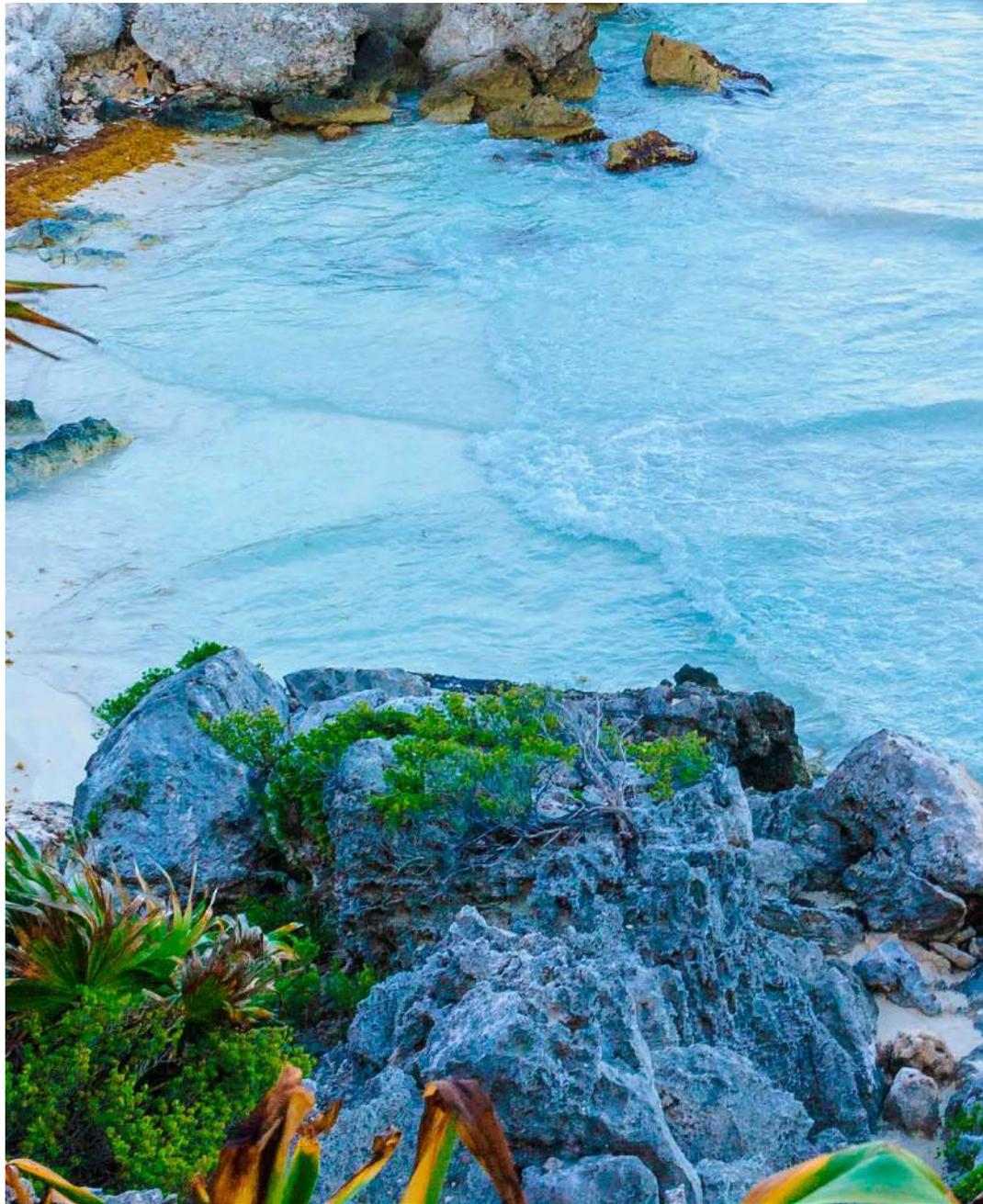




10 STEPS FOR FIRST-TIME BUYERS IN MEXICO



We know that buying your first property can be both exciting and a bit scary, but the truth is, there is nothing to worry about. We are here to guide you step by step to make this process easier for you.

Let's do this together!

Step 1: Finances

DETERMINE YOUR BUDGET (ALWAYS CONSIDER THE CLOSING COSTS)



This is probably the most important step because it will define what options you have. The first question you need to ask yourself is: **How much money do I want to spend?** This will help you decide whether it will be a cash purchase or if you need financing.

In Mexico, most real estate transactions are still cash only, meaning that you will be expected to pay the full amount to obtain the property. Financing options are available but a substantial down payment is often required (30% to 50%). You need to consider that the interest rates tend to be much higher than in the United States.

To determine a budget you need to know how much you can spend. So sit down and figure out the following;

- The household's take-home pay after tax.

Look at your last pay stub to get this amount, this is how much money you currently have to spend each month. If you have an irregular income, take the average of your last 12 months pay.

- List your household's recurring monthly expenses.

This list should include fixed and variable expenses, note which expenses are necessary, which are totally optional and which are necessary but flexible.

- List the expenses you will add when you become a homeowner.

These expenses will vary depending on the type of property you purchase. For example, if you purchase a condo, you will most likely have to pay Homeowners Association Fees (HOA Fees). This will cover landscaping of common areas, cleaning of hallways, stairwells and elevators, etc... On the other hand, when purchasing a house, some of your expenses will be paying the water, trash, home maintenance, gas, and electricity.

In any purchase, you will pay property taxes and home insurance.

- Figure out which expenses will go away.

After buying a home you will be able to cancel certain expenses, take a moment to think which ones they will be.

- Determine how much you have left after expenses to spend on housing.

After you have figured out how much money you take home and what you spend each month, determine how much you have left over each month to spend on housing.

- Non-negotiable expenses.

After you have done all the above, save for emergencies, retirement, or vacations. This will be an extra amount that you should save.

Step 2:

Organize your thoughts

CREATE YOUR HOME BUYING WISHLIST



We will start by dividing your requirements in three columns; needs, wants and wishes.

1. The needs will be those things that you must-have..
2. Wants are amenities that may not be must-haves, but are key factors in your decision-making process.
3. Your wish column will help define the gap between the home of your dreams and the home you can afford.

Step 3: Find an agent

GET A TRUSTED REAL ESTATE PROFESSIONAL



This can be the most challenging part of the entire process. Take-your-time! You do not need to go with the first person you talk to. The best tip on how to choose the best agent is to **talk to more than one.**

Get in contact with a couple of real estate companies and analyze their responses, their follow up and how they listen to your needs and interests. Ask your agent about their background, their educational history, and what they like most about representing buyers.

Buying property is a life-changing financial and personal decision, so chemistry is very important. Find an agent who understands your needs and with whom you feel comfortable with.

P.S. Don't be afraid to breakup with your agent if the fit isn't right. There's no document binding a buyer to an agent.

Step 4: Get informed

GATHER INFORMATION ON THE CITY YOU WANT TO PURCHASE AT



1) Affordability

Affordability includes more than just housing expenses; the prices for consumable goods, like groceries, vary greatly from town to town. The price of gasoline, utility services, water, and taxes, also varies.

2) Proximity to Family and Friends

Choose a place that is at reasonable distance by plane. You don't want to spend all of your vacation time and energy shuttling back and forth to visit friends and family or vice versa.

3) Reasons of your purchase

Why are you buying this property?

- Buy & self-use: Savings on rentals, benefit of self-utilization and value appreciation.
- Buy & lease: Regular income and long-term value appreciation.
- Buy & Sell (short-term): Quick, small to mediocre profit - usually buying under construction properties and selling slightly high once ready.
- Buy & sell (long-term): Large intrinsic value appreciation over a long period; a solution for long-term aims like retirement planning, child's educations, etc.

4) Location

Location, location, location! The most important factor for profitability in the real estate investment. Proximity to amenities, peaceful conforming areas, neighborhood status, and scenic views –among others–, are major factors for residential property evaluations.

Also, ask yourself if you are into the urban scene or do you prefer the quiet, easy going streets of a small town.

5) Climate

Ask yourself if you want to live in a cold or warm place? Climate plays a large role in our lives as it impacts our hobbies, behavior, and sometimes even our jobs.

6) Short distances

Search for a place where most of the areas are in short distances. Keep track of how long it takes from different areas of town to get to your job, airports, gym, parks, restaurants and anywhere else you'll want to spend your time.

7) Culture

If you crave constant cultural stimulation, you definitely want to choose a place that has a lot of cultural offerings.

8) Food options

Look for a place that offers you food options. If you're a foodie you may want to try to find a place to live near the ocean or near a metropolitan city center with fresh food from the ocean or from the farmers' market.

9) Health care

Health care facilities are important at any stage in life. You need to search for easy access to good healthcare, as this will increase your quality of life exponentially, so look for towns and cities with good hospitals.

10) Proximity to an Airport

You may want to live close to a place where you have easy access to the airport. This will benefit you, your family and friends when they come to visit you

Compare cities for their cost of living, property prices, crime rate, health care and quality of life in each of the places you're considering.

Feel free to compare cities in the following link:

<https://www.numbeo.com/cost-of-living/>

Step 5: **Analyze pros and cons** **ASK YOUR AGENT TO EXPLAIN THE MARKET** **IN WHICH YOU ARE INTERESTED IN**



Once you have defined the neighborhood you are interested in, talk to your agent to give you an objective overview, both positive and negative of the area in which you are interested in.

Ask your agent for a comparative study of the market, and see how are the prices of properties in general, and the price per square foot, rents, areas and the increase in surplus value.

Remember, this is the time when you need to understand exactly where you are purchasing and the benefits that this will bring to you.

Step 6:

Understand the basic terms

RESTRICTED ZONE, BANK TRUST, FIDEICOMISO, CORPORATION ESTABLISHED, NOTARY PUBLIC, CLOSING COSTS



Many people are unaware that non-Mexicans can own property in Mexico. For many, it is a surprise that foreigners can actually own property that is right on the beach.

The truth is, **foreigners can own property** on the beach side and **live full time in Mexico**.

So before purchasing any property, we encourage you to understand the basic terms.

A) What is the restricted zone?

The restricted zone in Mexico refers to properties that may be part of real estate transaction in a range of 100 kilometers from the borderline and 50 kilometers from the coastline.

For a foreigner to buy real estate in the restricted zone, they can do so only by means of a fideicomiso (Real Estate Bank Trust) or also by establishing a Mexican corporation.

B) What is the Bank Trust (fideicomiso)?

The **fideicomiso** is a Bank Trust, granted in a 50-year renewable term. The bank acts on behalf of the buyer and will have title, but has a fiduciary obligation to follow the directions and wishes of the foreign buyer. The foreign buyer can enjoy, use, rent out, improve upon the property expand, build and sell the property and reap 100% of the profits.

The fideicomiso is authorized via a permit issued by the Secretariat of Foreign Affairs (Secretaria de Relaciones Exteriores) and in accordance with the 27 article of the Mexican Constitution. It is important to mention that the properties held in the trust are not assets of the bank and the size of the bank does not affect the properties they represent.

In case the bank goes into a financial difficulty, the property will be transferred to another trustee bank; you do not need to file for a new permit in such case.

On the other hand, as an alternative to the trust (presuming the property is not acquired for residential purposes), the other way that foreigners can purchase property in Mexico is through a Mexican corporation owned and managed by foreigners. This allows them to own, operate and administer a corporation in Mexico.

The company will have to be incorporated under Mexican law, it is a Mexican entity, even if its shareholders, members and offices are foreigners. Accordingly, the company may acquire direct ownership (including legal and beneficial title) over **Restricted Zone property**.

It is important to know that incorporating and maintaining a Mexican company is more costly than establishing a trust and it must be operated in accordance with law. Therefore, unless the buyer plans to develop the property or an associated business, the trust mechanism is the easier, less costly approach.

C) What is a Notary Public in Mexico?

A **Notario Público** in Mexico is an experienced lawyer who has been selected and appointed by the Mexican state after practicing law, completing a rigorous application process, passing a

stringent exam and also meeting all qualifications set by the government.

A Notario designation carries a great deal of responsibility as all real estate purchases must be registered with a Notario; they are legally responsible to ensure the deed title is clear and recorded at the Public Registry.

They provide security for original records and documents, and are responsible for filing the documents with the Public Registry of Property, and can be held liable in both civil and criminal terms.

The Notario Público is required to finalize your real estate deal, he will authenticate all the legal documents, transfer of title, calculate the capital gains tax and ratify all real estate transactions in Mexico.

→ If a real estate transaction was not recorded in the Public Registry by a Notary, it will not be valid.

D) What are Closing Costs in Mexico?

The **closing costs** in Mexico are usually slightly higher than the closing costs in the United States and Canada, but the annual property taxes in Mexico are surprisingly low.

The buyer will be paying the closing costs and the seller will pay the capital gains tax and sales commissions. The following is a list of closing items:

- Public Registry Rights
- Property Acquisition Tax
- No Liens Certificate
- Title Search
- No Property Tax Debt Certificate
- Bank Trust
- Notary and Attorney Fees
- Appraisal by Authorized Valuator
- Permit from Minister of Foreign Affairs
- National Registry of Foreign Investment

The closing costs will be about 5% to 8% of the purchase price and it covers the following:

- Bank Trust Fees
- Foreign Affair Permit
- National Foreign Investments Registration Notario Fees
- Property Acquisition Tax
- Public Registry Rights
- No Liens Certificate
- Title Insurance

Step 7: Visit Mexico

PLAN A TRIP OR TWO; COME TO SEE THE PROPERTIES



Visit Mexico at least once or twice during the purchase process, make time to travel and get familiar with the place, you will at least need a couple of days to get a real feel of the place you are going to be purchasing at.

Meet with your agent, who is the expert on the area and will be there to take you around and show you different properties. The most important thing when coming to see the properties is taking your time, and do not try to rush it all in one day.



Along the trip, write all the questions that you might have. When you feel that you are ready and your questions and concerns are solved, talk to your agent about making an offer on the deal that works best for you.

Step 8: Final touches

OFFER, SALES PRICE AND NEGOTIATED TERMS



Once you have your ideal property, you feel confident, you have all the information, and you are ready to take the big step, your agent will submit a written offer to purchase.

The offer to purchase is the first document with which you begin the process of transferring a property from the seller to the buyer. The offer to purchase can also be prepared as a reservation agreement or an earnest money deposit, and lists the main points of the future transaction.

The offer to purchase, is a preliminary agreement containing the basic information to execute the transaction and can be as complex or as simple as the buyer deems necessary.

Any money released, such as earnest money, should be refundable during this phase. Also, **a reasonable amount of time**, mostly two weeks, **should be allowed for the buyer or legal counsel to research** and make sure all the property documents are in order to continue with the purchase if wanted.

The offer to purchase should include the following:

- Names and personal info of both parties
- The date
- Description and address of the property
- Price and payment terms
- Terms and conditions of the offer
- Signatures of both the buyer and the seller

Once it has been signed and accepted by both buyer and seller, creating a binding commitment for the buyer to purchase and the seller to sell, the offer to purchase becomes legal.

The agent representing you, will be responsible for preparing the offer (both in spanish and english), and the agent representing the seller, generally prepares the counter offers, if any. Your agent will work as a go-between until both parties (buyer and seller) agree with all terms of the transaction.

→ Please note that the offer could go back and forth a few times as you negotiate the prices and/or the delivery terms of the sale.

Step 9: Contract

THE PROMISE TO PURCHASE AGREEMENT



The Promise to Purchase Agreement or Contract, is prepared after the offer to purchase has been accepted.

This means:

- All negotiations are finished.
- The final selling price has been agreed on.
- The terms and conditions and payment plans have been accepted by both the buyer and the seller.

The promise to **Purchase Agreement is one of the most important documents** that will be reviewed during the real estate acquisition process. It is the formal document that outlines the details and terms for the sale and acquisition of the real estate transaction.

Its purpose is to outline details such as legal description of the property, agreed price, penalties and other items committing both parties to an obligation to enter into a future document: the purchase sales contract.

→ The promissory contract is especially important when the title transfer takes time, such as when buying pre-construction.

→ This document binds the buyer and the seller; it is the last contractual document required to transfer the rights of the property to the buyer.

This contract should include the following:

- Name and personal information of the buyer
- Name and personal information of the seller
- The seller's promise to sell
- The buyer's promise to acquire
- A full legal description of the property
- Purchase price, deposit and payment schedule
- Delivery date for possession and transfer of the title
- Responsibilities of both parties
- Rights and obligations for both parties
- Terms and conditions
- Penalty clauses in the event of default
- Signature of both parties

→ Our recommendation is that before signing a contract, it's a good idea to have a Mexican real estate attorney review the promise to purchase agreement.

→ Even if you don't get an attorney to review the contracts, you will still need one for when it comes the time to close on the property, it is required here in Mexico.

Step 10: Pack your bags!

GET READY TO ENJOY LIFE IN MEXICO!



Why should you invest today in Riviera Maya's Real Estate market



- 1)** If you are looking for exceptional real estate opportunities, an active lifestyle, and unique culture, at half of the cost of your present city, then this is the place to purchase at.
- 2)** Riviera Maya has a vibrant nightlife, ever-growing community of expatriates, year-round water sports and a subtropical climate.
- 3)** This place offers an abundance of activities, fantastic shops, and gourmet restaurants.
- 4)** Every year, there is an increase in the number of foreign buyers who are investing in real estate and residential properties in the region.
- 5)** Riviera Maya has many investment properties available for a variety of budgets.
- 6)** Riviera Maya's living cost is about 50% less to live in than most cities in the United States or Canada and the quality of life is so much better.
- 7)** Riviera Maya is an award winning destination
- 8)** Riviera Maya is the most important touristic destination Mexico has to offer to the world
- 9)** If you have the financial capacity and are looking to acquire a property, this is your opportunity to take advantage of the present Riviera Maya real estate market as it is booming.

**START LOOKING FOR YOUR PROPERTY IN THE RIVIERA MAYA.
IN TAO MEXICO, WE ARE HERE TO HELP YOU.**



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