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Cuba to Allow Buying and Selling of Property, With Few Restrictions

By **DAMIEN CAVE**

MEXICO CITY — Cuba announced a new property law Thursday that promises to allow citizens and permanent residents to buy and sell real estate — the most significant market-oriented change yet approved by the government of **Raúl Castro**, and one that will probably reshape Cuba's cities and conceptions of class.

The new rules go into effect on Nov. 10, according to Cuba's state-run newspaper, and while some of the fine print is still being written, the law published on Thursday amounts to a major break from decades of socialist housing. For the first time since the early days of the revolution, buyers and sellers will be allowed to set home prices and move when they want. Transactions of various kinds, including sales, trades and gifts to relatives by Cubans who are emigrating, will no longer be subject to government approval, the new law says.

“To say that it's huge is an understatement,” said Pedro Freyre, an expert in Cuban-American legal relations who teaches at Columbia Law School. “This is the foundation, this is how you build capitalism, by allowing the free trade of property.”

Cuban officials would disagree; they argue that they are carefully protecting socialism as they move toward economic reform, and the new law includes some provisions that seem aimed at controlling both speculation and the concentration of wealth. Owners will be limited to two homes (a residence and a vacation property) and financing must go through Cuba's Central Bank, which will charge fees, which have not been determined. And a tax of 8 percent will be split by the buyer and seller.

Nonetheless, experts and Cuban residents — [who have been expecting the law for months](#) — say the law's implications are likely to be far-reaching. In a country defined by limited change and pent-up demand for freedom of all kinds, they argue, the law will probably open a Pandora's box of benefits and risks.

On one hand, billions of dollars in property assets that have been essentially unvalued or undervalued and locked in place for decades would be available for sale.

Economists on the island favoring economic liberalization have said the country's other changes — [making room for small businesses](#), and private agriculture — have been limited by lack of internal demand. Some experts say home sales could free up the capital needed to jumpstart the island's economy. At the very least, they argue, it will probably lead to a boom in renovation.

“With a housing market, suddenly people have some wealth and that's a stake in the economy that generates activity,” said Ted Henken, a professor at Baruch College in New York.

Yet on the other hand, there are also significant social concerns. Mario Coyula, Havana's director of urbanism and architecture in the 1970s and '80s, said that wide-scale buying and selling would lead to a “huge rearrangement” in Havana and other cities as the wealthy move to better areas. He and others said it would inevitably exacerbate class conflict.

And because the island has a shortage of housing — with many families and even divorced couples continuing to live together for lack of a better option — critics say that any displacement could raise the prospect of homelessness. For example, if two families are sharing a home and one holds what currently amounts to Cuban title with limited rights, the new law says that the titleholder can sell and the tenant family will eventually have to move.

Many Cubans say they are afraid that the market system will leave them in the lurch.

“What happens if I sell my home and then I can't find another one to buy? Where do I sleep?” said Félix Méndez, a 47-year-old hospital technician looking at signs for property exchanges tacked to trees on a Havana boulevard. He said he would prefer to stick with the complex bartering system currently in use. (Under the new law, that too will be subject to a tax — 4 percent of the value of the transaction.)

One unanswered question involves the role of foreigners and Cuban exiles. The law generally requires permanent residency, but Mr. Freyre said the section of the law applying to areas of “descanso” or “veraneo” — vacation or summer destinations — leaves open the possibility of looser enforcement in selected places, perhaps coastal areas, Old Havana and the [golf communities that are currently under development](#) with foreign investment.

The new law does not broach the subject of property confiscated by the government in the early years of the revolution. Lawyers and experts say these claims, representing tens of billions of dollars, are still a long shot. Property law worldwide generally favors compensation, not the right of return, and Cuba has yet to show serious interest in addressing the issue. Officials have insisted that the United States must first pay restitution for the economic damage caused by the 1962 trade embargo.

Still, sanctioned or not, Cuban-Americans will undoubtedly find a way into Cuban real estate. With President Obama's 2009 decision to allow unlimited travel and remittances for Cuban-Americans, a constant flow of money and visits has become the norm. In exile communities like Miami, there are already efforts under way to funnel money to relatives so that they can buy new homes or old family homes that were nationalized.

Most experts, and Cubans on the island, expect these efforts to accelerate. Nov. 10 may be the starting gun for an indirect investment race.

"I don't know if they will control the market," Philip Peters, an expert at the Lexington Institute in Washington, said of Cuban-Americans. "But it is certainly going to be the case that the market is going to settle in a way that's heavily influenced by demand from outside Cuba coming from relatives."

Of course, even if the market is open, it may not be transparent. The culture of hiding wealth, from the government, from neighbors, is deeply engrained in Cuba, and though the new law includes the threat of prison for people caught lying about home prices, Cubans who work in real estate today expect buyers and sellers to disguise the true value of transactions.

"Nobody who has been working, honestly, in a job in Cuba in the past 50 years could possibly afford to buy a second home," said Gerardo, a property broker in Havana who asked that his full name not be used because his job was still illegal. "That money has to come from relatives overseas."

He added that nascent capitalism would probably include a black market just as hard to figure out and uproot as the underground economy that has grown up around decades of socialism.

Victoria Burnett contributed reporting from Havana.