PANAMERICAN
REAL ESTATE CAPITAL & SERVICES

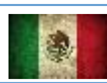
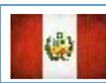
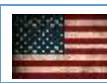
Quarterly Newsletter

The Marketplace for Investors, Lenders and Developers of the Americas.

1st Quarter, 2015

Photo: Lima's Mall del Sur render, which will be opened in September

Macroeconomic Figures

COUNTRY							
POPULATION *(MM)*	201	117	18	48	31	316	35
UNEMPLOYMENT	5.3%	4.5%	6.2%	10.8%	6.9%	5.5%	6.8%
BENCHMARK INT. RATE	12.75%	3.00%	3.00%	4.50%	3.25%	0.25%	0.75%
FDI – 2014 (*USD Billion*)	57.3	33.7	23.2	15.8	7.4	86	53
GDP - 2013 (USD Billion)	2,246	1,261	277	378	202	16,800	1,826
GDP – 2014 (*Growth*)	0.1%	2.1%	1.9%	4.6%	2.4%	2.4%	2.8%
GDP – 2015 (Est. *Growth*)	-0.5%	3.2%	2.8%	3.8%	4.0%	3.1%	2.2%
INFLATION 2014	6.4%	4.0%	4.6%	3.7%	3.2%	0.8%	1.5%

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Free parking or how politicians are expropriating property rights.

Column by Gonzalo Castro – Founding Partner at *Panamerican Real Estate Capital & Services*

In 2008, during my first visit to Guadalajara, I read in the local newspapers that the city was studying to ban the charge for parking in shopping centers. Some years later, I read the same in a trip to Rio de Janeiro, where the state approved the so called "Fee Parking Law", but it was suspended for being unconstitutional. Today in Brazil, parking revenue may reach 20% of the rental revenue in big urban shopping centers. In early march this year, the Consumer Defense Committee of the Peruvian Congress approved a bill that establishes free parking for those who effectively consume in shopping centers, restaurants or movie theaters. One week later, the Economics Committee of the Chilean Congress approved a bill stating that "the first 2 hours of parking in any mall, strip center, supermarket or hospital should be free without any condition". Even worst, the Chilean Transport Minister supported the bill and gave it urgency status. Can you believe that in a congested city like Santiago, where many efforts have been made in order to discourage car usage?

At the time of writing this column, a little bit of common sense has shown up in the committee and some congressmen have proposed amendments in order to reduce the free parking period to half an hour and after that, to pay according to the amount purchased in the premise. Three years ago, the Chilean government formed a working group with the shopping center association and agreed the "good practice" of giving the first 30 minutes of parking for free. This gift was seen by the shopping center industry then as the lesser evil, necessary to take the discussion of free parking out of the national agenda. In times of growing populism, this idea proved to be wrong. We do not know the final version of the bill that will be passed in both Chile and Peru, but undoubtedly, an important piece of the property rights of the parking owners will be transferred to the consumers, for free, without any compensation of the government. This is the old free-rider problem: congressmen win the political credit from happy consumers parking for free and the parking owners face all the cost. That is unfair, to say the least.

Whoever has modelled a parking business knows that the first 30 minutes are the most important. Adding 2 hours of free parking would make parking operating companies go out of business and encourage the use of the car.

Not surprisingly, the mentioned bill does not oblige the cities to give two hours or even half an hour of free parking hours in the streets. This is a total discrimination and inconsequence: while the public sector asks the private sector to give 2 free hours in a parking structure financed entirely with private funds, the private sector cannot ask the public sector for the same, even though the streets are "public goods."

Not to mention the unsustainable of this idea that promotes car usage when main cities are discussing to implement congestion charges (as in London) among other initiatives to incentivize the use of public transportation and bicycles.

Let's put some numbers in the analysis. An average parking space is 5 mts. long and 2.5 mts. wide, resulting in a 12.5 m2 area. That is only the space needed to park one car and you need to add the circulation areas, basically doubling the required space. So, as rule of thumb, the industry uses an average of 25 m2 per one parking space. A 1,000 m2 area will result in a 40 spaces parking lot.

For a covered parking structure, the most common type used in enclosed malls and hospitals, the average construction cost in Latin America should be around US$350/m2. If we add a 20% of land incidence, the total cost of one parking space should be around US$440/m2 times 25 m2 resulting in US$11.000 per parking unit.

So these politicians are telling to real estate developers and private investors, that they do not have the right to charge after they have disbursed US$11.000 for each parking space. To make the example stronger, let's say the mall or hospital has a parking structure that accommodates 1,000 cars, the developer would have spent US$11 million and these guys are denying the legitimate right to make a return on the capital invested.

This is as stupid as asking congressmen to work for free their first 2 daily hours at Congress. Or asking the baker to give away the first 2 kilos of bread, or asking Starbucks that the first 2 cups of coffees are free for their patrons every morning. How about asking a teacher to give the first 2 daily lessons for free? This is a simple act of transferring a property right from the landlord to the consumer.

Some reasons we have heard to justify the free parking are: "If the consumer is buying, the parking should be free", "If there is one shopping center not charging for parking, nobody can charge", "As parking is not the main business, it should be free", "Given that parking is mandatory by the city zoning code, it should be free", "Given that malls offered free parking in the past, they cannot charge now".

The main issue here is that the freedom to undertake a business is at risk. The real estate business consists mainly in buying a piece of land, pouring concrete into it and then you have a real estate asset. In order to obtain the return required, the developer decides how the different uses of the asset will be priced. Adding all those revenues and subtracting the operational expenses, he will make the target return on the capital invested.

Last but not least, any parking lot has operational expenses for the owner. You have to pay security guards, cameras, cleaning, light indicators, painting, insurance and the more important, real estate taxes. Again, to be consequent, if congressmen insist in limiting the property rights of the parking area of a shopping center or hospital, then that area should be exempt from real estate taxes. It will not solve the problem of losing the legitimate revenues, but will alleviate the expenses.

Gazit Brasil Acquires Sao Paulo Retail Center

Source: GlobeSt.

Gazit Brasil Ltd. is buying 100% ownership of Mais Shopping Center in Sao Paulo, for US$ 72 million, which will be financed by the company. Mais Shopping was owned until now by a Credit Suisse fund, a real estate company and a private investor, which together held 60% of the asset, while the remaining 40% was held by Banco Bradesco, Brazil's second largest private bank.

"The acquisition of Mais Shopping strengthens our position in the city of Sao Paulo, the business capital of Brazil and the nation's wealthiest and most populous city, with approximately 12 million people with a high GDP," said Mia Stark, Gazit Brasil CEO.

Mais Shopping is an urban shopping center located in a rapidly growing neighborhood in southern Sao Paulo. Situated at the intersection of a major bus terminal and a metro station, the retail center is close to regional government offices, universities, a hospital and the headquarters of several multinationals - including IBM and Santander - and is within walking distance of a train station. Approximately 1 million people pass through the area on a daily basis.

Built in 2010, Mais Shopping currently has 238 stores with a total gross leasable area (GLA) of approximately 143,160 square feet (13,300 sq.m.) plus 770 parking spaces. In addition, the transaction includes adjacent land available for future expansion. Upon the completion of the deal, Gazit Brasil will own seven shopping

Tivoli Praia do Forte Hotel is sold to Thai group

Source: A Tarde

The Thai group Minor International Pcl (MINT) bought the two units of the Tivoli hotel chain in Brazil, the Tivoli Ecoresort Praia do Forte, in Bahia, and the Tivoli Sao Paulo - Mofarrej, located in Sao Paulo.

The agreement also includes the Tivoli Hotels & Resorts brand in the country, which will be kept by the new shareholder. MINT also bought the real estate that houses the Tivoli Lisboa, Tivoli Marina Vilamoura, Tivoli Carvoeiro and the Tivoli Marina Portimao, all in Portugal. The buildings will remain leased to the chain, which belongs to Grupo Espirito Santo.

"We are very pleased to see an investor as Minor appreciating the Tivoli brand and its marketing and sales platform, preserving the unity of the brand and its development in the markets in which it operates", said the Tivoli Hotels & Resorts CEO, Alexandre Solleiro.

MINT currently operates more than 100 hotels in Asia, Europe, the Middle East and Africa.

Besides the Tivoli Ecoresort Praia do Forte, Bahia, the Sao Paulo unit was also sold

Mexico

Fibra Uno will go after three portfolios in 2015

Source: El Financiero

In 2015, Fibra Uno will acquire three new property portfolios: two commercial, Florida and Oregon, with 4.1 million sf GLA, and one corporate, Alaska, with 1.3 million sf.

The first Mexican real estate investment trust, Fibra Uno, will acquire three new property portfolios during 2015 that will increase its managed gross leasable area by 3.1% compared to last year’s 3Q.

Roberto Solano, analyst at Monex Casa de Bolsa, explained that Fibra Uno will materialize the acquisition of the Oregon, Alaska and Florida portfolios. "We believe that these acquisitions, the progress in stabilizing the assets and the organic growth that has kept the REIT in the last 12 months will result in more attractive dividends in 2015", he said.

Fibra Uno has a pipeline of five portfolios with a total leasable area of 7.2 million sf, which represents around 13% of the size of its portfolio, of about 56 million sf. So far, the REIT has just ended the purchase of the Indiana portfolio which includes ICEL’s campuses.

Two of the portfolios that may be acquired in 2015, Kansas and Oregon, include commercial properties, which have a leasable area of 4.1 millino sf and is expected that, together, they will generate annual net revenues of US$ 64 million. The other portfolio is Alaska, which has corporate properties with a leasable area of 1.3 million sf and is expected to generate revenues of US$ 21 million. For this year, Monex Fibra Uno expects to generate leasing revenues 24.2% higher than in 2014 and an increase of 22.7% in total revenues.

For the sector as a whole, Solano explained that because the rise in interest rates by the Federal Reserve of the United States will be postponed until June, July or September, a positive effect on the REIT will generated, which will be added to the liquidity they have. "This will translate into double-digit growth (at the operating level), and in attractive dividends", the expert said.

Grupo Posadas plans to open 42 hotels in the next two years

Source: El Financiero

The hotel group considers an investment equivalent to US$ 515 millions.

Grupo Posadas plans to open 42 new units in the next two years, which is expected to increase by 30% its capacity, said its CEO.

For the project development, Grupo Posadas, which currently operates 132 hotels in Mexico and one in the United States, considered an investment equivalent to US$ 515.1 millions, which will be financed with 20% equity and the rest will come from independent partners.

Most of the new hotels will be One and Fiesta Inn, aimed at business travelers, which together account for over half of the group’s hotel revenues.

"The potential of the country in this model is huge. It’s in these formats where the Posadas’ competitive advantages are oriented", said Jose Carlos Azcarraga, CEO of the firm.

In an interview during the inauguration of its new unit in the capital, the executive said that last year the company opened 20 hotels, mainly in those formats.

Grupo Posadas, which also manages the higher segment chains Fiesta Americana and Live Aqua, expects that the new hotels will be operating by March 2017.

In 10 years there will be 30% more malls

Source: The Financial

Population and economic growth in Mexico will propel the development of shopping centers in the country, which are expected to increase 30% by 2025 vs the beginning of 2015.

By 2025 760 shopping centers are expected with a leasable area of 250 million sf, according to the market intelligence team of International Council of Shopping Centers (ICSC). At the end of 2014, there were 584 shopping centers, with a leasable area of 175 million sf, implying a growth of 43% in GLA.

Two new resorts in Algarrobo built for US$ 245 million

Source: Diario Financiero

Two new resort real estate developments are giving Algarrobo, in the Region of Valparaíso, a new boom after all the stages of the iconic San Alfonso del Mar were completed.

One initiative, called Arenamaris, is located on the beach to the north of San Alfonso del Mar, next to Bahía de Rosas, facilities that have been several years in the area. For this initiative, the master-plan considers building a total of five towers, which will require an investment of US$ 125 million. The delivery date for the first of them is December 2015. So far, eight floors of the total 14 have been built. "The speed of the stages will depend on how the economy and demand evolve", adds Emil Sosman, project owner, who adds that the concept of Arenamaris is like a "Caribbean resort". The price of the apartments in Arenamaris average US$ 240,000 with the highest reaching US$ 320,000. The place considers an area of 540,000 sf, while in the remaining 750,000 sf there will be a hotel.

A couple kilometers to the north of Arenamaris, near Mirasol, Sosman has the Algarrobo Costa Norte complex, consisting of four towers, a fifth under construction and two more could be added. This project will require US$ 120 million and still has 25 acres to continue growing at that location. Algarrobo Costa Norte apartments average US$ 120,000 per unit.

Launched industrial and commercial development with projected sales of US$ 40 million

Source: El Mercurio

The Arrigoni family and its partner Inmobiliaria Dunas started selling industrial lots in Quilicura, Chilean Metropolitan Region, in an area of 67 acres where they hope to accommodate industry and commerce. The property and its urbanization cost US$ 16 million, expected sales are US$ 40 million and Parque Arauco already bought a lot.

SURA Renta Inmobiliaria purchased building for US$ 23 million

Source: Diario Financiero

The investment fund SURA Renta Inmobiliaria acquired the MOK building, former Shell building and then Bellsouth (Movistar) at US$ 23 million. The new acquisition is located at Avenida El Bosque 90, Las Condes at walking distance from the Tobalaba metro station and with approximately 71,000 sf for lease.

The building is completely rented, with medium and long term contracts, the fund said. "With this third acquisition, the investment fund SURA Renta Inmobiliaria is fully invested, with a total of US$ 85 million invested in real estate assets", the company said.

Hotel industry will add 2,100 rooms in 2015. Openings are concentrated in Santiago

Source: Pulso

During this year several real estate projects will be opened, which will cause an increase in hotel capacity of 5.8% , according to Tinsa HTL, one of the highest growth rates in recent years, driven by the category of four-star rooms. 2,100 new rooms will be added, 63% of them in Santiago.

Cencosud would get US$ 1.0 billion for its malls

Source: La Tercera

Cencosud would get about US$ 1.0 billion if the 30% of its shopping center and real estate division is sold, according to a report of Banchile Inversiones. The market remains alert to the company, when they admitted to be analyzing a possible IPO of that division, keeping control of it. Given the level of Cencosud's debt, it "would reduce concerns about the business of retail and simplify the valuation", said the report.

Metro Hotels will complete eight Hampton by Hilton in 2016

Source: La Republica

Competition in the hospitality industry, which is already strong and according to the National Registry of Tourism (RNT) has a supply of 155,000 rooms, will have, by the middle of this year, more than 302 rooms offered by Metro Hotels and the brand Hampton by Hilton.

The firm that manages the Holiday Inn Bogota Airport and Hampton by Hilton brands in Colombia will soon open its fourth Hampton in Yopal. The building, located in the capital of Casanare, will have 100 rooms.

But the openings of the group will not stop there and in April will arrive to Valledupar with 102 rooms and in June, Usaquén in Bogotá will also feature one of the franchised hotels of the Worldwide chain. By mid-2016, the Colombian group will have developed and will be operating nine hotel projects, because, to the 2015 openings, will be added Medellin and Bucaramanga next year.

Juan Manuel Quijano, COO of Metro Hotels, said that the investment for the projects is around US$ 135 million, with 100% local capital. Metro Hotels will take the Hilton Worldwide brand to two other countries in the region such as Peru and Chile. In each place they expect to complete four hotels.

For Felipe Galeano, CEO of Metro Hotels, what they intend as a company is "developing and managing real estate assets with value added, focused on generating revenues in the medium and long term."

Through the four hotels developed and operated by Metro Hotels transited 174,000 guests, being the Holiday Inn Bogota Airport, brand for which no development projects in the short term are known, the one that received most of them, 62,000 customers. The site had 72% occupancy. Following its steps was the Hampton by Hilton Cartagena, with 61,000 guests and 82% occupancy. Hampton by Hilton Barranquilla received 41,000 people, with the same occupancy than the country capital, 72%. Finally the Hampton by Hilton Cali, that hosted 10,000 customers in six months of operation, had 39% occupancy.

Quijano said that the group believes in the power of international brands, which is why they have taken the path of franchises. "We're focusing on American brands because the United States is our largest trading partner", he said.

Colombia is gaining ground for Chilean real estate developers

Source: Diario Financiero

Colombia faces a housing deficit of 1.3 million homes

At least two Chilean developers, Actual and Fundamenta, are preparing concrete plans in Colombia. The first company would be about to close "a big business" to expand its presence in Colombia, industry sources reveal, while the second is in contact with some firms to enter Bogotá, which will happen by 2017, with a rate of six to eight projects annually. Besides these developers, Armas also has operations in Colombia and say that they want to continue deepening their business in the country.

According to data from the Colombian Chamber of Construction (Camacol) only in the area of Bogota and Cundinamarca 69,941 new homes were sold in 2014, double what was sold in Santiago in the same period (34,689). For the country, Camacol expects growth of 9.7% for sales of houses and apartments in 2015.

Parque Arauco will focus its investments in Colombia until 2017

Source: Diario Financiero

The operator will invest US$ 565 million, of which US$ 289 million would be concentrated there.

The lower penetration of the retail sector and the rise of the middle class have positioned Peru and Colombia as the great promises for the Chilean retail industry. Actually, Parque Arauco will concentrate on this second market most of its investment budget for the 2014-2017 period.

Plans for these three years forecast investments for US$ 289 million for Colombia, while Peru and Chile will have US$ 210 million and US$ 66 million respectively. More than half the land stock of the Said group's company is out of the country. Specifically, Colombia has properties valued at US$ 88 million, while in Peru and Chile it's US$ 80 and US$ 61 million.

Work in Air Cargo Terminal in Limahub begun

Source: La Republica

Terminal will require an investment of approximately US$ 15 million.

Real Estate developer Terrano, an Andino Investment Holding company, announced that it has begun the construction of the new Air Cargo Terminal in Limahub.

Limahub seeks to become the center of business and commerce in Peru. This project is being developed in an area of 35 acres, next to the Jorge Chavez International Airport, and will include an industrial center to provide storage capacity for airfreight, warehouses, refrigerated chambers and logistic storage areas. Also a business center with hotels, offices, shops and restaurants will be added.

For the construction of the first phase of the Air Cargo Terminal in Limahub, approximately US$ 15 million will be invested and will have an area of 323,000 sf, direct access to the platform and loading area of the airport and customs, freight and related suppliers related with foreign air commerce offices. The terminal will be operational from August 2015.

Lima will receive office buildings of up to 490,000 sf

Source: Gestion

The real estate consulting company Binswanger Peru notes that this year is expected to deliver projects for corporate buildings of prime offices in Lima, with GLA between 323,000 and 490,000 sf per building. Giancarlo Malatesta, director of the company, stressed that the prime market in Lima placed an average of 650,000 sf per year.

Fifteen hotel projects are being developed in Miraflores

Source: El Comercio

More than US$ 150 million will be invested in this sector and supply in the Lima district is estimated to grow by 30%.

Inversiones La Rioja laid the first stone of the first Courtyard By Marriott in Peru, in which will invest US$ 28 million and will start operating in the middle of next year. The hotel will have 154 rooms along 10 floors with a total area of 140,000 sf.

However, this is not the only hotel that will open in Miraflores. According to Carlos Canales, president of the National Chamber of Tourism (Canatur), its being invested more than US$ 150 million to build 15 hotels in this district. Among the highlights is the Hyatt hotel project, which will require more than US$ 100 million investment, the Meliá, US$ 12 million and the Courtyard By Marriott. In addition, for 2015 is expected the beginning of the construction of the hotel chain Four Seasons in San Martín.

Canales announced the arrival of two additional investors for hotels of four and five stars. One in the Benavides Avenue with Paseo de la República which will have 100 rooms and another of 150 rooms. With these hotels, the Miraflores hotel supply will grow by 30%.

Saga, Tottus, Paris and Ripley will be the anchors in Mall del Sur

Source: Gestion

The anchors that will join Mall del Sur, located between Surco and San Juan de Miraflores and should be inaugurated on September 13, will be Saga Falabella, Ripley, Paris and Hypermarket Tottus, plus two fast fashion brands, which will be the same brands that will enter Mall del Norte.

The fast fashion will have an area of 32,000 sf and retail stores between 97,000 and 108,000 sf. "There are entering 300 stores; the project includes a medical center and an educational institute", said Edgar Callo, manager of shopping centers and real estate of EW Corporation. The investment is US$ 200 million and are expected 2.5 to 3 million visitors a month.

United States

Simon Property boosts its bid for Macerich to US$16.8B

Source: Bloomberg

Macerich Co. rejected an unsolicited takeover bid of about US$16 billion from Simon Property Group Inc., saying it substantially undervalues the mall owner. Mall operator Simon Property boosted its hostile bid for rival Macerich by 5% to US$16.8 billion and says that will be its best and final offer. The deal would combine two of the largest U.S. shopping mall operators.

WP Glimcher announces JV for five malls valued at $1.625 billion

Source: GlobeSt.

WP Glimcher, the shopping center REIT formed from the merger of Glimcher Realty Trust and Washington Prime Group, has entered into a US$ 1.625-billion joint venture with an affiliate of O'Connor Capital Partners. O'Connor Mall Partners and WP Glimcher will share ownership of five geographically diverse shopping centers that total approximately 3.3 million square feet.

Blackstone wants to reach US$ 15 billion in its latest real estate fund

Source: Funds Society

Blackstone Group, the largest private equity in the world that invests in real estate, aims to reach US$ 15 billion with its latest global real estate fund, beating his own record of managed assets for these instruments, reported Bloomberg. If we add debt to this figure, the new instrument of Blackstone could have a purchasing power of US$ 45 billion.

Blackstone Group Purchases Landmark Willis Tower in Chicago

Source: NY Times

Blackstone purchased the 3.8-million-square-foot office building, the second-tallest building in the United States, paying roughly US$1.3 billion to add a premier new property to its growing portfolio. Nearly 20% of the Willis Tower is now vacant.

Canada

PIRET REIT buys industrial development site in Ontario

Fuente: Real Estate News Exchange

Pure Industrial Real Estate Trust's busy 2014 has carried over into this year, with announcements it has closed on 60 acres of development land in Vaughan, Ontario, for US$ 36 million and intends to acquire majority ownership of a property portfolio in North Carolina.

"The Vaughan development will be one of the most important and valuable industrial real estate development projects ever undertaken in Canada, and we're proud to be associated with it and deliver stable cash flow and added value for our investors," said PIRET president and co-chief executive officer Kevan Gorrie.

PIRET is partnering with Indianapolis-based developer Scannell Properties to create a state-of-the-art distribution and sorting facility that will occupy approximately 422,000 square feet of the 60-acre parcel in Vaughan. Fedex Ground has signed a 15-year lease for the building, which is part of the US$ 100-million development project.

Despite the fast start to the year, Gorrie doesn't expect PIRET to keep up this pace. And while the company will consider selling smaller, non-core assets, that's not a priority either. "We don't feel the need to do deals for growth's sake and are happy to wait for the right opportunities for our company," said Gorrie.

"Our strategy has been and will continue to be to build the strongest portfolio of modern distribution and logistics product available to Canadian investors, and to build a platform that has true value". Gorrie said the company's growth and profitability strategy is based on a "strong leasing and operations focus, active asset management, design-build opportunities with our existing tenants, profitable recycling of capital through full or partial divestment of existing assets, and select accretive acquisition."

Gorrie expects demand for industrial real estate to remain very high in Canada and continue to grow in the United States, keeping capitalization rates at or below current levels in PIRET's key markets.

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