Retail Market – Panama

Quick Stats

	Current	Change from 1rst Half 2011
Vacancy	6.9%	↑
Lease Rate	$30.18	↓
Sales Price	$3,064.08	↑
Construction	168,726.55 m²	↑

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

Highlights

- Retail vacancy increased from 3.5% to 6.9% during the first half of 2011.
- The average rental price decreased from $53.33 to $30.18 sqm/m during the first half of 2011.
- About 160,000 new square feet began construction in the second half of 2010. Approximately 8,726.58 meters square of shops are now manufactured in the city.

The first months of 2011 reflected a favorable and optimist economic performance for the country, with forecasts to end the year with increase a 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. The Panamanian government continues to invest in several major infrastructure projects, including the improvement of different road routes ($2.5 billion), a new urban rail transportation system to be completed in 2014 ($1 billion), the creation of the new Pacific Economic Zone, and the new bus system which started in December.

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.

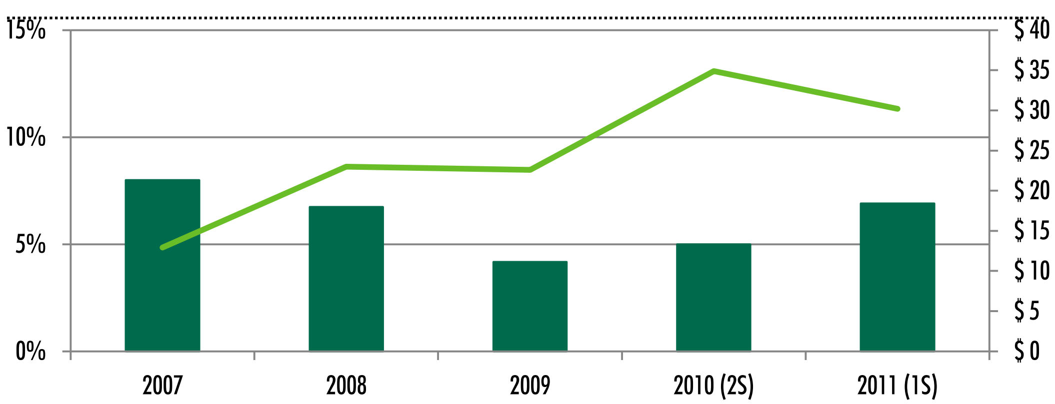
The private sector has been boosted by the start of major real estate investments, including: a mixed – use citadel at the former Howard Airspace Base, which includes logistics and business parks, residences, hotels and shops; another citadel with uses nearby Tocumen International Airport; an industrial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

During the first half of the year the commercial sector, has been reflecting the trend in new expansion projects in the city, as well as market entry places in downtown areas of the country. Which complement the huge offer to join the demand for new potential concepts that consumers are increasingly looking in Panama.

That is why average rental prices have varied, reflecting on this first semester at $ 30.18, with an unemployment rate of 6.9%, up slightly compared to last semester of the last closed at 5%. As the South submarket, with most showing a 8.06% rate, especially for local resale and new office spaces in buildings, means that there is more variety for those seeking better locations and high traffic locations.

In Panama city are five new shopping malls within the submarkets studied, and a new mall for the western area in Panama, which promises to be one of the largest in Central America. At the moment in the city are 168.726.55 sqm under construction. Considering this footage in the main commercial buildings in the concept of offices.

Vacancy vs. Average Asking Rent

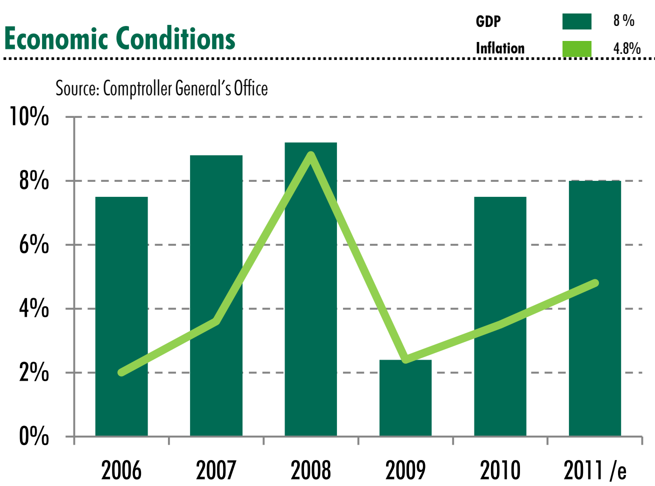


Panama City – Retail Market

Submarket	Leasable Area (m2)	No. of Store Units	Vacancy Rate	Lease Rate (US$ / m2)
Reverted Areas*	218,159	778	1.08%	$20.00 - $55.00
El Dorado	101,934	354	3.69%	$15.00 - $25.00
East Area *(Costa del Este)*	21,858	142	4.09%	$20.00 - $35.00
East Periphery *(Vía Tocumen)*	349,841	1,111	7.63%	$15.00 - $25.00
North Periphery	165,200	506	7.12%	$10.00 - $20.00
South	132,358	557	8.06%	$25.00 - $50.00
Center	15,066	81	1.33%	$18.00 - $35.00
Panama City	*1,004,416*	*3,529*	*5.6%*	*$15.00 - $55.00*

* Former Canal Zone

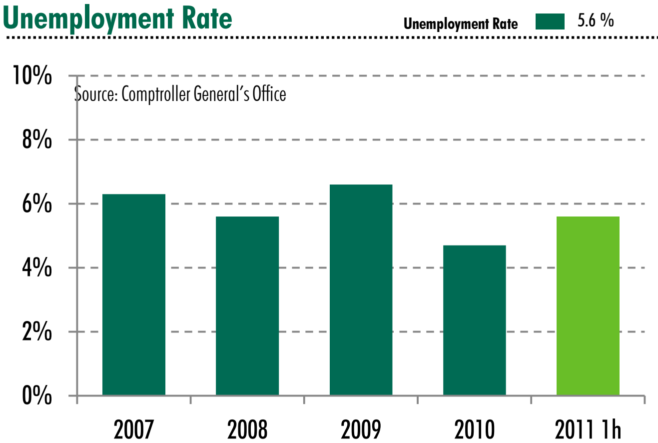
Economic Conditions



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 coming years.

According 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.

Unemployment Rate

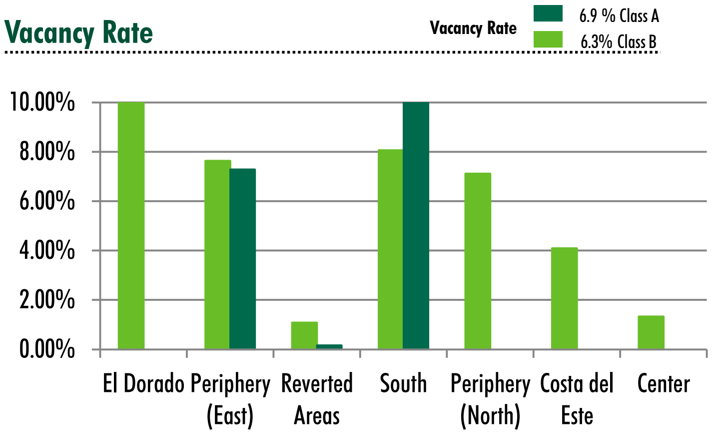


For the first half of 2011, the employment situation in Panama has improved in recent years, the unemployment rate standing at 5.6%, according to latest official statistics.

The growth of the economy, investment on infrastructure and the arrival of new companies in the country are among the factors contributing to increased in the hiring of new employees.

Panama enjoys a comparative advantage as a provider of international services, notably transportation through the Canal. The orientation of Panama's economy towards the services makes the country an international center for activities such as shipping, distribution services and banking.

Vacancy Rate

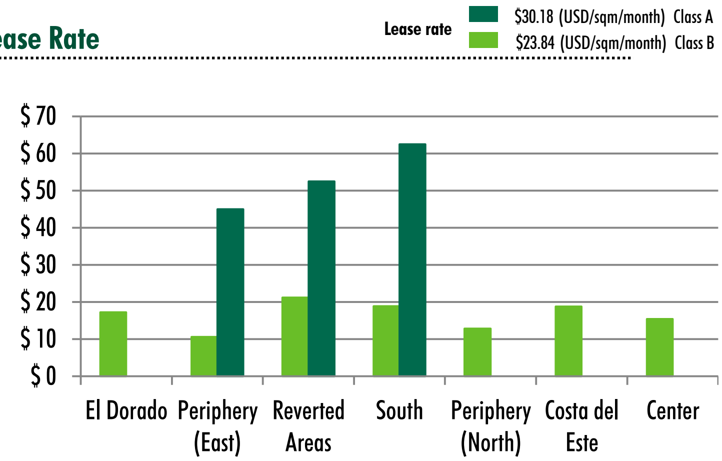


At the beginning of the first half the unemployment rate for Class A projects increased from 3.5% to 6.9% widely, being the South submarket with the highest percentage in 13.83%.

Unemployment in Class B projects, was maintained with 6.3% due to customers preferring these places, making by this a recurrence off consumers and also better positions within the submarket.

The submarkets with the lowest for projects class A and class B, was the reverted areas with 0.16%, influencing on these the high traffic and demand for that area.

Lease Rate

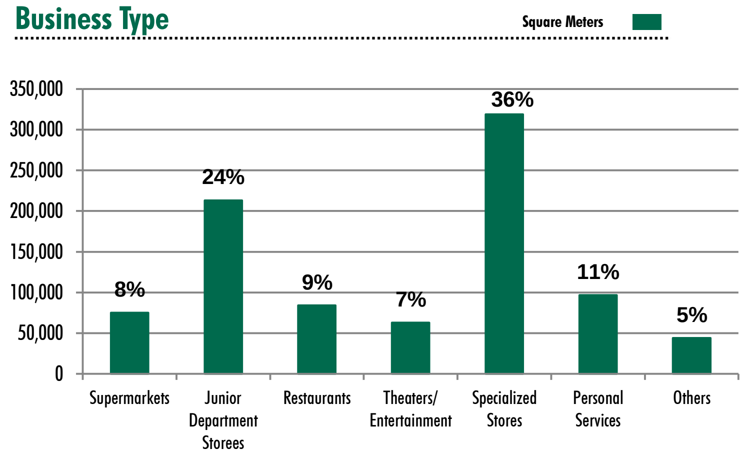


The rent for malls Class A decreased during this first half with an average of $30.18 USD / sqm / month. Are expected that the prices remain stable because of the new amount of commercial shops settling and by new local that make the shopping malls be competitive on what they offer as new options.

Regarding Class B projects, the price average rental increase from $16.44 USD /sqm / month to $23.84 USD / sqm / month.

Being the South submarket, that increased in the first semester from $18.88 USD / sqm / month to $25.53 USD / sqm / month.

Business Type



To start the first semester, new stages are being built in malls adding 170.000sqm.

The local rates remained, unlike that varied in various shopping centers (malls), divisions and types of businesses. As the trend over the location of department and specializing stores

The rise of new buildings and the economic stability, encouraging to international brands to introduce their business into the Panamanian market. In addition, the country is shaping up to be a Hub of the Americas, allowing greater exchange of cultures making that they can get a variety when they come for shopping to our country.

CBRE Panama

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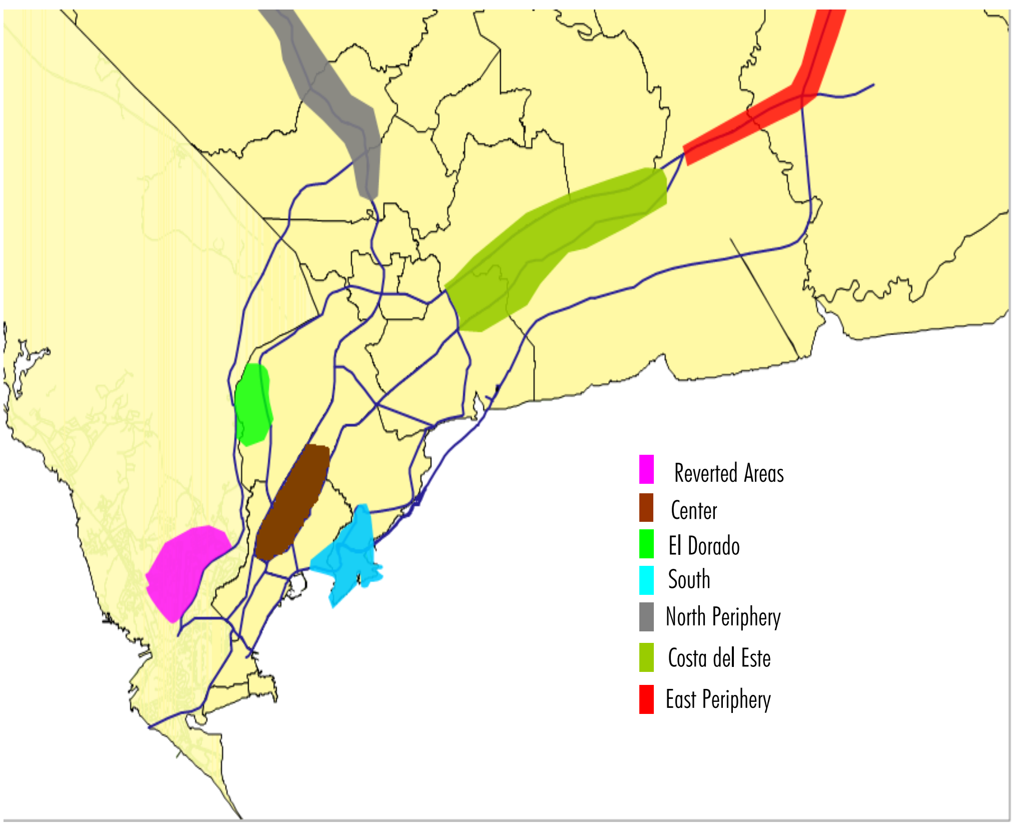
Submarket Statistics

	Submarket	Total m²	Market Share
1.	Áreas Revertidas	218,159	21.72%
2.	El Dorado	101,934	10.15%
3.	Costa del Este	21,858	2.18%
4.	Periferia Este	349,841	34.83%
5.	Periferia Norte	165,200	16.45%
6.	Sur	132,358	13.18%
7.	CenterCentro	15,066	1.50%
	Total	***1,004,416***	

Retail Submarkets in Panama City



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.

Net Absorption
The change in occupied square meters from one period to the next.

Net Rentable/Usable Area
The gross building square footage minus the elevator core, flues, pipe shafts, vertical ducts, balconies, and stairwell areas.

Occupied Square Meters
Building area not considered vacant.

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

Vacant Square Meters
Existing shopping center area which is physically vacant .

Vacancy Rate
Vacant Building Feet divided by the Net Rentable Area.

Main Shopping Centers:
The main shopping centers of the city are the following:

Mall Multiplaza Pacific
Located on Vía Israel, it is the most prominent and modern shopping center in the city

Multicentro
Located on Avenida Balboa, it is a modern shopping center with Hotel and Casino

Super Centro El Dorado
Located on Vía Ricardo J. Alfaro; first big shopping center to be built in the city

Centro Comercial Los Pueblos
Located in Juan Díaz, it is one of the largest shopping centers

Albrook Mall
Located in Albrook, next to the Albrook Bus Terminal, it is one of the most popular shopping centers

Los Andes
Located in front of Urbanización Los Nades N 2, is an important shopping center in suburban area.

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