



# Appraisal Report

## **Multi-Tenant Commercial/Residential Property**

**10,476 Square Feet / 286.21 Square Meters**

#1661 Ponce de León Avenue corner Saldaña Street, Parada 24

Santurce Norte Ward, San Juan, Puerto Rico 00907

(RE: 26029 - Metropol San Juan, Inc. / Lot 5,716)



### **Requested by**

Mrs. Jennifer Mártir Suárez  
Administrative Assistant Popular, Inc.  
Appraisal Ordering and Review Department  
Banco Popular of Puerto Rico  
#153 Ponce de León Avenue – 10<sup>th</sup> Floor  
Hato Rey, San Juan, PR 00918

### **As of**

September 9, 2016

### **Prepared on**

October 7, 2016

### **EFRAIN TIRADO APPRAISAL GROUP P.S.C.**

#1001 Ponce de León Avenue, Suite A, San Juan, PR 00907

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October 7, 2016

Mrs. Jennifer Mártir Suárez  
Administrative Assistant Popular, Inc.  
Appraisal Ordering and Review Department  
Banco Popular of Puerto Rico  
#153 Ponce de León Avenue – 10<sup>th</sup> Floor  
Hato Rey, San Juan, PR 00918  
**(RE: 26029 - Metropól San Juan, Inc. / Lot 5,716)**

Dear Mrs. Mártir:

In accordance with your request, we are submitting an appraisal report of a multi-tenant commercial/residential property located at #1661 of Ponce de León Avenue corner Saldaña Street at the Parada 24 Sector in the Santurce Norte Ward of the San Juan Municipality in Puerto Rico. The subject property comprises a four-story mixed-use building, which totals a gross building area of 10,476 square feet, built on a 286.21 square meters site. The building comprises one-commercial locale, 22 rooms and a 1Br-1Ba apartment unit. The current physical condition can be rated as average with a normal physical deterioration. The owner of records is Metropól San Juan, Inc.

The purpose of this appraisal according with the scope of assignment was to form an opinion on market value of the subject property in leased fee interest, as defined in the report, subject to the limiting conditions, assumptions and the certification included in the appraisal report as of the effective date. The client / intended user is Banco Popular de Puerto Rico. The intended use of this appraisal report is to assist the client in commercial credit underwriting regarding to the subject property.

We performed a personal observation of the physical, legal and financial aspects of the subject property. Based on the physical characteristics and location of the property and after a research and thorough analysis of economic factors influencing real estate values in subject's market area, the opinion of appraisers is that the market value of the subject property in leased fee interest, under the market conditions prevailing as of September 9, 2016, is:

<b>Market Value (Leased Fee Interest)</b>	<b>\$545,000</b>
<b>FIVE HUNDRED FORTY-FIVE THOUSAND DOLLARS</b>	

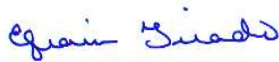
The following is an appraisal report in a narrative format, which presents information considered relevant to the leased fee interest in this property and the methods by which collected data has been analyzed in arriving to our value conclusion. The report, in its entirety, including all assumptions and limiting conditions, is an integral part and inseparable from this letter.

The report is for the sole use of the client. However, the client may provide only complete, final copies of the report to third parties who shall review such in connection with loan underwriting or scrutinizing efforts. The appraisers are not responsible for the unauthorized use of this report. The appraisers are not required to testify or explain as to appraisal result other than to respond to the client for routine and customary questions.

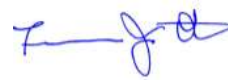
The values estimate indicated in this report is based on market data and conditions as of the appraisal date, which is projected to remain stable. Any substantial changes in market conditions could have a favorable or unfavorable influence on the real estate value. We accept no responsibility regarding future changes in the market that could not be anticipated as of the effective date of the appraisal report.

It has been a privilege to assist you in this appraisal assignment. If you have any questions concerning the analysis or the report or if I can be of further service please contact us.

Respectfully submitted,



Efraín Tirado Mártir, PE, PMP, CMEA  
Real Estate Appraiser  
Certificate No. 160CG  
State License No. 770EPA



Francisco J. Otero Valentín  
Real Estate Appraiser  
State License No. 1302EPA

## TABLE OF CONTENTS

Summary of Important Facts and Conclusions	5
The Scope of Work	8
Introduction - Statement of the Appraisal	10
History of the Property	11
Explanation of Terminology Used	15
Market Area Analysis	22
Neighborhood Analysis	45
Property Productivity Analysis	58
Highest and Best Use Analysis	71
Valuation Process and Approaches	74
Insurable (Value) Valuation	76
Insurable Value Conclusion	78
The Income (Capitalization) Approach	79
Development of Capitalization Rate	86
Value Conclusion by the Income (Capitalization) Approach	88
General Limiting Conditions	89
General Assumptions	91
Certificate of the Appraisers	93
Addenda & Qualifications of the Appraisers	94



## SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

<b>Property Type</b>	Multi-Tenant Commercial/Residential Facility												
<b>Property Rights Appraised</b>	Leased Fee Estate (Interest)												
<b>Purpose of Appraisal</b>	Determine the market value of the subject property as of the effective date.												
<b>Intended Use</b>	To assist the client in commercial credit underwriting regarding to the subject property.												
<b>Location</b>	#1661 of Ponce de León Avenue corner Saldaña Street, Parada 24 Sector Santurce Norte Ward, San Juan, Puerto Rico 00907												
<b>Frontage / Access</b>	It has adequate access, exposure and frontage of 33.62 linear meters (110 LF) to/from Ponce de León Ave. on its south side & Saldaña Street on its east side.												
<b>Cadastral (Tax Code) No.</b>	040-080-214-36-001												
<b>Location Coordinates</b>	Latitude: 18.443642 / Longitude: -66.064772												
<b>Site Area</b>	286.21 square meters												
<b>Shape / Topography</b>	Trapezoidal / Level												
<b>Utilities</b>	Electricity & water, telephone, cable TV, internet, sanitary & storm sewers												
<b>Soil / Subsoil / Drainage</b>	Firm and apparently stable / Adequate												
<b>Zoning</b>	ZU-G3 (General Use 3)												
<b>Flood Zone &amp; Panel No.</b>	Zone X, FEMA panel No. 72000C-0355-J, dated November 28, 2009												
<b>Improvements Summary</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #D3D3D3;"> <th style="text-align: left;">Buildings Breakdown</th><th style="text-align: right;">Area in Sq. Ft.</th></tr> </thead> <tbody> <tr style="background-color: #FFFF00;"> <td>First Floor – Commercial Locale &amp; Lobby</td><td style="text-align: right;">2,773</td></tr> <tr style="background-color: #FFFF00;"> <td>Second Floor – 9 Rental Rooms</td><td style="text-align: right;">2,773</td></tr> <tr style="background-color: #FFFF00;"> <td>Third Floor – 11 Rental Rooms &amp; Laundry Room</td><td style="text-align: right;">2,773</td></tr> <tr style="background-color: #FFFF00;"> <td>Fourth Floor – 1 Apartment, 1 Room, 2 Storages &amp; Common Kitchenette</td><td style="text-align: right;">2,157</td></tr> <tr style="background-color: #D3D3D3;"> <td><b>Total Gross Building Area (GBA)</b></td><td style="text-align: right;"><b>10,476</b></td></tr> </tbody> </table>	Buildings Breakdown	Area in Sq. Ft.	First Floor – Commercial Locale & Lobby	2,773	Second Floor – 9 Rental Rooms	2,773	Third Floor – 11 Rental Rooms & Laundry Room	2,773	Fourth Floor – 1 Apartment, 1 Room, 2 Storages & Common Kitchenette	2,157	<b>Total Gross Building Area (GBA)</b>	<b>10,476</b>
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Fourth Floor – 1 Apartment, 1 Room, 2 Storages & Common Kitchenette	2,157												
<b>Total Gross Building Area (GBA)</b>	<b>10,476</b>												
<b>Average Ceiling Height</b>	10' feet each floor												
<b>Land-to-Building Ratio</b>	0.29:1												
<b>Floor Area Ratio</b>	340%												
<b>On-Site Parking</b>	None												
<b>Physical Condition</b>	Average												

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

**Leasable Units Summary**

Description	Status	Premise	Monthly Rent	Annual	Per SF/YR
Commercial Locale	Leased	2,100 Sq. Ft.	\$2,050	\$24,600	\$11.71
Room 201	Leased	Room-Bath	\$500	\$6,000	N/A
Room 202	Leased	Room-Bath	\$500	\$6,000	N/A
Room 203	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 204	Leased	Room-Bath	\$535	\$6,420	N/A
Room 205	Vacant	Room-Bath	\$300*	\$3,600	N/A
Room 206	Leased	Room-Bath	\$500	\$6,000	N/A
Room 208	Leased	Room-Bath	\$375	\$4,500	N/A
Room 209	Leased	Room-Bath	\$500	\$6,000	N/A
Room 210-211	Leased	2Room-2Bath	\$700	\$8,400	N/A
Room 301	Leased	Room-Bath	\$500	\$6,000	N/A
Room 302	Vacant	Room-Bath	\$350*	\$4,200	N/A
Room 303	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 304	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 305	Vacant	Room-Bath	\$350*	\$4,200	N/A
Room 306	Vacant	Room-Bath	\$400*	\$4,800	N/A
Room 307	Vacant	Room-Bath	\$300*	\$3,600	N/A
Room 308	Leased	Room-Bath	\$400	\$4,800	N/A
Room 309	Leased	Room-Bath	\$450	\$5,400	N/A
Room 310-311	Leased	2Room-2Bath	\$800	\$9,600	N/A
Room 401	Leased	Room-Bath	\$350	\$4,200	N/A
Apartment 404	Vacant	1-Bed/1-Bath	\$600*	\$7,200	N/A

\*Asking Rents per month

**Appraisal Methodology**

This appraisal considers only development of the Income (Capitalization) approach to estimate value of the assignment.

**Highest and Best Use**

The existing improvements are in harmony with the neighborhood trend and contribute in a balanced proportion to the total value of the property. The current zoning, physical attributes and neighborhood's use trends would point towards to continue its current mixed use (multi-tenant / income producing).

**Ideal Improvement**

Ideal improvements call for a subject type mixed-use building.

**Exposure Time**

Eighteen (18) months

**Marketing Time**

Eighteen (18) months

**Most Probable Buyer**

Investor

**Client / Intended User**

Banco Popular de Puerto Rico

**Owner of Records**

Metropol San Juan, Inc.

**Extraordinary Assumptions**

At the time of the inspection, the owner failed to provide access to the interior of eleven (11) rental rooms. As such, this valuation report assumed that the physical condition is average as per our exterior inspection. Appraisers thereon assume no responsibility and/or liability.

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

	<p>This appraisal report assumes; 1) that the subject property enjoys all setbacks and requirements of the PRPB/OGPE; 2) that the property enjoys all the necessary permits for its current mixed use and; 3) that the property is managed in a competent manner as per market standards and in compliance with local laws and regulations. Appraisers thereof assume no responsibility and/or liability.</p>
<b>Hypothetical Conditions</b>	None.
<b>Key Valuation Issues</b>	<p>The subject's personal property is out of the scope of work, thus, not taken into consideration in this report. In addition, an in-depth feasibility study was not undertaken as it is beyond the scope of this analysis. In other words, inferred market method was undertaken in our analysis.</p> <p>Accuracy of income information provided. The income data utilized in this report was obtained from the copy of the lease contract of commercial locale and copy of a rent-roll provided by owner. In addition, it provides copy of operating expenses of the property. As such, the information provided (monthly rents, terms, operating expenses, etc.) is assumed correct and was utilized as the basis in this appraisal report. Appraisers thereon assume no responsibility and/or liability. Therefore, any discrepancy or variations in future will cause null and void the concluded value.</p>
<b>Market Value Conclusion</b>	\$545,000
<b>Date of Valuation</b>	September 9, 2016
<b>Date of Report</b>	October 7, 2016

## THE SCOPE OF WORK

The term **Scope of Work** of the appraisal is defined on The Real Estate Appraisal 14<sup>th</sup> Edition as the extent of the process of collecting, confirming and reporting data. The scope of work of the appraisal encompasses the necessary research and analysis to prepare a report in accordance with the intended use, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) and the Standards of Professional practice of the Appraisal Foundation in compliance with Title XI of FIRREA.

This is an appraisal report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2 of the USPAP for this type of report option. The information contained in this report is specific to the needs of the Lender / Client and for the intended use stated in this report. The “intended use” is to assist the client in commercial credit underwriting regarding to the subject property. The “intended user” of the report is Banco Popular de Puerto Rico. The appraisers are not responsible for unauthorized use of this report.

The scope of the appraisal is the extent of the process of collecting, confirming, and reporting the data utilized in connection with the analysis of the subject properties. The scope of the work performed in this appraisal assignment includes the definition of the appraisal problem; viewing of the properties being appraised; consideration of the highest and best use of the land and property as vacant; collection, verification and analysis of data which leads to the completion of the assignment as of the effective date of appraisal.

Appraisers typically use three approaches in valuing real property. The type and age of the property and the quantity and quality of data affect the applicability of each approach in a specific appraisal problem. The three approaches are commonly known as (1) the Cost Approach, wherein the value of the land, as if vacant, is added to the depreciated value of the improvements; (2) the Income Approach, wherein the net income imputable to the property is calculated and then capitalized into value, using an overall rate or other capitalization methods considered representative of the market place; and (3) the Sales Comparison Approach, wherein the appraiser researches the market for sales data considered highly comparable and significant to the property being appraised.

In this assignment, after gathering all the necessary data available, including competitive sales, market rents, etc., the appraisers only developed the Income (Capitalization) Approach as part of the Valuation Process contained in the body of this report.

The Cost Approach has not been included because it is not considered relevant in estimating the market value for the subject property. This approach is usually not utilized by buyers and sellers in the marketplace as basis for making purchase or sale decisions for buildings like the subject. Moreover, the valuation for this approach rests on the contribution of the depreciated cost of the improvements and the contribution of site; and not for the income producing capabilities of the rentable units of the subject (1 locale, 19 rooms and 1 apartment). In fact, properties similar to the subject are typically acquired for investors motivated by the income streams produced for properties and not for the construction cost of them. Moreover, there are not recent vacant sales within the subject market area and the age of the improvements makes it difficult to estimate the amount of accrued depreciation. However, upon client request, we developed an insurable value of the improvements on the subject property.

On the other hand, the Sales Comparison Approach could not be developed due to the lack of abundant sales competitive / similar to the subject property (multi-tenant / income-producing) which were not found in the general market of the San Juan Municipality. Thus, a realistic value figure could not be estimated under this premise.

To sum up, it is our opinion that the exclusion of the Cost and Sales Comparison approaches is merited in this assignment and does not reduce the credibility or reliability of this appraisal report for purposes of estimating the subject's market value.

Finally, based on analysis performed on the type of property under appraisal, the market research made and taking into consideration the developed of the Income (Capitalization) approaches, the appraisers reach to an opinion on market value of the subject property in leased fee interest.

### **Competency Provision**

Prior to accepting this assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the appraisal problem to be considered and have the knowledge and experience to complete the assignment competently. Our acceptance of this assignment is a statement of competency. No information or conditions were discovered during the course of this assignment to cause the appraisers to believe we lacked the required knowledge or experience to complete this assignment competently. Efraín Tirado Appraisal Group, P.S.C and the signatories hereto have experience in the appraisal of properties similar to the subject and are deemed qualified by education, training and experience in the preparation of such reports to comply with the competency provisions of USPAP. The professional qualifications of the individual who supervised and reviewed this appraisal are included at the end of the report.

## INTRODUCTION – STATEMENT OF THE APPRAISAL

### Purpose of the Appraisal

The purpose of this appraisal according with the scope of the assignment was to form an opinion on market value of the subject property in leased fee interest, as of the effective date September 9, 2016; the last day the property was inspected by appraisers.

### Identification of the Subject Property

The subject refers to a multi-tenant commercial/residential property located at #1661 of Ponce de León Avenue corner Saldaña Street at the Parada 24 Sector in the Santurce Norte Ward of the San Juan Municipality in Puerto Rico.

The existing improvements comprise a four-story mixed-use building, which totals a GBA of 10,476 square feet. The building is constructed of reinforced concrete and concrete block walls. It comprises one-commercial locale, 22 rooms and a 1Br-1Ba apartment unit.

Buildings Breakdown	Area in Sq. Ft.
First Floor Commercial Locale & Lobby	2,773
Second Floor 11 Rental Rooms & Laundry Room	2,773
Third Floor 11 Rental Rooms	2,773
Fourth Floor 1 Apartment, 1 Room, 2 Storages & Common Kitchenette	2,157
<b>Total Gross Building Area (GBA)</b>	<b>10,476</b>

The 1<sup>st</sup> floor comprises a commercial local of approximately 2,100 square feet, which is the houses of Abracadabra Restaurant and lobby of residential premises. Interior layout of restaurant includes diner rooms, bar, kitchen, storage and two (2) restrooms.

The 2<sup>nd</sup> floor comprises eleven (11) rental rooms and laundry room and the 3<sup>rd</sup> floor comprises eleven (11) rental rooms. The 4<sup>th</sup> floor includes one (1) rental room, one (1) apartment of 1-bed/1-bath, two (2) storages (former rental rooms) and a common kitchenette. All rooms have a full bathroom.

Interior finishes include terrazzo and ceramic tile floors, concrete block walls and partitions plastered and painted, aluminum-glass doors, aluminum and wood doors, aluminum-glass windows, wood-glass and aluminum jalousie (Miami type), exposed ceiling plastered and painted, acoustic ceiling and recessed lamp or holders with fluorescent lighting. The property enjoys two (2) electric meters and two water meters.

Original improvements were built over 50 years ago with average quality materials. The subject improvements are in average physical condition experiencing a significant degree of accrued depreciation (physical, functional and external/economic). In fact, several short life of the building require be corrected immediately in order to place the property in a more competitive condition. The cost to cure the deferred maintenance in properties with similar degree of physical deterioration averages \$4.00 per square feet of gross building area.

Additional improvements include common open terrace in the fourth floor, security roll-up shutters and iron works. The property lacks on-site parking, which could be suggested that the property experiences some degree of functional obsolescence due to this deficiency. However, this deficiency is typical in most locations along subject's span and within the Santurce Sector. The property carries a land-to-building ratio of 0.29:1 and a floor area ratio of 340%, which are typical for this kind of commercial mixed-use facility.

The subject property has adequate access, exposure and frontage of 33.62 linear meters (110 LF) to/from Ponce de León Avenue on its south side and Saldaña Street on its east side. Improvements occupy a site of trapezoidal shape and level topography, which totals 286.21 square meters. It lies within the ZU-G3 (General Use Zone 3) district of the special zoning regulation of the Santurce Ward by the Planning Board of the San Juan Municipality and falls 100% outside flood-prone areas, Zone X, as outlined on FEMA panel No. 72000C-0355-J, effective as of November 28, 2009.

### Interest Being Valued

This valuation report relates to the market value of the subject property in leased fee interest.

### Property Rights Appraised

Leased Fee Estate (Interest) - *The ownership interest held by the landlord with the rights of occupancy conveyed by lease to others: the rights of the lesser or the leased fee owner and leased fee are specified by contract terms contained within the lease.*

### Client, Intended use and Intended Users

The client / intended user is Banco Popular de Puerto Rico. The intended use of this appraisal report is to assist the client in commercial credit underwriting regarding to the subject property.

### Effective Date of the Appraisal

September 9, 2016

### Date of the Report

October 7, 2016

### History of the Property

The Uniform Standards of Professional Appraisal Practice indicate that in developing a real property appraiser must:

- Analyze all agreement of sale, option, and listings of the subject property current as of the effective date of the appraisal; and
- Analyze all sale of the subject property that occurred within the three (3) years prior to the effective date of the appraisal.

The owner of records is Metropol San Juan, Inc. for more than three (3) years prior to the effective date of this appraisal report. It fact, it acquired from José M. Canosa Rodríguez and Raquel Alfonso Cleyo for \$390,000 on January 29, 2004, as per deed #49 before Ray J. De León Colón, Esquire. The legal description and inscription data in the Spanish language are as follow:

---**URBANA:** Sita en la Sección Norte del Barrio de Santurce de esta ciudad capital de San Juan, con una cabida de **286.21 metros cuadrados**. En lindes por el **NORTE**, en 14.95 metros, con la finca de William Picue Bennet; por el **SUR**, en 9.60 metros, con Avenida Ponce de León; por el **ESTE**, en 24.02 metros con finca descrita en la principal denominada Saldaña Place; y por el **OESTE**, en 24.80 metros con María Rivera De López de Victoria.---

---**TRACTO REGISTRAL:** Finca #5,716, inscrita al folio 165 del tomo 522 de Santurce Norte, Registro de la Propiedad de San Juan, Sección I, Inscripción 33ra.-----

The owner of records, legal description and inscription data were taken from the title study submitted by client. Thus, the site area was utilized as the basis of this report and has been assumed correct. Appraisers thereon assume no responsibility and/or liability.

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
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Again, the subject property refers to a multi-tenant commercial/residential facility totaling a gross building area of 10,476 square feet. It comprises one-commercial locale, 22 rooms and a 1Br-1Ba apartment unit. The property has a current 61% occupancy. The commercial locale is under a 68-month lease on gross basis with utilities paid by the tenant. Leases of rooms are in month-to-month, all with fixed monthly rent, which includes utilities. Current monthly income is of \$7,360, say \$95,320 annually. The following table summarizes the premises.

Description	Status	Premise	Monthly Rent	Annual	Per SF/YR
<b>Commercial Locale</b>	Leased	2,100 Sq. Ft.	\$2,050	\$24,600	\$11.71
Room 201	Leased	Room-Bath	\$500	\$6,000	N/A
Room 202	Leased	Room-Bath	\$500	\$6,000	N/A
Room 203	Vacant	Room-Bath	\$500*	\$6,000	N/A
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Room 210-211	Leased	2Room-2Bath	\$700	\$8,400	N/A
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Room 304	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 305	Vacant	Room-Bath	\$350*	\$4,200	N/A
Room 306	Vacant	Room-Bath	\$400*	\$4,800	N/A
Room 307	Vacant	Room-Bath	\$300*	\$3,600	N/A
Room 308	Leased	Room-Bath	\$400	\$4,800	N/A
Room 309	Leased	Room-Bath	\$450	\$5,400	N/A
Room 310-311	Leased	2Room-2Bath	\$800	\$9,600	N/A
Room 401	Leased	Room-Bath	\$350	\$4,200	N/A
Apartment 404	Vacant	1-Bed/1-Bath	\$600*	\$7,200	N/A

\*Rent asking per month

The income data utilized in this report was taken from several copies of the lease contracts and a copy of rent-roll provided by owner. The operating expenses were also provided in hard copies. As such, the information (monthly rents, terms, operating expenses, etc.) is assumed correct and was utilized as the basis in this appraisal report. Appraisers thereon assume no responsibility and/or liability. Therefore, any discrepancy or variations in future will cause null and void the concluded value.

Finally, as reported by owner and upon research of the applicable public records and in the private data services, revealed that the subject property is not under current sale agreement or option and is not offered for sale on the open market. In addition, the appraisers have no knowledge whether the subject property has been for sale over the past three (3) years from the effective date of this appraisal report.

#### **Deed & Lease Restrictions**

We have no knowledge of the existence of deed and/or lease restrictions that limit the use of the property. The reported market value is based on a leased fee interest. Any discrepancy from this would render the concluded value null and void.



### Reporting Option

Standards Rules 2-2 of the Uniform Standards of Professional Appraisal Practice 2016-2017 Ed. as promulgated by the Appraisal Standards Boards of the Appraisal Foundation states: *“Each written real property appraisal report must be prepared under one of the following two options and prominently state which option is used: Appraisal Report or Restricted Appraisal Report.”*

An Appraisal Report must summarize the appraiser’s analysis and the rationale for the conclusions. A Restricted Appraisal Report might not include sufficient information for the client (no other intended users are allowed) to understand either the appraiser’s analyses or rationale for the appraiser’s conclusions.

For this appraisal assignment, the client requested the **Appraisal Report** as the reporting option.

### Exposure Time<sup>1</sup>

Standards Rule 1-2(c) states, that when the purpose of an assignment is to develop an opinion of market value, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion. Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal. Exposure time may define as follows: *“The time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Exposure time occurs before the effective date of the appraisal. Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal.”*

Comments: Exposure time is a retrospective opinion based upon an analysis of past events assuming a competitive and open market. In fact, an estimate of exposure time is required by USPAP for market value appraisal assignments (see Standards Rules 1-2(c) (iv) and 7-2(c) (IV)). Exposure is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable efforts.

In this assignment, based on the gathered information of the comparable sales researched and analyzed the appraisers concluded that a reasonable exposure time for the subject property would be approximately eighteen (18) months.

### Marketing Time<sup>2</sup>

The Dictionary of Real Estate Appraisal defines marketing time as: *“The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.”*

Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions.

<sup>1</sup> Statement of Appraisal Standards No. 6 (SMT-6) of the Appraisal Standards Board of the Appraisal Institute.

<sup>2</sup> The definition was taken from The Dictionary of Real Estate Appraisal (6<sup>th</sup> Edition - 2015), published by the Appraisal Institute.

Comment: Advisory Opinion 7 (A0-7) defines marketing time as: an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal.

Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of The Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time).

In contrast with the exposure time, an estimate of marketing time is not mandated by USPAP, but may be required by the client and so becomes an assignment condition in those assignments.

### **Estimating Marketing Time Period**

Normal Marketing Period is the amount of time necessary to expose a property to the open market to achieve a sale. Implicit in this definition are the following characteristics:

1. The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar type properties.
2. The property will be offered at a price reflecting the most probable markup over market value used by sellers of similar type properties.
3. A sale will be consummated under the terms and conditions of the definition of market required by the regulation.

In this assignment, based on the same information analyzed to estimate an exposure time we concluded a marketing time period of approximately eighteen (18) months.

## EXPLANATION OF TERMINOLOGY USED IN THIS REPORT

**Access-** The ability to enter or pass to a site from a route, or to a route from a site or a building. For instance, curb cuts, turn lanes, turn lights, water and sewer taps, doorways, hallways, driveway entrances and exits, and even satellite dishes may be considered to provide access. Access is further broken down into legal access and physical access.

**Active Market-** A market characterized by numerous transactions.

**Appraisal<sup>2</sup>**- (noun) The act or process of developing an opinion of value; an opinion of value; (adjective) of or pertaining to appraising and related functions such as appraisal practice or appraisal services.

Comment: An appraisal must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion or numerical benchmark (e.g., assessed value, collateral value). (SVP)

**Appraiser<sup>2</sup>**- One who is expected to perform valuation services competently and in a manner that is independent, impartial and objective.

**Arm's-Length Transaction-** A transaction between unrelated parties who are each acting in his or her own best interest.

**"As Is" Market Value-** The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an "as is" value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards.

### Assignment

- <sup>1</sup>A written transfer of the rights of use and occupancy of a property to be held by another legal entity or to be used for the benefit of creditors, e.g., assignments of mortgages, sales contracts and leases.
- <sup>2</sup>An agreement between an appraiser and a client to provide valuation service; the valuation service that is provided as a consequence of such an agreement.
- <sup>1</sup>An appraisal, appraisal review, or appraisal consulting service provided for a client. (Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute).

**Base Rent-** The minimum rent stipulated in a lease.

**Bracketing-** A process in which an appraiser determines a probable range of values for a property by applying qualitative techniques of comparative analysis to a group of comparable sales. The array of comparable sales may be divided into three groups those superior to the subject, those similar to the subject, and those inferior to the subject. The adjusted sale prices reflected by the sales requiring downward adjustment and those requiring upward adjustment refine the probable range of values for the subject and identify a value bracket in which the final value opinion will fall.

The definitions were taken from <sup>1</sup>*The Dictionary of Real Estate Appraisal 2015, 6th Edition*; <sup>2</sup>*USPAP, 2016-2017 Ed.*

**Building Common Area-** In office buildings, the areas of the building that provide services to building tenants but that are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms.

Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations.

**Cadastral Map-** A scale map displaying property ownership boundaries and showing the dimensions of each parcel with related information such as parcel identifier, survey lines, and easements. Annotations on recent sales prices and land value are sometimes added. (IAAO)

**CAM Administration Fee-** The cost of administering the common area of any commercial or retail property, a standard addition to the overall cost of common area maintenance (CAM); also known as administration fee or administration load.

**Client<sup>2</sup>**- The individual, group, or entity who engages a valuer to perform a service. (SVP) The party or parties who engage an appraiser (by employment or contract) in specific assignment.

Comment: The client may be an individual, group, or entity, and may engage and communicate with the appraiser directly or through an agent. Generally the party or parties order in the appraisal report. It does not matter who pays for the work. (CUSPAP, 2014 ed.)

**Class of Office Building-** For the purposes of comparison, office space is grouped into three classes: Class A, B, and C. These classes represent a subjective quality rating of buildings, which indicates the competitive ability of each building to attract similar types of tenants. Combinations of factors such as rent, building finishes, system standards and efficiency, building amenities, location or accessibility, and market perception are used as relative measures.

**Clear Height-** The dominant or typical vertical measurement from the floor of the structure to the bottom of the lowest overhead beam. Also called clear headway, clear ceiling height, or clearance.

**Commercial Facility<sup>1</sup>**- Defined under the Americans with Disabilities Act (ADA) of 1990 as a facility, intended for nonresidential use, whose operations affect commerce; broadly interpreted to include commercial establishments that do not fall under the definition of public accommodation, e.g., office buildings, factories, other places of employment.

**Commercial Property<sup>1</sup>**- Income-producing property such as office buildings, retail buildings, hotels, banks, restaurants, service outlets, and owner-occupied properties that are capable of becoming income-producing should the owner so decide; usually zoned for business purposes.

**Comparable<sup>2</sup>**- A shortened term for similar property sales, rentals, or operating expenses used for comparison in the valuation process. In best usage, the thing being compared should be specified, e.g., comparable sales, comparable properties, comparable rentals.

The definitions were taken from <sup>1</sup>*The Dictionary of Real Estate Appraisal 2015, 6th Edition*; <sup>2</sup>*USPAP, 2016-2017 Ed.*

**Competent Management<sup>2</sup>**- An owner, operator, or management company that uses tangible assets according to their highest and best use in a manner that generates net income in the expected range for those assets.

**Date of Report**- The date on which the report is transmitted to the client. (SVP)

**Deferred Maintenance**- Items of wear and tear on a property that should be fixed now to protect the value or income-producing ability of the property, such as a broken window, a dead tree, a leak in the roof, or a faulty roof that must be completely replaced. These items are almost always curable.

**Distress Sale**- A sale involving a seller acting under undue duress.

**Effective Date**- The date on which the appraisal or review opinion applies. (SVP) In a lease document, the date upon which the lease goes into effect.

**Extraordinary Assumption<sup>1</sup>**- An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis.

**Expenditures Made Immediately After Purchase**- An element of comparison in the sales comparison approach; comparable properties can be adjusted for any additional investment (e.g., curing deferred maintenance) that the buyer needed to make immediately after purchase for the properties to have similar utility to the subject property being valued.

**Fee Simple Estate or Interest<sup>1</sup>**- Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power and escheat.

**Fee Simple Title<sup>1</sup>**- A title that signifies ownership of all rights in a parcel of real property, subject only to the limitations of the four (4) powers of government.

#### **Gross Building Area (GBA)**

1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.

**Gross Leasable Area (GLA)**- Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces.

**Gross Lease**- A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.

**Highest and Best Use<sup>1</sup>**– The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility and maximum productivity. Alternatively, the probable use of land or improved property specific with respect to the user and timing of the use that is adequately supported and results in the highest present value.

**Hypothetical Condition<sup>1</sup>**- That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**Improvements<sup>1</sup>**- Buildings or other relatively permanent structures or developments located on, or attached to, land.

**Inspection Date<sup>1</sup>**- The date on which the complete physical property inspection or viewing, usually including both the interior and exterior, is performed; distinct from date of appraisal report or date of value opinion.

**Insurable Value<sup>1</sup>**- A type of value for insurance purposes.

**Lease-** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.

**Lease Fee<sup>1</sup>**- A property held in fee with the right of use and occupancy conveyed by leased to others. A property consisting of the right to receive ground rentals over a period of time, plus the right of ultimate repossession at the termination of the lease.

**Lease Interest<sup>1</sup>**- One of the dividend interests resulting from separation of the Bundle of Rights by a lease, I.E, the Leased Fee Estate or Leasehold Estate.

**Leased Fee Estate1 (Leased Fee Interest)-** A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). The ownership interest held by the landlord with the rights of occupancy conveyed by lease to others; the rights of the lesser or the fee simple owner and fee simple are specified by contract terms contained within the lease.

**Leasehold (Leasehold Interest)<sup>1</sup>**- The interest held by the lessee (the tenant or renter) of a property held under tenure of lease. The right of use and occupancy of real property by virtue of a lease agreement. The right of a lessee to use and enjoy real estate for a stated term and upon certain conditions, such as the payment of rent.

**Leasehold Estate<sup>1</sup>**- A non-freehold estate, the tenant's or lessee's interest. An estate in property created by lease.

The definitions were taken from <sup>1</sup>*The Dictionary of Real Estate Appraisal 2015, 6th Edition*; <sup>2</sup>*USPAP, 2016-2017 Ed.*

**Market Value**<sup>3</sup>- Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2016-2017 Ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The term of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of the sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

**Market Value “As Is”**<sup>1</sup>– The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

**Modified Gross Lease**- A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property’s operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.

**Mixed-Use Development (MUD)**<sup>1</sup> - An income-producing property that comprises multiple significant uses within a single site such as retail, office, residential, or lodging facilities. (R.S. Means)

**Net lease**- A lease in which the landlord passes on all expenses to the tenant.

<sup>3</sup>The Market Value definition was taken from Advisory Opinion No. 22 (AO-22) of the Uniform Standards of Professional Appraisal Practice 2016-2017 Ed., published by the Appraisal Standards Board of The Appraisal Foundation.

**Personal Property<sup>2</sup>**- Tangible objects that are considered by the general public as being personal. For example: furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all tangible property that is not classified as real estate.

**Real Estate<sup>1</sup>**- An identified parcel or tract of land, including improvements, if any.

**Real Property<sup>1</sup>**- The interest, benefits, and rights inherent in the ownership of a real estate. In some jurisdictions, the term *real estate* and *real property* have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

**Replacement Cost New** is the cost to construct, at current prices as of the effective date of the appraisal, an exact replica of the building using the same materials, construction standards, super adequacies; and obsolescence pertaining to the buildings.

**Report<sup>2</sup>**- Any communication, written or oral, of an appraisal, appraisal review, or appraisal consulting service that is transmitted to the client upon completion of an assignment. Most reports are written and most clients mandate written reports. Oral report requirements are included to cover court testimony and other oral communications of an appraisal consulting service.

**Tenant**- One who holds or possesses real estate by any kind of right or title; commonly a person who occupies and uses the property of another under a lease.

**Use Variance**- A decision by a board of adjustment that grants a property owner the right to develop or use his or her property in a manner that violates the strict terms of the applicable zoning authority; granted on a property-by-property basis.

**Uniform Standards of Professional Appraisal Practice (USPAP)<sup>1</sup>**- Current standards of the appraisal profession, developed for appraisers and the users of appraisal services by the Appraisal Standards Board of The Appraisal Foundation. The Uniform Standards set forth the procedures to be followed in developing an appraisal, analysis, or opinion and the manner in which an appraisal, analysis, or opinion is communicated. They are endorsed by the Appraisal Institute and by other professional appraisal organizations.

**Value Estimate<sup>1</sup>**- The fair market value at its highest and best use, reflecting all costs related to the conversion to its highest and best use. The fair market value referenced above is defined as the most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, that the buyer and the seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

**Value and Value Terms<sup>1</sup>**- The monetary worth of property, goods, services, etc.

- The monetary relationship between properties and those who buy, sell, or use those properties.
- *Value* expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value.
- In appraisal practice, value must always be qualified – for example, market value, liquidation value or investment value.
- The present worth of future benefits that accrue to real property ownership.
- All values reported in this appraisal are in terms of cashing, U.S. dollars, or financing terms equivalent to cash.



**Value “As Is”<sup>1</sup> (“as is” market value)**- The value of a specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical; market conditions or possible rezoning.

The estimate of the “as is” market value of a real property in its current physical condition, use and zoning as of the appraisal date (Proposed Interagency Appraisal and Evaluation Guidelines, OCC-4810-33-p 20%).

**Year Built<sup>1</sup>**- Year the primary improvements were completed; also referred to as year of construction.

**Zoning<sup>1</sup>**- The public regulation of the character and extent of real estate use through police power; accomplished by establishing districts or areas with uniform restrictions relating to improvements; structural height, area, and bulk; density of population; and other aspects of the use and development of private property.

**Zoning Map<sup>1</sup>**- A map that depicts the various sections of a community, divides the sections into zones, and indicates the land uses permitted under the zoning ordinance.

The definitions were taken from <sup>1</sup>*The Dictionary of Real Estate Appraisal 2015, 6th Edition*; <sup>2</sup>*USPAP, 2016-2017 Ed.*

## MARKET AREA ANALYSIS

**Market analysis** refers to the process for examining the demand for and supply of a property type and the geographic market area for that property type<sup>1</sup>. This process is necessary for determining a property's highest and best use.

The goal of market analysis is to identify the relationship between demand and competitive supply in the subject property's real estate market, both now and in the future. To do this, the appraiser focuses on the study of the four factors that create value in real property (utility, desire, effective buying power and scarcity). The interaction of these factors is the foundation of real estate market analysis and operates through the principles of supply and demand.

To determine the level of market analysis appropriate for this appraisal assignment, I considered the regulatory requirements, the requirements of the client and user of the appraisal, the market conditions prevailing at the time of the appraisal, the stability of the real estate market and the complexity of the property being appraised. For this assignment we concluded that an inferred analysis is appropriate because the standards do not specify the level of market analysis to be developed.

Moreover, the client did not request a particular level of market analysis, and current market conditions are not expected to change in the near future.

### THE ISLAND OF PUERTO RICO



Puerto Rico, the fourth largest of the Caribbean Islands, is 100 miles long and 35 miles wide, with an area of 3,464 square miles. Puerto Rico officially the Commonwealth of Puerto Rico (Spanish: *Estado Libre Asociado de Puerto Rico*), is an unincorporated territory of the United States, located in the northeastern Caribbean, east of the Dominican Republic and west of both the United States Virgin Islands and the British Virgin Islands.

Puerto Rico (Spanish for “rich port”) comprises an archipelago that includes the main island of Puerto Rico and a number of smaller islands, the largest of which are Vieques, Culebra, and Mona. The main island of Puerto Rico is the smallest by land area of the Greater Antilles. It ranks third in population among that group of four islands, which include Cuba, Hispaniola (Dominican Republic and Haiti), and Jamaica. Due to its location, Puerto Rico enjoys a tropical climate and is subject to the Atlantic hurricane season.

Originally populated for centuries by indigenous aboriginal peoples known as Taínos, the island was claimed by Christopher Columbus for Spain during his second voyage to the Americas on November 19, 1493.

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<sup>1</sup> The Appraisal Real Estate, 14<sup>th</sup> Edition (Chicago: Appraisal Institute, 2010).

Under Spanish rule, the island was colonized and the indigenous population was forced into slavery and wiped out due to, among other things, European infectious diseases. Spain possessed Puerto Rico for over 400 years, despite attempts at capture of the island by the French, Dutch, and British. In 1898, Spain ceded the archipelago, as well as the Philippines, to the United States as a result of its defeat in the Spanish-American War under the terms of the Treaty of Paris of 1898. Since then Puerto Rico has remained under United States rule.

General Information	
<b>Capital</b>	San Juan
<b>Currency</b>	U.S. dollar
<b>Nationality</b>	U.S. citizens
<b>Government</b>	Democratic system with general elections every 4 years
<b>Ruling Party</b>	Popular Democratic Party (PPD)
<b>Time Zone</b>	Atlantic Standard Time; Greenwich Mean Time -4
<b>Area Codes</b>	787, 939

In 1917, Puerto Ricans were granted U.S. citizenship and since 1948 have elected their own governor. In 1952 the Constitution of Puerto Rico was adopted and ratified by the electorate. A democratically elected bicameral legislature is in place but the United States Congress legislate many fundamental aspects of Puerto Rican life. The islanders may not vote in U.S. presidential elections because the territory is not a state. Official languages of the island are Spanish and English, with Spanish being the primary language.

The island's current political status, including the possibility of statehood or independence, is widely debated in Puerto Rico. In November 2012, a non-binding referendum resulted in fifty-four percent of respondents voting to reject the current status under the territorial clause of the U.S. Constitution. Among respondents to a second question about alternatives, sixty-one percent voted for statehood as the preferred alternative to the current territorial status. In December 2012, President Barack Obama said that the majority has spoken in favor of statehood and urged Congress to take action.

Economic development in Puerto Rico has been accompanied, as in other developing countries, with an accelerated urban growth. Declining agriculture and the increased emphasis on manufacturing and services has motivated a mass migration to the cities.

## Geography

Puerto Rico consists of the main island of Puerto Rico and various smaller islands, including Vieques, Culebra, Mona, Desecheo, and Caja de Muertos. Of these last five, only Culebra and Vieques are inhabited year-round. Mona is uninhabited most of the year except for employees of the Puerto Rico Department of Natural Resources. There are also many other even smaller islands including Monito and "La Isleta de San Juan" which includes Old San Juan and Puerta de Tierra and is connected to the main island by bridges.



The Commonwealth of Puerto Rico has an area of 13,790 square kilometers (5,320 sq mi), of which 8,870 km<sup>2</sup> (3,420 sq mi) is land and 4,921 km<sup>2</sup> (1,900 sq mi) is water. The maximum length of the main island from east to west is 180 km (110 mi), and the maximum width from north to south is 65 km (40 mi)-Puerto Rico is the smallest of the Greater Antilles. It is 80% of the size of Jamaica, just over 18% of the size of Hispaniola and 8% of the size of Cuba, the largest of the Greater Antilles.

Puerto Rico is mostly mountainous with large coastal areas in the north and south. The main mountain range is called "La Cordillera Central" (The Central Range). The highest elevation in Puerto Rico, Cerro de Punta 1,339 meters (4,393 ft.), is located in this range. Another important peak is El Yunque, one of the highest in the *Sierra de Luquillo* at the El Yunque National Forest, with an elevation of 1,065 m (3,494 ft.).

Puerto Rico has 17 lakes, all man-made and more than 50 rivers, most originating in the Cordillera Central. Rivers in the northern region of the island are typically longer and of higher water flow rates than those of the south, since the south receives less rain than the central and northern regions.

Puerto Rico is composed of Cretaceous to Eocene volcanic and plutonic rocks, overlain by younger Oligocene and more recent carbonates and other sedimentary rocks. Most of the caverns and karst topography on the island occurs in the northern region in the carbonates. The oldest rocks are approximately 190 million years old (Jurassic) and are located at Sierra Bermeja in the southwest part of the island. They may represent part of the oceanic crust and are believed to come from the Pacific Ocean realm.

Puerto Rico lies at the boundary between the Caribbean and North American plates and is being deformed by the tectonic stresses caused by their interaction. These stresses may cause earthquakes and tsunamis. These seismic events, along with landslides, represent some of the most dangerous geologic hazards in the island and in the northeastern Caribbean.

The Puerto Rico Trench, the largest and deepest trench in the Atlantic, is located about 115 km (71 mi) north of Puerto Rico at the boundary between the Caribbean and North American plates. It is 280 km (170 mi) long. At its deepest point, named the Milwaukee Deep, it is almost 8,400 m (27,600 ft) deep or about 5.2 miles.

Located in the tropics, Puerto Rico has an average temperature of 82.4 °F (28 °C) throughout the year, with an average minimum temperature of 66.9 °F (19 °C) and maximum of 85.4 °F (30 °C).

Climate	Jan-Mar	Apr-Jun	Jul-Sept	Oct-Dec
Average High Temperature (°F)	85	88	90	87
Average Low Temperature (°F)	67	72	74	71
Average Precipitation (in.)	3.9	5.8	6.8	7.1

Temperatures do not change drastically throughout the seasons. The temperature in the south is usually a few degrees higher than the north and temperatures in the central interior mountains are always cooler than the rest of the island. The hurricane season spans from June to November. The all-time low in Puerto Rico has been 39 °F (4 °C), registered in Aibonito. The average yearly precipitation is 1,687 mm (66 in).

Species endemic to the archipelago are 239 plants, 16 birds and 39 amphibians/reptiles, recognized as of 1998. Most of these (234, 12 and 33 respectively) are found on the main island. The most recognizable endemic species and a symbol of Puerto Rican pride is the *Coquí*, a small frog easily identified by the sound of its call, and from which it gets its name. Most *Coquí* species (13 of 17) live in the El Yunque National Forest, a tropical rainforest in the northeast of the island previously known as the Caribbean National Forest.

El Yunque is home to more than 240 plants, 26 of which are endemic to the island. It is also home to 50 bird species, including the critically endangered Puerto Rican Amazon. Across the island in the southwest, the 40 km<sup>2</sup> (15 sq mi) of dry land at the Guánica Commonwealth Forest Reserve contain over 600 uncommon species of plants and animals, including 48 endangered species and 16 endemic to Puerto Rico.

## Population

The People	
<b>Ethnicity</b>	Hispanic/Puerto Rican
<b>Official Languages</b>	Spanish / English
<b>Population</b>	3,548,397 (2014 Estimate)
<b>People per sq. mile</b>	1,036.9 (2014 Estimate)
<b>People per sq. mile</b>	1,087.9 (2010 Census)

Puerto Rico's colonial history with Spain resulted in a racially mixed population (Spanish, African, and indigenous Taino), 85 percent of which is Roman Catholic.

The population was estimated in 3,725,789 according to the last official Census of Population and Housing, published by the U.S. Department of Commerce (Bureau of the

Census), dated 2010, reflecting a decrease of 82,821 and/or 2.2% less persons during the ten (10) year period, or an average of 8,282 persons per year compare with the 3,808,610 habitants as of 2000 Census. The average life expectancy of the population is 75.55 years.

Population growth is discouraged by the government, which supports family-planning programs and birth-control measures on the community and national levels. In the 20<sup>th</sup> century, large-scale migration to the U.S. mainland had slowed population growth and alleviated overcrowding, but since the 1990s, there has been a growing movement of Puerto Ricans from the mainland returning to the island because of improved living conditions. The government also places high emphasis on education, which explains the high literacy rate on the island (90 percent). A bilingual education measures are growing, and is the source of great debate on the island.

The population of Puerto Rico shows high concentrations in urban areas along the coastal lowlands. Several pairs of neighboring cities are virtually growing together due to urban expansion. For example, the capital and its surrounding areas have a population of more than 1.5 million. Nowadays, there has been an exodus of Puerto Rico residents amid the marathon local economic recession. This demographic shift represents a range of challenges for the island. The ongoing exodus of Puerto Rico residents leaving for the U.S. mainland was highlighted in new data issued by the federal Census Bureau. Last year, 76,218 people residing in the U.S. lived in Puerto Rico the year before, according to state-to-state migration flow tables based on 2011 American Community Survey estimates.

The state with the largest flow of people moving from Puerto Rico was Florida with 21,611 movers. The Puerto Rican population in the Sunshine State surged 4.5% over a decade, reaching nearly 848,000 in the 2010 Census. Following Florida as the top destinations for movers from Puerto Rico were: New York (10,582), Texas (5,225) Massachusetts (4,413), New Jersey (4,312), Pennsylvania (2,723), Illinois (2,387), Connecticut (2,105), South Carolina (2,166), Georgia (1,635) and Ohio (1,607).

The data in 2011 shows 22,649 people in Puerto Rico lived in the U.S. one year earlier. Florida also had the most movers to Puerto Rico with 6,614 making the journey. Rounding out the top five in the movers to the island category were New York (2,615), New Jersey (2,150), Connecticut (1,849) and Massachusetts (1,412). The population drop raises the prospect of less federal funding for Puerto Rico, increased pressure on the financially ailing public-pension system and a dramatically aging population with fewer financial resources.

According to U.S. Census Bureau figures (as of September 2012), Puerto Rico's poverty rate was pegged at 45.6% in 2011, up slightly from 45% in 2010. The Census numbers show nearly 1.673 million island residents were living below the federal poverty line last year, up from roughly 1.659 million in 2010. The poverty rate in Puerto Rico remained far ahead of the poorest state in the Union, Mississippi, where 22.6% of the population was living below the poverty line in 2011.

The median household income in Puerto Rico fell to \$18,062 last year, dropping from \$19,370 in 2010, the new Census data shows. The percentage of Puerto Ricans on food stamps inched up from 36.7% in 2010 to 37.5% in 2011.

The most populous city is the capital, San Juan. Other major cities include Bayamón, Carolina, Ponce, and Caguas. Of the ten most populous cities on the island, eight are located within what is considered San Juan's metropolitan area, while the other two are located in the south (Ponce) and west (Mayagüez) of the island.

### Transportation

Transportation	
<b>Passenger Movement (FY 2013)</b>	
LMM Int'l Airport : 8.37 million passengers	
<b>Cargo Movement (FY 2013)</b>	
Air Cargo	564.51 million lbs.
Ocean Cargo	8.39 million short tons*
* Short ton = 2,000 pounds. San Juan Port only	
Local Transportation Network	
Commonwealth System Roads	7,465.14 km.
Highways	296.0 km.
Expressways	203.0 km.
Municipal System Roads	19,398.93 km.

Cities and towns in Puerto Rico are interconnected by a system of roads, freeways, expressways, and highways maintained by the Highways and Transportation Authority under the jurisdiction of the U.S. Department of Transportation, and patrolled by the Puerto Rico Police Department. The island's metropolitan area is served by a public bus transit system and a metro system called Tren Urbano (in English: Urban Train). Other forms of public transportation include seaborne ferries (that serve Puerto Rico's archipelago) as well as Carros Públicos (private mini buses).

The island has three international airports, the Luis Muñoz Marín International Airport in Carolina, Mercedita Airport in Ponce, and the Rafael Hernández Airport in Aguadilla, and 27 local airports. The Luis Muñoz Marín International Airport is the largest aerial transportation hub in the Caribbean, and one of the largest in the world in terms of passenger and cargo movement.



Puerto Rico has nine (9) ports in different cities across the main island. The San Juan Port is the largest, and the busiest port in the Caribbean and the 10<sup>th</sup> busiest in the U.S. in terms of commercial activity and cargo movement, respectively. Second largest port in Puerto Rico is the Port of the Americas in Ponce, currently under expansion to increase cargo capacity to 1.5 million twenty-foot containers (TEUs) per year.

### Municipalities

There are 78 municipalities, with various degrees of autonomy from the central government. A recent development has been the creation of regional entities in different parts of the island, which are beginning to assume greater prominence, particularly with respect to economic-development incentives; four of these already exist and their names are Inteco (Iniciativa Tecnológica Centro-Oriental), Intene (Iniciativa Tecnológica del Noreste), Intenor (Iniciativa Tecnológica del Norte) and Disur (Desarrollo Integral del Sur). A fifth regional initiative is PRTEC (Corredor Tecno-económico de Puerto Rico), which brings together 15 municipalities in the west.

An interesting development is that each region has put in place a plan for assuming control over the permitting process, an area of concern for many years. A reflection for the importance of these regional initiatives is that the new Economic Incentives for the Development of Puerto Rico Act (Act 73 of May 2008) includes these initiatives as eligible for support from a special development fund.

<b>Next Elections:</b> November 2016		
<b>Head of Government:</b> Gov. Alejandro J. García Padilla		
<b>Percentage of votes cast (2012 Elections)</b>		
<b>PDP</b>	Popular Democratic Party	47.73%
<b>NPP</b>	New Progressive Party	47.13%
<b>WPP</b>	Working People's Party	0.98%
<b>SNP</b>	Sovereign Union Party	0.56%
<b>PIP</b>	Puerto Rico Independence Party	0.52%
<b>PPR</b>	Puerto Ricans for P.R. Party	0.36%
<b>Others</b>	Various	0.72%
<b>Senate</b>		
<b>27 members</b>		
<b>PDP</b>	Popular Democratic Party	18
<b>NPP</b>	New Progressive Party	8
<b>PIP</b>	Puerto Rico Independence Party	1
<b>House of Representatives</b>		
<b>51 members</b>		
<b>PDP</b>	Popular Democratic Party	28
<b>NPP</b>	New Progressive Party	23

Puerto Rico has three main political parties that stand for three distinct future political scenarios. The Popular Democratic Party (PDP) seeks to maintain the island's "association" status as a commonwealth, enhanced commonwealth and/or a true, free sovereign state, or free associated republic, and has won a plurality vote in referenda on the island's status held over the past four decades. The New Progressive Party (NPP) seeks statehood, and the Puerto Rico Independence Party (PIP) seeks independence.

Economics (FY 2013)	
Gross Domestic Product (in current dollars)	\$10.313 billion
Gross Natural Product (in current dollars)	\$70.74 billion
GNP per Capital	\$19,428
GNP Growth (constant)	0.3%
Inflation	0.9%
Unemployment	14.5% (FY 2014)
Bankruptcies	11,016 (FY 2014)

the federal government and those of the states, includes an executive, legislative and judicial branch.



Puerto Rico has a republican system of government, elected every four years. The executive branch comprises the governor, elected by the people, and cabinet members who are in turn appointed by the governor.

The Commonwealth's Constitution provides for the separation of powers of the executive, legislative and judicial branches of government. The Governor is elected every four years. The bicameral Legislature consists of a Senate and a House of Representatives, and is elected for four-year terms. Decisions of the District Court of the United States for the District of Puerto Rico may be appealed to the United States Court of Appeals (First Circuit) and to the Supreme Court of the United States. Decisions of the Supreme Court of Puerto Rico may (be appealed to the Supreme Court of the United States in the same manner and under the same terms and conditions that decisions may be appealed from state courts. Governmental responsibilities assumed by the Commonwealth are similar in nature to those of the various state governments but more intensive in scope. The Commonwealth assumes responsibility for local police and fire protection, education, public health and welfare programs, and economic development.

### Legal Relations with the U.S

Main Trading Partners (FY 2014)		
Country	EXPORTS (In Thousands \$)	IMPORTS (In Thousands \$)
Australia	307,633.8	26,472.0
Austria	1,632,892.1	7915.6
Belgium	2,537,732.2	504,670.5
Brazil	333,315.5	965,770.9
China	677,886.4	778,587.2
Dominican Republic	821,112.0	564,662.9
France	825,178.6	205,559.4
Germany	374,767.9	328,760.6
Ireland	262,518.5	5,271,786.9
Italy	1,382,779.3	336,245.9
Japan	1,047,654.5	2,077,187.9
Mexico	407,138.1	432,004.1
Netherlands	2,517,204.5	852,310.2
Singapore	390,736.6	3,484,653.1
Spain	1,223,686.8	205,082.0
United Kingdom	939,067.5	733,348.0
United States	44,853,112.9	20,063,856.9
Other Countries	1,904,758.6	5,636,783.4
<b>TOTAL</b>	<b>\$62,457,195.8</b>	<b>\$42,475,638.0</b>

Puerto Rico was a Spanish colony for 400 years and became an unincorporated territory of the U.S after The Spanish-American War of 1898. After a number of years in political limbo, Puerto Ricans were granted U.S. citizenship in 1917.

In 1952, a constitution was approved providing Puerto Rico with the current commonwealth status with the U.S., or Estado Libre Asociado in Spanish. Although there has been a great deal of effort expended on introducing changes to the political relationship with the United States, it has remained essentially unchanged since 1952.

### Limited Congressional Representation

Puerto Rico has limited representation in the U.S. Congress in the form of a nonvoting delegate, formally called a resident commissioner. The election of this delegate in Puerto Rico is governed by the Federal Election Commission. All other elected officials are governed by the local elections commission (Comisión Estatal de Elecciones).

Under the Puerto Rico Constitution, Puerto Rico is described as a "Commonwealth" and Puerto Ricans enjoy a degree of administrative autonomy similar to that of a U.S. State, with the major difference being that it falls outside the federal tax system. In fact, Puerto Rico is considered a foreign tax jurisdiction by the U.S. Internal Revenue Service (IRS).

Puerto Rico residents cannot vote in U.S. presidential elections, but they do participate in primaries to select candidates from both major U.S. parties, the Republican and Democratic parties. When residing stateside, Puerto Ricans enjoy the same privileges as U.S. citizens and can vote in presidential elections.

There is free movement of people and goods between the U.S. and Puerto Rico, although shipping is regulated under the Jones Act, which prohibits transport of cargo between Puerto Rico and U.S. ports by foreign-built or flagged vessels.



**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
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The local currency, banking and postal systems are within the U.S. system. Besides having a local judiciary branch of government, Puerto Rico constitutes a district of the federal judiciary and has its own U.S. District Court. Additionally, most federal agencies are represented.

Most Puerto Rico residents do not pay federal income tax, but do pay federal payroll taxes (Social Security and Medicare), and Puerto Rico income taxes. Federal employees, or those who do business with the federal government and Puerto Rico-based U.S. corporations that intended to repatriate profits to the U.S., pay federal income taxes.

Residents are eligible for Social Security benefits upon retirement. Yet Puerto Rico is excluded from Supplemental Security Income (SSI) and receives a lower share of Medicaid funding than it would as a state, and Medicare providers receive only partial reimbursements for services rendered to beneficiaries in Puerto Rico, even though Puerto Rico residents pay fully into the system.

Puerto Rico residents may enlist in the U.S. military. Since becoming U.S. citizens in 1917, Puerto Ricans have been included in the compulsory draft whenever it has been effect, have participated in all U.S. wars since the beginning of the 20th century, most notably World War II, the Korean and Vietnam wars, and conflicts in Iraq and Afghanistan.

Because Puerto Rico isn't an independent country, it hosts no embassies. However, it does host consulates from some 42 countries, mainly from the Americas and Europe.

Puerto Rico does have sovereignty with regard to sports, and participates as an independent country bearing the Puerto Rican flag in international sports tournaments, including the Pan American Games and the Olympics, and in other regional competitions and events.

## Workforce

Employment by Industrial Sector - Thousands of Employees			
Fiscal Years	2012R	2013R	2014P
Commerce	231	229	234
Construction	50	47	42
Finance, Insurance & Real Estate	34	29	31
Manufacturing	95	95	86
Government	230	217	207
Self-Employed	161	158	151
Services	342	348	344
Transportation, Communications & Public Utilities	40	47	45

P - Preliminary figures R - Revised figures  
Source: Puerto Rico Labor & Human Resources Department

Employment by Government - Thousands of Employees			
Fiscal Years	2012R	2013R	2014P
Commonwealth	184.1	180.4	171.2
Federal	14.5	14.3	13.8
Municipal	59.9	60.6	56.7
<b>Total</b>	<b>258.5</b>	<b>255.3</b>	<b>241.6</b>

P - Preliminary figures R - Revised figures  
Source: PRPB / Department Labor & Human Resources

It is precisely the island's top-notch labor force-hardworking, dedicated and intelligent-that has become the No.1 asset of Puerto Rico's diverse manufacturing sector and remains one of the main reasons established companies continue to operate locally and new ones are drawn to the island.

More than 90 public and private university and college campuses award some 30,000 degrees each year, including nearly 10,000 degrees in science, engineering and technology.

The University of Puerto Rico-Mayaguez campus and Universidad Politécnica de Puerto Rico rank 13<sup>th</sup> and 16<sup>th</sup>, respectively, in the mainland U.S. in undergraduate engineering enrollment.

## Tourism

The **Puerto Rico Tourism Company** - Spanish: *Compañía de Turismo de Puerto Rico* (or simply **Turismo**) - is the government-owned corporation in charge of tourism matters and regulations in Puerto Rico.

The company was created during Governor Luis A. Ferré's administration to coordinate the marketing and growth of Puerto Rico's tourism sector. It is governed by a Board of Directors appointed by the Governor of Puerto Rico with the advice and consent of the Senate of Puerto Rico and an Executive Director appointed by the Governor with the Senate's advice and consent.

Over the years, it has taken over several tourism-related government functions, such as the regulation and supervision of hotel casinos and of taxis. It also licenses small inn, known as a Parador, under the "Paradores of Puerto Rico Program". PRTC is headquartered at the building that housed the old "La Princesa" jail. In addition to PRTC offices, La Princesa also houses an art gallery named after former PRTC Executive Director Miguel Domenech that features the agency's art collection as well as other exhibits.



### **Puerto Rico General Tourism and Hotel Trends**

Since the Puerto Rico Tourism Development Company (PRTC) created a Tourism Development Division, tourism in Puerto Rico has seen major progress in the hotel real estate scene. Development of new hotels and tourism infrastructure has increased across the island. The PRTC has divided the island into six (6) tourism regions. They are Portal del Sol in the West, Portal Caribe in the South, San Juan Metro Region, Porta Atlántico Region in the North, Porta Cordillera in the Central and Porta Antillas in the East. Recently built hotels include are a series of high-end luxury resorts including the St. Regis at Bahía Beach, the Regent, and Ritz-Carlton Reserve at Dorado Beach. Also, there were recently built the Sheraton Hotel at the Convention Center district and a new hotel which broke ground in the past months.



Tourism (FY 2013)	
<b>Total Registrations Hotels &amp; Inns</b>	<b>2,466,150</b>
Nonresidents	1,633,150
US & Canada	1,508,693
International Markets	109,078
Caribbean	33,488
Latin America	33,310
Europe	33,095
Other Countries	9,185
Others*	15,379
Residents	833,000
<b>*Includes crew members</b>	
<b>Occupancy</b>	<b>69.8%</b>
Total Room Nights Occupied	3,378,122
Total Room Nights Available	4,842,013

Tourism in Puerto Rico is one the four main industries driving the economy and represents more than 62,000 jobs and \$3.6 billion annually to the local economy, which for an island blessed with an enviable geographic location and drop-dead gorgeous weather, beaches and historical sites, as well as a wide range of restaurant, nightlife and shopping options the fact that tourism only makes up around 6% of Puerto Rico's gross national product (GNP) is a source of concern and frustration for many leaders in the industry. Moreover, Puerto Rico Tourism Company endorsed room inventory has at an average range of about 13,000-14,750 during the past decade.

Puerto Rico is just hours away from the U.S. mainland and yet other islands throughout the Caribbean keep growing their tourism sectors, while Puerto Rico's remains stagnant. Factors for the tourism industry are starting with the number of hotel or guesthouses rooms on the island, which is currently over 15,000. A lot of the rooms are in small hotels in towns that are out of the main urban areas and don't usually attract tourism. They really are for visitors who have to do business in the area and Puerto Ricans living in the mainland U.S. who come back to visit their families and want to stay somewhere more comfortable.

The sector's stagnant condition has already caused havoc in terms of business closings and loss of jobs. For instance, various casinos including those at Luis Muñoz Marín International Airport in Carolina, El Conquistador Resort in Fajardo, Gran Meliá Golf Resort in Río Grande and Pichi's Convention Center in Guayanilla have had to close because of shrinking revenues in recent years, resulting in at least 300 well-paying, direct job losses. Other casino closings include those at the Caribe Hilton and Diamond Palace in San Juan's Condado sector, and the Dorado Beach and Cerromar Beach hotels in Dorado. The issue even threatens to pull entire hotels under, with industry sources pointing to financial problems hobbling operations at hotels such as the InterContinental in Carolina's Isla Verde sector and the Radisson Ambassador Plaza in the Condado area of San Juan.

Moreover, recently was open The Hyatt Place & El Tropical Casino in Bayamón municipality, Hyatt Place & Casino in Manatí municipality, Four Points by Sheraton in Caguas municipality and Ramada Ponce Hotel & Casino in Ponce municipality. These recent activity regards to a slightly optimism by the government, yet the actual economy in Puerto Rico continue in a stagnant period. On the other hand, the Puerto Rico Tourism Company has a Lodging Development Plan since 2013 up to December 2017, which present optimism for the tourism in Puerto Rico.

### **Government Incentives**

In 2012 two acts were established that have stimulated Puerto Rico's economy, Act 22 and Act 20. The acts are generally geared toward Americans. Americans can't find these incentives anywhere else in the world. Puerto Rico is unique because of a tax treaty between the US Government and Puerto Rico. As part of the terms of the territorial agreement, an American citizen living and working in Puerto Rico is not subject to any US income tax on the income earned while living and working in Puerto Rico. At present, it the only place an American citizen can go to avoid US income tax without renouncing their US citizenship.

#### **Act 20**

The Export Services Act 20 (Act 20 of 2012) looks to establish and develop in Puerto Rico an international export services center. This act seeks to encourage local service providers to expand their services to persons outside of Puerto Rico, promote the development of new businesses in Puerto Rico and stimulate the inbound transfer of foreign service providers to Puerto Rico. Many types of businesses fall under this including:

- 4% corporate tax rate, which may be reduced to 3%
- 100% tax exemption on dividends or profit distribution from export services businesses
- 100% exemption on property taxes for certain export service business services
- Decree of 20 years, renewable for an additional 10 years, guaranteeing these rates

#### **Act 22**

The Individual Investors Act 22 (Act 22 of 2012) seeks to attract new residents to Puerto Rico by providing a total exemption from Puerto Rico income taxes on all passive income realized or accrued after such individuals become bona fide residents of Puerto Rico. To qualify, the new resident must not have been a resident of Puerto Rico at any time from January 16, 1997 through January 16, 2012. This act is generally focused on attracting wealthy Americans.

- 100% tax exemption from Puerto Rico income taxes on all dividends
- 100% tax exemption from Puerto Rico income taxes on all interest
- 100% tax exemption from Puerto Rico income taxes on all short-term, and long-term capital gains accrued after the individual becomes a bona-fide resident of PR ("Puerto Rico Gain").

To get this incentive you must pass all three different tests – the presence test, tax home test and closer connection test – for individual bona fide residence. An individual must plan to live more than half the year in Puerto Rico and move family, domicile, connections and legal matters to Puerto Rico.

### Additional Incentives

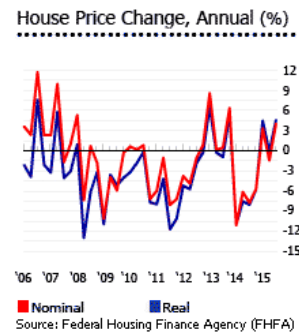
The following incentives are being offered to those who buy newly constructed homes:

- No CRIM payments for 5 years
- No payments for internal revenue stamps and registration vouchers for the mortgage and purchase deeds
- 100% Tax Exemption on capital gain on sale of the property

### Housing Market

Puerto Rico's housing market is now showing some signs of improvement, after previous house price declines. During the year to end-Q3 2015, the seasonally-adjusted purchase-only house price index rose by 3.97% (4.51% inflation-adjusted), in sharp contrast with the annual decline of 5.7% a year earlier, according to the Federal Housing Finance Agency (FHFA). On a quarterly basis, house prices increased 2.76% (1.88% inflation-adjusted) in Q3 2015.

In fact, the luxury segment is thriving, according to local property experts. This is because Puerto Rico's high-end market attracts mostly high net worth individuals and foreign investors who are not affected by the debt crisis, and who want to take advantage of tax incentives being offered by the Puerto Rican government.



Puerto Rico's luxury segment saw a spectacular 105% sales growth in 2013-14, according to Christie's International Real Estate, after Puerto Rico was established as a tax haven in 2012.

"The luxury market is thriving," said Roberto Trápaga of the Association of Home Builders of Puerto Rico. "We have a supply shortage."

"The opportunity to acquire luxury real estate at very low prices is now better than ever, especially for foreign buyers," said Professor Juan Lara of the University of Puerto Rico.

Demand for luxury beachfront properties in exclusive areas such as Dorado, Palmas del Mar and Rio Grande is expected to outstrip supply in the coming years.

In 2015, Puerto Rico's real GNP growth was estimated at -0.7%. In 2014 it dropped 0.9%, after a decline of 0.2% in 2013 and growth of 0.5% in 2012, according to Government Development Bank.

### Rental Incomes

Average rental yields on apartments in San Juan, Puerto Rico, are again slightly down on last year, at 7.1% on 2 bedroom apartments, and 7.3% on 3 bedroom apartments.

This year, like last year, we were unable to gather sufficient data on apartments in coastal areas of Puerto Rico such as Condado, Miramar and Dorado, but two years ago they had much lower rental returns at 3.8%.

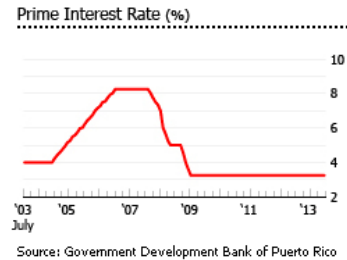
## Buying Costs

Round-trip transaction costs range from 6% to 10.50% of property value. The real estate agent's fee, at around 4% - 6%, accounts for the greater part of the costs. Maximum notary fee allowable is 1% of the property value for the first \$500,000 plus 0.5% of the amount in excess of \$500,000.

## Puerto Rico Continues to Struggle

Historically, Puerto Rico's economy has closely mirrored trends in the United States. However the latest economic downturn has been more intense and has lingered longer in Puerto Rico than in the United States.

Puerto Rico's recession began in the fourth quarter of 2006. GDP has grown very little or declined over the past eight years. The economy contracted every fiscal year from 2007 to 2014, with an exception in 2012 when the economy grew slightly by 0.5%. There's been high unemployment, massive emigration, and a near-catastrophic national debt crisis and credit rating downgrades.



Moreover, the housing market has suffered tremendously. After huge annual house price increases in the early 2000s, the housing market came crashing down in 2008. Prices have dropped 23% (31% inflation-adjusted) from Q1 2008 to Q3 2014.

Many Puerto Ricans have been forced to sell at a loss following the crisis, given the high unemployment rate – at an average of 15.3% in 2009 and 16.4% in 2010. The government is burdened by more than USD70 billion in debt and its credit rating has been cut to junk. The economic crisis has reduced both consumers' savings and confidence, with many postponing their home-buying decisions.

The loss of net worth among Puerto Ricans from the drop in real estate prices is close to \$30 billion dollars, said economic consulting firm Estudios Tecnicos's director, Jose Villamil.

Hundreds of thousands of Puerto Ricans have been forced to migrate to the United States, according to the Census Bureau's Community Survey. During the decade 2004-2014 about 280,000 locals left, the largest migration wave since the 1950s, when close to 500,000 Puerto Ricans migrated to the mainland. As a result, Puerto Rico's population dropped by about 7.3% to 3.6 million in 2014 from its peak in 2004. Aside from migration, the island suffers from an ageing population and a declining birth rate.

Puerto Rico's banking sector is also in crisis, with nonperforming loans at elevated levels. Most of the problem is in the housing market, which accounts for about 2/3 of total loans, according to Scotia Bank. At the start of 2006, before the crisis, the prime interest rate was at 7.26%. It fell to only 3.25% in 2009. Interest rates remained very low in recent years to buoy the struggling economy. Despite this, around 80,000 families have been unable to refinance their loans, despite the lower interest rates, and many risk losing their homes.

## Puerto Rico is "Effectively in Default"

As the financial situation worsened, the government accumulated a public debt of more than \$70 billion dollars, approximately 100% of GNP. Over the past thirty-five years, government debt has risen from \$6 billion to \$70 billion, an annual compound growth rate of 7%.

In mid-2015, all major rating agencies downgraded the island's credit-rating to junk status: Fitch "CC", Standard & Poor's (S&P) "CCC-" and Moody's "Caa2". The three major credit rating firms all maintain negative outlooks for Puerto Rico.

In April 2013, the government enacted comprehensive reform of its largest public employee retirement system to address the system's deteriorating solvency.

Then in March 2014, in a desperate move to avert financial ruin, the Puerto Rican government issued bonds worth USD3.5 billion at a rate slightly below 9%, to attract interest from the financial markets. Despite their negative view of the island economy's financial markets, the credit rating agencies welcomed the bond sales and the government's austerity measures.

But those efforts have failed. The economy continues to shrink. The government has been forced to slash spending in order to keep up on its debt payments.

"Puerto Rico has a terrible financial problem. They're essentially insolvent," said U.S. Treasury Secretary Jack Lew in December 2015. "They have \$70 billion dollars in debt. The debt needs to be restructured," Lew said. "They've already been taking money out pension funds to pay current bills. They've been shifting money for one creditor to pay for another creditor."

According to Puerto Rico governor Alejandro Garcia Padilla, the island will need to miss about \$37 million dollars in interest payments due this January 2015 to ensure that the government has enough funds to pay salaries, pensions and other creditors.

### Unemployment Remains a Serious Problem

In November 2015, the seasonally-adjusted unemployment rate in Puerto Rico stood at 12.5%, slightly up from 12.4% in the previous month but down from 13.8% in the same period last year, according to the GDB.

The number of unemployed people (seasonally-adjusted) in Puerto Rico was about 143,000 in November 2015, from 142,000 people in October 2015 and 157,000 people in a year ago, based on figures from the GDB.



Since 2004, the total number of jobs has fallen by 15.4%, with only just over 1.1 million jobs available in 2015, according to the Department of Labor and Human Resources.

Puerto Rico's labor force participation has also dropped, with only 41% of Puerto Ricans taking part in productive economic activities, comparing unfavorably to the United States and Latin America, where the average rate is about 60%.

The administration has begun implementing a plan to create jobs, the Jobs Now Act, under a law passed February 2013. The law grants an energy credit to participating businesses, speeds the permits process, and establishes a salary subsidy for businesses hiring previously laid off employees. The Jobs Now Act has produced 44,704 new positions during the first fifteen months of its implementation.

### **Hope on the horizon - Acts 20 and 22 are attracting foreign businesses to Puerto Rico**

Yet, this crisis has brought change. Not least, new measures to attract foreign businesses to Puerto Rico - which seem to be succeeding.

The government signed two laws in early 2012 providing new tax benefits to individuals and businesses.

- The Export Services Act 20 seeks to attract businesses by offering tax incentives on export services.
- The Individual Investors Act 22 hopes to attract new residents to Puerto Rico by providing total exemption from Puerto Rico income taxes on all passive income realized or accrued after becoming bona fide residents of Puerto Rico.

The government forecasts that 250 individual investors will apply under the Act 22 program in 2014. "I have seen more people come to Puerto Rico in the last two years than I have seen in a long time," says Ignacio Alvarez, chief legal officer of Banco Popular. "One of the big advantages of Act 20 and 22 is not even so much how many wealthy people come down; it is putting Puerto Rico back on the map".

"I think that San Juan represents one of the great investment opportunities of my generation," says Nick Prouty, CEO of Putnam Bridge Funding, who has moved his office and family from Greenwich, Connecticut, to Puerto Rico.

"I'm seeing a shift in airspace, I'm seeing it in other areas," says Angel Perez, Vice-President of Solid Rock Technologies.

Billionaire John Paulson is among those who have committed hundreds of millions of dollars to buy and remodel the historic Condado Vanderbilt resort. "He has a vision, and he is willing to put his money where his vision is," says Alberto Baco, Puerto Rico's secretary of economic development.

"It is working, it is really working," says Baco. "We are seeing a lot of entrepreneurs coming in and partnering with our people."

## BPPR INDEXES OF ECONOMIC ACTIVITY

### Exporting Services – May 2015

An increase in exports, particularly of services, has been identified as one of the key initiatives to alleviate Puerto Rico's economic crisis. This is because they respond to external demand for the product. Domestic demand has been shrinking because of the economic crisis and the decline in population, which means sales increases by a company in the local market usually, comes at the expense of another company that also serves the local market. Increases in sales to foreign markets would increase overall economic activity on the Island.

Act 20 of 2012 (Export Service Act) aims to promote the export of services from Puerto Rico by providing a corporate tax rate of 4% on service-export revenue and 0% on dividends. This compares favorably with a 35% U.S. federal corporate tax rate, a 20% tax on dividends and possible state corporate-income taxes.

One of the attractiveness of the export of services for Puerto Rico is the nature of the product. The Jones Act, requiring the use of U.S. ships and U.S. crew, puts Puerto Rico at a disadvantage when producing goods that need to be transported by sea. This is the advantage that exporting services offer, that they do not depend on this law.



As in manufacturing, exports of services include a wide range of economic activities. They include call centers, as well as high-tech software development. One example of attracting foreign investment in service exports has been Lufthansa, which will provide repair and maintenance services to commercial jets from its facilities in Aguadilla.

Competing against Mexico, Puerto Rico attracted the project thanks to Act 20, good infrastructure and a competitive and bilingual labor force. Locally, companies such as Rock Solid Technologies and Truenorth Corporation also have been successful in the area of service exports of information technology.

Increases in exports, together with other macroeconomic initiatives, are critical to achieve the economic recovery of Puerto Rico.

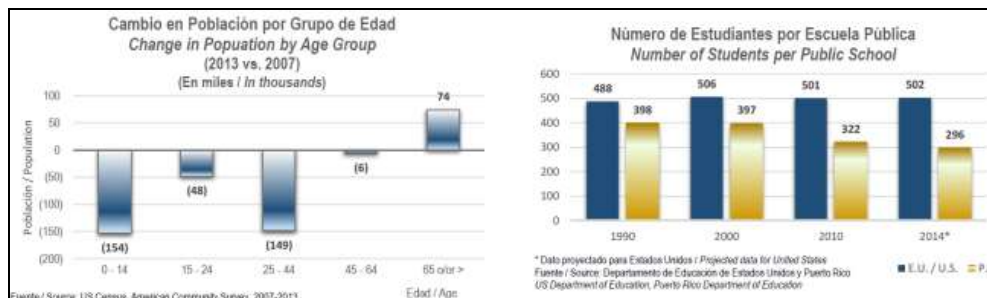


### The population contraction in Puerto Rico and its impact on educational services - July 2015

The 7% contraction in Puerto Rico's population between 2007 and 2013 (representing about 283,000 people) has been concentrated among the population of 24 years and younger (representing about 202,000 fewer people). In 2013, the natural growth of the island's population was around 9,000 people, with a net emigration of around 45,000 for a contraction of about 36,000 in only one year.

During 2015-2016, for the first time in Puerto Rico, there will be more public high school seniors (29,062) than kindergarten students (26,776). The imbalance among students that begin and finish school indicated that, even without emigration, without drop outs, and with 100% survival rate, public school enrollment will continue its downward trend into the future.

Although the Department of Education's per student budget from the General Fund has been increasing (from \$2,585 in fiscal year 2000-01 to \$4,967 in 2014-15\*), the academic performance of students remains poor. As an example, in 2012, a sample of local students from public schools and private schools took the tests administered by the Program for International Students Assessment (PISA), which are taken worldwide. While the results are not conclusive, they placed students on the island behind their counterparts in developed countries (such as the Republic of Ireland and the United States) as well students in some developing countries (such as Costa Rica and Mexico). This suggests that the assignment of financial resources does not necessarily impacts the quality of education.



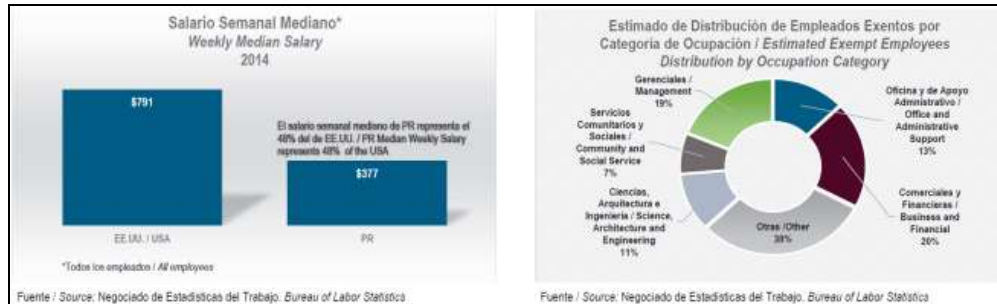
The number of public schools in Puerto Rico has been decreasing, from 1,543 in 2000-01 to 1,387 in 2014-15. Even so, the drop in student enrollment has been proportionally higher; therefore the number of students per public school also has been decreasing. The projection is that from 411 thousand students today, the figure would reach 300 thousand by 2020.

The utilization rate at public schools stands at 62%. To operate schools, in spite of being dispensable, implies larger administrative and maintenance costs. Small schools limit the range of elective courses and extracurricular activities offered. Having fewer schools would allow the reallocation of financial and human resources toward strengthening academic offerings for students.

### Changes in the Minimum Salary for Exempt Employees – October 2015

“Exempt” employees, such as managers and other professionals, have no right to overtime pay. In 2014, the U.S. Department of Labor has proposed to increase the weekly minimum salary for an employee to be considered exempt. At this moment, the federal regulation requires a minimum weekly salary of \$455 (\$23,660 annually) for an employee to be classified as exempt, in addition to other requirements.

The proposal under evaluation intends to increase this weekly minimum salary to \$970 (\$50,440 annually) in 2016, after the conclusion of the review. The benchmark used to reach the new proposed threshold is the 40th percentile of earnings for full-time salaried workers in the United States (U.S.).



The difference in salary levels between Puerto Rico and the U.S. means that the proposal would impact a much higher percentage of workers and employers in Puerto Rico than in the U.S. In 2014, the average weekly salary of all employees in Puerto Rico represented 53% of that in the U.S. Moreover, in that same year, around 92% of all employees in Puerto Rico had weekly salaries of less than the one being proposed (\$970) to qualify as exempt employees.

There is no official estimate of the number of exempt employees in Puerto Rico. Advantage Business Consulting estimated that at present, there are 171,000 exempt employees out of an approximate total of 909,000 employee's island wide. About 70% (120,000 employees) have an income of less than \$50,440 a year. Therefore, if the proposal is approved, the options facing local employers would be to increase the salaries of these employees, pay these employees for overtime work or employ fewer workers.

Unlike the U.S., the local economy has been under a recession for nine consecutive years and has experienced sustained reductions in salaried employment. These factors, as well as the reduction in Puerto Rico's population, have contributed to diminishing the internal demand for goods and services and will continue eroding the entrepreneurial sector's stability on the island. The proposal by the U.S. Department of Labor would negatively impact the competitiveness of local businesses and would probably further reduce total employment in Puerto Rico.

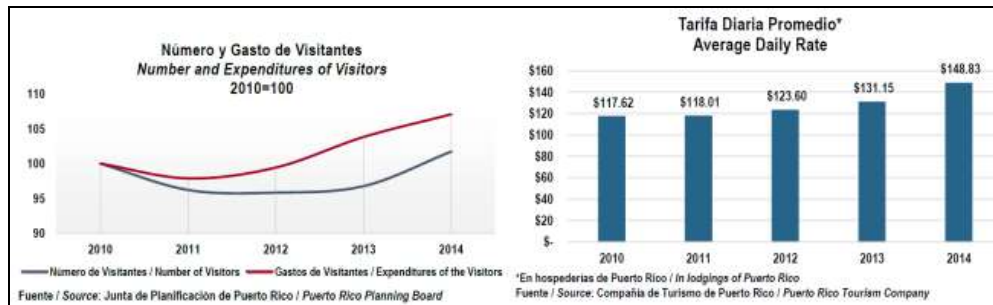
#### **Tourism: An Industry that Exports Services – January 2016**

In Puerto Rico, regular and cruise ship visitors surpass 4 million a year and their total expenditures for 2014 were \$3.3 billion, according to government figures<sup>1</sup>.

In 2013 as well as in 2014, while the Puerto Rican economy was contracting, the number of visitors and their expenditures were growing. (See graph). At the same time, while property and leases prices have been decreasing in Puerto Rico, the average daily rate for hotel rooms on the island is growing. (See graph). The main explanation for the trend is that tourism is an industry that exports services, which is mainly based on external demand.

<sup>1</sup>Puerto Rico Planning Board. <sup>2</sup>Bureau of Labor Statistics, U.S. Department of Labor <sup>3</sup>Estimated by Advantage using the Input Output Matrix and the Interindustrial Multipliers, 2002.

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**



Tourism is an important source of income for local residents as well as the island's government and contributes to the economic support of thousands of families in Puerto Rico. The total annual production (direct and indirect) of this industry is around \$1.7 billion, generating around 80,000 direct jobs<sup>2</sup> and a little more than 73,000 indirect and induced jobs. Total annual salaries generated by these tourism-related jobs are around \$4.8 billion. Also, this industry generates approximately \$551 million in tax revenues to the local government, including excise taxes, income taxes and consumption taxes paid by employees.

The tourism industry is in expansion worldwide, with figures for the Caribbean reporting particularly strong numbers in recent years. According to the World Tourism Organization of the United Nations (WTO), tourism arrivals worldwide grew by 4.4% between 2013 and 2014.

In Puerto Rico, the growth in the number of visitors during that same period was 5.1%, which confirms the vitality of the local industry and reaffirms the importance of keeping the pace in a market that is growing. Maintaining the competitiveness of this industry and the positioning of Puerto Rico as a tourism destination is crucial for the economic development of the island.

#### **The Health Services Market in Puerto Rico – April 2016**

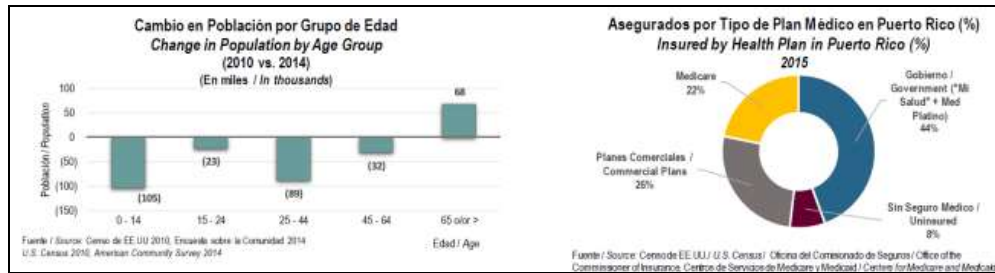
Demographic changes, economic recession and changes in technology have had important repercussions in Puerto Rico's health services market. Market that is composed of consumers (patients), service providers and insurance companies that pay for the services.

Puerto Rico's population has been decreasing and getting older. This means that not only are there fewer people receiving services, but that with every year, there are older people and fewer children. Between 2010 and 2014, there was a reduction of 180,000 people in Puerto Rico, mainly among children under fourteen (14) years old and working-age population. This has caused an increase in business opportunities in geriatrics and internal medicine, among others.

Likewise, the economic crisis has affected the supply of physicians on the island, mainly of specialists, who like other professionals have done are emigrating to the United States in search of better job opportunities. This trend affects and limits the medical services supply of certain health-related facilities in Puerto Rico. Simultaneously, technology advances have reduced the average stay in hospitals with a parallel growth in ambulatory services.

In 2015, around 44% of the population in Puerto Rico was insured by the government (representing 1.5 million inhabitants), 22% had Medicare (Traditional and Advantage) and commercial health insurance plans covered 26% of the population. The remaining 8% of the local population did not have any health insurance plan. In other words, almost two-thirds of the population depends on the government, local or federal, for their health insurance coverage. It is presumed that those who are not insured will turn to the local government in case of a critical health condition.

The health services segment has had a better performance than the rest of the economy, showing a nominal production growth of 9% between 2010 and 2014, compared with 5% for the whole economy. Although the average fund transfer from the federal government per participant in Medicare Advantage has been decreasing, the number of participants is continuing to increase.



The Puerto Rico Health Insurance Administration will use, at some point in 2018, all the federal funds that were assigned to last until 2019, but the White House and U.S. Congress are discussing possible measures on that matter. The tendency is going towards managed care including Medicare Advantage, under which service providers in Puerto Rico are focusing more on obtaining positive results through medical protocols and less on performing procedures that are not cost-efficient.

The health services industry presents challenges that should be addressed quickly and carefully through dialogue and with the involvement of affected sectors. However, we understand that these challenges can be managed in a satisfactory way.

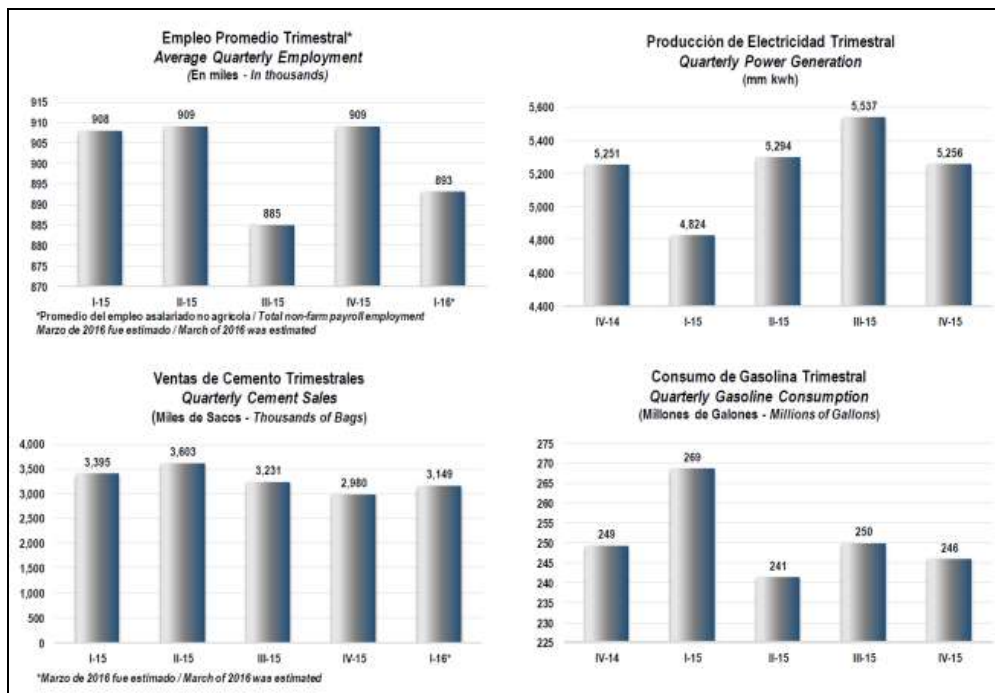
The next graphs show the economic activity index and other indicators as of April 2016.

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 #1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

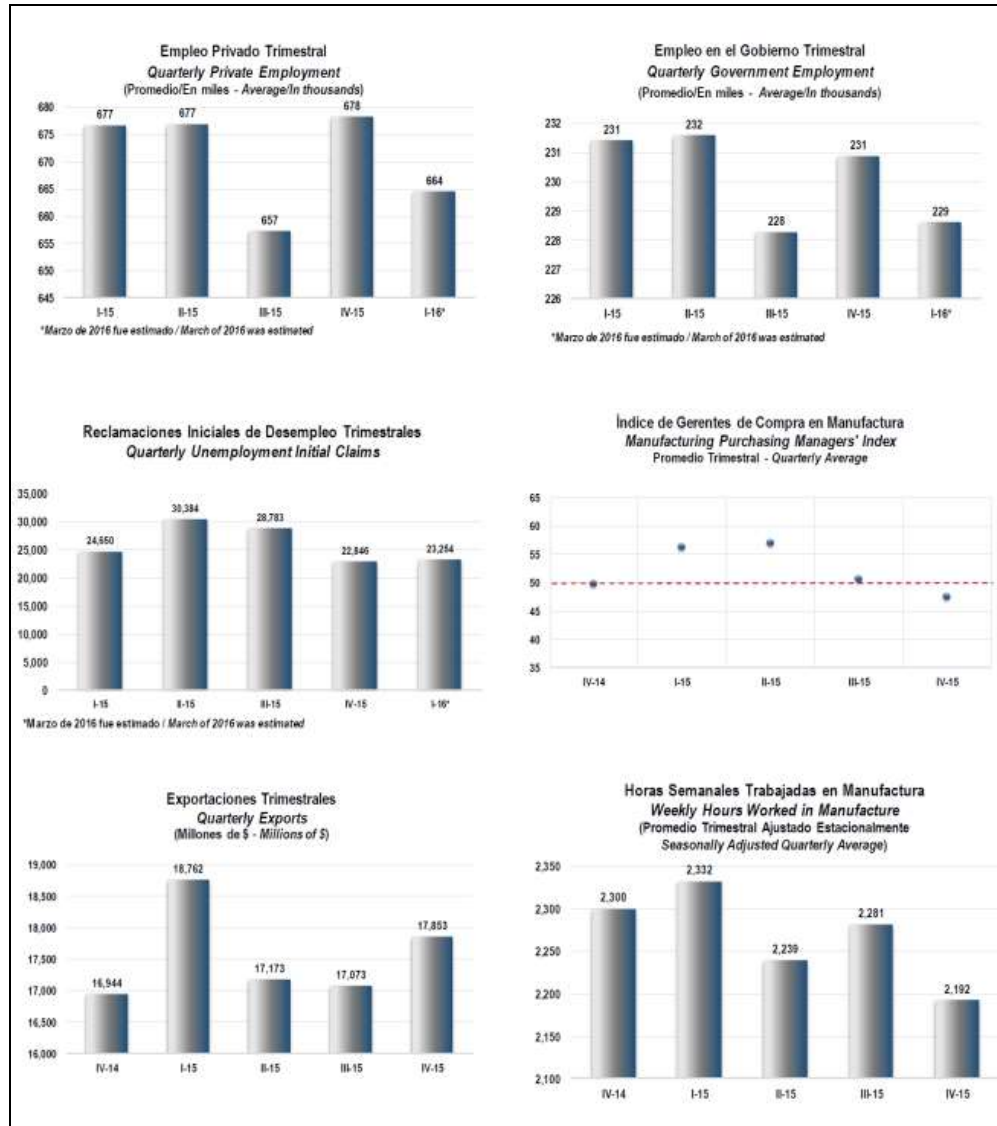
### Economic Activity Index – Banco Gubernamental de Fomento (EAI-BGF)



### Components of the Index

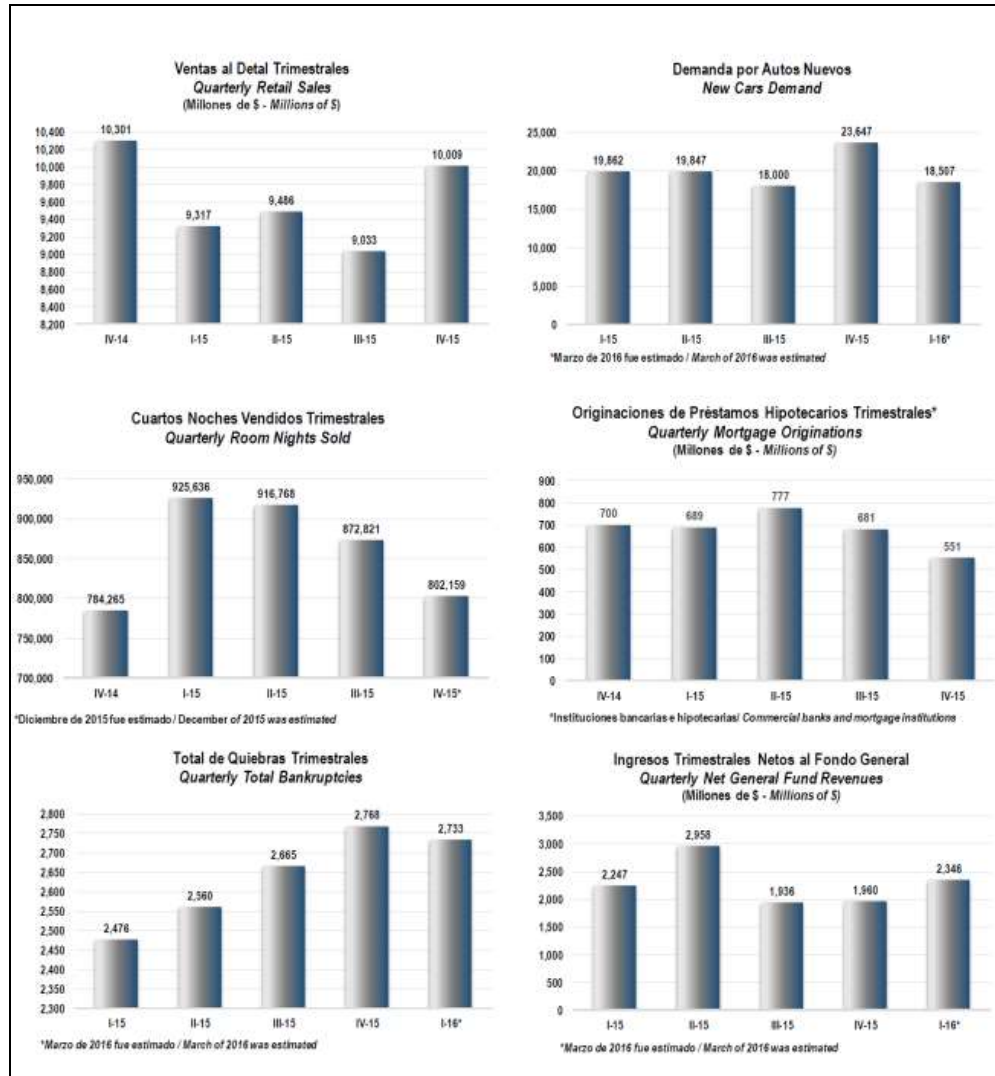


## Other Indicators



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 #1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

## Other Indicators



Note: "Progreso Económico" is a publication prepared by Advantage Business Consulting.



**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

The Economic Progress indicators in following table summarized the local economic activity as a reference for the business community as of April 2016.

Indicadores Económicos - Economic Indicators						
	Unidad - Unit	Mensual - Monthly			Cambio % - % Change	
		Dec-14	Nov-15	Dec-15	12 meses/months	1 mes/month
<b>Índice de Actividad Económica</b> <i>Economic Activity Index</i>						
Índice de Actividad Económica BGF	1989 = 100	126.7	126.8	126.0	-0.5%	-0.6%
GDB Economic Activity Index						
<b>Precios - Prices</b>						
Índice de Precios al Consumidor	12-2006 = 100	116.3	116.6	116.1	0%	0%
Consumer Price Index						
Índice de Precios de Alimentos	12-2006 = 101	121.2	130.3	130.4	8%	0%
Food Price Index						
Precio de Gasolina - Gasoline Price	Por Galón \$ Per Gallon	2.83	2.31	2.32	-18%	0%
Precio del Crudo - Crude Oil Price	Por Barril \$ Per barrel	50.58	31.68	30.32	-40%	-4%
<b>Manufactura - Manufacturing</b>						
Índice de Gerente de Compras	Umbral = 50 - Threshold = 50	49.2	44.5	44.7	-9%	0%
Purchasing Managers Index						
Empleo - Employment	Miles - Thousands	74.2	74.3	72.6	-2%	-2%
Producción - Average Hourly Earnings	Por hora \$ Per hour	13.48	12.68	12.38	-8%	-2%
Production Workers						
Producción - Average Weekly Hours Production Workers		41.3	40.8	40.6	-2%	0%
Horas Semanales Trabajadas en Manufactura		2,312	2,180	2,211	-4%	1%
Weekly Hours Worked in Manufacturing						
<b>Servicios - Services</b>						
Empleo - Employment	Miles - Thousands	330.1	344.1	330.5	0%	-4.0%
<b>Construcción - Construction</b>						
Empleo - Employment	Miles - Thousands	27.0	24.6	22.8	-19%	-7%
Venta de Cemento - Cement Sales	Miles de Sacos - Thousands of Bags	990	957	847	-14%	-11%
<b>Energía Eléctrica - Electric Power</b>						
Consumo Total - Total Consumption	Miliones KWh - Millions KWh	1,318.6	1,417.3	1,318.9	0%	-7%
Industrial - Industrial	Miliones KWh - Millions KWh	161.5	213.7	156.4	-2%	-26%
Residencial - Residential	Miliones KWh - Millions KWh	483.9	499.9	513.5	6%	3%
Comercial - Commercial	Miliones KWh - Millions KWh	643.4	670.5	614.5	-4%	-8%
<b>Quiebras - Bankruptcies</b>						
Casos de Quiebra - Bankruptcy Cases		821	716	930	13%	30%
<b>Gasolina - Gasoline</b>						
Ventas de Gasolina - Gasoline Sales	Miliones de Galones - Millions of Gallons	84.2	79.9	83.5	-1%	5%
<b>Gobierno de Puerto Rico</b> <i>Government of Puerto Rico</i>						
Ingresos Netos al Fondo General	Miliones \$ Millions	709.3	670.8	767.5	8%	14%
General Fund Net Revenues						
<b>Empleos - Employment</b>						
Empleo Total - Total Employment	Miles - Thousands	905.9	892.3	890.5	-1.7%	-0.2%
Empleo Privado - Private Employment	Miles - Thousands	672.8	663.5	661.4	-1.7%	-0.3%
Empleo Gobierno	Miles - Thousands	233.1	228.8	229.1	-1.7%	0.1%
Government Employment						
Tasa de Participación Laboral	Por ciento - Percent	40.1	40.5	40.6	0.5	0.1
Labor Participation Rate						
Tasa de Desempleo - Unemployment Rate	Por ciento - Percent	11.3	11.2	11.7	0.4	0.5
Unemployment Rate						
<b>Redamaciones Iniciales de Desempleo</b> <i>Unemployment Initial Claims</i>						
		7,498	9,493	7,146	-4.7%	-24.7%
<b>Comercio - Trade</b>						
Total de Ventas al Detall	Miliones \$ Millions	3,662.3	3,256.7	3,625.6	-1.0%	11.3%
Total Retail Sales						
Demanda de Autos Nuevos		6,430	5,582	6,152	-4.3%	10.2%
New Cars Demand						
<b>Turismo - Tourism</b>						
Cuartos Noches Vendidos - Room Nights Sold		280,305	266,395	281,973	0.6%	5.8%
<b>Comercio Externo - External Trade</b>						
Exportaciones - Exports	Miliones \$ Millions	5,332	6,084	4,919	-7.7%	-19.1%
Importaciones - Imports	Miliones \$ Millions	3,194	3,499	2,865	-10.3%	-18.1%



## NEIGHBORHOOD ANALYSIS

**Neighborhood or district analysis** provides a framework or context within which property value is estimated. It identifies the area of analysis and establishes the potential limits of the appraiser search for data to be used in the three approaches to value.

- a. Neighborhood- a group of complementary land use
- b. District- a type of neighborhood that is characterized by homogeneous land use- residences, commercials, industrial and agricultural.

**General and Immediate Neighborhoods** data consist of information on value influences that derive from the social, economic, governmental and environmental forces that affect real property value. The data collected and the analysis performed area used to support the appraiser's determination of the highest and best use of the subject property.

### The San Juan Municipality



San Juan, officially “Municipio de la Ciudad Capital San Juan Bautista” (Municipality of the Capital City, Saint John the Baptist), is the capital and most populous municipality in Puerto Rico. As of the 2010 census, it had a population of 395,326 making it the 46<sup>th</sup>-largest city under the jurisdiction of the United States. San Juan was

founded by Spanish colonists in 1521, who called it Ciudad de Puerto Rico (“Rich Port City”). Puerto Rico’s capital is the second oldest European-established city in the Americas, after Santo Domingo, in the Dominican Republic. Several historical buildings are located in San Juan; among the most notable are the city’s former defensive forts, Fort San Felipe del Morro and Fort San Cristóbal, and La Fortaleza, the oldest executive mansion in continuous use in the Americas.

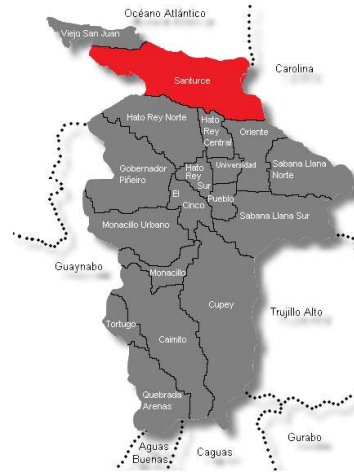
Today, San Juan is one of Puerto Rico’s most important seaports, and is the island’s manufacturing, financial, cultural, and tourism center. The population of the Metropolitan Statistical Area, including San Juan and the municipalities of Bayamón, Guaynabo, Cataño, Canóvanas, Caguas, Toa Alta, Toa Baja, Carolina and Trujillo Alto, is about 2 million inhabitants; thus, about half the population of Puerto Rico now lives and works in this area. San Juan is also a principal city of the San Juan-Caguas-Fajardo Combined Statistical Area. The city has been the host of numerous important events within the sports community, including the 1979 Pan American Games, 1966 Central American and Caribbean Games, 2006 and 2009 World Baseball Classics, the Caribbean Series and the Special Olympics and MLB San Juan Series in 2010.

San Juan represents the main municipality of the metropolitan area of Puerto Rico housing the Hato Rey Financial District, Plaza Las Américas which refers to the largest regional shopping center of Puerto Rico, University of Puerto Rico, Federal Court, San Juan Court, San Juan Port, a numerous list of desirable residential locations, hospitals, shopping mall, universities, colleges, schools, parks, stadiums, museums, theaters, office building public buildings, among others.

San Juan knows as “La Ciudad Amurallada” (The Walled City) and “Ciudad Capital” (Capital City) is located along the north-eastern coast of Puerto Rico. It lies south of the Atlantic Ocean; north of Caguas and Trujillo Alto; east of and Guaynabo; and west of Carolina. The city occupies an area of 76.93 square miles (199.2 km<sup>2</sup>), of which, 29.11 square miles (75.4 km<sup>2</sup>) (37.83%) is water. San Juan’s main water bodies are San Juan Bay and two natural lagoons, the Condado and San José.

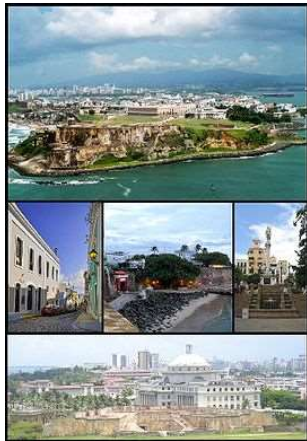
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**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

San Juan is subdivided into 18 districts, 16 of which fall within the former (until 1951) Municipio de Río Piedras. Eight (8) districts are further subdivided into sectors, including two (2) districts in the area that covered the original municipality of San Juan, which are Caimito, Cupey, El Cinco, Gobernador Piñero, Hato Rey Central, Hato Rey Norte, Hato Rey Sur, Monacillo, Monacillo Urbano, Oriente, Pueblo (Río Piedras Downtown), Quebrada Arenas, Sabana Llana Norte, Sabana Llana Sur, Old San Juan, Santurce, Tortugo and Universidad.



Old San Juan occupies the western end of a rocky islet at the mouth of San Juan Bay. During the 20<sup>th</sup> century, the main population centers surged well beyond the walls of the old city and onto Puerto Rico's main island, and merged with the existing settlements east and south of Old San Juan. As a result, the city is now composed of a variety of neighborhoods.

During the Spanish colonial times most of the urban population resided in what is now known as Old San Juan. This sector is located on the western half of a small island called the Isleta de San Juan, which is connected to the mainland by two bridges and a causeway. The small island, which comprises an area of 47 square miles (122 km<sup>2</sup>), also hosts the working class neighborhood of Puerta de Tierra and most of Puerto Rico's central government buildings, including the Commonwealth's Capitol.



The main central part of the city is characterized by narrow streets made of blue cobblestone and picturesque colonial buildings, some of which date back to the 16th and 17th century. Sections of the old city are surrounded by massive walls and several defensive structures and notable forts. These include the 16th-century Fort San Felipe del Morro and the 17<sup>th</sup> century Fort San Cristóbal, both part of San Juan National Historic Site, and the 16<sup>th</sup> century El Palacio de Santa Catalina, also known as La Fortaleza, which serves as the governor's mansion.

Other buildings of interest predating the 20<sup>th</sup> century are the Ayuntamiento or Alcaldía (City Hall), the Diputación Provincial and the Real Intendencia buildings, which currently house the Puerto Rico Department of State, the Casa Rosa, the San José Church (1523) and the adjacent Hotel El Convento, the former house of the Ponce de León family known as Casa Blanca, the Teatro Tapia, the former Spanish barracks (now Museum of Ballajá), La Princesa (former municipal jail, now headquartering the Puerto Rico Tourism Company), and the municipal cemetery of Santa María Madgalena de Pazzis, located just outside the city walls.

The Cathedral of San Juan Bautista (construction began in the 1520s) is also located in Old San Juan, and contains the tomb of the Spanish explorer and settlement founder Juan Ponce de León. Old San Juan, also known as the "old city", is the main cultural tourist attraction in Puerto Rico; its bayside is lined by dock slips for large cruise ships.

East of Old San Juan lays the wealthy tourist-oriented neighborhood of Condado, which occupies land that used to be owned by entrepreneur Pablo Ubarri Capetillo, Spanish railroad developer and Count of San José de Santurce under the Spanish colonial period. Beaches such as nearby Ocean Park, popular with swimmers, surfers and kite surfers, are found all along the district's Atlantic coastline which is also the locus of numerous hotels.

Near Condado are two separate business districts, Santurce and Miramar. Miramar is mainly a residential area rising south of the Condado Lagoon. It comprises the former barrio of Miraflores, as well as drained marshland and landfill over which was built San Juan's first airport, the Isla Grande airport, which was renamed Fernando Luis Ribas Dominicci Airport in honor of Major Fernando Luis Ribas-Dominicci (USAF). Miramar now hosts the Puerto Rico Convention Center as well as some of San Juan Harbor's cruise ship piers. In 2005 Miramar was designated an historical district of Puerto Rico.

Santurce, originally named San Mateo de Cangrejos (Saint Matthew of the Crabs), was a settlement for freed African slaves during the early days of the city. After Pablo Ubarri sought permission to link San Juan with Río Piedras proper via steam tramway in 1878, the time it took to travel between both points were shortened and thereby stimulated the colonization and growth of the district. At the beginning of the twentieth century an electric trolley was installed, the township was split into three parts, and its main settlement, merged with the city, was renamed using the Spanish spelling of Santurtzi (Saint George in Basque), Ubarri's birthplace in Vizcaya, Spain. The "Museo de Arte de Puerto Rico" (Puerto Rico Museum of Art) and other important cultural venues are located in Santurce.

Looking down an Old San Juan street towards the bay South of Santurce is Hato Rey, part of the former municipality of Río Piedras. Hato Rey was grazing ground for cattle owned by the royal government (hence its name, the King's Herd in Spanish) as early as the 16th century, and is now considered the financial center of the island. A section of this district is often referred to as Milla de Oro (actually 0.47 miles / 0.76 kilometers long) due in part to the many banks and businesses located there.

In the southern part of the city is the socially diversified community of Río Piedras. Founded in the mid-1850s, Río Piedras was a separate town which hosted sugar cane plantations and the estates of some of San Juan's wealthiest inhabitants (as well as their working class staff). The Spanish colonial governors also had their summer home there on land which eventually gave way to the main campus of the University of Puerto Rico. In 1951 the municipalities of San Juan and Río Piedras were merged to redefine San Juan's current city limits. Today Río Piedras comprises the largest area of the municipality of San Juan and is home to the renowned, traditional "Plaza del Mercado" (Río Piedras Marketplace), the main campus and the Medical Sciences campus of the University of Puerto Rico and the San Juan Botanical Garden.

Social, economic, governmental and environmental forces influence property values. Although San Juan's population levels and urban core activity have been adversely affected by the expansion to the suburbs, the city still represents the island's main economic base and a natural location for gentrification. The central government's focus on the redevelopment of San Juan's urban cores will hopefully foster substantial government investment and increased private sector interest in the city. This condition will bring along increased demand and upward values for prime properties in the area.

### Population

As of the last official Census of Population and Housing published by the U.S. Department of Commerce (Bureau of the Census) dated 2010, had a population of 8,322.7 persons per square mile, for a total of 395,326 inhabitants, or 9.0% less than Census 2000, which is consistent with the slight continuing decrease in the municipality's population for the last thirty (30) year period. The municipality's 1960, 1970, 1980 and 1990 populations were of 451,658, 463,242, 434,849 and 437,745, respectively. This scenario can be attributed to the build-up housing market and high cost of land in the municipality, which in turn lead to the relocation of many San Juan residents to nearby municipalities such as Caguas, Carolina, Guaynabo, Trujillo Alto, Bayamón and Gurabo, which is the largest municipality in population growing according to the 2010 census. This trend could probably continue during the coming years. In summary,

SAN JUAN MUNICIPALITY POPULATION TRENDS – TABLE I		
Year	Population	% Change
1960	451,658	N/A
1970	463,242	+2.50%
1980	434,849	-6.13%
1990	437,745	+0.66%
2000	434,374	-0.77%
2010	395,326	-8.99%

Following table summarizes San Juan wards population in the last two censuses:

SAN JUAN MUNICIPALITY POPULATION TRENDS – TABLE II			
San Juan Wards	Census 2010: Habitants	Census 2000: Habitants	% Change
Caimito	21,825	20,832	4.77
Cupey	36,058	36,659	-1.64
El Cinco	6,198	7,149	-13.30
Gobernador Piñero	44,006	47,779	-7.90
Hato Rey Central	16,640	20,867	-20.26
Hato Rey Norte	16,378	16,461	-0.50
Hato Rey Sur	10,738	10,868	-1.20
Monacillo	11,442	12,425	-7.91
Monacillo Urbano	22,342	29,309	-23.77
Oriente	31,374	34,799	-9.84
Pueblo (Río Piedras Downtown)	8,720	9,391	-7.15
Quebrada Arenas	2,747	2,753	-0.22
Sabana Llana Norte	30,118	32,361	-6.93
Sabana Llana Sur	41,346	43,839	-5.69
San Juan Antiguo	7,085	7,963	-11.03
<b>Santurce</b>	<b>81,251</b>	<b>94,067</b>	<b>-13.62</b>
Tortugo	4,543	4,351	4.41
Universidad	2,515	2,501	0.56
<b>Total</b>	<b>395,326</b>	<b>434,374</b>	<b>-8.99%</b>

### **Economy**

San Juan experienced significant economic growth following World War II. During this period the city underwent an industrial revolution. The city's economy relies mostly on companies dedicated to the manufacture of several products, including: Chemical substances (bleach and house cleaning products); medicines; rum and other beverages; fertilizers; electric tools; electronic devices; plastics, textiles, and food-based products.

Tourism is also a key industry, based on San Juan's proximity to Puerto Rico's main airport, the Luis Muñoz Marín International Airport. The tourism focus of the city is located in the district of Condado Beach where there are numerous luxurious hotels. Historical locations such as El Morro, Old San Juan and El Cuartel de Ballaja are promoted in tourism campaigns. The district of Hato Rey contains a corporate sector known as "La Milla de Oro", (The Golden Mile) which serves as the headquarters of numerous local and international banks. San Juan's Hato Rey district is often referred to as the "Wall Street of the Caribbean", due to the influence of the area on Puerto Rico and the Caribbean's economy.

### **Tourism**

Technological advances after World War II in the development of the airliner, coupled with the island's climate and natural setting, have transformed San Juan into the springboard for tourism around the island, and have made the rest of the Caribbean known throughout the world during the last fifty years. Today the capital features numerous hotels, museums, historical buildings, restaurants, beaches and shopping centers. In San Juan there are numerous tourist attractions, including: Old San Juan, Ocean Park, Isla Verde and Condado.

Places and monuments emphasized in tourism campaigns include: Old San Juan, promoting the historic nature of its colonial buildings and narrow streets covered by "adoquines", a blue stone cast from furnace slag; they were brought over as ballast on Spanish ships. This includes the city's ancient defensive wall and forts, most notably El Morro and the Castle of San Cristóbal. On January 23, 1984 both of these edifices were catalogued as being part of humanity's cultural patrimony. The numerous restaurants and art galleries in the zone are frequently visited by tourists. The local universities are promoted as historic places, most notably the campus of University of Puerto Rico located in Río Piedras, which is the oldest university on the island being founded in 1903.

### **Culture**

San Juan is the birthplace of numerous artists and musicians, locally known as Sanjuaneros, who have significantly influenced Puerto Rican culture. During the 20th century, the musical aspect of the city was influenced by performers including Afro-Caribbean dancer and choreographer Sylvia del Villard and José Enrique Pedreira who became a renowned composer of Puerto Rican Danzas. International musicians such as renowned opera singer Justino Díaz and Grammy Award winners Raymond Ayala and Ricky Martin were born in the city. Other notable residents include writers Giannina Braschi and Tomas Blanco, award-winning actors Raúl Juliá and Benicio del Toro, and comedian José Miguel Agrelot. Rafael Cordero (1790–1868), was influential in the development of Puerto Rican education and is renowned as "The Father of Public Education in Puerto Rico".

The city is also the home of numerous contemporary and classic art museums. The Puerto Rico Arts Museum owns the largest collection of contemporary art in Puerto Rico, housing over 1,100 permanent art pieces and displaying numerous temporary exhibitions containing artwork from various locations through Latin America.

The Museum of Contemporary Art of Puerto Rico, located in Santurce, specializes in contemporary artwork from Latin America and the Caribbean. The paintings displayed in the permanent exhibition are either acquired by the museum's administrative personnel or donated by artists and collectors. They are judged by a panel of painters, art critics, and scholars before being displayed. Other museums such as the Pablo Casals Museum, the Book Museum, Americas Museum and the National Gallery display historic items and artwork alongside contemporary art. Miscellaneous museums such as the Children's Museum and the Bacardi Distillery (also known as the "Rum Cathedral") in nearby Cataño appeal to different audiences through interactive exhibitions.

### Education



San Juan is home to many of Puerto Rico's institutions of higher learning. The University of Puerto Rico Río Piedras Campus is located in San Juan, along with the University of Puerto Rico's Medical Sciences Campus. Other colleges located in San Juan are the University of the Sacred Heart, the Polytechnic University of Puerto Rico, the Ana G. Méndez University System's Metropolitan University, the Metropolitan Campus of the Inter American University of Puerto Rico, the Carlos Albizu University, the Evangelic Seminary of Puerto Rico and the Center for Advanced Studies on Puerto Rico and the Caribbean. There are numerous smaller colleges located in the city, including the ICPR Junior College, the Instituto de Banca y Comercio and the International Junior College, located in Santurce.

There are also several technical schools based in San Juan, including the Technological College of San Juan, the Liceo de Artes y Ciencias, Ramirez College of Business and Technology, and the Puerto Rico Technical Junior College. The Puerto Rico Conservatory of Music and the School of Plastic Arts in Old San Juan specialize in education that promotes the fine arts and music.

Also, San Juan is home to 136 public schools operated by the Puerto Rico Department of Education. Most of the specialized schools operated by the Commonwealth of Puerto Rico are located in San Juan. These schools emphasize topics such as Science and Math, Radio and Television, Arts, Trade, Music, and Sports, but also include other subjects such as Spanish, English, and Social Studies in their curriculum. In addition to dozens of state-run elementary, intermediate, and high schools, the government of the city of San Juan operates two bilingual schools, including one sports-magnet school, the first municipal-run schools in Puerto Rico.

Several private schools are located in San Juan, including Robinson and St. John's schools in the Condado, Perpetuo Socorro in Miramar, St. John's Episcopal, Santa Mónica and Academia San Jorge in Santurce, Commonwealth High School, La Merced and Espiritu Santo in Hato Rey, Escuela Josefitia Monserrate de Selles, San Antonio, Colegio San Ignacio de Loyola, San José in Río Piedras and Cupeyville, St. Mary's, Boneville and Cupey Maria Montessori School in Cupey.

### Transportation



The Port of San Juan is the fourth busiest seaport in the Western Hemisphere, ranked among the top 17 in the world in terms of container movement. It is also the largest home-based cruise port in the world with over a dozen cruise ships. It is the second busiest port in cruise volume after Miami. The Metropolitan Area is served by two airports. The Luis Muñoz Marín International Airport, San Juan's primary commercial airport, is located eight miles (12.7 km) from Old San Juan in the neighboring municipality of Carolina.

The airport accommodates more than 30 domestic and international airlines and is the busiest airport in the Caribbean. It is often referred to as “The Gateway to the Caribbean” because it serves as the main connection to the island and the rest of the Caribbean for the United States and vice versa.

The area’s secondary airport is the Fernando Ribas Dominicci Airport, which is located directly across the San Antonio Creek or Cano San Antonio from Old San Juan in the Isla Grande district. Dominicci Airport is used mainly by general aviation aircraft, charter flights, and some domestic commercial flights. It used to be the city’s and also the island of Puerto Rico’s main international gateway until the opening of Luis Muñoz Marín International Airport. It is now also widely used by the Isla Grande Flight School and Caribbean Flight Center, the only flight school on the island.

At 4,300 vehicles per paved mile, San Juan has by far the highest density of vehicles on the road of any country in the world. The city is served by five limited-access expressways and highways and numerous arterial avenues and boulevards, but continues to suffer from severe traffic congestion.

In terms of transportation, the primary mode of transportation is the automobile, thus creating peak hour traffic congestions at main intersecting arteries. This condition spurred a surge in road construction including bypasses and overpasses, reversible lanes, and smart traffic lanes throughout the metro area in recent years. The Metropolitan Bus Authority was also overhauled and is currently running at record levels.

The Metropolitan Bus Authority (Autoridad Metropolitana de Autobuses or AMA in Spanish) provides daily bus transportation to residents of San Juan, Guaynabo, Bayamón, Toa Baja, Trujillo Alto, Cataño and Carolina through 30 fixed routes. Its fleet consists of 277 regular buses and 35 handicap-accessible buses. AMA’s ridership is estimated at 112,000 on weekdays. There is also a daily ferry service, known as the Cataño Ferry (La Lancha de Cataño), which operates between Old San Juan and the town of Cataño.

In an attempt to decrease vehicle dependency and road congestion, the City built a metro system dubbed “Tren Urbano” (Urban Train). The 10.7 mile (17.2 km) line connects to 16 stations. The project, which opened in late 2004, cost \$2.25 billion dollars and was more than \$1 billion over budget and four years late. The Tren Urbano has received less ridership than was originally projected and has not significantly reduced the city’s automobile traffic, despite a reported 7.5% ridership increase in 2006 over 2005. There is a planned project to build an “interurban light rail system” connecting the cities of San Juan and Caguas.



Increased investment in public transportation, however, has not changed the fact that San Juan is an automobile reliant city and its fast growth has sparked urban sprawl. As of mid-2010, the government has approved plans for a redesign of this Puerto Rican city, featuring a new mass transit system, new roads and intersections, and more beach access points. No cars will be allowed outside the oldest part of city (Old San Juan). The plans hope to remedy previous poor urban planning in the oldest section of the city, the Isleta, while curbing reliance on motor vehicles. The plans for redevelopment also hope to make the city more appealing in order to attract new residents, as San Juan has suffered from a shrinking population over the past 60 years.



### Health and Utilities

San Juan has an elaborate system of triage, hospital, and preventive care health services. The municipal government sponsors regular health fairs in different areas of the city focusing on health care for the elderly and the disabled. There are 20 hospitals in San Juan, half of them operated by the government. The largest hospital in San Juan and most important of Puerto Rico and the Caribbean is the Rio Piedras Medical Center, or Centro Medico de Rio Piedras in Spanish. This hospital, founded in 1956, is operated by the Medical Services Administration of the Department of Health of Puerto Rico. It is made up of eight (8) other hospitals.

- San Juan Municipal Hospital: This hospital is operated by the San Juan municipal government.
- Industrial Hospital: This is the hospital for Puerto Rico government employees, whether municipal or Commonwealth government employees. Normally, injured police officers and firefighters are cared for here.
- San Juan Pediatric Hospital - Also operated by the San Juan municipal government.
- Pediatric Hospital: Operated by the government of the Commonwealth, this is the main trauma hospital for pediatric cases.
- Centro Medico Emergency Room: This is the main hospital for trauma cases for Puerto Rico and the Caribbean.
- Centro Cardiovascular del Caribe (Caribbean Cardiovascular Center): This is the main hospital for open heart surgery in the Caribbean. It features a hotel for the patients' families.
- Psychiatric Hospital: The main psychiatric hospital in Puerto Rico. Operated by the government of Puerto Rico.
- Psychiatric Correctional Hospital: It is both a hospital and correctional facility. It is operated jointly by the Puerto Rico Department of Corrections and the Medical Services Administration.

The city of San Juan operates 10 hospitals. Of these, nine are Diagnostic and Treatment Centers located in communities throughout San Juan. The main hospital is located at Centro Medico. These 10 hospitals are: La Perla, Puerta de Tierra, Llorens Torres, Puerto Nuevo, San José, Rio Piedras, Sabana Llana, Hoare, Santurce Parada 19 and General Hospital (Centro Medico). Also, there are 10 private hospitals in San Juan. These are:

- Hospital Metropolitano
- Hospital Auxilio Mutuo
- Hospital Auxilio Mutuo Expreso
- Hospital de Veteranos: The main Veterans hospital in the Caribbean. Operated by the U.S. Veteran Healthcare System.
- Ashford Presbyterian Hospital
- Hospital Pavia Hato Rey
- Hospital Pavia Santurce
- San Jorge Children's Hospital: The most well-known children's hospital in the San Juan Metropolitan Area.
- Hospital San Gerardo: Located at the Cupey neighborhood is a small hospital but is also specialized in psychiatry and elderly.
- Hospital del Maestro (Teachers Hospital): Located in Hato Rey, this hospital is operated by the Puerto Rico Teachers Association.



### General Neighborhood - Santurce Ward

The subject property is located in the Santurce Ward within the legal jurisdiction of the San Juan Municipality in Puerto Rico. Santurce comprises over 3,250 cuerdas located between the Hato Rey CBD and Puerta de Tierra, bounding on the North with the Atlantic Ocean and on the South with Luis Muñoz Rivera Avenue. Santurce comprises three main natural geographical zones; a) the north zone includes the tourist and upscale residential sector of Condado fronting the ocean, b) central zone which is a mixed use commercial-residential area, and c) south zone or bank of the channel, which is mainly low-income residential.

Santurce is bounded by the Atlantic Ocean in the north, with more than five kilometers of beaches from the Condado peninsula in the west to a point 600 m east of “Punta Las Marias”, where it borders on Isla Verde district of Carolina, and “Laguna San José” and its northern embayment, “Laguna Los Corozos” to the east. To the south by “Caño de Martín Peña”, and the northern barrios of former municipio Río Piedras (Hato Rey Norte, Hato Rey Central, Oriente), and to the west with the “Bahía of San Juan”, where three bridges; “Puente Dos Hermanos” (Ave. Ashford), “Puente G. Esteves” (Ave. Ponce de León) and “Puente San Antonio” (Ave. Fernandez Juncos) connect Santurce with “La Isleta” (small island) where Old San Juan is located. It has a total area of 8.70 square miles (22.53 km ) composed of 5.24 square miles (13.57 km ) of land and 3.46 square miles (8.96 km ) of water area.

The topography is mainly flat with low hills toward the central areas and swampy areas to the south along Caño Martín Peña and to the east near the Laguna San Jose (San Jose Lagoon). To the west side, most of the land that nowadays is called Isla Grande was part of land reclamation, made possible by filling in marshes.

After its formative years, the Santurce Sector became the prime commercial center of San Juan, then following the typical life cycle of real estate neighborhoods. After its growth and stabilization periods, came its decline caused mainly by the development of the Hato Rey office and financial center and the construction of regional and community shopping centers throughout the San Juan Metro Area. The population movement towards the residential suburbs also adversely affected Santurce’s importance as an economic center. Today, the district is starting to see resurgence in importance and life as many business and local establishments such as bars, clubs, and restaurants have opened their doors to locals and tourists alike due to the importance of trade and tourism in San Juan.

### Santurce District

Santurce is subdivided into 40 “sub-barrios” or “sectors”. There is an unassigned area (23 on the map) located west of “Merhoff”, north of “Las Palmas”, east of “Herrera”, and south of “Shanghai”. Census documents say that the unassigned portion of San Juan Municipality, Santurce barrio should be attributed to Merhoff subbarrio. The subject property is located in the Barrio Obrero Sector (19).



Based on a socioeconomic study performed by the *Administración de Fomento Comercial* on July 2002, the Santurce area experienced an 89.4% decline in population during the last 4 decades. The most dramatic change occurred between 1960 and 1970 when a 28.03% decline in population was evidenced, followed by a 21.16% decline between 1970 and 1980. A more stabilized 1.17% decline was evidenced during 1990 to 2000. However, in the last decade the population declined again by 13.62%.

SANTURCE WARD POPULATION TRENDS		
Year	Population	% Change
1960	178,179	N/A
1970	128,232	-28.03%
1980	101,103	-21.16%
1990	95,184	-5.85%
2000	94,067	-1.17%
2010	81,251	-13.62%

Santurce has also experienced a decline in the number of businesses which during years 1977 to 2000 decreased from 2,354 to 649 at an average 11.4% annual decline. In terms of sales, this contributed to a loss of \$60.40 million during this twenty three year period. This business decrease can be attributed to the decline in population and lack of adequate parking in the Santurce area combined with the construction of regional and community shopping centers at close distances in the residential suburbs.

In the past, the municipal and commonwealth governments have attempted to improve the situation by injecting some form of economic activity to the sector, including the 400,000 sq. ft. Minillas Government Complex at De Diego Avenue and the Luis A. Ferré Performing Arts Center on Ponce de León Avenue. These projects were then followed by the new zoning rulings and by an economic and tax incentive program for Santurce to attract private development. Along this initiative came the restoration of the Plaza del Mercado de Santurce building and the construction of the Puerto Rico Museum of Art located at De Diego Avenue across from the Minillas Government Center complex.

The “Special Law for the Rehabilitation of Santurce” approved in 1988 was intended to guide its land use and development, and to promote its physical rehabilitation and economic activity. A special Santurce zoning area was created to permit a selective mix of uses and to make possible the location of residential, recreational and commercial-office uses in the proximity.

The Santurce Revitalization Project is a by-product of this law which after years of planning and development was finally set in motion during the past administration with the construction of several projects. This revitalization project basically covers the area from stop’s 15 to 26 at a reported estimated cost of \$900 million, combining government and private funds. It will include over 20 residential, commercial and institutional government sponsored and/or private projects, some of which refer to new buildings while others refer to rehabilitated/converted structures.

The revitalization plan considers also the application of various alternatives, including an expropriation program totaling \$30 million for demolition of existing and /or abandoned structures to be converted into passive parks, parking areas and/or to provide continuity to the existing interior streets. In addition, illumination of the most representative properties of the area is planned, with a general face lift of government owned properties including painting and new modern facades. This will allow for similar improvements to be promoted by the private sector. It should be added, that the mayor of the San Juan Municipality recently announced the proposed construction of several residential, tourist and commercial projects within the Santurce sector, which along with the Santurce Revitalization Project, will help improve living conditions and the quality of deteriorated neighborhoods in the general area. In addition, these projects are also expected to lure people back to the urban center which has been experiencing a decline in population during the past four decades. Forming part of the Santurce Revitalization Program, the former Matienzo and Music Hall theaters located at Ponce De León Avenue and Del Parque Street (Stop 23), now known as Francisco Arriví, underwent a \$7.0 million rehabilitation, while the Ambassador Theater was also remodeled.

However, the Island current economic recession which has been felt in all major sectors including the real estate business caused a pause in the general real estate activity, resulting in stagnant or decreasing values, lower absorptions on available projects, increasing vacancies, strong competition and major marketability efforts. In fact, the homegrown economic recession, increasingly fierce competition from multinationals, a new sales tax (IVU, by its Spanish acronym), increasing energy costs and higher costs of doing business on the island have affected the general real estate industry for the last years. This has now been adversely intensified by the financial crisis affecting the US markets.

In general terms, demand for real estate is soft. This has been further complicated by two (2) factors: 1) dramatic increases in construction costs placing the feasibility of many of the planned projects in question, and 2) a credit crunch from the banking sector which, in general, has suffered substantial losses in their capitalization in the recent past.

The Santurce sector includes major hospitals and/or healthcare facilities such as Pavia, San Jorge, Ashford Presbyterian Community, Doctors Hospital and the San Juan Health Center providing over 700 beds. Other ambulatory surgery and/or medical facilities include Santurce Medical Mall, Medical Pavillion Condominium and the “OJOS” Ophthalmic Center. All these projects have been creating supporting commercial-retail, related medical offices and parking demand in their respective surroundings.

Access routes to and within Santurce have been improved considerably. The De Diego expressway (PR-22) leads into the Minillas tunnel connecting with the Baldorioty De Castro expressway and providing exits to Fernández Juncos and Ponce De León avenues. Baldorioty De Castro segments the north section of Santurce from the central part, moving east-west in both directions and connecting the Puerta De Tierra, Santurce and Carolina sectors.

On the southern periphery, Muñoz Rivera expressway also moves east-west in both directions linking Puerta De Tierra with the Santurce and Hato Rey sectors. This expressway separates the central section of Santurce from the southern areas, which run along the Martín Peña channel. J.F. Kennedy Avenue leads north from the Guaynabo Municipality into Santurce’s Roberto H. Todd Avenue. All major routes leading to San Juan (and Santurce), including the De Diego, Baldorioty de Castro, and Luis A. Ferré Expressways and Kennedy Avenue, have been recently improved or are undergoing improvement such as overpass and lane expansions to alleviate traffic flow to and from the city.

Finally, probably the most significant transportation plan which will greatly improve traffic conditions in the Santurce sector is the proposed phase 1-A extension of the Urban Train transit system which will continue from the existing Sagrado Corazón Station to the Minillas government center. Reportedly, phase 1-A is still in its design and planning stage, having no definite construction time period. The Sagrado Corazón Urban Train Station is located on the central-south-east section of the district, an area known as “Parada 27” (Stop 27), which evokes the names of the old trolley stops. Various bus lines operated by the Metropolitan Bus Authority (Autoridad Metropolitana de Autobuses or AMA) provide service in the area as well.

#### **Culture - Places of interest**

- Centro de Bellas Artes Luis A. Ferre - Award winning fine arts center is a modern architectural masterpiece.
- Museo de Arte de Puerto Rico - The Puerto Rican Art Museum
- Museo de Arte Contemporaneo - Museum of Contemporary Art
- Plaza del Mercado de Santurce - Historic Market Place
- Plaza del Condado - Charming neighborhood square

### **Subject's Immediate Neighborhood**

The immediate neighborhood can be delineated by Baldorioty de Castro Avenue (PR-26) on the north, Luis Muñoz Rivera Expressway (PR-1) on the south, Sagrado Corazón de Jesús and Ismael Rivera Streets on the east and to the west by De Diego Expressway (PR-22).

The subject property is physically located at the Melilla Sector of the Santurce Ward, #1650 & #1652 of the Ponce De León Avenue (PR-25) corner Bolivar Street, just across avenue from FirstBank headquarters and the Ciudadela Complex and a half mile to north of the Sagrado Corazón Urban Train Station. Moreover, it is located at a mile to north of the Hato Rey Central Business District (CBD), which is the island's leading financial and business center with nearly 4.0 million square feet of good class office space.

The Ponce de León Avenue connects the Jesús T. Piñero (Central) Avenue, F.D. Roosevelt Avenue, Luis Muñoz Rivera Expressway (PR-1), Borinquen Avenue, José Fidalgo Díaz Street, Del Parque Street, José De Diego Avenue and José de Diego (PR-22) Expressway, among others, in a short drive distance from south to north-west direction and leads to the and Roberto H. Todd Avenue on the same course. As such, the subject property experiences a tremendous vehicular traffic which enhances the exposure of the properties which front it. A variety of commercial and institutional uses can be found within the immediate neighborhood. Moreover, it can be said that the main commercial and institutional activities in the surroundings take place at Ponce de León Avenue. For example, to the west of the subject property (at this avenue) are located Centro de Bellas Artes, the Family Department, the Central High School of Fine Arts, the Santurce Regional Office of the Treasury Department, Plaza 20, Georgetti Theater, Sagrado Corazón Academy, Health Department Building, MBTI Training Institute, Metro Cinema, Ambassador Theater and AEE headquarters, among others.

In terms of health facilities, the immediate neighborhood enjoys the presence of the Doctor's Center Hospital which refers to a general hospital with emergency room and capacity for 154 beds. Reportedly, it was acquired on January 2007 by Carlos A. Blanco, M.D. and subsequently was remodeled. As consequence of this presence, medical related uses have been established in the surroundings of it specifically at Hipodromo and San Rafael Streets (i.e; Clendo Laboratory, Ojos Day Surgery Center and Medical Pavillion Condominium). Recently, the Doctor's Center Hospital was expanded to the Fernández Juncos Avenida with new facilities.

Among the new projects which form part of the Santurce Revitalization Program and that lie within the immediate neighborhood are found the recently built Metro Plaza Building which is located at the corner of Ponce de León Avenue and Villamil Street and consist of two, 14 story buildings comprising 75 units each for a total of 150 residential apartment units. This project also includes commercial/office locales and a four level parking garage. The Plaza Bellas Artes project will be located on #1416 of Ponce del León Avenue and will consist of 404 residential apartment units and 54,100 square feet of commercial space supported by over 800 parking spaces.

Finally, the ongoing construction of new facilities of AOR Building Supplies located at corners of Ponce de León Avenue and Jordán Street, Fernández Juncos Avenue and Jordán Street, and Fernández Juncos Avenue and Pedro De Castro Street, consist of a three-story 55,000 square feet project, including 47,000 square feet of warehouse space, and 57 parking spaces. First level will includes a showroom, the second level administrative offices and the third level will be used for activities such as conferences and workshops. The project began on November 2014 with an inversion of \$6.0 million and will create about 90 jobs and is headed by F&R Construction Group, Inc.

### Neighborhood Analysis – Summary

<b>Neighborhood Location</b>	The subject property is located in the Santurce Ward of San Juan Municipality. Main access is by way of Ponce de León Avenue (PR-25).
<b>Boundaries:</b>	
<b>North</b>	Baldorioty de Castro Avenue (PR-26)
<b>South</b>	Luis Muñoz Rivera (PR-1) Expressway
<b>East</b>	Sagrado Corazón de Jesús and Ismael Rivera Streets
<b>West</b>	De Diego Expressway (PR-22)
<b>Road Linkages</b>	Ponce de León (PR-25), Fernández Juncos (PR-35), Baldorioty de Castro (PR-26), De Diego Expressway (PR-22) and Luis Muñoz Rivera (PR-1) Expressway, among others.
<b>Zoning Parameters</b>	C-1, C-2, R-4, ZU-G1, ZU-G2, ZU-G3, ZU-R1, ZU-R2, ZU-P, ZU-EA, DV and CR-H.
<b>Land Uses</b>	Mostly commercial uses and institutional with few industrial properties along main arteries and residential at interior locations.
<b>Neighborhood Characteristics</b>	Subject's neighborhood is an active area with an adequate commercial trend such as cafeterías, offices, mini markets, laundry, banks, shopping center, gas stations, schools, and government and federal agencies. The location is in the metropolitan area of Puerto Rico, with a mixed well-balanced of uses, along with good road linkages.
<b>Economic Base, Factors</b>	Hato Rey Financial District and Plaza Las Americas Shopping Center. San Juan is the financial center of Puerto Rico; has a strong residential, commercial, institutional and industrial base.
<b>Existing Construction</b>	New facilities of AOR Building Supplies, commercial and residential use renovations.
<b>New Construction</b>	Walt-Mart Supercenter and Walgreens Pharmacy at the "Parada 18"
<b>Neighborhood Trends</b>	Subject's neighborhood is of heterogeneous character, with a well-balanced combination of uses. There is an adequate market for properties in the sector evidencing average demand factors. Typical marketing and exposure times range from 12 to 36 months with an average of 18-months. Property values are stable at the sector and rental rates of commercial retail/office spaces range from \$9.31 to \$22.50 per square foot per year and apartments range from \$275 to \$750 monthly.

## PROPERTY PRODUCTIVITY ANALYSIS

Property productivity analysis is defined as an analysis of a property's capacity to deliver goods and services to meet human needs, house economic activities, and supply amenities. This section analyzes the subject property's physical, legal, and locational attributes.

SITE DESCRIPTION - SUMMARY				
<b>Site Area*</b>	286.21 square meters, equivalent to 0.0721 "cuerda"			
<b>Shape</b>	Trapezoidal			
<b>Topography</b>	Level			
<b>Street Improvements</b>	Direction	No. Lanes	Street Type	AADT
<b>Ponce de León Avenue</b>	One-way	Two lanes	Primary	10,264 (2011)
<b>Saldaña Street</b>	One-way	One lane	Local	N/A
<b>Frontage</b>	Adequate – It has adequate frontage of 33.62 linear meters (110 LF) to/from Ponce de León Avenue on its south side and Saldaña Street on its east side.			
<b>Accessibility</b>	Adequate – There are sidewalks on the site and it has sufficient maneuvering area, which provides adequate ingress and egress capabilities to/from site.			
<b>Exposure</b>	Adequate – Improvements are well located within the site enjoying adequate exposure.			
<b>Location Coordinates</b>	Latitude: 18.443642 / Longitude: -66.064772			
<b>Zoning District</b>	ZU-G3 (General Use 3)			
<b>Utility Connections</b>	Electricity & water, telephone, cable TV, internet, sanitary & storm sewers			
<b>Boundary Limits</b>	<b>Distances:</b>			
<b>North</b>	Residential multi-family property			14.95 m.
<b>South</b>	Ponce de León Avenue			9.60 m.
<b>East</b>	Saldaña Street			24.02 m.
<b>West</b>	Commercial property			24.80 m.
<b>Hazardous materials</b>	The value reported assumes that there are no such materials affecting the property.			
<b>Environmental Impact</b>	No site environmental impact studies have been made in conjunction with this appraisal, thus, the value conclusion could be affected by subsequent studies, research, investigation, and resulting governmental actions.			
<b>Easements, expropriations, encroachments, or liens</b>	Besides the typical easements of utilities, this report assumes that the subject property is free of restrictive covenants or liens, encroachments and contemplated expropriations.			
<b>Archeological materials</b>	We assume the property is free of archeological materials.			
<b>Flood Zone &amp; Panel No.</b>	It falls 100% outside flood-prone areas, Zone X, as outlined on FEMA panel No. 72000C-0355-J, effective as of November 28, 2009.			
<b>Soil /Subsoil Conditions</b>	Firm and apparently stable			
<b>Drainage</b>	Adequate			

\*In Puerto Rico, land area is measured in square meters while the improvements are measured in square feet. One square meter is equivalent to 10.764 square feet. Larger tracts of land are measured in cuerdas where on cuerda is equivalent to 3,930.3966 square meters or 0.9712 acres.

### **Zoning Description**

The subject site lies within the **ZU-G3 (General Use Zone 3)** district of the special zoning regulation of the Santurce Ward by the Planning Board of the San Juan Municipality. This district is established to promote orderly development of the central area of Santurce that by linking with the regional road system can be developed intensively. In this zone is allowed the use of selected commerce, services or light-industrial. It is mandatory location of commercial uses, services or light industry in the first eight meters of the first floor structure measured perpendicularly from the front line. Residential uses will be provided access from the public highway vertical communication core separate and distinct from other uses. The location of non-residential uses in the structure is set according to the following criteria, depending on the type of structure:

1. New construction: Non-residential use is permitted on the first two floors, provided the gross building area dedicated to them does not exceed the gross building area devoted to residential use. Notwithstanding the above, will be allowed to use parking structure as main use in all plants, without the need to be accompanied by residential uses, according to the provisions of section Parking Structure as the Primary Use chapter Parking and Vehicular Access.
2. Existing buildings: For these structures there are several conditions:
  - a) Buildings constructed for residential use: Commercial use is allowed on the first two floors. In the structures of one or, two levels will be permitted non-residential use, irrespective of the presence of residential use in the structure. The non-residential uses on the upper floors of these structures remain as legal nonconforming uses.
  - b) Mixed-use buildings: is permitted nonresidential use in the first two floors or built for that part nonresidential use, whichever is greater. In conditions when the non-residential built to exceed seventy-five percent (75%) of the total area of the structure, the entire structure may be used for non-residential use. The non-residential uses occupying housing constructed areas that are not welcome as provided above, will remain as legal nonconforming uses.
  - c) Buildings constructed for nonresidential uses in its entirety: is permitted non-residential use through the structure. Where permitted by other provisions of this Regulation shall be extended to non-residential uses twenty-five percent (25%) of gross building area of the structure.

### **Specific Uses Permitted in the ZU-G3 District:**

- Textiles
- Clothes and other analog products
- Publishing and analog industries
- Painting, Cristal paper of walling
- Hardware store
- Plant nurseries and garden effects
- Store varieties
- Market stores; including meat suppliers, fruits and vegetable markets, candies, nuts and lacteous products and detail Bakeries
- Automobiles effects
- Cloth and accessories including; cloth and men and children accessories, woman cloth, accessories and special articles for women, children and baby clothing, family clothing, shoe stores, other cloth and accessories stores

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

- Furniture, effects and house equipment, including; furniture, and house equipment, house gear, radios television and computers, musical instruments
- Ice cream parlors
- Miscellaneous commerce; including, pharmacies, liquor stores, among others
- Finance, Insurance and Real Estate; including; deposit institutions, banks, financial institutions, securities agencies, real estate agents and utilities, insurance offices, insurance services, lodge inns, dorms, laundries, coins laundry, photographic studios, beauty parlors, barber shop, hat cleaning and shoes repairs, travel and tours agencies, transportation merchandise agencies (excepts storage), parking as a principal use, parking as a complementary use
- Commercial services such as: advertising agency, credit and collection agency, mailing reproduction, stenography, building services, etc.
- Car repair garage & miscellaneous repair services
- Cinematographic picture
- Recreational, Amusement, Health, Legal, Educational and social services
- Museums, Botanical Gardens
- Association of members or societies
- Management or Engineering Services
- Housing
- Among others.

Following table summarizes the ZU-G3 district parameters.

<b>ZONING PARAMETERS – ZU-G3</b>	
Allowed uses	Mix-use, urban commercial, retail/office, gas station and institutional uses, among others to satisfy the needs of a group of the neighborhood.
Maximum height	Two times the width of the street of the frontage of the building.
Minimum lot size	500 square meters
Minimum frontage	No less than 3 meters or 1/5 of building height
Maximum lot occupancy	85% of lot size (corner lot), 75% of lot size (interior lot)
Maximum building area	510% of lot size
Minimum front patio	Not required.
Minimum lateral patio	Two (2) lateral patios; each one with a width no less than 2 meters.
Minimum rear patio	3 meters or 1/5 of building height

#### **Conformity Conclusion: Legal Conforming**

The existing improvements appear to be conforming in terms of permitted use and most developmental standards. We assume that were built to code at the time of original construction and any subsequent additions, modifications, demolition, and/or change of use was done with the necessary permits. As such, the current use of the site is legally conforming.

#### **Puerto Rico Tax Data**

The Municipal Revenue Collection Center (CRIM, by its Spanish acronym) is responsible for assessing properties and collecting real estate taxes. Puerto Rico's real estate tax rates are based on two (2) separate factors, one is the rate fixed by the Legislature of Puerto Rico, standard for all parts of the Commonwealth, and the other, is the rate set by the municipality wherein a given property is located.



**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

Real estate assessments are made at 1957-58 values using a cost approach based mass appraisal methodology. The law in Puerto Rico provides for a 10% discount on the property taxes, which are collected in two (2) yearly payments, if these are paid within the 30 days following the mailing of the tax invoice. The San Juan Municipality current tax rate is 10.33%. Tax rates are periodically revised.

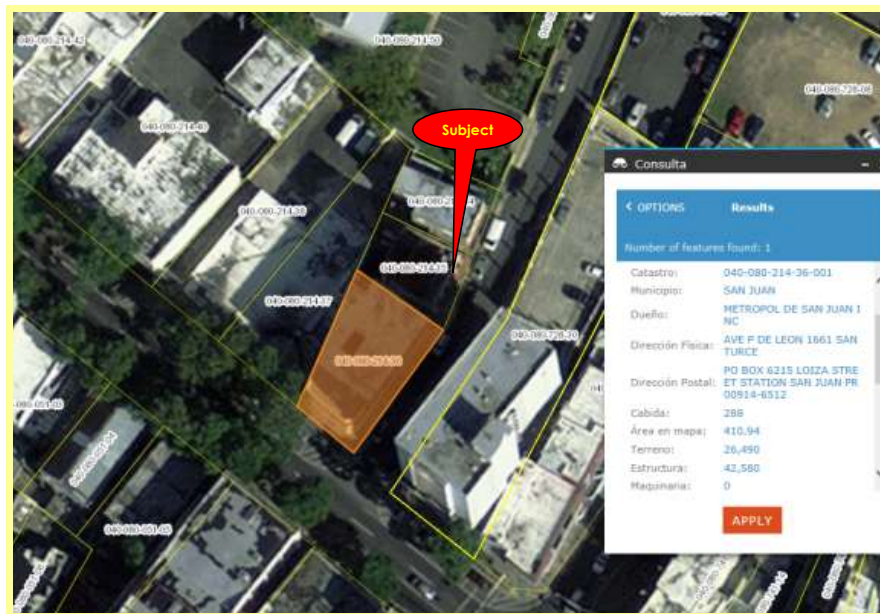
In addition, the law also grants property tax exemption for the first \$15,000 of assessed valuation on one (1) residence, if owner occupied. Special real estate tax exemptions are often granted to some type of commercial properties as an incentive for job creation.

**Tax Data and Assessed Valuation**

According to the CRIM value certificate, the taxable value of the subject property is \$69,070 for a current tax expense of \$7,134.93 annually. However, if apply the 10% discount to the property, the annual tax expense would be \$6,421.44. In summary:

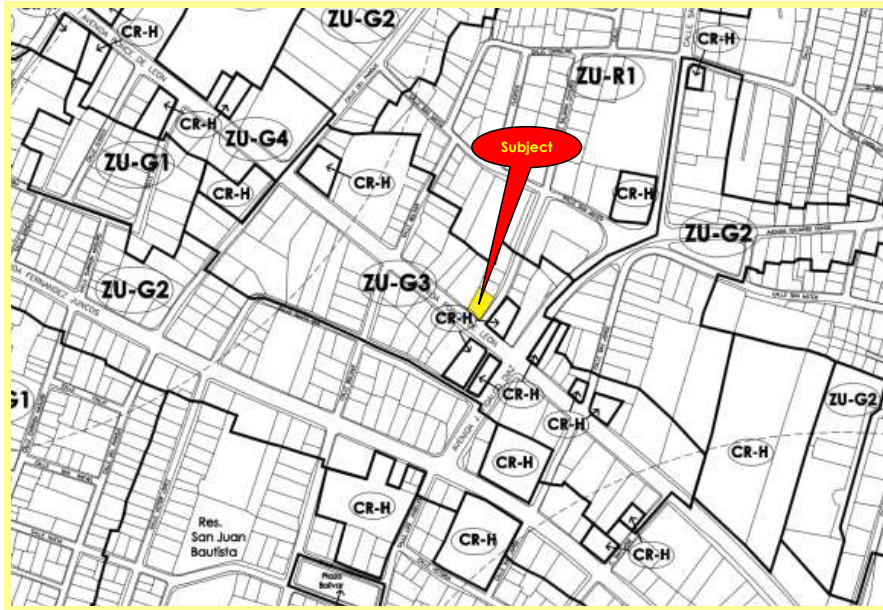
Tax Code Number	Owner as per CRIM	Taxable Value	Tax Expense	After Discount
040-080-214-36-001	Metropol San Juan, Inc.	\$69,070	\$7,134.93	\$6,421.44

We are assuming that property taxes are currently paid. We are no experts in tax matters. We are no responsible for any information referent to the real estate taxes and/or any pending or unpaid tax of the subject of this appraisal. The appraisers in this respect assume no responsibility and/or liability. Following is the cadastral map.



Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

### ZONING MAP



### LOCATION MAP



Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

#### PONCE DE LEÓN AVENUE SCENE



#### SALDAÑA STREET SCENE



## DESCRIPTION & ANALYSIS OF IMPROVEMENTS

The following description of improvements is based on the inspection made by the appraiser on the effective date of the appraisal report. Building sketch copy is included in this report.

DESCRIPTION	IMPROVEMENTS
Year Built	More than 50 years
Occupancy	Mixed Retail Centers with Residential Units
Building Class / Type	Class-C - Average
No. of Stories	Four-Story (4)
Existing Use	Commercial and residential
Construction Finishes	Reinforced concrete and concrete blocks
Exterior Facade	Reinforced concrete (mixed-use façade)
Gross Building Area (GBA)	
First Floor	2,773 Sq. Ft.
Second Floor	2,773 Sq. Ft.
Third Floor	2,773 Sq. Ft.
Fourth Floor	<u>2,157 Sq. Ft.</u>
Total	10,476 Sq. Ft.
Ceiling Height	10' feet each floor
Land-to-Building Ratio	0.29:1
Floor Area Ratio	340%
Parking Facility	None
Luminaries	Fluorescents
Restrooms/Bathrooms	Considered adequate
Security	Roll-up shutters & iron works
Chronological Age	55 years
Effective Age	20 years
Economic Life	45 years
Remaining Economic Life	25 years
Other Improvements	
Roof	Reinforced concrete
Ceiling	Exposed plastered/painted & acoustic
Floors	Terrazzo and ceramic tiles
Doors	Interior: wood; Exterior: aluminum-glass and aluminum
Windows	Aluminum-glass, wood-glass & aluminum jalousie (Miami type)
Interior walls finish	Plastered/painted concrete blocks
Partitions	Plastered/painted concrete blocks
A/C system (HVAC)	Split units in commercial locales
Functional Obsolescence	None observed
External Obsolescence	None



### **Physical Condition & Deferred Maintenance**

Original improvements were built over 50 years ago with average quality materials. The subject improvements are in average physical condition experiencing a significant degree of accrued depreciation (physical, functional and external/economic). In fact, several short life of the building require be corrected immediately in order to place the property in a more competitive condition. The cost to cure the deferred maintenance in properties with similar degree of physical deterioration averages \$4.00 per square feet of gross building area.

### **Functionality of the Property' Improvements**

The interior layout of the improvements and its location within the lot is adequate and functional. However, the building lacks of adequate parking facilities. This deficiency limits the capacity of the property to reach a higher occupation rate.

### **External Obsolescence (Property' Improvements)**

External obsolescence can either be temporary or permanent. Temporary external obsolescence is caused by factors in the market such as an oversupply of the type of space it provides. This is sometimes found in income producing (rental) properties such as apartments, hotels / motels, office buildings, and retail commercial space such as shopping centers and downtown mercantile buildings. Permanent external obsolescence is may be caused by the subject property's location to an encroaching land use.

In this case, the subject property does not suffer from external obsolescence.

### **Ideal improvements**

The trend along the access street to the subject property and the main arteries within the span are primarily for the development of commercial concerns and mixed-use facilities and that the property has. Moreover, the existing improvements are in harmony with the neighborhood trends and contribute in a balanced proportion to the total value of the property. As such, current zoning, physical attributes and neighborhood's use trends would point towards to continue its current mixed-use.

In conclusion, the ideal improvements call for a subject type mixed-use building.

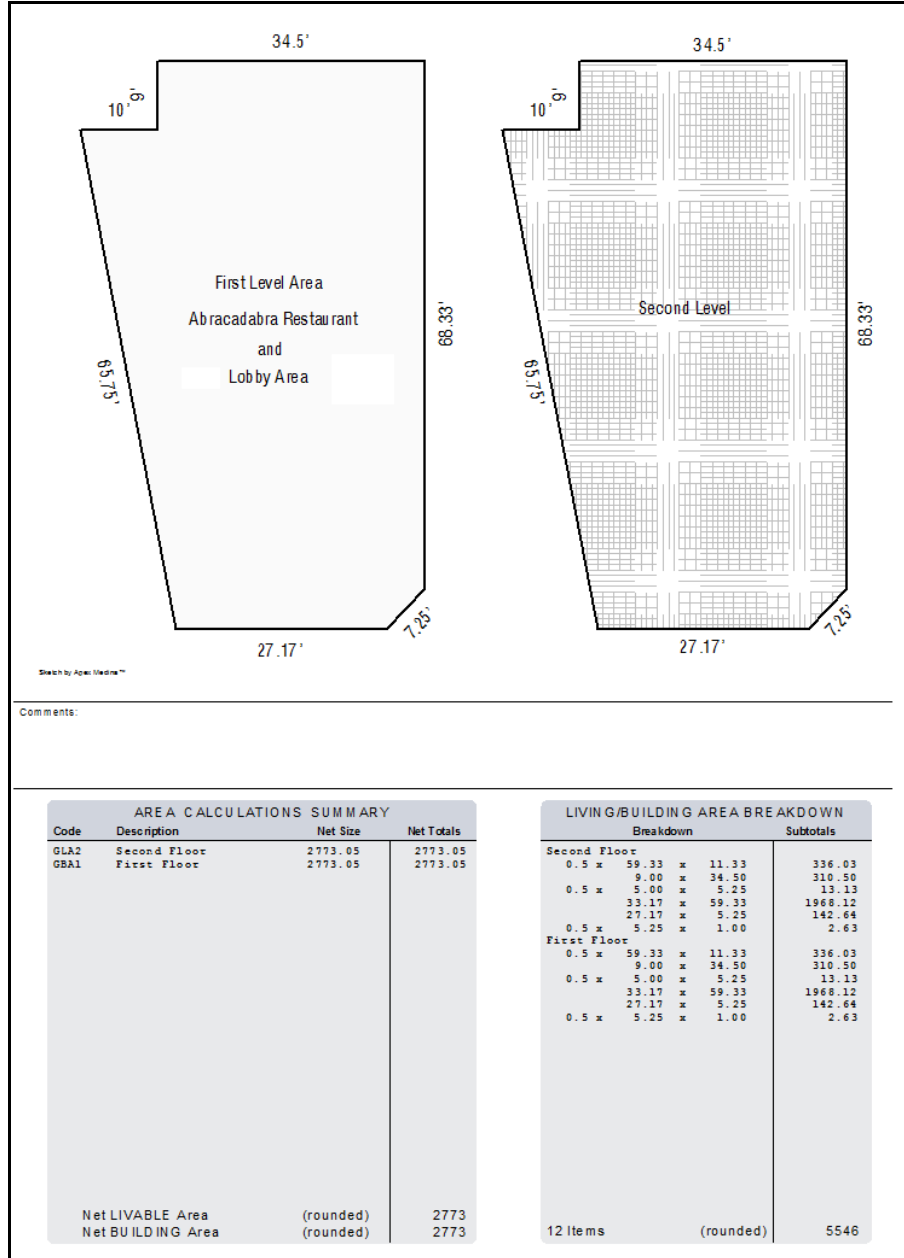
### **Conclusion of the Analysis of Improvements**

Overall, the existing improvements contribute significantly to the total value of the property and can be considered functional and adequate to continue its current mixed use.

In conclusion, the existing improvements of the property are considered functional and adequate for the current use of site area, and are in harmony with its highest and best use of the property "as improved".

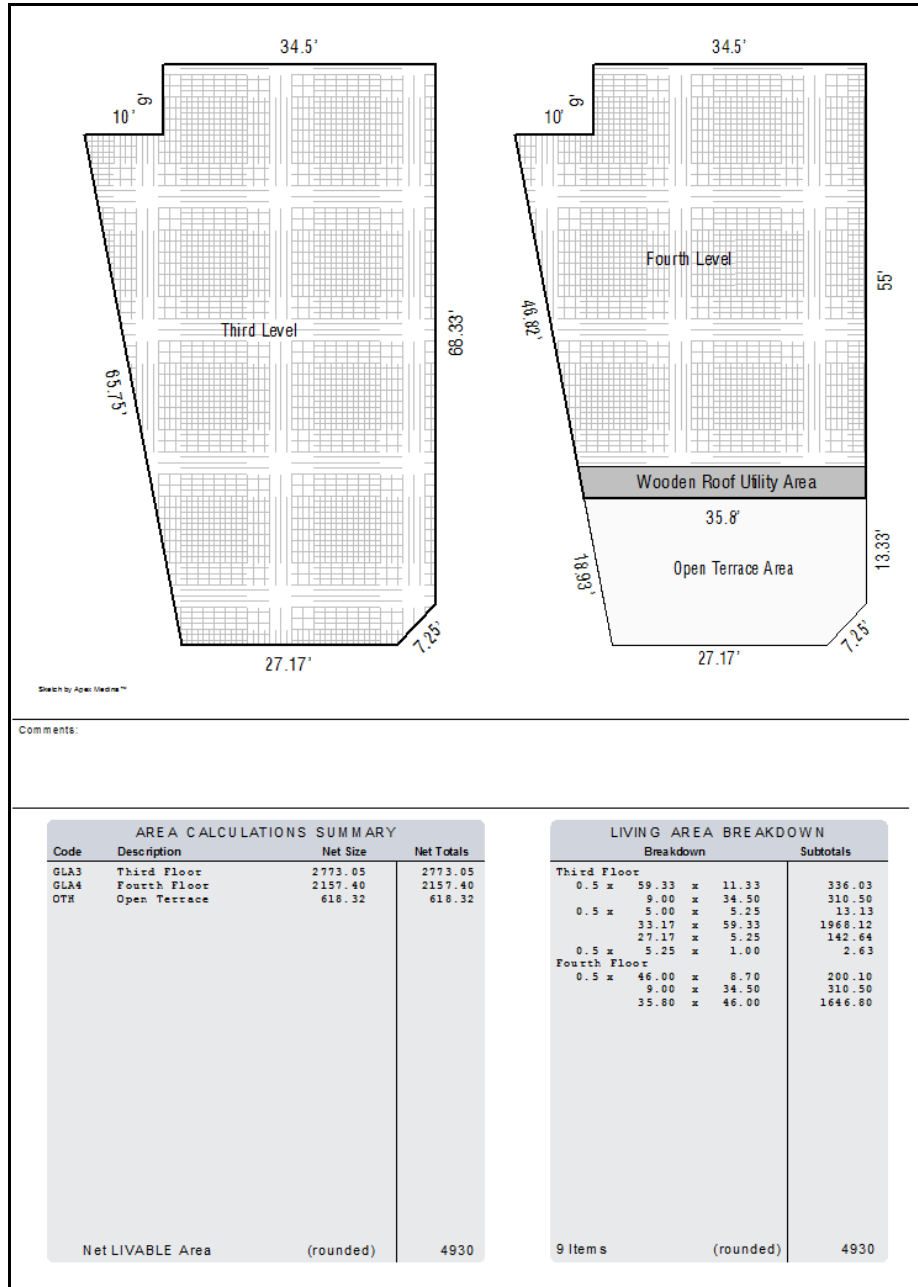
Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
 #1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

### BUILDING SKETCH



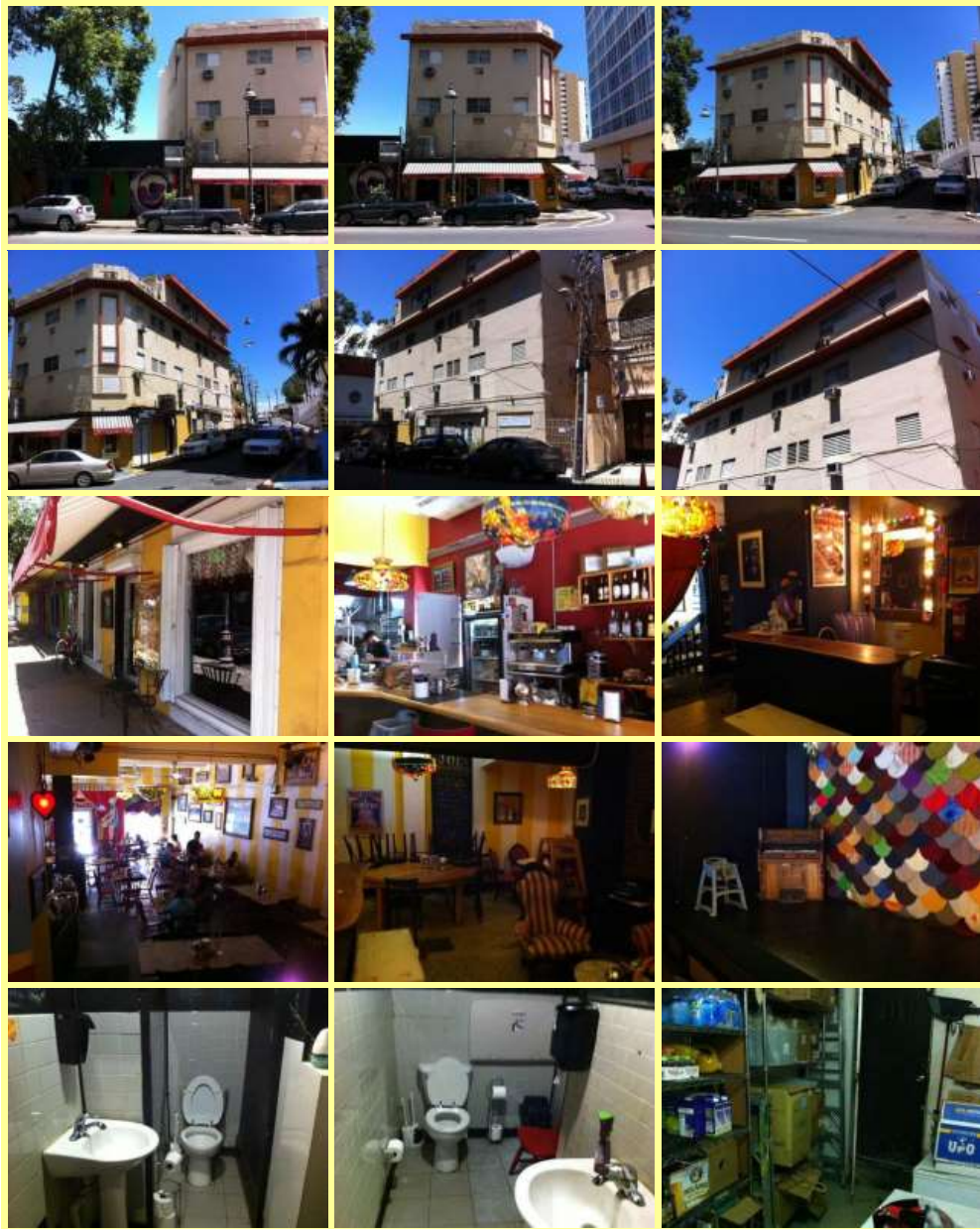
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 #1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

### BUILDING SKETCH



Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

**SUBJECT PROPERTY PHOTOS**





Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

**SUBJECT PROPERTY PHOTOS**



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#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

**SUBJECT PROPERTY PHOTOS**



## HIGHEST AND BEST USE ANALYSIS

Highest and Best Use, is defined by The Dictionary of Real Estate Appraisal (Appraisal Institute, Chicago, 2015), as follows: *“The reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible and that results in the highest land value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”*

The Highest and Best Use is evaluated through the analysis of a site in terms of four (4) sequential criteria: *legal permissibility, physical possibility, financial feasibility and maximum productivity.*

**Legal Permissibility** – In this section the appraisers must determine which uses are legally permissible. Private restrictions, zoning, building codes, historic district controls, and environmental regulations must be investigated because they may preclude many potential uses.

**Physical Possibility** – Here the analysis considers how size, shape, area, and terrain of the site affects the uses of which can be developed. The analysis also considers the availability of public utilities (i.e. water, electricity, and telephone services).

**Financial Feasibility** – All uses that are expected to produce a positive return are regarded as financially feasible. If the net revenue being generated is enough to satisfy the required rate of return on investment and provide a return on the land, the present use is financially feasible as accepted by major lenders. Subject parcel can generate sufficient profit in order to attract investor this type of use.

**Maximally Productive** – Of the financially feasible uses, the use that produces the highest residential-commercial land value consistent with the rate of return warranted by the market for that use is the highest and best use.

The highest and best use analysis requires the appraiser to distinguish from among all possible uses that use which would represent the highest value as of the effective date of appraisal. The highest and best use of land or a site as though vacant is further defined in the Dictionary of Real Estate Appraisal as “among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements”.

Typically, in estimating the highest and best use of a property, the highest and best use of the site is first considered as if vacant and available for use, and then the highest and best use of the improved property as a whole is considered. In this case, the subject property “as is” referred to a multi-tenant commercial/residential facility, thus, both analyzes are required in this appraisal report.

There are four major types of urban land uses, namely residential, commercial, industrial and public. The distinguishing factor in the development of land value is its immobility. Therefore, its location is the concept, which determines its use and potential productivity.

Usually, land has to be used in conformity with the uses established by the Planning Board and/or the zoning maps that govern the area where a given property is located. The main reason for this is to limit the conversion to uses not in conformity with the neighborhood. In essence, the zoning of a given site represents the aspect of the concept of highest and best use, since it regulates the uses that said site could be potentially dedicated to.

## HIGHEST AND BEST USE OF SITE AS THOUGH VACANT

**Legally Permissible-** In all cases an appraiser must consider which uses are legally permissible. Also, private restrictions, zoning regulations, building codes, and environmental regulation must be investigated before they may preclude any potential uses. Environmental regulations allow similar uses as allowed by the zoning regulations.

In this case, the subject site lies within the ZU-G3 (General Use Zone 3) district of the special zoning regulation of the Santurce Ward by the Planning Board of the San Juan Municipality. This zoning ordinance allows a variety of commercial uses such as office buildings and that the property has. Besides the typical permits process, no problems are foreseen in acquiring the necessary approvals for the development of site into a commercial venture.

**Physical Possibility-** The site comprises 286.21 square meters. Its physical characteristics include corner location and trapezoidal shape with level topography at grade with its bounding arteries enjoying adequate width to depth relationship for a functional development. It has adequate access, exposure and frontage of 33.62 linear meters (110 LF) to/from Ponce de León Avenue on its south side and Saldaña Street on its east side. These streets provide good ingress and egress capabilities to/from the site. Therefore, the physical characteristics of the site present favorable conditions for commercial development.

On the other hand, the site falls 100% outside flood-prone areas. The site has no encroachments and is not affected by any special nuisances or hazards. It has adequate location, within immediate and convenient access to major roads of the area. All necessary municipal public utilities are available and in service to the site. Based on the site's physical characteristics, the zoning restrictions and its similar surrounding uses; the commercial development of the site is possible.

**Financial Feasibility-** The financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. The analysis indicates that current demand of sites for commercial uses within the subject's market area produces an attractive cash flow, which makes it financially feasible; the commercial development of the site the most appropriate possible use. Thus, the site could be feasibly developed for a commercial use, which is the better possible use that would provide an adequate financial return.

**Maximally Productive-** The current market trends in the sector point towards to commercial use development of the site and that the property has. In fact, the commercial use of site "as if vacant" conforms as per market trends. Thus, the commercial use development of the site, have been typically of, and in conformity with, the uses in general and immediate area, in addition to being legally permissible, and physically possible. Considering the first tests, the use that creates the greatest value of the site is a commercial use development.

In conclusion, the highest and best use of the subject site "as if vacant" and/or available for use, is a commercial use development.

## HIGHEST AND BEST USE OF PROPERTY AS IMPROVED

In determining the highest and best use of the property as improved, the focus is on three possibilities for the property: 1) continuation of the existing use, 2) modification of the existing use, or 3) demolition and redevelopment of the land. The highest and best use “as improved” also must meet with the same four tests of the highest and best use of site “as if vacant” and/or available for use, which are legally permissible, physically possible, financially feasible and maximally productive.

**Legally Permissible-** The primary restrictions for the legal use are in the zoning ordinance. As stated in the Zoning section, the subject site is zoned ZU-G3, which allows mixed-use and that the property has; as such, improvements are in line with the current zoning parameters. Therefore, the current use of the site is a legally conforming use.

**Physical Possibility-** The subject property enjoys adequate transportation linkages to support a feasible commercial operation. The subject was designed to be operated as multi-unit, mixed-use building. The improvements can be rated average in comparison to the market standard for this property type within the Santurce Sector. Thus, the current use of the existing improvements is physically possible.

**Financial Feasibility-** The determination of financial feasibility is dependent primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses. For income producing properties, the financial feasibility of a property is based on the amount of rent which can be generated, less operating expenses required to generate that income; if a residual amount exists, then the land is being put to a productive use. On the other hand, for owner user properties the financial feasibility of a property can be inferred for the market activity (comparable sales or rents).

Commercial facilities experience adequate demand levels with adequate sales prices levels with a competitive risk-return scenario for properties within the immediate neighborhood. Given the specific design of the improvements, current market rents and demand for mixed-tenant facilities within the subject market area exceed to those for other uses and produces an adequate cash flow, which makes its current use financially feasible. Thus, it can be inferred that the current multi-tenant use is feasible.

**Maximally Productive-** In summary, after analyzing the site’s physical characteristics, the composition of the general and immediate neighborhood and its recent past development trends, and other alternate uses, zoning restrictions and its current use; the highest and best use of the subject property “as improved” is to continue its current use as multi-tenant commercial/residential facility. Thus, its current mixed use has been typically of, and in conformity with, the uses in general and immediate area, in addition to being legally permissible, and physically possible. Further, the existing improvements contribute significantly to the overall property value.

In conclusion, the highest and best use of the property “as improved” is to continue its current multi-tenant use, which is one that typically results in maximum profitability and the ideal improvements.

Finally, the most likely buyer would be an investor because the subject is a turnkey facility with adequate appeal and location for multi-tenant commercial/residential facility within the Municipality of San Juan.

## VALUATION PROCESS AND APPROACHES

Three basic approaches may be used by the appraisers in the estimation of market value. These three approaches provide data from the market from three different areas when all are available. These three approaches are the Cost Approach, the Sales Comparison Approach and the Income Approach.

### **The Cost Approach (CA)**

The CA is based on the premise that an informed buyer will pay no more for a property than the cost of constructing a comparable property with similar utility. This approach is particularly applicable and reliable when the property being appraised is relatively new with little accrued depreciation or is of a highly specialized design and/or utility for which there exist few market sales.

### **The Sales Comparison Approach (SCA)**

The SCA has at its premise the comparison of the subject property with other of similar design, utility and use that have sold in the recent past. This approach will provide a reliable indication of value whenever there's a strong market action and a considerable number of sales of relatively similar properties. It is most applicable and reliable when an active market provides sufficient sales of comparable properties for analysis.

### **The Income (Capitalization) Approach (ICA)**

The ICA as used for investment properties has at its premise the estimation of the amount of the net income, which when capitalized in a manner that is commensurate with the risk and the life expectancy of the improvements will indicate the present value of the income stream. This approach is most useful in the valuation of income producing properties, because the average investor buys such properties based on the future benefits in monetary terms will receive.

### **Conclusion**

Normally, these three (3) approaches will each indicate a different value. However, after gathering all the necessary data available, including competitive sales, market rents, etc., the appraisers only developed the Income (Capitalization) Approach as part of the Valuation Process contained in the body of this report.

The Cost Approach has not been included because it is not considered relevant in estimating the market value for the subject property. This approach is usually not utilized by buyers and sellers in the marketplace as basis for making purchase or sale decisions for buildings like the subject. Moreover, the valuation for this approach rests on the contribution of the depreciated cost of the improvements and the contribution of site; and not for the income producing capabilities of the rentable units of the subject (1 locale, 19 rooms and 1 apartment). In fact, properties similar to the subject are typically acquired for investors motivated by the income streams produced for properties and not for the construction cost of them. Moreover, there are not recent vacant sales within the subject market area and the age of the improvements makes it difficult to estimate the amount of accrued depreciation. However, upon client request, we developed an insurable value of the improvements on the subject property.

On the other hand, the Sales Comparison Approach could not be developed due to the lack of abundant sales competitive / similar to the subject property (multi-tenant / income-producing) which were not found in the general market of the San Juan Municipality. Thus, a realistic value figure could not be estimated under this premise.

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

To sum up, it is our opinion that the exclusion of the Cost and Sales Comparison approaches is merited in this assignment and does not reduce the credibility or reliability of this appraisal report for purposes of estimating the subject's market value.

Finally, after all the factors in the developed approach have been carefully weighed appraisers reach to an opinion on market value of the subject property in leased fee interest.



## INSURABLE (VALUE) VALUATION

**Insurable Value**, is defined by The Appraisal of Real Estate, 14<sup>th</sup> Edition (Chicago: Appraisal Institute, 2013), as follows: *“Insurable value is the value of an asset or asset group that is covered by an insurance policy, Insurable value may be based on the replacement or reproduction cost of physical items that are subject to loss from hazards. This value is often controlled by state law and varies from state to state”*. Also, The Dictionary of Real Estate Appraisal, 6th Edition (Chicago 2015), defines Insurable Value as: **“A type of value for insurance purposes”**. Insurable value appraisals are generally used for the following purposes:

1. Proper Placement - Determine the proper amount of insurance to be carried to assist in recovery in the event of loss, without paying premiums for excessive coverage that can never be collected.
2. Proof of Loss - Establish a reasonable basis for preparing the required proof of loss in the event of a catastrophe.
3. Updating - To provide the client with a report which facilitates its revision on an annual basis in order that the property record and insurable values may be kept current.

### Introduction

In this assignment, as requested by the client the replacement cost of the building (improvements) be estimated for purposes of securing insurance for the property. Traditional appraisal standards have been followed to develop a reasonable calculation based upon industry practices and industry accepted publications such as the Marshall & Swift Building Costs Manual by Marshall Valuation Service (MVS) and from the construction cost market extracted from local contractors. The methodology employed is a derivation from the cost approach. The insurable value analysis disregards the underlying land component of the subject property, which is comprised by a site of 286.21 square meters.

The insurable value estimate presented herein is intended to reflect the value of the destructible portions of the subject, based on the replacement of physical items that are subject to loss from hazards (excluding indestructible items such as basement excavation, foundation, site work, land value, and indirect costs). In the case of the subject, this estimate is based upon the base building costs (direct costs) as obtained via the MVS handbook, with appropriate deductions.

### Replacement Cost New (RCN)

For insurance purposes, it is necessary to establish the “replacement cost new” for the existing property assets that are the subject of the valuation. In determining this value, an estimate of the replacement cost of the assets is determined by utilizing the current expense of constructing a similar asset of like utility.

Determination of replacement cost new is the accepted valuation methodology for real property as part of an insurable value appraisal. In the case of real property valuations (buildings), once the overall replacement cost for the asset is established, a reduction should generally be made to account for items that are excluded from coverage under the insurance policy. Examples of items typically excluded include the building foundation, underground piping and wiring. In this case, the exclusions are estimated at 15% of the cost per square foot, extracted from the construction costs of the market by the local contractors from previous valuation reports. The final value is used for establishing the appropriate amount of coverage for the real property.



### Source of Replacement Cost

Replacement cost new of the subject improvements is based on the cost per square foot developed in the Marshall & Swift Building Costs Manual, *Section 13*. These per square foot averages include architect's fees, contractor overhead and profit, sales taxes; permit fees and insurance during construction. The base cost per square foot is adjusted to reflect the particular type of subject building and air conditioning system at the property. These average figures are then adjusted to reflect current and local pricing as well as story height modifiers. The Marshall and Swift figures are generally support by construction data on similar buildings and estimates of current cost of replacement provided by local owners and contractors.

The classification, class and type of improvements (buildings) by the Marshall & Swift Building Costs Manual are as follow:

Description	Occupancy	Section/Page	Class - Type
Main Building Mixed-Use	Mixed Retail Centers with Residential Units	13/33	Class-C – Average

### Insurable Value Conclusion

Insurable value conclusion of the subject property, using the construction base cost indicated by the Marshall & Swift Building Costs Manual, adjusted to reflect the characteristics of the subject's improvements (building) are presented on following table:

INSURABLE VALUE CALCULATIONS	
Item	Main Building
Base Cost	\$90.51
Less: Heating Adjustment (-)	<del>\$(4.24)</del>
Adjusted Base Cost	\$86.27
No. of Stories Multiplier	1
Height per Story Multiplier	0.957
Floor Area-Perimeter Multiplier	<u>1.102</u>
Subtotal	\$90.98
Current Cost Multiplier	1.04
Local Multiplier	<u>0.91</u>
Cost per Square Foot	\$86.10
Less: Exclusions of Insurable Value (-15%)	<del>\$(12.92)</del>
Final Cost per Square Foot	\$73.19
Subject Square Feet (GBA)	<u>10,476</u>
<b>Total Building Costs</b>	<b>\$766,738.44</b>
<b>Rounded to</b>	<b>\$770,000</b>

The purpose of this analysis was to form an opinion of the insurable value of the subject property improvements, as defined in the report, subject to the assumptions, limiting conditions and certification also included in the report, as of effective date of the valuation. The intended use of this insurable value is in the assistance of Banco Popular de Puerto Rico in decisions regarding subject property's insurance policy.

We performed a personal inspection and compilation of the construction costs of the subject property. A thorough investigation and analysis of the factors influencing value was also carried out and is the opinion of the appraisers that the insurable value of the improvements in the subject property, under the market conditions prevailing as of September 9, 2016, is:

### Insurable Value

**\$770,000**

**SEVEN HUNDRED SEVENTY THOUSAND DOLLARS**

**Note:** *The reported insurable value does not include any physical, external, or functional obsolescence considerations for the subject property and is solely based on the cost of reproducing in new condition the existing building improvements on the property and based on typical insurance policy terms as provided by the Marshal & Swift Valuation Service. This value could vary widely depending on the insurance policy terms to be used for the subject property, which were not available for this appraisal assignment. We do not assume any liability for the use of the reported Insurance Value for any policy terms varying significantly from those represented in this report and the Marshal & Swift Valuation Service.*

## THE INCOME (CAPITALIZATION) APPROACH

In income producing properties, the typical investor is mostly concerned with the income producing capabilities of the properties. Other factors and amenities are of secondary concern. This approach is one of the most reliable methods of estimating value for income producing properties.

The Income Capitalization approach is based on, and consistent with, the principles of anticipation and change, supply and demand, substitution, balance and externalities. Income-producing properties are bought with an anticipated flow of benefits in mind, and this flow can be affected by change.

Supply and demand, and the related concept of competition, is relevant in forecasting future benefits and estimating rates of return in this approach. Substitution is important in this approach because prices, rents and rates of return for property tend to be set by prices, rents and rates of return for equally desirable substitute properties.

The principle of balance and all related concepts are especially important in applying the income capitalization approach. A good balance between the types and locations of income properties creates and sustains value. Positive and negative external forces such as crime, transportation and others are externalities that affect the appeal of income producing properties, and ultimately their value.

There are two income capitalization methods that can be used to estimate the market value of the subject property. They are based on different measures of expected earnings and include different conclusions concerning the relationship between expected earnings and value.

First method is Direct Capitalization, which is defined as follows: *“Direct capitalization is a method used to convert an estimate of a single year’s income expectancy into an indication of value in one direct step—either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor.”*

Second method, Yield Capitalization, is defined as follows: *“Yield Capitalization is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment’s income pattern, value change, and yield rate.”*

There are six (6) basic steps followed in the Income Capitalization Approach, which are:

1. An estimate of the income the property is expected to generate has to be determined (for a single year in the case of the Direct Capitalization. Potential Gross Income is first calculated. To obtain effective gross income, vacancy and collection losses are deducted from all revenue items.
2. The operating expenses for the property are estimated next.
3. The net operating income is calculated by subtracting the operating expenses from the effective gross income.
4. The property reversion at the end of the forecasting period is found.
5. The overall capitalization rate or the discount rate is estimated.
6. The net operating income is capitalized into and an indication of value by dividing it by the overall capitalization rate, or the annual cash flows are discounted to present value using the appropriate discount rate.

The income approach is related to and takes into consideration the conclusion reached in the highest and best use analysis in terms of the ideal improvements on the subject property.

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

Differences between the subject property and the ideal improvements are reflected in the forecast income and expenses levels of the property.

In this assignment, the appraisers consider that the most reliable indication of value by the Income Approach will be obtained by capitalizing the income stream of a year of the subject property into an indication of value attributable to the entire property using Direct Capitalization method.

Direct capitalization involves estimating the stabilized income and expenses of the subject. In order to estimate gross potential income, market rents for vacant space are determined. Then the appropriate vacancy factor and operating expenses are determined and subtracted to arrive at a Net Operating Income (NOI). Finally, the NOI is then divided by an appropriate capitalization rate to provide an estimated market value.

### **Analysis of the Subject Property**

Again, the subject property refers to a multi-tenant commercial/residential building totaling a gross building area of 10,476 square feet. The building is comprised of one-commercial locale, 22 rooms and a 1Br-1Ba apartment unit. The commercial locale is under a 68-month lease agreement and houses the operations of Abracadabra Restaurant. Moreover, 14 rooms are rented on a month-to-month basis. The remaining 9 units are available for rent at asking rents that vary from \$300 to \$500 per month.

The following table summarizes the rental data of the subject units.

Description	Status	Premise	Monthly Rent	Annual	Per SF/YR
Commercial Locale	Leased	2,100 Sq. Ft.	\$2,050	\$24,600	\$11.71
Room 201	Leased	Room-Bath	\$500	\$6,000	N/A
Room 202	Leased	Room-Bath	\$500	\$6,000	N/A
Room 203	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 204	Leased	Room-Bath	\$535	\$6,420	N/A
Room 205	Vacant	Room-Bath	\$300*	\$3,600	N/A
Room 206	Leased	Room-Bath	\$500	\$6,000	N/A
Room 208	Leased	Room-Bath	\$375	\$4,500	N/A
Room 209	Leased	Room-Bath	\$500	\$6,000	N/A
Room 210-211	Leased	2Room-2Bath	\$700	\$8,400	N/A
Room 301	Leased	Room-Bath	\$500	\$6,000	N/A
Room 302	Vacant	Room-Bath	\$350*	\$4,200	N/A
Room 303	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 304	Vacant	Room-Bath	\$500*	\$6,000	N/A
Room 305	Vacant	Room-Bath	\$350*	\$4,200	N/A
Room 306	Vacant	Room-Bath	\$400*	\$4,800	N/A
Room 307	Vacant	Room-Bath	\$300*	\$3,600	N/A
Room 308	Leased	Room-Bath	\$400	\$4,800	N/A
Room 309	Leased	Room-Bath	\$450	\$5,400	N/A
Room 310-311	Leased	2Room-2Bath	\$800	\$9,600	N/A
Room 401	Leased	Room-Bath	\$350	\$4,200	N/A
Apartment 404	Vacant	1-Bed/1-Bath	\$600*	\$7,200	N/A

\*Refer to the asking rents per month

The income data utilized in this report was taken from several copies of the lease contracts and a copy of rent-roll provided by owner. The operating expenses were also provided in hard copies. As such, the information (monthly rents, terms, operating expenses, etc.) is assumed correct and was utilized as the basis in this appraisal report. No responsibility and/or liability are assumed by appraisers thereon.

Therefore, the problem at hand in this assignment takes into account the market rental rates for subject's premises from the valuation date.

### **Rental Market Analysis**

In order to place in perspective the current rent levels of the subject premise, we conduct a market investigation of the rentals of competitive spaces within subject's neighborhood (Santurce Sector). The rental information was gathered by the appraisers through personal interviews with owners and/or tenants of the listed properties. Also, some of them from our office files of previous assignments and/or provided by fellow appraisers. The gathered rental data were summarized in the next tables.

### **Rental Rates – Rooms and Apartment Units (1Br-1Ba.)**

Rental	Location	Room Count	Monthly Rent	Unit Size	Parking
1	No. 126 Ismael Rivera Street, Santurce Ward	Room	\$350	---	No
2	No. 315 Santa Cecilia Street, Santurce Ward	Room	\$400	---	No
3	No. 315 Santa Cecilia Street, Santurce Ward	Room	\$450	---	No
	<b>Average</b>		<b>\$400</b>		
4	Pastora Cond., 360 Bolivar St. Santurce Ward	1BR-1BA.	\$500	+/- 600 SF	Yes
5	502 Sagrado Corazón Street, Miraflores Sector	1BR-1BA.	\$450	+/- 500 SF	Yes
6	502 Sagrado Corazón Street, Miraflores Sector	1BR-1BA.	\$450	+/- 500 SF	Yes
	<b>Average</b>		<b>\$467</b>	<b>533 SF</b>	

The comparable rentals were extracted from competitive neighborhoods of the Santurce Ward. All rents are on gross basis including utilities and are in average physical condition. Monthly rents for room units vary from \$350 to \$450. It is our opinion that the most probable rent indication for the subject room type lies at the \$400 level, which refers to the average indication of the market rents. Moreover, it lies slightly below of the mode indication of the comparable rents for the one-bedroom unit type.

In addition, we consider that the market rent for the subject's one-bedroom unit lies slightly above the market rent for the room unit type, say \$450 per month.

In short, the market rents for the subject residential units are estimated as follow:

<b>Market Rents</b>	
Unit Type	Market Rent
Room	\$400
1Br-1Ba.	\$450

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

In order to provide a degree of reasonableness to the market rent conclusions the following analysis is developed.

<b>UNITS RENTED</b>			
<b>Description</b>	<b>Status</b>	<b>Premise</b>	<b>Monthly Rent</b>
Room 201	Leased	Room-Bath	\$500
Room 202	Leased	Room-Bath	\$500
Room 204	Leased	Room-Bath	\$535
Room 206	Leased	Room-Bath	\$500
Room 208	Leased	Room-Bath	\$375
Room 209	Leased	Room-Bath	\$500
Room 210-211	Leased	2 Room-2Bath	\$700
Room 301	Leased	Room-Bath	\$500
Room 308	Leased	Room-Bath	\$400
Room 309	Leased	Room-Bath	\$450
Room 310-311	Leased	2 Room-2Bath	\$800
Room 401	Leased	Room-Bath	\$350
<b>Total Monthly Rent</b>			<b>\$6,110</b>
<b>No. of Units Rented</b>			<b>÷14</b>
<b>Average Contract Rent</b>			<b>`\$436</b>

The previous table indicates that the average contract rent for the room units exceeds the concluded market rent for this unit type. However, it should be kept in mind that at this average contract rent 9 out of 23 room units are currently vacant, say 39%. Thus, it can be inferred that the subject could reach a higher occupation rate if rents were downward adjusted at the market rent level. In fact, as suggests the following data the current asking rents reflect such trend.

<b>Description</b>	<b>Status</b>	<b>Premise</b>	<b>Asking Rent</b>
Room 203	Vacant	Room-Bath	\$500
Room 205	Vacant	Room-Bath	\$300
Room 302	Vacant	Room-Bath	\$350
Room 303	Vacant	Room-Bath	\$500
Room 304	Vacant	Room-Bath	\$500
Room 305	Vacant	Room-Bath	\$350
Room 306	Vacant	Room-Bath	\$400
Room 307	Vacant	Room-Bath	\$300
<b>Total Monthly Asking Rent</b>			<b>\$3,200</b>
<b>No. of Units for Rent</b>			<b>÷ 8</b>
<b>Average Contract Rent</b>			<b>`\$400</b>

Note that the average asking rent for the room units available for rent coincides with the concluded market rent. Thus, it provides additional support to our rent conclusions.

**Rental Rates – Commercial Locale**

<b>SUMMARY OF LISTED COMMERCIAL RENTS</b>						
<b>Rent #</b>	<b>Property Address</b>	<b>Tenant</b>	<b>Area (SF)</b>	<b>Monthly</b>	<b>Rent SF/YR</b>	<b>Parking</b>
1	#1801 Loíza Street	Buena Mesa de Oscar	2,000	\$1,700	\$10.20	None
2	#371 Betances Street, Villa Palmera	Ja-Ji-Jo Restaurant	778	\$850	\$13.11	FCFS
3	#1904 Loíza Street	La Cueva del Mar	3,050	\$4,000	\$15.74	None
4	#1918 Loíza Street corner Palomas Street	Cafetería Quisqueya	984	\$1,500	\$18.29	None

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

Overall, market rents range from \$10.20 to \$18.29 per square foot with spaces ranging from 778 to 3,050 square feet. Rental terms range from month-to-month up to 5 years, with typical rental term of 2 years on modified gross basis with utilities (water and electricity) paid by tenant in most of cases. The listed comparable rents are competitive to the subject in most physical characteristics and provide a high degree of comfort in order to reach a credible market rent conclusion for the subject's commercial unit.

In conclusion, the opinion of the appraisers is that the current contract rent of the subject commercial unit, say \$11.71 is within the parameters of the rental market for this unit type. Thus, such contract rent is also considered the market rent for the subject.

#### **VALUATION BY DIRECT CAPITALIZATION**

##### **Potential Gross Income (PGI)**

*Potential gross income is the total income attributable to a real property at 100% occupancy before operating expenses are deducted.<sup>5</sup> The PGI is calculated in the following table:*

Unit Type	No. of Unit	Monthly Rent	PGI's
Rooms	23	\$400	\$110,400
Apartment 1 – 4 <sup>th</sup> Floor	1	\$450	\$5,400
Commercial Locale- Restaurant	1	\$2,050	\$24,600
<b>PGI</b>			<b>\$140,400</b>

##### **Vacancy and Rent Loss Allowance**

According to the owners, brokers and management agents interviewed, current vacancy rate for this property type within the competitive market area vary from 30% to 40%. However, the subject's historical vacancy rate exceeds the mentioned range. It can be attributed to the fact that the management of the property has been attempting to rent the units above the market rent level.

According to the income statements for Year 2015 and the year to date (until August 2016), the number of units occupied is as follows.

<b>AVERAGE RENTED UNITS</b>		
	<b>2015</b>	<b>Year to Date</b>
Rent Income from Rooms/Apartment	\$56,355	\$40,035
÷ Average Contract Rent	÷ \$436	÷ \$436
No. of Months Rented	129.25	91.82
÷ Months	÷ 12	÷ 8
<b>No. of Residential Units Rented</b>	<b>10.77</b>	<b>11.48</b>
<b>Commercial Unit Rented</b>	<b>1.00</b>	<b>1.00</b>
<b>Total of Units Rented</b>	<b>11.77</b>	<b>12.48</b>

As demonstrated in the previous table, the average of the units rented in the subject property is of approximately 12 units.

Consequently, the vacancy rate can be estimated as follows:

VACANCY RATE			
	2015	Year to Date (January – August)	Last Month (August)
No. of Residential Units Rented	10.77	11.48	14.00
x Average Unit Size in Sq. Ft.	x 335	x 335	x 335
Gross Rented Area – Sq. Ft.	3,608	3,846	4,690
+ Commercial Area Rented – Sq. Ft.	2,100	2,100	2,100
Total Rented Area – Sq. Ft.	5,708	5,946	6,790
÷ Gross Building Area – Sq. Ft.	10,476	10,476	10,476
<b>Occupation Rate</b>	<b>54.49%</b>	<b>56.76%</b>	<b>64.81%</b>
<b>Vacancy Rate</b>	<b>45.51%</b>	<b>43.24%</b>	<b>35.18%</b>

It can be said that the subject property has evidenced during last 20 months a historical vacancy rate of approximately 44.4%. It should be noted that this vacancy has been function of an average market rent for the residential units of approximately \$436 per month. However, a lower vacancy rate should be expected, as the market rent concluded for the residential units is of \$400 per month. Based on this analysis, a vacancy rate slightly below the historical rate, say 35% is finally concluded. In fact, this rate practically coincides with the vacancy rate of the last month.

### Effective Gross Income (EGI)

*Effective gross income is the anticipated income from all operations of the real property, i.e., potential gross income less the vacancy and collection loss allowance.*

The EGI is estimated by deducting a vacancy and collection loss allowance from PGI. EGI is calculated as follow:

ESTIMATED EFFECTIVE GROSS INCOME (EGI)		
Potential Gross Income (PGI)		\$140,400
Less: Vacancy and Collection Loss	35% / PGI	<del>\$(49,140)</del>
<b>EGI</b>		<b>\$91,260</b>

### Operating Expenses (OE)

Operating expenses are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income. These expenses include property tax, repairs & maintenance, insurance, and other expenses. Based in the gathered and analyzed market rental data, contracts are in gross or modified-gross terms with utilities paid by the tenant in most of cases.

As stated, only the commercial locale has an individual electric and water meters. The residential units include utilities in the monthly rent. As such, under the rental scenario, the owner paid most operating costs including property taxes & insurance, reserves for replace of structural components, utilities (water and electricity), maintenance, and management or administration fees, which are typical of contracts in such facilities.

<sup>5</sup>The PGI definitions, as well as the other definitions of the income approach were extracted from The Dictionary of Real Estate Appraisal of the Appraisal Institute.



**Administration Costs** - Typical administration costs for subject property type vary from 2% to 5% of effective gross income (EGI). In this case, it is estimated at 2% because the subject property type is typically managed by the owner, which reduces the cost operating of ownership.

**Real Estate Tax** - The annual tax expense of the subject after apply the 10% discount is \$6,421.

**Property Insurance** - The annual insurance expense was estimated at \$1,500 per year.

**Maintenance & Repairs** - The typical range for the maintenance & repairs expense is from \$0.35 to \$0.75 per square foot of GBA. As reported by owner, the maintenance expense is \$400 monthly equal to \$0.46 per square foot per year.

**Reserve for Replacement** - The typical allowance for reserve for replacement expense is from \$0.20 to \$0.40 per square foot of GBA, which was estimated at the middle of the range at \$0.30.

**Utilities Expenses** - In term of utilities expense, current rents are in gross terms with utilities (electricity & water) of the Locale 1 and all apartments are paid by owner. As reported, the utilities expenses in last 12 months combined (electricity & water) average \$1,500 a month.

#### Net Operating Income (NOI)

*The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and book depreciation are deducted.*

The NOI is the EGI less the operating expenses such as management, utilities, real estate taxes, and reserve for replacement, among others, is calculated in the following table:

ESTIMATED NET OPERATING INCOME (NOI)		
Effective Gross Income (EGI)		\$91,260
Operating Expenses:		
Management (Estimated)	2% / EGI	\$1,825
Property Tax (CRIM)	\$6,421 / per year	\$6,421
Property Insurance (Estimated)	\$1,500 Annual	\$1,500
Maintenance & Repairs (Provided)	\$4,800 Annual	\$6,000
Reserve for Replacement (Estimated)	\$0.30 / sq. ft.	\$3,143
Utilities (Provided)	\$1,500 Monthly	\$18,000
Total Expenses		<del>\$(36,889)</del>
Net Operating Income (NOI)		\$54,371
Rounded to		\$54,500

This operating statement is at market parameters when compare to comparable rent data, which statements were gathered by the appraisers, with additional data kept at the appraiser's files.

## DEVELOPMENT OF CAPITALIZATION RATE

### Capitalization Process

The appraisers consider that the most reliable indication of value for the subject property by the Income Approach would be obtained if the income stream of the entire property were capitalized into a single indication of value. In direct capitalization, the income stream of the entire property is capitalized into a single indication of value by the use of an overall rate.

An overall rate by definition is the result of dividing net operating income by overall capitalization rate to reach the value by the Income Approach. The overall rate has built-in investor expectations as to possible property value increases and the effect of equity buildup in the case of a mortgaged property. An overall rate is built up from market information, using different techniques or is obtained directly from the market.

### Band of Investment Ratio Formula

The market data available requires the appraisers to apply a band of investment technique, which employs the loan constant and the equity investment at the appropriate return to the lender and the equity investor. Lenders of mortgage funds expect both a return on capital, in form of interest, and a return of capital through amortization of the principal.

Similarly, an equity investor expects a return on the equity commensurate with the investment risk. Accordingly, the band of investment technique considers the overall capitalization rate as a composite rate, weighted by the proportions of debt and equity in the property investment.

The following band of investment will be built up assuming an 80% loan to value ratio at a 6.50% interest rate with an amortization schedule of 20 years, resulting in a mortgage constant of 0.0895, say 8.95%. An equity cap rate of 12% is deemed applicable for the equity investment. Based on these parameters a simple band of investment analysis to build up an overall capitalization rate follows.

Overall Capitalization Rate:

0.0895 Mortgage Constant (Rm)	X	.80 (% of Value) =	0.07160
0.1200 Equity Dividend Rate	X	.20 (% of Value) =	<u>0.02400</u>
Overall Capitalization Rate			0.0956, say <b>9.56%</b>

### Debt Coverage Ratio Formula

The appraiser contacted different lending officers to inquire about the financing parameters for the acquisition of a property like the subject. Specifically, the appraisers inquired about real estate collateral and repayment ability requirements, interest rates charged, and the loan duration or term.

The cost, term, and conditions to obtain financing affect the value of real estate. The lending policies of the financial institutions influence the demand for real estate by making funds easy or difficult to obtain by potential buyers of real estate.

The majority of real estate is acquired with financing due to its high cost. Low cost and lax financing conditions will usually increase the demand for real estate and its value. While costlier and tighter financing parameters, we can relate it to value by estimating an overall capitalization rate. The present prime rate is at 3.50%. The following are the results of this investigation:

The loan to value ratio represents the amount of money financial institutions is willing to lend according to the value of real estate (collateral) provided by the borrower. According to this research, lenders are typically willing to provide proposed loans in the range of 70% to 90% of the collateral value provided by the borrower. Thus, the appraisers selected an 80% loan to value ratio, which falls within this range.

The debt coverage ratio represents the times net operating income of the borrower has to exceed the annual debt service of the proposed loan. This research shows the range between 1.20 and 1.40. Based on this analysis, a debt coverage ratio of 1.30 is considered typical.

I have made a research in order to estimate the variable interest rate of the loan. Banks are charging 2% to 9% over the prime rate. However, the majority of the banks researched are charging 3% over the prime rate. I estimate a fixed 6.50% over the one-year period.

The term or loan duration is between 5 years to 20-year amortization period. The investigation shows more institutions willing to lend for up to 20 years. Therefore, a 20-year loan term is considered typical. From this information, I can estimate the typical lending parameters as follows:

Loan to Value Ratio : 80%  
 Debt Coverage Ratio : 1.30  
 Interest Rate (fixed) : 6.50%  
 Loan Term : 20 years

We can estimate now an overall capitalization rate by applying this information into the following formula.

$$Ro = DCR \times Rm \times M$$

**Ro** = Overall Capitalization Rate

**DCR** = Debt Coverage Ratio

**Rm** = The mortgage constant is function of interest rate, amortization frequency, and loan term. This factor is obtained from the present value of \$1.00, at 6.50%, for 20 years compounded monthly. Then, 12 (months) multiply the factor obtained equals 0.0895.

**M** = Loan to Value Ratio

By applying into the formula the typical lending parameters previously mentioned, we obtain the following overall capitalization rate: **Ro** = 1.30 x 0.0895 x 0.80 = 0.09308, **say 9.31%**

### The Realty Rates Survey

Review of the most recent real estate investment surveys provides a range of overall capitalization rates (OAR) as follows:

REALTY RATES INVESTOR SURVEY	
Overall Cap (OAR) – 3rd Quarter 2016	
Retail – All Types	Apartments – All Types
Range: 4.40% - 15.42%	Range: 4.21% - 13.74%
Average: 8.97%	Average: 7.88%

Review of most recent investment surveys referent to expectancies of the third quarter of 2016, indicates that market participants surveyed for subject's type properties are willing to pay for an income stream at a capitalization rates (combined) ranging from 4.21% to 15.42% with average rates between 7.88% and 8.97%.

### Capitalization Rate and Value Conclusions

Again, the subject property facility represents a turn-key (fully improved) multi-tenant facility, enjoying an average location and accessibility within the Municipality; along with adequate road linkages that provide positive economic influences for the subject absorption. Currently, the subject property is 61% occupied.

In summary, the Overall Capitalization Rate (OAR) by the Debt Coverage Ratio Formula results in 9.31%; by the Band of Investment Ratio Formula results in 9.56% and recent real estate investment surveys indicates a range from 4.21% to 15.42% with average rates between 7.88% and 8.97%. With this in mind, and considering the characteristics of the subject property above mentioned, the appraiser considered that a capitalization rate of 10.00% is within the analyzed framework and adequately supported for the subject property by the outlined investment criteria. Therefore, a 10.00% overall capitalization rate (OAR) for the subject property seems reasonable implying medium risk due to overall market conditions. The value by the Income (Capitalization) Approach is given by the following formula:

$$Value = \frac{NOI}{Ro}$$

The market value, by the Income (Capitalization) Approach, is calculated in the following table:

VALUE BY THE INCOME (CAPITALIZATION) APPROACH	
Net Operating Income (NOI)	\$54,500
Overall Rate (Ro) =	10.00%
<b>Value by ICA</b>	<b>\$545,000</b>

Note that the market rents, the vacancy rate and the operating expenses do not consider the physical state of the property after the correction of the deferred maintenance. Thus, this value conclusion does not requires be adjusted in order to account for the deferred maintenance.

Consequently, after a thorough analysis of all components comprising the subject property, we concluded that the market value of the subject property, supported by the Income (Capitalization) Approach, under the market conditions prevailing as of September 9, 2016, is:

<b>Market Value by Income (Capitalization) Approach</b>	<b>\$545,000</b>
<b>FIVE HUNDRED FORTY-FIVE THOUSAND DOLLARS</b>	

## GENERAL LIMITING CONDITIONS

1. The appraisers will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefore.
2. Any cause of action resulting between the appraiser(s) and the client in conjunction with this appraisal, either directly or indirectly, will be limited in damages to the amount of the appraisal fee received for the assignment. Furthermore, it is agreed that you will indemnify Efraín Tirado Appraisal Group, P.S.C., Efraín Tirado Mártir (CGA) and/or Francisco J. Otero Valentin (EPA) for any damages, costs, expenses, and attorney's fees resulting from any cause of action by any interested party, other than the client, concerning the appraisal or report.
3. Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser(s), and in any event only with proper written qualification and only in its entirety.
4. In the case where an improvement is considered, the distribution of the total valuation between land and improvements applies only under the reported highest and best use of the property. The allocations of value for the land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
5. The physical condition of the improvements described herein is based on physical visual observation by the appraisers as of the effective date of the report. No liability is assumed for the soundness of structural members including roof (wear and leakage), foundation (settling or leakage), footings, exteriors and interior walls, partitions, floors, or any other part of the structure, since no engineering test made of it and no termite inspection was conducted. Furthermore, we accept no legal responsibility for the efficiency of the plumbing and electrical systems, the heating and air conditioning equipment, or any major appliances. Unless otherwise noted, all of these items appeared adequate and operational.
6. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of the urea formaldehyde foam insulation or asbestos, and/or existence of toxic waste, which may or may not be present on the property, has not been considered. The appraiser(s) is (are) not qualified to detect such substances. We urge the client to retain an expert in this field if desired.
7. The American with Disabilities Act (ADA) is in effect. We have not made a specific compliance survey or analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative impact upon the value of the property. Since we have direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

8. Any requirements for economic feasibility studies are in addition to those agreed upon for this assignment and necessity of this type of report will require further agreement unless arrangement have been previously made.
9. The appraisers are not aware of the presence of archeological findings within the subject or in adjacent properties. The physical observation of the property did not reveal any evidence of such circumstances. However, the appraiser(s) are not qualified to detect such artifacts and assume no responsibility in this respect. The value reported herein and estimated construction and/or marketing time of the property are predicted on the assumption that the property is free from archeological materials.

## GENERAL ASSUMPTIONS

1. The legal description or area used in this report is assumed correct. The Legal Description referred to and cited in this report relates to the one depicted on partial copy of a deed, where only the legal description was included.
2. The property is appraised as though under responsible, adequately capitalized ownership and competent property management.
3. The appraisers have made no survey of the property and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
4. No responsibility is assumed in matters of legal nature affecting title to the property nor is an opinion regarding title rendered. The title is assumed good and merchantable.
5. Information furnished by others is assumed true, correct and reliable. A reasonable effort has been made to verify such information. However, the appraisers assume no responsibility for its accuracy.
6. The opinion of value herein presumes OGPE and pertaining State Government licenses and permits are valid as of the effective date of the report.
7. All mortgages, liens, encumbrances, leases and servitude have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and management. All taxes are assumed current. In specific cases, at the request of the client, the appraiser(s) may present data on past due “ad Val Orem” taxes. However, this data is not certified and is only a verbal confirmation by the tax authority. This data should not be relied upon by the client and has no effect on the final value estimate.
8. It is assumed that there are not hidden or concealed conditions of the property, subsoil or structures, which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering, which may be required to discover them.
9. It is assumed that there is full compliance with all-applicable federal including the compliance with the American Disability Act, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the appraisal report.
10. The availability of capacity and or connection rights to any or all public utilities has not been determined by the appraiser(s). The value estimate reported herein is contingent upon and limited to said capacity and right of connection.
11. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been used or can be obtained or renewed for any use on which the value opinion contained in this report is based. All government, Planning Board, Environmental Quality Board, Soil Tests and other permits relative to the construction of the center are approved.

12. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined and considered in the appraisal report.
13. It is assumed that the utilization of the land is within the boundaries or property lines of the property described and that there is no encroachment or trespassing unless noted within the report.
14. In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as presence of urea-formaldehyde foam insulation and or the existence of toxic waste and other can have a significant negative impact upon the value of unimproved and improved properties. I, unless otherwise noted in the appraisal report, did not observe the existences of hazardous materials, which may or may not be present on the property, nor do we have any knowledge of the existence of such materials on or in the property. The appraisers however are not qualified to detect such substances. The existence of urea-formaldehyde insulation or other potentially hazardous waste material may have an effect on the value of the property. We urge the client to retain an expert in this field if desired.
15. The market value opinion assumes a marketing period of approximately eighteen (18) months. This is based on typical marketing times for similar properties, following discussion with agents / brokers and the current and projected economic tendency.
16. The concluded values presented in this report are based on market conditions as of the date of value. Efraín Tirado Appraisal Group, P.S.C. cannot be held responsible for unforeseeable events that alter market conditions that occur after the date of this appraisal.
17. Hypothetical conditions were not invoked in this assignment.
18. At the time of the inspection, the owner failed to provide access to the interior of eleven (11) rental rooms. As such, this valuation report assumed that the physical condition of these apartments can be rated as average. No responsibility and/or liability are assumed by appraisers thereon.
19. Finally, this appraisal report assumes; 1) that the subject property enjoys all setbacks and requirements of the PRPB/OGPE; 2) that the property enjoys all the necessary permits for its current use and; 3) that the property is managed in a competent manner as per market standards and in compliance with local laws and regulations. No responsibility and/or liability are assumed by appraisers thereof. Therefore, any discrepancy or variation in the future will cause null and void the concluded values.



## CERTIFICATE OF THE APPRAISERS

We certify, that to the best of our knowledge and belief,

1. The statements of facts contained in this report are true and correct;
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and our personal, impartial, and unbiased professional analysis, opinions and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.
4. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, applicable laws of the Commonwealth of Puerto Rico (ELA) Government and the Standards of Professional practice of the Appraisal Foundation and in compliance with Interagency Appraisal and Evaluation Guidelines (2010) and the appraisal requirements of Banco Popular de Puerto Rico.
7. The appraisal was prepared in accordance with the requirements of the title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended (FIRREA title XI) (12 U.S.C. 3331 et seq.) and any implementing regulations.
8. The appraisal assignment was not based on the requested minimum valuation, specific valuation, or the approval of the loan.
9. Mr. Francisco J. Otero Valentín (EPA) performed the interior and exterior inspection of the subject property. Mr. Efraín Tirado Mártir (CGA) made a personal observation of the property in a later occasion.
10. We have not performed any prior services regarding the subject property, as an appraiser, or in any other capacity, within the three years period immediately preceding acceptance of this assignment.
11. No one provided significant professional assistance to persons signing this report.



Efraín Tirado Mártir, PE, PMP, CMEA  
Real Estate Appraiser  
Certificate No. 160CG  
State License No. 770EPA



Francisco J. Otero Valentín  
Real Estate Appraiser  
State License No. 1302EPA

Date of Report: October 7, 2016

Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

## **ADDENDA & QUALIFICATIONS OF THE APPRAISERS**

Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907



PO Box 362708  
San Juan, PR 00936-2708  
(787) 765-9800

September 7, 2016

Efraín Tirado  
1431 Ponce de León Ave.  
Suite 801  
Santurce, PR 00907

RE: 26029  
Metropol San Juan Inc  
Brief Property Description: Commercial Property

Dear Mr. Tirado:

We hereby request your appraisal services for the performance of an appraisal report for the property located on:

**1661 Ponce de Leon Ave,  
Saldaña St. corner Santurce  
San Juan, PR**

Intended Use: Commercial Credit Underwriting.

Intended User(s): Banco Popular de Puerto Rico.

The appraisal report shall include the following value(s), to be developed in accordance with the value definitions as established by the Appraisal Institute and/or the Interagency Appraisal and Evaluation Guidelines:

**VALUE TYPE**

☒ Market Value      ☐ Disposition Value      ☐ Liquidation Value      ☒ Replacement Cost New\*  
☐ Value to a Single Purchaser      ☐ Aggregate Retail Value

**EFFECTIVE DATE OF VALUE PERSPECTIVE**

☒ As-Is (On Appraiser's Date of Inspection)  
☐ Prospective Value Upon Completion      ☐ Prospective Value Upon Stabilized Occupancy

**REPORTING OPTION**

☒ Appraisal Report      ☐ Form Report

\*Replacement Cost New (based on refined base cost and excluding land, depreciation, entrepreneurial profit and additional indirect costs). IMPORTANT: If property consists of separate structures, please indicate the replacement cost for each structure separately.

The appraisal report should be submitted by email in **full-color pdf (with photos and addendums)**. Also, **two (2) original hardcopies** shall be delivered in fulfillment of this engagement upon email notification from our Department.

The appraisal report will have to meet the minimum standards described under the "Uniform Standards of Professional Appraisal Practice" (USPAP) and Title XI of the "Financial Institutions Reform, Recovery and Enforcement Act" of 1989 (FIRREA).

Efraín Tirado Appraisal Group, P.S.C  
Appraisers-Planners-Counselors

Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907



PO Box 362708  
San Juan, PR 00936-2708  
(787) 765-9800

Appraisal must include sufficient current market information to support the value conclusion.

For those cases in which grouping of the lots is necessary for the functionality of the appraised property, this assumption should be enhanced and properly discussed and analyzed for underwriting and valuation purposes.

**Please include an accepted copy of this Engagement Letter in your report.**

The appraisal report should be submitted to [appraisaldeliveries@popular.com](mailto:appraisaldeliveries@popular.com) on or before 5:00 pm, **October 7, 2016**.

Once received, the appraisal report will be subject to an appraisal review. Should we require clarification or corrections to the submitted appraisal report, you agree to respond promptly to our requests. Any corrections or amendments to the appraisal report resulting from our review process shall be at no additional cost to the Bank.

As agreed, fees for your services, payable upon our acceptance of your appraisal report, will be **\$2,000.00**. To this fee, a service tax will be applied and included as a separate amount in your invoice for these appraisal services. The calculation of the service tax percentage will be based on the tax rate in effect as of the date of the appraisal report.

Should you have any questions, please feel free to contact us at (787) 765-9800. **Jennifer Mártir**, of our Appraisal Ordering and Review Department, will be your principal point of contact with regards to this appraisal report. She may be reached at extension **50+6731** or by e-mail at [Jennifer.martir@popular.com](mailto:Jennifer.martir@popular.com). You may also contact Ms. Nellie Ramírez, Ordering Supervisor, at [Nellie.Ramirez@popular.com](mailto:Nellie.Ramirez@popular.com).

We appreciate your services, and look forward to receiving the appraisal report on or before the agreed date.

Cordially,

Nellie M. Ramírez Vázquez  
Supervisor

Agreed and Accepted By: Efraín Tirado Title: President  
Print Name: Efraín Tirado Mártir Date: September 7, 2016

**Enclosed Documents:**

- |   |   |  |                                      |
|---|---|--|--------------------------------------|
| <input type="checkbox"/> CRIM Value Certificate | <input type="checkbox"/> Estimates of Repairs         | <input type="checkbox"/> Legal Description     |                                      |
| <input type="checkbox"/> Construction Costs     | <input type="checkbox"/> Permits                      | <input type="checkbox"/> Environmental studies | <input type="checkbox"/> Land Survey |
| <input type="checkbox"/> Site Plans/Drawings    | <input type="checkbox"/> Audited Financial Statements | <input type="checkbox"/> Other                 |                                      |

Notes or Additional Enclosed Documents

- 1)
- 2)
- 3)
- 4)

**Title Search**  
Legal Assistance Inc.

PMB 153-B  
Box Box 194000  
San Juan, PR 00919-4000  
Tels. (787) 763-2054  
(787) 963-1937  
(787) 963-1938  
Fax (787) 282-7177  
E-mail: titlesearch@prc.net

**ESTUDIO DE TITULO**

**JIMENEZ SEDA & ARCHILLA P.S.C**      **OMAR LAMB**

**CASO: #70017932**

**FINCA: 5,716, inscrita al folio 165 del tomo 522 de Santurce Norte, Registro de la Propiedad de San Juan, Sección I.**

**DESCRIPCION:**

**URBANA:** Sita en la Sección Norte del Barrio de Santurce de esta ciudad de San Juan, con cabida de 286.21 metros cuadrados. En linderos por el Norte, en 14.95 metros, con la finca de William Picou Bennet y su esposa; por el Sur, en 9.60 metros, con Avenida Ponce De León; por el Este, en 24.02 metros, con finca descrita en la principal denominada Saldaña Place; y por el Oeste, en 24.80 metros, con María Rivera De Lopez De Victoria. Enclava una casa.

**DOMINIO:**

Consta inscrita a favor de **METROPOL SAN JUAN INC.**, quien adquiere por compra a José M. Canosa Rodríguez y su esposa **Requel Alfonso Cayo**, por el precio de \$390,000.00, según consta de la escritura número 49, otorgada en San Juan el 29 de enero de 2004, ante el notario Rey Javier De León Colon, inscrita al folio 225 del tomo 854 de Santurce Norte, finca 5,716, inscripción 33ra.

**GRAVAMENES:**

Afecta por su procedencia a: **LIBRE DE CARGAS**

Afecta por sí a:

**1. HIPOTECA:** En garantía de un pagaré a favor de **BANCO POPULAR DE PUERTO RICO**, o a su orden por la suma de \$175,000.00, intereses al 9.34% anual y vencido a la presentación, según consta de la escritura número 69, otorgada en San Juan el 25 de agosto de 1992, ante el notario Luis E. Lopez Correa, inscrita al folio 224 vuelto del tomo 854 de Santurce Norte, finca 5,716, inscripción 32da.

**2. HIPOTECA:** En garantía de un pagaré a favor de **DORAL BANK**, o a su orden por la suma de \$390,000.00, intereses al 8.25% anual y vencido el 1 de febrero de 2019, con un último pago de \$304,641.76, según consta de la escritura número 32, otorgada en San Juan el 29 de enero de 2004, ante el notario Luz N. Solero Santiago, inscrita al folio 225 vuelto del tomo 854 de Santurce Norte, finca 5,716, inscripción 33ra. Comparece Metropol San Juan y como co-deudores Alejandro Javier Canosa, Christian Ravelo Canosa, Reynaldo Vega Couto y su esposa Cristina Figueroa Wessendorf.

**OBSERVACION:**

**1. EMBARGO:** A favor de los Estados Unidos de América contra Hotel Metropol, por la suma de \$586.01, notificación #669052083, presentada el 13 de septiembre de 1990, anotado al folio 11, asiento 9 del Libro Federal #4.

**ESTA SECCION DEL REGISTRO TIENE ATRASO EN LA ENTRADA DE DATOS DE SU SISTEMA DE BITACORA, LIBROS DE EMBARGOS Y SENTENCIAS.**

**REVISADOS:** Libros de Sentencias, Embargos Federales, Estatales y Bitacora, por computadora y ahora, hoy 24 de enero de 2012.

**TITLE SEARCH & LEGAL ASSISTANCE INC.**  
cc/rj

**ESTUDIO: \$35.00**

*1st*  
*11/26/12*

Este documento NO es una póliza de seguro de título, por lo cual no debe utilizarse como tal. La responsabilidad de la entidad que preparó este estudio de título, está limitada a la cantidad pagada por el mismo. Si este documento es utilizado por alguien que no sea el solicitante lo hará bajo su propio riesgo y responsabilidad. Para completa protección debe requerir una póliza de seguro de título. No nos hacemos responsables por omisiones por cometa el registro de la propiedad en la entrada de datos, ni en la omisión de información suministrada por ellos tanto de sus libros como del sistema computarizado, ni por la falta de información dado al deterioro de sus libros.



### Certificación de Valores / Value Certificate

#### ACTIVE

1. La propiedad localizada en, the property located at . SANTURCE . AVE P DE LEON 1661 SAN JUAN  
se identifica para fines catastrales con el número, is identified as parcel number: 040-080-214-36-001

2. Esta propiedad esta valorada de la siguiente manera:  
the property is currently valued as follows:

Tierra / Land:	26,490.00
Estructura / Structures:	42,580.00
Maquinaria / Machinery:	0.00
Total	69,070.00

3. Está propiedad tiene una cabida de: 288.00 M, this property land size is: 288.00 M

4. A ésta propiedad, y/o a su dueño, se le concedio una exención contributiva de 0.00 en virtud de la ley número 13.

This property, and/or its current owner, has been granted a value exemption of 0.00 as described in Puerto Rican Law number 13.

5. A ésta propiedad , y/o dueño, se le concedió una exoneración contributiva de 0.00 en virtud de la ley número 83.

This property, and/or its current owner, has been granted an exoneration from taxes for 0.00 as described in Puerto Rican Law Number 83.

6. Esta propiedad figura en el Certificado y Lista de Tasación a nombre de: METROPOL DE SAN JUAN INC  
The current owner on the tax roll is: METROPOL DE SAN JUAN INC

7. Tasaciones incompletas: Cartografía pendiente:  
Uncomplete appraisals Uncomplete map changes:

Fecha: 10/03/2016

Date: MM/DD/YYYY

Representante Autorizado de CRIM

CENTRO DE RECAUDACIÓN  
DE INGRESOS MUNICIPALES


ESTA CERTIFICACION NO SERA OFICIAL SIN EL IMPORTE DE \$2.50 EN ESTAMPILLAS EMITIDAS POR EL CRIM.

Printed Date: 10/3/2016

Page 1 of 1



**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

 <p><b>Efrain Tirado Appraisal Group, PSC</b>          Real Estate &amp; Equipment Valuation</p>	<p><b><i>Efrain Tirado Mártir</i></b>          Suite A, 1001 Ponce de León Avenue          San Juan, Puerto Rico 00907          Phone: (787) 977-1940 Fax: (787) 977-1903          Email: <a href="mailto:efraintirado@tasadorescomercial.com">efraintirado@tasadorescomercial.com</a></p>
<p><b>EDUCATION</b></p> <p><b>Bachelor in Civil Engineering—1992</b>          University of Puerto Rico, Mayaguez Campus, Puerto Rico</p>	
<p><b>LICENSES</b></p> <ul style="list-style-type: none"> <li>• Civil Engineer, PE #12744</li> <li>• Project Management Professional, PMP #221596</li> <li>• Certified General Real Estate Property Appraiser, 160CG</li> <li>• Puerto Rico Licensed Professional Appraiser, 770EPA</li> <li>• FHA, PRGC 160</li> <li>• MGIC'S Approved Appraisers</li> <li>• Certified General Real Property Appraiser, 351888 (State of Georgia)</li> <li>• Real Estate Broker, C-18037</li> </ul>	
<p><b>PROFESSIONAL DESIGNATIONS AND AFFILIATIONS</b></p> <ul style="list-style-type: none"> <li>• Associate Member of the Project Management Institute</li> <li>• Member of CIAPR</li> <li>• Member of the Nebb Institute (CMEA)</li> <li>• Mortgage Loan Officers</li> </ul>	
<p><b>CONTINUED EDUCATION</b>—AI-Appraisal Institute, PMI-Project Management Institute &amp; IE-Instituto de Estadística, CIAPR-Collegio de Ingenieros &amp; Agrimensores de</p> <ul style="list-style-type: none"> <li>11/15 - Appraising Commercial and Complex Properties in a Historic Area - AI</li> <li>09/15 - Contamination and the Valuation Process - AI</li> <li>08/15 - 15 Hour National USPAP Equivalent Course - AI</li> <li>07/15 - 7 Hour National USPAP Equivalent Course - AI</li> <li>07/15 - Puerto Rico Laws and Regulations taught in Spanish Language - AI</li> <li>04/15 - Impact of Collateral Underwriter for Appraisers and Lenders - AI</li> <li>03/15 - The 50% FEMA RULE - AI</li> <li>03/15 - Wind Turbine Effects on Value - AI</li> <li>03/15 - Unraveling the Mystery of Fannie Mae Appraisal Guidelines - AI</li> <li>02/15 - Review Theory Residential- AI</li> <li>12/14 - Advance Education Diagnostic Test - AI</li> <li>11/14 - Marketability Studies: Advanced Considerations &amp; Applications - AI</li> <li>11/14 - Marketability Studies: Six-Step Process &amp; Basic Applications - AI</li> <li>10/14 - Regression Modeling Why Bad Results Happens to Good Appraisers - AI</li> <li>09/14 - The Valuation of Bank Branches - AI</li> <li>09/14 - Advanced Concepts &amp; Case Studies - AI</li> <li>08/14 - Quantitative Analysis- AI</li> <li>08/14 - Advanced Income Capitalization - AI</li> <li>07/14 - Fundamentals of Going Concerns-AI</li> <li>05/14 - Golf Course Property Valuation-AI</li> <li>03/14 - Complex Litigation Appraisal Case Studies- AI</li> <li>02/14 - 7 Hour National USPAP Equivalent Course-AI</li> <li>12/13 - Appraising Cell Towers -AI</li> <li>11/13 - Valuation of Conservation Easements and Taxes-AI</li> <li>10/13 - Carving out Your Legal Niche: Do's and Don'ts of Litigation-AI</li> <li>10/13 - Insurance Replacement Valuation: And Emerging Appraisal Discipline-AI</li> <li>08/13 - Sage against the Machine: Using AVMs Wisely and Productively-AI</li> <li>07/13 - Marina Valuation Overview-AI</li> <li>06/13 - Excel as an Appraisal Professional: Making Your Job Easier -AI</li> <li>06/13 - The CFPB Appraisal Rules and You-AI</li> <li>05/13 - Residential Report Writing and Case Studies-AI</li> <li>04/13 - Front of the House/Back of the House-AI</li> <li>04/13 - International Financial Reporting Standards for the Real Professional-AI</li> <li>04/13 - Commercial Bankruptcy, Workouts, and the Valuation Process-AI</li> <li>03/13 - Reducing Appraiser Liability: Using the AZ765 ANSI Measuring-AI</li> <li>03/13 - Residential Site Valuation and Cost Approach-AI</li> <li>03/13 - Agile Project Management-PMI</li> <li>03/13 - Uniform Appraisal Dataset Aftereffects: Efficiency vs. Obligations-AI</li> <li>02/13 - Basic Appraisal Procedures-AI</li> <li>02/13 - Basic Appraisal Principles-AI</li> <li>10/12 - Wind Projects and Land Value -AI</li> </ul>	

**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

06/12 - Guide Notes 11 and 12: What They Mean to You-AI  
03/12 - An Introduction to Valuing Commercial Green Building -AI  
04/12 - Impairment Testing: The When and How for Financial Reporting -AI  
01/12 - Fundamentals of Separating Real, Personal Property, and Intangible Business Assets-AI  
01/12 - Appraisal Review-General -AI  
12/11 - Analyzing Tenant Risk Credit and Commercial Lease Analysis -AI  
11/11 - PMI Symposium-PMI  
09/11 - Magno Foro de la Vivienda-AI  
08/11 - 7 Hour National USPAP Equivalent Course-AI  
06/11 - Leyes y Reglamentos-AI  
06/11 - The Appraisal of Aggregate Quarries-ASA  
06/11 - The Uniform Appraisal Dataset from Fannie Mae and Freddie Mac-AI  
05/11 - Online Business Practices and Ethics-AI  
05/11 - The Lending World in Crisis - What Clients Need Their Appraisers to Know-AI  
11/10 - Magno Foro de la Vivienda  
11/10 - Laws Regulations that Govern the Appraisal Profession in PR-AI  
10/10 - The Evolution of a Profession: Project Management: Past, Present and Future-PMI  
10/10 - Appraising Distressed Commercial Real Estate: Here I Go Again-AI  
08/10 - Making Cultural Intelligence One of Your Signature Skills-PMI  
08/10 - The Project Manager as Team Leader-PMI  
07/10 - Essential Skills for Managing Projects-PMI  
07/10 - Building Teams, Commitment & Culture for Virtual Teams-PMI  
06/10 - Project Management for the Experienced Professional-PMI  
04/10 - Certified Machinery and Equipment Appraisal / NEBB Institute  
09/09 - Online 7 Hour National USPAP Equivalent Course-AI  
06/09 - An Introduction to Valuing Commercial Green Building-AI  
04/09 - General Appraiser Report Writing and Case Studies-AI  
02/09 - The New Residential Market Conditions Form-AI  
02/09 - Real Estate Finance Statistics and Valuation Modeling-AI  
08/08 - REO - Appraisal of Residential Property Foreclosure-AI  
04/08 - The Secret Behind Successful Projects-PMI  
03/08 - Business Success using Portfolio Management-PMI  
02/08 - Establishing independent consulting practice in Project Management: aspects to consider-PMI  
11/07 - Requirements, a crucial ingredient of any successful project-PMI  
10/07 - Ten PMI Symposium-PMI  
10/07 - USPAP Update Course-AI  
09/07 - Office Building Valuation – A Contemporary Perspective-AI  
05/07 - Mortgage Fraud - AI  
03/07 - Law and Regulations- in insight into the legal aspects governing the Appraiser profession Puerto Rico-AI  
03/07 - Business Governance: A Strategic Initiative to Transcend into a more Effective, Efficient and Competitive Organization  
07/06 - When Bad Things Happen to Good Project Managers-PMI  
06/06 - Market Analysis and the Site to do Business-AI  
06/06 - Scope of Work and New USPAP Requirements-AI  
06/06 - FHA and the New Residential Appraisal Forms-AI  
12/05 - Risks in the Industry of Construction- CIAPR  
11/05 - Appraising from Blue Prints -AI  
11/05 - USPAP Update Course- AI  
11/05 - Internet Search Strategies for Real Estate Appraisers – AI  
09/05 - The Professional Guide to the Uniform Residential Appraisal Report- AI  
08/05 - PM Book Third Edition Changes-PMI  
06/05 - Management 101 – PMI  
02/04 - No Bull. Project Management: Dealing with politics and people issues-PMI  
11/03 - USPAP Standard # 3 and the relationship between Appraiser and Reviewer -AI  
10/03 - Second Real Estate Market Trends Symposium – Expectation Beyond 2003, Economic Outlook, Residential, Tourism, Case Study-AI  
10/03 - Sixth Project Management for the Construction Industry Symposium-PMI  
06/03 - Avoiding Liability as a Real Estate Appraiser – AI  
10/02 - Get the Job Done: Winning with best practices in Project Management-PMI  
03/02 - Condemnation Symposium  
12/01 - 550 – Advance Applications- AI  
11/01 - How to Carry Out a Project Step by Step-PMI  
10/01 - Condemnation Forum  
05/01 - Project Control of the 21 Century a new paradigm-PMI  
04/01 - How do you define risk and its benefits: Difference between Risk and Risk Management-PMI  
02/01 - Project Management Benefits in economic and organizational gains for Corporations-PMI  
09/00 -Wind Load Provisions of the Uniform Building Code and Design of Concrete Building for Earthquake and Wind Forces-PMI  
11/00 - 530 Advance Cost and Sales Comparison Approach -AI  
10/00 - The FHA and the Appraisal Process-AI  
08/99 - Standards of Professional Practice Part A and Part B-AI  
09/99 - Introduction to PMI Office Managing-PMI  
11/98 - Marketing of Professional Services-PMI  
10/96 - 11/96 - Advanced Income Capitalization, High and Best Use and Market Analysis of Real Estate-AI  
01/96 - 08/96 - Georgia State University, advanced courses in Real Estate  
01/95 - 05/95 - University of Puerto Rico, Mayaguez Campus, Solid Waste Management  
1991 -1993 - Real Estate Appraisal Courses: Basic Concepts, Mathematics, Condemnation and Ethics-AI & IE



**Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property**  
**#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907**

WORK EXPERIENCE	
01/04 – Present	<b>Efrain Tirado Appraisal Group, P.S.C.</b> President <ul style="list-style-type: none"> <li>- Specialized in commercial-office buildings, industrial properties, vacant land, residential projects, single family residential, condemnation, and special purpose properties.</li> </ul>
04/97 – 12/08	<b>Construction Management Consultant Group Corp.</b> Vice-president <p>Project Management and Engineering Services</p> <ul style="list-style-type: none"> <li>- Specialized in governmental and commercial projects, from land acquisition to construction management and special properties.</li> </ul>
09/94 – 09/95	<b>Caribbean Petroleum Corporation (Gulf)</b> Civil Engineer <ul style="list-style-type: none"> <li>- Developed several gas stations from design minimizing the construction time and cost.</li> <li>- Estimated construction costs.</li> <li>- Inspected gas stations construction and underground tank installations involving EPA and the Environmental Quality Board.</li> </ul>
01/92 – 08/94	<b>Dycrex Construction SS.</b> Construction Engineer <ul style="list-style-type: none"> <li>- Start up of the beam's factory to be installed at the Teodoro Moscoso Bridge.</li> <li>- Completed beam's construction in the minimum proposed time and generating the minimum scrap possible saving money to the owner was the major accomplishment.</li> <li>- Managed construction assuring beam's quality standards</li> <li>- Supervised construction crew</li> </ul>
CLIENTS	
<b>Federal and Local Government</b> Puerto Rico Highway Authority, Puerto Rico Power Authority, Department of Housing and Urban Development, Public Building Authority, Women Advocate Office, United States Corp of Engineers, San Juan Municipality, Corozal Municipality, San Sebastian Municipality, Luquillo Municipality, Ponce Municipality, Carolina Municipality, COSSEC, Natural Resources of Puerto Rico, Caribe Federal Credit Union, Small Business Administration, National Parks Office, AFI among others.	
<b>Financial Institutions &amp; Organizations</b> Banco Popular de Puerto Rico, First Bank of Puerto Rico, Banco Santander, Oriental Bank, Banesco, Banco de Desarrollo de P.R., Puerto Rico Farm Credit, The Lending Center, Capital Mortgage, RF Mortgage, Sun West Mortgage, Fembi Mortgage, Cooperativa de Ahorro y Credito Roosevelt.	
<b>Private Institutions &amp; Organizations</b> Pietrafauti, Mendez & Alvarez, O'Neill & Borges, Interboro, Coca-Cola/Alberto de la Cruz, Alberto Cossio Industrial Development, Ríos Commercial Corporation, Empresas Loyola, Asociación de los Miembros de la Policía, Meaux Real Estate, Goodyear Puerto Rico, Sanfiorenzo Engineering Group, Blanco Group, Frank Cue, Armando Vilas, Jaime Casellas, Cenex, Israel Benítez Naranjo, CEA Industrial Corp., Brehmen Auto Group, Gómez Hermanos, José López Cáceres, Hacienda San Pedro, Ricardo Jimenez, ALA, Israel Koppel, Eurodesign Homes, Roberto Alfonso, Cándido Oliveras, American Olein, John Dewey College, Baldwin School, Nelson Capote, Encanto Restaurants, Indesovi de PR, Inc., CV Steel Corp, Matcor, Ramallo Enterprises, Air Masters, Core Insurance, Lighthouse Insurance, Olympic Insurance, William Fuertes Insurance, Marichal, Hernandez, Santiago & Juarbe, DOT Consulting, Realty Realty, Del Valle Realty, Roma, Brito Group, Walmart, Méndez Corporation, MAM Realty Group, Fuertes & Fuertes Law Offices, Plaza Internacional Puerto Rico, LLC, Hernández Vivoni & Umpierre Pouton Law Offices, Edison Aviles & Associates Law Offices, plus several private developers in Puerto Rico.	
<b>Expert Witness for</b> Puerto Rico Highway Authority, Puerto Rico Power Authority, Department of Housing and Urban Development, Public Building Authority, Women Advocate Office, United States Corp of Engineers.	

**Francisco J. Otero Valentín**

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**LICENSES:** Puerto Rico Licensed Professional Appraiser, 1302EPA

**EDUCATION:**

1996 - 1999 Bayamón Central University, Bayamón, Puerto Rico  
**Bachelor in Business Administration**  
*Major in Accounting, Summa Cum Laude*  
**Associates Degree in Business Administration**  
*Major in General Business Administration, Magna Cum Laude*  
*Major in Information System, Magna Cum Laude*  
1994 – 1996 Technology Institute of Puerto Rico, Manatí Campus  
**Associate Degree in Engineering**  
*Major in Chemistry Technology, Cum Laude*

**CONTINUED EDUCATION:**

11/14 National USPAP Update Course (7 Hours)  
10/14 Real Estate Appraisal Courses: Law and Regulations (7 Hours / Update)  
05/13 National USPAP Update Course (7 Hours)  
02/13 Appraisal Institute Online Courses: Data Verification Methods (5 Hours)  
12/12 Real Estate Appraisal Courses: Law and Regulations (15 Hours / Update)  
10/12 Real Estate Appraisal Courses: Basic Appraisal Procedures (30 Hours)  
08/12 National USPAP Update Course (7 Hours)  
04/09 Real Estate Appraisal Courses: New Request of Residential Appraisal Report Form 1004MC  
03/09 Real Estate Appraisal Courses: Advance Residential Applications and Case Studies  
08/07 Real Estate Appraisal Courses: Law and Regulations  
08/07 USPAP Update Course  
03/07 Real Estate Appraisal Courses: Residential Report Writing  
09/03 National USPAP Course  
05/01 Real Estate Appraisal Courses: Condemnation  
05/01 Real Estate Appraisal Courses: Mathematics  
03/01 Real Estate Appraisal Courses: Calculator Course HP-17BII  
12/00 Real Estate Appraisal Courses: Basic Concepts  
06-00 QuickBooks Seminar  
04/00 10<sup>th</sup> National Knock of Accounting Students, Catholic University of PR  
12/98 Certificate of English Conversational Course, Bayamón Central University  
12/98 First Accounting and Financing Conference  
11/98 Second Management Knock, Management Tendency in the New Century  
12/95 Certify of Material Safety Data Sheet  
12/95 Certify of Good Practice Manufacturing

Multi-Tenant Facility – 10,476 SF & 286.21 – Commercial/Residential Property  
#1661 Ponce de León Avenue corner Saldaña Street, Parada 24 Sector, Santurce Norte Ward, San Juan, PR 00907

## WORK EXPERIENCE:

06/01 – Present

### **Francisco J. Otero Valentín**

Professional Real Estate Appraiser & Consultant  
Bayamón, PR

#### **Real Estate Appraisal Services**

- Specialized in commercial and industrial properties, vacant land, residential projects, single-family dwelling, multi-family residences, expropriation, land leases, income-producing properties, special-purpose properties and going-concern valuation, among others

04/97 – 06/01

Construction Management Consultant Group  
San Juan, PR

#### **Appraiser Assistant**

Main responsibility and duties:

- Provide assistance to the Senior Appraiser
- Perform quotations of the work
- Inspect and value the properties
- Search comparable properties
- Develop appraisal drafts

#### **Administrator Assistant**

- Provide assistance to the Office Administrator

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