

'Tucson's beach' is booming

Puerto Peñasco keeps growing by the day; here are some of the latest developments

By Joseph Barrios

ARIZONA DAILY STAR Tucson, Arizona |

Published: 02.11.2007

PUERTO PEÑASCO, SONORA - In days past, RVs and tents were about the only forms of lodging dotting the long stretch of Sandy Beach, west of downtown Rocky Point. They're now joined by a new, permanent and much taller presence: luxury condo towers. Condo developments are turning Rocky Point - a town that started as home to shrimpers and fishermen and grew into a hideaway for U.S.

expatriates and a college-student party spot - into a booming tourist center. No place symbolizes this growth more than Sandy Beach, the approximately 5-mile stretch of sand west of town that just a few years ago had no permanent homes.

Roughly 5,000 new condominium units have been built over the last five years in Rocky Point, which has attracted billions of dollars worth of private investment. Real estate experts say there are more than 25 existing developments and at least another dozen in the planning stages.

While development dots the shoreline all along the Sea of Cortez, notable projects near Peñasco include:

? Sandy Beach Resorts, a 5,000-acre master-planned development with several condo towers along the beach. Developers are looking at filling in large swaths of empty beach with

hotels, single-family homes, shopping, golf courses, more condos and the city's largest marina.

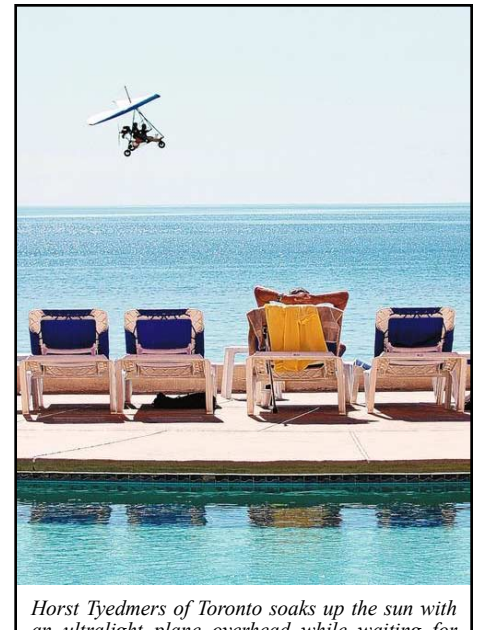
? Las Conchas beach, the site of a roughly 5,000-acre development of single-family homes, most of which are owned by U.S. citizens. Off-beach condo projects are planned there as well.

? Mayan Palace resort, roughly 20 miles east of downtown on a four-mile stretch of beach, offers a golf course, tennis courts and spa services.

The area has boomed in recent years, said Guillermo Munro, an author and historian who has lived in Rocky Point since 1944. In 1994, the population was about 20,000. Today, it's around 65,000. Thousands have come to the city in the last few years to work in construction, hotels, restaurants and real estate.



A fishing boat cruises out to sea from the marina between the old port, bottom, and new resort condos being developed on Sandy Beach, background, in Rocky Point, Sonora.



Horst Tyedmers of Toronto soaks up the sun with an ultralight plane overhead while waiting for friends outside the Sonoran Sun condominiums. Tyedmers and his wife were visiting a friend who owns a condo.

Change has been rapid

Development has brought change. Residents and visitors say the town is better in some ways, worse in others.

Linda and Guy Scholey moved about 11 years ago from Tucson to Rocky Point, where they opened the Old Port Galley restaurant. Back then, the town didn't have a single resort.

"This town has really, really changed from a sleepy little fishing village to a real tourist town. Mexico is promoting it as the next Cancun," Scholey said. "The best part we see is a middle class emerging. There's still poverty here, but it's not anything like it was. Anybody

who wants to work basically can work."

But signs of poverty still abound. In the city's interior, trash lines some streets. Many residential streets are not paved and many buildings are in need of repairs. The interior of the city is a contrast to the manicured grounds of new developments.

Tucsonan Bill Berkley recently returned from a trip to Rocky Point, where he rented a luxury condo on Sandy Beach. Berkley said he hadn't visited in 10 years. Although the accommodations were much improved from his first visit in the late 1970s, he said he was disappointed.

"They have gorgeous million-dollar condos on Sandy Beach, but just a short walk from these

condos is terrible poverty and chuckholes in the road," Berkley said.

"An oversupply of condos"

Rocky Point's real estate market has loosely tracked trends in Arizona.

Sandy Beach Resorts' 220-unit Princesa project, with a starting price of \$119,000, sold out in about three years, from 1999 to 2002. About a year and a half ago, the 228-unit Sonoran Sun project sold out in less than eight hours. Average price: \$425,000. Over the last five years, some are available again on the resale market. Greenberg estimates another 750 units are under construction and roughly 2,000 more are being planned.



Construction workers prepare concrete for one of four pools outside the Esmeralda resort condominium on Puerto Peñasco's Sandy Beach. Photos By Greg Bryan / arizona daily star



BEFORE: Sandy Beach in Rocky Point was untouched by building in 1998.



AFTER: Today, condo developments spring up near the edge of the Sea of Cortez.

“An oversupply of condos”

Rocky Point’s real estate market has loosely tracked trends in Arizona. Sandy Beach Resorts’ 220-unit Princesa project, with a starting price of \$119,000, sold out in about three years, from 1999 to 2002. About a year and a half ago, the 228-unit Sonoran Sun project sold out in less than eight hours. Average price: \$425,000.

“We had a lottery,” said Frank Jackson, CEO of SBR Realty, a subsidiary of Sandy Beach Resorts. “Eighty-three million worth of condos in seven and a half hours.”

Four years ago, the average price was about \$200,000, said Bruce Greenberg, a Tucsonan who appraises Rocky Point property. The average new condo is worth about \$400,000, he said, though in the past year, price appreciation was “flat.”

Still, comparable units in San Diego would cost millions. For beach-front property, Rocky Point is still underpriced, Jackson said.

SBR’s still-under-construction high-rise, the Esmeralda, is about 65 percent sold, although it has taken about a year. Units offer ocean views, custom-made wood doors, brick-domed ceilings in suites and kitchen areas, surround-sound wiring and flat-screen televisions. Starting price there was \$500,000 a unit.

Experts say Rocky Point is poised to continue growing although at the moment, it’s a buyer’s market.

With about 70 percent of buyers in Rocky Point’s new development coming from Arizona, the city has felt the slowing of real estate markets in the Tucson and Phoenix areas, Greenberg said.

Of the 5,000 completed condominiums built over the last five years, some are available again on the resale market. Greenberg estimates another 750 units are under construction and roughly 2,000 more are being planned.

“There’s an oversupply of condos right now,” Greenberg said. He hopes “several projects would be shelved” until demand more closely matched supply.

On StarNet: Take a sky-high virtual tour of development in the Rocky Point area at azstarnet.com/video

? Reporter Joseph Barrios: 573-4237 or jbarrios@azstarnet.com.

PUBLIC, PRIVATE INVESTMENTS

Rocky Point continues to boom.

Examples of both public and private investments include:

- o Within the last two years, a slew of U.S. companies have started offering loans to U.S. citizens who want to buy property in Mexico.
- o Fonatur, Mexico’s federal tourism development agency, is investing \$3 million into redeveloping Puerto Peñasco’s old port as part of building the Sea of Cortez’s “nautical ladder.” The plan calls for building floating docks along the coastline where boaters can refuel, make repairs and shop.
- o The municipal airport was recently renovated. Cement pouring should begin soon for the runway of a new international airport east of the city.
- o Construction has begun on a 375-mile coastal highway that will

make travel from California to Puerto Peñasco faster.

- o A \$4.5 million grant from Mexico will be used to repave and repair city streets.

DID YOU KNOW?

Known as Rocky Point, Puerto Peñasco is about 60 miles south of the Arizona border on the Sea of Cortez, also known as the Gulf of California.

Travel experts strongly recommend buying Mexican auto insurance because many U.S. policies don’t extend beyond the border. No special permits are required to drive there because the city is in the border zone. Although nothing more than a driver’s license is required now, returning to the United States will require the use of a passport beginning next January.

