

Buyer's Guide to La Paz Real Estate

Tips to help you make your Baja Life dream a reality.

Buying a home in La Paz, Baja California Sur may sound like a big leap to make when you're considering potential locations for your dream vacation or retirement home. However, buying a home in La Paz can be surprisingly easy, especially when you have good guidance from an experienced local real estate team.

Can I Own Property in Mexico?

Yes, foreigners (non-Mexican citizens) can safely and legally purchase real estate in Mexico. While most of the Baja peninsula falls within what is known as the "restricted zone" of coastal property in Mexico, most expats (any many Mexicans) purchase property here using a bank trust called a fideicomiso. Under this legal arrangement, you are the owner of the property, and the deed to the property is held by a bank in a trust. You are the beneficiary of that trust, and as with a

normal property title, you will name other beneficiaries who can inherit the property. With a fideicomiso, you can legally own the property, improve the property, sell it, and generally do anything (within Mexico's zoning and property laws) that you would normally do as the owner. There is an annual fee to maintain the fideicomiso, paid to the bank, and you will owe property taxes which must be paid annually as well. The fideicomiso is valid for 50 years. After the 50 year term is up, it can be renewed for another 50 years if you desire.



Buying a home in Baja is not unlike buying in other countries, with a few key differences.

This arrangement is perfectly safe and legal, and expats have been buying homes in Baja using this method for decades.

It is also possible to purchase a property using a Mexican corporation. This option is sometimes used when purchasing a larger property that is subdivided (or could be) into multiple lots, because it would eliminate the costs and paperwork associated with holding multiple fideicomisos. However, the cost and legalities associated with managing a Mexican corporation make this option less favorable for the purchase of a single, residential property.

Which Neighborhood Should I Choose?

Of course, the most important consideration when purchasing a home in La Paz is the same as it is anywhere else in the world: location. Are you looking for a place just steps from the malecon, and walking distance to shopping and the local farmers market? Or do you want a place with a bigger yard, where you can bring your dogs and enjoy some privacy from your neighbors? Do you want to walk out your front door onto the beach, or enjoy a hilltop view of the legendary La Paz sunrise or sunset?

Location can make or break your experience in La Paz, so consider carefully. Properties for sale in downtown La Paz tend to be condos or multi-story homes on smaller lots, and may come with a certain amount of nightlife and traffic noise, as well as higher prices. A house in a quieter neighborhood further from town may offer larger lot sizes, additional storage and amazing views, but you'll most likely need a car to get to shopping and restaurants. Keeping your priorities in mind will help you choose the right location for your dream home. You can view some of the different neighborhoods with properties for sale on our web site [here](#).

Can I Get Financing?

For most expats buying a home in La Paz, the purchase is a cash transaction using funds from savings, investments or the sale of another home. There are few financing options available here, and those that are available typically require a significant down payment (40-50%) and come with an interest rate high enough to dissuade most buyers from using this option. If you don't have the full purchase amount available in cash, another option is to take a home equity line of credit on your home to generate the cash needed to purchase your dream property here in La Paz.



One option is to purchase a lot and build your dream home in Baja.

Legal Considerations

The legal process of closing on a home here in La Paz is fairly similar to real estate transactions in other countries. When an offer is accepted, the buyer makes a deposit to hold the property (typically 10% of the purchase price) and this money is placed in an escrow account to be held until the closing.

A local closing agent (similar to a U.S. title company) collects all of the documentation needed from both seller and buyer, drafts the legal document under which the buyer will hold title, and works with both parties to execute the transaction within a reasonable time period, usually 45 to 60 days.

Can't make it to La Paz for the closing? You can designate a local power of attorney (POA) to represent you and sign the documents for you. It is faster and easier to execute the POA while you are here, but this can also be done remotely if you don't plan to return to sign at closing.

Fees and Closing Costs

A buyer's closing costs are typically 4-6% of the purchase price for a home. When buying an undeveloped lot, these fees can represent a higher percentage of the lot purchase price. This is because, as a foreign investor, you must own the property in a fideicomiso which includes slightly higher closing costs.

The typical closing costs associated with purchasing a property as a foreigner include:

- \$1,500 to \$2,000 to transfer or initiate a bank trust (fideicomiso)
- \$2,000 to \$2,300 for the closing attorney and notary
- 2.5% acquisition tax and registration fee
- \$500 to \$600 for the appraisal and miscellaneous certificates
- \$350 to \$650 escrow fee

Other fees that will need to be paid annually when you purchase your property in La Paz include:

Property taxes: These are due in January each year and are paid for the entire year. Paying them in November entitles you to a 35% discount, and paying them in December will give you a 20% discount. Late fees start accruing in February.

Annual fideicomiso bank fee: Each bank will charge you an annual management fee to keep your fideicomiso. The first year's fee is paid as part of the normal closing costs, and each year the same fee is due on the anniversary of the closing. The bank will typically send you a reminder to the email address you provided at closing.

Homeowners association dues: If you purchased a property that is part of a condo regime, your homeowners association will collect annual dues at the beginning of each fiscal year. The fees due will vary by association.

What About Utilities?

Most properties will already have access to all essential utility services such as electricity, water, and phone/Internet. Some properties will be connected to city sewers, while others will require an on-site septic system for waste management. If the services are already established, you can switch them to your name after purchasing the property using your ownership documents and possibly a certificate showing property taxes have been paid (you can get this from the closing attorney). In the case of phone/Internet service, you may be required to get a cesion de derecho (transfer of rights) document signed by the former owner stating they authorize the company to transfer the rights (and the phone number) to you. If no services have been previously enabled, you can open new accounts by providing the same ownership documents and proof of tax payment.

Building a New Home in Baja

Want to design a home and put your own personal stamp on it? One option is to purchase a lot and build your dream home in Baja. Your realtor can help you choose the perfect lot, and recommend trusted local builders who can help you design and build your home. Lots can range from around \$30,000 USD to over \$100,000, depending on the location, view and other considerations. Construction costs can range

from \$80/ft² for a basic home on a level lot, to more than \$100/ft² for a home built with high-end materials or on a sloping lot that requires a retaining wall. Build times are typically 9-12 months, depending on the size and complexity of the home.

A good builder will provide you with a full set of architectural plans and help you navigate the process of getting the proper permits. Keep in mind, some neighborhoods have strict design guidelines, while others will have few constraints. We have builders we trust, work with closely, and can recommend. Of course, keeping the impact of your new construction on nearby homes in mind is always good practice. After all, you will be neighbors soon!

How Do I Get Started?

Whatever type of home you decide to purchase, La Paz offers plenty of options to suit your needs, along with a laidback, peaceful lifestyle, and a world of adventure at your doorstep. Of course, nothing beats visiting here and looking at homes with a local real estate agent. If you are serious about buying in Baja, or just dreaming about it, pay us a visit here in La Paz. Chances are, you'll fall in love with the local lifestyle, and leave excited to get started on your new adventure!

Questions?

Contact us at info@bajaliferealty.com, we are happy to answer your questions!



Jim MacDonald

Broker

info@bajaliferealty.com

US/CAN: +1 (408) 220-5981

MX: +52 1 (612) 167-8976