



# The Ultimate Guide to Buying a House in Spain

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# Introduction

The process of buying a house in Spain can seem rather complicated to newcomers. Nevertheless, the paths to follow, although extensive, are very established and structured so that anyone, with the minimum of knowledge, can use them to obtain the property of their dreams or invest in a good opportunity.



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According to data provided by the Institute of National Statistics (INE) in 2018, the buying and selling of Spanish property increased 10.1% year on year, outstripping 515,000 transactions in the whole country. We have not seen these kind of figures since 2008, just before the economic crisis.

## What documents do you need to buy a house in Spain?

As a foreign buyer, the only personal documents you would need to buy in Spain would be a passport, a NIE (the Spanish foreign identity number) and have a bank account. Depending on whether you want to buy a house off-plan, second-hand or new, the property documents you need vary slightly.

- ✓ Second-hand residential property
- ✓ New build or off-plan property



## Second-hand residential property

Firstly, either your agent or lawyer will request a **'nota simple' for the property** from the current owner (or you can obtain one yourself from the Property Registration Office by paying a small fee). This document is very important because it indicates the names of the proprietors, and if there are any outstanding charges on it.

Secondly, for properties within an apartment block, urbanisation or gated community, again your agent or lawyer can ask the secretary or president of the residents' association to put in writing whether the property is **up-to-date with its community payments** or if there have been any other established claims or contributions.

Finally, the owner should request an **energy efficiency certificate**, which has been obligatory for some years, and most importantly to know if the house is up to date on its council and waste taxes, and any other municipal taxes, which you can request from the local town hall.

## New build or off-plan property

At the moment of purchasing an off-plan property, the developer must provide to the interested parties the documents that prove the building project has been approved, that it has a **license** and that it already appears in the Land Registry. In these cases, a small deposit should be given before handing over the keys to the property, and you should also request the guarantee policy.

If the house is already constructed, the developer should deliver to his clients all the documents of building works: plans, property description, technical specifications, total and itemised price, and certain legal information on the building, such as the community statuts, horizontal division etc.





# Mortgages:

## How much money will the bank lend?

When you have found the property you want to buy, one of the more “complex” aspects is asking a bank for a mortgage. While it is true that the offer has been arranged, they need to prove the **creditworthiness**, and above all, the saving ability of the client.

With some exceptions, the bank will usually **lend up to 80% of the appraised value** of the property. This means that the client should have enough funds to cover 20% of the property's value (which is known as the deposit) and approximately 10% more, which is required to cover the purchase costs (registration, lawyers, taxes, etc).

In addition to that, the buyer must have a **financially sound personal situation**, that is to say, permanent work, having spent some time within that position, and of course a salary sufficiently high enough to convince the bank that they can cover the monthly payment. In fact according to Spanish law, the **mortgage installments cannot exceed 30% of the total monthly income of a family**. That is to avoid people having to pay over and above their means, and getting into debt, which could lead to another economic crisis like the last.

In certain circumstances, when the operation is not very clear from the bank's risk department they can ask for a guarantor to make sure the payments will be met, but not always. Other exceptions to this are public officials, for whom there are mortgages especially created for them, with 100% of the value of the flat, among other advantages.



# The Taxes:

## How much do you have to pay before and after buying a property?

The biggest cost associated with buying a house in Spain with a mortgage is the payment of **taxes**. When buying a new build property, you need to pay the **IVA** (VAT), which differs depending on the Autonomous Community in Spain where it is located (Andalusia, Madrid, Catalonia etc), the type of property it is, and the time of buying (because this amount can vary significantly). On average, at today's date, it is around 10% of the total value of the house.



If the property is second-hand, you don't need to pay IVA, but you do need to pay **ITP**, which is the Patrimonial Transfer Tax, which also varies between each Autonomous Community. Currently it is between 8% and 10% although there are some reductions for young people, large families, etc, and it always applies to a main residence.

There is also the **Legal Documented Acts Tax**, a charge that is between 0.5 and 1.5% of the deed price, which is generated during the signing between the notary and the subsequent registration. Finally you will need to pay your **notary and attorney or lawyers fees**, which

amount to approximately 1% of the property sale price.

Up to this point, we have mentioned the taxes that have to be paid when you purchase a property. Once the buyer becomes the owner of the property, they will need to bear other costs associated with the daily running of the property: the **IBI** (the Spanish equivalent to council tax) and the **waste disposal tax** (although in many councils these are paid jointly) that are charged once a year and the amount paid depends on the size of the property and where it is located.





## How do real estate agencies work in Spain?

Estate agents act as **intermediaries** between the buyer and seller of a property, and therefore charge a fee for the service and can have exclusivity clauses, although it is certain that each agency has its own ways and methods of doing things.

Traditionally, an estate agency would ask the seller to sign a contract with them giving them authority to sell along with other similar clauses during a period of time. Furthermore, these companies **charge a commission of around 4%**, to both the seller and the buyer. This type of method has almost become obsolete because a real estate market has surged and no longer requires exclusivity, or by not charging the buyer, they are making the property much more attractive.

A much newer entry to the market are startup agencies (called proptechs), which are often much more agile, digitalised and cheaper in their commissions, however do not expect the same level or depth of service compared to a traditional agent, such as helping with the documentation and legal checks for example.

Thesedays, estate agencies charge between 3-5% commission to the seller only, depending on the level of investment they are outlaying to promote their property to the market. However, from a buyers point of view, it is important to select an agency based on not only the properties it has available, but also the level of service that it will provide before, during and even after the sale has completed.



When searching for a property, find out if the managing agent will help you with the purchase process such as obtaining a mortgage, requesting and checking the required documents, and helping you with legal issues, the registration at the notary to name a few. It is also very important to find an agency with a lot of experience, as there are many issues that can arise during the purchase process, which an experience agent will be able to look out for and advise on your behalf.

In each case, these intermediary services have three very important values: on one side is their market knowledge (which most people lack), a database of properties to show clients (it's best to choose those with the largest as they will offer the best choice), and their support provided to the buyer throughout the purchase process (again not all agents do this, so make sure you find one that does).



# How does the property purchasing process work in Spain?

The buying process in Spain does not differ too much to most other countries, however it is good to know not only the steps in the process, but it is important to know what these steps cover and what you will expect along the way. You can also find out more about our personal tips and recommendations when buying a property in our blog [Top Tips to Buying Property in Spain](#).

## 1. The property search

The purchasing process starts with finding your property, in the first instances this is often undertaken via online property portals, which are simple and easy. The majority are configurable and allow you to create alerts, so that you don't lose time continuing to enter search criteria and often send weekly email summaries to users for free. Aspects such as the area, type and size of property and of course price are the most important characteristics when searching for a property. Alternatively, or in addition to the above, people usually seek an agent who can find the property for them. Agents often already have a large portfolio of properties to search through and can also help advise on additional information, such as the local area and amenities to aid your search.

## 2. The viewing

Once you have selected your property, the agent will arrange with the owners to visit it, so you can inspect for yourself whether the property is fit to be your home and if it meets all your requirements. You can view as many properties as you need, but ensure first that it has all the required characteristics on paper. A good agent will arrange travel arrangement for the viewing, even if you are coming for abroad, and know all the right questions to ask the owner while you are there.

## 3. Price negotiations

If you decide that property is for you, then your agent should act as an intermediary between you and the owner to negotiate the best price possible. They will also be able to advise if any previous offers have been made and accepted, which may have subsequently fallen through, in case a deal is to be made.



## 4. The offer

Once you have decided on a price, which is acceptable to both you and the buyer, you or the agent will submit a formal offer. This can be done either verbally or in writing, and can also include other details such as the number of installments, when you will be paying your deposit, the date you wish the transaction to take place and what should be included in the price such as any appliances and furniture etc. You can also accompany your offer with a small advance deposit to make sure the property is taken off the market, but this is not always required.

## 5. Securing your finance

If you need a mortgage, you should have already confirmed with your bank before this point that they will lend to you given your current financial situation, but if not, this is the time to do so. Make sure any other funds you need for the deposit or the full property purchase, are easily accessible, ready for when the transaction takes place.

## 6. Request documentation

Once you have chosen the property in question, the following step would be to what has been previously explained is to **request the documentation**: starting with the 'nota simple' or even the **deeds**, so your agent or lawyer can check all is in order, and if you are obtaining a mortgage you will need these documents to request the property valuation.

## 7. Property valuation

Once you have collated the documentation you need to proceed with the purchase, you will need to submit them to your bank to proceed with the '**tasación**', which is a valuation or appraisal of the property's worth, usually carried out by a third party on the bank's recommendation. Unfortunately, few banks let you choose your own valuator, however as long as the appraiser has been approved by the Bank of Spain, there are instances where the bank will accept it. Remember, if you are requesting a mortgage and the valuation comes in lower than the asking price, the bank will only lend the percentage of that value, so you may need to put down more money as a deposit to make up the difference.

## 8. Appointing a notary and lawyer

With regards to the notary, you are free to choose. Normally, both the agent and banks, have a selection of professionals that they use and recommend due to having worked closely with them in the past or have signed agreements. If possible, the best way economically, is to ask for several quotes and go for the cheapest.

It is always necessary for a lawyer to verify the situation in the Land Registry (which has the final floor on land ownership and where all existing levies will appear). The lawyer shall also prepare the private contract, which shall bind both parties to the transaction and, possibly, notary documents for signature before a notary, once the balance of the price has been paid and the free possession of the property has been transmitted without charge, concluding the sale. There are excellent lawyers in Marbella and many speak fluent English and other languages. The best way to find one is by personal recommendation or by your agent.

## 9. The signing

Going to the signing with or without a lawyer is completely optional and depends on how much security the buyer wants, as the notary is present specifically to make sure that there are no errors or problems with the transfer of the property. Also if you have a good agent, they will also accompany you to the signing to make sure all the procedures are correctly carried out.



## Pre-checks to make before buying a house

Once you have found your dream property, it is advised to do some pre-checks to investigate everything that surrounds it, which will help to **avoid future problems**, and is usually something, which your agent can assist. We have already mentioned some of them: to have the 'nota simple' providing the details of the house or the document from the community president, assuring that the current owner is up-to-date with their payments.

## Apartment Blocks and Urbanisations

One of the subjects which generates the most controversy in the community are contributions that can arise at any moment, in which case it is a good idea to check the state of the building before purchasing the property. The seller may not even be aware of these issues so the most reliable information will be from the community administrator.

Again when purchasing a property located within a community (a house or apartment which enjoys shared facilities such as a communal pool, gardens or security), you should also ask if the community has recently passed its ITE (Technical Building Inspection) or if something needs to be improved, in case it has issues to do with damp, noise etc. Subjects such as plumbing, electrics and drainage are common elements that have to be modified or upgraded every now and then, and can be quite expensive, so that it is important to collect these details.

The state of the common areas of a building block can give you an idea of the type of neighbours that reside there: cleanliness, maintenance, are there personal items blocking passages etc. Of course, there is no need to mention those that could cause noise or create conflicts in the future.





## Villas and Country Houses

It is also highly recommended to make sure that all parts of the building, including extensions, out-buildings on the land or a swimming pool for example, have been legally constructed and any additional square meters has been added to the land registry. Your lawyer will naturally do these checks when you begin the purchase process, and your agent can also check the nota simple or property deeds to make sure everything is correctly documented, however it's always good to ask the owner if there are any outstanding legal issues when you view the property. In any case, it is not a major concern as if they have gained the correct building permits, any additions can be added to the deeds, which shouldn't take more than a few weeks, especially if 5 years has passed since it's construction and no complaints have been made against the extension of property.



# Renovations

## What permits do I need to add an extension to or change the structure of a property in Spain?

Changing the distribution of a property to create more bedrooms, or on the contrary to create a more open-plan layout can be time consuming, not just from the construction works themselves, but getting the correct permits in place in advance.

The amount of paperwork and red tape you need to complete will depend on the **type of construction works**, but it is always necessary to first appoint an architect to draw up the plans and then submit them to the town hall to request a permit, and the duration of this process can vary considerably from one town to another. The easiest and quickest type of construction permit in Spain is called **'obras menores' or 'minor works'**, which consists of putting up a partition or knocking down a wall inside the property for example. For any works affect the exterior of the building such as an extension, or changing windows or doors, you will need a **'obra mayor' or 'major works'** permit.

When the renovation does not affect the structure of the property it is not necessary to present to the council a project of works which has been created and signed by an architect, but you will need to if you are planning to redistribute rooms. Even if the works seem very simple, in theory, it can still affect other matters such as the **'cédulas de habitabilidad' or 'occupancy permits'**, which all properties have, and which are also municipally managed.

Some of the more controversial matters at the point of renovating your home are supporting walls, which cannot be touched in any way, since they support the structure of the whole building. If you are considering any property renovation, before or after purchase, it is always a great idea to turn to a professional, not only to get a quote to find out how much the construction will cost which you may need to consider before buying your property, but also to make sure that there will be no major problems and that guarantees will be provided.



## Conclusion

Buying a property is always a very exciting project, whether it's just for investment or if you are going to make it your home. In Spain, the procedures required with the buying property can be quite daunting and time-consuming, which is why it is so important to use an experienced professional such as an agent to guide you through the process, as they

will know the right checks to make and how to speed things along to make everything run as smoothly as possible. However, if at any stage you are in doubt, always good to keep in mind, that with the great value of homes available in Spain along with its beautiful climate, it will be well worth it in the end.







## CONTACT US

PHONE: + 34 951 56 05 11

WEB: [sunandgolfproperties.com](http://sunandgolfproperties.com)

EMAIL: [info@sunandgolfproperties.com](mailto:info@sunandgolfproperties.com)

ADDRESS: Rosemary 3 Nuevo Rosario, Floor 1 (C. C. El Rosario),  
29604, Marbella, Malaga

