

House Hunting in México

House Hunting in México Adam Wiseman for The New York Times

This four-bedroom five-bath compound in Jiutepec, near the border of Cuernavaca in the Mexican state of Morelos, has three buildings. It's on the market for \$880,000 (11 million pesos). By VIRGINIA C. McGUIRE Published: September 14, 2011 A FOUR-BEDROOM COMPOUND WITH THREE HOUSES AND A TILED POOL NEAR CUERNAVACA, MEXICO

\$880,000 (11 MILLION MEXICAN PESOS)

This four-bedroom five-bath compound comprises three buildings surrounded by palms and birds of paradise. The property is in Jiutepec, near Cuernavaca in the Mexican state of Morelos. Hot-pink bougainvillea climbs the stone walls on the facade of the main house, which was built in 2004. The living room has a double-height ceiling, hand-fired clay floor tiles, and wood-framed windows. Off the living room is a full bathroom. The kitchen has slate countertops, a double sink and a gas stove. The kitchen island tiles are hand-painted with fruits and vegetables, and the upper cabinets are set with beveled glass.

The master bedroom is in a loft above the living room, reached by a wooden staircase. The suite includes a sitting area, a private balcony, and a bedroom with polished oak floors and windows overlooking the swimming pool. The bathroom has a window seat, a claw-foot tub, and a separate shower laid with hand-painted ceramic tile.

On the other side of the pool is a one-bedroom guest house with a bathroom and sitting area. Over a stream on the property, a footbridge leads to a two-bedroom guest cottage with two bathrooms, a rooftop terrace and kitchenette. A fourth building functions as servants' quarters.

Just off the living room, the swimming pool has a decorative sun motif tiled onto its floor, and there is a round hot tub. The property has two built-in aviaries, which are included in the sale price. The stream is dammed to form a carp pond. The compound is on a small private street called a *privada*, with a 24-hour security guard at the entrance. It's a nine-minute drive to the historic Cuernavaca city center, with its daily indoor market featuring local produce, meat and poultry, and fresh flowers. A nearby Costco offers an American shopping experience, and the luxury shops in Vista Hermosa are 15 minutes away by car.

Cuernavaca and Jiutepec are about an hour south of Mexico City, depending on traffic. There is a new international airport in Cuernavaca, and the nearest beach is two and a half hours away in Acapulco.

MARKET OVERVIEW

"The market is pretty dead, but it's improving," said Barbara Waugh, a 35-year veteran of the real estate business in Morelos and the owner of Barbara Waugh Properties. According to Andrea Dolch Espinosa de los Monteros, Ms. Waugh's business partner, the economic downturn started later in Mexico than it did in the United States. Since the beginning of 2011, many sellers have begun accepting offers 25 percent below asking price. However, Cuernavaca's proximity to Mexico City insulates it somewhat from economic woes experienced by Mexican destinations like San Miguel de Allende, which depends heavily on foreign tourists, Ms. Waugh said.

Concern about Mexico's well-known crime problems has also affected residential sales. "Our market has been damaged by the United States travel warnings," said Georgia Spencer, owner and broker of Cuernavaca Real Estate and the listing agent for this property. "But Cuernavaca is absolutely safe."

The system of private streets manned by their own security is one response to crime. A house on a *privada* can cost anywhere from \$250,000 to \$2 million, Ms. Waugh said. "Asking prices may be \$3 million, but the actual sales price would be more like \$2 million." Prices are largely based on the value of the land, which costs about 1,300 pesos per square meter (\$104 per square foot, at 12.5 pesos to the dollar), according to Ms. Waugh.

WHO BUYS IN CUERNAVACA

"Our clients are mostly Mexicans right now," Ms. Waugh said, "but the international market is still very strong." Many of the buyers work in Mexico City and spend their weekends in the Cuernavaca area. There are still a healthy number of American and Canadian buyers, although fewer since the economic downturn. Ms. Waugh said interest had recently come from French, Russian and Italian buyers in search of a retirement destination. The number of buyers from Asia has also increased.

BUYING BASICS

In Mexico, "foreign buyers can own properties directly, except near the border and on the coast," said Ms. Spencer of Cuernavaca Real Estate. But they do need a permit from the federal government, which costs about \$500 and can be acquired within a few days.

Transaction costs run 6.5 to 7 percent of the appraised value of the property, not the purchase price, and are paid directly to the notary who handles the sale. According to José Raúl González Ramírez, a lawyer specializing in real estate, this figure includes a municipal tax of 2.5 percent, plus the cost of a government-mandated appraisal, a title search, and the registration of the deed.

The municipal government in Cuernavaca now requires a licensed appraiser to evaluate each property before it is sold, according to Mr. González Ramírez. This makes it more difficult for buyers or sellers to report a lower price to avoid paying taxes, a longtime practice that has kept needed tax revenue out of city coffers. Jiutepec and other nearby municipalities are working on similar provisions. Another new regulation will require real estate transactions above 100,000 pesos (about \$8,000) to be paid by check or electronic transfer, eliminating large cash transactions, which are harder to track, Mr. González Ramírez said.

The real estate agent's commission is usually paid by the seller, he added.

Luxury properties in Mexico were often priced in American dollars until about two years ago, Ms. Spencer said, when this practice changed because of fluctuations in currency values. Now most properties are priced in pesos.

WEB SITES

Cuernavaca official website: mac.cuernavaca.gob.mx/new/index.html

Pullman de Morelos luxury bus service: pullman.mx/

Newcomers Club of Cuernavaca: newcomerscuerna.org/

LANGUAGES AND CURRENCY

Spanish; Mexican peso (1 peso=\$0.08)

TAXES AND FEES

An annual fee of 5,000 pesos covers 24-hour security and maintenance of the road in the privada. Property taxes are 7,000 pesos a year.

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