

# Investment propels a real estate boom for Panama

## Stability and a steady growth rate are helping to transform this regional hub.

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Panama City - The hilltop view overlooking the former Howard US Air Force Base in Panama says it all.

The vacant barracks will be the site of a \$10 billion minicity slated to be the size of Central London. Just beyond the hills, the Panama Canal is undergoing a \$5 billion expansion, and in the background cranes hang over new skyscrapers that seem to rise every week.

Panama, it seems, is in its prime.

Once overlooked as nothing but a canal, this tiny Central American nation of 3 million is attracting residents, businesses, and investors the world over. Some are seeking a haven from political situations in the region. Others are jumping on what they see as one of the best investments around. But as the government markets itself as the Latin American lodestone, many caution that the city is growing too quickly out of its own infrastructure.

"We are the geographic hub of the Americas," says Ivan Carlucci, the president of the Panamanian Association of Real Estate Brokers and Developers, adding that 11,000 new units will come online this year. He boasts that 99 percent have already sold. Some say that speculators have fueled the boom, but Mr. Carlucci says he expects the real-estate market to maintain its momentum because of other large infrastructure and industrial projects throughout the country. "We will be sustained by all the other aspects."

The most visible changes to Panama City are the homes rising for new residents. According to the Ministry of Housing, nearly 400 projects are under construction, with permits, or awaiting approval. "This is extraordinary, we've never seen this before," says José Batista, the director of urban planning in the Ministry of Housing.

Venezuelans help fuel the boom

New residents include Venezuelans, who disagree with the direction of Venezuelan President Hugo Chávez's administration. "The day after Chávez was sworn in, we had Venezuelans in here looking for office space and apartments," says José Manuel Bern, director of sales and projects for Empresas Bern, one of the city's oldest developers. "We are even starting to receive some people from Ecuador."

They also include American retirees and couples looking to invest, who list Panama's relative security, prospects for growth, and use of the dollar in all transactions as top draws. Reggie and Cherie Flagg, an American couple from Florida, bought a building in the historic part of Panama City this year.

They feel safe in Panama, both in the short and long term, says Ms. Flagg, who says she would not consider, for example, Nicaragua, where she says political instability could undermine their economic investment. "The Panama Canal makes constant money, and now it's going to get bigger."

#### Bigger canal to boost growth

The economic indicators seem to back up their enthusiasm. Panama grew by 8 percent last year, one of the highest rates in the region. In 2006, new foreign direct investment doubled from the year before. According to the United Nations Economic Commission for Latin America and the Caribbean, it represented 16 percent of GDP in 2006, double that of any other country in the region.

The expansion of the canal will create tens of thousands of jobs and contribute \$1.5 billion to the nation's treasury by its completion in 2015.

The nation's airline, Copa Airlines, is marketing itself as an alternative to Miami for travel throughout Latin America. Multinational firms such as Caterpillar Inc. have moved or are moving their Latin American operations to Panama.

"Today it's probably the Switzerland of Central America. It has a stable, democratic government that is passionate about business," says Ian Livingstone, managing director of British firm London & Regional, which is managing the 3,500-acre Air Force base project outside Panama City that is to be a self-sustaining city.

#### Growing too fast?

Beyond a glittering skyline and barrage of blueprints lie troubling signs, too. Many caution that Panama is growing too quickly, and that the benefits will not trickle down to the nation's poor.

One result of the boom has been a dramatic rise in prices. Median apartment prices for those sold by Empresas Bern, for example, jumped from \$150,000 for 1,000 square feet to \$350,000 for the same space in just three years, says Mr. Bern.

Many are concerned that this will squeeze the poor even further. "I think economic growth is good, but it has to go hand in hand with some planning and some policy, so that growth does not overcome the capacity of the country to respond to people's needs," says Carlos Guevara-Mann, a Panamanian political analyst who teaches at the University of Nevada, Reno.

He says that the boom, while temporarily providing jobs in construction, will not trickle down to the nearly 40 percent of residents who live in poverty, and that they will be the hardest hit if it busts.

Carlos Lopez, a taxi driver, represents the two sides of changes taking place in Panama.

He is fed up most days, as traffic inches along the main waterfront avenue during rush hour. His father and brother, however, both work in construction and are seeing more employment than they have in a long time. "That's now," he says. "What is going to happen when it's over? They will get rich, and our neighborhood will still be just as poor."

One thing is for sure: The city will never be the same. "Panama has come into its own," says Sandra Snyder, author of "Living in Panama," whose recently published second edition reaches out to the growing number of American retirees moving to Panama City and the beaches and mountains throughout the country.

The impacts are both imperceptible and as obvious as they come. On one recent day, Ms. Snyder sat on her porch, with a sweeping view of the bay, counting 25 new buildings since she and her husband moved into their apartment five years ago. "No," she says, pointing to a high-rise she missed. "Twenty-six."

But at least she can keep count still – for now.