If some of the recent headlines are to be believed, you shouldn’t touch the Spanish property market with a bargepole. Dogged by media coverage about the property market being in the wane, you’d wonder if anyone could really still be interested. However, a lot of the negative media coverage about the Spanish property market is overstated. There’s no doubt that problems exist, but it’s important to look at the bigger picture.

It’s true that cases of corruption leading to illegal building have made buyers nervous. No one wants to invest in a property which could have been built without the proper planning permission and may be at risk of being demolished. It’s true as well that there is an oversupply of new build properties, especially on the Costa del Sol, and this has made many potential buyers think twice. And, of course, there’s the credit crunch, which means British buyers are less willing to invest in another property, but banks too are less willing to allow them to release equity from their homes to do so. Add to this the strength of the euro, which has resulted in property and euro mortgages becoming more expensive, and you may well wonder if there is any upside to the Spanish property market at all.

Anyone interested in buying a property in Spain shouldn’t panic. Enquiries about the Spanish market indicate that things are still strong and it certainly remains a top destination. There’s no doubt, however, that people are becoming choosier. Demand in some areas, notably the more traditional Costas has declined, but increased in many others. Current hot spots include areas around the big cities like Barcelona, Madrid, Seville and Valencia. The appeal of the Balearics and the Canary Islands is also increasing, especially the more exclusive resorts. This is good news - attractive developments in desirable locations should consolidate their position in the current market, as buyers become more selective, and emerge even stronger when the market comes up again.

Bargain time

Despite rising costs, buyers are in a strong position due to the volume of properties on offer. There are many motivated sellers out there who are willing to discount their property well below market value, so your mortgage, and indeed your overall exposure to currency exchange, is much lower. Some of the best bargains are properties which have already been repossessed, with many being discounted by up to 50 per cent.

But it pays to be selective – many so-called bargains are being offered at knock-down prices because they are of poor quality and in undesirable locations. It may be wise to look at re-sales, where you can get references from previous buyers and check any other re-sales being offered on the same development. As a result, you’ll get a much better idea of the property and its true market value.

While the credit crunch takes its toll in the UK and US, things are different in Spain, which has been more heavily involved in the sub-prime lending market, and families have not stretched their incomes as much. It has been at the forefront of the overseas property market for a long time, so it has incredibly strong foundations. While some Spanish financial institutions have reviewed their terms over the last year, they still have a strong appetite to lend to non-residents and you can still generally borrow up to 70 per cent of the value of the property.

Arranging finance

If you’re paying for your Spanish property with a mortgage, your exposure to currency fluctuations is much lower than if you’re paying by cash, as you’ll only have to exchange the money for your deposit and fees for now. Over recent years, many buyers have opted for a euro mortgage rather than a Sterling one, because it has been cheaper. However, following the recent series of interest rate cuts in the UK, the Sterling market has seen a steady rise in recent years, many buyers have opted for a euro mortgage.

There is a lot of competition in the Spanish market, and this has made many British buyers interested in a Spanish mortgage. Some of the best deals are on offer. There are many motivated sellers out there who are willing to discount their property even stronger when the market comes up again.

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The process

The application process for a Spanish mortgage takes an average of four to six weeks, at which stage you should have received an offer. Spanish lenders won’t allow completion without having all the registration documents in place, which provides you with a level of protection, but this can sometimes be a lengthy process and you must be prepared for this.

As a yardstick, you should allow between 10 per cent and 14 per cent on top of the agreed mortgage price for the various fees that must be paid. If the property is located within a complex, there may well be maintenance charges. One of the easiest ways of obtaining a mortgage to buy in Spain is to use a specialist UK broker. They will know the exact mortgage application requirements for each lender and can source the best possible deal for you. It can also put you in touch with specialists in Spain, to ensure that you comply fully with planning and legal conditions, and can also assist with currency exchange.

The Spanish property market is well established and should be viewed as a long-term investment. It will continue to experience problems in areas that have been exposed to corrupt licensing laws and where there are ‘land grab’ issues. But for many people buying property in Spain, it’s a lifestyle choice, and they’re attracted by the climate, amenities and culture, rather than earning a prospective fortune on a home there. If people enjoy what Spain has to offer, property can be snapped up there on better terms than have been seen for years. Most markets go through corrections and as long as you treat your property in Spain as an investment over the long term, you can still buy with confidence, if you buy prudently.

Clare Nessling is operations director at Conti, the overseas mortgage specialist

“You should always go through the same process that you would follow if you were buying a property in the UK”