

Buying Property In Mexico: A Step-By-Step Guide For Expats

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While purchasing property in Mexico is relatively easy for foreigners, you still need to be careful with your investment and hiring a real estate professional is essential for that. Here is our step-by-step guide for expats to buy property in Mexico.

You must be clear about your objectives behind purchasing the property. Whether you're looking for a residence to live in or planning to invest in a property for investment purposes—your goal will determine how you move forward with the purchasing process.

In this blog, we'll discuss some important things that you must be aware of before you invest your hard-earned money in a Mexican property.

What Does “*Ejido*” Mean?

In 1917, all land in Mexico was declared “*Ejido*,” by the state government. It meant that all land must be utilized for agricultural purposes by the locals and no one could have private ownership of any property in Mexico. However, the law has changed over the past years and people can now purchase properties that aren't classified as *ejido*. Before you consider a property available on sale, make sure you're not stepping into an *Ejido* property.

In 1973, another law was passed by the Mexican government that allowed foreign investors to purchase property anywhere in Mexico. The Foreign Investment Law restricted for the property to be within 100 kilometres of the international border or 50 kilometres of coastal land. This law was further amended in 1993, and the purchase of land within the restricted area was allowed for the holders of *fideicomiso*. This brings us to the question: What is *Fideicomiso*?

What is *Fideicomiso*?

A *fideicomiso* is a trust agreement established with a local bank in Mexico. It allows foreign investors to purchase several properties with rights similar to that of a citizen. You can hold the property for as long as you want and pass it on to your heirs. Furthermore, if you plan on selling the property later, a *fideicomiso* will allow you to transfer the trust to another buyer in a foreign state.

This trust agreement has a validation period of 50 years and can be renewed after it expires by you or your successors. One *fideicomiso* can even be held by more than one individual or a corporation. The cost of setting up this agreement lies between \$500 US dollars to \$1000 US dollars, while the maintenance can cost you about \$500 US dollars to \$700 US dollars per year.

Buying Property Through a Mexican Corporation

Owning property through a Mexican corporation is another way for foreign investors to own an *ejido* (restricted) land in Mexico. If you're buying the property for investment or business purposes, then do it through a Mexican corporation. But, if you're purchasing land to build your home on it, then *fideicomiso* is the right option.

Corporations, however, come with more limitations and documentation requirements as compared to a *fideicomiso*. You'll be required to submit income and expense reports every month to the Mexican Department of Treasury. Before these reports are submitted, they'll have to be finalized by a certified accountant and the hiring will cost you around 600 US dollars to 800 US dollars per year.

It's important to hire a legal advisor to look after the legal matters, such as the status of the land, title registration, contractual agreements and costs of setting up the corporation. The set-up costs may differ depending on your legal advisor. The minimum cost typically incurred is nearly 2,800 US Dollars or 50,000 Mexican Pesos.

Steps to Purchase a Property in Mexico

Offer to Purchase and Acceptance Letters

Your first step should be to draft an "offer to purchase" letter and send it to the seller. Although the Mexican law accepts verbal agreements, it's safer to keep it everything documented. Include clear terms of sale, conditions and clauses on the letter to maximize the security of your investment. You can also include a deadline for the seller to accept or reject the offer, so you can move forward with your property hunt.

When the seller accepts the offer, make a security deposit and let your legal advisor or real estate agent hold this amount. If the clauses are met, the payment will be transferred to the seller. If the seller demands to revise the clause to make it non-refundable, make sure you don't proceed further—unless you're willing to take the risk.

El Contrato de Promesa (Promissory Agreement)

Once the payment is deposited, a promissory agreement is issued under the Mexican law, which legally binds the purchaser and the seller to execute the purchase contract within a specific timeframe. This gives enough time to both parties to work out the contract details and prepare the required documentation to execute the sales agreement.

Once all the terms and conditions are fulfilled mentioned in this agreement, neither the seller nor the purchaser can back out of the property contract. After the promissory agreement is signed, the seller contacts your bank from which your *fideicomiso* was established to begin the process of trust application. Your legal advisor then issues a trust permit from the Mexican Ministry of Foreign Affairs.

Before ordering the trust permit, your legal advisor reviews the status of the property to be sold, the transfer of title, and terms and conditions mentioned on the promissory agreement. At this stage, the seller will be required to submit documentation to prove that it's free of encumbrances and tax liabilities. However, you're only required to submit your passport copy, driver's license, and a recent utility bill with your name and address in the foreign state.

When everything is verified, the trust permit will be finalized.

Closing of the Purchase and Title Transfer

After the trust permit is finalized and everything is in order, you'll receive a notice period and a document mentioning the due costs of the purchase. After the payments are settled, and the title deed is signed by you, the title of the property will be transferred to the *fideicomiso*.

Physical Delivery of the Property

When you're done with the legal part, visit the property to verify if it has been handed over in good condition. If you're satisfied, sign the delivery statement, which will finalize the delivery date of the land or property.

It's important to note that your legal advisor will be handling the entire process in Mexico on your behalf. If you grant a power of attorney to your legal advisor, you won't have to be in Mexico through every step of the sales process.

Conclusion

Here's how you can learn more about the popular real estate listings in Mexico and how to go about purchasing them, get in touch with our Mexico partner, SIMCA. Their trained agents will happily address all your concerns and queries.

I would like to offer you some additional articles about Mexico that I believe you will love!

What you need to know about residency and real estate in Mexico

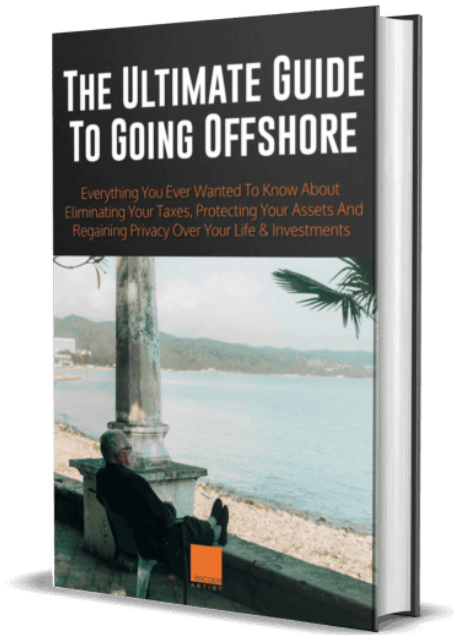
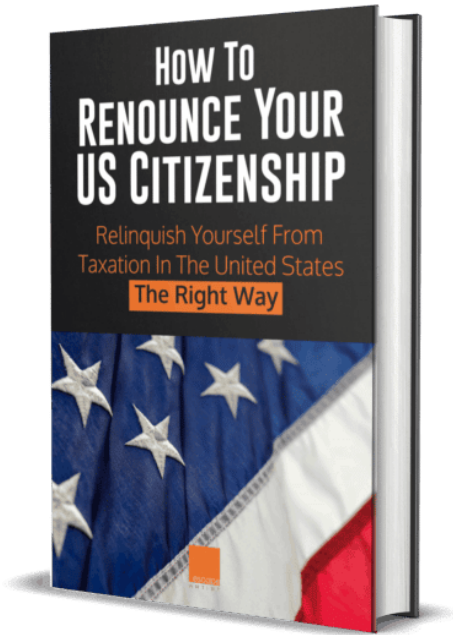
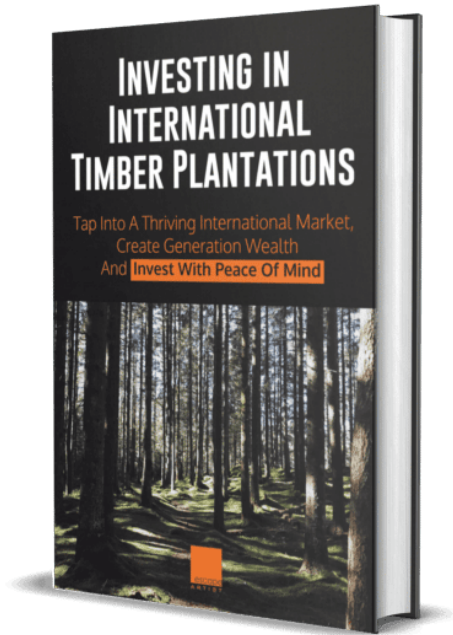
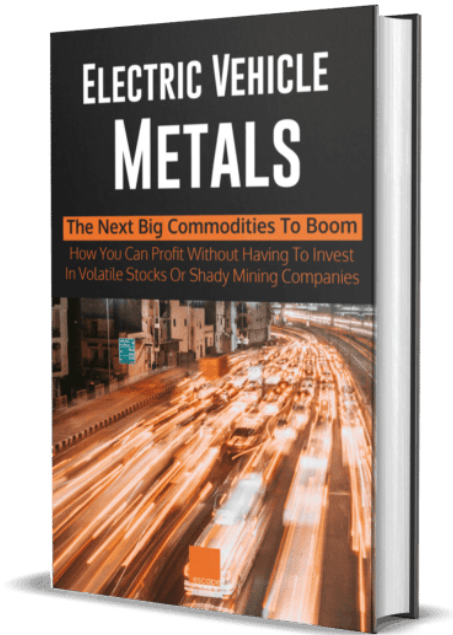
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