

MarketView

Office Market – Panama City

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2nd Half 2009

Quick Stats (Class A)

	Current	Change from last	
		2S 2008	1S 2009
Vacancy	2.7%	↑	↓
Lease Rate	\$25.00	↓	↑
Sale Price	\$2,490	↓	→
Construction	263,711m ²	↑	→

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

Highlights

- Vacancy fell from 9.3% in the first half of 2009 to 2.7% in the second half.
- There are nearly 264,000 sqm under construction, scheduled to be delivered during 2010 and 2011. No new projects were started during the second half of 2009
- The average lease rate increased \$2 (9%) from \$23 to \$25 sqm/m during the last half of 2009

During 2009, Panama's economy slowed as a result of the global financial crisis, but it never went into recession. In fact, with nearly 3% GDP growth last year, it recorded the best performance in the Americas. In 2009, the government enacted tax reforms and negotiated free trade agreements that will support robust growth [along with Canal expansion] beginning in 2010.

The recession experienced by the rest of the world resulted in many fewer imports and exports making their way through Panama, and a reduction of investments of all types. As export oriented agriculture, wholesale trade in the Colon Free Zone, and Canal/port operations together comprise a significant piece of the Panamanian economy, growth slowed from 2008's performance of 9.2%.

The domestic economy remained strong, with unemployment only rising 1 percentage point despite the dramatic slowdown, and inflation falling from nearly 10% to a much more reasonable 3% during the year. In the latter half of 2009 the domestic sectors that recorded the strongest performance include: passenger transportation by land, telecommunications, insurance and financial auxiliaries, construction, residential properties, hydropower generation, restaurants, mining and quarrying, private education, and governmental services. Other sector that began their recovery in late 2009 were: financial intermediation, generation of thermal energy, health services, cane cultivation, vegetables, and raising poultry. On the other hand, pig farming, manufacturing, banking, real estate, and the business market were all domestic sectors that experienced negative growth.

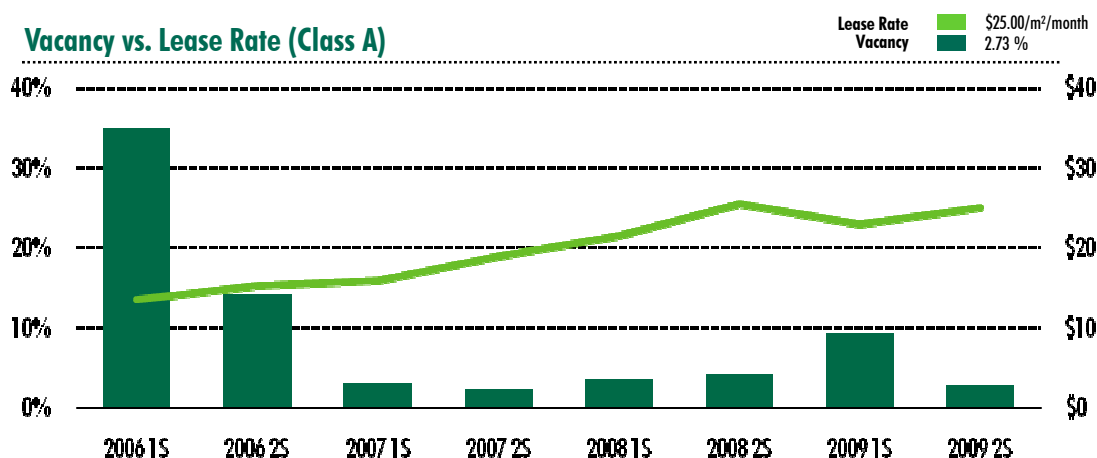
The office market in Panama City performed very well during the latter half of 2009. In June of 2009, the vacancy rate for Class A office buildings was 9.3% -- but it dropped nearly 6.5 percentage points to 2.7% by December 2009.

Vacancy leapt from 4% at year end 2008 to that 9.3% mark due to the delivery of approximately 22,400 new square meters of rentable area. This new space was occupied during the second half of this year, and in the San Francisco submarket, that absorption reduced the vacancy rate from 14.7% to 1.1%. Additionally, the South submarket recorded a 12.7% vacancy rate during first half of this year, but that space was quickly absorbed, thanks to the completion of a new road, the Cinta Costal. The Cinta Costal now provides great accessibility to the buildings located in the South submarket, and vacancy accordingly fell to 3.2%.

Both rental and sales prices have increased in the second half of the year, though not as quickly as vacancy fell during the same period. In June 2009 the average rent was \$23.00 sq/m and it climbed to \$25.00 sq/m by December (a 9% increase). The average sales price for Class A office space was \$2,385 per square meter in June, rising to \$2,490 per square meter in December (a 4% increase).

Regarding construction field, it was stable compared with the first half of the year. In Panama City there are approximately 263,711 square meters of new Class A office space under construction, in modern buildings with superior amenities. New product deliveries are expected in 2010 and 2011.

Vacancy vs. Lease Rate (Class A)

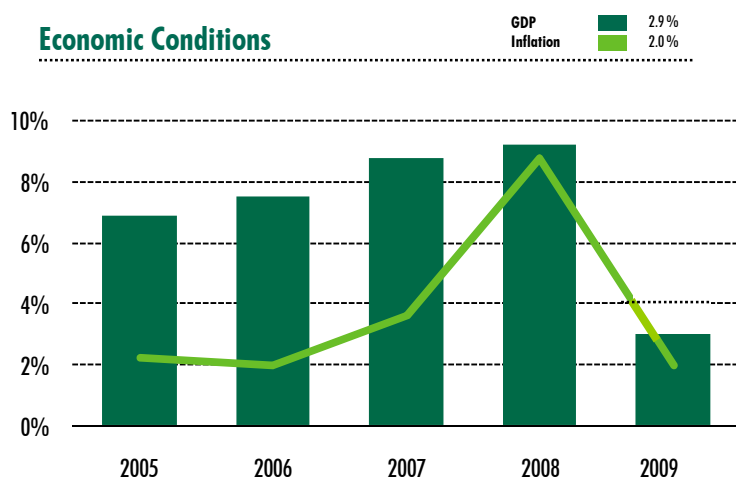


Panama City – Class A Office Market

Submarket	Leasable Area (m ²)	Vacancy Rate	Construction (m ²)	Av. Asking Lease Rate (USD/m ² /month)
Banking Area	108,700	2.45%	71,021	\$22.00 – \$26.00
South	40,760	3.20%	49,553	\$20.00 – \$30.00
San Francisco	67,384	1.12%	93,467	\$25.00 – \$32.00
Bethania**	–	–	–	–
Costa del Este	45,750	5.37%	49,670	\$25.00 – \$30.00
Others**	–	–	–	–
Class A Total	262,594	2.73%	263,711	\$25.00
Class B + C Total	548,387	6.52%	39,749	\$15.00
Total	810,981	5.12%	303,460	

** This area does not have Class A buildings

Economic Conditions

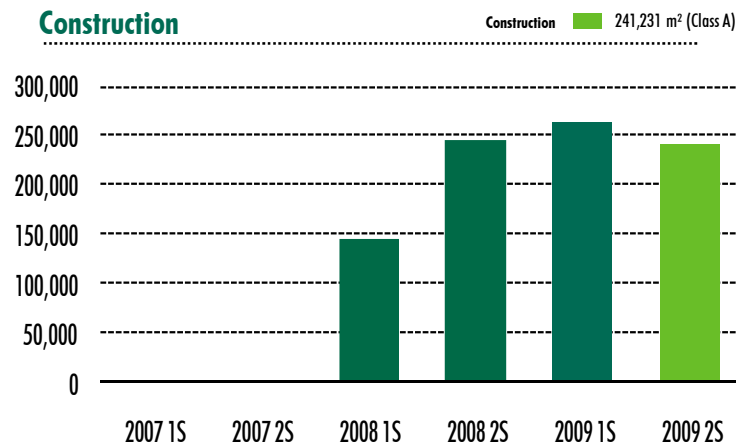


Source: Contraloría General de la República

Panama's economy outperformed the entire region in 2009. Despite the dramatic slowdown from 9.2% GDP growth in 2008 to 2.9% GDP growth in 2009, economy never experienced recession and the unemployment rate increased only slightly [from 5.6% to 6.6% over the course of the year]. Furthermore, inflation decreased dramatically, from nearly 9% in 2008 to only 2% for 2009.

In November 2009, S&P raised its debt outlook for Panama, saying that the Canal expansion will aid the economy and the President's tax reforms will increase revenue, allowing the government to boost investment. Most analysts are projecting a minimum of 5% GDP growth for Panama in 2010.

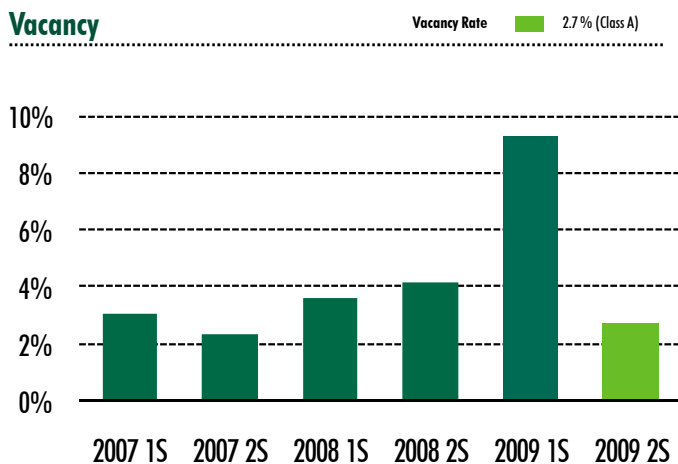
Construction



Approximately 264,000 sqm of space were under construction during the last half of 2009, and no new projects were started during that time. In the first half of 2009, 22,400 sqm were delivered to the market, but nothing new came to market during the last six months. The remaining projects under construction will be delivered in 2010 and 2011.

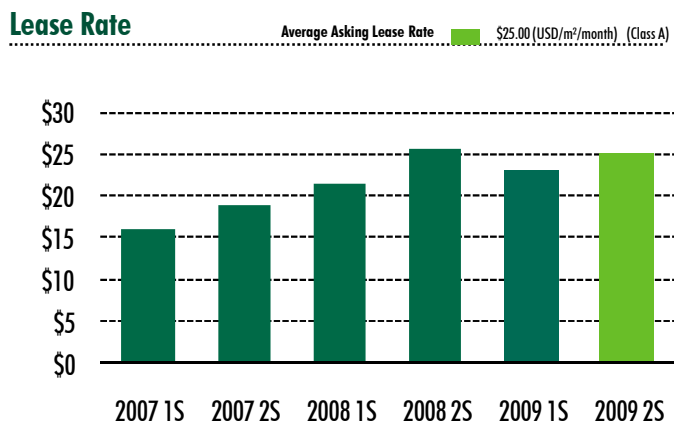
Several new projects are in the planning stages and/or waiting for approval to begin construction in 2010. The submarkets with the most construction activity remain San Francisco and Banking Area due to their central locations and facilities.

Vacancy



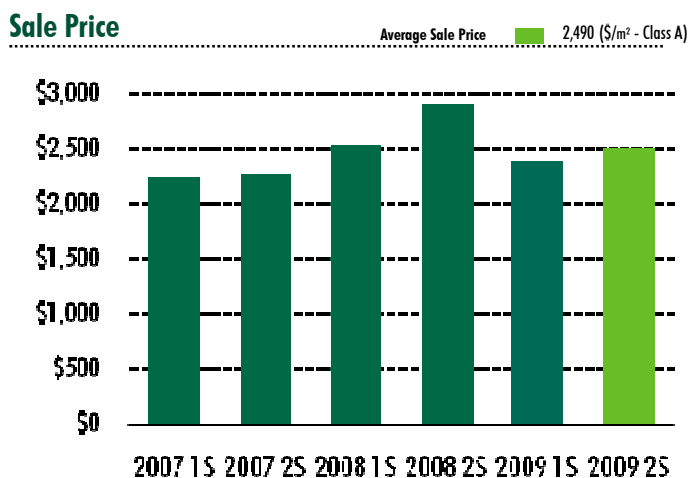
The vacancy rate for Class A buildings in Panama City decreased dramatically over the last six months, as the market absorbed the new square meters that were added during the first half of the year, which consisted of the third phase of Torre de las Americas. Furthermore, the Coastal Road opened across the South Zone, which greatly improved access, making the previously available spaces more desirable. Inflation remained very low and sale and rental prices did not increase quickly, which kept the market attractive to locals and foreign and encourage the absorption of the few remaining spaces.

Lease Rate



The average lease rate for Class A office buildings increased 9% in six months, from \$23.00 per square meter to \$25.00 per square meter. The relatively stable yet increasing prices for lease and sale properties (see below) are a reflection of the Panamanian economy in general, which performed quite well in 2009. As demand increased, vacancy plummeted, resulting in rising prices. Maintenance costs held steady at [an additional] \$1.00 to \$2.00 per square meter per month.

Sale Price



During the second half of 2009, the average sale price for Class A office buildings increased slightly. In June 2009, the average price reached \$2,385 per square meter, which rose to \$2,490 per square meter in December 2009. The San Francisco submarket is the most expensive one at \$3,400 per square meter, because it offers the best combination of infrastructure, security and amenities.

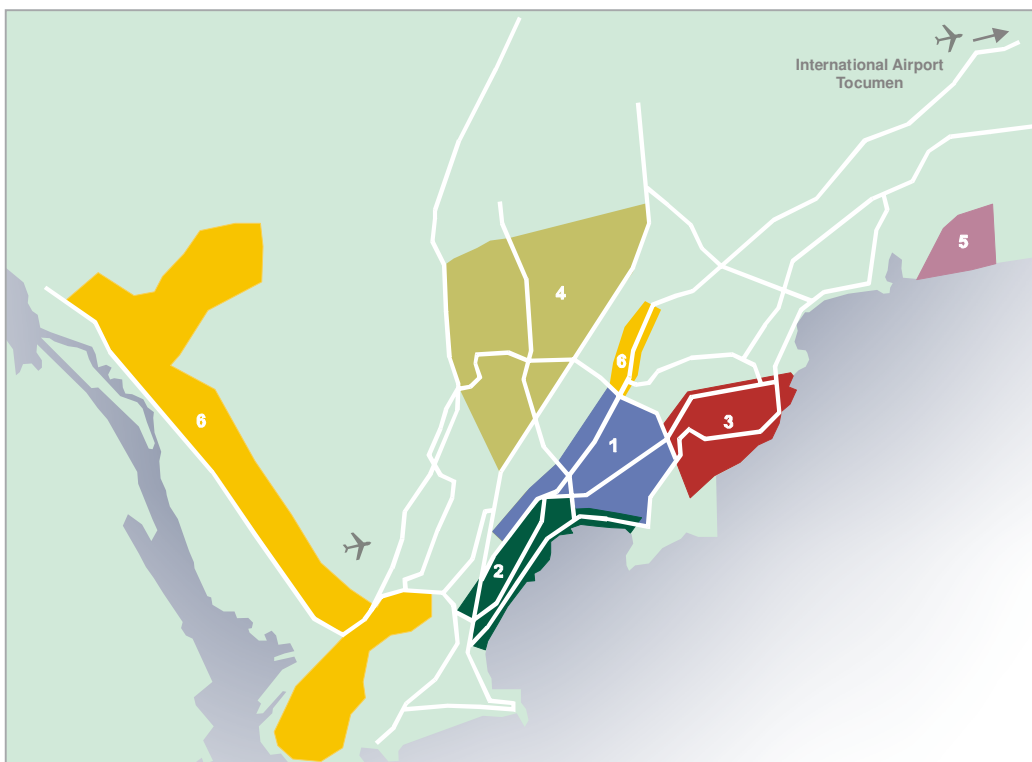
Approximately 200,000 square meters are scheduled to be delivered over the next two years, but despite this large stock of new product, sale prices for Class A office buildings will likely remain stable.

MarketView Panama City, Panama

Submarket Stats (All Classes)

Submarket	Total m ²	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%
Total	810,981	

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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