Switzerland

By Valentino Guggia, Michelle Müller, Migros Bank,
Remo Kübler, Manuel Kummer, Swiss Bankers Association (SBA)

IN A NUTSHELL

- → Mortgage market growth remained robust: Outstanding mortgage volumes reached 1,243 billion CHF at end-2025, increasing by 3.1% year-on-year, supported by low interest rates and rising property prices. Lending standards remained prudent, with low default rates and continued reliance on strict affordability criteria.
- → Structural shortage continues to drive housing prices: Residential property prices have increased significantly over recent years (around +30% over five years), driven by persistently strong demand and limited supply. New construction activity has declined over the past decade, leading to falling vacancy rates and reduced affordability, with the homeownership rate continuing its downward trend.
- → Major tax reform approved with potential market implications: In September 2025, Swiss voters approved the abolition of the imputed rental value. The reform will remove both imputed income taxation and key tax deductions (notably mortgage interest), potentially incentivizing mortgage amortization from 2029 onwards and leading to gradual changes in housing demand and price differentiation between property types.

MACRO-ECONOMIC OVERVIEW

In 2025, there was a return to protectionist policies, with the introduction of high tariffs by the US, which made international trade more complicated. Despite the difficult environment for a relatively small and open economy like Switzerland, real gross domestic product (adjusted for sporting events) grew by 1.4%, slightly below the multi-year average. Economic growth was driven in particular by private consumption, while investment in both construction and equipment fell due to global uncertainty. The external trade balance also contributed negatively, with exports growing less than average and imports rising sharply, partly thanks to the strength of the Swiss franc.

At the sectoral level, it was once again the chemical-pharmaceutical sector that drove growth. For the rest of industry, it was a negative year with a decline in gross value added. The financial sector, wholesale and retail trade, as well as health and social services, were other sectors that drove economic growth.

Private consumption was supported by both population growth and a substantial increase in real wages (+1.6%). The labour market showed a slow but gradual increase in the unemployment rate over the year from a very low level to the historical average. In some sectors, the number of unemployed people is high relative to the number of vacancies, making the search for a new job more competitive.

Inflation in 2025 was virtually non-existent, averaging 0.2%. The strong appreciation of the Swiss franc over the year against the US dollar and, to a lesser extent, against the Euro helped to drag inflation towards the lower end of the SNB's price stability band, which lowered the key rate to 0% in June 2025.

LOOKING AHEAD

2026 looks set to be another difficult year for the global economy, due to the blockade of the Strait of Hormuz, which has led to a sharp increase in energy costs. We believe that the drag on the Swiss economy will be smaller than that of other European countries, owing to lower energy intensity and broad diversification of energy production. Rising energy prices are not expected to put price stability (inflation between 0 and 2%) in danger, so we do not expect the SNB to change course.

HOUSING MARKETS

Nationwide, transaction prices for residential property have risen significantly over the past five years, applying to both condominiums and single-family homes. During this period, property prices in Switzerland have grown by almost 30%[1]. The prices for single-family homes have increased slightly more than those for condominiums, which can be attributed, among other factors, to the high demand for houses and the limited supply of such properties. However, the demand for condominiums also remains consistently high. The zero-interest environment and the associated low mortgage rates are fuelling this demand. Due to the elevated price levels, the proportion of residents who can afford homeownership has decreased.

On the other hand, supply has declined amidst growing demand. The number of newly constructed residential buildings has steadily decreased over the past 10 years, as has the number of newly built single-family homes. The total number of newly constructed apartments has also been continuously declining since 2019[2]. This is reflected in the vacancy rate, which has been steadily decreasing nationwide since 2021[3].

Regionally, prices vary significantly. While major cities, suburban areas, and municipalities with low taxes, lakefronts, or scenic views command high prices, purchase prices in more rural regions are still significantly lower. These regional price differences are clearly evident. Additionally, the structure of available properties differs. In cities and suburban areas, smaller units and predominantly apartments for sale are often found. In rural regions, on the other hand, larger apartments with many rooms or houses are more commonly offered.

The homeownership rate in Switzerland has also declined over the past 10 years and currently stands at 35.7%[4]. This is partly due to population growth, while the supply of new ownership properties has simultaneously decreased. Additionally, prices have risen sharply during the same period, making it more difficult for many households to purchase a home. Furthermore, wages have increased significantly less than the prices for residential properties. While single-

1 https://data.snb.ch/en/topics/uvo/cube/plimoinchq

2 https://www.bfs.admin.ch/bfs/de/home/statistiken/bau-wohnungswesen/bautaetigkeit/wohnungsbau-jaehrlich.assetdetail.35965085.html

3 https://www.bfs.admin.ch/bfs/en/home/statistics/construction-housing.gnpdetail.2025-0588.html

4 https://www.bfs.admin.ch/bfs/en/home/statistics/construction-housing/dwellings/housing-conditions/tenants-owners.html

family homes remain popular, fewer of them are being built. As a result, many prospective buyers are increasingly turning their attention to apartments. Condominiums generally offer a broader range of options, and more properties are being developed in this segment in the new construction market.

MORTGAGE MARKETS

MARKET DYNAMICS

At the end of 2025 mortgage volume stood at 1,243 billion CHF, an increase of 3.1% compared to the previous year. Growth has been constant for several years and is the result of several co-existing factors such as low interest rates, constantly rising property prices, and tax deductibility of interest. Together with the absence of a mandatory amortization of mortgages from a loan-to-value threshold of 66%, these factors have led many borrowers not to repay their loans early. This could change as of 2029, when the abolition of rental value takes effect, changing the rules of the game as interest will no longer be tax-deductible. This could incentivize homeowners to fully or partially repay their mortgages and curb the growth of mortgage volume.

Banks' restrictive criteria for mortgage lending through credit sustainability calculations prevent buyers from over-leveraging and reduce default rates, which remain very low.

The trend towards the so-called professionalisation of the real estate market with regard to income-generating properties continues, as real estate companies and investment funds have recorded a higher growth in the volume of real estate than private investors.

Mortgage rates fell in the course of 2025, levelling off in the second half of the year. But the demise of a major player like Credit Suisse, which reduced competition, and stricter rules on corporate financing of real-estate projects, partly curbed the decline in rates.

NON-MARKET LED INITIATIVES

On 28 September 2025, the Swiss electorate approved in a referendum the abolition of the imputed rental value with 57.7% of the vote, thereby concluding a long-standing political debate.

The imputed rental value refers to a notional income that homeowners have historically been required to declare for tax purposes. It assumes that living in one's own property provides a financial benefit equivalent to saved rent, which is treated as taxable income. In return, mortgage interest and maintenance costs have been deductible.

The reform abolishes the taxation of this imputed income for both primary and secondary residences, while largely removing tax deductions – particularly for mortgage interest and maintenance. The reform thus represents a fundamental shift in the taxation of owner-occupied housing.

While the political decision was taken in 2025, the new regime is expected to enter into force from 2029, implying a multi-year transition period during which the existing rules continue to apply.

From a market perspective, moderate effects on residential property prices are expected. In the short-term, renovation activity may increase as households seek to benefit from remaining tax deductibility. The abolition of maintenance-related deductions is expected to increase the visibility of quality differences. Modern and energy-efficient properties are likely to remain attractive, while older properties may face price pressure as renovation costs must be fully borne and more explicitly priced in, leading to stronger differentiation between new and existing housing stock.

Over the medium term, mildly supportive effects on prices are expected, but these are unlikely to materially affect overall price dynamics due to offsetting factors.

More generally, structural factors – such as interest rates, population growth, employment, and persistently low vacancy rates – are expected to remain the main drivers of residential real estate prices.

MORTGAGE FUNDING

Traditionally, Swiss banks finance their mortgage lending largely through customer deposits, albeit the specific share varies from bank to bank. According to SNB data, mortgage loans account for 57% of banks' domestic assets, while customer deposits amount to 64% of domestic liabilities (as of 2025). Covered Bonds collateralised by real estate mortgage loans are another important source of funding, accounting for about 18% of total outstanding mortgage loans in 2025. Historically, the Swiss covered bond market has been mainly driven by two specialized institutions: The Pfandbriefzentrale der Schweizerischen Kantonalbanken AG and the Pfand-briefbank Schweizerischer Hypothekarinstitute AG, both with the exclusive right to issue Swiss Pfandbriefe for their member banks under the Federal Pfandbrief Act. Their market share amounts to 37.3% of domestic CHF-denominated bond debtors and 15% of Swiss mortgage loans.

In 2025, four institutions – Cornèr Bank, Crédit Agricole Next Bank (Suisse) SA, UBS, and Valiant Bank AG – had their own covered bond programmes under contractual private law totalling CHF 26.7 bn, CHF 26 bn of which were issued by Swiss entities of these banks, thus diversifying their funding sources. However, these are structured programs that are not subject to the Pfandbrief legislation.

In addition to customer deposits and covered bonds, banks use interbank loans, other bonds, and equity to refinance their mortgage lending business.

GREEN FUNDING

In line with the Swiss government's financial market policy and its strategy to establish Switzerland as a leading hub for sustainable finance, the SBA set out new self-regulatory minimum standards on mortgage lending, which entered into force on January 1st, 2024. These Guidelines for Mortgage Providers on the Promotion of Energy Efficiency encourage sustainable property financing by requiring banks to advise clients on energy efficiency and on the long-term value retention of the building when financing owner-occupied single-family homes and holiday homes.

Furthermore, mortgage providers are also expected to provide information on available public and private funds for building renovations as well as on independent experts or specialist bodies for obtaining specific technical advice on the energy impact and financial effects of any optimisation measures.

Banks have issued green and sustainable bonds, the proceeds of which are used to refinance mortgages that meet specific environmental and social criteria. As of the end of 2025, green and sustainable bonds emitted by commercial banks active in Switzerland amounted to approximately CHF 2.4 bn.

	SWITZER-LAND 2024	SWITZER-LAND 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	1.3	1.3	1.5
Unemployment Rate (LSF), annual average (%) (1)	4.4	4.9	6.0
HICP inflation (%) (1)	1.1	n/a	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	42.6	42.0	68.5
Gross Fixed Investment in Housing (annual change) (1)	-0.8	n/a	2.8
Building Permits (2015=100) (2)	n/a	n/a	86.9
House Price Index - country (2015=100) (1)	128.3	133.5	161.92
House Price Index - capital (2015=100) (2)	141.7	149.6	n/a
Nominal house price growth (%) (1)*	3.5	n/a	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	1,294,423.03	1,334,550.14	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	n/a	n/a	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	n/a	n/a	81.39
Gross residential lending, annual growth (%) (1)	n/a	n/a	2.8
Typical mortgage rate, annual average (%) (2)	1.5	1.32	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

SWITZERLAND FACT TABLE

Which entities can issue mortgage loans in your country?	Banks, insurers, and pension funds issue mortgage loans. However, from a legal perspective, private individuals can grant mortgages too.
What is the market share of new mortgage issuances between these entities?	Not available.
Which entities hold what proportion of outstanding mortgage loans in your country?	In 2024 Banks accounted for about 94% of the total outstanding mortgage loans. The rest of the market was shared by insurers (~3%) and pension funds (~3%).
What is the typical LTV ratio on residential mortgage loans in your country?	The median LTV for new mortgage loans of self-occupied residential real estate granted in 2025 stands at 70%.
How is the distinction made between loans for residential and non-residential purposes in your country?	The Capital Adequacy Ordinance (CAO) differentiates between loans for residential properties and loans for other properties. Residential properties are defined as properties that are self-occupied and/or rented out by the borrower.
What is/are the most common mortgage product(s) in your country?	Fixed-rate mortgages are the most common mortgages in Switzerland, and their maturity can range between 2 and 15 years.
What is the typical/average maturity for a mortgage in your country?	Most of the (fixed-rate) mortgages offered on the market have a maturity between 3 and 10 years.
What is/are the most common ways to fund mortgage lending in your country?	Customer deposits and Swiss Pfandbriefe.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	The additional costs (i.e., property transfer tax, registration fee and notary fees) vary from canton to canton and can range from 2% to 5% of the purchase price.
What is the level (if any) of government subsidies for house purchases in your country?	There are no specific subsidies for purchasing residential real estate. However, the government scheme to promote home ownership allows for the early withdrawal and the pledging of pension assets for the purchase, the construction and the modification of owner-occupied residential property, as well as the repayment of mortgage loans and the purchase of shares in a housing association, or similar participations.