

# Booming Panama not quite paradise

Cheap houses and warm smiles, but infrastructure is creaky, writes **Susie Watkins Polakova**

**T**here is only one sound in Panama right now – the grind of thousands of concrete mixers churning out mortar for the huge building boom that has seen 50 skyscrapers popping up all over the capital.

One of the latest, but already being overshadowed, is the Trump Ocean Club – a 70-floor, US\$400 million, sail-shaped development in Panama City. The project is scheduled to include a 369-room hotel, 700 condominiums, more than 1,500 parking spaces, shops, a private beach and, of course, a casino.

Nevertheless, could this, their first venture into Central America, be a bad bet for the high-profile Trump family and their local development partners?

The number of units sold is something of a mystery. The local web forums are full of bile from angry investors who believe they have paid over the market price for substandard living and, even as the Champagne was popping at the topping out ceremony, visitors were

having to step over overflowing sewers and drains because around the main building the local infrastructure wasn't able to cope with the ever-expanding conurbation.

Panama is certainly booming. The economy expanded by more than 8 per cent a year from 2005 to 2010, faster than any of its near neighbours. It will soon overtake Costa Rica and Venezuela in gross domestic product per head and is already, in terms of purchasing power, one of the five richest countries on mainland Latin America.

However, is there something more substantial to Panama than a gold rush and promise? Websites extolling the virtues of buying as a retiree in Panama talk about the “excellent first-world infrastructure”.

In an attempt to play catch-up, the Panamanian government will invest US\$20 billion in public-works infrastructure in the coming years, including a US\$5.2 billion expansion of the Panama Canal scheduled for completion in 2014. Also, the

government is committed to expanding the international airport in Panama City. However, behind the big numbers, there are two less appealing statistics.

Panama is 86th in a corruption listing by the respected organisation Transparency International, well behind its neighbour Costa Rica, although ahead of Venezuela.

And in terms of an educated workforce to support the new developments, the country has not seen results from major government spending. An Organisation for Economic Co-operation and Development educational study of 15-year-olds placed the country 63rd out of 65 economies, behind the likes of Albania. Singapore, which Panama would love to emulate, comes in fourth.

That said, it is a beautiful place and there are lots of incentives to

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JEFF DUDA, PANAMA CASA REALTY

buy property there, not least its friendliness. If a smile is not enough to tempt you, then perhaps the Pensionada programme might be?

If you can demonstrate a monthly income of at least US\$1,000 a month – or lower if you buy real estate – you qualify to get such tempting treats as half-price entertainment, a third-off train and bus tickets, 25 per cent-off air tickets and, if you are suffering ill health, a very tempting 10 per cent-off all medical prescriptions and 20 per cent-off medical consultations.

And all this where the American dollar is king. No wonder, then, that it has been described as the No 1 retirement destination in the western hemisphere by *Modern Maturity* magazine.

For many real estate transactions, you pay no property tax for 20 years. In addition, if you

choose to invest in a business in Panama, a whole other set of incentives comes into play, making this one of the best – if not the best – countries for foreigners to start a tourism business.

You can qualify for as little as US\$50,000 invested. Right now, prices are still pretty modest – two- and three-bedroom apartments can be found in decent neighbourhoods for as little as US\$50,000. In more upscale neighbourhoods, prices are higher, as are those for a water view. Brand new condos with a panoramic view of the Bay of Panama are selling for about US\$175 per square foot and up.

As Jeff Duda of Panama Casa Realty says: “Panama is one of the cities that is geographically pinned in, with the national park that serves as a vital watershed for the canal on one side and the ocean on the other.

“Outside of the city prices are lower, with a three-bedroom house in the mountains or near the beach, within a 90-minute drive to Panama City, for US\$90,000 and up. Along the Chiriquí coast and on islands such as Contadora, there are deals to be had on beachfront property. In the Bocas del Toro area and along Panama's Caribbean Coast, you will find property prices to be much lower than in other areas of the Caribbean.”

Nevertheless, even the estate agents preach caution. They say the time to get a bargain is over. Now everyone is gambling on solid growth over the years to come. If a price seems too good to be true, it probably is. There are plenty of unscrupulous lawyers and plenty of unscrupulous sellers, and much of the property away from the city may not be properly titled.



**A digital composition depicting the future look of the planned new dock at Panama City's airport, the expansion of which is one of the nation's several big infrastructure projects. Photo: EPA**