

Madrid Insight 2022

An update on the latest prime residential market trends in Madrid based on the key findings and forecasts offered by Knight Frank.

KEY FINDINGS



Average prices increased 7.2% in the year to Q1 2022 placing Madrid in 87th place out of 150 global cities tracked in the Global Residential Cities Index.



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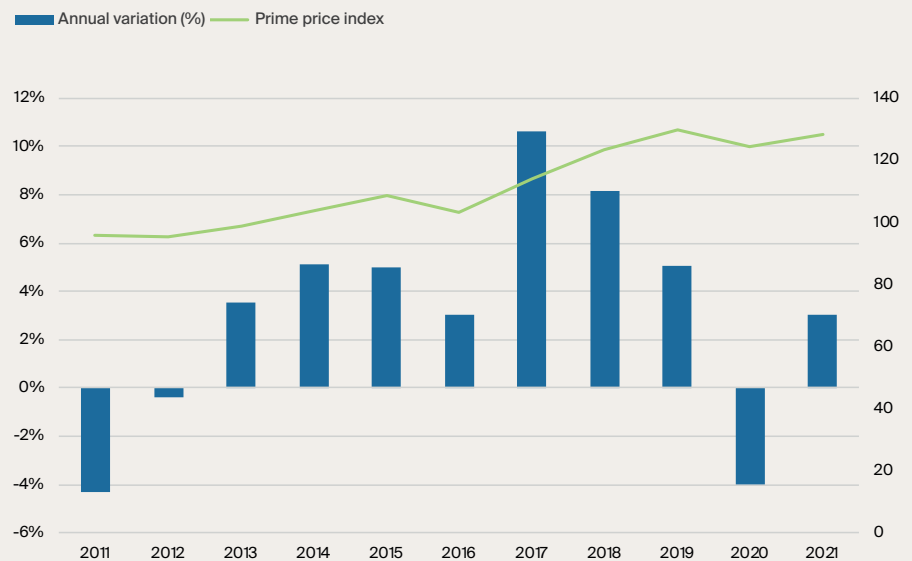
A total of 87,500 homes were bought and sold in Madrid in 2021, 62% more than in 2020 and 33% more than in 2019.



In the year 2021, a total amount of 20,600 homes were undergoing a construction, 43% more compared to the previous year 2020, while the city also saw the construction of a further 16,600 properties completed, a 23% increase compared to the number of new-built homes delivered the previous year.

Prime residential prices

Madrid*, 2011-2021



Source: Knight Frank Research. *Q4 prices

Spain is one of the countries that attracts the most HNWI's. Knight Frank's Wealth Report ranks Spain as one of the top 15 countries in terms of its HNWI population. One of the country's primary draws is its capital city: Madrid.

Prices in Madrid's prime residential market rose by 3% in 2021, showing that despite the restrictions that were still in place last year – and that limited the possibility of foreign investors entering the country – HNWI's did not lose sight of the excellent opportunities offered by the Spanish capital. However, it's not just the residential market that is outperforming in Madrid and the rest of Spain, Knight Frank's experts in the country expect 2022 to be a record year for real estate investment in general. Knight Frank particularly highlights the hotel and buy-to-let sectors as ones to watch. One of the main challenges facing Spain's real estate sector is monetary policy tightening (as a result of spiking inflation).

The uncertainty regarding the future development of inflation has led the Spanish government to introduce various measures designed to contain its potential adverse effects on the economy – effects that are already starting to be felt.

Some of the latest trends shaping the market include:

1 Rising number of HNWI's in Spain

Knight Frank's Wealth Report ranks Spain as one of the top 15 countries in terms of its HNWI population. To be precise, Spain holds the eleventh position, with the number of HNWI's rising to 11,685 – up 12% versus the figure for the previous year. Madrid has 2,903 HNWI's living in the city, ranking it 23rd in the world. These figures are proof that Spain and Madrid are one of the primary destinations for the world's wealthy investors.

Madrid residential market insight 2022

2 | A thriving Madrid property market

A sign of just how well the Madrid property market is performing is the number of residential sales completed, with the city seeing a total of 87,500 homes change hands in 2021. This figure not only equates to a 62% increase compared to 2020, but it also brings confirmation of a return to form in the Madrid property market, given it is 33% higher than the figure recorded in 2019 – the last pre-pandemic year. And with Q1 2022 registering a record number of transactions for a first quarter, this trend shows no signs of letting up in 2022.

3 | Resales regain leading mantle

A major contributing factor to the record residential sales seen in 2021 was the excellent performance of the resales segment. After seeing sales figures dip and play second fiddle to new-build homes in 2020 – on the back of the uptick in supply and the ease of buying property off-plan – the resales market bounced back in 2021 to lead the sector once again. Of all the homes bought and sold in Madrid last year, resales accounted for 85%. New-builds accounted for the remaining 15% – a positive figure considering the new-build market was brought to a complete standstill by previous periods of financial crisis.

4 | Construction activity bouncing back

Figures from the Spanish Development Ministry show that residential construction activity in Madrid also regained pre-pandemic levels in 2021. Construction on a total of 20,600 homes got underway, up 43% on 2020, when repeated lockdowns had an adverse effect on activity levels. In terms of new-builds completed in 2021, a total of 16,600 homes were delivered, which while slightly down on 2019, was 23% above the figure seen in 2020. This is good news for the real estate sector, as these figures help to drive up new-build property sales.

5 | Residential prices ticking up

Knight Frank's latest edition of the Global Residential Cities Index shows that residential prices in Madrid also increased in the last quarter of 2021 compared to Q4 2020. Climbing by 7.2%, Madrid is one of the world's top 100 cities in terms of property price performance, and number one in Spain.

6 | Prime prices also trending back up

Just as residential sales have recovered from the pandemic, so too have prime prices. In the ten years leading up to 2021, luxury property prices rose 45.5% in Madrid. Compared to 2020, prices rose 3% in Madrid after dropping 4% between 2019 and 2020 as a result of the pandemic. Forecasts by Knight Frank experts suggest that prices will continue to climb in 2022, reaching a 6% increase by year-end.

7 | Rental housing in Madrid to escape price control measures

The Spanish government is working on introducing a new Housing Act aimed at helping vulnerable groups gain access to housing. Part of these plans include the introduction of price control measures – similar to those already in place in Catalonia. However, the Region of Madrid has already announced that it will not apply any such measures, meaning that the rental market in Madrid will remain unaffected in this regard. Between 2014 and 2019, prices in Madrid rose 45%, scaling up to €16 per sqm. However, with the onset of Covid, prices fell by almost 9% reaching €14.6 per sqm at their lowest point. The uptick in demand following the pandemic and the lack of price control measures could take Madrid back to pre-Covid territory in terms of rental prices. There is no denying that now is a very good time for the build-to-rent sector.

8 | What can a million dollars buy me in Madrid?

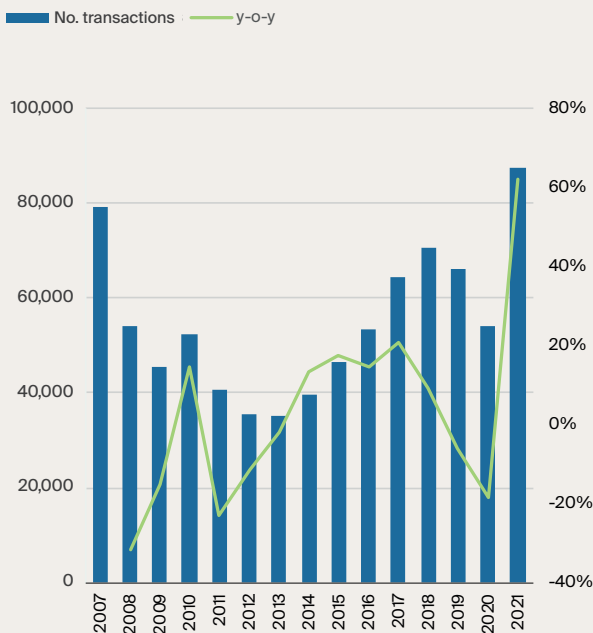
A good way of comparing different residential markets across the world is by analysing what a million dollars would buy you in each one in terms of residential square metreage. Monaco is the most exclusive city, with a million dollars securing just 14.6 sqm. Madrid is one of the top 20 capital cities of all those analysed by Knight Frank. Here, a million dollars would buy you 105.5 sqm, making it the fourth most exclusive city, behind only London, Paris and Berlin in relative terms.

9 | Madrid: the city with something for everyone

Spain's capital city offers a seemingly endless array of options when it comes to ways to enjoy your free time. From major sporting events – with two of the world's largest football clubs – to an internationally acclaimed food scene, including more than 20 Michelin-starred restaurants. It is also a haven for culture, with a non-stop schedule of musicals, theatre performances and concerts packed with

Residential sales

Madrid*, 2007-2021



Source: Spanish Development Ministry

* Open-market housing in the Autonomous Region of Madrid

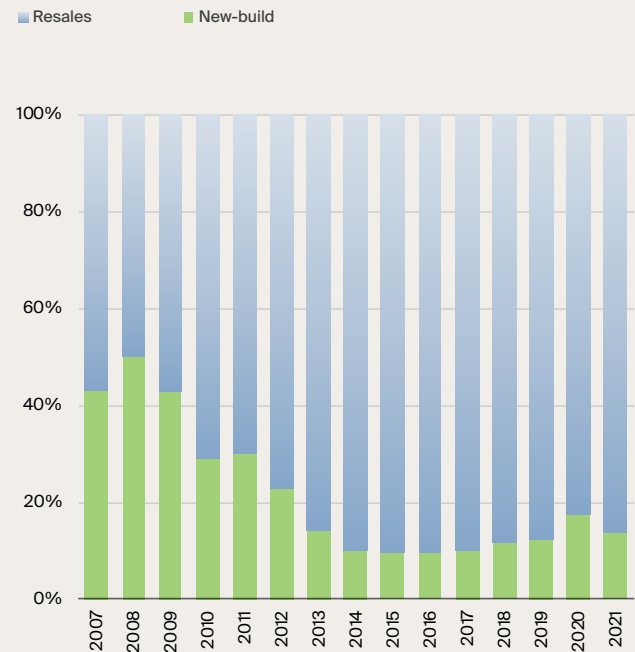
something for everyone – with no better showcase of just what the city has to offer than Madrid’s world-renowned Gran Vía. What’s more, with a large number of five-star hotels, it is little wonder that the world’s wealthy rank Madrid as one of the top 20 global cities in terms of the lifestyle offered.

10 | A city destined for the international stage

A key feature of Madrid is that it is an enormously multicultural city, and this is without doubt one of its most enriching characteristics. A stroll down any street of the capital will see you meet residents from a whole host of different nationalities: from other European countries to people from Latin America and Asia. This culturally rich society is also favoured by the large number of multinational firms that select Madrid as the chosen location for their head offices. It comes as no surprise that the world’s HNWIs rank Madrid as one of the 15 most attractive cities in which to invest. Madrid is never far away, with Barajas airport connecting directly to 171 destinations, 146 of which are international.

NB sales vs. resales as % of total

Madrid, 2007-2021



Source: Knight Frank Research, Spanish Development Ministry

11 | A city made for luxury living

The world’s great fortunes look to live in spectacularly unique properties, seeking sanctums of luxury that offer all manner of services and comforts. That is why Madrid holds such magnificent appeal, with the city being home to some of the most luxurious prime residential developments that money can buy. There is no better example than Jorge Juan 93, a project in which tradition and innovation are masterfully brought together. The unique development offers an extended suite of amenities that enable spaces designed for leisure and entertaining to be seamlessly combined with others that allow residents to work in maximum comfort and with maximum efficiency. Teatro Gran Vía 30 is another prime example, where its many luxurious features include spectacular panoramic views out over the city, a fully-equipped gym and a generous rooftop complete with chillout area. All of this and much more can be found among Madrid’s many prime residential developments.

NEED TO KNOW



Economic powerhouse: Madrid is the driving force behind Spain's economy. The capital attracts a great number of multinational firms who choose to locate their European corporate headquarters here.



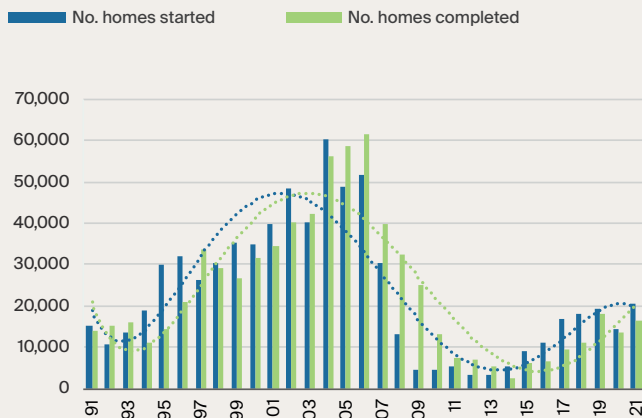
Accessibility: Barajas airport is Europe's fifth largest airport in terms of passenger numbers, connecting directly to 171 destinations, 146 of which are international.



An endless range of leisure options: Madrid offers sporting events, concerts, festivals, theatre performances, museums, more than 20 Michelin-starred restaurants, natural outdoor spaces... It is a city with something for everyone.

Construction started and completed

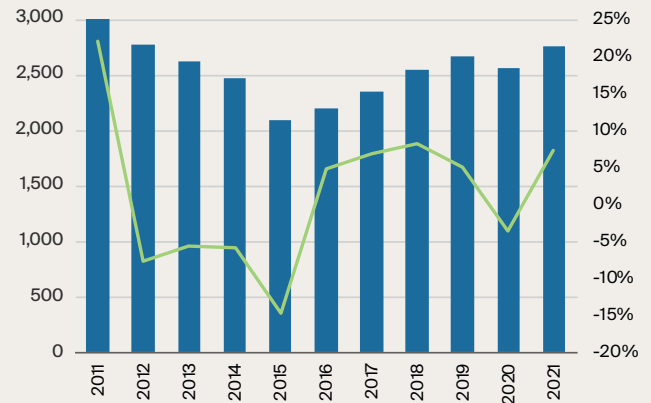
Madrid. 1991-2021



Source: Spanish Development Ministry

Average residential sales price

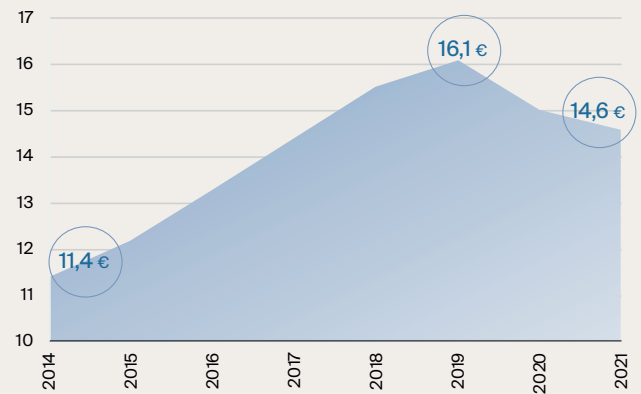
Madrid*. €/sqm. 2014-2021



Source: Knight Frank Research, Spanish Development Ministry
*Open-market housing in the Autonomous Region of Madrid

Average residential rental price

Madrid. €/sqm. 2014-2021



Source: Idealista

Please get in touch with us

If you are looking to buy, sell or would just like some property advice, we would love to hear from you.



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The Wealth Report 2022



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