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Alpine Property Market

2016 | 2017

ADAPTING TO CHANGE

Established Alpine locations need to adapt to new trends and markets in order to flourish in the future



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This publication

This document was published in October 2016. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts. We have used a standard set of notes and abbreviations throughout the document.

FOREWORD

ALPINE PROPERTY MARKET

As conditions change, the property market in the Alps is faced with a number of challenges and opportunities

Europe is undergoing considerable alternation at present. Britain is set to leave the EU, currencies have fluctuated and another Eurozone member, Italy, threatens stability with a potential banking crisis.

In the centre of all this, nestles the ancient and enduring landscape of the Alpine mountain range but, even here, the forces of change gather.

The winter sports market, the bulwark of the Alpine economy, is seeing new trends which will alter the fortunes of towns and villages in the region. Some resorts will win by adapting and diversifying their markets, while others will suffer from shrinking skier numbers and ageing populations.

Globally, the potential for growth in skiing, winter sports and summertime mountain recreation looks strong but Alpine resorts will need to adapt to the new markets that will be created and new trends if they are to flourish.

Buying an Alpine property with confidence means understanding these trends and spotting which resorts and types of property are best placed to weather storms ahead. In this, our 9th Alpine Property Market Spotlight, we examine the predominant trends, look at the countries and resorts doing well, identify where property is best priced and how the ski market is developing globally.

This report points the way to where both quality and value can be found and is recommended reading for anyone with an interest in the sector or looking at mountain real estate for profit or pleasure. ■

▼ Verbier



KEY FINDINGS



The Alps remains the world's biggest ski market but resorts are having to realign their offer to attract 'Generation Y'. We assess snow reliability for time-poor visitors.

See pages 04-05



Established and exclusive, Swiss resorts appeal to a broad demand base. Property trades at a 20% premium to the Alpine-average.

Austria's dual season resorts still offer value.

See pages 06-10



Japan's premier resort, Niseko, is enjoying rising popularity with the Asian market. Longer term we may expect an expansion of this demand into the top Alpine resorts.

See page 13



Few global rivals have the cachet of the premier Swiss, French and Austrian destinations and we expect more demand from newly wealthy as they seek out the 'right' places to 'be seen'.

See page 14

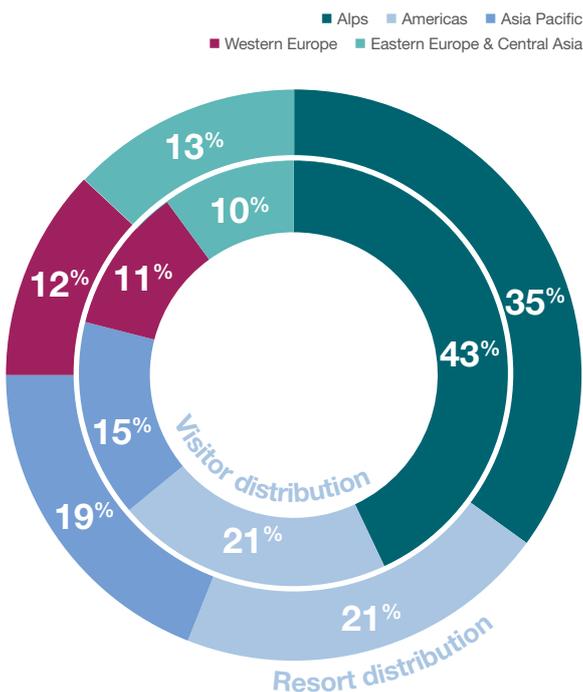
TRENDS

DIVERSIFYING THE OFFER TO INCREASE DEMAND

With the baby boomer demographic at the upper end of skiing age, more needs to be done to attract the millennial generation

“There is an ongoing ‘flight to quality’ as resorts invest in facilities and infrastructure to compete with one another”
Savills World Research

FIGURE 1 Global ski visitor and resort distribution



Source: Laurent Vanat

The Alps are the world’s largest ski market. Eighty-four percent of the biggest 44 global ski resorts, which together receive over one million visitors annually, are located in the Alps. The region benefits from a large and diverse catchment area: the surrounding European population is over 400 million people in 18 countries.

Together, Alpine resorts (large and small) account for 35% of the world resort total, capturing 43% of all global ski visits (Figure 1). At a country level, the USA is still the most visited ski destination globally with a total of 55.7 million visitors in 2014/2015 season, although France is not far behind at 55.1 million.

Current trends

There are several factors that affect ski visitor numbers, foremost among them are economic and meteorological conditions. There is direct evidence that visitor numbers drop during economic downturns or warm seasons with low precipitation levels. But these factors are cyclical and in the long run do not seem to have a significant impact on average visiting patterns.

Total ski visits into the top eight global markets (USA, France, Austria, Japan, Italy, Switzerland, Canada and Germany) declined by 1.6% since last year, falling from 284.6 to 280 million. Ageing populations, particularly in Europe, are taking their toll as the large baby boomer demographic is now at the upper end of skiing age and the millennial generation (age 20 to 35) has had until now, a lower propensity to ski.

The ever-growing range of leisure options for this generation is spreading the prospective market even thinner. Switzerland, worst affected by this trend, has seen ski visitor numbers

decline 17% in the last decade. In order to see sustained growth in future, ski resorts are diversifying their offer to attract a higher share of younger age groups. This has meant paying more attention to their specific needs and desires.

Developing infrastructure

Generation Y, the ‘digitally connected generation’, shaped by technology but often burdened by student debt needs a ski experience relevant to them. This means more accessible teaching methods, a greater variety of activities, and accommodation geared to shorter stays.

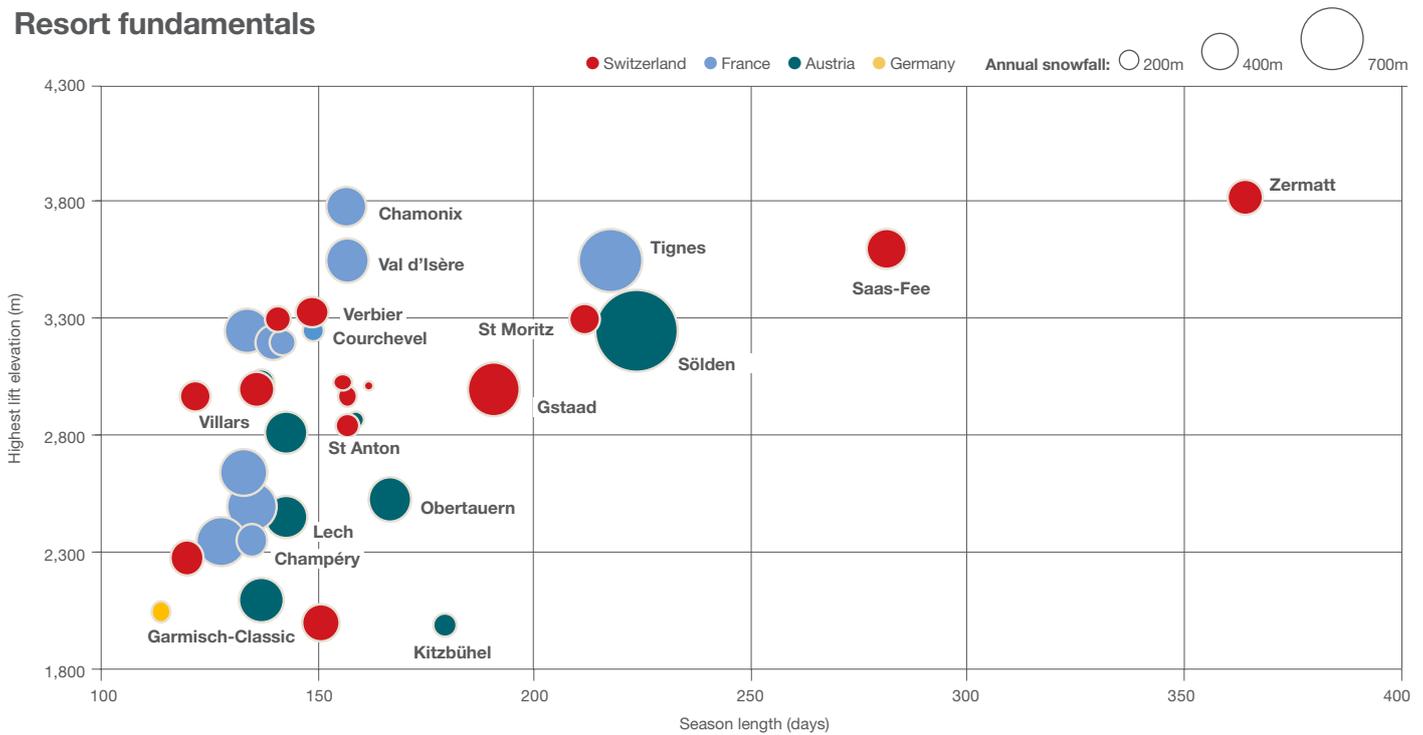
Many resorts are now offering free access to wifi on the lifts as well as slopes. Real estate is also being tailored towards a younger demographic. In certain resorts, there has been a move away from the traditional ‘rustic’ look of hotels and lodgings, preferred by the boomer generation, toward more contemporary designs favoured by a younger consumer group.

More resorts have also focused on developing their infrastructure, catering to the more extreme variations of skiing and snowboarding. Winter X-Games type snow parks are now becoming permanent fixtures in many major global resorts.

There is an ongoing ‘flight to quality’, as resorts invest in infrastructure and facilities to compete with one another on a global stage. In North America, Vail Resorts have recently announced a merger with Whistler Blackcomb resort for \$1.1bn, two premier resorts in the region.

Consolidation builds a stronger joint platform for investment and global marketing, essential in a competitive sector with a stagnant consumer base. Single operator ownership gives these

FIGURE 2
Resort fundamentals



Exceptionally long seasons in Switzerland's Saas-Fee and Zermatt due to availability of summer glacier skiing

Source: Savills World Research, Igluski, OnTheSnow

resorts an edge over their European counterparts when it comes to whole-resort strategy.

Real estate investors would do well to seek out property in established, accessible resorts with a diverse non-ski offer. But, affluent yet time-poor visitors will tend to seek the most snow-reliable resorts to make maximum use of their limited leisure time. The following section aims to highlight the resorts that fulfil these criteria.

Resort conditions

To understand the depth of demand for accommodation in a resort (whether to rent or to buy), physical conditions and resort infrastructure play a key role. Season length considerations are particularly important for Alpine home owners who wish to maximise their own skiing enjoyment, rental income, or both.

The positioning of a resort to benefit from prevailing snow-bearing air movements is an important factor in season length. Resorts at lower altitudes have warmer temperatures, so powder and high quality snow

consistency may not be as long-lived as in some of the higher lying resorts.

Most resorts have seasons ranging between 4-5 months, but a few exceed this. Elevation is well correlated with the average amount of snowfall. Some lower altitude resorts such as Saalbach offset this through artificial snowmaking.

High-lift resorts that stand out are St Moritz in Switzerland, Tignes in France and Sölden in Austria. Saas-Fee and Zermatt have exceptionally long ski seasons, benefitting from glacier skiing.

Geographic positioning within the Alps can also play a crucial role – as some resorts have longer seasons due to being located on or near glaciers, where snow is present all year around such as Zermatt. Here, the highest lift reaches nearly 4000m and the resort offers excellent all year around skiing conditions with guaranteed snow.

While Austrian resorts typically offer shorter ski seasons, many are well established as summer season destinations, so ski season length is only part of the story here. ■



REAL ESTATE

PUTTING THE NATIONAL MARKETS IN CONTEXT

The Alpine residential markets are largely driven by second home owners and investors, but also national trends

“With prices broadly static in resorts across the region, profits or losses are dictated by currency movements”
Savills World Research

Located within a few hours travel of a Western European market of 400 million, the Alps boast large and well-established second home markets. The region’s resorts all have winter sports in common, but are as diverse as the countries in which they located.

In general, Swiss resorts are the most expensive in which to buy property, an average 20% above the all-Alpine average. Austrian resorts have risen later on the global stage and prices are on average 28% below the Alpine mean.

Additional home buying activity in the Alps peaked prior to the global financial crisis in 2007/08. In the years that followed transaction volumes declined, but price falls were generally not realised as few owners were forced to sell.

Recovery began in 2013 supported by economic recovery in the major source markets, spurring new developments in resorts across the region.

Ski resorts tend not to follow their national markets, although policy and national housing market trends do influence them (see Figure 5). Ski property owners typically hold for the long term.

Transaction volumes are low and prices do not fluctuate as much as their city counterparts. Ninety-two percent of purchasers buy for both lifestyle and investment. Most ski property is brought for owner use for at least part of the year, but is often let out to cover running costs.

Currency impact

Movement in sterling marks the biggest change for GBP buyers and sellers.

With prices broadly static in resorts across the region, international buyers and sellers have found any profit or losses dictated by currency movements.

In the wake of the UK’s EU referendum and the weakening of sterling, Swiss Alpine property has become 8.6% more costly to GBP buyers (May to Sep 2016), while French or Austrian Alpine homes have become 7.6% more expensive (see Figure 4).

This is good news for British vendors who intend to repatriate sale proceeds, but makes buying more expensive.

For US Dollar, Euro and Swiss Franc buyers, the picture is broadly unchanged. Dollar denominated buyers are in a marginally stronger position than in May of this year, the dollar up 1.1% to the euro and 0.2% to the Swiss franc. ■

FIGURE 3

Alps buyer snapshot (last three years)



46% were cash buyers

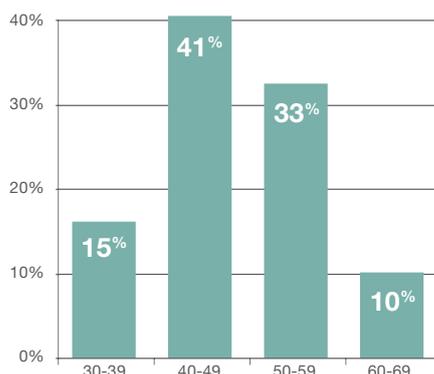


48% of the purchases were for ski-in, ski-out properties



92% of purchases were for both lifestyle and investment

Age distribution 2014-2016



Source: Savills World Research

FIGURE 4
Currency impact pre and post Brexit referendum

		Market of purchase	
		France & Austria	Switzerland
Purchase currency	USD \$	-1.1%	-0.2%
	GBP £	7.6%	8.6%
	EUR €	-	0.9%
	CHF	-0.9%	-

Source: Savills World Research

15th May 2016 vs 15th September 2016

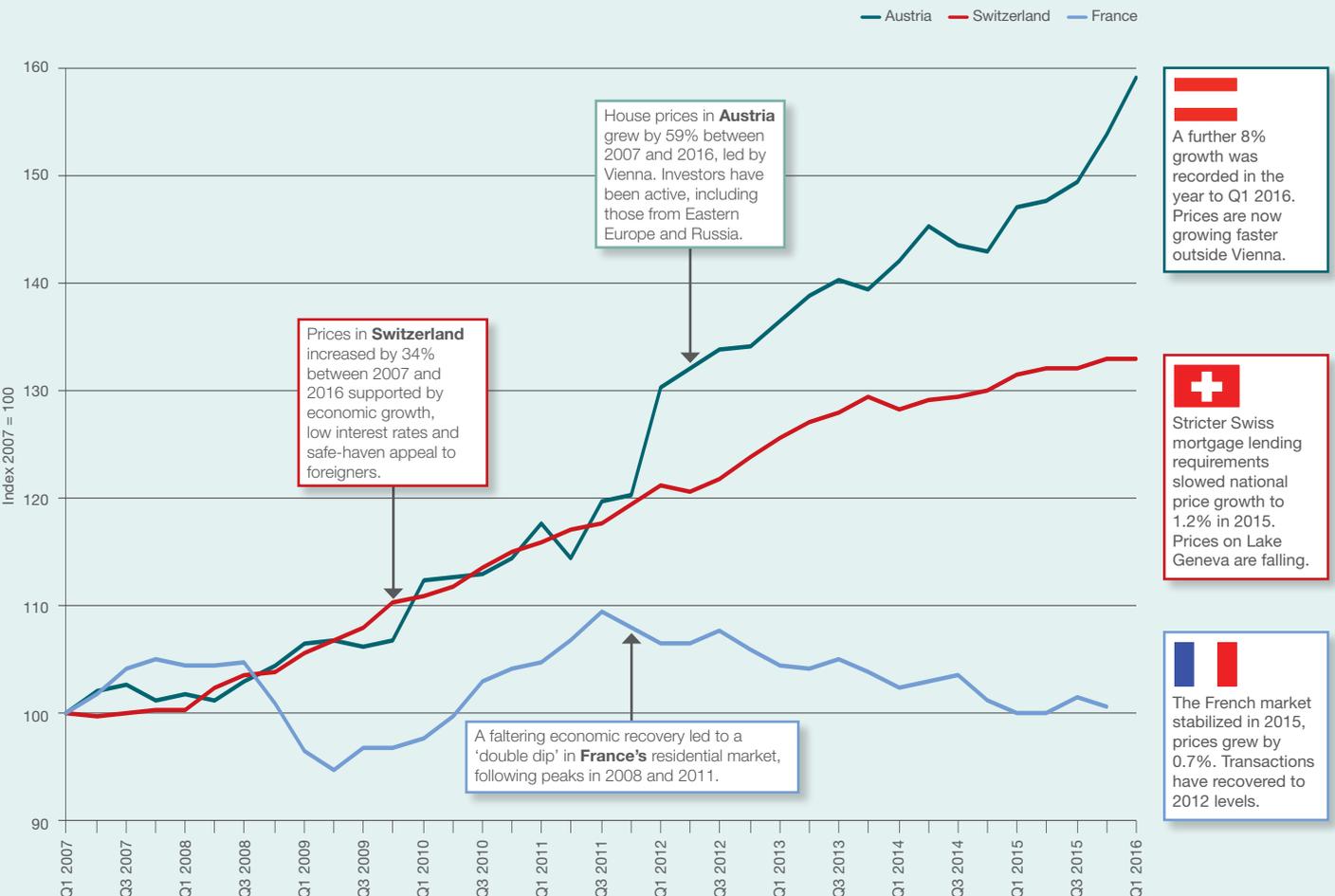


Ski property is typically held for the long-term

FIGURE 5
Alps in context: European housing markets

National market performance in Austria, Switzerland and France has diverged

The residential markets of Alpine resorts are driven foremost by second home purchasers and investors, but are also influenced by national trends. The chart below explores the divergent performance of Austria, Switzerland and France over the last decade.



Source: Savills World Research

FIGURE 6
Alpine resorts: prime prices

This map shows the range of prime residential prices in resorts across the region. The spread is wide; from exclusive St Moritz in Switzerland, the birthplace of winter tourism in the Alps (€21,200psm) to French resort Flaine, developed in the 1960s (€5,300psm).

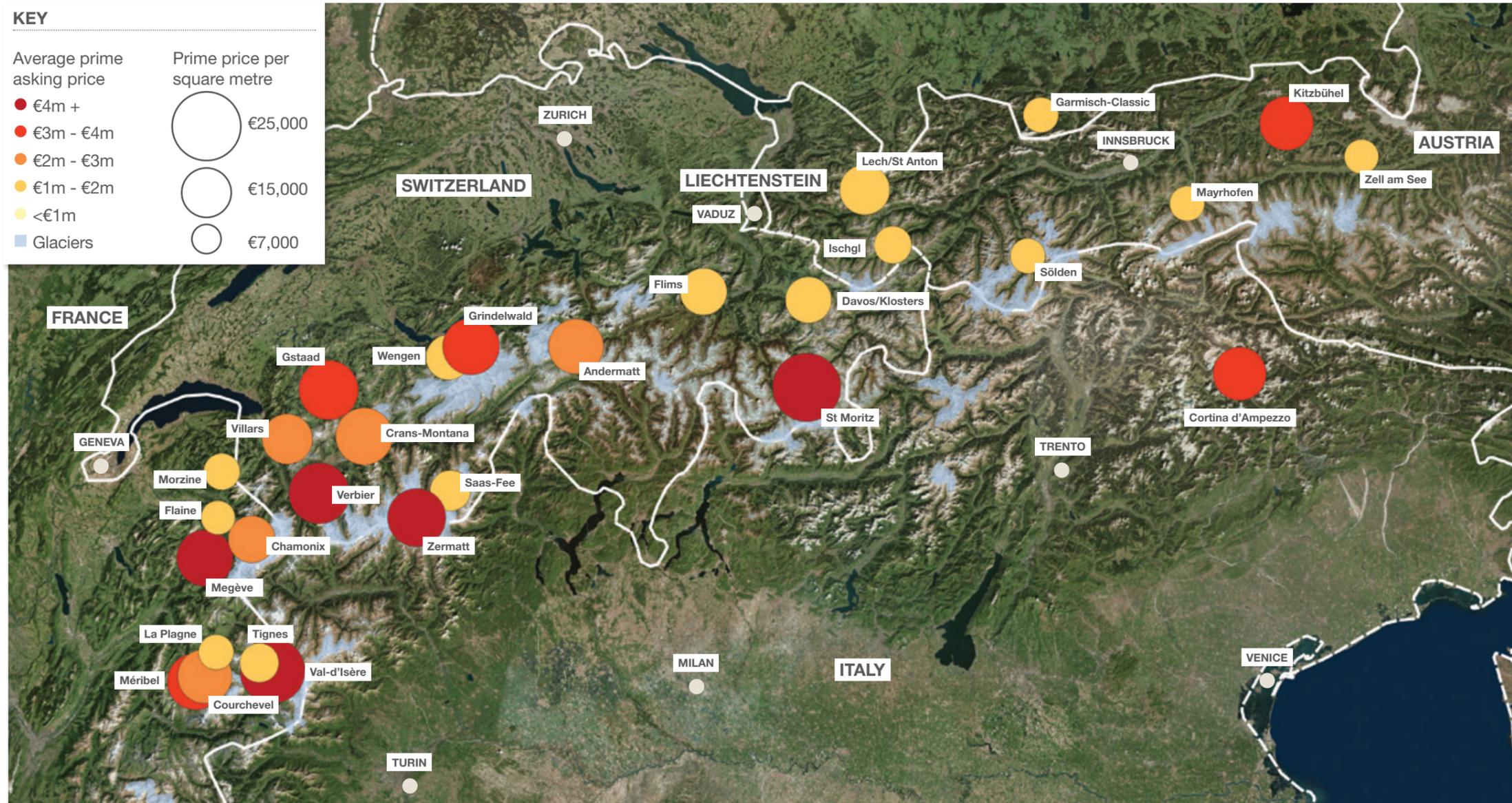
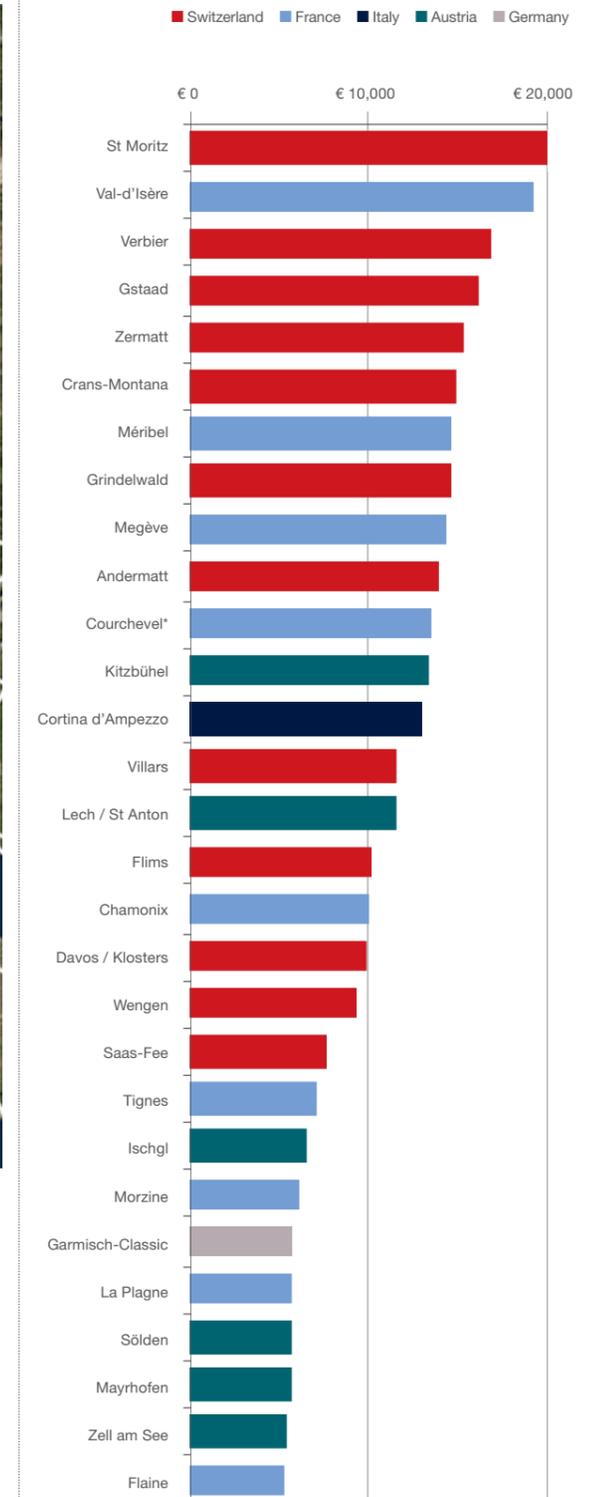


FIGURE 7
Alpine resorts price league:
Prime apartments and chalets,
price per square metre (asking prices)



St Moritz: the region's most expensive resort at €21,200psm

20%
Lex Weber cap on second homes in Switzerland

Euro buyers, including Dutch & Belgians, grow in importance

Mayrhofen: at €5,600psm, a dual season resort offering value

Source: Savills World Research

Source: Savills World Research

*all altitudes

SWITZERLAND
Second home
legislation
caps market

+ **SWITZERLAND**

Swiss resorts have been impacted by the recent changes in second home legislation. The Lex Weber law limits second homes to 20% of all housing stock in each municipality, effectively putting a cap on the pool of stock available.

FRANCE
Demand
diversifies

Switzerland's most popular resorts are affected most. Verbier, for example, is already above the cap and the final existing planning permissions are being built out. This is therefore the last season that off-plan apartments are available for foreign buyers, and in the medium term we expect to see upward pressure on prices. Prime prices per square metre currently average CHF18,000 (€16,800psm) but can be considerably higher for the best properties.

AUSTRIA
Value, year-
round resorts

For a relatively large resort, quality hotel accommodation is limited (although the arrival of the W Hotel has helped), so rental potential is strong.

In future, some smaller Swiss resorts may expect to see increased demand as foreign buyers with restricted budgets are pushed further afield. Verbier's smaller neighbour, La Tzoumaz, offers good accessibility to the Four Valleys with affordable resale property at around CHF5,000psm (€4,600psm). Nendaz too, may benefit. It has recently added the Four Valleys Hotel and Spa to its village centre with an international school to follow. Prices for new build range from CHF10,000psm (€9,200psm).

Elsewhere, Villars and Crans-Montana are suffering from an oversupply of new property, following a glut of new development in the last five years, particularly in Crans. There are opportunities for those who shop around.

Switzerland boasts more prestigious ski resorts than any other country, a factor that has helped sustain demand in the best locations. For High Net Worth Individuals Alpine property is

often a key component of a global real estate portfolio.

St Moritz tops our prime price league with prices of CHF23,000psm (€21,200psm). The first choice for global billionaires, this ski resort has been established for more than 150 years. The market is relatively illiquid and the redevelopment of La Margna hotel into luxury residences and a boutique hotel by Grace offers a rare new-build buying opportunity.

FRANCE

Demand for prime French ski resort property has traditionally been driven by British (France is the number one destination for UK skiers).

British buyers benefited from a weak euro in 2015, and were particularly active in the market. This currency advantage has since been eroded and the impact on sterling buyer volumes remains to be seen.



€5,400psm

Zell am See is benefitting from infrastructure improvements

In the top resorts Eastern Europeans, and to a lesser extent Russians, continue to play a role. Courchevel 1850 is a favoured destination, one of the most desirable ski resorts in Europe with quality facilities and infrastructure. Activity has been concentrated in the €1-4 million bracket, though a few ultra-prime deals have taken place. The Six Senses Residences Courchevel opened last year, the first branded resort in the area, offering serviced product with extensive concierge and spa facilities.

French resorts are large and many are family friendly. Méribel is a picturesque resort with a high proportion of intermediate runs. Prime new build apartments sell for around €15,000psm.

Euro-denominated buyers, notably the Dutch and Belgians (the second two largest foreign skier groups in France), along with domestic buyers, are unaffected by exchange rates

and continue to rise in importance. These buyers typically purchase at lower price points and seek value for money. Resorts priced under €5,000psm include St Gervais, offering access to the Mont Blanc ski domaine, and Les Contamines, with reliable snow at altitude.

AUSTRIA

Rising later on the international stage, Austrian ski resorts still offer value for money compared to their established Swiss and French counterparts. Austrian resorts are generally at lower altitude with shorter ski seasons readily marketing themselves as year-round destinations, in turn attracting a diverse visitor base. With ongoing infrastructure investment and growing international skier participation there is room for upward price movement.

Mayrhofen, in close proximity to Innsbruck, Salzburg and Munich is attractive to both long and short-stay

visitors from the immediate region and beyond. Each spring the resort hosts the 'Snowbombing' music festival, now a fixture in the electronic dance music calendar, while outside the ski season Mayrhofen is a popular base for hikers, mountain bikers and paragliders. The resort taps into the short-activity based holiday markets that are in growing demand from millennials, in turn supporting demand for accommodation. In common with other Austrian resorts, prices per square metre are low, ranging from €3,300psm to €7,500psm.

Kitzbühel is the stand out ultra prime resort in Austria, although it is still at half the price of its Swiss counterparts. Infrastructure in the resort is good, the centre is pedestrianised and lift upgrades are underway. Lech is Austria's other prime stand-out, with a much more domestic buyer profile. This is in part due to a limited amount of available stock in this small village resort.

▼ Zell am See



ALPINE RESORTS TO WATCH

Opportunities for investment

Infrastructure improvements, new visitor trends and favourable supply and demand dynamics support property market fundamentals in these resorts.

SWITZERLAND	AUSTRIA	FRANCE
<p>VERBIER Established prime resort, last opportunity to buy off-plan</p>	<p>ZELL AM SEE Low supply and dual season, new lift opening this season</p>	<p>MÉRIBEL More affordable alternative to Courchevel</p>
<p>Prime price point: €15,000psm+</p>	<p>Prime price point: €5,000 - €10,000</p>	<p>Prime price point: €10,000 - €15,000</p>
<p>ST MORITZ Rare new product available in this prime, supply constrained resort</p>	<p>MAYRHOFEN Growing international profile with diverse demand base</p>	<p>SAMOËNS THE GRAND MASSIF Traditional, accessible resort seeing extensive new development</p>
<p>Prime price point: €15,000psm+</p>	<p>Prime price point: €5,000 - €10,000</p>	<p>Prime price point: €5,000 - €10,000</p>
<p>LA TZOUMAZ High altitude, affordable Four Valleys resort</p>	<p>BAD KLEINKIRCHHEIM Very affordable dual season golf and spa resort</p>	
<p>Prime price point: €5,000 - €10,000</p>	<p>Prime price point: Under €5,000</p>	
		
		

Source: Savills World Research

▼ Niseko

LOOKING TO ASIA

An expanding market

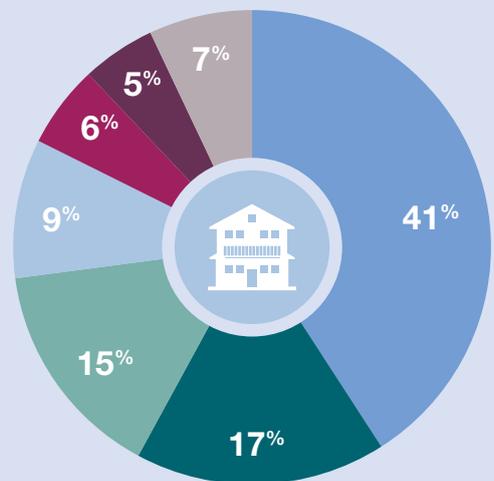
Known for its plentiful powder snow, Niseko is Japan's premier ski resort. It has been at the front line as Asia's growing middle classes make their first foray in to overseas skiing. Asians have now overtaken Australians as the largest overseas visitor group to the resort, led by the Chinese. A weaker yen, relaxation of visa requirements and airport capacity expansion has seen international tourist numbers in Japan surge by 47% in the year to July 2015, totalling 11.1 million in July 2015.

Alpine resorts will do well to watch how demand in Niseko evolves. As the outbound Asian ski market deepens and matures we may expect more interest in Europe and North America. Switzerland has been an early beneficiary, actively targeting the lucrative Chinese market with dedicated holiday packages and mandarin-speaking ski instructors.

Across Switzerland, overnight hotel stays by Chinese guests increased 33% last year (all nationalities were down 1% over the same period). Many Chinese see skiing as status-enhancing so attending the 'right' resort is key. Prime resorts, particularly those with a diverse non-ski offer (retail, restaurants, spas), and 'soft ski' offer (sledding, skating, horse carriage riding) will fare best.

FIGURE 8
Origin of international overnight visitors, Niseko

- Australia
- Hong Kong
- Other Asia (inc China)
- Singapore
- Europe
- North America
- Other



Source: Kutchan



47%

The increase in international tourist numbers in Japan in year to July 2015



Val-d'Isère: few global rivals can match the cachet of premier Alpine resorts

OUTLOOK

Established prime markets and new contenders

■ **Diversifying demand:** Skier numbers in the west are at a high plateau, or in some markets, decline. The most resilient Alpine resorts will be those that are able to diversify their demand base. This means attracting new, younger visitors (for a variety of activities) and tapping into growing Asian ski markets.

■ **Rarity and exclusivity:** The ultra prime resorts of the Alps have an established reputation as a destination for the world's wealthy. Few global rivals have the cachet of the premier Swiss, French and Austrian destinations and we expect more demand from newly wealthy as they seek out the 'right' places to 'be seen'.

■ **Swiss stock constraints:** the Lex Weber rule has put a cap on the size of the market for second home buyers at popular Swiss resorts. With no further prospect of additional stock, we anticipate upward pressure on prices for the best properties.

■ **Austrian value:** Austrian resort property still offers value in light of strong price growth seen in the rest of Austria in the last decade, particularly when compared to price points in French and Swiss resorts. We anticipate some price catch up as Austria draws an increasingly international audience.

International Residential

Based in Margaret Street 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 is a leading specialist in the sale of ski property in the Alps.

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.

About Alpine Homes

Alpine Homes International is a leading Ski Property Agency, based in Switzerland. Founded in 2005, Alpine Homes specialises in the sale of off plan and resale property in Switzerland, France, Austria and Italy. We offer a broad range of property services to developers and property owners alike, including development consultancy, valuation, brokerage and rental introductions. Our qualified, multilingual staff are passionate about ski property and The Alps and we strive to offer the highest standards of client care.

Alpine Homes is proud to be an International associate of Savills plc.

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www.alpinehomesintl.com

Espace des Remparts 10 1950 Sion Switzerland +41 (0)27 323 7777	Route de la Poste 20 1936 Verbier Switzerland enquiries@ alpinehomesintl.com	Alpine Homes International Saalfelderstraße 3 5700 Zell am See Austria +43 (0)6542 47268
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Savills team

World Research



Yolande Barnes
Director
+44 (0) 20 7409 8899
ybarnes@savills.com



Paul Tostevin
Associate Director
+44 (0) 20 7016 3883
ptostevin@savills.com



Vladimir Tikhnenko
Analyst
+44 (0) 20 7016 3043
vtikhnenko@savills.com



Jeremy Rollason
Managing Director
+44 (0) 20 7016 3753
jrollason@savills.com

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33 Margaret Street
London W1G 0JD
+44 (0) 20 7499 8644

savills.com

