

UBS immo news

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The dream of owning your own home: plan smart, budget smart

The vast majority of Swiss citizens dream of owning their own home. Achieving this goal requires a combination of astute financial planning and sound advice.

Before you start poring over construction drawings and floor plans, you need to be clear about your financial situation. What stage are you at and how much money do you have? To buy your own home, you'll first need to put up enough money of your own. This will generally be around 20 percent of the purchase price, with the remainder being financed by a mortgage from your bank.

Of this 20 percent, at least 10 percent must be your own "hard" savings, i.e., it cannot include money withdrawn early from your pension fund. Capital for the down payment can include credit balances held at your bank, funds from pillar 3a, the surrender value of insurance policies and proceeds from

the sale of securities. An advance against inheritance or a gift can also be used for the down payment, but not interest-bearing or repayable loans.

To save up sufficient capital of your own, it's important to have a savings or investment strategy and to stick to it. Which method of saving is suitable will depend on your individual circumstances and should be clarified with your client advisor. Possibilities include savings from investment solutions or deposits into pillar 3a. Not only can you use the latter to purchase residential property, you also get tax relief on these amounts, reducing your tax bill.

Before you start looking for your dream home, ask yourself what type of property and location would suit you best. Ultimately, you'll have to reconcile your preferences and requirements with your actual budget, so think about the following points:

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Editorial



Dear Reader,

Surveys repeatedly show that around three quarters of all Swiss citizens dream of owning their own home. There are a number of reasons why, including cheaper mortgages thanks to lower interest rates and more freedom when it comes to designing your own home and garden.

The average Swiss couple usually only buys or builds a house once in their lifetime, meaning they don't have much experience. And without professional help and advice, a lot can go wrong. That's why we advise our clients to get in touch with their client advisor at an early stage, to benefit from the advisor's help and support throughout the process. Read more about this on pages 1 and 2.

Which makes more sense – renovation or new construction? Our article on page 4 answers this question and provides numerous tips.

We hope you enjoy this issue.

Simone Westerfeld
Head Personal Banking

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- Do you want to build your own home or buy an existing property?
- Are you willing to consider an older, cheaper property or some other existing building?
- Are you looking for a condominium, a row house or something detached?
- What sort of architecture, size and floor plan are important to you?

Tips for your search

If you want to live in a particular municipality or neighborhood, you should also search locally, for example using local vendors, architects or real estate agents. Your UBS client advisor has a lot of experience and can help you here.

Today, more than 90 percent of all properties for sale are advertised on the major internet platforms where you'll find both existing homes and new construction projects. New construction

activity has been at a high for years, so – with some regional differences – you'll currently find a lot to choose from. By refining your search to match your individual preferences, you'll increase your chances of finding just what you're looking for.



SARON replaces Libor

The Libor reference rate, which is currently the basis for money market mortgages, will be replaced by SARON at the end of 2021. SARON (Swiss Average Rate Overnight) is a short-term money market rate calculated based on transactions and quotes posted on the Swiss repo market. This change will have a major impact worldwide, especially on the mortgage market.

We will start offering our clients UBS SARON Mortgage during the course of 2020. You'll be able to read more on this topic in April 2020 in our UBS immo news E-Newsletter.

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It's a privilege to help clients on their journey

When it comes to buying your own home, comprehensive advice and personal assistance throughout the process pay off. UBS mortgage expert Mario Stoppa offers tips on financing and getting advice.

What's it like to advise someone buying a home?

Mario Stoppa: It's certainly a very emotional moment. As a client advisor for the bank providing the financing, I consider it a privilege to accompany a client, for example a young family, on their journey. Naturally our first meeting with clients takes place very early on, perhaps even before they've identified a specific property. We then assist them through all of the following stages, from financing and notarizing the purchase agreement to the topping-out ceremony, the handing over of the keys, and beyond.

What are the most frequently asked questions?

About buying: What's the most I can afford to pay for a property? How will buying affect my taxes? How high does my down payment need to be? Of course people also want to know how high the future costs of owning the property will be. Although low mortgage interest rates seem very attractive, people are often nervous about whether they could go up again in future.

When should you contact your client advisor?

I recommend you involve your client advisor as early as possible. Buyers are usually faced with very complex issues and it's important that the right decisions are made from the start. For example, in practice it's often difficult to determine the market value of a property. The client advisor can calculate this using the hedonic method: a computer-based tool that calculates the current market value based on the different attributes of the project and its location. For existing properties, questions often also arise about the need for renovation. A lot of people grossly underestimate the renovation costs for older buildings. Our in-house renovation tool provides some very reliable guide values. Then there are

questions about financial security, pensions and your future retirement situation. If you choose to finance a home using your pension fund, you'll need our advice first.

Apart from the financing, are there other areas for which getting advice makes sense?

Yes. For example, very few clients are familiar with the typical technical formulations and jargon contained in purchase, construction and general contractor agreements. In practice, potential buyers are often put under time pressure, but it's not always clear whether there's really that much interest in the specific property or whether the pressure is artificially created. Clients can gain time by getting their client advisor involved at an early stage and their mortgage application approved early on.

What conditions need to be met to obtain financing?

The basis is the "golden rule" which says that the client requires a down payment of 20 percent of the purchase price, with the remaining 80 percent being financed by a mortgage loan. In addition, annual property expenses, i.e., mortgage interest, repayments, upkeep and bills, should not exceed one third of annual income. Our price and mortgage calculator, which is also available online, lets you obtain an initial estimate quickly and easily.

Mortgage calculator:

ubs.com/mortgages

Checklists:

ubs.com/hypo-checklists

What are the main issues related to mortgages?

They vary a lot depending on the client. That's why a personal consultation to identify the best strategy is so important. We determine the right financing option by drawing up an individual mortgage profile. This takes into account a number of factors including financial flexibility and risk appetite, and is the basis for our financing proposal. The client then decides whether the proposed product mix and the terms are acceptable and suit their long-term plan. Other points may also arise that we can then discuss in detail.

How should clients prepare for a meeting with the bank?

If you're dreaming of buying your own home and initially just want to explore your options, it makes sense to bring along proof of your assets and income. If you have a specific property in mind, you should also bring along the related documents. You'll find useful information on our website to help you prepare, including checklists on the required documents. If you're uncertain about anything, give the client advisor a call before the meeting. ●



Mario Stoppa is Area Head at UBS in Basel. Prior to this he was a client advisor and branch manager in Liestal for many years.

Replacement instead of renovation?

At some point, nearly every owner has to decide whether to refurbish a property or replace it. Individual life plans, densification potential, energy and CO₂ balance and cost efficiency mean replacement is often the preferred option.



In many parts of Switzerland, replacement construction has increased significantly. According to the latest real estate analyses by consulting firm Wüest Partner, this trend is most apparent in large city centers where around half of all new apartments are replacement constructions. New construction on as-yet undeveloped plots is for obvious reasons an exception.

In terms of regions, this is most obviously true in Zurich, Thun, Nyon and Yverdon. But even in peripheral locations and in medium-sized towns, the amount of replacement construction has grown considerably and is particularly high in popular tourist areas in the canton of Graubünden. One major reason is probably that in touristic regions, the construction of new vacation or second homes is either heavily restricted or not possible at all.

Inward development

In cities, the reasons are different: land is in extremely short supply. At the same time, most construction and zoning regulations allow densification of existing plots. In many cantons, such as St. Gallen, Zurich, and Zug, new zoning of development land is virtually impossible or is subject to heavy restrictions. The vast majority of regions have designed their structure plans, land-use planning and zoning regulations according to the maxim "inward

development." For owners of existing buildings, this is an advantage because today's regulations allow a small apartment block or a project with row houses to be built on many building plots with a detached home from the 1960s or 1970s.

Reasons for replacement construction

There are three solid reasons for replacement construction: first, they enable a major increase in usable space on the same area of land. For owners, the potential is considerable. If the properties are rental apartments, yields increase significantly. Second: sometimes older homes are in such poor condition that there's no better alternative. Third: in today's environment, energy efficiency is a big factor. Energy consumption for heating and hot water is four to five times lower for a high-quality new construction than for a home from the 1970s.

However, owners must also consider the expense and total costs involved. The planning, demolition, disposal and construction of a new home can be expensive. As a rule of thumb, the construction costs alone for a house are 3,300 francs per square meter.

Working out how much flexibility you have

Before architects start drawing up their plans and visions for a construction plot, the situation regarding construction regulations must first be thoroughly researched. Although preservation orders do not apply to most privately owned buildings, many places of historical interest in cities and medium-sized towns are protected to some degree. In such locations – and as with listed buildings – the possibilities of making significant changes are limited. More and more cantons and cities are making information on building and zone regulations, historic monuments and inventories of historic buildings publicly available on their online geoportals. If you cannot find the information you're looking for, try contacting the responsible building authority directly.

In most cases, only once you have this information is it worth consulting an architect for a thorough assessment of applicable building regulations, and an initial study of different options. Architects are trained to explore the best options allowed by building and zone regulations and to put forward concrete proposals.

Custom construction financing

As soon as a certain preliminary decision becomes clear, you'll need to estimate costs and arrange the financing. To do so, contact your UBS client advisor at an early stage. For major renovations, new construction or replacement construction, we recommend UBS Building Financing. A UBS Building Account can be used to pay current invoices from architects, construction companies and contractors. Our financing solution is based on your individual needs and gives you full cost transparency during every phase of the project.

To assist you, we've put together a "Replacement construction: 10-point checklist." Read more at ubs.com/insights ▶ Home ownership