

SPAIN, FRANCE AND THE US LEAD THE REAL ESTATE INVESTMENT IN IBERIA

With greater liquidity than ever, the Iberian top real estate investment ranking is more international and diversified than ever, being headed by Spain, France and the US.

In this study conducted by Iberian Property, we analysed the activity of the 35 largest real estate investors in the Iberian Peninsula, based on the GAV (Gross Asset Value) of the asset portfolios they own in Iberia. Altogether, they hold assets that amount to a GAV of 66.20 billion euros.

Table 1 – TOP 10 Iberian Investors, Breakdown by Gross Value (GAV)

		GAV (€ bn)	Type	Country of Origin
1	Merlin	10	Socimi & Reits	Spain
2	Colonial	8,07	Private Equity & Insurance Companies	Spain
3	Pontegadea	6,06	Private Equity & Insurance Companies	Spain
4	Sonae Sierra	4,03	Managers & Investment Funds	Portugal
5	Rodamco-Unibail	3,56	Socimi & Reits	France
6	AXA Reim	3,12	Managers & Investment Funds	France
7	CBRE Gi	2,70	Managers & Investment Funds	US
8	Mapfre	2,78	Private Equity & Insurance Companies	Spain
9	Hispania	2,00	Socimi & Reits	Spain
10	GMP	1,90	Socimi & Reits	Spain

SOURCE: Iberian Property

DISCLAIMER: Being a pioneer work among the real estate media in Iberia, this ranking has been produced by Iberian Property for information purposes only and should not be relied upon as a basis for entering into transactions without seeking specific, qualified professional advice. Its main goal is to contribute towards a greater transparency and intelligence of the real estate investment market in Spain and Portugal.

It is not intended to be a complete description of the markets to which it refers. This ranking uses information obtained from public sources that Iberian Property has rigorously checked and believes to be reliable, but Iberian Property has not verified such information and cannot guarantee that it is accurate or complete.

Our criterion was based on direct ownership of

real estate assets, therefore indirect investments and/or for development companies or real estate investment are not covered.

Our mission is to promote Iberian real estate investment market. This will only be possible with investors' collaboration. And that is why, if we are incorrect, we ask you to inform us by email agil@iberian.property.

Looking at the Top 10 of the largest investors (table 1), those of Spanish nationality clearly dominate, occupying the first three positions on the list –Merlin (1st), Colonial (2nd) and Pontegadea (3rd) –, immediately followed by a firm of Portuguese origin, Sonae Sierra, in 4th place. With Iberia dominating the first half of the table, it is rounded off by the presence of two players of French origin – Rodamco Unibail (5th) and AXA-REIM (6th) – and one of North American nationality – CBRE Global Investors (7th), ending with three more Spanish entities – Mapfre (8th), Hispania (9th) and Gmp (10th).

Almost all of these entities own a portfolio with a GAV that exceeds 2 billion euros, and the sum of their assets amounts to 44.15 billion euros. In other words, 67% of the value of the sample is in the hands of only ten entities.

Asset Managers & Investment Funds own the majority of assets

The sample was grouped into three different categories: Socimi & REITs (listed vehicles), Asset Managers & Investment Funds and, finally, Private Equity & Insurance Companies. Iberian Property's analysis determined that almost half (41%) of the total value of assets is in the hands of «Socimi & REITs»: 27.44 billion euros, followed by «Private Equity & Insurance Companies», with a share of 34%, in other words, 22.79 billion euros in assets. The least active type of investor in terms of GAV is «Asset Managers & Funds», with a 24% share, in other words, 15.97 billion euros (Graph 1).

Top transactions 2016 / 2017



1. 19 Hotels



Size (m²)	3.645 rooms
Price (million €)	590
Buyer	Foncière des Regions
Seller	Merlin Propertes



2. Xanadú Shopping Center



Size (m²)	153.695
Price (million €)	530
Buyer	Intu Properties
Seller	Ivanhoe Cambridge group



3. Diagonal Mar Shopping Center



Size (m²)	87.500
Price (million €)	493
Buyer	Deutsche Asset Management
Seller	Northwood Investors



4. Torre Cepsa (aka Torre Foster)

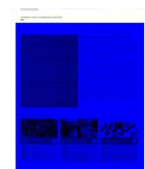


Size (m²)	109.000
Price (million €)	490
Buyer	Pontegadea
Seller	IPIC Capital

Top Iberian Investors - GAV Breakdown by type of investor (€Mn)



Table 1. SOURCE: Iberian Property



The «SAREB factor»

These figures exclude the «SAREB factor», the entity that manages assets originating from bank restructuring operations and which, alone, currently has under management more than 40.93 billion euros in assets.

Created in 2012 within the scope of the Spanish government's Memorandum of Understanding (Mou) with Troika, this tool used in the Spanish financial sector to face excessive exposure to the property sector, absorbed approximately 200.000 real estate assets amounting to 50.78 billion (80% credits & loans and 20% properties), originating from portfolios of banks that, in exchange, received a share in SAREB's capital for the corresponding value.

Unlike the remaining entities included in this ranking, SAREB's mission is to disinvest and dispose of all assets in its portfolio within 15 years (until 2027), generating capital gains for its shareholders. According to data provided to Iberian Property, in these first four years, SAREB has already disposed of approximately 9.07 billion euros in assets, making it one of the most prominent entities in the real estate investment market in Spain.

Merlin: the largest asset buyer in the past year

In order to ascertain the most active entities to purchase real estate investment assets in 2016/17, Iberian Property gathered a sample made up of the 250 largest and most emblematic private operations that took place in Spain and Portugal over the last eighteen months by 112 entities. Altogether, these deals completed between January 2016 and May 2017 represent a total value of 13.43 billion euros.

The socimi Merlin Properties stood out as the most active investor during this period, allocating 769.4 million euros, in other words, approximately 6% of the total. The North American asset manager CBRE Global Investors came next, with a 4% share, conducting investment operations at a total value of 545.4 million euros. Both entities were quite active in Spain and Portugal. This podium is completed by Foncière des Régions, the French asset manager that, at the end of 2016, purchased from Merlin a portfolio of 19 hotels in Spain for the total amount of 535 million euros.

According to Iberian Property, these three entities alone were responsible for a joint investment of 1.85 billion euros, in other words, 14% of the total amount. Among the sample analysed, a total of 14 investors were identified who allocated more than 250 million euros to the purchase of real estate assets in Iberia since the beginning of 2016 (table 2).

Top transactions 2016 / 2017



5. Parque Empresarial Adequa



Size (m²) 75.000
 Price (million €) 380
 Buyer Merlin Properties
 Seller Lone Star Funds



6. 11 Eroski Supermarkets and 2 commercial galleries



Size (m²) 136.000
 Price (million €) 358
 Buyer Invesco Real Estate
 Seller Gonuri Harizartean (Eroski and Topland)



7. Portfolio of non-strategic real estate assets



Size (m²) ---
 Price (million €) 320
 Buyer Spanish Association of Rural Savings Banks
 Seller Bantierra



Table 2 – TOP 10 Most Active Investors, Breakdown by Value invested in 2016 /2017 (H1)

		Global Value Invested (million €) - estimated	Type	Country of Origin
1	Merlin Properties Socimi	769,4	Socimi & REITS	Spain
2	CBRE GI	545,4	Managers & Funds	US
3	Foncière des Regions	535	Socimi & REITS	France
4	Deutsche AM	530	Managers & Funds	Germany
4	Intu	530	Socimi & REITS	Spain / UK
5	Pontegadea	490	Private Equity & Insurance Companies & Pension Funds	Spain
6	Axiare	453,3	Socimi & REITS	Spain
7	Oaktree and Freo	330	Managers & Funds	US
8	Spanish Association of Rural Savings Banks	320	Private Equity & Insurance Companies & Pension Funds	Spain
9	Lar España Real Estate Socimi	298,2	Socimi & REITS	Spain
10	Trajano Iberia Socimi	288,1	Socimi & REITS	Spain
11	TH Real Estate	285,5	Managers & Funds	US
12	SG Trust	285	Private Equity & Insurance Companies & Pension Funds	Singapore / France
13	Baraka Group	274	Private Equity & Insurance Companies & Pension Funds	Spain
14	M&G Real Estate	250,2	Managers & Funds	US

SOURCE: Iberian Property

In this analysis of the type of entities that made the most purchases in the last three semesters, «Asset Managers & Funds» spent the largest amount of money on asset acquisitions in Portugal and Spain: 5.83 billion euros, surpassing the 4.15 spent by «Socimi & REITs» from the sample. «Private Equity & Insurance Companies & Pension Funds» spent «only» 3.45 billion euros (graph 2).

Most Active Investors 2016/H1 2017
Breakdown by Value Invested / Type of Investor

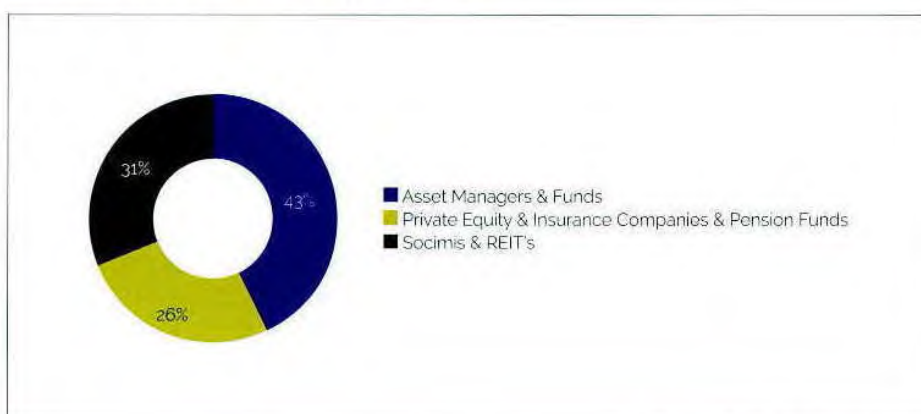
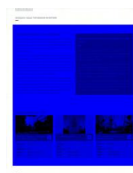


Table 2- SOURCE: Iberian Property



Socimis lead the sector's recovery in Spain

Socimis (the acronym for listed corporations for investment in the real estate market, also known as Spanish REITs) have been increasingly asserting themselves as a major alternative for investment and for capitalising a sector that, after the real estate bubble burst, was practically reduced to ashes.

Today, Merlin, Lar, Hispania and Axiare are unavoidable names in Iberian capital markets, standing not only as the most active socimis in terms of completed deals, but also as the owners of some of the largest asset portfolios. A reality confirmed by Iberian Property's study, which determined that in only three years since entering the MAB market (in the Spring of 2014), these four entities have already accumulated assets amounting to a total GAV of almost 15 billion euros.

A success story in Spain, the REIT format has not reached Portugal yet, and is one of the industry's main demands, given these instruments' recognised potential to increase liquidity in the market. The Government acknowledges this situation and the Minister in charge of this matter claims to currently be preparing a proposal to introduce a REIT-like regime in Portugal, although he does not mention a date for this.

Iberia collects € 4.5 bn from new foreign investors in 2017

With Spain heading the list, Iberia is undeniably on the map of new capital attracted for investment in commercial real estate, receiving 4.5 billion euros of the funds these players plan to invest in the sector globally in 2017.

In the 2017 edition of the study «*The Great Wall of Money*», which monitors the volume of capital recently channelled to the property sector on a global level, both through debt and through equity, the consulting firm Cushman & Wakefield places Spain in 13th position among these players' favourite markets.

Although we continue to witness an exceptional volume of capital directed towards the property sector, the rate of growth is now starting to moderate, the consultancy notes. A current trend in the global market cycle and which will also reach Iberia.

Top transactions 2016 / 2017



8. Project Boston - Portfolio of 14 office buildings



Size (m²) 116.000
 Price (million €) 300
 Buyer Oaktree and Freo
 Seller BBVA



9. Edificio España



Size (m²) ---
 Price (million €) 272
 Buyer Baraka Group
 Seller Wanda Group



10. 50% stake from Xanadu Shopping Center



Size (m²) 153.695
 Price (million €) 264
 Buyer TH Real Estate
 Seller Intu Properties

Insurance companies are back to buying «trophy» assets

Over the past eighteen months, Iberia has been witnessing the return of insurance companies to capital markets, focusing strongly on the acquisition of trophy assets in prime locations in the principal Iberian cities (table 3). The reason for this renewed interest? Namely the combination of three factors: the recovery of office rental prices, weak bond returns and new regulation on capital in Spain (commonly known as Solvency II).

At the moment, this trend is more evident in the Spanish market, where little more than a month ago, the real estate division of the Italian insurance firm Generali purchased the Preciados 9 building, at the centre of Madrid, for 100 million euros. The turning point was led by Mapfre in 2015, when the Spanish insurance company paid approximately 82 million euros to become the owner of an iconic building in Plaza de la Independencia in Madrid. And, little more than a year ago, we witnessed the return of Mutua Madrileña to capital markets, after almost a ten year absence, with the purchase of a building that used to belong to Forum Filatélico, in Madrid, for 30 million euros. This movement has spread to other smaller insurance companies as well, such as Santalucia or the mutual firm PSN, among others.

Albeit less evidently, in Portugal, insurance firms are also taking a leading role in driving capital markets, in a movement headed by Fidelidade Properties. This is the real estate division of the Portuguese insurance company Fidelidade that, since being purchased by the Chinese Fosun, has recently shown a solid commitment to expanding its real estate investment portfolio, emerging as one of the major asset owners in the Portuguese capital, where it has been focusing strongly on purchasing derelict assets in the riverfront area and converting them into office buildings.

In 2017, one of the largest operations closed in the Lisbon market was also carried out by an insurance firm, but this time in the role of seller. Namely the Tranquilidade group, which sold part of its portfolio to the consortium Anchorage Capital / Norfin for approximately 140 million euros, according to several market sources.

Two of the wealthiest men in the world invest almost 900 million in one year

Amancio Ortega, the wealthiest man in Spain, and Pierre Castel, the 6th wealthiest man in France, don't want to miss out on the positive climate in this market either. Through their real estate investment divisions, both multimillionaires have been extremely active purchasing properties in Spain and Portugal, completing a set of four operations that total a capital injection of approximately 883 million euros, Iberian Property determined.

Although the final results of Pontegadea's activity in 2016 are unknown, it seems that this was a record year for Amancio Ortega's real estate investment firm that, according to several market sources, invested approximately 1.83 billion euros in asset purchases last year, in destinations such as London, Miami, New York, Seoul, Montreal and Madrid. In the Spanish capital alone, the firm paid approximately 490 million euros to acquire ownership of Torre Cepsa, in what was until now the largest deal he has closed in his home country, where he focuses above all in the offices and retail sectors.

Indeed, offices are the preferred target of the multimillionaire Pierre Castel in Lisbon where, after acquiring Torre Ocidente in 2015 for more than 70 million euros, he returned in full force in 2016, undertaking the largest investment operations in office assets in Portugal that year. Through his firm SG Trust, Castel paid 235 million euros to become the owner of Office Park Expo, also known as Lisbon's judicial city, added to another 50 million euros, which is the estimated amount he paid to purchase the NOS headquarters from Blackstone last summer. This French investor also has business in Spain, where he invested more than 500 million euros to purchase commercial properties over the past three years through his socimi Zambal. In 2016, Castel expanded his Spanish portfolio with the purchase of the building that houses the Gas Natural headquarters in Madrid, in a sale & leaseback operation valued at 120 million euros, collecting approximately 138 million euros from the sale of two retail assets to CBRE Global Investors: ABC Serrano and Preciados 9, both in Madrid.



AMERICANS GIANTS KEEP MAKING THE NEWS IN IBERIA

Key players in some of the largest investment operations during the «*real estate on sale*» crisis, some of the greatest hedge funds and managers of private keep making news in this new stage of the Iberian real estate market.

Lone Star Funds sells in Spain and reinvest in Portugal

Lone Star Funds, in a little more than three years, has become an important reference in the sector. In 2014 acquired the Spanish Bank Kutxabanc to Neinor, one of the greatest real estate developers of the country, closing the deal for 930 million euros. Benefiting from the fact that the new owner is a manager of private equity, the developer returned to a growth, building 2.000 homes in 2016 and expects to raise up to 3.250 a year from 2018 to 2020. The latest say that Lone Star plans to sell 25% to 50% of the company this year, in a deal that could value Neinor at around 2 billion euros.

In Portugal, the plan is to complete the sale of 75% of the Novo Banco capital and so to take the portfolio of the real estate assets listed in the Bank's balance sheet. Among it there is the plot Nova Amoreiras, one of the most desired to real estate development in Lisbon, already with allotment permit approved, and which the manager of private equity undertook to develop.

Meanwhile, the Group keeps following the strategy to raise investors to develop the second stage and expand the Portuguese resort in Vilamoura, acquired in 2015 for 220 million euros. At the same time, continues to advance with the sale of the real estate assets acquired in 2015, in Portugal and Spain, by the purchase of the debt of the bankrupt Spanish Group Chamartin Imobiliário.

Top transactions 2016 / 2017



11. 11 logistics warehouses



Size (m ²)	322.500
Price (million €)	243.3
Buyer	P3 Logistic Parks
Seller	Gore Spain Holdings SOCIMI



12. Office Park Expo



Size (m ²)	78.600
Price (million €)	235
Buyer	SG Trust
Seller	NORFIN

The Top 3 most active investors in 2016/17 were responsible for a joint investment of 1.85 billion euros (14% of the total amount invested in this period)




Top transactions 2016 / 2017



13. Nueva Condomina Shopping Center 

Size (m²) 110.000
 Price (million €) 233
 Buyer Klépierre
 Seller Subsidiary of BNP Paribas Fortis SA/NV



14. Forum Viseu and Forum Coimbra 

Size (m²) ---
 Price (million €) 220
 Buyer Greenbay / Resilient
 Seller CBRE Global Investors



15. 49% stake from La Maquinista shopping centre 

Size (m²) 95.000
 Price (million €) 201,2
 Buyer Euro Cervante (Socimi owned by the Soberan Fund from Singapur GIC)
 Seller GIC

Blackstone sells Logisor and gains € 12.25 billion

Another big news about North-Americans and that is shaking the market is the sale of Logisor to the Chinese Fund CIC - China Investment Corp - for a record level of €12.25 billion euros. With this operation, the property division of Blackstone leaves the pan-European logistics platform, launched in 2012, and gathered more than 630 industrial assets with more than 13 million square meters of GLA in 17 countries (including Spain and Portugal).

Nevertheless, the American funds manager, one of the biggest in the world, will remain present in the Iberian real estate market, with Multi, the shopping center European platform,

Värde surprised the sector with the acquisition of Via Célere

By the end of February there was a story that left all the sector astonished. Gómez-Pintado sold the real estate development, Via Célere, to Värde Fund, in a transaction that promises to revolutionize the housing market in Spain. By this operation, the North-American Fund consolidated itself as «the» major real estate developer in Spain, owning already Aelca and Dos Pontos, and confirmed the profound ongoing change in the sector, with foreign funds highly investing to increase scale, willing to "purse strings" in order to acquire solid companies like Via Célere.