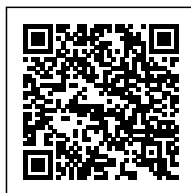


SPANISH REAL ESTATE MARKET BENEFITS FROM TOURISM BOOM

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Private equity funds and REITs eye real estate assets in Spain as tourism spending hits new high

Law firms in Spain are benefiting from an increase in investment in the nation's real estate after tourism-related spending in the country hit a record high in 2015. Data shows that tourism spending in Spain hit €67.4 billion in the last year – a 6.8 per cent increase on the previous 12 months – with the result that private equity funds and real estate investment trusts (REITs) have been looking to secure tourism-related assets, including hotels.

Spain saw record tourist arrivals in 2015, with almost 61 million visitors in the first nine months of the year, a 9.7 per cent increase on 2014. This swelling of visitor numbers is due to the country remaining an economical option for travellers, as well as being perceived as a safer option compared to some rival destinations. That increase in visitor numbers has had an effect on investment in the nation's real estate, according to market observers.

Hotel moratorium

"The increase in tourism numbers to Spain is having an impact on the real estate market, but more in the hotel than the residential sector," according to Fernando Azofra, partner at Uría Menéndez. He cites political and economic problems in other tourism destinations, such as Greece, Turkey and North Africa, as the reason for the increase, and adds that Spain's hotel sector has consequently seen an increase in quality, leading to greater investor interest.

However, obstacles to tourism-related real estate investment have emerged in the last 12 months. Azofra refers to the influence of "extremist parties" following the local government elections in May 2015, which has had a paralysing effect on the expansion plans of some hotel groups – for example, there has been a moratorium on new licenses for hotel projects in Barcelona. Azofra said 2014 and 2015 were very good years for law firms with strong real estate practices, with a variety of major deals having been closed, including new assets under construction as well as acquisitions, making Spain a major target for real estate investment.

Luxury residences

DLA Piper has also reported an increase in hotel sector clients, with the majority being private equity investors. Meanwhile, Inés Chamarro, legal director of the real estate department at DLA Piper in Madrid and co-head of the firm's hospitality group, notes that there has been an increase in investor interest in luxury properties. "We are seeing more investment in second-home vacation residences on the coasts, and over the last 18 months, an increase in Russian investment in luxury residences on the Mediterranean, thanks in part to the visa initiative," she says. Chamarro adds that, while there has always been interest in Spain's coastal residential properties, the focus has now shifted to the luxury sector, which is attracting largely foreign rather than Spanish investors.

Azofra also highlights the fact that the coastal residential sector, which had seen prices crash during the crisis, has experienced a recovery in prices in recent months, although they still remain well below their peak.