

THE PROPERTY PURCHASE PROCESS IN URUGUAY

January, 2010

Who can purchase property in Uruguay?

- Uruguayan Nationals

- Non-Uruguayans:

- With Uruguayan Citizenship (Dual Nationality)

- Without Uruguayan Residency or Citizenship

- Without Having Ever Entered Uruguay

- ✓ In Sum: There are is no differential treatment, restrictions or impediments for foreign buyers of property

How can property be purchased in Uruguay?

- By one or more individuals:
- By a Company / Corporation:
 - Local Company: Sociedad Anonima (SA), SRL, etc.
 - Foreign Company: Delaware LLC, Panama Corp., BVI Co., etc.
- By an Individual through a fully owned Corporation:
 - Local Company: Sociedad Anonima (SA), SRL, etc.
 - Foreign Company: Delaware LLC, Panama Corp., BVI Co., etc.

What can a foreign buyer purchase in Uruguay?

- Beachfront Properties:

- No prohibitions

- Rural Properties:

- Farms, Ranches

- No issues regarding borderline properties

- Apartments, Houses, etc.

- ✓ In Sum: There are no restrictions as to what type of properties foreign buyers can acquire

How are properties individualized in Uruguay?

- By the property's Title / Deed with its "Padron" number
- Plus its "Plano" (Map)
- Plus a recorded entry in the Public Registry
- And: For rural land, online "CONEAT" system of mapping shows the property's soil types and productivity index

Structuring the Property Purchase

- The purchase process requires the assistance by a Notary Public.
- The Notary Public is appointed by the buyer.

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- What is a Notary Public?
 - A type of lawyer, usually member of a Law Firm
 - Registered with the Supreme Court of Justice
 - He/She is responsible for looking after the buyer's interest in the purchase process, ensuring the property has a clean title

What is the Notary Public's role?

- Protects the interests of the buyer in the purchase process, verifying the good standing of the deed/title
 - The Notary conducts an analysis of the title and studies the property's ownership history 30 years back
- Drafts the Purchase Document and structures the Purchase
- Acts as Escrow Agent for the down payment / deposit on the Property
- Records the purchase at the Public Registry
- Optional: Custodian of the deed after the purchase

What are the Public Registries and How do they Work?

- Every property in Uruguay has a number that identifies it, the “Padron” Number
- Ownership of every property (individualized by its “Padron” Number) is recorded in a Public Registry
- The Public Registry (which is subdivided into sections, and geographically) has all the necessary information that has to be verified to make sure the buyer obtains a clean title:
 - Ownership history, Liens, Mortgages, Etc.

The Purchase Process: Steps?

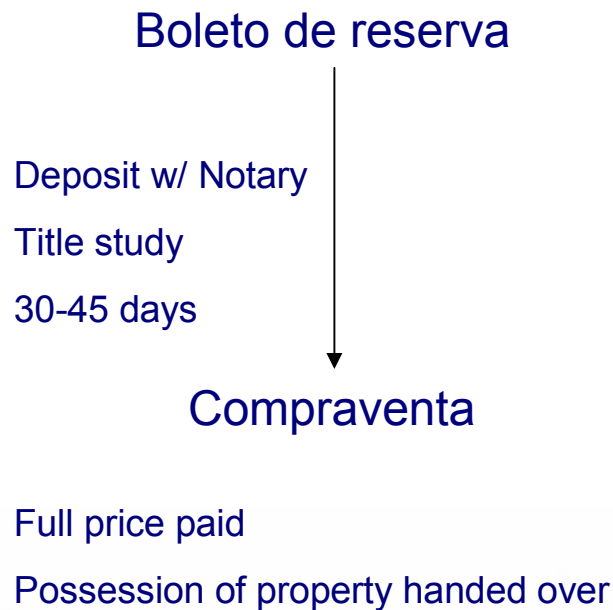
- The buyer selects a property, and agrees on the price
- The buyer's Notary Public contacts the seller, and drafts the first document, the "Boleto de Reserva", which:
 - Secures the purchase, committing seller and buyer
 - Sets a Penalty if either party breaches the commitment
 - Sets the amount that is deposited simultaneously with signing of the Boleto de Reserva (usually 10% of the price), which stays in escrow with the Notary that the buyer appointed
 - Allows 30-45 day window to verify the good standing of the property
 - Sets the closing date, when the full price is paid and the property is transferred

The Purchase Process: Steps? (cont.)

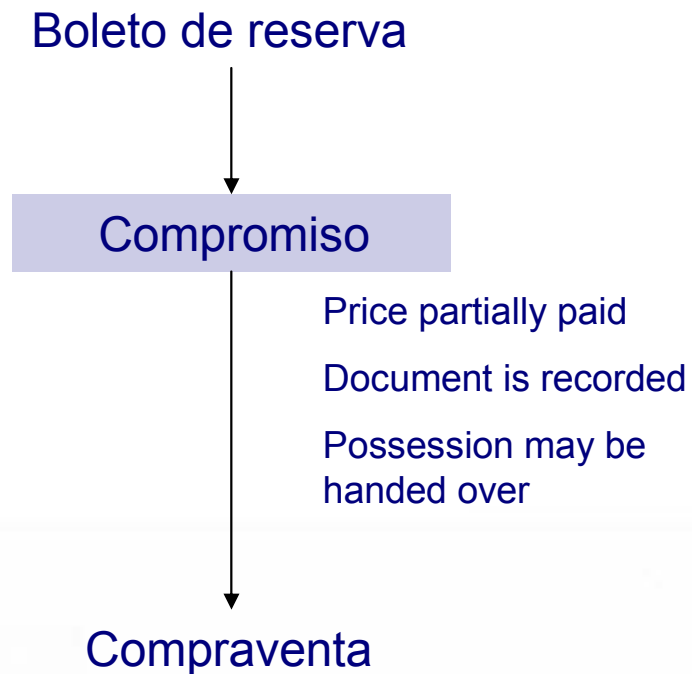
- After signing the “Boleto de Reserva”, the buyer’s Notary verifies the good standing of the property and its title/deed:
 - Analyzes title/deed
 - Verifies information in Public Registry
 - Verifies tax situation, etc.
- The Notary drafts the purchase document (“Escritura de Compraventa”)
- The purchase document is signed, the property is transferred, and the price is paid
- The Notary records the purchase in the Public Registry

The Purchase Process: Steps? (cont.)

Case 1: Full Price Paid



Case 2: Price Paid in Installments



Purchase Transaction Costs for the Buyer

- Transaction Costs total approximately 8% in Uruguay:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Notary Public 's Fee: 3% plus VAT (22%) = 3.66%
 - Deed Registration Stamp Duties (“Montepios”): 0.55%
 - Registry and Tax Certificates Stamp Duties: USD 200 on average
 - Property Transfer Tax: 2% of the Fiscal Value of the Property (which is usually substantially lower than the market value)

- The Transaction Costs when selling are lower:
 - Real Estate Agent Fee: 3% plus VAT (22%) = 3.66%
 - Property Transfer Tax: 2% of the Fiscal Value of the Property

Financing Your Purchase

■ Seller Financing:

- Usually Short-Term (less than 2 years)
- Interest rate: Usually Approximately 8%

■ Bank Financing with Local Banks (For Non-Residents):

- Up to 10 years
- Up to 50% of the Property's Value
- Interest Rate: 9%
- Income Proof and other documentation required

* Note: These conditions are the current market ones, Nov. 2007

Fischer & Schickendantz: Who We Are

- Leading Full-Service Law Firm:
 - Clients: mostly foreign companies and individuals
- Staff:
 - Bilingual
 - Notaries Public, Attorneys, Tax Advisors
- Services (covering all of Uruguay):
 - Notary / Legal Assistance in the Purchase Process
 - Tax and Banking Advice
 - Company Formation
 - Title Insurance Advice
 - Immigration / Residency

Fischer & Schickendantz : Who We Are

- Main office: Rincón 487, Piso 4, Montevideo, Uruguay
- References:
 - First American Corp. (world's largest title insurance company)
 - World Bank (www.doingbusiness.org)
 - Global law firms: Mayer, Brown, Rowe & Maw; White & Case;
 - Member Transatlantic Law International (www.transatlanticlaw.com)
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Further Information

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Detailed presentations on:

Legal Landmarks and Taxes

The Property Purchase Process

Residency and Immigration

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