Panama City
Real Estate Offices Market

During 2020, the real estate market for offices in Panama City showed a significant slowdown in its commercial activity, as a result of strict mobility measures imposed by local health authorities to address the global health crisis, which kept demand paused for the past nine months of the year.

During this time, the imposition of the telework model also predicts the return of spaces by companies looking for a more flexible model between work from the office and the home, in order to experience savings in leasing costs that support mitigation of the effects of COVID-19 on the positive performance of their businesses.

It should be noted that for more than three years, the local office market was already in a recession phase according to the real estate cycle. Significant adjustments in rental prices and a considerable decrease in initiatives for the development of new properties, have come to favor users in the negotiation of the terms and conditions of leases and to delay decision-making to settle in some property, also considering the wide existing offer.

By 2021, some companies have been intended to return to their offices and review aspects such as owner flexibility and the efficiency of leased spaces. However, high uncertainty remains with the imposition of new isolation measures and state crisis management, which predict a delay in the realization of these initiatives.

NEWMARK

Projected Changes (2021 – 2022)

- Move to more efficient properties.
- Increased availability.
- Reduction of spaces.
- Price adjustments.
- Slow reactivation in demand.
- Conservative supply growth.

Year-on-Year Variation

Offer		
Inventory (m²)	▲	1.14%
Availability Rate (%)	▲	6.21%
Demand		
Annual Net Absorption (m²)	▼	-153.08%
Prices		
Average Rental Price (US$/m²/mes)	▼	-4.91%

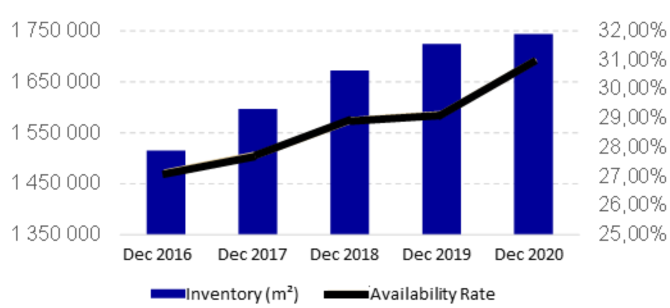
Offer

By December 2020, the office market inventory was established at 1,744,136 square meters of total leasable area, up 1.14% from the same period in 2019.

As for the market-wide availability rate, this indicator stood at 30.95%, confirming the effects of several years of excesses on speculative supply development, considerable delays in new product delivery times and recently, the impact of the health crisis and the management of it by local health authorities.

Offer

INVENTORY AND AVAILABILITY RATE



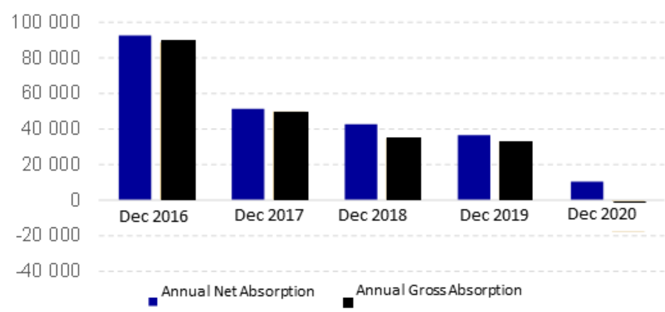
Demand

At the close of the last quarter, gross absorption was **10,423 square meters**, reflecting an occupancy rate of 0.60%; while Net Absorption stood **at -17,605 square meters**, which means the disuse of more than **28,000 square meters**.

Area reductions and closing of operations, as well as migration to more efficient spaces with more flexible conditions, may continue to take place by 2021.

Demand

GROSS AND NET YEAR-ON-YEAR ABSORPTION



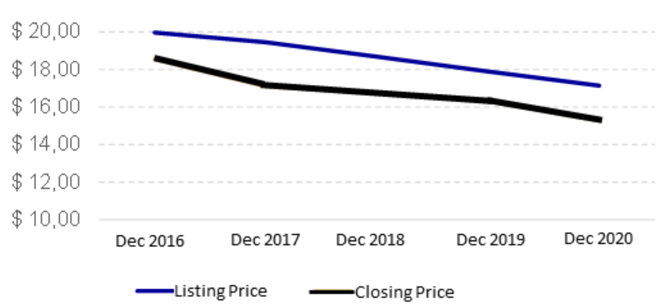
Rental Prices

The average rental price listed for the last quarter of the previous year was **US$ 16.72 per square meter** per month; while the closing price for this same period was **US$ 15.27 per square meter** per month, after negotiations.

The downward trend is justified by the oversupply available and the motivation of the owners to occupy idle spaces for several years.

Rental Price

LIST PRICES VS CLOSING PRICES



Analysis by Class

The category with the highest representation of the offer is Class B, with most properties in the Banking Area, whose availability exceeds 30.0%, product of high levels of migration that have been given since 2016, with the arrival of new properties with very competitive prices during the long period of over offering. This category and the A+ were the ones that experienced the highest levels of unemployment over the past year, the result of the pandemic crisis that forced many tenants to leave the spaces leased.

Offer and Prices by Class

Class	Inventory (m²)	Availability (%)	List Price (US$)
Class A+	530 313	37,52%	$17,30
Class A	413 288	28,03%	$16,81
Class B	693 306	30,52%	$14,12
Class C	107 228	12,54%	$12,89
Total	**1 744 135**	**30,95%**	**$16,82**

Analysis by Submarket

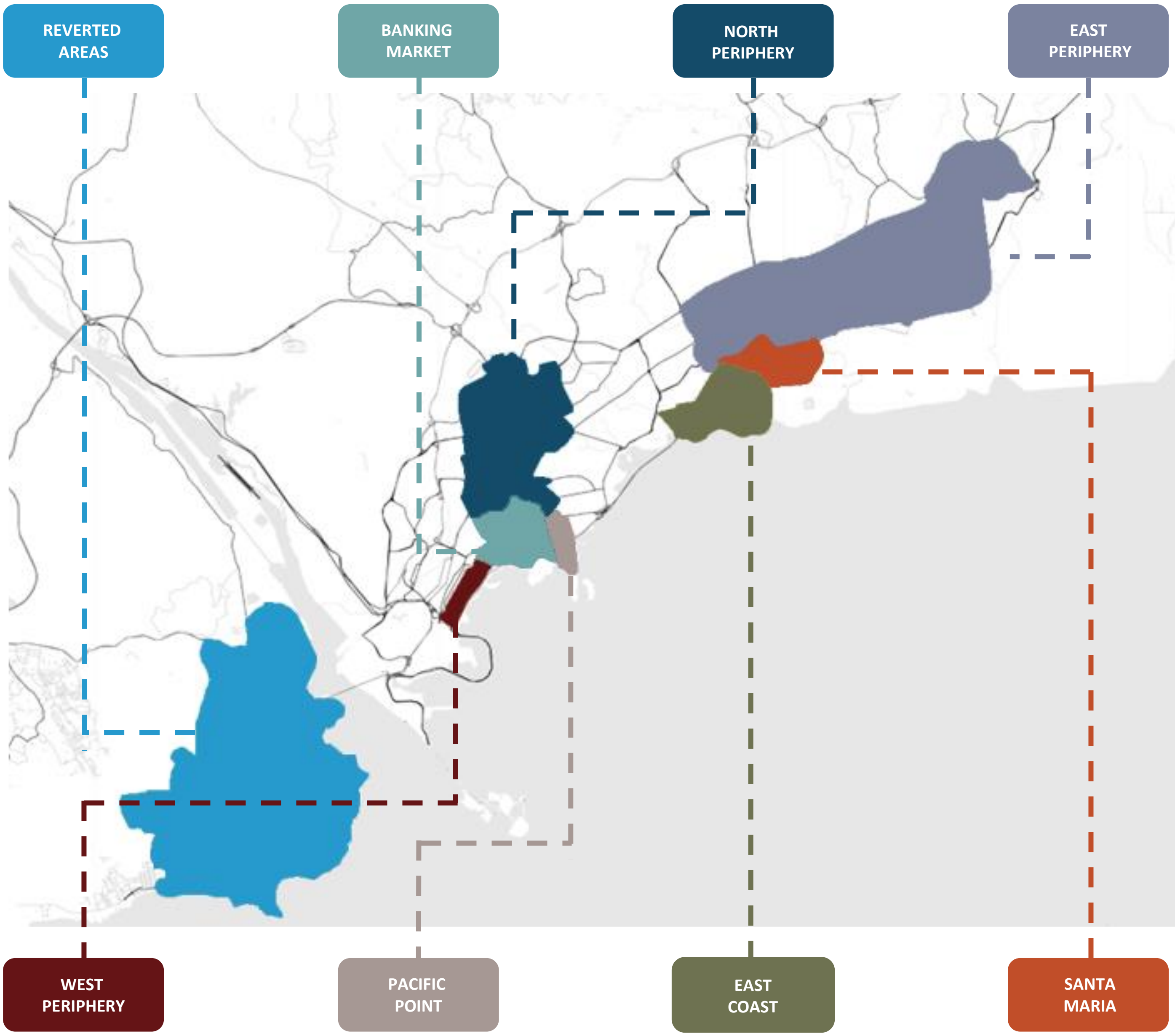
The submarkets with the highest offer are the Banking Area and East Coast, with 50.0% and 20.0% respectively. Both sectors maintain their vacancy levels above 30.0%, as a result of the entry of properties with large inventories and low pre-lease levels.

The entry of new properties into emerging sectors during the over-offer phase keeps these submarkets at availability levels exceeding 50.0%, motivating owners to make considerable price adjustments.

Offer and Prices by Submarket

Submarket	Inventory (m²)	Availability (%)	Listing Price (US$)
Banking Market	871 512	27,63%	$14,25
Reverted Areas	70 575	21,10%	$16,00
East Coast	353 727	26,77%	$17,99
West Periphery	47 429	59,39%	$13,57
East Periphery	20 529	16,40%	$14,92
North Periphery	83 663	50,63%	$13,32
Pacific Point	240 115	39,67%	$15,16
Santa María	56 585	36,00%	$16,13
Total	**1 744 135**	**30,95%**	**$16,82**

Map of Submarkets



Conclusions

The results at the end of 2020 reflect a significant deterioration in the real estate office market, where the increase in the availability rate and the decline in demand place the market in the recession phase according to the Real Estate Cycle. During the time of the pandemic, a considerable delay in closing transactions has been confirmed as a result of the uncertainty experienced by users of such facilities.

The current landscape forecasts an increase in availability by reducing spaces and exiting companies whose business was affected by mobility restriction measures, projecting complicated performance for business facility owners who are currently designing aggressive strategies for retaining and attracting new users.

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