The Real Estate Law Review

Third Edition

Editor
David Waterfield

Law Business Research

The Real Estate Law Review

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THE MERGERS AND ACQUISITIONS REVIEW

THE RESTRUCTURING REVIEW

THE PRIVATE COMPETITION ENFORCEMENT REVIEW

THE DISPUTE RESOLUTION REVIEW

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EDITOR'S PREFACE

Building on the success of the previous editions of *The Real Estate Law Review*, the third edition now extends to some 40 jurisdictions, and we are delighted to welcome new contributors from key countries around the world. *The Real Estate Law Review* seeks to enable practitioners and clients to meet the challenge of keeping abreast of the rapidly evolving global real estate market. Each chapter offers an up-to-date and accessible summary of the key legal and practical developments in the relevant jurisdiction, and a vital snapshot of the important market drivers, trends and opportunities. Together, the chapters provide an invaluable overview of international real estate.

It is no longer possible to look at domestic markets in isolation; real estate has become a global industry, and *The Real Estate Law Review* reflects that status. An awareness of the global real estate market and an understanding of the practices and requirements of overseas investors are vital if practitioners and their clients are to take advantage of investment trends and opportunities as they develop.

The Real Estate Law Review continues to provide an overview of the state of the international real estate market, including the types of investor, the sources of funding and those assets that are in demand. In general, the focus remains on prime properties in the world's leading global cities as investors continue to seek a safe haven for their capital. Although this remains the case with London, investors are starting to see opportunities in the wider UK market, and we are generally more optimistic than at this time last year. However, positive recent news, data and forecasts must still be considered in the light of continuing economic and political challenges, including the next US fiscal cliff, uncertainty in emerging markets and the stability of the eurozone.

Once again, I wish to express my gratitude to the distinguished practitioners from across the globe who have provided invaluable contributions to this edition. As ever, I would also like to thank Gideon Roberton and his team for their sterling efforts in compiling this third edition of *The Real Estate Law Review*.

David Waterfield
Slaughter and May
London
February 2014

Chapter 33

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 also recognises 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 must 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

The need for cash and a steep fall in valuations are shaking the market. SAREB (the Spanish bad bank), financial institutions, government bodies and distressed real estate companies have been the main sources of real estate opportunities.

i SAREB

Bailed out banks have transferred to SAREB assets worth €65 billion (including land, mortgage loans and properties that are either finished or under development) with a discount of approximately 63 per cent over the book value. Assets have been organised into portfolios and are being sold to institutional investors through bidding processes that have attracted the interest of international institutional investors. Since the creation of SAREB last year, it has sold assets worth €2 billion. A large number of transactions are being organised thorough banking asset funds, a particular investment vehicle specially designed to acquire assets contributed to SAREB. See section VII, *infra* for further details.

ii Financial institutions

As part of their general recapitalisation process, banks are seeking fresh cash through sale and leaseback deals and the sale of portfolios of mortgage loans and repossessed assets. Most of them have also sold the asset management platforms that they put in place to manage their large portfolios of real estate assets in 2013.

iii Government bodies

Regional and local bodies are also very active, and auctions for the sale of all types of real estate assets are being organised. Institutional investors have purchased portfolios of public housing apartments, office buildings and plots of land for further development.

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 must 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 a rate of 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 were 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 2.5 per cent and 11 per cent over the market value of the property (depending on the region in which the real estate is located). However, the new drafting of Article 108 of Law 24/1988 of 28 July on the securities market (the SML), introduced by Law 7/2012 of 29 October, only excludes from the general indirect tax exemption applicable to the transfer of shares those that are intended to avoid the payment of taxes applicable on the transfer of real estate.

According to the new drafting, the SML assumes (unless there is evidence to the contrary) that indirect taxes applicable to the transfer of real estate assets would not be triggered in the following cases:

a When, as a consequence of a secondary market transfer of shares in a company, the assets of which mainly comprise real estate located in Spain and which is not used in a business activity (a real estate company), or in a company that has a stake in a real estate company; the acquirer gains control (or if it already had control, it increases its stake) in the relevant real estate company.

b When there is a transfer of shares that had been previously received in exchange for the contribution of real estate and that occurred less than three years before, provided that the relevant real estate is not used in a business activity.

Other noteworthy features of the amended version of Article 108 include the following:
a taxation on the acquisition of shares in the primary market is excluded; and
b if the transfer of shares is subject to tax, this will be subject to VAT or to transfer tax, depending on the tax applicable to the direct transfer of the real estate assets owned by the company whose shares are being transferred.

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 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 first transfer of properties by sellers in the course of a business activity is subject to VAT at a rate of 21 per cent; for dwellings, however, the rate is 10 per cent. In all other cases, transfers are subject to transfer tax at a rate between 2.5 per cent and 11 per cent of the purchase price (depending on the autonomous 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).

If VAT is waived, the reverse charge mechanism would apply, and the acquirer of property would be considered to be the VAT taxpayer having the obligations to waive the corresponding VAT exemption, to charge itself the VAT derived from the acquisition and to directly declare the VAT arising from the acquisition of the property (thus generally resulting in a neutral scenario, as output and input VAT will be compensated in the VAT return).

Stamp duty

Stamp duty is levied upon the notarial deed if the transfer is subject to and not exempt from VAT, in which case stamp duty will be levied at a rate of between 0.25 per cent and 2 per cent, depending on the autonomous region in which the real estate is located; or 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 2.5 per cent, depending on the autonomous 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 2 per cent.

Real estate tax (RET)

RET is a municipal tax levied annually on owners of Spanish real estate and *in rem* rights. This tax is based on the cadastral value of the real estate evaluated pursuant to the regulations of the cadastre. Owners of real estate must pay RET to the local authority where the real estate is located on an annual basis. RET will only be due if the cadastral value of the real estate is assessed and formally notified to the taxpayers.

Under the Spanish Local Taxes Law, the tax base is the cadastral value, which is an objectively determined value assigned to each property based on the data and information existing in the cadastre. The cadastral value is updated every 10 years and adjusted to the current market value.

The RET rate for urban real estate depends on the relevant municipality regulations and ranges between 0.4 per cent and 1.1 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 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 2 per cent of the maximum amount secured by the mortgage (typically 130 per cent to 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 RET 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 a 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.

ix Tax

Spanish real estate leasing activity of business premises is subject to and not exempt from Spanish VAT. The applicable rate for the leasing of Spanish business premises is 21 per cent.

VII DEVELOPMENTS IN PRACTICE

i Acquisition of assets from SAREB – banking asset funds

As previously mentioned, the creation of SAREB has boosted the Spanish real estate market. Despite being commonly known as the bad bank, SAREB does not have a

banking licence and does not give any vendor financing. It merely manages the assets contributed to it with the purpose of selling them within a maximum 15-year term, at the end of which term it will be liquidated.

Investors are acquiring real estate assets from SAREB directly through straightforward asset deals or indirectly thorough the creation of banking asset funds (BAFs). The main characteristics are as follows:

a BAFs have a hybrid nature, and are somewhere between securitisation funds and collective investment funds. They have been designed as a mechanism that SAREB may use to isolate assets on a case-by-case basis (i.e., according to the type of asset or credit standing) to achieve off-balance sheet treatment. Investors may actually request that SAREB create a BAF with a portfolio of assets of their choice. Investors would then hold the securities issued by such BAF and would be entitled to the proceeds of the underlying portfolio transferred to the BAF.

b No minimum number of investors is required; therefore, it is possible that a single investor can request SAREB to create a BAF and be the single holder of the securities.

c Securities issued by BAFs will be subject to the relevant Spanish Stock Market regulations, may be admitted to trading and may only be offered to and subscribed by professional investors.

d SAREB will not be allowed to guarantee the performance of the loans and the credit receivables or, in general terms, the value or quality of the transferred assets. Transfers must be final and unconditional, they will not be subject to claw backs under the Spanish Insolvency Law, and the transferred assets will not qualify as an ongoing concern or trigger an extension of liability for tax or social security obligations.

e The tax benefits granted to BAFs have incentivised the use of these particular vehicles. As shown in the following table, from a tax perspective, using a BAF to invest in real estate contributed to SAREB shows real advantages over using a normal SPV:

Type of tax	*BAF*	*SPV*
Corporate income tax	1%	30%
Taxes on real estate or mortgage loans acquired from SAREB	Transfer tax: exempted Stamp duty: exempted	Transfer tax (3% to 11%) Stamp duty (0.5% to 2%)
Local transfer tax	Yes (unless the acquirer is a BAF) Holding period computed since original acquisition by SAREB	Yes
RET	Yes	Yes
Dividends (non-residents)	No (while the Fund for the Spanish Bank Restructuring (FROB) holds a 5% stake in SAREB)	Yes (unless domestic legislation or a tax treaty establishes an exemption or a reduced tax rate)
Capital gains (non-residents)	No (while FROB holds a 5% stake in SAREB)	Yes (unless domestic legislation or a tax treaty establishes an exemption or a reduced tax rate)

ii Greater flexibility and better taxation for Spanish REITs (SOCIMIs)

The government has decided to revamp the legal regime applicable to SOCIMIs to make them more appealing. The main changes that have been introduced are as follows:

a SOCIMIs will be taxed at a zero per cent rate for corporate income tax provided that the shareholders owning at least 5 per cent of the SOCIMI are taxed on the dividends they receive at a minimum 10 per cent tax rate.

b Income obtained by Spanish tax residents holding shares of a SOCIMI (i.e., dividends or capital gains) will be subject to personal income tax applicable to savings income, which currently ranges from 21 per cent to 27 per cent, and not to personal rental income tax, which can be as high as 51 per cent.

c Income obtained by non-resident investors will be subject to withholding tax rates established in the relevant tax treaties on dividends or gains they obtain from their participation in the SOCIMI.

d The minimum lease period applicable to assets owned by SOCIMIs has been reduced from seven to three years.

e The minimum share capital has been reduced from €15 million to €5 million.

f The 70 per cent limit of external financing has been derogated and is no longer applicable.

g Shares of SOCIMIs can be traded not only in regulated markets but also in multilateral trading systems, and not only in Member States of the EU or of the European Economic Space but also in any other country to the extent that they have actual exchange of tax information arrangements with Spain.

iii Residence permits in consideration for acquisition of real estate

The government has finally passed a law that contemplates the granting of residence permits to foreigners who buy properties whose net value (not counting mortgage financing) is at least €500,000.

VIII OUTLOOK AND CONCLUSIONS

The establishment of SAREB, signs of an economic recovery and the increased confidence in the Spanish financial sector (as shown by the acquisition of banks and significant stakes in financial institutions by international institutional investors) have triggered a sharp rise in real estate deals.

During 2013, investment funds have purchased real estate assets worth more than €3 billion and non-performing loans for an aggregate face value of €6 billion, while foreigners have purchased 17.2 per cent of the properties sold in Spain (up 25 per cent from last year). Spain ranks now third among the most attractive real estate markets in Europe after the UK and Germany, and it seems that the upward trend will continue in 2014.

Appendix 1

ABOUT THE AUTHORS

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Diego Armero is a partner in the Madrid office of Uría Menéndez. He joined the firm in 1999 and became a partner in 2006. Mr Armero advises on all types of real estate transactions and, particularly, on the sale and purchase of companies operating in the real estate sector, asset deals, sale and leaseback transactions, loan portfolios and real estate finance.

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