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10 Things

you need to know about real estate in Mexico

1. Know your location

Mexico is a large and diverse country. Mexico is the third largest country in Latin America (after Brazil and Argentina) and the 13th largest country in the world. It has an area of approximately 758,249 square miles and 7,202 miles of coastline. Always make sure you know the distance between your property and key cities in Mexico.

2. Know the basics of Mexico's political system

You do not need to be an expert in Mexico's history or political system before buying property in Mexico. However, it is useful to know some of the basics. For instance, do you know exactly where your property is located? Is Sonora a state or a province? Is Puerto Peñasco or Cabo a county or a municipality? Mexico is a federal republic with a centralized form of government and its territory is politically subdivided into states and

municipalities. Real estate investment has aspects regulated by the three levels of government (federal, state and municipal).

3. Know that Mexico is not the wild, wild west

Mexico's legal system is based on the codification of laws. This is commonly known as a Civil Law System. Civil law countries are very solemn and formalistic. Notaries play a very different role than their counterparts in the United States. Expect higher closing costs and less property taxes. Always make sure you follow local rules and, most importantly, keep everything in writing and signed.

4. Know that, like any other country in the world, Mexico has restrictions applicable to foreigners

This is true anywhere in the world. Even after NAFTA and the WTO, countries restrict foreigners by law or in practice and Mexico is not the exception. Some restrictions may

Mexico prohibits direct ownership of land by foreigners in an area of 62 miles from any international border and 32 miles from any ocean. This area is commonly known as the Restricted Zone.



be as simple as having to appoint a translator for every agreement, or the withholding of certain taxes, obtaining an FM-3 or other immigration forms. Other restrictions are more severe such as the holding of real property located in the "Restricted Zone" in a real estate trust or fideicomiso. Always keep in mind that certain restrictions are applicable to you because you are not Mexican, just like certain restrictions apply to non-Americans in the United States.

5. Know the culture. In Mexico, "Business is Personal"

It has long been recognized that culture plays a distinct role in defining ways of living which vary from culture to culture. Although the use of generalizations may appear to stereotype people, they are useful as a tool for developing an awareness of the differences existing between people of diverse cultures, and for reducing misunderstandings between them. In the Mexican culture, the importance of the family, friends and the high degree of personal sensitivity have implications in communication styles, decision-making, negotiating, contracting and in business etiquette.

6. Know how to get answers and get involved

Try to be involved in every decision regarding your property. Ask questions and understand the answers you get. No matter how different the legal systems may be, at the end of the day, things have to make sense and they always have an explanation. If something does not make sense to you, make sure you demand a satisfactory answer and do not accept the typical "this is how things are done in Mexico," phrase as your answer.

7. Know your partners and select good counsel

Just because in the United States, you would buy a house without retaining legal counsel does not mean you can do the same in Mexico. Realize you are in a foreign country and be extra careful. The selection of good counsel on both sides of the border and good partners will be material in the success of your investment in Mexico.

8. Follow local rules, don't just translate

If you are a savvy investor or developer in the United States, you may use your business experience in developing or investing in real property Mexico. However, keep in mind your ideas and actions may have to be adjusted to be in compliance with local laws and regulations to be effective. Remember that no matter what you do, the real property is and will continue to be in Mexico.

9. Think global

Any cross-border investment in Mexico has consequences in both the United States and Mexico. Take advantage of the available international treaties (NAFTA, tax treaties, etc.) and make sure you have the best possible structure in relation to U.S. and Mexico standards.

10. Do things the right way even if they take longer

Do not cut corners! This is important anywhere, but especially in a formalistic legal system such as Mexico. Do not try to save time or money by skipping steps. Always go by the book. **AB**

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