

BUYING PROPERTY IN SPAIN



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HOW MUCH IS IT GOING TO COST YOU?

Apart from the actual price of the property, buying a place in Spain involves a number of legal and administrative costs. They are as follows:

- IVA (VAT): 6-7% on resale (depending on area), 7% on new-build properties
- Stamp duty: 0.3-1% of property value
- Legal fees: around 1% of property value
- Notary fees: around 500 euros
- Property registration fees: around 150 euros
- Cost of setting up your mortgage

As a very rough guide, the cost of buying your property will amount to **around 10% of the value of the property** you're planning to purchase.

You'll also need to set aside sufficient funds to cover a **deposit** when you make an offer on a property. Depending on the value of the property, this will be from 3,000-10,000 euros. If you already have a Spanish bank account - all well and good. If not, this can usually be paid by credit card or even cash.

It is usually accepted practice in Spain for the buyer to pay all costs except the estate agent's commission and the "plus valía" - both of which are the responsibility of the seller.

WHAT TYPE OF PROPERTY SHOULD YOU BUY?

Apartments tend to be in a purpose-built block, often with communal gardens and swimming pool. Owners usually pay a community charge to cover ongoing costs and maintenance of the block and its grounds. Apartments are usually your choice if picking a city, or the centre of a well-known tourist resort.

Townhouses (more often-than-not called “bungalows”) are two- or three-storey properties, usually with their own small garden. Many are on new-build urbanisations, but they can also be existing houses in towns or villages.

Villas are detached or semi-detached houses with private garden and - sometimes - a swimming pool. Occasionally they form part of a development and share pool/facilities. Villas are found both on the coast and inland, but not in city centres.

Fincas rústicas are traditional rural houses - often one-time farmhouses with land, or at least a large garden. Very often in need of renovation, you'll need to check facilities such as water, electricity, mains gas and telephone. Usually well out in the country, you'll definitely need a car if this is your choice.

The type of property you buy is often dependent on the sort of location you're after - city/large resort ... outskirts of a town ... or in the heart of the country.

And this may well depend on your reason for buying in Spain. Is it to be a holiday home, for permanent relocation, or as an investment for renting out?

Is it practical to live in a small Spanish village, or will you need to be closer to amenities? If you have a young family, are there nearby schools? If retired, is there suitable entertainment - golf, beach, etc.

VIEWING PROPERTIES

By now, you've decided:

- how much you can afford to pay, taking into account the price of the property, plus purchase costs
- the type of property you're after
- the area which interests you

You're ready to start looking at actual properties ...

If you live outside Spain, it's best to spend as much time as possible on the internet, browsing sites which offer properties in the area of your choice. Also, websites of English-speaking newspapers in Spain that publish property ads. This research will give you a good idea of what's on offer - and at what price.

The next step is to come out here and start viewing. You'll obviously want to spend as much time as possible on this. If practicable, rent a property in the area which interests you and get to know it thoroughly.

You can, of course, come on a short, cheap inspection flights. But doing it this way means you're going to be very limited in choice - not to mention time to make a reasoned decision.

At the end of the day, when viewing properties, you'll either be doing it:

- independently - answering private in ads in newspapers, etc, or
- through a real estate agent

More-than-likely, it will be through an estate agent. So, let's take a look at real estate agents in Spain ...

REAL ESTATE AGENTS IN SPAIN

In many countries, real estate agents are registered professionals.

In Spain, this is not the case. Anyone at all may act as an estate agent in Spain and there is no law regulating them. This means it's difficult to hold an estate agent responsible when a purchase goes wrong.

There are, however, two professional associations that require examinations and set standards for their members - the *Agente de la Propiedad Inmobiliaria* (API), and the *Gestor Intermediario de Promociones y Edificaciones* (GIPE).

Even so, if an estate agent in Spain causes you to suffer loss, you'll have a hard time obtaining recompense.

For this reason, it's advisable to employ your own English-speaking lawyer in Spain to guide you through the buying procedure, to advise you, and - in particular - to check that all documents are in order with no outstanding debts.

Estate agents in Spain usually charge around 5% commission, though it can be as high as 10%. In principle, it's the seller who is responsible for this but this commission just goes on the price you - the buyer - pay for the property.

Where more than one estate agent is involved - for example, a Spanish agency who has made an agreement with an agent in the UK, or an agent who's a member of a Multiple Listing Service - the commission is likely to be higher than with a smaller, independent agency.

FINDING A LAWYER

Although most Spanish estate agents are both registered and honest, there is no law regulating them, so it can be difficult to claim recompense.

For this reason, it 's best to employ an English-speaking lawyer/solicitor (*abogado* in Spanish) to guide you through the purchase procedure. Lawyers are regulated by the *Ilustre Colegio de Abogados* - where you can complain if wronged.

A rough estimate of how much they will charge for property transactions is one per cent of the amount involved. However, many will try to charge more.

Ask in advance, and try to establish an agreed fee or percentage before you assign them your case.

How do you find a good, English-speaking Spanish lawyer? Consulates have lists of lawyers who speak the language of their nationality - although they are not necessarily recommending them.

Ask at your local Spanish bank ... look at adverts in local English-speaking newspapers ... and ask people you meet in the area.

Instead of using an *abogado*, someone may be able to recommend a specialised *gestor*.

Gestors are - basically - licensed administrative experts in Spanish procedures. Like lawyers, they also have a *Colegio* where you can complain if you feel you've received unsatisfactory service. *Gestors* also tend to be cheaper than lawyers.

WHAT WILL YOUR LAWYER DO?

You've got a lawyer and found a property you're seriously interested in. What do you ask your lawyer to do?

Here's a list of things you'll want him to see to:

- Check *escritura pública* or title deed is registered in the *Registro de la Propiedad*.
- Get a *nota simple* from Property Registry showing there are no debts.
- Check *Referencia Catastral* and *Certificado Catastral*.
- Check *plan parcial* if on an urbanisation, and building permits if buying a plot.
- Check paid-up receipt for *Impuesto sobre Bienes Inmuebles*, or the *Declaración de Obra Nueva*.
- Check there are no outstanding community charges.
- Check there are no outstanding electricity, water, rubbish or telephone bills.
- Check and explain terms of any contract when making a deposit.
- Advise and discuss with you forms of payment.
- Check and explain the *escritura de compraventa* signed before the *notario*.
- Payment of fees and taxes, plus the 5% deposit to *Hacienda* if buying from a non-resident.
- Explain how and when you'll get your final *escritura pública*, which makes you the real owner.

If you're confident with your knowledge of Spanish and Spain, there is nothing to stop you doing the above yourself. But - for most people - the services of a lawyer are best.

TERMS OF PRIVATE SALES CONTRACT

- You've had a good look at properties, found one that suits you, and negotiated a price.
- Your legal advisor has carried out all pre-purchase checks.

Because most buyers take some time to assemble the money needed for purchase, it is usual for the buyer and seller to make a private contract first, with the buyer putting down a non-returnable deposit of around 10% - say 3-10,000 euros, depending on the value of the property. This reserves the property while the money is brought into Spain or a mortgage arranged.

If the seller finds another buyer, the first buyer can claim back twice the amount of the deposit. If the buyer fails to complete, he loses his deposit.

This deposit should never go direct to the seller but into an escrow account - or blocked account - called a Bonded Client Account.

The seller - usually through the estate agent - will have a contract ready for you to sign. Get your lawyer to read through this, see that it 's favourable to you, and make any suggestions. It usually includes:

- amount and terms of the deposit
- cost of the property
- a date for final completion
- who pays what fees and taxes

This contract is not the final document for the sale. If you like the property and have the price ready, you could proceed directly to the Notary and complete the sale immediately, omitting this private contract.

GETTING A MORTGAGE

When it comes to requesting a mortgage, you don't necessarily have to deal in euros - Abbey and Barclays deal in euros or sterling. However, it usually makes more sense to have the property and the mortgage in the same currency to avoid losses due to currency fluctuations.

Euro interest rates tend to be lower than sterling and - as long as Euribor remains lower than Libor - the cost of money will remain cheaper in the Eurozone.

Repayment periods used to be lower in Spain than in England - 10-15 years was the norm. This is increasing and some banks will allow up to 35 years.

You'll probably be allowed up to 80% of the value of the property although some banks do offer 100% mortgages.

In theory, Spanish banks can grant a mortgage to residents and non-residents alike, although non-residents may be charged higher interest rates.

If you'd like advice about Spanish mortgages, just ask our Spanish mortgage broker at <http://www.top-tour-of-spain.com/spanish-mortgages.html>

Here's a list of things you're likely to need when applying for a mortgage:

- a copy of your last income tax return
- a copy of your passport
- last three months salary slips (certified statement of accounts if self-employed)
- last three bank statements
- bank reference
- breakdown of assets and liabilities

BRITISH BANKS IN SPAIN

British lenders in Spain include:

- Abbey
- Barclays
- Banco Halifax Hispania
- Leeds and Holbeck Building Society
- Newcastle Building Society
- Norwich and Peterborough Building Society
- Royal Bank of Scotland International

But - unless you're in a very rural area - you should find most managers and staff of Spanish banks speak English nowadays.

One popular option for people in their 50s or above, especially with the current bargain prices of property in Spain, is to divert pension payments into property rather than investing in stock markets.

You could well find it worthwhile discussing your affairs with an independent financial advisor to see if a simple restructuring of assets is advisable:

<http://www.top-tour-of-spain.com/financial-services-in-spain.html>

However, don't get carried away with any schemes and always proceed with extreme caution!

COMPLETION

The final document is the *escritura de compraventa*, which must be signed by you and the seller in the presence of a Spanish *notario*. You can make a *poder* - power of attorney - allowing another person to sign for you.

The *notario* - public notary - is an official of the State, **not a private lawyer**. It is his duty to ensure the sale of the property is officially noted and registered. **You cannot instruct him to act on your behalf** as you could a lawyer or *gestor*, although he can advise.

Normally, you will hand over payment to the seller - possibly a banker's draft - whilst the vendor will give you the keys to the property.

It 's the buyer's responsibility to ensure all documentation is correctly registered in the Property Registry - turning the *escritura de compraventa* into an *escritura pública*.

The notary - or your lawyer - will automatically pass the deeds onto the Property Registry for inscription. This process takes about two months.

Whoever handles the matter will ask you for a deposit of money in advance to cover the estimated taxes and fees, and will either bill you for the remainder or refund to you the overpayment when the deed is registered.

You are now the proud owner of a property in Spain!

FREE ADVERTISING

Would you like a FREE web page, promoting your property for sale, or property for rent in Spain?... No strings attached?

Then check out the following pages:

<http://www.top-tour-of-spain.com/sell-spanish-property.html>

<http://www.top-tour-of-spain.com/rent-spanish-property.html>

And, any of you planning to buy a property in Spain will surely benefit from buying or renting direct from the owner - so, if this applies to you, you should also regularly visit those pages!

Wishing you every enjoyment of your dream home in Spain!

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