

You've made up your mind that you are definitely moving to Costa Rica...you are sitting in a coffee shop and a young Costa Rican man approaches you , and , in broken English, informs you that his Uncle is selling a property "with a gorgeous view' and at "a really low price." He then explains that you will be able to save "much dollars" because you are buying direct from the family and will not have to pay a commission.

Too good to be true? Try telling this story to any "gringo" living in Costa Rica and you will get knowing smiles and nodding heads.

This scenario and countless similar variations are played out everyday in Costa Rica ...and the saddest part of the story is that most buyers don't know until sometimes years later how much they have overpaid for their property.

The above example can almost be laughable because who among us would not try and get as much as he or she could for their property if a group of rich aliens descended upon their neighborhood?

Nearly all reading this will know that there are no governmental or local regulations regarding the sale or purchase of real estate in Costa Rica. In other words, it is CAVEAT EMPTOR (let the buyer beware) and "anything goes". You are truly on your own.

This is not meant to imply that there are not honest real estate people in Costa Rica...there are... but how do you find an honest real estate person AND get the best value for your purchase? Despite the fact that Costa Rican real estate can be among the most beautiful in the world, none of us likes to feel as if we were taken advantage of.

Most "gringos" , when shopping for real estate in Costa Rica assume:

1. The real estate system in Costa Rica is VERY similar to that in the

States or Canada.

2. Houses are readily available for purchase in Costa Rica, and , while they may be slightly different, can be easily remodelled.

3. How different from the States and Canada can the real estate system be if there are real estate firms such as ReMax and Century21 in Costa Rica?

4. The internet is a true and valid representation of real estate and pricing in Costa Rica.

5. The entire array of services, such as electric, telephone, internet and water are readily available almost everywhere in Costa Rica.

6. Title insurance and protection against fraud is easily obtained.

The SAD truth to all of the above is that **all** are false!

The reality:

1. The real estate system in Costa Rica is "wide open"
2. There are no "comparables" here of any kind so you never really know if you are paying a fair price
3. There is virtually no protection against fraud and misrepresentation in Costa Rica.
4. It is more expensive to remodel an existing home than to build...and there is really not much protection against builder fraud...unless you take certain steps.
5. Real estate franchises here mean nothing as they are not bound by strict rules and regulations as in the States or Canada. They are used purely as a marketing tool here.
6. Utilities and all auxiliary services and common infrastructure services are not readily available in all areas of the country. Even in some of the more affluent areas of Costa Rica it is common for power and water to be "out" for several hours three or four times weekly. Phones in some areas may take literally years to be available. Building permits in some areas are being denied because the local infrastructure cannot support the increased population. In some beach areas, the issuance of building permits may NEVER resume as the infrastructure simply cannot support the number of incoming "gringos". **DO NOT ASSUME ANYTHING IS THE SAME...TAKE NOTHING FOR GRANTED!**
7. Approximately 40% of all gringos who settle in Costa Rica return "home" within five years... and well over 55% of gringos who settle on beach areas year round return in the same time frame.
8. Real estate fraud is common, even with title insurance. Assume that you will need an attorney to check on your first attorney! (Seriously...)

"OK, you have my attention. How can I tell if I am not overpaying for real estate?"

Sadly , it is impossible to know if you are getting a good price or not. The vast majority of real estate firms show their listings at the price

that the owner asks. But the most important item to know about Costa Rican real estate is: Costa Rican real estate is a two tiered market: one price for Ticos (locals) and one price for Gringos (foreigners). So...the question then becomes "how do I, a gringo, obtain Tico pricing?" OR... "Why should I believe you ? You're just trying to get more business for yourself?"

Let's address the last question first. My company operates in a very very small geographical area of Costa Rica... probably less than 5% of the country. We have more business than we can handle .

Our firm has several Tico "scouts" that talk to potential sellers of property in our area daily. We do not list every property we find for sale because 90% of the properties or homes we preview are overpriced. Remember, the old cliché of "almost everything in Costa Rica is for sale at the right price" really does have some validity. (look at it this way: if someone offered you twice what your home was worth you would probably consider selling and buying another and pocketing the difference, right?). Because we see so many properties we are aware of what is a value and a fair price. Most people , including locals, are not.

If you take a look at the many advertised websites selling real estate in Costa Rica you will often find literally hundreds of homes and properties for sale AND will refer to an MLS that exists in Costa Rica. TRANSLATION: this means that these listings are compiled from other websites and claimed as their own. There are virtually no exclusive listings in Costa Rica. These firms categorically have not talked to all of these listings and are claiming them as their own. In point of fact, 99% of all real estate transactions in Costa Rica take place exactly as they have for decades...primarily through word of mouth.

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In my opinion, your initial assumption should be : **" all real estate in Costa Rica is overpriced."**

Then step two: spend time finding an area or town that you absolutely love and that "feels right". Spend time there. Talk to the local gringos about prices, utilities, infrastructure...all of the items on your "check list". These people live there. They should be able to tell you the pros and cons about life there.

Now comes the difficult part... WHAT and WHERE and at WHAT PRICE?

There will most likely be areas within your personal "chosen area" which will be more expensive than others...Grecia, for example, has a specific area (San Isidro de Grecia) which has a preponderance of gringos and is at least priced 50% higher than surrounding properties? Why?... who can say. In my opinion, it is not worth it. But the point here is : make sure that you see ALL surrounding areas not just one or your decision making will be affected.

In many areas there are simply no "well known" real estate firms or firms that advertise on the internet OR who even speak English. (keep in mind that "everyone" is a realtor in Costa Rica , or at the very least, knows someone that is selling property). But it is imperative that in order to find the best pricing you need SOMEONE who knows the area and can at least ferret out good prices.

Several important points:

1. Ticos prefer to live on a main road. They do not all have cars and generally prefer to purchase something smaller and on a bus line. (smaller properties, i.e., those under 5000 sq. meters, can only be legally

purchased if on a main or principle road).

2. The average Tico family makes perhaps between \$500 and 700 per month. Most Ticos cannot afford the same properties that gringos can. This should be self explanatory except that most gringos do not even consider it when thinking about purchasing.

3. 95% of gringos prefer properties that offer privacy, and yet still offer convenience and security...and of course , we all want a view AND a river! And certainly at least an acre or two. Be specific with your WANT list. Make sure that you know exactly how much a new road will cost or new power lines to your dream property. It has to be factored in.

When my wife and I were looking for property and made the discovery that it was going to be nearly impossible to find an existing house to buy...we utilized the services of a local tour guide to help find property.

We did not find out until later that we overpaid for our property by almost double. We are still not sure who pocketed the difference between the sales price and what the actual price SHOULD have been...and at this point it does not matter except to serve as an illustration and a warning to others in the same position.

4. Do not be in a hurry to buy. Rent if possible and get to know the area.

5. Ultimately you will have to hire someone to help you find property. But... (and this is crucial) be sure to let this person know that you are aware that the seller will most likely be giving "your employee" a commission and that you will expect to be able to verify the exact sales price. You may even tell this person that your attorney will need to verify the price. It is imperative that your employee know that you know exactly how the system works . It will not ensure that games will not be played but it will help.

6. Talk to local gringos and ask for help. Seek out a local attorney or two and do the same. Talk to the local bank president. You will slowly

get an idea of the local pricing structure.

Unless you are fortunate enough to find a real estate firm in which you have total confidence...you definitely will need to utilize locals to be your "scouts". And it is crucial that you instruct them that the sellers NOT know that a gringo is interested in buying. (if you use more than one "scout" you will quickly see the gap between gringo and Tico pricing and the disparity which is always here . And if you do not see it...then something is wrong with your scouts' findings.)

A few more observations.....

—if you are planning on living in a predominantly Gringo community or in a popular beach area...it will become even more difficult to find good pricing and value. Demand and prices have become nearly stratospheric. It will take either luck or perseverance to obtain a true "value" near the ocean or in a more expensive gated community.

The above is primarily for the purchase of raw land. The following should be used as a rough guideline when purchasing land with an existing home:

Construction costs (inc. architect fees, utilities, landscaping and all extras):

Central Valley: between \$38 AND 42 per sq. foot.

Ocean or beach: between \$48 and 60 per sq. foot

Gated or development areas: sky is the limit

You will be the only one to determine how much of a premium you are willing to pay. And remember in figuring replacement value, Ticos include ALL tiled area in their size estimates. You should not. (for example, a tiled outside porch area does not cost as much as an inside portion of the house...figure roughly a third as much).

If , when your search is complete, you end up with your "perfect" property... Do NOT FORGET YOUR CHECKLIST!. And lastly...make sure that you obtain the services of a good attorney (and ensure that he or she is bilingual and that you have all documents translated). Ask local gringos for referrals or other Tico professionals. And , if you are still worried about fraud or accuracy... hire another attorney to check on the work of the first. It may be well worth the extra \$50 or so that it will cost.

If you desire additional information or would like to read about own own experiences buying and building **CLICK HERE** for our link. Or if you would simply like more facts and figures about property costs and costs in general and specific guidelines, click onto our website: WWW.CR-HOME.COM .

Thanks for reading this short report... and if nothing else we hope that it gives you food for thought. If you would like additional correspondence , please email us or call the telephone numbers on our website.

Buena suerte,
Rhonda and Randy Berg