

Reserva Tres Rios

Buying property in Costa Rica

In Costa Rica foreigners have the same rights as nationals when purchasing real estate property and the Constitution guarantees protection of such property ownership rights. Purchasing Real State in Costa Rica is fairly simple and can be a rewarding experience if you retain a reputable broker and an attorney to guide you through the purchase process. There are several internationally renowned real estate offices in Costa Rica, such as Century 21, which offer a wide portfolio of properties throughout the country. Nevertheless, the buyer must be certain that the title being offered is exactly what has been bargained for. Consequently, the buyer should seek the services of a lawyer to perform a title search in the Public Registry and to recommend whether to acquire the property personally or through a legal entity.

First and foremost, it is necessary to verify the credentials of the seller and its title to the property. In order to perform the title search (due diligence process), the lawyer requires the property number (Folio Real) and/or the name and identity number of the owner, whether it is a person or a company. The Public Registry maintains a very accurate database of all registered properties in the country. The title search will verify the identity of the owner(s), the property's size, location and boundaries, the nature or use of the property, and whether the title is free and clear of any encumbrances, such as a mortgage or pending legal actions.

Zoning or other types of restrictions may affect the property. For example, if the property is part of a condominium, some construction restrictions may apply. If the property is an environmentally sensitive area or includes a historical site, limitations of use may apply. The buyer's lawyer should research if any restrictions exist and consult with the corresponding local government or government agency to determine the extent of such restrictions. The Maritime Zone Law regulates the land within 200 meters of the ocean, which belongs to the government, with some exceptions where title was registered before the law was enacted. The vast majority of the beaches in Costa Rica are subject to this law. The first 50 meters from the high tide mark are considered public areas with very restrictive uses. The next 150 meters are subject to concession or leasehold rights granted by the local government with particular terms and conditions that must be carefully reviewed. Such concessions can be transferred with the approval of the local government.

Property taxes in Costa Rica are very low when compared to the rates in North America and Europe. Before closing the sale, the buyer should request from the seller a certificate issued by the local government assuring that there are no municipal and/or territorial taxes due. Municipal taxes cover certain public services such as street lighting and garbage collection services. Territorial taxes are established by law and are determined by the size, location and value of the property, among other issues. These taxes can be paid annually, quarterly, or by semester.

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In addition, if the buyer plans to build a structure on the property, other permits are required to be submitted to the Local Government or Municipality, as each of them have different ordinances and development plans that need to be followed and are strictly enforced.

The property must be acquired through a public deed (escritura pública) issued by a Lawyer and Notary Public who is responsible for registering the sale in the Public Registry. As a general rule, the buyer selects the Notary in cash transactions. However, if the property is to be financed or mortgaged, the seller selects the Notary.

Finally, closing costs are approximately 3-4% of the total purchase price. These costs include legal fees, property transfer tax, and legal stamps. There is no rule of thumb as to whose responsible for this expenses (buyer or seller), and it's recommendable to negotiate this at the first stages of the negotiation.

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