

LONGER TIME HORIZONS IN THE PRIVATE EQUITY SECTOR - BROSETA

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Julio Veloso

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The levels of activity in the private equity arena may be down significantly but funds are still being raised and transactions done, says Julio Veloso, partner with Broseta

'We are pragmatic about what we are seeing. Funds are clearly requiring more work to close, there is more uncertainty over deal values and transactions are taking longer to complete.'

The previous two years have undoubtedly been very challenging in terms of raising new funds, which may now take up to 18 months to close compared to as little as six months only a few years ago, he says.

'Many fund managers that have managed to complete financing rounds have however secured perhaps only half or even a third of what they might once have expected. It is the same story right across Europe. Even in the most sophisticated markets fund sizes remain comparable, there are very few very large funds now being established.'

Nonetheless, Veloso senses that appetite remains among private equity houses to undertake deals – in the right circumstances – and that there is increasing investment specialisation, in renewable energies, clean technologies and infrastructure.

' Fund managers are under pressure from their investors to justify their management fees and to set their money to work. Two years without any major investments is a very long time in the private equity world.'

Nonetheless, despite the introduction of legislation allowing the creation of Spanish real estate investment trusts (SOCMIs), that receive a beneficial corporate tax regime as well as exemption from taxation on dividend distributions, Veloso has yet to see any significant uptake.

'We saw a lot of interest prior to the enactment of the legislation but circumstances have meant that this has not always turned into action.' He is currently engaged in the formation of a pan-European real estate fund but says there are few signs that this is a marketwide trend.

He therefore remains cautiously optimistic about the outlook for the sector as a whole. 'For sure, acquisitions can be done at very attractive prices and which will inevitably bring positive returns. But the challenge remains foremost however in getting the deals done.'