

Buying Property in Spain

with

Paraiso Homes

Buying Spanish Property

Buying a property in another country is a formidable task. More so if you are not aware of its laws, customs and procedures. If you add to the stupidity, dishonesty, indifference and lethargy of those involved then you may begin to understand why the UK media never seem short of a Spanish property disaster story. Property selling in Spain is probably no worse than anywhere else in the world. It's just that it's not regulated!

If you are thinking of buying a property in Spain, start by understanding that Spain is different.. The journey leading to Spanish property ownership starts by understanding that there is no law in Spain to protect you from yourself. You are expected and required to take precautions to protect your own interests and the law is rather unsympathetic when dealing with complaints from those who have entrusted their responsibilities to a third party who they may have never met nor even know reasonably well.

Buying a house seems such a simple thing to do so where is the problem? Hopefully, you won't have any problems but if you do - how will you deal with them? If serious, will you want to call in the police or perhaps merely commence a civil action

If you have been attempting to under declare the value of your property so as to evade tax, (something which is quite common in Spain) these options may not be available to you, a fact which is very well known to those who encourage this type of action. Many people have heard of under declaring property values but don't really understand what is involved. We'll explain it now so that you do.

If you purchase a property for let's say €100,000, you will be advised by many to declare in writing the price you paid as being somewhere between 20 - 50 per cent less. Assume the figure of 50 per cent because it makes the sums easier and you will see that the government tax of 10 per cent is now reduced to €5000 instead of €10,000. No matter how normal the situation is and regardless of the quality and standing of the people telling you to do this, the fact of the matter is you are defrauding the government and can go to prison for doing so. More likely is that you will be detected in two or three years time and heavily fined by the Hacienda, ensuring that your gains will be zero minus several hundred percent.

Awful situation isn't it? How come no one has mentioned it to you before or when they did, chose to make quite light of it? It's a good question that you need answered.

The simple truth of the matter is that under-declaring your purchase price will liberate tax free cash for a lot of people who don't give two hoots for your well-being or interests and won't be around when any problems your actions may cause you come to light. Most problems in Spain can be dealt with by avoiding them not by confronting them. We believe our particular skills have been in keeping clients out of trouble, not getting them out of trouble.

Let's now look at under-declaration from another direction. Let's assume you have purchased your €100,000 property and saved €5000.00 by under declaring the purchase price. Very well done - that's €100 per week for a whole year and that sort of money is worth having! You keep your property for two years and just like those wonderful people said, it has now risen in price to €200,000.00. Never too soon to take a profit - so you put in on the market.

In some ways it's a little sad. Not being a resident you are going to pay 35 per cent capital gains tax on your profit. You purchased at 100k and have sold at 200k. That's 100k profit in two years. Not too bad at all - but not true either. You told the Revenue that you paid €50k for your property, therefore your profit is 150k and you are going to have to pay 35 per cent of this amount or €52,500. The €5000 you saved by telling porkies to the government has now cost you €17,500.00. Of course, you could always get the buyer to under-declare but would anyone really be that dumb?

What you need to do is find someone who can tell you everything you need to know and guide you around all the problems. Where are such people likely to be? Well it's unlikely that the hundreds of people in the UK who tie up with estate agents in Spain and place adverts in the local press are going to be much use to you.

Their only interest is in taking half the commission earned on anything you may purchase. In fact, by using the services of such people you in fact drive up your own property costs considerably.

How about going along to one of those hotel type exhibitions? Yes, these can be quite useful and it's surprising at how many of these exhibitions you can actually place a deposit on properties you have never seen. This is a very useful service and saves you from the inconvenience of having to decide what you like and don't like and from having to visit Spain to view anything. The only thing you have to do is part with money and then complain afterwards when nothing turned out as promised!

Whilst avoiding people and companies like those mentioned above, you might also like to watch out for tricks played by some of the Spanish building companies. They also hold hotel exhibitions in the UK but rarely under their own names. Instead, estate agencies (owned by themselves) offer a variety of property but only sell their own product. One such company claims to have been in business for 30 plus years but its incorporation shows it has been going for just over 12 years. Its properties are suffering from rising amounts of complaints among its clients concerned with serious problems of noise transmission in some of its designs.

Although they are attractive, it is this very design which causes the problems. Bedrooms back onto bedrooms, lounges onto lounges and so on. The result of the design is that people are doing identical things in identical rooms at identical times, something which all good builders tend to know about and guard against. Complaints to the company were dealt with by its Managing Director whose reaction was described by one irate owner as being that of "agog with indifference". This type of problem is by no means rare and will be well known among estate agents and property companies alike. However, it's most unlikely that any of them will make a rod for their own backs by telling potential buyers.

Another builder on the same coast is suffering considerable problems with serious damp being experienced in some of its properties - particularly its duplex designs. Black walls and rising damp are the norm in many cases and major insurance companies have expressed concern at the apparent indifference of the company in regard to requests to deal with the problem.

So who can you turn to for help? The answer is not too difficult - anyone with whom you feel comfortable and confident. Those with what you need will soon become apparent once you start comparing just what's on offer. It's probably best to avoid companies who advertise on the grounds that the only ones who do are those who have to. However, whilst Search and Survey do not advertise, advertising is no crime and used responsibly can provide useful information. For many it is the starting point in their search for Spanish property.

Alarm bells should start to ring when you find yourself bombarded with nothing but good news. They should ring even louder if when viewing property you are told that "no one will ever build here". There is nowhere in Spain which can be considered truly safe from further building. Perhaps the Royal Palace is unlikely to have a bull ring built beside it but stranger things have happened.

Spain is a unique country with a superb climate. The lack of invasiveness by authority and interference by the state really are noticeable when you first move to Spain and many sick of the "can't do this and can't do that" common in their own country vow never to return. It's worth the effort which may be necessary in order for you and your family to have your very own uncomplicated spot under the Spanish sun.

Don't let anyone take you for a ride, read what you can and to quote David Searle - author of *You and the Law in Spain*, believe nothing and check everything.

Contemplating Buying?

Thinking about buying a Spanish property? You're not alone. Current estimates are that well over one and a half million foreigners already own a holiday home or primary residence in the Spanish sun. Almost one million are British.

On the Costa del Sol, well over 200,000 homes are owned by foreigners and the rate of foreign investment in Spanish property has steadily risen for the past decade. However, more holiday properties are owned in the Alicante province on the Costa Blanca, popular no doubt because of its gentle climate and lower property prices. Probably true, but never proved as far as the writer is concerned, is a statement often quoted and accredited to the World Health Organisation which concerns the Costa Blanca enjoying one of the healthiest climates in the world. No doubt this adds to the attraction of this coast which makes it increasingly popular with numerous foreigners trying to find holiday or retirement homes.

European Standards

Today the *careful well informed buyer* of Spanish property is able to avoid the marketing traps and hype which has long since been associated with property sales in Spain and instead seeks true European quality and value. However, for those who wish to throw their money away, the good news is that this can still easily be done and a variety of junk, overpriced properties and shady services exist for this very purpose.

The majority of Spanish builders In recognising the demand for quality among buyers, and helped a little by nudges from the EU, are now offering a variety of property with items such as full insulation, double glazing and maintenance free finishes as standard. Other builders also offer these same features but don't supply them.

Unfortunately, substantial increases in building standards have been accompanied by substantial increases in prices and today there are no properties in Spain which can be described as cheap in relation to what they used to be. Whilst inflation in the Spanish economy is only running at about 2 per cent per annum, property prices up until recently were rising in some cases by as much as 5 per cent per month. In a relatively short period of time property prices in Spain will probably be on a par with many of those in the UK. Although rising property prices have seen a slight slowing down, it has been nowhere near that which was anticipated and seems to have leveled off at around 3 per cent plus per month. There has never been a justification for the vast majority of these price increases, most of which occur simply because there are more buyers than properties available.

When thinking in terms of property available, don't be confused by that which exists in some areas and which is definitely best avoided. In some urbanization's where property is almost exclusively owned by holidaymakers, there has been a reluctance by the owners to spend the necessary amount of money on upkeep and maintenance of their urbanization. They argue that because they spend only two or three weeks each year at their property there is little point in spending money from which they believe they will not benefit. We don't need to go into detail as to what happens to these urbanization's in a relatively short period of time.

Perhaps you should have bought a holiday home or retirement residence in Spain a year or two ago. Without doubt - you would have saved a considerable amount of money and by now your investment would have increased substantially - but don't despair - prices of Spanish property will continue to rise for the immediate future which means that you are still in time to make a sensible investment which will bring you and your family pleasure for many years to come and keep your money safe.

Many contemplating the purchase of a Spanish property wonder about the effect of the UK joining the Euro currency. Will it be better to wait or better to buy as soon as possible? The experts all seem to have opinions and many are keen to express them but as to what happens when and if the UK take up the Euro no one is going to know until such time as it happens. As we see it, if the UK hold the view that the pound is too strong then no doubt they will do those things which will weaken it prior to the Euro be taken up.

It would be an opportune time for a significant devaluation of the UK currency with the majority of the population not realising by how much. Any reduction in value of the pound effectively means an increase in the price of any property purchased in a foreign currency.

However, as we have said, until whatever happens does happen, no one will know. If you are to buy wisely in Spain, you would do well to seek sound advice before you purchase. Without this you may well achieve little more than to cause someone else to benefit significantly by your expenditure and for it never to become an investment.

Remember, the property that finds you is going to cost far more than the property you find.

Too many people having been brainwashed at a "property exhibition" in the UK, arrive in Spain intent on buying the property so enthusiastically described and for reasons not at all understood, disembark the aircraft leaving their brain on board. Incredible as it sounds, some even arrive to view property on which they have already paid deposits and have never seen. Sadly, for these people, apart from sympathy, little else can be offered. Their thinking is absent and such people will always end up as someone's victim. The Hunchback of Notre Dame could purchase a mail order suit with more success than he could buy a property in Spain he had never seen.

Caveat Exemptor

Let the buyer beware. The best advice ever given in regard to purchasing a Spanish property has been by the author of *The Spanish Property Guide*, David Searle. In his own inimitable style he says "Believe Nothing - Check Everything"! These four words which if you remember, will keep you out of trouble and in good stead. You cannot expect to rely upon the seller of a property to ensure that you are treated fairly. You both have conflicting interests. They want from you as much as they can get, you want to give them as little as you can. It's as simple as that. This said, for a long time it has been a sellers market and little looks set to change.

Newspapers

There are two primary sources of information in regard to the availability and location of property for sale in Spain, although in many cases, misinformation is a more appropriate word.

Newspaper advertising, supported by hotel type exhibitions is the primary method favoured by most UK based companies. When it comes to exhibitions in hotels many of these border on fantasy with the truth or fact of the matter not being allowed to spoil a good sale. Many complain that they were encouraged to visit Spain to view property which on their arrival did not exist or had long since been sold. Others complain that the prices quoted for Spanish property in the UK bear no relationship to those being asked in Spain. In many cases this is a deliberate policy, calculated to cause potential buyers to visit Spain and then hopefully revise their budget upward whilst here. Keep in mind the fact that a number of Spanish builders also hold exhibitions in the UK, with some hiding their identity behind a promotions company which they own.

The Visit

If you decide to visit Spain to view properties it really is advisable for you to avoid touring in a group. Group tours are a method used by some so as to be able to apply discreet pressure. No one likes to look silly by asking a naive question and for this reason group tours tend to be relatively silent events with couples talking among themselves. It is not unknown for "Spoof" couples to be included in a property tour who gasp and gush at every property, demanding to be able to sign anything now so as to be able to be "sure of getting one of the last remaining properties on this beautiful urbanisation". The idea is that you get caught up in the fervour of the moment and throw your lot in with them. One large UK Company selling property in Spain had blotted its copy book so much that it started another property company.

You are going to spend a lot of money.

Even for a relatively modest property. There is much you need to know and the best way to find out anything is to ask someone who knows. One to one tours are obviously better if you are to find out those things necessary which will allow you to exercise good judgment. The time spent

driving between properties should not be wasted. Use it to deal with the many questions you will have. And you will have many questions! Group touring is offensive and bearing in mind that builder's commissions are quite adequate in relation to the amount of sales which property companies can make, there can be no excuse for it.

Will you pay my air fare and expenses if I buy a property?

This is a point which needs to be dealt with. You need to be aware of just what is on offer when you see this. Anything anyone spends on you, be it refunding air fares, accommodation, subsistence etc. is eventually going to be paid by you or if you don't buy, then by someone else. This method of promotion is nonsense. There are so many ways of adding costs to the purchase of your property that insufficient space exists here to be able to list them all. If you fall for this, the good news is that there is much more left to fall for!

It's only our opinion but we feel client services, should be those associated with finding you your property and ensuring that its true cost, both of purchase and ownership are known to you prior to your making any legal commitment. This should include taxes, disbursements, fees, connection charges for water, electricity and anything else you need to know.

Property Prices

Over the years it has become apparent that many from both Britain and the Republic of Ireland really have little idea of Spanish property prices. In fact, some are so far out of touch with reality as to cause the belief that a practical joke is the primary reason for their enquiry. Today in Spain, it is virtually impossible to purchase a property worth having for much below 120,000 Euros.

Conversely, even if prices had not changed in 15 years - a villa on the beach with 4 bedrooms, three bathrooms, air conditioning, central heating and a swimming pool - set in 1000 square metres of land, has never been available for £15,000. Property companies regularly receive enquiries such as this and sometimes, the budget is even lower. It's not for us to tell you how you should spend your money or to be careful with it, but if you are looking for information which will enable you to maximise your budget then it may well be that we can help significantly by drawing from the misfortune of others. The general consensus of opinion among buyers seems to be that it is absolutely necessary to set yourself a budget and stick to it. However, declaring what you are able or prepared to spend does not mean that property exists at this price. It follows that before setting your budget you need to have an idea of what things cost and what you can get for your money otherwise the exercise is somewhat pointless.

Proximity to the coast is a determining factor and as you would imagine, inland prices being cheaper. However, as a brief aside on inland properties, over the past 12 months there have been significant increases in property prices as demand from those unable to pay the price for coastal properties increases.

Location

Location is the primary factor which determines the price you will have to pay for any property. The closer to the sea you are, the more money you will have to pay. An apartment with an unobstructed view of the sea will command more money than an identical apartment in the same building which does not have sea views. It will also increase in price and value more quickly. In reality, whilst most people want a property on the beach, today, they no longer exist.

With 1700 kilometres of coastal building development which has been almost constant over the past 30 years, there is now a distinct shortage of coast. What is available is now extremely expensive. There are coastal areas where property is available but there are usually good reasons for such availability.

Beware of brochures extolling the virtues of deserted coasts and beaches offering property at what appear to be knock down prices. You may find that you have moved into an area with little water for much of the year, none for some of it and that services and facilities are somewhat lacking. It may also be subject to activity under the 1994 Urban Development Act in which case property and land so affected is not worth lose change.

What will I have to pay?

Villas are regularly advertised starting from €197,000 or £140,000 pounds sterling on the Costa Blanca. The only thing that can be said about this statement is that it is true but only by reducing the size of the building to minuscule proportions and not allowing the land they are built on to exceed postage stamp size.

A villa suitable for permanent residence or which affords a degree of comfort will cost in the region of €225,000 - €245,000 if you want to be within a km or so of the sea. On the Costa del Sol, depending upon the area, you could pay €40 - 60,000 more for a similar building. For this price expect around 400 square metres of land, although more may be available if you wish to purchase it as an extra. Always bear in mind the additional 10 per cent for government taxes etc. A swimming pool will not be included within this price. Add approximately €16,000 for a standard 8 X 5 metres pool including all pumps and filtration equipment. Cheaper if you look around or haggle.

Inland villas can be obtained for less money. Saving €25,000, possibly more, whilst appealing, may prove to be the most expensive money you have ever saved. In June, July and August, coastal temperatures can rise to 34 degrees centigrade in the shade and much more in the sun. Inland temperatures can be considerably higher than this, with no coastal cooling or sea breezes. Life can be quite miserable under these conditions and a holiday, or worse still, retirement spent in a darkened room with fans and air conditioning running full tilt is hardly worth the saving. As for the flies and dust, most inland property brochures and web sites seem to think that mention of these will depress sales so quite simply don't mention them. Prices may be cheaper in some areas than in others but there are always reasons for this about which you need to know.

There are areas inland which are definitely environmentally acceptable and where you can build your own villa on plots of land of 30,000 square metres for just over €213,000 and for this amount of money, air conditioning, central heating and electric gates come as standard. Do bear in mind that any extras given as inducement to sell property are just that and may not add anything to the value of the property. Often this type of inducement is given to encourage purchase in areas where many do not wish to purchase.

Of course, individual villas can be built in some areas for as little as €110,000. If you only want two bedrooms and a relatively small property, the figure could even be even less. Don't forget, taking the responsibility for your own building project in Spain will probably reduce your retirement by about 10 years and truthfully, is better avoided.

Apartments

Very popular with holiday makers and a surprising amount of retirees, apartments come in all shapes and prices. A sea view will command more money than the identical apartment without one and depending upon location, prices will be between €80,000 - 500,000. The latter will ooze luxury from every feature, drip marble and mirrors and have every conceivable extra imaginable. It's quite amazing that anyone would want to spend so much money on this type of building but they are certainly popular with buyers from the United States.

When it comes to apartment prices it really is extremely difficult to offer advice because so many factors combine to produce an almost unlimited list of advantages and disadvantages all of which affect selling prices. The average price for a two bedroom apartment within a km or two of the sea which can be used as a holiday home, retirement residence or let for business reasons will be approximately €108,000. On the Costa del Sol, depending upon which part, the price may be considerably more, especially around Marbella and Puerto Banus. In parts of Malaga, expect to pay less. A lot less!

With many buyers now discriminating against high rise buildings you need to be very carefully when considering apartments as an investment property. Even those well built tend to be noisy and unless the residents spend considerable money in maintenance, they can soon look tired and jaded. The problems associated with balconies falling off them and other safety issues have long since been resolved but among many there is still an awareness of a time when apartments were probably best avoided.

They are probably best suited to use as holiday home with occasional occupation or if in a suitable area, for letting.

Duplexes

This very popular style of building has seen some very steep price increases over the past 2 years and properties which were being sold for €87,000 - €116.000 are now fetching figures between €129,000 - €188.500 and rising with the passing of each month. If a duplex interests you, depending upon area, expect to pay between €123,000 - €174,000. An end duplex will cost more than a centre duplex.

There are some areas where a duplex can be obtained for less than the figures quoted but savings will be at the expense of location. Duplexes usually are built with two or three bedrooms, perhaps a little more expensive on the Costa del Sol, cheaper on the Costa Calida and Costa de Almeria.

A word of caution.

Some of these properties are known to suffer from noise and rising damp. This is not something which can be attributed to design, rather than problems concerned with individual builders. One major insurer has become quite vocal in regard to problems being experienced from one particular builder.

Bungalows

The description given to this type of property is confusing to say the least. In Spain it can mean almost anything from a conventional type of building occupying only the ground floor or it could be a first floor apartment. It could be detached or semi detached or even be part of a terrace. The prices vary considerably but on average expect to pay in the region of €94,000 - €135.000. Less inland.

Town House

This type of property is found all over Spain and logically, within towns. They are usually found in a terrace, often have a small front garden and are built on two floors, sometimes three. The living area is usually about 67 - 90 square metres, sometimes more. Apart from the major cities, which we have excluded as not being representative for our type of clients, townhouses seem to be similar prices wherever they are for sale.

For two bedrooms, one or two bathrooms, lounge/dining, kitchen etc, expect to pay in the region of €114,000 euro. Inland, in some of the smaller towns, an older townhouse type property may be obtainable for around the €85,000 mark but you should not expect the same build standard or facilities. In some cases, an inland terraced property may be obtained for less than €75,000 but may need a lot of work to bring it up to an acceptable standard.

Below €90,000

Regardless of any property you wish to buy or the area you wish to buy it, if your budget is below €90,000 your choice will be severely limited and become less as time passes and prices continue to rise

Finca

Many people believe this word refers to a Spanish farm or farm type building. In fact it has three meanings:

Finca

1. *An area of land belonging to one or more owners pro indiviso.*
2. *A farm and its buildings regarded as a unit.*
3. *Real estate property, rustic or urban.*

However, among the British, the word Finca is taken to mean an old run-down type of building which sells for €7500, stands in 150,000 square metre plot at the foot of a waterfall which provides hydroelectricity free and which can be renovated for less than €2500 including all material and labour and after two or three months can be sold for millions.

The truth is different. The price now being asked for some of these ruins would justify a television comedy. That there are buyers for them justifies a hospital series. Any property in a serious state of dilapidation is worth the price of the land on which it stands less the cost of clearance and not much more.

Accepting the second meaning of the description, many of the old buildings purchased for renovation are fit for little apart demolition. You'll have to forgive those selling these properties for not drawing this to your attention. It is well known that building from new is often more economical than renovation and you and those assisting you may like to keep this in mind.

Many of these old buildings are collected by property companies and estate agents, having been purchased for a song or more appropriately, a few notes. A significant number are sold on for profits which cause envy in all but the most moral of people. Shortages of skilled labour in the building trades and difficulty with obtaining building supply deliveries to remote locations often make the purchase of these properties an ongoing nightmare.

This said, there are many conversions and renovations which have justified the difficulties and unforeseen expenses and you may wish to consider this type of property. Reasonable buildings can be found for as little as €60,000 or even less. What you spend on converting them will depend upon the standard of comfort and living you require. This is not an easy option but if funds are tight you may wish to consider it.

Rarely does an inland property make for a good rental business. Holiday makers are usually looking to be close to the sea and the amount of people who believe that allocating one room of their property to bed and breakfast is going to pay for everything for ever more is quite surprising. A little homework will show that the figures do not stack up. If you are told by an estate agent that this is possible - ask about guarantees for these ambitious statements.

What Price for a Finca?

So what are you going to have to pay for a Finca? It really will depend upon which area of Spain you wish to live in. Again, the proximity to the sea will have a bearing on what you pay. Whereas on the coast properties will be advertised in metres from the beach, inland they are advertised in minutes from the coast. The more remote your finca property, the less it will cost. If you opt for something in the back of beyond with virtually no services you may well be able to purchase quite a large property with a considerable amount of land for a relatively small outlay. Security, water and electricity will no doubt be questionable.

The average amount spent on Finca property is now around the €96,000 mark but this is rising rapidly and will continue to do so as increasing amount of people realise just how expensive coastal properties have become.

Log Cabins

For quite some time now log cabins have been advertised in Spain and as of late, in the UK press. These are purported to be for permanent residence and costs are from £18,000. Additionally, you need to find land to put them on and there are other expenses as well.

Whilst the idea is fine, the practice is not quite so fine with the purpose being to make money not provide accommodation. Perched on the edge of a Canadian lake, with the Rockies in the background and surrounded by unspoiled forests, you have all the ingredients for a perfect post card. In Spain the situation is a little different. Planning requires these buildings to be in areas suitable for them. Mostly, if not exclusively, inland. In general log cabins, prefabricated and wooden houses are not popular in Spain. If you decide to buck the system then expect problems, both from the planning authorities, the utility providers and the neighbours!

Who Pays?

In the United Kingdom and Republic of Ireland, buying a house requires a contract to be drawn up and executed within certain laid down principles.

In Spain, the situation is much the same with one very important consideration: the buyer and seller are free to contract whatever terms they may care to. There are no laws which require that one of the parties must pay any particular tax, only that it be paid.

It is important to know that one tax, the plus valia, can be charged directly against the property with the result that the new owner could be left with a debt he is legally responsible for if the seller failed to pay. Failure to pay could be dealt with by seizing the property and selling it at auction. If the property concerned was a holiday home, the owners may not even be aware of what was going on. Good reason for you to ensure that someone in Spain represents your interests during the times you may not be available.

Up until recent times it has been the practice for the seller to pay the notary's fees and the plus valia tax and the buyer to pay the impuesto de transmisiones and the registry fee. Today the practice has become for the contract to state that the buyer will pay all the expenses arising. There is nothing illegal about this because as mentioned, the parties are free to contract as they please. We feel, in common with most buyers, that this practice is unfair but unfortunately it has become necessary by virtue of the fact that tax bills, in particular the plus valia, have often gone unpaid. This has been especially true of non-resident sellers who had long since disappeared by the time the new owners realised that they had been left with bills they were going to have to pay. Charging the new owner with all the taxes is simple, straight forward and avoids complications which people new to Spain can well do without.

Lawyer's Fees

The one other thing you have to pay is your lawyer's fee. These can be anything you have agreed and if you haven't agreed - anything! Amounts of up to £4,000.00 have been charged to some unfortunate people for relatively little work carried out by unscrupulous lawyers. As a point of interest, lawyers charge around 1000€ to 2,000€ for a basic conveyancing, whilst others charge a percentage (1%-5%) of the value of the property being purchased. This service often excludes any planning searches and almost always will not include a structural survey or independent valuation.

So the answer to who pays what is simply that today the buyer pays everything. As mentioned it doesn't seem right but remember, you will be a seller, at which time the system will be totally fair.

Saving Money

For many people, once the decision to buy a property has been made, their thinking switches to what they can avoid doing as opposed to that which must be done. The reasons usually concern trying to save money but often the reverse is the case.

Cutting out the lawyer can save a few hundred pounds and many will say that he should be cut out, on the grounds that he doesn't do anything. If he does his job correctly, which is what you need, he has little to do but what he does is vital. If he becomes involved in hours of complicated work on your behalf, no doubt something somewhere is wrong.

If you buy a property in Spain you need the services of a competent, experienced conveyancing specialist who knows the area well and if you are buying a new property - knows the builder from whom you are buying it. A good estate agent should provide a service which guarantees you will have a trouble free experience. By introducing the buyer to the seller (or his agent) the concept of charging the seller a fee means the buyer pays far less for his conveyancing package.

When it comes to new property, most companies and agents have access to all of it and hold contracts with the builder. The builder sets a minimum price for his product but there is nothing to stop anyone from adding to his price if they wish to do so. Bear in mind that viewing with one company and changing to another in an attempt to find a lower quote on the same property is not usually possible.

If your name has been registered with one estate agent or Property Company then the builder will not consider a contract from another agency. This stops a lot of time wasting and arguing. The trick for any buyer is to get it right first time.

Can anything go wrong?

Any and everything can go wrong and sometimes does, although most of the problems are concerned with not reading contracts and argument over what was to be included and what wasn't. In many cases the property salesmen are not at fault. Some people just won't listen, preferring to believe what they want as opposed to what they should. However, there is a considerable amount of misrepresentation and outright lying used to encourage a name on to the dotted line.

Many people arrive in Spain with preconceived ideas as to what buying property involves, find it all a bit too much and promptly delegate everything to the estate agent or Property Company. A year later when their property is handed over, they start complaining that this is not what they wanted. It probably isn't - the problem being they didn't tell anyone at the appropriate time.

Moving salesmen sells and having sold moves on. . . .

As with every other trade and profession, there are people selling property who would be better placed doing something else. With no interest in either the work, or the people they meet, they simply wish to earn enough money so as to be able to live and move on. Youngster usually fall into this description and the larger companies tend to employ quite a few of them. Advertisements for property salesmen are along the lines "consultant required - full training given". Training is usually for a morning and perhaps an afternoon.

If they are commissioned or part commissioned, then it follows that some of these people may be economical with the truth, especially if the time has come for them to move on. Examples of this type of thing are assurances that adjoining land earmarked for building will not be built on, delivery dates which border on the ludicrous, additions and extras at no charge to the buyer which don't materialise, air conditioning installed as standard and many other things calculated to cause you to buy. We say it constantly throughout these pages - believe nothing check everything!

There are many other reasons for problems which affect buyers, among which is fraud on behalf of those selling property, whether they be agents, owners or people claiming to be either but are neither. Consider the following case:

The Costa del Sol has always been popular with people from the Republic of Ireland and when an Irish couple, who had been trying for some time to find a resale apartment close to the beach, found an in progress site advertising new property, they were interested.

They approached the builder directly, who was pleased to offer them a one bed room apartment facing the sea. There would be a deposit of 10 per cent required, followed by a further payment of 40 per cent in one month, 25 per cent in 6 months and the balance on completion and hand over of the keys. A contract was signed immediately and the deposit paid. One month later a further 40 per cent was paid and right on time so was the third payment of 25 per cent.

Their apartment was due to be finished in the December of that year and in September they visited the Costa del Sol to see how their holiday home was progressing. Not to put too fine a point on it, progress was nil. Nothing had progressed since they had last seen it. Worse, the site was closed.

Extremely worried, they decided to consult a lawyer. He knew immediately of the situation in regard to the builder and had done so at least 12 months prior to the company collapsing. Whilst he would ascertain the true situation in regard to the money they had paid, he explained that it was unlikely they would recover any of it.

The company had obtained a bank mortgage for its development but had failed to meet its repayments. As a result of this the bank had repossessed it and auctioned it off to new developers. Whilst building was about to recommence, the new builders were under no obligation whatsoever to honour any previous payments to the last company, its clients or debtors. Spain is

not the only country in the World where builders fail and in truth, the industry is probably as well regulated as any in Northern Europe, however, to go to a foreign country and attempt to purchase property unaided and without knowledge of the system or the law, can best be described as unwise. Instructing a lawyer would have obviated this dreadful loss and much heartache.

Sign Anything - It'll Be Right!

If there is one thing which never ceases to amaze, it's how people seem prepared to sign anything which is put before them. They will spend hours cataloguing the changes and additions they require for their new Spanish home and when presented with the contract of amendments nicely drawn up in Spanish, promptly sign it, despite being unable to read a single word apart from their name and address. Would you be surprised to learn that many of the changes requested never come to fruition - despite the fact they have paid for? It seems so easy when you read about the mistakes of others and are not involved.

Without doubt, excitement and the achievement of becoming a second house owner or having taken the plunge and decided to move to another country do have a bearing on peoples thinking.

Another contributory factor is the rapport buyers develop with the people showing them around, tending to trust too much to them. It's your property, your money, check to see that everything is in order! If you're not interested, why should they be. Tomorrow you'll be gone. Tomorrow's another day! In most cases where an omission or something similar has occurred it is only a matter of a mistake. The Spanish are dreadful administrators and whilst they intend with the best will in the world to do something, quite often they don't.

Believe Nothing - Check Everything - Don't sign Anything!

The fact that this is a business event as opposed to a social one, seems to be lost on many, who are content to surrender all responsibility for their well-being to a person or persons they have never met. In fairness many property companies deliberately do turn property buying into social events because it makes people easier to deal with in that they offer less sales resistance. By all means, be friendly and enjoy pleasant company but remember, you are spending what is probably the second or perhaps largest amount of money that you have ever spent. If your property company is wining and dining you - understand the reason for it. Your time would probably be better spent asking questions and looking at the locations you have seen during the day - at night time their character may change enormously.

Keep this in mind. Don't sign anything you don't understand or can't read and never unless your lawyer has said it is appropriate to do so. If you are asked to do so, you're probably in the wrong hands.

If you read through the English press in Spain, you will find a reasonable amount of resale properties for sale. Many marked "No Agents" are actually being sold by estate agents but this is another story which can be dealt with elsewhere.

If you find a resale property which interests you and you decide to view it beware, the situation may unwind along the following lines: You telephone for an appointment and are invited around at 6 p.m. that evening. On time you arrive and the owner and his wife invite you in. The wife excuses herself because she has to put the children to bed and you and your wife are offered a drink. You ask how long they have been in Spain and are told several years. Life has been good, the children are doing well at school but for one reason or other it is necessary to return to the UK or whichever is the home country because of the ill health of one set of parents who are too sick to come to Spain. You view the property, which is in excellent condition. It has a nice swimming pool and a reasonable amount of land. The price being asked for is a little more than you can afford or really want to pay so you make an offer. After a few minutes haggling, during which time you have surprised yourself at just how well you negotiate, the price is somewhere close to what you can afford. The owner tells you that he has several more people coming to view the property so he can't make a decision yet and then shows you the Escritura, or title deeds to prove that the house is his and there are no charges on it.

You explain that you only have three more days in Spain and the owner suggests you telephone him in a day when he may be able to make a decision.

You spend an anxious day then make the call and are invited to return for further discussions. You arrive are invited in, offered a drink and the owner tells you that if you raise your bid by just £1000 and can complete quickly, he'll sell to you.

Not forgetting your newly developed negotiating skills you offer him £500 more and tell him that's your limit. He says he needs to talk to his wife and disappears for a couple of minutes, returning to ask you if he agrees to sell, when can you manage the 10 per cent deposit? Well that's not difficulty at all because you came prepared to buy and you have a bankers draft with you which you can cash first thing in the morning.

The owner then asks you what you know about purchasing property in Spain and you tell him only what you have read which doesn't amount to much. He suggests that as is common in Spain, you both use the same lawyer and you can visit him tomorrow after you have been to the bank.

The following day you meet at the bank. You pay him the deposit as agreed and he gives you an official receipt. Next you visit the lawyer. The owner explains that he is selling you his house and you both would like him to act. The lawyer takes details of your UK address and passport number, asks whether the property should be registered in both your name and that of your wife and the owner gives him a copy of the Escritura telling him that he will bring in all relevant documentation within the next two days or so, a few pleasantries and its over.

You exchange telephone numbers and the owner asks if you need a lift to the airport the following day although he knows you are driving a car. No thank you, you have a hire car which has to be dropped off to the airport. You return to the UK, pleased with your trip and the price you have paid for your property.

You stay pleased for 14 days when you receive a telephone call from your Spanish lawyer saying that he cannot contact the vendor. Strange, you telephone him but with no more luck than your lawyer. You try for a week then the phone is answered by someone you don't recognise. You explain that you have purchased the property and are looking to speak with the owner. I am the owner, you are told, the previous people were tenants on a short term contract. . . So what went wrong?

Everything was wrong.

You were shown the title deeds which you didn't really take too much notice of and in any event you never asked for the passport or identity of the person selling the house so he could quite easily have used any name he wanted as he obviously did on this occasion.

He had children at school, he just can't disappear. Did you see the children? He also took you to his lawyer! He took you to a lawyer. Spoke to him in Spanish and the lawyer no doubt believed that you knew each other quite well, particularly as you had parted with a considerable amount of money to him.

At that time, the lawyer had no way of knowing or any reason not to believe the escritura related to property which the "buyer" claimed to own. Clearly you would not part with money to someone you didn't know so everything was probably OK and in any event, he would soon be able to check everything out. Eventually, a proof of identity would have been necessary and that's as far as it could have gone. You made it easy.

If you know nothing - Do nothing - Take Advice

Not knowing the system, you fell into line with what you thought it was. The buyer, his wife, children, talk of school, nice house, nice people - Well, they've moved on and no doubt will be pulling the same trick on someone else. Eventually they will get caught but until then you are just another victim.

Never part with money be it a deposit, stage payment or even the final payment to anyone other than your lawyer unless he advises that to do so is appropriate.

If you want to find your own property all well and good, it will be hard work but there's nothing wrong with that but you will need to understand a lot of what can go wrong, if you are to avoid a lot of what can go wrong!

Many people who have purchased property later find they have problems. In almost every case, these could have been avoided with a little thought, planning and effort. In Spain there really is only one way to deal with problems and this is to avoid them in the first place. A problem which started to come to light early in 2003 was that of people buying property and finding post-purchase that they had virtually no support at all. Many of the advertisements placed in the UK are done so by individuals or firms who then refer potential clients to a Spanish partner. These arrangements have always been precarious by virtue of the fact that the referring party promises the earth to get clients to visit Spain, leaving the Spanish half of the arrangement with the difficult task of supplying it. Sooner or later they fall out. Couple this with the fact that the UK agents often have to fight for their money and you'll begin to understand that here indeed are strange bed partners.

Now, some of the UK agents have found Spanish builders who will deal with them directly. This means they have cut out the "middle man and can make twice as much money as previously. Unfortunately, there are not too many builders who will do this, so choice for clients of these people is very restricted. Obviously, they are going to be pointed in a definite direction because it benefits the advertiser. When things go wrong, as often they do and especially post purchase, the only people to take it up with are the agent in the UK and the builder in Spain. Couple this with language problems and you'll understand the difficulty.

Amazingly, the deal seems to have been done before the UK is left as often advertiser and clients "swan in" on a day trip! This is a dreadful arrangement and you should avoid it at all costs. It offers nothing but risk. The properties available are often not worth a fraction of the price and some are built without the necessary permissions. If you are going to buy property in Spain you need friendly, continuing support and assistance.

New Property

For a foreigner, buying a new property in Spain can be a harrowing experience. Over a period of time, the system among many organisations dealing in property has evolved into a slick procedure with essential information suppressed or ignored so as not to alarm potential buyers.

This page will put an end to the urban legends and tell you what you need to know about buying a new property in Spain.

The first thing that has to be said is that if the procedures in place are followed as they should be, then buying a Spanish property should be equally as safe as buying a property in your own country.

Booming Britain

The Spanish property market, led almost exclusively by British buyers is now starting to slow. The once super-strong pound is sinking rapidly and in 12 months has lost 22 cents on the Euro. Somewhat confusing is the fact that prices are still rising. However, sales at the moment are still exceeding ten million pounds per week with the Costa Blanca having far more property built than the Costa del Sol.

Experts had predicted that the year 2000 would see a leveling off of price rises, with builders and developers attempting to hold the line at their then more than adequate profits in order not to frighten away or deter prospective buyers. The fact that prices did not level out was probably less to do with the experts getting it wrong than the fact that British property started to rise rapidly in price during this period, making a check on price hikes unnecessary. During 2005- 6 UK property prices continued to rise, pulling Spanish property prices along with them.

Lose Your Money

Both the regional and national press of the UK and ROI have carried stories regarding fraud concerning Spanish property sales. They make worrying reading and yet when both the EU and Spanish government investigated, the buyers were found to have either ignored the laws of the

land or chosen to purchase properties upon which there were unpaid taxes or where no planning permission had been obtained.

Buying a property in Spain is every bit as safe as buying a property in any other EU country. That is unless you choose to ignore the system, Spain's laws or part with large amounts of money to people you have never met in order to avail yourself of a bargain which does not exist. If you don't know the Spanish property buying culture or the laws which control it you need to do more than wander around building sites if you are to buy a property without problem.

Property Exhibitions

The majority of foreign buyers are British. Many attend what are described as exhibitions, held in hotel rooms, usually over a weekend. Advertisements in local newspapers alert and invite them to attend. This method of selling is the most effective and most popular, producing the best return on advertising and marketing revenues. Depending upon the company carrying out the "exhibition" will depend upon the amount of accurate information you receive. In many cases, the intention will be to talk you into an inspection flight as soon as possible.

In real terms there is nothing wrong with this as the idea of the exhibition is to sell you a property, not teach you about the merits or lack of them, of Spain. Some of the persuaders won't have visited the Spanish locations they so enthusiastically extol. Other property companies offer a genuine service and make efforts to give you realistic information which will help you decide whether or not an inspection visit is likely to be of any value to you.

It is not unusual for clients of some of these companies to arrive in Spain to find the bargain property they have come to view, no longer available - the last one having been sold just half an hour ago. This happens too frequently but is an effective way to get people to Spain when the idea is that hopefully their colleagues there will be able to sell them something a little more pricey which does exist.

Nail one foot to the floor

One more thing on the subject of property companies and then we'll look at the more important aspects of buying property in Spain.

With some Companies, selling property in Spain means never letting the client out of their sight. From first thing in the morning till last thing at night, someone will be with the client until they finally board the aircraft to return home. Nailing one foot to the floor, as it is known, is designed to prevent you from calling into Estate Agents and comparing prices or bumping into other property companies. Often entertainment is supplied free of charge during the evening to make keeping an eye on you easier.

In actual fact, this type of "minding" is quite childish and doesn't say too much for the esteem in which their clients are held and the intelligence they credit them with. In real terms it does no harm and many enjoy their brief stay in Spain. If you attend an inspection visit with a company such as this, just bear in mind the reason you are there. You want to buy a property which you like, in an area you like at a price you can afford and these are your only requirements. If you find yourself being pressured in any way at all, accept the fact that you are probably in the wrong hands and determine to return to Spain at a later stage. It's most unlikely that this action will do anything more or less than save you money.

Now What?

Assume that you have found a property and that you want to buy it. What happens now. Although the procedure which follows is almost universal among agents and companies, there are of course variations among different organisations.

Having decided that you wish to buy, you will be told that a deposit will be necessary. This can be anything between £1000 to 10 per cent of the purchase price. You will then be told that a balance, taking the amount to 50 per cent is required before building will commence. This means that you have to pay half the money for your property up front! A little different to the £500 or so required to buy a property "off plans" in the UK.

With some builders it is possible to negotiate different terms but in the main, until such time as they have a considerable chunk of your money, they won't start to build. There are reasons for this which many believe is due to agents and companies not receiving their commission until such time as 50 per cent of the purchase price has been paid. Some time ago this was quite correct but this is no longer the reason.

Today the primary reason for "up front" payments concerns high pressure selling by some of the property companies. Many clients are pressured into paying a deposit on property which they cannot afford to buy and then defaulting on their payments. As a result, builders and developers said they would not accept orders and commit to building unless a significant sum of money had been deposited and the 50 per cent would do nicely! Some builders require or ask for further stage payments before completion but most will accept the balance in return for the keys.

Regardless of how much you like a property, our advice is never to agree to more than a 30 per cent advance payment, which should include the deposit.

Concerned - of course

Of course, its perfectly natural for most buyers to be concerned about this amount of payment in advance but in recognising this concern, the Spanish government required all building companies to be insured against their inability to complete for any reason. If you want even more security, you can arrange a bank guarantee which will cost you 1 per cent of the building price. As the days of collapsing Spanish builders seems to have long since gone, this is probably a waste of money but if peace of mind is what you want, 1 per cent is what it will cost.

Delivery Times

On this subject, the situation in some quarters is deteriorating quite drastically, with delivery being promised in two and occasionally approaching three years. This period of time is too long to have your money tied up and under the control of someone else. More importantly, no one is able to predict what the future will bring and if, as the Spanish builders say, rising prices, now touching 5 per cent per month are caused by ever increasing costs of building materials, if the arithmetic is to be believed, many companies will not survive.

The Spanish building industry is said to have a 40 per cent shortfall in all trades which does seem to be the case. The larger companies with reasonable delivery times seem quite well set up and it is probably better to deal with such a company of which there are quite a lot.

Any company offering delivery dates of anything more than a year, which is the "norm" is probably best avoided.

What about NHBC or similar

All new Spanish building carries a 10 year guarantee. Or should! Unlike the UK, where this is through the NHBC, an organisation made up of building companies, in Spain, insurance companies carry the guarantee. If you have to make a claim you're not going to be told that it's not valid because you have been living in the property or that the roof or floors are not covered. It's a genuinely useful guarantee which you can safely rely on and which it is unlikely you will ever have to use.

Everywhere is a building site

If you have been or are intending to visit Spain for an inspection visit, depending upon how this is conducted you can well end up believing that the whole country is a builders yard or a building site. This is a shame really because this is not the case. Up to a point the fault for this impression lays with many of those who sell property and whose primary aim is to drag potential buyers around as many building sites as possible in the hope that one particular development will appeal and result in a sale.

We believe that visits to established urbanisation's are important. They show what the area is like when the builders have gone and allow clients to formulate opinions which are far more accurate and in keeping with what they are trying to do. Respectable agents always make a point of showing several finished urbanisation's as well as some in the process of being completed. This

gives a balance, without which you cannot really decide with any degree of certainty whether or not you wish to own a holiday home or primary residence in Spain.

If you buy a new property on a large urbanisation, without doubt you will be able to move in before the urbanisation is complete. This means that for a period of up to a year you will be sharing your existence with cranes and heavy transports delivering building materials to site. The situation is not all bad because the Spanish have become quite skilled at building and moving on and your particular area should be left quite neat and tidy, allowing you to live comfortably whilst the rest of the site is completed.

The days of new owners sitting on their terraces in clouds of cement dust no longer happen. Building by necessity has become far more sophisticated and being condemned to live on a building site for months or years on end is something which need not cause you concern because it won't happen.

Water and Electricity

There are stories still circulating concerning difficulties with water and electricity during the completion of some urbanisation's. In the past this was a real problem, with the builder being responsible for the supply of electricity until the urbanisation was complete and handed over. Electricity voltage would often be allowed to drop to 160 volts when most appliances would stop working. Today, this rarely happens, with electrical contracts being in place with the generating companies at the time you move into your new property. The same applies to water. Unless that is, you buy a property in a region which suffers from water shortages when little can be done other than not to have bought there in the first place.

What about roads

This is another question which needs dealing with. During the initial construction of any urbanisation the state of the roads is simply that there are none. By the time the first few properties have been built there will still be little more than dust tracks but this situation does not last too long. In granting approval for construction in any area, most councils demand a lump sum be deposited over which they have control to ensure that roads are quickly built.

The builders also recognise the advantage of their heavy vehicles having decent roads to drive on as opposed to dirt roads. Without good roads, a little rain would bring most building sites to a close. If you buy a property on a new urbanisation, make sure there won't be charges at a later stage for road building, street lighting and other things. Check also to see if telephone lines will be connected during the current millennium.

Choice

When you order a property built by any Spanish company there is usually a choice of finish for things like bathrooms, kitchens and floor tiles. Some will offer a choice between gas or electricity or combination of both for water heating and cooking.

Although you will be given an impressive choice of floor tiles you will do well to note the floor colouring of all the show houses you visit. It's no coincidence that most of these are sand coloured. Spain, during the summer can be quite dusty and the beautiful dark brown tiles with the deep shine you select will show every single grain and keep you busy dusting. Bathroom tiles are out of this world and the choices are exquisite. The same can be said for kitchens.

What will happen?

Today in Spain, buyers of new properties can expect double glazing, secure doors, insulation and building to Northern European Standards. Property is expensive and becoming increasingly more so but still represent excellent value for money when compared to that available and priced in the UK and even more so when compared to prices in the ROI.

Whatever happens, there is still time for you to acquire a secure and lasting investment which will bring years of pleasure for you and your family or provide a retirement in a country with a climate envied by most of the world. Just take good advice and don't be in a hurry. That way you'll save money and end up with what you wanted – not what someone wanted to sell you!