

Prime Residential

Research, 2020-21

knightfrank.com/research



Fotografía: Daniel Schafer

PRIME RESIDENTIAL

CONTENTS

04

OVERVIEW

08

PREMIUM HOMES FOR PREMIUM
CLIENTS – SOMETHING FOR
EVERY TASTE

10

A STROLL THROUGH THE
CAPITAL'S TRENDIEST
NEIGHBOURHOODS

20

OUR ANALYSIS OF THE MADRID
PRIME MARKET

22

CAR, WHAT CAR?
MADRID'S REWARDS COME TO
THOSE WHO WALK

24

BRANDED RESIDENCES

Join us as we carry out an in-depth analysis of the prime residential market, to find out how COVID-19 has affected performance in this exclusive segment. We begin with a broad overview of the residential market as a whole, getting to grips with the latest data and venturing some projections for YE 2020 – and a few predictions for 2021.

Our Prime Global Forecast report paints a cheerfully optimistic picture for the prime residential market in major global cities – including Berlin, Paris, London and, of course, Madrid – at the close of 2021.

Demand analysis has always been key to understanding this market, and in the present circumstances, an accurate grasp of buyer profiles is even more important. Without it, we would struggle to judge whether the market is offering housing solutions that meet demand-side needs.

Madrid's historic core encompasses a mosaic of charismatic neighbourhoods that add value to the market not only through their selection of prime properties, but through their unique sense of place and wide array of attractions. It is these

attributes that breathe life and soul into the city's trendiest neighborhoods.

To evaluate market conditions for the city's most exclusive homes, we focused on properties valued at over €900,000 and located in one of the city's main prime submarkets within the districts of Chamartín, Salamanca, Retiro, Chamberí and the Centre. We have combed through all the latest supply-side data, studied key indicators, like transaction volume, and traced the dominant price trends over the last four years.

It is becoming more and more common to find super-prime residential apartments integrated into luxury hotels, a concept that offers owners the ultimate in exclusivity, comfort and privacy. A number of notable examples can already be seen in Spain, such as the Mandarin Oriental Hotel in Barcelona or the newly opened Four Seasons in Madrid.

Compared with many other sectors, the prime residential market has proved remarkably resilient to the pandemic's bite. We will all be hoping that the coming year sees the economy get back on its feet – and that this sector rapidly regains its pre-COVID vigor.

OVERVIEW

SPANISH RESIDENTIAL MARKET

TRANSACTIONS

This year, we have all been living through an unprecedented event, with the global economy grinding to a standstill and growth forecasts varying widely between countries. The most recent projections from the International Monetary Fund* suggest that Spanish GDP will close out 2020 on a contraction of 12.8%, but with a gradual recovery within its grasp. Growth should hit 7.2% in 2021, comfortably outpacing the predicted Eurozone average (5.2%).

As for transaction volume, official statistics indicate that Spain posted more than 240,000 completed sales reported in the period to August 2020, a dip of around 25% compared to the same period in 2019. By the end of the year, this figure is expected to grow to somewhere in the region of 330,000 – down roughly 25–30% year on year. To put this in perspective, this estimate is far removed from the levels recorded during the previous crisis; indeed, it's almost 19% higher than the final reckoning for 2013.

Knight Frank's Global Buyer Sentiment Survey checked in with more than 700 potential buyers across the globe between 5th and 23rd June 2020, a time where memories of the first lockdown were still fresh in their minds. We found that one of the most prevalent motivations among Spanish buyers was the desire to upgrade their primary family residence, followed by the acquisition of a holiday home in a sunny climate and access to quality medical care.

In the Community of Madrid, the final tally should reach approximately 50,000 transactions, almost 40% more than the 2013 low.

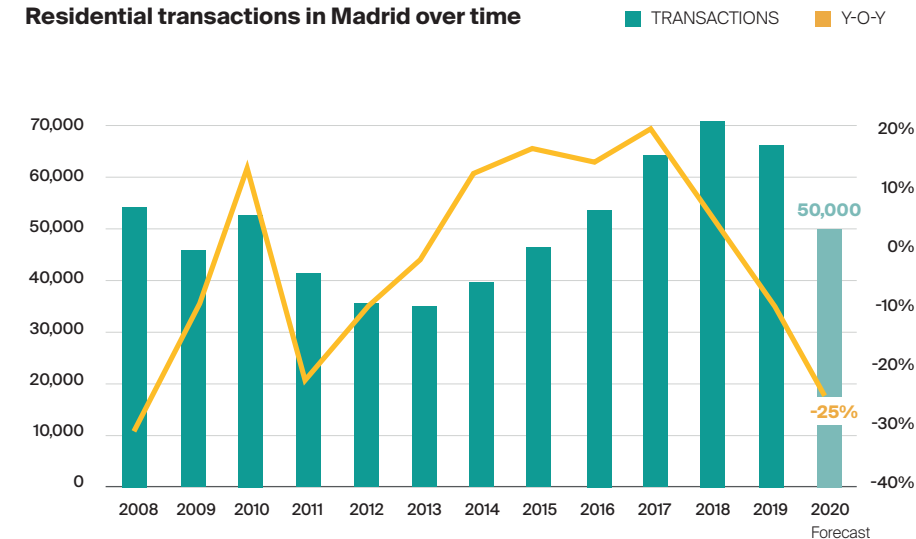
We are optimistic that 2021 will bring a robust recovery, with transaction volume growing by 20% both in Madrid and at the national level.

PRICES

Data from H1 2020 tells us that the average price of an open market home in Spain was around €1,625 per sq m, only slightly lower than the average price in 2019 (€1,640 per sq m). The

Community of Madrid has seen prices climb by close to 30% compared to the historic low recorded in 2014, although in Q2 the open-market price for residential property came in at around €2,590 per sq m, -1.4% short of the 2019 average. At the national level, we would expect the average price to be sitting 8% to 10% lower at the end of this year than in 2019. However, 2021 growth is likely to hit around 6%, as slackening demand meets a rise in supply.

Residential transactions in Madrid over time



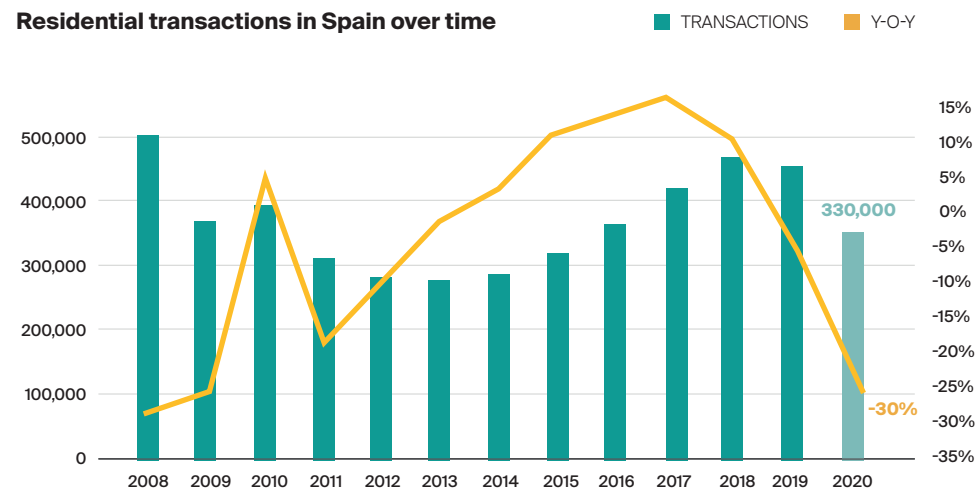
Source: Knight Frank Research / INE

Assuming that the 2021 recovery materialises as anticipated, transaction numbers should bounce back by some 20%, both nationally and in the Madrid market.

In Q2, the highest growth (relative to historic lows for the 2004–2019 period) was posted by the autonomous regions of Madrid, the Balearic Islands, Catalonia and the Canary Islands. In Madrid, prices jumped by nearly 30% compared with the 2014 low, although the average open-market price for residential property in Q2 fell 1.4% short of the 2019 figure at around €2,590 per sq m. Compared to the Spanish market as a whole, we would expect Madrid to trace a smoother path both in decline and recovery, with a slump of around -6% in 2020 giving way to growth of 4% in 2021.

Meanwhile, keep an eye on the residential lettings market, which has weathered the COVID-19 crisis with aplomb; indeed, rental prices continue to grow in Spain, hitting €11.30 per sq m in October. Among the many potential impacts of the pandemic, households are finding the costs of purchasing a home prohibitively expensive, typically requiring an outlay of between 20–30% on top of the sales price. This, combined with a labour market where flexibility and mobility are increasingly rewarded, is energising lettings activity, with rental prices in cities like Madrid reaching €15.70 per sq m by the end of October.

Residential transactions in Spain over time



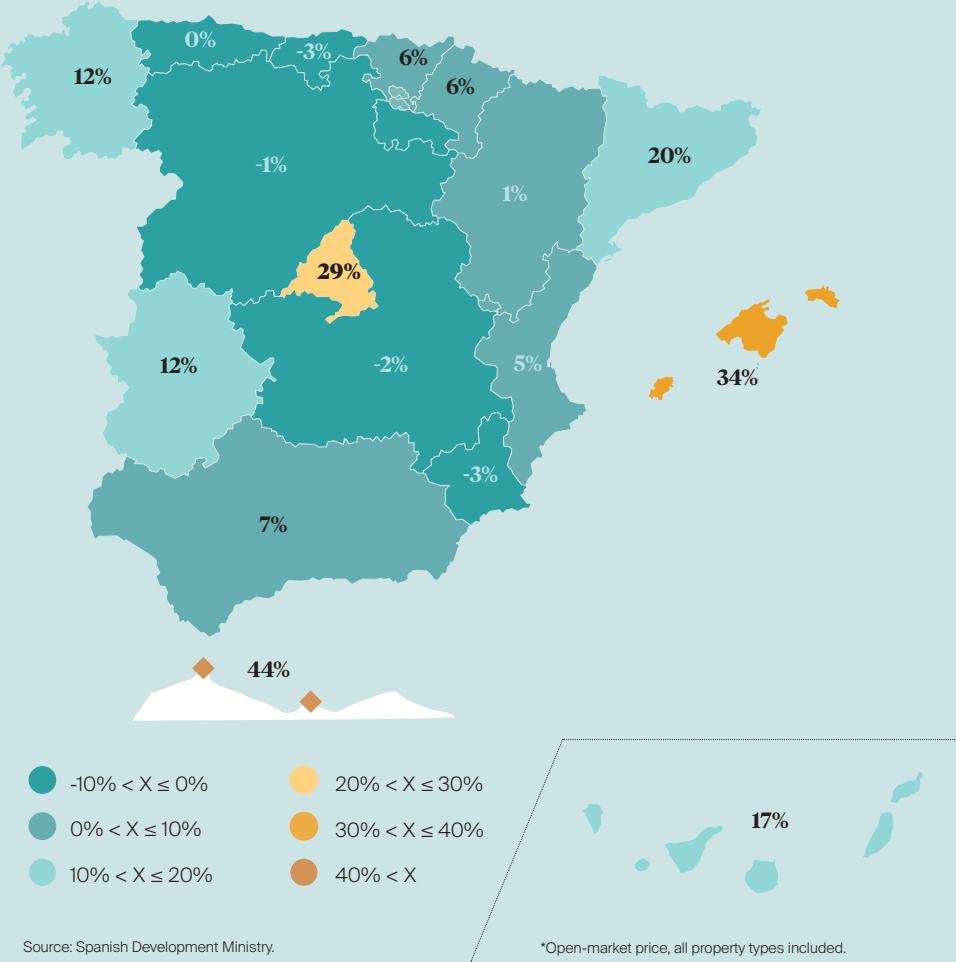
Source: Knight Frank Research / INE

*Forecasts updated by the IMF in October 2020.



Open-market prices*

Q2 2020 variation from the lowest average price recorded in 2004-2019



Spain
Q2 2020

New-build:
€1,900 / sq m
Resales:
€1,600 / sq m

Madrid Q2 2020

New-build: €3,000 / sq m
Resales: €2,600 / sq m

Balearic Islands Q2 2020

New-build: €2,800 / sq m
Resales: €2,300 / sq m

Catalonia Q2 2020

New-build: €2,300 / sq m
Resales: €2,000 / sq m

Ceuta and Melilla Q2 2020

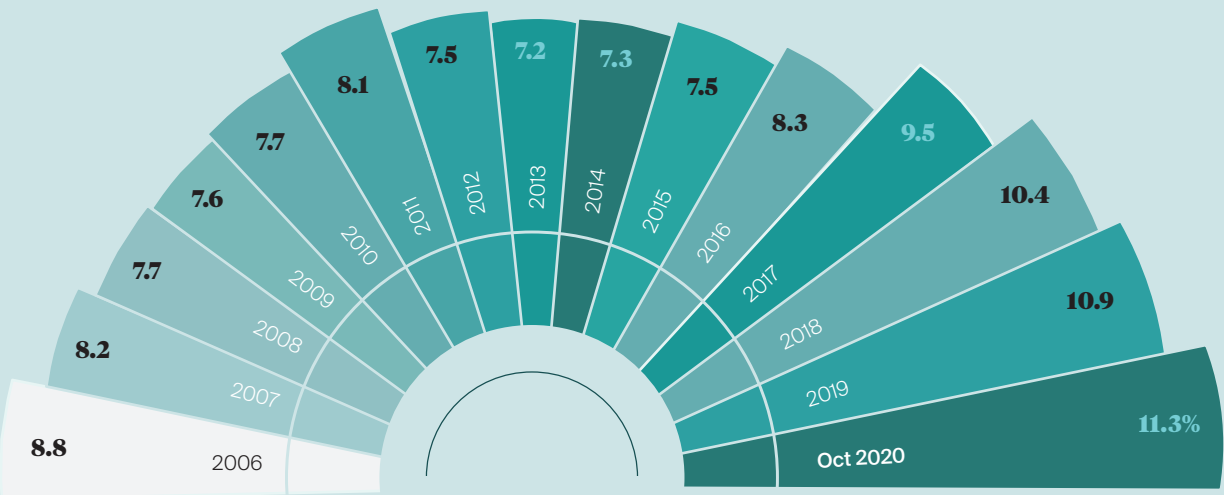
New-build: €1,900 / sq m
Resales: €1,700 / sq m

Canary Islands Q2 2020

New-build: €1,700 / sq m
Resales: €1,500 / sq m

Spain. Average rental price for residential property over time

2006 - October 2020. €/sq m



Outlook: annual variation
in price

- STRONG GROWTH (5%+)
- SLIGHT GROWTH (0.1% TO 4.9%)
- FLAT OR SLIGHT DIP (0%-4.9%)
- STRONG DECLINE (-5%+)

2021

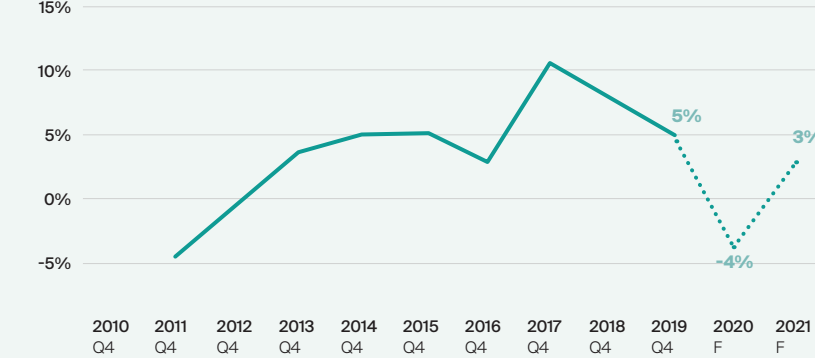
Cape Town
Shanghai

Auckland
Berlin
Geneva
Lisbon
London
Los Angeles
Madrid
Melbourne
Miami
Monaco
Paris
Sydney
Vancouver
Vienna
Singapore

Sustained high demand,
and the perception of
prime Madrid residential
property as a safe-
haven investment, have
cushioned the pandemic's
blow in this sector.

Forecast variation in prime residential property prices

Madrid



PRIME
RESIDENTIAL
MARKET

Knight Frank's Prime Global Forecast 2021 looked at data from 22 major cities, including Madrid, to form a view on where prime residential property prices might stand at the close of 2021 compared to where we are now. Based on projections for supply and demand, what we know about the impacts of the crisis in each market and the economic stimulus packages provided in each country, the forecast outlines an overall 2021 recovery scenario for each city included in the analysis. Cape Town and Shanghai look set to lead the board in 2021, with forecast growth of 5%. Hot on their heels are a cluster of European markets, including Berlin and Madrid.

Our report, The Prime Global Cities Index, studied growth in prime property prices in more than 40 cities all around the world. It ranked Madrid in ninth place over the early part of 2020, with year-on-year growth of 4.6%. The disruption unleashed by the pandemic from March onward unsurprisingly

sent Q2 prices tumbling, although we should see a strong recovery in 2021.

In Madrid, the performance of the prime residential market has been at odds with both city and nationwide trends. Here, the impact on the average price has been more muted, owing to sustained demand and the view that prime Madrid property makes a good safe-haven investment. If prevailing trends continue, prices should bottom out at around 4% in this segment by the end of 2020, recouping 3% in 2021.

Data from the Global Buyer Sentiment Survey gathered between 5th and 23rd June 2020 suggests that, in light of the pandemic experience, almost 65% of Spanish residents would choose to stay in the same city in the event of moving to a new home. This is a very telling snippet of information for the residential market, both nationally and in Madrid: in all other countries included in the survey, the percentage giving this answer is significantly lower at 40%.

A PRIME HOME

FOR EVERY PRIME BUYER

YOUNG PROFESSIONALS

Profile:

- +25 years
- Single or living with partner
- Urban lifestyle

Requirements:

- At least 1 bedroom
- 1 or 2 parking spaces
- Modern properties with high-tech specifications
- Good access to public transport and/or the airport
- Good views

Source of income:

- Family wealth
- New elite professions: advertising, technology, sport, etc.

Preferred homes:



FAMILIES AND SINGLES

Profile:

- +35 years
- Single or living with partner, with or without dependent children
- Urban and country lifestyle

Requirements:

- At least 3 bedrooms
- At least 2 parking spaces
- A spacious home in a property offering high-quality shared space (swimming pool, gardens, children's play area, etc.)
- Convenient main road access
- Proximity to workplace and/or school

Source of income:

- Media professions – sport, politics, entertainment, etc.
- Own business and investments

Preferred homes:



RETIRED PROFESSIONALS

Profile:

- +55 years
- Single or living with partner, with or without adult children
- Urban and country lifestyle

Requirements:

- At least 3 bedrooms
- At least 2 parking spaces
- A home all on one level with outdoor space
- Good access to public transport and main roads
- Good views

Source of income:

- Family wealth
- Earlier professional success
- Own business and investments

Preferred homes:



HIGH-RISE APARTMENT

A home in a multi-storey property where residents enjoy shared use of common areas. Tends to have well-proportioned rooms and more than one bedroom.



DUPLEX/TRIPLEX APARTMENT

An apartment arranged over two or three floors in a shared building. In most cases, this allows for a more varied ambiance and clearer divisions between rooms.



APARTMENT/STUDIO

A more compact home where a single, open-plan space fulfils multiple functions, or where only the bedroom is separate from the rest of the living space.



PENTHOUSE APARTMENT

Apartment occupying the top floor of a property, usually with the added benefit of a generous terrace. Sought after partly for its superior city views. Although this type of property has always been highly prized, the pandemic has pushed demand to new heights, as buyers feel a need for more outdoor space.



GROUND-FLOOR APARTMENT WITH GARDEN

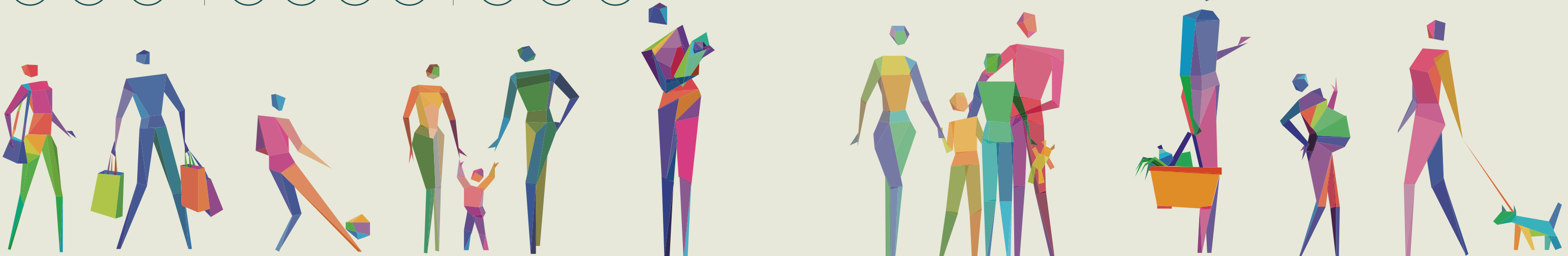
Apartment occupying the ground floor of a shared property, enjoying exclusive use of a private garden. Like the penthouse apartment, this option has seen its stock soar in the wake of the pandemic, which has pushed gardens higher up the list of priorities for most buyers.



SINGLE-FAMILY HOME

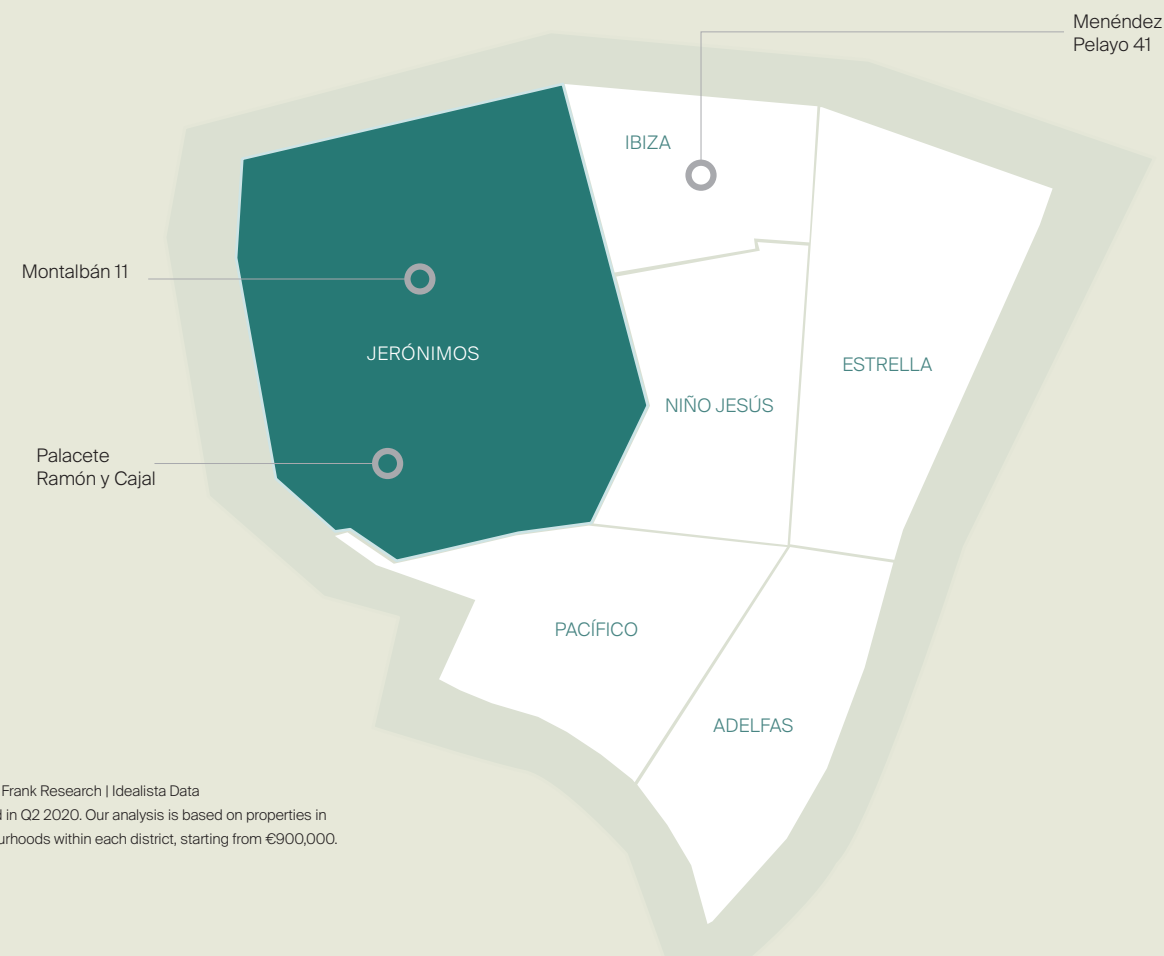
Self-contained home, usually set in its own grounds and offering spacious family accommodation. Often arranged over several levels, this is the best option for those who cherish their privacy, as the building is not shared with neighbours. Regarded as the optimal place to see out a lockdown thanks to the privacy and space it affords, both inside and out, the single-family home is one of the best-performing property types in the market. These preferences are unlikely to change in the near future, particularly as remote working seems here to stay. For many families, setting themselves up with a comfortable workspace will become a key concern. This hunch is supported by the results of the Global Buyer Sentiment Survey: 65% of Spanish respondents state that the lockdown has left them leaning more toward a single-family home than any other property type. Moreover, almost 75% state that having extensive landscaped areas and plenty of outdoor space is a priority for them, and 64% now rate an office or work area more highly than they did before.

★ IN HIGH DEMAND IN THE WAKE OF THE PANDEMIC



MADRID'S TRENDIEST NEIGHBOURHOODS

NEW-BUILD SUPPLY



Source: Knight Frank Research | Idealista Data
 *Data collected in Q2 2020. Our analysis is based on properties in prime neighbourhoods within each district, starting from €900,000.

Retiro | Jerónimos

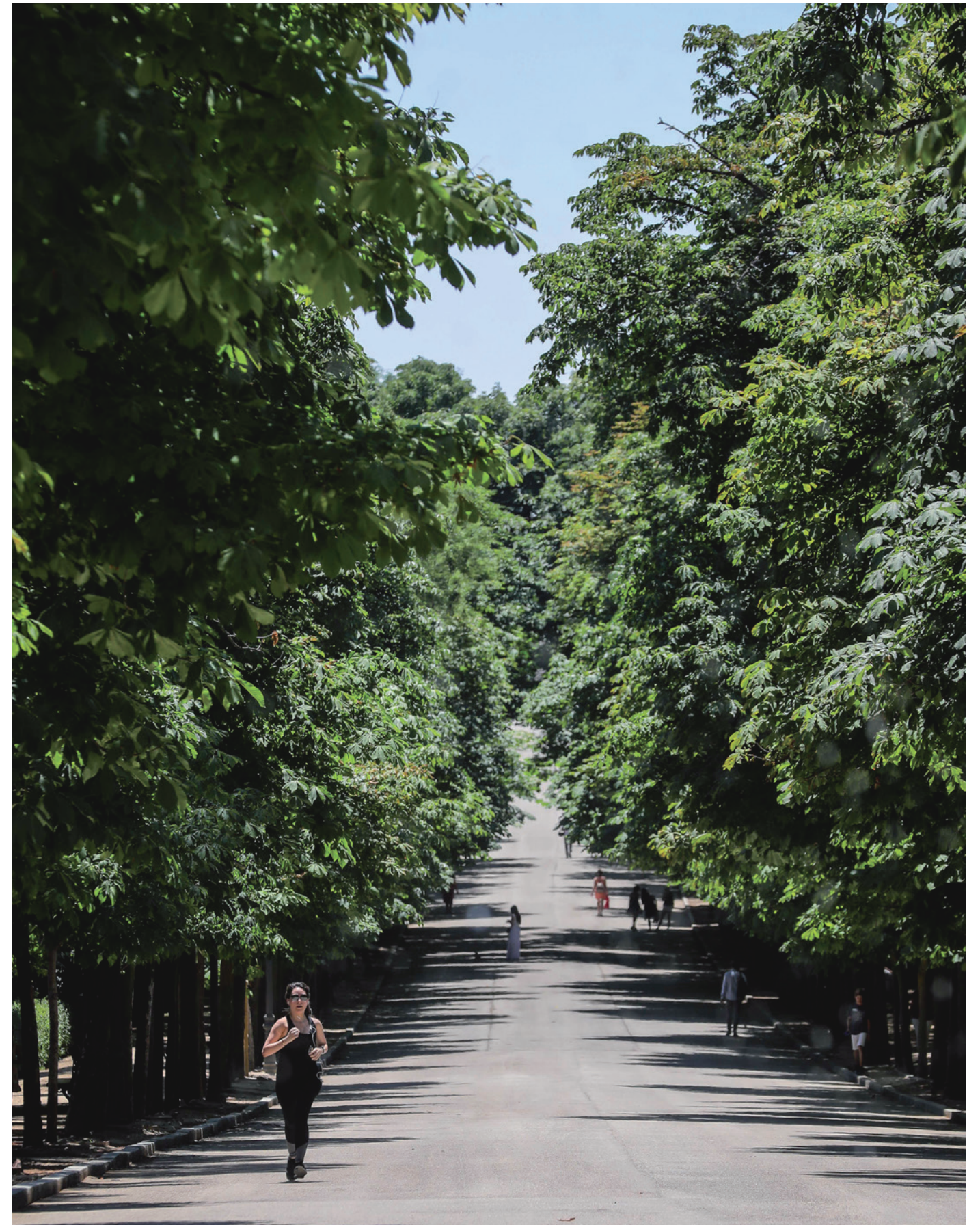
The capital's cultural and architectural jewel. This is where we find the Parque del Buen Retiro, a public garden with a rich history and one of Madrid's most famous parks. The most upscale tract is home to tourist-friendly attractions like the Botanic Garden, the Prado Museum, the Naval Museum, the Church of San Jerónimo el Real (for which the area is named) and, of course, one of the capital's most iconic monuments, the Puerta de Alcalá.

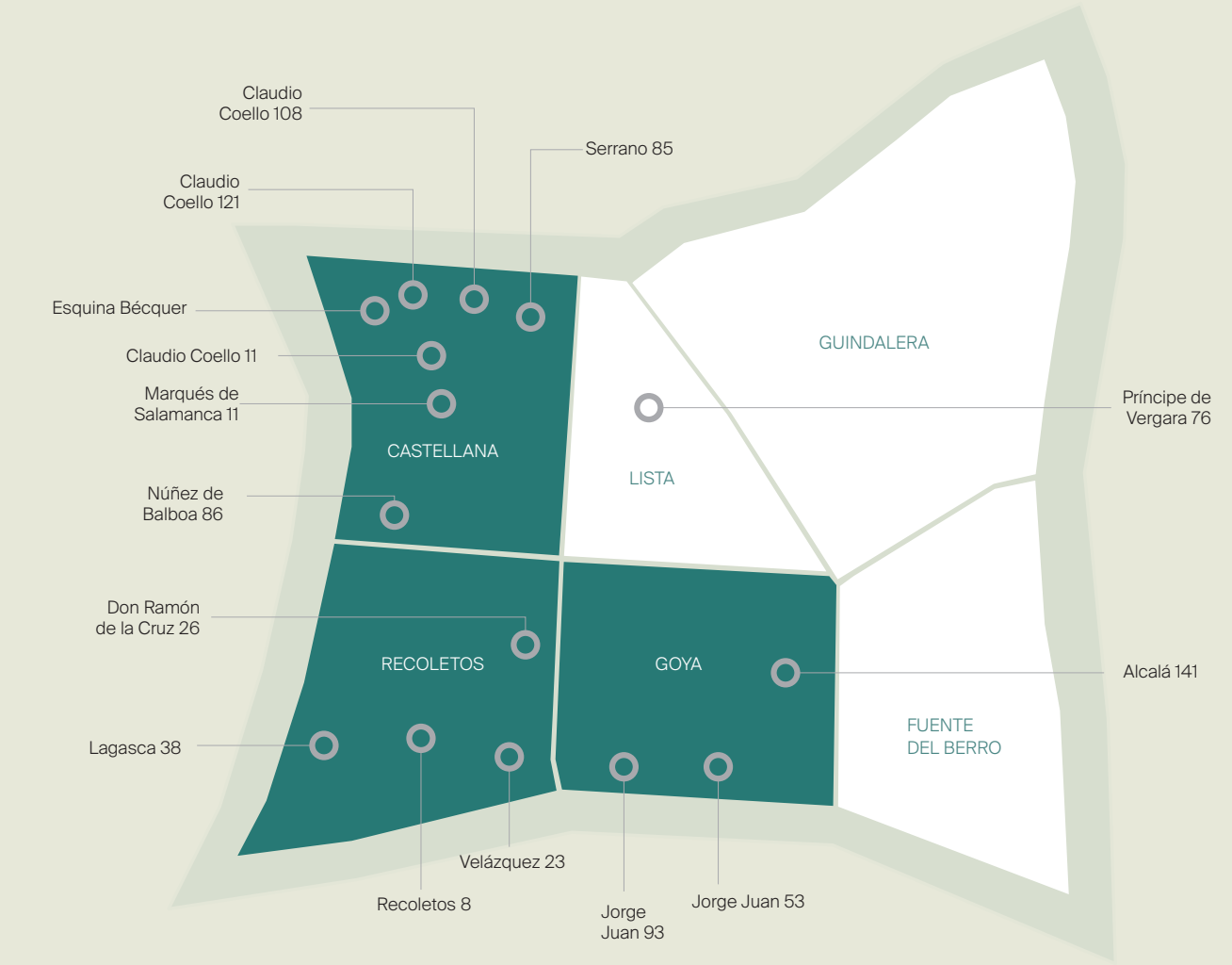
It's a refined, elegant neighbourhood with its

own distinct ambiance, now one of the most exclusive residential areas in town. Offering the chance to live right in the heart of this global European city, but cloistered from the urban bustle, and forming a natural border with the Parque del Retiro, Madrid's premier green space, Jerónimos is a sensational place to live.

Its flourishing cultural scene has been enhanced further by the recent arrival of ultra-modern bars and restaurants, turning the area into a must-visit tapas destination.

Prime supply
 – average price:
€8,650
 per sq m





Source: Knight Frank Research | Idealista Data
*Data collected in Q2 2020. Our analysis is based on properties in prime neighbourhoods within each district, starting from €900,000.

Salamanca

Castellana | Recoletos | Goya

Salamanca is one of Madrid’s most architecturally distinguished districts. Initially laid out as a residential suburb, over time it began to diversify, attracting other uses including business, diplomacy and, especially, retail. Here we find some of the capital’s most exclusive thoroughfares, like Calle de Serrano and Calle de Velázquez, plus the so-called Milla de Ora (Golden Mile) that runs through the heart of Salamanca. Sprinkled along Paseo de Recoletos are impressive monuments, major museums and galleries (like the National Archaeological Museum and Museo Lázaro Galdiano) and renowned restaurants offering the latest innovations in fine cuisine.

Prime supply
– average price:
€9,000
per sq m

A cluster of art galleries around Calle Villanueva help draw in footfall for the area’s many high-end stores. The Paseo de la Castellana is the axis around which the city revolves, home to a profusion of international headquarters. Calle de Goya is another hotspot; here we find the biggest names in fashion, conveniently interspersed with an eclectic range of cafés and restaurants. At night, the atmosphere is electric as revellers flock to its famous bars and nightclubs. Also on this street is the WiZink Center, a major venue for sporting events and arena concerts. Calle de Alcalá, a prominent artery which begins from the Puerta del Sol and runs for over 10 km, is a true shopper’s paradise, with a dizzying array of brands to choose from.

Chamberí
Almagro / Trafalgar / Ríos Rosas

Perhaps the most quintessentially madrileño neighbourhood on our tour, and one of the richest in history, is Chamberí. Nestled in Madrid’s historic core, it’s known for its state-ly ambiance and classical style. Between its many museums, theatres and entertainment venues, culture vultures will find plenty to keep them occupied, while more sybaritic pleasures can be enjoyed at one of its many restaurants and bars.

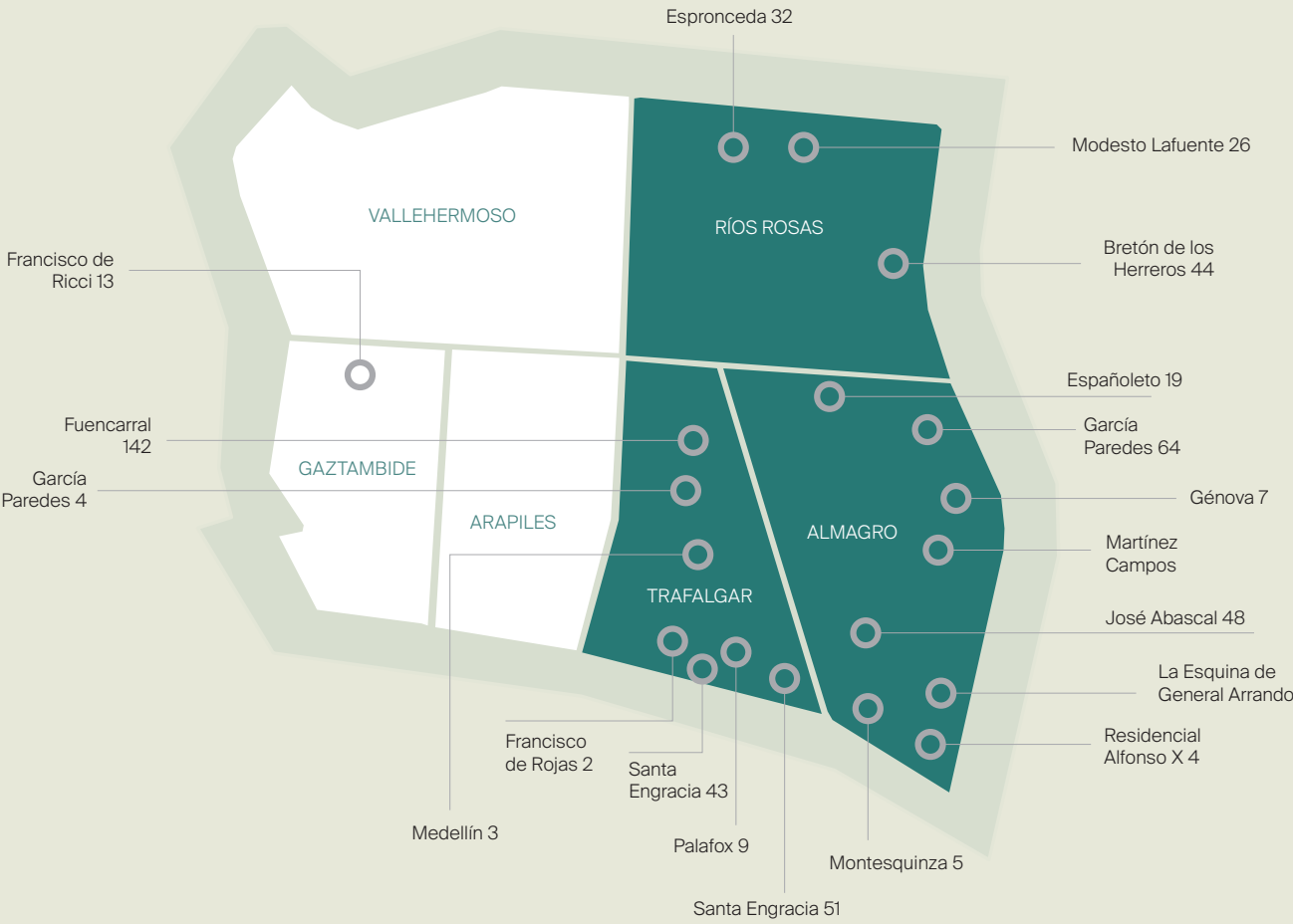
There’s a dazzling range of cuisine to be enjoyed, and standards are high. You can’t go wrong with Calle Ponzano in the Rios Rosas neighbourhood, where you can sample a variety of tapas and linger over the best-pulled draught beer in Madrid. Those who prefer to feed the mind are spoiled for choice, with highlights including the Sorolla Museum and Metro Museum in Almagro and the Geomi-



neral Museum in Rios Rosas. The evening’s entertainment is taken care of by numerous theatres and cinemas: good options include the Teatro del Canal, Teatro de la Abadía, Teatro Galileo, the Teatros Luchana and Cine Pas and Cinesa Proyecciones, both in Calle Fuencarral.

Also worth a wander are Calle Zurbano and Plaza Olavide in the unspoiled neighbourhoods of Trafalgar and Almagro. The former is lined with imperious mansions, stores, restaurants and museums, while the latter is a pleasant spot for an open-air aperitif.

Calle Ríos Rosas, for which this area is named, is another interesting street, home to the headquarters of the Spanish Ministry of Labour, Migration and Social Security. It’s also the chosen address of a number of private schools, such as the Scuola Italiana.



Source: Knight Frank Research | Idealista Data
*Data collected in Q2 2020. Our analysis is based on properties in prime neighbourhoods within each district, starting from €900,000.





Centre

Justicia / Cortes / Universidad / Palacio

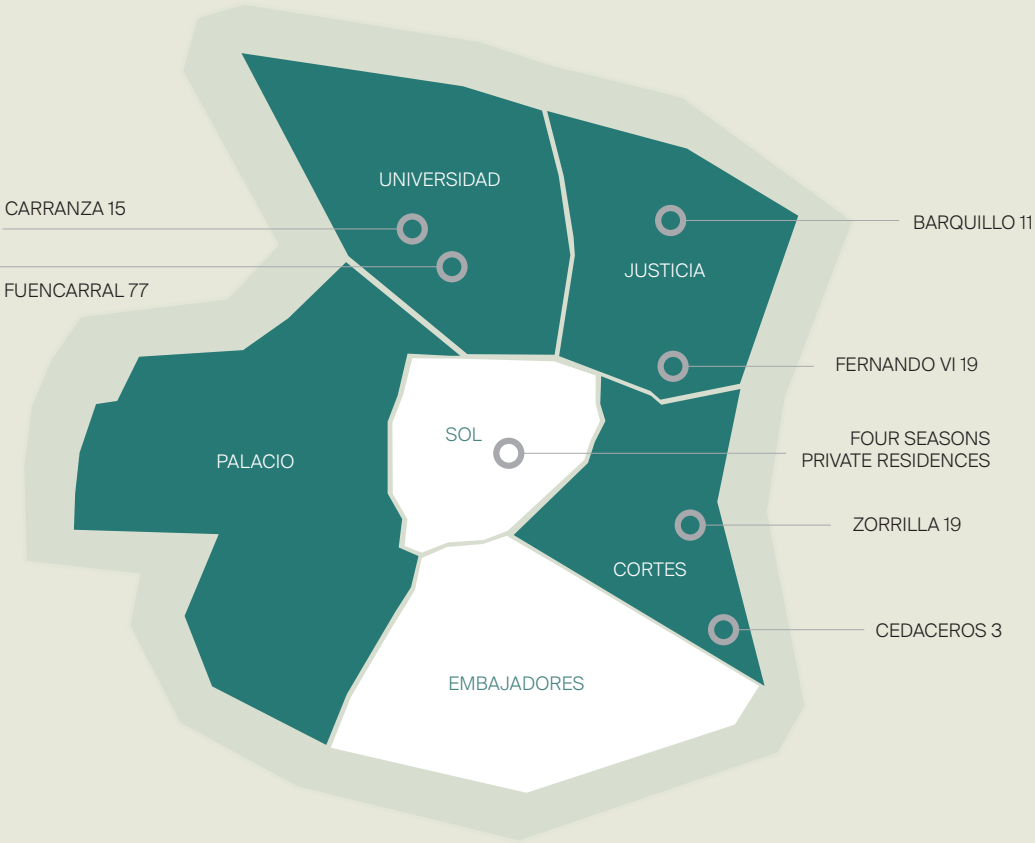
Here, we're in the cradle of historic Madrid, where the city's story began. Instantly recognisable, the Chueca area has undergone significant regeneration in recent years and is now a popular leisure, shopping and business hub. Its architecture exudes the spirit of old Madrid, with narrow streets leading to hidden squares, overlooked by handsome buildings with dainty balconies. Not to be missed is the San Antón market, one of Madrid's most beloved foodie destinations.

Las Cortes, named for the Spanish Congress of Deputies, is another part of the dis-

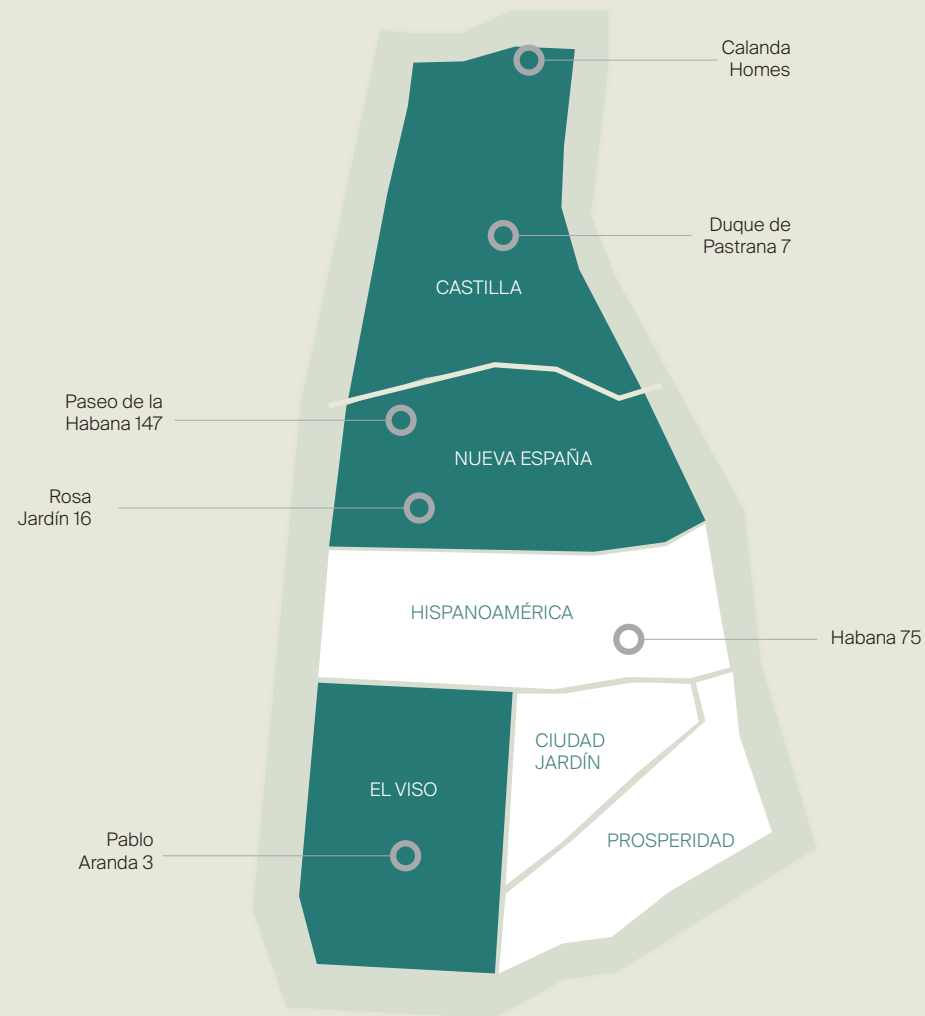


trict with a noble and eventful history. It encompasses the area known as Las Letras, including Calle Huertas and Plaza de Santa Ana, famous for their impressive selection of bars and terraces. Among this neighbourhood's many attractions are the Teatro Español, the Ateneo de Madrid, Casa Museo Lope de Vega, the Convent of the Barefoot Trinitarians, Teatro de la Zarzuela and the Caixaforum arts centre.

Finally, we come to the Palacio Real (Royal Palace) and Plaza de Oriente: both vital stops on any self-respecting visitor's itinerary.



Source: Knight Frank Research | Idealista Data
*Data collected in Q2 2020. Our analysis is based on properties in prime neighbourhoods within each district, starting from €900,000.



Source: Knight Frank Research | Idealista Data
*Data collected in Q2 2020. Our analysis is based on properties in prime neighbourhoods within each district, starting from €900,000.

Chamartín

Castilla / Nueva España / El Viso

Huddled in the district of Chamartín is one of Madrid's most exclusive enclaves.

Home to celebrities and wealthy dynasties, El Viso is a predominantly residential neighbourhood that promises peace and quiet, security and exclusivity. Points of interest include the National Music Auditorium and the Science Museum.

Nueva España is another sedate residential enclave, hosting several national embassies.

Castilla, known to locals as Plaza de Castilla,

Prime supply
– average price:
€6,650
per sq m

is one of the city's best-connected neighbourhoods, boasting the Chamartín train station, the main interurban bus station and metro lines 1, 9 and 10.

This neighbourhood is also where we find the Plaza de Castilla courthouse and Fundación Canal, which hosts a range of stimulating exhibitions. The chosen location for Madrid's two landmark office buildings, known as the Torres Kio, it has now become one of the city's leading business centres.



MADRID PRIME RESIDENTIAL MARKET

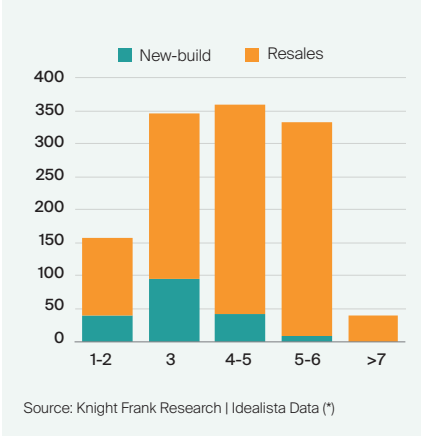
SUPPLY

Of all of the prime locations studied, Chamartín has the most abundant available supply, sitting on almost 40% of the total. Within this district, the Nueva España neighborhood stands out with 25% of all new-build housing and 15% of resale housing. Another one to watch is El Viso. New-build housing is in short supply here (5%), but buyers have a greater choice of resale property than anywhere else in Madrid – around 20% of the citywide total.

Coming up close behind are Salamanca and Chamberí, each with around 20%. Salamanca's Castellana neighbourhood should be on any prime buyer's radar, with 12% of the city's new-build supply and 15% of resale supply. Meanwhile, Chamberí's Almagro neighbourhood is sitting on almost 20% of new-build supply and a little under 15% of resale supply.

Finally, the Centro area commands 17% of the city's prime residential stock. The Justicia neighbourhood is the most interesting in this

Available supply by number of bedrooms.



district, with 7% of available resale supply and just 1% of new-build supply. In nearby Palacio, all available supply in the prime segment is resale property, at 3% of the citywide total.

Finally, Retiro is the toughest submarket to crack, with just 5% of the city's total prime residential stock.

This district contains the Jerónimos neighbourhood included in our analysis, which offers 7% of Madrid's prime resale property but just 1% of new-build.

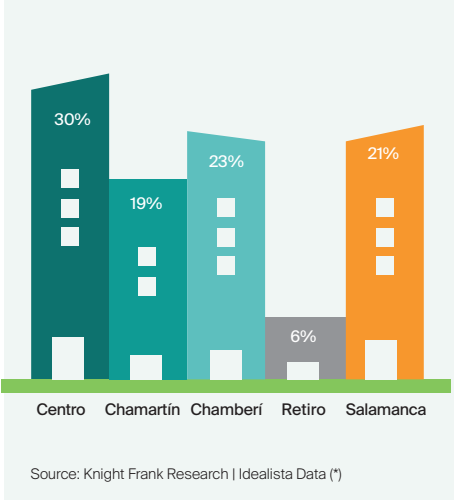
When the city's total prime residential property supply is broken down by type, it is clear that the most readily available homes are those with three to six bedrooms.

Across all property types, there is far more resale property to be had than new-build; in fact, it's virtually impossible to find a prime new-build home with more than seven bedrooms.

The most generous selection of new-build properties is in the three-bedroom bracket (around 50% of the total), followed by four-bedroom (22%) and one/two-bedroom homes (21%).

Transactions by prime locations.

Last 12 months



It's a very different picture for resale property: more than 60% of available homes in this category offer between four and six bedrooms.

One- and two-bedroom homes represent about 10%, while the largest properties (seven bedrooms plus) amount to just 4%.

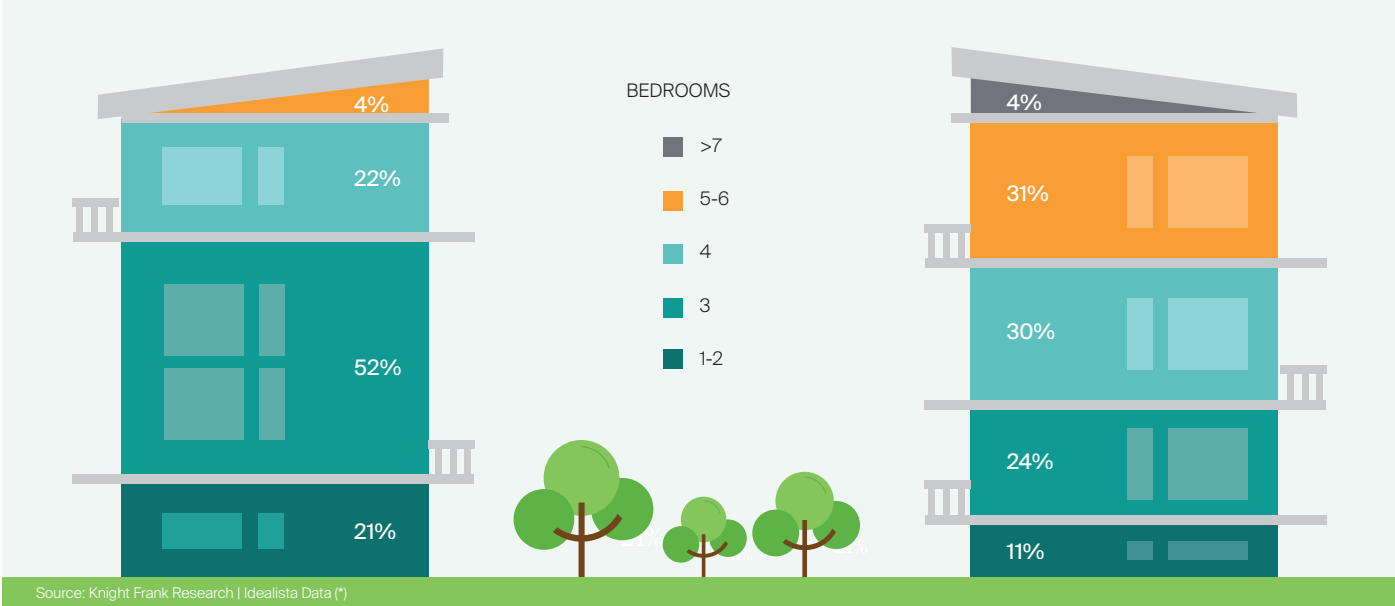
TRANSACTIONS

According to the latest available data, the district that posted the greatest volume of transactions in the prime residential segment over the last 12 months was Centro, accounting for 30% of the total.

Drilling down further, we find that the neighbourhoods of Universidad and Justicia each racked up almost 15% of all transactions completed across prime locations included in our study.

Chamberí and Salamanca, adjacent to Centro, are level on 20%. In Chamberí, the Almagro neighbourhood saw more activity than anywhere else, securing almost 20% of all

Available stock by new-build property type



transactions in this district's prime locations. In Salamanca, the Castellana neighbourhoods came out on top, with 10% of all transactions in prime locations.

While most of the demand for prime residential property in Spain is still domestic in origin, there has been a considerable rise in the number of international buyers snapping up homes in the capital – particularly from Mexico, Venezuela, Asia and the Middle East but also other parts of Europe.

PRICES

Madrid is one of the world's most desirable cities for prime residential investment.

The city offers competitive prices compared with other European capitals and a quality of development now beginning to rival that of London, Paris and New York.

To attract attention at the global level, a property needs an exceptional location and/or an iconic, often starchitect-designed building. It also needs to boast a portfolio of exclusive services – that's quite hard to find, which is why there are so few outstanding prime opportunities in the capital at present.

In prime Madrid locations, average prices have been climbing since 2019, surpassing anything seen in recent years. The steepest jump between Q2 2018 and Q2 2019 was recorded

in the Centro district (8%), where the average price reached around €7,800 per sq m.

By the time Q2 2020 came around, Europe was in the first throes of the pandemic, which hit Spain in March.

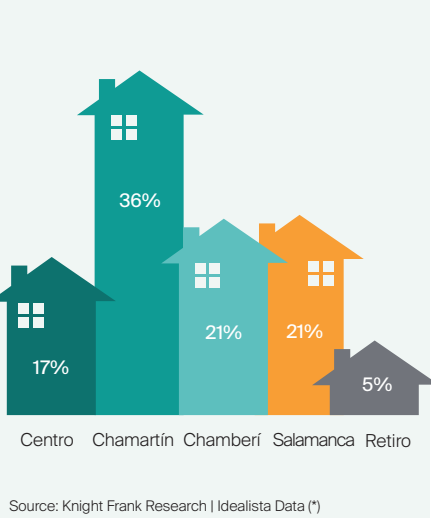
Average prices in prime locations slumped by around 5% in the Centro district, coming in at around €7,300 per sq m. Salamanca proved more resilient – here, the average price in prime locations fell by just 1%, although buyers who aspire to this district need to stump up €9,000 per sq m.

It is worth highlighting that so far, at least, the average price in prime locations in Chamartín has been entirely unaffected. One explanation for this may be that the pandemic and subsequent lockdown have altered demand-side needs and preferences, with more people seeking homes with generous green space, gardens or extensive terracing.

This area accounts for a considerable share of the supply of prime single-family homes that tick all these boxes, with prices exceeding €8,000 per sq m.

Distribution of available supply by prime area.

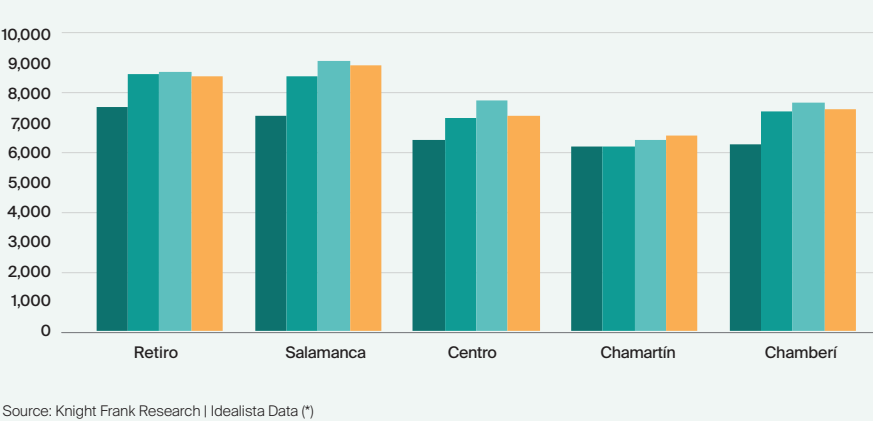
Resales and new-build (%)



*Data collected in July 2020. Our analysis is based on properties in prime neighbourhoods within each district, starting from €900,000.

Average price by prime district

(€/sq m)



CAR, WHAT CAR?

MADRID'S REWARDS COME TO THOSE WHO WALK

Knight Frank manages an extensive portfolio in the prime residential segment, including a selection of properties in Madrid's most sought-after locations aimed at buyers ready to bump up their quality of life. Below are just a few examples of upcoming developments in the districts explored in this report, as well as some exclusive homes available now.

CENTRE

First up is an opportunity to own a share of a building that exudes classical chic, featuring wrought-iron bay windows and a contrasting designer interior, just a five-minute cycle from the finest exhibitions at the Museo del Prado. Ten minutes, and you can be at the Puerta del Sol, hunting down the latest album from your favourite band.

*based on c/ Cedaceros, 3

CHAMARTÍN

Now that your favourite restaurant in Paseo de la Habana is less than a ten-minute bike ride away, you have every excuse for luxuriating in your salt-water infinity pool a little longer, admiring the stunning city views.

*based on c/ Duque de Pastrana 7

RETIRO

Imagine living inside a work of art, lingering over breakfast with views of the Parque del Retiro while you plan your weekend escape to Valencia, Seville or Barcelona on the AVE... After all, it's less than a fifteen-minute stroll to Atocha station.

*based on c/ Montalbán 11

CHAMBERÍ

Unwind in the wellness zone or in your amply proportioned living room with its cathedral ceiling, before decamping to the Parque del Retiro with a good book – five minutes in the saddle, and you're there. As you make your way back home, be sure to stop off in Calle Serrano to indulge in a little light shopping.

*based on c/ Génova 7

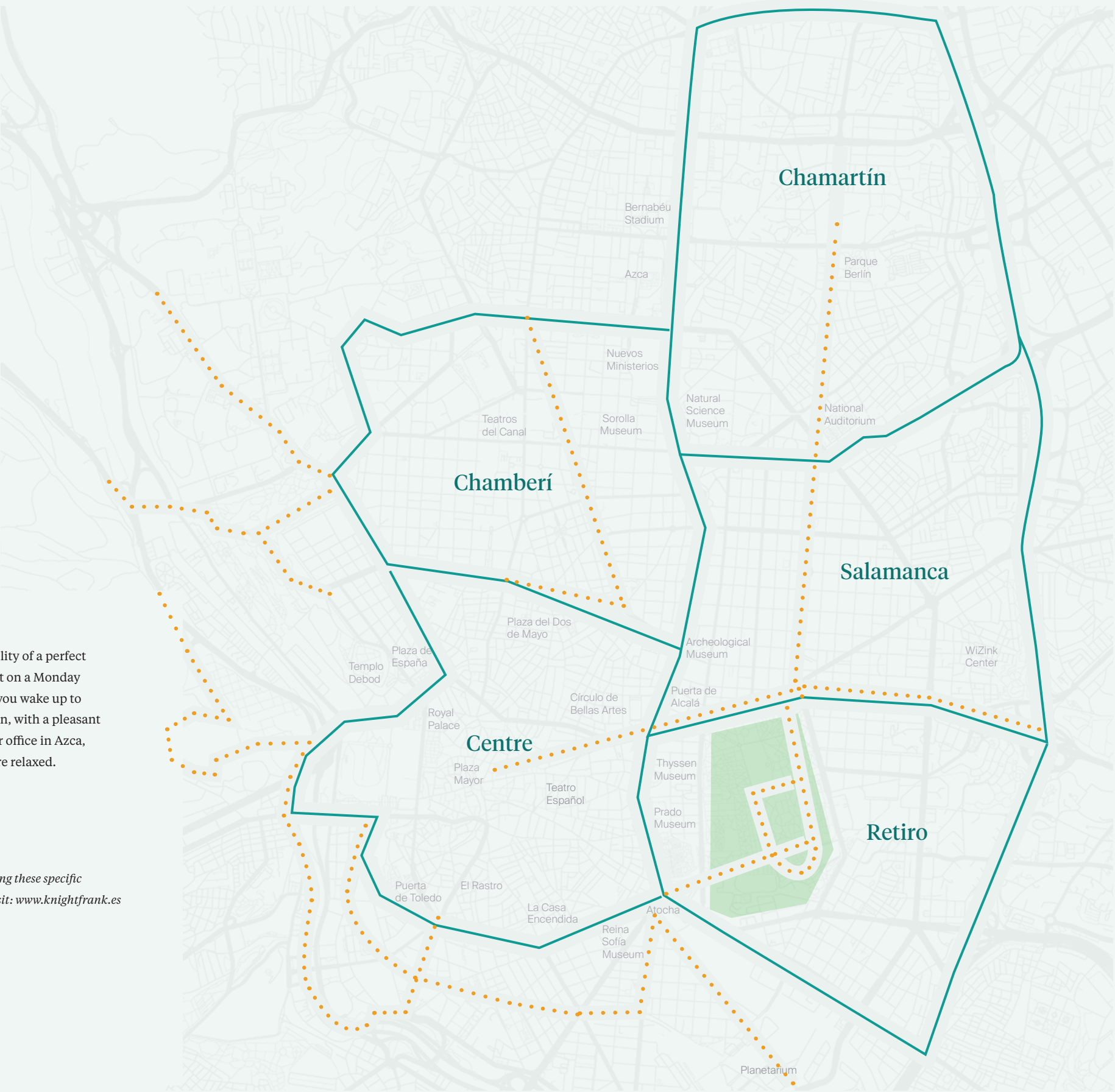
SALAMANCA

Enjoy the ease and tranquillity of a perfect weekend in the country, but on a Monday morning in Madrid. When you wake up to your own bioclimatic garden, with a pleasant fifteen-minute cycle to your office in Azca, city life has never been more relaxed.

*based on c/ Alcalá 141

For more information regarding these specific properties or others, please visit: www.knightfrank.es

Bicycle lanes



HOTELS AND BRANDED RESIDENCES: A BOLD NEW CONCEPT FOR LUXE

In a whole host of countries, leading luxury hotel brands are setting their sights on a new market, reserving part of their properties for “super-prime” residential apartments. This new concept offers the right owner an unbeatable combination: an exceptional level of service, outstanding location, exclusive leisure facilities and the added value of buying into a recognisable hotel aesthetic.

Baccarat Hotel, New York



This new trend opens up an intriguing opportunity for those seeking exclusivity, privacy and discretion. Even better, many of these homes have been designed by world-renowned architects – some even come with original art works on their walls.

Buyers looking for this level of luxury generally own properties in other parts of the world. They see branded residences as an opportunity to acquire a second home where they can enjoy their down time in style, at a more leisurely pace, without having to worry about the upkeep. These apartments can even be turned into an additional income stream – many are let out while their owners

are occupied elsewhere.

Real estate professionals entrusted with marketing these homes have a chance to offer their clients an upscale property bathed in the halo-effect of a prestigious brand, not to mention the reassurance and cachet of all those luxury touches associated with a five-star hotel.

New York is one of the most iconic cities to have gone down this route. The glass tower of the Baccarat Hotel & Residences rises elegantly against the central Manhattan skyline, combining a 12-storey hotel with 38 floors housing 60 exclusive residential apartments.



Four Seasons Hotel, Madrid

Featuring interiors designed by Tony Ingao, these luxury residences offer access to the hotel's facilities, including a lounge with views of MoMA, a spa with swimming pool and a French-style restaurant.

Dubai, where luxury is a way of life, will this year unveil the Royal Atlantis Resort and Residences, a 43-storey complex including a hotel and 231 private apartments with assorted floorplans. A star-studded list of designers

and artisans collaborated on the interiors in a bid to fulfil the expectations of the world's most demanding buyers. Prices start at €2 million, although a penthouse apartment will set you back a lavish €93 million.

Not to be outdone, Europe has launched its own version of this trend. London leads the way with the partnership between Mandarin Oriental and the super-luxe One Hyde Park development, designed by Richard Rog-

◆◆

Branded residences fall into the categories known as “super-prime” and “ultra-prime”: these are properties aimed at the super-wealthy, and despite the COVID-19 crisis they have made a real buzz, with a significant number of sales. Hong Kong, New York, Los Angeles and London have all done a brisk trade in ultra-prime homes, despite the difficult climate caused by the pandemic.

◆◆

ers and boasting a spectacular location just a five-minute stroll from Harrods. Residents can enjoy a selection of indulgent perks such as their own butler, maid service and 24-hour security.

Branded residences fall into the categories known as “super-prime” and “ultra-prime”: these are properties aimed at the super-wealthy, and despite the COVID-19 crisis they have made a real buzz, with a significant number of sales. Hong Kong, New York, Los Angeles and London have all done a brisk trade in ultra-prime homes, despite the difficult climate caused by the pandemic. In London's case, there were actually more transactions involving homes priced at over \$22 million than in 2019, as Knight Frank's latest report on this segment reveals.

In Spain, seven historic buildings have been combined into an impressive home for



One Hyde Park, London



Mandarin Oriental Hotel, Barcelona

the Madrid Four Seasons. The development includes 22 luxury apartments to be marketed as Four Seasons Branded Residences. Occupying the upper floors of the complex, each apartment features a unique design, with the average price standing at around

The Royal Atlantis Resort & Residences, Dubai



€15,000 per sq m.

Residents enjoy access to the hotel's facilities and services, including the spa and swimming pool, plus their own private entrance to the on-site restaurants.

Meanwhile, Barcelona is experimenting with a fresh take on this trend: the hotel chain Mandarin Oriental is developing 34 sumptuous apartments on super-prime Paseo de Gràcia, entirely separate from the hotel itself.

Owners will be attended by a team of 20 private staff, and will have the use of the nearby hotel and its facilities.

These ultra-prime hotel-residence hybrids are generating a lot of interest, primarily from international clients. The hotel brand offers a new way to add value and stand out from the competition, so we should not be too surprised to see more hotel groups exploring this option in the future.

Pandemic or no pandemic, travel will always be an aspirational privilege, not only for those longing for an exotic getaway but also for second-home owners in other parts of the world.

Living through lockdown seems to have heightened interest in acquiring a second home overseas.

According to the results of the June 2020 Global Buyer Sentiment Survey, Spain has become the world's second most sought-after destination since the pandemic began.

Residential

Carlos Zamora
Partner, Head of Residential
+34 600 919 041
Carlos.Zamora@es.knightfrank.com

Research

Rosa Uriol
Head of Research
+34 600 919 114
Rosa.Uriol@es.knightfrank.com

COVID-19: Across Europe and beyond, market activity is being impacted in all sectors due to the Novel Coronavirus (COVID-19) outbreak. As at the date of this report, we consider that we can attach less weight to previous market evidence for comparison purposes, in providing our opinions on the market. Given the unknown future impact that COVID-19 might have on the real estate market and limited recent comparable data, this report is meant to provide market insights as we see them at this time but we wish to highlight the material uncertainty which may cause swift changes in the market. Please get in touch with our team if you would like to discuss in further detail or receive an update regarding market conditions.

Knight Frank Research publications are available in Spanish at: *knightfrank.es/investigacion-de-mercados* and in English at: *knightfrank.com/research*



Knight Frank Research provides strategic advisory services, consultancy services and forecasts to a wide range of clients across the globe, including developers, institutional investors, financial bodies, corporate institutions and any other type of client with specific property requirements. Important notice: © Knight Frank España, S.A.U. 2021. This report is published for general information only and is not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank España, S.A.U. for any loss or damage resultant from any use of, reliance on or reference to the contents of this document. As a general report, this material does not necessarily represent the view of Knight Frank España, S.A.U. in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank España, S.A.U. to the form and content within which it appears. Knight Frank España is a Sociedad Anónima Unipersonal registered on the Mercantile Register of Madrid with Registered Tax Number (CIF) A-79122552. Our registered office is located at Suero de Quiñones 34, 28002 Madrid.