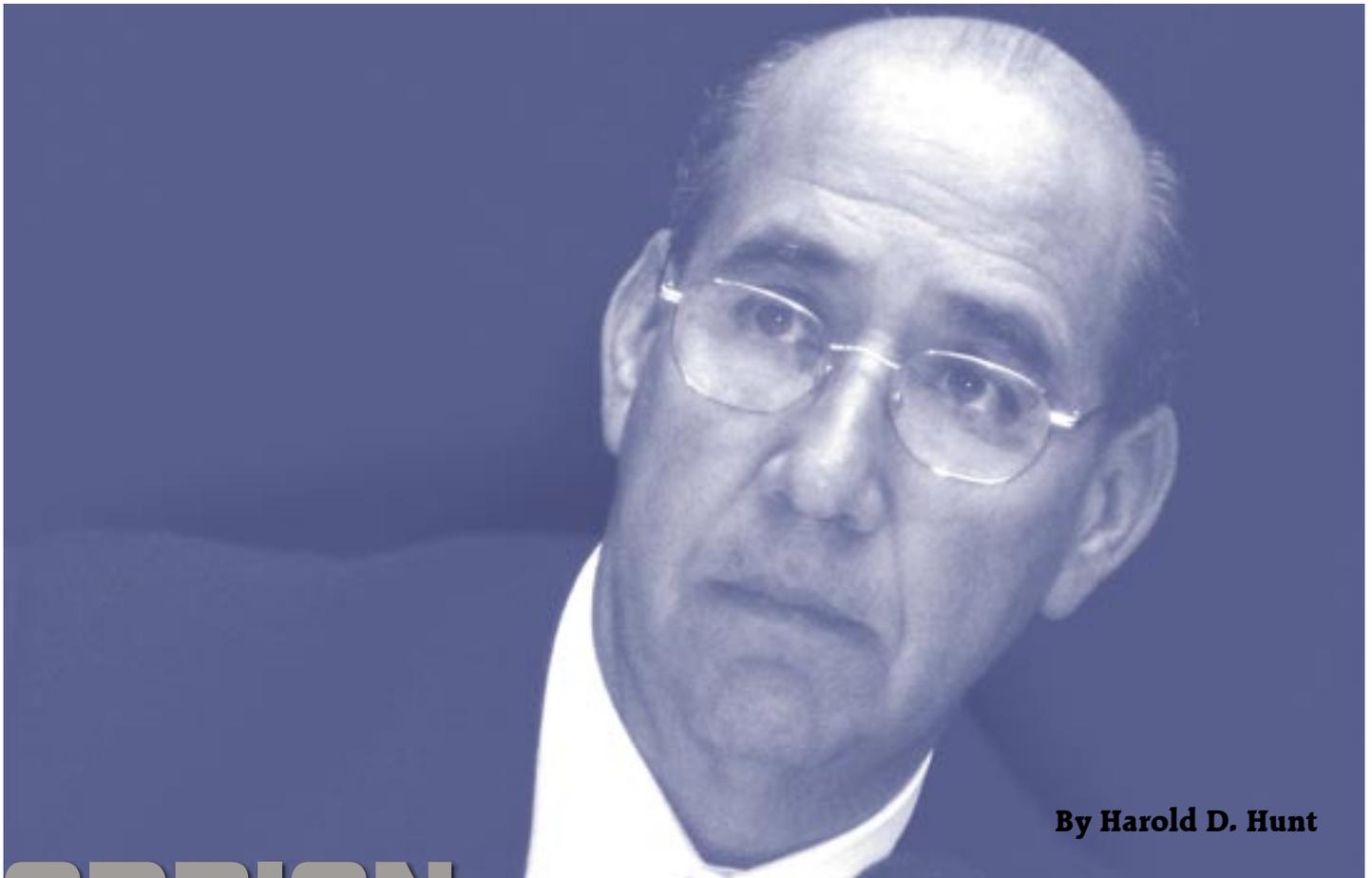


A Reprint from *Tierra Grande*



By Harold D. Hunt

ADRIAN ARRIAGA

on making money in mexico

Few people on this side of the border know more about real estate deals in Mexico than Adrian Arriaga. Arriaga, a broker from McAllen who holds both the Certified Commercial Investment Member (CCIM) and Certified International Property Specialist (CIPS) designations, is a member of the San Antonio-South Texas CCIM chapter and is the CCIM Institute's first ambassador to Mexico.

Following the highly successful meeting of U.S. and Mexican commercial experts that he cohosted, Arriaga gave this interview.

Q: How do you think those who attended benefited from the conference?

Arriaga: I believe the American attendees went to Mexico expecting to get an education and wound up experiencing a revelation. Along with getting a better understanding of how real estate deals are done in Mexico, the Americans discovered that some excellent investment opportunities may exist there as well.

As for the Mexican attendees, I think they were elated that Americans have decided to explore Mexico for investment opportunities. I believe some of the best opportunities for investment in Mexico will be in industrial-warehouse properties and the hospitality sector, such as hotels and restaurants.

Hotels in Mexico typically collect revenue in dollars and pay expenses in pesos. This has worked in investors' favor as the peso has weakened against the dollar over time. Industrial properties will become more important as the two economies

improve and the level of trade and commerce between them increases.

Q: Why do you think American real estate investors are becoming more interested in Mexico?

Arriaga: I think we are starting to witness the polarization of U.S. real estate investors. The weak and inefficient ones are beginning to fall through the cracks while the institutional investors continue to get stronger.

As with the survival of a species, the best real estate investors are the ones who can adapt rapidly to a changing environment. Our investment horizons are becoming more global in scope. Institutional real estate investors seem to be quicker at developing the resources to capitalize on the global opportunities that are becoming available, including those in Mexico.

Q: Several American attendees expressed concerns about availability of reliable market information and demographic data. Is it possible for American investors to gather their own data in Mexico?

Arriaga: The key to gathering good information and doing successful real estate deals in Mexico is partnering. However, finding a partner in Mexico is not as easy as it is in the United States. Reliable background information is much more difficult to acquire.

Finding the right Mexican partner usually begins with a personal recommendation and a series of meetings to start building a long-term relationship of confidence and trust. While Americans often like to move rapidly, Mexicans generally are not interested in doing business with Americans until they have personally reached a certain comfort level with them.

Americans must seek out credible, trustworthy real estate professionals in Mexico and work with them. By partnering with business people of integrity, they are more likely to obtain accurate market research in Mexico.

A great deal of valuable market information can be obtained at trade missions such as the one we just attended. As far as demographics, the Mexicans have their own version of the U.S. Census Bureau, known as INEGI. Much of the data is even online. However, I believe the reliability of these data is yet to be determined.

Q: What about obtaining financing for real estate development in Mexico?

Arriaga: Cash deals are much more common in Mexico than in the United States. Financing for real estate projects may be available from Mexican banks, but it will typically be much more expensive than obtaining U.S. financing. Some Mexican developers obtain letters of credit from U.S. banks as well. Several American banks located along the border have been financing deals in Mexico for many years. This has led to a number of strong relationships between U.S. banks and Mexican companies.

Another factor, besides the cost of financing, is the amount of time necessary to put a real estate deal together in Mexico. It can take up to two or three months total to get an appraisal, a title commitment and bank approval for a real estate deal across the border. A good banking relationship can cut this time in half.

Remember that banks from several foreign countries, including Spain and the United States, recently bought out many of the Mexican banks. They're bringing in their global expertise as well, so don't count out the Mexican banks just yet.

Q: Colliers International announced in Monterrey that they have 19 employees from Latin America seeking the CCIM designation. Why do you think they find CCIM membership so valuable?

Arriaga: I think Mexican and other Latin American real estate professionals have come to realize the benefits to be gained from developing a global standard for real estate analysis and terminology. For real estate markets to be efficient globally, we all have to be on the same page no matter where we are doing business.

For example, some Mexican real estate professionals aren't familiar with the common provisions and terminology used in commercial lease agreements in the United States. I think it's great that the Texas Association of Realtors® has made lease forms available online in both Spanish and English. Although the Spanish version can't be used in Texas, it is an excellent guide for anyone in Mexico wanting to understand how an American lease is put together.

More Mexican real estate professionals are going to obtain CCIM designations. As they become more familiar with our terminology and analytical methods, I think the number of referrals is going to increase dramatically. We will all be talking the same language when it comes to real estate. This will be a real breakthrough for real estate practitioners in both Mexico and the United States. 📌

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Monterrey Trade Mission

In March 2004, the national CCIM Institute cosponsored the first joint "trade mission" between the San Antonio-South Texas CCIM chapter and the Monterrey, Mexico, chapter of AMPI, the Mexican national real estate association. Thirty-six American CCIM members and 40 Mexican real estate professionals attended the three-day event, entitled "Making Money in Monterrey."

What was traded? Information, in large quantities. More than 20 speakers from both sides of the border provided attendees with information on topics such as how real estate deals are put together in Mexico, the Mexican economy, the importance of title insurance, an overview of the commercial markets in Mexico's major cities and the benefits of obtaining CCIM and CIPS designations. The program also included a joint marketing session and a site tour of several commercial properties in and around Monterrey.



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