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Why Puerto Vallarta, Why Now?

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If you are reading this article the likelihood is that you 1) are already in Puerto Vallarta, 2) have plans to vacation here and/or 3) are considering Vallarta as a second home or possible retirement location. This article is primarily directed toward non-Mexican or foreign nationals who are considering making a real estate investment in Vallarta and the surrounding Banderas Bay Area, which includes Riviera Nayarit stretching northward to coastal towns of Bucerias, Punta Mita, Sayulita and San Pancho.

To those of you who already have a home here in Vallarta, congratulations on making a sound investment in real estate and indeed your quality of life. And to those researching the topic, welcome or *bienvenidos* to this exciting and vibrant community. Whether it be the climate, the beaches and natural beauty, the culture, the variety of sporting activities, the economical cost of living, or a combination of all of the above, the fact is an increasing number of foreigners are making the Pacific Coast of Mexico a part or full time residence.

Spending just brief vacation time here will provide an opportunity to speak directly with a growing constituency of foreigners or "Expats" living abroad in Mexico. Open and adventurous by nature, they are an excellent source of unbiased information, and gaining their perspective is encouraged. It's easy to engage in a discussion with someone who has stepped out, embraced new experiences and is living the dream in a tropical paradise.

What has also attracted so many of us is undoubtedly the values in real estate in comparison to similar destinations, particularly for ocean front. Proximity and accessibility to our home countries via an expansive flight schedule makes Vallarta a destination that will continue to experience a high level of growth for many years to come. And there are now more options than there has ever been for virtually all tastes and budgets. First time second-home buyers have an extraordinary opportunity to achieve an excellent entry price point in today's market.

Having at least briefly mentioned *why* so many of us chose Vallarta let me address the value equation as to *why now*, which might be summed up tersely as "**Half-Price.**"

Round Trip to/from \$200 per square foot

A lot has happened over the course of the last decade in local real estate, and many of our clients find it useful to examine the 2004 timeframe as a reference point. At that time there was not enough inventory to meet demand in the Banderas Bay area. Prices for new development sales at the pre-construction/construction stage in Vallarta were on average about \$200 per square foot. As a very broad metric by comparison, new ocean

front developments in Florida and California were commonly in the \$1,000 per foot range with properties in the similar climate and latitude of Hawaii at even higher prevailing prices.

Prices for new water front developments in Vallarta peaked in the 2007 timeframe at about \$400 per foot, which spurred more projects to enter pre-development. Obviously Vallarta was not immune to the ensuing global economic downturn in 2008. Disequilibrium resulted from fewer buyers and a relatively low number of transactions with prices drifting downward. Many sellers remained in a “bubble” value mindset and did not reduce prices in 2009-10 clearly contributing to the reduced amount of sales activity.

However, 2011 and 2012 has seen more realistic pricing expectations with transactions for recent ocean front quality developments again trading in the \$200 a square foot range – the difference now being they are completed and ready to occupy. *Frequently these properties are offered fully furnished and turn-key*, meaning everything from linens to dishware is included.

Based upon my experience in the market over the last 9 years, it seems that at \$200 we’ve seen the downside. This is not only supported by the recent increased activity, but by a price point generally below replacement cost. Furthermore, there are few distressed sales as mortgages are still a rarity in Mexico.

In my opinion, we’ve already moved through the bottom and there is more of a propensity for values to increase over time and for many years to come. And if one has what might be referred to as the “dividend of use” of a tropical paradise residence in the interim, owning property in Mexico provides multiple benefits.

Adding further support to the “Why Vallarta” question, my clients are understandably pleasantly surprised when they find out about the low cost of ownership. For example, annual property taxes on a \$500,000 condo are approximately \$500 per year. The tax bill on a comparable property in Florida would cover both taxes *and* annual maintenance dues for a home in Mexico. You certainly won’t find that value to cost of ownership ratio in Miami or San Diego.

A word to the wise regarding the acquisition process

In considering the purchase of real estate in a foreign country, the importance of working with a professional agent should not be understated. Acquiring real estate in Mexico is common and safe, but there are some potential pitfalls. An experienced broker/agent and transaction advisor serving as your advocate offers protection. The national and local professional association of real estate agents in Mexico, AMPI, ensures that brokers and agents have the necessary tools and comply with professional and ethical standards.

Paul Montry has been invested in Mexico since 2004. He is an AMPI real estate agent as well as a licensed mortgage broker in the U.S. and Mexico.