



NAR



CIPS



STUDENT MANUAL

The Americas & International Real Estate

OFFICIAL CIPS DESIGNATION COURSE

Presented by the **Center for REALTOR® Development**

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INTRODUCTION



Introduction

Course Learning Goals

THE GOALS OF THE CIPS AMERICAS & INTERNATIONAL REAL ESTATE COURSE ARE TO PROVIDE:

- ▶ Methods for researching, analyzing, and applying global market information.
- ▶ Skills for facilitating real estate transactions in the Americas markets, empowering the real estate professional in the global marketplace.
- ▶ Recommendations for building key contacts in real estate organizations, commerce, and government.

Module Learning Objectives

- ▶ **Module 1: Market Dynamics**
 - » Identify ease of doing business factors in a country.
 - » Identify the economic, technological, and global factors that impact real estate investment.
 - » Understand how to use the Country Assessment Model tool.

▶ **Module 2: Cultural Influences**

- » Adapt business and social behavior to conform to the customs and cultural norms that facilitate global real estate transactions.
- » Identify the various communication styles found in the Americas.
- » Discuss ways to develop a global business.

▶ **Module 3: A Look at Mexico**

- » Identify how the social, economic, political, and geographic characteristics of Mexico impact real estate.
- » Alert buyers and sellers to Mexican laws, regulations, and real estate practices that impact real estate transactions.
- » Develop a network of key contacts in Mexican real estate, business, and government in order to reach clients and customers and complete property transactions.

▶ **Module 4: A Look at Canada**

- » Identify how the social, economic, political, and geographic characteristics of Canada impact real estate.
- » Alert buyers and sellers to Canadian laws, regulations, and real estate practices that impact real estate transactions.
- » Develop a network of key contacts in Canadian real estate, business, and government in order to reach clients and customers and complete property transactions.

▶ **Module 5: A Look at Brazil**

- » Identify how the social, economic, political, and geographic characteristics of Brazil impact real estate.
- » Alert buyers and sellers to Brazilian laws, regulations, and real estate practices that impact real estate transactions.
- » Develop a network of key contacts in Brazilian real estate, business, and government in order to reach clients and customers and complete property transactions.

▶ **Module 6: Other Country Profiles**

- » Identify how the social, economic, political, and geographic characteristics of profiled countries impact real estate.
- » Alert buyers and sellers to laws, regulations, and real estate practices that impact real estate transactions of the profiled countries.
- » Develop a network of key contacts in the profiled countries' real estate, business, and government in order to reach clients and customers and complete property transactions.

Activities and Class Procedures

This course contains a variety of activities designed to involve students, such as work group assignments, exercises, and discussions. Students are strongly encouraged to ask questions and engage in class discussions and group exercises. The range of experience levels among students offers a rich opportunity for learning from peers. Your active involvement enriches the learning experience for yourself and others.

Exam

A 30-question multiple-choice exam concludes the course. The use of this exam is optional and no longer required by NAR. It is to be used at the discretion of the instructor and/or the state in which the course is conducted.

Countries Examined in this Course

This course examines real estate in eight countries in North, Central, and South America, as well as the Caribbean. The selected countries have organized property markets, active real estate associations that have cooperating agreements with the National Association of REALTORS®, and significant foreign interest and investment in real estate.

- ▶ Mexico
- ▶ Canada
- ▶ Brazil
- ▶ The Bahamas
- ▶ Colombia
- ▶ Costa Rica
- ▶ Jamaica
- ▶ Panama

International REALTOR® Membership

Members of a cooperating association, with which NAR has a bilateral agreement of cooperation, can become international members of the National Association Of REALTORS®. As an International REALTOR® Member, your name and contact information is entered into the Find a REALTOR® directory—at no cost. Inclusion in this global database allows consumers and professionals around the world to find you at <https://www.nar.realtor/global>. Member benefits also include access to the Realtors Property Resource® proprietary database of the millions of U.S. property parcels and a partnership with Valuate to offer an “analyze the property for investment” function. For information on all International Member benefits and a membership application, visit <https://www.nar.realtor/global/international-realtor-membership>.

Earning the CIPS Designation

The National Association of REALTORS® awards the Certified International Property Specialist (CIPS) Designation to REALTORS® who complete the required coursework and demonstrate global real estate experience. The CIPS course curriculum is the foundation for a worldwide network of over 4,000 real estate professionals in 50 countries. To be eligible for the CIPS designation, you must complete five of the courses listed below (two core courses and three elective courses), and complete an application demonstrating 100 points of international experience.

Course Requirements

From the time the first course is taken, you have 3 years to complete the coursework and apply for the designation.

► Core Courses:

- » Global Real Estate: Local Markets (both U.S. and non-U.S. students)
- » Global Real Estate: Transaction Tools (U.S. students only)
- » The Business of U.S. Real Estate (non-U.S. students only)

► Elective Courses:

- » Europe and International Real Estate
- » Asia/Pacific and International Real Estate
- » The Americas and International Real Estate
- » Africa and International Real Estate

► One of the following courses can count as one elective option:

- » At Home with Diversity®
- » CCIM—Residential Real Estate Financial Analysis

International Real Estate Experience

There are many ways to earn the 100 points necessary for CIPS designation. Completing international transactions, earning other NAR certifications, attending conferences outside of your country, and being a member of your local global business council are among the ways to earn points.

For up-to-date information on experiential requirements, fees, and a designation application form, go to www.nar.realtor/cips.

Maintaining Your Designation

Once you've earned your NAR designation you will also be an International REALTOR® Member of NAR for the balance of that calendar year. For more information on your International REALTOR® Membership benefits, please visit: www.nar.realtor/global/international-realtor-membership.

Maintaining your NAR International REALTOR® Membership with ONE yearly fee of US\$75 will keep your CIPS designation, as well as all NAR designations and certifications active that you might hold. Please note that if your International REALTOR® Membership goes inactive, so will your NAR designations and certifications.

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The terms REALTOR® and REALTORS® are trademarks of the National Association of REALTORS® and should never be used as a substitute for "real estate agent." The trademarks, along with the Code of Ethics and Standards of Practice, set members apart from other real estate licensees. Only real estate professionals who are members of NAR may refer to themselves as REALTORS®.

Visit the site below for more information about the REALTOR® trademark:

▶ <https://www.nar.realtor/logos-and-trademark-rules/the-realtor-logo>

Figure A.1 North and South American Countries by Region



Test Your Americas IQ

Test your knowledge of South and Central America and Caribbean facts. Don't worry if you're unsure of the answers—all of these topics will be covered in the course.

- | | |
|---|-----------------------------|
| 1. Mexico does not allow foreigners to own property in restricted zones along borders and coastlines. | True
False |
| 2. The Bahamas is an archipelago, which means it is under U.S. rule. | True
False |
| 3. Toronto, New York, Miami, and Sao Paulo are all in the same time zone. | True
False |
| 4. Spanish is the language of South and Central America, with the exception of Brazil. | True
False |
| 5. Jamaica was the first Caribbean nation to gain independence from Britain but remains a member of the British Commonwealth. | True
False |
| 6. Panamax is the term for the size limits for ships traveling through the Panama Canal. | True
False |
| 7. Central and South American countries are considered low context. | True
False |
| 8. Just like in the U.S., cars are driven on the right side of the road in The Bahamas. | True
False |
| 9. São Paulo is the largest city in Brazil. | True
False |
| 10. Of the three North American countries, Canada is smallest in land area. | True
False |



01

MARKET DYNAMICS



Module 1: Market Dynamics

AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Identify ease of doing business factors in a country
- ▶ Identify the economic, technological, and global factors that impact real estate investment.
- ▶ Understand how to use the Country Assessment Model tool.

About Market Dynamics

This module—Market Dynamics—looks at challenges and opportunities that impact real estate markets, transactions, and businesses in countries of the Americas. As noted in the introduction, this study focuses on a representative selection of countries. Although generalizations risk overlooking specific conditions within a country, they help create an understanding of the interplay of forces and trends and are a good starting point as you study a market.

Real estate professionals who plan to focus their efforts on a particular country or market segment should invest the time and resources in gaining both classroom and firsthand knowledge, as well as making essential network connections. The country assessment model discussed next provides a roadmap for researching and building a knowledge base.

Impacts on Real Estate Investment

There are a number of social, economic, and political factors that impact real property values, property development, and the purchase, ownership, and transfer of properties. These can create both opportunities and challenges for the real estate investor:

- ▶ Economic growth
- ▶ Trade agreements and partners
- ▶ Ease of doing business, transparency, accountability
- ▶ Civil unrest
- ▶ Urbanization
- ▶ Environmental issues and sustainability
- ▶ Demographics
- ▶ Private property rights and financing
- ▶ Technology, connectivity, innovation
- ▶ Global health

Country Assessment Model

One way to identify the effectiveness of a current market is by using the Country Assessment Model. This breaks down information into eight main categories and numerous subcategories (listed below) that can be used to assess how attractive a particular market is for investment. As you use this model to research, organize, and evaluate market information about countries in the Americas, keep in mind that:

1. Data may not be readily available for each point on the checklist.
2. You can decide how much detail to seek and how much time to spend pursuing it.
3. Ongoing research is vital to stay current in this dynamic environment.

Country Assessment Model Categories

▶ Geography

- » Major cities, states, provinces, colonies
- » Climate, terrain, borders, and coastlines
- » Unique features
- » Environmental issues and agreements
- » Natural resources

▶ Real Estate

- » Market size
- » Private property rights
- » Foreign ownership
- » Acquisition costs, fees, and taxes
- » Transaction support: MLS, records access
- » Rental property: commercial, residential, office
- » Land use regulation, zoning, permits
- » Financing
- » Brokerage practices and agent licensing
- » Forms of ownership
- » Role of the notary
- » Investment returns and value appreciation
- » Commercial trends
- » Home ownership rates and housing trends

▶ Demographics

- » Population: size, age, density, trends
- » Consumption and savings rates
- » Per capita income
- » Languages and literacy
- » Labor force composition (service, industry, agriculture) and overall skill level

▶ **Government**

- » Type, structure, tenure, and stability
- » Tax laws and rates (citizens, foreigners, corporate, capital, inheritance, tax treaties)
- » Legal system and court structure
- » Constitution, legislature, regulatory structure
- » Major political parties and elections
- » Voting rights
- » Trade agreements
- » Administrative structure and bureaucracy

▶ **Economy and Business**

- » Economic philosophy and monetary policy
- » Base industries
- » Entrepreneurial activity
- » Currency and exchange trends
- » Inflation, recession, and GDP trends
- » Unemployment
- » Major trading partners and alliances
- » Exports and imports
- » Trade balance
- » Trade and capital flow restrictions
- » Wage and price controls
- » Business infrastructure
- » Market access—internal and external

▶ **Infrastructure**

- » Electricity and water supplies, waste management
- » Transportation and shipping: airports, ports, waterways, railways, roads
- » Banking, ATMs, credit cards
- » Technology usage
- » Internet access
- » Communications and media
- » Institutions: medical, educational, religious

▶ **Worldview**

- » Ethnic composition
- » Cultural considerations
- » Diversity, equity, and inclusion policies and norms
- » Business impact of religion and culture
- » Business impact of global health issues
- » Business and social behavior
- » Traditions
- » Holidays
- » Negotiation and decision-making styles
- » Mistakes to avoid

▶ **Networking and Key Contacts**

- » Potential clients and customers: corporate, commercial, individual, local, and foreign
- » Business and professional connections
- » Real estate organizations
- » Real estate expositions and events

Interpreting Country Assessment Model Data

The knowledge that you amass based on this list will allow you to create a strong picture of a market. Go through each item on the list and determine which ones you know and which ones you need to learn more about. Research the items you have questions about to understand the basics. Group what you learn from each category, analyze this information, and make your assessments of the market. Armed with this, you will be in a good position to advise your clients.

Challenge: Economic Growth

The economies of the Americas are interrelated and the growth or contraction of one impacts its neighbors. Multiple forces—oil prices, commodity supply and demand, currency strength, political uncertainty, global health concerns, economic health of trading partners—work to accelerate or slow economic growth. Although the Americas may share similar economic trends, they do not move in lockstep. Figure 1.1 shows a wide divergence in growth rates based on GDP trends.

Figure 1.1 GDP Growth, by Country¹

Country	GDP Growth 2019–2023 (%)				
	2019	2020	2021	2022	2023
North America					
Canada	1.9	-5.0	5.2	3.8	1.1
Mexico	-0.1	-8.2	5.8	3.9	3.2
United States	2.2	-2.7	5.9	1.9	2.5
Caribbean					
Bahamas	1.2	-16.3	16.9	14.3	2.6
Jamaica	0.9	-10.2	4.6	5.2	2.2
Central America					
Costa Rica	2.2	-4.5	7.9	4.5	5.1
Panama	3.0	-17.9	15.8	10.8	7.3
South America					
Brazil	1.4	-4.1	4.9	2.9	2.9
Colombia	3.3	6.8	11.0	7.2	0.6
Trading Partners					
India	4.0	-8.0	9.0	7.2	7.6
China	0.9	2.3	8.4	2.9	5.2

As of April 2024, the International Monetary Fund's economic outlook for Latin America and the Caribbean was positive, noting its robust rebound from the pandemic and its resilience in recent years despite difficult external factors, such as high inflation. As inflation subsides, growth is projected to moderate in the coming years at about 2.5%.²

¹ World Bank (2024). <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

² IMF. (2024, April). "Regional Economic Outlook: The Western Hemisphere." <https://www.imf.org/en/Publications/REO/WH/Issues/2024/04/19/regional-economic-outlook-western-hemisphere-april-2024>

Commodity-Based Economies

The economies of South and Central America rely heavily on a narrow base of commodity exports, such as oil, copper, iron ore, and soybeans. According to the United Nations Conference on Trade and Development, 14 out of 33 countries in this region are commodity dependent (60% of export revenue) while another seven countries have a commodity share of 50–60%. Commodity prices spiked during and in the immediate wake of the pandemic, significantly increasing the cost of living for the average citizen. But prices dropped significantly between 2022 and 2023 and are expected to stabilize through 2024 and 2025. Forecasts still view prices as being approximately 35% to 40% higher than the years preceding the pandemic, however, which creates economic challenges.³

Although export of commodities spurs growth, over-dependence on extractive industries, such as mining or oil production, tends to stifle economic diversification as well as development of globally competitive high-tech industry and knowledge-based jobs.

As Figure 1.2 shows, some countries also rely on manufactured goods as their main exports. Mexico, in particular, relies heavily on automobile and automobile parts for export income. The COVID-induced supply chain backlog of computer chips caused automotive production and exports to fall dramatically in Mexico, but has since rebounded, and employment is expected to grow by 2-3% in 2024 and 2025.⁴

Figure 1.2 Top Three Exports by Country

Country	Top Exports
Brazil	Soybeans, oil, iron ore
Colombia	Oil, coal, coffee
Costa Rica	Medical instruments, bananas, fruit
Mexico	Cars, computers, vehicle parts
Panama	Petroleum, copper ore, bananas

³ World Bank. (2024, April). "Global Commodity Prices Level Off, Hurting Prospects for Lower Inflation." <https://www.worldbank.org/en/news/press-release/2024/04/25/commodity-markets-outlook-april-2024-press-release>

⁴ OECD. (2024, July 9). "OECD Employment Outlook 2024 - Country Notes: Mexico." https://www.oecd.org/en/publications/oecd-employment-outlook-2024-country-notes_d6c84475-en/mexico_6ff7c0af-en.html

Tourism-Based Economies

Caribbean countries depend on the narrow—and fickle—economic base of tourism. Dependence on tourism links the economies of Caribbean countries with the home countries of visitors, particularly the United States and Europe. Tourists will gravitate to destinations where their dollar, euro, or yen goes the furthest. The Bahamas derive half of their revenues from tourism and related services, which also employ half of the workforce.

The COVID-19 pandemic devastated the tourism industry in the Americas throughout 2020 and 2021, devastating local economies, but has rebounded strongly in the years since. Data for 2023 cruise visits to Caribbean, for example, show a 56% increase from pre-pandemic levels in 2019. That number is expected to increase by another 10-15% in 2024.⁵

Competitors or Customers?

For many countries in the Americas region, the rise of other world economies, such as China and India, presents opportunity but also competitive difficulty. For example, manufactured goods from Mexico face fierce competition from those of China. Plus, Mexico has the challenge of maintaining a balance with China and the United States—both of which are vying for its import and export dollars. In order to build a successful economy, Mexico and other countries in the Americas have to find the opportunities in these relationships.

Infrastructure

Neglected and underdeveloped infrastructure exerts an ongoing drag on economic development in South and Central America. Improvements in transportation infrastructure, such as port facilities, rail lines, and paved roads, would boost global competitiveness of exports by decreasing costs and delays.

Some studies estimate that Latin America and the Caribbean will need to invest heavily in infrastructure in the water, sanitation, energy, transportation, and telecommunication sectors to meet the criteria of the Sustainable Development Goals decreed by the United Nations.⁶

Investments in digital infrastructure are seen as one way to help nations achieve the Sustainable Development Goals by fostering access to finance, education, and health. Real estate investors looking to the Americas will want to assess the role of digital technologies in the various countries in the region. Figure 1.3 reveals access to the internet in the countries included in this course.

⁵ Caribbean Tourism Industry. (2024, March 15). "Caribbean Tourism Experiences Strong Growth in 2023, Recovery to Continue into 2024." <https://www.onecaribbean.org/caribbean-tourism-experiences-strong-growth-in-2023-recovery-to-continue-into-2024/>

⁶ Bricchetti, J.P., Mastronardi, L., Rivas, M.E., Serebrisky, T., & Solis, B. (2021, December). The infrastructure gap in Latin America and the Caribbean: Investment needed through 2030 to meet the sustainable development goals. Inter-American Development Bank. <https://publications.iadb.org/en/infrastructure-gap-latin-america-and-caribbean-investment-needed-through-2030-meet-sustainable>

Figure 1.3 Percentage of Population Using the Internet

Country	% Using Internet
North America	
Canada	89%
Mexico	75%
United States	92%
Central America	
Costa Rica	68%
Panama	54%
Caribbean	
Bahamas	83%
Jamaica	50%
South America	
Brazil	77%
Colombia	76%

Source: The World Population Review

Infrastructure impediments add time, cost, and frustration and drive customers to competitors. We will review the specific infrastructure challenges of the countries in this course in later modules. When working with a client interested in a country in the Americas, you will want to be aware of how infrastructure plays a role.

Structural Reforms

Regional conferences inevitably include intense discussion of structural reforms and priorities. Along with infrastructure improvements, structural reforms in government policy would boost economic development in some countries. Structural reform encompasses actions such as trade liberalization, privatization of state enterprises, redirection of government spending from subsidies to investment in education and social development, orderly public records of property ownership, and reduction of barriers to foreign investment.

Economic Growth and Real Estate

Analysts look to the health of the real estate market as a leading indicator of economic growth or downturn. As a leading indicator, it can signal to investors the future direction of the economy. Real estate both portends the pivot points of the business cycle and reacts to it. In short, as the real estate market goes, so goes the economy. A key point for real estate professionals to remember is that property buyers and sellers will see economic conditions as a deterrent or an opportunity.

Challenge: Trade Agreements and Partners

Regionally and internationally, the economies of the Americas interconnect through trade partnerships and free trade agreements throughout the world. For example, the Pacific Alliance trading bloc, which includes Colombia, Mexico, Peru, and Chile, has strategic partnerships with Canada and the United States, and has been strengthening ties with Asia-Pacific countries, such as Australia and New Zealand, and more recently Japan, South Korea, and Singapore.⁷

Trade agreements, however, can result in overreliance on the economic conditions of a trade partner. For example, Mexico sends nearly 80% of its exports to the United States, making it vulnerable to fluctuations in U.S. consumer spending and government policies. Political conditions in a trading partner affect the countries involved and eventually, the economy as a whole, such as in Colombia, which has suffered through years of political violence and social unrest and is now contending with a series of controversial social and economic reforms proposed by President Gustavo Petro.⁸

Trade agreements signify countries that are actively working to develop their economies—making them a logical location for real estate investment. Here are some of the other major region wide trade alliances in the Americas countries:

▶ USMCA

United States, Mexico, Canada (2020)

The United States-Mexico-Canada Agreement (USMCA) replaced the previous North American Free Trade Agreement (NAFTA) that had been in place since 1994. One of the primary goals under the NAFTA agreement was to provide better jobs and discourage illegal immigration in Mexico. This original agreement was renegotiated into USMCA during the Trump administration.

This reworked agreement is designed to create a more balanced, reciprocal trade that supports high-paying jobs for Americans and grows the North American economy. It includes improved rules of origin for automobiles, benefits North American agriculture, provides protections for intellectual property, and includes benefits for small and medium-sized businesses.

⁷ Alianza del Pacifico. (2023, February 9). “Pacific Alliance strengthens cooperation ties with Japan through the Together Program.” <https://alianzapacifico.net/en/pacific-alliance-strengthens-cooperation-ties-with-japan-through-the-together-program/>

⁸ Andres Rojas and Camilo Cohecha. (2024, March 6). “Thousands march in Colombia to protest government reforms.” Reuters. <https://www.reuters.com/world/americas/thousands-march-colombia-protest-government-reforms-2024-03-06/>

▶ **MERCOSUR**

Argentina, Brazil, Paraguay, Uruguay (1991)

Mercosur was created in 1991 when Argentina, Brazil, Paraguay, and Uruguay signed the Treaty of Asunción which called for the “free movement of goods, services, and factors of production between countries.” As a result, residents of Mercosur countries may live and work anywhere within the bloc.

At its inception, Mercosur founders envisioned a common market, like the European Union, and a future common currency. In addition to its economic goals, the pact was seen as a way to bolster renewed democracies emerging from dictatorships of the 1980s. In fact, founding documents state that “the full force of democratic institutions is essential” and forsaking democratic rule will lead to suspension. Since joining the bloc in 2012, Venezuela proved a troublesome addition and was suspended in 2016. Bolivia has been seeking full membership in MERCOSUR for 10 years and is awaiting approval from Brazil.

MERCOSUR has been described as fractious. It has signed trade deals with individual countries, but larger deals have been elusive. In the past few years, however, progress has been made in finalizing a partnership with the EU, though it has not yet been ratified as of this writing.⁹

▶ **CARICOM**

Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, plus five associate members, and seven observers (1973)

Most of the islands of the Caribbean are allied through the Caribbean Community (CARICOM). It is comprised of states that are considered developing countries that have had to transition from agriculture-based to service-driven economies. The four pillars of CARICOM are: functional cooperation, and economic integration—including trade, the coordination of foreign policy, and combining of regional security initiatives. The “Common Market” is one of more than 20 institutions that comprise CARICOM. In addition to economic integration, the CARICOM umbrella covers institutions that focus on social and environmental issues.

⁹ Pieper, Oliver. (2024, May 19). “EU-Mercosur: No agreement before European elections.” DW. <https://www.dw.com/en/eu-mercotur-no-agreement-before-european-elections/a-69123817>

▶ **OAS**

All 35 independent countries of the Americas and Caribbean (1948)

The Organization of American States (OAS), the successor to the U.S. sponsored Pan-American Union, was founded to strengthen security within the Western Hemisphere and promote peaceful settlement of disputes between member countries. Although not a trade agreement, the OAS does provide a forum for open discussion and encourages cooperation on economic, social, and cultural matters. Since the end of the Cold War, the OAS has played an important role as an observer and monitor of elections. More recently, some member countries have proposed updates to the existing structure of the OAS but, as of yet, no changes have occurred.

▶ **Other Trade Agreements**

In addition to the major alliances outlined above, countries in the Americas, bilaterally or as part of their member organizations, have ratified many inter- and intra-regional trade agreements.

Trade Agreements and Real Estate

Trade agreements usually include provisions to lift barriers to the free flow of capital. When that happens, foreign direct investment follows trade. As companies establish business enterprises in the countries of a trading partner, they need commercial real estate, office space, warehousing and logistics facilities, as well as housing for business professionals. When investors feel that their interests are safeguarded, investment capital flows into partner economies and real estate is a perennial favorite.

Challenge: Ease of Doing Business

Countries that have policies in place to make it easy for companies to do business are a natural location for real estate investment. It will benefit you to identify how these indicators impact doing business in the location you and a client are considering:

- ▶ Starting a business
- ▶ Dealing with construction permits
- ▶ Accessing electricity
- ▶ Registering a property
- ▶ Accessing credit
- ▶ Protecting minority investors
- ▶ Paying taxes
- ▶ Trading across borders
- ▶ Enforcing contracts
- ▶ Resolving insolvency

Of course, within any country there will be companies that outperform this list of indicators. Conversely, problems arise even in countries with favorable rankings when company performance is subpar. Understanding the items on this list is a good starting point for alerting investors to both favorable and unfavorable real estate properties.

Prior to 2022, the World Bank published an annual ease of doing business report for countries around the world based on the indicators listed above. While previous reports are archived and available for viewing, the annual report is no longer being produced. Beginning in 2024, the World Bank began publishing its Business Ready (B-Ready) Report. For the most current insights, go to www.worldbank.org/en/businessready.

Transparency and Accountability

Most of the indicators noted above move up or down in the rankings based on the degree of transparency in government.

- ▶ **Transparency:**
The right to know.
- ▶ **Accountability:**
Being held responsible for actions taken and being able to explain and justify actions.

When governments seek to improve transparency and accountability, it sends a message to the citizens that they have the right and power to influence decision making and hold public officials responsible for their decisions and actions. Accountability and transparency are also powerful forces against corruption.

The internet and social media are great enablers of transparency and accountability initiatives, not only for disseminating information, but also for citizens to express opinions, identify abuses, and join movements. As we learned earlier in this module, all of the countries in this study have high percentages of the populace online.

Mass social media platforms provide a relatively cost-effective way to open spaces for the citizenry to communicate with institutions and participate in policy making. Latin American countries in particular have traditionally lagged behind in gaining the citizens' trust in public institutions. Some of these countries are using social media as a way to develop that trust.

Wire Fraud

The internet has also resulted in serious crimes within our industry. Real estate wire fraud is one of the most prevalent cybercrimes in the U.S. This includes business email compromise/email account compromise (BEC/EAC). Hackers create fake email accounts that mimic the actual account and send a directive to wire the funds to a fraudulent account. Once the transfer takes place, the money is gone and there is no recourse for getting it back. It is important that you educate your client and take steps to prevent fraud. Clients should verify all wiring instructions before transferring funds. Inform the client that it is rare to receive last-minute changes to wiring instructions, and if this occurs, they should verify validity of the instructions with the bank.

Transparency, Accountability, and Real Estate

When transparency and accountability are high, it sends a message to citizens that they have power to control their decisions and it holds government accountable for its actions. In countries where transparency and accountability are valued, property buyers can be more confident in the validity of transactions and recognition of their property ownership.

Challenge: Civil Unrest

The countries of the Americas share long and, for the most part, peaceful land borders. Canada and the United States share the longest land border in the world. Most of the Canadian/U.S. border is undefended and, in some towns, border lines run through family farms and backyards.

Latin American countries, for the most part, are peaceful neighbors to each other even though there are some disputes over location of borders and coastal boundaries, which involve claims to rich fishing grounds and offshore oil deposits. The dearth of border conflicts means that the Latin American countries can avoid the cost of maintaining armed forces. In fact, Costa Rica has no army per its constitution. The 2024 Global Peace Index lists Costa Rica as the most peaceful country in Central America and the Caribbean. Haiti is rated as the least peaceful country in the region.

The border between the United States and Mexico is often in the news. While it is not a point of armed conflict, it is a dividing line for immigrants seeking refuge in the United States as they flee from conflicts in their home countries.

Tragically, for some of the countries, the peaceable borders encompass dangerous internal conflict and violence by armed insurrections and the organized crime of drug cartels.

- ▶ As mentioned already, Colombia is and has been in state of civil unrest for some time.
- ▶ Mexico has fought an ongoing war against drug cartels. Statistics show that in recent years thousand of people have forcibly disappeared with the majority of disappearances occurring in areas of the country with a heavy presence of drug cartels. Corrupt local police and an inadequate military exacerbate the violence. There is renewed hope of bringing in needed reforms and increasing law and order with the first female president, Claudia Sheinbaum, taking over in 2024.
- ▶ Jamaica has one of the highest murder rates in the world and is a site for a prolific drug trafficking system. While violence tends to be found in impoverished areas, it is not confined.
- ▶ The ongoing crisis in Haiti, which has been overrun by gangs and social disorder, poses larger risks to international trade and supply chains. It's a situation to monitor closely in the years ahead.¹⁰

Crime and violence are ugly aspects of life in the Americas that are difficult to discuss. They are not just statistics, but horrific events that happen to people and mar the peace, security, and civility of the country. It would be naïve to ignore or gloss over the subject.

¹⁰ Engelland, Bryce. (2024, May 1). "Pirates, refugees & risk: The global economic consequences of Haiti's collapse." Thomson Reuters. <https://www.thomsonreuters.com/en-us/posts/global-economy/haiti-collapse/>

Civil Unrest and Real Estate

When people cannot feel safe in their homes and neighborhoods, the quality of life is degraded. Rural populations forced into cities to escape violence become refugees in their own country, and in some Latin American countries, populations are attempting to immigrate to the U.S. en masse as they flee conflict. These situations create levels of income inequality that cannot always be surmounted. All of these insecurities send investment capital fleeing.

Challenge: Urbanization

Urbanization, the migration of populations from rural areas to cities, is a global megatrend. People migrate to cities for job opportunities, better wages, access to education, and other benefits along with the promise of a better standard of living.

Figure 1.4 Urbanization and Poverty Percentages by Country¹¹

Country	Urbanization	% Below Poverty Line
North America		
Canada	82%	11.7%
Mexico	81%	44%
United States	83%	11.4%
Caribbean		
Bahamas	83%	11%
Jamaica	56%	23%
Central America		
Costa Rica	81%	20%
Panama	68%	15%
South America		
Brazil	87%	12.8%
Colombia	81%	37.5%

¹¹ The World Bank. "Indicators | Data." Worldbank.org, 2024, data.worldbank.org/indicator.

All of the countries in this study are highly urbanized. Brazil is the most urbanized with 87% of the population living in cities. A trend within the Americas is the expansion of neighboring cities to form megaregions. For example, the Rio-São Paulo corridor is home to over 40 million people, almost one-quarter of the population of Brazil. The Mexico City-Puebla-Toluca megaregion is home to 30 million people.

Cities, particularly the megaregions, concentrate wealth, power, communications, technology, and innovation. They also strain the urban infrastructure such as water supply, electricity, and sanitation. Informal, but quite enduring, settlements make up the fringes of megaregion Latin American cities—the favelas of Rio, comunas of Medellín, or barrios of Mexico City—and are home for those who live on the economic and social outskirts.

The urban fringe settlements are isolated from urban life and cut off from things that would help inhabitants out of poverty and the slums—education, health care, employment, better housing, and public transportation.

A new economic indicator implemented used the World Bank looks at within-country inequality. Countries that score 40 or higher on the Gini Index are considered to be highly unequal. Countries that score lower than 30 are considered to have low inequality, and countries that score in between are considered to be moderately unequal. Most of the countries of the Americas show moderate to high levels of inequality.

Growth of the Global Middle Class

A recent study by Pew Research found that 17% of the world's population could be defined as middle class. This group encompasses those with an annual income for a family of four ranging from \$14,600 to \$29,200.¹²

The middle class is the economic engine of a country both in terms of employment and consumption. The economic and social “middle” provides a large buffer for the social tensions of income inequality between the wealthy and the poor.

¹² Ledsom, A. (2021, August 3). Are you in the global middle class? Forbes. <https://www.forbes.com/sites/alexledsom/2021/08/03/are-you-in-the-shrinking-global-middle-class/?sh=2d0205bd2fc0>

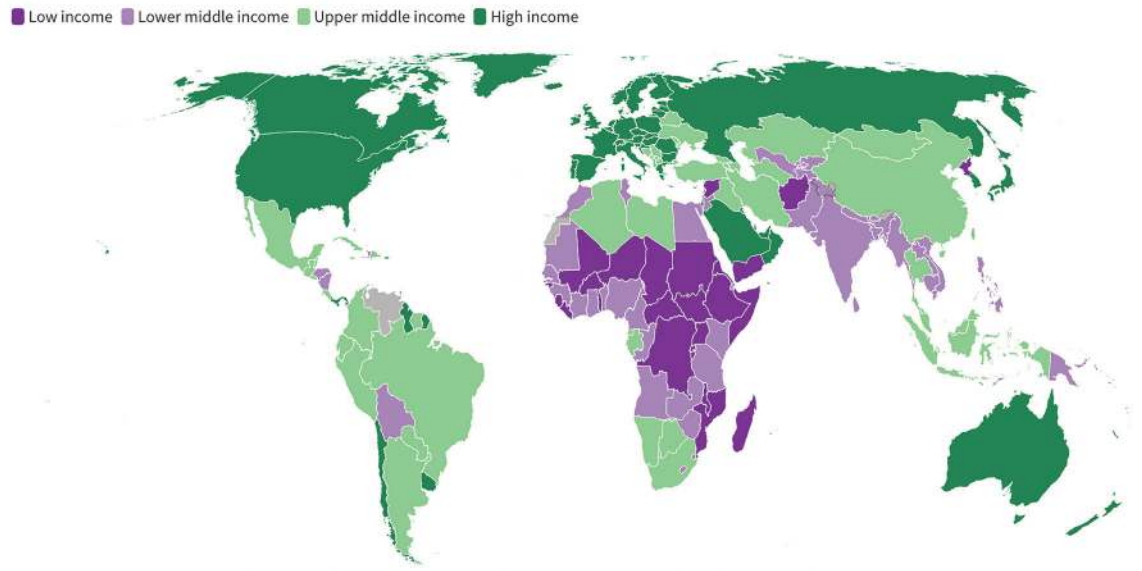
Figure 1.5 GNI Per Capita¹³

Country	GNI Per Capita
North America	
Canada	\$53,930
Mexico	\$12,100
United States	\$80,300
Caribbean	
Bahamas	\$31,990
Jamaica	\$6,150
Central America	
Costa Rica	\$13,850
Panama	\$18,010
South America	
Brazil	\$9,070
Colombia	\$6,870

“Middle class” is as much a mindset as it is an economic classification. A large middle class is a stabilizing influence as the priorities focus on jobs, affordable homes, reliable public transportation and infrastructure, education including college, health care, and pensions for a comfortable retirement. The middle-class values hard work, fairness, meritocracy, and savings, and they want stability and predictability for themselves and their children. But their expectations for government support for middle-class priorities can produce tension between demand for public services and willingness to pay for them through taxes.

Most Latin American countries are classified as “upper middle income” by the World Bank and have ranked among the most prosperous developing economies. In the map that follows, you can see how these countries compare to the rest of the world. The pandemic has put a damper on this progress for many of the countries in Latin America and the Caribbean. As the world continues to balance the economy with the pandemic, it is thought that the growth of the middle class will continue.

¹³ World Bank. “World Bank Open Data.” *World Bank*, 2025. <https://data.worldbank.org/>

Figure 1.6 The World by Income and Region¹⁴

Urbanization, Middle Class Growth, and Real Estate

The most obvious impact on real estate of urbanization and middle-class expansion is the provision of quality affordable housing. A growing urban population and consumer class increases demand for all types of real estate and creates attractive opportunities for global investors. Public investment in institutional real estate increases as well, with demand for social housing, schools, healthcare facilities, retirement housing, and government administrative centers.

Real estate development, however, can outpace the ability of government to construct or upgrade infrastructure, such as sanitation and water systems. Additionally, obtaining legal title to properties may be difficult if the country lacks a reliable and accessible registration system. In order to assure a satisfactory result, buyers should seek reputable developers, and make sure that the product promised is the product delivered.

¹⁴ The World Bank. (2022). *The world by income and region*. <https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html>

Challenge: Environmental Issues & Sustainability

Latin America and the Caribbean are home to a rich and varied flora and fauna. Close to 40% of the plant life in the Caribbean is found nowhere else on earth. Since biodiversity is a hallmark of the region that attracts tourists and the investments that accompany them, the need to contain environmental issues is perhaps more urgent. Issues include a familiar litany: clearing of ecosystems, erosion and deforestation, agricultural runoff, waste disposal, global warming, overfishing, and threats to coastal lands from development.

Clearly, there is tension between economic development and environmental preservation. On the positive side, the region has great potential for the development of alternative energies, such as solar, wind, and tidal power, and several countries and cities have embraced the sustainability movement. In Central America, the Clean Energy Corridor of Central America fosters the development of renewable power across the region. Panama was the pilot country for this initiative. In addition, the Renewables Readiness Assessment (RRA) assesses if conditions are suitable for the development of renewable energy and successful RRAs have been accomplished in Nicaragua, Panama, and Peru.¹⁵

Sustainability

The acronym ESG stands for environmental, social, and governance factors. Within this acronym, the “E” stands out as a dominating factor in real estate. One of the primary considerations an investor wants to know today is: What is the “green value” of an existing property or how will a proposed property establish a green value? This creates either a threat or an opportunity for investors and must be analyzed. Expanding urbanization will continue to put pressure on sustainability efforts. It is a constant balancing act to equalize urban development with the protection of existing ecosystems.

For example, many major cities across Latin America have now adopted green certification policies, including Mexico City, Rio de Janeiro, and São Paulo, which are all examined in this course. A strong majority of the population in Latin America now considers climate change a serious threat.¹⁶

¹⁵ International Renewable Energy Agency, Latin America and the Caribbean <https://www.irena.org/lac>

¹⁶ JLL. (2024, June 12). Sustainable evolution: Green buildings in Latin America. <https://www.jll.com.ar/en/trends-and-insights/research/sustainable-evolution-green-buildings-in-lat-in-america>

Environmental Agreements

Countries and organizations in the Americas have signed many bilateral and multilateral environmental agreements. Governments also sign voluntary agreements with industrial associations—over 50 such agreements were signed in an 8-year period in Colombia.

Major multilateral agreements with participating countries from the region include:

- ▶ North American Agreement on Environmental Cooperation
- ▶ Convention on Biological Diversity
- ▶ Montreal Protocol on Ozone Protection

In 2021, Latin America and the Caribbean put into force the Escazú Agreement, its first regional environmental agreement focusing on access to information, public participation, and justice in environmental matters. This is considered just the first step in making the environment a priority in these countries.

Tourism and Hospitality

The regions of the Americas are filled with natural beauty, unique environments, and complex ecosystems. Significant service and hospitality industries, as well as second-home and retirement markets, depend on preserving the natural environment.

Environmental Issues, Sustainability, and Real Estate

Expanding urbanization puts pressure on the environment. Informal settlements around cities leads to degradation of the environment as cities struggle to provide public services, clean drinking water, and sanitation.

As new construction pushes into former wilderness areas, development can compromise the natural environment. A complex balancing act plays out between job-producing tourism development and protection of the ecosystems and wilderness areas that attract visitors.

Challenge: Demographics

Among the countries of the Americas, Canada has the highest median age (of 42.6), followed by the United States, which has a median age of 38.9. Some countries with the oldest median age are Japan at 49.9 and Italy at 48.4, and some of the youngest countries are African, with median ages in the late teens. Among the Latin American and Caribbean countries included in this study, most are on the middle to younger side, with a median age in the low to mid 30s.¹⁷

A youthful population does not always produce high population growth rates. Jamaica's growth rate, for example, is less than 1% because more people leave the country than immigrate to it or are born there.

A combination of factors pushes the age of a population upward. An aging population is a result of the benefits of growing wealth, and better health care and nutrition produces longer life expectancy and lower infant mortality. Furthermore, as personal incomes move upward, birth rates usually decline.

Dependency Ratio

Another aspect of populations is the ratio of dependents to the workforce (ages 15–64). This ratio refers to the number of people who depend on the worker's income and would include children, aging parents, and the disabled. Basically, the higher the dependency ratio, the greater the burden on the working age population in the country. See Figure 1.7 for a complete listing of the dependency ratio.

¹⁷ CIA World Fact Book. (2024). <https://www.cia.gov/the-world-factbook/field/median-age/country-comparison/>

Figure 1.7 Dependency Ration, by Country¹⁸

Country	Dependency Ratio
North America	
Canada	52.1
Mexico	49.4
United States	53.7
Caribbean	
Bahamas	39.3
Jamaica	38.0
Central America	
Costa Rica	45.1
Panama	53.8
South America	
Brazil	43.1
Colombia	43.5

Balancing Needs and Priorities

Governments are challenged to achieve an economic balance between funding the social safety net and investing in important priorities, such as infrastructure and economic development. Governments must provide for the needs of the dependent elderly and the young, while fulfilling the commitments to working-age people for future pension support. Overcoming these challenges requires continued political stability and consensus policies that support not only capital flow and investment to sustain existing economic sectors but also to develop new ones.

Demographics and Real Estate

The age of a population is directly related to the demand for real estate. A young population increases demand for residential real estate as adult children leave the family home and form new households. An aging population is associated with decreased demand for all types of real estate—residential and commercial. On the other hand, as the population ages, the demand for retirement housing as well as health care facilities increases. Institutional investors, facing pressure to meet pension and annuity payouts, as well as individual investors, will look increasingly to real estate as a safe, inflation-proof, income-producing asset class.

¹⁸ CIA. "Dependency Ratios - the World Factbook." www.cia.gov, 2021, www.cia.gov/the-world-factbook/field/dependency-ratios/

Challenge:

Private Property Rights & Financing

Does an individual have the right to freely purchase, own, use, and transfer real property? Is ownership of property accurately and securely recorded in accessible public records? Is the transfer process so protracted or onerous that buyers and sellers resort to informal arrangements? Private property rights are a bedrock issue for real estate. Property rights are crucial in establishing a climate conducive to economic prosperity and freedom within a country. Conversely, countries that have weak property rights also struggle to develop strong, innovative economic markets.

The International Property Rights Index ranks and rates countries on their protection of individual property rights. A lower number for the global rank indicates better protection of property rights.

Figure 1.8 Protection of Individual Property Rights Rankings¹⁹

Country	Global Rank	Regional Rank
North America		
Canada	16	2nd out of 2
Mexico	76	8th out of 21
United States	14	1st out of 2
Caribbean		
Bahamas	no data	no data
Jamaica	51	4th out of 21
Central America		
Costa Rica	40	3rd out of 21
Panama	60	5th out of 21
South America		
Brazil	83	10th out of 21
Colombia	80	9th out of 21

The rankings are a composite of three aspects of property rights: the legal and political environment, physical property rights, and intellectual property rights. Property registration systems and access to loans are also figured into the rankings.

¹⁹ Property Rights Alliance. (2024) <https://www.internationalpropertyrightsindex.org/countries>

Financing

Affordable housing is a concern around the world. Household incomes and mortgage rates offset each other as individuals seek to finance a property purchase. In addition, down payments vary in every country. While your client may not need to secure financing from an Americas country, they will want to understand how locals finance property. This will reveal current economic conditions and the wealth of the country—both important to real estate investors. As we explore individual countries later in the course, you will learn more about financing real estate.

Restrictions on Foreign Ownership

In countries that restrict foreign ownership of real property, buyers should not resort to informal “work-arounds” to avoid the restriction. These informal arrangements, which often involve a local sham buyer, leave the actual buyer with little or no protection of ownership rights. For example, Mexico has long-standing “Restricted Zones” that prohibit outright foreign ownership of land within 50 kilometers (31 miles) of its coastlines and 100 kilometers (62 miles) of its borders. Mexico’s Foreign Investment Law gives foreigners two ways to acquire property in these restricted zones—either through a Mexican corporation or through a bank trust called fideicomiso (explained later in this course).

Where foreign ownership is restricted, potential buyers should not take claims of waivers or special arrangements at face value. Information about title ownership, liens, comparables, and other market data necessary to proceed through a transaction may be more difficult to come by.

In such instances, hiring a local real estate lawyer can help guarantee title and make sure it is free of encumbrances. As an added protection, title insurance is available in all of the countries included in this study, although it may be expensive. Title insurance will not, however, protect a buyer who tries to avoid restrictions on foreign ownership by cutting corners with an informal or undocumented deal.

Investors should take time to research tenant law. For example, laws in The Bahamas, Brazil, and Panama tend to favor the landlord, while those in Mexico, Costa Rica, and Jamaica tend to favor tenants. In a pro-tenant country, an eviction can be a difficult, costly, and time-consuming endeavor.

NOTARIOS

In many countries in the Caribbean, South America, Central America, Mexico, and the Canadian province of Quebec, civil-law notaries, or notarios (escribanos in Brazil and escribaños in Argentina and Uruguay, notaires in Quebec), play an important role in real estate transactions. They are highly-trained and specialized legal professionals. In common-law Canadian provinces, most notaries are attorneys due to stringent qualifications and prohibition against setting up a public-notary business.

Although they do not appear or argue cases in courts, notarios are empowered to provide legal advice and prepare legal documents. Where a central depository of records is unavailable, they may be the keepers of property sale records.

Notarios should not be confused with notary publics in the United States. The responsibility of U.S. notaries is limited to establishing the identity and authenticating the signatures of parties to contracts and other legal documents.

Challenge: Technology, Connectivity, Innovation

Many countries in the Americas are working to keep up with the demands of increased connectivity issues. While some are more advanced in this area, others with large rural populations struggle.

Developments in technology and innovation can be found throughout the Americas. A Mexican-based company created a smartwatch that monitors health in the elderly and a company in Chile developed technology to help shorten the hospital stay for premature babies.²⁰ In Canada, the government awarded a contract to develop high-speed internet access across rural Canada.²¹ Advancements such as these are positive indicators for real estate investors.

Challenge: Global Health

The role of global health in real estate has been punctuated by the pandemic and continues to affect our industry as well as every other industry. While COVID-19 brought this to the forefront in recent years, other global health issues, such as water and food insecurity, and the increasingly severe effects of climate change, will also affect real estate investment decisions. Real estate investors will want to identify the status of healthcare and the government's response to global health issues in regions where they are considering investment.

²⁰ Bennett, D. (2022, January 17). How some developing nations are leading the charge in tech innovations. Devdiscourse. <https://www.devdiscourse.com/article/technology/1885990-how-some-developing-nations-are-leading-the-charge-in-tech-innovations>

²¹ DCN-JOC News Services. (2022, January 18). Contract to support rural broadband mapping across Canada awarded to Ecopia AI. Daily Commercial News. <https://canada.construct-connect.com/dcn/news/technology/2022/01/contract-to-support-rural-broadband-mapping-across-canada-awarded-to-ecopia-ai>

Internet Field Trip: Information Sources

How can you stay up to date on market developments in the Americas? The websites noted below are sources of authoritative information. What other information sources do you rely on to grow business in the Americas?

- ▶ **National Association of REALTORS®**
<https://www.nar.realtor/global>
- ▶ **CBRE**
www.cbre.com/latin-america-region
- ▶ **International Monetary Fund**
www.imf.org/external/research/housing/
- ▶ **Global Property Guide**
www.globalpropertyguide.com/
- ▶ **Colliers**
www.colliers.com/en-mx/countries/mexico/latin-america
- ▶ **Other Information Sources:**

Key Points Review

- ▶ The economy, trade agreements, civil unrest, and ease of doing business all impact real estate investment.
- ▶ Urbanization, environmental and sustainability issues, demographics, and property rights all impact real estate investment.
- ▶ The growth of the middle class in the Americas is an important barometer in real estate.
- ▶ Sustainability and the “green value” of properties continues to grow in importance.
- ▶ Technology and innovation efforts are growing in the Americas.
- ▶ Global health issues have become an important consideration in real estate investment.



02

CULTURAL INFLUENCES



Module 2: Cultural Influences

AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Adapt business and social behavior to conform to the customs and cultural norms that facilitate global real estate transactions.
- ▶ Identify the various communication styles found in the Americas.
- ▶ Discuss ways to develop a global business.

About Cultural Influences

Do all Spanish-speaking countries share a common “Latin American” culture? Canada and the United States share a long border, but do they also share the same social and cultural heritage? Are the internet and social media creating and spreading a global cyber culture? Is the culture of the English-speaking Caribbean islands patterned after the U.K. or the United States? The answer to all these questions is “yes and no.” Throughout the countries included in this study, there are many shared values and traditions, as well as cultural and social norms that are unique to each country.

This study is limited in its ability to represent the rich tapestry of all these cultures in detail. Cultural heritage, however, is something not only to be preserved for its richness and societal value, but also to be aware of and respected in your encounters as a global real estate professional. As you research the market dynamics of your country of focus for international real estate business, take time to learn and deepen your understanding and appreciation of the traditions, culture, cuisine, and artistic expression of the culture.

High or Low Context?

A good starting point is a review of the concept of high- and low-context cultures.

Figure 2.1 High- vs. Low-Context Culture Features

High Context Central & South America, Caribbean	Low Context United States, Canada
<p>A high-context culture values formality, face-saving indirect communication, relationships, and the slower pace needed to develop relationships.</p> <ul style="list-style-type: none"> ▶ Conduct business through development of relationships. ▶ Nonverbal communication is important. ▶ Contracts are the basis of relationships. ▶ Time is fluid and schedules flexible. 	<p>A low-context culture values informality, direct communication, results, fast pace, and punctuality.</p> <ul style="list-style-type: none"> ▶ Relationships interfere with business. ▶ Precise verbal agreements are important. ▶ Contracts are binding and exist apart from personal relationships. ▶ Time is treated as a commodity and schedules are carefully observed.

Relationships

The importance of relationships applies to any culture, but they are even more important in the high-context cultures of South and Central America and the Caribbean, where trust must be developed before a business transaction can take place. As in any country, there may be people who do not have the best intentions in mind. It is therefore crucial to take the time and exercise the patience necessary to develop a network of trusted professionals.

Trust is the key component to all relationships. A Harvard Business Review article notes that trust is developed in different ways. In North America, a demonstration of openness helps build trust, while in Latin America the presence of similar values is the first step in developing trust.²²

Oftentimes, the lines between personal and business relationships blur and may be viewed as more important than the rules. Building trust may include lengthy dinners, social functions, and participation in family events. An introduction by a third party—a mutual friend or business acquaintance—can shorten the time needed to develop relationships that produce business success. If you are introduced by a mutual connection, remember that the introduction comes with the responsibility for safeguarding the reputation of the person who introduced you.

²² Brett, J. & Mitchell, T. (2020, January 31). Research: How to build trust with business partners from other cultures. Harvard Business Review. <https://hbr.org/2020/01/research-how-to-build-trust-with-business-partners-from-other-cultures>

Business Culture

Business professionals in Central and South America and the Caribbean, unlike their U.S. or Canadian counterparts, preserve and value formality in certain aspects of business relations. This includes:

▶ Attire

Appearances matter and you will be judged based on the quality and style of your apparel, shoes, and accessories. The best approach is to dress conservatively: business suits for men and stylish dresses or pantsuits for women.

▶ First Impressions

A firm handshake, direct eye contact, and a welcoming smile will help make a good first impression.

▶ Greetings

Use the appropriate greeting for the time of day. In Spanish-speaking countries, use *buenas días* for good morning, *buenas tardes* for good afternoon, and *buenas noches* for good evening. Remember that Brazilians speak Brazilian Portuguese: *bom dia* for good morning, *boa tarde* for good afternoon, and *boa noite* for good evening.

▶ Personal Space

While the U.S. and Canada tend to respect personal space, you may find this isn't the case in other areas of the Americas. In some instances, you may be greeted very closely with either a hug or perhaps even with a kiss on the cheek. Failing to respond to this greeting with warmth can be viewed as a sign of disinterest.

▶ Forms of Address

If you are unsure about how to address someone, it is probably best to ask. A professional title may be important to a client, customer, or colleague. In lieu of a professional title, use the appropriate honorific followed by the surname. *Señor*, *Señora*, or *Señorita* are Spanish honorifics.

Two surnames are prevalent in much of Latin America. Usually, the first name is the father's first surname and the second is the mother's; married women sometimes adopt their husband's first surname as their second surname. Sometimes the two surnames are separated by "y," "de," or a hyphen. Most people go by their first surname.

Diversity, Equity, and Inclusion

These concepts have come to the forefront in business in the United States and throughout the world. While their presence is growing in South and Central America, organizations that formally provide training in the workplace is still not quite as prevalent.

While each country in the Americas addresses diversity, equity, and inclusion efforts differently, there does seem to be a common thread in Latin American cultures. The evidence of a “machista” culture, one in which men are considered to be more dominant and women are expected to be devoted to their family and household above everything else, is still present, but ideas about gender are evolving. The most recent Global Gender Gap Report released by the World Economic Forum, for example, now ranks Latin America and the Caribbean as being the third highest level of gender parity in the world, behind only Europe and North America. These regions have also shown the most marked increase in parity over the past two decades since the report was first released.²³ So traditional ideas about gender still exist in the culture, but change is clearly afoot. When conducting business in these regions, it's important to be mindful of both the traditional values of the culture and the ways in which it is changing.

Meeting Dynamics

Business meetings in Latin America are a mix of personal and professional. Small talk is interlaced with the issues, and launching right into the reason for the meeting is frowned upon. Keep in mind that a warm working relationship is at the heart of business transactions. In addition, face-to-face negotiations are preferred and deadlines are fluid.

²³ World Economic Forum. (2023, September 19). “Global Gender Gap Report 2023: More women are leading in Latin America, but progress still needed.” <https://www.weforum.org/agenda/2023/09/global-gender-gap-latin-america-sdim23/>

Spoken Language

Spanish is the language of most of South and Central America with the notable exception of Brazil which speaks Brazilian Portuguese. The languages spoken among the Caribbean islands date back to their history of colonization by European countries: French, English, Spanish, and Dutch. In The Bahamas and Jamaica, English is spoken and richly spiced with unique idioms and words borrowed from patois or creole dialects. Canada has two official languages: French and English.

Overcoming language barriers is a major deterrent when expanding into a foreign country. Being prepared with knowledge of Spanish, Portuguese, and other national languages demonstrates a willingness to integrate into a country.

Slang, Jargon, and Gestures

It's best to avoid using slang words, in your own language or others. Slang words are often difficult to translate, creating the opportunity for misunderstanding, and come with nuances that change according to the context and situation. Jargon—special words or expressions that apply to a particular profession—should also be avoided. While your foreign business counterparts may be in the same industry, the jargon you use may not be familiar to them.

Likewise, gestures acceptable in one country can have quite different meanings in others. The thumbs-up for approval, the two-finger V-for-victory gesture, or the thumb and forefinger gesture for okay, all acceptable in the United States, are considered vulgar or insulting in South and Central America.

Yes, No, Maybe?

Indirect communication and avoiding confrontation are characteristic of Latin American culture. These traits are carried over into business communications. Avoiding confrontation or displeasing others means that a “yes” is not necessarily an affirmative response as it may be said to save face, confirm understanding, or indicate polite listening. Saying “maybe” or “we’ll see” are ways to answer negatively that avoid confrontation. If specific information must be obtained, questions should be phrased in a way that the respondent may answer affirmatively. Business professionals who are accustomed to decisive, direct communication can misinterpret such mixed signals as disingenuous.

Indirect communication prevents the damage to vital relationships and allows all parties to save face. When business and family relationships intersect, avoiding confrontation preserves family harmony. Among the countries included in this study, indirect communication is characteristic of interactions in Brazil, Colombia, Mexico, Panama, and Costa Rica.

Business conduct in Jamaica and The Bahamas combines influences from the United States and U.K. with island culture. As a result, the tone is rather formal and communication style is direct but softened by tact and a friendly demeanor.

Canadians are also relatively indirect in their communication. They strive to avoid conflict by politely hinting at a negative message. Their communication style is essentially pragmatic and relies on common sense.

Time

Even though Latin American cultures have, for the most part, a relaxed approach to punctuality and adherence to schedules, arriving on time for appointments shows respect. Throughout Latin America and the Caribbean, businesspeople know that time-sensitive cultures expect punctuality; they try to arrive on time but may not succeed. In business-oriented cities such as São Paulo and Brasilia and in large corporations, punctuality is the norm.

As a global real estate professional, how should you manage others' expectations? A simple rule is to arrive on time for appointments and adhere to agreed time schedules. Call ahead if you are delayed and maintain patience if others are less than punctual and you are kept waiting. If deadlines must be observed, provide reminders that allow others to save face. In general, be prepared to take time in negotiating deals with Latin American businesses and remember that part of that time involves getting to know the individuals at those businesses on a personal level.

Contracts

Where business relies on a network of relationships, personal commitment—“you have my word on it”—is more binding than contracts. A contract may be signed in order to avoid a destructive confrontation with the expectation that terms can be renegotiated if problems arise.

GOOD LUCK TRADITIONS

Some of the most colorful and fun traditions of a culture involve actions that assure good luck.

- ▶ On New Year's Eve, Colombians fill their pockets with lentils for good luck. At the stroke of midnight, they eat 12 grapes and make a wish on each one. Wearing yellow underwear is thought to encourage wealth.
- ▶ In Jamaica, Wednesdays and Sundays are the luckiest days for weddings. When laying the foundations for a new house, sprinkling white rum at the corners assures good luck for the new homeowners.
- ▶ Picking up a penny found on the street brings Canadians good luck for the rest of the day.
- ▶ Mexican shop owners hang a bunch of mixed herbs tied with a palm leaf over the door to attract good fortune. The herbs should be purchased on a Tuesday or Friday.
- ▶ Brazilians greet the New Year on the beach dressed in white. Residents of Rio light candles, throw flowers on the water, and wade into the ocean to skip seven waves.
- ▶ For Costa Ricans, a gecko in the house brings good luck.
- ▶ In The Bahamas, anyone who catches a glimpse of a chickcharnie (a mythical red-eyed owl-like creature) and pays respect to it will enjoy good fortune for the rest of their life. Chickcharnies are said to live in the tallest pine trees of Andros Island.

Family Ties

The risk of generalization is muted when it comes to the importance of family to a society. All societies, it is safe to say, value family. Real estate professionals working in the Americas and Caribbean should be sensitive to some specific family dynamics.

- ▶ The extended family is valued, not just the nuclear family.
- ▶ Several people in the family may be involved in a business decision.
- ▶ Elders are the leaders of the extended family, with the oldest family member serving as the primary decision-maker.
- ▶ Business professionals will not hesitate to attend to a family matter over business.
- ▶ Although families are traditionally male-oriented, women are important participants in making family decisions.

Culture and Business Go Hand-In-Hand

Identifying and respecting basic cultural practices in the country you are conducting business in will go a long way toward building a successful relationship with your counterparts in Latin America and the Caribbean. You will recall that relationships and trust are the basis of all business transactions in these high-context countries. Make sure to take the time to understand any cultural differences when meeting with a client interested in properties in the Americas.

A successful REALTOR® continually strives to improve their cultural fluency and makes sure to recognize that people from other cultures are members of a group but are also individuals. The three key words—diversity, equity, and inclusion—should always be considered.

While this course covers many of the basic cultural practices in the Americas, you can learn even more by talking to your fellow REALTORS® who have worked with investors in these countries. We will review how to make these global connections at the end of this module.

Exercise: Test Your Americas Cultural IQ

Fill in the blanks below by matching the words in the right-hand column. This is just for fun so it's okay to guess.

- A.** Loonie' **C.** Jamrock **E.** Irie **G.** Eh? **I.** Obrigado
B. Tico/Tica **D.** Stingy **F.** Soccer **H.** Jitney **J.** Carioca

1. In Colombia, tapping the underside of the elbow with the fingers of the other hand means that someone is _____.
2. A person who is born and raised in Rio de Janeiro, Brazil may refer to himself or herself as a _____.
3. A Canadian may affirm your agreement with a statement by adding the all-purpose word _____.
4. A person from Costa Rica may refer to himself or herself as a _____.
5. Brazilian business associates would thank you by saying _____.
6. In The Bahamas, if you need to travel from one part of the island to another, you could hop on the _____.
7. If a Brazilian business associate invites you to a football game, the athletes will be playing _____.
8. If a Canadian offers to loan you a dollar coin, they will give you a _____.
9. In order to tell you that everything is all right, a Jamaican would say _____.
10. Jamaicans traveling to the island to visit relatives may say they are going to _____.

Tips for Becoming a Global Business

A common theme expressed by real estate professionals who have built global businesses is that you just need to get out there.

- ▶ Participate in events that involve your market niche.
- ▶ Join social clubs hosted by expats of foreign countries.
- ▶ Make your social media and online presence more global by demonstrating knowledge of your niche market. Not an expert? Invite guest bloggers who have market knowledge of property values, mortgage rates, current trends, etc.
- ▶ Network with fellow professionals by sharing important industry news about market opportunities.

It will all take time, knowledge, networking, and experience to build that global presence. Once you have that, business follows.

Tap Into Association Resources

Your own state or local real estate association may have a global council or committee. Getting involved with this group will put you in touch with real estate professionals who share your interests and are already involved in global real estate. Your association's international group can be an information source for other global real estate connections, such as seminars, courses, trade missions, and real estate expos.

Finally, remember NAR's global resources. You can reference these for information on foreign chambers of commerce, overseas private investment corporations, embassies, and more.

NAR Global Network of Cooperating Associations

NAR's Global Network of Cooperating Associations includes over 100 national real estate associations in 77 countries. Every year, NAR hosts thousands of global real estate professionals as well as delegations and individuals at national meetings. Visit www.nar.realtor/global/global-alliances.

CIPS Network

The Certified International Property Specialists (CIPS) Network supported by the National Association of REALTORS® provides a ready-made network for making referral contacts. The network includes over 4,000 real estate professionals in over 50 countries around the world. Network members belong to one of the cooperating associations in the countries with which NAR maintains formal ties.

CIPS Network members share your awareness of global business opportunities and want to expand their business networks too. REALTORS® who have earned this designation are consumers' best and most trusted resource for navigating the global market. Once you have earned your CIPS designation, you will also have access to an international referral form that you can use for transactions. Visit www.nar.realtor/global/global-resources.

NAR LAUNCHES NAR EN ESPAÑOL

In 2020, a fully-Spanish subsite was added to the National Association of REALTORS® site: www.nar.realtor/nar-en-espanol.

This was in response to a growing number of Spanish-speaking members. The site facilitates access to networking and educational opportunities for REALTORS® and NAR's bilateral partners around the world. This is especially relevant when working in the Americas, where a large group of potential clients speak Spanish.

Now the language barrier doesn't have to stand in your way. Even if you are not fluent in Spanish, this site can help you find members who are and provide you with resources when working with Spanish-speaking clients. Visit www.nar.realtor/nar-en-espanol.

Key Points Review

- ▶ Countries in the Americas are high context, with the exception of Canada and the United States, which are low context.
- ▶ Relationships and building trust are the basis of business in high-context cultures.
- ▶ Formality is more common in business in high-context cultures.
- ▶ Spanish is the language of South and Central America with the exception of Brazil where Brazilian Portuguese is spoken.
- ▶ Slang and jargon should be avoided as they are too difficult to interpret correctly.
- ▶ NAR has many resources to help REALTORS® build a global presence.



03

A LOOK AT MEXICO



Module 3: A Look at Mexico

AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Identify how the social, economic, political, and geographic characteristics of Mexico impact real estate.
- ▶ Alert buyers and sellers to Mexican laws, regulations, and real estate practices that impact real estate transactions.
- ▶ Develop a network of key contacts in Mexican real estate, business, and government in order to reach clients and customers and complete property transactions.

Mexico Quick Facts

- ▶ **Population:**
120 million
- ▶ **Capital:**
Mexico City
- ▶ **Currency:**
Mexican peso
(Subdivided into 100 centavos)
- ▶ **Language:**
Spanish
- ▶ **Time Zone:**
Central Standard Time
(Majority of country)

Geography of Mexico

In land area, Mexico is about three times the size of Texas. Its borders include the United States to the north, the Gulf of Mexico to the east, the Pacific Ocean to the west, and Guatemala, Belize, and the Caribbean Sea to the southeast.

The country tapers southeasterly to the Yucatan Peninsula, which curves upward. Mexico has four time zones, although most of the country shares the Canadian and U.S. central time zone. A slice of the northwest coastline is in the Mountain Time zone and the upper portion of the Baja peninsula is in the Pacific Time zone.

The country is a federal republic divided into 31 states and Mexico City, which is a federal district (similar to the District of Columbia in the U.S.). The formal name of the country is the United Mexican States (Estados Unidos Mexicanos).

Mexico City

Mexico City is the national capital and largest city, with a population exceeding 9 million; the population of the greater metropolitan area is approximately 22 million. The city, divided into 16 boroughs known as alcaldias in Spanish, is a Federal District with its own government that shares political and administrative authority with the federal Congress of the Union.

Figure 3.1 Map of Mexico



Figure 3.2 The States of Mexico and Their Major Municipalities

State and Abbreviation	Major Municipalities
Aguascalientes (Ags.)	Aguascalientes, Jesús María
Baja California (B.C.)	Mexicali, Tijuana, Ensenada, Rosarito
Baja California Sur (B.C.S.)	La Paz, Cabo San Lucas, San José del Cabo
Campeche (Camp.)	Campeche, Escárcega, Ciudad del Carmen
Chiapas (Chis.)	Tuxtla Gutiérrez, San Cristóbal de las Casas, Tapachula, Comitán
Chihuahua (Chih.)	Chihuahua, Ciudad Juárez, Hidalgo del Parral
Coahuila (Coah.)	Saltillo, Torreón, Piedras Negras, Monclova
Colima (Col.)	Colima, Manzanillo
Distrito Federal (D.F.)	Mexico City
Durango (Dgo.)	Durango, Gómez Palacio
Guanajuato (Gto.)	Guanajuato, León, San Miguel de Allende, Irapuato
Guerrero (Gro.)	Chilpancingo, Acapulco, Taxco, Ixtapa, Zihuatanejo
Hidalgo (Hgo.)	Pachuca, Tula
Jalisco (Jal.)	Guadalajara, Puerto Vallarta, Lake Chapala
Mexico (Mex.)	Toluca, Texcoco, Tepetzotlán, Valle de Bravo
Michoacán (Mich.)	Morelia, Uruapan, Pátzcuaro, Lázaro Cárdenas
Morelos (Mor.)	Cuernavaca, Cuautla, Tepoztlán
Nayarit (Nay.)	Tepic, San Blas
Nuevo León (N.L.)	Monterrey, Cerralvo
Oaxaca (Oax.)	Oaxaca, Huatulco, Puerto Escondido, Tehuantepec
Puebla (Pue.)	Puebla, Tehuacán, Cholula
Querétaro (Qro.)	Querétaro, San Juan del Río, Tequisquiapan
Quintana Roo (Q.R.)	Chetumal, Cancún, Cozumel, Playa del Carmen
San Luis Potosí (S.L.P.)	San Luis Potosí, Valles, Matehuala
Sinaloa (Sin.)	Culiacán, Mazatlán, Los Mochis
Sonora (Son.)	Hermosillo, Nogales, Ciudad Obregón, Guaymas, Alamos
Tabasco (Tab.)	Villahermosa, Teapa
Tamaulipas (Tamps.)	Ciudad Victoria, Tampico, Nuevo Laredo, Matamoros, Reynosa
Tlaxcala (Tlax.)	Tlaxcala, Cacaxtla
Veracruz (Ver.)	Jalapa, Veracruz, Córdoba, Tuxpan, San Andres Tuxtla, Papantla
Yucatán (Yuc.)	Mérida, Celestún, Progreso, Valladolid
Zacatecas (Zac.)	Zacatecas, Fresnillo

Government and Legal Systems

Mexico's federal government model is a checks-and-balances system made of three branches: executive, legislative, and judicial. The bicameral national legislature is made up of the Chamber of Deputies and the Senate. Claudia Sheinbaum was elected president in 2024 and will serve a 6-year term. The two largest political parties are the National Action Party (PAN) and the Institutional Revolution Party (PRI).

The three-branch model is reflected at the state and municipal levels throughout the country with some state governors exercising considerable power and influence. Laws and regulations affecting real estate transactions and ownership are enacted and enforced at all three government levels.

Legal System

Mexico's legal system is based on civil law, which relies more on written codes—the letter of the law—than precedent set by case law. Courts at the federal and state level look first to these codified rules and regulations when deciding cases. In place of supplementary case law, attorneys in Mexico study primarily the applicable legal provisions.

What this means for the real estate professional is that rules and regulations governing real estate transactions are for the most part ascertainable and definable. Attorneys and notarios have immediate references to give opinions and move through transactions. Litigation is infrequent due to costs, lack of punitive damage awards, and lengthy proceedings.

A system of administrative courts specializing in specific areas of law, such as tax law or labor law, facilitates hearings and decisions. Administration proceedings are faster than ordinary lawsuits brought in traditional courts and usually help to resolve conflicts before they escalate. Mexico has also formed administrative law where binding rulings and regulations on issues such as taxation, labor, and banking laws are frequently issued by regulatory agencies.

Foreign Ownership of Real Estate

Throughout Mexico, foreigners can own real property on a fee-simple basis with the exception of land in what is known in Mexican law as the “Restricted Zone”: 100 kilometers wide along all borders and 50 kilometers wide along all coasts. Unfortunately for global buyers, the Restricted Zone is often the area of greatest interest—the coasts for tourist properties and the borders for industrial facilities. The answer to this problem is a trust arrangement known as a fideicomiso (pronounced fee-day-co-me-so).

Fideicomisos

Mexican officials recognized the investment opportunities provided by the coastline and leveraged it to fund economic development. In 1973, the Mexican government established a bank trust arrangement, the fideicomiso, to encourage foreign investment by enabling foreigners to hold rights to real estate in the restricted zones. An authorized institution, such as a Mexican bank, holds the title to the restricted real estate in a deed of trust given by the original Mexican owner of the land. The foreigner is named as the beneficiary of the trust and is entitled to use, lease, sell, modify, live on, and bequeath the property for an irrevocable period of 50 years. The trust can be renewed indefinitely, provided all real estate taxes and fees are paid. If the property is sold to a qualified buyer, the proceeds go to the beneficiary of the trust.

FOUR STEPS FOR SETTING UP A FIDEICOMISO

1. The original Mexican landowner issues a deed of trust to an authorized institution, usually a Mexican bank.
2. The bank holds the title to restricted real estate in a deed of trust—the fideicomiso.
3. The foreign buyer is named as the beneficiary of the trust; the beneficiary may be an individual or corporation.
4. The beneficiary may use, lease, sell, modify, or live in the property for 50 years. The trust may be renewed for an additional 50-year term and bequeathed to heirs.

Two Types of Property to Avoid

Ejidos

Mexico has a complicated history of expropriating land from the very wealthy and redistributing it to rural communal groups known as ejidos. During the redistribution, the group members, the ejidatarios, were each given the use of a parcel of land that could be passed to heirs but not sold, rented, or used as collateral for a mortgage. Originally this land was used for farming, but today much of it is abandoned property that lies in the Restricted Zone.

In 1992, the ejido system was radically reformed by creating a process for privatizing the land holdings and granting titles to members for their individual parcels. Completion of the privatization process, which requires approval by 70% of the members, can take 5–10 years, and the first sale to anyone includes a 30-day right of first refusal by any member. With members and their heirs scattered, a major challenge to selling or regulating ejido land is simply locating all of the owners. While the number of ejidos has continued to decrease since the system was reformed, there are still millions of acres of ejidos land in Mexico. Properties in these areas are not recommended for real estate investment at this time because they are so complicated to process and would take years to achieve results.

As urban areas grow in size and resort development increases along coastlines, some ejidatarios now find themselves the owners of prime pieces of development land. It cannot, however, be emphasized enough that real estate professionals should avoid ejido land. Buyers should never make an informal deal hoping that ejido land will be privatized or take someone's word that it has gone through the privatization process. In an infamous 1995 case, 150 homeowners, most from the United States, were evicted from a development called the Baja Beach Club in Punta Banda, Baja. Their homes were built on disputed former ejido land that had not been properly privatized. When the original owners of the land disputed the legality of the ejido's formation and won their case before Mexico's courts, the homeowners were evicted and received no compensation for their lost homes. This is famous case, but not an isolated one. There are numerous disputed cases every year involving ejido land. Steer clear of being one of them by being very careful in all real estate dealings to avoid ejido land.

Co-Propiedad Ownership

Joint ownership of private property within a family—co-propiedad—is another complication that can derail a transaction. Because it assures a share of the family property for every descendant, clearing title to a piece of property that has been in the family for several generations can be a daunting task. Consider this example: three brothers have co-propiedad ownership of a piece of land and each has five children, establishing fifteen co-owners in the second generation. If each of the fifteen children has five children, the number of co-owners increases to 75 in the third generation; if each of the 75 grandchildren has three children, the number of great-grandchildren co-owners increases to 225 in the fourth generation. Each of the 225 co-owners has a right of first refusal if jointly-owned land is to be sold. As this example demonstrates, it can quickly become a challenge to locate all of the co-owners in obtaining an undisputed title.

Market Overview: Commercial Real Estate

Class A office space is concentrated in Mexico City, which is the commercial, governmental, and financial center of the country. Commercial space is spread among a network of submarkets around the city. The commercial sector has been slowly recovering in the wake of the COVID-19 pandemic.

Figure 3.3 Mexico City Submarket Class A/A+ Office Space Indicators²⁴

Submarket	Inventory*	Vacancy Rate %	Asking Rent†
Bosques	319,133	23.8	\$26.84
Insurgentes	1,238,753	20.2	\$24.23
Interlomas	194,965	24.7	\$21.02
Lomas Altas	120,586	22.8	\$23.36
Lomas Palmas	754,651	17.3	\$29.98
Periférico Sur	731,419	14.9	\$21.63
Norte	801,937	44.3	\$19.58
Polanco	1,477,722	22.6	\$26.41
Reforma Centro	979,830	12.7	\$27.17
Santa Fe	1,456,703	30.5	\$21.57

* In square meters

† US \$/square meter/month

²⁴ Mexico City office market report, Q1 2024. Newmark. <https://www.nmrk.com/insights/market-report/mexico-city-office-market-5>

The Central Bajío Region region, an area encompassing Aguascalientes, Guanajuato, Querétaro, and San Luis Potosí, has become the center of Mexico's automotive industry. The Amistad Industrial Park in the Bajío region is the home for global manufacturing facilities and industrial development. Of the four largest cities that anchor the region, León, Aguascalientes, and Santiago de Querétaro have populations of more than one million and Guadalajara metro area has a population of more than five million. As industries in the region develop, the need for industrial, warehousing, and logistics facilities grows as well. This, in turn, results in the need for residential real estate to accommodate workers.

Maquiladoras/IMMEX Companies

Since the early 1960s, Mexico encouraged construction of foreign-owned production facilities, called maquiladoras, which employ Mexican workers to assemble foreign product components for sale in the foreign market. In 2006, the Mexican government merged two existing programs designed to promote exports, Maquiladora and PITEC (Programa de Importación Temporal para Producir Artículos de Exportación) into a single new program, IMMEX (Industria Manufacturera, Maquiladora y de Servicios de Exportación). The biggest benefit for corporations in the IMMEX program is an exemption from the general import tax, value added tax or countervailing duties—a 16% tax associated with exporting. This reduces overall manufacturing costs and is why many foreign companies choose to manufacture in Mexico.

The first maquiladora companies were clustered in border towns. IMMEX companies are located throughout Mexico. These companies initially focused on textiles, simple electronics, and industrial products but have expanded to include aerospace, automotive, electronics, general consumer products and more. Companies include brand names with worldwide recognition such as Ford, Volkswagen, Toyota, Aramark, 3M, and GE. Support industries and housing tend to follow maquila construction and create the need for other types of commercial and industrial space and residential development.

Resorts and Hotels

Many foreigners look to Mexico for a resort getaway and business. There are many opportunities for recreational property growth in Mexico. Golf courses and marinas have growth potential, particularly in Los Cabos, which is home to six signature championship courses. The Nayarit Riviera, known as Mexico's Pacific Treasure, is experiencing vast growth with new hotels, resorts, and residential properties. Vacation ownerships such as timeshare condos, fractionals, condotels, and direct ownership are popular with buyers from Mexico, the United States, Canada, and Europe.

As with maquiladora development, resorts and hotels spread direct and indirect market effects. In 2022, tourism revenue totaled \$26.4 billion, exceeding pre-pandemic levels.²⁵ Real estate professionals, especially those involved in the resort and second-home markets, may want to keep abreast of the Fondo Nacional de Fomento al Turismo (FONATUR), Mexico's national trust for the promotion of tourism. Its mission is to stimulate development of tourism infrastructure and sites through Integrally Planned Resorts (IPRs), developments that often include residential living, hotels, golf courses, marinas, beaches, and other attractive features.

FONATUR development areas include Cancún, Loreto, Zihuatenejo, Ixtapa, Los Cabos, Huatulco, and Nayarit. Future development sites include Barrancas del Cobre, Riviera Maya, Costa Maya, Palenque, and Campeche. Their developments are often the areas that will become the next "hot" destinations, where clients will have interest in investing.

Healthcare Facilities

This sector of the real estate market holds many opportunities for development. This includes not only medical facilities but also related industries, such as pharmacies, therapy, and physical rehabilitation centers. Medical tourism is especially popular as foreign patients seek lower-cost procedures at Mexico's state-of-the-art medical facilities that are accredited by Joint Commission International—considered the highest level of approval. The growth of private hospitals and healthcare clinics has been steadily growing in recent years.²⁶

²⁵ Lopez, Ana, (2023, September 20). "Inbound tourism spending in Mexico 2016-2022." Statista. <https://www.statista.com/statistics/814622/mexico-tourism-revenue/>

²⁶ International Trade Administration. (2023, November 5). Mexico: Country Commercial Guide. <https://www.trade.gov/country-commercial-guides/mexico-healthcare-products-services>

Market Overview: The Second-Home Market

A significant driver of Mexico's real estate market is the appeal of the country to vacationers and retirees seeking second homes. In fact, the U.S. State Department estimates that about 1.6 million U.S. citizens reside in Mexico. The country consistently ranks as the top destination in the Americas for US home buyers.²⁷ Expatriates from north of the border are drawn by the mild winter climates, low cost of living, proximity and easy access, and availability of excellent medical care, as well as enjoyment of the rich cultural heritage of Mexico.

The coastlines, particularly the Pacific coast, are home to the largest expatriate communities, but inland areas, such as Lake Chapala near Guadalajara, are also popular. In the first quarter of 2024, the average sale price of a home in Mexico rose nearly 10% from the year before. Between 2015 and 2023, housing prices in Mexico have increased by 88%.²⁸

Mexico's Luxury Real Estate

If your client is looking for property in an exclusive neighborhood, there are several areas where you can find what they are looking for:

- ▶ Mexico City
- ▶ Neuvo León
- ▶ Nayarit
- ▶ Morelos
- ▶ Jalisco
- ▶ Querétaro

In two of Mexico City's most exclusive neighborhoods, Polanco and La Condesa, you will find high-end properties that range from \$370 to \$1,000 per square foot. The average apartment goes for about \$600,000, while luxury villas range between \$2 million and \$4 million. Resort communities also have opportunities for this market. In Playa del Carmen, a three-bedroom apartment is priced at US\$460,000. In Cancun, real estate investors can enjoy beaches and nightlife and will find the average price of a home to be around US\$250,000.²⁹

Real estate investors will be interested to learn that home prices have risen steadily in the past few years in Mexico, but they still remain well below prices in the United States and many other parts of the world. This increase in home prices also indicates how a real estate investment will grow and is an important point you will want to share with a client. The chart below demonstrates how home prices have increased in the past few years.

²⁷ Hopulele, Andra. (2023, August 23). "The Most Wanted Destinations for U.S. Homebuyers Looking for a Home in the Americas." Point2. <https://www.point2homes.com/news/us-real-estate-news/2023-top-30-best-destinations-for-us-homebuyers.html>

²⁸ Delmendo, Lalaine. (2024, June 7). "Mexico's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/latin-america/mexico/price-history>

²⁹ Ibid.

Figure 3.4 Leading Areas for Resort and Timeshare Developments

Pacific Coast	Caribbean Coast	Inland
▶ Nuevo Vallarta/ Puerto Vallarta	▶ Merida	▶ Lake Chapala
▶ Manzanillo	▶ Playa del Carmen	▶ Ajijic
▶ Cabo San Lucas	▶ Cancun	▶ Monterrey
▶ La Paz		▶ San Miguel de Allende
▶ San Felipe		
▶ Todos Santos		
▶ Ixtapa/Zihuatanejo		

A recent U.S. News & World Report article listed these as the best places to retire in Mexico:

- ▶ Ixtapa-Zihuatanejo
- ▶ Lake Chapala
- ▶ Los Cabos
- ▶ Playa del Carmen
- ▶ Puerto Vallarta
- ▶ San Miguel de Allende

In each of these areas, retirees will find established expat communities and a wide variety of lifestyle options, and quality healthcare facilities. If you are working with a retiree, these communities are a good place to start your search.³⁰

³⁰ Walrack, Jessica. (2024, March 13). "The Best Places to Retire in Mexico." US News & World Report. <https://money.usnews.com/money/retirement/baby-boomers/articles/the-best-places-to-retire-in-mexico>

Market Overview: Rental Property

Mexican law is pro-tenant, and landlords have difficulty evicting tenants. Each Mexican state has its own civil law, so provisions do vary, and restrictions may be tighter in rural areas. Since regulations vary, the following bullet points represent practices that apply to Mexico City.

- ▶ Minimum lease term is 1 year and maximum is 10 years. A time-limited contract cannot be unilaterally terminated early by one of the parties without the consent of the other party.
- ▶ Agreements can also be entered into for an indefinite period. In such cases, any of the parties can terminate the agreement by providing a 15-day written notice. The landlord does not need a reason to request termination.
- ▶ Notice is required for eviction at the end of a contract. If no notice is given, the time-limited lease will convert into an indefinite-term lease.
- ▶ This creates problems because if the tenant refuses to vacate with the notice, eviction can take years and landlords can incur significant expense. The average case takes 18 months to resolve.
- ▶ No maximum security deposit is stated in the civil code, but for residential properties a security deposit equal to 1 month of rent is common. Since the security deposit is intended to cover the cost of damages and unpaid utilities, most residential leases state that it cannot be applied to the last month's rent.
- ▶ For residential properties, rental deposits are not customary, though each month's rent is usually paid in advance.
- ▶ Rather than relying on the court system, tribunals specializing in disputes related to leases have been created to expedite resolution.

Business and Income Taxes

▶ Individual Income Tax

Residents of Mexico who hold a job or rent out a property will need to file a Mexican tax return. U.S. citizens who live in Mexico are taxed on their worldwide income and any income earned in Mexico must be declared on the U.S. return. Mexico's individual income tax rate is progressive up to 35%. Nonresidents will pay 15–30% in taxes.

▶ Business Income Tax

Mexican resident corporations are taxed on worldwide income. Nonresident corporations are taxed on Mexico-sourced income. Rates are 30% minus allowable deductions.

▶ Value-Added Tax

The value-added tax, known as impuesto al valor agregado (IVA), is 16% with food, medicine, and certain other items exempted. The tax applies to both goods and services.

▶ Tax on Rental Income

Foreign investors who own rental property should be aware that income sourced in Mexico is subject to a 25% withholding tax with no deduction allowed. The investor may elect to be taxed as a business which allows itemized deductions for operating expenses and depreciation or a standard deduction of 35%. Net income is taxed at progressive rates of 15–30%.

Capital Gains Tax on Real Estate

Generally, capital gains realized by nonresidents from transferring real property in Mexico are subject to 25% withholding tax on the gross amount or selling price of the property. Alternatively, nonresidents who have appointed legal representatives residing in Mexico may be taxed on their net capital gains at 30%. At the time of closing, both formulas are applied to the gain and the seller pays the lower of the two amounts.

Adjustments to basis are allowed for items such as capital improvements and transaction expenses; an annual 1–2% inflation adjustment is allowed as an addition to basis, which can add up to a significant amount over several years.

The buyer should remind the agent, attorney, or closing company to note the exchange rate on the day of the transaction and the amount paid in both dollars and pesos on the deed to the property. This helps establish the cost basis for taxes due upon a future sale.

In Mexico, the owner's basis in a property is calculated on the declared value not the purchase price; therefore, it is important that the declared value on the escritura (deed) match the price paid. Both annual real estate and capital gains taxes are assessed based on the declared value. While some may think it is smart to record a low declared value in order to keep the acquisition and yearly property taxes low, in the long run this is an unwise move. A low declared value will result in a similarly low-cost basis for capital gains tax on the profit from the eventual sale. A buyer who agrees to understate the declared value of a property has, in essence, accepted a transfer capital gains tax liability from the seller.

Property Taxes

These are levied on the assessed value of the property. Rates range from .05–1.2% depending on location of the real estate. Each state in Mexico has a different property tax rate.

Licensing and Brokerage Practices

The states of Mexico, not the federal government, regulate real estate law, as well as agent registration and licensing. States that require agent registration also require completion of agent training. There is no official license required to work as a real estate agent in Mexico. The lack of licensing does not mean that real estate agents in Mexico lack professionalism. On the contrary, the national association, Asociación Mexicana de Profesionales Inmobiliarios (AMPI) or the Mexican Association of Realtors, advocates for licensing, promotes a code of ethics for its members, and provides education and designation courses.

The four pillars of AMPI are honor, excellence, tradition, and discipline. Its mission is to dignify real estate practices by standardizing operating criteria of real estate professionals and protecting private property rights in Mexico. The chart that follows shows states that have enacted real estate laws and those that have developed the regulations to implement it.

Figure 3.5 Mexican States with Real Estate Laws/Regulations

State	Laws and Regulations	License
Aguascalientes	Yes	No
Baja California Norte	Yes	Yes
Baja California Sur	Yes	Yes
Campeche	Yes	No
Chihuahua	Yes	Unknown
Ciudad de México	Yes	Yes
Coahuila	Yes	Unknown
Colima	Yes	No
Estado de México	Yes	Unknown
Guanajuato	Yes	Unknown
Guerrero	Yes	No
Michoacán	Yes	Yes
Nuevo León	Yes	Yes
Querétaro	Yes	Yes
Quintana Roo	Yes	Yes
San Luis Potosí	Yes	No
Sonora	Yes	Unknown
Tabasco	Yes	Yes
Tamaulipas	Yes	No
Veracruz	Yes	Unknown

Listings

Developed locations, such as Los Cabos, La Paz, Puerto Vallarta, and the like, have multiple listing services that are cooperative ventures among local real estate brokers. Participating brokers may voluntarily subscribe to a set of guidelines for business conduct. These MLSs pool the property listings of participating brokers and are similar to collections of property advertisements without a standardized format. Unlike their U.S. and Canadian counterparts, these MLSs do not extend a blanket offer of cooperation and compensation. The use of the lockbox is not a common practice; in order to show a property, the real estate professional usually picks up the key from the listing broker's office.

Transaction Process

This section discusses the major steps in the transaction process in Mexico. Note that the steps and costs described do not represent every detail of the transaction process, which is beyond the scope of this study.

In addition, many of these tasks will be completed by the notario (discussed in the next section), and the client purchasing the property will be signing documents and providing the finances. Just like in domestic transactions, it is always in the client's best interest to employ a knowledgeable attorney for the transaction.

▶ Value

Real estate professionals must use list prices and replacement values to determine price points. Sale prices are not available, and it is considered unethical to divulge them.

▶ Offer

Making an offer begins with an ofrecimiento, which is an initial document that sets forth the proposed price and general terms of the transaction. Prior to making this offer, it is advisable to hire a bilingual attorney or closing company.

▶ Permit

Foreigners must obtain a permit to purchase real estate from the Foreign Secretary's Office. The buyer will be required to sign the "Calvo Clause," stating that a foreign jurisdiction will not be sought to deal with the property transaction.

▶ Seller's Deed

The seller must provide a copy of the deed to the land or property.

▶ **Buyer's Deed**

The notario drafts a formal deed, in Spanish, to the property (for the buyer). If the property is located within the restricted zone, title must be placed in a fideicomiso. If the property is in the interior, a standard contrato de compraventa, sales contract/simple deed, will be executed. Any deed must contain the full legal description of the property, the appraisal amount, mortgage details, and the value declared by buyer and seller.

▶ **Promissory Agreement**

Because of the length of time required between ofrecimiento and signing the fideicomiso deed before the notario, a contrato de promesa, promissory agreement, setting forth the terms of the sale including possession dates, is strongly recommended.

▶ **Deposit**

An earnest money deposit, customarily 5–10%, is expected to accompany presentation of the offer to the seller.

▶ **Escrow**

Escrow accounts are not mandated and the use of escrow is relatively new. Only recently have brokers and agents realized the benefits of using escrow. If escrow services are to be used, a separate agreement should be drawn up to cover the terms including when and how the funds will be disbursed.

▶ **Additional Due Diligence**

Other due diligence steps include:

- » Establishing the status and transferability of the property
- » Obtaining a statement of no liens
- » Inspecting the physical condition of the property
- » Obtaining an appraisal
- » Obtaining a commitment for title insurance

▶ **Appraisals**

An avalúo, or official appraisal, of the property is done in order to establish a value for tax purposes. The official appraisal amount may or may not be the same as the purchase price. Both amounts, official appraisal and full purchase price, should be included in the escritura (deed). The cost of the official appraisal can range from \$150 to several thousand U.S. dollars based on the value of the property. The notario will order the appraisal, which will be carried out by a perito valuador, an official appraiser. If a mortgage loan is involved, a second appraisal will be required by the lender; this cost is in addition to the official appraisal.

► Closing

Closing takes place at the office of the notario, who informs the parties of the date and time. At the closing, the notario presents the deed of conveyance for signatures authorizing execution of the escritura—the final deed—and collects applicable taxes due from both the seller and buyer. The buyer pays the seller usually by means of a certified check or wire transfer. The buyer brings payment for property, payment for taxes and fees, and identification (passport, visa/tourist permit). The seller brings the property deed, tax records, paid utility and other bills, and identification.

Key Terms in the Transaction Process

- **Notario:** Makes sure transaction is done according to Mexican law
- **Ofrecimiento:** Initial offer document
- **Contrato de compraventa:** Sales contract
- **Contrato de promesa:** Promissory agreement
- **Avalúo:** Official appraisal
- **Perito valuador:** Appraiser
- **Escritura:** Final deed/title to property

Figure 3.6 Closing Costs, Taxes, and Fees³¹

Tax or Fee	Amount	Paid by
Acquisition Tax	2.00–5.00%	Buyer
Notario Fee	0.50–1.50%	Buyer
Registration Fee	0.02–1.82%	Buyer
Certificate of No Liens/No Tax Debt	US \$25–100	Buyer
Bank Trust Initiation Fee	US \$450–1000	Buyer
Bank Trust Annual Fee	US \$400–800	Owner
Foreign Affairs Permit	US \$1100	Buyer
Title Insurance	0.50–0.70%	Buyer
Land or Building Survey Fee*	Varies	Buyer
Appraisal Permit Fee	0.3%	Buyer
Escrow Fee	US \$450–800	Buyer
Property Tax (annual payable to state)	0.05–1.2% of value	Owner

*If required; varies according to type and complexity.

³¹ Guide, G. P. (2025, April 7). *Global Property Guide - International Real Estate Trends*. Globalpropertyguide.com. <http://www.globalpropertyguide.com>

Responsibilities of the Notario

The notario is a required part of a real estate transaction in Mexico and acts as an objective third party who ensures that the transaction is done in conformance with Mexican law. The notario must be an attorney of good standing, have at least 5 years of legal practice experience, complete a rigorous process of application and scrutiny, and pass an exam. A professional real estate agent will be able to suggest a notario who is versed in transferring titles to foreign buyers. While the buyer usually selects the notario, that does not mean this important official represents or is working in the buyer's interest. Duties carried out by the notario include:

- ▶ Authenticate the seller's right to sell the property
- ▶ Examine the title to establish that there are no prior claims or liens on the property
- ▶ Ensure the legality of the transfer from seller to buyer
- ▶ Finalize the transaction by signing the applicable documents
- ▶ Issue the escritura, the final deed, to the buyer
- ▶ Prepare tax declarations for the impuestos sobre la renta, capital gains, and acquisition taxes
- ▶ Collect taxes and payment for Hacienda, Mexico's tax agency
- ▶ Enter the record of the transaction in the Public Registry

Financing

Until recently, almost all real estate purchases by foreigners involved cash transactions. Mexico's mortgage market, however, is developing quickly and along the lines of U.S. mortgage lending. Major international banks also make cross-border mortgages denominated in U.S. and Canadian dollars and euros for purchase of real estate in Mexico.

Interest rates on dollar-denominated mortgages are usually lower than on peso-denominated loans. Loan-to-value ratios are usually 65–70% and minimum loan amount are US\$100,000. Retirees should be aware that age limits, usually 70 years, apply too. Mortgage interest rates have remained elevated in recent years. In April 2024, the average interest rate was 13.89%, which is slightly higher than the year prior when the average was 13.82%.³²

Underwriting requirements include minimum credit scores, mortgage life insurance, property damage insurance, official identification, proof of income, plus copies of tax returns and bank statements. For property purchase, the loan applicant must provide a copy of the sale contract, proof of down payment, and copies of the deed. Processing time for loan approval and release of funds has been improving but the process can take much longer than a typical U.S.-based transaction.

Real estate brokerages, particularly large franchise firms, often have arrangements with lenders or mortgage brokers who can assist buyers with financing.

MORTGAGE SAVINGS FUNDS FOR WORKERS

Mexico enjoys a strong domestic residential market buoyed by mortgage programs that enable workers to deposit a percentage of their paycheck directly into a savings fund toward the purchase of a home. Two mortgage savings programs, Infonavit for salaried private-sector employees and Fovissste for civil service employees, are the largest mortgage lenders in Mexico. Their programs are credited with making homeownership affordable and available to a broad sector of Mexican society. Partnerships with homebuilders have been a strong impetus for new construction. In fact, most Infonavit mortgage loans are for purchase of newly-constructed homes.

³² Delmendo, Lalaine. (2024, June 7). "Mexico's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/latin-america/mexico/price-history>

Cash Transactions

An all-cash transaction does not mean that the buyer must present a pile of currency at closing. Use of bank checks, wire transfers, and escrow accounts are common methods of transferring purchase funds to Mexican banks. In an effort to combat money laundering through the purchase of real estate, the Mexican government limits the amount of cash currency for large purchases. Cash currency real estate transactions of more than 518,415 pesos (around \$40,000) must be reported to Mexico's Tax Administrative Service. Notarios and real estate professionals are required to report the forms of payment for transactions above the limits. Failure to comply with the law carries severe penalties including imprisonment. The government has made reducing the cash in circulation one of its priorities to tamper laundering of proceeds from drug trade and illicit activities.

Carrying cash in excess of \$10,000 into Mexico requires completion of a currency declaration upon arrival in the country. There are no limits on the amount of funds that can be wired, although banks are required to report transactions that exceed \$10,000.

Doing Business in Mexico: Know the Culture

▶ Greetings

In business, a handshake is the standard greeting; women should extend their hand first. It is considered polite to greet every member of a group individually. Make eye contact when shaking hands; however, after the initial greeting, frequent or intense eye contact may be considered rude. Handshakes and goodbyes are also exchanged with every member of the group when departing.

Among family members, friends, or trusted business acquaintances, a pat on the elbow or an embrace may accompany a greeting. Close male acquaintances may greet each other with the abrazo, a combination of a firm handshake, hug, and backslap. Women may greet each other with a kiss or “air kiss” on the cheek.

▶ Physical Contact

As a cultural practice, Mexicans may initiate physical contact even with foreigners. Do not initiate this contact yourself but, if offered to you, accept it graciously because it is a sure sign of goodwill and conveys that the relationship has been established. When conversing, Mexican professionals tend to stand close and exchange touches, such as a pat on the shoulder or forearm. Backing away or withdrawing from these affectionate gestures can be perceived as discourteous.

▶ Business Cards

Business cards are more than a carrier of information. A business card is a representation of the person offering it and is presented and received with respect. If your business cards are printed in Spanish on one side, present it with the Spanish side facing up.

▶ Company Hierarchy

In companies, decisions are usually made by the most senior member or highest in authority, and they expect to do business with the same-level executives, not with lower-level representatives. People look to those above them in rank for guidance when making a decision. Sometimes it can be difficult to identify the ultimate decision-maker. Keep this in mind if you are dealing with support staff of companies and government offices. Let the hierarchy work on your behalf and realize that it would be a mistake to skip over intervening levels of authority.

▶ Meetings

It is typical for meetings to begin with small talk. This can involve the city you're in, the weather, or local cultural events. Take the time to do some research on the local culture so you can engage in these conversations.

▶ **The Softened “No”**

In order to avoid being impolite in Mexico, people will go to great lengths to avoid responding to a question with a “no” or delivering bad news. A “maybe” may in fact be a softened “no.” If specific information must be obtained, phrase questions in specific terms and in a way that the respondent may answer affirmatively. Another method for verifying information is to send a confirming note.

▶ **Punctuality**

Punctuality and adherence to deadlines are not always a priority in Mexican business culture. It would be considered rude to question why a colleague was late to an appointment or missed a deadline. Likewise, it would be impolite to cut a conversation short by announcing that you have other obligations. Nevertheless, foreign visitors should practice punctuality, as well as patience, if kept waiting. However, punctuality is not expected for social occasions, and arriving up to 30 minutes late is acceptable. Guests who arrive punctually at the stated time may surprise their hosts still in the midst of preparations.

▶ **Communication**

It is common for businesspeople in Mexico to say mañana (tomorrow in English) when indicating they mean in the next couple of days or sometime in the near future. It is important to clarify this meaning when talking about schedules and delivery dates. In addition, while most people in Mexican business will speak English, it is respectful to learn basic phrases in Spanish such as those for please, thank you, goodbye, and other common business terms you use consistently.

Address business constituents using “Señor” (Mr.), “Señora” (Mrs.), or “Señorita” (Miss) and their last name.

In terms of nonverbal communication, standing with your hands on your hips may be viewed as aggressive.

▶ **Business Dining**

Given the importance of relationship building, it is not surprising that business is frequently conducted over breakfast or lunch. Casual conversation and enjoyment of the meal precede business discussion. The host initiates discussion of the matter at hand, which may be briefly covered and settled within a few minutes. Getting down to business usually happens more quickly during breakfast than lunch. The midday meal, which begins around 2:00 p.m., may last for several hours and include cocktails. Business is seldom conducted during the evening meal, which usually begins after 9:00 p.m. If you are to be involved in business or social dining in Mexico, be prepared for late hours and leisurely meals.

When Mexicans dine in groups, they rarely split the cuenta, restaurant bill, amongst the group. The host, the person who extended the invitation, expects and is expected to pay the bill discreetly. Business associates usually reciprocate by treating on another occasion instead of splitting the bill among the party. It is unseemly to ask for individual bills.

Female real estate professionals should invite spouses and colleagues to dinner with a male colleague to avoid any misunderstanding about the nature of the invitation. Customarily, only men offer toasts.

► **Tipping**

A tip, a propina, is expected and appreciated by service personnel, many of whom may be making the minimum wage equivalent to about US\$8.50 a day. On the other hand, a mordida, literally “the bite,” is a bribe or kickback and a very sensitive issue. Though it may be tempting to try to expedite matters by offering it to an official, agent, or employee, keep in mind that, by doing so to the wrong person or in the wrong way, you may damage or destroy the very relationship you intended to enhance. If revealed, it may be punishable as a criminal act for government employees. Furthermore, it undermines your integrity and reputation as well as those of the recipient. From a practical viewpoint, a mordida can be expensive and its effects may not last.

► **Gifts**


Although not a requirement in Mexican business, a small gift is almost always appreciated as a gesture of good will. For business gifts, items with a company logo are often appropriate. It is considered rude to ask associates what they would like to receive as gifts. If you are presenting gifts to business associates at differing levels of hierarchy within the same company, it would be improper to present the same gift to the top executive as to a lower-ranking employee. If you are the recipient of a gift, open it immediately and express your appreciation.

If you are invited to a home, you are not expected to bring a gift, although the gesture will be appreciated if you do. A gift of flowers, candy, or an item unique to your home country would be appropriate. If making a gift of flowers, ask the florist for assistance in making an appropriate choice to avoid any misunderstanding. (Yellow flowers such as marigolds or chrysanthemums signify death and red flowers signify the casting of spells.) You might also bring small gifts for your host’s children, such as a toy associated with your country or a sports team cap or shirt. Asking a parent about a child’s interests to choose the right gift is acceptable, but an indirect inquiry is the polite approach.

Silver items are inappropriate for either business or personal gifts because they are associated with the trinkets sold as souvenirs.

Key Points Review

- ▶ Foreigners cannot own property in Mexico's Restricted Zones unless they work through a fideicomiso—bank trust arrangement. These are complicated arrangements and not recommended.
- ▶ Ejidos property refers to communal farming land and you should avoid investments in such properties.
- ▶ Real estate licensing is not required in Mexico.
- ▶ AMPI is the NAR counterpart in Mexico. AMPI has established a code of ethics and provides ongoing professional training.
- ▶ A notario is required in a real estate transaction in Mexico and is the individual who ensures that the transaction is done according to current laws.

	<p>KEY CONTACT</p> <ul style="list-style-type: none">▶ AMPI Asociación Mexicana de Profesionales Inmobiliarios www.ampi.org
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04

A LOOK AT CANADA



Module 4: A Look at Canada

AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Identify how the social, economic, political, and geographic characteristics of Canada impact real estate.
- ▶ Alert buyers and sellers to Canadian laws, regulations, and real estate practices that impact real estate transactions.
- ▶ Develop a network of key contacts in Canadian real estate, business, and government in order to reach clients and customers and complete property transactions.

Canada Quick Facts

- ▶ **Population:**
41.2 million
- ▶ **Capital:**
Ottawa, located in Ontario
- ▶ **Currency:**
Canadian dollar, nicknamed "loonie"
- ▶ **Languages:**
French and English
- ▶ **Time Zone:**
Eastern Standard Time

The Prohibition on the Purchase of Residential Property by Non-Canadians Act

A common trend among Canada's metro markets is insufficient supply of both resale and new homes to meet demand, which was intensified by the COVID-19 pandemic when foreign investors turned to Canada for cheaper housing prices and more land. Housing prices shot up by approximately 25% through the height of the pandemic and have increased by nearly 200% over the past 16 years.³³ Red tape and lengthy approval processes are often cited as reasons for the low number of new housing starts. In addition, available land for residential construction is constrained by urban intensification policies and "greenbelt" land use regulations. The mismatch between supply and demand has made affordability a chronic and growing issue for Canada's metro areas and Canadian residents.

In response to this growing housing issue, the Canadian government in 2023 passed The Prohibition on the Purchase of Residential Property by Non-Canadians Act, which prohibits non-national entities and individuals from purchasing residential land in Canada. Limiting foreign investment should reduce demand, increase supply, and curb housing price increases, so the thinking goes. The law was initially set to run from January 2023 to January 2025, but in February of 2024, the law was extended for another two years and is now set to expire January 1, 2027.³⁴

Though extended, the law is not likely to become permanent, and Canada will once again become an attractive real estate investment target. This module will provide you with insights on the geography, residential real estate market trends, and cultural norms and attitudes that you will need to conduct business in the country when it opens up again.

There are also exceptions to the law, such as for foreign nationals who hold certain work or study permits and meet certain other requirements. To learn more about these exceptions and any changes to the law, it is best to contact a legal professional for the most current information and advice.

³³ Rocket Mortgage. (2024, September 30). "Is Inflation Impacting The Canadian Housing Market?" <https://rocketmortgage.ca/learning-centre/home-buying/housing-market-inflation>

³⁴ Singh, Kanishka. (2024, February 4). "Canada extends ban on foreign ownership of housing by two years." Reuters. <https://www.reuters.com/world/americas/canada-extends-ban-for-foreign-ownership-housing-by-two-years-2024-02-04/>

Geography of Canada

Of the three North American countries, Canada is the largest in land area and the second largest in land area in the world—Russia is the largest. It has more coastline, 243,000 kilometers (151,000 miles), than any other country. Compared to its southern neighbor, Canada is slightly larger in land area but has one-tenth (just over 37 million) of the U.S. population. Nine out of 10 Canadians live within 100 miles of the southern border and about one-third live in one of three major cities: Toronto (6.2 million), Montreal (4.3 million), and Vancouver (2.4 million). Note that these populations include the greater metropolitan area of these cities

Natural Resource Storehouse

Canada's vast expanse (10 million square kilometers/3.8 million square miles) stores a wealth of untapped natural resources. With the opening of the Alberta's oil sands, estimates of Canada's oil reserves rank third in the world after Saudi Arabia and Venezuela. A U-shaped geological zone encircling Hudson Bay and stretching from the Great Lakes to the Arctic Ocean, known as the Canadian Shield, holds rich mineral deposits of nickel, gold, silver, copper, and kimberlite diamonds. Mining towns—Sudbury in northern Ontario is the largest—dot the sparsely-populated area. The Canadian wilderness, particularly the Shield, occupies an almost mythic place in the Canadian psyche, as it is associated with the traditional archetypes: the fur trapper, the voyageur, the lumberjack, the prospector, and the bush pilot.

Figure 4.1 Map of Canada



Government and Legal Systems

The government of Canada, a member of the British Commonwealth, is both a constitutional monarchy and a parliamentary democracy. The British monarch serves as head of state and the elected Prime Minister as head of government. The crown is represented by an appointed Governor General at the federal level and lieutenant governors in each of Canada's ten provinces. Although the role of the monarch is interwoven in the governance of the country, most Canadians regard its participation as ceremonial.

Canada is governed at the federal, provincial or territorial, and municipal levels. Three branches make up the federal government: executive, legislative, and judicial. The legislative branch is made up of two houses: the 338-member elected House of Commons and the 105-member appointed Senate, modeled after the British House of Lords. The Governor General appoints the Senators with the advice of the Prime Minister.

Judicial System

Canada's judicial systems consists of a federal Supreme Court, provincial Courts that adjudicate civil and criminal cases, and provincial tribunals that resolve civil disputes involving interpretations and application of laws and regulations.

Bijuralism

As a legacy of its colonial past, Canada's legal system encompasses both civil law and common law tradition. Quebec adheres to civil law while the other provinces and territories follow common law practices. Under the civil law system, attorneys present facts and evidence to the judge who acts as an "investigateur." Under the common law system, attorneys "argue" the case law precedents before the judge. The dual system, known as bijuralism, challenges federal lawmakers to draft laws compatible with both systems. As we will see later in this module, the bijuralism system also impacts the role of the notary in real estate transactions.

The Provinces of Canada

Province or Territory?

Canada consists of three territories and 10 provinces. Canadian provinces have constitutional powers in their own right. Territories exercise powers delegated by the Canadian Parliament, although the trend is to transfer (devolve) more decision making to territorial governments.

Figure 4.2 Canadian Provinces/Territories and Capital

Provinces	Capital
Alberta (AB)	Edmonton
British Columbia (BC)	Victoria
Manitoba (MB)	Winnipeg
New Brunswick (NB)	Fredericton
Newfoundland & Labrador (NL)	St John's
Nova Scotia (NS)	Halifax
Ontario	Toronto
Prince Edward Island (PE)	Charlottetown
Quebec (QC)	Quebec City
Saskatchewan (SK)	Regina
Territories	Capital
Northwest Territories (NT)	Yellowknife
Nunavut (NU)	Iqaluit
Yukon (YT)	Whitehorse

Figure 4.3 Provinces and Territories of Canada



Why Is Canada Bilingual?

If Canada is a member of the British Commonwealth, why does French language and culture have such a large influence? Like the other countries of the Americas, the settlement and formation of modern Canada reflects its colonial past. The Canadian colonies were caught up in the rivalries and conflicts between France and England. Ongoing competition and maneuvering for dominance led to a series of skirmishes that culminated in the 1759 French defeat at Quebec City. When France ceded its Canadian colonies to England, treaty provisions guaranteed the right of French colonists to remain in Canada and keep their homes, farms, and lands. The colony of New France— Quebec—retained its language and distinctive French culture.

Modern Canada's constitution states that the English and French languages "have equality of status and equal rights and privileges as to their use in all institutions of the Parliament and Government of Canada." Federal laws mandate conduct of government business and provision of services in both official languages. Language, however, has sometimes been the focus of militant separatist movements in Quebec. Although two referenda on separation have been defeated, the issue remains unresolved for those who believe that only sovereignty can adequately ensure preservation of language, cultural identity, and collective memory.

FIRST NATIONS

Of course, long before the arrival of French or English colonists, the Canadian lands were home to indigenous peoples—the "First Nations." (The term became common in the 1980s in place of Indian band or tribe.) In addition to the First-Nation groups, indigenous people include the Inuit of the Arctic northern regions and the Metis who are the descendants of intermarriage between early European settlers and First Nation peoples. According to Canada's National Household Survey, about 1.7 million people identify themselves as First Nation, 587,000 as Metis, and 65,000 as Inuit.

Indigenous people are the fastest growing population in Canada and also the youngest population.³⁵ Some of the 634 recognized First-Nation groups have negotiated self-governing agreements with the Canadian government. Others unilaterally claim self-determination as a natural right based on first occupation of the land.³⁶

³⁵ Canada, R. C.-A. et A. du N., & Canada, C.-I. R. and N. A. (2013, December 13). *Relations Couronne-Autochtones et Affaires du Nord Canada*. <https://www.rcaanc-cirnac.gc.ca>

³⁶ Statistics Canada. (2024). Statistics on Indigenous Peoples. <https://www.statcan.gc.ca>

French Words and Phrases When Doing Business in Canada

While you don't need a mastery of the language, it will benefit you to know some French terms when doing business with a French-speaking Canadian from Quebec.

- ▶ **Le bureau:**
The office
- ▶ **Une entreprise:**
The company
- ▶ **Vendeur:**
Salesperson
- ▶ **Avocat:**
Lawyer
- ▶ **Bonjour:**
Hello
- ▶ **Bonsoir:**
Good evening
- ▶ **Vous or tu:**
You
- ▶ **Réunion:**
Meeting
- ▶ **L'argent:**
Money
- ▶ **Les impôts:**
Taxes
- ▶ **Merci:**
Thank you
- ▶ **Excusez-moi:**
Excuse me
- ▶ **Pardon:**
Sorry
- ▶ **Nous avons un accord:**
We have a deal

Foreign Ownership of Real Estate

Previous to The Prohibition on the Purchase of Residential Property by Non-Canadians Act of 2023, foreign buyers faced few obstacles to the purchase and ownership of Canadian real estate with the exception of agricultural land. Provincial governments regulate land ownership by foreigners and nonresidents as well as foreign-owned corporations.

▶ **Prince Edward Island**

In order to own more than five acres of land or land with a shore frontage greater than 165 feet, the buyer must be a citizen or landed immigrant and reside on the island for more than 365 days over a period of 24 months.

▶ **Quebec**

Only Quebec residents and corporations controlled by Quebec residents may acquire a farm exceeding four hectares (about 10 acres).

▶ **Manitoba**

Non-Canadians, including corporations, must apply for an exemption to purchase more than 40 acres of farmland.

▶ **Alberta**

Foreigners may own a maximum of two plots of land not exceeding 20 acres in total.

▶ **Saskatchewan**

Foreigners may not own more than 10 acres of land.

▶ **Yukon**

Sale of new farmlands (new lots) by the territorial government is reserved for Canadian citizens, permanent residents, and corporations with a majority of Canadian shareholders. Canadian citizens and permanent residents who have been living in the Yukon for more than a year are eligible for a free hectare (2.5 acre) plot of land if they are willing to farm on the property for at least 7 years before they sell it.

▶ **British Columbia and Ontario**

Nonresident speculation taxes (NRST) are added on homes purchased or owned by nonresidents. In 2022, this tax was increased to 25% in Ontario and 20% in some densely populated areas of British Columbia.

Visiting Canada

Most visitors to Canada may stay for up to 6 months. Before traveling to Canada, travelers must complete an Electronic Travel Authorization (except U.S. citizens and those with a valid Canadian visa). Those who enter Canada as visitors may open bank accounts and purchase real estate. A stay of more than 6 months requires an application for immigrant status. It is always advisable to check current requirements for visiting any country before making travel plans. Visit travel.gc.ca for more information about traveling to Canada.

Start-Up Visa Program

This is a general Investor Visa option that allows investors to immigrate to Canada by starting a business anywhere in the country. A strict set of requirements must be met to qualify.

No “Flagpoling”

Canadian immigration law does not specifically state how long an interval is required between entries into Canada as a 6-month visitor. What is not allowed is the practice of “flagpoling”—when temporary residents of Canada cross the border, then immediately turn around to receive immigration services at a port of entry. Although such re-entry may be allowed on one or two occasions, the immigration officer at the border may refuse re-entry if it appears that the person is actually living in Canada under the guise of being a visitor.

Market Overview: Residential

Across Canada, many markets comprise the residential real estate market. Whether urban or rural, metropolitan or small town, Canadian or foreign buyers, each market has distinct influences that drive property values up or down. There are, however, some trends that Canadian residential real estate markets share.

Crude Oil Prices

Energy production—oil, gas, and mining—account for about a quarter of the Canadian GDP. Canada is the fourth-largest producer of petroleum in the world. Property values in oil-producing regions of the country such as Alberta and other western provinces tend to fluctuate based on demand in the industry.

Impact of Foreign Buyers

Worldwide, Canadians have a reputation for being friendly and welcoming. Add favorable exchange rates, few restrictions on purchasing, and protection of private property rights, and the stage, historically, has been set to attract foreign buyers looking for safe investments. However, with The Prohibition on the Purchase of Residential Property by Non-Canadians Act in place until the start of 2027, foreign buyers are going to have to push pause on any real estate investment plans in the country.

Some of the biggest reasons people have for moving to Canada include a free public schooling system, free public health care, an abundance of natural resources, a progressive multicultural society, and the ability to immigrate there prior to receiving a job offer.

Supply, Demand, Affordability

As we discussed at the outset of this module, a common trend among Canada's metro markets is insufficient supply of both resale and new homes to meet demand. Municipal red tape and lengthy approval processes are often cited as reasons for the low number of new housing starts. In addition, available land for residential construction is constrained by urban intensification policies and "greenbelt" land use regulations. The mismatch between supply and demand makes affordability a chronic issue for Canada's metro areas. In 2024, National Bank of Canada's Housing Affordability Monitor reported that housing supply in the country had hit historic lows. At the same time, housing prices across Canada's 11 major cities increased by 4.5% on average in the first quarter of 2024 compared to the year prior.^{37, 38}

³⁷ Delmendo, Lalaine. (2024, April 26). "Canada's house prices increasing again." Global Property Guide. <https://www.globalpropertyguide.com/north-america/canada/price-history>

³⁸ Schlesinger, Joel. (2024, June 14). "Canadian housing supply drops to record lows." Calgary Herald. <https://calgaryherald.com/life/homes/canadian-housing-supply-drops-to-record-lows>

Urban Intensification

The policy of urban intensification promotes redevelopment of existing buildings and urban areas at a higher density than currently exists. It can take the form of infill development along main streets, redesign of existing commercial or industrial spaces for new uses, or redevelopment of brownfield sites. It stresses use of existing public infrastructure and development of pedestrian- and transit-friendly neighborhoods. The ultimate goal is to prevent the irretrievable loss of agricultural and wilderness lands to development and avoid the urban sprawl of car-dependent suburbs.

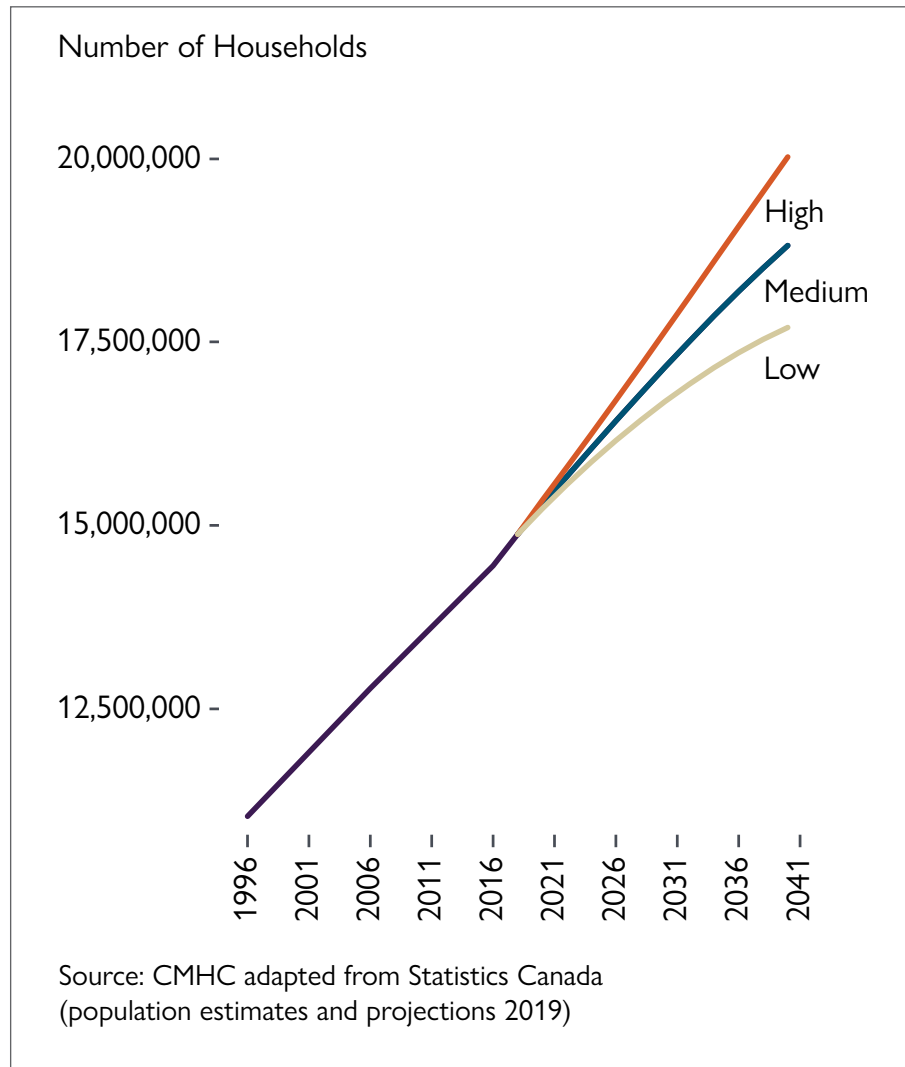
For example, Toronto's intensification policy calls for 60% of new homes to be constructed in already-developed areas. Furthermore, developments that expand into what was once farmland must build for a minimum of 80 people or jobs per hectare (2.47 acres). Along with intensification requirements, more than 2 million acres of greenbelt land encircling the greater Toronto metro area, the Golden Horseshoe, is protected and off limits to any kind of development. The combined effect of intensification requirements and protected greenbelt land has pushed the sales price for the median single-family detached home in the Toronto Area to over \$1.3 million.³⁹

Housing Starts

The number of households in Canada are projected to grow in the coming decades. The following chart indicates projections based on three different growth scenarios (low, medium, and high). This is a positive for the real estate investor, as an increase in households requires an increase in the number of homes (see Figure 4.4). However, in the short-term, housing starts declined by nearly 3% in the first half of 2024.⁴⁰

³⁹ CREA. (2024). <https://creastats.crea.ca/mls/treb-median-price>

⁴⁰ Sondhi, Rishi. (2024, September 17). "Canadian Housing Starts (August 2024)." TD. <https://economics.td.com/ca-housing-starts>

Figure 4.4 Total Household Estimates and Projections (Canada)⁴¹

⁴¹ Canadian Mortgage and Housing Corporation. (2021, January 7). *Housing market insight, CMHC household projections: National and provincial analysis, 2020*. <https://assets.cmhc-schl.gc.ca/sites/cmhc/professional/housing-markets-data-and-research/market-reports/housing-market-insight/2021/housing-market-insight-69701-m01-en.pdf?rev=05ff122f-8c1b-4fec-8f3f-db5e935a59cf>

Multifamily Housing

For many prospective home buyers priced out of the market in cities like Toronto and Vancouver, the alternative is to become renters. Some may become permanent renters, as home prices keep ownership beyond their means. This could create an opportunity for real estate investors, as the demand for multifamily rental housing remains constant. As the following chart entails, vacancy rates in seven of Canada's major cities grew significantly during the early years of the pandemic.

Figure 4.5 Multifamily Vacancy Rates⁴²

City	Multifamily Vacancy Rate (2023)
Vancouver	2.2%
Calgary	2.5%
Edmonton	3.1%
Winnipeg	1.8%
Toronto	2.2%
Ottawa	2.3%
Montreal	4.1%

Canada's National Housing Strategy

As we have noted throughout this module, Canada has been facing a supply and demand issue, which has been addressed most recently with the passage of The Prohibition on the Purchase of Residential Property by Non-Canadians Act. But the country is also taking other steps. As housing prices have continued to rise, the ability of first-time buyers to purchase property has become prohibitive for many. In an effort to increase the housing supply, the government has instituted a strategy that supports the construction of 125,000 affordable homes at a cost of \$70 billion. Known as the National Housing Strategy, the government also plans to repair an additional 300,000 housing units. This ambitious plan is to be completed by 2027. And in 2024, the government also put forth a series of policy initiatives to help lower construction costs and reduce red tape to help build 4 million new homes over the next decade.⁴³

⁴² Yardi. (2024). "Canadian National Multifamily Report." <https://resources.yardi.com/documents/multifamily-national-report-for-canada-q4-2023/>

⁴³ Department of Finance Canada (2024, June 11). "Budget 2024: Building 4 million homes, protecting renters, and making it easier to buy a home." <https://www.canada.ca/en/department-finance/news/2024/06/budget-2024-building-4-million-homes-protecting-renters-and-making-it-easier-to-buy-a-home.html>

Mortgage Financing

Canadian home mortgage financing has some distinctive characteristics investors should be aware of. The government has also been implementing reforms to make home ownership more accessible and affordable for residents:⁴⁴

- ▶ Loans are amortized over 25 years when the down payment is less than 20%. At the end of the term, the borrower can refinance the loan. As of August 1, 2024, however, qualified first-time home buyers can get 30-year mortgages when purchasing new builds.
- ▶ Effective December 15, 2024, the insured mortgage cap is increasing from CA\$1 million to CA\$1.5 million.
- ▶ Prepayment penalties (usually the higher of an amount equal to 3 months' interest on what is still owed or the interest rate differential—either of which can be thousands of dollars) create a strong disincentive for paying off the loan early in order to refinance at a lower rate.
- ▶ Mortgage loans are associated with the borrower instead of the property which means the loan can be transferred to another property.
- ▶ The Canadian tax code does not allow a deduction for mortgage interest.
- ▶ Foreign buyers can access the Canadian mortgage market but should expect a maximum LTV of 65%.

The guarantee programs of the Canada Mortgage and Housing Corporation (CMHC), a government corporation accountable to the national Parliament, enables approved financial institutions to pool and securitize home mortgages. Short-term mortgages, however, encourage lenders to make loans from their own funds and hold the note on their books as an asset instead of selling it in the secondary market. Economists credit these aspects for the stability of the Canadian mortgage and real estate market.

⁴⁴ Department of Finance Canada. (2024, September 16). "The Boldest Mortgage Reforms in Decades." <https://www.canada.ca/en/department-finance/news/2024/09/the-boldest-mortgage-reforms-in-decades.html>

Household Debt and Mortgage Loans

The personal debt load of Canadians continues to pose an area of great concern for the national economy. It has the highest household debt level of any G7 country. According to the Equifax rating agency, at the start of 2021, the average Canadian owed \$72,950, and the average debt-to-income ratio was 180%, which means for every dollar a household earned, it owed \$1.80.^{45, 46} Given the characteristics of the Canadian mortgage market, high household debt puts borrowers at risk for interest rate increases. An increase in interest rates or sudden spike in unemployment could leave many with no alternative but foreclosure or a quick sale.

In 2016, Canada's government acted to stabilize the housing market by instituting new underwriting guidelines for mortgages with LTVs higher than 80%. Lenders were required to "stress test" high-LTV mortgage loans to assure that borrowers could afford the loan if the interest rate increased. While the mortgage stress test rate was previously set at 4.79%, it was raised in June of 2021 to 5.25% and is now applied to all mortgages on homes purchased with a down payment of less than 20%.

Figure 4.6 Average Home Price⁴⁷

Province	2024	Annual Price Change
Alberta (Calgary, Edmonton)	\$494,920	+11.2%
British Columbia (Vancouver, Victoria)	\$938,500	-1.7%
Saskatchewan (Regina, Saskatoon)	\$315,858	+4.0%
Manitoba (Winnipeg)	\$376,770	5.7%
Ontario (Toronto, Hamilton, Ottawa)	\$817,915	-1.2%
Quebec (Montreal, Quebec City)	\$495,875	+4.1%

⁴⁵ Caruso-Moro, Luca. (2024, February 28). "Canadian households among the wealthiest, but debt a 'double-edged sword'." CTNews. <https://www.ctvnews.ca/canada/canadian-households-among-the-wealthiest-but-debt-a-double-edged-sword-1.6787405>

⁴⁶ Stinson, Jillian. (2024, September 18). Sun Life. "What's the average debt in Canada and how do you compare?" <https://www.sunlife.ca/en/tools-and-resources/money-and-finances/managing-your-money/what-s-the-average-debt-in-canada-and-how-do-you-compare/>

⁴⁷ WOWA. (2024, September 17). Canadian housing market news. <https://wowa.ca/reports/canada-housing-market>

Exercise: Current Housing Prices

What are housing prices like in Canada today? Using the interactive map from the Canadian Housing Market Report, we can discover just how much prices vary throughout the country. Visit wowa.ca/reports/canada-housing-market to access the current map.

- ▶ **What is the average selling price in Canada overall?**

- ▶ **Which province currently has the highest selling price?**

- ▶ **Which province currently has the lowest selling price?**

- ▶ **Which markets seem ripe for investors? Why?**

Second Homes and Luxury Getaways

- ▶ **Banff, Cranmore, Alberta**
Year-round resort area near Banff National Park, hiking, winter sports.
- ▶ **Sunshine Coast, British Columbia**
Resort atmosphere, entertainment, shopping, spas, summer sports.
- ▶ **Whistler, British Columbia**
Winter sports.
- ▶ **Victoria, British Columbia**
Vancouver Island's major city, resort atmosphere, shopping, spas, water sports.
- ▶ **Tofino, British Columbia**
Spring and Coho salmon fishing on Vancouver Island.
- ▶ **Kelowna, British Columbia**
Upscale resort, skiing, hiking, vineyards, and wineries the "Florida of Canada."
- ▶ **Mont Tremblant, Quebec**
Winter sports, dog sledding, ice climbing, cross-country skiing, and snowmobiling.
- ▶ **Muskoka Lakes, Ontario**
A popular spot for Hollywood's elite.
- ▶ **Lake Simcoe, Ontario**
An hour north of Toronto, winter sports, ice fishing, and hiking.
- ▶ **Niagara on the Lake, Ontario**
Quaint, 19th century atmosphere, wineries.
- ▶ **Prince Edward Island**
Quaint rural settings, home of Anne of Green Gables, distinctive red sand beaches.
- ▶ **Chester, Nova Scotia**
Upscale resort, water sports, yacht anchorage.
- ▶ **Cape Breton Islands, Nova Scotia**
Water sports, boating.

Market Overview: Commercial

Canada's commercial real estate market follows a pattern of distribution similar to the residential market with Class A investment-grade properties concentrated in the major metro areas. COVID-19 resulted in office vacancy rates increasing across Canada and continued in the pandemic's wake. Vacancy rates have held steady for the past couple of years at about 18% but have not decreased.

Figure 4.7 Downtown and Suburban Office Vacancy Rates⁴⁸

Office Space	Downtown 2024	Suburban 2024
Vancouver	10.8%	8.4%
Calgary	30.3%	23.7%
Edmonton	22.3%	17.9%
Winnipeg	18.6%	10.3%
Toronto	18.1%	21.0%
Ottawa	14.0%	10.1%
Montreal	17.4%	20.7%

PwC Canada projects the best value opportunities to be in industrials due to current pricing in this sector, multifamily residential housing due to the ongoing affordability crisis and housing shortage problems, and retail property, especially developments anchored by supermarkets that serve high density populations.⁴⁹

Canada's technology sector continues to grow faster than most other markets. A recent CBRE report shows that six of the top 20 North American markets in terms of tech labor concentration are Canadian. The ranking includes Toronto at number four, Ottawa and Vancouver at 10 and 11, respectively, followed by Montreal (15), Waterloo (18), and Calgary (20). Leaders throughout Canada consider tech as a vital driver of the Canadian economy.^{50, 51}

The top Canadian cities for tech talent shown in the list below reveal where major corporations such as Google, Amazon, Shopify, Apple, Microsoft, and more have put down roots. Real estate investments are widespread in these locations as workers move there for job opportunities.

The Toronto-Waterloo Region Corridor is a hub for high-growth companies. Located south of Toronto, the corridor stretches 100 kilometers and is already home to global companies such as Google, Cisco, IBM, and Amazon.

⁴⁸ CBRE. (2024, July 1). "Canada Office Figures Q2 2024." <https://www.cbre.ca/insights/figures/canada-office-figures-q2-2024>

⁴⁹ PwC Canada. "Emerging Trends in Real Estate® 2024." <https://www.pwc.com/ca/en/industries/real-estate/emerging-trends-in-real-estate.html>

⁵⁰ CBRE. (2023, July 21). "The Tech Sector is Canada's Economic Sleeping Giant." <https://www.cbre.ca/insights/articles/tech-sector-is-canadas-economic-sleeping-giant>

⁵¹ CBRE. (2024). "Which are the top-ranked Tech Talent markets?" <https://www.cbre.com/insights/books/scoring-tech-talent-2024/which-are-the-top-ranked-tech-talent-markets>

Business and Income Taxes

Canadians pay taxes on income at progressive rates starting at 15% and topping out at 33% for high-income earners. Married couples are taxed separately. In all provinces, except Quebec, the federal government collects taxes on behalf of the provincial or territorial government. The provincial rules for computing income tax are generally (but not always) consistent with the federal rules. Income bands are updated frequently. Nonresident foreigners are taxed on their Canadian-sourced income at progressive rates both at the federal level and provincial level.

As part of the government's effort to increase residential housing access and affordability, a new tax on foreign owners was introduced in 2022 called the Underused Housing Tax Act (UHTA), which levies a 1% tax on the value of properties deemed "underused" or "vacant." There are a number of criteria for what qualifies under these terms, so it's important to check with a tax advisor for details about particular properties.⁵²

Tax on Rent for Foreign Owners

Foreign owners of Canadian rental properties have several options for paying tax on rental income.

▶ Form NR6

This can be filed prior to the first rental payment and allows taxpayers to withhold and remit 25% of the expected net rental income. A Canadian tax form must then be filed at the end of the year to remit any difference between the expected and actual rental income.

▶ Section 216

Under Section 216 of the tax code, foreign owners are taxed on the net rental income at regular tax rates instead of on the gross amount. Those who choose this option are also liable for payment of a surtax of 48% on their federal taxes.

Property and Transfer Tax

Property taxes are levied by local governments. The city or municipal government sets the rates and determines whether the tax basis is the sale price or assessed value of the property. Again, be sure to check with a tax advisor about the latest local tax regime, as many changes are being implemented to increase access and affordability for Canadian residents and tamp down on speculative foreign investment.

⁵² Cardinal Point Wealth. (2024, September 12). "Outlining the Complexities of Foreign Ownership of Canadian Real Estate." <https://cardinalpointwealth.com/2024/09/12/outlining-the-complexities-of-foreign-ownership-of-canadian-real-estate>

Capital Cost Allowance

The depreciation allowance for investment property and property used in a business or a profession is called Capital Cost Allowance (CCA). Most buildings are depreciated at 4%, 5%, or 10% depending on the year of acquisition, type of construction, and use. Most land is not depreciable.

Capital Gains Tax on Real Estate

When a property sale is subject to capital gains tax for Canadian residents, only 50% of the capital gain plus half of recaptured CCA, less selling costs, is taxed.

A nonresident seller, however, must pay a tax equal to 25% of the gain before the sale. The amount is withheld until the CRA issues a clearance certificate. The clearance certificate is issued upon payment, but not until there is a purchase contract with all contingencies resolved. The wait for a clearance certification is usually 6–8 weeks. If a certificate is not obtained, the purchaser is required to withhold up to 50% of the selling price. Nonresident sellers also pay a surtax of 48%.

Goods and Services Tax (GST)

Canada's GST is a value-added tax on goods and services. It is levied at both the federal and provincial level. The tax is collected by the federal government on behalf of the provinces with the exception of Quebec. GST is currently at 5% at the federal level and varies from 5–9% at the provincial level. Combined federal and provincial GST rates total 10–15%, depending on the province.

The most commonly used exemption for GST is for “used residential real estate.” The seller can claim this exemption for properties that have been used for residential purposes.

GST Applies to:

- ▶ The entire purchase price, including land, of a newly-constructed home.
- ▶ Real estate agent services, referrals, appraisals, inspections, & legal fees.
- ▶ Commercial rents.

Licensing and Brokerage Practices

While all provinces require successful completion of a pre-licensing course and exam, each province determines specific licensing requirements for salespersons and brokers. There are generally separate licenses for salespeople and brokers or managers. Most provinces require additional education and minimum licensed experience requirements for brokers or managers. Salespersons or brokers can market real estate only in the province in which they are licensed, and licenses must be renewed every year or two. All licensed real estate professionals must adhere to laws enforced at the provincial and federal level. Additionally, members of the Canadian Real Estate Association (CREA) must adhere to the REALTORS® Code of Ethics and Standards of Business Practices.

Canada has robust MLS® systems covering virtually the entire country and operated by local boards and associations. CREA sets the basic operating standards. CREA membership includes more than 160,000 real estate professionals, working through 65 real estate boards and associations across Canada. Organized real estate in Canada operates at three different levels. The real estate board generally operates at a local level. Provincial and territorial associations represent their province or territory and CREA represents the industry nationally and internationally.

The Transaction Process

Provincial regulations vary for real estate transactions, but the following steps provide an outline of a typical real estate deal.

- ▶ The real estate professional, along with an attorney, prepares an Offer to Purchase to present to the seller with a deposit usually no more than 10% of the purchase price.
- ▶ Negotiations proceed until the buyer and the seller agree on the price.
- ▶ A copy of the signed agreement is sent to the attorney, who will examine any conditions of sale and note the closing date. The attorney must be informed on how the buyer, along with any co-buyers, will be registered in the title to the property.
- ▶ During closing, all conditions in the Offer to Purchase, such as home inspection, must be satisfied by the stated date.
- ▶ An up-to-date land survey must be completed on the property as the attorney completes a title search. The attorney should also investigate government regulations.
- ▶ The attorney then prepares a Statement of Adjustment, which confirms the selling price and the amount the buyer has to pay the seller at closing, including the balance of the down payment and adjustments. A certified check for this total should be made payable to the attorney in trust.
- ▶ The attorney pays the seller, registers the home in the buyer's name, and provides the deed to the buyer.

Notaries

Although provincial laws vary, most Canadian notaries are attorneys. In fact, in most provinces, the requirements for becoming a notary public are so stringent that effectively only attorneys are qualified to provide notary public services.

A non-attorney may be granted notary status in order to serve the needs of an employer, such as an officer of a corporation, but cannot offer external notary services. A non-attorney notary cannot run a notary business.

The role and participation of the notary in real estate deals is quite different in Quebec from the rest of country. In Quebec, the notary is a legal expert in real estate law and can draw up all necessary preliminary contracts, such as the purchase offer, offer to sell, and counter-offers. Quebec notaries (notaires) are qualified attorneys who specialize in preparing wills and marriage contracts and closing real estate transactions. In real estate deals, the notary verifies that all aspects of the transaction are in order, holds escrow funds, and acts as closing officer. Usually, the buyer selects the notary and is responsible for paying the notary's fees.

Doing Business in Canada: Know the Culture

▶ Language

Remember that English and French have “equality of status” in Canadian civil and business affairs. The province of Québec has very stringent French-language requirements for all commercial endeavors. Presentation materials and business cards should be printed in both languages. An interpreter may be required for business meetings that involve both English and French speakers. It is, however, considered rude to speak in one of the languages in the presence of others who do not understand what is being said.

▶ Greetings

Use a firm handshake and direct eye contact when greeting someone. French Canadians may shake hands more frequently. Use a person’s title if appropriate. Otherwise, use the appropriate honorific (Mr., Mrs., Ms. or Monsieur, Madame, Mademoiselle) and surname.

▶ Communications

Eye contact is important during business meetings. Avoiding eye contact may be perceived as evasive or insincere. Emails and telephone calls should also be direct and succinct. During meetings and discussions, everyone’s opinion should be heard and respected regardless of rank.

▶ Attire

Conservative attire is the best choice in the cities. More casual attire may be acceptable in small towns and rural areas. The best approach is to assess your surroundings when choosing a wardrobe. Remember that winters can be severe. Canadians are very weather aware and dress accordingly.

▶ Punctuality

Punctuality is a priority for meetings and appointments. It may be acceptable to arrive up to 15 minutes late for social occasions but arriving more than 30 minutes late will be seen as ill-mannered.

▶ Demeanor

A reserved and open demeanor is respected, as is a sense of humor. Avoid boasting, and do not overstate your or your firm’s capabilities and service. French Canadians may use more gestures when speaking and typically stand closer to one another and touch more frequently. Avoid using the “V” for victory sign with your palm facing yourself, as this is considered a rude gesture.

▶ **Business Entertaining**

Business dinners and entertaining a colleague with a nice meal, a sporting event, a play, or the symphony will be appreciated.

▶ **Gifts**

Business gifts are traditionally offered after closing a deal and are unwrapped for everyone to see. Select a modest gift that comes from your home country, such as an item that includes your business logo.

Key Point Review

- ▶ The passage of The Prohibition on the Purchase of Residential Property by Non-Canadians Act currently prohibits non-national entities and individuals from purchasing residential land in Canada. The act was passed in 2023 and has been extended to stay in effect until January 1, 2027.
- ▶ Of the three North American countries, Canada is the largest in land area and consists of 10 provinces and three territories.
- ▶ Canada is bilingual, speaking both French and English.
- ▶ There is an ongoing housing supply and affordability crisis in Canada.
- ▶ Multifamily housing continues to be in high demand.
- ▶ Nonresident property owners pay high taxes on rental income of 25%.
- ▶ The Canada Real Estate Association (CREA) is the NAR counterpart.

	<p>KEY CONTACT</p> <p>▶ Canadian Real Estate Association (CREA) www.crea.ca</p>
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05

A LOOK AT BRAZIL



Module 5: A Look at Brazil

AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Identify how the social, economic, political, and geographic characteristics of Brazil impact real estate.
- ▶ Alert buyers and sellers to Brazilian laws, regulations, and real estate practices that impact real estate transactions.
- ▶ Develop a network of key contacts in Brazilian real estate, business, and government in order to reach clients and customers and complete property transactions.

Brazil Quick Facts

- ▶ **Population:**
212.6 million
- ▶ **Capital:**
Brasilia
- ▶ **Currency:**
Brazilian real, subdivided into 100 centavos
- ▶ **Language:**
Brazilian Portuguese
- ▶ **Time Zone:**
Divided into four standard time zones

Geography of Brazil

The federal Republic of Brazil, the largest country in South America, covers about half of the continent. It shares land borders with 10 out of the 12 other South American countries; only Chile and Ecuador do not share a border with Brazil. The country has a long (7,491 kilometers/ 4,654 miles) coastline facing the Atlantic. The equator overlaps the mouth of the Amazon River, which traverses the northern sector of Brazil. The climate is mostly tropical along the Amazon basin and ranges to temperate in the south with a usually mild winter.

Reflecting its colonized past, Brazilian Portuguese is the official and most widely-spoken language. Brazilian Portuguese differs from European Portuguese. In Brazil, the language has a unique lyrical quality compared to European Portuguese, which is spoken more rapidly. It is important to remember to refer to the language as Brazilian Portuguese rather than simply Portuguese. Less common languages include English, Spanish, German, Japanese (the Liberdade section of São Paulo is home to the second largest Japanese population in the world), and many indigenous languages.

Brazil is a federal republic with 26 states and one federal district, which includes the city of Brasília, the national capital. São Paulo is the largest city in Brazil, with over 22 million people in the metropolitan area. The city has a high level of economic activity and is the international financial center as well as home to the stock and commodities exchanges. Rio de Janeiro, the next largest city, was the capital of Brazil until 1960 when the planned city of Brasília became the capital.

Figure 5.1 Map of Brazil



Figure 5.2 The States of Brazil

State and Abbreviation	Capital
Acre (AC)	Rio Branco
Alagoas (AL)	Maceió
Amapá (AP)	Macapá
Amazonas (AM)	Manaus
Bahia (BA)	Salvador
Ceará (CE)	Fortaleza
Distrito Federal (DF)	Brasília
Espírito Santo (ES)	Vitória
Goiás (GO)	Goiânia
Maranhão (MA)	São Luís
Mato Grosso (MT)	Cuiabá
Mato Grosso do Sul (MS)	Campo Grande
Minas Gerais (MG)	Belo Horizonte
Pará (PA)	Belém
Paraíba (PB)	João Pessoa
Paraná (PR)	Curitiba
Pernambuco (PE)	Recife
Piauí (PI)	Teresina
Rio de Janeiro (RJ)	Rio de Janeiro
Rio Grande do Norte (RN)	Natal
Rio Grande do Sul (RS)	Porto Alegre
Rondônia (RO)	Porto Velho
Roraima (RR)	Boa Vista
Santa Catarina (SC)	Florianópolis
São Paulo (SP)	São Paulo
Sergipe (SE)	Aracaju
Tocantins (TO)	Tocantins

Government and Legal Systems

The government of Brazil includes three branches—executive, legislative, and judicial. The president and vice president are elected jointly for a 4-year term and may serve an additional 4-year term. The legislative branch consists of two chambers of the National Congress: the 81-seat Senado Federal (Federal Senate) and the 513-seat Câmara dos Deputados (Chamber of Deputies).

Federal and state courts, each with different jurisdictions, form the judicial branch. Any disputes involving contracts or transactions are adjudicated at the state level. A judge decides all civil cases (juries are reserved for serious criminal cases). The Brazilian civil code is largely based on the Portuguese civil system with some use of precedent to decide cases.

The Brazil–China Connection

Many investors were eager to see the outcome of the 2022 presidential election. The controversial far-right incumbent President Jair Bolsonaro had accused China of “buying Brazil,” creating rancor between the two countries. But Bolsonaro lost to the leftist Workers Party candidate Luiz Inácio Lula da Silva, who analysts believed would be more inclined to forge friendlier relations with China, and that seems to be happening.

In 2023, the two countries struck a deal to trade in their own currencies directly, bypassing the US dollar as the medium of exchange. The Brazilian Trade and Investment Promotion Agency (ApexBrasil) said the deal would help reduce costs of trade and promote greater bilateral trade and investment.⁵³ While the deal might help create greater economic opportunity for Brazil, it may also encourage other countries to circumvent the US dollar as the standard currency of exchange, which in itself can have a ripple effect across global markets in the longer term.

Through this first two years in office, the Brazilian economy has made some modest gains, and President Lula’s approval ratings have been solid, hovering just over 50%, heading into the midterms. He plans to run for office in 2026, while former President Bolsonaro has been barred from running for office again until 2030 for trying to overturn the 2022 election results.⁵⁴ The politics of Brazil are still clearly in flux, but play an important role in the real estate market. Inflation and interest rates have a direct impact on home buying. Since this is such a dynamic area, you will want to keep abreast of current events. One source you can use is the U.S. News & World Report website: www.usnews.com/topics/locations/brazil.

⁵³ Betz, Bradford. (2023, March 29). “Brazil, China strike trade deal agreement to ditch US dollar.” Fox Business. <https://www.foxbusiness.com/markets/brazil-china-strike-trade-deal-agreement-ditch-us-dollar>

⁵⁴ Reuters. (2024, October 2). “Approval of Brazil’s Lula slips ahead of mid-term local elections.” <https://www.reuters.com/world/americas/approval-brazils-lula-slips-ahead-mid-term-local-elections-2024-10-02/>

Economy: The Future

The Brazilian economy has shown steady moderate growth in recent years. GDP was up 2.1% at the midpoint of 2024 from the year prior, and the labor market was tight, with unemployment down to 6.9%.⁵⁵ Most notably, however, is that the economy has a strong economic foundation. Brazil is the second largest economy in the Western Hemisphere, behind only the United States. Its economy is remarkably diverse with sectors, such as steel production, chemicals, textiles and apparel, auto manufacturing, and food processing. The administration is also planning on implementing tax reform to spur more investment and economic growth. The reform package is currently making its way through the legislature and could be finalized by the end of 2024.⁵⁶

Brazil also has a growing foothold in science and technology, with space exploration, aircraft manufacturing, carbon and sustainable fuel research, and telecommunications. At the same time, Brazil continues to hold the title of the world's largest exporter of beef, providing almost 25% of total global exports.⁵⁷ The biggest challenge Brazil faces in the beef industry is protecting the Amazon from deforestation. Many are concerned that the thriving cattle industry takes precedent over protecting the ecosystem, and the lush vegetation of the Amazon is being replaced with cattle and grazing pastures.

Some near term headwinds stem from the country's ongoing battle with inflation. Though elevated inflation challenges countries worldwide through 2022 and 2023, Brazil has struggled a bit more to bring down inflation levels, in large part because rising government debt restricts the central bank's ability to take appropriate measures. The inflation rate of 6.4% in August of 2024 is more than double the central bank's target rate of 3.0%.⁵⁸ How the country handles deficits and inflation will be something to monitor closely in the years ahead.

⁵⁵ Wolf, Michael. (2024, August 12). "Brazil economic outlook, August 2024." Deloitte. <https://www2.deloitte.com/us/en/insights/economy/americas/brazil-economic-outlook.html>

⁵⁶ International Trade Administration. (2023, December 4). "Brazil - Country Commercial Guide." <https://www.trade.gov/country-commercial-guides/brazil-investment-climate-state-ment>

⁵⁷ Cook, R. (2022, April 10). Ranking of countries that export the most beef (USDA). Beef2Live. <https://beef2live.com/story-world-beef-exports-ranking-countries-0-106903>

⁵⁸ Wolf, Michael. (2024, August 12). "Brazil economic outlook, August 2024." Deloitte. <https://www2.deloitte.com/us/en/insights/economy/americas/brazil-economic-outlook.html>

Foreign Ownership of Real Estate

There are few restrictions for foreigners purchasing property in Brazil, but there are some things to keep in mind.

While a visa is not required, foreign individuals will need a taxpayer ID number known as a CPF (Cadastro das Pessoas Físicas). The CPF is comparable to the Social Security Number and is what Brazilians use for identification purposes. The CPF card can be obtained through a power of attorney if an individual is not in the country or can be obtained at a Brazilian Consulate, in person or by mail.

Foreigners may not buy land within 100 meters from the coast. They may, however, purchase a condominium unit on a beachfront property.

While foreigners may own urban or rural properties from abroad directly or through resident companies or partnerships, foreign individuals may only purchase real estate in rural areas if they intend to live in Brazil within 3 years from the date of purchase. A foreign company that purchases rural real estate must intend to use the property for agricultural, industrial, or settlement projects. The company must also have a purpose related to these activities.

In the past, it has been challenging for foreigners to purchase agricultural land. In 2020, Brazil took steps to encourage foreign investment by allowing the use of fiduciary liens as security against agricultural lands (prior to this change, a mortgage was the only instrument that granted a risk-free investment). There has also been recent discussions in the Brazilian congress to take additional steps to liberalize foreign restrictions on investments in rural properties.⁵⁹

⁵⁹ International Trade Administration. (2023, December 4). "Brazil - Country Commercial Guide." <https://www.trade.gov/country-commercial-guides/brazil-investment-climate-statement>

Market Overview: Commercial

The Brazilian commercial and office markets have continued their steady recovery from the disruptions caused by the COVID-19 pandemic. The net absorption rates in the second quarter of 2024 was its highest since the midpoint of 2022. Vacancy rates continue to fall, standing at 9.4% in the second quarter of 2024. Figure 5.3 provides a look at the declines in Brazil's two biggest commercial markets since the immediate wake of the pandemic. Asking rents have leveled off since the end 2022, but are up substantially since the wake of the pandemic. There has been a premium placed on new, higher standard developments, with older commercial assets vacant longer.

Figure 5.3 Office Vacancy rates in Brazil's Two Biggest Markets⁶⁰

São Paulo	Q4, 2021	Q2, 2024
Vacancy Rate	24.80%	9.47%
Rio de Janeiro	Q4, 2021	Q2, 2024
Vacancy Rate	35.20%	16.35%

Infrastructure

The energy industry continues to build new facilities throughout Brazil with a focus on harnessing solar and wind power. Transportation is also a focus. One of the biggest projects in progress is the West-East Integration Railway, which will connect the country's new agricultural hub and iron ore mines to the port city of Ilhéus. The railway is set to be complete by 2027. The government plans to hold a bidding process to operate the railway as a private entity—some Chinese companies have expressed interest as a way to export goods, especially iron ore and grains.⁶¹

⁶⁰ Cushman and Wakefield. (2024). "Brazil Market Beat Q2 2024." https://cw-gbl-gws-prod.azureedge.net/-/media/cw/americas/brazil/insights/marketbeats/mb_q22024_industrial_eng.pdf?rev=4641066a19bc44c4b9a875075c6c206b

⁶¹ BNamericas. (2024, May 22). "Brazil advances with engineering tender for Transnordestina rail section." <https://www.bnamericas.com/en/news/brazil-advances-with-engineering-tender-for-transnordestina-rail-section>

Market Overview: Residential

A severe recession that culminated in 2016 diminished property sales and drastically slowed real estate development. Recovery was just being realized when the coronavirus emerged. Fortunately, the housing market actually gained traction as the COVID-19 pandemic progressed and has remained quite robust ever since.

The first quarter of 2024 saw the housing price index up 5.54% from the year prior, and demand continues to be strong. Analysts see renewed interest from foreign investors as well, which should further bolster the market in the near term. An excellent source for keeping up with current housing price trends in Brazil is The FipeZap Residential Rental Index: www.fipe.org.br/en-us/indexes-and-indicators/fipezap.

► Why Are Foreigners Flocking to Brazil and Other South American Countries?

- » Tropical beaches and warm weather
- » Rich cultural heritage
- » Relatively lower costs of living
- » Relatively lower acquisition costs

The RN36 Investment Visa

Investors who are interested in living and working in Brazil can obtain an investor visa by purchasing urban property in Brazil. The minimum investment amount is approximately US\$200,000 and must come from an individual, not a company. The funds must come from abroad and the investment must have the potential to generate jobs or income for the country. This visa allows a person to live and invest in the country for a period of 2 years. An individual can file to extend the length of the visa.

Second-Home Market

Brazil has emerged as one of the most popular second-home destinations in the South American and Latin American markets. The luxury home market is especially in high demand in this country. Real estate investors and second-home buyers looking for a warm-weather location can find affordable real estate options in Brazil. Europeans and Americans favor the coastal regions of the states in the northeast, while the region along the coasts of the states of São Paulo, Rio de Janeiro, and Florianópolis are popular with wealthy Brazilians and other South Americans.

Mountainous regions in the states of São Paulo, Minas Gerais, and Rio de Janeiro have traditionally been strong markets for country homes. Northeast Brazil is a “hot spot” for those looking to invest in luxury properties. Ceará is a popular location for high-end second homes.

Given the cultural and language affinity, as well as historic ties as colonizers in this region, it's not surprising that Portugal accounts for the largest percentage of luxury second-home owners.

Market Overview: Rental

Returns on rental real estate investment are robust in Brazil's big cities. Recent figures released by the Global Property Guide reveal yields of 4.5–10.6% in Rio de Janeiro and returns are just slightly lower in São Paulo. At this time, the rental market is attractive for investors.⁶² Investors who buy into the rental market should be aware, however, that although laws are pro-landlord, Brazilian courts tend to have large caseloads which stretch out any eviction proceedings.

Leases

- ▶ Leases usually have a minimum duration of 30 months.
- ▶ Deposits are typically 3 months of rent and must be returned to the tenant at the end of the lease. Rent may not be secured in advance unless the contract is for less than 90 days.
- ▶ Surety bonds and guarantors, or co-signors, are examples of permitted guarantees. Guarantors must possess at least two real properties. Landlords may ask for no more than one type of guarantee.
- ▶ Rent adjustments occur annually based on an index agreed upon in the lease. Rent increases may not be linked to exchange rates or the minimum wage rate.
- ▶ If no mechanism for adjustment was indicated in the lease, the parties may ask for judicial revision of the rent, either up or down, based on fair market value, provided 3 years have passed since the lease was signed.
- ▶ The landlord may recover the property at the end of the lease with no obligation to renew and without providing an explanation. If no notification is given to the tenant, and the tenant remains in the property for more than 30 days, the lease is automatically renewed for an undetermined duration (regulations vary).
- ▶ The lease may stipulate a penalty for violation of the contract, usually the equivalent of 3 months of rent. It is common practice to waive the penalty if the tenant vacates early, provided it has been at least a year since the lease was signed.
- ▶ Tenants have right of first option if the owner desires to sell the property. They have 30 days to express interest.
- ▶ Tenants are strongly advised to verify that the property is titled. If an improperly-registered property is sold, the new owner has no obligation to honor existing leases.

⁶² Delmendo, Lalaine. (2024, April 12). "Brazil's housing market remains healthy." <https://www.globalpropertyguide.com/latin-america/brazil/price-history>

Business and Income Taxes

Brazil has the unfortunate reputation for a complex and fragmented municipal, state, and federal tax structure. As noted earlier, however, the Lula administration has put forth a comprehensive tax reform plan that is in its final stages. It is expected to pass by the end of 2024, and implementation of the reforms roll out in phases beginning January 1, 2026 through 2032.⁶³

The reform are intended to streamline and simplify the tax system, most notably VAT calculations, to make it easier to do business and facilitate investment and development. It will also increase the tax burden in some sectors and incentivize investment in others, such as green energy.^{64, 65}

In the meantime, the current tax regime remains for investors to navigate and understand the costs involved. A few examples of common taxes and rates follow. In this time of dramatic change, it will be more important than ever to consult with a tax specialist in all business dealings to ensure you are aligned with current tax law.

▶ Individual Income Tax

Residents are taxed on their worldwide income, and nonresidents are taxed on their Brazilian-sourced income at a flat rate of 25% with no deductions allowed. Rental income received by a nonresident from a property located in Brazil is taxed at 15%. Income that nonresidents receive from abroad is tax exempt.

▶ Corporate Income Tax

The taxable profits of an entity are levied at a rate of 15%.

▶ Withholding Tax

Withholding for nonresident corporations is 15% on interest (25% if them corporation is registered in a specified tax haven) and generally 15% on royalties.

▶ Value-Added Tax

Federal value-added tax (sales tax) averages about 20% depending on the product; state value-added tax ranges from 4–25%.

⁶³ Thomson Reuters Institute. (2024, August 2). "Brazil Tax Reform." <https://www.thomsonreuters.com/en-us/posts/wp-content/uploads/sites/20/2024/08/2024-Brazil-Tax-Reform-Report.pdf>

⁶⁴ EY. (2024, August 5). "Brazil moves major VAT reform bill to Senate for consideration." <https://taxnews.ey.com/news/2024-1490-brazil-moves-major-vat-reform-bill-to-senate-for-consideration>

⁶⁵ Ayres, Marcela. (2023, August 31). "Brazil eyes tax perks for energy sector, sparking 'green' vs oil debate." Reuters. <https://www.reuters.com/sustainability/brazil-eyes-tax-perks-energy-sector-sparking-green-vs-oil-debate-2023-08-31>

▶ **Capitals Gains Tax on Real Estate**

Capital gains tax is subject to progressive rates ranging from 15% to 22.5%.

▶ **Real Estate Tax**

Annual property taxes vary from city to city and are about 0.3% to 1.5% of assessed value, which is usually less than market value. Rural land is taxed at .03–20% based on the number of hectares and the ratio of utilized land.

“Brazil Costs”

Global real estate professionals who do business in Brazil may hear about “custo Brasil” (Brazil costs). These costs refer to the combination of a complicated and fragmented tax system, bureaucracy and red tape, and strict labor laws and payroll taxes, plus the high cost of capital and an inefficient legal system that makes the cost of doing business in Brazil high. This grouping of forces is complex and interconnected. The result is a drag on investment, both domestic and international, and lowered competitiveness in the global market, and it a major reason for the tax reform currently pending approval and implementation in the years ahead.

While the government did take action to cut these costs by turning to the private sector for financing infrastructure, this term may still come up in real estate transactions today. A trusted network of professionals can help navigate Brazil's bureaucratic, legal, and banking systems and mitigate these costs.

Licensing and Brokerage Practices

Real estate agents must be licensed after taking the Técnicoem Transações Imobiliárias (TTI) course, passing a state licensing exam, and enrolling with the Conselho Federal de Corretores de Imóveis (COFECI), through the state-level Conselho Regional dos Corretores e Imóveis (CRECI)—more information on these organizations is discussed below. There are no continuing education requirements. An agent who wishes to practice in another region must transfer enrollment.

Registered agents are given professional identification with individual CRECI numbers, useful for identifying qualified brokers. Company-level licenses are also available if real estate activities are written into the bylaws and the company is led and managed by an agent with an individual CRECI license.

The Real Estate Agent Law imposes a Code of Ethics and sanctions for violations ranging from fines to cancellation of license. Sanctions are imposed by the CRECI.

You can learn more about these associations by visiting their websites:

- ▶ **SECOVI**
www.secovi.com.br
- ▶ **COFECI**
www.cofeci.gov.br
- ▶ **CRECI**
www.creci.org

Listings

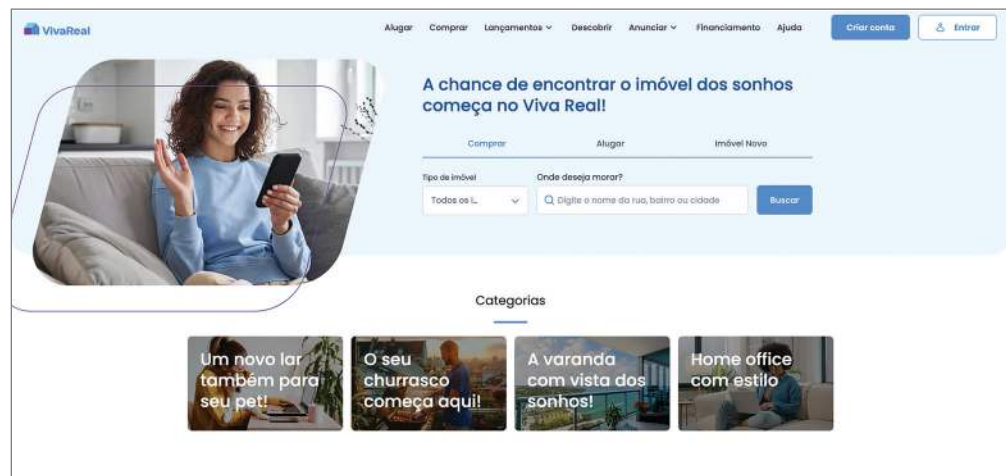
Listings may be exclusive or nonexclusive. In order to publicly advertise a property, an agent must obtain exclusivity over a listing. Lack of exclusivity sometimes means that no agent has investigated title or encumbrances on the property. On the other hand, exclusivity limits advertising to internal clients and marketing systems.

SECOVI's Rede Secovi de Imóveis is a popular property listing site. The portal offers detailed listings with photos, RSS feeds, and the ability to establish individual profiles for social networking. COFECI is the federal organization that oversees real estate sales and practices in Brazil. COFECI regulates real estate licensing through regional councils (CRECI). Real estate professionals must pass the CRECI exam in order to obtain a real estate license. SECOVI is a national trade association of real estate companies.

Popular Brazilian property portals include:

- ▶ **VIVAREAL**
www.vivareal.com.br/
- ▶ **IMOVELWEB**
www.imovelweb.com.br/
- ▶ **OLX Imóveis**
<https://www.olx.com.br/imoveis>

Figure 5.4 VivaReal Homepage



The Transaction Process

As we discussed earlier, Brazil places few restrictions on foreign ownership of real estate. However, purchase and ownership require a Cadastro das Pessoas Físicas (CPF) number. Anyone with a CPF number must submit an annual tax statement (or tax exemption statement), or the number will be cancelled.

Figure 5.5 Sample CPF Card



Source: CPF Consulado, <http://cglondres.itamaraty.gov.br/en-us/cpf.xml>

Transaction Steps

▶ Language

All legal documentation must be in Portuguese. It is advisable to have translations of documents prepared.

▶ Instrumento Particular De Compromisso De Compra e Venda (Purchase and Sale Agreement)

This preliminary agreement outlines the terms and respective obligations of the transaction.

▶ Sinal

Earnest money, the sinal, is included with the sale agreement. The sinal is normally 10–25% of the purchase price and is paid directly to the seller. Escrow is uncommon, although international services are available. The sinal does not bind the parties, and clauses to protect the buyer and return the sinal are common.

▶ Matrícula

All properties constructed since December 1973 have a matrícula associated with them. This document lists important information, including:

- » Description
- » Address and exact location

- » Past and present ownership
- » Mortgages
- » Judicial and legal actions, such as easements or liens

The matrícula may be obtained through the notary for a small fee and takes 3–5 days to obtain. A Portuguese-speaking attorney should review this document carefully. In the absence of a matrícula, all previous and present titles should be obtained, as well as other legal documents associated with the property.

▶ **Property Inspection**

Professional property inspection services are available in Brazil.

▶ **Closing**

The buyer will need the following at the closing: the funds, photo identification, and CPF card. Both parties will sign the Escritura Publica de Venda e Compra (Public Deed of Sale and Purchase), the deed prepared by the notary, attorney, or jointly by both. This document includes the legal description of the property, sale price, and closing costs and fees.

▶ **Escritura Registration**

After closing, the notary or attorney must register the Escritura (title deed) at the Cartório do Registro de Imóveis (Real Estate Registry Office).

Figure 5.6 Real Estate Taxes and Fees in Brazil

Tax or Fee	Amount	Paid by
Transfer Tax	2.4–3.0%	Buyer
Notary Fee	0.5–2.0%	Buyer
Land Registry Fee	0.5–2.0%	Buyer
Legal Fees	1.0–2.0%	Buyer

Source: Global Property Guide. (2024). www.globalpropertyguide.com/

Title Insurance

International title insurance is available for Brazilian real estate transactions and is highly recommended. Despite items to assist with due diligence, such as the matrícula, errors may occur, and title insurance can indemnify the buyer against risks.

Financing

Foreign buyers who live and work in Brazil may obtain mortgages, but nonresident investors may have difficulty accessing the market. For this reason, cash transactions are still common. In some situations, property developers and private sellers may be accessible to nonresident buyers; however, these should be approached cautiously. It is in the best interest of any investor to consult with an attorney regarding financial matters.

Doing Business in Brazil: Know the Culture

▶ Visas

U.S. citizens have not needed a visa if they are traveling to Brazil for tourism, business, transit, artistic or sport activities, with no intention of establishing residence, but starting April 10, 2025, a tourist visa will be required. Visitors can remain in Brazil for 90 days from the date of their first entry and request an extension of up to 180 days within a 12-month period. For other types of travel, a visa may be required.⁶⁶

▶ Greetings

Greet people in Brazil with a long, firm handshake with eye contact, and maintain eye contact throughout the conversation. Be sure to shake hands with everyone in a small group for both hello and goodbye. Women often exchange “air kisses” when they meet, touching cheeks. People often stand close together when talking, and light touching on the arms or back is common.

First names are often used quickly after meeting, but only use a first name after an associate has used yours first. Until then, use the father’s surname preceded by a title, “Senhor” or “Senhora.” “Doctor” is also used frequently, and not just for physicians or professors, but as a sign of respect. If you do not know how to pronounce someone’s name, simply ask—it is much better to ask the pronunciation of a name than to get it wrong.

▶ Business Cards

When exchanging business cards, take note of any marks on the cards you receive. Brazilian professionals often underline their preferred name or cross out titles if they do not wish to be addressed in such a manner. Have your cards printed in English on one side and Brazilian Portuguese on the other and underline the name you prefer.

⁶⁶ U.S. Department of State -- Bureau of Consular Affairs. <https://travel.state.gov/content/travel/en/international-travel/International-Travel-Country-Information-Pages/Brazil.html>

▶ **Attire**

Conservative dress is expected when conducting business in Brazil. June through August is Brazil's winter, and dark suits and silk ties are common in these months. Lighter colored suits are acceptable for the summer months of December through February, although dark suits are still common.

Three-piece suits are associated with executives. Women are expected to dress elegantly. Heavy makeup is uncommon. Avoid wearing green and yellow together, the colors of Brazil's flag. Social wear is dressier in Brazil than most countries, so avoid shorts, baggy pants, or t-shirts.

▶ **Appointments**

Long-term relationships are extremely important for success in the Brazilian market. Businesspeople in Brazil prefer establishing familiarity and friendly relationships before conducting business and asking for a meeting with a stranger is not appropriate. Make appointments at least two weeks in advance. No matter how familiar you are with an associate, never drop in unannounced. Knock before entering an office or conference room and wait for a response; never knock and then enter.

Business relations are more about the individual than the company. Begin a meeting with casual conversation on topics such as fútbol (soccer) and travelling; avoid talking about politics, poverty, religion, or the rainforest. At first, concern yourself more with making a good impression and being likeable than with presentations and charts.

Good appointment times are from 10 a.m. to noon or from 3 p.m. to 5 p.m. Always be punctual for appointments, even though you may have to wait for an associate to arrive at a meeting. Meetings often run late, so schedule only one appointment per day; leaving early is considered rude. Schedule no appointments during Carnival or at the beginning of Lent.

▶ **Business Practices**

Initial business meetings are formal, and you are expected to shake hands with everyone, but subsequent meetings are typically much less formal. As mentioned above, small talk takes precedent over business to start the meeting—do not rush this as it is vital to relationship development.

Remember that relaxed and easygoing are two admired qualities in Brazil.

Keep presentations to 30 minutes or less and expect to be interrupted often with questions. Do not transfer responsibility during a transaction; Brazilians prefer to deal with the same person or group of people throughout the course of a deal. Signing paperwork is not an immediate priority after a verbal agreement is reached; it is expected that paperwork will be attended to at a later date.

▶ **Language**

To demonstrate respect for the culture, it would be appropriate to know a few phrases of the local language. Have a translation app at your disposal on your computer to identify simple greetings and for further clarification of business terms. To start, you can greet your Brazilian colleagues by saying “como vai?” which means “how are you?”

▶ **Business Dining**

The midday meal is the most substantial. A light meal is served at night unless there is a formal dinner. Restaurants are more common for business dining than the home. At dinners that are primarily social, business is usually discussed after coffee is served. Wait until your hosts discuss business before you do. If you are toasted, be sure to take a sip from your glass to avoid appearing rude, and plan to return a toast to the person who toasted you.

Cut all food with a knife, not a fork, and do not use your fingers. Rest the knife by placing the tip on the plate and the butt on the table. When finished, place the fork horizontally on the plate with the tines upward. Call servers by placing your hand out, palm side down, and curling your fingers toward you.

▶ **Gifts**

Gift-giving is not recommended in the context of a professional meeting.

If you wish to give a gift, do so only in a social setting. Gifts of pointed objects such as letter openers may signal that you are attempting to sever the relationship. Overly-expensive gifts may be associated with bribery. Do not make gifts of personal objects, such as jewelry, wallets, or anything wearable. If you dine in someone’s home, send a thank-you gift of flowers to the host the next day. Bringing a small gift is also appropriate, especially something you know your host would appreciate or find interesting. Purple and black are associated with funerals, so avoid giving gifts in these colors.

▶ **A Few Taboos and Other Cultural Notes**

- » The “O.K.” sign is considered an obscene gesture in Brazil.
- » Avoid asking personal questions (although associates may ask them of you).
- » Enthusiastic conversation is the norm, and interrupting someone signals enthusiasm.
- » Keep your emotions in check; outward frustration or boredom is considered rude. Yawning or stretching in public is considered rude.
- » People from the United States should avoid referring to it as “America,” since Brazil is part of South America, and this reference could be seen as arrogant. Say the U.S., USA, or the United States instead.

- » Do not refer to Brazilians as Latin Americans.
- » Avoid using sarcasm, as it may be misunderstood.
- » Do not be offended if you are referred to as a “gringo.” This is a common nickname for foreigners and foreign things.

Key Points Review

- ▶ Brazil is made up of 26 states and one federal district.
- ▶ A new president was elected in 2022. President Lula is currently implementing tax reform that could bolster investment and economic growth in the years ahead. He is also forging stronger ties with China. Former President Bolsonaro has been banned from running for reelection until 2030.
- ▶ There are few restrictions for foreigners to purchase property. They must obtain a CPF card to make a real estate transaction.
- ▶ The housing market is been strong since the pandemic and is forecast to remain stable and healthy in the years ahead.
- ▶ Currently, the rental market provides higher yields and is attractive to investors.
- ▶ Given all the potential tax changes due to reforms, it is especially important to consult with a tax specialist to stay current with all laws.
- ▶ Real estate practices are overseen by three organizations: SECOVI, COFECI, and CRECI.

	<h3>KEY CONTACTS</h3> <ul style="list-style-type: none"> ▶ Confederación Inmobiliaria de Latino America (CILA) https://cila.la ▶ Conselho Federal de Corretores de Imóveis (COFECI) www.cofeci.gov.br ▶ Sindicato das Empresas de Compras Venda Locação e Administração de Imóveis Residenciais e Comerciais de São Paulo (SECOVI-SP) www.secovi.com.br
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Exercise: Using the Country Assessment Model

Now that you have completed Modules 3–5, choose to examine one of the countries (Canada, Mexico, or Brazil) using the Country Assessment Model discussed in Module 1.

After you select which country you want to study, identify the categories in the model you have knowledge of and then identify which items within each category you know. For example, under the “geography” category, what do you know about the climate and environmental issues? Lastly, note the categories you need to learn more about.

▶ Geography

▶ Economy and Business

▶ Real Estate

▶ Infrastructure

▶ **Demographics**

▶ **Worldview**

▶ **Government**

▶ **Networking and Key Contacts**



06

OTHER COUNTRY PROFILES



Module 6: Other Country Profiles

AFTER READING THIS MODULE, YOU WILL BE ABLE TO:

- ▶ Identify how the social, economic, political, and geographic characteristics of profiled countries impact real estate.
- ▶ Alert buyers and sellers to laws, regulations, and real estate practices that impact real estate transactions of the profiled countries.
- ▶ Develop a network of key contacts in the profiled countries' real estate, business, and government in order to reach clients and customers and complete property transactions.

About This Module

Your instructor may divide the class into learning teams and assign one or two country profiles to each team. Read the assigned profile(s) and answer the following questions. Maximize use of the time allotted by dividing the profile so that each team member reads and reports on a designated portion. You may add your personal knowledge and refer to information presented earlier in the course.

What important facts should the real estate professional know about the country's:

- ▶ Geography and demographics?
- ▶ Foreign ownership of real estate?
- ▶ Real estate practice?
- ▶ Economy and business?
- ▶ Business etiquette?

A Look at the Bahamas

The Bahamas Quick Facts

- ▶ **Population:**
401,000
- ▶ **Capital:**
Nassau
- ▶ **Currency:**
Bahamian Dollar
- ▶ **Language:**
English
- ▶ **Time Zone:**
Eastern Standard Time

The Bahamas comprise a long chain of tropical islands stretching 760 miles from north to south and spreading over 100,000 square miles of the Atlantic Ocean. Of the 700 islands and islets, only 30 are inhabited. It is considered an archipelago, which simply means a group of islands.

Figure 6.1 Map of the Bahamas



Almost 70% of the entire Bahamian population lives on the island of New Providence, which also houses Nassau, the nation's capital. Nassau/Paradise Island, a popular cruise ship port-of-call, glitters with casinos, high-rise resort hotels, and miles of white sandy beaches. Freeport and the country's free trade zone are on the other "big-city" island of Grand Bahama. All of the other islands are referred to collectively as out islands or the family islands.

The Bahamas is one of the most prosperous countries in the Caribbean, largely due to tourism and financial services, which accounts for 70% and 15%, respectively, of the country's GDP. In 2023, the country was expected to receive 8 million visitors, with approximately 85% of those visitors coming from the United States.⁶⁷

A Tax Haven

The year-round tropical climate and island lifestyle are not the only attractions for investors and commercial enterprises. The Ministry of Tourism's motto—"It's Better in The Bahamas"—can also describe the tax environment. The Bahamas has no income, sales, capital gains, or inheritance taxes. One of the few taxes that foreigners living in The Bahamas pay is an annual property tax that is a maximum of 2% of the value of the property. The Bahamas has tax information exchange agreements (TIEAs) with countries such as the United States, Canada, China, Mexico, Great Britain, Argentina, and Germany among others. The TIEAs commit the tax authorities of signatories to cooperate in the exchange of information about tax matters.

Foreign Ownership of Real Estate

While the COVID-19 pandemic hurt the tourism industry, it also helped the housing market, as sales new residential communities increased dramatically in 2020-2021. The majority of the buyers came from Canada, the United States, and Western Europe. Tax advantages and reasonable prices for high-end properties make The Bahamas an inviting choice for many real estate investors.⁶⁸

Foreigners who wish to purchase real property may do so without any prior approvals. A permit from the Investments Board is required if the transaction involves commercial purposes or more than 5 hectares (about 12 acres) of land. Registration of the transaction assures nonresident property owners can repatriate income from rents, as well as sale proceeds. All outward capital transfers and inward transfers by nonresidents require exchange control approval and foreign direct investment must be approved by The Bahamas Central Bank.

Purchase of a second home comes with the privilege of a Homeowners Resident Card, which facilitates entry into The Bahamas and entitles the owner and family to remain in The Bahamas for the duration of the validity of the card. The card costs about B\$500 yearly (plus a one-time B\$100 processing fee) and requires proof of ownership as well as payment of stamp duty and property taxes.

Most foreign buyers are from the United States, Canada, the U.K, France, and Italy, although a growing number of buyers are from Asia and Latin America. Currently, some of the most popular areas for buyers include Abacos island chain, Elbow Cay, Andros, Eleuthera, Exumas, Grand Bahama, and Nassau.

⁶⁷ International Trade Administration. (2024, March 21). "Bahamas - Country Commercial Guide." <https://www.trade.gov/country-commercial-guides/bahamas-market-overview>

⁶⁸ CEO Alex Lange of Forbes Global Properties Dives Into The Markets of New Zealand, Las Vegas and The Bahamas, January 22, 2022, Forbes <https://www.forbes.com/>

The Bahamas are an ideal second-home destination for U.S. buyers, particularly those from the East Coast and Midwest. Advantages include:

- ▶ The Bahamas operates on eastern standard time (as well as daylight savings time).
- ▶ English is the official language.
- ▶ The Bahamian dollar is pegged to the US dollar 1:1.
- ▶ Travelers returning to the U.S. can preclear customs formalities before departure and are allowed a US\$600 duty-free allowance.
- ▶ Access is easy with direct flights from many major U.S. cities.

The Bahamas New Golden Visa

As of July 1, 2021, foreigners who buy residential real estate on the islands are eligible to apply for immediate permanent residency. The minimum investment amount for this is B\$500,000. A major benefit of residency, of course, is that residents do not pay income tax or the other taxes mentioned earlier.

Foreigners who own property valued at a minimum of B\$250,000 are eligible to apply for a Bahamas annual residency.

Real Estate Tax and Value Added Tax

Although the Bahamas is considered a low-tax country, it is not entirely tax-free for property owners. The government derives revenues from VAT, license fees, and property taxes.

▶ Property Tax

Owner-occupied property is tax exempt up to B\$250,000. The next B\$250,000 of value is taxed at .75% and any value above B\$500,000 is taxed at up to 2%. The maximum tax payable is B\$60,000.

▶ Vacant Land

Foreigners who own vacant land pay a flat B\$100 fee for the first B\$7,000 of value and 2% of the remaining value above B\$7,000.

▶ Value Added Tax (VAT)—Formerly the Stamp Tax

The VAT rates were changed effective July 1, 2023. For Bahamians, the rate is 2.5% on property less than \$100,000 and increases incrementally ending at 10% for properties exceeding \$1 million. For non-Bahamians, the rate is 10% on all properties, regardless of sale value.^{69, 70}

⁶⁹ BREAA. Taxes and Bahamas Real Estate. <https://www.breabahamas.com/page.php?page=4>

⁷⁰ Bahamas Government. Value Added Tax (Amendment) Bill, 2023. https://www.bahamas.gov.bs/wps/wcm/connect/8fe74def-bf1e-4ef6-9f3e-26502fc44b0d/VALUEADDEDTAX-%28AMENDMENT%29BILL%2C2023_01Copy+Laid+In+HOA.pdf?MOD=AJPERES

PERSONAL ISLAND PARADISE?

With so many uninhabited islands, is it possible to buy a private island? The answer is yes. The government investigates purchasers and their intentions to assure that no criminal activity will be conducted, but there are few restrictions on private island ownership. The buyer should work with a real estate professional who specializes in private island sales and can offer advice on the many aspects of owning a private island and maintaining a home on it.

Financing

The Bahamian mortgage market is well-developed and competitive, but foreign buyers should expect the loan to be denominated in U.S. dollars. According to the Bahamas Central Bank, “Persons regarded as nonresident for Exchange Control purposes are not normally permitted to borrow Bahamian dollars.” Since local banks tend to lend mostly to residents, real estate purchases by wealthy foreign buyers are typically in cash. Most lenders will require a 60–70% loan-to-value (LTV) ratio for purchase of an existing home and 50% LTV for new construction. Most common mortgage terms are 15 and 30 years.

How Baha Mar Fuels The Economy

The saga of the Baha Mar resort complex is a stark lesson in how one large development project can have an outsized impact on a small economy. Along with a local billionaire investor, the Export-Import Bank of China and the China State Construction Engineering Corporation, which was also named as general contractor, financed the US\$3.5 billion mega resort. The resort complex was to include four luxury hotels, the largest casino in the Caribbean, a championship golf course, and a 200,000 square foot convention center. The project was presented as a great economic engine that promised to add the equivalent of 12% of GDP to the Bahamian economy, create more than 8,000 new jobs, and add several thousand dollars to the average household income. As construction began in 2011, the prospect of new job opportunities drew many expatriate Bahamians back to their former island home. The Prime Minister’s Cable Beach residence was even moved to make way for the resort.

Almost from the outset, the project was beset by protracted wrangling, exacerbated by language and business culture differences, over-payments, invoices, and quality of workmanship. Completion of the resort blew past the announced 2014 opening date, came to a complete halt a year later, and filed for bankruptcy in early 2016. Almost 2,000 workers who were in training to staff the resort were dismissed; some who had returned to the island in hopes of employment left again. Standard and Poor’s cited the Baha Mar bankruptcy as a factor in lowering The Bahamas’ credit rating to junk-bond level.

Ultimately, the highest levels of government, including the Prime Minister, were involved in negotiations to restart the project. The original developer lost control of the project and a Hong-Kong based conglomerate took over. Work on the complex was restarted in the autumn of 2016 and the first hotel opened in 2017. Today the complex features three luxurious hotels, The Grand Hyatt Baha Mar, Rosewood Baha Mar, and SLS Baha Mar. Six swimming pools, a Jack Nicklaus Signature golf course, international dining experiences, spa, and a state-of-the-art casino are also on site. The direct impact of the resort on the economy was estimated at \$700 million a year.

Real Estate Licensing and Practices

The Bahamas Real Estate Association (BREA) was empowered to regulate real estate practice and license real estate salespersons and brokers by the Real Estate Brokers and Salesmen Act of 1995. Requirements include mandatory education and testing and adherence to a Code of Ethics and Standards of Practice. VAT applies to professional services, such as legal fees, appraisals, and property inspections.

The Bahamas MLS includes both open and exclusive listings of properties throughout The Bahamas. The MLS entitles cooperating agents to compensation.

Junkanoo: The Bahamas' Celebration

A distinctly Bahamian tradition, Junkanoo celebrations mark holidays such as New Year's Eve, Boxing Day, Independence Day (July 10), and Midsummer festivals. The highpoint of a Junkanoo is a cacophonous parade that usually starts in the late evening hours and continues until early morning (generally from 2:00 am to 10:00 am). The parade features dance troupes, some consisting of up to 1,000 dancers, in dazzling costumes moving through the streets to a unique rhythm sounded on goat-skin drums, cowbells, whistles, and horns. Each troupe spends months perfecting their costumes and dance rhythm and routines. It's not unusual for the vast crowds of spectators to get caught up in the beat and festivities too. Nassau is the scene for the largest and liveliest Junkanoo celebrations. In addition, many hotels offer Junkanoo shows for their guests throughout the year.

Doing Business in The Bahamas: Know the Culture

▶ Greetings

A handshake accompanied by eye contact and a welcoming smile is the appropriate greeting. Men should wait for a woman to offer her hand first. Bahamians may be slower to move to a first-name basis. Even close friends may continue to use an honorific—Mr. or Mrs.—with the friend's surname.

▶ Business Cards

Treat business cards with respect by placing them in a case. Do not write on someone's card in front of them as it may be considered rude.

▶ Meetings

Meetings generally follow U.S. or U.K. protocol, although agendas may be fluid. Reviewing information and confirming decisions may be more the point of the meeting rather than holding discussions. Bahamians value relationship building, so avoid hard selling, pressure tactics, and any type of confrontation.

▶ Communication Style

Native Bahamians speak with a lyrical, musical quality to their language. They are direct communicators but are adept at modifying their language to make it sound friendly. Humor plays a major role in their communication style. One cultural element is the use of self-deprecating remarks as they respect people who are modest and humble.

▶ Attire

Although the island atmosphere is rather laid back, Bahamians are actually quite modest and conservative in their attire. Business attire can range from smart-casual to conservative, often depending on the industry or particular company culture. Assess your surroundings and dress appropriately. However, looking smart and well-groomed—even when dressed in casual attire—conveys success and self-respect. When visiting someone's home, dress as you would if meeting with that person in a business setting. Dressing down would convey disrespect.

▶ Business Dining

Dining in the Bahamas is generally a very relaxed event focused on enjoying a meal. Business lunches are preferred over business dinners. Table manners are continental style (knife in right hand, fork in left) and hands are kept in sight by resting the wrists on the table. Restaurants add a 15% gratuity to the check. An additional tip is not expected unless the service was exceptional and you'd like to leave something extra.

Dining in a home, however, calls for more formality. Your host will show you a seat and indicate when you may begin eating. Finish all the food on your plate so as to not appear wasteful and thank your hosts for serving a delicious meal. Dessert and coffee may or may not be offered.

▶ **Demeanor**

The Bahamas are known for being friendly, outgoing, and informal. However, they also maintain a sense of decorum and are very polite. It is therefore good manners to engage in a light, brief, and polite conversation as a “lead-in” if you intend to make a request or ask a question. Modesty and humility along with a self-deprecating sense of humor are all admired traits because they reflect Bahamians’ down-to-earth outlook and sensibilities.

▶ **Driving**

As a holdover from its British colonial past, cars are driven on the left-hand side of the road, which can be quite disconcerting and dangerous for unaccustomed drivers from “right-side-of-the-road” countries.

Cabs and car services may be a better, safer option. Keep in mind that when taking a cab, the fare is negotiated and paid for upfront. Even pedestrians should be extra cautious and “look the other way” for oncoming traffic when crossing streets.

▶ **Punctuality**


Punctuality is expected in business. When invited to someone’s home, arrive no more than 15 minutes late. Remember that the term “fashionably late” does not apply here. Older businesspeople or those who work in smaller companies may have a more relaxed approach to punctuality and deadlines.

▶ **Language**

The language of the Bahamas is based on British English with a peppering of African dialects, creole, and distinctly Bahamian expressions. For example, you would not want to act biggity (loud or arrogant) or engage in gossip (sip sip), and chief is a friendly form of address, not a job title. Because most Bahamians are devout Christians, it’s not uncommon for everyday conversation to include references to Bible verses.

▶ **Gifts**

Gift giving is relaxed and informal with little protocol; fruit, wine, or candies, or something inexpensive, is appropriate. Gifts are generally opened when received.

	<p>KEY CONTACT</p> <p>▶ Bahamas Real Estate Association (BREA) www.bahamasrealestateassociation.com</p>
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A Look at Colombia

Colombia Quick Facts

- ▶ **Population:**
53 million

▶ **Capital:**
Bogotá

▶ **Currency:**
Colombian peso
- ▶ **Language:**
Spanish

▶ **Time Zone:**
Colombia Standard Time

Colombia lies on the far northwest corner of the South American continent with both Pacific Ocean and Caribbean Sea coastlines. It shares borders with Panama, Venezuela, Ecuador, Peru, and Brazil. Two chains, cordilleras, of the Andes divide the country into distinct geographic and social regions. Almost 80% of Colombia's population live in the major cities along the slopes of the western chain—cordillera occidental—which is also home to the coffee growing region. The sparsely populated land (about 2% of the population) to the east of the cordillera oriental includes plains (llanos), rain forests, livestock farms, and oil production facilities.

Figure 6.2 Map of Colombia



Colombia has huge ecotourism potential because of its unique biodiversity and variety of natural scenery, such as the deserts in La Guajira, the Amazon and Andean regions, and Caribbean and Pacific coasts. With nearly 6 million visitors in 2023, the tourism industry in Colombia is starting to take off. The 2023 tourism figures exceeded its pre-pandemic numbers, and is up 173% since 2021.⁷¹ In addition to tourism, its economy is based in the oil, mining, agriculture, and manufacturing industries.

In the post-pandemic years, forecasters see Colombia's most well-known cities—Bogotá and Cartagena—as leading the way for foreign investment opportunities. Bogotá is the heartbeat of Colombia's economic life, with more than half of all the country's medium and large businesses based there.

Cartagena continues to lead the way as a top vacation destination. It is known for its famous emeralds that play a large role in its economy. Finally, Medellín has reinvented itself to become a popular location for real estate investors.

Medellin: The City of Eternal Spring

Medellin, once synonymous with drug cartels and violence, has transformed itself over the past decade and in the process earned acclaim for its inclusive approach to urban redevelopment—even earning accolades as “South America's Silicon Valley.” Revenue from the utility company, the Empresas Públicas de Medellín, combined with the political will and dedication of the city's leadership, has been invested in transportation, education, social programs, community centers, libraries, and participatory decision making. One reason the transformation was a success was the focus on a “citizen culture,” which fostered the collective investment of communities that were previously left out. One example is the gondola, which not only acts as a tourist attraction but is also a main means of connection for the city's poorest inhabitants. Medellin known as “The City of Eternal Spring” with its temperate year-round climate of around 72.5 °F is a popular location for the real estate investor. House prices increased 7% in May 2024 from the year prior.⁷²

⁷¹ Delmendo, Lalaine. (2024, July 22). “Colombia Residential Real Estate Market Analysis 2024.” Global Property Guide. <https://www.globalpropertyguide.com/latin-america/colombia/price-history>

⁷² Ibid.

Foreign Ownership of Real Estate

Foreigners can freely buy, own, sell, and rent real estate in Colombia. They can also return sale proceeds to their country of origin. Ownership of beachfront property is restricted, as these lands are considered “public domain.” There is no limit to property purchases by a foreigner and buying above a certain threshold makes the purchase eligible for a residency card.

The increased stability of Colombia is making it a popular second-home destination for buyers from the United States as well as others from South American and Europe. In 2022, the United States designated the country as a Major Non-NATO Ally, only the third Latin American country to hold this distinction.

One of the most popular locations for foreign buyers has been the city of Cartagena, which is one of the country’s oldest colonial cities. The revival of Cartagena’s historic center was spurred when wealthy expatriate Colombians began to buy and restore run-down colonial buildings. This eventually drove prices up and made Cartagena the most expensive property market in Colombia, aside from the wealth enclaves of Bogotá.

Destinations on the Caribbean coast are also popular with foreign buyers. The long beaches, shopping malls, high-rise hotels, and upscale apartment complexes draw investors to Bocagrande.

Investment Visas

Prior to 2022, Colombia had a resident (R) visa, which was based on a large investment property of at least 650 times the Colombian minimum monthly salary and was valid for 5 years. Holders of this visa could enter and leave Colombia without recourse. But, as part of the immigration reform, that visa was done away with, effective October 2022. Now all foreign investors can only receive a Migrant (M) Investment Visa regardless of how much they invest.

The M-6 is for investment in a business, and the M-10 is for investment in real estate. The M-10 visa is valid for 3 years. In addition, these visas lose their status if the individual leaves Colombia for a period of over 6 months. Under the M-10 visa, a minimum investment in real estate of at least 350 times the Colombian minimum monthly salary (approximately US\$115,000 in 2024) is required. The visa is renewable, and after five years of consecutive residency, the investor is then eligible to apply for permanent residency.

As part of this same immigration reform, the government also introduced a new Digital Nomad Visa for remote work. The visa allows residency for up to two years for individuals who work for foreign companies or are self-employed if they meet certain eligibility requirements.

The process to apply for a visa is relatively simple and can be completed online or done through a visa service. Once the visa is issued, you have 15 days to register and obtain your “cedula de extranjeria.”

Financing

Mortgage lending is not well-developed in Colombia. In fact, according to the largest bank, Bancolombia, only 3% of adults have a mortgage. Colombians who want to access the mortgage market face high interest rates, and stringent underwriting standards. For foreign buyers, obtaining a mortgage from a Colombian bank is almost impossible. Lenders expect the foreign buyer to be a resident of the country, have an established credit rating in Colombia, a bank account, and proof of paying taxes in Colombia. Consequently, most property purchases by foreigners are cash transactions. Additionally, in Colombia, there is no title insurance and no escrow (except for new properties).

Rental Properties

The rental market has been strong in recent years. Gross rental yield in the first quarter of 2024 was 7.24%. The strongest yields were in Medellín (9.15%) and Bogotá (8.05%), but were healthy in many of the larger metro areas.⁷³

However, investors who purchase rental properties should be aware of some distinct characteristics of the Colombian regulations.

- ▶ Monthly rent cannot exceed 1% of the commercial value of the property or the part of the property subject to the lease. The commercial value cannot exceed two times the assessed value of the property at the time the contract is signed.
- ▶ While the rent can be fixed in any currency, rents fixed in a foreign currency must be paid in Colombian pesos at the exchange rate in force at the time of the contract, unless the landlord and tenant come to a different agreement.
- ▶ Annual rent increases cannot exceed 100% of the Consumer Price Index for the immediately preceding calendar year. Tenants have 6 months to contest increases they feel exceed market prices.
- ▶ Deposits for leases are prohibited. Landlords may not request liens to secure payment of the tenant's contractual obligations.
- ▶ After 4 years, the landlord can terminate the lease by paying an indemnification of 1.5 months of rent.

⁷³ Delmendo, Lalaine. (2024, July 22). "Colombia Residential Real Estate Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/latin-america/colombia/price-history>

Income and Property Taxes

Colombia is a rather complex high-tax environment. Nonresidents are taxed only on Colombian-sourced income, but a stay of 183 days within a year makes an individual a tax resident. Residing in the country for more than 4 years makes the individual subject to tax on worldwide income. In recent years, tax reforms have been implemented, with additional reforms under consideration.^{74, 75} Before doing business in Colombia, it is especially important to consult with a tax and legal specialist to ensure that you are in compliance with the latest tax laws and policies.

▶ Income Tax

For residents, there is a progressive tax regime based on income. Nonresidents pay a flat rate of 35%. Rental income is taxed at 39% but allows deductions for operating expenses. Rental income is also subject to a 3.5% withholding tax.

▶ Wealth Tax

Originally introduced during the pandemic, an annual wealth tax was made permanent as part of the tax reform. Taxpayers (which includes nonresident entities) with net wealth exceeding US\$635,000 will be taxed on a progressive basis, ranging from 0.5% to 1.5%.

▶ Capital Gains Tax

Gain on the sale of a property held for at least 2 years is now taxed at a rate of 15%, up from 10%. On property held for less than 2 years, the gain is taxed as ordinary income at a rate of 33%.

▶ Corporate Income Tax (CIT)

The general CIT remains the same, at 35%, but reforms introduced a variety of contingencies. Legislation for additional reforms—one being to reduce the general CIT to 30%—was working its way through congress in 2024.

▶ Value Added Tax (VAT)

Value added tax on goods and services is 19%.

▶ Property Tax

Property tax is levied on the assessed value of the property. Municipalities set property tax rates which range between 0.4–1.2%.

⁷⁴ PwC. (2022, December). "Colombia passes major tax reform effective January 1." <https://www.pwc.com/us/en/services/tax/library/colombia-passes-major-tax-reform-effective-january-1.html>

⁷⁵ Delmendo, Lalaine. (2024, July 22). "Colombia Residential Real Estate Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/latin-america/colombia/taxes-and-costs>

Real Estate Licensing and Practices

Colombia does not require licensing. Anyone can freely buy and sell real estate, and Colombians often rely on friends and family members to serve in a real estate agent capacity. It's important to do your research if you're looking for property in Colombia as you don't want to be taken advantage of—keep in mind that the market for buying and selling is completely different. It is vital to work with a trusted legal representative when purchasing real estate in Colombia.

COFFEE

In 2011 UNESCO declared the “Coffee Cultural Landscape” of Colombia as a World Heritage site. Popular tourist stops in Colombia's Coffee Triangle include the villages of Salento, Finca El Ocaso, and Don Eduardo. Coffee growing in Colombia is primarily a family-oriented business activity with most farms covering less than two hectares (about five acres).

As of 2024, Colombia ranked third on the list of the largest coffee-producing nations in the world, behind only Brazil and Vietnam. Colombia holds about 7% of the total market share in this category.⁷⁶

Doing Business in Colombia: Know the Culture

► Greetings

It is polite to shake hands upon arriving and departing. Men should wait for women to extend a hand in greeting first. Eye contact is valued. While Colombians stand closer together when talking than North Americans, they engage in less physical contact than other South Americans. Wait for the other party to initiate a switch to first names. Expect to be asked several times how things are going as Colombians are interested to know that visitors have a positive impression of their country.

► Meetings

Schedule meetings in advance. It is important to be on time for appointments. This conveys respect for the other person's time and attention. Although business meetings may have an agenda, it typically serves as starting points to a conversation that flows more organically. The first several meetings will likely be used for relationship building and will be lengthy to allow for small talk prior to starting business discussions. Time is not an issue, so avoid trying to rush meetings.

⁷⁶ USDA. (2024). <https://fas.usda.gov/data/production/commodity/0711100>

▶ **Communication Style**

Colombians are indirect communicators. Much of what they say is conveyed through context and body language. For this reason, face-to-face communication is preferred over email or phone conversations. Indirectness is desirable to avoid embarrassment and save face. Care should be taken to avoid raising problems or issues that may cause embarrassment. Their reluctance to say “no” can lead to misunderstandings about timeframes and deadlines.

▶ **Business Cards**

Treat business cards with respect. One side of the business card should be translated into Spanish, and university degrees and other qualifications should be included, as these are valued.

▶ **Negotiations**

Honesty and respect are valued during negotiations. It may take several meetings to obtain any agreement or finalize a deal, and meetings may occur with lower-level people before reaching a decision maker.

Meetings in which negotiations take place typically begin and end with small talk. Colombians can be very animated in conversation. Do not mistake animation for aggression during negotiations. It is important to remain cordial throughout negotiations, as arguments that are delivered impolitely are considered groundless, even if they are rational.

▶ **Hierarchy**

Colombia is a hierarchical society. Deference is given to elders or senior executives, who also tend to make final decisions. Elders are served first when dining.

▶ **Attire**

Formality in dress increases as you move inland, where conservative dress is valued. Men should wear a suit in dark colors for business attire, and women should wear a conservative suit or dress. In smaller cities with more tropical climates, smart casual dress may be acceptable.

▶ **Business Dining**

Dining can be formal in Colombia, as decorum and presentation are valued. Lunch is the main meal of the day and a good choice for business meals. Wait to be seated by the host, make sure hands are visible at all times, and do not rest elbows on the table. The host will say “buen provecho” (enjoy or have a good meal) as an invitation to begin eating. Allow the host to make the first toast. It is polite to try everything you are given and to leave a small amount of food on the plate when you finish eating. Usually all food is eaten with utensils—even fruit is cut into pieces. The person who initiated the invitation is expected to pay in a restaurant, but there may be quibbling over the tab as a matter of decorum.

▶ **Family**

Family is highly valued in Colombia, a source of support, advice, and loyalty. While extended families do not usually live under the same roof, especially in urban areas, they do live nearby and frequent one another's homes.

▶ **Gifts**

When visiting the home of a Colombian, fruit, potted plants, high-quality chocolates, imported liquor and wine, and flowers make good gifts. Flowers should be sent in advance. Avoid marigolds and lilies, as these are associated with funerals. Roses are a good choice. Wrapped gifts are usually not opened when received, although in large social gatherings people may encourage someone who receives a gift to open it. If offered tickets to a bullfight, do not decline them, as bullfighting is popular and tickets can be expensive.



KEY CONTACT

- ▶ **Federacion Colombiana de Lonjas de Propiedad Raiz (FEDELONJAS)**
www.fedelonjas.org.co

A Look at Costa Rica

Costa Rica Quick Facts

- ▶ **Population:**
5.1 Million
- ▶ **Capital:**
San José
- ▶ **Currency:**
Costa Rican Colón
- ▶ **Language:**
Spanish
- ▶ **Time Zone:**
Central Standard Time

The Central American country of Costa Rica is bordered by the North Pacific Ocean and the Caribbean Sea and shares land borders with Nicaragua and Panama. Costa Rica has a dry season (December–April) and a wet “green” season (May–November) with September and October as the rainiest months. Despite its exposure to both the Pacific and Caribbean, hurricanes seldom make landfall. The capital city, San José, in the Central Valley enjoys a year-round spring climate.

Costa Rica is the oldest continuous democracy in Latin America. The country stretches barely 200 miles from tip to tip and is made up of seven distinct areas: Guanacaste, Northern Plains, Puntarenas, Central Valley, Central Pacific, South Pacific, and the Caribbean. Costa Ricans call themselves Ticos (TEE-kos). Like many other countries in this region, tourism plays a big part in the economy. Agriculture and electronics exports are also main drivers of the economy.

CEO Magazine recently named Costa Rica as one of the top five countries to retire to. It is especially appealing to retirees from the United States because it is a quick flight to get there, and couples can live there comfortably for US\$2,500 a month.⁷⁷ There is also evidence of increasing interest in Costa Rica from buyers in Canada, France, Germany, and Belgium.

THE SWITZERLAND OF CENTRAL AMERICA

Costa Rica's pacifist approach to national life has earned it the nickname the “Switzerland of the Americas.” In 1948, the government abolished the national army and invested instead in conservation and teacher training. The benefit is evident in the country's 96 percent literacy rate, which is much higher than its neighbors.

⁷⁷ Top countries to retire in. (2022, February 3). CEO Magazine. <https://www.theceomagazine.com/lifestyle/travel-leisure/best-countries-to-retire-in/>

Figure 6.3 Map of Costa Rica



Foreign Ownership of Real Estate

The United States is Costa Rica's most important trading partner. The U.S. accounts for almost half of all exports, imports, and tourism, and approximately 70% of foreign direct investment. It's not surprising that Costa Rica's real estate market for second homes and investments rises and falls along with the U.S. economy.

Foreigners generally have the same ownership rights as Costa Ricans. For both, there are restrictions on the "Maritime Zone," beach land that measures 200 meters from the high tide line inland. Foreigners and Costa Ricans are restricted from owning property or developing land in the first 50 meters of the Maritime Zone. The next 150 meters may only be leased to Costa Ricans and foreigners who have been legal residents in the country for at least 5 years.

Titled properties in Costa Rica are registered in a database system called "Folio Real." This system is centralized at the offices of the Public Registry in San José. Before buying land, or even before seriously considering an offer to buy land, a title search in Folio Real should be performed.

When considering buying land, it is of utmost importance to ascertain if the purchase grants ownership rights (*derecho de propiedad*) or occupation rights (*derechos de ocupación*). The sale of occupation rights is often a red flag that the land that has not been registered, cannot be title-searched, and must go through a long process in order to be registered. Ownership rights, on the other hand, are registered and searchable. As with any other real estate investment, it is best to have the advice of a local legal professional to make sure the property in question is titled and accessible for purchase.

Popular Locations

Costa Rica does not have an MLS; however, many towns have real estate offices that provide listings. Typically, people visit Costa Rica to find the location they are interested in first and then find a local agent to assist with finding properties.

Costa Rica is said to have one of the best climates in the world, but there are vast differences in climate from one region to the next even though the country is relatively small. Investors looking for warm breezes and sunshine will want to study these differences to find the best spot for their needs. Many North American expats find their way to the Central Valley with year-round comfortable temperatures. Escazú, just west of San Jose, is one of the country's more affluent areas and is sometimes referred to as the Beverly Hills of Costa Rica. The mountain regions and foothills are also popular for those not interested in the beach, including Atenas, Cartago, and Grecia.

Visas and Residency

It is not necessary to have established residency to buy property in Costa Rica. Foreigners can buy property with a tourist status visa which allows a stay of 90 days. Costa Rica also offers three temporary residency options. Typically, temporary residents can apply for permanent residency after 3 years.

▶ Pensionado Program

Requires proof of at least US\$1,000 a month in income from a pension, Social Security, or other retirement plan. It does not confer a work permit but does allow ownership of a company from which dividends are received. The permit is valid for 2 years and may be renewed. Requires a minimum stay of 4 months per year. The 4 months do not have to be continuous.

▶ The Rentista Program

This is for people with a guaranteed income from sources other than employment. It is met by making a bank deposit of US\$60,000 and requires a monthly deposit of US\$2,500 in a Costa Rican bank. The permit is valid for 2 years and may be renewed. Individual must visit Costa Rica at least once a year.

▶ Inversionista Program

Provides temporary resident status for investors. It requires a minimum investment of US\$150,000 in a Costa Rican business or commercial or residential property (including a home) and a minimum stay of 6 months per year. The permit is valid for 2 years and may be renewed.

Local Requirements

All travelers are required to show their return flight ticket information upon entering Costa Rica. An individual's country of origin is used to determine the number of days they are eligible to stay in the country as a tourist—based on international agreements or treaties. This also applies to travelers holding a 90-day tourist visa. U.S. nationals do not require an entry visa but must have the required return ticket to exit within 90 days and a valid passport. Stays for longer than 90 days require a residence permit.

Financing

Given the costs and difficulty of obtaining a mortgage from a Costa Rican lender, most foreign home buyers pay cash. Foreign buyers who are not residents have difficulty accessing the Costa Rican mortgage market. Few banks in Costa Rica are willing to make mortgage loans to nonresidents. Banks that do offer mortgages typically charge 10–15% interest. Oftentimes the application requirements and red tape combined with high interest rates and down payment requirements make the loan less attractive than other financing arrangements.

Lenders may require a medical exam, depending on the borrower's age, as well as purchase of a life insurance policy. Banks usually have group insurance policies for home buyers, which helps reduce the premium costs.

Private mortgages are an alternative, but borrowers should expect a maximum of 50% LTV and high (12–18%) interest rates.

Some developers offer financing arrangements that allow the buyer to borrow directly from the developer, which is an option that usually comes with fewer restrictions. Seller financing for a portion of the purchase is also a common approach.

Rental Property and Buying Land

It is advisable to have all tenants evicted before purchasing a property. If not, a lengthy court action may ensue, during which the buyer cannot use the property or lease it to anyone other than the current tenant. Costa Rica's most recent tax law subtracts 15% of rental income for expenses and taxes the property owner on the remainder—meaning the owner is taxed on 85% of monthly rental income.

It is not unusual for foreign buyers, particularly those close to retirement, to purchase vacant land with the intent of building a home there several years in the future. Keep in mind that it's important that this land is titled and not in the Maritime Zone. Beachfront property isn't available to foreigners. If your client is interested in a land purchase, a survey should be completed to confirm boundary lines and have the property recorded with the public registry.

Absentee owners of vacant land should have someone overseeing the property to prevent problems with squatters. Costa Rican law allows peaceful occupation of untitled and unattended land unless there is opposition by the existing owner. Someone who moves onto unattended land can begin to establish certain rights after three months.

Taxes and Costs⁷⁸

▶ Income Tax

For residents or individuals who have resided in the country for 6 months, income from a trade or profession is taxed on a progressive basis, ranging from 0–25%. Passive income is taxed at 15%. Nonresident foreigners are taxed on Costa Rican-sourced income and are subject to withholding tax, which is generally 15%.

▶ Solidarity Tax

There is no wealth tax on high incomes or net worth, but Costa Rica does have a “Solidarity Tax for the Strengthening of Housing Programs” on luxury homes. The revenue from this tax is intended to fund social housing programs. Calculation of the tax on luxury homes is based on the construction costs to which the value of the land is added. Rates are on a sliding scale between 0.25% and 0.55%. In 2024, this tax applied to homes valued at US\$279,000 and above.

▶ Capital Gains Tax

In the past, Costa Rica had no capital gains tax but one was introduced in 2019 at a rate of 15% of the gain.

▶ Value Added Tax (VAT)

The standard Costa Rican sales tax (VAT) is 13% on goods and services. There are certain reduced rates of 1–4% for things such as private health services and private education services.

▶ Property Tax

Real estate tax levied by the municipalities is a flat rate of .25% on assessed value.

Real Estate Licensing and Practices

While there are currently no laws requiring licensing of real estate professionals, the Costa Rica Chamber of Real Estate Brokers has proposed such laws and offers its own licensing that is intended to meet proposed licensing requirements. The association offers education to meet these requirements. It bases its practices on those developed by NAR.

Real estate professionals in Costa Rica typically work for the seller. The practice of buyer’s representation has emerged but is the exception rather than the norm. The real estate professional facilitates the transaction, working closely with the attorneys. It is recommended that the buyer has a competent, bilingual Costa Rican attorney who is experienced in real estate transactions.

⁷⁸ Deloitte. (2024, January). “International Tax Costa Rica Highlights 2024.” <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dttl-tax-costaricahighlights-2024.pdf>

Doing Business in Costa Rica: Know the Culture

▶ Greetings

The usual form of greeting is a firm handshake. Costa Ricans are more reserved than other Latin Americans, and embracing is less common unless business associates are well-acquainted. Titles are very important and should be used when addressing someone, or use Don for a man and Dona for a woman with the father's surname. In written correspondence, it is customary for a Costa Rican to use the father's and mother's family name. Costa Ricans appreciate being asked how they have been and about their families.

▶ Meetings

Personal relationships are important in Costa Rican business, so it is important to make regular visits, making appointments in advance. Business negotiations can be slow as the decision-making is consensual and often involves many different people. Because they are quite conservative and risk averse, Costa Ricans may not be receptive to unconventional ideas. The direct approach associated with North American culture may not be viewed as favorably as one that is more indirect.

▶ Networking

Costa Rica is not large, and many people in business know one another. It is important to be respectful of this and share who else you are doing business with when asked. This can be beneficial and lead to additional business.

▶ Communication Style

Costa Ricans are honest and open in their communications. Direct and sustained eye contact during conversations is expected, and failing to do so can be seen as rude or dismissive. Costa Ricans have a deep sense of honor; thus, care should be taken not to say or do anything that appears disrespectful. Use your whole hand to gesture, as pointing with your finger, especially at another person, is considered rude.

▶ Language

Business cards, proposals, and other materials should be printed in both English and Spanish. North American gestures will be understood. Learning a few key words or phrases in Spanish will foster a relationship with a business partner. Also ask for clarification on any terms you don't recognize. This is seen as a sign of interest in the meeting.

▶ Demeanor

Costa Ricans tend to be very uncomfortable with confrontation. When asked a question, the response may be what they think the listener would like to hear in order to avoid appearing rude or unhelpful. Boasting and displays of anger are considered bad manners, and impatience is widely viewed as a weakness that can lower a person's credibility.

▶ **Attire**

Business attire in downtown San Jose is more formal than the countryside. Men should wear a conservative, dark, and lightweight business suit with a tie. For women, dress, skirt and blouse, light business suit, or conservative pantsuit is recommended.

▶ **Punctuality**

Similar to many other Latin American countries, Costa Ricans have a more relaxed approach to time management, and patience is necessary for visitors. However, Costa Ricans typically do show respect for the importance of timekeeping to Americans and try to be prompt for business appointments.

▶ **Business Dining**

Business dinners are generally held in the evening, and it is expected that spouses will also attend. Women generally should refrain from drinking liquor, as this is seen as being impolite. Restaurants usually include a tip on the bill.

▶ **Gifts**

Gifts are exchanged frequently. If invited to a home, bring a gift of chocolates, flowers (avoid calla lilies, which are funeral flowers), or wine. It is acceptable to give gifts to business contacts, especially if invited to a dinner. Business gifts should be representative of the giver's company or home country. Overly-expensive gifts could be perceived as bribes.

 <p>Cámara Costarricense de Corredores de Bienes Raíces</p>	<p>KEY CONTACTS</p>
 <p>COSTA RICA GLOBAL ASSOCIATION OF REALTORS</p>	<p>▶ Costa Rica Chamber of Real Estate (CCCBR) www.camara.cr</p> <p>▶ Costa Rica Global Association of REALTORS® (CRGAR) www.crgar.com</p>

A Look at Jamaica

Jamaica Quick Facts

- ▶ **Population:**
2.8 Million
- ▶ **Capital:**
Kingston
- ▶ **Currency:**
Jamaican Dollar
- ▶ **Language:**
English
- ▶ **Time Zone:**
Eastern Standard Time

Jamaica is an island in the Caribbean Sea south of Cuba. Although Jamaica is a member of the British Commonwealth, the country declared its independence from England on August 6, 1962. The annual Independence Day celebrations are a major multi-day celebration for Jamaicans.

Tourism is a huge driver in the economy, which was badly damaged during the pandemic. But the economy has rebounded strongly post-pandemic. The country was expecting over 4 million tourists in 2024, with the vast majority coming from the United States, followed by Canada and Europe. The strong, stable economy has been growing at a healthy clip, with unemployment hitting record lows in recent years.⁷⁹

Figure 6.4 Map of Jamaica



⁷⁹ International Trade Administration. (2024, February 29). Jamaica – Country Commercial Guide. <https://www.trade.gov/country-commercial-guides/jamaica-investment-climate-state-ment-ics>

JAMAICA: OUT OF MANY, ONE PEOPLE

Jamaica's national motto expresses the rich diversity of cultures, traditions, languages, spirituality, and cuisine of this multi-racial island nation. Too often the media dwells on the negative aspects of Jamaican life, such as the crime rate (which mostly happens between Jamaicans). Visitors who venture out—using common sense—of resort enclaves find a warm-hearted, peaceful, and hospitable people. Jamaica ranks 67 out of 145 countries on the happiest countries in the world index for 2024 as reported by the World Population Review.

Foreign Ownership of Real Estate

There are no restrictions on foreign ownership of real estate in Jamaica. A buyer finds a property with the help of a real estate professional and then proceeds through the title search and land survey with the assistance of a qualified Jamaican attorney. There are two types of titles in Jamaica: An unregistered common law title (not recommended) for unregistered lands, and a title that is registered, in original form, at the Office of Land and Titles.

Popular Locations

There has been increased interest in Jamaica's housing market. There are two main sectors in the Jamaican housing market: affordable and luxury. Foreign investors are typically in the market for the latter category. Foreign homebuyers are looking at the North Coast particularly the Montego Bay area, Trelawny, and Ocho Rios. Negril is also a popular location on the west coast, and the south coast is emerging as a more attractive investment location, as infrastructure projects increase accessibility and promote new developments. Demand for homes in all price ranges have seen growth, as properties hold their value and are increasing in worth.⁸⁰

Financing

Jamaica has a well-developed and competitive mortgage market which qualified foreign buyers can access. It is important to note that foreign currency remittance for the purpose of purchasing real estate requires the prior approval of the Exchange Control Department of the Bank of Jamaica. At the midway point of 2024, the mortgage loans denominated in domestic currency was approximately 7.5%. The average interest rate for foreign currency mortgage loans was about 6.5%.

⁸⁰ Nussupbekova, Tamila. (2024, July 10). "Jamaica's Residential Property Market Analysis 2024." Global Property Guide. <https://www.globalpropertyguide.com/latin-america/jamaica/price-history>

Taxes and Costs^{81, 82}

▶ Income Tax

Nonresidents are taxed on Jamaica-sourced income. Nonresidents are taxed at a flat rate of 25%. If they qualify, nonresidents are entitled to a pensioner's exemption and a golden age exemption. Nonresidents who stay in Jamaica for 183 days or more (6 months for nonresident pensioners) are classified as a resident for tax purposes.

▶ Capital Gains Tax

There is no capital gains tax; however, capital gains earned from selling property that are considered business income may be subject to income tax.

▶ General Consumption Tax (GCT)

GCT (sales tax) is 15% on goods and services, including professional fees.

▶ Property Tax

Properties is taxed based on "site value" or "unimproved value" of the land, which basically equates to its market value as assessed by the Jamaican valuation office. Properties tax ranges from .50% to .90% based on the valuation.

▶ Transfer Tax

Transfer tax of 2% of property price is paid by the seller.

▶ Stamp Duty

For land conveyance, stamp duty is typically a flat fee of US\$5,000, unless otherwise specified.

Real Estate Licensing and Practices

Jamaican law requires licensing of real estate professionals. Requirements include education and registration and an interview with the Real Estate Board. Foreigners holding a license abroad may submit a certified copy of credentials, but still have to complete a portion of the education and fulfill other requirements.

The REALTORS® Association of Jamaica represents more than 1,200 active real estate professionals and operates similarly to NAR, providing education and resources for the real estate professional. You can find more information at www.realtorsjamaica.org/.

⁸¹ PwC. (2024, August 2). "Worldwide Taxes, Jamaica." <https://taxsummaries.pwc.com/jamaica>

⁸² Jamaica Homes. (2024, July 3). "What Are Transfer Tax and Stamp Duty?" <https://jamaica-homes.com/docs/what-are-transfer-tax-and-stamp-duty/>

Doing Business in Jamaica: Beyond the Basics

▶ Greetings

Greet people with a handshake, eye contact, and a warm smile, along with the appropriate greeting—“good morning,” “good afternoon,” or “good evening.” With familiarity, women may embrace and exchange kisses on the cheek, beginning on the right. Men may pat one another on the shoulder. Use the appropriate title and surname until your business contact asks you to use their first name or a nickname. Status is important; show deference to those in higher positions.

▶ Appointments and Meetings

Schedule meetings 2 weeks in advance, especially when traveling from abroad, and you should call to confirm meetings a few days in advance. Meetings may seem friendly in tone, but they are essentially formal. Discussions should cover all of the details to avoid the appearance of trying to conceal information. Jamaicans are direct communicators and don't appreciate too much detail. They expect others to be direct, but you should avoid high-pressure sales tactics and be patient. Bargaining and negotiating are expected. Aggressiveness is frowned upon.

▶ Punctuality

Jamaicans expect punctuality, even if they do not achieve it themselves. A favorite saying is “soon come,” but this has a very loose translation and could mean several minutes to several days.

▶ Communication Style

Jamaicans tend to speak very quickly and may become quite animated. Laughter is appreciated.

▶ Business Dining

When dining, the more formal the occasion, there is a stricter protocol on manners. Wait until you are invited to be seated; there may be a seating plan. Do not begin eating until the host invites you to start. Table manners are continental, with the fork held in the left hand and the knife held in the right hand. Always use utensils to eat. Trying everything that is offered and finishing everything on your plate is considered polite.

▶ Religion

Religion is important to the lives of many Jamaicans—the country has the most churches per capita in the world and a deep tradition of spirituality. If given a personal invitation to attend a church service, accept graciously regardless of your own faith or beliefs. Dress well, as your appearance and demeanor reflect on your host.



KEY CONTACT

- ▶ **REALTORS® Association of Jamaica**
<https://realtorsjamaica.org/>

A Look at Panama

Panama Quick Facts

- ▶ **Population:**
4.5 Million
- ▶ **Language:**
Spanish
- ▶ **Capital:**
Panama City
- ▶ **Time Zone:**
Eastern Standard Time
- ▶ **Currency:**
Panamanian Balboa

The isthmus and country of Panama occupies the narrow strip of land between the Pacific and Caribbean Sea that connects North and South America. In addition to the isthmus, more than 1,400 islands and islets dot Panama's 2,500 kilometers (1,553 miles) of coastline.

Figure 6.5 Map of Panama



Although it's geographically small (about the size of the U.S. state of South Carolina), Panama encompasses a rich diversity of ecosystems. Micro-climates include mangrove wetlands, dry forests, and even high-altitude cloud forests. Panama has a "dry" season from December to May and a green "wet" season with regular afternoon rain showers from May to December. Despite its location between oceans, Panama seldom experiences a hurricane. It is, however, in a seismic zone and experiences frequent small earth tremors.

Panama had the fastest growing economy in Latin America between 1990 and 2019. The economy took a severe hit during the pandemic, but has rebounded strongly in the years since; in 2023 the economy grew by 7.3%.⁸³ As the passageway for countless goods, the Panama Canal is one of the biggest drivers of its.

In 2024, Panama elected José Raúl Mulino as the new president. He will be tasked with reducing income inequality, cracking down on illegal migration, reduce corruption and money laundering, and strengthen essential institutions, such as the justice system.⁸⁴

The Panama Canal

The Panama Canal is one of the major shipping lanes in the world. Traversing the canal reduces the trip between the Pacific and Atlantic Oceans by 7,800 miles. An expansion project, completed in 2016, opened the canal to post-Panamax ships which were too large to fit through the original canal's sets of locks. The expansion, known as the "third set of locks," opened the canal to the 16% of the world's container ships which carry almost half the world's cargo.

Panamax and New Panamax are terms for the size limits for ships traveling through the Panama Canal. Panamax specifications have been in effect since the opening of the canal in 1914. With the 2016 opening of the third set of locks, larger New Panamax ships can travel through the canal which fundamentally changed the way freight was handled. In May 2019, a neo-Panamax vessel went through the canal and the Panama Canal Authority then formally increased the maximum length and beam for ships passing through the waterway. Based on this, now nearly 97% of the world's container ships can transit the canal. The United States and China are the principal users of the Panama Canal.

COLÓN FREE TRADE ZONE

Located near the Atlantic entrance to the Panama Canal, the Colón Free Trade Zone is an area of 1,000+ acres of warehouses and shipping and distribution centers dedicated to the duty-free import and re-export of goods. To be located in the zone, companies must have a minimum of 60% of imported products to be exported annually and hire five Panamanians.

Wholesalers and retailers shop the zone, as merchandise is available in quantities appropriate to both. Over 2,500 companies operate in the zone, handling more than US\$19 billion worth of transactions for over 250,000 buyers annually. Most imports are from Asia, Europe, and North America, and major markets are Central America, South America, and North America.

⁸³ World Bank. (2024, April 3). "The World Bank in Panama." <https://www.worldbank.org/en/country/panama/overview>

⁸⁴ Americas Quarterly. (2024, May 6). "José Raúl Mulino Wins Panama's Presidency." <https://americasquarterly.org/article/reaction-jose-raul-mulino-wins-panamas-presidency/>

Foreign Ownership of Real Estate

Panama places few restrictions on foreign purchase or ownership of real property for personal, investment, or commercial use.

Two notable exceptions include:

- ▶ Property within 10 kilometers (6.2 miles) of borders.
- ▶ The first 20 meters (65 feet) from the high-tide line on all beaches (reserved for public access).

The year-round tropical climate and long-stretches of pristine Pacific and Caribbean beaches make Panama a prime location for second-home buyers. Also contributing to the desirability of the country is the fully-dollarized economy, the availability of new construction housing, and an increasingly friendly business environment. For example, in Panama it now takes an average of 22 days to register a property compared to 63 days for Latin America and the Caribbean region as a whole.⁸⁵

Titled Properties or Possession Rights

When purchasing real property, buyers should verify whether they are buying a titled property or possession rights. Purchase of a titled property confers fee-simple ownership. However, Panama has a very unique law called “Rights of Possession,” which grants people the right to possess government owned land in order to make improvements on it. These lands are not recorded with the public registry office as titled lands, but they can be sold to foreigners.

Purchase of possession rights calls for extreme caution. Title for the property may be held by families from several generations back, making possession rights contestable if a relative of an original owner emerges. Furthermore, possession rights cannot be mortgaged.

Visas and Residency

U.S., Canadian, and European Union citizens, as well as citizens of most Latin American and Caribbean countries, do not need visas and may stay for up to 90 days.

Other entry requirements include:

- ▶ Passport valid for 3 months beyond the intended length of stay
- ▶ \$500 in cash to prove economic solvency or proof of that amount on a bank statement
- ▶ Ticket for return home or onward travel

⁸⁵ Nussupbekova, Tamila. (2024, July 12). “Panama’s Residential Property Market Analysis 2024.” Global Property Guide. <https://www.globalpropertyguide.com/latin-america/panama/price-history>

Panamanian law also requires visitors to carry some kind of identification during their stay. Experienced travelers recommend carrying photocopies of the passport photo page and the page with the entry date stamp.

In the past, it was a common practice for those who wanted to stay longer to travel to another country—Costa Rica is a favorite—stay for 1–2 days, and then return as a tourist for another 90 days. Panama has discussed putting an end to this practice, but no official guidelines have been announced.

Panama launched its Digital Nomad Visa in 2021, officially called Short-Stay Visa for Remote Workers. It allows individuals to be in the country for 9 months and extend their stay for an additional 9 months. There is a \$250 fee, and some other requirements, including proof of medical insurance, a clean criminal record, and income of at least \$3,000 a month (or \$36,000 a year).

Long-Term Visas

Panama offer several types of visas for those who wish to stay long-term for retirement or business.

▶ Pensionado (Retiree) Visa

The Pensionado program for retirees is available to anyone who can show a lifetime income of at least \$1,000 monthly, or \$750 if Panama real estate valued at \$100,000 or more is purchased. Eligible retirees receive an attractive package of benefits, including discounts on goods and services, entertainment, hotel accommodations, airline tickets, medical treatment, and prescription drugs. The visa provides permanent residency and the option for citizenship.

▶ Visas for Business and Investment

Other types of visas that require minimum investments or bank deposits include:

- » Investor
- » Tax Free Processing Zone Investor Program
- » Small Business Investor Visa
- » Nationals of Specific Countries Visa (Includes United States, Canada, and European Union)

Popular Locations

Panama was recently named the number one country to retire to on International Living's Annual Global Retirement Index. It ranked first in several categories including opportunity, visa and residency, and benefits and discounts. Panama City was called out as the only true "First World" city in Central America. The key to achieving first place was the Pensionado program that was characterized as the best of its kind in the world.⁸⁶ Other popular locations in Panama include Santa Maria, Coronado, Boquete, Avenida Balboa, and El Cangrejo.

Financing

The stable economy and currency policies make for a highly-developed banking system with many Panamanian and international banks providing financial services. Both commercial and residential mortgage financing are available for foreigners. To obtain a mortgage, buyers must purchase life insurance from a company in Panama for the entire loan balance for the life of the loan and the loan term must finish before the buyer turns 75. Those over age 60 may qualify for a 15-year mortgage with higher payments. Fire insurance that covers 80% of the property is also required to obtain a mortgage.

U.S. companies offer mortgages for real estate in Panama, often without the age and insurance restrictions of Panamanian mortgages. If a buyer does desire a Panamanian mortgage, working through a mortgage broker is recommended.

Residential mortgages from an institution in Panama are based on the loan-to-value ratio and the borrower's ability to pay, as opposed to lenders from the U.S. who rely on an applicant's ability to pay and credit history.

Taxes and Costs

Established permanent residency or a person who is physically located in Panama and has been generating income for more than 183 days during the year qualifies as a tax resident. Authorities will, however, consider the taxpayer's center of economic activity and family interests.

▶ Income Tax

Panama-sourced income earned by nonresidents is taxed at progressive rates. Income up to \$11,000 is taxed at 0%, income from \$11,000– \$50,000 is taxed at 15%, and income over \$50,000 is taxed at 25%.

▶ Capital Gains Tax

Capital gains realized from transactions that are part of ordinary business activities are taxed at a flat rate of 10% of gross sale profit, provided the individual does not buy and sell real estate for a living.

⁸⁶ Staff Writer. (2022, January 30). 10 Countries you can retire to in 2022—and how much it costs to live there. *Businesstech*. <https://businesstech.co.za/news/lifestyle/552748/10-countries-you-can-retire-to-in-2022-and-how-much-it-costs-to-live-there/>

▶ **Value Added Tax (VAT)**

VAT standard rate is 7% for goods and services, including gross rent. Higher rates apply to accommodations and alcohol (10%) and tobacco (15%). Food, medicine, and medical services are exempt from VAT.

▶ **Property Tax**

The property tax is imposed at progressive rates from 0.0–0.9% for real property subject to family wealth or main residence benefits. The property tax for commercial and industrial real estate is 0–1.0%.

▶ **Transfer Tax on Real Property**

Transfer tax is levied at a flat rate of 2%. The tax base is the greater of the selling price of the property or assessed value.

Real Estate Licensing and Practices

Licensing for real estate professionals in Panama is mandatory, and all licensed agents must carry their official card with them when conducting business. Licenses are granted by the Real Estate Technical Board, a government agency.

Requirements for a real estate license are:

- ▶ Panamanian citizenship or at least 5 years of residency
- ▶ Coursework followed by passage of a written exam
- ▶ Annual \$25 fee for Fiscal Stamps
- ▶ A \$10,000 bond to cover malpractice claims and government fines
- ▶ Police record showing proof you were never convicted of a crime

The Real Estate Technical Board imposes penalties on real estate professionals who violate civil codes. Penalties range from admonishments to suspension of license, fines, and criminal charges.

Doing Business in Panama: Know the Culture

▶ Greetings

In business settings, a light handshake with eye contact is appropriate for both genders. Casual greetings between friends (two women or a man and a woman) may involve a light kiss on the cheek. When addressing someone, use the appropriate title or honorific (Señor, Señora, Señorita) followed by the surname. Panamanians have two surnames, the father's followed by the mother's; only the father's surname is used when greeting or addressing someone. Address the oldest person in a group first.

Titles are important in Panama, as business decisions are hierarchical. Be sure to address Panamanian counterparts correctly, and do not address someone by only their first name unless invited to do so.

▶ Meetings

Business appointments are usually scheduled a few weeks in advance through direct contact rather than intermediaries. (Note that you will have established a relationship with the person prior to the meeting.)

When meeting someone, exchange business cards with English on one side and Spanish on the other—the Spanish side up. Offer business cards to everyone in the room, not just the senior executive. Presentations should be in English and Spanish. Negotiations can be lengthy, but maintain patience and avoid high-pressure tactics.

▶ Language

Although many Panamanians speak English, Spanish is the official language. All legal documents and contracts, including real estate purchase agreements, must be written in Spanish. If written in English—or any other language—contracts are not legally enforceable.

▶ Punctuality

Punctuality is important for business meetings, although you may be kept waiting. Showing up late to social functions, on the other hand, is common.

▶ Attire

For business appointments, most experts recommend dark, conservative business suits for men and stylish business suits with matching shoes for women. Panama's tropical climate necessitates light materials.

Nonexecutive men who work in offices often wear camisillas, or lightweight shirts that are not tucked into pants. Women may wear pants in the workplace but should avoid extremely form-fitting clothes. In some cases, business casual may be acceptable, especially in rural areas. As you become active in the Panamanian market and develop relationships, observe the attire of your colleagues and business partners and choose your attire accordingly.

► **Communication Style**

Panamanians prefer sustained, direct eye contact in conversation. They tend, however, to be indirect communicators. A “maybe” may substitute for a direct “no.” It is more important to avoid embarrassment, especially in a public situation. A challenge in communications is in making contact as there is a rather relaxed approach to responding to emails and phone messages. Panamanians rely heavily on their mobile phones and that is often the best and most reliable method of contact.

► **Business Dining**

Lunch in Panama typically begins at noon and lasts about 90 minutes. While conversation may immediately turn to business if the host is pressed for time, the meal often begins with friendly small talk and casual conversation. The closing of deals often results in a celebratory dinner, with the host seated at one end of the table and the guest of honor at the other end. Wait until the host directs people to sit and begin eating only when the host has begun. Women invited to business dinners should bring a spouse.

Courtesy calls for keeping your hands above the table when dining and men should stand when women stand or sit. Offering to pay the check is also considered polite, even though the host will likely refuse. Tipping is not compulsory, but a 10–15% tip is expected if service is satisfactory and some restaurants may add the tip to the bill.

► **Gifts**

Gift giving is not customary in business. The only exception is when foreign counterparts present gifts that display their company logo.

	<p>KEY CONTACT</p> <p>► Asociación Panameña de Corredores y Promotores de Bienes Raíces (ACOBIR) www.acobir.com</p>
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Discussion Questions

- ▶ **Now that you have been through the course, what countries are you interested in? present the best real estate opportunities in the Americas today? Why?**

- ▶ **What challenges do you anticipate based on what you have learned today?**

- ▶ **What action steps do you plan to take immediately to get started in the Americas market?**

- ▶ **What additional information do you need to take those steps?**



07

RESOURCES



Resources: Helpful Tools & References

Websites

The political, economic, environmental, and social landscapes of the countries in the Americas can change quickly from one day to the next. The websites listed here provide a wealth of resources you can access to keep up to date with current events and trends in the country you're focusing on. In addition, you'll find websites for real estate associations in the various Americas countries.

- ▶ **National Association of REALTORS®**
 - » www.nar.realtor/global
 - » www.nar.realtor
- ▶ **Asociación de Corredores De Propiedades de Chile (Coproch), Chile**
 - » www.coproch.cl
- ▶ **Asociación Mexicana de Profesionales Inmobiliarios (AMPI), Mexico**
 - » www.ampi.org
- ▶ **Asociación Panameña de Corredores y Promotores de Bienes Raíces (ACOBIR), Panama**
 - » www.acobir.com
- ▶ **Asociación Peruana de Agentes Inmobiliarios, (ASPAI), Peru**
 - » <https://aspai.pe>

- ▶ **Association of Foreign Investors in Real Estate (AFIRE)**
 - » www.afire.org
- ▶ **Association of Real Estate Brokers of Belize**
 - » www.arebb.com
- ▶ **Authority of Tourism Panama**
 - » <https://www.tourismpanama.com/>
- ▶ **Bahamas Real Estate Association**
 - » <https://www.breabahamas.com/>
- ▶ **Bank for International Settlements**
 - » www.bis.org
- ▶ **Belize National Association of REALTORS®**
 - » <https://www.belizenar.org/>
- ▶ **Cámara Argentina de Propiedad Horizontal y Actividades Inmobiliarias**
 - » www.caphai.com.ar
- ▶ **Cámara Inmobiliaria Uruguay (CIU), Uruguay**
 - » www.ciu.org.uy
- ▶ **Cámara Inmobiliaria de Venezuela**
 - » www.camarainmobiliaria.org.ve
- ▶ **Cámara Nacional de Servicios Inmobiliarios, Chile**
 - » www.acop.cl
- ▶ **Cámara Peruana de la Construcción, Peru**
 - » www.capeco.org
- ▶ **Cámara Salvadoreña de Bienes Raíces, El Salvador,**
 - » www.camarabienesraices.com.sv
- ▶ **Canadian Real Estate Association (CREA), Canada**
 - » www.crea.ca
- ▶ **Canadian Mortgage and Housing Corporation**
 - » www.cmhc-schl.gc.ca
- ▶ **CBRE**
 - » <https://www.cbreglobalinvestors.com/insights>

- ▶ **CIA World Factbook**
 - » www.cia.gov/the-world-factbook/
- ▶ **Colegio de Martilleros y Corredores Públicos de San Isidro, Argentina**
 - » www.cmcpsi.org.ar
- ▶ **Costa Rica Global Association of REALTORS®**
 - » www.crgar.com
- ▶ **Currency Exchange**
 - » www.xe.com
- ▶ **Cushman Wakefield**
 - » www.cushmanwakefield.com
- ▶ **Deloitte International Tax Source**
 - » <https://dits.deloitte.com/>
- ▶ **The Economist**
 - » www.economist.com
- ▶ **Expo Real**
 - » www.exporeal.net
- ▶ **Federación Colombiana de Lonjas de Propiedad Raíz (Fedelonjas), Colombia**
 - » www.fedelonjas.org.co
- ▶ **Focus Economics, Latin Focus**
 - » www.focus-economics.com/regions/latin-america
- ▶ **Fondo Nacional De Fomento Al Turismo (FONATUR), Mexico**
 - » www.fonatur.gob.mx
- ▶ **Global Environment Facility**
 - » www.thegef.org
- ▶ **Global Property Guide**
 - » www.globalpropertyguide.com
- ▶ **Institute of Real Estate Management**
 - » www.irem.org

- ▶ **International Council of Shopping Centers**
 - » www.icsc.org
- ▶ **International Monetary Fund (IMF)**
 - » www.imf.org
- ▶ **International Property Awards Ceremony**
 - » www.propertyawards.net
- ▶ **International Trade Centre**
 - » www.intracen.org
- ▶ **International Trade Data Systems, US Census**
 - » www.census.gov/foreign-trade/aes/itds.html
- ▶ **Jones, Lang, Lasalle**
 - » <http://www.jll.com/locations>
- ▶ **Journal of Commerce: Global Trade and Logistical Data**
 - » www.joc.com
- ▶ **Organisation for Economic Co-Operation and Development**
 - » www.oecd.org
- ▶ **Organization of American States**
 - » www.oas.org
- ▶ **REALTORS® Association Of Jamaica**
 - » www.realtorsjamaica.org
- ▶ **Sindicato das Empresas de Compra, Venda, Locação e Administração de Imóveis Residenciais e Comerciais de São Paulo, Brazil (SECOVI-SP)**
 - » www.secovi.com.br
- ▶ **Statistics Canada**
 - » www.statcan.gc.ca
- ▶ **United Nations Environment Programme**
 - » www.unep.org
- ▶ **U.S. Department Of Commerce International Trade Administration**
 - » www.trade.gov

- ▶ **U.S. Trade Representative Country Profiles**
 - » www.ustr.gov/about-US/trade-toolbox/country-profiles

- ▶ **World Bank**
 - » www.worldbank.org

- ▶ **World Bank Business Ready (B-Ready)**
 - » <https://www.worldbank.org/en/businessready>

- ▶ **World Chambers Network**
 - » www.worldchambers.com

- ▶ **World Trade Organization**
 - » www.wto.org

- ▶ **World Travel & Tourism Council**
 - » www.wttc.org