

The Savills logo consists of a solid yellow square positioned above the word "savills" in a lowercase, sans-serif font. The text is white, and the 'i' in "savills" has a distinctive dot.

SPOTLIGHT | 2017

MONACO

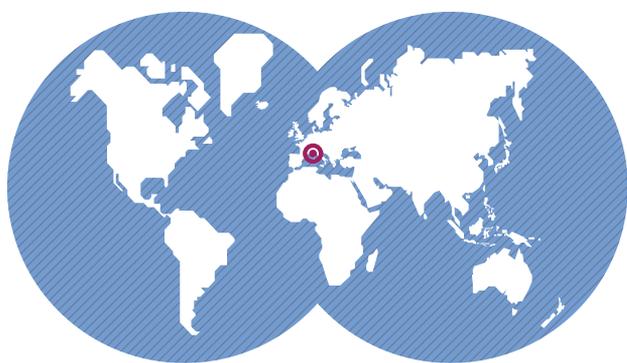
Residential insight | New developments | Market outlook

A large white percentage "180%" is displayed. A thin white line forms a rectangular frame around the text, extending downwards to the subtext. The background is a scenic view of Monaco, showing a dense urban area built on a hillside overlooking the sea, with a harbor filled with yachts and a few sailboats on the water.

Resales price growth in the
Principality over 10 years

A large white text "€4.3m" is displayed. Below it, a thin white line forms a rectangular frame around the subtext. The background is the same scenic view of Monaco as above.

Average resales price
in Monaco in 2016



Global hotspot

Residential property in Monaco is now the world's most expensive – however, transaction volumes are falling as the market reaches a sticking point

“ Monaco is home to world-class sporting and entertainment events, successful sports teams and a royal family. With a population of 38,400, it is a big country in miniature. Spoken about in the same breath as the premier world cities, Monaco punches well above its weight on the global stage.

The Principality is a low-tax centre of commerce with all the characteristics of a leisure destination. This makes it very appealing to high-net-worth individuals as a place to live, do business and play.

Prices have adjusted in the prime residential markets of many cities, yet Monaco's have continued to rise

At a time when prices have adjusted in the prime residential markets of many world cities, prices in Monaco have continued to rise. In 2016, average sales prices reached a record high of €41,400psm, overtaking Hong Kong to become the most expensive residential real estate in the world.

This comes as a number of high-profile new developments have completed, although fewer are expected in the near term. Wealthy residents hold their properties for long periods, so market liquidity is low. Monaco's position on the global stage is assured, but owning a piece of it will be more difficult and come at an ever-higher price. ”

Paul Tostevin

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Summary

Record year

A record €2.7 billion of residential property was transacted in 2016.

High resales price

The average resales price is now €41,400psm, the highest in prime markets globally.

New build premium

There is a significant premium for new build. Sales accounted for 6% of transactions by number, but 17% by value.

Market illiquidity

Lack of new supply and illiquidity in the market may dampen transaction volumes in the near term.

Long-term planning

Ambitious urban expansion and renewal projects will secure the Principality's long-term success.

Setting new records on the global stage

Residential property in Monaco is now the world's most expensive. Large properties are in high demand and trade at a price premium, with the average resale price in 2016 up 180% in a decade

WORDS PAUL TOSTEVIN

A record €2.7 billion of residential property was transacted in 2016. This was the third year that total transactions exceeded €2 billion, with strong demand for limited product pushing prices to new highs.

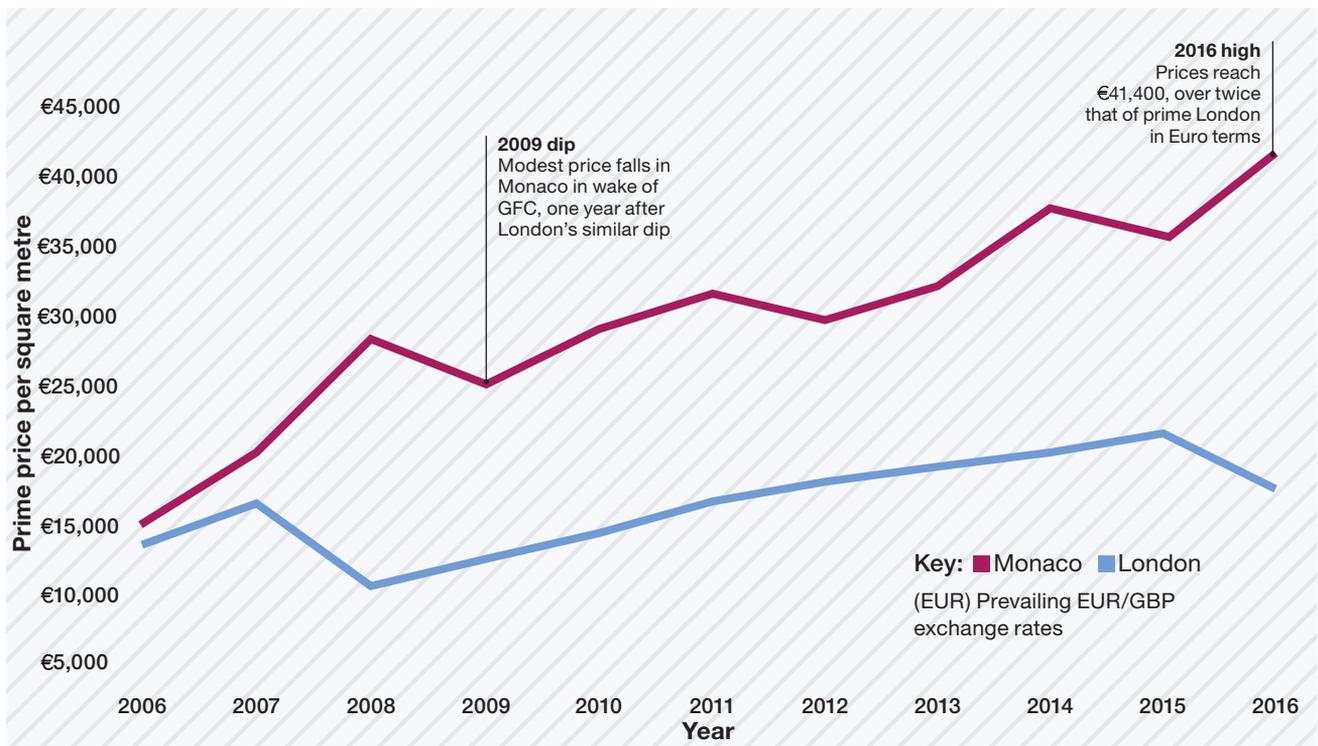
Residential property in Monaco is now the most expensive in the world. The average resale price in 2016 was €4.3 million or €41,400psm, up 180% in a decade – a growth rate largely unseen in other developed economies. By comparison, prime London prices grew by 70% over the same period according to our World Cities data. In common with other prime districts across the globe, large properties are in high demand

and trade at a price premium. One-bedroom properties averaged €36,300psm, compared to €48,500psm for four-bedroom and larger properties – a 33% premium.

Monaco attracts a diverse range of international buyers seeking security, wealth preservation or a business base. British, Italian, Scandinavian and South African buyers were especially active last year. Towards the end of 2016 and into 2017, market activity slowed as buyers adopt a 'wait and see' approach ahead of the elections in France (a major trading partner) and wider global political events. With prices at record highs, wealthy vendors are unwilling to negotiate down and transaction volumes are now falling.

Monaco outperforms London prime

Residential price growth since 2006 in euro terms



Source Savills World Research and IMSEE

Market dashboard

€4.3m
Average resale price in 2016

10.9%
Compound average annual price growth since 2006

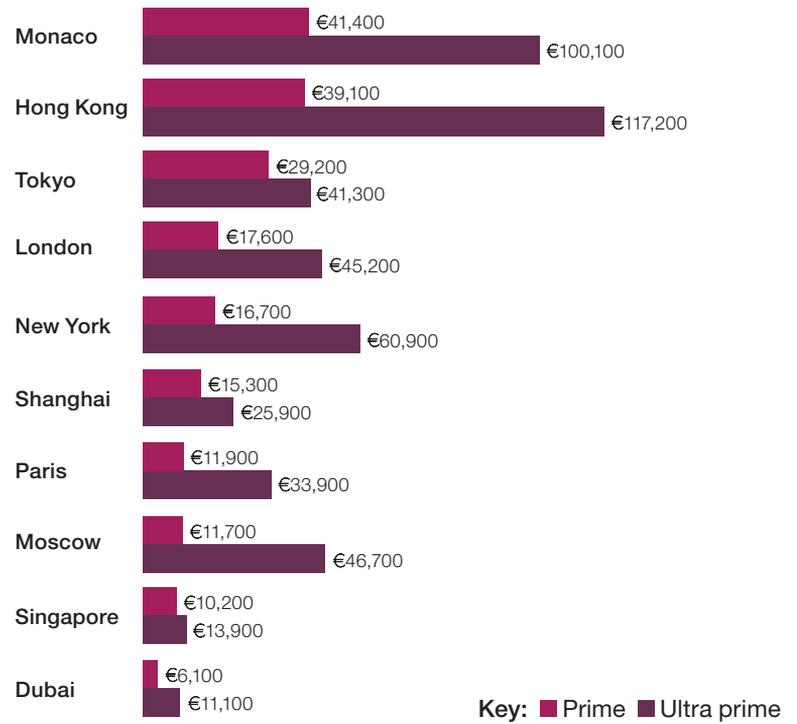
553
Transactions in 2016

€2.7bn
Total of residential property transacted

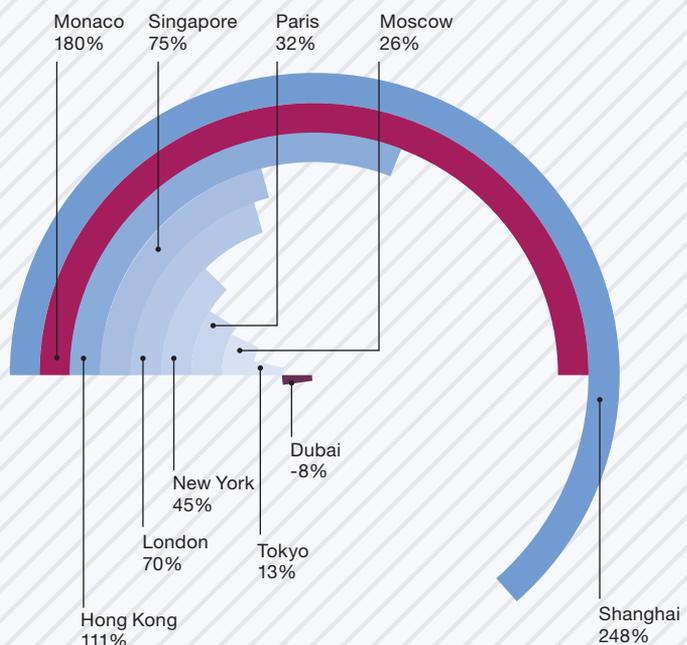
€13.7m
Average new-build sales price in 2016

Source IMSEE

International Price league Savills World Research statistics on Prime and Ultra-Prime values per square metre



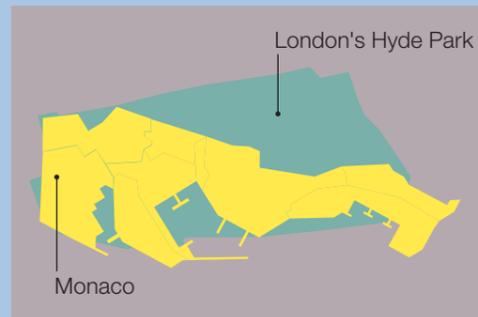
10-year prime price growth Monaco's impressive price growth eclipses other major cities



Source Savills World Research

Small supply, high demand Monaco continues to face high demand from the world's high-net-worth individuals, which is driving price growth and plans for new property development

In comparison At just 2 sq km, Monaco is the world's second smallest country



La Rousse
Average resale price 2016: €3.3m

Testimonio II
156-unit residential development for Monégasque nationals

Tour Giroflées
22-storey tower with 73 residential units and a fitness centre

Tour Odéon
Completed in 2016, this 49 storey, 70-unit development contains a five-storey 3,300sqm penthouse

Les Moneghetti
Average resale price 2016: €5.6m

Le Stella
Mixed-use scheme of two villas and 99 apartments, with retail and commercial space

Jardin Exotique
Average resale price 2016: €2.4m

Larvotto
Average resale price 2016: €6.4m

Palais de la Plage
15-storey development replacing the oldest building in the Larvotto area

Le Portier
This six-hectare land reclamation scheme will add 54,980sqm of habitable space, including 10 villas, 115 apartments and retail premises. Completion 2025

Monte Carlo
Average resale price 2016: €5m

La Petite Afrique
Completed at the end of 2016, the building overlooks Monte Carlo Casino gardens and boasts seven apartments of 400-700sqm

Sporting d'Hiver
Designed by Richard Rogers, this redevelopment will contain six residential pavilions, plus commercial and cultural space

26 Carré D'or
A contemporary mixed-use development due to be completed in 2018

La Condamine
Average resale price 2016: €4.3m

Monaco Ville
Average resale price 2016: €1.6m

Fontvieille
Average resale price 2016: €5.8m

Le Méridien
14-storey residential and mixed-use development completed in 2015

New development

In 2016, the average selling price of new-built properties in Monaco was €13.7 million – three times higher than resale properties of a different (sometimes dated) specification.

In total, only 553 properties were sold in 2016. Of these, 33 were new-build – just 6% of the market. However, in terms of value, these properties represented 17% of the market. New developments, such as Tour Odéon and La Petite Afrique, have brought property to Monaco that's up to the standards of other major world cities. Designed to meet the demands of wealthy international occupiers, the well-appointed, spacious residential units offered are priced accordingly.

A large proportion of Monaco's housing stock was developed in the 1960s and 70s, and many of these properties are looking dated and ripe for renewal and refurbishment. In the next wave of development, international architects are raising the design stakes – for example, La Petite Afrique, which was designed by Brazilian Isay Weinfeld, provides large apartments with 'flow through' terraces, while Sporting d'Hiver, a large mixed-use development that's currently under construction on Golden Square, is designed by British architect Richard Rogers. Civic buildings are getting the treatment, too: the new building for the Yacht Club de Monaco is by British firm Foster and Partners.

THE DIVERSE ECONOMY CREATES A STRONG BASE

A diverse economy that includes high-quality manufacturing and marine sciences, alongside finance and tourism, has helped Monaco develop a dynamic base

Monaco's economy is performing strongly. Average annual real GDP growth in the five years to 2015 stood at 5.4%, outperforming the wider Eurozone, which grew by just 1.2% per annum over the same period. The Principality's economy also grew faster than the rival private wealth hotspots of Zurich, Geneva and Luxembourg, which had average five-year GDP growth rates of 1.6%, 1.3% and 3.4% respectively.

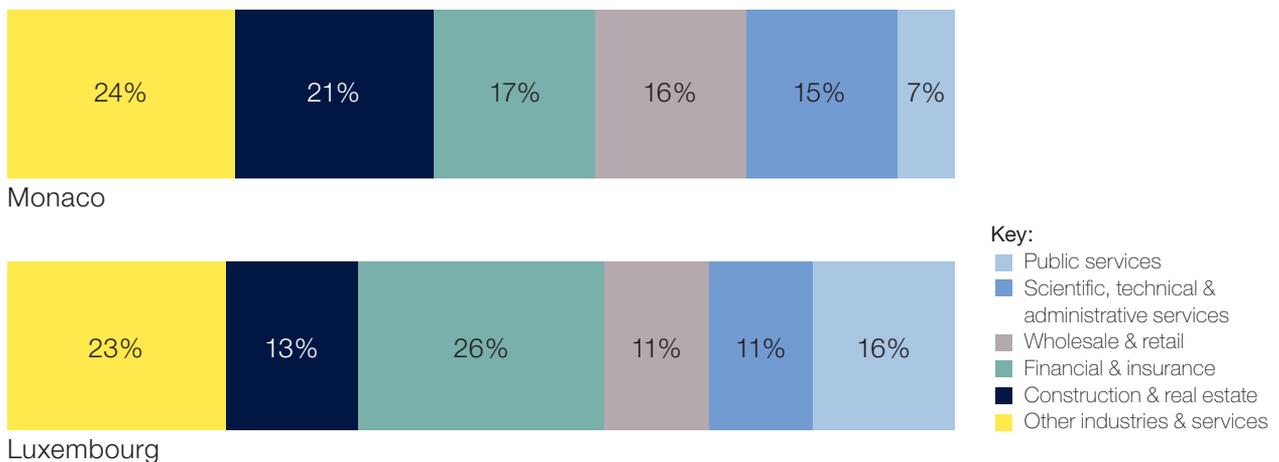
At €166,000, GDP per capita is the second highest globally (just behind Liechtenstein). Monaco is a net importer of labour, employing 47,504 people in the private sector, of which 76% reside in France.

In contrast to many other small states built on single economic sectors (usually financial services), Monaco's economy is highly diversified. Marine sciences, tourism, gambling, high-value manufacturing and construction, as well as private banking and insurance, all contribute to the economic base.

Wealth infrastructure

Monaco is home to the highest concentration of millionaires in the world. WealthInsight counts 31 millionaires per 100 residents, an increase of 7% since 2014. Fast and direct connections to the rest of the continent have helped this figure rise. Independent of the EU, but physically connected to it, Monaco benefits from two state-of-the-art marinas – Port Hercules and Port de Fontvieille – with another, Port de Cap d'Ail, located immediately adjacent in neighbouring France. The Héliport de Monaco provides a six-minute connection to Nice Côte d'Azur International Airport.

The Principality's diversified economy The distribution of economic output by sector for Monaco and Luxembourg



The latest available economic data is for 2015.
Source Savills World Research using IMSEE and Oxford Economics

Monaco in 2025

A dynamic city state, Monaco is planning for the future in order to cement its position on the global stage. The next decade will see expansion and land reclaimed from the sea, ambitious urban renewal projects and interests outside Monaco's borders. Three projects alone will bring two new marinas, new cultural facilities and public spaces, and more than 100,000sqm of residential and commercial floorspace



FUTURE-BUILDING – SPORTING D’HIVER

Redeveloped as a whole new city quarter, Sporting d’Hiver will maximise use of an iconic site on Casino Square. The mixed-use scheme will provide an art gallery, conference centre, and residential and commercial space, all set within a high-quality public realm.



BEYOND BORDERS – CALA DEL FORTE

Monaco’s marinas are at full capacity. To meet demand, the Principality’s government has acquired a marina in the Italian town of Ventimiglia, 14.6km east. Due to complete in 2019, Cala del Forte Marina will be fully integrated into the Port of Monaco, offering 171 berths for yachts of up to 60m in length.

SEA-STEALING – LE PORTIER

Six hectares of land will be reclaimed from the sea to extend Grimaldi Forum and provide new villas and apartments, a marina and public space in the form of a park and promenade. Tests have begun ahead of construction. Due to complete in 2025.





Monaco outlook

■ **Prices to remain at record highs**

Buyers are becoming more price sensitive, but with an ongoing supply-demand imbalance, we don't foresee any potential for downward adjustment.

■ **Shortage of new properties for sale**

There were no completions in 2016 and not until Le Portier completes will there be any volumes of new supply. We anticipate a shortage of new product in the near term.

■ **Ongoing global political uncertainty**

While some are adopting a 'wait and see' approach, in the long term Monaco's safe-haven credentials will underpin demand. Changes to the UK's non-domicile rules from 2017 could see more expats choosing Monaco as a base.

■ **Building a world-class destination**

Monaco is currently investing extensively in infrastructure to secure its position as a world-class business and leisure destination.

Savills World Research We monitor global real estate markets and the forces that shape them. Working with our teams across the globe, and drawing on market intelligence and published data, we produce a range of market-leading publications, as well as providing bespoke research services to our clients.

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