UBS Swiss Real Estate Bubble Index

Swiss real estate market

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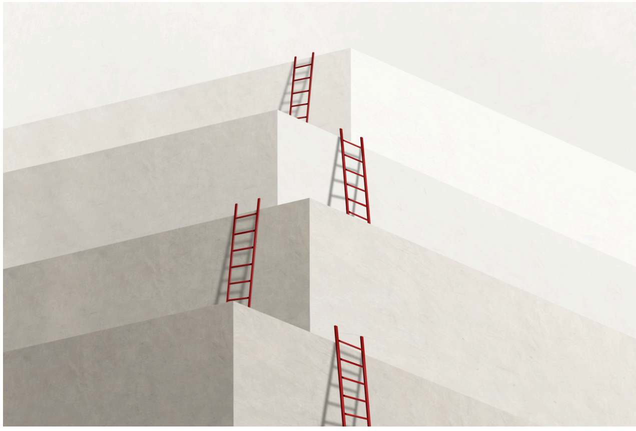
- The *UBS Swiss Real Estate Bubble Index* edged up slightly. Price momentum has continued to accelerate, and owner-occupied housing prices have risen faster than household incomes and rents. Mortgage issuance also increased markedly compared with previous quarters.
- By contrast, the user cost of homeownership relative to renting has declined, and residential construction activity has slowed further. As a result, a price correction over the next few quarters currently appears unlikely.
- Regional imbalances remain concentrated in the tourism regions of the canton of Grisons. Rising risks are evident in the canton of Vaud and the city of Zurich.



Source: iStock

The *UBS Swiss Real Estate Bubble Index* rose modestly in Q3 2025 from 0.20 to 0.29 index points. However, the index level was revised down due to new data showing lower construction activity in the prior year. The risk of a real estate bubble is assessed as moderate.

Market developments in Q3 2025

Momentum in the owner-occupied housing market remained high in Q3 2025. In year-on-year terms, inflation-adjusted home prices rose by around 3.5 percent—the highest rate in more than three years. In the rental housing market, rent increases have slowed significantly. Real asking rents are currently 1.1 percent above their level a year ago. Existing rents rose by 1.4 percent year-on-year. The reference interest rate, which fell again in September 2025, is likely to further dampen the increase in existing rents in the coming quarters.

Outlook: We expect a slight moderation in home price increases over the coming quarters. In 2026, prices are likely to rise by around 3 percent in nominal terms, outpacing both incomes and rents.

UBS Swiss Real Estate Bubble Index

3rd quarter 2025, in standard deviations. Depending on the current value, the real estate bubble risk is divided into the following four categories: Acute (above 2), Elevated (between 1 and 2), Moderate (between 0 and 1) and Low (below 0)

Source: UBS

Real estate bubble risk from four perspectives

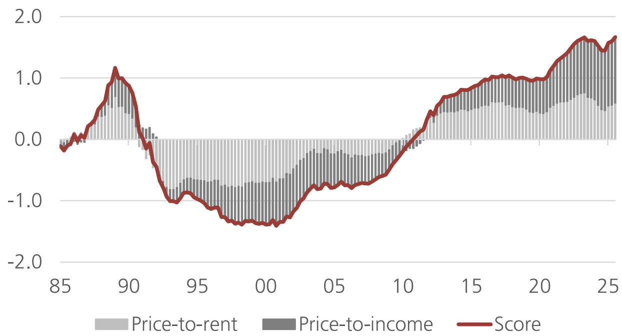
The existing imbalances and risks of the housing market are examined from four different perspectives.

Fundamentals
Score: 1.67 (previous quarter 1.60), risk: elevated

Indicators: Price-rent and price-income ratio
The gap between house prices and household incomes on one hand, and rents on the other, is an indicator of how far prices could drop and a sign of potential overvaluation. These two metrics are grouped together under the umbrella term "fundamentals."

Development: Home prices rose faster than rents in the past quarter, causing the price-to-rent ratio to increase slightly. Price growth also outpaced household income growth, leading to a slight rise in the price-to-income ratio.

Fundamentals
3rd quarter 2025, in standard deviations



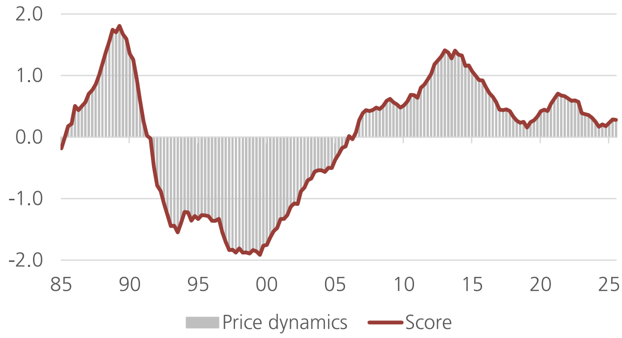
Source: UBS

Dynamics
Score: 0.28 (previous quarter 0.29), risk: moderate

Indicator: Price performance in real terms over 3 and 10 years
The occurrence of a price bubble is accompanied by an unusually high increase in residential property prices. This is a technical view without taking into account the causes of the price change.

Development: The momentum of home price increases was stable. Over the three-year average, real prices rose at an annualized rate of just under 2.2 percent, stronger than the long-term average of 1.5 percent. The ten-year average growth rate is currently also around 2 percent.

Dynamics
3rd quarter 2025, in standard deviations



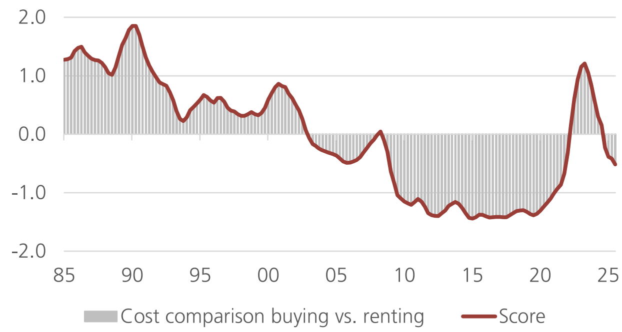
Source: UBS

Costs
Score: –0.52 (previous quarter -0.42), risk: low

Indicator: Cost comparison of purchasing vs. renting
The usage costs (capital costs, amortization, maintenance) of buying your own home and the rental costs of a comparable dwelling should roughly balance each other out in the long term. The risk of correction increases when the cost of owning a home is significantly higher than the cost of renting.

Development: Mortgage rates fell further in Q3 2025. The user cost of homeownership showed a substantial discount versus renting, although it remains significantly smaller than during the negative interest rate period.

Costs
3rd quarter 2025, in standard deviations



Source: UBS

Environment

Score: –-1.08 (previous quarter –1.20), risk: low

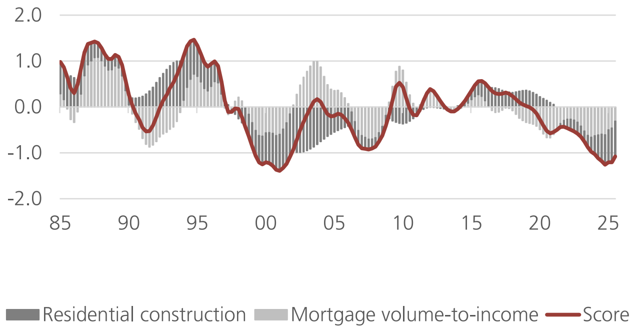
Indicators: Mortgage volume-to-income and residential construction

Real estate bubbles are usually accompanied by a loan-to-value boom among households. At the same time, construction activity is often increased, which further exacerbates the economic crisis after the end of the boom.

Development: Growth in outstanding mortgages of private households accelerated further, reaching around 2.9 percent year-on-year in Q3 2025. Net additions to the housing stock continued to decline and remain well below the long-term average. A slight increase in building permits, however, points to stabilization.

Environment

3rd quarter 2025, in standard deviations



Source: UBS

Risk contributions

The current increase in the *UBS Swiss Real Estate Bubble Index* was driven by higher scores in the "Fundamentals" and "Environment" perspectives, reflecting stronger price developments in the owner-occupied market and rising household debt. From the standpoint of fundamental factors, the risk of a real estate bubble remains persistently high.

Despite the acceleration in price growth this quarter, the overheating risk ("Dynamics" perspective) remains only moderate. Very low interest rates and comparatively low user costs speak against a price correction. Mortgage demand also remains below average in historical comparison. Taken together with insufficient new construction activity, these factors clearly speak against a price bubble.

Development over the last two years

Index value and scores of the four perspectives, in standard deviations

	Index	Fundamentals	Dynamics	Cost	Environment
2023 Q4	**0.76**	1.61	0.31	0.84	-0.98
2024 Q1	**0.61**	1.60	0.25	0.56	-1.03
2024 Q2	**0.40**	1.53	0.17	0.30	-1.12
2024 Q3	**0.28**	1.45	0.21	0.16	-1.18
2024 Q4	**0.10**	1.44	0.18	-0.23	-1.26
2025 Q1	**0.19**	1.57	0.23	-0.39	-1.20
2025 Q2	**0.21**	1.60	0.29	-0.42	-1.20
2025 Q3	**0.29**	1.67	0.28	-0.52	-1.08

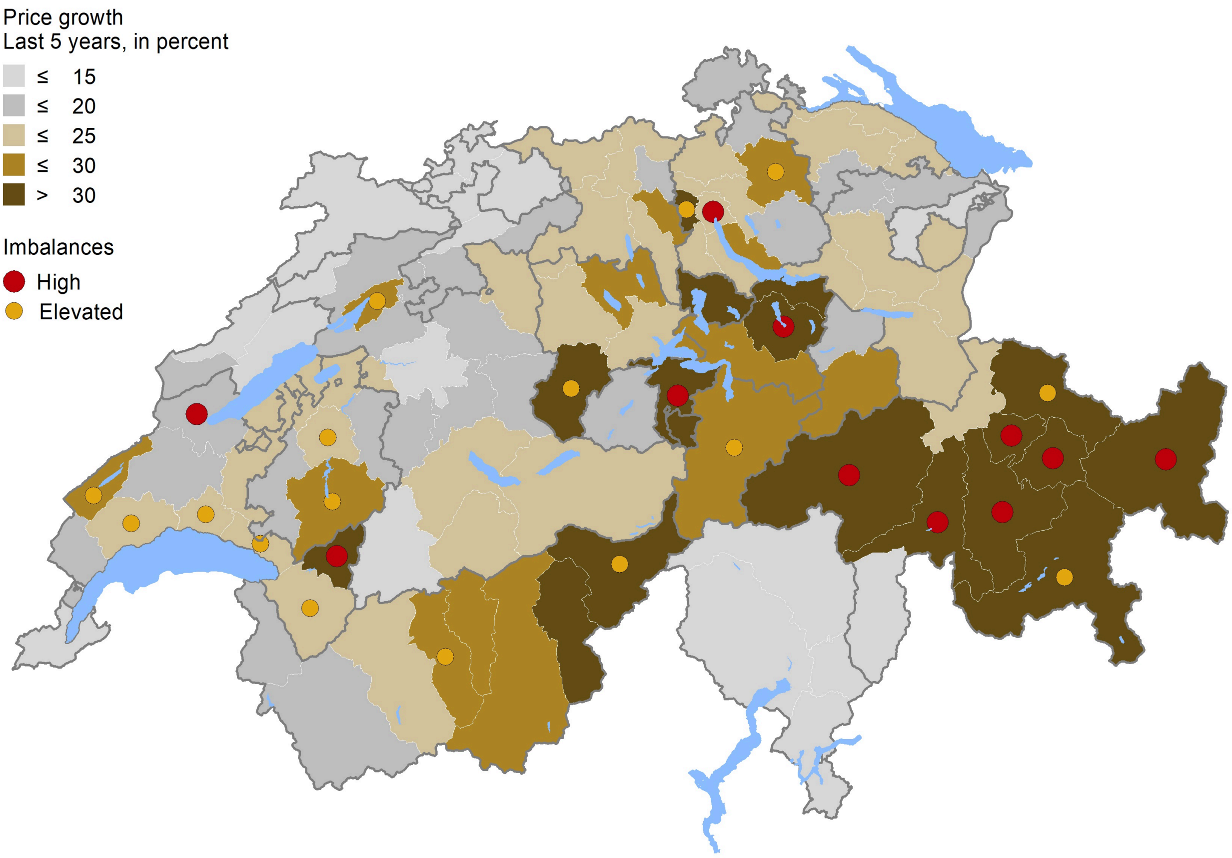
Source: UBS

Regional analysis

The map shows the price development over the last five years for all 106 economic regions in Switzerland as well as an indication of the regional risk based on the development of the price-income and price-rent ratios ("Fundamentals" perspective).

- Significant imbalances exist primarily in the tourism regions of Grisons, reflecting a second-home boom amid scarce supply.
- In Western Switzerland, imbalances around Lake Geneva have increased. In the Geneva region, however, there is still no elevated imbalance, owing to recently below-average price growth. The regions of Yverdon and Pays d'Enhaut also show high imbalances.
- In the primary residence markets of German-speaking Switzerland, in addition to the Einsiedeln region, we now also observe high imbalances in the city of Zurich and in Nidwalden.

Regional imbalances



Source: UBS. Imbalances: High: Change in price-to-income and price-to-rent ratios greater than in 90% of the regions. Elevated: Change in price-to-income and price-to-rent ratios greater than in 75% of the regions (change since Q3 2020).

Methodology

The *UBS Swiss Real Estate Bubble Index* is a model based on sub-indices. The risk of a real estate bubble, i.e. the risk of a serious price correction for owner-occupied homes, is viewed from the following four perspectives.

Fundamentals
The sub-indicators *price-to-income* and *price-to-rent ratios* reflect the potential drop in owner-occupied property prices in the event of very sharp rises in interest rates or a deterioration in the economic environment.

Dynamics
The purchase prices to consumer prices sub-indicator feeds into the model as a rate of change. High *real price increases* are more or less a necessary condition for a real estate bubble.

Costs
The *occupancy cost comparison* between an owner-occupied home and a comparable rental property shows the current incentive for buying a home to live in or to rent out.

Environment
The systemic risk of oversupply in the housing market and of excessive construction activity is estimated based on the effective *net increase in housing* and the number of housing units granted planning permission. A second systemic indicator used is the *growth in mortgage debt* on the part of households as a ratio of the growth in household incomes.

Calculation
The real estate bubble index is made up of a total of six standardized sub-indices with equal weighting. The subindices in the environment category are standardized on a rolling basis over a period of 25 years in order to take account of structural changes in the economy. Other subindices are standardized with a long-term average.

Appendix

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