

Madrid industry and market trends

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Following the closure of a turbulent 2023 with the much-awaited news of the end of interest rate hikes, 2024 is proving to be full of challenges. Inflation data for the Euro zone have been as expected and the ECB will cut rates again though de-escalation will remain gradual.

Spain's GDP data is outperforming forecasts, placing it above the Euro zone growth rate, with an estimate for 2024 of 3.1%, followed by 2.0% for 2025.

Office Marketbeat is a summary of the Spain office property sector in key cities, providing comment on recent trends as well as market data and analysis.

Industrial Marketbeat is a summary of the Spain industrial and logistics property sector providing comment on recent trends as well as market data and analysis.

Living Marketbeat is a summary of the Spain nurseries property sector providing comment on recent trends as well as market data and analysis.

With the noticeable rise in international visitation from 2017, occupancy levels in Madrid increased from the mid-60s to the low 70s, while average rate recorded a 5.2% CAGR between 2015 and 2019. Hotel performances were heavily impacted by the pandemic in 2020 and 2021, and they started to return to normal from Q2 2022 onwards, with rates seemingly growing with inflation.

Madrid has a pipeline of around 2,300 rooms entering the market in the next four years, representing 5% of the current supply. More than 50% of these new rooms are reported to be under construction. We note that the pipeline is mostly driven by independent properties, accounting for 75% of the proposed hotel rooms. Approximately 20% of the pipeline is long-stay apartments, which will represent a 10% increase of the existing supply in this category, indicating the changing landscape of travel and accommodation preferences following the pandemic.

In 2023, Madrid took third place after Paris and London in terms of transaction volumes thanks to ADIA's acquisition of a portfolio including six hotels in the city. However, in 2022, Madrid came in second place, with the sale of some trophy assets including the Hotel Selenta Princesa, the Villa Magna and

the Bless Madrid.

Madrid is amongst the cities in Europe that has observed the highest increases in hotel value in the last ten years. The dynamism and the performance improvements in the market give confidence to investors and attest to the liquidity of the market. For the latest value trends, please refer to our 2024 European Hotel Valuation Index.

Madrid is expected to continue its recovery and solidify its position as a leading global destination for leisure and business travellers alike. The growing appeal of the city was supported by the opening of a string of luxury properties under well-known brands, as well as a number of trendy hotels. Demand responded favourably by elevating the average rate performance in the city and breaching the average rate ceiling. The capital of Spain is proving that its strong economic fundamentals, coupled with ongoing efforts to promote tourism, underscore its long-term potential as a top-tier city for hotel development and investment opportunities.

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