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Buying guide in Spain

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How to buy a property in Spain?

Step by step buying process using the example of the Costa Del Sol region

Here you will find a step-by-step guide on how the property buying process works in the Costa del Sol region of Spain if you decide to do it with us. The collaboration usually begins with a consultation via Zoom or by phone, where we go through all the important steps together.

No small talk, we get straight to the point.

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How do you buy property in Spain as a foreigner?

It doesn't matter if you're coming from America, Europe, India, or the UK – the buying process is the same for everyone. To ensure a safe transaction, you need a reliable local real estate agent and a lawyer who specializes in property law.

But now, let's get into the buying process in more detail.

1. What kind of property are you looking for and what is your actual budget?

This is exactly the phase where poor preparation will end up wasting both your time and money, as well as that of others. If you lack prior experience, now is the time to take advice most seriously.

Put your wishes on paper

Please decide what criteria your desired property in Spain must meet. Be specific and rank your requirements in order of importance. Are you buying for personal use, for renting, or as an investment?

Also, note what you are willing to compromise on and what absolutely must meet your conditions.

What is your actual budget?

You need to know that when you see property listings, they do not include additional costs and taxes.

- For resale properties, add approximately 10% to the purchase price.
- For new developments, expect to add about 13% to the purchase price.

The more realistic you are about your budget, the better it will be for you.



Do you need a loan from the bank?

Determining your need for a loan should be done in the early stages, as the later this issue arises, the more stressful your property buying process will become.

2. Choose and work with a local real estate agent

I can assure you that with the right agent, you will spend less time and money, and the entire buying process will be much smoother. Ask for recommendations from friends who have purchased property before or do your own research.

Does the real estate firm have a website? Are they active on social media? What can you find about them on Google? Call and ask what they have sold in the past, and have a specific agent describe the area you are interested in.

A good real estate agent will be able to recommend areas and properties that align with your goals.

Arrange a phone call, video chat, or Zoom meeting with the agent to better understand their competence and see how well you connect.

Keep in mind that on this market, all agencies have access to the same properties, as most are listed in a shared database, **Resales-online**, where all active listings are available.

Here, the seller has their own agent and lawyer, and the buyer has their own agent and lawyer. All of them work together to ensure both the seller and the buyer are happy and the transaction goes smoothly.

Note: Once you've selected a real estate agent through your preliminary research, stick with them until the end. Please respect their work and don't involve other agents, as they all have access to the same properties. I will explain this further during our consultation.

3. Searching for the right house or apartment

Once you've set your budget and property requirements, it's time to start your search. A local real estate agent can be of great help here.

Yes, you can find many suitable properties on Idealista, Fotocasa, and other portals, but they all share a common issue. It's possible that the house or apartment you're interested in has already been sold, yet the listing is still active, or the property doesn't exist, or you simply don't get a response.



However, once you've clarified your preferred area and criteria, you'll start to understand what kind of property you can afford within your planned budget.

A local real estate agent can send you listings from their own database that match your criteria, and they can also assist you by gathering information and answers about the properties you've found yourself. This saves you time and effort.

Note: If you contact a listing on Idealista yourself, you automatically become their client, and we won't be able to assist you further.

In cooperation with your agent, select around 10 properties, rank them in order of importance, and prepare for the next step.

At this point, your real estate agent will plan the viewing day(s) for you, coordinate the times and locations, and set the best route.

4. If you need a loan, start working on it now!

Quite often, during the search process, you'll realize whether you need a loan to buy the property or not. If you do, you have several options for obtaining financing:

- Take out a loan from your home country.
- Take out a loan from a Spanish bank.
- Find another financial source (must be verified).

If you have property in your home country with sufficient value to use as collateral, the loan application process may be faster and simpler than in Spain. Take the necessary documents to your bank to find out how much loan they will offer you.

Note:

Make sure to ask the bank for written confirmation of the maximum loan amount you can receive.

Foreigners can also get a loan in Spain

Yes, your property purchase can be financed up to 50% to 70%. To do so, local banks will require a large number of documents to assess your financial capability. This process usually takes more time and requires more documentation compared to your home country.



For foreigners, interest rates tend to be higher, and for non-EU citizens, the loan conditions can be even stricter.

I highly recommend involving a local lawyer or a broker who specializes in loans. If a Spanish bank approves your loan, it's also worth opening an account at the same bank.

It's crucial to submit your mortgage application early, along with all the required documents, so that the property buying process proceeds more confidently and smoothly.

5. Property Viewing and On-Site Technical Inspection

When reading other articles online, you'll find that very few mention this point. Now that you've selected around 5-10 properties of interest, it's the right time to visit them in person with your real estate agent.

The first viewing will give you an initial impression, and an experienced agent can point out important potential issues – whether it's ceiling defects, problems with walls or foundations, an old electrical system, or air conditioning.

We have a detailed checklist for you to use during the inspection, helping you avoid significant expenses later on.

If desired, you can also hire a specialist to conduct a technical assessment of the property and provide a report. This will give you a precise overview of possible renovation costs and can serve as a valuable tool in price negotiations.

By using the checklist and visiting several properties, you'll quickly understand where more technical issues are present. In 90% of cases, you won't find a property that meets all of your criteria.

Compromises will need to be made, and additional investments might be required. For example, the view might be stunning, but the property needs renovation. Or perhaps you want an older Andalusian-style house with modern technical features, or you'd like shops, restaurants, and schools to be within walking distance, yet also desire peace, quiet, and a touch of nature around the house.

6. Making an Offer and Negotiating the Price

Once you've found a suitable property, the next important step is making an offer and negotiating the price. Your real estate agent will be a valuable resource during this process, as they have a thorough understanding of market prices and local offerings. The agent can research recent sales of similar properties in the area, provide insight into the average prices for comparable properties, and help you formulate a reasonable offer based on this information.

Of course, you can also research similar listings on major property portals to compare conditions and prices.

The Role of Your Agent in Negotiations

Your agent will not submit an offer on their own but will consult with you to find the best approach. Often, selling agents can provide hints about the owner's minimum price – the lowest price they are willing to accept. While these hints can be helpful, the final offer should always be based on actual market values, not assumptions.

Throughout the negotiation process, agents are in constant communication. Your offer is first discussed with the seller's agent, who then conveys it to the owner. Likewise, any counteroffer will be relayed to you through your agent, ensuring that all details are clear and understood by both parties.

Arguments Used in the Offer Process

What can help lower the price? For example, if significant issues were discovered during the property inspection, they can be used as a bargaining tool. An experienced agent will highlight defects that require additional investment and use these as arguments to justify a lower offer.

Additionally, a report from a technical inspection can provide a precise assessment of the property's condition and future expenses, which can be used to support your offer.

If you learn the reason for the sale during the viewing – such as a job relocation to another country or city, a need for extra cash, or a desire to move closer to family – the owner may be more willing to lower the price for personal reasons and may seek a quick sale. Also, if you don't need the owner's old furniture, this could reduce the price. Another key argument is having funds readily available, meaning no waiting for bank approval.

The negotiation process is a collaboration, and your agent's role is to ensure you have all the necessary information and that your offer is well-founded and realistic.

7. Signing a Reservation Agreement

The price offer has been accepted by both parties, and it's time to sign the reservation agreement. This document is prepared either by the buyer's agent or the seller's agent, depending on their mutual agreement.

At first glance, it seems like a simple agreement to reserve the property, but I must emphasize that it is a document that will be examined in case of any disputes or issues.

This agreement is crucial to protect your interests as a buyer and ensure that all important terms are clearly defined.

What should the reservation agreement include?

1. Detailed description of the property

- Exact address and type (apartment, townhouse, house, etc.).
- Associated parts of the property (e.g., parking space, storage room) and their description.

2. Amount and conditions of the reservation fee

- Clear indication of the reservation fee amount.
- How, when, and to whom the fee is paid (e.g., bank account details and deadlines).
- Conditions under which the reservation fee will be refunded to the buyer or retained by the seller (e.g., in case of termination due to the buyer's or seller's fault).

3. Property price and payment terms

- The total price of the property fixed in the agreement.
- Further payment terms (e.g., initial deposit, final payment, use of financing options).

4. Seller's obligations

- The seller's obligation to remove the property from the market after signing the reservation agreement.
- The seller's obligation not to enter into any deals with third parties during the reservation period.

5. Deadlines

- Deadline for payment of the reservation fee.
- Deadline for signing the preliminary contract and paying 10% of the price.
- Deadline for final payment and signing the notarial contract.
- Consequences of missing the deadline (e.g., contract termination, forfeiture of the reservation fee).

6. Buyer's rights and obligations

- The buyer's obligation to fulfill all the agreement-related commitments (e.g., paying the reservation fee and adhering to the payment schedule).
- The buyer's right to conduct a legal check on the property and receive necessary information about it.
- The buyer's right to a refund of the reservation fee if financing from the bank is not obtained, provided this is stipulated in the agreement.

7. Possible conditions for withdrawing from the agreement

- Conditions under which the buyer or seller can withdraw from the reservation agreement.
- Consequences of withdrawal and conditions for returning or retaining the reservation fee.
- If the buyer withdraws, the reservation fee is forfeited.
- If the seller withdraws, they must pay the buyer double the reservation fee.

8. Special clauses

- Clauses regarding the property's condition or any repairs the seller may have agreed to before the final sales contract (e.g., minor repairs, painting, installing appliances).
- Clauses addressing specific wishes or demands from the buyer (e.g., inclusion or removal of furniture).
- If the furniture is included, a precise inventory list must be attached.
- If the property is tenanted, the agreement should specify when the tenants will vacate the premises.

- The date when the buyer is entitled to conduct a final inspection of the property before the notarial transaction.

9. Confidentiality clauses

- Both parties' obligation not to disclose the terms of the agreement or the property price to third parties without mutual consent.

10. Legal and notary fees

- Responsibility for legal and notarial fees related to the contract signing and property transfer.
- Typically, the buyer pays the notary fees, unless otherwise agreed.

11. Applicable law and jurisdiction

- The laws applicable to the agreement.
- Agreed jurisdiction (usually the local court), where any disputes related to the agreement will be resolved.

12. Signatures and dates

- Both parties' signatures, confirming their agreement to the terms.
- The date of signing the agreement.

Note: It's good practice to first sign the reservation agreement and then, once both parties have signed, the buyer pays the reservation fee according to the agreement, whether to the buyer's lawyer's client account, the seller's lawyer's client account, or the client account of the real estate firm representing the seller.

Your real estate agent should act in your best interest as the buyer, informing and protecting you from potential risks. They must ensure that all necessary points are included in the reservation agreement, whether related to a mortgage, furniture, the possibility of short-term rentals, tenants, etc.

8. Granting Power of Attorney to a Lawyer

Why is it beneficial for you?

You can grant power of attorney to a lawyer at a notary either at the earliest opportunity or after finding a suitable property.

If you do it right away, the lawyer can also apply for a mortgage on your behalf.

Once you grant power of attorney, you don't need to handle the process yourself.

What does it mean when the lawyer handles everything for you?

- **NIE application**
The NIE is an identification number given to foreigners who engage in economic, professional, or social activities in Spain. Without an NIE, you cannot buy property here.
- **Mortgage application**
If you need financing for the property, the lawyer will handle the mortgage application.
- **Opening a bank account**
The lawyer will open a bank account in your name.
- **Legal check of the property**
The lawyer will ensure the property is legally sound and free from issues.
- **Preparation of preliminary contracts and transfers**
The lawyer will prepare the preliminary contract and make the necessary transfers.
- **Preparation of the notarial contract**
The lawyer will prepare the final sales contract and make the required payments on your behalf.
- **Property registration**
The lawyer will officially register the property in your name.
- **Arranging utility contracts (electricity and water)**
The lawyer will set up all necessary utility contracts.

- **Arranging internet and utility bills**

If needed, the lawyer will help arrange internet contracts and pay the initial utility bills.

This makes the entire process safe for you, and you won't need to spend your time and energy on administrative tasks.

The legal fee in Costa del Sol is typically 1% of the property's purchase price plus VAT.

9. Legal Due Diligence for Property

While you or a specialized firm conducts a technical inspection of the property, your lawyer will check the following:

- **Property ownership**

Does the seller have the legal right to sell the property, and is it registered in their name? The lawyer checks the **Nota Simple**, an informative document that provides a quick overview of the legal status of the property, while the *Escritura* is the official notarial deed that confirms the previous owner's property transaction and transfer of ownership.

- **Encumbrances and mortgages**

Is the property encumbered by mortgages, loans, restrictions, or other rights that could affect the purchase or future use of the property?

- **Planning and building permits**

Is the property built and used in compliance with current planning and construction regulations? The lawyer will also check if the property has all the necessary permits and certificates, including an occupancy license.

- **Connections to centralized infrastructure**

Does the property have access to essential infrastructure such as water, electricity, sewage, and internet?

- **Taxes and fees**

Have all local taxes (such as property tax and garbage collection fees) been paid, and are there any outstanding debts?

- **Restrictions and easements**

The lawyer will investigate whether the property is subject to any legal restrictions or easements (e.g., access rights or usage restrictions) that could impact ownership or usage.

- **Community-related issues**

If the property is part of a community (e.g., an apartment building), the lawyer will review community documents, regulations (including short-term rental permissions), financial statements, and any outstanding debts to the community.

- **Environmental concerns**

The lawyer will check if the property is located in a protected environmental area or subject to other environmental restrictions that could affect its use or future development potential.

- **Contract review**

The lawyer will review the sales contract and any other related agreements to ensure clarity and legality of all parties' rights and obligations.

- **Historical or cultural restrictions**

If necessary, the lawyer will check whether the property is listed as a historical or cultural monument, which may limit renovation or development possibilities.

Now you can see that handling all of this on your own is complicated and time-consuming. When your lawyer takes care of it, you can sleep more peacefully at night.

10. Signing the Private Purchase Contract and Paying the Deposit

After your lawyer has completed a thorough legal check of the selected property and all preconditions outlined in the reservation agreement are met, the process moves to signing the Private Purchase Contract. The lawyer is responsible for preparing and signing the preliminary contract, and if authorized, they can sign it and pay the deposit on your behalf.

Some key points the preliminary contract should include

- **Deposit amount and conditions**

The deposit is usually 10% of the property's price. It's important to note that if the buyer decides to withdraw from the transaction without a valid reason, the deposit may be forfeited to the seller.

- **Legal issues with the property**

The buyer has the right to withdraw and receive the deposit back if, during or after the legal due diligence, hidden encumbrances, mortgages, missing building permits, or other legal issues are discovered that were not disclosed to the buyer.

- **Seller's breach of contract**

The buyer has the right to withdraw and receive the deposit back if the seller fails to meet the conditions specified in the preliminary contract, such as not removing the property from the market or failing to correct agreed-upon defects before the notarial transaction.

- **Significant property damage**

The buyer has the right to withdraw and receive the deposit back if the property is significantly damaged before the final sales contract is signed, for example, due to a natural disaster or fire.

- **Third-party rights**

The buyer has the right to withdraw and receive the deposit back if it turns out that third parties have rights to the property that were not previously disclosed and could affect ownership or the use of the property.

Your lawyer will go over the preliminary contract with you before signing it on your behalf.

11. Property Inspection Before the Notarial Transaction

Why inspect the property before the notarial contract?

For instance, if the seller is a non-local resident and issues arise after the transaction, you may never see the former owner again to address your concerns.

You can conduct the final inspection yourself, hire a service for it, or ask someone competent to ensure the following points are checked:

1. Confirmation of property handover

Ensure that the property is vacant and ready for transfer to the buyer, including the departure of any previous residents or tenants.

2. Inspection of the property's condition

Confirm that the property is in good condition and meets the agreed terms, including any necessary repairs that have been completed.

3. Receipt of property documents and keys

Verify that all necessary documents (e.g., energy efficiency certificates, warranty documents) and keys are ready to be handed over to the buyer.

4. Functionality check of appliances and systems

Ensure that all appliances and systems included with the property (e.g., heating, cooling, water supply, electrical systems) are functioning properly.

5. Payment of the final utility bills and taxes

Confirm that all utility bills and local taxes have been paid by the seller to prevent future liabilities for the buyer.

6. Discovery of hidden defects

Check for any new or hidden defects that may affect the property's value or the buyer's decision to proceed with the transaction.

7. Furniture and inventory check

If the contract includes furniture or other items, verify that they are still on-site and in good condition.

8. Confirmation of agreed changes or repairs

Ensure that all agreed-upon changes or repairs have been completed and meet the buyer's expectations.

Typically, we visit the property with the client a few days before the notarial transaction to verify the agreed conditions and the state of the property.

12. Notarial Property Transaction

The notarial transaction is essentially the finalization of the property purchase and a control mechanism, as all preparatory work has already been completed by the lawyers. If you are using a mortgage, a representative from the bank will also be present at the notary's office, as two documents will be signed simultaneously.

The *Escritura Pública de Compraventa* (public deed of sale), signed at the notary, is drawn up in the new owner's name. This is the official document that confirms the transfer of property ownership from the seller to the buyer.

Congratulations!

Key handover and good to know!

In Spain, once the notarial transaction has taken place, the previous owner typically does not hand over the keys in person or explain how things work in the property. You usually

receive the keys from your real estate agent or lawyer, and you can go to your new home and start arranging things as you like.

13. Registering the Property in Your Name

After the signing of the sale-purchase agreement, the notary sends a notification to the Land Registry about the transaction. It is then your or your lawyer's responsibility to ensure that the property ownership is registered in the Land Registry under the new owner's name.

This process can sometimes take up to 30 working days, but once confirmation is received, the transaction is officially finalized.

Note

If you plan to rent out your property short-term, you will need the Land Registry certificate proving that the property is officially registered in your name before applying for a tourist license.

14. Setting Up Electricity and Water Contracts in Your Name

Your lawyer will handle the process of setting up electricity and water contracts so that you can start using your new property right away. Depending on the service provider, the contract setup fee may range from €150 to €200.

If you also need an internet connection, your lawyer can assist with that as well, but you will need to be present for the technicians to install the router.

15. Paying Taxes Related to Property Purchase

Usually, your lawyer or real estate agent will provide you with an estimated calculation of how much money you should have transferred to your Spanish bank account. Here are a few examples.

Example of a resale property sold on the Costa del Sol

Privately owned property with a purchase price of €500,000.

- Purchase price = €500,000
- Transfer tax 7% = €35,000
- Lawyer's fee 1% (+ 21% VAT) = €6,050

- Notary and registration fees (Land Registry) 0.5% = €2,500

Total = €543,550 (additional costs €43,550).

Example of taxes for a new development sold on the Costa del Sol

- 10% IVA (VAT)
- Notary fees range from €1,500 to €2,000 depending on the purchase amount and additional documents
- Land Registry fees range from €900 to €1,500
- 1% + VAT for the lawyer's fee for legal assistance
- 1.2% stamp duty (tax for registering all documents, applicable only to new developments).

If you use a mortgage from a Spanish bank to purchase the property, there is a service fee of 0.5% to 1.5%. Property valuation costs approximately €600.

16. How long does the process take until you get the keys?

In short: plan for 2-3 months.

If you, as the buyer, are well-prepared and have the funds available in your bank account, the entire process will take a maximum of 2 months. Yes, there are exceptions, but generally, you should plan for two months.

Keep in mind that the legal due diligence performed by the lawyer typically takes the most time.

If the buyer hasn't prepared the necessary documents for the sale in time, this will also delay the entire process.

Buying property with a mortgage can take up to 3 months before you get the keys.

If you've read the entire text up to this point, give yourself a pat on the back!

This was the first step.

The next part is Taxes on Buying and Managing Property on the Costa del Sol.

This information will be sent to you via email exactly one week from now.

If you have any questions, feel free to email eve@merlishomes.com.