

MARKET REPORT 2021

Useful background to the property market

Flims-Laax-Falera

- Prices for detached homes at a high
- High demand for freehold apartments
- Falling quotas of available stock in all market segments



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The White Arena is still in demand

Four distinct localities, one mountain paradise

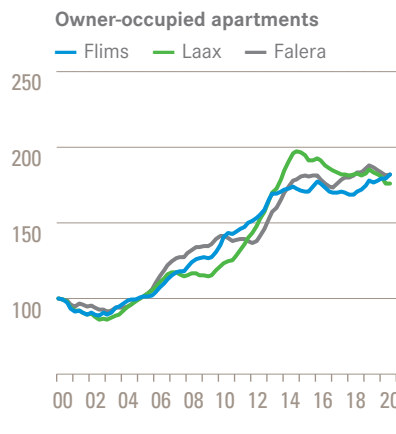
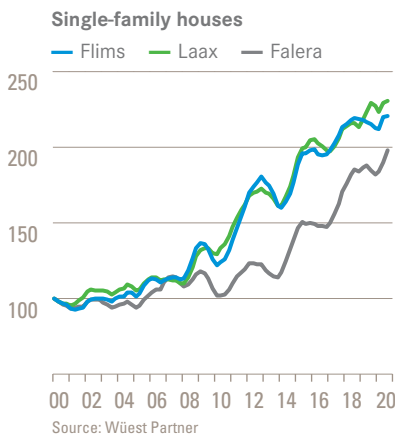
Innovative, dynamic and family-friendly, the area of Flims-Laax-Falera-Sagogn is set in a jaw-dropping natural landscape and has a variety of options and packages to suit every taste. In winter, as one of the largest ski regions with 224 kilometers of pistes, 4 snow parks, 5 downhill slopes with assured snow covering down to the valley, and no fewer than 28 lifts/infrastructure – 70% of which are higher than 2000 meters above sea level – it is a very appealing destination. In summer, the resort will tempt you up for its high-profile, flagship attractions such as the UNESCO world heritage site that is the Sardona tectonic arena; the Rhine gorge, Switzerland’s own «Grand Canyon»; the Caumasee lake; and the golf course in Sagogn.

All in all, the region numbers a good 6,000 residents. At peak season the White Arena can accommodate 370,000 overnight stays annually in its 8,000 or more secondary residences and extensive array of hotels. Easy accessibility by car and public transport has meant that growth over recent years has remained good, and the White Arena has cemented its reputation as a go-to summer and winter sports paradise for young and old alike.

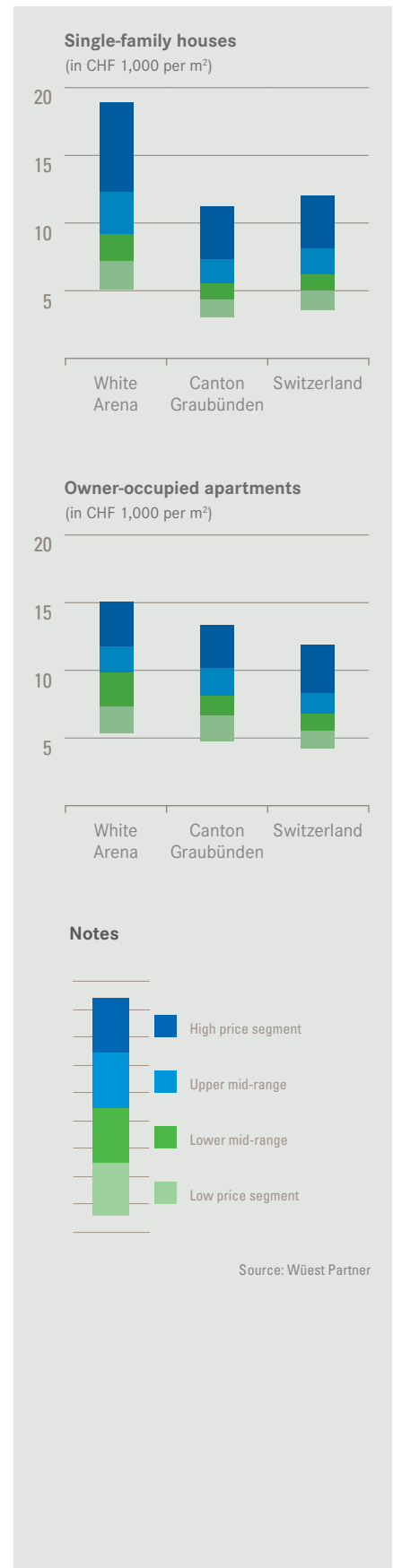
Legislation governing second homes has led to a decrease in new construction

The stock of properties reflects the typical make-up of a popular holiday resort. In Flims, the number of privately-owned apartments – particularly in the medium size category – is high, counting for more than 70% of the overall inventory. In Laax and Falera, the proportion of privately held properties is even higher, exceeding 80%. In Sagogn, the high number of detached family homes – at around 25% of all properties – is significant. Prior to the introduction of the law restricting ownership of secondary residences, there was a real boom in construction leading to an absolute all-time high in prices for approved new-build projects. This has, however, changed considerably following the adoption of the law governing second homes, since when very little has been built and available stock has seen little or no increase. The good summer as well as winter seasons over the previous years have had a noticeably positive effect on demand. At the same time, the generally falling rate of interest in second homes in the region on the part of foreign buyers has barely had any influence on market development here due to the fact that this region largely depends on demand generated by Swiss nationals. This trend has become even more accentuated by changes in travel behavior during the COVID-19 pandemic.

Residential property: transaction price growth (index Q1 2000 = 100)



Property prices (ranges)



Appeal remains constant

Detached houses are achieving record prices

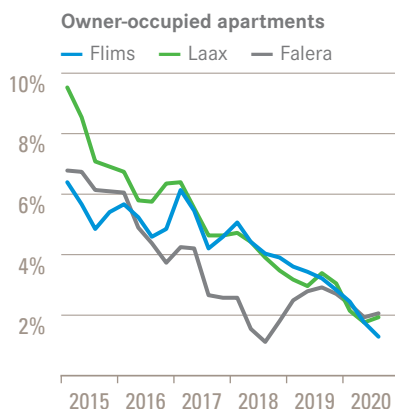
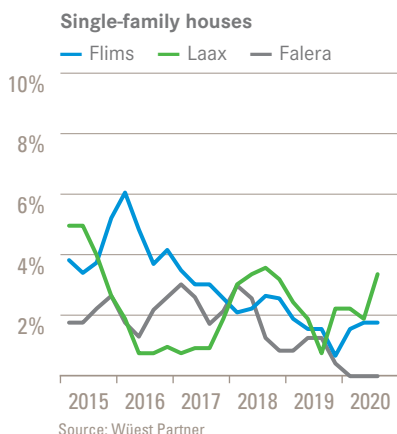
The prices achievable per square meter serve to underline the ongoing appeal of home ownership in the mountains. Privately-owned apartments in the prime segment attract different prices per square meter in the various communities of the White Arena from CHF 11,000 in Sagogn to as much as CHF 16,000 in Flims and Falera, and easily CHF 13,000 in Laax; especially attractive locations can achieve even more. The few detached houses that come onto the market command similar prices per square meter, while for one-off, rarely available homes the price scale per square meter can reach even higher prices of up to CHF 20,000 – most notably in Flims and Laax.

In the detached homes segment, prices have seen continuing increases following a temporary correction. Overall, prices for detached residences are currently at their highest ever. For freehold apartments, average market prices are still somewhat below their former peaks in the wake of sharp increases up to 2015 and an ensuing downward adjustment – mainly due to uncertainty unleashed by the second home ownership legislation – except in Falera, where new heights are being achieved. In Flims, Laax and Falera market prices for detached homes have effectively doubled since the start of the new century; for freehold apartments, increases over the same period have gone up by around 80% in all the communities. Over the coming months we are assuming a moderate increase in transaction prices based on good continuing demand for second homes.

Moderate amount of available stock

In our experience, markets with an available stock quota of up to 6-8% are normally fully functional and efficient. It is demonstrable that this criterion is more than fulfilled in all segments and localities in the region, with a marked decreasing tendency in respect of freehold apartments. In this sector, quotas of available stock hover at 1.3% (in Flims), 1.9% (in Laax), 2.1% (in Falera) and 5.4% (in Sagogn) – whereas they are slightly higher on average in the case of detached homes in Flims and Laax at 1.8% (in Flims), 3.4% (in Laax), zero (in Falera) and 3.1% (in Sagogn) respectively. As far as rental apartments are concerned, the quota has been falling for several quarters now and lies somewhere between zero and 6%, depending on the municipality.

Supply rate (number of properties on the market in relation to the total stock)

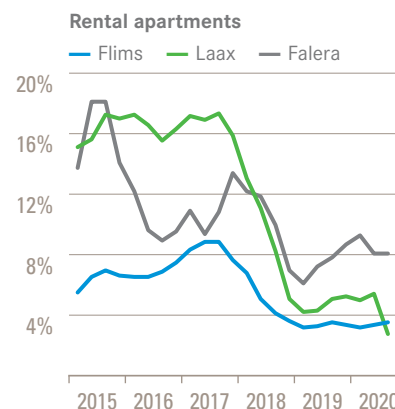


Figures for Flims-Laax-Falera

Flims	
Population	
Inhabitants	2'912
Annual growth rate	2.7%
Proportion of foreigners	24.2%
Real estate market (residential) 4'500	
Proportion of rental apartments	19.6%
Proportion of owner-occupied apartments	70.4%
Proportion of single-family houses	10.1%
Proportion of second homes 70.0%	
Approved residential units 3	
In apartment buildings	3
In single-family houses	0

Laax	
Population	
Inhabitants	1'885
Annual growth rate	1.5%
Proportion of foreigners	19.7%
Real estate market (residential) 3'906	
Proportion of rental apartments	11.9%
Proportion of owner-occupied apartments	81.2%
Proportion of single-family houses	7.0%
Proportion of second homes 74.0%	
Approved residential units 11	
In apartment buildings	6
In single-family houses	5

Falera	
Population	
Inhabitants	620
Annual growth rate	0.8%
Proportion of foreigners	13.5%
Real estate market (residential) 1'324	
Proportion of rental apartments	6.6%
Proportion of owner-occupied apartments	84.2%
Proportion of single-family houses	9.1%
Proportion of second homes 80.0%	
Approved residential units 7	
In apartment buildings	4
In single-family houses	3





Outlook: The market remains robust – consequences of the legislation governing secondary residences

On 11th March 2012, Swiss voters ratified the motion on second home ownership. In communities where the percentage of second homes is above 20%, it is no longer possible to build further secondary residences. However, the law does permit some exceptions to the rule, enabling the number of second homes to expand. This effectively allows the construction of concierge-managed apartments for tourists, as well as the inclusion of secondary residences in the context of a hotel expansion or new-build. It is also possible to re-assign heritage buildings denoted as worthy of protection. In short, the new legislation has resulted in a virtual standstill in terms of new construction. This, in turn, has had a knock-on effect on availability of stock, with corresponding pressure on prices, especially in the freehold sector. Other key factors include low interest rates, the prevailing economic environment, overall levels of affluence, a trend towards portfolio diversification and tangible assets, as well as – more recently – changes in travel behavior dictated by COVID-19. The same principle still holds: a holiday home is a luxury, and is only purchased when underlying economic conditions are favorable.



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