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[TABLE OF CONTENTS](#)

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## MAGAZINE: REAL ESTATE

FROM: MAY 2007 ISSUE | BY: JON HINDMAN

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MAY 3, 2007

### The Baja Allure Now might be as good a time as any to invest in Baja real estate

Oceanfront or ocean-view property in pristine areas like La Jolla or Del Mar is out of reach for most local buyers. Too bad, so sad. Perhaps these coastal-buying wannabes should just throw in the towel and realize that coastal living is just an impossibility. Or, instead, maybe they should refocus their dream of owning property along the coast and consider real estate in Baja California, Mexico.

Ask Jim Grogan about buying along the Baja coast and he'll tell you it's a smart move, and not just because he's a Baja developer.

"Mexico offers spectacular natural beauty and waterfront affordability," says Grogan, president and CEO of Loreto Bay, an economically friendly development located about 700 miles from San Diego on the Sea of Cortez. At Loreto, there are no cars allowed, energy is generated by wind power and there's a commitment to protect the local wildlife. When completed, Loreto will be comprised of about 6,000 homes—one-, two- and three-bedroom residences designed in Colonial Mexican style—set on 8,000 acres.

For an example of the housing "affordability," to which Grogan refers, it's possible to purchase a 1,400-square-foot home in Loreto Bay that is about a mile from the beach, for about \$400,000. A similar home along the coast in Southern California can cost four times as much, and in La Jolla, alone, a similar home could cost up to eight times as much, Grogan adds.

Chris Merson, CEO of another Baja development, Porto Hussong in Ensenada, is also bullish on the Baja housing market, and not only because of the good housing prices. There are plenty of other advantages.

"It's a less expensive way of living than in San Diego. Property taxes are low, and you can easily afford a maid and other amenities. Plus, I think people like the easygoing lifestyle along the west coast of Mexico," says Merson.

Porto Hussong is counting on attracting a largely baby boomer crowd to its property, which, upon completion in about 2009, will feature 450 ocean-view residential condominiums, a 284-slip marina accommodating boats from 40 to 400 feet, and 8,800 square feet of retail space to include shops, restaurants and art galleries.

Want a non-developer perspective? OK. Whether you are buying a second home, vacation property, or are merely investing, now may be "the perfect time to buy," says Oscar Lara, general manager of Stewart Title Baja, who continues, "there's a huge opportunity for return on investment."



To justify his prediction that coastal real estate from Tijuana to Ensenada will appreciate in the coming years, Lara points to areas like Los Cabos, where prices have been rising over the past decade. In Los Cabos nowadays, it's not unlikely to see real estate in the "super luxury" range go for between \$5 million and \$15 million.

Housing in Baja may not ever reach the lofty Los Cabos-type prices, but many investors are recognizing that the region is in very infantile stages with a lot of opportunity for growth.

"Just about everything is under construction, so as you see these developments start to deliver products, there's going to be an increase in value," says Lara.

#### Any Disadvantages?

Currently, there are about 60 developments from Tijuana down to Ensenada, and it's very likely that even more developments will be under way.

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That may pose a problem, though, because soon, there might not be enough water to sustain the growing numbers of new housing.

"The only real solution for Baja in the long run is desalinization plants," says Merson.

Health care is another worry for San Diegans who want to purchase real estate in Mexico, especially for those who will use it as a primary residence. In Loreto Bay, this concern is being quelled for the most part. There is a separate hospital being built in the development, and it already has a qualified medical director in place.

But Grogan, Merson and Lara can point to very few other negatives to buying in Baja, as long as real estate purchases are handled in the correct matter. According to Grogan, "Most Americans today not only don't realize that they can own land in Mexico, but that they can also get U.S. title insurance to protect your ownership rights. But those who understand feel more comfortable in their purchases today."

This is where companies like Stewart Title come into play. Stewart provides U.S. residents with educational resources and title/escrow services to help securely navigate the Mexican closing process and protect their Mexican real estate investment.



But even though title insurance is offered, some buyers don't pursue it.

Lara warns, "There are laws in Mexico that Americans don't understand. In my mind, title insurance is of great importance because of the unknown investment they're about to make."

One more warning, too, that Lara passes on: "Buying property is generally an emotional buy, and most often people have to act fast to get that pre-sale price." He adds that it's best to have all your ducks in a row and know as much about the developer and property ahead of time.

And before you head to Mexico to check out properties like Loreto Bay and Porto Hussong, remember that passports are now required to travel back and forth from the United States and Mexico.

#### Be a Smart Buyer

"Right now is the perfect opportunity to invest in coastal real estate from Tijuana to Ensenada," says Hector Bustamante, CEO of Bustamante Realty Group in Zona Río, Tijuana. "You can still get a good price for something that will be worth a lot more because the infrastructure is taking shape." Bustamante adds that investors will need to show some patience, though, as buying coastal real estate is more of a long-term investment. But, whether buying to invest or for a second home

or vacation property in the beautiful and rich region, Bustamante recommends the following tips:

- 1 "Take a very good look at who's developing the project—make sure they have a proven track record."
- 2 "Make sure the money you're using to buy the property is deposited in a U.S. escrow account like Stewart Title or First American title."
- 3 "Understand the escrow instructions. Buying in Mexico is different from buying a property in the United States, and you need to make sure your money will be protected."

#### The 411

Loreto Bay

Location: Baja Sur, Mexico

Homes: Luxury one-, two- and three-bedroom homes designed in Colonial Mexican style and located in pedestrian-friendly neighborhoods. Custom homes are also available.

Web: [www.loretobay.com](http://www.loretobay.com)

Phone: (877) 865-6738

Porto Hussong

Location: Ensenada, Mexico

Homes: 450 luxury oceanfront condominiums within a 16-acre resort property Web: [www.portohussong.com](http://www.portohussong.com)

Phone: (866) 212-1095

