



NATIONAL  
ASSOCIATION of  
REALTORS®

*Global*



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# GLOBAL PERSPECTIVES

to local, international & lifestyle real estate

▶ CHANGING MEXICAN LANDSCAPE

## Our Neighbor to the South

Though it's seldom been in the headlines, the number of Mexicans moving to the United States has declined dramatically in the last five years. The U.S. job market has shrunk while the Mexican economy has been growing, generating jobs for Mexico's citizens, many new businesses, a solid middle class and a very wealthy business community.

That said, numerous Mexican citizens are still seeking U.S. residency, opportunity, or a safe place to raise their children. Some prospered from Mexico's booming economy, but feel they must move north

while Mexico addresses crime issues. NAFTA and investment visas have given Mexican nationals with the means a way to invest and live in the United States. With our market in a slump, it's a great time for them to buy U.S. real estate.

This issue of *Global Perspectives* examines this recent and important trend in immigration. Though much of the activity is now taking place around the border, there are also pockets of investment activity in other parts of the country. If violence escalates in Mexico, more investors will be looking to the U.S. as a safe haven. Learn

where and what Mexican investors are looking for, and how you may be able to tap the opportunity.

Since Mexico is a source of inbound and outbound activity, we'll also look at how you can build a referral network there. Mexico has many beautiful retirement areas and American expat communities offering a fantastic value and lifestyle for retirees seeking a warm climate. If you have Baby Boomer clients who are looking to stretch their retirement funds, Mexico may be the answer. **GP**

# Mexico's Well-to-do Move North



With the economic downturn here and solid growth within the Mexican economy, there has been a tremendous shift in immigration patterns from Mexico. Pew Research Center has found that Mexican immigration to the U.S. has leveled off. Recent revisions in census data conclude that the Mexican-born U.S. population grew by less than one percent from 2009 to 2010, and that they represented just six percent of the growth in foreign-born population during that period.

There are segments of the Mexican population where immigration to the U.S. is increasing: entrepreneurs, investors and the middle class. In fact, the trend has been labeled the “Mexodus” in a recent study by four U.S. and Mexican universities. Somewhat under the radar for most of the American public, a sizable number of Mexican investors and business owners have been moving north to make significant investments in U.S. property and business startups, generating jobs for Americans along the way.

## Number 3 in U.S. Foreign Direct Investment

In 2011, Mexicans (including Mexican-born residents here) purchased \$5.74 billion in U.S. real estate. That represents 7 percent of properties sold to international buyers, and it makes Mexico the third largest investor after Canada and China. Mexican-born buyers are a significant force in the U.S. economy.

Mexican corporations have been expanding into our markets by acquiring American companies. Grupo Bimbo bought Sara Lee Bakeries, and now produces well-known brands like Entenmann’s and Thomas’ English muffins. The world’s richest man, Mexican Carlos Slim, reportedly worth \$63 billion, bought a 6.9 percent share in *The New York Times*, as well as a building at 417 Fifth Avenue in Manhattan for \$140 million. A Mexican automotive parts manufacturer employs more than 1,000 American workers at a facility they built in Tennessee.

Mexico’s economic growth has been fueled by oil production and the manufacturing of electronic, auto and aviation parts exported to our market. Maquilas, manufacturing plants benefiting from NAFTA, have sprung up on the border, supplying jobs to Mexicans who previously might have moved north for better opportunities. The middle class has prospered and poverty has been reduced.

## Why buy in the U.S.?

Since the start of President Calderon’s war on drug cartels, the issue of seguridad (security) has become one factor compelling Mexicans northward. Wealthy Mexicans have become targets for extortion and kidnap by drug cartel operatives. Fearing for their safety, some are moving their families to the United States. Middle-class business owners, tired of paying “street taxes,” are selling their businesses to buy or open similar enterprises on the U.S. side of the border.

Mexicans have also been attracted to the U.S. market by the same factors that interest other foreign nationals—the plunge in our property prices, the weakness of the dollar, and the relative stability of the U.S. financial markets.

## Three popular routes to a visa

Under U.S. immigration law and NAFTA, there are several ways for Mexican business people to relocate their families temporarily to the States.

- **E-1 and E-2 visas** are available to citizens whose countries have trade treaties in place with the United States. Known as treaty trader and treaty investor visas, they allow investors and key executives involved in transnational trade to reside in the U.S. with their families for up to five years at a time. Both visas can be renewed indefinitely as long as the investment or trade continues. According to the State Department, more than 10,000 E-1 and E-2 treaty visas were issued to Mexicans between 2006 and 2010.

- **The TNB visa**, available through the provisions of NAFTA, allows Mexicans in designated professions to work and live with their families in the U.S. It can be renewed every three years.
- **The EB-5 visa**, informally known as investors' visas, encourage foreign nationals to make a significant investment in U.S. job creation in return for a green card for them and their families. Mexican investors can apply under the EB-5 program for as little as a \$500,000 investment in a "Regional Center" program, without actually having to start or run a business.

## Buying a broad spectrum of properties

Because business and investment are their paths to U.S. residency, Mexican nationals are purchasing across all types of real estate.

**Residential properties:** Agents selling to Mexican investors in Arizona and Texas report that upscale homes in gated communities are especially desirable, because they have the same level of security buyers are used to having in their Mexican homes. A wave of new arrivals are building or buying high-end homes in Nogales, Arizona, and San Antonio, Houston, Dallas, and recently Austin.

**Income properties:** Groups of Mexican investors are buying up apartment complexes in markets that have experienced substantial depreciation, like Dade County, Phoenix and Tucson. Also under development are luxury condominium projects in cities like McAllen, Texas.

**Commercial enterprises:** Small retail operations, franchises and restaurants attract investors who may sell a similar business in Mexico to operate one here. Mexican high-tech firms are buying office space for their operations and for leasing.

**Industrial properties:** Manufacturers are breaking ground on multimillion dollar plants in the Rio Grande Valley to expand operations into the U.S. market.

## Texas a big destination

Not surprisingly, many Mexican investors look right over the border to Texas, due to its proximity and familiarity. "For many Mexican nationals, the Rio Grande Valley is the first place they'll search for U.S. real estate," says Horacio Gallegos, CCIM, who was 2011 Chair of the Texas Association of REALTORS® International Committee. "If all goes well, they will expand their investments further north to Houston, San Antonio and sometimes Austin."

When commercial credit tightened, Texans started noticing that there was a great deal of wealth just over the border, looking for a safe place to land. Houston, San Antonio and Austin stepped up their promotion to Mexican investors by hosting seminars in Monterrey, Mexico City and Guadalajara, Jalisco.

EB-5 Regional Centers in Texas have become a magnet for Mexican investors looking for U.S. residency. The USANow Regional Center in McAllen had \$500,000 commitments from over 150 Mexican families when it was approved in 2010. Between 30 and 40 percent of investors in the City of Dallas Regional Center are Mexican. With visa issuance came high-end residential sales.

For the most part, buyers from Mexico do not need financing. "Sales to Mexican nationals tend to be all cash," says Gallegos. "Borrowing is frowned upon in their culture. If the purchase is large enough to require a loan on the property, they will put at least 30 percent down." Low leverage in business transactions is also the cultural norm.

## Miami a New Draw

Miami and South Florida have had a vibrant Hispanic community for years, but included few Mexicans, until recently. In the last five years, there has been a growing number of Mexican business owners and investors interested in this market. Now at around 100,000 residents, the Mexican-born population of South Florida has doubled in the last decade.

Miami has emerged as a global business center, due to its location as a gateway to Latin America, its international transportation infrastructure and its affordability. In the past, Mexico's commerce has largely moved over land through neighboring Texas, Arizona and California. Mexico now ships a great deal of oil, electronics and other products through South Florida. As a result, Mexican companies and investors are expanding operations there, and buying property as they do.

The downturn in the housing market has been especially severe in Florida, bringing a flood of foreign investors looking for a solid rebound. Mexicans are investing with the same expectations. They are buying personal residences, distressed properties, multi-unit income properties and small businesses. In fact, many like that the city is not yet saturated with Mexican entrepreneurs, as some markets in Texas are.

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## Mexico's Well-to-do Move North (continued from page 3)

"Property in Miami broke sales records in 2011, with more homes sold than ever in our history, even during the height of the boom in 2005," reports Lynda Fernandez, CIPS and Senior Vice President for Public Relations at the Miami Association of REALTORS®. "This is primarily due to the impact of international buyers, who have helped our market recover faster and stronger. Mexicans and other foreign buyers looking for a good return on investment property and a vibrant business economy are finding this to be a great market."

Mexican capital is flowing into major Miami construction projects involving office towers and office condo space. There are also Mexican financial advisors popping up in Miami's Brickell financial district seeking to put together Mexican investment funds to buy distressed properties and turn them around for a healthy profit.

### The maquila factor

*Maquilas*, or *maquiladoras*, are manufacturing operations that, under NAFTA, can import materials and supplies for assembly duty- and tariff-free, and then can export finished products, often to the country that was the source of supplies. There are an estimated 3,000 maquilas along the U.S.-Mexican border, in Mexican cities like Tijuana, Ciudad Juarez and Nogales. Together, they employ about one million Mexican workers and account for as much as half of Mexico's exports.

The maquilas have been an engine for Mexico's growth, creating jobs for workers and wealth for the Mexican owners. Because of their proximity to the border,

owners have been able to take advantage of trade visas to reside in the U.S. while still being close to their plants. U.S. cities like Nogales and El Paso, just over the border from heavy maquila industrial areas, have had an influx of wealthy Mexican maquila owners into their higher-end residential areas.

### Trade missions open the door

Trade missions and foreign direct investment (FDI) promotion seem to initially make Mexican investors aware of opportunities that are further away from the border. Austin trailed behind other Texas cities further south in attracting interest because of Mexicans' lack of familiarity. Since it started holding seminars in major cities like Monterrey, Mexico City and Guadalajara, it has begun attracting a younger generation of businesspeople who are drawn to the city's high-tech reputation.

Even further north, the state of Idaho has an Idaho-Mexico Trade Office that operates trade missions to promote investment in lumber and mining-related equipment. In

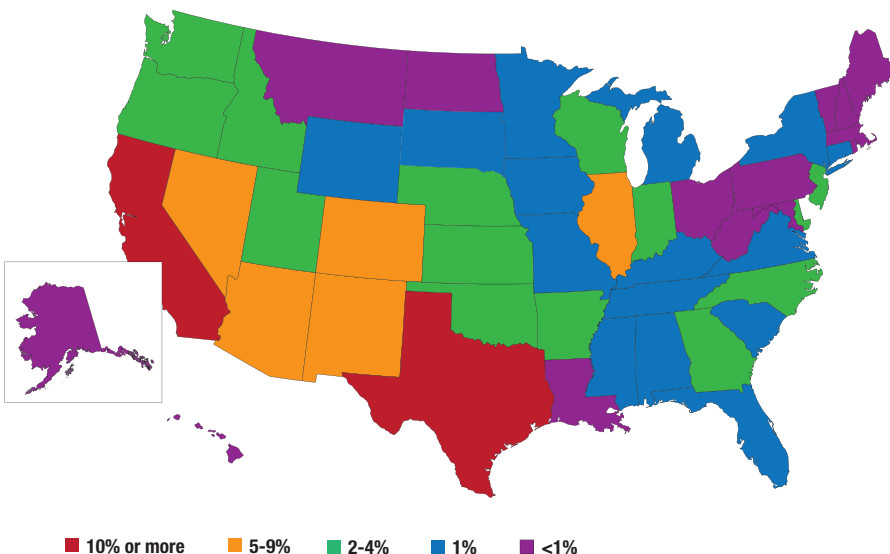
2010, a Mexican furniture manufacturer sold his businesses in Mexico and moved to Caldwell, outside of Boise, investing \$1,000,000 under the EB-5 program to start a new furniture factory there. Twenty-four states have economic development offices in Mexico.

Reaching out through trade missions is especially important as many Mexican investors do not want to make public the fact that they have funds to invest.

There are also many other routes to tap Mexican-rooted business and communities scattered across the U.S. See the map below to find out where major concentrations of Mexican nationals reside.

**GP**

### Mexican-born by percentage of state's population



Source: 2009 American Community Survey, U.S. Census





# Retiring in MEXICO: *still an option?*

**For Americans looking to retire to a pleasant climate with a much lower cost of living, Mexico has been a destination of choice for many years. American expat communities have existed in some cities since before WWII, and on the West Coast, 50+ retirement communities have sprung up to target incoming Americans.**

**The recession in the United States has prevented many would-be retirees from purchasing in Mexico. Many Americans retired in Mexico by using the equity in their primary residence to purchase a second home, later making a permanent move. That source of funds has become scarce. Other potential buyers are scared off due to the media's depiction of violence in Mexico.**

**Mexico can still be a great place for some to retire, with a wonderful climate, excellent affordable healthcare, and a casual lifestyle. What should you know if you're considering Mexico, or have interested clients?**

## ***American ex-patriots in Mexico***

A retiree from the States will find lots of Americans to keep company with in Mexico. There don't seem to be firm numbers on how many live there, but some estimates are roughly one million. In 2010, the International Community Foundation estimated there were 200,000 to 300,000 U.S. expats in West Coast communities catering to 50+ Americans alone. Large groups of Americans can be found in San Miguel de Allende, Lake Chapala, La Paz and Los Cabos on the Baja Peninsula and the Puerto Vallarta region on Mexico's Pacific coast.

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## Retiring in Mexico: *still an option?*

### **Fear, rather than violence, has taken a toll**

Linda Neil, ABR, PIC is an American expat who's now a Mexican citizen. She's been a real estate professional in Mexico for over 30 years, founded Mexico's first escrow provider, The Settlement Company®, co-authored NAR's course "Doing Business in Mexico," and is NAR's President's Liaison to Mexico. She feels that the threat of violence against Americans in most places is overestimated and is to some extent media hype.

"I live and do business in Michoacan, supposedly a drug trafficking area. Violence is something we sometimes hear about but almost never see. Tourists are left alone. Occasionally, a tourist gets caught up in it, but it often turns out they had cartel involvement." With that said, Neil also acknowledges that fear of violence has dramatically impacted the number of American buyers.

Canadians are still buying in Mexico, in large part because the Canadian housing market didn't experience the declines seen in the U.S., nor did Canadian banks allow homeowners to become highly leveraged. Due to this, Canadians still have the ability to borrow against their main residences to buy a second home in Mexico.

### **Land ownership in Mexico**

Mexico's Constitution prohibits direct ownership by foreign nationals in areas within 100 kilometers of the country's borders, and within 50 kilometers of the coast, an area known as the "Restricted Zone." However, Restricted Zone residential properties can be purchased through a Mexico bank trust, known as a 'fideicomiso' and business properties can be acquired by foreigners through a Mexican corporation, in which all stockholders are foreigners.

There is also *ejidal* land, owned by the government but reserved for use by a group or extended family of Mexican peasants. Formerly, ejidal land was not available for private purchase, but in 1992 the government began privatizing some ejidal property. It is important to know if land you are considering was ejidal, and if so, if it has been privatized. If not, it may be offered at a lower price but cannot be sold.

### **Purchasing wisely**

Real estate sales are loosely regulated at the state level in Mexico. Neil says a property investment in Mexico can be as safe as one made in the U.S. or Canada if done wisely and if these guidelines are followed:

- Select a member of AMPI, the Mexican National Real Estate Association, and vet them through references.
- Insist that the agent only represent you the buyer and not also the seller.
- Only consider buying private property, and make sure you and your agent are dealing with the owner of record. Ask for a copy of the deed.
- Buy title insurance and have a thorough title search performed.
- Place funds in escrow until the deed is signed by the seller and, if in the Restricted Zone, the bank trustee.
- Insist on receiving a registered title document and be sure the value declared in the title document shows the full purchase price. Otherwise you may eventually end up paying the seller's capital gain tax.



**"American buyers shouldn't be apprehensive about buying property in Mexico when they use the services of qualified professionals," says Neil. The current lull in retiree interest may be an opportunity for those who can invest now.**

**GP**

# Establishing a Network to Mexico

If you see cross-border opportunities with Mexico in your market, networking may help you realize them. Here are four ways to connect.



## 1. Get involved in NAR groups, events and resources that put you in contact with internationally-focused agents.

- Go to [realtor.org/global-alliances](http://realtor.org/global-alliances) to find information for contacting the Cooperating Association in Mexico, AMPI. Contact NAR's President's Liaison for Mexico (currently Linda Neil, ABR, PIC, with The Settlement Company® in La Paz, Mexico) to ask about events and how you can get more involved.
- Participate in NAR international-focused events. "Attend the International Night Out at the NAR Annual Conference," says Horacio Gallegos, CCIM, of Retail Solutions-RGV in Laredo and Corpus Christi, Texas. "Organizations from every country with a relationship with NAR will be there to network. Meet as many representatives as you can and follow up with them after you're home."

## 2. Participate in events sponsored by REALTOR® associations.

- Start in your market. If your association has a global business council, join it and leverage the opportunities it presents to network with professionals in Mexico. If there is no global business council at your local association, reach out to nearby associations to see if you can affiliate with them. You can also reach out to your state association or talk to NAR Global about starting a council.
- Join and volunteer in state association committees. "Joining our International Committee was the key for me," reports Gallegos. "It allowed me to connect with individuals in a different league, network with other international real estate practitioners, and find mentors who helped me learn the business." Volunteer as a committee member, learn your craft, and work your way up.

## 3. Reach out to AMPI, the Association of Mexican Real Estate Professionals, which is Mexico's counterpart to NAR. "Mexico does not have national licensing regulations for real estate professionals," says Linda Neil, who also serves as coordinator for AMPI's international commission. "AMPI membership is a sign of a high level of professional and ethical behavior, and continuing education." See below for more about AMPI.

- Attend the next AMPI Congress, October 2012 in Guadalajara.
- Connect with AMPI local associations on Facebook.
- Attend the Tourism Symposium to be held in Los Cabos in September 2012.

## 4. Look for ways your region is promoting itself to Mexican buyers and get involved.

- Contact local EB-5 Regional Centers. Learn more about projects in your area and get to know professionals involved in the effort, like immigration attorneys and cross-border specialists.
- Get in touch with regional economic development offices and Chambers of Commerce.

## Attend expos to extend your Mexican network!

- America's Linkage, Mexico City, May 16-18, 2012. Trade mission to Mexico led by Miami Chamber of Commerce, offering opportunity to reach out to important business and government organizations. Info at [miamichamber.com](http://miamichamber.com).
- FIABCI-USA Spring Meeting, Miami, April 13-15, 2012. International Real Estate Federation's USA Spring Council. Visit [fiabci.org](http://fiabci.org).
- AMPI Congress, Guadalajara, October 2012. More details will be posted at [ampi.org](http://ampi.org).
- Touristic Symposium in Los Cabos, September 2012
- Miami International Real Estate Congress and Expo, Miami, November 4-6, 2012. Visit [2012MiamiCongress.com](http://2012MiamiCongress.com).



## KNOW ABOUT AMPI (Asociacion Mexicana de Profesionales Inmobiliarios)

- The counterpart of NAR for Mexico.
- Formed in 1956 to establish laws and codes of ethics and conduct to create a reliable, trustworthy and efficient real estate environment in Mexico.
- Recognized by other international real estate organizations such as FIABCI, the International Real Estate Federation which represents more than 50 countries.
- Participates in transnational referral programs with NAR.
- AMPI members who have also joined NAR as International REALTOR® members can legally use the REALTOR® logo.

## 5 Reasons You Need to Be There >>>>>

Just around the corner, this event is always rich in networking and education opportunities. Here are the top 5 reasons you should be there (in no particular order):

- 1 Global Forum/State and Local Leadership Forum on Global Business** - In this joint forum, Oscar Gonzalez, founder and managing partner of The Gonzalez Group, reveals ways to increase your business with Asian buyers in the U.S. Then, Terri Morrison, bestselling author of *Kiss, Bow, or Shake Hands* will share the secrets to success as a culturally competent, globally aware real estate professional. Learn from this internationally recognized authority on doing business across cultural borders and breaking through business barriers.
- 2 Embassy Visits** - Exclusively for CIPS designees, visit one of four embassies and learn about the economy and real estate market in that country.
- 3 Trade Expo** - Featuring the latest in products and services from industry-leading companies, you'll find lead generation systems, Internet prospecting solutions, MLS providers, virtual tour technology, financial services and more.
- 4 CIPS Breakfast** - Be recognized for your achievement! New CIPS designees are pinned at this breakfast networking event, exclusively for CIPS designees.
- 5 International Networking Reception** - Make new friends and visit with old ones over hors d' oeuvres and cocktails at the International Networking Reception.

### **NEW this year!**

#### **The REALTOR® Rally**

A special show of strength to let Washington know we're in town and care about homeownership. On May 17 from 9:30a-11:00a, REALTORS® will rally in the shadows of the Nation's Capitol to advance home ownership and real property issues. NAR President Moe Veissi is asking 15,000 REALTORS® to participate, saying, "Let's make sure Congress knows we're here and engaged. Come and be counted!"

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