

The businesses behind a purchase

The residential tourism boom in Panama and the growing interest by foreign investors has driven companies and professionals to offer multiple services and to form alliances to satisfy the market needs. All want to be part of the "millionaire business."

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The so-called residential tourism, for good or evil, has created a spectacular growth in the real estate market as well as the service sector.

It is estimated that the average buyer is spending \$250,000 in the purchase of his home and a resident family spends \$24,000 per year in durable and perishable goods, and this is the reason why lawyers, insurance brokers and customs agents are also taking advantage of the bonanza.

Some offer their services independently, but a business model that has become popular is consulting through "relocation agencies" that take care – sometimes using third parties – of most of the services that investors or retirees require.

They organize tours to the highest potential real estate areas to purchase residences, as well as arrange for the moving of household goods and pets.

According to Analisa Villalaz de Laffitte, Panama Relocation Services, established in 1998 was the pioneer in the local market. This company is part of LARM (Latin American Relocation Management) which has offices thorough Latin America and the Caribbean.



According to Jaime Figueroa Navarro, founder of Panama All In One, the country still has virgin areas in the province of Colón that are not being exploited, due partially, to the lack of infrastructure.

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Villalaz de Laffitte, the company's director, explains that among the services offered to embassies, investors and retirees are assistance in real estate selection, visa coordination, and international moving services jointly with Canal Movers and Logistics, a company that is managed by her husband, Walter Laffitte.

Strategic Alliance

The business model is not new – it's been used in countries like Costa Rica for many years – but it has gained notoriety in Panama in recent years, spreading its economic benefits to various sectors.

Professionals from different industries have joined forces and refer customers to each other sharing the profits that are generated by residential tourism.

"The business idea is to place all the services under one umbrella, so customers don't have to deal with different persons or companies, eliminating inconveniences, specially if they speak no Spanish", explains Mario Vilar, director of Move to Panama.

Founded in 2002 and focused on the retiree market, Move to Panama offers orientation on real estate, insurance, legal aspects, immigration and health services available in Panama.

Additionally, it organizes tours for its customers encompassing the different areas of Panama City, the beaches and the interior of the country.

Vilar emphasizes that it's not a matter of conducting tourism but of providing the required information so that customers who decide to move to Panama make an educated decision.

People in this industry have identified three types of customers: investors, retirees and younger retirees.

Investors are mostly interested in banking, legal and immigration transactions, including visas, work permits, bank account opening, ship registry, insurance and real estate.

On the other side of the coin, retirees, in addition to the purchase of their home and moving their household goods and pets, request assistance with the purchase of furniture, cars, acquiring their driver licenses, and also, maid services.

Insuring their household goods is also part of the foreigners' mindset, specially the Americans, according to Patricia Tello Vallarino, partner and director of Arco Insurance, a company that has partnered with Panama All In One.

Even prior to residing here they purchase their health insurance and when they arrive, they also purchase fire and household goods insurance for their new homes, as well as automobile insurance. "Everything they own is insured", says Tello Vallarino.

Strong Critics

This market is not only exploited by local firms. In the internet there are dozens of companies and even law firms that announce their services and have no local presence.

The marked interest is due to the fact that 78 million Americans will be retiring in the next decade and Panama represents an attractive destination to spend their 'golden years'.

U.S. government statistics indicate that these retirees will not be able to maintain their lifestyle with their savings or pensions.

Out of the 1,128 visas awarded by the National Immigration Directorate last year in Panama, 759 were destined for foreign retirees.

According to a research performed by Intracorp, Panama will have 1,500 residential tourism homes by the end of this year that will compete with the 10,000 offered by Costa Rica and the 100,000 by Mexico, countries with a lengthier experience in this field.

But this growth is also accompanied by strong critics.

Five months ago, Joseph Ross Santasusana, a consultant for the Interamerican Development Bank prepared a report in which he warned that residential tourism increases the price of real estate for the local population. Additionally, profits are controlled by foreigners and create residential ghettos.

Ross Santasusana's report was based on an analysis of the Chiriqui and Bocas del Toro provinces tourism phenomenon, where recently there have been over \$400 million invested in real estate developments.

While Santasusana criticizes the development model in which the real estate sector is based, the approval of a law project creating a special residential regime to promote local and foreign investments is being discussed in the National Assembly.

This legislative proposal seeks to motivate, through fiscal benefits and incentives, the development of real estate projects addressed to foreign residents and investors.

The initiative does not only consider a series of tax exemptions, but also allows the residential retired tourists the immigration benefit of being allowed to live here permanently through a special visa called "Residential Tourism Complex Resident Investor".

Eleven months ago when this legislation was beginning to be explored, Martes Financiero spoke with Sam Taliaferro, a real estate promoter, and asked him: "Why do you believe you deserve these benefits?"

"Because there'll be at least \$700 million in investments", said Taliaferro, who placed Boquete on the baby boomers map with his Valle Escondido project.

Ross Santasusana warns that the real estate sector is already well stimulated and does not require additional incentives.

INNOVATIVE PRODUCTS

The plan for 2018 is to build approximately fourteen thousand homes in projects developed in the provinces of Chiriqui, Panama, Bocas del Toro, Colon and the Azueros peninsula.

It is for this reason that the developers are constantly innovating to attract foreign interest.

In November 2005, Taliaferro founded Prima Panama as a marketing and sales company to assist American and European investors and retirees searching opportunities in the Panama real estate market.

Currently the company works with a free membership program (Prima Passport) offering visitors' discounts in lodging and car rentals during their Panama visit and reimbursements of up to five thousand dollars if they purchase in one of the projects they're promoting.

For an additional \$199, they can access a premium plan that offers additional benefits, such as discounts in Air Panama domestic flights, legal counsel and free lodging.

Companies participating in relocation are conscious that international promotion is a key factor in capturing the desired U.S. retiree market as well as the penetration onto other markets.

Companies such as Boyd's Realty and Panama All In One, in addition to announcing their services in magazines and the internet, also participate in international fairs and conventions, especially in the U.S. sometimes as exhibitors and others establishing key contacts.

Panama All In One entered the business in April of last year, focusing initially on retirees and then on investors.

Its founder, Jaime Figueroa Navarro, organizes investment seminars in several U.S. cities. There he presents the benefits of living and investing in Panama and distributes promotional material of those companies with which he maintains a partnership.

He also has representatives in New York and Florida, a network he's looking to increase in the future.

Panama Options, a subsidiary of Overseas Management Corp, has alliances with Prima Panama and Panama Quality Living. Gabriel Fernandez, real estate broker and company manager says that he takes advantage of the parent company offices in 14 countries to promote his services.

Jose Boys, owner of Boyd's Realty and a member of the board of directors of the Panama Association of Realtors and Real Estate Promoters (ACOBIR), also started to offer relocation services three years ago.

To his surprise, this part of the business did not work as planned. "In three years, we haven't had a single international move", he mentions.

On the other hand, real estate sales are another story. The sector is experiencing an "extremely interesting" boom, says Boyd, who adds that contrary to popular belief, not only American baby boomers are arriving but also Canadian and European, who are purchasing homes and condos during their first visit.

Residential Tourism Projections

Foreigners are enchanted with what Panama offers and they will continue to arrive in larger numbers. A study by Intracorp forecasts that by 2018, the sum of direct expenses related to residential tourism, including home purchases, could reach 9 billion 800 million dollars.

These investments will generate direct and indirect employment with salaries in the order of 1.6 billion dollars.

Canada seems to be the next great real estate market for foreigners interested in the isthmus. ACOBIR plans to attend a conference slated for October in Canada to promote the Panama advantages.

"Russia could also turn into an interesting market", says Jose Boyd from Boyd's Realty who is betting his chips in those two countries next year.

INVITED COLUMNIST

Attracting high-level tourism

Jaime Figueroa Navarro
CEO & Managing Director
Panama All In One, Inc.

It is of key relevance to elaborate a tourism plan that attracts an important percentage of the 78 million baby boomers that will be retiring in the next decade in the U.S., as well as European retirees and the 9 million Canadians who can opt to join the second home market here.

Nevertheless, the vast majority of investors and retirees who visit Panama are not purchasing, due to the lack of available homes ready for delivery. Opposite our Florida competition, we don't sell expensive finished homes but rather lots with an option for future construction.

We regret this lack of value-added and the limited offer of attractive projects to those wealthier retirees. We observe "optional" kitchen and air conditioning packages, when the competition offers these and numerous additional items as standard.

Attracting retirees of the lower and middle classes does not seem to us to be an adequate strategy. The last thing Panama wants is to draw retirees who can barely get by in their countries of origin. We should develop projects that catch the attention of the higher classes.

How is it possible, for example, that in Piñas Bay, the world's best sports fishing spot, there has been only one lodge in operation during the last 40 years? In the manner that we structure a strategy to attract wealth we will also be able to improve the quality of life of our population, which deserves much more than it is actually receiving.