

A Special *International Living* Report

Daniel Ortega: The First 180 Days
(and Where Does He Go From Here?)

Compiled by *International Living* staff writers

Is it friend or foe, stop or go in Nicaragua?

The always fascinating history of Nicaragua reached an important milestone in 2005. For the first time ever, tourism outpaced coffee as the country's leading source of revenue. This happened again in 2006, when some 773,000 visitors spent nearly \$240 million here, up from \$183 million the year before. Business leaders and government officials are predicting continued tourism growth, meaning that it's not too late to invest in one of the most beautiful—and affordable—countries in Central America.

Indeed, some 17 years after the civil war here ended, Nicaragua has finally turned the corner. Visitors are flocking to see the country's volcanoes, pristine lakes, rainforests, and ancient colonial towns. Thousands of foreign retirees are also settling down here, mainly in the charming, historical city of Granada and along the vast Pacific coast.

The migration has been aided by a flood of positive press, with glowing reviews of Nicaragua recently published in *The New York Times*, *USA Today*, and other major media from around the world. The popular travel guide, Lonely Planet, called Nicaragua one of the top "hot spots" to visit in 2007.

Nicaragua's attractions are almost limitless—and growing. Five new golf courses, including one designed by Jack Nicklaus, will soon appear in housing developments that provide all the modern comforts of home. The waves from the Pacific Ocean offer world-class surfing, while the crystal blue waters on the Atlantic side are perfect for scuba diving and snorkeling. In the foothills to the north, where the temperatures are milder, local farmers churn out some of the world's best cigars and coffee.

Regardless of where you visit in Nicaragua, people are overwhelmingly friendly and open to outsiders. Nicaraguans are proud of their country and want to see it improve. There is also far less crime here than in the rest of Central America, a reflection of tight-knit communities and a professional police force. From the minute you arrive at the elegant airport in Managua, there is little reminder that the country was at war throughout the 1980s.

Worries About Ortega: Warranted or Not?

But some feared that Nicaragua would take a step backward with the election of Daniel Ortega. After nearly 17 years out of office and three consecutive election defeats, the long-time Sandinista leader returned as the country's president on January 10, 2007.

Most remember Ortega from the days when he imposed a state-run economy, nationalized properties to give to landless peasants, and fought U.S.-backed Contra fighters. He was voted out of office in 1990 with an economy in shambles and a country deeply divided. On the campaign trail leading up to his recent re-election, Ortega said he had changed.

The Bad Years...

During Ortega's first presidency (1979-90), when private property was expropriated, inflation skyrocketed and the economy went into freefall as the government implemented radical economic policies and aligned the country closely with Cuba and the Soviet Union.

No longer a young guerilla commander, the now 61-year old politician called for reconciliation and promised to help the poor, saying that foreign investment was needed to end poverty. He said he would respect private property rights and the free market. Political opponents doubted his sincerity. The U.S. government threatened to cut off aid. Meanwhile, Ortega met with foreign investors and assured them that his new administration would act differently.

"There is not even a thought of confiscations," Ortega told a group of local and foreign investors last October at his private compound—which he had confiscated in the 1980s from his current vice president, Jaime Morales, a former Contra. Rather than simply give away land, which he admitted didn't work, Ortega said his government would create incentives for poor farmers to grow food to feed their families and then sell any extra for a profit.

He said that the confiscations in the 1980s were done to offset the unfair land holdings by the Somoza dictatorship, but he agreed the Sandinista revolution made mistakes. And largely responsible for creating the confusing array of land titles, Ortega vowed to fix lingering property disputes once and for all. Most importantly, Ortega recognized that Nicaragua, as the second poorest country in the hemisphere after Haiti, needs outside support to improve the economy.

"Foreign investment will help reduce our unemployment problem," he said. Afterward, many investors in the crowd rushed over to get their pictures taken with the famous revolutionary. Last November 5, more than 70% of Nicaragua's eligible voters turned out to cast their ballots in the country's fifth presidential election. International observers from Europe and the U.S. said it was peaceful and well-managed. Taking advantage of a split in the conservative parties, Ortega won the presidency with 38% of the vote.

Why was Ortega re-elected after being passed over in 1990, 1996, and 2001? His past electoral defeats were at the hands of a unified opposition, and the split in the conservative vote is largely credited for his return to power. Still, many have expressed frustration with the last 16 years of anti-Sandinista presidents. Despite increased outside investment and clear improvements from the civil war of the 1980s, nearly 80% live on \$2 dollars a day and unemployment hovers at an estimated 20% to 30%. Ortega's win also reflects the Sandinista's past efforts at helping the poor and a desire for change. Though a state-run economy undermined the chances of eradicating poverty in the 1980s, Ortega has vowed to build a stronger economy through foreign investment and respecting the free market.

The First 180 days of Ortega: the State of the Union

What has happened in the first six months of Ortega's tenure? Despite the threats and dire predictions, Nicaragua remains as peaceful and stable as before. In some regards, the country is better off, due to broadened trade relations. The political opposition to Ortega is fierce but there have been no confiscations of private lands or nationalizations of any industry. As a result, the real estate market has stabilized, bank deposits are at an all-time high and there is no sign of investor flight. While Ortega has reestablished ties with old leftist allies, he has not done so at the expense of other, more prosperous alliances.

In fact, the Ortega administration now relies on a long-time foe, the U.S., and a new-found ally, Venezuela, for millions in direct aid—an improvement over outgoing President Enrique Bolanos. Despite the Sandinista leader's closeness to fiery Venezuelan president Hugo Chávez, U.S. officials describe their relations with Ortega as amicable and productive.

Economic stability

Though potential disagreements still exist, the ability to manage dueling alliances has directly benefited the economy so far. The blackouts that plagued Nicaragua in the summer of 2006 are substantially down under the start of Ortega's term, thanks to emergency oil shipments and free generators from Venezuela. Meanwhile, national exports rose by nearly 23% in the first three months of 2007 compared to the same period last year, totaling some \$368 million in sales. The latest figures from May show a continued jump in exports from 2006.

Economists credit the improvements to new trade agreements signed with both the U.S. and Venezuela, making for a more "dynamic" economy than in the past. The Sandinistas were crucial in passing the U.S.-led Central American Free Trade Agreement (CAFTA), and show every sign of continuing the lucrative trade pact. In January, Nicaragua's National Assembly approved an alternative trade accord with Venezuela, which could usher in \$20 million worth of credit for the country's agriculture, energy, and finance industries.

Although economic growth has slowed in the first few months of Ortega's term, the International Monetary Fund (IMF) and others are predicting that Nicaragua's economy

CAFTA Has Helped

The free trade agreement between the U.S., Central America and the Dominican Republic (officially known as CAFTA-DR) was signed in 2004 and implemented in Nicaragua just over a year ago. No other CAFTA country has benefited as much as Nicaragua, according to a *Latin Business Chronicle* analysis of trade data.

Last year, total Nicaraguan trade with the U.S. reached \$2.3 billion, an increase of 26.3% from 2005. That was the highest percentage increase within CAFTA and the third-highest increase in all of Latin America. By comparison, the average CAFTA growth in trade with the U.S. was 9.2%. Most importantly, Nicaraguan exports to the U.S.—which generate badly needed revenues—grew by 29.2% to \$1.5 billion, according to the U.S. Census Bureau. While Nicaragua still trails behind the other CAFTA countries in terms of the size of exports to the U.S. CAFTA shows the potential for further growth, experts say. And CAFTA is also bringing more investment into Nicaragua, partly lured by the investment guarantees it offers.

will ultimately expand in 2007 at about 4.2%—the same rate that was projected under Bolanos. The investment environment is also more stable than this time last year, according to two leading Nicaraguan economists. In their annual review of economic risks, Luis Humberto Guzmán and Néstor Avendaño found that the business and political changes in the first quarter of 2007 caused only moderate instability to the country overall, a relaxation of several points from the months immediately following the elections.

Moreover, they calculate that the country's stability rating jumped more than eight points in 2007 compared to the first quarter of 2006. The higher marks were driven by investor confidence, modest government spending, and a slight drop in inflationary pressures over the last few months. Another factor is that Ortega has shown himself to be a more adept politician than his predecessor.

“President Ortega enjoys the respect of his party and although he does not have an absolute majority in the National Assembly, he has demonstrated the necessary capacity for building alliances,” said Avendaño. “This is an enormous difference with respect to the government of President Bolanos.”

According to Jerry Haar, a professor of management and international business and associate director of the Knight-Ridder Center for Excellence in Management in the College of Business Administration at Florida International University, “It is ludicrous to think that Daniel Ortega would alienate current and potential investors—local as well as foreign. Possible tax reform, anti-inflation policies, and judicious management of internal and foreign debt are positive signs.”

And, in fact, so far Nicaragua continues with the same national budget that was prepared by the prior administration, with some increases in education and health, a fact that has been pointed out by businesspeople like Rene González, managing partner at KPMG in Nicaragua and the president of the American Chamber of Commerce in Nicaragua. “The current government has not [yet] set up the course that the Nicaraguan economy will take,” he said.

Reaching Out

The balancing act has hardly met with everyone's approval, and polls show that Ortega's early high ratings have slipped in recent months. But Ortega is making an effort at mending past differences, and has even created a special reconciliation commission, headed by former archbishop Miguel Cardinal Obando y Bravo, a prominent critic of the Sandinistas in the 1980s.

In keeping with his promises to help the poor, Ortega has recently initiated major programs in health, education, and poverty-eradication. He is turning to assistance from a range of leftist governments, as well as to the U.S., Europe, Russia, and Asia, which have all delivered new aid packages.

“We want to maintain relations of friendship with countries all over the world,” explained Vice President Morales, who gave a recent speech in Atlanta, Georgia, while Ortega traveled to Iran and Libya.

Foreign Investment Continues

Trading his army fatigues for a white cotton shirt, Ortega has had some early success in securing outside investment. U.S.-based International Textile Group is building a \$100 million Cone Denim assembly factory in Nicaragua and expects to open it by the end of the year. Carlos Slim, the Mexican billionaire who has just overtaken Bill Gates as the wealthiest person in the world, recently agreed to invest \$250 million in telecommunications throughout Nicaragua. Other investors from Central America, the U.S., and Europe are also pouring money into the country, largely for tourism projects and burgeoning export businesses, such as manufacturing and agriculture.

The reasons for this have more due with broader business conditions than with politics, and most economists say there is little reason to fear a downturn because of Ortega. Labor costs in Nicaragua are about half those of Guatemala, Honduras, or El Salvador, and operating costs are also substantially lower here as well, according to the American Chamber of Commerce in Nicaragua.

Developers Aren't Shying Away
The Gran Pacifica Beach & Golf Resort project includes condominiums and villas next to a golf course and beach on Nicaragua's Pacific coast, one hour north of the capital, Managua. So far, the company has invested \$14 million and now plans to start two new condo buildings worth \$4 million. “We're moving ahead,” says Mike Cobb, the U.S.-born CEO and co-founder of the project.

Although direct foreign investment in Nicaragua has historically trailed the rest of Central America, the country is quickly catching up. The United Nation's Economic Commission for Latin America found that foreign investment here has grown by about 30% to 40% over the last several years. Nicaragua received nearly \$235 billion in foreign investment last year and tourism was a major factor. Moreover, Citigroup and other large international banks have made recent investments in Nicaragua's expanding financial markets, a sign that more money is reaching a greater number of hands.

Nicaragua offers tremendous business advantages. These include a young and fast-learning workforce, modern telecommunications infrastructure, very high levels of personal safety, and emerging productive sectors that represent great potential for investment. Sectors that offer competitive advantages include textile industry, food-processing, tourism, forestry, agriculture and livestock, beef, dairy products, energy production/distribution, fisheries and aquaculture. Its geographical location is a big plus, as are its natural resources.

Nicaragua's economy, too, is described as more open than those of countries like Guatemala and Honduras, according to the Heritage Foundation. In its 2007 survey on economic freedom, the Heritage Foundation ranked Nicaragua's economy as 62.7%, or “moderately” free. And thanks to high trade levels and remittances, Nicaragua is the

third-most globalized country in Latin America, according to the Latin American Globalization Index 2006. Only Panama and Costa Rica are more globalized. (The index looks at such factors as exports of goods and services as a percent of GDP, imports of goods and services as a percent of GDP, foreign direct investment as a percent of GDP, tourism receipts as a percent of GDP, remittances as a percent of GDP, and Internet penetration.)

Rising Property Values

The real estate market, despite some initial panic immediately after the election, has recovered and is showing signs of growth. At least 100 different projects along the coastal town of San Juan del Sur are moving full steam ahead, with once skyrocketing prices showing more modest increases over the past few months. The cost for buying colonial properties in Granada dropped by 25% to 50% immediately after the elections, but the market has since recuperated some 25% to 30% of its value, realtors here say.

Experts say that Ortega's victory has changed the profile of the average home buyer, as more "educated" investors move in to snap up good deals. Americans remain the main customers, but Europeans—who are long accustomed to leftist-leaning governments—are increasingly buying up properties as well. With uncertainty about economic and political conditions in Nicaragua—as well as the housing glut back in the U.S.—buyers seem to be favoring smaller investments on properties that they can enjoy part time and rent out for the rest of the year.

Continued real estate development will largely depend on better infrastructure, such as roads and power supply, and the actions of the Ortega administration regarding foreign investment and property ownership. Both areas have seen improvements in the past six months. The Mexican government recently announced that it will finance new highway projects in Nicaragua, and the bumpy road into San Juan del Sur—a leading tourism spot—is getting much-needed repairs.

On the property front, the Superior Council for Private Businesses (COSEP) and other business groups recently commended Ortega for quickly ordering a governmental investigation of a Sandinista official who was trying to extort a group of foreign investors. The official, Gerardo Miranda, was caught on tape offering to "fix" a property dispute along the Pacific coast if the investors paid a \$4 million bribe.

The administration has also been quick to settle long-standing property claims stemming from the land confiscations of the 1980s. Nearly 300 Americans were still awaiting payment for confiscated land at the start of 2007, according to the U.S. Embassy in Managua. (Most of the property claims are by former Nicaraguans who became U.S. citizens after fleeing the revolution.) Since returning to office six months ago, the Ortega administration has resolved 85 cases, valued at nearly \$6 million. In contrast, the outgoing government of Enrique Bolanos resolved 81 cases during its last year in office, U.S. Embassy statistics show. Experts see these and other positive signals as generating further confidence for investors.

Seeking Business Advice

Ortega has also won praise for requesting advice from local business leaders. During the 1980s, the Sandinistas largely relied on support from the Soviet Union and Cuba. But days after recently meeting with ailing Cuban leader Fidel Castro, Ortega called for a range of business plans that would boost employment and end Nicaragua's current energy shortages.

Experts from both the government and private sector will meet over the next two months to discuss five broad categories, including energy, finance, agriculture, tourism and development along the Atlantic coast. Specific suggestions are to be presented to a new commission headed by Vice President Morales, who promises to act on any concrete proposals that could build the economy and alleviate poverty.

Improving the Energy Supply

Among the greatest impediments to business could be resurgent blackouts, which prompted some investors to flee last summer. Like other Central American countries, Nicaragua faces a constant energy shortage. In recent weeks, Unión Fenosa, the Spanish-owned company that provides power to the country, announced new energy rationing schemes, causing blackouts in some cities of up to eight hours a day.

Nicaraguan economist René Vallecillo estimates that the renewed shortages could cost local businesses some \$10 to \$20 million in lost sales. Unión Fenosa was recently sued for failing to deliver energy and there have been speculations that the Sandinistas would potentially kick the company out of the country. But the Ortega administration recently signed a new agreement with Unión Fenosa, ensuring that the government will work with the company to solve the energy crunch.

Meanwhile, the National Assembly just approved funding to buy additional power and install new generators. The bill, passed at the end of June, provides \$5 million for Unión Fenosa to purchase more energy. It also authorizes new generators that will add 120 megawatts to the country's grid over the next 10 months.

At the same time, Ortega is turning to oil-rich friends such as Venezuela and Iran

U.S. on Ortega: No Problems

In mid July, as Nicaragua prepared to celebrate the 28th anniversary of the Sandinista revolution, a leading U.S. official described the once-antagonistic relations with President Daniel Ortega as friendly.

"We believe we have established a good working relationship with the Ortega government," said Thomas Shannon, the Assistant Secretary of State for Western Hemisphere Affairs. Answering journalists' questions as part of the White House Conference on the Americas, Shannon also said that the U.S. is not alarmed by Ortega's growing closeness to Venezuela and Iran.

"We believe this is a sovereign decision of Nicaragua," Shannon said. "As long as this decision respects our hemispheric commitment to promote and defend democracy, protect human rights, and acknowledge, in the case of Iran, UN Security Council resolutions, these links will not have a negative impact on our bilateral relations."

for help. Nearly 80% of Nicaragua's energy generators run on fuel. Already, Venezuela has delivered more than 100,000 barrels of oil, and emergency generators pump close to 60 megawatts of electricity, offsetting some of Nicaragua's energy shortages. Ortega recently announced that Venezuela and Cuba would donate two new 60-megawatt energy plants, which would be operational by September or October. The Taiwanese government will produce another 30 megawatts.

Iran, according to Ortega, has promised to build a 300-megawatt energy plant at some undisclosed time in the future. Ortega said that he would "applaud" the U.S. and the European Union if they did the same. Many business leaders say they would prefer less controversial company, but they also recognize that Ortega's relationship with leftist, oil-rich governments offers the best chance of solving Nicaragua's energy crisis.

Despite his radical past and his close relation with leaders like Hugo Chávez, most foreign analysts don't expect Ortega to follow similar policies.

"Chávez has oil, Ortega doesn't; therefore the former can do what he pleases, the latter cannot," Knight-Ridder professor Jerry Haar says. "I believe Ortega will pursue the macroeconomic policies of recent administrations combined with heavy attention to social issues (education, housing, health, social services). State intervention will be restricted for the most part to those functions and services of a social nature within the economic sphere, such as tax policy, where intervention will provide benefits to the mass of the population. Poverty reduction is one of Ortega's highest priorities."

Carlos Caicedo, head of the Latin American division at UK-based risk consultancy Exclusive Analysis, agrees. "We see Ortega heed a balance between keeping CAFTA alive...having a working relation with the U.S. and also keeping the IMF engaged in the country," he says. "We don't expect...confiscations, nationalization—all the radical policies in Venezuela or Bolivia."

The Downside to Today's Nicaragua: the Unknown

Despite the cautious optimism, Nicaragua has suffered from the election victory of Ortega. The country's political risk has grown the past year. Real estate sales are admittedly flat—even down as much as 20% from last year, say some developers, largely due to the "Ortega factor." Infrastructure problems like bad roads and frequent power outages and water shortages don't help.

In addition, on-going problems include Nicaragua's corruption and low competitiveness, according to well-respected international sources. For instance, the latest corruption survey from Transparency International gave Nicaragua a score of 2.6, where 10 is best. That makes it the second most corrupt country in Central America behind Honduras. The World Economic Forum's 2006 Global Competitiveness Index ranked Nicaragua as the least competitive economy in Central America and the third least competitive in Latin America. And the latest Latin Business Index, published by *Latin Business Chronicle*, ranked Nicaragua as the second worst place to do business in Central America

(Honduras was first) and the fourth-worst in Latin America. The index looks at factors such as the macro environment, globalization and competitiveness, business environment, technology level, and political environment in 19 countries.

Historic Political Fights Continue

Long-time adversaries on both the left and right remain leery of Ortega, based on years of distrust. The complaints stem from Ortega's "authoritarian" style of governing. As part of a secretive revolutionary junta that overthrew a dictatorship, Ortega still seems uncomfortable with making transparent decisions. He has lashed out at a critical press, and even the simplest government actions are treated as secret.

As we've mentioned, Ortega has also drawn criticism for courting relations with Iran and Venezuela. Some warn that the new alliances could isolate Nicaragua and scare off foreign investment. But the new administration is kept in check by an aggressive opposition.

Controlling 38 seats in the National Assembly, the Sandinistas are outnumbered by the two conservative parties: The Constitutional Liberal Party (PLC), with 25 legislators, and the Nicaragua Liberal Alliance (ALN) with 23. Ortega shares a controversial power-sharing pact with PLC party boss and former president, Arnoldo Alemán, but there is increasing discussion within the PLC and ALN ranks to unite to counter any radical Sandinista proposals.

Concerns have been raised about Ortega's plans for constitutional amendments that would give the presidency greater powers. But on the economic front, few are finding reason for alarm. So far, Ortega's economic proposals fall in line with modest leftist governments of Brazil or Chile, rather than the populist appeals of Chávez. And for every rabble-rousing speech Ortega gives, Vice President Morales is there to assure investors that private property and the market economy are safe.

"Between the both of them, we get a very clear message of where the country is going," says Raúl Calvet, president of the investment consulting firm, Calvet & Associates. "Business has a green light to move forward."

Invest or Divest: You Decide

All of this indicates that, most likely, the time to invest in Nicaragua is now. The natural unease from investors about Ortega has kept property undervalued, yet tourists continue to flock to the country. After six months in office—a long enough time to notice a pattern—it is clear that Ortega has changed from his revolutionary past. General perceptions about the Sandinista leader remain shaky. But all indications are that private property is safe, the economy is stable and the new administration is reaching out to both business leaders and other governments to help solve problems, such as eliminating poverty and boosting energy production.

To many investors, Nicaragua is what Costa Rica was 15 years ago—an affordable and attractive destination just waiting to be discovered. As more and more begin to notice improvements, property values are expected to rise even faster, experts say. For the moment, buying property and homes is far cheaper in Nicaragua than other Latin American hot spots. A half-acre lot with a view of the beach generally goes for \$95,000 to \$100,000 here. In Costa Rica, some ocean view lots are going for as high as \$500,000. Turnkey villas along the unspoiled Nicaraguan Pacific are priced at about \$400,000 for now. Meanwhile, a similar home along the more developed Mexican coast can cost nearly \$600,000 or more.

Nicaragua's currency has also been slowly declining against the dollar for the past year, meaning your money can go further here. The official exchange rate at the end of June was 18.44 *cordobas* to the U.S. dollar, according to Nicaragua's Central Bank, and inflation is estimated to remain at 9%.

Such good fortunes are likely to continue for investors and retirees. The Ortega administration is continuing with the generous tourism business incentives started in past years and is actively promoting the benefits of Nicaragua to Americans and Europeans. The head of Nicaragua's tourism industry is calling for a \$500 million investment over the next five years to attract more visitors, which is seen as the best hope for boosting the economy.

In addition to continuing infrastructure improvements in already popular tourism destinations like San Juan del Sur, the government is also pushing major development projects in the north, Atlantic coast and along the beautiful stretch of river that borders Costa Rica. All told, officials are predicting that Nicaragua's rapidly expanding tourism industry will grow an additional 15% per year.

In other words, it seems Nicaragua has turned the corner and many think there is no going back. What attracted many investors and retirees to Nicaragua remains the same: the rich culture, beautiful scenery and charming people. There may be some political trouble spots along the way, but Nicaraguans can always vote for change. For savvy investors, the opportunities are impressive.

Is Nicaragua the Next “It” Spot? The Top Spots to Investigate

Here's a list of the leading areas to invest or retire, as well as some that are emerging:

Granada

The oldest city in Latin America is experiencing a major revival. Founded in 1524, the beautiful colonial homes in the center of town are being restored to their former glory. Surrounded by majestic churches, horse-drawn carriages, and a growing number of new hotels and restaurants, hundreds of foreign retirees and business owners now call Granada their home.

The reasons are understandable: just an hour drive south of Managua, Granada is old world charm at its best, with all the conveniences of a small, modern town. UNESCO is currently considering making the city a world heritage site. Each year, hundreds of poets gather for Granada's International Poetry Festival, and the private foundation, Tres Mundos, provides cultural activities all year round.

Although real estate prices have risen in recent years, Granada still offers plenty of modest-priced fixer uppers and a rapidly expanding number of remodeled colonial homes. The nearby lakefront is also being eyed for new projects, while the active tourist zone along the water now boasts another attraction: Nicaragua's first-ever driving range. Golfers can tee up and hit right into the lake without fear—the golf balls float.

The remodeling of colonial homes has now spread out from the city center and the lakefront will soon boast the area's first condominium complex, called Brisas del Lago. The gated development is to include 36 luxury condos, a pool, boat dock, and a deck near the clubhouse to look over Nicaragua's largest lake. Kenneth Cole, a former U.S. Congressman from Pennsylvania who is helping run the project, said the price of a two-bedroom condo offers "million dollar views for \$99,000."

Around Granada

Having long been the centerpiece of Nicaragua's real estate aspirations, Granada is now stretching outwards. A range of projects are just starting to snake their way up into the foothills of Mombacho Volcano, where a misty cloud forest gives way to a few prime lots perched high above town.

Various condominiums, houses and a soon-to-be-completed hotel are also popping up along the recently completed highway towards Masaya, joining the surging interest in Laguna Apoyo, the volcanic lake that has been a quiet retreat from the city for years. The outlying area may get a new shopping center and movie theater complex, if early plans work out.

Two large-scale developments are being constructed around the crater's edge of Laguna Apoyo, a pristine lake which dives down several hundred meters and offers among the freshest swimming anywhere. The area offers stunning views, the calls of howler monkeys, and a fresh breeze that makes it ten degrees cooler than the city below. Meanwhile, Granada is a quick 15-minute drive away, the artisan town of Masaya takes five minutes to get to and the capital, Managua, is roughly 40 minutes away.

Los Congos is likely to be the biggest project at Laguna Apoyo so far. It takes up 550 acres near the lake's edge, offering two miles of private shore line. Once completed, there will be a restaurant, central plaza, swimming pool, and several dozen bungalows. The developers say they will protect the natural environment, which is ultimately the main attraction. A full 300 acres are to be devoted to nature trails and undisturbed forest, and the group is planning to plant another 100,000 trees over the next five years.

San Juan del Sur and the Pacific Coast

Nicaragua's vast stretch of Pacific Coast is attracting the lion's share of development. The projects, which vary in size and offerings, start about 50 miles due west of Managua and end near the Costa Rican border. Dubbed the "Nicaraguan Riviera," the stunning area is expected to receive some \$495 million in outside investment over the next five years, according to calculations by Calvet & Associates.

The fastest growing section is just outside of San Juan del Sur, a once-sleepy fishing town that is surrounded by jutting ocean cliffs and expansive, white sand beaches. But a growing number of condos and housing projects are spreading up north in the Rivas/Tola area and beyond.

The main attraction has been surfing. With consistent off-shore winds, unspoiled beaches and less crowded waves, the country has become a world-class surf destination. There are no specific estimates on how many are in Nicaragua to surf, but a study done in neighboring Costa Rica suggests that the potential is huge. The Costa Rican Tourism Institute says that more than 100,000 surfers visited the country in the first six months of 2006, with tourists staying for an average of two weeks to surf and spending nearly \$122 a day.

However, golfing could soon be another selling point. The Iguana Golf and Condo resort near Gigante beach opened the area's first nine-hole course last year. At least five separate developments are planning on their own courses, adding some 90 extra holes of play among the country's best oceanfront property.

Nicaragua's Pacific Coast stretches several hundred kilometers, making it possible to still find small private lots—or to buy in on larger developments that are fully self-supporting. Among the biggest is Gran Pacifica, a fast moving development that combines modern residential living with the extras of a high-end resort. A one-hour drive from Managua, the group's 2,300 acres of ocean front property will soon hold numerous homes and Miami-style condominiums, along with a 27-hole golf course and a five-star hotel. Having fixed the main road to the entrance of the development, the emerging neighborhood now has sidewalks, plenty of construction, and the outlines of several golf fairways.

A number of other projects are still only in the planning stages, but the diversity of plans offers a wide range of choices for prospective buyers. A new coastal highway, in planning for years, could better connect the various developments. Government officials say they are hoping to attract private donations to build the new road, which would run from Costa Rica up through Nicaragua.

Managua

Most visitors tend to skip spending time in Nicaragua's capital. Virtually destroyed by an earthquake in 1972, Managua never fully recovered. Vast stretches of the city center are uninhabited and many of the streets have no names.

Still, Managua represents the heart of the country's entertainment, shopping and cultural events. It also represents an important hub for conducting business. The relatively modest number of hotels are often booked to capacity, prompting some major hotel chains, such as Hilton, to build new ones. Managua leads the rest of Nicaragua in new development, according to government figures.

Managua also has the greatest assortment of investment opportunities, including call centers and manufacturing capabilities in free trade zones along the outskirts of town. While tourist attractions are few, visitors can stay in the height of luxury in the center of Managua or near the airport. Permanent living, especially for those who need to travel or conduct business in Managua, is also becoming more appealing.

Among the largest and most innovative developments being done is one by Sooner Real Estate, formerly headed by Nicaragua's new tourism minister, Mario Salinas. The group is constructing a five-story luxury condominium project in the city—a sign that even in Managua, it pays to build up. Numerous gated communities are also rising along the Masaya highway on the way to Granada.

Managua is still a maze of disconnected *barrios* and commercial centers, but a series of recently constructed roads and roundabouts is making it easier to get around. The city has the greatest options of restaurants, ranging from five star French to vegetarian. Managua also has three large malls, the nicest being Las Galerías at Santo Domingo. You can watch the latest Hollywood movies in English at a special VIP lounge, which serves drinks and dinner.

Don't Overlook These Emerging Locations

Western Nicaragua: León and Chinandega

Some 81 miles northwest of Managua is the area known as the "Occident." The region is home to the country's two main sea ports, and the bustling, medium-sized cities of Chinandega and León. It is also increasingly eyed as the next wave for tourism development.

Western Nicaragua offers beautiful, undiscovered beaches and huge potential for ecotourism, as the expansive Maribios volcanic range cuts through its heart. Chinandega, long a retreat for Nicaragua's well-to-do, is a charming resort town near the ocean. A half-hour drive from the beach is the historic city of León, full of colonial-style streets and home to the largest Cathedral in Central America.

Having gone back and forth as the capital of Nicaragua in the 1800s, León most famously served as the center of resistance to the dictatorship of Anastasio Somoza. It was the first major city to fall to the Sandinistas, and this vibrant town of nearly 150,000 people remains at the heart of remembering that movement today.

But León is more than just revolutionary politics. It also boasts some of the country's best churches and museums, as well as an active university life. All told, some 28

institutions of higher learning are located in western Nicaragua, ensuring that the area has among the highest literacy rates in the country.

Relatively undiscovered and friendly, this beautiful part of Nicaragua has great potential for those who want to get in early. The price of real estate is far lower than what it would cost to build in Granada or along the beaches of San Juan del Sur. Furthermore, as part of the U.S.-financed Millennium Challenge Account, West Nicaragua is receiving \$175 million in aid to improve rural businesses, road infrastructure and property titles.

Northern Nicaragua: Esteli and Matagalpa

The more mountainous north has a cooler climate and fertile soils, making it perfect for growing tobacco and coffee. Indeed, cigar production here rivals that of Cuba, and Nicaragua's family-run coffee farms are receiving international acclaim. Nicaragua's largest nature reserve, the Miraflor, takes up some 206 square kilometers (more than 50,000 acres) of space here, offering an oasis for hikers and nature lovers.

The region also hosts two of Nicaragua's largest cities, Esteli and Matagalpa. The bigger of the two, Esteli, is famous for its quality-made leather goods, as well as its role in the Sandinista revolution. Two small museums are dedicated to remembering the struggle, and even a bar, called *Rincón Legal*, is covered with revolutionary portraits and memorabilia. Still, even North American visitors say they feel welcomed as friends.

Cut into a valley surrounded by steep hills, Matagalpa reminds many visitors of San Francisco, California, complete with almost impossible-to-climb streets that dart outwards into the countryside. The town's busy avenues and bars give an almost bohemian feel to it, possibly because it hosts one of the best Italian restaurants in Nicaragua, *La Vita è Bella*.

The area surrounding Matagalpa offers some of the country's first coffee settlements, including the *Casa Selva Negra*, started in 1852 by a German couple who had been traveling through Nicaragua on their way to strike it rich in the California Gold Rush. For the past 30 years, the heirs of the family have opened up their top-notch coffee farm—the Selva Negra brand has won several international awards—to tourists. Visitors can tour the grounds on horseback and stay overnight in German-style chalets. A newer resort nearby, *Finca Eperanza Verde*, also runs a stunning, award-winning hotel.

Although housing developments are few and far between, the Apanas Lake Estates is leading the way by creating the region's first luxury home options. Overlooking a mountainous man-made lake, the spacious lots are about a quarter of the price of a similar living space in places like Boquete, Panama, or Lake Arenal in Costa Rica.

And the northern region could see greater growth. Nicaragua's Institute of Tourism has earmarked \$39 million dollars to build small businesses and hotels along the various "tourist" routes here, such as the *Ruta de Sandino* and *Ruta de Café*. The tours crisscross the northern countryside and various cities, complementing Nicaragua's more traditional

attractions. Outside investors and foreign governments are quickly chipping in to help build up the routes.

Atlantic Coast: Bluefields and The Corn Islands

Isolated from the rest of Nicaragua throughout most of its history, the Atlantic Coast developed its own distinct culture, which is a mixture of English and Nordic influences, as well as Spanish and Caribbean. Many on the southern Atlantic Coast speak English, and the music goes from reggae to country western without missing a beat.

(contd on next page)

What Every Buyer Should Know

- **There are no restrictions on foreigners** buying, owning, or selling property in Nicaragua.
- **Residency requirements:** An income from outside of Nicaragua of \$400 per month and you must be over the age of 45.
- **Financing:** There are several banks in Nicaragua, including Bank of Central America (BAC), Bancentro, Banco Uno, and Banco de Finanzas, that will give home loans to foreigners who want to buy property in Nicaragua. According to real estate agent Steve Snider, local banks and lending agencies usually require a large down payment—sometimes as much as 40% to 50%—and the remainder is financed with interests rates between 8% and 10%. As a result, Snider says many people take out a loan in the U.S., where interest rates are lower, often using property there as collateral. They then use the cash to buy property in Nicaragua.
- **Documents to ask for before buying a property:** A copy of the deed, the clear title from the public registry, and proof from the local municipality that property taxes have been paid to date. Buyers usually retain an attorney to handle these and other matters concerning the purchase.
- **Additional costs at the time of purchase:** The closing costs generally run about 2.5% to 3.5% of the purchase price and include a transfer tax of 1% and the attorney fees. The real estate commission—usually 6% to 7%—is sometimes paid by the seller (Ask to be sure).
- **Timing:** The purchase typically takes 30 to 60 days from the signing of purchase agreement (and making a deposit) to the closing. The transfer and registering of the title can take up to six months.
- **Property taxes:** 1% of the value of the property paid each year for the previous year. If paid by March there is a 10% discount.
- **Title insurance:** For many years, home buyers couldn't buy title insurance in Nicaragua. Now you can, through First American Title Insurance Company. The procedure is to buy the policy in the U.S., Canada, or the UK, and coverage is interpreted under the laws of the country where you purchase the policy. According to Turalu Brady Murdock, who manages the Caribbean and Central American operations for First American, the policies are comprehensive and cover ownership issues, liens, mortgages, contracts, options, and other encumbrances on titles, as well as fraud and forgery matters and rights of access to and from the land. These policies on foreign property also provide a legal defense if your title is challenged in the country in which your property is located.

Bluefields is a rustic port town of 50,000 and those who make the trip are mainly interested in the unique Caribbean culture and reggae music. Just offshore are Nicaragua's two stunning Corn Islands, which showcase crystal blue waters and deserted stretches of white sandy beach. Many are reminded of what the Caribbean must have looked like 20 years ago. Indeed, on little Corn Island, the smaller of the two, there are not even any roads.

The limited amount of land that is available for purchase is likely to keep the area low-key, which some locals feel is for the best. But room has been made for interesting small-scale developments and even for a few high-end options. The two Corn Islands offer unspoiled coral reefs for snorkeling or scuba diving, and there is plenty of beach to spread out for those who just want to relax. The Hotel Oasis at Bluefields offers luxury accommodations and a big city casino.

The relative isolation of the Atlantic Coast—the only way to get here is by boat or plane—has made it trail behind in development. Still, tourism leaders and government officials are increasingly discussing ways to build up this unique part of Nicaragua as well.

Safety in Nicaragua, According to the Statistics

Nicaragua remains one of the safest countries in Central America, and even big towns like Managua have lower crime rates than equivalent U.S. cities, according to statistics compiled by international agencies. And despite a decade-long civil war, there are far fewer gangs here than in Honduras or El Salvador, plus violent crime is rare. Last year, there were 13 murders per 100,000 inhabitants in Nicaragua, compared to 46 per 100,000 in Guatemala and 51 per 100,000 in El Salvador, the United Nations found.

Still, like everywhere, it's impossible to completely escape crime. Both foreign and local residents are reporting an increased number of home robberies in tourist towns like San Juan del Sur and Granada, as more and more money comes into poorer areas. Two recent deaths of Americans in Nicaragua prompted the U.S. Embassy to offer increased cautions for visitors. Experts suggest better home security—like hiring a night watchman or putting up cameras—and common-sense measures for staying safe.

Legal Rights: Just What Are They?

Despite vast improvements in property laws, finding a “clean title” remains a challenge. As is the case with any other emerging real estate market, it is strongly recommended that you enlist the help of a reputable local attorney. Nicaraguan property titles can be disputed at times, and an experienced attorney can trace title of the property to ensure that it is not contested. Companies like First American Title Insurance Co. can also insure property titles in case legal challenges do not work in your favor.

Although the Sandinistas were notorious for confiscating properties in the 1980s, the rights of private property are now guaranteed by the constitution. These amendments

protect against any changes in the law, such as proposed legislation that might slash private ownership of property along the beach. Both the Coastal and Water Law include clauses at the moment that would set aside 200 meters (656 feet) of beachfront for public use. The current cut-off point for establishing exclusive claims to a beach is 30 meters (about 98 feet) up from the high-tide line.

However, lawyers for the Association of Nicaraguan Investors and Developers (ANID), a lobbyist group, say that they are making progress in ensuring that the only affected land will be the rare plots that are government owned. Anyone who buys or sells private property retains the same rights as before. Even if approved in the most worrisome forms, the group says that you can challenge the laws as unconstitutional.

Experts don't see the legislation progressing to that point, as both the Sandinistas and opposition parties are clearly in favor of attracting outside investment. Indeed, the Ortega administration is continuing with generous business incentives, such as Law 306. Enacted a few years ago, the law allows for 100% sales tax exemption on building, design, and supervision contracts for tourism ventures. It also allows a 10-year tax exemption for 90% of the income tax, 100% of the property tax and 100% of the import duties for furniture, equipment, and other necessities.

There is also less red tape involved in starting a business here. A World Bank study done in 2005 found that in Nicaragua only eight legal steps are taken to start a business, compared to more than 11, on average, for the rest of Central America. This translates to being up and running in 43 days here versus an average 63 days for the region.

Nicaraguan courts are not yet up to first-world standards. But new mediation courts are making it easier for investors to settle disputes, joining a widespread U.S. government effort to modernize Nicaragua's legal system as part of CAFTA. Such courts follow the same Nicaraguan laws, but they offer an alternative venue to resolve various disputes. The U.S. Agency for International Development (USAID) has spent nearly \$300,000 to establish a total of 13 mediation centers around the country.

Resource Rolodex

Note: *International Living* publishes a free *Nicaragua First Alert* service, designed to keep you up to date about current events and opportunities in Nicaragua. Our *Nicaragua First Alerts* are distributed via e-mail several times a week. To read our Alerts archives or to sign up for our *Nicaragua First Alert* service, go to:
www.internationalliving.com/nicaragua/nicaragua-alert-index.html

And to learn how Nicaragua stacks up in Latin America, become a *Latin America Insider*.
[Learn more here.](#)

***International Living* in Nicaragua:**

Delia Rueda, *International Living* Local Office Consultant, Granada, Calle El Consulado, Del Parque Central, 11/2 al oeste; tel. (505)552-8107 or (U.S.) (954)727-5194; e-mail: Nicaragua@InternationalLiving.com.

Notarios (attorneys) in Managua:

- **Alvarado & Assoc.**, Colonial Los Robles VI Etapa #75; P.O. Box 5983, Managua; tel. (505) 277-4028 and (505) 278-7708.
- **Barrios & Associates** (Dr. Modesto E. Barrios J.), P.O. Box 4874, Managua; tel. (505) 278-0019; fax (505) 278- 6576; e-mail: barrios@ibw.com.ni.
- **Carrión, Somarriba & Asociados** (Dr. Fernando Somarriba de Valery), Colonial Los Robles, No. 45 del Hotel Colón, 21/2 Cuadras al Sur, P.O. Box 2422, Managua; tel. (505) 267-1020; fax (505) 267-1005; e-mail: carmoral@tmx.com.ni.
- **García & Bodan** (Lic. Terencio J. García Montenegro), del Restaurante La Marseillaise, 11/2 al sur No. L-15, Managua; tel. (505) 270-5008; fax (505) 278-0928; e-mail: terencio@garciabodan.com.ni.
- **Mejía & Associates** (Dr. Byron Mejía), detrás del Restaurante La Marseillaise, 2 Cuadras Abajo, 11/2 Cuadra al Sur, #3 Reparto San Juan, Managua; tel. (505) 879-6130; fax (505) 278-0072; e-mail: bmejia@cablenet.com.ni.
- **Taboada & Asociados** (Dr. José Evenor Taboada A.), Del Hotel Intercontinental 4c. Al Sur Managua; tel. (505) 266-3196; fax (505) 279-9277; e-mail: Jetaboada@taboadayasociados.com or orxvalverde@taboadayasociados.com

Business and investment resources:

- **Calvet y Asociados** (Raúl F. Calvet), Investment Advisor, Carretera Masaya, Embajada Mexico 1 1/2 C. Abajo, Managua, Nicaragua; tel. (505)270-1320; fax (505)270-0438; e-mail: info@rcalvet.com; website: www.rcalvet.com.

Embassies and consulates:

- **Nicaraguan American Chamber of Commerce**, 175 Fontainebleau Boulevard, Suite 1R-10, Miami, FL 33172; tel. (305)599-2737; fax (305)220-1841; e-mail: nacc@fdn.com; website: www.nacc-miami.com.
- **Corporación de Zonas Francas (CZF** or “Free Trade Zones Administration”), Executive President, Mr. Gilberto Wong, Km. 12-1/2 Carretera Norte, Managua; tel. (505)263-1530; fax (505)263-1700; website: www.czf.com.ni.
- **Centro de Exportaciones e Inversiones (CEI** or “Center for Exports and Investment”) General Manager Lic. Jaime Pfaeffle, Manager of Exports and Investments Licda. Noy de Bernheim; Del Hotel Intercontinental, 1c. Abajo, 3 1/2 c. al sur #1208, Managua; tel. (505)268-3860 or (505)268-1064; fax (505)266-4476; e-mail: jpfraeffle@cei.org.ni; website: www.cei.org.ni.
- **Ministerio de Fomento, Industria y Comercio (MIFIC** or “Ministry of Development, Industry and Trade”), Minister, Dr. Mario Arana, Frente al Centro Comercial Camino de Oriente, Managua; tel. (505)267-0161 or (505)278-8698; fax (505)267-0095; website: www.mific.gob.ni.
- **U.S. Embassy Managua, Economic/Commercial Section**, KM 4 1/2 Carretera Sur P.O. Box 327; tel. (505)266-6010; e-mail: EmbassyInfo@state.gov; website: <http://managua.usembassy.gov/wwwwhcom.html>.
- **Embassy of the U.S. in Nicaragua**, tel. (505) 266-6010, ext. 4641; fax (505)266-9056; e-mail: EmbassyInfo@state.gov

Nicaraguan Embassies and Consulates in the U.S.:

- **Embassy of Nicaragua**, Consular Services, 1627 New Hampshire Ave., N.W., Washington, DC 20009; tel. (202)939-6570; fax (202)939-6542.
- **Consulate General**, 8370 W. Flager St., Suite 220, Miami, FL 33144; tel. (305)220-6900.
- **Consulate General**, World Trade Center, 2 Canal Street, Suite 1937, New Orleans, LA 70130; tel. (504)523-1507.
- **Consulate General**, 820 Second Avenue, Suite 802, New York, NY, 10017; tel. (212)344-4491.
- **Honorary Consul**, Miles, Inc. Building 4, Mobay Road, Pittsburgh, PA 15205; tel. (412)777-2000.
- **Consulate General**, 6300 Hillcroft, Suite 470, Houston, TX 77081; tel. (713)272-9628.

Real estate resources:

Note: For further information about finding your second home in Nicaragua, contact *International Living's* exclusive real estate advertiser, Pangaea Real Estate. E-mail Margaret Summerfield for details about discounts and first-in opportunities for International Living readers in Nicaragua: msummerfield@pangaearealestate.net

Real estate companies

- Metro Asociados, San Francisco Convent, 1 block west #115, Granada; tel. (505)552-7044; e-mail: info@metro-nica.com
- Morales Bienes Raíces Co., Colonial Los Robles V Etapa # 14 De la Casa de los Mejía Godoy 1E, Managua; tel. (505)278-1816; website: www.nicaraguarealestate.com.
- Remax Tierra Nica, 109 Calle La Libertad, Granada; tel. (505)552-3199; website: www.nicaraguaproperty.com.
- Snider Realty, P.O. Box 3931, Managua; tel. (505) 278-3230 and (505) 882-3862; website: www.sniderrealty.com.ni
- Tropical Islands, Barrio San Pedro, Bluefields; tel. (505)850-5121 and (from the U.S.) (305) 278-9069; website: www.tropical-islands.com
- Water's Edge International Realty, next to Hotel Estrella, San Juan del Sur; tel. (505) 885-7651 and (from the U.S.) (786)206-4361; website: www.realtornicaragua.com

Property title insurance:

First American Title Insurance Company (*Turalu Brady Murdock, Vice-President/Counsel*) Latin America/Caribbean Operations/ International Division, 13450 W. Sunrise Blvd., Suite 300, Sunrise, FL 33323; Tel: (954) 839-2900, ext. 188; Toll-free: (877) 641-6767; Fax: (954) 838-9228; e-mail: tmurdock@firstam.com