CONFIDENTIAL — INVESTMENT OPPORTUNITY

Azuero Development Project 2 S.A.

A 47.7-hectare master-planned community — 317 turnkey homes on 1,000 m^2 lots, developed in 11 self-funding phases on the Azuero Peninsula, Panama

$100.2M
PROJECTED REVENUE

$12.0M
PROJECTED PROFIT

$6.6M
PEAK CAPITAL REQUIRED

Phase 5
SELF-FUNDING POINT

A Strategic Entry into Panamanian Real Estate

Panama offers international investors a rare combination: a fully **dollarized economy**, a territorial tax system, strong property rights with titled fee-simple ownership for foreigners, and residency programs (Pensionado, Qualified Investor) that actively recruit the buyers this project serves. Within Panama, the **Azuero Peninsula** is the country's emerging lifestyle frontier — Pacific beaches, surf towns, and an established and growing expatriate community, still priced far below Panama City and comparable Costa Rican coastal markets.

Azuero Development Project 2 S.A. is Panama Capital Partners' second development offering, and a deliberate step up in scale: from individual spec homes to a **47.7-hectare master-planned community** engineered to be self-funding after its early phases. Investors enter at the land-and-infrastructure stage — where development margin is created — with a defined capital requirement, a phased de-risking structure, and an in-house sales engine already serving this exact buyer market.

Proven Operator, On the Ground in Panama

The project is led by **Ken Norton, Director of Panama Capital Partners S.A.**, who lives and works on the ground in Panama, based between Pedasí and Panama City — not managing remotely from abroad. Ken operates a **licensed Panamanian real estate brokerage** serving English-speaking foreign buyers across the country's principal expat markets: the Azuero Peninsula, Boquete, Panama City, and Bocas del Toro, supported by a bilingual sales team serving Spanish-speaking buyers.

The platform runs a continuous, production-grade marketing operation — professional listing packages, bilingual property marketing, buyer webinars on the Panama purchase process, and a qualified international buyer pipeline — and launched **Azuero Development Project 1 S.A.**, a spec-home investment offering structured around a 12% preferred return. Project 2 applies the same team, systems, and buyer funnel to a master-planned community.

Why it matters: in Panama's interior, execution risk is local — titling, permitting (MIVIOT, MiAmbiente, MINSA), contractors, and utilities all run on relationships and physical presence. This operator is already transacting in this market, in both languages, every week.

Two Synergistic Businesses, One Platform

Brokerage — The Demand Engine

- Qualified pipeline of foreign buyers actively shopping the Azuero
- Live market intelligence: real comps, real absorption, real pricing power
- Bilingual sales team and established digital marketing reach
- Buyer education funnel (webinars, guides) that pre-sells the Panama process

Development — The Supply Engine

- Land acquisition, master planning & entitlement
- Phased infrastructure: roads, water, underground electric
- Turnkey 140 m^2 home construction in managed tranches
- Titled house-plus-lot product the brokerage cannot source elsewhere

Each side compounds the other. The brokerage's comps set the project's two-tier pricing with real data rather than hope; its buyer pipeline shortens absorption timelines and reduces the single largest risk in any development — sales velocity. In turn, the development gives the brokerage an exclusive, repeatable product at a price point the resale market cannot deliver. One platform captures margin on both sides of every closing.

Market Opportunity — Demand Is Rising Faster Than Supply

Demand: North American retirees and remote workers continue to relocate to Panama, drawn by the dollar economy, healthcare, residency programs, and direct flights. The Azuero — led by Pedasí and the surrounding coast — is capturing a growing share of that migration as buyers priced out of, or simply done with, crowded markets look for authentic coastal Panama.

Supply: what these buyers find is mostly one-off resales of uneven quality, or raw lots with no utilities, no roads, and title work still to be done. Master-planned communities with **titled 1,000 m^2 lots, paved roads, potable water, underground electric, and a turnkey new home in the $294,000–$325,000 range are effectively unavailable** in this market. That is the gap this project is built to fill — positioned above the raw-land self-build path most buyers won't attempt, and well below imported-luxury coastal product.

The two-tier pricing strategy converts this imbalance directly into absorption: Phase 1–3 buyers get an entry price that resale supply cannot match, and every subsequent phase is repriced against the community's own comps.

Project Overview

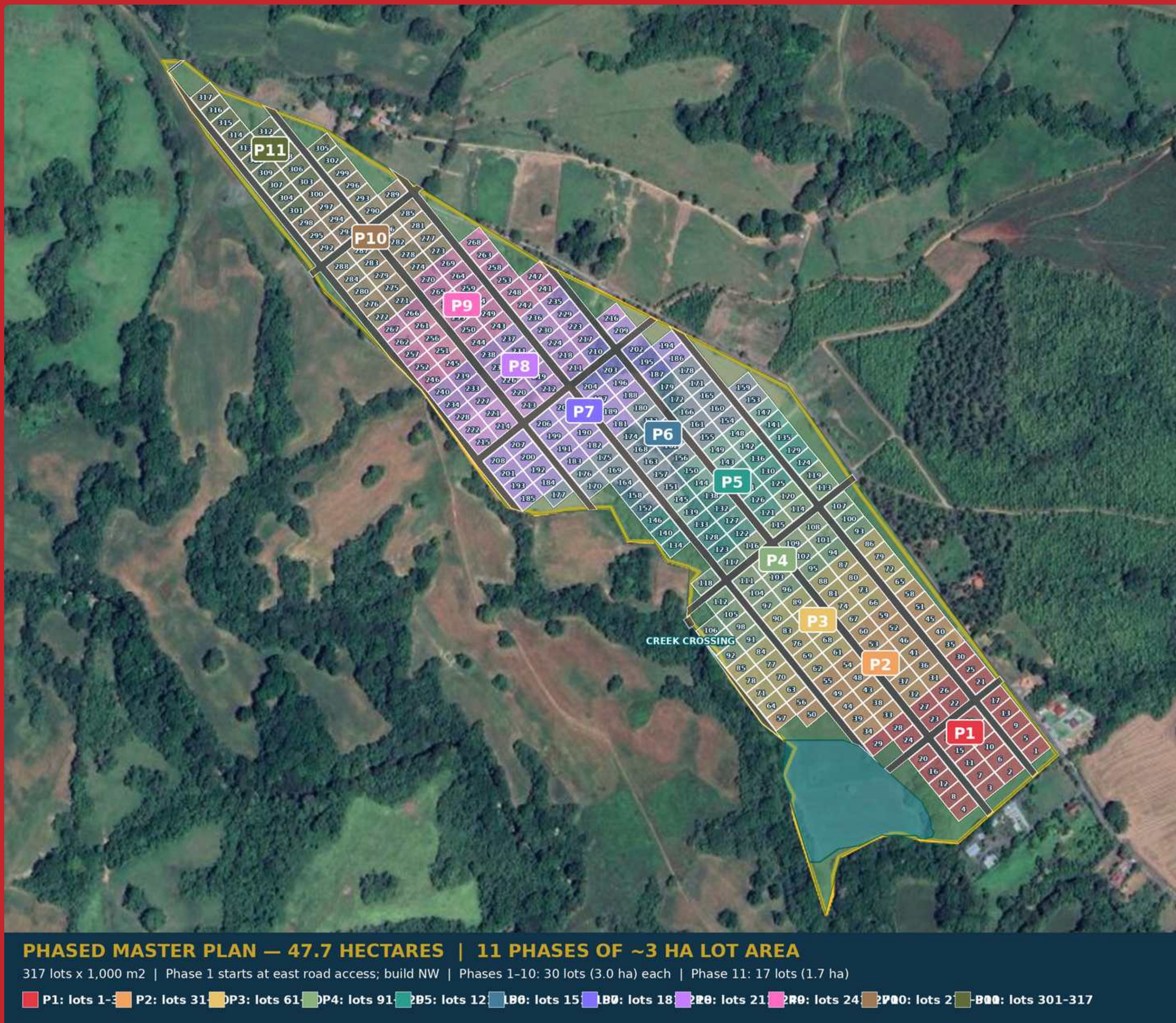
The project comprises a fully engineered 47.7-hectare parcel subdivided into **317 residential lots of 1,000 m^2 (25 m × 40 m)**, developed in **11 sequential phases** of approximately 3 hectares each. On every lot, the project builds and sells a **140 m^2 turnkey home** as a house-plus-lot package.

The development is structured to become **self-funding after Phase 4–5**: an initial capital commitment of approximately **$6.6 million** covers the land, Phase 1 infrastructure with trunk utilities, and the first construction tranches. From that point, home closings fund every subsequent phase's infrastructure and construction.

> **Two-tier pricing strategy:** Phases 1–3 (90 homes) sell at an introductory **$294,000** to establish the community and drive absorption. Phases 4–11 (227 homes) step up to **$325,000** as the built-out streetscape, green amenities, and resale comparables support the premium.

The Phased Master Plan

Eleven phases march northwest from the public-road frontage. Every home fronts a 12-meter road; a protected riparian creek corridor (teal) anchors 9 hectares of green space — 18.9% of the land, nearly double the 10% regulatory requirement.



Phases P1–P10: 30 lots each ▪ P11: 17 lots ▪ Roads 12 m wide (7.0 ha) ▪ Green space incl. creek corridor 9.0 ha ▪ 342 originally platted, 25 lots ceded to creek protection

Land Plan & Infrastructure

Land Budget — 47.7 ha

USE	AREA	%
317 lots × 1,000 m^2	31.7 ha	66.5%
Roads (12 m right-of-way)	7.0 ha	14.7%
Green space incl. creek corridor	9.0 ha	18.9%
Total	**47.7 ha**	**100%**

Infrastructure Scope

ITEM	ESTIMATE
Asphalt roads, 5.8 km network + drainage	$1.8–3.1M
Potable water: wells, tank, mains, meters	$0.4–0.6M
Underground electric + LED lighting	$0.8–1.3M
Engineering, permits, supervision, contingency	$0.8–1.3M
Total infrastructure	**$3.8–6.3M**

Land basis: 477,000 m^2 at **\$8.00/m^2 = \$3.82M**. All-in serviced-lot cost of approximately **$24,000 per home** (land + infrastructure) against sale prices of $294K–$325K. Underground utilities comply with Decreto Ejecutivo 150 requirements for new urbanizations.

The Product & Pricing

Phases 1–3 · Introductory

$294,000

90 homes · \$2,100/m^2 house + lot

- Establishes the community & comps
- Drives early absorption velocity
- Margin ~6% — deliberately thin

Phases 4–11 · Standard

$325,000

227 homes · \$2,321/m^2 house + lot

- Supported by built streetscape & resales
- Margin ~14% — carries the project
- Buyer urgency: prices rise after P3

Per-Home Economics (blended)

LINE	PER HOME
Blended sale price (house + 1,000 m^2 lot)	$316,199
Construction: 140 m^2 @ \$1,350/m^2 + 5% contingency	($198,450)
Serviced lot: land + infrastructure	($24,000)
Commission 5% + transfer tax 5% + lawyer $1,000	($32,620)
Fund management fee 5%	($15,810)
Overhead allocation	($7,571)
Profit per home — 11.9% margin	**$37,748**

Project Financials

PROJECT P&L	TOTAL
Revenue — 90 homes @ $294K + 227 @ $325K	$100,235,000
Construction (incl. 5% contingency)	($62,908,650)
Land + infrastructure (317 serviced lots)	($7,608,000)
Commissions, transfer tax & legal	($10,340,500)
Fund management fee	($5,011,750)
Overhead & marketing (full horizon)	($2,400,000)
Projected pre-tax profit	**$11,966,000**

Phase-level contribution: Phases 1–3 generate ~$0.57M each; Phases 4–10 generate ~$1.36M each; Phase 11 (17 homes) ~$0.77M. Base-case absorption of 20 homes/year sells out in ~16.5 years; faster absorption compresses the timeline without materially changing the capital requirement.

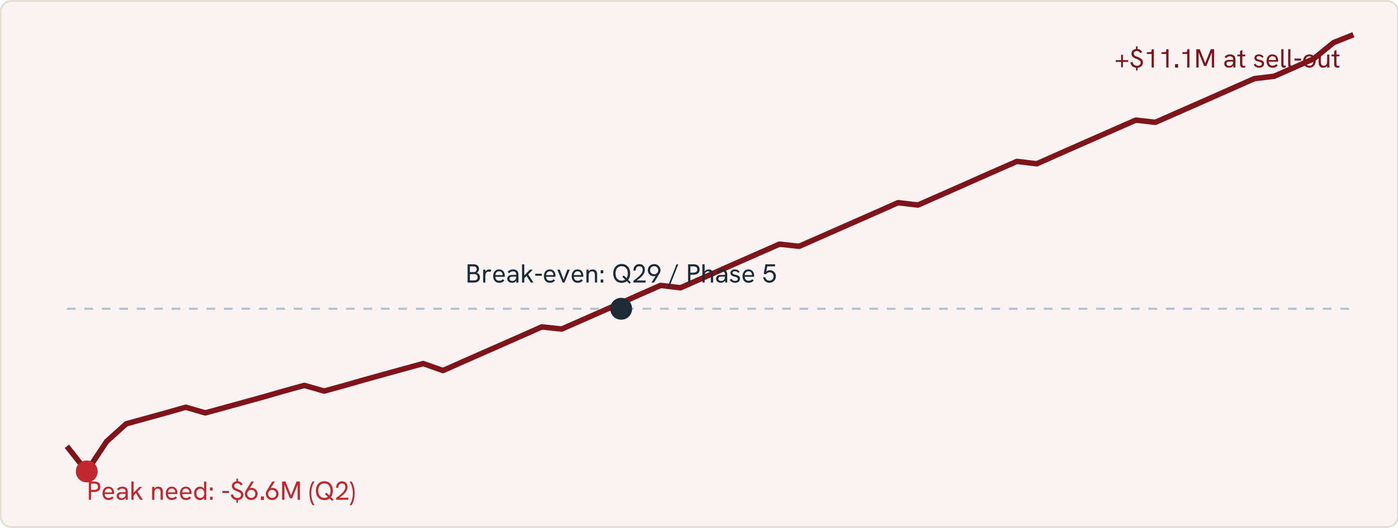
Capital Requirement, Break-Even & Self-Funding

$6.6M
PEAK CAPITAL (QUARTER 2)

~135 homes
BREAK-EVEN POINT

Phase 5
SELF-FUNDING FROM

Yr 7 / Yr 4
AT 20 / 40 HOMES PER YR



Cumulative project cash flow, base case (20 homes/year). Land, Phase-1 trunk infrastructure and the initial construction pipeline create the Q1–Q2 trough; closings recover the position through Phase 4 and cross into permanent surplus during **Phase 5, at roughly 135 homes sold.** Every phase thereafter is funded entirely from sales.

How the $6.6M is deployed: Land $3.82M ▪ Phase-1 roads + wells, storage tank & grid tie-in $0.74M ▪ First ~10 homes in construction $1.95M ▪ Pre-revenue overhead $0.09M. **Levers that reduce it:** seller terms on the land (25% down cuts peak to ~$3.7M) and presales with deposits on construction tranches.

Investment Structure · Use of Funds

The issuer is **Azuero Development Project 2 S.A.**, a Panamanian sociedad anónima formed for this project, managed by Panama Capital Partners S.A. The offering is modeled on the **preferred-return structure of Azuero Development Project 1 S.A. (12% preferred)**, with final terms, minimums, and distribution mechanics set out in the subscription documents.

Use of Funds — $6.6M Peak Capital

DEPLOYMENT	AMOUNT	%
Land acquisition — 47.7 ha @ $8.00/m^2	$3,816,000	58%
Phase 1 infrastructure incl. wells, storage tank & grid tie-in	$737,000	11%
Initial construction pipeline (~10 homes in tranches)	$1,950,000	30%
Pre-revenue overhead & marketing	$95,000	1%
Total peak capital requirement	**~$6,600,000**	**100%**

From Ground Break to Closing

Capital does not sit in the ground for a decade — it cycles. Homes are built in **5-home tranches (~$1.0M each)** released against sales, so construction exposure at any moment is limited to the pipeline, never the whole community:

STAGE	WHAT HAPPENS
Year 1	Land closes; Phase 1 roads, water and underground electric built; first construction tranches start; first home closings begin returning capital
Years 2–4	Phases 2–4 infrastructure funded progressively from closings; introductory-tier ($294K) sell-through establishes community comps
Phase 5 — the crossover	At roughly **135 homes sold, cumulative cash turns permanently positive** (year ~7 at 20 homes/yr; year ~4 at 40 homes/yr). Every later phase is funded entirely by sales at the $325K standard tier
Sell-out	Remaining phases distribute profit as they close; projected cumulative pre-tax profit ~$12.0M on ~$100M of revenue

> **Capital efficiency levers:** seller financing on the land (25% down reduces peak capital to ~$3.7M) and presales with buyer deposits on construction tranches can materially reduce the equity requirement — both are being pursued.

Key Risks & Mitigants

RISK	MITIGANT
Absorption slower than 20 homes/yr	Phased construction in 5-home tranches — build pace throttles to sales; break-even is driven by homes sold, not time
$325K step-up not achieved in later phases	Project remains profitable (~$6.0M) if all homes sell at $294K; step-up modeled as upside earned through buildout
Construction cost inflation over the build-out	Fixed-price/GMP builder contracts per tranche; later-phase price steps partially hedge inflation
Infrastructure overruns	Planning estimate carries 15% contingency; creek hydrology and well-yield studies precede commitment
Permitting (MIVIOT, MiAmbiente, MINSA)	Plan exceeds green-space and underground-utility requirements; riparian corridor pre-protected in design

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