

Madrid

The European jewel that shines brighter than ever

2025

The evolution of Madrid with Puerta del Sol as the protagonist of retail and leisure

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Welcome Letter



Knight Frank is pleased to present this report, prepared by the Retail Department in collaboration with our Research & Marketing team. This document aims to provide a comprehensive analysis of the exceptional moment that Madrid is experiencing, consolidating itself not only as a driving force behind tourism and culture in Europe, but also as a strategic hub for investment and economic development.

Madrid is in a period of growth: it draws in tourists, appeals to foreign investment and shows a significant evolution in its urban and commercial infrastructure. A special section of this study focuses on Puerta del Sol.

Its setting is home to a unique blend of historic heritage, sophisticated gastronomic offerings, iconic shops and an influx of foot traffic that positions the area as a prime focus for retail development.

Through a rigorous approach, based on quantitative and qualitative data, we explore how these transformations are impacting Madrid's economic fabric and aligning with global retail trends due to exceptional tourism data. Identifying key opportunities for brands in an increasingly competitive market, where prime locations take centre stage.

We are confident that this study will be a valuable tool to understand the key drivers of Madrid's growth and its impact on retail with a focus on the city's most iconic area.



Tamara Sánchez

Director
Head of Retail

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Historic and cultural heritage

Madrid has established itself as one of the great tourism capitals of Europe, a place where history and the contemporary go hand in hand to captivate millions of visitors every year. Its crown jewel is its extraordinary cultural heritage, which positions the city as a must-see destination for lovers of art, history and culture in general.

The greatest expression of this cultural wealth is the renowned Golden Triangle of Art, home to three of the world's most prestigious museums. The Prado Museum ranks sixth in the ranking of the world's most important museums and galleries. Famous for its collection of masterpieces by Velázquez, Goya and Rubens, it received nearly 3.5 million visitors in 2023, making it one of the most visited cultural spaces in Europe. On the other hand, the Reina Sofía Museum, with modern masterpieces such as the emblematic Guernica, welcomed 2.5 million people. In addition, the Thyssen-Bornemisza Museum, whose exquisite collection, ranging from Renaissance to 20th century art, received more than one million visitors.

Beyond the museums, the city is steeped in history and architecture that tell the story of its evolution through the centuries. **The Plaza Mayor, the Royal Palace, the Royal Theatre and the Plaza de España are clear examples of the abundance of monuments that define Madrid.** To the east, Gran Vía, with its cultural and commercial offer, and Calle Alcalá, which leads to the Círculo de Bellas Artes and Plaza de Cibeles, merge the contemporary with the classic in a unique setting.

In a globalised context where major capitals compete for international attention, Madrid continues to stand out. **Its ability to blend tradition and the avant-garde has positioned it as one of the most important driving forces behind tourism in Europe and the world, attracting visitors who are not just looking for a city, but to immerse themselves in its lifestyle.**

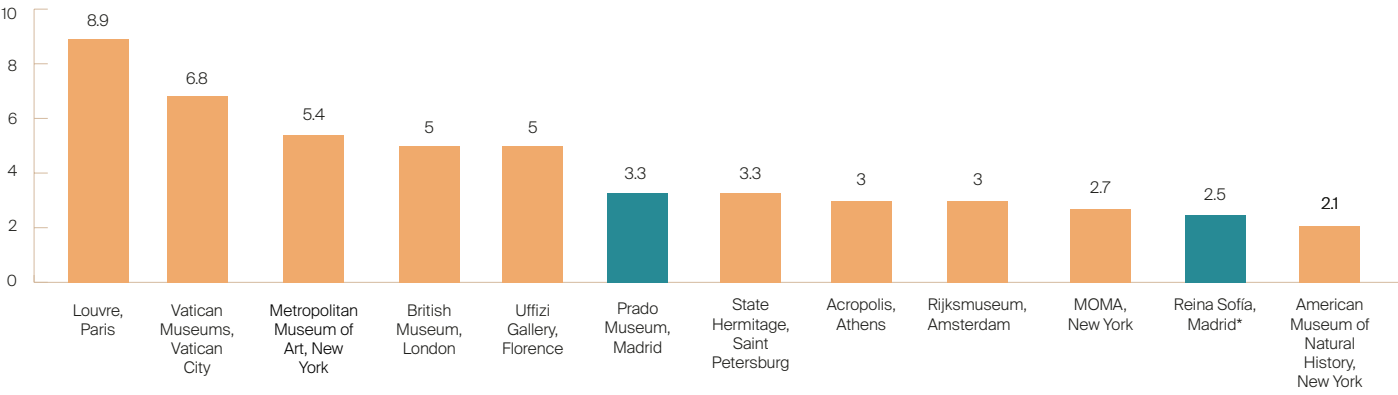
1st place in Europe
as the most desirable city to travel to

3rd most attractive in the world
behind Dubai and Paris

Source: Euromonitor International and Wanderlust Reader Travel Awards.



Most visited museums in the world. Millions of visitors in 2023.



*Includes its main building with 1,409,113, plus its two exhibition venues: 500,000 from the Velázquez Palace and nearly half a million from the Glass Palace in the Retiro.
Source: Knight Frank Research.

European capital of gastronomic culture

Madrid, named European Capital of Gastronomy in 2024, has consolidated its position as a culinary destination of reference worldwide. With 32 restaurants awarded the prestigious Michelin Star, the city stands out as an epicentre of haute cuisine, not only nationally, but also internationally.

The gastronomic experience offered by Madrid is diverse and unique, combining regional and international cuisines in the heart of the city. From food markets such as San Miguel to avant-garde restaurants, the offer is ample and affordable to all types of visitors. In addition, the city maintains a rich tradition with its many taverns, *tapas* bars and century-old restaurants that represent the pure essence of the city, while gastronomic routes and cooking schools provide an enriching experience for those looking to explore new flavours.

This blend of the traditional and the innovative makes Madrid a top gastronomic destination, with options to suit all tastes and budgets, consolidating its position as a benchmark for global gastronomy.

European capital of gastronomic culture

in the year 2024

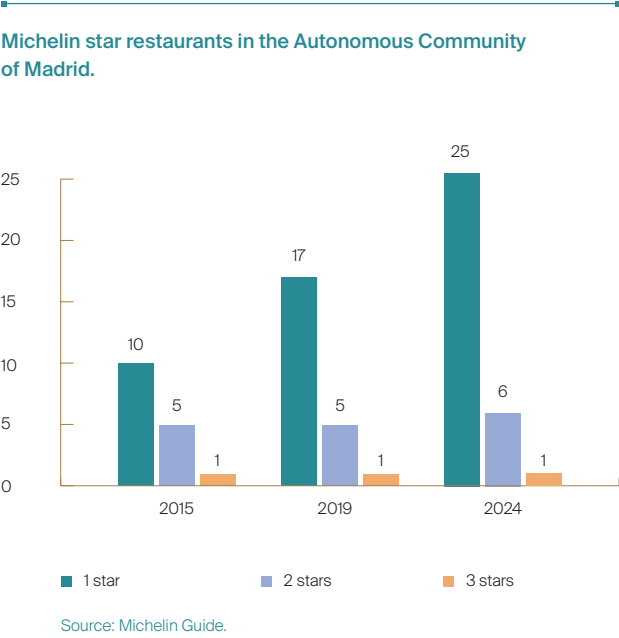
32 restaurants

with a Michelin star in the Autonomous Community of Madrid

More than 100

restaurants recommended in the 2024 Michelin Guide

Source: Michelin Guide.



Madrid as a business destination

Madrid has established itself as one of the main shopping destinations in Europe thanks to its wide and varied commercial offer.

In the heart of the city, **Puerta del Sol, Gran Vía and Calle Preciados form Spain's most iconic shopping hub, home to the flagship stores of the world's most recognised brands, emblematic department stores and traditional local commerce.** This vibrant and accessible shopping epicentre is complemented by other prominent areas such as the Golden Mile of the Salamanca district, historically positioned in the luxury sector, and Calle de Fuencarral and the Malasaña district, known for their independent design shops and alternative trends.



However, positioning Madrid as a benchmark for shopping tourism has been a challenging journey, especially after the impact of the pandemic on the global retail sector. During this period, the retail sector in Madrid, in Spain and in the world in general faced a crisis that led many to predict the end of physical shops as we knew them. However, the resilience and adaptability of retailers has been key to this sector not only recovering, but coming back stronger than ever.

Retail trends

The momentum in retailing in recent years is due to several key factors that have revitalised commercial activity. On the one hand, the upturn in consumer spending, driven by the economic recovery, has given a new energy to the sector. Added to this is retail's ability to adapt to omnichannel demands, integrating physical and digital experiences to meet consumer expectations. In this context, retailers have prioritised strategic locations in high-traffic areas, consolidating retail as one of the most dynamic sectors in the market. In addition, today's retail stands out for offering more special, unique and personalised shopping experiences. **Consumers, more demanding since the pandemic, are looking for flexible and adaptable spaces that combine innovation, design and functionality.** This transformation has led physical shops to evolve into environments where brands not only sell, but also create emotional connections and engaging experiences for their customers.



Today, **operators are increasingly opting for a smaller but higher quality presence, concentrating on fewer shops in prime locations in each city.** This has led to a strong demand for prime retail space, especially in central and busy areas of provincial capitals, mainly Madrid and Barcelona. However, **the limited availability of these spaces has intensified competition between brands, leading to a general increase in rental prices.** In fact, prime rents in major cities are expected to continue to grow by 3% to 5% in the coming months, reflecting the high demand and scarcity of space in iconic locations.



Madrid as a business destination

Unprecedented growth

2024 marks the beginning of an unprecedented period of growth for retail in Madrid, making it the fastest-growing asset class in year-on-year terms. During the first half of 2024, investment in the national retail sector exceeded 1.3 billion Euros, compared to around 400 million Euros in the same period last year. This momentum stems from the appeal to investment in Shopping Centres, which has captured close to 60% of total retail.

In the high street segment, in the last nine months, a total of 14 establishments of over 1,000 sqm were opened. Madrid is the chosen gateway to the market, accounting for around 40% of operations.

Retail is one of the most important economic forces in the Autonomous Community of Madrid, generating quality employment, contributing to the regional GDP and attracting foreign investment. According to the latest data, commerce generates around 12% of the regional GDP and 6% of this corresponds to the retail sector.

In short, we can conclude that Madrid has positioned itself as a benchmark in the retail sector at the national and international level thanks to a favourable business environment, growing consumer demand (+14.5%* y-o-y) and a commitment to innovation and to meeting the needs of increasingly demanding consumers.

*As of February 2024 (Madrid City Council).



The prime high street sector in Madrid

The *high street prime* segment in Madrid is divided into two main areas: the city centre, which encompasses the areas of **Puerta del Sol, Gran Vía, Preciados and Fuencarral**, and is characterised by a **mass market approach**. On the other hand, the **Salamanca district**, with iconic streets such as Serrano, Ortega y Gasset and Velázquez, **is home to the luxury shopping segment and premium brands**, consolidating itself as the high-end retail area in the capital.

Availability by surface area (%)

As a result of the trend towards a more selective and higher quality presence, where brands opt to be in fewer outlets but with greater impact, the occupancy rate in these areas is currently at 96.5%, indicating **high occupancy and strong competition for available space**.



Yield (%)

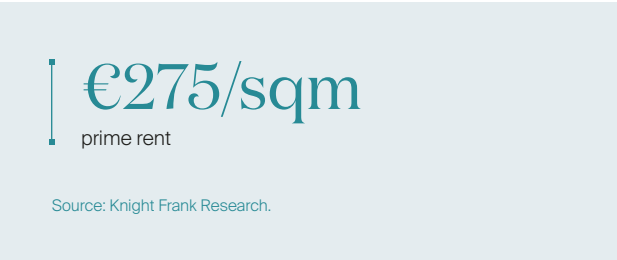
The yield on the investment market for prime locations in the *high street* segment currently stands at 4.25%. This value has experienced **gradual and sustainable growth since the pandemic and has been affected by rising interest rates, although a slight contraction is anticipated in the coming year due to lower interest rates.**



Prime rent (€)

The average rent in Madrid's high street prime segment currently stands at 275 Euros per square metre per month. This value shows a stable trend, after a correction in 2022.

We estimate that this trend **will continue to rise slightly due to the lack of availability in prime areas.**



Diverse and growing tourism

Madrid is a multicultural and vibrant city that attracts visitors from all over the world, thanks to its ability to offer a wide variety of experiences adapted to different tastes and budgets.

Its cosmopolitan and welcoming atmosphere makes the city a perfect destination for any traveller to feel at home, regardless of their origin or preferences.

Within this diversity, luxury tourism has gained prominence in recent years. The city has positioned itself as a highly attractive destination for affluent travellers, with the opening of exclusive upmarket hotels and international brand shops in the sector, reinforcing its position as one of Europe's most sophisticated capitals.



Infrastructure and connectivity

Adolfo Suárez Madrid-Barajas airport is one of the main gateways for tourism in Spain and one of the most important air hubs in Europe. With 375 routes connecting to 182 different destinations and 82 airlines, this airport stands out for its capacity and international reach.

In addition, Madrid's modern and efficient public transport network, which includes the 4th best metro in Europe and the stations that are the origin of the second most extensive network of high-speed train tracks in the world, with more than 4,000 kilometres and reaching practically any point in the country.

This system not only facilitates access to the city's main tourist attractions, but also ensures excellent connections with other cities, consolidating Madrid as an accessible and well-communicated destination.



6th airport

position in the ranking of the busiest airports in the world

4th best metro

position on the list of Europe's best metros

Source: Hosteltur and Traveler.



Gateway to Europe

Another very important aspect of the city is that it acts as a gateway to Europe for many visitors, especially those from the United States and Latin America.

Up to October 2024, Adolfo Suárez Madrid-Barajas Airport has received a total of 55.4 million passengers, representing an increase of 10.1% compared to the same period in 2023. Of these, 14.6 million were domestic passengers, equivalent to 26.4% of the total, and 40.7 million were international, representing 73.6%. Domestic passengers have experienced a 6.5% growth compared to 2023, while **international passengers have increased by 11.4%, reflecting significant growth in Madrid's global connectivity.**

As for international passengers, approximately 15% only stop over at the airport, i.e. they do not leave the airport premises and do not spend time in the city of Madrid. On the other hand, 27% of these passengers visit but do not stay more than one day in the city. These are people who, although they arrive in Madrid, do not stay and continue on their journey to other destinations. Finally, **58% of international passengers do stay in Madrid for one or more days, whether for tourism, business or other reasons**, highlighting the city's role as a key destination for international travellers.

+10.1%

Adolfo Suárez Madrid-Barajas Airport annual passenger increase (accumulated until October, 2024 vs. 2023)

Source: Aena (Spanish Airports and Air Navigation Agency) and Ministry of Transport and Mobility.

Main source of foreign investment

In the first half of 2024, the Autonomous Community of Madrid was the main destination for foreign investment in Spain, concentrating 67.5% of the total, which reached 7.940 billion Euros. **Among the sectors that most attracted international investors were technical architectural and engineering services, driven by infrastructure and urban planning projects. Financial services also stood out, excluding insurance and pension funds, where international banks and FinTech companies have invested significantly.** In addition, back-office activities were key to supporting global companies. These sectors show the diversity and economic strength of the region.

In addition, the region is home to 15,548 international companies, employing 1.44 million people and generating a combined annual turnover of 537.531 billion Euros.

Countries such as the United States, France and the United Kingdom are among the main investors, driving a diversified and dynamic regional economy that positions Madrid as a strategic point for global expansion.

The main reason for this is that Madrid is a safe, high-value proposition thanks to its combination of economic stability, skilled talent and advanced infrastructure.

67.5%

percentage of the Autonomous Community of Madrid in terms of foreign investment intake

Source: Autonomous Community of Madrid and Ministry of Industry and Trade.



Travellers and overnight stays

Madrid broke the tourist record in 2023 with more than 10.6 million tourists.

In 2023, Madrid consolidated its position as a benchmark tourist destination, with a sound and growing reputation. After the upturn experienced in 2022, which marked the recovery of the tourism sector after the effects of the pandemic, **2023 was the year in which the city reaffirmed its top position in terms of national tourism, reaching the figure of 10.6 million visitors**, according to the Madrid City Council. The international market maintained its leadership as the main driver, representing 54% of the total number of visitors.

With data available up to October 2024, we can predict another record year. To date, there has been steady growth in the number of tourists, with an average monthly increase of 5.2%, with the ratio of international to domestic tourists remaining stable.



In terms of overnight stays, the flow of international visitors generated more than 22 million overnight stays in 2023, a similar figure to 2019 and two million more than in 2022. Of the total number of overnight stays registered in hotels and regulated flats for tourists in the city of Madrid, 61.3% were by international visitors and 38.7% by national travellers.

With the data available up to October 2024, **it is expected that this year, maintaining the ratio of domestic to international, the levels of overnight stays of 2023 and 2019 will be reached, as, in the absence of data for the end of 2024, we are exceeding the average monthly figures of these years by 6.2% and 4.6% respectively.**



Tourist expenditure

In terms of economic impact, the tourism sector in the Autonomous Community of Madrid is established as one of the main drivers of its economy.

The Destination Always report, produced by the British weekly magazine The Economist, analyses and quantifies the economic and social impacts generated by tourism. According to its conclusions, in the year 2023 **Madrid will be among the ten regions of the world that obtain the greatest economic benefits from tourism**, together with other well-known cities such as Paris, London, Lisbon and Mexico City.

In 2023, tourism generated around 21.4 billion Euros. This figure highlights the importance of tourism in the region, **and it is expected that, by the end of 2024, the sector will exceed 25 billion Euros, representing an increase of 15% over the previous year, thereby surpassing the national average of 11%.** This growth not only reflects a remarkable energy in tourism activity, but also underlines

the fundamental role of **this sector**, which **will come to represent 8.6% of the regional Gross Domestic Product (GDP), compared to 7.9% in 2023.** This outlook demonstrates the potential of tourism as a key source of economic growth, employment and investment in the Autonomous Community of Madrid.

21.4

billion Euros that tourism has brought to the Autonomous Community of Madrid

Top 10

cities that make the most economic use of tourism

Source: Tourism Perception Survey 2023 by the Madrid Destino Tourism Intelligence Centre.

In 2023, international tourists in Madrid have broken spending records, leaving more than 13 billion Euros in the city. This figure not only represents a significant increase of 38% over 2022, but also a 28% increase compared to 2019, the last year before the pandemic.

Projections for 2024 are equally optimistic given that, as of September this year, international visitors have already spent 12.1 billion Euros, equivalent to 93% of the total recorded in 2023. This suggests that Madrid is on track to reach a new all-time record in tourism revenues this year.

A clear indicator of this trend is the **average expenditure per person**, which **has experienced significant growth** to stand today at 1,750 Euros, **40% more than the national average.** In this sense, Chinese tourists lead in terms of individual spending, with an average of 3,200 Euros per visitor, according to data from the INE's Tourism Expenditure Survey (EGATUR). They are followed on the podium by US tourists with

a per capita average of over 2,000 Euros per visitor, an increase of 8.2% over the previous year. This figure reflects a change in the profile of the tourist visiting Madrid, increasingly inclined towards travellers who value premium experiences and are willing to spend on them.

The key to this success lies in Madrid's ability to reinvent itself and diversify its tourism offer. **The city has not only managed to consolidate its position in strategic markets through effective promotion, but has also made significant investments in high quality and sustainable infrastructure.** These improvements not only enrich the visitor experience, but also enhance Madrid's reputation as a benchmark destination on the world stage.



Tourist expenditure

How is international tourist expenditure distributed?

According to the report Tourism in Madrid, Analysis of Foreign Visitor Expenditure 2023, written with the support of Mastercard, the sectors that have benefited most from tourist expenditure have been restaurants, fashion and cosmetics, and accommodations.

Restaurants lead with 16.5% of the total expenditure, driven by the city's gastronomic diversity, which ranges from traditional *tapas* to haute cuisine. Although the average check is for 26 Euros, the high frequency of consumption makes it the sector with the most transactions (25.5% of the total).

In second place, **fashion and cosmetics account for 15.3% of the total expenditure, consolidating Madrid as a favourite destination for international shopping.** This sector, with an

average receipt of 178 Euros, stands out for its appeal to visitors seeking high quality retail experiences.

Finally, **accommodation is in third place with 12.3% of the total expenditure, with a significant average price of 289 Euros, second only to airlines** (486 Euros per transaction, representing 11.7% of the total expenditure). The wide range of hotel offers, from luxury establishments to more functional options, consolidates the city as a benchmark in hospitality, adapting to the needs and preferences of a diverse public.

This combination of sectors reflects Madrid's energy and capacity to attract quality tourism, which not only enjoys the city, but also contributes significantly to its economy.



Expenditure rate by industry of international tourists in Madrid. Year 2023.

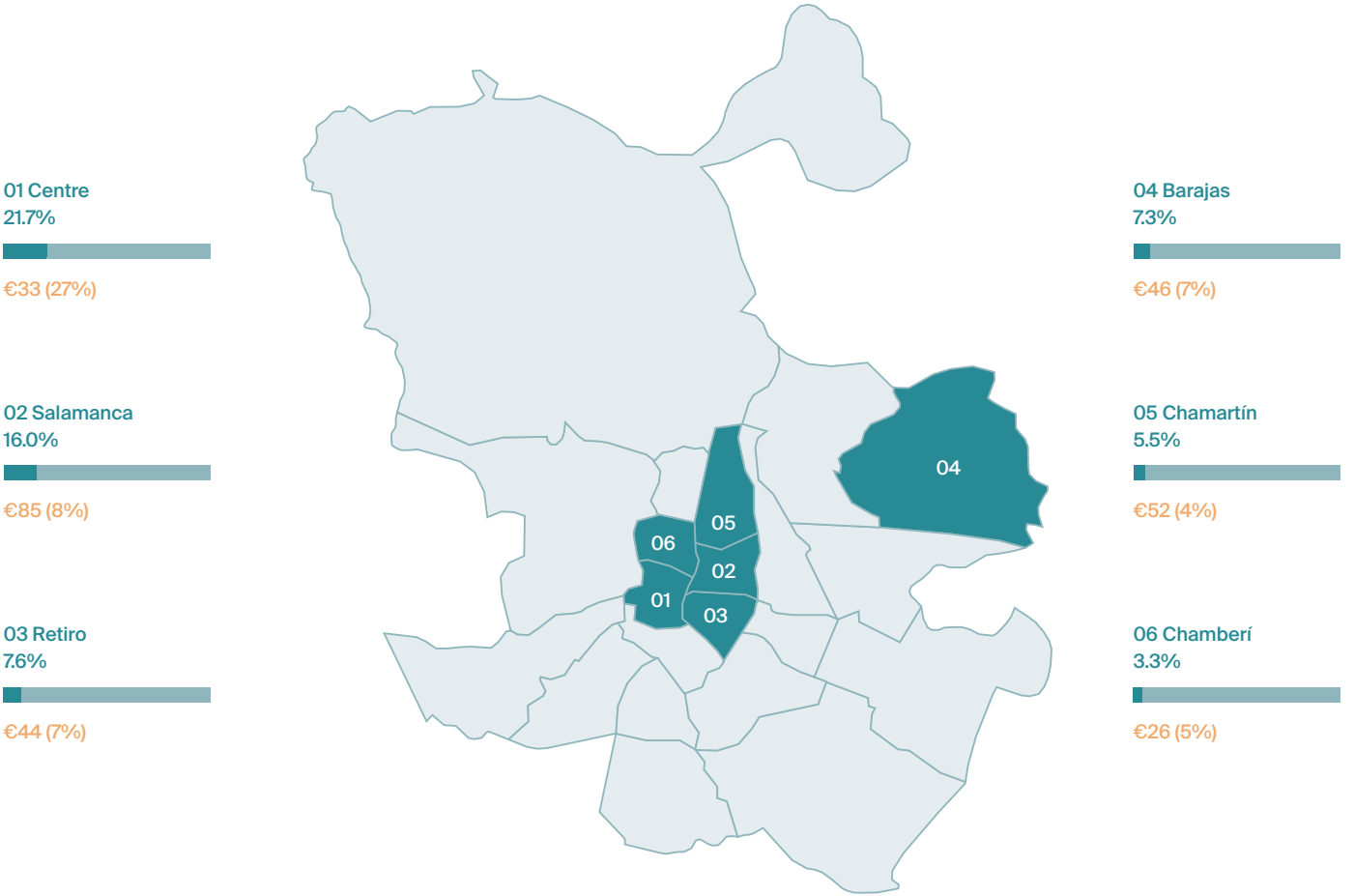
Average check/receipt (% transactions per industry).



Source: Mastercard Advisors.

Districts where most money is spent. Top 6 districts (% expenditure per district).

Average expenditure (% transaction per country).



Source: Autonomous Community of Madrid.

The hotel sector in Madrid

Madrid’s hotel industry has experienced significant growth in 2023, consolidating its position as a top tourist destination.

The number of hotel establishments grew from 854 in December 2023 to 907 in October 2024, representing an increase in the city’s capacity to welcome visitors, with 46,898 rooms compared to 46,087 in 2023 and a total of 92,249 hotel beds, up from 90,801 at the end of the previous year.



Growth in luxury tourism

Although the distribution by category shows a city capable of catering to a wide range of preferences and budgets, **Madrid is experiencing significant growth in the luxury tourism sector, becoming an increasingly attractive destination for high net worth travellers.**

Of the total number of rooms available in Madrid, averaging 47,064 up to October 2024, five-star hotels account for 6,538 rooms. This figure highlights the relevance of the luxury hotel offer in the city. More than 65% of the hotels in Madrid and more than 80% of the hotel beds correspond to four- and five-star category establishments, consolidating the capital as a key destination in the high-end segment and reinforcing its position in quality tourism.



Leader in hotel investment in the urban segment

Madrid has overtaken Paris to become the second most attractive city for hotel investment, behind only London. This progress highlights the growing appeal of the Spanish capital for international investors, establishing the city as a global benchmark in the European hotel market.

In terms of investment, Madrid consolidated its position in 2023 as the urban leader in Spain, with around 20 operations reaching a total value of close to 450 million, which represented around 10% of the national total and reaffirmed its appeal as a strategic destination for investors.

This dynamic expansion of the hotel offer is expected to continue in both the short and medium term, with the forthcoming arrival of major international brands and new openings. Among the most noteworthy projects are the Nômade People, the chain’s first hotel in Spain; Hotel Brach, which lands in Madrid from Paris; Nobu Hotels in Alcalá 26; the New UMusic in Plaza Canalejas; the first Meliá Collection in Madrid; Accor’s first Handwritten Collection hotel; the new hotel in the emblematic Metrópolis building; the Radisson Collection in the Generali building on Alcalá; and the renovated version of the historic Palace Hotel. These developments consolidate Madrid as an epicentre of high-end tourism and hotel innovation in Europe.



Distribution per category.

Nº. of rooms (data at the end of 2023).



Source: Hotel Occupancy Survey (HOS) of the Spanish National Statistics Institute.

The hotel sector in Madrid

This investment energy is not limited exclusively to the luxury segment, but also includes moderate growth in the “midscale” segment, broadening the offer to cater to a more diverse public seeking quality at affordable prices.

The focus on budget and midscale hotels responds to evolving traveller preferences, especially among younger generations and business travellers, who are looking for strategic locations at competitive prices. These investments complement the luxury offer in Madrid, strengthening the destination’s versatility and reinforcing its ability to attract a wide range of domestic and international visitors.

Balanced growth between luxury and accessibility, together with a diversified offer and a focus on quality, reinforce Madrid as one of Europe’s leading capitals in which to live, work, invest and enjoy.

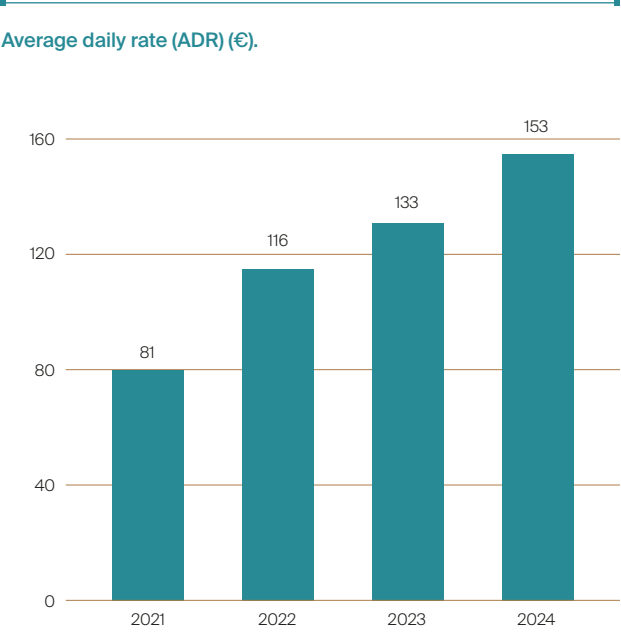
Above-average profitability

Up to October 2024, Madrid recorded an average daily rate (ADR) of 153 Euros, well above the national average of 123 Euros. This increase reflects considerable growth compared to 2023, when Madrid’s average daily rate was 133 Euros and the national average was 110 Euros.

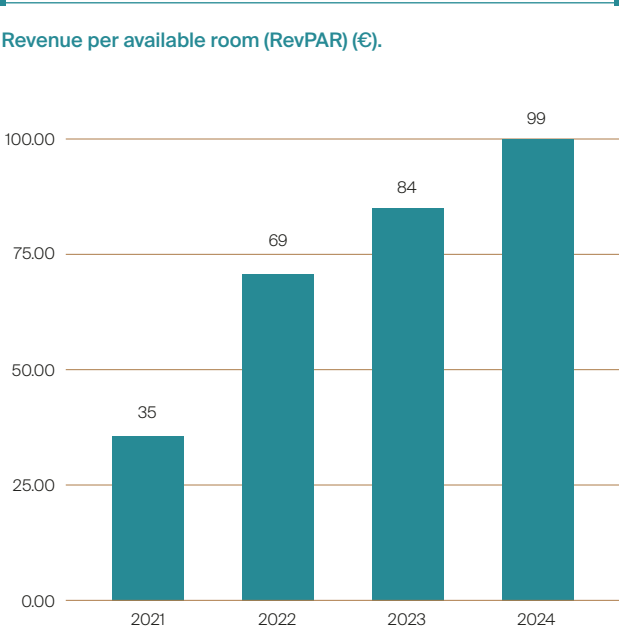
Furthermore, in terms of revenue per available room (RevPAR), Madrid reached 99.85 Euros up to October 2024, which represents an increase of 17.7% compared to the value registered in 2023 (84.86

Euros). This positive evolution in revenue per available room is even more remarkable when compared to the national average, which in 2024 was 94 Euros.

The growth of these indicators in Madrid is driven by the strong recovery of international tourism, the increase in the corporate segment and the holding of high-impact events in the city, factors that have enabled hotel occupancy and rates to be optimised. This reinforces Madrid’s position as the national market leader in terms of hotel profitability.



Source: INE.



Source: INE.



What do tourists come to visit?

In 2023, the Sol-Gran Vía district was confirmed as the epicentre of urban movement in Madrid, attracting 15% of visitors, more than any other area of the city.

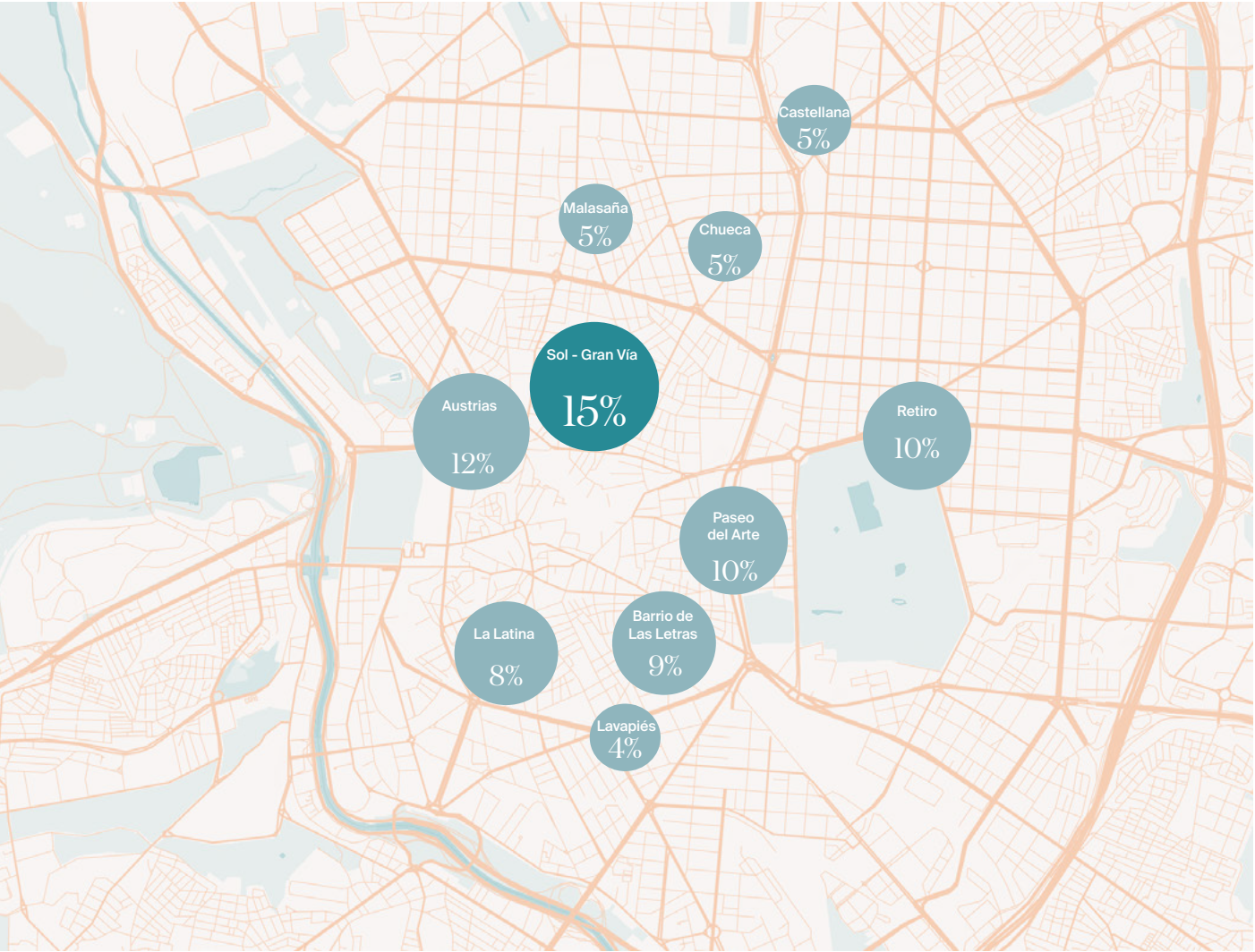
This area surpasses other iconic spots such as Austrias (12%), Paseo del Arte (10%) or Retiro (10%). Its importance is no coincidence: Sol-Gran Vía combines the vitality of Madrid life with a strategic location, being a meeting point for culture, gastronomy and shopping.

This area stands out as one of the main commercial epicentres of the capital. With an offer that ranges from large international chains and luxury shops to small traditional shops, it has consolidated itself as an essential destination for all fans of shopping.

Gran Vía, known as Madrid’s Broadway, combines architectural appeal with vibrant commercial life, while Puerta del Sol and its surroundings offer a more authentic experience, with historic spaces and venues that are part of the city’s cultural identity.

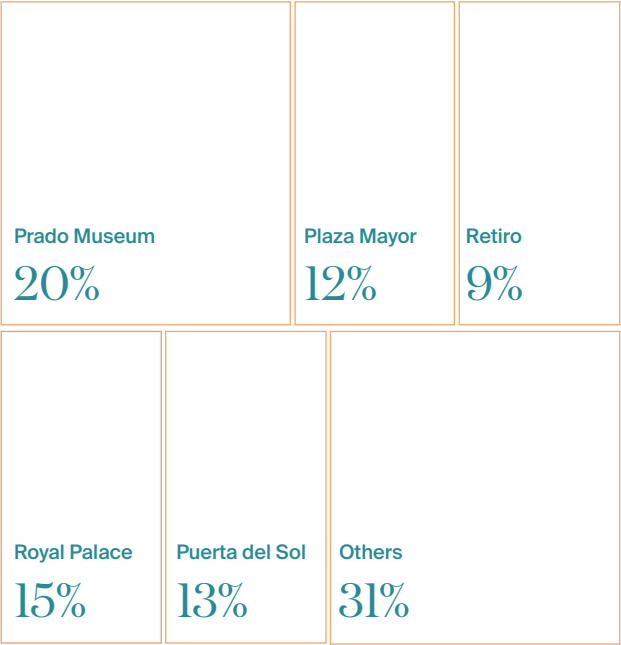
This commercial approach not only reinforces Madrid’s role as a cosmopolitan city, but also contributes significantly to its tourist economy.

Districts most visited by pedestrians in Madrid. Year 2023.



Source: Tourism Perception Survey 2023 by the Madrid Destino Tourism Intelligence Centre.

Cultural interests of tourist’s visits. Year 2023.



Source: Tourism Perception Survey 2023
Madrid Destino Tourism Intelligence Centre.



Top buildings / most iconic monuments of Madrid.



Source: Knight Frank Research

The dynamic transformation of Puerta del Sol

Puerta del Sol, located in the heart of Madrid, is much more than just a square. Over the centuries, it has witnessed the most important events in the history of the capital and Spain. Its evolution reflects the transformation of the city, and today it is one of the main meeting points, a symbol of identity and a place of reference for both locals and visitors.

Puerta del Sol represents the dynamic spirit of Madrid, and is a symbol of identity and the heart of the capital. Its past is full of stories that shaped the city, its present is a reflection of modern and open Madrid, and its future is shaping up as a space that is even more accessible, safe and adapted to contemporary demands.

Past: a historical and cultural centre

Originally, Puerta del Sol was one of the entrances to the city, where there was a gate facing east, which received the sun in the mornings, hence its name. In the 15th century, its development began.



Over the years, Puerta del Sol has witnessed important urban and social transformations, consolidating itself as an emblematic place for the city. Its history is marked by the installation of some of the most representative symbols of the capital, such as the clock in the Casa de Correos and the statue of the bear with the strawberry tree.

In addition to its monuments, it is the place from which kilometre 0 of Spain's radial roads is measured. It has also been a key setting for the political and cultural life of Madrid.

During the mid-twentieth century, Puerta del Sol began to establish itself as a key commercial point in the capital, drawing in new businesses of internationally recognised brands, adapting to new trends and needs of consumers as a whole, as well as the growing arrival of tourists. These new spaces have blended with some of the more traditional shops that have been operating in the area since the last century.

Present: a renovated and functional square

Today, Puerta del Sol remains a dynamic epicentre of the capital, characterised by its continuous flow of people and vibrant atmosphere. With its recent urban renewal, the square has sought to adapt to the needs of the 21st century.

The main aim of this renovation has been to homogenise the urban design, bringing it closer to an aesthetic more in keeping with its history and symbolism. This has led to its appearance being updated,

but without losing sight of its traditional character. With this reform, the square recovers its classical essence, while adapting to the accessibility and functionality requirements of the 21st century.

The Apple entrance was another milestone in the revitalisation process. Apple not only reinforced the commercial identity of the area, but also increased its visibility and appeal on a global level. Together with the pedestrianisation of the square and the urban harmonisation works, in recent years Puerta del Sol has been drawing in more powerful operators that are consolidating the square as a first class commercial reference in Madrid.

Today, Puerta del Sol is a completely pedestrianised square, marking a milestone in Madrid's urban transformation, and a key to revitalising the space as an epicentre of commercial and social activity. This change also reflects a commitment to sustainability and urban well-being. The presence of major brands further strengthens the appeal of the area, boosting the local economy and generating new flows of visitors.

Security is another key aspect in the current configuration of the square. As one of the busiest places in Madrid, the authorities have implemented surveillance and control measures to ensure the well-being of all visitors.



Future: more commercial, more cultural, more sustainable, more Madrid

The transformation of Puerta del Sol does not stop here. Among the proposals for the future are plans to further improve the pedestrian connection between Puerta del Sol and other areas of the centre, thus enhancing the city's commercial hub. With these improvements, it is expected that the flow of visitors will continue to increase, further consolidating the square as a commercial centre of reference.

In terms of its cultural role, Puerta del Sol has the potential to become an open-air cultural centre, with proposals to host artistic events, temporary exhibits and festivals. This will reinforce its function as a meeting point and as a symbol of Madrid's identity, remaining a living space where locals and tourists alike converge. Its future evolution aims to balance modernisation with the preservation of its historical heritage.

On the other hand, digitalisation will also be a key factor in the square's future. Projects are being studied that could include information displays, interactive navigation systems and digitised tourist services to facilitate the visitor experience and offer a more modern and accessible interaction with the environment.



Pedestrianisation and heavy foot traffic

A renovated, pedestrianised, functional and more commercial square.

Pedestrianisation and urban improvements

The pedestrianisation of Puerta del Sol has been one of the most significant urban projects for Madrid in recent years, transforming this historic square into a more friendly, accessible and sustainable space.

One of the most obvious improvements has been the reduction of environmental pollution. By eliminating vehicular traffic, both air and noise pollution have been significantly reduced, creating a healthier environment for residents and a more pleasant experience for tourists.

In terms of heritage, the pedestrianisation works and other urban improvements have been carefully designed to respect and enhance the historical importance of the square, preserving its essence while modernising it. The work has focused on optimising public spaces, with street furniture and design complementing the classical

architecture of the area. This combination has allowed Puerta del Sol to retain its symbolic character, while adapting to the needs of the contemporary city.

Finally, **another key benefit of pedestrianisation has been the boost to local commerce.** By increasing the flow of people on foot, it has created a more dynamic and attractive environment for businesses in the area, such as shops, restaurants and cafés. **The new conditions allow businesses to be more visible on the street, creating a more appealing atmosphere and promoting greater interaction between consumers and the products or services they offer.** This not only benefits business owners, but also the city's economy as a whole by encouraging shopping tourism and commercial activity.



Heavy foot traffic in the area

However, despite these facts, the proximity of the shops, together with the high density of pedestrians in the area, creates an environment where there is a positive feedback loop.

The constant flow of people on the streets attracts more customers to the shops, which in turn increases the visibility of the shops in the area. This has led many operators, such as Primor, Zara and others, to open two or more shops in the same area to take advantage of the high volume of foot traffic.

This concentration of shops not only reinforces the individual appeal of each shop, but also contributes to the continuous flow of customers into the Puerta del Sol shopping environment, consolidating the area as a key destination.



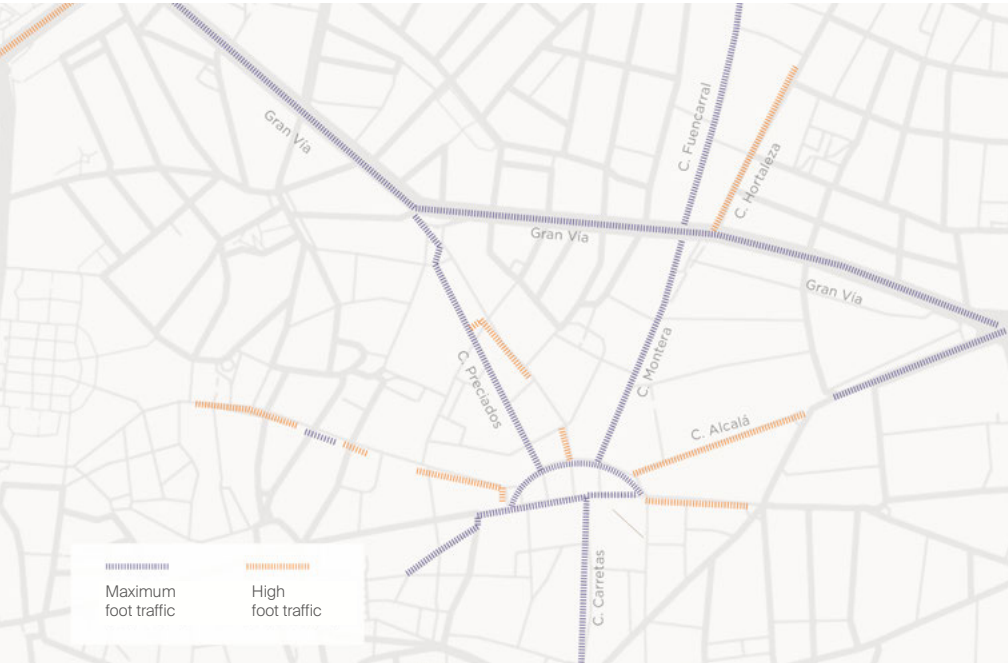
22.6 million
annual pedestrians (Sept 23 - Sept 24)

52,740 - 71,360
average daily pedestrians (Sept 23 - Sept 24)

+2,000,000
overnight tourists (persons / year)

Source: INE, Geoblink and Autonomous Community of Madrid.

Map of foot traffic in Madrid.



Source: Geoblink.



Gastronomy, hotels and heritage in the area

Puerta del Sol is the ideal starting point for exploring some of the city’s most emblematic monuments. Just a few minutes’ walk away are places of great historical and cultural value, such as Plaza Mayor, the Royal Theatre, the Almudena Cathedral, the Royal Palace, the Royal Academy of Fine Arts and the Plaza de España, among others.

In terms of gastronomy, the area's offer is as diverse as the city itself, with options accessible to all palates and budgets, making the area a culinary destination for everyone. **Puerta del Sol is home to everything from traditional bars serving authentic Spanish cuisine to markets such as the San Miguel Market, where visitors can enjoy a wide variety of gourmet products and typical tapas. For those looking for an up-scale dining experience, the area boasts Michelin-starred restaurants such as Paco Roncero and CEBO, offering the best in avant-garde cuisine.** However, it is not only limited to the most exclusive establishments, the Michelin Guide also recommends numerous restaurants that cover a wide range of international and national cuisines, such as Mediterranean, Japanese, French, Mexican, among others. Some of these restaurants recommended in the Michelin Guide include:



Restaurants recommended in the Michelin Guide.

Mar Mía	Kuoco	Bao Li
The Omar	Nunuka	Rural
La Tasquita de Enfrente	Chapa Bistró	Estimar Madrid
Le Bristoman Atelier	Isa	Kyoshi Las Cortes
Trèsde	Ticuí	Ferretería
Golfio	Umiko	Triciclo
Araballo Taberna	Casa Mortero	Sua

Source: Michelin Guide.



On the hotel front, Puerta del Sol has established itself as one of the capital's main luxury centres. **Since the opening of the Four Seasons in 2020, the area has experienced a boom in its high-end hotel offer, with the opening of three more five-star hotels: the JW Marriott, The Madrid Edition and the Thompson.** In addition, the Pescaderías Coruñesas project, currently under transformation, promises to add a new dimension to the area's offer with a first-class gastronomic and commercial space, which will continue to consolidate the area as one of the most attractive destinations for both luxury tourists and those looking for a more varied experience.

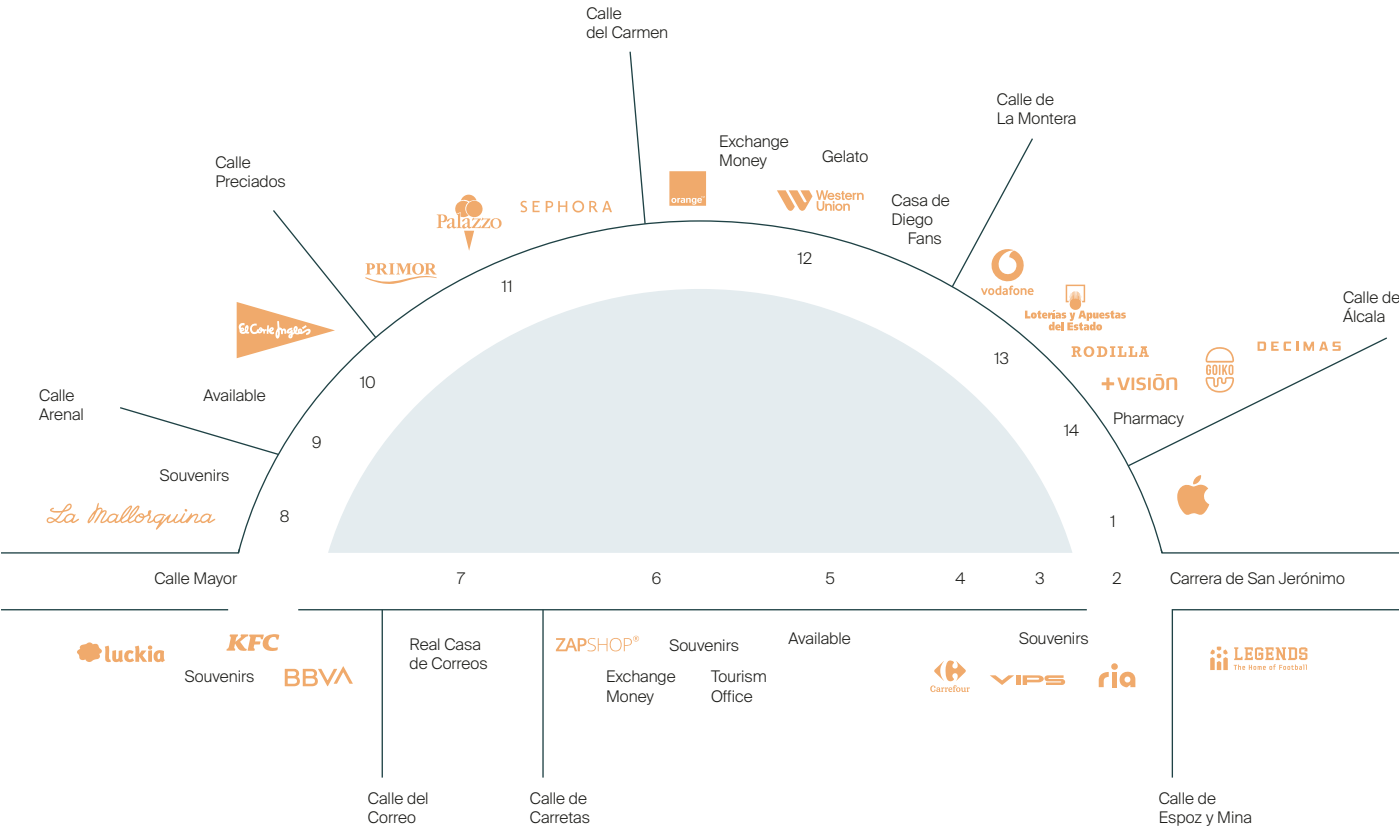
This growth in the luxury hotel offer has boosted the area's real estate market, with an increase in property prices. The transformation of Puerta del Sol has been able to modernise without losing its historical essence, fusing the refurbishment of emblematic buildings with new residential and commercial infrastructures. All of this has made the area one of the most desirable destinations, both for tourists looking for a unique place to stay and for investors who see it as an opportunity to live and do business in the heart of Madrid.



Stock, occupation and development of the area

Key Plan

The busiest area of Puerta del Sol is across from the emblematic Casa del Reloj, located on the south side of the square. This iconic spot for locals and tourists alike has become a reference and meeting place for many visitors, who choose it as a meeting point or as an obligatory stop.



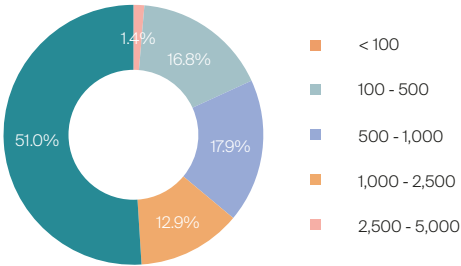
Commercial Space

Puerta del Sol has close to 30,000 sqm of gross retail space*, reflecting its role as an important centre of economic and tourist activity. Of this surface area, more than 50% is distributed between four large establishments that exceed 2,500 sqm.

Among these establishments, the Legends building stands out first and foremost, a shop specialising in football, which occupies a surface area of 4,200 sqm and has become a must-see for lovers of this sport. Another outstanding landmark is El Corte Inglés, which occupies around 5,000 sqm at number 10 and a few months ago acquired the adjoining building at number 9, with a surface area of around 3,500 sqm.

Finally, **there is the iconic Apple shop, which with more than 2,600 sqm is not only a benchmark in technology and design, but also the largest Apple Store in the world, consolidating its position as a key point of interest in the strategic environment of Puerta del Sol.**

(%) Gross retail space (sqm) in Puerta del Sol. Year 2024.



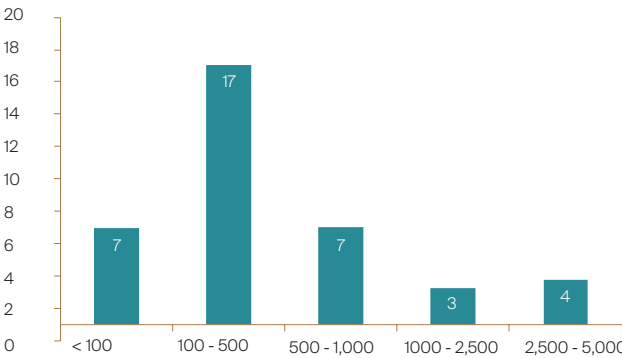
Source: Knight Frank Research.

In terms of number of premises, those with smaller surface areas, between 100 and 500 sqm, predominate, representing 17 of the 38 premises (45%) in the square.

This **balance between large establishments and smaller shops reflects the remarkable commercial diversity of Puerta del Sol. On the one hand, large operators attract a high volume of visitors and serve as commercial anchors, while smaller premises offer differentiated and in many cases personalised proposals, generating a varied and attractive offer for consumers with different needs and preferences.** This model contributes to consolidating the square as a vibrant and dynamic centre of economic and social activity.



Number of premises by surface area. Puerta del Sol 2024.



Source: Knight Frank Research.
*Includes stock rooms, normally located in the basement.

Stock, occupation and development of the area

Distribution by sector

By sector of activity, **retail occupies almost 20% of the retail space in Puerta del Sol, with almost 6,000 sqm, consolidating its position as the main economic driver of the area. It is followed by the sports sector, which represents 17% of the total (5,100 sqm), and the technology sector, which accounts for 12% (3,700 sqm).**

Catering, with a surface area of around 3,000 sqm, represents approximately 10% of the total. This sector has undergone significant renovation in recent years, adding historic establishments, such as La Mallorquina, opened in 1894, and new proposals from large chains such as Rodilla, VIPs and Goiko. There are currently seven restaurants in this area.

On the other hand, the tourist character of Puerta del Sol is reflected in the large number of establishments aimed at currency exchange and the sale of souvenirs. Of the 38 establishments in the square, ten are dedicated to these activities. This type of trade, which does not require large surface areas due to the small size of the products most in demand by tourists, such as souvenirs and small items, occupies a total of less than 1,500 sqm of retail space.

2

available premises in Puerta del Sol

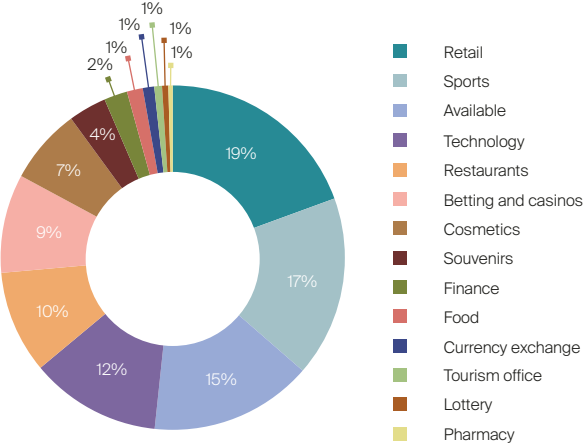
Only

5%

of the total number of premises in Puerta del Sol are available

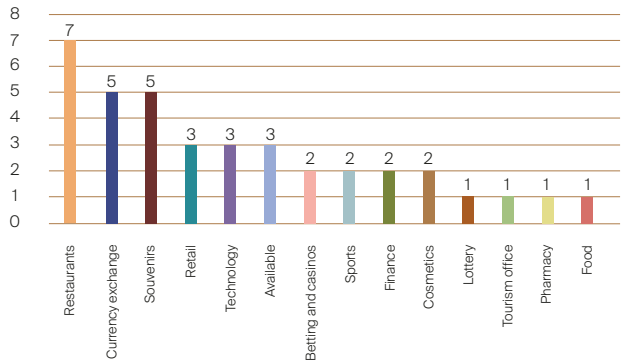
Source: Knight Frank Research.

Retail space by sector. Puerta del Sol 2024.



Source: Knight Frank Research.

Number of premises per sector. Puerta del Sol 2024.



Source: Knight Frank Research.

Commercial opportunities: availability

The availability of premises in the area is very limited due to high demand. Currently, there are only two premises available: the building acquired by El Corte Inglés at number 9, and a second one of around 800 sqm at Puerta del Sol 5. The latter, due to its size and visibility, is ideal for the installation of a *flagship* store of a well-known brand in the retail, sports, fashion and other sectors.



Stock, occupation and development of the area

New openings

The retail sector in central Madrid has undergone a remarkable transformation. In the last three years (2022-24), 21 new brands have landed in the centre, 68% more than in the 2019-21 period.

The recovery of the retail sector has shown remarkable strength in recent years. With the global economy stabilising and uncertainty diminishing, interest in key commercial locations has grown significantly. Investment in these spaces began to pick up after the pandemic, as operators and brands recognise the strategic value of being present in high traffic and high visibility areas, such as Puerta del Sol, Gran Vía and Preciados.

Among the most significant examples is the purchase of the iconic Puerta del Sol 9 building by El Corte Inglés, a firm commitment to the great potential of this key area of Madrid. This acquisition reinforces the company's presence in one of the areas with the greatest commercial and tourist potential, consolidating its expansion strategy in the centre of the capital.

Other relevant cases include the opening of WOW at Gran Vía 18, with an innovative concept that has revitalised the area's offer; the establishment of the world's largest Zara in Plaza de España, a remarkable fact considering that this location was until recently an unusual destination for flagship stores, due to the recent refurbishment of the square; and the opening of Lefties with its largest shop in Spain on a street that traditionally did not host fashion flagship stores, calle Montera. These additions have redefined the area's commercial landscape, raising and broadening its profile as a top shopping destination.

On the other hand, in relation to the growing recognition of Madrid as a luxury destination in recent years, we can highlight at the retail level in this area the investment made in the Canalejas Gallery complex, an 8,000 sqm space that houses prestigious brands such as Cartier, Dior, Hermès, Jimmy Choo, Louis Vuitton and Rolex, among others. In addition, the complex has a gastronomic hotspot that includes a selection of bars and restaurants serving Spanish, French and Japanese cuisine.

Retailers in the area have developed innovative offers that combine physical and digital experiences, known as *phygital*, appealing to a broad consumer base This hybrid approach responds to changing market demands and the growing desire to offer a more integrated and immersive shopping experience.

As seen in the openings over the past few years, the growth trend has been particularly notable over the past three years. In August 2024, the same number of openings was reached as during the whole of the previous year, showing a marked energy in the sector. This growth is mainly attributed to the direct impact of increased tourism in the area, the opening of new hotels in the surrounding area attracting a multitude of tourists with diverse profiles, and the adjustment in rents. Although the latter are in the process of recovery, they have made it possible to occupy spaces that have remained available since the pandemic, revitalising commercial activity in the area.

Openings in the are.

Upcoming openings.



Source: Knight Frank Research.



Stock, occupation and development of the area

Rent levels in the centre

The difference in rent levels between Madrid’s main commercial areas, such as Puerta del Sol, Gran Vía and Preciados, reflects both the evolution of commercial demand and the emerging opportunities in the real estate market.

Gran Vía, known for its high volume of traffic and its consolidated offer of first class shops, has historically maintained the highest rents compared to the rest of the city. Preciados, being one of the busiest streets and having a diversified offer of major brands, has also had high rents.

However, Puerta del Sol, despite being a short distance from Gran Vía and sharing the same tourist and commercial profile, has a more accessible profitability. **Compared to Gran Vía and Preciados,**

the rent in Puerta del Sol is approximately 20% lower, which represents a clear opportunity for commercial operators. This difference in rent, together with the fact that Puerta del Sol has only 2% less foot traffic than Gran Vía, makes the area a strategic choice for brands looking for a high-traffic location, but at a more competitive cost.

Since the pandemic, there has been a recovery of the real estate market in these areas, with an upturn in demand and investment. While Gran Vía has remained the main reference in terms of rents and foot traffic, the recovery in Puerta del Sol has been remarkable, offering a space with less cost pressure, but with a comparable flow of consumers. This makes **Puerta del Sol an area with high growth potential and attractive for new openings, especially for brands looking to take advantage of the proximity to key commercial areas at a more efficient cost.**



Main streets in the centre of Madrid €/sqm month.

	Q3 2024		Trend
Puerta del Sol	220	North Zone (275) / South Zone (190)	Rising
Gran Vía	275		Rising
Preciados	275		Rising

Source: Knight Frank Research.





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