

San Juan At-A-Glance

(Rent/Square foot/Year)	Low	High	Effective Avg.	Vacancy
DOWNTOWN OFFICE				
New Construction (AAA)	\$ 32.50	\$ 35.50	N/A	N/A
Class A (Prime)	\$ 30.00	\$ 33.00	N/A	N/A
Class B (Secondary)	\$ 23.50	\$ 25.00	N/A	N/A
SUBURBAN OFFICE				
New Construction (AAA)	N/A	N/A	N/A	N/A
Class A (Prime)	N/A	N/A	N/A	N/A
Class B (Secondary)	N/A	N/A	N/A	N/A
INDUSTRIAL				
Bulk Warehouse	N/A	N/A	N/A	N/A
Manufacturing	\$ 7.00	\$ 10.00	N/A	N/A
High Tech/R&D	\$ 4.50	\$ 8.50	N/A	N/A
RETAIL				
Downtown				
Neighborhood Service Centers	\$ 35.00	\$ 75.00	N/A	N/A
Community Power Center	\$ 25.00	\$ 35.00	N/A	N/A
Regional Malls	\$ 12.00	\$ 24.00	N/A	N/A
	\$ 25.00	\$ 55.00	N/A	N/A
DEVELOPMENT LAND				
	Low (Price/M ²)		High (Price/M ²)	
Office in CBD	N/A		N/A	
Land in Office Parks	\$ 1,100.00		\$1,750.00	
Land in Industrial Parks	\$ 300.00		\$ 500.00	
Office/Industrial Land - Non-park	\$ 65.00		\$ 300.00	
Retail/Commercial Land	N/A		N/A	
Residential	N/A		N/A	

Market Overview

■ Puerto Rico is the main U.S. frontier in the Caribbean with great access to South America. All communications, finance, transportation, and major airlines go through Puerto Rico to points East and South, and the new deep water ports at San Juan and Ponce bolster the territory's economic position in the region.

The outlook for the Puerto Rican economy is stable and growing, largely reflecting conditions within the U.S. Puerto Rico still maintains generous tax exemptions for incoming manufacturing and hotel construction, although these are no longer automatically given but negotiated. While tax exemption for certain manufacturing under the "936" program is being phased out, the program continued to benefit U.S. companies with subsidiaries in Puerto Rico through 2006. The 936 tax exemption program is being reduced from 90% tax exemption on profits to 40% tax exemption by this year. However, new industrial developments continued. San Juan and Ponce have been geared up for entry into the free trade zone category and for the development of deep-water transshipment ports, to which public and private funds have already been committed. Additionally, the already large presence of international pharmaceutical corporations in Puerto Rico continued expanding, with firms taking advantage of tax exemptions and duty-free access to U.S. markets. Other major new developments have been tourism-driven expansions.

The island is quickly running out of warehouse space. Old manufacturing plants are being converted into warehouse and manufacturing space for new products. Sugar cane production, sewing mills, and labor-intensive businesses have all closed, as firms have moved these type operations to cheaper locations in the Dominican

Republic or elsewhere in Central America. Specifically, the supply of 2,000 to 3,000 and 20,000 to 50,000 square-foot docked warehousing is inadequate to meet current demand. New facilities have been renting at \$5 to \$7.50 per square foot before they are finished.

Land in metropolitan San Juan is valued at more than \$200-\$300 per square meter with industrial zoning. Thus, land cost to build an industrial park warehouse has been as much as \$800,000 per acre, if the land was even available. Firms have been looking to towns on the perimeter of San Juan for warehousing and in Cataño, Bayamon, Guaynabo, Trujillo Alto or Carolina. In these areas, industrial land can still be found for as little as \$160,000 per acre. While construction of new facilities in Puerto Rico can last 6 to 9 months and permitting can take several weeks, the absorption rate has been almost immediate for new 30-foot ceiling warehouses.

Class A office space was overbuilt by 2 million square feet as of year end 2006. We estimate that this sub-market will return to equilibrium in 2007. Small and medium enterprises are quickly absorbing class B and C space, leaving very little space currently available on the market.

The retail sector is stable and moving gradually toward shopping centers. Wal-Mart is finding success in all the major cities and is heavily committed to its presence on the island. Moreover, until recently, Puerto Rico was the biggest sales area for Sears, JC Penney's and other major retailers.

Condos in Condado continue to sell for \$500,000 and up. Low-cost and government-subsidized housing, which made up most of the residential construction, is selling for \$60-70,000. Resort areas are beginning to appear, although these mostly comprise second homes.

Source: NAI Global