smzh

How Do I Buy Real Estate?

Financing, equity & mortgage

tailor-made. holistic. for you.

Financing & Equity

In Switzerland, the following rules apply when financing a real estate purchase:

- **At least 20% equity** must be derived from own savings.
- **A maximum of 10%** of that equity may be withdrawn from the 2nd pillar (pension fund, withdrawal under the program for home ownership promotion, WEF).
- The remaining **80% can be financed with a mortgage**.

Equity, minimum **20%**[1]

2nd mortgage up to **13%**

1st mortgage up to **67%**

Example of equity capital:

- Savings
- Retirement savings
- Advance inheritance

[1] A maximum of 10% of this total can be financed with 2nd pillar savings

Affordability analysis

- The affordability of financing is decisive: The **running costs (mortgage rates, amortization, maintenance) must not amount to more than 33% of gross income.**
- Banks employ a hypothetical interest rate of **4.5% - 5.0%** plus **ancillary costs of 0.75% - 1.0%.**

Amortization

- The non-equity portion of the mortgage (2nd mortgage) must be reduced to 65% of the property value **within 15 years or by retirement.**
- Two kinds of amortization:
  - **a. Direct amortization:** The mortgage is continuously reduced through regular repayments to the bank. This leads to a higher tax burden, as debt interest declines and a lower amount can be deducted from taxable income.
  - **b. Indirect amortization:** Instead of reducing the mortgage directly, you pay into restricted pension pillar 3a. These savings are tax-advantaged until retirement and will then be used to repay the mortgage. In this option, debt interest remains tax-deductible.

Purchase process: From offer to transfer of ownership

A structured purchase process ensures a seamless real estate transaction.

1. Purchase offer & price negotiations

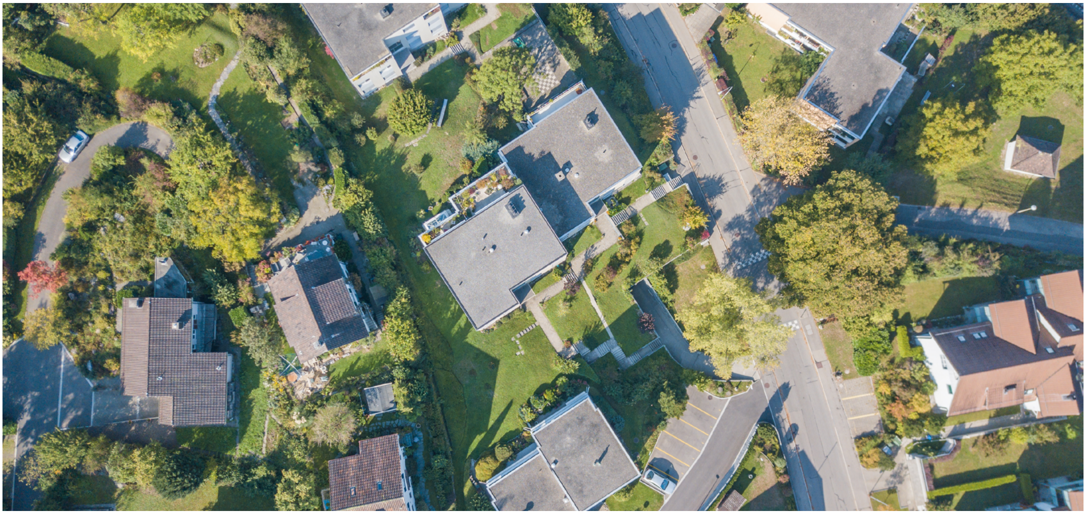
- Offers can be **binding or non-binding**.
- **Market analyses, property comparisons, and potential defects** create room for negotiation.
- Possibility to **reserve a property by making a down payment of 1-3%** of the purchase price.

2. Purchase agreement & notary

- By law, the **purchase agreement must be certified by a notary**.
- In some cantons, the **community provides a notary** for certification, in others, buyers are free to select a notary themselves.
- Banks require an **irrevocable promise to pay** before an agreement becomes binding.

3. Entry in land register & transfer of ownership

- Only upon **land register entry** does the buyer officially become the owner.
- Depending on the canton, **it can take several weeks** for the land register to be updated.
- **Until the change is effective,** the seller remains the legal owner of the property.



Advice for potential buyers

Being well informed in a property purchase saves time and money, and your nerves aren't strained.

1. Credit assessment & financial planning

- **Check your creditworthiness early** to have a solid financing base and know your financial leeway.
- Determine **how much equity you have at your disposal** and what mortgage amount you can afford.

2. Selection of location & market analysis

- Consider **infrastructure, transport connections, and likely future developments**.
- Compare real estate prices in the region to get a **realistic sense of prices**.

3. Document analysis

- Check important documents such as **land register extract, cadastral map, floor plans, description of construction, and buildings insurance policy.**
- If the property is part of an association of homeowners, take into consideration **regulations** and a potential **renewal fund**.

4. Negotiation & purchase offer

- Use **market analyses and property appraisals** to achieve a fair purchase price.
- Check whether the listed price offers **room for negotiation.**

5. Mortgage rates & financing strategy

- Compare various mortgage models to find the **best long-term solution.**
- Monitor the **development of interest rates** to determine the optimal time for financing.

Real estate purchase & financing advice by smzh ag

Tailor-made financing solutions, aligned with your real estate strategy.

Your benefits in partnering with smzh

- In-depth financing starts with a **precise appraisal** based on the same tools used by leading financing partners (IAZI, Fahrländer & Partner, Wüest Dimensions).
- This creates a **strong base for discussion and negotiation** with sellers and financing banks. Moreover, it increases the odds of securing the best financing conditions.
- Financing solutions are individually tailored to your **financial situation and personal objectives**.

Process

1. **Needs assessment & strategy**
    - Defining the financing purpose (e.g., purchase, renovation, conversion, or refinancing of an existing mortgage)
    - Analysis of **equity, liquidity, and tax considerations**
    - Determining the **market value** using professional valuation methods
2. **Creating a financing concept**
    - Developing a tailored **equity and debt capital structure**
    - Preparing a professional financing dossier for banks, insurance companies, or pension funds
3. **Tendering & negotiation**
    - Comparison and tender process with **various financing partners**
    - Optimization of **interest rates, loan terms, and contractual conditions**
4. **Implementation & ongoing support**
    - Support with **contract execution, down payments, and administrative processes**
    - Regular **review and adjustment** of the financing structure in line with market developments

Use our online calculators

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Housing & affordability
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smzh ag is an independent financial services provider offering holistic, transparent, and sustainable advice in the areas of **finance & investments, pension & insurance, mortgages & real estate,** and **tax & law.**

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