

UBS immo news



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Swiss real estate market in 2006

2006 shows every sign of being another good year for Swiss real estate. There is still strong demand for residential property, particularly in the form of condominiums.

Despite high levels of construction activity, the prices at which properties actually change hands have risen by 17% over the last five years, and by 4% in 2005 alone. Asking prices have risen even more sharply since 2000, with residential property now coming on the market at prices around 30% higher than five years ago. The difference in how far the two price levels have increased is partly down to the bargaining power of potential buyers. Although demand has remained buoyant, widespread building has led to a rise in vacancy rates in most regions, increasing the opportunities open to those looking to buy their own home. Sellers have now realized that they can no longer rely on getting the price they originally envisaged. In the large apartment market especially, there are some indications of saturation.

Considerable though the price rise has been, the Swiss residential property market is not overheated. In real terms, prices are at the same level as in 1985 or 1995. Taking into account the current purchasing power of buyers and the costs of funding the purchase, residential property in Switzerland remains very affordable. High prices still persist in certain areas, though. In well-known tourist destinations as well as the Lake Geneva region and Zurich's Pfannenstiel especially, property is expensive and prices tend to reflect its exceptional desirability. We do not believe, though, that there is any prospect of a correction in the medium term: the upbeat economic outlook means demand in this segment is likely to remain strong. We also see little threat to the real estate markets from interest rates.

Editorial



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This is still a good time to acquire residential property. Although interest rates have risen slightly, they are still low. If you would like more information about current interest rates or trends on the real estate market, we'll be happy to advise you.

Many different issues need to be considered when buying, building or converting a home, and lots of decisions have to be taken. Our tips for the construction phase and the hand-over contain some useful recommendations. And we also have some valuable advice on finding the right architect.

I hope you enjoy reading the newsletter.

For everyone who needs an architect: a useful resource.

Choosing your architect carefully is a vital part of a successful construction project. It pays to get to grips with the issues at an early stage, and well-prepared contacts between architect and client can be a great help to everyone involved in the construction process.



swiss-architects.com presents portraits of around 500 selected Swiss firms of architects. A powerful research tool for quality-conscious homebuilders, the site also offers professionals in the construction industry an overview of what is currently going on in the field of architecture. It features not only building architects, but also landscape architects, engineering firms, lighting planners and architecture photographers, as well as a wide range of services.

The "Immofinanz" section, created with the help of UBS, focuses on real estate financing. It looks at example projects from the various regions of Switzerland, and provides news and advice for private and institutional homebuilders. The "Building of the Week" section showcases current construction projects, while the "Product Library", maintained in association with Architronic.com, contains com-

prehensive information on over 10,000 selected top designer products, arranged by category.

Over 220,000 homebuilders, architects, engineers, designers and architecture enthusiasts use swiss-architects.com every month, while 22,000 subscribers read the monthly newsletter.

swiss-architects.com is run by the small, independent, Zurich-based PSA Publishers (PSA stands for Profiles of Selected Architects), which operates other national platforms under the world-architects.com name in Germany, Austria, Belgium, Italy, Finland, the US and Japan.

Guest article from PSA Publishers

Picture above:
Schneider&Schneider Architects, Aarau

Picture below:
EM2N Architects, Zurich



UBS mortgages in the current interest rate environment

As anticipated, the Swiss National Bank (SNB) once again raised the target for the three-month CHF LIBOR on March 16, 2006, by a quarter of a percentage point to 1.25%. It did not rule out the possibility of further hikes, provided that healthy, broad-based growth continues.

In view of the Swiss economy's current good performance and the better-than-expected European environment, we expect the SNB to hike rates twice more this year. This would lift the three-month LIBOR to 1.5% in June and 1.75% in September, probably marking an end to the tightening cycle for the time being, since there are already signs that economic growth will weaken in 2007.

Despite the fact that fixed-rate mortgage rates have already risen by around 0.5%

over the past few months, they are still at an attractive level. We expect the interest rate to rise by around 0.25% for longer terms over the next few months, followed by a sideways movement up to late 2007.

Regardless of the homeowner's individual profile, we still recommend covering the greater part of the financing using a fairly long-term fixed-rate mortgage with a term of five to eight years, while occasional, temporary rate falls should be used to lock in interest rates at an early stage

(forward mortgages). Since rates are only expected to rise minimally 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 mortgages on the Internet: calculate the funding for your home with the UBS mortgage calculator

Now is a good time to act. Although interest rates have risen slightly, they are still low, so this is still an opportune moment to think about acquiring your own home.

Building or buying a place of your own generally entails big changes in your financial situation. Just how much borrowing can you take on? Compare your current rent and ancillary costs with the costs involved in taking on your desired property.

You can also use our mortgage calculator to do the sums: www.ubs.com/hypo



UBS at home exhibitions

Visit us at one of the following shows:

April 28–30, 2006
ImmoExpo Aarau AG

April 29–30, 2006
IMEX Zurich ZH

May 5–7, 2006
Immo-Expo Biel BE

May 12–13, 2006
Immoparade Teufen AR

May 13, 2006
14th UBS Real Estate Market, Schaffhausen SH

We look forward to seeing you.

Important advice on building or converting your own home

Costly mistakes can always happen when preparing, planning, building or converting a residential property. Expert advice and appropriate checks at every stage of the construction project can prevent defects and differences of opinion with contract partners.



Regardless of the construction method and the nature of the contract with an architect, general contractor or turnkey contractor, fundamental decisions need to be taken when building a home, and many details need to be ironed out. If everything is well prepared, coordinated and checked, then planning errors, defects, mishaps and additional costs can be avoided. Selecting the right contract partners is the key to successful building.

Construction phase

Individual firms of architects work with fee-based or planning contracts (commissions) and individual contracts with craftsmen. Terraced housing and residential apartments are normally built on the basis of contracts for work and services or purchase agreements with general or turnkey contractors.

Special care should be taken with the following sections of the contract:

- Avoidance of builder's liens
- Securing part payment
- Property gains taxes
- Consequences of delayed completion
- Warranty work following completion

It is also important to ensure construction, quality and cost controlling, and to regularly update the construction costs.

Handover

This should never be done under time pressure or when you are forced to move, for example if you have already agreed a deadline for vacating your previous property. You must be able to postpone the handover if necessary. Once notification has been given that construction is complete, the two sides should inspect the

property together, and any defects should be documented in a handover report. It's often difficult for non-specialists to assess whether a defect is present: not even specialists always agree. It can be worthwhile to engage an independent expert, not least because binding arrangements need to be made, and deadlines agreed, for rectifying any defects identified. The contract for work and services or purchase agreement should contain provisions for appropriate retentions – portions of the agreed price which are only paid over once all faults have been rectified. You should also check whether all the agreed building guarantee certificates have been provided. Laypeople, and even specialists, often underestimate just how complex a building project is. Budgets, complete contracts, construction specifications, illustrations, photos, plans and appropriate controls can prevent misunderstandings and differences of opinion. Advice from professional experts can also help ensure that construction goes smoothly.

Guest article by Max Schweizer, construction and management consultant

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