

## Overview

San Carlos, Mexico is located in the northwestern Mexican State of Sonora, approximately 250 miles south of the US border, along the beautiful Sea of Cortez (also known as the Gulf of California). Known for its warm crystal-clear turquoise water, exceptional marine life, pure white sandy beaches, and breathtaking scenery, this unspoiled resort town offers visitors an abundance of things to see and do. Recreational activities in San Carlos include world-renowned scuba diving and sport fishing, whale watching, sailing, horseback riding, golf, tennis, sea kayaking, and shopping. The beauty of the area has been immortalized in such films as the Mike Nichols' 1960's-era "Catch-22" and the more recent "The Mask of Zorro" starring Antonio Banderas. This virtually undiscovered gem holds a wealth of opportunity for investors.



## An Unprecedented Time

### **Baby Boomers**

The Baby Boom generation is made up of 88 million people born in the US and Canada between 1946 and 1964. This demographic phenomenon has been defining and redefining major aspects of the economy for more than half a century. As the leading edge of this generation nears retirement age, we enter an unprecedented time in history. Never before has this number of people simultaneously had both the wherewithal and the desire to purchase vacation homes and investment properties.

### **Second Home Sales Soar**

Second home sales surged to record levels in 2004 (2.82 million units), up 16.3% over 2003 sales levels (2.42 million units). Fueled by baby boomer demand, second home sales have increased each year since the 1997 beneficial tax-law changes. With the wave of baby boomers rushing toward retirement, the National Association of Realtors predicts the continuation of historically high levels of second home sales well into the next decade.

### **The 9/11 Factor**

The September 11<sup>th</sup>, 2001 terror attacks on the US and subsequent terrorist acts around the world, have left many people reluctant to travel abroad. As these acts continue, more and more people will seek alternative vacation and second home destinations closer to home. Mexico's proximity makes it perfectly poised to offer this alternative.

### **Investment in Mexico Continues to Increase**

In January 2005, Moody's and Standard & Poor's upgraded Mexico's foreign debt credit rating, from Baa2 to Baa1 and from BBB- to BBB, respectively, putting it on par with Chile. The following month, the Overseas Private Investment Corporation (OPIC), a US government agency that fosters economic development in emerging markets, approved \$570 million in funding for four new projects in Mexico. This increases OPIC's support for US investment in Mexico more than ten-fold over previously existing levels. OPIC's CEO predicts that the success of these projects "will encourage even greater levels of American investment" in Mexico.

- ❖ **San Carlos is located 15 miles north of the International Airport in Guaymas, Mexico.**
- ❖ **70% of San Carlos' residents are American and Canadian.**
- ❖ **Only one hurricane has ever reached as far North as San Carlos in the Sea of Cortez.**
- ❖ **There are 88 million Baby Boomers in the US and Canada.**
- ❖ **The Baby Boom generation is the wealthiest generation ever.**
- ❖ **Second Home sales rose 16% in 2004.**
- ❖ **Mexico was the top US international travel destination in 2004, with 19.4M travelers.**
- ❖ **Mexico's credit rating was promoted to Investment grade in 2002.**

*Right Time...*

## **An Extraordinary Place**

### ***The Population Moves West***

For 11 consecutive years, Arizona has ranked as the second-fastest growing state in the US, with a population growth-rate in 2004 three times that of the national average. Arizona is second only to Nevada, which racks up its 18<sup>th</sup> consecutive year as the number one fastest-growing state in the nation. In fact, six of the top 10 fastest-growing states are located in the West. These states include Idaho (4), Texas (6), Utah (7), and New Mexico (10).

The continued influx of people into the Western United States, combined with the US population's near universal desire for beach destinations, creates an undeniable demand for new beach locations in Mexico.

### ***What if Arizona had an Ocean?***

It does now... San Carlos, Mexico is located a brief two-hour flight south of Phoenix on the stunning Sea of Cortez. This quaint Mexican resort town is prime for development. The town consists of 8,000 acres, more than 80% of which are undeveloped, and is home to 6,000 residents, 70% of whom are American and Canadian. Infrastructure is currently in place for an anticipated 36,000 residents.



### ***Land and Building Costs – a Fraction of those in the US. Sales Prices – Not So.***

Currently, land costs in San Carlos are approximately 1/20<sup>th</sup> that of comparable land on the coast of Florida. For instance, a recent 60' beach-front lot in San Carlos sold for \$182,000, or approximately \$3,000 per front foot. A comparable beach-front lot in Delray Beach, Florida would sell for \$60,000 - \$70,000 per front foot. Not only are land costs incredibly reasonable, but construction costs are approximately 1/4th of those in the US. A hand-crafted, solid adobe-brick house with marble finishes wholesales for approximately \$50 per square foot (psf) and retails for approximately \$80 psf in San Carlos, versus a lesser-quality construction comparably finished house in the US at over \$300 psf.

Low hard costs are important, but the key to incredible profit margins in San Carlos is the disparity between costs and pricing. While land and construction costs are but a fraction of those in the US, sales prices of completed units, although viewed as a large discount from the US, are not as proportionately low. This disparity between building costs and sales prices offer developers a rare opportunity for abnormally high returns.

### ***Mexico Heats Up***

Over the last decade Mexico has become an ever increasing tourist destination. Los Cabos and Puerto Penasco are but two of the latest examples of once sleepy Mexican towns becoming tourist "hot spots".

#### ***Los Cabos***

Located at the southern-most tip of the Baja Peninsula, the rowdy raucous resort community Cabo San Lucas and its quieter, more laidback sister found 18 miles to the east, San Jose del Cabo, comprise Los Cabos (the Capes). Los Cabos began as an exclusive post World War II beach destination for the Hollywood elite. In the late 60's, the Mexican government, thru FONATUR, designated it as a tourist area and infused the capital necessary for development. A peninsular highway was built in the early 70's to provide access from California. However, it wasn't until two key ingredients were put in place during the late 80's, those being expanded international air access and golf, that the area became a world-renowned destination. Subsequently, between 1994 and 1999, real estate prices in the area increased an average of 25% annually.

#### ***Puerto Penasco***

Puerto Penasco, or "Rocky Point" as many American's refer to it, is located at the Northeastern tip of the Sea of Cortez, an approximate four-hour drive from Phoenix or Tucson. Over the past several years, this once sleepy fishing village has become the latest Mexican "hot spot". Due mainly to its proximity, and not its natural beauty, Puerto Penasco has seen real estate values climb at a compounded average annual rate of 27% over the last six years.

With beauty rivaling that of Cabo, but with proximity similar to Puerto Penasco, San Carlos is sure to experience success equal to or better than both of these Mexican "hot spots".