

On our web site and forum, www.AEcostarica.com, people are always asking us if ABC developer is reputable or if XYZ development is a good buy. Rather than talk up (or take down) a particular development, we thought it would be better to give you a tool that will help you consider your purchase objectively.

Developer Quiz

Web site and promotional material (___ of 8 Possible points)

___ Are there people on the web site? only staff + 2; owners/investors too (or only) + 3 (add 1 point to either if photos, add one point to either if detailed biographies) *a red flag for scam sites is that no names are given*

___ Physical Address ? + 1

a red flag for scam sites is that they don't want you visiting the site on your own.

___ Costa Rica phone numbers ? + 1

you should be able to reach some one on site if people are living or building there

___ Professional design? + 1

a web site can show you their level of professionalism

0 Fancy slide shows, flash presentations, java gimmicks + 0

Cool effects don't mean much either way - - just don't let them blind you to the reality on the ground

Prestige Factors (___ of 4 Possible Points)

___ Is a local bank financing the lots or residences? +1 financing the developers ? + 2

local banks will not offer you financing for shaky developers, although some reputable developers provide their own financing. It is rare for a bank to finance a development, at least on terms favorable to the developer, but if they do then that is a great sign.

___ Are locals (Ticos) buying in this development ? +1

it is not necessarily bad if they aren't buying, but if they are that is positive – especially in terms of pricing.

Experience Factors (___ of 9 Possible Points)

___ Does the developer have experience in completed projects ? one project + 1 two or three projects + 2 Four or more projects + 3 (double score if projects were in Costa Rica)

experience is crucial in judging how capable the developer is of completing the project

___ How long has developer or company been in business ? 0 to 2 years -1, 2 to 5 years 0, 5 to 10 years +1, 11 -20 years +2, over 21 years +3 *a longer track record can mean more responsible management*

Infrastructure In Place (___ of 24 Possible Points)

___ Water ? rural +1, city +2, private water plant/source +3 (1 bonus point for community reservoir) *no one can live without water, an independent (pure) source is great*

___ Electricity ? to development +1, to lot +2, subterranean to lot +3 *no one can build without electricity.*

___ Telephone ? one line + 1, two lines +2, three or more lines + 3 *the more the merrier!*

___ Access Road ? gravel + 1, asphalt +2, concrete +3

gravel in some areas is perfectly acceptable but asphalt and concrete are more secure

___ Internal Roads ? gravel + 1, asphalt +2, concrete +3

gravel and asphalt are more intensive for maintenance, who will do it when the developer moves on

___ Internet ? dialup 0, RDSI + 1, Cable +2, DSL +3

dialup or satellite access available worldwide! Is the development to remote to get ISDN or DSL, or has the developer taken steps to make that available?

___ Signs to property ? roadside or billboards +1

Most developers want people to know about their project, stop by out of curiosity or because they happen to be in the area. What are they hiding if there are no signs even out front?

___ Parking? none -1, space in parking lot 0, reserved space or own garage + 1 (for ample visitor parking add 1 bonus point)

___ Homeowner's Association ? none 0, in progress 1, in place 2

Escrow, Options, Closing, and Financing

___ Where does the earnest money go? to developer directly -1, account with developer's attorney 0, escrow account in local bank or escrow service + 2, account with your attorney or you may choose from multiple options +3.

___ When may developer use earnest money? immediately -1, not until purchase option conditions are met +3, not until closing +5

___ When do you begin paying on your loan, construction or pay the remaining cash at closing? Immediately - 2, after a specified period of time -1, when bank begins releasing funds to developer or after conditions specified in purchase option are met + 5.

___ **Total Points** (*maximum 58*)

Grading Scale:

over 50 points is excellent, your prospective new home is being developed by a real professional and your earnest money will be safe.

35 – 49 points is very good, you always have to be careful but your analysis shows that the developer is on the right track. I would score many developments by reputable developers at 36.

20 – 35 points is good, but you are entering into a gray area. In all likelihood you are dealing with a development in the pre-construction phase where points cannot be given for infrastructure. In this case the developer's experience in Costa Rica and reputation become more vital. You can judge this part and add in the theoretical points for infrastructure if the developer follows through in order to make your decision. You should be getting a good pre-construction discount so check prices in the surrounding area for comparison.

Below 20 points is speculative. - If you believe in the developer's vision and can afford to lose your money on a speculative bet, well that would be your decision. You should be looking for extreme pre-development discounts and don't be fooled by a smooth sales pitch or hype. Visit the development and see the situation on the ground before committing your hard-earned cash. You should carefully analyze the true prospects for growth in the area and the developer's capacity to come through.

Important note about subdividing developments:

Any developer, and any prospective buyer, is faced with a bit of a catch-22. The developer buys a farm of whatever size. The developer intends to subdivide this farm into lots of whatever size. In a perfect world, the developer would get approval and register each lot with its new title. However, that would require an additional transfer to the buyer at the time of purchase. In order to avoid paying the transfer taxes twice, you don't want the developer to register the plots in his or her name. (obviously that would be an expense passed on to you with interest!) Also, the approval and subdivision process in Costa Rica is full of red tape and takes much longer than it should. Time is money, so in most cases the developer goes ahead with marketing his project. However, you don't want to pay any developer for a lot that is

supposed to be subdivided at a future date. Just in case they never get around to it and then you are unable to sell the plot. Or worse, the lot is sold by the developer to someone else under the same promise!

How to solve this? The process in Costa Rica for dividing a mother farm is that the developer gets an accurate survey of the farm with a topographer when he purchases it. He will also assure that the title transfer process is initiated and completed – probably to his company. In some cases the developer may begin marketing lots before he can show that the national registry has title in his name. If the developer can show you that the mother farm is titled in the national registry, and the legal papers documenting that he is the registered owner (ie, escritura, personería jurídica), then you may safely consider putting an option (earnest money) on a property you would like to buy. The further along in the subdividing process the developer is, then the safer your option is.

The following step in the process is to submit the proposed development plan to the appropriate government agencies for approval. The bottleneck in this process, and thus the final authority, is INVU (the National Institute of Housing and Urbanization). Once the INVU approval is obtained the plans for the individual lots can become registered in the National Registry.

At that point they will be stamped “catastrado” and the closing can take place, assuming any other terms specified in the option have been met by both parties. (improvements to access, power lines, landscaping, etc.)

At the closing the buyer will receive a copy of the escritura that will be presented to the registry in order to initiate the transfer process. This is proof of ownership, or that a transfer is taking place. After a certain time, which can range from 1 to 3 months, the property will be officially registered in the buyer's name. At that point the buyer can request a plan of the mother farm (catastro), either from the developer or independently, which should now reflect a reduced size equal to the size of the buyer's newly titled lot.

LOCATION – AREA factors

(adjusted mileage as necessary for road conditions, 5 kilometers is for paved roads with no traffic jams. 0-1 kilometer distance is within development or outside gate.)

<i>Services and Amenities Nearby</i>	<i>Promised</i>	<i>5 - 10 km</i>	<i>0-5 km</i>	<i>0-1 km</i>	<i>Bonus Pts</i>
One Public or Private School	0	1	2	3	
Second Private School	0	1	2	3	
Third Private School (4 pts more than 3)	0	1	2	3	1
One restaurant	0	1	2	3	
Second restaurant	0	1	2	3	
Third restaurant (bonus for more than 2)	0	1	2	3	1
Clinics or Doctor's Offices (2 points multiple)	0	1	2	3	2
Hospital (bonus for multiple)	0	1	2	3	1

<i>Services and Amenities Nearby</i>	<i>Promised</i>	<i>5 - 10 km</i>	<i>0-5 km</i>	<i>0-1 km</i>	<i>Bonus Pts</i>
One Supermarket	0	1	2	3	
Second Supermarket (bonus for more than 2)	0	1	2	3	1
Pharmacy (bonus for multiple)	0	1	2	3	1
1 Department Store (bonus for more than one)	0	1	2	3	2
1 Specialty Apparel Store	0	1	2	3	
2 Specialty Apparel Stores	0	1	2	3	
3 or more Specialty Apparel Stores (bonus for multiple types)	0	1	2	3	2
Convenience stores	0	1	2	3	
Hardware Stores (bonus for mega store)	0	1	2	3	1
Noise levels (traffic in area, population,biz)		- 1 high	0 medium	+1 low	
Distance from area's major attraction (beach, volcano, lake, river, panoramic or ocean views)	0	1	3	5	

69 possible points - an average development in Costa Rica will probably score 1 or 2 points on most items.

The area amenities don't reflect closely on the developer or the developer's reputation. They are designed to help you assess what you may be missing in the way of services, and to assist you in comparing developments in different areas. You may desire to live on the frontier of development and you will enjoy benefits, foremost among them would be the price. You may desire to live in the lap of luxury and you will enjoy different benefits and you will pay more for that.

You should not pay comparable prices for developments that are not close to comparable amenities.