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# House & Home



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# A slower circuit

**Monaco property** The principality's €8m to €15m 'middle market' is struggling. Can new tax incentives help? By Graham Norwood

Spring is marked along the Mediterranean coast by hotels opening like flowers at the start of the high season. But for Monaco residents there is a rather different sign: the sound of hammering as workmen prepare the crash barriers, hospitality marquees and grandstands for the Monaco Grand Prix, one of the world's most glamorous sporting events, which takes place in May.

However, despite the glamour of Monaco's social diary, its unique housing market, which mainly consists of apartments stacked in towers and crammed into just 2 sq km of land, languishes in the slow lane.

Property portals reveal price reductions of 10-20 per cent in Monaco's homes for the first time that many can remember, and even estate agents accept that values are well off their past highs. Although demand remains steady at the top end of the market, considered by local agents to be about €20m or more, the so-called "middle market" – priced from €8m to €15m – is struggling.

"Vendors are simply – and finally – becoming more realistic. They now understand that the prices achieved in 2007-2008 may no longer be attained, save for exceptional products," says Irene Luke of Monaco Estates.

Paul Humphreys, of Knight Frank, agrees. "Over the past 18 months asking prices have become more realistic with prime apartments likely to change hands at €40,000 to €50,000 per sq m," he says.

An apartment in Avenue Princesse Grace, one of the principality's best locations where you can watch Hamilton, Vettel, Alonso et al race beneath your balcony, fetches some of the highest prices – between €50,000 and €75,000 per sq m, even after the recent falls. This is some 20 per cent more than a similar apartment at that other prestigious address on the Côte d'Azur – La Croisette, in Cannes, a 45 minute drive eastwards into France.

Now sellers are waiting to see the effect of a change introduced over the winter by the Monégasque tax authorities. The place has long been known for its light fiscal touch; most notably there is no income tax on residents, no tax on property rental income, an absence of capital gains tax and limited inheritance tax on estates. The authorities have cut registration tax paid on a property purchased in the principality to 4.5 per cent, representing a reduction of more than a third.

But there are two sides to the story. Although the cut may incentivise buyers purchasing property in their own name, the 4.5 per cent charge will also be levied on apartments bought by offshore structures that, until now, paid no registration tax at all.

Agents and developers hope the move, introduced to bring greater transparency to property purchases after critical reports from the Organisation for Economic Co-operation and Development and the International Monetary Fund, will not deter a long-term growth in international buyers despite the downturn.



## Buying guide

### Pros

- Negligible property and personal taxation
- Climate, history and wealth combine to give it an international reputation as a playground for the rich
- Excellent access to other parts of the Mediterranean

### Cons

- Monaco is too crowded; it is officially the world's most densely populated state
- Property prices are very high
- Many apartments are tiny, designed as tax exile addresses rather than homes

### What you can buy for...

- **£100,000** Not even a parking space, but it will buy you a one-bedroom flat in less popular parts of Cannes
- **£1m** A small apartment of about 250 sq ft on the Boulevard de Belgique

### Contacts

- **Ellisium Partners**  
www.ellisiumpartners.com
- **Home Hunts**  
www.home-hunts.com
- **Knight Frank**  
www.knightfrank.com
- **Monaco Estates**  
www.monaco-estates.com
- **Pieter van Naeltwijck**  
www.pvnrealestate.com

Monte Carlo harbour



Fontvieille, where a 1,600 sq ft, three-bedroom apartment is on sale for £3.25m

"Only 20 per cent of Monaco's 35,000 residents are Monégasque, so the market sees many foreign buyers. There are no restrictions on foreign buyers, who normally purchase in cash and seek modern apartments close to the Carré d'Or, the beach area of Larvotto, in Fontvieille, a district reclaimed from the Mediterranean in 1981," says Cecile Acolas of Ellisium Partners, a property consultancy that advises wealthy clients buying homes along the Côte d'Azur and nearby areas.

Tim Swannie, a director of Home Hunts, an estate agency selling high-end properties across the Côte d'Azur and Monaco, says that until a decade ago flats in the principality were purchased chiefly by the wealthy French. (Monaco is officially a separate country though closely linked through a customs union.)

But since 2000, according to Swannie, "there are more buyers from elsewhere in Europe, the US, Canada, Australia, South Africa and the Middle East. Russian buyers have also had a strong presence over the past five years".

There is considerable choice for buyers in the market right now. Local agents say that the slowdown means more properties have lingered on sale than in past years. At Fontvieille harbour, for example, there is a 1,600 sq ft, three-bedroom apartment with a terrace overlooking the port. The apartment is on sale through Home Hunts for £3.25m. In the Carré d'Or area, a duplex apartment is on sale for £11.2m (through Knight Frank and Pieter van Naeltwijck) in the Monte Carlo Star complex. It has a 24-hour concierge, indoor pool and solarium.

Monaco prices can be much higher than that, however: at £41.6m comes a five-bedroom apartment split over three floors on the Boulevard de Belgique, with 11,500 sq ft of space, including a large roof terrace, staff quarters and plenty of bespoke fittings (on sale through Knight Frank and Pieter van Naeltwijck).

Whatever the effects of fiscal changes on such a high value market, agents remain confident that Monaco's other attractions will allow it to fend off competition from rival tax havens in Europe, the Caribbean, Middle East and even the modest Channel Islands.

"Security is a significant factor and families are keen to become genuine Monaco residents to take up places in the very good schools," says Luke. "Climate, quality of life and proximity to the rest of Europe are also very important."

"There are more than 130 restaurants boasting a combined eight Michelin stars, Port Hercules continues to be a huge draw for owners of super-yachts, and glamorous locations are nearby – St Tropez and Courchevel 1850 [a luxury ski resort] are 30 and 90 minutes away by helicopter," says Humphreys.