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# Real Estate

Mexico

Law & Practice

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2021

## Law and Practice

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## 1. GENERAL

### 1.1 Main Sources of Law

Mexico is composed of 31 states and Mexico City. The Federal Constitution enumerates the matters in which the Federal Congress is authorised to make laws. Matters not expressly delegated to the Congress are deemed as reserved to each state. The law applicable to real estate and its ownership is that of the place where the real estate is located.

In combinations involving corporations (ie, mergers, purchase of shares) or trusts, typically the General Law of Commercial Companies, the Commercial Code and, in some cases, the Stock Market Law are applicable, and the parties are free to choose the court with subject-matter jurisdiction.

In general terms, the main laws applicable to real estate transactions, depending on the value and nature of the transaction, are:

- the Federal Constitution;
- the Civil Code and tax laws of the state where the real estate is located;
- the Income Tax Law;
- the Value Added Tax Law;
- the Foreign Investment Law;
- the General Law of Commercial Companies;
- the Stock Market Law;
- the General Law of Ecological Balance and Environmental Protection;
- the General Law of Securities and Credit Transactions;
- the Federal Antitrust Law; and
- zoning and planning provisions at the federal, state and municipal level.

### 1.2 Main Market Trends and Deals

During the last 12 months, the real estate market has been impacted in Mexico, as in the rest of the world, by the COVID-19 pandemic, which

resulted in restrictions on mobility and operation of all types of business. The main trend in the real estate market at the national level has been the slowdown in most real estate transactions, including leasing and acquisition of commercial and office space, mortgage transactions and the construction industry. On the other hand, the acquisition and rental of real estate for residential and industrial purposes saw some growth, interest rates decreased due to efforts made by the Bank of Mexico and the banking sector and, according to reports from market participants, real estate prices were not affected in the same proportion since, according to some experts, the real estate sector has once again been considered as a safe investment opportunity to safeguard capital.

The modification of the modality of many jobs to home-office (including the recent amendment to the Federal Labour Law to properly regulate the home-office as a work modality in Mexico), has implied and will definitely continue to imply, even after the pandemic, a modification in the use of office space in the country and the real estate-residential market, with some workers having the possibility of working from home or reducing their need to be present in the office at the times and with the frequency required before the pandemic.

In addition to the above, the restrictions imposed as a result of the pandemic affected the volume and speed of transactions considering, above all, the closing and limited operation of several authorities involved or usually related to the closing of real estate transactions, such as treasury offices, public registries, public notaries, etc. Although the pandemic pushed the digitisation of certain procedures and processes that previously required the physical presence or filing of physical documents and applications, this happened towards the end of the year.

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During this period, the most significant deals have been related to the reconfiguration of industrial spaces as a result of the e-commerce boom that forced companies to rethink their supply chains and to acquire or expand their distribution centres.

### **1.3 Impact of Disruptive Technologies**

New technologies have impacted all business sectors in Mexico and the real estate industry is no exception.

Investors in the sector have found new ways to invest thanks to the use of blockchain technology, decentralised finance (“DeFi”) and proptech, which have allowed the expansion of potential acquisition portfolios, the creation of marketplaces where fractions of properties are acquired, and even mortgage debt has been fragmented. Furthermore, blockchain technology has been acknowledged by the real estate industry because it brings transparency to transactions, reducing risk and processing time. The real estate sector has even acknowledged the potential of blockchain technology to eliminate unnecessary costs for the acquirers in the not-too-distant future, such as expenses to obtain no liens certificates, formalisations before notaries public and registration on public property registries. The implementation of smart contracts and the strengthening of electronic commerce in the country has also had an effect on the way of doing business in the sector.

Lenders, specifically, have benefited from the implementation of new technologies through risk assessment allowing algorithmic processes and data analysis, while in the construction and development sector, contech has benefited the players through the introduction of collaborative software, improvements in financial management and, in general, reducing construction costs and making processes more efficient.

Considering that in March 2018 the Law to Regulate Financial Technology Institutions, also known as the Fintech Law, was published in Mexico, which gives these type of technologies a legal framework, and that the Mexican National Banking and Securities Commission (CNBV) has begun to grant the first authorisations to start operating in terms of the law, it is expected that there will be an increase in the number of technology companies that will seek to enter the market, including the real estate market. However, it is unlikely that, within the next 12 months, there will be a significant change in the way of doing business in the sector as a result of the use of these technologies.

### **1.4 Proposals for Reform**

The party with a parliamentary majority in Mexico City, Morena, has presented an initiative which seeks that, in the event of a health emergency such as the one caused by COVID-19, owners of commercial establishments may not terminate leases if tenants are unable to pay rent. Such initiative also restricts landlords to only demanding the partial payment of rent for the duration of such emergencies. There is no clarity at present regarding the possible approval of the relevant reform.

## **2. SALE AND PURCHASE**

### **2.1 Categories of Property Rights**

Mexican Civil Codes provide for several categories of property rights to be acquired: full ownership, usufruct (which is the real and temporary right to enjoy the property of others and, therefore, grants the right to receive all the fruits, whether natural, industrial or civil, produced by the property) and other minor rights, such as use or certain easements. In the case of infrastructure projects, other rights, such as rights of way or other types of easements for the construction of roads, gas pipelines, oil pipelines, etc, should

also be considered. Furthermore, it is possible to enjoy any of the aforementioned rights through a trust as a beneficiary.

Another type of property provided in terms of the provisions of Article 27 of the Constitution and the Agrarian Law in Mexico is the *ejidal* property, which is subject to a special regime.

## 2.2 Laws Applicable to Transfer of Title

The law applicable to transfer of title, if the transfer is considered as a commercial act by the Commercial Code, is the Civil Code of the relevant state where the real estate is located. If at least one of the parties is a merchant (including real estate for industrial purposes, offices, retail and hotels), the applicable law would be the Commercial Code and the Civil Code of the relevant state where the real estate is located.

In combinations involving corporations (ie, mergers, the purchase of shares) or trusts, the law applicable to transfer of title is the Commercial Code, General Law of Commercial Companies, the Stock Market Law and the General Law of Securities and Credit Transactions.

For the transfer of title of agrarian property, the applicable law would be the Agrarian Law.

## 2.3 Effecting Lawful and Proper Transfer of Title

In Mexico, the legal forms of acquiring property are usucapion, accession, succession by reason of death and by transfer, whether onerous (such as a sale and purchase agreement) or gratuitous (such as a donation agreement). The most common way to acquire property is by entering one of the following agreements.

- A sale and purchase agreement in terms of the provisions of Article 2248 of the Civil Code for Mexico City, pursuant to which there is a sale and purchase agreement when one

of the contracting parties agrees to transfer the ownership of a thing or a right, and the other in turn agrees to pay a certain price in money for them.

- A trust agreement in terms of the provisions of Article 381 of the General Law of Securities and Credit Transactions pursuant to which, by virtue of a trust, the trustor transfers to a trust institution (trustee) the property or ownership of one or more goods or rights, as the case may be, to be used for lawful and determined purposes, entrusting the realisation of such purposes to the trust institution itself. Where an administration trust is executed, the trustee would keep the ownership of the good or right and the beneficiary would be considered as the holder of the trust rights.
- Other combinations involving corporations (mergers or purchase of shares).

All transfers of title of real estate in Mexico are registered in the Public Registry of Property of the state where the real estate is located.

Protection of bad title is usually included in the purchase agreement as an indemnity. Although title insurance is available in Mexico, it is not common to purchase insurance to cover contractual liability as a result of breaches of the seller's representations and warranties in an acquisition agreement. Typically, the indemnity is backed by an escrow holdback, a price adjustment or a combination of the two.

## 2.4 Real Estate Due Diligence

Buyers usually carry out real estate due diligence through their legal advisers. The matters usually involved in real estate due diligence are as follows.

- Ownership – to be performed by the attorneys. Encumbrances on the real estate (including liens and some litigation aspects) may be identified through the Public Registry

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of Property where the real estate is located. A real estate folio will be requested from the above-mentioned registry for this purpose. It is also advisable to request evidence of the payment of real estate taxes and utilities for the past five years. In certain cases, a search must be conducted to determine the possible existence of agrarian problems. In the case of agrarian properties, there are other aspects to be reviewed, such as the records of the property in the Agrarian Registry.

- Corporate – to be performed by the attorneys. Liens on the company (such as bankruptcy) may be identified through the Public Registry of Commerce of the area where the company is located. A commercial folio will be requested from the Public Registry of Commerce for this purpose.
- Agreements – to be performed by the attorneys. The scope of the review of agreements in the context of a real estate business combination (ie, merger, purchase of shares) varies depending on the structure of the transaction. Assuming the transaction is the direct purchase of real estate, the review should cover at least: the last sale-purchase agreement that transferred the property of the real estate and the chain of title; any agreement that may affect the property, such as lease and sublease agreements, and commodatum, usufruct and easements; federal zone concessions; credit agreements, if the real estate is subject to a mortgage or any encumbrance on the property; agreements regarding services, maintenance, repair or supply of assets or utilities; franchise agreements; insurance policies; and management, and licensing and operation agreements.
- Environmental – to be performed by the attorneys and environmental specialists for phases I and II.
- Tax matters – to be performed by the tax advisers.
- Disputes – to be performed by the attorneys.

- Surveys, usually under American Land Title Association standards – to be performed by professional surveyors, ALTA surveys, zoning confirmations, analysis to determine if the real estate is located in an archaeological zone or historical monument, etc.

Of the aforementioned aspects, some have been impacted by the sanitary and administrative measures imposed by both federal and local governments as a result of the COVID-19 pandemic. For example, the closing or limited operation of certain public offices that issue documents, such as the Public Registries of Property in charge of issuing no lien certificates, the Public Registries of Commerce in charge of issuing mercantile folios, the treasury offices responsible for issuing certificates of non-debt of real estate taxes, as well as the authorities and individuals in charge of issuing certificates of non-debt of certain utilities, etc. This, together with the closing of several private offices, has limited or delayed the possibility of proceeding with the review of several documents, such as agreements, related to real estate transactions and the limitation of other activities considered as non-essential, such as the preparation of phases I and II in environmental matters.

## 2.5 Typical Representations and Warranties

The most common representations and warranties agreed in sale and purchase agreements are related to the seller faculties, legitimate ownership of the real estate, non-existence of liens or limitations affecting the real estate (including archaeological limitations), no pending payments (including due to tax matters), no environmental or land-use issues, no permits and no agrarian backgrounds.

Where the ownership will be acquired through combinations involving corporations (mergers

or purchase of shares), typical M&A representations and warranties are usually included.

## 2.6 Important Areas of Law for Investors

The main areas of law to which an investor must pay attention when acquiring real estate are tax aspects (mainly determined by the Federal Tax Code, the Income Tax Law and local real estate acquisition provisions), environmental aspects, urban development and construction limitations and guidelines, and limitations imposed on the use of the real estate, eg, in terms of leasing, especially for residential purposes, those limitations imposed by the laws of the state where the real estate is located.

## 2.7 Soil Pollution or Environmental Contamination

While it is usual to include in the purchase agreements that the seller will be held responsible and guarantees environmental liability in favour of the purchaser, the latter, as owner, will also be responsible before the environmental authority for the environmental status of the land and its remediation.

## 2.8 Permitted Uses of Real Estate under Zoning or Planning Law

In terms of the provisions of the constitution, the municipalities in Mexico are the entities authorised to regulate zoning and planning matters following guidelines set forth by the Federal Congress and the states. Thus, to determine the land use of specific real estate, it is necessary to analyse the applicable laws (zoning and planning). At the federal level, the applicable provisions might be found in the National Development Plan, at the state level in the State Partial Development Plans, and at the municipal level in the Municipal Development Plans, the Urban Development Plans that determine the main land-use of the urban centres and, sometimes, the Detailed Plans. To confirm the land use of a

given real property, the purchaser must request the land-use zoning certificate from the seller and the relevant land-use licence issued by the competent authority.

In environmental matters, there are General Ecological Partial Plans at the federal level that regulate the use of land to protect the environment and promote sustainable development, the State Ecological Partial Plans and, sometimes, sectorial programmes for agricultural, territorial and urban development and in matters related to protected natural areas. Additionally, there are ecological reserves that include areas for the protection of various plant and animal species. These reserves, in legal terms, limit human action.

It is not common to enter into specific development agreements with the relevant public authorities to facilitate a project but it may happen if the authority is interested in a specific project because of its size or its impact on urban development.

## 2.9 Condemnation, Expropriation or Compulsory Purchase

### Expropriation Law

#### *Possible reasons*

The Mexican government is authorised, both at the federal and local levels, to expropriate the property of individuals for public utility purposes. Causes of public utility include, among others:

- the establishment, operation or conservation of a public service;
- the opening, expansion or alignment of streets;
- the construction of roads, bridges, paths and tunnels to facilitate urban and suburban traffic;
- the beautification, expansion and sanitation of towns and ports;



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- the construction of hospitals, schools, parks, gardens, sports fields or airfields;
- the construction of public infrastructure; and
- the provision of public services; etc.

## *The procedure*

The expropriation procedure begins with a declaration of public utility by the authority, which must be published in the Federal Official Gazette and, where appropriate, in a local newspaper, and the owners of the property and rights to be affected will be personally notified in order to respect their right to due process. If applicable, after the process of filing evidence and allegations, the judge will issue the corresponding resolution and, subsequently, the Federal Executive will decree the relevant expropriation, which will be published again in the Federal Official Gazette. The pertinent decree, jointly with the appraisal in which the amount of the compensation will be fixed, will be notified to the interested parties, who may then go to court. The price set forth as compensation will be equal to the commercial value of the property and, in no circumstances, may it be less than the fiscal value shown in the cadastral or collection offices. Once the expropriation has been decreed, the authority is authorised to occupy the property immediately. The applicable law, ie, the Expropriation Law, also provides for the existence of temporary occupation, total or partial, and the simple limitation of ownership rights, which may be decreed for reasons of public utility.

## **National Law on Ownership Extinction**

The National Law on Ownership Extinction regulates the extinction of ownership in favour of the state through the federal government and the states, as appropriate. In terms of the provisions of the law, the product, instrument or material object of some of the following crimes can be subject to extinction of ownership: crimes provided under the Federal Law against Organised Crime, kidnapping, crimes involving hydrocar-

bons, oil and petrochemicals, crimes against health, human trafficking, crimes involving acts of corruption, concealment, crimes committed by public servants, theft of vehicles, those contemplated in the Federal Criminal Code with respect to operations with resources of illicit origin, and extortion.

## **2.10 Taxes Applicable to a Transaction**

If real estate is acquired through a direct purchase of assets, various taxes and rights must be paid, namely:

- Property Acquisition Tax, which must normally be paid by the purchaser and varies depending on the state where the property is located, however, it is usually in the range of 2% to 6%;
- value added tax (VAT) on the value of the construction (unless it is a residence), which must be paid by the purchaser and is calculated at a rate of 16%; and
- income tax, which must be paid by the seller and is calculated according to the profit obtained from the sale of the property.

Certain deductions are available (ie, proven cost of acquisition, certain investments in construction, improvements and extensions, notary expenses and commissions, and mediations, among others).

Finally, there are registration fees that the purchaser must pay to the public registry and for obtaining certificates or certifications (no liens certificates, no tax debts certificate, etc) prior to the closing.

The taxes to be paid are withheld by the notary public before whom the transaction is formalised when the seller is an individual or foreign tax resident.

If a purchase is performed through share acquisition, only income tax will be generated.

### **2.11 Legal Restrictions on Foreign Investors**

In principle, foreigners can acquire real estate in Mexico, with the exception of those properties located within the restricted zone, which is a 100 km-wide strip along the border and a 50 km-wide strip inland from the beaches. However, foreigners may participate with 100% of the equity of corporations, which may acquire real estate all over the country, including in the restricted zone, provided in this case that the property will not be used for residential purposes, unless the property is built or acquired for resale to the public.

A foreigner can also own property located in the restricted zone through a trust, by holding beneficiary rights, which will grant to the beneficiary practically all the benefits of an owner.

## **3. REAL ESTATE FINANCE**

### **3.1 Financing Acquisitions of Commercial Real Estate**

Acquisitions of commercial real estate are generally financed by a loan facility whose terms and conditions will depend on the creditworthiness of the borrower and the collateral available.

There are different financing options for the acquisition of large real estate portfolios or companies holding real estate. In addition to a loan facility with collateral (mortgage, pledge, etc), other options include acquiring the seller's debts or swapping shares, depending on the transaction and the parties involved.

### **3.2 Typical Security Created by Commercial Investors**

A commercial real estate investor who is borrowing funds, typically creates or enters the securities requested by lenders. Lenders usually request mortgages, trusts, shares pledges, FF&E pledges (furniture, fixtures and equipment), cash deposits for a certain period of interest or principal payments.

Lock boxes, trusts or other forms of cash control may also be requested by the lender. Depending on the nature and function of the real estate, the borrower may create reserves for maintenance, insurance and improvements.

The most common equity financing provisions include the following:

- equity financing – the amount of investment versus the participation percentage of the company's equity;
- access to the books and records of the company;
- reporting and covenants;
- expected return for equity;
- the right to appoint directors or top managers; and
- limitations regarding use of the investment, restricted to certain projects or purposes.

### **3.3 Restrictions on Granting Security over Real Estate to Foreign Lenders**

There are no restrictions on granting securities over real estate to foreign lenders.

The acquisition of real estate by foreign lenders as a consequence of an enforced mortgage, could be restricted considering the real estate location and its use.

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### **3.4 Taxes or Fees Relating to the Granting and Enforcement of Security**

The granting of security over real estate does not cause taxes, it is only necessary to pay notary public fees for the formalisation of the security and registration fees to the Public Registry of Property. Notary public fees and registration fees usually vary from state to state, depending on the value of the property. Enforcement of a security over real estate will result in the same taxes as in its acquisition (see **2.10 Taxes Applicable to a Transaction**).

### **3.5 Legal Requirements Before an Entity Can Give Valid Security**

There are no special legal rules or requirements that must be complied with before an entity can give valid security over its real estate assets. In order to grant valid securities, a corporation must comply with the regulations included in its by-laws, including avoiding ultra vires acts.

### **3.6 Formalities When a Borrower Is in Default**

Typically, real estate collateral is structured through mortgages or security trusts and the formalities/procedures vary for each of them. In the event of default by the borrower, the lender must initiate a foreclosure legal procedure in the case of a mortgage, while securities granted through trusts will follow the rules set forth in the relevant trust agreement.

Where other creditors of the borrower are secured by the same asset, the priority of the security granted to the lender is usually evidenced in the document through which it was granted and the judge will order that the other creditors be notified of the existence of the lawsuit or procedure so that they may appear.

Where the borrower has other creditors, Mexican law gives priority to the mortgagee or guar-

anteed trustee over other creditors, to collect with the secured asset or trust estate.

### **3.7 Subordinating Existing Debt to Newly Created Debt**

It is possible for existing secured debt to become subordinated to newly created debt by agreement of all the parties involved. Furthermore, there are certain legal obligations which have preference in relation to pending debt or pending securities, such as taxes and labour obligations, under certain circumstances and with certain limitations.

### **3.8 Lenders' Liability under Environmental Laws**

A lender holding or enforcing security over real estate cannot be held liable under environmental laws for any pollution of the real estate if it did not cause it. In terms of the provisions of the Federal Environmental Liability Law, the individual or legal entity which, through its action or omission, directly or indirectly damages the environment, shall be liable and must repair the damage, or where repair is not possible, shall be liable for environmental compensation.

### **3.9 Effects of a Borrower Becoming Insolvent**

Security interests created by a borrower in favour of a lender cannot be considered as void just because the borrower becomes insolvent. Mexican law only provides that securities granted by the borrower affecting its creditors might be considered void, at the request of the creditors, if this results in the borrower's insolvency and the claim is prior to the relevant granting.

### **3.10 Consequences of LIBOR Index Expiry**

Agreements normally provide a substitute index in case of non-availability of the LIBOR. If such alternative index is not provided, legal interest

rates (ie, 6% pursuant to the Commercial Code) will be applicable.

## 4. PLANNING AND ZONING

### 4.1 Legislative and Governmental Controls Applicable to Strategic Planning and Zoning

In Mexico, municipalities are the entities authorised to regulate planning and zoning matters, following certain guidelines established by the Federal Congress and the states. At the federal level, the applicable provisions might be found in the National Development Plan; at the state level in the State Partial Development Plans; and at the municipal level in the Municipal Development Plans, the Urban Development Plans that determine the main land-use of the urban centres and, sometimes, the Detailed Plans. In addition, see the environmental provisions in **2.8 Permitted Uses of Real Estate under Zoning or Planning Law**.

### 4.2 Legislative and Governmental Controls Applicable to Design, Appearance and Method of Construction

For legislative and government controls typically applicable to the design, appearance and method of construction of new buildings or refurbishment of existing buildings, see **2.8 Permitted Uses of Real Estate under Zoning or Planning Law** and construction regulations. In addition, various aspects, modalities and limitations regarding the construction and refurbishing of existing properties are usually included in the provisions that regulate *fraccionamientos* or condominiums, such condominiums being regulated by local laws.

### 4.3 Regulatory Authorities

In relation to the regulation of the development and designated use of individual parcels of real

estate, refer to **2.8 Permitted Uses of Real Estate under Zoning or Planning Law**.

The most common requirements provided by the plans in the above-mentioned section include the protection and good use of natural resources, the correct implementation of services, integration with the environment, and the inhabitants' sense that the place "belongs". On the other hand, the most common legal restrictions provided by said ordinances are the prohibition of urbanisation in certain areas, the surfaces that must be left free of construction, and restricted areas due to railway facilities, drinking water, drainage, electricity, telecommunications and roads.

It should be noted that, depending on the applicable provisions, it will be determined which authority must participate, usually municipal or state authorities. However, for some projects, especially those developed in coastal areas or those involving archaeological sites or historical monuments, the participation of federal authorities such as the Ministry of the Environment and Federal Resources (SEMARNAT), the National Institute of Anthropology and History (INAH), etc, is required.

### 4.4 Obtaining Entitlements to Develop a New Project

#### Local Licences and Permits

In order to be legally entitled to develop a new project and to carry out a major refurbishment, it is necessary to obtain, at a local level, a construction licence to be able to build, extend, modify, repair, install, demolish, dismantle a work or installation, put up walls and excavate. Also, in certain cases, building permits for historical monuments and archaeological zones are required from the authorities.

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## Third-Party Objections and Approval

Considering that the regulation of construction matters is the responsibility of each state, it is necessary to analyse local construction regulations to determine the rights of third parties to object to construction projects. In principle, it is the obligation of the developer to arrange insurance covering civil liability for damages. Furthermore, in certain projects, an Environmental Impact Authorisation is required, involving third parties and, in some cases, neighbours, or a public consultation procedure is initiated. Finally, third parties can file appeals against the issuance of construction licences.

In the case of environmentally sensitive infrastructure projects, which may include pipelines, the community may be part of the process to get the project approved through a public consultation.

## 4.5 Right of Appeal Against an Authority's Decision

An appeal for review is available against the refusal to grant a construction licence for any type of work, orders for demolition, repair or vacancy or other decisions arising from construction regulations. Likewise, nullity and amparo proceedings may be initiated. Depending on the authority, it is also common for various procedures to be initiated, in the event that a new project is not approved.

## 4.6 Agreements with Local or Governmental Authorities

Agreements with the authorities or with utility suppliers are usually required in the following areas:

- for the provision of public services such as electricity, drinking water and sewerage;
- for the development of destination areas for infrastructure, urban equipment, green areas and roads for real estate developments; and

- for concessions (such as ZOFEMAT (federal maritime-terrestrial zone) and port authorisations).

In some cases where the projects have certain density or requirements, the developer might enter into agreements with the authorities to build certain infrastructure, which may include treatment plants, roads, energy infrastructure, etc, and then have said infrastructure assigned or transferred to the municipality.

## 4.7 Enforcement of Restrictions on Development and Designated Use

Failure to comply with the restrictions on development and designated use are sanctioned by each state or municipality depending on the location of the real estate and on the relevant violation. Sanctions usually include the temporary suspension of the project, cancellation of the authorisations granted, closure of the project, fines, and arrest for up to 36 hours.

# 5. INVESTMENT VEHICLES

## 5.1 Types of Entities Available to Investors to Hold Real Estate Assets

The most common vehicles for acquiring real estate in Mexico are commercial companies and the most frequently used are the stock company (*sociedad anónima*) and the limited liability company or LLC (*sociedad de responsabilidad limitada*), both of variable capital. These are the most widely used forms because they have perfect patrimonial autonomy.

### The Stock Company

The stock company is composed of shareholders whose liabilities are limited to the amount of their contributions. Its capital is represented by negotiable certificates and it is the only form of corporation whose shares may be traded on the stock exchange.

### The LLC

The LLC is composed of partners whose liabilities are also limited to the amount of their contributions. For the transfer of equity and the admission of new partners, the consent of the partners representing the majority of the capital stock is necessary. LLCs are often used by US residents because they can be treated as transparent entities for US tax purposes.

### The FIBRA

Another vehicle widely used in Mexico to acquire real estate is the FIBRA (REIT), which is typically used because it is considered a tax pass-through entity and it allows more flexible structuring of real estate combinations than may be achieved through a corporation. However, because of recent changes to the tax laws, certain tax benefits previously available to all FIBRAs are now limited to publicly traded FIBRAs. FIBRAs are investment vehicles listed on the Mexican Stock Exchange (BMV) for the acquisition and construction of real estate for leasing. Trust certificates are offered to the general public through a public offering in the stock market. Holders of trust certificates issued by a FIBRA will be entitled to receive dividends at least once a year for at least 95% of the result of the immediately preceding fiscal year.

### Other Structures

Other structures currently used for these types of transactions include real estate investment companies (SIBRAs), development capital certificates (CKDs) and investment project fiduciary securitisation certificates (CERPIs).

## 5.2 Main Features of the Constitution of Each Type of Entity

Mexican companies must be incorporated before a notary public or a commercially authorised person (*corredor público*). All of the constituent shareholders or partners (minimum two), or attorneys acting on their behalf, must be present

upon the incorporation of the company. For the incorporation, it is necessary to:

- obtain a permit, in advance, to use the company's name and to indicate domicile, purpose, amount of authorised capital and its division into shares (or equity membership); and
- to indicate the internal rules of the company governing:
  - (a) shares (or equity membership), the transfer and issuing of shares;
  - (b) calling, holding, proceedings, quorum and powers of general meeting;
  - (c) appointment, removal, conduct and powers of attorney of the directors or the sole administrator and auditors;
  - (d) the payment of dividends; and
  - (e) the dissolution and liquidation of the company.

The by-laws containing all the above information may be drafted either by a lawyer or by the same notary public or commercially authorised person (*corredor público*) who will incorporate the company.

### FIBRAs

To constitute a FIBRA, the parties must have at least 70% of their assets invested in real estate, be engaged in the purchase or construction of real estate to be leased, and distribute among the holders at least 95% of the tax result of the previous year.

### SIBRAs

SIBRAs operate in a similar manner to FIBRAs; however, they are commercial companies incorporated under Mexican law instead of trusts. As with FIBRAs, real estate developers receive some tax benefits for using a SIBRA as a financing and structuring mechanism for their project.

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## CKDs

CKDs are securities that are issued through an irrevocable trust. Initial patrimony is formed with the proceeds of the placement and is used to invest in or to finance Mexican companies, either directly or indirectly, through various investment vehicles. CKDs are designed to allow the flow of resources to finance projects that consume resources in the short term and later generate long-term flows.

## CERPIs

CERPIs are similar to CKDs; however, only qualified investors can own CERPIs.

## 5.3 Minimum Capital Requirement

For the stock company there is no mandatory minimum capital stock provided by law. Therefore, the initial minimum capital stock is determined by the shareholders upon incorporation of the company.

For the limited liability company, there is also no mandatory minimum capital stock provided by law. The capital stock of the company will be divided into equity memberships, each of which must represent at least MXN1 or a multiple of said amount.

## 5.4 Applicable Governance Requirements

### Stock Companies and LLCs

The obligations of a stock company are imposed on the directors by law and by the company's by-laws. The directors are jointly liable with the company for compliance with legal and statutory requirements in relation to the dividends paid to shareholders; for the existence and maintenance of the system of accounting, control, recording, filing or reporting required by law; for the faithful execution of the resolutions of the general meeting of shareholders; and for the creation of the reserve fund required by law. Some others special liabilities are provided by law.

In an LLC, managers are liable for the appropriate use of the company's funds and, in general, for the correct administration of the company. They are also personally liable, jointly with the company, for the accuracy of the data contained in the partners' register of the company.

In general terms, company's officers will be at least one director (who, in such a case, will act as sole administrator). Furthermore, stock companies shall designate one or more internal auditors. Directors or employees of a company cannot be internal auditors for that company. LLCs are not obliged by law to designate an internal auditor but this may be required in their by-laws.

## FIBRAs

As to FIBRAs, they must comply with certain standards of corporate governance and best practices among the shareholders, the investor, the management and technical committee, like all companies listed on the Mexican Stock Exchange (BMV).

## 5.5 Annual Entity Maintenance and Accounting Compliance

In Mexico, there is no annual fee/tax for the simple existence of a company, therefore, the annual compliance costs of entities are very variable. Since companies are subject to periodic compliance with administrative and tax requirements, the maintenance cost will depend on the nature, complexity, volume and frequency of the transactions and operations carried out.

# 6. COMMERCIAL LEASES

## 6.1 Types of Arrangements Allowing the Use of Real Estate for a Limited Period of Time

Mexican civil law recognises four arrangements that allow a person to occupy and use a real

property for a limited period of time, without buying it outright:

- the lease (*arrendamiento*), ie, the agreement through which one of the parties grants to the other party the right to temporarily use or enjoy a property, and the other party commits to pay a certain price for such use or enjoyment;
- the commodatum or free lease (*comodato*), ie, the agreement through which one of the parties grants to the other party the free use of a property;
- the real right of occupation (*habitación*) which grants to the right-holder the faculty to freely occupy part of another person's house, for themselves and for their family members; and
- the real right of usufruct (*usufructo*), which is the real and temporary right to enjoy another person's property and to receive all the fruits, whether natural, industrial or civil, produced thereby.

## 6.2 Types of Commercial Leases

Mexican civil law recognises only one type of lease agreement, although specific rules are provided in the federal and state civil codes, depending on the purpose or location of the leased premises (residential, rural or urban properties).

## 6.3 Regulation of Rents or Lease Terms

Rentals and lease terms are usually freely negotiable, however, there are certain legal provisions within the regulation provided by the federal and state civil codes that are binding and non-negotiable/waivable, since they are considered as public interest provisions. These are usually provisions applicable to premises leased for residential purposes, although certain state civil codes may also provide broader restrictions. Review and where necessary, revision, of the set of rules provided by the applicable state civil code is always recommended.

Although there have been attempts to pass certain amendments to the provisions applicable to residential leases, the government has not so far enacted any legislation directly affecting leases. However, it should be noted that federal and state civil codes already contain legal provisions applicable to the case of impediment of the use of leased premises. Such provisions might be considered as applicable to commercial leases when the leased premises cannot be operated due to a force majeure (and government restrictions arising from the COVID-19 pandemic might be considered as such). By way of example, provisions of Article 2431 of the Federal Civil Code, applicable also to commercial leases, provide that if by reason of an Act of God or force majeure the tenant is totally prevented from using the leased premises, no rent shall be due while the impediment lasts, and if such impediment lasts more than two months, the tenant may request the termination of the agreement. Other similar provisions are included in the civil codes of the various states of Mexico.

Furthermore, in some state civil codes the "unforeseeability theory" is acknowledged, the spirit of which is to seek a balance between the mutual obligations undertaken by the parties in the event that there are extraordinary national events, impossible to foresee, that make the obligations of one of the parties more onerous. In such a case, the affected party may take action to have the balance between the obligations restored, under certain conditions and circumstances.

## 6.4 Typical Terms of a Lease Length

From a general perspective, the length of a lease term is freely negotiable, however, it must be taken into account that federal and state civil codes may contain provisions for minimum and maximum terms. For example, the minimum term of a lease agreement of a real property for residential



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purposes, pursuant to the Civil Code for Mexico City, is one year for both parties, and may be extended at the tenant's will for up to one more year, under certain circumstances. Lease of real properties destined for commerce and industry, under the same code, cannot exceed 20 years. Landlords and tenants may freely determine if a term is binding or not, and may even agree on penalties to be paid if the binding term is breached by any party.

## General Rules

General rules contained in the federal and state civil codes establish that the landlord is liable for defects in the leased property that may prevent the use thereof, even if the landlord was not aware of these defects or they occurred during the lease term, provided that they are not a consequence of the tenant's negligence. On the other hand, the tenant is responsible for minor repairs required for use of the leased property. Standard provisions are that the landlord must maintain the structure of the property and carry the extraordinary maintenance thereof, while the ordinary maintenance is usually the responsibility of the tenant who must return the property the way it was when the tenant moved in, except for the ordinary wear and tear arising from its use. Also, in this case, the parties may freely negotiate the allocation of responsibilities associated with maintenance.

Frequency of rental payments may be freely determined by the parties. The standard is payment on a monthly basis.

Finally, in relation to COVID-19 issues, refer to **6.3 Regulation of Rents or Lease Terms.**

## 6.5 Rent Variation

Mexican civil law does not provide binding or automatic updates of rentals and matters can be freely negotiated by the parties. The standard is that rent is updated on a yearly basis by applying

the same percentage increase as the National Consumer Price Index published in the Federal Official Gazette by the National Institute of Statistics and Geography (plus some additional points, in certain cases). In lease agreements of premises located in commercial malls, it may be agreed that the tenant must pay a variable rent (in addition to, or instead of, the monthly fixed rent), calculated as a percentage of the net sales performed by the tenant.

## 6.6 Determination of New Rent

This matter is freely negotiable by the parties. The standard is that an agreed percentage increase will be applied to the monthly rent in force at the end of the agreed period (usually on a yearly basis, although semi-annual increases are also possible, but less frequent).

## 6.7 Payment of VAT

VAT is payable on the rental of real properties for commercial purposes. Rents payable under lease agreements for residential purposes are not subject to VAT, although VAT is applicable to rental for residential purposes when the leased premises include furniture.

## 6.8 Costs Payable by a Tenant at the Start of a Lease

It is customary to pay the first month's rent in advance, plus payment of a security deposit (usually one or two months' rent) to be kept by the landlord as a guarantee of duly compliance by the tenant of its obligations under the agreement. In commercial leases (mainly those of commercial malls), the landlord (or previous tenant) may also request a one-time payment of goodwill or key money, the amount of which usually depends on the standards and success of the mall.

## 6.9 Payment of Maintenance and Repair

Costs and expenses associated with maintenance and repair of (common) areas used by

several tenants are usually charged to and paid by same tenants to the landlord or to the manager of the building or mall, as the case may be, as “condominium quotas” or common area maintenance fees. Condominium or mall regulations usually establish the way such quotas are allocated among the co-owners/users of the common areas. Leases of premises located in commercial malls may also provide for payment of a certain amount or percentage of the rent as advertising/marketing fees. Such fees and quotas are usually payable on a monthly basis.

### **6.10 Payment of Utilities and Telecommunications**

Utilities and telecommunications that serve a property occupied by several tenants are usually paid on a pro rata basis and reflected in the condominium quotas or common area maintenance fees the tenant eventually pays to the landlord or directly to the manager of the condominium or mall.

### **6.11 Insuring the Real Estate That Is Subject to the Lease**

There is no provision in the federal or state civil codes on this matter. Tenants are usually required to take out an insurance policy covering civil liability and fire, the latter being a tenant’s liability under the federal and state civil codes. Insurance coverage for the property of the leased premises is usually taken out by the landlord. However, in commercial and industrial leases, the tenant may also sometimes be held responsible for taking out and paying insurance coverage for the property including, among others, the risk of earthquake and flood. Insurance coverage of the common areas is usually included in the condominium quota or common area maintenance fees charged to the tenant.

### **6.12 Restrictions on the Use of Real Estate**

Pursuant to the federal and state civil codes, the tenant must use the leased property only for the agreed use or pursuant to the nature and destination thereof. Violation of such provision is grounds for termination of the agreement by the landlord. Lease agreements usually contain such provision and also specify that use of the leased premises must be in accordance with the permitted use of land corresponding to the leased property.

### **6.13 Tenant’s Ability to Alter and Improve Real Estate**

Pursuant to the federal and state civil codes, the tenant may not vary the form of the leased property without the express consent of the landlord. If such provision is breached, the tenant will be held responsible for restoring the leased property to its original state and for paying the damages caused to the landlord. Usually improvements are paid by the tenant, however, legal provisions establish that the landlord must pay for them if it authorised the tenant to perform them and committed to pay for them, or if they are useful or urgent improvements.

### **6.14 Specific Regulations**

Premises to be used for commercial, industrial, office or retail purposes, are generally subject to the same set of rules. The federal and state civil codes contain a specific set of rules for residential and rural properties.

- Properties intended for residence purposes. Specific rules are provided in the federal and state civil codes to address, among others, hygiene and health conditions, and minimum term of lease; the preferential right of the tenant to acquire the leased property or to enter into a new lease; and currency for payment of the rent. Rules applicable to residential leases are usually considered to be of public order

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and social interest, and therefore they are not waivable.

- Rural property. Specific rules are provided in the federal and state civil codes to address, among others, the terms for payment of rent, the rights of the tenant in the event of lack of productivity of the leased property, and the minimum term of the lease.

As previously mentioned, no specific COVID-19 legislation has been enacted. In addition to what was discussed in **6.3 Regulation of Rents or Lease Terms** regarding the “unforeseeability theory”, it should be noted that judicial criteria have established that such a theory is not applicable to acts entered into between traders (commercial acts), and therefore, its application to commercial leases might be challenged.

## 6.15 Effect of the Tenant’s Insolvency

The Law on Commercial Insolvency (*Ley de Concursos Mercantiles*) provides that a tenant’s commercial insolvency does not terminate a lease agreement. However, the conciliator appointed for the insolvency procedure may opt to terminate the agreement, in which case, the compensation agreed in the lease must be paid to the landlord or, failing that, an indemnity equal to three months’ rent, for early termination.

## 6.16 Forms of Security to Protect against a Failure of the Tenant to Meet Its Obligations

The forms of security most commonly requested by landlords to ensure tenants’ compliance with their obligations under lease agreements are:

- a security deposit (*depósito*), usually equal to one or two months’ rent;
- personal surety (*fianza*), ie, a commitment undertaken by an individual or company to comply with the tenant’s obligations, if the tenant fails to do so;

- bond policy, ie, a policy through which a specialised bond institution guarantees the fulfilment of the obligations of the tenant;
- a letter of credit; and/or
- a joint and several obligation by a third party (*obligado solidario*).

## 6.17 Right to Occupy after Termination or Expiry of a Lease

As a general rule, a tenant is not entitled to continue occupying the leased property after the termination of the lease agreement, and the landlord is entitled to enforce eviction. However, if the tenant keeps occupying the property without opposition by the landlord, the lease agreement will continue for an undetermined period of time. In such a case, either party will be able to terminate the agreement at any time by giving 30 days’ written notice to the other party in the case of residential property. Prior notice of one year is required in the case of rural, commercial or industrial properties.

## 6.18 Right to Assign a Leasehold Interest

The tenant may not sublet the leased property or a portion thereof, or assign the tenant’s rights, without the consent of the landlord. If the tenant breaches this rule, it will be jointly liable with the subtenant for damages. If the landlord, without fair reason, objects to the sublease that the tenant rightfully asks for, the tenant may enforce the termination of the agreement.

## 6.19 Right to Terminate a Lease

Pursuant to the federal and state civil codes, a landlord is entitled to terminate a lease in the following cases:

- failure by the tenant to pay the rent;
- failure by the tenant to destine the property to the use agreed with the landlord;
- if the tenant sublets the property without the landlord’s consent;

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- in the case of material damages to the leased property attributable to the tenant; and
- where the tenant modifies the form of the leased property without the express consent of the landlord.

On the other hand, a tenant is entitled to terminate a lease:

- if the landlord does not keep the leased property in good condition;
- in case of total or partial loss of the leased property; and
- due to the existence of hidden defects or flaws in the property, originating prior to the lease and unknown to the tenant.

The parties may also agree on events of default different from or in addition to those provided by the law.

## 6.20 Registration Requirements

The civil codes of the various states generally require that lease agreements must be made in writing.

The federal and state civil codes may provide certain registration requirements. The Civil Code for Mexico City, for example, establishes that lease agreements of real property must be recorded in the Public Registry of Property, when a term longer than six years is agreed, or when advance payments of more than three years of rent are made.

## 6.21 Forced Eviction

The landlord is entitled to terminate the lease agreement and to start a procedure to enforce eviction when a termination cause provided by law or the lease agreement, occurs. The duration of the eviction process may vary, depending on the peculiarity of the case, but on average it may last from one to two years.

No COVID-19 eviction moratoriums or related restrictions were implemented by the government during the pandemic caused by COVID-19.

## 6.22 Termination by a Third Party

Expropriation of the leased property for public utility and judicial sale are grounds for termination. The landlord and tenant are entitled to receive an indemnification by the competent authority. The landlord will be indemnified in accordance with the expropriation decree. The tenant will be indemnified with an amount of six months' rent (provided it has occupied the property for more than one year) as well as with the value of the improvements made during the last six months, provided they were needed.

# 7. CONSTRUCTION

## 7.1 Common Structures Used to Price Construction Projects

The most common structures used in Mexico to price construction projects are:

- unit-price construction agreements;
- lump-sum construction agreements; and
- refundable costs construction agreements.

### Unit-Price Construction Agreements

Under the structure of the unit-price construction agreement, the parties agree on a price per construction unit and the total value of the contract will be the sum of the units for the value of the unit. Each unit must also include a value that clearly represents the value of the contractor's remuneration. Under this system, the client will generally require from the contractor the preparation of a list of units and values consisting of a list of the work units and the value of each of them.

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## **Lump-Sum Construction Agreements**

Under the structure of the lump-sum construction agreement, the contractor receives only and exclusively the fixed price set in the contract, regardless of the expenses incurred during the execution of the project. In this way, the client significantly reduces the risks that may arise during the execution of the project as a result of changes in the price of the products or services being hired, since the entire risk of the work is borne by the contractor until delivery. This means that the contractor has included in the lump sum price everything necessary to perform and complete the construction work according to the project, and agrees that no extra items or costs shall be incurred, except for those resulting from modifications and/or extensions authorised by the client.

## **Refundable Costs Construction Agreements**

Under the structure of the refundable costs sum construction agreement, the price that the contractor receives will be that resulting from the expenses assumed in the execution of the project plus a profit.

The vast majority of Mexican construction contracts include a clause that allows the parties involved in the contract to modify the terms relating to the work to be performed and the price. Through this clause, the client has the right to modify the quantities of work indicated in the contract, the quality of the materials used in the work, the dimensions or size of the work, or the times in which the work must be executed. Likewise, the obligation of the contractor to comply with the order variations delivered by the client is stipulated, along with the consequent variation of the construction project price.

## **7.2 Assigning Responsibility for the Design and Construction of a Project**

In Mexico, different methods are used to assign responsibility for the design and construction of a project.

- If the contractor developed the design and engineering of the project, they will be fully responsible before the client for the correct construction of such project and for any defect, error, failure or malfunction, or any vice resulting from. Therefore, contractor are required to guarantee all the construction work and activities performed thereunder for any kind of defects (including hidden defects), malfunctions, deficiencies and damage of any kind, including but not limited to, structural damage, defects, design and engineering errors, labour problems, provision of raw materials, malfunctions of equipment and installations, during the term of the construction agreement and commonly 12 months after the termination date of the construction (guarantee period). In the event that any defect is detected during the guarantee period, the contractor, usually at their own cost, immediately fixes any such defect.
- If the contractor does not develop the design and engineering of the project they will usually only be responsible before the client for the defects, errors, failures or malfunctions, or any vices resulting from, but shall not guarantee to the client design and engineering defects, which are borne by the client. In this case, the guarantee period is also applicable.

The above-mentioned responsibilities are typically allocated in specific responsibility and indemnification clauses within the construction contract, by means of which, the contractor agrees to indemnify and hold the client, as well as its indemnified parties from any damage, claim, liability, obligation, loss, action, administrative proceeding, complaint, expenses, inter-

est, fines and costs (including reasonable attorneys' costs and expenses), in connection with the construction agreement, including the design and engineering, the construction work derived from any mis-statement or non-compliance with any statement, guarantee or obligation included in the construction agreement and its exhibits.

### **7.3 Management of Construction Risk**

In Mexico, several devices are used to manage construction risk on a construction project. The most common ones are: (i) bonds; (ii) insurance; and (iii) guarantee fund; to cover any contractors' responsibility and contingencies such as construction defects.

#### **Bonds**

Typically, a contractor grants the following bonds in almost all types of construction agreements.

- Down-payment bond to guarantee the correct use of the down payment, in an amount equal to the full amount of the down payment. The down-payment bond is usually effective until the full amount of the down payment is fully amortised.
- Performance bond in an amount equal to 10% of the price of the construction agreement, to guarantee the complete performance of the construction works and to repair hidden defects and defective works, and to guarantee timely completion of the construction of the project and any other contractor liabilities resulting from the performance of the construction works. The performance bond is usually effective during performance and completion of the construction of the project.
- Guarantee and quality assurance bond which is usually delivered simultaneously with the completion of the construction works in an amount equal to 10% of the construction works price and which is effective for a one-year term from the delivery of the fully termi-

nated construction works. This bond usually guarantees the payment of any hidden vices or defects in the construction that may be generated after the termination and delivery of the construction works and any third-party claim.

#### **Insurance**

Typically, the contractor takes out the following: civil liability insurance for damages to the client, to the construction works and third parties in their property and personal damages, and, in general, any risk inherent to the construction works, including constructions adjacent or within the construction site, including, but not limited to, personal damages and death, basic coverage for activities and real estate, subsoil installations, welding works, loading and unloading activities, demolition, machines used for work, foundations, propping and other works, sudden and unforeseeable pollution. The insurance policy usually covers gross liability, design errors, employers' liability, and damage to property.

#### **Guarantee Fund**

From the amounts to be paid by the client to the contractor, the client usually withholds about 5% of the total amount of each invoice, until they have accrued a guarantee fund equivalent to 5% of the construction works price, in order to guarantee compliance with the obligations of the contractor under the construction agreement.

The guarantee fund is typically used by clients to correct any defect, responsibility or claim against the contractor that may result from the construction agreement, including, but not limited to, the payment of liquidated damages of the agreement or in the event that the contractor fails to comply with any obligation established in the agreement, such as, fines, penalties or any amount used to guarantee hidden defects or defects of the construction works.

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There is also the possibility of limiting the contractor's liability or capping it at a certain amount, dependent on the project and the specific negotiations.

## 7.4 Management of Schedule-Related Risk

Parties are allowed to agree that the owner is entitled to monetary compensation if certain milestones and completion dates are not achieved. The mechanisms usually used to manage this risk on a construction project in Mexico are penalties and bonds, including advance payment bonds (guarantee supplied by the party receiving an advance payment, to the party advancing the payment) and performance bonds (surety bond issued by an insurance company, or a bank guarantee on the satisfactory completion of a project by a contractor).

## 7.5 Additional Forms of Security to Guarantee a Contractor's Performance

The most common ways for owners to seek to guarantee a contractor's performance of a project, is to obtain performance bonds, including advance payment bonds and performance bonds. However, letters of credit, parent guarantees and escrow accounts are also customary.

## 7.6 Liens or Encumbrances in the Event of Non-payment

Contractors and/or designers cannot lien or otherwise encumber a property in the event of non-payment.

## 7.7 Requirements Before Use or Inhabitation

Local laws determine the requirements that must be met in order to inhabit a project after its construction. For example, in Mexico City it is necessary to obtain authorisation for the use and occupation of the construction for which it is necessary to present the construction licence, the construction logbook in which

the progress of the executed works is registered and endorsed by an expert, and photographic reports, among others. Furthermore, it should be noted that the properties must comply with regulations on safety, evacuation routes, and civil protection, among others.

## 8. TAX

### 8.1 VAT

If real estate is acquired through the direct purchase of real estate, various taxes and rights must be paid, including value added tax (VAT) on the value of the construction (unless it is a residence), which is paid by the purchaser and is calculated at a rate of 16%.

### 8.2 Mitigation of Tax Liability

The most common method used to defer transfer liability is by contributing real estate that the trustors make to the trust and that will not be considered a sale for tax purposes, in accordance with the provisions of Article 14 of the Federal Tax Code, if they reserve the right to reverse the ownership of the real estate in their favour.

### 8.3 Municipal Taxes

In relation to private estate, there are no federal or local occupation taxes but payment of fees, licences and permits might be required.

### 8.4 Income Tax Withholding for Foreign Investors

The taxes to be paid are withheld by the notary public before whom the transaction is formalised if the seller is not tax-resident in Mexico.

Rental income from real estate is taxed in Mexico, through income tax and value added tax, in certain cases. This is paid by the landlord. Some exceptions provided by law include the property tax.

## **8.5 Tax Benefits**

Owners of real estate in Mexico are entitled to carry out tax depreciation of fixed assets, including land and buildings and deduction of some concepts of the income tax to be paid upon the income gained from its sale, such as the proven cost of acquisition, certain investments in construction, improvements and extensions, notary expenses, and commissions and mediations.



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**Roberto Cannizzo Consiglio** is an expert in corporate, M&A and real estate matters, and advises both domestic and international clients on doing business and investing in Mexico, and on

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**Carlo Cannizzo** focuses his practice on real estate, infrastructure, construction, corporate, finance and M&A transactions. He has more than 24 years' experience and has

acted as leading counsel in many strategic transactions in Mexico, including the acquisition and sale of different real estate mixed-use projects, the negotiation of pipeline transport and construction agreements for the oil and gas industries, and finance structuring. Carlo has acted as main counsel to large foreign banks, real estate funds, REITs, hotel management companies, construction companies, hi-tech companies, and leading international fashion brands. He participates on the board of directors of several Mexican companies.

*Contributed by: Roberto Cannizzo Consiglio, Carlo Cannizzo, Mauricio Moreno and Enrique Garcia, Cannizzo, Ortiz y Asociados, S.C.*



**Mauricio Moreno** focuses his practice on business and corporate, real estate and tourist developments, M&A, foreign investment, labour law and technology, advising both

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**Enrique Garcia** focuses his practice on real estate acquisitions, primarily tourist and industrial developments, real estate structured finance and securitisation, construction

deals, corporate and M&A transactions, and government contracts. Enrique advises both domestic and international clients on doing business and investing in Mexico, as well as on cross-border and multi-jurisdictional transactions. He has represented clients, including multinational companies, private equity funds and their portfolio companies, in a wide range of industries – among them, hospitality, leisure, industrial, commercial and residential real estate, manufacturing, infrastructure, and government solutions.

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