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REAL ESTATE LAW

Residential Leases in Mexico City: The Constitutional Reform's Limits on Freedom of Contract.

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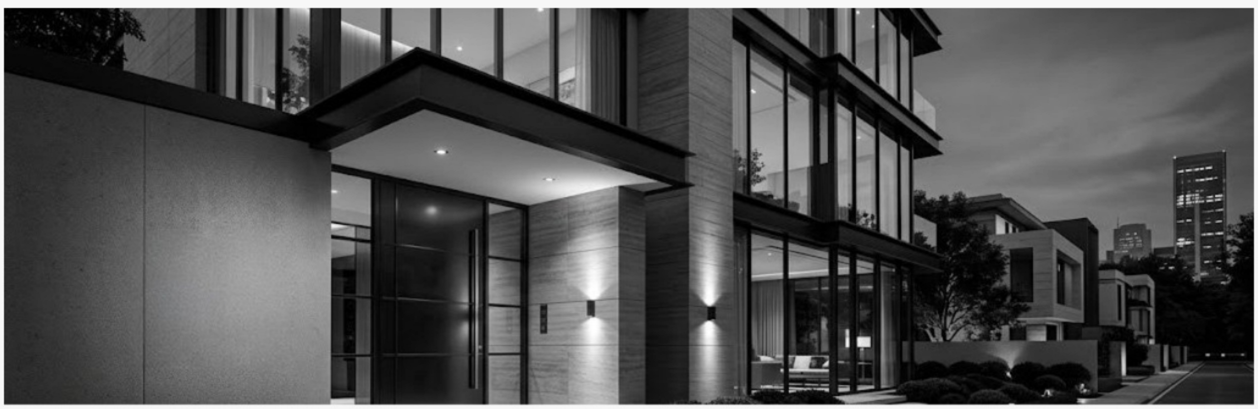
IN BRIEF



The bill submitted by the Head of Government to the Mexico City Congress in April 2026 proposes adding four new provisions to Article 9 of the local Constitution that would affect the negotiations between landl ords and tenants. For anyone involved in the development, acquisition, or management of residential rental property, it is essential to understand the scope of this bill and its potential effect on both party negotiations and freedom of contract.

A rental-housing policy, backed by constitutional mandate

Section 6 of the bill would require the City Government to implement a comprehensive policy aimed at increas ing the supply of social and affordable rental housing, with preferential access mechanisms for young people and priority-attention groups.

In the event the Congress approves the inclusion of these provisions as a constitutional mandate, their effect would be to create a permanent basis for future secondary legislation — such as the Civil Code for the Federal District and any other local regulation governing lease agreements — to align with a social-housing policy approach.

The rent cap as a constitutional standard

Section 8 of the bill mirrors what is currently set out in Article 2448-D of the Civil Code for the Federal District: the rent under a residential lease may not be increased annually beyond the inflation rate reported by INEGI. Compared with the other provisions in the bill, this one implies a direct impact on freedom of contract, since it expressly regulates one of the commercial terms that has historically been subject to negotiation between the parties throughout the term of the lease.

What matters about this change is not the rule itself, but its new hierarchy. In moving from an ordinary statute to a constitutional principle, this limitation stops being a provision that the legislature can adjust or relax relatively easily in response to market conditions, and instead becomes a mandatory benchmark against which any other rule or contractual clause relating to leases will have to be interpreted.

A public institution with a mandate over landlord-tenant relations

Section 9 influence freedom of contract: it establishes the creation of a public institution responsible for promoting and defending rights in residential lease matters, geared toward building fair, balanced relationships with legal certainty between the parties.

Although the bill does not yet specify this institution's powers, it is important to note that its creation would introduce a public authority as a third party into a relationship that is currently governed by the Civil Code and the will of the parties. Depending on how its mandate is designed, this institution could take on functions ranging from mediation prior to litigation, to oversight of contract content, to support for one of the parties during negotiation — any of which would, in practice and in day-to-day operation, alter the current relationship between landlord and tenant.

A trend that is not exclusive for Mexico

Rent-cap regulation is not occurring in isolation. In New York, the Rent Guidelines Board voted on June 25, 2026 to freeze rent increases for close to one million rent-stabilized apartments under both one- and two-year leases — an unprecedented decision that is already facing legal challenges from landlord associations. The New York case confirms an underlying trend: in countries with high demand in the real estate market, local governments are increasingly regulating the rules applicable to lease agreements in pursuit of housing affordability.

The underlying takeaway and its legal impact

The relevant question for the real estate sector and its legal advisors is no longer whether there will be further regulation or reform affecting leases, but rather what legal analysis is needed to structure contracts, portfol ios, and investment strategies that adapt to this changing environment, secure the most favorable interpretat ion of the law, preserve projected returns, and avoid undermining legal certainty.

For those involved in the development, acquisition, or management of rental housing, this is a variable that should be built into the risk analysis of any medium-term project, into the drafting of rent-adjustment clauses, and into the compliance strategy for the eventual digital registry of lease agreements.

Legal advisors who strike that balance will have a real competitive advantage over those who simply react once the constitutional reform is already in force.

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