



Real estate annual report

Hot property

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Hot property

International funds and developers are targeting Iberian real estate and generating significant work for lawyers, but fees remain low and there are fears of a market downturn in the near future

International investors have stepped up their search for real estate development opportunities in Iberia. This has been a boost to real estate lawyers in the region who are receiving an increase in instructions related to residential and office projects. Meanwhile, sales of non-performing loans and real-estate owned portfolios are also driving substantial demand for legal advice. However, there are some concerns: political uncertainty, in both Spain and Europe more generally, could result in a slowdown in real estate projects; while there are also complaints that, despite the boom in work, legal fees remain low, with the result that real estate work is not always as profitable as firms would like.

Spain: Investors targeting logistics and student housing

Sales of non-performing loans also generating considerable work for lawyers, but Brexit and Catalonia-related uncertainty could jeopardise future workflow

Real estate lawyers in Spain are benefiting from increased investment in sectors such as logistics and student housing, with international funds being among the most active players. However, online retailers are having a devastating impact on shopping centres, with the result that retailers



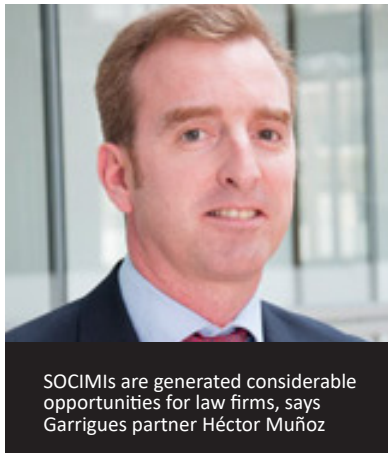
are being forced to adapt their business models.

The emergence of SOCIMIs (Spanish real estate investment trusts) – with their capacity make significant investments – has generated considerable opportunities for law firms, according to **Garrigues partner Héctor Muñoz**. Meanwhile, he adds that there has been substantial growth in the logistics, student housing and rental housing sectors – areas that “traditionally have not had much volume in our country” – and there consequently there has been a corresponding rise in demand for related legal services. “In this scenario, law firms have

the opportunity, and the need, to concentrate on advising much more professional clients, in high-volume transactions, where the specialised work of real estate law professionals can be really appreciated,” he says.

Meanwhile, domestic developers in Spain, as well as international funds, are currently “very active” in the development of residential and office properties and this is creating significant work for real estate lawyers, says **Ramón Gil, partner at Cuatrecasas**. He adds that there is also significant demand for advice on non-performing loan (NPL) and real estate-owned (REO) portfolio deals. In addition, matters related to student housing and the “self-storage” property market are also keeping lawyers busy.

Pérez-Llorca partner Alejandro Osma says real estate deals are becoming increasingly more sophisticated and consequently lawyers must take a “holistic approach”. He adds: “Besides the typical real estate aspects, other complex corporate, insolvency, regulatory and tax-related issues arise very frequently in transactions and clients expect real estate lawyers to be able to address them properly.” Osma says a range of “alternative assets” – including



SOCIMIs are generated considerable opportunities for law firms, says Garrigues partner Héctor Muñoz

care homes, gyms and car parks – are attracting foreign investors. He continues: “Understanding this type of asset, the business behind it and being able to provide comprehensive legal advice on those, can be a competitive advantage – lastly, ‘PropTech’ is becoming a hot topic in real estate in the sense that technology is transforming the way in which developers envision large real estate projects.”

One of the biggest challenges real estate clients face is closing deals due to high demand and shortage of good quality assets, says **Gómez-Acebo & Pombo partner Enrique Isla**. He adds that, for investors, profitability is at “historically low levels, and prices, depending on the sector, have risen to or are approaching pre-crisis levels”. Other issues clients are having to deal with, according to Isla, include “expectations of slower economic growth, possible interest rate hikes, political instability in Europe due to Brexit, and in Spain’s case, the situation in Catalonia and political uncertainty at local, regional and state level”. **Ramón y Cajal partner Roberto Tojo** echoes the view that the Catalonia crisis is causing uncertainty among investors: “The effect of political turbulence is already affecting the real estate market in Catalonia, especially the



Pérez-Llorca partner Alejandro Osma says real estate deals are becoming increasingly more sophisticated

Spain: What are currently the biggest opportunities for law firms in the area of real estate?

“We see more and more direct lending or non-banking financial debt granted for full refurbishment of assets or housing development projects and we believe this trend will continue in 2019. Additionally, single asset acquisitions are on local and international investors’ agenda.”

Pablo San Gil, partner, Watson Farley & Williams

“Structuring investments (including joint venture agreements), M&A transactions, real estate developments, financing agreements and sector-specific transactions such as student accommodation, elderly housing, hotels and retail.”

Juan Gómez-Acebo, of counsel, BDO Abogados

“Transformation in real estate due to changes in behavioural trends and new technology are an opportunity for investors and law firms.”

Silvia López, partner, Fieldfisher Jausas

“The real estate sector in Spain is in a good position to attract capital, both domestic and foreign, in the absence of returns or security in other financial sectors.”

José María Arnedo, partner, Toda & Nel-lo

“Operations related to (i) the asset turnover in international funds and SOCIMIs (Spanish REITs); (ii) the market for offices and housing in big cities as well as in new geographical locations (smaller cities); (iii) the logistics market; (iv) the development and remodelling of shopping centres; and (v) investment in alternative assets (hotels, student residences, parking areas, gasoline stations, clinics, elder care homes, hospitals and universities).”

Mónica Regaño Aguirre, partner, Monereo Meyer Abogados

“The internationalisation and digitalisation of the real estate sector.”

Daniel Tienda, Cases & Lacambra

residential market.”

José Vicente Morote, partner at Andersen Tax & Legal, points out that experts are predicting that the Spanish real estate sector will continue attracting an increasing amount of international investment until 2022. “An increase of transaction volume over the next two to three years will spur dynamic stakeholder activity, with players entering and exiting the market,” he says. “Aware of this trend, law firms are strengthening their real estate services across a range of practice areas, including contract and business law, tax and public law/urban planning.”

Real estate lawyers in Spain are currently focusing their attention on deals in the hospitality, retail and logistic sectors, according to

Ramón Castilla, partner at Squire Patton Boggs. He adds that such work, together with acquisitions of NPLs, are “still a good way to generate fees in the real estate sector”.

In the Spanish market, there are still many NPL portfolios on the balance sheets of the banks that need to be sold within the next two or three years, says **Íñigo Arrese, senior lawyer at Broseta**. He adds: “The excellent health of the real estate market, especially housing, hospitality, commercial and offices means law firms have opportunities in the short term, before the current economic cycle changes again as most analysts and specialists are predicting.”

Among the biggest threats to real estate clients are online sales,



Spain: What are the biggest challenges real estate clients face?

“Macroeconomic concerns – internationally, mainly Brexit, and locally, an apparent slowdown in GDP growth expectations. Meanwhile, although 2018 is expected to be a new record year in property investment, clients argue that it is becoming more and more difficult to find investment opportunities.”

Alfonso Fernández-Puebla, partner, Simmons & Simmons

“In light of the professionalisation of the real estate investment in recent years in Spain, clients must have the capacity to participate in large-scale transactions, where profitability is higher.”

Iñigo Montesino-Espartero, partner, RCD – Rousaud Costas Duran

“The deterioration of the country’s macroeconomic outlook, which creates uncertainty among investors, and this will undoubtedly affect the sector (though to less of an extent than the previous economic crisis of 2008). This is in addition to the current political uncertainty, which may have a negative effect on the stability of the legal framework.”

Álvaro García de León Lorenzo, partner, Lener

“Recent events with regards to financing in Spain have created an unstable atmosphere for purchasers and investors considering buying in Spain, thus financing is one of the biggest challenges.”

Silvia Reinoso Ruiz, associate, Cremades & Calvo Sotelo

“High investment pressure in a mature and safe market challenges investors to be swift and quick, and increases the propensity to take risk. The real estate sector in Spain is highly specialised, which makes it more complicated for international players to compete.”

Philipp Kirchheim, partner, Marimón Abogados

which are “killing malls and street retail shops”, says **Bird & Bird counsel Jacobo Sánchez-Andrade**. However, he adds that real estate owners should readapt to alternative uses, such as leisure. “Many of these struggling retail locations have excellent economics for redevelopment,” he says. “Most of the Spanish cities are suffering the closing of traditional retail shops, but in turn, an explosion of the restoration and leisure market is enabling cities like Madrid and Barcelona to survive the phenomenon of online sales by redefining uses to meet public needs.” Meanwhile, Sánchez-Andrade adds that, with regard to office space, employers are “tempted to implement teleworking/hot desking as a way of fitting more workers into an existing space and more efficiently using the available space”.

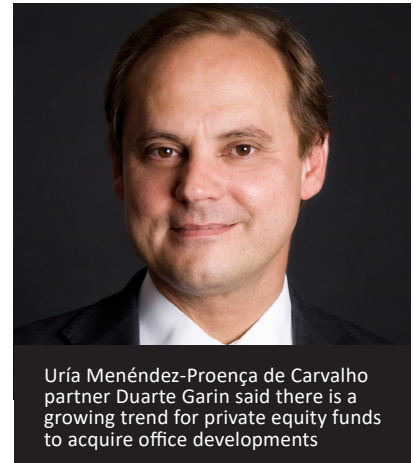
Portugal: Developers target Lisbon

Hotels and co-living spaces in demand, but clients increasingly running tenders and choosing law firms on price

Event: Iberian Lawyer Real Estate Roundtable

Host: Uría Menéndez-Proença de Carvalho

The Portuguese real estate market is growing rapidly, with significant investment in the market from developers and funds, attendees at the *Iberian Lawyer* Real Estate Roundtable in Lisbon heard. Consequently, there have been some large transactions in the sector recently. However, there is concern that there is no sign of fees increasing, while there are also doubts about whether the level of workflow will be maintained in the coming year.



Uría Menéndez-Proença de Carvalho partner Duarte Garin said there is a growing trend for private equity funds to acquire office developments

Uría Menéndez-Proença de Carvalho partner Duarte Garin said real estate market activity is “picking up” with larger deals taking place and bigger developments. He added that there is a growing trend for private equity funds to acquire office developments. Garin said that, consequently, this has “pushed all law firms to pay greater attention to the real estate sector”. Major recent deals included Fidelidade selling a portfolio of 277 properties – largely located in Lisbon and Porto – to Apollo for approximately €400 million. Garin added that there has also been substantial work for law firms related to the sale of non-performing loan portfolios with a REO (real-estate owned component). He also said that there will be a “couple of good years ahead” for real estate lawyers as demand for legal services increase, though there are concerns that there could be pressure on fees resulting in law firms “getting squeezed”.

New players with a “long-term perspective” on investment are entering the Portuguese real estate market, said **Vieira de Almeida partner Pedro Ferreira**. He added that there is growing interest in greenfield investment in Portugal with US developers among the clients looking for

opportunities. However, the process for obtaining permits for development is getting slower and this is making investors nervous, Ferreirinha said. Meanwhile, another trend is for foreign companies to move “significant parts of their operations to Portugal”, he added. It is also becoming increasingly common for market newcomers to run tenders for legal work, with the result that “price is a major factor” in clients’ decisions.

There are a significant number of real estate projects underway in the residential, hotel and office sectors in Portugal, said **Cuatrecasas partner Nuno Sá Carvalho**. He added that another new trend is “co-living” (where, for example, people share communal spaces and may also have laundry and cleaning services included in their rent), but there is a lack of legislation applicable to this area and consequently this represents a significant opportunity for lawyers. Real estate transactions also represent a good opportunity for lawyers to cross-sell their services as there is often a need for tax-structuring, financing and planning advice,

Sá Carvalho said. There is more good news for the sector as banks are again providing loans for real estate projects, he added. The total investment in Portuguese real estate during 2018 increased nearly



MLGTS partner João Torroaes Valente says the Portuguese real estate sector is a “sellers’ market

50 per cent to €3 billion.

The tourism sector is driving a lot of investment in the Portuguese real estate sector, said **Linklaters counsel Diogo Plantier Santos**. He added: “There is a lot of demand for hotels and the market is in need of assets.” Plantier Santos said

the real estate market is becoming a bigger source of revenue for Portuguese law firms, but also warned that the “cycle will come to an end and big deals won’t go on forever – there will be less activity in real estate next year”.

MLGTS partner João Torroaes Valente said the real estate sector is a “sellers’ market, where the supply of brand new product is scarce”. He added that there has been an increase in French, US and UK developers/investors entering the market. Torroaes Valente also said that, as a consequence, greenfield development is on the rise, with hotels and residential developments in Lisbon and Porto proving popular. He added that, given this context, law firms’ work in the real estate sector was getting increasingly sophisticated, with the “establishment of joint ventures for development with local partners”. With regard to offices, the demand for leasing by “French blue-chip companies is a trend, insofar as they are willing to bring large numbers of highly qualified people to work in Portugal”, Torroaes Valente said. “Furthermore, investors are looking at the Portuguese market and see it as a brighter prospect than other jurisdictions due to the higher return rates.”

Co-working offices and co-living (particularly for students and Brazilian and French ex-pats) are growing trends in Portugal, according to **Abreu Advogados partner Patrícia Viana**. She added that another trend is farms being leased for solar power plants. Meanwhile, shopping centres are regularly being acquired and sold and there are more of these types of deal in the pipeline, said Viana. The growth of real estate work means law firms are reconsidering how they are structured given that, in the past, they often did not have specialist real estate lawyers, she added. Viana also said that there is currently a shortage of young real estate lawyers.

There is substantial demand for new properties in Portugal, which

Portugal: What are the biggest challenges real estate clients face?

“Being able to find new targets/assets in Lisbon and Oporto rather than on the financing side where international banks and funds maintain a strong focus on Portugal.”

Nuno Oliveira-Garcia, partner, Andersen Tax & Legal

“The majority of real estate investments are, by nature, long-term developments. In such a context, it is not easy to make a client feel comfortable and committed to invest in Portugal while the legislator keeps making political and ill-thought-out modifications to the law in extremely important areas, such as local accommodation regulations, pre-emption rights and property taxes.”

Rodrigo Almeida Dias, managing partner, FCB Sociedade de Advogados

“The booming real estate sector and the associated risks. The price of real estate increased significantly in recent times and some assets are overpriced. But the market offers great opportunities in logistics, student accommodation and housing for elderly people.”

Nuno Pereira da Cruz, partner, Cruz, Roque, Semião e Associados



and construction, said **Caiado Guerreiro partner Tânia Pinheiro**. She added that the sector is also a source of substantial tax-related work. Meanwhile, Pinheiro said that Brazilian developers are showing a lot of interest in the Portuguese real estate market. However, developers also face the challenge of getting approval for developments from local authorities and this means that, from a lawyers' perspective, it can be "difficult to get it done in clients' timeline", according to Pinheiro.

CCA Ontier managing partner Domingos Cruz said real estate developers face the problem of "uncertainty in city halls" with regard to the issue of new development and that there is often "reactionary legislation" in this context.

However, despite this, real estate is a major source of work for Portuguese law firms, he added. Cruz continued: "The outlook is stable, though there are some clouds on the horizon in that Lisbon has some infrastructure issues that need to be addressed – for example, there needs to be investment in the subway, airport and transport infrastructure in general."

means there will be continuous development for the next five years, said **PLMJ partner Tiago Mendonça de Castro**. He added that the dramatic increase in work means the number of lawyers handling real estate matters at PLMJ has quadrupled in the last seven years. Mendonça de Castro also said that shopping centres have to adapt to the challenges posed by e-commerce and consequently, many need advice on how to change their business. Meanwhile, there

is significant demand for student accommodation in Portugal, he added. In addition there are a number of major international companies moving to Portugal, Mendonça de Castro said.

The real estate market is generating significant work for law firms, particularly in relation to the regeneration of residential property, tourism development



CCA Ontier managing partner Domingos Cruz says Lisbon has infrastructure 'issues' that need to be addressed

Portugal: What are currently the biggest opportunities for law firms in the area of real estate?

"The real estate market is experiencing dynamics that we have not seen in over a decade at least, with record investment volumes coming into the sector. The total investment expected for 2018 will be above €3 billion, which is an historic record in Portugal. A very large percentage of the capital comes from foreign investors (around 80 per cent). A variety of asset classes are attracting investors, including retail, residential, leisure, commercial and industrial."
Jorge Gonçalves, partner, Garrigues

"Real estate investment funds located in Germany, France and the UK. New and innovative mechanisms in real estate-related transactions, including those involving warranty and indemnity insurance."
Neuza Pereira de Campos, managing associate, SRS Advogados

"Taking advantage of the specialisation developed by teams in the past four years, such as asset management planning and urban modulation."
Pedro Almeida e Sousa, partner, Telles de Abreu & Associados

Retail, hospitality and logistics sectors driving demand for real estate lawyers, but clients seek digital services

Potential investment in real estate in Spain being impacted by increases in prices and the lack of good assets available at a reasonable cost

Real estate lawyers in Spain are receiving many instructions related to the retail, hospitality and logistics sectors, but they also face the challenge of providing new digital services for clients, says Ramón Castilla, partner at Squire Patton Boggs in Madrid.

“Spanish law firms are currently focusing their efforts on assisting clients in the construction and development of assets in the retail, hospitality and logistics sectors, for example, as well as the purchase of existing assets and NPLs [non-performing loans],” he says. “It obviously depends on the nature of the client’s business, but these three areas of real estate have been the main focus this year, with a strong emphasis on the investment market.”

However, according to Castilla, clients are being affected by the increase of prices in the Spanish real estate market and the lack of good assets at a reasonable cost. “In addition, the uncertain growth of the Spanish economy, the potential increase in the

employment rate and the projected increase in taxation as a result of the new government are also affecting potential new future investments in the real estate market,” he says.

Meanwhile, digital business is presenting a significant challenge for real estate lawyers. “Clients are demanding the development of new products that give them personal and direct attention, which means that new technologies and new digital business must now be easily directed to them,” explains Castilla. “New marketing channels – blogs, apps and media – are also occupying our lives and must clearly be some of the products that clients are looking to receive from law firms.”

In response, most law firms are adapting their marketing tools to keep themselves fully updated and aligned with clients’ needs, says Castilla.

He adds: “However, these digital market challenges are not only specific to real estate but are found across all sectors.”



Ramón Castilla

Clients increasingly want lawyers to help them find real estate deals

Real estate clients are increasingly asking their legal advisers to help them search for potential deals, says Jesús Conde, real estate partner at Araoz & Rueda in Madrid. “At the moment, the hospitality sector, student housing, retirement homes and medical facilities are booming due to the higher returns and increase in opportunities,” he says. “In particular, student housing is currently attracting many non-Spanish investors, based on the previous brilliant performance of the business in other European countries.”

Conde adds that one of the most common trends at the moment is investors entering into a development agreement with a local developer for the construction of the building. Meanwhile, there has been an increase in the number of new players entering the real estate market. “One of the main characteristics of these new investors is their increasing level of specialisation in different market

niches and even specific assets,” he says.

However, Conde says real estate lawyers are now being asked by clients to do more to help generate sales.

“Clients and contacts are increasingly requesting lawyers’ involvement in the search for new potential transactions,” he explains. “In these cases, we try to identify opportunities using our knowledge of the market and if the matchmaking is successful, we then offer our legal advisory services to any of the parties.”

While this is not the most common source of transactional work, according to Conde, it is becoming more common. “We can only try to offer our legal services if a transaction finally happens,” he says. That said, the amount of real estate activity remains at a similar level to last year, according to Conde. “The growth trend seems to be continuing, due to the arrival of new specialised investors.”



Jesús Conde

Lisbon planning authorities struggling to process permits in ‘reasonable time’

Effective due diligence will help investors predict the likely outcomes of planning applications – meanwhile, good architects that understand the planning system are vital



Pedro Ferreirinha

As Portugal enjoys an unprecedented property boom, Lisbon’s planning authorities are struggling to process permits within a reasonable time, according to Vieira de Almeida partner Pedro Ferreirinha.

“I think it’s a natural consequence of so much investment in Portugal,” he says. “You start to feel that in Lisbon they have so many projects they need to review, it’s a problem of manpower.” In Ferreirinha’s view, these delays represent a risk to the market as they could lead to some investors looking elsewhere in the future. “In real estate, time to market is everything,” he says. “Obviously, when investors start to feel things are starting to slow down, in terms of licensing, they get nervous and they start to be more cautious in their approach.”

Impeccable due diligence

So, what can be done to tackle the issue? Impeccable due diligence is key, according to Ferreirinha, as it helps investors predict likely outcomes of

planning applications, subject, of course, to the discretion of authorities. “You should have good architects on board that know the planning instruments very well,” he explains. “They can give you an idea of whether an application is perhaps very bold and will have problems, or whether what you are trying to do is something that’s not admissible, according to the planning regulations.” Ferreirinha adds: “The clients we assist usually do this homework very thoroughly, so they have an idea of how things will go.”

It is also essential to build positive relationships with planning authorities. “There is always some tension between the investors and the authorities,” Ferreirinha says.

“Investors usually want more than they can get, and authorities try to resist.” He continues: “I think, at the end of the day, if there’s good co-operation and people stick to the planning instruments, probably some of the problems will just go away.”

Hotel and leisure industry driving deals in Madrid real estate sector



Carlos Trénor

The hotel and leisure industry is driving considerable deals activity in the real estate sector, with a significant number of projects underway in Madrid, says Carlos Trénor, partner at Ventura Garcés & López Ibor Abogados.

“There is a lot of momentum in the hotel industry, we’ve been very busy advising clients in this area, particularly on the refurbishment of properties situated in prime central locations,” says Trénor. He adds there has been significant interest from both national and international hotel chains in these types of projects, and believes that large cities such as Madrid and Barcelona hold a great deal of potential. “There is considerable interest from investors in the UK, the US, Germany and further afield,” Trénor says. “For example, we recently advised a Korean client investing via a UK-based fund – Spain is an attractive market, and large cities hold particular appeal.”

The other types of real estate projects attracting particular interest from investors are student accommodation and rental properties. However, Trénor points out that the market is not moving as fast as it would if there was greater political certainty, both in Spain and globally.

The political climate has had a particular impact on Barcelona, where deals have slowed down in recent months. “We’ve noticed a significant shift in focus from Barcelona to Madrid, owing to the difficult political environment in the region,” Trénor remarks.

“Many deals are on stand-by, with investors cautiously waiting to see how the China-US trade war plays out, and how the political situation in Spain is resolved – Spain remains a highly-attractive market and these deals will be completed as the environment becomes clearer.”

Construction of Caleido Tower in Madrid relying on 'close collaboration' between lawyers and clients

Issues that need addressing include the construction contract as well as administrative issues, such as permits; meanwhile, office space and rented apartments in Spain are attracting investors

PwC Tax & Legal is advising developer Inmobiliaria Espacio (part of the Villar Mir Group) on all of the legal issues associated with the 180 metre-tall Caleido Tower in Madrid's Cuatro Torres financial district – the tower is currently under construction and due to be completed in 2020.

The Caleido Tower has been a long time in the making. In 2008, foundations began to be laid for the construction of an international convention centre, but this plan was frustrated by the financial crisis. As a result, one of the most valuable, high-profile sites in Madrid was left as nothing more than a construction site for several years.

However, developer Inmobiliaria Espacio won the public tender for a 75-year concession on the land in 2014, and subsequently, began the search for a partner to develop the Caleido Project. During this process, PwC advised on the negotiations between Inmobiliaria Espacio and Megaworld Corporation, which is part of Philippine holding company Alliance Global Group. Inmobiliaria Espacio and Megaworld are now joint developers on the €300 million project.

Permit issues

Paula Hernández, partner at PwC, says that the firm is advising on both the corporate and commercial issues related to the project, as well as real estate matters. The real estate issues include the "construction contract as well as administrative issues such as permits, and the declaration of new building works", remarks Hernández. The firm has also advised on the financing of the project, in addition to being involved in the negotiation of agreements with higher education provider Instituto de Empresa (IE) and healthcare giant Grupo Quirón, which will base part of its operations in the building.

Close collaboration

A project of this scale and complexity requires very close collaboration between law firm and client, argues Carlos Martínez de Aragón, director at PwC. He adds that it is important that lawyers always put themselves in the client's position and always look for the "best solutions from a business perspective".

Hernández adds that it is also key that the legal advisers have an in-depth knowledge of the relevant project as this means they are able to "cover all related aspects, which is what clients need".

Investors cautious

Hernández is optimistic about the current prospects for law firms in the Spanish real estate market. "Although levels of activity have not returned to pre-crisis levels, we are seeing transactions, especially in niche developments such as student accommodation," she explains. "Investors are perhaps more careful, and they are giving more weight to due diligence," Hernández remarks.

Big appetite

In addition to student accommodation, Hernández says office space and rented apartments are among the other types of assets that are generating interest among investors. "There is considerable appetite for developments which are close to completion and can be rented out fast," she says. "Spanish SOCIMIS and real estate investment trusts [REITs] are more interested in this sort of asset than empty plots that have to be developed from scratch," Hernández adds. She believes that one of the factors slowing down foreign investment in real estate is the current political uncertainty. "The political environment is challenging – I believe that optimism will increase as we gain certainty, and the calling of elections would be key to this," she argues.

Market idiosyncrasies

Even though investment activity has not returned to pre-recession levels, transactions completed by foreign funds during the worst years of the financial crisis remain a notable source of work for law firms, according to Martínez de Aragón.

"The large funds that acquired substantial real estate portfolios continue to require advice, as they don't necessarily understand the idiosyncrasies of the Spanish market and the legislation," he says. Hernández adds: "On the other hand, Spanish developers who survived the worst of the crisis are beginning to invest again, and they tend to outsource the legal aspects rather than handle them in-house."



Paula Hernández



Carlos Martínez de Aragón

Lawyers benefitting from boom in Spanish real estate investment trusts

Spain may benefit from increased numbers of international funds and high-net-worth individuals turning their attentions away from the UK due to Brexit



Juan Gómez-Acebo

A boom in Spanish real estate investment trusts, known as Sociedades Anónimas Cotizadas de Inversión en el Mercado Inmobiliario (SOCIMIs), is generating significant work for real estate lawyers, says BDO Abogados de counsel and head of real estate Juan Gómez-Acebo.

“Over the past few years we’ve seen the market become increasingly active,” says Gómez-Acebo. “The economy is doing better than in 2014 and 2015, when some international investors were a bit cautious – they looked at the Spanish market, but some were reluctant to take an active approach, particularly on development projects.” Gómez-Acebo adds that there is now more confidence in the Spanish economy. “Investors see it’s time to come back again,” he says.

SOCIMIs have attracted significant foreign capital to Spain’s property market in recent years. Established in 2009, they gained traction after a 2012 legislative amendment meant they were no longer subject to corporate income tax. According to Gómez-Acebo, this very

efficient tax structuring puts them on an equal footing with similar overseas real estate investment trusts, and this is a major pull for investors. The four largest SOCIMIs (Merlin, Colonial, Hispania and Lar España) have accumulated an aggregate property portfolio of nearly €30 billion in just four years of activity. “These large SOCIMIs have done tremendously well over the last few years,” says Gómez-Acebo. “There’s been a huge expansion in SOCIMIs focusing on projects such as large retail units, offices, hotels and residential assets in Madrid and Barcelona. Meanwhile, student accommodation and elderly housing are growing sectors.” Despite the political uncertainty in Spain and abroad, Gómez-Acebo says he is still “pretty confident” about the year ahead. He adds that Spain may benefit from increased numbers of international funds, as well as high-net-worth individuals, turning their attentions away from the UK due to Brexit. He says: “After Brexit, there may be more focus on Spain.”

Steady flow of major property deals, but downturn could be in sight



Rafael López-Diéguez Piñar

Though there is still a steady stream of major international property deals, there are signs there could be a future downturn, with the result the market becomes more challenging, says RLD lawyer Rafael López-Diéguez Piñar.

“What we are seeing is that the companies coming to Spain are looking for assets, but they are conducting market studies and not buying as quickly as they did in the last three years,” he adds. “Right now, people are looking carefully at these types of assets, when two years ago, they weren’t worried about the prices.”

Higher prices

While higher prices may be a contributing factor, López-Diéguez Piñar believes political uncertainty in Europe and America is making investors more cautious. “I think the economic situation in the world is a bit bleak,” he says. “At the end of the day, you look at the US

and the US looks at Europe, and here we’re waiting, looking at Brexit and Italy.” Despite the uncertainty, López-Diéguez Piñar argues this is the perfect time to invest in real estate. He adds that, though activity may be slowing, there is still a lot of liquidity and, in the current climate, real estate is a much safer bet than the financial markets.

Local Knowledge

López-Diéguez Piñar says it is vital that law firms understand the local market in which they operate. “When you’re dealing with international investors, it’s not just about giving legal advice, it’s about giving specialist advice on the market they’re investing in,” he explains.

Meanwhile, as the market grows more challenging, López-Diéguez Piñar expects that law firms will increasingly focus their efforts on larger deals involving “packets of assets”.

Lawyers under pressure to stay at the ‘cutting edge’ of developments in real estate technology

Sector has been boosted by boom in SOCIMIs and increased residential development activity – however, Spanish real estate industry lagging behind when it comes to digitalisation

The increased use of real estate-related technology in Spain means that law firms operating in the sector are under constant pressure to remain up-to-date with the latest developments, says Silvia López, partner at Fieldfisher Jausas in Madrid.

“Real estate lawyers need to adapt to the new challenges coming from the technology sector,” López explains. She adds that these challenges include developments in areas related to digitalisation, big data, prop-tech, and blockchain.”

Spain is embracing some innovations in this field, as illustrated by projects like Merlin Properties’ ambitious prop-tech accelerator. However, on the flipside, there are suggestions that the Spanish real estate sector is still lagging behind when it comes to digitalisation. Consequently, as a law firm navigating this “disruptive” sector, López says it is essential to be at the cutting edge of new trends. In addition to new technological developments, the sector has also been boosted by a boom in SOCIMIs

(Spanish real estate investment trusts) and increased residential development activity. Meanwhile, a significant trend for financial players to reduce their balance sheets by selling off portfolios of real estate-owned assets (REOs) and non-performing loans (NPLs) has also generated substantial work.

New players

As more and more new investors enter the Spanish market, there is greater pressure on law firms’ real estate teams to distinguish themselves from their competitors. In addition to pressure from clients to reduce fees, it is also necessary to differentiate your practice through the specialist skills you offer, López says.

She adds that it is vital that law firms operating in the real estate market understand their clients’ business, have “in-depth industry knowledge and offer innovative solutions”. Firms with these characteristics can be pretty confident of growing their real estate client base in the coming year, López says.



Silvia López

Portugal must change planning system to accommodate international investors

Portugal needs to change its planning system in order to accommodate a new wave of international real estate investors, says Caiado Guerreiro partner Tânia Pinheiro.

“The type of investor and the type of real estate projects have changed in recent years,” says Pinheiro. “Foreign investment funds are players in this market – Portugal is still keen on attracting foreign investment.”

Pinheiro adds that it is essential to work in partnership with lawyers from other practice areas when tackling major international real estate projects. One of the reasons for this is that the tax implications are particularly complex, in light of the recent Organisation for Economic Co-operation and Development (OECD) base erosion and profit shifting (BEPS) action plan, which was implemented to tackle international tax avoidance.

“The tax analysis and the tax implications are always part of the work in real estate transactions,” Pinheiro says. “The acquisition of real estate has a significant tax burden, and if transactions are not properly structured, the tax bill might be high, and even a deal breaker.”

However, such transactions offer excellent opportunities for law firms to “cross-sell” services in other practice areas, she adds.

Navigating Portugal’s urban planning system can be problematic for clients. Pinheiro says real estate clients’ biggest challenge is the amount of time it can take to obtain licences for projects. “It is difficult to explain this to international clients who want a concrete plan implemented within a certain deadline,” she explains. Pinheiro says the system needs to change to accommodate this new breed of international investor now coming to Portugal. “We need to improve the law and proceedings and adapt to the new reality,” she adds.



Tânia Pinheiro

Changes to rules governing stamp duty and lease agreements creating uncertainty for investors

The prospect of a potential increase in interest rates, in addition to the political situation in Catalonia, could impact real estate investment in the coming months



Ángel Lavín Martínez

New regulations related to stamp duty as well as amendments to laws related to property leases is creating uncertainty for investors and this will generate demand for legal advisers, says Ángel Lavín Martínez, partner at Lupicinio International Law Firm.

“The most common type of real estate work for lawyers right now is the sale and acquisition of large real estate portfolios,” he says. “There is also activity related to leases for commercial premises in the main cities in Spain – and not just Madrid and Barcelona – where commercial areas have been developed and restructured.” However, according to Lavín Martínez, there are significant challenges clients must face when investing in real estate in Spain.

“There are the new regulations on Spanish stamp duty (in relation to the execution of mortgages and the financial terms of the loans), the uncertainty around the final details of the upcoming amendment to the Spanish Lease Act, and the impact of tourist apartment

regulations that are being implemented by each of the 17 regional governments,” he says.

Lavín Martínez adds that there is also the prospect of a potential increase in interest rates, and says the political situation in Catalonia could impact on real estate investment in the coming months.

However, despite these conditions, lawyers’ levels of real estate work are being maintained; that said, law firms need to ensure they are in tune with the needs of clients, according to Lavín Martínez. “This means delivering excellent multidisciplinary services, with exquisite attention-to-detail and timing, thorough preparation and prompt availability,” he says.

With regard to the outlook for the coming year, Martínez expects 2019 to be a good year for real estate lawyers. He adds: “Hopefully, these uncertainties in the real estate market will be solved, as this will provide our clients with renewed confidence.”

Portuguese law firms strengthening real estate practices to meet demands of booming sector



Pedro Pinto

With Portugal in the midst of a record-breaking real estate boom, law firms are strengthening their practices to meet the corresponding increase in demand for legal services, says pbbbr partner Pedro Pinto. “The Portuguese real estate market is well perceived by global investors,” he says. “A PricewaterhouseCoopers study has shown that, in Europe, Lisbon is the primary location for real estate investments – there is significant investment, not only in Lisbon, but also in Oporto and other locations in Portugal.”

Traditionally associated with seasonal tourism, Portugal is now attracting major long-term investment from global brands. There has been particular growth in the IT sector, with Google among the companies that opened service centres in Lisbon this year. With more investors arriving, there is huge demand for office, co-working and residential space. One of the main reasons for Portugal’s

appeal is that recent governments have made a concerted effort to create a “business-friendly environment”, Pinto says. This is demonstrated by initiatives such as its partnership with Cisco, which aims to ‘fast-track’ the country’s digitalisation, as well as the “foreseeable legal change” that will permit real estate investment trusts (REITS) in Portugal, he adds.

Pinto also believes that Portugal’s appeal is heightened by uncertainty and political unrest elsewhere, caused by factors such as Brexit and the emergence of populism. “We are some kind of haven, in the middle of turmoil,” Pinto says. One of the biggest challenges for law firms right now is meeting the demands of clients in the real estate sector. To this end, pbbbr reinforced its real estate offering with the hiring of two associates in the last year. “We are definitely surfing the wave,” Pinto says.

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