

“SECOND HOMES SOUTH of the BORDER”

By Mitch Creekmore, Stewart International



We all wish our domestic, financial and real estate news would improve in the next month. Unfortunately, it won't. Probably, won't get much better for the rest of the year. News out of Washington and the U.S. Commerce Department on April 24, said new home sales plummeted by 8.5% to a 17 year low in the month of March. The report gives little hope that the housing market is near a bottom. REALTOR® Magazine reported in a survey that cities like Los Angeles, San Diego, Las Vegas, and Phoenix saw sellers reduce asking prices on their residences by more than an average of 20% in the last 12 months. This survey, according to Business Week, said the deepest price cuts were in Sacramento, California. Prices there have been slashed by 41%. Interestingly, on the same day, USA Today had a front page headline in their Money section entitled, "Foreign buyers snap up U.S. real estate." With a continuing decrease of the dollar against the Euro and Pound Sterling, coupled with the reduction in home prices in popular destinations, the U.S. is a great "buy" for international purchasers that have stronger currencies and disposable incomes. The questions become, "where will Americans invest and where will they look for a second home or a retirement destination?" Many Americans will still look south of the border due to its close proximity, increased airlift capacity, access and affordability, and a lower cost of living that can not be attained **anywhere** in the U.S., especially on a fixed income!

Like Mexico, the countries of Costa Rica, Panama, Guatemala, El Salvador, Nicaragua, Honduras, and Belize have something for everyone. Why? Because it's simply the truth! One only needs to determine where they want to be, what geographical amenities they like, and are they beach people or colonial aficionados. All of these markets will attract a particular buyer based on their personal preference and their price point. The latter criteria will become an increasingly more important component in the selection of where to buy and where to invest in the coming years. With the tremendous appreciation that Mexico's residential sector has experienced, coupled with that of Costa Rica, many North Americans will be "priced out" of some markets. Where a two bedroom condominium sold for \$180K five years ago in a given destination, and was affordable then, that same unit today sells for \$400K or more. As a result of this dynamic value change, foreign purchasers will seek a geographic location suitable for their given means and disposable income that will still provide them with acceptable amenities, healthcare, infrastructure, enjoyment, and upside investment potential. A lot has been written about the vast inheritance the "boomers" will realize over the next decade. Many, many North Americans will have, and have now, a lot of money that will be invested in something or somewhere. Why not second homes in any of these countries? Tourism will become the biggest generator of GDP for several of these countries. Our neighbors to the south are keenly aware of the investment potential this unprecedented group of inheritors can make on their country. Not to mention, the impact they'll have on improving the quality of life with new infrastructure, tax revenue and development wherever they invest. Today, that total is over 2 million purchasers from the north. The perception and viability of owning a home in these wonderful countries has changed a great deal. Foreign buyers now understand and recognize the safeguards that can be provided for real property acquisitions outside the United States. There is a greater sense of comfort and security with North American buyers. Given the dire second home landscape in

America over the next 18 months, and maybe longer, Mexico and Central America will be the places to be, the places to invest, the places to own that second home!

Editors Note: For more information on second home buying in Mexico, check out “Cashing in on a Second Home in Mexico” as well as “Cashing in on a Second Home in Central America” at www.tomkelly.com. Mitch Creekmore is co-author of both books.

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