

# The PanamaMundo Newsletter

## The Panama Building Boom

Despite a somewhat shaky beginning, following the total withdrawal of Americans (and their paychecks) from the Canal Zone, Panama has enjoyed an unprecedented building boom for the past three years.

On my first visit to Panama City in April 2004, I was totally overwhelmed by a skyline studded with construction derricks adding about 40 new high rise buildings to an existing 100 or so similar structures.

The level of activity seemed almost frenetic to someone living in central New Jersey where a single new building of any sort is an extremely rare occurrence because of the limited amount of land available and/or the lack of demand. And mid 2004 was probably the height of the housing boom in New Jersey.

When I returned to Panama City in mid 2005, it was more of the same although it seemed that the pace had picked up a bit. This level of construction activity was not confined to the downtown area of Pa-

nama City, but rather the boom extended to the remote corners of the country including Bocas Del Toro, Altos Del Maria, Boquete, and even to Coronado.

The projects included 50 story residential condos, luxurious bank headquarters, new resort communities, and a plethora of high quality hotel complexes that qualified for the 15-20 year tax exemption for tourist projects.



erected, in the pre-sale mode, or on the planning boards.

Several construction firsts are in progress including Donald Trumps largest casino in Latin America and the tallest global building.



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I was also most impressed by the architectural quality and design of the buildings already constructed. Most of these building would make the plain square sky scrapers of New York City look positively pedestrian by comparison and if you have ever walked around the

dramatic line is not in great evidence other than by exception. This is not the case in Panama where archi-



streets of NYC you would have to agree that the sense of space and

to detail, quality of construction and careful planning. In fact the

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typical Panamanian buyer is exceptionally discriminating when it comes to the social area and refuses to purchase in lower quality or poorly designed structure. tects evidently compete furiously for their commissions and the end users demand form and total functionality not just cubic space. If you examine the so-called "social areas" of the average new condominium you will be very impressed by the spaciousness, attention

great social area, two covered parking spaces, and an independent "maids quarters" with private entrance. A residence without such amenities will never sell except perhaps to an Expat who does not fully understand the local "resale" market. The city is clearly in a boom mode and it is always a major question mark in my mind about the ultimate demand.

Were these simply "investors" looking to flip units?



typical Panamanian buyer is exceptionally discriminating when it comes to the social area and refuses to purchase in lower quality or poorly designed structure.

The norm for each condominium residence is, in addition to a



Apparently investors were not the main driving force behind the boom although they were a significant factor.

Tiny Panama has rapidly become the most important hub for Latin American business drawn by its large and sophisticated banking community with more than 100 international banking institutions. In addition there is a very significant insurance and communications sector that competes and wins in the global market place.

In contrast, Mexico offers zero business challenge in this area. Mexican banks do not even offer home mortgages except at usurious rates of interest.

Brazil, albeit in a major economic revival, does not have the international banking presence or the “mass” to attract the largest and most sophisticated borrowers.

Argentina, although once a great economy, has its shine with the recent state bond default.

Historically, the rich in

inflation would erode their purchasing power. Even if the building stays empty for years, it has potential value and will eventually be occupied. This was a clas-

investments for the early risk-takers.

With the decision imminent to build the “third lock” to widen the Panama Canal, the job



sic situation in Brazil where inflation averaged 40% and more per year for long periods of time in the last century.

Even in the old districts

of Panama City such as Casco Viejo, there is a dramatic rebuilding in progress. This district is like an “Old Montreal” and is rapidly becoming very “chic”. Another 5 years and it will be completely re-

market will get incredibly heated with a massive requirement for skilled workers. Wages will be driven up and spending power will surge as this \$5.25 billion projects unfolds over the next 7 years. In addition there will be an equivalent amount spent on secondary projects such as Gatun (\$1 billion) etc.

In the 2 years since I first visited Panama, it is my estimate that prices have increased, across the board, by approximately 70% or 30% per year. This increase was on a rather small base price but still very substantial. The average \$1000 per square meter luxury condo in 2004 was selling at \$1700 per square meter by mid 2006.

My take is that the planned economic stimulus to this small country will enhance real estate values although perhaps at a less rapid rate over the next decade.

Latin American have always poured their profits into real estate whenever they feared that

generated. Many of these “fixer-uppers” have become very pricey and have proven to be excellent

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*Give me a call at Skype "panamamundo" or 908 298-7784 (EST) until our permanent move to Panama late 2006.*

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El Valle Panama