

Exhibit R-162

María Paula Barrantes-Reynolds, The Expansion of "Real Estate Tourism" in Costal Areas: Its Behaviour and Implications, University of Costa Rica, San José

# The expansion of “real estate tourism” in coastal areas: Its behaviour and implications

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## Abstract

*This article argues that while residential tourism as a mode of human mobility is a form of tourism, the residential tourism supply side, also known as “real estate tourism”, is a form of real estate business that compromises the conditions of possibility of the tourism industry and of residential tourism itself. Taking the North Pacific coast of Costa Rica as a case study, the article further argues that because of the short-term nature of the real estate tourism investment and its high environmental impact, it is incompatible with a model of sustainable development.*

**Key words:** residential tourism business, Costa Rica, sustainable development.

## Introduction

Residential tourism has been analyzed by academia since the 1950s, particularly in relation to Spain and other countries in the Mediterranean region. Since that time, there has been polemic around a term that seems to be a contradiction in itself, as it attempts to join the word “residential”, which suggests permanence and routinization, with the word “tourism”, which refers to travel for a short period to escape routine (Sharpley, 2002a: 23).

Nonetheless, the term “residential tourism” has come to be accepted in academia (residential tourism is sometimes also referred to as “second homes”, “semi-migration”, “summer migration” and “seasonal suburbanization”; Hall and Müller, 2004: 104), and it is generally agreed that residential tourism consists of the purchasing of second homes, mainly by foreigners, for the purpose of leisure and consumption.

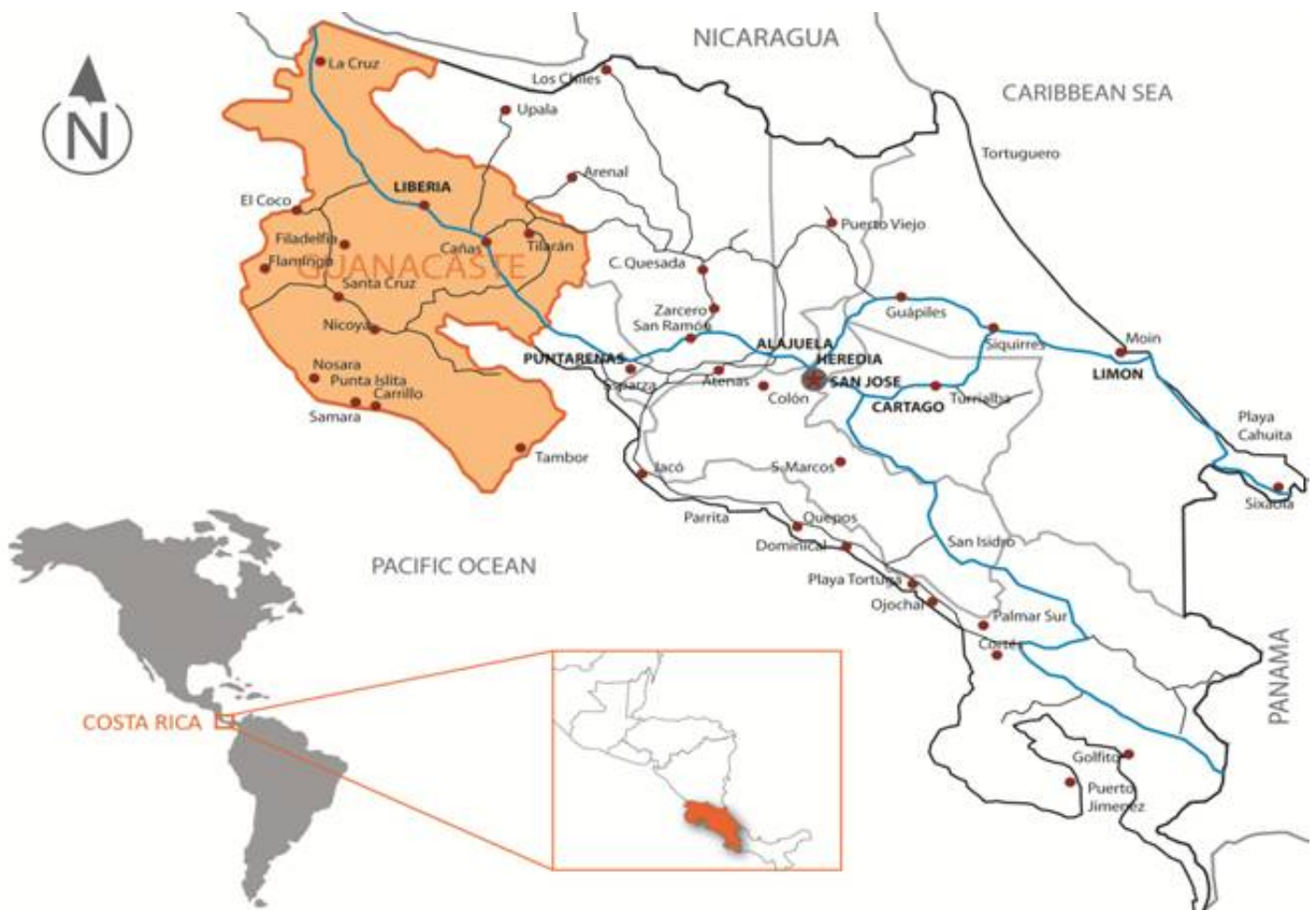
In the 2000s, however, Latin America witnessed an unprecedented expansion of residential tourism as an industry, with its enormous capacity to modify the landscape, the use of land, the labour market, the patterns of human mobility, and the conditions of access to natural resources, to land and to public spaces in rural and coastal areas. The similarities of residential tourism to the real estate business has earned it the term “real estate tourism” (“*turismo*

*inmobiliario*) (Aledo and Mazón, 2005; Silva and Ferreira, 2002 cited by Ariza da Cruz, 2009).

In Central America, the residential tourism sector thrives along the coasts in the form of luxury beach resorts, high condominium towers, and large gated communities. The landscape at some beaches—which used to be dominated by the vestiges of previous development models, such as cattle-raising, or which consisted mainly of forest with a few houses owned by fishermen, peasants or Amerindians—has been developed in a matter of a few years into touristic enclaves dominated by tall buildings and large advertisements in English. Once built, the residential tourism infrastructure quickly displaces the local flora and fauna, and dramatically changes the *modus vivendi* of the locals.

The present article examines the expansion of “real estate tourism” in Latin America by taking as a case study the North Pacific coast of Guanacaste in Costa Rica, an area within Central America in which the residential tourism industry was particularly prominent between 2002 and 2008 (PRISMA, 2007: 8). Rather than being a sociological study of residential tourism as a form of human mobility, this article is focused on understanding the features and behaviour of the supply side of residential tourism and its capacity to transform the landscape of coastal areas.

## Map 1



Map created for this article by Felipe Barrantes.

The article will begin by carefully defining residential tourism and explaining the behaviour and implications of “real estate tourism” in coastal locations. The article will then refer to the selected case study and explain the residential tourism boom in Guanacaste. Finally, the last section will examine the social and environmental impact of residential tourism in Guanacaste and its relation with a model of sustainable development.

## **Real estate tourism: its behaviour and implications**

### **What is real estate tourism?**

“Real estate tourism” (*turismo inmobiliario*) is a way of referring to the residential tourism business or the residential tourism supply side (Mazón and Aledo, 2005). It should be differentiated from residential tourism as a form of human mobility. Residential tourism as a form of human mobility, which can also be referred to as the demand side of residential tourism, is defined according to the behaviour patterns of the residential tourist. In other words, it comes about whenever a tourist acquires some real estate in a specific destination for the purpose of leisure and consumption. A residential tourist is different from a holiday tourist by the bond that the tourist establishes with a place through the acquisition of real estate. A residential tourist also differs from an immigrant in that residential tourism is consumption-led and not production-led: the residential tourist in principle does not work or have a business in the country of destination. The aim of the residential tourist is consumption, leisure and tranquillity. In Latin America, residential tourists are frequently retirees from North America and Europe (Barrantes-Reynolds, 2010: 10-14).

By contrast, real estate tourism is a business that consists of the production of urban land in touristic or potentially touristic locations (PRISMA, 2007: 2; Mazón and Aledo, 2005: 18), as exemplified in the coastal areas of a number of countries in Latin America, including Mexico, Guatemala, Belize, Nicaragua, Costa Rica, Panama, Ecuador and Brazil.

Real estate tourism is linked to two sectors: the fragmented and multi-sectoral tourism industry and the real estate business. It should be noted that in developing countries like Costa Rica and even in emerging countries like Brazil, residential tourism attracts large amounts of capital from foreign investors into the country, benefiting both the developers of the residential tourist infrastructure and the developing States that use foreign direct investment (FDI) to pay off the deficit in their current account. For example, during the period 2000–2007, FDI was the most important source for financing Costa Rica’s current account deficit (BCCR, 2007: 16).

Particularly from 2004 to 2008, real estate tourism was Costa Rica’s main source of FDI (BCCR, 2006b; BCCR, 2008; see Table 2.1).

### **Why is real estate tourism not a form of tourism?**

Real estate tourism appears to be related to tourism for several reasons. First, its infrastructure in the coastal areas is located in mature touristic destinations. Second, the infrastructure that is built by these developers in the coastal areas is touristic infrastructure. Typical residential tourism infrastructure in coastal areas comprises high condominium towers such as those found in South Florida, and gated communities with amenities such as sport facilities and golf courses, like those found in Murcia, Spain, and in Guanacaste. The residential tourism infrastructure can also be part of a larger touristic project, most commonly an all-inclusive resort that boasts not only a five-star hotel but also a residential area (Honey and Krantz, 2009: 77; ECLAC, 2008). Examples are the Four Seasons, the Marriott and Hacienda Pinilla in Guanacaste.

Third, real estate tourism, like holiday tourism, depends on the State for the provision of services (water, electricity, health, security, etc.) and infrastructure (roads, airports, aqueducts, sewage, etc.) to make the touristic destination accessible and suitable (Patullo, 1996; Hein, 2002). In the case of Costa Rica, one of the main factors for the real estate tourism boom in the North Pacific was the arrival of international flights from Atlanta, Miami and Houston to Liberia's international airport, making Guanacaste more accessible to US and Canadian tourists. Indeed, one of the reasons why the Osa Peninsula in the South of Costa Rica has not yet been fully exploited by residential tourism is because of its difficult access, an aspect the Government of Costa Rica wishes to rectify by constructing an airport (Prescher, 2010).

Fourth, the residential tourism supply side similarly relies on the State for the production and promotion of touristic locations and for the brand identity of the country (e.g. "Impressive El Salvador", "Guatemala, soul of the earth", "Costa Rica, no artificial ingredients"). Finally, both tourism and residential tourism cannot take place without the necessary political and economic stability that will attract the arrival of tourists and guarantee the safety of investments and private property (Patullo, 1996: 30–33; Hein, 2002: 75). In that sense, interviewees for this study declared that one of the factors that attracted real estate tourism developers and investors to Costa Rica and that placed Costa Rica over other Central American countries was its touristic image created by the State as a peaceful, friendly and democratic country (interview with real estate developer in Costa Rica, 2009).

Despite these apparent links between real estate tourism and tourism, the behaviour of the sector in fact responds more to the logic of the real estate business. This is because the basis of real estate tourism is not the promotion of tourism in a particular location (PRISMA, 2008: 3), but the acquisition of land at an affordable price in an emerging real estate market with favourable conditions (e.g. cheap cost of labour, favourable legal structure), in order to construct and then sell property for maximum profit.

This logic is evident in Central America, where real estate tourism often takes hold in locations that are near touristic poles but that have not yet been exploited by the tourism industry. This allows developers to buy land under market value in an unspoilt location and then to construct

and sell condominiums, houses or apartments at high rates of return. A beach house, island villa or ocean-view flat usually fetches a high price because of the conditions of “remoteness” and “authenticity” of the property, as well as its proximity to touristic attractions (i.e. golf courses, national wildlife parks, marinas, night life).

Furthermore, second homes can be acquired by residential tourists but also by house flippers and other types of investors, as happened in Guanacaste (see further on in this article). Hence, the expansion of this type of infrastructure is not necessarily a direct response to touristic demand but can simply be the result of real estate speculation.

Significantly, this real estate speculation engendered by real estate tourism has the potential to undermine the very factors of touristic competitiveness of a coastal location (Mazón and Aledo, 2005: 28) by over-construction and pollution. This indeed was the case in locations like Tamarindo beach in Guanacaste, where tall condominium buildings have become predominant, thereby eroding Costa Rica’s image as a “natural destination”, and where the ocean has been polluted and the beach and nearby flora contaminated by solid waste (López, 2008; Baldares, 2007).

Real estate tourism can have a conflictive relation with the holiday tourism industry in other ways too. For instance, residential tourism infrastructure can compete with hotels and touristic activities for touristic spaces. In the case of the Mediterranean coast of Spain and its autonomous communities, for example, the residential infrastructure composed of second homes greatly surpasses that of the hotel sector, and the combination of both types of infrastructure has caused the massification, urbanization and loss of touristic appeal of some coastal destinations (Exceltur-Deloitte, 2005: 15–17). In the case of Costa Rica, although the Government’s aim during the late 1990s was to attract holiday tourism mega-projects such as five-star hotels, during the years of the real estate tourism boom only 12% of the construction that took place in Guanacaste was connected with the hotel sector (Salas-Roiz, 2008: 55).

It should be noted that residential tourism itself does not coexist well with forms of tourism that require pristine nature, or at least less invasive approaches to a given natural and socio-cultural context. The conflict lies in the fact that residential tourism dramatically alters the natural landscape, changing the touristic product from a natural one to an artificial one. Put differently, tourists who come to Guanacaste, Costa Rica to lie on a deserted beach or do yoga surrounded by forest and wildlife will not find such an experience when the coastal areas have been taken over by condominium towers, golf courses and large shopping centres.

Furthermore, a comparison between the behaviour of the residential tourism industry and the standards of sustainable tourism reveals gaps in areas such as design and construction. For example, orthodox approaches to sustainable tourism—such as those followed by eco-lodges—seek to privilege designs that blend into the landscape, that take into account the characteristics of the surroundings, and that cause a minimal impact during the construction phase (Sharpley, 2002b: 324, 329; Nature Conservancy, 1999). Real estate tourism, however,

tends to undertake large projects with high density for the maximization of profit, as well as projects that have a high visual impact and that tend to create artificial landscapes, like those provided by golf courses. In relation to construction, real estate tourism tends to have a high impact because of the need to clear forest, level hillsides for ocean-view condominiums, or cut mangroves near the ocean for seafront second homes, as has been commonplace in Costa Rica and also in Mexico and Panama (Barrantes-Reynolds, 2010: 25).

## **Case study: the real estate tourism boom in Guanacaste**

The residential tourism boom in Guanacaste was the consequence of a significant flow of FDI into the country during the period 2002–2007. Never before had Costa Rica enjoyed such high FDI figures, which rose from US\$400 million in 2000 to almost US\$1,885 million in 2007. By 2008, the Central Bank of Costa Rica estimated that investment in residential tourism had positioned Costa Rica as one of the most successful countries in Latin America in terms of foreign investment attraction (BCCR, 2008: 15).

The main external factor that brought investment to the country was the housing bubble in the United States, which amplified the real estate FDI coming into Guanacaste from North America. Data from the Central Bank of Costa Rica shows that over 50% of the investment that arrived during the boom came from the United States, followed by Canada (7.5%), Israel (2.3%), Central America (2.1%) and then a number of European countries (BCCR, 2008: 17).

One of the principal internal factors for the arrival of real estate tourism investment was the shift in Costa Rica's tourism policies in the late 1990s from sustainable tourism to a perspective that viewed large hotel chains such as the Marriott and the Four Seasons as compatible with sustainable tourism and sustainable development (Delgado and Barquero, 1997). Hence, the Government applauded the arrival of large all-inclusive resorts that brought high-income tourism and residential tourism. But what is the connection between these large resorts and the condominiums, luxury houses and gated communities located outside their limits? Some interviewees suggested that real estate agents and developers emerged as "free-riders" of Costa Rica's new mega-project model (interviews with real estate developers in Costa Rica, 2009).

Most of the investment in real estate tourism in Costa Rica was directed to the coastal areas, primarily to Guanacaste (North Pacific) and Puntarenas (Central Pacific) (BCCR, 2008). Like many of the areas selected by the residential tourism business, Guanacaste is a peripheral location that is poor in infrastructure but rich in beautiful landscapes, particularly near the coast. The State has acknowledged the touristic potential of the region since the 1960s, and in the 1990s Guanacaste's role in that sector began to increase. By 2007, Guanacaste accounted for 39.15% of the tourism investment generated in Costa Rica and 20.55% of the residential tourism investment (Fournier, 2009).

The growth of the tourism and residential tourism sectors in Guanacaste is reflected in the economic activities now predominant in its population. By 2009, 27% of locals worked in tourism and commerce. There has also been a rise in the numbers of locals (including Nicaraguan immigrants) engaged in construction, particularly during 2004–2008, reaching 11% of Guanacaste's population by 2008 (Fournier, 2009).

It should be noted, however, that the growth of foreign investment did not necessarily translate into the improvement of living conditions in the province. While the investment in the real estate tourism sector did generate low-skilled employment (maids, gardeners, constructors, waiters, etc.) and did dynamize the economy in specific coastal locations, the sector did not generate any sustained economic growth. By 2008–2009, the real estate tourism boom had come to an end because of the recession in the United States, leaving a trail of unemployment and unfinished buildings across Guanacaste (Barrantes-Reynolds, 2010).

In addition, because real estate tourism infrastructure and touristic poles operate as enclaves, the social and economic articulation of this activity with the rest of the population has been almost non-existent. It must be emphasized that the enclave structure and the consequent segregation and marginalization of the local population are not exclusive to Costa Rica but typical of the real estate tourism sector. Examples can be found in North Brazil, Panama and Kenya (Wishitemi, Masila and Odiara, 2009: 244; Gómez, Kandel and Morán, 2008: 12; Ariza Da Cruz, 2009). Even the State concentrates its investment in infrastructure within the touristic enclaves, without always benefiting local populations. Finally, both the price of land and the cost of living within and near these enclaves inevitably rises, leading to the gradual withdrawal of the local population.

To better understand the dynamics of real estate tourism in Guanacaste, it is helpful to identify the types of sellers and buyers of residential tourism infrastructure during the years of the boom. The sellers of residential tourism infrastructure were not always consolidated hotel chains or developers, but amateur developers who saw an opportunity for quick profit. The consequence of this proliferation of investors was a faster and greater saturation of the touristic locations with low-standard condominiums and luxury houses, as a result of which one-third of luxury houses built in Guanacaste by 2007 did not meet basic standards of structural soundness (Ramírez-Flores, 2008).

Sellers of residential tourism infrastructure included the following (interviews with real estate developers in Costa Rica, 2009):

1. The mega-projects or all-inclusive luxury hotels that offered residential areas and condominiums for sale or rent. Examples include the Marriott, Hacienda Pinilla, Reserva Conchal and the Four Seasons.
2. The national, foreign and joint-venture developers who built condominiums and gated communities in key areas of Guanacaste and who had been in the development business previously, having constructed similar projects in other countries or in Costa Rica's



capital, San José.

3. The national, foreign and joint-venture opportunists with limited or no previous development experience who had access to credit or capital and identified an opportunity to make large profits by building condominiums. These developers tend to construct with little awareness or appreciation of necessary standards and industry best practices.

An analysis of the buyers is even more interesting because it reveals details about the alternative use of residential tourism infrastructure in Guanacaste as a form of investment. Condominiums and houses in the coastal areas of Guanacaste were generally purchased by the following four kinds of buyers (interviews with real estate developers in Costa Rica and a lawyer of an international law firm specialised in real estate, 2009)

1. Foreigners, especially from the US but also from Canada and European countries like Germany and Switzerland, usually with a family or at retirement age seeking to relocate to a warmer place or to have a second home for holidays.
2. Young single foreigners looking for a second home on or near the beach with access to surf and sport amenities and, occasionally, to sex- and casino-tourism.
3. National well-to-do families from the Great Metropolitan Area of Costa Rica looking for a second home. Developers agree that this group constitutes only a small percentage.
4. Foreign house flippers, who purchase real estate with the intention of selling it on for profit, usually without making improvements.

## **Real estate tourism and sustainable development**

This section makes the case that real estate tourism is incompatible with a sustainable development model. The real estate tourism sector consists of a short-term investment in which the developers arrive, buy land at a relatively low cost, construct condominiums and houses, and then leave once these have been sold on. Under this *modus operandi*, sustainable development criteria, such as a concern for the social and environmental impact or the availability of resources such as water, are not a priority because there is no long-term commitment to the local communities or to the natural environment—an aspect that is intrinsic to any sustainable development approach.

In the case of Costa Rica, the State's strong approach towards sustainable development is embedded in the Constitution itself. The right to a "healthy and ecologically balanced environment" (Article 50 of the Constitution of Costa Rica) encompasses not only the protection of nature but the constitutional obligation of the State to hold a conception of sustainable development. According to the Constitutional Court of Costa Rica, sustainable development consists of balancing economic activities and the right to free enterprise with the protection of nature, the consideration of human survival, and the survival of non-human species. Consequently, the State, in its obligation to guarantee the right to environment, must implement economic development models and undertake economic activities that are

sustainable (Resolutions of the Constitutional Court of Costa Rica 13462-06, 6322-03, 9927-04, 3705-93, 5893-05, 1763-94). Taking this into consideration, this article argues that, had Costa Rica's normative framework been carefully followed, it would not have been possible for the real estate tourism sector to prosper in Guanacaste.

It could be argued, then, that the negative environmental and social impact of the residential tourism business in Guanacaste was at least partly the State's fault because of its failure to properly regulate the sector. This observation is accurate. Indeed, the marginalization of civil society from decision-making processes concerning water, land and tourism policies, the corruption of local governments and the inability of the central State to put an end to the uncontrolled expansion of the sector, contributed to the growth of real estate tourism along the North and Central Pacific coastline (Barrantes-Reynolds, 2010).

That said, real estate tourism in coastal peripheral locations is inherently difficult to regulate because of the typical high speed of growth of real estate tourism in a specific location (Aledo and Mazón, 2005; Deloitte-Exceltur, 2005), as well as its tendency in developing countries to opt for locations that are underdeveloped (Garrod and Wilson, 2004: 99; Telfer, 2002: 143 for the tourism industry). Residential tourism encompasses both touristic activity and the acquisition of property in environmentally vulnerable areas. These peculiar features of residential tourism make its regulation very complex, requiring coordination not only between the central State and the local governments but also between the different institutions in charge of water, urban planning and the environment (Barrantes-Reynolds, 2010). This level of coordination is not always possible in developing countries, particularly when the investment is being directed to peripheral locations that have a weak State presence, and when the phenomenon of residential tourism is not fully understood.

In the case of Costa Rica, the sudden and unexpected nature of the boom, as well as the speed of growth of real estate tourism on the Pacific coast over a period of seven years, made the sector very difficult to regulate. This provided investors with an opportunity to bypass Costa Rica's stringent environmental legal framework, and to construct on the public shoreline and in an environmentally unsustainable way.

## **Real estate tourism and sustainable development in Guanacaste: the example of water**

Costa Rica's touristic image is based on the promise of the tourist being in touch with nature. The tourist expects a beautiful, untamed wilderness and the possibility of connecting with the local fauna and interacting with the local people (Williams, 2010a; Williams, 2010b). The residential tourist, however, also seeks to improve quality of life by moving to a warm, beautiful and less expensive location (Barrantes-Reynolds, 2010).

In Costa Rica, the fulfilment of these expectations is meant to be guaranteed by a legal

framework that holds a strong view of sustainable development. Indeed, over the last two decades, Costa Rica's environmental legislation has evolved towards a more ambitious and participative conservation agenda that significantly restricts economic and commercial initiatives in favour of the protection of biodiversity and natural resources (Cabrera-Medaglia, 2002).

However, Costa Rica's environmental legislation has not always been respected by the residential tourism supply side—a business that has virtually eliminated the possibility of designating many of North Guanacaste's beaches as eco-touristic destinations. The environmental impact of the boom in residential tourism infrastructure in Guanacaste is reflected in the following areas: (a) water management; (b) risk management; (c) waste management; (d) destruction of protected habitats; and (e) alteration of the natural landscape. There is, of course, also the social impact of the sector, triggered by inadequate water management and the displacement of island and coastal communities in order to build residential tourism infrastructure. For the sake of brevity, this article will refer only to the socio-environmental conflicts related to water.

The water issue is particularly important because it exemplifies the difficulties of inserting the real estate tourism sector within a sustainable development framework. In Guanacaste, in particular, the limited availability of water for human consumption is one of the main factors that make the expansion of residential tourism infrastructure unsustainable. It should be noted that real estate tourism requires enormous amounts of water for construction, irrigation, amenities and daily supply to the residential tourists themselves.

While the State has an important share of responsibility with respect to the ill management of water in the coastal areas, the developers also share responsibility in the over-exploitation of water and in compromising and polluting sources of water. Official reports and administrative and judicial resolutions identified the illegal perforation of wells and the over-exploitation and consequent depletion or salinization of aquifers, as occurred at the beaches of Tamarindo, Hermosa and Flamingo in North Guanacaste (CGR, 2008a; Ramírez-Cover, 2008: 158).

Developers, together with the tourism industry generally, have also been directly responsible for the pollution of rivers, streams and the ocean. As mentioned previously, in locations such as Tamarindo beach and Flamingo beach this behaviour led the State to forbid public entry to the beaches on account of high levels of stool in the ocean water that made it dangerous for people to swim there (López, 2008; Baldares, 2007).

The Administrative Tribunal for the Environment of Costa Rica also recorded many cases of developers building without construction permits or environmental impact assessments, or building within protected areas (FECONCR, 2008; Camacho-Sandoval, 2008). Sometimes, these constructions compromised sources of water or aquifer recharge areas, as in the case of two developments in Sámara in South Guanacaste that threaten the aquifer Mala Noche, the main source of water for the Touristic Centre of Sámara (Funke, 2008: 1).

The committee responsible for Samara's water (ASADA, *Asociaciones Administradoras de Acueductos y Alcantarillados Sanitarios*) explained in a report how the construction of two residential tourism projects had compromised the Mala Noche aquifer's recharge areas by felling trees, by terracing and thereby causing erosion, and by discharging sewage water directly into recharge areas, protected areas and areas near the aquifer. The report indicated that all of this occurred because the developers had infringed environmental and construction laws (Funke, 2008).

Developers used diverse methods, some of them unethical and even unlawful, to obtain water from the local aquifers, 60.6% of which are in the hands of local communities through the ASADAs, or rural operators (Astorga, 2009: 22). A strategy used by the developers to secure access to water has been to negotiate with the State for the construction of aqueducts that the investors themselves would finance to be able to source water from the larger aquifers located further away from the coast. The need for this strategy arose after water supplies at beaches such as Brasilito, Flamingo, Huacas and Matapalo had been compromised by developers (Ramírez-Cover, 2008: 164).

In 2008, for instance, foreign investors and a public institution in charge of water management known as the ICAA (*Instituto Costarricense de Acueductos y Alcantarillados*) attempted to divert water from the aquifer Nimboyores to a residential project, golf courses and hotel development known as Reserva Meliá Conchal. The community of Lorena protested forcefully against the laying of water pipes and the extraction of the water because no studies had been carried out on the actual capacity of the aquifer to provide water to both the communities and the large coastal projects (Ramírez-Cover, 2008:1 165–167; interview with community leader in Guanacaste, 2009).

Another well-known case of developers building aqueducts was the expansion of the El Coco-Ocotol aqueduct proposed by developers in 2008 with the permission of the State, in order to bring water from this aquifer to the residential and touristic projects on the coast. However, after protests by the local community of Sardinal, studies were made by State entities that questioned whether this public resource was even sufficient to meet the needs of both the communities and the developers on the coast. The protests in Sardinal and Lorena are examples of the great number of socio-environmental conflicts that took place in Guanacaste over residential tourism projects during the years of the boom (Ramírez-Cover, 2008: 150). They reflect the real underlying tensions between real estate tourism and social and environmental sustainable development in the province.

## Conclusions

An analysis of the boom in residential tourism in Latin America calls for a new look at the definition of residential tourism itself—and a reconsideration of whether residential tourism is in fact a form of tourism at all. The answer to this last question has important implications for

developing countries. For instance, it impacts the discourse prevalent in the developing world since the 1980s that tourism is a clean industry that profits from natural resources and local idiosyncrasies without destroying them (Telfer, 2002: 143). It thereby also informs the discussion on whether or not residential tourism can be considered a suitable path of development for coastal locations.

The regulation of residential tourism is a complex project, partly because it is difficult to distinguish residential tourism from real estate speculation and house-flipping, and also to distinguish a residential tourist from an immigrant or a holiday tourist. Indeed, as witnessed in Guanacaste, residential tourism investment can co-habit with the tourism industry and the house flippers, not in a harmonic way but in a dynamic of continuous competition with the hotel sector and the local communities for touristic spaces and natural resources. Consequently, in order to properly regulate residential tourism, it is necessary first to be able to define it and clearly distinguish its demand side from its supply side.

The main argument of this article is that while it is possible to make the case that residential tourism as a mode of human mobility is a form of tourism, its supply side—known as “real estate tourism”—is not a form of tourism but a form of real estate business that competes with holiday tourism and with eco-tourism for touristic spaces.

In the case of Costa Rica, the real estate tourism sector arrived as a free-rider with the promotion by the State of large hotel mega-projects. The investors in real estate tourism took advantage of the favourable geographic and regulatory conditions and the State’s unwillingness to impose any barriers to foreign investment. As in Spain, real estate tourism in Costa Rica did not prove beneficial to the hotel sector and the nature tourism industry in general because of the saturation and massification of nature destinations.

This article has argued that the behaviour of the developers is counter-intuitive enough even to threaten the very conditions of residential tourism itself. This is because the saturation of coastal locations and other related problems such as pollution and social conflicts are unappealing to a percentage of the residential tourists themselves—in particular those who see in Costa Rica an opportunity to retire (International Living, 2010).

This article has further argued that real estate tourism is at odds with a sustainable development approach. The residential tourism business is a profit-led scheme that moves from one preferably under-developed coastal area to another in search of prime locations with ideal conditions for real estate investment and for attracting potential residential tourists. The business consists of a short-term investment and not a sustainable form of economic growth, in which the developers arrive, buy land and construct at relatively low cost, and then leave once the properties have been sold on, without taking into consideration the socio-environmental impact or the impact on the tourism sector of their activities.

Despite the positive effect that real estate tourism investment has on a country’s balance of

payments, its enclave nature permits little social and economic articulation between the incoming investment and the local population. This form of investment mainly provides low-skilled employment to the locals, some additional commercial activity, and possibly a few backward linkages within and immediately near a given touristic pole. However, these gains must be weighed against the environmental degradation, the increase of social inequality due the enclave model (Caldeira, 1996), the loss of public spaces and, as in the case of Costa Rica, the threat to the living conditions and very existence of coastal and rural communities.

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### Resolutions of the Constitutional Court of Costa Rica

- Resolution No. 3705-93
- Resolution No. 1763-94
- Resolution No. 6322-03
- Resolution No. 9927-04
- Resolution No. 5893-05
- Resolution No. 13462-06
- Interviews conducted in 2009 in San José, Costa Rica and Guanacaste, Costa Rica, with real estate developers, real estate agents, real estate lawyers, residential tourists, representatives of the hotel sector, community leaders in Guanacaste, and Costa Rican government agents (Ministers, local government mayors and Costa Rican Institute of Tourism agents).



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