

## RESIDENTIAL REAL ESTATE Downturn creates opportunities – and warnings – for real estate investors

## Mexico way

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WESTERN INVESTOR

Calgary oil executive **William Bowlen** is happy with his 2005 decision to spend \$3 million to buy a detached home at **Punta Mita**, a posh 1,500-acre resort on what many describe as Mexico's choicest real estate.

The **Regency Energy Group** owner would do it again in a flash. The investment, located a 45-minute drive north of Puerto Vallarta, is a long-term play, and he is confident it will pay future dividends.

Meanwhile, he is enjoying the luxuriousness of the multi-gated community that is surrounded on three sides by nine and a half miles of coastline.

Yet, scarcely a month passes without news of Mexican drug wars, corruption and real estate investor lawsuits. It's enough to make a savvy property buyer think twice about selecting Mexico as a home away from home during Canada's long winters.

Critics who doubt that venturing south is worth the risk point to a steady stream of frauds, a complicated land title system and a different legal system as reasons why real estate capital is best employed in Canada or the United States.

Even tycoon **Donald Trump**, who is implicated in lawsuit-heavy Baja development, has been burned. Dozens of buyers have sued Trump, along with Los Angeles developer **Irongate Wilshire LLC**, for US\$32 million in down payments for never-built luxury condos in Baja California.

Bowlen, however, had no qualms about buying Mexican property when due diligence passes with flying colours. Being able to play

Punta Mita's two **Jack Nicklaus** signature golf courses is priceless, he said.

"I showed all the legal work for our place at [Punta Mita's] **El Encanto** to one of my lawyers in Alberta at **Miller Thomson**," Bowlen said. "They have a guy who specializes in Mexican properties. He said, 'This is the best piece of work I've seen in a lot of places.'"

Bowlen's title for his oceanfront Punta Mita property is held with the **Bank of Nova Scotia**. He said he has a similar arrangement with a third property in Jasper National Park. "We don't own the Jasper property. It's a lease in perpetuity with the federal government."

Deals abound at Punta Mita given that only about 240 of approximately 850 units at the resort have been sold, according to **Punta Mita Properties**

vice-president **Gary Pepin**.

"Since the economic collapse, we, like other resort communities, have

been virtually dead in the water. In the last month we've seen a vigorous renewal of activity," Pepin told *Western Investor* in mid-July. "We've had about four or five deals under contract, and a couple of them have closed. Things are starting to move again."

### Prices slashed

Prices have dropped at least 25 per cent, and units now start at \$700,000 for a condo and go all the way up to \$11 million for a villa at the double-gated resort community's **Four Seasons** development.

Pepin estimated that 80 per cent of buyers are American and 10 per cent are Canadian.

To stimulate buyer interest, Punta Mita's master developer, **DINE**, is offering below-market financing rates. The financing program requires a 30 per cent down payment due at closing with no mortgage payment due for



Prices have been cut 25 per cent at the luxury Punta Mita development, north of Puerto Vallarta, but some investors woory about crime and resale restrictions.

three years at zero per cent interest.

Tempting? Not to Vancouver real estate consultant, investor and **Jurock Publishing Ltd.** owner **Ozzie Jurock**. "I love Mexico. I just don't love it for investments," he said.

### U.S.A. deals tempting

Jurock stressed that he is not singling out Mexico. He is not keen on investing in real estate anywhere south of the U.S. .

Jurock has seen enough people get burned in foreign real estate deals to keep his personal real estate investments north of the U.S.-Mexican border.

"You can buy in the U.S. for half price. Go to San Diego. Prices are down 40 per cent in some areas," he said. "I invested in San Diego and did extremely well in another recession – the one in 1991," Jurock said. "I'd much rather put my money there or anywhere on the coast of the U.S."

Opportunities exist to buy golf course-facing condominiums in Phoenix or Nevada for as low

as US\$80,000, he said.

Gangs, corruption and a unique and complicated land title system top Jurock's concerns about Mexico.

"Mexican real estate adventures have seldom proved profitable to Canadian investors, and warning flags are waving when any new development hinges on co-operation between Mexican municipal, state and federal governments. Aside from currency uncertainty and infrastructure, such as sewer and water concerns, there are potential restrictions on resales, and a limited and seasonal rental market for investors. Do your homework, amigos," Jurock said.

Pepin admitted that some of Jurock's concerns are "somewhat true," though he stressed that foreign buyers have protection.

"The exact bundle of rights that you have owning property in Canada and U.S., you can obtain in Mexico. We use an American title insurance company to close our deals," Pepin said. ♦

# DONE DEALS

New! *Done Deals* editorial feature will highlight deal flow in Western Canada.

Show the market what is moving and who is moving it. The monthly report will highlight major (basically 50K square feet or more; or land deals of \$2 million or more) commercial real estate transactions that have closed within the last 30-45 days in Western Canada.

Please send us the following information:

- What was sold or leased?
- Who was the vendor (if possible)?
- Who was the buyer/tenant?
- If the name of the buyer is confidential, please tell what type of buyer (i.e., REIT, institutional, local investor, foreign investor, owner/builder)
- Who was the listing agent/agency?
- What was the selling price?

Please forward this information directly to Frank O'Brien, Western Investor Editor at [wieditor@biv.com](mailto:wieditor@biv.com).

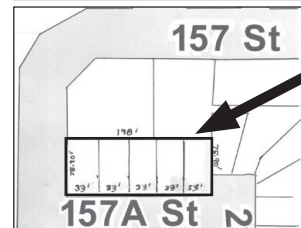


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