



A Special Message from Panama May 2023

[Note to the reader: This is not a "Report from Panama" which includes a wide variety of statistics and observations. It is a comparatively brief overview of specific information.]

It was 14 years ago and what was to be known as the Global Financial Crisis was reaching a dangerous point. The Great American Housing Bubble had popped, followed by other nations, Spain being a notable example. The US stock market fell at the same time, followed by many other nations' markets.

My readers were still majority American by a very large margin with a smaller number of Canadians and a scattering of others. That has changed dramatically over the last 14 years, but so has everything. You are now part of a global audience and I am delighted to have you, whatever the color of your passport!

Americans have had a long-term relationship with Panama due to the Canal. My uncle was stationed here during World War Two as a member of the US Army Corps of Engineers. As a result, even today there are Americans who assume that Panama is somehow "dependent" economically and politically on the US, despite plenty of evidence that this is not the case. Panama is walking its own path, has benefitted hugely from doing so, and is proud of it.

However, in 2009, people in what I have called the "Old World of the North Atlantic" on both sides of the "pond" were having a panic attack. My readers were not only overwhelmingly North American at the time but also overwhelmingly retirees. They had to sell their homes in the US to move to Panama and the price they expected was falling and didn't stop.

Many RW members wrote to me in distress. One woman from Georgia was especially angry and told me that it was "unfair" that Panama's prices had not fallen too. Her language was insulting. Something was wrong with Panama! I was tired of this kind of reaction. I told her that Panamanian banks had followed the mortgage practices written by the US and continued to, while the US had forgotten the rules they had written and that had served them so well for decades. Do not blame Panama.

But perhaps the saddest moment was to have a grown man whose home in the US would not sell for what he “knew” it was worth and stood there before me, in tears. It was not a good time for many in the north.

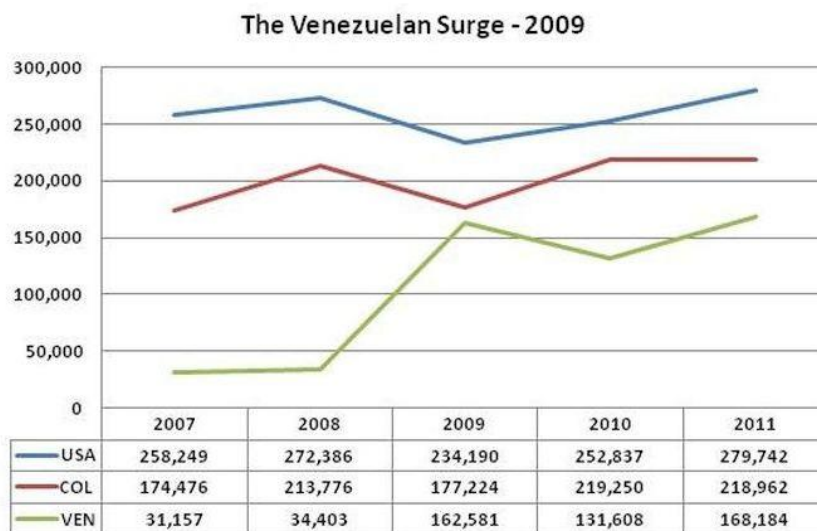
One reaction was very common among many North American expats in Panama at the time. They were convinced that as the US goes, so goes Panama. The chat rooms of the day were full of messages to newcomers not to buy here! The US real estate market would kill the Panamanian market. They were told that if they waited for six months, prices would fall 40 to 50%!

They were wrong, very wrong. The Panama City metro market, more than half of the national market, remained stable and improved in some areas. There certainly was no collapse. The areas showing the greatest impact were outside the metro area where expat retirees were the critical factor, but those markets were small and the overall, national impact was nothing significant. But why?

The New Kid on the Block

While all of this was going on to the north and northeast of Panama, there was plenty of drama further south. Venezuela was rapidly falling apart, or so it seemed. You know me if you have read me in the past. Like the folks on CSI who “follow the evidence”, I “follow the statistics”.

One that caught my eye in 2009 was the number of arrivals at Tocumen International Airport, the primary entry point to Panama. This statistic was interesting, but it included tourists along with residents and citizens. Entries followed a certain pattern and I saw what looked like a break in that pattern begin to develop. A few years later, I put together the graph below as I tried to explain how statistical analysis requires interpretation and this was a good example.



The US statistic clearly included many tourists. Many Colombians already lived here as expat residents like me. None of that matters here. You have already figured out what caught my eye. While North Americans and Europeans not only had falling real estate markets, they had falling economies as well, so their growth was typically negative in 2009. Panama was positive, one of the few who could say that.

In a nutshell, Venezuelans poured into Panama to escape the Chavez regime. During this period, they were often wealthy or at least "upper-middle" class. They had money and they brought it with them. They were not tourists. They were seeking a haven for their families and their wealth.

They were here to stay and they brought their businesses with them when they could, bought homes for their families, enrolled their children in the best schools, and so forth. Eventually, they were followed by many middle-class Venezuelans who also bought homes, have lived here for years, and have become part of our "global community".

As an aside, you may be surprised to hear that supporters of Hugo Chavez came and did exactly the same thing. They needed somewhere to go quickly if their regime fell. The two groups had no love for each other, but this is Panama and, when violence was threatened, they were *firmly* told to keep their politics to themselves. They heard it and this has not been a problem again.

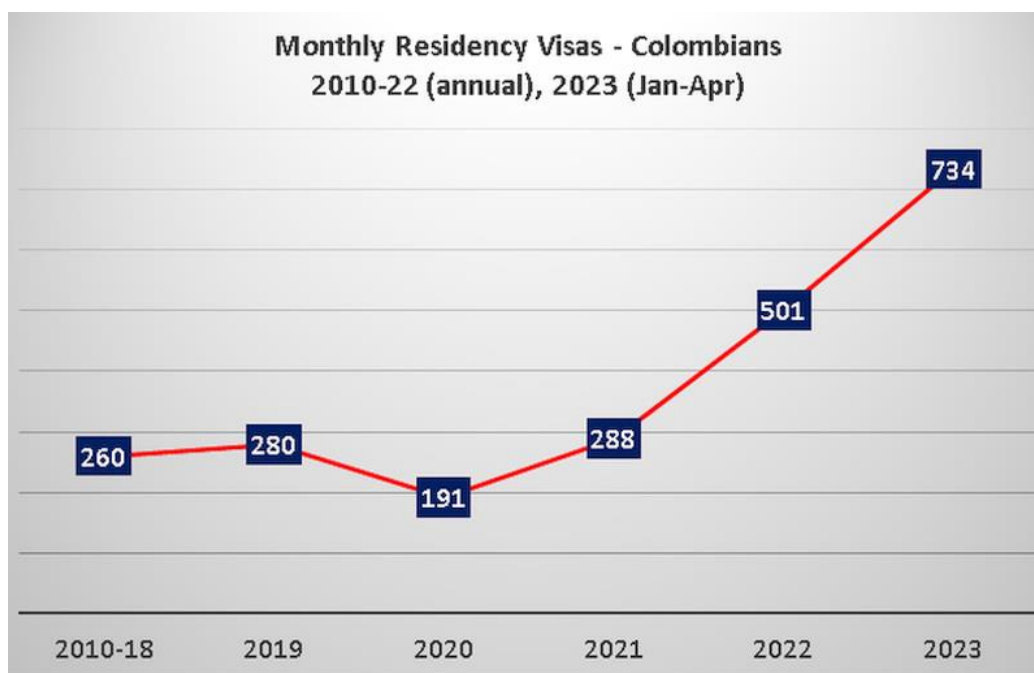
However, Venezuela is not going to save the real estate market in Panama again. They have done it once and that is over. But as the title says above, there is a new kid on the block with another statistic I follow closely. The difference this time? I am going to share it while it is underway, not once it is over as I had with Venezuela.

I will not be adding my usual statement at the end of this letter. I am not sure who, if anyone, reads it anymore. I will do it right now. This is a statistic. *It can change*. It does not listen to me or you, it is the result of thousands of individual households making their individual decisions over more than two decades. Those are the *only* people to whom it "listens". It is *not* a photocopy of the Venezuelan surge. It is another nation with some things in common with both Venezuela and Panama, but it is not the same.

I like to say, "The future does not sing the song of the past, but sometimes it hums along". I hear humming. Keep in mind that it may not end up being the same song.

These are **monthly** statistics, not annual, so I can compare 12-month years with the first four months of 2023. The first one is for nine years (2010-2018, inclusive). They are

combined because they are very similar throughout that period. It is followed by 2019, the last pre-pandemic year, 2020 is the worst year of the pandemic, and 2021 shows some recovery to earlier levels. Then something unexpected happens in 2022 and 2023.



Source - Migración de Panamá

The current Colombian government and its people face substantial challenges. Emotions run high. There are social, economic, and political problems. While facing them, the government has to deal with an estimated 1.6 million Venezuelan refugees and try to prevent mass crossings of the Darien Gap into Panama from an area where government control is not guaranteed. The cartels and other criminal groups are still very much a problem. *However, Colombia is not Venezuela.* They can turn this around and I sincerely hope they do.

But in the meantime, the trend is the trend. In all this time when much has happened in both nations, we have not seen this. These are not arrivals at Tocumen. They are people seeking to live in Panama and they, like you, will have to have a home, access to schools, and everything else families expect.

Do I have anything else to add? Yes, I do. When Maurice Belanger and I first began working with people who came to the PanamaWave.com service, one of our first clients was looking for an apartment in the \$500K to \$700K range. Maurice and I had found the general market to be what we expected it to be – rentals and sales very negotiable across the market. Generally speaking, we have found exactly that, but not in this case.

Maurice told me during his search that something odd was happening. When looking for apartments at this higher price level in a neighborhood where that was normal, he said he would call people and track down several possible properties. He would discuss them with the client, then call to set up an appointment to see them, and then discover that half of them were already sold. This happened more than once.

I am pleased to say that we found a suitable apartment at a discount and the client was delighted, but we still wondered why this market seemed so "hot". Neither of us had a good explanation at the time. Maybe we do now.

I raise this because I know many of you are planning trips here. I am always asked if the market has "turned". The last time this happened was the Venezuelan surge. I am a very conservative person. I like to have as much factual information as I can before suggesting an outcome.

But if I don't share something like this, I feel guilty, as this trend is definitely going to be felt in the real estate market as long as it continues and that can mean higher prices for many of you, especially if middle-class Colombians follow.

There are more South American nationals seeking Panama residency visas too. In the first four months of this year, January through April, rounded to the nearest full point, 67% of all residency visas awarded went to South Americans. 38% went to Colombians alone. How many went to Americans? 6%. Americans have always been a minority, never more than 15% in the first decade of the 21st century, but the growth in regional migration means their share is much smaller now. As I am sure you have noticed, the world is changing.

Take this information as you see fit. As I have said many times before, it is not important to me that you relocate to Panama. What is important is that you live where you need to be, even if that means staying where you are. Bob Adams does not make your decision for you nor is he foolish enough to think that what is important to him is important to everyone.

I offer information and help when I can as I have for two decades. I do my best and I know you will do your best too! Let me know if we can help.

Thank you.

Bob