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Baja experiencing real estate boom

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The area's proximity to San Diego and Los Angeles is fueling rising demand for seaside condos and houses.

ROSARITO, Baja California - For more than a decade, the high-rise tower at Calafia Resort and Villas was an empty shell, a stark reminder of oceanfront dreams gone sour.

Built on the northern Baja California coast shortly before the peso crash of 1994, the project couldn't find any buyers. Over the years, rumors abounded: The developers had gone broke, the tower was leaning.

Calafia's owners denied those reports, but it didn't matter. Even at deeply discounted prices, the developers couldn't sell the condos with their floor-to-ceiling walls of glass and wraparound balconies featuring 180-degree views of the Pacific Ocean.

Until now. Luis Maizel and his partner, Igal Gordon, have nearly sold out the first Calafia tower, where a two-bedroom unit costs US\$265,000, more than double the price of two years ago. Three-quarters of the 48 condominiums in the 16-story second tower are sold. And they are about to begin construction on a third tower, one of several dozen oceanfront high-rises that are being built along the 68 miles of rugged coastline between Tijuana and Ensenada.

After years of languishing behind its more glamorous southern cousins - the twin resorts of Cabo San Lucas and San Jose del Cabo - the northern Baja peninsula is coming into its own.

Long considered a weekend party town for Southern California students and a low-rent getaway for U.S. and Canadian retirees on

a budget, the northern Baja coastline is undergoing a real estate boom aimed primarily at Americans who are tapping their equity back home to buy a weekend getaway or retirement home south of the border.

These aren't aging surfers seeking beachfront shacks or Midwest retirees fleeing the snow in their Winnebagos, though those folks still come here in large numbers. Real estate agents say at least 80 percent of the people buying today on the Baja coast are baby boomers who are spending US\$300,000 and up to purchase high-rise oceanfront condominiums and large, single-level homes with room for kids, dogs and toys.

By cashing out on one of the United States' biggest home equity booms in history, some of Baja's newest residents are trying out early retirement.

For Beth Bemiss and her husband, Henry Suri, life had become a tiring whirl of long workdays and social obligations. So last year, Bemiss, 55, owner of a small interior design company, and Suri, 51, a holistic health practitioner, decided to take advantage of the Southern California real estate boom and head to Costa Rica.

Their San Diego condo, whose value had skyrocketed to US\$1 million, sold faster than anticipated. On a whim, they decided to spend a month in Baja while they closed up their businesses and said their goodbyes. After a few weeks of lazy days in the sunshine and exploring the Baja coast, they were hooked. They still went to Costa Rica for two months, but they decided that Baja was less hot and humid and closer to their families.

Last April, they bought a two-bedroom ocean-view villa at Calafia for US\$190,000.

LIVING CHEAP

With their kids grown and expenses low, Bemiss and Suri figure they can live off their savings. Food and utilities are cheap, the surfing is free and they can enjoy a nice salmon dinner at a restaurant for less than US\$15. They make occasional trips to San Diego, mostly to stock up on health food at Trader Joe's. And though they lock their doors and watch where they drive after dark, they said they felt as safe in Baja as in San Diego.

"I sleep much better here than I did in the States," Suri said. "I go to bed at night listening to the ocean and we're woken up by the birds in the morning and not the helicopters and traffic."

There are also serious risks to foreign real estate ownership. Some still recall the photos of U.S. citizens being evicted from their homes on the Punta Banda peninsula south of Ensenada in 2000. Mexico's Supreme Court ruled that the land did not belong to a farmers' collective that leased the parcel but rather to several

private parties.

Under the Constitution, foreigners are prohibited from owning land within 30 miles of the coastline or 60 miles of the border. But the process of buying land in Mexico has become much easier. Foreigners can now purchase property through a Mexican bank trust known as a fideicomiso and title insurance is available through companies such as North American Title Co. and Stewart Title Guaranty Co.

Mexican developers often presell their projects and then use the down payments to finance their construction, warned Kathy Katz, a real estate agent who works for Calafia. If those developers get into trouble, they might slow down construction or even abandon the project. Katz advises buyers to make sure that the developers place deposits in escrow or take out a construction bond to protect purchasers.

CREDIT OPTIONS

Foreigners have traditionally paid cash for their real estate, because until recently there were few institutions willing to lend money on residential real estate in Mexico. But in the last year a number of U.S. firms, including First Capital Mortgage, GE Capital and C.S. Financial, have begun offering mortgages to U.S. citizens buying in Mexico.

Jeff Seabold, president of C.S. Financial, which has offices in Puerto Vallarta and La Paz and is about to open an office in northern Baja, said his firm had 40 Mexican loans being processed.

"We think the [market] is going to explode," he said.

It already has. The transformation of northern Baja is taking place with lightning speed. The toll road from Tijuana to Ensenada is lined with billboards promising oceanfront views and sandy beaches at a discount, and bulldozers are as common as palm trees along the rugged coast.

"Ocean View for Sale, House Included," reads one sign.

Real estate developer Gabriel Robles, who is developing a 611-acre housing project north of Ensenada called Ventana al Mar, said he was recruiting Mexican graffiti artists to paint a colorful new entryway - "The Window to the Soul of Mexico" - to replace the bleak, garbage-strewn border crossing that currently exists at San Ysidro.

GROWING ENTHUSIASM

Diane Gibbs, owner of one of Baja's leading real estate companies, expected the Sept. 11 attacks to dampen American enthusiasm for travel abroad. Instead, her phone has been ringing

off the hook with calls from Southern Californians looking for a vacation home they can get to by dinnertime Friday night.

"People from L.A. say we can be here in two-and-a-half hours," said Gibbs, whose firm is representing seven new developments along the Baja coast that will bring at least 1,278 units onto the market over the next three to four years. "That's what they like. They don't want to fly anymore."

She said it took just 45 days to sell the eight oceanfront homes at Las Ventanas, a 38-home gated community developed by an Irvine, Calif., company. Those homes ranged from US\$345,000 to US\$890,000.

Work is also under way at Porto Hussong, a high-end condominium and housing project north of Ensenada that is being built in the style of an early-1900s Spanish colonial village. The Ensenada project will include a shopping center and a 250-slip marina.

The Baja lifestyle is not for everyone. Rapid growth is putting strains on the region's infrastructure, particularly the water supply and sewage systems.

Stocking the refrigerator and closets has gotten a lot easier in recent years, with the construction of the toll road from Tijuana and the arrival of big-box stores such as Wal-Mart, Costco and Home Depot. Cell phone service is widely available, and a new hospital just opened in Tijuana that is catering to Americans.

"You have to have a pioneering spirit to even consider it," Gibbs said of Baja living. "You can't just run down to the corner to pick up something and there's a few little inconveniences you have to plan for."