

# MADRID INSIGHT

## 2019

CARLOS ZAMORA, HEAD OF KNIGHT FRANK'S RESIDENTIAL TEAM IN MADRID, SHARES HIS KNOWLEDGE AND INSIGHTS ON THE CITY'S EVOLVING PRIME RESIDENTIAL MARKET.

### HOW IS THE MARKET PERFORMING?

Average prices in Madrid declined 30% in peak-to-trough terms following the financial crisis but now sit 46% above the market low reached in Q3 2012.

The recovery of Madrid's prime residential market gathered pace at the end of 2016 and since early 2017 Knight Frank's unique Madrid Prime Residential Index has outperformed our 43-city average with luxury prices accelerating 8.1% in 2018.

### WHAT IS DRIVING DEMAND?

The volume of luxury new homes sold by the Knight Frank team increased by 50% between 2017-18 and 2018-19, with almost all of the new units launched in the last two years now under offer.

In Madrid, the upturn in the commercial sector was a precursor to the residential market's recovery. Madrid has evolved into a key business centre with a strong finance, tech, logistics and communications bias. According to the Ministry of Economy, six out of every €10 invested in Spain is invested in the capital.

Madrid is also now firmly on the tourist map with over 6.7 million tourists visiting the city in 2017. Madrid Barajas Airport operates direct flights to 203 airports globally, and passenger numbers have surged 50% since 2004, from 38 million to 57 million in 2018.

### HOW ARE PRICES PERFORMING?

At €8,000 per sq m not only are prime values highly competitive compared with other first tier European cities but Madrid's cost of living is low and it is ranked 46th out of 231 cities for its quality of life according to global consultants Mercer.

### WHERE ARE MADRID'S PRIME NEIGHBOURHOODS?

Traditionally, Madrid's prime markets were located across the city's northern districts such as Salamanca, Chamberí, Chamartín and El Viso.

Since 2016, more attention has been paid to central areas which takes in Sol, Embajadores

and the historic heart of the city close to Plaza Mayor.

Proximity to El Retiro, Madrid's 350-acre park – roughly the same size as Hyde Park – is also a key draw.

### HOW IMPORTANT ARE OVERSEAS BUYERS IN MADRID?

Around 65% of prime buyers originate from within Spain, either from within Madrid or from its major cities including Barcelona, Malaga and Seville. A decade ago, this figure would have been closer to 90%.

Of the city's overseas prime buyers, around 18% originate from Latin America, but unlike two years ago when Venezuelans dominated, 2018 saw Mexican purchasers increase their market share, many consider Madrid to be a safe haven, personally and financially.

In terms of buyer motives, around 50% of our prime buyers are seeking a permanent or second home exclusively for their own personal use, 22% are looking purely for a rental investment and the remaining 28% cite a mix of reasons; holiday home, rental investment and a base for their child whilst at university.

### WHAT'S YOUR OUTLOOK FOR THE MARKET?

Madrid's prime residential market is now well-established and a key safe-haven destination for Latin American wealth. According to the 2019 edition of the Knight Frank Wealth Report, 71% of UHNWIs in Latin America now have a second passport or dual nationality and of those considering emigrating, Spain was their preferred destination.

Of the 20 global cities we track, we expect Madrid to lead our prime residential forecast in 2019 with prices edging 6% higher in 2019.

Spain is forecast to see a 27% rise in UHNWIs over the next five years, this equates to nearly 1,100 more individuals with US\$30 million+ in net assets in real terms, as well as over 62,000 more millionaires nationally. We believe that a large proportion will want a slice of the capital's luxury bricks and mortar.



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#### FIGURE 1 MADRID'S PROPERTY MARKET IN NUMBERS

# 85,169

NO. OF RESIDENTIAL UNITS SOLD  
ACROSS THE COMMUNITY OF  
MADRID IN 2018, UP 61% SINCE 2014

# 35%

OVERSEAS BUYERS AS A PERCENTAGE  
OF ALL KNIGHT FRANK PRIME  
BUYERS IN 2018

# 8.1%

ANNUAL CHANGE IN MADRID'S  
PRIME PRICES IN 2018

# 11,011

NO. OF RESIDENTIAL UNITS COMPLETED  
ACROSS MADRID IN 2018, COMPARED  
TO A HIGH OF 61,626 IN 2006

# 41,278

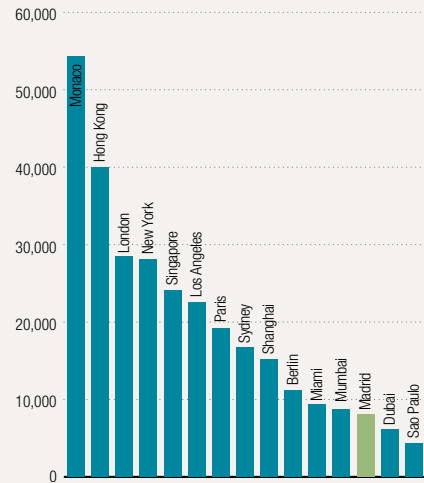
NO. OF MILLIONAIRES IN MADRID  
IN 2019\*

## MARKET INTELLIGENCE

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

**FIGURE 2**  
**MADRID IN A GLOBAL CONTEXT**

Prime prices € per sq m, Q4 2018



Source: Knight Frank Research

**FIGURE 3**  
**THREE THINGS TO CONSIDER**



1 Mexican buyers accounted for around 9% of Knight Frank's prime purchasers in Madrid in 2018.



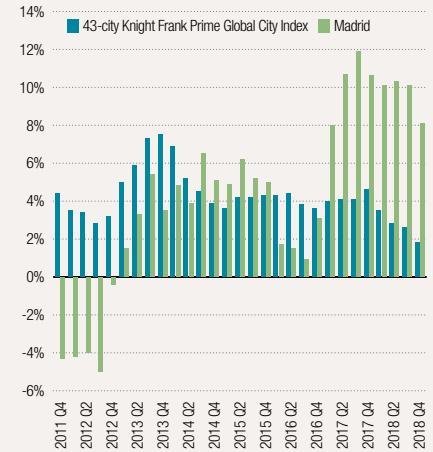
2 Madrid Barajas Airport now offers direct flights to 203 airports globally and handled 57 million passengers in 2018, up 50% from 38 million in 2004.



3 The city's PRS sector is maturing with new regeneration projects such as Castellana Norte set to see 2.3 million sq m of mixed-used development, including 10,500 new homes.

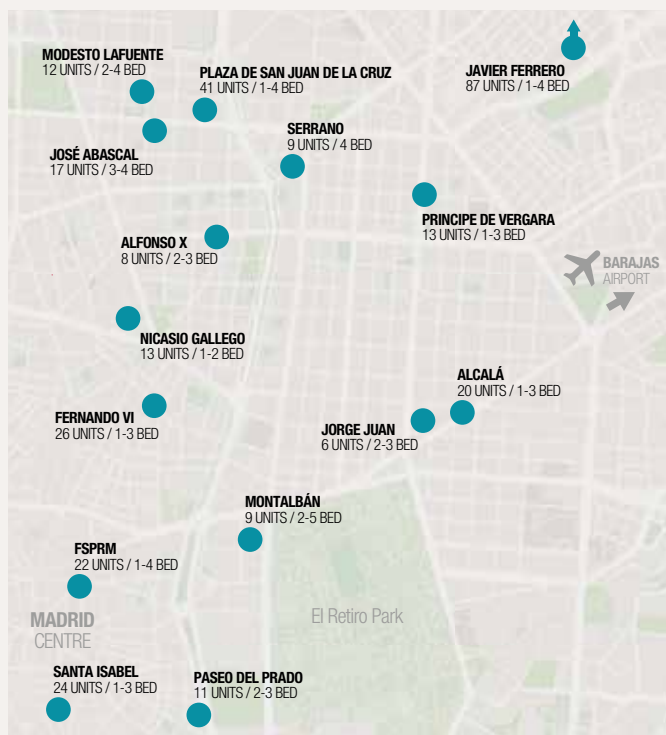
**FIGURE 4**  
**MADRID OUTPERFORMING OTHER GLOBAL PRIME MARKETS SINCE 2017**

Prime prices, annual % change



Source: Knight Frank Research

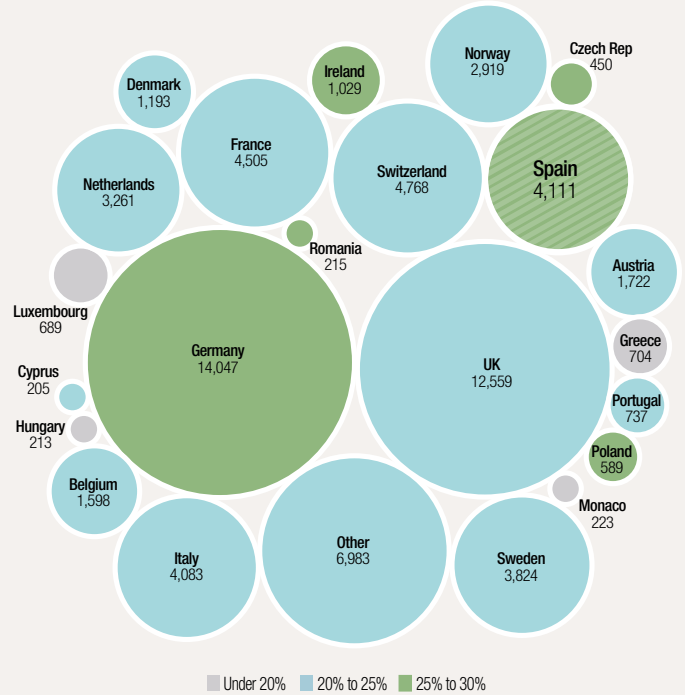
**FIGURE 5**  
**KEY DEVELOPMENTS IN CENTRAL MADRID**



Source: Knight Frank Research

**FIGURE 6**  
**FUTURE WEALTH GROWTH**

Population of UHNWIs\* 2018, and forecast % growth 2018-2023



\* Individuals with net assets of US\$30m+ excluding primary residence  
Source: GlobalData WealthInsight



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The Wealth Report – 2019

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