

Buying Real Estate in Panama

By [Debbie Fishell](#)

The first home I purchased in Panama, a few years ago, I found while on vacation. I negotiated a price with the seller, contacted my Panamanian attorney, and went back to Arizona. The sale closed in about 6 weeks without me physically being there.



Anyone can own property in Panama. Foreigners have the same property rights as Panamanians. You do not have to be a resident of Panama; you can purchase real estate as a tourist. If you have been considering diversifying your real estate holdings offshore, capitalizing on the opportunities available in the Republic of Panama is relatively easy. You will want to use a Panamanian attorney for the process of purchasing titled real estate. They typically charge a flat fee for the service, which varies greatly among lawyers, and there will be closing costs and real estate or corporate transfer taxes on top of that.

Holding Title to Property

You will have to decide how you want to hold title to the property. If you are looking for asset protection or plan to use the property as a rental, you may want to hold title in a Panamanian Corporation. Keep in mind that there are ongoing fees involved with a corporation, at least \$300+ per year, and if you are from the US, you are required to report any foreign corporation to the IRS and pay taxes, if due, on any profits made. Property held offshore in your personal name does not have to be reported to any US entity, but you will want to carefully consider liability issues. Make sure you have good insurance coverage. Although Panama is not a litigious society, expats are sometimes targeted with an occasional lawsuit and they do not generally sway in the expat's favor.

Two Property Types in Panama: Titled and R.O.P.



Titled property can be searched and ownership verified through its unique “**finca number**”. Title Insurance, though uncommon in Panama, can be purchased but is not required, even if you get a loan. Titled property may have an annual property tax due, depending on the *value at time of purchase*. If property is currently held in an existing corporation, often the corporation containing the land is sold and transferred to the new owner. There is no real estate transfer tax (2%), or capital gains tax (3%) when a corporation is purchased, although there is a corporate shares transfer tax of 5%.

However, the corporate purchase may result in financial benefits. The financial benefit depends on what the value of the property was when it was transferred into the corporation. There are

currently no property assessors in Panama who are actively verifying or determining real estate values in the country. Unless a property owner *volunteers* the information, the **taxable value is based on the last sale of the property**. For example: *A piece of property was purchased at some point for \$30,000 and placed in ABC Corporation. ABC Corporation, along with the property it holds, is sold for \$200,000 today. The tax liability of the property is still on the \$30,000. The property was not sold today, the corporation was.*



If a piece of real estate in Panama does not have a “finca number”, it is probably untitled. Most of the real estate outside the larger cities is untitled, or R.O.P. (*Right of Possession*), especially if it is beachfront or an island. With R.O.P. property, there is an increased chance of ownership disputes coming up, even after the purchase, which may be costly or even result in loss of the land. Although not common, it is something to be aware of. Extra due diligence is required to verify chain of “ownership rights” and determine in advance whether anyone may have a future claim. It is also possible to get title to an R.O.P. property. There is a detailed and somewhat tedious process and costs involved to do this.

Are there benefits to owning R.O.P.? There is no property tax or sales transfer tax associated with R.O.P. land because you don’t technically own it; one simply has a right to use the land. If you plan to re-sell soon, and you have verified the chain of ownership, this may be a consideration. There are also areas, within 10 kilometers of the Colombian and Costa Rican borders, where Panamanian law does not allow foreigners to have title, including foreign owned Panama corporations. If you want to own property in these areas, you may have to stick with R.O.P. If you plan to sub-divide a piece of land, the process and costs are higher with a titled property. Some investors will purchase an R.O.P. and divide it into smaller lots, then let the new owners handle the titling of their individual parcel.

Where are the “Comps” in Panama?



First of all, you should know that *there is no active central MLS (Multiple Listing Service) in the country of Panama*. Real Estate is not heavily regulated (if at all) in Panama either, and most “realtors” are not licensed. Panamanian law does not require a real estate “advisor” to be licensed. Anyone can list and show properties, but a licensed realtor, lawyer, or agency must handle the paperwork to close the sale. **Is having a licensed realtor important?** Not necessarily. A good *advisor* may be much more knowledgeable than someone who has a license. *Caveat Emptor – Buyer Beware!* Make sure you use someone who is a reputable referral. Online expat forums may be a good source of referrals.

Each real estate office has its own listings, and several different offices may have the same property listed at different prices. If one company sells the property and the previous owner neglects telling the other realtors who he listed his home with that it sold, you may also find properties “listed” that have already been sold. If you purchase a property, do a search online to see if it is listed elsewhere and, if it is, let them know you are the new owner. I learned that lesson when I had someone show up at my new house and tell me he was going to buy it!



Some realtors have negotiated a “net price” for a property rather than a realtor commission (typically 6%). Anything above the “net” is theirs to keep. You may want to ask if this is the case. Realtors do not generally show other companies’ properties so you may be limiting your search using only one company. If you use a realtor, it is best to locate one who is in the area you are interested in. There are also a lot of properties that are for sale and not listed anywhere, many don’t even have a “**se vende**” (*for sale*) sign posted. Sometimes, the best way to find the property of your dreams is to get out and start talking to people in the area you like and see what comes up. In my neighborhood, similar homes on the same street

have recently sold for \$50,000 – \$150,000! Finding comparable prices can be somewhat arbitrary in Panama and *the bottom line is that everything is negotiable.*

Basic Procedure for Purchasing Titled Real Estate in Panama

NOTE: All legal documents in Panama must be in Spanish. Your attorney should be able to provide an English translation for you. If you have a document in English, it will have to be translated to Spanish to be valid in a Panamanian court or for any legal purposes.

After you have found a property you like and negotiated the price and terms of the sale with the seller, here are the basic steps of the purchase:

- **Step 1: Confirm the title.** Prospective buyers should always have an attorney confirm title first. Request two original documents from the current owner – the *Escritura*, or deed, with a description of the property and the legal owner listed and the *Certificado de Registro Público* from the Public Registry, which will show any liens or encumbrances on the property. If these documents are not available, ask the seller for a property *finca number* (property identification number). With this information, your lawyer will be able to search for the title at the Public Registry.

- **Step 2: Enter into a Promise to Buy-Sell Agreement.** Once you have verified title, the next step is to sign a *Compraventa*, Promise to Buy-Sell Agreement. The buyer will place an earnest deposit, usually about 10% of the purchase price, and set a date for the transfer of title. During this time, you will arrange any financing needed and perform your due diligence. *Make sure you add any contingencies that need to be addressed in this document and release you from your obligation to buy if they are not resolved.* Unless it is spelled out specifically in advance, there is a penalty if either party backs out. You will also need a survey map. Hiring a surveyor is usually about \$200-400, depending on the size of the property.

• **Step 3: Transfer the title.** Once the Promise to Buy-Sell Agreement is completed, your lawyer will draft the final purchase and sale contract and the new deed. All parties will then need to go to a notary public to sign the deed. Your attorney will file the deed at the Public Registry to be formally registered. When registration is complete, usually in a few weeks, you will be given a new *Escritura* and a copy is filed with the *Catastro* (tax office).

• **Step 4: Transfer the funds.** The safest way to pay the balance of the purchase price is by placing the funds in a local Panamanian bank and issuing an irrevocable letter of payment. Your lawyer will assist you in obtaining this document. When the bank is presented with the new *Escritura*, transferring ownership to the buyer, it will release the funds to the seller.

Some Final Notes on Buying Real Estate in Panama



You may be used to having a realtor walk you through the purchase process in your home country. This is not usually the case in Panama and you will probably still need to hire an attorney.

Like most countries, the beaches and waterfronts are public land and there are set-backs from the high water mark, which determine where you can build. In Panama, the right of way set-back is 22 meters from the high tide mark to the property line on the Pacific Coast and 10 meters on the Atlantic Coast. If you plan to build a dock or other structure within this set-back, you will have to apply for a concession to get a building permit. This can take some time. If there are already structures like this on a property you want to purchase, *make sure the seller has been granted a concession for them.*

You may qualify for financing of titled property in Panama. However, R.O.P. land is not eligible as collateral to obtain financing.

If you are purchasing property along with the Panama Corporation that holds title to it, be sure to get documents regarding the corporation so your attorney can do a search, along with the title search, to make sure there are no outstanding debts or other issues with the corporation.

Panamanians have a different concept of time than you probably do. Whether you are meeting a realtor, a property owner, or have an appointment with a surveyor, *be prepared to wait more times than not.* You must find a way to keep from getting stressed over time issues. Meditate, always have reading material, and get comfortable with this because the pace is just slower in Panama.