

# THE "GREATER FOOL" THEORY OF COSTA RICA REAL ESTATE

This manual explains why 99% of all "gringo" or outside buyers vastly overpay for real estate in Costa Rica.

Learn EXACTLY how to pay "local" prices and how to weed out inflated pricing and find and buy exactly what you want...at the price you want.

Discover how NOT to be a victim of a system which systematically takes advantage of nearly all outsiders.



B Y R A N D Y B E R G

**THE “GREATER FOOL” THEORY OF  
COSTA RICA  
REAL ESTATE**

**By Randy Berg**

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## **We WANT to escape...and why**

**Remember when you first fell in love with  
Costa Rica?**



Almost everyone falls in love with the wildlife, the people, the diversity, the simple fact of “no army” and the fact that immigrants are more welcome than most other countries and it is still rated as the safest in South and Central America.

And you dreamed about the country... and just “maybe” moving there someday.

But lately, your timetable and maybe even your retirement plans have moved ahead...

You don't want to wait much longer...

And you figure “what is my sanity and our happiness really worth?”

And you start thinking about Costa Rica a LOT more seriously.

And how you can really make it happen... sooner...

...a LOT sooner.

### **HERE'S WHY...**

... every time you open the paper... or you go out to eat... or in the office... or even in the supermarket or the bank...

People are angry.

And it is not a simple anger that can be solved with discussion and a simple walk around the block. It is a divisive anger that splits families apart, and causes friendships to be broken... and is tearing our nation into factions that cannot even discuss or compromise.

And trust?

No one trusts any longer.

And there is literally nothing exempt... from our government, our elected officials, our media, our banks... the list goes on and on.



And if we don't trust anyone... well, you get the picture... because the fear is that it may never come back again.

The memories of compromise, of friendships, of even family and "the good old days"... are close to being gone... maybe forever.

**And we dream even more about how we can  
make Costa Rica happen sooner.**

But in spite of all the good things... there are still things that make no sense and that we don't understand. And we can't seem to get answers.

## Why are Real Estate Prices so high?

I call them “the good, the bad, and the ugly” about Costa Rica... the little details that most people leave out when talking about Costa Rica.

Why?

Well, mostly because the majority of people writing about the country and its people have a very vested interest in people moving to the country or visiting and spending their money.

“...like who?”

Here are a few:

The government... tourism is the country’s largest source of revenue. Negativity obviously doesn’t help so the government is obviously upbeat and downplays the negatives.

Anyone who benefits from tourists and from expats... the people that are planning to move (or HAVE moved) to Costa Rica. Obviously the fewer people that move to Costa Rica or spend money there ... will negatively impact businesses that benefit from tourism. Examples... a few would be tour guides (many are Costa Rican but many of the owners of tour companies are North American or expats), hotel owners, bed and breakfasts, restaurants catering to tourists, realtors, construction companies that market almost exclusively to expats... You get the idea...





Obviously the Costa Rican people in general benefit because “gringos” provide jobs and indirectly... money. Costa Rica is one of the most prosperous countries in Central and South America because of the way it has positioned itself. We will likely never know how true it really is that the country actually planned its tourism and “pura vida” atmosphere along with its emphasis on sustainability and biodiversity... and for the most part, it does not really matter.



At this point... I would like to itemize many of the “bad” things about Costa Rica. Most of you will think that they are minor and not even worth mentioning... but that attitude may very well change when you get there. I am going to sprinkle this with a lot of the “good” things... so we can hit “the good, the bad”... and the last we will have for the end: “the ugly”. And

instead of writing it all out I am going to reprint a part of another book I have written called *"Is Costa Rica Really As Good As Its Own Press Releases?"*



[Please click this link to be taken there:](#)



## **Stuff about Costa Rican real estate you will never know... but should**

Now... the fun begins... “...and the ugly”

As with the rest of this short writing... it is subjective. But I have taken great care to substantiate ... or even talk to others... to ensure that what I represent as opinion is not just mine... or my wife's.

I was originally going to call this chapter “How to MAKE SURE That You Get the Lowest Price on Your Real Estate”.

Sounds hokey but I have to explain what I mean with that title and why it is stuck in the last chapter... “the ugly”.

If you have not discovered that prices of real estate in Costa Rica is almost the equivalent of those in most larger cities in the States or some provinces of Canada... then

**Be prepared to be shocked**

You would expect that a tiny, “second world” (some would say “third world”) country in Central American would be poor in spite of all the beauty that positives that exist there.



Nope. And nearly everyone is shocked.

Prices are sky high... significantly higher than any other country in Central or South America (except maybe parts of Uruguay or Chile).

Houses like this...



Or like this:



*Keep these three pictures in mind as they were included for a reason I will explain later*

Are ridiculously overpriced.

And you're probably asking "how the hell can that even be possible?"

**Get ready...**

There are no rules or regulations governing real estate in Costa Rica. (yes, there is a registration of titles , purchases and surveys ... but in reality, nearly all attorneys know how to circumvent these rules too) . It is truly the "wild, wild West."

It is totally unexpected and most newcomers, particularly those who have fallen in love with the country are almost all shocked by these high prices.

In reality, there is no MLS (some will claim that there is ... sure, there are ... all private and not effective and run by realtors!).

Most realtors or agencies will tell you that they have the best prices and that the market is run efficiently. But... in reality... landowners and homeowners determine their own prices... and agencies and individual realtors, for the most part, simply accept it...

Why?

**Because their fees are paid by the landowners  
(the sellers)**

This is the way that real estate has operated for decades.

The seller sets the prices and no one except the realtor or agency really knows what the “real” price is. Most of the time they are (at least according to outsiders) too high... but when the market is roaring oftentimes realtors will “mark up” the owner’s price... This is known as “net selling.” In reality, no one really knows what the base price is.

It is not regulated...NOT even a tiny bit.

## What's a Money Tree?

Another little known fact... because there are no rules or regulations for anyone selling or buying real estate...

**Literally everyone in Costa Rica is a realtor**

This is exactly why you will see so many North Americans selling land and property in Costa Rica... it is one of the few ways that “gringos” can earn money in Costa Rica.

Disclosure does not exist in Costa Rica. Most of the “franchise” realtors (ReMax, Coldwell Banker, etc) like to imply that they operate just like “back home”. Think about it... how could they if there are no laws and regulations governing the sales of real estate? And their competition is everyone in their neighborhood? This is the ultimate “let the buyer beware.”



More little known facts which virtually no one outside the industry knows about...

Competitors in the real estate industry will do almost anything to protect their turf... gossip? Oh yeah, that's one of the easiest to get away with and now, with the growth of social media, it is one of the simplest AND most damaging. AND effective.

Gossip is always effective when someone online is asking for a referral. Be careful of the pros and cons... the positive and negative referrals and "body slams".

One of my own property scouts years ago had his dog poisoned for the simple reason that he was good at what he did and was taking business away from the competition. This is a lot more disgusting to gringos than Ticos but it happens far more often than it should.



Ticos love to gossip and it seems to have spread to gringos that have assimilated into Tico neighborhoods and towns. I have actually seen gringos that have moved "back home" because of the viciousness of some of the gossip. Don't believe most of what you hear.

The biggest reason is simply because

**You don't know what is a good price and what is a bad price**

It is damn near impossible.



So, how can you tell if you are overpaying for the real estate or house that you have fallen in love with?

Candidly, most people don't even try... they just accept the prices for what they are... and mostly because a realtor will simply say "it is what it is" or "prices are this high because people are willing to pay for it."

The latter is definitely true... but it is not because it is a good price or even a fair price... it is because of the "greater fool theory"... mainly that there is always someone that will come along and pay more.

## Outsmarting the Locals and How to Do It

Now... I am going to tell you the absolute best way to get a good and a fair price for a property or house that you have fallen in love with. Most of you will not do it because you think you can't... and frankly, most of you cannot...

But once you understand, you make allowances for "the way things are" and you understand what to look for and what to "look out" for.

First... gringo realtors do not have access to Tico or Costa Rican neighborhoods, gossip, and the simple reality of pricing because they are outsiders no matter how long they have been there.

**Ticos see gringos as "money trees"**

This sounds crass but if you stop to think about it... most gringos DO have more money than they do. No, they don't have it to spend foolishly and they may have saved a lot and they likely have worked very hard to get to where they are today. But it is a fact that permeates almost every part of Tico society whether it be real estate or a restaurant or a furniture store... almost anything being sold by a Tico to a gringo.

Remember, everyone is competing with everyone else. Gringos may have more money and they may be able to construct websites and Facebook pages and inhabit fancy offices... but the Ticos know what the real prices are and know who is selling and what the seller will accept. Ticos would LIKE to sell at the highest price and will nearly always quote a higher price (remember, gringos have "money trees" back home... and they can afford to pay the higher prices... "they won't even notice when the extra money is gone.")

## How Construction really works in Costa Rica

**So how does the gringo find the properties at the lowest prices?**

Simple.

He hires someone (yes, of course, a Tico) to find the properties and get the lowest prices.

The danger here? ... that the “scout” will build in money for himself out of the price that he gives you.

It happened to me until I accidentally found out what was happening.

What did I do?

I fired the scout... and two days later talked to him and told him that I would hire him back but I will verify via an attorney and I would add in an amount per transaction that would be his commission. It was more than he was making and his job stayed the same and in two years he purchased a new house. The arrangement suited both of us.

Could you do this?

**Would you ... if you could save tens of thousands of dollars?**

Let me give you a couple of examples...

After we had been in Costa Rica for two years our scout found us a piece of land from a local coffee farmer that was about 40% below the estimated market value. It was 6 hectares with a gorgeous view, all planted in coffee

and a river at the lower level. And about 200 meters in from a public road. We bought it and I kept half of it for our home, and a portion for our daughter and her husband. She had married a Tico five years previous and both were now working for us. Initially we built a home that we were going to use strictly for guests... Rhonda (my wife) designed the home, which was two level, an open upper level and two bedrooms downstairs, kitchen, bathroom... tiled and well-appointed for guests. It had concrete for its foundation, and the balance was totally from trees that were about two miles further up the mountain. A group from Nicaragua with a “portable sawmill” did the work for us, including the transportation to our property.

We hired someone from a neighboring town to build for us who specialized in wood... total cost (1500 sq. feet) was \$30,000.

Keep in mind that this cannot be done at lower levels as hardwoods in Costa Rica almost all required a license to harvest. Our home was at 4600 feet in altitude and that presented no problems (with a few adjustments) with termites or other problems that we would have encountered at a lower and warmer climate.

Five months ago I saw what I thought was the same cabina for sale. It wasn't... it was a Tico that we had become friends with as we had it built for him by the same crew that built ours... AND he used our design and added another bedroom and bathroom. His initial offering was close to a QUARTER MILLION DOLLARS! Yes, that included land which was a good sized piece. The price has since been dropped to slightly less than \$200,000 but it illustrates how crazy the market has become AND how the market is structured to take advantage of unknowing and inexperienced buyers.



That is Ticos pricing for “gringos”. And that is what happens to almost 90% of the people that purchase land ... land and house... or land and construct... It is almost inevitable. They simply DO NOT KNOW what is a good price... a fair price... or a price that is ridiculous but targeted specifically for someone who doesn't know the market or how to find a fairly priced property.

Do realtors know it?

Many of them do... many don't. But most of them don't know how to FIND properties. They simply sell what they are given and shown by the sellers and property owners.

Remember... there is no MLS, there are no comps, and 95% of all realtors know nothing about construction and are only used to selling what is put in front of them. They sell what the manager tells them to sell and at the price he sets.



Now... I realize that most of you are saying “I have no idea how to hire a Tico and I don't even speak Spanish. And I wouldn't have any idea if I was being taken advantage of by my scout.”

Understood.

I was lucky, I admit it.

How creative are you?

For the kind of money that you would save?

Hire a scout... and pay him a bigger commission than the standard 2.5% or 5% that he would ordinarily get if he was doing this on his own. And tell him that you will close with your own attorney and he will verify the amount that will go to the scout. Or just offer him \$1000 when the property closes... or maybe just pay his gas and expense money for finding specific kinds of property.

Make sure that you have him bring you several different properties of the kind that you are looking for. Compare.

And if you still have doubts... hire a second scout to check on the first scout.

Think this is too much to go through?

I guess it depends on exactly what you're looking for.

This is exactly what I did when I started my own real estate company many years ago. My prices were WAAAYYY below the competition and I developed a reputation very quickly.

### **Now you know**

Yes, theoretically you could start your own real estate company to. And almost no one else does this... but they should.





*Our first house that we built for \$35/sf got us in Newsweek Magazine...*

What is happening in the marketplace is affected by social media... and the fact that potential scouts don't want to work. They want to find a property advertised in Facebook... put an advertisement on another Facebook page and collect a commission. In theory, it's great... in practice not so great... because everyone sees the same thing and is competing on the same field with the same properties.

## **Real Estate in Costa Rica CAN be a bargain... IF you know how to play the game**

### **Now...on to construction**

Construction prices have gone up significantly too... from the \$35 per sq. foot that we were charged when we built... to an estimated \$150 to \$200+ per sq. foot. That's very close to what is being charged in the States... and yet the workers are definitely not being paid anywhere near what workers are making in the States... so guess who is making the money here?

Yup.

The construction companies and their owners. And of course, the suppliers.

There are so many ways that contractors make extra money that it would shock you. And this isn't the time or the place to cover them all.



If I were to build again... I would use partial prefab blocks and make the design of the house more distinctive instead of simply being “cookie cutter”. There are adjustments that can be made with the supplies... and there are also adjustments that can be made with subcontractors to avoid specific charges (legally) and the same with architects.

I would also consider hiring a facilitator or someone to watch over everything that is happening... EVERYTHING... and be only responsible to you. Obviously, he or she should speak Spanish and English. (unless of course, you speak enough Spanish to include the construction verbage.)

If you are in the \$50 to 70 range, that is very reasonable and what you should shoot for. Over and above that doesn't add anything significant to the end product unless you need and want significantly more extras... and yes, larger piping for waste and septic AND 220 power should be included in the lower range above. Extra cleanup to your satisfaction may not happen though... for some strange reason I have never seen a completed project which included a clean house and surrounding property.

Please understand that this last figure for your target construction costs are not easy to find. Expat or gringo contractors will likely not touch those figures because there is almost no profit for them included. Your best bet again is to find a Tico or at least someone with experience to help you and detail to him what you want to accomplish and ask for his input. He definitely will know how to cut corners but many will not work for less than what they are used to.

At this point I could tell you just to contact us and we can either find you a property or we may know of one that is perfect for you.

But you need to make up your own mind.

If this short read has done anything for you, hopefully it has made you more aware of the pitfalls... and “the good, the bad, and the ugly.”

Even though my wife and I had significant problems toward the end of our first adventure... which lasted over a decade... we both love Costa Rica... even with all of its warts, blemishes and problems. It still beats the hell out of the alternatives.

But it is a lot better if you can see problems coming at you... and know them in advance ... so they don't derail you.

If you want to truly know your alternatives... or find out more about OUR adventures and learn from others' mistakes please call or email us.

We can help you. We have done it for hundreds of others... and we can help you too.

Or... you can simply use what you read here and achieve the same result...

A house or property at the price you actually THOUGHT you would buy... at the price you thought you would spend...

Don't compromise.

Pura vida!

Randy and Rhonda B.

[www.escape-to-costarica.com](http://www.escape-to-costarica.com)

P.S. my website has links to two other Ebooks which you will find helpful... one is “Costa Rica...the Land that Time Forgot”... over a hundred pages and initially written for one of the most popular digital news sites in Costa Rica ...

See the review here:

## Costa Rica, the Land that Time Forgot: An e-book about Life and Real Estate

Posted by [Jaime Lopez](#) on May 12, 2012 in [Blog](#)



There is a poignant scene in the 1996 film *Shine*, about the life of concert pianist David Helfgott, in which he asks an astrologer to marry him. Mr. Helfgott suffers from a severe emotional disorder, something that the astrologer -who would eventually accept the proposal- knew about. The astrologer's decision came only after she reassured herself that her life was going to change. A lot.

Change is at the heart of Costa Rica, the Land that Time Forgot. This is an e-book written by Randy Berg, a real estate developer at [CasitasForSale.com](#) who advertises with *The Costa Rica Star*. Change was what brought Mr. Berg and his wife to Costa Rica, and upon their arrival change became manifest rather quickly. Just like Gillian Murray, the astrologer wife of David Helfgott, Mr. and Mrs. Berg had to realize that their life was going to change a lot before making that final decision.

The first change is mentioned early on. Randy and Rhonda Berg lived in the northern state of Minnesota when the tragedy of 9/11 struck and changed the lives of an entire nation. They faced the uncertainties that many Americans have learned to live with since then. What they found in Costa Rica when they decided to take the plunge was that our country is nothing like their past life in North America, and thus adapting to change was definitely in order.

In Costa Rica, the Land that Time Forgot, Mr. Berg explains his rationale for choosing Costa Rica not only as a place to retire, but also as a place to prosper as an entrepreneur. The Bergs chose our country based on a process of elimination between Mexico, Nicaragua, Panama and other places in the Caribbean. They admit to have fallen for the Pura Vida promise from the start, but after careful research they made their decision, fully aware that they still had a lot to learn and that change was just starting.

The polarizing opinions that so many foreigners, both tourists and long-time residents, have of our country are addressed in the e-book. Take, for example, this concise observation on the endless argument about crime in Costa Rica:

*“Perception of the country often swing to extremes. Visitors may be put off by the bars on windows and come to the decision that the country must be unsafe and have a very high crime rate. Other visitors may fall prey to the misconception that everyone is completely trustworthy. Neither view is perfectly accurate.”*

Refreshing nuggets of information such as the one above are found throughout the 129-page e-book. The real estate section is quite encompassing; everything from a glossary of real estate terms in Spanish to the tedious and tax-heavy process of home construction. Some of the advice is pretty blunt, yet practical, such as the two-tiered pricing whereby everyone who is not a Tico is bound to find. The solution? A Tico straw man (or Tica straw woman).

Not everything is real estate in Costa Rica, the Land that Time Forgot. There are interesting tidbits of cultural information that foreigners will appreciate, such as why train transport is the exception in Costa Rica, rather than the norm (it has to do with the influence of political oligarchy). The cost-effectiveness of bringing a car and furniture when relocating is also discussed.

The e-book, which features enough iconic photos of the beautiful nature and biodiversity of Costa Rica to qualify as a coffee table e-book, is arranged chronologically to an extent, but readers can easily navigate the neatly organized sections like banking, health care, climate, regional characteristics, cost of living, safety, investing, making a living, etc.

By the end of Costa Rica, The Land Time Forgot, one gets the sense that the lives of Mr. Berg and his wife changed a lot since they made the move from post 9/11 America. Change has been good for them, and they have learned a lot from their experience. A lot of what they have learned is shared on the book, which is written specifically for those thinking about making the leap. It's a light and breezy read in PDF format, ideal for electronic readers, and it stands well on its own as a quick reference guide.

Why refer to Costa Rica as a land forgotten by time? It's almost an euphemism as Costa Rica has seen her fair share of development, and she is bound to see even more in the future. But when one looks at the imposing skyline of Panama City to the south, or even the may well-kept roads in Nicaragua to the north, there is a sense that Ticos and many expats are happy to see time progressing slowly here.

You can [download your free copy of Costa Rica, The Land Time Forgot](#) exclusively here with The Costa Rica Star. In the next month it will be offered for sale on Kindle, but you can get it from us for free (PDF, 129 pages, 10.8 MB).

\*Please note that it may take several minutes to download depending on your connection speed.

[Download your free copy of Costa Rica, The Land Time Forgot](#)

P.S.S. Please understand that none of what is being presented here is a simple attempt to get you to buy something. It is being presented to show you what is possible if you are looking to buy real estate in Costa Rica and



maybe build your own dream home in a place that is your own escape. It is meant to show you that it IS all possible.

Do not become discouraged because everything I talk about here is very, very possible. My wife and I were two hicks from Minnesota when we built our first home and ultimately got our faces on Newsweek. And we were lucky.

Look behind the curtain, keep digging... if we did it so can you.

If we can help you... please write or call.

You have our promise that what we publish or what we present to you is real... it is not “pie in the sky” or just our way of “earning a living.”

And there are values out there that you may never know exist.

Ask for help...

Thanks for reading,

Randy and Rhonda B.

\* Please note that when I use the word “gringo,” it is not meant to be derogatory in any way... is simply refers primarily to non-Costa Ricans.