



in
focus



Property

profile

with Nick Snelling



When it comes to buying property in Spain, the potential for a good investment is met by a range of pitfalls that could lead you to a bad one. The key to success, however, lies in a sound analysis of the market.

This is hard enough to do in one's own country, but particularly difficult in a foreign land. But purchasing the right property, at the right time, in the right place is crucial to any buyer wishing to invest safely for the future.

On the face of it, the Comunidad de Valencia has a thriving property market with strength in depth. However, cracks are appearing. The Spanish property market has been slowing over the past eighteen months, with the Comunidad de Valencia, in particular, being guilty of 'shooting itself in the foot' by allowing 'Land Grab' to become a major concern. It has reacted slowly to justifiable concerns and dreadful press coverage and has taken far too long to pass a replacement law (the LUV).

In any event, the Spanish are clearly over-building. Every pueblo, town and patch of spare ground, either coastal or inland, is a building site. Either there has been a native population explosion of the wealthy or the Spanish truly believe that the flood of North Europeans will continue unabated. And if they do continue, that North Europeans will change their dreams of owning a villa to that of an *adosado* on an ugly new estate devoid of amenities.

The perception amongst North Europeans, who continue to be an important market driver, is that property in Spain is still cheap. This is simply no longer the case. Whilst it is extremely difficult to gauge raw price differentials, it is likely that, within an hour of the coast, property prices are probably only some 25% - 30% less than they would be in the UK for an equivalent standard of house. This is a blow to the expectations of many North European buyers who do not realise that Spain bares little relation to what it was even ten years ago.

Spain is now a sophisticated, first-world country providing an astonishingly fine quality of life within a politically and

economically stable environment. Education, healthcare and communications are excellent and are combined with a superb climate and a native population that is amazingly tolerant and kind. The nuclear community still largely exists and crime is nothing like that experienced in Northern Europe. On any objective basis, Spain *should* be an expensive place to live, ranking alongside the UK, Germany and the Benelux countries.

The prices of properties within the Comunidad de Valencia have certainly risen enormously in the past few years. However, this has not been matched by local Spanish salaries, which now have much the same purchasing power as they had in 1997. Any Briton who lived through the late 1980s knows what happens when the divergence between salaries and property prices becomes too great. And in Spain's case the parallels may be very apt. Spain is already seeing its manufacturing industry diminish in the face of fierce Far East competition and this will have obvious consequences for unemployment.

Forecasting any market is a dangerous game and one that should only be played by highly paid city analysts or end-of-pier fortune tellers. However, on balance, it is difficult to imagine the Comunidad de Valencia not having a price consolidation of some sort. This does not mean that there will be a crash, but that prices will certainly stabilise and may remain static for some time. This may be a good thing, acting as a spur to better building and encouraging the Comunidad de Valencia to heed the lessons of the past from other areas of Spain.

As always, buying a property is about a cautious assessment of what is on offer, whilst gauging the state and nature of the market. A quality property, at the right price, in a good area will always be a fine, long-term investment. Indeed, a recent Barclays Bank survey showed that the 'owner's abroad' market is likely to double from 2.2 million owners to 4.4 million over the next decade with the planned destination of 30% of Britons being Spain.

Irrespective of short-term property market dynamics, the fundamentals of Spain will remain solid. The wonderful

climate, stunning landscape, excellent infrastructure, proximity to the UK and charming population will ensure that Spain will always be a destination of choice for expats. Certainly, the objective benefits of the Comunidad de Valencia are self-evident and there is no doubt that the area offers a secure, long-term future for property owners.

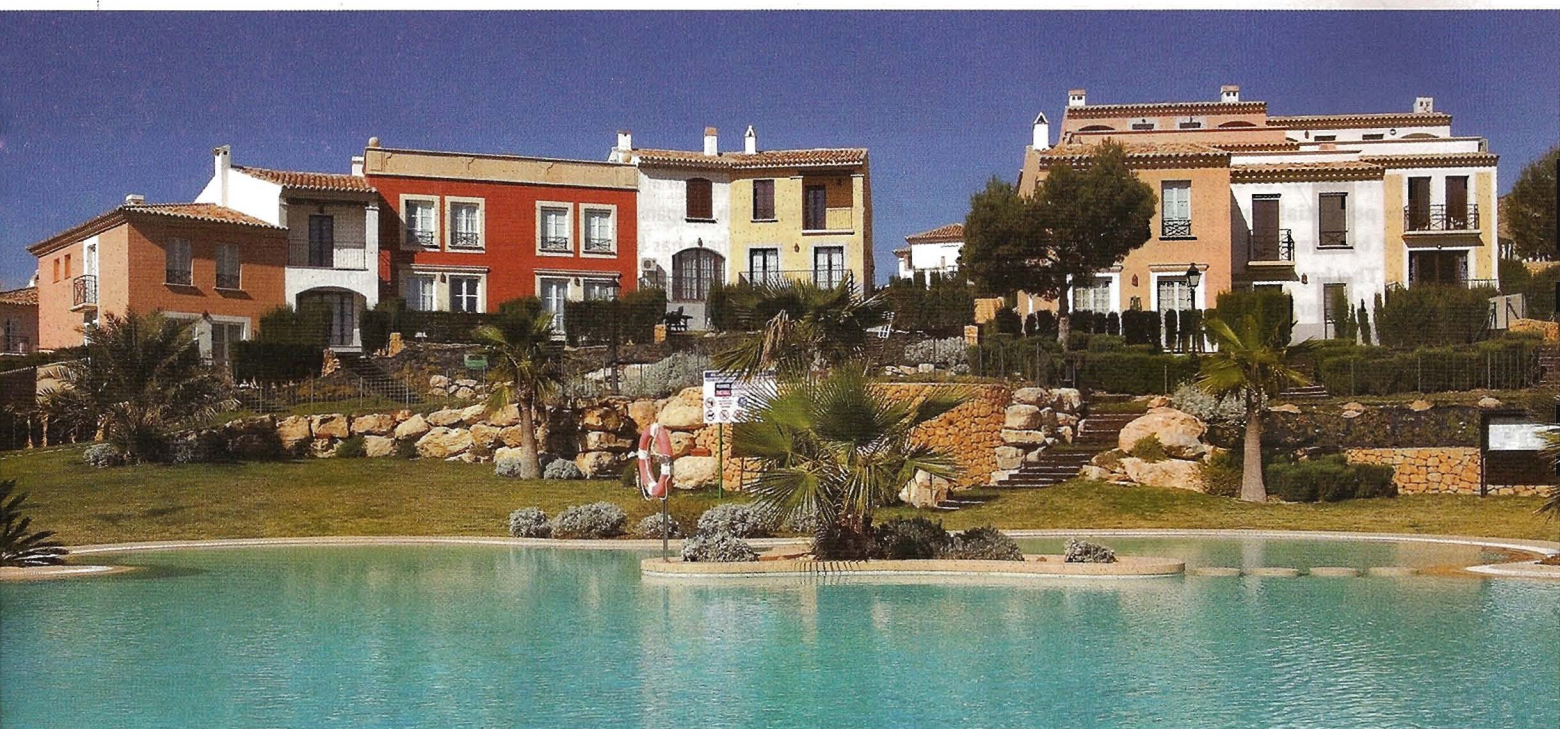
That said, it amazes most professionals within real estate that people do not purchase property with greater rigour. This is more essential than ever when property pricing becomes sensitive or a market potentially unstable. If you want a sound investment, it is critical to know what sells easily and therefore holds its value well - in both good times and bad.

The consensus of most professionals is that, first and foremost, you should only buy what you can easily re-sell. This may seem obvious, but few people appreciate what the market wants and that most expat buyers want much the same thing. Estate agents, for example, are almost invariably given the same specification from potential buyers, time and again, almost irrespective of their budget. The vast majority of expats want a three-bedroom, two-bathroom villa on a flat plot with a swimming pool - within fifteen minutes of the sea. Those who are wise will also specify that the villa is classed as *urbano* and is fully urbanised, close to a village, fifteen minutes from a major town and no more than one hour to an international airport. Additionally, almost everyone wants an element of individuality.

It can be surprisingly difficult to find a property that encompasses all the above factors or that is genuinely easily re-saleable, at any time, to a greater part of the available market. However, careful research with this aim in mind is always time well spent.

The buying and selling of property is a serious, big-money business with high stakes for all those involved, particularly given that property markets are rarely stable for long. Accordingly, never forget that as a buyer you will, inevitably, one day also be a seller. So, only buy based upon your analysis of what the rest of the market really wants. Then you can watch short-term market fluctuations with equanimity whilst enjoying the fruits of a great long-term investment.

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the perfect purchase made simple

- 1 Calculate how much you can afford to spend
- 2 Find your ideal home
- 3 Agree on the price
- 4 Secure your funds (savings and/or mortgage)
- 5 Pay a deposit on the property
- 6 Sign the *escritura* (deed of sale contract)
- 7 Pay the balance of funds, charges and taxes
- 8 Have the property registered in your name

hot property tips

- Never be rushed into a decision by an agent
- Never sign anything, for anyone, without your lawyer present
- Always use a good, independent, English-speaking lawyer
- Always try to buy a property classed as *Urbano* that is fully urbanised
- Investigate in great detail any property classed as *Rústico* or *Urbanisable*
- Only buy when you can value a property to within 10% of its asking price
- Use a reliable surveyor
- Get a mortgage (even a small one), as banks tend to investigate properties carefully
- Ensure your property is registered at the Land Registry
- Make a Spanish will



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Agencia inmobiliaria Estate agent

Abogado Lawyer

Notario Notary

Gestor Professional administrator

Hipoteca Mortgage

Se vende For sale

Terreno Plot of land

Apartamento Apartment

Adosado Semi-detached

Tasación Valuation

Libre de cargas Free of debts

Acuerdo Agreement

Escritura pública de compraventa Deed of sale

Catastro Spanish land register

Valor catastral Registered value of land

Registro de la propiedad Property ownership register

IVA Vivienda Property VAT

IBI Spanish yearly property tax

