



# Spotlight Monaco Residential Market

2016

## ULTRA PRIME

Monaco remains an attractive destination for the global wealthy



**Notes about the publication**

This document was published in May 2016. The data used in the charts and tables is the latest available at the time of going to press. Sources are included for all the charts.

# Spotlight Monaco Residential Market



High demand for prime property meets with low supply in an extremely limited land area

**M**onaco continues to be an exceptionally attractive location for the global wealthy and has all the key ingredients for real estate price growth.

A very strong local economy employs more people than can be physically accommodated within the city state. High demand for both residential and commercial space meets with low supply in an extremely limited land area.

Monaco's residential property market may be very valuable but it is also very small. Transaction numbers topped only 547 in 2015 but, even then, this represented less than 4% of private housing stock numbers in Monaco. On average, since 2006, less than 3% of private stock has

traded each year, meaning that the average Monégasque home changes hands only once every 37 years. This compared to prime London properties, for example, where the norm is nearer once every 20 years.

Against this low annual supply of resale properties, new builds in Monaco are a drop in the ocean. A mere 3.5% of transactions between 2010 and 2015 were newly built apartments. Only a handful of new apartments are earmarked for delivery in 2016 so the supply shortage will appear even more pronounced.

While delivery is anticipated to increase after 2017, we anticipate that it will still add no more than an average of 0.4% a year to stock and will be inadequate to subdue the market by saturating latent demand. ■

▼ Attractive to the global wealthy



“The average Monégasque home changes hands only once every 37 years”

## EXECUTIVE SUMMARY



Monaco is attractive to a broad base of global occupiers and investors. Prime residential is in high demand. At a global level only Hong Kong rivals it on pricing.  
See page 05



Median residential prices grew by 5% in 2015 to €2.1m. Total sales volumes in euro terms were down but only by 6.3% on their 2014 record, to €2.25bn.  
See page 06



Targeted at the international elite, newly built properties accounted for 7% of all sales by number in 2015, but 20% by value.  
See pages 08/09



A strong economy supports demand for commercial real estate. Short supply and strong demand means that commercial rents in Monaco rival central London.  
See page 09



Monaco is building to meet modern-day occupier demands. Safe haven credentials, political and economic stability will continue to underpin its appeal.  
See page 10

## MONACO AT A GLANCE

**Monaco is a sovereign city-state of just 2 sq km in area and home to the world's highest concentration of wealthy individuals. A truly cosmopolitan city with a Mediterranean character, it is both a global centre of commerce and a leisure destination.**

Monaco has low taxes and a business friendly environment and plays host to numerous prestigious international sporting events, contributing to a profile that sees it punch well above its weight on a global stage. These factors make it attractive to a broad base of global occupiers and investors, and real estate here is in high demand.

.....  
 "Monaco has experienced very strong and sustained economic growth since 2010"  
 .....

### Economy

Monaco has experienced very strong and sustained economic growth since 2010, with official figures reporting 9.6% and 7.2% GDP growth in 2013 and 2014 respectively. This is in contrast to lacklustre performance in neighbouring France, while the Eurozone as a whole has contracted over the same period. Monaco recorded a budget surplus for the third year running, with a current account balance of €25.7m.

An important centre of employment in the region, Monaco is a net importer of labour. As of Q4 2015, the total number of people employed stood at 50,533, a number that has grown by 5.8% since 2012. This compares to Monaco's permanent population of 37,800.

Thanks to its busy sporting calendar, Monaco has a strong tourist industry and hotel occupancy is high. Some 535,915 rooms were rented in 2015, the equivalent to 14 rooms per capita.

With the iconic Hotel de Paris in Monte Carlo now under renovation,

scheduled to last four years, Monaco has lost 7% of its occupancy capacity. This has put upward pressure on the average price paid per occupied room, up by 1.3%.

### Wealth infrastructure

Monaco is part of a network of global destinations where wealthy individuals choose to own homes. A property in Monaco is frequently paired with a home in London or New York, the major world city complementing the low-tax Principality.

The preservation of wealth is an increasingly important consideration for footloose wealthy individuals, and Monaco's low tax environment is attractive. In this regard the Principality does not levy any income tax, wealth tax or capital gains tax. Instead, it uses social insurance, payable by both employers and employees, and VAT payable on goods and services, to raise income.

Corporations are exempt from tax – except where more than 25%

## THE MONACO GRAND PRIX

The Monaco Grand Prix is one of the most prestigious – and demanding – motor racing events in the world. First held in 1929, it has been a permanent fixture on the F1 calendar since 1955. The annual event has a seating capacity for 37,000, nearly equivalent to Monaco's entire population, while up to 200,000 more watch from balconies and other vantage points. The Grand Prix is estimated to generate over €100 million for the Principality each year.

The 2016 F1 season features five city tracks. In Monaco, prime two bed apartments in proximity to the circuit have a typical price of €8,500,000, nearly nine times the cost of comparable properties in proximity to the Singapore track, the Marina Bay Street Circuit. At 3,337m in length, the Circuit de Monaco runs through the heart of Monte Carlo and La Condamine, some of Monaco's most exclusive districts. If the equivalent track area was measured as dwelling floorspace it would be worth €3 billion.

FIGURE 1  
**F1 Grand Prix 2016 season city circuits**

| Location (Circuit)                    | Grand Prix            | Prime 2 bed apartment in proximity to circuit |
|---------------------------------------|-----------------------|---|
| Monaco (Circuit de Monaco)            | Monaco Grand Prix     | €8,500,000                                    |
| Singapore (Marina Bay Street Circuit) | Singapore Grand Prix  | €950,000                                      |
| Montreal (Circuit Gilles Villeneuve)  | Canadian Grand Prix   | €530,000                                      |
| Melbourne (Albert Park)               | Australian Grand Prix | €450,000                                      |
| Baku (Baku City Circuit)              | European Grand Prix   | €180,000                                      |

Source: Savills World Research



**\$187,650**

GDP per capita, the highest globally



**89.5**

Years life expectancy, the highest in the world



**18,700**

People per sq km, 2<sup>nd</sup> highest population density in the world after Macau

Source: CIA World Factbook, UN, Savills World Research

of turnover is generated outside Monaco, in which case a rate of 33.33% applies.

With a high density of UHNWIs and HNWI, Monaco also has a very strong private banking presence. Twenty-one banks are listed in the Principality and several more agencies of foreign banks are located there.

Residential demand from a broad, global base, coupled with restricted supply, means that Monaco remains one of the most expensive destinations for ultra-prime property in the world – only Hong Kong tops it at €109,800psm compared to Monaco's €90,900psm (Figure 2).

Prime prices in Monaco remained stable in 2015 at €36,000psm in local currency. While US Dollar denominated (and pegged) markets have become relatively more expensive due to a strengthening of that currency, Monaco still offers currency savings to dollar buyers, in spite of some strengthening of the euro since November 2015.

## RESIDENTIAL MARKET

Monaco's residential market saw another strong year in 2015 with a total of €2.25bn sales undertaken, slightly down on 2014's record of €2.4bn. In the resale market, which accounted for 93% of deals, 509 sales were recorded. This was 8% below 2014 volumes, but still 11% above 2007 levels (Figure 3). The very upper tiers of the market have been most liquid and total euro volumes stand 67% above their 2008 peak.

### Price trends

Monaco is a small market and average prices are prone to fluctuation depending on the sample of properties sold in any one year. In 2015 the average resale price in Monaco stood at €3.5m, down 4.8% on the year prior, while the median price, at €2.1m, was up 5.0%. The long-term median price trend shows consistent growth, averaging 5.8% per annum since 2010 (Figure 4). →

FIGURE 2

**Ultra-prime prices:** prices per square metre around the world

| City      | € psm   | 2015 price movement in local currency |
|-----------|---------|---------------------------------------|
| Hong Kong | 109,800 | →                                     |
| Monaco    | 90,900  | →                                     |
| Tokyo     | 58,900  | ↗                                     |
| New York  | 57,000  | ↑                                     |
| London    | 55,900  | ↘                                     |
| Moscow    | 45,100  | →                                     |
| Paris     | 31,100  | ↘                                     |
| Shanghai  | 25,000  | ↗                                     |
| Singapore | 13,400  | ↘                                     |
| Dubai     | 10,900  | ↘                                     |

Source: Savills World Research



→ In common with other top-tier global prime markets, the largest properties in Monaco achieve a price premium on a square metre basis. With developable space limited, large, single, units are in short supply and priced accordingly. There is a price premium for size. Between 2013 and 2015, the average resale price of a four bed (or larger) property stood at €40,700psm. This is 28% higher than the price per square

metre of a one bed property at €31,900psm.

**Occupier profile**

Purchasers of prime property in Monaco are diverse, providing a broad demand base. Less than a quarter of Monaco's residents are Monégasque, the remainder are of 144 different nationalities, of which the French, Italian and British are the largest groups.

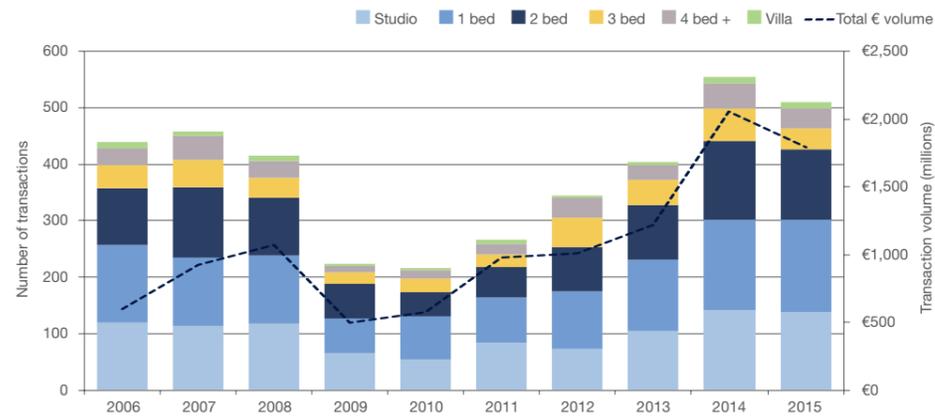
In the last year, increased purchasing activity has been seen from British and Greek buyers seeking a move for wealth preservation. A range of Europeans and those from the Middle East are active, while Russians have seen a small decline (but are still present). Many relocating individuals also seek to move their businesses to Monaco (see boxout on p.09).



**88,225**

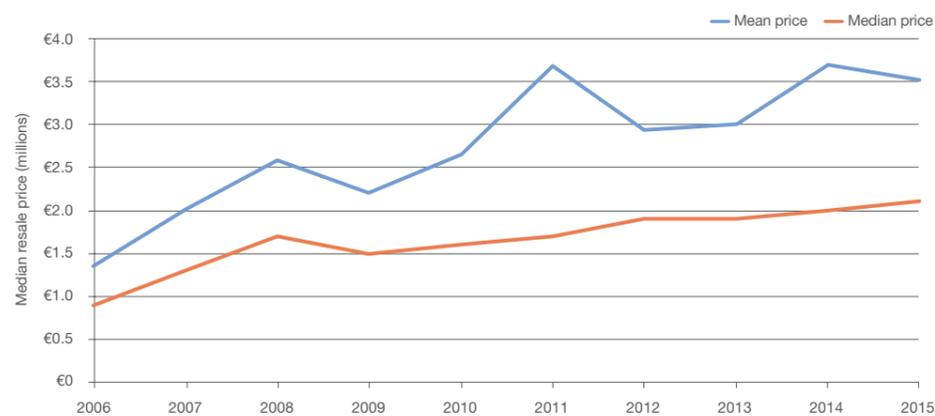
Helicopter passengers in 2015

**FIGURE 3**  
Resale transactions: 2015 volumes down on 2014 peak



Source: IMSEE

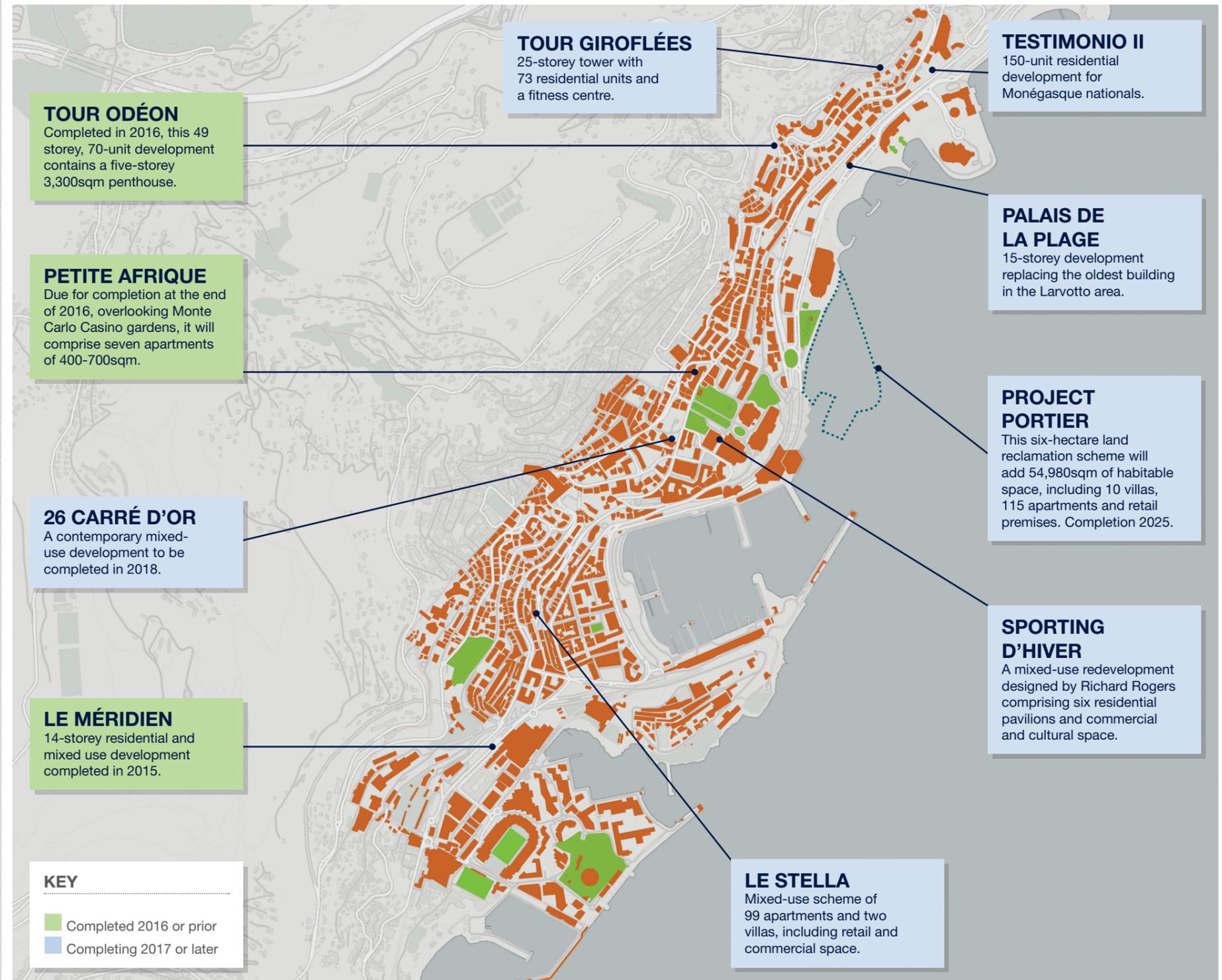
**FIGURE 4**  
Mean and median resale price: steady upward trend in median price



Source: IMSEE

**FIGURE 5**  
New development in Monaco:

Recently completed and pipeline projects in the Principality



Source: Savills World Research



**€454m**  
Record new build  
sales volumes in 2015

## NEW BUILD MARKET

**Newly built properties made up 7% of total sales by number in 2015 but 20% by value. Sales volumes reached record levels last year. Thirty-eight new build sales were registered, up from just 11 in 2014, with a total sales value of €454 million (Figure 7).**

During the global economic downturn, developers in Monaco shifted their focus to the global ultra-prime segment. They built large, well-appointed units in schemes with extensive on-site amenities targeted at wealthy end-users.

Tour Odéon completed in early 2016 and La Petite Afrique is to be completed in late 2016 and exemplify these standards. Such schemes command a significant premium over the resale market, a trend most apparent in the largest units. Four bed (and larger) units accounted for 29% of all new build sales last year, with an average price of €28.7m. This represents a 231% premium over the same size properties in the resale market, where the average sale price was €8.7m (Figure 8).

Investors are also active in Monaco's new build sector. More than half of new build sales (21 units) were one bed units with an average sale price of €3m apiece, mainly accounted for by Le Méridien. Monaco has a large rental sector which is, typically, institutionally owned and let to Monégasque nationals, but there is demand for rental property from international occupiers too. New developments such as Le Méridien have catered directly toward these markets.

### Expanding Monaco

With a population density of 18,700 per square kilometre and all its land developed, Monaco is taking innovative approaches to new urban development. The city state has, in common with many modern land-constrained cities, been reclaiming land from the sea since the late 19th century. The Fontvieille district, developed in the 1970s, extended Monaco's land by 20%.

# OFFICE PROPERTY

As an international centre of business, Monaco attracts a range of occupiers in the professional services sector as well as relocating family firms. Office space is in short supply and high demand, pushing rents to new heights. Grade A office rents stand at €1,140 per metre per annum, well above neighbouring Nice, for example, and not far off prime rents in London's West End.

The majority of Monaco's office space is concentrated in Fontvieille, while financial services firms and private banks are dotted around Monte Carlo, La Rousse and La Condamine. New delivery has been limited in recent years. The small amount of new supply set to come forward as part of mixed-use schemes will do little to ease the shortage in the near term.

FIGURE 6  
**Grade A office rent comparison**

|                   | Rent per square metre per annum |
|-------------------|---------------------------------|
| London (West End) | €1,410                          |
| Monaco            | €1,140                          |
| Paris (CBD)       | €790                            |
| Nice              | €200                            |

Source: Savills World Research

In July 2015 Monaco's latest expansion project was agreed. The six-hectare Le Portier reclamation project will include six hectares of mainly residential space, an extension of Grimaldi Forum, a marina, park and seafront promenade. S.A.M. Anse du Portier/ Bouygues Travaux Publics Group have been awarded the contract and work is scheduled to begin in 2016, to complete by 2025.

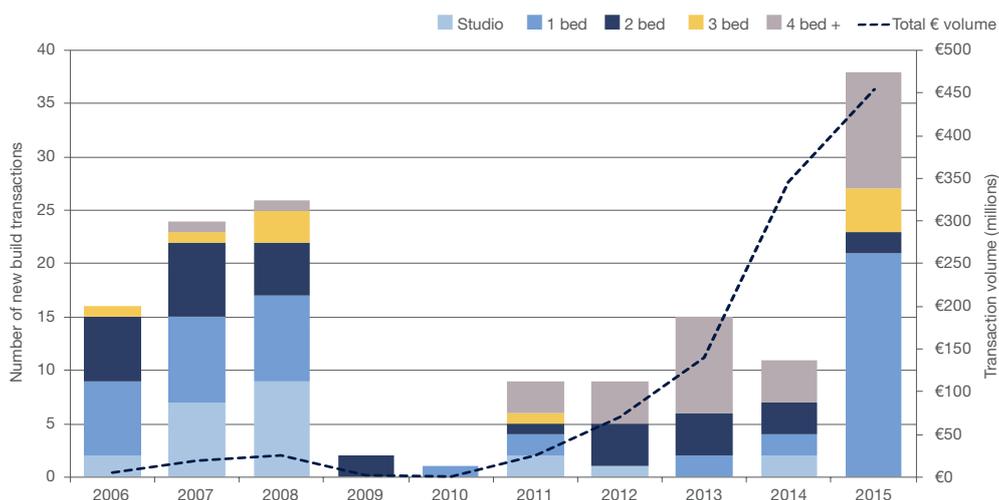
Elsewhere, more new development is in the pipeline, much of it to be concentrated in the Larvotto district. This will include the 73-unit Les Giroflées tower, targeted squarely at the global super rich, and the 150-unit Testimonio II in Saint Roman, for Monégasque nationals.

While delivery is anticipated to increase (after 2017), we anticipate that it will still add no more than an average of 0.4% a year to stock and will be inadequate to subdue the market by saturating latent demand.

In response to strong demand for office space, meanwhile, many residential schemes will include an office component. Le Stella, a 99 residential unit scheme, also incorporates four floors of office space.

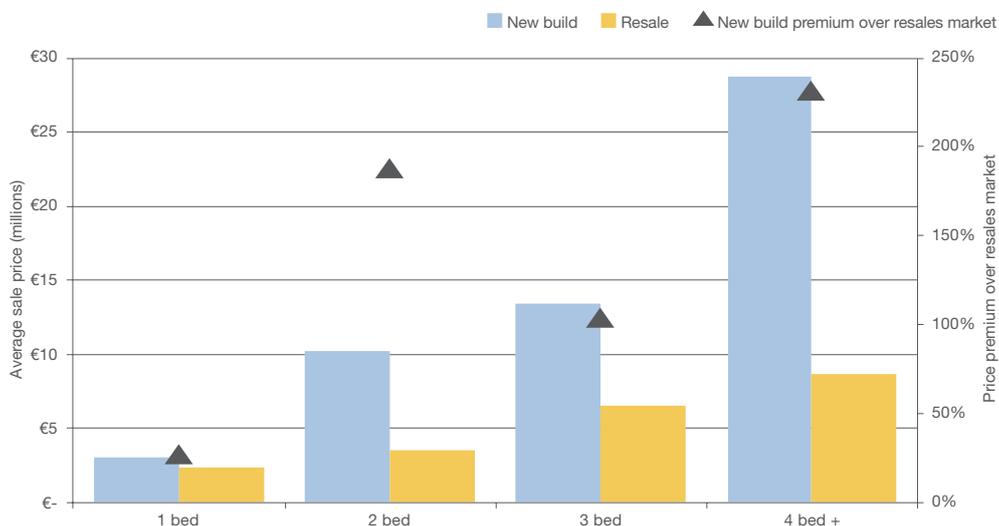
Sporting D'Hiver in Golden Square is a Richard Rogers designed, mixed-use redevelopment that will deliver six residential pavilions (for the rental market), along with commercial and cultural space. Prominent sites are being repurposed to make them fit for modern occupier demands. ■

FIGURE 7  
**New build transactions: record number of sales in 2015**



Source: IMSEE

FIGURE 8  
**New build premium: average sale price and new build premium in 2015**



Source: IMSEE

▼ Monaco has a cachet that is hard to rival



## OUTLOOK

■ **Stability:** In the face of global economic uncertainty, Monaco's safe haven credentials, political and economic stability will continue to underpin its appeal.

■ **City and retreat:** While the ultra prime markets of many world cities cool, in terms of price and/ or turnover, Monaco will continue to benefit from its dual status as both a business destination and a recreation centre. Prime prices are set to show stability or modest growth, particularly given limited new supply against sustained demand.

■ **Evolution:** Monaco is expanding and rebuilding to remain relevant to modern-day occupier demands. In addition to new residential and commercial space, the Le Portier reclamation project and Sporting d'Hiver will bring new and enhanced public spaces and cultural facilities.

■ **Cachet:** Thanks to its history, heritage and busy sporting and social calendar, the Principality has an unrivalled global reputation as a destination for the world's wealthy. Many new competing city enclaves are emerging around the globe, but status takes time to foster and very few currently have the cachet of Monaco.

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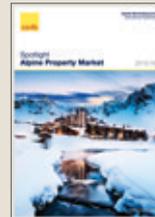


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