

Laws, practices, pitfalls, tips, and guide to each island's real estate.

How to Buy and Sell Real Estate in the Bahamas

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How to Buy and Sell

Real Estate

in the

Bahamas!
Insider's Guide



Matthew Simon

How to Buy & Sell Real Estate in the Bahamas: Insider's Guide

By Matthew Simon

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Introduction and Table of Contents

Experience, it is said, is learning from your mistakes. Wisdom is learning from other people's mistakes. Since I began investing in real estate in the Bahamas, I have made every mistake at least twice, which means, by our definition, that I have deep experience. You, on the other hand, are going to have wisdom.

Whether you are looking for a house, a condominium, a building lot, or acreage, this book will explain the process of buying and selling, point out the pitfalls, and provide you with the unbiased advice and information you need to make the right decisions.

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Chapter 1. Overview of the Bahamas

Why Buy Real Estate In The Bahamas?

The islands of the Bahamas begin just fifty miles off the coast of Florida. The country is safe, stable, and friendly. Bahamians speak our language and accept our currency. Foreigners can own land directly. Property rights are strong. And did I mention pink sand, turquoise water, and balmy winters?

Best of all, there are thousands of miles of oceanfront land in the Bahamas, and most of it can be bought for a fraction of what it would cost in the U.S. You won't find deals like this in Florida:

- Nineteen acres of land with 300' of cliff-top frontage overlooking the Caribbean for \$695,000
- One-half acre of land with 100' of beach frontage for \$360,000
- One-quarter acre of land with 90' of rocky frontage on the Caribbean for \$195,000

Eleuthera, where these listings were found, is not the cheapest island either, but it has perhaps the best combination of reasonable prices, easy accessibility, and good infrastructure. As you proceed south to the more remote and less populated islands, the prices get even better as the inconvenience grows. For specifics about the various islands, see Chapter 5, below.

Overview

The Bahamas is an archipelago of 700 islands that extends from 50 miles off the coast of Florida to as far south as Haiti and Cuba. Only a few dozen of the islands are inhabited. The islands of New Providence, home to Nassau, and Grand Bahama, where Freeport is located, account for most of the 300,000

residents of the country. The so-called Out Islands, also known as the Family Islands, are sparsely populated, dotted with villages which rarely have more than a few hundred souls.

Weather

A nineteenth-century traveler dubbed the Bahamas “The Isles of Perpetual June,” and with good reason. Thanks to the Gulf Stream and trade winds, temperatures are mild year round. The average daytime high during the winter is 78 degrees Fahrenheit, with a night time low of 67°. During the summer, the daytime high averages 88° and the night time low 77°. Water temperatures are just as comfortable, ranging from 74° in the winter to 84° in the summer.

Government

Formerly a British colony, the Bahamas has been independent since 1973. It remains a member of the British Commonwealth and recognizes the British monarch as head of state. The country is a stable parliamentary democracy. World Audit gave the Bahamas the highest possible scores for political rights and civil liberties. The legal system is based on English Common Law, with additional statutes added in over the years. The system functions well. The Heritage Organization in 2008 gave the Bahamas an 80% score for property rights. No country received a score higher than 90%.

The two major political parties are the Free National Movement (FNM), currently in power, and the Progressive Liberal Party (PLP). The PLP, the original party of the black majority, ruled from 1967 until 1992. In that year, the FNM, which had a more conservative, pro-business economic agenda, came to power for the first time. The FNM took a variety of steps to open the economy to private enterprise and foreign investment. The results were positive, enabling the FNM to stay in power for 10 years. When the PLP regained power for five years (2002-2007), it

did little to change the FNM's pro-business agenda, in spite of its populist creed. The FNM regained power in a close election in the spring of 2007. To a casual observer like myself, there is little difference in the policies of the two parties today, at least as far as real estate investment goes. They are both eager to promote economic growth through certain types of foreign investment.

Economy and Taxes

The Bahamas has a stable, free-market economy that depends on tourism and off-shore banking. The Heritage Organization ranked the Bahamas 24th out of 160 countries in terms of the openness and freedom of its economy. The Bahamas has no corporate income tax, no personal income tax, no capital gains tax, no sales tax, and no estate tax. Yes, you read that correctly. Bahamians do pay property taxes, and so will you, but they're reasonable. See Chapter 2 for details. The Bahamas also levies import duties that average 30-35%, as well as a variety of stamp taxes. The real estate stamp tax, described in more detail in the next chapter, adds up to 10% to the cost of every real estate transaction.

Restrictions on Foreign Investment

Here's an area where the Heritage Organization gives the Bahamas a failing grade—40%, in fact. Many areas of the economy are closed to foreigners, and most others are restricted by burdensome red tape. Real estate is only partially affected. Foreigners may buy residential properties of up to five acres without any significant restrictions. For larger parcels of land, there is a complex application process which, although time-consuming, usually results in approval. (See Chapter 2 for details.)

Infrastructure

The quality of the roads and utilities services varies from island to island. Roads on some of the Out Islands are not well maintained. Electric service is universal, and on most of the islands is now reliable enough that a back-up generator is not essential. Telephone and GSM cell phone service is excellent throughout the Bahamas, and high-speed internet is also widely available via DSL and/or cable. Airports are ubiquitous, although air service to some of the less populous locations is limited. We will provide more details about infrastructure in Chapter 5, when we look at each island.

Chapter 2. Real Estate Transactions in the Bahamas

The Basics

Ownership of land in the Bahamas, as in the U.S., is based on English common law. Land is generally owned fee simple (freehold), as in the United States.

The buying/selling process is more informal than in the U.S. I have never seen an Offer to Purchase in the Bahamas. Rather, verbal offers and counter-offers are made, either through real estate agents or directly, until the price and terms are agreed upon. At that point, the attorneys for the buyer and seller work out the details of a Purchase Agreement, which both parties sign. At least a week and sometimes several pass between agreement on price and terms and the final execution of the Purchase Agreement, leaving plenty of uneasy time while you wonder if the other guy is going to change his mind.

The Purchase Agreement, which is the Bahamian equivalent of what Americans call a Purchase and Sale Agreement, has some language that will be unfamiliar. But the elements are the same—buyer, seller, price, contingencies—and your attorney will understand it, even if you don't.

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