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H A V E N S

## The Luxury of Home, in Mexico

By JANELLE BROWN

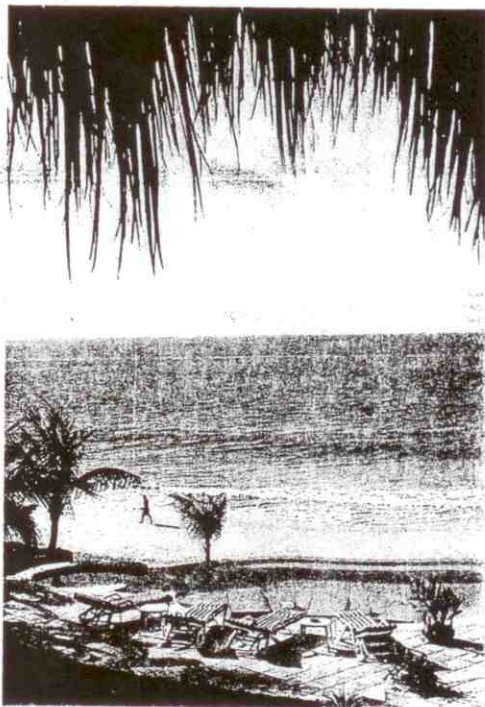
**J**OANNA SMITH and her husband, Roger, a retired telecom executive from San Francisco, lounge in the garden of their villa in Sierra del Mar, Mexico, on the Pacific Coast just south of Puerto Vallarta. Parakeets splash in the swimming pool, while a pet Labrador wags its tail. The couple happily smear mosquito repellent on sunburned skin. Mrs. Smith smiles with contentment. "It's our little piece of paradise," she says.

The couple bought their home — a four-bedroom Mediterranean-style villa with panoramic ocean views — for \$1.1 million four years ago. "Buying a house like this in Hawaii would have been three or four times more," Mrs. Smith said. "And we wanted something that wasn't too much America. We wanted a different culture."

Buying a vacation home in Mexico once involved a real estate culture totally unlike that of the United States. In the past, you paid in cash, without the benefit of title insurance, escrow or lawyers. Horror stories abound about real estate transactions written on scraps of paper and makeshift homes sold by people who never had legal title in the first place.

But that has changed sharply. The Smiths' house is in a stylish gated luxury development planned by an American-educated developer, Carlos Osuna Penn. The development, Sierra del Mar, advertises on a slick Web site and in local luxury magazines. And the whole transaction was as smooth and airtight as if they had bought a home in the United States. "We were worried about a reputable developer," Mrs. Smith said. "We just needed someone like Carlos to give us the reassurance of buying in Mexico."

Many other Americans are also feeling reassured about buying in Mexico, and as a result, the real estate market in Mexican resorts is exploding. In Puerto Vallarta and in similar resort destinations like Cancún and Cabo San Lucas, the high-end market for weekend homes for Americans has doubled in the last year: In 2004, according to Puerto Vallarta real estate trackers, the number of



**TAN TIME** The view from a house in Costa Banderas, a gated community near Punta de Mita.

homes sold is projected at 243 — for a total of \$77 million, compared with 150 and \$36 million last year. Five years ago, there were two golf courses in the area; now, there are seven. English-language magazines like Vallarta Lifestyles, available in every store, are filled with glossy real estate ads.

Puerto Vallarta has never suffered from obscurity, of course. Americans have been buying second homes there since the 1960's, when the jet set discovered the once-sleepy seaside village in the film version of Tennessee Williams's "Night of the Iguana."

The beaches of this city of 350,000 are lined with high-rise towers, primarily hotels and low-priced condominium complexes. But those foreigners who wanted an actual house with ocean views could buy only south of town, in Conchas Chinas, where the mountains meet the ocean; or in so-called Gringo

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# Buying the Luxury of Home, in Mexico

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Gulch, a more modest zone for American expatriates in the winding cobblestone streets of town. Beachfront houses were rare, and American-style luxury homes even rarer.

A drive today through the Conchas Chinas area reveals crumbling villas.

Another deterrent was the fact that Americans technically are not allowed to own residential real estate within about 30 miles of the ocean or the border. But since 1993 they have been allowed to buy through a "fidecomiso," a third-party trust, managed by a Mexican bank. Although the bank holds legal title, the buyers become trust beneficiaries and control the property. Many Americans were put off by the process.

And then there was fraud. "Too many Americans were embarrassed to say that they got taken, but people did deals on napkins and on handshakes," said David Wiesley, the vice president of First American Title Services de Mexico, which opened its first office in Mexico last year. "They come to us now for title insurance and we are finding liens on their property."

But that began changing when American interest in Mexico as a destination picked up a few years back, and, almost simultaneously, reputable Mexican and American luxury developers began working on new upscale developments with amenities like golf and spa services.

Behind them came title insurance companies like First American, mortgage companies willing to finance Mexican homes and escrow services to make the whole transaction smooth.

Many of the local real estate agents credit world events for the surge in interest. "I think 9/11 helped us, unfortunately," said Tere Kimball, a partner in a Prudential real estate agency in Puerto Vallarta. "People started coming here more than going to Europe. Mexico is now seen as a safer place, affordable, and the weather is good."

In Puerto Vallarta, the growth has also been spurred by improved infrastructure and access to new land. In 1999, the Mexican government installed a new four-lane highway between Puerto Vallarta and Punta de Mita, a pristine white-sand beach 40 minutes north of town that had been an ejido, or native land collective, before the Mexican government forced the residents out and sold the land to Fonatur, the government agency that turned Cancún, Los Cabos and Ixtapa into major resorts. Smelling opportu-

nity, local and American luxury home developers were promptly on the scene, and the former residents were resettled in concrete houses nearby.

Today, the whole coast is peppered with concrete mixers and scaffolding. There's the Punta de Mita development, currently anchored by the Four Seasons hotel and villas, a planned community covering 1,500 acres that will eventually have 600 houses for sale, ranging from \$1.8 million to \$2.8 million, along with hotels from Starwood and Rosewood.

Catherine and Robert (who for privacy reasons asked that their last names not be used), retired real estate developers from San Francisco, are among the resort's first residents; their vacation home is a 6,000-square-foot four-bedroom villa with a pool, hot tub and panoramic ocean vistas. From the open-air living room filled with contemporary art, they look over a carpet of palm trees that leads to the picture-perfect sea. It cost roughly \$2 million.

"Every evening at sunset we take tequila shots into the hot tub and watch the sun go down," Catherine said. During the day, they play golf, dine at the resort's beach restaurants and use spa facilities at the Four Seasons hotel below. "The Four Seasons was a major factor in why we bought in Mexico," she said. "One of the great draws was their amenities. And we wouldn't have considered a place without golf."

**O**THER resorts are doing their best to match the Punta de Mita offerings. A mile away, the Costa Banderas project involves nine developments, each with dozens of jaw-dropping beachfront houses that generally run around \$2 million. And just down the coast, the Real del Mar project will eventually have 52 houses on a promontory overlooking the sea; the largest built thus far, Villa Amanecer, is a 5,274-square-foot house with six bedrooms.

All gated developments come with amenities: beach clubs, tennis, pools and, in the case of Punta de Mita, three Jack Nicklaus and Greg Norman golf courses. The houses tend to combine classic Mexican detailing (red tile roofs, stone floors, whitewashed walls and open-air rooms) with contempo-

