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Perspectives

Where the Pacific's Magic Becomes Success

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[Mr. Oscar Franck Terrazas, CRE](#)

Former Managing Director of Integra Realty Resources De Mexico, Mr. Franck Terrazas evolved his career in 2013 as Founding Partner and Managing Director of International Realty Valuation (IRV) and its affiliated IRV De México. Actively engaged in real estate valuation and counseling under international standards. He is responsible for operations in México, Latin-America and international projects, having performed valuations in Costa Rica, Belize and Russia. Recent experience is concentrated in major industrial portfolios, urban and suburban developments in Mexico. Valuations performed on resorts, Embassy Housing Compounds, mixed used facilities, and vacant land. Clients include lenders, investment firms, developers, private and public agencies, including the U.S. Department of State. Valuation and consulting work performed for private and public companies trading at the BMV (Mexico's Stock Exchange), estates, financing, equity participation and due diligence support. Mr. Franck is a

A sequel to *"No Siesta for Los Cabos"*. (Pub. *Real Estate Issues* December 2022)

The State of Baja California Sur (BCS) in México, home for **Los Cabos**, considered one of the World's top 3 places to invest in Real Estate, is comprised by 5 major market areas: *Cabo San Lucas* (and its Corridor),

San José del Cabo (and its corridor), East Cape, Pacific-Todos Santos and La Paz (State capital).

Baja California Sur Real Estate Market made its entrance to the big leagues in 2021, during the Pandemic, posting an impressive \$1.581 Billion Dollars in sales. A 310% increase over 2020. Foreigners; mostly American and Canadians, landed in Los Cabos, discovering a safe Paradise with world-class amenities, and bought extensively. Some thought this was just a short-lived bobble, but the smart visionary investors bought San José Del Cabo and Cabo San Lucas, where land was getting scarce and expensive, and as an alternative, money found its way to East Cape (*Cabo Del Este*) during the early period (2019 and 2020), where important developments, such as the 4 Seasons and Aman resorts in La Ribera of East Cape were built, becoming magnetic poles, attracting further capital and projects. However, during 2021, 2022 and the first 5 months of 2023, the Pacific-Todos Santos market has taken the lead attracting new investments and the buyers' preferences.

San José del Cabo and Cabo San Lucas are mature, predominant markets that have experienced substantial price increases through the past 10 years. At the closing of 2022, in the B.C.S. market, as a whole, the average price of homes sold (721) in that year, came to \$1,029,682 dollars, compared to \$720,135 for the 395 homes sold in 2019, equal to +42.89% price increase and an 82.53% increase on number of homes sold. The average price of Condominiums sold (1,136) in 2022 came to \$447,316 dollars, compared to \$403,441 average for the 415 units sold in 2019, representing a +10.77% price increase and a +173.74% on number of units sold!

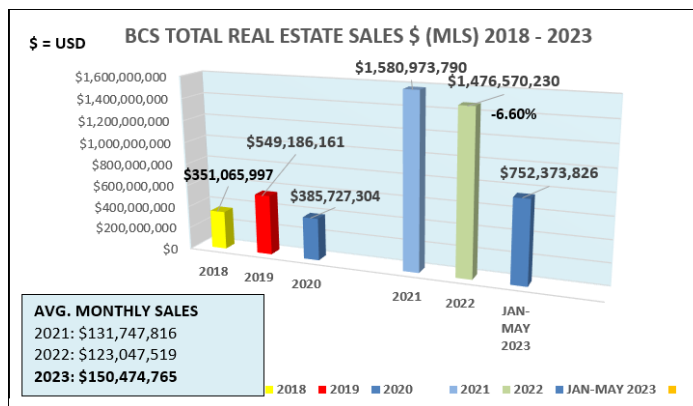
BCS REAL ESTATE - ANNUAL MARKET REPORT SUMMARY - 2022												
	UNITS SOLD TOTAL	CABO SAN LUCAS		SAN JOSE DEL CABO		EAST CAPE		LA PAZ	PAC.-TODOS SANTOS			
		UNITS X MARKET	UNITS X MARKET	UNITS X MARKET	UNITS X MARKET	UNITS X MARKET	UNITS X MARKET	UNITS X MARKET	UNITS X MARKET	UNITS X MARKET		
HOMES	721	\$194,977,346	269	\$356,158,792	180	\$40,002,400	58	\$27,209,508	98	\$124,052,853	116	
CONDOS	1,136	\$276,139,660	720	\$159,751,284	242	\$3,483,700	16	\$23,047,874	70	\$45,727,963	88	
LAND	744	\$39,558,781	126	\$78,348,018	124	\$44,409,350	203	\$13,796,297	122	\$34,674,294	169	
FRACTIONAL	16	\$3,214,392	16	X		X		X		X		
COMMERCIAL	23	\$3,434,123	11	\$1,807,500	4	\$1,500,000	1	\$1,431,100	5	\$3,845,000	2	
		\$517,324,302	1,142	\$596,065,594	550	\$89,395,450	278	\$65,484,779	295	\$208,300,110	375	
2022 TOTAL SALES	2,640	\$1,476,570,235										
											SUBMARKETS - LAND	
											East Cape Land Units x Mo	16.92
											Average Price per Unit	#####
											Todos Santos Land Units x Mo	14.08
											Average Price per Unit	#####
2021	TOTAL SALES	\$1,580,973,790		\$1,029,682.25		East Cape % of Total Land Sales	21.07%					
2022	TOTAL SALES	\$1,476,570,235				Pac-Todos Santos % Land Sales	16.45%					

DATA: MLS-BCS

2022 B.C.S. Total Sales and Sales Per Market

The analysis of Land sales also reflects a similar uptrend behavior: during 2022 there were 744 land units sold, with an average price of \$283,316 dollars, compared to 2019 (498 units) sold, at an average unit price of \$175,499. Thus, the land sale price increased 61.43%, and the number of units sold were up 49.40%.

B.C.S. Historical Performance 2018 – 2023



Graphic by IRV De Mexico BCS = Cabo San Lucas, San José Del Cabo, East Cape, Pacific-Todos Santos & La Paz

The 2023 Market, So Far Overtaking 2021 Record Year

member of The Royal Institution of Chartered Surveyors since 2010, holding the FRICS and Registered Valuer designations; a Practicing Affiliate of The Appraisal Institute, member of NAR Global and past O.C. Chapter President of AEM (Mexican Entrepreneurs Association). He was admitted to the prestigious The Counselors of Real Estate in 2015, holding a CRE designation. Mr. Franck served as President of ProMéxico Business Council, Los Ángeles, CA and Chair of the Real Estate Sector during the 2015-2016 period. Mr. Franck is a prolific writer for several international real estate publications, including Inmobiliare Magazine. Baja California, Baja California Sur and especially Los Cabos area have become a special focus for Oscar Franck's attention, allocating a substantial part of his professional time to this fascinating markets. "The spell thrown my way by Todos Santos, has surely captivated me", say Oscar.

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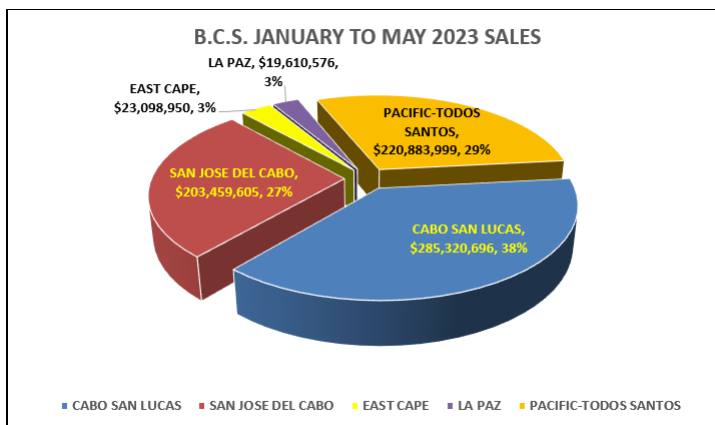
BCS REAL ESTATE - MARKET REPORT SUMMARY - JANUARY TO MAY 2023												
	CABO SAN LUCAS			SAN JOSE DEL CABO			EAST CAPE		LA PAZ		PAC.-TODOS SANTOS	
	UNITS SOLD TOTAL		UNITS X MARKET		UNITS X MARKET		UNITS X MARKET		UNITS X MARKET		UNITS X MARKET	
HOMES	195	\$135,716,592	69	\$98,100,145	41	\$16,117,000	20	\$6,493,478	19	\$97,087,075	46	
CONDOS	440	\$135,716,592	308	\$63,506,707	73	\$0	0	\$9,831,664	18	\$99,342,774	41	
LAND	208	\$11,846,121	44	\$40,275,000	50	\$6,981,950	37	\$2,645,434	17	\$24,454,150	60	
FRACTIONAL	6	\$938,500	5	\$123,000	1	\$0	0	0	0	\$0	0	
COMMERCIAL	14	\$1,102,891	10	\$1,454,753	2	\$0	0	\$640,000	2	\$0	0	
	863	\$285,320,696	436	\$203,459,605	167	\$23,098,950	57	\$19,610,576	56	\$220,883,999	147	
2023 JAN-MAY TOTAL SALES	1,726	\$752,373,826										
TOTAL AVG. MONTHLY SALES 2023		\$150,474,765.20										
TOTAL AVG. MONTHLY SALES 2021		\$131,747,816.00		AVG. HOME PRICE	TOTAL LAND SALES JAN-MAY 2023 / AVG. \$							
				\$1,812,884	\$86,202,655		\$414,436					

The B.C.S. market has remained strong during the first months of 2023, with 1st Quarter sales of \$443,283,677 up 27.70% Vs 1Q-2022. The total average monthly sales for the period from January to May, 2023 came to \$150.474 million, compared to \$131.747 million in 2021; making it the best monthly average ever.

Where Money is Going

The 2023 revelation has been the remarkable sales favoring the Pacific-Todos Santos Sub-Market, widely overtaking East Cape and competing with Los Cabos major markets. The most recent MLS data shows that the Pacific market, from Cabo San Lucas to Todos Santos has attracted the buyer's preferences and the attention of investors and developers. If sales continue with these dynamics, 2023 will become the best year ever for the real Estate market of Baja California Sur, driven mainly by Los Cabos and especially by the arising of the Pacific-Todos Santos market.

2023 B.C.S. January to May Sales Per Market



B.C.S. Market Performance During January to May 2023

STABILITY AND AVERAGE TIME BEFORE SOLD - BAJA CALIFORNIA SUR, JANUARY TO MAY 2023												
	LISTED VS SOLD PRICE -% DIFFERENCE						AVERAGE DAYS ON MARKET BEFORE SOLD					
	JAN	FEB	MAR	APRIL	MAY	AVERAGE	JAN	FEB	MAR	APRIL	MAY	AVERAGE
HOMES	-4.00%	-2.00%	-11.00%	-2.00%	-13.00%	-6.40%	210	159	218	204	223	202.8
CONDOMINIUMS	0.00%	-4.00%	-4.00%	-4.00%	-6.00%	-3.60%	242	469	273	213	392	317.8
LAND	-2.00%	-5.00%	-7.00%	-11.00%	-6.00%	-6.20%	276	322	130	373	353	290.8
FRACTIONAL	0.00%	X	-12.00%	1.00%	X	-3.67%	105	X	416	753	X	425
COMMERCIAL	X	1.00%	0.00%	X	0.00%	0.33%	X	154	84	X	130	122.67

Certainly, Los Cabos and its environments, is living an unprecedented real estate boom, it seems that the astonishing beauty of the Pacific shoreline, combined with the magic spell of Todos Santos, have converged at the right time and place for the Pacific to capture the buyers and investors' minds and soul.

Data source: MULTIPLE LISTING SERVICE – BAJA CALIFORNIA SUR

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