

## Eurostate to provide junior debt for EUR 450m Catalonian deal

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Catalonia's debt-laden regional authorities are offloading two portfolios consisting of 26 office buildings. The portfolios, comprising 13 properties each, all in Barcelona's city centre, are being sold through a sale-and-leaseback whereby the Catalan Government is committing to occupy the assets for a minimum period of 25 years.

Eurostate's founder and managing director Steven Zijl told PropertyEU that the company is looking to provide mezzanine finance or preferred equity, enabling investors to leverage the acquisition up to 85%.

'Despite the recent downgrade of Catalonia's debt rating, we have perceived a strong appetite amongst international investment funds to consider this sale-and-leaseback deal,' Zijl told PropertyEU. 'At the same time, given the current economic conditions, it will be difficult for many funds to secure a large amount of senior debt and therefore we are analysing the possibility of providing junior debt.'

It is understood that the Catalan authorities are prepared to pay up to EUR 36 mln in annual rental fees, which brings the deal's maximum initial yield to 8%.

Aguirre Newman and law firm Deloitte have been mandated to sell one portfolio, valued at EUR 221 mln, while Jones Lang LaSalle and law firm Roca Junyent were picked for the remaining EUR 228 mln of assets. The two sales are planned to close by mid-December, in a sign of increasing pressure on the Catalan authorities to raise equity.