

MARKET REPORT 2021

The essentials of the property market

Celerina

- Single-family houses are rarely placed on the market
- Moderate supply rate of owner-occupied apartments
- High demand for rental apartments



Upper Engadine continues to set the bar

Picturesque localities, one mountain paradise

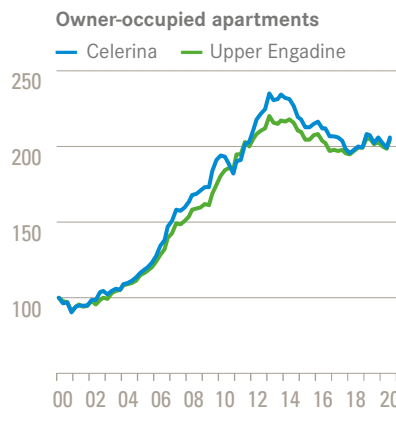
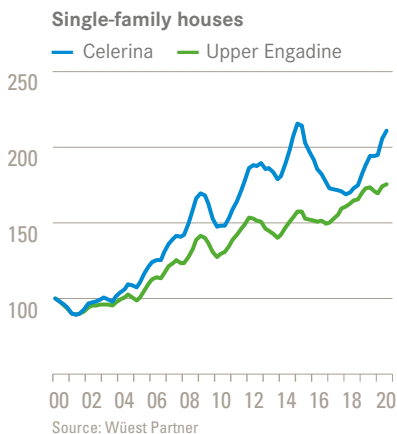
Thanks to the unique harmony of its lake landscape, the Upper Engadine holiday region is popularly known as the ‘ballroom’ of the Alps. In winter, one of the largest and most diverse ski areas attracts visitors with a total of 88 pistes, more than 220 km of cross-country trails and 13 natural ice rinks. 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 in St. Moritz and almost 2,000 in Pontresina) and 7,000 beds in 1,800 holiday apartments, there is no shortage of choice for holidaymakers. In 2019, the Upper Engadine registered more than 1.6 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.

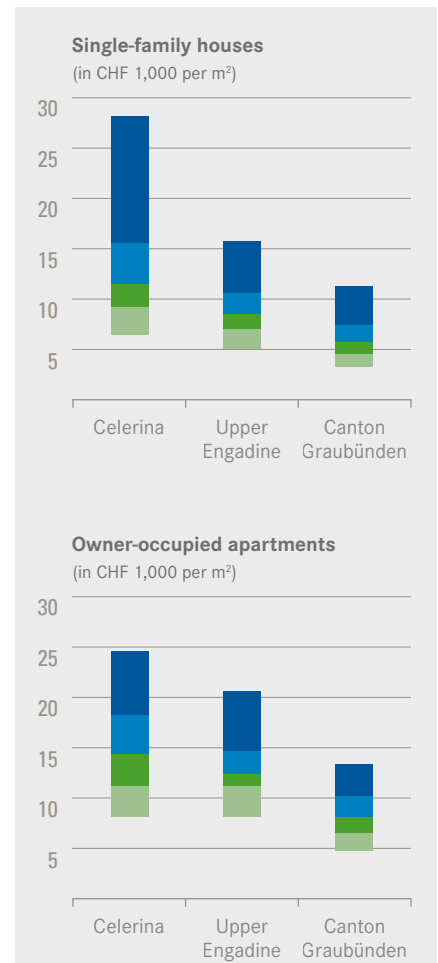
Second Homes Act leads to a fall in construction activity

The property stock generally 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, which have 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. Since the implementation of the Second Homes Act in 2016, only moderate new construction activity has taken place. Over the past decade, the total stock has grown by just 1% per year at most. The very good summer and winter seasons in the last three years have had a noticeably positive effect on demand. Interest from foreign buyers had been dwindling for years, which led to a market shift as domestic demand increased significantly at the same time. More than half of guests are now from Switzerland. This trend has intensified due to changes in travel behaviour during the COVID-19 pandemic.

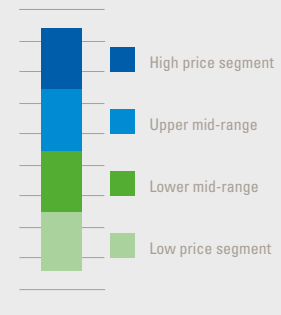
Residential property: transaction price growth (index Q1 2000 = 100)



Property prices (ranges)



Notes



High domestic demand

Prices for single-family houses continue to rise

Holiday homes in the mountains are still in vogue. In Celerina, this applies mainly to second homes, which account for a large portion of the property stock. The unspoiled nature, the proximity to St. Moritz and the ski area on the doorstep are some of the reasons why the achievable selling prices per square metre remain higher than average. For owner-occupied apartments in the high-end category, the average selling price can reach as high as CHF 18,000/m², while luxury properties can fetch well above CHF 20,000/m². The very few single-family houses placed on the market (usually older properties) sell for about CHF 15,000/m². High-end properties change hands for up to CHF 20,000/m², while some luxury rarities can reach more than CHF 25,000/m².

After a long boom, during which transaction prices rose steadily in the years up to 2014/15, a correction set in. In the single-family house segment, this trend reversed two years ago. Prices increased again rapidly and are now only slightly below previous highs. The increase for owner-occupied apartments was disproportionately high, with a lower correction of about 20%. Since then, prices have recovered moderately but are still a little below previous record levels. Generally speaking, prices have doubled since the turn of the millennium. We expect transaction prices to increase moderately over the coming months, since demand for second homes remains strong.

Very low supply rates for single-family houses and rental apartments

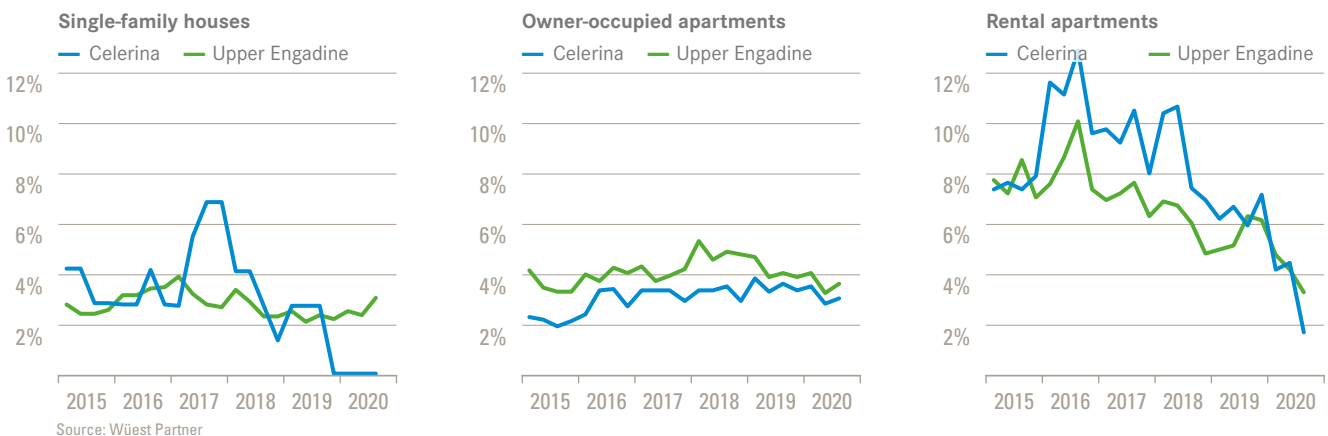
We consider markets to be intact and efficient, with a supply rate of up to 6%–8%. In Celerina, all market segments are significantly below this value at present. The supply rate for single-family houses has fallen dramatically since the end of 2017 and at the time of writing had reached zero. The rate for owner-occupied apartments had been stable for several quarters, but the pandemic has caused a significant decline. The rate is currently at 3.1%. The few good new build projects have been very popular. In the rental apartments segment, increased domestic demand can still be seen, further boosted by COVID-19, and available properties are in high demand. The supply rate has fallen from 10% in 2018 to the current low level of 1.7%.

Figures for Celerina



Celerina	
Population	
Inhabitants	1,502
Annual growth rate	±0.0%
Proportion of foreigners	27.8%
Real estate market (residential) 2,434	
Proportion of rental apartments	18.0%
Proportion of owner-occupied apartments	78.7%
Proportion of single-family houses	3.3%
Proportion of second homes 68.0%	
Approved residential units 4	
In apartment buildings	4
In single-family houses	0

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





Outlook: the market remains robust – consequences of the second home initiative

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 permitted and second homes can be built as part of the expansion and construction of hotels. Properties recognised as worthy of protection can also be converted. The new legislative framework has led to very few new homes being built, which has caused a supply shortage and corresponding pressure on prices – in particular, for owner-occupied apartments. Low interest rates, the general economic situation, prosperity levels, the need to diversify investments and assets, and, most recently, changing travel behaviour due to COVID-19 also remain important factors. After all, a holiday property is a luxury asset and is bought only if the economic environment allows it.



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