



Newsletter — April, 2006

Introduction

Greetings.

I just returned from another short but intense trip to the Costa May. In addition to celebrating my _th birthday while there, I gathered a lot of good information that I'd like to share with you, in addition to a few good investment opportunities. The weather at this time of the year was a balmy 80 - 85 degrees Fahrenheit. This is really the last good month before the humidity starts to kick in, in late May, but over the next few months there will be more trips to come in spite of that.

Semana Santa

That means "Holy Week" in Spanish and for Mexicans it's the biggest holiday week of the year; at least the three days leading up to and including Easter. On these days Mexicans leave the cities and head for the coast for 3 - 4 days of camping and partying; and party they did. The small town of Majahual was teeming with people, mostly on the beach and in the water, with barbecues and lots of drinking to go along. Add to that mix a couple thousand passengers from several cruise ships that docked at the pier that week; it was quite an extravaganza. But on Monday it will all be back to normal again. Except that normal keeps changing. For the past few years I've been reporting on the pace of change in Costa Maya and new developments in the making each time I go down. It was no different this time.

The Hotels Are Coming

In February I reported about the opening of the first official large chain hotel owned and operated by the Holiday Inn called the Costa Maya Inn. I still haven't confirmed that it is operated by the Holiday Inn, but it's an official hotel (not a B & B) that you would typically find in the U. S. and Canada. I spent 2 nights there this past week, because everything else was booked. A standard room cost \$123 USD per night with master suites costing \$300 per night. It's quite comfortable and all air conditioned, and hot water is available upon immediately turning on the faucet—a rarity for hotels in the Costa Maya (at least for now).

1000 Unit Hotel

It appears the Costa Maya Inn may have some competition in the near future. Rumor has it (it's hard to confirm anything down there until you actually see it happen) that a large scale hotel owned and operated by a Spanish hotel chain will be building a 1000 unit hotel. The location is right where I've been reporting it would be; in the area north of Majahual, between Placer and Uvero.

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Since that is one of four large stretches of beachfront owned by Fonatur (Mexican tourism agency), it really comes as no surprise. There is no other land in the Costa Maya (outside of the Reserve) that could accommodate a hotel this size.

I don't have any details on the hotel as of yet (all inclusive or not), but one can only imagine that in order to service guests in this many rooms, there will need to be quite an infrastructure (water, sewer, electricity and road improvements).

Golf Course(s)

One of the reported conditions of the hotel pier to opening is that a gold course be built. Doesn't come as much of a surprise either. What other reasons would there be to visit one of the most beautiful, ecologically diverse and archaeologically-rich areas in the whole world other than to play golf. I'm kidding, of course, and you can probably tell from my tone that I'm not a golfer. But nevertheless, the golf game will also leave its mark alongside the (and in sharp contrast to) Mayan pyramids.

Implications

What are they? For a few years now I've been reporting that purchasing property in this area is one of the best investments you could make. We've seen annual appreciation of property value in the range of 15% - 25%, and that's without any major investment in the infrastructure or the presence of large-scale hotels. What do you think will happen to property values as soon as this information becomes official? My guess is that you'll see values at least double within the next 2 - 3 years; that's only a guess, but in the past 5 years I've seen property double in value and that was fueled largely by speculation that big things might be coming to the Costa Maya. With the large hotel chain, one more piece of the puzzle has fallen into place; that should remove most of the doubt in the minds of even the more conservative investors. More about investments later.

The Villas Are Coming Too

For several months I've described a great investment opportunity in the beautiful area of Placer, located adjacent to where the large hotel will be located. Well, that opportunity has come and gone. I was able to raise enough investors to purchase one half of the 800 meter parcel for what would have been an outstanding investment. But, after all the posturing, the entire property was purchased by a hotel operator with significant investment backing. The plan is to build over 100 villas on the property valued at over \$500K each. I also reported about this development in a previous newsletter.

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Consider the impact both of these developments will have on the Costa Maya. A 1000 unit hotel combined with over half million-dollar villas right next door. And what about property values in this area?

What If?

What if you could purchase a piece of beachfront real estate located just a few kilometers north of this hotel at a price that is several thousand dollars less than market value?

As I've reported before, larger parcels offer significant discounts over smaller single lots because they are not as easily marketed and sold due to the larger investment needed. But these properties can be sub-divided. The local officials know that sub-division will bring individual investors and much needed hotel rooms that will be required to support the growth in this area in the future. For this reason, they are very open to splitting up large parcels as a way of attracting more investment capital to the area.

I'd like to describe to you an investment opportunity that fits this profile.

Uvero

The Uvero area is located 25 to 30 km north of Majahual. It also happens to be in the same area that the cruise ship company has located one of its beach clubs. The 1000 unit hotel will be located between the Placer and Uvero access roads. The investment opportunity I'm presenting is a 250-meter parcel located within the range of 3 - 5 km of the proposed hotel. This parcel is currently being offered at a price of approximately \$7,000 per meter. Property prices in this area range from \$9,000 to \$12,000 per meter. That represents a discount of

Saludos,

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