Publicación	Iberian Property General, 8	Fecha	10/09/2020
Soporte	Prensa Escrita	País	España
Circulación		V. Comunicación	ND
Difusión	ND	Tamaño	623,37 cm² (100,0%)
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SOCIMIS NEED MORE LEGAL STABILITY TO AVOID LOSING INVESTORS

Among the largest Spanish SOCIMIs, it is unanimous that amendments to the legal regime that regulates the distribution of profits will have minimal impact on their balance sheets. However, changing the rules at this stage *«not only makes little sense»* but may even *«harm companies and the country»*, generating mistrust among investors, particularly international investors.

These are the words of the CEO of Colonial, Pere Viñolas, and they summarise the sentiment among the largest SOCIMIs operating in the Spanish market regarding the possibility of the government implementing the proposal announced in December to reform the legal and tax regime applied to SOCIMIs, imposing a 15% increase on undistributed gains – a measure that is not foreseen in the current legal provisions.

A situation that is somewhat *«paradoxical»*, considers Pere Viñolas, recalling that SOCIMIs are already obliged to distribute at least 80% of their profits from rental and 50% of income generated from asset sales. In his opinion, this amendment to the law *«doesn't make a difference, doesn't make sense, has no effect, nor impact. It would be like shooting ourselves in the foot, which would harm companies and the country»*, since it may affect investors' legal security, as he explained in the webinar organised by PwC on July 6th, entitled *"Las SOCIMI como vehículo de inversión y ahorro"* (SOCIMIs as an investment and savings vehicle).

According to Ismael Clemente, CEO of Merlin Properties, *«the structure of the current regime in Spain is easily grasped by the international community, therefore it should not be altered»*, especially when 60% of the capital invested in these vehicles is foreign. *«The dividend policy cannot and should not change. Indeed, it should now be adjusted to this reality, to make more capital available to face the crisis»*, he defends.

These changes *«concern us, because we are committed to investors, and the structure is not clear»*, Miguel Pereda, CEO of Lar España, added at the same occasion. *«The more knowledgeable the investors are, the greater their concern, even if you explain the final impact won't be so significant»*, he warns.

Despite the potential to generate instability among international investors, this amendment to the law won't have much impact on the structure of SOCIMIs, since they may *«apply the companies' gains year after year and make them grow to infinity and beyond»*, revealed the CEO of Merlin Properties during the event.

Market is ready to grow

A clear structure for the regime is a vital element to drive the sector's expansion, which today *«is more necessary than its simplification»*, affirms Pere Viñolas, emphasising that *«Spain is suffering from the absence of SOCIMIs. We are a narrower and smaller sector than we should be. To be more effective, we should be 30 major SOCIMIs instead of three»*. And, 'disconnecting' from the current economic situation, the CEO of Colonial has no doubt that *«the Spanish property market is ready to increase its size and, therefore, have more SOCIMIs»*.

Currently, there are 79 SOCIMIs in Spain, 74 of which trade on the Mercado Alternativo Bursátil and only five on the continuous market, with Merlin Properties, Colonial and Lar España occupying the podium of the largest vehicles represented on the Madrid Stock Exchange.

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- «Cautious» optimism prevails among investors

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«CAUTIOUS OPTIMISM» PREVAILS AMONG INVESTORS IN IBERIA

Cautious optimism appears to be the prevalent sentiment among investors concerning the near future of Iberian capital markets. If uncertainty about the economy's evolution *«obliges»* greater caution, the solidity of real estate indicators and evidence of good opportunities in the sector sustain optimism among these players.

This is the principal conclusion reached following the *«Iberian Investment Briefing – Why Iberia»*, an online event co-hosted by Iberian Property and Real Asset Media which, on June 23rd, gathered online some of the largest investors operating in the Spanish and Portuguese property markets.

«Our view of the Iberian markets is one of cautious optimism», stated Simon Wallace, Global Co-Head of Alternatives Research and Strategy at DWS. *«There is currently no oversupply and overbuild in Iberia like there was before 2008, so we don't expect a huge increase in vacancies»*, said Wallace. *«There are reasons for optimism, but it is important to remain cautious, as the crisis is not over and will continue to have a bearing on economic activity and the real estate market»*.

He foresees that *«2020 will see acute drops in values, but we also expect a sharp rebound, with economic growth returning in the second half of the year»*, said Simon Wallace. *«Iberian markets will be at least as good as other European countries, and will exceed them in some sectors»*.

DWS forecasts that the logistics, office and residential sectors in Iberia will outperform the EU average this year, with Madrid, Barcelona and Lisbon performing particularly well.

«The Iberian market will remain very active and attractive in the foreseeable future, so my advice is to keep looking for opportunities» Wallace suggests.

«-- Volver al índice

Iberian Property

Publicación	Iberian Property General, 33	Fecha	10/09/2020
Soporte	Prensa Escrita	País	España
Circulación		V. Comunicación	ND
Difusión	ND	Tamaño	623,37 cm² (100,0%)
Audiencia	ND	V.Publicitario	--- EUR (ND USD)

lar España Real Estate

More opportunities in distress over the next 12–18 months

An overwhelming majority (85%) of market experts believes that there will be more opportunities in distress over the next 12-18 months in the Iberian markets, according to a snap poll conducted during the briefing. 12% believe opportunities will remain the same and only 3% that there will be less.

A new wave of opportunities around the corner

Even in these pandemic times, the Iberian property market continues to be an epicentre of opportunities. And, with various emerging trends gaining shape, new and attractive assets are expected to enter the market in the near future.

«In the recovery phase, investors need to be selective and focus on two aspects: sectors where there is distress but long-term fundamentals, and anything specific to the Spanish market that offers opportunities», stated Cristina Garcia-Peri, Head of Development and Strategy, Azora.

The hotel sector ticks both boxes, she said: *«I would choose the hotel sector over all others because there will be tremendous opportunities in terms of price, but also in types of assets that will come to the market»*.

The affordable residential rental market is another segment noted by this expert, who believes *«investor appetite will increase»*, especially from international institutional capital. Although not completely new, *«Covid-19 accelerated this trend: there is a lack of supply for rental and, with the crisis, people will have less capacity and willingness to take out mortgages»*, she notes.

Alternative assets, especially nursing homes, will also reassert themselves in the Iberian market. Considered *«a great investment opportunity»*, this is a segment *«where we are very active at Azora. We have 18 nursing homes under management in our portfolio and feel there is still a major lack of supply»*. If on the one hand *«we have an ageing population and will need private capital to build the necessary nursing homes»*, on the other, *«we could become the Florida of Europe, i.e. a preferred destination for people between the ages of 60 and 80 to live and enjoy their retirement»*. And this *«could imply the development of projects that focus more on a co-living model, for example»*, observes Garcia Peri.

Madrid

Crisis will separate winners and losers

José Manuel Llovet, managing director of retail, offices and logistics at Grupo Lar, has no doubt that *«the effect of this crisis will be very severe. Although it has a different basis than the major financial crisis of 2008, the effects will be similar»* and, inevitably, *«there will be a distinction between the winners and losers in this sector»*.

In the specific case of retail, one of the sectors most afflicted by the pandemic, *«there is currently great uncertainty and apprehension»*. Shopping centres and stores being closed for several weeks, with the resulting suspension of sales and rent payments, struck this sector like a bomb in 2020. And, on top of this, *«there is also great uncertainty regarding e-commerce»*, this expert observes.

«There are many challenges in the sector but, in the end, this crisis may help drive greater segmentation of the market. In the future, the combination of online and physical retail will be the most important trigger for a shopping centre's success. Furthermore, we know that the margins of distribution companies are very narrow and higher rents lie ahead, which also makes this an opportunity for them to invest in efficiency», states José María Llovet. *«The logistics sector is not as sophisticated as retail, therefore they need to invest more in technology to increase their margin»*, which represents another opportunity for real estate, especially at a time when *«there is great demand originating from the rise in e-commerce»*.

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Iberian Property

Publicación	Iberian Property General, 34	Fecha	10/09/2020
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Lisbon

Barcelona

Transactions decelerated, but have not stopped

Based on data gathered by the Iberian Property Data platform, which monitors transactions, the director of Iberian Property, António Gil Machado, emphasized that although there has been a deceleration, the Iberian real estate investment market did not stop in these past months. *«There is still activity in the market, foreign investors are interested and new deals are being done»*, he confirms.

Competitiveness is key to come out of the crisis

Both in Spain and Portugal, from an economic perspective, the Iberia that is facing this health crisis is in much better shape than in the 2018 pre-financial crisis. In recent years, both economies featured a remarkable rebound: unemployment dropped to half, GDP growth was back, investment returned and there was even a surplus in current accounts.

This time the solution will not involve the *«economic miracle»* of recent years, with the Iberian economies outperforming their European counterparts. *«Spain's increased competitiveness is now the key to come out of the current crisis»*, said Maria Jesús Fernández, Executive Director, ICEX – Invest in Spain.

The government has acted swiftly to support companies and workers, providing liquidity, credit guarantees and a tax moratorium, with measures worth 14% of the GDP that will have an impact on public finances. *«It was a costly but indispensable first line of defence that will allow the economy to return to a path of sustainable growth»* said Fernández, adding that *«there are already some signs of economic recovery, such as a positive PMI index, consumer confidence and more spending»*.

Portugal is also set to bounce back: *«I'm optimistic that in a year's time we'll be back to normal or, at any rate, a new normal»*, said Pedro Coelho, Chairman of Square Asset Management. ■

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Iberian Property

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Difusión	ND	Tamaño	623,37 cm² (100,0%)
Audiencia	ND	V.Publicitario	--- EUR (ND USD)

«WE ARE STRONGER THAN EVER TO FACE THIS CRISIS»

Frequently designated as one of the main *"victims"* of Covid-19 in the property market, the retail sector is currently facing major challenges and undergoing a cycle of profound change. In this perfect storm, only the most skilful will come out winners, recognises Miguel Pereda, guaranteeing that, in the case of Lar España, «*we are stronger than ever to face this turmoil!*».

The CEO of one of the largest Spanish SOCIMIs focusing on the retail and shopping centre sector, and CEO of Grupo Lar, believes that, since the pandemic struck, we have been witnessing «*an overreaction from capital markets concerning the impact of Covid-19 on retail firms and SOCIMIs' activities*».

«*The key issue for investors and real estate firms that focus solely on the retail sector, including Lar España, is that even before the pandemic we were already being regarded with some mistrust by the market. In my opinion, there were many misunderstandings generated by the fact that they were (wrongly) trying to find a European parallel to the enormous crisis that swept the North-American shopping centre industry, trying to extend it to Europe and all its firms*», explains Miguel Pereda. «*In other words, even before the pandemic, we were already facing a situation that affected retail real estate negatively and now, on top of that, there's a storm ravaging the stock market, which is affecting the shares of all essential companies listed in every economic sector, ours included*», he concludes.

Therefore, Pereda states, «*when we compare values per square metre with the discounted gap, and if we consider the value of the company right now, it's clear that in most cases, there has been a great overreaction in the markets*», this investor defends.

Distinction between good & bad assets will intensify

Regarding the future of the sector in Spain, Miguel Pereda anticipates that «*in the short term, the pipeline of new stock under development will be affected across the board, and I'm certain that the differentiation between good and bad assets will increase. Therefore, I believe that having critical mass in terms of management and the relationship with tenants will be key in the future, and investing in retail technology will be one of the primary factors for success*».

Although this is not exactly a novelty in Lar España's strategy, «*this will be even more important now than it was just months ago, but today we are also stronger on every front*». Especially because, the CEO adds, «*over time, one of the key points of the strategy has been to always have critical mass, while building a portfolio comprised of extremely strong assets in the right location, and so on .. And, the truth is that these arguments, which we have always advocated, will be even more valid from now on than in the past!*» ■

«-- Volver al índice