

Where to invest your dollars in 2008—our real estate insider's top picks

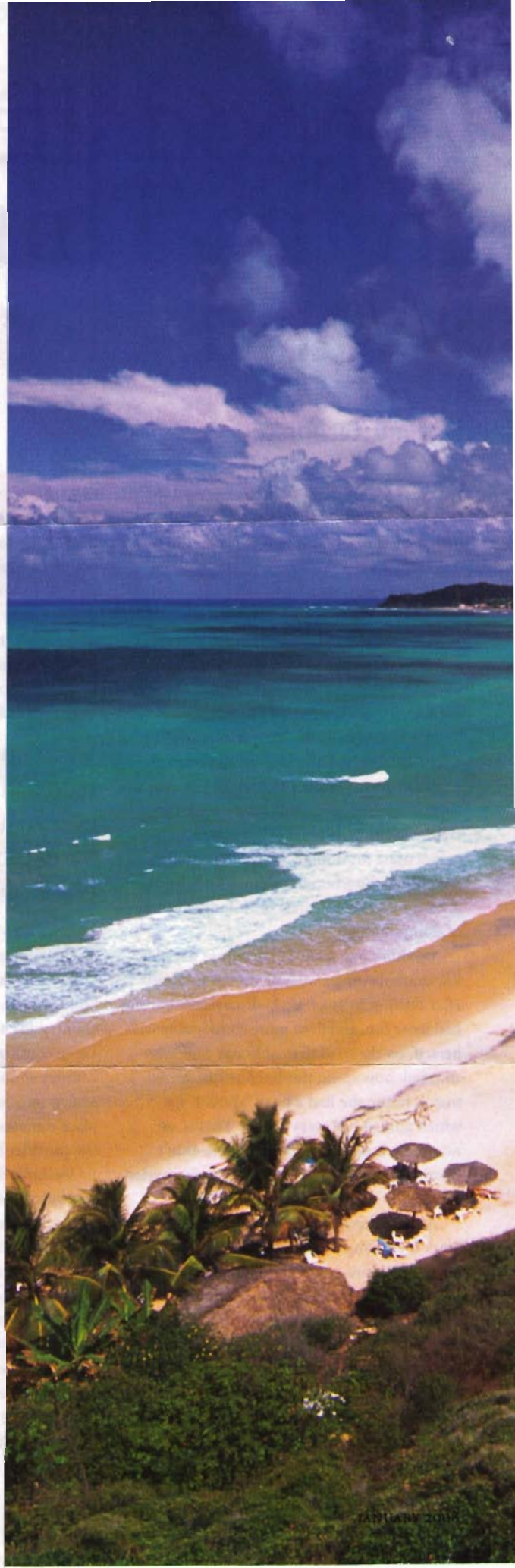
By Ronan McMahon

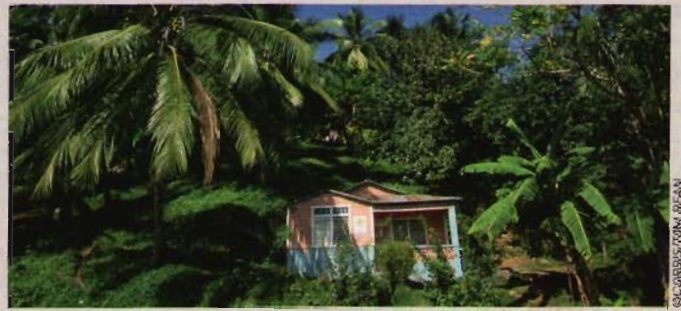
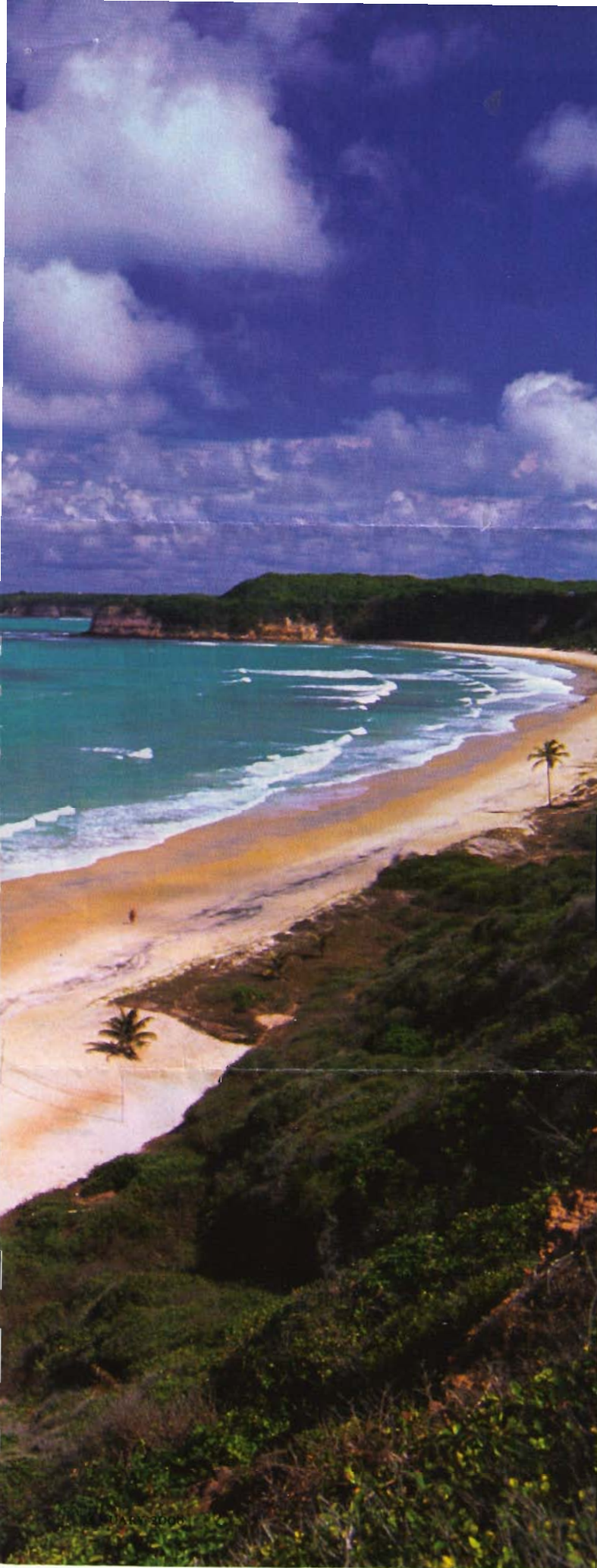
Something's happening on the north coast of Brazil. A great machine is coming, a machine of property developers and promoters who learned their trade on the costas of Spain, the Persian Gulf coast of Dubai, and anywhere else the European investor cast an acquisitive glance across a border. I know, because I'm a small cog in that machine.

Right now, a relatively small group of Europeans have the white-sand beaches of this tropical coast all to themselves. They're buying beachfront lots for \$16,500...beachfront condos for \$67,000...and downtown apartments with fantastic sea views for \$50,000...but in 18 to 24 months, these prices will be but a boastful memory of the few early investors, who will say "I remember when..."

An invasion of foreign buyers will come from two fronts—the U.S., and from a second, much larger wave of Europeans.

Several factors drive global real estate prices upward. GDP and population growth...inward migration...infrastructure developments...political certainty (and uncertainty)...all can create solid profits for the real estate investor. If you're lucky, and ready, you can sometimes ride this wave of sentiment...and if you time your exit right, you can leave the market ahead of the game. Elsewhere, intrinsic





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Pioneer investing

By Janaan Harp

Until recently, the Samana peninsula was nothing more than a lush jungle, overgrown with vegetation, and with miles of virgin white-sand beaches. However, in the past few years the scenario has changed quickly. The government has put together tax incentives to encourage investment in real estate and the tourism industry. Several multi-million-dollar real estate developments are underway.

In Las Terrenas, the largest town on the Samana peninsula, you can buy a two-bedroom, European-style condominium with a Jacuzzi, pool, and close proximity to the beach for \$72,000. A similar beachfront condominium in the Bahamas was recently listed at \$150,000.

Once a sleeping fishing village, Las Terrenas is now the fastest growing town in Samana. Conveniently located 30 minutes from El Catey International Airport, this flourishing town is exploding with new residents—nearly 35,000 permanent residents, of whom 2,500 are foreigners. To attract new tourists, Las Terrenas and surrounding beach towns are acquiring all the necessary amenities.

A few miles west of Las Terrenas is Playa Bonita (beautiful beach)...a suitable name for this eco-wonderland. Playa Bonita will soon host a new marina and major golf course, coupled with a growing number of modern

condominiums and villas.

Continue further west and you'll find the unaltered, and effortlessly picturesque Playa Coson. Dan Hussmann, a real estate broker for DR Paradise Real Estate, foresees multi-million dollar homes going up in Playa Coson in the near future. Currently the land is a blank slate with lots being sold in larger parcels than normal, some as big as 222 acres. Construction of new homes is already underway.

Property for sale right now includes a two-bedroom, two-bathroom European-style cottage located five minutes from Coson beach (eight minutes from Las Terrenas), which comes fully furnished with a backup generator. Price: \$178,000.

A Dominican-style home, located near Las Ganeras, has three bedrooms, two-and-a-half bathrooms, views of the mountain and ocean, a patio, and plenty of free land to expand. Price: \$330,000.

For more information on the properties listed above, contact Dan Hussman from **DR Paradise**, tel. (809)240-6054; e-mail: danhussmann@gmail.com; website: www.drparadise.com.

Real estate developers, looking toward the future, have already begun to invest heavily in major projects in Samana and nearby areas. To read more about how you can get in on the action, see: www.internationalliving.com/predictions2008.

MARKET WATCH

value can take many years to translate into an investment return.

But forget all that. The best way to make the most global real estate profits is to cash in on one of four simple Momentum Events:

1. A foreign invasion. Buy before the foreign buyers arrive en masse.
2. "Blood on the streets." Buy when everyone else is selling.
3. Pioneer investing. Buy before an apparently isolated region is opened up to everyone else.
4. A new middle class. Buy when increasing incomes in an emerging market creates unprecedented demand for home ownership.

I scour the globe to identify real estate markets where these Momentum Events exist and offer opportunity to investors for strong returns. If that sounds like *IL's* beat...that's because I'm a long-time friend of *International Living*; for three years, I was Lief Simon's trusted real estate scout, before starting my own real estate scouting company. Regular readers will recognize some of the markets I helped identify.

- In 1983, *IL* first recommended Costa Rica...in 1984, the southern coast of Spain...in 1987, Acapulco...in 1992, Roatan, Honduras. The least of these rose more than 800%.
- In 1991, *International Living* first recommended the Caribbean island of Ambergris Caye off the coast of Belize. Back then, you could have picked up a 1/4-acre beachfront lot for \$35,000 or less. A decade later, the same lot would have cost you at least \$150,000.
- In 2000 *IL* recommended the sandy coast on Mexico's Costa Maya. By 2003, prices had doubled.
- In 2004, we found beachfront lots on Nicaragua's pacific coast for \$34,900. Today, that same lot would list for at least \$130,000.
- We called prime oceanview city condos in Panama City a buy at \$120 per square foot in late 2004. Now they sell for \$350 per square foot.

But those beachfront profits are nothing compared to what I believe will happen on Brazil's north coast—specifically, the city of Fortaleza.

My developer and investor contacts are already looking at Fortaleza. These guys have cashed in on real estate investments in Ireland, Spain, and France. As opportunities dried up in Europe, they moved to Panama. Now they are focusing on Brazil.

Lee Harrison, *IL's* roving Latin America editor, sent me his report on a scouting trip he made to Fortaleza.

For six years, Lee has scouted all over Latin America looking for beachfront deals. He's lived here longer than that, first in Ecuador and now in Uruguay.

I've never seen Lee so blown away as he was when he returned from Fortaleza. This city is cheap...really cheap.

- Beachfront lots (a 1/3 of an acre) in a tranquil fishing village for \$17,640.
- Ocean view lots for \$15,000.
- Cliffside condos (a two-minute walk from the beach) for \$66,150—including all appliances and furniture.
- A beachfront development with a pool and a gym has two-bedroom apartments for \$120,000.

Until I discovered this region, I had become resigned to the thought that cheap and relatively accessible beachfront was a thing of the past.

As far as I'm concerned, Fortaleza is the best beachfront buy on the planet right now. An opportunity like this doesn't happen often. When



"Blood on the streets"

By Michael Franco

For more than 60 years, the U.S. Navy used over two-thirds of the island of Vieques, seven miles from Puerto Rico, for military exercises, including frequent sea-to-land bombing. In 2003 they pulled up anchor leaving the land to the U.S. Fish and Wildlife Service. It now stands as the largest and most ecologically-diverse National Wildlife Refuge in the Caribbean.

Vieques was not an attractive

leaving plenty of safe dirt roads and pristine beaches on the former Navy land. Sun Bay is a mile-long crescent of buttery sand dotted with palm trees and fronted by stunning Caribbean water. There is a small café on the beach that serves good, affordable, burritos.

After Sun Bay, sand-and-surf-seekers must bounce (preferably in a roofless Jeep) along heavily-rutted dirt roads to discover other beaches like Media Luna—a large, protected

condo can cost \$465,000. Because the developed portion of Vieques is only five miles by five miles, no matter where you live, you are never more than 15 minutes to the nearest beach, grocery store, or outstanding restaurants.

Right now, Vieques is the "Old Caribbean" that people often speak about on the islands. There are no traffic lights, no chain stores, wild horses roam the streets, and a casual, friendly vibe is the order



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island for tourists or investors when the Navy was in residence—nobody wanted to listen to bombs falling on their vacation and people worried about protests breaking out. So, while other Caribbean islands were being discovered and property values were steadily rising, Vieques stayed off the radar and property values remained low.

Even though the Navy has been gone for about four years now, many people are under the impression that the bombs are still falling or that they did so much damage to Vieques that it's not an attractive place to visit or invest. But the opposite is true—Vieques has beautiful, empty beaches full of amazing wildlife.

Various areas of the island are undergoing clean-up efforts

cove with exceptionally calm waters, perfect for young children, and Navio, a wind-swept beach backed by thick jungle and a favorite with island residents. You could visit a different beach on Vieques every day for two weeks and still not see them all.

But beaches aren't the only attraction here. The long-time presence of the Navy kept much of the island's real estate empty and affordable. Although prices have climbed since the military's departure in 2003, it is still possible to find charming neighborhood homes on Vieques for less than \$150,000 for a two-bedroom, one-bathroom concrete construction. Compare this to nearby eco-resort, St. John's, where a 400-square-foot

of every day.

It might not stay this way for long. With the W hotel group set to open their first Caribbean property here in 2009 and the opening of the island's first nightclub last month, change is definitely in the air...

In short, Vieques represents a solid opportunity for an investor looking to enter the Caribbean market by purchasing property on a stable island that is a commonwealth of the United States.

As an *International Living* subscriber, you can read more about where you should buy on the small Caribbean island of Vieques here: www.internationalliving.com/predictions2008.



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A new middle class

By Steenie Harvey

It's not the prettiest European capital, and we're not suggesting it as a relocation hotspot for retirees or second-home buyers. However, if you're looking to add an Eastern European layer to a property portfolio, there are plenty of reasons why Bucharest deserves your attention.

Bucharest is the capital of Romania, which only joined the EU at the beginning of 2007. Some Romanian-based real estate commentators have made bold forecasts that prices here will grow for another 15 years. I wouldn't dare to make such far-sighted claims, but I do believe the property market will continue to rise for at least the next two to three years.

The reason I can say this? Because I've researched and reported on European real estate markets for *International Living* for the last 15 years. And in that time, I've seen trends that suggest certain markets can be fairly predictable.

Over the last six or seven years, many of these Central and Eastern European countries—and their capitals in particular—have seen massive real estate growth. In some cases, prices increased by more than 100% in three to four years.

The activity taking place in Bucharest and other large cities in Romania over the last 18 to 24 months suggests the country is set to follow the pattern of countries who joined the EU over a decade ago.

Apart from aspiration and the residents' desire to escape Stalinist-type apartments, several factors suggest real estate prices in Bucharest will continue to rise for at least a few more years.

If government figures are accurate, at least 35% of the



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national housing stock is in a state of complete neglect. Bucharest is no exception. Roughly two thirds of the city's population lives in brutal, dangerous, and decaying communist-style apartments.

Because the price of land in the capital is prohibitively expensive, short term at least, there is little likelihood of the Bucharest market being "oversupplied" or saturated with new developments. Fewer than 8,000 new housing units came onto the market over 2005-2006.

Based on ongoing developments and projects recently announced, a report by

the Collier's real estate group estimates a "potential" maximum of 30,000 new units will be available through 2010. They qualify this further though. "However, based on our experience, less than 50% of the projects announced are developed. So the real stock of new apartments for sale by 2010 will not exceed 15,000 units."

The demand is certainly there at the moment. In September 2007, Spanish developer Hercesa sold all 142 apartments in the first phase of its east Bucharest-based Vivenda Residencias in less than one month.

Overall, apartment prices in

Bucharest rose by an average 20% in 2006. The final figure for 2007 is likely to be in the 15% to 20% range.

Leaving aside really high-end developments and communist matchbox apartments, prices including tax are now mostly in the \$170 to \$280 per square foot range.

With square foot prices for new developments not significantly higher than for the old apartments, I think buying new makes more sense.

To read more about how to catch the boom in Bucharest, see: www.internationalliving.com/predictions2008.

it does, you need to be ready to move...and to move fast.

I've seen opportunities like this play out before in Nicaragua's south pacific, the beaches of Panama, and the Bay Islands of Honduras. Those who get in early and buy quality stand to make a killing.

Hundreds of miles of dazzling, white-sand beaches surround Fortaleza. Its clear, tropical ocean waters maintain a year-round temperature of 80° F. Serving as the glimmering centerpiece for the state of Ceará, this capital city of almost three million people is now the number one tourist destination in Brazil. Fortaleza boasts its own beautiful in-city beaches, sizzling nightlife, and great restaurants.

Yet you can still buy a downtown apartment with a sea view for \$50,000. Beachfront lots go for as little as \$16,500, while a beachfront condo will start at less than \$67,000.

Lee reports that Fortaleza is popular with European travelers, expats, and investors, but completely off the radar screen of North Americans...for now.

Getting to Fortaleza from the U.S. currently takes 10.5 hours...but Europe is only six-and-a-half-hours away. That's why the Europeans are already here, albeit in small numbers. However, you can get from the States to Brazil in five hours...most of that 10+ hours travel time is because there is no direct flight to Fortaleza from the U.S.

Brazil has not been popular as a beachfront vacation destination for Americans because there are appealing vacation spots closer to the U.S., and Brazil does little to promote its tourist industry to North Americans. This lack of travelers has resulted in little competition among the airlines, high travel prices, and few travel options.

But this is set to change. The world market seldom sees price distortions like the properties on the beaches around Fortaleza today.

Lee predicts that this market will move upward once the U.S. buyer arrives. I agree with Lee on this point. But there's another—much bigger—factor at play that will have a major affect on this market.

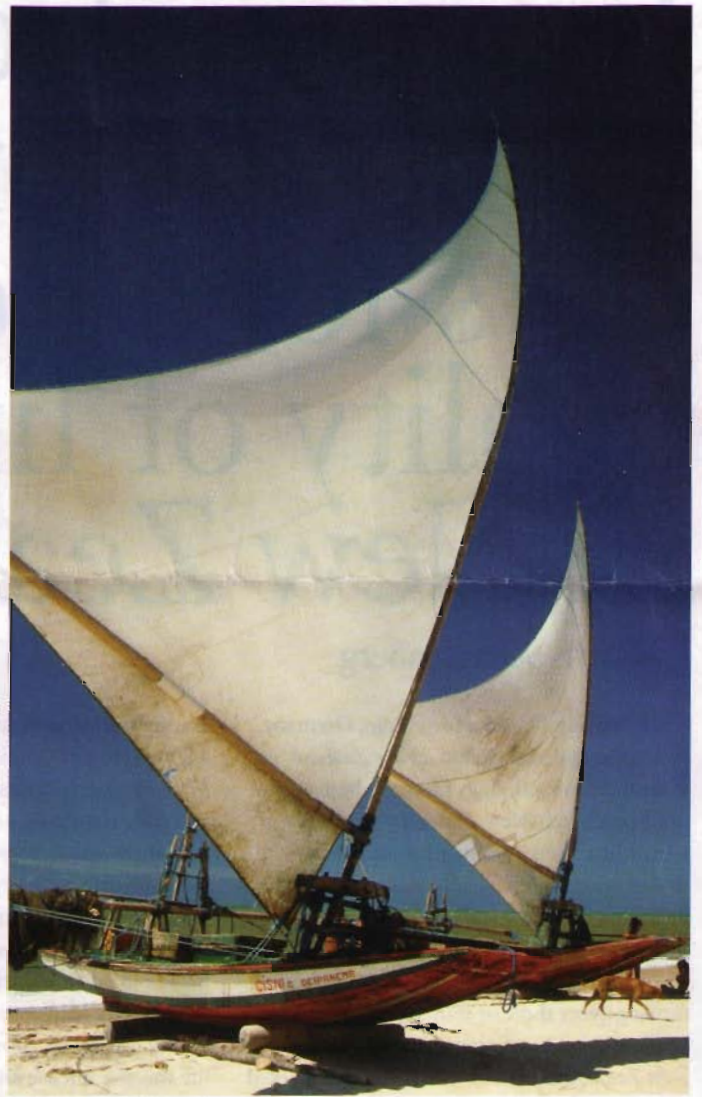
Europeans have been coming here for years but it's about to become the next hotspot for European developers, investors, and second homes buyers. Until now, Fortaleza has seen a relative trickle of European buyers. Sure, they dominate the market today but you're only seeing the tip of the iceberg.

In Europe there is a great machine that drives real estate markets, made up of developers and promoters. This industry grew out of the property boom in Spain and became a multinational phenomenon as participants looked to diversify from a slowing Spanish market. They began by looking outside the Costa del Sol and ended up creating a market for northern European investors from Dubrovnik to Riga. I speak often with many of the guys involved in this machine, big developers with deep pockets—they think Brazil is the next big thing, and their sights are set on Fortaleza.

Wholesale land can still be bought at great prices, but like the retail end of the opportunity this is set to change once word gets out.

Today I spoke with one of my contacts on the ground in Fortaleza. He is in the business of finding parcels for predominantly European developers. He rattled off a series of recent deals. For example, 337 beach plots (with villas planned) which sold to a major developer from Spain. Another Spanish group bought six miles of beach. A luxury home builder from the U.K. has bought two miles of beach. All

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bought under the radar—that's how these guys operate.

They snap up parcels of land using local contacts to represent them in negotiations because as soon as word gets out that serious developers are interested in a market, sellers will dramatically increase the price.

It will be two to three years before these projects are released at a retail level. These groups aren't in the business of selling raw lots. They

want to develop high-end master planned resorts. The big boys will raise the bar and price their projects more in line with offerings in the other markets they have been successful in. Lock down land today and you will be

ideally positioned to get a piece of this upside.

One caveat: Beware guaranteed rentals returns anywhere, but in Brazil in particular. The rental market is in its infancy so any rent you are promised has most likely been added to the price of your condo. As I have seen in many other markets, quality beachfront will do best.

No question, Fortaleza is a hotspot right now. As an *International Living* subscriber, you can read more about how you can buy your own downtown apartment with a fantastic sea view for \$50,000.

See: www.internationalliving.com/predictions2008. 