



Costa Rica Real Estate Newsletter

Costa Rica and Panama: Two Distinct Flavors

by Timothy L. Woodruff



Background

It's apparent even to the naked eye that real estate has been on fire in both Costa Rica and, more recently, Panama. The same could perhaps be said in areas of certain other Central American nations, like Belize, El Salvador, and Nicaragua. However, the *hot* Latin countries to buy land or retire in, are—without any doubt - the panting but still standing champ, Costa Rica and the brash upstart and challenger, Panama.

I was born in Panama, yet live in Costa Rica. Raised in Panama City in a *gringo* household, I got both US and Panama passports from birth. I left Panama to go to school in the US, but even today continue to go back and visit often. It helps that we still have family and friends there. For example, one brother heads the American Chamber of Commerce in Panama City. And one of my old high school classmates is running for President of Panama in 2008.

My Costa Rican adventure did not start until 1992. That year my business partner Brice and I we bought land along the coast near Uvita. We moved here full time in 1996, and started Land Assurance later that year. Eventually, I married a Costa Rican woman, Rosario, who is a lawyer and real estate broker. We plant to raise a family in the Dominical-Uvita area. This is where I work and live. So, US and Panamanian passports, and Costa Rican residency? Could this be a case of divided loyalties? Even patriotic schizophrenia?

Ideally, not. Of course there are those dicey moments when one country is kicking another's tail in sports, and I am forced to choose. That's when I usually choose to go to the bathroom.

But since it's almost always soccer and the US is losing, I have grown accustomed. As long as there is no shooting war among the three, I should be able to avoid any huge moral dilemmas. However, the question of where to live and invest calls for impartial consideration, with each nation having its strong and weak points.

The Rule of Three

The real estate market has a way of rewarding *quality* by increasing the prices that rational investors will pay for property in a given area. There is a reason why contra-owned jungle with no title in Nicaragua goes for \$50 per acre. It's worth every penny. Call it the Rule of Three, which sums up what the savvy investor is looking for: 1) safety, 2) proximity, and 3) beauty.

Safety means physical security, i.e. the knowledge that you are not likely to be kidnapped, or impacted by terrorism, or destroyed by a hurricane; as well as legal security, as in rule of law. You can hear stories about random incidents all night, but what matters over the long term is the political and social infrastructure. Are national issues resolved peacefully and democratically? Can you buy and sell property under a reliable system? Are poverty rates at least manageable? What does the country's recent history tell you about its chances for stability? The higher the risk, the cheaper the land should be. As for proximity, it means nearness to North America. And beauty usually refers to pristine forests, mountains, and beaches.

Central America

The other countries of Central America may be near to the US, and they may have much natural beauty - but in most senses of the word "safe," they are not. One big reason is that each of these countries between the US and Costa Rica (Mexico Guatemala, Belize, Honduras, El Salvador, and Nicaragua) has highly entrenched poverty. For example, according to the World Economic Forum, the Growth Competitiveness standings for Guatemala, Nicaragua and Honduras ranked at the bottom of the world as recently as 2003, between Zambia and Ethiopia. These are failed states with sporadic famine, perennial social injustice, and lots of unemployed men in the streets with guns - and I don't mean the Africans! The same three also made the all-worst list for Business Competitiveness in the same year, ranking in the bottom 14 worldwide along with Chad and Angola. What else do we need to know?



Panama

By the process of elimination, this leaves us with Costa Rica and Panama. They both pass the Rule of Three, with flying colors. It is true that in the 1980's, Panama earned a black name due to its former strongman, Manuel Noriega, who trafficked drugs and ran the government like his personal Mafia. But since Noriega was deposed by

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Pres. Bush in 1989, Panama has made impressive strides towards sustainable democracy. Today, it is coming on strong as a retirement and investment haven, nipping at the heels of Costa Rica.

Panama's pluses include: the US dollar as its sole currency; the privatized telcos; the great infrastructure; the easy money; the welcoming laws; the natural beauty of the forests and beaches; the voter-approved plan to widen the Canal; the peaceful and fun-loving people - all of these add up to a solid case for investing or retiring in Panama.

What's more, Panama's Global Competitiveness ranking by the 2006 World Economic Forum was 57, very good for Latin America -- up dramatically from 65 a year earlier and just a few points behind Costa Rica's. In all of Latin America, only Chile was better than these two.

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Bella Vista Chacarita 19.7 hectares 48.66 acres

US\$ 440,000

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This farm is located south of Palmar Norte, near the Osa Peninsula, about half-way between Palmar and Rio Claro.

Bella Vista has an easy entrance, being only 10 minutes off the Pan American Highway, yet maintains a feeling of privacy since it is inside a small valley. The property has beautiful distant views and gorgeous mountain views. The farm also has plenty of year round water

with a big creek as one of its borders, including a beautiful waterfall. It also has a small "tico house" near the bottom.

There are many possibilities with this farm, whether it is to conserve and reforest, or to have as a home, or to develop for a few house sites, or to do all of those things, Bella Vista would be perfect.

Chacarita is the turn-off point

to the Osa Peninsula and will eventually have paved roads to Drake Bay as well as Puerto Jiménez.

It is only 30 minutes drive from the airstrip at Palmar Sur and a short hour from the border with Panama.

La Unión Chacarita 30 hectares 74.10 acres

US\$ 105,000

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This lovely farm features mainly cattle pastures and includes two gorgeous but steep hills. Therefore, building a road up to the house site will be a challenge. The building site has charming views of the mountains.

There is a beautiful river that borders the farm which forms a refreshing swimming hole. Also, there is a creek that runs through the property and joins

the bordering river.

The farm is only one kilometer from the main highway. Electricity is in front of the farm. Access across the river may be secured by building a bridge or by regrading the river bed to secure crossing by 4WD vehicles.

This farm is only 25 km from Palmar Norte, a full-service town with banks, grocery

stores, post office, and gas station and the town where the new International Airport will be located.

Cascada del Mar Ballena 1.5 hectares 3.7 acres

US\$ 165,000

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The property is located in one of the finer projects that have been realized in the area.

The lot is at the end of a cul-de-sac, and is located in a real community, combining the best of both worlds; completely private, yet very secure when the owner is absent. The ocean view includes the Tres Hermanas rocks and is wide open. The building site is very ample, and a foundation has already been

put in for a 3500 square foot house. All the plans have been approved, so one can start building right away or, if one prefers, re-design the house to ones taste. A creek with a good sized waterfall (the picture below was taken in mid-January/dry season) with a nice swimming holes can be reached with an easy 2 minute hike from the building site.

The pristine beaches of Ballena

National Park are an easy 5 minute drive away, while both Uvita (lots of services, including super markets, banks, appliances store, hardware store, internet cafes, a clinic, pharmacy and even a veterinarian) and Ojochal (featuring some of the finest restaurants in the country) are both about 10 minutes driving. The property is accessed within 5 minutes of the Coastal Highway.



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This eminently developable farm is only minutes from the wide open, deserted beaches of the South Pacific. It is perched on a series of gentle ridges 500-800 ft. above sea level and 25-40% of the farm has gorgeous ocean and coastal views. You can watch the waves break on Playa Matapalo from there. The rest of the land is nestled in its own valley of rolling hills and mostly flat land which features

very nice mountain and valley vistas.

There are four spectacular ocean view sites on the ocean side of the farm and four more modest ocean view sites on the east side. The first four would be worth an average of \$250,000 in today's market, and the second four about \$150-175,000 apiece. In addition, on the west side there is a ridge that runs parallel to the

US\$ 3,300,000

**Hidden Valley Ranch
Matapalo**
330 hectares
315 acres



coast for one kilometer which supports another 20 ocean view sites. Finally, there are many valley and mountain view potential home sites located all over the East side of the farm. The River Matapalo runs through the property, and it also features numerous fresh springs and year round streams. Main power poles run right along the public road that divides the property for two kilometers.



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This parcel touches the public road and has astounding ocean and surrounding mountain views. Has two spectacular building sites. Includes about 5 acres of primary jungle adjacent to the lot. Comes with driveway and two house sites.

cent public road. It is totally private from all the other parcels in the area, and is further protected by the 5 acres of jungle. Great views of the mouth of the Terraba River, and you can even see the Ballena National Park islands, plus Isla del Caño.

Located at about 800 meters above sea level, this parcel is part of the Punta Hermosa development, yet it has its own private entrance from the adja-

Power and water will come over time, as there are many plans by developers and others to bring them in along the pub-

US\$ 150,000

**Punta Hermosa 3
Coronado**
3 hectares
7.26 acres



lic road, which connects the Coastal Highway with Pejibayé and San Isidro.



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This very private house is sold with all furnishings and is located just outside the full-service town of Ojochal. It has a nice ocean view and an unobstructed view across the Ojochal valley.

private bedroom on the side. The kitchen opens to the rear balcony and has its own pantry. The newer wing consists of a big living room on the ground floor, a separate office and the upstairs has an open bedroom/bathroom, a full walk-in closet and a private balcony with a spectacular view of the Pacific Ocean.

The house has two distinct wings with a complete living space of about 220 m² (2,370 sq. ft.). The older wing has a sunken kitchen opening up to the living room area and a

Both wings connect to the pool area as well as the mountain

US\$ 595,000

**Casa Cocos de Osa
Ojochal**
1.36 hectares
3.35 acres



view balcony on the rear of the complex. There is also a completely detached bodega (pantry/workshop) on the property. The house has three air-conditioned rooms, an alarm system and a double carport with ample guest parking.



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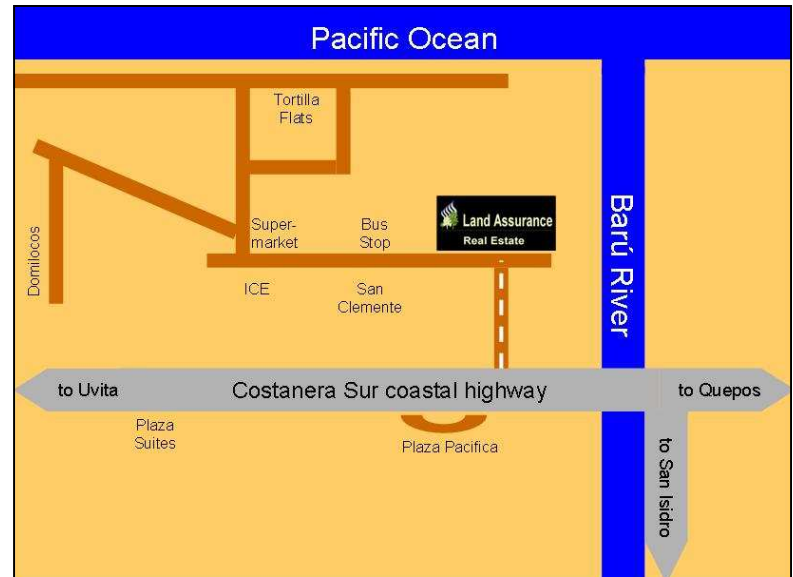
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Costa Rica and Panama: Two Distinct Flavors (continued from page 1)

However, Panama suffers from that same terrible Central America poverty. The glittering cranes of the capital and all the fancy cars and condos give an impression of great wealth. And indeed the top end of Panama, the top 2 percent of the population, is extremely rich. But all the frenzied activity in the capital only obscures a different reality: that Panama has the third-worst distribution of wealth in the world. Forty seven percent of the people live in poverty and 16 percent live on under a dollar a day. The expansion of wealth has not benefited the poorest sector but only the still modest middle class, and much more so the upper classes who continue to control the commercial and government sectors. Unless it starts to open up soon, the system in Panama does not bode especially well for capitalism in the region, given that Chavez and Ortega as

likely drooling over the prospect of shagging Panama. The other big problem that Panama shares with the rest of its brethren is corruption. Costa Rica has more than its fair share, to be sure, but it is a babe in the woods compared to the rest of Central America and Mexico. This goes directly to the "rule of law" issue. For example, I think that you can judge much about a country by its police force. In Costa Rica, the cops look and act like boy scouts, dutiful in their tan slacks and white shirts. The "trafficos" may seek an occasional bribe but they are invariably gentle about it. And they don't stop you unless you actually do something illegal.

Panama is like another universe: nasty mean cops brazenly demanding their unfair share at every non-opportunity. Even after the sacking of the previous police state run by the narco dictator Noriega, many cops in Panama retain their boss-man's swagger. It tells you a lot about what is going on behind the scenes.

Costa Rica
Costa Rica's key facts show another picture: oldest democracy south of the US; Nobel Peace Prize winning President; no standing army; no natural enemies; second highest 2006 Global Competitiveness Rating in all of Latin America; lowest percentage of poverty in Latin America; largest percentage of acreage per capita dedicated to national parks; low violent crime rates. The distribution of wealth here is and has been historically much more equitable, than even in the US; the latest figure I read was that the officially poor in CR number about 17-18%, which is considered exemplary for the region. Most of the ticos live in the elastic latino middle class, and are neither rich nor poor.

Costa Rica is a made country. Its reputation for safety and beauty would take decades to undo, just as it will take Panama decades to sanitize its international image in the wake of its still recent narcodictatorship and subsequent war with the US. Even so, Panama like Costa Rica, also has a functioning democracy in which prop-

erty rights are respected. Both countries will probably continue to prosper. Both have significant pluses.

Conclusion
When all is said and done, boomers will continue to flood into both countries. So, how to choose between them? If you want to buy land to live or retire in the region, you should spend a lot of time in either country and pick the place where you feel most comfortable.

If you are mainly buying to invest and re-sell, pick a location in either country where roads and other infrastructure are incoming. A rising tide lifts all boats. Both countries will probably do well. I think both countries have very strong prospects over the next several decades. But in the final analysis, Costa Rica is a safer bet. It's democratic institutions are more solid, its poverty rate lower, and it has less corruption by a long shot.