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Estrella del Mar, an 896-acre property in Mazatlan where an Aurora company has built condos and homes.

Companies try new ways to lure visitors to Mexico

BY ED SEALOVER
DENVER BUSINESS JOURNAL

By mid-2011, the stagnant U.S. economy and rampant drug-cartel violence made Mexico — once a hot spot for American tourists and property investors — a significantly less popular place.

So Colorado companies that offer beachfront condos or specialty vacations have had to create new business models. And they're getting results: American tourists are starting to return after avoiding resorts even in Mexican towns located far from the border-area violence.

"Certainly as you get closer to Tijuana, I don't anticipate a lot of development projects in that area," said Tom Filippini, co-founder and president of Next Great Place Inc., a Denver-based company that designs vacations with foreign properties and tour companies. "But from a general traveler standpoint, Mexico is so accessible to the U.S. that I think the U.S. traveler will still be very, very interested in traveling there long term."

Pat Butler says he saw interest lag in his company's properties during the recession.

International estimates say there have been more than 40,000 killings linked to drug cartels in Mexico since December 2006, and the U.S. Department of State issued a travel warning in April describing the situation. The violence particularly hit home when Loveland native David Hartley was killed by Mexican pirates while jet skiing at Falcon Reservoir on the Texas-Mexico border with his wife in September 2010.

Pat Butler, president/CEO of Club Acquisition Co. of Aurora, saw a lag in interest in both his company's property and other properties across Mexico once the U.S. plummeted into a recession that particularly affected middle-class residents who used to travel there. Club Acquisition is an owner of Estrella del Mar, an 896-acre property in Mazatlan where it has built condominiums and stand-alone homes.

But concerns about the drug violence — which has claimed few people not associated with gangs — and the travel warnings added to the slowdown in recent years, Butler said, estimating that sales of Mexican properties are 30 percent of what they were before the recession.

Club Acquisition, which completed an 84-unit condominium complex on its property this year, began to focus more on sales to the growing Mexican middle class, Butler said. That base makes up a significantly larger percentage of Estrella del Mar's new landowners than it did several years ago, he said.

Meanwhile, the company has dropped its gated beachfront property prices some 30 percent — from roughly $300 per square foot before the recession to about $220 now — to attract Americans still squeamish about making such a big investment, Butler said.

He believes that even if the violence continues, a U.S. economic recovery will mean a sales increase.

"The crisis we are in right now is cyclical. ... The middle-class American was probably hit the hardest in terms of the loss of 401(k) and home equity money," Butler said. "We just kind of tried to get everything we had under construction complete and from there, try to sell off and absorb what we could in this market without doing a massive fire sale."

Consumers concerned for safety

Next Great Place didn't have those problems because it doesn't own the land to which it directs the roughly 4,000 members who have signed up for its services since it launched six months ago. But Filippini found that with a choice of destinations, a number of people asked to avoid the three locations it offered in Mexico — Puerto Vallarta, Cabo San Lucas and the Riviera Maya.

"Certainly, consumers were questioning about the safety in Mexico," Filippini said. "There were a lot more inquiries about going to the Caribbean or Central America."

But in recent months, those requests to avoid Mexico have dissipated, he said. He's not sure whether people began to realize that the majority of the violence was centered around certain inland areas and border towns, but his booking activity for the three locations is up this winter.

That return to America's southern neighbor comes at the same time the Mexico Tourism Board has launched a cable-television advertising campaign called the "Mexico Taxi Project," in which Americans are videotaped discussing safety on their trips to Mexico.

Not every Colorado company with an interest in Mexico saw such a reluctance among travelers. Greg Eure, president of Broomfield-based luxury vacation club The Quintess Collection, saw "little to no" resistance among members to visit his company's 13 homes in Cabo San Lucas this year, he said.

Still, Quintess officials emphasized the safety of both the resort area and the gated community of its properties. He believes the country will remain popular with Americans despite the recent violence — enough so that Quintess will continue looking for new properties in Mexico, he said.

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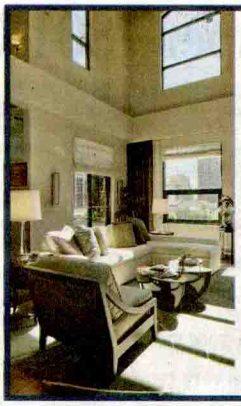

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