

RESEARCH



# Puerta del Sol

UPDATE 2019

TAKE-UP



INVESTMENT



PROJECTS



TRENDS



# THE NEW PUERTA DEL SOL

## One of Madrid's most popular landmarks drawing around 110 M visitors annually

Puerta del Sol is the most iconic and visited location in the city. Over the past few years its retail units have experienced an important revitalisation, which together with the pedestrianisation of nearby streets and the large number of tourists that it welcomes each year, make it one of the Spanish capital's most important retail destinations.

In addition to fashion, food and beverage has started to play a more important role thanks to the recent opening of VIPS where it has launched its new 'Take & Go' service, McDonald's, KFC, Pans & Company, Rodilla and the classic La Mallorquina or Palazzo.

Among the current developments in the immediate area, the Galería Canalejas will be opened in the near future, bringing a new offering of luxury and gourmet food stalls to the city centre.

Regarding new openings, Parfois is the most recent entrant now occupying over 340 sq m in Puerta del Sol, 4. Other recent openings in the plaza include Spanish cosmetics brand, Primor who have opened their flagship to further strengthen the brands position as Spain's market leader, the shoe store Zapshop and the french childrens fashion label, Sergent Major (before Du Pareil au même).

The arrival of Apple in 2014 signified the winds of change for Puerta del Sol with their remarkable flagship offering a previously unprecedented concept and experience to Madrid's streets. It is currently under renovation to adapt the store to the new standards that are regularly issued from its headquarters.

The Madrid's townhall will open a new tourist office in Puerta del Sol 5 further consolidating the area as a hub for services, fashion and food and beverage.

The majority of Puerta del Sol's retail units have areas between 100 and 500 sq m. Occupation levels are very high with current availability at only 3% resulting from the large number of national and international retailers competing for emblematic locations in Madrid to open their flagships.

The rents in Puerta del Sol are some of the highest in Madrid, with the highest levels over €300 sq m, followed by Serrano and Gran Vía.

Investment in Puerta del Sol has increased drastically since 2013 with investment funds such as Thor Equities, Kennedy Wilson, Invesco and Chenavari acquiring retail units in Puerta del Sol 5, 9 and 11.

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## CURRENT CHANGES IN PUERTA DEL SOL



GALERÍA CANALEJAS

The future *Centro Canalejas Madrid*, a development led by *OHL Desarrollos* and *Mohari Hospitality*, will offer 15,000 sq m of retail space within the residential and hotel complex. A number luxury fashion brands will occupy around 40/50 stores and a restaurant area which will be composed of around 10/12 gourmet stalls.



PRIMOR

The market leading perfumery and cosmetics retailer from Málaga has reached the heart of the capital and occupies one of the most popular and privileged retail units Puerta del Sol 11. The unit is located on the corner of Calle Preciados and was previously the book and record shop of El Corte Inglés. It is composed of 1,100 sq m distributed over three floors.



APPLE STORE

The Apple store Madrid is located at Puerta del Sol 1 and is one of their most emblematic stores worldwide. Recent works have begun on the unit which, in line with other leading Apple Stores, are expected to incorporate meeting areas into the shop floor increasing the relevance and recognition of the space as one of central Madrid's landmarks.

# Puerta del Sol continues to shine

## Key plan

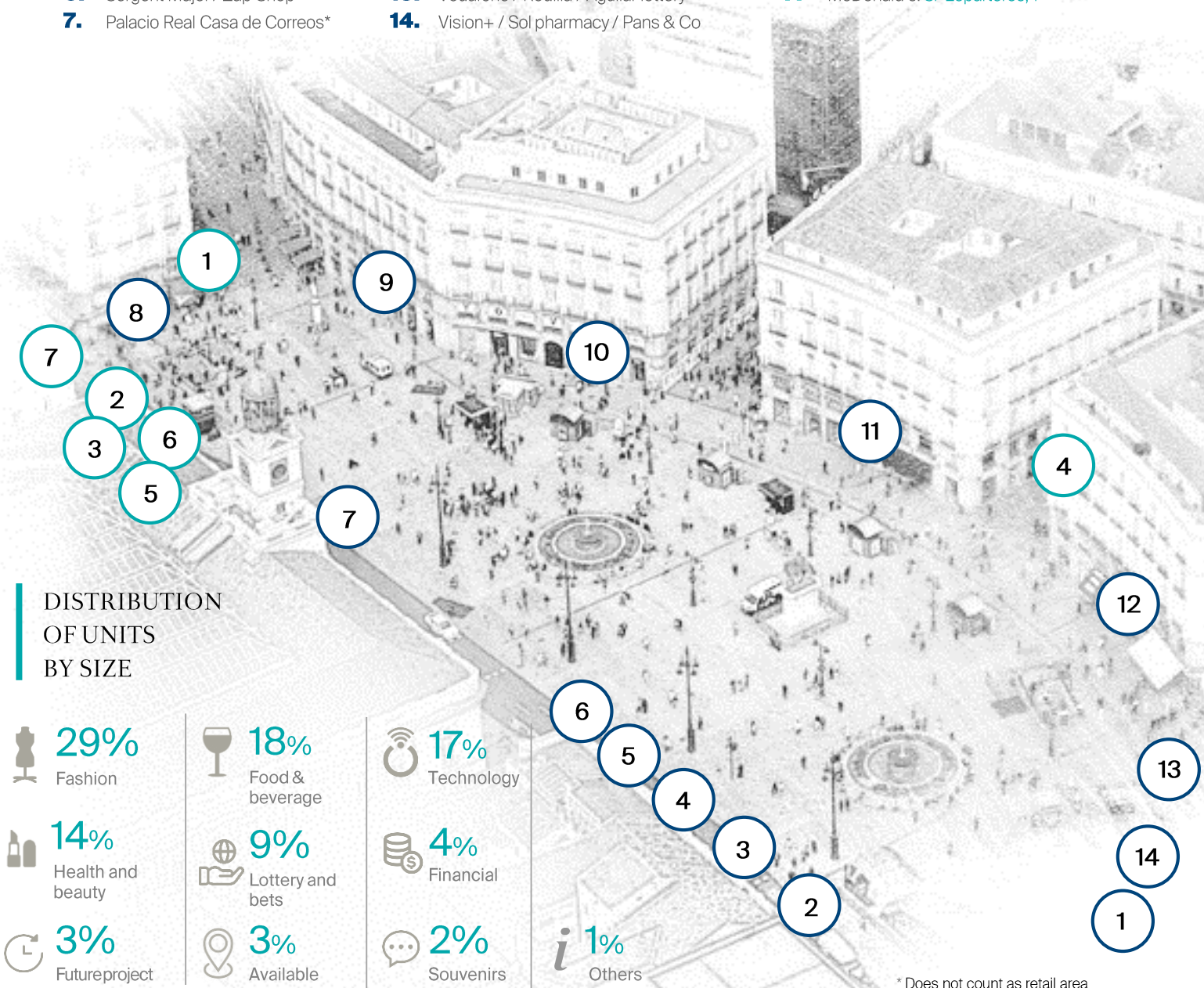
### Puerta del Sol

1. Apple
2. Sol Souvenirs / Ria Money Transfer
3. Vips
4. Marypaz / Parfois
5. Retail unit available / Comunidad de Madrid Project
6. Sergeant Major / Zap Shop
7. Palacio Real Casa de Correos\*

8. La Mallorquina / Ria Money Transfer
9. Future project (3 retail units)
10. El Corte Inglés
11. Sephora / Primor / Palazzo
12. Orange / Exact Change / Best and Fast Change / Sol lottery / Casa de Diego
13. Vodafone / Rodilla / Aguilar lottery
14. Vision+ / Sol pharmacy / Pans & Co

### In wider sub-market

1. Body Shop. C/ Arenal, 1
2. Souvenirs. C/ Mayor, 1
3. Luckia bets. C/ Mayor, 1
4. Julia perfumery. C/ Carmen, 2
5. BBVA. C/ Correo, 2
6. KFC. C/ Correo, 2
7. McDonald's. C/ Esparteros, 1



# Stock

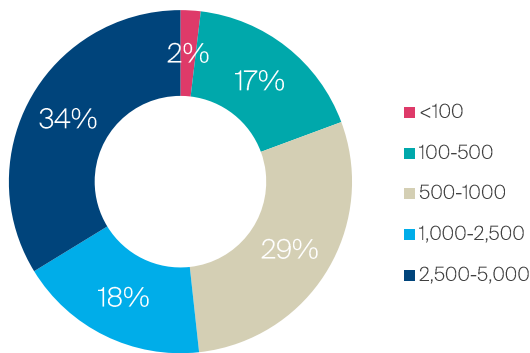
Puerta del Sol has 37 retail units, the lettable areas of which typically between 100 and 500 sq m.

The sub-market is one of the most popular in Madrid with more than 94% of the retail area currently occupied. The majority of the lettable area is occupied by Fashion operators followed by Food & Beverage due to the latest

opening of VIPS group, and Technology with Apple, Vodafone and Orange.

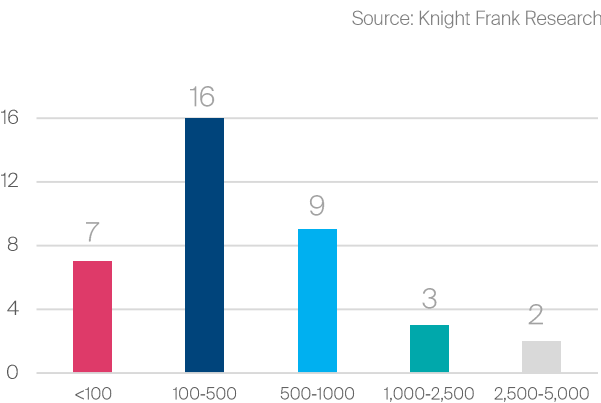
The Health & Beauty sector representation has increased in Puerta del Sol thanks to the Sephora and Primor openings, with approximately 1,000 sq m occupied by each operator.

% Gross Retail Area | Puerta del Sol (2019)



Source: Knight Frank Research

Distribution of units by size | Puerta del Sol (2019)



# Rents

In recent years the benchmark rents in Puerta del Sol have generally remained stable, although there have been slight increases in some of the best retail units, helping it maintain its position as one of the locations with the highest rents in Madrid.

Calle Serrano is best-known for its concentration of exclusive fashion, jewellery and accessories, and is where rents have grown most, meaning that together with Puerta del Sol, it receives the highest rents in the city.

Benchmark rents have also grown considerably in Gran Vía as it larger floorplates have increasingly captured the attention of mass market retailers.

Rents and variation\* | Central areas (Q2 2019)

	Q2 2019	VARIATION
PRECIADOS	290	=
PUERTA DEL SOL	300	=
SERRANO	300	▲
GRAN VIA	290	▲
FUENCARRAL	200	▲

Source: Knight Frank Research

\* Based on a retail unit composed of 200 sq m on ground floor

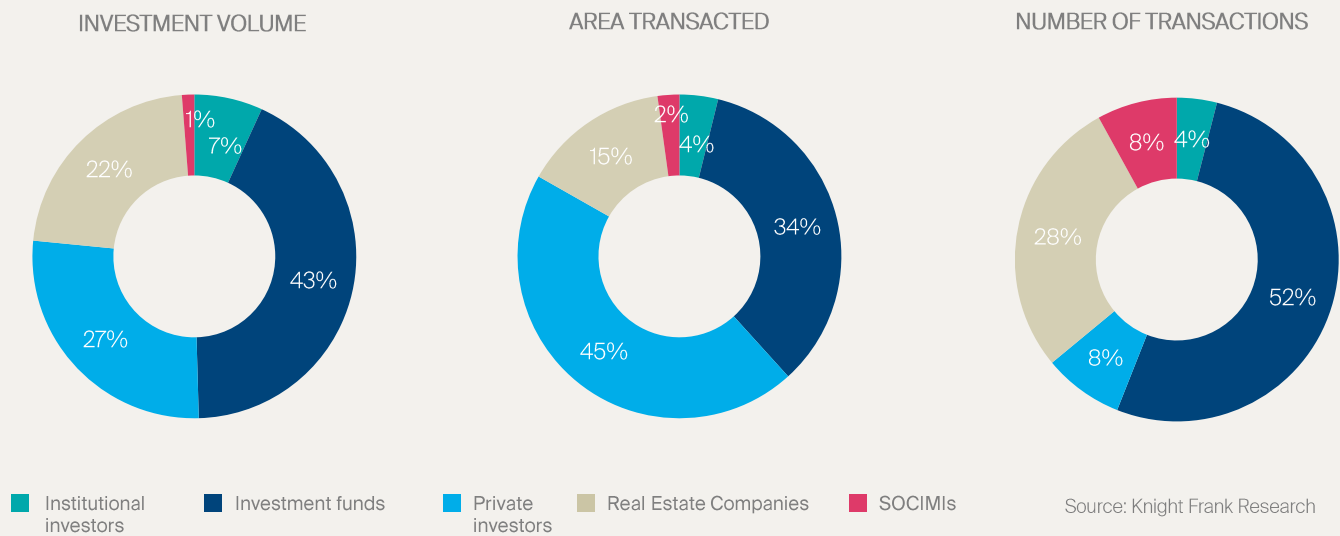
# Investment

Total High Street Investment in the surrounding area has increased significantly since 2013. 2015 stands out with the largest investment volume and acquired area due to Primark transaction (Gran Vía, 32). Investment volumes continued to grow in the following years, with High Street investment volumes in 2018 close to €230m.

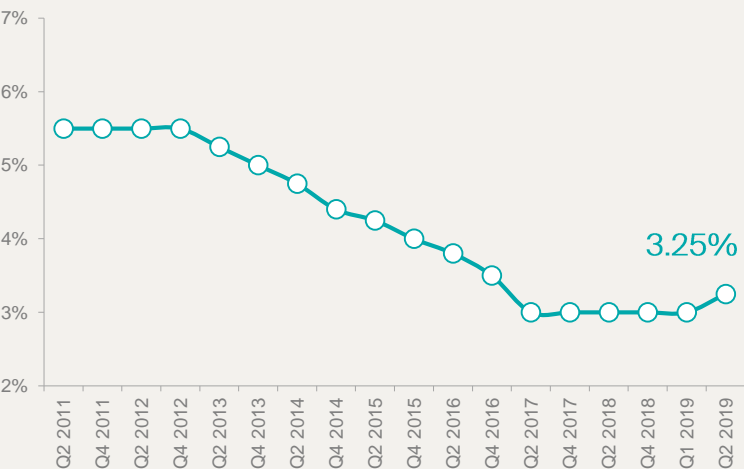
Regarding the type of investor, investment funds are

dominant, transacting more than 40% of the total volume. They are followed by private individuals, who have collectively acquired the greatest total area. Since 2013 investment funds dominate having completed more than half of the transactions. A highlight during Q1 2018 was Generali Real Estate acquiring C/ Preciados, 9 from IBA Capital Partners for €100 M, where Pull & Bear's largest flagship is located.

## Investor type and yields | In catchment area (cumulative 2013 - 2018)



## Yield evolution | High Street (2011 - 2019)



Source: Knight Frank Research

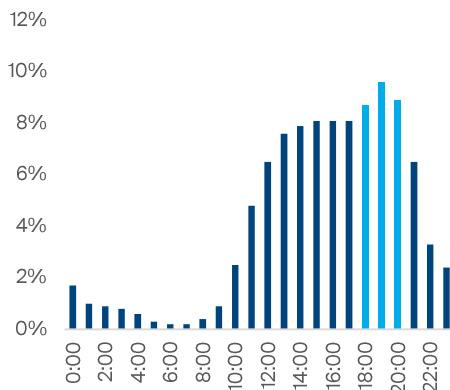
Flagships continue to attract investors and specialist operators.

High Street investment volumes in the surrounding area during 2018 closed at nearly €230m.



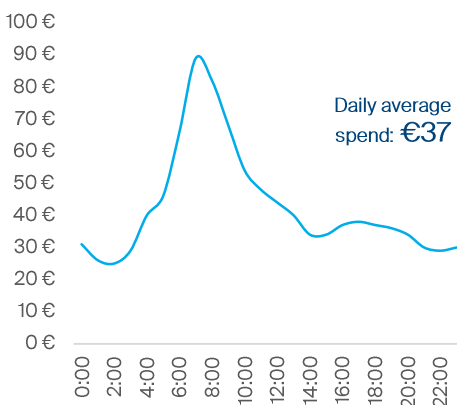
# RETAIL SALES TRENDS IN SUB-MARKET

## Number of transactions each day By hour



Source: Knight Frank Research with data provided by Geoblink.

## Average spend By hour



Source: Knight Frank Research with data provided by Geoblink.

Puerta del Sol has experienced a significant change through the arrival of important retail brands, subsequently contributing to an increase in footfall estimated at c.20,000 to 30,000 pedestrians daily in the neighbouring streets that lead onto Puerta del Sol, a large proportion of which is tourists. The increase in spending attributed to these levels of footfall play an important role in the capital's economy.

The largest number of purchases in Puerta del Sol are made from 10 a.m. to 10 p.m., peaking between 6 p.m. and 8 p.m.

The average ticket in the area is €37, higher than the popular Calle Fuencarral which sits at €35. Average spending peaks at €90 in the early morning resulting from hotel check outs from luxury hotels such as the Hyatt Centric, Pestana CR7 and Riu Edificio Plaza de España. This average spending will most likely be increased with the future openings of hotels such as Four Seasons Canalejas and Plaza de las Descalzas.

During the afternoon, the average spend is lower and more aligned with a typical expenditure for Madrid's centre.

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Retail Snapshot Spain  
Q2 2019



Luxury Hotels & Retail  
2019



Active Capital  
2019



Global Outlook  
2019