

# Luxury Property Focus 2022: Peak growth has passed

## Real estate markets

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- Prices of luxury residential properties in Switzerland rose in 2021 by around 10%, about twice as much as the overall market.
- Sharp increases in wealth thanks to the very strong stock market over the previous year boosted demand for luxury properties.
- We expect luxury property prices to increase by a mid-single-digit rate this year, but peak growth may have passed.



Source: Getty Images

The upward spiral in the luxury property market continued in 2021. Properties at luxurious locations in Switzerland<sup>[1]</sup> were offered at prices around 10% higher than the previous year. The increase was three times the average rise in the last decade. Last year, property price in the luxury segment increased approximately twice as fast as the overall market.

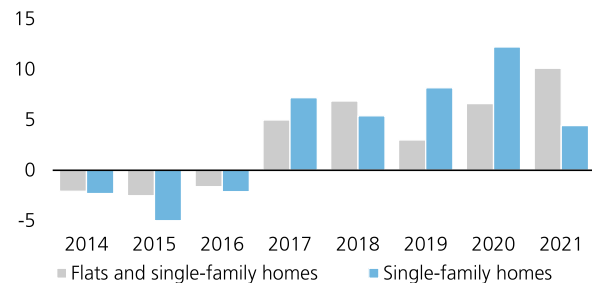
The price increase was driven in particular by luxury condominiums. Prices of single-family houses in top locations, however, rose much more slowly because of their higher absolute prices.

### Strong in all regions

Generally, prices for luxury properties increased in practically all the regions. However, the data should be analyzed carefully, especially for small municipalities, because of the limited number of advertised properties. Among the top locations, the largest price increases were recorded in central Switzerland—within one year, prices there skyrocketed by more than 20%. In the first-home markets, prices of properties in top locations in and around the major cities of Geneva and Zurich rose on average by around 10% and 12%, respectively.

### Luxurious flats are driving prices

Change in offered prices in the luxury segment, in %

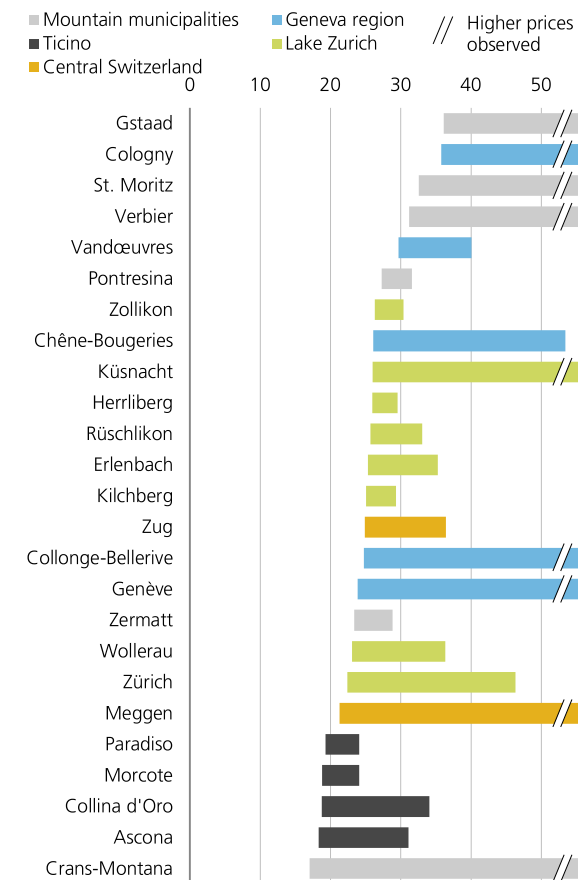


Sources: Wüest Partner, UBS

[1] These evaluations are based on 25 selected communities with a high proportion of luxury properties (see appendix).

## The most expensive luxury markets

Advertised and transaction prices in the luxury segment in selected municipalities, observed 2019-2022; in CHF thousand/square meter, 95th quantile and above



Sources: FPRE, UBS

However, performance was inconsistent at luxurious mountain destinations. In Oberengadin, for instance, prices rose in the low two-digit range for the second year in a row. Significant price increases were also recorded in Ticino, but only for condominiums; prices for single-family houses there dropped slightly. In the Alps in Valais, the rise in prices in some locations was below average.

Oberengadin recorded the highest prices for luxury properties. For top properties, prices surpassed the CHF 31,000 per square meter (psm) mark. The luxury segment of the first-home markets in and around Geneva and Zurich, as well as in central Switzerland, began below CHF 24,000 psm. Luxury properties switched hands from CHF 19,000 psm upwards in Ticino.

### Pandemic meets the stock market

The pronounced price increases in the luxury segment can mainly be traced back to the same drivers that have led to higher demand and to a general price boom in the

entire Swiss property market. The pandemic has raised the status of housing and increased the need for space in households. Low financing costs have solidified the demand for residential property. The awareness and expectation of higher prices in the future has made buyers even more willing to pay more. The high demand in the mountains was also inspired by the possibility of remote working at a second home once the pandemic ended.

Considerable wealth increases because of a very good year for the stock market were a key reason for the strong performance of the luxury property segment, in particular. This increased the number of people who were interested in properties selling in the mid-to-high single-digit million CHF range. The number of ultra-wealthy people worldwide and thus potential purchasers of Swiss luxury properties increased almost 10% in 2021, according to Knight Frank. Foreign purchasers were also attracted by Switzerland's relatively lax coronavirus restrictions compared to other countries.

While demand increased, the supply of properties at top locations is generally limited due to the exclusivity of this segment. This kept the estimated number of transactions in 2021 near the previous year's level, except for a few hot spots in the mountains. Consequently, many properties were purchased relatively quickly and did not have to be advertised online. This is why the number of advertised properties at some top locations fell by one-third to one-half compared to pre-pandemic levels.

### A changed direction

Domestic demand for luxury properties may suffer a setback in 2022. For one, it has been a turbulent year so far for the stock market, which will likely limit asset growth. Also, economic growth in Switzerland, which is an important driver of demand for luxury properties, will likely slow down in 2022 compared to the previous year. There is even a risk of a sharp economic downturn because of uncertainty about the war in Ukraine.

At the same time, demand from the Eurozone will likely not be as strong as in 2021. The Swiss franc's rise against the euro compared to last year has led to losses of purchasing power in the Eurozone and has consequently increased the prices for Swiss property for euro-based purchasers. The second-home market and the Lake Geneva region, where foreign demand is particularly high, are likely to be especially affected by this. However, part of the weaker demand from the Eurozone is likely to be compensated by increased demand from US dollar-based purchasers. They in turn will likely benefit from the greenback's rise against the franc.

### Solid as a rock

The coronavirus pandemic has permanently changed some factors that determine the demand for luxury properties

in Switzerland. The stable institutions of the Swiss Confederation offer a much sought-after refuge, especially in times of geopolitical uncertainty, and this is likely to prop up interest in luxury properties in the country.

Nevertheless, increased financing costs, wealth losses, and economic insecurity will likely temper buyers' willingness to pay high for luxury properties. Thanks to a strong first quarter, we expect prices to rise again in the mid-single-digit range in 2022. However, the uptrend in the Swiss luxury market, which has lasted for about four years now, may lose some steam.

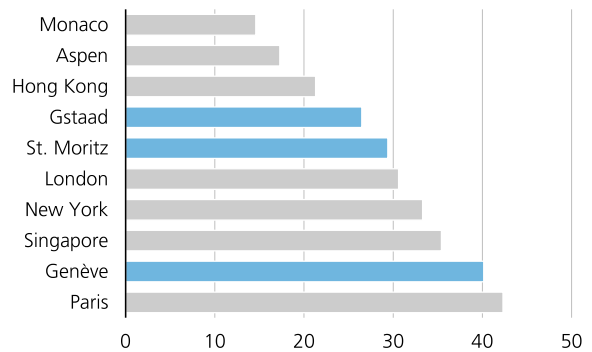
### Global luxury markets

Monaco remains unchallenged as the most expensive luxury destination worldwide, with prices of USD 68,000 psm in 2021. The second most expensive location is the vacation home market in Aspen, Colorado in the US, where prices are currently about USD 58,000 psm. In Hong Kong, asking prices start at USD 47,000 US dollars psm. The two most expensive Swiss mountain communities of Gstaad and St. Moritz are next, with prices starting at USD 32,000 (CHF 32,500) psm. Prices in London, New York, and Singapore start at around USD 30,000 psm. Prices for the luxury segment in the most expensive Swiss city, Geneva, are somewhat lower, and similar to Paris, starting at USD 25,000 (CHF 24,000) psm.

Properties in luxury markets globally recorded strong price increases that were similar to Switzerland. According to Knight Frank, prices in 2021 rose more than 8% on average, and only a fraction of the markets saw prices decline. In London and New York, part of the losses in 2020 were recovered, with low one-digit growth rates in 2021. Mountain destinations also continued to enjoy strong demand and prices increased on average by around 10%.

### How much living space can you get for USD 1 mn?

Living space in square meters that can be purchased for USD 1mn in the luxury segment in selected cities; Swiss markets in blue



Sources: Knight Frank, Wüest Partner, Zillow, UBS

## Luxury locations in Switzerland

In our analysis, we restrict ourselves to 25 Swiss municipalities in six regions (Lake Zurich, Central Switzerland, Lake Geneva, Oberengadin, Bernese and Valais Alps, and Ticino) that are viewed as luxury locations. Then, we examine the most expensive 5 percent of real estate in terms of square meter price. The summary table is organized by region and then by price within each region. It is not a complete list of properties. Luxury real estate is peppered throughout other Swiss municipalities; a single neighborhood can be very upmarket even if the label doesn't apply to the entire town.

Region	Rank 2022, by region	Luxury location	Market characteristics			Cost environment	
			Price range**, in 1,000 CHF/m <sup>2</sup>	Market size	Luxury share	Lump-sum taxation	Attractiveness of income tax
Lake Zurich	1	Zollikon	26-30	❖	♦♦♦♦	×	♦♦♦♦
	2	Küsnacht	26-55*	❖	♦♦	×	♦♦♦♦
	3	Herrliberg	26-30	❖	♦♦	×	♦♦♦♦
	4	Rüschlikon	26-33	❖	♦♦	×	♦♦♦♦
	5	Erlenbach	25-35	❖	♦♦	×	♦♦♦♦
	6	Kilchberg	25-29	❖	♦♦♦♦	×	♦♦♦♦
	7	Wollerau (SZ)	23-36	❖	♦♦	✓	♦♦♦♦♦
	8	Zürich	22-46	♦♦♦♦♦	♦♦	×	♦♦
Central Switzerland	1	Zug	25-36	❖	♦♦	✓	♦♦♦♦♦
	2	Meggen (LU)	21-55*	❖	❖	✓	♦♦♦♦
Lake Geneva	1	Cologny	36-55*	❖	♦♦♦♦♦	✓	♦♦
	2	Vandoeuvres	30-40	❖	♦♦	✓	♦♦
	3	Chêne-Bougeries	26-53	❖	♦♦	✓	❖
	4	Vandœuvres	25-55*	❖	♦♦	✓	♦♦
	5	Genève	24-55*	♦♦♦♦	♦♦	✓	❖
Oberengadin	1	St. Moritz	33-55*	❖	♦♦♦♦	✓	♦♦♦♦
	2	Pontresina	27-32	❖	♦♦♦♦	✓	♦♦♦♦
Bernese & Valais Alps	1	Gstaad (BE)	36-55*	♦♦	♦♦♦♦	✓	♦♦
	2	Verbier (VS)	31-55*	♦♦	♦♦♦♦	✓	♦♦
	3	Zermatt (VS)	23-29	♦♦	♦♦	✓	♦♦
	4	Crans-Montana (VS)	17-55*	♦♦	❖	✓	♦♦
Ticino	1	Paradiso	19-24	❖	❖	✓	♦♦♦♦
	2	Morcote	19-24	❖	❖	✓	♦♦
	3	Collina d'Oro	19-34	❖	❖	✓	♦♦♦♦
	4	Ascona	18-31	❖	❖	✓	♦♦

♦♦♦♦♦ Well above average      ♦♦♦♦ Above average      ♦♦♦♦ Average      ♦♦ Below average      ❖ Well below average

\* Higher prices observed  
 \*\* Price range: starting from 95th quantile, 2019-2022

Source: UBS

## List of sources

<b>Variable</b>	<b>Sources</b>
Real estate prices (current and past)	Fahrländer Partner Raumentwicklung, Wüest Partner, UBS
Market size	SFO, UBS
Share of luxury real estate stock	Fahrländer Partner Raumentwicklung, UBS
Tax burden	Swiss Federal Tax Administration (FTA)
Real estate prices in select global destinations	Knight Frank, Zillow, UBS

## Appendix

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