

# Panama: A crossroad with two-ocean views

By **Nancy Beth Jackson** International Herald Tribune  
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**PANAMA CITY, Panama** Since Balboa crossed the Isthmus of Panama in 1513, this Central American country has been invaded by Spanish conquistadors, English pirates and the U.S. military. Now a new invasion is under way.

Arriving individually or on real estate tours, international investors are buying into one of the hottest real estate markets in the hemisphere. Aging North American baby boomers are in the majority, but a growing number of Europeans are developing projects or acquiring properties.

Regardless of nationality, investors often discover the country while surfing the Internet and then are attracted by government incentives like discounted loans. At 78,000 square kilometers, or 30,000 square miles, Panama offers urban living, Atlantic and Pacific beaches, tropical forests and coffee-growing highlands.

The European air of the Spanish-speaking country reflects its colonial history, but American influence can be seen in its supermarkets, malls and currency. The balboa, fixed at a one-to-one ratio with the U.S. dollar, is the official currency, but only coins are minted. Dollars are used in all transactions.

Many North Americans in Panama are seeking retirement homes where they can stretch their dollars. The Europeans, generally younger and wealthier, are drawn by the investment potential as much as by the lifestyle. The exchange rate - 80 euro cents or 55 British pence to one balboa - means bargain prices, often prompting purchase of more than one property.

"It's a great time to get in and make money whilst enjoying a better quality of life," said Mathew Whant, 38, of London. A retired technology headhunter and father of three young children, he sees "a paradise lifestyle at a fraction of the cost of the U.K. - you get two for the price of one against the British pound."

The Whants already have homes in Belsize Park in suburban London and in Marbella, Spain, but next year they will move to the Tucan Country Club in Panama City, where high-speed Internet service will keep him in

touch with his investments and their children can attend one of three internationally accredited schools. They also bought three plots in Sunset Point, a Caribbean development with boat slips, and a plot in Volcan, a highland area.

"Europeans are taking advantage of the strong euro versus dollar situation, especially Irish, English and Germans who are experiencing exorbitant real estate prices at home with little future possibility of growth and the uncertainty of investing in the former eastern bloc countries," said Tom Bryne, an Irishman who established First Panama Investment Corporation in Boquete, in the highlands, with his brother Ken. "Things are flying here."

Working trade shows in Dublin and other European capitals, they have sold properties to dentists, engineers and airline pilots as well as to a group of Irish investors who plan a \$1.5 million development. The Brynes are venturing into construction themselves near Boquete, building ready-to-rent homes for investors, a project they call Emerald Lane. A three-bedroom unit of 175 square meters, or 1,900 square feet, is priced at \$147,000, pre-construction.

Linking the Americas and narrowly dividing the Atlantic and Pacific Oceans, Panama has long been an international crossroad for travelers and traders, fauna, flora and gold. Simon Bolivar once said that if the world had to select a capital, Panama would be the obvious choice.

Today, its free-trade zone is surpassed in volume only by Hong Kong; its international banking center has more than 100 banks representing more than 30 countries. The A.T. Kearney/Foreign Policy Magazine Globalization Index last year ranked Panama first in Latin America and 24th in the world, up three slots from 2004, based such factors as trade and investment flows and Internet use.

Traffic and tonnage through the Panama Canal have increased since the United States turned it over to Panama in 1999, but new mega-ships are too large for the 1914 locks. Last month the government announced a \$5.25 billion expansion plan; if it is approved by referendum and constructed, capacity would almost double.

Construction in this country of 3.2 million people is booming. The capital's skyline already is a forest of dramatic skyscrapers. Building permits jumped 91 percent last year with new projects announced almost daily.

According to Emporis.com, a site that tracks international data, Panama City has 121 completed high-rises, which it defines as buildings of 12 or more stories. More than 100 similar buildings are under construction, 21 are approved and 12 are proposed.

Two projects still being planned - Ice Tower and Palacio de la Bahia - are battling to become the tallest in Latin America. Palacio de la Bahia, being developed by the Olloqui Group of Spain, announced 78 floors; the Ice Tower, 104. Palacio de la Bahia now plans 97. Pre-construction prices in such condos begin above \$200,000, with top-floor apartments, which are likely to have views of both oceans, costing about \$1.5 million.

Another Spanish-backed project, the massive \$400-million Faros de Panama, was announced earlier this year by Grupo Mail. Each of its three towers will top out somewhere between 85 and 95 floors; it will include a commercial center, 1,000 condominiums and a 200-room hotel.

Actually, so much Spanish investment is coming into the country that a local joke describes Spaniards saying: "We colonized you once. Now we will colonize you again."

Other Europeans also have high-end developments. A French designer is building Azueros, luxury beachfront villas on the Azuero Peninsula. Another Frenchman with investors from Luxembourg has begun developing Isla Viveros in the Pearl Islands, 64 kilometers, or 40 miles, southeast of Panama City. And near Boquete, a British builder, bored with retirement in the Caymans, has broken ground for Montanas de Caldera.

But it is the old parts of the city that attract Europeans like Kaupo Karelson and Veljo Kurik, who represent Estonian investors buying three or four decaying buildings in Casco Viejo, the capital's oldest surviving neighborhood and a UNESCO World Heritage Site.

Kurik, 32, a lawyer, sees many similarities between the opportunities today in Casco Viejo and those 10 years ago in Tallinn, which also is a World Heritage site. "Our Estonian investors aren't afraid of renovations or dealing with squatters," he said. "But you wouldn't find anything to renovate in Tallinn anymore."

Distance does not seem to dissuade the Europeans, many of whom are

accustomed to crossing multiple borders to reach vacation homes. Direct flights, about 12 hours long, are being planned between Spain and Panama; Delta offers European travelers free stopovers: The Estonians chose San Francisco for theirs, making the journey home even longer.

Sean Hennessy, 40, an Irishman who is creating a boutique hotel in Casco Viejo, will commute to Japan every month or so to his job as photo director of a large photo production company. "With good Internet access I can work from anywhere, as everything is digital these days," he said. He already has commuted from southern Spain and from Dublin while renovating properties.

Hennessy said he considered South Africa and Corsica but liked Panama's "Latin vibe" and its potential. "Panama is at the beginning of a property boom," he said, a view supported by a recent Credit Suisse report predicting real growth there of 6 to 7 percent in 2006 and 2007 and a surge in residential construction.

Europeans taking advantage of Panama's retirement incentives, like health service discounts, are not deterred by long flights. Werner and Heidi Kaech look forward to playing golf year-round on the championship course at Cielo Paraiso, a gated community built by Canadians near Boquete, but they want the best of Europe, too. "We will keep our condo in Lucerne as our summer residence," said Werner, a Swiss banker who enjoys concerts in Lucern and opera in Zurich, Munich and Milan.

What often goes unsaid is that it is easier for foreigners to enter Panama than the United States, especially since 9/11. Felix Carles, a Panamanian broker, likes to point out that Panama offers everything Florida does, but without the airport security hassles or the hurricanes and is only a couple hours farther away by air.

Also, Panamanians have become more aggressive in taking their message to Europe. Last year Carles was one of 20 Panamanians at the Salon Inmobiliario de Madrid, or SIMA, Europe's largest residential real estate fair. This year about 60 brokers, developers, bankers and government officials attended.

With so much activity, the word "overheated" has begun to creep into conversations, along with reports that many high-rises are going empty. But Donald Trump is not worried. He just announced the Trump Ocean Club, developed with the K Group of Panama and scheduled for completion in 2009. While not the biggest or the tallest in Panama City,

the \$220 million project is Trump's first venture in the region and will be one of the country's most luxurious projects.

Designed to look in profile like a ship under sail and from the rear like a cobra, the 65-story tower with condominiums, hotel, casino and shops will jut so far into the Pacific that tides will not affect boats in its yacht club - a problem elsewhere along the coast.

"A tremendous market will be Europe, all over Europe," Trump predicted in an interview. "Panama is only three hours from Miami, the building is fabulous and there's major ocean."