

# South of the Border, The Market's Still Hot

Americans Find Second-Home Boom  
Endures; Wildlife in the Neighborhood

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The housing slump has sent many Americans shopping south of the border.

Existing-home prices in the U.S. dropped 4.5% in the third quarter from a year ago, according to S&P/Case-Shiller. But they are still climbing in much of Latin America and the Caribbean.

## SOUTH OF THE BORDER

- [Interactive map: Waterfront homes are cheaper in Latin America, but closing costs are different than the United States.](#)

Buyers are being enticed by the kind of double-digit appreciation that has all but disappeared in the States. In addition, a growing number of new developments are targeting Americans looking for good deals and a lower cost of living.

Since 2003, annual home-price appreciation has been running at 20% in the Dominican Republic, and could reach 50% in the near future, according to Boomerang Unlimited, a Napa, Calif., real-estate investment advisory firm. In San Pedro, Belize, the average price of a 2,200-square-foot home was \$697,500 in September, up 18.6% from a year ago, according to a study by Coldwell Banker; the price of a similar property in San Jose, Costa Rica, was up 20.7%, to \$389,900, the study said.

Prices remain low compared with those in the U.S., particularly for waterfront properties. Because Americans generally buy and sell properties throughout the region in dollars, not the local currency, home prices don't fluctuate with the various exchange rates, as is the case in Europe. What's more, the dollar generally buys much more house in these countries than it does in the U.S., because labor and land are less expensive.

### LIKE FLORIDA IN THE '50s

Still, the rapid appreciation is drawing growing numbers of bargain hunters, making good deals scarcer and causing some customers to look beyond the usual vacation hot spots. In the Dominican Republic, Century 21 broker Dean Brown says that 80% of his buyers this year have been Americans, compared with half last year. Softec, a real-estate consulting firm, says in the past three years, investments in vacation homes in Mexico, primarily by buyers from the U.S. and Canada, have shot up by 60%.

Americans' appetite for investment opportunities is helping to spur a building boom in some areas. In Panama, 170 residential-building projects are under way, mostly marketed to Americans, and 100 more are in the pipeline, according to Panama Legal, a law firm based in Panama City. Among them, a 1,500-acre resort and marina by Naples, Fla.-based developer Todd Gates. The project, on Isla del Rey, one of the Pearl Islands near Panama City, is slated to open in 2009 and will have condos, villas and single-family homes ranging from \$275,000 to \$1.4 million. "It's like Florida was in the '50s," Mr. Gates says.

Some buyers are buying sight unseen. Shams Deitrick, a Walnut Creek, Calif., financial adviser, recently bought a furnished, two-bedroom "ocean view villa" for \$375,000 in Canto del Mar, a new 35-unit development in the southern Costa Rica town of Dominica; the project has already sold out. "All I saw was the Web site, which showed a sloth 30 feet from the unit, and monkeys everywhere," Mr. Deitrick says.

He snapped up the home on the advice of a gym buddy, who said his own Costa Rican properties have quadrupled in value over the past four years. Although Mr. Deitrick isn't looking forward to the daylong flight to Dominica when he visits for the first time in February, he says he's glad he bought the property: "It just doesn't make sense to buy in the U.S. right now."

## BARGAINS, WITH TRADE-OFFS

Preston Thompson, a retired Clearwater, Fla., hospital administrator, hopes to make some money in the Dominican Republic as a "serial renovator," moving into homes, fixing them up, and selling them. In July, he bought a 2,100-square-foot house for \$265,000 on the beach in Cabarete, quickly added \$50,000 worth of improvements, and put it back on the market for \$489,000. If the property sells, he and his wife plan to repeat the process.

Getting the house ready to sell hasn't been as easy as he anticipated, however. Subcontractors were hard to find -- only one firm in Cabarete (population about 15,000) could do granite countertops, for example -- and the quality of their workmanship was "hit or miss," Mr. Thompson says. Worse, neither he nor his wife speaks Spanish, which made communicating with the workers difficult. He's also concerned that Americans may be turned off by local health-care facilities, which he says are very modest. For all of its current popularity, he says, the Dominican Republic is essentially still a developing country. "You have to put up with inconveniences," he says.

Earlier this year, Geoff Folsom, a Thousand Oaks, Calif., businessman, bought a 4,500-square-foot oceanfront penthouse, with its own private swimming pool, in Trump's Ocean Resort in Playas de Tijuana, Mexico, a 30-minute drive from San Diego, Calif. He paid \$3 million for the property, about half the cost of similar resort units he looked at in the States. Property taxes and maintenance costs are lower than in the U.S., too.

There are trade-offs, he says. The mostly undeveloped area outside the development's gates has few restaurants and hotels, and Mr. Thompson is concerned about recent news reports of armed robberies on nearby roads. Still, he anticipates that, as the area develops, appreciation rates will exceed anything he could get in the U.S. "You get so much better value south of the border," he says.

There are additional downsides to buying in this part of the world. The weather can be violent and unpredictable: Last month Hurricane Noel slammed the Caribbean, causing floods and mudslides, and leaving 147 dead. And insurance to protect against natural disasters, including earthquakes, may be impossible to obtain.

In addition, many foreign real-estate brokers are unlicensed and don't necessarily adhere to the business standards that Americans expect. Some, for example, encourage sellers to raise their asking price after American buyers have made a full-priced offer, even if no other bidders are involved.

Plus, not every place is a boom town. Seasoned real-estate brokers say that to be successful, developments need at least some amenities and should be within an hour's drive of an international airport.

Cuxlin Ha, an 80-unit riverfront retirement community in Punta Gorda, Belize, near the Guatemalan border, is about 300 miles from the closest international airport, although a small "air taxi" airport is eight miles away. On the development's Web site, house hunters are warned that "this is not an area that promotes exciting night life and wild times (unless you're a jaguar or a howler monkey)." Buyers apparently have taken the hint: Although a three-bedroom, fully-furnished 1,350-square-foot home sells for only \$100,000, only two buyers have stepped up since the project opened two years ago. "People want a more touristy area," says Bob Prehall, the Roseburg, Ore., broker who's selling the project.

But if a place does draw tourists, Americans are willing to travel long distances to buy there. Shaun de Jesus, a San Francisco derivatives sales manager, bought a three-bedroom condo in Punta del Este, Uruguay, three years ago for \$120,000, then got a distress-sale deal on a two-bedroom condo in the same town for \$90,000 six months later. On the southeast coast of Uruguay, about 90 miles east of Montevideo, the beach town -- which has its own international airport -- has a year-round population of 7,300 that swells with vacationers in the hot months of December and January.

Since he bought the properties, Mr. de Jesus received an offer of \$150,000 on the first unit, and \$170,000 on the second. But he's not selling. Even though he gets down to visit only two times a year, he says he is pleased with the units' low maintenance costs and the high rents they pull in when he's not around. In fact, he's now looking for another good deal. "If something comes up, I'll jump on it," he says.

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