
Setting the Scene

Move over Sooners, and make way for the Boomers! U.S. citizens are invading Mexico...and scooping up real estate, especially in prime drive-time locations. Any Mexican beach within a day's drive of the U.S. border is being inundated with buyers looking for reasonably priced property...to retire, to vacation, and even...*to commute*.

This historical migration isn't too far removed from the Oklahoma Land Rush of 1889. In that famous land grab, the U.S. Congress passed a bill proclaiming that Oklahoma Indian lands were part of the public domain. Then, on April 22, would-be settlers gathered on the state's eastern border. When buglers announced the opening of the new land, people burst westward in droves, in covered wagons, and on horseback. They frantically raced to secure the best parcels of land before anyone else could. A few of them jumped the gun, and would be forever known as 'Sooners.' Astonishingly, with all the mayhem, no one was even injured.

Here's what happened in Mexico: *Ejido* land was established in 1917 as a result of the Mexican revolution. It is not private property...it is government land granted for use by members of local *ejidals* or communities, something like the former Indian land in Oklahoma. As time has passed, much of the *ejido* land has been privatized...sometimes referred to as being normalized. *Ejidals* have realized that by privatizing, and selling their land, there is much money to be made.

The only hitch was an article in the Mexican Constitution of 1917, stating that no foreigner can own property in Mexico's "restricted zone"—land that is within 100 kilometers (about 62 miles) of a border and 50 kilometers (about 31 miles) of a coast. All that beautiful Mexican beach property was off limits to foreigners...until 1973 when the Mexican government saw the economic wisdom of allowing foreign investment in these restricted zones and established the *fideicomiso*, or bank trust, as an instrument to allow foreign investment in residential real estate.

We've written many times about *fideicomisos*...which grant the title for a piece of property to the bank (the trustee), which in turn is obliged to follow any instructions given by the trust's beneficiary – you, the foreign owner. To learn more about this, take a look at *Mexico: The Owners Manual* or www.MexicoInsider.com.

In essence, what you need to know is that no properly constructed *fideicomiso* has ever been abrogated by the Mexican government. Despite what you may have heard, foreigners have basically the same rights as Mexican citizens when it comes to property ownership, and no, the government can't take your land away from you. Just like the Oklahoma Land Rush, if you proceed cautiously, carefully and legally, you needn't worry about injuries when it comes to buying property in Mexico.

Sure, we've all heard about the Punta Banda incident near Ensenada in Baja California. In truth, the foreigners who built homes here did so illegally. They didn't do their homework and they contracted with an unscrupulous developer. They didn't consult an attorney until it was too late...and most importantly, they didn't have title insurance.

The availability of title insurance on Mexican property purchases has changed the real estate landscape here. Again, you can read all about this safeguard in *Mexico: The Owners Manual*, and at www.MexicoInsider.com. Let's just say this: you would not buy a property in the U.S. without title insurance so why would you do so anywhere else in the world? With a U.S. company like First American Title Insurance (which issues U.S. policies on foreign real estate—an important distinction by the way) doing the title background search, there is little that is left to chance.

The border moves south

Mexico is a huge country, with more than 6,000 miles of coastline. Foreigners are exploring it in droves...Mexico's tourism industry is one of the world's largest. Who hasn't heard of Cancún, Acapulco, Puerto Vallarta or Cabo San Lucas?

But closer to U.S. borders is where some of the current real estate feeding frenzy is taking place. This trend is being driven by several factors. Baby boomers, of course, are leading the pack...looking for retirement and vacation homes. They want to be within a few hours drive of the U.S.—close to family, friends, and Medicare. Mexico's proximity makes it attractive to U.S. citizens who are fearful about venturing far in the post-September 11 world.

Auto insurance

Because your U.S. or Canadian insurance is invalid in Mexico, you will need to purchase Mexican auto insurance. We recommend that you do so before you cross the border. We also recommend that you purchase only a minimal amount of insurance (say a week's worth) to get you across the border, and on to your destination. If you are moving to Mexico permanently or will be spending an extended amount of time there, once you get where you are going, you can contact a local provider and obtain a much better rate than you will from an insurance provider, at the border. You can be almost certain that your vehicle insurance policy in Mexico will cost you less than it does at home. Expect to pay roughly \$540-\$1500 per year—more or less depending on the type of coverage you choose and the make and year of your car. And... Mexican insurance companies, by and large, have an excellent reputation for paying claims promptly.

Here are some resources for temporary auto insurance:

* **Sanborn's Insurance**, tel. (800)222-0158 or (956)686-3601; fax (956)686-0732 e-mail: info@sanborninsurance.com; website: www.sanbornsinsurance.com. (When you purchase insurance through this firm, you get discounts on its complimentary travel services.)

* **Lewis and Lewis Insurance**, tel. (800)966-6830 or (310)657-1112; fax (310)652-5849; e-mail: info@mexicanautoinsurance.com; website: www.mexicanautoinsurance.com.

Mexican-Americans are also helping fuel the trend. They want to be back in Mexico, but also not too far away from their families in the U.S. Finally, there are a growing number of young professionals who can no longer afford to live in the U.S., in places like San Diego, on the border with Mexico. They may earn their living there, but they can't afford to buy a home in the area. So they're heading south of the border where their dollar goes much further. And their commute across the border to work often takes less time than it would if they lived in the suburbs of San Diego.

When one Tijuana-based real estate agent started selling property in Baja 15 years ago, he says it was rare to see someone in their 30s. But today, he sees younger and wealthier buyers coming not only to live but to make a profitable investment. In this report, we're going to tell you about four drive-time destinations in Mexico that are hot on the radar of U.S. property buyers.