MORE DEALS SIMILAR TO HISPANIA IPO EXPECTED

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The recent €500m Hispania IPO is the first of a number of similar deals, according to lawyers, with activity spreading beyond the real estate sector as confidence starts to grow

Property investment company Hispania Activos Inmobiliarios´ recent €500m initial public offering (IPO) has fuelled optimism among lawyers that similar deals are in the pipeline, with some firms reporting that they are currently working on similar types of transactions.

And while a great deal of the optimism centres on the real estate market, lawyers say that they are also currently advising clients in other sectors on potential IPOs. “This IPO demonstrates there are now many investment opportunities for international investors,” says Alfonso Ventoso, Partner at Uría Menéndez, the Madrid-based law firm that advised Goldman Sachs and UBS on the recent Hispania IPO, which will operate with the statement of a real estate investment trust (or SOCIMI as it is known in Spain) on the Spanish stock exchange.

“Right now, there’s a real change in atmosphere. Investors are rebalancing their portfolios and the internal trade rating for Spain is going up,” says Iñigo Berrícano, Managing Partner and Head of

Finance at Linklaters in Madrid, the firm that a month earlier handled the Lar España IPO, the first Spanish IPO in more than two years.

The Hispania IPO is a blind pool investment, with a heavy focus on securities law due to the lack of stated investment objectives. But even with the traditional caution that surrounds blind pool investments and external management structures, Hispania – which was advised by Freshfields Bruckhaus Deringer on the deal – has still been able to raise a substantial part of the €500m from early-stage key investors.

"One of the special features of this type of deal is the presence of very relevant cornerstone investors committing their money in advance – that gives the company and the banks a strong message vis-à-vis other investors as it reinforces the attractiveness of the project," says Ventoso.

Berrícano agrees: "There's now more willingness to do transactions such as these on the securities exchange because investor appetite exists, and few listed real estate companies have survived the crisis. We think that there are other similar blind pool deals lining up."

With the real estate market in Spain currently viewed as a big pool of assets, and most of the entities listed on the alternative markets consisting of companies set up to capitalise on such opportunities, it would initially appear that this confidence in the securities market mainly surrounds real estate assets.

Fewer risks

The Spanish system has an estimated €300bn of real estate assets, either related to loans or repossessed property, but lawyers say just because assets are being sold under their real value does not mean they are being sold as distressed assets, rather that investors know that, as the economy improves, prices will too. "It is certainly not as cheap as it could be last year," says Ventoso. "But then again, the situation of the country is not as risky as was perceived last year."

It is this balance of risk and price that is creating a framework for future stability across the securities market as a whole. "The important thing is that the increasing number of IPOs in the securities market is not just real estate assets," says Berrícano. "The fact that we're involved in IPOs involving not only real estate, but also industrial businesses, shows us that there's an appetite to invest in entities with a Spanish presence – in sharp contrast to when having a Spanish listing wasn't seen as a proper placement."

And lawyers expect an increasing number of such transactions. Ventoso says: "While Spain still has very relevant problems at a micro level, investors see the country as stable and are putting in money."