



BABSON
COLLEGE



PUERTO RICO
CONFERENCE
Entrepreneurship for Growth

2010

March 24, 2010 | Conrad San Juan Condado Plaza | 7:30 a.m. - 5:00 p.m.

P u e r t o R i c o C h a m b e r o f C o m m e r c e

REAL ESTATE DEVELOPMENT

ACTUAL AND FUTURE SCENARIO

March 24, 2010



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By: **RAFAEL E. ROJO**

Past President

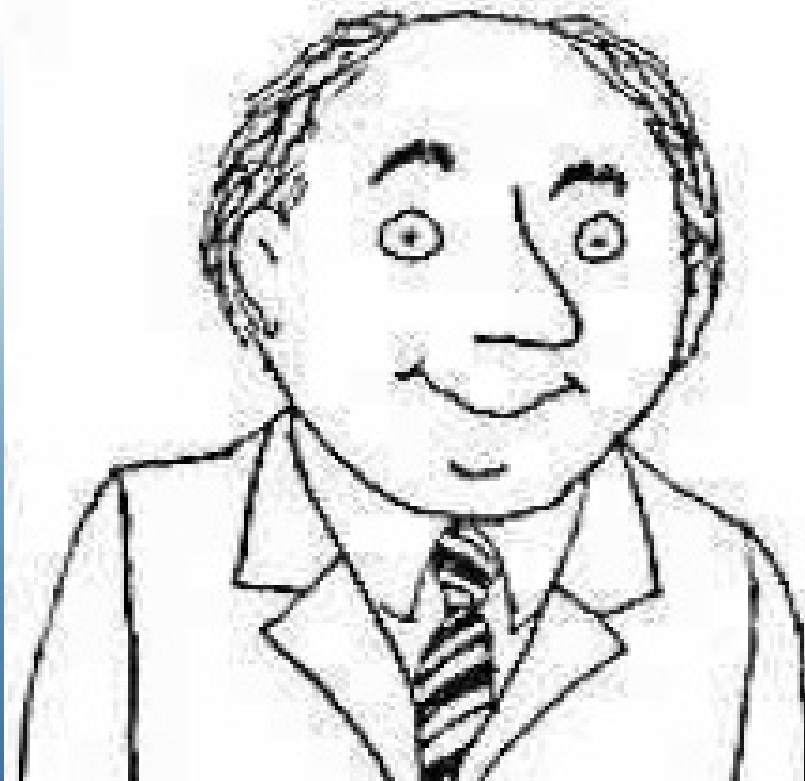
PR Home Builders Association

**HALF
FULL?**

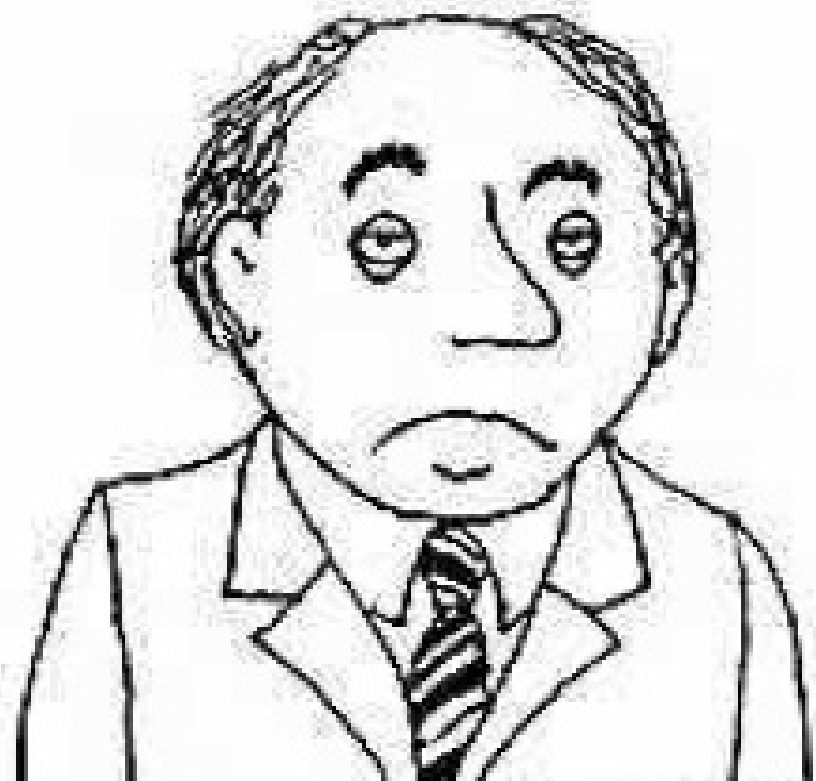


**HALF
EMPTY?**

**HALF FULL
HEAD OF HAIR**

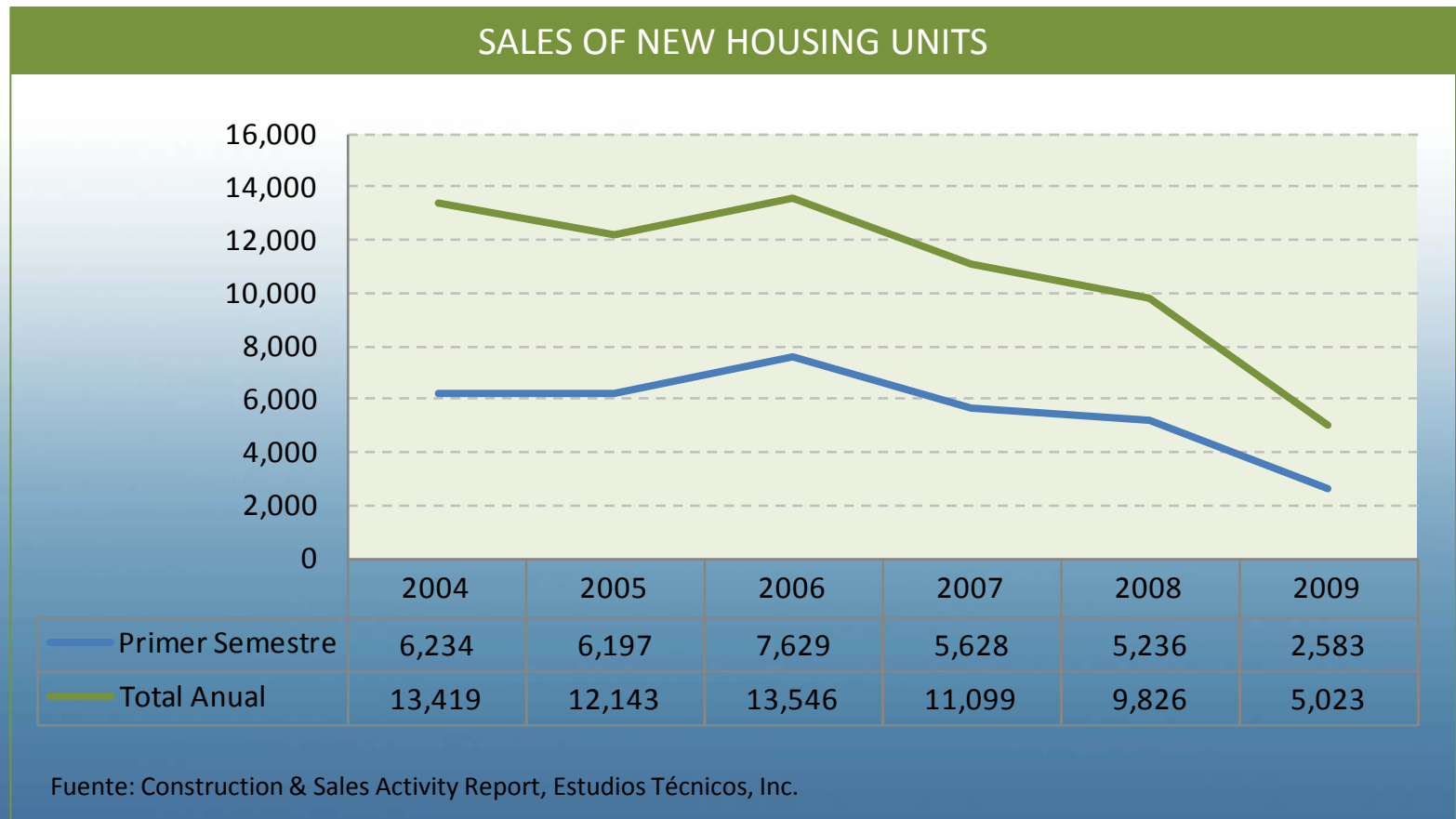


**HALF EMPTY
HEAD OF HAIR**



ACTUAL SCENARIO

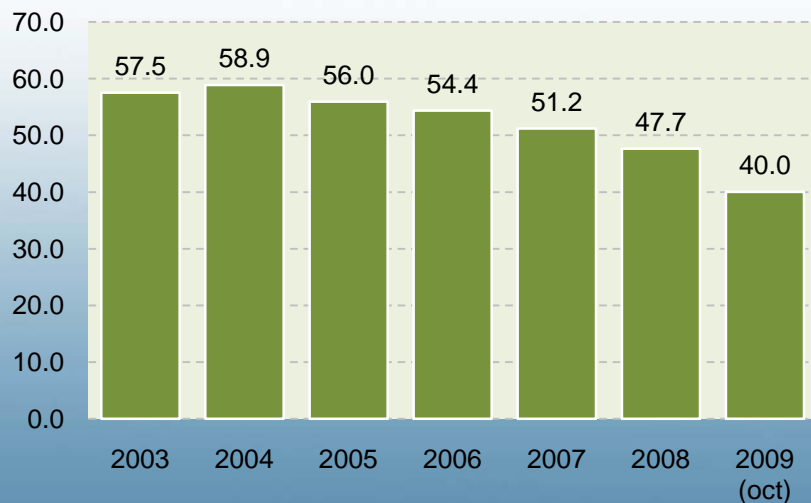
2009: UNPRECEDENTED LOW IN NEW HOUSING SALES



ACTUAL SCENARIO

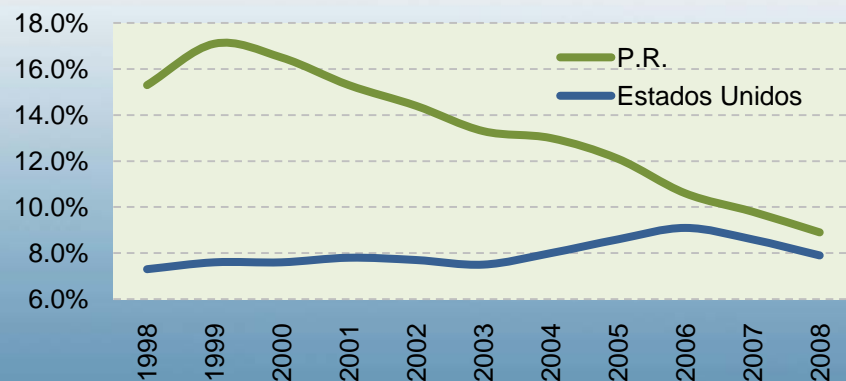
EMPLOYMENT AND INVESTMENT IN CONSTRUCTION

Empleo en Construcción



Sources: BLS, Estudios Técnicos, Inc.

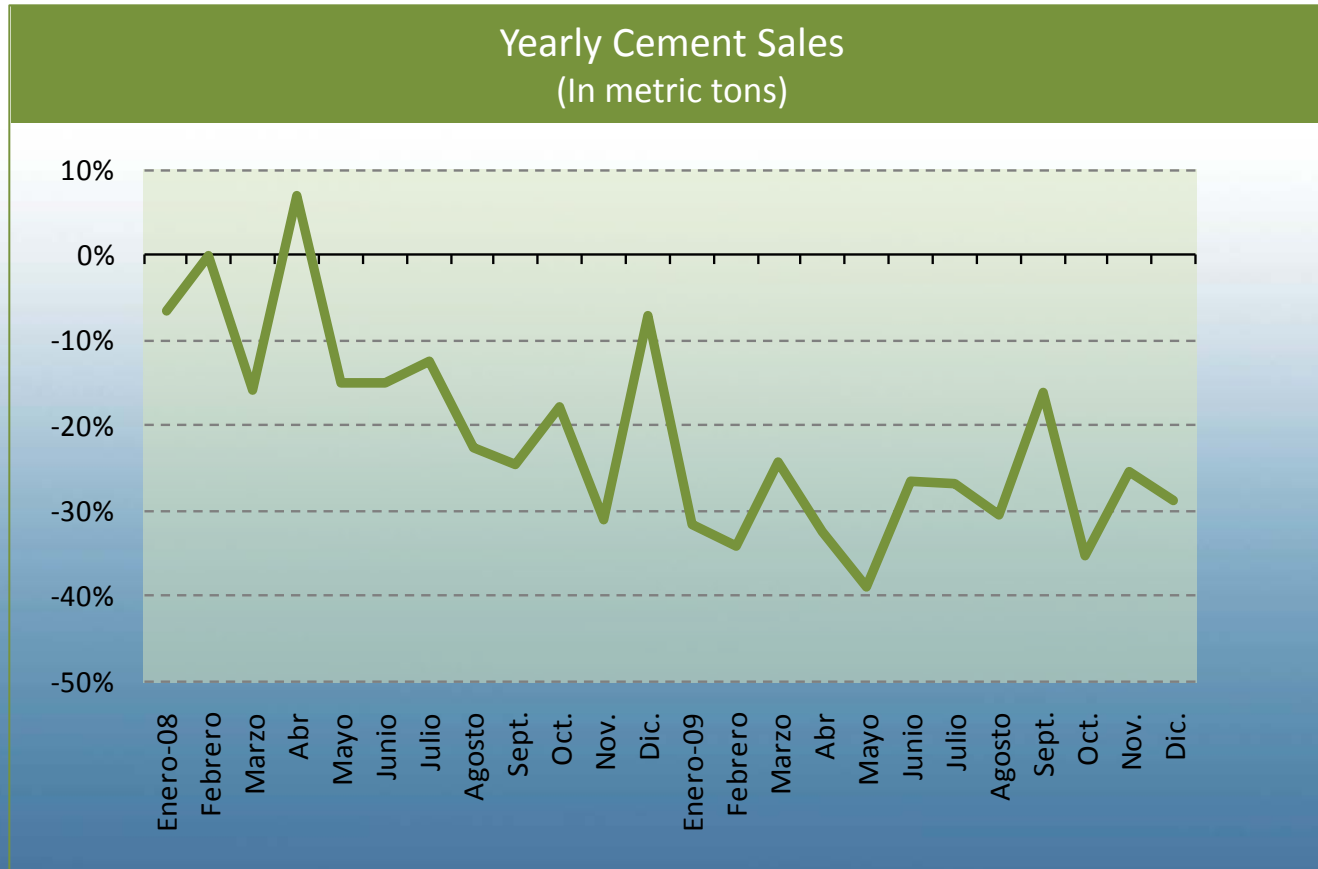
Participación de la Inversión en Construcción en PNB* (Años Fiscales)



Fuentes: Junta de Planificación (2009). *Apéndice Estadístico 2008*; BEA (2009), NIPA Tables (Junio).

ACTUAL SCENARIO

STRONG DECREASE IN CEMENT SALES

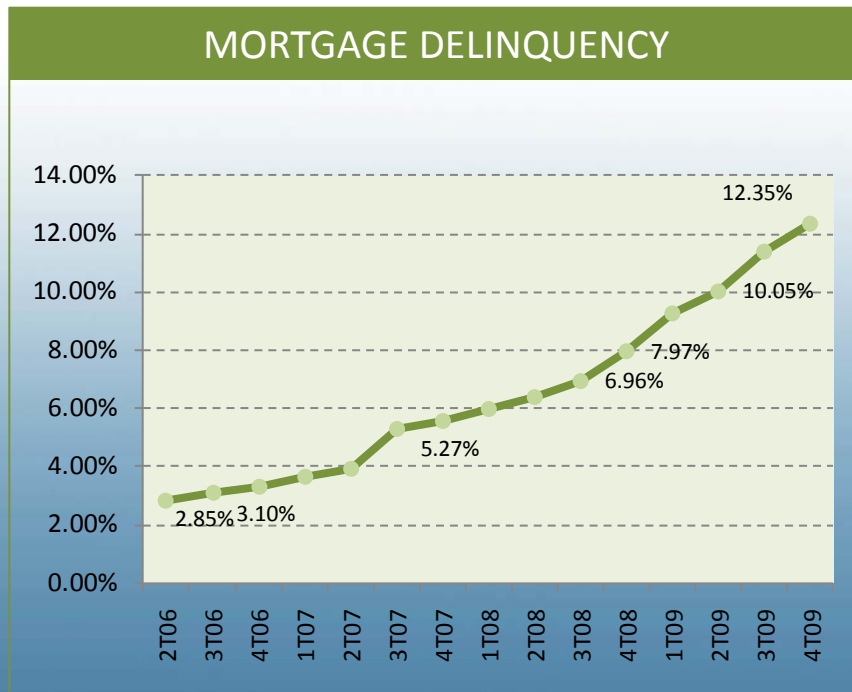


Sales have consistently been reducing since January 2008

Fuente: Junta de Planificación de Puerto Rico

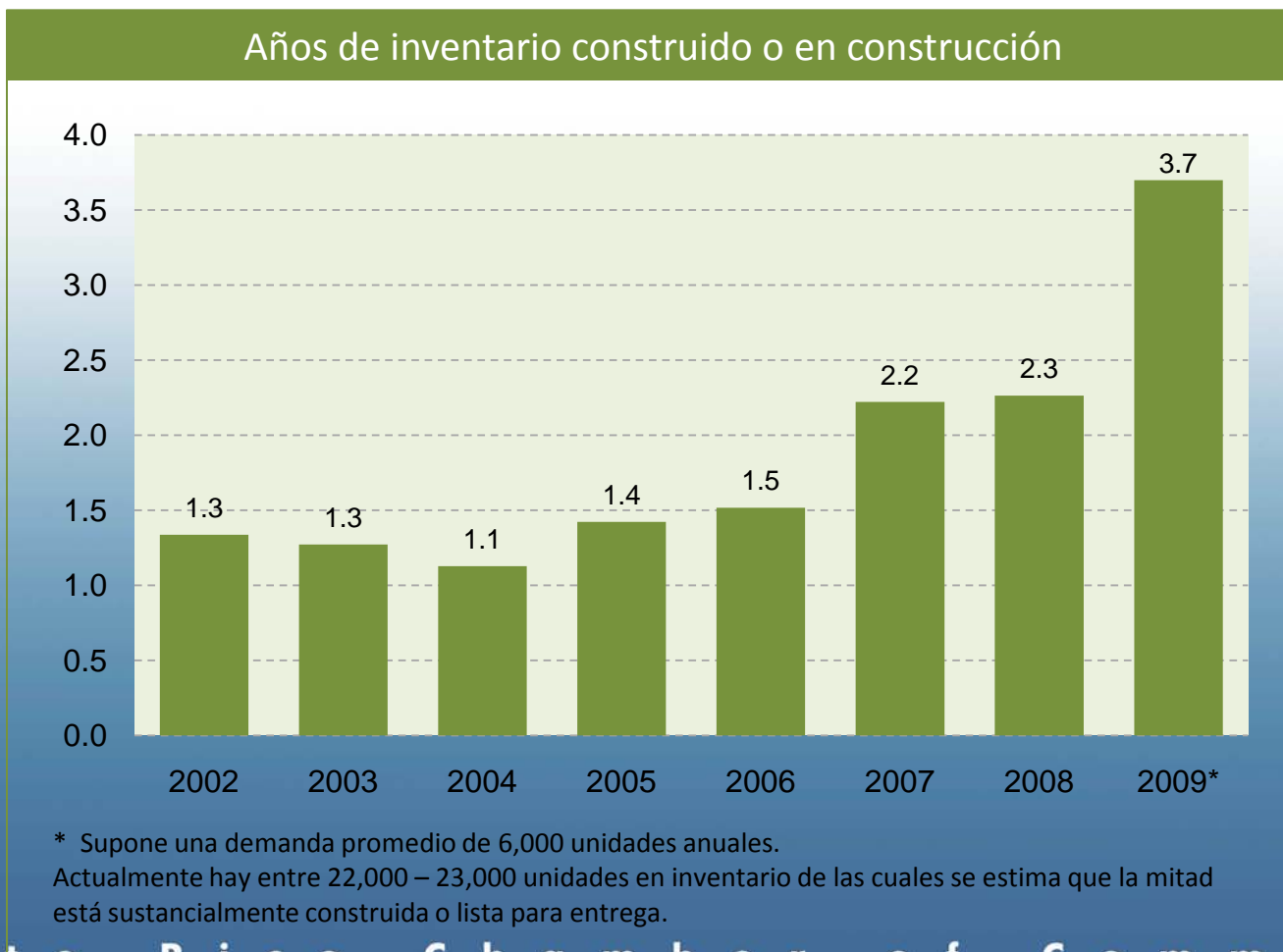
ACTUAL SCENARIO

...not all graphs are pointing down !!



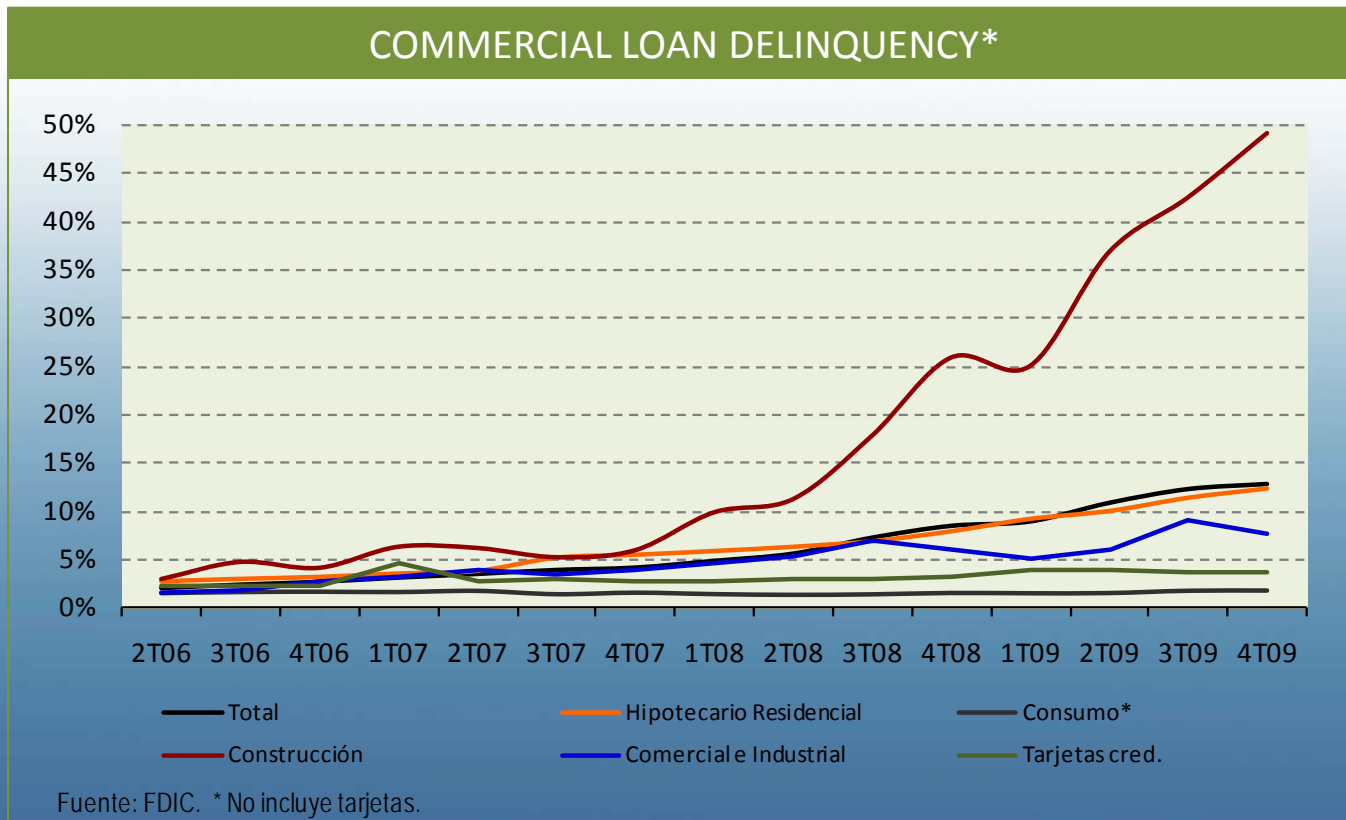
ACTUAL SCENARIO

Excess inventory



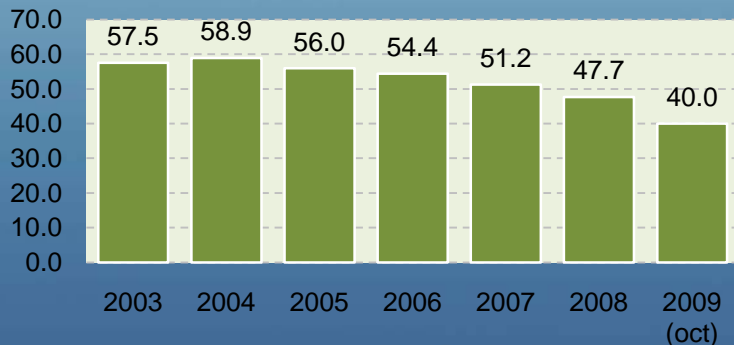
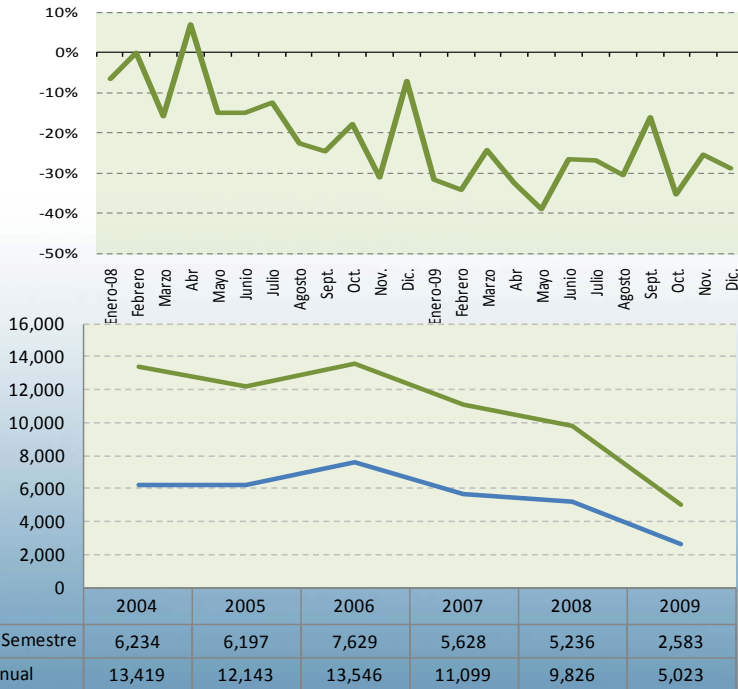
ACTUAL SCENARIO

Construction loans portfolio are worst off in commercial delinquencies

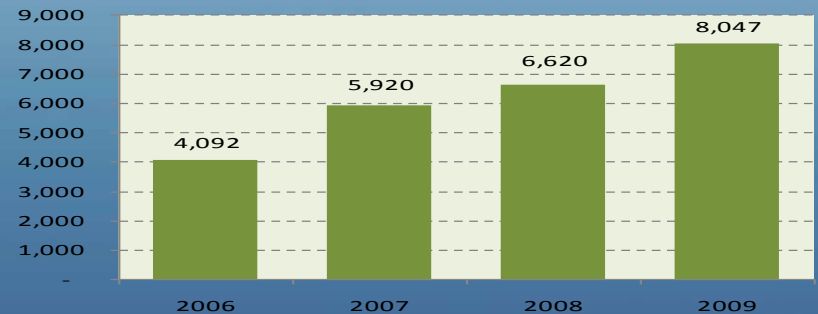
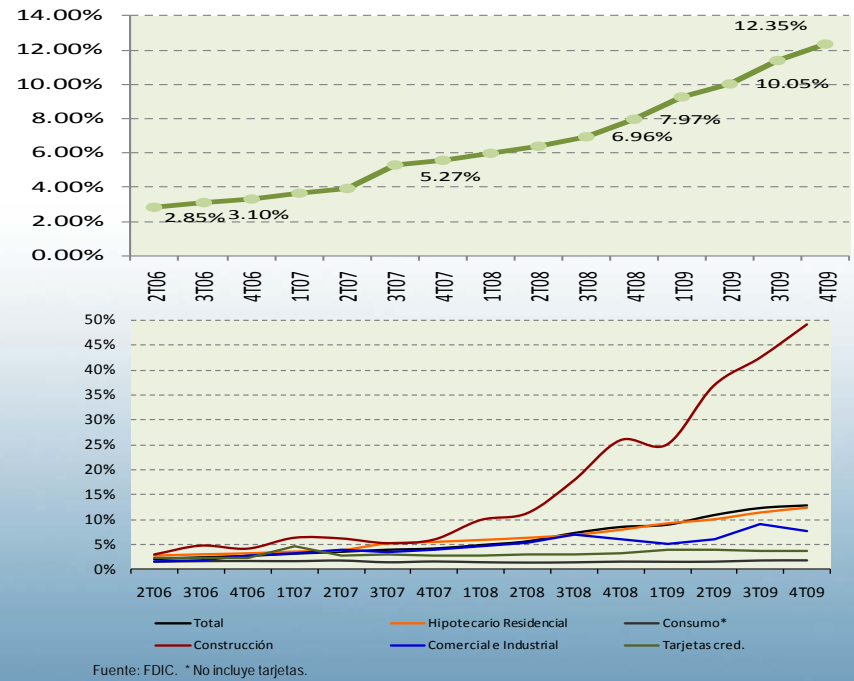


ACTUAL SCENARIO

GOOD GRAPHS ARE DOWN!

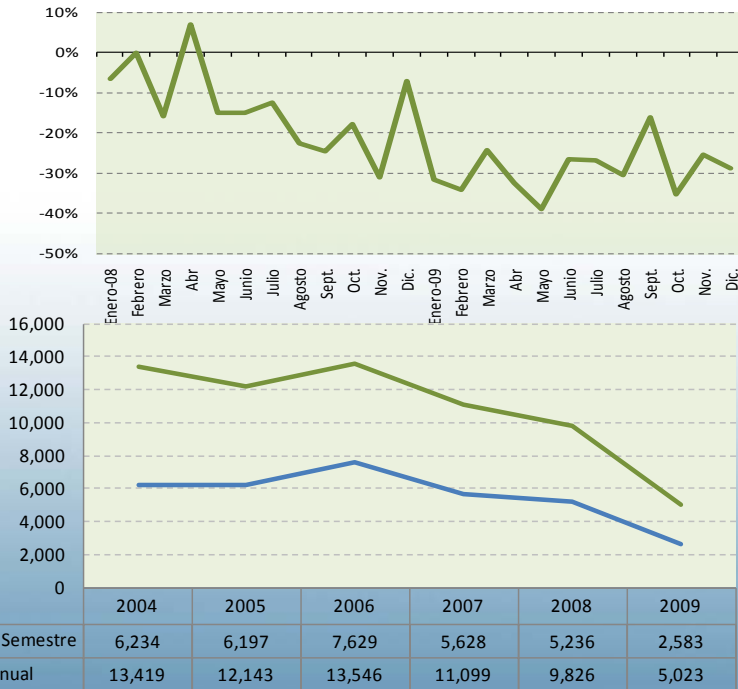


BAD GRAPHS ARE UP!

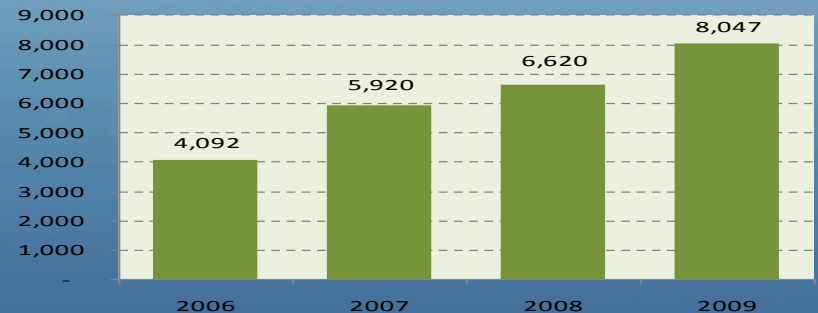
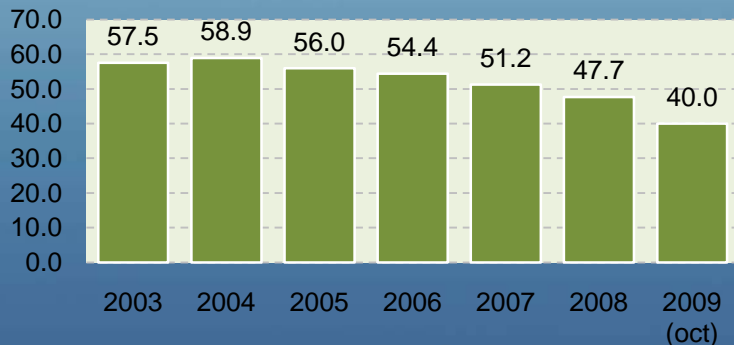
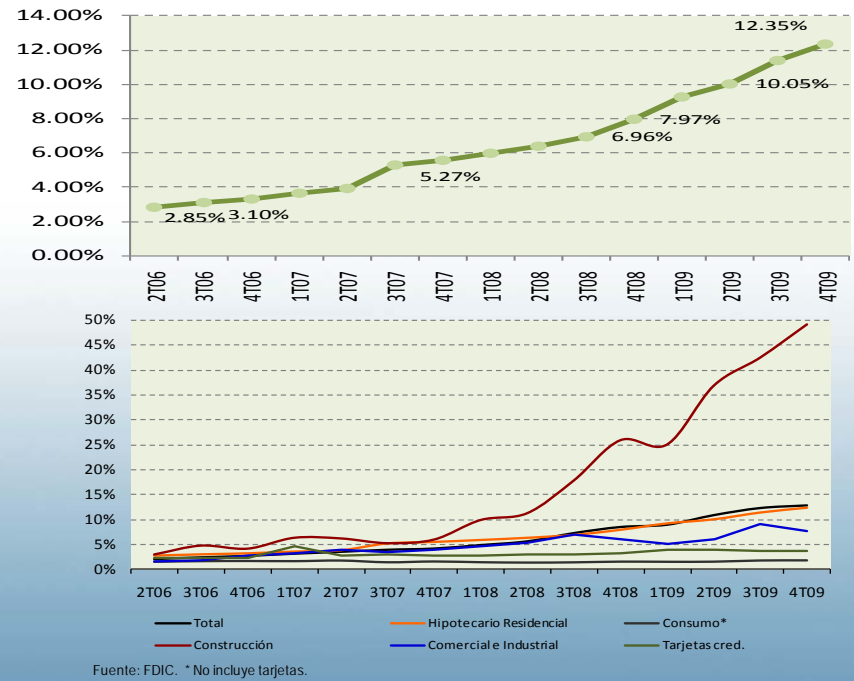


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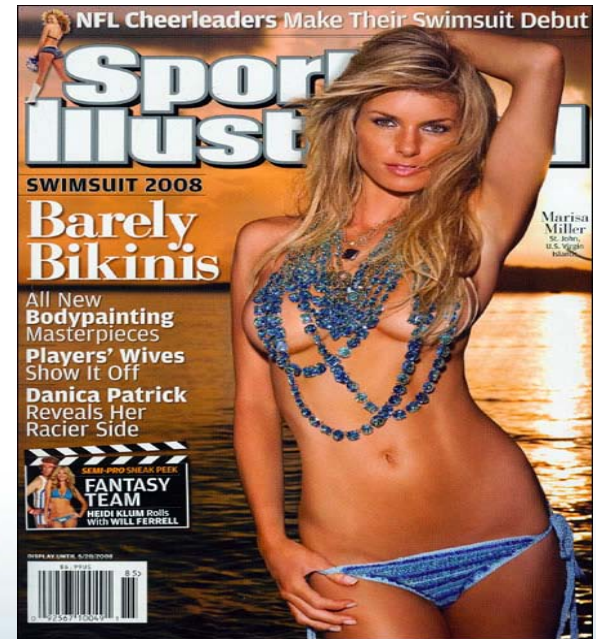


BAD GRAPHS ARE UP!





**OVER HALF OF THE
 COMPANIES LISTED IN
 2009'S FORTUNE 500
 WERE FOUNDED
DURING A RECESSION**



NEW PERMIT LAW

Agility and Certainty

- Signed Dec. 1, 2009
- Establishes new centralized (one stop-shop) and specialized permits office, should be up and running by end of this year.
- Reduces 50% of permits and establishes timeline for approvals.
- Requires an injunction bond for anyone who while contending a permit intends to stop a project under construction.
- Only a court of law can revoke an approved permit

NEW HOME SALES REGULATIONS IMPROVED

DACO modifies option contract rules

- Signed October 29, 2009
- New rules establish home buyer accountability through stricter rules and penalties for buyers who bail out of option contracts.
- Rules should reduce speculation allowing investors and banks to have a more certain feel of the market on pre-sales.

WHAT TO EXPECT

- Real estate should hit bottom soon
- Expected bank consolidation
- Property values will depend on policy, regulators and banks.
- Even though there is sitting inventory, there is still healthy demand for new affordable housing projects.
- New housing projects struggle to find interim financing.
- Consumers also struggle to qualify for home mortgages.
- Credit availability went from one extreme to the other.
- Viable projects with proven and capable investors behind must be financed to generate jobs and jump start the economy.

OPPORTUNITY / CHALLENGE AREAS

- New Construction → High labor and material costs, lower incomes
- Affordable housing → Subsidy and financing availability
- Low income Rental Market → Fair market rent adjustments
- Second Home → High living costs and high tax for homeowners
- Resort Development → Finance availability, destination marketing
- BELOW MARKET BARGAINS → Effect on island-wide values

THANK YOU



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