

**FEATURE** Panama and Hawaii promise ballsy investors a slice of paradise at prices last seen in the '90s

# Offshore real estate

**DERMOT MACK**

WESTERN INVESTOR

**W**ith the Canadian dollar sliding against the U.S. greenback – bouncing at press time in the mid-80 cent range – the potential of landing bargains in offshore resorts has weakened, but deals are still available in the wake of the global financial crisis. With fewer U.S. resort buyers – and a string of foreclosures – prices in some offshore markets are back where they were a decade ago.

## Panama

For those with a zest for a relatively long-shot offshore investment, Panama in Central America may be a place to check out.

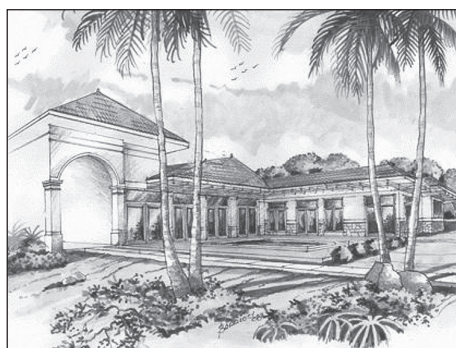
Unlike some countries, foreigners who buy property in Panama enjoy all the same rights and protections as Panamanians.

In 1998, Panama's Investment Stability Law was created to encourage foreign investment. This law protects foreign investors for 10 years and provides protection from changes in tax, customs duties, and both municipal and labour laws.

If property is bought in the name of a company, a 20-year exoneration from real property tax is granted by the **National Registry of Tourism**. The exoneration covers the company as long as land is used for tourist activities.

Due to its proximity to the equator, Panamanian weather consists of two seasons, the dry (or summer season), which lasts from December to April, and the wet (or winter season). According to **Reuters**, Panama is one of Latin America's fastest-growing economies, spurred by increased canal traffic, a booming construction sector, buoyant banks and increased exports of tropical fruit.

The ongoing Panama Canal expansion, a US\$5.25 billion project, is aimed at doubling the capacity of the canal and attracting about 40,000 jobs during the estimated timeline of



seven to eight years.

With the U.S. dollar circulating as legal tender since 1904, Panama's has developed as a banking centre in Latin America, with more than 85 banks from 35 countries.

Panama features a sophisticated telecommunications networks and countrywide road infrastructure.

Real estate projects have become a mainstay of Panama's growth. Trump Tower in Panama City – population 450,000 – is one of 50 projects being built in the capital city, and tourist traffic has doubled in the past four years, according to government reports.

Resort-style real estate is relatively inexpensive, much lower than in Mexico. At Costa Pedasi, a new luxury gated beachfront community on the rather remote Azueros Peninsula,

**Pacific Ocean view lots on Panama's Azueros Peninsula sell for from US\$8 to US\$10 per square foot. This one is listed at US\$120,272 for about 12,000 square feet. Finished ocean view villas at Costa Pedasi in Panama: 2,766 square feet, two bedrooms with private pool for less than US\$200,000.**

a 2,700-square-foot villa with Pacific Ocean views start at US\$195,000, while a 4,327-square-foot, three-bedroom with gourmet kitchen and private pool is priced at US\$295,000.

Oceanview building lots range from \$8 to \$10 per square foot, or around \$80,000 for a 10,000-square-foot lot. As with any real estate, investors should investigate closely, check their legal rights and visit any property before they buy.

## Hawaii

At the recent **Ozzie Jurock** Housing Outlook conference held in Vancouver, Hawaii developers were among those pitching opportunities.

One presentation focused on the foreclosure of a beachfront 1,002-unit condominium-hotel building, built in 1964 on the main beach at Waikiki. Freehold studio suites in the Ilikai complex are now priced from \$199,000 to \$317,000, compared with \$399,000 to \$591,000

during the peak, according to California-based **Gordon Carlson** of **GC Associates**.

The suites are basically hotel rooms, with no kitchen facilities, but there is a rental management package in place. All condos, Carlson cautioned, were being sold on an "as is basis."

The Ilikai has a troubled history. In October, a group of real estate investors from California and Nevada sued Hawaiian developer **Brian Anderson**, saying their purchases of condominiums at the Ilikai hotel were based on false promises. The investors say they paid between \$400,000 and \$600,000 to buy units at the Ilikai between November 2006 and August 2007, based on promises by Anderson that he would spend \$40 million to upgrade the hotel. The \$10 million lawsuit alleges that Anderson never made the renovations, and the hotel is now in foreclosure.

"For less than \$200,000, you can have your pad on the best beach in Hawaii," Carlson said. "We haven't seen these prices in 10 years."

## Rental condos

Another Hawaii deal is aimed at those who plan a rent-and-hold strategy. **Randy Antonio** of **Keller Williams 808 Hawaii Real Estate** was offering turnkey, furnished, freehold, oceanfront condominiums at Maalea Kai for from \$449,000 for 550 square feet. 808 also had freehold beachfront condos at Maui, from \$369,000 (prices in Canadian dollars).

Such units would see a positive cash flow with at least a 50 per cent down payment Antonio said, noting they were built and planned 30 years ago as short-term rentals.

Antonio said the Hawaii market has not seen a high level of foreclosures, but estimated that prices have fallen 15 per cent to 25 per cent from the 2006 peak.

According to **RealtyTrac**, a California-based agency that tracks U.S. foreclosures, Hawaii currently has one foreclosure for every 1,488 households, one of the lowest rates among U.S. states.

Typical prices for owner-occupied two-bedroom oceanfront condos in Maui, Antonio said, still demand US\$700 to US\$800 per square foot. ♦