



Costa Rica Real Estate Newsletter

World Economic Forum Upgrades Ratings for Costa Rica in Global Competitiveness Report by Marcel M. Pfister

The World Economic Forum (WEF) is an independent international organization committed to improving the state of the world by engaging leaders in partnerships to shape global, regional, and industry agendas. The WEF is most famous for its annual gathering in Davos, Swit-

Total population (millions), 2005.....	4.3
GDP (US\$ billions), 2005.....	19.8
GDP (PPP) as share of world total, 2005.....	0.07
GDP (PPP) per capita (US\$), 2005.....	10,434

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zerland, where heads of government and corporations meet in a casual, wintry setting to discuss issues of global importance.

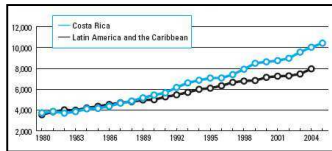
Global Competitiveness Index
Every year, the WEF publishes its ranking of countries for their competitiveness on a global scale. Switzerland and the Nordic countries headed the list of 125 countries surveyed in 2006. Costa Rica ranked 53 and the country's overall score was 4.2 (out of 7). This puts it another notch above the previous year's performance (up from 56). Costa Rica achieves its best score for business sophistication (34/125) while the lowest score (73/125) is for infrastructure (roads, ports, airports).

2006-07	53	4.2
2005-06 (out of 117 countries).....	56	4.1
Basic Requirements	64	4.5
1st pillar: Institutions.....	55	4.0
2nd pillar: Infrastructure.....	73	3.2
3rd pillar: Macroeconomy.....	81	4.2
4th pillar: Health and primary education.....	52	6.5
Efficiency Enhancers	51	4.1
5th pillar: Higher education and training.....	52	4.3
6th pillar: Market efficiency.....	52	4.3
7th pillar: Technological readiness.....	44	3.7
Innovation Factors	35	4.2
8th pillar: Business sophistication.....	34	4.7
9th pillar: Innovation	36	3.7
<small>Rank (out of 121 countries/economies)</small>		
Business Competitiveness Index	50	
Sophistication of company operations and strategy.....	36	
Quality of the national business environment.....	52	

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Key Macro Indicators

Costa Rica's per capita gross domestic product was US\$10,434 at the end of 2005. This figure is adjusted for purchasing power parity (PPP), which takes into account inflation, currency exchange distortions and a basket of standardized goods and services.

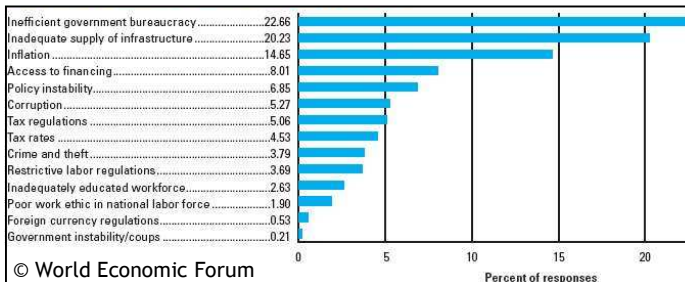


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In fact, since the mid-Eighties Costa Rica's GDP per capita development has consistently outpaced the development of other Latin American and Caribbean countries as a whole. A notable exception is Chile, Latin America's economic powerhouse, a model the Arias administration is set to follow during the next four years.

Most Problematic Factors for Doing Business

From a list of 14 factors, respondents were asked to select the five most problematic factors for doing business in their country and to rank them between 1 (most problematic) and 5 (least problematic). The bar chart below shows the weighted responses. Not surprisingly, Costa Rica gets excellent marks for political stability and for almost



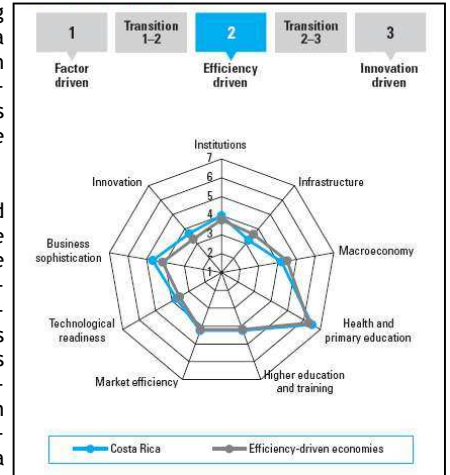
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non-existent foreign currency exchange restrictions. Government bureaucracy and the country's inadequate infrastructure (roads!) are the highest ranked problem factors.

Economic Development Stages

The spider web chart distinguishes between three type of economies: Factor driven (core competencies or industries), Efficiency driven (economies of scale and performance oriented), and Innovation driven (innovativeness and forward-looking economies). The WEF analysis ranks Costa Rica among the efficiency driven economies. Traditionally, Costa Rica has been a factor driven economy (coffee during the 19th century, banana during most of the 20th century) but the country's economy today is clearly positioned in the efficiency-driven phase.

Tourism has replaced agricultural crops as the major source of revenue generation while high-tech exports have surpassed export revenues generated by crops (coffee, bananas, pineapples, onions, tuna). In foreign direct investments (FDI), Costa Rica outpaces other Latin American economies with the exception of Chile, Uruguay, and Panama. Costa Rica today, even has some



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innovation driven industries such as biotechnology, pharmaceuticals, and information technology. The service industry, while below par on a global scale, has made major strides in the area of international call centers. With the advent of CAFTA, financial services industries (banking and insurance) are expected to increase their competitive performance.

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Casa de los Sueños
Roca de Amancio
0.0280 hectares
0.07 acres

US\$ 650,000

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This beautiful house is one of very few titled properties on the western side of the Costanera Sur. It is located in an area that has a very big future which makes this property truly one of a kind.

Located in the Dominical area, this house is in a small cozy community called Rocas de Amancio. This community will always remain isolated and private because of the

geographical barriers, but for the surrounding areas that won't be the case, and their on going development will only make the value of this lot go up and up.

The beautiful two story house is designed in a way that it can be used as one dwelling, or as a duplex with two dwellings. Both levels have a bathroom, kitchen, sleeping area, etc. This house has a beautiful

garden located in the back next to the parking space and the gated entrance. In the front both levels have spacious patios that look down onto the Dominicalito beach, the beautiful Rocas de Amancio rock formation, and year round sunsets. With the property bordering the Costanera Sur it is only a few minutes drive to Dominical or a few minutes walk to Dominicalito beach.

Los Altos 2
Pejibaye
7.39 hectares
18.25 acres

US\$ 66,000

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This beautiful seven hectare is ideal for a hideaway place with its splendid views of mountains and valleys. The property is embedded in the green mountains west of Pejibaye, with splendid valley and mountain views and cool weather.

There are two building sites with gorgeous views, and most of the land borders on a public road, which makes it easy in case you would like to subdi-

vide it at a later date.

Access to Los Altos 2 is by means of a gravel-topped country road with the exception of the last kilometer which needs some regrading and topping.

Pejibaye is located in the hinterland of San Isidro de El General, Central America's fastest growing town, and is located only a 3 hours drive from San José. All the amenities of a

large town are thus within easy reach whereas you live in a quiet country location. The beauties of the Valle de El General, the Chirripo Nacional Park as well as the beaches of the Pacific Ocean are all within easy reach.

Casa Casafecito
Tinamaste
0.9 hectares
2.178 acres

US\$ 165,000

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This 3 year old Tico-style 3-bedroom house sits on almost 1 hectare of ocean view property in the cool climate of Tinamaste yet only 25 minutes driving time to either Dominical or San Isidro. It features easy, year round 2WD access. Due to its elevation Tinamaste features a year-round cool climate.

The property measures almost one hectare and has water

(both municipal water and its own spring) and electricity on site. In addition to the house site (which does not have ocean view) there are 2 additional home sites on the property with good ocean views (on clear days Manuel Antonio can be seen) and sweeping valley views.

The house has concrete floors and about 3 feet up in cinderblock, wood up from

there and ametal. It has 3 bedrooms and a full bath, as well as an open kitchen-living room.

There is a corral for horses on the property, and fruit trees planted on the property include Orange, Guanabana, Mamon Chino, Lemon, Mango and Coconut Palms. There is also a small patch of coffee on the property.



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This farm consists of its own private valley, with some 12 hectares of reforested teak, and two native species, all between 9-12 years of age. It has a small river running through it, and many gentle hills with primary forest. Several spots with distant ocean views would make nice house sites. This farm is located between the towns of Coronado and San Buenaventura, about half an

hour south of Dominical on the paved Coastal Highway. The access through farmland is easy because there are no hills and the road is graveled. It has ample water from the small river and the pristine springs that are born on the property. Three species of monkey, as well as black panther, coyote, and many other animals have been observed in the 50% that is still primary rainforest. The tree plantation has been

meticulously maintained. It includes 5 has. of teak, 4 has. of amarillon, and 3 has. of ron ron, which is the finest wood in Costa Rica.

This is a conservationist's delight. Many houses could be built by the buyer, some with distant ocean vistas, but the owners will only sell with the condition that the farm never be subdivided into lots and sold off in pieces.

US\$ 190,000

El Valle
San Buenaventura
30 hectares
72.6 acres



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This property is seven kilometers (4.3 miles) from the Costanera Sur coastal highway and is adjacent to the public road leading from Punta Mala across the coastal mountain range to Pejibaye and eventually into the Valle de El General.

The Punta Hermosa development opens up to beautiful ocean views of Coronado Bay, the Osa

Peninsula and Isla del Caño and is located at about 800 meters (about 2,600 feet) above sea level.

The building space is ample and comes with over one acre of jungle below the lot.

The internal road to access nine of the other parcels comes through this lot as an easement. You may plant some bamboo along the easement for

privacy. However, one could also build the house on the lower portion of the lot, facing the beautiful ocean views and the view of the mouth of the Terraba River.

Power and water will come over time, as there are many plans by developers and others to bring them in along the public road.

US\$ 90,000

Punta Hermosa 11
Vergel
1 hectares
2.42 acres



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This beautiful multi-site property is located right on the crest of the coastal mountain range above fashionable Escaleras, just 20 minutes from Dominical. It opens up to beautiful views of the Pacific Ocean and the Barú Valley.

While most of the property is pasture land, there are chunks of beautiful forest with majestic trees and lush vegetation. The main view is to

the Barú Valley but there are spectacular ocean view windows opening up to the Pacific from many angles. This property is offered undeveloped, i.e. without electricity and water. The closest power lines are right up to the edge of the property. Water may be obtained by means of digging a well and building a distribution system. Cerro Escaleras offers privacy and tranquility, yet the

amenities of the coast are all within easy reach. Dominical and Uvita with their infrastructure (restaurants, shops, internet cafés, etc.) are both about a 20 minute drive away. The closest beaches are Dominical, Playa Hermosa and all the beaches of the Parque Nacional Marino Ballena (Playa Colonia, Playa Ballena, Playa Arco, Playa Piñuela, Playa Ventanas).

US\$ 865,000

Cerro Escaleras
Escaleras
11.5 hectares
28.5 acres





Land Assurance

Dominical · Costa Rica
Centro Pueblo del Río

Office Manager
Francine Ocampo



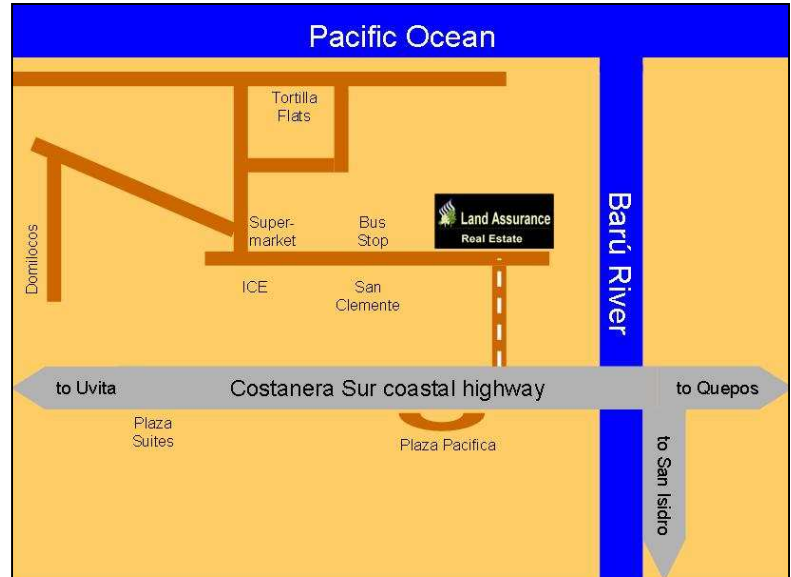
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The telecommunications sector will experience major changes with CAFTA. Mobile communications and internet technologies are expected to be the first sectors affected while fixed-line communications will be slower to adjust. The telecom sector will become part of an expanded Ministry of Environment, Energy, and Telecommunications (MINAET).

Private sector business sophistication clearly outpaces public sector performance. The public infrastructure (roads, telecommunications, government services) are not a reflection of the true state of affairs in country of the maturity of Costa Rica but obviously have an impact on the pace of economic development and sophistication.

National Competitiveness Balance Sheet

This extensive list of indicators distinguishes between competitive advantages and disadvantages. Costa Rica fares very well in foreign direct investments (9/125) and in the field of cooperation in labor-employer relations (13/125). On the liabilities side of the score sheet, the country gets low marks for inflation (116/125), the time required to start up a business venture (101/125), the burden of government compliance (99/125), and the quality of the overall infrastructure (98/125).

Likely Impact on the Real Estate Market

Costa Rica continues to experience good growth in its real estate markets with the Central Valley and Guanacaste leading overall growth. The Central Pacific zone (Jacó, Herradura, Parrita, Quepos, Manuel Antonio) has been growing above average as of lately. The South Pacific zone will get most of the infrastructure investments during the next 3 to 10 years and is expected to experience increased growth rates and property prices.

NOTABLE COMPETITIVE ADVANTAGES		Rank/125	NOTABLE COMPETITIVE DISADVANTAGES		Rank/125
1st pillar: Institutions					
1.04	Judicial independence	33	1.07	Burden of government compliance	99
			1.10	Business costs of crime and violence	93
2nd pillar: Infrastructure					
2.08	Telephone lines (hard data)	40	1.06	Wastefulness of government spending	82
			1.03	Public trust of politicians	78
			1.09	Reliability of police services	85
			1.01	Property rights	59
			1.02	Diversion of public funds	56
3rd pillar: Macroeconomy					
3.01	Government surplus/deficit (hard data)	16	2nd pillar: Infrastructure		
3.08	Real effective exchange rate (hard data)	33	2.03	Quality of port infrastructure	102
			2.01	Overall infrastructure quality	96
			2.04	Quality of air transport infrastructure	68
4th pillar: Health and primary education					
4.08	Tuberculosis prevalence (hard data)	26	3rd pillar: Macroeconomy		
4.05	Life expectancy at birth (hard data)	29	3.03	Inflation (hard data)	116
			3.04	Interest rate spread (hard data)	112
5th pillar: Higher education and training					
5.05	Quality of management schools	27	3.02	National savings rate (hard data)	75
5.07	Extent of staff training	31	3.05	Government debt (hard data)	85
5.03	Quality of the educational system	40	4th pillar: Health and primary education		
5.06	Local availability of research and training services	40	4.07	Malaria prevalence (hard data)	80
			4.08	HIV prevalence (hard data)	79
			4.09	Primary enrollment (hard data)	72
			4.01	Medium-term business impact of malaria	69
6th pillar: Market efficiency					
6.14	Cooperation in labor-employer relations	13	5th pillar: Higher education and training		
6.01	Agricultural policy costs	26	5.01	Secondary enrollment (hard data)	81
6.10	Foreign ownership restrictions	27	5.02	Tertiary enrollment (hard data)	71
6.17	Brain drain	29	5.04	Quality of math and science education	67
6.02	Efficiency of legal framework	32	6th pillar: Market efficiency		
6.12	Hiring and firing practices	42	6.05	Time required to start a business (hard data)	101
6.22	Soundness of banks	42	6.09	Prevalence of trade barriers	100
6.03	Extent and effect of taxation	47	6.13	Flexibility of wage determination	100
6.08	Intensity of local competition	48	6.23	Local equity market access	94
			6.21	Venture capital availability	80
			6.20	Ease of access to loans	74
			6.04	Number of procedures to start business (hard data)	70
			6.07	Effectiveness of anti-trust policy	63
			6.19	Financial market sophistication	55
7th pillar: Technological readiness					
7.04	FDI and technology transfer	9	7th pillar: Technological readiness		
7.07	Personal computers (hard data)	33	7.05	Cellular telephones (hard data)	79
7.08	Internet users (hard data)	43	8th pillar: Business sophistication		
			8.05	Control of international distribution	66
8th pillar: Business sophistication					
8.07	Number of competitive advantages	26			
8.08	Value chain presence	31			
8.02	Local supplier quality	36			
8.03	Production process sophistication	38			
8.01	Local supplier quantity	41			
9th pillar: Innovation					
9.02	Company spending on research and development	38			
9.09	Capacity for innovation	33			
9.05	Availability of scientists and engineers	37			
9.01	Quality of scientific research institutions	38			
9.03	University/industry research collaboration	39			
9.06	Utility patents (hard data)	43			
9.07	Intellectual property protection	48			

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