

# MarketView

## Residential Market – Panama City

### Quick Stats (Class A)

	Change from		
	Current	2h 2009	1h 2010
Gross Absorption	70%	↓	↓
Rental Rate/m <sup>2</sup>	\$14.06	↓	→
Sale Price/m <sup>2</sup>	\$2,011	↓	↓
Construction (units)	6,425	↓	↓

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

### News

- Absorption increased 50% during the second half of the year, and 70% at the beginning of 2011.
- The average asking rent decrease into \$11.45 in the first half versus last year.
- The average sale price increased from \$2,011 sqm to \$2,246 sqm from the beginning of the first half of 2011.
- During the first half of this year, new constructions have been started, which increase into 5,047 new units of Class A apartments added to the construction.

The first months of 2011 reflected a favorable and optimistic economic performance for the country, with forecasts to end the year with an increase in 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 \$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 total \$ 5.25 billion additionally from the government investment for the next 4 years.

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.

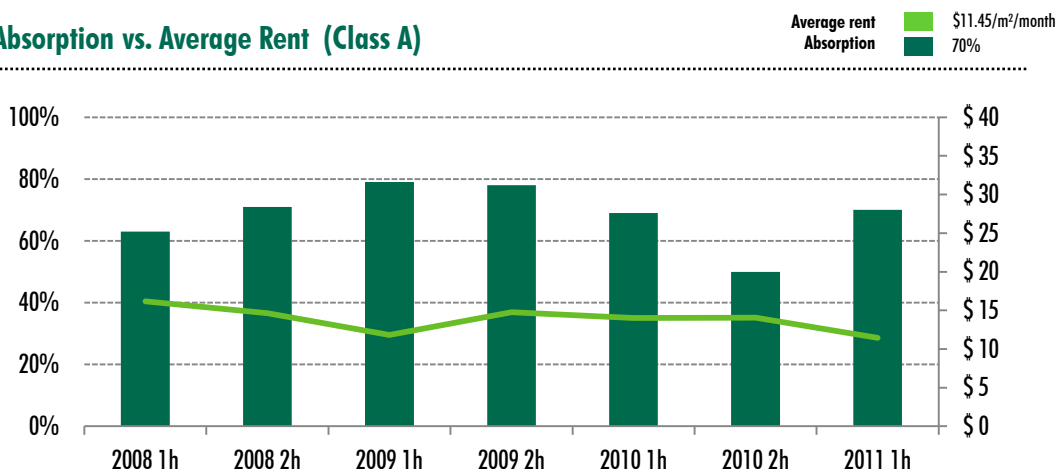
The residential market in Panama City maintained a growth, at the beginning of the first half of 2011, showing an absorption rate in Class A buildings by 70% compared to the previous period (50%).

The submarket of the Coast Line currently leads the residential market with a 73% percentage of absorption, this based on the diversification of projects, with an added value of the exclusive zone due to its environment.

During the first half of 2011 period, other factors have been added that has given value to the acquisition of new residential in Panama City, such as the investments focus on this sector by foreign investors.

The residential real estate sector aims its offers to the buyer's market focused on real demand possibilities, where it holds the highest amount of projects among a range where there is a higher interest from buyers of new residential or homes, all focused on the purchasing power of the family. It is important to point out that we grew, compared to 2010, which ended as a year full of changes with important laws in terms of tax system and other subjects that for better or for worst, always rise expectations in the market which is very vulnerable to the construction. The substantial is that we slowly grew, which leads us to conclude that there is still a lot more to do to reactivate the sector, but with creativity and tireless efforts from investors and government policies, it can be achieved and maintain a growth level.

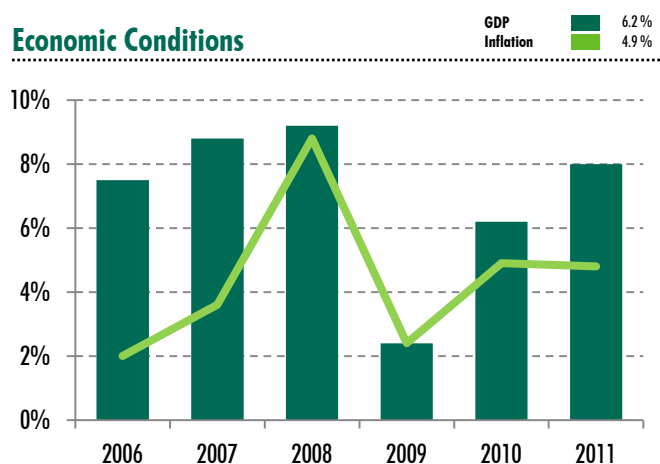
### Absorption vs. Average Rent (Class A)



## Panama City – Residential Condominiums (Class A)

Submarket	Units Under Construction	Reservations	Gross Absorption	Average Sale Price (USD/m <sup>2</sup> )
Center (El Cangrejo)	518	294	57 %	\$ 1,822
Costa del Este	1136	834	73 %	\$ 2,115
Coast Line (Av. Balboa, P. Paitilla, P. Pacífica)	3,376	2,397	71 %	\$ 2,479
North (Reverted Areas )	343	220	64 %	\$ 2,120
South (Marbella, Bella Vista, San Francisco)	1,052	744	71 %	\$ 2,013
<b>Total Class A</b>	<b>6,425</b>	<b>4,490</b>	<b>70 %</b>	<b>\$ 2,266</b>
<b>Total Class B + C</b>	<b>1,576</b>	<b>1,011</b>	<b>64%</b>	<b>\$1,559</b>
<b>Total</b>	<b>8,001</b>	<b>5,501</b>	<b>69 %</b>	

### Economic Conditions

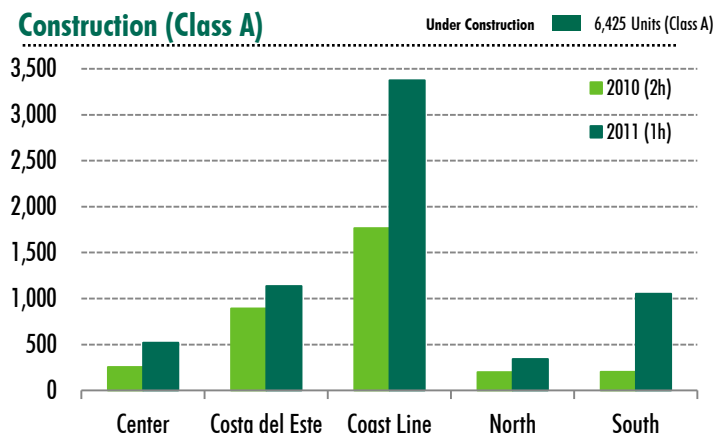


Source: Panama General Comptroller's Office.

The projected GDP for 2011 is between 7% and 8%. Being the fastest growing economy in the region, positive behavior is expected in the coming years.

According to statistics from the Comptroller for the end of 2010, GDP grew by 7.5%. Commerce activities, free zones, transportation and storage, contributed to this behavior, featuring especially a large movement of containers from the ports of Colon (ranking in the first place of CEPAL), followed by the port of Balboa in the Pacific, consolidating Panama in the lead of Latinamerica's cargo movement.

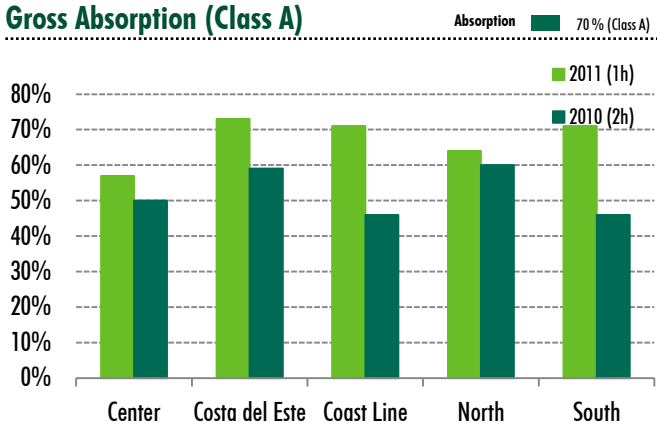
### Construction (Class A)



During the second half of 2010, the development of projects in the metropolitan area ended with results of 56% in positive in the development of residential projects. In compared to this year, in which only the first half, more than a 21% of this number, reaching a total amount of 6,425 units for Class A projects.

The maintained growth peak in the last years of Panama is support in the dynamic of the execution of public and private investments in residential projects, non-residential and civil engineering works in buildings above 30 floors, houses for medium and high income social strata.

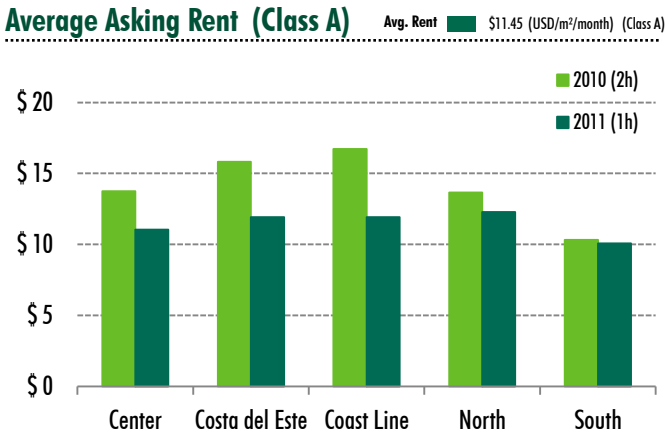
### Gross Absorption (Class A)



At the beginning of 2011 the absorption in the Class A apartments buildings reached a 70% (according to promoters). This represents an increase of 20% more than last year, compared to the 50% of absorption registered during the second half of 2010.

This is compounded by the local development and the foreign capital attracted by the potential that Panama offers for real estate businesses, scenario that is boosted by a sustained economic growth, a clear legal systems that encourages foreign investment.

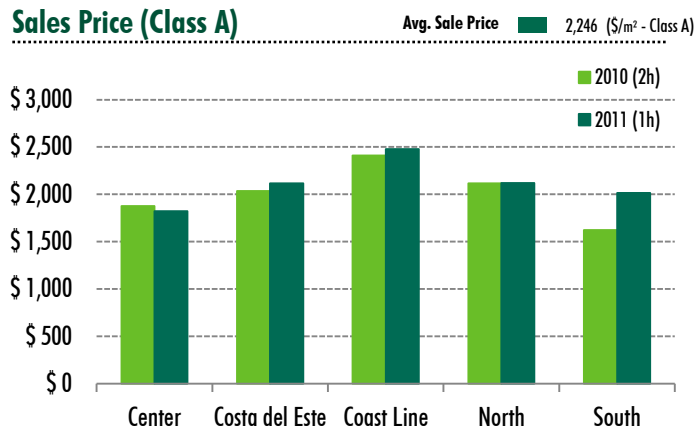
### Average Asking Rent (Class A)



In the beginnings of 2011, the leasing rate decreased to \$11.45 sqm / per month and it's expected to maintained slightly during 2011. The North submarket currently has the highest price in Panama City with an average of \$12.29/sqm/per month followed by the Coast Line with an average of \$11.93 sqm/per month and the area of Costa del Este with \$11.91 sqm/ per month.

This due to the fact that there is a current increase in the new types of residential that joined the offer of lease which offer new benefits with added values vs. the existing ones that are very sought after because they are located in zones of great access and central location, enjoying this privilege at a slightly lower level than entering markets.

### Sales Price (Class A)



In the first semester of 2011, the average sales price of residential Class A buildings was \$2,246/ sqm. Currently the prices showed a considerable increase (according to the promoters price lists), opposed to the last semester of 2010 which reflected an average of \$2,011/ sqm.

The sub market of the Coast Line continues to be the area with the highest price with an average of \$2,479, followed by the North submarket with \$2,120/sqm and Costa del Este with an average sales price of \$2,115/sqm. In 2010, 6,413 certificates of occupancy were granted. These increases in sales are considered due to the fact that the deciding factor for the variation in prices and the factors that influence directly are the increases that moderately impacted the construction costs towards the end of 2010 in which are included, supplies such as cement, vital for the construction, without showing significant decreases and the development of mega projects in execution throughout the country.

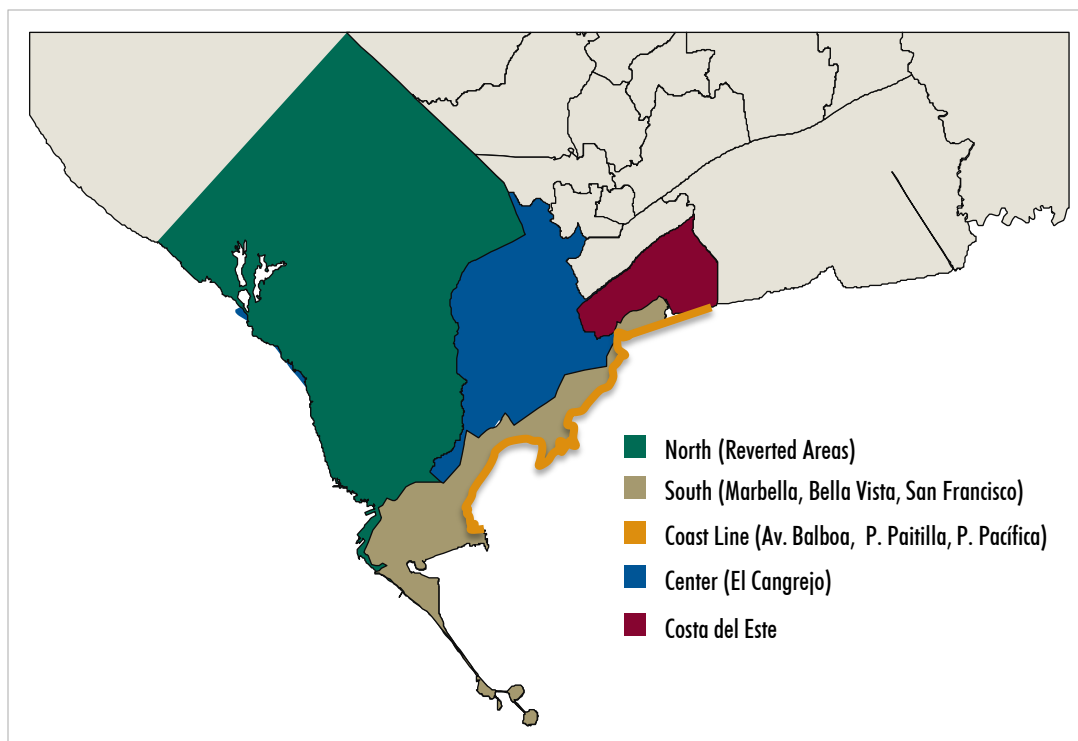
## MarketView Panama City, Panama

### Residential Condominiums Starting Construction

Submarket	2007	2008	2009	2010	2011
North (Reverted Areas)	7	1	7	14	6
South (Marbella, Bella Vista, San Francisco)	27	4	4	4	12
Coast Line (Av. Balboa, P. Paitilla, P. Pacífica)	14	11	10	8	17
Center (El Cangrejo)	18	3	2	6	8
Costa del Este	16	2	5	8	10
<b>Total</b>	<b>82</b>	<b>21</b>	<b>28</b>	<b>40</b>	<b>59</b>

Source: Contraloría General de la República

### Residential Submarkets in Panamá City



#### Average Lease Rate

Rate determined by summing the amount paid by all leases performed during the period, then dividing by the sum of all units leased during the same period.

#### Market Coverage

All buildings built after 1970 with a total usable area equal or above 1,000 m<sup>2</sup>, and a floor plate over 250 m<sup>2</sup>.

#### Net Absorption

The change in sold or reserved new units from one period to the next.

#### Occupied Units

Apartment units not considered vacant or available for sale.

#### Under Construction

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

#### Vacant Units

Existing apartment units which are physically vacant or immediately available.

#### Absorption

The sum of all occupied/sold apartment units divided by the sum of all apartment units.

#### Residential Class A

Residential buildings in prime locations, with a high occupancy rate and highly competitive rental rates with all amenities (outdoor pool, sporting facilities) and luxury finishing.

#### Residential Class B

Residential buildings that comply with some of the characteristics mentioned above. These buildings are mostly acquired by local residents.

#### Panama City

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