Getting out of Dodge to the tropics?

Contributed by Tom Peifer
24 October 2008

In times of change, learners will inherit the earth. - Erich Fromm

The category 5 hurricane sweeping through the global economy has spun off any number of gusts, eddies and small tornadoes which have touched down in Guanacaste, Costa Rica, and muddied the sparkling future in the local development scene.

Sipping a margarita at sunset or taking in the view from a mountaintop, it's easy to forget that the cash flow that made the road, rented the car and built the house at some point passed through any number of financial institutions which are now mired in mutual distrust or choking on mountains of financial toxic waste.

Without commenting on the presidential elections or the likely success of increasingly radical interventions in the "free market" system, it is safe to say that the winds of change will also reshape the packaging and selling of real estate in Guanacaste.

It should be added that forecasting is always difficult. One interesting tidbit came out recently from the Costa Rican Tourist Institute (ICT), that tourism in Costa Rica won't be hit too hard, because the 'downsizing' underway in the US means that overseas vacations will simply be closer to home and in cheaper countries. That doesn't mean however that home and property shoppers will be looking for the same "products," or have the same amount of cash available. Certain trends seem to be developing.

"Less will be more, and much more valuable," claims one real estate expert in my neck of the woods. His is the voice of experience, both in the heyday years of the sub-prime mortgage boom in the US and working for a number of projects here. "Consumer confidence in the US is way down, so far shaken that we are seeing people looking not just for a vacation pad, but a secure, turnkey, getaway option in case things in the US get really nasty." His ominous tone resonated with something I read in the news. Pushing the $700 billion rescue plan in Congress, Bush administration officials had raised the specter of martial law if the economy continued its downward spiral.

Another realtor has taken to sending out e-mails trying to convince buyers that their 401-k retirement plans would be safer converted into real property in Costa Rica than wafting around in hedge funds and dependent on a 500 trillion dollar derivative market whose true worth nobody seems to understand. In this market, pura vida begins to take on a different meaning.

Take a recent sale at a fairly upscale development near my home. Two families bought one lot and are designing a home suitable for ‘flexible’ living arrangements. The bottom line, they want less debt, less house, more cushion. They could well be the wave of the future.

Dozens of commentators, bloggers and analysts are remarking on the rapid changes in US patterns of consumption. One even used the word “thrift,” if you can imagine that. With the credit crunch in the US even hitting credit card users, it is not hard to imagine department stores sweating blood over the prospects of a holiday visit by Ebenezer Scrooge himself. Developers should take note.

Security has taken on a new meaning in an era of massive downsizing, lowered expectations and a palpable fear of what’s next. We might well see a wave of buyers less interested in granite counters and golf greens and more impressed by lower cost, lower maintenance homes. Furthermore, it is a good bet that recent, dramatic price swings in food and energy costs are still etched into the subliminal regions of the collective consumer unconscious.

Projects that can be marketed to these concerns -- and back them up with certifiable actions in design and implementation -- will come out on top in the coming season where oversupply meets under demand.

A couple of words to the wise for shoppers along the Gold Coast:
Dare to cut through the crap. Listen politely to the sales pitch about the cute monkeys and the awesome view. Then cut to the chase.

Where does the water supply come from? Are the wells approved, tested and do they produce enough in the dry season to support the number of units in the project?

How is the project planning -- or not -- to deal with the planned 50% increase in electrical costs, or with shortages? Is there any sense of a plan for developing alternatives or reducing demand by increasing efficiency?

How are hillside developments affecting downstream communities? Are there problems with landslides or flooding? Will future owners or the Homeowners Assn. be liable in case of a lawsuit?

Now, if you’re really an informed shopper, seriously looking for a place to live happily ever after, you are no doubt aware that oil prices have dropped recently. You might also be aware that demand is still projected to grow in spite of the fears of a coming recession. You might also know that financing for new projects is gridlocked due to the current crisis. Now ask yourself, don’t bother with the salespeople ‘cause they won’t have a clue. How will this place be to live when gas prices go through the roof, say, in 5 years time? How will they afford to keep all the roads graded year after year? How far is it to the nearest town, store, highway or bus route?

One last question for the “quick learners” as per the quote above from Erich Fromm. For those who haven’t forgotten the meteoric rise of food prices and the frantic buying of rice and other staples earlier this year, another quickie for your by-now-overwrought salesman. “Man, with all that open space, you know for the monkeys and all, you guys ever consider putting aside just a bit to grow some food, right here near our dream home?” That question, all by itself will separate; forgive me if I can’t resist, the wheat from the chaff.

For the upcoming season, my advice to buyers: pay serious attention to global trends and ask lots of direct questions. To sellers: do your homework guys, it’s a buyers’ market. There are some tough customers coming into town. Caveat emptor works wonders when the buyers are forewarned and forearmed.

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