



NOW IS THE TIME TO INVEST IN LOS CABOS THE SECRET IS OUT

By **Jason Bryant**
Photo by **Jim Cline**

The "sleepy" little fishing village, that has over the past 20 years become one of the world's elite resort destinations, is gaining wider and wider exposure across the United States and the world. Cabo San Lucas is the fastest growing resort area in the world. Growing at more than 15 percent annually, (according to INEGI, Mexico's Statistics Agency), and currently the growth shows no signs of slowing.

This exposure has largely been fueled by an increase in the number of hotel rooms available in the Los Cabos area which continues to expand as more large scale resorts are scheduled to open over the next two years. Currently Los Cabos boasts over 12,000 hotel rooms.

This capacity and the marketing necessary to fill these rooms have allowed more and more airlines to schedule direct routes to Los Cabos. Direct flights are a key component in creating vacation appeal.

Historically Los Cabos has been frequented primarily by people living on the West Coast, namely California, now however there are direct flights from a growing number of Midwest and East Coast US cities. Currently New Jersey, New York, Atlanta, Chicago and Detroit all have direct flights on

various airlines and more should be expected soon. These flights open Los Cabos to huge new markets. The potential for continuing the existing growth pattern is good.

TOURISM DRIVES HOUSING MARKET

A prime benefactor to the increase in tourism and the wider spread knowledge of what Los Cabos has to offer is the residential housing market. Many tourists fall in love with Los Cabos and wish to make this their second, permanent vacation or retirement home. New developments continue to spring up almost weekly in a wide variety of price, feature and style ranges. Truly there is something for everyone. Excellent valued single family home and condo communities are available in the \$250,000 USD range and at the other end of the spectrum there are ultra-elite luxury developments that have homes priced at \$10 million and above.

NOW IS THE TIME TO CONSIDER

While the current economic situation in the US may impact the rate in which Los Cabos continues to grow during the near future, it is clear that Los Cabos is poised for exponential growth over the next five years. Additionally no one can predict how long the property values will sky-rocket, however it is likely any investment now in Los Cabos will be

stable with steady gains over the years to come.

In addition to the above factors which are driving Los Cabos growth the following outlines a variety of other reasons why investing in property in Los Cabos is attractive and a consideration of anyone who wants to balance a sound investment with the joy and prestige of owning a home in one of the world's great destinations. (As with any investment you need to do your homework, deal with reputable agencies and seek expert guidance.)

1. FIGHT TOWN LAND:

The legal aspects of property ownership in Mexico have changed greatly over the past 15 years and now provide US and Canadian citizens the ability to participate directly and safely. This legal structure will assure the secure transfer of property and protect all persons involved in the transaction. For coastal areas, such as Los Cabos, buyers need to follow very specific guidelines to transact a purchase legally and securely. Following up with a member of the Los Cabos MLS and/or AMPI (Mexican version and affiliate of the National Association of Realtors) will provide you with the guidance to do this with confidence.

2. ABILITY TO OBTAIN A MORTGAGE WITH FAVORABLE TERMS:

Until recently, financing real estate in Mexico was difficult with terms that were not very attractive or understandable to most Americans. The majority of real estate was purchased by cash. Currently; however, U.S. citizens buying in Mexico have a variety of financing options offered by both U.S. and Mexican lending institutions. In general loans can be obtained with the following guidelines:

- Loan to value Ratios of 80% (Typically at least 20% down)
- Interest rates starting at approximately 7.99%
- Payment terms of 20- 30 years
- Loan amounts from \$100,000 to over \$2,500,000

Your dream vacation/second home may be closer than you think. It will definitely be beneficial to contact one of the many mortgage brokers in the Los Cabos area. They can assist you in finding the loan package that best matches your financial situation and that is right for your budget.

3. TAX BENEFITS-OF A SECOND

HOME: Just as property purchased in the US. as a second home provides tax benefits - as does any second home purchased in México. Specifically the interest paid on any loan for a Mexican second home is tax-deductible. IRS regulation Section 163 (C), and Publication 936, specify that interest paid on primary and secondary residences up to a combined value of one million dollars in loan amount is tax deductible. The IRS regulation does not specify that the purchased second home must be located in the US. It is the opinion of most professional tax consultants that interest paid on a home loan on property in México is in fact deductible.

Note that you can deduct the mortgage interest you pay on a second home, but not on an investment property. Which category your home belongs in depends on how you use it. To the IRS, a second home is one that you personally use at least 14 days per year, or at least one day for every 10 days it's rented out, whichever is greater. (Please consult a tax professional for applicability to your specific tax situation and for additional material details).

4. STRONG LOCAL INFRASTRUCTURE: (COMMERCIAL. AND MUNICIPAL)

The past 10 years has seen a tremendous amount of investment made in the Los Cabos local infrastructure that makes owning a home here convenient as well as a good financial investment. As with any rapidly expanding community Los Cabos is experiencing natural growing pains. Most of these have been addressed or are under consideration by both local business and governmental leaders. The following highlights a variety of these efforts and investments.

- SHOPPING: Costco, Office Depot, Office Max, Home Depot, Wal-Mart and Sam's Club all have locations in Los Cabos providing the conveniences and comforts that most Americans and Canadians are accustomed to.

-AIRPORT EXPANSION: Another improvement being undertaken is the San Jose del Cabo Airport expansion project. In order to handle the increased demand made by more flights airport and tourism officials announced the airport would receive a number of upgrades in the next two years. Enhancements will include additional parallel landing strips to accommodate air traffic more appropriately, reconfigured highway access (including the existing toll road that provides rapid access to the San Jose hotel area); a fourth terminal that will join Terminal 3.

-CRUISE SHIP DOCK: Additionally Mexican President Felipe Calderón announced last August that Cabo San Lucas, along with a number of other Mexican coastal cities is designated for a cruise ship dock. This will assist in attracting an even greater number of cruises ships and passengers, further increasing the exposure Los Cabos receives.

-HIGHWAYS:

The four-lane highway from San Jose del Cabo to Cabo San Lucas is being extended from Los Cabos to La Paz. This multi-year project will likely cause real estate on the coast adjacent to the new four-lane highway to substantially increase in value.

5. RENTAL INCOME: One other consideration is the opportunity that you have to rent your property and generate income to offset the cost of ownership. Many families are able to completely defray their mortgage payment and ownership expenses by taking this route. Los Cabos has enjoyed an annual average occupancy rate greater than 65 percent over the past few years, and closer to 90 percent during peak times. There are many fine property management companies that can assist you with making projections as well as understanding what opportunities you may have in this regard. Note: As stated earlier an investment or income generating property has specific tax implications-please check with your own tax professional for advice and guidance.

6. THE OUTDOOR LIFE: Many people love Los Cabos because of the unique mixture of outdoor activities it has to offer. Perfect weather, activities, night life that few places in the world combine. Most noted and appealing are the following:

FISHING: It is estimated that over 40,000 marlin and sailfish are hooked each year (the majority are released.) Many places in the

world are known for great fishing, but Cabo arguably considered the "sport fishing capital of the world." 800 species of game fish are caught; including dorado, wahoo, yellowtail and roosterfish.

GOLF: In a very short span of time (10 years) Los Cabos has gone from few quality golf courses and facilities to one of the top golf destinations in the world. Currently Los Cabos boasts nine golf courses including championship courses designed by Jack Nicklaus, Tom Weiskopf and Robert Trent Jones. Additionally there are a number of other championship level courses planned for opening in late 2008. All of the championship courses are surrounded by high-end residential communities that cater to a "golf lifestyle."

AQUATIC LIFE AND WATCHING:

Legendary Oceanographer Jacques Cousteau once described the Sea of Cortes as the "World's Aquarium" because of the amount of aquatic wild life indigenous to the area. Whale, seal and dolphin watching are popular pastimes as well as World-Class scuba diving.

Whale watching is a favorite pastime from January through April. Of the approximately 15,000 Grey whales in the world, it is estimated that 11,000 make a 10,000-mile journey to bear their calves in the warm waters of the Sea of Cortés. Whales can be seen both from shore as well as from whale watching charter boats.

BEAUTIFUL NATURAL RESOURCES-MOUNTAINS, OCEAN, DESERT:

A one of a kind vista-where the desert collides with the Pacific Ocean and the Sea of Cortes lies the Baja Peninsula-a land where some seek the respite of sun, sand and sea and others embrace its native folk art and endless recreational and eco-tourism possibilities.

It is true that most Mexican coastal communities boast spectacular views-unique to Cabo San Lucas, however is the fact that almost every home (old and new) have some view of the ocean, because of the natural elevations surrounding Los Cabos-Also unique to Los Cabos is the fact that two bodies of water; the Pacific Ocean and the Sea of Cortes, are visible.

FAMILY AND FRIENDS -ENJOYING LIFE:

In closing the most important reason to invest in a second or vacation home is for the pleasure and joy you will receive by having a place to retreat from the normal hustle of everyday life, a place that you can relax and enjoy the company of family and friends. Los Cabos is already a world-class resort destination and is well on its way to becoming a world class community for vacation and second home buyers. If you haven't already considered the excellent opportunity in Los Cabos-now is the time.