



**Prudential**

California Realty  
Northern Baja Division

## **Foreigners can safely buy property in México and enjoy the full rights of ownership.**

Buying in México is quite different than buying in the USA. However it can be done in a completely safe manner. The most important component of a safe purchase of a real estate investment in México is to have a qualified, knowledgeable, local real estate specialist from a reputable, recognizable brokerage working in your favor. They can guide you to safely acquirable property as well as guide you through the purchase process with the seller, lawyer and notary without risk.

It is a common misconception that only Mexicans can own real estate in México. There are two legal vehicles foreigners can use to safely secure ownership of property in México:

**Fee Simple** - Escritura –for property not in the restricted zone or, if the property resides in the restricted zone it can be purchased by a corporation that is wholly owned by foreigners. The later is more typically done with commercial property but has been used for residential as well.

**Bank Trust** - Fidecomiso –where the Bank becomes the trustee and the buyer becomes the beneficiary of the trust. This is facilitated as a result of how the trust is implemented the buyer enjoys all of the same rights as they would in fee simple ownership: the rights to buy, sell, lease, use, bequeath, improve, transfer and encumber. A Fidecomiso works much the same way as a family trust in the United States. This is the simplest safest way for a foreigner to hold real property in coastal México.

### **What is the Restricted Zone?**

The restricted zone runs 100 kilometers (62 miles) along the Mexican border and 50 kilometers (31 miles) along the coast and was established 1917 to protect the sovereignty of México as a result of the incursions by other countries in the 1800's. In 1973 the foreign investment law was established to allow non-Mexican nationals one time 30 years bank trust to hold title in the restricted zone. In the 1993 the foreign investment law was amended to allow bank trusts to be infinitely renewable for 50 year periods and the associated legislation was overhauled, tightened up and in conjunction with NAFTA has created a very safe investment environment. This is, in part, propelling the current surge in investments in Mexican coastal real estate.

### **The Mexican government can NOT and does NOT Seize Foreigners Property.**

There have been stories in the news that imply that the Mexican government can arbitrarily confiscate foreign owned properties. In every case the properties were lawfully held by another party and the courts were merely acting to return the property to its rightful owner (not the Mexican government). A qualified, local real estate professional can guide you past any potential risk in this area.

### **What protection does NAFTA provide?**

There are provisions within NAFTA that protect the investments made by US citizens in México and provide specific impartial resolution process for any issues that arise. Considering that major US developers, hotel chains and institutional investors have been investing hundreds of millions of dollars in Cabo San Lucas for years, and now are focusing in on Northern Baja, buyers should have a high level of confidence in investing this area today.

## Why is investing in Mexican real estate so popular these days?

### Title Insurance

Buyers can now get title insurance through reputable US companies like First American Title. This has become available as a result of the "Foreign Investment Law"

### Financing

US companies like Finance North American are now offering financing that is virtually identical to what you can get for US homes. 30 year terms, reasonable rates and similar points. Closing costs are higher and time to close a loan takes longer.

### Performance Bonds

Some developers offer performance bonds on their projects. This provides insurance regarding the completion and timing of the project.

### Value

Plush, Riviera style, coastal homes in exclusive, secure resort settings come priced in a range that is significantly more accessible than north of the border. The resort communities of Northern Baja are as luxurious and upscale as their cousins down south with the advantage of being driving distance from most of the southwest and less than 1 hour from the San Diego Airport.

### Escrow

With the popularity and availability of quality presales opportunities the importance of credible escrow services has become imperative. Escrow services have created another level of security for transactions. However, read escrow instructions carefully as they vary widely and the release of funds is not always the same as in the US.

## Be an Informed Investor

### Ejido land

Land deeded to the indigenous communal people of México. This land must go through a process of agrarian reform and privatization before it can be sold. Seek

### The 99 year lease

A land lease is not an ownership vehicle. Land leases can only be established for less than 10 years. There are no 10+10+10 agreements that are legally binding. There is no longer the legendary "99 Year Lease" in fact there really never was. These are not an investment and offer nothing more than renting the land and any improvements pass on to the land owner.

### When Considering a PreSale, make certain to ask the right questions

- Certificate of no liens?
- Title insurance for the project?
- Can a Fidecomiso eventually be obtained and what is the time frame?
- What are the details of the escrow program?

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