

Purchasing property in
the

Abacos



In the Abacos - you need a Hull.....

L.C. Hull & Co.
Counsel and Attorneys



L.C. Hull & Co.

*P.O. Box AB-20415
1100 East Bay Street
Marsh Harbour
Abaco
The Bahamas*

*Telephone 242.367.2030
Fax 242.367.2844*

rhonda@lchull.com



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*T*his booklet is published by the law firm of L.C. Hull & Co. to assist prospective non-Bahamian clients in understanding the process of purchasing property in the Bahamas and in particular, the Abacos.

Our Conveyancing Department is managed by Ms. Rhonda L.C. Hull, Esq. Ms. Hull is a native Abaconian and after completing her legal training in Canada, Switzerland, the United States and Trinidad, she returned to Abaco to raise her family and practice law. Ms. Hull has been a specialist in conveyancing and real property matters for over 21 years. Her passion is in assisting others as they discover the Abacos and experience the joys of owning property here. Our Firm is a boutique specialist Firm with limited clientele accepted. You can be assured that your matter will receive daily attention. Ms. Hull would be pleased to answer your detailed enquiries.

All you need to know...



*N*ow that you've visited the amazing Abaco islands, why not purchase a little piece of paradise and spend more time with us.

Purchasing property in the Bahamas is relatively simple, although transactions often take longer than ideal but that's because of the issues involved in being on "Bahamian time" as you will come to appreciate. However, you can be assured that your matter will be handled with the utmost professionalism and advice and although it can sometimes be difficult to get timely responses from the various Government departments, Ms. Hull's experience and relationships do help greatly to achieve early settlement, and closings.

Whereas in the past, it was necessary for non-Bahamians to obtain Government approval before buying property in the Bahamas, now, in most cases, once you have completed your purchase of property, you then need to simply register your purchase with our Investments Board. Prior permission from the Government is only needed if you already own property in the Bahamas, are buying more than 2 acres or are purchasing property for reasons other than home ownership.

The Present Economy & Sample Property Prices



2008 was the year that property prices in the Abacos were at their highest in history. At this time, property prices seem to have regularized. This means great opportunities for purchasing property now.

Some comparisons:

	<u>2008</u>	<u>2012</u>	<u>2015</u>	<u>2019</u>
Vacant land on canal in Marsh Harbour	\$600,000	\$250,000	\$175,000	\$200,000
Houses on Eastern Shores	\$1,800,000	\$900,000	\$650,000	\$1,000,000
Houses in Great Abaco Club	\$2,000,000	\$1,100,000	\$700,000	\$1,000,000



	<u>2008</u>	<u>2011</u>	<u>2016</u>	<u>2019</u>
Treasure Cay vacant canal lots	\$450,000	\$150,000	\$150,000	\$250,000
Treasure Cay Condominiums	\$550,000	\$350,000	\$250,000	\$275,000
Hope Town waterfront homes	\$1,800,000	\$1,200,000	\$1,000,000	\$1,200,000
Lubbers Quarters vacant lots	\$95,000	\$50,000	\$40,000	\$45,000
50 acre parcels on mainland	\$3,500,000	\$2,000,000	\$1,500,000	\$1,200,000

Closing Fees



1. Stamp Duty 10% over 100,000 2.5 % less than 100,000

Stamp duty is payable to the Public Treasury in every real estate transaction and is calculated on the fair market value of the property (not necessarily the sale price).

Stamp duty is usually split equally between Vendor & Purchaser but if the transaction is structured as “net to Vendor” then the Purchaser will pay the entire stamp duty. In July 2011, the Government amended the Stamp Act to provide that the Treasurer can refuse to stamp a document/deed at the price shown thereon if it appears to the Treasurer that the price is not the actual market value of the property. Unfortunately the Government has not clarified the definition of “market value” but it is usually taken to mean, the price that an arms-length transaction is agreed. At the request of the Treasurer, a current appraisal may be required to confirm the market value usually paid for by the Purchaser. On rare occasions the Government has relied on the property tax value to determine the market value.



2. Legal Fees

Generally, legal fees are 2.5% of the price of the property. This scale is recommended by the Bahamas Bar Association and has remained the same for over 80 years. Both the Vendor and the Purchaser require legal representation in the Bahamas at the 2.5% rate. Where one attorney represents both the Vendor and the Purchaser, the legal fee is usually reduced to 4% or slightly lower. Clients are encouraged to speak with their attorney in advance about these fees, prior to the signing of an Agreement for Sale.

3. Real Estate Commission

The Bahamas Real Estate Agency's guidelines provide that the real estate commission on vacant land in the Abacos should be 10% of the purchase price and the commission on developed property 6%. In most transactions, it is the Vendor who is responsible to pay the real estate commission unless the transaction is negotiated on a net basis. Generally, there is very little reduction in real estate commissions so any agreements with the Realtors should be discussed early on in the negotiation process.

4. Survey Costs

In most transactions, it will be necessary to have the property surveyed by a licensed Bahamian surveyor in compliance with the Land Surveyors Act and its regulations. Presently, the cost for a compliant survey for a property in a registered Subdivision is about \$1,480.00.

5. Title Insurance

Title Insurance is relatively new in the Bahamas. In the past, the Attorney's Opinion on Title was the guarantee that the title had been examined and found to be in good and marketable order. If a title problem was discovered later, recourse would be had to the Attorney and ultimately his Professional Indemnity Insurers, in cases of gross negligence. There are now two licenced title insurance companies in the Bahamas. The cost of title insurance is approximately 1% of the value of the property. Title insurance can be arranged by your Attorney, though there is usually an additional fee to cover the costs of negotiations, communications and dealings with the title insurance company. Note that when title insurance is requested, this will delay the closing of the transaction by at least 30 days.

6. Appraisal

Appraisals by a certified appraiser are sometimes required and the cost is approximately \$850.00 plus travel expenses (min. of \$500.00).

7. Recording Fees and Other Miscellaneous Expenses

A purchaser of property in the Abacos can expect to incur the following additional closing costs:

Title Search Fee	\$500.00
Recording Fees	\$85.00 (<i>\$4.50 per page</i>)
Investment Board Permit Fee	\$500.00
<i>(plus an additional \$200.00 for courier costs)</i>	
Investments Board Certificate Fee	
(if no Permit is required)	\$250.00
<i>(plus an additional \$200.00 for courier costs)</i>	
Miscellaneous Disbursements	approximately \$250.00
<i>(including telephone charges, notary fees, photo copies, etc.)</i>	

8. Real Property Taxes

The payment of Real Property Tax is required by law in the Bahamas. The bill is due and payable once produced and must be paid by December 31 to avoid an additional 10% interest.

If a property is not up to date with its real property tax payments, it can be sold to recover the taxes owed.

Assessments are used by the Real Property Tax Valuations Unit to determine the value of a property and its related Property taxes. An assessment can be initiated by the property owner or by the Real Property Tax Unit.

Tax Rates:

Developed Property - 0.75% for the first \$500,00.00 of the assessed value, 2% on balance of value.

Owner-occupied Property - First 250,000.00 exempt, the next 250,000.00 at .625%. If over \$500,000.00 balance will be at 1%

Vacant Property: First \$7,000.00 is \$100.00 Balance at 2%

9. Approved Investment Status

Real Property transactions are governed by the International Persons Land Holding Act, which is administered by the Investments Board in the Office of the Prime Minister. However,

the non-resident who invests in real property must also register their investment with the Exchange Control Department of the Central Bank. The term given to this registration is 'Approved Investment Status'.

Approved Investment Status guarantees non-resident investors that they will be permitted to repatriate, upon application, income derived from the sale of the real property or any income received therefrom (e.g. rental income). The investor must produce documentary evidence, to the satisfaction of the Exchange Control Department, in support of the investment.

10. Remittance Approval

In early 2018, a new policy came into effect by the Government of The Bahamas such that no sale proceeds in a real estate transaction can be remitted outside of the Country to any Vendor without the Central Bank of The Bahamas' prior permission. We have been advised by the Central Bank that the turn-around time to receive said permission is 7 days after receipt of the approval application, however, we have found the timing is usually upwards of 2 weeks.



Other Things To Consider...

Building your own home in the Bahamas

Although there are no restrictions on a non-Bahamian building his own house or working on his own property, he may not use any other non-Bahamians to assist him, regardless of whether they are paid or not and whether they are family members or not.

Local Financing

In most cases, a non-Bahamian can qualify for a loan from a local bank secured by a mortgage over Bahamian property. However, the Exchange Control Department of the Central Bank of the Bahamas will need to give its approval to the arrangements. We can deal with this matter for you.

Home Rentals

Many second home-owners now rent their homes seasonally or year-round to other visitors. Homes in the Abacos can rent from \$1,000.00 - \$13,000.00 per week. Recent changes to laws now provide that if a non-Bahamian rents his home then he must obtain a Licence therefore from the Ministry of Tourism, pay 10% of rental income to the Government and file a monthly return with that Ministry. Once this is done, the Government will extend the Owner/Occupier Exemption from Real Property Taxes to the rental property even though it is not used exclusively by the Owner as his dwelling place. On each island there are several Bahamian agencies which manage home rentals.

Taking Title To Your Property

*T*here are many different ways that you can hold the title to your property in the Bahamas. For estate planning purposes, many international persons take title in a company name (which company must be incorporated or registered in the Bahamas) or in a Trust.

Companies

A Bahamian company can be incorporated to take title to your property in as little as a few days. Our company laws are modeled on the strict limitation of liability company statutes in place in other Commonwealth jurisdictions such as Canada and Australia and our judicial officers are intent to recognize the separation of liability between a company and its shareholders.

The cost to incorporate a Bahamian company is about \$3,000.00 initially. Thereafter a \$1,000.00 annual registration fee is payable to the Registrar of Companies if less than 60% of the shares in the company are beneficially owned by non-Bahamians.

A non-Bahamian company cannot take the legal title to property in the Bahamas unless it is "continued" into our jurisdiction and its statutory documents filed with our Registrar of Companies. Thereafter it will be treated similarly to a Bahamian company.

This Firm can also provide a registered office for your company and maintain your company records.

Trusts

The Bahamas is a Common Law jurisdiction and the Common Law vehicle known as a Trust is increasingly being used to take title to real property in the Bahamas. A Trust is essentially a relationship whereby property is held by one party for the benefit of another. The trustee has legal title to the trust property, but the beneficiaries have equitable title to the trust property (separation of control and ownership). The trustee owes a fiduciary duty to the beneficiaries, who are the “beneficial” owners of the trust property. (Note: A trustee may be either a natural person, or an artificial person (such as a company) and there may be a single trustee or multiple co-trustees.)

You can either create a Bahamian Trust to take title to your property or if you already have a Trust, that foreign Trust can take the title once a Permit therefore is issued by our Investments Board.



Meet The Team

Rhonda L. C. Hull

Managing Partner
of L.C. HULL & Co.



Ms. Hull obtained her Law Degree (LL.B.) from the University of Western Ontario in 1994. She was called to the Law Society of Upper Canada in 1996.

Ms. Hull then attended the University of West Indies, Hugh Wooding Law School Campus in Trinidad and was called to the Bahamas Bar in 1997. Ms. Hull subsequently obtained her Master's Degree in Residential Real Estate from Akelius University, Sweden in 2009.

Ms. Hull is a resident in Marsh Harbour, Abaco. She is a Director of private companies both within the Bahamas and in Europe.

Ms. Hull is a regular speaker at local and international conferences and seminars and also has written several articles for legal publications and international conferences.

Elizabeth Collins

Paralegal
liz@lchull.com



Ms. Collins has over 30 years experience in the legal field and assists with all aspects of real estate transactions including the drafting of legal documents, corporate matters and administrative procedures.

Charmaine Saunders

Chief Operating Officer (HCS)
charmaine@lchull.com

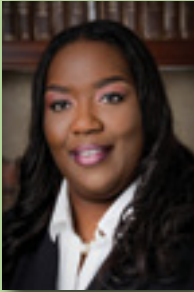


Mrs. Saunders is the second in command at our firm. She is a key member of the firm's senior management team. She also manages the Corporate Department. She has over 15 years of Corporate Management experience with Bahamian and international company incorporation, corporate directorships and continuation of foreign companies into our jurisdiction. She also offers notary services as a Justice of the Peace.

Julie Johnson

Estate Planning & Probate Manager

julie@lchull.com



Mrs. Johnson has been with the firm for 10 years and is responsible for preparing and managing probate applications and the administration of estates. Her vital role requires constant communication with clients and lawyers as well as the Public Treasury Department and the Probate Courts.

Renee Carroll

Executive Legal Secretary

renee@lchull.com



Mrs. Carroll is the Senior Legal Secretary to Ms. Rhonda Hull. She has been with the firm for over 12 years and has over 20 years legal experience in areas such as real property transactions, real estate development projects and many financing related transactions, including Legal and Equitable mortgages and Promissory Notes.

Shane Knowles

Legal Accountant

shane@lchull.com



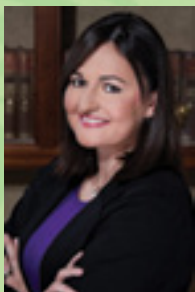
Mrs. Knowles' role is imperative. She is in charge of managing, auditing and reporting the firm's finances. She maintains the Client Trust Accounts and oversees the processes involved with the operation of our US\$ Client Accounts.

Mrs. Knowles is also responsible for filing all of our VAT Taxes, Central Bank reporting and all other aspects of administrative accounting including payroll and NIB filings.

Amy Sawyer

Office Administrator

amy@lchull.com



As a new member of our firm, Mrs. Sawyer has the sole responsibility for handling all of the Firm's operational and administrative matters, coordinating office activities and operations to secure efficiency and compliance with company policies.

Mrs. Sawyer has over 10 years of experience in office management procedures and Government accounting principles.





Next time you are in Abaco, please take a few minutes to stop by and meet us. We are located in Royal House, across from the Abaco Beach Resort entrance in downtown Marsh Harbour. Call or email us for further information at:

(242) 367-2030
P.O. Box AB-20415
Marsh Harbour, Abaco, Bahamas
rhonda@lchull.com
www.LCHull.com

We work with all of the licensed real estate agents in the Abacos to ensure that your purchase process is smooth and efficient and indeed a pleasant experience in your new island home.