

# Monaco



The prime residential market • Rental market • Looking ahead



# Weathering the storm

International interest in Monaco's residential market was sustained throughout 2020, despite set-backs caused by the pandemic

Despite the upheavals of 2020 that rocked markets worldwide, Monaco still remains a highly desirable location. At the time of writing, the Principality has managed the Covid-19 pandemic well and social distancing measures are keeping infections at a manageable level.

The Monégasque market remains the most expensive location to purchase residential property worldwide, with an average price per square metre of over €47,000, though that figure is down 1.1% from 2019 levels. Hong Kong, the second most expensive location across the globe, saw average prices per square metre fall 3.9% to €39,600 in 2020.

There was a slightly steeper decline in transaction numbers in 2020, down 11% compared to 2019, though this does vary by property size. Large properties including four bedroom-plus apartments and villas saw the steepest falls in transactions, down 38% and 53% respectively. Travel restrictions

worldwide have made property purchases by foreigners more difficult, turning Monaco into a primarily domestic market in 2020 and keeping most foreign buyers from making the big-ticket purchases in Monaco that they're so known for.

This trend can also be seen when examining transactions by price point. Properties priced below €5 million was the most active price point in the Principality, with transactions down only 6%, compared to falls of 39% for properties priced over €10 million. Transactions for properties less than €5 million account for 71% of the total sales in the Principality, so softer declines at this price point result in less steep declines for Monaco overall.

Price changes in the Principality were more consistent across the property sizes. The falls in transactions at higher price points didn't translate to equally lower prices, showing that buyers who did purchase were still willing to pay pre-pandemic prices. The slight decline in

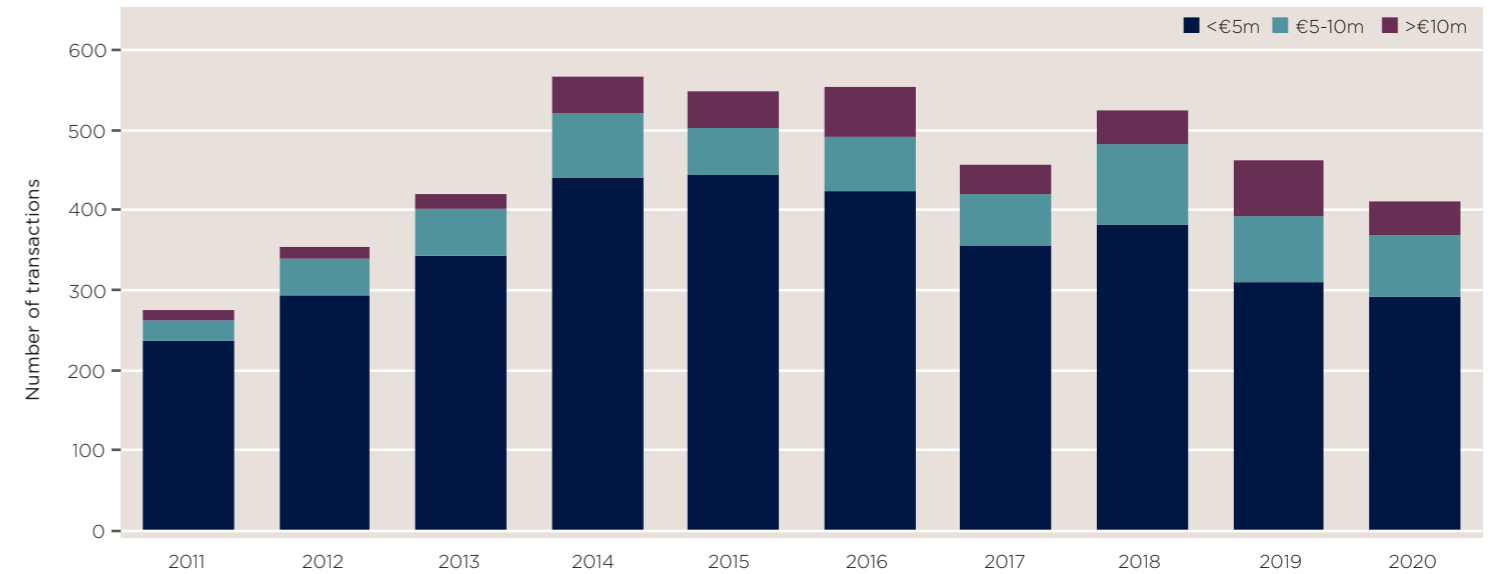
prices in 2020 of 1.1% is not enough to derail the upward trajectory of prices in Monaco, which have grown over 50% in the last decade.

### Global name-recognition

Only three districts saw transaction volumes increase in 2020: Larvotto, with an increase of 133% yet only seven properties transacted; Monte Carlo, with a 14% increase; and Jardin Exotique, increasing by 12%. Monte Carlo had the highest transactions by district, 34% of all sales, an unsurprising proportion considering that the district accounts for nearly a quarter of housing stock and has the most global name-recognition.

The new development of L'Exotique is contributing to sales in the Jardin Exotique district and is predicted to revitalise that area of Monaco. Larvotto has posted the highest price per square metre figures in the Principality with prices over €60,000 psm since 2017,

Number of annual transactions by price point



Source Savills Research using IMSEE

and €65,520 in 2020. But the Larvotto district also consistently has the smallest number of transactions and accounts for only 9% of the total housing area, making the district the most exclusive in Monaco.

Space constraints resulting in few projects coming online each year is the main cause of low new build transactions in Monaco each year. Historically new builds have made up only a small fraction of the total sales in Monaco, averaging 5% of the total since 2006.

In 2020, new build sales accounted for 4% of total sales in the Principality, in line with historical trends. In 2018, the percentage of total sales that were new build properties peaked at 14%, driven by the mixed-use Le Stella development which finished that year, adding 89 apartments to the market. In 2020, off-plan sales accounted for 75% of transactions for new

properties, including off-plan sales for the Mareterra and L'Exotique projects in the pipeline.

The space constraints mean that Monaco's market has been able to keep prices close to pre-pandemic levels. There are five large projects in the pipeline: Mareterra (formerly called Portier Cove), L'Exotique, Villa Palazzino, Bay House Monaco, and the 2nd stage development of Villa Portofino. The largest and most ambitious of these developments, Mareterra, will add 110 apartments and 10 villas on land reclaimed from the sea. Each of these projects will bring much needed stock to the Principality – a total of 260 apartments and 15 villas – but will do little to keep up with the consistently high demand across Monaco. Since 2011, only 487 new apartments have been brought to market, just 2.5% of the total housing stock in the Principality.

## Monaco's rental market

### Travel restrictions take their toll

As with the purchase market, Monaco is the most expensive location in which to rent residential property, ahead of New York City, Hong Kong, and Paris. However, the Covid-19 pandemic hasn't left the Monaco rental market unscathed. Pandemic-induced travel restrictions kept away new residents who would likely rent before they purchased. Without the supply of new residents, demand for rental property in the Principality fell in 2020 and average rental prices declined across Monaco by 23% to €88.81 psm.

However, Monaco is not alone in this experience. Reduced mobility worldwide has had a dampening effect on prime rents across the Savills World Cities Prime Residential Index. Of the 28 cities tracked, 19 posted negative rental growth in 2020, though the second half of the year did see rental prices increase in eight cities, some green shoots in the markets after a difficult year.

Promisingly for the Principality, new build rental properties like Palais de la Plage in the Larvotto district still rent out quickly as new build properties and their associated amenities remain appealing to tenants who are still looking to rent property.

### Monaco and selected World Cities capital values and rents

City	Prime capital values (€ psm)	Prime monthly rents (€ psm)
Monaco	€47,600	€89.00
Hong Kong	€39,600	€60.00
New York	€22,200	€66.00
London	€17,000	€34.00
Paris	€15,600	€37.00
San Francisco	€13,700	€27.00
Moscow	€10,600	€36.00
Berlin	€10,200	€22.00
Amsterdam	€9,300	€28.00
Barcelona	€6,400	€17.00

Source Savills Research



# Outlook

## Post-Covid Principality

International demand is likely to return to the Principality as restrictions ease globally, attracted by its safe-haven status and its tax advantages. International interest was sustained throughout 2020, though it was mostly virtual because of travel bans and predominantly didn't translate into purchases. This sustained interest is likely to result in a surge of property demand once travel restrictions ease.

## Brexpats

Brits looking to move to Monaco now must apply for a long-stay visa from the French authorities prior to applying for residency in Monaco, as part of the UK's post-Brexit status. This new regime results in longer lead times between British applicants expressing interest in Monaco and completing their residency process, though likely won't negatively affect demand for those looking to take advantage of all the benefits Monaco has to offer.

## New build projects

Villa Palazzino is scheduled to complete in June 2021 bringing four townhouses and 17 apartments to the market. Villa Portofino and L'Exotique are both slated to complete in 2022 and will also help ease supply constraints in the Principality with their 14 and 66 units respectively. The ambitious land reclamation project, Mareterra, will be brought to market at the end of 2024.

## The rental market

The return of international travel will likely benefit the rental market in Monaco, as new residents are likely to rent an apartment in the Principality as they acclimatise to the Monégasque lifestyle. These new residents will likely serve to boost rents to pre-pandemic levels in the Principality as global travel restrictions lift and they are able to return.



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