

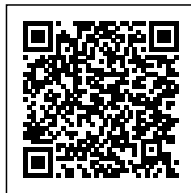
INVESTORS FOCUSING ON MORE STABLE RETURNS - BROSETA

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Isidro del Moral

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With fewer public projects to invest in funds and even family offices are again looking at the real estate sector, albeit with very strict investment criteria

The financial downturn and the reduction in public project opportunities has meant investors are looking harder at private investment opportunities, albeit they are being more selective about those they engage in, says Isidro del Moral, a real estate Partner with Broseta in Madrid.

"We see funds, institutional investors and family offices all taking different but comparable strategies when it comes to choosing where to place their money, the assets they are interested in and the returns they expect."

For many, the Spanish real estate sector is once again therefore of interest but there is often a mismatch between what vendors are asking for assets and what investors are ready to pay. "For buyers it is a question of yields. They are asking, 'in the current market, what are the returns available, and what is the maximum I can justify paying?'"

The best residential developments and properties remain in demand, says del Moral, likewise premium commercial premises. "Madrid and Barcelona are the major Spanish business centres but even here investors are focused only on the prime locations. Only the best office properties generate premium rents."

When it comes to retail premises there is a broader geographic focus, he says. A portfolio approach is being taken by investors, but the focus remains towards retail properties in the main thoroughfares of the major cities and away from commercial centres.

Many funds are taking a "wait and see" approach to most opportunities but there is an evident movement away from shopping centres especially on the periphery of cities. There is a sense that Spain has too many retail centres, that consumer spending is down, and therefore the finances simply do not add up.

"In the current climate, long-term project opportunities are significantly fewer in number and investors are therefore looking for the safest alternative investments that offer the most stable returns," says del Moral.