



Buying A Property in Spain

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It is easy to see why many Brits buy a property in Spain.

The country has lots of sunshine and beaches, good food and wine, a slower pace of life, lower living costs, strong expat communities and affordable property.

Spain is the most popular retirement destination for Brits as well as being the No1 location for Brits buying a property abroad.

There are approximately 750,000 British people officially living in Spain and it's estimated around 600,000 Brits own a home there.

While Spanish property prices were hit hard by the financial crisis, the market has begun to recover over the last three years. Foreign buyers have returned in large numbers led by the British, French and Germans. While Spanish house prices have begun to rise, they are still well below peak values, whereas in countries like the UK they have hit record levels. It's good news for those looking for a bargain.

In this guide, we will take a look at what Spain has to offer, some of the things you need to consider before buying a place, and how to find your dream property.

Top 5 things to love about Spain

1 Sunny climate

Spain is known for its excellent climate and is officially the sunniest country in Europe. Out of the 365 days in a year, Spain receives over 300 days of sunshine. I like them odds.

2 Postcard beaches

Spain's beaches are some of the best and most beautiful in the world. You are spoilt for choice... Costa del Sol, Costa Brava, Costa Blanca and don't forget the islands – Ibiza, Majorca and the Canaries.

3 Lower living costs

Your money goes further in Spain. Accommodation, groceries, eating out and transport costs are substantially cheaper. Some things such as clothes, shoes and utilities can cost more, but overall, your costs should be around 15-20% less than the UK.

4 Regional diversity

There's so much more to Spain than just its beaches. You have the amazing architecture of Madrid and Barcelona, the Rioja wine region, the mighty Pyrenees mountains, the white towns of Andalusia and hundreds of medieval villages... the list goes on.

5 Quality of life

Quality of life is very important in Spain. The country scores highly for work-life balance, good healthcare, low crime, strong sense of community and hey, it's sunny most of the time.

10 Quirky Facts About Spain

Fact 1: Spain has the 2nd highest number of bars per inhabitants in the world (beaten only by Cyprus). Sangria anyone?

Fact 2: Spain derives its name from the Carthaginians of the 6th century BC, who gave the land the romantic name of Spania, or "land of rabbits."

Fact 3: There is no tooth fairy in Spain! Instead, the Spanish have a tooth mouse called 'Ratoncito Perez' (Perez the mouse) who exchanges children's teeth for gifts.

Fact 4: SEAT is the only Spanish car brand. Sure, the German VW Group bought it in the 1980s, but it's still headquartered in Barcelona and its Martorell factory in Spain makes all the SEAT cars plus the Audi Q3.

Fact 5: Spain produces 45% of all olive oil in the world. And it's not just for exporting – the average Spaniard consumes nearly 14 litres of olive oil each year.

Fact 6: With 410 million native speakers, Spanish has overtaken English as the world's 2nd most popular language in the world. *Comprende amigo?*

Fact 7: Traditionally, you have two surnames in Spain – the first surname from your father, and the second from your mother.

Fact 8: Most Spaniards have two religions: Catholic and football. Today around 70% of the population is Catholic, however it used to be 98%. Football is still compulsory.

Fact 9: Spain is the number one country for organ donation in the world.

Fact 10: Like the United Kingdom, Spain is also a constitutional monarchy. Officially, it is called the Kingdom of Spain. Only 2 years ago, King Juan Carlos I abdicated the throne to his son Felipe IV.

Where to buy in Spain?

Choosing your ideal location within Spain will depend upon a number of personal factors such as your budget, what your priorities are and whether you want to live among an expat community.

It's worth stepping back for a moment and asking yourself a few basic questions. Ultimately this will save you time and money and take you a step closer to finding the right property for you.



Location checklist:

1. Why do you want to buy in Spain?

Somewhere to retire, go on holidays, have family stay, investment returns?

2. What kind of property should you go for?

Coastal apartment, family villa or rustic farmhouse?

3. How close do you want to be to the sea, an airport, a city or an expat community?

4. What amenities are most important to you?

Cafes, restaurants, bars, supermarket, doctor, hospital, parks, public transport?

5. Does your partner want the same thing as you?

6. What is your budget?

7. Will you re-mortgage in the UK or get a foreign currency mortgage?

8. Will you rent out your property some of the year to help pay the bills?

Popular spots

Once you have a reasonably good idea of what you're looking for, you can get on with the fun part – finding the property of your dreams.

The Brits and other foreign buyers are particularly active in markets along the Mediterranean, the Balearic and Canary Islands.

Here's a brief snapshot of the most popular regions:

Costa del Sol – its string of beaches run for miles, good for shopping and nightlife, can get away with not learning Spanish

Costa Blanca – less touristy than Costa del Sol and has warm Med waters, property more affordable too

Costa Brava – still has quiet, unspoilt beaches, has a more traditional feel, near Barcelona and the French border

Canary Islands – best all year-round climate, pristine beaches, less commercialised, a long way from the mainland

Balearic Islands – natural beauty surrounds tourist hotspots, it's cool sea breezes make the summer more pleasant, generally more expensive than other regions

Where foreign buyers bought in 2015

1. **Alicante (Costa Blanca)**
2. **Balearic Islands (Majorca, Ibiza, Minorca)**
3. **Malaga (Costa del Sol)**
4. **Tenerife (Canary Islands)**
5. **Girona (Costa Brava)**

If you're looking for a good place to start your search, then hop onto the internet. They have over 80,000 properties in Spain listed for sale. You can then drill down on price, type of property, number of bedrooms, region, village etc.

If you want to get serious, there's no substitute for hopping on a plane and going to see a few places. You can't get a feel for an area on the internet.

And dare I say, meet a few estate agents. While agents are in the game of selling you properties, they are still worth talking to. Some are better than others and can offer useful insights on the local market.

Expats are another good source of advice. You can always head to an Irish bar or a café to meet some expats. People like to feel knowledgeable, so don't be afraid to ask questions. You'll make their day.



Brexit & Spanish Property

While Brexit is a fact of life, there has been no immediate change to your rights as a UK citizen.

Britain remains a member of the EU and therefore as a UK citizen, you can do all the same things as before; live or work in Spain, travel back and forth to the UK, access Spanish healthcare and buy a property.

Brexit negotiations are likely to drag on for over two years. In the meantime, the Spanish prime minister, Mariano Rajoy, has already sought to reassure Britons living in Spain, saying that for now, they would retain the same rights.

While Brexit has brought uncertainties, in terms of property investment, it is our view that Spain will continue to be a popular destination for British buyers.

For a start, the sun still shines around 300 days a year in Spain. Brexit hasn't affected that. And getting to Spain from the UK is cheap, easy and quick with multiple daily flights from UK airports to Spanish airports taking a little over 2 hours.

And while Brexit has weakened the Pound, Spanish property remains good value both relative to the UK and measured against its peak. Even at today's exchange rate, Spanish property is still over 30% cheaper than it was when values peaked in 2007.

Another factor underpinning prices are the historically low mortgage rates. Looking at current mortgage tables, you can fix a rate for 20 years at between 2.5%-3%.

The Spanish government also has a long history of welcoming foreign buyers. The economy greatly benefits from overseas property investors, of which the British are the largest contingent.

In fact, in 2013 the Spanish government went as far as launching a 'Golden Visa' scheme which offers residency to foreigners who invest €500,000 or more in Spanish real estate. It means for those looking to spend that kind of money, Brexit can be easily by-passed. But even if your budget is below that, there's good reason to be optimistic.

And even citizens of non-EU countries can get a Resident Visa to Retire in Spain. It's a bit more hassle: you need a valid current passport, proof of adequate financial resources to live in Spain without working, a medical certificate from your doctor. Big deal.

The door is basically open to foreigners wishing to retire in Spain. The burden is even less on non-EU citizens wanting to own a second home and visit throughout the year. I doubt Brexit will require UK citizens to go down the visa route, but it's good to know Spain already welcomes foreigners.

It is worth bearing in mind that the Spanish government has a strong vested interest in keeping a close and open relationship with the UK following Brexit.

Non-EU members such as Norway, Iceland and Switzerland have already paved the way for the UK, having struck deals with the EU on things like reciprocal healthcare agreements. In our view, British citizens will end up with a deal that allows expats to live in Spain on more or less the same conditions as before once Brexit is complete. Overseas investment is too important to the economy.

Demand may be subdued in the short-term, but that may itself make it a good opportunity to buy. With fewer buyers around sellers might have to adjust their price expectations down.

The exchange rate is expected to remain volatile, but buyers can take steps to insulate themselves from currency risk. We strongly recommend that you speak to a dealer at Key Currency, who will take the time to understand your situation and ensure you get the best deal on your currency needs.

Top Tips for finding your dream home

- ✓ How close are shops, bars, restaurants, hospitals, the beach?
- ✓ Ensure there are good transport links to cities and airports
- ✓ What's the area like in winter? How cold? What's still open?
- ✓ Talk to locals. Get their perspective on living there.
- ✓ Check out the area for proposed new developments
- ✓ Don't try and do it all yourself - put together an expert team
- ✓ Get an independent survey done for peace of mind
- ✓ Don't forget the costs of buying and ongoing maintenance
- ✓ Beware currency swings



Buying your property

Once you've found a property you're interested in, it's time to check that there are no major problems, and to make it happen.

Broadly speaking, the process of buying a property is pretty similar to the UK. There is some form of legal title and typically the transaction takes place in two-stages.

The first stage is essentially like exchange, which is a commitment to buy the property, typically accompanied by a 10% deposit. The second stage is a completion or closing contract, which finalises the deal.

One of the main differences between many European countries, including Spain, and the UK is the use of the notary's.

A notary is a legally trained public official and acts on behalf of both the buyer and the seller. It is their job to ensure that property transactions are carried out correctly and that all taxes due relating to the sale of a property are paid to the government. While they can give you advice, a notary is not a replacement for your solicitor.

When you complete your property purchase you must sign the deeds before a notary, although it's possible to assign someone to sign for you if you can't be there in person.

One thing to be aware of is that taxes and fees can increase the price by around 10%-15%. If you're buying a new property, then it will be subject to VAT (called IVA) of 10%. If you're buying a second-hand property, it instead attracts ITP sales tax. This is a regional tax, so varies across Spain, but is typically between 6% and 10%. You also need to pay notary and land registration taxes of around 0.5% to 1.5%, again depending on region.

Putting together your expert team

You don't have to be a property expert to buy a place in Spain.

Just like buying a property in the UK, the hard work is largely done by the experts around you. It's important to have people on your side who can help you understand how everything operates.

Top of the list is appointing a good independent lawyer. It's the best protection you can give yourself against things going wrong.

Lawyers might make the process more complicated, but the work they do is vital. They're paid to spot the things you won't.

Bear in mind, there's a good chance you don't understand the Spanish language or the local law, so it's worth paying for someone that does both, and speaks good English too.

Before you hire someone, find out how much they charge. A lot of lawyers charge based on the value of the property, around 1% plus VAT, while others charge by the hour or a flat fee of around €1,000 to €2,500 plus VAT.

You should also get all contracts and relevant documentation translated by an independent translator. It helps to know what you're signing.

And don't forget a survey. One of the first things most people would do after deciding to buy a property in Britain is to get a survey done. Yet, surprisingly, people buying abroad often skip this step.

Without an independent survey, you run the risk of exposing problems like roof damage, blocked drains, insect infestation, damp, rot or subsidence. All of these could be costly to fix.

Four Common Property Pitfalls

Of the thousands of people who buy a property abroad every year, the vast majority have no major issues. However, problems arise when purchasers don't do their homework or try and cut corners.

Here's some of the common pitfalls to avoid.

1. Buying without an independent lawyer

Strangely a lot of people seem to think instructing a lawyer may not be necessary or that you should just use the seller's lawyer – even if you are told "everybody does it this way over here". It's impossible to act in the best interest of two parties who want different things.

Don't confuse a notary with a lawyer. A notary is required to buy a property in many European countries and in many respects, seems to be doing the same job as a lawyer. But a notary generally acts on behalf of both the buyer and seller.

You still need an independent lawyer who works solely in your interests.

Don't just go with the one recommended by the agent or developer. They are not independent as they want to sell you a property.

2. Leaving your brains at the airport

It's a salesmen's dream for a couple to fly into some place they've never been before and know little about, and before they know it, they've paid a big non-refundable deposit on a property.

Perhaps it's the heat, the wine and the scenery, but it's easy to get carried away when you're on holiday. Property stirs up our senses at the best of times.

To make sure you're thinking clearly, it's always best to wait until you get home before you make an offer or commit to buying anything.

It's a big decision, so take your time.

3. Underestimating ongoing costs

You want to enjoy your property abroad. However, ongoing costs are easy to underestimate.

If there's a shared pool, gardens or an attached golf course, they will come at a cost. Some communal properties also charge a management fee. There will also be local taxes, insurance and mortgage payments to consider.

Costs will vary depending on individual factors. Maintenance costs are typically lower on apartments than villas. And things are more likely to go wrong on older properties than new builds, but that depends on the quality of the builder!

Ongoing costs shouldn't put you off, they just need to be factored into your budgeting.

4. Buying properties unseen

We all love a bargain but if it sounds too good to be true...well, you know the rest.

Before you sign any contracts, make sure you personally inspect the property and have professionals check it over too.

Most properties, including new developments, are legitimate, but not all.

There are property scams where developers take deposits and then run to the hills.

If you're buying off-the-plan there may not be much to see. Buying off-the-plan can be tempting. Prices are normally cheaper than comparable properties already built because it carries greater risks.

It's possible that the development could be delayed or not finished at all. More commonly, buyers don't get exactly what they were expecting, or are dissatisfied with the quality of the build.

Don't make any payments to a developer or their associates without a bank guarantee.

It would also be a good idea for your independent lawyer to obtain financial references on the developer and understand your rights to cancel.

Currency and costs

At some point you will need to pay for your property in Euro's, whether that be paying a deposit or the full amount.

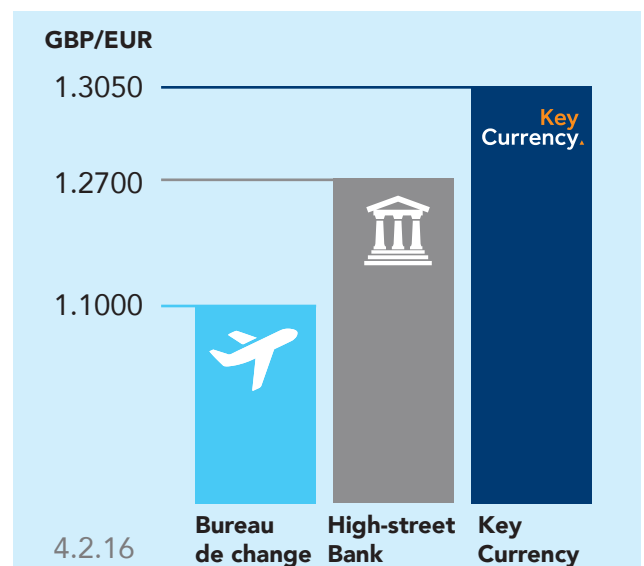
There can be large savings to be made by getting the right exchange rate on your purchase. Even small movements in the rate of exchange can have a major impact on the amount that you actually pay for your property.

If you are making a large transfer for a property purchase, getting a favourable rate could save you thousands, enough to pay for your first holiday to your new home or even stretch your budget into a higher price range.

Currency specialist, Key Currency, have a team of qualified dealers who can give you expert guidance, secure a favourable exchange rate for you and answer any questions you might have.

Bank-beating rates

Key Currency offers bank-beating rates, which means more money in your pocket. Rates are indicative as they depend on time of day, size of transaction and your bank's pricing matrix.



Fix a rate

Exchange rates fluctuate every day. This could dramatically affect the price of your property and even take it beyond your budget.

Key Currency can help you lock-in a rate to avoid currency swings. This can minimise your risk ...and your stress level.

You can lock in a rate for yourself up to a year in advance, allowing you to know exactly how much the property is going to cost you from the start and you won't suddenly face a bigger bill if currency markets move against you. This obviously helps with budgeting and planning.

Regular Payments

Even after you've made your purchase, you may still need to make regular payments such as salaries, pensions and monthly bills.

And if you are funding your purchase with a mortgage you need to consider what currency to make your repayments in.

Key Currency can remove the hassle and worry of making regular transfers.

There are a number of products that Key Currency can offer you.

- **Spot contracts** – easy 'on the spot' transfers if you want to receive your currency quickly and efficiently.
- **Forward contracts** – allows you to buy or sell your currency in the future, at a rate you fix today. Forward contracts can help protect against adverse currency movements and can be used to lock into favourable exchange rates.
- **Limit orders** – If there's a specific rate you want, the currency can be automatically bought when the rate hits your target level.

Why you shouldn't just use your bank

1. **It's not their area of expertise**
2. **Their exchange rates are uncompetitive**
3. **Banks charge transfer fees**
4. **They won't help you with timing**
5. **You are not their priority**

The next step

At Key Currency, we always encourage you to speak to us well in advance of buying a property abroad to ensure you understand the impact of fluctuating exchange rates and how we can help you achieve a favourable rate or manage your currency risk.

We hope you've found this guide useful and that you're in a better position to find your dream property in Spain. **Good luck!**



Get in touch

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This guide should not be considered investment advice. You should seek professional advice at every stage when buying abroad. Exchange rate movements could affect your budget.

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