



Property buying process in Spain

Buying process

Once you have found the ideal property on the Costa del Sol and have decided that you wish to move forward with the purchase, the next step would be for The Palm Tree Group to draw up a “Reservation Contract”.

A reservation contract is used in Spain as a standard procedure to reserve a property for a specified period of time whilst your lawyer conducts the "Due diligence"*.

What is a reservation contract?

The reservation contract would set out the basic terms and conditions of the purchase and would then be approved and signed by both the buyer and the vendor. This is a temporary reservation document only.

Such a document would include:

- Full name of buyer and vendor
- Price of the property
- Property address
- Date to sign a “private purchase contract”
- Other special conditions (subject to finance)
- Deposit amount placed to reserve the property

A 6.000 euro deposit will secure the property while the “due diligence” is being conducted. This deposit can be paid by credit card, bank transfer or in cash, it can be held at The Palm Tree Group's nominee account at the ING bank or with a lawyer of your choice. The 6.000 euro serves to reserve the property whilst your chosen lawyer conducts the due diligence and you may also want to arrange a mortgage during this time. This reservation deposit is fully refundable in the event that your lawyer should discover any legal impediments pertaining to the said property. Should you continue with your purchase after the due diligence the 6.000 euro will be used towards the purchase price.

What happens next?

Once your lawyer has conducted a full and thorough due diligence, he/she will inform you of their findings and discuss moving to a private purchase contract if applicable.



What is a private purchase contract?

A private purchase contract is a contract between the consumer and the vendor, again typically setting out the terms and conditions of the contract. The contract will be prepared by your lawyer and will contain:

A legal declaration from the vendor that he/she is legally positioned to sell the property respectively

The exact address and dimensions of the property and its features as set out in the “referencia Catastral” Government registration of the property.

The completion date and hand over of the keys etc...

The agreed terms and conditions as agreed by the consumer and the vendor.

Buying costs

The buying costs in Spain vary from 10% to 13.5% of the purchase price, broken down as follows:

- 10% IVA (VAT) on NEW properties, 8% to 10% IVA (VAT) on re-sales depending on price category
- 1% Notary fee (notarization of property cost)
- 1% Legal fee (a fee charged by your selected lawyer to conduct the Due diligence*)
- 1,5% Stamp Duty Tax (a tax charged to make all documents legally effective)

If you need a mortgage, you should calculate an average of 1- 1.5% cost for the set-up fee of a mortgage with a local Spanish bank.

**Due diligence: The act of performing reasonable investigation into the Real Estate transaction at hand and includes but is not limited to: any outstanding debts on the property, violations, a review of the buildings permits and/or certificates.*