



Buying Real Estate in Mexico

Myths vs Realities

Buying Real Estate in Mexico can be one of the best investments of a lifetime. Our clients' needs vary and include those who are looking to extend their property investment portfolio, folks who wish to relocate with the family, people looking to find that perfect condo with all the trimmings for retirement, or a combination of a tropical home and rental income generator when you are not in Mexico.

[Click here to see the step-by-step process.](#)

MYTH: Foreigners cannot buy property in Mexico.

FACT: Foreigners CAN buy property inside the restricted zones with a trust, and outside of the restricted zones with no trust needed.

MYTH: Foreigners cannot buy property inside of the "Restricted Zones" (within 100 kilometers from any national border and 50 kilometers from any ocean.)

FACT: The Fideicomiso system was specifically designed to allow foreigners to purchase property inside of the Restricted Zones.

MYTH: Real Estate in Mexico is really just a "Lease".

FACT: The trust has a 50-year lifespan. Unlike a lease, at the end of the 50-year period, it will become renewable for a filing fee of approximately \$1,000US. Thereafter it is renewable in the same manner, for subsequent 50 year periods in perpetuity. The bank acts as a trustee – most banks in Mexico have trust departments to manage trusts (fideicomisos). They charge an annual trustee fee of about \$550US and each bank charges vary slightly. The trusts in the banks are 'off balance-sheet assets' in that in the event of a bank closure or dissolution (there has never been a bank failure in Mexico – ever), the trusts are not considered assets of the bank and would be assigned to another bank under the auspices of the Bank of Mexico.

One of the interesting differences we noticed was the use of "Notarios" or Notaries. These individuals are NOT like the simple Notary Public in Canada or the USA. They must pass the Mexican equivalent of the bar exam, they are then required to take two years of extensive study while practicing in a notary's office following which they are subjected to a 3-day examination program and finally must be appointed by the state to a specific office in a city of which there are only a predetermined number of "notario" offices appointed. Notaries in Mexico are the only entities that are recognized by the Commercial and Land Registry and the Taxation Authority and they are empowered to collect taxes for all 3 levels of government.

Once you complete the purchase process you are then the proud owner of the beneficial rights of a trust, the body of which is the property. Think of a glass of water – the glass represents the trust and the water is the property. You have complete control of the glass. Same thing with a trust – you control it completely. You can sell the property, rent it, gift it or lend it – just so long as whatever it is you are doing with it is legal. You will also be obliged to maintain it and pay property taxes. Property taxes are .08% of the assessed value – which was established when you purchased the property by way of the tax assessment appraisal that was registered with the assessment office (the 'Catastro').

Mortgage Info

The Real Estate market in PV (Also Cabo and Cancun) is 99.99% cash. If the money is borrowed it is done via refi or HELOC on properties in Canada or the USA.

Canadian/USA financial institutions do not lend/mortgage properties outside of their respective countries.

Rates and down-payments are much higher than in Canada/USA, closing time is much longer and closing costs are high.

These mortgage companies do not lend on pre-construction sales.

[Click here](#) if you are still interested in Mortgages.

Additional details regarding The Trust or Fideicomiso

Simply put, the fideicomiso is a long-term irrevocable bank trust. A Mexican fiduciary bank holds the title to the property however, cedes the rights to own and occupy, remodel, sell, give away or leave to your heirs.

The fideicomiso is not a lease, but a renewable trust held currently for 50 years (and renewable) in perpetuity.

Now, a little history on the origin of the fideicomiso. The 1917 Mexican Constitution banned foreign ownership of any land within the Restricted Zone, which is land located within 100 kilometers (62 miles) of any national border and within 50 kilometers (31 miles) of any ocean. In the 1970s Mexico's leaders realized that the economic development of the country was paramount and foreign investment was necessary. The dilemma was that the constitution could not be violated and yet they needed this asset (desirable coastal real estate) to be available to foreigners.

The key became the fideicomiso, or trust. Ownership of real estate in Mexico for foreigners comes from the Foreign Investment Law that was approved by President Luis Echeverria in 1973.

The Foreign Investment Law of 1973 allowed a different treatment of real estate within and outside the Restricted Zone. Foreigners can own land outside the RZ without the need of a trust. Chapala and Guadalajara are locations where a number of foreigners own with a simple escritura or deed. Land inside the RZ would be within a fideicomiso trust.

The investment trust program was very successful, and in 1989, the Mexican government signed into law the ability for foreigners to have successive extensions of the trust through a simple application process when the expiration of the original trust period came due. The fideicomiso is now renewable in perpetuity.

The trust is privately held in a Mexican bank authorized to act as a trustee. The trusts are **not** assets on the books of the bank, nor are banks allowed to take any action without written instruction from the beneficiary of the trust. The bank holds title to the real estate in trust, and the foreigner is designated as the holder of the beneficial rights of the trust, which includes the right to sell, improve, and will to heirs, or exercise any legal right under the law.

As the beneficiary, the foreigner has the equitable interest in the property through whatever market variations may occur. In other words, any equity or the loss of equity accrues to the holder of the trust, not the bank.

When the actual sale takes place at the office of a notary, the foreign owner may assign his/her beneficial interest in the trust to the new buyer.

Closing costs for the buyer are normally acquisition tax, city appraisal, foreign permits, bank trust set-up and first-year administration fee, notary costs, title insurance, or survey, if requested. Closing costs for the seller include payment of capital gains tax, trust cancellation, if applicable, and real estate fees. Capital gains tax is computed using the declared value of the purchase price in the seller's deed and the tax value, which form a basis to index appreciation or depreciation and deduct allowable receipts to arrive at an amount of tax. Each individual case will be different and proper analysis by a qualified professional is necessary. This computation is usually done by the notary closing the sale.

Use the [FlexMLS search tool](#) to find your dream home in Mexico!

Buying a Home – Procedure, and Stages

[Finding the right home for you.](#)

Before you start your search, we will spend some time with you in order to know exactly what price range of properties you

should be searching for. It is critical to ascertain how much time you will be spending in PV, and if you will be looking at your home as an income generation vehicle. If you are not in Puerto Vallarta, we can set up a Zoom meeting with you about what you might be interested in seeing, your current needs and needs for the future, property “must-haves” and any other special requirements. We will explain the process to you, answer questions about the various areas of our city to answer any of your concerns. When you are here in Puerto Vallarta, we will take you on a tour, showing you the properties that fit your needs.

[Before you start your search - keep closing costs in mind.](#)

Closing Costs In Mexico Explained

Closing Costs in Mexico are very different from what the US or Canadian citizens would pay when purchasing a property in their home country. In Mexico, the closing costs associated with purchasing property are assessed to the buyer. They are not a shared cost between buyer and seller and the fees are not negotiable. You will need to factor this into your budget.

The Closing Costs in Mexico consist of various fees and expenses and generally total between 4% to 6% of the actual purchase price (higher if there is a mortgage involved). These costs are always the responsibility of the buyer. (The seller will bear the cost of the real estate fees and his capital gains taxes, as applicable). There are fees that apply when the buyer is obtaining a new 50 years Trust Deed / Fideicomiso such as the Application and Permit Fee and the Foreign Investment Registration. If the seller has a Trust Deed in place already and beneficial rights are being transferred from seller to buyer the Application, Permit Fee, and Foreign Investment Registration would not apply. If the buyer is taking the title in an Escritura (the Mexican National's Deed) then no trust fee applies as there is no trust bank involved for the buyer. However, if the seller, in that case, has a Trust Deed / Fideicomiso then there will be a cancellation fee of the Trust Deed assessed to the seller.

Closing Costs are generally as follows: (these fees – in USD – are to be used as a guideline only and are approximate. They will vary according to the size of the transaction and the exchange rate at the time).

- Transfer tax – 2% State Tax.
- Appraisal Fee - \$550 (NB: This is not a commercial appraisal and does not meet or provide comparative market information or analysis. It is solely for determining the value for tax purposes).
- Trust Permit – \$1,000 Department of Foreign Affairs Mexico City
- Foreign Investment Registry - \$700 Department of Foreign Investment Mexico City
- Trustee Bank Acceptance Fee - \$550 Wherever the Trust Division of the Trustee Bank is located in Mexico.
- Trustee Bank First Year's Trust Fee - \$550 Wherever the Trust Division of the Trustee Bank is located in Mexico.
- Non-Encumbrance Certificate – The Non-Encumbrance Certificate from the Land Registry Office (LRO) in Jalisco or Nayarit is about \$15.
- Preventative Notice Advice – The Preventative Notice Advice from the LRO is about \$30.
- Registration Fees in the LRO – Registration Fees in the Land Registry Office vary from .5% to 1.0% (Jalisco/Nayarit).
- Notary's Fee – The Notary's Fee in Mexico varies from .5% to 1% depending upon transaction size.

[Making An Offer](#)

When you decide that it is the right time, we will help you prepare an offer. Our offers are prepared in a double-column format in both English and Spanish so that you are not signing something you do not understand. Our standard offers will establish price and terms, a list of contingency items that must be satisfied in order to close, and will set the closing date for the transaction, generally 30-45 days following the acceptance of the Offer. If you are not physically in Puerto Vallarta, the signed offer may be scanned and e-mailed to us and we will then present the offer to the agent that represents the Seller of the property.

If you receive a counteroffer to the original offer, it may contain, among other things, a request for a new price and terms, an answer to the information you might have requested, and other items. We will consult with you on whether or not to respond with another counteroffer, not responding at all (and letting the deal expire) or accepting the counteroffer as written and thus accepting the offer! Congratulations! This can all be done via fax or e-mail with original signatures required once we have the final accepted offer.

You and the seller have reached an agreement – what great news! Before we can proceed with the closing process, we need to review the contingency and due diligence items that we have requested in the initial offer and see which have been satisfied. Listed below is a standard list of documents we request in all offers; certain items would not apply in certain situations:


- Escritura* (Deed of Title) – We need to know that the Seller is the owner (either fee simple or in fideicomiso) of the property.
- Current Property Tax Bill* and if possible, its corresponding payment. - It is important to see how much the property taxes will be each year. Property taxes are notoriously low here. Figure on paying around \$100 USD for each increment of

\$100,000.00 USD of the value of the property, i.e., a condo that is valued at \$300,000.00 will pay around \$300 USD per year in property tax.

- Inventory/Exclusion List – Resale properties typically include all major furniture but do not usually include art, art objects, and personal effects. Brand new developments will typically include some kind of appliances but not furnishings. You need to know what the property includes for the price you are paying.
- Property Disclosure Statement and Statement of No Pending Litigation – Statements from the Seller as a disclosure on the property. These are not required by law, but Coldwell Banker requires these for the protection of all parties.
- ID Requirements Format – This is a new format required under Mexican law which is basically a summary of the documents and information required by the Notary to close a transaction. We provide this to our clients at the beginning so that they know what to expect.
- Privacy Statement – Again, a new requirement under Mexican law, and we provide a privacy statement to each of our clients in an easy-to-read bilingual format.
- Copies of Utility Bills (recent) – We will need to see the services on the property to show you, The Buyer as well as to prepare the transfer document to transfer the utilities to you, The Buyer at closing since utilities are never turned off and then on again but instead simply transferred to the new owner.
- Rental Calendar and Income and Expense Statements – For those that rent and may be marketing the property as an investment property, this will be important. The calendar is also important in the event you have reserved the property for dates that will be post-closing, as a Buyer will be due those rentals and/or deposits.
- Condominium Documents (in Spanish):
 - 1) Condominium Regime – The Notary will need this document to close and it is also important to review as it usually includes the Bylaws. The Spanish recorded version is the binding version, so it is more important to see that version rather than an English translation.
 - 2) Bylaws – The document will show the Buyer whatever restrictions may exist against pets, noise, etc.
 - 3) Copies of Minutes of the Meetings for the Last 2 Years – This is important to see how the condominium is run, any issues that might be pending, any modifications to bylaws, etc.
 - 4) Condominium Financial Statements for the past 2 years – Important to see the finances of the condominium, how are the maintenance fees used, who is paying and who is not, and if there is a reserve account established.
- Current Budget – All Buyers want to know what to expect insofar as monthly maintenance.
- Certificate of No Liens – To show that there are/are no liens against the property and if there are, the nature of the lien.
- Closing Cost Estimate – We will obtain an estimate for closing costs from the Notary office once we have an accepted price. Closing costs are anywhere from 3-8% of the price. In Mexico, the Buyer pays for all closing costs while the Seller pays the real estate commissions and selling capital gains tax

THE CLOSING COORDINATOR

Here in PV all the agencies use a closing coordinator. They are lawyers who work for you, the buyer, to ensure that all of the documentation required is gathered and submitted to the notaria prior to closing. The notaria is also a specialized lawyer, in Mexico, who oversees the transaction. Here is an example of



COLDWELL BANKER
LA COSTA

Property Name CONSTITUCION BANK NAME			Downpayment in closing costs: Date Sales price: \$X40,000 USD		
Lawyer in charge:					
CONTINGENCY ITEM	TIME PERIOD	PARTY TO ACT	DEADLINE TO PROVIDE AND RESPOND	PROVIDED	Resolution / Comments
Downpayment in closing costs	-	Buyer			
Request documentation from the parties and the property	15 business days	Both			
Once receipt of the property deed, the passport of the parties and the beneficiary designation, the SRE permit will be elaborated	2 business days after receiving the documentation	closing coordinator			
Send the SRE permit to the Bank for review	1 business days	closing coordinator			
Receipt and authorization of Volvo of the SRE permit	2 business days	closing coordinator			
Request administrative documentation (CLG, CNA, APPRASIAL)	15 business days	closing coordinator			
Receipt of the authorized SRE permit	18 business days	closing coordinator			
Send project for bank review	7 business days	closing coordinator			
Send project for notary review	5 business days	closing coordinator			
Sending of apportionment and letter of assignment of services	5 business days	seller			
Send project for agent review, invoicing data and signature date (7 working days prior to signature)	5 business days	closing coordinator			
Send balance sheet to the buyer (5 working days prior to signing)	5 business days	closing coordinator			
Closing Date	-	Both			
Delay on closing date	-	Both			
This closing calendar is subject to change (in case of any extraordinary situation, please communicate it as soon as possible for adjustments).					
Notary:			Coordination by:		

[During the Due Diligence Period](#)

During the time you are reviewing these and other documents on the property, you will also have a chance to make construction inspections, obtain financing if that is a contingency and otherwise determine whether or not you feel comfortable going forward with the transaction. We usually allow for a period of 15 days for due diligence (longer if the property is commercial or more complicated). At the end of the due diligence period, you will either make the determination to go forward or you will decide against the purchase with no obligation or penalty.

[Opening Escrow](#)

It is the standard here in Mexico for the Buyer to make a good faith deposit into escrow in an amount equivalent to 10% of the agreed-upon price. We use well-recognized title companies to hold escrow and the cost is usually about \$750.00 USD. In addition to this 50% of the closing costs need to be deposited at this time. A few days prior to the closing, the Buyer will deposit the balance of the purchase funds into escrow where funds will be held until the closing date when Seller transfers title to Buyer.

[The Closing Process](#)

Escrow is open, and contingencies are removed! What does this mean? This generally means that the Buyer has deposited the required 10% good faith deposit into the escrow account and is satisfied with the due diligence and has removed the contractual contingencies. This means we are going forward to closing. We work closely with the Notary to coordinate all closing aspects of the transaction.

Do I need to be present for the closing? As the Buyer, you may or may not need to be present at the closing. If your presence is required, you can be here personally or grant a power of attorney to someone that you trust to sign documents at closing on your behalf. As your real estate agent, we cannot act as your representative in this aspect as it would be a conflict of interest. If you cannot be present, the power of attorney can be prepared for you to sign.

If you are in the United States, you can have the power of attorney notarized by a local notary and then “apostilled” by the Secretary of State of the state in which you sign. If you Google “apostille + secretary of state + (the name of your state)”, information will come up on how to get this done. It is very simple.

If you are Canadian, you will have to have the power of attorney signed in the Mexican Consulate nearest you and each consulate has its own format and rules. [This link](#) shows the information on the consulates in Canada.

What else do I need to do for closing? You will need to prepare to take ownership of the property and anything that might entail; hiring staff, hiring a property manager, preparing to assume the payment of the bills that correspond to the property once closing has taken place. We will provide you with a proration statement prior to closing to show what expenses were prepaid and must be reimbursed by you to the Seller at closing if any.

The closing date is here! Finally! The closing date is here. The Notary office will set the time of closing according to the schedules of both Buyer and Seller and based on the Notary office workload and availability. Generally, closings take place after 10 am and before 5 pm. Up to three days prior to going to the Notary, the Buyer will usually do a walk-through of the property just to make sure everything is in place. Once the Seller leaves the property after the walkthrough, they will not return.

At the Notary office, you will review the paperwork with the Notary and closing coordinator to make sure everything is in order. Aside from the deed transferring title from the Seller to you, you will be signing disbursement instructions to the escrow which instructs the escrow where to send funds. Once documents are signed, the Notary will send the escrow the disbursement, and copies of the deed and funds will be released. You will get the keys from the Seller and the closing is complete! You will receive your final recorded “escritura” (deed) within about 6 months of the closing. In the meantime, the Notary will provide you with a copy for your records.

Buyers Handbook

Sellers Handbook

Download Guide

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