

RESIDENTIAL RESEARCH MONACO RESIDENTIAL INSIGHT

Knight Frank



Paul Humphreys, Head of Knight Frank's France, Monaco and The Alps team, offers his insight into the world's most opulent property market. Paul talks all things Monégasque and provides his expert view on the market's likely direction in 2012

How did the price of Monaco's luxury homes fare in 2011?

Prime apartments in Monaco are currently changing hands for around €35,000-€50,000 per sq m, which indicates a reduction in prices of around 10% year-on-year.

Put in context, the Monaco market saw a period of rapid price growth between 2006 and 2008 when prices rose by more than 50%, and it has taken some time for vendors to acknowledge the market's readjustment in the wake of the tumultuous global economic crisis.

Not only did the global financial crisis hit Monaco later than elsewhere – prices only started to fall in Q1 2009 while London's slide began almost a year earlier in Q2 2008 – but this delayed response is evident in its recovery too with nascent signs of stability now starting to appear.

Who buys in Monaco and why?

It is important to bear in mind that only 20% of Monaco's 35,000 residents are Monégasque which underlines the scale of foreign interest in the principality. For many years, French and Italian buyers comprised the bulk of foreign demand but in the last decade the principality has caught the attention not just of other European buyers (UK and Italian) but increasingly of Russian and CIS, North American, South African, Middle Eastern and Asian buyers too.

Undeniably, Monaco's benign tax environment is the main motivation for demand. Not only are residents exempt from income tax, capital gains tax and tax on rental income but there is limited inheritance tax on estates.

What sets Monaco apart from other low tax jurisdictions?

The principality's mediterranean climate, its proximity to the rest of Europe, excellent schools and above all the security and privacy it offers appeals directly to the world's rising number of HNWIs.

Despite filling an area of just 2 sq km Monaco still manages to offer several quarters with their own distinct characters; from the old-style Carre d'Or and Le Port in the centre to the timeless elegance of the Avenue Princesse Grace as well

as the new Port de Fontvieille, reclaimed from the Mediterranean sea at the eastern end of the coast.

Monaco's location and social calendar are pivotal to its appeal. Not only are St Tropez, Cap Ferrat, The Alps and the Italian Lakes within easy reach but the principality is a permanent host venue for the F1 Grand Prix and the Yacht Show.

What type of properties are in greatest demand?

Space is at a premium which has meant minimal new supply in recent decades; this explains the interest already being generated by two new projects No.23 Boulevard de Belgique which is now being marketed and Tour Odéon which is due to complete in 2014. Together, the two developments will add 100 new units to Monaco's tightly-constrained residential stock.

What's your outlook for the market in 2012?

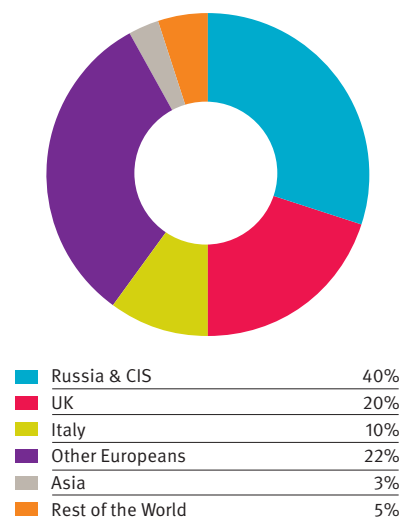
Escalating global wealth means demand for homes in one of the world's most glamorous tax-friendly addresses is largely assured, although not immune to the recent global economic turbulence. Confidence is returning to the market but the uptick in sales will depend on the Euro's trajectory in 2012 and vendors being realistic about their price expectations.

In my opinion there are two issues that have the potential to bolster the market in 2012. Firstly, the new '1381 law' which came into force in 2011 could strengthen interest. The new law substantially reduces the tax payable by individuals purchasing a property in their own name from 7.5% to 4.5%. Secondly, the small but welcome pipeline of new developments, including the landmark Tour Odéon project, will create a new benchmark in terms of luxury living, something the market has lacked for a number of years.



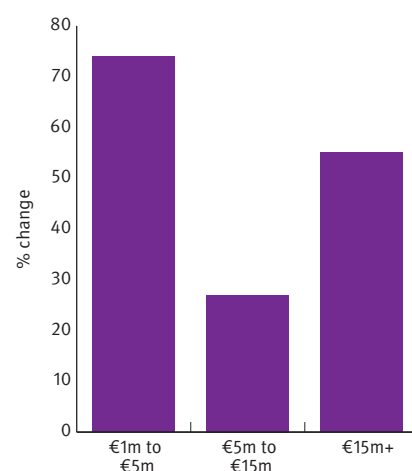
Paul Humphreys
International Residential Department
+44 (0)20 7861 5120
paul.humphreys@knightfrank.com

Figure 1
Who is seeking to buy prime property in Monaco?



Source: Knight Frank Monaco

Figure 2
Searches by price bracket
Percentage change in searches by price bracket, 2010 vs 2011



Source: Knight Frank Global Property Search Website

RESIDENTIAL RESEARCH MONACO RESIDENTIAL INSIGHT

Knight Frank



Knight Frank's Global Property Search website receives 600,000 hits per month making it a unique barometer of the demand for prime international property. The following charts highlight some of the trends in the Monaco market.

Nationality

British buyers searched for the most expensive properties in the final quarter of 2011, the average price being €10.7m (figure 3), but over a 12-month period Russian buyers came out on top with 49% of their searches relating to properties priced above €15m (figure 4).

Figure 3

Average price searched by selected nationalities

Searches in the three months to Jan 2012 (€)

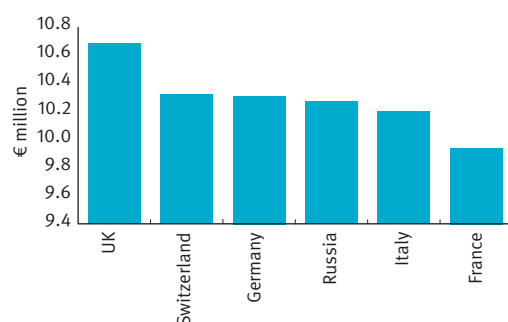
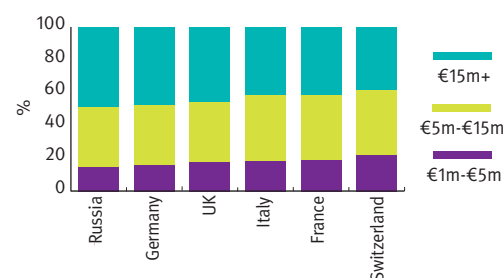


Figure 4

Nationality and price bracket

Proportion of searches by price band and nationality, 12 months to Jan 2012



Search volumes

Vendors in Monaco looking to capitalise on peak online search activity should ensure their property is being marketed by May at the latest. Search volumes peak between May and July (figure 5) with a slight uptick in activity in October as well.

Figure 5

On-trend?

Search activity compared to the monthly average for each location

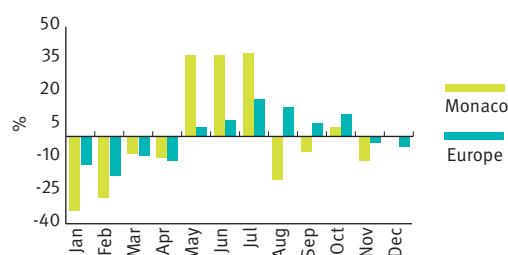
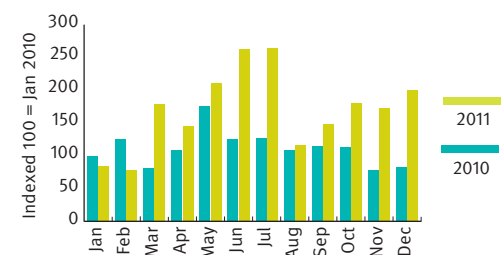


Figure 6

Monthly activity

Volume of property searches by month, 2010 vs. 2011



Source: Knight Frank Global Property Search Website

What can you buy for up to €15m?

CARRE D'OR

Exceptional waterfront residence

Prices from €13.5m

2

What can you buy for more than €15m?

TOUR ODEON

Exceptional modern living with 360° views

Price on application

2-4

For more details please click on the images above...

Contacts

Paul Humphreys
International Residential Department
+44 (0)20 7861 5120
paul.humphreys@knightfrank.com

Pieter van Naeltwijck
PVN Real Estate
+377 97 70 70 20
pvnrealestate@monaco.mc

Bronya Heaver
International PR Manager
+44 (0) 20 7861 1412
bronya.heaver@knightfrank.com

Knight Frank Research Reports are available at
www.KnightFrank.com/Research



Global Briefing

For the latest news, views and analysis on the world of prime property, visit
KnightFrank.com/GlobalBriefing

© Knight Frank LLP 2012 - This report is published for general information only. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no legal responsibility can be accepted by Knight Frank Residential Research or Knight Frank LLP for any loss or damage resultant from the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank LLP in relation to particular properties or projects. Reproduction of this report in whole or in part is allowed with proper reference to Knight Frank Residential Research. Knight Frank LLP is a limited liability partnership registered in England with registered number OC305934. Registered office: 55 Baker Street, London, W1U 8AN

Data correct at March 2012