

Quick Stats (Class A)

	Change from		
	Current	1S 2008	2S 2008
Gross Absorption	79 %	↑	↑
Rental Rate/m ²	\$11.82	↓	↓
Sale Price/m ²	\$2,289	↓	↓
Construction (units)	6,530	↑	↓

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

New Developments



The Yoo building, designed by architect Philippe Starck, will be a luxury complex featuring one and two bedroom apartments. It will be located at Avenida Balboa and will have spectacular ocean views.

Despite the global credit crisis, Panama continues to be one of the better growth prospect countries in the Americas. Estimates project that economic growth will be between 2.5% and 3.5% for 2009 as a whole, lower than 2008's 9.2%, but still representing one of the highest economic growth rates in the region.

The sectors that posted the biggest gains during first six months of this year were construction, mining and quarrying, electricity, water, transport, storage and communications, social and personal community services and financial intermediation. It should be mentioned that despite positive growth, that growth is much slower than it has been in recent years..

Agriculture, fishing and manufacturing all declined during the first half of 2009. Hotel and restaurant activity was down underpinned by the decline in overnight stays in hotels in Panama City and some areas of the interior of the Republic. However, the hotel services industry, air travel, and tourism were all slightly positive as tourism expenditures increased during this period.

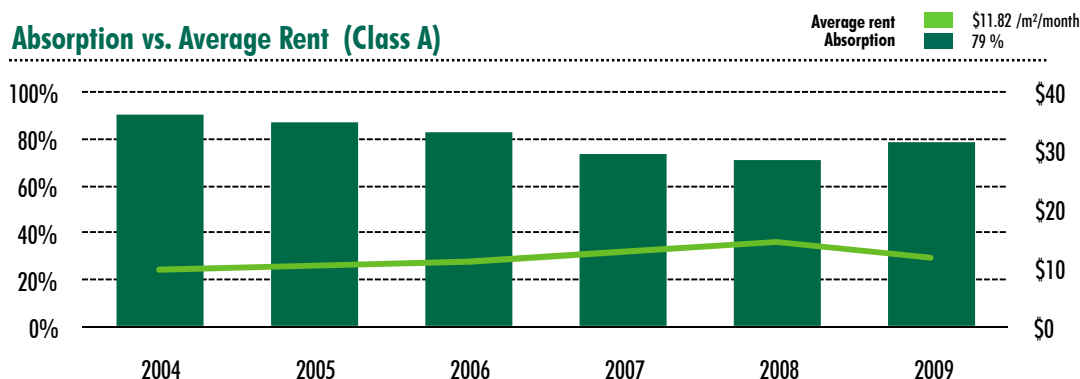
In the period between January to June 2009, construction authorizations fell by 24% compared to the same period of 2008 in in the provinces of Panama and Colon. The contribution; however, of this segment to GDP reached 298.7 million, representing 6.9% so construction is now a larger share of the economy than it was in 2008.

Construction of apartments in the sub-\$100 thousand market has increased considerably faster than that of higher-cost luxury apartments, providing greater opportunities for Panamanian nationals to acquire their own homes. Still, Panama City continues to grow without showing saturation and remains attractive for older foreigners looking toward retirement. This demand is fueling an upward expansion (buildings are getting taller) as the market does not count on large tracts of land for single-family home developments.

Panama City actually boasts the most high-rise buildings of any city in Latin America. There are approximately fifty residential high-rise buildings greater than forty stories under construction in Panama City. The market for these projects is not local, but foreign. They are heavily promoted in the US, Canada and Europe where customers are able to pay up to a million dollars for an apartment.

Foreign customers come to the market with high expectations, so developers have had to adjust their offerings. Among the features common to luxury buildings in the market are top-quality finishes and appliances, open kitchens, central air conditioning, and building services/amenities. Lofts are even more expensive than other projects offered in the market. However, comparing real states prices in U.S. and Europe shows Panama to be very competitive and attractive on cost.

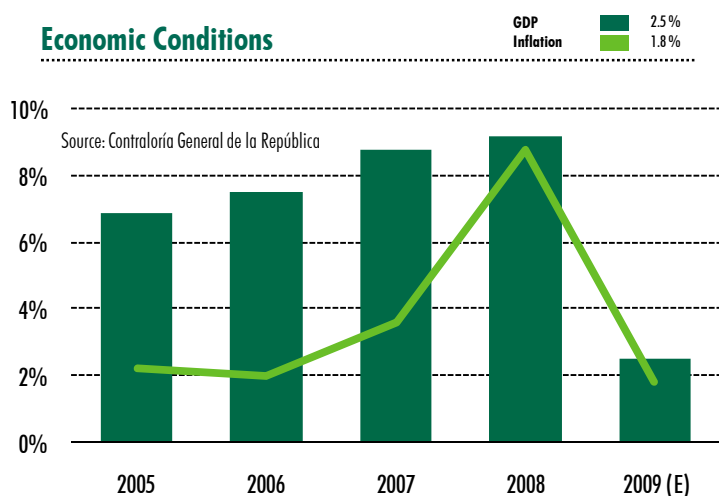
Absorption vs. Average Rent (Class A)



Panama City – Residential Condominiums (Class A)

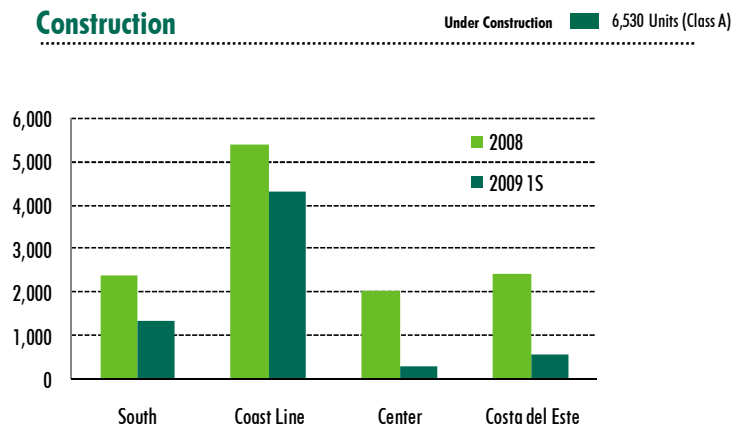
Submarket	Active Projects	Total Units	Units Under Construction	Gross Absorption	Average Sale Price (USD/m ²)
North (Reverted Areas)	0	0	0	0	0
South (Marbella, Bella Vista, San Francisco)	10	1,350	1,116	83 %	\$ 2,304
Coastline (Av. Balboa, P. Paitilla, P.Pacifica)	29	4,314	3,337	77 %	\$ 2,349
Center (El Cangrejo)	4	291	226	78 %	\$ 2,027
Costa del Este	7	575	495	86 %	\$ 1,941
Total Class A	50	6,530	5,174	79 %	\$ 2,289
Total Class B + C	47	3,055	2,080	68 %	\$ 1,767
Total	97	9,585	7,254	76 %	

Economic Conditions



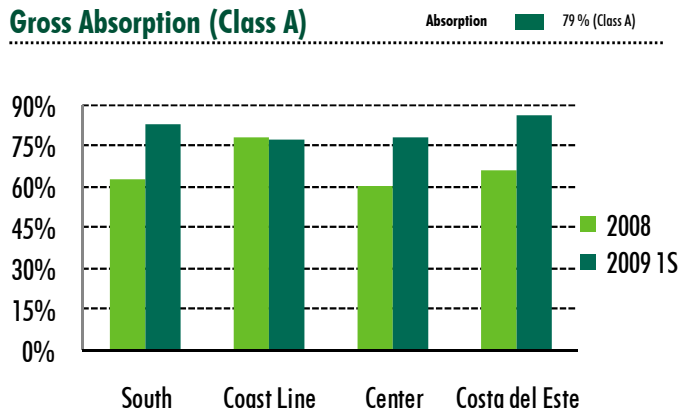
The first half of 2009 brought a sharp decline for the Panamanian economy with growth registering at 2.5% compared to the 9.2% achieved over the same period in 2008. Even so, one of the remaining hot sectors is tourism, which grew 3.3% during the first part of this year when compared to the same period in 2008. However, other markets such as the Free Trade Zone, imports, exports and wholesale trade have been adversely affected during these first 6 months of 2009.

Construction



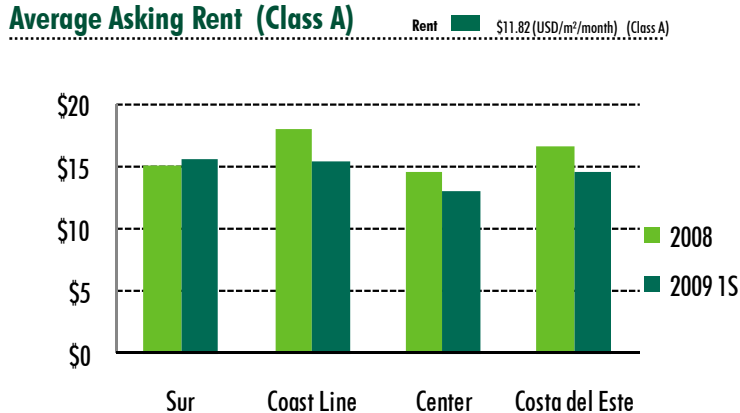
For the first half of this year saw a reduction in the amount of Class A units under construction in all Panama City submarkets. This is primarily due to some major projects that have been suspended or canceled due to increased construction costs which have made it impossible to complete projects and also the credit restrictions caused by global credit crisis. Even though Panama's economy hasn't been seriously affected by the global credit crisis, the target market for Class A buildings are foreign clients who have decreased their investments while waiting to gauge the extent to which the economic crisis will affect the Panamanian economy (and their own portfolios) this year.

Gross Absorption (Class A)



Absorption rate for residential buildings reached 71% by the first semester 2008 according to promoters. During the same period this year it increased 5 percentage points to 76%. This increase may be due to the fact that units under construction have not increased, while promoters and developers have continued with their selling efforts even on projects that have been already delivered but were not sold out during the construction process.

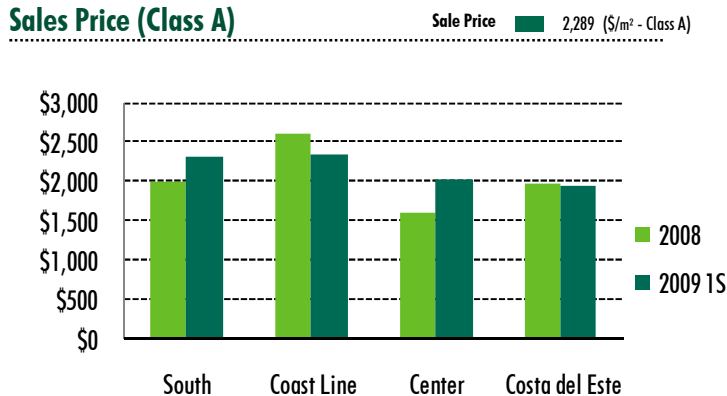
Average Asking Rent (Class A)



The average asking rent declined about 4% during first 6 months of this year to a price of \$11.82 per square meter per month. These rental prices exclude a maintenance fee that is usually between \$1.00 and \$2.00 per square meter per month.

Among the most attractive markets are the Coastline (which provides great accessibility to the newly opened Cinta Costera), with monthly prices per square meter of \$ 15.49. Costa del Este has a price per square meter of \$ 14.70 per month, and is close to various shops and services that make this area one of the most comfortable and convenient.

Sales Price (Class A)



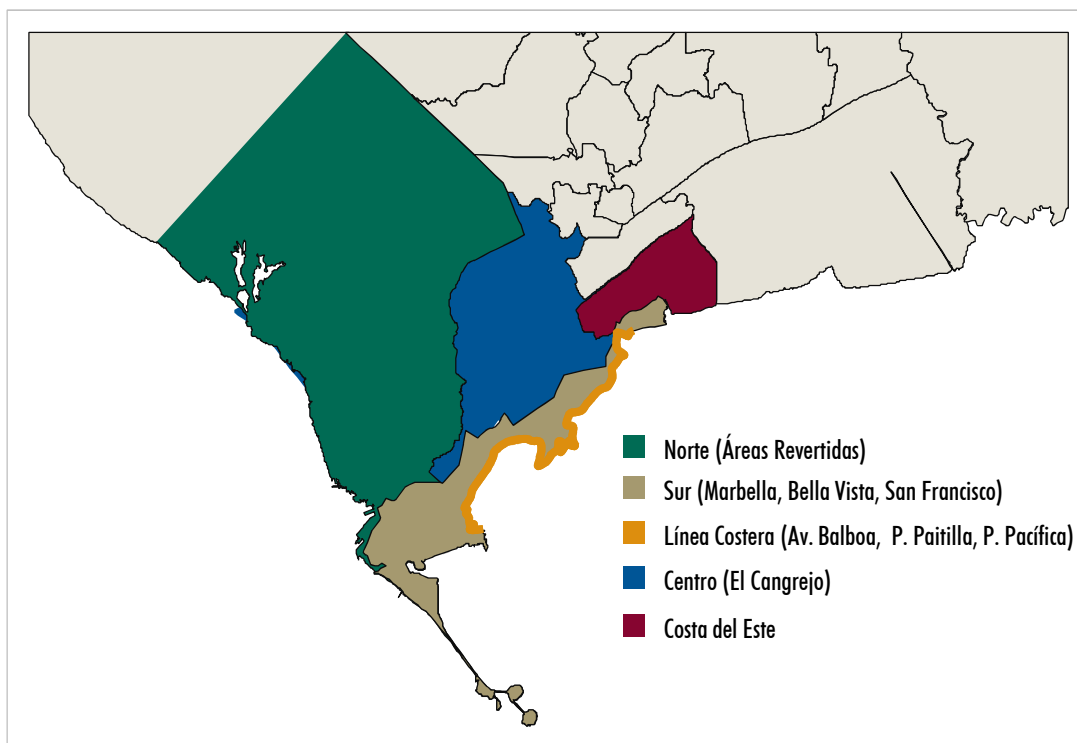
The average selling price requested during the first 6 months of this year for Class A buildings has fallen to \$ 2,289 per square meter, compared to last year, which is comparable to 2008's pricing. However, the most expensive projects were priced above \$2,500 psm in 2008 whereas the most expensive projects this year are selling under \$2,350. Prices are now reflecting post-credit crisis mortgage and financing terms and will stay stable so long as available space gets occupied. The most expensive submarkets in Panama City are still the Coastline and the South, with prices reaching between \$2,349.00 and \$ 2,304.00 per square meter, respectively in the first half of 2009.

MarketView Panama City, Panama

Residential Condominiums Built 1991-2008

Sub-market	1991 – 1995	1996 – 2000	2001 – 2008
North (Reverted Areas)	0	37	10
South (Marbella, Bella Vista, San Francisco)	20	25	27
Cost Line (Av. Balboa, P. Paitilla, P. Pacífica)	25	42	47
Center (El Cangrejo)	50	186	35
Costa del Este	0	0	15
	95	290	134

Residential Submarkets in Panamá City



Average Lease Rate

Rate determined by summing the amount paid by all leases performed during the period, then dividing by the sum of all units leased during the same period.

Market Coverage

All buildings built after 1970 with a total usable area equal or above 1,000 m², and a floor plate over 250 m².

Net Absorption

The change in sold or reserved new units from one period to the next.

Occupied Units

Apartment units not considered vacant or available for sale.

Under Construction

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

Vacant Units

Existing apartment units which are physically vacant or immediately available.

Absorption

The sum of all occupied/sold apartment units divided by the sum of all apartment units.

Residential Class A

Residential buildings in prime locations, with a high occupancy rate and highly competitive rental rates with all amenities (outdoor pool, sporting facilities) and luxury finishing.

Residential Class B

Residential buildings that comply with some of the characteristics mentioned above. These buildings are mostly acquired by local residents.

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