

# Costa Rican boom

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For decades the remote Pacific coast of northern Costa Rica — the Guanacaste province — was the domain of die-hard surfers and backpackers, with other visitors deterred by the grueling five-hour drive from the country's main airport in San Jose. But in the last few years, Guanacaste has been transformed by a collection of real estate developments and hotels aimed at America's affluent baby boomers and other wealthy foreigners.

All up and down the coast, bulldozers are at work. Three major developments, including a project anchored by a Four Seasons hotel, are selling luxury condominiums for \$500,000 and up, and hundreds of smaller, more speculative endeavors are also breaking ground.

The airport in Liberia, the capital of Guanacaste, is at the center of the transformation. Three years ago, when the first direct flights from the United States landed, only 50,000 people a year arrived there. In 2005, 300,000 did.

In the airport lines, Americans talk in urgent tones about the money to be made, about "Wild West" opportunities. Never mind that Guanacaste is still a region of cattle ranchers and rutted roads. The new homesteaders envision a beach, golf and spa destination equal to the Puerto Vallarta corridor in Mexico or Wailea Beach on Maui — without, so far at least, the high-rise blight. The area's promoters have taken to calling it the new Gold Coast.

"It's hard for me to look at all this change — you're used to how uncluttered it was," said Chris Mailloux, a ReMax agent whose family has been selling real estate in the area for 13 years. In one abbreviated block near his office, in the tiny fishing village of Playa Hermosa, eight developments of at least 20 homes each are under construction: "Lots that were once \$50,000 are now \$500,000," he said. "There's not a lot left that hasn't quadrupled in value in the last three years."

Or, as Brad Schmidt, a local builder and an American expatriate in Costa Rica for 10 years, put it, "It's like fishing behind a tuna boat during a feeding frenzy."

Historically, the smattering of vacation homes in Central America were mostly bargain-basement retirement houses built by older expats. A gradual shift began when the Central American peace accord of 1987 curbed regional political instabilities, and now it has accelerated. Vacation home developments, often financed by U.S. investors, are going up not only in Costa Rica, which has led the trend, but in Panama, Honduras, Belize and Nicaragua.

"The image problem doesn't exist anymore," said Roger Gallo, founder of EscapeArtist.com, a newsletter for Americans that focuses on Central and South America. "There's more money to be made in foreign real estate because the prices are lower with more growth potential."

Costa Rica has the advantages of an active tourism board and a reputation as peaceful and environmentally friendly. It also has the longest tradition of democracy in Latin America.

Bill Royster, the developer behind the luxurious Sueños resort south of Guanacaste, on the Pacific Ocean near the town of Jaco, said that foreigners are allowed to own land directly, rather than through the bank-trust leases required in some Mexican property deals, so "no one is going to expropriate your property."

And what about that property? In Guanacaste, the jungle runs straight from the volcanoes to the 200-foot bluffs overlooking the sea. Armadillos, howler monkeys, small raccoon-like pizote, parrots and the occasional jaguar make their homes underneath the broad leaves of the mango and palm trees.

"It's fairly easy to develop in Costa Rica; you have a good work force at extremely cheap prices," said William Knickman, a New Jersey developer who, with a group of friends, formed a company called Costa Rica Lifestyle Development and now is

selling lots in Guanacaste for as much as \$300,000 each. "And it's hot, very hot, as a place for people to buy. It's booming right now."

The boom can be traced from the 2,300-acre, \$400 million Peninsula Papagayo project, indisputably the most luxurious development on the coast. It lies on land that was set aside for tourism by the Costa Rican government in the late 1970s but remained uninterrupted jungle until 1997, when Alan Kelso, a Costa Rican developer, got U.S. financing and broke ground. Peninsula Papagayo has a Four Seasons resort and intends to add three more hotels and more than 1,000 luxury homes, although only 44 houses and condos have been built. (They are selling for \$2 million to \$12 million.)

"We put the region on the map," Kelso said as he sat in Peninsula Papagayo's command center, a facility peppered with satellite dishes.

He also plans a marina, a polo field and, of course, the requisite three brand-name golf courses. "The whole challenge is to create a luxury market in a country that doesn't have a culture of service," he said. "We're trying to make it a high-end happening."

To shield their wealthy patrons from pitted roads and electrical blackouts, developers have paid for their own infrastructure. Peninsula Papagayo has not only paid for its roads, sewers, buses and electricity but even established its own paramedic service and fire brigade.

The owners of Peninsula Papagayo and two other high-end developments, Hacienda Pinilla and Reserva Conchal, even put up \$3 million of their own money in 2002 to persuade Delta to start direct flights to Liberia. Continental and American followed. The Costa Rica rush can carry hazards for the unwary. Jeff Hornberger, the international market development manager for the U.S. National Association of Realtors, cautioned that Americans or any other foreigners buying in Costa Rica should be sure to buy title insurance and should be aware that real estate agents are not required to be licensed there.

"Ninety-five percent of the time we don't hear about people having problems," he said, but sometimes people "come on vacation and get overwhelmed and leave their brains at the border."

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