

UBS immo news



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The Swiss “interest island” phenomenon

Interest rates in Switzerland are lower than in most other neighboring countries. But the spread is narrowing. If Swiss interest rates converge with foreign interest rates, there will be negative consequences for property owners.

In Switzerland real (inflation-adjusted) and nominal interest rates are lower than in many other European countries. Experts call this the “interest island” or “interest bonus” phenomenon. The interest bonus is greater for investments with a longer duration than those with a short duration. The average yield of Swiss government bonds with a maturity of ten years, for example, has been 1.5 to 2.5 percentage points lower than the yield of comparable German government bonds since the mid-80s. Even adjusted for inflation there has generally been a yield gap, but it has been narrower in the last few years, at 0 to 2.0 percentage points.

Is the interest bonus eroding?

The recent narrowing of the yield spread with Germany should not be confused with the current increase in interest rates. The narrowing of the spread between long-term interest rates in Switzerland and those in other European countries appears particularly real. The reason for the convergence is the continuing integration of the capital markets. A complete evaporation of the yield spread is not in the long-term interests of Switzerland, especially if real interest rates in Switzerland climb to the

same level as foreign interest rates. That’s because rising real interest rates dampen investment.

Rising interest rates hit in the pocketbook

Higher interests would have a considerable impact, especially when financing property: if real interest rates climb, the capitalization rates will increase, too, and the value of property will fall as a result. Homeowners will be faced with shrinking assets and higher financing costs as a result of higher mortgage rates. And higher mortgage payments will also affect renters’ purses. The impact of the changes in the interest rate in the real estate market depends upon the economy.

Foreign and Swiss interest rates may converge not only because of higher interest rates in Switzerland, but also because of lower interest rates abroad. This would have little effect on the current real estate market.

Editorial



Tobias Annasohn
Segment and Sales Management
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Dear Reader,

Are you trying to figure out how you can make your dream house a reality? Or do you already live in your dream house? Depending on your stage in life, there are different challenges: maybe you're just starting to save for a home, maybe it's time to refinance an existing mortgage.

Precisely because financial needs change, UBS has developed products for every stage of life. These products are tailored to our clients' specific situations, but they offer enough flexibility so they can be adjusted to each new life event.

If you and your family are about to finance your own home, we can extend you a special offer: with "family plus" you not only receive an interest rate reduction for each child, you also insure the subordinated mortgage that is to be amortized. For more details about how much a family with three children can save with this offer, see page 3.

We hope you enjoy reading the newsletter.

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A life of good financial advice

There are major events at each stage of life: your first job, marriage or retirement. These life events forever change the life situation of each and every one of us. Our needs – even our financial needs – are constantly changing.

A single event can completely alter your life: for example, the day after the birth of their first child, an entirely new life stage begins for the parents. While everyone is unique and no two lives are the same,

there are certain key events that everyone typically experiences. Events such as these are deep emotional experiences in a person's life, and can profoundly influence their perception of goals, needs and preferences.



Typical events that have a big impact on life.

Same age, similar needs

If you talk with people the same age as you, you'll quickly notice that they are at a similar stage of life and therefore have similar views and needs. For students, everything revolves around tests; apprentices about to take their final exam are worried about their first job. One day you notice that everyone is driving a car rather than riding a bicycle – and more and more friends and colleagues are moving into their own houses or condominiums. Work parties become children's parties – until one day the children are gone.

New stage of life = new financial goals

Financial needs and goals change usually with each life event. It's rather different when a student finances a vacation than later on when he or she plans early retirement. In the early years, owning a home may provide the motivation to begin saving; after retirement it can become an important element of retirement planning. What you saved for for years suddenly becomes an important financial pillar.

UBS offers tailored financial solutions for each stage of life. Whether its combining the banking relationships after you marry, financing a home or putting early retirement plans on a solid financial basis – your UBS advisor will find the right solution for you in a personal consultation. A solution that fits your stage of life, but which is flexible enough to take account of your changing circumstances.



A future together, a home together: moving in with a partner is a major life event.

Having your cake and eating it, or how to have the house and the vacation

For a young family, financing a home is a big burden on the household budget. Doing so would seem to require cutting back elsewhere, but that's not always necessary, as the "family plus" financing model shows.

Hanspeter and Lisa Rüttimann* are overjoyed: they've found their dream house – and it's affordable. They had already done the numbers when they made an appointment with their UBS advisor, Markus Steinberger. However, they assume that they and three children, Sabrina, Kevin and Anna, will have to tighten their belts. But in order to own their own home with a garden, they are prepared to do without their annual vacation at the sea. Although Hanspeter Rüttimann earns a good salary, this appears unavoidable as he's the only wage earner in the household.

A focus on wishes and needs

Markus Steinberger congratulates Hanspeter and Lisa Rüttimann on their choice. He's familiar with the house and knows that it's perfect for a family of five. He asks the couple what is important to them when it comes to financing. Most importantly, the dent in the family budget should be as small as possible. And, Hanspeter Rüttimann adds, "if something happens to me, I don't want my wife and children to have to sell the house." The children are four, seven and ten years old – so Lisa Rüttimann stays at home to care for the children.

Thinking the unthinkable

"I have a special offer that meets your needs perfectly," says Markus Steinberger, presenting UBS's "family plus" offer. The offer includes an interest rate reduction for each child and can be supplemented with term insurance. This will allow the Rüttimanns to lower their interest by 0.8 percentage points on every CHF 100,000 for each child for three years. Hanspeter and Lisa Rüttimann choose to take out insurance on their subordinated mortgage, which Markus Steinberger calculates at CHF 100,000. Hanspeter Rüttimann must amortize this amount, directly or indirectly, by the time he turns 65. If, however, he dies unexpectedly, this obligation will be transferred to his wife Lisa. Because she does not work, she would be unable to come up with the money and she might be forced to sell the house. With the insurance, she will not have to worry about this – if her husband dies, she will receive enough money to amortize the subordinated mortgage in one fell swoop.

More than CHF 7,500 in savings

Markus Steinberger reckons that "the interest rate reduction for each child is CHF 2,400 per year, which works out to CHF 7,200 over three years." In addition,

Now you benefit twofold: 2007 mortgage promotion

Families that conclude a new "family plus" mortgage at UBS by the end of 2007 will benefit twofold: first, the interest rate will be reduced by 0.8 percentage points for each child for every CHF 100,000 (the offer is good for up to three children over the first three years); second, UBS will pay the premiums for a term insurance policy through the end of 2008. The insured sum is equal to the amount of the subordinated mortgage, with a minimum of CHF 100,000 and a maximum of CHF 300,000.

With "family plus" you can structure the mortgage entirely according to your needs and wishes – fixed or variable interest rates can be combined. Your UBS advisor will be happy to help you find the optimal financing solution tailored to your needs.

UBS assumes the insurance premiums through the end of 2008 – the Rüttimanns will save a further CHF 443 in the first year. "That's fantastic," says an overjoyed Lisa Rüttimann, "we'll kill three birds with one stone: we can buy our dream house, the children and I are financially protected – and we don't have to give up our summer vacation at the sea."

* The names have been changed.

Play and have your child's room furnished for free: www.ubs.com/hypo-family

Play the UBS Hypo Challenge and win one of 20 complete sets of children's bedroom furniture worth CHF 3,000 each.

The game is simple: catch the falling building blocks as quickly as possible to complete the picture shown in the screen. The winners of the sets of children's bedroom furniture will be drawn from among all registered participants. The fastest 100 participants will be entered in a second drawing for other attractive prizes. The UBS Hypo Challenge runs until the end of 2007 and can be found at: www.ubs.com/hypo-family



UBS solutions for financing your home

Do you want to buy your dream home, finance a specific project or renovate and refinance an existing property? Financial solutions from UBS cover all of the financial needs involved in owning your own home at each stage of life.



You can expect tailored solutions from us. Our financing proposals take full account of your individual situation.

With its lifecycle solutions, UBS offers concrete offers for changing financial needs and goals in every stage of life. For couples and families who prefer joint financial solutions, UBS is the right solution. UBS Individual is ideal for individuals and couples who want to keep their bank accounts separate.

One typical need – especially for families – is a home. Whether it's just a dream or you already have specific ideas – your UBS advisor will be able to assist you as an expert contact. Later on it may be worth re-

viewing the mortgage with an expert. As the leading mortgage provider in Switzerland, UBS offers home financing for almost every need.

From a dream to a realistic plan

Many people dream of owning their own home or condominium. Owning a house or a condominium promises independence or simply more space. But realizing the dream of owning your own home is also a huge challenge for prospective owners: it requires time, money, pluck and organization. And, in many cases, stamina. UBS is

your ideal partner, not only when it comes to financing, but also in saving for a home. One good solution is the UBS Fisca products for restricted, tax-privileged pillar 3a retirement planning. Another is the UBS unrestricted retirement account 3b and unrestricted retirement custody account 3b, both of which are suitable for long-term, targeted saving in the unrestricted pillar 3b.

Making your home a reality

If you want to buy or build your own home, UBS will be at your side to provide you advice and assistance for your financing needs. Every solution is tailored to your individual needs and desires. And your personal and financial situation as future homeowners, of course.

Solid financing throughout the years

Is your current mortgage really the best one? Does the previous financing structure best fit your personal risk tolerance and the amount of the mortgage your current investments and tax situation? And what effect do interest rates have? For example, if your mortgage must be refinanced because it's about to come due, your UBS advisor will review the mortgage profile and financing structure with you in a direct consultation and work out corresponding solutions.

i Your UBS advisor would be happy to help you realize your dream of owning a home. You can contact your advisor to set up an initial consultation with no obligation directly **at his or her number or by calling 0800 884 558.**

**Hypotheken-Aktion
für Familien:
bis 31. 12. 2007
doppelt profitieren.**

Jetzt mit UBS das Eigenheim günstiger finanzieren: Familien mit Kindern erhalten während dreier Jahre eine Zinsreduktion von bis zu 7200 CHF*. Ausserdem schenkt Ihnen UBS den Versicherungsschutz bis Ende 2008 in der Höhe der Hypothek im 2. Rang bis max. 300'000 CHF. Erfahren Sie mehr bei Ihrem UBS-Berater oder unter 0800 884 556.

www.ubs.com/hypo-family **You & Us** 

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