



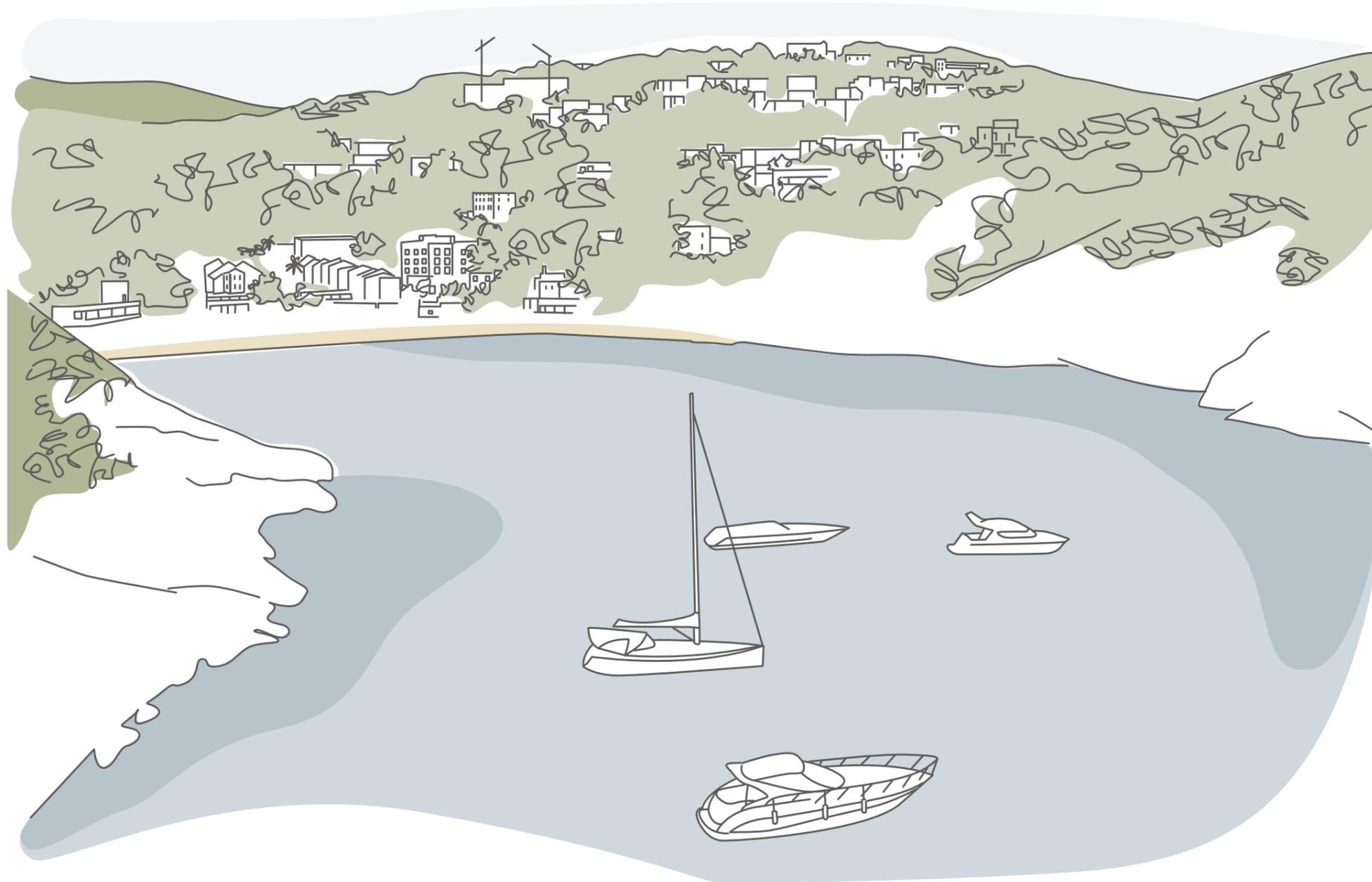
ENNESS INTERNATIONAL



EVERYTHING YOU NEED TO KNOW ABOUT
SECURING A MORTGAGE IN THE BALEARIC ISLANDS

THE BALEARIC ISLANDS MORTGAGE GUIDE

Introduction



Attracted by outstanding ecological beauty, cultural wealth and inspiring historical legacy, people from every corner of the world have for decades been enticed by the country of Spain. The Balearic Islands are an archipelago of Spain in the western Mediterranean Sea; the largest of these are Majorca, Menorca, Ibiza and Formentera which have won the hearts of tourists, investors and entrepreneurs alike.

Southern Spain offers an enviable climate with 320 days of sunshine, luxurious 5-star hotels, modern infrastructure, legal stability, privileged air connections and high quality healthcare and educational systems. There is a flavour of tourism for every preference and every age; business, golf, cycling, hiking, wellness, gastronomy and yachting to mention just a few.

Increasingly the Balearics and Marbella have evidenced steady demand and capital appreciation in the property market; primary residences, holiday homes and development projects have caught the eyes of European, Russian and South Asian buyers in particular. Furthermore, these regions have outperformed the vast majority of property markets in mainland Spain. With a broad spectrum of architectural prestige spanning from rustic countryside fincas to sleek, high-tech villas and state-of-the-art oceanfront apartment complexes, there is a property at hand for every taste. Notably, the Balearics also have the highest foreign residential population in all of Spain at over 22%. This is in part a product of the Spanish law granting automatic residency to investors spending above €500,000 on property in the country.

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Lenders and Rates

We work with a diverse panel of both Spanish lenders as well as Private and International banks who offer a broad spectrum of mortgage products for residential and investment purchases, refinancing, equity release, development projects and bridging requirements.



As a rule of thumb loan-to-value ratios range from 50% – 70% of the property value, and lenders are willing to finance up to a maximum of 30 years on a capital repayment basis. Interest-only mortgages are also available in Spain, although they tend to be less common than in the UK.

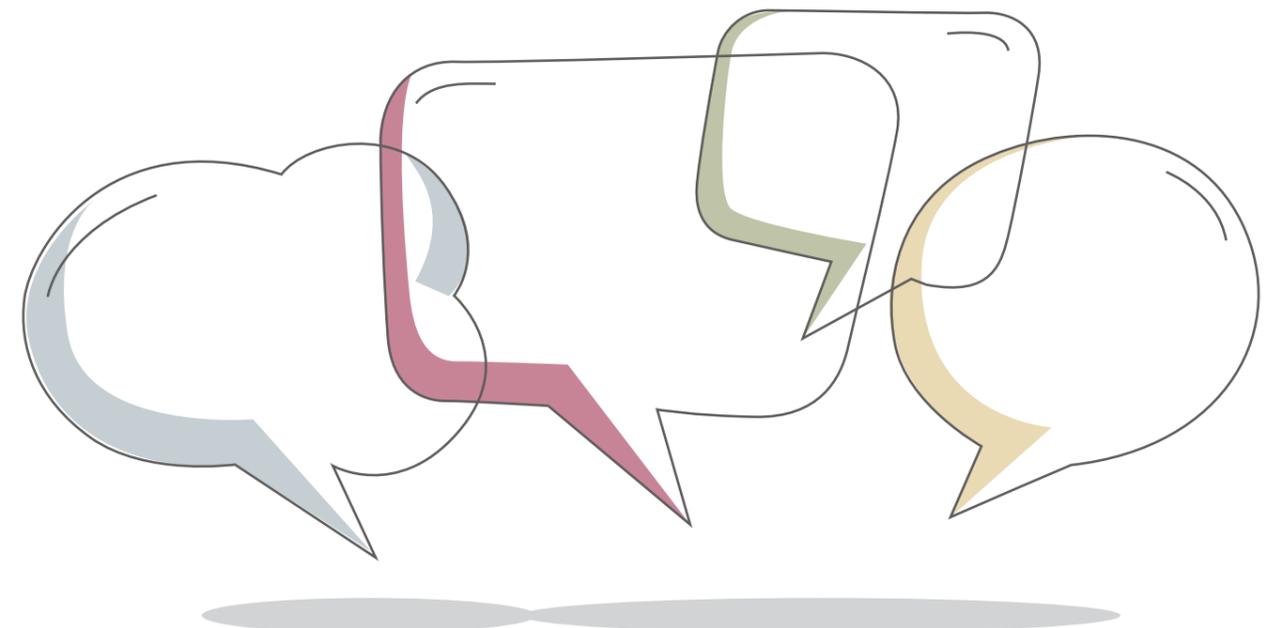
Similar to UK institutions, Spanish lenders will conduct an affordability check by examining the prospective borrower's income, contractual outgoings, and overall level of assets. A valuation of the property will also be required in order to ascertain that it provides adequate security. Once these points are covered a formal mortgage offer may be issued by the lender.

Typically for larger loans, €1,000,000+, the most competitive solutions can be found not from local Spanish banks but International Private Banks. This does not just relate to pricing but also how they are able to view more complex structures of a client's income and wealth. They are also more accustomed to working with clients of different nationalities whom may struggle working with more conventional lending institutions. These banks may ask for an asset pledge to the bank to accompany the loan however we will be able to negotiate the levels required.

How Can Enness Help?

Our international team at Enness thrives upon the challenge of helping our clients achieve their goals.

With a multilingual and culturally diverse team speaking Russian, French, German, Spanish, Italian and Swedish we are well-equipped to look after clients of all nationalities. We have welcomed individuals from all jurisdictions, and have arranged finance on a number of Europe's most unusual, complex and high-value properties, helping clients remove the language barriers that cause delays.



We are dedicated to providing a value-add service, whereby the depth and breadth of our longstanding relationships with lenders provide a competitive advantage in negotiating the most favourable terms for our clients. We speak directly with decision makers at financial institutions, ensuring that the mortgage process is both speedy and streamlined. Our Enness panel comprises over 200 institutions including private banks, specialist lenders, funds and Family Offices. This enables us to source funding for any position within the capital structure from senior lending, second charges, bridging, and mezzanine to development finance.



CASE STUDY

Bridging loan on a 17th century property for expat in Mallorca

I recently secured a bridging loan on a 17th century property for an expat in Mallorca. My client needed to close his deal by the end of the month as there was high demand for the property, and so this needed to be completed with speed and efficiency.

The 17th century property was complete with all original features, including an illustrious chapel, 50 hectares of land and most awe-worthy of all, a mountain! It was easy to understand why this was such a hot property in Mallorca, and resultantly why my client was so keen to get his loan secured as swiftly as possible.

The property was worth €11million, and my client wanted to borrow €8million to complete a commercial project which would renovate all existing buildings to a luxury standard, with a potential plan for a new hotel conversion.

The issue I encountered with this case arose in my client's need for a speedy valuation. Valuations can be particularly troublesome due to geographical location. Unlike in the UK where you can hop in a car and drive to the property in a matter of hours, this is simply not the case in Spain. I also required a 90-day value as a British valuation requirement, and so I had to use a valuer who I have worked with previously who understood my client's situation.

After using my relationships within my Mallorcan network to push forward the valuation, I then managed to secure a term with a lender at great speed. My client had a Gibraltarian limited company already set up which the lender could lend to, which not only kept cost down but also avoided tax charges that may have occurred due to national policy differences.

My client was extremely happy with the 6-month term I had achieved for him, as the particular lender I used can fund projects abroad which are not standard purchases and also may require development work.

The speed with which I could complete the valuation and turn the loan around is a testament to our close working relationships at Enness. We take the time to understand your whole financial picture, to find efficient solutions to your financial needs.



CASE STUDY

€2million international development finance secured for UK resident in the Balearics

I recently helped a UK national to procure the funds to finance the construction of a custom villa in the Balearics.

The gentleman was already working with Enness concerning his UK assets, however needed international guidance. He was in the process of moving to the Balearics permanently, and had already begun the process of becoming a resident in Mallorca.

His plan was to secure finance to transform a plot of land in western Mallorca into a bespoke villa to act as his main residence. The whole cost of the project will amount to €2million; €700,000 would be required to purchase the initial plot, with €1.3million needed for the completion of the villa development.

Upon approaching me with his case, my client was ready to place down the €50,000 deposit to purchase the land, however he was apprehensive to do so until he had secured financing on the best available terms. Due to a strong income from his lucrative business, my client was looking for a relatively short term for the loan, whilst borrowing the maximum loan to value (LTV) available and without placing assets under management (AUM).

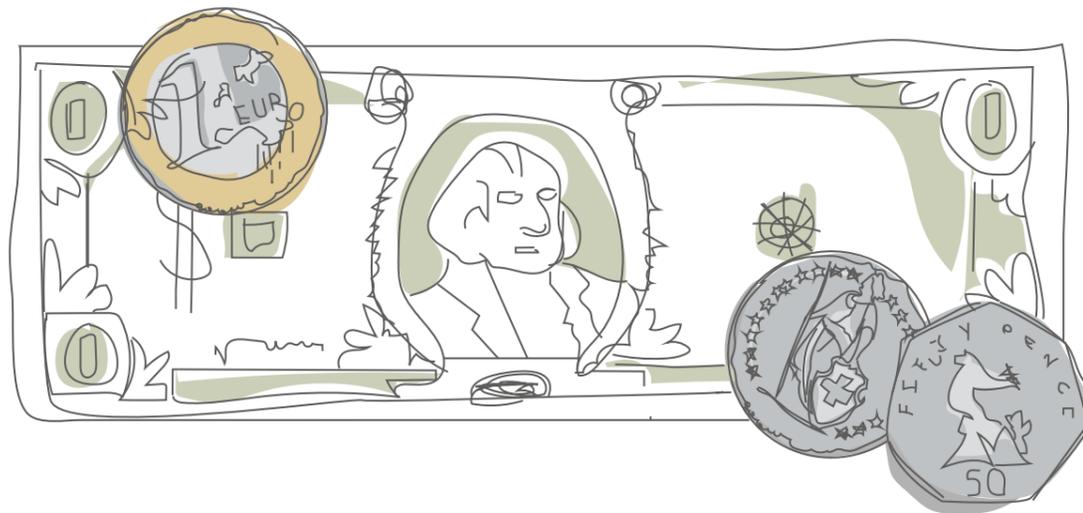
There were a few issues with this case; one lender refusing to finance the development as my client was still currently a British resident, whilst another was prepared to fund the development costs, but not the funds for the initial purchase of the plot.

Using my strong network and expert knowledge of the Balearic property market, I approached a lender that were prepared to finance an LTV of 60% overall purchase and development costs. This lender was also brilliant for my client, as using a Spanish retail bank meant AUM could be avoided. I managed to secure excellent rates over a 15-year period, fixed at 2.90% which can later be reduced to 1.90% with insurance, debit and credit card.



Foreign exchange & currency management

As part of your overseas investment we understand that currency exchange is an integral component of the process. Our partnership with Argentex ensures the provision of top-level, cost-effective foreign exchange services to clients across the world.



The way you manage your international transfers will make a considerable difference to the cost of each one and how far your money goes.

Enness works closely with foreign exchange specialists **Argentex** to give clients access to a dedicated currency service for their property purchases and ongoing requirements.

Typical transfer requirements you may have:

- Transferring funds for your initial purchase
- Moving savings to your country of residence
- Regular transfers for pension, school fees or salary transfers
- One-off international transfers
- Monthly transfers towards a mortgage
- Transfers for renovations and developments



Challenges and Key Considerations



When exploring your options, it is important to keep in mind that the set-up costs for a Spanish mortgage are comparatively higher than those you would incur for obtaining a UK – equivalent mortgage. You can expect to pay in excess of 10% of the value of the property in taxes, in addition to separate fees for banking and legal services.

OUR SOLUTION:

At Enness International we can arrange for our clients to take advice from our trusted consultants specialising in Spanish and International tax structuring and legal process. If this is done at the outset the property can be held in the most efficient manner possible

Furthermore, in Spain it is a legal requirement to have buildings only cover in place for damage caused by fire, explosion and weather conditions such as storms, hail and ice, when you are buying a property with a mortgage. Life insurance is also a key consideration.



Conclusion

We hope you have gained an enriched understanding of property finance and broader legal considerations for investments in the Balearic islands from this guide. If you are interested in exploring an investment into Spanish property, we would welcome the opportunity to assist you in obtaining the finance you require to manifest your plans.

If you have any questions on the contents of this guide, or would be interested in a free introductory consultation to explore the opportunities available to you, we would love to hear from you.





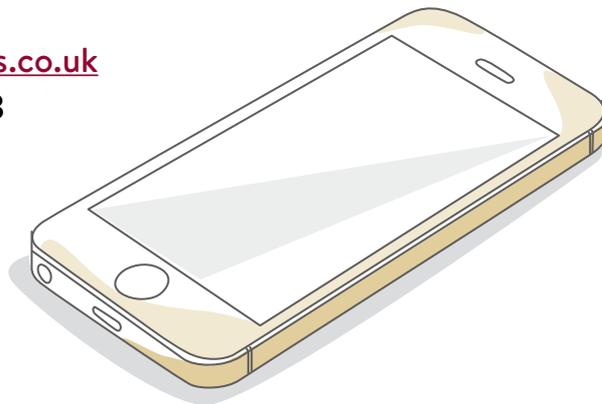
ENNESS INTERNATIONAL

Are you looking for a mortgage in the Balearic islands?

Pick up the phone and give us a call for
a free consultation.

international@enness.co.uk

+44 (0)203 758 9393



Mayfair office

86 Brook Street

Mayfair

London, W1K 5AY

+44 (0)203 758 9393

[Find us on Google maps](#)

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