

**Greetings,**

I just returned from another great trip to the Costa Maya and Lake Bacalar. In addition to my wife and myself there were 5 other people with me all looking to acquire property in this great paradise. I will update you on the latest happenings there, then describe to you some of the opportunities available in real estate, for those of you serious about buying.

Other than some occasional overcast skies, the weather there was balmy and quite comfortable (almost perfect). The humidity was quite low and so were the mosquitoes (thank God). The next few months are still an ideal time to travel to the area if you still haven't made it down.

A New Governor

Elections in the state of Quintana Roo were held in February, resulting in a new governor by the name of Felix Gonzalez. Mr. Gonzalez is a former mayor of Cozumel and a member of the PRI party. One of my contacts who was showing me property is a former college roommate of the new governor.

What does this election mean in terms of the Costa Maya and Bacalar regions? For what it's worth, Mr. Gonzalez is under tremendous political pressure to make things happen in the southern part of the state of Quintana Roo. My contact person told me that for the past 30 years all of the wealth of the state has been concentrated in the north, largely because of the tourist industry centered in Cancun. The southern areas of the Costa Maya, Chetumal and Bacalar have been relatively unaffected and not benefited from the tourist trade. He tells me that that's about to change, and that the governor is under pressure to do what it takes to attract tourism to these areas. Here are some of the unofficial activities being mentioned:

1. Chetumal Airport Expansion

This isn't the first time we've heard this, but it appears to be more heavily discussed. I understand there are currently airport renovations going on. The expansion of the airport to accommodate international travel would really help to place this area on the map. As you well know the only real way to get to the Costa Maya today is by flying into Cancun and driving four hours south. An international airport in Chetumal would put the Costa Maya within 1.5 hours of the airport and one half hour from Lake Bacalar. Watch out when that happens. My prediction is that making these areas much more accessible will likely drive property prices up accordingly.

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2. Reduced Building Restrictions

Some of you are aware that in some areas of the Costa Maya there are severe restrictions on building. This is especially true in the Sian K'aan Reserve, but also in other areas. Like it or not, if Mexico expects to attract big name hotel chains and resorts, many of these restrictions will need to be reduced. We're already seeing signs of that in the reserve. Just two years ago I was told that there was absolutely no building in the "Reserve". Now I'm seeing residences and even one hotel being built. You can't stop progress, as they say, and if lifting a few restrictions results in a major financial impact to the area, well you know what's going to happen.

What's Up? Home Sales

As you would expect over time, as more homes get built in the area, there is also an increase in home sales. I know of two properties that have recently sold in Xcalak in the range of \$300,000 to \$450,000. One of these properties was built less than 5 years ago at a cost of approximately \$90,000. The land this property sets on was acquired for \$60,000. The property was just recently sold for \$300,000. That's a \$150,000 profit in less than five years. Not only are land values increasing (more on that later), but so are building costs. Today's building costs range from \$55 to \$75 per sq. ft. depending on the builder and the quality of home built. Still not bad compared to U. S. home construction costs (\$100 \$ 200). Just 2 years ago, home construction ranged from \$45 to \$65 per sq. ft. That's a 15 to 20% increase.

Building is also on the increase. I know personally of 8 homes/hotels in the Costa Maya that were recently built, are under construction or will soon be. This may not seem like much, but compared to just a couple of years it represents sizeable growth. It has also placed a burden on builders in the area. There are approximately 5 builders in the whole Costa Maya area. The recent demand for new home construction has resulted in waiting lists for builders. One reputable builder I spoke to told me he had a 2-year waiting list. Keep in mind that these builders generally work with one or two crews of tradesmen. This places a limit on the number of homes that can be built at anyone time. If you're serious about owning your own piece of Paradise, now's the time to acquire your property and get your order in for a home before prices go up even more (and they will).

Phones & Internet

The infrastructure in this area keeps getting built one piece at a time. Slowly but surely. When I was in Majahual in October, there were no public phones in town except for a phone that used a cell tower at the Super Carolina (grocery store) at a cost of \$2 per minute. On this trip, I counted three phones--either coin operated or credit card and Telmex cards. It's rather comforting to

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know that you can now travel to the Costa May area without being incommunicado for days.

Getting the infrastructure to the town is always the first step in development of new areas. I'm convinced it's just a matter of time before these services are extended (and I don't think it will be long) up and down the coast to serve the residences and hotels. Internet service is available and has been for some time on a limited basis. All the small hotels along the coast depend on it for bookings. Once again, as the phone lines and cable get installed in town and ultimately make their way up and down the coast, the internet will become more prevalent among the residences.

Where To Stay

Each time I go down to the Costa Maya I generally try to stay at a different hotel. This helps me get to know the business owners and keeps me up to date on the latest happenings in the area. This time I stayed at Mayan Beach Garden, owned and operated by Kim and Marcia. This hotel is located about 20 km north of Mahajual in a section known as El Placer. This hotel has been operational for about a year and the owners have done an excellent job at making the experience there highly enjoyable. Situated on one of the most beautiful stretches of beach in the Costa Maya, this place is extra special. The reef in front of the hotel is relatively close and provides an opportunity for outstanding diving and snorkeling. Both breakfast and dinner are provided at the hotel. With relatively few good restaurants in the area, a hotel that serves these meals is a big plus. The dinner is top notch also. Served at one large table, Marcia prepared an outstanding chicken dish using a unique Yucatan recipe. I can only think of three hotels in the whole Costa May that provide this kind of service. If you're ever in the area, you really should check this place out. I give it high marks.

What About The Beachfront Property?

Like I said, it keeps going up. Since I began travel to this area three years ago, I've seen prices appreciate on average between 10 and 20% per year. Single, residential, quality lots are difficult to find for much less than \$5000 per lineal meter.

Placer/Uvero

The areas north of Mahajual, particularly Placer and Uvero, have experienced even greater increases. Why? I believe there are 3 primary reasons:

(1) Exploitation

Some property developers have actively marketed and sold property in

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this area, which has caused property owners to take notice. They are holding out for higher prices. I suppose this is good if you already own property there, but presents a price challenge if you're looking to buy there.

(2) Quality of Lots

The property in this area is generally of higher quality. The lots have heavy vegetation including mature palms and usually have greater depth, providing more privacy to the landowner. The Placer beaches are also particularly attractive to buyers. Just the kind of beach you picture in your mind when you think of the Caribbean.

(3) Location

The area north of Mahajual is targeted by Fonatur (Mexican tourism agency) as "the" high development location for the Costa Maya. This is all spelled out in their Master Plan (available for \$4.00 if interested). Because of this "known" fact, I believe this in part has influenced property prices in this area.

Prices in the Placer/Uvero area are generally selling for a minimum of \$7,000 per lineal meter and go as high as \$14,000 per meter. I often get asked if it's worth paying these higher prices. In my opinion, certainly not at \$14,000 per meter. But if this property can be acquired in the range of \$5,000 to \$7,000 per meter, then I think it represents a good buying opportunity. I'll discuss this further when I describe the Uvero opportunity later.

Let's Head South to Xcalak

Unfortunately I didn't make it down to Xcalak on this trip since I was occupied with property to the north and on Lake Bacalar. But let me try to put property prices in this area in perspective. Xcalak is a sleepy little fishing village with almost no infrastructure, although electricity finally arrived in town earlier this year. Ironically, as remote as it is, many people are attracted to this area, and as a result the sale of property has increased significantly. Here are the reasons why:

(1) Community

For whatever reason, the first "quality" small hotels were all built within 9 km of Xcalak. For well over 10 years people who have dared venture this far have frequented these small hotels and have thoroughly enjoyed the experience. Not only that, but they kept coming back and referred their friends and family to the area as well. As they came, they inquired about and bought property in the area. Over time, a small but very cohesive community of landowners and residents developed. It's this sense of "community" that has drawn many people to the Xcalak area.

(2) Isolation & The Last Frontier

Xcalak is the end of the Yucatan peninsula road in Mexico. You can't go any further south without being in Belize. This "last frontier," as I will call it, has an appeal to many people. The Xcalak area is less commercialized than Mahajual to the north and for many people I speak to down there, "that's the way we want to keep it." The relative isolation of Xcalak is what many people prefer, and as such will continue to draw those attracted to this kind of area.

Xcalak Property

Xcalak property is priced less than property to the north. The remoteness of the area is one factor that has kept prices down. The other "downside" for many people is the "character" of the beaches. Notice I didn't say "quality." The water on the beaches in this area contain "turtle grass" much more than the beaches to the north. Turtle grass is a leafy marine vegetation that grows in the sand in the water and may extend out several hundred feet. It also grows on the beaches to the north but is much less prevalent. If you're not accustomed to this vegetation, swimming on these beaches can be bothersome. My wife has characterized it as "gross." Many people would not even consider owning property here for that reason alone, but that's a personal choice. The turtle grass, however, does keep the erosion down. But I believe that the "turtle grass" factor has kept prices lower than the rest of the coast. In general, property in the Xcalak area can be easily acquired for between \$4,000 and \$5,000 per lineal meter.

North Towards Mahajual

As you travel the beach road north towards Mahajual you'll notice considerable variation in the character of the beach. There is generally less turtle grass in the water, and when there is, it is found in patches and is not as prevalent as the Xcalak beaches. This makes the swimming in these areas more tolerable to some people. There's even one stretch that begins from about 35 km north of Xcalak and extends to the first access road (18 km) south of Mahajual that has some of the most beautiful beaches in the entire Costa Maya. This area known as Puerto Angel rivals the beaches in Placer to the north, with the exception of the vegetation which is not as thick on these lots. The other noteworthy distinction as one travels north toward Mahajual is that the depth of the lots vary considerably. It's often difficult to find lots that provide enough area on the beach side to build a home because of the Federal Zone restrictions. Nonetheless, there are some attractive properties along this stretch (see description of Puerto Angel below). There's also a greater number of older restaurants and cabanas with the exception of a few newer ones. The closer one gets to Mahajual the more activity one notices, especially when the cruise ship is in. That's not to suggest that this area is less desirable. In fact for some, this is to be desired because of the closer proximity to the town and the services it

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provides. Property prices in general tend to be higher as you approach town. Prices range from \$4,500 to \$6,000 per lineal meter with the exception of commercial lots in town that vary anywhere from \$60,000 to as high as \$300,000.

Real Estate Opportunities

For the past year, I've focused my attention on larger parcels of beachfront property, which can be sub-divided into individual lots. I just completed one of these deals a couple of months ago, which worked out very well for everyone involved.

With the decrease in the number of single "quality" lots available, I've found that there are good bargains available in larger parcels. Because of the size of these lots (generally over 200 meters), the price per lineal meter tends to be lower. The process of fully completing the acquisition takes longer because of the subdivision that must be done, but this is a relatively simple process. Let's look at some of these buying opportunities.

Uvero

Uvero is located about 25 km north of Mahajual. The property for sale in this area measures 259 meters of beachfront by 240 (north) and 340 (south) meters. The property is situated about 1 km north of the Uvero access road, very close to the Beach Club built by the cruise ship company. This is also the area designated by Fonatur for future development.

The property has heavy vegetation of palms and other plants which offers a great deal of privacy from the road. There's approximately 120 meters from the Federal Zone to the road, which provides almost 400 ft. of area to build on, which is more than adequate. As I mentioned earlier, finding lots along the coast with this kind of depth (on the beachside) is becoming more difficult. What about the beach? The water along this stretch of beach is quite calm and does not have the wave action of some of the other areas. The water also contains turtle grass. As I mentioned earlier, your preference for or against this is a personal decision. Because of the turtle grass in this area, there's also less erosion than some of the other beaches. The depth and vegetation of this property gives it a high quality rating.

Subdivision

This property can be subdivided into 10 lots of 25 meters; the road splits the property in about half. Another option is to subdivide the property into separate lots on both sides of the road. Under this option, the property would be subdivided into 20 lots with 10 front lots (beachfront) and 10 back lots. Back lots in this area are currently being sold in a range of \$50,000 to \$90,000.

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Target Pricing

Option 1: (10 lots of 25 meters beachfront)

The target price range for acquiring this property is \$4,300 to \$5,700 per lineal meter. A 25 meter lot would cost between \$107,500 and \$142,500.

Option 2: (20 lots of 25 metes beachfront)

Under this option an access road is needed to provide the back lots with beach access. This in effect increases the cost. The target price range for this property is \$4,800 to \$6,400. The advantage of this option is that each investor acquires 2 lots, at a price, which is slightly higher than Option 1. Under this option, two 25 meter lots (1 front, 1 back) would cost between \$120,000 and \$160,000. Owners would have the added benefit of selling the back lot and recovering part of their initial investment or simply using the entire area provided by both lots.

If you're interested in this property let me know which option appeals most to you.

Puerto Angel

Puerto Angel is located about 18 km south of Mahajual. This is arguably one of the nicest stretches of beach in the entire Costa Maya with beautiful aqua blue water and waves (see description above). This property has no turtle grass, but also does not have as pronounced a reef in front of the property. This property measures 106 meters of beachfront by 93 meters deep. It also has approximately 60 meters of depth from the Federal Zone to the road, providing very adequate distance to build a home on the beach side of the road. The other advantage to this property is that it's located adjacent to a paved access road, making access to the property very convenient without traveling on any bumpy dirt roads.

Subdivision

Because this property is only 106 meters, it could only be subdivided into five lots of 20 meters or four lots of 25 meters, with an extra 6 meters left over.

Target Pricing

The target price range for acquiring this property is \$5,800 to \$6,500 per lineal meter. If it's traditional Caribbean beach property with rolling wave action you're looking for, you won't find it for less than this price. If this is something you're interested in, let me know if you prefer a 20 or 25 meter lot, and I'll look into the best option for subdividing.

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Bacalar

I described this property in my last newsletter. Lake Bacalar is a freshwater lake situated inland about 60 miles from Mahajual. This lake is truly a hidden gem, but won't be for very long. Known as the Lake of Seven Colors, it is one of the most serene and special places I've ever been to. The peace and tranquility that transcends this place is special and can't be described. You really have to be there to appreciate it. This property slopes down to the lake, providing homes built on these lots with incredible views. The lake is 60 km long and 2 - 3 km wide. The other unique aspect to this lake is that at this time, there is almost no development on it, but that's starting to change.

The negotiations on the price of this property have been finalized. I have already established that this 300 meter parcel can be subdivided into 10 lots of 30 meters (99 ft.) beachfront and 100 meters deep. The added good news is that 10 additional back lots contiguous with the 10 front lots are also being subdivided and made available to investors purchasing the front lots. These back lots will tentatively be 30 meters wide by 150 meters deep. That means that each investor receives 2 lots for the price of one, providing the option of keeping both or selling one. Back lots will also have deeded access to the lake.

Pricing

The cost established for one of these double lots (front and back) is \$65,000. To put things in perspective, there's a development underway on the lake, about 15 km north of this property where lots are being sold for \$150,000 to \$200,000. As of this writing I have received commitments on 7 lots of a 10 lot subdivision. I am looking for anyone interested in purchasing one or two lots. Once the lots on this parcel are sold, there's another 340 meter parcel that is contiguous with this property. Negotiations for that property have not yet begun. If there's enough interest we can pursue this.

That about does it. I hope this provides you with an informative overview of the happenings in the Costa Maya and the available real estate opportunities. Let me know if you're interested in any of these. I generally make regular trips down with groups to show property. Some of you have expressed interest in making a trip the next time I go down. It will either be late January or some time in February. Let me know if you're interested and indicate your preferred dates of travel.

I have a contact there that can also show you this property in my absence. A couple of you are scheduled to go down the first week in January. If those dates work for you, let me know and I can arrange to have you look at these properties.



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I want to wish you and your families a joyous and prosperous New Year. Please get back to me with any questions you may have. I look forward to meeting all of you some time in the future.

Saludos,

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*Denis*