

# REAL ESTATE PRACTICES GENERATING MORE REVENUE AS MARKET EXPANDS

*Posted on 23/02/2015*



Category: [Archive](#)



## **Law firms planning to recruit real estate lawyers as the value and volume of property deals increases with hotels and shopping centres driving growth**

Law firms' real estate practices are becoming bigger generators of revenue as the Iberian commercial and residential property markets continue to improve. Lawyers in Spain and Portugal are now reporting a return to growth in the real estate sector – which is helping to drive up firm revenue and encouraging the expansion of real estate departments – after years of contraction. Real estate was one of the sectors hardest hit by the global financial crisis, with Spain and Portugal among the markets to suffer most. The collapse of the cajas in Spain as well as the impact of Troika in Portugal took its toll on the sector, with prices and confidence plummeting. However, Fernando Azofra, a Madrid-based real estate partner at Uría Menéndez, claims that work is picking up and that commercial property has recently been among the strongest performing sectors

of the market, especially in portfolios with rent potential, such as shopping centres, hotels and offices. Indeed, many of the real estate asset portfolios of the troubled banks have now changed hands.

The long-standing problem affecting the market in Spain has been a lack of liquidity. In recent times, banks have not been willing to provide finance for real estate transactions, so few deals were completed. The transactions that were finalised were being funded by equity or alternative finance and while trophy assets were still in demand, the wider market remained generally quiet.

"As the issues with the cajas are largely resolved and the wider Spanish economy continues to grow, banks are starting to lend more," Azofra adds. "We think this may lead to an increase in residential property work." Azofra is optimistic about the year ahead because he says the real estate market has changed significantly and the firm is seeing the volume and value of deals increase. "This year we are hoping to work on 40 to 50 deals, which will mostly be about a change in ownership – but we are starting to see new projects come through."

Indeed, Azofra points out there is a lot of equity in the market and investors are turning their gaze upon new developments for the first time in years. This means that new build construction and residential property schemes will start to return.

Feedback from Portugal is also encouraging. The residential property market has been boosted, in part thanks to the government's 'Golden Visa' system which allows non-EU nationals residency if they purchase a property valued at more than €500,000. As with Spain, commercial property and tourism also remain key sub-sectors.

Filipa Arantes Pedroso, the partner who coordinates the real estate team at MLGTS, says the market has been rehabilitated and this process will continue during 2015. "Hotels are showing activity with the growth of tourism notably in Lisbon and Oporto," she says. "Tourism in Algarve also saw a growth in demand. Foreign investors are targeting mostly office assets notably in prime locations. Tourism resorts are slowly being looked at."

### **Fees not increasing**

While there are still challenges – such as the layers of red tape that can result in major delays in receiving permission for construction – the threat of a real estate price increase because of a surge in demand, as well uncertainty surrounding the upcoming general elections in both Spain and Portugal – lawyers are predicting a promising year ahead for their real estate practices.

Arantes Pedroso says the growth in 2014 was already "quite significant" and she expects her firm to increase revenues in 2015. She says that January was a busy month and MLGTS is thinking of recruiting if the growth continues at the same pace. She stresses that while the work is increasing, fees, in general, are not. However, she adds: "We hope to see fees increasing with the sustained growth of the real estate market."

Research recently published by Iberian Lawyer showed nearly half (48 per cent) of partners in Spain expected their firm's real estate practices to grow in 2015. Azofra adds that Uría Menéndez has maintained its headcount in the real estate department since the crisis but now the firm is looking to increase the size of the team. "Our revenues went up by 21 per cent last year, partly because of improved rates but mainly because of the increase in activity," he states.