

# A Home of One's Own

**What was once a country of renters is increasingly becoming a nation of homeowners. This trend is particularly striking among middle-income people.**

Nearly one out of every two middle-class households in Switzerland owns its own home, in most cases a traditional single-family dwelling. Among the population as a whole, however, this is true of only slightly less than 40 percent of households.

More and more first-time buyers are choosing condominiums, for several reasons: For many people, scarce land and high prices are putting single-family dwellings out of reach. In addition, it is common to want to live near a town center. Condominiums are an economical alternative that has helped people in the mid to lower range of the middle class realize their dream of a home of their own. Middle-class people are most like-

ly to live in urban areas. So home ownership is no longer limited to the elite, contrary to popular belief and this has been true for some time now. Significant numbers of low-income people own their own homes (although they may have to compromise on size and location).

**Little Expectation of Financial Woes**  
Middle-income households currently pay an average of 1,545 Swiss francs for a rental apartment. This is only 83 francs less per month than the owners of single-family dwellings pay for housing (1,628 francs). Condominium owners spend only slightly less (1,554 francs). This difference is so small because condominiums are usually newer and more centrally located.

Over the years, owners have paid more in housing costs, on average, than renters (also because their homes tend to be larger). The difference is currently small, however, largely because mortgage

interest rates are at historically low levels. Today a middle-class income can easily cover the cost of purchasing a home, while adhering to the "golden rule" of financing, which holds that no more than a third of one's income should be spent on housing. Over the long term, however, as interest rates return to normal levels, homeowners' housing costs will increase dramatically – by more than 50 percent. Yet as long as the employment or wage situation does not deteriorate, Switzerland's middle class is unlikely to experience serious financial woes.

Marc Bill is an economist at Credit Suisse.

## HOUSING COSTS BY INCOME AND HOUSING TYPE

Housing costs as a proportion of gross household income (percent), monthly housing costs (CHF), bar width = proportion of population

