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By Tim Rogers

## Trump Ocean Club Sets Standard for Development

Second in a three-part series on Panama's first-world aspirations



PANAMA CITY, Panamá – As the momentum from Panamá City's construction boom continues to lift the city skyward even amid the global economic downturn, one building is starting to loom above the rest.

The Trump Ocean Club, a 70-story sail-shaped building that bears the name of iconic New York real estate developer Donald Trump, is the largest and most expensive building ever built in Latin America.

The framework of the building, currently at the 58<sup>th</sup> floor and climbing, is scheduled to be completed in March. And if all goes according to plan, Donald and his daughter Ivanka should be flying down to Panamá City for the ribbon-cutting at the end of the year, according to head developer Roger Khafif, president of Panama's K-Group construction company.

"Nothing like this has ever been attempted before in Latin America," Khafif told The Nica Times in a recent interview in his office in downtown Panamá City. "This is a hell of a building, but it's a hell of an expensive building, also."

With a construction cost running over \$400 million, the Trump Ocean Club is about 10 to 20 times more expensive than any other skyscraper being built in Panamá City, Khafif said. In a country where banks don't usually give construction loans of more than \$5 million, the Trump Ocean Club presented a major financial challenge, Khafif said.

The building's condo units, hotel and commercial space for six restaurants, coffee shops and Las Vegas-style casino, represent less than 50 percent of the building's total area. So that, too, presented an immediate pricing challenge, Khafif said.

"Less than 50 percent of the building is sellable, when normally buildings have a common area that is only 15 to 20 percent," Khafif said. "So we had to make a decision about pricing for the project to be feasible."

After crunching the numbers, Khafif and Trump officially unveiled the building with a pre-sales launch in New York in May 2006, with prices set three to eight times higher than the going market rate in Panamá City, from \$3,300 to \$8,000 per square meter.

"We're priced higher than Miami," Khafif said.

But any anxiety the developers may have felt about setting the prices that high was quickly eased as the units began to sell. Not only did the Trump Ocean Club reach its goal of selling 60 percent of the building within the first year of pre-sales, but it has since hiked its prices four times, increasing its original price offerings by 30 to 40 percent.

Four years later, 90 percent of the building has been sold to buyers from 39 different countries, who have spent anywhere from \$360,000 for a fully furnished "bay loft" unit, to \$12 million for the entire 69<sup>th</sup> floor.

Yet even with brisk pre-sales – and a \$25 million loan from HSBC Bank – The Trump Ocean Club still needed an additional \$230 million to get off the ground. So for the first time in Panama's real-estate history, developers turned to institutional investors and secured a bond offering from Bear Sterns.

"Without Trump, we would have lost our shirt," Khafif admits. "We never would have gotten the financing."

## **The Trump Name**

Donald Trump first visited Panamá City in 2003 for the Miss Universe Pageant, which he owns. Khafif knew that Trump had been impressed with the city, so in 2005 he arranged a meeting with the celebrity mogul in New York City and presented the plans for the building.

During the meeting, Khafif said, he was surprised to learn how much due diligence Trump had done beforehand. As a result, a decision was made quickly.

Khafif said Trump called him the following day at 9 a.m. to say, "Roger, I love it and I am going to send Ivanka down."

Ms. Trump, the executive vice president of development & acquisitions for the Trump Organization, visited Panamá in late 2005 to investigate the market. And she liked what she saw.

“She did her basic local research, then she came back to the office and we sat and talked.” Khafif said. “She said she really liked Panamá. She is a very intelligent woman; sometimes I think she’s even smarter than her dad about certain things.”

Two months later the contract was signed and the project was officially unveiled in May 2006 – on the same day Panamanian authorities announced a \$5.2 billion canal expansion plan. The stories ran side by side in the newspapers, heralding a country with big plans for growth and inspiring investor confidence about Panama’s future.

Khafif said the two stories coming out of Panamá the same day had an “exponential effect on the country’s buzz. “People were saying, “What the hell is going on in Panamá?” he said. “They pick up the newspaper and see Panamá. Canal. Panamá. Trump. And that’s how it was. Ra-ca-ta.”

The Trump Ocean Club has also partnered with award-winning Latin American interior design company Adriana Hoyos, the firm handling the interiors and furnishings of the condos, apartments and hotel rooms. The firm has three design models available so that clients can choose their furnishings and finishes online and have turn-key product ready to move into.

The bay loft apartment, selling for \$360,000, is currently the least expensive of the units still available. Investors in the Trump Ocean Club can also obtain membership at the Trump Beach Club, an exclusive inland club scheduled to be built later this year on Isla Saboga.

## **Panama’s Growth**

While there was early skepticism over Panamá City’s rapid growth spurt, Khafif says this country with a canal has proven it’s the real deal – the “Miami of Latin America” (as opposed to the real Miami, which once was known as “the capital of Latin America”).

Khafif said he’s seeing an increase of investment from countries such as Venezuela, Bolivia, Ecuador and even Nicaragua.

“Those countries are going crazy. And those people don’t go to Miami anymore, they come to Panamá,” he said.

Khafif said that instability in Latin America, coupled with post 9-11 security measures in the United States, have made Panamá the new “chosen country.”

“Just like God chose Panamá for the canal, I think some higher power is choosing Panamá to be the center of Latin America,” Khafif said. “We are in the middle of everything, and we already have first-world communications, logistics and transportation.”

Panama’s growth, symbolized by The Trump Ocean Club, is “exponential,” Khafif said, like that of technology. He said five years ago, people thought the K-Group was crazy to even attempt anything as big or expensive as the Trump Ocean Club in Panamá. Today, it’s already taken form and the end product is in sight.

Khafif doesn’t think the good times will end anytime soon.

“Every time there is a problem somewhere else in the world, it helps us,” he said. “And people are having problems all over the place.”