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REAL ESTATE

70pc of luxury Alpine properties sold above $1.5 million purchased in cash: Knight Frank

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The miniature boom within the Alpine market caused by the pandemic is said to be at an end. Image credit: Knight Frank

By ZACH JAMES

Stock shortages and improvements to resort infrastructure represent both ends of the market forces causing ski chalet prices to rise in the French and Swiss Alps, according to a new report.

Global real estate consultancy Knight Frank is sharing findings from the 16th edition of the firm's Ski Property Report, showing that among the 24 resorts tracked, prices rose at an average of 4.4 percent in the 12 months to June 2023, the figure helped along by several factors including limited Alpine availability. Among other trends, cash purchases are dominating sales, with high interest rates remaining unsuccessful in warding off affluent buyers.

"The pandemic-induced Alpine mini boom is ending with a fizzle rather than a bang, as limited supply keeps a floor under prices in most markets, said Kate Everett-Allen, head of international residential research at Knight Frank, London.

"Across three key French resorts, listings are down 56 percent on average compared to before the pandemic and this is set against a backdrop of robust demand," Ms. Everett-Allen said. "There are clear challenges ahead for ski resorts, not least climate change, the need to upgrade infrastructure and strict planning rules.

"But the market is evolving, attracting buyers from further afield (Asia and the Middle East) and from southern Europe, as recent heatwaves prompt some second homeowners to pivot northwards."

For the 15th edition of the report, the Knight Frank team drew upon proprietary research, surveying 320 clients across 34 countries between Sept. 1 and 17, 2023, for the firm's second annual Alpine Homes Sentiment Survey.

Iced out

Though the boom experienced in the aftermath of the pandemic has dwindled, demand for luxury Alpine properties has not been swayed much.

Knight Frank notes that resort occupants faced a slow start to the 2022/2023 season due to low snowfall. Yet and still, these cold weather markets are growing at a greater rate than many global housing markets.

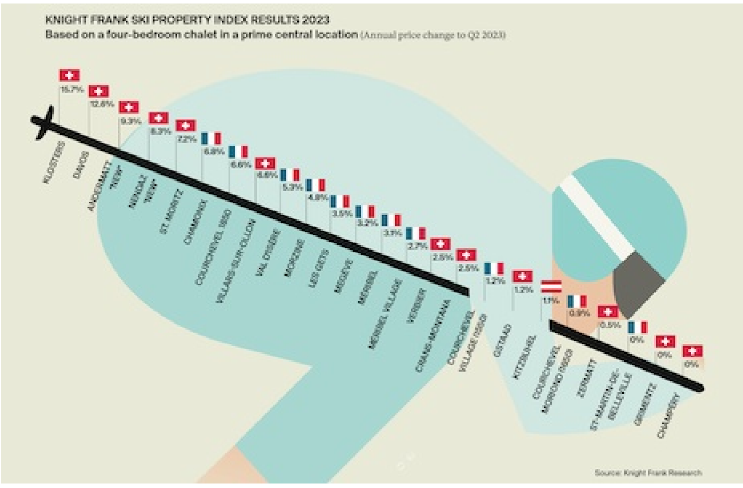
Attributed to limited supply, with French listings in particular down 56 percent compared to pre-pandemic numbers, demand is surging, driving prices up.

Stock levels are impacting sale prices. Image credit: Knight Frank

"Knight Frank's Ski Property Index reveals that Swiss resorts lead in terms of price performance for the second year running, with three German-speaking resorts Klosters (16 percent), Davos (13 percent), and Andermatt (9 percent), occupying the top spots," said Ms. Everett-Allen.

"A severe lack of stock and infrastructure improvements in each resort are pushing prices higher," she continued. "Chamonix (7 percent) retains its title as the top-performing resort in the French Alps, a true year-round resort whose population surges from 10,000 to 130,000 during peak season.

"The resort attracts a broad demographic, from skiers to mountain bikers, and plays host to a busy calendar of sporting events which also drives investor demand."



Swiss ski chalets are at the top-end of prices increases in the Alps. Image credit: Knight Frank

As interest rates remain stubborn (see story), buyers with more means are skirting these fees entirely, opting to purchase high-end resort houses using liquid assets. In fact, the report cites that 70 percent of those priced at more than 1.5 million euros, or $1.6 million at current exchange, were acquired in cash.

Alpine homes are greatly seen as an investment opportunity, with owners only living in their winter homes for a limited amount of time each year, making them a clear point of interest for high net-worth individuals (HNWIs) all over the world.

The market is said to be evolving, and with that comes a new customer base, now said to have expanded to HNWIs in Asia and the Middle East, among other regions. Sentiments within the overall ownership group are positive.

"An Alpine home may not top the list of most high-yielding assets for investors, but the growth of year-round tourism in the Alps, a shrinking pool of homes for rent, and a packed calendar of sporting and lifestyle events are boosting landlords' revenue," said Roddy Aris, partner at Knight Frank, for the report.

Changing slopes

Included in the report is the second annual Alpine Homes Sentiment Survey, a practice started in last year's release (see story).

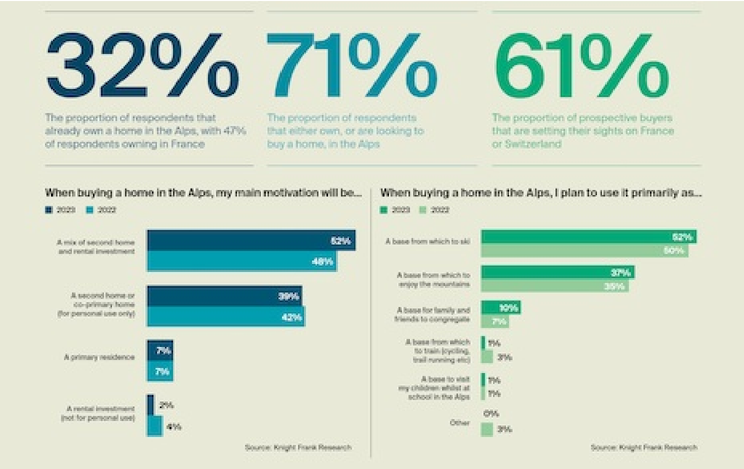
Different from last year is the demand for ski-exclusive properties and year-round options. Previously, consumer demand was skewed toward the latter; now, this phenomenon is said to have split between the two options, with both increasing in popularity compared to last year, both rising by 2 percent to 52 and 37 percent of respondents, respectively.

Consumer attitudes match overall luxury real estate trends. Image credit: Knight Frank

"Snow reliability (for skiers) and a resort's offer in terms of infrastructure and activities (for year-round usage) will be paramount," said Ms. Everett-Allen.

"Resorts that fall short on either of these points will likely suffer in visitor and buyer numbers."

More than half of those surveyed, 52 percent, stated that they are seeking a second home that they plan to rent out, up 4 percent year-over-year. These attitudes are in line with recent findings, as affluent individuals are increasingly maintaining three or more properties (see story)



Consumer sentiments are shifting. Image credit: Knight Frank

Contributing to this, another 52 percent view an Alpine property as a mix between a second home and a rental property. Helping both those wanting a second home and those seeking a getaway are the effects of the pandemic, namely remote work, leading 54 percent of respondents to consider working from the Alps for longer periods of time.

Also benefiting those who own Alpine homes is the increase in spending among HNWIs on vacations and trips, as the majority of the affluent population is choosing to spend now on experiences rather than giving more to their descendants (see story).