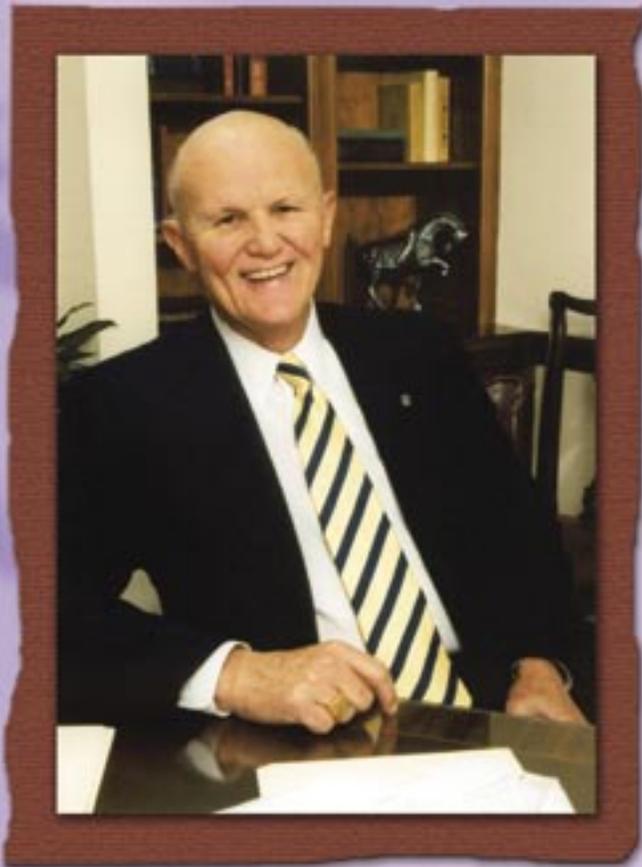


# MR. SMITH GOES TO MEXICO



By Harold D. Hunt

Richard Smith has been in the real estate business since 1966. With a total of 51 offices in Texas, North Carolina and South Carolina, his company is the largest Coldwell Banker affiliate in the nation in number of deals closed and was ranked the 12<sup>th</sup> largest real estate firm in the United States by *Realtor*<sup>®</sup> magazine in 2003.

In 1998, Smith became the master franchiser for 20 Coldwell Banker franchises operating in Mexico. All are primarily involved in buying and selling residential real estate. This interview explores Smith's experiences in Mexico thus far.

**Q: What are some of the major challenges residential real estate practitioners face in Mexico today?**

One important challenge has been educating Americans interested in buying a residence in Mexico about the Mexican system of property ownership. Many Americans still think they can't actually own a home in Mexico, and that's not true. So an educational process often has to take place with foreign buyers before a sale can be made.

Another challenge of operating in Mexico has been the lack of a multiple listing service (MLS) comparable to the

one we have here in the United States. Without a viable MLS system, there is often a lack of information about the properties available for sale as well as properties that have already been sold.

High-quality information drives so many real estate activities that we take for granted here in the states. Take mortgage lending, for example. Without a good MLS system, comparable sales data are more difficult to obtain. That difficulty affects lenders' ability to make mortgage loans, and fewer mortgages mean less housing sold.

**Q: Speaking of lending, the big drop in inflation since the 1994 peso devaluation has brought down mortgage rates fairly dramatically in Mexico. Are many homes in Mexico being purchased with a mortgage today?**

Mortgage lending is marginal in Mexico. It's better than it was when Coldwell Banker first arrived but still not nearly as common as in the United States. Mexico's middle class continues to develop.

We still see a lot of cash deals. That's partly due to the Mexican culture. Mexicans traditionally don't like to take on the same level of debt as Americans do. It's also partly because of a less efficient mortgage system. But that will improve over time.

**Q: Are commission rates in Mexico similar to rates in the United States?**

Commission rates tend to be a bit higher in some parts of Mexico. However, rates vary from market to market, and rates are not a fixed percentage of the transaction. So, just as in the United States, commission rates are negotiable.

**Q: A lot of real estate business occurs through referrals. How is the referral process developing in Mexico?**

First, let me say that part of that education process I spoke of earlier is making sure that American clients understand the relationship we have with our franchises in Mexico. Each Coldwell Banker franchise in Mexico is independently owned. No representation can be made by a U.S. referring broker about the quality of service clients will receive in Mexico. Although I hold the master franchise in Mexico, in the final analysis I'm just a shareholder.

Having said that, although the number of American brokers benefiting from referrals to Mexico is probably pretty small, I believe cross-border relationships will continue to increase in importance over time. We believe in referrals here in the United States and word-of-mouth continues to be the most popular way to choose a real estate professional. I also believe the vast majority of American clients looking to buy or sell property in Mexico would value a referral from an American broker they trust to a Mexican broker who could also be trusted.

As far as referrals received in Mexico, within the last year Cendant Mobility chose Coldwell Banker to be their principal broker for all Mexican relocation referrals. We're currently handling all of that business out of our Mexico City office.

When an American wants to buy or sell property in Mexico, U.S. brokers will refer the lead to our office where it will then be referred out to a Cendant-approved broker in the appropriate Mexican city. We're primarily acting as a "clearinghouse" for leads, and the actual receiving broker in Mexico will not necessarily be working for a Coldwell Banker franchise. It's mainly a service we're providing to brokers and not a big moneymaker; however, I do think it has the potential to be profitable in the future.

**Q: What do you think of the general level of service being offered by Mexican real estate brokers?**

It's probably going to be different from what one would experience here in the United States. But we have to remember that when it comes to buying and selling real estate, no country in the world has the level of service we have here in America.

I do think the potential to develop a viable, efficient real estate market in Mexico is within reach, but it's going to take a lot of work by a lot of people in Mexico. They'll be the ones establishing their own real estate licensing laws and their own code of ethics to improve their level of service over time. It will happen.

**Q: What have you learned from your experience operating in Mexico?**

Operating in Mexico has made me realize how important the real estate industry is to the U.S. economy. We really do provide a vital service by making the real estate markets more efficient, and that makes our economy more efficient. I think many Mexican real estate professionals are working toward that same goal for their country.

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