There are few places in the world where one would consider buying off-plan property eight years in advance, but Monaco is far from typical.

This glamorous pocket of the Côte d'Azur is unwaveringly desirable, thanks to the superlative location, lifestyle and fiscal advantages it offers. But it also has a minuscule supply of new property and a limited amount of land, which means that Monaco is a place where you need to plan ahead.

The privileged Principality that is little bigger than Regent's Park, is currently awash with cranes, reminiscent of 40 years ago when the late Prince Rainier III embarked on his building spree. Major infrastructure projects are underway, from the regeneration of landmark addresses such as Place du Casino to new road tunnels to ease the congestion for the tens of thousands who cross the border into Monaco for work each day. There is a wave of new residential development taking place too, but there is still little stock on offer for hungry buyers, with 75% of properties under construction either social housing or high-end "built to let" apartments.

When a rare new development does go on sale, its properties are likely to be pre-sold, then sold again before completion. That is the case with two current schemes near the harbour, whose €2m starting prices may suggest luxury for many locations but are middle of the road for Monaco.

The solution – albeit a complex and expensive one – is land reclamation. Monaco was just emerging as a playground for the rich when the American writer Mark Twain advised "Buy land. They're not making any more", yet that is precisely what Monaco does, with its only opportunity for expansion to extend into the sea.

The latest €2bn land reclamation programme will see six hectares of new land created from Sicilian sand. On it will sit 120 new high-end apartments whose prices will be in excess of €100,000 per sq m – which ultra prime stock in Monaco is already achieving. Of those 120 units, 50 have already been retained by the developer, leaving just 70 to sell with several years to go until completion.

By then, who knows what stratosphere Monaco's prices will have reached. Such is the demand for new waterfront homes that price will be little deterrent to buyers – and their tax advisers - who are thinking ahead with wealth preservation in mind for future generations of their families. For those with ambitions for a home in Monaco but little appetite for property nearby in France perhaps the waiting game, the options are limited. A buyer who arrives with a handful of children and a nanny in tow may have five, at most 10, apartments that might be suitable. Even then, most will be beyond their budget and will lack the size and quality that such buyers are used to.

Much of Monaco's older stock is being refurbished, but there is still a long way to go. While the new generation of development is bringing higher standards of build and design and a new type of amenities to Monaco - Tour Odéon, for example, has a spa, concierge service and chauffeured Mercedes at residents' disposal – the older properties usually need considerable work to be of the standard that today's global UHNWIs expect. These properties offer the best value in Monaco, but the price must be right to take into account the refurbishment costs, effort and time required to bring them up to scratch.

Time is on the side of today's buyers in Monaco, however, with the average age now 35-55, compared with the 55-60 plus demographic of a decade or so ago. They make the most of the good schools, the growing number of great restaurants and the year-round buzz. As a result, neighbourhoods are changing too, with organic stores, boutique gyms and vegan restaurants cropping up to serve a community who want healthy living with their high life.

While the rest of mainland Europe still looks less attractive and Britain comes with high buying taxes, buyers who can't find what they are looking for in Monaco find other ways to make this unique location work for them. Some will rent and wait. Others will buy something smaller than planned, plus a larger property nearby in France perhaps and a yacht.

Unlike Caribbean tax havens, Monaco has everything they want on tap, so a sacrifice in the size of property is worth it for the location and lifestyle on offer.

It is no less convenient for such clients to be domiciled in Monaco than in London – and they can always pop to London for supper, or Vienna for the weekend.
The sailing king of Monaco

Nick Edmiston, founder of Edmiston & Co, has led the way in Monaco’s super-yacht industry for 30 years. Here he talks about life in the privileged Principality whose yachting scene has a prestige that is unrivalled.

By Zoe Dare Hall

Yachting is inextricably linked to life in Monaco. "Every child in Monaco will learn sailing at some stage in their education," the architect Sir Norman Foster commented at the opening of the Principality’s Foster + Partners designed Yacht Club de Monaco. And there is no better place to see Monaco life in microcosm than at his waterfront paean to sailing.

The Yacht Club displays all the requisite accessories of the luxury lifestyle – the watch and fashion boutiques, the fine dining, super-yacht berths and priceless views over the Grand Prix track. But this sustainable building, powered by the sun and cooled by sea water, is a hub for all the community, with a children’s sailing school, a restaurant that offers a €20 ‘menu du jour’ and a landscaped park on the roof that provides a new pedestrian route between the quayside and Casino Square.

Physically and symbolically, the Yacht Club de Monaco’s new home, which opened in 2014, sums up what this wealth, water-loving nation is all about.

It is also a natural home for Nick Edmiston, founder and chairman of Edmiston & Co, one of the most recognised brands in international yachting, now run by his son Jamie. Edmiston, previously the CEO of yacht firm Camper & Nicholsons, moved to Monaco in 1989 and launched the company that has become a world leader in the sale, charter, management and construction of super-yachts.

"I used to commute regularly between London and the south of France and was going to live in Cannes, but Monaco is far more convenient and there are advantages to running a business here rather than in France," he comments. "That’s one of the most important reasons for me to be here as, unlike other countries that are in flux, Monaco has a very structured financial regulatory system. It’s a good place to do business." It is arguably the only place to be if you hope to find success in the super-yacht business. While newcomers such as Montenegro are making their mark on the world yachting scene, "Monaco is the Mediterranean centre of yachting and it has a prestige that nowhere else can replicate. Ours was one of the earliest yachting businesses down there. Every successful yachting company has followed my example," says Edmiston, fresh from 2017’s Yacht Show, which he is confident will lead to securing a few deals for yachts costing up to €100m. His advice to prospective investors is never to spend more than 10% of their net wealth on a yacht – then to budget for 10% of that figure in the annual costs. "The cheap thing is buying it. The expensive thing is running it. You don’t want to wake up in the middle of the night worrying about it," he says.

In his early days in Monaco, €20m was considered top whack. "Now yachts are getting ever bigger and more sophisticated. The most expensive one I’ve sold was €550m," he says. Gyms, pools and helipads have become staple features. "I know one yacht that can land four helicopters at any time. The owner said ‘I’ve got mine, but what about my guests?’” Edmiston recounts. "There’s nothing you can’t do on a yacht now."

Like its yachting industry, much has changed about Monaco in the 30 years he has been there. "It was fairly traditional and village-like when I arrived, but the advent of new and very heavyweight money has made it into a very cosmopolitan and sociable place. There are now 3,000 British expats and about 150 Russian families resident here," he says.

"The Brits were mainly older, established retirees. Now Monaco is shifting towards a younger profile. They have successfully sold their business or are still running a business in yachting, banking or investment. There is more of a trend to continue working while living here and it’s becoming more attractive to families with kids. The schools here are fantastic and most children are at least bilingual," says Edmiston, whose younger children were educated in state schools in Monaco before moving to boarding schools in England. The world’s most densely-populated country comes with its challenges. Some 50,000 people come into Monaco by train or car each day for work, which takes its toll on traffic flow and sparks fierce competition for parking places. "One of the problems for people who work here is that they cannot afford to live here. Of the 80 or so people in my office, only half a dozen live in Monaco. If you happen to be Monegasque, the Prince looks after you very well," says Edmiston.

There is considerable construction work taking place too, including on a new peninsula of reclaimed land opposite the Grimaldi Forum. "There is always building work going on, but it’s progress. Monaco has a very progressive attitude and it’s a good, vibrant place to live," Edmiston comments.

These necessary irks that come with progress are, in any case, overshadowed by the benefits of being resident in Monaco, including its favourable tax system and high sense of personal security. "You can walk around wearing expensive jewellery and feel very safe. Many wealthy people are used to always being surrounded by bodyguards but that’s not necessary in Monaco. That’s a big attraction," says Edmiston.

Monaco’s increasingly cosmopolitan and youthful population is injecting the tiny country with a new energy in its restaurant, shopping and club scenes too. "It’s a social hub. There are the formal events such as the Red Cross Ball, the opera and ballet, but there is also a more relaxed social scene where wearing a dinner jacket is no longer de rigueur," says Edmiston, who can often be found frequenting the American bar at the newly-refurbished Hôtel de Paris and the Cipriani restaurant.

That’s when he isn’t at the Yacht Club de Monaco, of course, although his racing days are behind him. "Now I’d be very much involved in the buying of yachts," he comments. He travels widely – “Connectivity has improved massively and Monaco is easy to get to from the rest of Europe” – but he is never far from a yacht, with his free time often spent restoring pre-war classic models, including Nahlin, on which Edward VIII was told that news of his relationship with Wallis Simpson had broken and he was forced to abdicate. "It’s an expensive but rewarding game," says Edmiston. He is talking about yacht restoration, but it could just as easily be a fitting description of life in Monaco.
Hot property

Monaco remains at the top of global wish lists. By 2026 the Principality will be home to 16,100 millionaires and 1,450 ultra high net worth individuals. No other city in the world boasts the same wealth density as Monaco.

By Kate Everett-Allen

Monaco has led our annual global comparison of residential values since 2009 and prices continue to drift higher. Luxury residential prices in Monaco reached €353,000 per sq m in the second quarter of 2017, although super-prime values, such as those for the most exclusive properties in Monte Carlo’s Carré d’Or, can extend beyond €100,000 per sq m.

In last year’s report we highlighted the widening gap between the price of resales and new build property as well as what, at first glance, appeared to be a strong pipeline of new residential development.

However, most of this new stock remains a long way from breaking ground. Indeed, IMSEE, Monaco’s Statistics Office, reported that in 2016 not one new residential property was completed. This is likely to put further pressure on prices in the short to medium term.

The tail end of 2016 saw sales activity soften; however, Macron’s victory in May 2017 brought with it a new sense of optimism. For Monaco, the flow of wealth across its borders is as much to do with the eb and flow of foreign government’s tax and economic policy as it is to do with the longstanding appeal of the Principality.

According to our survey of almost 900 of the world’s leading private bankers and wealth advisors, political uncertainty is considered the greatest threat amongst UHNWIs – both globally and in Europe – when it comes to the creation and maintenance of their wealth over the next five years.

Monaco residents looking for an investment, aware that new arrivals often prefer to rent before deciding where to buy. Shrewd investors are also aware of the lack of market liquidity in Monaco – the wealthy remain discretionary vendors – meaning such investors can rely on long-term tenants.

Not only does Monaco play host to more than 850,000 overnight tourists per annum, but more than 50,000 employees commute into Monaco from France and Italy each day. To keep pace with this influx, public investment is being ploughed into Monaco’s infrastructure, leisure and retail facilities.

Aside from the 2014 upgrade of Monaco’s Yacht Club, the new €107m Albert II Tunnel opened in 2016 helping to reduce traffic congestion around Jardin Exotique. The flow of wealth is expected to remain strong in the short to medium term.

Monaco: Residential sales by neighbourhood

How strongly do you agree that the following are threats to your UHNW clients’ ability to create and maintain wealth?

- Higher taxes
- Tighter controls on asset transfers
- Political uncertainty
- Global market risks
- Potential fall in asset values
- Heliport

Which area has seen the highest number of residential sales in the last decade?

- Fontvieille
- Larvotto
- Jardin Exotique
- Jardins Exotiques
- Les Moneghetti
- Monaco-Ville
- Monte Carlo

Knight Frank Research / IMSEE

-06-07

Knights Frank Inside View
Buying Guide

Thinking of buying in Monaco? Our step-by-step guide takes you through some of the key considerations.

Choosing a Notary

Whether you’re a buyer or seller it is recommended to seek a Notary’s opinion or independent legal advice before entering into any form of written agreement. Whilst the buying process is relatively straightforward, the assistance of a lawyer or Notary at the early stages of a deal is invaluable in ensuring a smooth and risk free transaction. There are three notarial offices in Monaco.

The Notary’s role is to ensure the validity of the contract is protected. The Notary undertakes the relevant searches and highlights important factors such as liens, right of ways and planning discrepancies, as appropriate and also ensures the title is passed onto the new owner.

Due to the Notary’s mandate and impartiality, it is not uncommon for one notary to act for both parties. This is not mandatory and either party may select their own representative independently. It is important to note that having two notaries does not increase the cost of the transaction as the Notaries will share the fees among them.

The Offer Letter

(Offre d’Achat)

Having identified the right property, often the buyer will be asked to confirm the intention to purchase in writing. This may be in the form of an offer letter or ‘Offre d’Intention d’Achat’ describing the property, outlining the purchase price, as well as a lock out date by which the purchaser endeavours to move toward exchange.

The preliminary document of offer and its subsequent acceptance is usually signed setting out the terms and conditions of sale. The accepted offer is considered binding and may be prepared by property agents, but is often drafted and/or reviewed by lawyers. It is at this point that the buyer and seller will need to instruct a Notary.

The offer letter is countersigned by the vendor accepting the price and the period of exclusivity, the buyer is granted in which to proceed. The countersigned document binds the vendor to the terms stated and also precludes the vendor from entering into any other sale agreement during the period of exclusivity. During this period the parties may meet the Notary, discuss the proposed terms and any conditions of sale which will be summarised and included within a ‘Compromis de Vente’ or a ‘Promesse de Vente’.

Purchasing Contract

(Compromis/Promesse de Vente)

With everything agreed, the Notary prepares the purchase contract or ‘Compromis de Vente’. This will provide a completion date, typically in a week to a month’s time, to allow the Notary to complete the file and relevant searches. The property may be subject to pre-emptive rights to purchase by the government, in which case the sale cannot take place earlier than within a month’s time or when said rights are waived. Moreover, the ‘Compromis’ will refer to conditions precedent that, unless satisfied, will allow the buyer to withdraw within a fixed period. The conditions may concern obtaining financing, making physical modifications, or planning matters to name but a few, however, financing and planning permission are unusual conditions precedent in Monaco.

Fulfilling conditions precedent is a requirement to allow the sale to complete. Failure to fulfill all of these will allow the buyer to exit the purchase with no penalties and a full refund. The ‘Compromis de Vente’ is typically accompanied by a 10% deposit entrusted to the Notary and held in Escrow. The parties may decide, however, to skip the ‘Compromis’ or ‘Promesse’ and go directly to completion.

Completion

(Acte de Vente)

Completion of the sale takes place at the Notary’s office with payment of the balance. Notary’s fees and transfer taxes are also due at this stage and costs are borne by the buyer. Once the ‘Acte de Vente’ is signed, the Notary will transfer the funds that would have been already deposited into their account, and register the new owner at the registry of deeds, together with any mortgage.

Purchase and Ownership Costs

Property registration tax, title registration and notary fees together are 6% if the property is purchased by a person or a Monaco “Société Civile” owned by physical persons. If the property is purchased by other types of companies or by foreign companies, it is 9%. For new construction or new build properties, there are 2.5% registration fees and the 20% VAT is included in the purchase price as it is paid by the developer.

Marginal additional costs may apply according to the number of pages in the ‘Acte de Vente’ and further costs may apply if there is financing involved. Agents fees payable by the seller are customarily 5% (plus 20% VAT) and those payable by the buyer are 3% (plus 20% VAT).

Shares transfers of companies owning properties in Monaco are subject to a 4.5% registration tax, payable only once during the fiscal year. If the company is a foreign company, payment will be due when the transfer is registered at the tax office. If the company is a foreign company, payment of this tax is guaranteed by the foreign company’s Monaco tax representative.

Anyone considering purchasing a company that owns Monaco property must verify that the company has complied with all regulations regarding the appointment of a tax representative.

Other Considerations

This note is meant to provide a very basic indication of the purchasing process. No liability is assumed as it is strongly recommended that interested parties should seek the appropriate local, independent legal and fiscal advice in order to structure a deal in the most efficient way.

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Other costs may apply if there is financing involved. Agents fees payable by the seller are customarily 5% (plus 20% VAT) and those payable by the buyer are 3% (plus 20% VAT).

Shares transfers of companies owning properties in Monaco are subject to a 4.5% registration tax, payable only once during the fiscal year. If the company is a foreign company, payment will be due when the transfer is registered at the tax office. If the company is a foreign company, payment of this tax is guaranteed by the foreign company’s Monaco tax representative.

Anyone considering purchasing a company that owns Monaco property must verify that the company has complied with all regulations regarding the appointment of a tax representative.

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The Monaco team

The London team works closely with our local experts in Monaco. Our local office has been carefully selected for their integrity, experience and professionalism, and speak English as well as French, Dutch, German, Italian and Russian.

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