



# Foreign Ownership of Landholdings in Mexico

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## FOREIGN OWNERSHIP OF LANDHOLDINGS IN MEXICO

The basic provision on private ownership of real estate in Mexico is found in the Federal Constitution. It states that only Mexicans by birth or naturalization and Mexican companies are entitled to acquire the right of ownership of land, water, and their appurtenances. The Government may grant the same right to foreigners. Such persons must, however, agree before the Ministry of Foreign Affairs to consider themselves as nationals in respect to such property and swear not to invoke the protection of their government in matters related to property. The penalty, in case of noncompliance with this agreement, is forfeiture of the acquired property to the Nation.<sup>1</sup>

Furthermore, the Federal Constitution also provides that under no circumstances may foreigners enjoy direct ownership of land and water in a strip of land one hundred kilometers wide along Mexico's international borders. The same prohibition exists in a zone fifty kilometers wide on the beaches of Mexico.<sup>2</sup> In general, however, outside the restricted area (the strip 100 kilometers wide along the borders and 50 kilometers wide along the seashore), acquisition by foreigners of real estate is allowed.

Mexico recently enacted a new Foreign Investment Law<sup>3</sup> to meet Mexico's obligations under the North American Free Trade Agreement. As a result, the rights of foreigners to real estate resources have been expanded.

In the restricted area, foreign-owned Mexican corporations may now acquire real estate that is not residential property. Such acquisitions must be registered with the Secretariat of Foreign Relations.<sup>4</sup>

In cases involving residential property of foreign citizens or corporations, a trust will be required in the restricted area. A Mexican bank will act as trustee. The authorization from the Secretariat of Foreign Relations must be obtained beforehand, and the trust will be good for 50 years. At the end of this period the authorization may be renewed.<sup>5</sup>

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<sup>1</sup> *Constitución Política de los Estados Unidos Mexicanos* (México, Partido Revolucionario Institucional, Subsecretaría de Publicaciones, 1988), art. 27, I.

<sup>2</sup> *Id.* art. 27(II).

<sup>3</sup> Ley de Inversión Extranjera, *Diario Oficial*, Dec. 27, 1993.

<sup>4</sup> *Id.* art. 10.

<sup>5</sup> *Id.* arts. 10, 11 & 13.

In the case of trusts, the authorization must be granted or denied within 30 days from the date of the application. In the case of acquisitions, the registration must be granted or denied within 15 days; otherwise it will be considered automatically granted.<sup>6</sup>

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<sup>6</sup> *Id.* art. 14.