



Bogota Foreign Investment Guide - 2025



Chapter 10.

► Real Estate Acquisition and Leasing Investment stage

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Is there any special treatment for foreigners regarding the acquisition and leasing of real estate in Colombia.

In Colombia the regime for leasing and acquisition of real estate is the same for nationals and foreigners. Thus, real estate transactions do not contemplate additional tax, legal or financial burdens for foreign investors.



What is the process for the acquisition of real estate?

1.

Due diligence:

this stage includes real estate, security and urban planning due diligence.

• **Real estate due diligence:** this stage is aimed to **verify that:** (i) the seller is the actual owner of the property and has a clear title over the property; (ii) there are no chain of title breaks; (iii) the property is free of liens, encumbrances and any other risk that may affect the transfer such as possible confiscation risks; (iv) there are no outstanding debts for taxes or duties over the property.

In the case of rural real estate, this real estate due diligence also includes verifying that the property complies with rural real estate regulations in Colombia.

• **Urban due diligence:** this stage is aimed to verify: (i) the use to be granted to the property is authorized by urban planning regulations and the respective urban permits (if these have already been issued); (ii) the property is not located in a risk zone that may affect the development of the activity to be carried out on the property.

• **Security study:** in order to prevent reputational risks, land restitution (in the case of rural properties) and legal risks such as forfeiture of ownership, a study is conducted on the background of the seller and the former owners of the property.

2.

Letter of intention (LOI) and promissory sale and purchase agreement

It is customary that prior to the performance of the due diligence, the parties sign a letter of intent (which in many cases is of a non-binding nature) regulating the terms and conditions of the potential sale and purchase.

Subsequently, the parties usually enter into a promissory sale and purchase agreement in order to bind the parties to sign the sale and purchase agreement. The promissory sale and purchase agreement is a binding document that regulates the final definitive terms of the transaction.

3.

Execution of the sale and purchase agreement

The real estate purchase agreement must be granted in a public deed before a Notary Public's office (deed of transfer).

Normally, the Notary Public's officials prepare the draft of the deed of transfer and send it to the parties for review.

The cost of this procedure is approximately 0.54 % of the value of the sale price and is paid directly at the Notary Public's office. Usually, 50 % of the value is paid by the seller and 50 % by the buyer.



- **Registry:** in order to transfer the real estate, the deed of transfer must be recorded before the Land Registrar of the municipality where the property is located.

The cost of this procedure is 1.67 % of the value of the sale price. Usually this value is totally paid by the buyer.

What should I know about the commercial lease?

The parties are free to negotiate the terms of a commercial lease. Usually these leases have a term of two to five years, but the parties may agree to a different term.

► Termination and tenant's right to demand extension

The tenant of commercial establishments who has used the real estate for more than two years and has complied with the terms and conditions of the lease, has the legal right to the automatic extension of the agreement, unless:

- I) The tenant has breached the lease.
- II) The landlord needs the real estate for its own business, which must be substantially different from that of the tenant.
- III) There is a need to repair or demolish the real estate.

► Basic obligations of landlord and tenants

The landlord's main obligations are the following: (i) to perform the necessary repairs, which are those aimed to keep the property in good condition; (ii) to keep the tenant free from any disturbance as to the use and enjoyment; (iii) to keep the property so it can be used as agreed.

The tenant's main obligations include: (i) to use the property in accordance with the terms of the lease; (ii) to preserve the property and make the rental repairs, which are those arising as a consequence of the willful misconduct or fault of the tenant or its dependents in the use of the property; (iii) to pay the monthly rent and public services within the agreed term.

What shall I know about a commercial trust agreement?

The commercial trust is an agreement by virtue of which a person called settlor transfers a real estate to a trust administered by a trust company, which is obliged to administer or dispose of it to fulfill a purpose determined by the settlor for the benefit of the settlor or of a third party called beneficiary. A person may be both settlor and beneficiary at the same time.

For the constitution of a commercial trust, the settlor must transfer the right of ownership of the respective real estate to a trust through a public deed that must be registered before the Land Registrar.

There are several types of commercial trusts, one of which is the real estate trust.

► Real estate trust

In a real estate trust, the settlor transfers the real estate and money to a trust in order for the trust company to manage the assets subject to a real estate project and/or to perform such project in accordance with the instructions set forth in the respective agreement.

There are two types of real estate trusts:

1.

Parking trust

In this modality, the settlor transfers the real estate to a trust so that the trust company may administer it and develop the management entrusted by the settlor, allocating the real estate together with its yields, if any, to the fulfillment of the indicated purpose.

2.

Parking and payment trust

In this trust scheme, the settlor transfers the real estate to a trust company, as well as other assets or money (if any), so that the trust company may manage the real estate project, make the payments associated with its development in accordance with the guidelines set forth in the agreements and transfer the units built to the beneficiaries of the respective agreement (if any).

How do municipal urban planning regulations work?

In general terms, with the exception of the higher hierarchy determinants, municipalities have autonomy to regulate municipal norms regarding the development of their territory.

► City Master Plan (CMT)

City Master Plans are the rules that regulate the objectives, guidelines, policies, strategies, goals, programs, actions and standards adopted to guide and manage the physical development of the territory and the use of the land.

The City Master Plans establish, among other things, the permitted land uses according to the location of each property within the respective municipality.



How do urban permits for real estate construction work?

An urban permit is an administrative act, issued by the urban curator or the municipal or district authority, whose purpose is the prior authorization to carry out works of urbanization and subdivision of real estate, construction, expansion, adaptation, restoration, structural reinforcement, among others, and intervention and occupation of public space, and to carry out the subdivision of land.

The types of urban permits are as follows:

1.

Development permit:

is the authorization to perform, on one or several real estate located on urban land, the creation of public and private spaces, the construction of public roads and the performance of infrastructure works and public services. Such constructions allow the adaptation, provision and subdivision of these lands for the future construction of buildings for urban uses, in accordance with the POT.

This permit includes the regulatory framework on uses, buildability, volume, accessibility and other technical aspects on which construction permits will be issued for new constructions on the properties that arise from the development.

2.

Rural development permit:

prior authorization to perform, in one or several properties located in rural and suburban land, the creation of public and private spaces and the construction of works for roads and infrastructure, which guarantee the self-provision of household public services

3.

Division permit:

prior authorization to divide real estate located in rural, urban or urban expansion land in accordance with the CMP and other applicable regulations.

4.

Building permit:

prior authorization to build buildings, circulation areas and communal areas in one or several unbuilt properties or whose area is free due to total demolition authorization, in accordance with the provisions of the CMP, the Special Management and Protection Plans for Properties of Cultural Interest and other regulations governing the matter. The building permits will specifically specify the uses, buildability, volume, accessibility and other technical aspects approved for the respective building.

The types of building permits are as follows: (i) new work; (ii) adequacy; (iii) modification; (iv) expansion; (v) restoration; (vi) structural reinforcement; (vii) demolition; (viii) reconstruction; (ix) enclosure.



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