



Buying Property in the Dominican Republic

In the last five years there has been a dramatic growth in the vocational real estate development in the Dominican Republic and in particular on the North Coast in the area between

Sosua and Cabarete. There is no legal restriction on ownership of real estate in the DR. This means that there is ample opportunity for foreign investors.

Why Sosua Cabarete Area?

With investment prices rising in the Sosua-Cabarete area as much as 25% per year, it is an exciting time to purchase that beach front or ocean front property that you have always wanted.

An Overview

All real estate dealings in the Dominican Republic are based on a Title Registry System. The registry office for the Sosua-Cabarete area is located in Puerto Plata and ensures a legal land transfer process providing a central system where details of ownership, title, mortgages and other interest in property must be recorded in a public register. For legal and registration purposes, the Country is divided into different regions. Transactions and procedures can be carried out only in the office that corresponds with the location of the property being bought. For example, if you are interested in buying a property in the province of Puerto Plata (where Sosua and Cabarete areas belong), you will deal with the Title Registry Office in Puerto Plata for all your property legal and registration matters.

General Procedure

The procedure for purchasing real estate in the DR is relatively simple. When you find the right property with the help of your real estate broker, you sign an Offer Form. This practice is employed by all realtors in the DR. Before doing so, and because real estate investment involves parting with substantial sums of money, it is recommended that the Buyer seeks legal representation.

As well, the Offer Form will state the offered purchase price and the date of completion, the sale (closing). The Seller will either accept the offer as is, or return a counter offer. Once the offer is agreed upon, the sale proceeds to both the Seller's and Buyer's legal representatives for preparation and reviewing of the Purchase and Sale Agreement.

It is customary that the Buyer places 10% deposit with the offer, either with the Realtor's company or the Buyer's legal representative in Trust (escrow account) until the formal agreement for purchase and sale is executed. However, it is essential that the Buyer's lawyer research the title's authenticity in order to avoid frauds. A thorough check at the Titles Registry Office, the Land Tribunal and the General Internal Revenue Directorate (DGII) will reveal valid ownership, any restrictions, legal encumbrances or outstanding taxes that may be registered against the property and may interfere with the property purchase.

When all legality of the property is confirmed, the Buyer's lawyer prepares the formal Purchase and Sale Agreement and after the Seller's lawyer revision both sides will sign it and realtors or buyer's lawyer releases the original 10% deposit to the seller.

The closing date is usually established as part of the original offer (typically 30 to 90 days). On that date, the Buyer provides the balance of the purchase price to the Seller, who in exchange gives the title to the Buyer. This document will be sent by the Buyer's lawyer to the Title Registry Office for certification and registry. Typically there will be an administrative delay of several weeks. When all is finalized, the buyer will receive the new land title confirming his ownership of the property.

The Realtor's and Lawyer's Commissions

Even though any person has the right to seek information about the property on his own, the process maybe time consuming and full of researches to do, especially for the foreign investor. It is important to have local professionals in the field working on your side that can advise and if needed represent your interests. The realtor's commission rate is based on the sale price. Currently it is 6% on developed properties and 10% on undeveloped land. Generally the commission is reflected in the asking price and is paid by the Seller. The lawyer's commission rate is in the range of 1 to 2% and is also based on the sale price.

Transfer Property Tax

A one time Transfer Property Tax is payable on all real estate transactions. The tax is approx 5% of the value of the property transferred as opposed to the actual price paid. In other words you will typically pay Transfer Property Tax calculated on the purchase price. However, the General Internal Revenue Directorate (DG II) has the right to refer a transfer to the Land Valuation Officer for a determination of the value. If this is greater than the price paid, Transfer Property Tax will be calculated on the higher amount. Transfer Property Tax is a prerequisite to having your name entered on the title as the new property owner.

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