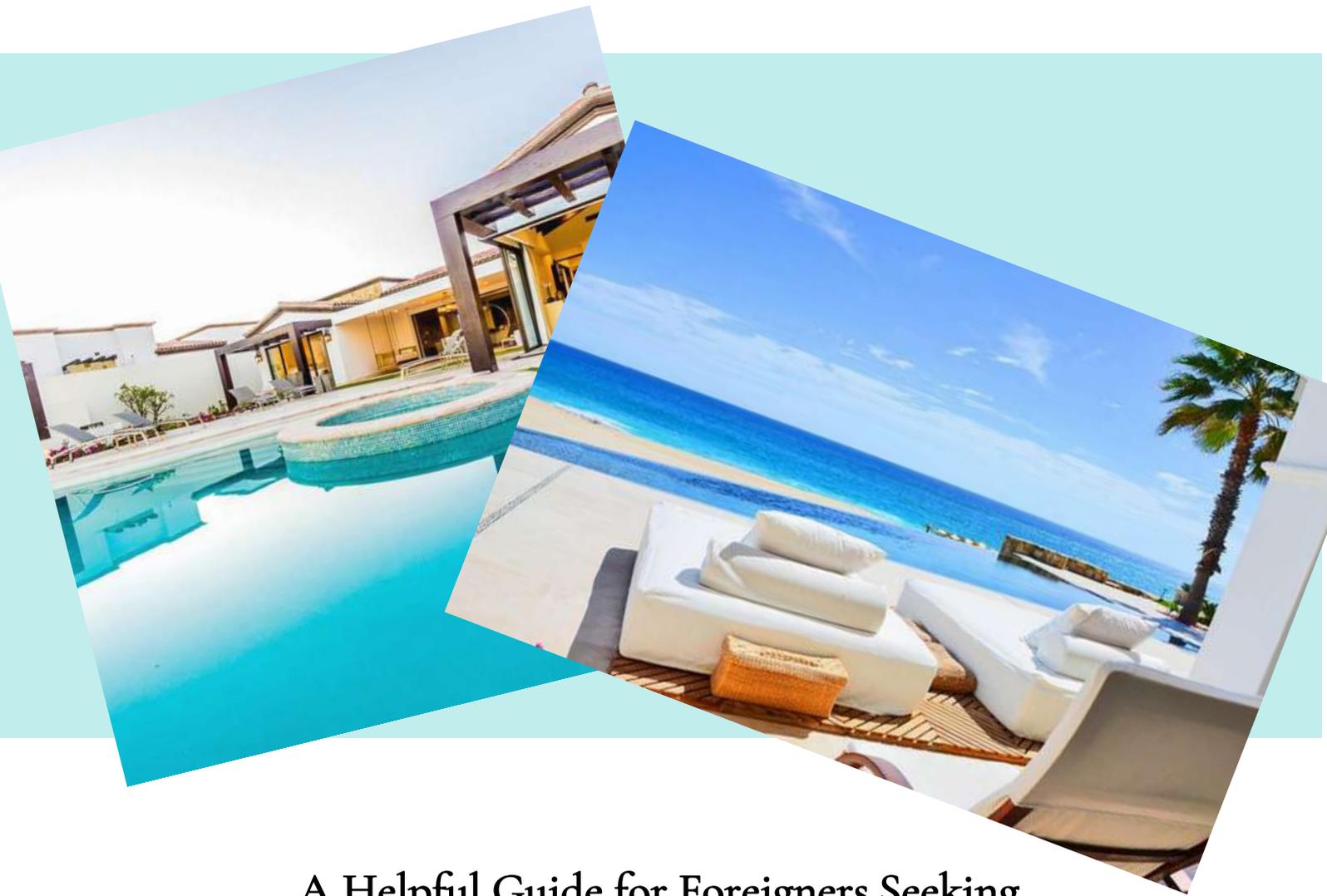




How To

# BUY PROPERTY IN MEXICO



A Helpful Guide for Foreigners Seeking  
to Purchase Property in Mexico

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**VERONICA CANELON**



# "I THOUGHT FOREIGNERS WERE UNABLE TO PURCHASE REAL ESTATE IN MEXICO!"

Let us help you break this myth by answering some common questions most foreigners ask us when it comes to investing and moving to Mexico and why investing in Cabo San Lucas is such a huge value proposition.



## So, Why Cabo?

It was named by Travel + Leisure as one of the best places to visit.

Lonely Planet says it's, "made for decadence." Fodor's ranks it as, "Mexico's ultimate seaside escape."

Situated at the tip of the Baja California Sur Peninsula, Cabo San Lucas snuggles between the Pacific Ocean and the Sea of Cortes. The iconic Lands' End, where both oceans meet, attracts visitors with its majestic rock formations, fishing, culinary, active sea life, and pristine beaches.

This once small, sleepy fishing village became a favorite hideaway for many Hollywood Stars in the early days. Nowadays, it's home to many celebrities who own their luxurious homes or private residences and enjoy a tranquil lifestyle, pristine beaches, world-class golf, and more...

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# LOS CABOS GROWTH

Over the last 40 years, Los Cabos has grown exponentially and become the most desired, premier vacation and living destination of Baja California Sur.

The current population is over 350,000 and is a diverse blend of cultures from the United States, Canada, Europe, Mexican Nationals, and Latin America. They all have been allured by Cabos' unique landscape, the hospitality of the local people, safety, and of course, exceptional weather.

The Winter months are a perfect 74 degrees with just enough clouds to allow for amazing sunsets. The summers warm up to the mid-80s for the ideal beach day. August and September temperatures reach the mid to upper 90s and bring the much-needed rain that doesn't fall the rest of the year.

## Perfect Weather

Spectacular Sunrises  
and Sunsets...

What Better Reason  
to Live in Cabo?



Los Cabo offers a variety of experiences that makes living here unique: you can fill up your day by taking a sailing trip or diving excursion, snorkeling, golf, yoga or enjoy desert ATV rides and zip-lining - the choices for outdoor activities are endless.

There is world-class golf with over 15 golf courses stretched between the Eastern to the Western side of the Peninsula, Bisbee International Fishing Competitions, delicious culinary experiences from casual to farm to table, or Michelin Star - Los Cabos has it all.

Proximity to the U.S. border with great connectivity of many direct flights from major U.S. and Canadian cities allows visitors and travelers to move freely and frequently between the borders. The increase in travelers created the need for the expansion of the San Jose International airport as well as the growth of private jets at the Private Airport.

Los Cabos in 2020 and 2021 broke the record of the number of visits of over 4 million travelers each year and keeps going strong.





## Biggest Myths of Owning in Mexico

Can Foreigners  
Own Property In Mexico?

It's time to put an end to one  
of the most enduring myths...

Whether you're in the market for a home you can move into full-time, a vacation retreat as an investment that you can visit a few weeks a year, or a beach-front lot you hope to resell at a profit at a later time, you can find all of the above in Los Cabos. And, despite what you may hear, it's perfectly legal for foreigners to buy and own in Mexico.

Let's take a look at **three of the most common myths** surrounding the topic of buying a property in Mexico—and the truth behind them.

Foreigners can own property in Mexico

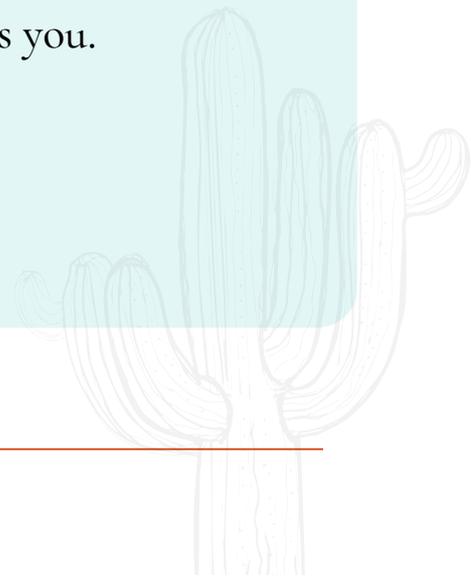
It's perfectly legal

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# BACK STORY OF OWNING IN MEXICO

To understand it a bit better, let us give you a bit of the back story.

- 1.** An article in the Mexican Constitution of 1917 states that no foreigner can own property in Mexico's "restricted zone." In 1973, however, the government saw the economic wisdom of allowing foreign investment in the "restricted zones" and established the *fideicomiso*, or bank trust, as an instrument to allow such investments in residential real estate.
- 2.** So, what is a restricted zone? It is land located 50 kilometers (*about 31 miles*) from shorelines and 100 kilometers (*about 62 miles*) from international borders.
- 3.** In the "restricted zone," foreigners can control land through a **BANK TRUST AGREEMENT** called a **FIDEICOMISO**, which offers the same rights and benefits as Mexican nationals or just as U.S. or Canadian law permits you.



# WHAT IS A FIDEICOMISO

A FIDEICOMISO Consists of Three Parts

- > **Trustor** – Seller
- > **The Trustee** – Mexican Bank of Financial Entity
- > **The Beneficiary** – Property Buyer

More on the  
Fideicomiso



You retain use and control of the trust (Fideicomiso), and make all investment decisions regarding the property: that is, to sell it, rent it, build on it, live on it, or pass it down to your heirs. It is easily transferable when an owner is ready to sell.

This is a safe, legal, and extremely common vehicle for foreign ownership in Mexico.

The Fideicomiso is very secure—only banking institutions authorized and regulated under Mexican banking laws can serve as Fideicomiso trustees. And, with the Fideicomiso, you effectively have all the rights you'd have if you owned in your home country.

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# The Advantage of The Deed

Owning Property Through  
a Trust Deed Offers  
Several Advantages



Firstly, you can list more than one person as a beneficiary. This means, for example, that a husband and wife can essentially be “co-owners.” You can, and should, structure this in such a way that if one partner dies, the other has immediate, 100% control over the property.

Secondly, you can list an “heir.” This means that should both co-owners die, a new beneficiary is already in place—a beneficiary who, incidentally, need not be related to the original co-owners. Essentially, you write a letter of instruction to the bank naming this heir. When presented with the death certificate(s), the bank immediately and seamlessly passes the title to him or her, and they don’t even need to be in Mexico for this.

This is a very desirable option for friends who own a property jointly, same-sex couples, or for couples with children from previous partners.

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A Fideicomiso allows the simple and easy transfer of control over the property, avoids the messiness of sorting out ownership in a Mexican court and it allows you to avoid inheritance taxes.

Trusts in Mexico are currently issued for renewable 50-year periods. If you are buying a new property all you need to do is pay dues at acquisition. If you were to buy an already existing property held in trust, you can either establish a new trust for the next 50-year period, or take over the existing trust deed. Trusts are renewable at any time by simple application. Maintenance fees for this kind of trust are around \$450 to \$800 per year.

## COSTS OF CLOSING FEES & FIDEICOMISO

Typically, Fideicomiso fees vary anywhere from \$2,000 to \$3,000 USD to establish. This price includes established fees, the cost of the first year, and a government fee.



...After that, you can expect to pay between USD \$450 to \$800 in annual fees to your bank at the most.

# STEP-BY-STEP GUIDE TO OWNERSHIP

So, now that we have covered the most daunting questions, let's go to the essence of best practices and what to expect when it comes to purchasing Real Estate in Cabo.

There is the traditional way of purchasing from the Seller, and a slight difference between purchasing directly with the Developers offering Pre-Sale and Pre-Construction Investments.

## Move-In-Ready

How to Best Go About  
Purchasing a  
Move-In-Ready Property  
from the Seller



Of course, once you find the place of your dreams, you get to make an offer. As your professional real estate team, we will write the offer for you and send it to you for your approval and digital signature. This can all be done electronically through email, so it will not be necessary for you to physically be in Mexico for this step.

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# Earnest Money

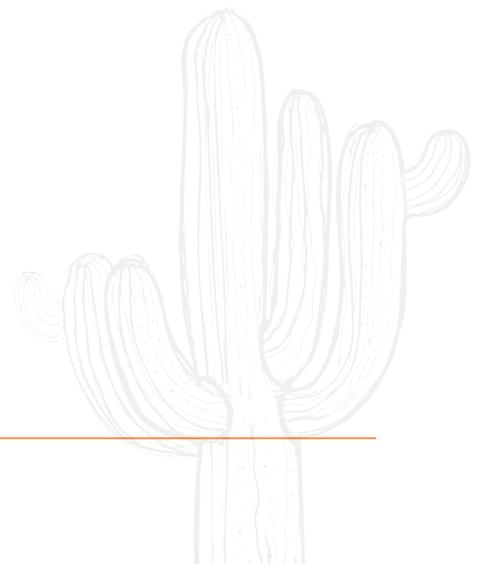
## 1. Earnest Money

Set aside 10% as Earnest Money in Escrow once the offer is accepted. Typically, you may need to consider placing aside around 10% of the purchase price as 'earnest money'. Escrow will hold it for you and will act as a third-party in the transaction to assure your money is safe and will be paid to the seller upon closing. When you work with us, we will recommend a reputable closing agency.

# Title Insurance

## 2. Title Insurance

It is important to investigate a property's title to be sure it is free from immediate encumbrances and that the taxes are paid, so be sure to have a clear document on it to avoid any issues. It is good to have Title Insurance in case anyone will ever want to claim your property. Most likely you'll never need it but you just never know.

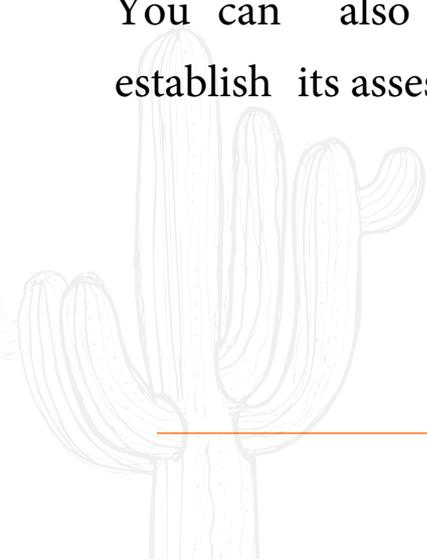


# Required Documents

## *3. Title, Appraisal, and the Closing Papers*

Your Purchase Agreement should always be prepared in both Spanish and English versions. The Spanish version will always prevail. As your professional real estate team, we will prepare this for you and assure they all read equally the same. Your Notary will prepare your documents for a direct deed or help you form a Mexican corporation or create a bank trust, and he/she will get the papers in order to register your purchase with the Ministry of Foreign Affairs.

What is also needed in order to have a smooth closing are: a copy of the title deed, and the lien certificate (certificado de Libertad de gravamen), which will show the name of the owner of the record as well as the details of the property, including the lay of the land (its size) and its status (commercial or residential, for example), taxes paid certificate, a non-lien certificate (certificado de no adeudo), which shows if there are any outstanding payments or not. And lastly, all utility bills are paid: water, gas, electricity, HOA, Internet, etc. You can also have the property appraised at this stage to establish its assessed value.



# CLOSE ON THE PROPERTY



## Escritura

Once the Notary & Insurer acknowledge that your property is in good standing and the purchase sale agreement is ready for signatures, you will meet with the Notary, the Seller, your Attorney, or the Broker for the closing.

Once you have a copy of your deed (Escritura), you can let Escrow know to process the final payment. Now, do not be surprised to learn this is not the final process.

You will get the copy of the Escritura as the Notary still has to register your deed with the Land Registry Office.

Your deed will have a seal on it as proof that the transaction took place but this last step is very important and can even take up to 3 months.

So be sure to follow up with the Notary.

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# Property Taxes

Let's Move on to the Next Topic

The Next Most Frequently  
Asked Question We Hear is...



## HOW DO WE PAY TAXES?

### PROPERTY TAX

The Property Tax on Mexican real estate is called "Predial". It is very reasonable, paid yearly, and it's about 0.1% of the assessed value of the property at the time of sale. Assessed value equals about 30% of the actual sale price, Your Notary can help you calculate this amount.

### TRANSFER & GIFTING or INHERITANCE TAX

Typically 2% acquisition tax is payable by the buyer when the property changes hands. If you are buying a property from some of the developers here in CABO, you can expect anywhere from 1%- 5% for the Transfer Fees which are paid to the developer. If you might be considering buying a property and later gifting it, there is a tax on certain real estate involved with gifting and the recipient will have to pay it. However, gifts between spouses and direct family members are not taxable.

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## Capital Gains

When You Sell Your Property You Will Owe Capital Gains On The Profit You Will Make  
(On Average 30% to 35%)



Capital Gains Taxes depend on how long you owned the property, how much appreciation your property has gained over the years, how many deductions you may have been able to make, etc.

If, for example, you made a renovation and improvement on the property, you must have an official invoice for the amounts invested called a **Factura**. It is to be included in the Company registration number and is the only legal document you can use with your accountants. So, it is recommended to ask for **Facturas** and keep them safe for future needs.

## DO I HAVE TO REPORT FOREIGN PROPERTY TO IRS?

Foreign real estate is not a specified foreign financial asset required to be reported on Form 8938 in the US. For example, personal residence or a rental property does not have to be reported.

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# RENTAL INCOME

If you do not reside in Mexico, but rent out your Mexican property, your rental income is subject to tax at a rate of 25%. For residents, rental income is taxable at the regular income tax rates.



## Investment Property

The CABO market is the best place to look for a vacation home rental if you wish to add an alternative investment to your portfolio that provides an ongoing return on investment (ROI).

Often, buyers ask us which is better - to buy with a Fideicomiso or create a Corporation. It is really up to you how you want to use the property. If you are looking to generate income, it is best to create a Mexican Corporation. This way you can always deduct any expenses and lower the income tax from the profits you are receiving.

It is not urgent to make this decision upon taking possession of the property, you can make this decision later on as well.

Creating a Mexican corporation has estimated fees of between 2% and 3% as we highly recommend consulting with an accountant and a lawyer before deciding which option is best for you.

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# PRE-CONSTRUCTION INVESTMENTS

Mexico's Real Estate Market is booming - especially in Los Cabos. After the recent Covid-19 lock-downs, Los Cabos Real Estate went through incredible growth and record sales.

As a result, move-in ready inventory in price ranges up to \$1 million USD is at low numbers but investors who are able to spend \$2 million and higher are still able to readily find properties.

That is why there are new projects starting to open up their inventory to the public and there is plenty of pre-construction sales now available for buyers to step in at a lower price point, patiently wait for their condo or home to be built, and enjoy the natural appreciation of their investment due to high demand.

## PURCHASE FROM THE DEVELOPER



It is Safe to Purchase From The Developer as it's a Fairly Easy Process and Often Very Flexible

Be sure, however, to partner with a builder who has a proven record of Real Estate Investments so you know your home will be delivered in time and will offer good quality.

Many Developers offer inventory in different price ranges available to all kinds of buyers. You can find a property in Cabo from \$150,000 USD up to \$15 million USD and more.

When partnering with one, choose the most trusted, well-established brand and the one that can offer the easiest and most flexible way of getting involved. Some Developers, because of their positioning, are able to offer their buyers financing options at very reasonable rates. You can also apply for a Line of Credit with the Mexico Banks that are now more open to making the process of acquisition of property by foreigners less bureaucratic. Purchasing a property with the developer often helps with the entire process of closing on investment. They take care of the entire closing process for you and it's an easy way to get involved and worry-free. So it's a very recommended way of buying properties.

## OUR PERSONAL RECOMMENDATION

Choose a project that offers security and resort-like living amenities. This is important for your quality of living as well as your potential renters. Be sure that the HOA is reasonable.

**Ask Us About Other Benefits!**



# FINAL WORDS ON REAL ESTATE IN MEXICO

So, there you have it...

A quick overview of Real Estate in Mexico. It is not as hard or as daunting as it may seem, right?

I hope this guide is helpful to you and you will now feel more comfortable moving forward with the purchase of your dream home!

**REMEMBER, MY TEAM AND I ARE HERE TO ASSIST YOU**

Along with my entire team of experts, we assure you a safe and easy process of becoming a homeowner or investor in Mexico.

**CALL US TODAY FOR YOUR OWN  
FREE PERSONAL CONSULTATION**



**Zoreli Veronica Canelon**

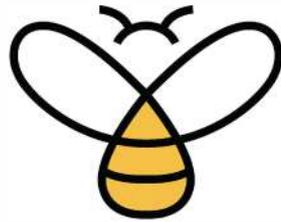
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