



GUIDE FOR REAL ESTATE PURCHASE IN COLOMBIA

Medellín has recently emerged as a popular destination, creating numerous opportunities in the real estate market. Investing in real estate and promoting it for tourism is one of the most profitable ways to establish a successful business in Colombia. Our firm provides expert legal advice throughout the entire investment process and manages your investment with the same care and dedication as if it were our own.

Step 1: Having a real estate agent is a must

In Colombia, real estate practice is unregulated, meaning that virtually everyone can operate in the field. However, securing a knowledgeable real estate advisor is essential to protect your investment, from the initial purchase to property maintenance and eventual resale.

Since 2018, Homebook Group has been actively involved in Medellín's real estate market, as well as in surrounding areas such as Rionegro, Envigado, La Ceja, and El Retiro. We offer a unique approach by combining legal expertise with real estate transactions, ensuring that you are supported not only by a real estate agent but also by a licensed attorney specialized in real estate law. This ensures comprehensive legal oversight of all transactions within the Colombian market.

Our team of attorneys, each with specialized knowledge in various legal fields, provides our clients with a thorough legal perspective on a wide range of matters. These include property purchase and sale, tax issues, immigration, company formation, bank account setup, lease agreements, other contractual matters, escrow creation, construction and remodeling permits, and litigation.

Additionally, Homebook Group is comprised of bilingual attorneys proficient in English, Portuguese, Italian, and French, ensuring seamless communication and a clear understanding between us and our clients.

Step 2: Schedule your showings with your real estate advisor

Once we begin working with you, we will provide a selection of real estate options available in the market. To help us refine our search and better meet your needs, please give us a detailed description of what you are looking for.



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Key questions to ask your representative include:

1. What is the HOA (Homeowners Association) fee?
2. What are the annual government property taxes?
3. How old is the property?
4. Information on previous owners.
5. Any legal or structural encumbrances on the property.
6. What does the price include? Parking spaces? Storage rooms?
7. Is the price negotiable or fixed?
8. Does the property come furnished?

Step 3: Title research

Once you have selected the property you want to acquire, ask us about the title research. The properties we sell to you include the title research and it doesn't have fees. If you bring the property or want to have a legal advisory service with us, ask us about the title research fees.

The title research is a study of the history of the property, we study every owner's background, criminal records, bank records, who they are or were, if the acquisition title was duly transferred. Also, we search for the property affectations and provide you a viability of acquiring this property.

We will check the *certificado de tradición y libertad*, which is a history of the property, the *certificado de paz y salvo predial* which states municipal property taxes have been paid and the *certificado de paz y salvo de valorización* that verifies that taxes related to increases in value of the property have been paid.

Also, if the property is in an apartment building or gated community, we will check if there are any unpaid *administración fees* (like HOA fees in the U.S.).

Step 4: Negotiation, Offer and Purchase agreement.



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At this stage, the buyer negotiates the price and contract terms with the seller. Typically, the seller will request a down payment ranging from 10% to 30% of the property's value. Once the terms are agreed upon, both parties will sign an initial agreement, known as a Promesa de Compraventa (promising contract), at the notary office.

To facilitate payment, especially if you do not have a Colombian bank account, you will need to make an international bank-to-bank wire transfer.

We will provide you with all the necessary bank account details for the transaction. It is important to notify your bank about the transfer, as they will guide you through the specific steps of the process.

The purchase agreement contains:

1. **Price and what items are included.** The parking and storage rooms may have different titles so in the purchase agreement you will find which items are included in the price, Light bulbs, kitchen appliances, kitchen furniture and curtains could or not be included.
2. **Down payment.** This is negotiable.
3. **Penalty Clause.** The penalty clause covers if the buyer or seller does not proceed with the deal, The part that breached the deal will pay 10% to 20% of the property value to the other part + the agent's commission.
4. **Settling of mortgages and liens.** it is not possible to transfer property in Colombia to a new owner unless it is free of mortgages, liens, taxes and administration fees (HOA fees).
5. **Commercial and declared value.** *valor comercial vs valor catastral* . In Colombia there is a gap between commercial values (what a buyer pays) and declared value (the property's value under the government's view for taxation matters)
6. **When to sign at the notary.** Includes the time and date of the final closing with the title deeds signature. In Colombia there is no escrow for a property purchase, the title deeds are signed over from the previous owner to the new owner once the full payment is received.



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As a foreigner you may feel that the process differs from the processes of purchase you have back in your country or residence, however, we guarantee transparency in each of the steps we do along with you, and any of your questions will be solved.

Step 5: MONETIZATION PROCESS AND REGISTRATION OF YOUR FUNDS

When purchasing property in Colombia, it is essential to register your investment funds with the Central Bank, known as Banco de la República. This institution regulates the foreign exchange market and oversees currency transactions. With proper guidance, your funds can be efficiently channeled, converted to the national currency (COP), and registered accordingly.

Due to existing regulatory gaps in the real estate sector, some market participants may attempt to receive payments from abroad to circumvent this process. However, this approach poses significant risks for buyers, who may face potential fines or legal repercussions from the relevant authorities in the future. **Moreover, the lack in this registration will immediately affect your VISA PROCESS.**

MONETIZATION PROCESS EXPLAINED

This process involves transferring funds from any currency and converting them into Colombian Pesos (COP).

- 1. Select a Financial Institution:** Choose from various authorized banks and financial entities that are permitted to facilitate the exchange of your funds.
- 2. Client Acceptance:** After selecting an institution that accepts you as a client, we will provide you with the foreign bank account details for your fund deposit. The acceptance process may take 1-4 business days, during which you will need to provide documentation proving the source of your funds. For example, if the funds are from the sale of a property, you will need to submit the sale contract, relevant bank statements, and any additional documents we may require to support the wire.
- 3. Confirmation of Transfer:** Once your funds have been transferred and reflected in the entity's account, they will notify us, and we will inform you that the funds are now available.



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4. Dollar Negotiation: The institution will provide us with the exchange rate for the dollars, and upon your approval, we will proceed with the transaction at that best rate we can get for you. With our experience in the exchange market, we always try to get for our clients the best rates.

Please note that if you transfer a currency other than dollars, the institution will convert it to dollars, as international transactions are typically conducted in that currency and then converted to COP

5. Final Value and Payment Order: After determining the exchange rate, the institution will provide us with the final value in COP of the transferred funds. They will also require us to submit a payment order, which includes the accounts to which the funds will be transferred. We recommend transferring the funds directly to the seller's account to avoid incurring double taxes.

Any excess funds can be transferred to another account or disbursed to you in cash at a bank of your choice.

Step 6: Closing at a Notary with the signature of “ESCRITURA DE COMPRAVENTA”.

Includes the time and date of the final closing of the purchase, the parts at this point will be exchanging of funds and the new owner receiving keys to the purchased property.

Step 7: Getting the Title

We will take steps to ensure everything is done correctly with the *Oficina de Instrumentos Públicos*, which is the entity that handles titles in Colombia and once the new *Certificado de Tradición y Libertad* is issued, the new buyer will get the title deed and the new *Certificado de Tradición y Libertad* with his/her name on it.

All of which depend on the notary and *Oficina de Instrumentos Públicos* timing, so it could be days, weeks, or months. Regardless the time, you don't need to worry about it, with the *Escritura de Compraventa* signature, you are already the owner.



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What Are the Closing Costs Involved in Selling Real Estate in Colombia?

Selling or buying real estate in Colombia involves closing costs, which include paying some taxes and fees.

Closing costs in Colombia include:

CONCEPT	PAID BY
Retención en la fuente -Withholding	SELLER
Rentas Departamentales - Government tax	50% SELLER y 50% BUYER
Gastos notariales por la venta - Notary fees	50% SELLER y 50% BUYER
Copias y Protocolo Notaria	50% SELLER y 50% BUYER
Registro en Instrumentos Públicos- Registration	BUYER
Impuesto de timbre	50% SELLER y 50% BUYER

All of these fees will be clarified by the notary at the time of the notary closing and could variate in each city.

If you have further questions, please contact us.



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