

ECUADOR



A Pathfinder Report
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BACKGROUND

Ecuador

Capital City: Quito

Official Language: Spanish

Population: 13,625,000

Area: 98,985 sq miles/256,370 sq km

Independence: from Spain, 24 May 1822; from Gran Colombia, 13 May 1830

Currency: US dollar

Lying right on the equator—hence the name—and bordered by Colombia to the north and Peru to the south, Ecuador is one of only two South American countries that do not have a border with Brazil. The two largest cities are the capital, Quito, and Guayaquil, and almost a quarter of the population lives in these two urban centers.

The Galapagos Islands sitting in the Pacific are part of Ecuador, too. This is the most-visited spot in Ecuador (the Oriente's Amazon rainforest, the most undisturbed), however, classed as one of the world's most bio-diverse countries, it's not just the Galapagos that are worth a closer look.

The traditional highlands culture of the Andes, the indigenous people and their artisan crafts, and the volcanic peaks and impressive mountain views, take center stage. Quito, rich in history and culture, is the administrative capital. Grand old buildings in the historic center of the city had fallen into disrepair in the 20th century. The government introduced incentives for investors to restore the crumbling ruins, and the results are impressive. Tourists began to frequent the historic center in growing numbers. Cafes, restaurants, craft shops, and boutique hotels opened. Today, it is one of the safer zones in Quito—and certainly the most appealing.

Cuenca, smaller than Quito, retains more of its colonial heritage. Culturally, philosophically, and artistically, Cuenca is the heart of Ecuador. The city hosts around 200 cultural events each year, from opera to jazz to crafts fairs. The German magazine *Stern* rated Cuenca the best place to live in Latin America in 2008, which came as no surprise to the many expats who chose to settle there.

The coast, all 1,400 miles of it, features long stretches of beautiful pale-sand beach. Outside of established resorts such as Salinas and port cities like Manta, the beaches are undiscovered and pristine. Small beach towns and fishing villages offer laid-back charm, surfing, swimming, and a way of life most of us thought no longer existed.

Climate

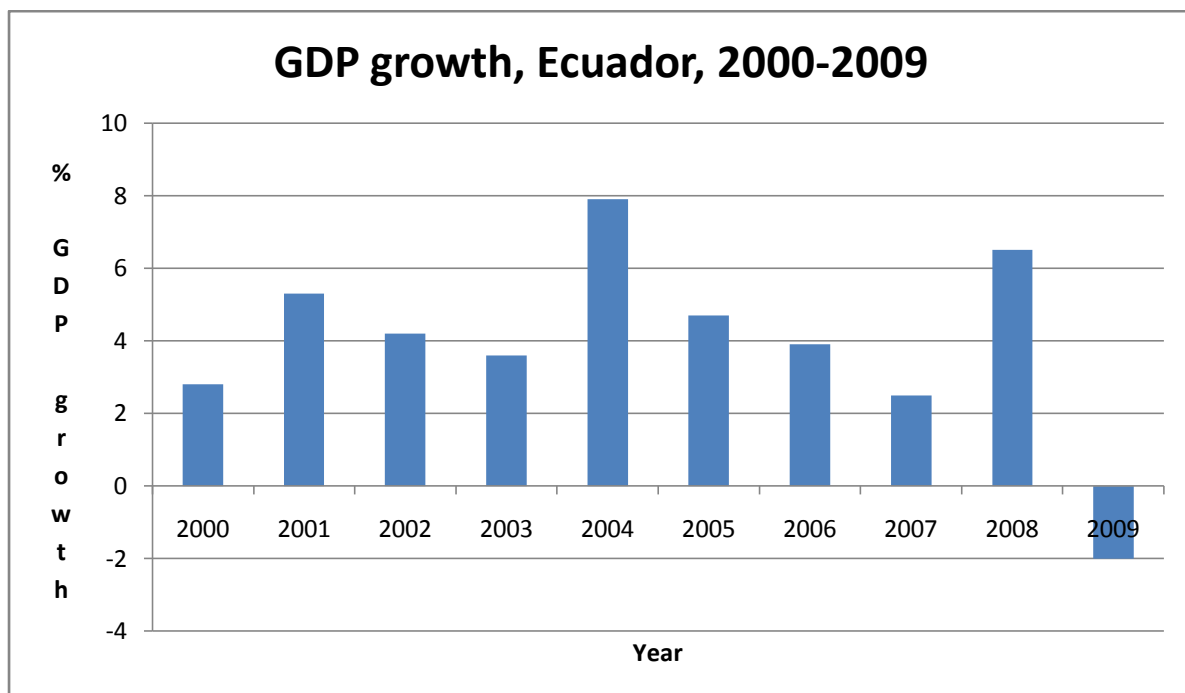
There is a great variety in Ecuador's climate, caused by altitude. In Quito, Cuenca, and much of the elevated highlands areas, the weather is spring-like year round. You won't need heating or air conditioning, with highs averaging 75 °F. On the coast, it's a different story. Here you'll find tropical, wetter conditions in the northern beach areas—although it is drier along the southern Pacific Coast, with distinct wet and dry seasons.

Economy

Petroleum is the mainstay of Ecuador's economy, along with fish, shrimp, bananas, and remittances from the one million Ecuadorians working overseas. Following a decline of more than 6% in GDP growth in 1999, the dollar was adopted to stabilize the economy. Ecuador's crisis of 1997-1999 carries similarities to the issues affecting many economies worldwide today. El Nino caused \$2,600m worth of damage; oil prices dipped in 1998 cutting revenue; and problems in the world financial markets cut the amount of credit available for banks.

Solbanco's closure in 1998 triggered a run on bank deposits. The Central Bank stepped in with emergency loans to banks and financial institutions—amounting to 30% of the monetary base—and created a deposit protection guarantee scheme. The demand for U.S. dollars rose, with many banks lending in dollars rather than sucres. Despite government intervention, the sucre continued to depreciate, and finally the government switched to the dollar as currency.

Since 2000, the economy stabilized with steady growth, until late 2008 when Ecuador defaulted on some commercial bond repayments. Growth for 2009 was negative.



Real estate overview

Real estate prices in Ecuador, particularly of beachfront property, offer some of the best value you'll find anywhere. Condos right on the beach with uninterrupted ocean views run from \$750 to \$1,000 a square meter. Middle-class families from the cities of Quito, Guayaquil, and Cuenca, purchase vacation homes at the beach. There is a lack of foreign buyers, so pricing reflects that small local pool of buyers, and what they can afford.

However, the low cost of living combined with affordable property pricing means that more people than ever are looking to Ecuador as a second home, retirement home, or relocation destination.

Two hours north of Guayaquil's international airport, Salinas, Ecuador's largest resort town, exudes a Miami-style ambience. Condo towers and vacation homes line the beach; and gleaming boats surround Salinas Yacht Club.

Just outside Salinas there's another yacht club and marina, Puerto Lucia. Here you'll find Spondylus, a beachfront condo project, with units starting at \$52,000. For that, you get a unit with porcelain tile floors and granite counter tops in the kitchen, direct beach access, and a swimming pool, gym, and Jacuzzi. Close by you'll find clinics, a modern shopping mall, a country club, and museums. [With the yacht club and marina almost on your doorstep, this is the perfect location for sun-worshippers, sailors, and those who simply want an affordable vacation home.](#)



If creating your perfect Ecuadorian beach home appeals to you, Coco Beach merits a look. Located on the most under-developed section of coast, between Atacames and San Vicente, and four miles from Jama, Coco Beach has 66 lots, spread over 21 acres. Beaches here are beautiful—pale sand, pristine, and deserted—and a thousand palms were planted, giving the gated development its name. Utilities in the development are underground. With a quarter-acre lot just over \$50,000, and construction costs ranging from \$35 to \$60 a square foot, depending on finishes, you can own a lot and a 1,300 square foot home—for \$110,000. [Find out more here.](#)

You can [find out why developers are investing in Ecuador's Pacific coast in this article.](#)

Highland living doesn't get more affordable than in Cotacachi, two hours north of Quito. You can buy brand-new condos with views of the distant volcanoes from \$46,000. Fresh fruit and vegetables are abundant, and cheap. Just 15 minutes away, is the town of Otovalo, famed for its artisan crafts market. And on the edge of Cotacachi, you can indulge at the 5-star La Mirage, with its array of luxurious spa treatments, landscaped grounds and gourmet food.

You can easily live well here for less than \$1,000 a month—one couple we know, paying rent, manages to get by on as little as \$600. Crisp, clean air, sunshine, a healthy outdoors life, a sense of community, and fresh food, all combine to make for a happy and healthy lifestyle. And with high-speed Internet to stay in touch, and proximity to Quito or Ibarra with its supermarket, cinema, and shopping mall excursions, you don't have to compromise on modern living.

Real Estate Transaction Costs

For a simple closing on a \$100,000 property, you can expect to pay your attorney between \$600 and \$1,000. The following is general information about the most important taxes and expenses to transfer property in Quito. All other cities in Ecuador will be similar; Manta for example charges 1.6% purchase property tax.

Quito

Municipality Taxes Percentage

Alcabalas (Purchase Property Tax) 1% (of the value of the property)

Municipality Works 0.035 % (of the value of the property)

Capital Gains Tax (*plusvalía*), 0.5% of the difference between the municipal value at the time of purchase and at the time of sale. Some discounts will apply.

Other Taxes Percentage

Consejo Provincial (Municipal Office Tax), 0.01% of the value of the property (\$1 for each US\$1,000)