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## APPRAISAL REPORT

### Iber Lumber

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**Located At:**  
PR-869, Corner Street 1,  
Westgate Industrial Park, Palmas Ward,  
Cataño, Puerto Rico, 00962



**As of**  
June 4, 2015

**Prepared For**  
Mr. Ivan Mangles  
Iber Lumber  
PR-869, Corner Street 1,  
Westgate Industrial Park, Palmas Ward,  
Cataño, Puerto Rico, 00962

**Prepared by**  
MIGDOEL RODRIGUEZ & ASSOCIATES-APPRAISAL GROUP, P.S.C.  
Eng. Migdoel Rodríguez, MAI, SRA, PE, MBA PR-CG201, 646EPA

File #: 21505060

**MIGDOEL RODRIGUEZ & ASSOCIATES-APPRAISAL GROUP, P.S.C.**

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June 19, 2015

Mr. Ivan Mangles  
Iber Lumber  
PR-869, Corner Street 1,  
Westgate Industrial Park, Palmas Ward,  
Cataño, Puerto Rico, 00962

Re: Iber Lumber  
PR-869, Corner Street 1,  
Westgate Industrial Park, Palmas Ward,  
Cataño, Puerto Rico, 00962

Dear Mr. Mangles:

At your request, I have prepared an appraisal report for the referenced property, which refers to the subject property of this appraisal assignment.

The purpose of this appraisal is to form an opinion of the market value of the fee simple interest of the subject property, subject to the assumptions, limiting conditions and certificates included in the report as of June 4, 2015.

The client/intended user of this appraisal report is Iber Lumber and its representatives. The intended use of this appraisal is to help the client in an internal decision making process.

The subject refers to a lumber storage and distribution facility with a total gross construction area of 90,175 square feet comprised of several structures. It features a two-story reinforced concrete and concrete blocks office building of 3,438 square feet, two lumber sheds of 40,685 sq. ft. and 36,180 sq. ft. respectively and an open shed of 3,552 sq. ft.

In addition, there's a 4,000 sq. ft. warehouse-type structure, built with reinforced concrete walls and metal roofing and a 2,320 sq. ft. open shed, both currently operating as M.C. Electrical Dist. Inc. Overall, the subject is in average physical condition with ceiling heights of 8' at the office building and 22' at storages structures. It lies on a 10,857 square meters corner lot, equivalent to 2.7625 cuerdas located in a Light Industrial (I-L) zoning district.

I certify that I have no present or contemplated future interest in the property beyond this estimate of value. The appraiser has not performed any prior services regarding the subject within the previous three years of the appraisal date.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions, I have made the following value conclusion(s):

**Current As Is Market Value:**

The “as is” market value of the fee simple estate in the property, as of June 4, 2015 is:

**\$2,600,000**  
**Two Million Six Hundred Thousand Dollars**

The market exposure time<sup>1</sup> preceding June 4, 2015 would have been 18 months and the estimated marketing period<sup>2</sup> as of June 4, 2015 is 18 months.

Respectfully submitted,

Migdoel Rodriguez & Associates-Appraisal Group, P.S.C.



Eng. Migdoel Rodríguez, MAI, SRA, PE,  
MBA PR-CG201, 646EPA

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<sup>1</sup> Exposure Time: see definition on page 2.

<sup>2</sup> Marketing Time: see definition on page 2.

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# Summary of Important Facts and Conclusions

<b><i>Subject Property</i></b>	Industrial Property																																								
<b><i>Property Rights Appraised</i></b>	This appraisal refers to the valuation of the market value of the fee simple interest on the subject property.																																								
<b><i>Intended User /Client</i></b>	Iber Lumber and representatives																																								
<b><i>Intended Use</i></b>	Internal decision making process																																								
<b><i>Effective Date</i></b>	June 4, 2015																																								
<b><i>Date of Report</i></b>	June 19, 2015																																								
<b><i>Estimated Exposure Time</i></b>	18 Months (As inferred from the comparable sales)																																								
<b><i>Site&amp;Improvements Description</i></b>	<table border="1"> <thead> <tr> <th colspan="2">Site - Description</th> </tr> </thead> <tbody> <tr> <td>Location</td> <td>PR-869, Corner Street 1, Westgate Industrial Park, Palmas Ward, Cataño, Puerto Rico, 00962</td> </tr> <tr> <td>Land Area - Sq. Mts.</td> <td>10,857</td> </tr> <tr> <td>Land Area - Cuerdas</td> <td>2.7625</td> </tr> <tr> <td>Shape</td> <td>Rectangular</td> </tr> <tr> <td>Topography</td> <td>Level</td> </tr> <tr> <td>Frontage</td> <td>Aprox. 800 lineal feet</td> </tr> <tr> <td>Flood Zone</td> <td>Zone 0.2 PCT</td> </tr> <tr> <td>Map No.</td> <td>72000C0345J</td> </tr> <tr> <td>Zoning</td> <td>I-L (Light Industrial)</td> </tr> <tr> <td>Tax Number</td> <td>061-000-003-21-000</td> </tr> <tr> <td>Geographic Coordinates</td> <td>18°25'36.81"N / -66° 8'59.21"W</td> </tr> <tr> <td>Owner of Records</td> <td>Iber Lumber</td> </tr> <tr> <th colspan="2">Improvements - Description</th> </tr> <tr> <td>Building Type</td> <td>Light Industrial - Lumber Storage</td> </tr> <tr> <td>Main Building Area (SF)</td> <td>90,175</td> </tr> <tr> <td>Physical Condition</td> <td>Average</td> </tr> <tr> <td>Parking Spaces</td> <td>None</td> </tr> <tr> <td>Parking Ratio</td> <td>N/A</td> </tr> <tr> <td>Land to Building Ratio</td> <td>1.3:1</td> </tr> </tbody> </table>	Site - Description		Location	PR-869, Corner Street 1, Westgate Industrial Park, Palmas Ward, Cataño, Puerto Rico, 00962	Land Area - Sq. Mts.	10,857	Land Area - Cuerdas	2.7625	Shape	Rectangular	Topography	Level	Frontage	Aprox. 800 lineal feet	Flood Zone	Zone 0.2 PCT	Map No.	72000C0345J	Zoning	I-L (Light Industrial)	Tax Number	061-000-003-21-000	Geographic Coordinates	18°25'36.81"N / -66° 8'59.21"W	Owner of Records	Iber Lumber	Improvements - Description		Building Type	Light Industrial - Lumber Storage	Main Building Area (SF)	90,175	Physical Condition	Average	Parking Spaces	None	Parking Ratio	N/A	Land to Building Ratio	1.3:1
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## **Definitions**

**Market Value:** As defined by the Office of the Comptroller of Currency (OCC) under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions, the Board of Governors of the Federal Reserve System (FRS) and the Federal Deposit Insurance Corporation in compliance with Title XI of FIRREA, as well as by the Uniform Standards of Appraisal Practice as promulgated by the Appraisal Foundation, is as follows.

Market value means 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 seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby,

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interest;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. 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.

A **Fee Simple** interest is defined<sup>3</sup> as:

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.

A **Leased Fee** interest is defined<sup>3</sup> as:

An ownership interest held by a landlord with the rights of use and occupancy conveyed by a lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.

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<sup>3</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

**Marketing Time** is defined<sup>3</sup> as:

1. The time it takes an interest in real property to sell on the market sub-sequent to the date of an appraisal.
2. 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. 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.)

**Exposure Time** is defined<sup>3</sup> as:

1. The time a property remains on the market.
2. 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; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. (Appraisal Standards Board of The Appraisal Foundation, Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions")

Market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal. In the case of disposition value, the time frame allowed for marketing the property rights is somewhat limited, but the marketing effort is orderly and adequate. With liquidation value, the time frame for marketing the property rights is so severely limited that an adequate marketing program cannot be implemented. (The Report of the Appraisal Institute Special Task Force on Value Definitions qualifies exposure time in terms of the three above-mentioned values.) See also marketing time.

**Gross Building Area (GBA)** is the total floor area of a building, including below-grade space but excluding unenclosed areas, measured from the exterior of the walls. Gross building area for office buildings is computed by measuring to the outside finished surface of permanent outer building walls without any deductions. All enclosed floors of the building including basements, mechanical equipment floors, penthouses, and the like are included in the measurement. Parking spaces and parking garages are excluded.<sup>3</sup>

**Rentable Area (RA)** is the amount of space on which the rent is based; calculated according to local practice.<sup>3</sup>

**Gross Leasable Area (GLA)** the total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent.<sup>3</sup>

### **As Is Value**

The value of 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.<sup>3</sup>

### **Stabilized Value**

1. A value opinion that excludes from consideration any abnormal relationship between supply and demand such as is experienced in boom periods, when cost and sale price may exceed the long-term value, or during periods of depression, when cost and sale price may fall short of long-term value.
2. A value opinion that excludes from consideration any transitory condition that may cause excessive construction costs, e.g., a bonus or premium for material, the abnormal inefficiency of labor, the cost of delay or an excessive sale price, e.g., a premium paid due to a temporary shortage of supply.<sup>3</sup>

In layman's terms, stabilized value is the prospective value of a property after construction has been completed and market occupancy and cash flow have been achieved.<sup>4</sup>

### **As Complete Value**

The prospective value of a property after all construction has been completed. This value reflects all expenditures for lease-up and occupancy that may be expected to have occurred at that point in time, which may or may not put the property at stabilized value.<sup>3</sup>

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<sup>4</sup> Narrative1.com. Thomas W. Armstrong, MAI



## **Liquidation Value<sup>5</sup>**

The most probable price that a specified interest in real property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. 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.

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<sup>5</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

## Limiting Conditions and Assumptions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media.

All files, work papers and documents developed in connection with this assignment are the property of Migdoel Rodriguez & Associates-Appraisal Group, P.S.C.. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Good title, free of liens, encumbrances and special assessments is assumed. No responsibility is assumed for matters of a legal nature.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable.

It is assumed there are no zoning violations, encroachments, easements or other restrictions, which would affect the subject property, unless otherwise stated.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Migdoel Rodriguez & Associates-Appraisal Group, P.S.C.'s regular per diem rate plus expenses.

Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

#### **Americans with Disabilities Act (ADA) of 1990**

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1990 and 1997. Migdoel Rodriguez & Associates-Appraisal Group, P.S.C. has not made a determination regarding the subject's ADA compliance or non-compliance. **Non-compliance could have a negative impact on value; however, this has not been considered or analyzed in this appraisal.**

Any cause of action resulting between the appraiser and the client, in relation to 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 Eng. Migdoel Rodríguez d.b.a. Appraisal Advisors Group 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 appraisal report.

## Scope of Work

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

The client/intended user of this appraisal report is Iber Lumber and representatives. The problem to be solved is to estimate the 'as is' value of the subject property. The intended use of this appraisal is to help the client in an internal decision making process.

<b>SCOPE OF WORK</b>	
Report Type:	This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2. This format summarizes the appraisal process, subject and market data and valuation analyses.
Property Identification:	The subject has been identified by the legal description and the assessors' parcel number.
Inspection:	The client required interior and exterior inspections of the property.
Market Area and Analysis of Market Conditions:	A limited inferred analysis of market conditions has been made.
Highest and Best Use Analysis:	Highest and best use analyses assuming the subject site as though vacant and other as improved were performed.
Analyses Applied:	In this assignment, only the Sales Comparison Approach was developed. The Cost Approach could not be developed due to the lack of recent comparable sales of vacant sites in the immediate neighborhood. However, the Replacement Cost New of the improvements was developed for securing purposes.

## **Comments**

The appraiser analyzed the data gathered through the use of appropriate and accepted appraisal methodology to arrive at a probable value indication via each applicable approach to value. The appraiser then correlated and reconciled the results into a reasonable and defensible value conclusion and estimated a reasonable exposure time and marketing time associated with the value estimate presented.

## **Exposure/Marketing Time**

Current appraisal guidelines require an estimate of a reasonable time period in which the subject property could be brought to market and sold. This reasonable time frame can either be examined historically or prospectively. In a historic analysis, this is referred to as exposure time. Exposure time always precedes the date of value; with the underlying premise being the time a property would have been on the market prior to the date of value, such that it would sell at its appraised value as of the date of value. On a prospective basis, the term marketing time is most often used. The exposure/marketing time is a function of price, time, and use. It is not an isolated estimate of time alone. It is different for various types of real estate and under various market conditions.

Exposure and marketing time has been estimated in 18 months.

During the preparation of this report, several sellers, brokers, and investors in properties similar to the subject one were interviewed. Those interviewed generally reported that a sale of a property similar to the subject one would take 18 months to list, promote, show, negotiate, allow for due diligence, and close if it were priced realistically. Therefore, if the subject property were exposed to the market beginning on the date of this valuation, its marketing time is estimated to be similar to the exposure time, within 18 months. Because the market conditions at the date of value are similar to those several years ago, the exposure time is assumed to be similar to the marketing time. This exposure/marketing time reflects current economic conditions, current real estate investment market conditions, the terms and availability of financing for real estate acquisitions, and property and market specific factors. It assumes that the subject property is (or has been) actively and professionally marketed. The marketing/exposure time would apply to all valuation premises included in this report.

## **Hypothetical Conditions**

A hypothetical condition is defined by USPAP 2014-2015 as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis”. “Hypothetical conditions are 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”.

As reported by the client/owner, two structures with combined area of 6,320 sq. ft. are currently under a 10 years lease contract on behalf of M.C. Electrical Dist. Inc. However, as requested by the client/owner, this appraisal report does not take in consideration that lease agreement since the purpose of the assignment is to reach the market value of the fee simple interest of the subject in its entirety. Thus, this appraisal is based on the hypothetical condition that this lease contract does not exist.

## Identification of the Property

The subject refers to a lumber storage and distribution facility with a total gross construction area of 90,175 square feet comprised by several structures. This property lies on a 10,857 square meters corner lot, equivalent to 2.7625 cuerdas which has a Light Industrial (I-L) zoning category.

The property is located at the corner of PR-869 and Street 1 within Westgate Industrial Park of Palmas Ward in Cataño Municipality.

## History of the Property

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

- a. Consider and analyze any current agreement of sale, option, or listing of the property being appraised, if such information is available in the normal course of business
- b. Consider and analyze any prior sale of the property being appraised that occurred during the following periods; one year for one to four family residential properties; and three years for all other property types.

The subject's owner is Iber Lumber. There are no current options or sales activities on the property. As reported by the client/owner, two structures with combined area of 6,320 sq. ft. are currently under a 10 years lease contract on behalf of M.C. Electrical Dist. Inc. However, as requested by the client/owner, this appraisal report disregards such lease agreement since the purpose of the assignment is to reach the market value of the fee simple interest of the subject in its entirety.

LEGAL DESCRIPTION
---URBANA: Parcela H de Westgate Industrial Park, localizado en el barrio Palmas del término municipal de Cataño, Puerto Rico, con una cabida superficial de Diez Mil Ochocientos Cincuenta y Siete (10,857) Metros Cuadrados con Sesenta y Seis (66) Céntimas de Otro, equivalentes a Dos (2) Cuerdas con Siete Mil Seiscientos Veinticinco Diezmilésimas (7,625) de Otra, en lindes; por el NORTE, en ciento ochenta y siete (187) metros con trecientas milésimas de otro, con industria Siderúrgica, Inc.; por el SUR, en ciento setenta y tres (173) metros con ochocientos ochenta y siete (887) milésimas de otro, con la calle Uno (1) de Westgate Industrial Park; por el SURESTE, veinte (20) metros con ochocientos setenta y una (871) milésima de otro, en forma de arco, con la misma calle Uno (1); por el ESTE, en cuarenta y seis (46) metros con doscientas ochenta y una (281) milésima de otro, con la Carretera Estatal Ochocientos Sesenta y Nueve (869); por el OESTE, en cincuenta y seis (56) metros con ochocientos tres (803) milésimas de otro, con la parcela G guión Uno (G-1) de Westgate Industrial Park, ahora Leaseway de Puerto Rico, Inc.-----

## **PROPERTY PRODUCTIVITY ANALYSIS**

Property productivity analysis addresses a property's capacity to deliver goods and services to meet human needs, house economic activities, and supply amenities.

A more detailed description of the property is presented in the following pages:

### **I. Physical Characteristics**

#### **A. Site Analysis**

##### **Size, Topography, Shape and Limits**

The subject site consists of a corner lot which totals a land area of 10,857 square meters corner lot, equivalent to 2.7625 cuerdas. It has a level topography and rectangular shape.

The limits of the subject's site are as follow:

North: Industrial Property / Arauca Inc.

South: Street 1

East : PR-869

West : Industrial Property / Leaseway of PR Inc.

##### **Services, Utilities and Infrastructure**

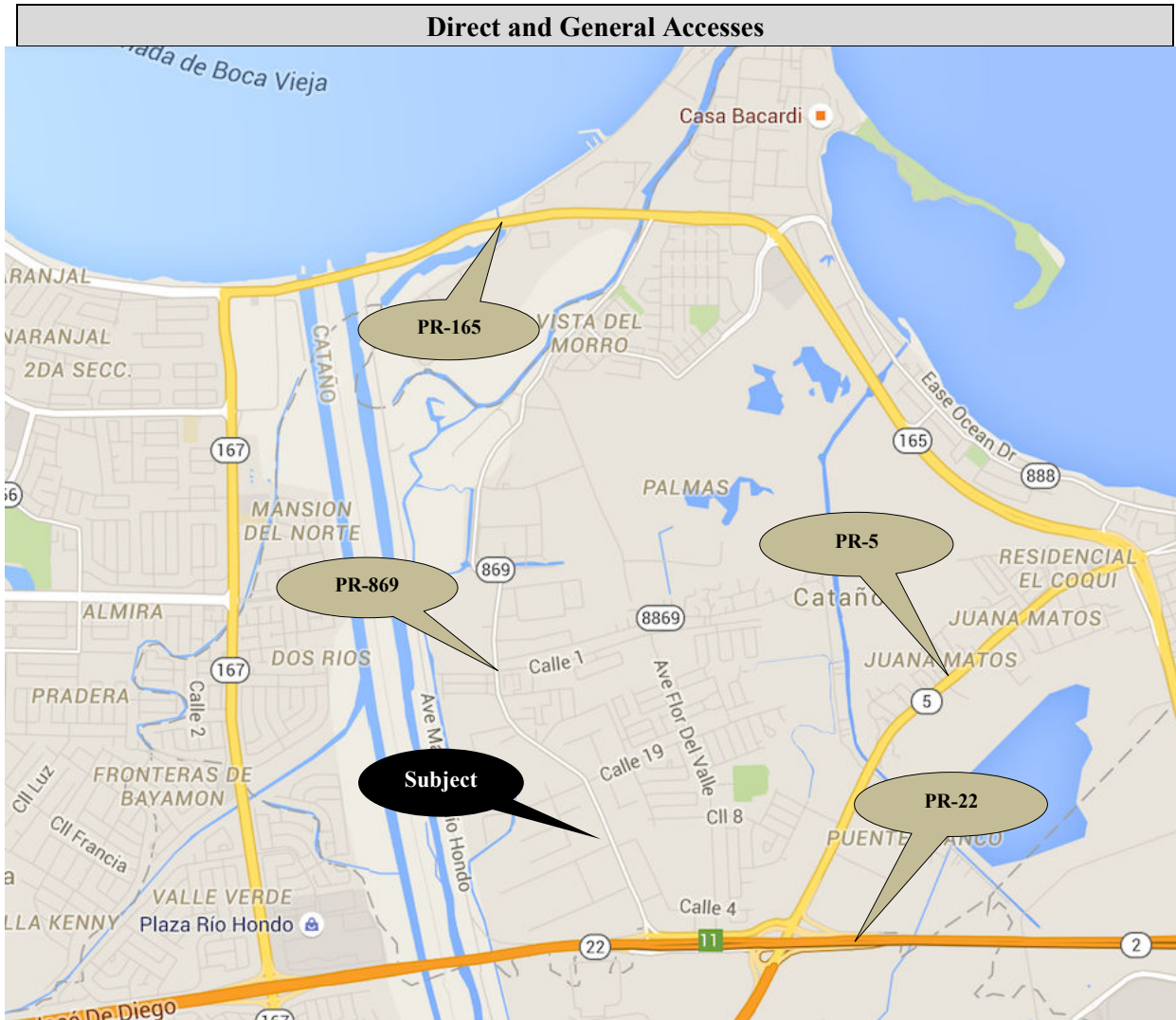
The Puerto Rico Electrical Power Authority (PREPA) provides electrical power to the subject's immediate neighborhood. The Puerto Rico Aqueducts and Sewers Authority (PRASA) provides potable water, to the area, and the Puerto Rico Telephone Company provides telephone services. There are no other utilities available at the subject property.

The subject property has the typical and necessary government services available, including fire and police protection provided by the Commonwealth government, street cleaning provided by the municipal government, and postal service provided by the federal government. Public transportation in the area is adequate, and is provided by public buses and/or mini-vans.



### Accessibility

The main access to the site is by means of PR-869, which refers to a two way primary road that is the main transportation linkage giving access to the immediate neighborhood. Heading south from the subject, it connects with PR-22 in about 500 meters and with PR-5 in about 1,200 meters heading south and east. PR869 also connects with PR-165 heading north, on the outskirts of the immediate neighborhood.

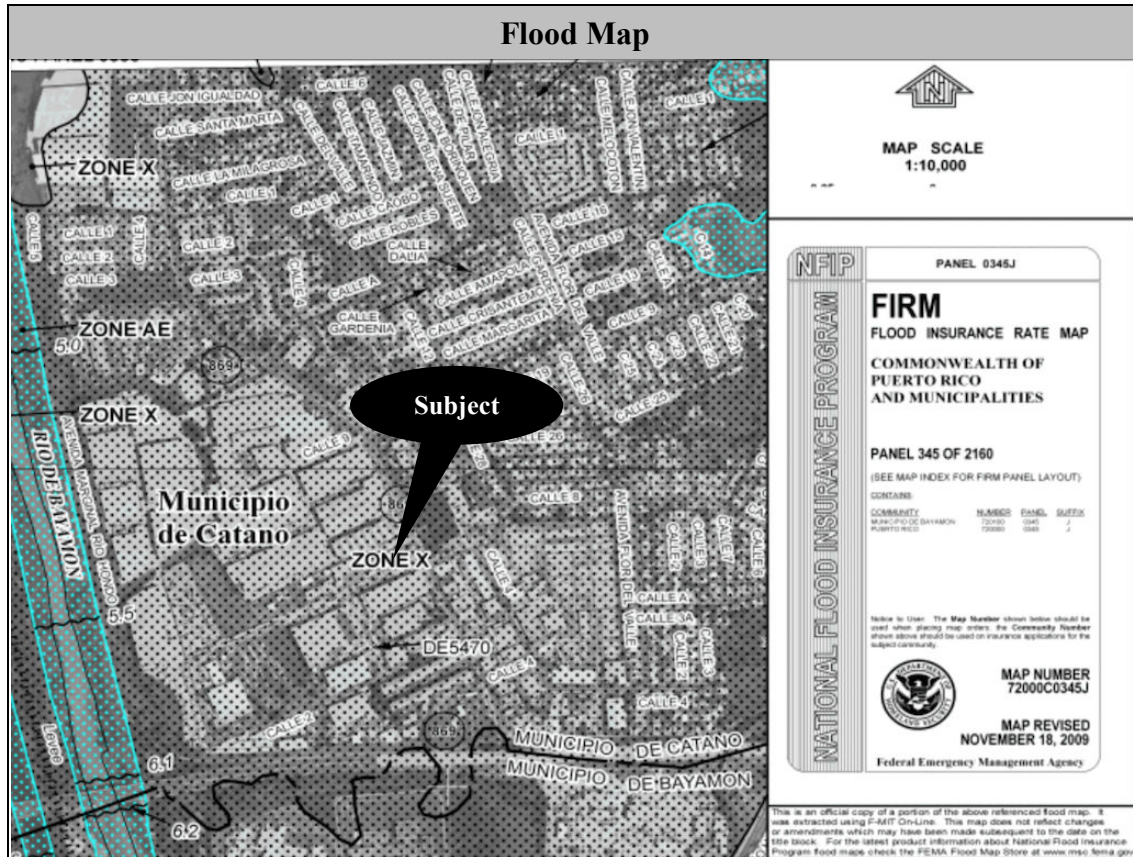


### Immediately Adjacent Land Uses

The immediate neighborhood is of industrial character, where several light industrial and warehouse properties are seen.

## Drainage, Flood Conditions and Subsoil

In terms of its flood conditions, it lies within the 0.2 PCT flood-prone zone, according to the FEMA Map No. 72000C0345J, dated November 18, 2009. However, during the inspection of the site, I observed no drainage problems and assume that none exist. I have not performed or examined any subsoil studies prepared for the subject site. For purposes of this appraisal, the subject site is assumed to be adaptable for normal usage.



## Environmental Issues

The appraiser has not made a soil test or test of underground water. Identifying site and soil contaminants or environmental issues is beyond the scope of this appraisal and the appraiser's qualifications. Unless otherwise stated, this appraisal is based on the assumption that the site and property are uncontaminated and unaffected by environmentally hazardous materials or substances.

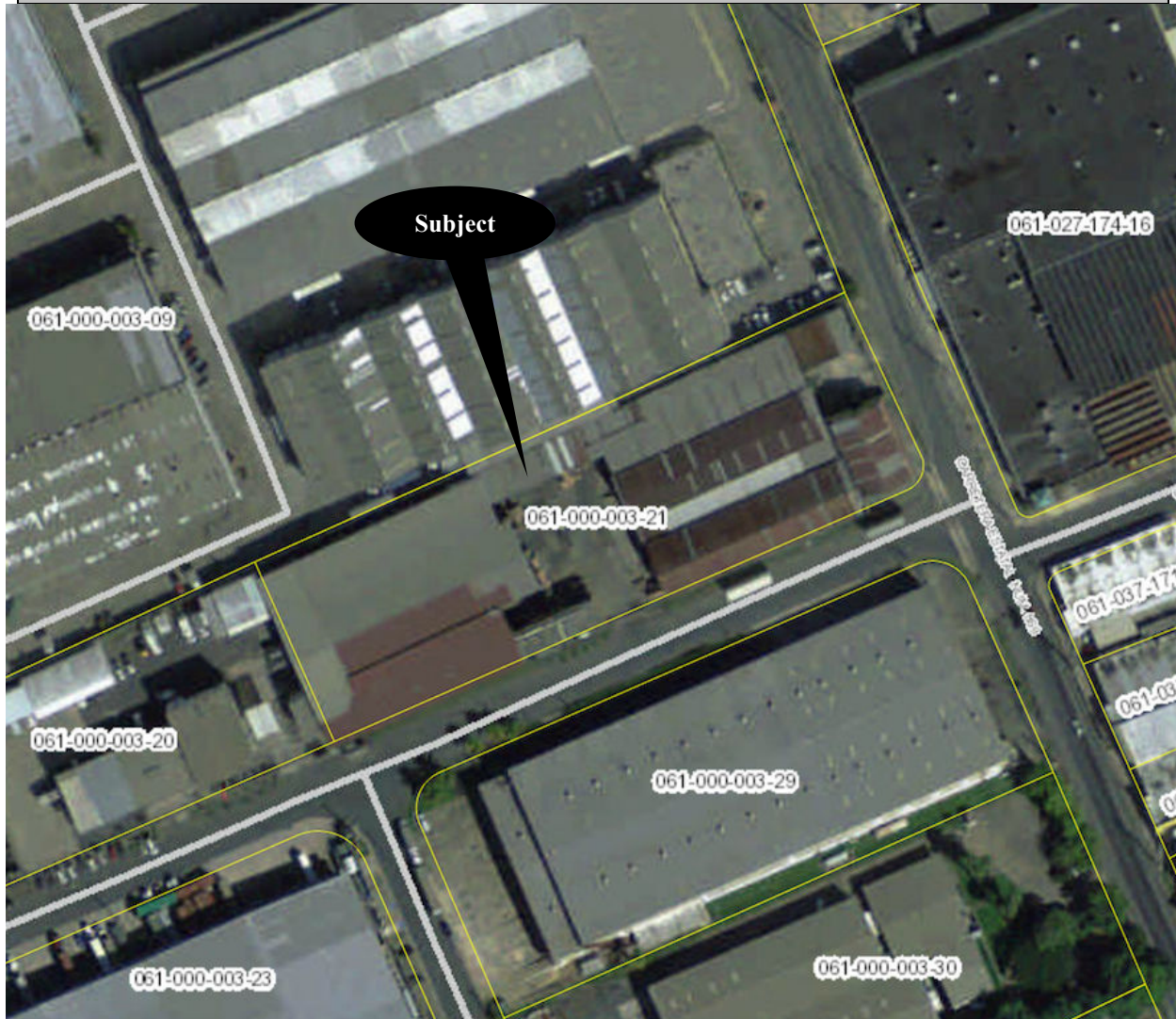
### Property Tax Data

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. The current tax rate for the Cataño Municipality is 10.33%. The tax rates are periodically revised.

Subject Tax Information:

Tax Code No.	Tax Rate	Assessed Value	Property Taxes
061-000-003-21-000	10.33%	\$195,810	\$20,227.17

**Cadastral Map**



## **B. Improvements Analysis**

The subject refers to a lumber storage and distribution facility with a total gross construction area of 90,175 square feet comprised by several structures. It features a two-story reinforced concrete and concrete blocks office building of 3,438 square feet, two lumber sheds of 40,685 sq. ft. and 36,180 sq. ft. respectively and an open service garage shed of 3,552 sq. ft.

In addition, there's a 4,000 sq. ft. warehouse-type structure, built with reinforced concrete walls and metal roofing and a 2,320 sq. ft. open shed, both currently operating as M.C. Electrical Dist. Inc. Overall, the subject is in average physical condition with ceiling heights of 8' at the office building and 22' at storages structures. It lies on a 10,857 square meters corner lot, equivalent to 2.7625 cuerdas which has a Light Industrial (I-L) zoning category.

### **Condition and Functionality of the Property**

The improvements were built about 26 years ago and are currently in average physical condition. Iestimate the office building has an effective age of 10 years with a remaining economic life of 40 years, while the lumber storage and warehouse-type structures present an effective age of 8 years and a remaining economic life of 12 years.



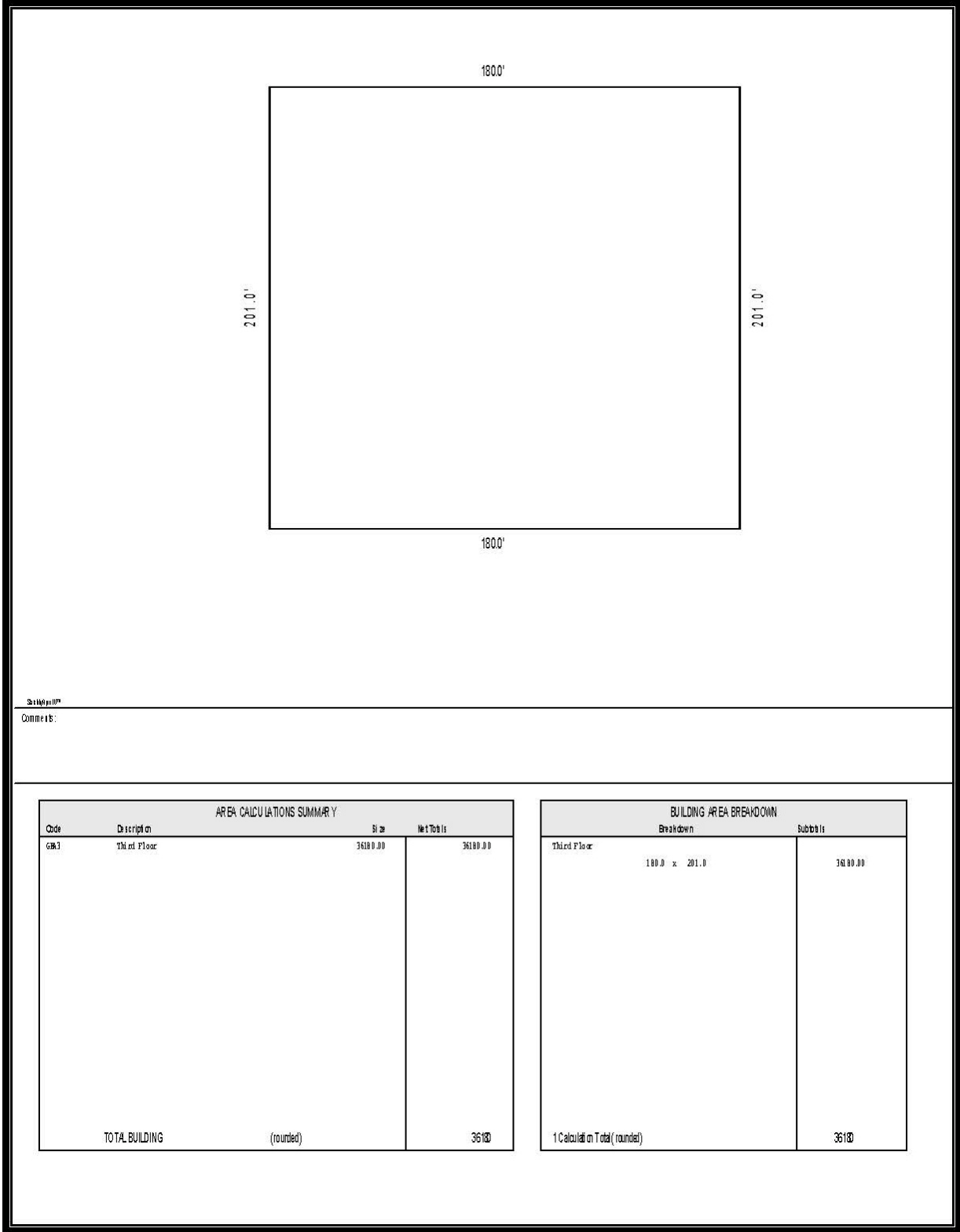
# Improvements Plans

Comments:

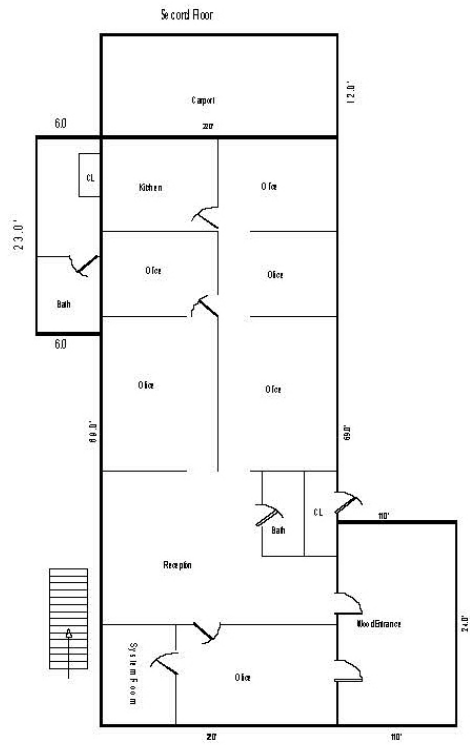
AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
0502	Second Floor	3552.00	3552.00
TOTAL BUILDING		(rounded)	3552

BUILDING AREA BREAKDOWN	
Breakdown	Subtotals
Second Floor	3552.00
32.0 x 111.0	
1 Calculation Total (rounded)	3552

# Improvements Plans



# Improvements Plans- Office Area (GL)



Scale: 1/8" = 1'-0"

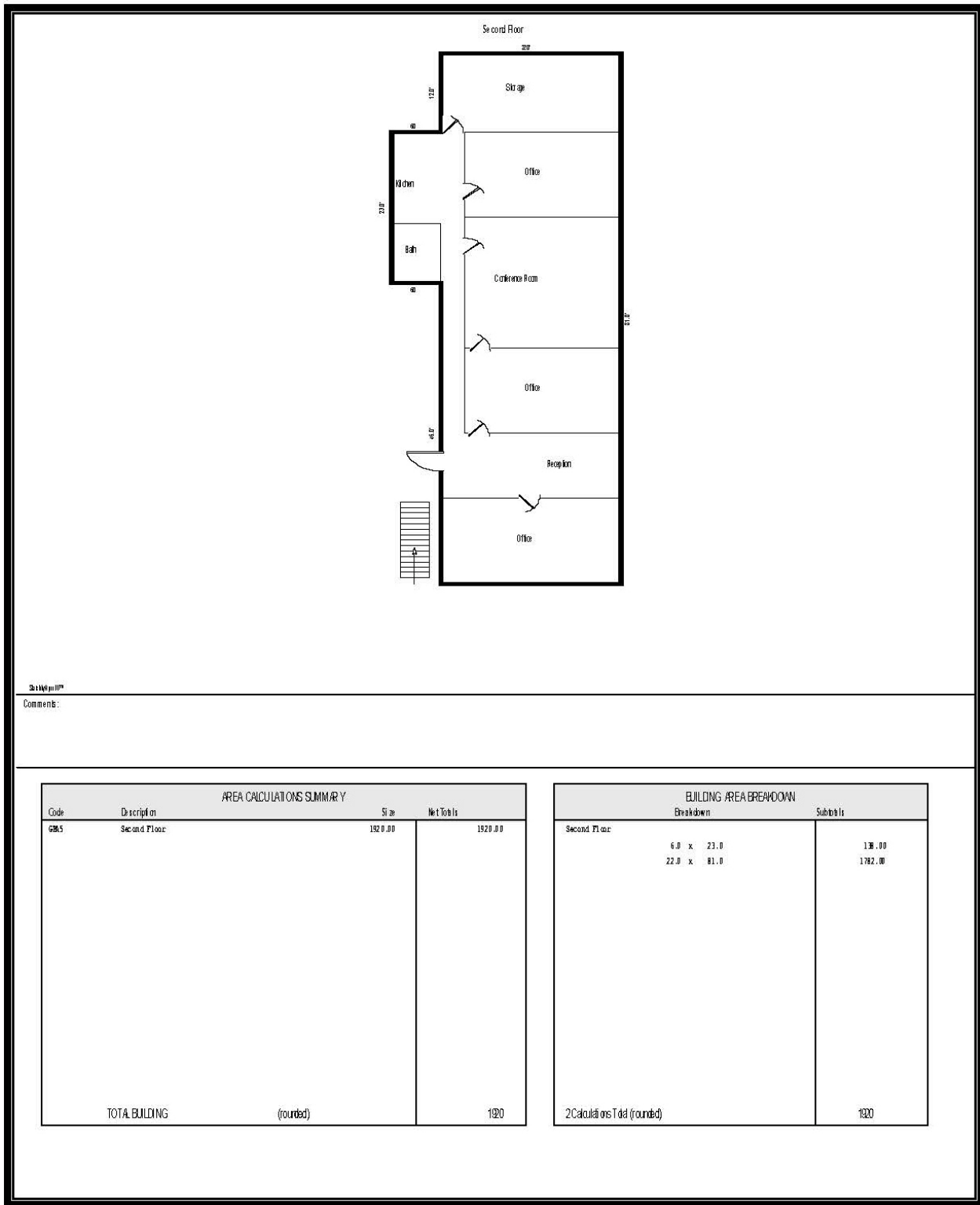
Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
GFA1	First Floor	1518.00	1518.00
GR	Carpet	264.00	264.00
OR	Ext. Bath, Stairway	138.00	
	Wood Storage	264.00	402.00
TOTAL LIVING AREA		(rounded)	1918

LIVING AREA BREAKDOWN		
Breakdown	Size	Subtotal
First Floor	22.0 x 69.0	1518.00
1 Calculation Total (rounded)		1918



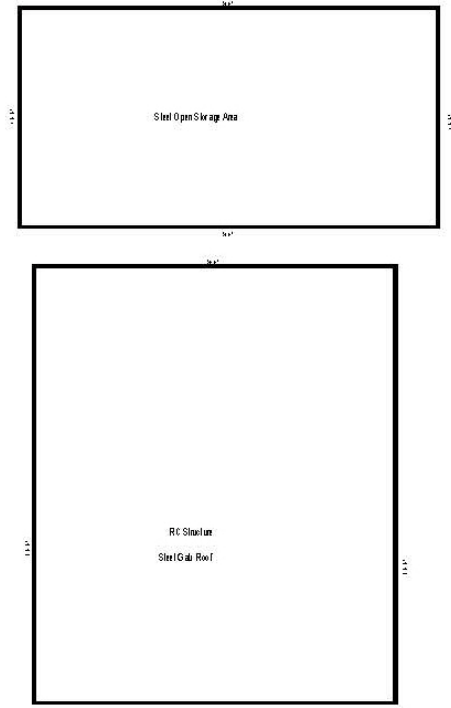
## Improvements Plans- Office Area (2<sup>nd</sup> Level)



AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
020.5	Second Floor	1920.00	1920.00
TOTAL BUILDING		(rounded)	1920

BUILDING AREA BREAKDOWN		
Breakdown	Subtotals	
Second Floor	6.0' x 23.0'	138.00
	22.0' x 81.0'	1782.00
2 Calculations Total (rounded)		1920

# Improvements Plans



Comments:

AREA CALCULATIONS SUMMARY			
Code	Description	Size	Net Totals
628.0	Steel Open Storage Area	2320.00	2320.00
629.0	RC Structure w/ Steel Galv. Roof	4000.00	4000.00
TOTAL BUILDING		(rounded)	6320

BUILDING AREA BREAKDOWN			Subtotals
Breakdown			
Parroquia a San Juan			
40.0	x	58.0	2320.00
Parroquia a San Juan 2			
50.0	x	80.0	4000.00
2 Calculations Total (rounded)			6320

## II. Legal Characteristics

### Zoning

According to zoning maps, the subject site lies within a light industrial (L-I) zoning district. It is established to classify areas for the development of light industries. The purpose is that the lands for light industries are devoted to such purposes only, excluding residential and heavy industrial uses in these districts. This zoning category may allow some commercial uses to meet the needs of the operation of the industry. Allowed uses include offices, wholesale of consumer goods, trade and storage of finished products for wholesale distribution, woodwork, cremation or bio-medical waste products up to 250 tons per day, packing of agricultural products, car parking lots, gas stations some types of factories, hardware, funeral homes, printing and publishing, commercial and industrial laundry among others.



### **Permits and Licenses**

This appraisal assumes that the property has and complies with all the required government permits for its current use/operation as a light industrial property.

### **Easement, Encroachments and Expropriations**

The easements observed on the subject property are those typical of the neighborhood, which include electrical and sewer easements not considered having a negative effect on the subject property. No adverse easements or contemplated expropriations are assumed for the subject property.

### **Deed and Lease Restrictions**

As reported by the client/owner, the 4,000 sq. ft. reinforced concrete structure with metal roofing and the 2,320 open shed located at the eastern side of the site are currently under a 10 years lease contract on behalf of M.C. Electrical Dist. Inc. However, as requested by the client/owner, this appraisal does not take in consideration that lease agreement since the purpose of the assignment is to reach the market value of the fee simple interest of the subject in its entirety.

### **III. Locational Characteristics**

The general and immediate neighborhood can be delimited by PR-165 by the north, PR-22 by the south, PR-5 by the east and Bayamon River by the west. It refers to a heterogeneous area, with a combination of residential, commercial, light industrial and heavy industrial uses and several vacant land properties. PR-869 serves as the main transportation linkage in the area running south to north and connecting with PR-22 in about 500 meters and with PR-5 in about 1,218 meters heading south and east; while heading north connects with PR-165. Residential developments or subdivisions such as Las Vegas Dev., Jardines de Catano I & II, Barriada Las Cucharillas y Juana Matos Community are mostly concentrated east PR-869, while industrial uses are seen at the west side.

The subject property is located in the south central area of the immediate neighborhood, specifically at Westgate Industrial Park also known as Palmas Industrial Park. It refers to a long ago established industrial node which combines light and heavy industrial properties. The proximity to Puerto Nuevo Transshipment Port as well to PR-22 and PR-2 makes the subject's immediate neighborhood a prime location for this type of light and heavy industrial operations. In fact, corporations like Leaseway of Cataño, Alonso & Carus iron Works, Plavica, Motorambar Inc., Refricentro, La Enoteca de Ballester Hermanos, Bella International, V. Suarez, Ram's Imports, Interport Trading Corporation, Royal Properties Inc and The Hershey's Company PR have established their operation within the area. As such, the demand rate for this locational attributes is high and makes the subject's immediate neighborhood a very desirable and active area for this type of business operation.



SUBJECT PROPERTY PHOTOS



## **ECONOMY OF PUERTO RICO –OUTLOOK<sup>6</sup>**

Puerto Rico faces unfavorable demographics, with more senior citizens in its population, a continuing decline in the labor-force participation rate and low population growth relative to other industrialized countries. Puerto Rico now faces higher levels of outward migration that adds talent and additional young labor to the mainland U.S.

From 2000 to 2010, a net 288,000 people left the island for the U.S. mainland, according to the Puerto Rico Statistics Institute. The pace has accelerated in the past few years as the economic situation has worsened, with a net loss of 54,000 migrants a year in 2011 and 2012, on an island of just over 3.6 million people. In comparison, the 2000 U.S. Census had the island's population at slightly above 3.8 million. Preliminary data for 2013 suggest the outflow is still strong.

The pace of Puerto Rico's population loss will pick up over the remainder of the decade and will decline by more than 8% overall by 2020, according to new projections from the island government's Planning Board.

Puerto Rico enters 2014 with a government seriously limited in terms of what it can do to stimulate the economy, with a tax system that became even more complex with the new taxes, and increased pressures in the economy from a changing demographic structure toward a smaller and older population.

In October 2013, the García Padilla administration revised its fiscal 2013 contraction estimate, narrowing the projected decline to 0.3% from an initial 0.4% estimate. In addition, it dropped expectations for economic growth for fiscal 2014, which began July 1. The Planning Board is now projecting the island's economy will shrink by 0.8% in fiscal 2014, dropping its previous forecast of a razor-thin 0.2% growth. The revision brings the government's outlook more or less in line with what private economists have been saying all along: The island's economic slide isn't over.

The deficit hysteria has forced austerity and too much energy, time and effort dedicated to the fiscal situation, when Puerto Rico needs an urgent focus on how to grow the economy and attract \$12 billion in new investment annually if the economy is to grow at no less than 3% real growth.

Estudios Técnicos, Inc. (ETI) is projecting real gross national product (GNP) growth in fiscal 2014 at minus-1% and for fiscal 2015 at minus-0.8%. Since calendar 2014 includes the second semester of fiscal 2014 and the first semester of fiscal 2015, what ETI is looking at for the year is another contraction of about 1%.

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<sup>6</sup> Extract from the Caribbean Business – Story Archives.

What this means, is that it will be very difficult to generate new jobs and deal with urgent social needs at the same time. It is important to point out that the government has put in place a jobs bill and has undertaken initiatives that have prevented to some extent that the employment situation be worse than it is. Likewise, it has undertaken long overdue major reforms of the pension systems, which along with the new taxes, have been well-received by analysts and rating agencies. The major concerns of credit-rating agencies in 2014 will be the performance of the economy and the government's liquidity.

With respect to shoring up the government's liquidity, a number of measures have been proposed, the most important of which is the measure that will transfer government agency deposits currently in commercial banks to the GDB. The commercial banks have responded favorably and indicated that they do not anticipate any negative impacts. Total deposits available that could be transferred, add up to \$2.7 billion, or about 6% of total bank deposits.

The fiscal 2014 budget contains \$1.38 billion in revenue from a range of new taxes and collection efforts. Key ingredients were a rise in corporate taxes and expansion of the sales & use tax (IVU by its Spanish acronym), expected to produce more than a 20% increase in general-fund base revenue. It also raised some nonlocal corporate taxes above the rate the previous administration had left.

A cornerstone of the new taxes is the islandwide *patente nacional*, or additional tax on gross income (more commonly known as the gross receipts tax). The *patente nacional* is expected to raise roughly \$500 million, or more than one-third of the projected new tax revenue for fiscal 2014. This is a tax based on revenue on businesses with at least \$1 million in revenue, regardless of profits or not.

Economists tend to look at recessions as cyclical events and thus short term. Accumulated impacts are never considered. However, when an economy undergoes such a prolonged period of contraction, these accumulated events are important. The longer the contraction, the more intractable the situation becomes, and the greater the difficulty in reverting the downward spiral.

Other events contributed, among them, a huge increase in debt between 2008 and 2013 that, coupled with the economy's performance and a deteriorating fiscal situation, seriously affected the possibility of accessing capital markets further. According to Moody's Dec. 23 report, the debt increased during these six years, from \$35.2 billion in 2008, to \$54.5 billion in 2013.

## **Outlook for Key Sectors**

**Manufacturing:** Employment in manufacturing has leveled off and minor improvement should be seen in the sector due to initiatives from the Puerto Rico Industrial Development Co. (Pridco). Nevertheless, the sector is still hamstrung by high utility rates and the uncertainty created abroad by the bond situation. In the case of pharmaceuticals, global industry issues will affect local operations. A report prepared for the Economic Development & Commerce Department has recommended that increased attention be paid to local firms.



**Tourism:** It showed some positive results in 2013 and should continue to do so in 2014, thanks to an improved economic situation in the U.S. and the its stock market, and improvements in the local hotel-room inventory. It faces, however, major challenges going forward from the opening of Cuba and a very aggressive stance by the Dominican Republic in promoting tourism.

**Construction:** The construction and real-estate sectors are expected to continue their hard journey into 2015, with several challenges impeding a prompt recovery, according to industry experts. While the central government's difficult fiscal scenario has all but paralyzed any new public-infrastructure works, private-sector developments have also languished, particularly in the housing sector. With Puerto Rico residents having left the island at a rate of about 1,000 a week during 2014 to settle on the U.S. mainland and elsewhere, more homes have been put on the selling block, and the increase in supply has depressed property values even further. Experts say these trends will not end anytime soon this year.

Another key issue to look out for in 2015 is a deadline imposed by the Federal Deposit Insurance Corp. (FDIC) when it closed three local banks in 2010. The FDIC had agreed to cover up to 80% of the losses of the failed banks' portfolios, most of which were mortgage loans that were acquired by three other banks. The FDIC's loss-share agreement is set to expire April 30, after which the value of the properties involved will be further reduced.

Meanwhile, cement sales, long considered a key indicator of future construction activity, registered its lowest monthly numbers in three decades last November. Only 963,000 cement bags were sold during that month, representing a 12.9% decrease. This follows an extended period in which sales have steadily gone down; in 2013, total sales went down by 18.2%. Likewise, production has also dropped by double-digit percentages in the past couple of years.

**Communications & information technology (C&IT):** This area will continue to experience growth due to exports of C&IT related services by local firms and the application of advanced technologies across a number of sectors, notably healthcare services. However, the impact isn't great because in many cases, local companies are actively creating jobs in the countries in which they are growing.

**Banking:** Without a significant catalyst in sight that could help Puerto Rico rebound from a lingering economic downturn now entering its ninth year, 2015 will likely be another challenging year for local banks. While there is enough liquidity and good offers from local banks to support lending activity, there is not enough loan demand out there for local banks to remain profitable.

The only thing that could give local banks a considerable profit margin is lending, but this lending activity has been largely absent. So far, local banks have remained profitable, thanks mainly to reductions in operational costs, and specifically by cleaning up their loan portfolios and reducing the number of bank branches. Loan demand remains weak and, in particular, construction lending, which was a major factor in the growth of bank assets between 2000 and 2010. There is still a large inventory of unsold residential properties islandwide, and migration and foreclosures keep adding additional units to the pot, without a matching demand from potential buyers.

According to data from the Puerto Rico Financial Institutions Commissioner's Office (OCIF by its Spanish acronym), there were 4,207 mortgage foreclosures on the island in 2013. As of September 2014, Puerto Rico's housing-mortgage delinquency rate stood at 19%, more than double the 7% rate in the mainland U.S. The number of foreclosed units in Puerto Rico was expected to total 3,200 at the end of 2014, a 23.9% reduction from 2013. However, there are another 18,288 housing units in the process of being foreclosed, as well as 14,240 homes that were 90-day delinquent, but were not yet referred to the legal foreclosure process.

On the other hand, according to the latest available data from OCIF, delinquent auto loans as of August 2014 amounted to \$298.7 million, or about 11.7% of the total auto loans portfolio of \$6.47 billion. It means a 2.5% increase from the delinquency rate of 11.5%, equivalent to \$291.2 million in delinquent loans during the same period in 2013. Of the \$298.7 million in delinquent loans, 10.3% corresponded to auto loans up to 89 days past due, another 0.3% to auto loans more than 90 days past due and 1% to auto loans classified as nonaccruals.

There were a total of 5,918 repossessed auto units on the books as of August of 2014, a 46.8% increase over the 4,031 repossessed units during the same period in 2013. The total value of the repossessed vehicles amounted to \$58.8 million. These figures are of concern, as they point to deterioration in the auto-loans portfolio, and call for evaluating whether they also denote deterioration in the overall local economy.

The delinquency in the auto-loans portfolio has been rising. It stood at 10% in 2012, rose to 11.5% in 2013, and is now up to 11.7% as of August. This means there's a rising delinquency trend, and it is worrisome because the underwriting standards of all financial institutions are stricter following the 2008-2009 financial crisis. When one combines the delinquency rate in mortgage loans with that of auto loans, it raises a red flag, as homes and cars are two items consumers usually protect the most and continue to pay as long as they possibly can.

**Retail:** Sales will continue to reflect weakness and changing consumption patterns from consumers adjusting to more restrictive economic conditions. Inflation will continue to be subdued and won't pose a problem unless the cost of energy surges due to geopolitical events. Market forces suggest global energy prices won't rise. Of course, that doesn't guarantee the Puerto Rico Electric Power Authority (Prepa) won't pass on increases because of its problems.

**Healthcare:** Healthcare services will continue to grow in 2014, but at a more modest pace. A major influence in this sector's performance is the aging population that will increase demand and drive major changes in the nature of services provided. Greater need for home care, disease-management services and others geared toward an older population are already making themselves felt.

**Energy:** Puerto Rico is at a crossroads regarding its energy future and must make substantial progress in 2014 at weaning itself off imported oil for power generation, or its big energy problem will only get much worse.

The cost of electricity for Puerto Rico residents averaged 26.78¢ per kilowatt-hour (kWh) during 2012, more than twice the U.S. average of 12¢ per kWh, and business and finance experts say high-priced electricity is about the biggest obstacle to attracting offshore investment and

operating a business on the island. Moreover, unless substantial progress is made this year on long-term plans by Prepa to branch further into natural gas and renewable energy progresses, Puerto Rico's high-priced electricity will only get more expensive.

That is because Prepa must comply with new U.S. government air-quality regulations and Puerto Rico government renewable-energy targets by 2015 or it will face millions in new fines, and federal officials are already expressing concern about the pace that Prepa is moving to comply.

**Automobile:** After a challenging 2014 in which fewer than 90,000 new vehicles were sold in Puerto Rico, the United Automobile Importer's Group (GUIA by its Spanish acronym) is projecting a flat year for new-auto sales in 2015.

Boosted by strong fleet sales, Puerto Rico auto distributors sold 9,533 new units in December, down 11.7% from the 10,799 new units sold during the same month in 2013.

The December numbers brought last year's final sales tally to only 88,175 new units sold in Puerto Rico, down 12.3% from the 100,559 new units sold on the island in 2013. Last year was the second worst on record for the local auto industry, after the 76,477 new units sold on the island in 2009.

During its annual press conference to review previous-year results, the independent, nonprofit trade organization (GUIA), whose eight members represent more than 96% of total new-vehicle sales in Puerto Rico and the U.S. Virgin Islands, forecast a flat year for the island's auto industry, with sales of about 88,000 new vehicles for Puerto Rico in 2015.

## Recent News

- The Puerto Rico Electric Power Authority (Prepa) has lost nearly 60% of its industrial clients and 3.16% of its commercial clients during the island's long recession, and the trend is likely to continue as businesses big and small have more options to lower energy costs by looking beyond Prepa's grid.

Prepa's industrial client base peaked at 1,681 in May 2004 and had dropped down to 673 as of January 2014, according to Prepa statistics. Its commercial client base, meanwhile, peaked at 130,479 in May 2006 and shrank to 126,356 as of January.

In terms of power consumption, the peak for industrial clients hit 391.7 million kilowatt-hours (MkWh) in November 2005 and had dropped to 170.9 MkWh by January, Prepa statistics show. Commercial consumption first approached the 800 MkWh mark in October 2005, but had dropped below 630 MkWh by the start of 2014.

Surprisingly, despite Puerto Rico's epic economic downturn, residential accounts have not only held steady, but have also shown positive moderate growth during the recession, despite a population loss of about 500,000 people since 2006. However, the resilience of residential accounts hasn't been enough to offset the erosion of industrial and commercial accounts, which is affecting Prepa's bottom line. Since 2010, the public utility has posted annual losses adding up to nearly \$1 billion.

- The office market in San Juan has been treading water for several years now as there has not been any new construction for years as several multinational companies are reducing their office space and in some cases abandoning their operations entirely.

This behavior has been mainly observed in the central business district of Hato Rey, the city's financial district, where some of the island's most important banks have significantly downsized their operations.

The vacancy rate is estimated at about 16 percent, having dipped slightly during the past two years. With rents continuing to fall in recent years, many cheap rents are available in quality properties in quality locations. Class A rents for quality properties are averaging \$20/ft for two years, while Class AB rents are averaging \$17/ft. for two years.

The highest rents in the San Juan metropolitan area are in Hato Rey, followed by Guaynabo, while rents in the Santurce and Río Piedras areas are more affordable.

San Juan's two most important office clusters are Hato Rey, with about 44 percent of the local office supply, and Guaynabo, which offers larger floor plates, more parking and less traffic congestion. Río Piedras and the Caparra Sector in Guaynabo also have sizeable office activity.

Overall, Puerto Rico is in the midst of its worst recession since the 1930s. Among the reasons for the island's economic slowdown, which dates back to 2006, include the end of the federal stimulus package, the phasing out of tax benefits for multinational companies, high unemployment, high energy prices and the Puerto Rico government's tight fiscal situation.

## **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>7</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.

The engine of the economic growth is typically employment, which leads to an increase in office and industrial jobs, which leads to housing growth, since people naturally want to live within a reasonable distance of their jobs. Following both and never leading either is retail growth, which recognizes that people want to shop within a reasonable distance of their homes.

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 I concluded that an inferred analysis is appropriate because the standards do not specify the level of market analysis to be developed. Moreover, the subject refers to a non-complex property and current market conditions are not expected to change in the near future.

Taking in consideration the relationship to customer location, the location of substitute properties in relation to complementary population areas plus employment centers, and the location of comparable properties, I concluded that the Municipality of Cataño, plus the nearby municipalities of Bayamon and Toa Baja could delineate the market area for the subject property.

Each municipality is politically independent of the other, having its own municipal government, mayor, and tax system.

### **Fundamental Forces of Demand**

The economic and demographic characteristics of a market area are known as the fundamental forces of demand. They fall primarily into three broad categories; employment, population and income.

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<sup>7</sup>The Appraisal Real Estate, 13<sup>th</sup> Edition (Chicago: Appraisal Institute, 2008), 173.

## Workforce

The following table displays the employment and unemployment statistics for the subject's market area for the period between 2010 and 2015 (March).

Municipality	Labor Force			Employment			Unemployment Rate		
	Mar-15	% Change	2010	Mar-15	% Change	2010	Mar-15	% Change	2010
Bayamon	69,400	-9.37%	76,571	62,800	-5.77%	66,647	9.50%	-26.92%	13.00%
Cataño	8,300	-10.36%	9,259	7,400	-5.74%	7,851	10.80%	-28.95%	15.20%
Toa Baja	30,800	-9.09%	33,880	27,900	-5.66%	29,575	9.40%	-25.98%	12.70%
<b>Market Area</b>	<b>108,500</b>	<b>-9.36%</b>	<b>119,710</b>	<b>98,100</b>	<b>-5.74%</b>	<b>104,073</b>	<b>9.59%</b>	<b>-26.62%</b>	<b>13.06%</b>
PR Total	1,148,000	-9.55%	1,269,233	1,003,000	-5.51%	1,061,519	12.60%	-23.17%	16.40%

The base of the labor force has shrunk in both the market area and Puerto Rico during last five years in 9.36% and 9.55% respectively. For the same period, the total employment in the market area experienced a decrease of 5.74%, in line with the decrease at the island level. Moreover, the unemployment rate for the market area decreased from 13.06% in 2010 to 9.59% by March 2015. However, this reduction in the unemployment rate may be closely related to the decrease in population.

From this statistical data it may be inferred that the workforce within the delineated market area still struggling, which in turn may lead to a stagnation in the demand for office and industrial spaces within the municipalities comprising the market area.

## Population

The following table presents the population and household growth for the subject's market area for the period between 2000 and 2010 (as estimated by U.S. Bureau of the Census' American Community Survey):

Municipality	Population Growth			Household Growth		
	2010	% Change	2000	2010	% Change	2000
Bayamon	208,116	-7.11%	224,044	76,834	4.35%	73,632
Cataño	28,140	-6.42%	30,071	10,108	4.82%	9,643
Toa Baja	89,609	-4.76%	94,085	32,617	7.04%	30,473
<b>Market Area</b>	<b>325,865</b>	<b>-6.41%</b>	<b>348,200</b>	<b>119,559</b>	<b>5.11%</b>	<b>113,748</b>
PR Total	3,725,789	-2.17%	3,808,610	1,376,531	9.09%	1,261,816

The population within the market area experienced a decrease of 6.41% for the period from 2000 to 2010. Thus, it can be inferred that the market area has been experiencing a slow and gradual decrease of its population during this period. On the other hand, the number of households increased 5.11% for the same period, which when analyzed with the population growth in the area, results that the number of persons per household unit is less in 2010 than in 2000.

## Housing Units

The following table displays the statistics of the housing market for the subject's market area for the period between 2000 and 2010:

Municipality	Total Housing Units			Total Occupied			Vacancy Rate		
	2010	% Change	2000	2010	% Change	2000	2010	% Change	2000
Bayamon	86,060	8.28%	79,476	76,834	4.27%	73,690	10.72%	47.25%	7.28%
Cataño	11,203	8.07%	10,366	10,108	4.88%	9,638	9.77%	39.17%	7.02%
Toa Baja	36,546	9.18%	33,473	32,617	7.10%	30,454	10.75%	19.18%	9.02%
<b>Market Area</b>	<b>133,809</b>	<b>8.51%</b>	<b>123,315</b>	<b>119,560</b>	<b>5.08%</b>	<b>113,782</b>	<b>10.41%</b>	<b>33.96%</b>	<b>7.77%</b>
PR Total	1,636,946	15.40%	1,418,476	1,376,531	9.13%	1,261,325	15.91%	43.59%	11.08%

The preceding information indicates that the total housing units in the market area experienced an increase of 8.51% for the period from 2000 to 2010. However, the vacancy rate for the market area increased from 7.77% to 10.41% during that period. It can be said that this increment in vacancy is due mainly to the effects of the current economic recession, which is responsible for the decrease in population and the effective demand, low absorption rates and a high volume of foreclosures creating an oversupplied market for the overall Puerto Rico.

In addition, the rates of homeowner and renter occupations experienced a net decrease and a net increase of 3.65% and 8.43% respectively for the period from 2000 to 2010, suggesting the residential rental market within the municipalities comprising the market area has been gaining more strength.

Municipality	Total Occupied			Homeowner - Occupied			Renter - Occupied		
	2010	% Change	2000	2010	% Change	2000	2010	% Change	2000
Bayamon	76,834	4.27%	73,690	70.44%	-3.90%	73.30%	29.56%	10.71%	26.70%
Cataño	10,108	4.88%	9,638	63.71%	-1.82%	64.89%	36.29%	3.36%	35.11%
Toa Baja	32,617	7.10%	30,454	76.10%	-3.72%	79.04%	23.90%	14.03%	20.96%
<b>Market Area</b>	<b>119,560</b>	<b>5.08%</b>	<b>113,782</b>	<b>71.42%</b>	<b>-3.65%</b>	<b>74.12%</b>	<b>29.92%</b>	<b>8.43%</b>	<b>27.59%</b>
PR Total	1,376,531	9.13%	1,261,325	71.64%	-1.76%	72.92%	28.36%	4.73%	27.08%

## Household Income

Finally, the average household income in the market area at 2013 was estimated in \$22,428, which represents an increase of 31.82% for the period from 2000 to 2013. However, in terms of constant dollar it can be said that the effective buying power was shortened, as the inflation registered in Puerto Rico during that period reached 38.49% (based on the CPI). This inflationary effect on the average household income implies a reduction in the effective buying power, which leads to a reduction in retail sales (in terms of constant dollars) and increases in delinquency on credit.

Municipality	Average Household Income			Consumer Price Index - Average		
	2013	% Change	2000	2013	% Change	2000
Bayamon	\$24,374	22.72%	\$19,861			
Cataño	\$18,977	47.66%	\$12,852			
Toa Baja	\$23,934	30.57%	\$18,331			
<b>Market Area</b>	<b>\$22,428</b>	<b>31.82%</b>	<b>\$17,015</b>			
PR Total	\$19,624	36.16%	\$14,412	116.40	38.49%	84.05



## Highest and Best Use

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.<sup>8</sup>

1. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
2. **Physically Possible:** To what use is the site physically adaptable?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive.** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

As such, two highest and best use analyses must be performed. One is assuming the subject site as though vacant, and the second analysis for the subject property with the existing improvements.

### Highest and Best Use of the Site as If Vacant

#### Legally Permissible

According to the zoning maps, the subject site lies within a light industrial (I-L) zoning district, which allows for a variety of light industrial uses, including but not limited to wholesale of consumer goods, trade and storage of finished products for wholesale distribution, woodwork among others, and excludes residential and heavy industrial uses. The subject site conforms to all zoning parameters in terms of minimum size and frontage distances.

The General Office of Permits (OGPE) may consider those uses that harmonize with the environment of the subject area. As such, the development of the subject site for light industrial purposes is legally permissible and conforms to the immediate neighborhood concurring with the trends observed at the surroundings. Changes in zoning classifications are not proposed or are likely in the foreseen future.

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<sup>8</sup> *The Appraisal of Real Estate* 12<sup>th</sup> Edition, Page 305, Appraisal Institute

## **Physically Possible**

The physical and locational characteristics of the site described in detail in the site analysis section indicate that subject site adequately supports a light industrial development as it enjoys adequate accessibility, size, topography and shape. In fact, it's development for such purposes concur with the clearly stated trend observed in the immediate neighborhood. All necessary municipal public utilities are available and in service to the subject site. Based on the site's physical characteristics, highest and best use points towards a light industrial development.

## **Financially Feasible**

The determination of financial feasibility depends primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create said uses.

During last decades, the market activity for light industrial properties in the vicinity evidences a level of demand superior to the levels for other property uses. This suggests that the permanent financing for the acquisition for this property type is available to favorable terms and that a wide variety of light industrial uses are perceived to generate higher returns than other uses.

Moreover, the subject lies within an established industrial park with good proximity to transshipment port, airports and major transportation linkages. This translates into a strong demand for this type of property in the area, evidenced by the clearly stated trend that leads to infer that a light industrial development is feasible.

## **Maximum Productivity**

The final step in determining the highest and best use is to conclude on which use among the legally permissible, physically possible, and financially feasible uses would produce the highest value for the land.

Based on the distinctive nature of industrial parks, historical and typical use trends within the immediate neighborhood, and the allowed uses on its zoning category, it is suggested that the development of the site for light industrial purposes would represent the maximum productive use for it at this time.

## **Conclusion**

The concluded highest and best use of the subject site considered as if vacant and available for use is its development for light industrial purposes, in line with the predominant uses that exists in the surroundings and supported by it's physical attributes.

## **Ideal Improvements**

The ideal improvements for the subject site as supported by its physical attributes and subject to the current economic scenario could be a light industrial development, with adequate office space, supporting structures with necessary ceiling heights and maneuver space.

## **Highest and Best Use as Improved**

### **Legally Permissible**

As already mentioned, the subject lies within a light industrial (L-I) zoning category, allowing for a variety of light industrial uses. The subject's improvements are in line and comply with all zoning parameters under its light industrial zoning and the use trends observed within the immediate neighborhood. Changes in zoning classifications are not proposed or are not likely in the foreseen future.

### **Physical Possibility**

Considering the subject's improvements physical condition, quality and type of construction, it can be said that they are in harmony with current market standard for this property type and adequately serves for light industrial purposes. At this point, since the improvements refer to several lumber storage and open sheds with an office space, the analysis indicates that the highest and best use as improved is its current use as a storage and distribution facility.

### **Financial Feasibility**

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). Actually, the level of market activity for light industrial uses in the area is strong; thus, it can be inferred that a light industrial use similar to the subject's is feasible.

### **Maximum Productivity**

The maximally productive or profitable use of the subject as improved should conform to neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. Among all the feasible uses, the maximally productive use of the property "as improved" is its continued use as a storage and distribution facility.

### **Conclusion**

The concluded highest and best use of the subject site, considered as improved points toward its continued use as a storage and distribution facility.

## Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

In the appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

### Cost Approach

The Cost Approach is based upon the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements that represent the highest and best use of the land, or when it is improved with relatively unique or specialized improvements for which there are few sales or leases of comparable properties.

The Cost Approach is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ - \text{Depreciation} \\ + \text{Land Value} \\ = \text{Value} \end{array}$$

### Income Approach

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process. The Income Approach 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. The Income 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, he is to receive.

### Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived. This approach will provide a reliable indication of value whenever there is a strong market action and a considerable number of sales of relatively similar properties. This is the most commonly used technique in appraisal practice.

## **Analyses Applied**

In this assignment, as per the scope of work agreed with the client, only the Sales Comparison Approach was developed. However, as per the request of client, the Replacement Cost new of the improvements was developed for insurance purposes.

## **Final Reconciliation**

The appraisal process concludes with the final reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

## **REPLACEMENT COST NEW**

As already mentioned in the scope section in this report, the cost approach was not developed because there is no adequate data to develop a land value. Nevertheless, the replacement cost new was estimated for securing purposes. The estimate is based on industry practices and industry accepted publications such as Marshall Valuation Service.

The replacement cost new here estimated should not be relied on to determine proper insurance coverage as only consultants considered experts in cost estimation and insurance underwriting are qualified to provide an insurable value. The client/lender/owner may use this replacement cost new estimate as part of their overall decision making process and no representation or warranties are made by the appraiser regarding the accuracy of this estimate and it is strongly recommended that other sources be utilized to develop any estimate of insurable value.

A Replacement Cost New is defined in the Dictionary of Real Estate Appraisal, 5<sup>th</sup> ed. (Chicago: Appraisal Institute, 2010), as:

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards design, and layout.

### **Replacement Cost Analysis**

The replacement cost of the subject site and building improvements are based on Marshall & Swift, a nationally recognized cost service.

### **Soft Costs**

Where appropriate, we have included the following soft costs:

#### **Permits and Legal**

Permitting and legal costs were estimated to represent an additional 10% of the Marshall's costs.

#### **Developer's Profit**

This factor reflects the profit necessary for the developer to undertake the management, responsibility and risks of construction associated with the subject property. Current valuation theory states that the four components that create value are land, labor, capital and coordination. Developer's profit as used in the Cost Approach reflects the coordination component of value. Typically, developer's profit runs 10% to 20%; nevertheless, because only the "Replacement Cost New" was developed, we have computed developer's profit at 0.0% of construction costs.

### **Depreciation Analysis**

Depreciation may be defined as any loss of value from any cause. There are three general areas of depreciation: physical deterioration, functional obsolescence and external obsolescence. Depreciation may be curable or incurable, the test being that money spent to cure the depreciation be gained in value. If the depreciation costs more to fix than will be gained in value, then the depreciation is considered incurable.

### **Physical Deterioration**

This results from deterioration from aging and use. This type of depreciation may be curable or incurable.

### **Functional Obsolescence**

This results from a lack of utility or desirability due to design or market perception of the improvements. This type of depreciation may be curable or incurable.

### **External Obsolescence**

This is due to circumstances outside the property itself, such as industry, demographic and economic conditions or an undesirable proximate use. This type of depreciation is rarely curable.

### **Depreciation Accrued to the Subject**

Because only the replacement cost new is being estimated, there is no need to apply depreciation and the effective age is assumed as 0 years.

## Replacement Cost New Conclusion

Based on the analysis detailed on the following pages, as of June 4, 2015 we have estimated the replacement cost new of the subject's improvements at: \$2,190,000.

<b>CALCULATOR COST FORM</b>		
<b>Marshall &amp; Swift Valuation Service - Calculator Cost Method</b>		
<b>SQUARE FOOT COSTS</b>		
Occupancy	<b>Main Building</b>	<b>Lumber Storage Shed 1</b>
Building Type	Office Building	Lumber Storage Shed
Building Class & Quality	Cls: C / Average	Cls: S / Average
Exterior Wall	Concrete	Metal on Steel Frame
No. of Stories & Height per Story	2 Story / 8 ft.	1 Story / 22 ft.
Average Floor Area	1,719	40,685
Average Perimeter	154	612
Effective Age and Condition	Age +/- 26 Yrs. - Average Cond.	Age +/- 26 Yrs. - Average Cond.
Region	Eastern	Eastern
Climate	Moderate	Moderate
<b>Base Square Foot Cost</b>	<b>\$105.46</b>	<b>\$17.48</b>
<b>Square Foot Refinements</b>		
Heater / Cooling Adj.	\$0.00	\$0.00
Deduct Elevator	\$0.00	\$0.00
Add Sprinkler System	\$0.00	\$0.00
<b>Total</b>	<b>\$105.46</b>	<b>\$17.48</b>
<b>Height &amp; Size Refinements</b>		
Number of Stories Multiplier	1.000	1.000
Height per Story Multiplier	0.900	1.231
Floor Area-Perimeter Multiplier	1.082	0.818
Combined Multiplier	0.974	1.007
<b>Final Calculations</b>		
Refined Cost	\$102.70	\$17.60
Current Cost Multiplier	1.03	1.05
Local Multiplier	0.93	0.93
Final Cost	\$98.37	\$17.19
Building Area (Square Feet)	3,438	40,685
Replacement Cost (Area x Final Cost)	\$338,208	\$699,293
Additional Improvements (Lump Sum)	\$25,000	\$0
Plus: Soft Costs (10% of Replacement Cost)	\$36,321	\$69,929
<b>Total Replacement Cost</b>	<b>\$399,529</b>	<b>\$769,223</b>
<b>Rounded To</b>	<b>\$400,000</b>	<b>\$770,000</b>



**CALCULATOR COST FORM**  
**Marshall & Swift Valuation Service - Calculator Cost Method**  
**SQUARE FOOT COSTS**

	<b>Lumber Storage Shed 2</b>	<b>Lumber Storage Shed 3</b>
Occupancy	Lumber Storage Shed	Lumber Storage Shed
Building Type	Lumber Storage Shed	Lumber Storage Shed
Building Class & Quality	Cls: S / Average	Cls: S / Average
Exterior Wall	Metal on Steel Frame	Metal on Steel Frame
No. of Stories & Height per Story	1 Story / 22 ft.	1 Story / 22 ft.
Average Floor Area	3,552	36,180
Average Perimeter	286	762
Effective Age and Condition	Age +/- 26 Yrs. - Average Cond.	Age +/- 26 Yrs. - Average Cond.
Region	Eastern	Eastern
Climate	Moderate	Moderate
<b>Base Square Foot Cost</b>	<b>\$17.48</b>	<b>\$17.48</b>
<b>Square Foot Refinements</b>		
Heater / Cooling Adj.	\$0.00	\$0.00
Deduct Elevator	\$0.00	\$0.00
Add Sprinkler System	\$0.00	\$0.00
Total	<u>\$17.48</u>	<u>\$17.48</u>
<b>Height &amp; Size Refinements</b>		
Number of Stories Multiplier	1.000	1.000
Height per Story Multiplier	1.231	1.231
Floor Area-Perimeter Multiplier	0.992	0.832
Combined Multiplier	<u>1.221</u>	<u>1.024</u>
<b>Final Calculations</b>		
Refined Cost	\$21.35	\$17.90
Current Cost Multiplier	1.05	1.05
Local Multiplier	0.93	0.93
Final Cost	<u>\$20.84</u>	<u>\$17.48</u>
Building Area (Square Feet)	3,552	36,180
Replacement Cost (Area x Final Cost)	<u>\$74,038</u>	<u>\$632,504</u>
Additional Improvements (Staircase and bath)	\$0	\$0
Plus: Soft Costs (10% of Replacement Cost)	\$7,404	\$63,250
Total Replacement Cost	<u>\$81,442</u>	<u>\$695,755</u>
<b>Rounded To</b>	<b>\$80,000</b>	<b>\$696,000</b>

**CALCULATOR COST FORM**  
**Marshall & Swift Valuation Service - Calculator Cost Method**  
**SQUARE FOOT COSTS**

	<b>Industrial/Warehouse</b>	<b>Industrial/Shed</b>
Occupancy	Storage Warehouse	Service Garage Shed
Building Type	Storage Warehouse	Service Garage Shed
Building Class & Quality	Cls: C / Low Cost	Cls: S / Low Cost
Exterior Wall	Concrete	Concrete
No. of Stories & Height per Story	1 Story / 22 ft.	1 Story / 22 ft.
Average Floor Area	4,000	2,320
Average Perimeter	260	196
Effective Age and Condition	Age +/- 26 Yrs. - Average Cond.	Age +/- 26 Yrs. - Average Cond.
Region	Eastern	Eastern
Climate	Moderate	Moderate
<b>Base Square Foot Cost</b>	\$28.96	\$15.70
<b>Square Foot Refinements</b>		
Heater / Cooling Adj.	\$0.00	\$0.00
Deduct Elevator	\$0.00	\$0.00
Add Sprinkler System	\$0.00	\$0.00
Total	\$28.96	\$15.70
<b>Height &amp; Size Refinements</b>		
Number of Stories Multiplier	1.000	1.000
Height per Story Multiplier	1.181	1.181
Floor Area-Perimeter Multiplier	1.105	1.191
Combined Multiplier	1.305	1.407
<b>Final Calculations</b>		
Refined Cost	\$37.79	\$22.08
Current Cost Multiplier	1.05	1.04
Local Multiplier	0.93	0.93
Final Cost	\$36.90	\$21.36
Building Area (Square Feet)	4,000	2,320
Replacement Cost (Area x Final Cost)	\$147,619	\$49,553
Additional Improvements (Staircase and bath)	\$10,000	\$10,000
Plus: Soft Costs (10% of Replacement Cost)	\$15,762	\$5,955
Total Replacement Cost	\$173,381	\$65,508
<b>Rounded To</b>	<b>\$173,000</b>	<b>\$66,000</b>

Because only the replacement cost new is being estimated, there is no need to apply depreciation. In conclusion, the replacement cost new estimated in order to assist to the client in the estimation of property insurance for the subject, as of June 4, 2015 is rounded to:

**REPLACEMENT COST NEW**

**\$2,190,000**

**TWO MILLION ONE HUNDRED NINETY THOUSAND DOLLARS**

## **Sales Comparison Approach**

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

### ***Comparable Sales***

For the sales comparison approach, I searched and analyzed four transactions of light industrial properties located at industrial nodes in and out the subject's market area. I visited the area and made a visual inspection of the properties involved in these transactions. These comparable transactions are documented on the following pages followed by a location map and analysis grid. All transactions have been researched through numerous sources, inspected and verified by a party to the transaction and public records.

### **Unit of Comparison**

Typical unit of comparison for commercial properties include sales prices, sales price per square foot and "all inclusive" sales price per square meter. Market participants interviewed confirmed that they commonly use sales price per square foot when analyzing properties such as the subject.

The following table shows the comparable sales gathered on the research of the Sales Comparison Approach.

<b>SUMMARY OF COMPARABLE TRANSACTIONS</b>				
<b>Description</b>	<b>Sale 1</b>	<b>Sale 2</b>	<b>Sale 3</b>	<b>Sale 4</b>
<b>Address</b>	Lot No. 6, Marginal Street PR-864, Corujo Industrial Development, Bayamón	No. 7, Lester Street, Metropolitan Industrial Park, Carolina	Interior of PR-1, Km. 27.3, Rio Cañas Ward, Caguas	Lot No. D-3, Segarra Street corner St. 3, Bechara Industrial Development, San Juan
<b>Date of Sale</b>	Apr-15	Sep-12	May-13	Jun-13
<b>Seller</b>	MK& IK Corp.	Jesus Jaen Filippi	Napa Realty Corp.	BPPR
<b>Buyer</b>	Grand Way Inc.	M & H Realty, Inc	Stoneworks Granite Marble Del Caribe Inc.	Wet Look Corporation
<b>Tax Number</b>	060-099-304-11-001	088-000-010-35-000	172-031-428-54-000	062-035-212-03-000
<b>Sales Price</b>	\$687,500	\$670,000	\$1,950,000	\$590,000
<b>Building Type</b>	Light Industrial / Warehouse	Light Industrial / Warehouse	Light Industrial / Warehouse	Light industrial
<b>Physical Condition</b>	Average	Average	Average/Good	Average
<b>Quality of Construction</b>	CB and metal walls with Galvalum Roof	RC and CB with Galvalum Roof	RC and CB with Galvalum Roof	RC and CB with Galvalum Roof
<b>Ceiling Height</b>	12' height each level	24' height	26' height	9' Office / 10'-15' Sheds
<b>Total Gross Construcion Area (Sq. Ft.)</b>	24,000	14,400	30,000	7,160
<b>Land Area-Sq. Mts.</b>	2,681.95	2,541.36	3,566.98	1,980.00
<b>Land-to-Building Ratio</b>	1.20:1	1.90:1	1.83:1	4.62:1
<b>Site Shape/Configuration</b>	Almost Square	Rectangular	Almost Rectangular	Rectangular
<b>Topography</b>	Level	Level	Level	Level
<b>Parking Spaces/Stalls</b>	25 Parking Stalls	14 Parking Stalls	6 Parking Stalls	Open Space up to 9 vehicles
<b>Parking Ratio (stalls:1,000 Sq. Ft.)</b>	1.04:1,000 SF	0.97:1,000 SF	0.2:1,000 SF	1.95:1,000 SF
<b>Frontage Distance (lineal feet)</b>	190	100	164	303
<b>Zoning</b>	I-A (I-L)	I-1 (I-L)	UI-1 (I-L)	I-2 (I-P)
<b>Flood Zone</b>	Zone X	Zone AE	Zone X	Zone AE
<b>Legal Data</b>	Deed No. 6, Jose Roberto Calle Aguilu, Esq.	Deed No. 21, Lixandra Osorio, Esq.	Deed No. 12, Marjorie A. Stewart, Esq.	Deed No. 133, Luis A. Arrufat Pimentel, Esq.
<b>Tract No.</b>	6602, Bayamon III	30024, Carolina II	49972, Caguas I	21514, San Juan III
<b>Verification</b>	Mr. Winer (owner representative) / Property Registry / CRIM	Property Registry / CRIM / Office Files	Public Registry / CRIM / Office Files	Jorge Pimentel (owner) / Property Registry / CRIM
<b>Price per SF</b>	<b>\$29</b>	<b>\$47</b>	<b>\$65</b>	<b>\$82</b>

The listed transactions vary in size from 7,160 to 30,000 square feet. They provide a range of unadjusted price indications from \$29 per sq. ft. to \$82 per sq. ft.

#### Discussion/Analysis of Building Sales



**Sale No. 1** refers to a two-story industrial warehouse-type building, built in concrete blocks and metal walls with galvalum roof totaling 24,000 sq. ft. of gross construction area. It has 12' ceiling heights on each level and lays on a 2,681 sq. mts. lot located at Lot No. 6, Marginal Street of PR-864 within Corujo Industrial Development in Bayamon. This property was in average physical condition by the time of the closed transaction and was acquired by Grand Way, Inc. on April 24, 2015 for \$687,500 or \$29 per sq. ft.

When compared to the subject, this property's location is of similar comparability, considering proximity and driving distances to major transportation linkages, transshipment ports and airports in addition of being located at a developed industrial park. It is also considered similar in terms of physical condition and zoning category. On the other hand, its smaller size makes it superior in terms of size differential while the ceiling height is inferior to the subject's. Therefore, Sale 1 indicates an overall similar comparability, suggesting that the subject's unitary value should be near the level of the adjusted price indication of this sale.



**Sale No. 2** refers to an industrial warehouse-type building, built in concrete blocks and metal walls with galvalum roof totaling 14,4000 sq. ft. of gross construction area. It has a ceiling height of 24' and lays on a 2,541.36 sq. mts. lot located at Lot No. 7, Lester Street within Metropolitan Industrial Park in Carolina. This property was in average physical condition by the time of the closed transaction and was acquired by M & H Realty, Inc. on September 6, 2012 for \$670,000 or \$47 per sq. ft.

Within the relative comparison analysis, this property's location is of similar comparability, considering proximity and driving distances to major transportation linkages, transshipment ports and airports in addition of being located at a developed industrial park. It is also considered similar in terms of physical condition, zoning category and ceiling height. On the other hand, its smaller size makes it superior in terms of size differential. Therefore, Sale 2 indicates an overall superior comparability, suggesting that the subject's unitary value should be below the level of the adjusted price indication of this sale.



**Sale No. 3** refers to an industrial warehouse-type building, built in a combination of concrete blocks and metal walls with galvalum roof totaling 30,000 sq. ft. of gross construction area. It has a ceiling height of 26' and lays on a 3,566.98 sq. mts. lot located at Interior of PR-1, Km. 27.3 within Rio Cañas Ward in Caguas. This property was in average/good physical condition by the time of the closed transaction and was acquired by Stoneworks Granite Marble Del Caribe Inc. on May 23, 2013 for \$1,950,000 or \$65 per sq. ft.

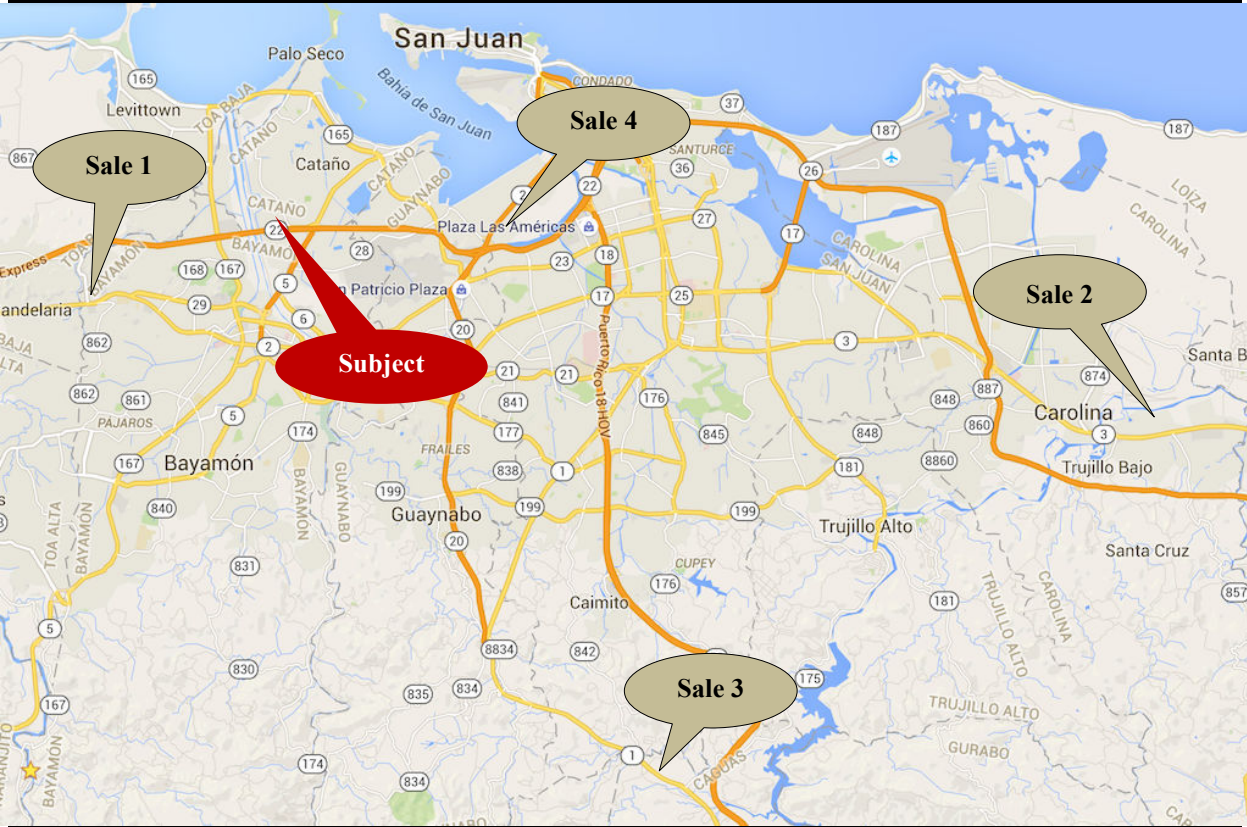
When compared to the subject, this property's location is of inferior comparability, considering it lacks the advantages of proximity and driving distances to major transportation linkages, transshipment ports and airports that the subject has. On the other hand, it is considered similar in terms of zoning category and ceiling height. However, its smaller size makes it superior in terms of size differential, while its average to good physical condition by the time of the closed sale is also of superior comparability. Therefore, Sale 3 indicates an overall superior comparability, suggesting that the subject's unitary value should be below the level of the adjusted price indication of this sale.



**Sale No. 4** refers to a light industrial property, comprised by several structures totaling 7,160 sq. ft. of gross construction area. It has ceiling heights from 9' to 15' and lays on a 1,980 sq. mts. lot located at Lot No. D-3 of Segarra Street corner St. 3 within Bechara Industrial Development in San Juan. This property was in average physical condition by the time of the closed transaction and was acquired by Wet Look Corporation on June 27, 2013 for \$590,000 or \$82 per sq. ft.

Within the relative comparison analysis, this property's location is of similar comparability, considering proximity and driving distances to major transportation linkages, transshipment ports and airports in addition of being located at a developed industrial park. It is also considered similar in terms of physical condition, but inferior in ceiling height. On the other hand, its smaller size makes it superior in terms of size differential as well as its zoning category is superior to the subject's. Therefore, Sale 4 indicates an overall superior comparability, suggesting that the subject's unitary value should be below the level of the adjusted price indication of this sale.

Building Sales - Location Map



## **Relative Comparison Analysis**

To derive a value indication by the sales comparison approach, I will use the relative comparison analysis qualitative technique, which studies the relationship indicated by the market data, without recourse to quantification. This is the most commonly used technique in appraisal practice.

In developing the relative comparison analysis, I will analyze the listed transactions to determine whether the comparable characteristics are inferior, superior or similar to those of the subject property. In theory, this means, that the comparable sales and listing could basically be divided into three groups, those that are superior overall to the subject property, those that are similar and those that are inferior.

The unitary sales prices of these three groups, would bracket the value of the subject of appraisal by indicating a range of values. Finally, I will determine the most probable position of the subject within the range of indications and will reach a single value indication.

## ***Adjustments***

The 14<sup>th</sup> edition of the *Appraisal of Real Estate*, published by the Appraisal Institute, defines, defines comparative analysis as “the general term used to identify the process in which quantitative and/or qualitative techniques are applied to derive a value indication in the Sales Comparison approach.”

The qualitative analytical technique identifies which elements of comparison require adjustment and compares the subject and the comparable sales without measuring the dollar amount of the adjustments. When differences can be identify, a quantitative comparison is made a monetary adjustment is applied. In this case both techniques were applied.

In terms of the qualitative adjustments, if a significant item in a comparable property is “superior to”, or “more” favorable than, a minus (-) adjustment will be made, thus reducing the indicated value of said property by the specific element of comparison. On the other hand, if a significant item in a comparable is “inferior to”, or “less” favorable than, a plus (+) adjustment was made, thus increasing the indicated value of said property by the specific element of comparison.

Similarly, some items can be considered “very superior” or “very inferior”, compared to the valuated property, which means that these elements of comparison need to be double accounted due to a greater difference with the subject property. Also, in other cases, some elements required more weight in order to arrive to a reliable indication. Then, if an item in a comparable property is considered “very superior to”, a double minus (--) adjustment will be made, thus significantly reducing the indicated value of said property by the specific element. On the other hand, if an item in a comparable property is considered “very inferior to”, a double plus (++) adjustment will be made, thus significantly increasing the indicated value of said property by the specific element.



This adjustment signs can be numerically expressed as follow:

<b>Comparability</b>	<b>Adjustment</b>	<b>Weight/Value</b>
Very Inferior	++	2
Inferior	+	1
<b>Similar</b>	=	<b>0</b>
Superior	-	-1
Very Superior	--	-2

After all adjustments are applied, if the final comparison score for a comparable is greater than “zero” the “overall comparability” for it results in an “inferior” classification and the subject must be positioned above the value indication provided by that comparable. If the final comparison score is less than “zero” the “overall comparability” for the comparable results in a “superior” classification and the subject must be positioned below the value indication provided by that comparable. Finally, if the comparison score provided for a comparable is equal to “zero”, the “overall comparability” for the comparable results in a “similar” classification for the subject.

Adjustments will be made to the comparable sales selected as follows:

### **Property Rights**

This analysis considers the fee simple property rights of the subject. All comparable transactions involved the transfer of the fee simple estate of the properties. For this reason, none of the transactions require an adjustment for property rights conveyed.

### **Financing Terms**

All comparable sales were purchased either financing using a third-party lender or all cash was paid. No financing adjustments were needed.

### **Conditions of Sale Adjustment**

All sales used in this analysis are considered to be “arm’s-length” market transactions between both knowledgeable buyers and sellers on the open market. Thus, adjustments for this element of comparison are not required.

### **Expenditures Immediately after the Sale**

This adjustment is for expenditures by the buyers immediately after the sale. None of the sales involve known expenditures immediately after purchase that would require adjustment.

## Market Conditions

The general information available suggests that land values within the subject's market area have been declining from 5% to 10% per year from 2007 (when started the current economic recession) to the present.

The table below presents a survey of several types of properties that have been re-sold during last ten years in Puerto Rico.

Property Type Ward/Development	Property 1	Property 2	Property 3
	Commercial Land PR-2, Canas Ward	Commercial Land 27 Concordia Street Primero Ward Ponce, PR	Residential Land Km. 3.3 of PR-865 Candelaria Ward Toa Baja, PR
Land Area in Sq. Mts.	5,158.03	810.24	6,288.63
Last Sale Date	2/28/2013	9/15/2011	May 2012
Last Sale Price	\$680,000	\$150,000	\$625,000
Previous Sale Date	3/11/2003	12/21/2006	March 2006
Previous Sales Price	\$1,300,000	\$181,125	\$875,000
Change Rate	<b>-47.69%</b>	<b>-17.18%</b>	<b>-28.57%</b>
Annual Rate	<b>-4.36%</b>	<b>-3.62%</b>	<b>-4.63%</b>

Based on this survey, values have been declining from 3.62% to 4.63% per year on a straight-line basis from 2003 to the 2013, providing for a mean of 4.20% per year. Thus, adjustments were applied to all sales based on an annual change rate of 4% for the portion of time before the last 24 months period. These adjustments seem reasonable given the specific location of the subject.

Once the comparable transactions have been adjusted for the elements of comparison (transactional adjustments) described, they can be adjusted for differences in physical characteristics (property adjustment). As expressed in the description of the comparable sales, they were adjusted (qualitative adjustment) for location, size differential, parking ratio and land area.

The relative comparison previously presented is summarized in the following table.

<b>ADJUSTMENTS GRID</b>					
	<b>Subject</b>	<b>Sale 1</b>	<b>Sale 2</b>	<b>Sale 3</b>	<b>Sale 4</b>
Sale date/Effective Date	6/4/2015	April-15	September-12	May-13	June-13
Sale date (Years ago)	-	0.1	2.7	2.0	1.9
Sale date (months ago)	-	1	33	24	23
Sales Price	-	\$687,500	\$670,000	\$1,950,000	\$590,000
Building Area in SF	90,175	24,000	14,400	30,000	7,160
Land Area in SM	10,875.00	2,681.95	2,541.36	3,566.98	1,980.00
<b>Unadjusted Price/SM</b>		<b>\$29.00</b>	<b>\$47.00</b>	<b>\$65.00</b>	<b>\$82.00</b>
<b>Property Rights Adjustment</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Intermediate Adjusted Price		\$29.00	\$47.00	\$65.00	\$82.00
<b>Financing Terms Adjustment</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Intermediate Adjusted Price		\$29.00	\$47.00	\$65.00	\$82.00
<b>Conditions of Sale Adjustment</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Intermediate Adjusted Price		\$29.00	\$47.00	\$65.00	\$82.00
<b>Market Conditions Adjustment</b>		<b>\$0.00</b>	<b>-\$1.40</b>	<b>-\$0.09</b>	<b>\$0.00</b>
Intermediate Adjusted Price		\$29.00	\$45.60	\$64.91	\$82.00
<b>Expenditures Immediately After Sale</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Intermediate Adjusted Price		\$29.00	\$47.00	\$65.00	\$82.00
<b>Listing Price Adjustment</b>		<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Intermediate Adjusted Price		\$29.00	\$45.60	\$64.91	\$82.00
<b>Location and Physical Characteristics</b>					
<b>Location</b>		(=)	(=)	(+)	(=)
<b>Size Differential (Building)</b>		(-)	(-)	(-)	(-)
<b>Physical Condition</b>		(=)	(=)	(-)	(=)
<b>Zoning</b>		(=)	(=)	(=)	(-)
<b>Ceiling Height</b>		(+)	(=)	(=)	(+)
<b>Adjusted Price Indication - Rounded</b>		<b>\$29</b>	<b>\$46</b>	<b>\$65</b>	<b>\$82</b>
<b>Comparison Score</b>		<b>0</b>	<b>-1</b>	<b>-1</b>	<b>-1</b>
<b>Overall Comparability</b>		<b>Similar</b>	<b>Superior</b>	<b>Superior</b>	<b>Superior</b>

The analyzed transactions resulted in similar classifications for Sale 1, and superior classifications for Sale 2, Sale 3 and Sale 4.

Thus, placing the subject within the context of this analysis the most probable market value for the subject property can be bracketed as follows.

Transaction	Area in SF	Adjusted Price Indication (Rd.)	Comparison Score	Overall Comparability
Sale 1	24,000	\$29	0	Similar
<b>Subject</b>	<b>90,175</b>	<b>\$29</b>	<b>--</b>	<b>Value Level</b>
Sale 2	14,400	\$46	-1	Superior
Sale 3	30,000	\$65	-1	Superior
Sale 4	7,160	\$82	-1	Superior

As suggested by the previous relative comparison analysis, I consider that the value indication for the subject property probably lies near the value indication provided by Sale 1 (similar comparability). In fact, Sale 1 is the most recent sale transaction among the gathered data in addition of being one of the closest in location to the subject. Thus, I am of the opinion that the subject's unitary value should be at the value indication provided by Sale 1.

Based on this analysis, I conclude that the subject property should command a unitary market value of \$29.00 per square foot.

In conclusion, the rounded market value of the fee simple interest in the subject property under the premise of the Sales Comparison Approach as of June 4, 2015 was of:

Value Conclusion - Sales Comparison Approach			
Building Size (Sq. Ft.)	Value per Sq. Ft.	=	Value
90,175	\$29	=	\$2,615,075
<b>Value Conclusion (Rounded)</b>			<b>\$2,600,000</b>

**\$2,600,000**  
**(TWO MILLION SIX HUNDRED THOUSAND DOLLARS)**

## Final Reconciliation

The process of reconciliation involves the analysis of each approach to value. The quality of data applied the significance of each approach as it relates to market behavior and defensibility of each approach are considered and weighed. Finally, each is considered separately and comparatively with each other.

### Value Indications

<b>Cost Approach:</b>	<b>Not Developed</b>
<b>Sales Comparison Approach:</b>	<b>\$2,600,000</b>
<b>Income Capitalization Approach:</b>	<b>Not Developed</b>

#### Cost Approach

In this assignment the Cost Approach was not developed. Nevertheless, the replacement cost new was estimated in order to assist the client in the estimation of property insurance for the subject.

#### Sales Comparison Approach

The Sales Comparison Approach (SCA) to value is based on the principle of substitution. This principle assumes that a prudent purchaser will not pay more for a specific property than for an equally desirable and available substitute property. This approach to value provided a value indication of **\$2,600,000**, which is well supported by recent or current transactions that took place within the subject's market area.

#### Income Capitalization Approach

In this assignment the Income Capitalization Approach was not developed.

### Value Conclusion

Based on the data and analyses developed in this appraisal, we have reconciled to the following value conclusion(s), as of June 4, 2015, subject to the Limiting Conditions and Assumptions of this appraisal.

**Reconciled Value(s):** Premise: As Is  
Interest: Fee Simple  
Value Conclusion: \$2,600,000  
Two Million Six Hundred Thousand Dollars

## Certification Statement

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or contemplated future interest in the property that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- I have made a personal inspection of the property that is the subject of this report.
- Nayestha Rosario provided professional assistance in the development of the conclusions contained in this report.
- I certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- The value conclusion(s) and other opinions expressed herein are not based on a requested minimum value, a specific value or approval of a loan.

- The reported analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Migdoel Rodríguez, MAI, SRA, has completed the continuing education program of the Appraisal Institute.



Eng. Migdoel Rodríguez, MAI, SRA, PE,  
MBA  
PR-CG201, 646EPA

## **Addenda**



## ***Qualifications of the Appraiser:***

**ENG. MIGDOEL RODRÍGUEZ, MAI, SRA, PE, MBA  
GCA 201, EPA 646, FHA PR62CR, VA 0028, PE 6447**

**NAME:** Migdoel Rodríguez, MAI, SRA, BSIE, PE, MBA  
EPA 646, GCA 201, FHA 62, VA 0028

**EDUCATION:** University of Puerto Rico (RUM Mayagüez) 1971  
Bachelor in Sciences in Industrial Engineering University  
of Puerto Rico (Río Piedras)  
1981 - Master in Business Administration

**LICENSING:** Certified Real Estate Appraiser  
Licenses EPA 646, GCA 201  
General Certified Appraiser

Licensed Real Estate Broker  
License No. 04751

Licensed Professional Engineer  
License No. 6447

**DESIGNATIONS:** MAI  
Appraisal Institute  
September 2011

SRA  
Appraisal Institute  
June 2007

### **REAL ESTATE COURSES AND SEMINARS**

*Real Estate Appraising*  
Instituto de Evaluadores de Puerto Rico  
1990

*Real Estate Brokerage Laws and  
Practices In Puerto Rico*  
TIRI - Guaynabo, Puerto Rico  
1990

*Property Condemnation*  
Instituto de Evaluadores de Puerto Rico  
1991

*Analyzing and Recasting Financial Statements*  
International Business Brokerage Association  
Concord, Massachusetts, 1990

*Mathematics For Appraisers: Appraising  
Income Producing Properties*  
Instituto de Evaluadores de Puerto Rico

*Uniform Standards of Professional  
Appraisal Practice*  
Instituto de Evaluadores de Puerto Rico  
1995

*The Valuation of Office Buildings*  
The Appraisal Institute  
San Juan, Puerto Rico, 1995

*Property Condemnation-Cont. Education*  
Instituto de Evaluadores de PR  
2002

*Real Estate Contracts*  
Real Estate Education Center  
2002

*The "CRIM"*  
Alberto Hernández Real Estate

*Appraisal of Local Retail Properties*  
The Appraisal Institute  
San Juan, Puerto Rico, 2003

*Fannie Mae*  
Appraisal Update  
October 2003  
San Juan, Puerto Rico

*Standard 3 & USPAP.*  
RETO, P.S.C  
November, 2003, San Juan, PR

*Valuations of Hotels In Puerto Rico*  
The Appraisal Institute  
San Juan, Puerto Rico, 2004

*20 Common Appraisal Errors*  
The Appraisal Institute  
San Juan, Puerto Rico, April, 2004

*Principles of Business Valuation*  
International Business Brokerage Association  
Concord, Massachusetts, 1990 1991

*Valoración de Derechos Reales*  
Instituto de Evaluadores de Puerto Rico  
1995

*Mathematics For Appraisers.*  
Eng. Gilberto Padilla Academy  
2002

*Real Estate Brokerage-Cont. Education.*  
Alberto Hernández Real Estate Academy  
2002

*Mapas Catastrales en Puerto Rico*  
Instituto de Evaluadores de PR  
2002

*Subdivision Analysis*  
The Appraisal Institute  
San Juan, Puerto Rico, 2002

*15 Hours National USPAP Course*  
The Appraisal Institute  
San Juan, Puerto Rico, 2003

*Advanced Residential Form and Narrative Property  
Report Writing*  
The Appraisal Institute  
Philadelphia, USA, 2003

*Standards of Professional Practice, Part B*  
The Appraisal Institute  
December, 2003, On Line

*Residential Demonstration Appraisal  
Report Writing,*  
The Appraisal Institute  
September, 2004

*Convincing Residential Appraisals*  
The Appraisal Institute  
April, 2004

*Tasación A Los Fines de Expropiación Forzosa*  
Eng. G. Padilla Academy  
September, 2004

*The Commercial Cost Approach,*  
Appraisal Institute/Marshall & Swift  
June, 2005  
*Certified Marshall & Swift Appraiser*

*The Professional's Guide To the URAR New Fannie Mae URAR Forms*  
Appraisal Institute-PR Chapter  
June, 2005

*The Residential Cost Approach*  
Appraisal Institute/Marshall & Swift  
July, 2005  
*Certified Marshall & Swift Appraiser*

*Seminario Sobre Nuevas Relaciones*  
Appraisal Institute  
September, 2005

*Residential Design & Functional Utility*  
Appraisal Institute  
October, 2005

*Online 7 Hours National USPAP Equivalent Course*  
Appraisal Institute  
December, 2005

*Residential Market Analysis and Highest and Best Use*  
Appraisal Institute  
May, 2006

*Real Estate Market Trends Symposium*  
Appraisal Institute  
June, 2006

*Advanced Residential Applications & Case Studies, Part I*  
Appraisal Institute  
September, 2006

*Advanced Residential Report Writing, Part II*  
Appraisal Institute  
September, 2006

*Online 7 Hours National USPAP Equivalent Course*  
Appraisal Institute  
October, 2006

*Home Inspection for Engineers-62 Hours*  
Certified by the "Colegio de Ingenieros y Agrimensores de PR"  
San Juan, Puerto Rico  
May, 2007

FHA Guidelines  
HUD, Puerto Rico Office  
April, 2007

*Advance Income Capitalization*  
Appraisal Institute  
August, 2007

*General Market Analysis & and Highest and Best Use*  
Appraisal Institute  
September, 2007

*Advance Sales and Cost Approaches*  
Appraisal Institute  
October, 2007

*Advance Applications*  
Appraisal Institute  
November, 2007

*Report Writing and Valuation Analysis*  
Appraisal Institute  
January, 2008

*General Comprehensive Examination*  
Passing Grade on All Modules, Appraisal Inst.  
July 2008

*The New Residential Market Conditions*  
Appraisal Institute  
February, 2009

*FHA Appraisal Training*  
US Department of HUD  
May, 2009

*An Introduction to Valuing Green Bldgs.*  
Appraisal Institute  
June, 2009

*VA Fee Appraiser Annual Training*  
Department of Veterans Affairs  
May, 2009

*Commercial Appraisal Engagement and Review*, Appraisal Institute  
December 11, 2009

*Eminent Domain and Condemnation*  
Appraisal Institute  
May 11, 2010

*Appraisal Institute*  
*Award of 4,500 of General Experience*  
toward de MAI Designation  
May, 2010

*The Uniform Appraisal Dataset from Fannie Mae and Freddie Mac*  
Appraisal Institute  
June, 2011

*The Lending World in Crisis – What Clients Need Their Appraisers to Know Today*  
Appraisal Institute  
May, 2011

*MAI Designation*  
Appraisal Institute  
September 2011

*Analyzing Tenant Credit Risk and Commercial Lease Analysis*  
Appraisal Institute  
December, 2011

*National USPAP*  
Appraisal Institute  
August, 2012

*Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets*  
Appraisal Institute  
September, 2012

*General Appraiser Sales Comparison*  
Appraisal Institute  
August, 2012

*General Appraiser Site Valuation & Cost Approach in San Juan, PR*  
Appraisal Institute  
September, 2012

*Business Practices and Ethics*  
Appraisal Institute  
November, 2012

*Practical Regression Using Microsoft Excel*  
Appraisal Institute  
March, 2013

*Real Estate Finance, Statistics, and Valuation Modeling*  
Appraisal Institute  
July 2013

FHA Appraiser Training  
HUD  
June 20, 2013

2013 Annual Meeting Sessions  
3 days, 13 Hours Conferences  
Appraisal Institute  
July 2013

USPAP 2014-2015  
Instituto De Evaluadores de PR  
August 16, 2014

Leyes y Reglamentos que Rigen  
La Profesión de Evaluadores en PR  
August 22, 2014

### PROFESSIONAL ASSOCIATIONS

The Appraisal Institute  
Chicago, Ill., USA  
SRA Designation

College of Engineers and Surveyors  
Hato Rey, Puerto Rico

Institute of Industrial Engineers  
Chapter 188, San Juan, PR

### RECOGNITIONS

Manager of the Year  
Service Sector - 1988  
Puerto Rico, Manufacturers Association

Distinguished Industrial Engineer Year 2000  
College of Engineers and Surveyors of PR (CIAPR)

### PROFESSOR/INSTRUCTOR EXPERIENCE

University of Puerto Rico  
Department of Managerial Development  
Instructor: Mathematics for Appraisers  
1994 – 1995

Polytechnic University of PR  
Adjunct Professor  
Industrial Engineering Department  
1992 – 1994

University of Puerto Rico  
Graduate School of Business Administration  
Adjunct Professor  
Course: Operations Management  
Course: Facilities Layout

Inter American University of PR  
Graduate School of Business Adm.  
Adjunct Professor  
Course: Operations Management  
2000

Real Estate Education Center  
Instructor  
Principles of Real Estate Appraising  
for Real Estate Brokers (Residential  
and Commercial)  
2002-Present

Caguas Board Of Realtors  
Instructor  
Principles of Real Estate Appraising  
for Real Estate Brokers  
March 2007

Real Estate Education Center, Instructor  
How to Buy, Repair and Sell for Profit  
2009-Present

Appraisal Institute  
Basic Appraisal Principles  
Basic Appraisal Procedures  
Instructor-2011

Appraisal Institute  
Basic Appraisal Principles  
Basic Appraisal Procedures  
General Sales Comparison Approach  
Practical Regression Using Microsoft Project  
Instructor-2013

Appraisal Institute  
Application & Interpretation of Simple  
Linear Regression

#### **APPRAISAL EXPERIENCE**

Canino, Romaguera & Associates  
Residential and Commercial Properties  
May - June, 1995

José Quijano & Associates  
Certified Real Estate Appraisers  
December, 1995

Eng. Migdoel Rodríguez & Associates  
Real Estate Appraisers & Engineers  
June 1995- 1997

Eng. José L. Henríquez and Assoc.  
Certified Real Estate Appraisers  
2002

Appraisal Advisors Group  
Real Estate Appraisers  
May 2002-Present

**APPROVED APPRAISER FOR:**

- AAA Concordia Mortgage
- Asociación de Empleados del ELA
- Banco Cooperativo de Puerto Rico
- Banco de Desarrollo Centro Oriental
- Banco Santander de Puerto Rico
- Compañía de Fomento Industrial de PR
- Cooperativa A/C De Aguas Buenas
- Cooperativa A/C De Arecibo
- Cooperativa A/C De Caguas
- Cooperativa A/C De Guaynabo
- Cooperativa A/C De Mayaguez
- Cooperativa A/C Del Valenciano
- Cooperativa A/C De Vega Alta
- Cooperativa A/C De Yauco
- Cooperativa A/C Oriental
- Cooperativa A/C Jesús Obrero
- FHA (HUD) (PR62CR)
- First Mortgage
- First Bank
- HR Mortgage Bankers
- JR Mortgage
- Latin American Financial
- MGIC
- Multiples Mortgage Corp.
- Oriental Bank
- Puerto Rico Farm Credit
- Puerto Rico Federal Credit Union
- Rendón Mortgage Bankers
- Transcontinental Valuations, Inc.
- The Lending Center
- Top Mortgage
- Valued Veterans
- Veterans Administration (VA)

## Appraisal Order Form

Printed On: 05/21/2015

<b>ORDER INFORMATION</b>				Order Status: Assigned	
File No.: 21505060	Case No.: Privada	Loan Type:	Job Type: Privada	<b>DATES</b>	
Clients File No.: Privada	Tracking No.: 21505060	Property Type:	Form Type:	Ordered: 05/21/2015	Due: 05/28/2015
<b>PROPERTY INFORMATION</b>				Assigned: 05/21/2015	
Address: PR 869 corner 1 Street, Westgate Industrial Park					
City: Cataño		County:		State: PR Zip: 00962	
Location: Westgate Industrial		Map No:		Census Tract:	
Legal:					
Sale Price:		Loan Amt.:		Sale Date:	
Rooms:		Bedrooms:		Baths:	
Borrower: Iber Lumber Inc.				Estimated Market Value:	
Owner:				Cancelled:	
<b>CLIENT INFORMATION</b>				<b>BILLING</b>	
Client: PRIVADA		Client Code: PRI		Fee: \$2,000.00	
Branch:					
Address:					
City:		State:		50% de depósito y	
Phone:		Fax:		Entrega: de dos a	
Contact:					
Misc:					
<b>BILLING CLIENT INFORMATION</b>				Tax: \$0.00	
Client: PRIVADA		Client Code: PRI		Total Amount: \$2,000.00	
Branch:					
Address:					
City:		State:		Payment #1:	
Phone No.:		Fax:		Check #:      Date:	
Contact:					
Misc:					
<b>APPRAISER INFORMATION</b>					
Appraiser: Eng. Migdoel Rodriguez, SRA		Supervisor:		State:	
Cert #: GC201		State: PR		Cert #:      State:	
License #: EPA646		State: PR		License #:      State:	
Exp. Date: 06/12/2010		Exp. Date:		Amount Due: \$2,000.00	
<b>PRIMARY CONTACT INFORMATION</b>					
Primary Contact: Beatriz Fernandez		Home Phone:			
Best Time to Call:		Work Phone: 787-788-5684			
<b>SECONDARY CONTACT INFORMATION</b>					
Secondary Contact:		Home Phone:			
Best Time to Call:		Work Phone:			
<b>SPECIAL INSTRUCTIONS</b>					

Report Version 8.0.0.1

General Certified Real Estate Appraisers  
4000 Avenue Lake View Estates Suite 92

787-746-3219  
787-746-1556  
aagroup@prfc.net