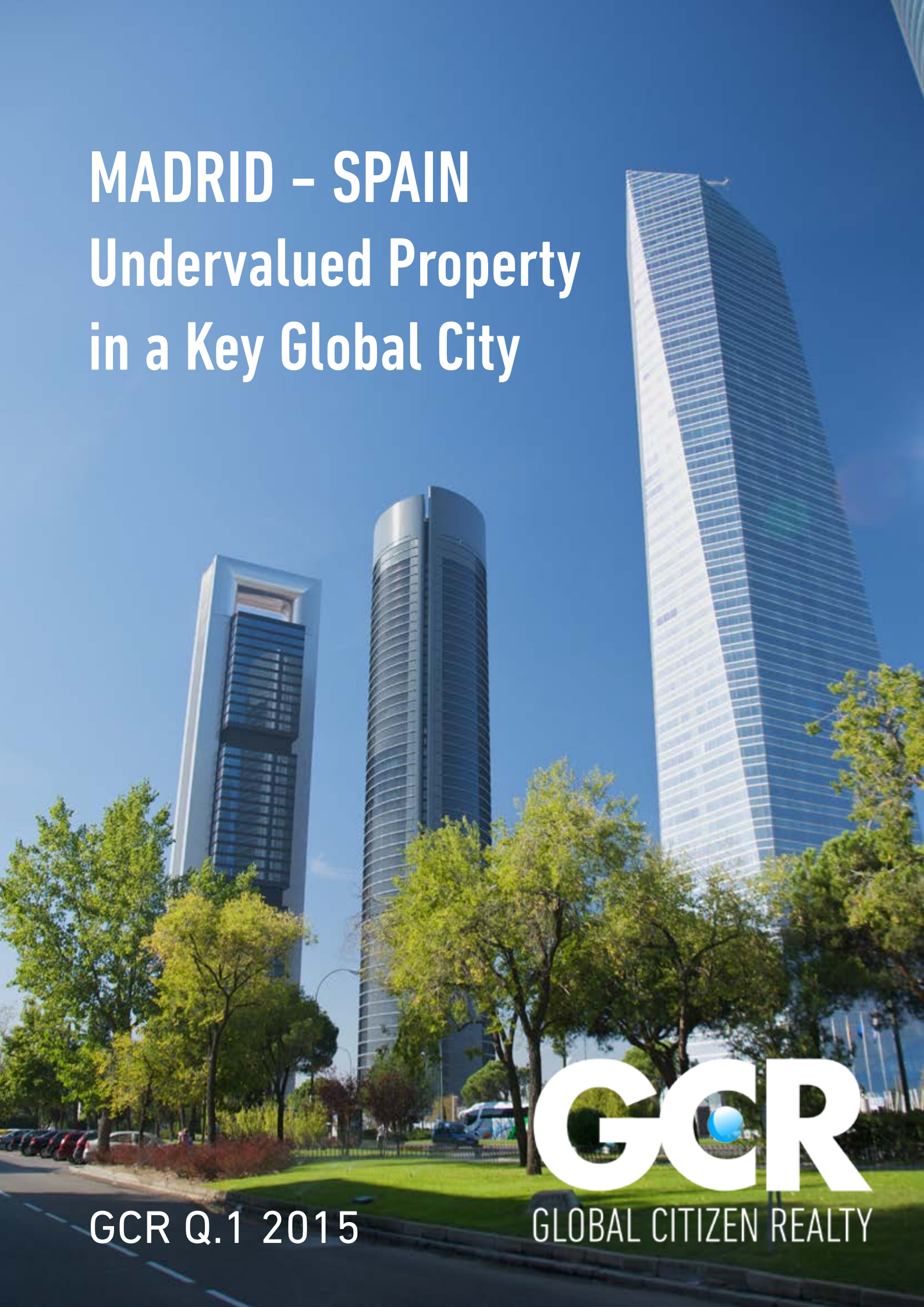


# MADRID – SPAIN

## Undervalued Property in a Key Global City



**GCR**

GCR Q.1 2015

GLOBAL CITIZEN REALTY

# Madrid - Undervalued Property in a Key Global City



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*"Goldman Sachs has been on a shopping spree with its own money, snapping up apartments in Spain..."*

NEW YORK TIMES 22nd January, 2015

## GCR-Global Cities Focus

Market analysts recognise that the world's major cities will continue to grow in social and economic importance.

The concentration of wealth and talent in leading cities results in a continuing and sustainable demand for high quality property. GCR focuses upon those cities which offer the best property investment opportunities and has established privileged relationships and access to deals in those cities.

### DEMOGRAPHICS & LIFESTYLE

Increasing numbers of young people and "knowledge workers" live in city centres and inner suburbs.

### GLOBAL MOBILITY & IMMIGRATION

Increasingly mobile international HNWI & talent want to locate in cosmopolitan cities.

### SUSTAINABILITY

Cities are more environmentally sustainable through economy of scale and sharing of resources. Cities are leading the way in meeting the increasing importance of technology in business and domestic life. Major cities also provide a significant proportion of their country's GDP.

### GOVERNMENT POLICIES

Governments are supporting the growth of their major cities through legislation and investment.

**Over 80 percent** of global GDP is now generated by cities.

**53 percent** of the total world's population resides in cities.

**1.1 Billion** - the number of new city dwellers globally in the next 15 years.

**70 percent** of the world's population will be living in cities by 2050.

## Undervalued Property in a Key Global City

Spain is the fifth largest economy in Europe and the fourth largest European recipient of Global Foreign Direct Investment (behind UK, Germany and France). Madrid is the political, economic, financial and business capital of Spain and is widely recognised as a top 15 global city. Spain's property market (both commercial and residential) was greatly affected by the global economic downturn and Eurozone Crisis after 2007. Prices of Madrid properties have stabilised but not yet recovered and remain markedly lower than comparable European cities. There has been very significant investment by international investors in commercial property in Spain (with particular focus upon Madrid) in the last two years. GCR consider that the timing is good to benefit from the low cost of Madrid residential property and its potential for capital growth over the coming 3-5 years.



Prime Residential  
Property Prime Residential  
Property per m2:

**Madrid €5,000 to €7,000**  
Dublin €6,500 to €8,500  
Florence €8,000 to €10,000



**Spain has 3 of the  
top 6 Business Schools in  
Europe** – London Financial Times  
ranking – Madrid's IE Business School  
is ranked 2nd ahead of London  
Business School



*"We expect to see a compression over the coming years between residential property values in Madrid and those of comparable European cities."*

KASH LAIS - MANAGING DIRECTOR GCR

# GCR RATIONALE FOR RESIDENTIAL PROPERTY INVESTMENT IN MADRID

1

## **A TRULY GLOBAL CITY OF THE FUTURE**

Madrid is a major global city of opportunity

2

## **COMMERCIAL INVESTMENT ACTIVITY**

Madrid is a leading focus of FDI in Europe with recent heavy investment in commercial property

3

## **ACCESSIBILITY & INFRASTRUCTURE**

Madrid is a key airline gateway (and Europe's principal link with South America)

4

## **OPPORTUNITY FOR VALUE & CAPITAL GROWTH**

Significantly undervalued property (against comparable European cities), institutional & Golden Visa investment will provide stimulus and growth opportunities

5

## **EUROPEAN LEADER IN BUSINESS SCHOOLS AND EDUCATION**

Spain is the leading centre for European Business Schools and multi-lingual secondary schools

6

## **HIGH CULTURE & QUALITY OF LIVING**

Spanish language, cuisine, heritage and social and sporting culture is of great importance and value on the global stage

# A Truly Global City of the Future

Spain is the fifth largest economy in Europe  
(behind UK, Germany, France and Italy)

Spain is the fourth largest European recipient of  
Global FDI (behind UK, Germany and France)

Ernst & Young FDI European Attractiveness Survey

Madrid is the political, economic, financial  
and business capital of Spain

## Spain's Global Rankings

13<sup>th</sup>

WORLD BANK GDP RANKINGS

(behind US, China, Japan, Germany, France, UK, Brazil, Italy, Russian Federation, India, Canada and Australia)

## Madrid's Global Rankings

15<sup>th</sup>

PWC'S GLOBAL CITIES OF OPPORTUNITY

(behind London, New York, Singapore, Toronto, San Francisco, Paris, Stockholm, Hong Kong, Sydney, Chicago, Berlin, Los Angeles, Tokyo and Seoul)



# Commercial Investment Activity

Madrid is one of a number of global cities which is expected to achieve healthy growth in commercial real estate capital values in the next five years:

San Francisco – 36.2%

**Madrid – 28.7%**

New York 28.2%

Singapore 25.05

Sydney – 22.3%

Washington 19.6%

London 16.3%

**Significant recent Investors in Spanish Real Estate:**

Goldman Sachs  
Blackstone  
Dalian Wanda  
Qatar Sovereign Fund

Commercial Investment in Spain has doubled year on year:



In March 2014 Chinese billionaire investor Wang Jianlin's company Dalian Wanda invested €260 million (US\$359 million) in Edificio Espana, a landmark Madrid building. The acquisition was made from Grupo Santander at a 33% discount from the price paid by Santander in 2006.

Q3 2014 – origin of commercial real estate investors in Spain:

42% - USA  
11% - CHINA  
8% - SWITZERLAND

**PWC EMERGING TRENDS IN REAL ESTATE 2015 - EUROPEAN CITY INVESTMENT PROSPECTS RANKING**

1st Berlin  
2nd Dublin  
3rd MADRID

# Madrid - Global Accessibility & Infrastructure



## MADRID BARAJAS AIRPORT

- 49,653,055 Annual Airlift
- 5th Busiest Airport in Europe
- 15th Busiest in the world
- Europe's "Gateway" to Latin America

## AVE - HIGH SPEED TRAIN

- Madrid is the hub of Spain's of high speed rail network:
- 2,515 km in operation
- 1,308 km under construction
- 1,702 km planned
- Spain has the longest high speed rail network in Europe.
- Spain's high speed network ranks third in the world behind China and Japan

## Madrid's Global Rankings

6<sup>th</sup>

**GLOBAL CITY GATEWAY**  
(PWC Global Cities of Opportunity)

(behind London, Beijing, Singapore, Hong Kong and Tokyo)

7<sup>th</sup>

**TRANSPORTATION & INFRASTRUCTURE**  
(Ibid)

(behind Singapore, Toronto, Buenos Aires, Seoul, Paris and London)



# Madrid - Great Opportunity for Capital Growth

GCR predicts that well located Madrid residential property values will first catch up with European cities such as Dublin through a 30% increase in value in the short term (2-3 years) and then have potential to rise to +/- €10,000 per m<sup>2</sup> in the medium term (3-5 years).

Property prices fell significantly after 2007. It is widely considered that the Madrid residential property market has bottomed out and shown initial signs of value increase.

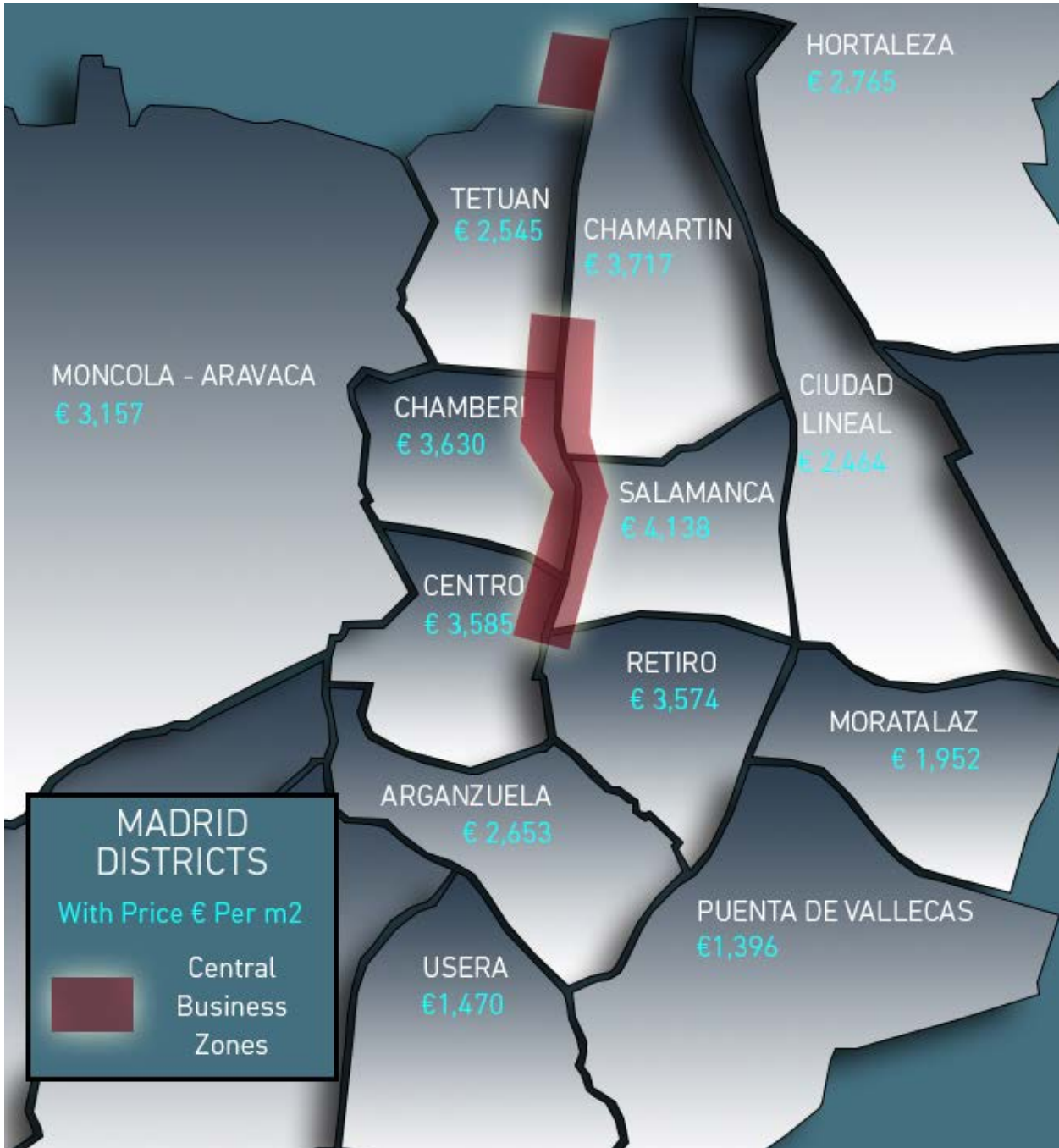


GCR considers that prices in Madrid do not currently reflect its global city status, property looks like good value at current rates, and over the coming years we expect values to converge with comparable European cities

CITY	VALUE RANGE € PER M <sup>2</sup>
MADRID	5,000 to 7,000
DUBLIN	6,500 to 8,500
PARIS	12,000 to 17,000
LONDON	26,000 to 32,000



# Madrid Property Prices by District



# Madrid Property Statistics

## AVERAGE SALES PRICES PER SQUARE METRE:

DISTRICT	PRICE RANGE € per m <sup>2</sup>	AVERAGE 2014 Q4	AVERAGE 2007 Q3	% DIFFERENCE
Salamanca	1,477 - 24,000	4,138	5,435	-24%
Centro	1,085 - 12,759	3,585	4,710	-24%
Chamberi	1,548 - 15,814	3,717	5,250	-29%
Tetuan	730 - 10,870	2,545	4,192	-39%
Chamartin	1,127 - 17,143	3,717	5,254	-29%
Hortaleza	929 - 10,989	2,765	4,147	-33%
Ciudad Lineal	664 - 6,647	2,464	4,030	-39%
Moratalaz	694 - 5,029	1,952	3,558	-45%
Pte de Vallecas	500 - 6,875	1,396	3,251	-57%
Retiro	1,188 - 10,780	3,574	4,724	-24%
Arganzuela	1,126 - 5,914	2,653	4,185	-37%
Usera	586 - 4,538	1,470	3,229	-54%
Moncola	846 - 8,562	3,157	4,737	-33%

## AVERAGE MONTHLY RENTAL PRICES PER SQUARE METRE:

DISTRICT	RENT RANGE € per m <sup>2</sup>	AVERAGE 2014 Q4	AVERAGE 2007 Q3/4	% DIFFERENCE
Salamanca	€7 - €51	€13.8	€16.9	-18%
Centro	€6 - €73	€13.7	€18	-24%
Chamberi	€5 - €50	€13.5	€16.1	-16%
Tetuan	€5 - €53	€11.3	€12.8	-12%
Chamartin	€6 - €50	€12.4	€14.7	-16%
Hortaleza	€5 - €24	€10.3	€12.9	-20%
Ciudad Lineal	€5 - €33	€10.2	€12.9	-21%
Moratalaz	€6 - €17	€8.5	€11.1	-23%
Pte de Vallecas	€4 - €22	€8.1	€12.2	-34%
Retiro	€7 - €44	€11.7	€14	-16%
Arganzuela	€4 - €36	€11	€14	-21%
Usera	€5 - €17	€8.4	€11.9	-29%
Moncola	€5 - €71	€12	€13.4	-12%

## THEORETICAL AVERAGE GROSS YIELDS - BASED ON ABOVE AVERAGES:

Salamanca - 4% (3.7)	Centro - 4.6% (4.6)	Chamberi - 4.4% (3.7)
Tetuan - 5.3% (3.7)	Chamartin - 4% (3.4)	Hortaleza - 4.5% (3.7)
Ciudad Lineal - 5% (3.8)	Moratalaz - 5.2% (3.7)	Pte de Vallecas - 7% (4.5)
Retiro - 3.9% (3.6)	Arganzuela - 5.4% (4.0)	Usera - 6.9% (4.4)
Moncola - 4.6% (3.4)	Yields from Q4 2014 (Bracketed Yields from Q3/4 2007)	

The data from the above tables taken from Idealista.com (March 2015)

# Madrid - European Leader in Business Schools & Education

IE BUSINESS SCHOOL - MADRID

1<sup>st</sup>

**BLOOMBERG BUSINESS WEEK**  
2014 EUROPEAN MBA RANKINGS

3<sup>rd</sup>

**LONDON FINANCIAL TIMES**  
2014 EUROPEAN BUSINESS SCHOOL RANKINGS

5<sup>th</sup>

**LONDON FINANCIAL TIMES**  
2014 GLOBAL MASTERS IN FINANCE RANKINGS

Madrid offers bilingual education (Spanish & English) at public schools and a broad range of international private schools.

Runnymede College Madrid - English national curriculum plus teaching of Spanish language, history and culture. 62% - GCSE entries 2013 A\* or A, 98 % A\* to C - A level 83% A\* or B.



# Madrid - High Culture & Quality of Living

## Madrid's Global Rankings

6<sup>th</sup>

CNN'S WORLD'S 12 BEST SHOPPING CITIES

(behind New York, Tokyo, London, Kuala Lumpur, Paris, Hong Kong, Buenos Aires, Vienna and Dubai)

## Madrid's European Rankings

6<sup>th</sup>

THE ECONOMIST INTELLIGENCE UNIT SHOPPING AND AFFORDABILITY

Spanish is the world's No. 2 language in terms of how many people speak it as their first language with 329 million native speakers.

UNWTO GLOBAL TOURISM RECEIPTS 2014 REPORT

1st USA US\$139 billion  
2nd Spain **US\$60 billion**  
3rd France US\$56 billion  
4th China US\$51 billion



*"Wang Jianlin is buying a 20% stake  
in Spanish football club Atletico  
Madrid..."*

LONDON BBC 21st January, 2015



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