

Greetings,

I just returned from another adventurous trip to the Costa Maya and Lake Bacalar. I'd like to share with you some of my observations taken on this trip. The months of September through November are characteristically known as the rainy season. This month and this trip was no exception. There was plenty of hard rain to go around. The good news is that it seldom lasts for more than an hour. The challenge of driving the beach road at this time of the year, is having to decide how to avoid the deep puddles and the land crabs that dart back and forth across the road.

The advantage of traveling in Mexico during these months (the low season) is that hotel rates are considerably lower. I stayed at a couple of good hotels for \$40/night. In the high season, rates at these hotels go as high as \$120/night. I normally spend a fair amount of time talking about the infrastructure. This time I won't except to say that it keeps getting better each time. The one thing I'd like to note is that there are now 2 internet cafes in Majahual and international calls can be made at one of these cafes for 2 pesos (about \$.20) per minute. Hard to believe that just one year ago there was no phone service at all in town.

I'd like to concentrate this newsletter on 4 areas along the coast, which I consider my top picks as far as investment and growth potential, as well as attributes that make these areas special. I've described some of these areas before, but I want to re-emphasize the value of owning property in these specific locations. Some of you may disagree with me, and I know this often comes down to personal preference, but I'll do my best to qualify my reasons for selecting these areas. I'd like to disclose that I represent the sale of properties in these areas, as well as all areas along the coast. For a complete listing of properties for sale, visit my website at www.mexicocaribbean.net.

Lake Bacalar

The undiscovered jewel of southern Quintana Roo, Laguna Bacalar, is arguably one of the most beautiful fresh water lakes in the world. Otherwise known as the Lake of Seven Colors, it emits multiple shades of blue and aqua. I've written about this lake before, but I can't emphasize enough the potential of owning property here.

Located some 50 miles from Majahual in the Costa Maya, the lake is some 40 miles long and 2-3 miles wide. The good news is that this lake is almost totally undeveloped. The bad news is that there is very little property for sale around this lake, which makes the property that is for sale even more valuable. Much of the land around the lake is either ejido land, government owned, or inaccessible, so the property that is available is of limited supply. The price of property on the lake has nowhere to go but "up." There are several good reasons, which make an investment on Lake Bacalar an outstanding investment.

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(1) Proximity to Chetumal

Expansion of the airport in Chetumal is underway. It's just a matter of time before it accommodates international and charter flights to service southern Quintano Roo.

Chetumal is only 20 minutes from Bacalar. This short distance from the airport will be a major factor in contributing to price increases of property on Lake Bacalar.

(2) Limited Supply of Quality Caribbean Beachfront

As the supply of quality beachfront property on the Caribbean dwindles, investors will look for more attractive investments. Although there is still available beachfront property in the Costa Maya, the supply of quality property is much more limited and prices are on the rise, sometimes beyond the budget of many investors. You may want to consider purchasing property on Lake Bacalar before real price appreciation kicks in.

(3) Lower Maintenance Cost - Limited Salt Exposure

One of the considerations investors pay little attention to when purchasing beachfront property is the maintenance cost of a home associated with salt exposure. Although this can be dealt with, the corrosive effect of salt needs to be considered. Property on an inland lake like Bacalar has limited, if any, salt exposure, thereby contributing to lower maintenance costs.

(4) Hurricane Protection

With the most recent events in New Orleans, we can all attest to the destructive forces of a major hurricane. Although no major hurricane has hit the Costa Maya in years, it is vulnerable. Hurricane force winds would have much less of an impact on property on Lake Bacalar because of its location 60 miles inland.

(5) Simply Beautiful

The beauty and serenity of Lake Bacalar is unsurpassed. That may be reason alone to investigate purchasing property here. Whether now or in your retirement years, if you're looking for quiet solitude in a striking setting, it won't get any better than this.

Opportunities

- (1) I'm in the process of developing a 300 meter parcel on Lake Bacalar as a group investment. All of the lots that front on the lake are sold, but there are several back lots still available if you're interested.
- (2) Just several hundred meters south, is another large parcel that is available with lakefront lots. If interested in this development, let me know. I'll be developing a proposal soon for acquiring this property as a group investment.

Biosphere

Otherwise known as the Sian Ka'an Reserve, this area has been designated by UNESCO as a World Heritage Site. The large expanse of real estate along the Caribbean runs from Punta Allen near Tulum in the north all the way down to the northern edge of the Costa Maya in the south, a distance of 120 km. The real estate I'd like to address here is located in the southern tier of the reserve in an area known as Tampalam. Access to this area is from the paved road that leads from Majahual, a distance of approximately 45 km.

The beachfront property located in the reserve is unsurpassed in beauty. Characterized by wide white sandy beaches and deep lots with aqua blue rolling waves, these beaches are the kind your dreams are made of.

If it's seclusion and beauty you're looking for, check out this destination. Here are some of the reasons that make owning property in the Reserve a good investment:

(1) Extremely Affordable

As compared to property south of the Reserve, prices here are real bargains. Property prices south of the Reserve range anywhere from \$4,000 to \$12,000 per lineal meter. In the Reserve you can easily find property that sells anywhere from \$2,000 to \$3,000 per meter. That means that you can effectively purchase two to four times the amount of property here than anywhere else in the Costa Maya.

(2) Privacy

While it's true that there are more restrictions with regard to building homes in this area, that may not be so bad. Homes cannot be built on lots less than 50 meters, and even then, the size of homes is limited. That means that typically, homes being built in the Reserve will be on large lots, providing homeowners with much more privacy than areas south of the Reserve.

(3) Unsurpassed Beauty

It speaks for itself.

Opportunities

There are several larger parcels located here and priced extremely well, one as low as \$1,900 per meter. These properties can easily be subdivided into 50 meter (or more) lots that can accommodate building a home now or in the future in the only natural preserve of the Yucatan peninsula. One of these lots is only 135 meters. A 50 meter (165 ft.) lot here would cost only \$95,000. I'll be developing a proposal soon for acquiring property here, but in the meantime, contact me if you're interested.

Paytoal

At the risk of being partial to anyone area, let me tell you about Paytoal. I personally own property in this area and am planning on building there sometime soon.

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Where this name comes from I don't know, but it is located in the area, which is 9 to 12 km south of Majahual. I've traveled the whole coastline of the Costa Maya a hundred of times and know the properties and their relative quality extremely well.

When I consider high value properties here's what I look for:

- attractive beaches
- limited turtle grass
- good reef protection
- excellent diving and fishing
- wave action
- good depth of lot
- limited mangroves

The Paytocal area scores well on all of these points. Many other properties possess some of these attributes, but not all. Some would argue that some of these attributes, like "limited turtle grass", is not a positive attribute of a good lot. As I said earlier, this comes down to personal preference and, as for me, these are the characteristics that are most important.

The other advantage to this area is distance from Majahual. You may think that 11 km (6.6 mi.) is a detriment and that getting to town takes too long. With all of the commercial activity of recent years brought about by the cruise ships, a distance of 11 km is just about right, so as not to be too affected by the cruise ship traffic. Furthermore, in this location the access road leading to the paved road to Xcalak is only a short 2.5 km to the south. This provides the added benefit of bypassing the beach road (if you wish) and taking the express route down the paved Majahual-Xcalak road and back onto the beach road.

So, bottom line is that I see Paytocal as a highly desirable area for those looking for property in close proximity to Majahual and all the attributes previously mentioned.

Opportunities

I recently was made aware of several lots in Paytocal that will soon be coming on the market. I have very little information about these, except that they are located at 11 km south of Majahual. If any of you would like to consider this area for possible purchase, please let me know and I will send you the details when I receive them.

Placer

I've described the area known as Placer in my past newsletters and on my website (www.mexicocaribbean.net). But this area has so much potential that it's worth mentioning again.

As most of you know, I have been involved in group development projects over the last couple of years. I have completed one project, and am in the final stages of two more.

A few weeks ago I posted a new group opportunity on my website (www.mexicocaribbean.net.) called Placer. You should read the brief description on this. But the long and short of it is that there's an opportunity to purchase 400 to 800 meters

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of the most beautiful beachfront property in an area that's ready to take off. This property is located south of the Placer access road, which is located about 23 km north of Majahual. This area has been identified as the hotel zone by Fonatur, the Mexican tourism agency. Fonatur's Master Plan designates this stretch of coastline for future upscale hotels and villas. In fact, Fonatur owns 2 km of beachfront just north of the Placer property, and is just waiting for the right opportunity to entice a hotel chain to locate there. This area is also zoned for 30-40 units per hectare, about 3 to 4 times the density of property south of Majahual, making it very attractive for investors and prospective hotel developers.

I know talk is cheap, but I want to share with you a conversation I recently had with a developer. The information he shared with me gives the Placer group investment even greater potential.

His Development

The location of his proposed development is 1-2 km south of the Placer group property. The proposal calls for building 5 large homes and 30 villas with investment capital of \$17 million U.S. The developer has already had discussions with officials in Chetumal and Majahual. The development is conditional on having electricity installed in the area. The developer and city officials are determining the cost of building a substation and running power lines from the paved road that leads to Majahual to the beach road in Placer. The current proposal calls for running power from Placer to a point in Rio Indio located several kilometers to the south. All of this is still in the planning stages.

When I asked him, the developer indicated that he thought there was an 80% chance of this development taking place. This would be the first major hotel development in the Costa Maya. City officials are very supportive of this plan because low density, upscale boutique hotels are the kind of establishments they would like to attract to the region. Unlike the higher density zones in the north from Tulum to Cancun, the plan for southern Quintana Roo is for lower density, environmentally friendly types of establishments. I was told that the current plan calls for a limit of 3000 hotel rooms with a maximum height of 2-3 stories for all of southern Quintana Roo. Don't look for any highrises here anytime soon. When you think about it, a limit of 3000 hotel rooms makes any property that can accommodate a hotel, quite valuable, particularly in the highest density area of the Costa Maya.

Placer Investment

Obviously, a development of this scale located just one kilometer away would have major implications for the Placer property and other properties in the area. In my opinion, you would see an immediate spike in property values. In fact the speculation in this area over the last couple of years has already created speculation and resulted in price increases. Typical prices for property south of Majahual range from \$4,000 to \$5,000 per meter. Prices in the Placer/Uvero areas generally range from \$7,000 to as high as \$12,000 per meter. That's a significant difference from properties further south, and all indications are that prices here will continue to increase.

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Electricity

Add electricity to the equation and the added benefit is huge. This would be the first area in the whole Costa Maya with electricity to residential customers (with the exception of the town of Majahual). This factor would also be a significant contributor to increased property values.

Spectacular Beaches

As already mentioned, the beaches on this property are spectacular. Just what everyone is looking for in a Caribbean beachfront home. The lots are the deepest around, measuring 300 to 400 meters in depth, covered in lush, thick vegetation. Privacy is not an issue on this property; you'll have plenty of it.

Highest Density in the Costa Maya

The high density of 30-40 units per hectare for this area makes property here even more attractive and valuable because of the room limitation (3000 rooms) for southern Quintana Roo. This stretch of the Costa Maya, from Placer north to the Sian Ka'an Reserve is the only logical location for hotels of any significant size.

Upscale Villas Next Door

As has already been mentioned, if the upscale development discussed above takes place, adjacent property will only be worth more; it only makes sense.

Recreational Attractions

Fonatur describes its plans for this area as an "Integrally Planned Resort" The resort includes low density lodging, a golf course, theme park and beach club, all within 2 km of this property. The development of this resort is planned over several phases beginning in 2006 with the projected completion date for the final phase in 2014. This is all spelled out in Fonatur's master plan. If you'd like to order a copy for \$5.00, let me know and I'll send you one on CD. Once again, the value of property located in close proximity to a planned resort can only increase with time.

Proposal

I think the long term benefits and property appreciation in this area are clear. There are no more parcels of this size left to develop. Once the property is acquired, it will be near impossible to purchase property of this quality in an upscale tourist destination, at these prices.

Let me present you with the short version of the proposal. I can send more detail to anyone that would like to seriously consider this group investment.

The concept of a group investment is simple. I'm currently working on my third one. By pooling funds, we are able to exercise greater leverage than if buying a single lot. In general, property can also be acquired for less.

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Here's how it works:

I locate property that has high investment potential, such as this one. The price of this property has already been set, and the seller has indicated that he will not negotiate, so that's a given. I then factor in other costs including commission, closing, legal, subdividing, surveying and other miscellaneous costs. Once these costs are determined, I calculate the equivalent cost per lot that we can purchase the property for. I then present this price to you to see if you are interested. If you are, I would look for a 10% nonrefundable deposit from you, to secure your investment in the property. Once I have enough investors to secure the property, I make a formal offer of purchase to the seller. If the seller accepts we move forward with the acquisition. If the seller rejects the offer, I re-calculate the cost based on the counteroffer and present the revised cost to you. You can decide to continue with the investment or withdraw with a full refund of your deposit. If we still have enough investors to move forward, we go through with the acquisition.

The seller has also indicated that he would sub-divide the property before any money changes hands. That's a good thing, since all of the risk associated with sub-dividing is assumed by the seller. Upon approval of the sub-division, the property is purchased, and individual investors' lots are transferred from the holding corporation to their individual trusts or corporations. It's as simple as that.

Estimated Cost

Using the current asking price, and estimating the other costs, I have calculated a preliminary cost for acquiring a 25 meter beachfront lot and an additional back lot. The depths of the lots will vary but will be in the range of 150-200 meters. The price ranges between \$200,000 and \$250,000 dollars for both lots.

Let me put things in perspective. This price equates to a range of \$8,000 to \$10,000 per meter. I mentioned earlier that property in this area was selling for up to \$12,000 per meter for a single lot. Consider the benefits of owning property in this area:

- Electricity
- Spectacular beaches
- Highest Density in the Costa Maya
- Upscale Villas Next Door
- Proposed Recreational Attractions

You would be acquiring property of the highest quality, that is virtually unavailable in this area. Not only that, but if the projections discussed above come to pass the value of this property will appreciate significantly over time.

That's the way it looks to me. This property is available today. It may not be tomorrow. Given the level of activity taking place in this area, and projected to take place, I would seriously doubt that this property will still be on the market in 2 months.

So, if this sounds like something that may interest you, let me know as soon as you can. I suspect you will have questions. That's OK; send them on to me and I'll do the best I can to answer them. If we can get the required number of investors, we can lock this

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property down and begin the process of acquisition.

For pictures of the property, go to the Placer property under "Group Investments" at www.mexicocaribbean.net. I look forward to hearing from you.

Saludos,

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