

MARKET REPORT 2022

The essentials of the property market

Pontresina

- Prices for residential property at new record levels
- Considerable price increases since 2018
- Low supply rates in all segments

Upper Engadine continues to set the bar

Picturesque localities, one mountain paradise

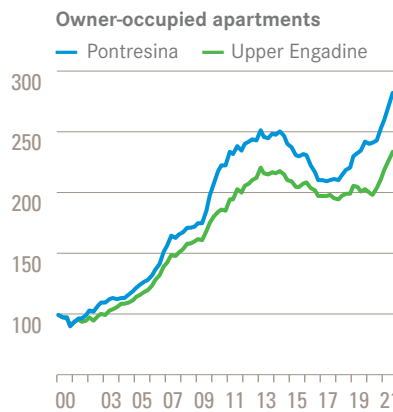
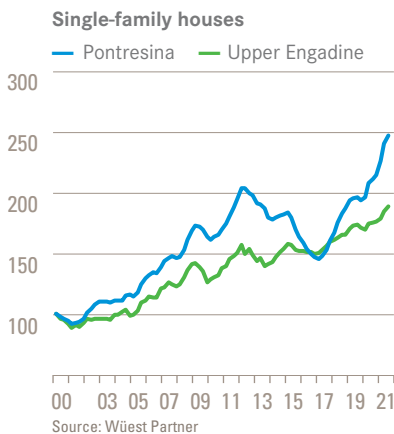
Thanks to the unique harmony of its lake landscape, the Upper Engadine holiday region is popularly known as the ‘ballroom’ of the Alps. In winter, one of the largest and most diverse ski areas attracts visitors with a total of 88 pistes, more than 220 km of cross-country trails and 13 natural ice rinks. In summer, 580 km of hiking trails, 17 climbing parks, 400 km of mountain bike trails, two 18-hole golf courses and other local attractions offer plenty of variety.

About 18,400 people live in the Upper Engadine all-year round, and many more flock to the region during high season. With 12,600 hotel beds (of which 5,200 alone can be found in St. Moritz and just under 2,000 in Pontresina) and around 7,000 beds in 1,800 holiday apartments, there is no shortage of choice for holidaymakers. In 2020, the Upper Engadine registered more than 1.4 million overnight stays in total (hotels only, not including holiday apartments), of which 80% were in the core zone of the Silvaplana-Samedan-Pontresina triangle, which also encompasses St. Moritz and Celerina. This is equivalent to a decrease during the pandemic and compared to the previous year of 10.1%. Excluding the municipality of St. Moritz, which has a higher-than-average proportion of guests from abroad, there was, however, a slight increase of 1.8%. In the rented holiday home segment, occupancy increased significantly as of 2020.

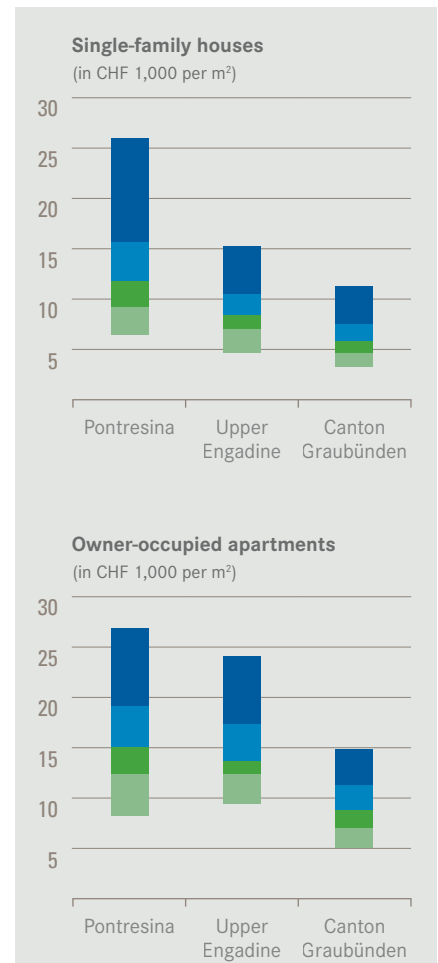
Pandemic and Second Homes Act drive prices

In general, the property stock exhibits the typical structure of a popular holiday region. Owner-occupied apartments, particularly those in the medium-size category, account for more than two thirds of the overall supply; in Celerina and Silvaplana, the proportion is as high as 80%. In the larger municipalities of Pontresina, Samedan and St. Moritz, with a higher proportion of local residents, typical holiday homes make up just over half the stock. The proportion of single-family houses is low in all municipalities. New construction has been no more than moderate since the implementation of the Second Homes Act in 2016. Combined, the total stock grew by just 1% per year at most in the last decade. The declining interest of foreign buyers over several years led to a market shift as domestic demand increased significantly at the same time. Today, more than half of the guests come from Switzerland. This trend has intensified during the Covid-19 pandemic due to changes in travel behaviour, and domestic demand for holiday homes is greater than ever.

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

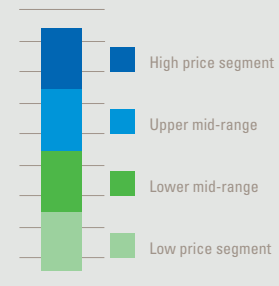


Property prices (ranges)



Source: Wüest Partner

Notes



Continued appeal

Residential property booming

Holiday homes in the mountains are still in vogue. Pontresina appeals with its attractive location, beautiful nature, wide range of hotels and busier mid-season than the surrounding villages. That’s why Pontresina has the highest property prices in the region, alongside St. Moritz. For owner-occupied apartments in the high-end category, the average selling price can reach as high as CHF 19,000/m², while luxury properties can fetch CHF 27,000/m² or more. For the few single-family houses placed on the market, buyers are happy to pay slightly more for a property in new condition than for an owner-occupied apartment, with figures continuing to be on a slight upward trend. Considerably higher prices than that are paid for luxury single-family houses.

The second home market is robust, with very strong demand. Following the correction phase in 2014–2017, brought about by the uncertainty regarding the second home initiative, transaction prices for single-family houses have increased significantly and have really boomed in recent quarters, reaching new record levels. A comparable market development can be seen in the owner-occupied apartments segment, and with considerable price increases since 2018, prices are now far above the previous record highs of 2014. Generally speaking, prices for single-family houses have increased by about 150% since the turn of the millennium, with a threefold price increase within sight for owner-occupied apartments. We expect a moderate rise in transaction prices over the coming months, since demand for second homes remains strong and the low interest rates and minimal construction activity are affecting the price structure.

Moderate supply rates

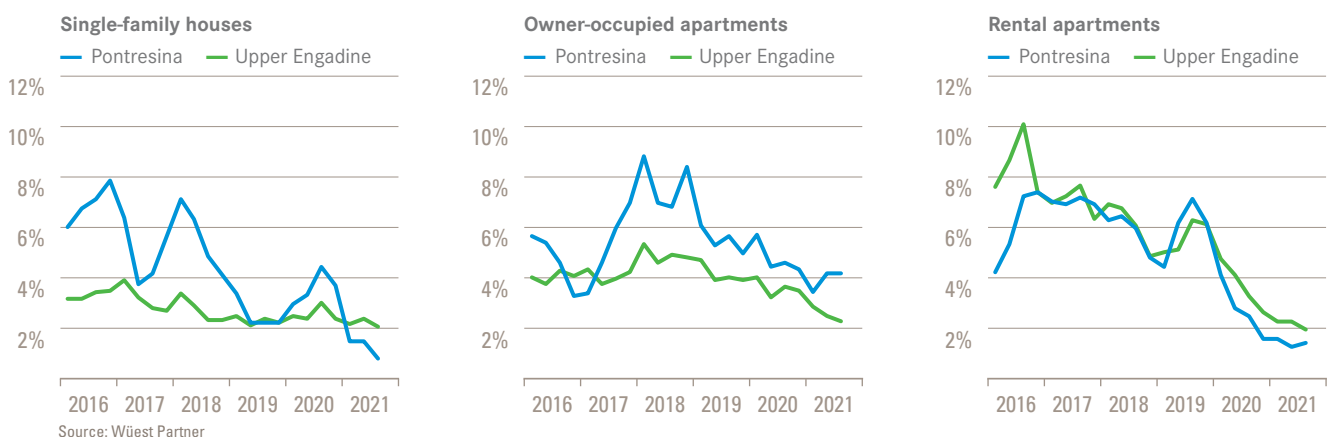
We consider markets to be intact and efficient, with a supply rate of 6%–8%. In Pontresina, this criterion is fulfilled across all market segments at present, but with a further downward trend in all areas. The rate for single-family houses is a very low 0.7%, while for owner-occupied apartments it currently sits at a comparatively high 4.2%. The holiday homes on offer are diverse, ranging from simple properties to luxurious new builds. For rental apartments, the supply rate has dropped substantially since 2018 to 1.4%. This underlines the continued high demand for temporary holiday homes.

Figures for Pontresina



Pontresina	
Population	
Inhabitants	2,178
Annual growth rate	1.4%
Proportion of foreigners	33.7%
Real estate market (residential)	2,309
Proportion of rental apartments	28.4%
Proportion of owner-occupied apartments	67.7%
Proportion of single-family houses	3.9%
Proportion of second homes	56.3%
Approved residential units	1
In apartment buildings	0
In single-family houses	1

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





Outlook: the market remains robust – The second home initiative and its consequences

On 11 March 2012, the Swiss electorate voted in favour of the second home initiative. In municipalities where second homes account for more than 20% of the housing stock, no new units may be approved. However, the legislation allows some exceptions for an increase in the supply of second homes. Apartments managed for use by tourists are permissible. In addition, second homes can be built as part of the expansion and construction of hotels. Under certain circumstances, properties recognised as worthy of protection can be converted. The new legislative framework has resulted in hardly any new builds being constructed. This has now led to a supply shortage with corresponding pressure on prices, in particular for owner-occupied apartments. The low interest rates, the general economic situation, the level of prosperity and the changes in behaviour in personal and business environments brought about by Covid-19 also remain equally important factors. After all, a holiday property is a luxury asset and is bought only if the environment allows it.



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