

UBS immo news



"Magic of your own home" event

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Housing prices are in general on firm ground

Since 2000, almost nothing but good news has been heard about Switzerland's real estate market. The economic upswing that occurred around the year 2000 generated substantial momentum in home construction.

Between 2000 and 2006, on average over 35,000 new living units were built annually. During the same period, the volume of mortgages also grew significantly, by a total of more than 30 percent. As a consequence of the boom in the construction sector and lively demand for real estate, property prices were pushed up. According to the index compiled by Wüest & Partner, in the period from 2000 to 2006, prices climbed by just over 15 percent for single-family homes and by almost 30 percent for apartments. Rightly we may ask whether the Swiss real estate market is becoming overheated. In general, the answer is no. Overall, the market is well balanced, although regionally there are some isolated exceptions. A number of factors clearly support this appraisal.

prices now being paid for residential property are in all likelihood spurred largely by fundamental factors and not by speculative intentions. These fundamentals include levels of family income, demographics, interest rates and the supply of living units available for sale on the market. A closer look reveals that, in recent years, prices have climbed primarily in response to higher demand (more family income, population growth). Lower mortgage interest rates for residential property have further accelerated this demand. Analyses of property affordability for residential homes support this conclusion – in Switzerland, affordability has risen by about 20 percent since the early 1990s. This figure is effectively even higher if the currently low financing costs are taken into consideration.

Price increases spurred by fundamentals

Since 1970, the Swiss real estate market has completed a total of four cycles prior to the current cycle. Changes in prices have tended to be big (from -40.7% to +73.5%) and occur within relatively short spans of time. By comparison, the rise seen in real estate prices since 2000 has been more moderate and has stretched over a longer period. Hence, the higher

Real estate market forecast

Housing	Residential sector	Apartment rents	Transaction prices
Rental apartments	→	→	→
Single-family homes			→
Owner-occupied apartments			→

Source: UBS WMR

Editorial



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For many people, owning their own home is a dream come true – but at the same time it can also represent a big challenge. For instance, when it becomes necessary to relocate, or when the death of a spouse leaves the widow or widower with potential liquidity problems.

In this issue of “UBS immo news” we take a look at what you can do to ensure that your home financing is sound and stays sound in just about any situation you might find yourself in over the long term. Various options are available for providing for your future, including marriage and inheritance contracts or bridge financing, with which a UBS advisor would be happy to assist you.

Talk to us at your nearest UBS branch office or at one of the innovative new events we are inviting the public to attend on the fascinating topic of your own home. These special events are described on the last page of this publication.

We hope you will enjoy reading “UBS immo news”.

Titus Spirig

Moving from an existing to a new home – often a financial challenge for a home owner

Property is not always purchased with the intention of holding on to it forever. Transactions in which one home is sold and a replacement home is subsequently bought are becoming ever more frequent and are playing an ever greater role on the market. Transferring financing from an existing to a new home in an optimal manner is a challenge that faces many home owners in this situation.

Relocating due to a job change or the need to move from the family home to an accommodation that better suits our needs in old age are two examples of the reasons home owners may decide to sell their property. They all have something in common, however, and that is that the financial aspects of such a move need to be considered carefully.

The following table provides an overview of the challenges of successfully managing such a transition.

	Financial challenges	Solutions
Existing home	<ul style="list-style-type: none"> Estimate a realistic selling price and search for potential buyers 	<ul style="list-style-type: none"> Appraisal of real estate’s value by a UBS advisor and/or property assessor Place sales mandate with regionally established real estate agent Set the gears in motion early for the sale
New home	<ul style="list-style-type: none"> Deposit/downpayment for your new home will have to be paid before any proceeds are available from the sale of your existing home Double financing burden during period when both homes are still under your ownership 	<ul style="list-style-type: none"> Financing solution with your UBS advisor early in the process (raising the mortgage on your existing home as a means of creating transition financing may be an option)
Time planning	<ul style="list-style-type: none"> Sale/purchase at staggered points in time result in a double financial burden (costs of renting temporary accommodation/financing costs on two properties) 	<ul style="list-style-type: none"> Coordinate the timing of the sale/purchase Obtain advice from a real estate agent
Property taxes	<ul style="list-style-type: none"> Capital gains tax is charged on property if the proceeds from the sale exceed the original amount invested 	<ul style="list-style-type: none"> Capital gains tax may be deferred if the proceeds are used to purchase a replacement home¹

This overview shows how important it can be to consult with specialists early on. Experienced real estate agents in your area can provide valuable assistance in handling property transactions. In matters of financing, your UBS advisor will gladly help you find a solution that optimally covers your needs.

¹ Full deferment is only granted if the entire proceeds from the sale are invested in a new property.



Guaranteeing the financial security of a surviving spouse through marital property and inheritance agreements when real estate is involved

The majority of home owners have the bulk of their assets tied up in their house or apartment. If a spouse dies, this can cause financial problems for the survivor if other heirs have to be compensated financially from the assets invested in the property. By properly formulating marital property and inheritance agreements, the surviving spouse can be spared financial difficulties of this type.

Martha and Hans Gubser have enjoyed being able to spend more time together since their retirement two years ago. Their two daughters have long been independent and living on their own. The Gubsers reside in a single-family home they purchased over 25 years ago. During this time they have regularly amortized their mortgage so as to minimize the financial burden of the interest payments. The income provided by their pension fund and social security covers their day-to-day needs. It would seem that Martha and Hans' financial situation is fairly secure. But how would things look for Martha in the case of Hans' death?

Allocating marital property and inheritance assets

The rules of ordinary community property apply in the Gubsers' case. Their current total assets are composed as follows:

Total marital property in CHF	
Bank accounts	50,000
Securities	150,000
Family home	880,000
./ mortgage	./ 200,000
Total marital assets	880,000

Hans Gubser owns CHF 80,000 from an inheritance he received. Martha Gubser does not have any of her own assets. The remaining assets worth CHF 800,000 represent property that was acquired during the couple's marriage (approximation). In the event of Hans Gubser's death, the couple's assets would be divided up under marital property and inheritance law as shown in the blue box.

Division of marital property/estate in CHF		
	Hans Gubser	Martha Gubser
Own assets	80,000	0
1/2 marital property	400,000	400,000
Total entitlement of Mr Gubser in couple's assets (= estate)	480,000	
Total entitlement of Mrs Gubser in couple's assets		400,000

Entitlements under inheritance law (allocation of estate) in CHF	
1/2 of the estate goes to Mrs Gubser	240,000
1/2 of the estate is divided among the children	240,000
Total entitlement of Mrs Gubser under marital property and inheritance law	640,000

Thus, Martha Gubser has to make CHF 240,000 available to pay the other heirs; the amount of CHF 640,000 belongs exclusively to her.

Reviewing the list of the Gubsers' assets, it quickly becomes apparent that Martha Gubser will have trouble paying the other heirs. She has the following options:

- Liquidate the bank accounts and securities holdings. In this case she would be left without any liquid reserves for herself at all
- Increase the mortgage on the family home: this will result in higher monthly interest payments for her
- Transfer partial ownership in the house to her two children. As a consequence, Mrs Gubser will give up a measure of independence
- Sell the real estate, which means losing the family home.

Hence, a financial situation that at first seemed fairly comfortable, looks rather different when the consequences of

Mr Gubser's death are carefully considered, because the lion's share of the couple's assets is invested in their home.

Potential solutions

We will now examine what options are available to help protect the surviving spouse financially so as to avoid the kinds of problems described above.

Benefitting the spouse under marital property and inheritance law

By concluding a marriage contract the Gubsers can agree that in case of death all marital property is to go to the surviving spouse rather than being shared with their children. This means that the spouses' estates will only consist of their own assets. By means of a will or contract of inheritance, the children's share in the estate (spouses' own assets) can be reduced to the minimum amount required by law. This means they would inherit only $\frac{3}{8}$ ($= \frac{3}{4} \times \frac{1}{2}$) rather than half of the estate in question. Both a marriage contract and a contract of inheritance have to be officially recorded or notarized. Couples interested in pursuing such a solution should contact a lawyer or notary.

Spousal benefits via a marriage contract in CHF		
	Hans Gubser	Martha Gubser
Own assets	80,000	0
Allocation of all marital property to spouse		800,000
Total estate of Hans Gubser	80,000	
Total entitlement of Martha Gubser		800,000

Spousal benefits via will/inheritance contract in CHF	
$\frac{5}{8}$ of estate allocated to Martha Gubser	50,000
$\frac{3}{8}$ of estate (minimum) allocated to children	30,000
Total entitlement of Martha Gubser under marital property/inheritance agreements	850,000
Net benefit to Martha Gubser	210,000

By implementing the measures as described, Martha Gubser will only have to turn over CHF 30,000 in inheritance to the couple's children; the remaining assets of CHF 850,000 will belong exclusively to her.

Allocation of assets as per marital property and inheritance law

Own assets – husband	Marital property – husband	Marital property – wife	Own assets – wife
<ul style="list-style-type: none"> · Inheritances · Personal belongings · Assets acquired prior to marriage 	<ul style="list-style-type: none"> · Income earned during marriage · Income on own assets (husband + wife) 		<ul style="list-style-type: none"> · Inheritances · Personal belongings · Assets acquired prior to marriage
Estate (own assets + 1/2 marital property)		Wife's entitlement under marital property law (own assets + 1/2 marital property)	

“Magic of your own home”: a special marketplace for real estate

“Magic of your own home” is the name of a new series of different types of events offered by UBS which bring together real estate promoters from particular regions with potential buyers. If you are interested in purchasing real estate, it pays to visit one of these special events for two reasons – the events will usually give you a very broad overview of the local market, and you will have a unique opportunity to learn all about the world’s smallest house.

This series of events is flexible in the variety of forms it may take. The UBS advising events included in “Magic of your own home” program may be held at a large stand at one of the popular traditional real estate fairs in Switzerland or may be offered on a larger scale as their own “fair within the fair.” Frequently, UBS also organizes a platform itself in order to create real estate marketplaces covering specific regions of special interest.

Real estate marketplaces with a regional focus

What you’ll appreciate about “Magic of your own home” is the innovative way UBS brings together the supply and demand aspects of the real estate market for a particular geographic region – and you’ll also be fascinated by the micro compact home being presented exclusively in Switzerland. These events create an opportunity for the largest possible number of real estate promoters for a given

region and surrounding areas to introduce themselves to a broad public. The businesses participating as presenters may total 30 or more and will cover just about the entire range of players in the real estate sector. From the giant real estate brokers to home construction companies to architects, you’ll find the whole spectrum of property providers gathered in one place and interested in talking to you.

Financing advice first hand

UBS is also present at “Magic of your own home” events with a team of competent UBS advisors who will gladly answer your questions completely without obligation and are at your disposal should you want comprehensive advice about home financing and financial planning. The UBS team offers you another valuable advantage. Because they come from the region being featured at the event, they will be familiar first hand with many of the products and services on offer. Client

advisors who may have been involved in value appraisals of properties you are interested in or who granted the building loan for a new housing complex are in an ideal position to provide you with individualized, expert information. Sometimes, when the right partners find each other at “Magic of your own home,” the seller, potential buyer and UBS advisor may even be able to sit down together and sketch out the details of a deal right at the event itself.

i Contest

Be a winner! Just answer our contest questions about the micro compact home, and with a little luck you might win UBS Key-Club bonus points.

For details, see

www.ubs.com/yourownhome

→ Contest



“Magic of your own home” event (left: Locarno, right: Lugano)

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