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SKI PROPERTY REPORT 2017

ASSESSING PROPERTY MARKET CONDITIONS
ACROSS KEY ALPINE AND U.S. RESORTS

2017 ALPINE INDEX RESULTS

HOW ARE RESORTS
EVOLVING?

ASPEN MARKET UPDATE

KEY FINDINGS

Chamonix leads our Alpine Property Index with prime prices up 4.8% in the year to June 2017

The strength of the Swiss Franc and restrictions on foreign buyers are behind the **Swiss resorts' weaker price performance**

Buyers increasingly fall into two camps; those seeking a dual-season resort to maximise year-round rentals and those targeting high altitude resorts offering reliable winter snowfall

Investment in ski and non-ski infrastructure is influencing buyer demand. We outline some of the key projects planned, with Courchevel and Villars raising their game

2016 marked a watershed for Aspen as sales slowed but 2017 has seen resurgent activity and previous price thresholds surpassed

FIGURE 1
Capital values – how a ski home in The Alps has performed against other investment and property assets

	Change to Q2 2017	1 YEAR	3 YEARS	5 YEARS
SKI HOME	-1.8%	-0.6%	6.2%	
PRIME CENTRAL LONDON RESIDENTIAL	-6.3%	-5.0%	10.1%	
FTSE 100	12.4%	8.4%	31.3%	
GOLD	-5.9%	-5.5%	-22.3%	

Source: Knight Frank Research

OVERVIEW

Ski resorts are investing heavily in their facilities to establish themselves as a dual season resorts and the shrewd buyer is paying close attention.

In this, the ninth edition of our Ski Property Report, we take the pulse of the world's top ski destinations; from Alpine retreats in the French and Swiss Alps to the big skies of Colorado where, with the help of our US partners, Douglas Elliman, we assess the latest market trends in Aspen, Snowmass and Vail.

The results of our Alpine Property Index highlight the impact the strong Swiss Franc and policies such as Lex Weber (the 20% second home cap) are having on Swiss market performance. It also shows the extent to which those resorts offering a range of year-round activities are outperforming the wider market (Chamonix, Gstaad, Courchevel 1650).

Investing in infrastructure has always been critical to tourism and the local economy. However, it is difficult for buyers to get an accurate picture of how much resorts are investing and in what facilities. With this in mind we asked the key tourist offices for their facts and figures to gain a better understanding.

However, it is not all about ski facilities. With non-skiers now estimated to account for 25% of alpine visitors we look at how

resorts are realigning their leisure offer, with water parks, spas and mountain bike trails now broadening their appeal.

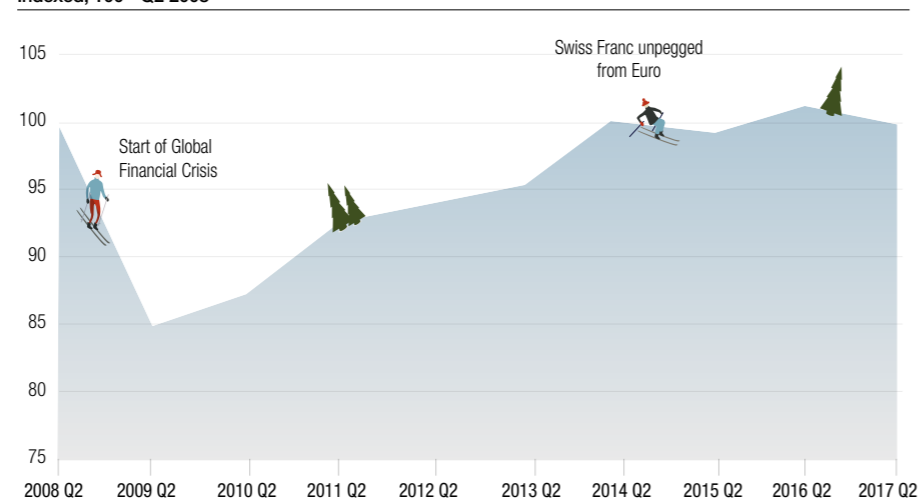
The Alps' tourist offices report growing global appeal for the Alps with more tourists – and in some cases buyers – now emanating from the US, Asia and the Middle East.

With the Alps covering more than 80,000 square miles, the decision on where to buy can be complex. On pages 6 and 7 we've crunched the numbers, allowing buyers to see at a glance how the resorts measure up when it comes to altitude, travel times, ski passes and season length.

Across the pond, neighbouring Snowmass is grabbing the attention from Aspen as its new US\$600m Snowmass Base Village takes shape. Meanwhile, Aspen and Vail have seen sales and prices shift upwards in 2017 with the luxury end of the market performing strongly in year-on-year terms.

In the final section of the report, we reveal the experts behind our analysis, they offer their valuable insight into current market conditions, assess where still offers good value and share the outlook for their respective markets.

FIGURE 2
Alpine Property Price Index Indexed, 100 - Q2 2008



Source: Knight Frank Research

ALPINE PROPERTY PRICE INDEX

Chamonix leads the 2017 index but performance is mixed with some Swiss resorts registering weaker growth.

Chamonix has leapfrogged Val d'Isère and Gstaad this year to take the top spot in our annual price growth rankings. The resort, which is widely-regarded as the most well-equipped year-round resort in the Alps, has now seen prime prices increase by almost 5% for two consecutive years.

The Alpine Property Index is now in its ninth year and tracks the movement in

luxury residential prices across 16 ski resorts in the French and Swiss Alps.

The resorts of Val d'Isère and Gstaad occupy second and third position this year, recording annual price growth of 2.5% and 1.8% respectively. At an altitude of 1,850m Val d'Isère offers one of the longest seasons due to its reliable snow cover.

Price growth in Gstaad, last year's highest performer, remains in positive territory with a lack of supply supporting prices. The resort is also popular with those seeking permanent residency due to the quality of its international schools.

The majority of the Swiss resorts sit towards the foot of our rankings table as the strength of the Swiss Franc and restrictions on foreign buyers have prompted some hesitancy on the part of buyers. This, combined with a degree of intransigence on the part of vendors has slowed sales and also reduced budgets meaning the market below CHF2m is the most active.

In St Moritz, the market has proved mixed with the area close to Suvretta House and the centre of the resort seeing strong growth over the last 12 months but other, more peripheral areas have seen activity and prices decline.

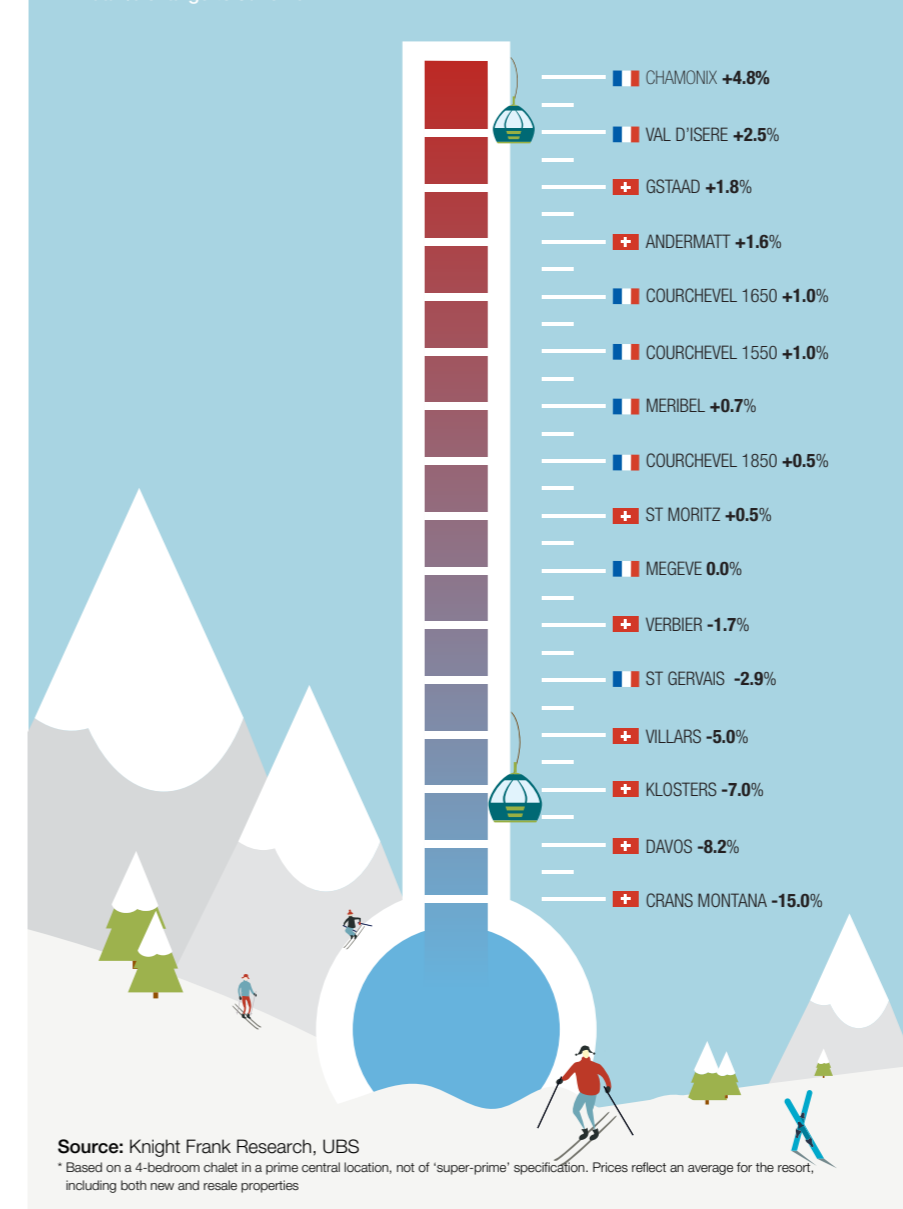
Villars' annual decline of 5% comes despite strong investment in the resort's infrastructure as well as its ski and non-ski amenities but we expect we will see this translate into price growth in the coming two to three years.

Tucked within the Canton of Valais, the resort of Crans Montana saw prices slip 15% in the year to June 2017 as older stock accounted for a large proportion of the inventory and vendors displayed a greater willingness to negotiate on price.

The Three Valley resorts of Courchevel and Méribel recorded similar levels of growth of around 1% this year, marginally lower than last year but a weak pound, Brexit and the French election saw the French property market as a whole pause for breath in the first half of 2017.

Overall, the index declined by 1.8% in 2017 year-on-year. More reflective of the current landscape is the split by country; French resorts saw prices rise by 1% on average, whilst their Swiss neighbours registered a 5% dip over the 12-month period.

FIGURE 3
The Knight Frank Alpine Property Price Index, 2017
Annual % change to June 2017*



Source: Knight Frank Research, UBS

* Based on a 4-bedroom chalet in a prime central location, not of 'super-prime' specification. Prices reflect an average for the resort, including both new and resale properties

HOW ARE RESORTS EVOLVING?

Investment is key to both the performance of the local property market and a resort's longevity.

The ski market is an evolving landscape and resorts have to adapt if they are to continue to attract tourists, residents and investors. Twenty years ago participation was on the rise as the baby boomer generation took to the slopes. According to the International Report on Snow and Mountain Tourism, skier numbers in the French and Swiss Alps peaked at around 80 million ski visits per annum in 2008/09.

Today, not only are ski visits starting to plateau or even dip – France saw numbers slip by 3.5% and Switzerland by 4.4% in 2015/16 compared to the previous season – but skiers also have higher expectations when it comes to the reliability of snow, the quality of accommodation and the facilities on offer.

Most resorts have managed to stay ahead of the game by investing in snow cannons, improving lifts and adding telecabines, but they have also realised that not all visitors are ski aficionados.

The latest data shows that around 25% of annual visitors to the Alps are non-skiers.

The uptick in non-skiers, along with the significant increase in summer tourism, has prompted resorts to host a prolific calendar of social, cultural and sporting events and deliver more non-ski activities including mountain bike trails, WinterGolf, paragliding, zip-wires, polo and ice-skating amongst others.

Why does investment matter?

Unless resorts adapt and deliver what the new generation of skiers want, they will see tourist numbers decline. For those seeking to buy a ski home, it's logical that they will target those resorts who keep ahead of the curve in an effort to maximise rental bookings and as a result improve yields.

Investment should also boost the resort's permanent population, which in turn will lead to increased services and amenities in the form of schools,

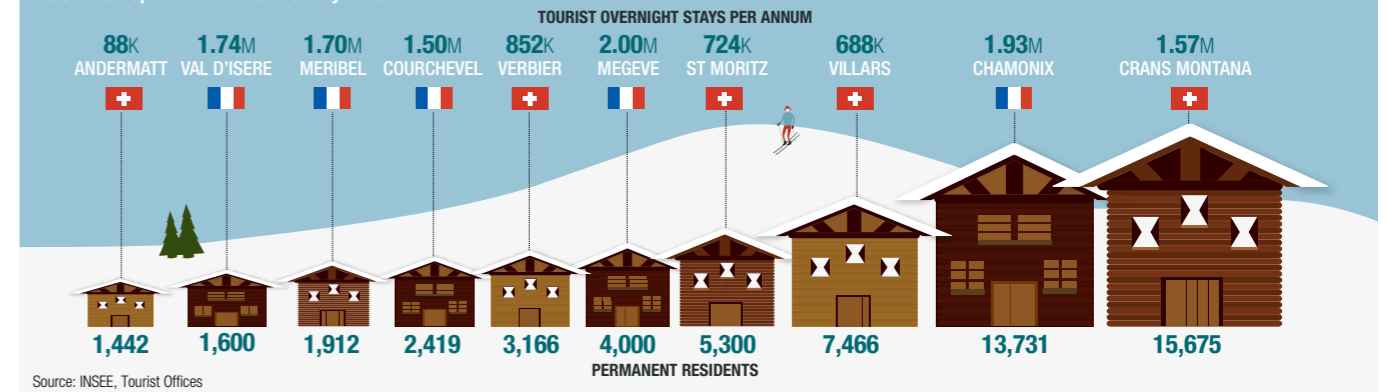
healthcare, transport etc. Such provisions as evident in Chamonix, now home to over 13,000 residents, further cement the town's reputation as a dual-season resort.

FIGURE 4 The Alps: Visitor breakdown

RESORTS	NO. OF HOTELS
Chamonix	50
Courchevel	46
Megève	37
Val d'Isère	26
Méribel	19
St Moritz	40
Crans Montana	32
Verbier	18
Andermatt	16
Villars	7

Source: Tourist Offices

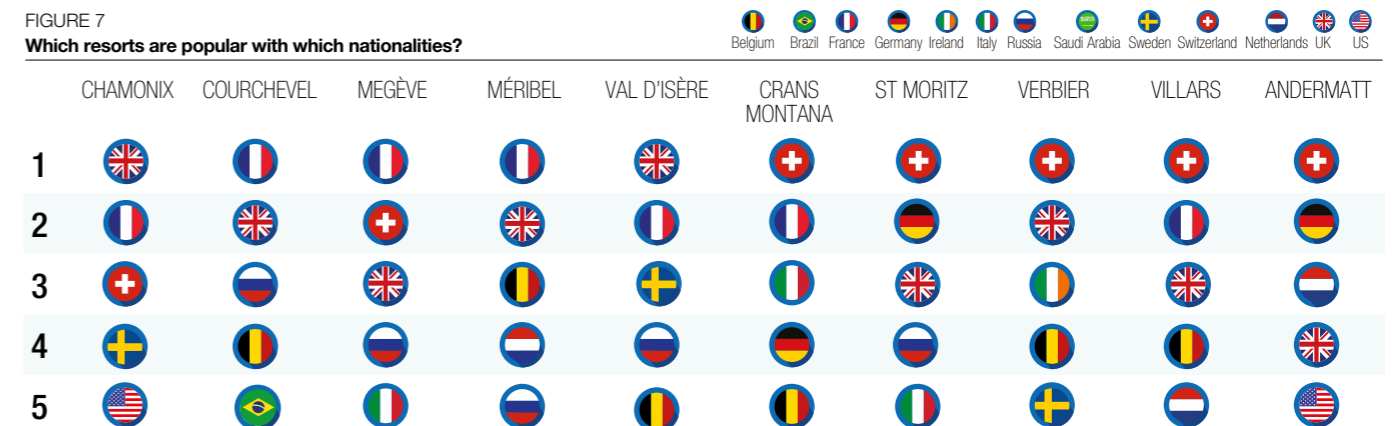
FIGURE 6 Population and tourism by resort



Source: INSEE, Tourist Offices

FIGURE 7

Which resorts are popular with which nationalities?



Source: Knight Frank Network

FIGURE 5 Investment by resort: the facts and figures

	FRANCE	FRANCE	FRANCE	FRANCE	FRANCE	SWITZERLAND	SWITZERLAND	SWITZERLAND	SWITZERLAND	SWITZERLAND
RECENT INVESTMENT*	<ul style="list-style-type: none"> Renovation of the Montanvers Site (€6.5m) New La Parsa chairlift, new beginners area at Planpraz (€330m over 40 yrs) Compagnie du Mont-Blanc now majority shareholder in Megève-Mont d'Arbois ski lift system (€14m) 	<ul style="list-style-type: none"> New snow making system Aquamotion park (€70m) Ski lifts upgraded (€120m) New night sledging in Moriond (3km) 	<ul style="list-style-type: none"> New snow making system New mountain bike trails (€500,000) 	<ul style="list-style-type: none"> New ski cannons, lifts, retail (€200m) Four Seasons Hotel €80m) Sports centre (€37m) 	<ul style="list-style-type: none"> The new Solaise Centre (Gondola, day lodge, magic carpets, new 4-seater chairlift and beginners' area) (€20m) New mountain restaurant (L'Étincelle) 	<ul style="list-style-type: none"> New snowmaking equipment (CHF7m) Ice skating rink and curling centre (CHF24m) Golf driving range (CHF10m) Opening of Le Regents College 	<ul style="list-style-type: none"> Railway station (CHF60m) Spa (CHF75m) Ski and non-ski infrastructure (CHF250m) 	<ul style="list-style-type: none"> Médran ski lift (CHF50m) W Hotel (CHF80m) Sports centre (CHF20m) 	<ul style="list-style-type: none"> New Ski facilities including new Gondolas, day lodge, magic carpets and a beginners' area (€20m) New Swimming Pool Complex (€18m) Expansion of the Beau Soleil School (€50m) 	<ul style="list-style-type: none"> Improvement and Expansion Ski Arena (CHF130m) Hotels (The Chedi and Radisson Blu) & golf course (CHF728m) New Railway station at Nâtschen (CHF20m) Medical Centre (CHF5m)
FUTURE INVESTMENT	<ul style="list-style-type: none"> Hosting Kandahar Alpine Ski World Cup in 2019/2020 (€10m) QC Therme Spa opening 2018 Mer de Glace gondola to be moved and new glacier/climate centre (€30m) Replacement of the Tramway du Mont-Blanc railway track (€20m) 	<ul style="list-style-type: none"> New chairlift, Aquamotion to Courchevel New telecabine, Moriond to the Ariondaz Joint bid (with Méribel) to host 2023 Ski World Cup 	<ul style="list-style-type: none"> Refurbishment of the Télécabine from Brides les Bains to Méribel New Roc de Tougne chairlift in Méribel-Mottaret Joint bid (with Courchevel) to host 2023 Ski World Cup 	<ul style="list-style-type: none"> Compte Capre 200-bed 5* hotel (€50m) Les Veriaz 950-bed 4* hotel (€60m) Ski facilities: Gondolas and snow cannons (€85m) Snowmaking (€5m) 	<ul style="list-style-type: none"> Le Coin de Val – large-scale mixed-use regeneration project (€200m) New 40-room boutique hotel on Solaise 	<ul style="list-style-type: none"> New 250-bed hotel (CHF180m) 	<ul style="list-style-type: none"> New Grace Hotel (CHF50m) New cable cars & connection of ski areas (CHF75m) 	<ul style="list-style-type: none"> Brunson regeneration project (CHF300m) Mandarin Oriental Hotel (CHF100m) Sport centre (CHF50m) 	<ul style="list-style-type: none"> Le Centrale residences & shopping centre (CHF40m) New Ski facilities - snow cannons, pistes & gondola (CHF20m) Refurbishment of the Elite Hotel Refurbishment of the Hotel du Golf 	<ul style="list-style-type: none"> Four new 4&5-star hotels, apartments & sports centre (CHF1,000m) Road access Schöllenen gorge (CHF105m) Retirement home and post office (CHF14m) New Railway station at Andermatt (Glacier Express hub) (CHF20m)

Source: Knight Frank Research, Zahlen und Fakten, Ferienregion Andermatt, UBS AG, Luzerner Zeitung *Last 5 years

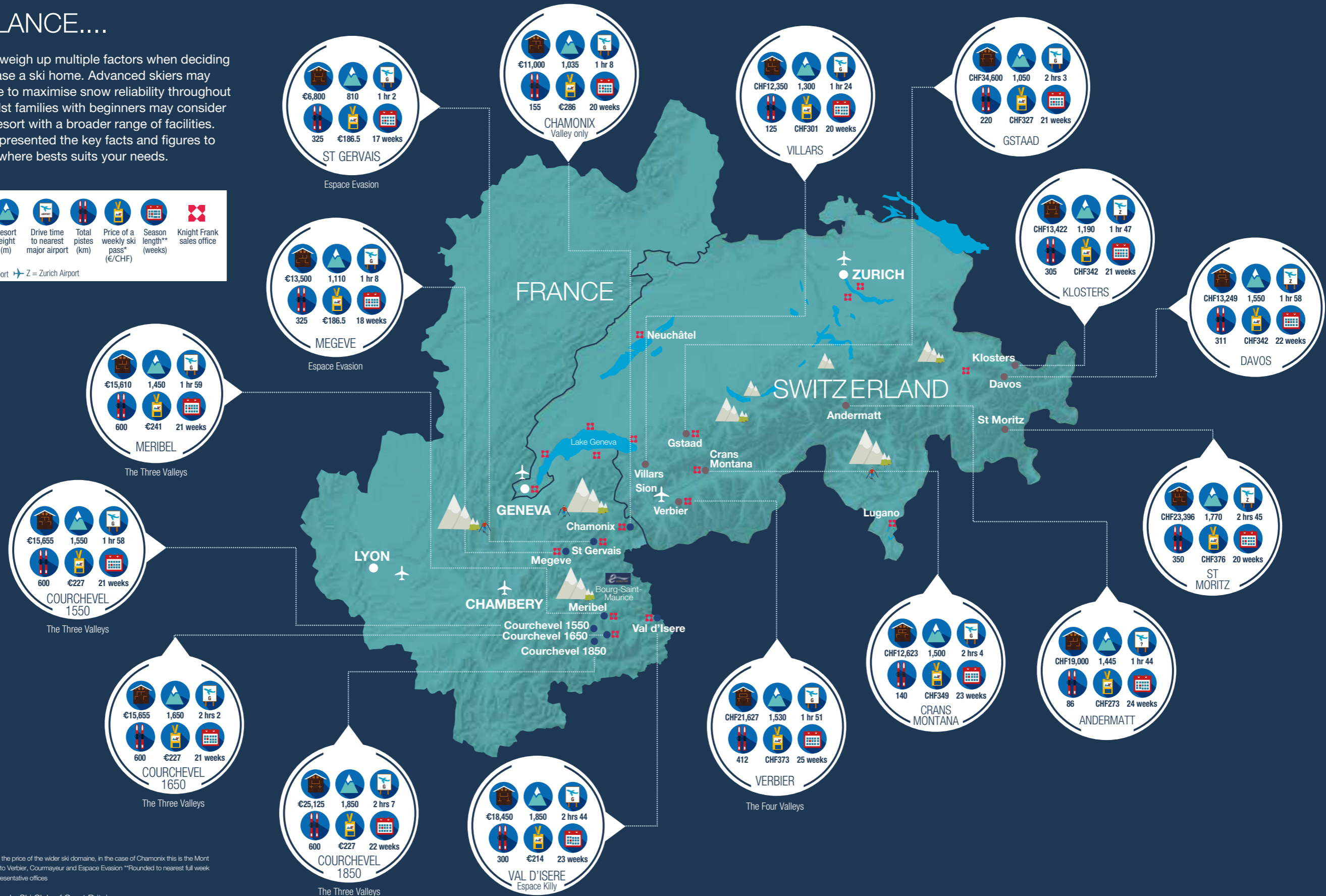
AT A GLANCE....

Buyers need to weigh up multiple factors when deciding where to purchase a ski home. Advanced skiers may prioritise altitude to maximise snow reliability throughout the season, whilst families with beginners may consider a dual season resort with a broader range of facilities. Below we have presented the key facts and figures to help determine where best suits your needs.

KEY

- Typical prime price (€/CHF per sq m)
- Resort height (m)
- Drive time to nearest major airport
- Total pistes (km)
- Price of a weekly ski pass* (€/CHF)
- Season length** (weeks)
- Knight Frank sales office

✈ G = Geneva Airport ✈ Z = Zurich Airport



Note: *The weekly ski pass is based on the price of the wider ski domaine. In the case of Chamonix this is the Mont Blanc Unlimited pass providing access to Verbier, Courmayeur and Espace Evasion **Rounded to nearest full week. The Knight Frank network includes representative offices.

Source: Knight Frank Research, Ski Club of Great Britain

ASPEN, SNOWMASS & VAIL FOCUS

After a slowdown in 2016, Aspen has seen activity and prices strengthen in 2017.

Aspen heads the list of most aspirational US ski resorts, a position it has held since it first opened in 1946. Spread across four very different local mountains; Aspen Mountain, Aspen Highlands, Buttermilk and Snowmass, the resort is now home to nearly 7,000 permanent residents.

Neighbouring Snowmass Village, which has long clung to Aspen's coattails, is now set to see significant development of its own with the new US\$600m Snowmass Base Village taking shape.

The Base Village will comprise a new 100-room Limelight Hotel, a Snowmass Members Club, Central Plaza, ice-skating rink, medical centre and residential units.

Vail, located some 100 miles to the north-east of Aspen, is Colorado's other premiere ski resort boasting 5,289 acres of terrain and home to a year-round social calendar of sporting, arts and cultural events.

Although the US ski industry is primarily domestic focused, these resorts in Colorado have the strongest international appeal of all the US resorts.

Market update

The wider Aspen market proved relatively buoyant between 2000 and 2015 but 2016 marked a sudden halt in proceedings as sales plateaued. Global uncertainty curbed buyers' appetites with many adopting a wait-and-see attitude ahead of the US presidential election.

Data from the Aspen Board of Realtors confirms this trend. In 2015 a record US\$2 billion of property changed hands across the County, 2016 by comparison recorded only US\$1.4 billion of sales.

In 2017 Aspen and Snowmass's luxury market segment have followed different courses. Aspen's luxury sales have recovered well. According to the latest data from the Aspen Board of Realtors, 26 sales priced above US\$2,000 per sq ft were agreed in the first eight months of 2017, compared with 13 during the whole of 2016. (figure 9).

Snowmass's equivalent luxury segment, above US\$1,000 per sq ft, has, by comparison, experienced lower volumes in 2017 although its single-

family homes market priced below US\$2m is performing well with a lack of supply reported.

Downtown Aspen continues to generate the strongest sales rates as buyers seek proximity to the restaurants, bars and shops as well as the comprehensive and varied social events on offer.

Vail has mirrored Aspen's upward trajectory in 2017. Some 699 residential and land sales were closed in the first half of 2017, a 10% increase compared with the same period in 2016. Again, the luxury market, primarily focused in and around Vail Village and Lionshead, has outperformed the wider market with new price thresholds achieved.

FIGURE 9
Luxury sales volumes 2005-2017

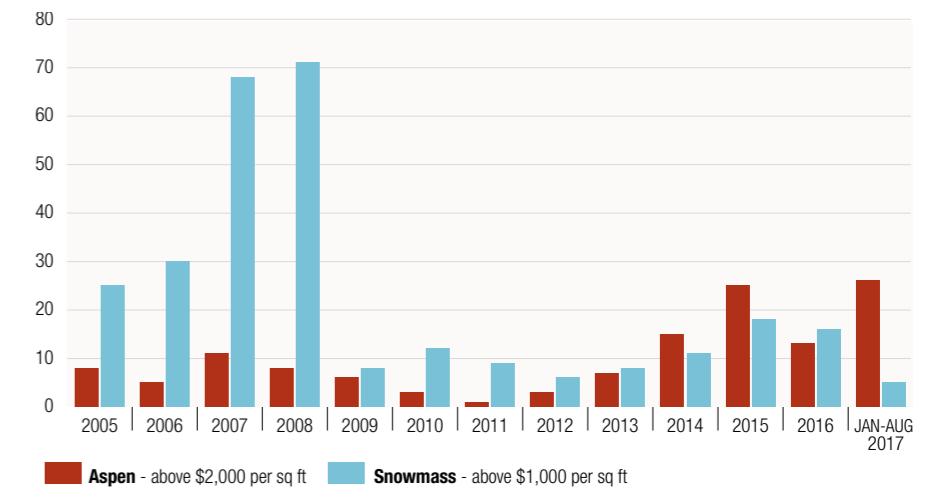
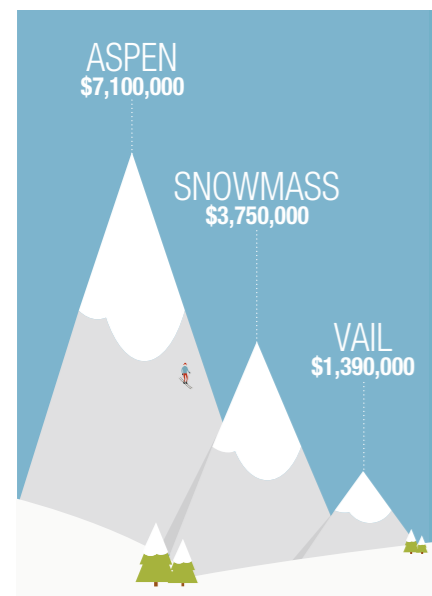


FIGURE 8
Price by resort
Average price sold, Jan-Jul 2017



Source: Aspen Board of Realtors, Vail Board of Realtors

FIGURE 10
How do the resorts measure up?

	PERMANENT RESIDENTS	RESORT ALTITUDE (M)	MOST EXPENSIVE NEIGHBOURHOOD	TOTAL PISTES (KM)	PRICE OF A WEEKLY SKI PASS (US\$)	DRIVE TO NEAREST AIRPORT*
ASPEN	6,658	2,425	West End, Red Mountain	241	US\$492	11 mins
SNOWMASS VILLAGE	2,826	2,502	Two Creeks, Snowmass Village	237	US\$492	14 mins
VAIL	5,305	2,500	Vail Village, Lionshead	234	US\$435	40 mins

Source: Knight Frank Research

* Aspen and Snowmass are served by Aspen-Pitkin County Airport and Vail by Eagle County Airport. Both operate domestic flights and are within an hour's flight of Denver Airport for international connections.



102

Number of nationalities that searched for a property in Aspen, 2016/17

Source: Knight Frank Global Property Search Website



33%

Percentage of properties built in Aspen in the first half of 2017 that are already under contract



60.5m

The number of US skier visits at their peak in 2010-11



13%

The annual increase in the volume of sales in Vail in the year to July 2017

INSIDE KNOWLEDGE...

Between them, Roddy Aris, Alex Koch de Gooreynd and Joshua Saslove have over 55 years' experience working in the ski property industry. We asked them for their take on current market conditions, where the best investment opportunities lie and their outlook for the market.



FRANCE

RODDY ARIS
KNIGHT FRANK INTERNATIONAL

Can a ski home be a good long-term investment? What proportion of your buyers in the French Alps opt to rent out their property?

A ski home is primarily an aspirational purchase. The key to a good purchase is that the property is purchased at the correct market value and the asset proves highly rentable.

Around 80% of Knight Frank's alpine buyers rent out their property. This is either through France's 'VAT rebate on new builds' initiative or simply to cover their outgoings.

Which of the French resorts has seen the strongest sales activity in recent years and why do you think that is?

Chamonix has gone from strength to strength. Although it does not appeal to those buyers wanting ski in/out options such as in The Three Valleys and Espace Killy, but it appeals to those that love the mountains all year round and are seeking quick and easy access from Geneva International Airport.

Given Switzerland's 20% cap on second homes, along with the strength of the Swiss Franc, are you seeing more Swiss buyers in France?

There was a sudden rise of Swiss enquiries in 2015 when exchange rates moved firmly in favour of CHF-denominated buyers as the Franc was unpegged from the Euro. The resorts that benefitted the most from the pendulum swing were Chamonix and Megève. Both being on the doorstep of Geneva and offering year-round appeal. The exchange rate advantage has lessened recently and with it Swiss activity.

Which French resorts still offer good value?

Within each of the top resorts in the French Alps there are 'back doors', granting access to the wider ski domain at a fraction of the price that is commanded by the more illustrious resort. These are as follows; Le Praz, Village and Moriond for Courchevel 1850, St. Gervais and Combloux for Megève, Les Houches and Vallorcine for Chamonix and finally, Le Fornet and Tignes les Brevieres for Val d'Isère.

What is your outlook for the Alpine market?

It is a very exciting time to be investing in the Alps. There are of course challenges ahead such as the long-term implications of Brexit and the erratic winter seasons but the draw of the mountains has never been stronger. Resorts are having to evolve and adapt to meet the demands of today's buyers. Huge investments have been pledged across the Alps from artificial snow-making facilities to adapting and evolving activities for the summer and family market.



SWITZERLAND

ALEX KOCH DE GOOREYND
KNIGHT FRANK INTERNATIONAL

Is Swiss real estate still the safe-haven investment that it was?

When we first started working in the Swiss market eight years ago, most of my enquiries were from clients wishing to take advantage of the preferential tax arrangements on offer. This has changed dramatically in recent years with Switzerland proving to be one of the more stable economies for investment.

Today my clients are drawn to the region by the stable economy, excellent personal safety and world-class education. The property market has also gone through changes but performance differs hugely from canton to canton. In the city centres, a lack of quality stock has maintained price levels while those regions with an abundance of stock have undergone a price correction.

What impact has a) the strength of the Swiss Franc and b) tight restrictions on foreign buyers had on demand?

The strength of the Franc remains a key consideration for those looking to buy in the Swiss holiday regions. Clients seeking residency are given confidence by the

“
Today my clients are drawn to the region by the stable economy, excellent personal safety and world-class education
”

strength of the currency while those seeking holiday homes are considering whether to continue to rent rather than buy, although second-guessing the foreign exchange markets can be a risky strategy.

Despite currency concerns, clients remain drawn to the Swiss resorts due to the excellent quality of the skiing. A lack of overcrowding on the pistes and queues at the lifts are two of the most important decisions when selecting a resort and the Swiss are famous for ensuring that the additional marginal cost provides an enhanced experience.

Aparthotels, a commercial not a residential acquisition, can be purchased despite the 20% second home cap (Lex Weber). Are you seeing more of these developments?

The Grace Hotel Apartments in St Moritz and a larger chalet project in Zermatt have been the only two resorts to offer this product to date; two markets that have always struggled with stock for non-residents. The concept is an interesting one and one that I fully expect to see adopted throughout the resorts as they adapt to life after Lex Weber.

Villars is investing heavily in its infrastructure; do you think will this translate into higher tourist and buyer numbers?

The Villars story is a very interesting example of a resort that was living off past glories but not investing in itself. The local authorities recognised this and embarked on an ambitious programme of renewal. Recent investment has seen the improvement of the ski domain as well as major projects within the village. Confidence is swiftly returning with existing visitors now deciding to buy rather than rent and new buyers reconsidering the resort as a viable option for the long term.



ASPEN

JOSHUA SASLOVE
DOUGLAS ELLIMAN

Luxury prices in Aspen have followed an upward trajectory for several years, why do prices continue to rise steadily?

Aspen has limited or no growth opportunity due to its restricted residential and commercial development and you have a growing number of people who are spending more time here due to the "mind, body, spirit" lifestyle. In short, supply is restricted and you have ever-increasing demand.

Despite being the oldest ski resort in the US, are there any new, up-and-coming neighbourhoods that you expect to outperform the wider resort?

Historically, Red Mountain, West End and Central Core properties have seen the greatest number of sales and the highest price thresholds.

There has been a lack of demand in areas like Starwood, where the likes of John Denver, Rupert Murdoch, Prince Bandar and Dionne Warwick once called home. This has created an opportunity for buyers to purchase properties at a significant discount while still owning in one of the most prestigious neighbourhoods historically.

What proportion of your luxury buyers in Aspen are domestic and what proportion are from overseas?

Currently, about 80% of our buyers are domestic. We have seen the number of foreign buyers increase for consecutive years mostly due to Aspen's robust market, varying price points and quality of life. In recent years, we have seen a large number of Russian, Asian and European buyers.

What are resorts such as Aspen doing to attract the millennial generation?

Major development is taking place on Snowmass Mountain and Snowmass Village. This development includes an alpine coaster, zip line/canopy tour, climbing wall, challenge course and more mountain-bike trials. Aspen/Snowmass is really becoming more of a year-round resort and we are capitalizing on that.

What is your outlook for Aspen's property market? (sales, prices, future investment etc)

A ski home in the US has historically been a great investment, especially in Aspen, primarily due to the supply/demand imbalance.

I see Aspen's property market following a steady upward trend in prices over the next five-years or more. As far as investment goes, there are certainly properties that are trading for a premium right now but there are just as many, if not more, opportunities to invest in great, well-priced neighbourhoods that will see value growth going forwards.



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