

Mexico Resort Real Estate Update

From The Settlement Company®

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Welcome to our Fourth Quarter, 2016 newsletter. . Above all The Settlement Company® team wishes you Happy Holidays and a safe, healthy and prosperous 2017. The coming year marks our 26th year Anniversary of serving the Mexican real estate industry. We thank everyone for your support and look forward to many more years of service...

A Resort Development Saga in Mexico

Source New York Times

by KEVIN BRASS, NOV. 28, 2016

For 11 years, a British developer has been building and marketing a project called Playa de La Paz, a collection of 23 luxury condominiums in La Paz, Mexico.

LA PAZ, Mexico — Jeffrey Curtiss's obsession is a collection of 23 luxury condominiums on a secluded beach in La Paz, the old Mexican city on the Sea of Cortez. For 11 years Mr. Curtiss, who made his fortune in the trading and distribution business in Britain, has been building and marketing the project, Playa de La Paz, hoping to attract the type of high-end international home buyers who have traditionally bypassed La Paz. A first-time developer, he pored over every detail of the project and lived on site during construction, only to face the global economic crisis, Mexico's drugs wars and countless construction delays.

"I thought it would be a lot easier," said Mr. Curtiss.

Today Mr. Curtiss has sold seven of the 23 waterfront condominiums, with the remainder priced between \$1 million and \$3.5 million. He doubts the project will ultimately make a significant profit.

"I wasn't thinking of the bottom line, or how to make money," said Mr. Curtiss. "I was following a dream."

Several developers have dreamed of turning La Paz into an international second home destination. The capital of Baja California Sur, the city sits on a tranquil horseshoe bay, which has attracted such sea lovers as the author John Steinbeck and the oceanographer Jacques Cousteau.

From 2002 to 2006, a wave of resort projects launched in La Paz, only to stall when the international second home market collapsed in 2008.

This includes the hotel at Costa Baja Resort & Spa, in La Paz. When the development was launched, in 2004, the target audience was from the West Coast of the United States and Canada, but now buyers are primarily from mainland Mexico, its chief executive says.

Not far from Mr. Curtiss's project, a half-built condo tower sits abandoned on the waterfront. Across the bay, work has stopped on the residential portion of an ambitious 1,700-acre project named Paraiso del Mar, which built the first 18-hole golf course in La Paz in 2009. Existing owners have been forced to take over the residential portion of the site, local real estate agents say.

"It seemed everything went bankrupt," said Brian Westerlund, owner of Diamante Associates, a La Paz broker, speaking of projects started in that era. "Everything was too expensive."

Buyers from the United States and Canada prefer the big resorts of Cabo San Lucas, about a two-hour drive to the south of La Paz, agents say. While sales have languished in La Paz, prices have skyrocketed in Cabo, where several large-scale master-planned developments are under construction, with new homes typically priced at more than \$1 million.

"Los Cabos has more exposure and promotion than La Paz," said Arturo Pena, chief executive of Costa Baja, a 550-acre master-planned development launched in La Paz in 2004.

Billed as "the only five star resort in La Paz," Costa Baja includes a 250-slip marina, a 115-room boutique hotel, a Gary Player-designed golf course—the area's second golf course—and plans for 1,200 homes. Since 2004, 200 homes and 78 custom sites have been developed and about 80 percent have sold, including 12 units sold at auction in October, Mr. Pena says. Prices for the remaining townhomes and condominiums range from \$300,000 to \$1.3 million.

Costa Baja includes a Gary Player-designed golf course — the area's second golf course.

"It is difficult to attract buyers at this time from the West Coast with the level of competition in Los Cabos," Mr. Pena said.

La Paz has always attracted a different kind of buyer than Cabo, agents say. La Paz maintains the atmosphere of a traditional Mexican city, with few international chain stores and restaurants along the bay.

“People go to La Paz to live,” said Linda Neil, an agent who has been working in the area since 1991. “You don’t go to La Paz to go to nightclubs. They’re low-key people.”

In the last year, home sales in La Paz have been picking up, but most of the sales have been condominiums priced under \$200,000, agents say. In the first three quarters of 2016, condo sales were up 89 percent from a year ago, to 53 units, with the average sale price about \$150,000, according to the sales tracked by the local multiple listing service.

“La Paz is changing,” said Eduardo Ramirez owner of Global Real Estate, a La Paz broker. Tourism is picking up, and more investors are buying property, particularly from Mexico”, he says.

“Rentals are increasing,” Mr. Ramirez said. “Every time that happens a lot of sales happen.”

The “peaceful and quiet” aspects of La Paz attracted Bill Willett, the owner of a transportation refrigeration company in Omaha, Nebraska, who was one of the first buyers in Mr. Curtiss’s project. He originally paid \$1.25 million in 2006 for an apartment before trading up to a four-bedroom, 6,000-square-foot penthouse listed at \$3 million.

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Mr. Willett says he was never worried the project would be built. “I never had a doubt, ever,” he said.

Mr. Curtiss acknowledges his passion for the project often caused complications. To get the doors and window frames exactly the way he wanted, he built his own woodworking shop and hired artisans. He fired five project managers, who, he says, “never understood the expectations.”

“My partners were quite upset with me, at times,” Mr. Curtiss said.

Mr. Curtiss completed construction on Playa de La Paz in 2010, but opted not to spend any money marketing the project, with sales in the area almost nonexistent.

“I didn’t want to be giving deep discounts,” he said. “I thought we’d be better off to do nothing and wait until the storm was over.”

But he has sold two in the last year and expects to ramp up a new marketing campaign aimed at international buyers.

“Honestly, I didn’t realize it would take so long,” Mr. Curtiss said. “At the end of the day, it is the vision of a crazy guy.”

New Air Routes for Mexico

Five airlines have submitted requests for at least 15 new routes between US and Mexico

Source: Mexico News Daily | Tuesday, December 13, 2016

Expect more U.S.-Mexico flights to be announced soon: the federal Undersecretary of Transportation said yesterday that five airlines have requested permission for between three and six new routes each.

Yuriria Mascott of the Secretariat of Communications and Transportation said permissions have been granted in four of those cases — which were requests made by American Airlines, Delta, Southwest and Hawaiian — and a fifth is pending.

Among the destinations favored by the airlines are Monterrey, Los Cabos, Puerto Vallarta, Cancun and Mérida. Not one application was made for new flights to Mexico City, Mascott said.

The expansion of routes comes as a result of the signing of a new air accord between Mexico and the U.S., which took effect in August and replaced one that dated back to 1960.

(**EDITOR'S NOTE:** Statistics show visitors to Mexico have been at an all time high in 2016)

Source: *[El Economista](#) (sp)*, *[Dallas News](#) (en)*, *[Skift](#) (en)*

Morelia, Latin America's Illuminated City and City of Festivals

Morelia is more than the political capital of Michoacán. The city founded in 1541 is also the cultural center of the state. In 2003, the city embarked on an activity, "Plan Luz." Buildings and historical monuments are lighted at night. The architecture makes for a true sixteenth century jewel...

In 2010, Morelia was named, "Latin America's Illuminated City", by the organization, Lighting Urban Community International. Created in 2002, at the behest of the City of Lyon, today LUCI is an organization of nearly 100 members, comprising 70 cities covering four continents and 40 associated members (international companies, lighting designers and architects, universities, independent lighting professionals.)

One of the first buildings to be lit was the city's magnificent cathedral. It has the second largest organ in Latin America. The cathedral is home to the annual International Organ Festival. Speaking of festivals, there is a new one starting almost every week. Among them are the Festival, Mariachi Festival, Cine Festival, Dance Festival and the popular International Music Festival celebrating its 28th year. It honors a different country every year. The International film Festival has just completed its 14th year.

Conservatorio de Las Rosas, founded in 1743 is said to be the oldest music conservatory in the new world. Along with the Cathedral it is lit up at night.

Plan Luz continues with new sites being added every year. At the end of 2016, there were 42 sites that are lit up each evening. This includes, buildings, monuments, and plazas. On Saturdays fireworks and music can be seen and heard in front of the cathedral. Locals and tourists alike crowd the closed Calle Madero.

Morelia is certainly a city worth visiting.

What's Going On With All These Developments in Los Cabos?

They're starting to open, that's what is going on.

BY DAVID FLORES, Editor, the Gringo Gazette. ™

The Grand Velas Los Cabos, the more than 300 all-suites, all-inclusive high rise resort that was built at a cost of \$150 million, was officially opened recently. It was on Mexico's Revolution Day. The builders were under pressure to re-open the closed lane on the four lane. It was fraying the nerves of all of us who like to speed between the two towns at 90 miles an hour.

The next opening will be the Solaz and LeBlanc resorts, early next year, plus the Garza Blanca, all located on the corridor as well. Also the new Melia, named Paradisus and a new St. Regis hotel on the Pacific side of Cabo as part of the Starwoods Hotels & Resorts. Paradisus? How do they come up with these stupid names that their target market, (non Spanish speaking foreigners), can't even pronounce, let alone remember?

These will join Costa Palmas by Four Seasons, Rancho Solmar, Breathless, Ritz-Carlton, Villa Valencia by Villa Group, Vidanta and Hard Rock. Joining these will be new entrants Montage, Solaz by Sheraton, Chileno Bay Resort & Residence (by Auberge), Park Hyatt, and Nobu Hospitality.

It's not as if luxury was new to Los Cabos; The Palmilla, Auberge, Rosewood, and newcomer Thompson all have loyal luxury credentials in a place where celebrity weddings and escapades are weekly fodder for the global paparazzi.

The list was revealed during the 10th. Los Cabos VIP Summit held last week, which is a chance for the area's resorts to court new relationships with tour operators and wholesalers. This should go a long way toward answering everyone's question about how all those beds are going to get heads: Marketing by the new resorts. It's already underway, even before they're open.

More than 4,000 new rooms will hit the market by the end of 2018 and it's a race to get the doors open to be the first to find the limited number of employees available. The local Hotel Association. is working with Mexico's labor ministry to train the more than 500 employees who will be needed in the near term

And just where are all the employees going to come from? The mainland, of course. And just where are they going to live? That's a problem that nobody seems interested in tackling, as there's not much profit in building lower end housing.

Once confined to a few low density hotels built in the 1950's, the Los Cabos of tomorrow is marching north along the Pacific toward Todos Santos with golf, residential and resorts along coastal dunes silent and untouched for millennia. Simultaneously, to the east is Grupo Questro's Puerto Los Cabos, anchoring a fully integrated marina-golf-resort build, also with new flagship resorts opening in the next 12 months.

REMINDER! IF YOU OWN RENTAL PROPERTY ANYWHERE IN MEXICO, your income must be declared in Mexico and taxes paid to the Mexican government. Taxes paid in Mexico on income can then be credited to US and Canadian returns. Many nonresidents of Mexico have never paid any taxes on their rental income from properties they own in Mexico. This is against Mexican tax law. The Mexico tax code clearly states that these Mexican taxes must be paid on rental income from apartments, houses, and commercial property. Failure to do so can result (and has resulted) in substantial penalties and legal problems with the Mexican tax authorities.

It is now much simpler to pay these taxes and avoid problems, even if you do not have a Mexican tax identification number (RFC). The Settlement Company® has developed a simple and easy procedure which will allow you to be tax compliant on rental income. You do not have to suffer the consequences of failing to pay. Email us today to learn more and to get started. rentaltaxmexico@settlement-co.com

May 2017 be the best ever for you, your families and your business!!

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