Shhh, don’t tell anyone

When you think about curbside appeal, do palm trees, powdery white sand and crystal ocean blue come to mind? If so, you’re not alone. More and more people are buying property every day in places like Tulum, a quiet village 80 miles south of Cancún on Mexico’s Yucatán peninsula, adding Caribbean coastline to their real estate portfolios. Rich in ancient Mayan history, local lore has it that Tulum’s settlers chose its name (the Mayan word for “wall”) because of the giant bluffs that mark its topography. The combination of soaring rocky cliffs and deep azure water surrounding it makes the area an idyllic place to call home.

For some, the idea of buying foreign land may seem like a pipe dream, but not for Vicki White, who lives in Florida most of the year. No stranger to Mexico’s beautiful beaches and romantic getaways, when a property located just outside the Tulum pueblo in Chan Chemyuil became available White decided to give it a look. “Four or five years ago oceanfront was going for $30K. I’ve watched several opportunities go by.” Today’s seaside properties are out of her price range, but this place was close enough to make beach life an easy part of her days. She wasn’t going to let it slip away.

White bought the two-bedroom, one-bathroom house for a scant $39,900. With its smaller kitchen, she estimates the size at just under 1,000 square feet. She says it works just fine for her—and those companions lucky enough to be invited as house guests. Groceries and other shopping needs require a quick trip into Tulum, about a 10 minute drive.

As a design studio manager at a construction company, White knows a thing or two about pulling off a home’s aesthetic appeal. But doing it on a tight budget wasn’t as easy as she had imagined. “Outfitting a house is the biggest challenge,” she says. “I thought things would be cheap down there, but they’re not.”

When she purchased appliances in Playa Del Carmen, White was surprised that no one spoke English. “That transaction took about an hour,” she says. The upside: White ultimately got a price break on her appliances, making it time well spent.

Making the decision to buy was not an easy one and the risks were many, but this self-proclaimed beach bum decided a little risk could be well worth it. “The interesting thing was this community sat for years, and after resurrection, sold out in about six months,” she says.

Taking the plunge meant there were a lot of leaps of faith needed to make her dream a reality. When she was finally ready, White wired $10,000 to her realtor, waited for an e-mail confirmation of the transaction and never looked back, even when she had a good reason to. “When we purchased, the front door was open and it was trashed,” says White. “Stuff had blown in and there were water stains on the walls.”

But this fixer-upper came with an “options list” for the needed home improvements. White opted for new windows, getting the roof sealed and having a gas water heater installed. She spent an extra $15,000 to fix up the place and when all was said and done, White spent a total of $45,000, including closing costs. She moved in in July 2008 and says she is looking forward to seeing her beach buds.

When describing her vacation home White says, “there’s not much to it; but a shack near the Caribbean ocean is still better than a good day at work.”

Both the North American Free Trade Agreement (NAFTA) and Mexico’s Foreign Investment Law (FIL) have relaxed bans that once prevented foreigners from owning property there. Non-citizens of Mexico can now obtain legal ownership of property but must use the help of a Mexican bank to do so. A good attorney and/or real estate agent with local knowledge is also a must.

Location dictates the process for foreign real estate purchases in Mexico. The area commonly referred to as the “restricted zone” stretches about 62 miles from Mexico’s borders and 31 miles from her coastlines. Under Mexican law real estate purchased in those areas must be held in a fiduciario, or bank trust, which is set up by an attorney in Mexico. A foreigner’s title must be held by a bank. After 50 years, the bank trust expires and must be renewed, according to current law.

The process is complicated but ultimately a win-win for both the Mexican government and foreign investors because it attracts investment while giving buyers legal ties to their property and the investment protections they need.

Rob Kinnon and wife Michele finished building their home in Playa del Carmen, halfway between Cancún and Tulum, in 2007. Originally from upstate New York, the couple considers Playa their permanent home now after four years in residence. Together they enjoy their life in Mexico and their new status as expats. Michele takes photos and updates her blog almost daily while Rob runs Bric International, a real estate brokerage firm.

Rob says the procedures for obtaining a title to land in Mexico are nothing like those in the U.S. It’s a complicated process and it’s better not to expect things to be done the American way. When in Mexico, do as the Mexicans do. Rob advises that it helps to understand Mexico’s customs and laws before jumping into the sea of Mexican real estate legal-speak. Transactions should be handled by a licensed Mexican attorney who works with the buyer and their real estate agent.

Some people will make mistakes when buying foreign properties. But Kinnon says risks can be minimized with a little common sense. For starters, taking your time puts you in the driver’s seat. He says missteps most often happen when people purchase on impulse and have not gotten good legal advice.

Trust is another factor that should not be underestimated, whether it’s in your own instincts or trusting others involved in the transaction. Kinnon advises that people tap into that sixth sense when working with realtors and attorneys. If you feel uncomfortable in the process, listen to your gut, says Kinnon. If it means kill the deal, as disappointing as it may be, listen to that little voice; it’s there for a reason. “If you meet an attorney and you feel
Everyone’s coming to town, especially the banks. Lending institutions currently offering mortgages in Mexico include:

- GE Money, U.S.
- Laredo National Bank, U.S.
- Scotia Bank, Canada

Source: Bric International

like you’re being pressured, then you are, so stop. Hire another attorney,” Kinnon cautions.

One might be tempted to think that buying foreign land complete with a custom home can only be a dream. But Cameron Crow, Director of Sales at the Los Arboles Tulum development, would disagree. Five acre parcels with a custom home are going for a little over $200,000, a fraction of what they would cost in the U.S. He says Mexico has much to offer as an up-and-coming location.

“Mexico is an emerging economy with lots of room to grow,” said Crow. “There is a lot of opportunity in Mexico—it’s like a gold rush.”

Crow is not alone in his thinking. As an investment, other real estate professionals agree that, compared to most other places on the “Mexican Riviera,” Tulum helps buyers keep more green in their pockets. Roberto Rivas Bastidas, a realtor who operates out of RE/MAX Paradise Properties, estimates that building costs for custom homes are about $100 per square foot, prices nearly impossible to come by in most better American neighborhoods. When asked whether those prices reflect luxury items like granite countertops, he says yes, such amenities are quite common.

“For $200,000, you can have a really nice custom home built to your specifications,” Rivas says. He adds that these developments are generally about two-and-a-half miles from the beach and are zoned as either single-family homes or condos.

What’s even more encouraging is that property values in Tulum net a cozy return that is generally unheard of in the U.S. “Whoever invested in real estate in the February [2008] timeframe is seeing a 20 to 25 percent increase in the value of their property,” claims Rivas. Early investors who plunked down their cash around 2006 are doing even better, netting around 100 percent increases in their investments, he adds.

Housing options in Tulum abound with a little bit of everything from single-family homes and condos to fixer-uppers. But if traditional digs aren’t your style, something off the beaten path can be arranged. Picture thick jungle, lush sprawling treetop canopies, eco-friendly housing complete with a small lot and plenty of bug spray to really enjoy what the Yucatán peninsula has to offer.

Location, cubed, is the motto in real estate and Los Arboles Tulum has that handled nicely. Nestled on the perimeter of the Sian Ka’an preserve, a 1.6 million acre nature sanctuary, Crow and his associates knew they had a gem when they landed this development. And the pristine land next to it would only sweeten the deal for both the buyer and seller. The “low-impact, ecologically sensitive” housing community offers cutting-edge green solutions suitable for almost any environmentalist, pre, post or of the reborn-type. Each five-acre home site has specific guidelines allowing only five percent of the parcel to be used for building. Located off the power-grid, the homes are solar-powered and require homeowners to treat their own waste water, according to Crow. And an added bonus: the transaction includes title.

In many places, from Mexico’s Cancún and Playa del Carmen to Florida’s coast and the northern Mediterranean, real estate near the water is virtually untouchable due to high prices and overdevelopment. But that’s not so in Tulum with its pristine beaches that few know about. Now even that secret is creeping out of the bag. Crow says you’re looking at about a $2 million investment for beachfront property on the Yucatán peninsula, but developments like Los Arboles, only about 15 minutes from the beach by car, are a much more affordable catch. With undeveloped charm that appeals to many people, the deals are not likely to last forever. Crow says sales are exceptionally strong with 45 of 51 lots under contract with deposits. “I’m selling ’em like crazy; I need to raise the price,” he notes. Plans to up the lot prices from $55K to $65K are in the works to simply keep up with rising demand.