The Alpine Property Market

Spotlight

The ski industry
Tourism and rental demand drives investment market

Savills Research

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Notes about the publication

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Spotlight

ALPINE PROPERTY MARKET

Rental demand and tourism sustains investment yields

SUMMARY

Market overview

■ The popularity of buying Alpine properties has risen considerably in the last decade. Ski properties comprised 9% of holiday home purchases in the 2009-11 period.

■ Our research shows that most people are buying for a combination of both lifestyle and investment reasons. Alpine properties provide them with the opportunity to benefit from a bolthole on the 'piste' with also the potential to generate rental income when they are not using it.

■ The ski tourism industry has witnessed a general downward trend in the global economic climate but Alpine destinations have increasingly opened up to summer visitors. This enables property owners to benefit from dual season rental income.

■ The Swiss ski property market can be challenging to access due to buyer restrictions and high price thresholds, but can provide buyers with a safe, secure asset that sees steady capital appreciation. For this reason, many still view Switzerland as a long term hedge.

■ Austria by comparison is priced much more accessibly and investors can benefit from both long term capital growth as well as attractive yields through holiday lettings.

■ France remains the Alps' most visited ski destination, commanding strong apartment and chalet prices. There has been negative, or just modest capital growth since the global economic downturn, but continued rental demand from tourism means revenue streams provide more compelling investment opportunities as well as lifestyle choices.

INTRODUCTION

This report focuses on the Alpine region of Europe, encompassing the mountains of France, Switzerland and Austria. It looks at the market for apartments and chalets which are used for both winter and summer holidays and are second homes. It reviews the ski industry and analyses buyer markets, prices and the prospects for future demand.

The ski industry

Ski tourism peaked in the 2007/2008 season at 1.2 million tourists (Figure 1), having expanded on average by 5% per annum since 2000/2001. The industry now remains at some 26% below this peak with 910,900 tourists in the 2010-2011 winter season.

Factors such as reduced chalet availability mean that fewer holidays are on offer. Also, the late Easter in 2011 and erratic snow conditions have contributed to the slow down. An increase in fuel costs has led to higher air fares, and exchange rate pressure for the UK market has pushed up the total cost of a holiday, so overall, it is recessionary conditions that have put some skiers off their winter holiday.

Alpine resorts are not simply winter holiday destinations. Over time, they have developed summer tourism infrastructure to promote sports activities, cultural and entertainment programmes and leisure amenities. Rising visitor numbers in summer months, as well as in the shoulder seasons (spring and autumn), have boosted year-round demand for tourist accommodation, and this supports the holiday home rental market.

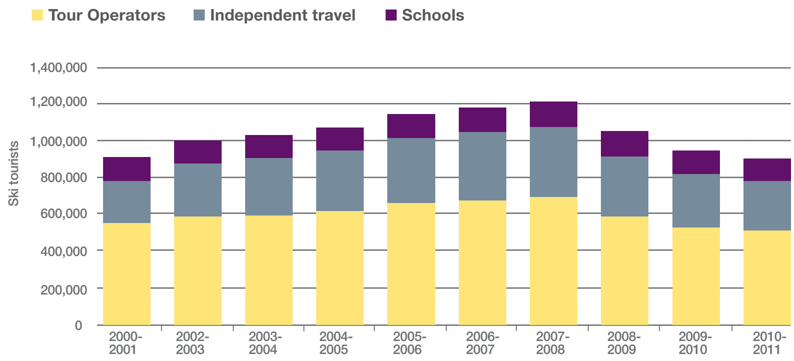
France continues to lead the ski market as the most popular destination, however, its share of the market has declined from 38% in 2007/2008 to a third (33%) in the 2010/2011 season (Figure 2).

The high price of French resorts is seen to be the lead contributory factor behind this trend. In contrast, Austria (which is considered to offer better value for money) has increased its segment over this time, now attracting 27% of ski tourists, up from 19% on the 2006/2007 season. Switzerland has consistently captured 5-6% of the ski market.

Crystal predicts that demand from the high-end ski market segments, including corporate ski breaks, will lead the industry's recovery. This suggests that there are opportunities for property owners with prime ski property in prime locations to capitalise on this rental demand.

FIGURE 1

The Ski industry Numbers peaked in 2007/08



Data source: Crystal

Investing in ski locations

A 2011 Savills and HomeAway.co.uk survey of UK holiday home owners with properties located overseas shows that the ski property market has expanded significantly over the decade (Figure 3). While the overall volume of holiday home buyers generally reduced in 2009-2011, the proportion of those investing in ski properties actually increased, to approximately 9% of the holiday home market

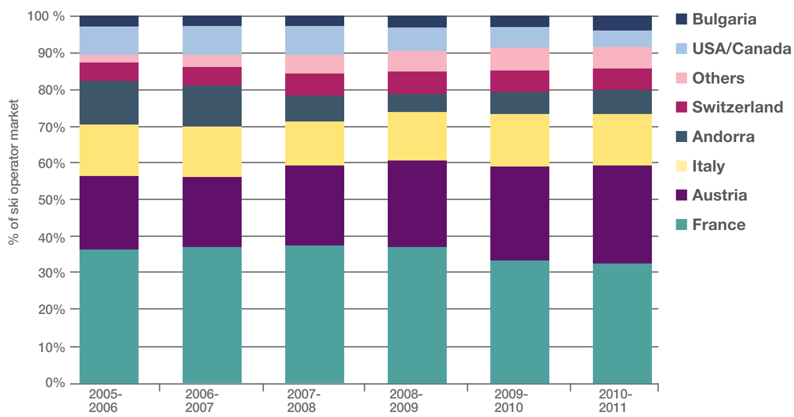
The growth in the market and popularity of the ski property sector has continued despite the global economic downturn. This can be attributed to the mix of both lifestyle benefits and income generation from a ski property. Almost two thirds (62%) of the market is driven by buyers seeking a mix of both lifestyle and investment benefits offered by ski properties, according to an Alpine Homes survey of prospective buyers (Figure 4).

It is this motivation which has led to the expansion of the 'leaseback' property sector, where buyers purchase property and lease it back to an operator. The operator then lets the property, providing the owner with a return on their investment, while also allowing them some personal usage of their property.

When renting ski chalets and apartments, parties of skiers tend to comprise larger groups than on other types of holidays, meaning that larger ski properties are particularly in demand. With two thirds of prospective buyers currently seeking three and four bedroom ski properties (according to the Alpine Homes survey), owners can increase the

FIGURE 2

Ski tour operator business by country



Data source: Crystal

prospect of rental demand during the ski season.

At the top end of the ski property market, buyers prefer resorts offering extensive entertainment and activities. Properties in prime locations with mountain views, as well as those with ski-in, ski-out facilities can generate a price premium.

Increasingly, luxury properties come with integrated spas and saunas, as well as features such as temperature-controlled wine cellars and home cinemas.

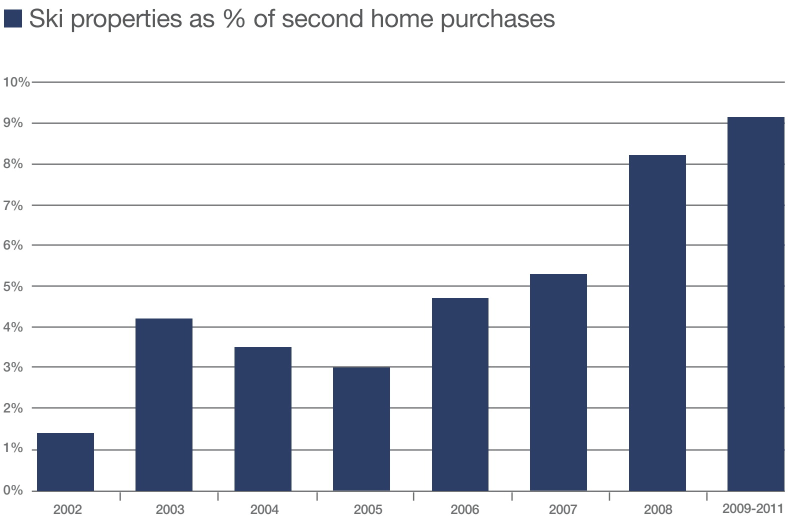
Investors who are solely looking at the ski market for capital growth and income potential seek properties that are suitable for lettings. For investors, access to resort centres, proximity to ski lifts and being within two hours' travel distance from the airport are important considerations.

Similar factors influence those who are buying for lifestyle and investment purposes, although features such as views and the overall attractiveness of the resort are more important.

France, and to a lesser extent, Switzerland, have traditionally attracted UK buyers investing in the Alps. Over time, upward pressure on property prices in the French and Swiss Alps means that Austria and also emerging destinations such as Bulgaria became increasingly popular as buyers have looked further afield for properties at more easily-accessible price points.

FIGURE 3

Growth of the ski property market

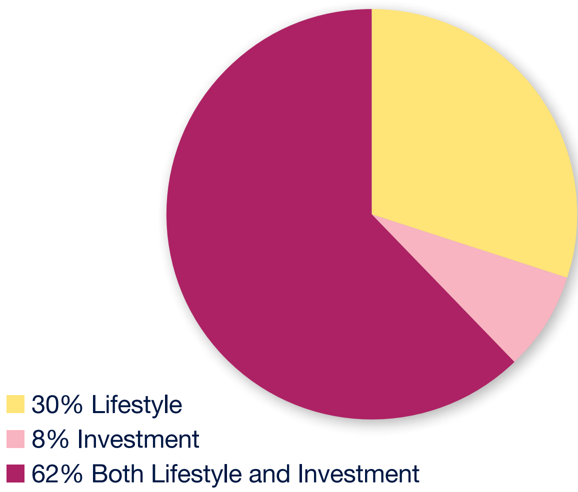


Data source: Savills Research / HomeAway.co.uk survey

FIGURE 4

Why buy Alpine property?

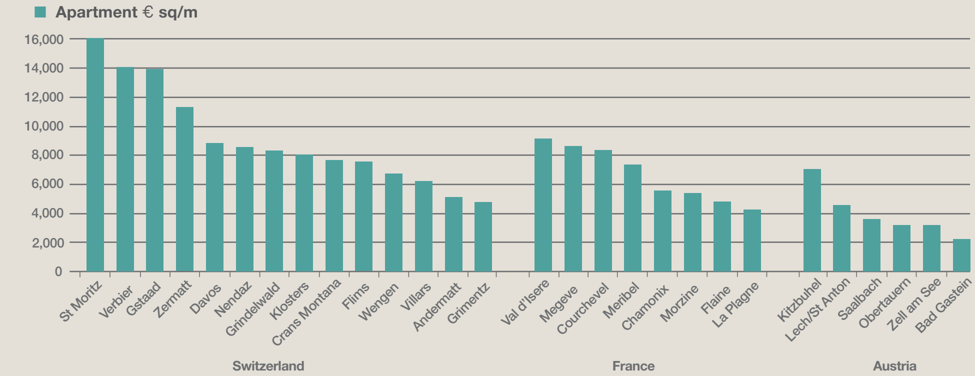
Current buyers' purchase motivation



Graph source: Alpine Homes buyer survey

FIGURE 5

Ski property price comparison (resales), Switzerland, France and Austria

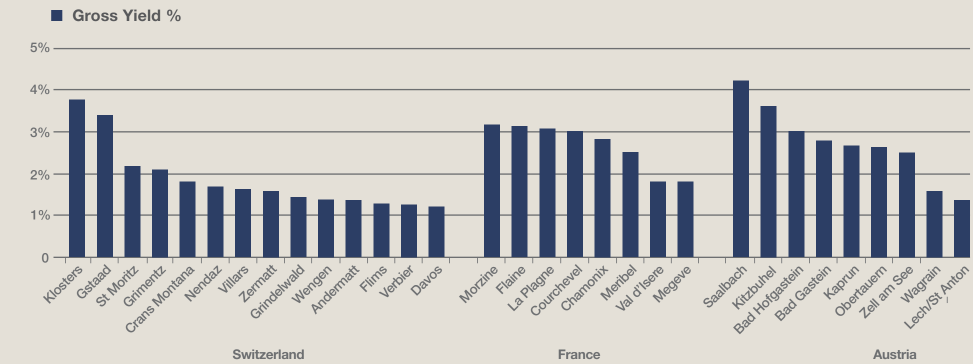


Graph source: Savills International Research

Note: Asking prices

FIGURE 6

Gross yield comparison, Switzerland, France and Austria, 2011



Graph source: Savills International Research

Note: based on average 3 bedroom apartment, mid-season income levels, 16 weeks rental potential at 60% occupancy, excludes summer

Price comparison

The Swiss resorts of St Moritz, Verbier, Gstaad and Zermatt are by far the priciest Alpine ski property markets at in excess of €10,000/sqm on average. They are followed by Davos, Nendaz and Grindelwald, along with France's Val d'Isère, Megève and Courchevel at more than €8,000/sqm on average for resale property. In Austria, only Kitzbühel is comparable to top tiers of the property market at over €7,000/sqm (Figure 5).

Compared to Switzerland, it is more modestly priced Austria which gains most investor interest as it offers some of the most compelling yield potential (Figure 6). In France, there has been negative or just modest capital growth since the global economic downturn but continued rental demand from tourism means that revenue streams are relatively high in relation to prices and yields are significantly higher than in most Swiss resorts.

It has to be said however that, overall, yields are insufficiently high to attract buyers only interested in investment returns. Lifestyle considerations will continue to be a major motivating factor.

AUSTRIA

Resort name	**Altitude** (m)	**Total piste length** (km)	**Distance from airport** (km)	**Permanent population**
Obertauern	1,740	100	Salzburg airport (92.1 km)	8,214
Ischgl	1,377	238	Innsbruck airport (97.5 km)	1,500
Lech / St Anton	1,304	280	Innsbruck airport (94.4 km)	2,800
Saalbach	1,003	200	Salzburg airport (85.8 km)	2,954
Bad Gastein	1,002	201	Salzburg airport (95.8 km)	5,838
Kitzbühel	761	170	Innsbruck airport (97.4 km)	8,818
Zell am See	757	138	Salzburg airport (98.8 km)	10,046

Source: Savills Alpine Homes

Austrian tourism

Compared to Swiss and French resorts, Austria's ski resorts are relatively small, often comprising interconnected valleys. Although located at a comparably lower altitude, some of Europe's most reliable snow can be found in Austria's Arlberg region where, for example, St Anton is located.

The European ski industry has contracted during the global economic downturn, but total annual international tourism to Austria has expanded. It was up by 3% between 2009 and 2010, with more than 22 million visitors (source: UNWTO).

Total nights spent in Austrian ski resorts across both the winter and summer months have remained consistent in recent years at approximately 15.6 million. Numbers peaked in 2008 at 16.5 million. This demonstrates the Austrian Alps have become a dual-season destination with domestic and international appeal.

The most visited Austrian resorts include Sölden and Saalbach-

"Almost two thirds (62%) of the market is driven by buyers seeking a mix of both lifestyle and investment benefits"

Hinterglemm, they have seen stable tourism growth in recent years. Some of the smallest resorts such as Wagrain, Rauris and Obertauern have also shown a strong increase in demand.

Austrian property market
House prices in Austria have seen steady growth of approximately 2% per annum (CAGR) on average over the last decade according to Oesterreichische Nationalbank (OeNB). Although there was some negative performance in 2008 and 2009, house prices started on an upward trend (Figure 7) in 2011.

Outside Vienna, (which tends to lead Austria's residential prices), the Tirol and Salzburg regions command the highest average property values (Figure 8). It is here that popular ski resorts are located, including Kitzbühel, Ischgl, Mayrhofen and Lech/ St Anton in the Tirol region in the west of Austria: Neighbouring Salzburgerland includes the resorts of Obertauern, Bad Gastein, Zell am See and Saalbach-Hinterglemm.

Austrian property market

Austrian ski resorts tend to be cheaper alternatives to their French and Swiss Alpine neighbours. In the resale market, chalet asking prices are on average approximately €3,700/sqm while apartments are currently €3,900/sqm. High-end Kitzbühel leads the market at some 60%-80% above average prices at over €5,800/sqm for chalets and more than €7,000/sqm for apartments.

The St Anton ski area is closely linked with other traditional resorts in the small villages of Lech, St Christoph and Zurs. The stock of centrally located apartments at an average of €4,500/sqm outweighs chalet availability here. Chalets tend to be located in outer-lying areas which means prices are more moderate at an average of €2,400/sqm, half the prices of those which are in central locations at in excess of €5,600/sqm in the resale market. Similarly, chalets in the Obertauern area tend not to be central and are therefore not as highly priced as in other resorts.

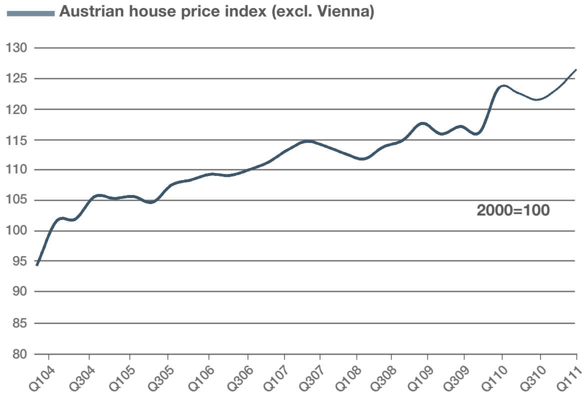
Prices of new build apartment schemes in Austria tend to range on average between €3,800/sqm to €5,000/sqm at the top end. In 2011, strongest sales rates have been recorded at developments selling leaseback product where property owners benefit from both personal usage as well as income generated by the operator.

According to a Savills and Alpine Homes survey, buyers are equally motivated by both the lifestyle and investment opportunities offered. For those intending to use the property themselves, Austria offers a diverse range of resorts suitable for both families and those seeking a party atmosphere, with a reputation for excellent hospitality and an established infrastructure.

Investors are attracted to Austria by the prospect of steady capital growth and income generated from tourism demand. Local agents report upward movement in property prices of between 5% and 15% since 2007 across all resorts surveyed, a reflection of attractively priced product and investment appeal. Residential price growth has been strongest in high-value areas such as Kitzbühel, followed by Zell am See and Bad Gastein.

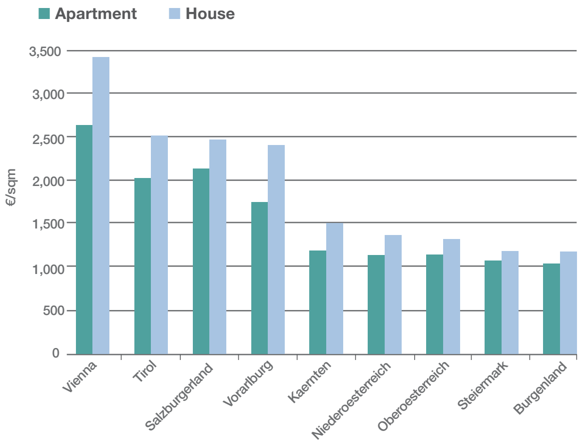
Buyers are primarily from northern European countries such as the UK, the Netherlands, Scandinavia and Germany. However, there is increased interest from eastern European countries and in particular from neighbouring Czech Republic, as investors have been able to benefit from a Euro-denominated product. There has been marked Czech investment into new build schemes, and most particularly in the 'leaseback' product market for investment.

FIGURE 7
Austrian house price index (Q1 2004 – Q1 2011)



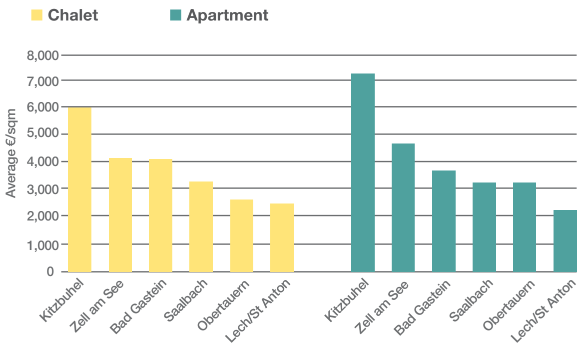
Graph source: OeNB

FIGURE 8
Average residential prices by state, Austria (2011)



Graph source: Raiffeisen Bank

FIGURE 9
Resale chalet and apartment prices (average €/sqm) ski resorts Austria



Graph source: Savills International Research

NB: Chalets reviewed in the Lech/St Anton and Obertauern resorts are not centrally located

Note: Asking prices

SWITZERLAND

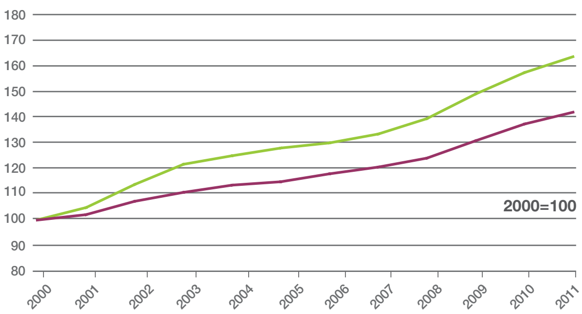
Resort name	Altitude (m)	Total piste length (km)	Distance from airport (km)	Permanent population
St Moritz	1,822	350	Zurich Airport (295 km)	5,175
Zermatt	1,620	350	Sion Airport (83 km)	5,828
Grimentz	1,570	227	Basel Airport (293.6 km)	445
Davos	1,560	320*	Friedrichshafen Airport (153km)	11,248
Verbier	1,500	412	Geneva Airport (160 km)	2,500
Crans Montana	1,500	140	Sion Airport (27.0 km)	4,500
Andermatt	1,444	125	Basel Airport (175.1 km)	1,270
Nendaz	1,450	412	Geneva Airport (162.7km)	5,959
Villars	1,300	225	Geneva Airport (119.8 km)	6,953
Wengen	1,274	214	Bern Airport (65 kmr)	1,300
Klosters	1,124	320*	Friedrichshafen Airport (141.5 km)	3,890
Flims	1,100	220**	Basel Airport (230km)	2,577
Grindelwald	1,034	213	Basel Airport (174 km)	3,860
Gstaad	1,000	250	Geneva Airport (154.4km)	2,500

Source: Alpine Homes

Notes *Davos and Klosters **Flims Laax Falera

FIGURE 10

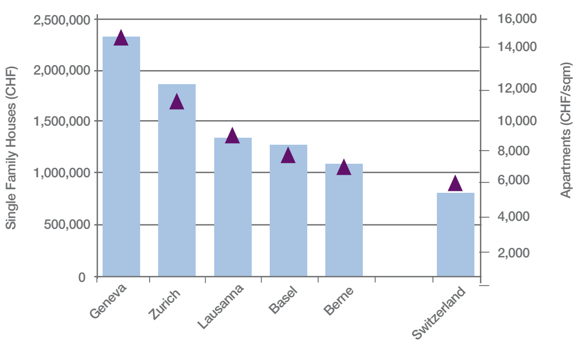
Swiss house price index, 2000 – 2011 (asking prices)



Data source: Swiss National Bank

FIGURE 11

House prices across Switzerland, (transactions, average prices) 2011



Data source: Wüest and Partner

Swiss tourism

Switzerland boasts high altitude resorts and Europe's largest glaciers, benefiting from excellent infrastructure and access. Switzerland consistently attracts around 5-6% of the ski market. Most visited resorts include Zermatt (1.3million nights) and the collaborated destinations of Davos and Klosters, followed by high-end St Moritz.

Total international tourism to Switzerland contracted by 4% in 2009 but 2010 saw visitor numbers recover to their 2008 level of 8.6million, indicating a positive outlook for the sector.

Swiss property market

With growing unease about Eurozone economies, investors have turned to the Swiss franc as a safer investment option, driving strength in the currency. Rising concern among Swiss exporters, and sectors such as the hospitality industry prompted the Swiss National Bank to impose a minimum Euro / CHF exchange rate of CHF 1.20 in September 2011, along with other measures to boost the domestic economy.

Expectations of continued residential construction, particularly in the Zurich, Geneva and Lausanne areas, are positive indicators for the Swiss economy. Housing demand is largely supported by foreign nationals living in and working in Switzerland, which is host to a plethora of international companies and organisations. Investors in the residential market are attracted by the active rental sector (64% of all properties are rented) and consistently high demand, demonstrated by the low vacancy rates (around 1% nationally).

Asking prices for residential property in Switzerland in mid 2011 were up 5% compared to the previous year, continuing the upward trend recorded over the last decade (Figure 10) according to Wüest and Partner. Transaction prices have grown at an even faster rate of 8%. Prices are led by Geneva and Zurich, where houses transact for CHF2.3million and CHF1.8million respectively on average. Apartments (which comprise the vast majority of stock) achieve CHF14,700/sqm and CHF10,800/sqm respectively (Figure11).

Swiss ski property market

Government restrictions on the Swiss housing market mean that not all properties are available for purchase by overseas buyers. Those available for foreign investment are usually confined to selected tourist areas. These supply limits contribute to price stability and local agents report more than 10% price growth since 2007. Swiss property is often seen as a steady, safe investment, an important

"Swiss property is regarded as a steady, safe investment, which is an important factor for investors in the current economic climate" factor for investors in the current economic climate.

Apartments for sale in Switzerland are significantly pricier than in neighbouring France and Austria, currently at an average of CHF10,900/sqm (€8,900/sqm). Asking prices for apartments in high-end St Moritz are on average more than CHF19,000/sqm (€15,500/sqm), and chalets, which are in short supply generate some of the highest prices in excess of CHF35,000/sqm in the prime market. St Moritz prices are followed by Verbier, Gstaad, Zermatt and Davos-Klosters (Figure 12). On average, apartments in Switzerland are 30% to 40% more expensive than in France and more than double the price of those in Austria.

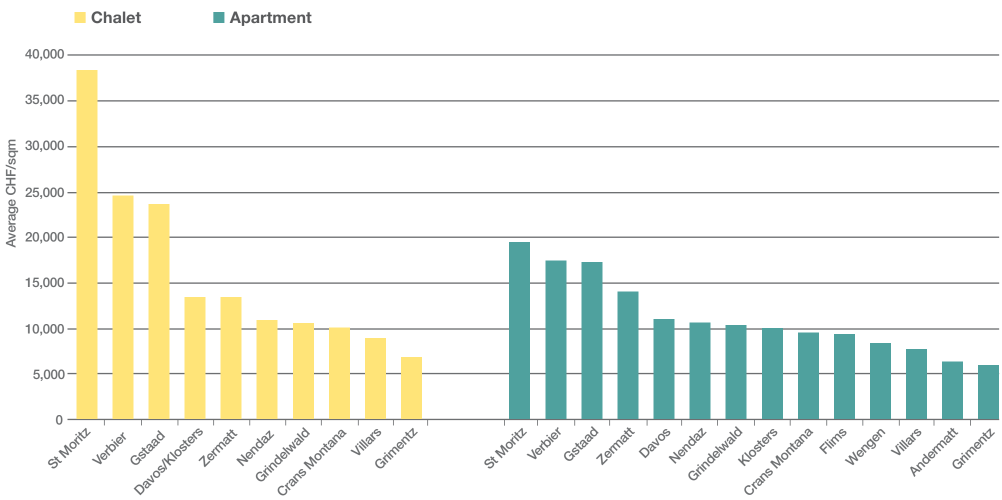
Smaller resorts such as Andermatt have, to date, been priced more accessibly than other Swiss holiday home markets. A new multiple unit residential scheme with hospitality and resort infrastructure is currently under construction, which will put Andermatt more firmly on the property map.

Not only are Swiss prices higher on a square metre basis, but also properties tend to be more spacious than those in France and Austria. This underlines the lifestyle qualities

FIGURE 12

Resale chalet and apartment prices

(average CHF/sqm) ski resorts, Switzerland



Data source: Savills International Research

Note: Asking prices

and high-end market positioning of Swiss properties.

The Swiss ski property market attracts both domestic and international investors. It is dominated by those from within Europe, including the UK, Benelux countries, Germany, France, Italy, Spain and Russia.

Resorts at the top end of the market, such as St Moritz for example, appeal to multi millionaire and billionaire markets. They attract a mix of international buyers from Europe, but increasingly from Russia and Eastern Europe.

A Savills survey shows that across all the Swiss resorts reviewed, most buyers are motivated by the lifestyle attraction of owning property there.

FRANCE

Resort name	Altitude (m)	Total piste length (km)	Distance from airport (km)	Permanent population
La Plagne	1,250 to 2,100	425	Chambéry airport (125.2km)	1,789
Courchevel	1,350 to 1,850	600	Chambéry airport (112.9 km)	2,000
Val d'Isere	1,850	600	Chambéry airport (136.2km)	1,753
Flaine	1,600	140	Geneva Int Airport (92.1km)	1,000
Meribel	1,450	600	Chambéry airport (94.1km)	1,854
Megeve	1,113	325	Geneva airport (69.1km)	4,139
Chamonix	1,035	155	Geneva airport (81.7km)	9,514
Morzine	1,000	650	Geneva Int Airport (82.3 km)	3,036

Source: Savills Alpine Homes

French tourism

With its broad tourism offer, attractive climate and rich history, France is the world's most visited destination and attracted more than 76 million visitors in 2010. Tourism to ski destinations declined in the mid-2000s, but there has been a slight rise in visitor numbers since 2007, with 60.5 million nights spent in French ski resorts in 2010.

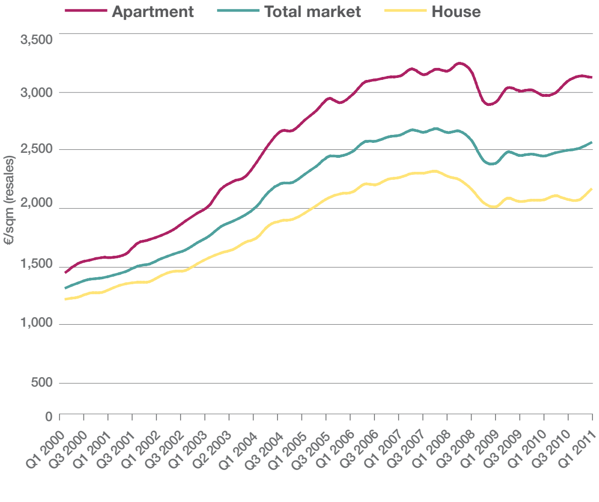
France is home to a number of famous ski destinations. The most visited areas continue to be the Tarantaise resorts principally comprising The Three Valleys (Courchevel, Méribel, Val Thorens), the Espace Killy with Val d'Isère and Tignes, and Paradiski, (La Plagne and Les Arcs) followed by Pays du Mont Blanc including Chamonix.

French property market

House prices in France witnessed some decline between Q4 2007

FIGURE 13

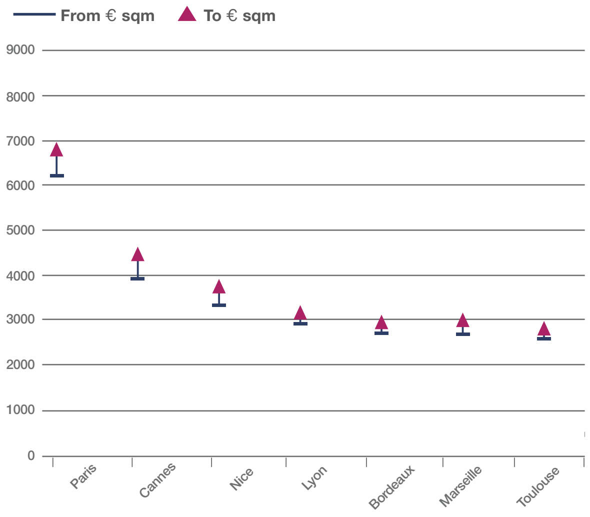
Average residential property prices, (€/sqm) France, 2000 - 2011



Data source: FNAIM

FIGURE 14

Average apartment prices, selected cities, France 2011 (€/sqm)



Data source: FNAIM

"A wealth of lifestyle benefits motivate buyers to purchase French ski properties"

and the beginning of 2009 but have subsequently seen positive movement on average. Q2 2011 saw a 3.3% increase on the previous quarter across the country according to the National Real Estate Federation (FNAIM), with strongest performance in the apartment market (Figure 13).

Paris and selected high end pockets in its environs lead residential values, followed by high-demand locations on the Riviera, such as Cannes and Nice (Figure 14).

French ski property market

Resale apartment prices in French ski resorts are approximately €6,600/sqm on average while chalets are priced at more than €8,300/sqm. French ski resorts have had a reputation for high price points, and in top end resorts such as Val d'Isère and Courchevel, asking prices for chalets are in excess of €12,000/sqm, (Figure 15) with some very high specification new chalets asking more than €20,000/sqm.

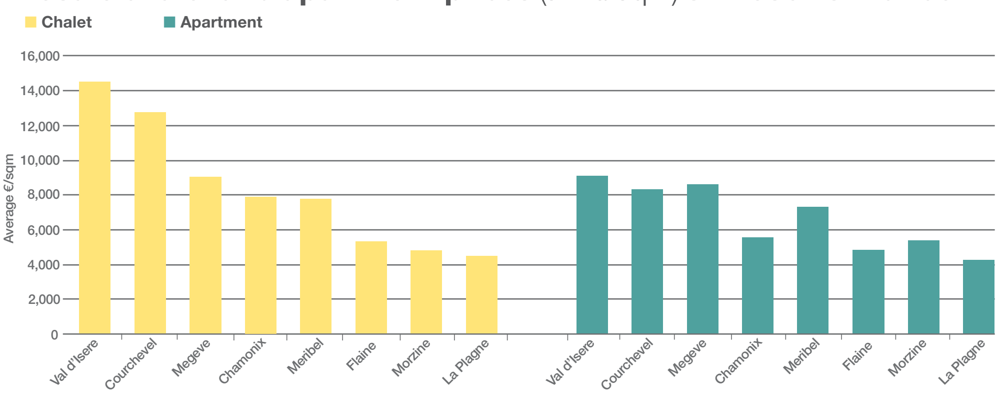
2009 and 2010 saw downward pressure on property prices in the French Alps, however there has been some positive growth witnessed over the last 12 months.

French ski properties tend to be smaller on average than those in neighbouring Switzerland and Austria which goes some way to explaining the high average price per square metre. Not only is there is a substantial volume of studio and one bedroom units in the apartment segment, but chalets also tend to be 15-20% smaller than in other destinations.

The French themselves are the main drivers of French ski property, followed by those with good access links to France, including the UK, Benelux countries, Ireland, Italy and Switzerland. The kudos of owning properties in some of the well-established resorts coupled with a wealth of lifestyle benefits motivates these buyers to purchase French ski properties. ■

FIGURE 15

Resale chalet and apartment prices (av. €/sqm) ski resorts France



Data source: Savills International Research

Note: Asking prices

Why Savills?

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now employs over 19,000 staff in 200 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

A unique combination of sector knowledge and entrepreneurial flair give clients access to real estate expertise of the highest calibre. We are regarded as an innovative-thinking organisation backed up with excellent negotiating skills. Savills chooses to focus on a defined set of clients, therefore offering a premium service to organisations with whom we share a common goal. The Savills name is synonymous with a high quality service offering and a premium brand, takes a long term view on real estate and invests in strategic relationships.

About Alpine Homes International

Alpine Homes are Savills exclusive agents for Switzerland and The Alps. Operating from their base in Switzerland, Alpine Homes was founded in 2005 to provide specialist sales and marketing services to Swiss developers in the Alps. Specialising in off plan developments, Alpine Homes now also covers an increasing number of resorts in France, such as Chamonix, Megeve and Morzine, as well as selected Austrian resorts. Working closely with Savills in London, Alpine Homes is able to offer a comprehensive range of client services including research and consultancy, valuations, investment and transactional, as well as sales and marketing.

alpine homes

Services

Based in Berkeley Square in London's West End, the International Residential Department provides an extensive range of property services for international property owners and developers:

Consultancy
Market research, concept development, urban and resort master planning, financial investment and structuring, programme management coordination, branding, sales and marketing services.

Agency
Development sales and market services for international developments and resorts. This includes both on-site and off-site sales operations and global sales road-shows. Our Alpine Homes Division a leading specialist in the sales of ski property for pleasure and profit.

Network
Individual and multi-unit property sales services through an international network of Savills and associate offices around the world. We also offer a bespoke off-market property sales service.

Research
Knowledge of both local and international market dynamics, through Savills' global presence and research capabilities. Includes regular reporting on local market conditions and research reports tailored to clients' specific requirements.

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