

The Andermatt Investment

High-risk, high-altitude luxury in the Swiss Alps

WRITER

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The village of Andermatt, located in the Uri canton—at the foot of the Gotthard—has never actually been the *buen retiro* of celebrities.

It lies in a place where VIPs never dared to visit, or rather, where they never used to dare, because something is about to happen. *The New York Times* itself ranked the resort with such places as Aspen and the Vatican “the 52 Places to Go in 2014”. However, until a short while ago, there was just a handful of second rate hotels and coffee bars, as well as a few Swiss houses and a number of cattle breeding and agricultural farms. Nowadays, the ski-resort looks a bit outdated and you may count the number of ski-slopes on the tip of your fingers. However, even last winter, on Saturdays and Sundays, the place was sold out, but during the rest of the week it was like the

Tartar desert. Nevertheless, Andermatt looks quiet and rustic, a kind of alter ego of Verbier, St Moritz or even Zermatt. We could say, that it is the Mecca for hardcore skiers, who have little consideration for infrastructure, and who are mostly interested in copious powder snow and challenging slopes.

It is a paradise for those who practice free riding and once you reach the Gemsstock peak at 2.963 meters, on the back of the mountain—where there are no ski-lifts—the scenery is breathtaking, with an unspoiled and natural landscape that leave you with no regrets for Canada. This is not for everyone, of course, but only for skilled free riders.

In short, no Princes, tycoons or jet set enthusiasts have ever set foot on this enchanting mountain resort. But, a kind of revolution is taking place here and

Samih Sawiris, the Egyptian Rockefeller, has taken up the task of bringing them here for days and weeks on end, because he is transforming Andermatt into an exclusive resort that is active 12 months a year. For this purpose, he founded the Andermatt Suisse Alps, a 100% Orascom affiliated company and has started the construction of six 4 and 5 star hotels with a total of 844 rooms, including the luxurious The Chedi, which has been in operation since December 2013. There will be 490 apartments (some of them delivered in 2013) in 42 buildings and 25 chalets, plus an 18-hole golf course. A conference facility and a concert hall for 600 people, as well as shops and a huge parking lot with almost two thousand parking spaces.

Even the railway station is changing its look, in collaboration with the Mat-

terhorn Gotthard ski-slopes. In short, Andermatt is becoming the largest real estate development project that Switzerland has ever known, as well as the first European operation by Sawiris, who until now, has been active above all in the Middle East and Maghreb.

The ennobling aspect of the operation is that it is an eco-sustainable village. Sawiris, the CEO of Orascom Development, in fact, has supported only highly integrated villages and his crowning glory is the Egyptian El Gouna Resort. Sustainability is Orascom's trademark which, here in Switzerland, has been brought to the forefront. “We have planned everything in collaboration with the inhabitants and environmental organizations, including the local and cantonal authorities. Construction is done according to Swiss MINERGIE® standards, to ensure CO₂-neutral energy supplies to all the properties. We draw on renewable energy: hydropower, wind, geothermal and solar and the surrounding flora is strictly alpine”, explains Sawiris, who is often seen around the Andermatt building yards wearing jeans, a sweater and a helmet. The local inhabitants affirm that he is outgoing and friendly with everybody, whether it be a bricklayer or an architect. Incidentally, it was Jean-Michel Gathy—architect of Denniston International Architects and Planners Ltd. in Kuala Lumpur—who designed The Chedi.

Sawiris, who is now 57 and a Coptic Christian, with a wife and 5 children, belongs to one of the most powerful Arabian families, and according to Forbes's Middle East list, the patrimony of the Egyptian Sawiris family is worth around \$13.2bn. At the top of the pyramid is Onsi Sawiris, founder of the Orascom group, an empire divided into three compartments: telecommunications, construction and tourism and a company that is listed on the SIX Swiss and EGX Egyptian Exchange. Each sector has been assigned to one of Onsi's sons. Nasif is at the helm of the construction industry. Naguib, the most powerful, is at the head of Orascom Telecom Media and Technology as well as Holding Weather Investments.

The second son is Samih, the CEO of Orascom Development, that is responsible for managing the hospitality and tourist industry and for building resorts in Egypt, the United Arab Emir-



Samih Sawiris, CEO of Orascom Development

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ates, Oman, the Mauritius, Morocco, and recently also in Montenegro: at Luštica Bay, in the Bay of Trašte about 80km from Podgorica and 10 km from Tivat. Here, too, a village (that will be ready by 2016) with more than 300 apartments, a harbor with 120 berths for 176 yachts—up to 35 meters in length—and a luxury hotel in the harbor with 300 rooms and an 18-hole golf course, designed by Gary Player.

The big challenge, however, is not Lustica, but Andermatt. Samih Sawiris admits that he loves high-risk ventures. Launching a luxury project during a stagnation phase—that has hit the winter sports market and particularly skiing, in a place with little prestige and in times of recession—requires a great deal of courage to undertake such a challenge. Nevertheless, he is confident and

full of enthusiasm and explains that he strongly believes in Andermatt's potentiality. Therefore, he has worked out a plan and managed to get a dispensation for the purchase of residential property by foreign investors (Lex Koller). How on earth was he able to achieve that? Well, in first place, he got here at the right time when the town was going adrift, as Andermatt was no longer a military bastion—a prerogative that had fuelled its splendid isolation—it had begun its slow agony, to such an extent that its citizens decided to welcome the new project. This is supported by the figures of the vote: 88% of voters said yes to the referendum, which asked people whether they wanted to support the project. “Andermatt could have continued as it had done in the last period. The tourist industry was down and without the »»»



Former World Ski Champion, Bernard Russi

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military presence to support the local economy, there was actually little choice available. I would have been surprised if the outcome of the referendum had been any different”, says Bernhard Russi, former world ski-champion, board member and an illustrious citizen of Andermatt, who was also involved in designing the local tracks and ski-plant.

Sawiris, who is also known for his strategic abilities, involved the local inhabitants, as far as he could. He has a profound knowledge of Switzerland and its people and he explained that it was also thanks to his fluent German (due to his studies in Berlin), that he was able to win over the hearts of Andermatt’s citizens. To his advantage is also the fact that he bought a stake in the Lucerne football club.

Andermatt is like an open-air building yard. The work is progressing despite the hard snowy winters. But it is the ski-plants that have encountered a standstill. Indeed, there has been a two-year delay, Russi complained nervously. The project is to create a 120 km long network of tracks that connect Andermatt to Sedrun through the Oberalp, “the resort spreads out towards the East, taking advantage of the sunlit side”, Russi explained. Out of 120 kilometers of ski slopes, 40 will be for skilled skiers, 52 for those with medium difficulty and 28 for beginners. The project, which foresees the construction of 15 new ski-lifts, eight of which will replace the existing ones, obtained the go ahead from the (UFT) Federal Office of Transport a few months ago.



Total investments for the Andermatt Swiss Alps project will amount to 1.8 billion Swiss francs. By the end of 2014, 400 million Swiss francs will have been invested, 135 million to link, upgrade and expand the two ski areas of Andermatt and Sedrun. The investment focuses on the replacement of the old ski-lifts so as to build new ones on the sunny slopes between Nättschen/Gütsch and Oberalp, in order to connect the Andermatt and Sedrun ski areas and afford snow-making equipment for uninterrupted operations throughout the Entire winter season. The ski-investment is partly covered by public support (8 million Swiss francs) and by government loans (40 million Swiss francs), the rest is covered by Andermatt-Sedrun Sport AG, a subsidiary of Andermatt Swiss Alps AG.

Environmentalists have surely not facilitated the task. At a certain point, even Sawiris had become somewhat nervous, “at the beginning they made out a list of demands: don’t do this, don’t do that! Well, we have respected all the clauses therein, but this was then followed by a number of objections. The problem is that there are too many opinions and points of view. We therefore agreed to reduce the ski area a little bit compared to the initial project, but you can’t exaggerate with your demands and modify the project over and over again because, at this point, it makes no sense to invest all those millions in the village and the infrastructure if the project is not allowed to take-off”.

But, this is not the only issue that Orascom has had to deal with. The game

is getting tough for various reasons. The Arab Spring in 2011 had a negative impact on tourism and on real estate sales in Egypt. As for the Swiss project, the sales of villas and apartments in Andermatt were slower than expected. The franc is strong and the general crisis is being felt. Is Sawiris worried? No. “From the very beginning I was aware that it would not be an easy task. Besides, I had actually bet on Andermatt because there was no competition here, just as I had done, to a certain extent, with the El Gouna Resort. I am sure we will create a good resort without the usual “cold” beds that will be exploited throughout the year by the Swiss themselves. Andermatt is at present still old-fashioned and it is only with a vivid imagination that you can see its full potential. The goal is to attract more customers and convince them as much as I am convinced. The project will not run out in the next two or three years and I will be involved to a greater extent”. Sawiris has injected even more money into the project, more than he expected initially, to compensate for lost sales. Incidentally, the average cost per square meter is 15.600 Swiss francs. “The banks are now having a few problems here and there, so I decided to act as a bank myself in this period of crisis, because I know that the project is worth it”, affirms Sawiris, the 1 billion-dollar man (according to Forbes).

Sawiris defends this district with all his might. “Andermatt is a four season place, where people can live all year round”. At the moment, customers mostly come from Switzerland (60%), followed by the Middle East (20%), Great Britain and Germany (6%) and the rest of Europe (8%). However, well into its eighth year, Andermatt has become a drain on the Sawiris company balance sheet. In March, 2013, Orascom Development decided to spin off the project into a separate entity owned 49% by Orascom Development. At that stage, Sawiris converted personal loans to Orascom Development into a 51% equity stake in Andermatt. Still, the company, which Operates resorts in Egypt, remains hard hit by the country’s instability, with revenues declining more than 10% in the first half of last year. The challenge continues.

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