



Breaking News

How will housing prices in Madrid by districts be?

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Madrid will be no stranger to the price adjustment that the flats will suffer due to the slowdown in demand and the fear of the future of the economy due to the coronavirus crisis, despite having led, together with Barcelona, the awakening of the housing market. Forecasts point to a general decrease in prices in all districts, although not a collapse, with a higher incidence in districts on the periphery, especially in areas south of the capital such as Villaverde or Puente de Vallecas.

Madrid has earned, along with Barcelona, the title of pretty girl in real estate in Spain, but precisely having been a locomotive in the sector could take its toll now in the face of the coronavirus crisis. The flats of the capital will become cheaper up to 15% this year as a consequence of the slowdown in the purchase of housing, the economic crisis and the need for liquidity of some homes, according to the forecasts of the experts of the sector consulted EXPANSIÓN. There will be a general fall in prices, but not a collapse, and housing in the periphery will suffer more, with more volatile demand.

"Madrid will not be oblivious to the general effects on demand, which in recent years has experienced a higher cost than the average, showing signs of stabilization before this crisis," predicts Rafael Gil, director of the appraisal's Study Service. Tinsa. The overheating of the market after six years of continuous increases places Madrid in a vulnerable position to undergo price adjustments. Since it hit the ground floor in 2014, the capital's home has appreciated by more than 27% and being one of the most dynamic capitals in terms of economy or employment will not be enough of a stimulus for a demand that, for the moment, has ceased to exist. At the end of May, the sale of housing in the Community of Madrid fell 37%, according to the Registrars.

To the practical impossibility of going out to buy a flat, derived from the confinement measures, is added the fear of the demand for the consequences of an unprecedented crisis, an unlikely scenario to embark on a long-term decision such as the purchase of a floor. This stop in demand will end up leaving its mark on the price, although the decreases "will not exceed 15%", they explain from the General Council of Official Colleges of Property Agents (COAPI).

According to the calculations prepared by R.R. de Acuña & Asociados, the periphery districts and, more specifically, those located in the south of the capital, will suffer the most. Specifically, the value of flats in Villaverde could fall between 6.7% and 8.4% year-on-year this year, followed by corrections of between 6.2% and 8.1% in Puente de Vallecas, and an estimated range of fall of 5.9% -7.7% for this year in the case of the district of La Latina (see attached graph). In contrast, the most sought-after areas, where scarce supply is far from absorbing significant demand, are likely to adjust prices more moderately. From R.R. de Acuña & Asociados estimate that Salamanca, with its golden mile, is the least affected district, with falls this year between 1.8% and 3.8%, followed by Chamartín (2.1% -4.2%) and Center (2.4% -4.4%). "In the best areas of the city, the decrease in prices moves in a range of between 5% and 7%, while in the most disadvantaged they will reach a 12% drop," they predict from Coapi.

In some cases, however, the fall in prices was already the destination to which many districts of the capital were inevitably heading, very close to hitting the ceiling. The Bank of Spain itself had already warned last year that in Madrid and Barcelona "there are locations where prices are reaching pre-crisis levels." The only thing the coronavirus has done is accentuate and hasten those declines. "Madrid already had a clearly downward trend since the beginning of 2019. Price adjustments were already taking place in half of the districts, 10 out of 21," says Ferran Font, director of Estudios de piso.com, which only forecasts falls higher than 10% in Moratalaz.

Engel & Völkers predict that the declines could be greater, with "aggressive offers" of up to 15% in districts such as Hortaleza, Moncloa-Aravaca or Retiro (see attached information).

But as it happened in the past, after the crisis Madrid will once again lead the recovery: "The greater dynamism of Madrid could constitute an advantage in terms of the expected recovery in activity in the residential market," predicts Rafael Gil.

District Profile

- **Salamanca and center.** The crown jewels of the capital's home are within the almond and, more specifically, in Salamanca and Centro, two of the most sought-after districts where, according to Engel & Völkers, price adjustments of 10% may occur this year, above what RR anticipates de Acuña. The impact of the crisis and or the uncertainty regarding tourism and the profitability of the vacation rental will launch investors to the neighborhoods of Palacio, Universidad, Justicia, Goya, Lista or Guindalera in search of opportunities "and in an aggressive way due to current circumstances", they explain from Engel & Völkers.
- **Retirement.** Although R.R. de Acuña predicts a fall of between 4% and 5.4% for Retirement, Engel & Völkers are more pessimistic, and estimate that this is the district that falls the most in the capital, 15%. The luxury real estate company believes that the "impact of the crisis will leave aggressive offers on the market." The demand, yes, will come mainly from investors with enough liquidity to face the payment of "spacious and bright homes", the most popular typology, according to the real estate agency. The preference, in terms of areas, will be in the Ibiza neighborhood. In other areas, such as Chamberí, the adjustment will be 10%.

- **Moncloa.** The Moncloa-Aravaca district is the one that will be least punished, according to forecasts by real estate agency Engel & Völkers, which calculates an adjustment of between 5% and 8% this year, although there will also be “aggressive offers”. In this case, the profile of the buyer will be carried out by families with children and foreigners seeking to leave the center, and the fashionable area will be Valdemarín-Aravaca. Other peripheral areas, such as Hortaleza, will experience falls of 10%, 8% in Ciudad Lineal, and 10% in Chamartín, while in R.R. de Acuña have more moderate forecasts (see graph to compare).