
CHAMBERS GLOBAL PRACTICE GUIDES

Real Estate Litigation 2025

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Mexico: Law and Practice & Trends and Developments

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Ibarra del Paso Gallego



MEXICO



Law and Practice

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IP/IT, data privacy, dispute resolution and regulatory matters. The team is driven to find practical and business-oriented effective solutions to the legal challenges its clients face in their daily operation and expansion endeavours. The firm always strives to exceed the expectations of its clients and establish long-lasting alliance relationships.

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1. Landlord-Tenant Disputes

1.1 Access

1.1.1 Remedies for Landlords Denied Access for Repairs

The tenant is obligated to inform the landlord about the need for repairs. In accordance with the Federal Civil Code, the tenant has a duty to allow access. Should the tenant refuse access, the landlord may sue before a competent civil court to enjoin access. Such a rogue tenant could also be subject to lease termination and liable for damages.

Access must be expressly authorised by the tenants, as they hold possession of the property. Regulators may only grant access to common areas, but not to the leased property (apartment or office).

1.1.2 Emergency Access

In the event of an emergency, the tenant is obligated to notify the landlord so that the situation can be addressed. If the tenant fails to provide the required notice, they shall be liable for any damages and losses caused.

1.1.3 Impact on Neighbours

If a tenant impedes multiple neighbours from using the units, the provisions set forth in the condominium's internal regulations shall apply, wherein the corresponding sanctions must be established.

In addition to the foregoing, the special law in Mexico provides for the imposition of fines and the possibility of commencing a judicial procedure against the tenant.

1.2 Harassment

1.2.1 Landlord Harassment

According to the Federal Civil Code, the landlord is obligated to refrain from obstructing the tenancy, even if this obligation is not expressly stated in the agreement. If such obstruction occurs, the tenant may file a claim in court, requesting that the judge order the landlord to refrain from such conduct for the duration of the tenancy. In some instances, a landlord can be criminally liable for wrongful eviction if it improperly tampers with a tenant's peaceful possession and enjoyment of the premises.

1.2.2 Impact of Unit Status

In accordance with the Federal Civil Code, the landlord is obligated to guarantee the peaceful use of the property. By preventing the tenancy, the landlord would be in breach of this obligation, which normally also constitutes a breach under the agreement.

Likewise, the tenant is obligated to pay rent only for the period during which they use the property. Therefore, if a landlord prevents the use of the premises, it shall not be entitled to demand payment. If the obstruction persists for two months or more, the agreement may be terminated.

1.2.3 Consequences of a Regulatory Finding of Landlord Harassment

If a landlord has harassed their tenants, the consequences may be:

- the tenant having the right to rescind the lease without penalty;
- courts ordering the landlord to pay damages to the tenant; and/or
- the commencement of criminal proceedings for potential crimes.

1.3 Rent Stabilisation/Regulation

1.3.1 Statutory Tenancies: Types and Differences

In Mexico, there are no statutory tenancies in the form of rent-controlled or rent-stabilised units as seen in other jurisdictions. However, federal and state regulations provide tenant protections (especially for residential leases) primarily under the Civil Codes of each state. Lease agreements are typically governed by contract party autonomy, subject to legal limitations to prevent abusive clauses or unjust evictions. The main difference between rental agreements in Mexico and statutory tenancies in other jurisdictions is that rental prices are generally determined by market conditions rather than being subject to governmental control. Nevertheless, the law establishes certain protective measures, such as a minimum duration of one year for residential leases, restrictions on unilateral termination by landlords without just cause, and a limit on rent increases, which cannot exceed the National Consumer Price Index (CPI) reported by National Institute of Statistics and Geography (*Instituto Nacional de Estadística y Geografía*) for the previous year.

1.3.2 Exceptions to Renewing a Statutory Tenancy

Since Mexico does not have statutory tenancies per se, lease renewals depend on contractual agreements between the parties and the provisions of local Civil Codes. In many jurisdictions, tenants may have a right to renew unless the landlord can justify termination based on legally recognised grounds. Common exceptions to lease renewal include non-payment of rent, damage to the property, use of the property for illegal activities or breach of contract by the tenant. Additionally, landlords may refuse renewal if they require the property for personal use, provided this is stipulated in the contract or local laws.

1.3.3 Converting a Statutory Tenancy to a Free Market Unit

Given that rent stabilisation or control does not exist in Mexico, all lease agreements are generally considered free-market transactions from the outset. Rent prices and contract terms are determined through agreements between landlords and tenants, subject to the limitations established by the applicable Civil Codes. There are no statutory tenancies requiring conversion to a free market unit, as lease agreements are not subject to government-imposed rent controls or stabilisation measures, excepting the aforementioned limit for residential purposes. However, lease contracts must comply with legal requirements, ensuring fairness and preventing abusive practices (especially in residential leases).

1.3.4 Regulatory Oversight of Statutory Tenancies

There is no centralised regulatory body specifically overseeing statutory tenancies in Mexico since lease agreements operate under general civil law and free market principles. However, civil courts play a role in resolving disputes between landlords and tenants, ensuring compliance with legal obligations. Regulatory oversight primarily occurs through judicial processes rather than administrative agencies, with courts interpreting and enforcing lease agreements in accordance with the applicable Civil Codes.

1.4 Injunctive Relief in Lease Disputes

1.4.1 Injunctive Remedies for Tenants Facing Insufficient Cure Periods

In the event that the tenant decides to remedy the breach and requires more time than initially stipulated in the cure period, they may request an extension from the landlord or the competent court to fulfil the required obligations.

The injunctive relief should include the time extension for the tenant to remedy the defaults.

To obtain an injunction, the tenant must prove the existence of the lease agreement, the notice received from the landlord, the period granted to remedy the defaults, the actions taken to rectify the defaults and the justification for obtaining the extension.

1.4.2 Impact of Failing to Obtain an Injunction and Alternative Options

If the injunction is not granted, the landlord may terminate the lease agreement only through a legal procedure.

The tenant may seek an agreement with the landlord to extend the cure period; this agreement will depend on the actions taken by the tenant to remedy the defaults and the will of the landlord.

1.4.3 Landlord Bad Faith

The tenant remedies will depend on the existence or absence of a default. If a breach exists, the repeated notices would extend the cure period. If no defaults exist, the tenant may request the court to order the landlord to refrain from sending notices of defaults and to deposit rent payments (ie, in consignment) with the court.

1.5 Guarantees in Landlord-Tenant Context

1.5.1 Types of Guarantees in Tenancies

The most frequent types of guarantees for lease agreements include:

- **Joint and Several Obligors:** In this case, a third party assumes full liability for the tenant's obligations if the latter defaults.
- **Security Deposit:** This is a cash deposit, typically equivalent to one or two months' rent,

held by the landlord to cover potential damages or unpaid rent.

- **Bond:** A financial institution or a surety company guarantees the tenant's obligations under the lease.
- **Lease "Insurance"** (a so-called juridical policy): This is an indemnity agreement with a third-party entity that, in the event of default by the tenant, pays the rent to the landlord (up to certain months) and undertakes litigation for evicting the tenant on the landlord's behalf.
- **Pledge or Mortgage:** A less common form, where the tenant provides a pledge (prenda) of assets or a mortgage (hipoteca) on real estate as collateral for the lease. Typically used for high-value and/or long-term commercial leases.
- **Title Insurance:** A creditor (either for the tenant or for the landlord), a landlord or a tenant may resort to title insurance for the event of eviction (dispossession of the property title in favour of a third party holding a superior right as determined by a court) which can also cover business interruption.

The choice of guarantee or combined guarantees depends on the lease type, the landlord's risk assessment and the tenant's financial standing.

1.5.2 Revocation of Guarantees

A guarantor's ability to revoke their obligation depends on the type of guarantee. Generally:

- **Joint and Several Obligor:** Such a guarantee cannot unilaterally be revoked unless the lease agreement allows it or all parties consent thereto. In commercial leases, revocation usually requires a replacement guarantee.

- **Security Deposit:** This cannot be withdrawn before the lease ends. The landlord must return it, minus any lawful deductions.
- **Bond:** A surety company may revoke coverage under certain conditions, but the tenant must provide an immediate replacement.
- **Lease “Insurance”:** Subject to the terms of the relevant agreement, the indemnitor may cancel coverage if an annual premium is not renewed, leaving the landlord unprotected.
- **Pledge or Mortgage:** Revocation is only possible if the secured obligation has been fully settled or formally released.
- **Title Insurance:** A title insurance underwriter may disclaim its policy if, after issuing it, it discovers that the information on the basis of which the title insurance policy was issued is incorrect, incomplete, inaccurate or false as to materially affect the coverage.
- **Surety Bond Enforcement:** Where a surety bond has been provided, the landlord can file a claim against the surety company (bond issuer). If contested, enforcement may require a commercial lawsuit (juicio mercantil).
- **Summary Judicial Proceedings:** Lease disputes, including guarantee enforcement, can be pursued through a summary eviction procedure, which is faster than ordinary litigation.
- **Commercial Oral Proceedings:** If the guarantee involves a monetary obligation, landlords may initiate an oral commercial procedure – a streamlined litigation process available for lower-value claims.

The appropriate remedy depends on the type of guarantee, the contractual terms and the availability of judicial relief.

In commercial leases, revocation can lead to eviction or renegotiation. Residential tenants may have more robust legal protection.

1.5.3 Expedited Recovery

In Mexico, creditors seeking to recover on guarantees in lease agreements may use the following expedited mechanisms:

- **Direct Enforcement Against the Guarantor:** If a joint obligor is in place, the creditor may demand payment directly from them without first pursuing the tenant. If the obligor is severally liable, then the creditor shall first exhaust legal remedies against the tenant before pursuing the creditor.
- **Disposition of Security Deposit:** Landlords may apply the security deposit funds to cover outstanding rent or damages, as per the lease terms. Disputes over deductions may require judicial intervention.

2. Foreclosure Actions

2.1 Foreclosure Process

In Mexico, the process for recovering the property may be either judicial or non-judicial, depending on the type of agreement entered into by the parties.

Non-judicial procedures usually arise from a pledge agreement without transfer of possession (ie, a floating lien pledge). Judicial procedures usually arise from the enforcement of a mortgage guarantee.

2.2 Foreclosing on Pledged Equity

In Mexico, both judicial and non-judicial procedures are provided for foreclosing a pledge.

- **Non-Judicial Process:** The lender must submit a notice of default if the debtor fails to remedy the event of default. The debtor will have a period of three business days to

surrender the property, which must take place in the presence of a notary public. The lender shall have the right to appoint an appraiser to determine the property's value.

- **Judicial Process:** The lender must file a lawsuit in court, stating the owed amounts. Once the lawsuit is admitted, the debtor will be required to make the payment. If the payment is made, the property will be released. If the debtor does not make the payment, it must respond to the lawsuit and present evidence. Subsequently, a hearing will be held to evaluate the submitted evidence, after which the judge will issue the final judgment. If the value of the property is lower than the amount owed, the creditor may take possession of the property and pursue a deficiency judgment for attaching other assets of the debtor. If the value exceeds the debt, the property must be sold in a judicial sale (ie, auction) and the balance, if any, is tendered to the debtor.

2.3 Notice Requirements for Non-Judicial Foreclosures

In accordance with the Commercial Code, the notice is an essential requirement in the non-judicial procedure. Likewise, the notice must be served through a notary public according to the Commercial Code.

2.4 Borrower's Rights of Redemption in Foreclosure

The borrower has the right to receive payment of the total amount due, plus the agreed interest. In the event that a specific interest rate has not been agreed upon, a rate of 6% per year on the outstanding debt may be claimed, in accordance with the Commercial Code.

2.5 Pursuing Claims Against Borrowers and Foreclosure Simultaneously

The lender may pursue both actions simultaneously; however, they must be brought in separate judicial proceedings: an oral commercial personal cause of action against the property owner and an in rem cause of action to foreclose a mortgage (special mortgage procedure).

In this context, the right of redemption will not be impeded since they will be separate legal procedures.

If the lawsuits are related to the same subject matter, they would not be admissible. However, if they pursue different objectives, they should be deemed admissible.

2.6 Foreclosure Timelines

Judicial proceedings typically take approximately six to eight months, excluding any legal remedies or appeals.

Non-judicial procedures would take approximately three months.

2.7 Remedies for Deficiency After Foreclosure

Prior to the auction procedure, the amounts owed to the lender must be quantified. If the value of the property exceeds the amount owed, the remaining balance shall be tendered to the owner. In the event of any deficiency, the lender has the option to file an appeal and subsequently seek relief through a constitutional challenge on the basis of a violation of human rights (eg, due process, right to property), known as the "amparo" procedure.

3. Joint Venture Disputes

3.1 Common Joint Venture Entity Types and Partner Requirements

The special purpose vehicle (SPV) for the joint venture is normally either a trust (*fideicomiso*) or a business organisation. Most of the time, the former requires the participation of a duly licensed financial institution (almost always a bank) to act as trustee, while the latter involves the incorporation of an entity, ordinarily the equivalents of a stock corporation or a limited liability company – ie, a *sociedad anónima* or *sociedad de responsabilidad limitada*, respectively.

Joint venture agreements ordinarily foresee the investment terms together with the creation of the SPV, its management, contributions and distributions (gains and losses), albeit some of these provisions can also be set forth under the relevant charter of the SPV itself.

3.2 Joint Venture Duties and Remedies for Violation

Real estate owners have a duty to pay for real estate property taxes (*impuesto predial*) as well as for real estate acquisition taxes when the realty is acquired. Income tax and other taxes (like VAT) may stem from the operations at the facility. Depending on the type of facility (commercial or otherwise), certain duties associated with licences and permits may apply, which are determined at the state and municipal levels.

A property delinquent on its taxes or duties may be subject to administrative and tax procedures that may result in an attachment over the property, thereby preventing its transfer or its use as collateral and eventual securitisation.

3.3 Joint Venture Management Disputes

In the absence of arbitration and mediation (which are the most common dispute resolution mechanisms in JVs (see 6 Arbitration) provisions agreed upon by the parties, the parties must turn to the federal commercial courts. The courts will aim to resolve the dispute in a manner that most closely aligns with the organisation's corporate purposes, as originally intended by the parties, while adhering to legal principles.

3.4 Enforceability of Automatic Judgment Provisions and Provisional

Even in the case of default judgments due to the absence of a defendant, edicts and attempts for serving process must be established. Foreclosures of promissory notes entail summary execution processes that are ancillary to (or isolated from) overall JV transactions. Some guaranty trusts foresee automatic execution processes allowing the trustee to dispose of assets once default notices and cure periods have been exhausted, although these operate as previously agreed termination scenarios by the parties and not as summary judgments per se.

For emergency cases, a party may seek provisional remedies for preventing the destruction or abscondment of assets (please see 7 Provisional Remedies).

3.5 Winding Down Joint Ventures

Depending on the SPV (trust or company), the winding down must account for creditors, including tax authorities and workers' rights, which may not allow for the winding down until cleared.

4. Guarantor Liability

4.1 Types of Guarantees

In Mexico, guarantees in real estate transactions vary based on deal structure, risk level and secured obligations. The most common include:

- **Non-Recourse Carve-Out (“Bad Boy”) Guarantees:** These are not explicitly recognised in Mexico, but lenders often impose personal liability clauses for misconduct (eg, fraud or fund misappropriation).
- **Security Trust Guarantee (*Fideicomiso en Garantía*):** Property is placed into a trust and managed by a duly licensed financial institution. Upon default, the trustee can enforce the guarantee without court intervention. Such guarantees are common in cross-border financing.
- **Joint Obligations:** Multiple parties share full liability, acting as an indirect surety.
- **Parent or Corporate Guarantees:** These are used in real estate financing, where a parent company or affiliate guarantees a subsidiary’s obligations.
- **Escrow Agreements:** Funds are held in escrow to ensure availability to complete real estate projects.
- **Mortgage:** The property serves as collateral. If the borrower defaults, the creditor may commence foreclosure under federal and local laws.
- **Bond:** A third party (issuer) assumes liability for a debtor’s obligations. They are common in lease and construction agreements for different purposes (ie, payment, quality of materials, quality of works, timely delivery, etc).
- **Lease Guarantees:** Security deposits or guarantors (sureties) cover unpaid rent or damages in residential or commercial leases.
- **Completion Guarantees:** They are not explicitly regulated, but structured through exist-

ing legal mechanisms, such as performance bonds, trust guarantees, corporate guarantees or escrow agreements. They are commonly used in real estate development to ensure timely project completion.

- **Title Insurance:** See 1.5.1 Types of Guarantees in Tenancies.

4.2 Non-Recourse Carve-Out Guarantees

Non-recourse carve-out (“bad boy”) guarantees are not explicitly regulated under Mexican law. However, lenders often include contractual provisions imposing personal liability on borrowers for specific prohibited actions (eg, fund misappropriation, misconduct, or fraud).

4.3 Guarantee Enforceability

To enforce or dispute completion guarantees or a similar legal mechanism, clear and precise agreements and compliance with local laws are essential. Important factors include:

- **Type of Guarantee Used:** The guarantee may be structured as a corporate guarantee, performance bond or guaranty trust.
- **Clear and Precise Terms:** Obligations, enforcement triggers and deadlines must be clearly specified.
- **Judicial v Non-Judicial Enforcement:** Some guarantees, such as mortgages or pledges, can be enforced without court intervention, while others require a lawsuit. The enforcement of such guarantees may be either judicial or non-judicial, depending on the agreement reached by the parties at the time of executing the corresponding contract. In the absence of an agreement on non-judicial enforcement, such enforcement must be realised with court intervention.
- **Legal Standing of Beneficiary:** Only legitimate creditors or beneficiaries may enforce the guarantee.

Unconditional guarantees are enforceable if they comply with contractual, regulatory and public policy requirements. Key considerations:

- **Legal Validity:** Guarantees must be explicitly stated, clear and voluntarily agreed upon by the guarantor.
- **Public Policy:** Guarantees obtained through fraud, misrepresentation or duress are unenforceable.
- **Bankruptcy Limitations:** If the principal obligor enters insolvency, enforcement may be restricted or subordinated under federal laws.
- **Judicial Review:** Courts may limit or adjust liability if enforcement violates good faith, public order or reasonable commercial practices.
- **Waivers of Defences:** While certain defences may be waived, statutory rights (eg, fraud, lack of consent, or insolvency protections) cannot be overridden.

In Mexico, the waivers of defences in guarantees are enforceable. However, in the case of agreements between merchants, it is not possible to claim ignorance or lack of awareness of the terms as such parties are presumed to possess a higher degree of knowledge (ie, professional) in such transactions.

4.4 Expedited Judicial Procedures and Statutory Limitations

In Mexico, the following special legal proceedings exist:

- special mortgage foreclosure procedure;
- pledge foreclosure procedure;
- bankruptcy and insolvency procedures (ie, commercial priority contest); and
- foreclosure of floating lien pledge and guarantee trust.

In Mexico, there are procedures for claiming the enforcement of guarantees, which may be ordinary or special. However, the lender must choose only one of these procedures.

5. Other Issues Arising in Distressed Situations

5.1 Receivers

5.1.1 Appointment of Receivers

Under the Commercial Bankruptcy Law, creditors, shareholders, or other stakeholders who have a vested interest in the distressed assets are entitled to file a petition to the court to appoint a receiver (or independent fiduciary) to oversee distressed assets. The Federal Institute of Specialists in Commercial Bankruptcy appoints receivers from a registry of individuals who have demonstrated accredited expertise in these matters.

The institute has issued rules for the selection and ongoing accreditation of specialists in commercial bankruptcy, outlining the procedures for appointing inspectors, conciliators, and receivers (www.ifecom.cjf.gob.mx).

5.1.2 Common Scenarios for Receivership Appointment

Receivers can be appointed in various legal contexts, often involving real estate property. In the context of insolvency and debt recovery, they are brought in when a company faces financial distress and creditors seek to recover outstanding debts. Receivers may also be appointed in other matters, such as criminal cases (instances of misconduct, embezzlement, or hidden assets).

5.2 Real Estate Bankruptcies

5.2.1 Requirements for Single Asset Bankruptcy

The Commercial Bankruptcy Law does not differentiate between entities holding a single asset or multiple assets when initiating a procedure under its provisions.

5.2.2 Impact of Bankruptcy Filing

A duly constituted and registered mortgage is a preferred credit that allows the creditor to be paid before other creditors.

It is common practice to include an early termination clause in mortgage guarantee contracts in the event that a commercial bankruptcy proceeding is initiated against the borrower or the mortgage guarantor, allowing the mortgage creditor to demand payment of the loan.

6. Arbitration

6.1 Prevalence of Arbitration Clauses

Arbitration in Mexico has grown over time, but it is debatable whether its growth is comparable to that of other jurisdictions. There are various institutions in Mexico that are dedicated to arbitration and also promote this dispute resolution method as an alternative to litigation. As a result, arbitration has been progressively used in major transactions conducted in Mexico, particularly when foreign parties are involved in such transactions.

It is important to note that Mexico has a legal framework regulating domestic arbitration under the Commercial Code. However, in disputes involving high-value transactions and international elements, such as the parties, it is advisable to choose international arbitration.

For this reason, in real estate transactions where both national and foreign parties are involved, it is common practice to submit disputes to international arbitration. To ensure this, the contract (regardless of its nature) must explicitly state that in the event of a dispute arising from it, the parties agree to submit it to international arbitration. The arbitration clause should specify:

- the arbitration institution (national or international) chosen for the dispute resolution;
- the procedural rules applicable to the arbitration (usually the chosen institution's rules);
- the governing law for the proceedings (any framework from any jurisdiction);
- the number of arbitrators who will resolve the dispute; and
- the place of the seat of the arbitration proceedings.

The proper implementation of an arbitration clause in a real estate contract creates a legally binding obligation for all parties to resolve disputes through either domestic or international arbitration.

Finally, under the New York Convention (to which Mexico is a signatory) and Mexican law, it is possible to enforce arbitral awards in Mexico even if they were issued in a different jurisdiction.

6.2 Arbitration or Litigation?

Like any dispute resolution method, arbitration has both advantages and disadvantages.

Among its advantages, the most notable is the parties' autonomy in choosing to submit any conflict to arbitration and in selecting all the elements that will govern the proceedings. Another significant advantage of arbitration is the duration of the whole process, since in most cases,

arbitration proceedings are resolved faster than litigation proceedings.

However, arbitration also has its disadvantages. One of the main disadvantages is the cost associated with arbitration before an arbitral institution. Unlike litigation, arbitration involves fees, which can be high, as the parties must pay both the arbitral institution and the arbitrators undertaking the dispute.

Consequently, it is crucial to take into consideration all these factors before taking a decision on the appropriate dispute resolution mechanism.

6.3 Prevalence of Mediation

Mediation is another dispute resolution mechanism that can be used in real estate conflicts. Unlike arbitration, mediation does not involve submitting the dispute to the mediator's judgment or decision. Instead, the mediator acts as a facilitator, guiding the parties towards a peaceful resolution while seeking to preserve their business or commercial relationship.

Most arbitral institutions also offer mediation services. It is important to note that in real estate contracts (regardless of their nature), the arbitration clause can include mediation as the first step in dispute resolution. A common approach is to use a "two-tier clause", where the parties first attempt mediation, and if the dispute remains unresolved, they proceed to arbitration.

Finally, Mexico actively promotes mediation as an alternative dispute resolution method through the Alternative Justice Centre. However, like arbitration, when a real estate transaction involves international parties, it is common practice to seek the services of international mediation institutions for resolution.

7. Provisional Remedies

7.1 Types of Provisional Remedies in Real Estate Disputes

In real estate disputes, the most common provisional remedy is the asset retention. The effect of this remedy is the registration in the Public Registry of Property to secure the property and prevent any modifications, such as sale, or other encumbrances.

In addition to the above, there is the possibility to register a lien on the property, which would grant priority in the event of a judicial sale to secure payment of the outstanding debt.

7.2 Requirements for Obtaining a Provisional Remedy

To obtain the provisional remedy, a court order is required, and the following requirements must be met:

- The remedy is granted when there is a reasonable fear that the property in question may be concealed, squandered, or transferred.
- A clear, quantifiable, and legally enforceable debt must exist.
- The value of the claimed obligations must be established.
- A guarantee must be provided to cover any potential damages or losses that may result from the implementation of the provisional remedy.

Requirements are established in the National Code of Civil and Family Procedures and the Code of Commerce.

7.3 Risks of Improper Use of Provisional Remedies

In the event that provisional remedies are improperly used, the court may order the pay-

ment of damages and losses, which shall be assessed based on the harm caused.

7.4 Availability of Temporary Injunctions

In Mexico, it is common for courts to grant provisional remedies related to real estate transactions. However, all requirements established in the applicable legal framework must be met.

7.5 Proving Irreparable Harm

In a real estate dispute, the following may be considered irreparable harm:

For residential properties:

- violation of the human right to housing;
- loss of property rights; and
- loss of possession.

For commercial properties:

- disruptions to business operations; and
- loss of reputation.

The foregoing is considered irreparable as it cannot be easily compensated; therefore, the court must decide on the remedy for the damage caused by the dispute.

7.6 Mechanic's Liens

In Mexico, all liens must be issued by a judicial or administrative authority to be registered in the state's Public Registry of Property and take legal effect.

8. Real Estate Investment Trusts (REITs) and Single-Family Rentals (SFRs)

8.1 REIT/SFR Regulation

Bulk purchases and management of residential units by private equity firms and Mexican REITs (*Fideicomisos de Inversión en Bienes Raíces* or FIBRAs) are regulated by securities, competition, real estate and leasing regulations, enforced by:

- the National Banking and Securities Commission for matters of security oversight;
- the Federal Economic Competition Commission for antitrust enforcement;
- the local civil courts and state housing institutes for tenant and lease dispute resolution;
- the Ministry of Agrarian, Territorial and Urban Development for zoning and urban planning; and
- the Financial Intelligence Unit and the Tax Administration Service for AML compliance and tax enforcement.

8.2 Public Interest

In Mexico, recent expropriations have underscored the government's commitment to public interest projects, particularly infrastructure development. In September 2024, 2.8711 hectares in the ejido Xpujil, Calakmul, Campeche, were expropriated. This was followed by the expropriation of 24.8619 hectares in the ejido Pomuch, Campeche, in November 2024, and finally, in December 2024, 0.2054 hectares in the ejido Chiná, Campeche, were also expropriated. All these actions were carried out to advance the development of the Tren Maya project.

These actions reflect the government's focus on large-scale infrastructure endeavours, which can influence the operations of Real Estate Investment Trusts (REITs) and Single-Family Rentals

(SFRs). The possibility of expropriation for public utility necessitates that investors conduct thorough due diligence to assess potential risks associated with properties located in areas earmarked for public projects. Understanding the legal framework governing expropriations and staying informed about government plans is essential for making informed investment decisions in the Mexican real estate market.

Trends and Developments

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Ibarra del Paso Gallego

Ibarra del Paso Gallego has nearly 15 years of experience in the Mexican market, and is distinguished for providing personalised legal services to its clients with the highest quality standards and a fast turnaround. The firm has a team of sophisticated lawyers, highly skilled and specialised in banking, finance and capital markets, corporate, ESG, real estate, hospitality, tax, life sciences, labour and employment,

IP/IT, data privacy, dispute resolution and regulatory matters. The team is driven to find practical and business-oriented effective solutions to the legal challenges its clients face in their daily operation and expansion endeavours. The firm always strives to exceed the expectations of its clients and establish long-lasting alliance relationships.

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MEXICO TRENDS AND DEVELOPMENTS

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During the last decade, Mexico has experienced significant growth in the development of real estate properties in several sectors.

In the residential sector, current President Claudia Sheinbaum was mayor of Mexico City from 2018 through 2024. During this period, she embarked on a rigorous review of construction licences and permits for several completed and ongoing civil works. This initiative was driven by the need to enhance building supervision after the major earthquake in Mexico City in 2017, as well as to address corruption allegations related to zoning and construction authorisations. While the dust settled and for the sake of complying with investment mandates, developers and constructors who have been traditionally (and one may think, safely) constructing in Mexico City for decades, turned to other cities in search of less stringent opportunities resulting from regional economic growth, such as Puebla, Merida, Queretaro, Guadalajara and Monterrey (in the states of Puebla, Yucatan, Queretaro, Jalisco, and Nuevo León, respectively). This resulted in an increase in residential and commercial offerings with newer and higher standards.

As demographic trends shift, with more young adults emigrating for academic and professional pursuits, the residential market is evolving towards smaller, more efficient living spaces.

In the hospitality sector, the post-COVID-19 surge in travel has fuelled the opening of new hotels in major destinations such as Tulum, Cancún (both in the Mayan Riviera), Puerto Escondido (Oaxaca), Punta Mita (Jalisco and Nayarit), and Los Cabos (Baja California Sur). While investors continue to face challenges related to due diligence and property title verification, negotiations with rural and communal (ejido) landowners have become somewhat

more straightforward. However, securing energy and water feasibility continues to be a challenge.

The rise of short-term rentals, the influx of digital nomads, and soaring real estate values in Mexico City have prompted the local government to introduce stringent measures aimed at curbing gentrification. These include reporting requirements and other restrictions, which some property owners are now challenging through constitutional and administrative legal proceedings.

The nearshoring phenomenon has also boosted the expansion of industrial parks all over the country, notably in the north (Nuevo León and Chihuahua) and in the Bajío Corridor (Queretaro, Zacatecas, San Luis Potosi, Michoacan and Jalisco). This expansion has attracted interest from Asian automotive carmakers. While President Trump's policies pose a threat to the continuity of many American automakers due to increased trade tariffs, it is anticipated that new production lines for components like chips and semiconductors will occupy industrial parks in the coming years.

The scarcity of electricity has placed significant pressure on industrial park developers, highlighting the country's need to prioritise renewable energy sources to meet the growing demand. President Sheinbaum appears to support this sector and is expected to propose legislative reforms and implement public policies to encourage private investment in renewable energy.

During the López Obrador administration, major infrastructure projects were launched to drive economic development, particularly from the Gulf of Mexico across the Tehuantepec Isthmus to the Pacific Ocean. These initiatives – such as the interoceanic corridor and the environmen-

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tally controversial Mayan Train – have underscored the urgent need for a skilled labour force to capitalise on emerging opportunities, though their full impact may not materialise for at least a decade.

While the trend towards environmentally friendly and sustainable real estate development is still in its early stages, the legal framework is beginning to incorporate these principles, with a particular emphasis on water resources.

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