

Pensionados at peace under the palms

Laura Henderson

Last Updated: 12:01am BST 26/05/2007

Page 1 of 2

The easy way of life and attractive cost of living are drawing more and more of the retiring kind to Costa Rica. Laura Henderson reports

The coffee shops of Escazu are packed on Sunday afternoons, late lunchers chin-wagging in the sun. They are not upwardly mobile Latinos, but part of a growing cadre of foreign-born pensionados (retirees), who have chosen to put down roots, to fish, to play golf, to take it easy. It's not hard to do - the national catchphrase pura vida ("pure life") sums up the philosophy of Costa Rica.

Bordered by Nicaragua and Panama, this tiny republic has avoided the political and economic turmoil that has characterised much of Latin America - the last rumblings of conflict were stamped out in 1948 and replaced by a stable democracy, with a strong growth economy.

Thanks to a decades-old policy of offering tax incentives and other perks to entice English-speaking retirees, the country

has attracted a high-spending class that is being joined by pre-retirees looking for a casita under the palms.



Yan March's luxury beachfront home in Mal Pais is an A-list holiday retreat for the likes of Gwyneth Paltrow and Leonardo DiCaprio

"Overseas residents number about 200,000," says Richard Bexon, of Costa Rica Holiday. "Most are from the States, but UK investor interest has also picked up, many buying ahead of retirement, so they can ease themselves gently into the sunshine lifestyle."

"The quality of life is five-star," says Diana Duignan, who moved from London to Escazu five years ago and now runs La Casa de Ali Baba, a bespoke furniture store.

"Infrastructure and communications in urban areas are excellent and the cost of living is minimal. I get by comfortably on £600 a month. The average annual income is only £6,000 with a price index and taxation bands geared to this level."

The "grey market" is growing apace, with retirees contributing significantly to the £800million a year spent by overseas visitors. The early pensionados have taken up second careers, running start-up businesses, b & bs and restaurants, and now they are attracting more of the same.

"Foreign residents registered under the country's pension scheme can pay into the social security system," explains Willy Driessen, of Nicole's First Realty. "A payment of £50 a month qualifies you for full hospitalisation and medical coverage, although many expats prefer to tap into the private health-care network and use public health facilities as a back-up."

Resident status is secured in a number of ways - the two most common "entry" channels as a pensionado or a rentista (a foreign property owner): "Neither pay taxes on money earned outside Costa Rica," says Mr Bexon, "although retirees need an income stream of at least £300 a month from a qualified pension scheme or retirement account, £500 in the case of rentistas.

"Not everyone chooses to apply for residency: "It really depends on how much time you plan to spend here," says Mr Bexon. "Non-residents can stay for up to three months at a time without a visa, many opting to visit during the December-April dry season. Some eke out their holiday weeks across the year."

Demand from an increasingly affluent Costa Rican middle class is fuelling demand for prestige new-build. "Buyers will find huge price discrepancies between the provinces," explains Mr Driessen. "In the past 18 months, for example, land prices have risen from £10 per square metre to £100 per square metre in Central Pacific Jaco Beach, and doubled to £75 per square metre in Escazu in the Central Valley. That said, you can still pick up a luxury beachfront apartment for about £75,000."

But beware: there are hazards for the unwary buyer. Most beachfront real estate is classified as "concession property", with the first 200m of littoral land being subject to strict planning rules. So any potential investors should check zoning issues thoroughly before buying.

"It's vital to check title insurance when buying an older property or a plot to build," stresses Serge Galkine, of agency Tropical Felgate. "Off-plan is more straightforward -

although you need to ensure that a developer has a finished product to show as well."

Best to find an agency through the Association of Residents of Costa Rica, says Mr Driessen. "They're an expat membership group and don't stand to make any money off you. Buyers who really want to play safe can always use the services of a title insurance company. It costs about 1 per cent of the property value, but it's worth it for peace of mind."

Previously, the domain of die-hard surfers and backpackers, the northern Pacific province of Guanacaste has seen a leap in property prices, with a jungle-run of coastal developments, big-name hotels and smaller more speculative endeavours. At the centre of this transformation is the international airport in provincial capital Liberia, with daily flights from the US and a growing European network, including a direct charter service from Gatwick just launched by First Choice.

"Tamarindo, Conchal and Playa del Coco are prime areas," says Mr Bexon, "but the real bargains lie further north, in Brasilito and Playa Junquillal, where a luxury villa with pool will set you back £200,000.

"Prices here are 30 per cent lower than the Mid Pacific and South Pacific regions," adds Mr Galkine. "Infrastructure isn't in place as yet, but local authorities are working flat out to make it happen." The lively beach area of Jaco and the national park of Manuel Antonio in neighbouring Puntarenas, popular with weekenders (locals), offer a hip and holistic combo - offshore islands and white sand beaches backed by acres of canopied forest.

"Condos in Jaco currently start from £40,000," says Mr Bexon. "Ocean view homes with pools go for upwards of £160,000, but values will shoot up once the Ciudad Colon-Orotina-Caldera highway from San José opens." Some way away from off-the-peg tourist resorts, hippy residents in the region's Southern Nicoya peninsula are also enjoying the trickle of "new blood" into their community.

"We've some unusual offerings," says Andrea Drost, of Tropisphere Real Estate. "Undervalued frontline lots, for example, sell for £15 per square metre near Montezuma. They are owned by a local businesswoman, but she's holding out for a 'holistic buyer'. We've had one inquiry from a yoga instructor, but it's still early days."

Useful contacts

- www.costaricaproperty.co.uk
- www.stewart.com
- www.tropicalfelgate.com

Buying in Costa Rica

- The property system grants foreigners the same rights as citizens.
- Many buyers choose to purchase real estate through a limited company Sociedad Anonima or SA, where they own 100 per cent of the shares. The purchase process on future sale tends to be simpler plus associated costs are minimal compared to a transfer of title to an individual.
- Registered land can be title-searched in the Folio System in the public registry offices in San José and can be found online at www.registronacional.go.cr
- Transfer costs - registration fees, stamp duty, notary and lawyer fees - amount to around 4 per cent of the buying price.
- Annual property taxes are 0.25 per cent of the declared value of the property. An owner of a £500,000 property would pay £1,250 per annum in taxes.

Case study

Yan March (pictured), a former equity trader for Lazard, started renovating his £1 million-pound beachfront home, March House, in Mal Pais seven years ago, before moving there in 2004. Now he runs it as an exclusive holiday retreat, with the likes of Gwyneth Paltrow and Leonardo DiCaprio as guests. Upping sticks has proved to be his "best call yet".



"I've done my share of recce visits here," he says, "but Mal Pais hits the spot. Everywhere is barefoot, with miles of premium surfing and swimming beaches. We've maritime projects like Cabo Blanco up the road - a natural habitat for tree squirrels, iguanas and monkeys - plus it's a five-hour transfer from San José, which keeps it under the developer radar."

So what are the bugbears? "Potential over-development, particularly in Guanacaste, which has a high concentration of American-style gated communities. There's also talk of a new international airport in the Southern Osa Peninsula, with concerns about the project encroaching on Corcovado National Park.

"Quality of life here isn't measured by material things," says Yan. "It's having squirrel monkeys lolling on your balcony and picking fresh fruit for breakfast. Living takes that bit longer here. But then you've got the time to take it all in."

On the market: Buy into the pura vida of Costa Rica

£620,000



Casa Cariari

Located in the popular Cariari Golf Resort, a seven-bedroom villa with heated pool, Jacuzzi and large sun terrace. Formal dining area, spacious, open- plan living room with fireplace. Four miles from downtown San José in the Central Valley province.

£745,000



Beso del Viento

In the quiet village of Parrita, 20 minutes' drive from the trendy resort of Jaco Beach, in

Puntarenas, this is a traditional, six-bedroom beach home with large pool, barbecue area and separate guest accommodation in the grounds (Nicole's First Realty, as before).

£35,000



El Penon del Sol

In the village of Ocotol, near Playa del Coco in the northern Guanacaste province close to the best Pacific coast for scuba-diving and fishing. Two-bedroom, loft-style condo with pool, parking and laundry. Just a 700m stroll to the beach (Tropical Felgate: www.tropicalfelgate.com; +44 (0) 207 625 4490