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Spanish Squatters Invoking Robin Hood Deter Investment

By Sharon Smyth - Apr 17, 2013

A 285-unit apartment complex in Parla, less than half an hour's drive from [Madrid](#), should be an ideal target for investors seeking cheap property in Spain. Unfortunately, two thirds of the building generates zero revenue because it's overrun by squatters.

"This is happening all over the country," said Jose Maria Fraile, the town's mayor, who estimates only 100 apartments in the block built for the council have rental contracts, and not all of those tenants are paying either. "People lost their [jobs](#), they can't pay mortgages or rent so they lost their homes and this has produced a tide of squatters."

The gray concrete and orange cinderblock building, peppered with broken windows and graffiti labeling the property as a squat, is about 12 miles (20 kilometers) south of the capital. It's just one of thousands transferred to [Spain](#)'s bad bank, Sareb, after the developer skipped town two years ago and [Bankia SA \(BKIA\)](#), the nationalized lender that backed its construction with an 18 million-euro (\$24 million) loan, foreclosed on the property.

The proliferation of illegal tenants threatens to complicate efforts to manage the bad bank, set up by Spain under the terms of a European bailout for its financial system to absorb 37 billion euros of soured real estate. Sareb has pledged to sell 42,500 homes, about half its stock, in the first five years of its 15-year life span and aims to generate a return for investors of 13 to 14 percent. It foresees 1.5 billion euros of asset sales this year, a target that must be met to demonstrate to investors the vehicle is viable.

Investors Wary

Non-paying residents may damage properties and can take as long as three years to evict, making the homes unattractive to investors who have no way of calculating the time and cost required to get them in shape to rent or resell.

"Real estate funds that could be interested in purchasing Sareb assets want income-producing, liquid products that they can do as they see fit with," said Fernando Rodriguez de Acuna Martinez, a partner at Madrid-based real estate consultant Acuna & Asociados. "They don't want added complications or properties on their hands they can't sell on if they're occupied."

He says banks have remarked on how they are disabling elevators and tearing out stairwells in their apartment blocks to prevent entire buildings from being occupied. Squatting has spread after lenders foreclosed on hundreds of thousands of homes since the start of the real estate crisis in 2007.

Squatters' Guide

A spokeswoman for Spain's Ministry of Public Works, who declined to be identified by name, said the government doesn't collect data on the numbers of illegally occupied homes.

If the organization known as [Okupatutambien](#), or "Become a Squatter Too" has its way, the country will see a mass expropriation of abandoned or repossessed property to resolve the housing crisis.

According to a 117-page "Squatters' Guide" published on the Internet by the group, there are 3 million empty homes in Spain, or about 100 for each of the 30,000 homeless, a number the group says is rocketing as the economy deteriorates and unemployment, already at a record 26.3 percent, continues to rise, the group says.

The guide advises would-be squatters on how to stake out, enter and remain inside properties, leaving the rightful owner and authorities powerless to evict them. It also offers [free](#) counseling from an office in downtown Madrid on how to siphon water and electricity from municipal supplies and how to deal with law-enforcement officers. The organization declined a request for an interview by [Bloomberg News](#) for this article.

Superglue Locks

Squatters should only enter empty properties and not get caught in the act by owners or authorities because they may be accused of intent to rob, according to the guide. Once inside, they should fill keyholes with superglue or change the locks so the owner can't enter.

If the squatters can prove they've been inside for several days without leaving, the home is classified as theirs and the owner's only recourse is to begin lengthy and costly legal action to prove ownership in court, the guide says.

Signs of those tactics were evident in Parla, where Arabic music, clothes horses and baby strollers fill the corridors and communal areas. Steel doors protecting water and electric meters have been kicked in and their locks carved out. Stairwells, scattered with rubbish, have had their exits to the street bricked up to block entry.

The building has fallen into steady decline over the past two years with the arrival of the first squatters when the developer abandoned the property, according to Alexi Ene, an unemployed legal tenant from [Romania](#) who pays 280 euros per month to live in a one-bedroom apartment on the third floor of the east wing of the building.

Developer Disappeared

Since the disappearance of UNIFO SA, the developer that built the apartment block on Calle Toledo 15, the town hall has tried to mediate with residents to reach a compromise that would allow some rental income to be generated by the property. Officials for UNIFO, which hasn't deposited accounts with the Madrid mercantile registry since 2008 and had its registered telephone number disconnected, couldn't be reached.

"It's all too easy for squatters to target bank-owned homes following these steps and get the place classified as theirs," said Juan Villen, head of mortgages for Idealista.com, Spain's largest property website. Banks have foreclosed on around 400,000 properties since 2007, according to AFES, a Madrid-based association that advises homeowners on how to restructure mortgages to avoid repossession.

In August, responding to political pressure from Spaniards who can no longer obtain mortgages as banks rein in lending, the government changed the law to make it easier for landlords to recover properties from non-paying tenants. The government's aim was to make more rental properties available.

'Incalculable' Damage

Villen said that the law has made little difference.

"Once someone is inside without paying, the financial damage they can do is incalculable," he said during an interview in Madrid. "Banks can't keep an eye on all their properties or notice when someone is breaking into them. So it's unlikely there'll be some six-foot guy with a baseball bat nearby ready to stop a squatter, as is the case with individual homeowners."

Squatters are also suffering from a "Robin Hood complex," Villen says, in reference to the fact that nationalized Spanish banks are seen as villains by society after being granted around 40 billion euros to bail them out, yet are still foreclosing on homes and leaving their owners destitute.

'Sheer Volume'

"What makes Spain unique from other countries is the sheer volume of empty homes we have, combined with the economic situation," said Acuna.

That's a legacy of Spain's construction boom, which saw 675,000 homes built per year from 1997 to 2006, according to a report by a unit of the Cajamar savings bank. That's more than [France](#), [Germany](#) and the U.K. combined. The building frenzy resulted in a surplus of about 2 million empty homes that will take between seven and 13 years to absorb, Acuna says.

Acuna says the problem will get worse as the economy deteriorates.

The recession, Spain's second since 2008, is extending into the first quarter amid weak domestic demand, the Bank of Spain said March 26. Prime Minister [Mariano Rajoy](#) said last month he expects the economy will probably contract by more than the government's forecast of 0.5 percent as the deepest austerity measures in the nation's democratic history jeopardize a return to growth initially expected in the second half.

The [International Monetary Fund](#) expects the economy to shrink about 1.6 percent this year and unemployment to peak at 27 percent. Spain's benchmark IBEX 35 Index fell 1.8 percent today, extending its decline since Dec. 31 to 4.5 percent.

Rental Option

Renting legally isn't a viable alternative for much of the population, according to Alquiler Seguro, a Madrid-based company that intermediates between landlords and tenants. Even after the number of available homes for rent rose 17 percent in the past year, pushing rental prices down by almost 5 percent, the company estimates almost a third of potential renters in Spain's three largest cities wouldn't be able to afford to pay their rent because of unemployment or personal-debt problems.

"The rise in this tendency of squatting is fuelled by people who have lost their jobs and no longer have access to benefits," Acuna said, "They aren't professional squatters, anti-capitalists or delinquents. They are simply people who have no other option and need a roof over their heads."

<http://www.bloomberg.com/news/print/2013-04-16/spain-s-robin-hood-squatters-deter-investment-mortgages.html>

Fraile, Parla's mayor, agrees. "These are people who resort to squatting because they have no other option," he said during an interview in Madrid. "It's a social problem of the highest severity happening all over Spain."

Fraile said that, while he understands the economic problem it will create, he has no intention of trying to evict anyone from the building.

"Sareb will eventually have to find a way to market this asset for sale and at the moment it's very toxic."

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