

MarketView

Industrial Market – Panama

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1st Half 2010

QUICK STATS

	Actual	Change from last	
		1S 2009	2S 2009
Absorption	97%	↑	↑
Lease Rate	\$7.21	↑	→
Sales Price	\$1,041	↑	→
Construction	99,000 m ²	↑	↑

NEWS

- Beginning in 2010 isolated warehouses will be considered Class B, and Logistic / Industrial Parks are now considered Class A. Development of these parks began in 2004 but in the last 18 months, construction has accelerated rapidly.
- Industrial Parks are “built to suit” which means that they consist of large buildings easily divisible into smaller spaces, according to the needs of multiple users.
- The average lease rate reached \$7.21 per sqm during the first half of 2010

During the first half of 2010, the Panamanian economy showed unmistakable signs of recovery and growth. Tolls, cargo volume and container movement through the Panama Canal were significantly higher than they were during the first half of 2009, reflecting global economic recovery as well as Panamanian growth. During the last six months, both Standard and Poor’s and Fitch’s credit rating services increased Panama’s sovereign debt rating to “investor grade”, which should boost investor confidence in the country.

Tourism increased 10% over the same period last year and the government is investing to further increase tourism revenues to the country by expanding Chiriqui airport (to allow it to receive international flights) and beginning construction on a new airport in Azuero. The possibility of building an international airport in Colon City is also under consideration.

The investment in airports to facilitate trade and tourism is all part of a larger effort to take further advantage of the country’s geographic location and transform Panama into the undisputed [Latin American] “hub” for logistics and service industries. To achieve this goal, the government is currently working on a tax-free area in the Pacific sector to complement for Colon Free Zone. It is planning to bridge the two main routes (the North and South Corridors) in several locations - creating a highway system which will facilitate tourism, industrial development and logistics alike.

The strong economic growth over the last 5 years and the infrastructure investment underway have resulted in the initiation of several industrial projects eligible to be classified as Class A industrial product. These projects are modeled on the Industrial Park and/or Logistics Park concept, and they are significantly outpacing the construction of isolated warehouses. Beginning with this report, Park product will be considered Class A, and isolated warehouses now comprise the Class B product inventory.

The “Park” development stems from the need to offer suitable places for storing and distributing light or industrial goods to customers. The East Periphery submarket is home to the majority of these parks given its access to Tocumen International Airport. They offer flexible building sizes and features like patio containers, truck yards, showrooms, security, and surveillance. Height clearance has been standardized between 8 and 12 meters for easier shelving installation and increased vertical storage. Building flexibility means that the warehouses can be divided into different sections, to “suit” each buyer or tenant – these are called “built-to-suit” projects even though they are not built to the specific design of an [already committed] owner or tenant.

Panama City’s industrial/logistic market at present consists of more than 2 million sqm of land slated for Class A developments, but due to the size of these projects, they will be developed in phases and will take several years to finish. During the last 6 years, approximately 250,000 sqm of Class A facilities have been built -- of which 97% are occupied. In the next 3 years, approximately 600,000 sqm is scheduled to come to market, of which 99,000 should be delivered by year’s end. At a market vacancy rate of only 3%, developers are now promoting projects once they obtain approval, even though construction on them has not yet begun.

Another new promotion trend is the marketing/sale of served land inside or next to Industrial Parks. This option provides the buyer with the park benefits of truck patios, security and surveillance, but also gives the option to build their facilities according to exact specifications (within the industrial park set of standards).

Despite this level of activity, rental prices remain stable, within a range between \$6.75 and \$9.00 sqm/m. The variation depends on the offered facilities, access roads, sizes and general specifications of the buildings. Warehouse sizes vary from project to project. They start at 300 sqm and can measure up to 15,000 sqm, with a 10% or 15% allotment for office space. Given that large spaces are generally envisioned as “built-to-suit”, the wide range reflects the ability to divide the building into several smaller spaces.

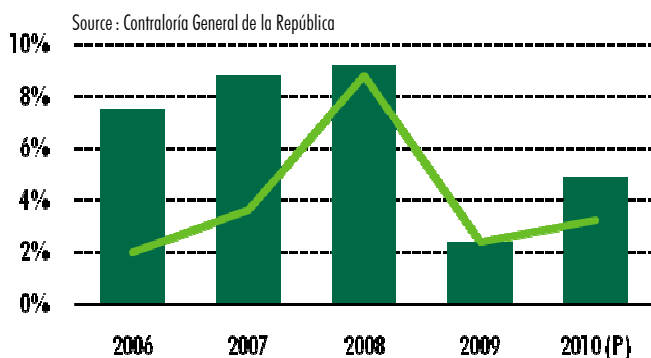
Panama City – Class A Industrial Market

Submarket	Leasable Area	Vacancy (m ²)	Absorption Rate	Under Construction (m ²)	Average Asking Lease Rate (USD/m ² /mes)
Costa del Este	175,500	5,984	97%	0	\$6.75 – \$7.50
Reverted Areas	42,200	0	100%	15,200	\$7.00 – \$8.50
North Periphery	0	0	N/A	30,000	\$7.00 – \$8.00
East Periphery	33,760	2,800	92%	53,800	\$7.50 – \$9.00
Total	251,460	8,784	97%	99,000	\$6.75 – \$9.00

Betania, North, Center and South don't have Class A facilities.

Economic Conditions

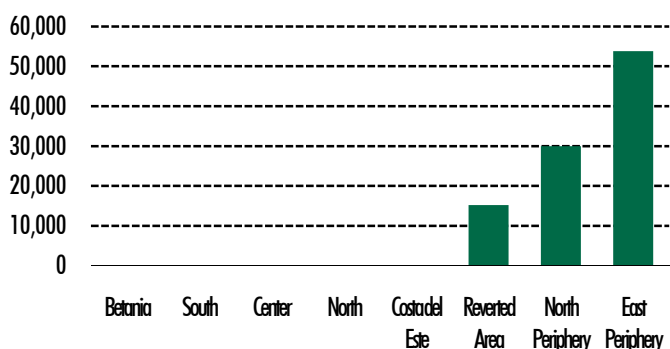
GDP 4.9%
Inflation 3.2%



During the first half of the year, Panama's economy recorded strong growth, at 4.9% (not annualized). The country's GDP growth is for the whole of 2010 is expected to be higher than 5%. Several large-scale projects are under construction or in the planning stages, including the Canal expansion and the airport expansion (under construction) and the new free zone, subway system, highway expansion (in planning). Given the level of investment and development, along with the international credit ratings' confidence in Panama's finances as expressed by their "investment grade" rankings, economists are projecting strong growth over the next period. Infrastructure investment from the government is estimated more than \$12 million over the next 4 years.

Construction

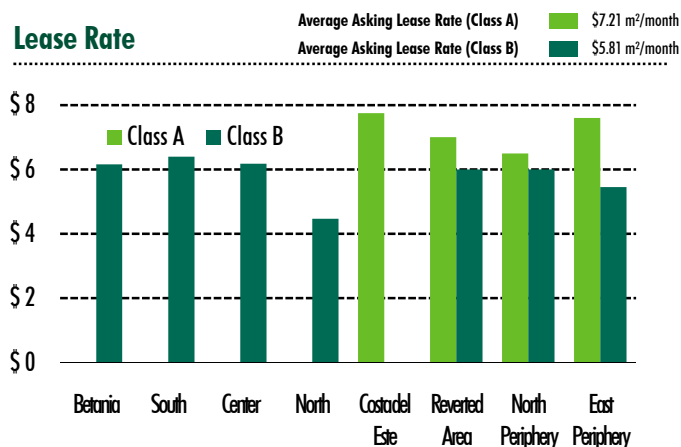
Under Construction 99,000 m² (Class A)



Currently there are 9 industrial park projects under construction. Most of the parks are in the East Periphery, due to its proximity to the International Airport and the connection with North and South Corridors, facilitating logistics and transportation to the outside of the country and to the Colon Free Zone. In total, approximately 53,800 sqm are being built, representing the early stages of several Industrial Parks.

The North Periphery is also home to several projects, which will add approximately 30,000 sqm to the industrial market total by year's end. Currently in the Reverted Areas 15,200 sqm of warehouse space is being built, also scheduled for delivery at the end of the year.

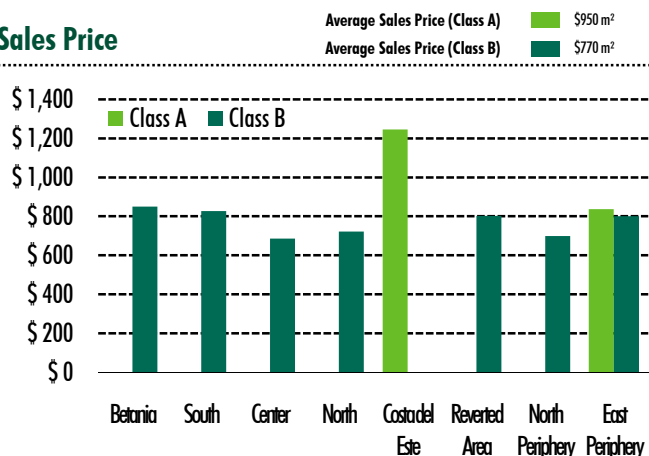
Lease Rate



The rise of industrial and logistics parks started resulted in standard specifications: the new Class A facilities have perimeter fencing, an entry control booth, high security levels and efficiency, among other amenities that now put isolated warehouses in the Class B category. The average lease rate for Class B facilities was \$5.81/sqm/moth.

Industrial and Logistics Park lease rates vary based on location, access roads and other amenities. The Reverted Areas offers an average of \$7.00/sqm, North Periphery prices are close to \$6.50/sqm, East Periphery shows an average of \$7.60/sqm and the industrial zone in Costa del Este reaches \$7.75/sqm, resulting in a market average of \$7.21/sqm/m.

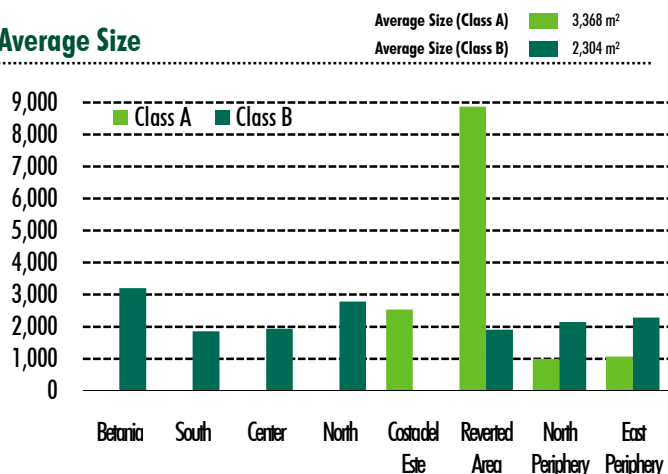
Sales Price



Again, the added amenities of an industrial/logistics park result in higher prices. For the new Class A product, the average sale price was \$950.00 per sqm. Sales of Class A industrial facilities is limited to Costa del Este and East Periphery. Reverted Areas and North Periphery do not sell the built facilities, they are only available for rental.

The average sales price for Class B product was \$ 770.00 per sqm.

Average Size



Class A industrial facilities consist of buildings that can be as large as 15,000 square meters, which will then usually be divided among multiple users. This "Built to Suit" option is highly popular, given its flexibility. However, built a percentage of extra square meters for single tenant is common.

Reverted Area is home of the biggest industrial buildings, which average 10,000 sqm but range from 2,000 to 15,000 sqm.

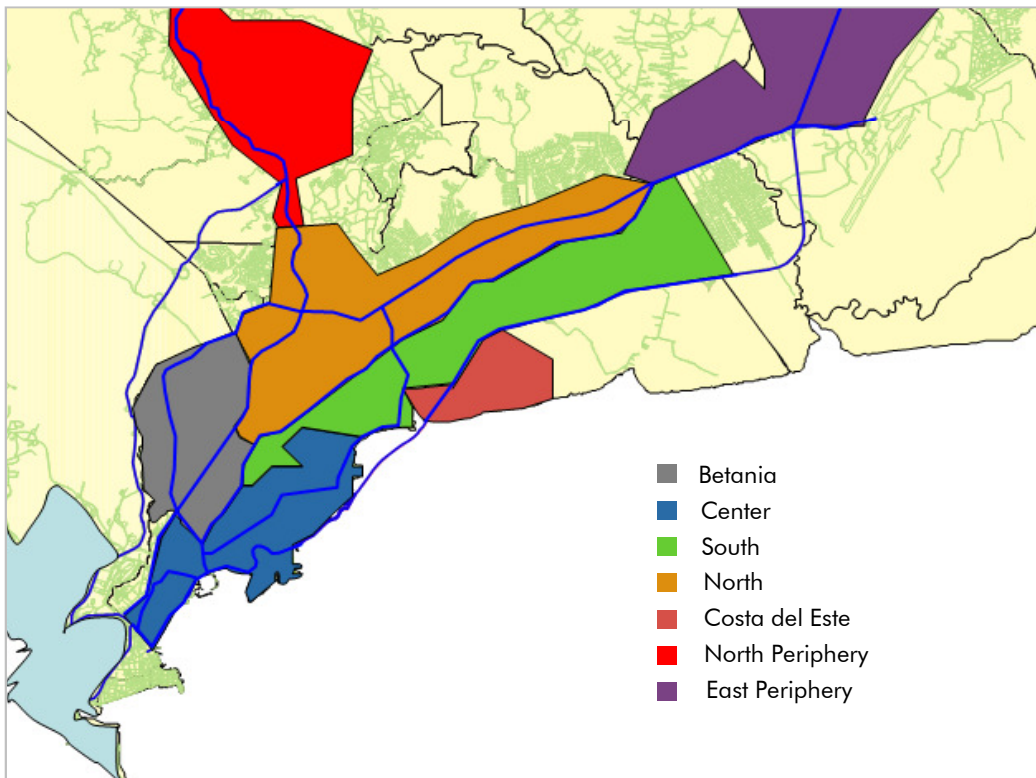
Class B facilities range between 1,800 and 3,200 sqm, depending on the customer requirements.

MarketView Panama City

Submarket Stats – Panama City

Submarket	Areas
Betania	Los Ángeles, La Locería, El Dorado, Vista Hermosa.
South	La Exposición, Bella Vista until Avenida Ernesto T. Lefevre.
Center	Parque Lefevre, Juan Díaz, Río Abajo, José Agustín Arango Ave.
North	North of Vía España and Vía José Agustín Arango, north part of Vía Transístmica, San Miguelito, Ricardo J. Alfaro Ave. and peripherals.
Reverted Areas	Albrook, Clayton, Corozal y Howard.
North Periphery	Las Cumbres, Milla 8, along Transístmica Ave. to North.
East Periphery	Pedregal, Tocumen, along Tocumen Ave. and Pan American Highway to east.

Panama City Industrial Submarkets



AVERAGE ASKING LEASE RATE

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

AVERAGE SALES PRICE

Rate determined by multiplying the sales price for each warehouse by its available space, summing the products, then dividing by the sum of the available space for sale for all warehouses in the summary.

ACCESSIBILITY

It refers to the type of access and security of the land area where the warehouses are located.

AVAILABILITY

Status of the size of the available usable space of warehouses within a Submarket (High, Medium, Low).

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