

MONACO INSIGHT

2018

EDWARD DE MALLET MORGAN, HEAD OF KNIGHT FRANK'S MONACO DESK, SHARES HIS KNOWLEDGE AND INSIGHT ON THE PRINCIPALITY'S UNIQUE RESIDENTIAL MARKET.



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HOW DOES MONACO'S RESIDENTIAL MARKET DIFFER FROM 12 MONTHS AGO?

The market remains healthy and it has largely been 'business as usual' over the last year. The most notable trend is the growing appetite for new-build apartments. This is confirmed by sales data from Monaco Statistics, which shows 50 new apartments changed hands in 2017, up from 33 in 2016. The resale market, whilst still active, registered a marginal dip in sales from 520 to 406.

Although the majority of sales were priced below €5m in 2017, the €5m+ market segment has risen significantly over the last decade. In 2008, properties above €5m accounted for 12% of sales, by 2017 this figure had jumped to 23% (figure 1).

ARE PRICES RISING, FLAT OR FALLING?

Monaco remains the world's most expensive property market but prices across the Principality were largely stable in 2017 at c.€53,000 per sq m.

New product continues to generate a premium with projects such as Tour Odéon and Petite Afrique raising the bar significantly; here some units exceeded the €100,000 per sq m threshold. We expect this trend – the dislocation of the super-prime end of the market – to continue.

IS THERE A LACK OF LIQUIDITY IN THE MARKET BECAUSE OF THE HIGH NUMBER OF DISCRETIONARY VENDORS?

Most vendors who have listed their home genuinely want to sell, and priced correctly it will transact quickly.

We have seen a number of larger family apartments of four or five-bedrooms come to the market this year as owners look to downsize to a two or three-bedroom property, either to release capital and purchase a second property or because their children

have left home and their requirements have changed. Liquidity in this market segment has been good.

There is no capital gains tax in Monaco, which elsewhere may deter some owners from moving home, but its absence in Monaco assists market liquidity.

WHICH NATIONALITIES WERE ACTIVE IN 2017?

Whilst there is a mix of nationalities keen to make Monaco their home, there is also a strong appetite for the new schemes amongst local residents and Monégasques.

In 2017, we had an extensive list of applicants from the UK, Italy, France, Switzerland as well as India and the Middle East. An analysis of Knight Frank online property search data confirms strong demand from the US and Scandinavian markets as well.

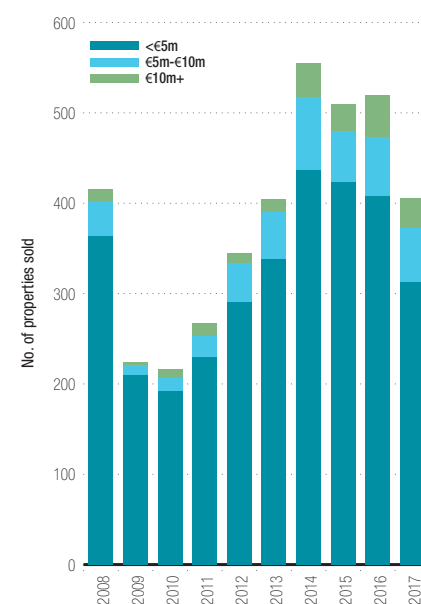
WHAT IS YOUR OUTLOOK FOR THE MARKET?

Monaco is moving with the times as it embarks on an overhaul of many of its public spaces, including a new college, concert hall and media library, all part of the Ilot Pasteur project due for completion in 2021. Tax incentives will remain a key draw for UHNWIs who want a base in Europe but for many the quality of life, good schools, privacy and security also rank highly.

Over the next 15 years I expect Monaco's skyline to change significantly. Demand is only going to strengthen and despite efforts to increase supply via land reclamation projects such as Le Portier, supply will not keep pace, meaning developers will increasingly need to build upwards. Architecture will be groundbreaking and we may see Monaco emerge as a world leader in green technologies and environmental development given Prince Albert's commitment to the green agenda.

“IN 2008, PROPERTIES ABOVE €5M ACCOUNTED FOR 12% OF MONACO SALES, BY 2017, THIS FIGURE HAD JUMPED TO 23%.”

FIGURE 1
SALES OVER THE DECADE: SUPER-PRIME TRANSACTIONS INCREASE

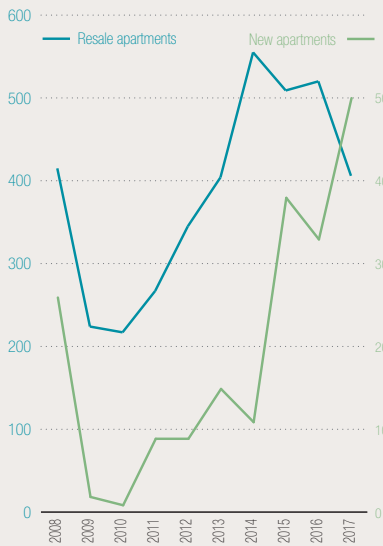


Source: Direction des Services Fiscaux, IMSEE

MARKET INTELLIGENCE

Knight Frank's Research team take the pulse of Monaco's prime residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

FIGURE 2
NEW-BUILD SALES ON THE RISE
No. of properties sold



Source: Direction des Services Fiscaux, IMSEE

FIGURE 3
PRICES UP 46% OVER THE DECADE
Average € per sq m



Source: Direction des Services Fiscaux, IMSEE
*A number of new-build sales that completed in 2017 were based on prices agreed when purchased off-plan a few years earlier.

FIGURE 4
MONTE-CARLO SAW STRONGEST ACTIVITY
Sales volumes and pricing by area, 2017

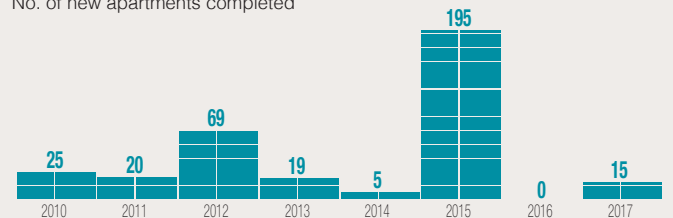


Source: Direction des Services Fiscaux, IMSEE
*Average prices reflect all transactions, including older properties in need of renovation and without views/parking. **The price recorded in Larvotto is due to a small number of high-end sales in 2017.

FIGURE 5
TOP 3 THINGS TO CONSIDER

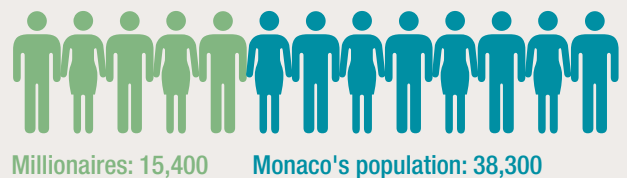
- 1. New development premium:** The gap between new and resale prices is only set to widen.
- 2. Location isn't everything:** Buyers are less tied to being in Monte-Carlo than a decade ago, many are willing to consider more 'peripheral' areas.
- 3. Room with a view:** With demand outpacing supply, developers will build upwards rather than outwards, buyers need to consider this if buying a property with a view.

FIGURE 6
TIGHT SUPPLY EXPLAINS NEW-BUILD PREMIUM
No. of new apartments completed



Source: Direction des Services Fiscaux, IMSEE

FIGURE 7
MORE THAN A THIRD OF MONACO'S POPULATION ARE MILLIONAIRES



Source: AfrAsia Bank Global Wealth Migration Review. Data as at Dec 17



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