

Global Insolvency:

Restructuring trends in Spain

Spain- Ramon Castilla; Fernando Gonzalez;

- *who is selling distressed assets?*
Spanish bad bank, Sareb which has been formed by 4 nationalised banks (Bankia, Catalunya Banc, NCG Banco - Banco Gallego and Banco de Valencia) and 4 restructured banks (Banco Mare Nostrum, CEISS, Caja3 and Liberbank) 2 years ago.
- *what are the drivers for sale?*
The Government has formed Sareb and they have a brief to sell the assets over a 15 year period making as much money from them as possible.
- *are there "hot spots" across Europe?*
Spain but insolvencies in Spain are on the decrease.
- *any particular sector trends?*
Real Estate but the property market is stabilising. There was a shopping centre offered for sale at € 180 a few months ago which didn't sell. Recently it was put back on the market at € 225 and sold. Also Developers, Retail and Residential landlords are struggling.
- *are there any regulatory or legislative changes that have happened or are anticipated? to happen or that are driving or will drive the market in the future*
Spanish Bankruptcy Act has been amended a couple of times this year to facilitate the selling of businesses as a going concern continuing employment and reducing preferential creditors' rights. Now if a secured creditor sells an asset for less than the amount of the secured debt, the balance is unsecured. Previously, it would have been preferential.
- *have there been many portfolio sales?*
The Banks have been offering mixed portfolios with some good and some bad properties. Some portfolios are sector specific such as hospitality or residential lettings.
- *how are due diligence process of sales being run?*
Legal due diligence is undertaken to analyse the loans and advise on tax matters
Advisory due diligence is done by accountants who look at the nature of the assets, title and security.
- *how have loan portfolios been valued?*
Sareb has just announced a portfolio sale today. A recent sale by Bankia sold to Cerberus for €8m.
- *what is the present trend in your market?*
SOCIMI (Spanish REITs) are very popular. It is a beneficial tax regime which enables companies to invest long term in real estate. Several have been set up funded by Warren Buffet, Pimco, and Blackstone.
- *how do you see the next 12 months progressing?*
Sareb will continue to release portfolios at different times through SOCIMIs.