

MarketView

Office Market – Panama City

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1st Half 2010

Quick Stats (Class A)

	Current	Change from last	
		2S 2008	1S 2009
Vacancy	5.5%	↑	↑
Lease Rate	\$22.00	↓	↓
Sale Price	\$2,210	↓	↓
Construction	357,310m ²	↑	↑

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

Highlights

- There are currently 357,300 sqm of Class A space under construction, an amount greater than the total current inventory of Class A space in Panama City.
- The Class A vacancy rate increased from 2.7% to 5.5% during the last six months as 10,200 sqm of space came to market.
- The average lease rate fell \$3/sqm/m during the first half of 2010, as new Class A product in the Reverted Areas came to market with low introductory pricing, pulling down the overall average.

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.

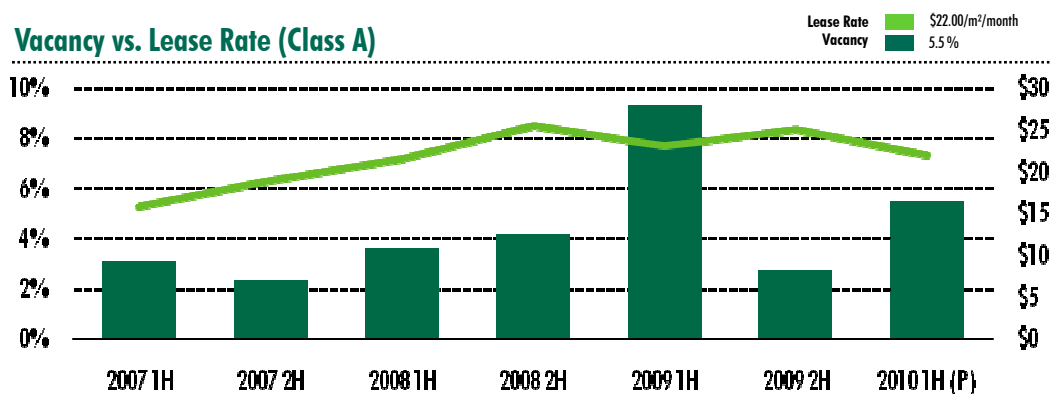
The investment in airports to facilitate trade and tourism is all part of a larger effort to take further advantage of the country's geographic location and transform Panama into the undisputed [Latin American] "hub" for logistics and service industries. To achieve this goal, the government is currently 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 \$5.25 billion dollar expansion of the Panama Canal continues, providing jobs and serving as economic stimulus until its projected completion in 2014. Construction of a modern subway system is expected to begin in late 2010. The first line will cross Panama City, at an estimated cost of \$800 million to \$1.3 billion dollars.

The construction boom happening throughout the country is also evident in Panama City's Class A office space market. A total of 357,310 sqm is currently under construction, scheduled to be delivered between 2011 and 2014. This will more than double the size of Panama City's current Class A office inventory.

In the first half of 2010, 10,200 sqm meters of new Class A office space were delivered to the market, the majority of these projects located in the Reverted Area, a new submarket for Class A space. Special introductory rental offers for this product ranged between \$16.50 and \$18 sqm/m, effectively dragging down the market average. This strategy proved successful, as 70% of the space was absorbed by June with the remaining likely to be absorbed by year end. The new space entry raised the vacancy rate from 2.7% in December 2009 to 5.5% in June 2010, but this is much lower than the vacancy rate in June of last year, which was 9.3%. We expect those introductory rates to rise with the development of a critical mass of Class A space (and supporting infrastructure) in that submarket.

Vacancy vs. Lease Rate (Class A)

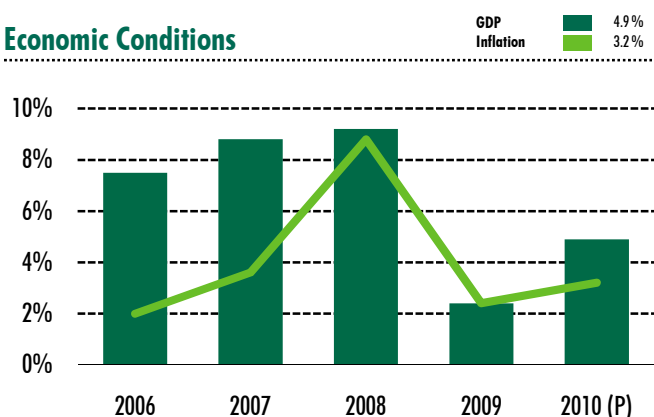


Panama City – Class A Office Market

Submarket	Leasable Area (m ²)	Available Area (m ²)	Vacancy Rate	Construction (m ²)	Av. Asking Lease Rate (USD/m ² /month)
Banking Area	116,860	4,493	3.84%	71,021	\$22.00 – \$26.00
South	46,500	1,351	2.91%	49,553	\$20.00 – \$30.00
San Francisco	67,630	5,000	7.39%	93,467	\$25.00 – \$32.00
Bethania**	–	–	–	–	–
Costa del Este	61,060	2,641	4.33%	143,269	\$25.00 – \$30.00
Reverted Area/Others**	10,200	3,124	30.63%	–	\$16.50 – \$18.00
Class A Total	302,250	16,609	5.50%	357,310	22.00
Class B + C Total	431,300	16,907	3.92%	52,906	17.50
Total	733,550	33,516	4.57%	410,216	

** This area does not have Class A buildings

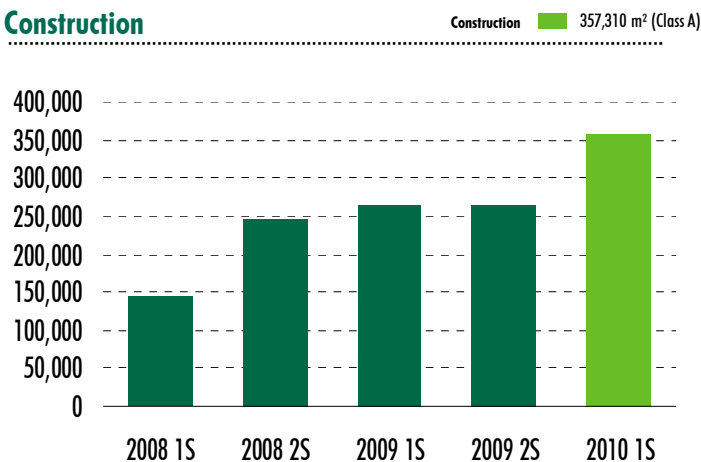
Economic Conditions



(P): Preliminary Result
Source: Contraloría General de la República

During 2010 first half, Panama's economy showed an excellent growth, around 4.9% (not annualized) and expectations remain highly positive. The country's growth is expected to reach more than 5% by year's end. Several large-scale projects are under construction or in the planning stages, including the Canal expansion and the David City 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.

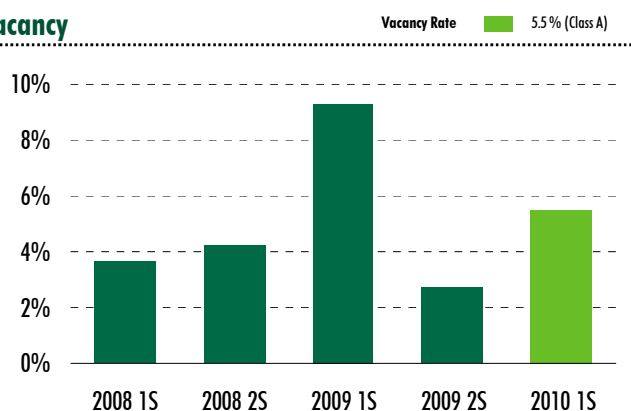
Construction



Several new Class A projects began during the first half of 2010, and this activity, coupled with a recent update on projects in the Costa del Este submarket, meant that the space recorded as being "under construction" is 35% higher than it was in December. In June, the Costa del Este recorded 143,269 sqm of Class A construction while the San Francisco submarket recorded 93,467 sqm. The projects in both submarkets boast excellent locations and facilities.

Construction of Class B buildings has also increased during the last six months.

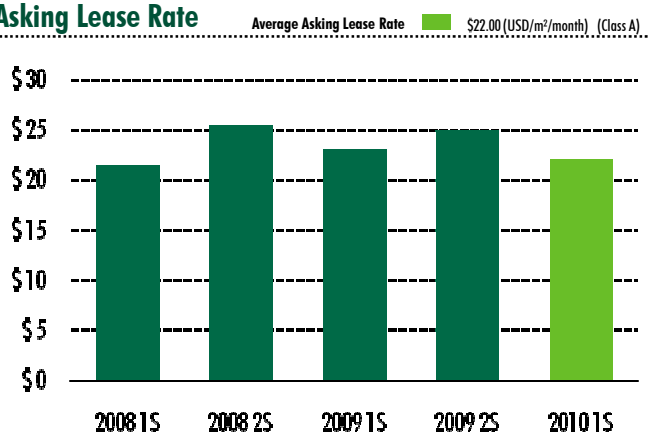
Vacancy



The Class A office vacancy rate increased from 2.7% to 5.5% during the first half of 2010 with the addition of 10,200 new square meters in the Reverted Areas. At the end of June, 70% of this space had been absorbed, and the remainder is expected to be fully taken up by the end of the year.

The submarkets with the lowest overall office vacancy rates remain the South at 2.9%, and the Banking Area at 3.8%.

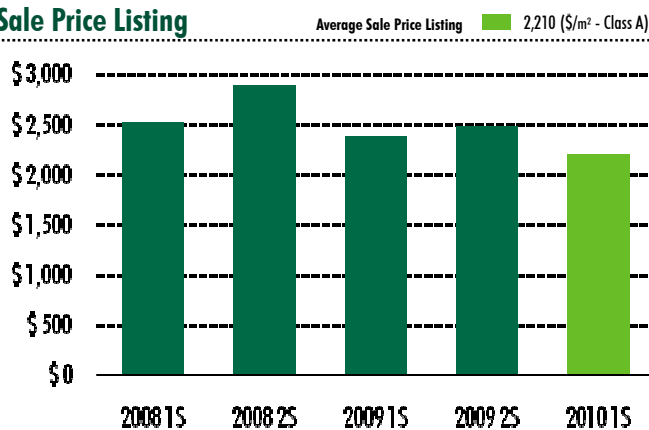
Asking Lease Rate



The average lease rate in Panama City fell from \$24.50 to \$22.00 sqm/m as a result of the introductory pricing of the new Class A space in the Reverted Areas. Lease rates in these buildings ranged from \$16.50 to \$18.00 sqm/m, though they are expected to increase as this commercial area is further developed. All other submarkets have maintained stable rental prices during the first half of 2010.

Maintenance fees are between \$1.50 to \$3.00 sqm/m, depending on the building, and are not included in the asking lease rate.

Sale Price Listing



During the first half of 2010, the average sale price listed for Class A office buildings declined approximately 11% when compared to December's rate. In December 2009, the average sales price was \$2,490 sqm, but during the January-June period, the recorded average price fell to \$2,210 sqm. The highest priced submarket was the Banking Area at \$2,450 sqm, followed by Costa del este at \$2,400 sqm. It is important to note that these are listed sales prices, which often vary from the transacted prices.

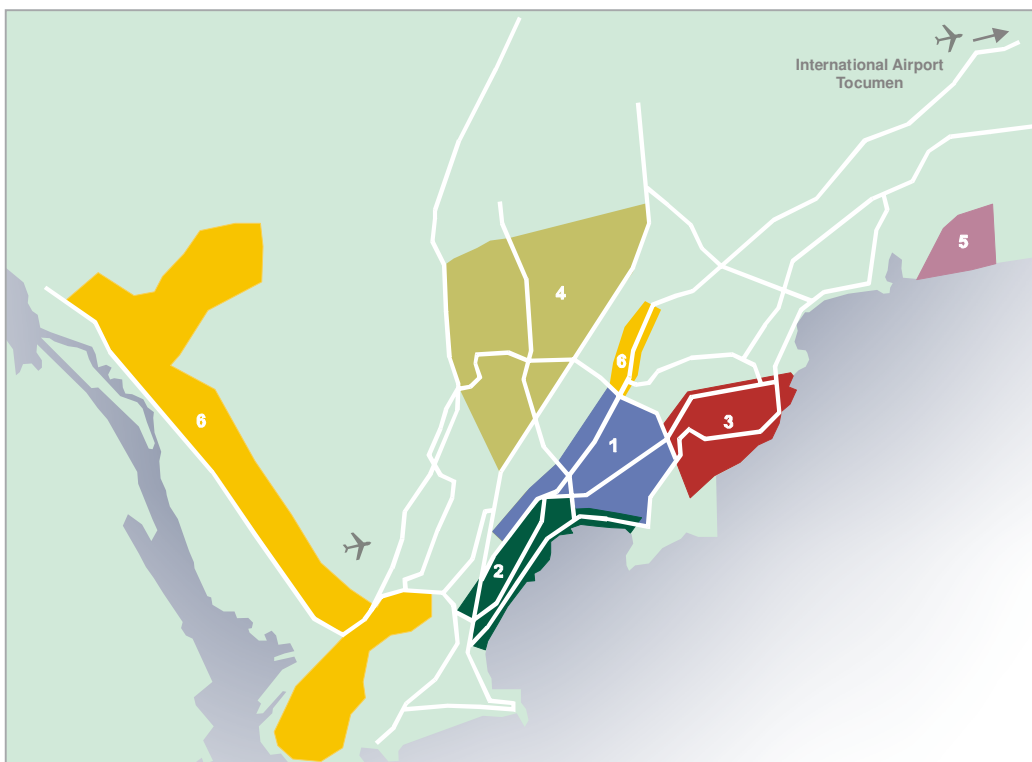
We expect prices to remain steady and/or increase slightly during the second half of 2010 due to the lack of availability in all submarkets and the expected continued improvement in Panama's macroeconomic and investment climates.

MarketView Panama City, Panama

Submarket Stats (All Classes)

Submarket	Total m ²	Market Share
1. Banking Area	307,311.99	42%
2. South	111,994.95	15%
3. San Francisco	118,402.26	16%
4. Bethania	89,817.72	12%
5. Costa del Este	76,059.96	10%
6. Reverted Areas (Others)	29,962.53	4%
Total	733,549.41	

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.

Panama

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