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Bad Gastein, Austria

Foreign investors see gold in Austrian resorts

By Catherine Moyer

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SALZBURG: In recent years several of Austria's provinces have relaxed the rules that historically prevented foreigners from owning property, while other areas, including the Tyrol, still make it all but impossible for a foreign buyer to acquire a holiday home.

But it was those restrictions, real estate industry officials say, that kept prices low in the country's second-home market. Those prices are now attracting buyers.

"As Austria has not witnessed the historic level of demand for second homes seen in France and Switzerland, property prices are far more competitive," says Jeremy Rollason, managing director of Alpine Homes, an associate of the British estate agents Savills, with offices in London and throughout the Alps.

For example, sale prices in the province of Salzburg Land, which includes the well-known city of Salzburg, range from €2,000 to €3,000 a square meter, or \$241 to \$362 per square foot, with higher-end properties selling for around €4,000.

In comparison, homes in popular French Alpine resorts are selling for €8,000 to €12,000 a square meter, according to Savills Research.

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And it is in Salzburg Land that much of the market activity and new projects are concentrated, according to Rollason.

Austrians are proud of Salzburg, which was drawing visitors long before "The Sound of Music" displayed its charms to moviegoers. Mozart was born there, and it is as if the strains of his music still drift over its labyrinthine streets and elegant houses painted the color of egg yolk.

"There are masses of flights in and out of Salzburg, especially during ski season, and a great train network that takes you right into the heart of the village so that you don't really need to bother with car hire, especially if you are only there for the weekend," said Guy Taylor, the developer of Austrian Chalets, a British-based company.

Two of Taylor's English clients - Angus Eddowes, 35, a recruitment consultant, and his wife,

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Susie, 31, a dentist from Manchester - are typical of the kind of foreign buyers being attracted to Austria.

In 2006 the Eddowes paid €105,000 for a two-bedroom apartment in an Austrian Chalets development in the town of Rauris, in the heart of the Salzburg Land region.

"We're skiing and sports fanatics so we wanted to buy a second home where there was a lot of outdoor activity," Eddowes said. "Originally we looked at buying in Canada but were put off by the distance, so we turned to Austria."

The investment side also appealed to the couple, Eddowes added: "In the high season, in February and March, we rent our Rauris apartment for around €850 a week. In the low season, for about half that."

Such returns prompted the Eddowes to buy a second apartment, just as an investment, at Austrian Chalets's Alpin See Mountain Resort in the historic lakeside town of Zell am See. The development of 39 two-, three- and four-bedroom apartments, scheduled for completion in October, is only 30 meters, or less than 100 feet, from the lake. Prices start at €180,000 for a two-bedroom unit.

Taylor believes many buyers in his Austrian projects are investors, partly because there is a long rental season - the country is Europe's second most-visited ski destination and its summer season is also strong.

To increase the appeal to investors, Taylor said, he has devised an investment model at his latest resort that guarantees net returns of 6.1 percent.

That resort is at Kaprun, a small village in the Zell am See area that is at the foot of the Kitzsteinhorn Glacier and famed for its year-round skiing. Another development of 39 apartments, and also scheduled to be completed later this year, its prices range from €99,000 for a studio apartment to €590,00 for a four-bedroom, four-bathroom penthouse.

In valley resorts like Rauris and Kaprun, property prices rose by 6.5 percent between January and October 2008, at a time when values in much of the world were falling, according to Taylor. Official figures from the Salzburg Chamber of Economics show rises of 4.5 to 5 percent last year, depending on the area, with this year's increases expected to be about 3 percent.

One new boost to the region's housing stock is the appearance of high-end residential resorts, like Clubhotel Hinterthal by La Perla International Living, a luxury developer.

The resort, an hour's drive from Salzburg, is in the Hochkönigs Winterreich mountains, with the famous Grossglockner and Kitzsteinhorn glaciers nearby.

Club Hinterthal, which involved the renovation of a historic hotel into 12 apartments and the creation of 16 house lots by a lake, offers a gourmet restaurant and spa, a concierge package and property rental services. The development, which made its debut in late 2006, was marketed with prices ranging from €250,000 to €1 million. It sold out, although there are two apartments back on the market at €442,500 and €645,000.

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