

Bajan
Services



Knight
Frank

GUIDE TO BUYING PROPERTY IN BARBADOS



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THE RESIDENTIAL PROPERTY PURCHASE PROCEDURE IN BARBADOS

Buying property in Barbados should be relatively straightforward, but we would always recommend that you engage the services of a reputable agent who can assist with understanding the Barbados tax and legal structure, finding a suitable financial institution and eventually managing your property investment.

This document has been compiled as a guide for potential purchasers of property in Barbados. It does not seek to provide or replace legal advice which you should obtain, nor is it intended to have any contractual effect.



Here are a few things you should know about the Barbados property market:

- ◆ There are NO restrictions to non-nationals purchasing properties in Barbados
- ◆ There are no special purchase visas required and non-nationals are welcome to make Barbados their home
- ◆ There are some simple procedures that involve foreign currency being brought into Barbados, as well as funds borrowed by non-nationals, which should be registered with the Central Bank of Barbados
- ◆ There is no Capital Gains Tax in Barbados
- ◆ Prices are quoted in US\$
- ◆ Barbados currency is tied to the US\$ 2:1





PROCEDURE FOR PURCHASING PROPERTY

Transaction Costs:

- ♦ Attorney fees are approx. 1% - 2.5% plus 17.5% VAT
- ♦ You will be expected to pay the proportionate amount of Land Tax

The normal sequence for purchasing property in Barbados is as follows:

- ♦ **Offer:** Verbal offer and acceptance, followed by confirmation of the offer in writing
- ♦ **Appointment:** Engage an attorney to prepare a legally binding purchase and sale contract to be signed by both parties
- ♦ **Exchange of contracts:** Exchange sale contracts and pay a 10% deposit to the vendor's attorney within two to four weeks
- ♦ **Completion:** Conveyance and payment of the balance of the purchase price i.e. 90% within three to six months *(in the case of off-plan developments, stage payments based on construction progress may apply)*



FINANCING A PURCHASE

US Dollar Mortgage/Finance

US Dollar mortgages are readily available to non-nationals and non-residents, from the offshore sector of the local banking industry. Here is an overview of what can be expected, but we would advise you to contact these institutions for their exact terms and conditions:

- ♦ Between 60%-70% Loan-To-Value (LTV) up to US\$2.5 million
- ♦ 50% LTV in excess of US\$2.5 million
- ♦ Minimum loan value of approx. US\$250,000
- ♦ Amortization ranging between 5-25 years
- ♦ Rate LIBOR plus between 2.5%-4% *(rate can change based on market forces)*
- ♦ Bank's attorney fees are approx. 1%-2.5% plus 17.5% VAT
- ♦ Administration/arrangement fees are generally 1%

Personal requirements include, but are not limited to:

- ♦ Demonstrated foreign income stream must be provided to support repayment of mortgage *(job letters/ Income Tax Returns)*
- ♦ Current valuation/appraisal on Barbados property
- ♦ Current personal state of affairs. If a company, most banks will require audited financial statements from a reputable Chartered Accounting firm
- ♦ Bank references
- ♦ Total debt servicing ratio not to exceed 40%
- ♦ Approval by The Central Bank of Barbados
- ♦ Sales agreement and current valuation report on the Barbados property you intend to purchase

- ♦ Two forms of Government-issued identification

The institutions that offer US Dollar Mortgages are:

- ♦ The Royal Bank of Canada
- ♦ Scotiabank
- ♦ CIBC FirstCaribbean International Bank



Local Barbados Mortgage/Finance

When applying for a local Barbados Dollar mortgage there are a few important points to note. Most financial institutions require the following documentation:

- ◆ Proof of identification such as Barbados ID or passport
- ◆ Confirmation of your residential address e.g. utility bill
- ◆ Job letter from your employer and a recent pay slip
- ◆ If self-employed you will have to present financial statements for the company
- ◆ Bank statements, especially for new customers
- ◆ Barbados property sales valuation
- ◆ If you are building on the property or renovating then a contractor's estimate
- ◆ An agreement of property sale from the vendor selling the property *(where applicable)*

In general the terms and conditions for local mortgages are as follows *(these may vary among lending institutions)*:

- ◆ Interest rates between 6%-8.5%. This however, is subject to change based upon the local market
- ◆ Mortgage cover ranges from 95% of the total amount, however, some institutions do offer 100% coverage
- ◆ Housing Service Ratio (*HSR*) should not be more than 40% of gross personal income
- ◆ Collateral
 - The property itself can be used as collateral to secure your mortgage
 - Full Life Insurance
 - Cash and Bonds

Terms can vary:

- ◆ Up to 10% deposit required
- ◆ Up to 35 years to repay
- ◆ Generally lending institutions require that mortgages be repaid before you reach 70 years of age. This means that your mortgage payments and term will be calculated depending on your age and the number of years before you turn 70. However, there is flexibility with most institutions and it is always better to meet with a mortgage advisor, regardless of your age, to determine the term of your loan
- ◆ Fixed rate loans are also available



APES HILL

AT A GLANCE

BUYING

Transaction costs

- ♦ Attorney fees are approx. 1% - 2.5% plus 17.5% VAT
- ♦ You will be expected to pay the proportionate amount of Land Tax

Mortgages/Finance

- ♦ Please see previous notes

Standard Purchase Procedure

- ♦ Verbal offer and acceptance, followed by confirmation of the offer in writing (*in some cases a reservation agreement may apply*)
- ♦ Appointment: Engage an attorney to prepare a legally binding purchase and sale contract to be signed by both parties
- ♦ Exchange of contracts: Exchange sale contracts and pay a 10% deposit to the vendor's attorney within two to four weeks
- ♦ Completion of the Sale: Conveyance and payment of the balance of the purchase price i.e. 90% within three to six months (*in the case of off-plan developments, stage payments based on construction progress may apply*).

OWNING

Annual Costs

- ♦ Property insurance can vary between US\$2.50-US\$3.25 per US\$500
 - ♦ Contents insurance is recommended and this will range between US\$3.00 to US\$3.75 per US\$500
 - ♦ Land Tax:
 - Un-improved Residential Land – Site value – 0.6%
 - Improved Value – Residential
 - First US\$95,000 – exempt
 - On the excess greater than US\$95,000 but not exceeding US\$250,000 – 0.1%
 - On the excess greater than US\$250,000 but not exceeding US\$625,000 – 0.45%
 - On the excess greater than US\$625,000 – 0.75%
 - Improved Value for all other property – 0.5%
- Land Tax is capped at a maximum of US\$30,000 on residences
- Agricultural, Pensioner and Hotels will be calculated on 50% of the tax demanded and not on the site or improved values. Villas rented to the tourist market; and registered with the Barbados Tourism Authority (BTA) will be calculated on 75% of the tax demanded

Monthly Costs

- ♦ Electricity – Barbados Light & Power
- ♦ Water – Barbados Water Authority
- ♦ Telephone land line – C&W LIME or Columbus Communications
- ♦ Cable TV – MCTV by CBC, Columbus Communications or Direct TV
- ♦ Condo fees, if applicable
- ♦ Pool and garden maintenance, if applicable

Property Management

Property management services are readily available on the island and are generally based on the size and complexity of the property. The minimum charge generally starts at US\$200

Long Term Rentals

Below is the breakdown on fees as it relates to long term rentals:

- ♦ 1 month's rent for the first year
- ♦ 0.5 month's rent – half month of the first year
- ♦ 0.25 month's rent – quarter month for the first year

Short Term Rentals

An owner may prefer to look at the Holiday rental market as it provides more flexibility and personal use of the property by the landlord throughout the year. In this model the fees are between 10%-30% of the rental income (*Commission*), dependant on the source of business.

SELLING

Transaction Costs

- ♦ Attorney fees are approx. 1%-2.5% plus 17.5% VAT
- ♦ Real Estate agent's fees will be 4%-5% plus 17.5% VAT
- ♦ Stamp Duty is 1%
- ♦ Property transfer tax is payable by the vendor at the following rates:
 - Unimproved property – 2.5%
 - Improved property
 - First US\$75,000 is exempt
 - Amounts over US\$75,000 – 2.5%

Standard Selling Procedure

- ♦ Verbal offer and acceptance, followed by confirmation of the offer in writing
- ♦ Appoint an Attorney-at-law
- ♦ Exchange of contracts within two to four weeks
- ♦ Provision of copies of prior deeds
- ♦ Draft conveyance sent to the purchaser's attorney for perusal
- ♦ Signing of conveyance within three to six months
- ♦ Land tax bills and water bills must be fully paid up.

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Important Notice

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