

REAL ESTATE ARTICLE

After celebrating forty two (42) years of independence on November 30, 2008, the relatively small island nation of Barbados continues to define itself as a world-class destination for business and quality living, tailored to meet the needs of a diverse set of investors and their nomadic families, while still staying acutely focused on local development of people and key sectors. Perhaps the reason for this sustained position is the commitment of its people to becoming a fully developed country that is prosperous, socially just and globally competitive.

Apart from being a strong, efficient, globally competitive and a fiscally transparent domicile with an abundance of investment and financial services to maintain international business, the country also boasts a well-defined real estate market, which really adds the “icing” to the cake. Within the last ten (10) years, Barbados has seen a definite evolution in its real-estate market and general architectural landscape. Visitors to the island will now see an abundance of luxury villas and townhouses decorating the island’s coastline, with ownership sometimes in place even before the contractors “broke soil”. They will also see large infrastructural improvements such as the Grantley Adams International Airport, elegant and highly functional office buildings and commercial complexes.

Both locals and investors alike have seen lucrative capital gains on sound investments made on the property front, with properties either doubling or even tripling in value within two (2) to three (3) years after purchase. Simultaneously, local Barbadians have had increased access to healthy mortgages which has seen an increase in ownership structure of housing, as well as, more modern architecture, adding to the naturally beautiful landscape.

After deciding on the perfect “get-away” house in a warmer climate or piece of land with a nice view for building, foreign nationals seeking to purchase property in Barbados, first have to seek the permission of the Central Bank of Barbados to register all funds originating outside of Barbados to be used in the purchase. This process is easily handled by the vast array of attorneys available on the island. Generally speaking, it is mandatory in Barbados for an attorney to be involved in the process of property purchase. Notwithstanding this, it is highly recommended that both vendors and purchasers obtain independent legal counsel to protect their interests.

The legal fees associated with purchasing property in Barbados is regulated within the Legal Profession (Remuneration for Non-Contentious Business) Rules, 1997 and are only negotiable to the extent that they do not go below the minimum prescribed scale. Normally the fees fall within 1% to 3% of the selling price. It is also notable that in Barbados the mortgagee is also subject to the bank’s legal fees. Persons seeking mortgages from local financial institutions are urged to shop around for the best possible rates so as to avoid vast amounts of interest payable. Sellers are subject to property transfer tax of 2.5 % and stamp-duty of 1%. The Purchasers do not pay any taxes in connection with the purchase of real property in Barbados.

The legal process involved in closing a sale and purchase of land can sometimes be prolonged for various reasons ranging from, the fact that the seller may not have good title to the property and this may first have to be rectified prior to closing the sale, to other issues such as attorney due diligence regarding searches to ensure that there are no prior charges or claims on the property and that the buyer gets good marketable title.

For the investor exploring the option of purchasing property via a corporation, the issues are different. Companies are useful tools for estate planning purposes, and as such it may be more efficient and useful to pass the shares in the company from one generation to the next as opposed to conveying the immovable property. In such case it is recommended that purchasers consult with their tax or estate planning advisors. Where the objective is to earn rental income from the property, for tax purposes it may be useful to acquire the property through a holding company. Details on these matters are best dealt with by legal practitioners.

There is no question that good governance and conservative investing has placed Barbados in a unique position to weather the global financial crisis. While the world will be busy re-designing global finance, Barbados will remain steadfast in its plan to grow the economy and develop its business structure to facilitate all types of business and further develop its real-estate, so that, for personal or investment reasons, Barbados has a wide range of products to offer. Barbados is well poised for an exciting future.