

UBS immo news



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Second home ownership is emotionally driven

Only rarely does an investment in a second home or holiday residence generate a real financial return. Studies and experience show that the majority of these investments represent an investment in emotional needs and values.

For many people the decision to acquire a second home is determined primarily by emotional factors – and this is probably the way it should be. Looked at from a purely financial point of view, an investment in a second home does not normally make good sense. Potential earnings from the property rarely even cover the ongoing costs (interest on invested capital and mortgage, taxes, fees). According to a study conducted by the University of Sankt Gallen, a 3.5-room apartment at an average tourist destination in Switzerland costs about 24,000 francs per year to maintain. For an owner to recover these costs in full, the apartment would not only have to be in practically constant use during the summer and winter seasons but also have to generate significant income in off-peak periods through rental to third parties or use by the owner.

Prices tending higher for up-market apartments

Apart from income, the second component in the return-on-investment equation are the potential capital gains to be made on the property, and here the picture is rather more varied. Over the last 10 years, a price rally has been observed in the

upper segment of the market for apartments in leading tourist areas, with increases of up to 50% and much more. In the middle segment, price rises have been more moderate and not sufficient to completely compensate the costs associated with the property. Hence, objectively seen, a second home is rarely a profitable investment.

We anticipate that demand for holiday homes in regions with reliable snow conditions will stay strong long term and buoy price levels. Should Switzerland abolish its Lex Koller rule, as currently being discussed, the market will undoubtedly gain further momentum. The most important driver of demand, however, is population structure: in the past demand for second homes has been highest among people aged between 50 and 70, a group which is expanding fast and will continue to do so in future.

Editorial



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Holidays give people time and space to get in touch with themselves and tune into their own thoughts and desires. Holidaymakers may often find themselves dreaming of owning their own home at a holiday location of which they have become especially fond.

"UBS immo news" will show you that owning your own holiday home does not have to stay just a dream. It offers you an abundance of information and helpful tips about how you can turn your dreams of a holiday home into the holiday home of your dreams.

In the meantime you can also read up on how to transform your garden or terrace into a place where dreams come true. And to it all off, this newsletter also offers you an opportunity to order some of Switzerland's top wines to enjoy in your holiday garden or terrace or on a warm summer evening in your new holiday home.

I hope you enjoy reading our newsletter.

Nadia Bebi

Ideal partner for your dream apartment



Chandra Kurt

is one of Switzerland's best-known wine experts and author of many books and articles about wine. The passionate and knowledgeable wine lover is also on the editorial team of "Hugh Johnson's Pocket Wine Book" and Jancis Robinson's "Oxford Companion to Wine". More information about Chandra Kurt is available at www.chandrakurt.ch

Renowned wine expert Chandra Kurt has found her dream home right in the centre of Zurich – and in UBS, she has also found the dream partner to accompany her through the buying process.

"Inviting, sophisticated, elegant, temperamental" – Chandra Kurt is familiar with such specialized terminology since it is all part of her unusual profession: she is a wine consultant and author of numerous articles and more than a dozen books on wine. The nature of her work means she is constantly on the move, travelling frequently to Italy, France, the UK, etc., and as a consequence, travel is (and has always been) a major part of her life. And this is precisely why she has been looking for a new home for quite some time now – a home where she can find peace and quiet for her creative activities and recoup her energy.

Perfect apartment in a perfect location

A year ago she finally found her dream home, right in the centre of Zurich: an apartment that could well be described with the same terminology as she uses in her wine reports. When Chandra Kurt first took a look around in this newly renovated building, she knew instantly it was the place for her: "It was love at first sight. Everything was just perfect – including the central location and even a tram stop right outside the building!" She decided to buy the apartment, but her advisor at her bank warned her about making such a big financial commitment. Chandra now interprets this as an expression of overcautiousness that might be attributable to the fact that the bank in question was not active in the mortgage business. In any case, she was disappointed: "The purchase of a new apartment would represent a big step in my life – I knew that. But I was also looking for a change, to start something new – and I wanted someone who would understand

this and be supportive. And I couldn't afford to wait – I wasn't the only one interested in the apartment."

UBS – the right partner when you're taking a big step in life

The property owner put Chandra in touch with UBS advisor Thomas Knechtli, who was attached to the "Puls 5" business clients team in Zurich. She quickly recognized that she had found the right partner who was ready to take this important step with her: "Right from the very start it was clear this relationship was different when he sacrificed a Saturday afternoon to make time for our first meeting. What impressed me most was his readiness to take whatever time was necessary to really understand my situation. I had enquired at other banks about mortgages and knew that their conditions were all in the same ballpark as those offered by UBS. It bothered me, though, that I was always regarded as a special risk because I am self-employed. My UBS advisor, however, was not put off by this in the least – in fact, he looked at what I have achieved and judged it as a positive factor. He examined my financial situation very carefully, and once he was convinced that I was on solid ground financially, the mortgage arrangements were settled quickly." And a good bottle of wine was on the table to mark the occasion.

Wine offering by UBS KeyClub

Chandra Kurt recommends two wines from the Mövenpick range, which UBS KeyClub members may purchase exclusively at special conditions:

- Brunello di Montalcino DOCG 2001 / Marchesi de' Frescobaldi, CHF 40 instead of CHF 49.50
- Quinta do Vale Meão Douro 2003, CHF 49 instead of CHF 58.

A minimum of 25 KeyClub points must be redeemed against payment. Orders for these recommended wines should be placed directly via: www.moevenpick-wein.com/ubs

UBS mortgages in the current interest rate environment

Interest rates are expected to rise only moderately in the next few months.

As expected, the Swiss National Bank (SNB) again raised interest rates by 0.25% in June 2006. Due to strong economic growth, the SNB is likely to hike rates further by 0.25% in September and December 2006, which probably marks an end to the tightening cycle for the time being given the signs that economic growth will weaken in 2007. We consider the interest rate rises for 2007 priced in by forwards on the market to be excessive.

Regardless of the homeowner's individual profile, we recommend covering the greater part of the financing requirement by concluding a longer-term fixed-rate mortgage. Since rates will only rise moderately over the coming months, there is the additional option of profiting from favourable interest rates on short-term Libor-based mortgages for part of the financing.

i To find out more about UBS mortgage products and the latest interest rate trends please consult the fact sheet "UBS mortgages in the current interest rate environment" available at www.ubs.com/immonews

Financing the dream of a second home

A cosy summer house situated in a quiet area where you can relax and forget the pressures of everyday life. An apartment overlooking a crystal clear lake or offering breathtaking mountain views, ideally of the Eiger, Mönch and Jungfrau or the Matterhorn. Your own holiday get-away home. Who doesn't dream of such a lifestyle?

Owning one's own holiday home is a dream many of us have. Those who decide to make this dream come true are usually prepared to make a substantial financial investment. Holiday homes can have a very special charm and individual character, but they can also be subject to fluctuations in financial value, especially in tourist areas.

What makes a holiday home special?

UBS generally recommends that the same criteria be applied to the financing of a holiday home as to a primary residence. In order for a holiday home to be financeable, it is important that a market exists for the property. When assessing financial viability, be sure to include current mortgage obligations and the annual costs of your primary residence. Also take into consideration whether income could be generated from the holiday property by renting it out. Be sure the property is competently managed (for example, by a property management company) in your absence.

The following general guidelines apply to financing of holiday homes:



- UBS usually finances 60% of the purchase price; amortization payments amount to 2% per year.
- Holiday homes may not be financed with funds taken from occupational pension schemes or the tax-privileged pillar 3a; these funds may only be applied towards the home owner's primary residence.
- The imputed rental value is taxed in the canton in which the property is located (which is usually different from the canton in which the owner's primary residence is located). This results in intercantonal tax allocation.
- The total costs generated by your primary residence and your holiday home together should not exceed one-third of your gross annual income.

Advantages of owning a holiday apartment

Spending your holiday in your very own holiday home has many advantages. You don't have to stick to house rules made by someone else, such as the time of day when meals are served. You have greater freedom and flexibility to do as you please. Today, more and more people are looking for peace and quiet and an opportunity to relax and recuperate from the stress of everyday life. A future trend in tourism will see preference wane for large-scale hotel facilities, where a busy atmosphere and noise levels are frequently part of the daily routine. Ever more holiday makers will instead be looking for a quiet, relaxing setting in which to spend their vacation time. So why not make it your very own holiday home?

i Your UBS advisor would be glad to help you realize your dream of owning your own holiday home. Call your UBS advisor or UBS at 0800 884 558 to make an appointment for an initial consultation with no obligation.

Converting your garden and terrace into extra living space

Today, lifestyle and well-being are the measure of all things and extend to our gardens or terraces at home. More and more of us are integrating the outdoors into our living space and looking for similar levels of comfort to indoors. The garden has become a place to actively live and enjoy, as the focus on classic garden work recedes into the background.

As the days get longer and the evenings warmer, we all start spending more time out of doors, on our balcony or terrace or out in the garden. This trend will certainly continue in 2006, especially in the more temperate climates like Switzerland, where people are anxious to enjoy the warm-weather months to the fullest, from the first to the last minute. The time we spend outdoors is becoming an ever more important feature of lifestyles, and an endless array of new possibilities is opening up to homeowners, all with the same idea of incorporating the outdoors into our living space.

Indoor comfort on the outside

The boundaries between inside and outside are becoming increasingly fluid. Sliding doors can transform an interior into an outdoor space and vice versa. Even all-weather garden furniture is hardly distinguishable visibly from ordinary home furnishings. The standards of aesthetics and comfort applied to our living space outdoors are increasingly merging with those we apply indoors: the garden and terrace are becoming full-fledged forms of living space, where we can spend time talking, reading, cooking, eating, playing, swimming, and enjoying. Not surprisingly, the market for all-weather furnishings and other outdoor accoutrements is booming: all-weather sofas, kitchens, wooden flooring, toys, umbrellas and more.

The latest trend: water ...

When planning and realizing a new garden, there are no limits to the imagination.



Water as a general theme is especially popular at present, whether in the form of swimming pools, ponds or fountains of all types. The "swimming pond" is a prime example of how a piece of the outdoors can be transformed into a lifestyle and wellness zone. At first glance, it appears to be an ordinary garden pond, but is built in such a way that it functions perfectly as a swimming pool in the middle of natural surroundings. And it does not rely on chemical additives to maintain hygiene like ordinary swimming pools do.

... and gardens reminiscent of the Far East

Another current trend are terraces and gardens designed to embody Far Eastern ideas and the principles of feng shui. This approach relies on reducing the setting to essentials, which results in clear, simple lines and forms, and is also expressed through the materials chosen. Water and stones are the central elements in this type of design. Gardens with a touch of the Far East are also extremely popular with people who want their gardens to be a place where they can experience spiritual freedom and tranquility.

Enjoy now

Enjoyment is also high on the list of priorities for contractors undertaking largescale gardening projects for private individuals, so the aim is to create a garden that can be used fully immediately when the work is completed. More and more customers commissioning projects in the upper price bracket are looking to create a garden that already "has a history". They do not want to have to wait 10 or 20 years for new trees to reach their full height and maturity and are prepared to order trees that are already older and have attained a fairly stately size.

Simon Schöni, qualified landscape architect and co-owner of 4d AG landscape architects in Bern, confirms this trend: "Our clients usually have a clear idea of how the finished project should look, and it's our job to suggest optimal solutions that fulfil their requirements, and harmonize with the history and look of the surroundings while staying within budget."

i Get professional advice from the gardening experts.

Association of Swiss Landscape Architects
www.bsla.ch

Association of Swiss Master Gardeners
www.traumgaerten.ch

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