

March 19, 2006

National Perspectives

Making It Easier to Buy in Mexico

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SAN CARLOS, Mexico

WHEN Thomas Keeling, a [New York City](#) firefighter, retired from the force in 2003, it took him less than a month to leave College Point, [Queens](#), for this beach town about five hours south of Tucson.

Mr. Keeling, 43, paid less than \$500,000 for a 3,800-square-foot house with spectacular views from nearly every window.

But the fishing season in San Carlos proved too short for Mr. Keeling. He hopes to move across the Sea of Cortez to Cabo San Lucas — "where you can fish all year," he says — and has listed his house for \$695,000 — about 50 percent more than he paid two years ago.

He just may get it. San Carlos is catching on with buyers. "We're having the best season in history," said Jose J. Martinez, a broker with Snowbird Realty, one of 15 agencies in the town of about 4,500. Richard C. Baca, a former United States marine who owns Sunshine Realty, on the outskirts of town, said: "It's not a boom — but it's been steady growth."

The Mexican government has spurred that growth with a number of new rules that make it easier for Americans to acquire real estate. But authorities are bound by Article 27 of the Mexican constitution, which prohibits foreigners from owning property within 50 kilometers (about 31 miles) of the coast.

The 1917 provision, according to historians, was a response to the loss of Mexican territory — about a third of the country — in the 19th century. In 1848 alone, in the Treaty of Guadalupe Hidalgo, the United States acquired much of what became the Southwest, for about \$15 million.

But Mexican real estate agents have developed strategies for giving Americans the equivalent of ownership, even if they cannot hold formal title to their houses. In the most common arrangement, banks buy houses, then hold them in trust for the foreign "buyers." A trust, under recent amendments to the law, can now last 50 years and can be renewed at the end of that term. The bottom line is that a "buyer" can expect to retain a property in perpetuity.

"No one has ever lost a piece of property in a properly constituted Mexican land trust," Mr. Baca said. He explained that a house in trust "is not an asset of the bank."

"If the bank fails, the trust is transferred to another bank," he added.

Americans should not be afraid of the "in trust" provision, said Mr. Martinez, who spent many years living in Chicago. After all, the typical buyer of a house in the United States moves or refinances before the mortgage is paid off and, therefore, never really owns the building free and clear.

Still, some Americans have been reluctant to buy property in Mexico, in part because of myths about "owners" being evicted from houses they had "purchased." Others were worried that their property could be nationalized by the Mexican government, although there are no examples of that happening in recent decades.

Two years ago, the governors of Arizona and the Mexican state of Sonora created a real estate committee (part of a longstanding Arizona-Mexico Commission) to propose ways of encouraging cross-border real estate transactions.

"It's a two-way street," said Gary Brasher, a Tubac, Ariz., developer who serves on the committee. Recently, the group oversaw the creation of a guide to buying Arizona real estate — in Spanish. "There's capital in Mexico that's a little bit afraid of the U.S.," Mr. Brasher said.

But most of the changes are to encourage money to flow south. Until recently, no American company offered title insurance in Mexico, and banks won't lend money without title insurance. (Even now, the vast majority of purchases are for cash, San Carlos real estate agents say.) A few Mexican companies, including Stewart Title Guaranty de México, a subsidiary of a Texas company, now are offering insurance for foreign buyers.

Another goal is to reassure Americans who buy in planned communities or condominium complexes that the necessary infrastructure will be built. The Sonoran government, Mr. Brasher said, is creating rules like those in Arizona that require developers to post bonds to guarantee the completion of roads and sewers.

The potential for cross-border real estate activity is evident in Rocky Point. The town (officially Puerto Peñasco), which earned the nickname "Arizona's beach," is only about two hours from the border. "Rocky Point is just exploding," Mr. Brasher said.

San Carlos appeals to buyers looking for a quieter retreat. "A lot of people want to keep it hush-hush," said Mr. Keeling, who would probably be one of them were he not looking to get what he calls top dollar for his house.

His broker, Catalina O. Evatt, is optimistic that he will. San Carlos, she said, has the most beautiful sunsets in the world. That claim seemed plausible on a recent afternoon, as small clouds in the sky began to turn from white to pink to red to purple before the sun went down behind the jagged peaks lining the town's harbor.

"We're not selling houses; we're selling views," said Beatriz Baca, Mr. Baca's wife and business partner.

Not everyone who loves San Carlos wants to buy there. Bernie Steinberg, 57, who retired from selling commercial real estate in Cherry Hill, N.J., has been living in a rented house in San Carlos for nearly two years. "When I saw this town, it just floored me," he said. "I knew the Sea of Cortez existed, but I had no idea it was this beautiful." He relishes walks on the beach below his house. "Some days," he said, "I'm the only person there." Cable TV and a Vonage Internet phone (which lets him make and receive calls in Mexico as if he were in [New Jersey](#)) make him feel less isolated.

Mr. Steinberg said he owns a 7,000-square-foot house in Medford, N.J., and has no desire to buy any more real estate.

Others who visit San Carlos like looking, but aren't tempted to buy. At a rental office for a condo project called Bahia Delfin, Reto Hanauer, a contractor from Vancouver, British Columbia, said, "It's fun to see the new projects." But, he said, he was nervous about buying in a foreign country.

For those who aren't nervous, offerings abound.

Ms. Evatt and several American partners are developing a 45-unit beachfront condo project, called Villas Sirenas. Vernon Swaback & Associates of Scottsdale, Ariz., is supervising construction, to see that it reaches "American standards." The prices, around \$500,000 a unit, are the highest ever charged for condos in San Carlos, Ms. Evatt said.

Other condos are available for as little as \$100,000, and some have stunning views of the Sea of Cortez. But in winter, the air temperature can drop below 40 degrees.

That explains why San Carlos will never become another Cancún or Cozumel — a reality that evokes mixed emotions in those who love the quiet town.

"My whole life, I've been waiting for San Carlos to boom," Ms. Baca said. "Now that I'm older, I hope it never changes."

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