

“Mexico: North America’s Safe Haven”

By Mitch Creekmore, Stewart International



Ever since 9/11, Americans and Canadians have been concerned about traveling outside the continental perimeters of North America. Our fear of boarding a plane and heading over the oceans for great vacation destinations has given rise for a little consternation to even the bravest of travelers. Now in mid 2006, given what recently transpired with our ally across “the big pond,” we’re concerned once more about the threat of terrorism and its subsequent impact on air travel. Over the last 5 years, Mexico has been one exception given its close proximity and easy access via strong airlift capacity, not to mention its opened arms reception of tourist, luxurious hotels on splendid beaches and an extremely dynamic real estate market. Even in a worst case scenario concerning air travel, Americans can *drive* back across the border. Additionally, there are many other factors making Mexico a premier destination for North Americans seeking a vacation place in the sun or acquiring a second home in this beautiful country.

Unfortunately, our U.S. housing market is showing recent signs of a recession. What has been a vibrant homes sales arena for more than 6 years has suddenly tapered off during the past 5 months. Markets like California, Arizona, Nevada and Florida, that were capturing 20% or better annual appreciation in residential home values, are now experiencing a flattening of sales activity. With increasing interest rates on mortgages, many Americans are beginning to cut back on their acquisition appetite for not only primary residences but also for second homes purchases as well. Our U.S. economy is certainly strong, but housing prices have escalated so significantly in many markets that it’s now fueling a “cooling off” of the demand where supply and availability hasn’t been an issue. Americans still have an abundance of disposable income they want to invest. Given a less than exciting stock market outlook and a second home scenario that may become equally less exciting, Mexico is a venue offering an attractive investment opportunity to the \$70 billion of wealth the baby boomer generation will inherit over the next 10 years. Without question, Americans will want a place to invest these funds with an appreciation potential and one that they can also enjoy. Hence, second homes in Mexico’s should gain a greater demand of American investment interest.

Destinations that in the past were “sleepy” and not as popular are gaining a much greater foreign interest in 2006. Not that the traditional beach haunches like Cabo, Vallarta, Cancun and Penasco aren’t still hugely popular and much in demand, but Americans are now exploring buying opportunities in the “up and coming” markets like Loreto, La Paz, Manzanillo, Ixtapa, Puerto Escondido, Huatulco and San Carlos. Driving factors for the increase in buyer interest are lower price points for comparable residences and amenities, a greater availability of financing and mortgage alternatives, coupled with better access to each destination via new and expanded flight schedules from the major airlines. The North American buying public simply has a greater array of possibilities and locations when it comes to second home acquisitions or investment venues they can consider. Where they might have been “priced out” in a particular market due to higher price demands on residences located there, they are no longer excluded

from a desired investment opportunity. They re-adjust their buying expectations and are able to consider other markets that can be equally as appealing and meet their acquisition criteria.

Mexico will have their new president take office on December 1. By all current accounts and announcements, it should be PAN candidate Felipe Calderon. With his election, Mexico will continue to have the same political party in the presidency but with a more tri-partisan congress. In any case, regardless of ruling party, tourism will still be a major focal point of the new regime due to the economic impact it generates for the nation. Foreign investment drives Mexico's tourism bus. Their government is critically aware of this fact and will continue to support and advance initiatives that promote new touristic development in the various municipalities. FONATUR, Mexico's tourism agency, will be at the fore front of implementing new programs and providing government incentives. With developments comes new infrastructures, roads and utilities to support proposed projects. With new projects comes new tax income and increased jobs for the local community. With additional income and jobs comes a greater standard of living for the Mexican populace in these markets. Tourism and foreign investment are a strategic component of Mexico's long term vision of prosperity. Hand in hand, they create the life blood needed to improve the quality of life Mexico wants to give its people. With it, Mexicans can look to a brighter future in their homeland rather than looking outside the country. Americans have the opportunity to participate in this important and ongoing process to better Mexico.