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Investors Overcome Fears

(Part one in a two-part series on new property-owners in Nicaragua)

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TOLA – “I expected to be petrified and apprehensive, but as soon as I got to the Intercontinental Hotel, I was surprised at how mellow I felt,” said Dawn Malaker, recounting her first impressions after getting off the plane in Managua. “The people were friendly and weren't intimidating when they looked at you.”

By the time she arrived at Rancho Santana, a high-end development project tucked into the hillside overlooking a stretch of poetry-inspiring Pacific coastline two hours south of the capital, Malaker appeared downright loose.

Her husband, Clayton Malaker, a soft-spoken doctor from Rockfield, Illinois, liked what he saw so much that he decided to move ahead with his plan to purchase a half-acre lot at Rancho Santana.

“I don't feel afraid here, even though my family's afraid for me,” Dr. Malaker said. “I feel comfortable picking up a rental car in Managua and driving down here.”

The Malakers, participants in a weeklong investment tour organized by Baltimore-based company Stansberry & Associates Investment Research, just learned what hundreds of thousands of other foreigners have discovered for themselves in recent years: Nicaragua is about as scary as Count Chocula, the chocolate-loving cartoon vampire who sells sugar cereal to kids.

Fellow participants Bryan and Liza Harlan, a Texas couple who initially hired a bodyguard to accompany them for their first 72 hours in Managua, felt comfortable enough by day five to dole out \$157,500 for a prime beachfront lot



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at Los Perros development, just south of Rancho Santana.

FIGURING OUT THE SCORE: *Investors discuss Nicaragua's pros and cons at Rancho Santana. From left: Fred Barns, Tom Hickling, David Sondheimer and Peter Supple.*

Nica Times/Tim Rogers

And James O'Conner, an easygoing California surfer who remained unrattled even when forced to bribe a highway patrolman to return his U.S. driver's license, spoke with the enthusiasm of a teenager when describing his plans to build a surf condo on his newly purchased palm-tree shaded lot facing Iguana Beach.

Nicaragua is attracting investors and curious visitors from a wide array of backgrounds, and most of them seem to be going away impressed with what they see.

It's what Lucia Salazar, director of the Nicaraguan Tourism Institute, describes as the low-expectation factor.

Many first-time tourists and potential investors come to Nicaragua with a grossly distorted preconception of what the country is: a banana republic full of cigar-smoking men lurking about in dark sunglasses, guerrillas cleaning their AK-47s in the jungle, and ravenous chupacabras devouring livestock by the moonlight.

But after a couple of days – or hours – in the country, many foreign visitors realize that whatever they thought they knew about Nicaragua is probably wrong, or at least 20 years out-of-date.

Because of their low initial expectations, most tourists leave with a much more positive image of the country, Salazar said.

In some cases, they even buy property here before realizing that's what they came to do. All but one of the dozen participants who came here last month on the Stansberry & Associates investment tour ended up buying coastal property.

Concerns about Nicaragua range from the invented to the real.

Topping most investors' worry-list are concerns about personal safety.

Statistically, Nicaragua is the safest country in Central America. In 2002 – the year for which the most recent comparative police statistics are available – the homicide rate in Nicaragua was 9.8 for every 100,000 people, compared to 20.3 in Costa Rica, 30.3 in Guatemala, and 54.5 in El Salvador.

Managua is the safest capital city in Latin America, with 2.3 intentional homicides for every 100,000 people (compared to 3.9 in San José, Costa Rica), according to statistics collected by the Harvard-affiliated Central American Institute of Business Administration (INCAE).

A close second on the list of foreigner concerns, especially for those from the United States, is the Sandinista National Liberation Front (FSLN).

Although many foreigners don't seem to have a clear idea of what the FSLN is or what it stands for, most U.S. tourists seem to have a general inclination – or at least a hazy memory – that it is bad.

Former U.S. President Ronald Reagan perhaps added to the confusion by scaring U.S. citizens in the 1980s into thinking that the Sandinistas were only a three-day march from Texas (which theoretically would be possible if they marched 40 miles an hour and didn't stop to sleep or go to the bathroom).

“When did the Sandinistas leave office?” asked David Sondheimer, a lawyer from Colorado.

“In '89,” answered Tom Hickling, the senior copywriter for International Living. (They left office in 1990.)

“What is the political risk here?” Sondheimer pressed.

“I don't know,” Hickling answered, adding, rather astutely: “Now the Sandinistas are rich business and property owners, so they aren't going to start nationalizing stuff because it would go against their own interests.”

Sondheimer, days later, apparently decided that the political risk was worth the gamble. He bought three properties at Playa Arenas.

Dr. Malaker said he first considered investing in Nicaragua four years ago, but shied away because of concerns over judicial security.

Today he is kicking himself after watching real estate prices jump by 300% over the past years. So Malaker is buying now, hoping that the upward trend will continue.

“I realize that I'm buying in on the 10th floor instead of the first floor, but I have a good feeling about Nicaragua,” Malaker said.

Asked how many floors he thinks the Nicaraguan elevator will go, Malaker says he didn't know.

“I hope more than 10,” he said.

While Malaker admits not all his concerns about Nicaragua have been erased, he realizes they may never be.

“To hesitate is to lose,” Malaker said. “I'm still trying to get in ahead of the wave, rather than be buried by it.”

International Living's Hick-ling, meanwhile, doesn't hesitate to compare the Nicaraguan real-estate market to the market in Acapulco, Mexico 25 years ago.

Nicaragua is considered by Interna-tional Living to be one of the best real-estate deals in the world, he said.

“ Nicaragua 's real benefit is that people don't know how good it is,” Hickling said. “And that won't last forever.”

Next: Financing Paradise.

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