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Mexico's Exclusive Costalegre Region Readies for \$1 Billion Tourism Push

A nine-figure investment deal will see the development of a new airport, five-star hotels and luxury vacation homes—with an eye toward sustainability.



A rendering of a home at Xala. Source: Sepulveda & Blancasmaran

By Samantha Brooks
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The developers who transformed Mandarin, an unspoiled spot on Mexico's Pacific Coast, from rugged beach to a bastion of luxury travel complete with the eighth-best hotel in the world, are aiming higher with their latest project: Xala, a \$1 billion development in the state of Jalisco.

Set on 3,000 acres in the 150-mile (241 km) coastal region of Costalegre, Xala will include one or two highly luxurious hotels and about 100 estate-style vacation homes, all next door to a new international airport purpose-built to support the development. The site itself is a patchwork of mangroves and estuaries some 90 miles south of Puerto Vallarta and 80 miles north of Manzanillo. Developer Ricardo Santa Cruz, managing partner at Actur, says that stitching the land together required him and his partners to strike 68 separate ownership deals over four years. The vision, he says, is now to create the lowest-density development project ever carried out in Mexico, he tells Bloomberg in an exclusive interview.



Chalacatepec International Airport has been built as part of the Xala development in Costalegre, Jalisco, Mexico. Source: Bamba Studios

Up first is the Chalacatepec International Airport, already constructed as part of a public-private partnership but not yet open; it is located just 10 minutes from Xala. In mid-2024 it will be capable of receiving 737s on its 2.5-kilometer asphalt runway; at first it will receive mostly private jets and regional flights. The goal is to keep the airport's operations small so that arriving passengers can clear customs in minutes and soon find themselves relaxing on tranquil beaches.

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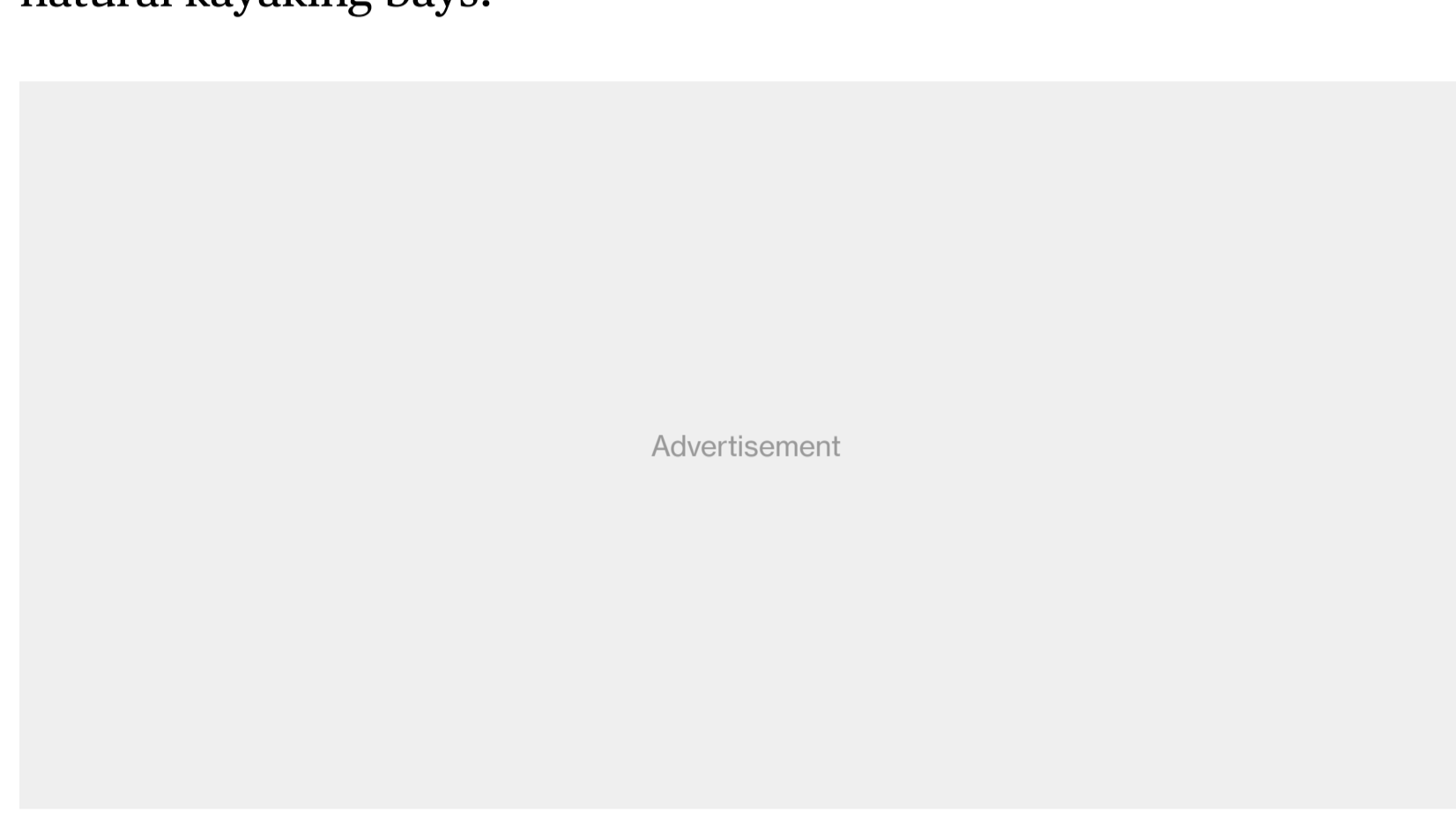
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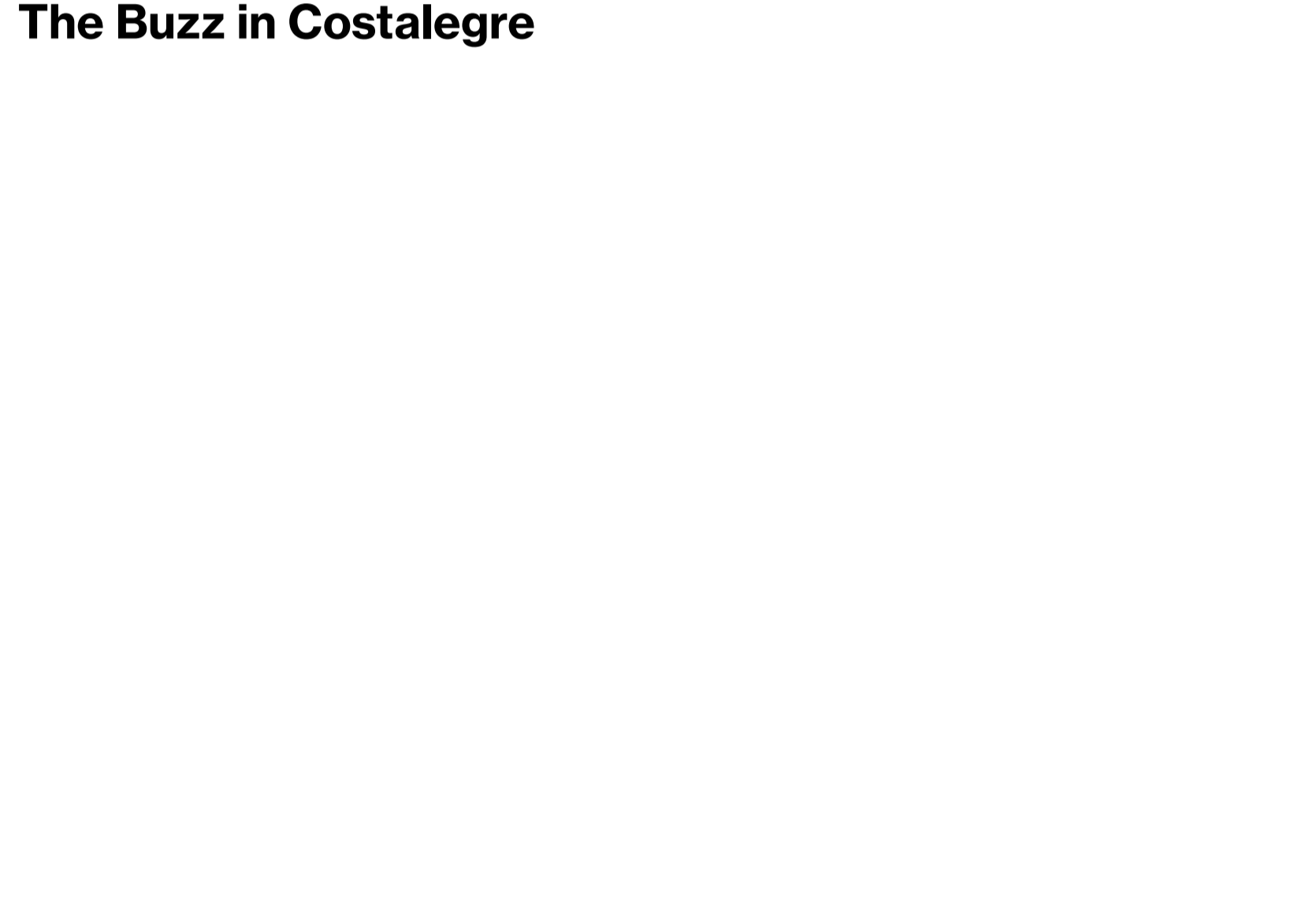
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Anchoring the project from a luxury tourism standpoint will be a 51-villa Six Senses hotel set for completion in 2026, say the developers. Each room will come with a private pool; guests will also have access to a turtle sanctuary, 20 miles of mountain biking trails and natural kayaking bays.



The project's \$1 billion price tag places it among Mexico's most expensive tourism projects of late; such similarly ambitious, low-density projects as Kanai in the Yucatan Riviera Maya have kept cost figures private. Financing is coming from Xala's main shareholders: TPG-Axon Capital, Morgan Stanley, the State Pension Fund of Jalisco, Mexico's National Infrastructure Fund and some yet-undisclosed, high-net-worth individuals.

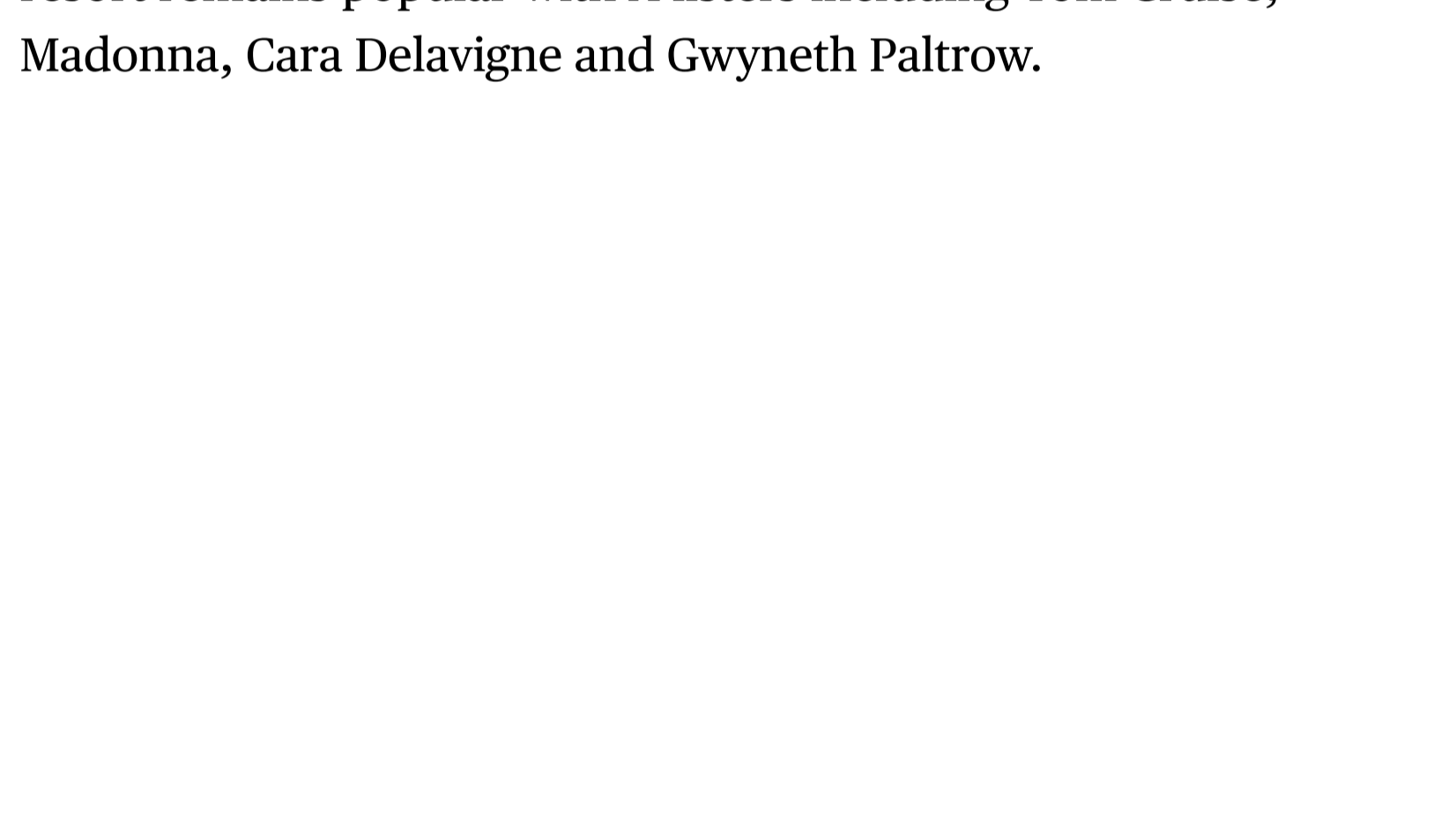
The Buzz in Costalegre



The One&Only Mandarin. Source: One&Only Mandarin

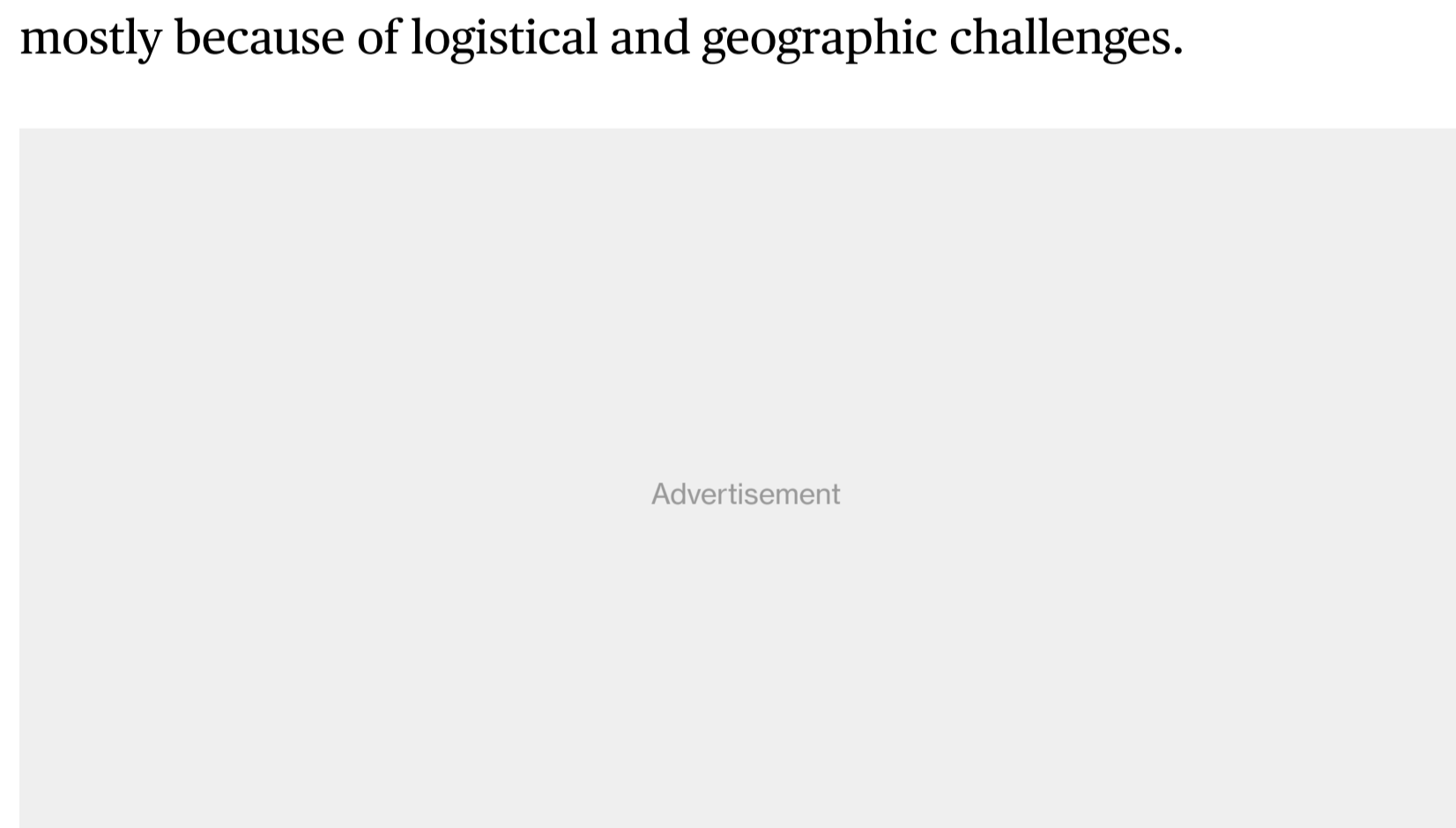
Just as Xala's big sister Mandarin—and its stunning One&Only hotel—benefit from proximity to Puerto Vallarta and its handful of luxury resorts, the new project will benefit from closeness to a few destinations loved by the jet set. Surrounding Xala are the jungle reserve-turned-posh hideaway Cuixmala, the villa community Careyes, the technicolor resort Las Alamandas and the year-old Four Seasons Tamarindo, all in a 50-mile stretch of coastline.

Among those properties, Cuixmala may be the best known; founder James Goldsmith hosted everyone from Mick Jagger to Henry Kissinger and the late President Ronald and Nancy Reagan. The resort remains popular with A-listers including Tom Cruise, Madonna, Cara Delavigne and Gwyneth Paltrow.



A rendering of a home to be built at Xala. Source: Studio Jencquel

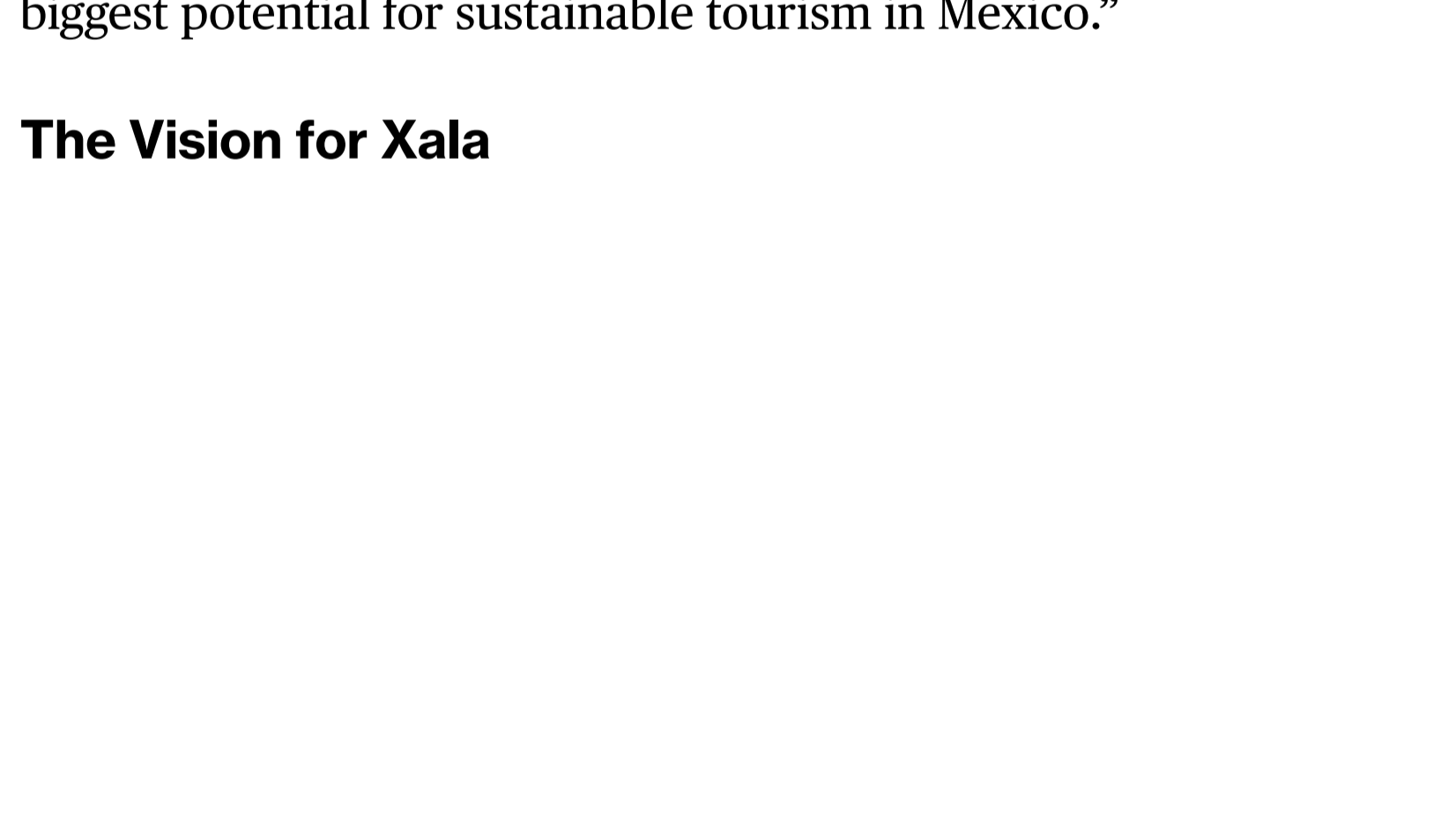
Cuixmala and its peers have made the area a safe haven for sun seekers who don't want to sacrifice privacy or creature comforts. This reputation has lured brands such as Cheval Blanc to scope out sites for hotel projects. Few have committed to building, though, mostly because of logistical and geographic challenges.



Unlike Mandarin, which has a major airport just 37 miles away, resorts in Costalegre currently benefit from little mass infrastructure. Arriving at Cuixmala or Four Seasons Tamarindo, for instance, often requires a four-hour drive from the Puerto Vallarta airport or a 20-minute flight on the prop planes that are permitted to land on grass-strip runways at Cuixmala and Las Alamandas. (The Manzanillo airport is about an hour from the Four Seasons but receives very few flights.)

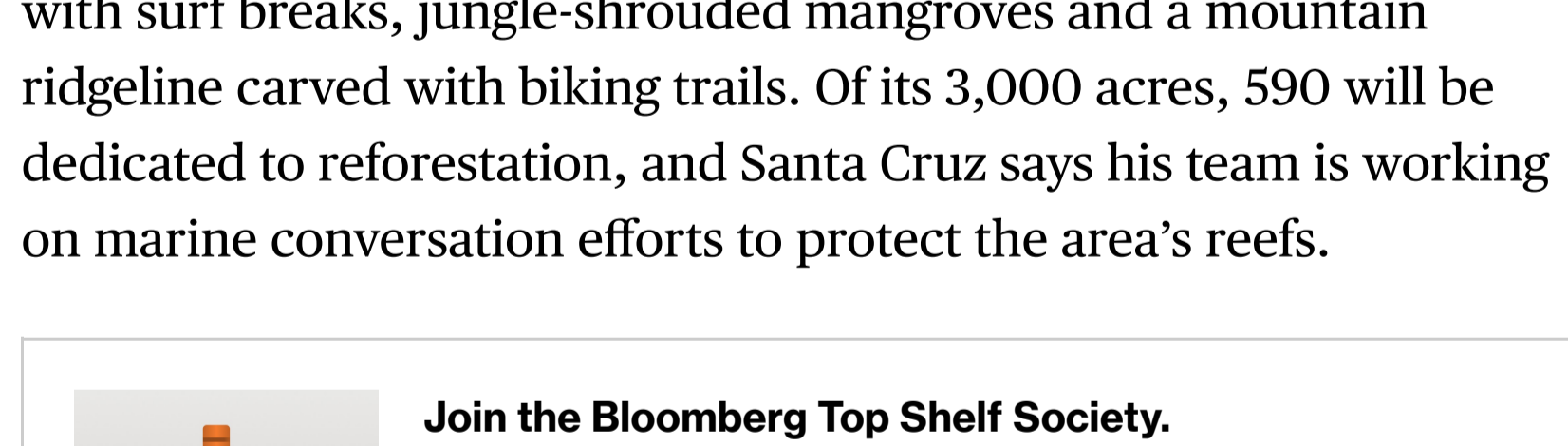
"Because there wasn't infrastructure, so much of Costalegre has remained preserved," says Santa Cruz. "For me, that's why it has the biggest potential for sustainable tourism in Mexico."

The Vision for Xala



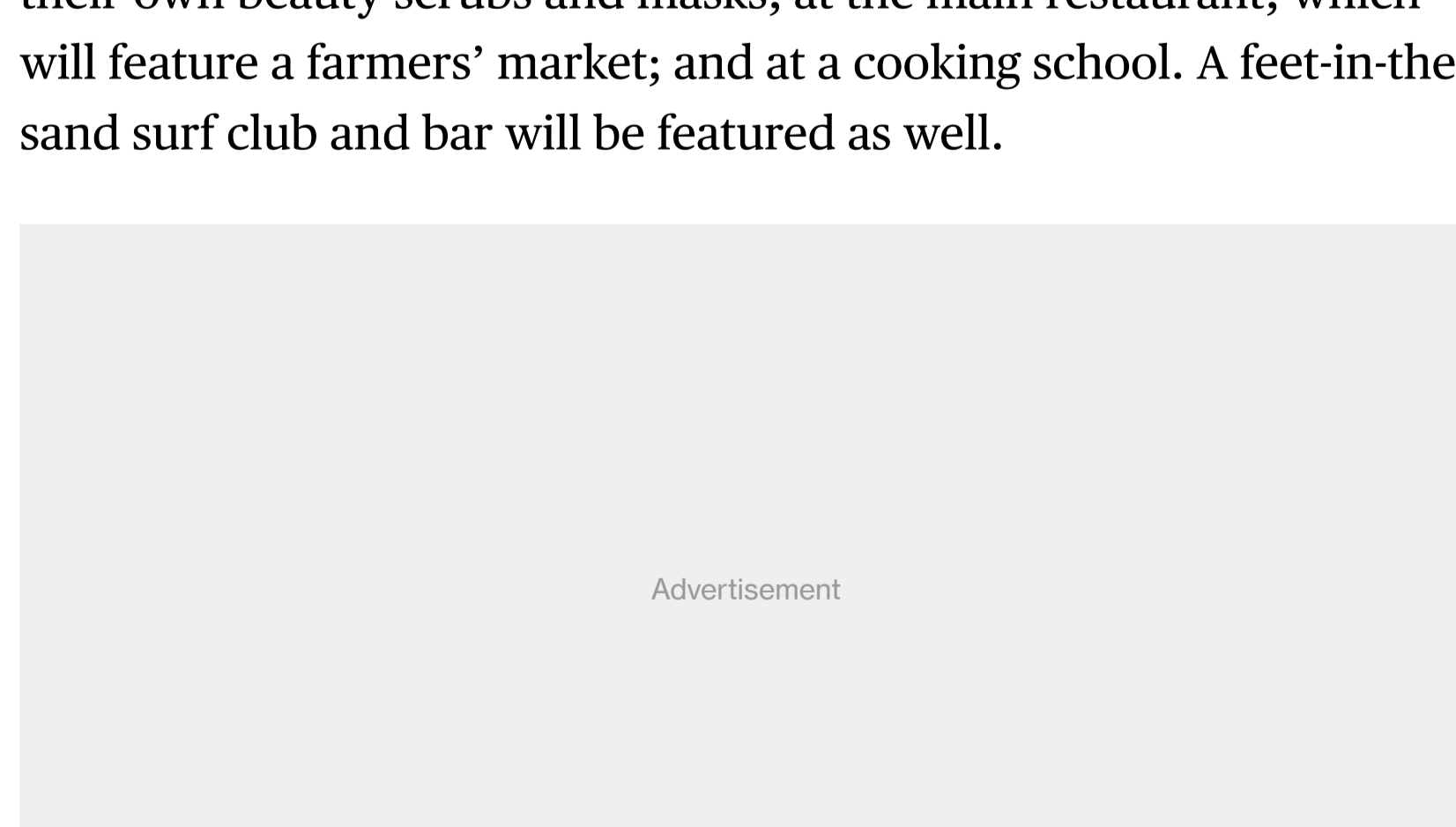
An aerial perspective of the 3,000 acres that will soon comprise Xala. Source: Bamba Studios

The site for Xala is a unique mix of swimmable beach coves, ocean with surf breaks, jungle-shrouded mangroves and a mountain ridgeline carved with biking trails. Of its 3,000 acres, 590 will be dedicated to reforestation, and Santa Cruz says his team is working on marine conversation efforts to protect the area's reefs.



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The Six Senses will take advantage of that mixed terrain with rooms both on the beach and along the ridge. The property will emphasize homegrown ingredients from an onsite farm at an "Alchemy Bar," a signature space for the wellness brand where guests can concoct their own beauty scrubs and masks; at the main restaurant, which will feature a farmers' market; and at a cooking school. A feet-in-the-sand surf club and bar will be featured as well.



With Six Senses hotel bookings years in the future, Xala's focus so far has been on selling homes. Santa Cruz says 30 of the 75 Rancho Estates have quietly drawn buyers at prices from \$5.5 million. An additional 25 branded hotel residences from Six Senses, starting at 8,000 square feet, are expected to be priced from \$8 million to \$12 million.

The homes are a significant point of differentiation between Mandarin and Xala, says Santa Cruz. "We see this as a place people won't just visit but also live," he explains, with Xala having twice as many houses and a fraction of the hotel rooms.

"We're very proud of what we did at Mandarin—and seeing it as No. 1 in North America in the World's 50 Best this year was rewarding, for sure," says Jeronimo Bremer, managing partner of Actur. (One&Only Mandarin landed eighth on the global list compiled by UK-based William Reed Business Media and ranked first among entries from North America.) "Now, Xala is about creating a unique residential community, where Mandarin was about creating a world-class resort."

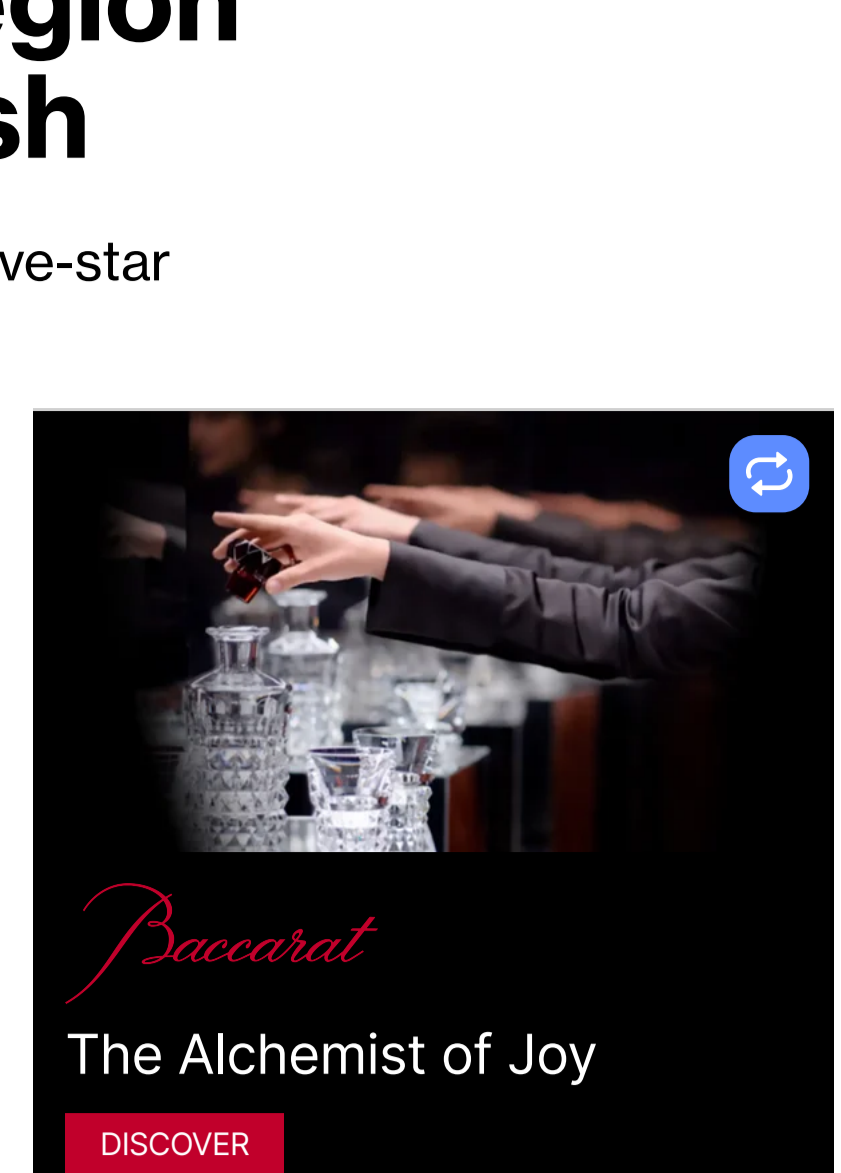
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