



La Cámara de Comercio de Puerto Rico presenta

# CEO Day Event

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Puerto  
Rico

Sotheby's  
INTERNATIONAL REALTY

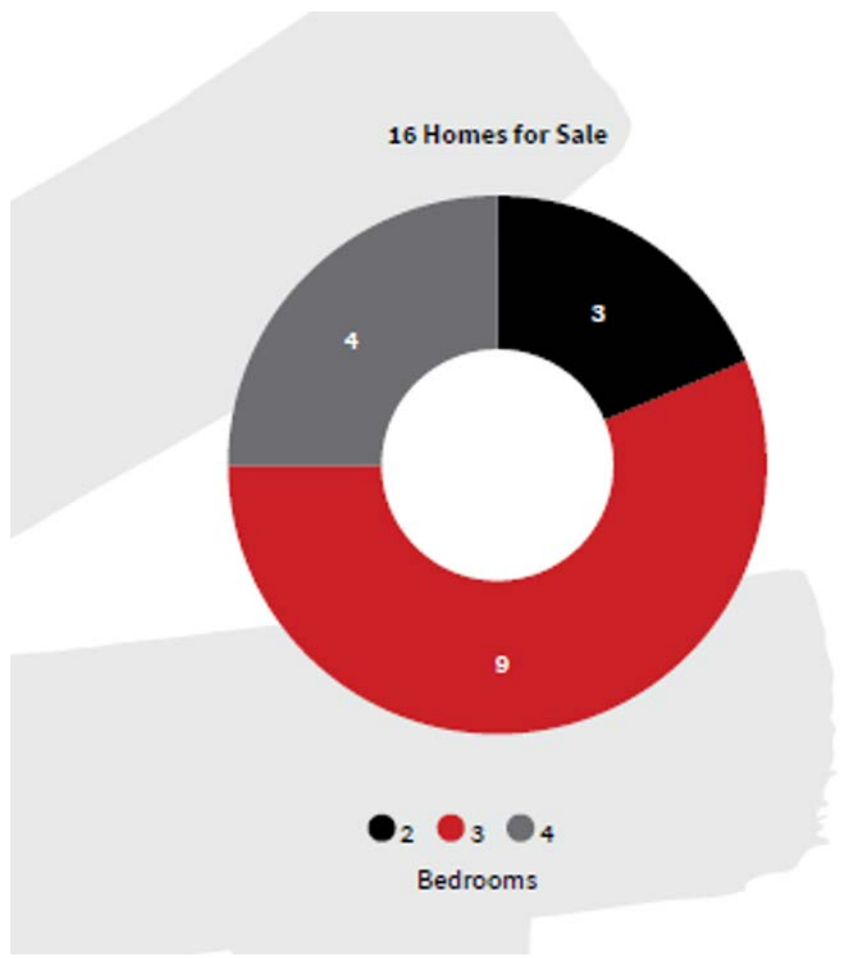
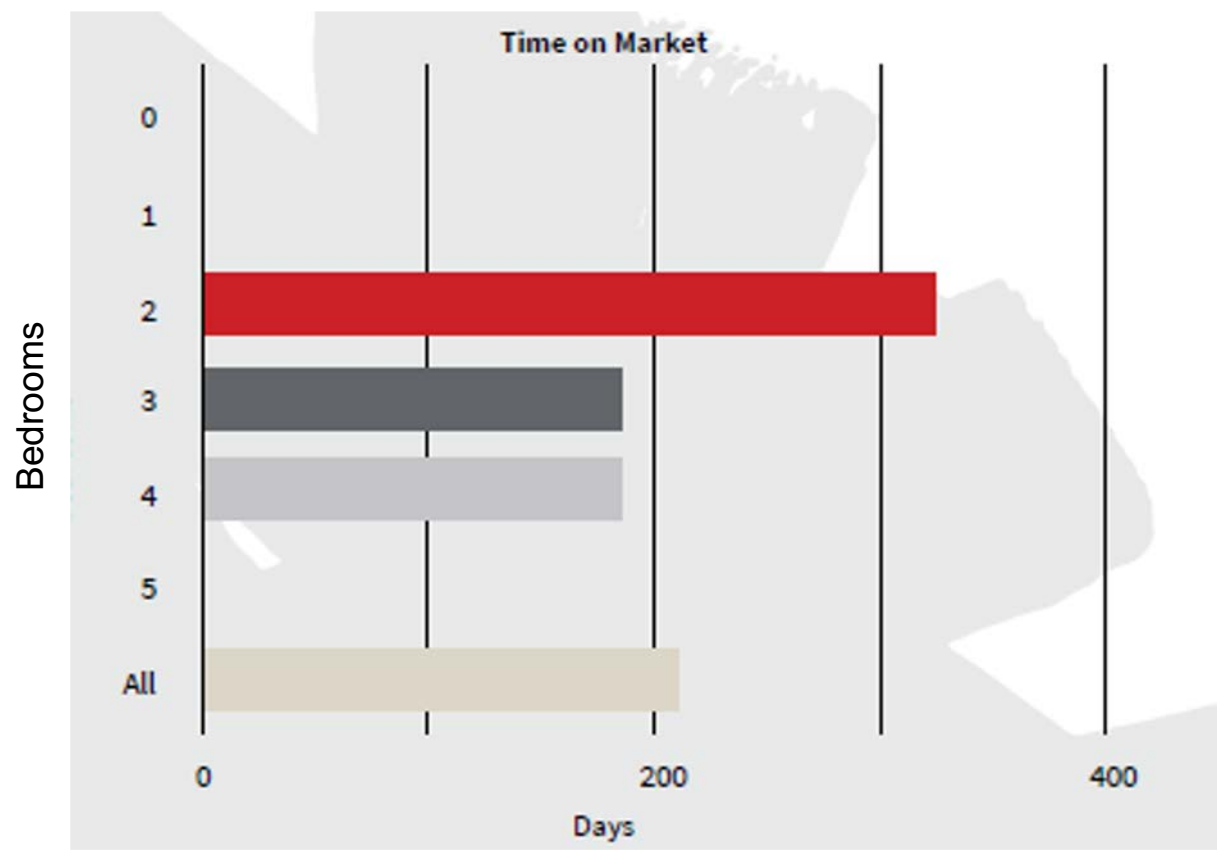


# The Luxury Market

The following are market data sets on Puerto Rico Sotheby's International Realty current listing inventory in Puerto Rico. The data trends track key inventory metrics including list prices, home size/features, and days on market against our total active Puerto Rico inventory.

Puerto Rico Sotheby's International Realty Advanced Search Tools enable luxury home buyers to compare an array of home metrics including, but not limited to new exclusive listings, price reductions/increases, property Locations/Communities, lifestyle/type and pending inventory sales.





# Market Insight

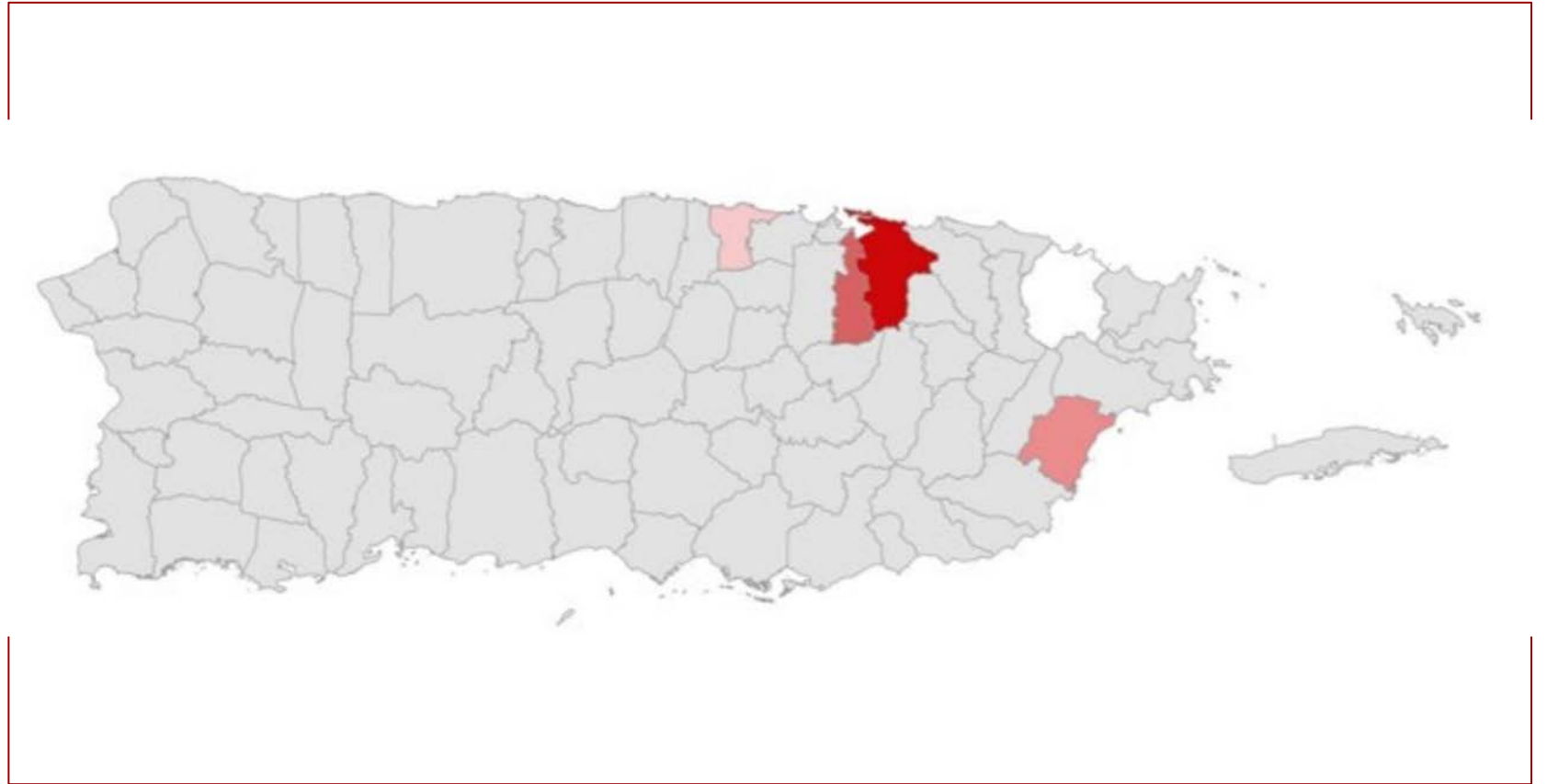
Fueled by a steady stream of corporate relocations and incentive-based immigration, Puerto Rico has solidified its position as a gateway to Latina America. Puerto Rico's picturesque natural environment and favorable location continues to attract high profile public and private entities, and a large contingent of Latin American firms' U.S. operations.

Additionally, the presence of the busiest airport in the Caribbean underscores the growing international appeal and incomparable accessibility. Relative affordability, favorable costs of doing business, and the presence of prominent higher-education institutions are beginning to attract top-talent and companies alike.

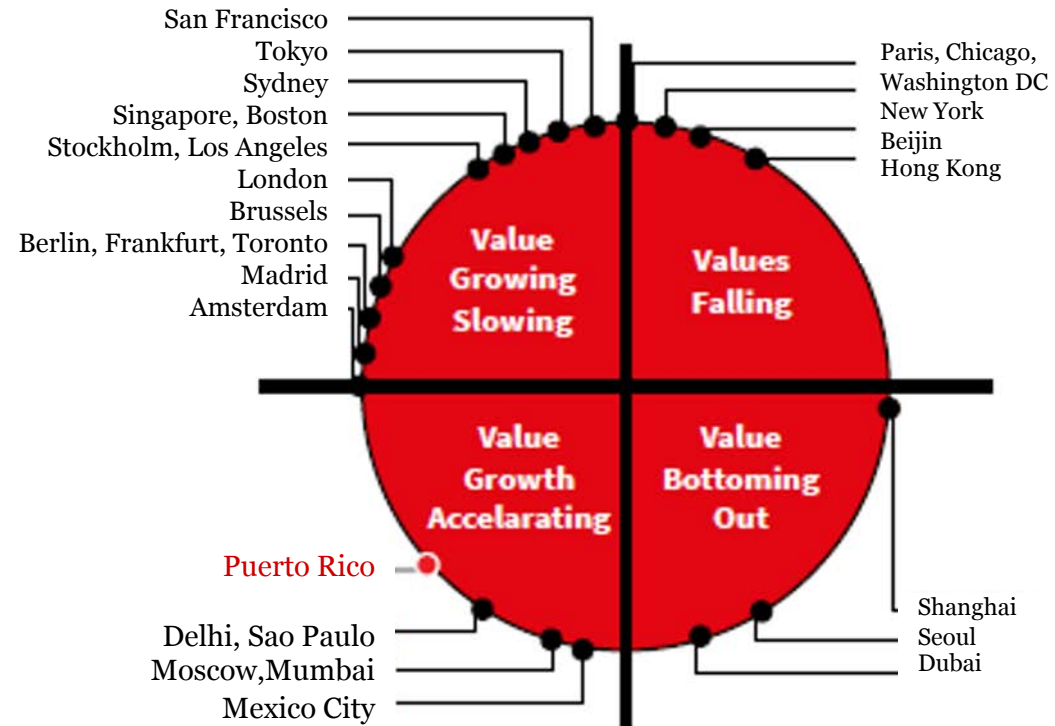


# Our Top 5 **Local** Markets

-  San Juan
-  Guaynabo
-  Rio Grande
-  Dorado
-  Humacao



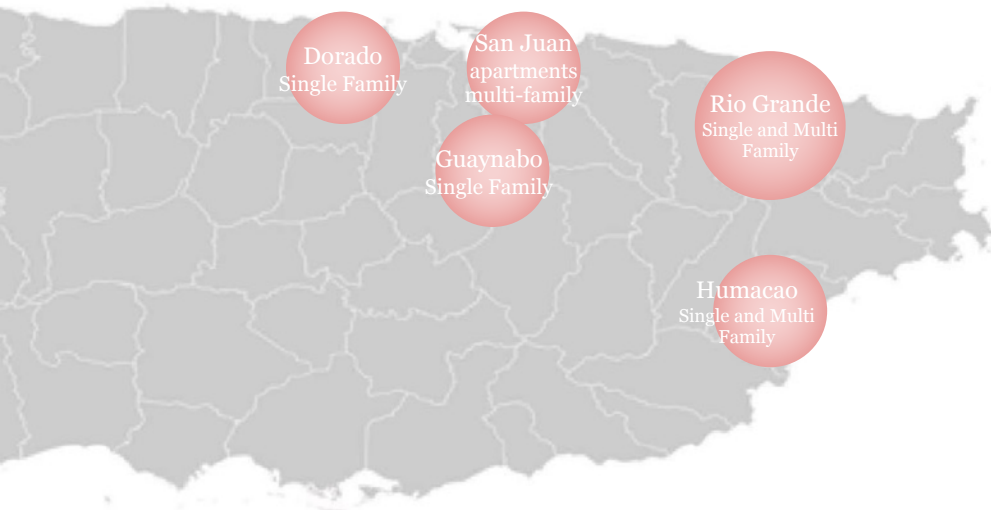
## Global Residential Clock (Q4 2019)



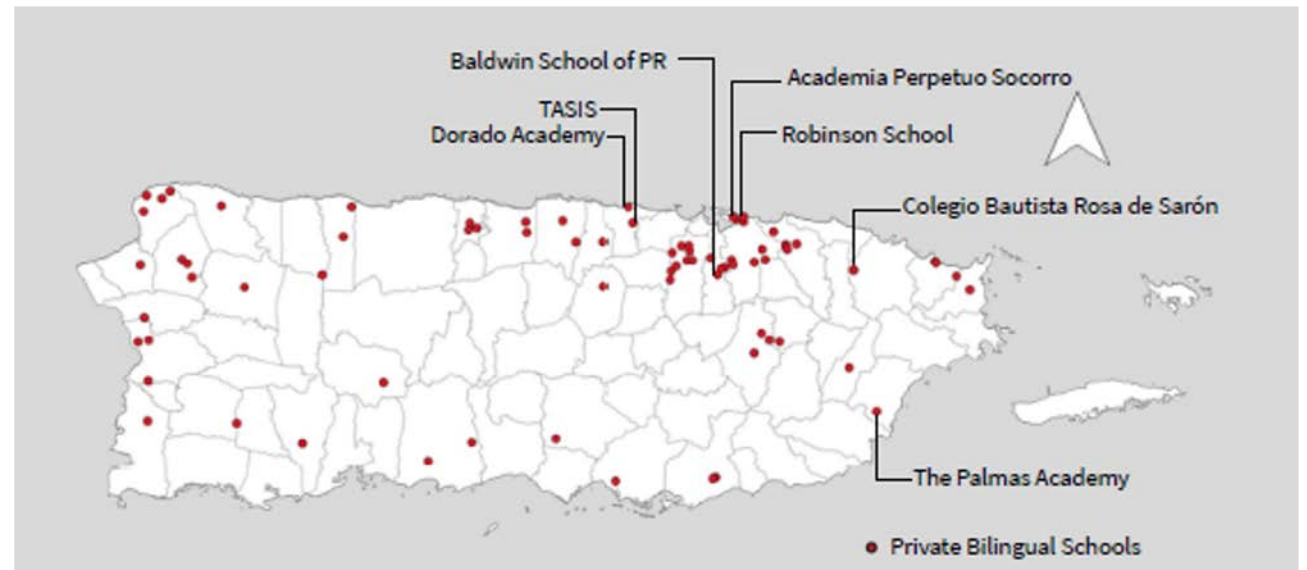


# Residential Drivers

Tax incentives and industrial employment are driving the demand for housing in Puerto Rico, mainly law 60 and the new home buyer incentive (HBA). In Puerto Rico, the residential sector is largely concentrated in the San Juan Metro Area and its demand is subject to different macroeconomic trends and demographic factors. From an economic perspective, growth and employment rates affect the demand for private housing, and thus positive growth in these measures drives up the demand for the home market. In addition, demographic factors such as population and education growth also drive residential demand. Since the expiration of code 936 at the end of 2005, the island has experienced population and economic contractions that have depressed the majority of residential prices. However; with the potential return of additional pharmaceutical manufacturing and increased demand for class A residential properties as more expats move to the island due to the COVID-19 pandemic, the residential sector is poised to perform well over the coming months and years.



Single and Multi-housing areas



Private School Locations

# Featured Luxury Locations

# Dorado Beach Ritz Carlton Reserve Resort

The Dorado Beach Ritz Carlton is one of the top residential resorts in the Caribbean. Its residential offerings include a range of price points from \$1.5 M-\$30M, with a robust range of options with condominiums, single family homes and beachfront properties. Dorado Beach is the island's premier locale for luxury resort living, with both extraordinary beachfront homes and expansive golf view homes offer the coveted country suburban living, within a gated resort living, unmatched in the Caribbean. Residences center around country club living, feature open floor plans, and premium finishes. Dorado Beach's latest developments, the Isles, go from the lush landscapes and waterfront views to open spaces and contemporary architecture.

# CoBe

## Condado Beach

Condado is an oceanfront, tree-lined, pedestrian-oriented community in Santurce, San Juan. Condado Beach is a very popular beach among tourists in San Juan craving for a Caribbean beach resort experience.

Condado is often compared to the vibe of Miami Beach as the cultural experiences, nearby beaches, and world class attractions make Condado an attractive destination. Beachfront resorts such as La Concha Resort and Condado Vanderbilt are loved by Puerto Rican celebrities, and they are a primary driver of the action and allure in Condado. There are a variety of water sports offered, and for visitors not staying at one of the beach resorts, beach loungers and umbrellas are available for rent.

# Ponce

While San Juan has remained as Puerto Rico's main tourist attraction, the Island's efforts to ramp up tourism activities have meant a look at new destinations. This shift has brought developers' attention to Ponce and a new "megaproject" called Ponce Paradise. According to AG&T, the development aims to create a world-class tourism destination, which will lead the advisory effort alongside Oceanfront International Group.

The concept, designed by Michael Winstanely Architects and Land Design, includes a "town center", a marina, a university medical center, a wellness community, and a large hotel, among other features. The project will be located close to Ponce's airport on a 900-acre parcel and is estimated to cost around USD 1 billion.

# Bahía Beach St. Regis Resort

Located on a former coconut plantation and situated between the El Yunque National Forest and the Espíritu Santo River State Preserve, the St. Regis Bahia Beach Resort is set adjacent to 2 miles of secluded beach with stunning views of the Atlantic Ocean. Situated on 483 gated acres of lush maritime forest on Puerto Rico's idyllic Northeast coast, the Bahia Beach Resort offers an unparalleled tropical experience with multiple restaurants, pools, and athletic amenities. A destination unlike any other, where elegance and unspoiled natural beauty provide bliss and adventure in equal measure. Bahia Beach also designates over 65% of its property as green areas, including wildlife sanctuaries and nature trails.

# Palmas del Mar, Humacao

Ranked as one of the top Airbnb locations in the Caribbean with a large full-time population, Palmas del Mar is one of the largest master-planned, resort-oriented residential developments in the Caribbean, with approximately 2,750 acres of land devoted to a variety of residential, commercial, and resort uses. The gated community is located on the southeast coast of Puerto Rico. Palmas del Mar has more than six miles of Caribbean Sea frontage, including approximately three miles of continuous sandy beach. The remainder of the water frontage is comprised of secluded beaches and rocky outcroppings, offering sweeping views and protected coves.

The inland portion of Palmas del Mar presents a diverse topographical landscape providing an extensive array of land use designs ranging from custom hillside residences to clustered housing developments fronting golf courses and other recreational amenities. Adding to the tranquility of the development, the preferred means of transportation is by golf cart, rather than automobile. Palmas has a 162 slip marina, a new worldclass yacht club equipped for 142 yachts and 20 mega yachts, an equestrian center, two 18 hole golf courses designed by Rees Jones and Gary Player, a 20-court tennis center, beach clubs, a Pre-K to 12th grade English language school, a 60 acre tropical forest, and 14 restaurants - all within a golf cart ride.

## **Development opportunities**

The approved Master Plan for Palmas del Mar provides for flexibility in the transferability of density within them approved development. The development is divided into five primary sections. The master infrastructure in the Resort Core (RC), Central Palmas (CP), and Palmas Plantation (PP) sections have essentially been completed. These three sections include 258 acres owned by the Company and common area improvements, including a sewage treatment plant, green areas, access roads and a beach-front park.



# Opportunity Zones and Incentives

There is a two percent import tax in Puerto Rico, which is often, in addition to shipping costs, are often blamed for the Island's relatively high retail prices. The Island also imposes an 11 percent sales tax, the highest in the United States. The Puerto Rican government emphasizes that the high taxes are a major source of revenue; however, they continue to drive the cash-based economy and depress trade activity on an island with a reliance on imports.

The Merchant Marine Act of 1920, commonly referred to as the "Jones Act," requires goods shipped between the U.S. ports to be transported on ships that are build, owned, and operated by United States citizens or permanent residents, which limits the capabilities of Puerto Rican merchants while increasing their transportation costs by an estimate of nearly USD 1.2 billion annually. The Jones Act turned 100 years old on June 5, 2020, and there is currently an effort led by Utah Senator Mike Lee to repeal the act.

## Opportunity Zones

On December 22, 2017, the Opportunity Zones Program was enacted and added to the tax code by the Tax Cuts and Jobs Act in order to spur investment, encourage economic development and job creation in distressed communities. The Opportunity Zones Program is designed to drive long term capital to rural and low-income urban communities throughout the U.S. and its territories and uses tax incentives to encourage private investment in impact funds. Qualified Opportunity Zones are specific geographical areas in the United States and Puerto Rico that were designated by the Federal Government. The zones are designed to spur economic growth development by offering tax benefits to individuals and institutions that invest eligible capital into the zones.

# How they work:

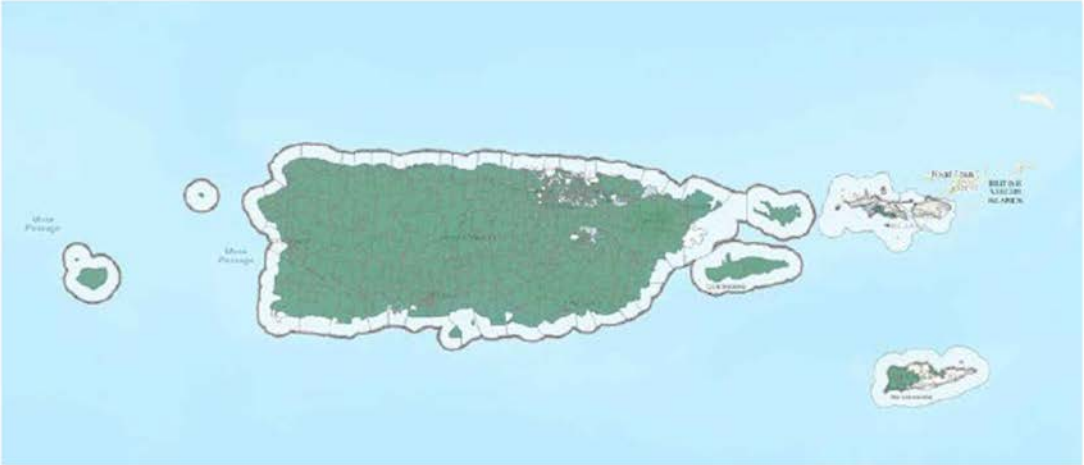
1. Sell asset for capital gain
2. Invest some or all of gains in a qualified opportunity fund within 180 days from the day in which the capital gain would be recognized for federal income tax purposes.
3. All incentives are linked to the duration of the qualified investment.

**Opportunity Zones** are designed to spur long-term investments in low-income urban and rural communities through investment via Qualified Opportunity Funds (Form 8996). There are 3 types of qualified opportunity zone properties, including businesses, which must be located in **Qualified Zones**:

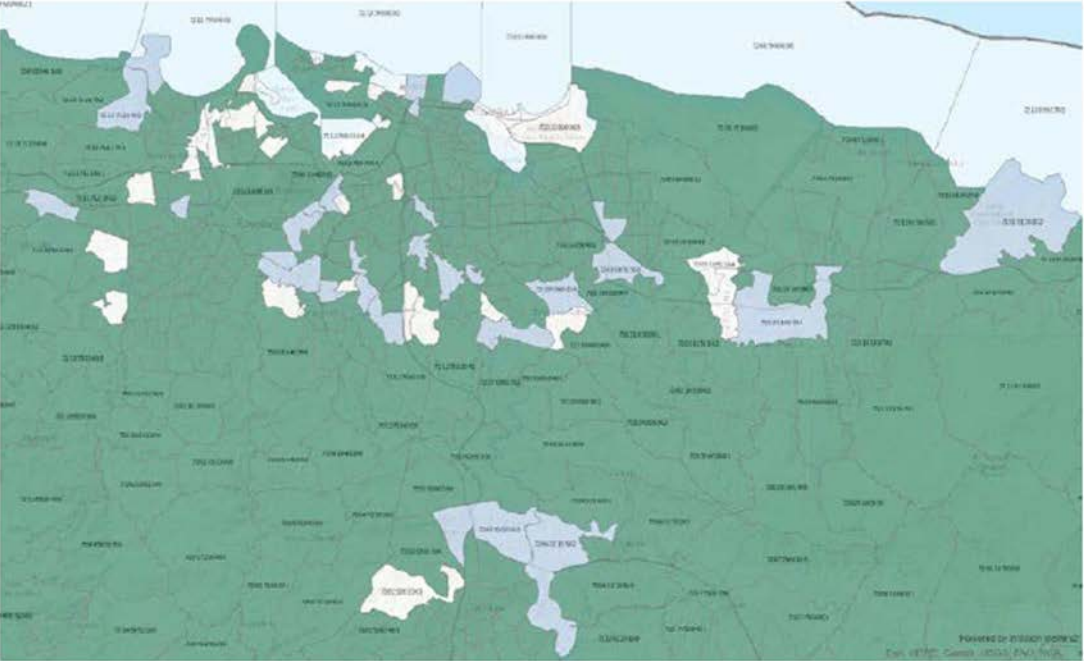
1. Qualified Opportunity Zone Stock
2. Qualified Opportunity Zone Partnership Interest
3. Qualified Opportunity Zone Business Property
  - a. 50 of total gross income must be from active conduct of business in QOZ
  - b. Intangible property must be used in the active conduct of the business
  - c. Less than 5 percent of the business can be attributable to non-qualified financed property
  - d. Principal business cannot be gambling/alcohol sales

With the Opportunity Zone (OZ) designation an investor interested in investing in a business in Puerto Rico can expect a tax deferral of all capital gains invested in a Qualified Zone Fund (“QZF”). Additionally, investing in an OZ in Puerto Rico could potentially eliminate up to 15% of the deferred capital gains (10% if the investment is held for at least 5 years and 15% if held for at least 7 years in a QZF). Moreover, an interested investor may eliminate all taxes on all capital gains earned on the amount invested in a QZF if he or she holds such investment for at least 10 years. The Incentives Code provides for a 18.5% fixed income tax rate, a 100% tax exemption on dividends and distributions to its shareholders, 25% tax exemption on municipal license tax and property tax and up to 25% tax credits for OZ projects in Puerto Rico. 95 percent of the Island qualifies as an opportunity zone. See the green area of the maps on the slide.

# Opportunity Zones in Puerto Rico and the U.S. Virgin Islands



# Opportunity Zones in the San Juan Metro Area





## **Export Services Incentive (Formerly Act 20)**

The Export Services Incentive is intended to promote the exportation of services by providing great resources and opportunities for U.S. companies to bring their business to Puerto Rico and make it a service center for the World. It also promotes academic and private sectors development and research by granting exemptions and assistance with energy costs to companies willing to invest in the growth of these key areas.

To become exempt, the business needs to apply for a tax concession via a tax exemption decree considered a contract with the Office of Industrial Tax Exemption of the Government of PR. The decree will be secured during the term, 20 years with possible 10-year extension, regardless of changes in the law itself. To qualify, the business cannot have many previous connections, dealings or nexus with Puerto Rico.

## **New small and Medium Size Businesses**

The Incentives Code recognizes a new tax benefit afforded to new small and medium-sized businesses (“PYMES”, by its acronym in Spanish) established in Puerto Rico. PYMES are defined as businesses with an average volume of business of three (3) million or less during the three (3) previous tax rate and a 100% exemption from property and municipal taxes during the first years of operations. After the initial five (5) years, these businesses will enjoy a 4% income tax rate and a 75% and 50% exemption for property and municipal taxes, respectively.

Individual Resident Investors (Formerly Known as Act 22) The Incentives Code encourages the relocation of individual investors to Puerto Rico and seeks to attract new residents to the Island. It offers a significant tax exemption on passive income generated or accumulated once the individual is a bona fide resident of Puerto Rico. As in Act 22, passive income, including interests, dividends, and certain capital gains are 100% exempted from Puerto Rico income taxation.



Dorado



7 East Beach





9 East Beach





West Beach





CoBe

Condado Beach



1315 Ashford Ave., Acquamarina Cond.







59 Kings Court St.,  
Kings court Playa Cond.





# Gracias

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