

INVESTORS IN REAL ESTATE MORE ACCOMPLISHED THAN IN THE PAST - CMS ALBIÑANA & SUÁREZ DE LEZO

Posted on 20/04/2017



Category: [Uncategorized](#)



There is a rather ancient saying that suggests it is easy to guess the nationality of certain individuals: if he speaks highly of France, he shall be French; if he praises the United Kingdom, he is certainly a Brit and if he speaks badly of Spain, he is a Spaniard for sure.

This saying comes to mind each time anyone – always a Spaniard – states that the Spanish real estate market is suffering a new bubble, which is apparently about to explode. What are the reasons for such an allegation? Mainly, it seems the mere existence of housing development activity and any increase in the prices of residential units in prime locations are sufficient to provoke the bubble assertion.

However, our experience as legal advisors for national and international investors and developers, is quite different. Every time we advise on any specific transaction, we see risk control measures – not only from a legal standpoint – which were not common in the actual bubble era. In this sense, it may be worth mentioning some of the main differences between the pre-crisis situations and nowadays.

First and foremost, our clients, and the counterparties, that we see investing in the Spanish market have an extensive real estate background. This is to say that, by way of example, we are not seeing – as was quite usual in the past – high-net-worth individuals with little real estate experience carrying out development projects on their own.

Secondly, our clients' investment teams need the approval of much less accommodating committees. Although there is a wall of money available to potentially invest in Spain, it is also true that the mandates and requirements for this money to actually 'touch ground' are much stricter than those in the previous era.

Lastly, the financing entities which are willing to finance real estate projects – which is far from all of them – establish challenging conditions that must be met to put the financing in place.

The sum of all of the above makes our life as legal advisors much more interesting. The structuring of almost any deal is much more sophisticated than it was in the past and also takes much longer than previously expected.

Furthermore, in a scenario where the client has no internal legal counsel (or said legal counsel is not based in Spain), we are asked to collaborate with the investment teams to provide the inputs from a legal standpoint, which are required to produce a reasonable and committee-proof business plan. To this effect, we have learned to ask the appropriate questions to understand their business in great detail and to have a comprehensive view of the deal.

Only when we are adequately equipped with the relevant knowledge can we provide relevant responses and even anticipate – to a certain extent – the questions yet to be raised.

Of course, we cannot eliminate all uncertainties. However, having an on-going relationship with our clients enables us to gain enough know-how to assist them even as early in the process as deciding whether to pursue a specific opportunity or to simply discard it because at the end of the day, it will not actually meet their investment requirements from a legal status standpoint.

Álvaro Otero is a partner at CMS Albiñana & Suárez de Lezo. He can be reached at alvaro.otero@cms-asl.com