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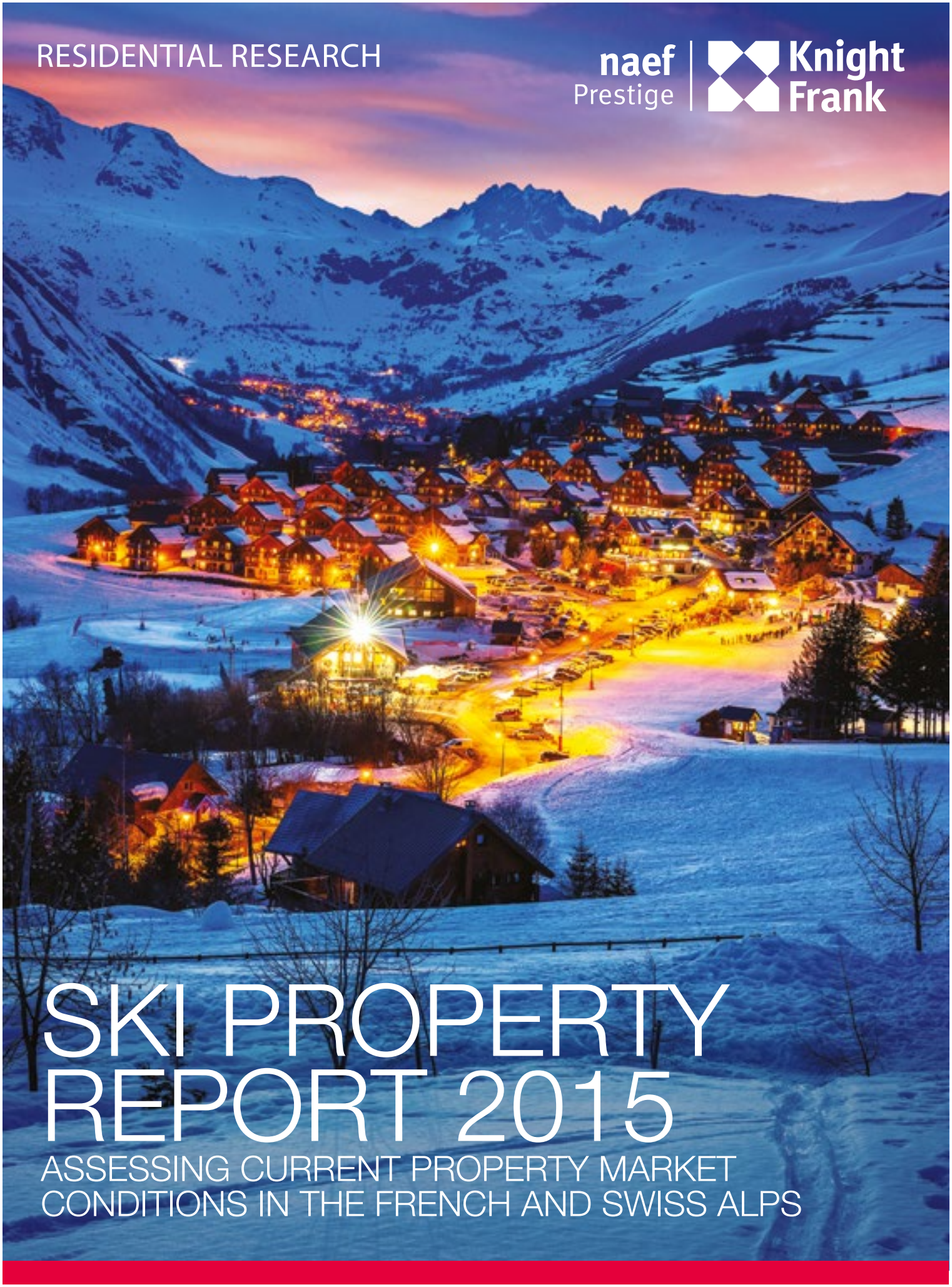


SKI PROPERTY REPORT 2015

ASSESSING CURRENT PROPERTY MARKET CONDITIONS IN THE FRENCH AND SWISS ALPS

2015 INDEX RESULTS | FRENCH VS. SWISS ALPS | CURRENCY SHIFTS DRIVING DEMAND

KEY FINDINGS

Val d'Isere and Meribel lead the 2015 Ski Property Index recording annual price growth of 5.8% and 4.5% respectively

Prime sales activity in the French Alps is focussed between €1.5 and €2.5m with resorts such as Chamonix and Courchevel 1550 increasingly popular

The number of sales completed in Megeve in the first half of 2015 was double the number of sales agreed during the whole of 2014

Previous uncertainty in the Swiss market is giving way to renewed optimism as clarity emerges surrounding taxation and the second home cap

ALPINE FOCUS

Demand for Alpine property is rising, spurred on by a more resilient Eurozone, greater clarity over tax and the second home cap in Switzerland, as well as a weaker euro.

The latest results of our Prime Ski Property Index (see below) underline a broadly stable market environment with only 13% percentage points separating the strongest and weakest performer.

Currency movements have played a pivotal role in determining demand across the region; we explore its impact on sales activity on page 3.

For many, having decided to buy a ski home, choosing where to buy and weighing up the pros and cons of the different ski resorts can be a challenging task. On pages 4 and 5 we outline some of the key facts and figures for those looking to take the next step and highlight those resorts which sit within the crucial two-hour drive time from airport to resort.

Swiss rules on who can buy what, and where, can be complex for even the most experienced property lawyer, on pages 6 and 7 we set out the rules for residents and non-residents according to Lex Koller and Lex Weber. Finally, we examine how the French and Swiss markets compare when it comes to demand and supply indicators, property costs and wealth forecasts.

SKI PROPERTY INDEX

Knight Frank's Prime Ski Property Index tracks the price performance of prime ski chalets across 15 key resorts in the French and Swiss Alps.

French resorts occupy the top five rankings this year as uncertainty surrounding Lex Weber in Switzerland dampened sales, and as a result price growth.

Home to the world's oldest ski resorts, the French and Swiss Alps attract in excess of 80m ski visits* per annum and account for a third of the total number of ski resorts worldwide.

In the past year ski homes in Europe's top resorts have continued on the same trajectory that they have been following since 2008; no radical acceleration or deceleration just small single digit shifts year-on-year.

Overall, the index proved largely static with only a marginal 1% fall recorded in the year to June 2015.

Val d'Isere and Meribel lead the 2015 rankings with the price of a typical 4-5 bedroom chalet in each resort rising by 5.8% and 4.5% respectively in the year to June.

The length of Val d'Isere's ski season explains its long-standing appeal, particularly with British buyers. Few other Alpine resorts can guarantee sufficient snow to ski during both the Christmas and Easter holiday periods.

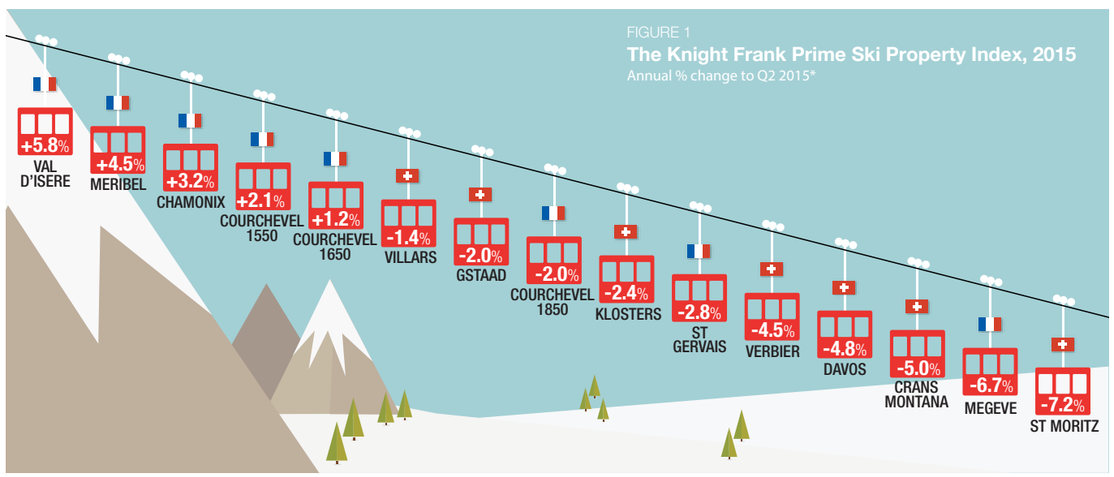
In Meribel's case, a combination of its location (in the heart of The Three Valleys) and its pricing explains its 4.5% increase year-on-year. Meribel provides better value than Courchevel 1850, but can compete with 1550 and 1650 in terms of facilities. Investment in the form of new residential developments such as Olympe in Les Allues and Point de Vue in Meribel Village has also helped to build confidence amongst buyers.

In real price terms, the exclusive resorts of Courchevel 1850 and Gstaad come out on top, with prime prices typically around €25,000 and CHF30,000 per sq m respectively. A prime ski chalet in Gstaad is, on this basis, four times the price of an equivalent property in the French resort of St Gervais.

In the French Alps, the focus of sales activity in the last 12 months has been within the €1.5m and €2.5m price bracket.

The super-prime market (€15m+) has slowed, partly because of the absence of Russian buyers but also because a number of ultra high net worth individuals (UHNWIs) are reviewing their budgets and considering spreading their capital across multiple properties or assets in different locations.

FIGURE 1
The Knight Frank Prime Ski Property Index, 2015
Annual % change to Q2 2015*



Source: Knight Frank Research, UBS (St Moritz, Davos & Klosters)
* Based on a 4-5 bed chalet in a central location within the resort. The index tracks prime as opposed to super-prime properties.

CURRENCY IMPACT

The unpegged Swiss Franc has rebounded whilst the Euro has weakened leading to repercussions for foreign buyers.

British buyers looking to purchase in the French Alps are now in a stronger position than two years ago, the GBP/EUR exchange rate has moved from approximately 1.17 to 1.43 during this period.

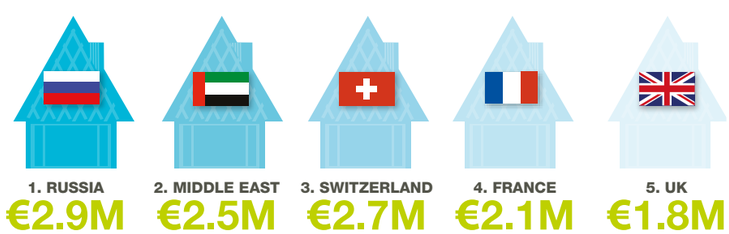
Switzerland's unpegging of the franc from the euro in January 2015, whilst initially unnerving for buyers, has rebounded. Prior to its unpegging the pound stood at CHF1.54, it dropped to CHF1.31 but by August it had returned to CHF1.52.

Taking account of currency movements only and focussing on the year to July 2015, a British buyer who bought a French property in July 2015 instead of a year earlier will have saved approximately 11%, whilst in Switzerland the same buyer's budget would have shrunk marginally, by 2% (figure 3).

The performance of the Swiss resorts in this year's index is strongly linked to whether non-residents are able to buy in a given location and how close the local commune is to its 20% threshold for second homes (see pages 6-7). St Moritz, for example, which saw values decline by around 7.2% year-on-year has few properties available for foreign buyers.

*2015 International Report on Snow and Mountain Tourism

FIGURE 2
The Alps: Average property price searched by nationality on www.knightfrank.com Jan-Jul 2015



Source: Knight Frank Research

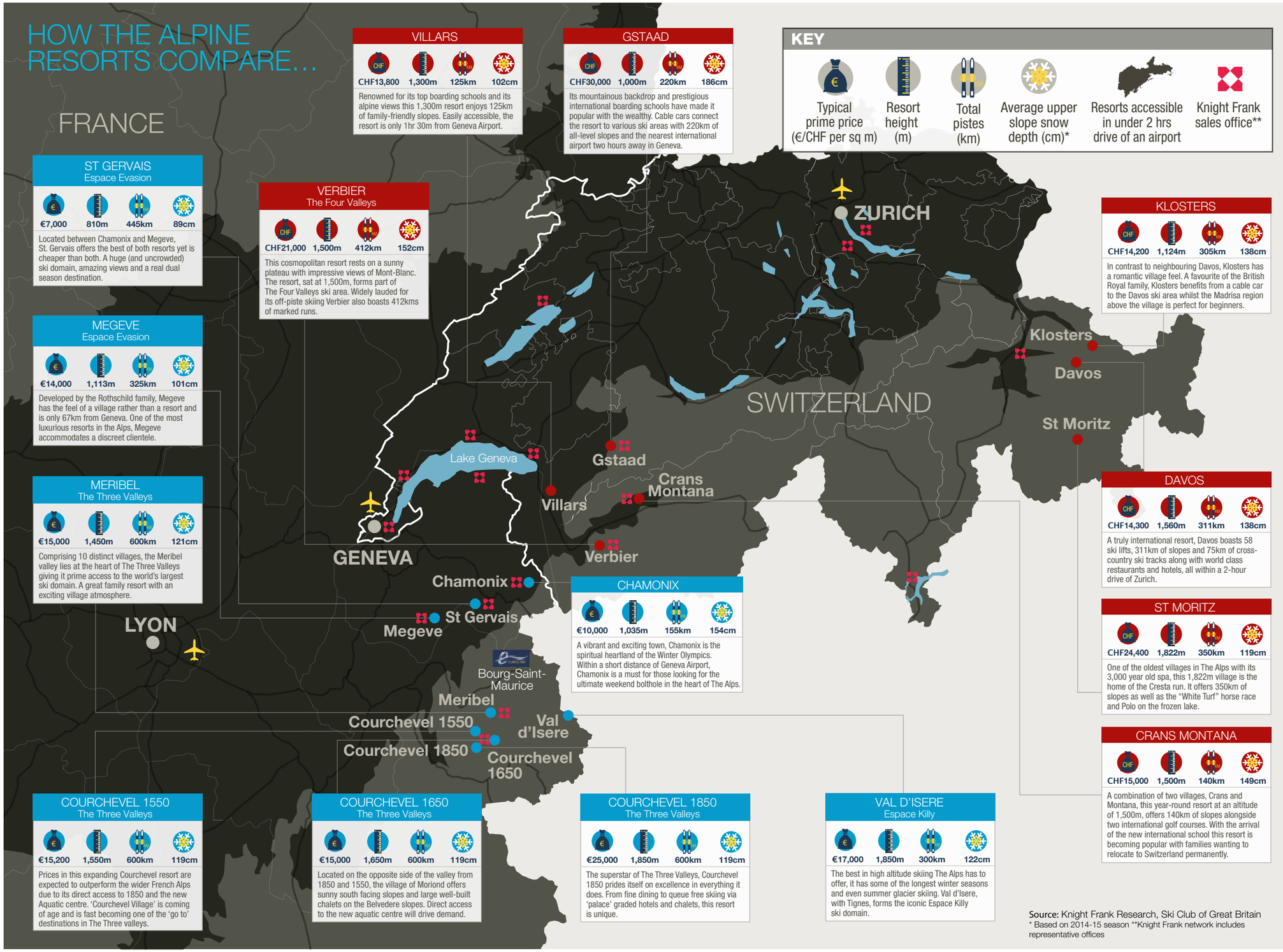
FIGURE 3

FRANCE
How much does a €1m property cost a British buyer?

SWITZERLAND
How much does a CHF1m property cost a British buyer?

Source: Knight Frank Research
Exchange rate as at 31 July 2014 and 2015 (figures rounded)

HOW THE ALPINE RESORTS COMPARE...



ST GERVAIS
Espace Evasion

€7,000 | 810m | 445km | 89cm

Located between Chamonix and Megeve, St. Gervais offers the best of both resorts yet is cheaper than both. A huge (and uncrowded) ski domain, amazing views and a real dual season destination.

MEGEVE
Espace Evasion

€14,000 | 1,113m | 325km | 101cm

Developed by the Rothschild family, Megeve has the feel of a village rather than a resort and is only 67km from Geneva. One of the most luxurious resorts in the Alps, Megeve accommodates a discreet clientele.

MERIBEL
The Three Valleys

€15,000 | 1,450m | 600km | 121cm

Comprising 10 distinct villages, the Meribel valley lies at the heart of The Three Valleys giving it prime access to the world's largest ski domain. A great family resort with an exciting village atmosphere.

VILLARS

CHF13,800 | 1,300m | 125km | 102cm

Renowned for its top boarding schools and its alpine views this 1,300m resort enjoys 125km of family-friendly slopes. Easily accessible, the resort is only 1hr 30m from Geneva Airport.

GSTAAD

CHF30,000 | 1,000m | 220km | 186cm

Its mountainous backdrop and prestigious international boarding schools have made it popular with the wealthy. Cable cars connect the resort to various ski areas with 220km of all-level slopes and the nearest international airport two hours away in Geneva.

VERBIER
The Four Valleys

CHF21,000 | 1,500m | 412km | 152cm

This cosmopolitan resort rests on a sunny plateau with impressive views of Mont-Blanc. The resort, sat at 1,500m, forms part of The Four Valleys ski area. Widely lauded for its off-piste skiing Verbier also boasts 412kms of marked runs.

CHAMONIX

€10,000 | 1,035m | 155km | 154cm

A vibrant and exciting town, Chamonix is the spiritual heartland of the Winter Olympics. Within a short distance of Geneva Airport, Chamonix is a must for those looking for the ultimate weekend bolthole in the heart of The Alps.

KLOSTERS

CHF14,200 | 1,124m | 305km | 138cm

In contrast to neighbouring Davos, Klosters has a romantic village feel. A favourite of the British Royal family, Klosters benefits from a cable car to the Davos ski area whilst the Madrisa region above the village is perfect for beginners.

DAVOS

CHF14,300 | 1,560m | 311km | 138cm

A truly international resort, Davos boasts 58 ski lifts, 311km of slopes and 75km of cross-country ski tracks along with world class restaurants and hotels, all within a 2-hour drive of Zurich.

ST MORITZ

CHF24,400 | 1,822m | 350km | 119cm

One of the oldest villages in The Alps with its 3,000 year old spa, this 1,822m village is the home of the Cresta run. It offers 350km of slopes as well as the "White Turf" horse race and Polo on the frozen lake.

CRANS MONTANA

CHF15,000 | 1,500m | 140km | 149cm

A combination of two villages, Crans and Montana, this year-round resort at an altitude of 1,500m, offers 140km of slopes alongside two international golf courses. With the arrival of the new international school this resort is becoming popular with families wanting to relocate to Switzerland permanently.

COURCHEVEL 1550
The Three Valleys

€15,200 | 1,550m | 600km | 119cm

Prices in this expanding Courchevel resort are expected to outperform the wider French Alps due to its direct access to 1850 and the new Aquatic centre. 'Courchevel Village' is coming of age and is fast becoming one of the 'go to' destinations in The Three valleys.

COURCHEVEL 1650
The Three Valleys

€15,000 | 1,650m | 600km | 119cm

Located on the opposite side of the valley from 1850 and 1550, the village of Moriond offers sunny south facing slopes and large well-built chalets on the Belvedere slopes. Direct access to the new aquatic centre will drive demand.

COURCHEVEL 1850
The Three Valleys

€25,000 | 1,850m | 600km | 119cm

The superstar of The Three Valleys, Courchevel 1850 prides itself on excellence in everything it does. From fine dining to queue free skiing via 'palace' graded hotels and chalets, this resort is unique.

VAL D'ISERE
Espace Killy

€17,000 | 1,850m | 300km | 122cm

The best in high altitude skiing The Alps has to offer, it has some of the longest winter seasons and even summer glacier skiing. Val d'Isere, with Tignes, forms the iconic Espace Killy ski domain.

Source: Knight Frank Research, Ski Club of Great Britain
* Based on 2014-15 season **Knight Frank network includes representative offices

POINTS TO CONSIDER...

The graphic alongside highlights some of the key considerations which even the seasoned pro-skier may have overlooked when deciding where to buy.

Most buyers arriving in the Alps have a basic understanding of the region having holidayed there for several years. To aid the next stage of a buyer's decision-making process we have drawn on the knowledge of Knight Frank's network of 15 offices across the Alps. We have highlighted some of the key facts and figures that merit consideration, from the altitude of the resort to the average snow depth (on the upper slopes) and the length of pistes available.

For most, finding a ski home which is under a two-hour drive of Geneva or Zurich Airport is a top priority. Megeve, St Gervais, neighbouring Combloux, and Chamonix rank highly in this regard but even Verbier in Switzerland is around the 2-hour mark.

Owners looking to rent out their property during the summer months show a preference for the mid-altitude resorts (Chamonix, Megeve, Crans Montana) where non-snow sports proliferate resulting in longer occupancy periods.

Resorts such as Chamonix and St Gervais stand out as strong buying opportunities. Here, prime prices sit at or below the average for the region (€10,000 per sq m) yet both are easily accessible, offer uncrowded ski domains and operate as dual season destinations.

Those wanting a fresh challenge each visit should focus on those resorts sat within The Three Valleys (Meribel and the Courchevel resorts) or within Switzerland's Four Valleys (Verbier) which provide 600km and 412km respectively of pistes to explore.

FRENCH VS. SWISS ALPS

The French and Swiss Alps now present buyers, both lifestyle purchasers and investors alike, with an interesting scenario, one that differs significantly from three years ago.

FIGURE 4
The Alps: Who can buy what, and where?

		FRANCE	SWITZERLAND
AS A RESIDENT	Max size?	No limit	No limit for EU residents
	Where?	No limit	20% threshold for second homes per commune
AS A NON-RESIDENT	Max size?	No limit	c. 250 sq m of official living space
	Where?	No limit	"Holiday/Ski Zones", plus Lugano and Montreux. 20% threshold for second homes per commune

Source: Knight Frank Research

Switzerland remains a long-term opportunity for investors. Although foreign purchasers are faced with a higher entry cost due to the strength of the Swiss Franc, the country still offers an unrivalled level of privacy and security.

The availability of quality stock is at its highest for 3-4 years and those wanting to sell are increasingly considering offers. Switzerland, as a result, may be the closest it has been to resembling a buyer's market for several years.

Two regulations operating in tandem have stymied the Swiss property market. Lex Koller (in force since 1983) restricts where and what non-residents can buy, allowing them to only purchase in certain "tourist" areas and up to a maximum of c.250 sq m of official living space (figure 4).

The introduction of Lex Weber in March 2012, imposed a 20% cap on the number of second homes within any Swiss commune. After a period of consultation, full details of the rule, which applies to both residents and non-residents alike, are expected to be published within the next 6-8 months ending a period of uncertainty.

Inevitably, Switzerland's property market has been subdued in the interim. Few have opted to purchase unsure whether they would only be allowed to sell their property to permanent residents in future, effectively halving their pool of potential buyers. The result has been fewer transactions and modest price falls (see index results).

Apart-hotels are one potential loophole. Classified as a commercial interest, some owners could add a concierge, pool or gym and market their units as a serviced apartment thereby bypassing the second home cap. Demand for such properties is likely to strengthen.

Going forward, we expect some of the smaller and less well-known Swiss ski resorts, where second homes are well below the 20% threshold, to see above average price inflation as Lex Weber pushes buyers off the beaten track.

By spring 2016 we expect the Swiss market to be gaining traction. Greater certainty in the market will mean a return to a simple equation between supply and demand, sales volumes will increase but asking prices will not be as open to negotiation as they currently are.

France, too, is entering a new phase. Buyers who opted to sit on the side lines until the Eurozone crisis had run its course are now active once more, buoyed by low interest rates, the upturn in foreign demand due to the weak euro and the recent low level of construction which has insulated prices.

With a general election in France expected in May 2017 the country's adherence to its strict austerity programme is expected to wane, buyers are, as a result, looking more favourably on France.

The European Court of Justice's ruling that France can no longer apply the so-called 'social charge' on rental income and capital gains – a measure introduced by Francois Hollande in 2012 and which equates to a saving of up to 15.5% for all non-residents – has fed through to buyer sentiment.

The number of sales completed in Megeve in the first six months of 2015 was more than double the number of sales during the whole of 2014. Chamonix has seen record prices achieved in price per sq m terms.

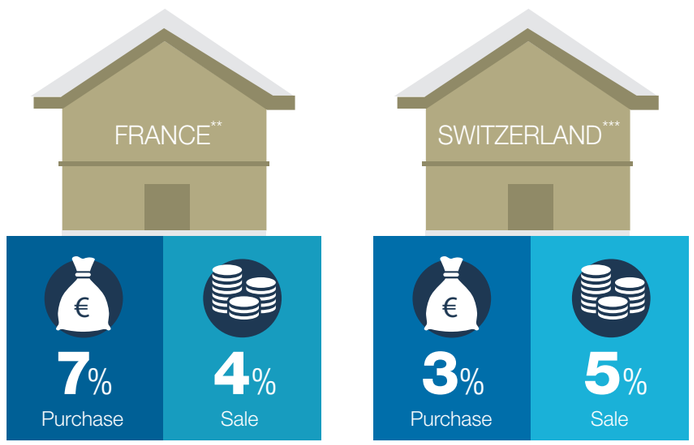
Where possible, especially at the top end of the market, buyers are using a level of debt against the property (in some cases 50%+) to help leverage any potential euro risk and reduce their exposure to France's wealth tax.

Megeve and Chamonix will see demand strengthen further. Megeve, a resort developed by The Rothschilds, will see a new Four Seasons Hotel open in autumn 2016 which will cement the resort's reputation as a prime mid-altitude resort.

Chamonix, although still at heart the true mountaineer's resort, it has one of the largest resident populations in the Alps (10,000+) which has enabled it to raise its offer in terms of retail, sports and amenities with luxury outlets now commonplace and a large range of non-ski activities on offer.

We expect the Swiss to increase their market share in the French Alps over the next few years. Outside the jurisdiction of Lex Weber, Swiss buyers can take their pick of the French resorts, many located within a 90-minute drive of Geneva and crucially find chalets at a third of their own market's value.

FIGURE 5
Purchase and sale costs compared
Based on a non-resident purchasing a $1m property in Paris/Lake Geneva as a second home and owning it for 5 years*



Source: Knight Frank Research
***Notes**: Excludes Swiss residency costs. France example based on a resale property. Assumes 5% capital growth pa. Purchase costs include stamp duty, transfer fee, registration fee, legal fees where applicable. Sale costs include agent's fees and legal fees where applicable.**Based on a resale property. ***Data corresponds to Lake Geneva

FIGURE 6
Market indicators

	FRANCE	SWITZERLAND
Base interest rate	0.05%	-0.75%
GDP growth, full year 2015 forecast*	1.2%	0.8%
Average annual wage	€36,066	CHF 86,812
New construction volume	Low	Low
Forecast growth in UHNW population 2014-24	+14%	+22%

Source: IMF, WealthInsight, OECD
*As at October 2015

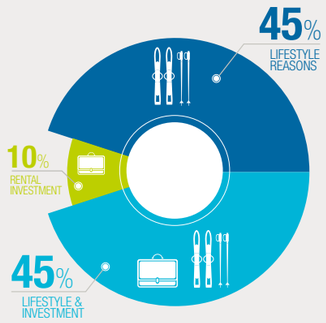
The rise of the year-round resort

Around 55% of Knight Frank's buyers are looking to rent out their ski home. Few (around 10%) are buying solely for investment purposes; instead most want their apartment or chalet to be cost neutral. Most owners in the French Alps aim to cover their taxe foncière and taxe d'habitation, the property's maintenance costs and ideally the flights and ski pass expenses for the family's visit each year.

The latest passenger numbers from Geneva and Lyon Airports provide positive news for those looking to rent. During the 2014/15 season the two airports cumulatively saw a million more passengers arrive during the summer months (May to October) than they did during the winter ski season (November to April).

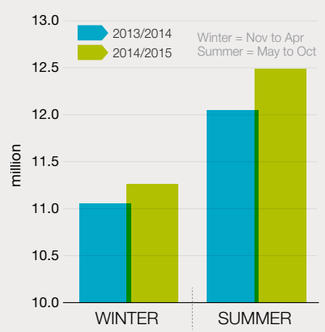
This deliberate re-branding of the Alps as a summer destination is also influencing buyers in Switzerland. The increasing number of top international schools, the provision of non-snow activities (hiking, cycling, golf etc), as well as cultural and music festivals has led some second home buyers to look instead at permanent residency allowing them a greater choice in terms of properties, location and size.

FIGURE 7
Reasons for purchasing a ski home



Source: Knight Frank Research

FIGURE 8
Year-round tourism
Airport arrivals: Geneva and Lyon
2013/14 vs 2014/15



Source: Aeroports de Lyon and Geneve Aeroport

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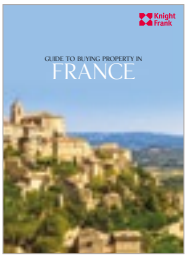

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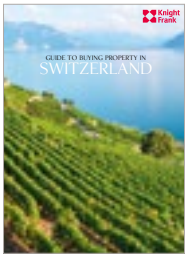

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