

Thinking of buying an international property?

Consider these pointers before you make a move

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In 2015, Tim and Marie-Jo Thomson decided to sell the home they had lived in for 30 years in Burlington, Ont., to head down a road that a lot of Canadians only dream about.

The couple bought a three-bedroom house in a gated community close to Tamarindo, a town in Costa Rica located near the northwest Pacific coastline. They used part of the property as a vacation rental and started their own surfing business.

It was a tough two years during the pandemic, but business is picking up again, says Mr. Thomson, with bookings filling up for the winter – and so far, they are happy with their life-changing decision. “People think it’s glamorous to live in a tropical climate, and it can be if you do it right.”

If you’re thinking of buying an international property, here are some things to keep in mind.

DO YOUR RESEARCH

According to a 2021 report by the Canadian Real Estate Association, 39 per cent of Canadians who bought a home outside Canada did so in the U.S. (mostly Florida). Tying for second place was Costa Rica and Mexico (12 per cent), followed by the Dominican Republic (5 per cent), Portugal (5 per cent) and the Bahamas (4 per cent).

“Foreign real estate is a way to diversify your portfolio and enjoy a higher quality of life,” says Savannah Bruce, co-founder and vice-president of real estate for Offshore Circle, a company that assists those looking to make international real estate investments, including help with citizenship and residency by investment programs.

Many Canadians move for lifestyle reasons, as well as business propositions. Others buy properties in distant locales to run vacation rentals, via platforms like Airbnb and Vrbo, from their primary residences in Canada.

“Do your research on the country and the people,” Mr. Thomson says. “I [advise] people to rent there before they buy. Spend some time.” Some expats

become frustrated because “it’s not like home,” he says. “Embrace the culture, the beauty and the people. Adapt and you will have no problems.”

And make sure you can buy land and “not get ripped off and have your house taken away,” he adds.

BUYER BEWARE ON A HOME PURCHASE

Familiarize yourself with the laws of the country and immigration statuses as well as its language, says broker Jim Botaish, who owns RE/MAX Isla, on Isla Mujeres, Mexico.

For example, Mr. Thomson is permitted to start a business in Costa Rica but can’t work there to cover any rental income shortfalls.

And do your research on the actual property. In his case, they didn’t get a home inspection and now they’re dealing with structural damage on their porch because of termites.

FIND A REPUTABLE REAL ESTATE AGENT AND LAWYER

Don’t visit a country and buy a property blindly, Ms. Bruce

advises. Work with a reputable lawyer and real estate agent to make sure your contract and title are in order.

“In most countries, foreigners cannot hold direct title,” Mr. Botaish explains, “so there are legal ways for foreigners to purchase property by means of opening a foreign company or corporation to hold title.”

“In Mexico, that option is available as well as a bank trust called a *fideicomiso*. A local real estate agent can also bring you up to speed on closing costs, property taxes, insurance and income taxes if you decide to rent.”

HIRE A GOOD PROPERTY MANAGER

If you’re not going to live there, don’t leave the home empty for long periods (beware squatters rights), and don’t hire the wrong property manager. Bad reviews can kill a property rental business.

“You don’t need the headaches, since those are hard to deal with from Toronto,” Mr. Thomson adds.

DON’T ASSUME YOU CAN GET A MORTGAGE

Banks like RBC can help Canadians looking to buy in the U.S. get mortgage financing. To buy in other popular destinations, like Mexico, it’s not as easy.

“Almost all foreign real estate transactions are done with cash with a documented bank wire transfer,” Mr. Botaish says. “Banks in home countries normally do not offer any financing or mortgages for foreign real estate purchases. Sometimes mortgage companies in that country offer partial loans, although with upfront fees and very high interest rates if you are not a resident.”

In some cases, foreign investors in the U.K. can access favourable loans, says Ms. Bruce. In Panama, many developers will offer financing as well.

And finally, evaluate any tax benefits – some projects qualify for special tax breaks. In Panama, where Offshore Circle helps a lot of Canadians invest, select projects in Panama City’s Casco Viejo district, a UNESCO World Heritage site, have a reduced mortgage rate – and no property taxes for 30 years.

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