

PORTUGUESE INSIGHTS

DKF SET TO PURCHASE PORTUGUESE HOTEL PORTFOLIO

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Portuguese media reported that Davidson Kempner Fund (**DKF**) is the preferred bidder in the sale tender launched by Portuguese banks for a luxury hotels' portfolio, dubbed the "**Crow Project**", which also includes other real estate assets.

The bidding phase ended on 30 September 2021. Only two offers were presented. DKF won the bid against a consortium that included Bain Capital and Cerberus.

The Crow Project includes three important hotel portfolios:

- Fundo Recuperação Turismo (**FRT**);
- FLIT-Ptrel SICAV (**FLIT**); and
- Discovery Portugal Real Estate Fund (**Discovery**).

ECS, Sociedade Gestora de Fundos de Capital de Risco (**ECS**) manage FLIT and FRT and Explorer Investments SCR SA (**Explorer**) manages Discovery.

Novobanco, BCP and Caixa Geral de Depósitos are the banks with the largest exposures to these assets, with Santander and Oitante holding a smaller position in the ECS funds.

The Crow Project initially included 30 assets, mainly hotels, land plots and shopping centres. In September 2021, ECS withdrew seven assets valued at €300 million. The portfolio that will be sold includes some landmark hotels, such as the Conrad Algarve and Cascatas Golf & Resort Spa by Hilton, the NAU hotels, the shopping centres La Vie, among other real estate assets, in a transaction that is expected to be concluded in around €900 million, according to the media.

DKF is now in negotiations with ECS on an exclusive basis with closing being expected to occur in the first half of 2022.

This transaction is the continuation of Portuguese banks deleveraging efforts after the Portuguese bailout of 2011.

To protect themselves against a sharp rise in new non-performing loans that may follow the Covid-19 pandemic, Portuguese banks have been increasing their reserves beyond what is statutorily required and continue deleveraging non-performing assets.

According to local media, Portuguese banks are only available to fund up to 60% of the purchase price (around €500 million). The media also reported that bidders were not happy with the proposed conditions, as they put significant pressure to sell the assets before they are restructured.

This may be an opportunity for international banks and loan funds to take part in what may well be the Portuguese real estate deal of the year.

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Since the incorporation of the firm in 1996, we have been involved in several high-profile transactions in all of the firm's fields of practice, including banking and finance, capital markets, corporate and M&A, energy, real estate, project finance, complex disputes and restructurings.

SOURCES

<https://eco.sapo.pt/2021/12/07/banca-vende-carreira-de-hoteis-de-luxo-em-portugal-ao-fundo-davidson-kempner/>

Banca disponível para financiar 60% do negócio dos fundos ECS – ECO (sapo.pt)

<https://www.jornaldenegocios.pt/empresas/banca---financas/detalhe/fundo-davidson-kempner-fecha-compra-de-hoteis-de-luxo-em-portugal-a-banca>

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