

**The Planning and Real Estate Implications of North American Retirees  
Moving to Mexico: A Study of Bucerías, Nayarit**

by

Santiago García Moreno

Bachelor of Arts in Architecture  
Universidad Iberoamericana (1998)

Submitted to the  
Department of Urban Studies and Planning  
in Partial Fulfillment of the Requirements of the Degrees of

MASTER IN CITY PLANNING

and

MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT

at the

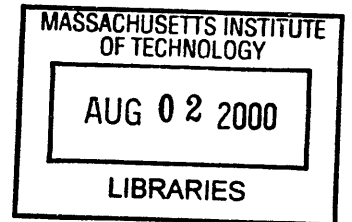
MASSACHUSETTS INSTITUTE OF TECHNOLOGY

June 2000

© 2000 Santiago García Moreno. All rights reserved.

The author hereby grants to MIT permission to reproduce  
and to distribute publicly paper and electronic  
copies of this thesis document in whole or in part.

**ARCHIVES**



Signature of Author: .....

.....  
Santiago García Moreno  
Department of Urban Studies and Planning  
May 18, 2000

Certified by: .....

.....  
J. Mark Schuster  
Professor of Urban Cultural Policy  
Thesis Supervisor

Accepted by: .....

.....  
Paul Smoke  
Chairman, Master in City Planning Committee  
Department of Urban Studies and Planning

Accepted by: .....

.....  
William C. Wheaton  
Chairman, Interdepartmental Degree Program in Real Estate Development  
Center for Real Estate

**The Planning and Real Estate Implications of North American Retirees  
Moving to Mexico: A Study of Bucerías, Nayarit**

by

Santiago García Moreno

Submitted to the  
Department of Urban Studies and Planning  
on May 18, 2000  
in Partial Fulfillment of the Requirements of the Degrees of

MASTER IN CITY PLANNING

and

MASTER OF SCIENCE IN REAL ESTATE DEVELOPMENT

## **Abstract**

Over the past decades, thousands of U.S. and Canadian retirees have moved to Mexico in search of better living conditions. Although the total number of foreign retirees in Mexico represents a small fraction of the total Mexican population, their concentration in specific communities suggests that the impact on these communities may be significant. Furthermore, a series of circumstances such as the North American Free Trade Agreement, the Internet, as well as the imminent demographic changes in the U.S. population all suggest that a dramatic increase in the number of retirees moving to Mexico might occur. Recent trends among the North American retirees that are moving to Mexico suggest that the retirees are becoming younger and that they are increasingly locating in Mexico's northwestern coasts. While the impact that the presence of North Americans may have in small coastal communities may be important, there is a lack of research on this phenomenon. This thesis is an exploratory study of a particular community, Bucerías (Nayarit), which is experiencing this phenomenon. The thesis intends to unveil the major planning and real estate implications of foreign retirees living in one such coastal community. The study is mostly based on extensive qualitative on-site interviews. Useful evidence for both local authorities as well as for real estate and tourism industry professionals on the positive and negative implications of the presence of retirees is provided.

Thesis Supervisor: J. Mark Schuster  
Title: Professor of Urban Cultural Policy

## **Acknowledgments**

Thanks to Professor Mark Schuster who has provided me with invaluable direction and assistance in writing this thesis and who has helped me to better express the thoughts and ideas that I wish to convey. I am extremely grateful and honored to have had him as my supervisor.

Thanks to Blake Eagle, who was able to make time in his busy schedule to be my thesis reader.

Thanks to all of my sponsors: MIT, Fulbright-García Robles, Becas Magdalena Obregón Viuda de Brokmann, the MacArthur-Ford-Hewlett Foundations, and the Institute of International Education (IIE).

Thanks to my parents and my brothers for always being there for me.

And finally, thanks to Di for her love and support.

**In memory of Guillermo Brockmann**

# Contents

<b>Chapter I:</b>	<b>Introduction and Research Methodology</b> .....	7
<b>Chapter II:</b>	<b>North American Retirees in Mexico</b> .....	10
	Estimates of the Number of North Americans Living in Mexico.....	11
	Retirees in Mexico and Changes in U.S. Demographics.....	15
	Other Factors and the Future Influx of Retirees.....	16
	The Influence of the Tourism Industry.....	17
	The Study and Selection of a Coastal Community.....	19
<b>Chapter III:</b>	<b>Bucerías</b> .....	21
	Location.....	22
	History.....	24
	Bucerías Today.....	27
	<i>Population, Tourism, and the Economy</i> .....	27
	<i>Physical Configuration of the Town</i> .....	28
	<i>Recent Change in Bucerías</i> .....	30
<b>Chapter IV:</b>	<b>Foreigners in Bucerías</b> .....	32
	Major Factors in the Decision-Making Process.....	32
	Considerations Prior to Moving.....	35
	<i>Crime and Security</i> .....	35
	<i>Health Care Services</i> .....	36
	<i>Distance from Relatives</i> .....	36
	The Profile of the Foreigners Living in Bucerías.....	37
	Moving to Bucerías.....	41
	Trends of North American Retirees in Bucerías.....	44

<b>Chapter V:</b>	<b>Planning Implications</b> .....	52
	Economic Implications .....	52
	<i>Existing Research on the Economic Impact of Retirees</i> .....	56
	<i>Summary of Economic Implications</i> .....	57
	Social Implications .....	58
	<i>Social Change and Loss of Traditions</i> .....	59
	<i>Social Tensions</i> .....	60
	<i>Social Interaction</i> .....	63
	<i>Volunteer Work</i> .....	66
	<i>Summary of Social Implications</i> .....	69
	Political Implications .....	69
	Major Concerns of Locals and Foreigners.....	72
<b>Chapter VI:</b>	<b>Real Estate Implications</b> .....	83
	Forces Influencing Bucerías .....	83
	Influence of Nearby Real Estate Activity .....	75
	Bucerías' Real Estate Market .....	92
	<i>The Eastern Side of Bucerías</i> .....	93
	<i>The Western Side of Bucerías</i> .....	94
	Implications of Retirees for the Real Estate Market .....	98
	Other Real Estate Issues for Foreigners.....	103
	<i>Land Ownership</i> .....	103
	<i>Property Taxes, Income Taxes, and Immigration Status</i> ...	105
	Chapter Summary .....	107
<b>Chapter VII:</b>	<b>Conclusions</b> .....	109
	<i>Recommendations for Real Estate Professionals</i> .....	110
	<i>Recommendations for Local Authorities</i> .....	112
<b>Appendix</b> .....		116
	Interview Protocol for Foreign Retirees .....	116
	Interview Protocol for Locals .....	117
	Additional Interview Topics of Real Estate Professionals .....	117
<b>Bibliography</b> .....		118

# Chapter I

## Introduction and Research Methodology

A migration phenomenon that has been occurring for many years and that has been relatively well documented and researched is the exodus of Mexican workers to the U.S. and Canada. A different phenomenon, similar in nature, but completely opposite in direction has been quietly taking place over the same decades: the migration of U.S. and Canadian retirees to Mexico. The retirement migration is not comparable to the migration of Mexican workers; however, it has significantly affected particular communities within Mexico. Globalization, national trade agreements, the Internet, and demographic changes are all factors that may increase the number of North American retirees moving to Mexico.

North American retirees have concentrated in certain towns and cities within Mexico that are known for their high level of tourism. Recently they have been concentrating near coastal tourist centers. In the past decade, Mexico has pursued aggressive tourism campaigns in order to promote the development of its coastal tourism centers. The combination of these factors, indicates that hundreds of small coastal communities will not only be exposed to tourism development, but to a massive influx of retirees as well. Due to the lack of study of this phenomenon and to the important implications that it can have for many coastal (and even non-coastal) communities within Mexico, I decided to conduct an exploratory study of a coastal town that has been experiencing the phenomenon. The purpose of this thesis is to both have a deeper understanding of the phenomenon as well as to understand the major planning and real estate implications of North American Retirees living in these communities.

In order to study the phenomenon, I first conducted preliminary research. Then a series of qualitative interviews of both Mexicans and foreigners living in Bucerías were conducted. A large portion of this thesis is based on the analysis of these interviews. A total of 21 extensive interviews were conducted on site. Eleven of these interviews were of North American retirees and ten were of Mexicans. I have included in the Appendix a version of the original protocols that I used during the interviews so that the reader can have a clearer idea of my initial concerns. It is important to

clarify that the protocols were not used as strict questionnaires but as guides that helped me in conducting the interviews. In general, the interviews took the form of casual conversations with the interviewees. In the Appendix, I have also included a list of topics that were additionally covered when interviewing local or foreign brokers. Due to the overall lack of academic literature on this topic, I have complemented the interviews' analysis with findings from the commercial retirement literature.

The thesis has been divided into seven chapters. This brief introduction and a description of the methodology make up the first chapter. The second chapter provides a general overview of the North American retiree phenomenon in Mexico. In it, I explore the direction and magnitude of the phenomenon. In this chapter, I introduce the relationship between the tourism industry and the development of the retirement phenomenon. Further, I discuss the reasons why I chose Bucerías as the focus of my study.

The third chapter provides an overview of Bucerías. It describes the most important characteristics that the town has in relation to the phenomenon. It also provides a description of the town's history as well as of some of the more important changes it has experienced.

The fourth chapter provides an overview of the North American retirees living in Bucerías. In it, I study their decision making process in order to understand the most common determinants that have driven them to retire there. In this section I also study the main concerns that the foreigners had prior to moving. One of the purposes of this section is to have a better understanding of the characteristics of the retirees that are establishing themselves there. This chapter can help both local authorities and real estate developers know more about this increasingly important group within the community.

In the fifth chapter, the "planning implications" chapter, I study the impact that the foreign retirees have had on the community from three different perspectives. First from the economic perspective, I study whether the presence of foreign retirees has had positive or negative effects on Bucerías' economy. Then, I look at the social implications and explore whether the retirees have introduced social tension or have provoked major social change within the community. As part of this section, I study the interaction between the two different groups and explore its implications. Finally, I look at the implications from a political point of view. In this final section I explore the



relationship that the retirees have with the local authorities as well as the influence that the foreigners have in local decision making processes.

The sixth chapter covers real estate related implications. The main purpose of this section is to determine if the presence of foreign retirees has had major role in the appreciation that has been observed in Bucerías. In order to have a better idea of the level of magnitude of this influence I first discuss other possible forces that must also be influencing the area's real estate market. I then focus on Bucerías' real estate market in Bucerías. Other real estate related issues that must be important determinants of the number of retirees moving to Mexico are covered as well.

Finally, chapter seven the "conclusions chapter" summarizes the major findings and presents recommendations.

## **Chapter II**

### **North American Retirees in Mexico**

For more than several decades a handful of towns and cities within Mexico have been the retirement homes for many American and Canadian citizens. According to a retired U.S. citizen currently living in Mexico, the idea of retiring to Mexico seems to have first started after the Second World War. According to him, this was due to the increase in the cost of living in the U.S. together with the scanty pension incomes that ex-military personnel had. Many military retirees left the U.S. in search of cheaper locations where they could continue to live lifestyles similar to those they had had during their working lives.

Areas such as Guadalajara (Jalisco), San Miguel de Allende (Guanajuato), and the Lake Chapala area (Jalisco), amongst others, were some of the first “retirement Meccas” for these North Americans. Today the most well known and largest North American retirement communities in Mexico are located in these cities and areas. Newer retirement communities are now developing, particularly along the Mexican coasts.

Following the steps of the first U.S. retirees that moved to Mexico, thousands of other U.S. and Canadian middle income citizens have also been lured to retire in Mexico, not only due to the cheaper costs of living but also due to other convenience factors. Retirement author Hayes Schlundt indicates that some of the most important factors that have driven foreigners to retire in Mexico are the warmer climate, the slower pace of life, the experience of living a different culture, and the proximity to the U.S. and Canada (Schlundt, 1998, p.17).

The areas where several retirement authors<sup>1</sup> have indicated that most North American retirees have preferred to establish within Mexico can be divide into three:

1. Guadalajara and its surrounding areas (Chapala, Ajijic, Jocotepec).
2. Central Mexico (mainly colonial cities such as San Miguel de Allende, Guanajuato, Cuernavaca, Mexico City, Morelia, Patzcuaro, Oaxaca, etc.).
3. The coasts (The Peninsula of Baja California, the Pacific Coast, the Gulf Coast and the Yucatan Peninsula).

Who are the Americans that are moving to Mexico? According to commercial retirement author Michael Nelson most of the Americans that are moving to Mexico are middle-income retirees. Nelson also indicates that within the group of retirees that is moving to Mexico, there is a growing segment of younger retirees (retired people between forty and fifty years old). These groups are not only moving to Mexico, but also to other Latin American countries (Nelson, 1999). The same author indicates that most of the retirees living in Mexico have incomes of \$800 to \$1200 (U.S.) per month (Nelson 1999). Thus, one can say that retirement in Mexico is a phenomenon that seems to be attracting relatively young middle income retirees from the U.S. and Canada.<sup>2</sup>

In brief, the retirement phenomenon in not new but perhaps it is increasing. North American retirees have shown clear preferences toward specific areas and cities within Mexico and come from middle income sectors of the U.S. and Canadian populations.

## **Estimates of the Number of North Americans Living in Mexico**

Over the years, Mexico has become home to thousands of U.S. and Canadian citizens. However, the estimates I found are not very consistent and often do not even include Canadians.<sup>3</sup> In this

---

<sup>1</sup> The authors I am specifically referring to are: Shelly Emling, *Your Guide to Retiring to Mexico, Costa Rica and Beyond*; Jahn Howells and Don Merwin, *Choose Mexico for Retirement*; Ken Luboff, *Live Well in Mexico*; Michael Nelson, *Live Better South of the Border*; Hayes Schlundt, *Living Easy in Mexico*; Michael Zamba, *Living in Mexico*.

<sup>2</sup> Although I will refer to both U.S. and Canadian retirees throughout the thesis, I will generally describe U.S. related characteristics because the majority of data and literature refers to U.S. citizens only.

<sup>3</sup> In general I encountered a lack of information on retirement migration from abroad and found that the phenomenon has not been studied rigorously. Most of the retirement authors that I found were commercial authors who concentrate on giving advice to U.S. retirees who are thinking about or are already living abroad.

section, I will report these estimates and show that despite their inconsistencies one can conclude that the number of U.S. citizens moving to Mexico has been increasing over the years.<sup>4</sup> I will then indicate why the impact of foreign retirees may be important even though the total number of foreign retirees living in Mexico may be relatively small.

The U.S. 1970 Census indicated that 11,296 Americans lived in Mexico at that time (U.S. Bureau of the Census, 1970). On the other hand, the 1970 Mexican Census indicated that this number was 97,246, a very different number (Secretaría de Industria y Comercio, 1972, p. 161). According to a retirement author, Robert Hopkins, the U.S. Department of State had also estimated 98,000 in 1970 (Hopkins, 1972 p. 270). Furthermore, a 1971 study by a student from the University of Florida indicated that the Mexican Department of Tourism had estimated around 30,000 Americans living in Mexico in 1970 (Alton, 1971). The disparity between these estimates hints at the difficulty of measuring the number of foreigners living in Mexico. Today, this difficulty and lack of consistency remains. Further research is needed in order to have more accurate estimates.

In 1991 Michael Zamba, another retirement author, indicated that the U.S. State Department had estimated nearly 400,000 Americans then living in Mexico (Zamba 1991, p. 2). By taking both the lowest and the highest of the previously mentioned estimates as the number of foreigners living in Mexico in 1970 (30,000 and 98,000), I obtain increases of 1,233 percent and 308 percent respectively from 1970 to 1990. Without considering the death rate, nor the repatriation rate, and assuming that the number of foreigners increased linearly over time, the average number of North Americans moving to Mexico per year would have been around 18,500 (based on the 1970 estimate of 30,000) or 15,100 (based on the 1970 estimate of 98,000). Assuming a constant growth for the low 1970 estimate (30,000), between 1970 and 1990 the yearly growth rate of the Americans moving to Mexico was 13.83 percent. If we use the high estimate (98,000) the rate would have been 7.28 percent. Assuming that the actual growth rate of the number of Americans moving to Mexico was between these two, I use the average (10.55 percent) and, assuming that the

---

<sup>4</sup> Note that I am treating all of the U.S. migrants to Mexico as retirees although a portion of these must surely be younger. The reason for doing this is to be consistent with the scarce data that I have on foreigners in Mexico. The main problem is that there is no break down by ages or activities. Another caveat is that I do not know how these estimates were arrived at.

rate has remained constant from 1990, I calculate that the number of Americans in Mexico today must be around 1,090,555.<sup>5</sup>

A 1995 study by the U.S. Census Bureau indicates that the number of Americans that migrated to Mexico in 1980 was only about 8,299 (Fernandez 1995). Further, a much older study by the U.S. Bureau of Census in 1970 indicated that the rate of American migration to Mexico was much lower, less than 3,000 per year. These last migration rates, together with my estimated rate above, suggest that the number of Americans migrating to Mexico must have dramatically increased during the 1980's. Moreover, according to my interviews, the actual number of Americans moving to Mexico has been rising constantly during the past 5 years. The evidence so far indicates that the annual growth must have been increasing over the past 20 years.

More accurate numbers could be obtained by researching Mexican Immigration Office data but these figures are generally difficult to obtain due to the bureaucracy. This year's census (2000) may also provide data that can help obtain more accurate numbers of North American retirees living Mexico.

Suffice it to say that no accurate estimates of the number of North Americans living in Mexico exist. This is probably because the number of Americans and Canadians that move to Mexico is still such a small percentage of the Mexican population and has not raised concerns amongst researchers and governments. Further, researchers have not studied the migration of seniors because it is a group that does not move much. It has been said that nine out of ten seniors prefer to remain in their homes (Schaefer, 2000, p. 1). However, the impact that North Americans have on Mexican cities and towns (especially in smaller ones) can be disproportionate due to their high concentration in few specific locations within Mexico. The already mentioned study by Alton confirmed that the economic impact of the foreign retirees in Guadalajara's economy was quite significant (Alton 1971). The influx of foreign retirees to Mexico should be a topic of concern at least for the inhabitants of recipient towns.

---

<sup>5</sup>  $400,000 \times (1 + 0.1055)^{10} = 1,090,555$

Even if the number of retirees in Mexico is small, the relative impact can be significant due to the concentration factor mentioned above. This impact is particularly evident if we compare the salary of the average retiree to the salary of the average Mexican. The average North American retiree income estimated by Nelson is on the order of \$1,000 dollars per month. In contrast, a recent article on Mexican wages indicated that the average monthly income (income measured as PIB per capita) of Mexicans is \$390 dollars per month (Reforma, 2000). This means that the average retiree has at least 2.6 times more purchasing power than the average Mexican consumer. Another recent article by the same source indicated that 14.9 percent of Mexicans live with less than one dollar per day income! The possible impact of retirees' expenditures in smaller communities that have such low salaries becomes even more evident. Some argue that one of the impacts will be a local rise in the price of goods. In the following chapters I will explain why this is unlikely.

Retiree expenditures in Mexico generally act similar to Mexican exports and are excellent for the Mexican economy. Hosting foreign retirees, even if they are a small percentage of the population, can positively and significantly contribute to improving the local economy of small Mexican towns that have scarce resources. Moreover, for smaller coastal towns with tourism based economies, the year round presence of retirees can help stabilize the local economy during periods of low tourism. The presence of foreigners must also have important implications from the planning and real estate perspectives.

In this section I have shown that the number of U.S. citizens living in Mexico, let alone the number of retirees, is not well known. The estimates I found suggest different numbers; however, it seems that the presence of foreigners has increased during the past 30 years and is continuing to do so. Another important reason why the number of U.S. retirees moving to Mexico is likely to increase is due to the demographic explosion that the U.S. senior population will experience during the next decades. Yet, the total number of foreigners in Mexico is surely a very small fraction of the total U.S. population (and of the total Mexican population). However, even though the number of foreigners in Mexico may be small, due to wage differentials and their concentration in a number of specific cities and towns, their impact can be significant and thus should be further studied.

## **Retirees in Mexico and Changes in U.S. Demographics**

America is aging, over the next decade it is estimated that the 55-64 age population will increase from 21.4 million in 1996 to 35 million in 2010, a 65 percent increase (Gruen, 1998). As the baby-boom generation reaches 65 years of age, the increase will be even more dramatic. It is estimated that by 2030 the senior population in the U.S. (65 and above) will have nearly doubled from today's estimate of 35 million to closer to 70 million. In other words, the senior population will grow from 12.7 percent to 20 percent of the total U.S. population (Schaefer 2000), an increase of 100 percent! Such an increase in the U.S. elderly might suggest that the number of retirees moving to Mexico during the following decades might follow similar increments.

According to Urban Economics professor, William Wheaton, past retirement research indicates that seniors generally do not move when they retire. However, he also indicates that the newer generation of baby boomers is radically different from previous generations of U.S. elderly. The baby-boomer generation is much better educated, has better health, and thus will live independently longer; they are wealthier, more active, and have traveled more than their parents. These changing characteristics suggest that the behavior of the future senior population might be very different from the current senior population.

The real estate boom that some Mexican tourist areas are currently experiencing may well be a sign of the different behavior of the baby-boomers from that of their parents: A high number of middle age foreigners, mainly from the U.S. and Canada are buying real estate in coastal areas. This ownership of Mexican real estate by middle age and "young senior" citizens from the U.S. and Canada, also suggests a future increase of retirees moving to Mexico. Moreover, research presented in the following chapters will show that the characteristics and preferences of foreign retirees living in Mexico seem to be very similar to those of the baby boomers from a qualitative point of view.<sup>6</sup>

It is important to note that even though baby boomer retirees might behave differently from their parents and move to Mexico during some of their retirement years, it is difficult to know if they are likely to return to the U.S. as they become even older. If they do not go back to the U.S., a

---

<sup>6</sup> The characteristics of the baby boomer seniors are taken from a report by Robert Schaefer, *Housing for Seniors*, from the Joint Center for Housing Studies of Harvard University.

market for assisted living and other niches of senior housing types may be created. My interviews with Mexican brokers indicate that the foreign retirement phenomenon in Mexico is indeed increasing. The implications of this phenomenon will be explored in this thesis. Other changes besides changes in U.S. demographics may also affect the future influx of foreign retirees to Mexico. In the following section, I will briefly address some of these other factors that may already be attracting foreign retirees.

## **Other Factors and the Future Influx of Retirees**

Factors such as relative safety, low taxes, better weather, more favorable economic conditions, loosening immigration requirements, and increased flight frequency are important determinants that must also help explain the number of retirees that move abroad. Recent changes in Mexican foreign investment laws, the North American Free Trade Agreement (NAFTA), the Internet, and globalization trends, should make retiring abroad easier than before. Thus, these factors will probably increase the number of North American retirees in Mexico. Factors like these have already influenced many corporations to relocate their industrial plants to Mexico. Similar advantages apply to retirees who relocate to Mexico; thus, it is logical to think that many younger U.S. seniors who are better informed will follow with similar behavior and will relocate to Mexico. Evidence of this is seen in the fact that a couple of Mexican development companies are already taking advantage of the demand for real estate generated by retirees in areas that are closer to the U.S., specifically in the north of Baja California.

Some of this location behavior, yet another precursor to the increase in retirees along Mexico's coasts, is the migration of the famous "snowbird" retirees to Northern Mexico. Every year, large number of snowbirds from the U.S. and Canada drive to Mexico during the winter in recreational vehicles (RVs). This phenomenon has been occurring for some time, but recently the phenomenon has experienced radical growth and is expected to continue increasing. It is estimated that the number of "snowbirds" that travel to Mexico in RVs is about 150,000 per year (Urquides, 1998).

In contrast to the motives stated above, which suggest an increase in the presence of North American retirees in Mexico, some authors indicate that the baby-boomers are actually not saving enough for retirement and that they will reach retirement in a precarious financial condition



(Zultowski 1997). But from this perspective, one can argue that the influx of retirees could also increase due to the lower costs of living in Mexico.

Lack of mobility due to family ties is another factor that may indicate that the influx of retirees to Mexico may not grow very much. In fact, according to retirement author Nina Gruen most of the elderly do not want to move away from their children and grandchildren due to these family ties. The importance of family ties has two different components:

1. Having close contact to family members so they can see one another.
2. The potential physical support by family members in the case of loss of health.

The first component may play an important role in hindering the influx of retirees to Mexico. On the other hand, the second component is more unlikely to do so. Evidence of this are current retirees living in Mexico. They are not concerned with this issue because they can afford to have some type of assistance due to the relatively low labor costs in Mexico.

In the past sections of this chapter, I have given an overview of the retirement phenomenon in Mexico and have indicated that the number of foreign retirees living in Mexico has been increasing since the 1970's. I have indicated that although they compose only a small fraction of the population, they can have significant impact on smaller towns because they tend to concentrate in certain communities. I have also indicated other factors that suggest that the number of retirees moving to Mexico may increase even more quickly during the following decades due to changes in U.S. demographics, as well as to other factors. In the following section of this chapter, I want to address a final factor that may be playing a critical role in the attraction of retirees to Mexico: the tourism industry in Mexico.

## **The Influence of the Tourism Industry**

During my research, I discovered that the majority of the retirees living in Mexico had first visited the country as tourists before deciding to retire there. Moreover, among the foreigners that are moving to Mexico there is an increasing group of younger retirees that are locating to the Mexican coasts, near or in major tourist destinations. Having tourism as one of its priorities, the Mexican government has developed a series of large-scale tourism projects along the Mexican coasts in the

past decades. There are currently projects under way that indicate that such investment in tourism will continue. Paralleling the development of the tourism industry, the number of North American tourists will be likely to increase. In this section, I will give an overview of the tourism industry in Mexico. I will also talk about the relationship tourism has with the presence of foreign retirees.

Mexican official statistics indicate that income from tourism reached \$7 billion in 1996, 5 percent of total Gross Domestic Product (GDP), ranking third as a source of foreign exchange after manufacturing and oil (Luxner, 1997). This number was reached not only due to the country's tourism potential. It was reached thanks to important promotional and development efforts in this arena during the Salinas administration.

According to Farguharson, author of an article in the *Mexican Business Journal*, the Salinas administration set tourism as a development priority in 1989 and made important reforms to eliminate legal obstacles to foreign investment in Mexico's coasts as well as in other inland tourism projects (Farguharson 1992). The government strategy included:

- Improving accessibility to major tourist destinations through better transport and infrastructure.
- Augmenting the promotion of Mexico as a winter beach destination in the U.S. market.
- Improving personnel training in the tourism industry.
- Promoting massive investment in large-scale tourism projects through FONATUR (Fondo Nacional del Turismo)<sup>7</sup>, as well as in existing operating projects.

The Mexican government's emphasis on tourism has had important implications for the recent development of Mexican coasts. Due to this emphasis, millions of visitors have been attracted, and the tourism centers located on the coasts have experienced dramatic growth and development over recent decades.

Along with the increase in the number of tourist visitors, the development of the tourism industry must have also helped increase the number of foreign retirees living in Mexico. Although I found no research that studied the correlation between tourism levels and retiree migration, this study

---

<sup>7</sup> FONATUR is a government fund in charge of promoting investment in tourism.

will provide some qualitative evidence that suggests they must be very related. Thus, the continuous development of coastal tourism projects in Mexico will certainly continue to increase the influx of foreign retirees looking for warm weather and a cheaper location.

## **The Study and Selection of a Coastal Community**

The development of the Mexican coasts implies that many coastal communities will now be exposed to the presence of tourism and North American retirees. In fact, smaller towns that are located near larger tourist destinations have already begun experiencing drastic changes in their economies and in their land markets. Thus, tourism seems to be playing a major role in determining which areas within Mexico are likely to have a significant foreign presence in the future, hence, the importance of studying what is happening in these communities. I have chosen one such town, Bucerías, as the focus of my study.

Foreign retirees living in Mexico generally locate in tourist towns within three areas: the Chapala area, central Mexico and along the coasts. Of the three areas, the largest one in number of cities and towns is the coastal area. During the next decade, small towns along the Mexican coasts will experience an increasing influence of tourism and, thus, will become prospective destinations for foreign retirees. Some of the towns that are located near major tourist destinations have already begun experiencing an increase in foreign residents.

The presence of foreigners in these towns must have important implications for these towns. One of the main objectives of this thesis is to understand the effects on small coastal communities of the presence of foreign retirees. I will concentrate on the basic planning and real estate implications.

One of the largest tourism projects currently being planned in Mexico is the “Escalera Nautica Project.” This project intends to create major tourist destinations all along the Sea of Cortés (from the mouth of the Colorado river to the Bay of Banderas). Although such a project, similar to other planned projects and currently operating ones, is a long-term one, it will ultimately have a great impact on the communities situated all along the coast of the Sea of Cortés. Baja California is already experiencing dramatic changes due to the presence of foreign retirees that will add to the impact that the existing communities will experience. The changes that Baja California is

experiencing are due to the massive attraction of winter retirees or “snowbirds” and an increase in real estate demand by North Americans. The need for studying the planning and real estate implications for these communities is evident, especially so for Mexico’s northwestern coast.

In order to better understand the retirement phenomenon in Mexico together with the implications it has on planning and real estate issues, I have selected Bucerías, a community that is relatively near to a major tourist destination and that has been receiving foreign retirees for more than 10 years. In the following chapter, I will describe the town in detail as well as the changes it has undergone over the years. I selected this town because it had three important characteristics that make it optimal for a study of this sort. First, it is located near a large tourism destination; thus, it can serve as a good example for coastal towns that are (or will be) close to tourism destinations. Second, it has experienced a prolonged migration of retirees and has an established foreign community. Third, it has a small size, which facilitates its study.

# **Chapter III**

## **Bucerías**

There has been an increase in U.S. and Canadian retirees living in Mexico, and this increase has been concentrated in a relatively small number of towns and cities where most of the foreign retirees are living. However, as more retirees move to Mexico, other small towns are being added to the list. Over the past decade, foreigners buying residential housing, or moving to Mexico have been concentrating in tourist cities and towns. This has been especially so in Mexico's northwestern coast. As these cities and tourist destinations have become larger, other smaller coastal communities that are relatively close have also started to experience the influx of foreign retirees. The presence and constant influx of foreigners both to larger tourist cities and to small coastal towns must have important planning and real estate implications that should be of concern to local residents, local authorities, developers, tourism professionals as well as to the established foreign population.

In order to study this relatively new phenomenon from a closer perspective, I have chosen a small coastal community that has begun to experience this phenomenon. The town in question is a small village in Mexico's Pacific Coast named Bucerías (pronounced boo-sa-REE-us). Thanks to Bucerías' small size it is easier to draw more accurate conclusions regarding the planning and real estate implications of presence of foreigners. Hundreds of small Mexican coastal communities will probably be facing similar challenges and opportunities due to the presence of foreigners both as tourists and permanent residents. Thus, Bucerías can serve as a good example for other communities that will experience this phenomenon in the future. This way they can learn from its experience and hopefully better plan and prepare for the future.

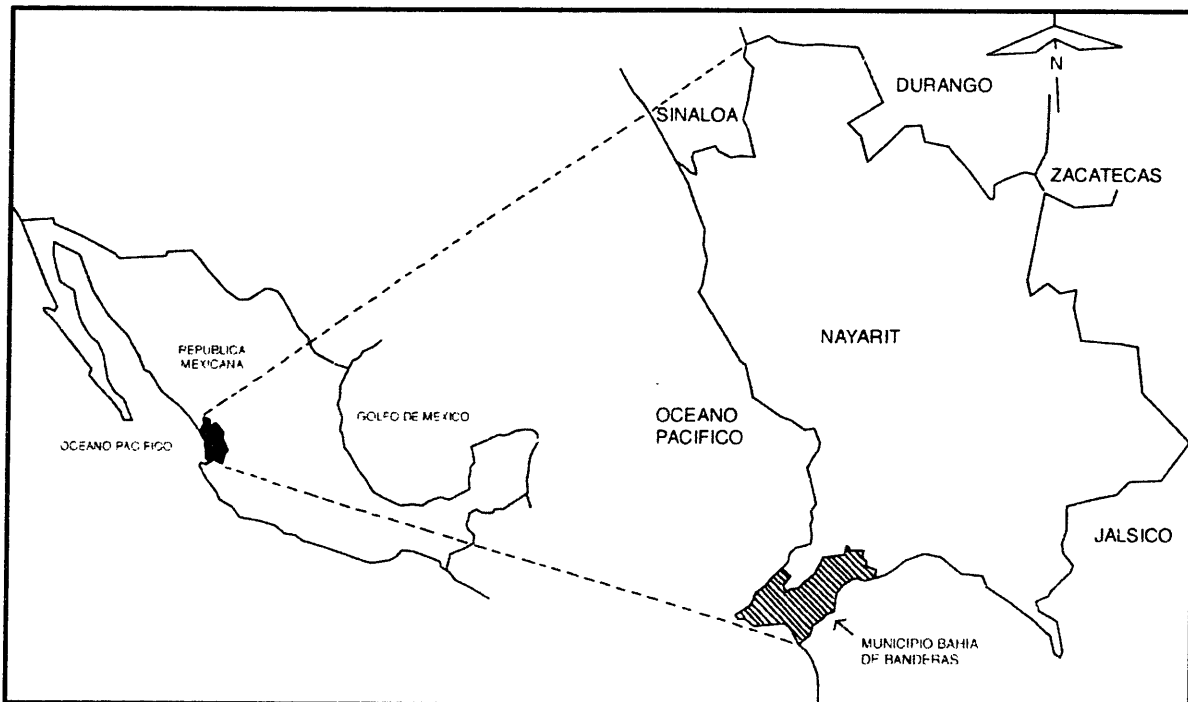
Bucerías, similar to most small Mexican coastal communities, is a relatively poor town. It is important to clarify that although I am not presenting any hard data on the actual revenues and economic activity of the town, one can easily see how poor the town is simply by walking around

it. In contrast, to other coastal communities, thanks to the introduction of the tourism industry, over the years the overall improvements in Bucerías (infrastructure, economic, social) have been noticeable. One can verify this simply by visiting towns in Nayarit that are farther to the north and observing the evident differences on the urban environments. Part of the argument of this thesis is to show that Bucerías has improved (and can continue to do so) due to the presence of North American retirees. However, the main point that I want to make here, is that despite of its improvements, Bucerías is still a town that has a lot of problems, of which the main one is probably the high poverty levels of many of its inhabitants.

## Location

Bucerías is a small town on Mexico's West Coast facing the Pacific Ocean. It is located on the South Eastern extreme of the Gulf of California, specifically on the northern part of the Bahía de Banderas (Bay of Flags). It is part of the State of Nayarit. The southern part of the Bay belongs to the State of Jalisco (Figure 3.1).

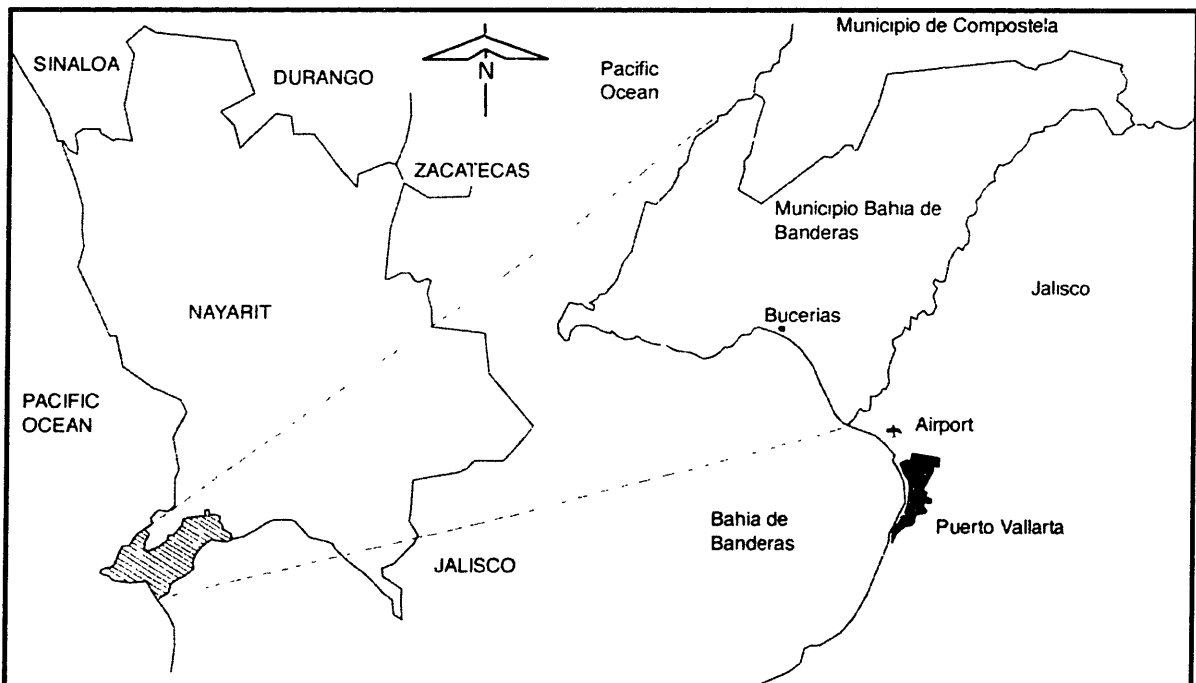
**Figure 3.1 – Map of the Mexican Republic and of the State of Nayarit.**



*Source: Paz, Maria. Diseño Urbano y Palacio Municipal del Municipio de Bahía de Banderas, Nayarit. Mexico, D.F.: Universidad Iberoamericana, 1997.*

Until 1990, Bucerías was part of the Municipio de Compostela.<sup>8</sup> However, due to the large size of the Municipio, the Government of the State of Nayarit decided to split the Municipio of Compostela into two different *municipios*. The northern part would continue to be the Municipio de Compostela, and the southern part would be a new *municipio* named Bahía de Banderas. The creation of the new *municipio* was a response to an old request from the inhabitants of the area. The intention was to increase the government’s attention, to promote the integration of its inhabitants, and to help develop the local economy (Paz, 1997, p. 4). The Municipio of Bahía de Banderas is governed by the Ayuntamiento of Bahía de Banderas, which is located in town of Valle de Banderas.

**Figure 3.2 – Map of the State of Nayarit and of the Municipio Bahía de Banderas**



Source: Paz, Maria. *Diseño Urbano y Palacio Municipal del Municipio de Bahía de Banderas, Nayarit*. México, D.F.: Universidad Iberoamericana, 1997.

<sup>8</sup> The Mexican United States, similarly to the U.S.A., is a nation that is made out of different states that are individually governed with a Federal Government. Together, all of the states along with the Federal District make up the Mexican Republic. Each state has a capital city and a Gobernador (governor). Each state is divided up in *municipios* (municipalities). Every *municipio* also has a capital city or town where the Ayuntamiento Municipal is located. The Ayuntamiento Municipal governs the entire *municipio* and is headed by a Presidente Municipal, who is subordinated to the governor of the state. The *municipio* is again divided into many *delegaciones*. The *delegaciones* are constituted depending on population size. The head of each *delegación* is the Delegado Municipal.

The Bay of Banderas is particularly well known because it is also home to Puerto Vallarta, one of Mexico's largest and most visited tourist destinations. The city of Puerto Vallarta is located close to the center of the coastline that surrounds the Bay, on Jalisco's side of the Bay. The origin of the city of Puerto Vallarta dates back to the year of 1851.<sup>9</sup> Since then it has evolved from a small fishing and agricultural community to a thriving tourist city (Olveda, 1993, p.16). It is important to make reference to Puerto Vallarta because much of the development within the Bay has been the consequence of the existence of Puerto Vallarta; the rest of the Bay seems to be following similar patterns of development.

## **History**<sup>10</sup>

According to historians, during the XVI century the area known as Valle de Banderas (Valley of Flags) was inhabited by Pre-Hispanic tribes that were part of the kingdom of Xalisco. The largest population in the area was located close to the Ameca river, probably very near to the actual location of the town of Valle de Banderas, today's municipal capital (Olveda, 1993, pp. 23-39). In 1523, Mexico's conqueror, Hernán Cortés, sent his cousin, captain Francisco Cortés de San Buenaventura, to explore and conquer this region. When Captain Cortes' army crossed the mountain range of Vallejo, which ends in Punta de Mita (the northern tip of the Bay), they came to what they reported as "a beautiful Valley which was next to the sea and that had a town of about 10,000 indians." According to historians, the army encountered more than 20,000 indians who were not only armed but who were also holding flags of different sizes in their hands. The conquerors thus named the place Valley of Flags, or Valle de Banderas, and hence the name of the Bay is Bahía de Banderas.

Until the late 1960's Nayarit's southern communities were hard to access due to the lack of road infrastructure. Thus, the region had not experienced much development. Even the accessibility between nearby communities was poor. It was not until 1969 that the highway between Tepic

---

<sup>9</sup> However, historian Joseph Mountjoy indicates that Pre-Hispanic communities already lived in the area around the year 200 BC (Olveda, 1993, p.23).

<sup>10</sup> Unless otherwise noted this section was taken from Paz, *Diseño urbano y palacio municipal de Bahía de Banderas*, Nayarit, Universidad Iberoamericana 1997, page 7.



(Nayarit's capital) and Puerto Vallarta was completed. At this time, according to regional development author Villaseñor, the main economic activities were agriculture and fishing and they responded solely to the needs of the local market (Villaseñor, 1992, p. 111).<sup>11</sup> This author also indicates that most of the towns in the southern coasts of Nayarit received heavy federal funding in the form of urbanization and infrastructure investment during the 1970's under the administration of President Luis Echeverría. The purpose was to promote vacation centers and to promote national and international tourism (Villaseñor, 1992 p. 112).

Today, thanks to the development of the area over the years, Bucerías is a town that has been growing at a fast pace. According to a study of Puerto Vallarta and its surrounding areas, the town of Bucerías had only 65 people in 1940 (Olveda, 1993, p. 70). The same study, indicates that in 1980, the population was of 1,678, and by 1990 it had grown to 4,019. The latest estimate of Bucerías' population given by the actual Delegado Municipal is 10,000 inhabitants.

According to Villaseñor, the growth in Bucerías has been mostly due to the proximity to Puerto Vallarta, (Villaseñor, 1993, p. 114). According to a study realized as part of the Mexican Census, most of the growth that the southern coasts of Nayarit have experienced has been due to migration from other states. The same study indicates that most migrants were looking for the possibility of being employed in the tourism sector, and that the majority had come from Jalisco, probably due to labor market saturation in Puerto Vallarta (INEGI, 1991).

According to Villaseñor, over the years Bucerías transformed itself into a town that specialized as a supplier of goods for Puerto Vallarta and as a "dormitory town" for workers from Puerto Vallarta. The author also indicated that the irregular settlements that exist today in Bucerías have been due to the migrations that occurred during the 70's and 80's (Villaseñor 1992, pp.119-120).

---

<sup>11</sup> According to Jaime Olveda, most of Mexico's coasts were not exploited until fairly recently as a consequence to the restrictive policies that Spain established on its American colonies. Because the economic base of the New Spain was mining, Spain had main interest in those areas located near to mining centers only; hence, it did not pay much attention to the development of other areas nor to the development of other economic activities (Olveda, 1993, p. 13).

**Table 3.1 - Population of Bucerías and Puerto Vallarta (1940-2000)**

Year	1940	1950	1960	1970	1980	1990	2000
<b>Bucerías</b>	65	126	227	931	1,678	4,019	10,000 *
<b>Puerto Vallarta</b>	7,545	10,801	15,462	35,911	57,028	111,457	250,000**

Note: 1950 population in Bucerías and 1940 population in Puerto Vallarta were estimated by the author.<sup>12</sup>

Sources: *Censos Generales de Población, 1950, 1960, 1970, 1980, 1990*, INEGI;  
Jaime Olveda, (1993), *Una Aproximación a Puerto Vallarta*, p.132;

\*\* Ken Luboff (1999), *Live well in Mexico*, p.153;

\* Estimate from the Delegado Municipal, Bucerías.

**Table 3.2 – Percentage Change in Population from Previous Decade, Bucerías and Puerto Vallarta (1940-2000)**

Year	1950	1960	1970	1980	1990	2000
<b>Bucerías</b>	93.6%	80.4%	310.1%	80.2%	139.5%	148.8% *
<b>Puerto Vallarta</b>	43.2%	43.2%	132.3%	58.8%	95.4%	124.3%**

Notes: 1950 population in Bucerías and 1940 population in Puerto Vallarta were estimated by the author.<sup>13</sup>

Sources: *Censos Generales de Población, 1950, 1960, 1970, 1980, 1990*, INEGI;  
Jaime Olveda, (1993), *Una Aproximación a Puerto Vallarta*, p. 132;

\*\* Ken Luboff, (1999), *Live Well in Mexico*, p.153;

\* Delegado Municipal, Bucerías.

**Table 3.3 - Population in Bucerías as a Percentage of Puerto Vallarta's Population**

Year	1940	1950	1960	1970	1980	1990	2000
<b>Percent of Population in</b>							
<b>Puerto Vallarta</b>	0.9%	1.2%	1.5%	2.6%	2.9%	3.6%	4.0%*

Note: 1950 population in Bucerías and 1940 population in Puerto Vallarta were estimated by the author.<sup>14</sup>

Sources: *Censos Generales de Población, 1950, 1960, 1970, 1980, 1990*, INEGI;  
Jaime Olveda, (1993), *Una Aproximación a Puerto Vallarta*, p. 132;

\* Ken Luboff, (1999), *Live Well in Mexico*, and the Delegado Municipal, Bucerías.

<sup>12</sup> The 1950 population in Bucerías was estimated based on the historic observations of Bucerías' population as a percentage of Puerto Vallarta's population. The 1940 population in Puerto Vallarta was estimated using the same growth rate that Puerto Vallarta had experienced from 1950 to 1960.

<sup>13</sup> The 1950 population in Bucerías was estimated based on the historic observations of Bucerías' population as a percentage of Puerto Vallarta's population. The 1940 population in Puerto Vallarta was estimated using the same growth rate that Puerto Vallarta had experienced from 1950 to 1960.

<sup>14</sup> The 1950 population in Bucerías was estimated based on the historic observations of Bucerías' population as a percentage of Puerto Vallarta's population. The 1940 population in Puerto Vallarta was estimated using the same growth rate that Puerto Vallarta had experienced from 1950 to 1960.

## **Bucerías Today**

Bucerías is a relatively young town that is changing rapidly. In this section, I will briefly talk about general characteristics of Bucerías today such as the estimated population, and the estimates of the tourism flow. Then I will talk about and describe how the town has evolved in terms of its physical conformation. Finally I will conclude this section by mentioning some of the most important changes that the town has experienced in recent years according to interviewees that have lived now for long periods of their life here.

### ***Population, Tourism, and the Economy***

According to the local authorities, Bucerías has a population of around 10,000 inhabitants. According to my interviewees, between 10 and 30 percent of them must be North-Americans who are living there year round. Local real estate brokers estimate that the floating population, tourists, snowbirds, and migrant labor, must almost equal the year round population. Their estimates for the population in the high seasons are from 18,000 to 20,000 inhabitants.

Bucerías is a town that undergoes a lot of change during the year. The affluence and national origin of tourists in the winter are very different from those in the summer. This change is well described by one of the interviewees: "During the winter, the town is filled with Americans and Canadians. On the other hand, during the summer, there are fewer Americans and Canadians and there are a lot of Europeans, Mexicans and South Americans. The Europeans tend to be German, English, Dutch, and Italians. The Mexicans are mainly from Guadalajara and Mexico City. The climate also changes a lot. It becomes very humid and very hot."

Like Puerto Vallarta, Bucerías has become a town whose economy is mostly tourism driven. In part this is due to the excellent year round weather of the area. However Bucerías seems to attract a different kind of market than the one in Puerto Vallarta. According to a local businesswoman, many of the tourists that come to Bucerías do not want to stay in Puerto Vallarta and are older than the typical tourist in Puerto Vallarta. A recent expansion of the old highway between Punta de Mita and Puerto Vallarta will certainly make Bucerías more visited and better known. The "new highway," as I will refer to it later, is a factor that is already creating an important impact on the development of the town.

Bucerías is increasingly becoming a distribution center for other towns within the Bay, this has been mainly due to its location on the major access route to Tepic and Guadalajara. Other economic activities of Bucerías are the construction industry, agriculture and cattle breeding; however, these last two a lesser extent. According to the locals, several years ago, fishing was also a major economic activity. However, due to the lack of marine infrastructure (no pier), to the recent ecological restrictions on fishing on the Bay, and to the competitiveness of other towns that specialize in open sea fishing (and that have better marine infrastructure) fishing as an economic activity of Bucerías inhabitants is a very small component.

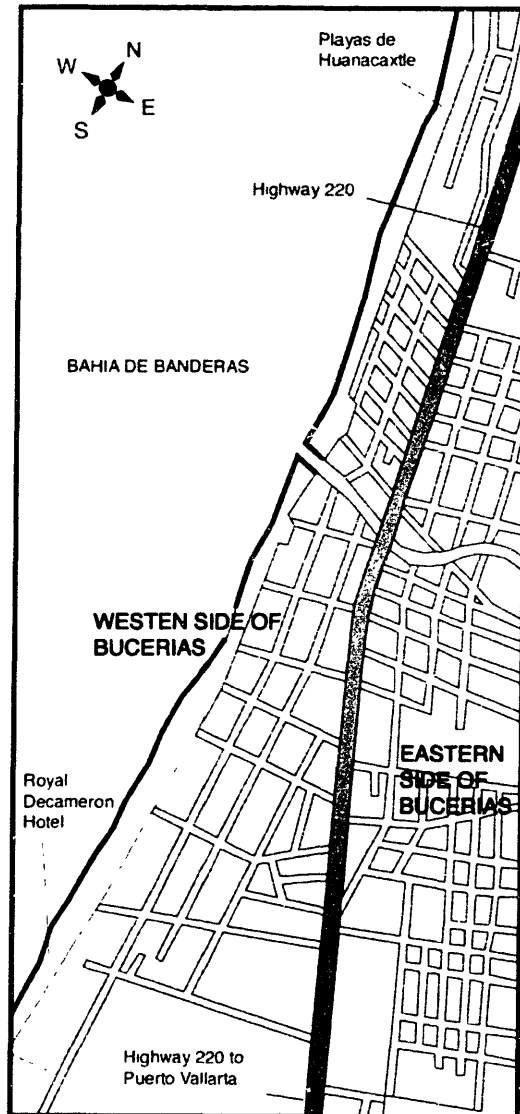
As I indicated above, tourism and commerce have become the most important economic activities of Bucerías. Thanks to the new highway that is under construction, access to and from Puerto Vallarta from Bucerías has dramatically improved and will probably increase the both tourism and its role of a commercial distribution center of other towns nearby. With the new highway, one can be in Puerto Vallarta in about 25 minutes. Bucerías is located approximately 30 kilometers from Puerto Vallarta. Regular fares to go to Puerto Vallarta are 8 pesos (\$0.80 U.S.) by bus, and 150 pesos (\$15.80 U.S.) by taxi. The improved accessibility are also making Bucerías convenient for tourists who prefer to stay in a cheaper and more tranquil locations while being relatively close to an important tourist city that has many amenities.

### ***Physical Configuration of the Town***

The disposition of the town is mostly linear and very narrow. The shape of the town follows the disposition of the coast and hence of the highway. The highway divides the town into two sectors, one to the west, and one to the east. The western section of the town faces the ocean. It includes the downtown in the center, and two areas to its sides, one to the north and the other to the south (these are next to the ocean). The Northern side is mostly a residential area that is known by the name of the beaches to which it faces, Playas de Huanacastle. It was specifically developed for sale of properties to middle or upper income Mexicans from inner Mexico, for hotel development or for foreign investors/retirees. The southern side known as the *Zona Dorada*, or "the Golden Zone," is mainly a residential area where according to the interviewees most of the North Americans live. Other homeowners in this area are middle and upper income families from Guadalajara, Tepic and Mexico City who own second homes for vacationing purposes. The *Zona*

*Dorada*, is also home for affluent residents of Bucerías. The Hotel Decameron is located at the farthest southern point of the town. It is also where the *Zona Dorada* begins.

**Figure 3.3 – Stylized Map of Bucerías**



Source: *Banderas Bay Guide Map*, Innova Publishing House, 1999.

The other side of town, the eastern sector, is a newer section. According to Villaseñor, this area has been characterized by the irregular sale of *ejido*<sup>15</sup> property and by the creation of squatter

<sup>15</sup> After the Mexican Revolution, the *ejido* was created as the land tenure system for the county. The main purpose was to protect small farmers and agricultural producers from the old *hacienda* regimen in which farmers did not own the land they worked. The *ejido* system allowed small farmers to own land in the form of a cooperative.

settlements by migrant laborers (Villaseñor, 1992, p. 119). Most of this section is inhabited by lower income families. The eastern sector of town is divided into different *colonias*, or *barrios*. Most of them lack sewer systems, and have neither sidewalks nor cobbled streets. According to older residents of Bucerías, ten years ago in this new sector of the town one could only see plantations of *guanabana*.<sup>16</sup>

### ***Recent Change in Bucerías***

Bucerías has changed much in the past 5 years, and, that change has been particularly noticeable in the past two years. The interviewees indicated that the town's economy as well as the general population's level of education, have both improved in the past 10 years. One of the interviewees, the local priest, gave examples of this. He indicated that many lower income families that lived on the eastern side of town have now been able to build and reconstruct their homes that were previously in precarious conditions.

The priest also indicated that vast sums of foreign capital have been invested in hotels and services, which have created more jobs for the people, making them better off. However, despite of the improvements that Bucerías has undergone in recent years, important problems and deficiencies prevail. He mentioned the lack of urbanization, proper drainage and sewer systems. "*Empedrado* (cobbled streets), sidewalks, electric illumination and water provision are still very much needed in many areas of the town," he indicated. These infrastructure issues and other concerns that the interviewees had will be discussed further in Chapter V.

"One of the changes that has characterized Bucerías is that it has become a 'cosmopolitan town' due to the constant attraction of people from other states within Mexico as well as from foreign countries," indicated the priest. Most of the migration was from the state of Jalisco in the 70's and 80's (Olveda, 1993). It is the opinion of the interviewees, that today's migrant population is mostly from the states of Guerrero, the D.F. (the Federal District), Oaxaca, the State of Mexico, Guanajuato, Sinaloa, and Sonora. The local priest indicated that a positive thing about being a cosmopolitan town was that it had helped avoid rejection of people who are outsiders, a phenomenon that he has observed in other communities. The recent cosmopolitan character is evident. The fact that the two most recent *delegados* have not been born in Bucerías reflects it.

---

<sup>16</sup> The *guanabana* is a tropical fruit.

This chapter has shown how Bucerías, although still a relatively small community, is a place that is experiencing growth at a very fast pace. It is also a place with its own history. It is a town that is increasingly becoming tourism dependent and a distribution pole for some other markets within the Bay of Banderas. Due to the disposition of the town, the presence of a major highway that crosses it, and its proximity to Puerto Vallarta, the town is divided into two major residential areas with contrasting differences.

## **Chapter IV**

### **Foreigners in Bucerías**

Bucerías has indeed been receiving an increasing number of retirees and is giving signals that it might be becoming another of the already existing retiree Meccas in Mexico. According to the interviewees, over the past 5 years, Bucerías has attracted a considerable number of foreign retirees. Estimates in this chapter will show that the percentage of foreigners must now be at least 10 percent of the population. In order to have a better understanding of this phenomenon and how it is impacting Bucerías I will first discuss the characteristics of the foreigners that are moving into Bucerías. In this chapter, I talk about the most important reasons why foreigners decide to move to the area, and about the major concerns that they had when making their decision to move. I will then continue by describing the typical character of the foreigners living in Bucerías and explaining how they ended up living in Bucerías. Finally, I will talk about the trend of foreign retirees moving to the area and the prospects of this trend in the future.

#### **Major Factors in the Decision-Making Process**

A series of common determinants seem key in the foreigners' decision making process to choose Bucerías as their place to live. The most important seem to be the weather, and the possibility of living in a coastal setting at a relatively low cost (in comparison to U.S. and Canadian standards). Other characteristics that were commonly cited were the lower paced life style, the friendliness of the people and the rich culture of Mexico.

The good weather seems to be a common and important factor in the decision to choose to live in Mexico's Bay of Banderas. Moreover, according to Puerto Vallarta's statistics, the Bay area boasts of excellent weather year round (Paz, 1997). The fact that most of the North Americans that reside in Bucerías do so during the winter gives evidence of the importance of this factor. Foreigners start to arrive in October and leave around April, during the months of the year when it is coldest in the



Northern Hemisphere. For those that do this, the length of time varies a lot, some stay weeks or a month, and others stay up to seven months.

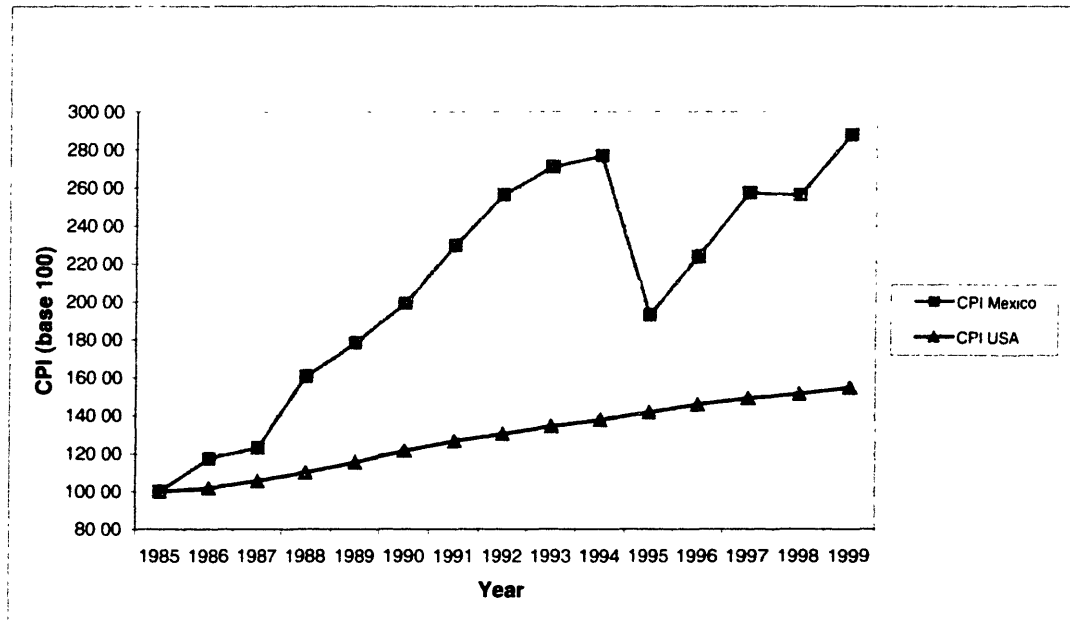
A second reason of importance is the affordability factor, especially for those who are living here for longer periods of the year. Although there are certain items that are as expensive in the U.S. or even more expensive, for example gasoline, highway tolls, imported foods, and long-distance phone calls, overall, it is clear that the cost of living is cheaper. Some authors who address North American retirees who are thinking of retiring in Mexico give estimates of \$400 to \$1,000 dollars per month as a sum that will provide couples with a comfortable lifestyle (Howells 1999, Zamba 1991). A local broker indicates that a couple can live very well on \$2,000 per month. Although these budgets include rent of a home, occasional dining out, maids, and some travel, it is important to notice that the cost of living within Mexico's different regions and cities varies significantly. Because Bucerías is located in the coastal and tourist area, prices are relatively higher than in other rural towns in the interior of the republic. Personal preferences can also make these budgets vary widely.

Retiree interviewees indicated that one of the reasons why they moved to Mexico was the cheaper cost of living. On the other hand, some retirees that have businesses indicated that they were concerned about the increases in cost of living in Mexico as well. Overall, the cost of living in Mexico has gone up significantly in the last 5 years. If we compare it to the increase in cost of living in the U.S. one can see that the cost of living in Mexico has increased much more quickly than in the U.S. during the past 15 years (Figure 4.1).<sup>17</sup> This means that in the long run, it has become increasingly expensive for Americans to live in Mexico. For older people who are receiving fixed incomes from their pension as their main source of subsistence, the affordability factor becomes a major one. Although the differences in cost of living between Mexico and the U.S. are great, the rapid increase in the cost of living in Mexico could eventually offset some of the benefits to retirement there.

---

<sup>17</sup> A simple way to do this can be by comparing the Consumer Price Indexes (CPI) of both countries and accounting for the currency exchange rate difference. (Figure 4.1). In other words, I adjusted the Mexican CPI by the average dollar exchange rate per year so that the Mexican CPI could be viewed in "dollar" terms. Finally, I also indexed both to a base of 100 in 1985 so that we could compare in which country the cost of living has gone up faster.

**Figure 4.1 – Comparison of Growth in the cost of Living in Mexico and the US (1985 to 1999)**



*Sources: Banco de México (BM), Indices de Precios, 2000; BM, Indicadores Económicos, 2000; U.S. Department Of Labor, Bureau of Labor Statistics.*

Independent of the faster increment in the cost of living in Mexico, in the opinion of the foreign interviewees it is still much more affordable to retire in Mexico that it is to retire in the U.S. However, there were mixed opinions on the cost of real estate in Mexico. Some felt that it was expensive while others indicated the opposite. I will deal with the costs of real estate and property taxes below.

Other important reasons that foreign retirees had for moving to Mexico according to the foreign interviewees were the friendliness of the Mexicans, the slower paced, easy going, and laid back environment. They also indicated the low-key character of the town, its nice beaches, and the sense of security as important factors in their decision making process. Other interviewees also mentioned the richness of the Mexican culture, the diversity of its people and land, and the long and rich history of the country. One of the interviewees indicated that she had been lured to live in Mexico because of “their capacity [of the Mexicans] to enjoy life and care for others despite their financial poverty, and because of the strong family bonds that prevail amongst most Mexican families.”

Finally, an important characteristic that influenced the decision of some of the most recent foreign residents to move to the Bay of Banderas area versus other places within Mexico was its accessibility to the U.S. There are daily flights from Puerto Vallarta's airport to the U.S., which makes it very convenient in case of a personal emergency or for family visits.

I have covered the major reasons that the interviewees indicated were the major factors why retirees make the decision to move to Mexico. In the following section I will now describe the interviewees opinions on the major initial considerations (or negative factors) that retirees have in their minds prior to moving to Mexico.

## **Considerations Prior to Moving**

Foreigners who are living in Bucerías indicated that retirees thinking about moving abroad have many concerns and considerations prior to moving to Mexico. The three main concerns that were mentioned were crime, health care provision, and distance from friends and family. Most of the year round residents had come to the area for long periods of time before moving and thus had had the opportunity of experiencing life in the town and to corroborate that these were actually not concerns. Others who had not been in the area had come to the same conclusion after a short period.

### ***Crime and Security***

Security was one of the initial concerns that some of the North Americans had had before they arrived in the area. They were concerned not only about how safe it was to live in the area but also about how one might be treated by the police or by the legal system. In Mexico, because the system follows a "Napoleonic code" it is commonly said that police treat one as if he were guilty until proven innocent; thus, one can understand this concern. However, in the opinion of both the locals and the foreigners that have lived for some time in Bucerías, the area is very safe. It might be that the same "Napoleonic code" and the way in which the police treat presumed criminals in Mexico might actually keep crime low. Independent of this, the fact is that crime and security is apparently not a concern for North American retirees that have moved due to the low levels of crime.

### ***Health Care Services***

A second preliminary concern that foreigners had had was the availability of health care services. According to the interviewees, as they became familiar with the area when they came on vacation they saw that this was not at all an issue. They discovered that medical services are competent, and they characterize them as “much cheaper than in the U.S.” The area is well equipped to handle health emergencies: the town has an English-speaking doctor, there are two clinics on the highway towards Puerto Vallarta, and Puerto Vallarta has modern medical and hospitalization services.

The interviewees also commented that, in case of an emergency, one could easily get to Guadalajara or Mexico City the same day. In general, the provision of health care services does not seem to be an issue for foreigners living in Bucerías, even though it was for some at first. It is interesting to note that the health care services they have been using during their stay are mostly private. The interviewees indicated that the costs are much lower here for private healthcare than in the U.S. and Canada, which makes it affordable. A couple of interviewees indicated that they had originally signed up for the government’s health care program provided by the IMSS (Instituto Mexicano del Seguro Social). However, these people later found out about the relatively low costs (in comparison to the US) and better quality of private health care (over the IMMSS) and ended up dropping the IMSS. This is a relatively important factor because the retirement literature indicates that larger concentrations of elderly in the U.S. have been shown to increase public health care costs for local governments (Theodotou, 1988). In this case, due to the fact that private healthcare in Mexico is affordable to foreign retirees, a higher concentration of them in a Mexican town does not imply higher public health care costs. A drawback that makes health care services an initial concern is the lack of information. Foreigners planning to move to Mexico sometimes found it difficult to find out about these services, especially when they did not speak Spanish. However, today one can get information fairly easily by going to the local government offices, through the local publications for tourists, or by word of mouth from the existing foreign community.

### ***Distance from Relatives***

A third initial concern was the distance from friends and family. During their stay here, they have discovered that living in a coastal tropical area makes it attractive for their families to come to visit them. For others this was never an issue at all because they are older, and their children are grown up and conducting their lives in other parts of the U.A. or Canada. The overall consensus seems to

be that they actually feel distance is a good thing. Family get-togethers are much more anticipated, and their children like to come and visit and vacation here with them in Mexico. Some of the respondents showed an aversion towards the idea of going back to North America and felt it was good to be far away from their country. In brief, the distance from relatives had transformed from an initial consideration that seemed negative to a positive one.

In general, it seems that the major reasons why foreign retirees move to Bucerías and the Bay of Banderas are the weather, the lower cost of living in coastal setting and the character of the towns in the area. Some of the major initial considerations retirees had prior to moving were crime and security, the availability of competent and affordable health care services as well as the distance from relatives. After an exploration of the area, it seems that the retirees discarded these concerns.

## **The Profile of the Foreigners Living in Bucerías**

Not all of the foreigners that live in Bucerías are American and Canadian; there are also other nationalities, including Germans, Filipinos, Dutch, and Spanish. However, these are a minority. Thus, for the purpose of this study I will mainly emphasize to the Americans and the Canadians for two reasons. The first is that according to Puerto Vallarta's Tourism Office, they compose the largest number of foreign visitors<sup>18</sup> in the Bay area every year. The second is because according to the U.S. consular agent, amongst all of the foreigners living in Puerto Vallarta, the U.S. and Canadian citizens, by far, compose the majority. For convenience, I will generally refer to them as North Americans (even though Mexico is also part of North America). In this section I will talk about their profile and the common characteristics amongst them according to the interviewees.

The profile of the North Americans living in Bucerías is relatively clear. It would be inappropriate to say that all of the foreigners living in Bucerías year round have the same characteristics as the ones that only spend longer parts of the year. However, in general, the interviewees agreed that they have enough similar characteristics to offer a general description that fits all. Whenever there are differences that need to be addressed among the different groups, they will be indicated.

---

<sup>18</sup> I will refer by tourists to those foreigners that come for shorter periods such as days, weeks or one or two months. For people who spend longer periods of time, I will refer to them as retirees. When using visitors I will include both groups.

The typical North Americans that one finds in Bucerías are mostly retired Canadians and Americans who do not like the winter weather. Their age ranges from late 50's to the 80's. According to the locals, most foreigners that have lived in the area are generally above 50; however, I was also told that a lot of young people (in their late teens and 20s) have also stayed for long periods of time in the area.

The majority of the foreigners that reside in Bucerías stay for limited periods that range from a couple of weeks to over six months of the year. However, there is also visible permanent foreign community that resides the year round. I was told this permanent population is about 10 to 20 percent of the local population. The duration of the temporary population or "snowbirds" is estimated to be from 5 to 7 months. According to the respondents, the foreigners that reside part of the year in Bucerías, generally own real estate both here and in the country they are from. The fact that many of them are homeowners in both countries means that they must be fairly affluent. Another indicator of their relative affluence is the fact that they seem to have traveled extensively (at least within Mexico). On the other hand, a counter-argument is that it is relatively cheap to travel to Mexico from the U.S. and Canada. Interviewees indicated that although foreigners living in Bucerías might be relatively affluent, in general they must not be entirely upper class for they would have had money to retire comfortably in a place like Florida. Some of the interviewees characterized most of the retirees living in Bucerías as fairly successful in their professional careers. What I conclude is that they must be mostly middle and upper middle income (in U.S. terms).

According to the interviewees, most of the retirees seem to be more educated. They indicated that at least they have some college. However, an interesting observation was that most of the foreigners do not speak Spanish. I encountered mixed opinions regarding this issue. Some expressed that not speaking Spanish is a handicap, others argued that it was not necessary in order to live here. In general, what I observed was that the ones that feel it is important to learn Spanish (or that speak Spanish), tend to be closer to the community and wished to interact more with them. They do this in all sort of ways, through business, doing volunteer work, or simply conducting their everyday lives. On the other hand respondents who did not consider it important to speak Spanish had fewer links and less interaction with the locals.

The foreigners indicated that the Bucerías area is one that is very appealing to live in, they expressed liking for the local people and spoke highly of the friendliness of locals. They also commented on the attractiveness of the environment, of its beaches, and of the small town setting of Bucerías. Another factor that they liked was the quick accessibility to Puerto Vallarta and the number of leisure activities available.

Although many of the foreigners living in Bucerías consider themselves retired, they are actually very active individuals. Many of them work and are involved with the community, others are setting up businesses. However, few indicated that they had the economic need to work. Their involvement in these kinds of activities is mainly for their own pleasure. I assume that this is an important reason for their high level community and volunteer work. According to one of the respondents, these people tend to be so active because they have been extremely active in their professional lives. There are not too many things to do in Bucerías, and some of the respondents indicated that they liked to work because they would get bored otherwise.

The origin of the U.S. residents that live in Bucerías varies. According to the interviewees, they are mostly from the states of California, Washington, Texas, and Oregon. According to the Head of Puerto Vallarta's Tourism Office, government statistics indicate that the origins of most of the visitors to the Bay of Banderas are California, Arizona, and Texas, followed by Florida, Colorado, Illinois and New York. In the opinion of the Head of the Tourism Office, there is a stronger concentration of people from the West Coast than from the East Coast. The province of origin for Canadians was not available.

The interviewees characterize themselves as persons that have been somewhat mobile during their life. The majority have lived in more than two different states in their country during their lifetime. Another interesting aspect is that they are mostly Caucasians, although I was told about, and observed the presence of, minorities, mainly blacks.

I found that there seems to be strong social interaction among the North Americans living in Bucerías, and the majority of them like to frequent amongst themselves. However, I also encountered some who do not like to interact with other North Americans. These people expressed interest in moving farther to the north or south of Puerto Vallarta, towards towns where there would be fewer or no North Americans at all. Some of the retirees also expressed a preference for living

amongst Mexicans as opposed to living with people of their own nationality. Independently of this social preference, many of them expressed their disapproval of the increasing number of North Americans living in the town.

Of the foreigners that come here for part of the year, the majority does not like the weather during the summer and leaves. "It gets too hot and very humid in the summer, too much for the snowbirds" one retiree indicated. According the interviewees, "snowbirds" comprise a large part of the floating population. I was told that most of them do not own real estate in the area and drive down from the U.S. or Canada in RV's (Recreational Vehicles). According to some locals, this type of tourism is not as attractive for Bucerías. "They are dirty and they leave trash behind, especially when they move in caravans" indicated one of the locals. During my stay, I was able to see three trailer parks in the area. One is very near to the downtown, in the *zona dorada* and is located in a lot that faces the ocean.

Another reason why the "trailer park snowbirds" are not appreciated by the community is because they seem to be from a lower economic level and have less purchasing power. They seem to come with tighter budgets and spend less money in the town. They are tourists who do not do much shopping and do not go out much to restaurants, indicated a local business owner.

Foreigners who are currently living in Bucerías consider themselves more adventuresome people who want more out of life and describe themselves as unconventional. They are people that are open to new things. They see themselves as opposite from tourists who take vacation packages and travel with organized groups. Tourism theory indicates that these people [retirees] are generally better off economically and that belong to middle, upper middle and higher income groups.

A reporter from a local Newspaper directed to foreigners pointed me the presence of three types of foreigners living in the area. The following paragraph paraphrase her description and will help give an idea of the typical foreigners living in the area:

1<sup>st</sup> type: These are people who have come to Mexico to build a new life; they open a business or work for existing businesses. They are also here because of economic and business opportunities: restaurants, villas, laundries, bookstores, arts and crafts, etc.



2<sup>nd</sup> type: Then there are the “remittance men,” people with a lot of problems, alcoholism, drug addiction, etc. whom their families pay to keep them far away. Often, many of the foreigners simply get bored and start spending their time drinking, and although these are not properly remittance men, they probably have a tendency to be drinkers. The openness of the Mexican society regarding alcohol and the fact that being a drinker is not looked down upon as much as in the U.S. may have stimulated many of them to drink more. This category also includes people who are running away from personal, legal, or tax problems.

3<sup>rd</sup> type: The third group is made up of people who are retiring or who want to retire early and do not have enough income to live the way they would like to in the U.S. or in Canada. Here they can live at a much higher economic level. These are the majority.

From the perspective I gained from the interviews it seems that the first and the third type overlap and can actually be considered as one general type. The second type seems to be rather small. Thus, when I refer to the North American retirees living in Bucerías, I will be referring to both the first and third types that the reporter described.

One final set of observations given by one of the local brokers regarding the profile of retirees in Bucerías is very interesting and reinforces some of the points mentioned above. According to this broker, retirees who are coming are getting younger and younger. The age of foreigners who contact her office inquiring about buying or renting are mostly between 35 and 60 years old, 80 percent are married, and 95% own homes in the U.S. Many of the foreigners who only come as tourists and rent periodically have expressed plans about retiring to Mexico in the future. A final interesting fact that the broker provided is that Bucerías is attracting a large Canadian population for short-term rentals. She indicated that they make up about 1400 to 1,500 renters per year.

## **Moving to Bucerías**

The process of moving to Mexico seems to be a gradual one. According to the interviewees, most retirees who are living in the area wanted to retire to Mexico for some time and had explored different locations. Moreover, it seems that Bucerías was not their original choice. Retirees were first lured to Puerto Vallarta and after some time there decided to move to a smaller town within

the area. According to my interviewees, most of the retirees living in Bucerías went through a similar process.

The interviewed retirees who are living year round in Bucerías came to know of the existence of the town in different ways. Some received recommendations from other friends who were living in Bucerías. Others received recommendations from friends or family who had stayed previously in Bucerías as tourists. Some found it through thorough explorations of the area. Many simply found it through brokers hired specifically to show them property in the Bay area.

It is worth mentioning that despite the different ways in which retirees got to know of Bucerías, the majority had spent some time in Puerto Vallarta previous to moving there. According to their interviewees, retirees that have moved from Puerto Vallarta to Bucerías because they are in search of a slower pace of life. They had found Vallarta too big, too noisy, and with too many tourists. One interviewee indicated that she found Vallarta to be “fake” and referred to it as “plastic.” The same source indicated that due to the high number of American tourists in Puerto Vallarta, she felt as if it were San Diego; thus, she decided to move to a place that was more like the majority of Mexico’s towns. “I wanted to live amongst real Mexicans. in real Mexico,” she indicated. Although I do not agree with her opinion of Puerto Vallarta, it is true that Puerto Vallarta is evolving into a bilingual city that survives on tourist dollars. Because of this, one will continuously find business names, signs, and propaganda in English. Also, a high number of American franchises have been established in the area (Hooters, Mc Donald’s, Domino’s Pizza, Blockbuster), which have given it a somewhat Americanized look. However, this same effect has been experienced in other Mexican Cities that have a tourist influence. In the end, the conclusion is that some of the North American retirees have moved to Bucerías because they prefer a less urban setting and a slower pace without the presence of so many tourists.

The time that they have spent in Mexico and in Bucerías varies. Of the foreigners that I interviewed, there were people that had been living in Bucerías for over 13 years and people that had been living in the town for barely one year. Most of them had spent months or even years living in Puerto Vallarta before moving to Bucerías, and most of them had been frequenting the area for some years before moving. A common story that I heard during the interview process was that they had ended up moving to Mexico (and Bucerías) in a gradual way. The retired interviewees indicated that they would come down every winter, each time staying for longer

periods of time. The more they came, the longer their stay would be, up to the point where they ended up living half of the year in the Bay area and half in their home country. Eventually, some of these people decided to stay in Mexico. Some of them, not all though, had even bought property during their vacation days in the Bay area. These findings suggest the presence of foreigners must very much be related to the tourism effect. If this is true, then as tourism increases more and more foreigners will invest and settle in the area.

Amongst other places that the foreign interviewees had considered within Mexico were Ajijic (Jalisco), Chapala (Jalisco), Guadalajara (Jalisco), San Miguel de Allende (Guanajuato), Zihuatanejo (Guerrero), Querétaro (Querétaro), Mazatlán (Sinaloa), and Cuernavaca (Morelos). With the exception of Guadalajara, the preference seems to be towards small cities (or relatively large towns).

One interviewee's perspective about moving to Mexico and to Bucerías in particular was that she saw her everyday life here as a challenge. From obtaining food for the next day, to building a home, everything represents a challenge (especially if one does not speak Spanish). In her perspective, living in Mexico meant that one had to be constantly battling in order to obtain what one wanted. And thus, for this respondent, it was a good way to continue to be active and not to grow old. The woman also indicated that if she had stayed in her native country (the U.S.), she would certainly have been less active than in Bucerías. Further, some of the foreigners admitted that being here, especially at the beginning, could be somewhat stressful.

Other reasons that a couple of foreign retirees gave for moving to Bucerías were more related to what I believe is an "aversion" to American society itself, as if they were running away from it. Yet, only two of the interviewees gave me such answers. These people think that North American society is too greedy and consumer oriented, and they were not comfortable living in such a society. Interestingly, these two respondents did not live in the areas where most foreigners live (Playas de Huanacastle and the *Zona Dorada*), but rather lived in the eastern side of town, in the *colonias*, farther away from other North Americans.

## **Trends of North American Retirees in Bucerías**

Interviewees indicated that the trend of North American retirees moving to Bucerías has been increasing over the decade, in particular over the last 5 years. Above, I have suggested that the tourism industry must play an important role in the attraction of foreigners to Bucerías; thus, it is important to study tourism trends in the area, particularly in Puerto Vallarta, for most of the tourists that Bucerías receives first arrive to Puerto Vallarta. In this section I will talk about the estimates that I obtained from local sources, from some of the interviewees and from my own calculations. Although it remains difficult to estimate the actual foreign population in Bucerías, tourism statistics and previous census information suggest that the presence of foreigners living in the Bay and in Bucerías has increased dramatically over the past decade.

According to Puerto Vallarta's Municipal Vice President, Ms. Olivia Pérez Gómez, the increase in tourism in Vallarta has also been notable over the last 5 years. In order to have a clearer idea of the actual number of visitors in the area, one can look at Puerto Vallarta's Statistics. According to a report from the Municipal Government of Puerto Vallarta, which keeps track of the number of visitors that arrive to the Bay area by plane, bus and boat, the number of tourists that arrived by these means between January and September of 1998 was 1,538,850. The same report estimated that the Bay would receive more than 3,000,000 million visitors in 1999. From these statistics, I have estimate that the yearly foreign tourists in 1998 must have been more than 900,000.

**Table 4.1 - Estimate of the Number of Tourists for Bahía de Banderas, 1999.**

	January	February	March	April	May	June	July	August	September	October *	November *	December *	TOTAL
Boat Arrivals	26,466	19,000	15,000	15,950	15,550	11,500	9,200	9,200	11,500	13,994	16,489	18,983	182,832
Plane Arrivals National	19,684	20,020	23,851	22,010	22,236	23,396	35,596	30,780	17,686	18,019	18,352	18,685	270,315
Plane Arrivals Foreign	94,367	94,941	97,737	70,940	49,734	56,024	47,734	45,107	31,742	42,180	52,617	63,055	746,177
Bus Arrivals	51,463	54,718	59,766	91,981	41,954	53,136	91,428	112,210	45,243	46,280	47,316	48,353	743,848
<b>Total</b>	<b>191,980</b>	<b>188,679</b>	<b>196,354</b>	<b>200,881</b>	<b>129,474</b>	<b>144,056</b>	<b>183,958</b>	<b>197,297</b>	<b>106,171</b>	<b>120,473</b>	<b>134,774</b>	<b>149,076</b>	<b>1,943,172</b>
Estimated Number of Foreigners (plane + boat)	120,833	113,941	112,737	86,890	65,284	67,524	56,934	54,307	43,242	56,174	69,106	82,038	929,009
Percentage of Total	63%	60%	57%	43%	50%	47%	31%	28%	41%	47%	51%	55%	48%

\* October, November and December are author's estimates.

Source: Ayuntamiento de Puerto Vallarta, *II Informe de Gobierno*, December 15, 1999.

Information regarding tourist visitors to Bucerías was not available. However, one can get an idea of the minimum number of tourists in Bucerías as well as their increase through time through some simple estimates. Tourism data from the State of Nayarit for the years of 1993 and 1998 indicate that the number of lodging establishments has increased from 46 to 60, or 30 percent. Moreover, the number of rooms has increased even more, from 2,210 to 3,498, a 58 percent increase. According to a simplified and conservative estimate I made, the number of tourists in Bucerías in 1998 must have been at least 6,000, of which I estimate that 2,700 (45 percent), must have been foreigners.<sup>19</sup> Although the number estimated is very low, it is important to see that the percentage change has been considerable.

**Table 4.2 - Lodging Establishments in the Municipio Bahía de Banderas 1993-1998**

	1993	1998	% change
<b>Number of Establishments</b>	46	60	30%
<b>Number of Rooms</b>	2,210	3,498	58%
<b>Estimated Tourists *</b>	3,889	6,157	58%

Sources: Estado de Nayarit, *Cuaderno Estadístico Municipal: Bahía de Banderas, 1994*, and INEGI, *Anuario Estadístico de Nayarit, 1999*.

\* Minimum number of tourist visitors estimated by the author.

<sup>19</sup> By 1990 Bucerías had a population that was 10 percent of the *municipio*'s total population. I assume that this proportion is still the same. Local authorities believe that Bucerías' population, as a percentage of the *municipio*'s total population, has surpassed 1990 levels; however, I maintain the 1990 proportion (percentage) to keep the estimate conservative. Using this proportion, Bucerías should have at least 10 percent of the total number of rooms in the *municipio*, that yields 350 ( $3498 \times 0.10 = 350$ ). Multiplying this number times the monthly lodging occupancy rate (mean yearly occupancy was 73.3 percent) for the *municipio* times two (assuming two guests per room) gives us a total estimate of 6,156 tourists in 1998 that visited Bucerías. A simplified version can be obtained by using the mean yearly occupancy rate ( $350 \times 0.733 \times 12 \times 2 = 6,157$ ).

These estimates are very conservative for three reasons. The first is that the proportion of rooms that I am assuming Bucerías has with respect to the entire *municipio* is the same as the proportion of total population. In reality, it should be higher due to the coastal setting of Bucerías. The second is that the estimates from the data from the 1998 INEGI study are likely to be very low or are out of date. Evidence of this was provided by one of the respondents, who indicated that a recently renovated hotel in Bucerías, the Royal Decameron, was pursuing an aggressive marketing campaign and was receiving an average of 600 tourists per week. Third, because Bucerías is mainly a residential town where many of the homes are rented out for tourists, these were not included in the study done by INEGI in 1998.

Continuing with the estimate, if we assume that the proportion of foreign visitors is similar to the foreign arrival rate of Puerto Vallarta estimated above (45 percent), then we can say that the number of foreign tourists to Bucerías must have been at least 2,770 ( $6,157 \times 0.45 = 2,770$ ). Sources: INEGI, *Cuaderno Estadístico Municipal, Bahía de Banderas, 1994*. Estado de Nayarit, and *Anuario Estadístico de Nayarit, 1999*.

According to the local authorities from Puerto Vallarta and residents of Puerto Vallarta, in the Bay area over the past 6 years there has been an increasing trend in the following three aspects:

1. The yearly number of North American tourists, especially from the U.S.
2. Foreign real estate investment, especially from U.S. and Canadian sources.
3. The influx of North American retirees that reside year round or long periods of the year (more than 4 months).

According to the former president of a recognized non-for-profit organization in Puerto Vallarta, the International Friendship Club, the increment in tourism has been strongly tied to the constant growth of the U.S. economy. (Jack Willies, Former president of the International Friendship Club, Puerto Vallarta, Jalisco). If this statement is true, a high correlation between Puerto Vallarta's tourism industry and the U.S. economy could mean that in a downturn of the U.S. economy the impact on the Bay's tourism industry could be severe. On the other hand, due to the cheaper costs in Puerto Vallarta as compared to other tourist destinations in the U.S. one could argue that during an economic downturn, the tourism industry in the Bay area might remain unaffected or even experience more tourism from the U.S. Independent of the tourism level, an economic downturn in the U.S. economy would certainly mean that U.S. citizens could reconsider the cheaper costs of living in Mexico, and this could probably result in a larger number of foreign retirees moving to Mexico.

It would be interesting to compare the tourism statistics from Mexico and Puerto Vallarta to the performance of the U.S. and Canadian economies (GDP) to see how strongly they are correlated. Regarding the presence of retirees in Mexico, one could look at other "expatriate" communities of North Americans and Canadians in other Mexican tourist towns (Ajijic, San Miguel de Allende, etc.) and their growth in number of retirees over the years. I recommend the study of two specific relationships. One is to analyze the correlation between the number of foreigners in these communities and the performance of the U.S. and the Mexican economies. A second is to study the correlation between the number of retirees and the number of tourists. This type of research could provide empirical evidence that could help determine if the presence of North American retirees is a function of tourism. It could also help determine to what extent this phenomenon is related to the specific performance of the economies of the U.S. and Canada.

More non-empirical evidence regarding the increasing trend of foreigners coming to Bucerías both as tourists or “snow bird” residents<sup>20</sup> was given to me by local real estate brokers. The brokers indicated that in the past four years there has been an increasing number of foreigners buying homes, buying land for residential development, taking on long term leases, or participating in time-shares. Brokers indicated that there are more foreigners living in Bucerías than before and that the trend is increasing. Brokers have also indicated that the increase in these trends has increased real estate demand, driving prices up. An interesting phenomenon noted by two of the brokers is that Mexicans are generally on the selling side while Americans and Canadians are on the buying side. According to one of these brokers, the presence of foreign North American retirees is mostly explained because of the closeness to Puerto Vallarta.

Another official source that indicated that the presence of foreigners has been increasing both in Bucerías and in Puerto Vallarta was Ms. Kelly Trainer, the U.S. Consular agent for the area<sup>21</sup>. According to her, there are approximately 5,000 US citizens who have registered with the U.S. consulate and are living in the area throughout the entire year.<sup>22</sup> She indicated that a majority of Americans who come to Mexico for long periods of the year simply use their tourist visas and do not register with immigration. This means that many of the foreigners that live part of the year in Mexico do not apply for temporary residency, nor do they register with the U.S. Consulate. Thus, it becomes difficult to calculate the number of American retirees in the area. Further research in this area with collaboration by the Mexican Immigration Services could provide more accurate estimates of the number of foreigners that live part of the year in Mexico. But one of the difficulties in this exploration would be the fact that the Mexican Immigration has a privacy act. The agency will not give people information on the place of residence of foreigners in Mexico, which would make it difficult if the purpose were to estimate the specific number of foreigners living in Bucerías.

---

<sup>20</sup> Here I am defining snowbirds and tourists that spend more than 4 months of the year in Mexico as temporal residents.

<sup>21</sup> The consular zone goes from the southern part of the Bay, Punta de Mismaloya (Jalisco), to San Francisco (Nayarit), a small town north of the Bay.

<sup>22</sup> According to the agent, the main purpose of registering is to provide the local U.S. Consulate office with personal references in case of an accident.



According to the U.S. consular agent's estimates, there must be about 3,000 more American retirees living in the Bay area during the winter. That is a total of 8,000 U.S. retirees. The number of Americans living in Bucerías year round is estimated by the agent to be between 900 and 1,000. Note that I am referring solely to Americans. Canadians are not included in these estimates. The consular agent estimates that the number of both Canadians and Americans living in Bucerías is approximately 2,000.

Other interviewees' estimates of the entire year round foreign population ranged between 10 percent and 30 percent of the total population. Based on the local voting registry, the local authorities of Bucerías have estimated that the actual population must be close to 10,000 inhabitants. In other words, the interviewees are estimating between 1,000 to 3,000 North Americans living year round in Bucerías. This suggests that Bucerías might have a high proportion of the entire foreign population of the Bay area, or that the number of foreigners living in the Bay area must be much higher. Retirement authors Howells and Merwin indicate that they have seen estimates of North Americans living in Puerto Vallarta that range from 2,000 to as high as 15,000 (Howells and Merwin, 1999).

Following is another estimate that I have made using census data, but before talking about the estimate I would like to clarify some of the problems trying to obtain information of the number of retirees living in Bucerías using actual census data. My clarifications will hopefully help explain the way in which I have done the estimate. Time series comparisons are not possible using actual census data because the Municipio of Bahía de Banderas was created in 1990. Before that, the data were aggregated into what today are the Municipio of Bahía de Banderas and the Municipio of Compostela. Thus, a comparison between 1980 and 1990 census data is not possible in most of cases. Another problem is that most of the data are aggregated to the *municipio* level but not to the town level. Furthermore, the data on presence of foreign born must be interpreted with care because it probably includes the children of Mexican workers that have been born in the U.S. Despite all of these problems in measuring the presence of foreigners in the area, census data from this year's census (2000) will surely provide much clearer evidence of the trend in foreign presence in the area.

The 1990 Mexican Census data indicate that 10 years ago the population for the newly created Municipio Bahía de Banderas was 39,831, of which 319, or 0.8 percent, were born in another

country (INEGI, 1994). In the same year, the entire state of Nayarit had a total population of 824,643, out of which 2,331, or 0.3 percent, were born in another country (INEGI, 1993). As we can see, these data indicate that in 1990 the foreign population in the Bay area must have been relatively small. On the other hand, the data indicate that the Bay area had a higher percentage of foreigners relative to the entire state. Note that the Municipio of Bahía de Banderas accounted for 4.8 percent of the Nayarit's total population. At this time the population of Bucerías was 4,019. Assuming Bucerías had the same proportion of foreigners as the *municipio*, 0.8 percent, then the estimate of foreigners for Bucerías in 1990 would be 32.

Five years later, in 1995, a government sample indicated that Nayarit's population was 896,702, and the Municipio de Bahía de Banderas population was 47,077, or 5.3 percent of the state's total population. The same sample indicated that 17.59 percent of the population had been born in another state or another country. Another study indicated that the immigration of nationals from other states within Mexico to the state of Nayarit had been relatively constant, between 15.1 and 15.4 percent during 1970 to 1993. Thus, assuming that this rate had been constant over time, in 1995, the foreign population in the state must have been the difference between these two. In other words, around 2.19 percent, or 19,638. Assuming the proportion of foreigners in the *municipio* were the same as the proportion of foreigners in the state, then the number of foreigners in the *municipio* would be 1,031. By 1995, Bucerías population was 4,704. It was still 10% of the *municipio's* population. Assuming that the proportion of foreigners living in Bucerías was similar to the state's proportion, which we estimated above, yields a minimum estimate of 103 foreigners. Although the estimate is very small and somewhat farfetched, it nevertheless shows that the migration of foreigners to Bucerías must have increased by 222% from 1990 to 1995.<sup>23</sup>

---

<sup>23</sup> This estimate is built on several assumptions that may be questionable. One of the most questionable assumptions is that the foreign born population is composed of retirees. I do not know to what extent the foreign born population might include sons of immigrant workers that go to the U.S. to work temporarily. The other assumptions (A), (B), and (C), suggest that my estimate is more at the conservative, low end:

(A). Assumption that in 1990 Bucerías had the same proportion of foreigners living in the *municipio* as the proportion of foreigners living in the *municipio* has with respect to the number of foreigners in the entire state. This assumption must underestimate the real proportion because Bucerías was the major tourist and coastal town of the *municipio* both in 1990 and in 1995.

(B). Assumption that the immigration rate in 1995 (as a percentage of the State's population) is the same as the average immigration rates from 1970 to 1993. This assumption is also conservative because it is unlikely that there was a big immigration rate change from 1993 to 1995. According to the report, it had been relatively constant for 23 years.

I also tried to estimate the number of foreigners living in the area by looking at the number of subscriptions to the local newspaper in English, the *Colony Reporter*. However, from these data, it seems that only a fraction of the foreign retirees must subscribe to the paper.<sup>24</sup>

In brief, what my estimates suggest, is that the number of foreigners has increased far more than the growth of Bucerías itself. Moreover, the interviewees' estimates indicate that the number of foreigners living in Bucerías has increased dramatically in the past 5 years. Official tourism statistics show that the number of foreign tourists in the bay area has increased dramatically and is probably over the 1 million tourists per year. If the presence of retirees is related to the number of tourists, then the statistics suggest that the presence of retirees will continue growing, and the presence of foreigners will continue to expand to other towns along the coast that are in the proximity of the Bay area.

Although most of the estimates that have been presented are rough estimates, they should give the reader a good idea of the increasing presence of foreigners in Bucerías and other nearby coastal communities. Should this trend continue, the impact that their presence would have on these communities would certainly be significant. Further study of this phenomenon should be pursued in order to help the communities better cope with planning and real estate issues. In the following chapters I will address the implications of the presence of foreign retirees on these issues.

---

(C). Assumption that in 1995, the same percentage of foreigners living in the *municipio* to the number of foreigners living in the state is the same as the proportion of foreigners living in Bucerías with respect to the number of foreigners living in the *municipio* [similar argument as in (a)].

<sup>24</sup> The newspaper has about 5,000 subscriptions in Guadalajara, 4000 in the Chapala area, 1,000 in the Bay of Banderas area and about 2,000 subscriptions in the U.S.

# **Chapter V**

## **Planning Implications**

Because city planning is such a broad field, in this chapter I will focus on three major planning aspects: economic, social, and political. In the final section of this chapter I will look at the concerns of both locals and foreigners regarding existing urban problems. This chapter can be particularly useful to planning authorities and real estate professionals who are interested in knowing more about the interests, preferences and concerns of this particular market niche.

The discussions in each of the sections are mainly based on the interviewees' opinions. In the first section, the economic implications, I discuss whether the presence of North American retirees has positive or negative implications for the economy of Bucerías. In the second section, the social implications, I study the social interaction between retirees and locals and I seek to identify to what extent their presence has modified the social environment of Bucerías. In the third section, the political implications, I explore the influence that the retiree community has had (if any) on local authorities, specifically regarding local decision making processes. In the fourth and final section, "other implications," I discuss the concerns that both the local and foreigners have regarding Bucerías' most pressing problems. The objective is to identify differences between the two groups in order to detect and avoid possible sources of conflict between them.

### **Economic Implications**

Both my interviews and existing research reveal that the presence of foreign retirees generally has a positive impact for communities. In a couple of instances both interviewees and the literature suggest the possibility of negative impacts; however, these arguments do not seem to apply to the case of Bucerías.

The general consensus that I reached from the interviewees was that they believe that the presence of foreigners has an important economic impact on Bucerías' economy. However, it is interesting

to observe that the locals generally do not distinguish between the impact that the North-American retirees who live long periods of the year in Bucerías have had from the economic impact of the average foreign tourist. On the other hand, the retirees do believe there are important differences. The interviewed retirees tend to feel that their presence has a stronger positive impact on the economy. They believe this to be the case because the ones that live here tend to invest locally, whether in hotels, restaurants, or other business. Another positive economic impact of retirees who live long periods of the year in Bucerías is that they help stabilize the economy by reducing the burden of the low tourist season, when there is few economic activity.

The presence of retirees in Bucerías provides a positive economic impact because these people are bringing their pension money to Mexico. Many of them are also buying real estate. This flow of money from the U.S. works exactly as exports from Mexico to the U.S., and is thus beneficial to the local economy.

All of the interviewees mentioned job creation as an important economic implication. Due to their age, and due to the economic advantage of having a high salary relative to the local Mexicans, interviewed retirees often employ housekeeping help. According to the locals, in addition to creating jobs for the Mexicans, retirees tend to pay higher wages to their employees, which makes it very attractive for locals to work for foreigners.

Besides creating housekeeping jobs, foreigners indirectly create other jobs as well. A good example is in the construction industry. According to local brokers, retirees tend to buy or rent real estate that is generally not in optimal condition. They will have it fixed up, remodeled or adapted to their needs and tastes. Thus, by encouraging construction activity, they generate an economic cycle that helps create other jobs due to multiplier effects.

Although retirees create jobs, some of the interviewees were concerned that foreigners and tourism services seem only to employ local Mexicans for low paying jobs. The better paid jobs in the tourism industry or in local business go to people from out of town, who are better educated and speak English. These interviewees believe that local Mexicans will remain in the low-income job category without obtaining any real benefit from the presence of foreigners (tourists and retirees) during their entire life. They believe job creation may not necessarily be a “real benefit” because they feel these are jobs that will not allow them to grow professionally and overcome their actual

state of poverty. However, development consultants argue that the employment that tourism activity generates eventually does contribute to improve the living conditions of the entire population (Rodriguez, 1991, p. 138).

There is yet another positive implication from the employment generated by the presence of retirees. In Mexico there is a great disparity in terms of the proportion of males employed as compared to the proportion of females. However, it has been shown that the tourism industry has helped raise the percentage of females employed, and thus their percentage of the economically active population has increased as well (Garcia, 1992). My study suggests similar characteristics with regards to retirees. All the foreign interviewees indicated that they employ female maids in order to help them with house duties. This suggests that the retirement community has also helped raise the percentage of females who are employed.

Not all the interviewees felt that the presence of North American retirees has had positive economic implications. Two of the interviewees suggested that the presence of retirees must have negative economic implications. They argued that the presence of retirees (and tourists) must raise the cost of living but not the standard of living for the Mexicans. However, numerous studies on tourism indicate the contrary. García Villa, in his book on the planning of tourism centers in Mexico, gives empirical evidence of employment increase and population increase through population migration,<sup>25</sup> as well as an increase in the relative standard of living of the population (García Villa, 1992, p. 59).

Regarding the increase in cost of living, these interviewees also indicated that it was due to business owners, who raised prices due to the higher purchasing power of foreigners. However, as Bucerías grows, business competition should actually lower prices. Further, according to Wheaton and DiPasquale's regional growth model,<sup>26</sup> prices in this location should not increase much.<sup>27</sup>

---

<sup>25</sup> I would like to clarify why population migration to tourist centers such as Bucerías is positive. Population migration (due to job search) into coastal areas can promote balanced regional development. Mexico has characterized by heavy centralism and thus has had problems of wealth distribution in the rural and coastal areas (Olveda, 1993). The development of tourism along the Mexican coasts has proven to be a successful way to help distribute the wealth of the nation and fight this centralizing tendency (Rodriguez, 1991, p. 139).

<sup>26</sup> See pp. 155-165 of Wheaton and DiPasquale. *Urban Economics and Real Estate Markets*. New Jersey: Prentice Hall, 1996.

Interviewees are of the opinion that the quality of life in Bucerías is better than in other similar sized towns located inland that do not receive tourism or retirees. In fact, studies by the CONAPO (Consejo Nacional de Población) indicate that the entire tourism chain has been shown to contribute substantially to providing a better quality of life to the population (CONAPO, 1992, p. 138).

But how well will local low-income groups do in the long run? The answer lies in generating enough economic activity to increase local government resources, to raise income per capita, and to improve the educational level in the long run. To a certain extent I agree with the concerned interviewees. The first generation of employed locals (due to tourism or foreigners' presence) might not have much different living conditions than before. However, in the long run, an increase of wealth, education, and infrastructure should follow for the entire town. Thus, the children of first generation employees might well be able to take on better paying jobs and have more opportunities that their parents did.

Another positive economic implication of the presence of foreign retirees is the diversification of the town's economic base. The mixture of tourism and the retirement industry should be an attractive diversification strategy for Bucerías. It is risky to solely rely on tourism as the economic base for development. In the case of an economic downturn in the American economy, Bucerías' economy could be left very vulnerable if tourism were its only source of income. Let me explain why. Economists have shown that the demand for tourism in the U.S. can be explained by changes in gross domestic product (GDP).<sup>28</sup> During an economic depression in the U.S., the town's economy might be in a difficult situation if it is not able to attract tourism from other countries.<sup>29</sup> By having attracted year round retirees, to some extent the town is diversifying its economic base and, in case of a negative external shocks in the economy, the impact will be dampened by the presence of foreigners.

---

<sup>27</sup> Based on my site visit observations as well as on the insight of local workers I am assuming that Bucerías has very elastic supply curves for both Labor and Capital (in this case real estate for local workers).

<sup>28</sup> William C. Wheaton, Center for Real Estate, Massachusetts Institute of Technology.

<sup>29</sup> According to local authorities, U.S. tourists compose the largest group of visitors in the Bay of Banderas area.

Another positive aspect of the presence of retirees is that they have motivated entrepreneurial behavior amongst locals. Following their example, their employees have learned how to launch and run similar business and have begun doing so. This fact shows that the local population is not necessarily left occupying lower income jobs.

Agreeing with the opinion of most interviewed retirees, local workers saw the presence of foreigners as beneficial for Bucerías because foreigners employ locals. Locals also saw the higher buying power, as well as the higher levels of consumption of the retirees as positive implications because they both help local business do better. The opinion of a regional school supervisor was even more dramatic; he indicated that the influx of foreigners has been good economically for the town because it has help eradicate hunger due to the increased income levels.

In order to complement the opinions of the interviewees I will next present further research on the economic implications of retirees. The literature I found on this topic supports most of the interviewees' opinions: incoming North American retirees generally bring a positive economic impact.

### ***Existing Research on the Economic Impact of Retirees***

According to one study of the impact of retirees, one can divide the impact into two areas: retirees as a resource and retirees as an industry (Theodotou, 1988, p. 18). The first refers to the contribution of retirees' experience to local industries. The study shows that retirees dedicate a high percentage of their time to volunteer work and to part time employment. Hence, this way they generally contribute their experience and knowledge to local industries, business and government (Theodotou, 1988, p. 18). The second refers to the attraction of retirees as an industry itself. Benefits from this point of view include an influx of capital to the target area, and a stabilizing effect due to the reliability of their income stream (savings and social security pension funds). They also serve to stimulate local industries. Amongst the local industries that retirees impact the most are: retail, recreation and tourism, food businesses, and transportation and health care services (Theoduotou, 1988, p. 23).



The major negative impacts that Theodotou's study outlines are not applicable to the case of retirees in Mexico.<sup>30</sup> The main negative impacts are: the cost of the provision of public health services, the political power of retirees, and difficulty of having school bonds passed (Theodotou, 1988, p. 23). It is clear that these impacts are not applicable to the case of Bucerías for I was told that North American retirees living there generally do not use local public health services. The issuance of school bonds is not an issue either. Political power is a topic that I will discuss further in this chapter. On the other hand, a negative impact of retirees living in Mexico that some of the respondents indicated is the higher demands that they impose on local utilities and infrastructure. This topic will be address in a later section of this chapter as well.

Other studies on retiree migration done in the 80's indicate that attracting retirees has been considered a good economic development strategy for depressed and rural areas and for small towns (Castro, 1990, p. 9), (Gnaedinger, 1991). According to Castro, in the U.S., counties that attract retirees have experienced population growth, growth in business, services, and retail activity (Castro, 1990, p. 49). However, it is important to note that the studies indicate that different towns have different potentials to attract and retain retirees (Gnaedinger, 1991). Thus, independent of the benefits, towns have to undergo a planning and evaluation process in order to weigh the feasibility and desirability of becoming a retirement community.

Finally, among the few studies I found regarding U.S. retiree migration abroad, a particularly interesting one was on the economic impact of American retirees in the state of Jalisco. Although the study is old, dating back to 1971, it concluded that the presence of foreigners had brought major positive economic impact to the state (Alton, 1971).

### ***Summary of Economic Implications***

In this section, I have analyzed the responses of the interviewees with regard to their opinions on the economic impact of retirees living in small towns like Bucerías. In general, there is a consensus amongst the interviewees that the presence of retirees brings positive economic impacts. Only a couple of the interviewees expressed concerns regarding the economic implications of North American retirees. They were particularly concerned with future employment and the welfare of the local inhabitants due to the presence of both foreigners and tourists. These interviewees

---

<sup>30</sup> Note that these impacts apply both for permanent retirees and seasonal retirees according to the author.

believed that the local population does not benefit at all. Existing literature on this topic indicates the contrary. Other issues concerning the impact of retirees on social and political aspects of the town as well as their impact on the infrastructure were also addressed during the interviews. These other issues will be covered in the following sections.

## **Social Implications**

During the past decade, the community of Bucerías has been changing from a small and integrated town in which values were extremely important, to a cosmopolitan town in which there seems to be less amicable social interaction amongst residents than there was before. Some interviewees attribute negative social changes to the presence of foreigners; however, most feel that the retirees have had positive social impact on the community.<sup>31</sup> In this section, I will address the different social implications that the presence of foreigners has had for the community and try to determine if the overall impact is positive and in what specific areas it has been positive. In order to do so, I will concentrate on four questions:

1. Has the presence of foreign retirees provoked social changes that Bucerías is experiencing, particularly the loss of local traditions?
2. Has their presence generated social tension within the community?
3. How and to what level do North American retirees and locals interact?
4. Has the active community involvement of the retirees been beneficial to the community?

The social implications of North American retirees are important factors that must be taken into account in planning for the future of communities such as Bucerías. By looking at the social interaction between North American Retirees and the locals, local planning authorities can identify and address possible tensions and conflicts within the community. Other coastal towns can also benefit from such a study in order to learn about the impacts that attracting foreign retirees may have on their communities. Studying these social interactions between foreigners and locals can also be useful for local authorities when dealing with community building issues. Finally, the study of social implications can also provide useful insights for the private sector.<sup>32</sup>

---

<sup>31</sup> Note that in this section it is important to make a distinction between foreigners and retirees. In this section, the term foreigners will apply to both regular tourists and retirees.

### ***Social Change and Loss of Traditions***

Regarding the social implications, one of the main concerns of locals (and some of the foreign interviewees as well) was a loss of local traditions coupled with increasing social segregation. But the origin of these changes is not always clear to the interviewees. They may have been due to the high presence of tourism, to the rapid growth that the town has had, to the presence of retirees, or even to the influence of the media.

One of the social changes that locals were most concerned about was the increasing social segregation among Mexicans. Some of the long time Mexican residents of Bucerías emphasized that a decade ago the community had been much more united. They indicated that in recent years, there had been a constant loss of solidarity within the community. One interviewee, a local schoolteacher, gave an example as to how the society of Bucerías had become more individualistic. “Families are only thinking about their own welfare and have stopped caring as much for their neighbors” he said. The interviewees felt that the loss of solidarity within the community probably has had something to do with the growth of tourism in the Bay area as well as with the influx of workers from other states. However, they felt that the cause of these social changes should not be attributable to the presence of North American retirees per se.

Most of the retirees that I interviewed actually see their presence as well as the presence of other North American groups in the community as a positive thing in terms of community integration. They think so especially because they have seen that a number of retirees do volunteer work or offer financial contributions to the community; they believe that this behavior will keep the community together. One retiree believes that the presence of foreigners also gives Mexicans a broader perspective on other cultural issues and customs without necessarily limiting theirs.

Despite the fact that both locals and foreigners feel that the presence of foreigners has not segregated the local community, I did encounter opinions that indicated that the presence of retirees does have negative social implications. Some interviewees believe that North American retirees have influenced a loss in the cultural values and local customs of Mexicans. One of the interviewees gave a rather simplistic example of this. He indicated that presence of foreign retirees makes children give less importance to local customs and traditions. He felt that in the long run

---

ancient Mexican traditions would be lost to the foreigners. The example that he cited was of Halloween. According to the respondent, young men increasingly use the excuse of Halloween (which is promoted by local U.S. owned businesses) to party, and go out, while the tradition of the “Día de los Muertos” loses its popularity. However, most interviewees had mixed opinions on the real origin of this issue. It is difficult to attribute these changes to a relatively small number of seniors. These social changes must be more related to the high number of tourists and to the high growth that the town is experiencing, as well as to external influence from the television and other media. Some interviewees feel that the people these two factors (media and tourism) have made Bucerías society into a more consumer oriented society. Another group thinks that the social changes that have taken place are part of the progress and growth the town has experienced.

By way of summary, I observed that groups that have more progressive thinking see the social changes as a natural consequence of progress. Other, more conservative groups see these changes as negative and blame them on the presence of foreigners and tourists without making a distinction as to age or time of permanence in the area. Overall, most local Mexican respondents indicated that the retirees’ presence in Bucerías must have had a positive social impact because retirees are generally helpful people who do not intend any harm and who look after the community as a whole. From the interviews, it would be hard to conclude that the presence of retirees has had negative effects on the integration of locals or on the loss of values and traditions.

### ***Social Tensions***

This section covers the perception of social tensions that may have arisen due to the presence of North Americans living in Bucerías. In general, the interviewees indicated that the presence of North American retirees does not generate social tension within the community. However, through the different social concerns that interviewees raised, I was able to identify a number of possible sources of tension that might actually be related to the presence of foreign retirees. The main concerns that interviewees raised were family disintegration, income disparity, and religious tensions.

Although the presence of retirees may be very positive for Bucerías from an economical point of view, some of the interviewees think that it is not so positive from a cultural perspective.

According to some of the interviewees the presence of North Americans in the town has led some

family units break apart. According to one U.S. retiree (full time resident and local business owner), the reason for this is because a lot of business opportunities arise for the locals. This interviewee said that the increase in business opportunities makes the family members focus solely on how to earn money from the tourists and retirees; thus, leading to a deterioration of the family. However, it is difficult to determine the extent to which retirees are responsible for this, probably only to a small extent, because tourism proceeds must be relatively higher to proceeds from retirees. Besides, one can argue that the problem here is actually family education, more than an external force that seems to be breaking the family unit apart.

Other interviewees indicated that family disintegration originates when Mexicans try to emulate the Americans. "So women start acting like American women and become independent. That is not well seen in Bucerías society," one interviewee indicated. Another example given was that "kids start doing the tourism things, girls start to go out by themselves, and this leads to promiscuity and having sexual relations at young ages." According to this interviewee, this kind of behavior is not seen well by the local society and has also brought up tension within some of the local families. Of the interviewees that mentioned emulation of the Americans, most referred to the tensions that arise when Mexicans imitate younger tourist foreigners. Thus, it is safe to say that this is an issue that is mostly related to tourism and probably to the influence of the media as well. It might also be related to the presence of retirees, but only to a smaller extent.

A specific source of tension that is directly attributable to the presence of retirees and that was mentioned by a couple of interviewees is that some Mexican girls now want to marry *gringos*. According the sources, there is a lot of *machismo* and domestic violence in Bucerías, particularly at lower income levels. Some young women who have experienced *machismo* in their families and who have also been exposed to married retiree couples (i.e. helping in their homes or in their businesses), have observed that male North American retirees treat their wives better and that those couples are better off economically. Thus, in the hope of a better life, some of these women have tried to meet and date male foreign tourists. According to the respondent, the result, in several instances, has only been worse because some young girls have become single mothers (with the foreign tourists later taking off). Yet, according to the respondents these situations are not frequent.

During my stay in Bucerías, I had the opportunity to observe another source of social tension that was not mentioned by the interviewees: the contrast between the ways of life of the average Mexican resident and the ways of life of the average retiree. The North American's life in Bucerías is one of relative luxury, of enjoyment and relaxation. On the other hand, there is a lot of poverty in Bucerías. For the majority of the locals, it is impossible to achieve lifestyles similar to those of the retirees. In the long run, the extreme income and consumption disparity might generate social tension.

According to one interviewee, another source of social tension that the presence of foreigners has caused in the area has been with respect to religion. In Bucerías, most of the population is Catholic. The interviewee claimed that foreigners living in the area have financed and introduced other religious sects that aim on converting the local population, thus, creating division and social tension within the community. The interviewee talked particularly about the Jehovah's Witnesses. He said that the Jehovah's Witnesses group has obtained quite a number of local followers and is now complaining to school authorities regarding schoolchildren singing the national anthem or saluting the national flag in school. Locals who are now part of the Jehovah's Witnesses are bringing their children to school after the flag ceremony has finished. It is worth clarifying that the respondent had no evidence of foreigners who had participated in this financing. Similar situations have occurred throughout Mexico, though they have mostly been observed in Southern Mexico, in regions where there are no large North American communities. Thus, I assume that the foreign community must have had no relationship with the introduction of these other religious sects.

A final source of social tension that was commonly raised during the interviews is the liberal sexual attitude of foreigners. The interviewees believe that this may cause a strong effect on younger people and change their cultural habits, loosening family bonds, and community links. However, similar to some of the previously mentioned issues, this particular case is more related to the general presence of tourists and cannot be particularly attributable to the presence of retirees. Nevertheless, I think it is worth mentioning in order to show that the presence of retirees does not necessarily have the same effect that tourism can have.

In summary, the interviewees signaled the following as potential sources for social tension due to the presence of North Americans: emulation of American society, income disparity, financing of new religious groups, and relaxation of cultural and social norms. However, most of these sources

are more related to the presence of tourism in general, than to the presence of retirees per se. The two that seem to be also attributable to the presence of retirees are income disparity, and to a lesser degree, imitation of life style (or emulation of American society).

### ***Social Interaction***

In this section, I will present my findings concerning the ways that retirees and the Mexican community interact. There are two main practical purposes of this section. It can help local authorities plan and devise strategies to integrate the community in the long run and, thus, help avoid segregation that could later cause social tensions. It can also help developers understand this particular retiree market. For example, it can help determine retirees' preferences towards gated communities for North Americans only versus housing developments that allow intermingling of nationalities.

Bucerías is still a relatively small town, and thus the people are still generally very friendly. For this reason, many of the retirees are well known among the locals. However, a couple of interviewed retirees indicated that sometimes they cannot tell if the Mexicans are authentically genuine and friendly or if the Mexicans are interested only in their money. I was told that this "simulation of friendliness" is common in Puerto Vallarta and is not liked by North Americans. Some of the locals indicated that they do see the presence of retirees as a way to obtain more money, and do concur that this type of behavior. According to the U.S. Consular Agent, this way of thinking has actually created some tension, generally in commercial transactions, where there have been occasions in which U.S. citizens have been cheated or misguided by Mexicans.

Local authorities as well as the federal government are aware of these tensions and have made efforts to educate their citizens with regards to this issue. Over the years, there have been several programs with the objective of encouraging the local population to treat the tourist well so that they will come back. The local Catholic parish has also delivered similar messages to the community. In general, the every day relationship between locals and foreign retirees is said to be good; there seem to be no major tensions between the two groups.

In studying how the different groups interact, I was surprised to hear from most of the respondents, both Mexicans and retirees, that there are few occasions for social interaction between them. Most

of the interaction was said to happen at the job or commercial level. Besides the buyer-seller relationship, the interaction is mostly boss to employee, in which the North American is generally the business owner or occupies a managerial position while the Mexican is generally a subordinate.

Although the boss-employee relationship is the relationship that is the most common, I encountered retirees who had intentionally settled away from the *zona dorada* in order to live among the Mexican community and interact on a daily basis as neighbors and friends. Curiously, these retirees do not appreciate the increasing presence of North Americans in Bucerías. Some of them are even considering moving to the north where there are fewer foreigners. However, according to the interviewees, this group is relative small and is not representative of the majority of retirees.

Both locals and foreigners are of the opinion that little social interaction occurs between locals and foreigners. Locals emphasized the lack of participation by the foreigners in local *fiestas patronales* (religious celebrations in honor to the town's guardian saint) and the lack of participation by the foreigners in local altruistic organizations such as the "Club de Leones" (Lions Club).

On the other hand, North Americans have created groups and meet very often amongst themselves during the different days of the week. For example, one group meets at a certain restaurant and plays cards on Tuesdays. Another group meets at a particular individual's home on Mondays to watch football, etc. Then there is a women's group that meets the first day of each month and dedicates itself to helping the community, in particular assisting people who live in the *colonias*.

North Americans said they were particularly aware of the lack of interaction. Some groups of North Americans have actually tried to incorporate Mexicans into their activities; however, there are strong cultural barriers that have impeded effective intermingling. The most common barriers are behavioral differences and language differences. According to one interviewee, another barrier is that low-income Mexicans are, by definition, shy people (at least in comparison with the North Americans who tend to be more extroverted), which makes interaction even more difficult.

It is clear that intermingling and interaction are complicated by language and cultural barriers. Moreover, many North Americans find it very difficult to learn Spanish at their age, and, in fact,



most of the retirees do not learn to speak Spanish. Obviously, the ones that have tried to learn Spanish have had better interactions and tend to integrate more with the community. I was surprised to see that there are retirees who have lived more than five years in Bucerías and still do not speak any Spanish.

Another interesting insight that came up during the interviews of the locals was that there seems to be a small percentage of Mexican residents in Bucerías who dislike the foreigners. According to the respondents, these tend to be from lower socioeconomic levels. The reason for this dislike seems to be the shocking contrast of lifestyles. Thus, local authorities should continue with their educational programs that encourage the local population to treat foreigners well. This should help minimize social tensions that may arise due to the socioeconomic differences. A program for foreigners that educates them on treating locals could also help.

The general impression that I got from the interviews was that there is not a lot of interaction between foreigners and locals apart from business and commercial transactions. However, the retirees did indicate that there are specific instances when there is a lot of interaction, particularly during their volunteer work and community involvement. The reason for the lack of interaction was said to be due to the fact that most Mexicans do not speak English and that most retirees do not speak Spanish. On the other hand, the retirees indicated that there are very strong bonds and a lot of daily interaction within the North American community. In brief, the interaction between these two groups can be summarized by a remark by one of the interviewees: "Both Americans and Mexicans seem to be more comfortable separately, hanging around with themselves."

Further research on the possible consequences of continuing to have both locals and foreigners separated must be undertaken. In order to spur interaction and community building amongst the groups, it is obvious that the language barrier has to be taken down. In San Miguel de Allende, a well known colonial town in central Mexico where a large foreign community exists, both the local government and the foreign community have established language institutes for foreigners that have helped the foreign community to learn Spanish and be more involved with the Mexicans. A similar strategy could not only help bring the groups together but could also give Bucerías an additional competitive advantage over other towns that are attracting retirees.

From this section one can also draw inferences that can help the private sector. An example of one is that foreigners seem to have preference to live among themselves. As a result, a couple of gated communities are already being built in the area and more will probably follow.

### ***Volunteer Work***

So far, I have only mentioned moderate impacts that do not give a clear idea of any major positive (or negative) social implications that can help planning authorities determine the potential social benefits or pitfalls of attracting retirees. If managed appropriately one of the most positive social implications of the influx of North American retirees can be the use of their high levels of community participation to enhance the overall participation of the local population. In this section, I will present my findings regarding this issue based on the interviews.

Although there seems to be fairly few social interactions between foreign retirees and Mexicans, I was surprised to find that the retiree community is nevertheless involved with local organizations and doing a fair amount of volunteer work within the community. The overall opinion of the interviewees, including the U.S. Consular Agent, was that one of the most positive impacts that the retiree community has on Bucerías is their high level of community involvement. The consular agent indicated that “people who come here want to contribute to society.” The Consular Agent also indicated that many of the retirees are very conscious of environmental issues and are also concerned about the physical image of the town. “These people want to maintain and enhance the town’s appearance as much as possible” she said. In the areas where retirees live, one can quickly notice this.

According to the interviewees, the high level of community participation of the retirees is related to their higher education level. On the other hand, it has generally been shown that the elderly have higher rates of community involvement than other population groups (Theodotou 1990, p. 19). Community participation in Bucerías was said to be very high. According to local immigrants as well as to some local residents, the active community work of retirees has played an important role in raising community participation within the Mexicans as well.

Unsurprisingly, the interviewees indicated higher community participation from retirees who live there year round than from the transient or “snowbird” group. However, they clarified that the

snowbirds who have been repeatedly coming over the years have also started to become involved in community and in charity projects organized by the retirees.

Foreigners who are living year round in the town have developed a genuine concern for the local community. They are particularly concerned for the needs of the less privileged. During the interviews, some of the North Americans indicated to me that during their time in Mexico they had realized how privileged they were and had felt compassion for the Mexicans as well as a desire to help them. North American retirees have participated in many ways to help the community. Some of the most mentioned were: helping start up a library for the town; donating time to teach English to children; participating in a beach cleanup program; making charitable contributions; giving away gifts to the children of the community; organizing fund raising events; and donating books to the local library.

Although most of the community work that retirees do seems to be positive for Bucerías, several interviewees pointed out that their efforts need more direction towards the town's most pressing needs. An example given by one interviewee was the donation of a pick-up truck by the retiree community to the local police. This particular interviewee was upset because he felt that a police a pick-up truck was something that the police did not need urgently. He would have preferred to see that money invested on the infrastructure on the other side of the highway or in a program that could benefit the towns' residents for a longer period of time. Another example he gave of "misdirected" help was the case of certain events that had been organized for the local children. The events consisted of parties where hot dogs or ice cream were given away by retirees. The respondent suggested that a better way to help the community could have been to establish a community center or a nursery (which he said is much needed). In brief, the interviewee was suggesting that the help be redirected to fund activities or programs that could benefit the entire town and have a long-term effect. Another interviewee indicated that the participation of the foreign community could benefit from input from local authorities in order to direct them towards what is needed and desired by Bucerías' inhabitants. According to this interviewee, a number of retirees want to help and do something for the community, but they do not know what to do. Another retiree indicated that although the foreigners have tried to do good things for the community, they have not previously taken into consideration the opinion of the locals, and this has yielded some discomfort.

In addition to the “required direction towards the pressing needs of the town,” interviewees indicated that a second major issue with regards to community participation was the lack of interaction between the locals and the foreigners. As one interviewee put it, “Americans do their programs by themselves, and Mexicans do theirs by themselves, but they do not get together.” He also gave an example of a successful intercultural turtle program in which there was involvement of the authorities, local citizens and retirees. The program took place five years ago and helped save many turtles. The interviewee continued by explaining that continuous efforts to save the turtles have followed but had not been very successful. He attributed part of the success of the previous example to the combined efforts of the different parties.

Some interviewees indicated that the lack of interest from the authorities has actually hindered some of the collaboration efforts of the foreigners. I was given an example (although not specifically from Bucerías), of a well-intentioned program organized by a foreign retiree community that was shut down by local authorities. The foreigners wanted a local school to hire a retired North American professor who was living in the community in order for him to teach English to the children. Unfortunately, the school authorities did not consider it “politically” appropriate and shut down the initiative.

Overall, the retiree community in Bucerías clearly plays an active role in volunteer community work, which according to the interviewees has brought positive social contributions such as raising the level of community participation and involvement amongst Mexicans. It is also clear that retirees who live year round in Bucerías are more involved with community issues that those who only spend part of the year in town. Despite the high level of community involvement of the retirees, some interviewees (mainly retirees), feel that the foreign retirees should do the following:

1. Address the most pressing needs of the community.
2. Structure their help based on long term plans.
3. Direct their help to larger segments of the population; and (4) team up more with local groups and authorities.

In brief, it would certainly be more efficient to follow the suggestions provided by these retirees. However, one must be aware that retirees are volunteering in altruistic activities; thus, one can argue that these people are free to do whatever they please with their time and money, especially

since the other retirees probably feel that the most pressing needs should be met by the government. It would be optimal for Bucerías if retirees, together with local organizations and local authorities, would team up and devise a strategy in order to help solve the most pressing needs of the community. The past has shown that it is indeed possible and that it can produce good results.

In Puerto Vallarta, foreign led organizations have teamed up with local government and have produced quite notable results. A good example is the International Friendship Club, which has contributed significantly to building schools and creating education programs for local children and for tourism employees, amongst others.

### ***Summary of Social Implications***

In conclusion, my research suggests that the presence of foreign retirees has not had a strong social impact on the community. Still, interviewees indicate that the overall impact is positive. In the first section I concluded that one should not attribute the cause of social change and loss of traditions to the presence of foreigners per se. It seems that tourism plays a much more important role in the social changes that have occurred over the years. In the second section the study indicates similar results. It seems that the presence of North Americans living in Bucerías has not directly generated sources of social tension; however, there are possible sources of tension that are more attributable to the tourism phenomenon in general than to the retirees in particular. In the third section the research indicated that there is not much social interaction between North American retirees and locals mainly due to language barriers. The research suggests that it is not a cause for concern. Finally, the active community involvement of the retirees was said to have an overall positive effect, mainly because it has helped raise the participation level of other groups within the community.

### **Political Implications**

Mexico has stringent laws against the participation of foreigners in political issues. These laws suggest that one would tend to see low participation from retirees in planning processes. Although the interviewees do indicate low participation by foreigners in the public processes, I was surprised to find that the foreigners do have a voice in the community. Moreover, with the increase in the number of foreigners the relationship between the foreign community and the local authorities has

also increased. Economic interests on the part of the local authorities seem to be driving both the attention that retirees seem to receive and the improvement in relations.

Foreigners living in Mexico are generally very aware of the restrictions that the Mexican government imposes on them. One of the restrictions is that they are prohibited from participating politically in any sense. The Mexican government is generally very jealous of its independence and does not like foreign intervention in local politics. On numerous occasions, foreigners have been expelled from the country due to their involvement in political activities. Thus, according to the interviewees, foreigners living in Bucerías tend to be very cautious regarding any political implications of their volunteer work. For the same reason, most foreigners living in Bucerías try to maintain a good relationship with the local authorities. According to the locals, retirees are generally prudent and do not get involved in local politics nor do they contradict the local government.

The restrictions that government imposes on foreigners suggest that we would observe a lack of involvement with the community. However, as I mentioned previously, retirees are actually actively involvement with the community. In reality, only foreigners who have openly interfered with local politics or local governance get into trouble and are expelled from the country.

Furthermore, in recent years, retirees have established a more frequent dialogue with the local authorities. This might be due to the increment in Bucerías' foreign population. However, and as one would expect (due to the prohibition against political participation), participation of retirees in town meetings and other planning processes has remained low. Due to the restrictions, retirees have been driven to voice their planning concerns to the *Delegado Municipal* at a personal level. This might explain the contradiction between their low participation in public forums and their improved relationship with the local authorities. Their high degree of community help and the small scale of Bucerías might also explain their improved relationship.

Another reason why the relationship might be improving is the communication effort of the new *Delegado Municipal* (from the opposition party). He is now frequently in touch with the local reporter of the English newspaper in order to inform the foreign community of current issues and to invite them to participate in the local planning process. For example, just recently there was a

series of town meetings to discuss issues regarding the highway. The retiree community was informed and invited through the media.

Local authorities have become aware of the increased presence of foreign retirees. In an interview with the *Delegado Municipal*, he indicated that the authorities are conscious that Bucerías' economy is being driven by the tourism industry; thus, when making decisions they take serious consideration of the tourists as well as the foreigners living in the town. On the other hand, other respondents were of the opinion that foreigners are not taken more into consideration than Mexicans. Small efforts by the local authorities (such as the presence of translators during last year's cultural events) suggest that the authorities do have the foreign community in mind.

Some of the foreigners actually consider that the *Delegado Municipal* of the town should speak English because of the high presence of North Americans. They also feel that the local authorities should be more educated. With the improved and closer relationship between the local authorities and the foreign community, the foreign retirees are confident their needs and concerns will at least be heard.

An interesting observation made by some of the interviewees was that foreigners do have a very strong voice in the community and get a quick response from the authorities when they (the foreigners) have been victims of a crime or have had a legal problem. This is believed to be due to the almost "personalized" attention that the U.S. and Canadian consular offices offer, as well as to the good relations that the offices have with the local authorities. The procedure of calling the consular agent to deal with such issues is well known and utilized by the retirees "to clear the matters quickly," indicated one respondent. It is also encouraged by the consular offices to avoid any unnecessary conflicts. The quick response from local authorities undoubtedly helps avoid the bad publicity that comes with foreigners having problems.

In conclusion, it seems that the relationship between the retiree community and the local authorities is good. My findings suggest that retirees living in Bucerías do not participate in local politics, but they do influence local authorities by expressing their concerns personally. Local authorities are aware of the presence of foreigners as well as their positive contribution to the economy and thus take the interests of retirees living in Bucerías into consideration when making decisions. As collaboration and communication between the retiree community and the local

authorities improves, the needs of the permanent retirees will probably become increasingly taken into consideration by the local authorities. However, their influence over local authorities will probably not exceed that of Mexicans because they are not allowed to vote. Regardless of the level of attention foreigners will receive in the future, local authorities should never forget about the needs of the lower-income groups while trying to please their relatively wealthy newcomers.

## Major Concerns of Locals and Foreigners

What other implications does the presence of foreigners have on the community? As part of this exploratory study, I concentrated on the problems and concerns that both Mexicans and foreigners have regarding urban planning issues in Bucerías. Although I recognize that I did not conduct a survey that would produce statistically significant results, my extensive qualitative interviews did provide valuable insights. Through focusing on their major concerns I looked for existing or potential conflicts of interest within the different groups that conform the community.

Major issues and concerns were the lack of education of the local population and the lack of infrastructure provision in certain parts of the town. Other pressing problems that the interviewees repeatedly mentioned were in the areas of services, security, zoning, growth, and drug consumption.

**Table IV.1.- Interviewees' Average Concern Levels on Urban Problems**

<b>Problems of Bucerías</b>	<b>Level of Concern of Interviewed Retirees</b>	<b>Level of Concern of Interviewed Locals</b>
Population's lack of education	High	High
Lack of basic infrastructure	High	High
Unregulated growth	High	Low
Zoning	Moderately	None
Services	Moderately	Moderately
Security	Low	Moderately
Drug consumption	None	Low

As one can see, the major concerns for both of the groups were the population's lack of education and the lack of basic infrastructure in the town. With the exception of the foreigners' concerns concerning unregulated growth and the lack of zoning, the level of concern for foreigners and



locals is relatively similar with respect to each of Bucerías' problems. Possible conflicts between the two groups regarding growth management seem to be low mainly because it is an issue that even the local government is having problems dealing with. Possible issues between individual members of the two groups are more likely to arise because of zoning issues. Following, is a detailed discussion on each of these issues.

### ***Education***

One of the major concerns of both local and foreign interviewees was the lack of education of the population. Many children are put to work by their parents and do not go to school, said one interviewee. In Mexico, primary school is free, yet it is still an impediment for some of these families because books, uniforms and other school materials that are required have to be paid for the family. The problem is further aggravated in *secundaria* (middle school, or junior high), because it is not free.

This education concern also reaches other levels of education and other income groups within Bucerías. Local respondents indicated that another concern is that there is no high school in Bucerías. Children that have the opportunity to attend high school are few and have to go to Puerto Vallarta to do so. Thus tuition can be as high as 84 dollars a month, plus the bus rides to Puerto Vallarta which are 10 pesos per ride. Tuition and transportation together are approximately 120 dollars a month, which is simply not affordable to many of the families in Bucerías with children of that age.<sup>33</sup>

Another issue of concern is that the schools are on the western side of the town, while most of the children that attend them live on the eastern side of the town. "This means that there will be constant pedestrian crossing on the highway, a dangerous thing to do for children, for they cannot tell the speed of cars" a respondent said. The local authorities are planning to move one of the schools to the eastern side of the town. Placing a new school on the other side of the town makes sense; however, "moving" a school from one place to another might not be such a wise choice due to the obvious lack of educational infrastructure. Removing an existing is probably a misallocation of resources.

---

<sup>33</sup> See Chapter II, for a discussion of the average salary of lower-income Mexicans.

Despite education concerns from both locals and foreigners, the school supervisor for a local school indicated that Bucerías has significantly improved its educational system thanks to the increased economic activity in the area. The superintendent's responses are consistent with census data. Census data indicate that ten years ago, the town only had a primary school. Further, census data indicate that today the town has four primary schools, and a secondary school (INEGI, 1990; INEGI, 1999).

The school supervisor also indicated that some of the local residents are preparing themselves in Universities in Guadalajara and Tepic. This had not happened before. Although some of Bucerías inhabitants are having the opportunity to better prepare themselves in Universities, the problem is that they are not returning to Bucerías. Costs of attending higher education in Tepic or in Guadalajara are a problem, for although higher education is free, costs of living in these larger cities are also out of reach for most of Bucerías inhabitants.

In order to show how dramatic the education problem is in Bucerías. The school supervisor that was interviewed gave me the following statistics. From the children that start primary school, about ten percent drop out along the way. Then, in the change to *secundaria* (junior high) they lose 20 percent (of the original group). Then, the biggest loss comes once *secundaria* is finished because very few start *preparatoria* (high school). In the end, 60 percent of the originally enrolled do not even start *preparatoria* (high school).

It is essential that the education system becomes the priority of both the citizens and the local authorities. As the average education level of the population is increased, the locals will increasingly be enabled to occupy higher paying jobs within the tourism and commercial industries in the Bay area. The improvement of the quality of life for the overall local population critically depends on the educational factor.

### ***Infrastructure***

The lack of urban infrastructure such as paved streets, sewage, electricity and water in some areas has been shocking for some foreigners. In the long run, however it becomes a reality that they accept. But, it is worthy of notice that most foreigners only frequent the areas that are urbanized. Some of the foreigners expressed infrastructure concerns related to the eastern side of the town.

where some foreigners said that “the roads should be fixed, and sewage should be provided for those people.”

Another issue that concerns some of the foreigners is the fact that the municipality has problems of water supply. The supply of water is not constant and sometimes the entire town or sectors of the town will not have water for days or even weeks. However foreigners say they are not concerned for themselves regarding this issue, but for the lower income groups within the same town. The reason for this is because more affluent homeowners have built large water cisterns for these occasions, but they are concerned for the people that cannot afford cisterns.

Some of the foreigners were concerned with the lack of telephone lines available. Further, because Bucerías is a relatively small population, many of the services that people and business use are located in the Puerto Vallarta area; thus, the few that have telephone lines frequently have to make long distance calls, which are very expensive. Moreover, other ways of communication such as the Internet also have to be through long distance because the nearest Internet service provider is in Puerto Vallarta, which makes it expensive for foreigners and prohibitive for the locals. Some of the foreigners living in Bucerías do not even have telephone service and refer to trying to communicate to the U.S. as “aggravating.”

Poor planning of infrastructure and lack of resource allocation for new infrastructure is another issue for some of the foreigners. An example that was given by one of the interviewees was the new highway. The highway has divided the town into two sectors. On one hand there is the western sector, where the downtown and the majority of the business as well as the tourist residential section are located. On the other hand there is the eastern section, where most of the low-income residential *colonias* exist. The eastern part of town is a section that foreigners feel is not receiving any resources at all. Thus, they believe that this physical and economic segregation might produce some social tension in the future.

The construction of the highway elicited mixed opinions. Some of the interviewees indicated that there were no thoughts about the needs of the towns that exist between Vallarta and Punta de Mita in the planning and building of the highway. (For example: Bucerías, Mezcales, La Cruz de Huanacastle). One of the concerned foreigners indicated that the construction has already lasted about one year and many of the businesses on the highway have done very poorly because of the

difficulty in accessing them. Another issue of concern was the poorly planned accesses to the town. The project had only contemplated two accesses. One was to be in the southern tip of the town, where a recently redeveloped hotel, the Decameron, lies. The other was to be in the northern tip of the town, a tourist and residential area as well. There was to be no direct access to the downtown itself. Fortunately, local residents and foreigners are negotiating other accesses that will avoid traffic problems and provide access to the core of the town. Another of the concerns for foreigners was that no pedestrian crossing had been planned. Now, thanks to community intervention (of both locals and foreigners) supposedly there is going to be one.

On the other hand, other interviewees who commented about the highway said it was a very positive thing. One of them said it was the best thing that could happen to Bucerías, for it would improve business development and attract tourists from Puerto Vallarta.

Another concern regarding infrastructure and the new highway raised by foreign business owners who are located on the western part of town was the lack of a proper pluvial sewage system. They indicated that in the rainy season, large quantities of trash and dirt are washed down from the eastern side of town and accumulate on the western side of the town, costing them thousands of pesos to remove.

In brief, the new highway is a good example of the lack of communication between local authorities and state level and federal authorities. Had more communication existed many of these problems could be avoided. It is critical that Bucerías authorities have a closer relationship with the other government authorities in the Bay (the Ayuntamiento of Puerto Vallarta, the local Tourism Office, etc.).

Another concern of the foreign interviewees regarding the presence of retirees was the increase demand on the physical infrastructure of the community (water, sewer, electrical, telephone). They were upset that the community has frequent water shortages while at the same time there are many retiree homes with pools. In brief, they said that the consumption of the foreigners and tourists is much higher than that of the local population, which in their opinion is not fair for the locals. On the other hand another interviewee who had worked in the tourism industry within the area argued that some of the major infrastructure projects in the Bay had been built specifically for tourism use. My point here is that some of the foreigners argue that it is not fair that locals have a lack of

resources when tourism developments and foreigners do not. However, if it were not for the tourism industry, many of the towns within the Bay would not even have their current infrastructure. Furthermore, just recently it was announced that water usage would be metered in the western side of Bucerías. This way the higher consumption of the retirees will be charged appropriately depending on their use of services.

Finally, one of the foreigners indicated the concern that some of the hotels were dumping their sewage directly into the bay, a problem that is in part due by the lack of proper sewage infrastructure.

I have covered the foreigners' perspective on the infrastructure issues, now I will present the locals' views in order to facilitate comparison of similarities and differences. In general, for the locals who were interviewed, the worst problem in Bucerías after education, is the lack of urbanization. Similarly to most of the foreigners, they are concerned with the lack of sewage and water in most of the *colonias*. The *colonias* have the same problem of water supply irregularity that the rest of the town has; however, in some *colonias* there is no water supply at all. People have to go to wells to get their daily water.

The sewage was repeatedly raised. Because of the lack of sewage, the law requires homes to have a septic tank. However, many of the homes simply do not comply with the regulations. The problem can be divided into three components: One is the lack of service provision; the second is the lack of education of the population regarding this issue; and the third is lack of enforcement by the authorities. One of the respondents suggested that there should definitively be stricter control implemented by the authorities. The same respondent indicated that in other communities, such as in Jalpa, people are fined if they do not comply by building a septic tank.

Another issue noted by locals was the lack of cobbled streets. During the rainy season, one respondent commented, water simply carves the streets and leaves them in very poor condition. This happens because the soil of the area is very sandy and soft; thus, large sections of the streets are easily eroded if they do not have any material that will contain them and redirect the water.

In order to combat the lack of infrastructure, the priest of the Catholic parish has suggested that local authorities initiate a program by which streets are urbanized in partnership between the

populations' human capital and government resources. The priest adds that in this idea a key step is to educate the population in making them see that by improving their streets, they will benefit in several ways. One immediate benefit is that their property prices would go up.

Although the lack of proper infrastructure is a problem that both foreigners and locals raised during the interviews, the issue is much more complex. It involves land and property issues. On the one hand, the landowners, or *ejidatarios*, generally do not have enough capital to urbanize the land prior to selling it. On the other hand, if they did, it would be of no use for the lower income people that are buying land from them, because they do not have enough resources to pay for urbanized lots. In this case, they would go to a place where they could buy land that is not urbanized that they could afford. If the *ejido* land were regularized, the government would be able to increase property taxes revenue but would be burdened with the costs of urbanization in the long run.

One of the ways that Bucerías could begin to manage its growth can be to create a master plan that incorporates the vision and growth strategy that the local population may want the town to have. A more immediate and specific recommendation could be to have stricter communication with land owners and to have stricter regulation on the development of land. Authorities could limit the sale of land that has not been urbanized by imposing fees on developers who sell property without first urbanizing it. This way they could stop some of the undesired growth and to diminish the financial burden of having to providing so much dispersed infrastructure. On the other hand, the master plan could help concentrate the development of the town in specific areas and hence make the allocation of infrastructure more efficient (only providing to smaller areas). It could also help define an optimal density for the town.

### ***Unregulated Growth***

Some of the issues with unregulated growth have been covered in the past section that dealt with infrastructure, however, I would like to discuss some specific issues that some of the foreign interviewees raised regarding this issue.

One of the main concerns foreigners have is that Bucerías seems to be growing without any structure and out of control. This has become a specific concern for the North Americans that have bought real estate and who have lived here for some time in Bucerías. These individuals are

worried that this great growth will spoil their “little piece of paradise,” as one respondent said. In general, foreigners living year round disapprove of the increasing number of tourists and Mexicans that are coming to the town every year. Of course the exception is the business owners, who applaud growth. From my perspective, it would seem natural that the factors that made it attractive for the actual foreign residents in the first place would make it appealing for other generations. Furthermore, as the town grows and more amenities are created, then the more attractive it will become for retirees. Hence I do not see growth as a negative thing; however it is something that is must be well managed.

Only very few of the locals that were interviewed are concerned about the growth that the town has been experiencing. Furthermore, they do not see growth as something that is not desirable, but simply as something that has to be well managed. They have seen that it has not been well monitored and would like more control of it by the authorities. Proudly, one respondent indicated that Bucerías was now a new town due to the fast growth that it has experienced in the last 5 years.

As an observer, one of my concerns is that the local authorities do not have the resources to handle this growth. The accelerated influx of population may not be a consequence of having foreign retirees, yet, it is still important to consider what is happening in Bucerías when studying the future development of similar communities. The presence of foreigners in towns such as Bucerías brings an increase in economic activity. However, if town’s growth is not managed properly, the town make become less attractive and hence the trend of foreigners and tourists to Bucerías might decline. Proper growth strategies should be devised in order to have local authorities take advantage of the increased supply of workers but at the same time avoid the fast growth become a financial burden for the authorities due to the need of expensive infrastructure and services.

According to some of the locals, the major cause of growth has been due to an influx of Mexicans from other states rather than to an influx of foreigners. These migrants are generally seeking to find work and better living conditions. The construction industry also seems to have been playing an important role in this phenomenon. Because of the high levels of construction (including the highway), construction workers from other states of Mexico have come to work in the region. Because the construction boom has lasted a couple of years, these workers have brought their families and friends to settle in the area.

According to local workers, two of the most important impacts that this growth has generated have been an increased demand on the school system and higher land values. I discuss the real estate market in more detail in the following chapter. A local school supervisor indicated that the net number of new students last year was close to 200. The supervisor indicated that the existing schools do not have the capacity to continue absorbing such a high number of new students. For example five years ago there were about 300 children in the school where the interview was conducted, now the school has close to 1,000 students, about 500 per day and about 500 in the evening.

### ***Zoning***

Foreigners who are involved in design, construction, and property management are concerned about the lack of zoning. One of the interviewees who works as a property manager cited the example of how a *salon de fiestas*, a hall that can be rented for parties and weddings, was going to be placed next to his rental units. These foreigners also indicated that there is a lack of construction inspection, which they believe might be due to corruption. On the other hand, it was interesting to observe that none of the locals seem to be concerned about zoning. Due to the characteristics of the town, it seems that locals do not mind having mixed used development and commercial uses mingled with housing uses.

### ***Services***

The provision of services was a theme that was not brought up that much. The main comments regarding services provision were the following three:

- (1) The need for more frequent garbage pickup. Although there is a somewhat regular garbage pickup service, people in the *colonias* accumulate garbage in their backyards and then burn it. This seems to annoy some of the foreigners that live in the Western side of town. However, I would like to think that this is more related to education than to the necessity of a more frequent garbage pickup service.
- (2) Essential services are missing. For example, to go to the nearest bank, one has to go to Puerto Vallarta. Recently the town was provided with an ATM. In my perspective, the presence of a small bank will come once the level of transactions makes it profitable to place one there. The



presence of an ATM might be a sign that in the near future a Bank should open there. Locals that were concerned about services commented more on the need of essential services and improving existing ones (i.e. postal service, telephone, public health care).

- (3) The availability of certain consumer products foreigners are accustomed to using. Nevertheless, some interviewees indicated that local stores have responded well to the demands of North American consumers for one can see how over the years the imported products section has become bigger.

### ***Security***

Only a couple of foreign respondents were concerned about security. These respondents felt there had been a recent increase in crime. On the other hand, most people emphasized the tranquility of Bucerías. Female respondents generally indicated that the town was secure and that they felt safe to walk alone at night.

The crime statistics for the state of Nayarit are hard to interpret for they have been aggregated to the Municipio level. In aggregate, for the Municipio of Bahia de Banderas, the crime statistics are higher than the state's average. However, they are still very low in comparison to larger urban areas within Mexico, or in comparison to Nayarit's capital, Tepic (INEGI, 1999, p. 265).

Yet, for some locals, security is an important issue. I was told about two incidents by one of the interviewees. A case of a young man who was stabbed in order to rob his boots, and of another one that had his throat cut in a money robbery. The same source indicated that he attributes the problems not to change in the locals, but to the strong influx of newcomers. He also states that in the *colonia* Francisco Javier Ovando, crime and murders have been particularly high over the years. He estimated that the number of deaths by now in that *colonia* must be close to fifteen in the past years. It is probable the many of the foreigners are not even aware of what is happening of the *colonias*. This could explain their lack of concern with this issue.

### ***Drug Consumption***

Finally an issue that was only of concern to some locals, was drug consumption amongst the local population, specifically, amongst teenagers and young adults. According to a school supervisor, this problem has also increased, although it is much worse in other nearby coastal communities such as Punta de Mita and Puerto Vallarta. The problem is partly attributed to foreign tourism, which seems to have created a demand for drugs. Now that the market has been created, locals are being exposed to it. Mexican authorities are very strict about drug consumption and larger national efforts are being made in order to disentangle organized crime. Local authorities can make a big difference in helping reduce the drug consumption through educational programs through out the local schools.

# **Chapter VI**

## **Real Estate Implications**

In this chapter, I will first address the major forces that affect the overall real estate market in the Bay of Banderas and describe the development trends in the bay. Aspects such as the bay's shape and natural configuration as well as other important exogenous factors such as the performance of the U.S. economy will be covered in order to clarify the overall forces that are influencing Bucerías' real estate market in the context of the presence of foreigners. Then, I will talk about the real estate activity that is occurring near Bucerías. My purpose is to understand the impact that recent activity has had on Bucerías' real estate market and to help the reader make a distinction between the impacts of nearby developments and the impact of tourism from the direct impact caused by the presence of foreigners. Finally, I will discuss the specific real estate implications that the presence of foreign retirees has for Bucerías real estate market.

### **Forces Influencing Bucerías**

Over the past decades Puerto Vallarta and the coast of the Bay of Banderas have experienced considerable development. In recent years, development activity has mostly concentrated to the north of Puerto Vallarta mainly due to the shape and natural configuration of the bay, as well as to the location of the major access route. External Factors such as the construction of public infrastructure and the performance of the U.S. and Mexican economies must also be important determinants of the amount of development activity in the area and of the changes within the real estate markets. These forces that are affecting Bucerías are having a direct impact on the presence of foreign retirees as well on real estate prices. Thus, they should be further studied and measured in order to understand better the real estate implications of North American retirees living in towns such as Bucerías.

According to local residents, over the decades, most of the development activity along the bay's coastline took place relatively near to Puerto Vallarta. Development that has occurred south of

Puerto Vallarta, towards Mismaloya, the southernmost tip of the bay, has been historically targeted to upper income groups and has been characterized as luxurious and expensive (*Vallarta Lifestyles*, 2000). In contrast, most of the development activity in the bay has occurred north of Puerto Vallarta, probably due to the configuration of the bay. The bay is surrounded by a mountain range known as the Sierra Madre Oriental. To the north of Puerto Vallarta, there is a wider stretch of land for development between the beach and the mountain range. On the south portion of the bay, the sierra practically dives into the sea.

Another important factor that has influenced the accelerated development of the northern side of the bay is the main access route. In order to access Puerto Vallarta from Guadalajara or Tepic, the two nearest major cities, one has to do so through the north side of the bay. Moreover, Puerto Vallarta's airport, as well as the two largest marinas in the bay, are all located a few kilometers to the north of Puerto Vallarta. The location of this infrastructure has also played an important role in the development of the northern part of the bay. Consequently one finds a great variety of services along the highway to the north of Puerto Vallarta. On the other hand, one finds more sporadic hotel and residential developments to the south. According to local brokers and a Puerto Vallarta Property Manager, until some years ago, low scale, high-end developments were mostly located to the south of Puerto Vallarta. The broker continued by indicating that in recent years, there has been an increase in all sorts of development to the north of Puerto Vallarta. Most of the recent developments happening to the north of Puerto Vallarta are actually taking place in the state of Nayarit. These have mostly been hotels, private homes, condominiums, time-share resorts, and gated communities.

The increased development of the bay towards its northern side suggests that this higher level of amenities and hotel infrastructure will probably be drawing an increased number of tourists and thus, probably, a higher number of retirees to Bucerías and its surroundings. According to the local brokers, the impact of rising real estate prices suggests that the level of economic activity in the northern part of the bay will be increasing in coming years.

Although the major development activity within the Bay has been concentrated towards the north of Puerto Vallarta, it is important to note that the development of the northern tip of the Bay (from Bucerías to Punta de Mita) has not experienced much development activity over the past decades. This segment of the bay still has a large amount of undeveloped land. The main reason is the long

distance from Puerto Vallarta as well as its more difficult access. The highway from Puerto Vallarta towards Tepic and Guadalajara diverts inland a few kilometers north from Bucerías. Hence, from Bucerías to Punta de Mita, (the northern tip of the bay), not only is access more difficult, but there is no major infrastructure laid out to allow for rapid development. The construction of the new highway from Puerto Vallarta's airport to Punta de Mita, will certainly accelerate the physical and economic development of this section of the bay.

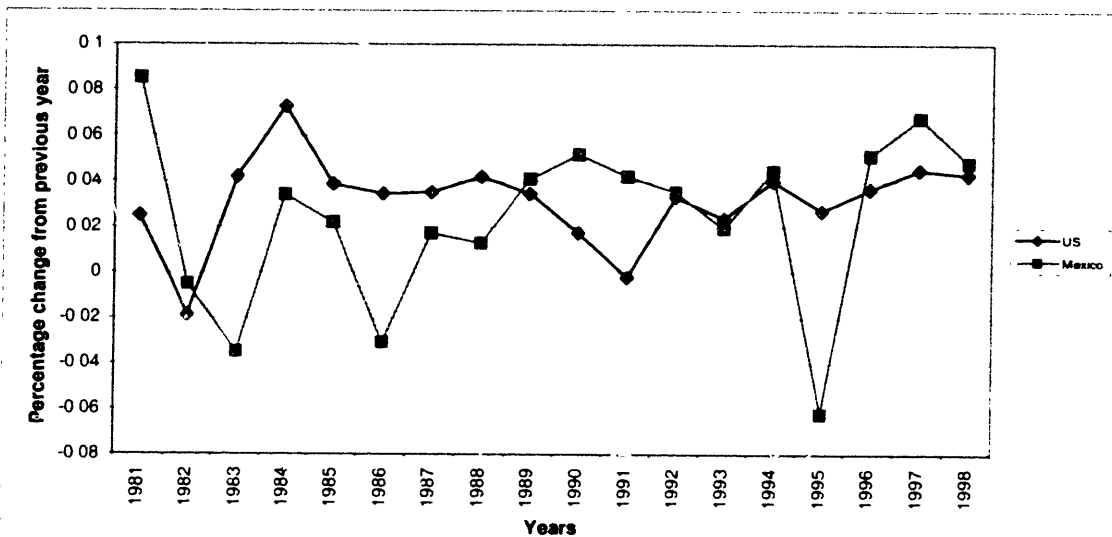
Bucerías is strategically located with respect to the major access route from Tepic and Guadalajara. Furthermore, it is strategically located within the Bay (it is in the middle between Punta de Mita and Puerto Vallarta). This advantage has been reflected in constant increments in real estate prices along the highway during recent years. The new highway to Punta de Mita will certainly raise prices even further because not only will Bucerías continue to serve as a distribution center for Puerto Vallarta, it is probable that it will also serve as a distribution center for the newer developments towards Punta de Mita. Hence it becomes clear that the actual development activity does not only respond to the increasing tourism levels and to the number of retirees moving to Bucerías, but also to larger forces such as location and infrastructure advantage.

The construction of the new highway has already led to increased development activity in Bucerías, Cruz de Huanacastle, and Anclote. According to one local broker, these towns are experiencing a lot of growth as well as an increase in real estate prices and an influx of foreigners. New residential and hotel developments such as the Four Seasons Punta Mita, Rancho Punta Mita, el Anclote, and Punta Pelicanos are evidence of this increase in activity. Further ahead, I will specifically talk about some of the major developments that are occurring in the area near Bucerías in order to give the reader a clearer view of the factors that are affecting Bucerías from a more micro level.

Other forces that must also explain the increase in development activity in the area, and hence in Bucerías, must be the performance of both the U.S. and the Mexican economies. According to economist William Wheaton, in the U.S., the demand of tourism real estate is highly correlated with the performance of the economy. From figure 5.1 one can see that U.S. economy has been growing steadily since 1992, almost 8 years of constant growth. During these years, there has been more than a 2.5 percent change in GDP per year. Similarly, according to interviews with local brokers and the statistics presented in Chapter III, both the number of U.S. visitors as well as the

real estate demand by U.S. citizens has grown during these years. From the tourism statistics presented in Chapter III we also know that North American tourists represent a high percentage of the total number of yearly visitors to the bay. The evidence suggests that the demand for tourism real estate in the bay of Banderas must be somewhat correlated with the performance of the U.S. and the Canadian economies.

**Figure 5.1 – Changes in Gross Domestic Product for U.S. and Mexico, 1981-1998.**



*Sources: U.S. Bureau of Labor Statistics; Instituto Nacional de Economía Geografía e Informática.*

However one must be cautious in making simple conclusions concerning the correlation between the demand for tourism real estate in the Bay of Banderas and the performance of the U.S. economy. In reality, the correlation between tourism real estate in the bay and the performance of the U.S. economy must be lower than the correlation between the demand for U.S. tourism real estate and the performance of the U.S. economy for two reasons: (1) lower prices in the Bay of Banderas (in comparison with prices in the U.S.) might still attract U.S. tourism during economic downturns of the U.S. economy, and (2) the capacity of the Bay of Banderas to promote itself amongst other regions of the world and to diversify its clientele in the case of an economic downturn of the U.S. economy may be significant. Further research in this area could help confirm empirically if the demand for tourism real estate in the Bay of Banderas follows the performance of the U.S. economy. It can also determine the extent to which this behavior matches the overall

demand for tourism real estate in the U.S. So far, the evidence suggests that the good performance of the U.S. economy in the past 8 years must have had a significant impact on the tourist-based economy of the bay area.

But what about the supply side (the actual development of real estate)? According to Brito, a Mexican real estate specialist, it has been observed that market liquidity plays an important role in determining the supply of real estate in Mexican markets (*Excelsior*, 1999). This liquidity condition tends to happen when the economy is performing well. During the mid and late 1980's, the Bay of Banderas area underwent high development activity, at the same time, just as Brito indicates, there was market liquidity.

Assuming real estate supply and demand are explained by the conditions described above, then the changes in GDP both in the U.S. and Mexico (Figure 5.1), as well as the responses obtained from the interviewees, should help explain some of the bays' real estate market behavior over the last decade. According to a Puerto Vallarta broker, in the early 90's there was a lot of real estate built and for sale in the Bay of Banderas. This "building boom" corresponds with the improvement in the Mexican economy during the very late 80's (Figure 5.1). At the same time, in 1990 the U.S. economy showed the worst GDP change of the past 8 years. This fact is reflected in the lack of tourism real estate demand by U.S. investors in the bay area during the beginning of the 1990's. On the other hand according to the brokers and interviewees, real estate demand in the area has been increasing over the past 5 years, which makes sense with the growth that the U.S. economy has been having since 1992. Moreover, the brokers, developers and interviewees all indicated that there has been a marked increase in the supply over the past couple of years, which again makes sense with the recovery from the Mexican crisis of 1994-1995.

Explaining the demand and supply of real estate in the Bay of Banderas is surely far more complicated than looking at changes in GDP. However, the point is that the growth in both the Mexican and U.S. economies as well as other exogenous factors must help explain much of the real estate supply and demand in the area. Thus, local developers and planning authorities should take these exogenous factors into consideration in addition to considering local factors such as location attributes (i.e. the new highway) when making strategic planning and business decisions, and when evaluating the impact of the presence of retirees.

In the long run, it is probable that other towns in Nayarit that are to the north of the bay will also benefit from external factors such as the construction of the highway, or the U.S. economic performance. As they become more accessible, they will probably see a dramatic increase in the number of visitors they receive during the following decades. Thus, rural coastal towns that are increasingly being exposed to tourism will probably become targets for North American retirees in search of cheap real estate located on the coast. The growth of the economies may simply influence how fast this sprawl along the coast takes place. Thus, it is evident that studying the implications of foreigners living in Bucerías as well as the major external forces affecting Bucerías is important both from the public and private perspectives to better understand the dynamics of the local real estate market.

## **Influence of Nearby Real Estate Activity**

This section has a double purpose. The first is to familiarizing the reader with the real estate market activity that is taking place near Bucerías. The second is to indicate why recent nearby development activity can have an important influence both on the presence of foreign retirees as well as on the prices in Bucerías' real estate market. As more development takes place on the northern side of the Bay, more tourists and prospective North American retirees are expected to visit and buy real estate in the area due to the positive externalities that the presence of actual tourists and retirees create. On the other hand, due to the large number of upper income developments, the attraction of lower income retirees may be hindered to some extent.<sup>34</sup> Further, local developers seem not to be concerned of overbuilding and hence influencing a drop in real estate prices. This attitude increases local real estate price volatility (more risk). In the long run, these higher levels of risk of investing in real estate in the area may also hinder the influx of retirees moving to Bucerías.

Interviewees believe that one of the most recent and influential developments that the area has had in this decade is the large-scale development of Punta Mita. Located on Punta de Mita, the northern tip of the bay, the development project consists of large land parcels destined mainly for

---

<sup>34</sup> In this section I will focus on developments that are taking place relatively near of Bucerías. I will avoid talking about developments that are taking place closer to Puerto Vallarta because one can still identify these two areas as separate markets. It is worth mentioning that some brokers actually consider the entire bay area as a single market; however, specialized brokers indicate the contrary.



hotel and residential development. Currently, only one hotel has been built, the Four Seasons Resort. The next will be a Ritz Carlton Hotel.

The Four Seasons Hotel is a luxury hotel with 140 rooms and an 18-hole golf course. Its daily rates average about \$500 U.S. per night. Interviewees believe that this type of development will probably promote the development of other high-end developments in the area. In fact, according to a local newspaper reporter, between Punta de Mita and Bucerías several real estate developments that are targeted at both upper-income Mexicans and North Americans are already under way: Anclote, Rancho Banderas, los Veneros, el Indio, el Petate, and Punta Pelícanos. More interestingly, the reporter commented, “these developments are not only bought by foreigners but have foreign capital invested in them as well.” It is interesting to observe that one of these developments, Punta Pelícanos, the first gated community aimed at U.S. and Canadian citizens (77 units) is actually being promoted by a real estate group based in Ajijic (Jalisco), one of Mexico’s largest North American retiree communities.

Another real estate development project that the interviewees feel will have a strong impact on the real estate market of Bucerías is a marina project at la Cruz de Huanacastle, Bucerías’ neighboring town.<sup>35</sup> One interviewee indicated that the project, which originally was to have a 150-slip marina, has been expanded to a 250-slip marina, a hotel, and condominiums apartments.

According to a local developer, all of the above mentioned developments that are residential have very similar characteristics. They are relatively small homes or condominiums with an average size of 260 square meters. They generally are low-density condominiums that share common areas with amenities such as access to the waterfront, gardens and swimming pools. They generally have 2 to 3 bedrooms, kitchen, dining room/living room, 2.5 bathrooms, and a laundry room, and they generally feature air conditioning systems. The prices of new developments built specifically for residential-tourist purposes vary a lot. I found units as low as \$60,000 US to over \$1,000,000. However, most of them ranged between \$80,000 and \$250,000 US.

These developments are located to the north of Bucerías. South of Bucerías, I found that the development activity has mostly concentrated in Nuevo Vallarta, a large tourism and residential

resort development located between Bucerías and Puerto Vallarta. Nuevo Vallarta is a project begun by the federal government over 10 years ago. However, according to the locals it has not been until recent years that most of its major hotels have been constructed. Besides, the residential component is relatively small. Nuevo Vallarta runs parallel to the coast for about 4.7 kilometers. It consists mainly of hotels, condominiums, a marina and residential areas. Immediately to the north of Nuevo Vallarta there is an 18-hole golf club, the Flamingos Golf Course, which is only about 5km south of Bucerías.

Most of the developments mentioned so far are larger scale developments intended for upper income Mexicans or foreign tourists. However, the development in Bucerías is aimed at middle income Mexicans and tourists that occupy lower hotel categories. The proximity of Bucerías to Puerto Vallarta, as well as its relatively cheaper real estate prices have made Bucerías and its neighboring towns a feasible option for both tourists and retirees who are not in the upper income categories. Thus, it should not be a surprise that the town is increasingly becoming a retirement heaven for North Americans who are not in the upper end of the income distribution. Still, as I will discuss below, the recent developments taking place around Bucerías may actually have a negative impact both on real estate prices in Bucerías as well as on the number of retirees that will move there in the future.

Similar to what has been indicated in previous chapters, as more public and private infrastructure is laid to the north of the bay, more North Americans, both in terms of tourism and retirees will find the area attractive. On the other hand, the higher demand will raise prices and might drive lower income retirees to farther out locations. According to two of the interviewed retirees, other towns to the north of the Bay of Banderas have already begun to experience an influx of foreigners who do not want to pay the high real estate prices that exist throughout the bay.

Both locals and foreign interviewees believe that the recent development activity in the north of the bay has impacted and will continue to impact Bucerías in several ways. First, it will probably make Bucerías a place more frequented by tourists. Second, the demand for real estate will probably increase. Third, the need for more supplies and workers for these new developments will

---

<sup>35</sup> La Cruz de Huanacastle and Bucerías are practically connected by a residential strip along the coast. This residential area is located in front of the Playas de Huanacastle beach.

probably come through Bucerías and its neighboring towns; thus, Bucerías will probably experience both product demand and labor supply induced growth.<sup>36</sup>

Some of my research indicated that the growth in the number of foreign retirees might not be as high as expected. In two interviews with real estate developers, I was told that they had not relied on any rigorous market studies when evaluating project feasibility. Developers are basing their decisions on their “hunches.” This type of behavior suggests the possibility of myopic expectations on the part of the developers as to what the future rents (hence prices) of real estate will be. Wheaton and DiPasquale indicate that it is this type of behavior that produces the well-known real estate cycles, adding volatility and risk to real estate prices.<sup>37</sup>

These behaviors are relevant because they might influence the influx of retirees coming to the area. Taking into account the inflation risk in the Mexican economy, prices of the bay’s real estate may be extremely volatile (risky), which might detract retirees that are concerned with the appreciation levels of the property they buy.

When the bay experiences oversupply, prices will become stagnant for a period of time or even drop. If this happens, Bucerías might become more accessible for lower income groups of other North Americans to buy real estate and retire in the area. On the other hand, if the demand continues to rise, real estate prices will continue increasing within the bay. In this case, we might probably see more foreigners going to cheaper locations in more rural settings farther to the north of the bay such as Sayulita, Rincón de Guayabitos, and San Francisco.

In conclusion, my interviews indicated that the vast amount of real estate development activity nearby, as well as the new public infrastructure that is being provided are continuing to drive up Bucerías’ real estate prices. Similarly, it is believed that tourism demand and the number of retirees in the region will continue to grow. However, more research would be needed to determine if this would imply a higher or lower number of North American retirees living in Bucerías due to these changes. In other words, further research would be needed in order to determine the changes in retiree density within Bucerías with respect to the price of residential real estate. Research could

---

<sup>36</sup> See Chapter V for a detailed discussion on the economic implications.

help determine the level of income of prospective retirees. It could also help determine if the phenomenon is one that will tend to expand to many towns with a low density of foreigners, or if it will tend toward higher concentrations of probably higher income retirees. Development activity may well reach a point where supply exceeds demand creating a decrease in the areas' real estate prices. The findings indicate that developers should be more wary of the future market behavior and take these projections into consideration when considering development projects in the bay. It is recommended that they consult economists in order to obtain market and economic projections in order to avoid overbuilding and hence incurring in negative NPV (Net Present Value) projects. In the next section, my analysis of the market continues but at the micro level.

## **Bucerías' Real Estate Market**

Bucerías real estate market is divided into two different areas. The division of the market has mainly to do with the different socioeconomic groups that inhabit Bucerías. Such a contrasting difference in the real estate market may lead to social tensions in the future. In this section, I will show how during recent years, Bucerías real estate market has been appreciating at a fast pace. However, it is not yet clear if the level of appreciation is due to the high real estate demand by North Americans.

Interviewees who have been living in Bucerías for more than 20 years indicated the reasons why the town has developed into two different sections. Some 20 years ago, the town occupied only the area from the highway to the ocean (to the west), in other words the area where the downtown is now located. Over the years, the original landowners, the *ejidatarios*, sold the properties surrounding downtown, primarily for two very different types of development. The first was for upper and middle-income residential as well as for recreational tourism uses. This type of tourism-residential development has mostly taken place next to the coast, on the western section of the town. The second type of development has been lower income residential uses on the eastern side of town. Previous research has indicated that the second type of development activity has been generated due to the influx of people from out of state who come to work in Puerto Vallarta's hotels and businesses. According to Villaseñor, these migrant workers have located here because

---

<sup>37</sup> See Wheaton and Di Pasquale, *Urban Economics and Real Estate Markets* for a detailed discussion on real estate market cycles and the myopic or backward expectations theory.

they need access to relatively cheap land that has easy accessibility to their jobs in Puerto Vallarta (Villaseñor, 1993, pp. 119-120).

The different development trends within the town have made Bucerías into a place with two personalities. It has a western side that is relatively affluent. Hence, most of the streets are cobbled and have water, sewage, electricity and sidewalks. In contrast, the eastern side of the town is extremely poor. Here, one encounters the lack of urbanization in many ways: most streets are dirt and are not even cobbled, there are no sidewalks, nor sewage systems, and there are many sections that still lack access to a water supply.<sup>38</sup> Although I will address the two inner real estate markets separately below, I will mostly concentrate on the western side market, because it is the area where most of the North American retirees have located.

### ***The Eastern Side of Bucerías***

The division of the Bucerías real estate market may have important implications for the future development of the town. One implication is social. Bucerías may experience social tensions due to the contrasting segregation of incomes within the town, especially because of the lack of infrastructure in the eastern section. With respect to the real estate market, the physical configuration of the town as well as the higher value that the people who live in the western side assign to location allows a separate analysis of the two inner markets.

The evolution and shape of Bucerías has led to the different availability of real estate for these two different types of uses. What is bound to happen in the eastern side of the market can be easily explained following the logic of Wheaton and DiPasquale's three-sector model of metropolitan economic growth. In this case both the interviewees as well as the literature, suggest that this side of Bucerías is experiencing labor supply induced growth and that it will result in a lower rise in rents than the western side.<sup>39</sup>

---

<sup>38</sup> For a more detailed discussion of the problems of Bucerías please refer to Chapter V.

<sup>39</sup> The three-sector model indicates that "with supply-induced growth, wages and prices and output prices will fall, employment and quantity of output will rise. The percentage fall in wages must exceed that of prices [as is the case of Bucerías]. The stock of real estate must increase, necessitating a rise in rents." Wheaton and DiPasquale, (1996, pp. 162-165). See Wheaton and DiPasquale for detailed description of the model.

In other words, what is bound to happen on the eastern section of Bucerías is that the increase in labor supply may mean slight decreases in wages for lower income sectors and may mean moderate increases in real estate prices (the increase in labor supply would increase the demand for real estate).<sup>40</sup> Local workers indicated that the prices of land in the eastern side of town have increased in real terms, however, I am not clear if the average salary, or at least the purchasing power, of the low-income sectors of the population has declined. Further research is required in order to determine if this economic model does in fact apply.

My observations suggest that the percentage in real estate appreciation on the eastern side of town will tend to be lower than on the western side. This is because land supply is elastic with respect to the price of land on the eastern side of the town, while it is inelastic on the western side of town. It is inelastic on the western side because land is scarce and retirees and other tourists give high value to the proximity to the sea. It is elastic on the eastern side because there are huge extensions of land away from the coast that are not as highly valued by foreigners and tourists due to their distance from the sea and from other amenities.

### ***The Western Side of Bucerías***

According to a local real estate broker, from the late 80s to the mid 90s a lot of real estate was for sale on the western side of Bucerías. Most of the properties for sale have now been purchased and have been improved by their current owners. In the opinion of this broker, the most important change for the real estate market has been the dramatic appreciation of land and built real estate on Bucerías' western side over the past 5 years. As an example of this appreciation, I obtained a couple of transaction prices of real estate that had been sold twice. It would not be accurate to generalize the level of real appreciation out from these examples because I do not know the specific attributes of the homes, nor if they were improved during the period of time when they were resold. However they help to give an idea about appreciation of both land and real estate.

---

<sup>40</sup> Imagine two different diagrams with upward sloping supply curves. One for labor supply and another for real estate supply. Also imagine another diagram with a down sloping demand curve of quantity of services produced as a function of price. In this case quantity produced of tourism services, will vary depending on cost function that determines the price. Remember that the cost is a function of both labor and capital. Hence if the supply curve shifts out, wages go down and will allow for an increase in production for a lower price. Although price goes down due to the reduction in wages there is higher real estate demand due to the increase of the existing labor force. In this case (Bucerías), the change in real estate demand (positive) is lower than the change in wages (negative), hence the result is a rise in rents. The magnitude of the changes depends on the relative supply elasticities. I observed that they are quite elastic for Bucerías.

I was only able to obtain sales prices for one specific property and that had been sold twice amongst some North American retirees. The property value by the end of 1997 was \$199,000 U.S. By the end of 1999, the price was \$295,000 U.S. In almost two years, and adjusting for inflation, the property appreciated 43 percent. Although the broker indicated that the unit has similar characteristics to most of the units that are bought and sold, one should not use a single estimate as a conclusion of appreciation levels for Bucerías. Further research on real estate transactions is needed in order to have accurate estimates of the level of appreciation for land and built real estate. Developing a *hedonic price index* could be a useful way to go about it. This type of price index could provide interesting insight to developers and investors on the specific values that the retirees and other local citizens assign to specific housing attributes in the bay's market. I should note, however, that it is not easy to obtain information from local Mexicans nor from Mexican authorities regarding housing transactions. A suggestion would be to try obtaining property values through tax information from the Ayuntamiento de Bahía de Banderas. Another way would be to conduct a survey to owners or to analyze brokers' historic transactions. Information on property transactions might also be available through the Municipal Office.

Although I was not able to obtain much information on transactions, the brokers did give their estimates on real estate appreciation over the past two years. According to the brokers, in the past two years properties similar to those that foreigners and Mexican vacationers own have appreciated between 35 to 40 percent per square meter. Note that their estimate is not so different from the example I provide (Table 6.1). According to the brokers, beachfront property along the coast of the town has undergone even higher appreciation. Note that land prices all along the coast have been relatively homogenous over the years. The price of beachfront property was around \$150 (U.S.) per square meter two years ago. The brokers indicated that it is now worth around \$250 (U.S.) per square meter. Adjusting for inflation, the change in property value in those two years was 61 percent. Interestingly, according to one broker there is no more beachfront property for sale left except for one lot. In this case the owner is asking \$350 (U.S.) per square meter, the broker indicated that it has not sold because the price is too high.

**Table 6.1 – Examples of Land Appreciation in Bucerías**

<b>Transaction Description</b>	<b>1997</b>	<b>1999</b>	<b>Two Year Appreciation</b>	<b>One Year Appreciation</b>
Sales price per square meter of beachfront property (western side). *	\$ 156	\$ 250	61%	27%
Sales price per square meter of property (eastern side). **	\$ 39	\$ 53	35%	17%
Sales price of home with no improvements (western side). ***	\$ 206,563	\$ 295,000	43%	20%

*Source: Author's interviews*

Note: These transactions come from single estimates provided by selected interviewees. Transaction dates for beachfront property\* and property on the eastern side\*\* were 1997 and 1999. Transaction dates for the home on the western side\*\*\* were 1988 and 1999. The 1997 value was estimated assuming linear compounding. All values are in 1999 US dollars. They do not represent statistically significant results.

Local workers who own land on the eastern side of Bucerías also indicated that land on that side has appreciation dramatically (Table 5.1). Assuming constant appreciation over the years, I estimate the two-year land appreciation on the eastern side between 1997 and 1999 at 35 percent.<sup>41</sup> I recognize that comparisons of the level of appreciation between these data can be very questionable and do not intend to make generalizations out of them. However, I consider that they do provide valuable insights of the differences in prices between the different sections of the town. They also provide the reader with a clearer idea of the approximate levels of appreciation as well as of the costs of real estate.

On the western side of the market, according to the brokers, the real estate demand is following a peculiar pattern. What has been happening in Bucerías is that Mexican owners<sup>42</sup> are selling their homes to Americans and Canadians. According to a Puerto Vallarta broker, back in 1995 after a devaluation of the Peso, a lot of real estate was for sale in Puerto Vallarta at discount prices. However due to the overall illiquid market and the excess supply, the real estate sector did not perform very well and few properties were sold. Over the past five years, the Mexican economy has been recuperating at the same time that the U.S. and the Canadian economies have been doing extremely well. According to the broker, Mexicans who wanted to sell during the devaluation and

<sup>41</sup> The interviewee indicated that in 1988 he bought his land for about \$ 5000 *Nuevos Pesos*. He then estimated that his 300 square meter lot could probably be sold for about \$150,000 *Nuevos Pesos*.

<sup>42</sup> According to the interviewees most of the original owners of the properties that have been selling are from Guadalajara, and Mexico City.



could not do so are now taking advantage of the recent appreciation and selling their properties. Moreover, they have seen that foreigners are paying what they consider a premium (for more than they are really worth).<sup>43</sup> Further research, such as a detailed investment and development pro-forma analysis might shed some light on whether developing individual homes provide a good investment right now.

Besides the clear increase activity in residential real estate (both in sales and construction), the interviewees have also observed increased development of hotels, bungalows, and rental condominiums. Simply by walking during the day in Bucerías one can easily spot several construction sites. According to the local brokers, in the past two years most development activity has been taking place on the northern side of town, towards La Cruz de Huanacastle where there is more land available. Most of the land towards La Cruz de Huanacastle and on the western side of the highway has been specifically urbanized for small hotel or residential developments. There has also been recent activity on the southern side of town. The most significant development on the southern side has been the Decameron Hotel. The two first phases are already operating, making the Decameron Hotel the largest hotel in Bucerías. There are also several businesses under construction in the downtown area.

What is driving the increase in demand for real estate in Bucerías? Respondents believe that it must be related to the high prices and reduced supply of real estate in Puerto Vallarta and its surroundings. The respondents indicated that many North American visitors looking for relatively cheaper coastal real estate are discovering Bucerías and other nearby towns and are buying property in them. Bucerías is not the only town that is experiencing appreciation in real estate and an influx of foreign investors and foreign retirees. The neighboring town, la Cruz de Huanacastle, is also facing increased development activity. According to a local retiree who has been living more than 10 years in Bucerías, la Cruz de Huanacastle will probably develop faster than Bucerías with respect to "residential and tourism real estate oriented for foreigners." This respondent believes this will happen because of the marina project and because it has more land available with ocean views due to its physical configuration.

---

<sup>43</sup> I am assuming that the market price may not be equal to its "capitalized value." I refer to "capitalized value" as the future income stream of rental payments discounted to present value.

In summary, over the years, the interviewees have witnessed an increase in development activity which has been particularly notable in the past 5 years. Bucerías has experienced different types of development in the west than in the east. The western side has been characterized by middle and upper income residential developments, as well as tourism oriented developments, such as small hotels and condominiums. The eastern side has been characterized by low-income residential development without proper urbanization. Due to the topographic surroundings and the shape of the town, land is scarce on the western side of town, and more abundant on the eastern side of town. Although Bucerías' economy has become tourism dependent, the development patterns that the town has experienced suggest that Bucerías might grow to be more of a dormitory city for the workers of Puerto Vallarta and of other major tourist complexes nearby (Nuevo Vallarta and Punta Mita). On the other hand, the increase presence of retirees indicates that it might also become a secondary tourist destination within the area. Thus, further study in this area is important to help determine the future of Bucerías. The creation of a master plan by the community could be a way to for the community to help shape Bucerías future toward where the community wants it to go.

Further research on the availability of land and on the growth that Bucerías is experiencing can also help establish policies that will help local authorities focus on Bucerías' advantages and will also help them to produce a master plan that can help the local government better manage Bucerías' growth. Research on construction activity, as well as on real estate transactions within the bay could also bring useful insights on what is happening to the real estate market and to the local development and tourism industries. As mentioned above, such research could help develop a hedonic price index for the real estate in the bay which could provide empirical evidence on the preferences that buyers have towards specific housing attributes, such as location, number of rooms, finishes, etc. The same data could provide more information on the current supply of space, and on the impact that future supply could have on current prices.

## **Implications of Retirees for the Real Estate Market**

The above mentioned observations have not addresses specific implications of retirees on Bucerías real estate market. This section explores direct implications that the presence of retirees may have in Bucerías' real estate market. One of the concerns is that their presence might displace the local population. In this section I will express this concerns as well as the interviewees' opinions on the direct impacts that retirees have on the town.

According to a North American retiree who has offered development services in the area for more than 10 years, the overall effect of the presence of retirees is that they have driven prices up as well as the level of construction. This respondent indicated that due to their increasing presence in the past couple of years the market is good right now and that is why there are several developments taking place. According to this source most of the North Americans buy property that is already built and improve it. He gave two main reasons for this. The first is that property is scarce on the western side of the town and sometimes it is cheaper for them to buy existing property with old construction instead of raw vacant land. The second is that it is easier, faster and more economical to obtain a permit for remodeling than it is for new construction. The respondent believes that land in the *zona dorada*, where most of the North Americans live, will be more expensive. Indeed, land in this area has gone up from \$57 (U.S. dollars in real terms) per square meter to \$120 (U.S.) per square meter in the past 5 years. Adjusting for inflation, this yields an appreciation of about 110 percent, or 16 percent per year (assuming equal appreciation per year).<sup>44</sup> Hence, due to the overall appreciation and high property values of this area one can see why people refer to it as the *zona dorada* (the golden zone).

Are the current prices reflecting the overall improvement that the area is experiencing? Are the high prices due solely to the presence of retirees? Will real estate continue to appreciate at the same levels over the next years? Throughout the Bay's history, according to property owners and real estate brokers, despite prolonged downturns that the bay's real estate market has experienced in the past, real estate prices have continued to appreciate at levels above inflation. Their experience suggests that real estate prices in Bucerías and in the bay area must have an upward sloping trend together with some kind of cyclical component. For now, the analyses of the previous sections indicate that there are important forces acting on the local market that give reason to believe that the presence and influx of retirees would only explain part of the changes that the Bucerías real estate market has experienced. Further research is needed to determine this.

Another question is whether it is weather the foreigners who are buying property in the area are outbidding and displacing locals. The fact that property owned by Mexicans is being bought by foreigners has led some foreigners to believe that in a way, the influx of retirees, or other foreign

---

<sup>44</sup> Note the similarity with the appreciation estimates in the previous section.

investors and retirees is displacing the local population to the eastern side of town. However, according to the developer I interviewed this is not so because the real estate being bought is mostly owned by Mexicans who do not live in Bucerías. They are mostly from Guadalajara and Mexico City. Thus, the theory that local population is being displaced can be easily refuted. Now, even if it were the case that the locals were being outbid by foreigners, this is a natural and efficient process of urban areas. Personally, I would be concerned if the compensation locals were receiving was actually not enough to compensate them for their location change. In other words, I would be more concerned if locals were being pressured to leave their current residences. The findings indicate that this does not seem to be happening. In fact, they sell willingly, which suggests that they feel the price is fair.

Retirees only play a partial role in the segregation of the town's real estate market. The original owners of the land in Bucerías have been major players in determining the evolution of the Bucerías' urban pattern. According to the interviewees, over the years, the *ejidatrios* have sold larger tracts of land for development on the western side of town to higher income groups. On the eastern side of town, the *ejidatarios* have sold (and are still doing so) individual parcels of land for lower income migrant workers. These parcels are generally for the development of single housing units. Although the land subdivision has to be approved by the local authorities, it is generally sold without any kind of infrastructure. The selling of land by the *ejidatarios* without any infrastructure attracts low-income individuals who cannot afford land in other areas. Again, this would suggest that there is no outbidding taking place.

Due to the general conditions and the distance to the coast, most retirees do not buy on the eastern side of town. Only a handful of retirees have done so, and the interviewees believe they have done so because of one of three reasons: (1) they bought one of the few elevated areas that have a view of the ocean; (2) they are lower-income North Americans and could not afford the prices on the western side; or (3) they do not want to be around tourists and other North Americans. I will not concern myself further with this group because for now, only few of the foreigners have bought real estate in this area.

Further, another interviewee indicated that most North Americans, as well as real estate investors more generally, do not rent nor buy real estate in the downtown area, where a large portion of the local population lives. This argument would also suggest that the influx of foreigners is not a cause

of displacement for the local population. In the northern side of town, where most development is taking place and where many foreigners have bought property, the argument that foreigners are not displacing locals holds as well. According to one respondent, the northern side of town has been specifically urbanized for middle and upper income residential use and small hotel development and has not been an area where locals have lived.

The retirees that are buying and renting property in Bucerías are thought to be mostly middle income Canadians and Americans with a clear predominance of Canadians among those who rent. According to the brokers, the people who come to live in Bucerías are not as wealthy as the people who live in Vallarta. This makes sense, for one generally finds neither luxurious nor elegant residential areas in Bucerías. Actually, there are no luxury hotels in Bucerías.

Another stylized fact already mentioned which the interviewees commented is that North Americans who do not rent for long periods of time generally buy old properties that are cheaper and in relatively poor condition and later improve them. The implication of this behavior is that the appearance of the town should improve over the years as more North Americans buy property. In other tourist towns where there is a larger presence of foreigners this phenomenon has also happened.<sup>45</sup> It would be interesting to compare the changes in property prices in these towns.

According to the local priest, the presence of retirees has yet another positive impact on Bucerías' real estate market. He believes that foreign direct investment creates a positive multiplier effect for the town. He indicated that foreigners who live here have seen the potential of the town and have invested in hotel and residential real estate. As the town increases its real estate and tourism infrastructure, it creates positive externalities that help other industries within Bucerías to develop and to compete against other tourist towns in the area.

The presence of foreigners has also resulted in increased activity in the real estate market in another way. Some of the North Americans retirees who are living in Bucerías are setting up real estate and tourism businesses. Other retirees are working as property managers, independent brokers, developers, architects, and interior designers (i.e. Las Palmas Travel and Real Estate, The Real Estate Group, etc.). Some of them are even exploring new markets to promote Bucerías. For

---

<sup>45</sup> Examples of such towns are Ajijic, San Miguel de Allende, and Tlaquepaque.

example, a U.S. retiree that set up a real estate business indicated that her group has “pushed” for business, as opposed to the other local real estate groups that were already established and have more passive business strategies. Her real estate group has a strong Internet based strategy and is actually securing 90 percent of their rentals through the Internet. In rentals, for example, in the past year, their internet “site visits” were around 50 per day; today, with the increase use of Internet in the U.S. their “site visits” are ranging between 400 and 500 a day in the high season. These numbers suggest that the number of units to be rented in Bucerías might see a dramatic increase over the next years. And this increase will be thanks to only one particular retiree! The overall presence of better educated foreigners (at least some college) and the trend of younger retirees moving to Mexico certainly suggests that the economic activity and the attraction of other retirees will be likely to increase.

As a conclusion to this section I will now summarize the most important real estate implications that I found due to the presence of North Americans moving to Bucerías.

The study indicates that prices have appreciated in the area and that there has been an increase in development and construction, particularly over the past 5 years. However, further research is needed to determine whether this increase in prices is due to the presence of foreigners or to other factors (i.e. the increase in tourism or the development of infrastructure in the area). For now, in the interviewees opinions the change in real estate prices has been due more to factors that are unrelated to the presence of foreign retirees.

In the opinion of my interviewees, the presence of foreigners and the increase in real estate prices have not resulted in displacement of the local population from the western side of town to the eastern side of town. What the respondents have actually observed is that the locals have become better off because their properties have appreciated in value and the local businesses have fared better. In general, foreigners have located mostly on the western side of town and only a few have located themselves on the eastern side of town.

Finally, due to their involvement in real estate related activities, interviewees believe that the presence of foreign retirees must bring positive multiplier effects to other industries within Bucerías. Their presence is undoubtedly making the local real estate and travel businesses more competitive, which in the end is helping increase the number of visitors to Bucerías.

Most of the findings I have just presented (and others presented previously) indicate that the presence of foreign retirees generally benefits and in only a few instances slightly harm towns such as Bucerías. During the study it was indicated to me in numerous occasions that land ownership issues as well as tax issues must play an important role in defining the number of foreigners that live in Mexico as well as in attracting other foreigners to move. Due to their real estate nature, I have decided to include brief section on these issues in this chapter.

## **Other Real Estate Issues for Foreigners**

Many North Americans believe that other real estate related issues such as land ownership problems or taxes on their foreign income are the most important determinants of the total number of North American retirees moving to Mexico. In the following section, I will talk about the actual role that these issues play with regards to both foreigners investing in and moving to Mexico.

### ***Land Ownership***

None of the retired interviewees expressed any major issues or problems regarding land ownership while investing in Mexico. Some interviewees had heard about foreigners encountering problems earlier. Only one had had a direct problem when buying real estate in Mexico. This person had had a problem with the developer of her home, who in this case turned out to be a U.S. citizen. The major problem that the interviewees had heard of were mostly with respect to the legal ownership of property. I was also told about one case a contractor had taken advantage of the Americans and had charged them excessive prices to build their homes.

In the past, many foreigners have had serious problems associated with owning property within Mexico's coastal areas. Foreigners who did not have problems incurred but owned property in coastal areas incurred in great risks. The reasons were mainly two. The first is that Mexican law prohibited foreigners from directly owning real estate that was located within 50 kilometers of the coast, or 100 kilometers of the border. This delimitation area is known as the *zona prohibida*, or the forbidden zone. The second is that most of the land in Mexico was *ejido* land (common land granted to peasants after the revolution); it was technically very difficult to change the *ejido* status and change such land into transferable private property. Foreigners who were interested in buying land would do so through a *prestanombre*, a Mexican citizen who would act as the legal owner on

their behalf. This form of ownership did not protect the foreigner, nor was it considered legal. It is well known that many foreigners were and still are using *prestanombres*. The problem is that the Mexican *prestanombres* have legal power over the property and can easily sell it and take off with the money.

As a precursor to NAFTA, Mexico's government began changing several laws to enable and promote foreign investment. One of these was the new Foreign Investment Law (Diario Oficial, December 27, 1993). The new law allowed foreigners to own real estate in the *zona prohibida*, through a *fideicomiso*, which is a Mexican version of a bank trust. According to Puerto Vallarta Real Estate Company, Vallarta Villas Properties and Real Estate Services, a property under the trust deed is not part of the bank's assets and cannot be subject to any lien or attachment for any bank obligations. The beneficiaries (the person buying the property, the foreigner) has all ownership rights to the property and may sell, mortgage or pass it on to her heirs as desired under law (Vallarta Villas Properties and Real Estate Services). Through the *fideicomiso*, ownership of real estate has become more transparent and foreigners can now safely invest in Mexican real estate that is within 50 km of the coast.

It is important to note that the trust does not allow foreigners to rent their property to someone else. However, foreigners can now also own real estate in the *zona prohibida* through a Mexican corporation. As long as there are two or more parties to the corporation, a Mexican corporation can be wholly owned by foreigners. Thus, Mexican citizens no longer need be part of a Mexican corporation for it to be legal. What's more, a Mexican corporation can own property outright, eliminating the need for a *fideicomiso* trust and its associated fees. This means that foreigners, as sole owners of the corporation, own the property essentially in fee simple, like in the U.S. By vesting the property in a corporation, a foreigner can then legally rent out the property to someone else, thereby generating income. This ownership form has become common in the tourist areas where foreigners who do not stay for the entire year can rent out to other tourists. Mexican corporations are set up similarly to those in the U.S. and Canada.



The other common situation in which foreigners had had problems previously was with the acquisition of *ejido* property.<sup>46</sup> An important characteristic of the *ejido* is that it could not be privately owned. As part of the reforms of the Salinas administration article 27 of the Mexican Constitution was modified to allow for the sale and private ownership of *ejido* property. Although the “regularization” of *ejido* property into smaller multiple private properties is a relatively long process with intricate requirements, local brokers are well familiarized with the procedures and can help one clear all the hurdles. There is another ownership issue with *ejido* property that is important to mention.<sup>47</sup> If one buys *ejido* property and follows all of the procedures required by the government agency that is regularizing the *ejidos* (to obtain the deed and title), the government still can (and will) take possession of the land if the owner has not built anything on the property two years after the transaction. This was implemented in order to avoid speculative investments.

In brief, my research indicates that previously legal ownership of land was very complicated for foreigners who were seeking to invest along the coasts. Many foreigners lost their land due to their use of *prestanombres* or because they bought *ejido* property. Today, regulations have been modified to enable foreigners to own and invest in Mexican real estate. Yet, it is still important for foreigners who are planning to invest in Mexican real estate to familiarize themselves with the laws and procedures in order to avoid problems.

### ***Property Taxes, Income Taxes, and Immigration Status***

Although retirees referred to real estate as a very expensive component of life in Mexico, they also indicated that it was much cheaper than in the U.S. or Canada. One of the advantages of owning real estate in Mexico is that both property prices and property taxes are much lower than in the U.S. For example, one interviewee (who actually does not live in the town but in the Flamingos Golf Club) indicated that it would be impossible for her to live as she does in the U.S. (in a golf course and so close to the beachfront).

---

<sup>46</sup> After the Mexican revolution, the *ejido* system was created as the land tenure system for the country. The main purpose was to protect small farmers and agricultural producers from the old hacienda style regimen in which farmers did not own the land they worked. The *ejido* system allowed small farmers to own land in the form of a cooperative.

<sup>47</sup> This information was provided by Mr. Rodriguez, a local broker.

Are property taxes or taxes on North Americans' pension income important factors that will eventually determine the market for North American retirees? The answer is probably not. What ultimately will have more importance in determining the market will be the income requirements set by the Mexican government to obtain long term residency or immigrant status.

Retiree interviewees indicated that property taxes in Mexico were not an issue for them; property taxes are extremely low in Mexico. According to Villas Vallarta, a real estate services provider from Puerto Vallarta, the yearly property tax – known as *predial* is 0.1 percent of the assessed value. Regarding pension income, a long time retiree in *Ajijic (Jalisco)* indicates that foreigners with any type of immigrant or residency status are exempt from Mexican income tax on their pension and other funds received from outside the country. However, it is important to note that they do have to meet the specified minimum yearly income set by the Mexican government to remain in Mexico legally. According to retirement author Ken Luboff, foreigners who have non-immigrant status (known as FM-3 and available for people over 55 years of age) have to show proof of an income of at least 250 times the minimum wage in Mexico City and are not allowed to work. This is equivalent to about \$1,000 per month, plus half again for each dependent (Luboff 1999, p.80). For foreigners with an immigration status (FM-2), the income requirements are slightly higher, about \$1,500 per month plus half again for each dependent. The FM-2 does allow retirees to work. Retirement authors Luboff and Howells indicate that the FM-3 is the preferred choice amongst the retirees due to tax advantages (Luboff 1999, p.82), (Howells, 1999 p.57-58).

Some of the FM-3 tax advantages are real estate related. If foreigners own real estate, they only have to receive 50 percent of the otherwise required income amounts; thus, they would have to show a pension income of about \$500 US per month plus \$250 US for every dependent (Luboff 1999, p.80). According to another retirement author, Adam Stairchild, another advantage of the FM-3 is that foreigners can avoid capital gains taxes on real estate under certain conditions. For example, if a foreigner has lived in Mexico for two years and has a FM-3 status and he has been in Mexico 180 days per year for two years prior to selling real estate, then he pays no capital gains tax. (Stairchild 1998). This tax advantage for the FM-3's is particularly good for foreigners who buy real estate and live long periods of the year in Mexico. In contrast, if the foreign buyers have not spent the required amount of time in Mexico, they must pay 20 percent capital gains on the sales price or 40 percent of the difference between the buying price and the sales price.

In brief, in this section I have pointed out two important facts of the tax environment in Mexico for North Americans. The first is that property taxes in Mexico are low. The second is that retirees are not required to pay extra income taxes on their U.S. or Canadian income. Both of these facts suggest that they are not important impediments for North American retirees to move to Mexico. To some extent, a possible determinant of the overall size and characteristics of the retiree market in Mexico could be the minimum income required by the Mexican government in order to issue residency or immigrant visa status. It is simply enforced by making the foreigners to pay the income requirements as fees that enable them to have their status valid. In contrast, in the case of long-term residency immigration status can provide important real estate ownership tax advantages for retirees and help them to lower the required monthly income. The problem in this instance is that they have to pay a large up front costs in order to be able to obtain the tax benefits. Research on the number of foreigners with FM-3, and their characteristics such as age and location within Mexico could provide evidence of the influence that immigration requirements and benefits have on real estate demand by foreigners. This way, the potential retiree market in the U.S. could be targeted by Mexican developers with a more ease.

## **Chapter Summary**

There are major forces influencing the real estate market around the Bay of Banderas. Its physical configuration and the existing major access routes, nearby tourism and residential developments, and basic infrastructure are some of the most important. Exogenous factors such as the performance of the U.S. and the Mexican economies must also be important determinants of the real estate prices in the area.

As more development takes place in the northern side of the bay, more tourists and prospective North American retirees are expected to visit and buy real estate in the area due to the positive externalities that development will create.

The large number of upper income developments occurring nearby may well hinder the attraction of lower income retirees in the future. Further, the lack of use of economic and market projections by local developers must increase the probability of overbuilding the real estate market and hence increasing real estate price volatility. This may hindering the influx of retirees who are concerned of the uncertainty of future price appreciation that real estate in the area may have. On the other

hand, in the case of a future market with low real estate demand could drive prices down and maybe attract an increasing number of lower income retirees in the long run.

Bucerías' real estate market is divided into two different areas mainly because of the different types of socioeconomic inhabitants. Such a contrasting difference may lead to social tensions in the future.

Bucerías real estate market has been appreciating at a fast pace. However, it is not clear if the level of appreciation corresponds to the high real estate demand by North Americans. In the opinion of the respondents, the presence of foreigners and the increase in real estate prices have not resulted in displacement of the local population from the western side of town to the eastern side of town. What the respondents have actually observed is that the locals have become better off because their properties have appreciated and the local businesses have fared better.

Most of the findings indicate that the presence of foreign retirees generally benefits Bucerías. Further, there are particular issues such as land ownership and tax issues that are believed to play an important role in affecting the number of foreigners that live in Mexico. The study has indicated that land ownership was an important issue before. Now, due to the initiatives of the Mexican government to promote foreign investment the legal impediments have been effectively eliminated and it is no longer an issue. Property taxes and taxes on retirees' pension income do not limit the market of North Americans moving to Mexico. However, it was observed that the minimum income requirements established by the Mexican government could actually have a strong influence on the number and the economic status of foreign retirees.

# **Chapter VII**

## **Conclusions**

One of the biggest challenges of this thesis was the overall lack of information available on the North American retiree phenomenon in Mexico. Yet, this thesis provides fairly good documentation of the main issues that this phenomenon represents. My exploration of these issues has been based on a study of a selected community that has experienced an inflow of retirees for more than a decade. Although many of the issues that are discussed throughout the thesis are specific to this community, most of them can be generalized and applied to other coastal communities that are already experiencing (or that may experience) a similar influx of foreigners.

One of the main purposes of this study was to make the importance of this topic evident to locals from Bucerías (developers, authorities, and regular citizens), as well as to authorities from towns (or even states) that have potential of attracting retirees or that are already doing so. This thesis will hopefully engage their thinking on this phenomenon and raise their awareness of the importance that the presence of retirees can have for the overall well being of communities that are similar to Bucerías. Hopefully, this thesis will also guide them on how they can use this phenomenon to their advantage.

In this thesis, I have discussed why the retirees' market may be an important source of long term economic stability for small coastal towns. Among other positive economic impacts, I also discuss that the presence of foreign retirees has been shown to provide job creation, and long term increases in economic activity, as well as increased liquidity in the local real estate market. My findings suggest that the North American retirement phenomenon in Mexico is increasing and will probably continue to do so. Although further research is needed in this area, findings so far indicated that their presence seems to have had no major negative social or political implications.

In order to maximize the benefits that this phenomenon can provide to small coastal communities, active participation from local authorities, the local population (both locals and retirees), and real

estate and tourism professionals is necessary. Below, I will present some recommendations that can help towns and communities to take advantage of this phenomenon while providing mutual benefit to all parties. The recommendations are geared to help towns such as Bucerías to plan better and prepare for their future given an increase in the number of retirees and tourists that they might receive. The recommendations I present below and throughout the thesis are by no means a comprehensive list nor are they directed specifically to the town of Bucerías (unless stipulated). The main purpose and value of these recommendations is to engage the thinking of local authorities, developers, and local citizens (including retirees) in order for them to further develop their own recommendations and conclusions regardless the steps that should actually be taken.

### ***Recommendations for Real Estate Professionals***

It would be useful for developers, brokers and other real estate professionals to recognize the North American retirees as a different market from the other groups of foreigners and Mexicans that buy real estate. By doing so, and then studying the specific characteristics of this market, they could specialize in this particular market niche, know their preferences better, and hence grow market share through specialization.

Depending on the future trends of retirees in the area, development and other real estate opportunities may already exist. Hence, I recommend that other market niches within the retirement housing options be explored, for example active senior communities, assisted living communities, congregate care housing, amongst others.

It seems that most of the new developments taking place are targeted towards upper income North Americans, while the research suggests that towns such as Bucerías (that are farther away from the expensive hotel areas) have a large presence of foreign middle income retirees. Hence, there might also be feasible development options for this income group that are currently not being exploited.

Another recommendation that would be interesting to explore is to create partnerships amongst local developers and U.S. developers who specialize in retiree markets. It would allow foreign firms to benefit from higher returns and local developers to have accessibility to cheaper capital. The communication infrastructure that would allow retirees to have easy and relatively cheap communication to the U.S. such as broad band Internet access does not yet exist in towns like

Bucerías. Including it in developments that are targeted to foreigners can be an important highlight that could help them become more attractive than competing development in the area. A potential market for these types of Internet providers may already exist in Bucerías: hence, local developers and authorities should team up and negotiate the provision of these services for the town with national Internet providers. The provision of local Internet access could also bring all kinds of positive externalities in education and government that could help the town's development.

As an interview with a local broker showed, Internet based marketing campaigns have been demonstrated to: (1) be successful in attracting tourists and retirees; (2) be relatively cheap; and (3) be a way to reach untapped markets of current and prospective North Americans retirees.

Financing development is very expensive in Mexico and has lead to expensive, all equity-financed developments. Sometimes, this is a strong factor that limits the supply of real estate. By specializing in developments targeted to North American retirees, developers can partner with U.S. based mortgage lenders. Besides reducing the initial costs of owning a home for retirees by offering credit, they could also help equity providers to reduce their cost of capital as well as the devaluation risk of the development projects.

Developers should also try to partner with high net worth retirees in order to invest in local real estate projects. North American retirees that have spent some time in Mexico have probably seen the potentials and risks of investing in Mexico and might be willing to partner with locals, again breaking some of the capital availability constraints that exist for Mexican developers.

Real estate developers seem not to be concerned about overbuilding or of the risks that this implies for themselves as developers. In general, they should be keenly aware that the their individual developments increase the supply of real estate in the area and hence change some of their own investment assumptions (for example prices might be lower than expected, or absorption time could increase). This awareness could help diminish the risk of overbuilding. Furthermore, they should also consider the externalities of other tourism developments and the infrastructure that the Mexican government has planned for the Northwestern coasts of Mexico because these could generate both positive and negative effects for small local projects.

There are competitive advantages to developing projects for retirees in small coastal towns such as the friendliness of the town, weather, affordability over other more expensive tourist destinations, and the more quiet and laid back settings, among others. Developers can easily capitalize on and market these advantages.

Towns that are experiencing an influx of foreigners (i.e. Bucerías) can also use the presence of their own North American community as a marketing advantage over other towns that do not have North Americans. The presence of other North Americans in a town probably makes the same town more attractive for other prospective retirees. The concentration of retirees in specific towns within Mexico that already have North American communities suggests so.

Smaller towns that are located near larger tourist destinations should exploit the fact that they are near to these larger tourist destinations. For example, in the case of Bucerías, there is an enormous potential tourist and retiree market among Puerto Vallarta's visitors that is not currently exploited. Many of them come and go without ever knowing about Bucerías or its nearby towns. Hence, promoting the town in Puerto Vallarta could undoubtedly help raise the number of visitors and retirees that might end up buying real estate there.

### ***Recommendations for Local Authorities***

As has been mentioned above, attracting retirees can be a good strategy for economic and urban development of coastal towns. However, strategies based on the attraction and presence of retirees may be more beneficial for some towns than for others. I recommend that research and evaluation of the benefits (i.e. a cost-benefit analysis of the possible programs and strategies) be conducted prior to going forward with any strategy. Partnering with state and national educational institutions could be a good way to obtain relatively inexpensive help from these institutions. Collaborative projects could provide a good learning experience for students from these institutions and could provide the towns with useful research on the specific benefits that the communities could realize from the presence of foreign retirees. Furthermore, such a collaboration could also provide the towns help on other development issues.

Defining growth strategies for Bucerías could help avoid future problems and tensions that may arise due to income disparity. By devising a vision and a strategy to reach it, government efforts



and policies will be directed to reach the desired state. A way to do this could be by creating a master plan for and by the entire community. The creation of a detailed master plan could help communities set commonly desired growth strategies. Another positive characteristic of developing a master plan is that it would provide the opportunity to establish norms and dispositions that maximize the overall development benefits for the entire community, this can be done, for example, by establishing optimal zoning and optimal densities.

In the specific case of Bucerías, a master plan and tighter regulation of land use could help: (1) avoid fiscal deficit of having to provide unplanned and expensive infrastructure; (2) concentrate the efforts of providing infrastructure to the areas that require it the most [for example, in specific *colonias*]; (3) improve the attractiveness of the eastern side of the town for lower income retirees and reduce the segregation by income group; and (4) discourage the creation of unwanted developments by the community [for example, dance halls next to residential areas or trailer parks in the town's core].

Independent of the creation of a master plan for the community, it is recommended that there be more constant communication of local authorities with the other authorities within the bay, such as the tourism development office, so that local plans do not conflict with the regional plans. Regional plans may have important implications for the attraction of both tourists and retirees.

The creation of further amenities is needed to make the towns more attractive for foreign retirees (and for tourists). For example, Bucerías could create a cultural-language institute where foreigners could learn Spanish and Mexicans could learn English. The institute could employ foreign retirees to teach English, and locals to teach Spanish. Besides being an interesting for-profit venture, with local government facilitation and promotion it could add a valuable feature to Bucerías as a "cultural hub" that would enhance the attraction of other retirees and Mexicans interested in learning English. Similarly, such a strategy could also raise and improve the social interaction within the different groups.

Furthermore, the actual amenities that the towns' already have should be promoted more. For example, Bucerías' main amenities are its restaurants located next to the beach; however, few of them market themselves in Puerto Vallarta, probably due to the lack of resources. Local authorities could help local business (many of which are owned by retirees) to get organized into a business

association that could collectively promote Bucerías in Puerto Vallarta or even in the entire region. Again these efforts could raise the number of visitors and in the long run the number of retirees.

The creation of businesses or not for profit organizations that are made up of both locals and foreigners could provide further mutual benefits such as enhancing the communication between business owners and sharing their experiences so that they can improve their commercial practices.

Although the presence of retirees presents development and growth opportunities for a small coastal town, local authorities should not forget to continue promoting tourism. My research has suggested that the presence of tourism could be an important factor in determining the number of retirees. Hence, I also recommend further research on the relationship between tourism and the presence of retirees to verify this empirically.

Local government can easily promote and facilitate the development of businesses by North American retirees and hence raise tax revenues and economic activity in the long run. Retirees generally have more capital and spare time than locals, which certainly facilitates the establishment of new business. However, they might not feel familiar with the legal and business environments to do so. A way to promote this could be to develop workshops in which foreigners are explained how to go about it. Similar workshops could also provide incentives to locals to start their own businesses. Establishing an “information office” for tourists would certainly help attract and convince prospective retirees to move there. Useful information could be on land ownership mechanisms, security statistics, relocation services, legal councilors, local brokers, tax advantages and tax requirements, visa requirements, living costs, health care services in the area, labor costs, etc.

Yet another recommendation to local authorities would be to capitalize on the amount of volunteer work that foreigners do. By facilitating more active communication between the foreign community and local community groups, local authorities could help coordinate collaborative programs in which locals, foreigners, and local authorities could get together and focus on the town’s most pressing needs. One way to do this would be to encourage the different groups (local, foreign and government) to look at the community organizations in Puerto Vallarta (such as the International Friendship Club) that have accomplished a great deal thanks to collaboration efforts among the different constituents.

Also in the social arena, informational programs such as the ones that have been presented to the community on treating the foreigners well could also be presented to North Americans. There are important cultural differences and many North Americans do not know how Mexicans wish to be treated. Programs or workshops of this nature could also help provide a more positive and interactive social environment between the different cultural groups.

In terms of infrastructure, much was said about the higher demands that foreigners place on local infrastructure, especially on the water supply. I was surprised to observe that towns do not meter the use of water and charge a flat rate. This is very inefficient because users have the tendency to use more water than they actually need. In order to eliminate this serious problem, and in order to avoid future tensions between locals and foreigners, water consumption should be metered. Furthermore, due to the irregular water supply, incentives to save water should be implemented (such as eliminating any types of water subsidies and penalizing the excessive use of water). By implementing incentives that help save water and by charging users the real value of what they consume, tensions between locals and foreigners regarding this issue should go away. Furthermore, the water supply system could actually become a profitable venture leading to the supply of water to the areas of the town that still lack it.

These recommendations, as well as all the ones throughout this thesis, have hopefully spurred the creativity of the reader into thinking of other possible recommendations. Many Mexican coastal communities are potential targets for incoming foreign retirees and would do well by planning and preparing themselves better for their future. They should do so, not only because of the potential implications that this particular phenomenon may have for them, but also because planning can help them overcome the numerous difficult economical, social and political situations in which many are currently immersed.

# **Appendix**

## **Interview Protocol for Foreign Retirees**

1. Could you tell me the story on how you ended up living in Mexico and why you chose Bucerías? How many times had you been to Mexico previously? To the area? What did you do before coming here?
2. What are the major factors that foreign retirees (you) consider when making the decision to migrate to Mexico? And to Bucerías?
3. In your opinion, what is the typical profile of the foreigners living here? (Age, education level, activities) Where do they live? Why there? Do they live here year round? How many are they?
4. Tell me about your home. How did you find a place to live? What problems did you encounter?
5. In your opinion, what are the effects and implications of foreigners living here for Bucerías? Do you think the presence of foreigners affects Bucerías? How? (Economically, socially, politically, culturally).
6. Could you talk about the foreign community in Bucerías? What type of interaction (if any) exists between foreigners and locals?
7. What do you think are the major concerns for foreigners about living in Mexico? In Bucerías? What are the major tradeoffs between living in Mexico and in the U.S.? (Healthcare, family). What are the good things and what are the bad things about living in Bucerías?
8. What is the attitude of the locals and of the local community towards foreigners? Does the foreign community have a voice in the local decision making process?
9. What do you feel are Bucerías' problems?
10. Do you own a car? How many people live with you? Do you speak Spanish? Do you employ someone? Do you own or rent?

## **Interview Protocol for Locals**

1. ¿Cuántos años lleva viviendo en Bucerías?
2. ¿Me podría platicar acerca de la historia y desarrollo de Bucerías?
3. ¿Cómo ha cambiado Bucerías recientemente? (Físicamente, socialmente, económicamente, políticamente). ¿A que se deben estos cambios?
4. ¿En su opinión, cuáles son los problemas más graves de Bucerías actualmente? ¿Por qué?
5. ¿A que cree que se debe la presencia de extranjeros en Bucerías?
6. ¿En su opinión, la presencia de extranjeros ha ido disminuyendo o incrementando en los últimos años? ¿Cuántos extranjeros cree que hay viviendo en Bucerías durante todo el año? ¿Cuántos cree que hay durante la temporada de invierno? (Porcentajes).
7. ¿En su opinión, cuál es el perfil del extranjero que vive en Bucerías?
8. ¿Cuales cree que son los efectos para Bucerías el que exista esta población extranjera?
9. ¿Cuál es la actitud de las autoridades hacia los extranjeros? ¿Cuál es la actitud de los locales hacia los extranjeros? ¿Tiene la comunidad extranjera una voz en la comunidad? ¿Los toman en cuenta cuando toman decisiones?
10. ¿Qué tipo de interacción existe entre los extranjeros y los locales?
11. ¿Dónde vive usted? ¿Dónde vive la mayoría de los extranjeros?

## **Additional Interview Topics for Real Estate Professionals**

1. Land Ownership.
2. *Ejidos*.
3. Real estate taxes for locals and for foreigners.
4. Trend in the number of foreigners living in Bucerías / Puerto Vallarta.
5. Who is buying, renting, selling?
6. Real Estate implications of North American retirees moving to Bucerías
7. Costs of land, of property, land appreciation, construction costs.
8. History of the market (bay area / local).
9. What is affecting the market the most?
10. Characteristics of the homes that foreign retirees buy (rent).
11. State of origin of the locals.

# Bibliography

## Retirement and Living in Mexico

Emling, Shelley. *Your Guide to Retiring to Mexico, Costa Rica and Beyond*. New York: Avery Publishing Group, 1996.

Hopkins, Robert. *I've had it*. New York: Holt Reinhart and Winston, 1972.

Howells, John and Merwin, Don. *Choose Mexico for Retirement*. Sixth Edition. Old Saybrook, Connecticut: The Globe Pequot Press, 1999.

Luboff, Ken. *Live Well in Mexico*. First Edition. Santa Fe, New Mexico: John Muir Publications, 1999.

Nelson, Mike. *Live Better South of the Border*. Second Edition. Los Angeles: Roads Scholars Press, 1996.

Schlundt, Hayes. *Living Easy in Mexico*. Encinitas, CA: United Research Publishers, 1998.

Zamba, Michael. *Living in Mexico*. Chicago: Passport Books, 1991.

## Articles

Alvarez, Carmen. "Eliminar Desigualdad, Reto Para Mexico." *Reforma*. March 2000.

Carrillo, Luis and Ernesto Sarabia. "Resaltan Contrastes en Economía Mexicana." *Reforma*. April 4 2000: Negocios.

Farguharson, Mary. "Tourism in Mexico: Luring Visitors and Investors." *Business Mexico*. Feb. 1992: 1, 2 (special edition).

Gruen, Nina. "Turning silver into Gold." *Journal of Property Management*. May/June. 1998: 63(3), 92-98.

Luxner, Larry. "Mexico pushes arrivals to record high." *Hotel & Motel Management*. June 16, 1977: 212(11), 30.

Zultowski, Walter. "Is there any boom left in the baby-boom generation?" *Limra's Marketfacts*. Jan/Feb. 1997: 16(1), 10-11.

## Academic Theses

Alton, Donald. *The Economic Impact of the American Retiree in Jalisco, Mexico on the Mexican Economy*. University of Florida, June 1971.

Holder, Virgil. *The Migration of Retirees to Mexico: A Survey and Case Study of Guadalajara, Mexico*. University of Minnesota. 1976.

Paz Flores, Maria del Carmen. *Diseño Urbano y Palacio Municipal del Municipio de Bahía de Banderas, Nayarit*. Universidad Iberoamericana, Santa Fe, D.F. 1997.

Strokes, Eleanore. *La Colonia Extranjero: An American Retirement Community in Ajijic, Mexico*. State University of New York at Stony Brook. 1981.

Theodotou Glykeria Rita. *Assessment of Factors Attracting Retirees to Geographic Regions and Development of a Measure of Relative Regional Attractiveness*. University of South Carolina. 1988

Urquides, Ariel. *Estancias para Inmigrantes Retirados*. Universidad Iberoamericana, Santa Fe, D.F. 1998.

## General

Consejo Nacional de Población (CONAPO). *Memoria del seminario sobre la migración internacional y el desarrollo económico de México 1991*. Zacatecas 1992. Mexico D.F.

David Cuevas Garcia. *II Informe de Gobierno*. Puerto Vallarta, Jalisco: Ayuntamiento Municipal de Puerto Vallarta. December 1999.

Fernandez, Edward. *Estimation of the Annual Emigration of U.S. Born Persons by Using Foreign Censuses and Selected Administrative Data: Circa 1980*. Population Division, working paper No. (10). U.S. Bureau of the Census. January 1995.

Garcia Villa Adolfo. *La Planificación de Centros Turísticos de México*. First Edition. Mexico: Editorial Limusa, 1992.

Instituto Nacional de Estadística, Geografía e Informática (INEGI). *La migración en Mexico, Indicadores Estadísticos*. INEGI. 1997.

Instituto Nacional de Estadística, Geografía e Informática (INEGI). *X Censo General de Población y Vivienda, Perfil Sociodemográfico*. INEGI. 1995.

Instituto Nacional de Estadística, Geografía e Informática (INEGI). *Bahía de Banderas, Cuaderno Estadístico Municipal, Estado de Nayarit*. INEGI. 1994.

Instituto Nacional de Estadística, Geografía e Informática (INEGI). *IX Censo General de Población y Vivienda, Perfil Sociodemográfico*. Mexico: INEGI, 1990.

Kaiser, Charles and Helber, Larry. *Tourism Planning and Development*. Boston, MA: CBI Publishing Company, Inc., 1978.

Jaime Olveda. *Una aproximación a Puerto Vallarta*. First Edition. Jalisco, Mexico: El Colegio de Jalisco, 1993.

Rodriguez Woog, Manuel, and Hiernaux, Daniel. *El Turismo y la Absorción de la Fuerza del Trabajo: Situación Actual, Políticas y Perspectivas*. Mexico: Redes de Investigación para el Desarrollo S.C., 1992.

Secretaría de Industria y Comercio, *Resumen General del IX Censo General de Población y Vivienda*. Mexico D.F. 1972.

U.S. Bureau of the Census. *Census of Population: 1970, Americans Living Abroad*. Washington D.C.: U.S. Government Printing Office, 1973.

Villaseñor, Bertha. *Turismo y Desarrollo Regional: El Acontecer en la Costa Sur Nayarita*. Nayarit: Universidad Autónoma de Nayarit, 1992.

## **Internet**

(Information about Puerto Vallarta and Living in Mexico)  
<http://www.virtualmex.com/vmhf.htm>

(American Gated Community near Bucerías)  
<http://www.virtualmex.com/pelicanos/puntapelicanos.htm>

(Mini resort for sale, Bucerías)  
<http://www.virtualmex.com/delsol.htm>

(Information on Bucerías)  
<http://www.bucerias.com>