

Mexico Resort Real Estate Update

From The Settlement Company®

Welcome to our First Quarter 2010 newsletter. We are starting the new decade in a rather troublesome way. Three natural disasters in Central and South America have saddened the hearts of the world. Then of course we have a global economy that is bandaged and limping along. Many have been severely hurt and have suffered a change in life style. In spite of all of this, there seems to be a sense of optimism and resiliency in many quarters.

In earlier newsletters, I have spoken about the need for a crystal ball and a “one handed economist” to help with possible solutions. In the face of all of this there are some investors who are betting on the future. There are two interesting meetings planned for the next Quarter of 2010. Two of these are the A.M.A.R. Conference in San Antonio, Texas and the National Association of Realtors® mid year meetings in Washington, D.C. More on these two events, below.

New Land Bridge Connects Baja California Sur Airports.

A new airport shuttle is now carrying international travelers between the airports of San Jose del Cabo and La Paz. The new service is being operated by, “ Eco Baja Tours.” The modern vehicle is similar to those providing luxury service, on Mexico’s mainland. Busses leave the malecon station at 7: 00 a.m. and 9: 00 a.m. They will make return trips from the San Jose del Cabo Airport to La Paz at 2:30 and 5:00 p.m. Developer and hotel associations are underwriting the new service, along with the State Tourism Department.

A one way ticket for the shuttle will cost 325 pesos. (About \$US 25 or \$CDN 27) Meanwhile the Mexican Association of Real Estate Professionals (AMPI) is working with the Secretary of Tourism to lobby for more flights to La Paz.

News from the NAFTA Trade Office:

(courtesy NAFTA WORKS newsletter.)

Building New Bridges between Mexico and the U.S.:

On January 12, 2010, Mexican President Felipe Calderon and U.S. Trade Representative Ron Kirk officially inaugurated Anzaldúas International Bridge, which is the first new land port of entry on the southern U.S. border to open in ten years.

New Mexico - Brazil Economic Partnership:

In the framework of a bilateral meeting held in Cancun on February 23rd, 2010, the presidents of Mexico and Brazil, Felipe Calderon Hinojosa and Luis Ignacio Lula da Silva respectively, announced that both countries have agreed to begin a formal working process to evaluate and determine the areas of opportunity, scope, and benefits of a Strategic Agreement on Economic Integration between Brazil and Mexico.

The objectives of this Strategic Agreement are:

To promote the growth and economic development of both countries.

To increase the employment and well-being of Mexicans and Brazilians.

To guarantee the actual access to the markets of both countries, by coping swiftly and effectively with the existing trade barriers.

To combine both production chains, including incorporating micro, small and medium enterprises, and

To shore up the flows of trade, investment, strategic alliances and technology, and cooperation transfer.

Both presidents have stated that these are just some of the many benefits both countries can have by making efficient use of the complementary nature of the Latin Americas two largest economies. They also encourage their private productive sectors to promote the great business opportunities that will emerge as a result of this strategic agreement between Mexico and Brazil.:

The Settlement Company® approved as Escrow Agent for BBVA Bancomer loans
Mortgage loans through alliances between Mexican banks and their US counterparts are now becoming more available for real estate purchases in Mexico. Some banks offer loans for purchase, re-finance and construction. The Mexican banks processing these loans must handle funds through escrow. After submission of documents and supporting information **the settlement company ®** is now approved as Closing Agent and escrow holder for loans made through BBVA Bancomer bank. At present these loans are funded by US Compass Bank. Thus, if you are making a loan through this bank, no matter where in Mexico the property is located, **the settlement company ®** can handle both the closing coordination and the escrow.

Taxes in Mexico:

Following is an excerpt written by Donald Nelson, an income tax professional.... He shares his time between Mexico and his home in California...".If you own a property in Baja through a Fideicomiso (Mexican Property Trust) you are required to file Forms 3520 and 3520A each year with the US Internal Revenue Service. The Form 3520A is due 3/15/10 for tax year 2009 but can be extended if the extension is filed by that date using Form 7004. The form 3520 is due by the extended due date of your personal tax return. Failure to file these forms by the due date or filing these forms late can result in the IRS assessing extremely large penalties. An IRS source (who does not want to be identified) has stated orally that if a late filing excuse is attached the penalties may be abated. This unofficial rule may not continue into the future."

Visit the Don Nelson expat tax site at for more information

<http://www.taxmeless.com/page11.html>"

Also on Mexican taxes, Linda Neil, Founder of the Settlement Company has written an article on the tax responsibilities of foreigners living in Mexico. For a copy of that article, please contact us at the address, shown below.

TAXES ON RENTAL INCOME - New Mexican regulations can now make it simpler to pay taxes on income received from the rental of your Mexican properties. For additional information, please e-mail: quirino.parra@settlement-co.com

Second Annual Real Estate Summit:

For a second year in a row, NAR will host a special Real Estate Summit on Tuesday, May 11th, at its mid year meetings. The summit will bring together real estate professionals, academic and opinion leaders, economists, government officials, and members of the media for a dynamic conversation about how to address real estate challenges across the nation. Stay tuned for more information about keynote speakers and times. (**EDITOR'S NOTE:** I attended last year's summit. It had been planned as a half day of panels, but ended up being a full day summit, Among the speakers were Alan Greenspan, former Head of the Federal Reserve Bank, Sheila Blair, head of F.D I.C., members of academia, the media and economists. The following day a Commercial Real estate Summit was staged.)

Other highlights at the Washington meetings will include; the Certified International Property Specialists (CIPS) breakfast. New CIPS designees will receive their diplomas and pins at this event, the International and Second home Real Estate Forum, the International Networking Reception, the MLS Association Executives Session, a Trade Show and visits to several embassies and members of Congress. State real estate associations will caucus during the week.

Hotel News from La Paz:

The Hotel Fiesta Inn at Costa Baja, closed its doors earlier this month. It will be renovated and updated and open as a 4 star Heritage Hotel, later this year. According to new General Manager, Jorge Notri the hotel will be continued to be owned by Costa Baja, but will be managed by the Grand Heritage Hotel Group. The existing restaurant will be enclosed and transformed into a specialty eating facility with world-renowned chefs. John W. Cullen founder the Heritage Group in 1986. Grand Heritage owns and operates over a dozen independent hotels across North America and Mexico, including one of a kind and historic properties at world class destination resorts. We understand, but cannot yet confirm that a new five-star hotel will be constructed at Costa Baja. Alejandro Iberri, Director General of the project reports that work is moving along on the new Gary Player golf course. It will be spectacular course, with many holes having ocean views. The course is scheduled to open in November of this year.

AMAR Will Meet In San Antonio – May 7th & 8th:

Asociacion Mexicana de Asistencia en el Retiro (AMAR) is an organization dedicated to encouraging and helping people from outside Mexico to retire in this country. There are

100 million North Americans in the target market. AMAR's 2010 meeting will be in San Antonio Texas on May 7th and 8th.

Last year 400 attended the second annual Conference held in Mexico, D.F. The Conference heard about 60 projects that are being built for those retirees heading for Mexico. The value of the projects being built or on the drawing boards was estimated at \$100 million.

Linda Neil, Founder of Mexico's The Settlement Company ® attended the conference. She participated in a Panel, "Living in Mexico." (Linda has been a resident since 1972.) Following the meetings she commented, "Is this the niche market that can help the Mexican real estate market come back?" She also wrote an article "Active Living ... Assisted Living." Copies are available on request.

Following is a partial list of speakers slated for San Antonio; **Jim Moore** Founder of Moore Diversified Services. His company is heavily involved in market feasibility studies, detailed financial pro forma analysis, strategic planning and investment advisory services. **Margaret Wylde**, Founder of Promatura Group, LLC. Her company has been doing research on mature consumers for more than 25 years. During her career, she has designed, developed and managed age-qualified housing projects. **J. Patrick Butler** a successful developer of Mexican real estate. **Eduardo Gomez Mont**, Director of FONATUR, the promotional and funding arm of Mexico's Department of Tourism and **Paul Crist**, Founder of Americans for Medicare in Mexico. (AMMAC) How to access the Canadian Market will be a new feature, this year.

The following is from AMAR's web site: We have prepared for you an event with the mottoes... "Mexico is the most affordable Destination Abroad Close to Your Home." There are two concepts. 2B Alive will share information from experts in the Sector and Ventana de Mexico Expo aimed at our target market and where better than San Antonio with its bi-cultural mosaic and tourist attractions.

New Head of Mexican Tourism:

Earlier this month Gloria Guevara Manzo was appointed as Mexico's new Secretary of Tourism. She replaces Rodolfo Elizondo Torres who has had a distinguished career in the post. Rodolfo will be in charge of the logistics and planning of a United Nations conference on Climate change. That event will take place in Cancun, Quintana Roo, next November.

The announcement of Gloria Guevara took place in the Salon Manuel Avila Camacho at Los Pinos, residence of Mexico's President. In making the announcement, Present Calderon stated that Gloria has had a successful career in the tourism industry, including working as Vice President and Director General of Sabre Travel Network Mexico. That organization is a world leader in travel reservations. Her academic background includes a degree in information technology from the University of Anahuac. Gloria also studied at the Kellogg business school at Northwestern University. Her majors were marketing and administration.

Real Estate Survey in Mexico's Tourist Areas, Brings Mixed Results

The team of Posch and Parks at Pudential Cabo Goild in **Los Cabos** write:

"The first quarter is already gone and we can say that activities have drastically increased. There are buyers out there that are looking for a good deal. Properties that are priced at the fair value hardly see any activity. Properties that are priced attractively see multiple showings a day.

Little by little we will see the market picking up here in Cabo. There are still good deals out there and more coming on every week."

This from Harriet Murray at Casa and Vilas in **Puerto Vallarta**"

"Americans do not have a lot of presence in this current market for obvious reasons in the US economy and inaccurate media reporting .Canadians, Mexicans are creating the major activity. There is a large tract of ejido land under contract on the ocean front south of PV. Now is the time to buy, rather than sell unless one is really motivated."

Thomas Lloyd from Top Realty Mexico writes from the **Riviera Maya**:

"In March 2010, the Riviera Maya has seen an increase in visitors both for tourism and for exploring real estate options. The amount of people inquiring has reached the level of February 2010, having already passed January 2010. The demand has been strong in the price range of \$300,000 USD and below. There is also interest shown in higher priced properties and homes on the beachfront, but many have made lower offers, which have not been accepted by the sellers.

What has increased are the financing options. People are researching purchases using bank loan options with the Mexican property as collateral. Interest rates dropped for non-Mexicans from 12% nearly 2 years ago to the 7% range in 2009; at the beginning of 2010 we are seeing some packages at 6.5%. Other factors which have been catching the attention of investors and end users are the strong public investments into the area's infrastructure. The government is betting on long term continued demand; thus, the area is booming with new bridges, new roads, beach recovery projects, and a new international airport in the region for which the private bidding has already begun. For real estate appreciation these are key factors for future growth and people have been eyeing the region for their 2 – 5 year investment plans. Developers, still recovering from the slow 2009 season, are very anxious to hear offers. On the other hand, individual sellers, on the whole, are less flexible in negotiations.

The Team from Paraiso del Mar, **La Paz, BCS**, Mexico writes:

Buyers continue to look for value. In lieu of price reduction, golf membership and turnkey furnishings are a value-add at Paraiso del Mar. A sure sign of economic recovery is indicated by the fact that condo rentals have sold out on several occasions this quarter. New buyers are hard to come by. Closings at Paraiso have come from under-contract buyers with renewed interest to close first quarter. News of our award-winning golf course (the first in La Paz with a second course planned to open this fall) has increased traffic numbers. With the completed highway from Todos Santos to

La Paz and the connection from Todos to Cabo under construction, two daily shuttles from the Cabo airport to La Paz and the ever-increasing influence of Volaris Airlines into the La Paz market we're optimistic about increased traffic and conversion to sales. Canadian interest and inquiries from the Mexican market continue to play an ever-increasing role in sales activity. Product \$350,000 and below continues to be our strongest sellers.

EDITORS NOTE: Brokers in **Manzanilo** and **Zihutanejo** were sent a request for comments, but did not reply.

However we do know that reservations and sales are brisk at the Sotavento Resort in **Zihuatanejo**. It appears that Trevor Redfern and his team already have more than sixty units sold since the first of 2010.

All for now! Thank you for reading this!

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