



Costa Rica: The investment paradise

Investment has resurged as a niche for allocation of resources, because real estate is simply a secure tangible asset, and not like international stock markets which currently have been flooded with uncertainty and scandals

For many years, Costa Rica has been one of the most favorable destinations for foreign investors or retirees to allocate their financial resources, not only for the variety and beauty of the properties in the market, the country's economic and social stability, which is a very rare commodity due to the financial upsets occurring internationally, but simply for the great margin of profitability it has generated.

Investing is an art of reducing and controlling risks, therefore, acknowledging that not even a real estate paradise like Costa Rica is perfect, is the best way to ensure a safeguard to a profitable investment. Our real estate market has been

affected by the international economic events, however, it hasn't been infected by them, therefore, our remark is simple, investing in real estate assets in the country at this time, is one of the safest financial decisions investors can find, because different deals, commodities and amenities are being offered to people willing to cease opportunities, investigate, analyze and act.

Real estate guru Donald Trump stated: *"Only invest in what you know, or invest with people who are really good and have a great financial track record."*



Regarding this quote, the most important aspect on a secure investment is information. Investors or people looking to relocate to the country have access to volumes of information from land development projects, farms, and houses offered for sale.

However, in order to secure real estate investments, we recommend the following:

1- Visit the assets of interest.

While this might appear very basic, it's important for foreigners to know the people and companies behind the assets of interests, as well as the status or phase of the constructions offered. This will circumvent buying into projects, which are merely in an architectural design phase or lack the legal permits to make them viable and certain. Opt for finished projects or at least projects in a very advance phase of construction, paying a little more now could turn to be a lot less in the future.

2- Property Due Diligence Reports (PDDR).

Our National Registry holds all the property records, assigning an identification number to every property registered known as "Folio Real". A due diligence report will provide an objective title search of the property, containing information of property area, ownership, boundaries, locations, liens, mortgages encumbrances and other historic antecedents.

3- Professional Legal Aid.

Negotiation of a good business deal requires knowledge of the law and the real estate market, given the fact that alongside many well-known realtors and developers, investors could run into people with less than good intentions. Therefore, a wise decision is to work along a recognized legal firm for structuring the basic contractual terms of the Purchase and Sale Agreement (PSA). Investors should avoid at all costs conflicts that could end up in the country's courts; as the best way to protect investment's profitability. Therefore, the PSA drafted should include an Alternative Dispute Resolution Clause (ADRC), to resolve any conflict either through mediation or arbitration procedures.

4- Use an Escrow Agreement.

The best way to avoid any discrepancies regarding parties' obligations is acting through an Escrow Agent, which will perform as an impartial third party, binded to the terms and conditions of the escrow agreement.



5- Deed and Transaction Closing.

Hire a recognized Law Firm or Notary Public to structure the transfer deed and/or mortgage deed if necessary, handle the closing and disbursement of the funds, and proceed with the registration of the new owner's deed in the National Registry. Many bitter experiences have occurred because the Notaries in charge of the recording the ownership deeds, didn't comply with their legal obligations.

6- Contract a Title Insurance Policy.

Contracting Title Insurance Policies is very common now days, due to the fact it has become a necessity for investors and developers that come from abroad. Title Insurance is an indemnity policy that protects the owner's legal right to posses, use, control and dispose of land against any loss or challenge to their titles. It implicates an extra cost which could save you thousands of dollars. Without Title Insurance in the US you can not get financing without this.

7- Registry Property Surveillance Contract.

Investors can opt to protect their investments, hiring a company that provides on daily basis, monitoring of property registry's status, granting that in case of property theft, owners can be aware of the situation, allowing the proper legal measurements to be taken in its due time. Our National Registry has an internet platform that allows property monitoring from abroad, so investors can control their investment when deemed necessary.

8- Beware of Squatters.

In order to avoid the high risk of real estate dispossession as a consequence of squatter invasion, investors should understand that property can't be left unprotected and that property rights in Costa Rica need to be exercised diligently. Because many investors or retirees do not actually live in the country, the best way to evade this possibility is to hire private security to prevent squatting from happening. The safeguard to real estate investment is information.

Investigate, analyze and act or give us a call and we'll do it for you. FERRIS & ASSOCIATES Boutique Law Firm.

