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News Release

UBS Alpine Property Focus: Vacation homes benefit from pandemic

The prices of holiday homes in the Alps increased significantly last year as travel restrictions and work-from-home patterns supported an upswing in values. The limited supply of suitable holiday homes contributed to this development.

Zurich, 24 March 2021 – The most expensive tourist destination in the Alps is Engadin/St. Moritz, where an upmarket holiday home costs CHF 17,000 per square meter – some seven percent higher than last year. This is followed a close second by Gstaad, where a vacation retreat will set you back CHF 16,500 per square meter. Gstaad sits at the heart of the Bernese Oberland and saw a five percent price increase last year. Verbier takes third place, with prices averaging CHF 14,600 per square meter, a nine percent rise year-on-year, while Kitzbühel in Austria, and Courchevel in France fill the two remaining top spots, with prices in the region of CHF 13,500 per square meter.

Expensive destinations in high demand

On average, the price of a Swiss Alpine holiday retreat rose four percent last year, the biggest annual rise since 2012. But that tells only half the story, with the gap between the higher-priced and less-expensive destinations widening; destinations costing above CHF 10,000 per square meter saw price rises of eight percent on average, while less-expensive spots saw average price rises of just two percent, with almost half of these destinations falling in value.

The mountains are calling

The demand for a second home is indicative of the changing preferences of Swiss households. Last year, more Swiss took stay-at-home vacations, or staycations, as travel restrictions came into play. Local vacation spots became more attractive overnight, and some households rediscovered the pull of owning a vacation home: it offers a possibility to break-out from everyday life, particularly if the home-office can be moved to the mountains at short notice.

Foreigners are toying with the Swiss market

Foreign buyers are also getting in on the act, with Swiss real estate having a reputation as a secure investment during times of economic uncertainty. In the last five years, price rises for vacation homes in Austria and Germany have outstripped those in Switzerland, offsetting in part the long-term price and exchange rate disadvantage of Swiss vacation homes.

Strong demand meets low supply

A shortage of supply, especially in the German-speaking Alps, was also cause for last year's price increases, with almost no new second homes built in tourist areas since the adoption of the second-home initiative in 2012. Potential sellers may also have held on to their properties in light of the pandemic, knowing that they would use them during the year.

Will crash follow boom?

We think Alpine holiday homes will do well again this year, but the demand for vacation homes will ultimately fade in light of higher prices and deteriorating affordability. Decisions to buy a vacation home may have been reprioritized to an earlier date, hinting at falling demand as fewer people work from home and foreign destinations reopen for business. The supply of homes on the market may also increase. Underestimated maintenance costs, overestimated rental income, or simply a desire for a holiday with a difference may make some buyers rethink their purchase and sell up. But if you are waiting for a crash, we think you'll be waiting in vain as the very limited supply of Alpine property will mean a tight market for years to come.

Price overview of the destinations

Bars show the price range for upmarket vacation apartments, in thousands of Swiss francs per square meter



Source: UBS.

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