

## FEATURED ARTICLES:

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[2008 - My Perspective](#)  
by Bruce Greenberg

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## 2008 - MY PERSPECTIVE

by Bruce Greenberg

I have been providing real estate valuations and consulting services in Mexico for the past twelve years and have observed blips in the United States economy including the dot.com and previous Wall Street "Slowdown" that did not affect the real estate cycle in the resort communities of Mexico. As we enter the recession in the United States, I believe this economic re-adjustment cycle will have effects on Mexico and real estate globally.



I recently attended a 2008 Economic Forecast in Mexico City where both "National" public & private sector professionals with strong pulses on the economic status of Mexico, cited:

- Mexico is better prepared within its finance infrastructure system than ever before for a United States economic slowdown and is now "globally" oriented;
- That Mexico's GNP growth rate will be slower (2.8% vs. 3.8%) for the forthcoming year yet this is still a respectable amount.

I agree with the consensus, yet I am concerned that many of the resort markets in Mexico will be experiencing an oversupply of "new" condo units. The economic slowdown in the United States will have a direct effect on this "submarket." Traditionally, in a recession "the rich get richer and the poor have babies!" So I believe, the less affluent U.S. buyer will be less active. If developers have foresight and reduce prices then Canadians, Europeans and Nationals during this cycle can take advantage and fill the U.S. buyer void.

Conversely, I do not believe the wealthier U.S. buyer will disappear. In fact the affluent will take advantage of developers "fear factor." Historically, the wealthy get wealthier in an economic downturn — money talks! So the upper-end market should generally remain stable. More importantly than ever, developers need market/feasibility/absorption/competition/pricing studies!! Information is key in this economic cycle!! Developers and lenders cannot look through the rear view mirror they must look forward.

Presidente Calderon and his Cabinet understand both the need to grow and improve on infrastructure and tourism. They get it! The administration is working vigorously to bring more U.S./Canadian/European/Asians to Mexico. Mexico tourism will exceed 30 million visitors this year — a projected growth rate of about 7.5% is forecasted. Mexico ranks #2 in the world in timeshare sales. Through "whole" ownership by U.S. buyers will decrease, this is the time for the construction of new hospitality facilities — hotel/timeshare and even fractional complexes will fill the void for condos.

Mexico "welcomes" US citizens and are friendly warm hosts. This welcome and attitude is not always true in other resorts locales globally! Mexico is close and affordable so during this U.S. recession, I believe that the hospitality sector will grow.

This also benefits Mexico in the long run with increased sustainable employment. The construction of new hospitality/timeshare/fractional facilities will "house" the next wave of buyers as the recession winds down. Re-stated your next buyer is already a stakeholder in your timeshare and/or fractional complex.

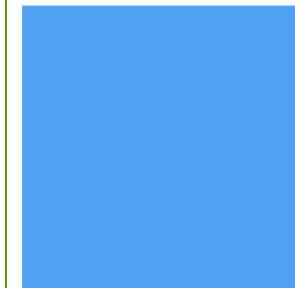
To help foment the economic growth of Mexico Presidente Calderon has initiated a government/private sector program to spend \$46.4 U.S. dollars annually for the next 4 years on:

- Expanding existing airports;
- 3 "new" airports are being built;
- Seaports are being modernized;
- 3 "new" seaports are being built;
- The federal highway system is experiencing tremendous growth — 100 new major roadways are planned and/or under construction;
- Fonatur has increased its budget threefold.

Many private sector groups will benefit from this growth. Crisis always provides opportunities — so this economic slowdown will be taken straight on by the stakeholders of Mexico with strong public/private partnerships. This synergy will benefit those who join in both the short and long term basis.

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