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Swiss Valley Aims for Peak of Luxury

Andermatt Swiss Alps, now under construction, is a bet that a sleepy village with a population of 1,400 can become a global luxury hot spot.

By MARTA FALCONI



Andermatt Swiss Alps, one of the most ambitious construction projects in the world, is Egyptian billionaire Samih Sawiris's bold bet that he can turn a sleepy town into a global luxury hot spot. Marta Falconi has a look on Lunch Break. Photo: Elisabeth Real for The Wall Street Journal.

Egypt-born billionaire Samih Sawiris climbed into a helicopter eight years ago for a tour of Andermatt, a former army town in mountainous central Switzerland that was struggling to keep its residents from leaving.

Asked by Swiss officials to evaluate the valley's potential use, Mr. Sawiris began picturing a new landscape as he flew over its waterfalls, gorges and meadows. The developer, best known for a resort city he built in the desert along the Red Sea, envisioned a sweep of luxury hotels, mountain chalets and condominiums, and an 18-hole golf course nestled against Andermatt's Alpine peaks.

Village Vision



Elisabeth Real for The Wall Street Journal

"I was shocked to see the area's huge potential and no one planning to do anything with it," Mr. Sawiris says, recalling the origin of his \$2 billion project to transform Andermatt. "Everything you see in the resort's master plan today came to my mind during that helicopter tour."

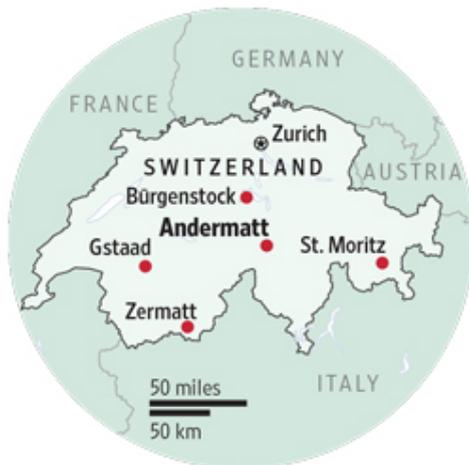
Andermatt Swiss Alps, now under construction, is Mr. Sawiris's bet that he can turn a sleepy village with a population of 1,400 into a global luxury hot spot. His plan: attract wealthy buyers for the condominiums and

The town of Andermatt as it looks today; a construction crane hovers in the background. A large hotel is being built in the middle of the village; villas, apartments and a golf course will go up farther from the center.

chalets, and lure tourists away from nearby jet-set magnets, such as St. Moritz and Zermatt. His aim also is to develop a stable, growing community that has no on or off seasons, and no ebb and flow of residents.

"This project brought new life to this place," says Andermatt Mayor Roger Nager. Without it, he says, "we had no prospect."

Mr. Sawiris began the project with the purchase of about 370 acres, all the local land available for development. In early June, his vision took a step closer to realization when a subsidiary of [Orascom Development Holding AG](#), his global real-estate company, finished the basic construction of the first two apartment buildings in the development. They are among the 490 condominiums and 25 chalets that will be marketed as primary and secondary residences. Andermatt Swiss Alps AG declines to state how many units have sold but says pre-sales so far have generated about \$300 million.



In addition to the sales, financing for the resort has come from Orascom and a \$160 million personal investment by Mr. Sawiris.

The design calls for the project's various units to be done in Alpine traditional mixed with luxury details. Condo walls will be paneled with wood. Many units will feature soapstone fireplaces and oak parquet flooring. Some will sport balconies with views of the mountains that surround the complex. At one of the luxury hotels, some rooms will have built-in wine closets to appeal to a high-end clientele.

It is a risky venture. In addition to several well-known holiday spots nearby, Mr. Sawiris's project faces competition from other developments around Switzerland, where low interest rates, a resilient economy and pristine landscapes have prompted a wave of building activity. Some environmental groups have voiced concern about the planned resort's size and about the impact that further expanding the surrounding skiing infrastructure would have on the area's landscape.

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In Gstaad, a mountain village about 100 miles west of Andermatt that is popular with celebrities, the luxury Alpina Gstaad hotel just opened in December 2012. Some 40 miles away, Doha-based Qatari Diar Real Estate Co. is building the Bürgenstock Resort at Lake Lucerne, with hotels, villas and residences that can be rented monthly, as well as restaurants, shops, medical facilities and a 107,600-square-foot spa.

Last year, Zermatt, home to the Matterhorn, had nearly 1.3 million overnight stays in hotels, according to Swiss tourism statistics. St. Moritz had 692,000 stays, as the international jet-set flocked to the expensive destination. Andermatt, by comparison, registered just

over 60,600.

The Andermatt valley, at the crossroads of three mountain passes, still bears the marks of its military legacy. During World War II, the Swiss army built barracks and bunkers to fend off a possible invasion by Germany. The soldiers stayed on during the Cold War. When the Soviet Union collapsed in 1991, the army scaled back to training and other limited activities.

Mr. Sawiris, 56 years old, has a track record of turning off-the-beaten-track locales into over-performing tourist hubs. Two decades ago, he built a small cluster of hotels and a marina on an undeveloped stretch of desert along the coast of the Red Sea. Mr. Sawiris invested \$250,000 in El Gouna, building only what was sold and financed by buyers. Surplus from the sales and bank loans financed the rest.

Little by little, the area blossomed—accommodating a big influx of workers and their families as well as vacationers. Today, the El Gouna resort is Orascom's flagship development with about 20,000 year-round residents, dozens of hotels, a hospital, an international school, a library and a university campus.

"Traditional developments tend to focus on places that already attract tourists and have most of the basic infrastructure in place," says Nicolas Mayer, a partner at PwC Switzerland in Zurich working on projects in the lodging and tourism industry.

Andermatt is popular with off-trail skiers, a pretty village offering some restaurants and shops. Most of the new construction is focusing on developing and upgrading ski areas. Otherwise, the basic town infrastructure is in place for the planned influx of residents, although the community has enlarged water facilities, reorganized some roadways and plans a face-lift for its small train station in preparation.

Andermatt Swiss Alps isn't building any retail or restaurant spaces, although future stages may allow for such rentals operated independently from the resort. Mr. Sawiris has said he wants the project to reach a "critical mass" from which the town can grow without his participation.

Andermatt's 490 condominiums will be spread across 42 buildings. No completion date has been set, as construction is scheduled by sales. The units at the resort range in price from \$537,000 for a roughly 375-square-foot studio to \$12.6 million for a 6,727-square-foot duplex penthouse, the company says.

Most of Andermatt Swiss Alps is designed to be car-free—Mr. Sawiris envisions residents strolling through the new community looking at the scenery—so underground parking structures are being built to accommodate condo and chalet owners arriving for weekends and vacations. Delivery trucks will access buildings from the below-ground areas.

The Chedi Andermatt hotel and some other buildings will be built in the middle of the town, while the cluster of villas and apartment buildings, and the golf course, are going up on the undeveloped land.

Mr. Sawiris's strategy of securing a vast amount of raw land to build an entire community has its challenges. Not only does he have to secure enough land, he also has to find buyers for the huge supply of housing.

The developer struggled 1½ years ago to keep up the project's timetable and cash flows, prompting some investors to swoop in. One of them, Hans-Peter Bauer, a co-founder of the Swiss Finance & Property AG real-estate firm, bought 75 units for about \$135 million.

"It was a great moment to negotiate a transaction," says Mr. Bauer, who now sits on the board of Andermatt Swiss Alps. He says he recently traveled to Singapore and Hong Kong to pitch the residences and has already sold four to Russian investors. He declined to disclose prices.

Ten months after his helicopter tour, Mr. Sawiris held an explanatory meeting at Andermatt's town hall. In fluent German—which he learned in studies in Egypt and Germany—Mr. Sawiris described to the gathering a project that would bring hundreds of jobs to Andermatt. He used pamphlets about his El Gouna resort and sketches of what he had envisioned for the Andermatt project to make his point.

Andermatt Mayor Nager, who wasn't in office during that meeting, says Mr. Sawiris's plan

resonated with a town worried about its future. He had vacationed at El Gouna even before hearing of Mr. Sawiris's plans and says he could envision a similar development in his hometown.

On March 30, 2007, the village overwhelmingly voted in favor of the resort project. Still, Andermatt Swiss Alps hasn't come without disruptions to the townspeople.

Karl Danioth, a dairy farmer who supports the project, says he had to move his herd of cows because the meadow they grazed in stood where the resort's golf course is to be built. He also lost a member of the family business to Mr. Sawiris's project: A son being groomed to take over the dairy farm decided to go to work for Andermatt Swiss Alps, instead.

Still, Mr. Danioth says the development is the best move for Andermatt. "The choice was between remaining a small town or doing something special," he says. "Without Sawiris, everything would be over by now."

The developer broke ground on Sept. 26, 2009. The blueprints call for parts of the development to blend with Andermatt's center, a labyrinth of cobblestone alleys and rustic wooden chalets.

On a recent Thursday in July, scores of construction workers were finishing Chedi Andermatt, a five-star hotel slated to open in December. Others were at work on the hotel's enclosed swimming pool, which will feature sun beds and fireplaces designed to heat the area during the snowy winter months.

The project has prompted local businessmen to invest in their own small enterprises that will serve the influx of tourists and new residents. A new hotel and several restaurants already have been opened, while many buildings have gotten touchups.

Mr. Sawiris says the buzz of activity dovetails with his goals of blending seasonal and permanent residents. "I will consider my mission completed if, in 50 years, no one realized that there was a project here," he says.

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