

Guide to purchasing property in The Bahamas

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Introduction

A second home in The Bahamas has been a highly sought-after commodity for international buyers from time immemorial. The Bahamas is an archipelagic nation of 700 islands and cays, with each island providing its own charm and unique Bahamian culture. As the value of real property in the jurisdiction tends to hold or gradually appreciate over time, the purchase of real property remains a viable and attainable wealth-creating mechanism.

What you should know

The Bahamas has an unregistered land system which is based on the conveyancing laws of England and Wales prior to 1925.

Title must be deduced by the seller for a period of no more than 30 years or title must otherwise commence with a grant or lease by the Crown or a certificate of title granted by the court in accordance with the provisions of the Quieting Titles Act, whichever period is shorter. Accordingly, it is customary for a buyer to engage a local attorney to search title and to issue a title opinion for the purpose of ensuring that the seller has good and marketable documentary title.

The ownership of land by non-Bahamians is regulated by the International Persons Landholding Act. Where a non-Bahamian wishes to purchase a home or condominium for use as a family residence or undeveloped land not exceeding two acres in size for the construction of a family home, the purchase must be registered with Bahamas Investments Board after closing. Where a non-Bahamian wishes to purchase a home or condominium or undeveloped land exceeding two acres in size for any other use (ie, as rental property or any other commercial use), the purchase must be approved by the Bahamas Investments Board before closing. It is also common for land to be held in the name of a company or by a family trust for estate planning purposes.

Non-Bahamians who acquire a residence in The Bahamas may apply for annual or permanent resident status (without the right to work) upon completion of the purchase of the property. To be eligible for economic permanent residency (without the right to work), the non-Bahamian must purchase a home with a minimum value of \$750,000 for their use as a family residence.

Financing the purchase

Financing through local lending institutions is available for non-Bahamians who wish to purchase real estate in The Bahamas. Where purchase financing is required, it is customary for the sale agreement to be made subject to a condition precedent for financing to be secured within a reasonable period of time prior to closing.

Engaging a realtor

There are numerous local real estate firms (some are affiliated with international brokerage houses) that have been in operation for many years and can provide a wealth of knowledge on land purchases and rentals, property listings and marketing.

Engaging an attorney

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A local attorney should be engaged at the outset of the transaction to assist with the entire process – they should review the offer letter, purchase and sale agreement, construction agreement, loan facility letter and any other key documents before they are signed.

When acting for a vendor, the routine tasks of a local attorney should include:

- drafting the sale agreement;
- drafting the conveyance and any other closing documents;
- deducing title to the purchaser and answering any requisitions on title; and
- assisting with closing the transaction.

When acting for a purchaser, the routine tasks of a local attorney should include:

- reviewing the offer letter;
- reviewing the sale agreement;
- conducting a title search and issuing a title opinion;
- reviewing the conveyance and any other closing documents;
- assisting with obtaining a certificate or permit from the Bahamas Investments Board;
- assisting with the purchase financing (if required); and
- assisting with closing the transaction.

Costs and fees

Value added tax is payable on the sale and purchase of real property at the following rates:

- 2.5% when the purchase price is under \$100,000; and
- 10% when the purchase price exceeds \$100,000.

Real estate broker fees are usually payable as follows:

- 6% of the purchase price for improved property; and
- 10% of the purchase price for undeveloped property.

Comment

The advice of a local attorney should be sought at the outset of a transaction to ensure that the process is as seamless as possible and to identify any potential issues before the parties enter into a binding agreement. A local attorney should be able to assist with all related aspects of purchasing real estate in The Bahamas and any related estate planning, including marina club memberships and applying for residency status.

For further information on this topic please contact [Anwar Mitchell](mailto:aemitchell@lennoxpaton.com) at Lennox Paton by telephone (+1 242 502 5000) or email (aemitchell@lennoxpaton.com). The Lennox Paton website can be accessed at www.lennoxpaton.com.

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