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MEXICO

markets its magic

Branding is the name of the game in a country that boasts luxury resorts, golf courses, dolphins in the hotel pool and scenery ranging from the Pacific Coast to deserts and the jungle.

Mexico's 31 states, the federal capital and its cities are in competition with one another for tourists like never before. Long-established hotels have been restored to their earlier grandeur in Cancun, and famous nightclubs have been revitalized in Acapulco.

Throughout the country, prominent tourist resorts have expanded their perimeters, while innovative tourism projects are being introduced along the country's Gulf and Pacific coastlines.

The reason? Mexico is no longer being promoted internationally as a single brand. The National Tourism Promotions Board, (Consejo de Promoción Turística de México, or CPTM), now markets specific Mexican destinations, each of which has a brand of its own. Individual states, regions and cities are responding by creating their own identities and attractions.

"Today, it is not enough to sell Mexico as one destination," says Alejandro Zozaya-Gorostiza, president of AMResorts, one of the leading tourism developers. "The country is too big to sell as one brand. We have to sell the brand names Cancun, Maya Riviera and Los Cabos, especially to the United States, because each is a different product." Spain, he points out, sells around 20 different regional brands.

Mexico is certainly well-equipped for the task. Few countries can offer the variety of tourism experiences that it provides. From the desert wilderness of Baja, California, in the northwest to the jungles of Campeche in the southeast, Mexico's states offer a huge variety of pleasures and opportunities for visitors – and for investors in tourism.

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Playa Mujeres, an exclusive resort four miles north of Cancun, is representative of the high standards: It is being developed at a cost of \$3 billion.

Spread over 930 acres, Playa Mujeres features an 18-hole golf course designed by Greg Norman, who performed the opening ceremony last year. The course is surrounded by eight family residences and five single residences. The resort also includes a marina for 180 boats and can accommodate yachts of up to 200 feet. It also has 49 single-family residential condominiums, seven boutique hotels and its own helipad.

"This is a destination inside another destination," says Marisela Hank Rohn, president of Playa Mujeres. "We chose the name and the theme as an exclusive development for an exclusive community."

One of the aims is to create a stable and safe community that will be in keeping with the surrounding environment in economic and social terms. Playa Mujeres, she says, appeals to investors who are looking to live with people who share the same lifestyle.

"It gives residents the confidence of feeling free in their own world."

The first hotel, with 50 rooms, opened in November 2007, and the whole development is expected to be completed within five years. "We want people to see us as a high-end tourist destination and one that pays great attention to the ecology, harmony and peacefulness of its surroundings," says Hank Rohn.

Another company targeting the top end of the market is AMResorts.

Offering what Zozaya-Gorostiza describes as "unlimited" luxury, it operates tourist complexes under the three brand names Secrets, Dreams and Sunscape in Cancun, Tulum, Los Cabos, Puerto Vallarta and the Maya Riviera.

"We have nine hotels with approximately 4,500 rooms, and we are looking to expand to 27 hotels with 11,000 rooms within three years," says Zozaya-Gorostiza. "We have one restaurant for every 50 rooms. We have the only hotel in Latin America where the guests can swim with dolphins."

Perhaps the most striking evidence of the value of Mexico's branding venture is the success of the Pacific Coast state of Nayarit. Governor Ney González says a decision was made last year to advertise and develop its 108-mile-long coastline region as the Nayarit Riviera.

As a result, more than \$4 billion has been invested in the project, and both the Four Seasons and Ritz-Carlton hotel chains are planning to build resorts there. "The Four Seasons hotel is being built in Punta Mita with \$1.5 million invested in each room," says González. *



Gran Bay Hotel – Isla de Navidad

By Michael Knipe

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Adventure south of the border

Mexico's mountains, valleys and lakes are a big draw for Americans, many of whom have never been abroad.

A recent survey of tourists arriving in Mexico showed, to the surprise of many, that 40% of American visitors had never left the U.S. before.

Their trip to the world's seventh most popular tourism destination was their first venture abroad – a striking example of the interest Mexico generates outside its borders.

The new, inexperienced travelers from north of the border accounted for the majority of the record 21.5 million foreigners who visited Mexico in 2007, bringing in \$12.9 billion – a 6.6% increase over the previous year's revenue.

As a result, tourism has become an increasingly significant cog in the wheel of the country's economy. It is the third-largest source of foreign currency.

Yet, Mexico is far from fully exploiting the economic potential of its tourism sector when compared to European countries such as Italy and Spain, where the number of annual visitors almost matches their national populations.

To remedy this, the administration of President Felipe Calderón has allocated a record budget of \$1.5 billion to FONATUR (Fondo Nacional de Fomento al Turismo), the state-owned institution responsible for the development of tourism.

New highways are being built, joining the established destinations of Cancun, Los Cabos and Puerto Vallarta to up-and-coming places such as Tulum, La Paz and Rivera Nayarit. Another measure is linking the states of Guerrero, Hidalgo, Mexico, Morelos and Tlaxcala in a tourism corridor that will make their attractions more accessible to visitors.

Hidalgo, in the center of the country, is often described as one of Mexico's least visited, yet most beautiful states.

"Adventure tourism is our main attraction because we have great natural resources," says Cuauhtémoc Ochoa Fernández, Hidalgo's minister of tourism.

Lacking all-inclusive holiday options, the state has concentrated on promoting the attractions of its mountains, valleys

and lakes. "We now have 18 important projects in the state, including the Huasteca mountain range, the Tomitepegua zone and the Mezquital Valley area," says Ochoa Fernández. "We have 62 parks with water-sports facilities, 14 of which have top-quality infrastructure, and several municipalities have their own thermal waters."

Hidalgo is also promoting its cultural attractions. "In addition to Tula's ecotourism, we want to promote the Tolteca culture of its anthropological region," he says.

Another of Mexico's tourist gems that was not well known abroad, at least until last year, is the state of Colima on the Pacific Coast. "Our goal was to raise the number of tourists, and we reached a million last year," says Governor Jesús



CORBIS

Kayaking between sea stacks, Baja California, Mexico

Silverio Cavazos. "This figure doubles our population."

He believes Colima offers great possibilities for potential investors in the tourism sector. "The most consolidated tourist states are now saturated, and that's why we are attractive to investors. We offer much more long-term economic benefits."

A major new tourism project in Colima is the development of an area between the port town of Manzanillo and its neighboring state Jalisco.

"It is a wide littoral with a lot of natural beauty and will become important for macrotourism and ecotourism in the next five years," says Silverio Cavazos. "Investment opportunities will be attractive to American and European companies, especially Spanish ones." *

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From silver mines to world wonders

Mexico is looking for investors to help promote its natural, historical, gastronomic and cultural gems to tourists.

Several of Mexico's recently elected state governors are at the forefront of branding their states with an individual identity.

They include Félix González Canto, governor of Quintana Roo; Ivonne Aracelly Ortega Pacheco, governor of Yucatan; and Enrique Peña Nieto, governor of the state of Mexico.

González Canto, a former American football player, was the youngest governor when elected in 2005 to take the leadership of Quintana Roo, a state that is home to top tourist destinations including Cancun, Cozumel and the Maya Riviera.

One of his priorities is to diversify Quintana Roo's tourism sector.

The governor and his officials acknowledge the importance of promoting not only the established destinations, such as

Cancun and Cozumel, but also other resorts where tourists can enjoy the natural, historical, gastronomic and cultural attractions of the state.

“Mexico, in general, is opening up to private investment, especially in terms of developing hotels and other aspects of the tourism sector.”

Félix González Canto, Governor, Quintana Roo

“Quintana Roo's geographic location is, without doubt, a very competitive advantage because we are very close to the most important market in the world: The tourists from North America,” says González Canto. “Being one hour from Miami, two hours from Houston and three hours from New York puts us into the domestic-flight time bracket.

“Mexico, in general, is opening up to private investment, especially in terms of

developing hotels and other aspects of the tourism sector,” he says, pointing out that Quintana Roo, in particular, has a reputation for enabling new businesses to flourish. “The markets in Quintana Roo are new and blooming, so new entrepreneurs can see their investments grow here.”

Colima is another state that is actively and successfully attracting investment to both its tourist and commercial sectors. Similar in size and population to

Delaware, it is the third-smallest Mexican state. Yet it received a record flow of foreign and domestic investment last year, much of it into tourism development.

Colima's city of Manzanillo is Mexico's principal deep-sea port, handling the highest volume of cargo on the country's Pacific Coast.

“We are the closest port for goods being transported from China to the U.S. East Coast market,” says Silverio Cavazos.

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In the late 1970s, Manzanillo was also known as a main tourism destination until investment in its facilities dwindled. But since taking office, Cavazos has been leading a campaign to promote renewed investment, particularly in the tourism sector.

The governor invites potential



ROB WITHAGEN



GETTY - WALTER BIBIKOW

^ *Hacienda San Antonio II, Colima*

< *Manzanillo, fishing port and town at dusk*

as protected parkland in 1898. Its 6,768 acres are filled with pine, oak and juniper forests, with marked hiking trails.

The state is also richly endowed with more than 200 haciendas, many of which have been transformed into

investors to analyze the possibilities on offer in the state, especially in terms of return on investment. While other states have high prices, Colima, he says, offers great opportunities.

For landlocked Hidalgo, the state's lack of beach resorts is compensated for by its plentiful supply of lakes and mountains. Less than two hours from Mexico City, it offers a breath of country air for tourists and city dwellers.

In the U.K., Hidalgo has marketed two of its towns as "Mexico's Little Cornwall." The term commemorates the architectural and gastronomic influences brought to these communities by 350 Cornishmen who settled there between 1824 and 1848, when a Cornish company was running the local silver mines.

The Cornishmen's legacy endures in the steep streets, stairways and squares that are lined by narrow houses with sloping roofs and chimneys, replicating a style of Cornish architecture.

More importantly, perhaps, the Cornish miners are also credited with introducing the English national game of football to Mexico.

In addition, Hidalgo has the distinction of having Mexico's first national forest reserve, El Chico, which was designated

hotels, restaurants and tourist centers. Built in the 17th, 18th and 19th centuries, these distinctive properties were originally used for a variety of activities including distilling brandy and as homes for workers in the silver mines.

Governor Miguel Ángel Osorio Chong says that Hidalgo is a state full of opportunities that other states cannot offer. "Our proximity to Mexico City is a positive benefit," he says. "We have plenty of territorial space, and in two years our state has invested more than any other in communications, education and health services."

Hidalgo's location, two hours north of Mexico City, makes it an ideal logistic hub. The state has invested in the construction of an extensive highway network that connects five neighboring states, and is planning to establish a terminal for inward and outward transportation of container cargoes.

Tourism in the state of Yucatan has soared by 70%, according to Governor Ivonne Ortega. The nomination of Chichen Itza last year as one of the Seven Wonders of the World has inspired a growing number of tourists to visit this most awe-inspiring of ancient Mayan ruins. *

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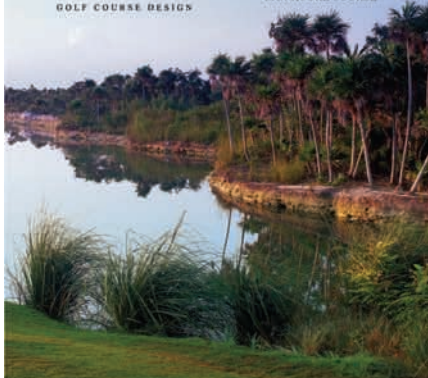


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Home close to home

As Mexico lures U.S. retirees, figures show that more Americans live in Mexico than in any other country in the world.

Nearly 78 million North Americans will enter the 65+ age group between 2011 and 2022, which offers a unique opportunity for Mexico in its campaign to attract wealthy, retired U.S. tourists and real estate hunters.

The trend of second-home buyers from north of the border concentrates on places such as San Miguel de Allende, which has a vibrant American community; Los Cabos, where the U.S. jet-set has been residing for over two decades; and Lake Chapala, 45 minutes south of Guadalajara. In fact, statistics reveal that there are more Americans living in Mexico than in any other country in the world, outside the U.S.

Besides capitalizing on these known tourist destinations, the Mexican government is providing incentives to transfer real estate interest to up-and-coming coastal regions such as Punta Mita and Litibu in Rivera Nayarit; La Paz and Loreto at the Sea of Cortez; and Campeche Playa and La Pesca near the Gulf of Mexico.

Developers have been responding to these market opportunities by diversifying from the hotel and timeshare businesses to part- and full-ownership properties. "It is almost impossible to develop anything without taking the real estate options into special consideration," says Marisela Hank Rhon of Playa Mujeres.

One example of this can be found in the Las Villas project, which will consist of 22 developments in tourism destinations throughout the country and offer part-ownership homes and outright purchase properties to a high-end market. "We want to deliver a specifically Mexican experience by incorporating the concept of home exchange in our project," says Gerardo Prieto, the chief executive of Las Villas. Buyers will be able to swap houses during the year and live in one of the other Las Villas locations.

All the developments will be provided with five-star hotel service, and the architecture will be inspired by the local tradition. "By offering exchanges within our

resorts network, we want to put Mexico on the map as a multi-destination experience," says Prieto.

However, certain concerns exist for investors in Mexican real estate. Although most would agree on its image of sunny beaches and welcoming people, some might extend their association to crony politics and fears of sudden expropriation. Anticipating the security needs of international investors, Mexico has put into place various legal structures of ownership and financial facilities in terms of credit provision and risk assurance.

Nevertheless, the U.S. financial crisis will not leave the Mexican real estate sector untouched. The expectations of specialists is that, in the short run, investments in second homes abroad will decline, but that retirees with the spending power will not want to wait for better investment days.

"Demand for upper-class residential estates maintains its high growth, and

Mexico has put into place various legal structures of ownership and financial facilities in terms of credit provision and risk assurance.

investor appetite, both national and international, remains high," says Julio Noval, president of Grupo Mall, developer of Campeche Playa, a major resort in the state of Campeche.

Moreover, with the current sophistication of its financial and legal systems, investors are likely to be tempted to apply for credit provisions in Mexico. This is complemented by the added benefit of rising property values in the country, in contrast to falling prices in the U.S.

With the current development of its real estate market, Mexico is showing that its welcoming attitude to visitors extends into the commercial world. It is now up to American home seekers to accept the invitation and adopt the Mexican philosophy of *mi casa es su casa* – my house is your house. ✱

By Rob Withagen

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Spreading its wings

Mexico's airline industry is booming, and healthy competition is cutting the cost of flying at home and abroad.

Exploring Mexico by air is becoming easier. The skies have been opened up to competition. State-owned airlines have been privatized. Airports are increasing and enlarging their facilities, and scores of national and international low-cost airlines have entered the aviation marketplace.

Nearly 30 million people traveled by air in Mexico last year; half of them used low-cost carriers, but for some air travelers that term can have negative connotations.

Miguel Alemán Magnani, president of Interjet, emphasizes the efficiency of his airline's operations and describes Interjet as a luxury, low-cost carrier – rather than just a low-cost carrier.

"We provide high comfort for a low price," he says. "We offer more space

between seats, better service, new planes and highly qualified personnel."

But Interjet is certainly not operating cheaply. The airline has received its first four Airbus A320 aircraft and has a firm order for 16 more. Founded in 2005 by parent company Aleman Group, the airline is headquartered in Toluca, the capital of the state of Mexico, and operates services to 12 Mexican cities.

Alemán Magnani has an illustrious family background. His great-grandfather fought in the Mexican Revolution; his grandfather, Miguel Alemán Valdés, served as Mexico's first civilian president from 1946 to 1952; and his father, Miguel Alemán Velasco, was a founder of Televisa, one of the leading Hispanic telecommunications companies, before serving as governor of Veracruz from 1998 to 2004.

"My father founded the Aleman Group based on his theory of three 'T's' for the new century," says Magnani, "telecommunications, tourism (real estate and services) and transport.

"My grandfather supported tourism by creating the necessary infrastructure; my father supported telecommunications; and as the fourth generation of the family, I am responsible for transport. I have been entrusted with the mission of developing a low-cost airline that will generate employment and help lower the price of tickets so that more people can fly."

Interjet carried 2 million passengers last year and forecasts that it will reach 3.7 million this year. It is planning to add international destinations to its schedules this year, including low-cost flights to the U.S., Costa Rica and El Salvador. ✱



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Getting into the swing of things

Mexico is raising its game as a golf destination and reaping the rewards.

Golf tourism has put Mexico on the map as the second most popular golf destination worldwide for U.S. golfers, just behind Hawaii.

Although golf has been played in Mexico for many years, there were only a few professional courses concentrated in and around the big cities. Less urban regions such as Valle de Bravo or Cuernavaca had excellent courses, but until recently, their clientele was mostly Mexican.

Today, however, Mexico is considered a major golf destination with more than 150 courses. This is partly due to the rise of Guadalajara-born Lorena Ochoa, who plays on the U.S.-based LPGA Tour and is currently the number-one ranked female

golfer in the world.

But the main driving force behind Mexico's position as a world golf center has been directed in a more strategic manner by the efforts of the Federal Secretary of Tourism and the National Tourism Development Foundation (FONATUR). They were quick to identify the popularity of golf in both the U.S. and Canada and recognized the potential of linking the sport to Mexico's growing tourism sector.

Ever since, there has been a surge of resorts offering high-end golf courses, quite often designed by legendary names such as Jack Nicklaus, Greg Norman, Robert von Hagge and Robert Trent Jones. Los Cabos alone has opened five championship golf resorts over the last decade, distinguishing itself from other tourism destinations.

"You see more golf bags at Los Cabos

Airport than in any other airport I know," says Sanchez Navarro of Grupo Questro, a diversified tourism group.

Both developers and federal agencies are eager to continue in the development of golf tourism because it creates an added value – and thus higher satisfaction – for the visitor, who will stay longer and return more frequently. It also results in additional income for local communities. Developers are now shifting from the established tourism destinations to new, yet unexplored, areas such as the states of Tamaulipas and Campeche.

In a study from the Department of Tourism, the total revenue from golf tourism in 2001 was more than \$2.3 million. This year it is expected to reach around \$12.5 million.

Experienced golfers will recognize Mexico as a golf destination; however, beginners and potential golfers may not be aware of the country's golfing facilities. Creating awareness among this significant group of visitors – who are mainly North American – to Mexico will be the biggest challenge for golf tourism in the years to come. *

By Rob Withagen and Daniel Trigo

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