

MarketView

Residential Market – Panama City

2nd Half 2011

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Quick Stats (Class A)

	Current	Change from	
		2h 2011	1h 2011
Gross Absorption	72%	↑	↑
Rental Rate/m ²	\$13.10	↑	↓
Sale Price/m ²	\$2,513	↑	↑
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 70% during the second half of the year, and 72% at the beginning of 2011.
- The average asking rent increase into \$13.10 in the second half versus the first half of the year.
- The average sale price increased from \$2,246 sqm to \$2,513 sqm from at the end of the second half of 2011.
- During the second half of this year, the constructions of new residence continues, which increase into 6,425 new units of Class A apartments.

In 2011 Panama demonstrated strong economic development and stability. Which outlines a fast growth, estimated a gross domestic product by 8%. As well as the FMI and ONU predict that Panama will lead the growth in the region over the next 5 years. All because of strong foreign direct investment and economic stability, as well as by its geographical position.

In 2011 Panama has achieved a positive improvement in the country's credit rating awarded by the international agency Fitch Ratings, which rises from BBB-to BBB with a stable perspective. This is due to political stability and the strength of the banking system, the favorable investment cycle driven by the Panama Canal expansion, and the five-year public investment program of about \$ 13,500 million. In the country are developing large projects that will turn around the various markets that make this economy. The consolidation of Panama as a logistics platform in a continental hub, not only of goods and passengers, but also with the potential to make a powerhouse. The construction of the air hub of the Americas at the Tocumen International Airport.

Among others is the construction of the first line subway project, which has an advance of 14% and is expected to be ready in 2013. The proposed expansion of the Panama Canal construction continues, now with an advance of 28%. At the end of this extension, scheduled for 2014, the growth in container traffic will triple in the area, which can turn the country into the main focus of the continent logistics.

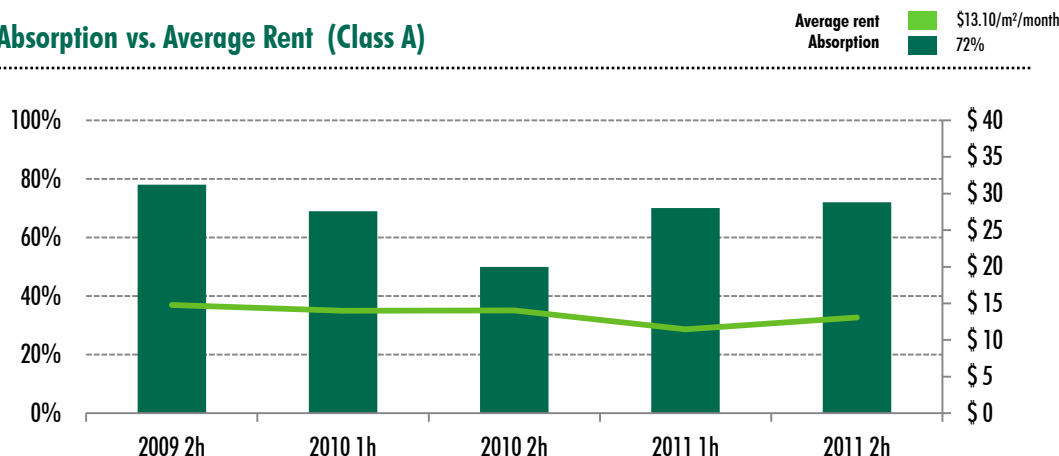
The residential market in Panama City continuing a growing at the end of 2011, showing an absorption rate in Class A buildings of 72% compared with the previous period (70%).

The South submarket currently leads the residential market with a 76% of absorption, this based on diversity and competitive prices to anyone who wants to live downtown and with amenities.

Although the trend was not to add greater numbers of residential buildings in the last six months, but the Comptroller of the Republic shows on their reports, that an increased mainly oriented to the development of neighborhoods and shopping centers, offices, warehouses and hotels, however, states that the work on public and private infrastructure will begin to note a differences from the last two years.

Panama City is growing in the construction of projects and towers. Importantly, we grew up, compared to 2010, which closed a year full of important legislation changes with regard to taxation and other issues, for better or for worse, always lead to market expectations, highly vulnerable in the construction sector. In this economic rise, the bank offer rates with financing terms and conditions that gives to the consumers a convenient scenario for the real estate boom. The Panamanian economy is first compared to other Central America countries, projecting itself as an economy open to trade with opportunities to continue their momentum.

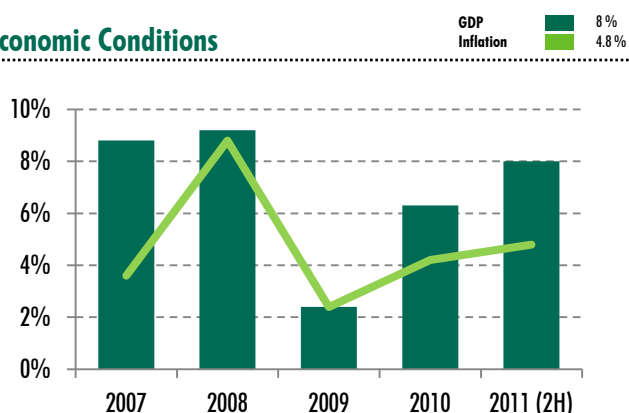
Absorption vs. Average Rent (Class A)



Panama City – Residential Condominiums (Class A)

Submarket	Units Under Construction	Reservations	Gross Absorption	Average Sale Price (USD/m ²)
Center (El Cangrejo)	359	224	62 %	\$ 1,809
Costa del Este	755	561	74%	\$ 1,953
Coast Line (Av. Balboa, P. Paitilla, P.Pacífica)	3,444	2,500	73%	\$ 3,023
North (Reverted Areas)	343	225	66%	\$ 2,128
South (Marbella, Bella Vista, San Francisco)	896	681	76%	\$ 1,951
Total Class A	5,797	4,192	72 %	\$ 2,590
Total Class B + C	1,206	838	70%	\$1,553
Total	7,003	5,031	72%	

Economic Conditions

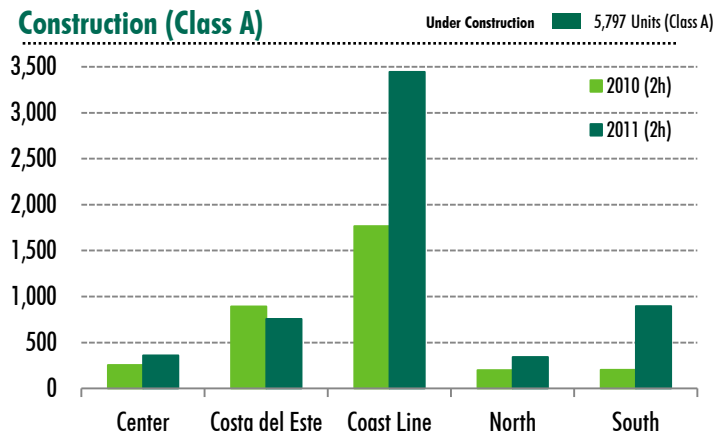


Source: Panama General Comptroller's Office.

Gross domestic product increase in the reports, before the year ends, reflecting 10.4% and projected of 10.5% growth over the previous year, this represents more than 4.5 percentage, more than the 6.5% that the International Monetary Fund (IMF) was calculated for Panama.

No doubt that the country's domestic demand and all the infrastructure including the construction of the Metro Line one and the expansion of the Panama Canal has become the driving force behind these figures.

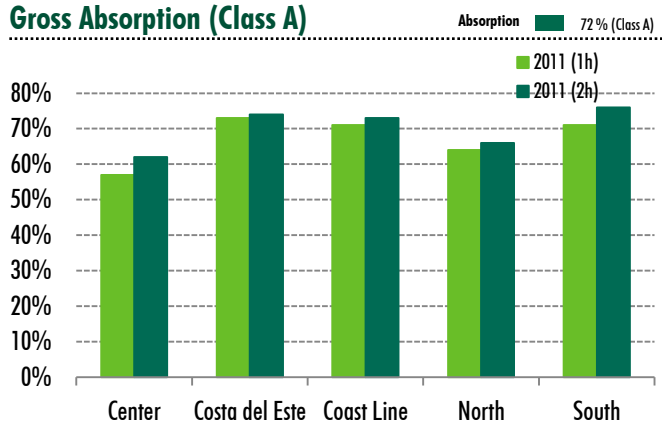
Construction (Class A)



During the second half of the year. The building was oriented primarily to the development of neighborhoods and commercial centers, however the detailed works of public and private infrastructure will begin to note a differences from the last two years.

In the next 3 years, the East Periphery submarket have about 255 thousand square meters of leasable area (including the present the ones in offer and the others under construction). Also in the North Periphery is continuing to develop several projects that will add about 30,000 square feet total of industrial market. In the submarket of the reverted areas are currently under construction 45,700 meters square to be delivered during 2011 and 2012.

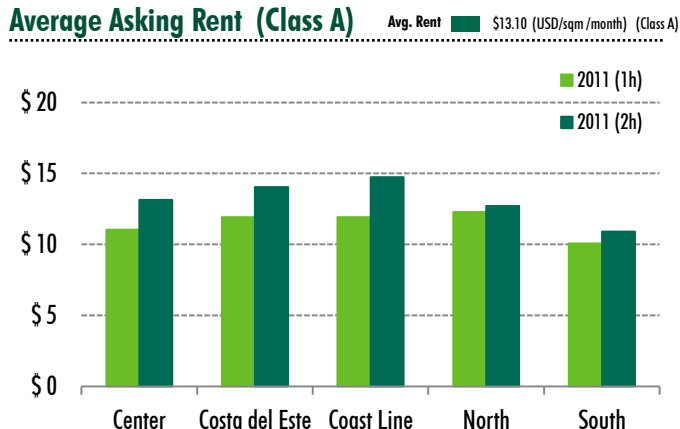
Gross Absorption (Class A)



At the end of 2011 the uptake in residential buildings Class A reached 72% (according to promoters). This represents an increase by 2% from the previous semester, as compared with 70% of absorption recorded during the first half of 2011.

The three submarkets that increased in absorption for the closing of this semester. This was the South, Costa del Este and the Coast Line submarkets. This because they are projects with a very high specifications, which have imported finishes, ceramic floors or some specific requested by the buyer. To this is added the local development and the foreign capital attracted by the potential for real estate that the country is offering with an scenario, which is enhanced by a sustained economic growth and a clear legal system that encourages foreign investment.

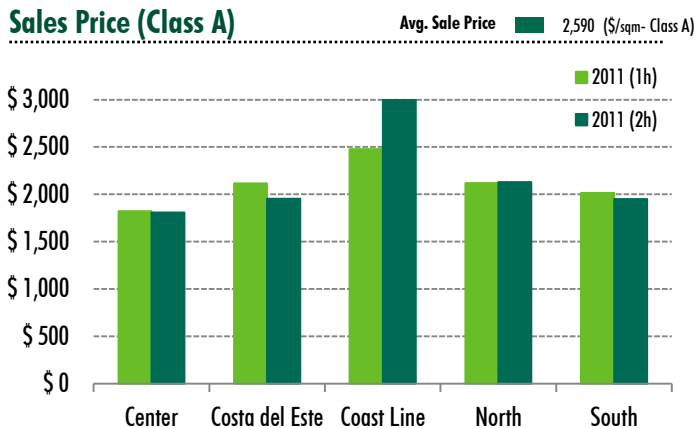
Average Asking Rent (Class A)



At the end of 2011, the average asking rate increase to \$ 13.10. The demand to live closer to downtown development and the diversification of the market, between domestic and foreign that increases more and more, has led to increased a largest interest to live these submarkets.

Currently, the submarkets with a higher average asking rent for projects Class are the Coast Line with an average of \$ 14.73/sqm/month, Costa del Este with \$ 14.04 /sqm / month and the Center with \$ 13.13 /sqm / month.

Sales Price (Class A)



At the end of 2011, the average sales price for residential buildings of Class A was \$2,590/ sqm. The prices showed a significant increase (according to the promoters price lists), unlike the first half which reflects an average of \$2,246/sqm.

The Coast Line submarket remains as the area with the highest price with an average of \$ 3,023 / sqm, followed by the North submarket with a sale average of \$2,128/sqm and Costa del Este with a sale average of \$ 1,953/sqm.

These increases in sales are considered because Panama is known for huge building skyscrapers and luxury compete in design and height. The price of a department usually is determined by variables that influence the categorization of the following: the location, the view presented, the size and the finishes including the added values.

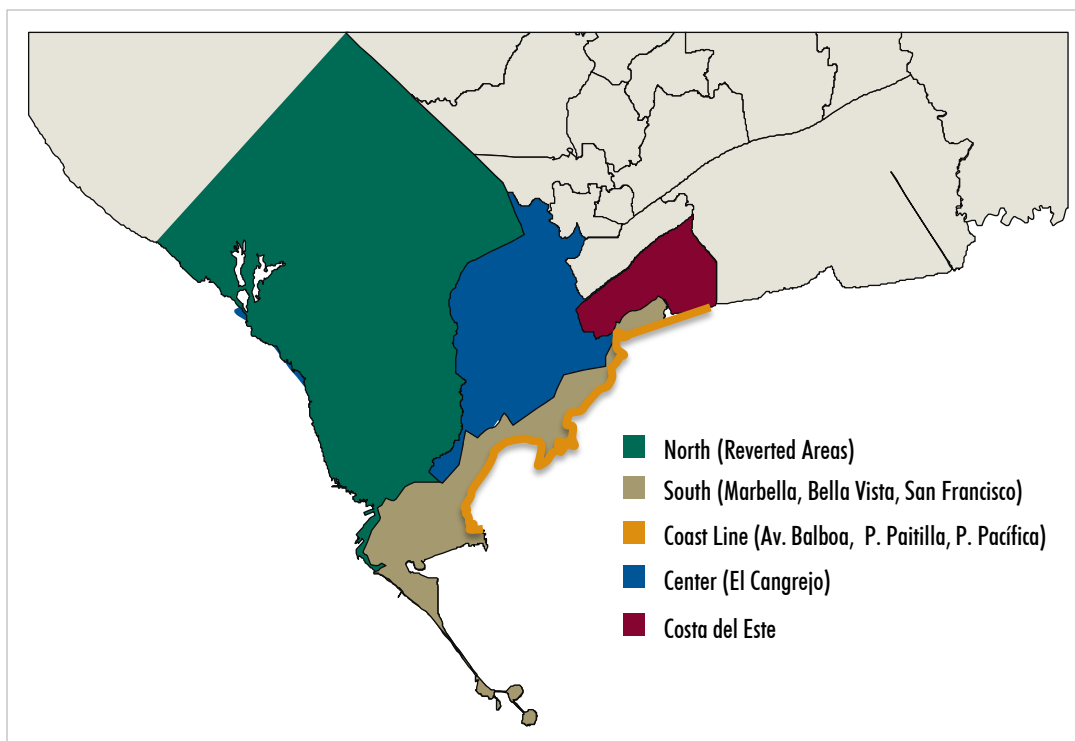
MarketView Panama City, Panama

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	16
Center (El Cangrejo)	18	3	2	6	7
Costa del Este	16	2	5	8	6
Total	82	21	28	40	47

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 m², and a floor plate over 250 m².

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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