

Spotlight | 2018

Monaco

Market overview | Property tax | Values by district

€2.1 billion

The value of residential
property transacted
in 2017.

€41,300

The average price
(per sq m) of residential
property in Monaco,
making it the world's
most expensive market

High demand, low stock

A lack of liquidity in the market pushed up residential prices by 6% in 2017

 A sovereign city-state covering just two square kilometres, Monaco punches well above its weight on the world stage. With a profile in line with top-tier global cities, it's an international centre of business, a world-class sporting and entertainment destination, and a hotspot for high-net-worth individuals.

The Principality's economy continues to outperform the eurozone thanks to a diversified, high-value economic

Project Portier is under way, while Sporting d'Hiver is nearing completion

base. It's a net importer of labour – around 53,300 people work in Monaco each day, compared with a permanent population of 37,550.

These factors mean that demand for real estate of all types is high. Residential resale prices rose by 6% last year, while the number of transactions fell by 22%. This reflects illiquidity in the market. Wealthy residents hold their properties for long periods, while little new stock is being added.

However, the Principality is taking bold steps to build for its future. Project Portier is under way, while Sporting d'Hiver is nearing completion. These investments will help cement Monaco's global position, but the new supply will do little to relieve the huge pressure on Monaco's real-estate markets.



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Summary

More than €2 billion of residential property was transacted in 2017. It was a strong year, but 23% below the 2016 record.

The number of new build transactions in 2017 was a record. With little new supply in the pipeline, we expect volumes will fall significantly in 2018.

Monaco's population grew by 5.5% between 2008 and 2016. Home to 139 nationalities, this diverse base underpins residential demand.

The residential rental market is buoyant. There is a premium for larger properties, with monthly rents of €109 per sq m for three beds, and €114 per sq m for four beds and larger.

Prime rents in the office market stand at €1,500 per sq m per annum, and can reach €2,700 per sq m for new buildings.



Les Moneghetti and Jardin Exotique

Still number one

High demand and limited stock have led to another year of strong growth as Monaco retains its position as the most expensive residential market in the world

For the fourth successive year, residential transaction volumes in Monaco were more than €2 billion. Testament to a supply-constrained market, volumes were down 23% on the record €2.7 billion in 2016.

High demand and a shortage of stock pushed up average prices a further 6% to €4.5 million. With an average price per square metre of €41,300, Monaco remains the most expensive residential market in the world – 13% higher than prime Hong Kong, the second most expensive market.

In 2017, almost one-quarter of all transactions in Monaco were for properties of €5 million or more. These included 34 sales of more than €10 million – accounting for 8% of all transactions. By comparison, there were 61 sales of £10 million-plus properties across the whole of London during the same period.

New build market

A record 50 new build properties were transacted in 2017. This represented 11% of the 456 properties sold, up 52% on the previous year.

Some 66% of these transactions were for one-bedroom properties, while the average new build sales price was €4.6 million, the lowest average figure since 2011.

This uptick in transactions was driven by sales at Le Stella, a mixed-use development that included 99 one- and two-bedroom duplexes. Priced between €3 and €8 million, the development was popular with investors and owner occupiers.

However, we expect new build transaction volumes to drop off significantly in the near term. Schemes such as Le Méridien, Tour Odéon and Le Stella have now completed, or are about to, and are mostly sold out.

Monaco is extremely land-constrained, so new development sites rarely become available. Also, the major schemes that are under way, such as Sporting d'Hiver, will deliver properties to rent rather than buy.

Diversity and demand

Monaco is home to 139 nationalities, a diverse demand base that supports a resilient residential market. According to recent census figures, the Principality's population grew 5.5% between 2008 and 2016. The French remain the largest national group (24.9%), but the Monégasque (22.5%), and Italians (21.9%) are growing faster (see chart right). The British account for 7.5% of the population.

The numbers of Russians and Greeks have grown rapidly since 2008, but only comprise 2% and 1% of the population, respectively.

Residential transactions For the fourth successive year, the total of Monaco property transacted was more than €2 billion



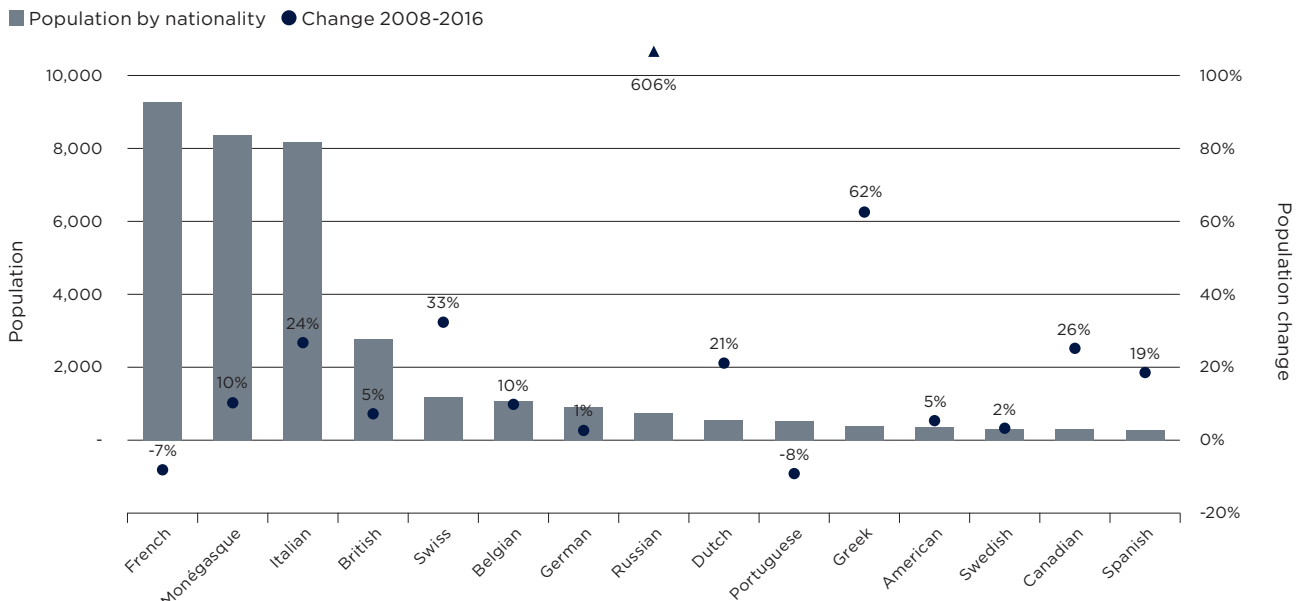
Source Savills World Research using IMSEE

Market dashboard Property transaction figures for 2017



Source Savills World Research using IMSEE

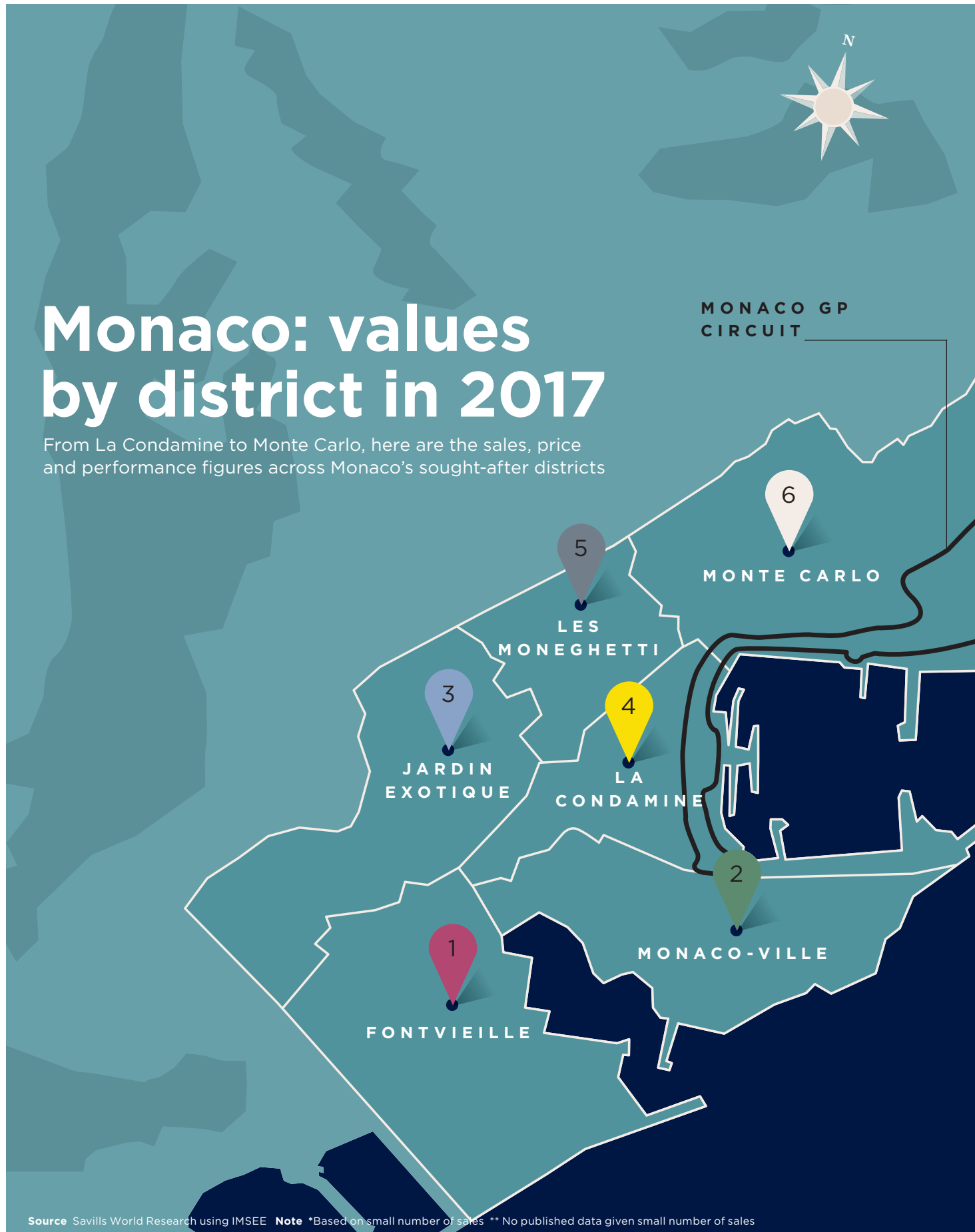
Population profile and growth Monaco is home to a diverse range of nationalities



Source Savills World Research using IMSEE

Monaco: values by district in 2017

From La Condamine to Monte Carlo, here are the sales, price and performance figures across Monaco's sought-after districts



Source Savills World Research using IMSEE Note *Based on small number of sales ** No published data given small number of sales



1 FONTVIEILLE
 Number of resales 38
 Ave resale price €4,176,000
 Ave price (per sq m) €42,600
 10-year price growth 124%

3 JARDIN EXOTIQUE
 Number of resales 51
 Ave resale price €4,025,000
 Ave price (per sq m) €34,900
 10-year price growth 108%

5 LES MONEGHETTI
 Number of resales 26
 Ave resale price €4,612,000
 Ave price (per sq m) €31,300
 10-year price growth 76%

7 LA ROUSSE
 Number of resales 109
 Ave resale price €4,109,000
 Ave price (per sq m) €37,200
 10-year price growth 110%

2 MONACO-VILLE
 Number of resales 17
 Ave resale price €1,682,000*
 Ave price (per sq m) n/a**
 10-year price growth n/a**

4 LA CONDAMINE
 Number of resales 43
 Ave resale price €3,733,000
 Ave price (per sq m) €37,500
 10-year price growth 106%

6 MONTE CARLO
 Number of resales 117
 Ave resale price €5,453,000
 Ave price (per sq m) €44,100
 10-year price growth 112%

8 LARVOTTO
 Number of resales 5
 Ave resale price €14,600,000*
 Ave price (per sq m) n/a**
 10-year price growth n/a**

Riding on a wave

Renting is a popular way to test the waters before committing to life in Monaco. However, prospective residents should remember there are specific size requirements to follow

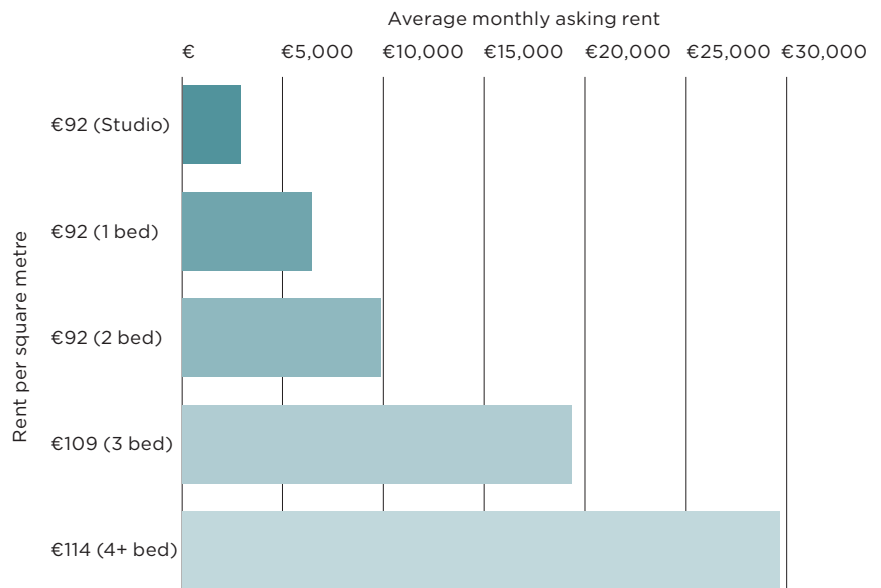
Owning or renting a property in Monaco is one of the conditions of obtaining residency. Renting is particularly popular with new arrivals, as it represents an opportunity to test life in the Principality before making a longer-term commitment.

Like the sales market, the rental market is buoyant. Asking rents average €92 per sq m per month for smaller properties (studios, one- and two-bedrooms). There is a premium for larger properties, with asking rents rising to €109 per sq m for three bedrooms, and €114 per sq m for four-bedroom properties and larger. Rents as high as €180,000 per month can be seen at Les Villas du Sporting, the new waterfront villas in Larvotto.

Additional costs for tenants include building service charges, which are typically equivalent to 10% of the rent.

For people applying for residency, the property must be appropriate to the size of the household. This could lead to a softening in demand for studios and one-bedroom apartments, currently used by some residents as pied-à-terres.

Monaco rents Larger properties attract a higher rental rate per sq m



Source Savills World Research using Chambre Immobilière Monégasque

Office markets

Faced with a limited supply of office space, joining Monaco's business environment comes at a steep price

An international centre of business, Monaco attracts a wide range of professional services occupiers. Although office space is found throughout the Principality, it is focused in Carré d'Or, considered Monaco's CBD. Many of the Principality's private banks and financial services firms are situated here.

Prime office rents stand at €1,500 per sq m per annum, and can reach €2,700 per sq m

for an upper floor in One Monte Carlo, located at Place du Casino (completing September 2018).

Single floorplates rarely become available; most office space comprises partial floors or rooms in mixed-use buildings.

As a supply-constrained market, key money is often payable and incentives or rent-free periods are not offered.

Most office space comprises partial floors or rooms in mixed-use buildings

Market leader Monaco performs strongly in its own right and against local and top-tier competition

	Monaco	London	Paris	Nice
Prime residential capital values (€ per sq m)	↑ €41,300	→ €16,200	↑ €13,300	→ €8,500
Prime residential rental values (€ per month, apartment)	↑ €9,900	↓ €8,400	→ €5,000	→ €2,000
Prime office rent (€ per sq m, per annum)	↑ €1,500	→ €1,000	→ €780	→ €225

Source Savills World Research

Port of Fontvieille,
Monaco



Property taxation in Monaco

Q&A with Birgitta Bondonno, Private Client and Family Office Services, Moore Stephens, Monaco

What taxes are associated with buying property in Monaco?

Transfer duties are payable by the purchaser at the time of purchase. For an individual or transparent company, a rate of 4.5% applies, while a higher duty of 7.5% applies for a non-transparent entity. The transfer of title to real estate is dealt with by a notary who will charge 1.5% in addition to the transfer duties. For the transfer of shares in a real-estate owning company, a registration duty of 4.5% is applied.

Non-transparent entities owning real estate in Monaco must appoint a Monaco fiscal representative, and to submit annually a declaration of any changes in the beneficial ownership of the company.

What about holding and selling property?

The taxes associated with the ownership or disposal of real estate in Monaco

are minimal, with no wealth tax, annual stamp duty or council tax.

There is no tax on rental income or the capital gains derived from Monaco real estate. Those who are tax resident outside of Monaco will need to check the tax liability in their home country.

Succession and gift duties are present in Monaco, but transfers between immediate family members are exempt. A top rate of 16% applies on transfers between unrelated parties by gift or on death.

What are my options for structuring my investment?

Direct ownership in personal name is simple and cost effective, and will suit the majority of buyers with no estate plan in place.

For buyers with estate-planning structures, purchasing through a foreign limited liability company may be preferred

despite the higher transfer duty. In the case of shared ownership between family members, transparent entities are often used (ie Monaco société civile).

How about estate-planning for succession?

An important and welcomed step was made last year when Monaco introduced its Private International Law Code which has brought some important changes in succession matters in particular.

The new law allows individuals to choose by Will their national law to apply to the future succession.

In case of an intestate situation, the law of the deceased's last domicile will apply to both movable and immovable assets.

This is in line with the EU Succession Regulation and gives flexibility and legal certainty to those who invest in Monaco.

Outlook

Price plateau

Now established as the world's most expensive real-estate market, buyers are becoming price sensitive and we expect the rate of price growth to slow. As more new arrivals turn to the rental market, we expect to see rents rise faster.

Population growth

Monaco's population has grown 24% since 1990, driven by in-migration of wealthy individuals. Non-Monégasque residents account for 78% of the population. The rate of future growth may be constrained by the availability of suitable accommodation.

New developments

Work began on Project Portier last year which will add six hectares of new land to the Principality. It will bring 54,980 sq m of new habitable space, including 10 villas, 115 apartments and retail premises, but will make only a dent in the supply shortage.

Safe haven

Monaco's safe-haven credentials have underpinned growth in its residential market over the past decade. A diverse demand base, set against ongoing global geopolitical uncertainty, means Monaco will remain a sought-after destination.



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6%
The increase in
residential resale
prices in 2017