

MarketView

Office Market – Panama City

Quick Stats (Class A)

	Current	Change from last	
		1S 2011	2S 2010
Vacancy	4.2%	↓	↑
Lease Rate	\$20.48	↓	↓
Sale Price	\$1,997	↓	↓
Construction	157,986m ²	↓	↑

Note: The arrows are trend indicators over the specified time period and do not represent a positive or negative value.

News

- Vacancy rate decrease from 4.7% in the last half of 2010 to 4.2% in the period from January to July 2011.
- The average lease rate started the first half of 2011 at \$ 20.48, while decreasing in 2010 ending the year at \$ 21.51 sqm / month.
- The sale price also dropped slightly from \$ 2.195 to \$ 1.997 sqm.
- New buildings were started during this period, about 10 ongoing projects. Reflecting an additional 157.986 sqm under construction today.

The first months of 2011 reflected a favorable and optimistic economic performance for the country, with forecasts to end the year with an increase of the Gross Domestic Product (GDP) between 7% and 8%, according to government projections. These expectations are based on the recovery of the economies of the region, increased Foreign Direct Investment (FDI) in Panama and public investment in infrastructure projects.

Public investments estimate for the period 2010-2014 amount \$13 billion, headed by the construction of the line 1 of urban metro (with a length of 13.7 km and investment of \$1.5 billion). In addition, there are the projects that include road realignment, expansion and building of national airports, construction of hospitals, Panamá Bay Sanitation, electrical interconnection with Colombia, Government City and the Cold Chain Project. The mega project of the Panama Canal expansion; currently under construction and estimated to be ended on 2014; would totalize \$ 5.25 billion.

The private sector has been boosted by the start of major real estate investments, including: a mixed – use citadel at the former Howard Airspace Base, which includes logistics and business parks, residences, hotels and shops; another citadel with uses nearby Tocumen International Airport; an industrial park of 250,000 sqm and a business center with offices

and showrooms, both located near the airport. These investment exceed \$1.3 billion in current projects.

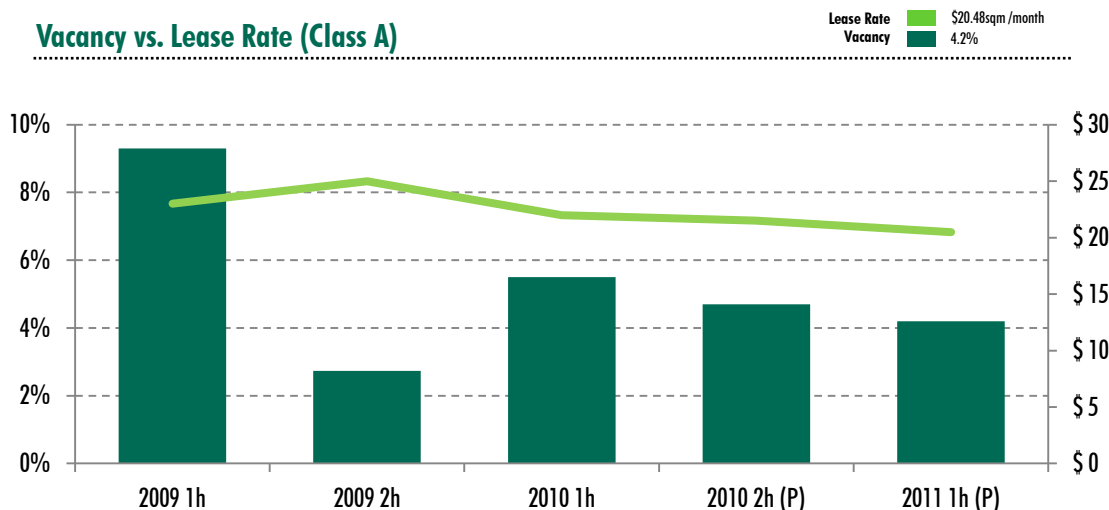
The market for office buildings in Panama City has grown, seeing reflected on large projects that are currently running in sub-markets for Panama City, specially for the Banking Area and Costa del Este. These is what will give in the future the opportunity that this market increases, and become competitive encouraging customers, who are in search of new and modern offices. The vacancy rate for Class A project, decreased slightly to 4.2% in the first half of 2011, compared to the last period that closed at 4.7% for 2010.

The submarket with the highest unemployment rate over the first half has been the Banking Area submarket with a rate of 7%, and San Francisco with the lowest, becoming it an attractive area for investors, with 51,548 sqm under construction.

The asking lease rate decreased slightly to \$ 20.48 this year. Similarly, with the sale price listing that showed a decreasing average of \$ 1.997 per square meter. The sub markets for Costa del Este and San Francisco are the ones with the highest costs, because of its location and infrastructure.

For the next semester, the prices are expected to remain for this period, taking into account the number of square feet meters under construction for the city new to be entering (157.986 sqm).

Vacancy vs. Lease Rate (Class A)

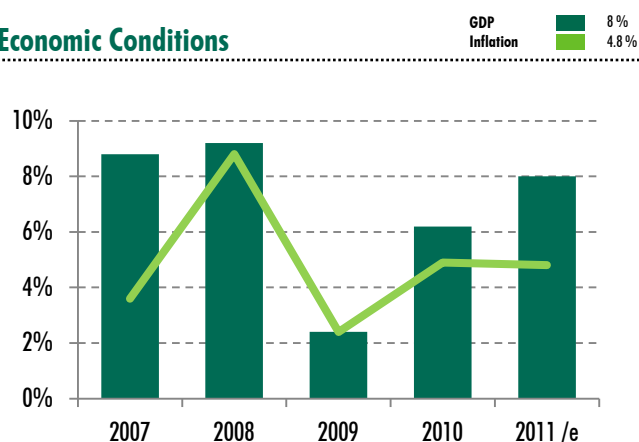


Panama City – Class A Office Market

Submarket	Leasable Area (m ²)	Available Area (m ²)	Vacancy Rate	Under Construction (m ²)	Avg. Asking Lease Rate (USD/m ² /month)
Banking Area	135,466	9,416	7.0%	37,466	\$22.00
South	46,500	1,847	4.0%	8,755	\$23.45
San Francisco	90,283	1,533	1.7%	51,548	\$33.90
Bethania**	0	0	0%	0	–
Costa del Este	30,400	0	0%	51,817	\$25.00
Reverted Area/Others**	10,200	540	5.3%	8,400	\$18.50
Class A Total	312,849	13,336	3.0%	157,986	\$20.48
Class B + C Total	327,242	13,815	4.2%	0	\$13.84
Total	640,091	27,151	4.2%	157,986	

** This area does not have Class A buildings.

Economic Conditions

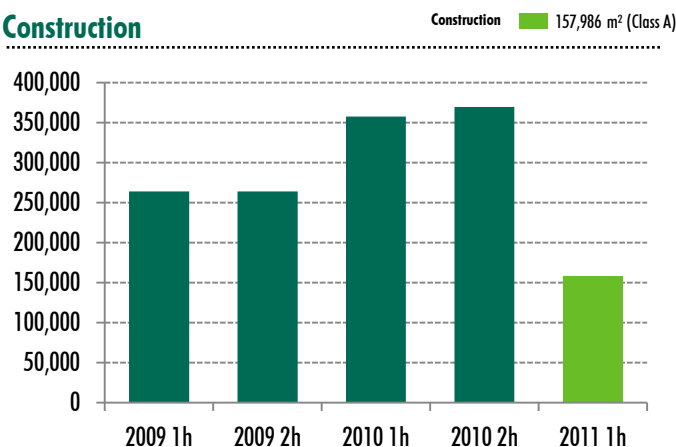


Source: Panama General Comptroller's Office.

The projected GDP for 2011 stands between 7% and 8%. Panama has the fastest growing economy in the region, so a positive behavior is expected in the up coming years.

According to the Comptroller's Statistics, for the end of 2010, GDP grew by 7.5%. Contributed to this performance trade activities, foreign trade zones, transportation and storage, especially a large movement of containers from the ports of Colon (listed in first place in the ECLAC ranking), followed by the port of Balboa on the Pacific; consolidating the leadership of Panama in cargo movement in Latin America.

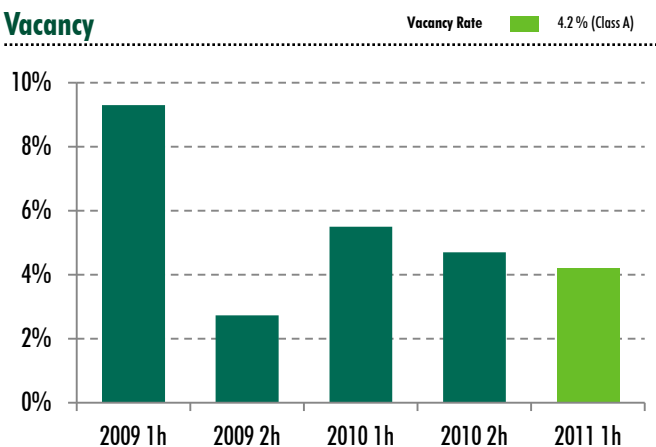
Construction



During the first half of 2011, Panama City showed an increase in the office development projects for major sub-markets in the Banking Area with 37,466 sqm, Costa del Este with 51,817 sqm and San Francisco with 51,548 sqm, which are the most surface areas under construction.

The sustained growth in Panama for the recent years, are based on the dynamic performance of public and private investments in various types of projects, including those focus in the growing in the banking sector, on this offices projects, with buildings of progress and technological facilities.

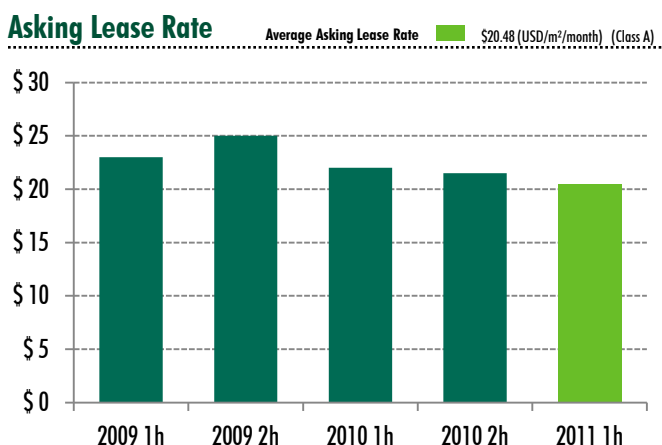
Vacancy



The vacancy rate decreased from 4.7% to 4.2% during the first half of 2011.

During this period is reflected the trend that at the moment is not entering a large quantity of new surface areas, and because of this the availability becomes low due to the high demand that have this type of projects in the present. That's why large projects are developed with buildings that allow supply to the new companies, in order to obtain a better infrastructure and services. Considering that at the beginning of the next year, there will be more availability cause of the new spaces that will be entering to the market.

Asking Lease Rate

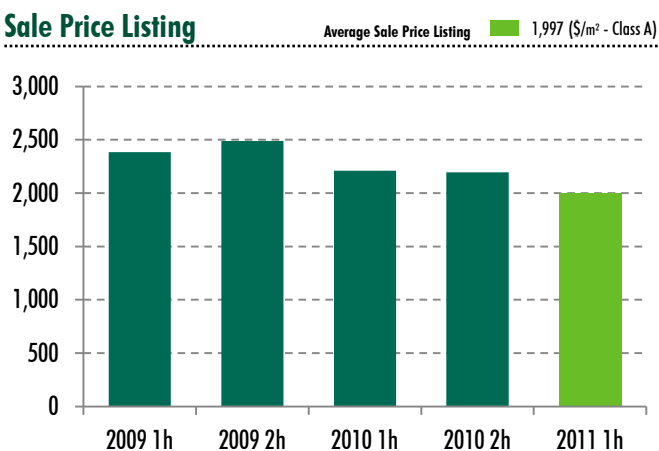


At the end of 2010 the asking lease rate reached \$ 21.51 / sqm/ month, and during the first half of 2011 it decreased to \$ 20.48 / sqm / month.

The submarket of San Francisco remains the most expensive with an asking lease rate of \$ 33.90 / sqm / month, followed by Costa del Este in \$ 25.00 / sqm / month, and the South with an average of \$ 23.45 / sqm / month.

During the next period, it is expected that the asking lease rate remain stable, but given to the new inventory added to Class A projects in the market between 2011 and 2013, the prices can fluctuate, especially in the availability and competition of the projects.

Sale Price Listing



During the first half of 2011, the sale price listing from Class A buildings fell slightly to \$ 1,997 compared to the previous average that was \$ 2,195/sqm.

The submarket with the highest sale price was San Francisco with a sale price listing in \$ 3,700/ sqm, followed by the South submarket in \$ 2,988/sqm.

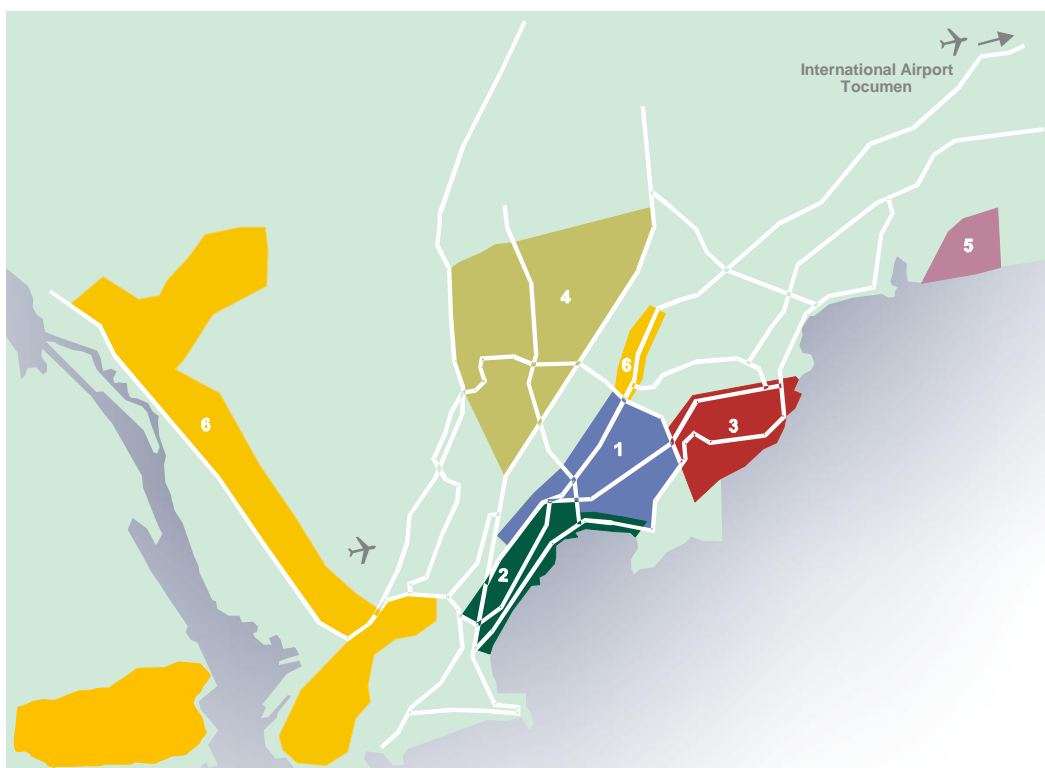
The market trend is that large companies focused on establish their offices in our country, what allows more competition to capture the maximum amount. That is why it is expected that the prices still the same during this year 2011.

MarketView Panama City, Panama

Submarket Stats (All Classes)

Submarket	Total m ²	Market Share
1. Banking Area	249,413	39%
2. South	111,995	17%
3. San Francisco	135,055	21%
4. Bethania	83,265	13%
5. Costa del Este	30,400	5%
6. Reverted Areas (Others)	29,963	5%
Total	640,091	100%

Panama City Office Submarkets



Average Asking Lease Rate

Rate determined by multiplying the asking net lease rate for each building by its available space, summing the products, then dividing by the sum of the available space with net leases for all buildings in the summary.

Market Coverage

Includes all competitive buildings.

Net Absorption

The change in occupied area from one period to the next.

Net Rentable Area

The gross building area minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Area

Building area not considered vacant.

Under Construction

Buildings which have begun construction as evidenced by site excavation or foundation work.

Available Area

Available Building Area which is either physically vacant or occupied.

Availability Rate

Available Area divided by the Net Rentable Area.

Vacant Area

Existing Building Area which is physically vacant or immediately available.

Vacancy Rate

Vacant Building Area divided by the Net Rentable Area.

Normalization

Due to a reclassification of the market, the base, number and area of buildings of previous quarters have been adjusted to match the current base. Availability and Vacancy figures for those buildings have been adjusted in previous quarters.

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