

COSTA MAYA UPDATE (& LAKE BACALAR)

Ahhh.. Mexico. I just returned from another adventuresome trip to the Costa Maya with a group of 10 people. I would like to thank everyone who accompanied me: Geoff, Jerry, Lannie, Ericka, Syd, Mike, Bev, Cassandra, Steve and my wife Kathy. These people made the trip so much more enjoyable.

In spite of the first few days being cloudy, the temperature was a balmy 80 to 85 degrees the whole time we were there. The purpose of this newsletter is to update everyone on my list about the happenings and latest developments taking place in the Costa Maya. I'll especially focus on a couple of great group buying opportunities. For those of you who really are serious about getting property down there, there's no better way (in my opinion) to buy than to find an oversized, beautiful parcel, make an offer, then sub-divide into lot sizes that meet your preference. We've done this once before - it's rather simple

Development

I've said this before, but I'll say it again. The development and growth of this area is a continuous process. Each time I go down (about every 2 months), there are more pieces of the infrastructure puzzle in place. From new residential to commercial construction, including more restaurants and dive shops to an increase in communication services including several internet providers. I even noticed new park benches in Xcalak. Imagine that. Park benches. You really can't appreciate that unless you've been to Xcalak. Tom Biller of Tierra Maya built these himself. They're only about 4 feet long. He built them on the short side so there would be no problem with vagrants sleeping on them. Apparently, one of the vertically challenged locals can get by just fine.

Property Perspective

Some of the more common questions I get from people interested in buying property in the Costa Maya are

- Where should I buy? North or south of Majajual ?
- Which area has the highest potential for appreciation?
- Where will the hotel chains be located (when they eventually arrive) ?
- How fast will the property appreciate?

These are all great questions, but don't let anyone tell you that they can give you answers to these questions with a high degree of certainty. It's speculative at best. There are predictive indicators, to look for, however, that provide some good information, and can help you in making your decisions, so that's what you should be looking for.

Let me try to answer as many of these as I can. These answers are based on my observations of progress and changes that I've seen in the area over the last three years. Mixed in with those observations are reports (mostly verbal) from the locals, of things that they've heard or observed. Some of these reports are official, some are not, but nevertheless, taking all of these into account, allows us to arrive at somewhat educated conclusions.

Where Should I Buy?

This question can be answered from 2 perspectives.

1. Personal

If you're looking for a property to build on, with the intention of eventually living there, then your choice should be based largely on the area of the coast that you like the best. The "type" of beach is usually one of the biggest factors in deciding this. The beaches that are closer to Xcalak in the south are considered by most observers to be less "attractive" than those, north of Majajual. Let me qualify this, lest I offend anyone. Most people are generally drawn to the beautiful blue aqua waters and lapping waves of the Caribbean. You won't find this in any area within 40 km (24 miles) north of Xcalak. These beaches have virtually no wave action and consequently tend to have lots of turtle grass in the water. This is definitely a plus, as it helps keep the erosion down and also helps protect the beaches during times of high winds and hurricanes. This turtle grass can also be a turn-off for a lot of people. For others, this is an environmental paradise, providing the fertile ground for fish to hatch and by some estimates creating better fishing opportunities than the property up north.

As you progress northward along the coast, you'll generally find less turtle grass in the water along the beaches. There's generally more wave action, but still subdued until you get to an area known as Puerto Angel which begins about 40 km north of Xcalak and goes north for about 5 or 6 km. In this section you'll experience a beautiful stretch of beach with crystal clear aqua blue water and some good sized waves. Whenever I take people here, they fall in love with this place. There's some property along this coast but much of it is of marginal quality because the lots tend to have very little depth, which often makes them unsuitable for building, but it's sure a nice stretch of beach to gaze at.

The rest of the coast up until 25 km north of Majajual varies considerably in terms of the character of the beach. I tell everyone I speak to "you just have to see for yourself and decide what's best for you".

At 25 km north of Majajual, an area known as Placer, once again you'll encounter some of the most pristine and beautiful beaches you've ever seen. The beautiful colors and waves are typical of these properties. These properties generally

have much more vegetation (palms, grapes, etc.) than do properties further south. The lots can be much deeper, sometimes in excess of 400 meters. As you progress further north from Placer, you'll encounter different types of beaches each with its own characteristics as I've just described.

Like I said "you just have to see for yourself and decide what's best for you".

2. Investment

Let suggest that wherever you decide to buy, your investment will appreciate. That's a promise. I've seen it happening over the last 3 years, and there's no reason to believe it will end anytime soon.

But, some people believe that property will appreciate faster in direct correlation to its proximity to areas targeted for development. If you're one of these people, the area north of Majajual is where you want to be. The area specifically targeted by Fonatur (Mexican tourism development agency) is Uvero, located 30 km north of Majajual. This is evident by looking at the Master Plan developed by Fonatur (available on CD for a cost of \$4). In my view any property within 10 km of this area would be a good bet.

How Fast Will the Property Appreciate?

I won't make any predictions on this question. But if history is any kind of indicator, that may give you some perspective.

In today's market, a typical 20 meter beachfront lot of good quality can be easily be purchased in the range of \$80 to \$100,000. Don't let anyone tell you that you need to pay more. Five to seven years ago, lots could be purchased for \$40 to \$60,000. You can calculate the increase and profit potential for yourself. Of course, past performance is no guarantee of future performance, but I believe the trend for the future is still in the positive direction.

Why Should I Buy Through a Group Investment Instead of Individually?

The short answer to that question is: ***If you can find an individual lot that you like in the location you want, at a reasonable price, then you should buy it.***

As the inventory of quality single lots begins to shrink, however, you should give the group investment some consideration. Here are some points to consider:

- Larger properties generally sell for less (per meter) than smaller lots - these savings can be passed on to the buyer
- There are large parcels of outstanding quality available for sale
- Sellers of larger properties are often more negotiable on price than

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- on smaller properties
- Closing costs can be reduced by spreading over a larger group
- Using a qualified attorney and accountant can reduce and/or
- eliminate problems
- Using a group coordinator to handle all the details reduces anxiety
- and frustration in dealing with Mexican bureaucracy

These are some of the advantages of buying property through a group investment deal. Now, let's look at some of the opportunities that are out there. In my last newsletter I identified several group investment possibilities. I want to talk about two that are especially attractive. There are others with potential, but these two, I believe, stand out above the others.

Placer 800 m. x 400 m.

In my last newsletter I said "It doesn't get any better than this" And it doesn't. You won't find a nicer section of beach south of the Sian K'aan Reserve. Placer is located 25 km north of Majajual in an excellent location right off a paved access road. When you dream of the most beautiful aqua-colored Caribbean beach, this is the spot pictured in your dreams. We spent over an hour walking this property this past weekend, and could only see a part of it. This property consists of ~ mile of beachfront and averages 350 meters of depth (1155 ft.). These lots are exceptionally deep, some of the deepest I've seen along the coast. The road cuts through the property. Most of the time this is a disadvantage because it often does not provide adequate distance from the road to the Federal Zone, which means home construction is limited to the non-beach side of the road. On this property, the road can be turned into a positive. Here's how. Because these lots are exceptionally deep, the property could be sub-divided to allow for lots along the water as well using the road to create an additional lot line and creating a separate back lot. In effect, by purchasing one lot, you would get two, a front and back lot. Why is this important? Back lots in today's market with beach access can be sold for \$40 to \$50,000. If we purchase this property at the right price, you would realize an immediate profit potential of up to ~ the purchase price of the property. You could choose to immediately market and sell these lots or hold them for future appreciation. Of course we would need to get approval from the authorities to do this sub-division, but preliminary indications suggest that this is very doable.

This is such a beautiful stretch of property that I would recommend that this property be sub-divided into lots no less than 25 meters. The owner has also agreed to sell off 400 meters if we choose to purchase only half. At 400 meters, the number of lots available would be 16. Some of you expressed an interest in this investment, if we could pull it off. In my last newsletter I had targeted a range of \$75- \$100,000 per lot to acquire this property. Of course the seller would have to accept this offer to make this work. I know there may be a lot of unanswered questions at this point. But, what I need to know is the level of interest on your

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part. We can discuss details at the appropriate time. If this investment is of interest to you let me know. Let me know your questions as well, and I'll consolidate these, then send out answers to everyone. I'm sure many of you will have the same questions.

Lake Bacalar

It's difficult for me to describe the awesome beauty of this lake, but I'll try. Known as the Lake of 7 Colors, this is one of the most spectacular lakes you'll ever see. One of the people in our group over the weekend said "this is the most beautiful lake I've ever seen" One of the common reactions to seeing this lake is "There must be something wrong, otherwise there would be so much development going on around the lake" The fact of the matter is there's virtually no development on a lake that's 40 miles long. If this lake were in this country, the property along the shore would have been developed long ago. This lake is largely undiscovered to date among Americans, and several years behind the Caribbean Costa Maya, but that won't last long. When the airport in Chetumal, just 10 miles away, eventually is able to handle international flights, then this lake and the Costa Maya will attract thousands of tourists to the area. Now is the time to truly get in on the ground floor.

Now let me tell you about the property on the lake. This second property represents an outstanding value as well. There are 300 meters of beautiful shorefront. This property slopes down to the lake, providing homes built on the slope with outstanding lake views.

The property is located off of Rt. 307 which connects Cancun and the capital city of Chetumal. Located adjacent to the town of Bacalar and just a few miles from Chetumal, gives this property easy access to all the amenities you would want (shopping, medical, transportation).

This property can easily be sub-divided into 25 meter (or more) lots along the shore. A road needs to be constructed to provide access to the lots, but this is not a complicated matter. I'm in the process of getting cost estimates to do this. Once I get this estimate, I'll update the group, but based on the information available to me today, I believe these lots can be purchased for \$50 to \$60,000. As I mentioned earlier, this lake property is several years behind the Costa Maya property in terms of discovery and price. Where do you think it will be in 5 years from now?

At this point, I'd like to know if there's sufficient interest to pursue this further. Once again, send me your questions and I'll consolidate them and do my best to answer them.

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The two opportunities I've described above represent some of the most outstanding property that I've seen. Only you can decide. If there's sufficient interest I would be willing to organize one more trip to see these properties, but I don't want to drag this out much longer.

Please get back to me as soon as you can. I've included a few pictures just to give you an idea of what this property looks like.

Saludos,

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