



# Buying In The Riviera Maya



# OWNING PROPERTY IN MEXICO



For a foreigner (anyone who is not a Mexican National or has Mexican heritage) there are two ways of legally owning property in Mexico. Seeking international investment, the Mexican government has gone to great lengths to make the process safe and simple.

You will take title in one of two ways: either through a Fideicomiso (FEE-day-coh-MEE-soh) which is a bank-held trust, or through a Mexican corporation.

## BUYING THROUGH A FIDEICOMISO

A fideicomiso is a real estate trust held on your behalf by a Mexican bank of your choosing. You may utilize one of the many international banks in Mexico (HSBC, Banamex/Citigroup, Scotia Bank, etc...) or any Mexican bank.

The purpose of the fideicomiso is to allow foreigners to buy prime Mexican real estate inside the “restricted zone”. The “restricted zone” is any land within 31 miles or 50 km of the coastline and 62 miles or 100 km of the borders.

The bank acts as the Trustee, and you are the Beneficiary of the Trust.

You maintain complete control over the Trust, which you can enjoy, lease, improve, mortgage, sell, inherit and will. The trust is similar to a Living Trust in the US.

The Trust is NOT an asset of the bank. If the bank were to cease doing business, another Trustee bank would be substituted automatically.

The cost of a Trust includes \$1,500US set-up fee, \$500US registration fee and \$500 - \$800US annual fee. The trust is initially established for a period of 50 years and can be renewed by submitting a simple form and paying a nominal fee for another 50 years.

## BUYING THROUGH A CORPORATION

If you intend to do business in Mexico then it may be worthwhile to purchase real estate through a corporation. The cost to set up a Mexican Corporation through an attorney is typically around \$1,500US and there is an additional fee of approximately \$100US per month for accounting thereafter. Taxes are filed once a month and there is also an annual filing.



# WHO WILL REPRESENT ME AND PROTECT MY INTERESTS?

There are four parties involved in Mexico real estate transactions inside the restricted zone. All are helpful in their respective areas and each serves a purpose in assisting you.



## THE REAL ESTATE COMPANY

It can be difficult navigating the unique issues surrounding purchasing Mexican real estate. Your real estate company should be experienced and knowledgeable in the market you intend to purchase. Your realtor will be your main guide throughout the buying process.



## BUYER'S ATTORNEY

Your realtor should be able to provide you with a number of options for hiring legal council. Your attorney will represent you and is solely there to protect your interests.



## BANK - (WHEN BUYING THROUGH A FIDEICOMISO)

The bank ensures that the closing is legal and compliant. They will create the trust you will use for the real estate transaction.



## NOTARY

The Notary or "Notario Publico" is a licensed attorney, certified by the state and Federal government, to act as an official and unbiased representative of the government of Mexico. The notary performs a variety of tasks including the authentication of legal documents, the calculation of capital gains tax, and is responsible for ratifying ALL real estate transactions in Mexico



# CAN THE GOVERNMENT EVER TAKE MY PROPERTY? -ABSOLUTELY NOT.

Mexican law states that the government may not directly or indirectly, expropriate property except for a public purpose such as building roads. This can only happen through a legal condemnation process. In the rare case where it is necessary to expropriate land, the government will pay swift and fair market compensation to the owner, together with accrued interest.

## WHO OWNS THE RIGHTS TO THE COASTLINE AND BEACHES?

All beaches in Mexico are owned by the Federal Government so anyone may use them. You have a right to walk on the beach anywhere in Mexico.



## WHAT IS EJIDO LAND?

Ejido land is property that was given to the Ejido tribe by the agricultural department so the land may be worked and used to support the Ejidatarios (tribal members). Many Ejidatarios have gone to great lengths to secure titles for their land. Ejido land should only be purchased when titled, and risks should not be taken with untitled Ejido land.



**TD Luxury**  
PROPERTIES

## LAND DIMENSIONS

- ✓ How many square meters in a hectare?  
10,000 square meters.
- ✓ What is the dimension of a hectare?  
100 meters x 100 meters.
- ✓ How many square feet in a square meter?  
10.76 square feet.
- ✓ How many linear feet in a linear meter?  
3.3 feet.

## DO I NEED TITLE INSURANCE?

Title insurance is commonly used in U.S. and Canada, but not in Mexico. Your attorney and Notary will verify that the title is free of any encumbrance. If you do wish to purchase Title Insurance, your realtor should be able to provide information on a number of insurance companies.

Typically, a policy will cost between \$500-\$900US for residential and \$10,000-\$50,000US for a hotel acquisition (depending on the purchase price and value).

A preliminary title search will cost between \$1500 - \$1800US to approve a policy for a prospective buyer.

## PROPERTY INSURANCE?

Mexican law does not allow punitive damages to be applied in a legal case and very few frivolous lawsuits are filed in Mexico.

Therefore, property insurance is very inexpensive.



## WHAT ARE PROPERTY TAXES IN MEXICO?

Annual property taxes are one tenth of one percent (.01%) For example, the owner of a \$500,000US condominium would pay \$500US annually.

## WHAT IS THE CAPITAL GAINS TAX RATE IN MEXICO?

The Capital Gains Tax Rate is 30% of the profit from selling your property. Due to generous tax deductions, most people end up paying between 5-10%.

## MAY I USE MY RETIREMENT ACCOUNT TO PURCHASE REAL ESTATE IN MEXICO?

Most IRAs and some 401K plans are eligible to purchase Mexican real estate. This is a preferred method by approximately 30% of buyers due to the potential high rate of return, and the fact that the money has already been saved for investment purposes. Speak to your real estate agent to learn more.





# THE BUYING PROCESS

## GETTING ANSWERS TO YOUR INITIAL QUESTIONS

Your realtor will setup a conference call with your English speaking Mexican attorney. On that call, your many questions will be addressed including questions on title and taxes.

01

## SUBMIT THE OTP

Your realtor will submit the OTP to the seller along with a copy of the good faith deposit being held by your attorney. Expect a counter offer followed by a negotiation until the price and terms are agreed upon.

03

## SALES CONTRACT

Your attorney will draw up a sales contract (Promise to Purchase Agreement). Upon acceptance by the seller, a good faith deposit is required to take the property off the market. Normally this is 40-50% of the purchase price. The deposit is held by your attorney until closing.

05

## OFFER TO PURCHASE (OTP)

With your realtor, an OTP will be prepared for the seller. The OTP will clearly outline the price and terms of the transaction.

02

## GOOD FAITH/EARNEST MONEY DEPOSIT

You will provide a Good Faith Deposit to your attorney's client/trust account. Your attorney will forward your realtor evidence of the deposit to be used when presenting the OTP. This money remains in your attorney's client/trust account until the closing. For a fee, you may also setup an escrow account with a local title company.

04

## CLOSING

Your attorney will setup the bank trust or Mexican corporation and research the title. A closing will be scheduled with the Notary.

06

# CLOSING COSTS

For cash purchases, total Closing Costs will be between 8-10% of the sale price.

## THE BUYER'S FEES INCLUDE THE FOLLOWING

- 3% acquisition fee
- \$300 recording fee
- notary fee depending on purchase price
- \$3,000US attorney fee

## THE FEES FOR THE TRUST ARE

- \$1,500US set up
- \$500US registration
- \$500US annual

## THE FEES FOR CORPORATIONS ARE

- \$1,500US set up
- \$100US monthly accounting

## DO I NEED TO ATTEND THE CLOSING?

An Apostille is an international certification comparable to a notary in domestic US law. If you do not want to attend the Closing, you may provide a limited Power of Attorney for the Closing, which then must be Notarized and Apostilled.

The Apostille is handled at the Secretary of States office. Canadians must visit the Mexican Embassy or a Consulate to utilize an Apostille. Most major cities have a Mexican Consulate.



# BANKING IN MEXICO

If you deposit more than \$20,000 pesos (approximately \$1,100US) per month into your bank account, the bank will withhold 2% in taxes for the Mexican government.

You may open a bank in your home country that operates in Mexico or open an account at a local Mexican branch.

## THE MOST POPULAR BANKS IN MEXICO ARE:

- Banamex (Owned by Citibank)
- BBVA Bancomer
- Banorte
- HSBC
- Santander
- Scotia Bank



To open a bank account in Mexico you will need valid identification such as your passport or driving license and a proof of address. Dollar-denominated accounts are only available for citizens of the US and Canada, or for corporations. To open a corporate account you will need the Articles of Incorporation and a power of attorney.

# HELPFUL INFORMATION

## MEXICO - GENERAL

- Mexico is the country with the most number of free trade agreements (FTAs) with more than 40 participating countries, including the USA, European Union, Japan, Israel, and much of Central and South America.

The most influential FTA is the North American Free Trade Agreement (NAFTA) between the U.S., Canada, and Mexico.

- Mexico's Gross Domestic Product (GDP) in purchasing power parity (PPP) was estimated at over \$2,000,000,000US
- Mexico is the fifth largest emerging market, behind China, Brazil, Russia and India
- There are 32 Mexican states in total
- Current President: Andrés Manuel López Obrador (Morena)

## POPULATION

- The population of Mexico is around 128 millions (EE. UU. 328 millions, Canada 37 millions, England 67 millions)
- The population of Mexico City is 23 million
- Cancun 1,000,000
- Playa del Carmen 350,000


In 2006 the Guinness Book of World Records named Playa del Carmen as the fastest growing city in the world.

- Tulum 32,000  
3.5 million tourists visited Tulum in 2015 town of 30 thousand people

## TOURISM

- Cancun Airport is Mexico's second busiest airport. It is the busiest for international passengers. In 2015 Cancun Airport handled over 20 million passengers – a 12.3% increase over 2014.
- Passenger traffic between Mexico, Canada, and the United States represents 86.7% of the total volume.
- Cancun airlines fly almost 300 flights per day to 21 destinations in Mexico and to over 30 countries in North, Central, South America and Europe.
- 23 million people visit Mexico annually (2016). Tourism has been increasing at a rate of approximately 20% per year.

- Mexico is investing \$13.8 billionUS in tourism infrastructure through 2018
- Mexican tourism industry employs over 2.5 million people
- 1 million expats call Mexico home / 25% of US expats
- Mexico is the 2nd fastest growing Real Estate market in the world
- 3.5 million tourists visited Tulum in 2015 (town of 30 thousand people)
- Best beaches in the world (2015)
- Conde Naste, Tripadvisor, Travel & Leisure, MSNBC, National Geographic, Daily Mail, Travelista, and more
- The Riviera Maya hotels have an occupancy rate of 85% during the eight months of high season and 65% for the remaining four months
- The Riviera Maya has 43,000 rooms in 94 hotels
- In 2016, Tulum boasted a 73% occupancy rate. During the holidays and high season, this rate increased to 100%
- 70% of Mexican tourist dollars derive from the Riviera Maya



## BRINGING YOUR CAR TO MEXICO

As a foreigner you may bring your car to Mexico, either by driving it or using a shipping service. As long as you are in Mexico legally, you may use your car in Mexico. You are not allowed to sell your car in Mexico and Mexicans are not allowed to drive the car unless you are in the car.