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REAL ESTATE

Shifting tides of Panama real estate echo Miami trends

Like 5

The shifting tides of Panama's real estate market reflect trends in Miami



Morris Hafeitz, general manager of Emporium Developers, is trying to sell Allure at the Park, a 50-story building Emporium developed in Panama City's Bella Vista neighborhood. Above, Hafeitz is in the lobby of the Allure. CARL JUSTE / MIAMI HERALD STAFF

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RETIRING ON A PENSION

Panama offers a visa under its pensionado program that comes with a wide range of benefits and discounts. To be eligible for the visa, a person must draw a minimum pension of \$750 and invest at least \$100,000 in property in Panama. Minus the real estate investment, a pension of at least \$1,000 per month is required. (Spouses may pool pensions).

A sampling of benefits:

- 50% off closing costs for home loans and property tax exemption on principal residence

- 50% off entertainment (movies, theaters, concerts, sporting events)

- 30% to 50% off hotel stays

- 25% off airline tickets and monthly utility bills and restaurant food

- 15% off hospital bills, dental and eye exams

- 20% off medical consultations and professional and

BY MIMI WHITEFIELD
MWHITEFIELD@MIAMIHERALD.COM

PANAMA CITY, Panama — As a real estate agent shows off a model apartment — white leather sectional, stainless steel appliances, open concept, ocean views — in the 59-story Yacht Club Tower, and touts its fitness center and pool deck designed to mimic a ship floating on the sea, he makes a telling statement:

"We tried to emulate the Miami style in this building."

Approaching this Central American capital from the air, the first thing a traveler notices is a skyline on steroids — gleaming towers jutting skyward like so many pickets on a fence. There's even a Trump high-rise here — the sail-shaped 72-story Trump Ocean Club International Hotel & Tower. And it's not uncommon for those active in Miami real estate and development circles to try their luck in Panama or move back and forth between the markets.

Although Miami is nearly 1,200 miles from Panama City, the real estate markets of the two cities share certain similarities. Both went through booms and overbuilding and then had way too many empty condominiums. Wealthy Latin American buyers were a salvation in both cities when traditional segments of the market fell off.

"Now that things are starting to pick up in the States, they are picking up here too. Now that there's not as much economic uncertainty in the United States, people feel more confident about Panama too," said Morris Hafeitz, general manager of Emporium Developers. He used to work in Miami as a project manager for Odebrecht, the

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Now Hafeitz is trying to sell Allure at the Park, a 50-story building Emporium developed in Panama City's Bella Vista neighborhood. The building is chock full of amenities — gym, teenage game room, adult lounge, toddler playroom, pool, squash

court and even miniature golf on the roof — but one of its main selling points is that it overlooks a park and two low-rise historic buildings. "In the heart of the city without the hassles of the city," said Hafeitz.

During the boom, many buildings in central Panama City went up practically on top of each other. "In the beginning of the boom there were no regulations on density," said Mauricio Saba, a project manager at Zoom Development in Panama City and another Miami real estate alum. "I have a friend who said he could watch his neighbor's TV from his balcony."

Margarita Sanclemente, a Miami real estate broker with offices in Panama City and New York, has seen it all — the boom, the irrational building and the slowdown — and has stuck with the Panamanian market.

She first ventured into Panama in 2005. The Panamanian real estate market, which had been sluggish for more than a decade, was undergoing a rebirth and Americans, lured by low prices and the low cost of living, were snapping up properties.

The sweet spot was the 1,000 to 1,500-square-foot apartment, sans maid's quarters, which appealed to retirees from Canada and the United States, she said.

That was back when Americans still believed you couldn't go wrong with real estate. "Some of the buyers didn't even see the units. We sold them by phone," Sanclemente said. Condo prices at new buildings such as Destiny averaged \$98 to \$120 per square foot. She herself bought a 1,000 square foot, one bedroom condo for \$123,000 back in 2005.

During the boom, Sanclemente was responsible for the sales of 700 units between Panama City and Playa Blanca on the Panamanian Pacific coast.

The brisk sales encouraged more building and piqued the interest of big international developers, including Miami's The Related Group, which bought two sites and got zoning approval for a project.

Meanwhile, Panamanian industrialists and other real estate neophytes who thought putting up a building in Panama and charging top-dollar was a can't-miss proposition became developers.

"Very few of them were developers frankly," said Sanclemente, who is now a broker with Douglas Elliman Real Estate in Miami and travels frequently to Panama.

"At the beginning we saw Panama as the next Miami," said Saba, who has been working in Panama real estate for the past seven years, "but Panama wasn't ready for the boom."

Developers kept raising prices. In 2007-2008, prices ticked upwards to around \$400 per square foot for new condos in Panama City and even as high as \$700 at the most high-end buildings, Sanclemente said. Now new condo sales prices are averaging around \$280 per square foot, she said.

Not only weren't the boom prices real, said Sanclemente, but suddenly the Americans who were supposed to fill up the new properties also were no longer in the market.

"When the U.S. market crashed, a lot of Americans couldn't close on their units in Panama," said Sanclemente.

While U.S. financial problems rippled to Panama on the sales side, the local banking sector remained strong.

"The good thing is the banks are still giving mortgages in Panama," said Sandy Schwartz, president of Zoom Development. "In the U.S., the banks closed off the tap."

Unlike Miami, the banks in Panama didn't approve loans when prices reached the stratosphere during the boom.

In projects where developers were charging \$400 to \$500 per square foot, banks wanted down payments of 50 to 60 percent, Sanclemente said. Such hefty down payments are now the norm for new condo construction in Miami, but they weren't before the South Florida real estate market crashed in the summer of 2007.

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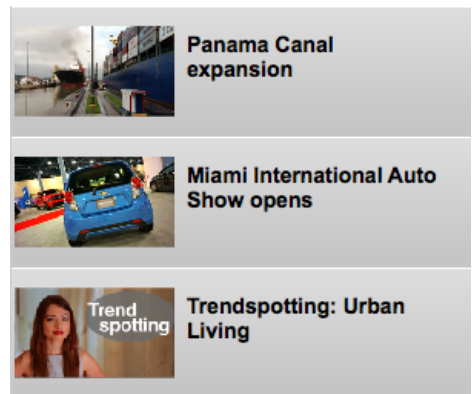
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ON FACEBOOK

With the U.S. second-home market stone-cold in Panama, Jorge Pérez, chairman and chief executive of Related, decided the timing wasn't right and put his Panamanian project on hold.

"Developers knew they had to lower their prices and they're doing it," Sanclemente said. "There are bargains now."

A recent study commissioned by Panama Equity showed prices were down this year along coastal Balboa Avenue where many of the residential towers have been built, but they weren't down significantly.

For a 1,500-square-foot two-bedroom condo less than five years old, the recent listing price was \$317,900 and the average selling price was \$286,860, the Panama real estate firm said. Around this time last year the list price for such a unit was \$324,800 and the selling price, \$293,580.

"Demand is being supported by a strong local economy, banks flush with cash, government-sponsored infrastructure improvements, and foreigners and multinational corporations continuing to relocate and invest," Panama Equity said.

When Sanclemente sold her one-bedroom condo at Destiny, a tower on Balboa Avenue, for \$210,000 in January, she made a profit. But she said similar units are currently selling for \$170,000.

"Now Panama is similar to where Miami was two years ago — the market is very active but the prices are continuing to go down," said Sanclemente. But she believes prices are at or near bottom.

In the meantime, Latin American buyers are helping the Panamanian market just as they soaked up excess condo inventory in Miami.

"Venezuelans saved the Panamanian market," said Sanclemente. Argentines, Russians, Canadians and Asians are buying as well as foreigners who work for multinationals, but she expects it will take about two years to absorb the current inventory.

While American interest in Panama is still strong, Sanclemente said, Americans' shaky personal finances are still keeping significant numbers out of the market.

Kent Davis, of Panama Equity Real Estate, said the same factors that initially attracted American buyers are still a draw: "Obviously the political and economic stability, the closeness to the United States and the dollar economy."

Other attractions are low living costs, very low condo maintenance fees, no property taxes for 20 years on residential real estate purchases, and a *pensionado* program open to foreigners and Panamanians alike that provides deep discounts on goods and services for those who receive pensions.

Kurt Fernandez, 62, a retired American journalist, and his wife Linda, 59, recently bought a 3,000 square foot, 3-bedroom, 4 ½ bathroom unit at Allure for around \$176 per square foot and made it their permanent home. "It was an excellent price," Fernandez said. New construction in downtown Miami, in contrast, averaged \$366 per square foot in the third quarter.

Fernandez, who lived in the old Panama Canal Zone as a high school student, said he likes the stability of Panama, its location, the dollar economy and the fact that for him "Panama is familiar territory." He's in the process of getting a *pensionado* visa.

"We're very happy here. Things are at our fingertips," he said. "Traffic here is horrendous," he conceded. But the couple no longer has a car and walks everywhere.

Panama has changed tremendously since he last lived there in the 1960s. He remembers when he came home from college in the 1970s, his mother insisted he go see the new 20-story Holiday Inn. "It was a must-see — the tallest building in Panama. Now you can hardly find that building because it is surrounded by monster skyscrapers."

Davis, an Atlanta transplant who has been working in the Panamanian real estate market for five years, said he sees things beginning to turn around. "Everybody is busy now," he said. "The Venezuelan and Colombian buyers never stopped coming and now the Brazilians are going like gangbusters."

Saba said the Americans who are still in the market are mostly interested in beach properties.

"This is Playa Blanca Resort," he said as he called up a site map on the computer in his Panama City office. "The concept is to create a self-contained community." He pointed to a town center, mini-mall, space for restaurants and a 17-acre swimming pool that is half completed. Prices average about \$200 per square foot at the Pacific Coast development, which is about 70 miles from Panama City, Saba said.

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Jean-Francois Leroy is another veteran of Miami real estate who has turned his attention to Panama. As prices skidded in Miami, he helped buy more than 100 properties for companies he worked for in France and Switzerland. Most were foreclosures that were fixed up, rented and will be held until they can be sold for a nice profit.

But by September 2011, he concluded that “most of the good deals were gone” in Miami, and began prospecting for new opportunities.

Panama, he said, was attractive because “the economy is booming, the banks are lending, and the canal expansion is generating a lot of interest.”

Now he and a French partner are working on the development of two oceanfront gated communities about 40 minutes from David in Panama’s Chiriquí province. Both in Playa Bejuco, the first features 40 lots where two- to four-bedroom homes (1,000 to 2,000 square feet) will be built and the second is an “eco lodge” concept that will feature elevated “tree houses” nestled among large trees where monkeys swing.

O.R.E. Consulting Group plans to begin marketing the Playa Bejuco communities early next year after models are completed —and the target markets are the United States, Canada and Europe. D.R.E.A.M. LLC is the South Florida marketer for the projects.

Leroy said the Playa Bejuco development will be affordable. “In 2007, Americans were buying \$300,000 lots and putting \$400,000 second homes on them,” he said. “That doesn’t reflect today’s market at all. We’ve kept human dimensions, reflecting current economic conditions.”

He said prices for lots that are a three-to-five minute walk to the sandy beach will begin at \$45,000. Leroy is still working on pricing but said he expects a lot built with one of the smaller home models will cost about \$145,000.

Amenities will include horseback riding and trails for biking.

Among the selling points, he said, is that Panamanian banks will offer mortgages to foreigners with a 30 percent down payment at rates of about 6.5 percent.

There was no shortage of glossy brochures for beach communities at the CAPAC: Habitat Expo, held at Panama City’s Atlapa Convention Center in September. They touted everything from 18-hole golf courses to lifestyle communities to direct beach access to a \$5,000 credit on a dune buggy with a purchase in Coronado.

But projects aimed at the local market were getting the most traffic. “There isa lot of demand for medium-class properties and it is mostly locals who are buying,” said Sanclemente.

And by 2014, she expects the luxury market will be stable as well, and “prices will be going up in a normal way.”

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**ramundo**

The greatest thing about Panama is that they don't have EBT cards, welfare checks, Medicaid fraud, insurance fraud, and wet foot/ dry foot policies like Miami has. Additionally, it is against Panama law to fly the flag of any other country unless it is at an embassy.

(Edited by author 19 hours ago)

Yesterday 01:41 PM 2 Likes Report Abuse

[Like](#) [Reply](#)**J.j. Garcia**

PANAMA SOUNDS LIKE A UTOPIA. BUT DON'T KID YOURSELF, THEY HAVE AS MUCH POVERTY, HUNGER AND MISERY, AS ALL THEIR CENTRAL AMERICAN NEIGHBORS. OF COURSE, LIKE ANYWHERE ELSE, THEY DO HAVE THEIR BOURGEOIS AND OLIGARCHY IGS STUFFING THEIR FACES WITH IMPORTED BEEF AND FRESH LOBSTERS, WHILE THE MAJORITY OF THE FOLKS KIDS GO TO BED AT NIGHT HUNGRY. THEIR HEALTH CARE ALSO IS A DISGRACE. THE RICH PIGS FLY TO HOUSTON'S HUGE AND FAMOUS TEXAS MEDICAL CENTER, AND ARE TAKEN CARE IN LUX HOSPITALS. CHECK OUT THE LIFE EXPECTANCY FOR CHILDREN OF COMMON FOLKS, THE DEATH RATE IS ALMOST 50% PER 1,000 BIRTHS.

Yesterday 03:42 PM in reply to ramundo 1 Like Report Abuse

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You obviously haven't traveled there in the past twenty years or so. Their hospitals there are now catering to clients from around the world in world class facilities. Many of their physicians are U.S. trained in some of our best medical schools. The death rate you quoted for infants is

way off and is just slightly higher than in the U.S. While poverty is pervasive in many countries around the world, Panamanians are more self-sufficient than many and always seem to be able to provide a sustainable meal for themselves. They have the highest middle class amongst any country in Central America and also have a social security system in place to take care of their elderly. The fact that Panama is one of the most progressive third world countries is due to the cash cow the Panama Canal provides, built by the U.S., that allowed the Panamanian government to provide for its citizens and gave them the means to build for their future, which they are doing quite well. Its a very pro-U.S country due to what we provided to them.

Yesterday 04:18 PM in reply to J.j. Garcia 1 Like Report Abuse Like Reply



soflaresident84

Yeah, that's why most Panamanians return to Panama to live or retire. Most Cuban, on the other hand, don't return back Cuba. Not even the Castro supporters, the most they'll do is visit, but they won't move there for good. Panama has a lot going for itself.

You sound like a man full on envy. So what if the rich could afford what they can. They worked for it, so who am I to be upset with them when they spend their money.

17 minutes ago in reply to J.j. Garcia Report Abuse Like Reply



JustJohnK

Both are third world colonies.

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