



# Panama City Office Market

## Market shows slight recovery

At the end of the second quarter of 2022, the office real estate market remains in a recession phase according to the real estate cycle, with constant growth in availability levels and a significant delay in negotiating contractual conditions, which mainly favor tenants, generating a total decline in development initiatives.

Within the new offer, second generation spaces have emerged, which represent an important player in the market with already consolidated locations and the capacity of the owners to invest in improvements consistent with the requirements and demands of the demand, with more competitive prices, at a stage where users are very cost sensitive.

The consolidation of the country in the attention of users in the industry of regional headquarters, the tax benefits granted by the SEM Law regime and the flexibility of local developers, continue to be elements that predict a slow but sure recovery of the market during the next three years.

### Actual conditions

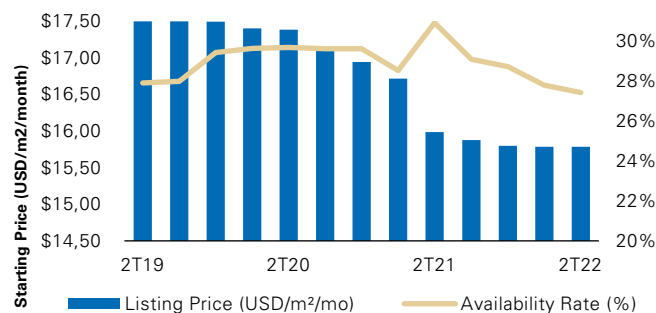
- Consolidation of a hybrid work scheme, between home and office.
- Inventory has shown no growth over the last year.
- Vacancy of spaces attracts second-generation supply, forcing owners to adjust prices.
- Availability levels show a conservative low.

### Market Summary

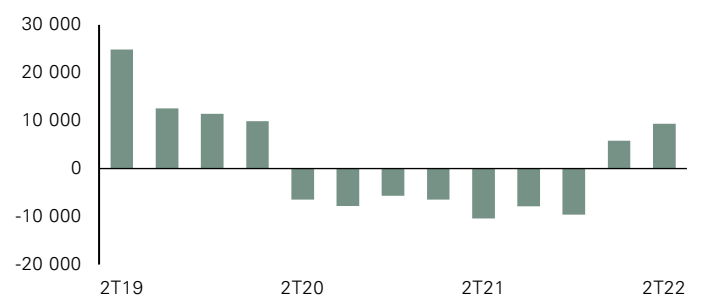
	Trimester Current	Trimester Previous	Year Previous	Projection at 12 months
Total Inventory (m <sup>2</sup> )	1.78M	1.78M	1.78M	→
Cup of Availability	27.4%	28.3%	30.5%	↓
Net Absorption Quarterly (m <sup>2</sup> )	12,265	9,343	-9,668	↑
Rental Price (USD/m <sup>2</sup> /month)	\$14.60	\$14.90	\$15.45	→
In construction (m <sup>2</sup> )	0	0	0	→

### Market analysis

#### AVERAGE STARTING PRICE AND AVAILABILITY RATE



#### NET ABSORPTION (m<sup>2</sup>)



### In search of conjunctural balance

Despite remaining in a phase of recession and facing the effects of the global health crisis, at the end of the first semester, the office real estate market in Panama City shows encouraging results in the search for balance, thanks to the adaptation of the supply to the requirements of an increasingly sophisticated demand.

During the last six months, it has been possible to identify a clear trend in the reduction of business spaces, as well as in the renegotiation of rental contracts; the foregoing, product of the implementation of mixed work models from home and office, as well as the search of users to have greater efficiency and flexibility in their fixed and operating costs.

On the other hand, there is a greater interest of the tenants in establishing themselves in spaces already finished under the "turnkey" and "plug & play" delivery models, assuming said investments as an operating expense through the contract, through an increase in the rent, avoiding getting involved in the processes of remodeling and adaptation of the properties.

For June 2022, the office market inventory was established at 1,779,745 square meters of total leasable area. Not showing a change from the same period in 2021.

Regarding the availability rate of the entire market, this indicator was established at 27.44%, a conservative year-on-year drop as a result of the economic opening during the second half of the previous year, the absence of new speculative developments, contrasted with the reduction of spaces resulting of the impact of teleworking and the delay in negotiations in a market in a corrective phase.

### Increased activity on demand

For the second half of the year, a greater dynamism in demand is forecast, as a consequence of the urgency in the establishment and expansion of operations of the business sector, which were delayed during the last 24 months, resuming said needs. These requirements are for a lower density of collaborators, but with expansion needs in the short and medium term, which represent opportunities to improve the occupancy levels of the market that present efficiency, flexibility and negotiation capacity during the time that the market takes in the adjustment of the situation between supply and demand.

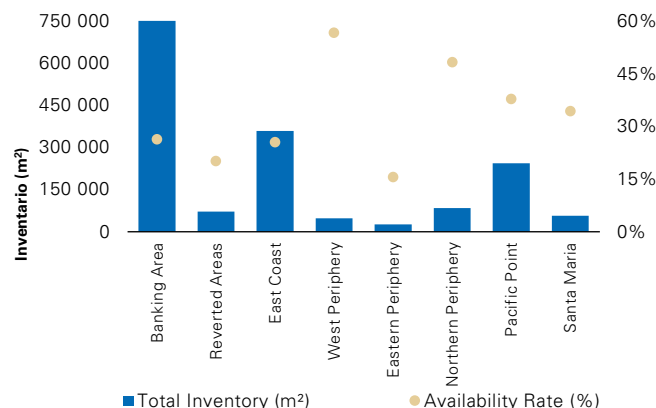
Despite the lack of inventory in process, a significant supply of second-generation spaces is projected to compete in meeting the current and future needs of the demand, exerting significant pressure on rental prices, since remodeling costs are lower than those experienced by buildings in gray work.

At the end of the second quarter, the annual Gross Absorption was 17,795 square meters, reflecting an occupancy rate of 0.90%; while the Net Absorption was 12,265 square meters, which means the disuse of more than 5,000 square meters during the last year.

It is estimated that next year will be a corrective period in terms of the search for market balance, where rental prices and the flexibility of the owners in the delivery conditions will mean weighty elements in the decision-making of current users. and new ones that seek to take advantage of the current conditions and the high competitiveness that the market currently shows.

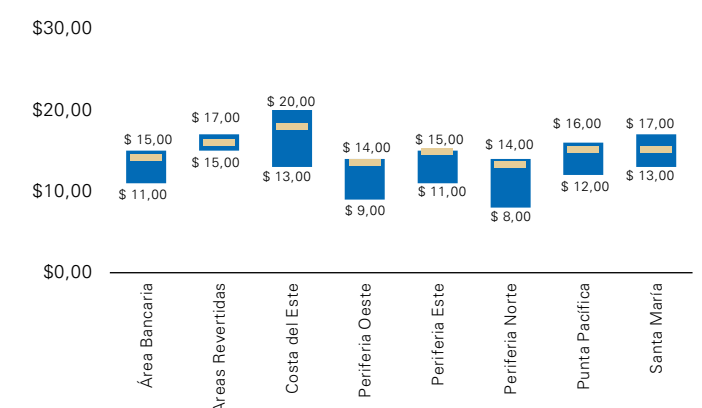
### Availability by Submarket

TOTAL AVAILABILITY: 488,362



### Price Range and Average Rent

MINIMUM AND MAXIMUM PRICES (USD/m²/month)



### The Evolution of the Office

The arrival of a new generation of importance, the growing need for technology and the continued investment in collaboration tools based on connectivity, to facilitate access to business resources and move the workforce where it is needed, has created a shift towards work flexible.

With the new technology consumption habits, the traditional office concept will change. Virtual work will be a fact of life for most people. Organizations face increasingly complex challenges in developing strategies designed to meet people's diverse expectations and needs. As a new generation enters the world of work, values and ways of working are changing. What leads developers to bet on creativity based on sensory experience, being able to innovate to provide new properties under the concept of "experience".

What they mean is that the structure of intervention and user

interaction has changed fundamentally beyond basic needs. The importance lies in how users feel in the interaction at each point of contact, from the functionality of the space to intangible qualities such as surprise and ingenuity that have a significant impact on everyone.

The importance of the environment has also increased, and this demand has increased through active policies that integrate responsibilities corresponding to this aspect. This already installed trend will lead to increased demand over time and new green meters entering the market in the coming years. Adopt practices such as the efficient use of water and energy, the use of sunlight and natural ventilation, the use of low-carbon materials, the use of certified wood, and the reduction of paper use.

### Statistics by Submarkets

Submarket	Total Inventory (m <sup>2</sup> )	Under Construction (m <sup>2</sup> )	Availability (m <sup>2</sup> )	Availability Rate	Net Absorption (m <sup>2</sup> )	Rent (USD/m <sup>2</sup> /month)
Banking Area	886 103	0	220 462	24.88%	2747	\$14.25
Reverted Areas	71 757	0	14,454	20.14%	-120	\$16.00
East Coast	359 650	0	91 902	25.55%	3460	\$17.99
West Periphery	48 223	0	14,467	30.00%	467	\$13.57
East Periphery	27,282	0	4 271	15.65%	920	\$14.92
Northern Periphery	85,064	0	30,623	36.00%	1941	\$13.32
Pacific Point	244 135	0	92 456	37.87%	3351	\$15.16
Santa Maria	57 533	0	19,776	34.37%	-501	\$15.13
<b>Total</b>	<b>1,779,746</b>	<b>0</b>	<b>488,411</b>	<b>27.4%</b>	<b>12,265</b>	<b>\$17.92</b>

---

## RESEARCH Q2 2022

*For more information:*

### **Costa Rica**

Santa Ana, CC City Place,  
Building B, Floor 3  
t (506) 4000.5171

### **Danny Quiros**

*Research Director*  
*Newmark Central America*  
danny.quiros@nmrk.com

### **Cesar Guerrero**

*MarketResearch*  
*Newmark Central America*  
cesar.guerrero@nmrk.com

[centroamerica.nmrk.lat](http://centroamerica.nmrk.lat)

Newmark has implemented its own database and the monitoring methodology has been reviewed. With this expansion and refinement in our data, there may be adjustments to historical statistics, including availability, rental prices, absorption and effective rents. Our market reports are available at <https://nmrk.lat/reportes-de-mercado/>. All information contained in this publication is based on sources believed to be reliable, however, it has not been verified by Newmark and does not guarantee it. The recipient of this information should independently verify it, as well as all information it receives and uses for decision-making, which must be consulted by professionals of its choice, including its legal, financial, tax and implications. The recipient of this publication may not, without Newmark's prior written consent, distribute, broadcast, publish, broadcast, copy, transmit, upload, download, or in any otherwise reproduce this publication or any of the information it contains. This document is for informational purposes only and nothing in its content is intended to advise or recommend strategies specific. It should not be used as a basis for predicting market behavior, transactions, investment strategies, or any other matter.