



How To Put Your Money To Work In Mexico (Part One)

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Many American and Canadian clients ask us for guidance as to how they can successfully invest in Mexican real estate. Often they bring to the discussion misconceptions and / or misinformation based upon myths about Mexican real estate, appropriate investment strategies and -- in some cases -- about Mexico itself.

This is the first of three articles that will attempt to address these myths, answer questions we commonly hear, and outline the remarkably wide range of choices that non-Mexicans have for investing in this wonderful country and its vibrant real estate markets.

Myth #1: *I would need to be a very sophisticated investor with a great deal of money to even consider purchasing property in Mexico.*

Reality: While education and experience are helpful in any activity, you don't have to be a sophisticated investor with millions of dollars (or euros) to make money in Mexico's rapidly appreciating coastal real estate markets. Even when investing relatively small amounts of capital, countless Americans, Canadians and -- increasingly -- citizens of other countries enjoy excellent rates of return, experience positive cash-flow from the rental of their Mexican properties, and achieve a perfect feeling of security through rigorous title verification procedures and the use of properly designed ownership mechanisms. For those who wish to further their knowledge of all aspects of title verification, ownership mechanisms, trust processing, and title insurance for Mexican real estate there are numerous downloadable resources at our websites -- ofarrill.tv and otptrust.com.

Myth #2: *Ownership of Mexican real estate by non-Mexicans is not secure. (Variation: As non-Mexicans, we can't really own Mexican coastal property or, "a bank trust is just a form of lease.")*

Reality: A Mexican real estate bank trust is simply not a lease. The bank trust mechanism created by Mexico's Foreign Investment Law was designed to facilitate the safe acquisition of coastal and border properties by non-Mexicans, and specifically designed to protect foreign owners rights. A Mexican bank trust confers upon the trust holder the same rights that "ownership" does in the United States or Canada. For 35 years these bank trusts have proved themselves a secure ownership mechanism for the more than a million and a half Americans and Canadians who are now enjoying the lifestyle and financial benefits of Mexican property ownership. It is also noteworthy that these trusts are wonderful investment tools that offer sophisticated estate and tax planning benefits -- as well as significant legal

protections -- and for these reasons are used by many Mexicans as well. For example, my personal real estate holdings in Mexico are held in bank trusts, and I was born in Mexico City and my family have been citizens of Mexico since 1846!

Question #1: *We only have \$25,000 to \$75,000 to invest. Is that enough to get us into an existing home that we can begin using immediately?*

Answer: It certainly is! There are many investment opportunities within this price range in the Greater Rocky Point market. For \$25,000 to \$75,000 you can buy a fractional-ownership property on the east beaches like Playa Encanto, El Dorado Resorts, El Dorado Estates, or on pristine Miramar beach. Then? Enjoy your property, or rent your property and get cash flow from the rentals! When property is part of a Real Estate Club the club does the work for you -- forget about maintenance or cleaning or any other ongoing responsibility related to your coastal home -- just enjoy your property and make money.

Question #2: *Can we use our IRA funds for this investment?*

Answer: Yes, by using a self-directed IRA account you can easily purchase property for rental purposes. Why consider buying southeast of town? Because of the explosive growth of that area that is expected when the international airport opens next year. Utilities and infrastructure are already in place, and these properties have been increasing in value 10% to 25% in the past 2 years. We expect that the value of these existing homes will keep moving higher, and rentals are in the range of \$150 to \$350 us per night depending on the size of the property, which offers a great rate of return on a relatively small investment! Another investment option within this price range is buying a storage unit in any of these areas. They are in high demand today and should be easy to sell for handsome profits within three years. This type of investment can be self-financing in the short-term, is high-return in the middle term, and arguably safer than any stock market in the world!

Question #3: *Are there still desirable lots available for \$25,000 to \$75,000?*

Answer: Yes. There are highly desirable lots within this price range in some communities, including both lots within town and commercial and residential developments -- even in Playa Encanto! It should be noted that a number of current offerings are being offered with owner-financing and -- even if this option isn't advertised -- a reputable and experienced real estate investment specialist may very well be able to secure this arrangement for you.

Question #4: *What options are available to us with a budget from \$65,000 to \$125,000?*

Answer: Within this investment range your choices are very large! You can purchase fractional ownership of a condominium in Las Conchas, East Beaches -- or even Sandy Beach -- with even higher rental rates and the same benefits. Again, for rental purposes, you can use your self-directed IRA funds to acquire these properties.

Alternatively, you can invest in a Real Estate Club that offers ownership within this price range and not only enjoy your property, but reap the benefits of appreciation without the responsibility of maintenance. Under the Real Estate Club scenario the added value of the share you own not only offers you the benefit of the potential appreciation of the entire group of properties that the club owns, but also -- since the club has a limited number of shares -- when a club is sold out and its assets and services are in high demand, then the share by itself is an appreciating asset, making your investment even more profitable.

Within this price range you also have the option of buying large ocean-view lots in many of Greater Rocky Point's finest communities such as Miramar Beach and Las Conchas. Under this strategy you simply let time do its job! The appreciation of the value of land in those areas has been remarkable: lots in Miramar appreciated over 2,500% in the past five years! Yes, those zeros are correct! If you don't believe it just ask to those homeowners about this fact. Lots in Las Conchas -- and even lots in town -- have appreciated in the same period between 200% to 500% depending on location.

While no one can guarantee specific rates of return on any investment, we see no reason why the next several years shouldn't bring very healthy returns for investors in this price range!

Question #5: *Is building only for developers?*

Answer: No! While building obviously *is* for developers, it is also an option for individual investor-families with as little as \$150,000 to spend. Once you acquire a lot -- possibly owner-financed -- you can begin to build your Dream Home. Even when our clients are very experienced in construction management outside Mexico, we strongly advise retaining an investment management company that will hire the contractor and -- without reinventing the wheel -- build a house designed for vacation use and rentals.

The advent of Owners Clubs in the Rocky Point market has opened up a number of creative investment scenarios for families considering home building. For example, once the home is constructed it is now possible to contribute the house to an Owners Club by contributing 1/2 or more of the title to the club in return for receiving 1/2 or more of the rentals every month! Under this scenario the family not only retains substantial access to their property, but they see immediate income from the home and access to the rest of the club properties, shared benefits, and amenities! Or make your property fractional and sell it. Or just sell it as a single-ownership home. The options for owner-builders are extremely varied!

Your investment specialist can outline profitable strategies for all of these options and you decide which best fits for specific financial and lifestyle goals. As with any investment, your choice of primary investment advisor will have a great impact on your experience of the investment -- and its profitability. A serious and complete investment advisor team must include a real estate attorney, title and trust processor, real estate agent, real estate brokerage, international tax specialist and -- if you choose to build -- a development-services company.

Question #6: *Is this suite of professional services affordable in Mexico?*

Answer: Yes. When retained as a team it is amazing how inexpensive this suite of services can be, especially compared with what you would pay hiring them independently, or in comparison to the cost of similar services in the United States or Canada. You need to be properly advised and protected -- especially when you're making a first investment in any new market. Investing is an art, is supposed to be fun, and these professionals are the keys to making your investment relaxed, fun, and profitable.

Always remember that Mexico wants it's non-Mexican real estate owners to feel perfectly secure that their investment in Mexico is as safe as their other holdings in their home countries. With proper research and investment counsel Mexican property ownership and

investment need be no more “complicated” for a non-Mexican than property ownership in your home country. We urge to to consider the wonderful economic advantages of Mexican property ownership, and look forward to your fullest participation in the remarkable development of our Greater Rocky Point community.

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