

# Residential property in Switzerland



## What newcomers to Switzerland need to keep in mind

**Authorization, financing, affordability, repayment – if you are planning to purchase residential property in Switzerland, you should first get an idea of what is required. Good advice is essential to making the right decisions from the very beginning.**

If you have recently moved to Switzerland and wish to purchase real estate, you need to be well informed in advance. The first step is to be aware of the legal requirements. If you are a citizen of an EU or EFTA country or are a third-country national and already rent a place to live in Switzerland, then you should generally already be in possession of a valid residence permit (B permit). In this case, you are permitted to acquire property or an existing building for your own use. If you have a C permit for Switzerland, you are allowed to buy more than one plot of land for residential use or real estate of any kind.

For people who are not yet resident in Switzerland, a permit is required before purchasing real estate.

### Financing your real estate

As a general rule, the mortgage lender will finance a maximum of 80% of the market value of the property. So, you will have to contribute at least 20% of the purchase price as equity yourself. At Credit Suisse AG the minimum amount for a mortgage is CHF 100,000.

Mortgage financing is normally divided into a first mortgage and a second mortgage. At Credit Suisse, the first mortgage can be for up to a maximum of 66% of the purchase price. If your need for financing exceeds that percentage, then you will have to take out a second mortgage to cover the remaining amount. The second mortgage has to be repaid in regular installments over a maximum of 15 years or before you reach the age of 65.

### Affordability calculation

In order to guarantee affordability, your total living expenses (mortgage interest, repayments, maintenance, and ancillary costs) should not exceed one-third of your gross income. That's why Credit Suisse does its calculations of theoretical mortgage interest using a long-term average rate of 5%. In addition, amortization as well as maintenance and ancillary costs, such as utility charges, insurance, and minor repairs, have to be taken into account when determining affordability. They are generally calculated at an annual rate of 1% of market value.

### Mortgage types in Switzerland

In Switzerland, a distinction is made between the following types of mortgage:

1. Fixed-rate mortgage  
Fixed-rate mortgages have a fixed interest rate for a fixed term and a fixed amount.
2. Fixed-rate mortgage with term start date in the future  
A variation of the fixed-rate mortgage, whereby the mortgage interest can be fixed up to 36 months before the term start date.
3. SARON mortgage  
A mortgage for a fixed amount and for which the interest rate is linked to the SARON.<sup>1</sup> The development of the market interest rate is reflected in the mortgage interest. If the SARON rate is negative, a SARON rate of 0.00% will be used for calculation.
4. Adjustable-rate mortgage  
A mortgage with a flexible term and flexible amount, whereby the interest rate is continually adapted to the current interest level.

<sup>1</sup> SARON = Swiss average rate overnight; interest rate banks use to extend each other short-term loans.

You can discuss the relevant mortgage products (mortgage models) and terms in detail with a Credit Suisse financing expert at any time and under no obligation.

With indirect repayment, the installments are paid into a tied pension account or safekeeping account or into a life insurance policy. These amounts will only be used to repay the mortgage debt when the tied pension account is closed.

### Repayment and saving on taxes

In Switzerland, a distinction is made between direct and indirect repayment. With direct repayment, you pay the bank back for the mortgage in regular installments.

### Example: Basic real estate financing calculation

	Amount (in CHF)	Remarks
<b>Financing</b>		Gross monthly income CHF 17,000
Purchase price	1,000,000	<b>100%</b>
Equity capital	200,000	20%
First mortgage	660,000	66%
Second mortgage	140,000	14%
<b>Housing costs</b>		
Annual interest costs for first mortgage (at 5%) <sup>1</sup>	33,000	
Annual interest costs for second mortgage (at 5%) <sup>1</sup>	7,000	
Annual repayment (calculated over 15 years) <sup>2</sup>	9,335	Depending on the type of repayment (direct or indirect) there are also different tax benefits.
Annual maintenance and ancillary costs (calculated at 1% of market value)	10,000	Electricity, water, heating, insurance, property maintenance, and small repairs
<b>Annual housing costs<sup>3</sup></b>	<b>59,335</b>	
<b>Monthly housing costs</b>	<b>4,945</b>	
<b>Income</b>		
Gross monthly income	17,000	
<b>Affordability</b>		
Monthly mortgage charge	29.1%	Rule of thumb: no more than 33% of gross monthly income

<sup>1</sup> This 5% is a long-term average to ensure affordability even if interest rates rise.

<sup>2</sup> Mortgage repayment is made in whole or in part in equal, typically annual, amounts. The second mortgage involves a repayment obligation.

It generally has to be repaid within 15 years, with a fixed repayment amount every month, before the borrower reaches the age of 65.

<sup>3</sup> The annual costs for the homeowner consist of interest, repayments, and ancillary costs. They should not exceed one-third of annual gross income.

**Data source:** Credit Suisse unless specified otherwise.

### Contact us

We will be happy to make an appointment with you. Depending on the step you want to take, we can tell you which documents you should bring to our personal meeting.

Call us at +41 844 100 114\*.

For other useful information on purchasing real estate, tips, sample calculations, document checklists, and online calculators for determining affordability, tax, and the attractiveness of a location, go to the mortgage portal of Credit Suisse at:

**[credit-suisse.com/mortgages](https://credit-suisse.com/mortgages)**

\* Phone calls may be recorded.

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