

Chapter 1

Making the Big Decision

In This Chapter

- ▶ Limbering up to Spain
- ▶ Doing the buying sums
- ▶ Looking at legal procedures
- ▶ Making money, one way or another

Around 5,000 years ago, before recorded history – a tribe from Asia calling themselves the Iberians settled in Spain. Wave after wave of invaders came later, made their mark, and left. First came the Phoenicians, followed by the Greeks, Carthaginians, Romans, Moors, Vandals, and Visigoths, to name but a few. Skip to the 21st century, and Spain faces another invasion, this time by people carrying nothing more sinister than a tube of sun cream. The package-holiday revolution has brought over a billion people to Spain. Some 2 million of these tourists have stayed behind and bought homes. At the last count, 900,000 of those were Brits – and that number grows at the rate of 150,000–200,000 a year. In fact, one in every two UK citizens who chooses to live abroad goes to Spain.

If you've picked up this book, chances are you're considering owning property outside the UK and that one of your options is a property in Spain. This chapter gets those market research juices flowing and gives you a taste of what to expect in the rest of the book.

Deciding to Move to Spain

The reasons so many of your fellow Brits settle in Spain fit neatly under the headings of the six Cs:

- ✓ **Capital appreciation:** Buying a property in Spain is much cheaper than in the UK. You can still find habitable Spanish houses for less than €35,000. Spanish homes appreciate year

on year at an average rate of 14.5 per cent, compared with the UK's 12 per cent. In Chapters 6–9 I review the different levels of rent and capital appreciation you can reasonably expect in each region of Spain over the longer term.

- ✓ **Climate:** Spain is hot for much of the year, making alfresco living a joy. Most people feel better after a couple of weeks of sunshine, and after 44 weeks of it (or 52, if you settle in the Canaries), you'll probably feel completely rejuvenated.
- ✓ **Commercial value:** Spanish is the world's number two business language. Nearly as many people speak Spanish as English. You may have to put some effort in to learn the lingo, but you'll be repaid by turning your new skill to your commercial advantage. In Chapter 16 I cover the many ways in which you can gain anything from a smattering of vocabulary to full fluency in Spanish.
- ✓ **Cost of living:** Despite the inflationary effects of the euro, living in Spain is still less expensive than living in the UK – about 15 per cent cheaper according to European Union (EU) statistics. Two people can live reasonably well on around €1,500 a month in Spain, and even in Madrid you can get dinner out with wine for less than €15. A glass of beer or wine in a bar costs from €1.50, tapas €2 (often free with a drink), and a three-course lunch menu of the day (*menu del día*) €5–10. Prices vary from shop to shop, region to region, and city to city, so take these figures as a rough guide only. Check out the SpainExpat Web site (www.spainexpat.com/spain/information/cost_of_living_in_spain) to find the latest information direct from Spain on costs of a range of everyday items from haircuts and cinema tickets to telephone bills, nurseries, gyms, and car parking.
- ✓ **Cuisine:** Spaniards are passionate about their food and wine, and Spain has a number of distinctive national and regional cuisines. The Moors introduced the Middle Eastern ingredients of rice and saffron, laying the ground for dishes such as paella, a rice-based seafood dish. In Catalonia, a Mediterranean diet rich in olive oil, garlic, tomatoes, and peppers is the order of the day. The Basque Country is renowned for fish but also produces dishes such as *setas a la plancha* (grilled wild mushrooms) and *queso de Idiazabal con nueces* (local blue cheese with walnuts). Central Spain favours roasted meats, while Andalusia's *jamón serrano* (cured ham) is one of Spain's true delicacies. To wash it all down are fantastic Riojas, sweet red dessert wines such as Marques de Badajoz Dulce, and ciders galore.



If you can't wait to try the cuisine, visit some Spanish delicatessen Web sites, such as www.delicioso.co.uk, www.donquijoteltd.com and www.iberianfoods-shop.co.uk, and shop online for the finest Spanish food and wine.

- ✓ **Culture:** After conquering half the world, the Spanish brought home lots of goodies. Their museums and galleries are justifiably world-famous. Spain abounds with Romanesque and Gothic masterpieces, but the art of Spain's Golden Age – the 17th century – and of the 20th century are what most visitors come to see. Culture isn't confined to museums though. Fiestas take place throughout the year in every village and town, where the locals celebrate events as diverse as Wellington's capture of San Sebastian and Columbus's landing in America.

Where to Go

Spain is like a collection of different countries – a mixture of cultures and climates, each of them special. Spain has archipelagos of islands that nestle in a near-eternal warm spring and coastlines beaten by Atlantic gales as savage as anything you see in the movies. A quarter of the locals don't speak Spanish or even think of themselves as Spaniards – and they may be unable or unwilling to speak with you if you try to chat in Spanish. In the cities, you'll find as sophisticated a range of products as in London, Paris, and New York. In the country, it can take two hours to get to a village store, and the locals you pass may use donkeys for transport. Large parts of Spain are closer to Africa than to the rest of Europe, both physically and culturally. Spain even has a homegrown tax haven perched on a mountaintop that's easiest to reach by skiing.

If your only experience of Spain is a holiday on the Costas, think about taking a look at the rest of this amazingly diverse country. But move too far away from the rest of the Brits, and you'll need to think seriously about learning Spanish. In Part II of this book, I take you on a whirlwind tour of Spain showing you the many different types of properties worthy of your attention. In Chapter 3 I offer some insights into the professionals who can help you find the best-value property in your chosen region.

Working Out What You Can Afford

So you're sold on Spain. But before you think seriously about buying a property, you need to set your budget. You can waste an awful lot of time racing around the country looking at properties

that cost more than you're prepared to spend. Even searching on the Internet can be frustrating. Until you limit your price range to within around €10,000 of your budget, you may be so overwhelmed by details of properties that you can't even begin to prepare a viewing shortlist.

Adding up your assets

The average cost of a house in the UK is €257,000; the average in Spain is €130,000. In theory, if you decide to sell up and move to Spain, you should have plenty of money to spare. However, even if you do the sums carefully, you may not have quite as much as you would expect. The €127,000 you thought you would have as a result of selling in the UK and buying in Spain is likely to be closer to €100,000, as I explain in Table 1-1.

Table 1-1 The True Cost of Buying a Property in Spain		
<i>Transaction</i>	<i>Cost of Transaction</i>	<i>Balance</i>
Sell UK home for €257,000	€7,710 (3% agent commission)	€249,290
Buy in Spain for €130,000	€130,000 + €14,300 (11% agent commission of around 5% and legal and other costs of up to a further 6%)	€104,990
Move furniture	€5,000	€99,990

After doing the sums in Table 1-1, you still get a pretty good turn-around on your investment. Even if you're seriously cautious when it comes to money, you can expect to earn the interest on the €99,990 difference between selling in the UK and buying in Spain. This amounts to around €3,000 a year – not a bad fistful of change.

Finding out how much you can borrow

Selling up in the UK and buying a similar property in Spain means you probably won't need to borrow any money. However, if you have the income to support a loan, you could upgrade the whole scenario. I look into mortgages in more detail in Chapter 10.

If you think you can afford or can generate from your Spanish and UK properties about £9,000 of extra income, then you should have little difficulty in raising all the money you need to keep your home

in the UK and buy a house in Spain. By not getting out of the UK property market, you'll also be giving yourself the flexibility to return to the UK at a later date.

Setting your budget

Now for the \$64,000 question: How much should you set aside for your move to Spain? The answer depends on your age, objectives, and appetite for risk. Think about the following points:

- ✓ If you're older than 50, risk-averse, and planning to live in Spain for the rest of your life, then you might be wise to sell up in the UK, buy in Spain for less, and bank the difference.
- ✓ If you're under 50, want to keep open your UK options, and don't want to take much of a risk, you could downsize your property in the UK, buy an average house in Spain, and take out just enough of a mortgage to fund the deal.
- ✓ If you're under 50, want to keep open the option to return home, and are happy to take a fair amount of risk, you could rent out your UK house and buy a house in Spain, taking out a sizeable mortgage.

When you've decided on your strategy and set a budget, stick to it! However appealing a property is, don't exceed your budget unless you can see a way to increase some other aspect of the equation, such as being able to rent out the property for part of the year or earning money in some other way.

Putting Your Money Where Your Mouth Is: The Buying Process

Plenty of people can help you put your money where *their* mouths are. The trick is to be completely satisfied that what they offer is what they say it is, what you want, and what you think is good value for your money. Specialists and professionals can be expensive, but you still need to check out a whole heap of things yourself before you get the experts in. Once you're satisfied that the deal looks good, certainly get the professionals to do the rest.



Language is a big issue when buying a property, so if you don't speak Spanish, get someone alongside you who does.

Unearthing your expert team

Almost certainly you'll need help to alleviate some of the strain of property-hunting in Spain, even if you happen to be fluent in the language and a qualified surveyor. The first people you meet are likely to be in the business of helping themselves rather than you: think estate agents, property developers, and anyone else showing off their wares at one of the 1,000 or so property exhibitions in the UK each year. You do need these folks, and you need them on your side, but don't take everything they say as the truth. Treat their words as you would those of a politician at election time, and you won't go too far wrong. Bring in some real experts. The following are the key people whose expertise and knowledge you need to tap into:

- ✓ **A gestor** is a uniquely Spanish professional – part lawyer, part accountant, and wholly a fixer – dedicated principally to helping you with Spanish bureaucracy.
- ✓ **A lawyer** keeps you on the straight and narrow and makes sure you end up owning the property and not just a snazzy piece of paper. You can use a Spanish or British lawyer, but she must understand Spanish property law and speak reasonable English.
- ✓ **A linguist/translator** helps you fully understand the discussions and documents involved in the transaction.
- ✓ **A notario** is the local legal eagle who ensures that all the paperwork is correct and property taxes are paid.
- ✓ **A surveyor** is essential if you're considering buying an old property. A surveyor is also useful if you're buying a new property and want to be sure that the structural work has been done correctly and that the building guarantees are solid.

Check out Chapters 3, 13, and 16 for lots of info on finding the best experts and getting them on your side.

Working your way through the process

Buying a property in Spain is similar to buying in the UK, with one key difference: Many operators in the property business see foreigners – which is what you are in Spain – as fair game. From the moment you express the slightest interest in a property until you

get into your lawyer's office to close the deal, chances are someone will try to get you to do something that you'd never consider doing in the UK and which may even be illegal.



Local property touts are always on the lookout in hotels and outside estate agents' offices to lure the unwary to properties that are so dodgy or overpriced that they can't be sold any other way. Estate agents, in person and through their Web sites, may invite you to part with £1,000 or so to secure a bargain property in a development that's selling like hotcakes. Even if you skirt around these minefields, you may find a financial time bomb waiting for you at the end. The seller may ask you to under-declare the selling price to lower both her and your taxes and legal fees. Under-declaring is illegal, and the Spanish authorities are becoming less and less likely to turn a blind eye to it. You could also be storing up a thumping great capital gains tax liability for yourself when you come to sell up. I cover the ins and outs of this particular knotty issue in Chapter 11.

In Chapters 11 and 13, I explain how to avoid these and other pitfalls and to follow the right legal path to end up with proper title to your Spanish home.

Getting what you pay for

Properties you see in the brochures or on the Web site may or may not be all they're cracked up to be. You have to look after your own interests to make sure the property you choose is what you want and that everything works. In Spain, just because you have a tap and a telephone point doesn't necessarily mean you have a water supply and access to the telephone network.

If you find three or four properties that meet your requirements, surveys at £500 a shot with legal costs on top will soon eat into your budget. Think about doing your own basic property health check first, and then pay for a surveyor or lawyer only after you've concluded negotiations on price and are sure the house is what you want.

I look at finding out the critical details about the physical structure of your property in Chapter 12. With a bit of foresight and effort, you can identify *before* you sign on the dotted line most of the things that can go wrong or reduce the value of your asset. What you can't do is leave the professionals to sort out these matters as you might do in the UK. Remember: You're the gringo in this situation.

Making Money from Your Property

Buying a property needn't just be an outlay. You can make your property pay its way in dozens of different ways. At the most basic level, you can let out your house when you're away. Taking things further, you can use your home as a workplace and so operate with minimum overheads.

Merging your home and workplace

If you need to make some money to bridge the gap between your financial resources and your Spanish property aspirations, you may consider making money from your house. Tens of thousands of foreigners run businesses of every shape and size from their homes, including B&Bs, hotels, restaurants, bars, vineyards, stables, holiday cottages, language schools, and Web-design companies. In Chapter 14, I look at the different ways you can make money from your home and the pros and cons of living above the shop.

Selling your property for profit

From the moment you buy your first property, you're potentially in the business of being a seller – or vendor, to give it its legal title. From a profit-generation perspective, selling a house in Spain is much the same as selling in the UK or anywhere else. Paradoxically, you're adding value the moment you buy. Overpaying at the buying stage means you're pushing water uphill from then on. In Chapter 11, I share some negotiation tips to help you push down the purchase price.

On average, buyers spend around a fifth of the purchase price on improvements in the first three years of ownership: Swimming pools, air-conditioning, extra bedrooms, patios, and barbeque areas are high on the to-do lists. If you spend your money wisely, you can have fun and add value. But not all improvements add the same amount of value – or add value at all.

Renting in and renting out

Renting in Spain can buy you time and perhaps even help with cash flow as you search for your dream house and get enough information to make informed decisions. But renting is a contractual

relationship between landlord and tenant that throws up problems of its own. In Chapter 5, I look at finding a suitable property to rent, checking out the lease, and searching for other, less conventional, rental arrangements, such as house-sitting and house-swapping.

If you have homes in both Spain and the UK and you don't intend to spend the whole year in Spain, you could rent out one or both of your properties. This can be a handy source of income at a time when your expenses may be higher than usual. In Chapter 14, I look at the rental subject in more detail, from finding good tenants, through drawing up leases, to dealing with problem tenants and handling taxes.

Living and Working in Spain

Lots of people move to Spain long before they retire and still need to earn a living. Running a business or working for somebody else is an excellent way to get established in a new area and make friends and contacts who may be able to help you settle in to your new home.

I don't think we're in Kansas (or Kent) any more

Settling down to day-to-day living in Spain means starting again from scratch with all the things you take for granted at home. You need to open a bank account, which you can't do until you have a *número de identificación de extranjeros* (NIE, or foreigner's ID number). Spanish bureaucracy is lightening up a little, and you may well get by with just a passport and a smattering of Spanish. Unless you want to pay a fortune in currency conversion charges, you'll need a credit card (*targeta de crédito*). I talk about financial matters in Chapter 10.

Then you have to get the electricity, water, and phone connected, all of which and more I cover in Chapter 12.

You also have to plan to have pensions, unemployment and other social security benefits, and winter fuel allowance paid up. You may need to think about schools and universities for the kids or care for elderly relatives. All these mysteries are revealed in Chapter 16.

Hi-ho, hi-ho, it's off to work . . .

Fifteen million people work in Spain. In fact, Spain has rocketed up the economic league table since joining the EU two decades ago. If you're an EU citizen, you have no serious limitations on looking for work in Spain. But unemployment in Spain is higher than in the UK, so you're likely to find plenty of competition for jobs. The best ways to start searching for a job are to register as a jobseeker (*demandante de empleo*) at the nearest employment office (*oficinas de empleo*) and to trawl through the dozens of Web sites that carry job details. If you can't wait until you get to Spain, try tapping in to the European Employment Service (EURES), which operates a database of jobs available throughout Europe via the UK Jobcentre Plus network (www.jobcentreplus.gov.uk) and the EURES Web site (<http://ec.europa.eu/eures>). Check out Chapter 14 for how to get work in Spain.