

# A Guide to Buying Real Estate in Panama

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Prepared by the staff of  
International Living

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For the investor looking to own a piece of real estate in a tropical paradise, Panama merits serious consideration. Largely overlooked as a vacation and retirement destination until now, Panama is emerging as the most beautiful...and most affordable...retirement haven in the area. Panama's diverse climate and topography offer a lifestyle choice to meet nearly every retirement dream—from tropical islands and miles of white-sand beaches on both its Caribbean and Pacific coasts...to spring-like temperatures and vacation homes nearly hidden by the lush foliage of Panama's highlands...to cosmopolitan living in Spanish and French colonial mansions in modern Panama City.

Owning property in Panama does not come with the trade-offs you'd expect normally in a Central American country. With the most developed infrastructure in the region, Panama offers most of the conveniences you are accustomed to in the U.S. Highways are modern and paved. Health care is first-rate. The water is safe to drink. International phone calls go through every time. In Panama, paradise even comes with cable TV and Internet access.



Shopping for real estate here is also easier than in other countries of the region. The currency is the U.S. Dollar, construction is done to American standards, and Panamanian real estate laws and processes are similar to those of the United States—though there are some critical differences that you need to know about.

What's more, Panama City is an international commerce and banking hub...easily accessible by air from the United States...yet within driving distance from some of the most unspoiled tropical paradises you'll find anywhere.

Panama is the safest country in the area (the Pinkerton Global Intelligence Agency recently gave Panama its highest rating for tourist safety); the economy is stable, with inflation consistently under 2%; and the government is offering investors in the country's development the most attractive incentives you'll find anywhere.



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We'll explain those differences in this report... along with the steps you need to follow to minimize the chances of something going wrong with your real estate purchase. We'll show you how you can begin enjoying your piece of paradise in Panama...worry-free.

# Titled property and “Rights of Possession” property

There are two very different kinds of real estate in Panama—titled property and derecho posesorio, or “rights of possession” property.

Derecho posesorio permits a buyer to acquire a right to possession that is transferable in perpetuity, so long as the land is actively used for the public good. “Rights of possession” property is not titled, though on the mainland it is possible to have it converted to titled land—a process that takes 15 years.

With a few exceptions, “rights of possession” property on the coast or on islands cannot currently be converted to titled land. Though the government is considering legislation that will make it easier to convert “rights of possession” real estate—even coastal and island property—to titled land, your safest bet right now is to avoid property with possession rights only.

Purchasing titled property, on the other hand, involves minimal risk and the process is very similar to that in the United States. Reliable records on titled properties throughout most of Panama are readily available from the Public Registry, making due diligence on a property a relatively routine process.

## **Your Title and Property Rights are Guaranteed**

Article 44 of Panama’s constitution protects property—and the Investment Stability Law (Law 54) guarantees that foreign investors in Panama will have the same title and property rights as Panamian nationals.

To encourage foreign investment in Panama’s economy, the government has passed over 40 laws, including Law 54, protecting foreigners’ investment rights.

These laws, coupled with eased visa and residency requirements, remove many of the risks commonly associated with buying property in developing countries.

Once you've found the property you want to buy, you need to confirm the title. The owner should provide you with two important documents—the public deed containing the title (escritura) and the Ownership and Encumbrances Certificate (Certificado de Registro Publico) from the Public Registry. You should then give these documents to your lawyer for an updated search. If the seller is unable to produce these two documents, ask for the property number (finca). With this information, your lawyer will be able to search for the title at the Public Registry.

The escritura confirms the legal owner and provides a description of the property.

The Certificado de Registro Publico document indicates whether there are any liens against the property, as well as any other legal complications that could potentially delay or prevent the transfer of the title from seller to buyer.

Both documents must be originals and bear the signatures—and official stamps—of the registration office. Additionally, the seller must provide copies of the survey plans of the property, describing its size and location, and including any buildings on the property.

### **Title Insurance**

There is no escrow and no title insurance in Panama. These functions are performed by the bank and public registry. Also, most homes and land are sold privately, without a real estate agent. (Reputable real estates are available and generally charge a fee of 5%, payable when the sale closes.)

We recommend that you have land surveyed before you purchase it, and strongly encourage consulting with a local attorney who can help you through the buying process.

# The real estate transaction process

Real estate transactions in Panama are generally done in two steps: (1) a **Promise to Buy-Sell Agreement** and (2) **Transfer of Title**.

## 1.

### PROMISE TO BUY-SELL AGREEMENT

The Promise to Buy-Sell Agreement, or Compraventa, is a preliminary contract between the buyer and the seller during which you'll be given time to arrange for financing and have your lawyer perform due diligence on the property before committing to buy.

Upon entering into the agreement, the buyer gives the seller a down payment and a date is set for transfer of title. Normally there is a penalty should either party back out at this point.

During the period set out in the agreement, the seller pays the transfer tax and obtains the clearance certificates necessary to transfer title. At this time the seller also has time to take care of any legal obligations or commitments set forth in the agreement, such as paying off any outstanding liens and making sure the property is in the condition specified in the agreement before the sale is closed.

The Promise to Buy-Sell Agreement may also contain contingencies under which the buyer can be released from obligation to buy if questions are not resolved, or if hidden defects are later found.

On the agreed-upon date, the seller and buyer sign the final contract.

## 2. TRANSFER OF TITLE

Once the Promise to Buy-Sell Agreement is completed, your lawyer will draft the final Purchase and Sale Contract. Prior to putting the contract into final form and drawing it up as a public deed (escritura), your lawyer should gather all the documents and perform a final search to ensure that no new liens or mortgages on the property have been filed.

Both the seller and the buyer sign the escritura in the presence of a Notary Public. In Panama, notaries are high-ranking officials and are granted much more responsibility than their American counterparts. They represent neither the seller nor the buyer.

The title transfer is not complete until the deed is registered at the Public Registry. This process normally takes a few weeks, but next-day registration is possible for a \$250 fee,

provided all of the documents are in order.

Once the registration is complete, your lawyer will present you with the original registered escritura and file a copy of it with the tax records department (catastro).

At this point you become the legal owner of the property.

### **A Note about Real Estate Agents**

Real estate agents normally get paid only when the sale closes. While a reputable real estate agent can help you through the buying process, he or she cannot provide you with legal advice. Thus, even when you're using the services of a real estate agent, you'll need to retain the services of an attorney.

# Paying for the purchase

## Irrevocable Letter of Payment

The safest way to pay the balance of the purchase is by an irrevocable letter of payment issued to the seller by a local bank. The funds are paid to the seller as soon as the bank is presented with the registered escritura transferring title to the buyer. Your attorney should be able to assist you in obtaining the irrevocable letter of payment and, unless you've taken out a mortgage, you will pay the bank for this service.

## Mortgage

It is easier to arrange a mortgage in Panama than anywhere else in Latin America. Local financing is widely available for foreign residents. As an example, Banco General ([www.banco-general.com](http://www.banco-general.com)) offers fixed-rate mortgages on residential property for up to 90% of the selling price. For raw land purchases, you can borrow up to 70%.

## Bank Draft

You can pay the seller the balance of the purchase with a draft obtained from one of Panama's international banks that are used to dealing with English-speaking foreigners. This method of payment, however, does involve some risk, since you will be paying the seller upon the signing of the public deed at the Notary Public and before the deed has been registered with the Public Registry.

### **Owning Through a Corporation**

(from *Panama: the Owner's Manual*)

For large projects, it's best to own property through a Panamanian corporation. Although not mandatory, it makes it easier for you to settle disputes, especially in court, and is quite easy to set up in Panama. A competent attorney charges about \$700, plus corporate tax and agents fees totaling \$250, to complete the process. After set-up, you'll pay \$150 per year in corporate tax and \$150 per year in resident agent (local attorney fees).

(You can find more detailed information about setting up a Panamanian corporation in *Panama: the Owner's Manual*, available from *International Living*.)

