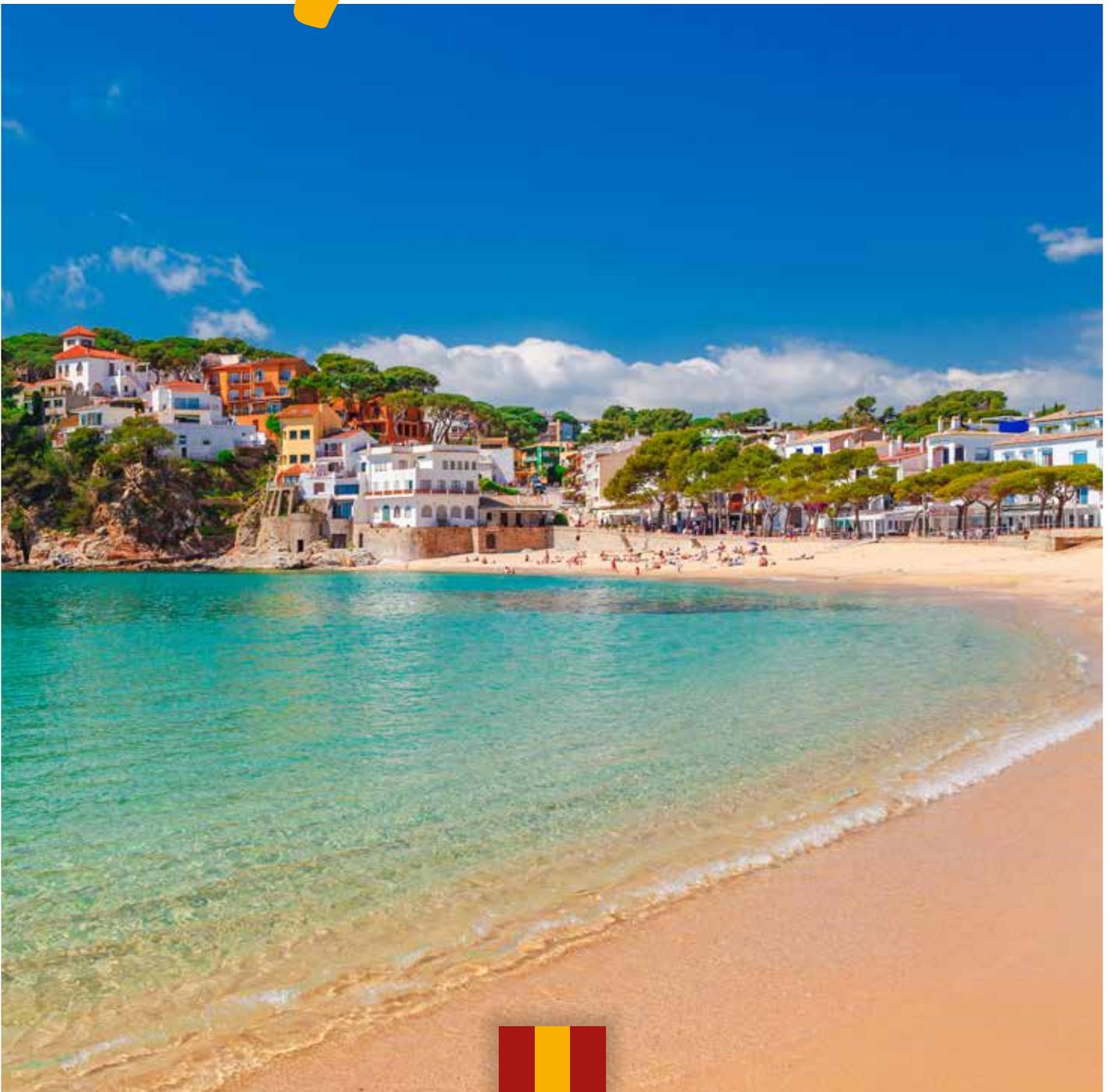




THE ALLIANCE OF INTERNATIONAL PROPERTY OWNERS'
GUIDE TO PROPERTY BUYING IN

Spain



YOUR GUIDE TO PROPERTY BUYING IN SPAIN

Guide to Buying Property in Spain in Association with AIPP

Buying a property overseas is a big decision which involves several steps and, of course, some thorough research. AIPO asked supporting partner and independent overseas property experts, AIPP (Association of International Property Professionals) to bring you answers to the most asked questions – and to share their top tips about buying a home abroad.



CONTENTS

3. WHERE DO I START?
4. WHERE IN SPAIN SHOULD I BUY?
6. WHAT TYPE OF SPANISH PROPERTY IS AVAILABLE – AND AT WHAT COST?
8. HOW CAN I FINANCE A HOME IN SPAIN?
9. WHAT OTHER COSTS ARE INVOLVED?
10. WHO DO I NEED TO HELP ME WITH MY PURCHASE?
11. WHAT CAN I EXPECT FROM THE LEGAL PROCESS?
12. WHAT POTENTIAL PITFALLS SHOULD I BE WARY OF?
13. IS THERE ANYTHING ELSE I SHOULD CONSIDER?
14. BECOME A FOUNDER MEMBER OF THE ALLIANCE OF INTERNATIONAL PROPERTY OWNERS

Who is AIPP?

AIPP (Association of International Property Professionals) is the trade association offering voluntary regulation of the international property industry, focused on the UK buyer. AIPP members adhere to a strict code of conduct in how they treat customers and are bound by **The Property Ombudsman**. AIPP offers all UK buyers & owners of a foreign property free legal advice from their Legal Working Group. **Search for an AIPP member here.**



WHERE DO I START?

When it comes to buying property abroad, Spain is a well-trodden path for Brits. We account for the biggest proportion of foreign buyers in the country, with more than 750,000 of us now calling it home.

The reason for Spain's widespread appeal is easy to see. Cheap flights, great airport access and plenty of sunshine make it a good choice for a weekend bolthole as well as the ideal place to retire.

But while there's no shortage of information – both on and offline – offering insights into the expat life in Spain, how do you start the process of actually purchasing your home there? A good place to start is with these key three questions:

1. What are you primarily buying this property for?

Is it a holiday home, a financial investment, or somewhere to eventually retire to?

2. What do you see yourself doing while there?

This might be spending relaxing time with your partner, hosting family and friends, indulging in sport and leisure or working.

3. Which of these are most important to you?

Is it budget, location, type of property or facilities?

Once you have these answers you'll be clearer about what you are looking for and can move onto specifics.



AIPP's Top 5 tips for buying in Spain

1. Do your homework thoroughly
2. Get an independent lawyer
3. Use a reputable foreign exchange company
4. Stay in regular contact with your team
5. Have a plan for future eventualities



WHERE IN SPAIN SHOULD I BUY?

If good weather and simplicity are high up on your priority list, the **Costa Blanca**, which is south of **Valencia** on the east coast of Spain, is expat-friendly and has a climate judged by the World Health Organisation to be the healthiest in the world.

Head slightly north up the coast from there and you'll find the towns of **Dénia** and **Jávea**, both of which are good alternatives for the same criteria. Or if you're after a more authentic Spanish lifestyle, head slightly inland to the **Jalon Valley**.

If you travel south from **Costa Blanca**, the landscape becomes more arid. But the **Costa Calida** and **Murcia**, both rich in history, have seen huge amounts of development due to the much-anticipated new Paramount theme park. The project has been beset with problems and the resulting oversupply of property means there are plenty of bargains to be had. Look at the coastal towns of **San Pedro Del Pinatar**, **Mar de Cristal** and **Santiago de la Ribera** which hosts an international Jazz festival. Or head inland to the picturesque **Ricote Valley**.

Continue down to the southern coast of Spain and you hit the classic British buying destination of **Andalusia** and the **Costa del Sol**. Resorts like **Nerja**, **Marbella** and **Estepona** are energetic, vibrant and offer great facilities. But if you prefer a more traditional environment just a few miles inland are the grand old cities of **Granada**, **Seville** and **Cádiz** with plenty of rural villages to explore in the surrounding countryside.

Keep heading west along the coastline and you'll meet the lesser known **Costa de la Luz** – a perfect spot for those who enjoy surfing, horse-riding and a generally more 'undiscovered' feel. Check out **Tarifa**, **Bolonia** and **Zahora** for unspoilt beaches and views of Africa.



WHERE IN SPAIN SHOULD I BUY?

Travel inland to the region of **Extremadura** and both the climate and landscape changes dramatically taking on a very 'foreign' feel. Peaceful, rural villages set in an area the size of Switzerland are dotted with huge lakes and mountains. **Zafra** is a charming old Roman town and **Tajo-Salor** contains a world heritage site.

In the north of Spain at the **Costa Verde** the weather becomes much wetter which is why it's known as 'Green Spain'. **Costa Verde** stretches from the Portuguese border all the way west across to (and along) the French border. This part of Spain is much less touristy than its other coasts. And if that's what you're after, **Lugo** in **Galicia** and **Llanes** in **Asturias** are worth looking at, where you will find authentic townhouses with stunning views.

Moving round to the north east, the most well-known city is **Barcelona** and the most famous coast, the **Costa Brava**. Resorts here including **Blane**, **Lloret** and **Tossa de Mar**, offer good property choices and, although historically the area has had a 'cheap package holiday' reputation, it has made a concerted effort to edge upmarket in recent years. **Sitges** is its most famous 'trendy' resort – but has prices to match.

This leaves us with the islands of Spain. **The Canaries**, which are warm all-year-round, each offer something a little different. **Gran Canaria** is sandy and quieter than its volcanic and vibrant neighbour **Tenerife** while, with no direct flights, **La Gomera** is quieter still. However it still has a sound infrastructure. The Spanish islands all have a year-long holiday vibe making them a good opportunity for rental.



Mallorca

The three main **Balearic Islands** each have different personalities. Quiet, easy going **Menorca** is popular with families and less expensive than its neighbours. The Spanish Royal family holiday in **Mallorca** and classy resorts sit alongside the madness of the infamous **Magaluf**. **Ibiza** has inherited a cult status as the 'party that never stops' but often less celebrated attractions include hidden coves and pine-covered hills. Property is widely available at a range of prices.



Costa Brava



WHAT TYPE OF SPANISH PROPERTY IS AVAILABLE – AND AT WHAT COST?

Buying property in Spain presents an opportunity to invest in totally different home styles to the ones we are used to in the UK, ranging from lock-up-and-leave holiday **apartments** to **farmhouses** set in acres of olive groves.

Coastal apartments

The majority of British buyers in Spain choose coastal **apartments** usually purpose-built for the holiday market. The advantages of an apartment are many, from shared maintenance costs, communal facilities (swimming pools, tennis courts, gardens for example) to 24-hour security and highly convenient amenities.

For rental purposes, **apartments** are ideal and can be shut up for long periods if necessary. The downsides are mainly 'other people' – namely crowds during the holiday seasons and close proximity to neighbours.

Prices vary enormously depending on popularity of resort, whether you are front-line (golf or beach) and quality and size. A luxury, terraced, marble-floored property with views in Marbella will set you back €1m plus, for example. But a few miles down the coast in a side street, you can pick up apartments for less than €300,000.



Villas and townhouses

Villas, which can be found in complexes and dotted among residential areas, are another popular choice on the Costas. There is a wide range available, with older villas tending to be single storey.

If you are looking at **villas** built around the 1960s, bear in mind that many have been rented for years and may need extensive work. Coupled with the fact that some Spanish construction practices left a lot to be desired back then, getting a comprehensive survey done becomes especially important.

Newer **villas** are usually far better in quality and larger as they utilise terraces and balconies. Again they will range in price depending on size, age and location but you should expect to pay approximately €200,000 for a two-bedroom **villa** in Javea (Valencia) and upwards of €2m+ for a five-bedroom **villa** in Ibiza.

Townhouses are a great alternative to **villas** or **apartments**. Often they are built in a mock Spanish village style ('**pueblo Mediterráneo**') and terraced with landscaped gardens. You'll still have neighbours to contend with but fewer dwellings usually mean a smaller community. A three-bedroom **townhouse** in Calahonda, Costa del Sol will set you back around €250,000.



WHAT TYPE OF SPANISH PROPERTY IS AVAILABLE – AND AT WHAT COST?

A home in an urbanisation

An incredibly popular development style amongst foreign buyers in Spain is an **urbanisation**. Unappealing as these may sound urbanisations are popular for a reason.

Usually built on the outskirts of towns they often comprise a mix of **apartments**, **townhouses** and **villas** and range from very small, to mini towns that have their own shops, restaurants and leisure complexes.

Normally populated by people of the same nationality, **urbanisations** cater for many different price ranges and offer a low risk of buying 'illegal' property. Prices range from €85,000 for a **studio flat** in La Manga Country Club, Murcia, up to €5m for a four-bedroom **villa** in the same urbanisation.



Country homes (fincas)

For many Brits, the place of their dreams in Spain will be out in the 'campo' or countryside. And whether it's a cowshed or large country house, the general term applied to a property in the country is a **finca**.

However, normally attached to large plots of land, buying a **finca** is not for the faint-hearted. Problems over planning and ownership continue to surface and the majority of **fincas** require some level of renovation, while utilities and amenities can be poor to non-existent.

That said, a good lawyer should highlight any potential buying issues and you'll be rewarded with all the tranquillity you could hope for and the incredible warmth of the local Spanish people.

In terms of price, upper and lower limits range vastly. But as a guide, a five-bedroom **country house** in Zafrá with approximately 10,000 square meters will cost in the region of €175,000.

Villages and the more mountainous regions also offer opportunities in the way of traditional **stone houses** and **farmhouses** or **masias**. These are often already renovated with original features – the **iconic 'white washed' houses** are great favourites amongst British buyers. A two-bedroom stone house in **Mijas** near **Malaga** can be snapped up for around €120,000.



HOW CAN I FINANCE A HOME IN SPAIN?



If you have cash to buy your Spanish home outright, move right on to our section on currency exchange.

If not, you will need to consider your borrowing options. It's important to note that very few banks will offer a UK based mortgage product for a home that sits on foreign soil. All of the main UK high street banks have an international service but you'll need to check which countries they operate in. While the mortgage may be set up in the UK you would be dealing with the foreign branch of the bank once it is arranged. Many Brits use local Spanish banks which are accustomed to foreign buyers and more than happy to deal with them. An overseas mortgage broker can help you search for the best deals from Spanish banks.

Mortgage terms in Spain typically span between 15 and 30 years depending on your age, against a maximum loan of around 70% of the property value. Although lending in Spain is more stringent since the recession, if you present a sound credit history and solid proof of ability to repay the loan it should be a relatively simple process.

It's worth noting that practically all Spanish loans are repayment only. An 'interest only' loan is rare and usually attached to the sale of the bank's own repossessed property to make it more appealing.

Get the most for your money

- When moving large amounts of cash a small difference in rate can equal a huge loss or saving – a 1% change when exchanging £500,000 can mean £5,000 either way!
- FX (Foreign Exchange): Banks generally offer poorer rates than specialist FX providers
- Fix your rate with an FX company so you know exactly what your money is worth
- Find out what your money is worth today with our currency partner
Clear Currency

Most well-known Spanish banks employ multilingual staff but if you prefer not to negotiate direct, consider using an English-speaking overseas broker to seek out the best deal on your behalf.

Bear in mind also that it is good practice to borrow in the same currency you will repay the loan in. This avoids currency fluctuations moving against you. For example, if you are paying your mortgage with a UK salary, borrow in sterling. If you are funding your purchase through renting your Spanish home out, borrow in euros.



WHAT OTHER COSTS ARE INVOLVED?



Additional charges vary according to whether you are buying a new-build or resale property – as well as on the complexity of the purchase process. But, as a general rule of thumb, allow for between 12% and 14% on top of the final purchase price. Here are the buying costs to expect in more detail:

Tax

→ **IVA** for new build property (or VAT) of 10% which is a national tax so the same regardless of location plus Stamp Duty

OR

→ **ITP** for resale property (transfer tax) which can vary depending on region but will be approx. 7/8% – Stamp Duty is included in the tax

- Property/land registration fees
- Notary Public Charges
- Legal fees – particularly if using an independent lawyer
- Bank charges (for setting up deposit/loan/mortgage)
- Structural survey (optional)

Free legal advice

The **AIPP Legal Working Group** is an AIPP initiative designed to protect British Buyers of foreign property. It provides a free legal roadmap of what to expect and points out common pitfalls to avoid.

What you'll get:

- A free Legal Guide Download
- Free access to legal members of AIPP
- Free one-to-one advice and information
- [Click here](#) to visit



WHO DO I NEED TO HELP ME WITH MY PURCHASE?

An independent lawyer: Due to our conveyancing process in the UK, using a solicitor is the norm. But this is not always the case in Spain, so the first appointment that's highly recommended is a **good independent lawyer**.

To make sure they will only work only for you protecting your interests, you should be 100% sure they have no connection with the agent or developer. So, even if your agent recommends a 'brilliant' lawyer to you who 'they always work with' be wary as they might have a financial relationship.

You can protect yourself by engaging with your own **lawyer** first. Check the AIPP website where you'll find a list of **English-speaking specialist property lawyers** based either in Spain or the UK.

An agent: In Spain, you'll need an **agent** to buy (not just sell) a property. Often you'll find one at a property exhibition or online but make sure you do some thorough research. For example, is the **agent** a member of a trade association such as the AIPP with recourse to a property ombudsman and financial compensation?

Notary: The job of a **notary** or **notario (a public official)** is to ensure legal affairs are conducted properly and the correct taxes are paid. **Notaries** should not be confused with **lawyers** – they do not act for either the vendor or the buyer – and are usually local to the area you are purchasing in. A recommendation to a **notary** by your agent or your vendor will suffice, although you are still free to choose.

Specialist Foreign Exchange Service: You may need to buy your **foreign currency** to complete on the property and it is important to select a company that can provide an alternative to your bank. An FCA regulated currency specialist can guide you through the process delivering safe, fast and expert transfer of funds saving you time and money.

Removals: Finally, if you are taking your possessions with you, the move itself may require a removal firm. As with the UK, it is wise to choose an insured company which are members of an association. Specialist overseas removal experts will lead you through the process and advise you on storage, sea transit and regulations you may be unaware of when transferring your goods to Spain.

Selling up your Spanish property? Things to consider!

1. Non-residents in Spain pay capital gains tax on the difference between the sale and the acquisition value of the property – calculate this before you decide on selling price
2. If you are non-resident the notary withholds 3% of the sales price for any tax liabilities you have outstanding – make provision for this if you are using the money for another purchase
3. Be realistic about price – you could be in competition with distress sales and repossessions
4. Estate agent commission is much higher in Spain than the UK – typically between 5% and 8%. The agent may or may not add this fee onto the final sales price, so make sure you know where you stand
5. Consider including all furniture and appliances in the sale – it makes the property more attractive and saves you the cost of removal and storage.



WHAT CAN I EXPECT FROM THE LEGAL PROCESS?

There are significant legal differences when buying a property in Spain compared to the UK. Here is a seven-step plan of what to expect:

Step One: Once your offer has been accepted you will be asked to sign some form of **'reservation' agreement** or **documento de reserva** by your agent and pay a holding deposit to the vendor (via their lawyer) of between €5,000 and €10,000. This ensures the property is taken off the market – usually for a period of 15 to 30 days. When paying the deposit ensure you are speaking to your currency specialist about the exchange rate - the exchange rate is constantly moving thus although the contract may be fixed in Euros the price you pay in Sterling isn't - this could cause problems further down the track.

Step Two: Your lawyer will complete necessary searches and steps to ensure the property does indeed belong to the vendor. Also that it carries no sale restrictions or debts and has relevant planning permissions. If legal issues arise at this stage, you will be entitled to back out of the purchase and your deposit will be returned. Note: this will NOT be possible if you have signed a **'preliminary sales contract'** instead of signing a **'reservation agreement'** as some agents get you to do!

Step Three: Having established there are no outstanding debts against the property, your lawyer will provide you with a **nota simple** which is a short legal report of the property. You will also need to start the process of obtaining an **NIE Number (número de identificación de extranjero)** and registering with the Spanish tax authorities.

Note: It's essential to have an NIE Number for buying property, obtaining mortgages, opening a bank account and getting utilities connected. Most people apply in person at a local immigration or tax office but it can also be obtained via a Spanish embassy or consulate.



Step Four: At some point within the 15 to 30 days set out on the reservation agreement, your lawyer will present you with the **preliminary sales contract** or **contrato privado de compraventa** for signing. This agrees the full property description and price and is also signed by the vendor – there is no notary at this stage. Your lawyer will also arrange for a payment of 10% of the purchase price to be transferred. The date for completion is now set.

Step Five: On the appointed day, all parties (including your lawyer) present themselves to the **notary's office** for the signing of the **title deed** or **escritura**. If you can't get there in person on completion day, you can give your lawyer temporary power of attorney to sign on your behalf.

The final payment is transferred and the keys of the property handed over to you. You will also be given a copy of the escritura known as the **copia simple**. If you have a mortgage the bank keeps the original copy until the loan is cleared.

Step Six: You now need to make arrangements to settle all your payments with your lawyer. Make sure you ask for an itemised receipt and keep all documents and guarantees.

Step Seven: The final step is the registration of the property rights at the Land Registry which can be carried out directly by you, the notary or your lawyer. This process can take up to three months and ensures the correct person (i.e., you) is paying tax on the property and nobody aside from you has a legal right to sell it.



WHAT POTENTIAL PITFALLS SHOULD I BE WARY OF?

So long as you use an independent lawyer, with any luck, your home-buying process in Spain will run smoothly. However, it's worth reading these common pitfalls to make sure you have time to steer well clear of them:

1. Failing to calculate the exchange rate correctly when working out the final purchase price

Currency prices fluctuate all the time. While this might be manageable when buying your holiday money, when the final price of your home varies significantly from the time you made your offer it can prove a big problem. We recommend fixing your rate via a specialist foreign exchange company.

2. Failing to get your NIE number sorted quickly enough

As we've mentioned, you literally cannot do anything without an NIE number and if you need to move quickly on something, not having one could cost you precious time. We suggest arranging one as soon as you possibly can.

3. Falling into the 'under-declared' valuation trap

As all taxes are calculated on the property value, it's been quite common practice in Spain to declare this amount as being much less than the actual price paid – and this is something that can still happen. However, these days authorities have cottoned on and there are steep penalties for gross-undervaluation. If you get a crazy bargain it may actually be more in your interest to declare the valuation figure rather than the price paid!

4. Being inflexible on the completion date

Although the completion date will be agreed when the preliminary sales contract is signed, it is a guide only and not always adhered to. Don't plan your move until further down the line.



IS THERE ANYTHING ELSE I SHOULD CONSIDER?

Once you've completed on your property in Spain, the costs don't stop. Make sure you factor in the cost of living and running costs for your home going forward, to avoid any nasty surprises. Consider the following:

 **Tax Provision** – ensure you understand your tax liabilities and have in place adequate means to cover them. You will have to pay their version of income tax, municipal property tax and possibly wealth or patrimonio tax (which seems to stop and start in Spain over the last few years). Take advice from your lawyer.

 **Healthcare** – depending upon your residential status, you may wish to purchase additional private health insurance. Spain's system may not adequately cover what you need.

 **Fix your finances** - Being able to forecast your living expenses, especially in the 'honeymoon period' immediately following your purchase can be difficult! Once your costs are easier to predict, you can also look to exchange your monthly budgets with a Specialist Foreign Exchange Service via a fixed contract to avoid any irregularities owing to market movements.

 **Planning for the unexpected** – Circumstances change sometimes in ways which we simply can't foresee. Are you able to get back to the UK if you are needed urgently? Or could you cope if you were left on your own? It's imperative to see beyond the initial property purchase and have a plan for sudden and future eventualities.

 **Home Insurance** – consider how you will use your home in Spain (for example, sole occupancy or rental) and get adequate home cover. Properties left unoccupied for long periods need special insurance.

Follow these steps and you should soon be enjoying your new life in Spain.

Buena suerte!



BECOME A FOUNDER MEMBER OF THE ALLIANCE OF INTERNATIONAL PROPERTY OWNERS

As part of your Alliance membership you will receive a monthly email newsletter, tailored to your interests
Alliance members benefit from support in the 4 key areas:



Knowledge & Support

Free guides, advice & legal support



Savings & Offers

Lower your cost of ownership



Representation

Put your views to governments



Community

Your hub for sharing information

Check out all the membership benefits of joining AIPO at www.aipo.org.uk, including the terms & conditions and our data privacy & protection.

Simply print this page, fill it in and return it to:

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The Chandlery,
50 Westminster Bridge Road,
London, SE1 7QY

Email: info@aipo.org.uk

Web: www.aipo.org.uk

