

Six key tips to buying a real estate property

Spain

Neil Collins

Asesor Inmobiliario

+34 648-02-28-74

neil.collins@expglobalspain.com

neilcollins.exp-spain.com





Content

Page 5

Before starting, a comment.

Page 6

Key 1: The purchase process: step by step

Page 8

Key 2: New, used, or pre-construction properties?

Page 10

Key 3: A mortgage loan? Cash? Both of them?

Page 12

Key 4: What do I need to know to acquire a mortgage loan?

Page 14

Key 5: How to know in which area to buy a property?

Page 16

Key 6: The importance of the real estate agent





Before we start, a comment:

A significant number of people consider, at some point, selling a property for various reasons. Some of them may be that you no longer want to live in a specific area or do not want the property and feel it is the right time to sell it.

However, the process of selling a property is not always straightforward, so it is essential to have some knowledge and professional help at hand to provide you with advantages over current offers on the market.

This practical guide provides essential keys that can help you sell a real estate property.

When it comes to selling, the relevant information never hurts.

Key 1

The purchase process: step by step

A brief and simplified explanation of the process of buying a property.

Step 1 - The offer

When you have already selected the property you want to purchase, it will be necessary to make an offer; this is the legal mechanism used so that the seller knows that you are interested in buying the property and the price for which you want to buy it. The real estate advisor is the person in charge of guiding you in the creation of this document. This offer must include all the conditions for the purchase (mortgage, times, etc.), if applicable. If the purchase is made in cash, it must be with funds from a bank account in the Spanish State. >>



Step 2

Acceptance of the offer

If the seller accepts the offer, all pertinent documentation of the transfer of ownership will begin to be prepared; the agency or the real estate consultant will do this. For this, the buyer must reserve the property that he wishes to buy by paying a percentage of the amount. Which generally ranges between 5% and 10% of the final amount of the offer. The buyer will transfer this money to the owner on account of the agreed price.

Step 3

The deed of sale

Once the financing is clear and all the documentation is in order, a date will be requested to sign the public deed of sale, which will be signed at a notary's office. At the time of signing, the buyer will deliver the payment of the remaining amount of the agreed price of the property, and the seller will give possession of the property to the new owner.

Key 2

New, used, or pre-construction properties?

Among the possibility of buying properties, there are mainly the following:

- Second-hand properties.
- New properties or properties that were completed less than six months ago.
- Pre-construction properties, under construction, or new developments.

Second-hand properties

They are properties that have already been transferred previously, in which someone has already lived, and their current owner wants to sell it. The prices of these properties are set according to the market, that is, the amount of supply and demand. Your real estate advisor has access to the listings of these properties by prices, characteristics, and areas.

New construction properties

New construction properties are usually understood to be those that have not been previously transferred or that were transferred but in which no one has ever lived. The prices of these properties are usually not negotiable. The price usually varies according to the surrounding market. >>>

Properties in pre-construction or new construction

In recent years, the promotion and construction of real estate have been reactivated. These projects start to sell even when the first earthmoving has not yet started. Generally, the longer it takes to finish construction, the better the purchase price. If you can wait, you could find good investment opportunities in this pre-construction market if you are not in a hurry. Ask your real estate agent about these new constructions.



Key 3

A mortgage loan? Cash?

The payment method to use to purchase a property will depend on the amount of money you have to invest and your mortgage debt capacity. The budget will help you choose the area, the type of property, and the main characteristics.

There are mainly two payment methods:

- Through a mortgage loan granted by a financial institution.
- Through a cash payment.

If your option is to buy using the cash mode, you know what budget you can access. However, even with the money, it is always good to consider financing for two reasons: one, since interest rates are so low, you are not interested in going undercapitalized, and two, you can consider buying a more valuable property.

Remember that the bank will finance you a maximum of 80% of the appraised value, and in some banks, even if this appraisal is higher than the sale price, they will finance you 80% of the lower value. You must have a saving of 20% of the deal, plus purchase and sale expenses. >>

People who do not reside in the territory of Spain can obtain financing, but this should not exceed 50% of the value of the home.

Once you are clear about the payment methodology you want to use (cash or home loan), we can talk about the budget; this will allow you to determine the areas and types of properties you could have access to.



Key 4

What do I need to know to apply for a mortgage loan?

A home loan or mortgage consists of obtaining money to buy, refinance or improve a home. Before applying for a mortgage loan, you should take into consideration the following recommendations:

1. Find out the current interest rates: You will need to do internet searches or call several mortgage lenders to get this information.
2. In Spain, the reference interest rate is the Euribor, and you must know that the French method is used; that is, in the beginning, you pay most of the interest, and they are reduced as the years go by. For this reason, the less time you choose to repay the loan, the less interest you will pay.
3. Look for information in different banking entities: with the information provided by various banks, you can compare the other loans and terms. Likewise, you must ask for the requirements that they put, that is, what they ask of you to give you those conditions: life insurance, home insurance, direct debit payroll, cards, pension plans, etc.; this is very important because it will provide you with the information of the total amount that you are going to have to pay throughout the year. Likewise, it is essential to see both things, since if you have a low-interest rate, but the requirements are many, you will pay more than with one that asks you for fewer requirements and a higher rate. >>

- Find out if they work with fixed or variable interest: variable interest rates can vary during the mortgage period, so you only have the security of the amount of the letter during a period, and it is usually reviewed after six or twelve months. The fixed rate is usually a little higher than the variable, but this gives you the peace of mind that you will always pay the same letter and not change over the months and years.
- Most banks ask for an initial contribution of 20% of the price of the house. However, some banks grant you 80% of the appraised value, which in some cases is higher than the sale price.
- Ask what interest they will give you if you pay the loan in advance or advance amounts partially. With this last option, you can choose between lowering the letter's total or decreasing the financing time.



Key 5

How to know in which area to buy a property?

As a real estate consultant, I will help you every step of the way regarding area selection. As a first point to consider, it is essential to know what you want the property for; to live, rent, or as an investment.

Investment and rental properties

If investing is your thing and you want a property that will pay off, I suggest being flexible with your location selection. It would be best if you focused your primary motivation on protecting your wealth and how to make it grow. Choose your target market, that is, who is it you want to rent the property to: students, new families, established families, singles, etc. Then select areas where that type of market is located. It is also essential to consider the statistics of property price changes in the area to know if you could generate a profit once you decide to sell it in the future. >>

Main or holiday home

In this decision, the objective and the most important thing is the safety and comfort of your family. Therefore, you must take into account the following variables before selecting the area where to buy:

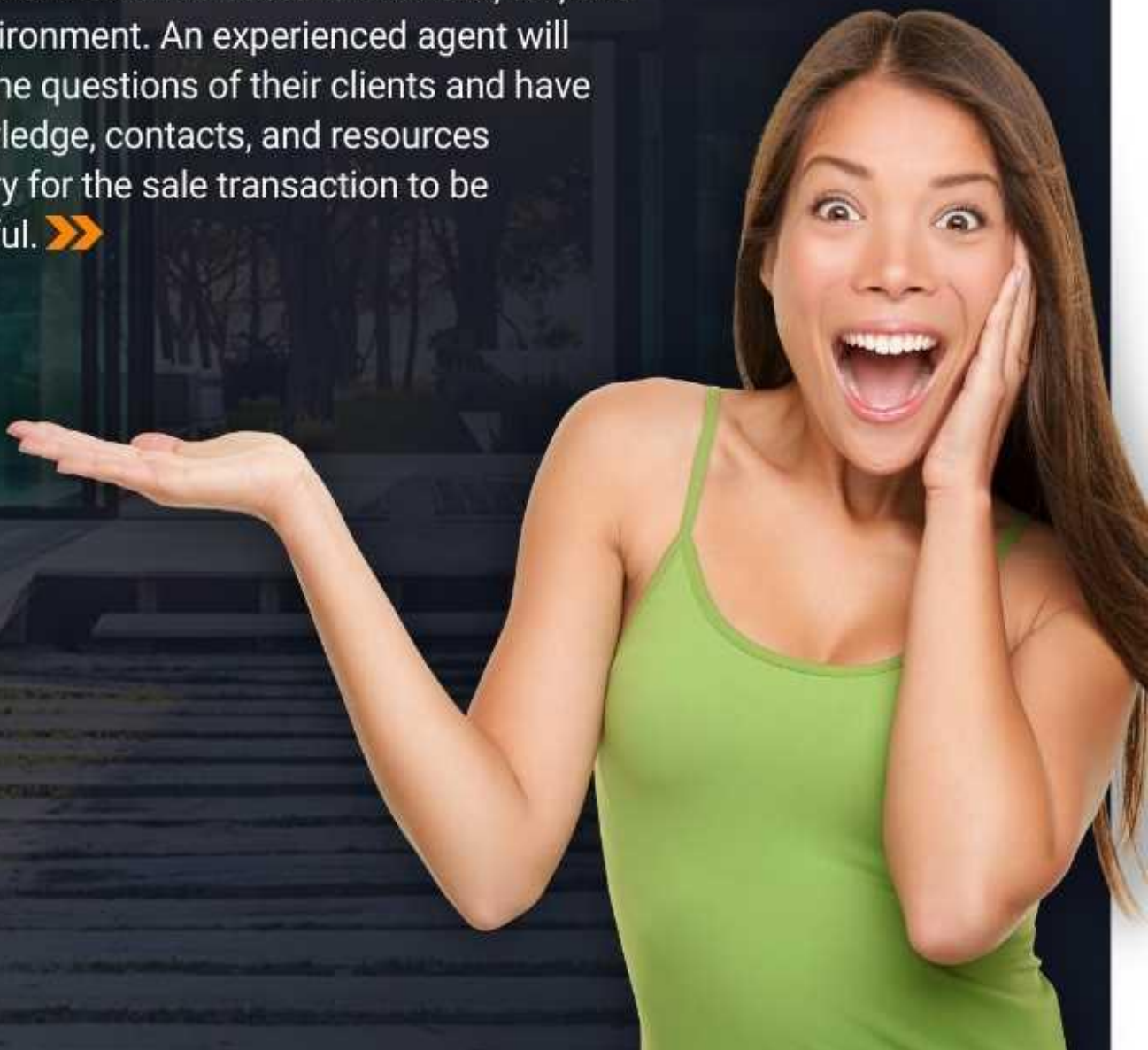
- Schools and educational zones if you have children under 21 years of age. The best school is the one closest to your home.
- Distance from your working area.
- Will you have pets?
- Will you have an office at home?
- Commercial areas.
- Recreation areas.
- Near what do I want my new property to be located?
- How much space do I want? (Dimensions of the property)
- Would I be interested in a property that is to be renovated?
- How important is property appreciation to me?



Key 6

The importance of the real estate agent

A real estate agent is a consultant specializing in the purchase and sale of residential and commercial real estate. The guidance of a real estate advisor is critical when acquiring property because he knows the sector's financial, tax, and legal environment. An experienced agent will answer the questions of their clients and have the knowledge, contacts, and resources necessary for the sale transaction to be successful. >>



Who pays the agent's fees?

In a property sale and purchase transaction, there are, in general, two agents involved, although it is common to find a mediating agent who manages both parties.

Usually, the person who sells the property is in charge and is responsible for paying the agent's fees, which are generally between 3% and 6% of the sale price; this means that the buyer does NOT pay the commission and should not worry about this.

However, there are communities in which both those who sell and those who buy pay. Also, it should be noted that if the buyer hires a personal shopper, fees must be paid throughout the territory since it is an extra service that adds value to the exclusive management of the buyer.