

COMMERCE

Swiss exchange rate drives affluents to French Alps this year

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House in French Alps

By NANCY BUCKLEY

When the Swiss National Bank lifted its three-year cap on the value of the Swiss franc against the euro, Switzerland's luxury real estate and tourism markets saw a hit as affluents flocked instead to the French Alps this winter season.

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Prior to Jan. 15, the Swiss franc was capped so that the country's currency would follow the patterns of the euro, but with recent drops in the value of the euro, the Swiss National Bank removed the ceiling and saw a thirty percent increase in the value of the franc. The unexpected move by SNB has impacted the nation's tourist season as winter sport enthusiasts from Europe, the United Kingdom and the United States changed their ski trip destinations to avoid the suddenly high prices at the Swiss Alps.

"Swiss ski homes became considerably more expensive for foreigners this month when the Swiss franc gained dramatically against most major currencies," said Julian Walker, director of SkiingProperty.com, London.

"Conversely, French property has got cheaper for buyers from outside the Eurozone, thanks to the fall in value of the euro," he said. "The result? On the face of it, a French

chalet in, for example, Courchevel has suddenly become far better value than a comparable property over the border in, for example, the Swiss resort of Verbier."

French skiing

On SkiingProperty.com, there are apartments for sale at a new development in the French Alps. The cost of the property is significantly lower than it would have been a year ago.

Prices of an apartment in the Three Valleys ski area in Meribel, France is about \$840,293 this January, but this time last year it would have been about \$1,025,650. Exchange rates have also benefited the Swiss and British: the apartment is about £62,000 cheaper this year and about CHF179,407 less than Jan. 2014.

In Switzerland, for American buyers, the value of the franc and of the dollar have both risen, leaving little effect on purchases made by American affluents. However, the problem for the Swiss luxury ski market rises from the cheaper rates Americans can find in France because the decline in the value of the euro. Also, for British and European buyers, the exchange rate to the franc has impacted the market, sending them to the French Alps as well.



Film Waldhaus

For instance, a Swiss alp apartment at Films Waldhaus cost CHF3,703,000 this January a rate that translates to £2,719,160 which would have been £2,510,010 a year ago. For those purchasing with the euro, the apartment cost €3,649,240, but in Jan. 2014, it would have been €3,024,610.

Unforeseen issues

Sociopolitical problems have previously threatened luxury brands around the world.

For instance this fall, the turmoil in Russia raised concerns for luxury brands. Even with tense relations between Russia and Western countries, a complete ban on clothing and textile imports from the United States and the European Union is highly unlikely, according to a report by Fashionbi.

“[Fashion in Russia – What future holds](#)” says imported products make up about 75 percent of the Russian apparel and accessories market, but international products are being threatened by the geopolitical climate in the country. However, even if a ban on apparel imports is raised, Russians will still need fashion, and will find new ways to get the brands they are loyal to ([see story](#)).

Similarly, the protests in Hong Kong that began late September and grew more contentious may upend the city’s stability.

Protesters first gathered in the streets to criticize Beijing’s attempts to declaw Hong Kong’s energetic political landscape by proposing a procedure that would require candidates for the top leadership position to first be vetted by the government in Beijing. Now, as the demonstrations grow, protesters have defied the government’s warnings to abandon the streets, setting the stage for some sort of showdown ([see story](#)).

The Swiss franc cap stirred the marketplace and will likely see resonating effects across all spectrums of luxury.

"Undoubtedly there will be some international buyers who will have shifted their attention from the Swiss to the French Alps, the appeal of which is compounded by France's record low mortgage rates," Mr. Walker said.

"Not forgetting there will be some Swiss people investing in property who will be tempted to spend their money outside of Switzerland, including in France, given their increased buying power," he said. "Don't be surprised if the Swiss market sees no growth in foreign sales this year and a fall in property values to attract foreign buyers back."

Final Take

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