



ICE TOWER FAILS TO COMPLETE - FURTHER UPDATE (6/25/07)

We recently reported that Ice Tower in Panama City announced it was not going to be built and that they were going to refund money to the investors. Many of those investors paid as little as \$1000 a sq. meter. Now current market prices are \$2000 per sq. meter up to \$3500 a sq. meter. This is probably more than Florida real estate at this time but if they can get it why not.

The problem is the purchases are frequently speculators also called flippers who have no intention of ever living in the units. They just buy in anticipation of higher prices and then sell to another person and then he sells to another and so it goes. It eventually is like musical chairs, the music stops and there are not enough chairs for everyone and someone gets left out and in this case left out means they can not sell the condo for more than what they paid for it. Their choices are then to walk away from the down payment which could be as much as 30% of the purchase price by completion time.

Their other choice is to fund the actual purchase at completion and hope the value appreciates over time so they do not take a loss by walking away from their deposit. This generally involves renting the units. Now if there are a lot of rentals on the market as in many investors who got stuck like this, then the rents drop since \$1000 a month beats asking \$3000 a month for four months with no renters. Well when one can rent the unit cheaply why buy it. Appreciation becomes doubtful and that is one way a real estate bust occurs.

There are lots of other bust scenarios as well. Well these investors in Ice Tower were licking their chops regarding the anticipated profits and now they are going to just wind up with a refund for all their trouble and waiting. They also might have been able to buy a different project instead of Ice at the lower prices back then and that project may have actually completed and then they could have realized profits. So they had a hidden loss of opportunity at the very least.

On Sunday, June 24, 2007 cement mixer trucks were pouring cement into the hole that was destined to be Ice Towers foundation, which of course is no longer a viable project. So were they just filling in the hole with expensive concrete or were they pouring the concrete to finish the foundation, which could be used for another residential building on the same prime location. Since the Ice Tower team indicated according to La Prensa newspaper that another building would be going up in its place this is what could be what is going on, but we do not know this. What we do know is that cement trucks were pouring cement into the foundation to fill it.

Iron Tower - We just learned (this is all hearsay by the way) that the new building taking the place of Ice Tower is to be called Iron Tower. This explains the cement trucks filling in the foundation hole. The same developer is building it. Iron Tower is supposed to be 75 floors in height making it a substantial icon building on Avenida Balboa. The cost of Iron Tower is going to be \$2500 a sq. meter for the existing purchasers of Ice Tower. This is a special discounted price from the list price of \$3200 a sq. meter. If the customer wishes to transfer to the new project they can and if they prefer a refund they can have one just as easily. This is what we are being told. I expect as the days and weeks pass we will learn more about the new project and how things are going so stay tuned for more updates on the Panama Real Estate Boom or Bubble Bursting!

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