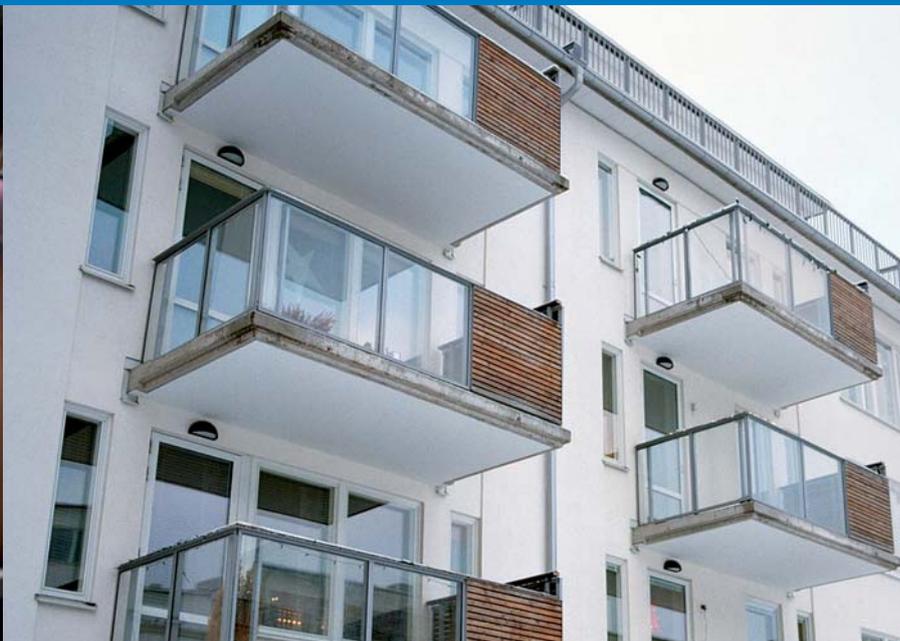


UBS immo news



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Prices still on the rise

The prices for condominiums and single-family houses rose across almost all regions in 2007. This trend looks set to persist in 2008 as the Swiss population continues to grow and financing remains comparatively cheap.

Sale prices for condominiums increased in 2007 for the ninth year in a row. The rise across Switzerland as a whole was just 2.1%, which took many observers by surprise in view of the frenetic building activity seen by the sector last year. The price curve also began to flatten out. Central Switzerland (-2.0%) was the only region that did not benefit from this positive price trend, while Lake Geneva, Zurich and southern Switzerland witnessed the largest price increases, spurred on by the growing popularity of city living (Geneva and Zurich metro areas) and tourism (southern Switzerland). In terms of condominium size, both small and large apartments increased in price to the same extent, yet once again construction activity is focusing predominantly on large apartments with four or more rooms.

Single-family houses: good properties are rare

The demand for single-family houses has increased fuelled by the (for now) strong Swiss economy. Incomes rose last year, putting stand-alone residential properties within the reach of more and more people. This increased demand is reflected in sale prices, which once again rose by 2%, just

below the five-year average. Two prevailing tendencies have emerged in the single-family home segment: on the one hand, high-end properties in sought-after locations are becoming increasingly rare and are being sold at above-average prices, while on the other hand, more outdated houses that no longer meet the quality requirements of potential buyers are suffering the reverse fate.

Immigration is bolstering prices

The Swiss population grew by 1.1% in 2007, much more strongly than in previous years. Approximately 80% of this growth can be traced to rising immigration prompted by the strong economic situation and the free movement of persons. Solid demand coupled with declining supply should continue to prop up prices, with the latest figures for approved construction permits showing that building activity is down slightly. Financing conditions also remain attractive, and interest rates are still low in long-term comparison.

Mortgage rate forecast	
UBS mortgages	Trend
UBS Libor Mortgage 3 months	↘
UBS Fixed-rate Mortgage 5 years	→
UBS Fixed-rate Mortgage 10 years	→
UBS Portfolio Mortgage 2 years	→

Editorial



Dieter Goerdten
Head of the Management
Private Clients segment

Dear reader,

A home doesn't always have to be a whole house. What may at first sound like a restriction in itself can also be a liberation – namely in the form of a condominium. From a financial perspective, buyers get more for their money with a condominium than they do with a single-family home, since the costs for the land the apartments are built on and the shared parts of the building are divided among all owners. A condominium can also mean less work and more freedom: a super is usually responsible for maintaining the public areas, and the added security of having your neighbors in the same building is not to be underestimated.

The important thing is to be aware of the advantages and disadvantages of living in a condominium. The current issue of "UBS immo news" is dedicated entirely to this topic. Only when you know all the facts can you decide whether a condominium could make the perfect nest.

We wish you an informative and enjoyable read!

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Condominiums instead of single-family houses

A condominium is an attractive alternative to a single-family house. But this type of ownership also has its peculiarities.



Condominiums have one decisive advantage over single-family houses: the land costs (which in Switzerland constitute a major part of the price of a property) are shared. In short, you get more for your money – more space or a higher fit-out standard than you would if you built your own home.

What belongs to you...

Condominium owners own the space within their own four walls, which they can use, make accessible to others, change and manage as they see fit. They have an exclusive right to this property and are for all intents and purposes the sole owner – use is only restricted insofar as it infringes on the interests of the other condominium owners. At the end of the day, however, they are only co-owners of the entire property and in many respects they are bound by the collective will of all owners. Residents' rights and obligations are clearly defined in the rules of the condominium corporation (see interview on page 3).

...and what belongs to everybody

Condominium owners are co-owners of the entire building. The jointly owned areas include:

- the grounds, including outdoor car parking spaces and the garden
- all load-bearing components of the building such as the foundations, load-bearing walls, girders, roof
- all components that determine the appearance and outward design of the building
- all components that are used by the majority of owners such as stairwells, central heating, etc.

Anybody who buys a condominium must consult a series of documents in order to assess precisely what it is they're buying: the condominium principles, the extracts from the land register of the condominium apartment as well as the master lot, the regulations of the condominium corporation and the purchase agreement. If, when you purchase your apartment, there is already a condominium corporation, it is also recommended that you take a look at the minutes of the most recent condominium corporation meetings. A formal set of regulations is not strictly required, although it is strongly recommended and therefore extremely commonplace. Its main purpose is to define exclusive usage rights (for example, for roof terraces or gardens) that are not defined in the land register. (Continued on page 4)

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Any questions or feedback concerning the newsletter? Please send an e-mail to: immonews@ubs.com

“Condominiums have clear rules”

Condominium owners are part of a corporation with predefined rules. Lawyer Mathias Birrer knows the peculiarities of condominium living.

Mr. Birrer, condominiums have a reputation of being racked with conflicts. Is this really the case?

No, there are no more conflicts between condominium owners than there are between tenants. The main difference is that condominium owners have stronger ties to their building and cannot simply up and leave. Moreover, since condominium owners are co-owners in their building they also have to deal with important topics tenants don't have to, such as maintenance or renovations. This means that any conflicts are played out with a great deal of commitment.

If you don't want to deal with neighbors, wouldn't you be better off buying a single-family house?

Nowadays single-family houses are built so close together that you are almost living on top of each other as much as in a condominium. Thus the potential for conflict is just as high. But with one major difference: condominium corporations have clear rules governing how owners live together, laid out in a set of official regulations.

When you buy a condominium these regulations are usually already in place.

What do you need to pay attention to?

The main thing you need to pay attention to are the basic rules governing communal living. However, you should also take note of any provisions relating to the extent and scope of your individual condominium unit, especially any exclusive usage rights that may exist. If, for example, you are interested in purchasing a ground-floor apartment, you should check that you and only you are authorized to use the garden, since everything that is not designated for the sole use by you or another condominium owner may be used by anyone in the building. You should also take a careful look at the regulations on how condominium corporation resolutions are passed.

What are the key elements of the purchase contract?

The warranty provisions. In the case of newly constructed condominiums, the construction company will have a warranty covering the work performed. Many companies will try to transfer this warranty to the buyers. This gives the condominium

owners not only all rights – but also all the obligations that come with it. In other words, if something hasn't been done as it should have been, you are responsible for making a claim with the contractor.

This can be a complicated and costly process, and – if in the meantime the contractor has gone out of business – it can sometimes prove an impossible task.

Can buyers protect themselves against such an eventuality?

You can try to strike the relevant clause from the contract. However, the nicer the condominium is, the less room for negotiation there generally is on the content of the contract.

What should you be aware of when buying an apartment from a previous owner?

It is vital that you inspect the resolutions of the condominium corporation, since they may contain amendments to the rules that have not yet been recorded. Conflicts often arise here too. And who wants to be part of a corporation that is fighting all the time?

Condominiums have been around in Switzerland for forty years, and renovations are becoming more and more commonplace. How can you protect yourself against this?

Renovations to shared components – load-bearing structures, roofs, etc. – have to be approved by the condominium corporation. The issue becomes complicated when individual parties do not have the cash to finance the required renovations and thus vote against them. Often the renovation funds accumulated and reserved for this purpose are also insufficient; unfortunately, these funds are frequently severely underfunded in actual practice, and furthermore they are not obligatory.

Are the owners jointly liable if an individual cannot or will not pay?

In theory, no. However, if an individual can no longer make his/her financial contribution to the upkeep of the building's shared components, often the remaining owners have no other option but to stump up the difference, for example to pay for the oil to heat communal areas or to pay the condominium corporation's insurance premiums.



Mathias Birrer

Mathias Birrer is an attorney specializing in construction and real estate law (certified by the SAV – Swiss Bar Association) and partner in the Kaufmann Ruedi law office in Lucerne. He is chairman of the house and residential property cooperative and instructor at the Lucerne University of Applied Sciences and Arts. He has written several books including *Stockwerkeigentum – Kaufen, finanzieren, leben in der Gemeinschaft*, a guide to buying, financing and living in a condominium, published by Beobachter-Buchverlag.

What should you do if a dispute in fact arises within your condominium corporation?

The most important thing is not to lose your common sense. If you are unable to find a solution amongst yourselves, it may be helpful to bring in a mediator. Lawyers can also be a useful asset, and the specialist legal knowledge they provide can often help strike a constructive solution that is agreeable to all sides. Going to court should be a last resort: it is very expensive and usually everybody ends up losing. That's when people's thoughts turn to revenge.

Can you finish by telling us what someone thinking of buying a condominium should bring to the table in terms of character?

They must be prepared to comply with specific, clearly defined rules and willing to work as part of a team. Otherwise they may come up against some difficulties.

(Continued from page 2)

Less work, more freedom

As a condominium owner, you are buying only part of a house, a situation that brings some clear advantages: if you like gardening, you can choose an apartment on the ground floor, if you would prefer to relax on the privacy of your own (low-maintenance) balcony, you can buy one higher up. Usually an apartment is contained on a single floor and today elevators come as standard – an especially important consideration for the elderly. The fact that someone is always at home also means you can be away for longer periods of time – attentive neighbors make the best security systems around. Shared areas are normally maintained by a super, who also pays the bills, concludes insurance and service contracts, keeps an eye on the building's caretakers and gardeners, buys fuel and makes arrangements for any repairs. Odd jobs such as weeding the garden, cleaning the stairwells and shoveling snow are also taken care of on owners' behalf. The super's duties may even be defined by the condominium corporation and laid down in a management agreement.

Same financing options as for single-family homes

You have basically the same financing options open to you when buying a condominium as you do when buying a single-family home: equity capital, a personal loan, an inheritance advance, pension fund assets and a mortgage. The key is to weigh up the different possibilities and mortgage models and evaluate the various advantages and disadvantages. You should also examine the issue of direct or indirect amortization. Your UBS advisor will be happy to answer any financing questions you may have and help find the solution that is best for you.



What it all means...

The most important terms you need to know when considering buying a condominium.

Condominium

Condominiums are a special form of property co-ownership. They give the co-owners the special right to use certain parts of the building exclusively and fit out the interiors as they wish, provided this does not infringe on the same rights of the other condominium owners. This special right gives condominium owners a similar status with regard to their unit as somebody who owns a property outright.

Condominium corporation

The condominium corporation is made up of all condominium owners. It oversees usage of the shared areas of the property, manages them, disposes of them and maintains their financial value. The corporation can sue and initiate debt enforcement proceedings in its own name, but can also be sued and made the object of such proceedings. It is constituted automatically when the condominium is founded.

Regulations

The community regulations outline the provisions governing joint management and usage of the property, as defined by the condominium corporation. Rules are not required by law, but all condominium owners have the right to request that such a set of rules be drawn up.

Renovation fund

A renovation fund can be created to finance future renovations and major maintenance work. Each condominium owner contributes an amount to this fund on a regular basis. The extent of the contribution is defined by the condominium corporation meeting.

Condominium board

The condominium board represents the condominium corporation and manages the shared parts of the property. Its duties and responsibilities are defined by the condominium corporation. The condominium board implements the resolutions of condominium corporation meetings as well as all legal and regulatory provisions.

Joint costs

The condominium owners are responsible for the joint costs in line with their share in the condominium building. These costs mainly include provisions for ongoing maintenance, repairs to and renovations of the shared areas of the property and building, and compensation for the condominium board.

Share in value

The share in value determines each individual owner's percentage entitlement to the joint property. The share in value allocated to each unit is stipulated in the foundation deed.