

Building **WEALTH**
together **EQUITABLY!**



EQUITY
RELEASE
SPAIN

INVESTING IN SPANISH EQUITY RELEASE

The concept of equity release is a well-established and widely accepted means of releasing value from a property. The forms of equity release we endorse are ideal for those who are asset-rich but cash-poor and generally elderly.

The Spanish equity release market is in its infancy and primed for huge growth. As a comparison, in 2019 the U.K. equity release market had matured to enable up to £4 Billion in cash to be released against private housing wealth of over £4 Trillion (figures provided by the Equity Release Council established 1991).

We believe that due to demand created by the uncertain financial environment in 2021, the figures for equity release will have increased dramatically. The advantage as ever lies with early movers as the best deals are secured in developing markets.



Equity release is about to be launched nationally on the Spanish market principally directed at the Ex-Pat cohort over the age of 65.

ABOUT OUR COMPANY

Equity Release Spain have been operating in the Equity release sector in Spain since 2018.

We are a tightly knit community comprising talent from diverse but complementary companies - Comaskey Properties Real Estate and Spanish Solutions Legal & Tax. These skills cover the complete equity release investment life cycle.

We believe that more than ever Equity release provides our sellers, new and existing , with an ideal way to benefit from the value inherent in a property but without the cost and inconvenience of having to sell that property and move.

Equity release is sufficiently flexible to be able to meet the needs of an entire cohort

whose ages range from 65 upwards. These people own properties with a wide range of values and types, an may have health issues and/or financial struggles.

We have over 18 years of experience of the Spanish property market and we've conducted extensive market research, consulted with Bank of Spain regulators and obtained legal and accountancy advice from reputable Spanish Firms. This ensures that we achieve full regulatory compliance.



WHAT IS THE OFFER TO OUR INVESTORS?

Equity Release Spain is offering a proposition unique in the Spanish Finance sector. Essentially the offer is to buy discounted properties by as much as 50% to hold for a period of time with full legal ownership until the resident seller passes or moves to nursing home. This not only presents the investor with a great return of upto 100% or more (assuming modest capital growth) but also helps deliver societal good by allowing elderly people the peace and dignity to remain in their homes and enjoying a well funded twilight.

Investors will get in before the market matures if they act now. Already, years ahead of schedule, authorised by the BANK OF SPAIN* we are offering our investors a valuable opportunity to enter this high-demand sector for a relatively modest investment. Initial investments with as little as 20,000 euro down payments are proving popular with buyers and sellers.

We started writing business in 2018 in areas as far apart as Tenerife, Alicante and Salobrena, Granada. These deals are not only fully asset backed, but completely legally watertight, being registered at the notary and land registry. Importantly, our rapidly growing service is now in very high demand from our list of mostly ex-pat clients.

We hope to sign 5,000 deals before the Spanish banks and other institutions realise that they have missed a hugely profitable opportunity. Our goal is to offer fantastic investment to our investors whilst providing a desperately needed service to our elderly clients. Making money whilst doing societal good.



INVESTORS

HOW IS THE SPANISH PROPERTY MARKET LOOKING GOING INTO 2023?

Spain is one of the hottest markets in the world. In 2019, 65,000 foreigners acquired a home in Spain. With Brexit uncertainty completely settled we have already experienced a 40% rebound in inquiries and completions.



MORE THAN 1% OF THE SPANISH GDP!

These foreigner buyers invested €17 billion in Spanish homes in 2019, a huge and valuable market. The figure represents almost 1.4% of Spanish GDP in 2019.

Unlike property purchases in the UK and Ireland, half of these foreign buyers did so without a Spanish mortgage. This means that in 2019 housing attracted some €8.5b of fresh foreign capital. On top of this, is the sizable number of acquisitions by big international investment funds.



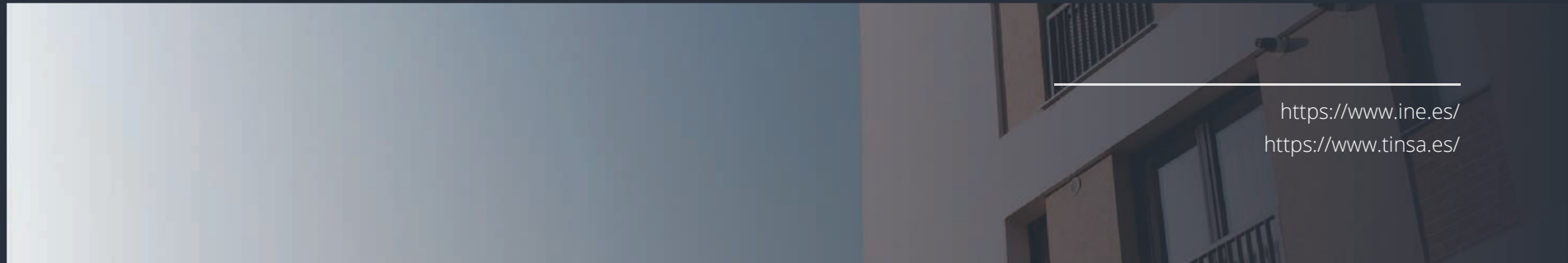
From 1996 to 2007 the average house prices in Spain rose by 197% yet people kept buying, right up to the time of the global credit crisis.

Property prices in Spain rebounded by 6% per year since 2008, with many properties still undervalued there is ample scope for growth.



Prices are in many areas below the highs of 2008, and there is still some terrific value around. The figures are thanks to Tinsa, the trusted valuation company trusted by Spanish Banks and the INE (Instituto Nacional De Estadística).

Sales of property across Spain should again reach 650,000 units this year* with an increase nationally in the region of 7% when we compare 2021 to 2019. (*Tinsa)



Brexit is concluded, opening the floodgates to the British buyer and investor becoming a very strong player once again in the market in 2023.

These are the problems and issues you will not encounter with Equity Release Spain handling the purchase of your property in Spain:

- High commissions to unqualified agents are not uncommon.
- Property management companies do not work as hard as their equivalent in the UK.
- It can be hard to access the trusted agents and companies due to the high demand from investor and buyers.
- Very few firms have the relevant tax experts on hand.

Finding a one-stop firm with experience in real estate, management, commercial, taxation, banking and legal experience under one roof was unheard of before Equity Release Spain entered the market in 2018. Not all clients have access to such a resource.



WHAT ARE WE OFFERING?

We are offering three investment types: 1. Bare Ownership 2. Annuity (Viager) 3. Sale & Leaseback

1. BARE OWNERSHIP (NUDA PROPIEDAD)

What is the sale of the Bare Ownership in Spain?

The Sale of the Bare Ownership consists of the owner of a property (generally a senior citizen) transferring full legal ownership of their home in exchange for a single payment, just like a regular property sale. However, they also reserve the right to continue to use the home for as long as they live or move to a nursing home.

We use a sophisticated financial model to arrive at the correct value of the deal. The model collates numerous actuarial, real estate and financial factors; the market value of the property, the life expectancy of the beneficiaries, demand for the type of property etc.

Bare Ownership types

Usufructo Vitalicio: this is the most common modality in Spain which sees the seller reserve the use and enjoyment of their home for life.

Usufructo Temporal: An option for our clients and investors in which the seller reserves an usufruct (right to live in the house) for a specific period of time, with 5 or 10 years being most commonly requested by our clients

Depending on which option you choose will determine the investment value, obviously a defined period attracting premium.

WHY IS THERE SUCH DEMAND FROM BARE OWNERSHIP SELLERS?

It is important to remember that we came into this business looking for financial solutions for our thousands of elderly clients. They presented us with a problem; inability to get finance from the Spanish banks nor from the foreign banks for property situated in Spain.

Remortgaging for all intents and purposes does not exist here. It is the same for private lending and up to now, Equity Release. We have changed that.

Without a need to generate interest in the solution, we are already satisfying huge demand.



TAX-FREE

We work with some of the top tax advisors in Spain. Our sellers will often receive a TAX-FREE lump sum with which they can clear debts, travel across the world or pay for families life events like weddings, college education etc.



SECURITY

Our sellers will protect their heirs from losing the full amount of inheritance should the seller ultimately end up in a Spanish nursing home.



LEGAL GUARANTEES

We protect our buyers and sellers. The formalisation of a bare ownership deal, like any other purchase in Spain, is carried out with all the legal guarantees before a Notary and is registered in the Land Registry of Spain.



LIFETIME USUFRUCT

Usufructo, a common legal clause in Spain, is the key to many of our investments. The right to lifetime usufruct (lifetime lease) is stated in the deed itself and does not expire until the passing of the seller or departure to a nursing home.

2. ANNUITY (VIAGER)

This product, a Real Estate Life Annuity, (or Viager) is generally aimed at people over 65 years old. We have had interest from clients much younger too. We are helping owners of a property who wish to make the most of their real estate assets in the form of a lump sum plus a monthly top-up.

The attraction for the investor is the ability to access the deeply discounted property for a small initial sum and then ongoing monthly payments, up to a predetermined total. It could be thought of like a conventional purchase where you pay the deposit, then pay down the balance monthly.

The value of the property, location, demand and the life expectancy of the elderly person (according to the National Institute of Statistics and the Directorate General of Insurance), determine exactly the monthly payments that the elderly person receives.

Our sellers are guaranteed to receive a monthly income for life. They receive this income in exchange for the sale of the bare ownership of their home. As explained, they do this with the use and enjoyment of the home for the rest of their lives. Alternatively, we can offer temporary income, where our clients receive the income spread over 5-15 years.

The property seller achieves the advantages of bare ownership as documented above. Tax benefits are substantial for the property seller. Those over 70 years of age will be exempt from taxation in their income tax return of 92% of what they receive from the Life Annuity.

As with all our deals, they are formalised in a Public Deed before a Notary.

Included is a Resolutive Condition that will also be registered in the Land Registry. The Life annuity in Spain has been included in the Civil Code since 1889, articles 1,802 to 1,808.





3. SALE & LEASEBACK.

The sale & guaranteed rent is a formula that can be adapted to each personal situation.

Sale and Leaseback deals are common practice in the commercial world and we are bringing them to our residential sellers too.

Our plan allows Seniors to sell their home without having the obligation to leave. Instead, our clients are obtaining significant liquidity thanks to the funds that the sale provides, but at the same time, they become tenants of the new owner. Usually, the rental return is lower than a normal rental property.

The big plus, apart from the cash injection, is the seller never needs to move out or deal with finding a new equivalent property perhaps with a less favourable landlord.

The attraction for the investor is that this is a conventional purchase discount but with a large discount and the benefit of positive cash flow from day one without having to deal with tenancy issues. The deals work for everyone; buyer and seller.

HOW DOES AN INVESTOR BENEFIT FROM EQUITY RELEASE IN SPAIN?

Equity Release currently involves owners of property in Spain selling their homes for large discounts in exchange for a Bare Ownership, Annuity Payment or Sale & Leaseback..

INVESTORS

- 60-40% discount on market value; the investor is a big winner
- Complete legal ownership of the property from day one.
- No income tax liability on the investment as they are not receiving a rental return*.
- No property management problems, they have little or no maintenance to pay, they don't suffer from an empty property or a tenant refusing to pay the rent. Simply they get the keys in their hand when the usufructo owner passes away.
- Ethical Investment increasing life quality of senior citizens

PLEASE NOTE:



Although ultimately we will mostly deal with wholesale bankers and large investments funds, right now we are offering the same terms and conditions to smaller funds and individual investors. We are accepting investments from as little as 20,000 euro for early investors in 2021.



We have committed to accepting 10,000,000 euro in funding from individuals. However, once this amount has been achieved the situation will be reassessed. We may have more restricted availability of discounted deals for private individual investors once this target is reached.

QUESTIONS

Are you looking to invest in a bricks and mortar deal in Spain without the obvious stress and strain that goes along with it? Here at Equity Release Spain and our law office, Spanish Solutions, we must ensure that our clients are happy with their investment. This includes yield, tax implications, protection for the client etc.

Here are some questions our investors have asked us:



Is this investment product registered with any Spanish state agency?

All property purchases are done through the notary and included in the Spanish land registry. You will be the real owner of the properties you purchase.



Why is this investment suitable for me?

This investment is not for everyone. Are you buying a place in Spain to come here for holidays every summer? Are you moving to Spain and looking for a cheap house? Do you need a rental return to justify spending this sort of money? If so, we can help you of course, but bare ownership is not for you.



Who is our typical investor client?

Generally, our investors are from all over the world and in it for the medium to long term. It is true that the usufructo owner can pass away very early in the process. However it is envisaged that most investments will have a life cycle of 5 to 15 years depending on the original deal chosen by the investor.



What are the fees to purchase, maintain, and sell this investment vehicle?
How can I reduce or avoid some of the fees that I'll pay?

Notary and land registration costs from €1,500, Legal costs of €900 and for acquiring properties the stamp duty is payable at the inward stage of the investment (approx 6-10%) and capital gains tax (CGT) at the outward stage of the investment (If you sell the property). These taxes cannot be avoided by the use of offshore structures or other tax planning measures. CGT will be charged at the rate at that particular time. It is levied at an average of 20% currently. This gain is worked out only after maintenance, commissions, legal and taxation advisors fees, notary costs, bank interest etc has been deducted. Average annual maintenance costs are considerably less than €1,000. Remember this is a turn key investment and everything is handled by Equity Release Spain.



Where can I get more information about this type of investment?

The nature of the investment is based on the Spanish legal doctrine of Usufructo which is the equivalent of a life-rent interest for the occupants of the property. The concept of Usufructo is a very common right of property in Spain (derechos reales) and is governed by the Spanish Civil Code. (See Article 467). The Usufructo operates to provide an individual (Usufructuario) with the right to occupy a property for the rest of their lives. In effect, the previous owners enjoy the fruits of ownership without having legal title. The Usufructuario who benefits from the Usufructo is not the owner of the property and therefore the use and enjoyment of the property only lasts for as long as the Usufructuario is alive. When the vendor sells to the investor he becomes a "nudo propietario" or naked owner and is entitled to grant a Usufructo to the previous owners who may "use and reap the proceeds from another's property with the obligation to preserve its form and substance".

"It is in our interest to ensure our investors do not pay one euro too little nor one euro too much in tax in Spain.
We've done this for almost 20 years."



Do Equity Release Spain assess the seller, and why?

Absolutely. Given the fact that the success of the investment fund relies entirely on the eventual demise of the vendor, the cohort will be carefully assessed for factors such as age, health, lifestyle, social habits and general well-being. This assessment will be carried out at the pre-contract stage by a physician qualified to practice medicine in Spain.



Where can I get an independent evaluation of this portfolio?

Of course you are very welcome to ask an estate agent to value the property you may be buying. Our valuations are accurate and we are happy to put this in writing and have it added to the contract for your peace of mind. We work with Tinsa valuers, Spain's Banks most trusted valuation company (www.tinsa.com) and they have full Professional Indemnity cover.



What specific risks are associated with this type of investment?

There is no inherent risk with this type of investment outside of traditional property investments. In 2008 the world wide credit crunch caused 66% to be wiped off the value of the Spanish property market. Less than half of this loss has been recouped meaning we do not see it likely that a drop in the value of real estate in Spain is around the corner. However our investors are buying with discounts up to 60%. The market would need to slip back to values not seen since the 90's for the value of a property bought now to drop below this amount. Not one expert we know of has predicted such a drop.



What about liquidity; how do you get out of the arrangement?

There are numerous scenarios whereby an investor takes their money out of the deal.

Please remember investors are buying with huge equity. We sold some deals with discounts of 75% on Pre-Covid valuations dated Jan 2019. Still we are providing clients with what they need, cash) The predictions are made however, assuming a flat market, almost impossible to imagine, but a good idea to think conservatively. (the numbers still work, imagine what it will look like if we see even only a return to the prices of 2019!!)

If the investor has bought a property they can simply wait until the deal matures, with the passing of the seller Equity Release Spain will introduce you to a partner who will help you to sell and liquidate the asset. Depending on the circumstances and investment goals of the investor, in some cases, you may wish to keep it, and rent it out. Again, we provide a full service property management division to help.

Of course, an investor can sell their property at any time. As the deal matures, the sitting tenant gets older and therefore **the value of the investment rises every year, even in a stagnant market!** The new investor honors the previous deal with the sitting tenant/ex owner.

Despite being a medium term investment, due to the incredible value it offers, the deal is very liquid and not just for private investors but especially for bigger fund investors.



What happens if the occupant becomes unwell?

In the event of the seller becoming unwell and moving to a nursing home there are two options. The investor can either wait for the seller to pass as originally planned or consider making a payment to the seller for them to relinquish their lifetime tenancy.

This may be attractive to the seller if they have moved permanently into a care facility, and it may be attractive to the investor if this significantly reduces the term of the investment. Neither party is under any obligation and may choose to do so only if they think it is beneficial.



How do I calculate the value of an usufructo for tax reasons?

Knowing the value of the usufructo help you to find out how much tax you'll pay when buying the property.

Usufructo value is calculated like this:

We use the number 89 as a base then reduce the owner's age.

So, in the case of a 69 year old owner works like this:

$89 - 69 = 20$. We turn that into a %.

The property is valued at 200,000 so 20% of the value of the property is 40,000 euro.

The buyer pays taxes on the figure of 200,000 minus the usufructo value, so they base their taxes on 160,000 euro.



What is CGT payable on exactly?

We recommend that all investors speak to our taxation experts, 347 asesores in Los Alcazares.

However, as a rule of thumb, if the acquisition value is 60% of current market value and in say, 5 years, the property is sold at full market value, the CGT is payable on the difference between actual acquisition value and eventual selling price.

Regardless of the value, if you buy a bare ownership property for 100,000 euro and later sell it for 400,000 you pay CGT on 300,000 less expenses, legal fees, new surface registrations, etc. Of course in this case, you will have made a good return. Capital gains tax in 2020 is between 19-24%.



Do you inspect the properties yearly?

The properties will be subject to an annual inspection in order to monitor the fabric of the building and the general overall condition. Equity Release Spain will handle all of this for the investor - €100.00 per year. Whilst the investor as owner will remain liable for repairs to the fabric of the premises, the occupants will be responsible for minor repairs, appliance replacement, décor and the payment of all local taxes, charges and utilities. The occupant are legally obliged to take care of and not to cause any damage to the property.



What are the benefits of having a euro asset if it is not my home currency?

The Euro is one of the most traded currencies in the world and the Euro Zone is one of the largest trading blocks in the world. Buying an asset in Euros is an automatic hedge against your home currency devaluing, because the asset is so deeply discounted and will have capital growth as well it is a perfect hedge.

WHAT'S THE MOST ATTRACTIVE ASPECT FOR INVESTORS?

The really attractive aspect for our investors is that investment life cycles can stretch from between 5-25 years and with our detailed actuarial model, the ROCE can be predicted with a high degree of accuracy.

To give potential investors the joint comfort of a relatively certain ROCE amount and within a reasonably predictable time frame has to be a winner. The cherry on the top is the level of that return which dwarfs anything available from the equities or gilts markets and has the added benefit of the investment asset is tangible.

With proper and accurate vendor profiling the risk can be managed and reduced. We are providing a secondary market as highlighted previously for clients looking to get out early.





DO YOU LIKE WHAT YOU SEE AND YOU WANT A PORTFOLIO OF 2, 5,10,100 PROPERTIES?

Just ask about our bespoke packages.

ARE YOU INTERESTED IN A **GOLDEN VISA POST BREXIT** FOR OUR BRITISH, RUSSIAN, CHINESE AND OTHER NON EU INVESTORS?

Our investments are all eligible to help our investors achieve Golden visa status. We take care of the whole process for you.



LOOKING FOR A SECOND INCOME THAT CAN DO SOME GOOD FOR OUR ELDERS?

Why not help us to match elderly people in need of cash to investors who are searching for an asset backed guaranteed return?

Should you consider becoming an agent for Equity Release Spain?

We are lucky to have worked with a large network of collaborators over the years in China, Russia, The UK, Europe and Dubai.

These partners have allowed us to grow our business and presence in the property sector. We will continue to grow our Equity Release business by attracting and training motivated and like-minded professionals who can see and understand this range of opportunities in the marketplace.

Perhaps you or your agency are suitable to become agents for Equity Release Spain?

The proposition has been developed and refined to work for everyone; Investor, seller and our collaborators.

Agents achieve commissions from .25% to 1% on deals.

To find out more, please just ask us.



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