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In a Corner of Costa Rica, a Beachhead for Luxury

By JANELLE BROWN

THE Liberia airport, Costa Rica's new international hub, is not precisely a beacon of modern transportation. The terminal consists of an open-air warehouse with a corrugated tin roof, cooled by an enormous fan whose main effect is to stir the grasshoppers into a frenzy. In the line for customs, visitors are kept company by butterflies and the occasional blasé frog.

Before visitors even leave the tarmac, though, smiling representatives from the local Chamber of Tourism are there to greet their out-of-town guests, most of whom have just arrived on the new direct three-hour flights from Atlanta, Miami and Houston. They press the real estate guide "Costa Rica Traveler" into newcomers' hands. In its pages, American visitors can find ads for dozens of different developments that will happily sell them a villa with an ocean view.

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 José. But in the last few years, Guanacaste has been transformed by a collection of hotels and real estate developments aimed at America's affluent baby boomers.

All up and down the coast, bulldozers are at work. Three major developments, including a project anchored by a Four Seasons hotel, are already 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 identity 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 American investors, are going up not only in Costa Rica, which has led the trend, but in Panama, Honduras, Belize and Nicaragua. American buyers are drawn to the cheap prices for oceanfront real estate on previously undeveloped land.

"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 near the town of Jacó, said that because foreigners are allowed to own land directly, rather than through the bank-trust leases required in some Mexican property deals. "No one is going to expropriate your property," he said.

And what about that property? In Guanacaste, the jungle runs straight from the volcanoes to the sea, where it overlooks a warm azure ocean from 200-foot bluffs. 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. The foliage grows up to 10 feet a year, though in the "gold season" — a flattering term for the dry months of December through April — most trees lose their leaves, leaving the landscape barren.

Until the developers began arriving with suitcases of cash, Guanacaste was mostly the domain of cowboys called *sabaneros*, whose legacy lingers at local rodeos. Roads must be shared with herds of ambling cattle and are often so potholed that local people drive on the ground along the side. Yet strung all along them are signs, all in English, advertising million-dollar villas.

"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](http://NewJersey.com) developer who, with a group of friends, snapped up land in Guanacaste, formed a company called Costa Rica Lifestyle Development and is now selling lots for up to \$300,000 apiece. "And it's hot, very hot, as a place for people to buy. It's booming right now."

The boom can be traced back to the 2,300-acre, \$400 million Península 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 1970's but remained uninterrupted jungle until 1997, when Alan Kelso, a Costa Rican developer, got American financing and broke ground. Península Papagayo has a Four Seasons resort and is expected to include three more hotels and more than 1,000 luxury homes, although, at the moment, only 44 houses and condos have been built. (They're selling for \$2 million to \$12 million.)

"We put the region on the map," Mr. Kelso said as he sat in Península 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 patrons from pitted roads and electrical blackouts, developers have paid for their own infrastructure. Grupo Mapache, a Costa Rican developer that is building more than 20,000 low-priced condos in the Guanacaste area, has spent \$2.5 million on roads and sewers. Península Papagayo has not only paid for its roads, sewers, buses and electricity but has even set up its own paramedics and fire brigade.

"We sell 'Costa Rica Lite': all of the upside with none of the downside," said Jeff Klein, a sales agent for the Papagayo project. "We're our own municipality."

The owners of Península Papagayo and two other high-end developments, Hacienda Pinilla and Reserva Conchal, even paid for that critical airport in Liberia, putting up \$3 million of their own money in 2002 as a guarantee to persuade Delta to start direct flights. Continental and American followed.

EARLIER efforts to develop Guanacaste were mostly underfinanced. On a road near the town of Playa del Coco hulks the moldering 20-foot-tall concrete gate of Cacique del Mar, all that was built of a 500-acre development planned in the 1990's. Even this forlorn property has since had a change in fortune. [Stephen M. Case](#), former chairman of AOL Time Warner, bought it in 2005, and Guanacaste is buzzing with rumors about what he plans to build on it.

At Hacienda Pinilla, hundreds of condominiums and villas are being built around 4,500 acres of nature preserve by the Atlanta-based owner, Hoover Gordon Pattillo, who bought the land as a family vacation homestead 30 years ago. Visitors to Mr. Pattillo's modest ranch, tucked inside a tree-lined grove, are greeted with a tequila-laced lemonade and a perch on a rocking chair overlooking the sunset.

"It was destiny," he said. "I had no idea what I was going to do with the land. We'd come down once a year and stay in the old farmhouse, which had no electricity or running water." In the late 1990's he began developing home sites. "We really had to work hard to sell those first villas," he said. Things have changed. Over two weeks last year, Hacienda Pinilla sold 43 Spanish colonial condominiums for \$580,000 and up without any advertising.

The Costa Rica rush can carry hazards for the unwary. Jeff Hornberger, the international market development manager for the National Association of Realtors, cautioned that Americans buying in Costa Rica should be sure to buy title insurance and should be aware that real estate agents aren't required to be licensed there. "Ninety-five percent of the time we don't hear about people having problems," he said, but sometimes Americans "come on vacation and get overwhelmed and leave their brains at the border."

Many Americans who are buying now are looking for investments, eager to get in on the boom. But others simply love Costa Rica, with its warm seas and unspoiled jungle landscapes.

"This is my garden; look at this!" Jean Capezza, 59, said as she gazed down over the jungle to the sea from her perch at Reserva Conchal, an upscale golf-course-anchored development of 2,300 acres that will eventually have several hundred homes selling for \$500,000 to \$2 million each. Ms. Capezza, a retired administrator for Verizon in Boston, and her husband, Tony, 63, a retired public school administrator, bought a Mediterranean-style four bedroom condominium in early 2004 and spend seven months a year there.

Their house has already nearly doubled in value, but the downside of the real estate demand is the incessant grind of bulldozers nearby. The Capezzas fear more flights landing in Liberia, new condos up the hill, even

the appearance of a Burger King in the nearby town of Tamarindo. "If we wanted the roads of [Florida](#), we'd be in Florida," Ms. Capezza said. "We hope progress comes slowly. Very slowly."

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