

The Prime Ski Property Report provides a detailed assessment of current market conditions across the French and Swiss Alps, as well as a summary of market trends in global ski destinations



Prime Ski Property Report

2020

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THE PRIME SKI PROPERTY REPORT

Now in its eleventh year, the Prime Ski Property Report provides an overview of prime market conditions across Knight Frank's key ski destinations: The French Alps, The Swiss Alps, Aspen, Queenstown and Niseko.

DEFINITIONS

Where we refer to *Prime Property* this equates to the top 5% of each property market by value. Prime markets often have a significant international bias in terms of buyer profile.

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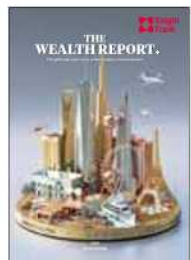
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OVERVIEW

Healthy rental demand, low mortgage rates and strong resort-led investment is supporting demand

KATE EVERETT-ALLEN
INTERNATIONAL RESEARCH

Visits to the French and Swiss Alps in the 2018/19 ski season increased by 5.3% and 10.6% respectively year-on-year, according to The International Report on Snow and Mountain Tourism. This growth was reflected in the property market through strong rental demand, steady sales rates and strengthening prices in most resorts.

As a lifestyle asset, the purchase of a ski home is often an emotive decision but investment rationale is becoming more compelling. Few purchase a ski home expecting double-digit capital growth each year but a look at the performance of ski homes over the last decade reveals average price growth of 19% over the period, outperforming a number of tier one cities (see page 5).

Most Alpine purchasers have a defined tick list which includes; easy accessibility, low mortgage rates, hassle-free rental, stable or rising prices, market liquidity to facilitate their future exit strategy and ideally a currency advantage.

With this last point in mind, perhaps now more than ever, British buyers need to keep one eye on currency shifts. Capital Economics forecasts that with a general election now confirmed we may see Sterling jump to 1.30 or even 1.35. For a €1 million chalet this could result in savings of £93,000 or £121,000 respectively compared to current rates.

To stay relevant in a world of changing consumer habits, ski resorts are reinventing themselves and in a number of cases successfully so. Several resorts are emerging as hubs for luxury brands in their own right, whether through their hotel, retail or spa offer,

and this is attracting a new type of tourist, one that rarely if ever ventures onto the slopes. Resorts are evolving and most Alpine resorts are embracing this change.

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KEY TAKEAWAYS

- 1 Val d'Isere leads the Prime Ski Property Index with annual price growth of 2.9% in the year to June 2019
- 2 The impact of the EU referendum decision was largely priced in to the Alpine resorts back in 2016
- 3 Due to negative interest rates, an increasing number of Swiss residents are looking at a ski home as a means of preserving wealth
- 4 In 2008, around 50% of our clients made their property available to rent, now it is close to 100%
- 5 Beyond the Alps, Aspen Snowmass, Whistler and Niseko are investing heavily in new resort villages, ski and non-ski infrastructure

THE SKI INDEX RESULTS

France out in front, Val-d'Isere its peak performer

Established in 2008, our unique Prime Ski Property Index tracks the price of a four-bedroom chalet in a central location across key resorts in the French and Swiss Alps. This year we have added Saint-Martin-de-Belleville, Zermatt and Grimentz bringing our total to 18.

A year ago the Swiss resorts of Villars and Verbier led our Index but the leaderboard has changed in 2019 with Val d'Isere now taking poll position. This switch reflects a wider trend – a split between the French and Swiss resorts – all six top rankings are occupied by French resorts this year, most located in The Three Valleys.

With prime prices rising by 2.9% Val d'Isere's lead can be explained by a simple demand/supply imbalance. The resort has seen a moratorium on new development and strengthening demand – at 1,850 metres Val d'Isere boasts one of the longest ski seasons.

The ranking of the Swiss resorts can be attributed to the complexity of the rules surrounding who can buy what, and where. Some international buyers are put off by the red tape – the Lex Koller and Lex Weber legislation – and in some cases by the strong currency, although for others looking to spread their currency risk a Swiss Franc asset remains a key draw. The result has been an expanding market share for

local buyers in Switzerland, many keen to find a home for their capital given negative interest rates and the resulting cost associated with storing capital in the bank.

Chamonix (2.6%) sits in second place this year and has a strong track record, occupying one of the top four rankings for the last five consecutive years. With a permanent resident population of nearly 10,000, Chamonix continues to offer an appealing combination – a lower market entry point and the Alps' only truly year-round destination.

Two of the newcomers this year – Saint-Martin-de-Belleville (2.4%) and Grimentz (2.0%) – have seen sales activity and prices strengthen due primarily

to their relative value compared to other neighbouring resorts.

For Verbier (1.5%) and Villars (0.4%) the 2018/19 season was mixed. Verbier saw strong sales activity but it was limited to the CHF1 million – CHF3 million price bracket. Whilst Villars, arguably Switzerland's best all year resort, paused for breath following strong growth of 6% last year.

Of note this year is the disappearance of the outliers. Since 2015 the highest and weakest-performing resorts have been separated by a minimum of 13 percentage points, this year it has shrunk to just three percentage points. Indeed, 2019 represents the first year on record that not one of the ski resorts tracked in our index registered a decline in prime prices.

The ten year view

Knight Frank's Prime Ski Property Index, 2009-2019



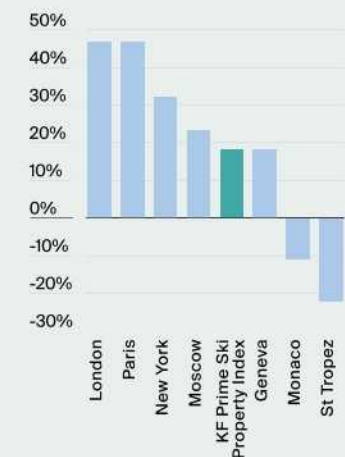
Source: Knight Frank Research

19%

The ten year price change of a prime ski property in the Alps

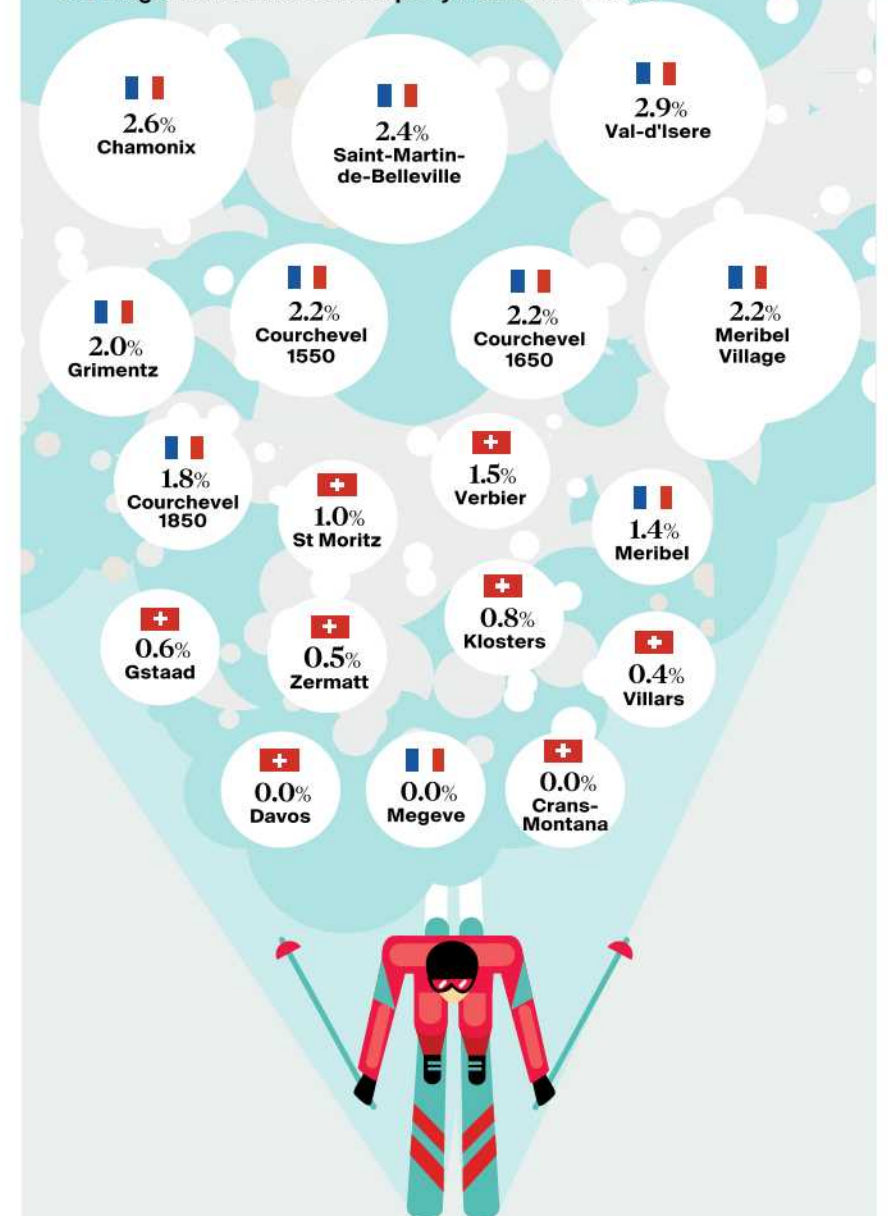
A decade on: ski home vs global cities

10-year % change (Q2 2009-Q2 2019)



Source: Knight Frank Research

The Knight Frank Prime Ski Property Index results 2019



Source: Knight Frank Research. Based on a four-bedroom chalet in a prime central location in each resort

How does a ski home compare to other investment assets?

1-year % change (Q2 2018-Q2 2019)



Source: Knight Frank Luxury Investment Index – Compiled by Knight Frank Research using data provided by Art Market Research (art, coins, furniture, jewellery, stamps and watches), HAGI (cars) and Wine Owners. All data to Q2 2019 except stamps and coins (Q4 2018)

SPOTLIGHT ON THE FRENCH ALPS

We highlight the latest trends influencing
France's prime ski hotspots

The French Alps

Prime prices compared. € per sq m



Source: Knight Frank Research

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Covering costs: Since we started the Ski Property Report in 2008, we have seen many changes in the French Alps, from design and technology to planning rules and public investment, but arguably the single biggest change has been the propensity of our clients to rent out their property. In 2008, around 50% of our clients opted to rent-out or let their ski home, now it is close to 100%. Although not expecting a high yielding asset, most are looking to cover the maintenance and running costs as well as personal visits.

From new homes to renovations: New-build stock continues to attract interest due to the 20% VAT rebate and reduced transfer tax. The challenge is finding new stock given planning restraints which vary from resort to resort according to their Plan Local d'Urbanisme (PLU). As a result, this pool of demand is being pushed back into the resale market with buyers opting to renovate existing properties instead, often extensively.

Futureproofing: Public investment in a resort remains critical to buyer demand. The French resorts continue to forge ahead by renewing and expanding their ski and non-ski infrastructure. In Chamonix, the Compagnie du Mont Blanc has detailed the next phase of its €477 million, 40-year investment plan for the Chamonix Valley. A new replacement

gondola will be in service at Flegere this season and the Charamillon lift in Le Tour is under construction. In The Three Valleys, plans for the 2023 FIS Alpine World Ski Championships continue with €42 million earmarked to upgrade lifts and gondolas along with new luxury hotels.

Demand flows: Since 2017 we have seen the return of the domestic buyer across the French Alps as confidence in the French economy picked up. Scandinavian buyers have increased in number in Chamonix and some Swiss buyers have been evident in the resorts closest to Geneva.

In Courchevel, Chinese rental demand has surged and now accounts for most pre-Christmas demand. Two years ago there was no almost Chinese demand. This is a trend to monitor if tourism is a sign of future property demand.

MARKET DRIVERS



BEST FRENCH WINTER RESORT FOR...

BEST FOR WEEKEND GETAWAY	FAMILIES WITH YOUNG CHILDREN	FAMILIES WITH TEENAGERS	APRES-SKI	ADRENALINE JUNKIES	NON-SKIER
CHAMONIX & MEGEVE	MEGEVE & SAINT-MARTIN-DE-BELLEVILLE	MERIBEL	VAL D'ISERE	CHAMONIX	COURCHEVEL
1 hour from Geneva Airport - short drive time	Tree lined open slopes	Ski park, ice rink, good bus system	Folie Douce and La Baraque and a wide range of bars and amenities	The birthplace of off piste skiing in Europe.	Aquamotion, Hotel Le K2 Palace, spas, restaurants, shops

SPOTLIGHT ON THE SWISS ALPS

We highlight the latest trends influencing
Switzerland's prime ski hotspots

The Swiss Alps

Prime prices compared. € per sq m*



Source: Knight Frank Research
* Exchange rate as at 30 June 2019

Property as a store of capital: It is almost five years since the Swiss National Bank took interest rates into negative territory and the base rate now sits at -0.75%. Although this has not yet been passed on to consumers some banks are expected to begin charging larger depositors in the near future. Not surprisingly, high net worth residents keen to remain in the country to enjoy the privacy and security it affords, are looking more closely at property as a means of wealth preservation and one which can potentially secure a gross yield of around 2.5%.

The impact of legislation: Depending on whether a Swiss resort is focused on encouraging more primary residents or second homeowners will have a significant bearing not just on the volume of sales but on the property type available and the price points achieved. Largely dominated by primary residences, Gstaad for example

is home to a significant number of large chalets and here sales above CHF20 million are not unusual. The smaller resort of Grimentz by comparison, where the bulk of the resort's inventory is made up of second homes sees prices typically below CHF10,700 per sq m (€9,900 per sq m).

Education matters: What do Gstaad, Villars, Crans-Montana, Verbier and St Moritz have in common? Aside from being ski resorts, they are all home to private schools, in Villars's case, ones with over 800 students. This means the resorts have a large pool of permanent residents, not just the students but their families that visit, who often go on to buy or rent, as well as the wider schools' workforce. Le Regent School in Crans-Montana recently opened whilst College Alpin Beau Soleil in Villars has recently extended its facilities.

Working from home in the Alps: With 4G now available across the Swiss Alps and flexible working a growing phenomenon, more Swiss residents are moving back to the mountains and *working from home* – over a thousand jobs are available in the Canton of Valais alone. With resorts investing heavily to expand their amenities and a packed social and sporting calendar on offer, a primary residence in The Alps is an increasingly viable option.

MARKET DRIVERS



BEST SWISS WINTER RESORT FOR...

BEST FOR WEEKEND GETAWAY	FAMILIES WITH YOUNG CHILDREN	FAMILIES WITH TEENAGERS	APRES-SKI	ADRENALINE JUNKIES	NON-SKIER
DAVOS & KLOSTERS	VILLARS	VERBIER	ZERMATT	VERBIER	GSTAAD & ST MORITZ
Easy access from Zurich Airport which has good flight options	Wide open slopes for families	Broad mix of winter sports and 4G	Numerous apres bars and clubs	Everything from base jumping to heli-skiing	Spas, high-end retail and a broad range of sports

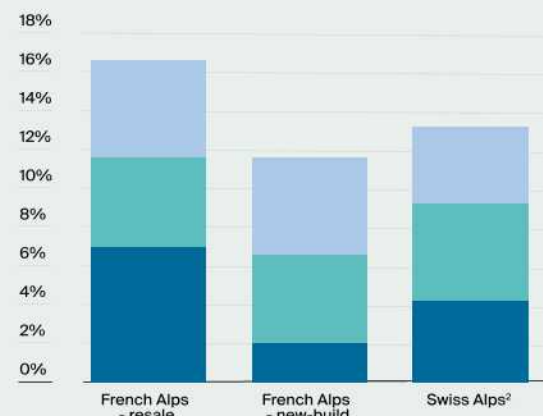
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THE ALPINE MARKET IN FIVE CHARTS

Your guide to the indicators that matter, from purchase costs to drive times how do the key resorts compare?

How do purchase, ownership and sales costs compare?

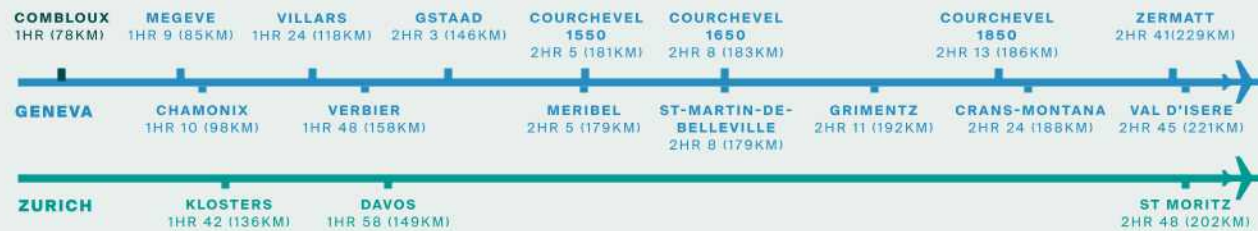
■ Purchase costs ■ Ownership costs (5 years)
■ Sales costs (excl CGT)



Which resort has the longest season length? (weeks)



Resorts ranked by drive time from major airport



Which resort has the largest ski domain?



The Alps sports calendar Selected events

EVENT	RESORT	EVENT	RESORT
Dec Andros Trophy	Val Thorens	Apr Patrouille Des Glaciers	Zermatt To Verbier
Dec Ladies Alpine Ski World Cup	Courchevel	Apr Three Valleys Enduro	Courchevel
Dec Criterium De La Premiere Neige	Val d'Isere	May MB Race Culture Velo	Megeve & Combloux
Jan Snow Polo World Cup	St Moritz	Jun Marathon Du Mont Blanc	Chamonix
Jan BMW Megeve Winter Golf Cup 2020	Megeve	Jul Trail Verbier St Bernard	Verbier
Feb White Turf	St Moritz	Jul Jumping International De Megeve	Megeve
Mar Engadin Ski Marathon	Engadin-St Moritz	Aug Ultra-Trail du Mont-Blanc (UTMB)	Chamonix
Mar French Ski Jumping Championship	Courchevel	Aug European Golf Masters	Crans-Montana

Source: Knight Frank Research, Ski Club of GB, Onthesnow. Note: ¹ Purchase costs includes transfer/property purchase taxes, registration fees and legal costs, Ownership costs includes municipal taxes, annual property taxes and wealth tax and sales costs cover agency fees. ² Data for the Swiss Alps relates to the Canton of Valais. ³ Jakobshorn. ⁴ Sunnegga/Gornergrat.

FIVE TRENDS TO MONITOR

We handpick the key trends influencing demand in the Alps

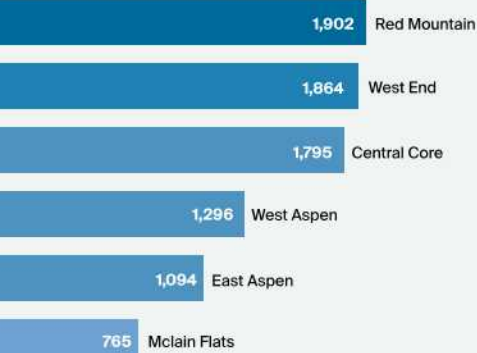


SPOTLIGHT ON ASPEN

We highlight the latest trends influencing
Aspen's prime ski hotspots

Aspen

Average prices compared
US\$ per sq ft



Source: Douglas Elliman

Investment ramps up: The Aspen and Snowmass resorts are investing heavily in their resorts and mountain infrastructure. The new Snowmass Base Village (\$600m) is now open comprised of the Limelight Hotel, 55 residential units and a public events plaza with ice skating rink, new restaurants, bars and a community center. In Aspen, the W Hotel opened this year, which has 88 rooms and 11 branded Sky Residences. The exclusive Aspen Club is under renovation, and the Gorsuch Haus (a new hotel development) and 1A redevelopment on the west side of Ajax is also taking shape.

Super-prime sales supercharged:

The top end of the Aspen market was recharged in 2019 with 10 sales above US\$15 million recorded, up from six in 2018; but perhaps most notable was the jump in US\$20 million+ sales which accelerated from one in 2018 to six in 2019. Wealthy US buyers are increasingly looking to luxury homes as a means of storing capital against a backdrop of heightened stock market volatility and global trade tensions.

Changing buyer profiles: Younger buyers, particularly tech millionaires and young families are increasingly evident in Aspen – with the resort home to the top ranked High School in Colorado. US buyers predominate

with many originating from New York, Chicago, Texas, South Florida, Los Angeles and San Francisco, with an increasing number opting to have a base in Aspen to allow them to escape the summer heat. Overseas buyers still account for around 20% of all purchasers with Australian, German and UK buyers prominent.

Lift One Corridor boost for

Downtown market: The new Lift 1A, which will be constructed by Aspen Skiing Company, is to be positioned closer to the city centre near Dean Street. The lift, will provide easier access off the mountain to the Downtown core area, potentially influencing values in the area west of Monarch Street and surrounding Wagner Park.

MARKET DRIVERS

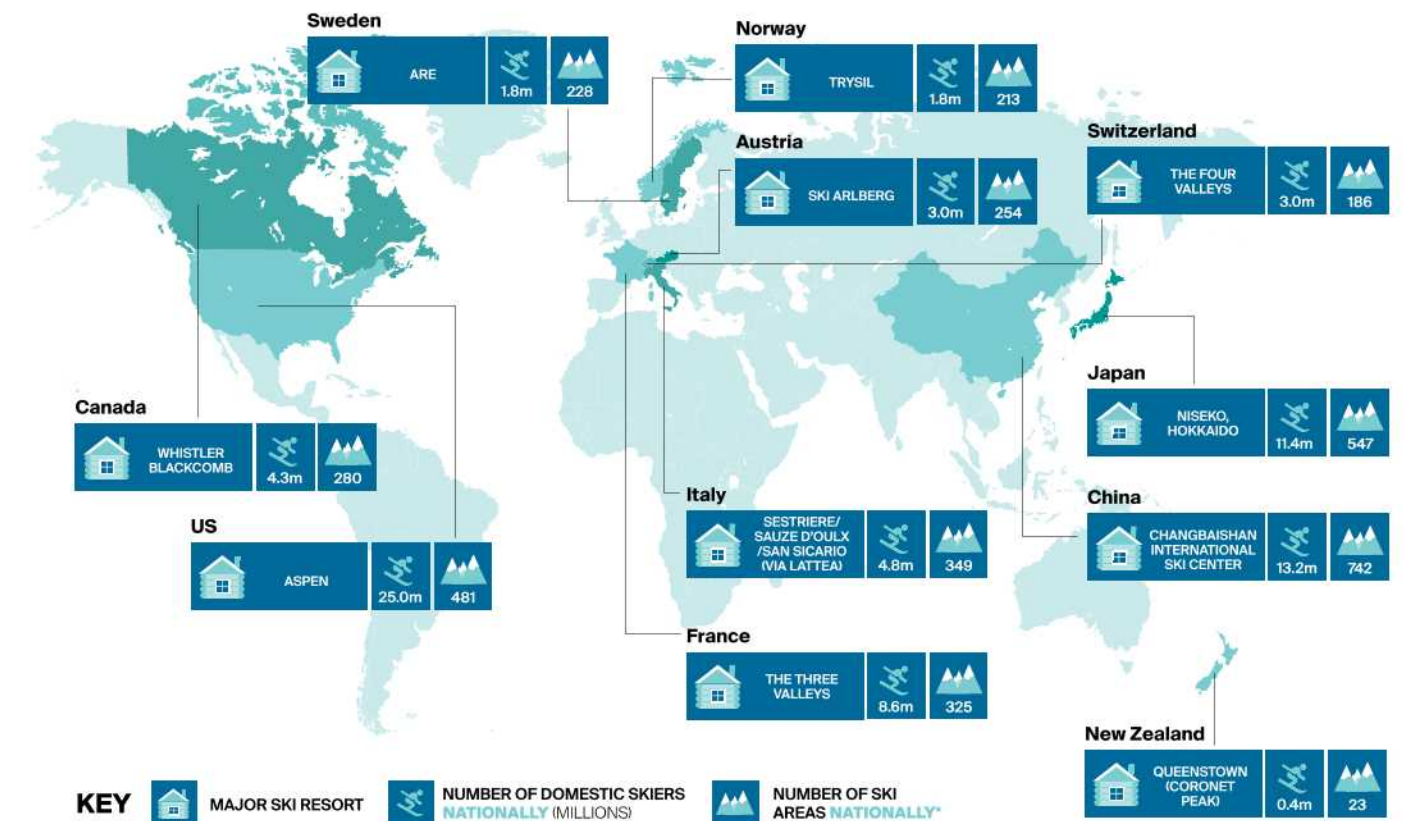
- 1 STRONG INVESTMENT IN SKI AND NON-SKI INFRASTRUCTURE
- 2 THE ASPEN INSTITUTE - HOME OF THE INTERNATIONAL NONPROFIT THINK TANK WITH NUMEROUS EVENTS
- 3 EASY ACCESS VIA ASPEN PITKEN AIRPORT
- 4 APPEAL OF A USD ASSET

BEST ASPEN NEIGHBOURHOOD FOR...

FAMILIES WITH YOUNG CHILDREN	FAMILIES WITH TEENAGERS	APRES-SKI	ADRENALINE JUNKIES	NON-SKIERS
SNOWMASS	BUTTERMILK	AJAX	HIGHLANDS	ASPEN
Excellent beginner runs, 2,300 sq m childrens' adventure centre	Less crowded, exceptional snowboarding	New W Hotel rooftop, Chair 9 lounge at the Little Nell, Aspen Mountain Club, Caribou Club	Highlands Bowl is rite of passage for expert skiers	Incredible dining and shopping options, exceptional art museum and galleries

GLOBAL SKI MARKETS MAPPED

How do the world's major ski resorts compare?



KEY MAJOR SKI RESORT NUMBER OF DOMESTIC SKIERS NATIONALLY (MILLIONS) NUMBER OF SKI AREAS NATIONALLY*

PRIME RESIDENTIAL MARKETS COMPARED

	WHISTLER CANADA	QUEENSTOWN NEW ZEALAND	NISEKO JAPAN
ANNUAL % CHANGE IN PRIME PRICES TO Q2 2019	-1.3%	6.1%	-0.5%
TOTAL PISTES (KM)	200	40	51
MOST EXPENSIVE NEIGHBOURHOOD	Stonebridge	Kelvin Heights	Upper Hirafu
GOOD TO KNOW	A new ski resort is being built 15 km north of Squamish. Comprised of two villages with over 22,000 beds the resort is due to open in the early 2040's	Non-resident buyers can purchase new-build homes only in New Zealand. Residents, Australians and Singaporeans can purchase either re-sale or new-build properties	Chinese skiers as a share of all skiers in Niseko increased from 19% to 31% between 2014 and 2017 according to Visa
KEY BUYER NATIONALITIES	Canada, US	New Zealand, Australia, China, US	Japan, Singapore, Australia, Hong Kong, Taiwan and Malaysia

Source: Knight Frank Research, 2019 International Report on Snow & Mountain Tourism, Snowresort.info, GlobalData Wealth Insight
*A Ski Area = A designated place where one skis (in some countries, these areas may not have lifts)



Les Glaciers, Courchevel 1650, France

FIND YOUR DREAM ALPINE PROPERTY



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