



# A guide to foreign investment in real estate in **Colombia**

The Colombian real estate market is experiencing significant growth and development. By 2024, the market is expected to reach a staggering value of USD\$2.58 trillion. The residential real estate segment holds the dominant position, projected to be US\$2.17 trillion in the same year.

Colombia's stunning coastal landscapes and growing tourism industry are driving demand for luxury beachfront properties.



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## Together as One

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## 1. General aspects

- 1.1 The transfer of real estate ownership is subject to several conditions, including where the property is located, the land regime, and the buyer's legal nature and nationality.
- 1.2 **Foreign investors in Colombia** have the same property rights as locals when it comes to buying and selling real estate. Since **1997**, there have been **no restrictions** on foreign ownership in the country. Unlike many Caribbean and Latin American nations, you won't need to lease the property from the government or have a citizen as a co-owner. In Colombia, you truly possess the same rights as locals regarding property ownership, and you can buy property without a visa. Additionally, having real estate allows you to live and secure residency in Colombia. Depending on the size of your investment, you may be eligible to apply for a Resident ® or Migrant (M) visa.
- 1.3 While there are no restricted zones for the acquisition of real estate by foreign investors, there are however certain limitations in:
  - 1.3.1 **Border Areas and Coast:** For foreign investors, there are restrictions on properties located in border areas and around the coast. These regions may have additional regulations due to their ecological significance or national security concerns.
  - 1.3.2 **Environmental and Ecological Zones:** When considering properties near wetlands, national parks, or other ecologically sensitive areas, it is essential to understand local zoning laws and environmental protections.
- 1.4 Real estate property rights are registered in a Public Instruments Registry Office. The Registry's purpose is to provide certainty, legal security, and publicity of legal acts.



## 2. Transfer of ownership

- 2.1 The purchase of real estate must take place in a public deed, otherwise the transfer of ownership will not be effective before third parties.
- 2.2 The notary public plays an important role in the sale process as the purchase deed must be granted before that officer. On behalf of the parties, the notary public calculates, collects, and pays the taxes caused by the sale of the real estate and submits the public deed for record at the Local Public Registry of Property.
- 2.3 Once the Public Instruments Registry Office records the new owner, a real estate registration certificate can be obtained online.

## 3. Due diligence

- 3.1 When purchasing real estate in Colombia, conducting due diligence is **essential** to make an informed decision and avoid surprises. Here are key aspects to consider:
  - 3.1.1 **Legal Status:** Verify property ownership, titles, and any liens or encumbrances. Ensure the seller has clear ownership.
  - 3.1.2 **Financial Checks:** Assess outstanding debts, unpaid taxes, and financial obligations related to the property.
  - 3.1.3 **Physical Inspection:** Inspect the property's condition, including structural elements, utilities, and any necessary repairs.
  - 3.1.4 **Regulatory Compliance:** Confirm compliance with local zoning laws, environmental regulations, and building permits.
  - 3.1.5 **Professional Assistance:** Involve experts like real estate agents, counsel, and property inspectors to navigate complexities.

## 4. Commercial and residential leases

4.1 In Colombia, the regulation for **commercial and residential leases** varies slightly:

### 4.1.1 Residential Leases:

- Lease agreements can be made orally or in writing.
- Rents can be freely agreed upon by the landlord and tenant, but the monthly rent cannot exceed 1% of the commercial value of the dwelling or part of it.
- The rent increase is allowed every 12 months, up to 100% of the Consumer Price Index for the preceding year.
- Deposits for lease agreements are prohibited.
- The contract duration can be freely agreed upon, but if unspecified, it's assumed to be one year.

### 4.1.2 Commercial Leases:

- Governed by the Civil and Commercial Code.
- Special provisions protect tenants who have occupied commercial real estate for at least two years.

4.2 Lease agreements do not require to be registered and are valid and enforceable with the sole signature of the parties.



## 5. Transaction costs and tax

5.1 The sale of real estate involves costs, including property appraisal, sales commissions, administrative charges, government fees to register deeds, notary fees, other expenses caused by a deed, and taxes.

5.2 The Notary Public's fees are established on an annual basis by the Superintendence of Notaries and Registry.

5.3 Sales commissions are normally equivalent to up to 5% of the price of the property.

5.4 **The costs of selling a property in Colombia** include several aspects, such as notary fees, taxes and other charges. The following are the main ones:

### 5.5 Notary fees:

5.5.1 **Public deed:** They represent approximately 0.27% of the value of the property (half of 0.54%, divided between the parties).

5.5.2 **Beneficence and Registry:** These expenses range between 1.67% and 2% of the value of the property.

### 5.6 Taxes:

5.6.1 **Benefit Tax:** Corresponds to 1% and is charged to legalize the property as property of the buyer before the Public Instruments Registry Office.

5.6.2 **Registration Tax:** This tax, which corresponds to the real estate registration of the property, is 0.67% (depending on the notary's office and the configuration of the property) and must be paid by the buyer.

5.6.3 **Withholding Tax:** This is an advance tax that is paid to the national tax authority for the purchase and sale of a property. The seller is the one who must pay it, and the amount varies depending on whether the seller is an individual or a legal entity (1% for individuals or 2.5% if the value of the business exceeds 685 million pesos).

## 6. Legal restrictions

6.1 The Anti-Money Laundering law establishes a general prohibition on purchasing real estate in cash.

6.2 In Colombia, the regulation of **urban wastelands**—also known as “bienes baldíos urbanos”—is a complex issue. These wastelands are properties that were ceded by the nation to local entities (municipalities and districts). However, their legal nature, uses, and purposes remain undefined, leading to regulatory challenges.

6.2.1 **Identification and Normative Sufficiency:** Urban wastelands face difficulties in terms of identification and normative sufficiency. The lack of clear rules affects property rights regulation.

6.2.2 **Institutional Management:** The management of urban wastelands suffers from institutional disparities. Administrative disharmony can lead to legal distortions during titling and real estate registration processes.

## **7. Financing**

- 7.1 Banking institutions have specific financing plans for real estate acquisition for residential and commercial purposes.
- 7.2 For example, banking institutions offer loans equivalent to 80% of the value of the property, with an average interest rate of 12%, and terms of 20 years.
- 7.3 As for industrial warehouses or shopping centers developers, banking institutions offer financing plans for construction, expansion, remodeling, and refinancing based on long-term leasing contracts.
- 7.4 Banking institutions that grant credit lines are normally secured by a mortgage on the purchased property.



## **8. Types of entities available to investors to hold real estate assets**

- 8.1 Foreign investors may hold real estate through the following modalities: a) as an individual or foreign company; b) as a Colombian company that admits foreign shareholders or partners, and c) trusts that allow the beneficiary (i.e., the foreign investor) the right to use, enjoy and exploit a real estate located in the country.
- 8.2 Equal treatment principles apply to foreign investors.

**For support and advice on investing in real estate in Colombia**

Please speak to your regular contact at our firm or contact our trusted  
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