

Looking for a home in Spain?

This guide has been prepared by Future Homes and is intended to give you an idea of the procedure for buying property in Spain. We advise you to employ a reputable, local lawyer (most of them speak excellent English) to represent you. Should you require guidance in appointing a lawyer, we would be happy to recommend several excellent professionals that we deal with on a regular basis.

VIEWING PROPERTIES WITH FUTURE HOMES

We take great care when property matching for our clients, we do not simply show as many listings as possible and “hope for the best”, this is a waste of time for all parties involved. We listen to our clients and prefer to show just one or two properties that are correctly matched to their needs. When possible, we like to arrange a meeting in our office in order to discuss search criteria, explain the purchase process and answer any questions over a cup of coffee! During viewings our clients are accompanied either by Victoria, Lidia or Alicia and will know exactly what they are going to see beforehand. We aim to make the viewing experience as enjoyable and as stress-free as possible, it is simply a matter of communication and organisation.

THE NEXT STEP

Once you have found a property, agreed a price with the vendor and all of the necessary searches have been made, we will work with your lawyer to prepare a private contract for you to sign together with the vendors which will expressly state the following:

1. Property registry details
2. Property address and description as stated on title deeds
3. The purchase price you have agreed
4. The payment terms you have agreed
5. Limit completion date
6. That the property will be sold totally free of all charges
7. Any other agreed terms (e.g.. Furniture)

You will be expected to pay a deposit to the vendors upon signing this private contract (normally 10% of the agreed price). Your lawyer can advise you on the best way to pay this deposit and save bank fees.

Once your completion date arrives, you will have to make sure funds are available in Spain (either by opening a Spanish bank account and transferring funds to your account or to your lawyer's client account) and you will go with your lawyer to the public notary's office to sign for the property you are buying. A member of the Future Homes team will always be present at the completion. The public notary will require proof of up to date payments of annual rates (called IBI) and community rates if these apply.

Power of attorney - whilst this is quite uncommon in the UK, in Spain it is normal for clients to give their lawyers power of attorney to act on their behalf in the purchase procedure, in which case your lawyer can sign contracts, mortgages, documents and deeds on your behalf with your prior written authorisation. It is possible to state the address and purchase price of the property in question if you like so that your lawyer can only act in that particular purchase. This power of attorney can be prepared in the UK or any other country and sent to Spain, with a cost of around 400 pounds sterling from the UK or it can be applied for whilst you are in Spain in the local notary office costing about 60 euros, when possible the latter is easier, quicker and clearly cheaper.

AFTER THE PURCHASE

It takes approximately one month for the property to be fully registered at the public land registry and your lawyer will then present you with your title deeds. He/she in the meantime will make sure that all utility bills (electricity, gas, telephone, rates, community fees) are redirected to you normally via direct debit from your Spanish bank account, with the help of the Future Homes team.

There are two types of properties you can purchase in Spain: Second hand (resale) or new / off plan. The purchase costs do vary.

PURCHASE COSTS OF SECOND HAND PROPERTY

- 8% Purchase tax (for properties up to 400.000€), 9% between 400,001 € up to 700.000€, and 10% for properties over 700,000€ (example: purchase price 740,000€, it would be 8% tax on 400,000€ and 9% tax on 340,000€)
- Usually 1% lawyer fee (plus 21% VAT)
- Notary and registry fees (around 1.5%)

NEW AND OFF PLAN PROPERTY

The main difference is that you won't usually be able to go into the property if it is under construction, you will only see the layout plans and the location and of course the specifications that come with it (e.g.. Marble floors etc). You will be expected to place a holding deposit down on the property (usually between 3.000 and 6.000 euros) which will take it off the market for you for about 4 weeks when you will be expected to pay between 20 and 30% of the purchase price (plus 10% VAT). Each development is different, but it is usual to be asked for 30% at the signing of the private contract and 70% on completion. Purchase costs for new / off plan properties:

- 1% lawyers fees (plus 21% VAT)
- 10% VAT on total price of the property
- Stamp duty (which is 1.5%)
- Notary and registry fees (approx. 1.5% of purchase price)

SPANISH MORTGAGES

As a non resident, a Spanish bank will usually lend you up to 60% of their valuation of the property in question. They generally put an age limit of 70 years (so if you are 40, they will lend you over a maximum period of 30 years). Residents of Spain can generally get a little more up to 80% of loan to value. There are however costs involved:

- Valuation fee if 2nd hand property approx. 300€ to 500€
- Set up fee around 1% of mortgage granted.
- Notary and registry (around 1.5% of loan)

The banks will request certain documents (e.g a copy of your passport, wage slips, P60, reference from your banks in UK, etc).

If you are a Resident in Spain, under 35 and buying your main residence, there are certain reductions on purchase tax that you can benefit from.

WHAT IS A NIE NUMBER AND DO I NEED ONE?

It is a fiscal identification number given to you, and applied for at the national police station by your lawyer or by you in person, before you purchase your property. Yes you do need one. It is mandatory. Alternatively, if you want your lawyer to apply for it on your behalf, you must give them a power of attorney. It costs 16€ in tax and lawyers charge around 100€ per NIE number.

Finally, we welcome any questions or further clarification of the above points.

Thank you for reading,

The Future Homes Team