

## COMMENTARY – May 2018 (#3)

In recent weeks, I have talked about the “velocity of money” which affects our current “economy in the street”, trends in expat relocation to Panama, warning signs that indicate potential losses in expat relocation in the future, and the four factors our research has shown to be important to expats from many nations and age groups:

- 1) **Price** – the most obvious factor
- 2) **Access** – to the airport, shopping, hospitals and other amenities in Panama City
- 3) **Respect** – how clients, expat and local, are treated by the real estate sector and
- 4) **Panama!** – the natural beauty of Panama that has disappeared in some parts of the nation

If you are reading this as a PDF shared with you, details on all of these and other issues can be found at <http://www.panamawave.com/commentary>.

This commentary completes the current series and points to a direction for the real estate community that can benefit them, both Panamanian and expat buyers, and the local communities. In “game theory”, it’s a win-win-win scenario and that is not very common these days.

When I say “direction”, I literally mean a direction. As I have discussed on several occasions, the area directly west of Panama City has been over-built and over-priced. The price of land is ridiculously high. Further developments there are very likely to offer a *negative* Return on Investment, or an ROI that is so small as to make it unattractive to most developers. Yet because developments take two to three years or longer before there is anything to sell, new developments continue to open, despite the poor outlook. Moving further west, land is still expensive and, most importantly, “access” to Panama City fades. Traveling three hours, probably more, to get to downtown Panama City, the best hospitals, the best shopping malls, and especially the international airport at Tocumen presents an obstacle to sales, not an incentive.

There have been efforts to create developments north of the city, but they often fail with the “Panama” factor or, if they can get out of the urban sprawl, they may be near the city’s amenities “as the bird flies”, but if the bird must drive a car, then the bird is in trouble. In addition, they have been very poorly marketed and are unknown to expats particularly. In 14 years of running a non-profit Panama info website and YouTube channel, I have never had one of the thousands of visitors to both who has expressed any interest in that direction.

To the south of the city is the Pacific Ocean. Yes, there is the Bay with its islands and there has been some development there, but it has not been successful. People may enjoy visiting them, but having to depend on boats to get to the mainland is a lot like depending on air flights. It is very annoying and expensive in time and money to live there. People who plan to live in Panama prefer roads to planes or boats. The islands have not been successful in attracting residents (and for that matter, not all that many tourists). They are also never mentioned by expats headed this way, looking for a home to buy.

That leaves us with one direction, the direction where Panama Wave S.A. is the specialist – *east* of Panama City.

I could write a book on the reasons why the east has been ignored for so long. It started 500 years ago when, just nine months after declaring Panama City as the first European city on the Pacific coast of the Americas, the Spanish established their second city on the Pacific side at Natá in today's Coclé Province west of the city and the east was completely ignored. The late 20<sup>th</sup> century compounded the problem when criminal activity from Colombia spilled over into the far east of Panama, leading most Panamanians to see anything east of Panama City as too close to the Darién, even areas far from any cartel activity. The result was that when the real estate boom of the early 21<sup>st</sup> century got underway, the upper-class, family-run Panamanian real estate developers went west to the area they know best and where they had their country homes, ignoring the east.

For expatriate readers who find it hard to understand how an entire area, including the nation's second-largest and very beautiful lake, would be ignored. I mention the population census of 2010. Most people may have forgotten that the census bureau (INEC) reported a population of 3.3 million initially, but added that this was a preliminary figure. They had run out of census forms for the area directly east of the airport and had to have an additional **30,000** forms printed! 30,000 forms meant 30,000 households, so I expect an additional 100,000 people to be "found". Indeed, a few weeks later, the final results were announced and the total was now 3.4 million.

It may be hard to imagine, but our very fine census office managed to print and distribute sufficient census forms to every square meter of the Republic, *except* to an area just minutes east of the international airport and a half-hour's drive from their offices! However, I don't blame INEC. They simply made the same incorrect assumptions of the upper-class and Panamanian business communities, but I still remember my surprise.

That was "yesterday". It is clear that attitudes have changed, and one obvious example is that Line Two of the Metro, scheduled to open early next year, extends not only to the eastern communities missed by the census, but beyond them. As a plus for developers, the need to transport workers out to a project (common in other areas) will now be much faster and cheaper since they can be picked up at a Metro station!

This brings me to the property we represent. Once again, remember that we are not a real estate agency and have no interest in becoming one. This sale is a one-time effort as we know the land, we know its potential, and we know its owners who have asked us to be their exclusive agent. We believe so strongly in the potential for this property that we agreed to their request.

There is a growing trend in Panama to insist that the nation's environment and ecological systems are respected when building a new project, especially one as beautiful and valued as Lake Bayano. Some years ago, an expatriate group purchased raw land with some Bayano waterfront. The land was covered with trees as it had not been used for agriculture, livestock, or other activities. ANAM, the environmental agency, had the responsibility of determining how much clearing of the land could be done. The expat group obviously decided that a Panamanian agency would not interfere with economic development, so they publicly offered their project for pre-construction sale before ANAM had

completed its work. They were stopped almost immediately, their permit was denied, and they left, never to return.

The land we represent has been used as a dairy farm for four decades. It lies at the end of the only paved road other than the Pan-American and it already has *tosca* roads (dirt with crushed rock usable year-round) on the property. The land was cleared at the beginning. There are still trees in many places, but they will not prevent development, they will *enhance* it. Under those circumstances, ANAM makes few demands if the plan for use is intelligent.

The owner of the land we represent sold two large lots over the years. One was divided into three parts and resold to a Canadian, a Panamanian, and an American. I know. I bought the land and I sold the lots. I had no difficulty receiving ANAM approval because the land was already cleared and the natural environment was not threatened. But if someone today tried to clear land in the way it was four decades ago, they would be facing real problems that would cost them plenty of money, time, and effort. This is a serious factor to be kept in mind when approaching waterfront development on lakes as much as on the ocean.

Why doesn't the owner sell his land in multiple lots? That is an easy question to answer. He is not a developer. He has no interest in paying for a "master plan", an environmental impact study, and meeting all the legal requirements necessary for a real estate development. He is happy to let a professional do that.

We mention at the Lake sale site that there are two houses on the property, plus a very simple home that can be used by a farm hand or caretaker. The houses are in good condition, one is only a few years old, and are in regular use. You would not buy the land for the houses, but if you buy the land, you have perfectly good housing for use by architects, construction managers, custodians and others who would not have to be transported to the site before and during construction. That can provide a major improvement in productivity from the beginning at a real savings to you.

The small business, Panama Caves ([in English](#) or [in Spanish](#)), is also briefly mentioned at the sale site. Owned and operated by the son of the land owner as a small business in addition to his full-time professional position in the city, it has introduced several thousand people, expat and Panamanian to the lake and its caves.

He can close that business down without hesitation, but if I were the buyer, I would discuss his continuing the business, perhaps even helping him improve it a little. Not only would that help guarantee that the land was secure and kept in good condition while plans were prepared, but it also is and would be an excellent "advertisement" for the Lake and any sales campaign in the future.

All of this raises another factor in real estate development that adds to value – "good will". It is not a statistic. It means that with sensitivity a buyer can develop a positive relationship with local people based on the good will created by the current owner. After 40 years as one of the big landowners in the area, the owner is very well-respected and well-liked locally by his Latino neighbors. He is a true dairyman who works on the land himself. He "speaks their language" in more ways than one. In addition, his son's business uses the services of indigenous people with whom he has developed a relationship of trust. This can make a very substantial difference in successfully developing the land. Ignore the local community and there will be a price to be paid for that, anywhere you buy in Panama.



It is not mentioned at the site, but the owner also has an additional 30+ hectares of land at the far end of the property under “rights of possession”. Simply put, he has used that land for a very long time, is recognized locally as its owner, but has not titled the land. Titling it would be simple, but it requires lawyers and bureaucracy, two groups the current owner really dislikes working with. However, since the buyer has a lawyer, if he or she offered to take care of the paperwork, I think the owner will listen to an offer.

This land is on a steep hillside overlooking the Lake, so it is not appropriate for residential construction and might cause an issue with ANAM. But it is perfect for hiking trails, zip lines, and other amenities that can greatly enhance a real estate project, while protecting the natural environment.

Finally, I will complete this commentary with something you will not find elsewhere.

The sale of this land is our one priority. If that is accomplished, then we have done our job and we will continue our business development separately. However, if a buyer convinces us that he or she has plans for a development that takes advantage of all this property provides and offers lots and/or homes for sale that are reasonably-priced, shows respect for the environment, and offers real value to clients, then I am prepared to discuss Panama Wave’s support. In the twelve years I have visited the Lake, owned property on it, sold property on it, and introduced it to many people, both expat and Panamanian, and seen their reactions, I **know** that we can help you sell your development. I say that without hesitation.

As I said, sale of the property is **not** contingent on any future contract with Panama Wave S.A. In addition, we will only work with developers who truly offer value. I have spent nearly a decade and a half developing a relationship of trust with members at our [Retirement Wave website](#) and subscribers to my very informal [YouTube channel](#). I do not promote them, so I know I can grow their visitors substantially with minimal effort, but those who are already our friends are more than enough to make a difference. I would do that with complete transparency as I am not about to lose their trust for a contract. I mention it today as an additional possible resource for a buyer.

This property at Lake Bayano offers a “package” of benefits that separate it from all others. In the process, it meets every one of the four critical factors I have discussed before.

The **price** is far lower than for any property with similar benefits in Panama, if you can find one,

The **access** to the city and the international airport is excellent, better than properties on the coast to the west, and it will get even better as the Pan-American is expanded to four lanes.

The **respect** is very much in the hands of the buyer and his/her approach to the property, but the good will already created provides a foundation for your use.



And above all, this is ***Panama!*** It is not a pale imitation of something somewhere else. It is the reason Panama is such a wonderful nation. *It is the reason why people move to Panama.* It does not need to follow another nation's "model". It can and must create its own.

If you are interested and have access to the necessary resources, write me directly at [RAdams@panamawave.com](mailto:RAdams@panamawave.com) and I will be happy to answer your questions and introduce you to the land, its owners, and the Lake!

[Visit the [Lake website here.](#)]