# REALESTATE

# B.C. luxury property buyers turn to Mexico

**RESIDENTIAL |** Canadian-built development offers freehold ownership of beachfront homes

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Ron **Rishagen** was born in Trail, B.C., but he will be spending most of his retirement days near Puerto Escondido on the southwest coast of Mexico, one of many British Columbians who have discovered the luxury Vivo Resorts.

"It's a winner," said Rishagen, a retired university professor who, after checking out numerous options, bought a condominium at Vivo Resorts this year.

A key reason is the discovery by a Calgary developer that Canadians can buy and own Mexico beachfront as freehold property.

Vivo Resorts is being developed by Calgary-based **Cary Mullen**, best known as a World Cup champion and two-time Olympian downhill skier. The resort's success hinges on three facts: the 76 acres of land is owned outright by Canadians; it fronts 21 kilometres of pristine oceanfront beach; and prices for the luxury condominiums and villas are bargain-basement when compared with B.C. waterfront.

Resort homes can also be rented when not in use, with 70% of net proceeds going to the owner.

Mullen discovered that some myths about Mexican land ownership were just that.

For instance, Mexico's 100-year-old regulations covering foreign ownership within 50 kilometres of a coastline have been relaxed, though using a "fideicomiso" (bank trust) is still required. Even so, there's a lot of old thought and misinformation around what can and can't be done.

"When I first started researching I believed the rumours rather than knowing the facts," said Mullen. "I spent thousands of dollars with lawyers in Mexico learning about the specific steps and process."

Some of the rumours Mullen refers to were that developers had to have property held by a Mexican bank trust and that they had to have Mexican partners.

"I learned that you could also have the trust be through some international banks such as **HSBC** [TSX:HSB-C] or **Scotiabank** [TSX:BNS]," Mullen explained. "I learned the government had changed that rule [about partners] and a Mexican company can be owned 100% by a foreigner.

"A Canadian can now own Mexican property outright."

The result has been a residential sales performance that would have most Canadian developers drooling. Since Vivo Resorts opened five years ago near the surfing community of Puerto Escondido, it has built and sold out seven condominium towers with a total of 100 units, plus 10 private detached villas. An eighth condo tower is 75% sold. A ninth tower, Marino Residences, pre-sold half its 28 condos in five weeks.

About 45% of buyers are from either B.C. or Alberta.

Even though prices have increased at least 40% since 2012, buyers can purchase a waterfront condominium at Vivo Resorts for an average of $469,000. One-bedroom suites in the newest tower start at $327,400 – and this includes all furnishings, from the giant-screen TV to the dishes and cutlery and maid service. A new two-level penthouse with three bedrooms and more than 1,850 square feet is priced at less than $800,000.

A luxury community and fitness centre opens at Vivo Resorts this December as does marketing for its Botanica condominiums, set back from the beach, but with larger pools and the lowest prices in the resort.

U.K.-based *Luxury Travel Guide* named Vivo Resorts Mexico's luxury resort of 2016.■

Canadian Olympic skier turned developer Cary Mullen at Vivo Resorts, Mexico: "a Canadian can now own Mexican property outright" | DHZ MEDIA

# Property price spike set to drive up city's downtown office taxes

**REAL ESTATE ROUNDUP**

**PETER MITHAM**

**Unintended consequences**

Pricing for strata office space at **Bosa Development Corp.**'s 320 Granville Street tower continues to draw attention, but as **Chuck We** of **Oxford Properties Group** recently told commercial real estate association **NAIOP**, it might not be kind to downtown landlords.

"When **BC Assessment** sees that office space is now worth north of $2,000 a foot, that works back into their land valuations," We said. "So when you go ahead and rezone and they'll happily collect taxes on that basis."

It's not just tax assessments that could be affected; community amenity contributions (CACs) are also linked to property values. The discussions regarding them are often long and hard, as the negotiations regarding the former post office site in the 300-block of West Georgia highlight. Moreover, the cost to residential developers can be significant, boosting what finished units cost and, ultimately, market value – the lift that's critical to CAC negotiations. City planning staff acknowledge the connection, unless land costs reflect the yet-to-be-negotiated CACs.

With the latest numbers from market research firm **Urban Analytics Inc.** indicating square-foot pricing surging toward $3,000 downtown, busting through $1,500 in Mount Pleasant and $1,200 in Joyce-Collingwood, developers are anxious, and new city policies regarding CACs aren't calming them. Vancouver council last week ditched CAC negotiations for low-density rental projects and embraced standard fees for pure commercial developments, but negotiations remain for large rental projects and commercial strata rezonings. How escalating prices influence CACs concerns **Urban Development Institute** president and CEO **Anne McMullin**.

"We look forward to a continued collaboration with the city to improve CAC negotiations and move to more fixed fees when possible," she said.

**Highs and lows**

It's no surprise that Metro Vancouver rental markets remain tight. **Canada Mortgage and Housing Corp.**'s latest survey report has vacancies at 0.9%, up from 0.7% a year ago as a surge in new units entered the inventory. Rents increased 6.1% in turn to an average of $1,297 a month.

But the addition of 268 new units to the Langley market also translated into the single biggest rise in rents. Three-bedroom units now rent for $1,752 a month, 53% more than they did a year ago. Overall rents for the market increased 16.8% to $1,180 a month.

Three-bedroom units in West Vancouver had the greatest decrease in rents, 1`dropping 7.4% to $3,400 a month. English Bay apartments were the only ones to see rents for all unit types decline, posting an overall decrease of 0.4% to $1,467 a month.

**Divergent trends**

B.C. retail spending was up 10% over the past year, outpacing the rest of Canada, but Metro Vancouver continues to lag behind the country when it comes to shopping malls.

The opening of Tsawwassen Mills and Tsawwassen Commons added 1.8 million square feet, and **Colliers International** reports that Metro Vancouver now has 13.13 square feet per capita, up from 11.5 a year ago.

Victoria, meanwhile, has seen its retail space shrink to 12.93 from 13.2 square feet per capita. **Jim Smerdon**, vice-president and director of retail consulting for Colliers, says the loss of 74,000 square feet of space compounded the shortfall in retail development relative to population growth.

"This has been caused by local market forces such as the redevelopment of small strip centres and/or street-front retail into higher-value residential properties," he said.

At a recent review of the investment market in the Lower Mainland, **Matthew Boukall**, senior director, residential, with **Altus Group Data Solutions Inc.**, said retail properties have been a significant focus of real estate investors in both Vancouver and Toronto seeking properties to hold and intensify.

Retail properties accounted for 19% of investment volume in Metro Vancouver in the first half of 2017; residential land sales accounted for 35% of volumes.

"What we are seeing is just delayed redevelopment opportunities," Boukall said of the retail investments.■

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