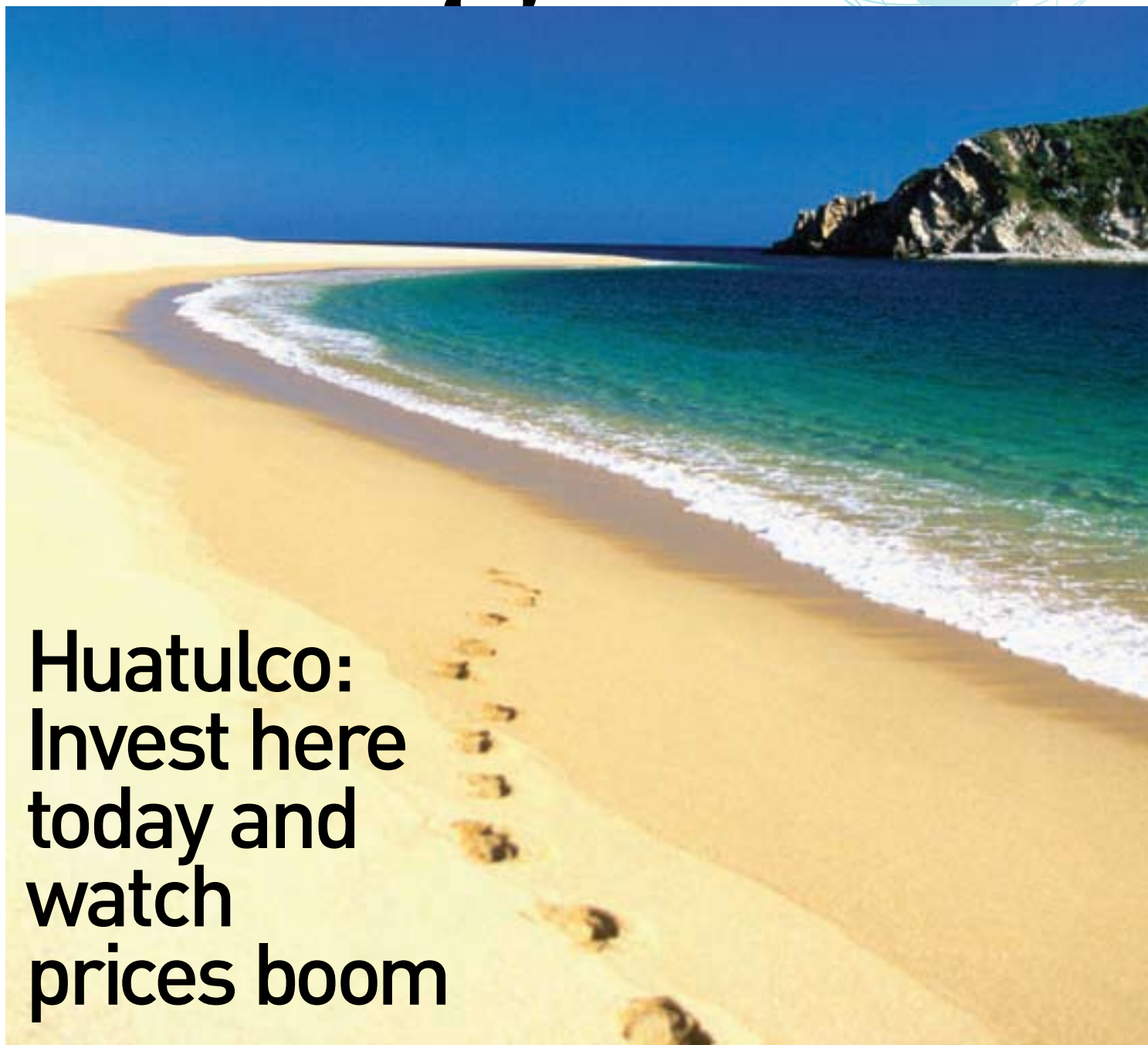


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The next Los Cabos? With a \$1.4-billion government investment, Huatulco is poised to boom

By Winton Churchill



Imagine if you'd bought a spacious, beachfront condo or house in Los Cabos, Mexico before it became a household name. Imagine watching those golden sunsets, strolling those beaches, and dining under the stars on your sea-view balcony. Now imagine what that home would be worth today...

You may have missed your chance for bargain buys in Los Cabos, but it's not too late on another fabulous stretch of coast. The place is Huatulco, on the state of Oaxaca's Pacific coast—and it's poised to boom. With its nine lush bays and 36 beaches, Huatulco always had the chops to be a major resort. But fame has eluded it...until now.

Developers are pouring in, and Mexico's President Felipe Calderón—a fan of Huatulco himself—has promised \$1.4 billion in improvements to the area. Now this seaside Cinderella is dusting off her dancing shoes and primping to be the belle of the ball.

In the 1980s and early 1990s both the Mexican government and private industry

invested heavily in Huatulco. They expected that by now Huatulco would have 10,000 hotel rooms and a million visitors a year. But that didn't happen. What happened instead was a downturn in Mexico's economy, followed by a drop-off of tourists after 9/11. These events lowered expectations for Huatulco's growth.

Until this past March...when President Calderón outlined a \$1.4 billion, four-year investment program for the area.

That's a whopping \$87,000-plus for every man, woman and child in Huatulco.

For decades Huatulco has been an also-ran among Mexico's great beach resorts. But it's always had the goods to be a star like Cancun or Los Cabos. Now, with Calderón's promise of investment money to the area, Huatulco will finally be put on the map.

Huatulco is a small town still emerging as a major destination. There are only about 16,000 residents, with about 1,000 of us being expats or pre-retirement, part-time visitors who own property. Even during rush hour,

you can drive from one side of town to the other in about six minutes. Many places are within walking distance.

We don't yet have many of the warehouse and chain stores that most expats expect—no Wal-Mart, Sam's Club, Costco, Office Depot, or Home Depot. When we first moved here two years ago, this made shopping an adventure. My wife and I often returned home with only half our shopping completed. We'd then break for lunch at Cafe del Mar, an open-air café in a hotel next to the new promenade. Fortunately, the café's husband-and-wife owners came to our rescue.

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They pointed out stores that stock hard-to-find food items and introduced us to an industrial part of town that has all the Home Depot-type items you need for a house or condo...just not under one roof. Instead, there are dozens of little businesses, each with its own specialty.

You'll find English spoken widely, and the local population very welcoming. About half of our new friends in Huatulco are expats and half are locals. As our Spanish improves (we're taking classes) we find it even easier to get around this friendly town.

Huatulco has plenty of restaurant options. We frequently eat out because it is so inexpensive. Our favorite lunch-time place for a quick meal is El Padrino (The Godfather). It's clean, friendly, and definitely local. It has some of the freshest, most succulent tacos that I've ever tasted...and a meal for two with a beer each is \$8.

You'll also see great—and puzzling—contrasts in Huatulco. This originally was a

fishing village, and the larger town that has grown up, thanks to investments in the 1980s and 1990s, has a slight Disney-like quality. In some areas, for instance, you'll find large public walkways and promenades that have been built with no surrounding businesses to draw tourists and locals to them. The four-lane highway that hugs the coast here is oversized for Huatulco's current traffic needs. The water treatment facilities are some of the best in Mexico. And despite its small population, Huatulco has an international airport with direct jet service to the U.K., U.S., and Canada, as well as to other parts of Mexico.

In some ways Huatulco has been isolated. When I first arrived here, a local developer invited me for a beer. On the front porch of the Tippy Blowfish, a popular expat hangout, he said that even though Huatulco is only 120 miles from the capital city of Oaxaca, I should think of it as an island. He explained that navigating those 120 miles in a car takes between six and eight hours. The distance is

short, but there is a mountain range to cross.

That isolation is one of the things destined to change with Calderón's \$1.4 billion commitment. Construction of a high-speed road from Oaxaca to Huatulco has been approved. It will cut the drive time from eight hours down to three—and will put Huatulco just seven hours by car from Mexico City. That makes it a viable weekend trip for those from Mexico City. It will also be an easy drive for tourists coming from Oaxaca's capital. That road is on track for completion by 2012.

With more tourists and expats, the current oversized infrastructure may finally be just right. What those tourists (and potential new investors) will find in Huatulco is a beautiful, unspoiled area offering a range of outdoor activities. Seventy percent of the area in and around Huatulco is a construction-free zone, and building heights in town are almost always limited to three stories.

I see promotions for these activities every day during my morning walk around Santa

Cruz Bay. When I head toward the ocean, I go past salespeople for the various fishing boats, coffee plantation tours, and ecotours—it's no surprise to find ecotours, given this area's beauty.

Snorkeling and scuba diving are also big sports here. The favorite dive shop for locals and tourists alike is Hurricane Divers. Roberto, the owner, has a friendly English-speaking staff. My wife and I went snorkeling with Roberto on an early trip to Huatulco two years ago, and it was a top-notch experience.

The equipment was modern and new and the snorkeling was colorful and extraordinary. We had lunch in a mile-wide cove with a sandy beach and a cluster of coral reefs teeming with sea life—all of which we had to ourselves.

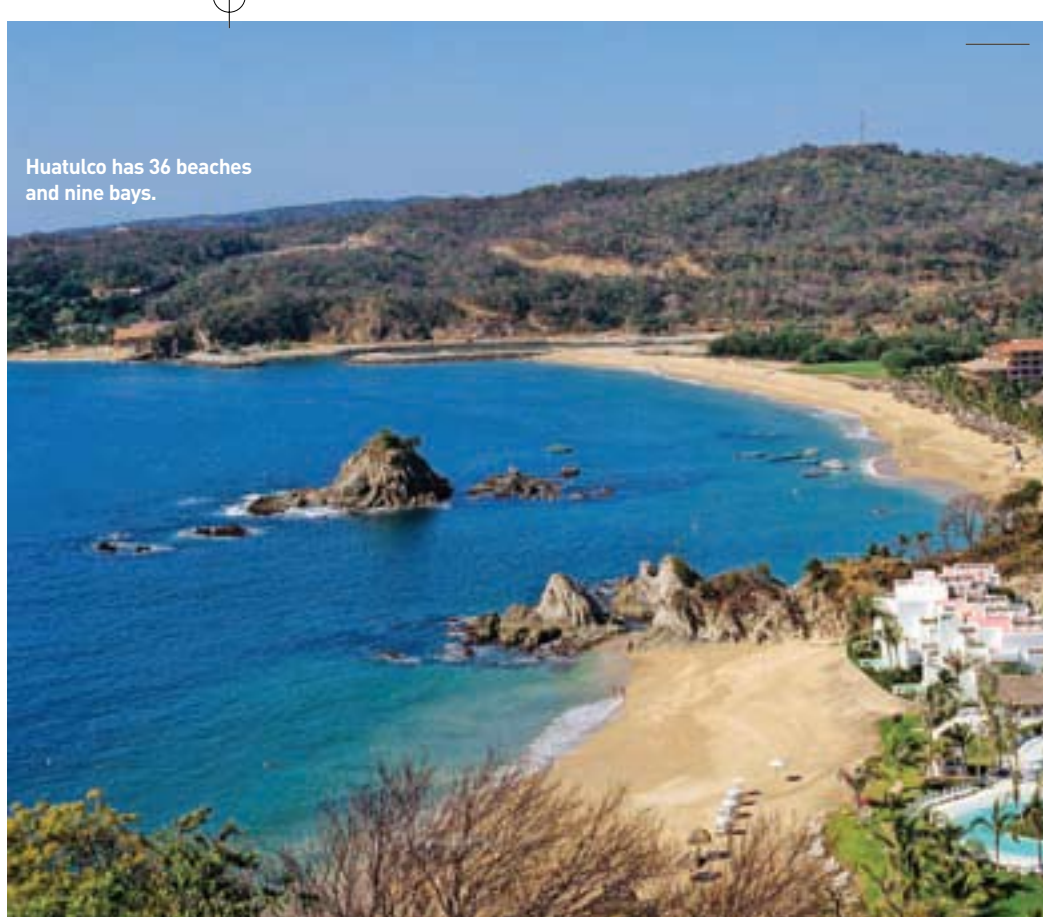
Afterwards we toured by boat through all nine of Huatulco's bays, each one charming—and each one different. We saw turtles swimming away from our boat and dolphins pacing right alongside. It was a magical day along some of the most beautiful Pacific coastline in Mexico.

The word "paradise" is over-used, but for us, Huatulco is ours. Sitting on our balcony in the early morning light, sipping iced coffee from the local plantation as we take in the harbor view, life is serene in a way we've never found anywhere else.

Private interest has already picked up in Huatulco. I've seen 12 new development projects launched here in the last two to three years, while my own condo has doubled in value.

The roads, marina, and other public improvements won't be finished for four to six years. Many of the projects are in their early

Huatulco has 36 beaches and nine bays.



phases. But savvy investors are snapping up properties now. Today's prices, which are half or less of what you'd pay in resorts like Los Cabos, won't last.

For now, though, many beachfront and beach-view properties are still relative bargains, as are houses in town just a few blocks from the beach.

Cruz del Mar, where my wife and I live, was one of the first new developments in Huatulco. Cruz del Mar is a small complex (51 units in all) overlooking Santa Cruz Bay.

Buildings are only three stories high, with two condos per floor (six units per building). Cruz del Mar is designed to be low-density. The buildings are all in a 3.7-acre area. This leaves nearly 5 acres for gardens, pools, walking paths, and the like.

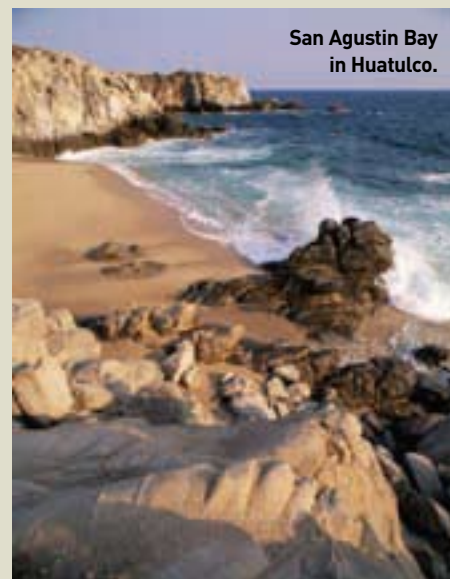
All the condo units offer sea views. (From my own unit I have a sea view, as well as views of the cruise ship dock.) The project is two-thirds complete and is opening its last block of units for sale this month. Fifteen units will be offered: six three-bedroom units and nine

How Huatulco's \$1.4 billion investment will be spent

The \$1.4 billion government investment in Huatulco will include more than the super highway connecting it with Oaxaca. It includes infrastructure like expanded public water and electricity services, improvements to the marina area to attract mega yachts, improvements in sanitation, a new hospital (as well as opening the naval hospital to the public), and development of a master plan for increasing hotel capacity. FONATUR, Mexico's tourism development agency, is the force behind the master plan. The agency says that the Huatulco area will be developed with the strictest respect for the environment. Since 2004 Huatulco has been the only destination in Mexico—and one of

only seven in the world—to have Green Globe 21 Certification as an environmentally sustainable tourist destination.

FONATUR intends to ensure that Huatulco maintains the designation—only 30% of the area, it says, will ever be developed. To sustain itself economically, a destination needs at least 5,000 hotel rooms, FONATUR believes. At that point, the stakeholders have enough invested to keep development rolling. FONATUR bases that opinion on its successful development of resorts like Cancun and Zihuatanejo. With the new hotel and resort construction now underway, Huatulco may hit that magic number in the next 18 to 24 months.



SPOTLIGHT ON...HUATULCO, MEXICO



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How to get there

By air:

Airlines serving Huatulco include Mexicana as well as U.S. and Canadian carriers. Continental has direct flights from Houston (two hours). Most international visitors will come via Mexico City (one hour). During the high season (November to March), charters arrive from Manchester, England; Chicago; and five Canadian cities including Toronto, Vancouver, and Calgary. InterJet has just started a Huatulco service to Toluca Airport (Mexico City area). Fares from Los Angeles range from \$550 to \$750 in the winter season, with New York fares slightly higher.

Oaxaca (city), only 100 air miles from

Huatulco, is served by Aerotucan (www.aero-tucan.com) with round-trip fare of about \$300. It's a short distance, but until the high-speed road is completed the alternatives are a six- to eight-hour drive or nine hours-plus by bus.

By bus:

A bus service is provided by ADO Bus Lines (www.adogl.com.mx/en/index.htm) and is comfortable. First-class service between Oaxaca and Huatulco is \$23. The overnight trip is popular; you leave Huatulco at 10 p.m. and arrive in Oaxaca for breakfast. You can catch connecting ADO buses to Mexico City, Veracruz, Puebla, and San Cristobal, among other destinations.

two-bedroom ones. Prices in this new section run from \$375,000 to \$550,000, depending on size.

Right now in Huatulco there's a lot of buzz about Cosmo Residences, a high-end project overlooking Arrocito Bay that will have the only residential private beach in Huatulco.

Cosmo Residences is in a secluded area, where buildings will offer a sweeping view of the Pacific through floor-to-ceiling glass windows. The design focuses on bringing the outdoors inside, and the first buildings really hit the mark. The complex will have a spa, a gym, a restaurant/bar, both fresh-water and sea pools, and botanical gardens. In many ways Cosmo Residences will be more like a boutique hotel than a condominium complex.

The company knows that many owners buy their condos as an investment or to use part-time. For that reason, it also plans to have a management company that can rent out units for owners when the condos are not in use. Prices for units run from about \$400,000 up to \$1 million, depending on size and amenities. Cosmo Residences is owned by a Houston-based company, but it has a large local office in Huatulco. You can contact the company at either office (details in the sidebar on page 9).

For sea-view condos at a lower price point, there is Villa Mar. This new project has just broken ground in Huatulco. When finished, it will have three buildings that link to form one

L-shaped structure. The complex will have garden spaces, pools, and small green areas throughout the property. The back will overlook a large park, with the beach beyond that. Beside the park will be a spa, gym, and a large pool. The development is just two minutes from the beach and a 10-minute walk to Huatulco's town center and shops.

“Savvy investors are snapping up properties now. Today's prices, which are half or less of what you'd pay in resorts like Los Cabos, won't last.”

The project's first phase, which includes seven units, is due for completion by September 2009. That building will have one-bedroom lofts, and two- and three-bedroom units. All the units have terraces. The pre-sale prices available now cost from \$114,000 for 820-square-foot, one-bedroom lofts up to \$261,000 for 1,750-square-foot, three-bedroom units.

Although condo projects have been the big news lately in Huatulco, some people prefer houses over condos. There are neighborhoods of single-family homes in Huatulco, several of which are popular with expats and part-time vacationers. One popular neighborhood is in the Santa Cruz area. It's home to upper-middle-class Mexicans who work in the tourism

sector, and to U.S. and Canadian expats.

It's an area of gardens and leafy trees, just minutes away from jungle areas known for their wealth of bird life. (Cruise ship day-trippers often pass through here on their way to the jungles for bird-watching.) It's also less than a five-minute walk to the beach.

This area is so popular that houses here rarely come on the market—but there's one for sale right now. It is 2,100 square feet, with three bedrooms, two-and-a-half bathrooms, and an open layout for the living and dining room area. There are also gardens, a maid's quarters, and a small pool in the back yard of the property. Price: \$250,000.

For those looking for slightly smaller, less expensive properties, three-bedroom, two-bathroom homes are being offered at pre-sale prices in a residential zone near Chahué Bay. The houses are just under 1,600 square feet and sit on large, 4,846-square-foot lots. The lot is large enough that you can put in a pool on either the front or the back yard (the houses have both). They're near a gym, parks, and public transport. Price: \$199,000.

Right now, options like these—for both condos and houses—are plentiful and well-priced. If you've ever wished you could have bought in a major resort like Los Cabos or Zihuatanejo “back when,” you now have a second chance...in Huatulco. For more information, see:

www.internationalliving.com/huatulconow. 