

HOW TO BUY IN MALTA



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What do you want and need?

- Choosing what you want and what you need in a property is often a matter of taste and of practicality. Consider the following aspects:
- Which location, village or town? Do you need to be away from it all or right in the hub of things? Would you want secluded privacy or wouldn't you mind living on a busy road?
- What sort of property will it be? Say you decide to buy an apartment - one bedrooomed pad or a three bedrooomed penthouse? Would you be happy living within a large condominium system or prefer buying an apartment in a block of two?
- How many bedrooms? How many bathrooms? Need it come with a garage or do you just need a place to park a bicycle?
- Will you need a garden? Or will you be happy with a small balcony?

How much can you afford?

Once you make these first basic decisions, you need to decide on the budget.

Shall you be financing the entire cost of the property yourself?

Will you need to borrow money?

If you intend to take a loan, how much of the total cost would you be able to pay upfront?

Will you need workers to carry out repairs/maintenance or are you nifty with your hands and can save on manual labour?

Factoring in these cost-related issues might help you reach a better decision on what your finances can buy. It would be wise to visit a bank or two to check what sort of home loan you would be entitled to. This exercise should be done early on during your house hunting period. This will give you a better perspective of what you can actually afford to buy.

When will I find what I need?

Next step is contacting a real estate agency which specialises in the kind of property you are after, also taking into account the location and your budget limitations, if any. This will help you no end. Experienced agents will be well versed in assisting you by sourcing an initial selection of possibly likeable properties for you to view. It is normal to have organised home viewings scheduled in a row. Try to view properties in the daylight.

It may happen on your very first viewing. It may take a while. Certainly you will need patience, a knack for asking questions and an open mind. Research confirms that in Malta it takes up to four months to find the right property.

Is this it?

Let us assume, you find your dream property and decide to purchase. In Malta there is still scope for negotiating and bargaining. Once you view the property and consider the asking price, factor in whether the property is freehold or not. Freehold properties do not have ground rent obligations, whilst properties which are not freehold will have added expenses linked to some form of ground rent. Before submitting your price offer, make sure you know exactly what the price includes:

- What will the cost of the yearly ground rent (if any) amount to?
- Does the price of the property include any furniture or furnishings?
- Will the owner leave utilities such as a fitted kitchen plus or minus appliances, water geyser, water tank, TV satellite dish, solar panels, solar water heater, in-built fireplace, etc? It might seem a tedious thing to ask about each and every specific item, but this will save you disappointment and arguments with the seller in the long run.

What will it sell for?

This is when you can proceed to make an offer which is generally lower than the asking price. Agents are fully aware of this standing practice and they will be prepared to carry out negotiations between yourself and the seller, trying to get you and the seller the best agreed upon price according to current market values.

The Promise Of Sale

Once the price is settled, it is time for the konvenju, which is a promise of sale made between the two parties. In Malta this agreement helps buyer and seller secure an initial arrangement that the property is being promised to the buyer and that the buyer is taking measures to carry out the required procedures in order to finalise the acquisition successfully. You can clarify details such as what items will be left within the property. Typical clarifications which can be made in writing could include whether the owner is promising to install a bathroom or whitewash the hallways before the sale and whether owner will be replacing the faulty garage door before the sale and others.

Make sure the owner can provide you and the notary with an Energy Performance Certificate (EPC) which indispensable by law and must be reviewed every 10 years. As the buyer, you will be obliged to pay 10% of the total cost agreed upon as a deposit that secures the property, which deposit is ideally placed in deposit with the notary in charge of the agreements. You are free to choose a notary and are not obliged to accept the notary recommended by either the seller or the agent.

You will also have to pay 1% on account which is provisional Stamp Duty on signing of this preliminary agreement. The notary is then obliged to register the Promise of Sale within 3 weeks and pay the 1% to the Commissioner of Inland Revenue.

You may sign the promise of sale conditionally based on funding factors, as in the case where you will need to secure a bank loan before proceeding with the final deed of sale

We've agreed, now what?

Here is generally what happens in the interim between the promise of sale and the final deed of sale:

In Malta the seller retains full ownership of the property and will not give you free access or keys to the property before the actual sale.

The 10% deposit will be refunded to you and promise of sale revoked should bank loans not be achieved, as long as this condition was included in the promise of sale. You will be allowed to ask to have the promise of sale revoked based on this condition or any other conditions agreed upon during the promise of sale.

Be aware that should you decide to retreat from the promise of sale in the interim before the promise of sale, due to a change of heart or due to a reason not agreed upon during the promise of sale or not accepted by the seller, your deposit will be retained by the seller. On the other hand, should the seller decide to retreat from the promise of sale, for reasons that may or may not be stipulated in the Konvenju (Promise of sale), a penalty may be decided upon, however the buyer will have every right to challenge the reasons and may re-convince the owner to sell. This merely ever happens and the buyer is protected by law.

If all proceeds smoothly, a normal promise sale should have the average duration of three months which is generally ample time for you to secure a bank loan and for a notary to carry out required legal searches to ascertain that the property is being sold clear of impeding conditions and that it is safe for habitation as verified by MEPA.

Should there be some issues linked to property transfer or bank loans, which issues might require an extended time period to be resolved, both parties may agree to have a longer promise of sale period, and thus to mutually extend it. This must always be done with notarial assistance.

The Final Deed of Sale

If all proceeds according to plan, the final deed of sale will be signed by both parties in the presence of the real estate agent who will get to retain the pre-established standard agency fees, and in the presence of a bank representative should a bank loan be involved. You, the new owner, will now be obliged to present the rest of the payment to the seller who will give you the keys to your property.

At this point you will have become the full owner of your new property. You will be bound by law, as guided by your notary, to pay both the notarial fees (average 1% of the selling price) and the Stamp Duty due (which would be 5% of the total value of the property) to the Department of Inland Revenue. Both the notary and the real estate agent will be able to advise you on any special concessions allowed by law, such as discounted duty or tax rates on a pre-determined amount. You will be bound to pay ground rent (where this exists) for a total of one calendar year from the sale.



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ALWAYS BEAR THE SAME SIGNATURE



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