

# UBS immo *news*

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*Many houses in Switzerland are showing their age and renovation work is due.*

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## Plan and finance your renovation work *prudently*

**Many houses in Switzerland are showing their age. That's why many of their owners realize, sooner or later, that it's time to smarten the place up with a coat of paint or even some serious renovation work.**

In practice, it is often the defects and blemishes that get homeowners thinking about giving the place a facelift. For some time, they've been thinking about a new kitchen or wondering how to cut the heating bills. But the experts warn that homeowners shouldn't rush into getting individual jobs of work done. Especially if your property is older, it is worth analyzing what's actually possible given the building's design and structure and the planning and building laws. In many municipalities, there is scope for making more use of plots of land, so it may be possible to add an extension or a storey to the building on the plot or even build a second dwelling on it. There is no rule of thumb for deciding whether old buildings are worth preserving. Lots of houses look run-down on the outside, but are of sound architectural quality. On the other hand, a building's attractive appearance can conceal quite serious defects.

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## Editorial



**Roger von Mentlen**  
Head of Private Clients Switzerland

Dear Reader,

Every newly built home is fresh, new and shining. Time, though, eats away at every edifice. The day comes when much of the fabric and the building equipment as a whole are out of date. The property may well still be of note architecturally, but its outward appearance makes it look dilapidated. Another consideration is that the sort of housing and space you need can change in the course of a lifetime, as can your idea of what a good location is.

You can find out about the best ways to plan alterations to your property on pages 1 and 3 of UBS immo news.

On page 4, we've compiled some tips on the right way to plan, design and use your balcony or terrace. We trust they'll help you keep on getting the most out of your home.

This spring saw the approval of the second homes initiative. Find out more about it on page 2.

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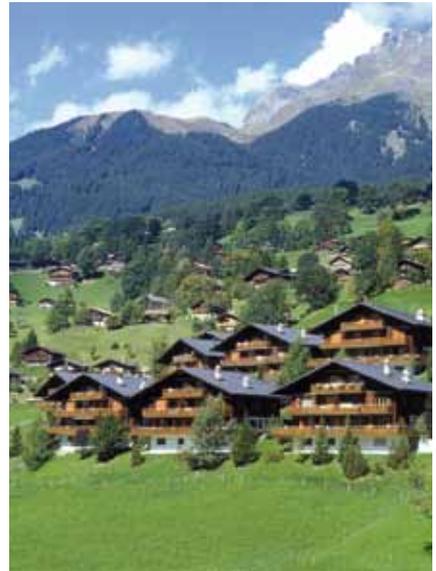
# The second homes initiative: *What comes next?*

The initiative "to stop the excessive building of second homes," which proposes to limit the number of second homes to 20 percent of the housing stock, was approved by the electorate and parliament on March 11, 2012. Much remains unclear about how this is to be achieved.

The initiative's proponents explain that the owners of existing second homes in tourist areas are protected against expropriation, so they will be able to sell their properties as holiday homes. What remains uncertain, however, is what the effects on the owners of first homes will be, as it is not clear whether homes that are currently first homes can be converted into second homes. The revised Spatial Planning Law, which has been in force since July 1, 2011, already requires cantons and municipalities to take steps by July 1, 2014, to limit the number of new second homes and make better use of those that are already there. This is an area where the law will probably also need to be amended.

### Tax on second homes?

One potential risk for owners of second homes is that the municipality might try to get a share of the higher value resulting from the ensuing shortage of second homes by levying a special tax (to compensate those whose main home is situated there, for example). Something of the sort has already been tried in Silvaplana, where a tax on existing second homes has been brought in. However, the owners of holiday homes have already contested this in the courts. Whether holiday homes are newly built or existing properties, limiting the proportion of them to 20 percent of the total housing stock can be expected to push their price up even further. Owners of existing holiday homes are therefore likely to benefit overall from the rules on second home building. It is the owners of building land in areas popular with tourists who are



really going to lose out, as the value of their land is set to fall – sometimes very considerably.

### Outlook

The effects of the initiative will become known only in a few months' time, when the draft legislation is produced for consideration. Should no consensus be reached, the Federal Council will, from March 11, 2014, onwards, be able to make the rules by enacting an ordinance. Likely sticking points when the time comes to implement it include the position of owners of first homes and exceptions for rented second homes. Generally speaking, we view the prices and price rises in many municipalities that are top tourist attractions as excessive. However, as supply grinds to a halt, it is to be expected that prices will be pushed still higher in the coming years.

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### How long will the property last?

If you own your own home, it is vital to check out its strengths and weaknesses carefully. As this is something that most of us are not in a position to do, it is worth seeking advice from an architect or construction expert. In-depth analysis of the property's fabric can often give an indication of whether renovation is possible or advisable and how much it would cost. Experts can estimate accurately how much longer the parts of the building will last. Heating systems, the building shell and the building equipment will often need to be replaced every 20 to 25 years. Energy efficiency, too, is a pressing concern these days. As a general rule, properties that are well maintained and cared for will keep their value and are much easier to sell on at a profit.

### Strategic issues

Further planning will depend on what needs the property is meant to meet in the longer term. Is the number of rooms appropriate for future requirements? Is the house too big or too small? Is it a suitable place for an older person to live in? People in their fifties and sixties often start thinking about moving from the countryside or the suburbs into the city center, perhaps into a smaller apartment that is easier to look after.

The next step is to consider the financial side: How much of a lump sum payment will I get when I retire? Will I then still be able to afford the property and any renovations that may be needed? This is where you need to get together with your UBS client advisor to estimate your future income and outgoings and put together a financial plan. Along with the objective facts and figures, there are also personal and emotional aspects to think about. There's the question, for example,

of whether the house is important to the family as a whole, and where the right base for the next stage of life will be. Many families consider the possibility of passing the house onto the next generation while the parents are still alive, with the children, in return, according them the right to live in it or use it.

### Your project and financing it

As soon as the fundamental questions have been answered, it is time to prepare for the next steps by defining the project in broad terms. If you have something big in mind, the initial plans will generally be drawn up by an architect, who will also do a rough estimate of the costs and sort out the planning permission.

*“With a rough outline of the project, you can work out what to do next.”*

When it comes to finance, you need to work through the options with your bank. As a general rule, the existing

or potential loans must be financially sustainable for the client, so the client's future income situation has to be taken into account. The total mortgage on owner-occupied residential property should not exceed 80 percent of its value as assessed by the bank. It is advisable to pay off a second mortgage in full before retiring. A major rebuilding project may necessitate additional equity. Discussions with your bank must also cover the question of how best to raise this capital. Alongside your own assets, you can draw on funds from the third pillar or pension fund assets, although you need to consider the effect this will have on your pension and insurance provision.

Any comprehensive financial health check must take tax into account. Particularly when carrying out rebuilding work, it is worth bearing in mind that measures that maintain the value of the property (such as the replacement of outdated building components or maintenance of the building) may be deducted from your taxable income. Homeowners need to keep careful records of investments that add value, as they can later have an impact on real estate gains tax.



### UBS Mortgages App: Sound advice when on the move

The free\* UBS Mortgages App allows you to calculate your maximum mortgage debt and work out which combination of mortgages is the best value for you. You can also photograph or film the property you want and store its details, including its GPS coordinates, on your iPhone, which allows you to keep track of several properties. Are you interested in a personal consultation? Then send your UBS client advisor the details of the property you want in advance – simply and conveniently via your phone. More home-ownership-related services:

- Tips on how to own your own home in five steps
- Overview of UBS mortgage products
- Current interest rates
- Glossary
- News

\* Your mobile phone provider may charge you for downloading or using the app.

### UBS Renovation Finance

#### UBS “renovation”

The UBS “renovation” mortgage allows you to benefit from a 0 percent interest rate for the first six months if your renovation costs between CHF 50,000 and CHF 150,000.

#### Cash bonus

UBS is rewarding energy-efficient renovation with a cash bonus of between CHF 2,500 and CHF 8,500 until December 31, 2012. Find out more about UBS renovation finance at [www.ubs.com/renovation](http://www.ubs.com/renovation)

# How to make your terrace or balcony *a green oasis*

More and more homes have spacious balconies, terraces, a seating area in the garden or a loggia. When plants, colors, furniture and accessories work together in harmony, the value of your own private outside space really adds up.

## Planning comes first

When planning your private outdoor space, it is important to consider what you actually want to do with it. Designing a terrace is one time when it can be worth your while to seek advice from a landscape designer or gardener. Give some thought to the style of your ideal garden or terrace and what your budget is before you start.

*“What makes for good layout is a variety of distinct levels.”*

## Position

Does the terrace face more toward the south or the north? What weather conditions do you need to take into account? Different plants flourish under different weather conditions, and they may need to be protected against wind or sun. Areas that get a lot of sun are suitable for Mediterranean plants in tubs, herbs and aromatic plants, succulents and stone plants, palms and other exotic plants. Something that needs to be borne in mind on hot summer days is that the plants on south-facing balconies will need to be given plenty of water every day. However, there are some plants – clematis and ivy, for example – for which the blazing sun is simply too hot. Northward-facing balconies can be planted with shade-loving plants, such as ferns or alumroot or perennial shrubs.



## Plants

One thing that makes for really good layout, for example, is a variety of distinct levels, with a variety of materials, plants, sizes and colors working together. Facades can be given the green look with trellises or racks of plants. Small terraces can be made to look bigger by the use of appropriate strategies and tricks. A well-planned, themed garden devoted to roses or herbs looks more harmonious than does a random mix.



## Furniture

Homeowners often want to use their terrace as a lounge, so comfortable seats and chairs are now very much in fashion. When buying furniture, make sure it won't date quickly, will last a long time and will be easy to look after. One example of furniture that meets these requirements very well is that made from Hularo-woven fiber. Teak, aluminum or chrome furniture is also popular. Depending on how you wish to divide your space and how comfortable you want to be, you can set up separate areas for lounging, sitting or eating.

## Shade and accessories

Something that's very important indeed is a good arrangement of shade – particularly by using large sunshades that can be adjusted in line with the position of the sun at any time. Planners and architects often have recourse to sun-sails and individually designed awnings. Other features – statues, water features, fountains, luminous stones, lanterns, torches and a variety of lighting elements – can be added according to taste and budget. These days, it is possible to purchase a wide variety of dimmable or color-changing outdoor lighting.