

The Boom in Baja

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PHOTO COURTESY OF THE CHILENO BAY CLUB

ON A MAP, the once-quaint fishing village of Cabo San Lucas is the proverbial End of the Road, the last stop on the rugged Baja peninsula, 1,059 driving miles from the San Diego–Tijuana border. By air, however, a trip to Cabo via Aeroméxico or Alaska Airlines is no more daunting than a hop to San Francisco.

It was the prospect of an easily accessed Cabo getaway that convinced retired San Diego construction executive Rob Seiler to become a founding investor in Chileno Bay Club, a master-planned, \$2 billion residential resort. The 1,265-acre Chileno Bay site, which recently received an environmental permit from the Mexican government, is expected to include 650 homes that developers hope will fetch in the neighborhood of \$3 million each.

“I’m into the outdoors,” Seiler says, “and the golf, fishing and kayaking lifestyle that Cabo has to offer.” The hook to Chileno Bay, he explains, is a natural reef that breaks otherwise treacherous rip currents, which make swimming inadvisable along much of Cabo’s beachfront.

Seiler compares the sheltered beach at Chileno Bay to Del Mar, except the home sites have a view of the Sea of Cortéz. For those who want Cabo without the complications of home ownership, Chileno Bay is offering a “lodging club” that gets members about 90 nights of villa-style living, in the \$600,000 range.

Though Cabo as a playground was “discovered” by John Wayne and the Hollywood crowd in the 1950s, the resort took off in the 1980s with the development of the Palmilla and Las Ventanas resorts, where rooms can fetch in the neighborhood of \$1,200—a sum that equals an investment of a single square foot of construction in a 3,000-square-foot villa selling at \$3.6 million.

“People aren’t batting an eyelash [at the prices],” says Seiler. “It’s unbelievable.”

Inevitably, the “far from the madding crowd” spot draws a crowd.

About 100 condo units are ready for occupancy at Punta Ballena, a 174-acre luxury hotel/condo resort 3 miles east of Cabo San Lucas being marketed by Snell Real Estate, which has a history in Cabo with the Palmilla properties.

“The market is doing very well,” says Punta Bellena general manager Jorge Carbo. “The condos are about 3,500 square feet, and range from about \$1.5 million to \$2 million.” There is also an anchor hotel inside the property called Esperanza, a resort/spa that plans to add a golf training center as Punta Pallena builds out.

“If you put a pin on a map at Cabo and draw a circle, you’re two or three hours from the major population centers of the West Coast and southern U.S.,” says Seiler. “There are nonstop flights from Dallas and Houston—it’s really caught on.”

As a result, the population of Cabo and neighboring San José del Cabo has swelled to about 150,000.

“You have a large influx from the mainland, and new job growth, so workers have come from other resort communities,” says Jeff Yamaguchi, Chileno Bay Club vice president of sales and marketing. “It’s become a very active market in the past five

years.”

THE SAME CAN BE SAID of closer-to-home Baja destinations in Rosarito Beach and Ensenada. While Cabo developers tout their resorts’ easy access by plane, the current El Norte Baja boom is partly caused by fear of post-9/11 air travel.

“September 11 helped fuel a boom here, because people wanted to be able to drive to their vacations,” says Diane Gibbs, a broker with Rosarito Beach–based Realty Executives who’s been a Baja resident for 18 years.

Gibbs’ assessment of her Baja territory is sure to create envy in brokers north of the border. “I’m an order taker,” she says. “I sit here all day filling out contracts.”

Near Ensenada, Meridian Development Group is nearing construction on Porto Hussong, a 16-acre, \$350 million development featuring a marina, oceanfront condos, a hotel and private villas, ranging from the high \$400,000s to \$3 million for a penthouse. The Hussong family, famous for its cantinas, is Meridian’s partner on the project, scheduled for completion in 2008.

“The Baja market is almost explosive,” says Doug Bowers, director of marketing for Meridian Development. “It has accelerated in the last three to four years. The dollar goes further in Baja. A condo there selling for \$500,000 would be \$3 million in La Jolla.”

Gustavo Torres bought the RE/MAX coastal Baja franchise (Tijuana, Rosarito, Ensenada) three years ago, and hasn’t looked back.

“The market is really good,” he says happily. Properties in coastal Baja developments can range from a low of about \$110,000, Torres says, to \$500,000, with oceanfront condominiums ranging from about \$200,000 to \$1 million. He says most of his customers are baby boomers from 40 to 60 who are looking for a vacation home, with future plans of retiring in Baja.

“There are several reasons for the boom,” says Torres. “It’s driving distance from Southern California, Nevada and Arizona. Real estate is roughly one-eighth the price of Southern California property; there are very secure, gated communities; and title insurance is available.”

AH, TITLE INSURANCE—protection against loss from problems connected to legal title in a property purchased in Baja. Major U.S. companies such as Stewart Title and Chicago Title are now active in Baja real estate. Torres says U.S. firms like GE Capital are becoming involved in the financing of Baja properties. This raises the comfort level for U.S. buyers.

“We advise buyers to go through a broker or agent,” Torres says, “who have become more knowledgeable and are now certified.”

A new highway, Corridor 2000, is expected to open this fall, linking Otay Mesa with Rosarito Beach. Torres says he has already driven it, and the highway cuts down travel time between the border and Rosarito Beach to about a half-hour. He says that about 15 percent of the roughly 120,000 residents in the Rosarito Beach area are Americans, and they’ve helped make the Rosarito Beach Fire Department the best equipped “anywhere in Mexico, because they donated the equipment and supplies.”

Gibbs says newcomers to the peninsula need a “pioneering spirit. Not everything is as close by as you’re probably used to,” she says, “but we do now have a Costco.”