

# UBS immo news



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## Swiss real-estate market

Considerable demand for residential property is coming from "baby boomers". Those born immediately after the Second World War are now at an age where they are more likely to buy an apartment than a house; **apartments are thus highly sought-after at present** and prices have shot up as a result. House prices, by contrast, have remained stable. In the next few years demand for new homes looks set to wane as many properties will be passed on from the older to the younger generation.

**In Switzerland, however, demand varies from sector to sector.** The reduction in travel times thanks to Bahn 2000 and other transport infrastructure projects has been a boon for certain outlying regions, with Thurgau, Grisons and Central Switzerland becoming increasingly attractive as a result. In some regions demand for real estate is dependent upon demographic trends, and the Federal Office for Statistics is forecasting population growth by canton up to the year 2020 in its trend scenario. The clear winners in this respect are Central and Western Switzerland

and the Canton of Zurich, while the population of the Mittelland and the mountain regions will fall by between 5 and 10 percent over the coming 15 years. The different demographic trends will have a substantial impact on demand for real estate and on property prices.

**At the same time, any increase in interest rates in the interim is unlikely to have much of an impact,** and demand for apartments will therefore dip only slightly, with further price rises expected for 2005/2006. Family homes are, however, forecast to increase only slightly in value.

**i** Further information on all regions can be found in the information sheet "Swiss real estate. Regional market trends" at [www.ubs.com/immonews](http://www.ubs.com/immonews).

## Editorial



**Hans-Joachim Steinbock**  
Head of Products & Services Banking Products

Buying your own home is a big step and it is important therefore to plan everything in detail. Just as you count on specialists when building your home, you should also turn to experts when it comes to home financing. With mortgages, the solution that seems the cheapest at first glance is not always the best one in the long run. UBS will help you find the best possible balance between your personal wishes, the current interest-rate situation and your financial circumstances.

You will find further details at [www.ubs.com/hypo](http://www.ubs.com/hypo). If you would like to receive up-to-the-minute real-estate information every quarter, you can now subscribe to our newsletter "UBS immo news" free of charge. Sign up at [www.ubs.com/immonews](http://www.ubs.com/immonews).

I hope you enjoy reading the newsletter.

## Indirect amortization: saving and retirement planning

**Paying into UBS Fisca is good value in more ways than one: you can pay back your mortgage, cut your tax bill, hedge risks and make provision for your pension.**

Mortgages on owner-occupied properties can be amortized directly or indirectly. In the latter case, the mortgage payment is paid into a pillar 3a retirement savings account, which is pledged as security at the bank. The main benefit of indirect amortization is that mortgage holders can deduct the amount paid into the pillar 3a account from their tax bill, while at the same time meeting their amortization obligations to the bank. The mortgage amount remains unchanged throughout the entire amortization period, allowing mortgage holders to deduct higher debt interest. A further benefit is that all interest income on retirement savings is tax-free.

The tax benefits of a pillar 3a retirement savings solution are plain to see: if mortgage holders with an annual income of 100,000 francs pay 6,192 francs into UBS Fisca, they can – depending on their place of residence – save over 2,000 francs a year in taxes. For 2005 the maximum amount that employed people with a BVG pension plan can pay into a pillar 3a account is 6,192 francs, while those without a BVG pension plan can pay in 20 percent of their

income from employment up to a maximum of 30,960 francs. Indirect amortization has a great deal to recommend it, especially in the current interest-rate environment. The fixed-rate mortgage rates on offer at the moment are very attractive – even for long-term maturities. It is worthwhile taking advantage of the low interest rates at present and exploiting the tax benefits offered by mortgages, thereby reaching your savings target more quickly.

### **New: hedge risks with UBS Fiscalife**

UBS Fiscalife combines tax-privileged retirement savings with life and disability insurance. This allows you to protect yourself and your loved ones from a risk that is all too often insufficiently covered: disability resulting from illness. Your savings goal – the complete repayment of your second mortgage, for instance – is guaranteed. The annual amount paid in (savings component and risk premium) is included in full in the amortization amount and is thus tax-deductible.

**i** Further information and calculation possibilities can be found at [www.ubs.com/fisca](http://www.ubs.com/fisca).



## UBS mortgages on the Internet

Buying your own home can be a complicated affair. Future homeowners therefore need well-structured tools that enable them to access the information they need quickly and easily and that offer them complete checklists. "Six steps to your own home" is one such tool, which UBS offers on the Internet at [www.ubs.com/hypo](http://www.ubs.com/hypo).

## UBS mortgages in the current interest-rate environment

**Swiss GDP turned in a rather disappointing performance in the fourth quarter of 2004. Supported by the recovery in domestic demand in Europe, however, a number of indicators suggest that growth will pick up in the second half of the year and make a slight rise in medium- to long-term interest rates more likely. The current interest-rate environment makes it a very good time to take out a mortgage.**

As interest rates look set to rise slowly but surely, medium- to long-term **UBS Fixed-Rate Mortgages** are currently attracting considerable interest, as they enable you to lock in the current low interest rate for years to come.

If you are not renewing your mortgage or buying a property for a few months yet, secure the current interest rate – against payment of a small surcharge – with a **Forward Mortgage** for up to one year in advance, thereby avoiding any nasty surprises should the cost of borrowing suddenly go up.

With a **UBS Portfolio Mortgage** you have nothing to worry about; it has no maturity date and you benefit from smoother interest rates over the longer term.

At just over 2% at present, the **UBS Libor Mortgage** has by far the lowest rate of interest. As this rate is only guaranteed for three or six months, however, it is the riskiest in terms of interest rate fluctuations. But if – as the forecasts suggest – any further rise in interest rates is slow, you could still benefit from the favourable money market rates for a while – at least for part of your financing.

Combining this product with **UBS Libor Cap Warrants** offers you protection against a sharp rise in interest rates. The UBS Libor Mortgage is also interesting as a means of temporary financing, as it enables you to switch to a longer-term product or repay at short notice.

**i** Further information on UBS's mortgage products and current interest rates, as well as charts, can be found in the information sheet "UBS mortgages in the current interest rate environment" at [www.ubs.com/immonews](http://www.ubs.com/immonews).

## UBS building financing – the entire mortgage range at your disposal at all times

**You have found your dream location, now you can start building your own home. Regardless of whether you will be using a general contractor or an architect to put your plans into action, the question you have to ask yourself is how best to finance and secure the project. Do you want to set interest rates as building gets under way, or do you want to be flexible right from the outset?**

UBS building financing is a very flexible means of financing your home during the construction phase. You have a free choice of products at all times. In other words, you can choose between a traditional building loan (a construction account in current-account form with a variable interest rate) and the full range of UBS mortgages with their various terms and features. You can draw down all or part of your loan in the form of a mortgage before, during or after construction, and have these disbursements credited to your construction account. Balances on that account are subject to a preferential interest rate.

Financing your home purchase is based on the "UBS building financing" agreement, which serves as both confirmation of financing when you negotiate with your contractor and a payment schedule during construction.



Your UBS advisor will be only too happy to answer any financing questions you may have while your house is being built. He or she will be happy to put together a tailor-made credit arrangement for you, taking account of the current

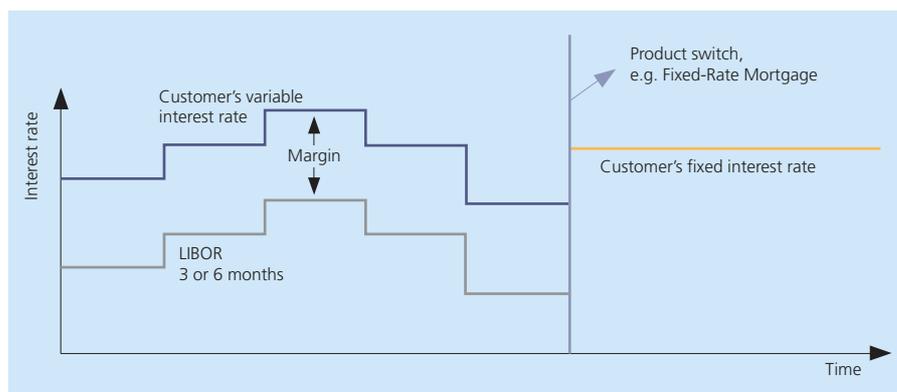
interest-rate situation, your financial leeway and your requirements.

## UBS Libor Mortgage and UBS Libor Cap Warrants: want to stay flexible?

The UBS Libor Mortgage is a flexible way of using the money markets (LIBOR) to finance real-estate purchases. The interest rate is fixed for the term of the selected Libor period (three or six months) and adjusted to any change in the CHF LIBOR rate.

The ongoing phase of low interest rates makes Libor mortgages very favourable (around 2% at present). As soon as interest rates go up, however, Libor mortgages become more expensive. Compared with similar products, Libor mortgages are subject to very sharp and rapid changes. Very cautious homeowners are therefore ready to switch to long-term fixed-rate mortgages at the first sign of a rise in interest rates. But is it the sensible thing to do? Not necessarily!

People have been saying that interest rates are about to go up for the past two years. Those who remained calm succeeded in saving a considerable amount of money in this period compared with those who switched to fixed-rate mortgages. It is important to note that picking the right time to make the switch is just as difficult as deciding when to buy or sell a specific share. From a long-term perspective, the Libor Mortgage is one of the most favourable financing options – albeit with considerable fluctuations of late. Investors who want to benefit from extremely favourable Libor rates will therefore have to accept periods of high interest rates if they want to

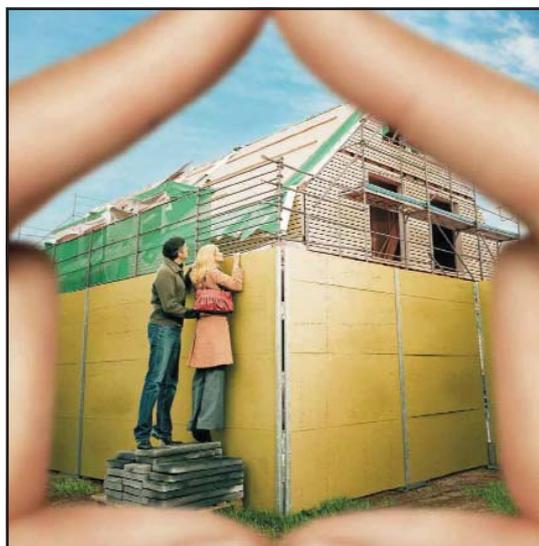


hold a Libor Mortgage even when the cost of borrowing is going up. While this strategy is riskier than switching to fixed-rate mortgages, it can pay off. Investors who want to reduce their risk exposure should finance a small part using Libor and switch the rest to a fixed-rate mortgage. Depending upon their risk profile, they would eventually have to switch all or part of their mortgage to a fixed-rate arrangement.

Another way of limiting the risk of rising interest rates on the UBS Libor Mortgage is to use UBS Libor Cap Warrants. This product allows investors to hedge interest-rate risks in line with their individual requirements

and expectations. UBS Libor Cap Warrants have a nominal value of 10,000 francs and can be bought and sold at any time. The interest rate is hedged on the basis of the CHF-3-month LIBOR, which allows the risk of an increase in the UBS Libor Mortgage rate to be hedged with a fixed-interest rate for three months on a one-to-one basis. UBS Libor Cap Warrants offer investors the choice of various series with different terms and maximum interest rates.

**To find the most suitable strategy for you, contact your UBS advisor. He or she will be able to suggest possible financing options, tailored to your personal situation.**



**Make your dreams come true.  
With a mortgage from UBS.**

Your first step to buying your own home: go to [www.ubs.com/hypo](http://www.ubs.com/hypo). Under the heading "Six steps to owning your own home", we will guide you from start to finish, calculating how much you can afford and helping you select the property. Or talk to your UBS advisor. He or she will show you which financing solution best suits your personal situation: tel. 0800 884 556.

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