

# Purchasing Real Estate in Colombia

## An Introduction

*We are an innovative international law firm that offers comprehensive legal services  
to clients in Colombia and around the world*



# Colombian Real Estate

Whether you are making a permanent move to Colombia or are focusing on the Colombian market, it is essential that you understand the complexities of purchasing property in Colombia. This guide summarizes the property purchase process and provides you with key information that can help you invest safely and reliably.

## Colombian Real Estate is Booming

Over the past decade, the real estate market in Colombia has caught fire to the point that Colombian real estate is now one of the most important growth sectors of the Colombian economy.

Foreign investors have taken notice. From the purchase of single condominiums to the purchase of substantial tracts of land by private equity firms interested in investing in intensive farming ventures, foreigners have plunged into the Colombian real estate boom in droves.

## Our Real Estate Services:

Langon provides a comprehensive real estate legal practice that emphasizes a thorough examination of the proposed transaction in order to safeguard your investment. Langon clients can take advantage of the following:

### Unparalleled Service:

If you have ever dealt with service providers in Colombia you already know that client service is often lacking.

Documentation is not always provided by set deadlines. Phone calls are not always returned promptly. Emails go unanswered. Unlike local alternatives, Langon is committed to providing our clients with world-class client service.

### Experience:

Langon has managed thousands of property transactions throughout Colombia since 2011.

### English-Language Service:

Our legal services are managed by English-speaking attorneys for the convenience of our international clients.

## Our Firm

We are an innovative law firm that offers comprehensive legal services to businesses, private equity entities and high net worth individuals in Colombia and around the world. At Langon, we distinguish ourselves by offering an internationally focused, multi-jurisdictional and multi-disciplinary approach to client service.

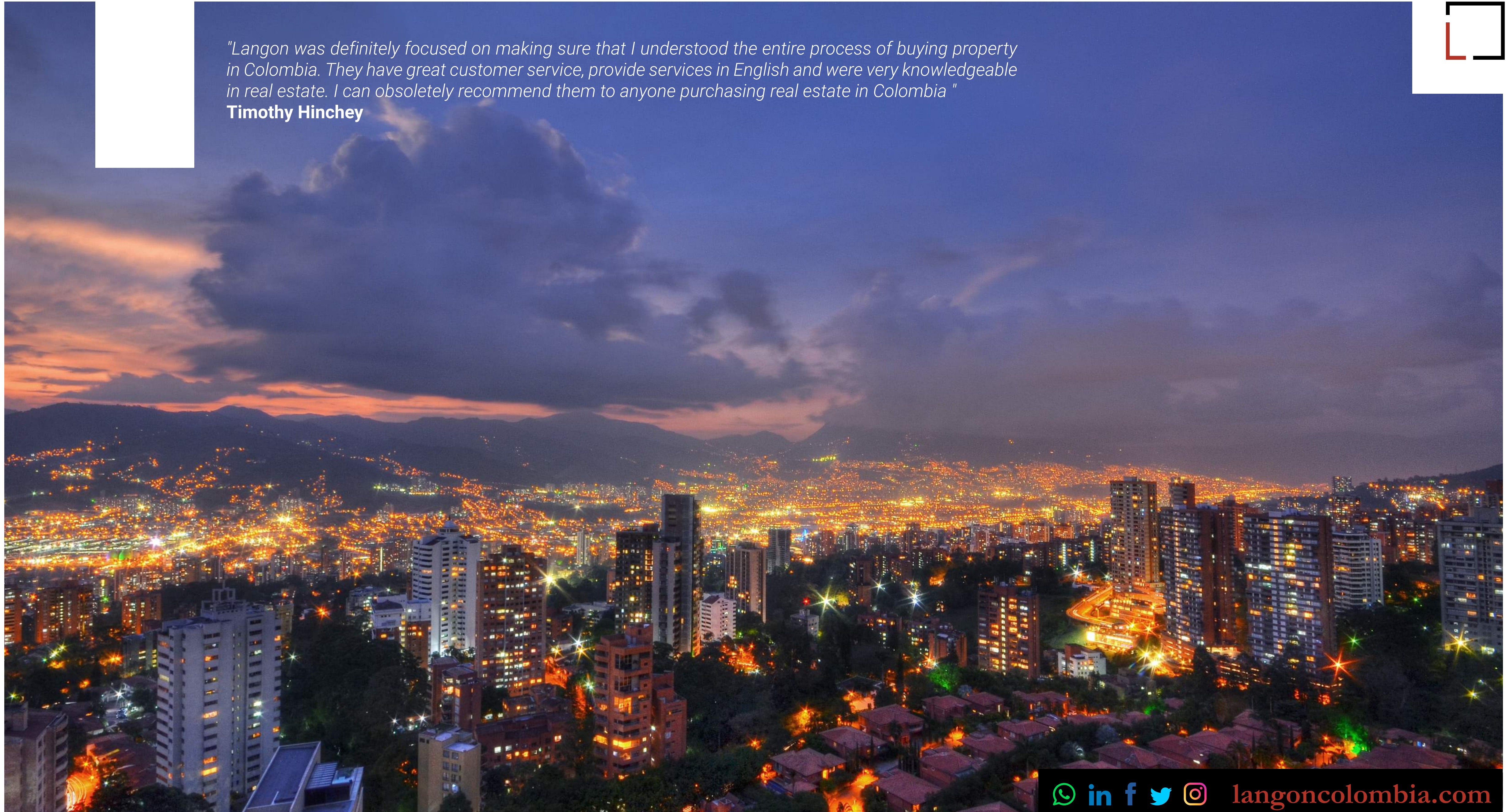
The depth and breadth of our practice allows us to provide our clients with creative legal solutions tailored to their specific needs. From securing Colombian visas and negotiating multi-million dollar M&A transactions to developing tax-efficient international expansion strategies, Langon Colombia can help your business navigate the legal and regulatory landscape in Colombia from day one.



[langoncolombia.com](http://langoncolombia.com)

*"Langon was definitely focused on making sure that I understood the entire process of buying property in Colombia. They have great customer service, provide services in English and were very knowledgeable in real estate. I can absolutely recommend them to anyone purchasing real estate in Colombia "*

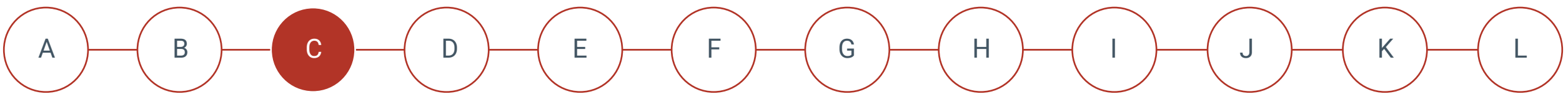
**Timothy Hinchey**





# Purchasing Real Estate in Colombia: A Timeline

Below is a graphical summary of what transpires during a typical real estate transaction involving the purchase of a pre-owned property. Keep in mind that the actual timing depends on how quickly seller provides required information in order to complete a comprehensive title analysis.



## A. Open Brokerage Account

Unless you previously registered a local bank account and have been using it for a while, we highly recommend that you open an account with a reputable brokerage company. Most brokerage companies offer foreign clients the opportunity to transfer large sums of money into the Colombian market at a low cost and in a way that is more efficient and less time consuming than bank-to-bank transfers. If you are diligent you can expect to open an account within 10 to 15 business days.

## B. Collect Key Information

Prior to making a formal offer to purchase a property it is imperative that we gather all the relevant documentation on the property and the seller. Much of this can be obtained from the seller directly, though it is a good idea to obtain it from public sources to ensure the impartiality of the information. If the parties are motivated expect this process to take 3 to 5 business days.

## Key documents include:

- **Property Certificate:** this is the “certificado de tradición y libertad” and shows the current status of the property, ownership info and other data.
- **Property Deed:** this is the “escritura publica” and is usually provided by the seller directly;
- **Property Tax Bill:** at a minimum, you should have the most recent bill;
- **Seller’s “Cedula”:** this is the national ID card of the seller; and
- **Miscellaneous:** we usually counsel our clients to request “all relevant” documentation from the seller. Sometimes this yields unexpected information (mortgage documentation, property valuation data, etc...) that may be critical in making an informed investment decision.

## C. Conduct Legal Analysis

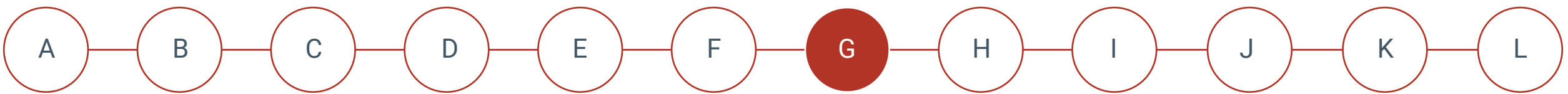
Once we gather the necessary documentation we will be in a position to conduct a proper review of the proposed transaction. This process involves identifying any potential title defects and determining if there are any liens and/or encumbrances on the property. Expect this process to take 1 to 4 business days.





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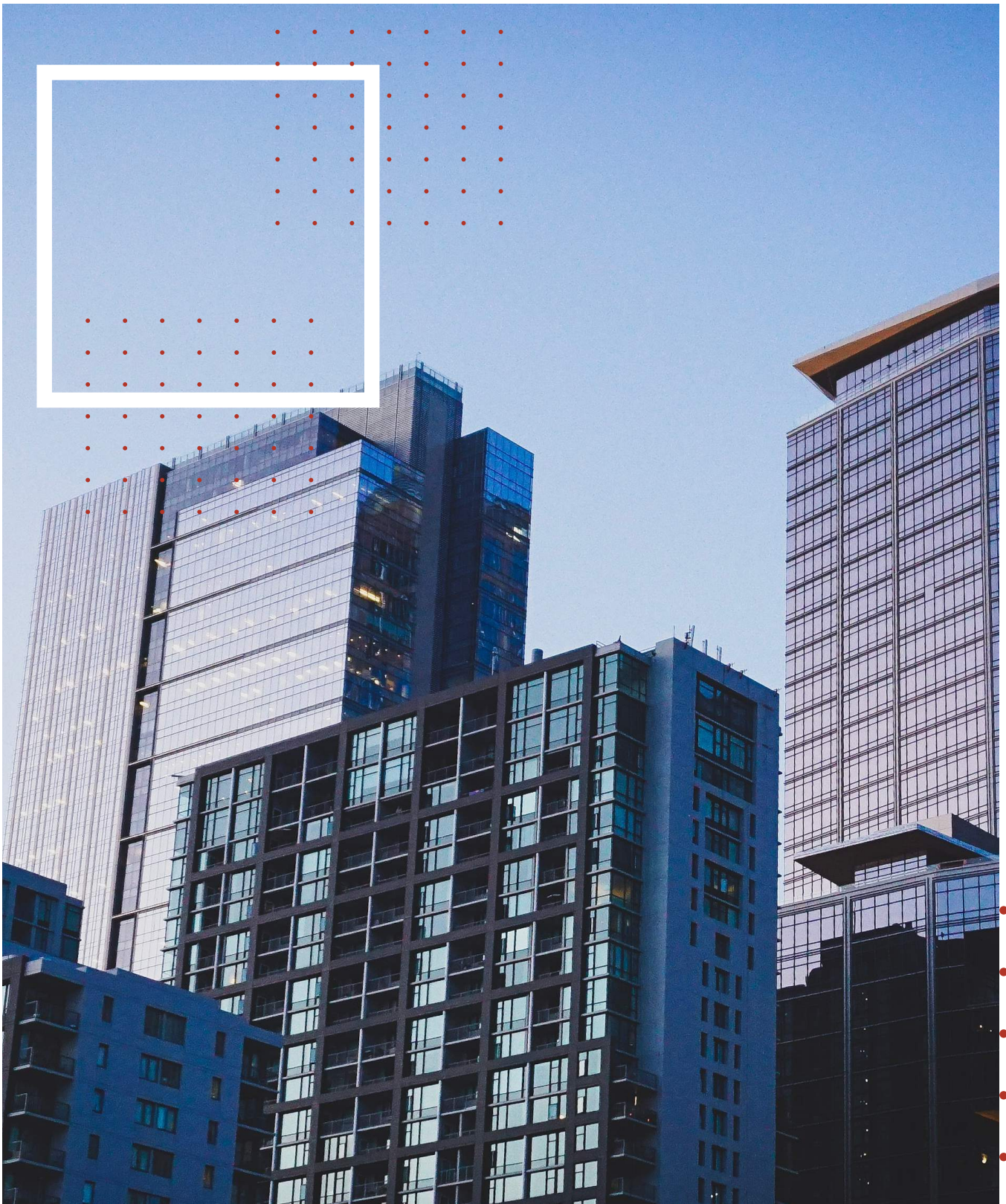


## D. Perfect Title/Resolve Transaction Impediments

If we uncover any title defects and/or any other issues we can then negotiate with the seller accordingly. Title defects/issues could involve payment on past due property taxes, delinquency on existing mortgages or even competing ownership claims on the subject property. Keep in mind that per Civil Code, art. 1893 et. seq., the seller is obligated to help buyer cure any potential imperfections in the title. It is also during this time that the buyer may consider applying for a mortgage to finance the purchase of the property, though these are still rare for foreign purchasers. The timing for this will vary.

## E. Negotiate Purchase Agreement

Once all purchase terms have been negotiated we draft a Purchase Agreement or “Promesa de Compraventa” contract. The purpose of this contract is to clarify all essential transaction terms prior to the actual transfer of the property. Per Civil Code, art. 1857 et. seq., you must clearly identify the property that is being acquired with its delineated area and boundaries, the purchase price, the method of payment (how, where and when the payment will be effectuated), the date of the delivery of the property, relevant transaction costs (taxes, notary fees and registration costs) and other important terms. If the parties are motivated expect this process to take 1 to 3 business days.



## F. Execute Purchase Agreement

The parties will meet at a local notary and sign the Purchase Agreement. Purchaser is usually required to make at least an initial deposit consistent with the terms of the Purchase Agreement, though many foreign clients prefer to make a one time payment to close the transaction as soon as possible. This process generally takes 1 hour.

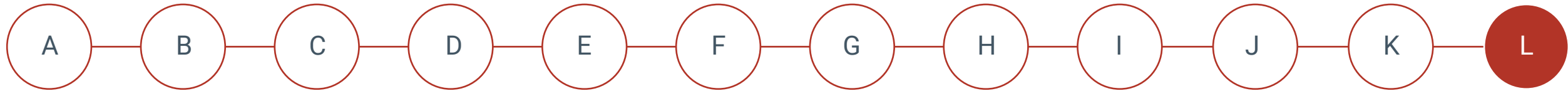
## G. Transfer Funds

As soon as your brokerage account is set up it should be ready to receive funds from abroad to be used to purchase your target property. Make sure you coordinate with your attorneys to finalize the relevant transfer documentation correctly in order to register your investment properly. Payments to seller as well as relevant transaction fees will be based on information specified in the Purchase Agreement.



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## H. Payment of Liens/Miscellaneous Charges

It is at this point that any liens, back taxes, mortgages and other charges are paid consistent with what the parties agreed to in the Purchase Agreement. The timing for this will vary.

## I. Drafting Public Deed

During this phase the parties collect all relevant documentation that verifies clean title and shows that all liens, back taxes, mortgages and other obligations have been paid. The notary reviews this documentation and drafts a public deed or “escritura publica” transferring title to the purchaser. This process can take 7 to 10 business days.

## J. Signing Public Deed

The parties meet and sign the Public Deed at the notary and pay all relevant transaction fees including registration fees and taxes. By this date the purchaser would normally have paid the full purchase price consistent with the Purchase Agreement. This process takes approximately 3 hours.

## K. Take Possession

The date of delivery or “entrega” will be specified in the Purchase Agreement. On that date, the property should be completely vacated and be ready for the intended use. Buyer will be responsible for all expenses related to the property as of the date of delivery.

## L. Register Public Deed

Once the Public Deed has been signed by the notary, it must be submitted to the Registration Office in order for the new owner to be registered as the formal owner. This process generally takes 10 to 20 business days.



# Additional Considerations

Buying property in Colombia can often be a complex and confusing experience, even for the most experienced real estate investor. Below are some things you should consider as you proceed with your real estate purchase in Colombia.

## 1- Transferring Funds Into Colombia.

Keep in mind that most foreign investors open a local brokerage account in order to transfer funds into Colombia in connection with their real estate purchases. However, that is not necessarily required in order to purchase property. You could, in fact, transfer funds directly to the seller's account or even to a local bank account if you have one. However, using a brokerage account does make things a bit easier as these financial institutions often speak English, receive instructions via email and are often accessible via phone (something that is not always the case with local banks). In addition, as opening a local bank account can sometimes be a challenge (particularly if you do not have a visa and local "cedula" ID) a brokerage account is often the way to go for foreign investors buying property in Colombia. Keep in mind that while transferring funds directly to the seller from your account outside of Colombia is a viable option, it is not usually recommended.

## 2- "Formularios":

When you transfer funds into Colombia you will need to fill out and sign certain documentation specifying (i) the amount being transferred; (ii) applicable exchange rates; and (iii) the reason why you are transferring funds. These so-called "formularios" are sent directly to your brokerage company/banking institution and are then registered with the National Bank of Colombia. Make sure that these "formularios" are filled out properly as they are key to registering your investment in Colombia and ensuring that you can repatriate proceeds of a future sale if you eventually sell your property. They are also relevant to your tax status in Colombia.

## 3- Visas:

If you plan to apply for a visa based on your real estate purchase make sure that the purchase value as described in the property deed exceeds the applicable thresholds for either a Property Owner visa or a Residency visa based on the purchase of property. Please do not hesitate to contact us if you have any questions regarding how to obtain a visa based on the purchase of a property in Colombia.

## 4- Purchase Value

Keep in mind that, until very recently, both buyers and sellers in Colombia could choose from at least two values when reporting the value of a real estate transaction to the Colombian government: 1. the commercial value (the actual purchase price of the transaction) and 2. the deed value (the value that is registered with the local registration office). Make sure that you use the commercial value when registering the value of the transaction, regardless of what the seller demands during negotiations. Choosing a lower value is now not only illegal but may mean paying unnecessary tax obligations when you sell your property following your purchase.



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