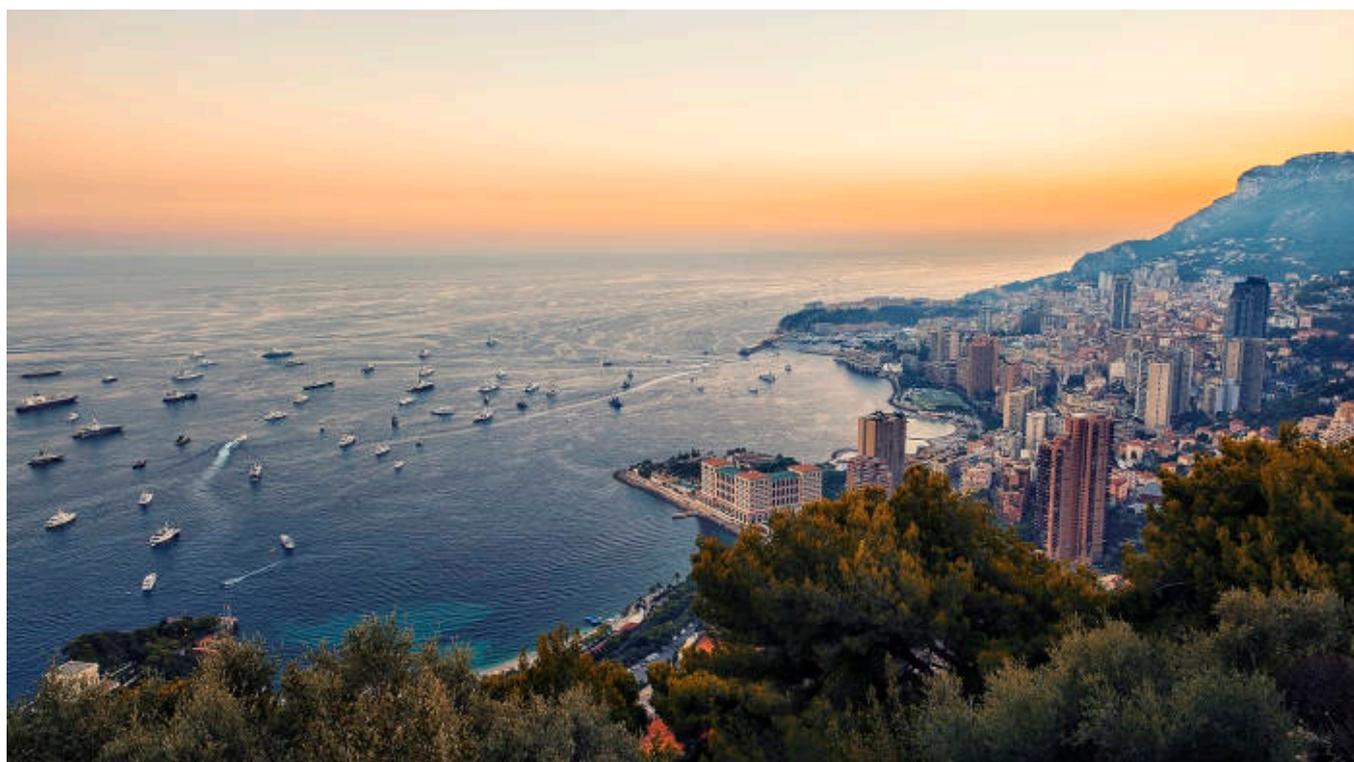


Monaco's building boom spreads on to land reclaimed from the sea

Last year saw the largest number of new homes ever built in the tiny city-state

Luke June 28, 2018



Monaco sunset viewed from La Turbie © Getty

In a state with one of the world's highest concentrations of ultra-high net worth individuals, talk of a housing crisis may stick in the throat.

Nonetheless, Monaco, the city-state on France's Mediterranean coast a little more than half the size of New York's Central Park, is in the midst of one.

Around 20 per cent of Monaco's 37,550 population (known as Monégasques) are locally born natives. With roughly one in 50 Monaco residents worth more than \$30m, according to Wealth X, there are few remotely affordable homes for the rest to pick from. Average prime sale

prices in the last year were roughly €41,300 per square metre, according to Savills — nearly three times the average price for New York.

“The property that exists is not suitable for young Monégasques. They can’t afford to rent and they certainly can’t afford to buy,” says Nancy Heslin, until last month editor-in-chief of Monaco Life, a local English news website. The longstanding problem has become more acute in recent years, as the supply of available land has all but disappeared, she says. “Supplying affordable housing has become the main priority of the new governing council elected in February”.



View of the harbour © Getty

Last year saw the largest number of new homes ever built in Monaco in a single year, according to Savills. The latest — and arguably most ambitious — housebuilding initiative is Le Portier, due for completion in 2025. A group of private developers, overseen by the municipal government, is working on a €2.1bn project to reclaim 15 acres of land from the Mediterranean in the easternmost ward of Larvotto, a minute’s walk from Monte Carlo.

Monaco's director of public records estimated in January that the homes — which will house 1,000 residents — would net the developers more than €3.5bn, suggesting that few of the homes will be reserved for local workers. Environmentalists say the work will disrupt the bay's fragile biodiversity.



One-bedroom apartment, €2.69m

Perhaps the most vocal protests are coming from the minted residents of Avenue Princesse Grace. Much of the seafront boulevard — claimed by local agents to be the world's priciest street — is overlooking the new construction site. As well as the noise and an unsightly dredger ship preparing the seabed, there is the small question of what will happen to those splendid Mediterranean views for which many existing owners have paid tens of millions of euros. Irene Luke, a 25-year resident of Monaco who runs Savills' office there, estimates that sale prices in the area have dropped by 10 per cent since the construction began. Savills is selling a four-bedroom home with sea views for €35m. Given the location, it might be worth a hagggle.



Bronze sculptures of Adam and Eve by Fernando Botero © Norbert Scanella/Onlyfrance.fr

Price falls of 10 per cent price are rare for Monaco. The market worked as a safe haven in the aftermath of the financial crisis when global ultra-high net worth individuals saw it as a handy store of value, says Luke. In 2017, with the richest buyers increasingly snubbing the top-end markets of London and New York, the mix of buyer demand and scarce supply helped average Monaco prices to a 6 per cent gain in 2017, according to Savills.



Those fleeing from Monaco's central building sites are increasingly considering the areas of La Condamine and Fontvieille. Whether any neighbourhood in Monaco — where the average house sale last year fetched €4.5m — qualifies as emerging is questionable, but with building concentrated in the traditional glitzy areas, these two spots provide relatively good value and an escape from the

worst of the construction blues, says Luke.

In a city-state where listed buildings are rare, La Condamine's narrow streets include a number of older buildings as well as good views — at least for now — of Monaco's port. Fontvieille, which historically housed Monaco's industrial base, is also finding a place on estate agent tours, with a good range of shops and restaurants. Bargain hunters might favour the one-bedroom apartment in Avenue De Grande Bretagne, for sale with Sotheby's International Realty for €2.69m.



View across the water to the Prince's Palace © Norbert Scanella/Onlyfrance.fr

Noise nuisance and the risk of obscured views are not all that Monaco's most wealthy are grappling with. By the end of the year, a new register disclosing the true beneficiaries of companies that own Monaco property will remove confidentiality, according to Remi Delforge, a lawyer from the firm DL Corporate & Regulatory in Monaco. The major tax break for people who owned property in this way disappeared in 2011, when the rule exempting sales of property owned by foreign entities from sales tax was withdrawn. "Such transactions can now attract up to 9 per cent," says Delforge.

Residents are also having to work harder to prove they deserve Monaco's beneficial resident tax status — which includes, in most cases, zero tax on income and on capital gains accrued abroad. According to Delforge, anyone applying for or renewing their visa is facing more stringent checks to utilities and local expenditure — to check that they actually live in Monaco — following a high-profile case where it was alleged that overseas residents had been bribing local officials for residency papers.



Four-bedroom penthouse in Larvotto, €35m

For some long-term residents the challenges of Monaco life have become too much. A combination of the construction nuisance, the perception of increased crime and a growth in the number of day-trippers from France is dulling the allure, says Heslin. “It’s a funny time. In the last six to eight months I’ve spoken to a number of residents who are leaving, saying the place is losing the glamour, exclusivity and community that they came here for.”

Buying guide

- Stamp duty on individuals buying homes is 6 per cent; commission rates — 5 per cent from the seller and 3 per cent from the buyer, plus VAT — are negotiable

- The average price of a home sold in Monaco in 2017 was €4.5m
- Flights connect Monaco to New York in eight hours and London in two hours

What you can buy for . . .

€1m A 200 sq ft studio in La Condamine

€5m A two-bedroom apartment in a 1970s development with a balcony in Larvotto

€10m A three-bedroom apartment in Golden Square with a good view

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