

## Trading in Spanish Real Estate

**BARCELONA** - The bottom of the Spanish property market seems to come closer. In contrast to the past six years, some positive market developments have taken place. Many foreign investment funds, especially from the US, participate actively in various sales processes of Spanish real estate assets, including residential portfolios, NPL's (non-performing loans), real estate loans, social housing, asset management divisions of Spanish banks and office portfolios in sale and leaseback transactions. About twenty transactions with an average of around EUR 100 million were closed successfully. Companies with local management structures such as Blackstone, TPG, Goldman Sachs, HIG, but also new players such as Davidson Kempner, Centerbridge and Anchorage have firmly created a position in the Spanish property market.

### October 2013

These developments have a clear foundation for a possible recovery in the short term. The more transactions and real price references, the sooner the market confidence returns. The profile of the key players in Spain will change drastically due to the expansion strategies of new foreign players in the coming years. These parties have in most cases an exit scenario from seven to ten years. This means that until 2020 foreign investment funds are not only the largest investors and sellers, but also the main managers of private sales of Spanish banks.

Sales to private foreign investors increased and currently accounts for 17 percent of all sales during the first half of 2013. Although the sales volume of approximately 24,000 homes sold per month is still historically low, the necessary market confidence returned among private investors. Strong price discounts, lack of bank finance and a growing number of private investors active on the market have changed residential purchase behavior radically. 65 percent of the registered sale transactions is currently purchased without bank financing.

The market for residential development is still completely paralyzed through the huge stock of unsold houses and the lack of bank financing.

For the Spanish developer who has survived, there are currently opportunities to get instructed by Spanish banks or foreign investment funds with service contracts to deliver turnkey developments. Well situated land positions will be removed from the market and will be developed for the sales or rental market. Also, the larger hedge funds are increasingly taking an interest in Spanish real estate companies whose market share value is historically low.

What was clear before the crisis is that the large debt exposure of many listed and non-listed real estate companies will have to be reduced in order to make a new start. Restructuring of the long term debt or a remission of the short term debts are process-based solutions that in many cases have entered in their third round of negotiations with the banks. Altogether, the Spanish property market is in a transition that will continue in the coming months and will be translated into new investment opportunities, also for the more conventional investors. Meanwhile, there is still a long way to go to reduce the huge outstanding debt, get rid of the immense stock of unsold houses and improve Spanish purchasing power and unemployment rates dramatically.

## Spanish Real Estate Deals Q3.2013

### ASSET DEALS

1. Moorpark sold a package of 300 bank branches to Mexican investment Fund, Fibra Uno (**300mio**)
2. Sareb, Spanish bad bank, sold a developer's mortgage package to US Fund, D Kempner (**245mio**)
3. Madrid Local Authorities sold a 3.000 unit resi rental portfolio to US Fund, Goldman (**200mio**)
4. A consortium of builders sold Hotel W Barcelona 5\*, 473keys to Qatari Fund, Q Diar (**200mio**)
5. Catalan Authorities sold 13 offices in Barcelona centre to French insurance Fund, Axa (**172mio**)
6. SoneaSierra/CBREGI sold a shopping centre in Oviedo to a Canadian Pension Fund, CPPIB (**162mio**)
7. British Land sold 50% of its share to the other 50% share owner Orion Capital (**145mio**)
8. Madrid Authorities sold a 1.860 unit resi rental portfolio to US Fund, Blackstone (**125mio**)
9. Sareb, Spanish bad bank, sold a residential package of 950 houses to US Fund, HIG (**100mio**)
10. El Corte Inglés sold 8.000m2 retail in Barcelona in a SLB to French family Fund, IBA (**100mio**)
11. BBVA sold a package of 1.000 resi units spread over Spain to US Fund, Baupost (**100mio**)
12. Reyal Urbis sold its shopping centre ABC + offices in Madrid to French family Fund, IBA (**100mio**)
13. Banc Sabadell sold approx 950 resi units spread over Spain to US Fund, Anchorage (**80mio**)
14. Local owner sold 2.500m2 Apple Store in Barcelona to Spanish investor, A Ortega (**80mio**)
15. CbreGI sold its shopping centre of 20.000m2 in Pais Vasco, to German pension Fund, EON (**62mio**)
16. La Caixa sold a 8.000m2 empty office building in Madrid centre to UK Fund, M Bergman (**50mio**)
17. Local owner sold 2.500m2 prime retail unit in Madrid to private investor, De Andrés (**50mio**)
18. Värde Partners sold its shopping centre in Alcalá de Henares to Spanish Fund, Temprano (**40mio**)
19. Local mix Fund sold 1.800m2 prime retail unit in Barcelona to German Fund, GLL (**31mio**)
20. Building Company FCC sold a 420 unit resi rental portfolio to US Fund, Blackstone (**30mio**)
21. Local owner sold 4.000m2 office-retail building, fully-let to German Fund, Deka (**19mio**)
22. Local owner sold 2.500m2 prime retail unit in Madrid to German Fund, Deka (**18mio**)
23. Local owner sold 800m2 prime retail unit in Barcelona to Canadian Fund, P Alliance (**18mio**)
24. Axa Real Estate sold an fully-let office building in Barcelona to US Fund, Autonomy (**17mio**)
25. Local owner sold 4.000m2 empty office building in Madrid to Suisse Fund, Crescendo (**15mio**)
26. Zurich Real Estate sold 7.000m2 empty offices to a local hotel investor/operator, Aqua (**12mio**)

### SHARE DEALS

27. La Caixa sold 51% of its asset management division, Servihabitat, to US Fund, TPG (**185mio**)
28. Banesto sold its asset management division, Aktua, to US Fund, Centerbridge (**100mio**).
29. Bankia sold 100% shares of its asset management division to US Fund, Cerberus (**90mio**)
30. Caixa Catalunya sold its asset management division to US Fund, Wilson/Värde (**40mio**)