



YOUR CONCISE GUIDE TO BUYING PROPERTY IN SPAIN

7 KEY STEPS TO ENSURE SUCCESS

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Introduction

This Guide is designed to help anyone planning to buy property in Spain. It has been compiled with the benefit of more than 30 years' direct, hands on experience of buying and selling property in southern Spain - both as private buyers and as professional, independent Real Estate Agents, helping would be buyers to find and purchase their own homes.

It is not a “do it yourself guide” as we don't advise making a major financial investment in a foreign country with a different language and different customs, without seeking appropriate professional and independent advice. The advice and recommendations contained in it have been distilled from our experiences, successes and failures over the years of meeting many thousands of potential buyers.

Not all of them were successful in their quest to find and buy their ideal property generally due to insufficient reasearch, planning and preparation! This guide is designed to increase your chances of success by following 7 Key Steps from start to finish of your buying process - and beyond.

Good luck!

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7 Key Steps To Ensure Success

Step 1 Why? Define your objectives.

Step 2 When? Establish your timetable.

Step 3 What? Define what type of property.

Step 4 How? Prepare your finances and budget.

Step 5 Where? Decide on the location.

Step 6 Agents? Choose the real estate agent/s to help.

Step 7 Lawyer? Instruct one to protect your interests.

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Step 1 Define Your Principal Objectives

Why are you buying your home in the sun?

Although this is obviously fundamental to your buying project, it always surprises us just how many wouldbe buyers we meet who really haven't thought this through and clarified their objectives before embarking on their search.

Is your property to be just for personal holiday use for yourselves for family and friends?

Or perhaps for parttime or possibly fulltime retirement at some later stage? Is the potential to rent out the property important? If so, would it just be to generate some extra income to cover the costs of ownership or is there a requirement for a higher rental return on your financial investment?

Answering these questions will help you and your real estate advisers to focus clearly on the type and location of property you should be considering. This will avoid much wasted time and energy ploughing through unsuitable properties which would not meet your defined objectives.

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Step 2

Decide On Your Buying Timetable

When do you want to get the keys and move in?

If your timetable is relatively short term to be in within 3 - 6 months - then you should only be considering Resale properties or New Build Properties in Developments which are either finished or about to be completed.

If your timetable is more medium term (6 months - 2 years) then you could consider getting in early to purchase at an advantageous preconstruction price in a New Development which is being built or awaiting the building licence to start construction.

If your timetable is more than 2 years away, then much is going to change. This Guide can still be of help to you in understanding the buying process and planning your project but there is little point in actively looking for properties at this stage.

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Step 3

Define The Property Type and Features

What type of property would fulfill your objectives?

Is the property to be for retirement purposes - now or later? If so, you will need it to have sufficient space and storage facilities for all your possessions. Most properties built for holiday use are not designed to incorporate much storage. Also, if you are planning to spend much of the year in your home, you will want to ensure there are also shady, cooler places to shelter from the sun on east facing terraces offering morning sunshine and a cooler evening ambiance.

Is it just for personal holiday use for family and friends? Is suitability for holiday rentals important? If so, then you should be looking for features which will satisfy most tourists' craving to be in the sun. South and west facing terraces offering daylong and evening sunshine are likely to be important requirements.

Views are likely to be important to you and will certainly be a bonus to attract holiday rental clients. Not every property can have sea views but open views over gardens and pool areas and countryside views are something to look for and should be included in your requirements.

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Step 4 Prepare Your Finances and Budget

How will you be financing your purchase and what buying expenses must you consider?

Cash buyer?

As a cash buyer your purchase expenses will be less and the buying process can normally be completed more quickly.

In addition to the agreed purchase price of the property you as the buyer will need to budget for the following expenses:

- Resale Properties: ITP (Property Transfer Tax) : 7% of property price.
- New Build Properties :IVA (VAT) - @ 10% on all properties
- Notary Fees: These will vary according to the price of the property but will normally be between 450€ - 900€
- Land Registry Fees: Again, variable but allow 50% of notary fees.
- Independent Lawyer's Fees : Allow 1% - 1.5% + IVA of property price.

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Step 4 Prepare Your Finances and Budget

As a rule of thumb guide as a cash buyer you should allow 10% - 11% buying expenses on top of the price of the property.

Buying with loan finance?

If you will be financing part of your purchase from loan finance provided by a Spanish bank, your buying expenses will be higher and the process is likely to take a few weeks longer allowing for loan appraisal and valuation.

Currently Spanish banks are generally lending to nonresident buyers on a 60% - 70% loan to value basis and interest rates are between 3% - 4% depending on the type and period of loan.

In addition to the Cash Buyers' expenses, you will need to allow for: Loan appraisal/valuation fees : Approx 350€
Mortgage fee/lender's commission : 1% - 1.5% of loan value.

As a rule of thumb guide, as a finance buyer, you should allow 13% - 15% buying expenses on top of the price of the property.

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Step 4

Prepare Your Finances and Budget

Whether you intend to obtain your finance in Spain or from a lender in your home country, it will be important to obtain a “pre-approval” for the level of finance you will require.

If you will be applying for a Spanish loan, your chosen real estate agent will be able to assist you with that at the initial stage of your search and introduce you to potential lenders. You should ensure you are well prepared with information on earnings and outgoings to facilitate a lender’s appraisal.

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Step 5 Decide On Your Preferred Location

Where would you like to have your home in the sun?

Having considered and answered the questions involved in Steps 1 - 4 you will be well placed to decide where you should be looking to buy. You may already have decided on a particular location - perhaps friends have already bought there - or perhaps you are already very familiar with your chosen area from past visits.

Your budget constraints will also affect where you will be able to buy the type of property you have decided on. The different regions of Spain are quite distinct in their appeal and pricing and a certain budget which would cover the purchase of an independent villa in one region would only cover the cost of a modest apartment in another.

Research into what your budget would get you is best done in advance using internet searches. These will identify various agents and promoters in each region and if you let them know your budget and requirements, they can advise you on what you can expect to buy in their particular areas. Then you can focus your intentions on a particular location and start to consider properties with a view to a visit to buy.

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Step 6 Select A Real Estate Agency/Agencies

Who are you going to use to help you find your ideal home?

Unless you have been through the exercise before or have friends who have done so and can recommend a good agent to you, you will be flying blind!

There are untold numbers of agents and promoters competing for your custom and your initial contact with any of them is likely to be via your internet searches, where they can all look much alike.

You should do some research on any that initially appeal before getting too involved! How long have they been in business selling properties like the type you hope to buy in your chosen location? Do they operate from established offices and have a successful track record of satisfied clients? Are they connected to any particular promotion or property development or are they unbiased, independent agents who can introduce you to a wide range of potentially suitable options for you to consider? How impressed are you with the way they respond to your initial enquiries? Do they really listen to your requirements?

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Step 6

Select A Real Estate Agency/Agencies

The best estate agents in most areas of Spain generally have access to virtually all the resale properties through inter agency networks with shared databases. They will also be registered with all the promoters and developers of new build projects underway in their areas.

So, by choosing just one or two good agents, you will have access to all the properties you would want to consider. This can be a great benefit to you in your quest by cutting out much duplicated effort. But beware! Many agents' websites or advertisements will invite you to "request more information" and to do that you will normally be directed to an enquiry form to complete with your contact details. By completing this form, you will effectively be registering yourself with that particular agent, promoter or developer and that will severely restrict another independent agent's ability to help you find your property.

So before actively searching and registering yourself with lots of different agents, try to identify those most likely to be able to provide the help you need in the particular areas and types of property of most interest to you.

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Step 6

Select A Real Estate Agency/Agencies

A careful and considered choice of agents at this stage in your buying project is absolutely crucial. Choose the wrong ones and get ready for frustration and an unsatisfactory result! Choose a good one and your buying experience will be an enjoyable and rewarding experience resulting in you finding and buying your ideal home in the sun.

Step 7

Choose and Instruct A Lawyer

How will you ensure your purchase and investment is safeguarded?

Once you have decided on your ideal property and agreed the purchase terms then you should instruct an independent lawyer to carry out all the necessary checks and searches to establish clear and unencumbered title.

You should choose an independent lawyer to represent your interests and your estate agent will be able to advise you of several independent lawyers for you to choose from.

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Step 7 Choose and Instruct A Lawyer

What will you need to do when you have chosen your property?

Once you have decided on your ideal purchase you will need to secure it whilst the buying procedures are carried out. This will normally require signature of a Reservation Agreement outlining the terms of the purchase and also payment of a reservation deposit - generally 6.000€.

If you are buying a resale property then this may be paid either into the Client Account of your real estate agent or your lawyer and in either case, it will be protected subject to legal searches. The Reservation Agreement will also specify the timetable and amounts of further payments.

If buying a resale property, it is usual to sign a Private Purchase Contract and pay 10% of the full price - normally within 15 days of paying the initial reservation deposit. This allows time for your lawyer to do the necessary searches and for you to arrange the transfer of funds. If you will need loan finance to complete your purchase, then the period before signature of the 10% may take a little longer. That is why it is so important to already have obtained “pre-approval” from your intended lender.

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Step 7 Choose and Instruct A Lawyer

If you are buying a new build from the developer under construction, then the reservation payment will generally be made direct to them and is protected in the same way. Thereafter, the next payment will typically be 30% - 40% of the full price with the balance payable on final completion and handover of the keys.

If you fail to place a reservation and deposit on your chosen property then the seller will be free to sell to another buyer and you are in danger of losing out with the resulting frustration for all involved!

You do not need to return for the signature of the Private Purchase Contract or to attend the final completion of your purchase at the Notary, provided you have set up Power of Attorney for your lawyer to sign on your behalf. Arranging for the Power of Attorney is best done whilst you are in Spain but can also be arranged for signature in your own country - although the costs of doing it that way are higher.

Your lawyer's service will also include assisting you in obtaining your fiscal identity number (NIE) a legal requirement before you can actually buy your property in Spain and in setting up a Spanish bank account.

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Step 7 Choose and Instruct A Lawyer

In addition to handling the conveyancing of your purchase, your lawyer will also be able to advise you on inheritance issues and fiscal responsibilities.

As well as registering your ownership with the Land Registry they will also arrange for all the utilities to the property to be put into your name and also register you with the local town hall for payment of your local taxes.

Using a good independent lawyer who comes well recommended will ensure your purchase is handled smoothly, that your money is protected and that all the necessary registrations are done correctly.

That should give you the peace of mind you deserve for having successfully completed your buying project!

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What Next?

Will you need any help going forward?

Are you likely to want some help with looking after your new investment - perhaps with having someone regularly checking on the property, with your ongoing cleaning and laundry servicing requirements or with some planned improvements/decorations?

Are you planning to do some holiday rentals? If so - then you may wish to enlist the services of a professional property management company who can provide all these services. Just as you will have done in choosing your real estate agent and lawyer, you should do some research on potential Property Management Companies. Are they legally registered, well established and experienced in offering all the services you may require? Are they happy to supply references from other clients they represent and for you to contact some of their owners to check those references?

Choosing the wrong property management company is likely to result in frustrations and may take away some of the pleasure of your new purchase! Choose a good one and your property will be in good hands and your enjoyment of it will be enhanced!

Good luck - you will have earned it!

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Backed by over 30 years of experience, we are proud to be one of the longest-established estate agencies and management companies in the region. Our approachable, multilingual team is locally based and dedicated to delivering expert advice, reliable service, and tailored support from our centrally located offices in Sitio de Calahonda, in the heart of the Costa del Sol.

If you would like more details on any of our services then please visit our website:

www.suncoastergroup.com

We hope you have found this Guide helpful and that your quest for your very own home in the sun will be successful.

If we can help you, please get in touch!

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