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In Mexico, the Prices Are Right, in Dollars or Pesos

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THE distinction between Mexico and the United States can seem unclear along parts of the coastal highway in Baja California, given the proliferation of billboards in English that advertise housing developments with "Models Open." Paying for a home can be just as disorienting, with prices in dollars, not pesos.

Thousands of American retirees and weekend vacationers, lured by the low cost of living and the spectacular views of sunburnt hillsides and rugged seashore, own homes here in Rosarito, a town of 13,000, located 20 miles south of San Diego. The local real estate agents aim at Americans for much of their business, hence the brochures that list home amenities like "breakfast bar," "Jacuzzi tub," and "spacious pantries."

Sales to Americans are just starting to recover from Mexico's economic and political turmoil of the last few years, which left many development projects under construction looking deserted. The country's reputation for beautiful whitewashed villages and glorious beaches was supplanted in the minds of many potential buyers by worrisome reports of drug trafficking and corruption.

But most veteran homeowners like Donald R. Thompson, a retired sales manager for a publishing company, only gloat about their decision to move to Mexico. As ocean swells crashed on the beach just a few dozen yards from his second-story balcony, Mr. Thompson told of his weekly games of golf on a nearby course, frequent games of tennis and the exorbitant cost of buying a similar home on the beach in California.

"It's heaven here," said Mr. Thompson, 75, who moved from San Diego to the Club Marena development in Rosarito four years ago. "I wouldn't live anywhere else. I have everything I need here."

"People who haven't been here talk about crime and all of that," he added. "But it's probably safer here than in the United States, and the people are just wonderful."

Mr. Thompson's three-bedroom condominium apartment, which he shares with his wife, Julie, is in an 11-story tower that overlooks a lawn, gym and swimming pool. The 2,800-square-foot apartment, which he bought for \$315,000, features red tile floors, arched doorways and a dining area with a domed ceiling. It has conveniences like a dishwasher that are typical of a middle-class home in the United States.

"There's no way I could afford a place like this in California, if one so close to the shore existed," said Mr. Thompson, who, when he lived in San Diego, could afford only a small condominium three miles from the beach.

Club Marena, which was opened in 1990 by a Mexican developer, Jamie Garcia, has expanded to four buildings from one. Prices of the 96 units range from \$240,000 for a 1,400-square-foot apartment to \$500,000 for one couple's 4,800-square-foot custom-built penthouse. Vacancies are rare.

EXPERTS say housing costs in Mexico are 30 to 40 percent cheaper than for a comparable home in the United States, and that property taxes are about half those in California. So it is no surprise that Americans make up nearly 90 percent of Club Marena's occupants.

Most owners use their homes only on weekends or vacations. But about 10 are full-time residents, many of whom drive 45 minutes once a week across the border to San Diego to shop at a mall, see a movie in English or attend a concert.

With so many Americans in northern Baja California, some living in luxury with maids and cooks, others in trailers on dusty lots not far from slum neighborhoods, the area's traditional rural atmosphere has become enmeshed with California's beach culture. One restaurant operating from a roadside shack in Rosarito specializes in "surfing tacos."

Mexican real estate laws have not been similarly Americanized, however, and buyers from north of the border may find the regulations unfamiliar. That fact, plus lax research, has led some Americans to be swindled out of their money by buying property from someone who did not own it.

One difference is that real estate agents in Mexico are unlicensed and not required to have any professional training. Second, foreigners who buy a house within 31 miles of the coast and 62 miles of the border are forbidden from holding title to their

property. Instead, the property title must be held by a Mexican bank and placed in a trust called a "fideicomiso," with the home buyer designated as the beneficiary.

The arrangement costs several thousand dollars to initiate and several hundred dollars in annual fees, and must be renewed every 50 years. Though the process seems intricate, experts say foreign home buyers in Mexico have the same property rights as if they were in the United States and, contrary to what some fear, the Mexican Government will not one day appropriate their land.

"It's not that an American can't own property," said **Dennis John Peyton**, a lawyer who helps Americans buy property in Mexico and the author of "How to Buy Real Estate in Mexico" (Law Mexico Publishing, 1994). "They might not be able to hold title, but they have all the rights to enjoy the property and to sell it whenever they want."

One new development that may make buying a home more familiar to Americans is the availability of financing from an American mortgage company. For example, the Metrociti Mortgage Company, in Sherman Oaks, Calif., is offering a 25-year mortgage in Mexico with an interest rate of 11 percent to 12 percent, 3 to 4 percentage points higher than for a home in the United States. The mortgage interest on a personal residence is considered tax-deductible by the Internal Revenue Service.

In the past, American mortgage companies refused to offer mortgages in Mexico because of the potential complications of foreclosing on property across an international border. As a result, home buyers had to pay in cash or take out a loan in Mexico.

"The North American Free Trade Agreement legitimized doing business in Mexico," said Tim Kruger, director of Metrociti Mortgage. "We can be more confident about our mortgages, because Nafta made it more certain that our Government would get involved if there were problems."

Real estate experts in Mexico predict that the housing market will continue its slow recovery from the peso devaluation of 1994, when the value of the peso was cut in half, and the subsequent political scandals. Virtually all development has been halted since the troubles began. Recently the peso has been worth around 13 cents in American money.

While the prices of some homes have declined or can be bargained down as a result, others are said to be pegged to the dollar and do not fluctuate. Americans, suffering from their own recession and apprehensive about Mexico's future, have until recently been unwilling to buy.

"Mexico is in the process of becoming a democratic nation," said Bo Wallsten, president and co-owner of the Century 21 real estate company in Mexico City. "We're only in Year 10. We'll have a lot of hiccups along the way."

BEFORE buying property in Mexico, some Americans take organized trips to popular retirement areas with companies that offer seminars explaining the country's real estate procedures, immigration law and medical care system. Destinations include Cabo San Lucas, on the southern tip of the Baja Peninsula; Puerto Vallarta, on the Pacific coast, and Lake Chapala, Mexico's largest lake, located inland near Guadalajara.

Loujean LaMalfa, the president of Prince LaMalfa International, a company in Petaluma, Calif., that offers tours, said she advises potential buyers to do their research, look out for disreputable real estate agents and be understanding of Mexico's relaxed pace of business and abundance of poverty.

No matter what some people say, Ms. LaMalfa added, the cost of living comfortably in Mexico is not negligible. She said a couple who rent a home, enjoy regular nights on the town and employ a housekeeper can expect to spend \$2,000 a month.

"Telling people that they can live in Mexico for \$400 a month is doing them a real disservice," Ms. LaMalfa said. "You can do that, but it depends on whether you want to live without electricity."

Photo: Donald R. Thompson, 75, a retired sales manager, and his wife, Julia, on balcony of their \$315,000, 2,800-square-foot, 3-bedroom condominium at Club Marena in Rosarito, overlooking the Pacific. (Robert Burroughs for The New York Times) Map showing the location of Rosarito, Mexico