

# Mortgage interest rate forecast

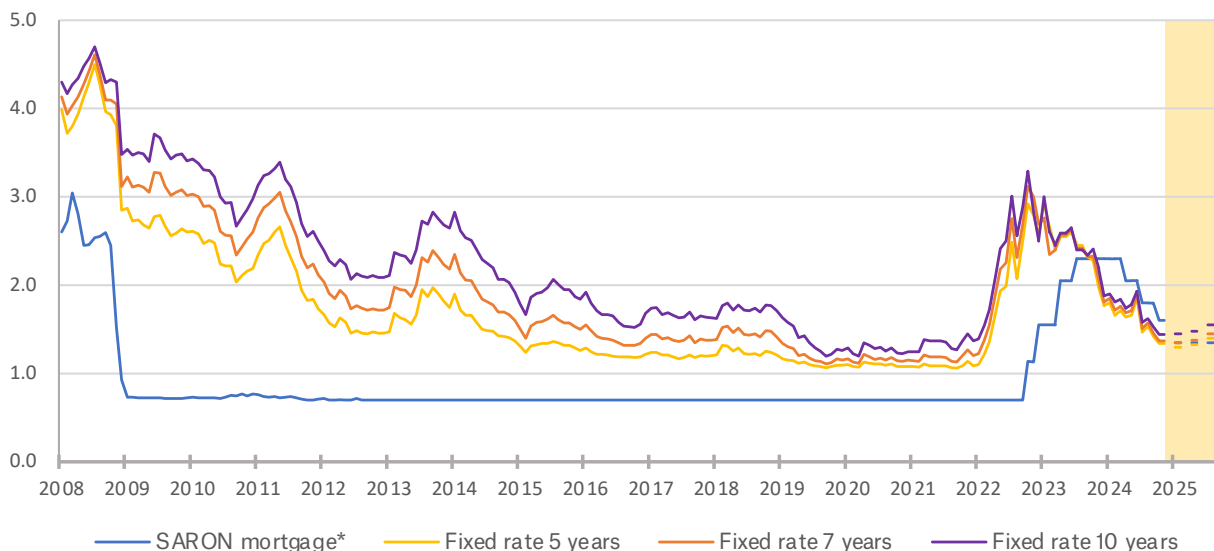
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## Reference rates continue to fall globally – why are mortgage interest rates not following at the same pace?

On September 26, 2024, the Swiss National Bank (SNB) lowered the key interest rate for the third time in a row by 0.25% to 1.00%. The main driver behind this decision was the further decline in inflationary pressure, which was exacerbated in particular by the appreciation of the Swiss franc and falling energy prices. In its communication, the SNB has signaled that further measures (including cuts in the key interest rate) could follow. The market currently expects the key interest rate to be lowered by a further 25-50 basis points over the next 12 months. Particularly in view of the high probability of interest rate cuts by the Federal Reserve (USA) and the European Central Bank (EU). This ongoing trend with a positive impact on mortgage interest rates contrasts with the Basel III regulations that will come into force from 2025. Due to stricter capital

requirements for banks, the costs of granting mortgages will increase. The fact that lenders are preparing for the "new reality" has become increasingly apparent since the start of Q3 2024: while 10-year CHF swaps have fallen by around 75 basis points in the last three months, 10-year fixed-rate mortgages have only fallen by around 45 basis points on average. Due to this development and the interest rate cuts that have already been priced in, we believe that the time is right for mortgage holders to consider fixing their mortgage, also for a longer term. Despite considerable uncertainty regarding the final impact of the implementation of the Basel III standards and ongoing global uncertainties, a stabilization of interest rates at a moderate level in the coming years remains the most likely scenario - assuming no drastic geopolitical developments occur.

## Historical mortgage interest rates



\* Interest rate of the SARON mortgage as of 31.01.2021 (consisting the lender's Margin and the SARON rate). Before: LIBOR-rate.  
 Source: Data portal Schweizer Nationalbank (average mortgage interest rates) and SIX Swiss Exchange AG, last data point: 25.09.2024.

## Mortgage interest rate forecasts

Interest rate in %	Forecast for				Trend
	01.10.2024	3 months	6 months	12 months	12 months
SARON mortgage*	1.55	1.30	1.30	1.30	↘
Fixed rate mortgage 5 years	1.30	1.30	1.33	1.40	⇒
Fixed rate mortgage 7 years	1.35	1.35	1.38	1.45	⇒
Fixed rate mortgage 10 years	1.45	1.45	1.48	1.55	⇒

\* Interest rate of the SARON mortgage consisting of the SARON rate and the margin of the lender.

The interest rates listed are expected benchmarks in the form of an average view on the offers of various providers. Historical performance and financial market scenarios are not reliable indicators of future results. This publication is for information purposes only and does not constitute a recommendation, offer or solicitation.