



Short Article

Property Rights: A Pending Task in Puerto Rico

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Takeaways

A stable legal framework with well-defined and protected property rights is one of the necessary conditions for economic growth and prosperity.

Having the certainty of owning property encourages the owner to invest in it, knowing that the benefits will be theirs.

After Hurricane María, many families applied for public assistance to repair their homes but were denied because they did not have a property title.

It is necessary to reduce bureaucracy so that registering a property takes less time, something that could be achieved through the unification and digitalization of procedures.

Article

The existence of clearly defined property rights is of vital importance for the development and well-being of citizens in any society. Economic literature has shown for decades that a stable legal framework with well-defined and protected property rights is one of the necessary conditions for economic growth and prosperity. The existence of private ownership over a country's resources allows them to be efficiently allocated in the market. When all things have an owner, they can become objects of free exchange, enabling those who value them most or expect to obtain the greatest benefit to acquire them. Evidently, without the existence of these rights, such goods could neither be bought nor sold, since without an owner they would belong to everyone and to no one at the same time, with all the problems that this situation generates.

As Friedrich Hayek comments in his book *Capitalism, Morality and Markets*, private property is not an end in itself but rather an instrument — a key institution for the functioning of the market. Moreover, property rights provide security to their owners; in this sense, the system of private property is the most important guarantee of freedom, as Hayek outlines in *The Road to Serfdom*. Knowing that owners will have full legal control over their goods encourages their care and investment, since the benefits or losses derived from their use will fall upon the owners themselves. This allows the individual to stand as a moral agent within society.

The existence of a property registry is essential, particularly for real property—that is, land and buildings. Every country needs an institution that records who owns each parcel of land, each building, and each home. This institution must be updated as quickly as possible after every transaction, and it must also verify beforehand that a person is indeed the owner of a piece of real property before selling it, and so forth. Such a system allows individuals to be certain that they own their property—their home, for example—with the guarantee that no one can take it away or claim it, and with the assurance that caring for it will not be in vain, since any improvements may benefit them through an increase in the property's value. This does not apply only to property used for housing. Having certainty of ownership of property for agriculture or industry, for example, encourages the owner to invest in it, knowing that the benefits will be theirs and that no one can expropriate them.

Having introduced the importance of property rights, let us now examine this issue in Puerto Rico. Although private property is recognized as a right on the Island, its application presents certain problems. According to the Puerto Rican Planning Society, around 260,000 homes in Puerto Rico lack property titles, either because they were built illegally or because they were constructed on land not owned by the builders and were never registered. These facts show that property rights over land are not adequately protected and that the Puerto Rico Property Registry does not function effectively, as it fails to record many constructions. This problem became evident after Hurricane María, when many families applied for public assistance to repair their homes but were denied because they could not prove ownership of their real property.

On the other hand, many people are highly reluctant to register their properties, and the reasons are varied. Registering real property in Puerto Rico is a very costly task, both in terms of time and money. According to the World Bank, on average eight procedures are required, the process takes 190 days, and the cost exceeds 1.5% of the property's value. This makes Puerto Rico one of the places where registering property is most difficult and onerous, with the economic and social consequences already discussed at the beginning of the article.

The implications of this for legislators are significant. First, it would be advisable to audit and regularize property rights for all constructions and land on the Island, so that the property registry is updated to adequately reflect reality. Finally, a reform of the registry itself would be desirable. Bureaucracy must be reduced so that registering property takes less time, something that could be achieved through the unification and digitalization of procedures, as well as by streamlining processes within the registry. The costs of the process should also be reduced, especially for families with fewer resources, so that registering property does not severely damage their finances.

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