smzh

How Do I Buy Real Estate?

Financing, equity
& mortgage

tailor-made. holistic. for you.

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

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- **A maximum of 10%** of that equity may be withdrawn from the 2nd pillar (pension fund, withdrawal under the program for home ownership promotion, WEF).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.

Use our online calculators

Real estate valuation
smzh.ch/en/real-estate-calculator

Housing & affordability
smzh.ch/en/housing-affordability

Or contact our experts

smzh – Your Independent Financial Services Partner

Our team is ready to support you with all your real estate-related needs. Get personalized advice to stay ahead of the next challenge.

About smzh

smzh ag is an independent financial services provider that offers corporate clients comprehensive, transparent, and sustainable advisory services in the areas of **finance & investments, pension & insurance, mortgages & real estate,** and **tax & legal matters.**

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04/26