

UBS immo news



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Outlook for the Swiss housing market in 2007

The housing market in Switzerland remains robust. In spite of a high level of building activity, real estate prices are continuing to gradually rise as demand stays high. In contrast to a number of foreign markets, prices are not overheated but, with appropriate mortgage financing, remain well within the reach of most buyers.

The outlook for 2007 depends largely on how trends in supply and demand are assessed. Demand is influenced greatly by demographic factors and interest rate levels. In the medium term, demographic factors especially are expected to exert positive effects on the housing market. The population of Switzerland is growing, in particular as a result of migration. In larger metropolitan areas, population growth is also being reinforced by a tendency among people to relocate from more rural areas back into town. The increase in the average age of the population will also positively influence demand in general for home ownership, and in particular for apartments.

Interest rates are calm

Risk associated with interest rates is rather small at the moment. Long-term interest rates have already backed down again somewhat during the second half of 2006 reflecting the decline in economic momentum and inflationary pressure anticipated for 2007. Early indicators such as the KOF/ETH economic barometer

and the purchasing managers index for the manufacturing industry have already passed their zenith. They support the UBS assessment of the overall economy for 2007. Only a slight increase in interest rates is therefore projected, which is unlikely to dampen buyers' demand for housing.

Greater supply and more empty units

The biggest danger for housing prices lies in the growing supply. In 2007, the projected building activity is likely to produce over 40,000 new units, which means the proportion of empty accommodations will increase slightly again. These overcapacities – although still only moderate – are likely to dampen price growth somewhat. Overall, however, stable to slightly increasing prices are expected in 2007, depending on the region.

Editorial



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A home typically develops and changes as we do, and may therefore be said to have its own life cycle: initially it is usually planned and built for a young family with children. As the owners grow older, the house often becomes too big for them to comfortably manage, and the decision is made to pass it on to the next generation or look for new owners – this is now the case with many homes that were built during the sixties and seventies. Needs concerning living space can alter greatly from generation to generation, and new residents of an older home will naturally want to make changes to better suit their preferences and requirements.

This issue of “UBS immo news” examines how modern architecture seeks to resolve the conflict that can arise in our efforts to renew and preserve older buildings. We also take a look at questions surrounding the financing of alterations and renovation projects.

We hope the information we provide here will be helpful in getting your own renovation or rebuilding project under way and that you will find UBS immo news interesting reading.

Bruno Bloch

The good feeling of knowing you’re using the right bank

In a quiet, sunny neighborhood on the outskirts of Lausanne, Daniele Lustenberger realized his dream of owning his own home, with UBS as his banking partner.

“My wife fell in love with the location and the garden immediately. For me it was also the garden, and the large-sized cellar,” recalls Daniele Lustenberger, explaining how he and his wife discovered the property that would later become their new home. The duplex apartment with yard is situated in a raised, sunny position, and the rooms on the upper floor even offer a view of the lake. After having actively searched the real estate market for more than six months, when the Lustenbergers found this property it was “love at first sight”: “The previous owner had decided at short notice to move to the country. We viewed the property on a Friday, and by the following Monday we had already committed. We really were very lucky,” says the proud new home owner.

The chemistry was right

Before the deal could be finalized, the matter of financing had to be settled. That started with a phone call to UBS in Lucerne. Daniele Lustenberger was born in Lucerne and had held an account with UBS there for some time. He asked to be referred to a German-speaking client advisor in Lausanne. Daniele speaks excellent French, but he wanted to be absolutely sure he would be able to understand every last detail in the contracts, including the “fine print.”

Contact was thus established with Pierre Villard, who at one time had done a six-month stint in Lucerne and now heads up a team in Lausanne. Arrangements were thus perfect for the Lustenbergers’ first meeting with Villard, which took place at the end of August. The chemistry between them was good right from the beginning. “In our first talk I immediately recognized we were being given the right kind of information, even about the advantages and disadvantages of the deal, about which I had already done some thinking,” recalls Daniele. It wasn’t the cheapest opportunity around, but “the quality justified the price.” The Lustenbergers appreciated the professional advice they received, and the flexibility in planning meetings, even outside official business hours. The formalities settled, the deal was free to go through, and in early November the keys to the property were handed over to the new owners.

At UBS, you’re in good hands

Although time was tight, Daniele Lustenberger approached several banks with his financing request – and had some sobering experiences. More than one bank failed to call back, even though he contacted them twice with his request. Others announced it would take time to prepare an offer, and demanded that Daniele first complete a detailed application form. Daniele was irritated by this: “I was already under pressure and I didn’t want to be put under even more.” So, after careful consideration of the various options presented by UBS, he decided on



Just days after the handover, new parquet floors are already installed, and excitement is growing as moving day approaches.

a Libor mortgage, because of the scope and flexibility it offers: “Life is full of surprises, and I didn’t want to lock myself in for ten years on a fixed-term mortgage.”

Daniele is quite happy in Lausanne at the moment. He is an avid sailor and recently spent his holidays sailing in Brittany; together with some friends he owns an H-boat stationed on the Lake of Geneva. Some day, if children come along, Lustenbergers may decide they need a larger apartment or house. In any case, Daniele Lustenberger has decided to concentrate all his banking business at UBS, because he knows he is good hands there: “It’s a good feeling to know your bank takes you seriously.”

Renovation or conversion: deciding what to keep and what to change

House buyers who opt for an older property usually want to make changes to the property so that it meets their own individual needs. Often the necessary alterations and renovations are unproblematic, but sometimes a conflict arises between efforts to preserve the older substance of the building and modernizing to meet our new needs. Insightful architects are skilful at altering rooms so they fulfil today's standards of space and size while at the same time preserving the historical context. Here we present two recent projects that offer successful examples of this.

Many homes built during the sixties and seventies are now changing hands and being occupied by a younger generation. As the original owners have grown older, the house has become too large for them, and the decision is made to pass it on to their heirs or look for new owners. The currently low interest rate levels help to foster this trend, naturally.

The new owners of such homes understandably want the house to accommodate their own needs and reflect their own taste, which inevitably means alterations will be necessary. In many cases this is unproblematic because the house in question does not have a special architecture of its own. There are exceptions, however – buildings that were carefully planned and constructed forty years ago and that feature interesting spatial relationships and carefully selected materials. People's space needs at that time were quite different from today, and this is reflected in the fact that the rooms in these homes are frequently small. In these instances, the architect is challenged to create the more generous spatial structures consistent with today's standards, without sacrificing the house's original character. Experienced architects will elegantly master this task by retaining the

older elements of the building's structure and recreating the building's inner space anew.

Outside hardly changed – inside modern

An example of how a house can be successfully renovated while preserving its individual character is a property built during the sixties on Zollikerberg, near Zurich. As one of a series of 19 terraced houses it features a garden area covering the roof of the house just below it and offering a beautiful view. When the house was bought by new, younger owners, Swiss architects Regula Harder and Jürg Spreyermann breathed new life into it by stripping the interior down to the bare walls and then rebuilding it. The entrance now traverses the entire length of the house, and the bedroom area affords views across the yard into the living room. The extensive, complex building work done on this terraced house is not immediately apparent, because the new interior is done in the same brickwork as the exterior, which was left unchanged. The only obvious change visible from the outside is the opening made in the façade facing the yard to extend the inner into the outer space. As part of the comprehensive rebuilding, the house



Architects: Regula Harder and Jürg Spreyermann, Zurich
Photographer: Walter Mair, Zurich

was renovated so as to fulfil Minergie standards.

From stable to atelier apartment

Another example of creative architecture may be found in Raron, where an old horses' stable has been transformed into a modern single-family house. The added building element with its protrusions replaces the traditional wooden framework, and the larch wood is set off against the existing rough rubble masonry. Inside, the architects Vomsattel Wagner work with strong contrasts: three-ply pinewood boards accentuate the rough masonry, while the old wooden beams on the ceiling perfectly set off the rust-red screed flooring. Old elements interact harmoniously with the new, making for interesting and appealing surroundings.



Architects: Vomsattel Wagner Architekten, Visp
Photographer: Thomas Andermatten, Brig

i Further examples of successful renovation projects may be viewed at the Internet portal www.swiss-architects.com

Investing in your own home: positive effects possible on lending value and taxes

Renovations and alterations carried out on your home can easily run from several tens of thousands to well over a hundred thousand Swiss francs. Given the significance of such investments, it is important to examine the issues of financing, tax effects, the value of your home and equivalent rental value.

Alteration and renovation projects are just as unique in character as the house in question or the owner himself. Therefore, it is important to analyze every project individually in terms of the specific set of conditions that apply. Your UBS client advisor can offer you competent support in this process: he can answer questions concerning the financing of renovations and alterations and the effects that are likely given your individual situation. He can appraise your home both before and after the renovation, and he can show you how the value of your home is likely to change and how you can finance your renovation project.

In general we can say that the financing of alterations does not have to negatively affect the lending value of your home and tax situation; on the contrary, it may even have positive effects. For example, the Meyer family purchased a house in 1995 for 650,000 Swiss francs, of which 500,000 Swiss francs were financed by a UBS mortgage. Since then, Meyers have amortized a portion of their mortgage indirectly using the Pillar 3a product, UBS Fisca, and in so doing have also benefited from tax advantages.

Now the Meyer family would like to install new parquet flooring throughout the house and build a conservatory. The costs for the flooring amount to approximately 15,000 Swiss francs, and for the conservatory itself to about 35,000 Swiss francs. The family's UBS client advisor informs them that for about two years now, UBS has also granted small additional mortgages without a surcharge. Based on his recommendation, the Meyers decide to supplement their existing mortgage by 50,000 Swiss francs.

Because the value of the property has increased in recent years as a result of positive market developments and the conservatory significantly adds to the value of the house, and thanks to the Pillar 3a capital the Meyers have accumulated, the net lending value of the property is now only 64%. Although this means that the Meyers are not obliged to further amortize the mortgage, they decide to continue their indirect amortization payments using UBS Fisca so they can continue to save on taxes.

i Further information about the tax advantages of retirement savings with UBS and indirect amortization is available at www.ubs.com/retirement. To arrange an individual advisory session with a UBS client advisor, just call us at 0800 884 558.

	Purchase 1995		Renovation 2007	
Purchase price/market value	650,000	100%	750,000	100%
UBS mortgage	500,000	77%	500,000	66%
+ additional amount for renovation			50,000	7%
- indirect amortization	0	0%	70,000	9%
Net lending value	500,000	77%	480,000	64%

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Interest rates mostly unchanged over the coming months

As expected, the Swiss National Bank (SNB) raised its key rate, the three-month LIBOR, by 0.25% in December. The SNB's target rate is now 2%. In its statement accompanying the rate hike, the SNB continued to express caution, so that the risk remains of an additional interest rate increase in March. With interest rates still at attractive levels and the current yield curve very flat, we believe now is a good time to take out long-term fixed mortgages. Since rates are only expected to move sideways over the upcoming quarters, there is the additional option of profiting from favorable interest rates on short-term LIBOR-based mortgages for part of the financing.

UBS engagements

Visit us at one of the following events:

8–11 March 2007

Home and real estate trade fair, Bern

8–11 March 2007

ImmoExpo Wetzikon

15 March 2007

Seminar «Mehrwert für den privaten Mehrfamilienhausbesitzer» Baden. Information and registration at www.ubs.com/immonews

15–18 March 2007

ImmoExpo, Langenthal

24–25 March 2007

UBS real estate trade fair, Meilen

29 March–1 April 2007

SOCASA, Trade fair on lifestyle, home, garden and leisure, Solothurn

31 March 2007

UBS real estate day, Rapperswil-Jona

14–15 April 2007

WohntraumTV Eigenheimmesse (WohntraumTV home ownership trade fair), Dübendorf

21–22 April 2007

IMEX, Zurich

27–29 April 2007

ImmoExpo, Aarau

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