

# MarketView

## Office Market – Panama City

### Quick Stats (Class A)

	Current	Change from last	
		1S 2008	2S 2008
Vacancy	9.3%	↑	↑
Lease Rate	\$23.00	↑	↓
Sale Price	\$2,385	↓	↓
Construction	263,711m <sup>2</sup>	↑	↑

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

### News

- Economic growth is expected to be lower than in previous years
- Panama is handling the crisis better than other Latin American economies.
- Tourism is doing exceptionally well, growing 33% compared to the same period last year.
- Rental prices decreased 10% in the first half of 2009.

Despite the global credit crisis, Panama is one the best performing economies in the Americas in 2009. GDP growth for the year is estimated to be between 2.5% and 3.5% -- a sharp decline from 2008's 9.2% growth, but still one of the highest growth rates in the region.

The rapid growth in 2008 fueled inflation, which reached 8.8% last year. This year inflation is down nearly 50% to 4.4%. But despite the substantial drop in overall prices, food and energy costs are still rising, posting inflation rates of close to 10%. The slowing economy means that unemployment will increase significantly this year when compared to last.

The major domestic economic activities that have grown faster than expected are: rice cultivation, sugarcane and sorghum production, cattle ranching, mining, quarrying, construction, service, non-scheduled passenger transport by land, and telecommunications. Other activities that grew (albeit to a lesser extent) include: floriculture, dairy farming, fishing, hydropower electricity generation, the wholesale sale of goods, entertainment, real estate, small business rentals, and social/domestic services.

Regarding activities oriented toward the global marketplace, tourism did well, with growth in the air travel and hotel services industries. However, port activities, the Panama Canal operations, Colon Free Zone wholesale trade, and fruit and shrimp productions all experienced negative growth in the first half of 2009.

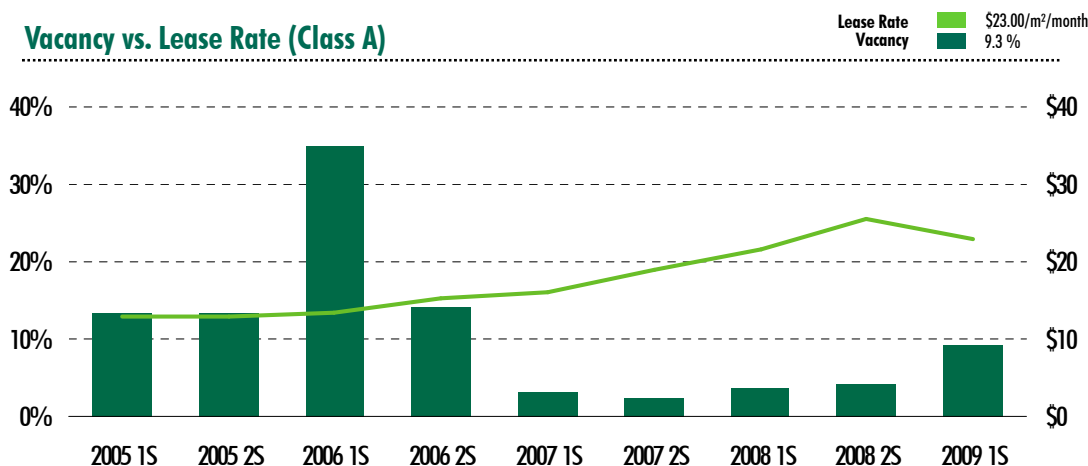
The most important real estate market indicator, the construction sector [which itself is influenced by the production of ready-mix concrete], showed an increase of 23.8% during 2009 while the present production of ready-mix concrete has grown by 27.9% over the same period.

This sector's growth was underpinned by the implementation of public and private investment in residential and non-residential projects and civil engineering works, reflecting the initiation, continuation and completion of buildings taller than 30 stories as well as single-family housing projects for middle and high income families.

However, due to the dramatic slowing of Panama's economic growth, the vacancy rate for luxury buildings (Class A) office has risen to 9.3%, versus the 3.6% in the same period last year. Because of this downward trend in the market, rental prices have fallen by about 10%. And, there are an additional 263.711 meters of new space which will be ready for occupation between 2010 and 2012.

A key factor that will assist with the absorption of new Class A office projects is the decrease in asking prices experienced in the first half of this year. The current value per square meter is \$2385, while at the same period in 2008 was at \$2531 per square meter. This may push office absorption rates higher and attract more foreign investment for the second half of this year.

### Vacancy vs. Lease Rate (Class A)



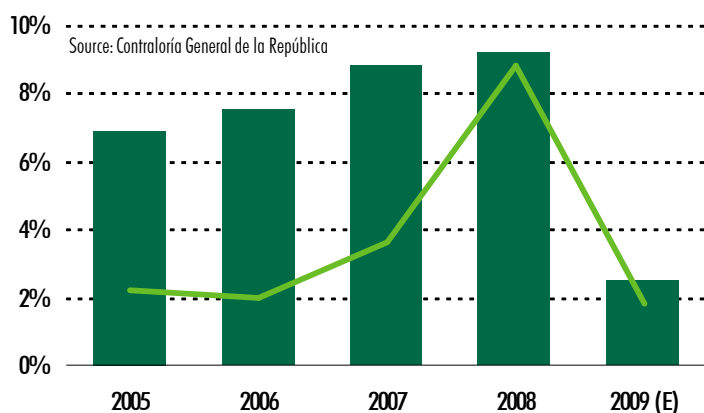
## Panama City – Class A Office Market

Submarket	Leasable Area (m <sup>2</sup> )	Vacancy Rate	Construction (m <sup>2</sup> )	Av. Asking Lease Rate (USD/m <sup>2</sup> /month)
Banking Area	108,700	5.52%	71,021	\$20.00 – \$25.00
South	40,760	12.69%	49,553	\$25.00 – \$30.00
San Francisco	67,384	14.69%	93,467	\$15.00 – \$20.00
Bethania**	–	–	–	–
Costa del Este	45,750	7.30%	49,670	\$25.00 – \$30.00
Others**	–	–	–	–
<b>Class A Total</b>	<b>262,594</b>	<b>9.30%</b>	<b>263,711</b>	<b>\$23.00</b>
<b>Class B + C Total</b>	<b>548,387</b>	<b>11.01%</b>	<b>39,749</b>	<b>\$13.75</b>
<b>Total</b>	<b>810,981</b>	<b>10.18%</b>	<b>303,460</b>	

\*\* This area don't have Class A buildings

### Economic Conditions

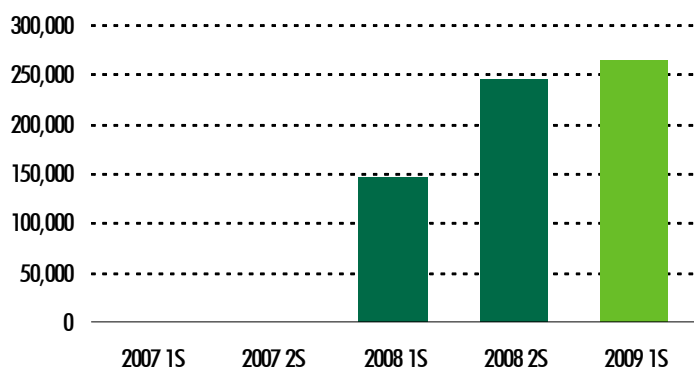
GDP 2.5%  
Inflation 1.8%



Economic growth slowed sharply during the first half of 2009 – GDP was only 2.5%, compared to the 9.2% achieved over the same period in 2008. Even so, one of the best performing sectors is Tourism, which grew by 3.3% during the first half of 2009 when compared to the same period in 2008. However, global market-oriented activities, such as imports, exports, wholesale trade and other Colon Free Trade Zone businesses, have been adversely affected during these first six months of 2009.

### Construction

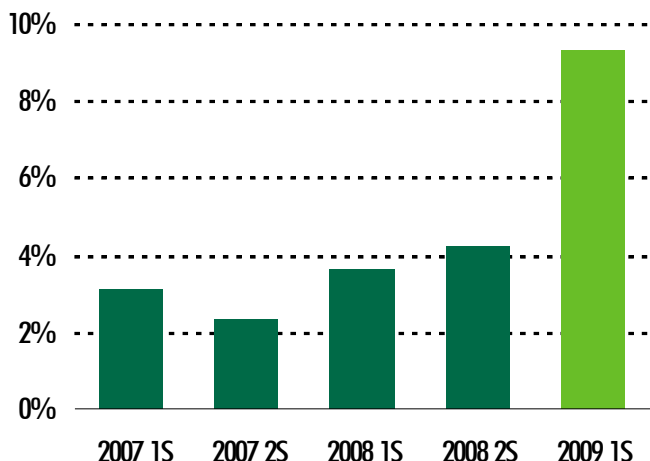
Construction 263,711 m<sup>2</sup> (Class A)



Despite experiencing a downturn during the first half of 2009, three new projects for Class A office buildings have been approved and constructions will start by the middle of 2009, early 2010 and 2011 respectively. Among the submarkets with the highest level of activity are the Banking Area and Costa del Este. These areas maintained sustained growth with approximately 120,691 square meters between Class A office buildings under construction and presales. Most high-rise buildings with large floor areas remain attractive for investment purposes; foreign attention remains focused in Panama as an ideal worldwide logistics center, and the pace of construction has not been strongly affected by worldwide economic changes.

### Vacancy

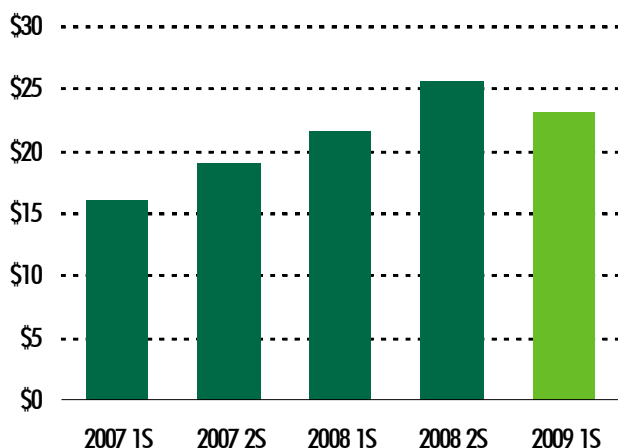
Vacancy Rate 9.30% (Class A)



The vacancy rate in Class A office buildings in Panama City increased sharply to 9.3%, compared with 3.6% for the same period of 2008. The increase is caused by two factors (1) the introduction of new space into the market, such as the third tower of the Torre de las Americas office park, with over 20,000 square meters of rentable area; and (2) the cautious stance that local and foreign companies have shown with their investments [as a consequence of the international economic situation]. Even so, vacancy rates are expected to fall again during the second half of 2009 due to still limited supply of quality product and Panama's strong economic fundamentals.

### Lease Rate

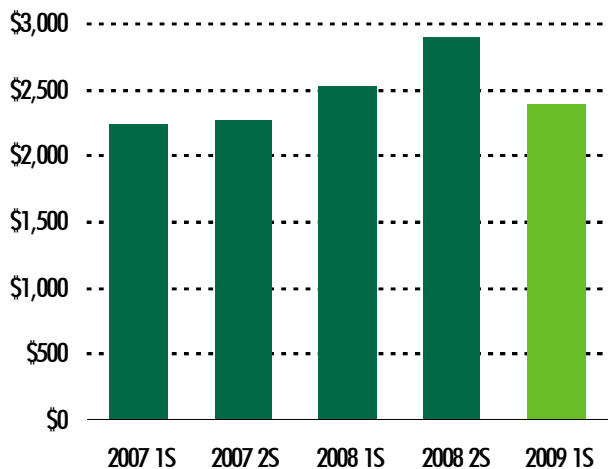
Average Asking Lease Rate \$23.00 (USD/m<sup>2</sup>/month) (Class A)



The Average Asking Lease Rate decreased 10% in the 6 months of this year, dipping to a price of \$23.00 per square meter per month. These rental rates do not include the maintenance fee which is between \$1.00 and \$2.00 per square meter per month. The reduction in rental prices may be attractive for potential national or foreign customers who are driven to the Panamanian market for its relatively lower operating costs.

### Sale Price

Average Sale Price 2,385 (\$/m<sup>2</sup> - Class A)



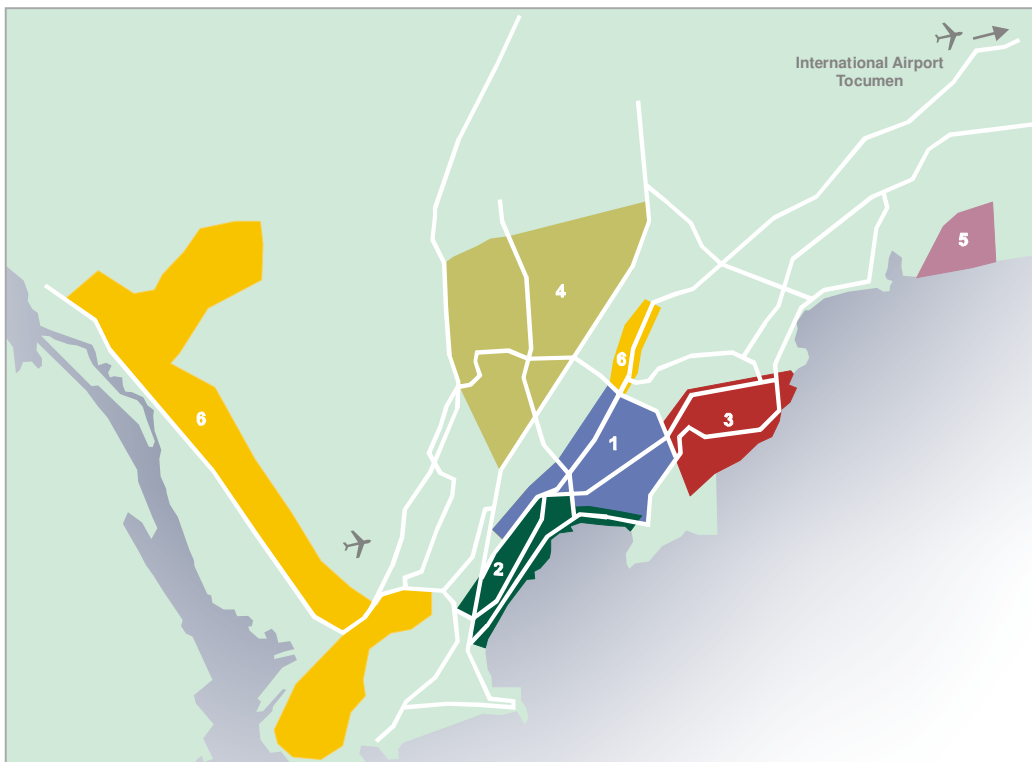
During the first 6 months of this year, the average selling price for Class A buildings decreased to \$2,385 per square meter, compared to the same period of last year, when the average price was \$2,531 per square meter. Prices are projected to remain stable as long the available space is occupied and new project deliveries start on 2010 and 2011. The most expensive submarkets in Panama City are the Banking Area and Costa del Este, where sales prices reached \$2,500.00 to \$3,500.00 per square meter.

## MarketView Panama City, Panama

### Submarket Stats (All Classes)

Submarket	Total m <sup>2</sup>	Market Share
1. Banking Area	308,612	38%
2. South	110,486	14%
3. San Francisco	109,564	14%
4. Bethania	89,817	11%
5. Costa del Este	61,059	8%
6. Others	131,440	16%
<b>Total</b>	<b>810,981</b>	

### 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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