



AQUARIUS

REALTY GROUP

Make A Wish Come True

READ THE BASICS

It is a common believe that foreigners cannot own real estate in Mexico, but the reality is that they can. It is completely and perfectly legal for a foreigner or foreign corporation to acquire any type of real estate, with the exception of properties located in the Restricted Zone also known as the Prohibited Zone. Restricted Zone: A zone of 100 Kilometers along the border or 50 kilometers along the coast.

There are two options for a foreigner or a foreign corporation to obtain ownership of real estate within the Restricted Zone. Obtaining all the rights of ownership with a bank trust, known as a Fideicomiso and another option is to purchase through a Mexican Corporation.

Any foreigner or Mexican National can establish a bank trust known as the "Fideicomiso"; through a Mexican bank to purchase real estate within the Restricted Zone; even in unrestricted zones, many foreigners prefer to hold their property under a Fideicomiso. In order to do so, the title of the property is transferred to a trust with a Mexican bank acting as Trustee. The Trust Agreement is formalized by the issuance of a permit from the Mexican Ministry of Foreign Affairs. The lot or home buyer is designated as Beneficiary in the Trust and the beneficiary rights are recorded in the public record by a Notary Public.



The Fideicomiso can be established for a maximum term of 50 years and can be automatically renewed for another 50-year period as establish by the Mexican Foreign Investment Law passed in 1993. Fideicomisos technically run in perpetuity. During these periods you have the right to transfer the title to any other party, including a member of your family. The bank becomes the legal owner of the property for the exclusive use of the buyer, who has all the benefits of a direct owner, including the possibility of leasing or transferring his rights to the property to a third party or pass it on to named heirs. Fideicomisos are not held by the trustee as an asset of the bank.

Based on current rates, the average initial cost to obtain the Fideicomiso is \$ 500 USD (for drawing up the agreement and establishing the trust), plus a percentage based on the value of the property. The bank charges an annual fee to cover its services as a trustee.

Another alternative is to purchase non-residential property through a Mexican corporation, which under certain conditions can be 100% foreign-owned, with a provision in its by-laws that the foreigners accept being subject to Mexican laws and agree not to invoke the laws of their own country. Also, they agree that the real estate acquired be registered with the Foreign Affairs Ministry and be used for non-residential activities. In other words, under these conditions foreigners can directly acquire properties destined for tourist, commercial or other non-residential use.

In addition to México's lower land costs, construction costs are lower, maintenance is cheaper, and ownership costs (taxes, utilities) are very low. Average Property tax rate in Mexico is 0.192% of the property value.

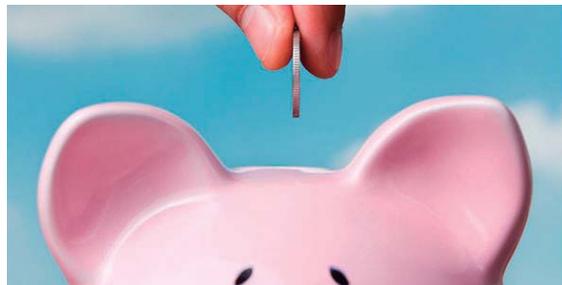
Purchasing property in any location requires an extensive amount of research, planning and preparation – Mexico is no exception to this. A person should understand the laws, do significant diligence and work with true professionals who can guide you to a successful, safe property ownership in México.

Financing



Historically, due to high Mexican interest rates and lack of capital markets, most transactions were made in cash. That has changed and now many local and foreign banks are now offering financing options. We have some options for you to decide, please contact us for more information.

Escrow & home insurance



It is recommended to use an escrow account for real estate transactions. There are a few companies available that provide this service. We work closely with escrow agents, insurance brokers and insurance companies. Contact us to request a bid or for more information.

Title Insurance



Title insurance services are available in Mexico through a number of sources including International Land Title, First American and Stewart Title. Title Insurance covers you should the property you buy subsequently turn out to have liens associated with it. This especially relevant if the property you are buying has been privatized, having previously been classified as being "Ejido" lands, 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. As in most other countries, the title insurance company will require a deposit to begin the title search which will be credited back to you at the time of closing. Title policies can insure the owner, lender, mortgage or holder of any interest, as outlined by the person who buys the policy. Generally speaking, a title insurance company will, at its own expense, defend any lawsuit affecting title. Rates for Title Insurance are around 5% of the property's value; payable once only at the point of purchase.

Purchase Sale



In any case, once an agreement has been reached on price and details, a purchase-sale agreement (promissory contract) is signed by both parties, stating precisely what is and is not included in the sale; precisely what the terms, if any, are; what international escrow company will be used (if applicable), how much the deposit will be and when it must be in escrow; what the penalties to both sides are for non-compliance; what Notary will be used; and what the schedule closing date is. **It is highly recommended that a real estate broker or lawyer be consulted before signing any papers or handing over any money.**

It is common practice to deliver to the seller, as an advance payment, the equivalent of 10-30% (including the initial deposit) of the total price upon signing the purchase-sale agreement. Normally, when signing the Escritura (the official deed, which needs to be certified by a Public Notary) the balance is paid and the property is delivered. This should not take more than 45 days. We recommended that an escrow account be used for all real estate transactions.

The Notario Publico



A Public Notary is a government-appointed lawyer who processes and certifies all real estate transactions, including the drawing and review of all real estate closing documents, thus ensuring their proper transfer.

In connection with real estate transactions, the Public Notary, upon request, receives the following official documents, which are required by law for any transfer: A non-lien certificate from the public property registry, based on a complete title search; a statement from the treasury or municipality regarding property assessments, water bills and other pertinent taxes that might be due; an appraisal of the property for tax purposes.

You can choose any Notario Publico in Mexico to handle real estate transactions and if needed a Notario can act as the escrow agent.

The concept of capital gains tax does not apply in the same way it is determined in Canada or United States. In Mexico, the gain from the sale of property is treated as

normal income. In order to determine the gain, the following costs and expenses are deducted from the amount for which the property is officially sold:

- ▶ The original land cost.
- ▶ Construction Cost.
- ▶ Additions, modifications and improvements to the property, but not maintenance.
- ▶ The depreciated construction cost. (based on the number of years the property was held and adjusted for inflation according to the official consumer price indexes).
- ▶ Real estate commissions paid to broker by the seller.
- ▶ The closing costs, including all expenses, taxes and fees paid by the seller.

The Notario Publico will retain the calculated gain after deductions, forwarding it to the tax authority. The seller will then deduct this amount against his annual tax return, which can become an adjustable tax credit in Canada or U.S.A.

On the other hand, there is no capital gains tax; if there is conclusive proof the seller has used the property as his primary residence; some restrictions apply, we strongly advise to consult a tax attorney and/or a licensed real estate agent. In coordination with a Public Notary, these professionals can calculate the taxes due on any real estate transaction.