The Real Estate Law Review

Second Edition

Editor
David Waterfield

Law Business Research

The Real Estate Law Review

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This article was first published in The Real Estate Law Review, 2nd edition
(published in April 2013 – editor David Waterfield).

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David Waterfield

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THE LAW REVIEWS

THE MERGERS AND ACQUISITIONS REVIEW

THE RESTRUCTURING REVIEW

THE PRIVATE COMPETITION ENFORCEMENT REVIEW

THE DISPUTE RESOLUTION REVIEW

THE EMPLOYMENT LAW REVIEW

THE PUBLIC COMPETITION ENFORCEMENT REVIEW

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Published in the United Kingdom
by Law Business Research Ltd, London
87 Lancaster Road, London, W11 1QQ, UK
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Enquiries concerning reproduction should be sent to Law Business Research, at the address above. Enquiries concerning editorial content should be directed to the Publisher – gideon.roberton@lbresearch.com

ISBN 978-1-907606-58-8

Printed in Great Britain by
Encompass Print Solutions, Derbyshire
Tel: 0844 2480 112

ACKNOWLEDGEMENTS

The publisher acknowledges and thanks the following law firms for their learned assistance throughout the preparation of this book:

ADVOKATFIRMAN VINGE KB

ALMEIDA BUGELLI E VALENÇA ADVOGADOS ASSOCIADOS

BALCIOĞLU SELÇUK AKMAN KEKI

BONELLI EREDE PAPPALARDO

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NAGY ÉS TRÓCSÁNYI ÜGYVÉDI IRODA

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URÍA MENÉNDEZ

CONTENTS

Editor's Preface ...vii
David Waterfield

Chapter 1 AUSTRIA ...1
Peter Madl

Chapter 2 BELGIUM ...12
Yves Delacroix

Chapter 3 BRAZIL ...25
Marcelo José Lomba Valença and Rodrigo Bottamedi Ratto

Chapter 4 CYPRUS ...36
Nicolas Papaconstantinou

Chapter 5 CZECH REPUBLIC ... 47
Martin Kubánek and Pavla Šlapáková

Chapter 6 ENGLAND & WALES ... 58
David Waterfield

Chapter 7 FINLAND ...70
Samuli Palin and Rami Salonen

Chapter 8 FRANCE ... 79
Pierre Gebarowski and Guillaume Rossignol

Chapter 9 GERMANY ...91
Ingo Klöcker

Chapter 10 GREECE ...101
Paraskevi A Anargyrou and Stella G Yannika

Chapter 11 HUNGARY 111
Péter Berethalmi and Kata Molnár

Chapter 12 INDONESIA 120
Eddy Marek Leks

Chapter 13 IRELAND 131
Kevin Hoy

Chapter 14 ITALY 140
Alessandro Balp

Chapter 15 JAPAN 151
Norio Maeda, Tomohiro Kandori and Yasuo Asami

Chapter 16 KOREA 165
Kyung Don Lee, Robert C Young and Eun Nyung Lee

Chapter 17 LUXEMBOURG 181
Véronique Hoffeld and Marc Meyers

Chapter 18 NETHERLANDS 191
Annemieke Wessels, Maarten Tinnemans and Max van Drunen

Chapter 19 NIGERIA 203
Gbolahan Elias, Lynda Chinweokwu and Onyinye Chukwu

Chapter 20 POLAND 209
Paweł Halwa and Michał Gruca

Chapter 21 PORTUGAL 218
Filipa Arantes Pedroso

Chapter 22 QATAR 227
Louise Wall

Chapter 23 ROMANIA 242
Silvia Popa and Ionuț Sava

Chapter 24 SCOTLAND 250
Michael Henderson and Nick Ryden

Chapter 25 SOUTH AFRICA 265
Andrew Bembridge

Chapter 26 SPAIN 274
Diego Armero and Rodrigo Peruyero

Chapter 27 SWEDEN 285
Patrick Forslund and Niclas Winnberg

Chapter 28 SWITZERLAND 294
Andreas Rötheli and Cécile Berger Meyer

Chapter 29 TAIWAN 305
Yi-Jiun Su and Doris Lin

Chapter 30 TURKEY 315
Barlas Balcıoğlu and Kaan Saadetlioğlu

Chapter 31 UKRAINE 326
Vladislav Kysil

Chapter 32 UNITED ARAB EMIRATES 336
Ibrahim Elsadig and Joe Carroll

Chapter 33 UNITED STATES 349
Meredith J Kane

Appendix 1 ABOUT THE AUTHORS 363

Appendix 2 CONTRIBUTING LAW FIRMS' CONTACT DETAILS ... 379

EDITOR'S PREFACE

Following the success of the first edition of *The Real Estate Law Review*, the second edition now extends to some 33 jurisdictions and we are fortunate, once again, to have the benefit of incisive news and commentary from distinguished legal practitioners in each jurisdiction. Each chapter has been updated to focus on key developments in the relevant jurisdiction and their potential impact on the global real estate market. This edition continues to provide an up-to-date picture of real estate activity in each jurisdiction and, therefore, the global real estate market.

International economic and political instability, in particular the eurozone crisis and US fiscal cliff, continues to have a significant impact on the international real estate investment market as investors seek value and a safe haven for their cash. The ongoing scarcity of debt finance also continues to constrain the wider investment market. Although new sources of funding have started to appear, the transition from a dependence on bank lending has been gradual. The challenging economic climate seems likely to continue and practitioners and their clients will need to adapt to the challenges it brings and the investment trends and opportunities that emerge.

The globalisation of the real estate market is a continuing theme that is likely to become more significant to real estate practitioners and their clients with each passing year. The second edition of *The Real Estate Law Review* seeks to build on the achievement of the first by developing an understanding of the law and practice in key jurisdictions while helping to cultivate an overview of the global real estate market.

Once again, I wish to express my deep and sincere thanks to all my distinguished colleagues who have contributed to this edition. I would also like to thank Gideon Roberton and his publishing team for their tireless work in coordinating the contributions from the various countries around the world.

David Waterfield
Slaughter and May
London
March 2013

Chapter 26

SPAIN

Diego Armero and Rodrigo Peruyero[1]

I INTRODUCTION TO THE LEGAL FRAMEWORK

i Ownership of real estate

The most common type of ownership in Spain is absolute property. It is similar to the common law concept of 'freehold' and grants the title holder absolute rights to transfer, use and encumber real estate.

Spanish law recognises, however, other types of ownership or real estate rights that can be used or considered when exploring investments in commercial real estate. These are as follows:

a Surface rights: These types of rights are similar to common law 'ground leases' and temporally separate land ownership from that of the construction to be built over it. It grants the 'tenant' the right to build and own a construction over third-party land in exchange for consideration and for a limited period (up to a maximum of 99 years) after which ownership of the construction reverts back to the landowner. Surface rights are sometimes used by renewable energy companies setting up solar and wind farms as it allows the beneficiary of the surface right to reduce the project cost (for not having to purchase the land) and to mortgage the construction over the land.

b Administrative concessions: These rights are usually granted over public land that cannot be owned by individuals or companies (i.e., sea and riverside areas, harbours, docks and green areas). The public administration owning the land grants the right to use, develop and operate the public land to a third party in exchange for consideration and for a limited period. Even though it will not acquire ownership over the land, the third party will also benefit from other rights typically vested in freehold owners, such as the right to transfer or encumber the

1 Diego Armero is a partner and Rodrigo Peruyero is an associate at Uría Menéndez.

administrative concession. Such rights, however, are subject to certain limitations (usually requiring the prior authorisation of the public administration owning the land and an obligation by the new holder to continue honouring the terms and conditions of the concession).

Spanish law recognises other types of rights over real estate, such as usufruct, which provides the legal right to use and obtain benefit from property owned by a third party in exchange for consideration and for a limited period, but these other rights are very rarely used in commercial transactions.

ii System of registration

Freedom of form applies to real estate transfers, requiring only a valid written contract and the delivery of possession of the property. In practice, however, transfer of real estate is always carried out by transfer deed because it is a requirement for entry in the Land Registry. Although registering with the Land Registry is not compulsory, (except for mortgages and 'surface rights', where registration is a requirement), it is advisable as registration grants protection to good-faith third-party purchasers who acquire title from a registered owner in exchange for consideration. Ownership cannot be successfully challenged by a third party holding a right that was not recorded at the Land Registry, even if title of the registered transferor is later deemed void on grounds that are not recorded at the Land Registry.

Since transfer of ownership is usually effected by notarial deed and its subsequent registration with the Land Registry, notary and registry fees have to be paid. Notary fees are calculated on the basis of the value of the recorded transaction; for transactions in excess of €6 million, however, notarial fees can be freely negotiated and agreed beforehand.

Registry fees, although calculated on the basis of the transaction, are capped at €2,200 per registered plot and are not negotiable. Other than taxes (see Section VI.iv, *infra*), there are no significant costs.

Transactions with no actual transfer of ownership (i.e., conditional sales subject to conditions precedent) are formalised in a private contract rather than a transfer deed, avoiding notary and registry fees. The notarial deed will be formalised on completion, following fulfilment of the relevant conditions precedent.

iii Choice of law

In commercial real estate transactions, the acquisition of assets is typically structured through a Spanish special purpose vehicle ('SPV') (see Section IV.i, *infra*). Since the seller will most likely be a Spanish company, it is commercial practice to choose Spanish law as permitted by the principle of freedom of choice established in Regulation (EC) No. 593/2008 on the law applicable to contractual obligations (Rome I).

II OVERVIEW OF REAL ESTATE ACTIVITY

For Spain, 2012 has been a convulsive year, driven by austerity measures and successive reforms (employment, budget stability, the financial sector and pensions) undertaken

by the newly elected government to spur the economy and revive the real estate market. Initiated in 2011, the reform of the financial system (forcing banks to make a write-down of €50 billion by 31 December 2012, in addition to the €66 billion write-down made between 2008 and June 2011) boosted the real estate market and banks, seeking to reduce their exposure to real estate, have been very active placing their assets on the market at attractive prices.

During 2012 banks have been selling big portfolios of performing and non-performing mortgage loans that have been closed by different types of investors: (1) those with a loan-to-own strategy seeking to repossess the assets (depending on the quality of the property) through the foreclosure of the mortgage or through debt-to-asset deals, and (2) those, more opportunistic, that acquired substantially bigger portfolios with a view to servicing the loans and taking advantage of the huge price discounts.

Spanish banks have also attempted wholesale transfers of real estate worth billions of euros but have not succeeded mainly because of the high prices expected by sellers (net asset value is far higher than the bids placed). It is only a question of time until these banks mark their repossessed assets to market and decide to dispose of those properties that are consuming their resources.

III FOREIGN INVESTMENT

The acquisition of commercial real estate in Spain by foreign institutional investors or funds is typically structured through a Spanish SPV owned by a foreign company (see Section IV.i, *infra*). The acquisition of the SPV by the foreign company does not require prior authorisation but must be reported to the Ministry of Economy and Finance by filing form D-1A within 30 days of the date the shares are acquired. This records for statistical purposes corporate information on the foreign company (corporate name, registered address, nationality), the Spanish SPV (corporate name, registered address, share capital and reserves, whether the foreign shareholder has the ability to appoint its directors) and the value of the transaction. If the foreign company is a tax-haven resident, form DP-1 has to be filed prior to the acquisition of the Spanish SPV (again, for statistical purposes rather than authorisation) followed by form D-1A on completion the purchase of the shares.

The very few exceptions requiring prior clearance for the acquisition of real estate concern investments in state defence-related properties (or properties located near defence sites), or investments from tax havens or by foreign sovereign bodies.

IV STRUCTURING THE INVESTMENT

Each investor is different and has its own goals, targets and demands when considering real estate investments.

Real estate investments can be made by acquiring the property directly (asset deal) or indirectly by purchasing the share capital of the legal entity owning the real estate (share deal). The decision between direct or indirect investment is usually tax-driven.

i Asset deals

Real estate investments are normally structured as an asset deal in which a Spanish SPV owned by a foreign company (typically, a company incorporated in the Netherlands) purchases the asset.

On the Spanish tax side, the acquisition of a property by the Spanish SPV will be subject to VAT if certain requirements are met (see Section VI.iv, *infra*) and not to non-recoverable transfer tax, and it will be subject to Spanish corporate income tax, generally at 30 per cent, on its net income (and capital gains). Interest, amortisation and expenses are generally deductible if they are linked to the company's business activities and transfer pricing rules are complied with.

The use of Spanish SPVs by Dutch companies is very common in real estate transactions for the following reasons:

a capital gains realised upon divestment will not be taxed in Spain when made through the sale of the stake of a Spanish SPV if the shareholder is entitled to the benefits of the Spain–Netherlands double taxation treaty (which is generally the case); and

b profits distributed by a Spanish SPV to a Dutch company will be exempt from withholding tax in Spain if certain Spanish tax law requirements are met (mainly the Parent-Subsidiary Directive requirements).

Other EU jurisdictions, such as Ireland or Luxembourg can also be taken into consideration (although capital gains of an Irish or Luxembourg company derived from the alienation of shares in a Spanish real estate company are taxed in Spain).

ii Share deals

Share deals are generally disregarded because the acquisition of more than 50 per cent of the shares of a company with more than 50 per cent of assets as real estate is subject to non-recoverable transfer tax (payable by the purchaser) at a rate of between 3 and 10 per cent over the market value of the property (depending on the region in which the real estate is located); however, although transfer tax is the main drawback of a share deal (along with potential liability for contractual, tax and legal matters attributed to the acquired company), because of the economic crisis, investors are currently considering share deals if the companies they acquire have embedded losses that could offset gains resulting from the future sale of the property.

iii Sale of the property

Profits from real estate investments are subject to general direct taxation rules. Capital gains from the transfer of property will be determined based on the difference between the transfer price and the net book value of the property. Spanish corporate tax law allows a reduction of the effective tax rate from 30 per cent to 18 per cent in the event of reinvestment under certain conditions.

V REAL ESTATE OWNERSHIP

i Planning

The autonomous regions have exclusive competence on planning (except for some very basic aspects in the hands of the central state). Spain has 19 different jurisdictions and, as a consequence of their differing needs, geography and economic development, some regions have a more liberal approach than others.

While regulatory power lies with the regions, its implementation is handed over to the municipalities (although the most important matters are subject to control by the regions). This requires the cooperation of a number of administrations and other parties including local authorities (who ultimately decide if and under what conditions land can be developed), regional authorities (who play a supervisory role) and, to a lesser extent, the state authorities (who legislate and supervise matters such as main roads, harbours, coastal areas, aviation liens and airports). Because of the different authorities and pieces of legislation involved, planning matters in Spain are complex (particularly the purchase of land for subsequent development) and should be carefully addressed with a planning expert.

ii Licences

Although requirements vary across municipalities, usually the licences and permits required for the construction and operation of buildings are as follows:

a a works and activity licence, which must be obtained prior to starting construction works;

b a first occupancy licence, which verifies that the construction complies with the terms authorised by the works licences; and

c operating licences, which will verify that the use carried out in the building complies with the relevant zoning regulations as well as health and safety and environmental matters.

Other permits and licences may be required by the regional governments depending on the activity to be carried out. For instance, some regions require a commercial licence for an operator to open a large retail scheme (i.e., those exceeding a minimum sales surface area foreseen in the relevant legislation) or a tourism authorisation in the case of hotels.

iii Environment

For a piece of land to be declared polluted, the contamination detected must exceed the parameters set out by Royal Decree 9/2005; these parameters have been determined with regard to the land use (industrial, residential, etc.). The competent authority to declare a soil polluted is the environmental department of the regional government where the site is located.

Whenever a piece of land is formally declared polluted, the polluter will be ordered to carry out the cleaning and remedial activities required for the decontamination of the site; if several polluters are involved, they will be jointly and severally liable. As a general rule, in the absence of the polluter, the obligation to carry out cleaning and remedial activities falls on the owner and thereafter on the possessor of the site.

Finally, the owner of a site where an activity potentially polluting of the soil (listed in Annex I to Royal Decree 9/2005) has been carried out must declare such circumstance in the public deed of transfer; this must be registered with the Land Registry. This information will only be removed from the Land Registry on completion of the remedial activities and subsequent validation of the decontamination works by the regional government.

iv Tax

VAT and transfer tax

As a general rule, the transfer of properties by sellers in the course of a business activity is subject to value added tax at a rate of 18 per cent; for dwellings, however, the rate is 4 per cent for new dwellings or 8 per cent for used dwellings. In all other cases, transfers are subject to transfer tax at a rate between 3 per cent and 101 per cent of the purchase price (depending on the region where the property is located).

Second and subsequent transfers of built properties made in the course of a business activity are, however, technically subject to but exempt from VAT, and thus subject to transfer tax; the exemption can be waived by the parties when the seller and the buyer are VAT registered and the purchaser is entitled to a 100 per cent VAT credit allowance. If the exemption is waived, VAT (not transfer tax) will be levied on the transfer.

Meeting the requirements to waive the VAT exemption is relevant since input VAT incurred upon the acquisition of real estate is, generally, fully deductible. This is not the case with transfer tax, which is a final cost for the acquirer. Therefore, where conditions are met, the VAT exemption is waived to avoid paying transfer tax (a sunk cost) and to recover the VAT incurred.

Stamp duty

Stamp duty is levied upon the notarial deed:

a if the transfer is subject to and not exempt from VAT, in which case stamp duty will be levied at a rate between 0.25 per cent and 1.2 per cent, depending on the region in which the real estate is located; or

b if the transfer is subject to but exempt from VAT and the exemption is waived, in which case stamp duty is levied at a rate between 0.25 and 2 per cent, depending on the region in which the real estate is located.

Stamp duty is paid by the acquirer. Stamp duty is paid on many other occasions, including the creation of mortgages and certain other charges in the Land Registry, at a rate of 0.25 per cent to 1.2 per cent.

v Finance and security

Spanish law sets forth a wide range of security packages similar to those used in other jurisdictions (e.g., mortgages, pledges of the bank accounts held by the borrower to administer the income generated by the property, pledge of receivables held or to be held by the borrower, such as the lease rent, insurance compensations and VAT refund rights, and pledges over the borrower's shares).

Mortgages are the preferred and most commonly used security interest. Mortgages are security interests, enforceable with regard to third parties, which enjoy significant privileges and can be granted over any type of real estate. The mortgagee may enforce the collateral to the exclusion of most other creditors following relatively simple and expeditious foreclosure proceedings. A mortgage can secure all kinds of payment obligations, including, in particular, principal, interest, default interest and fees in respect of loans and credit facilities. In the case of insolvency of the borrower, the lender is not able to foreclose on the mortgage until one year after the date the insolvency was declared or the date a composition agreement with the creditors was approved.

To be valid and enforceable a mortgage must be formalised in a notarial public deed and be recorded with the relevant Land Registry. This triggers the obligation to pay notarial and registry fees as well as the obligation to pay stamp duty at a rate of 0.25 per cent to 1.2 per cent of the maximum amount secured by the mortgage (typically 140 per cent of the loan principal).

VI LEASES OF BUSINESS PREMISES

Freedom of contract governs lease agreements for business premises, except regarding lease bonds (the tenant must provide a bond equal to two months' rent) and court jurisdiction (claims must be filed before the first-instance court within the city where the property is located unless the parties have agreed to submit claims to arbitration), which cannot be waived or agreed upon differently by the parties. Any matter not contemplated by the parties in the lease agreement is governed by the provisions of the Spanish Lease Act and the Spanish Civil Code.

i Initial lease term

The lease term can be freely agreed by the parties and the average term depends on the type of property being leased. For instance, lease agreements in a shopping centre or retail park would usually be agreed for a five-year term (subject to renewals) while a lease of a single tenant office building would be agreed for a longer term (10 to 15 years) and even above 15 years in sale and leaseback transactions.

ii Renewals

There is no statutory right of renewal and the parties may either expressly exclude or include the possibility of renewal in the lease agreement. It is market practice to include a term providing that any lease renewals be subject to a market rent review. If there is no express provision and the tenant continues to lease the premises with the landlord's consent for 15 days after the lease has expired, the Civil Code allows the tenant to renew the lease for a term equal to the periodicity of the rent payment (e.g., a month if the rent were paid monthly).

iii Rent review

The Spanish Lease Act does not regulate rent reviews and parties generally agree annual reviews according to the Spanish consumer price index, published monthly by the National Statistics Institute. Market rent reviews are usually agreed as a condition of

renewal and are even found in long-term leases (e.g., a 15-year lease will have a market rent review in year seven).

iv Service charges

There are no legal restrictions on the landlord's ability to recover service charges from tenants and the amount to be recovered very much depends on the tenant's bargaining power. The tenant's contribution to service charges is usually calculated on the surface area occupied by the tenant's premises. Anchor tenants may benefit from caps to service charge contributions or even be able to agree a fixed monthly contribution. Triple-net leases are not uncommon in Spanish commercial lease practice and are usually required by investors' sale and leaseback transactions. Recoverability of real estate tax is usually an important issue when negotiating leases, as it represents a big cost for the owner.

v Lease bond

Upon execution of the lease agreement the tenant has to provide a bond equal to two months' rent. The lease bond cannot be reviewed (upwards or downwards) during the first five years. From the sixth year onwards, the lease bond will be reviewed in accordance with the terms of the lease contract. Failing that, it will be reviewed, following the rent-review provisions in the contract, so that the lease bond is always equal to two months' rent.

vi Assignment and subletting

Unless otherwise agreed by the parties, tenants may sublet or assign the premises to any third party without the landlord's consent. Unless otherwise agreed by the parties, the landlord may increase the rent by 10 per cent for partial sublets, and 20 per cent for total sublets or assignments.

vii Maintenance and repair

Even though the Spanish law on urban leases contains provisions on maintenance and repair duties, it is commercial practice to replace these (on the freedom-of-contract principle) with more landlord-friendly provisions. Typically, the parties agree that the tenant must repair any damage to the premises and perform any actions necessary to keep the premises in good state of maintenance and repair, and that the landlord carry out any such works affecting the structure and façade of the premises. The tenant is not entitled to carry out repairs that may affect the structure of the premises without the landlord's written consent.

viii Insolvency

The Spanish Insolvency Act provides for the continuation of the lease agreement in the event of the tenant's insolvency as it expressly states that the declaration of insolvency does not affect any existing agreement that provides for reciprocal obligations that both parties have yet to perform.

Any outstanding payment obligations under the lease agreement will be payable to the landlord directly against the insolvency estate, as these credits will not be subject to

the moratorium or reduction rules laid down in the insolvency proceedings. An insolvent tenant may reinstate the lease agreement and stop eviction proceedings by the landlord before the declaration of insolvency at any time before the eviction takes place by paying all amounts due, including the landlord's court costs up to such time. This right to reinstate the lease is allowed only once.

VII DEVELOPMENTS IN PRACTICE

i Protection of mortgagors

The real estate and banking excesses of the last few years are now catching up with Spain and millions of homeowners in negative equity potentially face foreclosure proceedings. In other jurisdictions non-recourse lending encourages the 'strategic default', whereas in Spain lenders typically have full recourse to all the assets of a defaulting borrower.

After three years of deep economic crisis, full-recourse lending has been blamed for worsening the situation of hundreds of thousands of families and certain cases ignited a media debate aimed at turning the Spanish mortgage system upside down. Full-recourse lending still exists, but a number of actions have been taken to afford mortgage borrowers better protection. These are as follows:

Royal Decree 6/2012 on protection of mortgagors without resources

This Royal Decree approved the Code of Good Practice and contemplates a three-step protection scheme for borrowers meeting certain criteria: debt restructuring; failing that a debt write down; and, failing that, a debt-to-asset deal as a final resort. The Royal Decree will apply to those mortgage loans (*préstamos y créditos hipotecarios*) in force as from 11 March 2012 and only to mortgage loans granted by financial entities adhering to the code.

To benefit from the protection scheme, the relevant borrowers must meet, among others, the following criteria: (1) none of the members of the family unit should receive income from employment or economic activities or own assets sufficient to afford payment of the debt; (2) the debt service must be higher than 60 per cent of the net income of the family unit; and (3) the mortgage must have been perfected over the borrower's only residence, with the purpose of the loan or facility being to finance the acquisition thereof, and the purchase price of the property did not exceed certain prices established in the Royal Decree.

Royal Decree 27/2012 on foreclosure moratorium

This Royal Decree establishes that those borrowers 'in circumstances of extreme necessity' who are unable to pay their mortgage debt will not be evicted from their homes until 16 November 2014. The two-year foreclosure moratorium will not apply to mortgaged property that is not the main home (i.e., a second or summer house).

Roughly, the requirements to qualify for the moratorium are as follows: (1) the borrower has to be part of a large family (at least three children), a single-parent family with two children, a family unit with a member suffering from a disability, or unemployed and not receiving benefits; (2) the income of the family unit must not exceed €19,200;

and (3) the service debt must have been increased 150 per cent within the last four years and must be higher than 50 per cent of the family unit's net income.

ii SAREB – Spanish 'bad bank' fund

Following the increased deterioration of Spain's economy and pressure on its debt markets that sent the yield on its benchmark 10-year bond above 7 per cent and raised the nation's risk premium to a euro-era record, the Spanish government negotiated with the Eurogroup a 'partial' bailout of the Spanish banking system that culminated in signing the Memorandum of Understanding on Financial Sector Policy Conditionality. In consideration for a €100 billion partial bailout, the Spanish government undertook, *inter alia*, to segregate all toxic assets from publicly supported banks and savings banks, and have them transferred to an external management company.

The Spanish government did its homework and the bailed-out banks and savings banks have already transferred assets worth €55 billion to the Spanish 'bad bank' fund, Sociedad de Gestión de Activos procedentes de la Restructuración Bancaria ('SAREB').

Below is a brief summary of the main features of SAREB:

a It will not be a bank, as it will not have a banking licence and will not give any vendor financing. It will merely manage assets and sell them within a maximum 15-year term at the end of which it will be liquidated. The majority of the share capital, approximately 55 per cent, will be owned by banks, private investors and insurance companies and the remaining 45 per cent by the Spanish government through the state-bank rescue fund ('FROB').

b Assets transferred or to be transferred to SAREB will include: (1) repossessed assets with a net book value over €100,000; (2) real estate loans and facilities with a net book value over €250,000 (including development loans, loans to property companies and profit participating loans) held as of 30 June 2012; and (3) controlling interests in property companies holding a substantial number of the assets described in (1) and (2).

c Assets are to be acquired by SAREB at a significant discount over the book values (around 45.6 per cent for loans and 63 per cent for repossessed assets. However, these discounts could reach 67 per cent if the transferred financing is land financing, and 80 per cent if the repossessed assets are land).

d Assets acquired by SAREB can be sold not only directly to third parties but also indirectly through the securitisation of the assets: bank asset funds ('FABs') are created and the relevant assets are transferred into these funds. Investors then purchase the relevant securities issued by the fund. SAREB will no longer manage the assets upon their transfer to the relevant FAB. There is no restriction on the number of investors in this type of fund and, technically, a single investor could request SAREB to create one of these funds with assets of his or her choice.

iii Residence permits in consideration for acquisition of real estate

The Spanish government recently announced that it is exploring offering residence permits to foreigners who buy houses valued over €160,000. Nothing has been approved yet, but it is likely that government will follow this measure through shortly as part of

its efforts to revive the real estate market and divest itself of hundreds of thousands of unsold homes.

iv Boost for the Spanish lease market

The Spanish Congress is currently debating the draft law for the flexibilisation and promotion of the rental housing market that will introduce certain amendments to the current Spanish Lease Act. This draft law aims to make the Spanish rental market more competitive by, *inter alia*, providing more freedom for the parties to negotiate the terms of the lease agreement (currently the parties are constrained by the terms of the Spanish Lease Act, which is more protective of the lessee's interest) and amending the eviction process. The bill contemplates a substantial simplification of the eviction process as follows:

a Once the lessor files a claim for eviction, the lessee will be given 10 days to pay the debt or to provide justification for non-payment.

b If the lessee fails to appear, pay or provide justification for non-payment, the judge will deem the proceeding as terminated and allow the eviction.

VIII OUTLOOK AND CONCLUSIONS

The reform of the Spanish financing system initiated in 2011 by the newly elected government continued through 2012 and has resulted in a reorganisation of the Spanish banking map (with the weakest banks and savings banks being bailed out, absorbed or wound up) and the creation of SAREB.

Although it is still too soon to ascertain SAREB's impact in the real estate market, it will surely produce a shake-up: the significant discounts applied to the assets transferred in will allow it to meet the expectations of the most demanding investors by offering a wide range of assets and transactions at highly attractive prices.

In 2013 we are certain to see a significant number of acquisitions from SAREB of loan portfolios (performing and non-performing) and portfolios of unfinished and finished properties in need of redevelopment. However, given the nature of SAREB (basically, an asset management company) it is likely to be reluctant to give any representations and indemnities, and, therefore, due diligence procedures will be key and will have to be detailed enough to provide the investor with an accurate picture of property being acquired.

Also, in a scenario where financing is scarce and the big Spanish multinationals need to preserve investment-grade credit ratings to guarantee access to the debt markets, the plan by most of these companies to cut debt by selling non-strategic assets is likely to provide another boost to the real estate market; such plans may result in sale and leaseback transactions and the sale of real estate portfolios.

Appendix 1

ABOUT THE AUTHORS

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