

Madrid Insight 2023

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

KEY FINDINGS



Prime residential prices in Madrid have increased by 6% during 2022. Knight Frank forecasts that they will continue to grow by 4% in 2023.



According to *The Wealth Report 2023*, Madrid will be one of the six countries that will experience the highest growth.



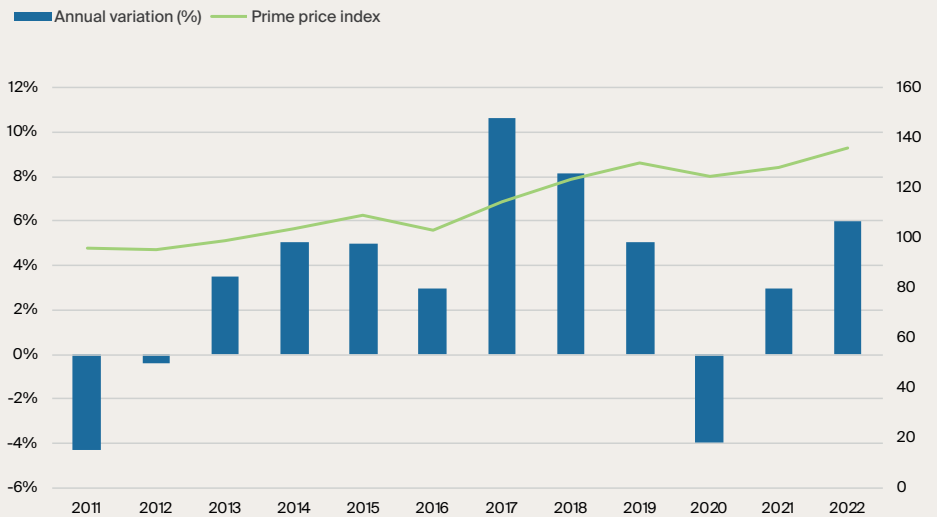
The number of free housing transactions⁽¹⁾ in the capital is expected up 2.7% from the previous year.



According to the 2022 closing forecast, started houses are around 35% above the average of the last ten years, while completed house are also almost 35% above this average.

Prime residential prices

Madrid*. 2011-2022



Source: Knight Frank Research. *Q4 prices

According to Knight Frank's *The Wealth Report 2023*, the US, UK, Australia and Spain are the top locations for purchasing homes. Regarding Spain, one of the country's primary draws is its capital city: Madrid. Although the current situation of interest rate hikes and high inflation is creating a situation of general uncertainty, the average price of prime housing in the city has been much less affected, having closed the year with a 6% growth; and expecting 2023 to also be a good year for the sector with a 4% increase. From a more general view of the real estate sector, Knight Frank expects that among the most resilient sectors for the coming year will be Build to Rent, as it has ample demand and a lack of supply, so the developer sector and investors will continue to focus on it. While for 2023, due to the economic situation, it is expected that, in general, Real Estate investment figures will be more contained with operations in which prices can be adjusted and in which opportunistic investors will play a large role in the market. Among the challenges facing the residential sector are the decline in household savings, as well as rising

mortgage financing costs.

Thanks to the idiosyncrasy of potential prime housing buyers, the aforementioned situations would not significantly affect investment in this type of asset.

Some of the latest trends shaping the market include:

- 1 UHNWIs are increasingly diverse, both by geography and asset class.

The Wealth Report 2023, places Spain in the top home buying destinations, ahead of other locations such as France. According to the report, UHNWIs* (Ultra-high-net-worth individual) in Spain tend to prefer the residential sector, especially the most prime areas of cities.

(1) Housing that can be freely traded on the market as it is not under any official or public protection scheme official or public.
* Someone with a net worth of over US\$30 million including their primary residence.

2 Residential development remains above the average of the last ten years.

Although the forecasts for the end of 2022 are for a reduction in started houses of 20% compared to the previous year as well as 22% less for completed houses. If we analyse the average of these figures over the last ten years, started houses are around 35% above while completed houses are also almost 35% above this average. This data shows that, although the situation is complicated, we are still well above the figures recorded in the years of the previous crisis.

3 Residential transactions remain at positive levels in the face of an uncertain situation.

Although currently rising interest rates make it more difficult conditions to be able to purchase a home, 2022 has closed with positive figures for both the country and the capital, which a growth of 2.7% in Madrid compared to the previous year and well above previous years, for example, almost 20% if we compare it with the pre-pandemic era (year 2019).

4 Existing houses continues to be the most popular type of home for purchase.

Historically, the number of existing houses transactions has a much higher proportion than that of new built houses, mainly due to the difference in supply between the two types of housing. During the last year, existing houses transactions accounted for the vast majority, with 88%, while newly built houses accounted for only 12%, even so, this figure is slightly higher than those recorded during 2014 through 2017, in which new built transactions accounted for the lowest proportion.

5 Housing prices in the capital continue to grow above the national average.

According to the latest published data, the evolution of free housing prices has been growing every quarter both nationally and in Madrid, and is expecting a growth of 5% in the Region of Madrid for the end of the year 2022.

6 Madrid will be one of the six cities in the world where the prime residential prices will grow the most.

The growth registered by prime residential prices in the capital during 2022 has been the most pronounced since 2018, which reinforces the good situation in which the market finds itself, as well as its resilience in the face of situations of economic uncertainty such as the one currently experienced. Forecasts for the coming year are also positive, as prices are expected to continue to increase, with a growth of 4%. According to forecasts prepared by Knight Frank and published in *The Wealth Report 2023*, this increase places the capital city in sixth place among the fastest growing cities.

7 What can a million dollars buy me in Madrid? ⁽²⁾

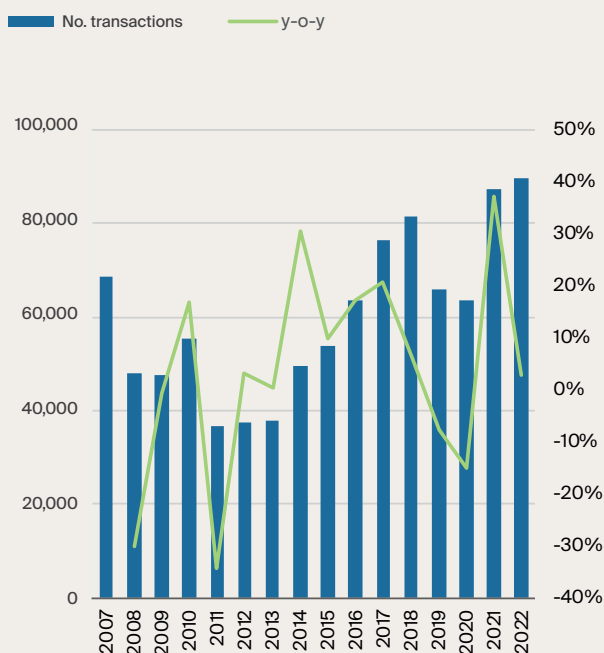
A good way of comparing different residential markets across the world is by analysing what a million dollars would buy you in each one in terms of residential square metreage. Monaco is the most exclusive city, with a million dollars securing just 17 sq m. Madrid is one of the top 20 capital cities of all those analysed by Knight Frank. Here, a million dollars would buy you 106 sq m, making it the fifth most exclusive European city, behind only Monaco, London, Paris and Berlin in relative terms.

8 Madrid: leisure destination

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 around 25 Michelin-starred restaurants. It is also a haven for culture, with a non-stop schedule of musicals, theatre performances and concerts packed with something for everyone – with no better showcase of just what the city has to offer than Madrid's world-renowned Gran Vía, where an average footfall of about 2.5 M people. 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.

Residential sales transactions

Madrid*. 2007-2022 (F)



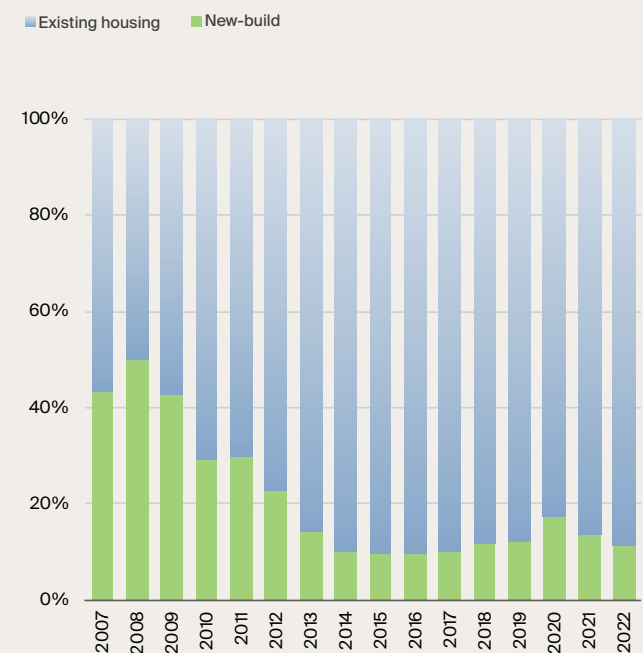
Source: Knight Frank Research (forecast 2022), Ministry of Public Works.
* Open-market housing in the Autonomous Region of Madrid.

9 All nationalities are from Madrid

A key feature of Madrid is that it is an enormously multi-cultural 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 is favoured by the large number of foreign companies opting for the region, concentrating currently more than 40% of the international companies operating in Spain. Madrid is never far away, with Barajas airport connecting directly to 170 destinations, 140 of which are international.

NB sales vs. resales as % of total

Madrid. 2007-2022 (F)



Source: Knight Frank Research (forecast 2022), Ministry of Public Works

10 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 El Viso Residences, offer a visionary living experience, in this most prestigious Madrid address. El Viso Residences are the first new address in the capital designed to Breeam Excellent New Construction standards, elevating the benchmark for sustainable living in the city. Only materials and systems which meet a strict criteria of energy efficiency and minimum emissions. In this way, El Viso Residences achieve maximum energy performance for the environment framed in an architectural style that enhances El Viso neighbourhood.

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.



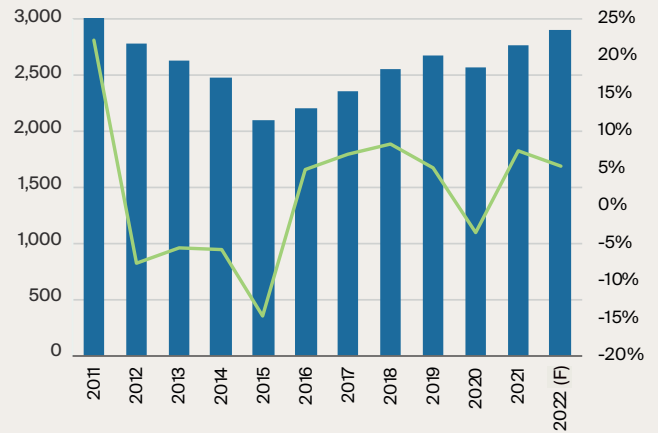
Accessibility: Barajas airport is Europe's fifth largest airport in terms of passenger numbers, connecting directly to 170 destinations, 140 of which are international.



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.

Average residential sales price

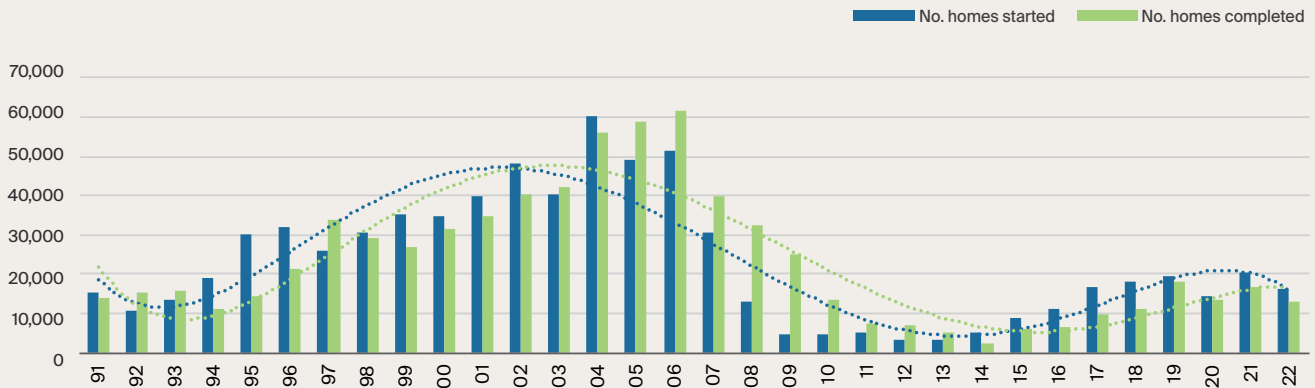
Madrid*. €/sqm. 2011-2022 (F)



Source: Knight Frank Research (forecast), Ministry of Public Works
*Open-market housing in the Autonomous Region of Madrid.

Construction started and completed

Madrid. 1991-2022 (F)



Source: Knight Frank Research (forecast 2022), Ministry of Public Works

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 2023



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