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Mexico Insight

Guide to Real Estate in Mexico

A detailed guide for buyers, owners, renters, and sellers



About Mexico Insight

Mexico Insight is a continuously updated series of concise guides and reports that share local knowledge and helpful advice about lifestyle and living in Mexico.

The series is published and distributed by Mexperience.com



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About the Mexico Insight Series of Guides

Mexico Insight is a continuously updated series of concise guides that share local knowledge and helpful advice about lifestyle and living in Mexico, published by Mexperience.com. These guides apprise you of the subject and assist further research with helpful cross references.

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Foreword

Buying property in Mexico, whether it's land, a condominium, apartment, or a house, can offer substantial value for money. Although asking prices in some Mexican regions have risen dramatically in recent years, land can still be sought in less popular areas at lower prices, building and maintenance costs are less expensive, and the total cost of property ownership is affordable here.

This comprehensive guide to real estate in Mexico introduces you to essential information about buying, owning, and selling land and residential property in Mexico, and provides helpful insights about the rental market—as many people who acquire a home here choose to rent before they buy, and some buyers rent out their property to others. The guide also includes information about time share and fractional ownership markets in Mexico, which are distinct to the outright purchase of a property.

Property purchases made by foreign nationals have been increasing in recent years, driven principally by 'Baby Boomer' retirees, some of whom are cashing-out some or all their investments in their home countries and moving to Mexico for part of the year, or full-time.

Some people consider long-term rental as 'wasted money,' whereas others are seeking a property investment in an agreeable climate that will yield a rental income as well as a place for their family and friends to visit on vacation. For some, a property purchase is an integral part of their lifestyle plan to commit to Mexico as a place to live for the long haul—some commit for the rest of their life. The wider influences driving property markets in Mexico are diverse and typically boil down to personal choices and the individual circumstances that surround the people buying.

Property values in Mexico have been increasing, and prices in recent years have tended to rise as they have in most other places around the world. House prices in Mexico have not risen as steeply as those in the US and Europe over the last decade except in a selection of places that became popular with domestic and foreign buyers including San Miguel de Allende, Los Cabos, Puerto Vallarta, Cancún, and the Riviera Maya. The relative value and appeal of land and property in Mexico is underpinned by the three key factors: location, local infrastructure (roads, airports, services), and local amenities—you'll find these matters are addressed in detail within this guide.

When you're considering the purchase of real estate in Mexico, you will need to undertake research, choose your location and property with care, ensure that you hire the right professionals, and that the appropriate procedures are followed in relation the transfer of ownership.

This guide has been composed as a detailed primer to help you understand the property market and opportunities available in Mexico and includes references to supporting articles on Mexperience and elsewhere, thus offering an in-depth source of local knowledge and practical tips to help as you consider your options.

Hundreds of thousands of foreign nationals have successfully purchased land and property in Mexico. With the right approach you too can become one of them, and this detailed guide gives you a comprehensive overview of the key facts and considerations you need to account for on the journey as you make plans to buy, own, rent, and eventually sell your property in Mexico.



Mexico property essentials

Mexican law: property ownership

Mexican law provides for private ownership of land by foreigners, and its law is specific about the way in which land rights should be transferred from seller to buyer, and what type of lands are not eligible for public ownership. A Notary Public (see section below) will guide you through the details of these, but generally:

- ◆ Property may be purchased and owned outright for residential use by foreign nationals outside of the 100km (~62 mile) restricted **land border zone**, or outside of the 50km (~31 mile) **coastal zone**;
- ◆ Inside of these restricted border and coastal zones, foreign nationals may own land through a *fideicomiso* (a trust) which is set up through a bank and provides for ownership of the land and property in all but name.

The Mexican Constitution previously banned foreign nationals from owning property that was within the restricted border zones. This old law was intended to protect Mexican soil from foreign invasion and a property trust provides a means for non-Mexicans to buy and hold land and property if it's physically situated within about 30 miles of the coast, or within about 60 miles from a land border.

Appropriate insurance to cover your property and possessions in Mexico

Protecting your most valuable physical asset against unforeseen events is an essential consideration as you formulate your Mexico lifestyle budget. Our associate offers a range of coverages whether you are buying or renting in Mexico. [Get a quote and arrange coverage](#)

Fideicomiso: Land Trusts in Mexico

The Mexican government introduced a system of land trusts so that foreign nationals could invest in property inside of the 'restricted' zones protected by the country's constitution.

In practice this means that any non-Mexican national who wants to buy home with an ocean view, or near the beach or a land border with Mexico, they can except that it will be by means of a special property trust, which is set up and managed through a Mexican bank.

The trust holds the deeds to the property, and you and/or other persons named in the trust are sole beneficiaries to that trust—and by extension, to the property that is folded into it.

The trust gives full rights to do whatever you like with your property: it can be developed (in accordance with local planning regulations), rented, leased, sold, or given away. In other words, this trust enables you to own the property in all but name.



The trust also enables you to name a beneficiary upon your death, and you do not need to have a Mexican Will for your wishes regarding the trust to be executed. You should talk to a Notary Public in Mexico about [estate planning](#) when you have property in trust in Mexico.

You do not have to be resident in Mexico to own property here, so there is no need to qualify for resident status under immigration laws to hold a property investment, whether directly or through a trust.

Mexican law on property ownership is comprehensive and provides protection for the seller and the buyer in all property transactions provided that the law is followed, and you ensure that all necessary documentation is present and that the procedures are adhered to. Your [Notary Public in Mexico](#) is an important person in this process, and he/she will guide you.

The Role of the Notary Public in Mexico

The Notary Public is the most important legal person you will deal with when you make a property purchase investment in Mexico. Do not confuse the role of the Notary Public in the US with its counterpart in Mexico: they are quite different. In the US for example, anyone can become a Notary Public; this is not so in Mexico, where the role is appointed directly by the Governor of the state where the Notary Public is situated.

The Mexican Notary Public has the power to witness and certify important business and civil documents that require absolute authenticity. The appointment also holds responsibility for the management and secure storage of original records.

A Notary Public must be a Mexican citizen of at least 35 years in age, he or she must hold a law degree, have at least three years' work experience at a Notary Public office, and pass a stringent exam. Those who qualify and pass, in time, are appointed as Notary Public by the office of the state Governor.

Under Mexican law, the deed to the property must be prepared by a Notary Public, and the Notary is also responsible for calculating and reporting tax duties owed to the Mexican tax authority arising from any property transaction.

As a buyer, it is your right to choose the Notary Public you wish to work with, and it should be your first port of call after you have agreed in principle to purchase a property in Mexico. Experienced buyers choose their Notary Public, independent of the seller's preference or advice. The Notary Public will ensure that all documentation and permits are in order so that the transaction can proceed.

Important! Everything official to do with your transaction should be done via the Notary Public: Do not take anyone's word about documentation (like property deeds) being valid—take copies to the Notary Public for official verification.

Mexico lifestyle consulting and relocation planning

The [Mexico Lifestyle Consulting & Relocation Planning service](#) helps you explore options and identify key matters to consider, helping you to make informed choices and form a coherent plan for your intended lifestyle in Mexico. [Learn more and make a service request](#)



Professional assistance services

If you'd like to hire specialized assistance and support as you make your plans to buy, rent or sell property in Mexico, a range of professional assistance service companies exist that offer consultations and practical support to foreigners seeking to buy and sell property here. [You can find a selection of these featured on Mexperience.](#)

'Ejido' land and Title vs Possession in Mexico

You should be aware of 'ejido' land in Mexico, as there is a lot of it; and while many properties and developments now built have been legally transferred and offer title deed, some properties continue to be exchanged on 'agrarian' terms.

About *Ejido* land in Mexico

Ejido (agricultural) lands have a long history in how they came into being; these properties are akin to "common land." After the 1910 revolution, communities and peasants were handed strips of land, principally to grow crops on, and they are called "*ejidos*."

The *ejidos* are usually owned by a community of local people and possession of the land is passed down through generations within the communities which own the parcels. These land parcels do not have legal title (deeds) and any matters and disputes related to them are dealt with by local *comuneros*, at agrarian courts, usually termed *Asambleas* —assemblies— that meet about once a month and are led by the elders of the local community.

Ejido lands can be transferred to third parties outside of the family line that holds them, but the sale requires the agreement of the whole community that holds possession of it. There are firms which specialize in this area of property law and have a good record of transferring land from "commons" use into private ownership.

Some big property developers may negotiate to buy a big plot of *ejido* land with a view to "fractionalizing" it (usually introducing services like mains water, sewerage and electric to the land as well), to develop property and/or to sell off the individual plots to small property investors. Under these schemes, the land is often re-classified and made available for private ownership, with each lot given a title deed recognized by a civil court.

We recommend that you seek appropriate legal counsel when considering the purchase of land that was, is, or might be *ejido* land—regardless of whether a physical building exists upon it. Part of a Notary Public's duty is to check for proper title of the land, and if it was *ejido* land, the Notary Public should ensure that the correct procedures have been followed so that private title ownership is assured. If the Notary Public tells you that the land is (or was) *ejido* land, then you may also wish to seek professional legal counsel to establish the legal position of the property, independently of the Notary.

Legal Title vs Possession

There is a distinction between 'commons' land and land that is registered with a Title Deed recognized and enforced by Mexican civil law courts. Some types of property in Mexico, especially rural or semi-rural properties—and some that are quite desirable—are only available for purchase under Agrarian terms, and while this type of property transfer gives you possession, it does not offer legal title. Many property purchases in Mexico are exchanged on a possession basis without legal title, and while it's not



unusual, you should make yourself aware of the difference as well as the practicalities and risks involved. See ‘Further Insight’ below for a reference to an article on Mexperience about this.

Title insurance for your Mexican property

When you buy real estate in Mexico, you would do well to consider taking out title insurance on the property. Title insurance covers you should the property you buy subsequently turn out to have liens associated with it. This is especially relevant if the property you are buying has been privatized, having previously been classified as being “*ejido*” (or “common”) lands (see previous section); but even if this is not the case, title insurance will protect you if any other previously unforeseen lien or charge is brought against the property before you took possession of the title deed.

Rates for title insurance are around the equivalent of USD \$5-\$5.50 per USD \$1,000 of the property’s sale value; payable once only at the point of purchase. Consult a realty agent or other legal or consulting professional regarding matters relating to title insurance. There are a number of insurance companies which now offer title insurance for Mexican property and, as the number of providers increase, rates should become increasingly competitive.

Note: Land sold on agrarian terms without a title deed (see previous section) cannot be insured, and insurance companies will not underwrite your purchase of it.

FURTHER INSIGHT

- ❖ [Professional assistance services](#)
- ❖ [Finding a Notary Public in Mexico](#)
- ❖ [Legal Title vs Possession](#)
- ❖ [Estate planning](#)
- ❖ [Banking services \(Land Trusts\)](#)

Choosing the Right Location

As with property purchase in any country, the location in Mexico where you choose to buy is all-important. It’s better to buy ‘less house’ in an optimum location than to purchase ‘more house’ in a sub-optimal location.

Appropriate insurance to cover your property and possessions in Mexico

[Protecting your most valuable physical asset](#) against unforeseen events is an essential consideration as you formulate your Mexico lifestyle budget. Our associate offers a range of coverages whether you are buying or renting in Mexico. [Get a quote and arrange coverage](#)

Do the (back)groundwork



It's unwise to buy on impulse in an area based on your first impressions, especially if you're on a leisure visit there. Make sure that you are familiar with the area *and the locale* in that area where you intend to invest. Also ask yourself how marketable the property is in its current condition and location, especially if you are planning to rent it, or should you want to sell it later.

You may want to rent something nearby to start with and get a feel for the place. Once you're living locally you can assess things like the atmosphere, the neighborhood in general, and get to know the locals so that you can get a genuine understanding for what it's like to live there.

Match your needs with your location

Consider your current *and changing* lifestyle needs as you make your choices about the location for your property investment. Real estate requires patient capital in Mexico as not all markets are as fluid as places in the US, Canada, or Europe can be—it might take more time to sell a property than you imagine. Read our article about [Matching your lifestyle needs with your location](#) for more insight about this.

FURTHER INSIGHT

- ❖ [Planning a new lifestyle in Mexico](#)
- ❖ [Matching your lifestyle needs with your location](#)
- ❖ [Countryside living—the charms and compromises](#)
- ❖ [Simple living in Mexico](#)
- ❖ [Articles about lifestyle in Mexico](#)

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Ongoing property taxes in Mexico

In Mexico, the rate-able value for calculating property tax is known at the *Catastro* and is set by an officer of municipality; no onsite inspection is required. The tax itself is called the *Predial*.

The Catastro

The *Catastro* value will vary depending on the area in which you intend to buy and can be a fraction of the commercial value of the property. This *Catastro* is used by the Notary Public to assess the value of the annual equivalent of the “Local Property Tax,” known in Mexico as the *Predial*. Although the *Catastro* is an essential number for working out tax liabilities, in practice it serves of no use in assessing the commercial value of a property.

The Predial

The *Predial* is the tax payable annually, on January 1st or soon after. In some areas, bills are dispatched to house owners; in some other areas you don’t get a bill; you just know you must pay it in January, and you show up at the Municipal building in town to do so each year. You will find the *Predial* is low (and could border on insignificant) when compared to property taxes in the US, Canada and Europe, or the annual rental value of the property.

Closing costs and transfer taxes

When you purchase or sell your property in Mexico, you will need to account for a range of fees and taxes in addition to the purchase or sale price. These vary depending on whether you are buying or selling a property and the Notary Public processing the transfer will advise you on which costs and taxes are applicable as part of your transaction.

Costs and taxes when buying Mexican Property

When you buy a property in Mexico you will need to budget for a range of additional fees and taxes in addition to the agreed sales price. These typically include (but are not limited to):

Acquisition tax: This tax is paid on the sale value of the property and is equivalent to about 2-4% depending on the Mexican state in which you buy. This tax is paid whether the property is sold, transferred, donated, placed into trust, split-off, or merged.

IVA (sales tax): No IVA (sales tax) is payable on residential property. Commercial property transactions are liable to IVA at the current rate in addition to the acquisitions tax.

Appraisal tax: The tax authority might choose to perform a commercial appraisal of the property after you purchase it. If the appraisal value is greater than 10% of the price you paid for it, you will be asked to pay 20% tax on the difference between the two amounts.

Registry fee: The buyer pays a fee (based on the value of the transaction) to have the public records updated and the Title Deed (re)issued, the. Rates vary depending on what Mexican state you buy in, and you should budget for about 2-4% of the sales value.

Public Notary fees: Buyers are required to pay fees to the Notary Public for services provided to transact the legal matters related to the sale. Notary fees are based on the transaction value and vary by state. The buyer gets to choose which Notary Public to use, so it makes sense to check several Notaries locally for



their current rates — and if you are [working with a realty agent](#) ask for their recommendation too. Typically, Notary Public fees work out to between 4%-7% of the sales value.

Bank trust (*fideicomiso*): If you purchase property within the 50km/100km ‘restricted’ zones (near coasts and land borders), you will need to pay a bank to set up and manage a trust for you. Shop around, as prices vary from bank to bank. Set-up fees are typically around US\$1,000, with annual service charges between US\$1,000-\$2,000. The annual service fee will cover certain legal obligations (e.g., the filing of necessary documents annually) by the bank on your behalf. Some people choose to place their property into a trust even if it’s not situated in the restricted zone as part of their estate planning work; you should seek professional financial planning advice about this.

Lawyer fees: If you hire a lawyer in addition to the Notary Public, you will also need to pay him/her additional fees for services they undertake on your behalf. These should be negotiated in advance.

Land and/or building surveys: If you need to undertake any land or building surveys, these will have to be paid for separately. Costs will depend on type, extent, and complexity of surveys undertaken. Ask your realty agent, architect or building project manager for advice and details about this.

Foreign national permit: If you are not a Mexican national (natural or naturalized) and depending on which Mexican state the property or land is situated in, the transaction *might* require a special permit that grants a foreign national the right to hold title deed of property in their name. Check with your Notary Public; if you need it, the permit will add a few hundred dollars to your closing costs.

Service fees: If you are buying a house in a gated community, or a condominium, be sure to check on the annual service fees, and have these put in writing. Service fees can range from a few hundred to a few thousand dollars a year, depending on location, number of houses or apartments in the enclosure, and the scope of the amenities present. Keep in mind that service fees tend to rise, especially as developments get older and more maintenance is required.

Title insurance: When you buy property in Mexico, you might consider purchasing [title insurance](#). Rates are based on the sale value of the property and are charged at around US\$5-US\$5.50 per US\$1,000 of the agreed sales value.

[Costs and taxes when selling a Mexican Property](#)

When you sell a property in Mexico you will need to budget for a range of additional fees and taxes as part of the sales transaction. These typically include (but are not limited to):

Agent sales fees: If you employ an agent to market and sell your property, expect charges of around 4%-8% of the value of the sale as a fee. This fee is typically negotiated in advance of any sale, and forms part of the sales contract. You will also need to pay [IVA \(Mexican sales tax\)](#) on agent commissions. For example, if you pay 8% commission on a \$2 million peso house sale (\$160,000 pesos), you will need to pay IVA on \$160,000. IVA is currently 16%, so your total fee would sum: $\$160,000 + \$25,600 = \$185,600$ pesos.

Bank trust (*fideicomiso*): If your property is currently placed inside a trust, you will need to cancel this trust. Banks charge between US\$1,000 and US\$2,000 to close an existing trust and wind-up that legal arrangement on your behalf.

Mexican tax on property capital gains (capital gains tax): Mexico recently reformed its property tax laws to make it clearer for property owners who are selling their assets when and how much they need to



pay in Capital Gains Tax. Exemptions can be applied before taxes are calculated, but these are dependent upon your residency status, how long you have owned the property, and whether the home was your primary residence for at least two years. See ‘Further Insight’ below for a reference to an article with further information about this.

Foreign tax on property gains: Depending on your nationality, your ‘home’ government may require you to pay taxes on any gains you realize from your Mexican property. Whether you must pay, and how much depends on your country’s tax policies, your residency status, and whether your home country has a tax-agreement in place with Mexico (if it does, then usually any taxes you pay to the Mexican government can be deducted from any additional taxes owed to your home government). You should contact your accountant or other tax professional for advice as every situation is unique.

FURTHER INSIGHT

- ❖ [The costs and taxes of selling property in Mexico](#)
- ❖ [Exchange rates and capital gains tax](#)
- ❖ [Total cost of property ownership](#)
- ❖ [Articles about real estate](#)

Time scales

Whether you are buying or selling land or property in Mexico, you need to manage your expectations regarding time scales. Mexico’s real estate markets are very regionalized and, in most cases, localized. The location where you intend to buy/sell will have an enormous influence on how long it takes for a property to sell. Property transaction volumes will be much higher in big cities and major resort areas than in smaller towns, villages, and islands and this transaction rate will determine, to a greater or lesser degree, how long it takes to match a buyer with a seller.

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Time scales when buying a home

When you are in the market to buy a home in Mexico, you may find the buying process frustrated by the seller—especially if it is a private sale. This might sound strange, as you might think that the seller will be keen to close the transaction.

However, many factors come into play with Mexican property transactions; sellers may have to negotiate with family members, other ‘interested’ parties (e.g. distant relatives who may or may not be associated



with the deeds), as well grapple with nuances of [Mexican cultural behaviors](#) in regards to ‘letting go’ of things—like long-held heirlooms.

Some transactions may go through very quickly: for example, when the seller needs fast-cash, or a developer is selling you a brand-new property. Whatever the final time scales end up being, expect the buying process to be different to what you may be used to in the USA, Canada, and Europe—and realize that you may have to be patient if you found your ‘dream home’ and think you can move-in quickly; in some cases, you can; in other cases, you won’t be able to. [Patience and flexibility](#) are key negotiating tools in Mexico.

Time scales when selling your home

When you come to sell your Mexican home, you will realize that the location of your property will not only affect its sale price, but also the time it takes to sell the property. Some properties can remain on the market for years before they sell; this is particularly true of homes situated in remote or rural areas.

Conversely, some homes can sell soon after they are listed—these tend to be properties in larger cities (especially trendy neighborhoods of Mexico City) as well as popular beach resorts.

Most of Mexico’s realty markets are not as “mature” as property markets in the USA or UK, for example, and *transaction volumes are lower*. As a rule of thumb: land and property in rural and remote places, as well as those in areas with less well-developed amenities and local services will take considerably longer to sell—perhaps a year or more—than properties situated in larger towns and cities, and the most popular resorts: places which offer nearby local services and amenities (shops, schools, community centers, clinics, hospitals etc.).

Time scales when closing on a property transfer

Once a buyer and a seller have agreed to proceed in earnest, the paperwork can take anything from a few weeks to several months to reach a close. If you are buying, you should not rush your Notary Public or lawyer as they conduct the necessary checks as part of their [due diligence](#). If any untoward matters arise, these may add delays, but addressing them helps to protect the buyer and the seller.

Most real estate transactions in Mexico go through without major delays, and with all the necessary paperwork and title deeds completed to legal norms.

The solidity of the legal procedures involved in Mexican real estate transactions has enabled US insurance companies to provide secure [title insurance](#). It’s important, however, that both buyers and sellers exercise patience and understanding. *Mexico’s legal system is bureaucratic*; managing your own expectations (and your practical plans) to suit will save a lot of unnecessary stress as you purchase or sell your Mexican home.

Working with a realty agent

When you’ve chosen a location in Mexico to live, there’s the matter of choosing the locality and the neighborhood, the type of home you want or need for your needs, as well as working out matters like finances and the coordination of the physical move itself.

Finding and working with a well-established realty agent in the locality you intend to move to in Mexico can bridge important gaps in most people’s capabilities, in terms of providing local knowledge and planning, as well as helping to save valuable time.



Local realty agents can give you insights into a location, its areas and neighborhoods, its history, as well as insights about future local initiatives and projects that may be relevant—for example, a new access road, or airport. The better agents will also give you candid insights about the local culture and issues — past and present— that may exist regarding purchasing property in any given area you’re considering.

We publish a comprehensive free [guide to working with Realty Agents in Mexico](#). Download your copy for details about how to find and work with a local realty agent in Mexico.

Financing Mexican real estate

It’s important to consider how you are going to finance your property in Mexico. Most property transactions in Mexico are still cash-based (estimated at 90%+), although some people do need or choose to arrange finance for the purchase of a property here.

Historically, the overwhelming number of real-estate deals in Mexico have been settled in cash. However, Mexican banks now offer mortgage products for the purchase of real estate in Mexico, although significant deposits are required and interest rates are not as low as those typically offered in the US and Canada, so demand is limited by comparison.

Mexico lifestyle consulting and relocation planning

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Financing Mexican real estate: an overview

Mexico is becoming an increasingly popular place for foreigners to buy property: either as second homes, vacation homes that can be rented out, or as part of a retirement plan.

While traditionally these transactions would be conducted in cash, there is now increasing availability of financing for property, both in Mexican pesos and US dollars.

Nevertheless, with the growing interest in Mexican property, banks and mortgage companies have begun offering “cross-border” loans, lending money in dollars at dollar rates for the purpose of buying property in Mexico.

Some people who are planning to retire to Mexico will sell their house in their home country and use the proceeds to finance property in Mexico; those who want to keep a ‘base back home’ may release equity from their existing home, rent it out, and use the dual proceeds to fund their retirement home in Mexico.

This guide discusses the various choices to be made as well as the key elements to consider.

Ways to finance a Mexican property purchase

The main routes by which foreign nationals finance their property purchase in Mexico are



- ◆ Cash purchase
- ◆ Developer financing
- ◆ Seller financing
- ◆ Mexican bank mortgage
- ◆ Non-Mexican bank mortgage ('cross-border' loan)
- ◆ Specialist financing

Cash purchase

The overwhelming number of property transactions in Mexico (estimated at higher than 90%) are transacted on a cash-basis. Sellers either have the cash in the bank or sell investments elsewhere (a house or other investment asset) to release cash to transact the sale in Mexico. Cash buyers have the advantage of being able to move swiftly and might also be able to negotiate lower prices if competing buyers don't have ready cash or need to get approval for loans before they can commit to buy.

Developer financing

If you are buying a brand-new home from a developer, the developer usually offers staged payments, and some also offer financing, although interest rates are likely to be between 8% and 12% per year. Staged payments depend on whether the property is bought 'off-plan' (i.e., the construction has not started), whether construction is ongoing, or whether the property is ready for delivery. You can learn more by downloading our free detailed guide to [Realty Developments in Mexico](#).

Seller financing

In some cases, the seller of the property might be willing to accept staged payments from the buyer over months, or years. Each arrangement is custom-made, and any agreements should be made formally with the professional assistance of a Notary Public, who will draw up a legal contract that suits the arrangement between the parties and will ensure that the property's title is not passed across to the buyer until the payment terms have been met.

Mexican bank mortgages

Mexican banks offer mortgages although interest rates are high by US and Canadian standards (usually 8%-12% per year); substantial deposits are also required, and the Loan-to-Value amount (the sum the bank is willing to lend in relation to the house price) will vary depending on your circumstances. Most banks in Mexico will only lend money to foreign nationals with *Residente Permanente* status; foreign nationals with *Residente Temporal* status cannot usually acquire credit in Mexico. Permanent residents who apply for credit may be asked to furnish some or all of the following documents to obtain credit in Mexico:

- ◆ a bank account history showing regular inward payments to the account;
- ◆ a Mexican tax number (RFC);
- ◆ recent bank statements from a bank abroad;
- ◆ medical certificate showing good health (for life assurance on mortgages);
- ◆ credit reference letter from abroad.



Foreign nationals with permanent residency status who qualify for a loan will usually be offered up to 90% of the property's sale value (requiring a 10% deposit); however, in some cases, the bank may offer 60% or less of the property's assessed value as a loan amount.

Non-Mexican bank mortgage ('Cross Border Mortgages')

Most of Mexico's largest commercial banks are subsidiaries of large multi-nationals and/or have certain affiliations with foreign banks. Some banks have started offering, through U.S. and Canadian affiliates, so-called 'Cross Border Mortgages' for Mexican real estate: lending money in dollars to U.S. and Canadian residents to buy property in Mexico. This kind of financing is also being offered by several mortgage companies.

The maturities and rates offered vary from bank to bank. Loans are available from three years to 30 years. Rates on dollar loans are lower than those on peso loans, but higher than those on mortgages for buying property in the U.S. or Canada.

Some of these mortgages are fixed rate, and others are linked to international benchmark rates, plus a premium.

These 'cross border' loans typically require a minimum loan amount of US\$100,000 and will typically be for a *maximum* 70% of the value of the property being bought, so buyers need to raise substantial deposits for these types of mortgages.

Charges and paperwork requirements for these loans are comparable to those for obtaining loans in Mexico. They include minimum credit scores, mortgage life insurance, property damage insurance, official identification, proof of income, copies of tax returns, and bank statements. They also attract fees for extending the credit, charges for credit scoring, and fees for formal property valuation. The same documentation related to the property's legal status are also required.

Specialist financing

A range of specialized financing options may be available depending on your circumstances. These include:

- ◆ using retirement savings (401k) to finance property in Mexico;
- ◆ taking out a 'home equity' loan on an existing property you own outside of Mexico and using the cash to buy property in Mexico;
- ◆ taking out a personal loan abroad;
- ◆ setting up a special type of trust that is placed into the lender's name until the payments are completed, at which time the lender discharges their benefit from the trust and passes it to the buyer.

Other finance options might also be available, depending on your circumstances. We recommend that you seek the advice of a certified financial advisor if you want to consider any of these specialized financing routes to buy a home in Mexico.

Fees, charges, and background checks

As with most financial loan products, there is an assortment of charges levied on the borrower and required documents to file for a credit application to be considered and funds to be approved.



Fees and charges

Common charges to open a mortgage account include:

- ◆ mortgage assessment and arrangement fees;
- ◆ credit referencing fees;
- ◆ formal property valuation fees;
- ◆ insurance fees, including life insurance and property insurance;
- ◆ other legal and professional fees; and
- ◆ note that some mortgages may carry an early repayment penalty fee. Not all do; check the details of the loan agreement for details of this.

Background checks (documentation)

Before lenders lend you any money, they conduct extensive investigations of their potential clients, including proof of income, checking the credit bureau for your credit history reports, as well as socio-economic studies to assess the risk of the loan. Common requirements include:

- ◆ A minimum age, usually 18 but it depends on the bank; and not older than 70
- ◆ Legal residency status (Mexican banks will usually require Permanent Residency status to extend any loan, secured or unsecured)
- ◆ Proof of income (dual incomes can be considered for couples)
- ◆ Bank references and recent statements
- ◆ Official identification and proof of address
- ◆ Birth certificate and marriage certificate if applicable

Additionally, you'll need to show documents related to the property transaction such as:

- ◆ The contract between the buyer and the seller
- ◆ Proof of down payments made to the owner(s)
- ◆ Copy of the deeds (of the land in the event the loan is for construction)
- ◆ Copies of receipts for property taxes and other utilities
- ◆ Copy of architectural plans (loans to build a house)

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Lead times for arranging finance

Banks and other specialized lenders have been improving the ‘turn-around’ for loan approvals in recent years. Some will give a decision ‘in principle’ (subject to further investigation) within a few days and may release the funds within a couple of weeks. The process can take much longer, though, so you should be prepared for this.

Don’t get yourself into a non-negotiable or time-limited contract to buy a property based on a loan given ‘in principle’ as the bank may take longer than you expect to complete the necessary checks and can even refuse the loan at the last minute.

Even when the loan is agreed, it may take several weeks for the bank to release the funds. Keep your plans and intentions flexible and don’t paint yourself into any binding (time limiting) contractual agreements before the funds have been released by the bank or other lender.

Considerations when financing Mexican property

For people who have dollar incomes, the idea of borrowing in Mexican pesos may appear attractive, given the possibility of the peso depreciating against the U.S. dollar, which would lower the payments (and overall debt) in the future in dollar terms.

While exchange and inflation risks are already factored into current peso lending rates, banks appear to be confident that there won’t be a substantial rise in local interest rates, hence the fixed-rate loans being offered over periods as long as 25 years.

While that’s no guarantee that there won’t be a surge in interest rates, it’s also possible that a peso loan could work out more expensive over the life of the loan if there’s no significant devaluation and/or the interest and other costs of financing those pesos outweighs any devaluation that might occur.

The sharp devaluations and surges in interest rates such as those that caused banks to pull out of the mortgage market entirely in the mid-1990s aren’t expected to be repeated. One indication of this is that the Mexican government is currently issuing bonds (borrowing money) *in pesos* from 10 years to 30 years at low interest rates.

Several Mexican banks have incentive schemes in place offering incentives to take out mortgage loans; for example, rate discounts for prompt payment. However, if you miss a payment the discount rate disappears and the higher rate may be applied *retrospectively* to the loan.

Some schemes offer lower rates of interest at the start of the loan (“teaser rates”), but these are usually offset with higher rates later in the loan’s repayment schedule. It’s important to consider the cost of financing over the entire term to understand the full cost of the product being offered to you.

Most (but not all) mortgage products sold by Mexican banks carry no penalties for early repayment, but some loans or finance contracts signed abroad might contain additional charges for early repayment and/or default. Check the small print before you agree to the loan if there is a chance that you may want to repay the loan early; for example, if you sell the property, or pay-off the loan with the maturity of a different investment.



FURTHER INSIGHT

- ❖ [Finding a Notary Public in Mexico](#)
- ❖ [Legal Title vs Possession](#)
- ❖ [Banking services \(Land Trusts\)](#)
- ❖ [Guide to realty developments in Mexico](#)
- ❖ [The problem with predicting exchange rates](#)
- ❖ [Articles about real estate in Mexico](#)

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Real estate developments in Mexico

One of the easiest ways to invest in Mexican real estate is through a real estate development project. Real Estate Developments are managed by companies who buy large parcels of land, obtain all the necessary permits, connect principal utilities such as water, electric, and telephone and sell either plots of land and/or houses, condominiums, etc.

Property developments in Mexico are modeled on property developments in other countries: developers acquire a large tract of land and the necessary permissions to build on it. Then they create a residential community, often incorporating local amenities and leisure facilities into the design.

We publish a comprehensive guide to buying real in Mexico through a property development. The guide includes details about the considerations you need to consider when buying property from a real estate developer in Mexico and discusses purchasing property ‘off plan’ in Mexico.

FURTHER INSIGHT

❖ Free eBook: [Guide to realty developments in Mexico](#)

Timeshare properties in Mexico

Due to its climate and extensive choice of vacation resorts, there is a buoyant market of timeshare properties in Mexico. When you buy a timeshare property, you are not investing in physical real estate—you are purchasing the right to occupy a property (or properties within a specific portfolio) for several weeks of the year over a defined period. Timeshare contracts are most often offered in condominium buildings situated in desirable Mexican resort towns and cities with the properties close to, or overlooking, the ocean.

Timeshare contracts come in various forms and with different terms, ranging from fixed weeks at a specific property, contracts with floating dates, and some timeshare contracts offer occupancy across a predefined group of properties managed by the timeshare company.

Key differences to note

It's important to note that Timeshare has key differences in relation to other property transactions, thus:

- ◆ timeshare is different to [fractional ownership](#) (see next chapter) whereby the investors in the property own a percentage of the physical asset, usually through a legal arrangement managed by the distribution of shares
- ◆ it is also different to [legal title and legal possession](#) (see related chapter);
- ◆ and timeshare is different again to [property rental](#).

Advantages of Timeshare

People who purchase timeshare are attracted to the concept of having access to a property without the responsibilities of physically owning and managing it, although timeshare contracts do make you liable for annual fees which cover the collective costs of maintenance and property management, and these fees tend to rise annually.



Some families who enjoy vacationing at resorts every year use timeshare to avoid the costs of staying at resort hotels and being able to access a self-catering stay in a ‘turn-key’ property with fully equipped kitchens, bedrooms, bathrooms, living and dining areas, and private balconies. Some timeshare properties might also offer other amenities on-site like swimming pools and gyms.

Disadvantages of Timeshare

Unlike buying a physical property in Mexico, Timeshare does not give you legal title or possession, nor a share of a physical property as fractional ownership does: as the name suggests, you are buying a *share of time*, which is an intangible object.

Some timeshare contracts are restrictive about how you can sell or pass-on your timeshare contractual arrangement; exit fees are common. Timeshare companies are notoriously hard-sellers, often offering potential customers artificially-low priced vacations in exchange for attending a timeshare sales seminar, where high-pressure sales teams descend upon attendees with the sole intention of getting them to commit to a timeshare contract during the visit and thus legally committing them to the purchase—and the annual fees which accompany it.

Tips for buying Timeshare

If you decide that a timeshare property contract will suit your lifestyle circumstances, we recommend you are familiar with the location you intend to purchase a timeshare in, and that you undertake comprehensive background research on the company offering you the timeshare contract, as well as the specific name of the property being offered to you.

If you attend a timeshare sales seminar in Mexico, we recommend you take someone with you who is not emotionally or financially involved in the potential purchase, regulate your alcohol intake at the event, and tell the sales team you want to refer the contract to your legal counsel before signing anything.

Brokerage companies exist that specialize in the sales of timeshare contracts on the second-hand market (see notes about selling a timeshare contract, below). If the timeshare contract has legal jurisdiction in Mexico, we recommend that you hire the [services of a Mexican Notary Public](#) to revise the contractual terms before you commit. If the contract has legal authority elsewhere then you should contract a lawyer in that authority to review the paperwork and offer you advice.

Your right to cancel Timeshare purchased in Mexico

Mexican law stipulates that any buyer of Timeshare contract in Mexico be given **five calendar days**, (a type of “cooling off” period) following signature of a contract, to cancel their Timeshare contract *without any penalty or cost*.

Some Timeshare companies get buyers to sign a “waiver” at the time of purchase, and if you try and cancel within the legally stipulated five-day period, they refer to that waiver, saying you cannot cancel. **However, any “waiver” is legally invalid:** this legal right cannot be waived, and you are able to cancel the contract within five days if you wish. If you wish to cancel, contact the Timeshare company and tell them explicitly that you wish to cancel: you may also consider hiring the services of a [local Notary Public](#) to ensure the cancellation notice is properly processed and registered. Note that if the Timeshare contract is signed under the law of a different country, then that country’s legal rules, and not Mexico’s, will apply.



Tips for selling Timeshare

Circumstances can change, and people holding Timeshare contracts sometimes want to sell before its natural expiry date. There are several ways to sell your contract, but before you can sell your timeshare, you should check the small print of your current arrangement. Some contracts are restrictive about how you can sell your Timeshare arrangement; for example, you might have to offer your contract back to the company you purchased it from in some circumstances, and/or pay exit fees.

Whatever means you use to sell your contract, you can expect to pay some fees and/or sales commissions to dispose of the timeshare if you decide to exit before it expires. Some sellers attempt to market their Timeshare personally, although using an online brokerage that specializes in the sales of timeshare contracts on the secondary market to present your listing to potential buyers will give you access to a range of services like professional marketing and legal transfer facilities in exchange for the sales commissions you pay when your contract is sold.

Beware of Timeshare-related fraud

We've received correspondence from readers who have been defrauded in relation to Timeshare, especially in the 'timeshare resale' market. We strongly advise all readers to hire the services of a Notary Public **before** buying or selling a Timeshare in Mexico.

FURTHER INSIGHT

- ❖ [Finding a Notary Public in Mexico](#)
- ❖ [Articles about real estate in Mexico](#)

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Fractional ownership of property in Mexico

Mexican law provides a legally secure way for property investors to purchase a property through a ‘fractional ownership’ arrangement.

The structure of fractional ownership

Fractional ownership is distinct to other types of property transaction, thus:

- ◆ Fractional ownership is different to Timeshare because, unlike time share contracts, the buyers each own a percentage share (a fraction) of the physical property;
- ◆ For example, a property with a sales price of \$5 million pesos might be purchased by 10 people at a cost of \$500,000 pesos each. The property is divided into 10 shares, with each owner holding 1 share (a 10% fraction) of the physical property;
- ◆ The owners are *jointly and severally* responsible for the maintenance and management costs of the property as well for taxes and utility costs associated with the property, e.g., Homeowner Association fees;
- ◆ Owners in a fractional ownership arrangement are usually free to sell or transfer their share as they would any other asset but check the associated clauses and covenants for rules about transfer and disposal of shares.

Who buys a property ‘fraction’ and how does it work?

Buying property on a ‘fractional’ basis can be helpful in certain circumstances. The arrangements can be formed privately between individuals using a special contract drawn-up by a Notary Public or can be brokered by agents or firms specializing in this market.

- ◆ Fractional ownership is popular when the parties involved have some savings and want to invest in property but don’t have enough savings to buy a home outright, **or** don’t want to take on the entire responsibility of owning a second home themselves—sharing running costs with others.
- ◆ Families living in a locality, or a group of friends or neighbors might band together to buy a larger home near a beach resort or other area of natural beauty they all know and enjoy so that they can use the home for vacations without having to pay hotel fees.
- ◆ Once purchased, the property deed is held in a form of ‘trust’ with each party holding a share of that trust.
- ◆ Covenants exist in the contract between the parties which stipulate the rules for use of the property, and how the costs of maintenance and other charges are to be divided and paid.
- ◆ Use of the property is usually divided out on a time basis (weeks per year per share holder) with high-demand periods like summer holidays, Christmas and New Year, and Easter raffled or placed on an annual rotation system.
- ◆ Rules usually exist about whether shareholders can sub-let or rent out their allotted weeks to third parties, on a non-commercial or commercial basis. The parties themselves might agree to rent out the property on a commercial basis for some weeks of the year through, for example, using Airbnb, and agree between themselves how this will be managed.



- ◆ Shareholders are usually free to sell their shares to whomever they want; although some covenants may stipulate certain terms to ensure that the remaining shareholders are satisfied with the potential buyer. In some cases, an existing share holder may purchase the share(s) held by others and thus increase their stake in overall property; in some cases, one of the parties may purchase all the shares and effusively “buy out” the other owners, becoming the sole owner of the entire property.

We **strongly** recommend that all matters related to the buying, transfer, or sale of fractional property are undertaken through the support of a [Mexican Notary Public](#) to ensure that the contracts, and their associated covenants, are legally sound and valid.

FURTHER INSIGHT

- ❖ [Finding a Notary Public in Mexico](#)
- ❖ [Total cost of property ownership](#)
- ❖ [Offering shared space rentals in your Mexican home](#)
- ❖ [Articles about real estate in Mexico](#)

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Insuring your Mexican property

Insuring your property in Mexico is an essential service you need to consider as part of your budget planning. Covering your house, personal goods, and any watercraft your own will mitigate your liabilities in the event of unforeseen circumstances.

Property insurance in Mexico

When you own property in Mexico, especially a home or expensive watercraft, it's important to consider how you will insure your asset against unforeseen circumstances and catastrophic events.

Note that property insurance is distinct from [property title insurance](#). Property insurance coverages are paid annually and underwrite the physical property on the land and your personal possessions inside of it; title insurance is a one-time insurance payment you can buy when you purchase a property that mitigates risks related to unforeseen issues or liens associated with the property's title.

Property insurance policies in Mexico are different to policies sold in the U.S. and Canada. The policy wording is different, and the types of coverages offered are different, so some things that you might think are included as standard, might not be if you purchase your insurance in Mexico directly from a Mexican insurer.

To bridge this gap, specialist companies based in the U.S. have developed property ownership insurance coverages which reflect the wording, terms, and coverages typically included on US and Canadian policies. The insurance itself is underwritten by Mexican insurance companies (by law, it must be this way), but the U.S. companies work in partnership with Mexican underwriters to create a product that is familiar to those purchasing insurance in the US and Canada (or those who want a US-style policy), and which is legally valid under Mexican law.

A house (or watercraft) is usually the most valuable physical asset people own during the course their lifetime. It's possible to lose a fortune (and even a life's savings) if you are not insured or discover following an unforeseen event or natural disaster that your policy was not adequate or that the insurer underwriting the policy was not financially sound.

Some homeowners in Mexico purchase property insurance from a Mexican insurer direct that charges premiums in Mexican pesos and pays out in Mexican pesos; others purchase from a specialist US-based company that offers US style insurance with premiums in US dollars and pay outs in US dollars. This guide highlights some of the key questions you need to ask, and key aspects of property insurance that you need to consider as you prepare to insure your home and/or watercraft in Mexico.

Appropriate insurance to cover your property and possessions in Mexico

[Protecting your most valuable physical asset](#) against unforeseen events is an essential consideration as you formulate your Mexico lifestyle budget. Our associate offers a range of coverages whether you are buying or renting in Mexico. [Get a quote and arrange coverage](#)



Homeowner's insurance in Mexico

Should you buy your insurance from a local Mexican broker or a specialized US firm?

Buying from a Mexican broker

When you buy home insurance from a Mexican broker you will typically:

- ◆ obtain coverages sold with Mexican-style terms and characteristics, often different to those offered in the US and Canada and which may offer less coverages or have limitations you are not accustomed to;
- ◆ policy wording in Spanish, so you will need to be able to read Spanish fluently or have someone translate and/or explain the policy to you;
- ◆ claims and any discussions about claims will need to file and argue any disputes in Spanish; you will need to get an interpreter to deal with claims if your Spanish is not that good;
- ◆ pay premiums in Mexican pesos and any claims will be paid out in Mexican pesos.

Buying from a specialist US firm

When you buy home insurance from a specialist US firm you will typically:

- ◆ obtain coverages sold with US-style terms with the same kinds of characterizes you see on insurance policies offered in the US and Canada
- ◆ policy sold and worded in English
- ◆ claims and discussions about claims can be conducted in English
- ◆ premiums paid in US dollars with any claims paid out in US dollars

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Mexican or US policy?

If your Spanish is good, you have a decent local insurance broker contact, and you're satisfied with the coverages offered by a Mexican-style insurance policy, then a local insurance policy will suffice, although there's no harm checking the products offered by US based policies.

We recommend that you consider the services of US-based specialists set-up specifically to service foreign-home ownership in Mexico if your Spanish is not fluent and if you don't have much experience of buying insurance in Mexico.

It's also important to consider that, in the event you need to claim, you will find yourself in a stressful situation, and having an insurer that has issued a policy in English and in terms you are familiar with and



covering events which you are used to seeing covered in an insurance product will be worth any additional premium on the day you may need to make that telephone call to file a claim.

Further, US-led policies can include coverages (for example, third-party liability cover) as standard, whereas many Mexican policies do not cover these without them being specifically scheduled, and with significant additional premiums.

Property title deed

To buy insurance that will cover structural damage to the physical property, you will need to hold legal title to the property or have a mortgage that leads to legal title. If you purchase land or property in Mexico that is passed to you on Agrarian land terms, then you cannot purchase insurance to protect the buildings on it. Learn more about [legal title vs land possession](#).

Important note on “Simultaneous Occupancy” when renting

If you [rent part of your home](#) (e.g., a room, or an outbuilding) to third parties *while you are living on the property*—known as ‘simultaneous occupancy’ in insurance terms—this is treated differently by insurance companies and a personal/domestic policy will not cover you: you’ll need to seek out a commercial policy which is likely to be more expensive. The reason is that simultaneous occupancy where a commercial arrangement exists creates additional risks (e.g., lawsuits) which a domestic policy does not price into the risk premium.

If, on the other hand, you rent the **entire property** and vacate the property while the renters are present, then a personal/domestic policy will suffice.

Elements of home insurance coverages

Depending on your needs, circumstances, and budget, you can insure your property entirely or partially. The premium costs will depend on many factors including the location and type of your property, its age and value, and what events you want coverage for.

Uninsurable structures

Note that certain structures, especially risky ones like wood-framed buildings and *palapa* (palm or straw) roofing structures are usually *explicitly excluded* from all policies; if you must insure these, be prepared to pay a high premium to have them included in your coverages (it’s usually uneconomic to do so).

“All Risks” —vs— “Named Perils”

Some policies will offer “All Risks” cover, a form of comprehensive coverage that will pay out in the event of most incidents involving your home. The better policies offer the option to cover catastrophic incidents such as hurricanes, floods, wind, fire, volcanic eruptions, and earthquakes; surprisingly, some Mexican insurers are unable to underwrite some of these events.

To lower the premiums, you can elect to limit certain “Named Perils” assigned to your policy instead of taking All Risks coverage; in this case, certain events will be covered while others will not. Cheaper policies are often the “named perils” type—even though on the surface they might appear to be comprehensive. A good broker will make a clear distinction between these two during its sales offer and demonstrate the cover and price differences between options.



Coverages for dwellings

Your policy should cover the main structure of your house. Optionally, you may also cover carports, guesthouses, and other outbuildings including garages, games rooms, *cabañas*, equipment rooms, studios, etc. Some homes in Mexico are composed of several structures (for example, several buildings situated around a central courtyard) and in these circumstances, the insurance rule is usually: everything that is directly connected is treated as one building. Anything that stands-alone is considered an additional building.

Personal goods on the property

A good insurance policy will cover personal goods owned by you, your guests, or domestic employees when they are working at your residence. Some policies also include coverage for certain valuable property, such as cash, securities, jewelry, fine arts, sporting equipment and property used for business purposes—up to certain limits. If you need higher limits for specific items of property that you own, this option is available by listing them on a special section of the application, which is type of ‘named risks.’ Theft coverage varies, depending on whether it is “scheduled” (specifically listed) or not.

Third party liability

Good homeowner policies provide coverage for your personal liabilities to third parties to protect you and your family against any lawsuits or demands presented against you in Mexico. For example, if a wall collapses and injures someone who was near it at the time; or the neighbor’s property is damaged due to a falling tree from your garden, your insurance policy should cover your liability in these circumstances.

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Loss of use or rental income

If you rely on your property for work, or to bring in a rental income, you may also choose to include a “loss of use” risk in your policy. This cover provides for additional living expenses if your house is damaged and cannot be lived in for a time while it’s repaired or rebuilt and, if the option is taken for the loss of rental income, you will be covered for any loss of rental income due to your home not being available for rental to others (you will need to provide evidence that a rental contract exists).

Rent liability coverage

Some homeowner’s insurance policies exclude coverage when your home is rented (even occasionally or part time) or add a hefty supplement to the policy’s premium to include renter’s liability as part of the coverage. If you rent your home (or intend to at some point) and need this coverage, check with the provider you get a quote from to see if renter’s liability coverage is included, or how much more you need to pay in premium to include it.



Insuring your condominium in Mexico

Condominium associations in Mexico are supposed to keep a blanket commercial policy in place to cover the entire property. Typically, this provides insurance coverage for the building as well as *communal* elements of the property such as pools, garages, the interior walls, fixtures, fittings, and outbuildings associated with the edifice.

These commercial insurance policies tend to be very limiting in what they will cover within the terms of a condominium insurance policy: many Mexican-issued insurance policies *exclude* third party liability and renter's liability from the standard policy and charge a substantial premium to include these as optional extras. This places an obligation on condominium owners to cover elements not included by the commercial policy on a unit-by-unit basis.

Don't be lured into a false sense of security by condominium blanket coverages: in a situation where an event that happens in your condominium affects an adjacent condominium—for example, a water leak in your shower room that damages your neighbor's room below—you will be made liable for repairs to yours and your neighbors' damages. Having a personal insurance program in place will protect you from these sorts of events.

The key documents to check on your Condo contracts are the 'Byelaws' and 'Covenants' associated with your condominium property: these are the documents that contain the small print regarding what *is* and what *is not* covered by the condominium building's 'blanket' insurance program.

Beachfront and waterside property insurance in Mexico

It's possible to insure property near oceans, rivers, and lakes, although premiums may be higher to reflect the additional risks which may arise from storms and flooding in these areas. The insurance application form will ask for the Mexican postal code (zip code) of the property, and this is mapped to detailed topographical and statistical data which enable insurers to assess the hydro and meteorological risks that may present themselves to the property they are being asked to quote insurance for. Some companies may refuse to insure properties close to the sea or other bodies of water, although policies are available that will cover these circumstances, so shop around for options.

Watercraft insurance in Mexico

Some people who own homes in Mexico also own a boat, a ski jet, or a yacht, and these need to be considered for the proper insurance of these assets while they are in Mexican waters.

The premium you pay for insurance on your watercraft is based on two factors: the number of days the craft will be in Mexico, and the value of the watercraft.

Personal injury and third-party liability cover should also be taken out in case you become involved in an accident on the water; the better policies also offer legal assistance and 'bond' cover, in addition to the injury and liability cover. (In Mexico, if you are arrested following an accident, you will need to provide a bond to secure your release pending inquiries/trial). In legal terms, accidents involving watercraft where people are injured or killed are treated in similar fashion to [serious car accidents in Mexico](#).

If you plan to be in Mexico for an extended period, or live here, an annual policy may be a better investment than a piecemeal policy covering specific dates. Check with the broker providing your quote to find out what options they have for year-round coverage of your watercraft in Mexico.



FURTHER INSIGHT

- ❖ [Articles about property insurance in Mexico](#)
- ❖ [Is your property insurable?](#)
- ❖ [Third party risks](#)
- ❖ [Earthquakes in Mexico](#)
- ❖ [Hurricane season](#)
- ❖ [Windstorms in Mexico](#)

Appropriate insurance to cover your property and possessions in Mexico

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Renting a property in Mexico

People who rent property in Mexico far outweigh the number of people who buy homes. This is partly a cultural matter, and partly because property prices are higher than local average incomes allow people to afford; and although mortgages are now being offered by Mexican banks, the loans require substantial deposits and set-up fees, and carry interest rates of 8%-12% a year. As a result of this, rental properties are plentiful, commonplace, and varied. There is something to suit every need, and every budget.

Finding a property to rent in Mexico

One of the first things to consider when you come to Mexico to live —whether [part-time](#), full-time or for a defined period— is finding a house to suit your [lifestyle needs](#).

Most people begin their search for property online, and a cursory glance at the main property portals suggests that there are ~100,000 residential properties for rent in Mexico right now.

With plenty of inventory to choose from, securing a rental should in theory be straightforward; but when you begin a search in earnest, you'll discover the practicalities of securing an *adequate* rental home in an appropriate locale will present challenges and force you to make compromises.

Your budget

To begin with, you need to establish what your budget is going to be and then draw up a shortlist of areas in the location you want to rent in, avoiding less-desirable areas. A [local realty agent](#) is the ideal contact to help in this respect especially if you're unfamiliar with the location or area you're seeking to rent in, although a realty agent will also help you to do some of the research involved and might scout a property you could miss without assistance.

Your lifestyle needs and locale

Consider beforehand what kind of property you want to rent and where, for example, an apartment or house? Close to town, or out of town? Near the market and local services? Away from the crowds? In a gated community? A local agent will usually provide you with an orientation tour of the town or city they work in and help you to consider your options.

Just as buying property successfully requires close attention to the location, the same rule applies for acquiring good rental property. If you don't know the area, we recommend you seek the help of an agent or other people you may know locally to help you gauge the locality and its neighborhoods.

If you prefer to do everything independently, you will need to be [able to speak Spanish](#) to effectively rent property on this basis. Wherever you are in Mexico, if you only speak English and don't employ the use of an agent, your options may be limited, and you may not be able to negotiate the best deal possible.

FURTHER INSIGHT

- ❖ [The practicalities of finding a house rental in Mexico](#)
- ❖ [Articles about property rental Mexico](#)



How to approach the rental market in Mexico

There are several ways to begin your search for a house to rent in Mexico. Most people who go out to seek a property rental use a combination of these as part of their search to find a suitable property rental

Local realty agents

Local realty agents who offer property rental services (some only deal with property sales) will have a list of rental properties on their books and they can help you to find the property you are seeking. Realty agents will know the area and be able to point you away from neighborhoods that don't suit your intentions, your lifestyle, or your budget. Using the services of an agent does not cost you anymore: their fees are paid for by the property owners when they find a rental. (The going rate for finding a tenant is one month's rent based on a one-year contract.) Download the free [Guide to Realty Agents in Mexico](#) to learn about how work with an agent to find property rentals in Mexico.

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Internet portals

Most people browse online for rental properties as part of their search. Several Mexican property listing sites exist that can connect you to property owners and/or their agents; the most popular ones are [Vivanuncios](#), [InMuebles24](#), [MetrosCubicos](#) and [Homie](#). Rentals can be found on the [Mexico Craigslist](#) pages, although we've found that these ads are mostly aimed at foreigners and rents quoted tend to be higher than the market average.

Word of mouth / dealing direct

If you're already in Mexico and you have built-up a local community of friends (and ideally, you speak at least some Spanish) sooner rather than later you may connect with someone who can refer you to a person with a place for rent. You might also see signs on some buildings or houses that read "*Se Renta*" (For Rent) – accompanied by a phone number to call. This may be the realty agent's sign, or the property owner's own signage inviting people to inquire about the rental of that property. If you like the look of the property from the outside and it's in the right area for your needs, you might want to explore it further. Some property owners post ads in local cafés or other places where they know local foreign visitors/residents congregate.

FURTHER INSIGHTS

- ❖ For temporary accommodations while you search for a long-term rental solution: owners of Timeshare properties in Mexico sometimes [rent out the weeks](#) they have assigned to them instead of using those weeks themselves, and many property owners offer [space in their homes for short periods](#) using Airbnb and other similar services



- ❖ Our free [guide to the cost of living in Mexico](#) contains detailed narrative about rental arrangements and costs in different regions of Mexico as well as references to reliable third party services that can help you to determine prices in specific areas.
- ❖ Download the free [Guide to Realty Agents in Mexico](#) to learn about how work with an agent to find property rentals in Mexico
- ❖ [The practicalities of finding a house rental in Mexico](#)
- ❖ [Articles about property rental Mexico](#)

Rental contract arrangements

When you find a property to rent, you'll enter a negotiation with the property owner directly, or through the property owner's agent. The negotiation will determine the nature of the rental, as well as the rent and what is and is not included in the rental fee.

Formal or Informal?

Property rentals in Mexico can be informal or formal, depending on the circumstances. References are usually asked for, but if you have been referred by a friend directly to the property owner no further references may be required.

Key questions to ask about rentals

When you are exploring a residential property rental in Mexico, it's helpful to ask some key questions in relation to the property's characteristics and amenities as not everything you might expect to be available will be present at every property you consider. Here are some key questions to ask:

- ◆ The supply of electricity and gas, and the (age and current state of the) water heater: are they hooked up, or do you need to arrange this? Download our guide to Home Maintenance (see Further Insight, below) for full details about managing utilities in Mexico.
- ◆ Check the water situation: [how is water supplied to the property?](#) Ask about the state of the shower (or check this when you visit), and whether there is a water purifier (water for drinking) adjacent to the main tap in the kitchen; ask if it requires maintenance, and when the filter was last changed.
- ◆ If there is a [swimming pool](#), ask about its maintenance. If there is an alarm, ask how to operate it. Is there a water pump (for pressure)? If so, is it automatic, or manual?
- ◆ Is the phone connected? Is the phone line and internet package included in the rent, or do you pay extra for this? If you rely on internet access, check with the phone company to ensure that there are lines available locally if there's no live service at the property: even if there's a physical line at the property, the local distribution point may be saturated. If you need internet services and there are no lines available, you might consider using [home WiFi](#) delivered over the cellular data network, and if the property is situated in a remote area, you might need [satellite internet](#).
- ◆ Check any appliances that might come with the rental. The oven, hob and fridge are worth checking: if the property is older, these are likely to be old too, and you may want to get a plumber in to service the oven and hob (or ask the owners to do this). Old fridges use considerably more electricity than newer models. In some cases, you may need to get ovens and



fridges replaced, and you might have to fund this yourself if the owner is unwilling or insists that they don't need replacing when they are passed their useful lifespan. (You can take any appliances with you when you leave.)

- ◆ Are there any maintenance problems you should know about? If it's a house, and it has a garden, ask if there are any tools, hosepipes, etc. you might need to maintain the garden. The property owner might know a gardener you can hire. Some rentals include the services of a gardener, but not all. Large gardens require *considerable* work and require a *lot of water* that can be especially tricky during the [dry season](#).

Deposits and terms

Deposits and contract terms are by negotiation. One month's rent deposit is usually the minimum asked for and in formal rentals, you might be asked for a guarantor or asked to sign a legal document that makes you personally liable for the rent and any property damage beyond wear and tear.

Rent payments and rental increases

Rents are usually paid directly to the property owner, even if you used an agent to find the property, although some agents do collect rents as part of their service. Rents are either paid in cash or by transfer to a Mexican bank account. Most rents are due monthly; occasionally you might be asked to pay every two weeks, although this is rare these days. If you are on an extended stay, be aware that rents in Mexico tend to go up annually. Unless otherwise specified in your contract, rents can go up by any amount the property owner sees fit, and you may have only a brief window of time (usually a month or two) to move out if you can't agree on the increase. Notice periods are usually one month, although you should check your rental contract for these details.

Insurance

It is not usually the renter's responsibility to insure the physical property (check the contract), although you may wish to insure the contents and your personal belongings. "Contents only" policies for people who are renting are available from local insurance companies, but you'll need to contact local insurance agent to arrange this (the policy will be in Spanish). Some banks offer home insurance products, too

Checking out

Check your contract to see how much notice you need to give; most contracts will require you to give one month's notice. Most contracts have a set period (6 or 12 months) and are renewable thereafter by negotiation. Talk with your local agent or your property owner about this. Be sure to give the property owner and/or agent plenty of notice (in writing) prior to your planned departure. If the property was furnished, you should go through the inventory with the property owner (or agent if you used one) and provided everything is in good order, your deposit will be returned to you, either directly by the property owner or (rarely) by the agency office if they held the deposit.

FURTHER INSIGHT

- ❖ Read the comprehensive [chapter on Property Rental in our free eBook to the cost of living in Mexico](#) for full details about rental contracts and all the costs associated with them.
- ❖ Free eBook: [House Maintenance and Home Security](#)



- ❖ [Water in Mexico](#)
- ❖ [Communications in Mexico](#)
- ❖ [Swimming pool management](#)
- ❖ Learn more about the [Rain Season](#) and the [Dry Season](#) in Mexico

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Buying your home in Mexico

Outline procedure of a property purchase in Mexico

If you have hired a lawyer, then he/she will function as an intermediary between you and the Notary Public and the seller. The exact process will vary in each case, but you (or your lawyer) will follow a process that goes along these lines:

- ◆ Find a property you like; agree a price verbally;
- ◆ A written agreement is drawn up citing the price, the inclusions, and exclusions, as well as deadlines if any are in place. This document is known in Spanish as a “*Convenio de Compra/Venta*” —a provisional sales contract— at which time a deposit, typically 5-10% of agreed purchase price, is paid by the buyer with cancellation penalties set out in the contract if either party withdraws from the agreement;
- ◆ If the property is inside the 50/100km coastal/border zone, you will need to set up a [property trust \(*fideicomiso*\)](#); if the property is not within this zone, no trust is required (but remains optional for buyers who wish to use one as part of their [estate planning arrangements](#));
- ◆ If you are buying a home from a [real estate developer](#), advise the Notary Public who will ensure the developer’s permits are in order;
- ◆ You will need to get a copy of the land/property deeds from the seller, unless the [property is untitled](#), in which case you will need to ask about the *Constancia de Posesión*. The Notary Public will check these out and advise you whether the land is legally titled or whether you are obtaining possession instead of legal title;
- ◆ An official appraisal of the property, known in Spanish as an *Avaluo*, needs to be conducted; your Notary Public and/or real estate agent can arrange this; there are some fees involved;
- ◆ Your Notary Public (or lawyer) will ask you for official documents that can include (but are not limited to): photo ID (passport), birth certificates, marriage certificates (if applicable), and your visa to prove that your stay in Mexico is legal; this can be a [Visitor Permit](#), (you do not have to be resident in Mexico to purchase real estate here, but if you are resident, you will show your residency card);
- ◆ The seller will need to present to the Notary Public documents including (but not limited to): original property deed, up-to-date tax receipts for the property, public utilities bills (shown as paid), plus up to date details of any service fees, for example Homeowner Association fees, (shown as paid);
- ◆ [Capital Gains Tax](#) is paid by the seller. The Notary Public will calculate the sum and state how much this is;
- ◆ Payment is made (see note below) at the time when the deed is signed over to you, and this is done in person by you (or your representative) at the Notary Public’s office;
- ◆ The Notary Public’s (and lawyer’s, if applicable) fees are paid at this time as well, as well as other [taxes associated with land purchase](#).



Legal due diligence

As part of due diligence in the purchase procedures, the Notary Public and/or the lawyer you hire undertake a series of checks on the property deeds and other records. There are many elements to check, and these are the key things they will be looking for:

- ◆ Checking that the property has a clean history, and that there are no liens on the land, for example an unpaid mortgage or other debt. Under Mexican law, liens are passed on with title of the land, so these checks are especially important. The Notary should also advise you whether the land has a [title deed or whether it is untitled](#) and being transferred on agrarian terms.
- ◆ Checking that all land taxes have been paid during the last five years (if applicable) and that utilities (especially electricity) have also been paid during the last two years. By law, you are not liable to any debts after these times.
- ◆ Other items to be checked can include verifying all buildings are on tax registers and have the required building permits (as may be applicable); utilities were legally installed, and payments are up to date; the property is not jointly owned, or if it is, that both (or all) owners agree to the sale; and that the named seller has the right to transfer ownership of the property.
- ◆ The Notary Public is *legally responsible* to ensure that all documents are in order and that all legal procedures have been adhered to. The Notary is also charged with ensuring that property taxes, [including property transfer taxes](#) after a sale, are fully accounted and paid.

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Making payment

Whether you are paying with cash or via some type of financing, you (or the person representing you) will need to have the agreed funds available for hand-over at the Notary Public's office on the date that the deeds are scheduled to be signed across to you. The realty agent involved in the transaction (if you use one) and the Notary Public will provide information and guidance to you about the specific procedures, cross-checks, and requirements regarding payment of the property. Note that due to money laundering regulations, additional checks may be required to verify the source of the funds used to purchase a property in Mexico.

If you physically carry cash or monetary instruments (of any kind) with a value of or exceeding USD\$10,000, this must be declared when you cross the border into Mexico (and the enter/exit the USA – even if you are in transit to Mexico from elsewhere via the US). There are no limits on how much you can transfer in or out of either country, but sums over the US\$10,000 limit must be declared on a special form as you pass through Customs at the border. If you are wiring money from a bank abroad to a Mexican



bank this declaration is not necessary; however, the bank and/or Notary Public might undertake other checks to determine the provenance of the funds.

FURTHER INSIGHT

- ❖ [The role of the Notary Public in Mexico](#)
- ❖ [Legal title vs possession of property in Mexico](#)
- ❖ [Banking services in Mexico](#)
- ❖ [Costs and taxes of selling property in Mexico](#)

Buy, build, or renovate?

When you decide to invest in property in Mexico you will have, broadly speaking, three main choices about how to achieve your goal:

- ◆ Buy an existing home, brand-new or used; or
- ◆ Buy land and build a house on it from scratch; or
- ◆ Buy an older property and renovate it.

Formal surveys of land and property

Regardless of whether you buy land, or a built home—and regardless of the home’s age, even brand-new homes—we **strongly** recommend that you hire the services an **independent surveyor** (some architecture firms offer this service) to visit and assess the physical state of the property **before** you pay a deposit and begin the purchase. If you are buying land, special tests can be made to ensure that the subsoil is suitable and stable for building on.

Buying a built home

The quickest way to move into a new home is to buy one that’s built. This is, however, more expensive in cash terms than buying land and building a home on it—as built houses, new and second-hand, tend to trade at a premium. All homes require care and maintenance; used homes are likely to call for some type of decoration or renovation work to bring it up to date or to match your personal tastes and preferences. Brand-new homes are unlikely to need any renovation in the first years but will require regular maintenance to keep them from deteriorating.

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Buying land to build a home on

Buying land and commissioning a house on it provides the best ‘value for money’ as the price of the land and the construction will be less than an equivalent house bought built. You also get to customize elements of the design that is difficult (or expensive) to do when you move into a prebuilt house.

The downside of this approach is that you have the additional time, effort and expense of project managing a build. It’s unrealistic to think that you can be away from Mexico (or the locale) and get a good result, even if you have a project manager overseeing the build. You would do well to be in Mexico for the duration or at least have someone you consider dependable and trustworthy situated locally overseeing the entire project and keeping in regular contact with you. Architectural firms can be hired who will design, build, and finish your house for you. They usually work on a multi-stage payment basis and guarantee that the price they have quoted you is the price you’ll pay, or within a percentage. Note that by building in this way, savings of building the home and doing some of the management yourself will be lost in project management fees.

The choice of whether to buy or build is a personal one, and typically based on:

- ◆ what you are seeking in terms of a dwelling space;
- ◆ what is available already built in the market, and at what price (you may need to build to get what you want, or at a price you can afford);
- ◆ how much patient capital you have for investment in a property;
- ◆ how much time, capability, and inclination you carry to oversee a house building project (building projects typically consume a lot of your time for at least several months).
- ◆ See also the note below about dealing with water supply to the land you buy for your home.

Buying an older property to renovate

There’s a certain romanticism associated with purchasing an old (or older) property and renovating it. Most renovation projects are—at least to some extent—a labor of love, and those who embark on these projects inevitably end up spending more; some more than even their contingency planning estimated.

Some old colonial properties that lay in ruins can make interesting—and perhaps rewarding—pet projects to take on; houses that are more modern but nonetheless old, for example those built in the 50-year period between 1930 and 1980 can offer some potential but beware that however well kept it might have been (and many are *not* well kept at all) renovation is a serious undertaking.

It costs more in cash terms to renovate, restore, and modernize an old property than it does to buy land and build a house from the ground up. Renovations always throw-up surprises (damp, rot, termites, and foundation problems are common) and taking something down to replace it or redesign it is time consuming and expensive. Building from the ground up, using modern materials and the latest building methods (and standards) is less expensive. However, some properties are deserving of restoration and if you have the time, capital, love and inclination, there are plenty of old properties in Mexico waiting for you to buy and restore—speak to a local realty agent for advice.

A final note about buying older properties. There was a time when old, dilapidated, buildings in town centers could be purchased at low prices, but those days appear to have passed. Prices for even old wrecks



have risen substantially—especially in sought-after locations. If you cannot get a fair price for an old property, consider your choices carefully; unless you have significant capital and time and see the restoration through as a labor of love, negotiating the right price—and being prepared to walk away from the seller—is key to making a worthwhile investment in this market sector.

FURTHER INSIGHT

❖ [Choices faced by homeowners across the generations](#)

Water supply for the property

Land without a reliable water supply has extremely low monetary value. Ideally, the land you buy would have a mains feed from a municipal system; but this is not always available or practical, especially in rural and semi-rural areas across Mexico.

The land's water supply might be fed by a local well, or by a water feed from a neighboring plot; if the land you intend to buy has this type of arrangement, make certain that it's in writing on the deeds and that the additional costs, if any, are clearly stated.

Some properties collect rainwater during the rainy season and store this in a large underground cistern(s) situated on the property. The latest rain collection and recycling methods make excellent use of rainwater and thus can make properties effectively independent of the need for a mains water system.

FURTHER INSIGHT

- ❖ You can learn more about [water services in Mexico](#) on Mexperience
- ❖ Learn about the [rainy season](#) and the [dry season](#) in Mexico

Building standards in Mexico

Building regulations are improving in Mexico, driven in part by [recent earthquakes](#) that sprung local authorities into acting on the issue of poorly built homes and commercial buildings.

There are, nonetheless, a lot of older properties in Mexico that were constructed long before modern materials and building regulations came into effect, and thus standards vary.

A positive aspect of the building work here is that the houses still standing have survived some significant earthquakes in recent times; however, it's wise to have a property you're considering—especially older buildings—checked out by hiring a qualified and experienced surveyor to review the property thoroughly before agreeing to buy or handing over any money as a deposit to the seller.

If you are having your house built, then you will benefit from the latest materials, methods, standards, and regulations that will mitigate any damage or worse from events like earthquakes, floods, and hurricanes. Ask the architects to show you examples of their previous work and go to the places to see them—don't just look at the photographs. Ask them about local building regulations and what you can expect from their team in terms of making your home as safe as can be reasonably expected.

In areas near to the coast, and in regions containing a substantial proportion of volcanic rock, a soil survey should be paid for before you agree to buy any land to build on. Your architect or building project manager can advise you about this.



FURTHER INSIGHT

- ❖ [Free eBook: Guide to working with real estate agents in Mexico](#)
- ❖ [The role of the Notary Public in Mexico](#)
- ❖ [Property trusts](#) (this guide)
- ❖ [Estate planning](#)
- ❖ [Free eBook: Realty developments in Mexico](#)
- ❖ [Free eBook: House Maintenance and Home Security](#)
- ❖ [Legal title vs possession of property in Mexico](#)
- ❖ [Costs and taxes of selling property in Mexico](#)
- ❖ [Total cost of property ownership in Mexico](#)
- ❖ [Property insurance](#) (earthquakes, hurricanes, floods)
- ❖ [Water services in Mexico](#)
- ❖ The [rainy season](#) and the [dry season](#)
- ❖ [Articles about real estate](#)

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Selling your home in Mexico

Although buoyant markets at some locations have created opportunities for some people buying property in Mexico to make a quick profit in recent years, most people who buy a home here do so with the intention of using the property themselves and/or renting it out for an income over time.

Life circumstances change and, at some point, you may want (or need) to sell your Mexican home. When this happens, you will begin a procedure comparable to the one you undertook when you purchased a home, although you will be perceiving everything from the other side of the negotiation: the seller's side.

This chapter helps you to consider matters related to selling a property in Mexico.

Valuing your Mexican home

Unlike the US, Canada, and some countries in Europe, extensive price data related to property transactions is not readily available in Mexico. You won't find a publicly accessible 'official' central register of house prices in Mexico, and even some of the 'informal' registers that exist may peddle doubtful data, as sellers are not always forthcoming about the full details concerning the prices at which properties changed hands. Official registers do exist —on records at local government and Notary Public offices— but getting access to these data is tricky and must be undertaken in-person on state-by-state (or even municipality) basis, making it near-impossible for any individual to build a precise picture of what is trending regionally or nationally. Note also, that [untitled properties sold on agrarian terms](#) won't appear in most statistics, and the buyers' pool in this market is smaller because these properties cannot be financed or used for collateral. You can learn more about [prices and value on this article](#).

In absence of official data, local valuation surveyors exist who, for a modest fee, will visit the property and draft a report on its assessed value; based on the property size and characteristics, the location and locale, and local research the surveyor will do on recent prices. Realty agents may also be able to give an indicative value.

There are several methods in which value may be assessed, and there are also characteristics that can add value, not necessarily raising the price, through added appeal and marketability to a property. These are discussed briefly in the next section.

Investment value

This is deduced by determining how much the property would fetch monthly from a rental (based on similar rentals in the neighborhood where the property is situated) and multiplying by a factor. This factor is usually calculated by considering the cost of house maintenance and applicable property taxes. If you wanted to see a return in, say, six years then your formula would be: $\text{Monthly Rental} \times 12 + \text{Annual Maintenance (Including Service Fees and Taxes)} \text{ multiplied by Years (6)}$.

Annual rental yield

By checking the level of local rents for comparable properties (including location, area, condition, and appeal), you can work out the rental yield of a property based on its price. This yield provides a comparative return on other investments, e.g., leaving your money in the bank or investing in shares.

For example, if local rents indicate that you could rent the property for \$10,000 Mexican pesos a month, and the cash purchase price of the property (including closing costs) is \$4 million Mexican pesos, the



annual gross rental yield would be 3%. The gross yield *excludes* any costs associated with keeping the asset: in this instance, maintenance, rental marketing and agency fees, property taxes, finance costs, and any other costs not covered by the renter, e.g., homeowners association fees. This figure is worked out by dividing the annual yield (\$120,000 pesos) by the purchase price (\$4m) and multiplying by 100 to convert the decimal into its percentage value. In our example above: $(\$120,000 \text{ pesos in rent} / 4,000,000 \text{ pesos purchase price}) * 100 = 3\%$ gross annual yield.

Similar recent sales

If you are buying in a neighborhood where houses / land plots are similar, then you may be able to get an *indicative* commercial value from prices paid for equivalent size and type properties in the area during the last 12 months. A good realty agent would be able to guide you in this respect. Keep in mind that if one other buyer enters a local market and overpays for a property, then all subsequent sellers may reckon that their property is now worth *that much* more. Recent sales should consider several recent sales and not use the price paid by any one recent buyer as a benchmark.

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Replacement value

Another way of determining the commercial value of a property is to take the commercial value of the plot (land), and add to it the cost of construction, should you build it today (this is usually expressed in cost per square meter of construction) and depreciate this value according to the age of the house. You would then add-on the value of any distinctive features.

It's quite common for existing house owners to determine the present value of the land per square meter and use that plus depreciated building costs in calculating their sale value. A point to note here is that if the property is old, then a buyer might determine that the land value is less because of the cost required to renovate—or even demolish—the property before a new or restored dwelling space can be realized on the land space.

Valuation based on land and construction

House prices in Mexico are very localized, and if you live in some countries like the UK, you might be used to valuations of a property based on the number of bedrooms and whether the property is terraced, semi or detached—and not the square footage being bought.

In Mexico, values are not determined or measured on number of bedrooms; as a measure of value people instead look at a **price per square meter of land** and then **per square meter of construction** on that land as they tend to also in the USA and Canada. (1 square meter is equivalent to 10.76 square feet.)



For example, you could have a 300 square meter plot with 500 square meters of construction. The garden is likely to be small, or even, just a patio, in this scenario. “Construction” is usually based on outer measurements, wall-to-wall and includes garage, covered patios and out-houses or other buildings, not just the main living areas.

There is no set standard for how the “construction” figure is measured; for example, some measurements include patios, others don’t—so be sure to ask what it includes. Once you know the measurements you can make comparative values between properties based on land size and construction, including construction which is “traditional” living space, and construction which is “outdoor” living space, e.g., patios, terraces, and other annexes.

It’s also important to note that there are various ‘ranges’ of construction costs, from ‘cheap’ construction (around \$2,000 pesos per square meter) to ‘luxury’ construction (\$10,000 pesos or more per square meter). An average ‘decent’ construction cost is around \$7,000 pesos per square meter, and if you can afford to you would spend \$8,000 to \$9,000 per square meter to get better quality materials and more attractive finishes. Windows, doors, and floor tiles can add significantly to construction costs and quality of these can influence the price of a larger house.

Features that can add value and appeal

Some features that are part of the property itself or surround the property can add value to the property, or at least add appeal that can help you to sell the house to a potential buyer. As we mentioned earlier in the guide, it’s better to have less house in an optimum location.

Values and appeal of a property can increase when the following features exist on or near the property:

- ◆ The property is well served by local infrastructure that can include good access roads, a local interstate highway, a local (regional) airport nearby;
- ◆ The property is served by a [reliable water source](#)
- ◆ The property is surrounded by well-developed local amenities including stores, schools, medical facilities, community centers, sports and gym facilities, restaurants, and cafés, etc.
- ◆ The property is near a *clean* body of water, for example, a river, a lake, or by the ocean; take note that some locations near water may be subject to local flooding and thus more difficult or more expensive to insure;
- ◆ The property has good panoramic views of the area;
- ◆ Property has been kept in good condition, has been well maintained and upkeep, and requires little or no immediate remedial maintenance or restoration work;
- ◆ Property has a swimming pool / whirlpool, landscaping, a mature garden with attractive trees providing shade, well-kept driveways, a garage or car port, a water pressure system, solar panels for water heating;
- ◆ Any furniture: homes in Mexico are often sold fully furnished, but not always – check;
- ◆ Local security—for example, provided by guard houses in gated areas— where all residents in the community pay an annual fee to a security management company for continual vigilance.



Appropriate insurance to cover your property and possessions in Mexico

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Setting a sale price for your home

The value of real estate in Mexico, like the value of anything, is an equation between what an able and willing buyer is prepared to pay, and what a seller is prepared to accept.

There is no “formal” sales price market in Mexico, as access to historical and trend data to ‘tell’ sellers what to ask for and ‘tell’ buyers what to expect to pay is difficult to come by. This is one reason why market prices are extremely localized. As a result, one could say that property values in Mexico are more ‘real’ than in markets where reams of data ‘demand’ certain price levels by postal code based on historical precedent.

The opposite side of this situation is that sellers in Mexico may often be quite specific about how much they want to be paid for a property they own, regardless of whether it is in line with comparable properties, recent sales, rental yield equations or any other formula—or even reasonable!

The price you set for your Mexican home for sale will come about through a combination of influences that include:

- ◆ Your realty agent’s assessment, which will be based on their professional opinion as well as their recent experience of selling other comparable homes in similar locations;
- ◆ An assessment made by a professional valuation surveyor (remember this is also a professional opinion);
- ◆ You own perceived value of the property, which will be influenced by what you paid for it, and how much you have spent renovating or improving it, and how much your neighbors are selling (or have sold) their comparable properties for in recent months or years;
- ◆ Your individual circumstances, for examples:
 - how quickly you need to sell to liquidate the property for cash, or
 - how concerned you are about having to spend to keep the property maintained; or
 - whether there are other factors, like a death in the family, or a sudden need to move due to a job change, that have triggered the need to sell, or
 - a combination of these or other personal factors.

Most sellers set the highest realistic price and, if there is no interest, or buyers make inquiries but ask for significant discounts, the sellers might adjust their price downward if they become impatient to sell.



Some properties remain on the market for years with sellers obstinately asking for a certain price, which might be unrealistic and, in any event, does not attract buyers.

If you're a patient seller and don't need to liquidate in a hurry, you could try this approach; however, most sellers prefer to be (or become) realistic with their pricing and not have the property actively offered for sale in the market for years.

FURTHER INSIGHT

- ❖ [The value of Mexican real estate](#)
- ❖ [The role of the Notary Public in Mexico](#)
- ❖ [Costs and taxes of selling property in Mexico](#)

Mexico lifestyle consulting and relocation planning

The [Mexico Lifestyle Consulting & Relocation Planning service](#) helps you explore options and identify key matters to consider, helping you to make informed choices and form a coherent plan for your intended lifestyle in Mexico. [Learn more and make a service request](#)



Marketing your Mexican home for sale

When you are determined to sell your home and have set an asking price, you (and/or your agent) will need to begin actively marketing the property for sale. Most foreign sellers attempt to attract foreign buyers, although there is also a buoyant market of Mexican buyers in some of the more popular destinations in Mexico.

Here are the principal ways in which homes for sale are marketed in Mexico.

Using a realty agent

The best Mexican realty agents are expert at ‘networking,’ and you ideally want to find one that has been operating for a considerable time, knows the terrain, and has a deep and extensive network of relevant contacts.

Most sellers will enlist the services of a real estate agent; either on an exclusive or non-exclusive basis. The realty agent (and/or the agency they work with) should have a web site and specific means to reach potential buyers for your property. Ask the agent how they intend to market your property when you sign-up with them.

If you sign an exclusive contract with a realty agent, you should be clear about what active marketing the agent will do on your behalf, and the exclusivity should have a reasonable time limit set before it expires (6-12 months is common). Non-exclusive contracts enable you to enlist several agents to market your property, which may give you a wider reach to potential buyers, but agents usually ask for a higher commission on non-exclusive contracts.

Some agencies are affiliated with agents in the US and Canada and might market your home to foreigners seeking property in Mexico using these affiliate networks.

Commissions are paid by the seller on the final sales value of the house. Commissions are by negotiation and typically range between 4% and 8%, plus sales tax (IVA) at 16%. Most agents charge around 6%, with the lower range (4%-5%) offered to more expensive houses and the higher range (7%-8%) charged on the lowest valued homes. This is because the project management and paperwork required to sell a \$50,000 dollar home is almost identical to that required to sell a \$5 million dollar home.

Local magazines

Some agencies advertise regularly in local magazines, especially lifestyle magazines published and distributed in resort areas and other towns popular with foreign visitors and foreign residents. If you’re going to use a realty agency, ask about what advertising they undertake locally and how your home might get featured in some of those ads.

Internet listings

Realty agents will list your home for sale on their own website and should also list it for sale on the main property portals in Mexico, and some agents might also market your property through overseas agents offering property for sale in Mexico, if they are associated to any.

You might choose to list your own property online and link potential buyers to the agency representing you or ask buyers to contact you directly. In the case where a buyer contacts you directly, you might negotiate a lower commission with the realty agent to manage through the sale for you.



Word of mouth and social media

When you put your home up for sale, let all your friends and family know, and direct them to your agent's website or to you personally if there are any interested buyers. Using social media is an effective way to share information about your home sale and direct potential buyers to inquire about it.

Seller-led marketing

If you want to invest in some additional marketing, you can pay to advertise your own home, asking potential buyers to contact your agent if you don't want to deal with buyers, or to contact you directly. In the case where a buyer contacts you directly, you might negotiate a lower commission with the realty agent to manage through the sale for you.

Seller-led marketing can include a large polythene printed banner (in Spanish called a 'rotulo' or 'lona') draped on a door or wall of your home to advertise it for sale to passers-by; paid listings on internet sites or 'boosted' posts on social media platforms; ads in physical or digital magazines, newspapers, or newsletters.

Some sellers set up their own website to sell their home, creating a form of 'electronic brochure' to present the property in detail, and support the sales effort, whether they are using the services of a realty agent or not. While this is an excellent way to present your home in its best light, you will still need to actively market that site: using agents, seller-led (paid) advertising, word of mouth and social media, or a combination of these.

FURTHER INSIGHT

- ❖ Free eBook: [Guide to Real Estate Agents in Mexico](#)
- ❖ [Mexico Home Finders](#) (Mexperience)
- ❖ Principal property listing portals: [Vivanuncios](#), [InMuebles24](#), [MetrosCubicos](#), [Homie](#), and [Mexico Craigslist](#)

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Working with Realty Agents in Mexico

Cultivating a strong relationship with an experienced realty agent in Mexico can pay dividends in the long term. This guide helps you to understand realty agents and their services in Mexico and helps you to spot a good one to work with to help you buy, sell, or rent a home in Mexico.

Free eBook: [Guide to Working with Realty Agents in Mexico](#)

Realty Developments

Buying your home from a realty developer offers a range of advantages, including the opportunity to buy a brand-new home on a turn-key basis, built to the latest standards, with décor to suit your tastes and budget. This guide introduces you to realty developments in Mexico and helps to you understand the process purchasing a home from a developer.

Free eBook: [Guide to Realty Developments in Mexico](#)

Maintenance and Security

Whether you are renting or buying, keeping your home well maintained and secure is an integral part of enjoying your homestead in Mexico. This guide helps you to understand what you need to know to keep your home in good working order, and secure.

Free eBook: [Guide to Home Maintenance and Security in Mexico](#)

Creating an Energy Efficient Home in Mexico

This guide introduces you to techniques and technologies that can help you to make your existing home, or a new home you build, more energy efficient.

Free eBook: [Guide to Creating an Efficient Home in Mexico](#)

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References & assistance

Mexperience offers you a wide range resources and services to help you buy, own, rent and sell property in Mexico

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