European prime property

Bid for Madrid — the rise of luxury residences

Developers hope to revitalise faded parts of the city but coronavirus travel disruption makes it a gamble

Ian Mount in Madrid YESTERDAY

Architect Carlos Lamela eyes the seven buildings that make up Centro Canalejas, the new Four Seasons residences, hotel and shopping centre in the heart of Madrid, and shakes his head in relief.

The buildings were constructed over the span of a century in a variety of styles — from eclecticism to Modernism and neo-Baroque — the window levels do not match, and completing the project has been a long time coming.

“It was a total Rubik’s Cube,” says Lamela, whose Estudio Lamela began work on the redevelopment in 2004. “The hardest thing to do was marry the protected facades with the interior floors and halls.”
Centro Canalejas is a renovation of buildings that were constructed over a century in different styles, from eclecticism to Modernism and neo-Baroque © Daniel Schaefer

The residences open in mid-September, the culmination of years of work at Lamela’s company. During that time there was a midstream change of client and the 2008 pop of Spain’s real estate bubble. The final €500m project, taken on by the Four Seasons and Grupo Villar Mir in 2012, involved the seven buildings being gutted and constructed anew.
It is a bet on the luxury market in a part of central Madrid more commonly thought of as a transit point between the Gran Via shopping and theatre district and the Puerta del Sol and Plaza Mayor tourist hubs. And the Plaza de Canalejas, at one corner of the complex, still features advertisements for €100 suits and a pawnshop offering to buy gold and jewellery.

Four Seasons’ gamble is coming to fruition at an extremely difficult time, with international travel warnings strangling Spain’s high-end tourism market — only four of Madrid’s 34 five-star hotels are open, with occupation rates under 18 per cent, according to the city’s AEHM hotel association — and travel restrictions limiting visits from the Latin American buyers who have buoyed Madrid’s luxury real-estate market in recent years.

While the streets around Canalejas are even more post-apocalyptically empty than they normally are in August, the Four Seasons is not the only luxury brand betting on the centre of Madrid.

The historic Mandarin Oriental Ritz, opened in 1910 several blocks away near the Prado museum, will reopen later this year after a thorough renovation. And a new luxury hotel will transform another historic building across the street from the Four Seasons.

“[The development] will completely change the centre of the city,” says Lamela. “This area had gotten faded over the years.”
Inside Centro Canalejas, 20 of the 22 Four Seasons residences, priced at €2.3m-€10m, have already been sold, says James Price, vice-president of residential at Four Seasons, with many deals signed before the coronavirus pandemic hit.

About two-thirds of the apartments, which range from 170 sq m to 700 sq m, have sold to non-Spanish buyers. Averaging about €15,500 per sq m, they are at the upper end of Madrid’s property market.

Around 40 per cent have been bought by investors looking for rental profits, according to Knight Frank, which has been selling the apartments. The two remaining are priced at about €3.2m.
Decorated with earth tones, geometric patterns and splashes of fiery red by Spanish interior designer Luis Bustamante, Canalejas is one of the Four Seasons’ smallest residential projects — they normally hold 50-100 units, Price says. It is also one of the first in mainland Europe, where it “has taken longer for branded residential to take root”.

Much of the interest in the residences has come from Latin American buyers, which is typical for luxury properties in the heart of Madrid, says Fernando Isla, head of sales for Central Madrid at the Engel & Völkers estate agency.

“For properties of €1m and more, we have had a lot of Latin Americans — Venezuelans until last year, more recently Mexican and Colombians,” he says.

These buyers have focused on central Madrid’s Salamanca neighbourhood, as well as the nearby Justicia, Cortes and Almagro areas. If a property costs more than €500,000, they can apply for a “Golden Visa” for Spanish residency. The buyers often lend the properties — priced at an average of €7,000 per sq m, Isla says — to their children.

Spain has been one of the housing markets hardest hit by the pandemic, as one of Europe’s strictest lockdowns made closing purchases almost impossible. In June, the number of housing sales fell 20.9 per cent compared with the same month in 2019, after a drop of 53.4 per cent in May. The price per sq m fell 3.9 per cent in June, according to the national notary board.
Madrid's citizens took part in the Europe-wide custom of applauding health workers during lockdown © Getty Images

After years of rising prices, small price drops will not be enough to bring the city centre back into reach for many Madrileños. Ian Carrasco, a media-company executive who works in Salamanca, moved to the north-western suburbs in 2017, after he and his wife had their second child.

“The Madrid market is too expensive and the nice neighbourhoods are never going to lower prices, and that’s a trend that’s happening in other larger cities,” Carrasco says. “The problem is that we cannot buy a flat or a house which has the space we require now.”

One change since the pandemic struck has been a concentration on exterior space, and a willingness to consider properties outside the city.

“What we’ve seen is that its super important to have a terrace, and many of our customers are looking outside of the centre,” says Ana García Vizcaíno, team leader at the Keller Williams One estate agency in Madrid.

“Following the lockdown, the market outside the city has revived a lot. There you have big spaces, gardens, and then there’s the issue of working from home. At the very least people demand exterior apartments with space and a lot of light.”
Areas to the north-west of the city, such as Pozuelo de Alarcón and Boadilla del Monte, are leafy towns that have seen a steady rise of residents as central Madrid grew increasingly trendy — and expensive — during its recovery from the 2008 financial crisis.

Although far less green than the Madrid suburbs, the new Centro Canalejas incorporates some outdoor space. The rooftop bar and restaurant and the attached terrace feature views over Madrid’s terracotta rooftops, including the building’s elaborate copper bell tower and acorn-like cupula.

Also visible are the two monumental statues of horse-drawn Roman chariots atop Ricardo Bastida’s Banco de Bilbao, built across the street in 1923. Many of the interior rooms give on to a second-floor courtyard with living walls.
Views from the Four Seasons residences include Madrid’s terracotta rooftops, the building’s copper bell tower and acorn-like cupula, and statues of horse-drawn Roman chariots.

The seven office buildings of Centro Canalejas previously served as Banco Santander HQ, where chair Emilio Botín built the bank through a series of acquisitions into one of Europe’s biggest lenders. Grupo Villar Mir bought the buildings for some €215m in 2012. Mohari, a fund created by PokerStars co-founder Mark Scheinberg in 2017, later invested in the project.

During development, 14,000 artefacts were saved for restoration, from door handles and column capitals to the massive stained glass that hangs over the shopping gallery and the elaborate fish scale-like iron and brass entrance way that gives on to it.
The hotel’s 300 sq m royal suite is centred on the former office of Mario Conde, chairman of Banesto financial services until the Bank of Spain took it over in 1993. Banco Santander gained control of it in a 1994 auction.

“When the first workers arrived, they were convinced there would be something of value in the building,” says Lamela. “They took everything apart and looked in every last box for gold ingots.” They found none, Lamela says.

Buying guide

• Buyers pay a 6 per cent transmission tax on used apartments and 10 per cent VAT on new-builds.

• Foreign buyers need to obtain an NIE — a foreigner ID number — from Spain’s police before buying property.

• Overseas buyers should open an account at a local bank, which will clear the origin of the funds used for the transaction.

Homes in Madrid available to buy now

Villa, Aravaca, €4.4m

Where In the Aravaca area of north-west Madrid, about 8km from the city centre, near the Casa de Campo public park.

What A striking Modernist home with six bedrooms and 970 sq m of living space. The property has a large garden and an outdoor pool. Through Savills.