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# If skiing's going downhill, where is best for mountain property?

Hugo Cox in London and comments by Robert S. Stewart in Monaco/Netherlands

## Skiers are deserting many of the world's slopes, but some resorts are doing better than others. How can buyers take advantage?

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A skier jumps off a cliff on Snowmass Mountain, Colorado

Skiing, the winter pastime that successfully blends social elitism with personal peril is under threat. In the great skiing nations of Austria, the US, Canada, Switzerland, Italy and France, skier numbers (averaged over the past five years) have been falling steadily since the 2012/13 season, according to a recent report by Geneva-based consultant Laurent Vanat.

France and Austria — the only countries that have recorded at least one year of growth in the past four years — have now joined the misery club with visitor numbers dropping in both over the past two seasons.

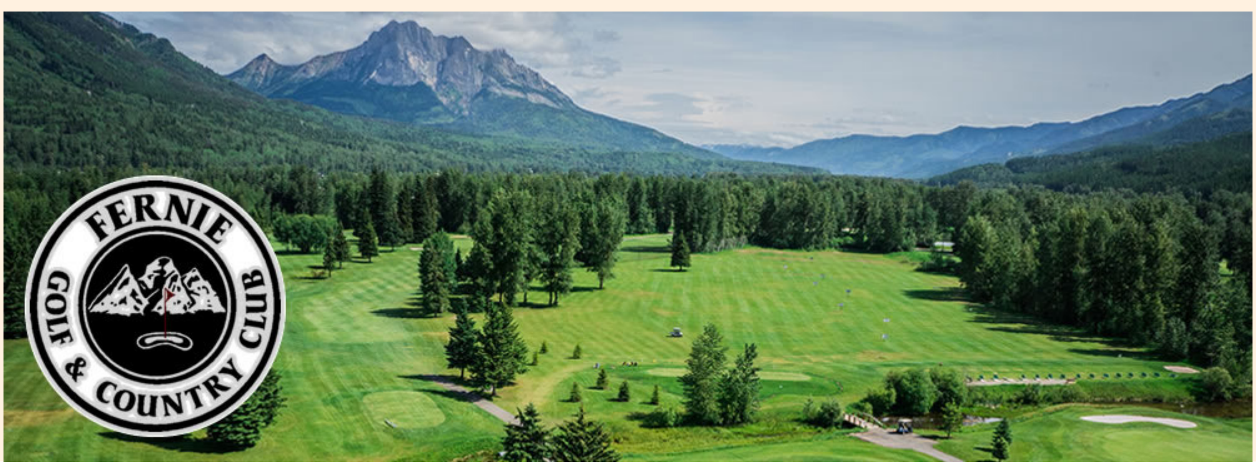
**Only Canada avoided a fall last season**, but its total numbers are lower than they were in 2004/5. In Switzerland, numbers are down more than 15 per cent over the same period. Last season alone Austrian visitor numbers fell by more than 6 per cent.

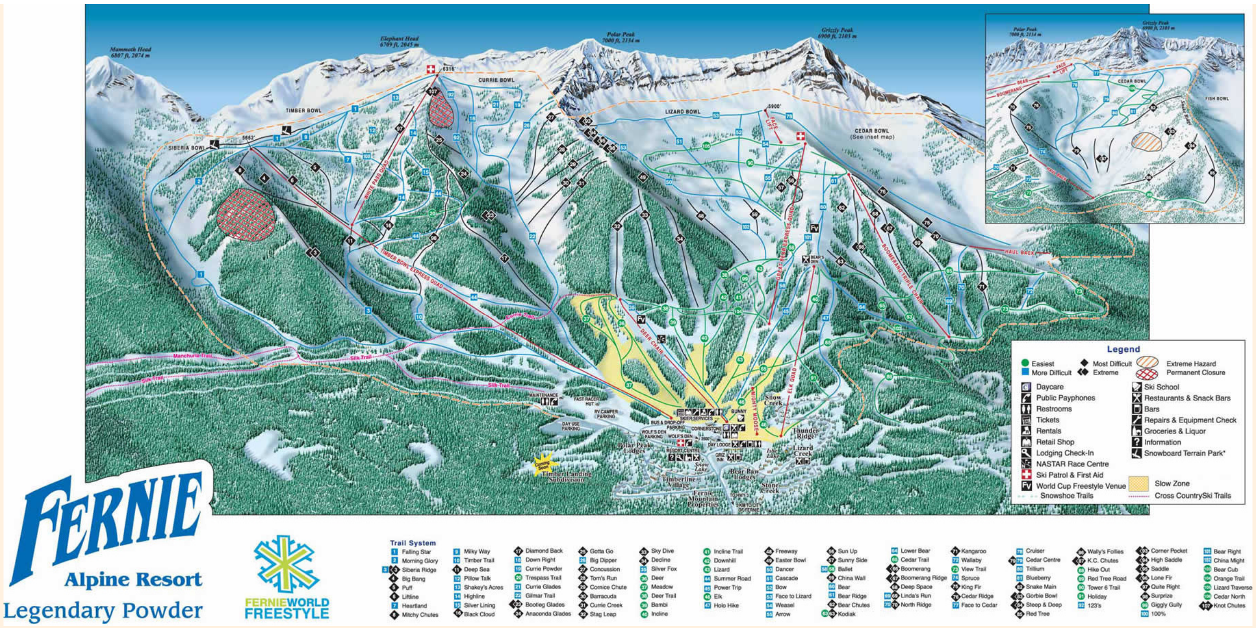
One of the greatest determinants for choosing a ski resort should be the snow quality. Europe is fast losing its snow pack. Canada gets on average annual drop of 10 meters of powder snow in places like **Fernie, British Columbia**.

Most of the young permanent residents are Canadians seeking the best snow on Earth, but Europeans are showing up in their thousands. A $10mm chalet in Gstaad costs under $2mm in Fernie, while the Swiss one is made of cheap fir, the Canadian one is solid, cedar hardwood.

Long line-ups, expensive lift tickets, heinous restaurant charges with bad food, manufactured wet snow and the bunny slopes in Europe do not compare to the wilderness pleasure of powder snow, helicopter or cat skiing in Canada's Rocky Mountains.

In the summer and shoulder seasons, world class golf courses, mountain biking, equestrian riding, dozens of other sports and activities add to the mix. Vancouver just happens to be the No. 1 rated city in the world. British Columbia is the richest province and fastest growing in North America. Whistler and Kananaskis in Alberta hosted recent Olympic Games.

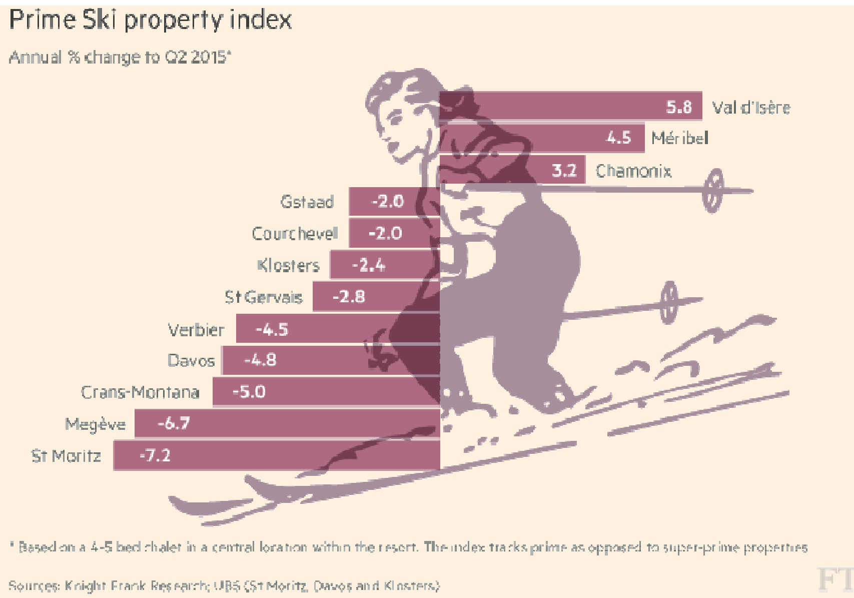





Canada is a friendly open country with a young new government dedicated to restoring its international prominence and contribution on issues like peace, order, good governance and environmental stewardship.

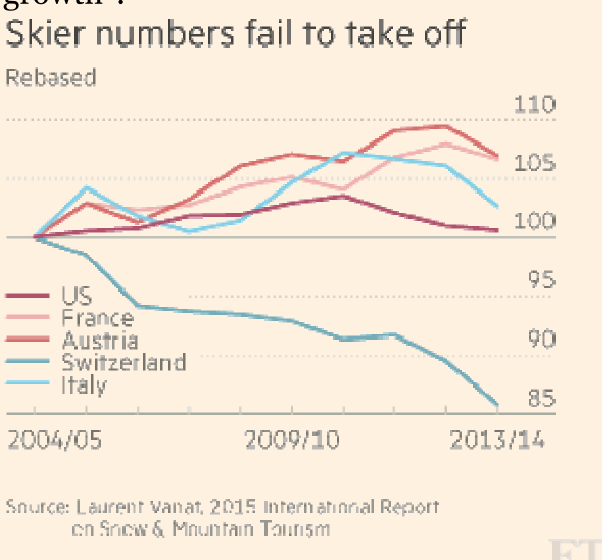
The Canadian dollar is rock bottom at $.075 to its US counterpart. For anyone looking for a long term investment, buying a chalet in Fernie BC is considered one of the finest investments you'll ever make. Besides, it isn't considered "the coolest resort city in North America" for nothing.

All of this should make important reading for buyers thinking about a new chalet to go with the state-of-the-art ski-boots they have purchased for the first November snowfall. The initial consequence of skiing’s faltering fundamentals is that price gains for skiing properties have been modest, and it is likely this will continue.




In that act of crystal-ball gazing so beloved of analysts, Savills recently conjured five-year growth forecasts for the world's major property destinations, crunching numbers on population growth, gross domestic product, job creation, stages of the property cycle and housing policy.

The only location that did worse than the Swiss Alps was Geneva; French skiing locations were languishing halfway down the table in the furtive category of "some growth".




Certainly, there are opportunities in the French Alps. Méribel's good location, in the heart of the Three Valleys ski domain, and its competitive price per sq ft has helped it enjoy a gain of 4.5 per cent over the past year for prime homes, according to research on Alpine resorts by Knight Frank. Its table is led by Val d'Isère with price growth of 5.8 per cent. A seven-bedroom chalet, with a spa, pool and climbing wall, is on sale in the resort for €9m with Knight Frank.

Currency gains have also offered eurozone buyers a bonus. Those who bagged a Swiss mountain home before the country's central bank abandoned its peg with the euro in the middle of January will have seen gains of 10 per cent since then.

Yet only the flashiest hedgeFUND MANAGER buys a mountain home to play theCURRENCY MARKETS. And 5.8 per cent is unspectacular for a peak-performing bricks-and-mortar investment. Savills says 92 per cent of its buyers are purchasing for investment as well as their own use. This may be code for not expecting their homes to lose value and liking the recreation and income that ski chalets can provide; otherwise they should be looking elsewhere.

Part of the story is demography. Skiing is hardly lawn bowls: as the creaking knees of Europe's baby boomers become increasingly bothersome, many are trading a fortnight risking ageing cruciate ligaments for two weeks sipping gin and tonics by the sea. The other factor is the brittle lever of discretionary spending. With bank balances still recovering from theFINANCIAL crisis, mountain-chalet sales, a stalwart of the second-homes sector, are still faltering, says Paul Tostevin of Savills Research.

Four-bedroom chalet in Verbier, Switzerland, $9.07m

And unlike almost every other area of westernCOMMERCE, the skiing industry probably cannot bank on being saved by the growing rich of the emerging world. China may now have more resorts (those with five lifts or more) than Canada or Sweden, but in the eyes of most holidaymakers the activity is closer to karaoke than serious sport. "Skiing isCONSUMED as a kind of entertainment product rather than a sport that requires repeated practice," says Vanat, who reckons that 80 per cent of Chinese visitors are beginners and that many never return.

Faltering fundamentals may also be behind a wider distribution of pricing for skiing homes. Knight Frank estimates the price of a prime ski chalet in Gstaad, Switzerland — its top location — is four times that of an equivalent property in the French resort of St Gervais.

Europe is well ahead of North America in the table of top-dollar homes. Courchevel in France is Savills' number one location, with the best homes selling for €31,000 per sq ft. Knight Frank is marketing a six-bedroom chalet with a pool in the resort for €25.5m. Yet the most desirable ski homes are Swiss: alongside Gstaad, these include St Moritz, Zermatt and Verbier, where a four-bedroom home is on sale with Knight Frank for SFr8.95m ($9.07m).

It has been a chequered year for the Swiss Alps. With properties priced at an average of €4.5m, it may still be the most expensive place in the world to buy a prime four-bedroom resort home, according to Savills. However, prices are falling, led by St Moritz, which is down 7.2 per cent. In fact, properties in most of Switzerland's flagship locations, including Gstaad, Klosters, Davos, Verbier and Crans-Montana, are cheaper than a year ago, says Knight Frank.

Odin House in Niseko, Japan, $6m

George Hall, international director of Sotheby's International, reckons that salvation for prime skiing destinations will come from apartment-hotel developments. In sun-seeker locations such as the Caribbean, homes branded Ritz-Carlton or Four Seasons sell for at least 20 per cent more than equivalent developments nearby, he says. This is because buyers know what they will get and can bank on good facilities such as restaurants and spas.

And at this level, mountain buyers won't worry about being on the edge of the village where these developments are likely to happen. "Most will have an in-house chef and will be entertaining large parties at home," he says.

The first "branded" ski development will be disgorging the tottering super-rich on to the pistes at Courchevel from the start of this season. Following arm-twisting of the local mayor, occupants of the Six Senses apartments can leave their boots and skis in a purpose-built chalet at the foot of the main 1850 lift before they wander home. As well as the usual smorgasbord of pampering disguised as health treatments — pool, saunas, steam rooms — the development offers "comprehensive tailored wellness experiences", a hitherto uncharted offence against both common sense and the English language.

The priciest of the 10 penthouses just released is on sale for €9.62m through Savills. At that price, buyers probably won't blink much at the rental income when they're not there — roughly enough to cover the service charge says the developer. But they will enjoy the 20 per cent discount available: if they let their home under the French government's leaseback scheme, they can claim back VAT on the purchase price.

Elk MountainLODGE, Aspen, $100m

Away from the top of the market, the size of a resort's skiable area, snowfall and season length remain important considerations. Yet the battleground for buyers is now moving to what local entertainment is on offer, with buyers' children increasingly calling the shots.

Whether skiing sprogs were ever sated by a game of charades in their pyjamas at the end of a day of bombing over the ski-tips of irate locals is doubtful. Evidence to the contrary has long been provided at resorts such as Verbier, Val d'Isère and Courchevel, where the sight of sunburned Prada-wearing youths stumbling home in the early hours, fuelled by exorbitantly priced alcohol, has become commonplace.

Yet it is these inebriated youngsters who seem to be in charge of the purse strings. “Teenage children are pushing their parents towards the bigger resorts with the best bars and nightclubs,” says Jeremy Rollason of Savills. This also calls for central locations within staggering distance of the entertainment.

The US has 10 times the mountain area of the Alps but only 18m skiers — compared with 45m in Europe — and only 4 per cent of them are from abroad.

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Yabuli ski resort in Heilongjiang Province, China

Before 1935, when the chairman of the Union Pacific railroad spotted a chance to boost railway ticket sales by launching Sun Valley from a hotel outside Ketchum, Idaho, the US did not have a single ski resort.

Since then, the US has more than caught up; now it arguably leads the race for facility-rich resorts. Aspen — favoured by a range of celebrities including generations of the Kennedy political clan — has one art gallery for every 130 people, according to Debbie Braun of the Aspen Chamber Resort Association. As well as an established annual music festival, it has just built a $50m contemporary art museum.

For homes in Aspen, the trend is for open-plan living to accommodate the friends and family that Americans typically bring with them, says Chris Klug, owner of the Sotheby’s franchise in Aspen and three-time snowboarding Olympian. He reckons the town has seen 80 sales of single-family homes in the first three-quarters of 2015 at an average price of $7.2m.

Open-plan kitchen-diners are all very well, but for family dynasties such as the Kennedys, only compound living will do. Sotheby’s has just the ticket: Elk Mountain Lodge has 28 bedrooms spread over 13 buildings, including a 15,000 sq ft main lodge. Yours for $100m, Bobby Junior.

Japan — still the capital of skiing in Asia despite a boom in Chinese resorts — provides an interesting lesson in what oversupply could yet do to Europe's market. Years ago the industry was being ravaged by Japan's economic doldrums: today annual visits are less than half what they were at their peak in the mid-1980s, according to Laurent Vanat.

The sitting area of a four-bedroom apartment in the Six Senses development of Courchevel, €8.3m

Yet the trend hides a renaissance at the top of the market, notably on the northern island of Hokkaido. For the past decade the small town of Niseko on Hokkaido has attracted adventurous Australians in search of superior powder and levels of snowfall far above Europe's best, according to Grant Mitchell of local agent Niseko Property.

The balcony of a four-bedroom apartment in the Six Senses development of Courchevel, €8.3m

The more entrepreneurial visitors started to develop chalets to provide comfier alternatives to the drab apartments built for locals. Snow-sports enthusiasts buy in networks, says Mitchell; friends and family soon arrived to fill these new developments. More recently, he says, they have been driving a recent trend for buy-and-build homes, costing between $5m and $10m, helped by the weakening yen.

Buyers include Hong Kong expats. They are a similarly swashbuckling breed, who relish the proximity of Sapporo airport, which is roughly four-and-a-half hours flying time from Hong Kong. “In particular, there are more homes being built between 500 sq metres and 1,000 sq metres,” says Nicolas Gontard of local developer Odin, which is selling Odin House, a 545 sq metre, four-bedroom family home on the edge of Niseko, for $6m.

Gontard says his clients are mostly Asian entrepreneurs — Hong Kong Chinese, Indonesian and Singaporean — whose holiday parties typically include family members from three generations. “Groups comprise the grandfather who has made the fortune from the family business the son who runs it and the grandchildren who do most of the skiing,” he says.

Lately, adds Gontard, these visitors have been joined by mainland Chinese, fleeing the ultra-low temperatures, icy ski runs and concerns about equipment and lift safety that they often face in Chinese resorts.

Such reports make Vanat sceptical of the suggestion that Chinese skiers could yet become the saviours of the Asian — let alone the global — ski industry. The Chinese government has set a target of 300m citizens skiing by the time that Beijing stages the 2022 Winter Olympics. This is quite an increase from the current 10m estimated by Vanat.

Bear in mind, though, that no one does speed-building like the Chinese. The resort of Wanda Changbaishan in Jilin Province near the North Korean border is probably China’s newest and swankiest. It comprises 8,000 beds, with a further 4,000 due to come online, says Vanat. Two years ago the site was an uninhabited mountainside.