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SPOTLIGHT | 2018

SAVILLS SKI REPORT

Climate change | Resilient resorts | Property price index

Skiing in a warmer world

The ski industry faces a challenging future, but is stimulating demand by embracing new technology and being environment-aware

Climate change is affecting the winter sports industry, making conditions ‘outside the norm’ increasingly the ‘norm’. From poor season starts to extreme weather conditions, skiers and snowboarders are finding it harder to predict the best time to hit the slopes. Add to that an ageing population in the major source markets, and changes in the way leisure time is being spent, and the outlook for ski resorts is challenging.

Interest in skiing from emerging markets, such as China, is rising fast

But the industry is fighting back. Unreliable ski seasons are being countered by an increase in snowmaking, a technology that is advancing rapidly. Investments are being made to attract visitors year-round. A number of resorts are at the forefront of environmental campaigning.

On the demand side, interest in skiing from key emerging markets, such as China, is rising fast. In the west, meanwhile, new generations are discovering a ski experience tailored to them.

With some 400 million annual ski visits worldwide, winter sport remains a major global industry. The ski resorts that serve it are home to some of the world’s most desirable residential property and established second home markets.

In this report, we assess the challenges facing the industry, and identify the resorts that are best placed to meet them in the years to come.

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Summary

Resilient resorts

High-altitude resorts such as Zermatt, Vail and Saas-Fee, offer the greatest resilience against climate change.

Demand shift

France attracts more ski visits than any other country. China has ambitions for 300 million skiers by 2030.

Infrastructure investment

Resorts are investing heavily in infrastructure, broadening their offer and adapting for the future.

Market performance

A wide range of buyers is active. Prices across the Alps have remained broadly flat, while North American resorts had a strong year.

Braving the elements

Climate change is affecting ski resorts across the world. Getting wise to the challenges and building resilience is key to the future success of the industry

Skiing and winter sports are dependent on the weather. The location of a resort, its altitude and average temperature all have an impact on the length of its season, and the reliability and amount of snowfall it receives.

Climate change has added uncertainty, bringing warmer atmospheric conditions and disrupting weather patterns. The northern hemisphere, for example, has lost one million square miles of spring snowpack since 1970,

which is an area three times the size of Texas. A sustained rise in temperature will put lower altitude resorts at greatest risk. Even if emissions are dramatically controlled today, some damage is done already. Peripheral resorts may find themselves with ever shorter seasons and rapidly diminishing snow cover.

Over the following pages, we look at the measures resorts are taking to adapt, and where they feature in our resilience index. >

Recent years: a mixed picture

Increasingly, the only consistent thing about annual snowfall is its inconsistency

The Alps

Throughout the Alps, there has been below-average early season snowfall for the last four years. In the run-up to the lucrative Christmas season, higher temperatures meant that snow fell as rain in low-altitude resorts.

On the flip side, additional precipitation fell as bumper amounts of snow in the highest altitude, colder resorts. Val d'Isère, Val Thorens and Ischgl all benefitted from good early snowfall last season.

Recent trends have started to change the dynamic of early season and Christmas skiing, with those looking for guaranteed snow focusing on the highest resorts.



Les Gets, France

“Californian resorts experienced exceptionally good seasons, with Squaw Valley and Mammoth seeing 158% and 174% of their usual snowfall”



Mammoth Mountain, US

North America

In contrast to the Alps, North America has experienced good conditions in recent years, with 110% of normal snowfall recorded in the Pacific Northwest in 2016/17, and 115% in the Northeast.

Californian resorts experienced exceptionally good seasons, with Squaw Valley and Mammoth seeing 158% and 174% of their usual snowfall respectively, allowing the latter to extend its season into August.

While this means better skiing and longer seasons, exceptional volumes of snowfall make reaching the resorts more difficult, and bring a greater risk of avalanches.

Responding to the challenge

From new snowmaking technology to diversifying activities and environmental awareness

Shorter, more inconsistent ski seasons have forced ski resorts and regions to adapt. The development of snowmaking technologies means that snow-starved slopes can be topped up (assuming temperatures are low enough), ensuring the availability of skiing even when conditions are poor. Austrian resorts alone have invested €1 billion in snowmaking in the past decade.

Resorts are doing their bit to reduce their carbon footprint and their own contribution to climate change. Vail resorts, for example, are actively managing their energy usage, finding the most efficient ways to groom the slopes, and installing solar power technology.

Indoor snow slopes, traditionally found in locations without any kind of natural skiing, are now being planned for ski resorts. Tignes, one of Europe's highest resorts, plans to invest €62 million in a 400m-long indoor slope to enable skiing 365 days a year.

Big ski resorts are diversifying heavily into new activities. Water parks, spas, zip lines, golf and music festivals help balance demand between skiers and non-skiers, supporting more consistent operations throughout the year.

Lobby groups are on the rise, too. Organisations such as Protect Our Winters, set up by high-profile winter-sports enthusiasts, aim to raise awareness of the impact of climate change on the industry and influence policy across party lines at the highest level. >



Zermatt, Switzerland

Most resilient resorts by country Based on the Savills ski conditions resilience index, overleaf



Switzerland
Zermatt



US
Vail



Italy
Breuil-Cervinia



Austria
Obertauern



Canada
Whistler
Blackcomb



France
Tignes

Source Savills World Research

Which resorts are most resilient?

Introducing the metrics behind Savills ski conditions resilience index

Reduced snowpack and shortened seasons take an environmental and economic toll on ski resorts.

Our ski conditions resilience index (below) ranks major global ski resorts using five metrics to measure the quality and reliability of a resort's conditions, and its resilience against climate change. The five metrics assess snowfall, reliability, season length, altitude and temperature.

High-altitude, low-temperature resorts top the ranking. Zermatt, a north-facing, high-altitude resort with low average temperatures and a long season (thanks also to glacier skiing) will ensure it remains resilient in the future. Other resorts in the shadow of the Matterhorn, such as Saas-Fee and Breuil-Cervinia also score highly. US resorts Vail and Aspen, at high altitude and benefitting from

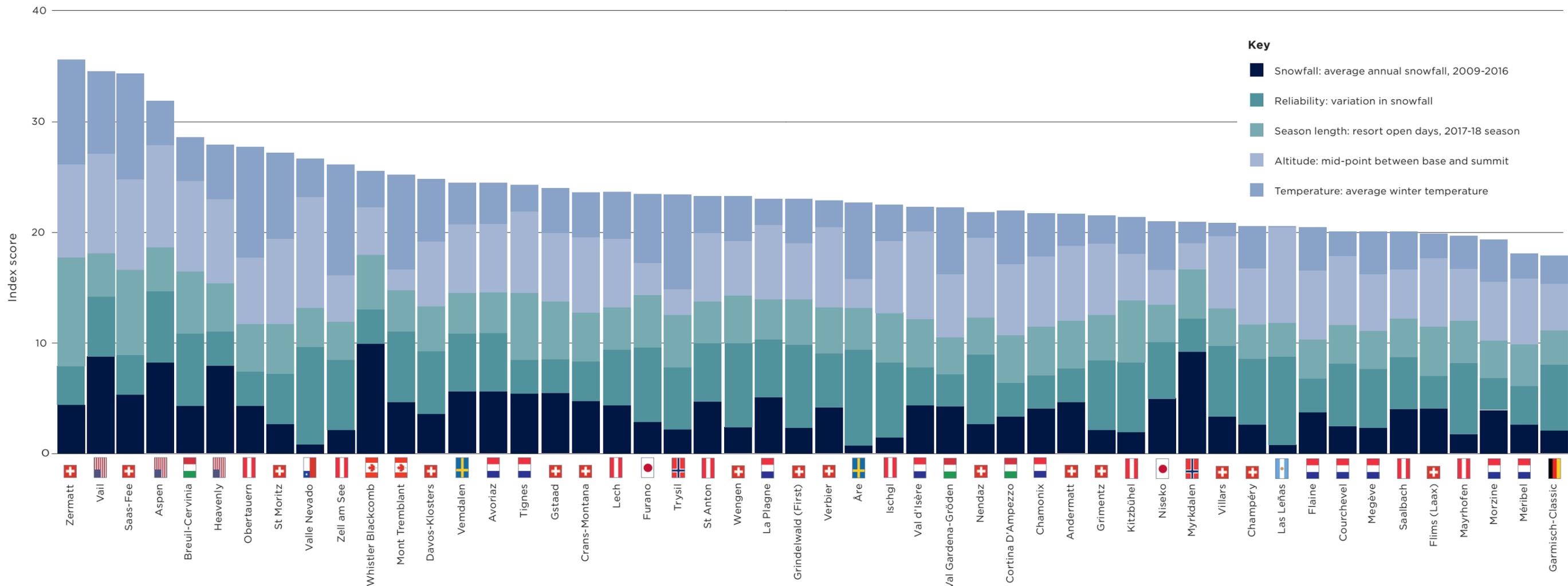
high levels of reliable snowfall, rank second and fourth.

With a 3,000m base, Chile's Valle Nevado is the highest-ranking southern hemisphere resort.

The most reliable, high-altitude resorts are, by their nature, often the hardest to reach. For investors in ski property, there is a balance to be struck between accessibility from major transport nodes and the reliability and quality of skiing. ■



Savills ski conditions resilience index The resorts best placed to maintain quality skiing



Source Savills World Research using OnTheSnow, Iglu Ski, national meteorological data

Resilient resorts

How are resorts around the world investing to attract the next generation of skiers? From new infrastructure and partnerships to investment to mitigate climate change, these are the world's resilient resorts and ski regions

Key

Number of ski resorts

Total ski lifts

Highest ski resort

Total length of slopes

New ski lifts, 2017/2018

Selected mountain ranges with established skiing

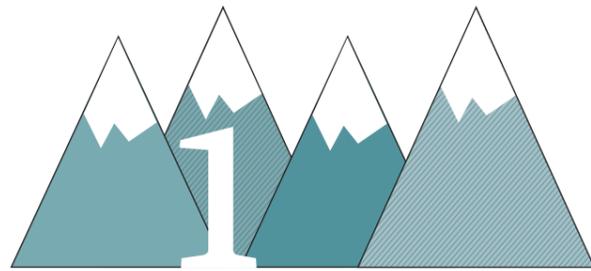
Past Winter Olympic Games host and number of times hosted

Future Winter Olympic Games host



10 things you need to know about the ski market

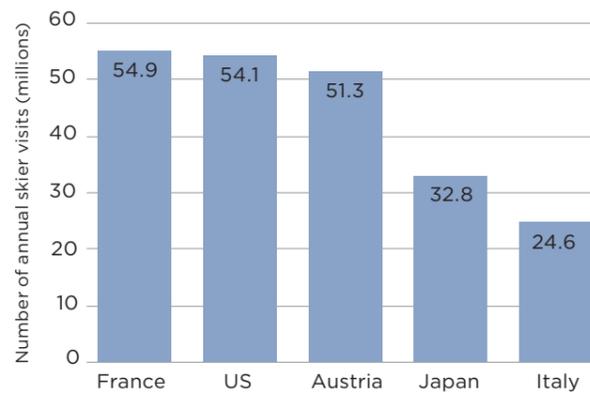
Skiing and winter sports attracted 400 million visitors worldwide in 2016, a figure that has been broadly stable over the last decade. But what about the future? We look at how new generations, emerging markets and leisure spending are changing the shape of global demand



The Alps: still number 1

At the heart of densely populated Western Europe, the Alps attract the majority of global ski visits (43%). They host the highest proportion of foreign visitors, and are home to nine of the top 10 most-visited resorts, of which La Plagne is number one.

2 France now attracts more skiers than the United States



Source 2017 International Report on Snow & Mountain Tourism

3 Demographic change is uneven

By 2030, the number of 15-54 year olds (those of most active skiing age) is forecast to grow by 1.6% in Switzerland, 4.6% in Norway and 5.6% in the US, but to decline by 11.9% in Germany, 10% in Japan, 10% in Italy, and 3.9% in Austria. Public and private initiatives and income growth may offset this. In Austria, for example, programmes have been introduced to boost participation through schools.

Rising incomes in key emerging skier source markets may increase participation

Forecast growth in households with incomes exceeding \$35,000, 2017 to 2027



Source Oxford Economics



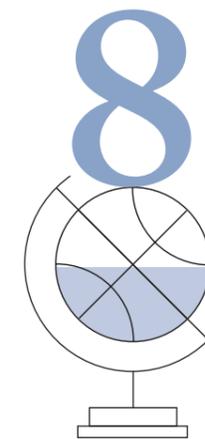
Latin America offers potential

The propensity to ski in the Americas is one-third that of Europe. However, in Latin America, populations are forecast to grow by 13% and wealth by 21% by 2030. Ski resorts in Chile and Argentina are growing in popularity thanks to quality powder snow. Spanish-speaking resorts in Europe, such as El Pas de la Casa and Soldeu in Andorra, may benefit as these skiers venture overseas.



Winter Olympics

Asia's growing role in the global ski market will be enhanced by hosting the next two Winter Olympics: PyeongChang in 2018 and Beijing in 2022. Media exposure and substantial infrastructure investment will create new beacon resorts, boost awareness and may inspire greater participation.



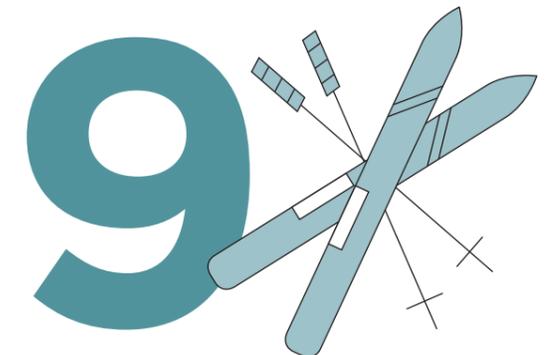
Markets with limited domestic skiing matter

The UK, Germany, and the Netherlands offer limited or no skiing themselves, but are among the largest source markets globally. Visitors from these countries are important to foreign resorts (notably the Alps). They are also more likely to buy a base away from home, driving foreign property markets, too.



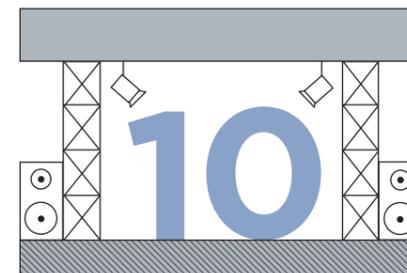
China's ambitions

Today, there are around 10 million Chinese skiers, and the sport is growing rapidly. The industry benefits from government support, with plans for 300 million skiers and 1,000 ski locations by 2030 (up from 650 today). Some 80% of Chinese skiers are under 40, visits are short and other activities matter, such as hot springs, retail and entertainment.



Short and sweet

The industry is adapting to the rise of shorter visits. ONS data for the UK shows those taking trips of five nights or fewer rose 109% between 2006 and 2016, while trips of one to three nights rose by 163%. Resorts that are close to airports (such as Axamer Lizum, 30 minutes from Innsbruck airport) or accessible by train (such as St Anton) are well placed to benefit.



Catering to Generation Y (and Z)

With the baby boomer generation at the upper end of skiing age, Generation Y (20-35 year olds) is growing in importance, with Generation Z (under 19s) close behind. This means expanding the range of activities. Winter music festivals are now a staple, with Snowbombing (Mayrhofen), Rise (Les Deux Alpes) and Snowboxx (Avoriaz) attracting big-name artists. ■

“The volume of money being invested in infrastructure is testament to confidence in the future”

Paul Tostevin, Associate Director, Savills World Research, and Jeremy Rollason, Director, Savills Ski, assess residential market performance, drivers and prospects across the Alps and beyond

Who's buying and where?

Jeremy Rollason (JR) The Alps remain the world's most internationally invested ski market. Spanning eight countries, each resort is a micro market in its own right and buyer profiles are diverse.

Broadly speaking (and excluding the domestic markets), British buyers focus on French and Swiss resorts, the Germans on Austria, while the Dutch, Belgians and other northern European countries make up the international balance across the region. Russians are declining in influence in the top Swiss and French resorts, offset, somewhat, by growing (but still extremely low) demand from Asia.

How have recent political events in Europe affected Alpine resort markets?

Paul Tostevin (PT) Alpine ski resorts are characterised by low transaction volumes and are slower to feel the impact of external factors than high-turnover, urban markets.

However, wider events still have influence. In France, the Macron government has boosted sentiment, fuelling activity, with both French and foreign buyers now more confident to make a move. The wider Italian residential market is entering a period of stability, while new tax incentives, introduced to attract wealthy individuals, could impact positively on the major Italian resorts.

Brits have historically been an important buyer group in the Alps. Is Brexit having an impact?

PT The international buyer base in the Alps is much broader than it was a decade ago, so Brexit's impact has been modest. While some British buyers have postponed plans, others have actively sought non-sterling assets to diversify their portfolios, or are taking advantage of a stronger euro and are selling to repatriate funds.

There are many challenges facing the industry, how are resorts responding?

JR The volume of money being invested in new projects and infrastructure is testament to confidence in the future of the mountain economy. Crans-Montana, for example, is now actively promoting itself as a 'city in the mountains', with dual-season activities, new restaurants and a recently opened British International boarding school. Courchevel recently opened Aquamotion, a €65 million indoor watersports centre; Val d'Isère is to build a €200 million hotel, retail and commercial centre, while Verbier >

is benefitting from extensive investment from global hotel brands. New lift investment is particularly concentrated in the Alps, too (see map, p10-11).

From a property perspective, planning consent for development of all sizes is increasingly difficult to obtain across the Alps. Macro policies, such as Lex Weber in Switzerland, will help to address the recent supply/demand imbalance in the medium to long term, as will zoning controls in the French and Austrian Alps.

What about income potential?

JR Alpine ski property typically yields between 1.5% and 2.5% net, and the majority of ski property owners look to rent out simply to cover costs. Leaseback schemes are another option, providing freehold purchase with a discounted purchase price. First favoured in French resorts in the 1980s, such schemes are popular with investors with smaller budgets looking to offset their annual borrowing costs from income.

The leaseback model has spread to the Austrian Alps, where yields tend to be higher, and, most recently, to Switzerland. Here, it is now particularly valuable as it bypasses the Lex Weber classification of second homes. Net yields are around 2.25%.

How do North American resorts compare?

PT North American resorts are highly domestic in their buyer profiles. A bull run in Canada's national real-estate markets appears to be slowing (at least in major cities) following the introduction of cooling measures. But supply/demand imbalances continue to fuel growth in resorts such as Whistler Blackcomb. In the US, also enjoying a strong run, established, low-supply resorts such as Vail have seen annual price growth of 10%.

Are there any resorts we should be watching?

JR Scandinavian resorts, such as Myrkdalen in Norway, have flown under the radar of international buyers for many years. They are now rising in prominence, thanks, in part, to the quality conditions on offer. Usually colder, or with more snowfall than their Alpine counterparts, they may be a good hedge against climate change.

The established resorts should not be overlooked, however, as they are investing most and already have the best skiing infrastructure. Large resorts, such as Verbier, Saalbach and Chamonix, have global reputations and benefit from a broad visitor reach. ■



Mont Blanc, France

Ultra prime top 10
Price (per sq m) in the most exclusive resorts

€35,600
+ St Moritz

€31,400
+ Courchevel 1850

€29,700
+ Aspen

€27,600
+ Verbier

€25,700
+ Val d'Isère

€24,900
+ Zermatt

€24,400
+ Vail

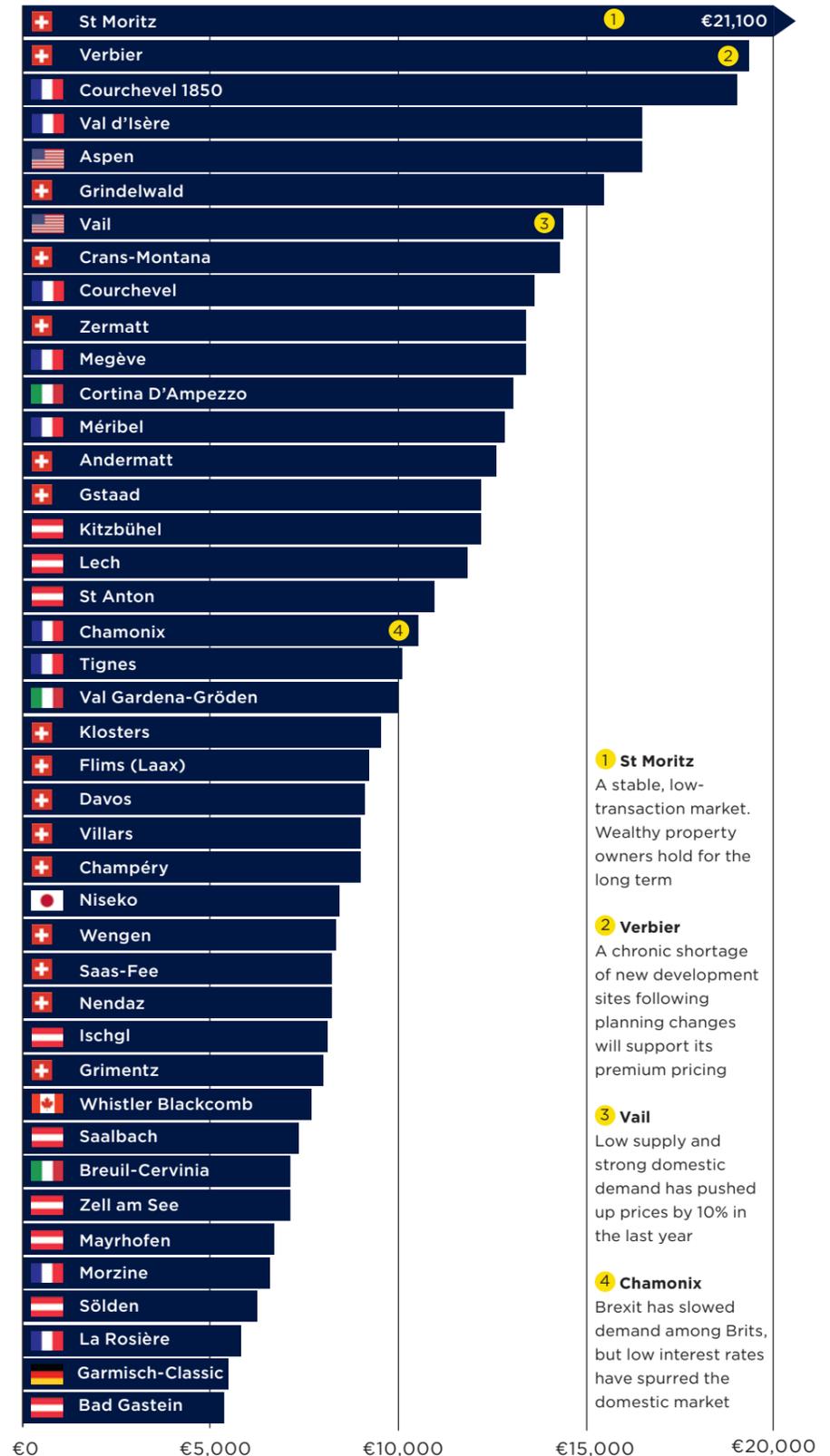
€23,500
+ Gstaad

€21,600
+ Crans-Montana

€20,600
+ Grindelwald

Source Savills World Research

Global ski resort prime price league Prime residential price (per sq m). Represents asking prices of resale property



1 St Moritz
A stable, low-transaction market. Wealthy property owners hold for the long term

2 Verbier
A chronic shortage of new development sites following planning changes will support its premium pricing

3 Vail
Low supply and strong domestic demand has pushed up prices by 10% in the last year

4 Chamonix
Brexit has slowed demand among Brits, but low interest rates have spurred the domestic market

Source Savills World Research Note Exchange rates as at October 2017

Looking ahead

Identifying the trends and destinations that will shape the winter sport industry

■ **Open to change**

Ski resorts are facing the challenges and adapting, whether it be to climate change, demographic shifts, or the new patterns in ski consumption.

■ **Future proofing**

Residential product developed today is increasingly aligned to future occupier demand. Models such as leaseback will help drive the market in Switzerland.

■ **Active buyers**

Although property values in the Alps are broadly flat, buyer activity from both domestic and foreign buyers remains strong.

■ **New markets**

Emerging middle classes in Eastern Europe, Latin America, China and other Asian nations are the skiers of tomorrow and may offset a decline in some mature source markets.

■ **Beyond ski**

Top-tier resorts in Europe and North America have a cachet and non-ski offering that makes them more than simply winter sports destinations.



Savills World Research We monitor global real-estate markets and the forces that shape them. Working with our teams across the globe, and drawing on market intelligence and published data, we produce a range of market-leading publications, as well as providing bespoke research services to our clients.

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About Savills Ski

Long-established local knowledge and expertise makes Savills a leading agent in the rental, sale and acquisition of Alpine property

With 30 years of combined experience in key Alpine resorts across France, Switzerland, Austria and Italy, Savills Ski provides a wide range of services in a number of prime ski resorts.

Working either from offices in Courchevel and Méribel, or with preferred partners, Savills Ski is well positioned to provide clients and buyers with valuation and purchase advice, as well as development consultation and expertise in the rental market.

Drawing on industry-leading Alpine research from Savills Research, Savills Ski offers a complete and objective service for private vendor clients, developers and investors.

French Alps With an office in the centre of Courchevel 1850, Savills Ski is at the heart of

France's premier Alpine resort. From here, we have unrivalled coverage of 1850 as well as 1650 and 1550. A second Savills office in Méribel, covers Méribel, La Tania and Le Praz.

Swiss Alps Savills Ski covers the majority of the French-speaking cantons in Switzerland. These include Verbier and The Four Valleys, Crans-Montana, Villars and the Gstaad Valley. We also operate in other prime resorts, such as Zermatt and St Moritz.

Austrian Alps Savills Ski provides client services in selected resorts across Salzburgerland, Carinthia and the Tyrol.

Italian Alps Savills Ski can provide services in selected Italian ski resorts, through its experience and knowledge of working in this region.



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