



Buying Property in Costa Rica





Costa Rica Real Estate Transactions and Regulations

Updated July 6, 2005

Ownership of Land

Costa Rica laws and Constitution protect private ownership of land, and foreigners enjoy the same rights as citizens. There are almost no restrictions to ownership of private land, except if it is sold to Costa Rican citizens as part of a government program, in which case, it can be freely traded or acquired by foreigners only after the original owner has held it for a certain period of time. Neither citizenship nor residence or even presence in the country is required for land ownership.

Registration

Costa Rica boasts a safe form of title registration to protect buyers from hidden claims. It is centered in the Registro de la Propiedad (Property Registry), where both title documents and surveys for every property are recorded. Any change in the status of a title or any claim that might affect it must also be noted on the title registry page, thus making it easy to verify.

Those who want to buy land in Costa Rica should get professional advice, which includes a search of the title in the Registry, so as to confirm there are no liens on it, and to establish its proper ownership. Once the deal is completed, you should also secure documents from a lawyer to prove that the sale was registered, for your own safety.

Financing

Traditionally, financing in dollars at comparative rates was unheard of, however this is an option finally becoming available to foreign investors. Mortgage rates for non-residents remain high at this time (Wall Street Journal prime plus 4%). This is the result of high yields and rapid increase in property value, due to a growing population and other factors. However, this in turn makes up for the lack of leverage in Costa Rica, as do the country's stability and security, which fosters its continued growth.

Zoning

Knowledgeable lawyers agree that zoning regulations in Costa Rica are reasonable and logical, although far less stringent than in countries such as the United States. A registered local engineer must sign all building and subdivision plans and they also require approval by the local municipality, the Ministry of Health, and the government Housing Department.



Taxes

The municipal taxes paid on properties in Costa Rica are very low. Yearly property taxes are currently 0.25% of the **declared value** of the property. This declared value is a common law practice in which a property's value according to the government is very low, traditionally registered lower than the sales value. However, due to upcoming changes in real estate tax laws, undervaluation of properties may soon be less common.

Homeowner's Insurance

Insurance in Costa Rica is very affordable as well. Yearly catastrophic homeowner's insurance is approximately 0.51% of the **coverage value** plus a 13% tax on top of the percentage. For example, insurance to cover a \$100,000 value would cost \$576.30 per year.

Closing Costs

Closing costs for a sale include a transfer land tax, a stamp tax, and legal fees. Closing costs are approximately 4.3% of the sales price and are normally split 50/50 between buyer and seller. The transfer and land taxes are assessed based on the **declared value**, while legal fees are charged based on **sales price** of the property. See table below for breakdown:

Calculation Table for Transfer of Real Estate

Example Value: \$100,000

Stamps	%	
Registry	0.01	\$1000.00
Agrarian	0.001	\$100.00
Law 7535	0.002	\$200.00
Municipality	0.002	\$200.00
Lawyer Board *	0.00025	75 colones \$25.00
Treasury Department C.R.*		625 colones Less than \$2.00
National archive**		20 colones Less than \$1.00
Transfer taxes	0.0151	\$1,510.00
Legal fees	0.0125	\$1,250.00
Total about 4.3%	0.04258 plus fixed costs above **	\$4,288.00

** Over the first 100,000.00 colones, a fixed rate of 75 colones must be paid

* According to specific table rates, shown maximum payment in colones. Up to 1,000,000.00 colones you pay 1.50% in legal fees, and 1.25% above that.

(Information from law office of Alvaro Camacho (506) 224-8252)



Currency Law

Costa Rica recently made a radical change for the better regarding the currency law. Until recently, sales negotiated in dollars had to be written in colones. Now it is possible to have your contract written in dollars to give both the buyer and the seller the peace of mind previously unavailable. Now there is no need to worry about currency devaluation or other difficulties introduced by having to translate back and forth between dollars and colones. Another major effect is the possibility of having mortgages in dollars. The mortgages are still seller-leveraged more often than not, but can be written by another attorney and guaranteed by the property. Once sellers understand the implications of being able to offer this type of mortgage, it will likely become the most common type of financing, tempered by the buyer's desire to keep his property taxed lower, as a mortgage will automatically raise the declared value of the property to the amount of the mortgage.

Regulations for Beachfront Property

When buying beachfront properties, one must be aware that Costa Rica's regulations ensure that all coastline property is public. By law, the first 50 meters above the mean high-tide line are public, and defined by what is known as the 50-meter line. Nobody can restrict access or have a totally private beach. There are some exceptions, but they include port areas, old land grants, and some title property prior to 1973.

On 80% - 85% of the coast, the next 150 meters are government owned lease and also known as the maritime-terrestrial zone (or just maritime zone). Restrictions on maritime zone land for foreigners deem that one must establish five years residency to own more than 49% of the rights to a lease. Two loopholes include holding the lease with a corporation that is wholly owned by a foreigner, or having a Costa Rican hold 51% of the lease in name only. Development of the maritime zone does not discriminate against foreigners. A regulation plan must exist for area where the land is, or just for the parcel itself.

If a regulation plan does not exist, the developer must make one, and then have it approved by ICT (the Tourist Board), INVU (the Urbanization Institute), and the local municipality. Such a regulation plan will call for "zoning of land", and includes public use areas, road, water, electricity and more.

The other 15% to 20% of the coast is land that is title land up to the 50 meter line. That is to say that no maritime zone exists and the landowner may develop without inconvenience of filing a regulation plan. Tourist development must, of course, be approved by ICT, but almost anything else would require only building permits.