Martinsa-Fadesa to Lay Off Staff Despite Debt Refinancing

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Troubled property group, Martinsa Fadesa SA, is looking to shed a third of its workforce according to the Comisiones Obreros union, in a sign of how hard the Spanish housing market has been hit after a decade-long boom.

This is a further blow to the company after it posted first quarter net losses of €85m in May, down 37.5% on a year earlier. These results were also hurt by the costs of financing its bank debt, which swelled to €5.4bn at the end of March compared with €5.1bn at the turn of the year.

The Comisiones Obreras union said job cut plans, which could affect up to 300 of 880 staff, were unjustified. A company source said Martinsa Fadesa would start talks with unions about job cuts next week, but would not confirm the Comisiones Obreras union estimate of reductions. There was no definite number as yet, the source said, apart from 60 or 70 jobs in the northern region of Galicia.

"It's a nationwide reorganisation to adjust to new sector circumstances, which have worsened," he said.

The disappointing results come on the back of news early in May that the company had refinanced €4bn of its outstanding debt and had agreed to put up a further €350m to strengthen its balance sheet. Because of the absence of financing up to then, the group had not signed construction contracts with third parties during the period and revenues from land sales slumped to €300,000 from €45.2m a year earlier, on a pro-forma basis.

"Operating activity has been badly affected by the prolonged process of refinancing debt for its acquisition (of Fadesa), which has made sealing deals to sell land, housing developments and the launching of new products difficult," the company said in a statement.

But the biggest drag on revenues was at its most important division, housing, where first quarter home sales fell to €128.9m from €311.9 a year previously, on a pro-forma basis. Total group sales stood at €129.9m, a 60% decline.

The company, formed when Martinsa bought Fadesa in March last year, said that, despite Spain's housing crisis, it had presold 459 residential units in the quarter for €95m.

And it said it was looking at more profitable segments, like small flats and housing reserved for low income groups. It said it had enough available land to build 24,000 low-income homes.

Its stock of unsold houses was practically static year on year at 12,578, which was worth €2bn.