Spain's Tax Efficient Structures Are Drawing Attention.........

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Spanish Real Estate News

The number of SOCIMIs in Spain continues to grow and more and more investors decide to invest in these companies. 40 companies in the Alternative Stock Market (MAB) have this legal regime and five form part of the Exchange. Listed Corporations Investment in real estate (REIT) enjoy a favorable tax regime which They are exempt from corporate tax So what He has fired its presence in the market. A change must earmark 80% of its assets to rent and distribute to its shareholders as dividend 50% capital gains.This status makes them particularly attractive for its promoters, who hold controlling shareholder once listed. And although some SOCIMIs are interesting for the investor who buys on the market, Most still they are those that offer little liquidity and appreciation, especially in the MAB.

However, most analysts agree that the current upward phase of the most important SOCIMIs is an opportunity for the investor. Rafael Fernández de Heredia, expert SpreadCo Beka believes that "the SOCIMIs are a very valid to achieve exposure to a real estate sector that clearly reflects the expansion of the business cycle in Spain vehicle", according Félix López-Gálvez, Self Bank , investment by these businesses is a interesting for investors who want to invest in real estate but do not have enough cash to purchase a property alternative. "Many of them have assets to a real estate investor would not have access, such as hotels, in the case of Hispania, or large offices Colonial" says the analyst.

"Further, the real estate sector has shown a low correlation to equities and fixed, so it is a good way to diversify portfolio ", Add.

However, not all have the same appeal SOCIMIs and Juan Huerta de Soto Huart, Cobas Asset Management, highlights the importance of fixed assets in the segment in which the company specialized, since the risks and the conditions are not the same If you bet on a business that depends on tourism, for example, that if we chose a company specializing in shopping centers such as Lar Spain. In addition, many of those found in the MAB are actually vehicles for managing large individual assets, which change their legal status to enjoy tax benefits, as in the sicav. As a result, liquidity is very low.

Francisco Arco, XTB expert said that the most interesting company for investors RetailThey are those with large capAs Merlin Properties, and have some diversification in their portfolio to reduce risk.An investor should look at the company you choose is liquid and have many types of investors in its shareholder, Such as mutual funds. "This is mainly found in those who are the Ibex" he concludes. López-Gálvez specifies to pay attention to "Quality management team and their track record". The incentive policy that applies is critical because in his opinion there are certain SOCIMIs who have remuneration policies management team that are not aligned with the interests of shareholders. "Another important factor is the level of confidence in the coverage of dividends and the ability to manage debt without compromising such distribution "Sentence.

Currently, all SOCIMIs listed companies generate benefits that allow them to distribute dividends. Huart Huerta de Soto points out that those that were founded earlier when the property had not recovered and the price of the assets was lower, they are the ones that are benefiting from the upward cycle. In fact, the behavior of SOCIMIs depends on the economic cycle, the housing situation and that interest rates remain low. It is this precise situation which in the opinion of López-Gálvez caused the boom of the legal form, as "After seven years of housing crisis they have multiplied the opportunities to invest in this sector and many investors want to climb the wave."The expert says that we are in an environment of low interest rates and recovery in the housing sector and consequently the SOCIMIs have become one of the biggest hits of fundraising. Analysts predict continued growth of these companies until 2019, through the expansion of its property portfolio, increased movements buying and selling of assets and the increase in revenues.

The six SOCIMIs star

Merlin Properties. With a capitalization of more than 5,000 million euros and assets valued at almost 10 billion, Merlin Properties is the Spanish real estate giant. Analysts highlight the diversification of its portfolio, which includes commercial premises, office buildings, hotels and logistic ships, and helps reduce the risk to the investor. Its most emblematic properties are the PwC Tower, one of the four skyscrapers north of the Castellana in Madrid, and the Torre Agbar in Barcelona. The main shareholders of the company are Santander (22%), BBVA (6.4%) and international funds such as Blackrock or Principal Financial Group. The Reuters analysts consensus has a majority opinion of buying, and sets a potential of 5.7%. In May it distributed a dividend of 0.40 euros per share.

Colonial Real Estate. The Catalan real estate company acquired its socimi status in June. It is the second largest in Spain and has become one of the most important in Europe. Its capitalization is 3 billion, but analysts do not agree that buying is the best option at this time, since the value has risen a lot this year, 22%, and do not see potential. This company has experienced a 90% growth of its net profit in the first half of 2017 mainly due to the tax advantages of its new status. Its properties are valued at 8,666 million euros and are in Madrid and Barcelona, although this figure also includes the properties of its French subsidiary SFL in Paris. As far as the shareholders, the catarí sovereign fund stands out. His dividend was 0,

GGC . General of Commercial Galleries, the company of which Tomás Olivo owns 99% of the shares, joined the MAB in July and revolutionized the parquet. Its market value exceeds 2,000 million euros, which puts it at the head of the alternative market. The company owns six commercial complexes, five of them in Andalusia and one in Catalonia, and other assets such as building plots or offices, so that its portfolio is diversified despite the fact that its shareholder structure is very simple. It is an example of a company that has adopted this legal regime to manage a large equity and, with a shareholder that dominates 99%, the price of its shares has not fluctuated just since it was incorporated into the market. These types of socimis are very common in MAB.

Spain. This company specializes in hotel management and is owned 16% by a fund of magnate Georges Soros and funds such as BlackRock or Row Fund. Its portfolio has a gross value of 2,339 million euros, of which 67% belongs to the hotel sector, with assets mainly in the Canary Islands and the Balearic Islands. The rest of its portfolio consists of offices and residential, but divestments are taking place, such as the recent sale of offices to Swiss Life. From GVCGesco Beka comment that the value has exceeded the potential that projected him and they admit that they will revise its target price and they will change the recommendation to buy. Its market capitalization is 1,697 million euros and distributed a dividend of 0.15 euros per share.

Axia. The company Axiare is led by Luis López Herrera-Oria and this year distributed a dividend of 0.16 euros per share. Its assets are heavily concentrated in Class A offices in the most demanded business centers and districts in Barcelona and Madrid. More than 70% of its portfolio consists of this type of real estate. The company presented its results for the first half of this year confirming a profit growth of 36%. Its shareholding structure has significant holdings of funds and groups such as Citigroup or Gam International. With a market capitalization of 1,275 million euros and a stock market hike in the year of 16.24%, the Reuters analysts' consensus recommends buying their bonds.

Lar Spain. With a market capitalization of 769.59 million euros and led by joseluis del Valle and Miguel Pereda, is highly specialized in the management and leasing of shopping centers, which together represent 75% of its portfolio. Remuneration to shareholders increased 65% this year compared to the previous year, with a share of € 0.33 per share. This partnership is owned by the Pimco and Franklin Templeton funds. From GVCGaesco Beka, Fernández Heredia comments that "the company will benefit from macroeconomic recovery in the medium term" and considers that a strong point is its intense work to improve assets and grow organically and inorganically. The consensus analysts Reuters recommends buying mostly.

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