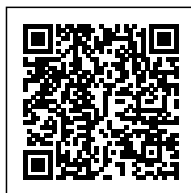


# RISE IN HOUSEBUILDING BOOSTS SPANISH REAL ESTATE LAWYERS

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**As bank lending for developer financing is increased, and international funds look to team up with local developers, unmet demand for homes will be addressed**

Real estate lawyers at leading firms in Spain are seeing an increase in instructions due to a substantial rise in the amount of finance being made available for residential property developers. Among the opportunities housebuilders have spotted is a major shortage of high-end luxury apartments in Madrid and Barcelona. CaixaBank recently announced that, in 2016, it is to double the amount it will lend for developer financing to €1.4 billion. Meanwhile, lawyers also report that international funds are showing a growing appetite for financing residential developments in Spain. The move by CaixaBank to advance more loans and cut borrowing costs is seen as signifying a new era for Spain in developer financing, with a rapid increase in demand for housing having led to a lack of supply. This, combined with falling unemployment and higher disposable incomes, has prompted

new-build house prices to continually rise, thereby making real estate an appealing financial prospect once again.

### **Instructions increasing**

"With the exception of a very small number carried out by banks, there were fewer housing developments in Spain during the lengthy crisis period,' says José Luis García-Manso, partner at Pérez-Llorca in Madrid. "We're now definitely seeing a significant increase in instructions for both primary residences and seaside holiday residences."

Ines Chamarro, legal director of real Estate at DLA Piper, says there has been a "significant improvement in the sense that finally, after several years, we're seeing some activity". But she adds that it is unlikely that housing development will reach the same level as before the property bubble. "The increase will be probably on a smaller scale and more cautiously than before the crisis – not all banks seem to be fully on board with the idea yet." García-Manso believes housing development will be limited by practical factors. "The price of land may now be more affordable and development is picking up again, but the one difference compared with the housing bubble is that not all locations are feasible for new developments."

However, Fernando Soto, partner at Freshfields Bruckhaus Deringer, says the increase in housing development is not purely driven by the need to ensure supply meets demand, but also by a shortage of luxury accommodation. "There is a real lack of high-end, luxury apartments in Madrid and Barcelona that are in line with modern, up-to-date standards," he adds.

### **Higher profit margin**

What is more important still, say lawyers, is that these changes in the real estate market are increasing investor appetite too. "Financing, which is so crucial for new developments, has returned to Spain," explains García-Manso. "A number of international funds are acting as new players, teaming up with experienced local developers and providing financing for these activities." Lawyers say that with investors seeking higher returns, housing development offers a higher profit margin than simple asset management for rental income. And it is luxury properties in Spain's major cities that are attracting investors. Soto says: "We're mainly seeing high-end developments bought by SOCIMIs and international funds with local partners."

Spanish lawyers are predicting growth in other parts of the real estate market too, specifically logistics and hotels, with a significant number of new developments and refurbishments expected with regard to the latter. Soto says that last year was particularly active, not only the hotel sector but also in the retail sector, specifically shopping centres. Chamarro says that in addition to the growing hospitality sector, there are also "important transactions in more traditional products such as shopping centres and logistics warehouses".

#### **€1.4bn**

Amount CaixaBank says it will lend for developer financing in 2016 – double the amount it lent in 2015.