



PUERTO RICO HOUSING TRENDS AND PERSPECTIVES



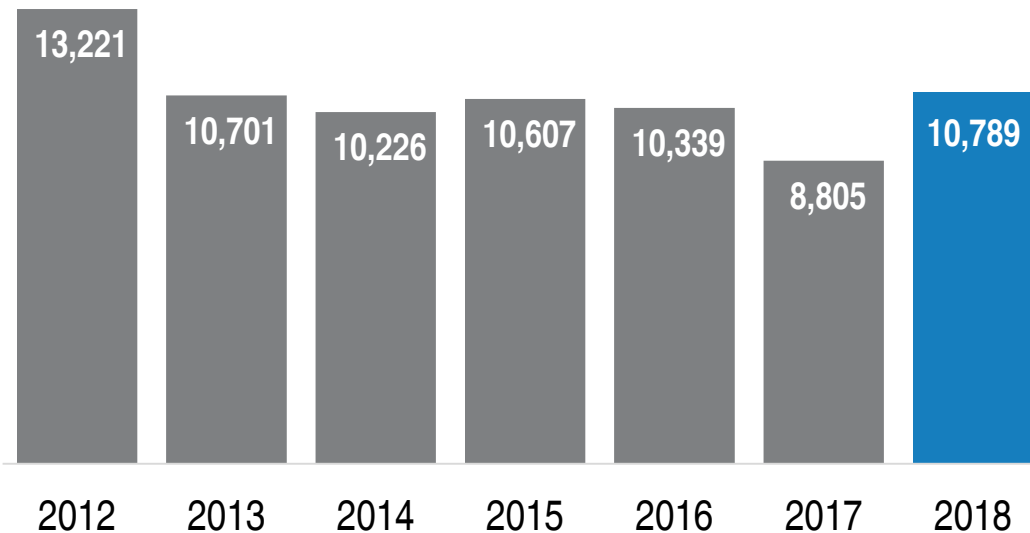
June 13, 2019



SALES TRENDS

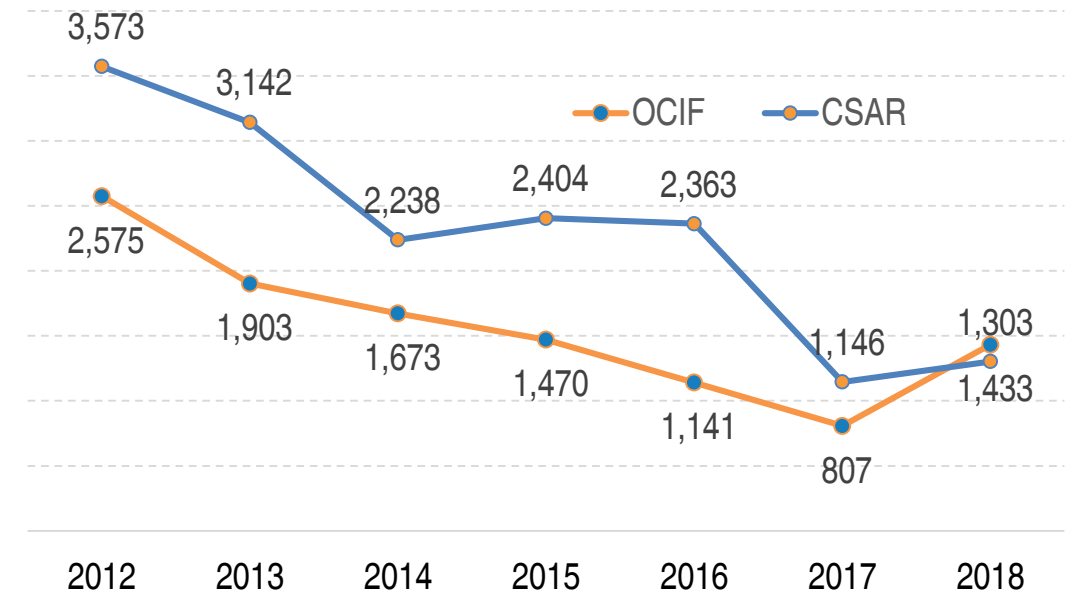
RESIDENTIAL SALES 2012-2018

New and Used Residential Sales reported by OCIF
(Units with Mortgages)



- The reduction in sales was directly related to the Hurricane María. 2017 sales during prior to September were trending above 2016 sales.

New Construction Residential Sales: OCIF vs. ETI's CSAR Report



- The Construction and Sales Activity Report (CSAR) typically reflects higher volume of sales as it includes sales financed by other institutions other than Commercial Banks.

RESIDENTIAL SALES: 2017 & 2018

New and Used Residential Sales reported by OCIF
(Units with Mortgages)

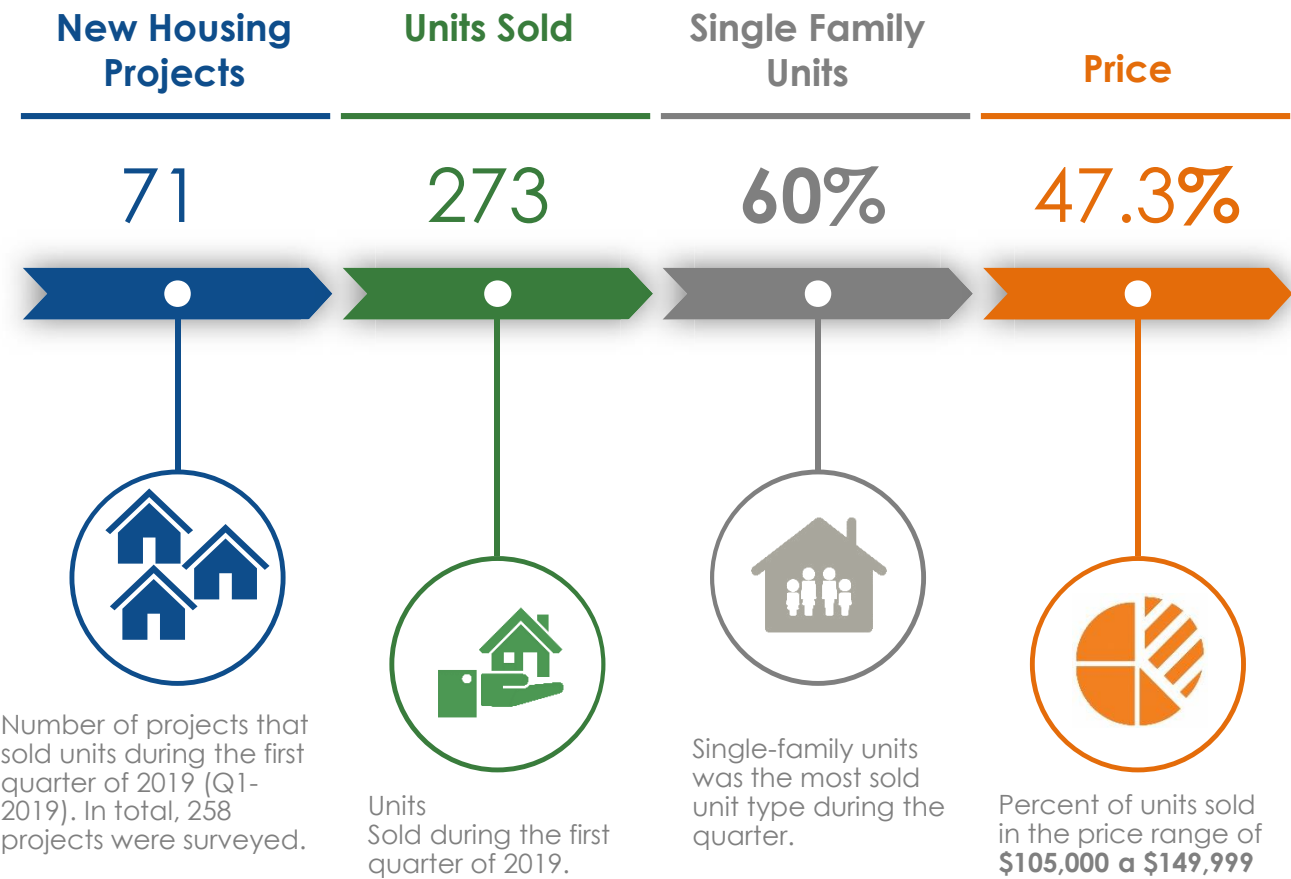
Year	NEW CONSTRUCTION			USED			ALL TYPES		
	Units	(\$millions)	Average Price	Units	(\$millions)	Average Price	Units	(\$millions)	Average Price
2017	807	\$141.3	\$175,071	7,998	\$1,028.1	\$128,546	8,805	\$1,169.4	\$132,810
2018	1,433	\$231.4	\$161,503	9,356	\$1,217.8	\$130,164	10,789	\$1,449.3	\$134,327
Change	78%	64%	-8%	17%	18%	1%	23%	24%	1%

78% increase in the
sale of new construction
units of lower prices

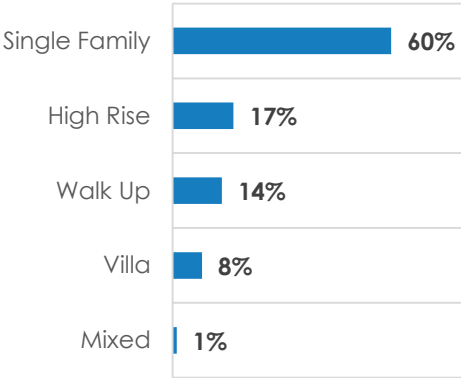
17% increase in the
sale of resale units

NEW HOUSING SALES

(MARCH 2019)



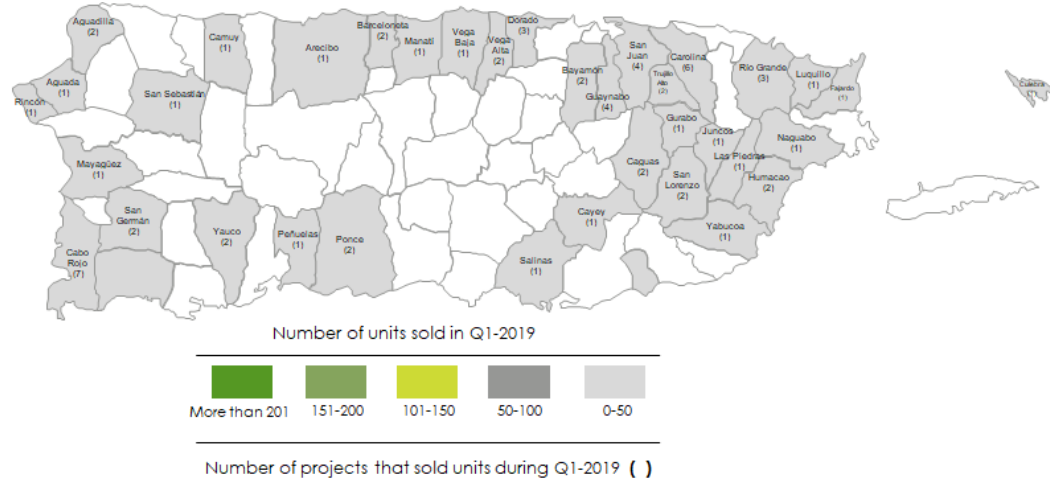
BY TYPE



BY REGION

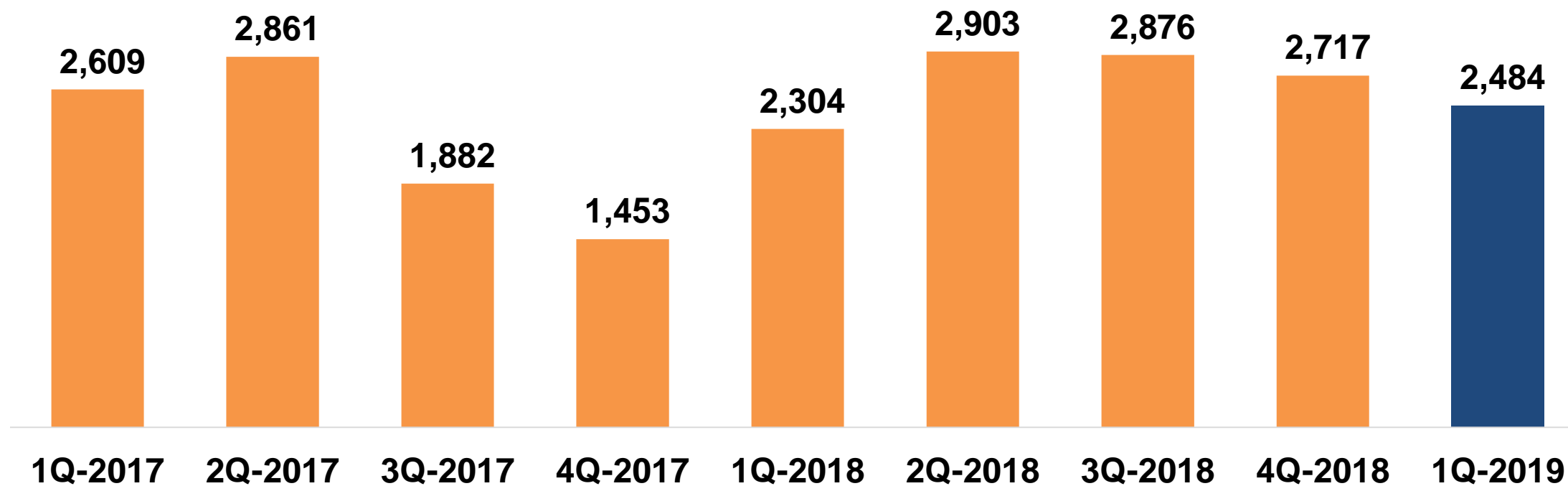
Ponce	17.90%
Mayagüez	13.60%
San Juan	10.30%
Humacao	9.90%
Carolina	9.20%
Bayamón	8.80%
Arecibo	8.40%
Aguadilla	7.30%
Caguas	6.20%
Fajardo	4.80%
Guayama	3.70%

BY MUNICIPALITY

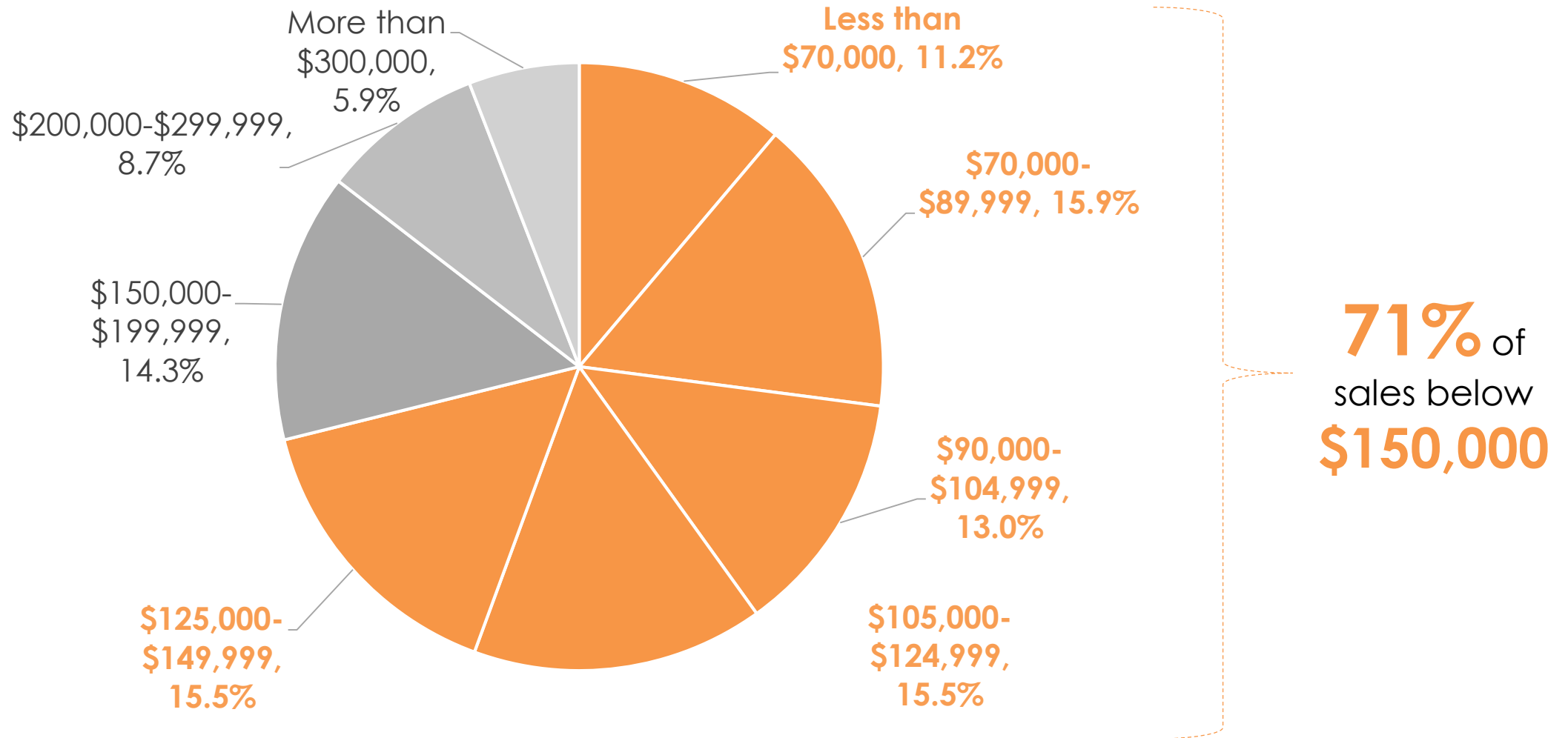


SALES TRENDS: NEW AND USE HOUSING

TOTAL HOUSING SALES OCIF (2017-2019)

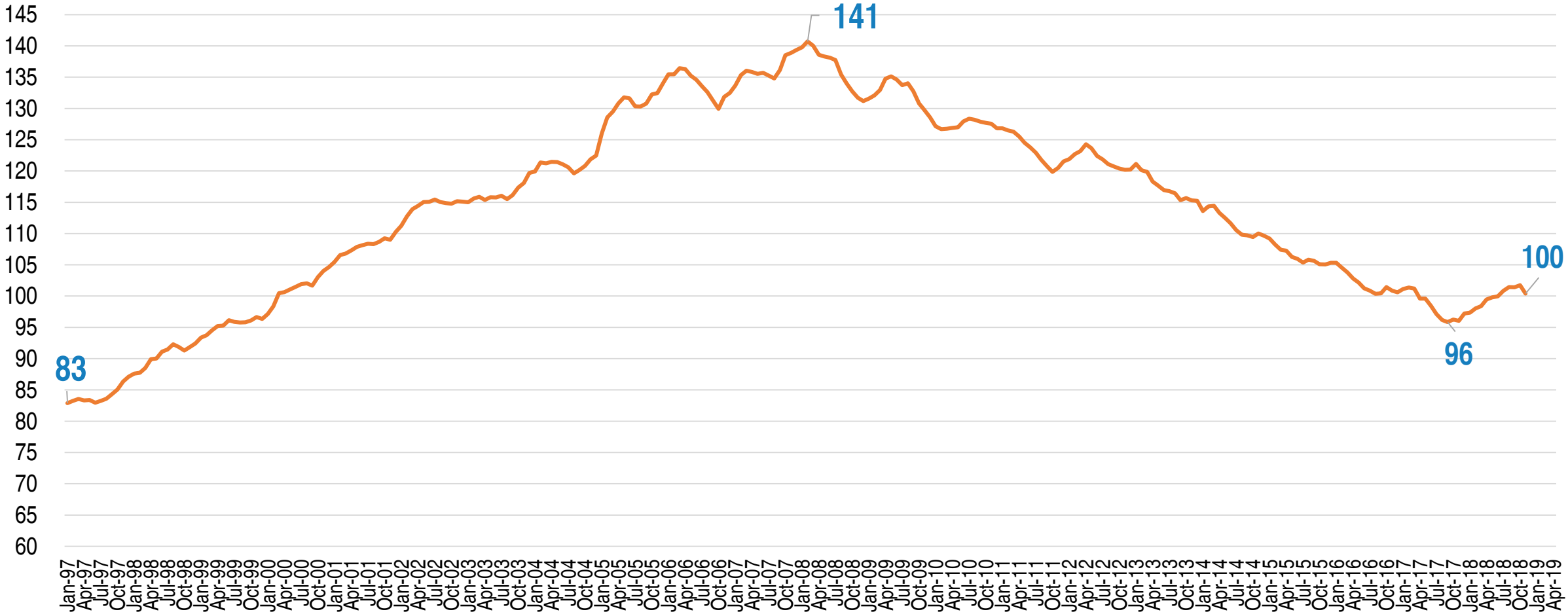


RESIDENTIAL SALES BY PRICE, 2018



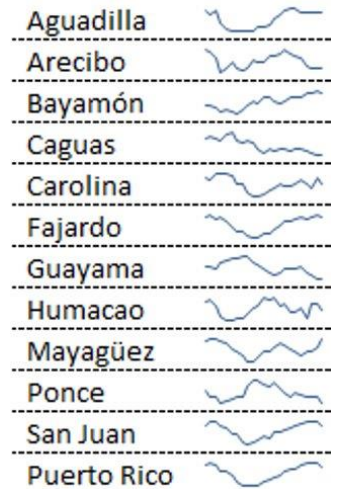
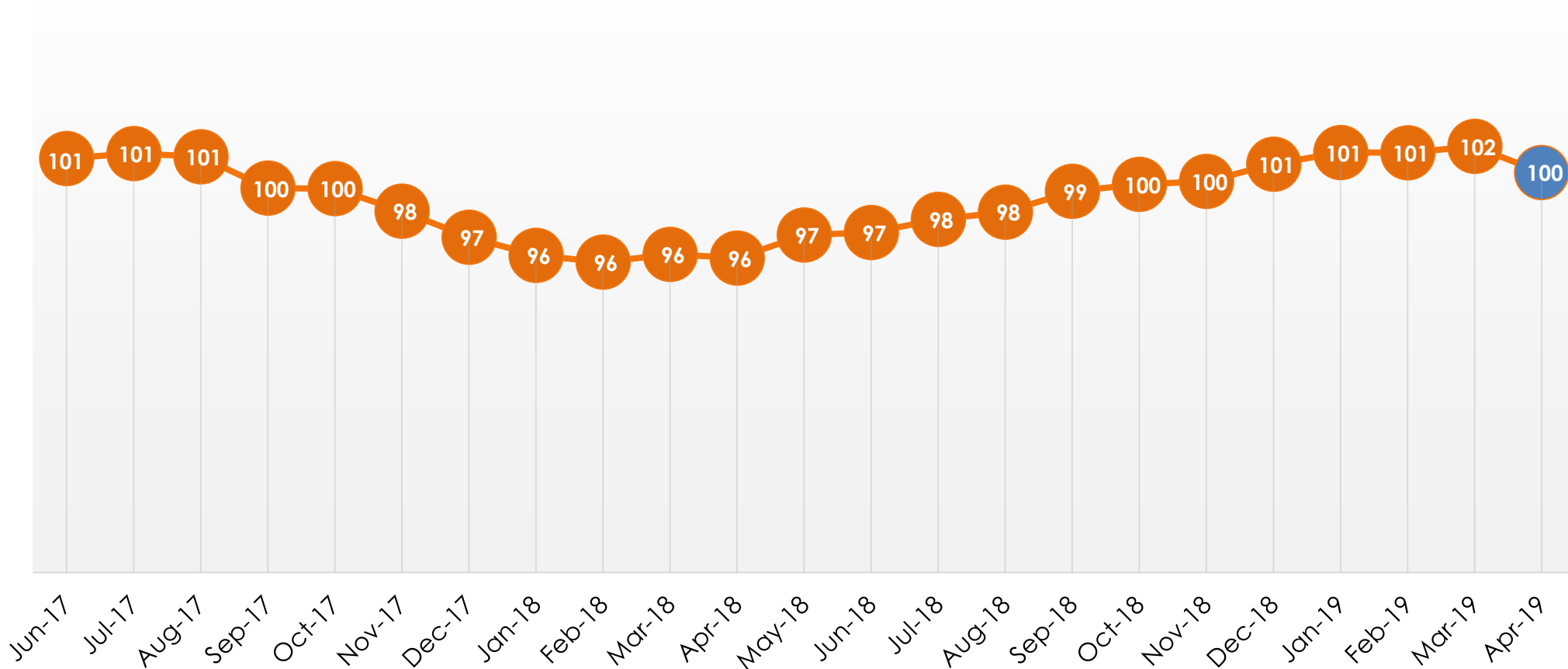
HISTORICAL HOUSING PRICE TRENDS

Average Price per Square Foot - Puerto Rico
June 1997 to April 2019



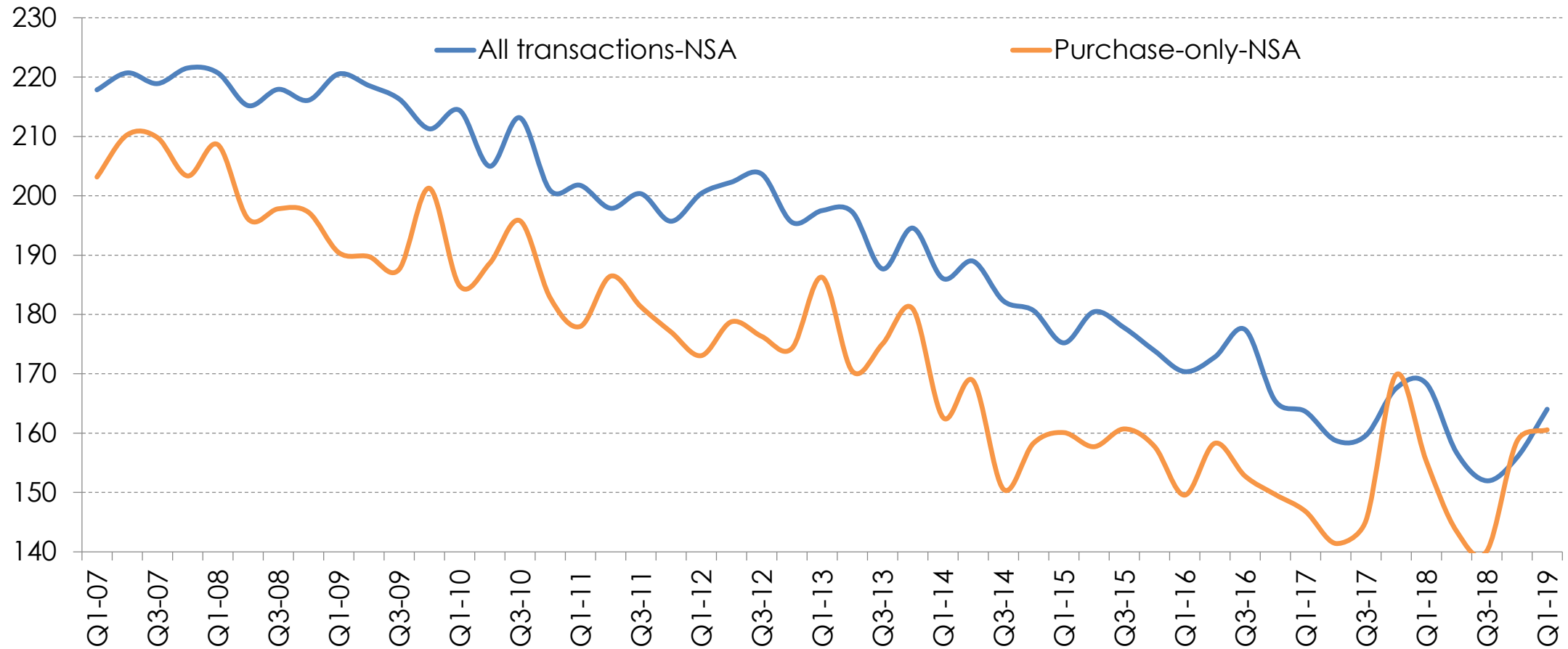
RECENT HOUSING PRICE TRENDS

Average Price per Square Foot - Puerto Rico June 2017 to April 2019



Trendlines magnitudes are not comparable among regions

HOUSE PRICE INDEX (NSA)

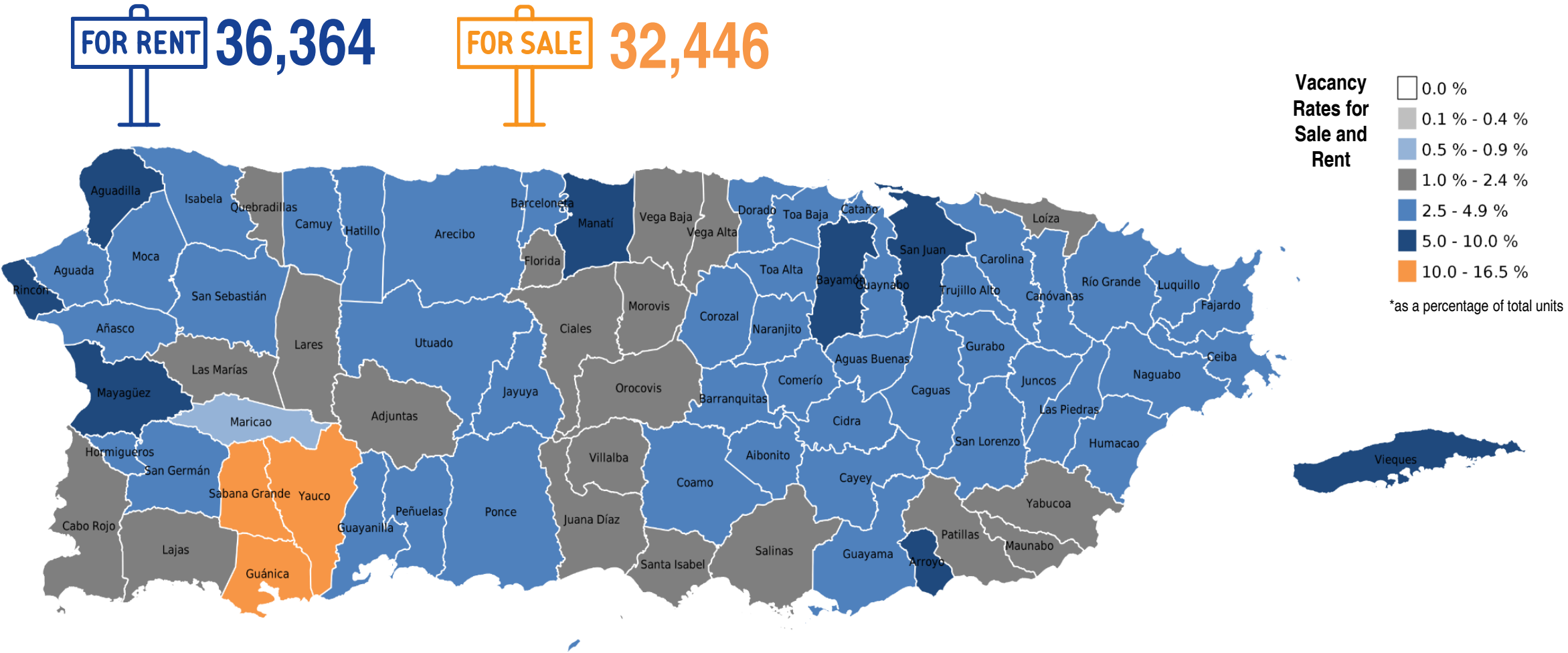


Source: FHFA (2019).



HOUSING SUPPLY

VACANT HOUSING FOR SALE AND RENT, 2016



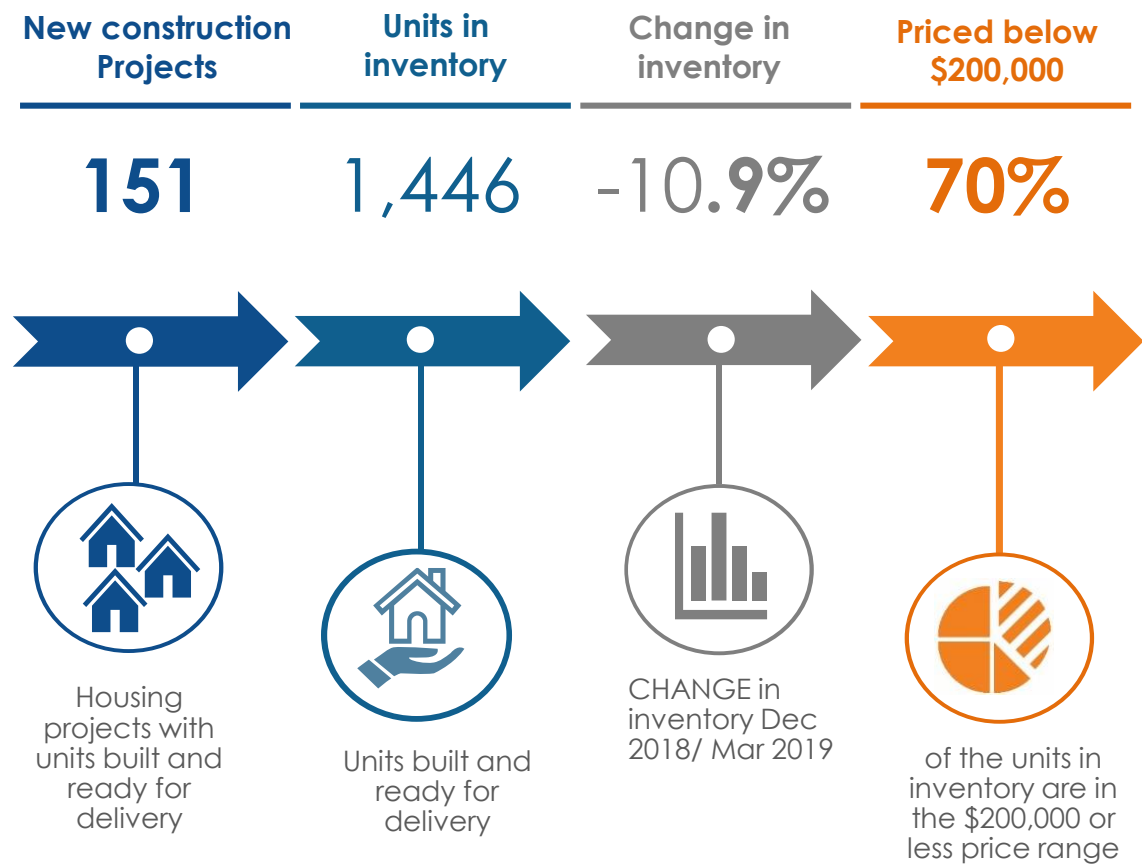
VACANT HOUSING FOR SALE, 2016

by Municipality



INVENTORY OF NEW CONSTRUCTION

MARCH OF 2019



Source: Estudios Tecnicos, Inc., Construction and Sales Activity Report.
© 2019. Estudios Técnicos, Inc.

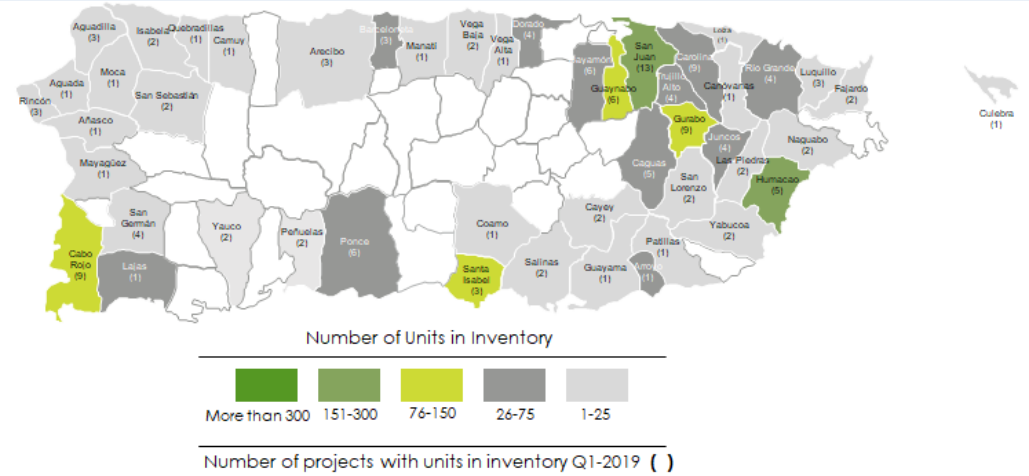
By Type of Unit

Detached	44.1%
High Rise	25.5%
Walkup	16.5%
Villa	10.5%
Mixed	2.0%
Townhouse	1.2%

By Region

San Juan	19.4%
Humacao	14.1%
Caguas	12.8%
Mayagüez	11.7%
Bayamón	9.3%
Ponce	9.1%
Guayama	6.6%
Carolina	6.4%
Arecibo	4.0%
Fajardo	3.9%
Aguadilla	2.6%

By Municipality

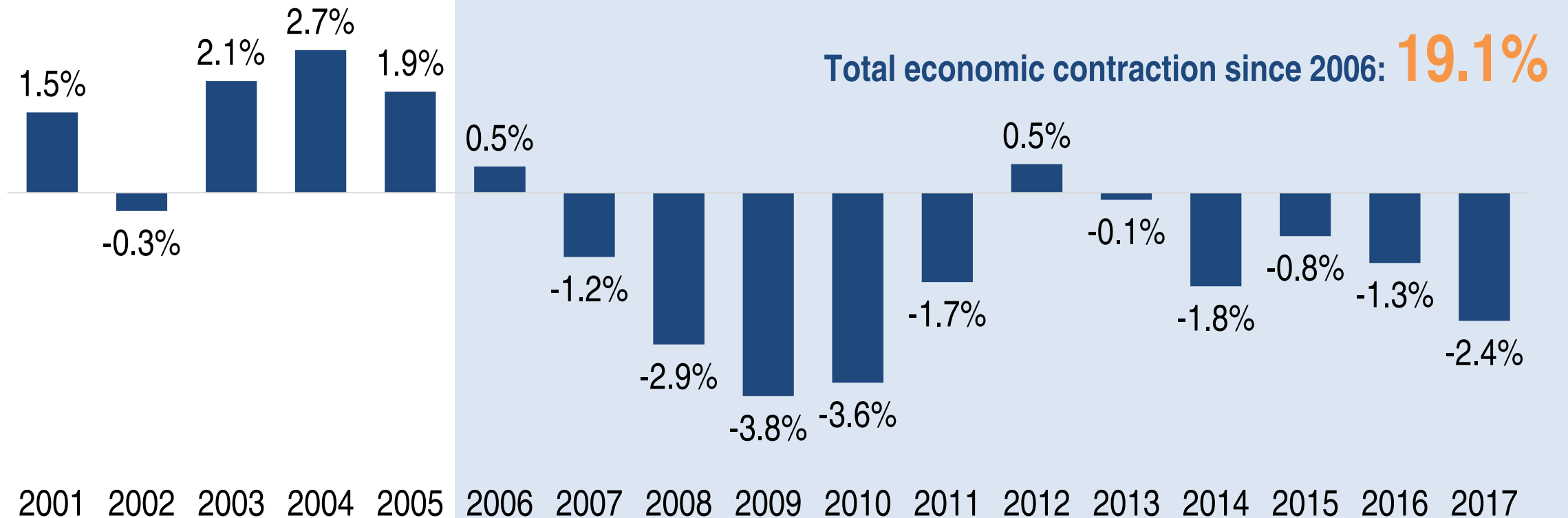




HOUSING INDUSTRY CHALLENGES

A SMALLER ECONOMY

Real GNP Growth in Puerto Rico
Fiscal Years -- 2001-2017



...WITH A SMALLER LABOR MARKET

JOB LOSS 2007-2019

158,900
net loss of job as
of 2019



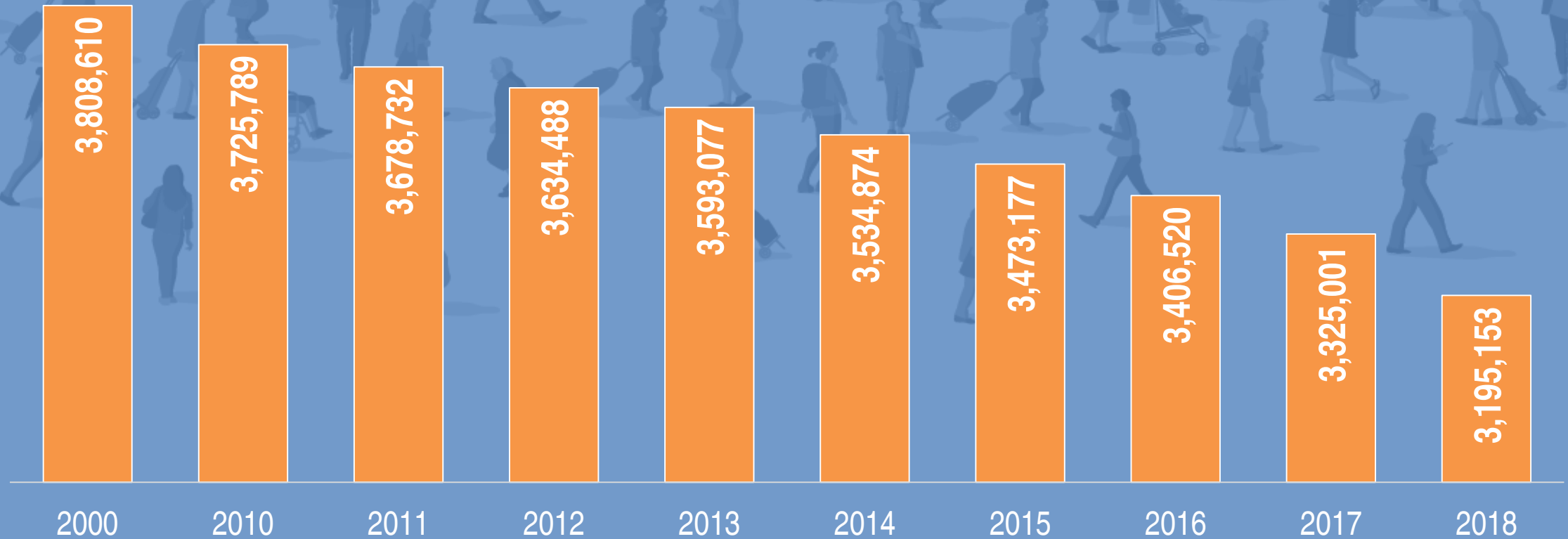
63,700 jobs
Private Sector

- Employment loss:
- Manufacturing – 34,200
 - Construction – 35,000

95,200 jobs
State & Local Government

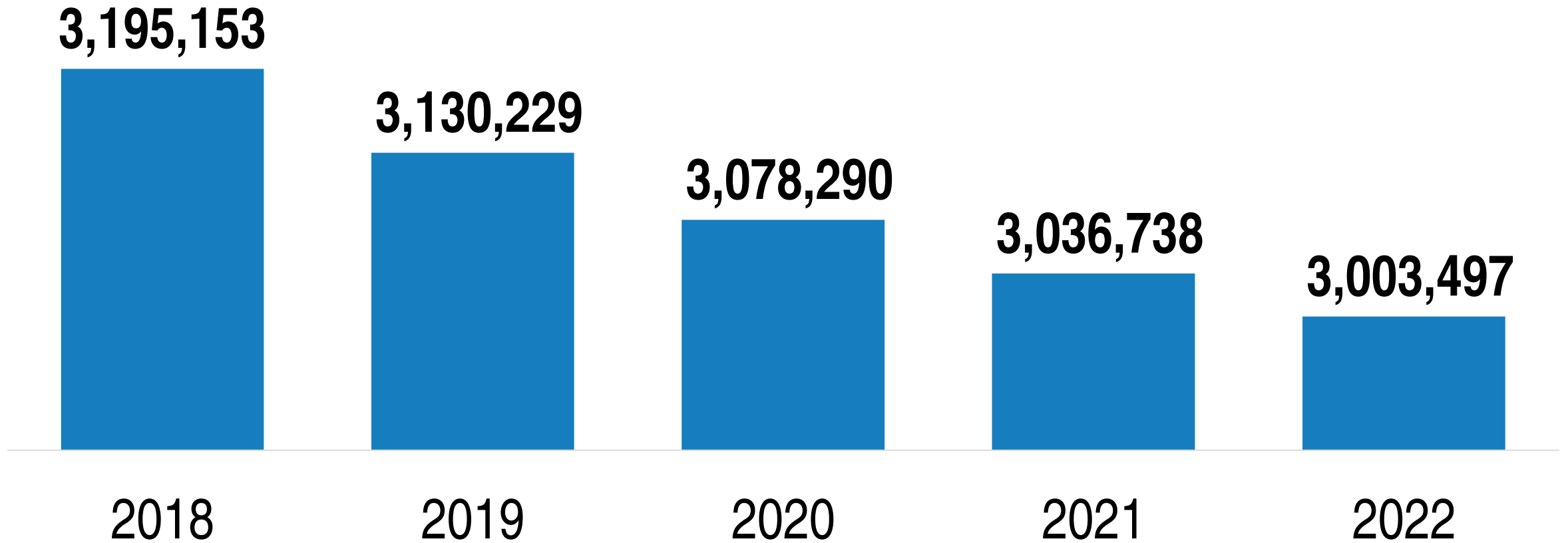
Source: U.S. BLS (2018). *Encuesta de Establecimiento*.

DECLINING POPULATION BASE



Source: U.S. Census (2019). American Community Survey (PEPANNRES),
Census Summary Files (Age Groups and Sex); Annual Estimates of Resident Population (December 18, 2018).

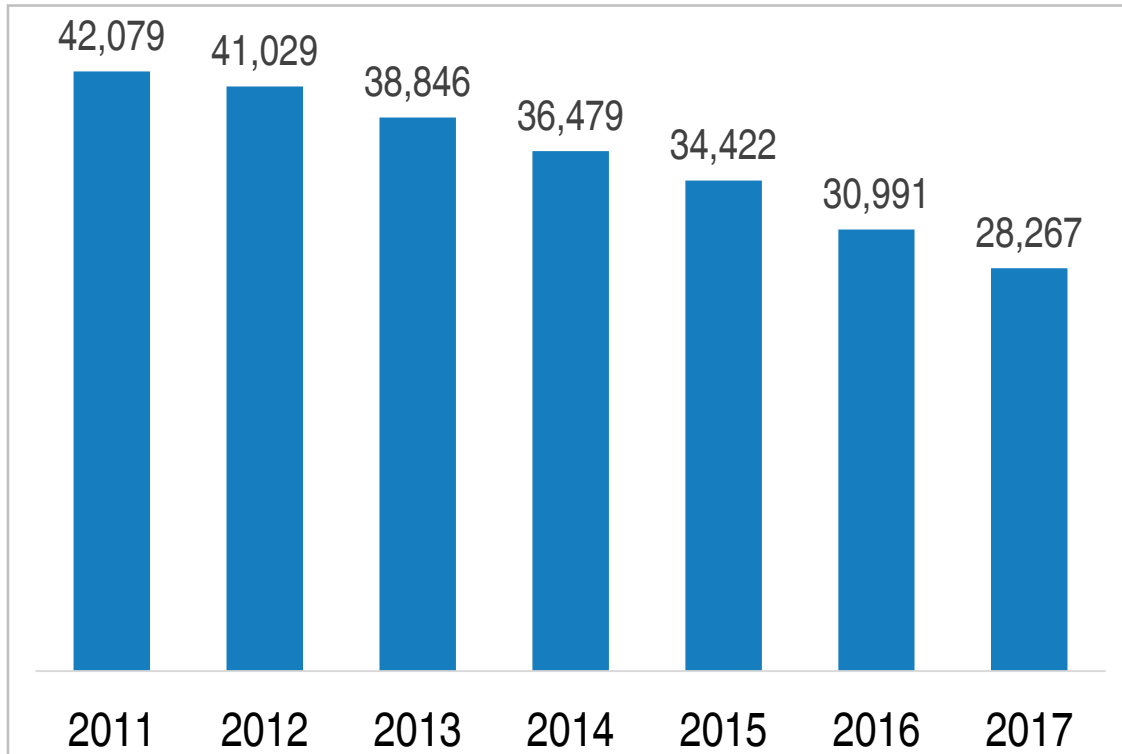
POPULATION PROJECTION, 2018-2022



Source: Estudios Técnicos, Inc.

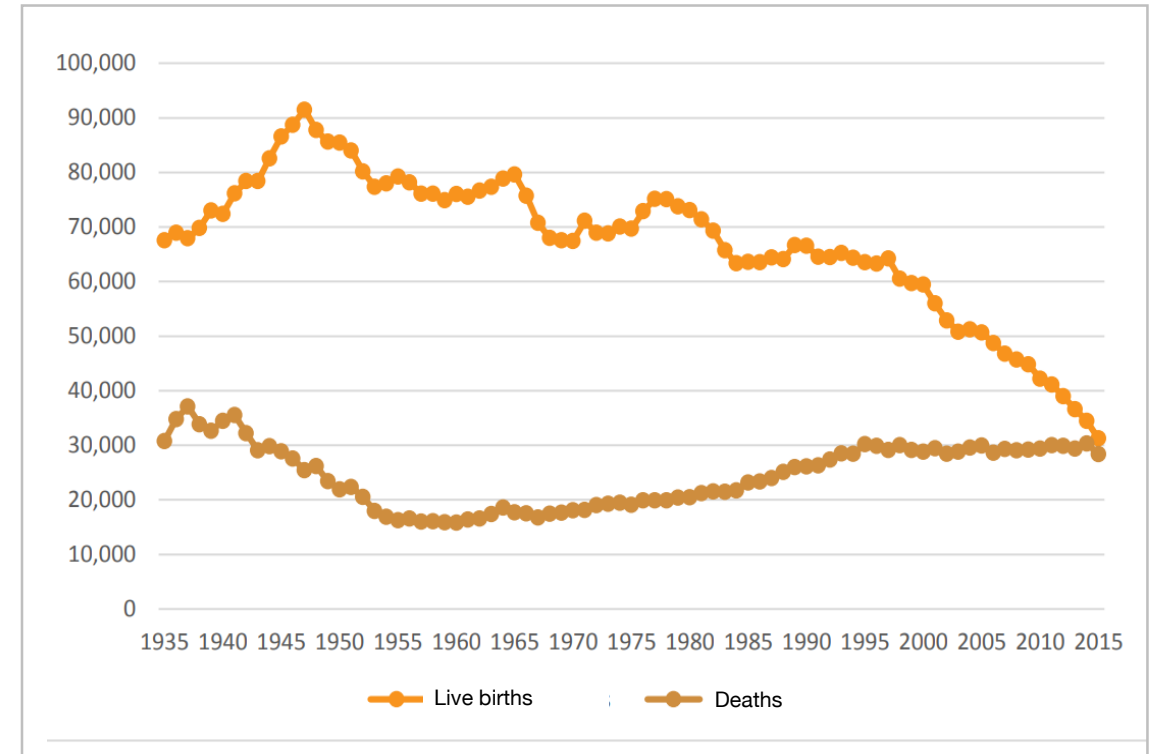
DECLINING BIRTHS AND NATURAL POPULATION

Births in Puerto Rico
Fiscal Years-- 2011 - 2017



Source: US Census Bureau (2018). *Annual Estimates of the Components of Resident Population Change* [Tabla PEPTCOMP].

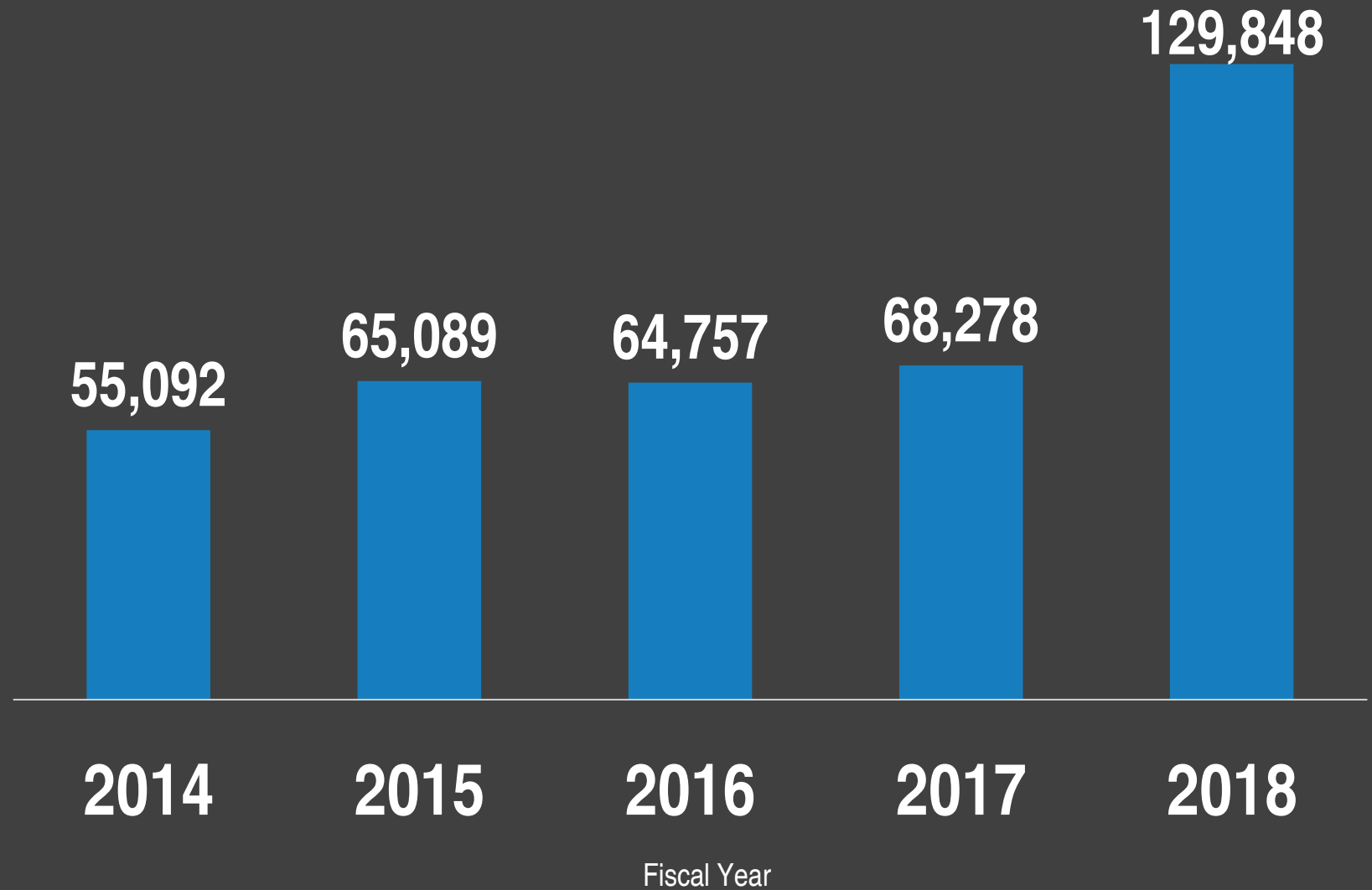
Births and Deaths: 1935-2015



Source: Department of Health. Statistics Division

NET MIGRATION

Net Migration is
expected to
improve in 2019
and 2020





SELECTED HOUSING NEEDS CHALLENGES

AGING POPULATION

Age bracket	2012	2017	Change
<25	1,275,486	1,095,850	-179,635
25-44	972,074	887,117	-84,957
45-64	922,128	903,227	-18,901
65+	546,830	641,406	94,576
Total	3,716,518	3,527,600	-188,918

Source: ACS, 2012 and 2017, 5 years

COST-BURDENED HOUSEHOLDS

Cost Burden

Housing cost higher than **30%**
of household income

Renter



117,969

Owner

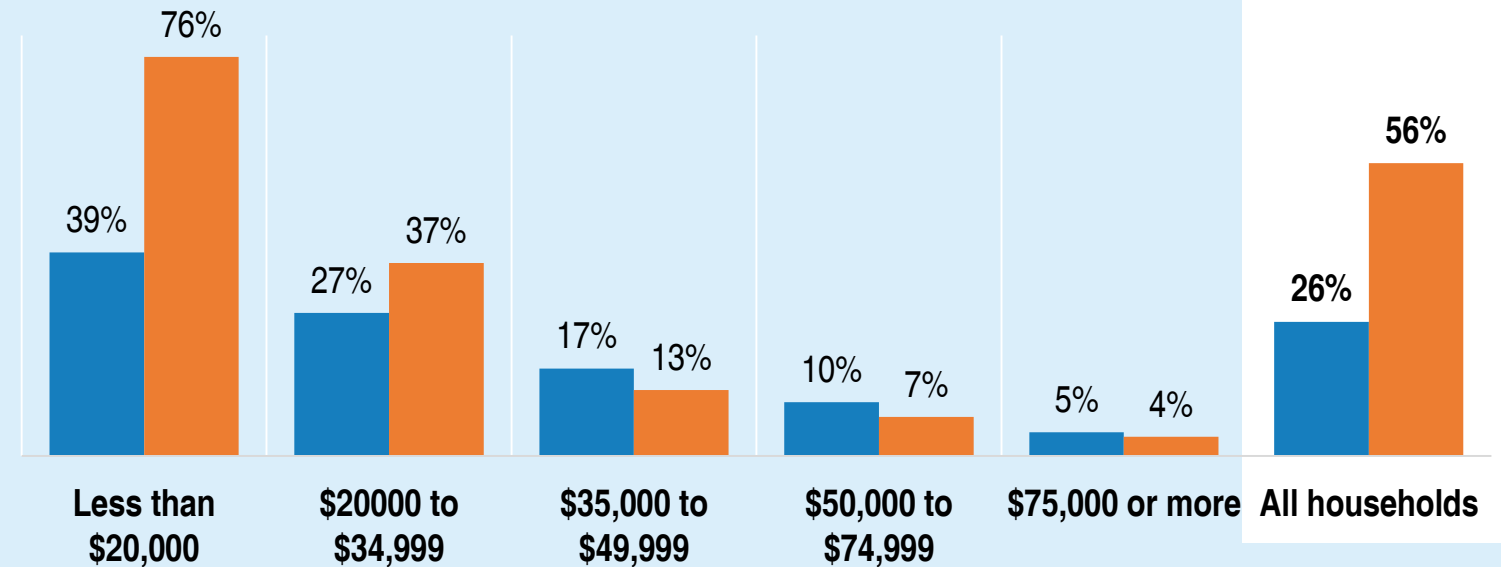


205,074

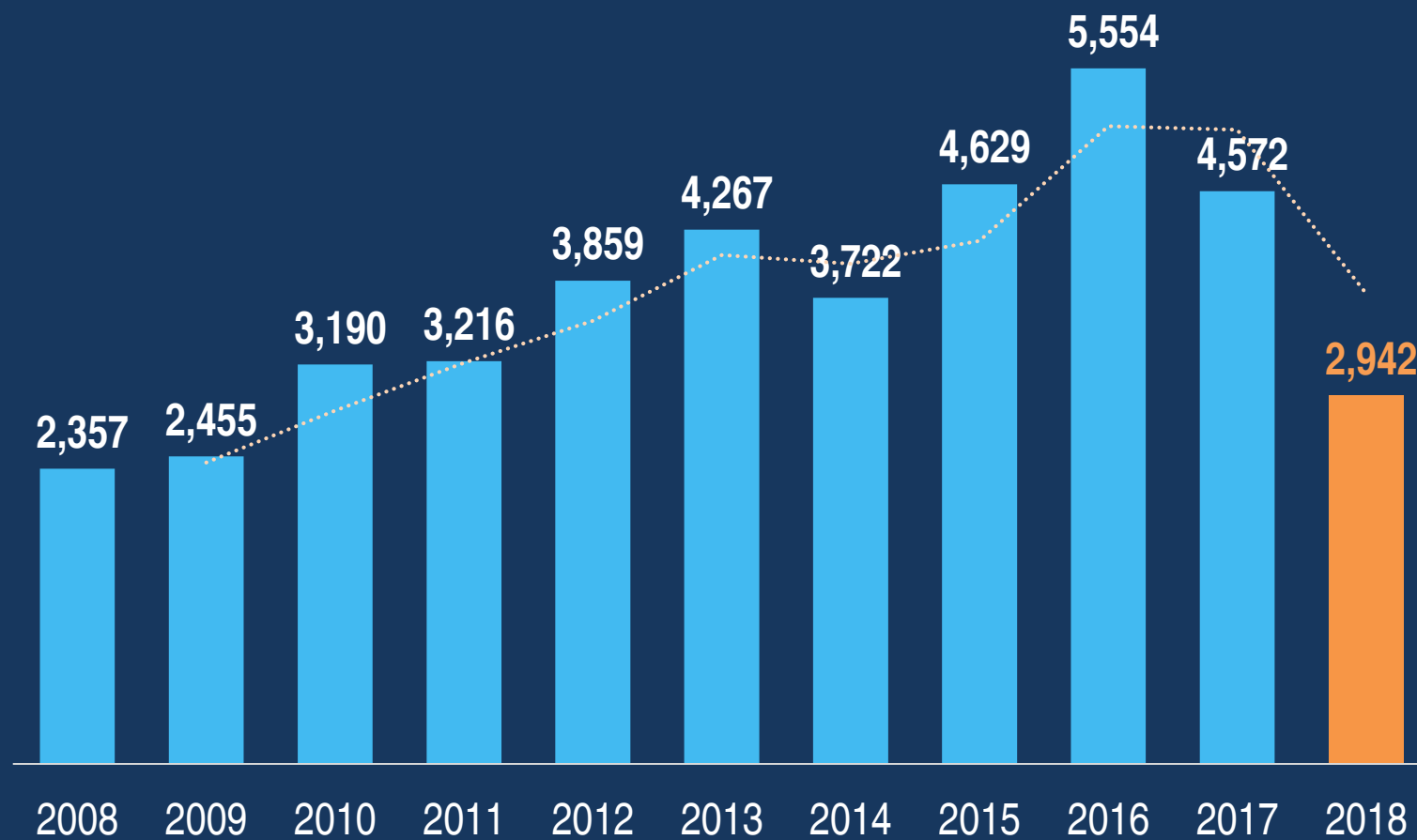
Percent Cost Burden Household by Income

Owner

Renter



FORECLOSURES 2008-2018



Source: OCIF, 2018

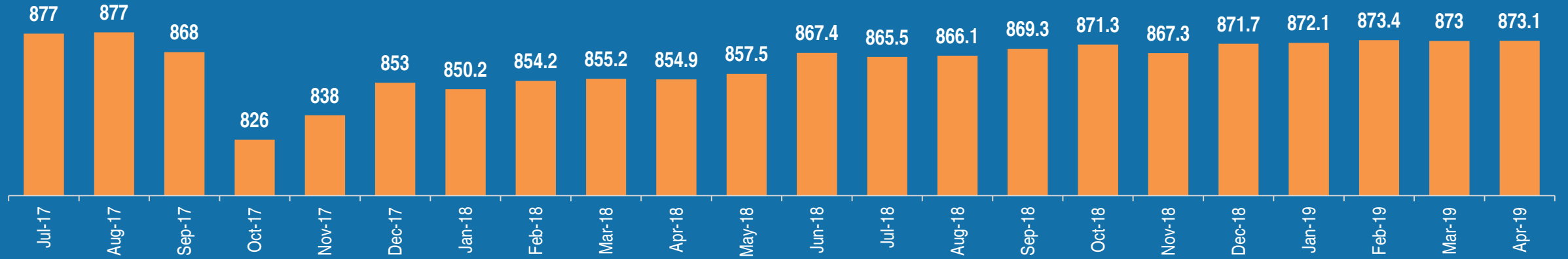


INDUSTRY OPPORTUNITIES

STRONGER LABOR MARKET

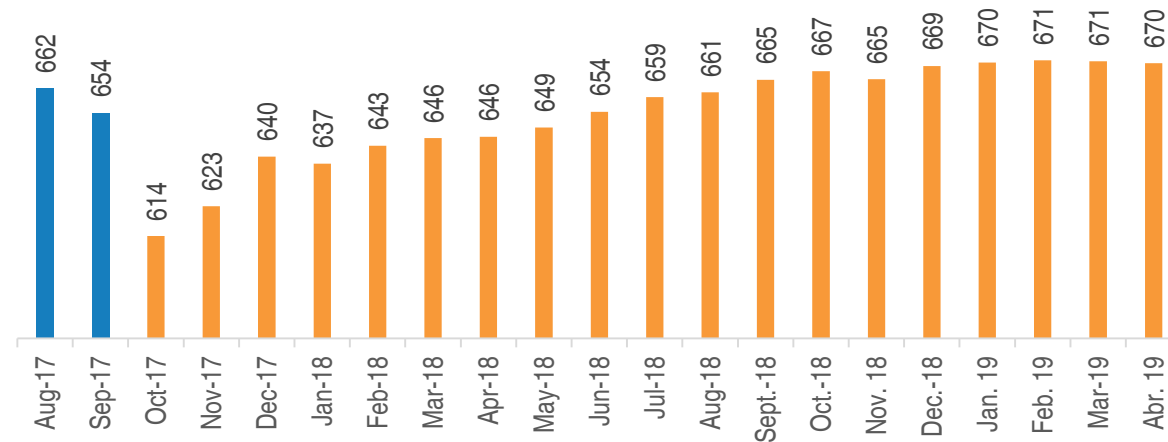
Salaried Employment ('000s)

July 2017 – April 2019



Fuente: BLS (2019). Current Employment Statistics.

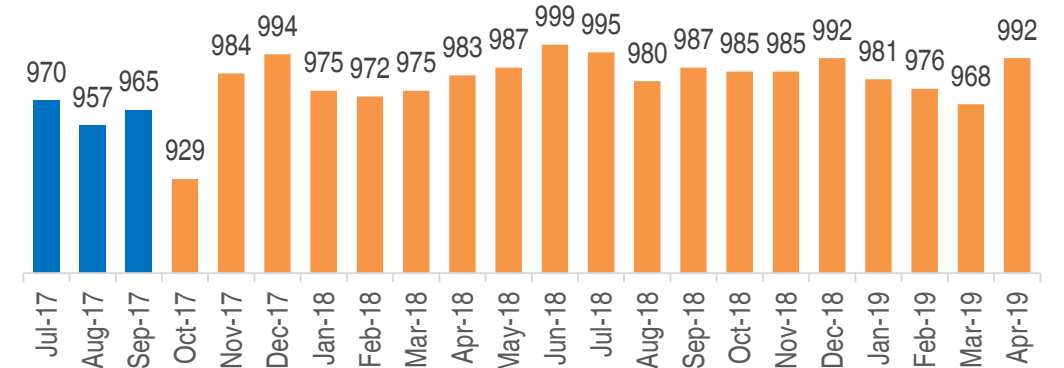
Salaried Private Employment ('000s)



Fuente: Departamento del Trabajo y Recursos Humanos (2019).

Total Household Survey Employment ('000s)

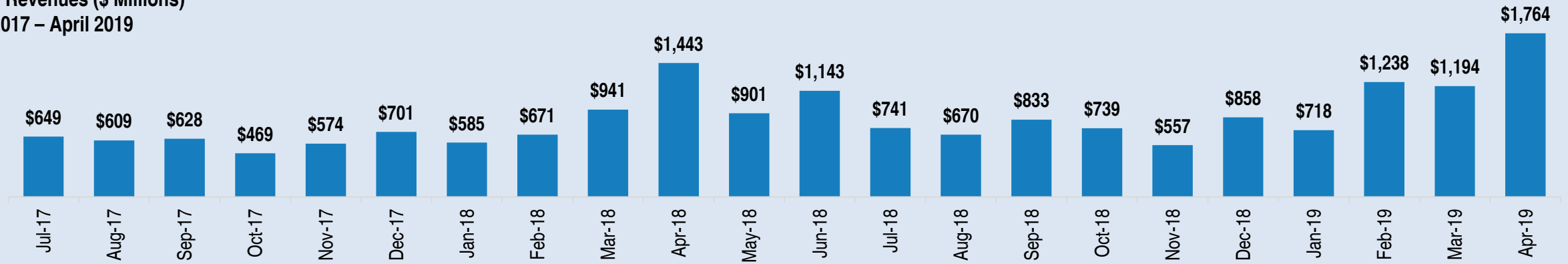
July 2017 - April 2019



Source: PR Department of Labor & Human Resources (2019). Empleo y Desempleo.
No survey was performed on september 2017 due to the hurricane.

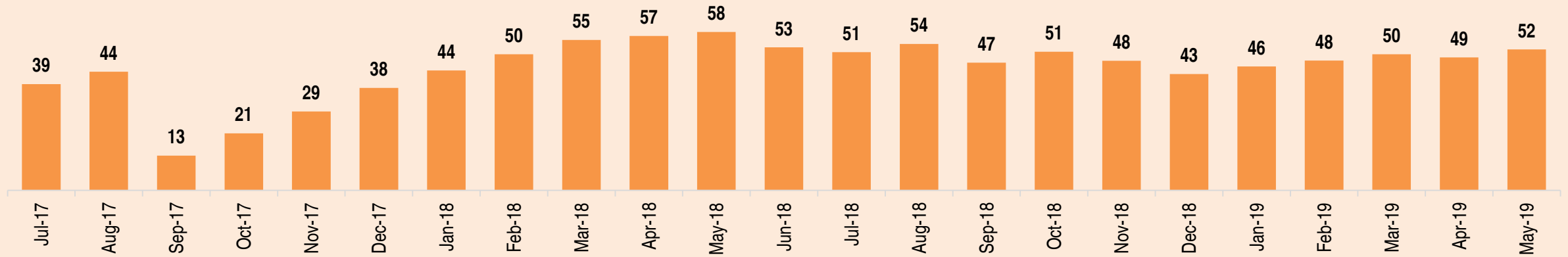
STRONGER FISCAL REVENUES AND CONSTRUCTION ACTIVITY

Fiscal Revenues (\$ Millions)
July 2017 – April 2019



Source: PR Treasury Department (2019). Estadísticas y Recaudos.

Cement Sales (Metric Tones)
July 2017 – May 2019



Source: PR Fiscal Agency & Financial Advisory Authority (2018). Producción y ventas de cemento.

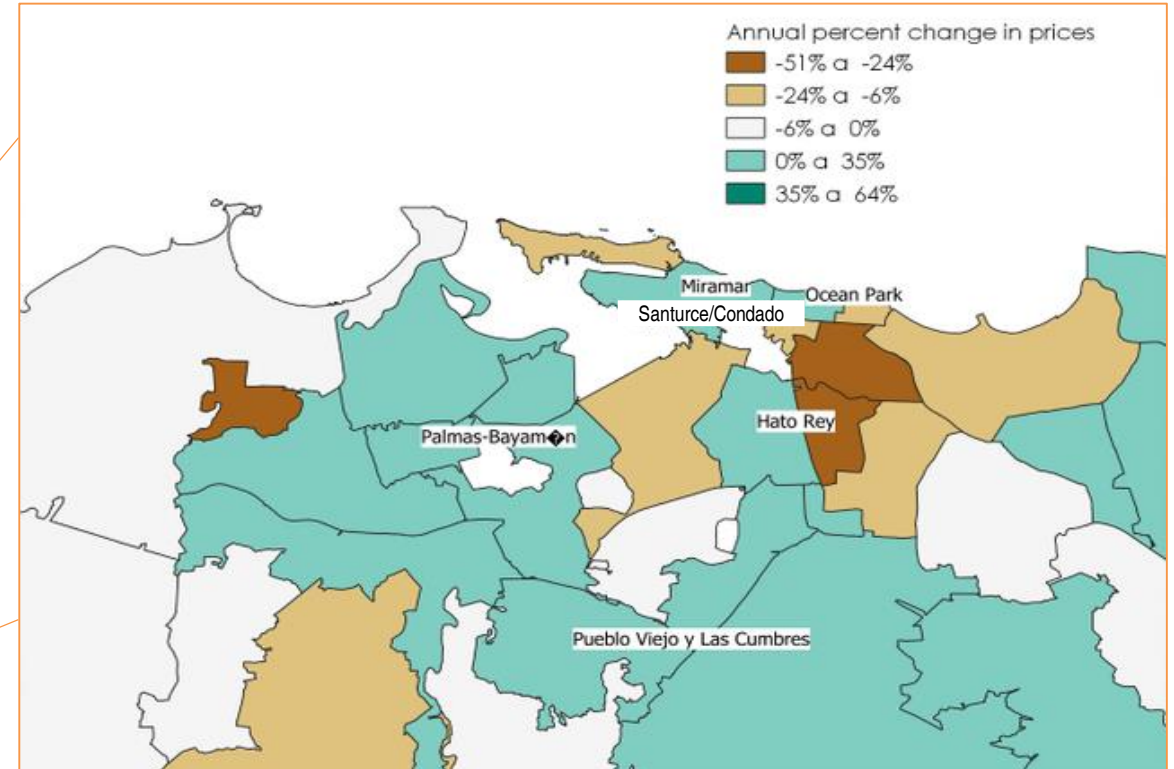
MODERATE INCREASE IN MID-HIGH AND HIGH INCOME HOUSEHOLDS

Households by level of income			
	2012	2017	Change
Less than \$10,000	348,497	348,675	178
\$10,000 to \$14,999	146,039	145,699	(340)
\$15,000 to \$24,999	221,602	223,505	1,903
\$25,000 to \$34,999	150,363	147,813	(2,550)
\$35,000 to \$49,999	144,971	141,137	(3,834)
\$50,000 to \$74,999	116,066	117,760	1,694
\$75,000 to \$99,999	43,493	46,549	3,056
\$100,000 to \$149,999	29,815	32,243	2,428
\$150,000 to \$199,999	8,630	9,946	1,316
\$200,000 or more	8,108	9,294	1,186
Total Households	1,217,584	1,222,606	5,022

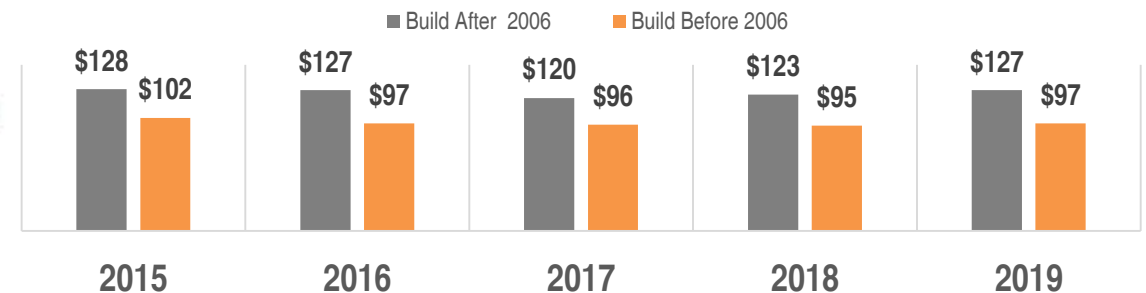
CHANGE IN RESIDENTIAL PRICES/SQ.FT. BY ZIP CODE

(AVERAGE PRICE JAN-APRIL 2019 / JAN-APRIL 2018)

- Price increases are an indication of improving market conditions in certain locations and project types.
- The lack of adequate housing supply in relation to customer preferences has been alluded as the main driver of housing prices.



Price per Sq.Ft. Trends

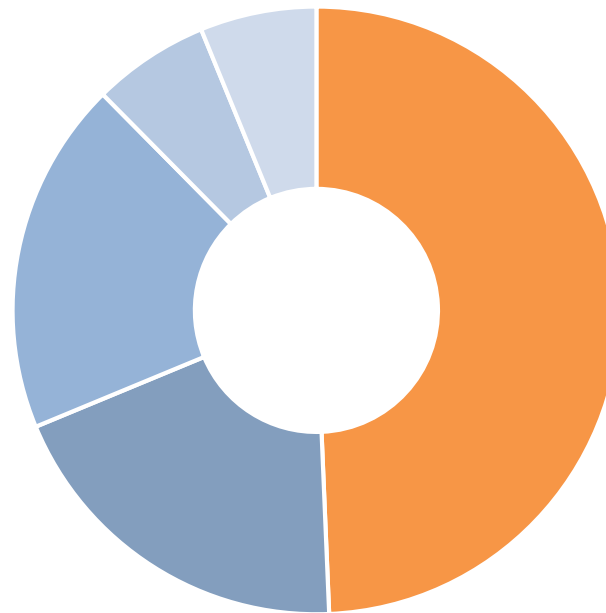


HOUSING RECONSTRUCTION AND CDBG-DR FUNDS (HUD)

PROPOSED FUND ALLOCATION OF THE INITIAL \$9.73 BILLION?

Damages Claims Hurricane María			
Item	Owner	Renter	Total
FEMA Verified Claims	269,193	584	269,777
Unverified Claims (Property and Personal Property)	430,197	225,513	655,710
	699,390	226,097	925,487

Source: CDBG-DR Action Plan.



\$9,727,962,000

■ **Housing**
\$3,861,570,050
49%



■ **Economic recovery**
\$1,520,000,000
20%



■ **Infrastructure**
\$1,475,000,000
19%



■ **Administration**
\$486,398,100
6%



■ **Planning**
\$484,993,850
6%



FINAL COMMENTS

- Puerto Rico's housing market is improving, as reflected by price trends and sales.
- The lack of supply of housing in certain markets is driving above average price increases.
- But poor demographics and an expected inflation in the construction sector spells challenges to the extent and depth of this improvement.
- The industry must be forward looking to adapt to changing socioeconomic conditions and customer needs.
- A niche market is characterizing the local industry. Thus, identifying and timely responding to customer preferences and needs is critical to succeed in the current and expected socioeconomic and industry context.



Thank You

Lcdo. Graham A. Castillo
President

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