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Residential Tourism Boom Hits Pacific

Tim Rogers - May 11 2007

Anyone who feared that tourism and foreign investment would flee Nicaragua if the Sandinistas returned to power need look no further than the Pacific coast for strong evidence to the contrary.

Once an untouched shoreline of large cattle farms and deserted beaches, the Pacific coast has since been discovered by surfers and foreign investors, who increasingly are the same people these days.

The result has been a virtual tsunami of foreign capital and development along the coast during the past five years. There are now more than 100 real estate developments – from condominium projects to hotels –that have popped up, in one stage or another, from León to the Costa Rican border. And despite *Comandante* Daniel Ortega's return to the presidency earlier this year, Nicaragua's tourism and development markets are continuing full-steam ahead.

While some of those 100-plus projects are still in the design stage, approximately 70% have broken ground and some are well advanced, according to tourism investment consultant Raul Calvet, of Calvet & Associates.

When combined, Calvet said, all the projects that are under construction represent a total of 11,000 new units, from lots and homes to condos and villas. And many of those have already been sold in the pre-construction phase.

Those who bought early, in 1999, when Nicaragua was still an unknown to investors, have made a killing. Real estate prices along the coast have gone up 500-600% in the last seven years, from \$4 a square meter to around \$250 a square meter, according to Calvet.

For example, an oceanfront property that was selling for \$35,000 six years ago is now selling for \$250,000-plus.

Even more remarkable about the skyrocketing prices along the coast is that they have occurred without the benefit of what developers claim will be the biggest thing for real estate values since the advent of private property: the forever-anticipated Coastal Road, a two-lane tourism highway that has been promised for years, yet remains trapped in a bureaucratic purgatory known as "in study" – a level missed by Dante. (The most recently scheduled start date for construction of the *Coastal Road*, according to the government, is "the end of 2007 or beginning of 2008" – don't hold your breath).

Despite soaring property prices, real estate in Nicaragua is still a relative bargain compared to neighboring Costa Rica, where a comparable property could be as much as 40% more expensive.

And if the success of Nicaragua's southern neighbor serves as a reliable watermark by which to gauge future growth, the market here has still got a lot of headroom before bumping into the glass ceiling.

As the market grows, it too has matured and become more sophisticated and selfconfident, like a young pitcher who suddenly becomes comfortable throwing a slider with a 3-2 count.

Almost gone are the days when developers could just buy up a track of land, subdivide lots with some property markers and start selling the pieces like a barnyard auctioneer.

Today's market, says Calvet, is based more on conceptual themes and professional designs for a turnkey development. It is not uncommon for developers to spend \$2-3 million just on the design, he said.

Dan Prescher, a consultant for International Living, a publishing and real estate group that actively promotes Nicaragua as a foreign-retirement destination, agrees that the market in Nicaragua seems to be moving away from the inexpensive and minimally improved lots for “dream-home builders” and more toward a “multi-use project featuring a variety of housing products and amenities.” The shift in development trends, he says, seems to have more of a rental market and part-time occupancy in mind.

“These projects are striving to become destinations in and of themselves, with shopping, services and entertainment on site,” Prescher said. “I think this is a reaction to a North American buyer who is increasingly less willing to take on the challenge of a major offshore building project on his or her own, along an isolated stretch of beach in a foreign country, however romantic or beautiful or cheap the deal is.”

The trend, therefore, has become one that appears to be shifting more toward “residential tourism,” or people who are looking to buy a second home to visit several times a year, but want to remain active while they are here. Since *Managua* and *Granada* are too far to drive for restaurants, shopping and business services, people want to find everything they need right on site, including a hassle-free “lock-and-leave” management service, Prescher said.

“Condos have suddenly become the new and important component of almost every coastal development (in Nicaragua) that I know of,” he noted.

Even projects that have existed here for years are adapting their development models to the evolving market.

“To keep pace with our competitors, we have launched the ‘Seagate Condominiums’ at Rancho Santana and we are already accepting reservations for pre-construction units, which are very upscale in comparison to our competitors’ products,” said Ann Koplas, marketing director of Rancho Santana, one of the first major developments on the Pacific coast. “The Seagate Condominiums and Santana Beach Club and Spa projects, along with our dedication to improving and adding other amenities, are our responses to the current requirements of the market.”

Par for the Course

As the development market becomes more competitive, big-money projects are looking for new ways to establish a niche by catering to a more high-end crowd.

While the coastline and beaches are almost universally beautiful up and down the Pacific, and many of the developments can honestly boast that they are just minutes away from “some of the best surfing in the country,” a new wave of luxury developments are attempting to distinguish themselves by offering a new attraction: golf.

In fact, if all goes according to plans, the Pacific coast will have five new golf courses – including Central America’s first Jack Nicklaus-designed 18-hole championship course – within the next several years, opening the door to an entirely new type of tourism in Nicaragua.

The first to combine a surf-and-golfing package here was Iguana Golf & Beach Resort, which opened its nine-hole course in 2004.

“It’s surprising how many surfers also golf,” said Olli Fischer, developer of Iguana Golf. “Both sports require time, effort and investment, and hence surfers and golfers are very passionate people looking for a getaway to spend more time doing what they love.”

The next to break ground was Gran Pacifica, an hour’s drive southwest of *Managua*. The development is reportedly ahead of schedule on the first 18 holes, with plans to build a total of 27.

“Most of the 18 greens and tees have been shaped and much of the course drainage has been completed,” Gran Pacifica reports, adding that the clubhouse and cart paths are almost finished.

The third course to break ground will be the 18-hole OceaNica Championship Golf Course at Montecristo Resort, located 38 miles northwest of *Managua*, in the department of León.

The course, which will break ground July 18 with the first nine holes scheduled to open in early 2008, is the brainchild of internationally renowned golf-course designer Mike Young, who has designed 40 courses around the world, including Costa Rica’s famous Hacienda Pinilla, in Guanacaste. The whole course, which will feature a back nine that climbs to a 300-foot elevation with promised “spectacular views,” should be completed by July 2008.

To the south, in Rivas, Guacalito is also reportedly planning on building a golf course and the future San Juan del Sur Beach Resort, too, is also contemplating an 18-hole course in the future.

But the biggest buzz in the international golfing community is over the Jack Nicklaus course to be built at the new Seaside Mariana Spa and Golf Resort, between Pochomil and Boquita, less than one hour's drive southwest of *Managua*.

Nicklaus is the biggest name in the golfing world and the course will be managed by Kemper Sports Management, which is also one of the most-recognized names in the golfing world.

“To be able to design a golf course for Seaside Mariana Spa & Golf Resort in a country that is ready to embrace the game and tourism, to introduce and grow the sport in that region by creating a quality facility in that country, is very gratifying,” Nicklaus said, according to Seaside Mariana’s promotional material. “At Nicaragua National Golf Club, golfers will be able to experience ocean views on both nines, with holes that play to and along the Pacific Ocean, including the two finishing holes.”

At Nicklaus’ request, the resort developers reportedly have already removed a number of the beachfront homes from the original master plan to allow the golf course to have closer proximity to the ocean, while taking advantage of the natural contours of the property’s topography.

In total, the \$100 million-plus Seaside Mariana project will sit on a two-kilometer stretch of land above the ocean and house 600 beach and oceanfront condos, 300 residential lots, 120 golf villas and 38 golf casitas.

With plans to open by 2010, Seaside Mariana promises to bring a new level of luxury – and price brackets – to the Pacific coast. According to Canadian developer Kevin Fleming, golf-course lots will sell for \$450,000 and two-story villas for \$650,000 – prices that are well above anything else that is being developed along the coast.

Seaside Mariana is also building an 80- room boutique hotel that is already courting a major international hotel chain – the arrival of which would further establish Nicaragua’s place on the world tourism map.

But for a country that is just now trying to make a name for itself as a golfing destination, the more sand traps the merrier.

“We have the school of thought that the more golf play available in the area, the better all of us will do,” said Lori Estrada, of Montecristo’s OceaNica Championship Golf Course. “Golf professionals prefer to play more than one course.”

The golf “boom,” adds Iguana’s Fisher, is not yet a reflection of current demand, but an investment in the Field of Dreams philosophy: if you build it, they will come.

“The more golf courses the better because Nicaragua as a country needs to offer several options to really become an emerging golf destination,” he said.

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