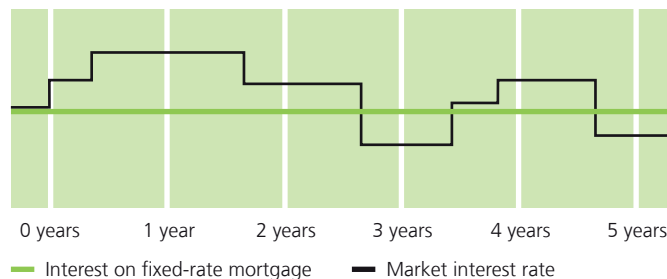
Which mortgage is best suited to which interest rate situation?

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

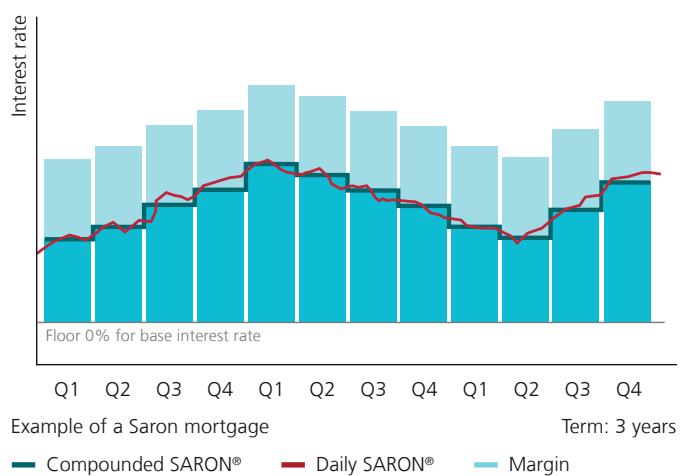
Term and interest rate



Saron mortgage

The Saron mortgage is ideal when interest rates are high to average and when rate cuts 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



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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