

Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010



*International Council of
Shopping Centers*



**Estudios
Técnicos
Inc.**

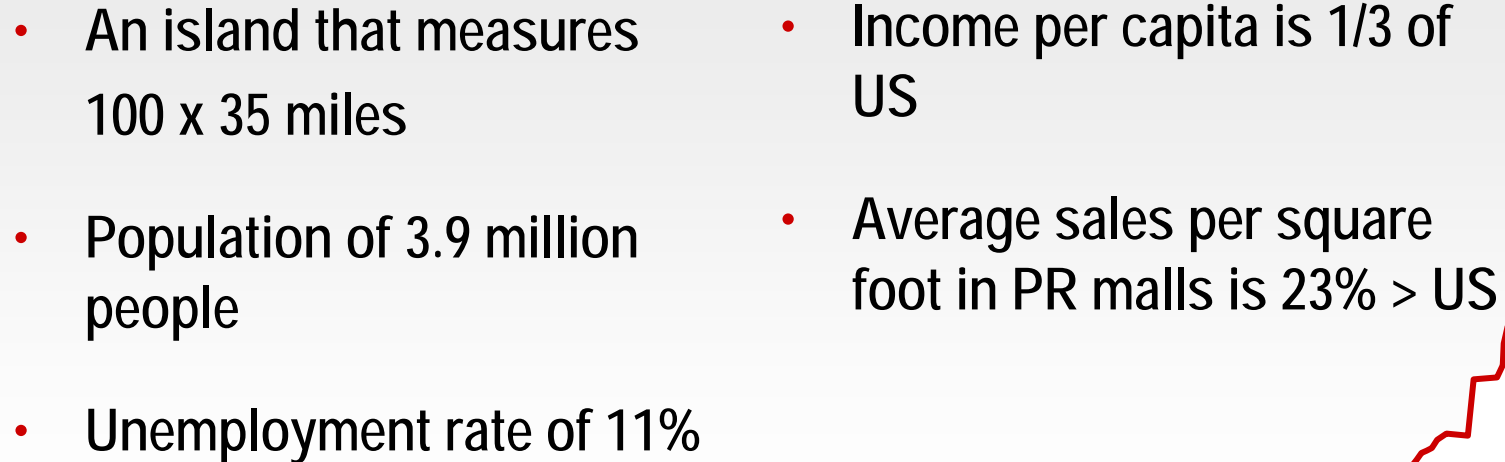
February 3, 2006

Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010



The Puerto Rican Paradox

- 
- An island that measures 100 x 35 miles
 - Population of 3.9 million people
 - Unemployment rate of 11%
 - Income per capita is 1/3 of US
 - Average sales per square foot in PR malls is 23% > US



Shopping Centers in Puerto Rico

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World – renowned retailers have their highest revenue stores in PR

- JC Penney
- Sears
- Office Max
- Western Auto
- Pep Boys
- Blockbuster Video
- Taco Maker



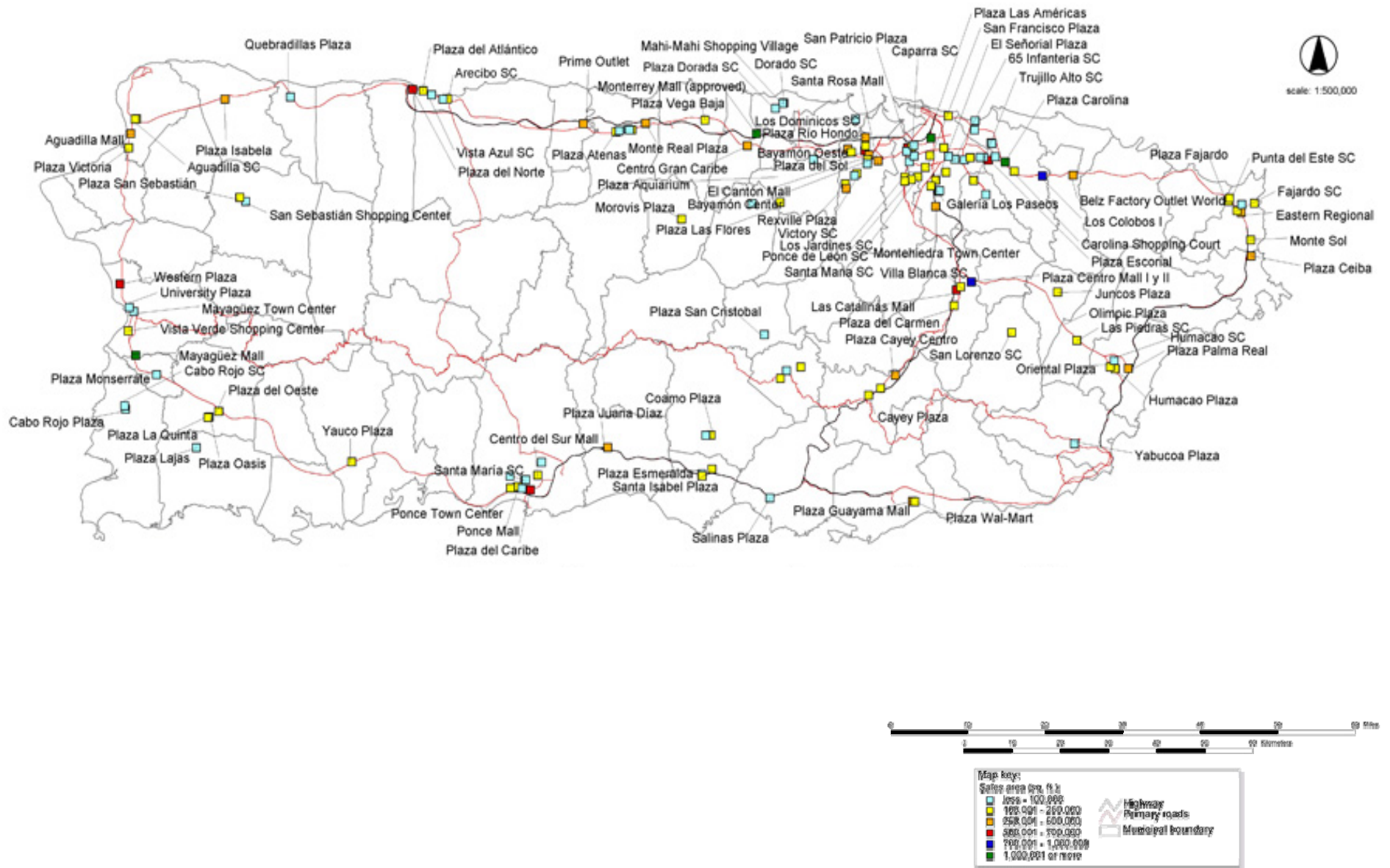
Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

 *Natural Systems in Puerto Rico*



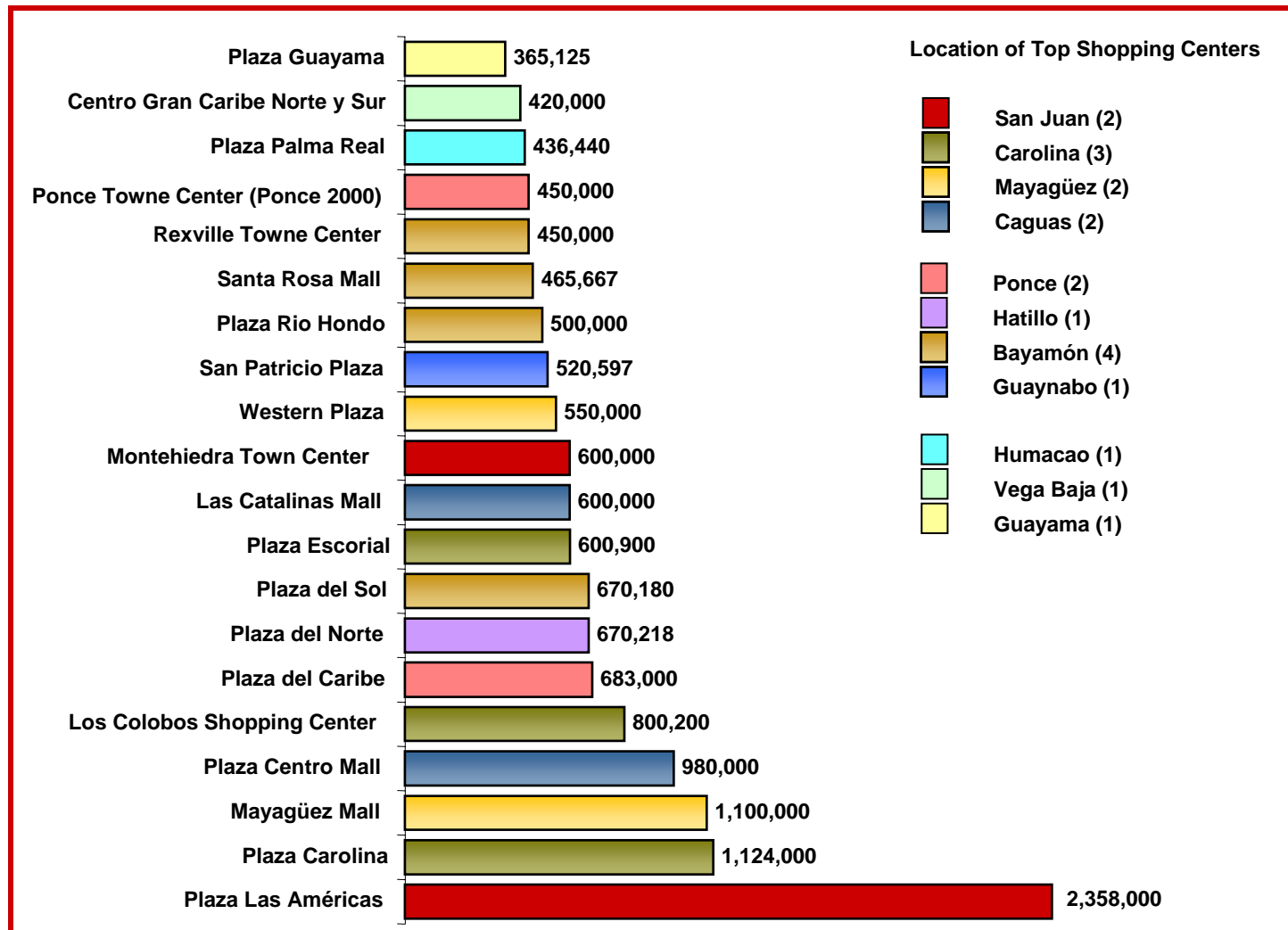
Main Shopping Centers in Puerto Rico, 2005



Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

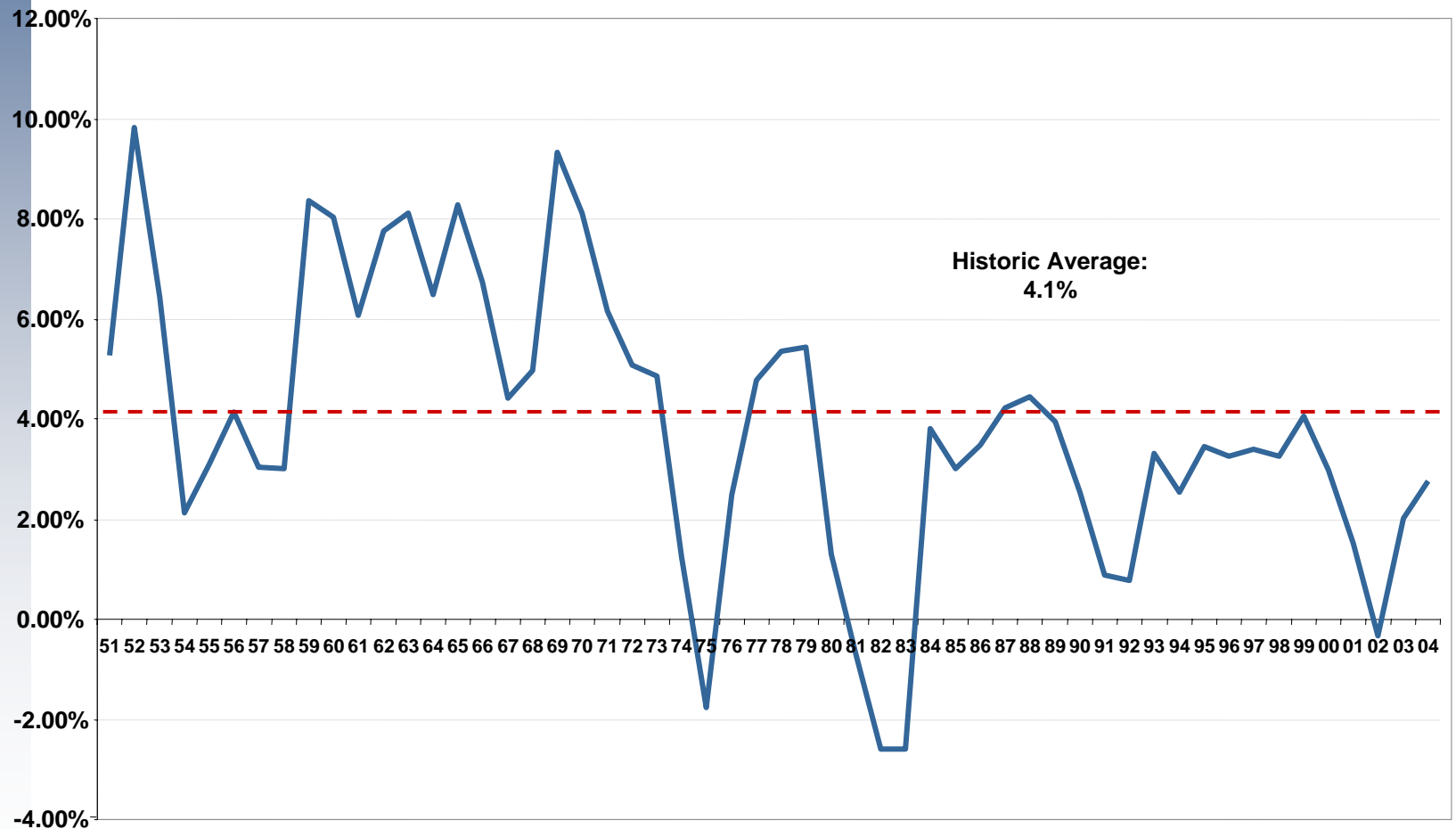
 *Top 20 Shopping Centers in Puerto Rico
(by square footage)*



Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

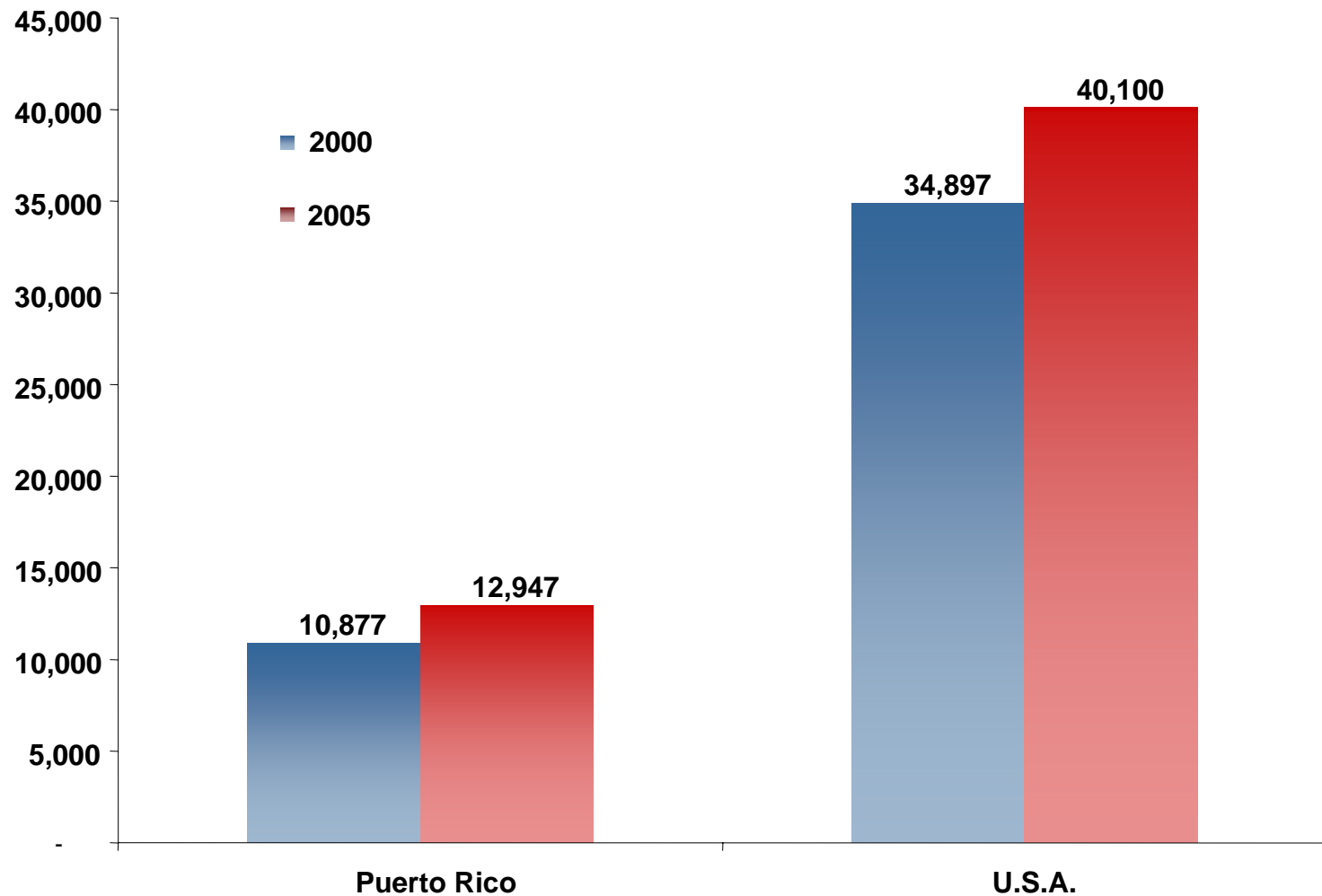
 *Puerto Rico's Economy: Historic Growth*



Shopping Centers in Puerto Rico

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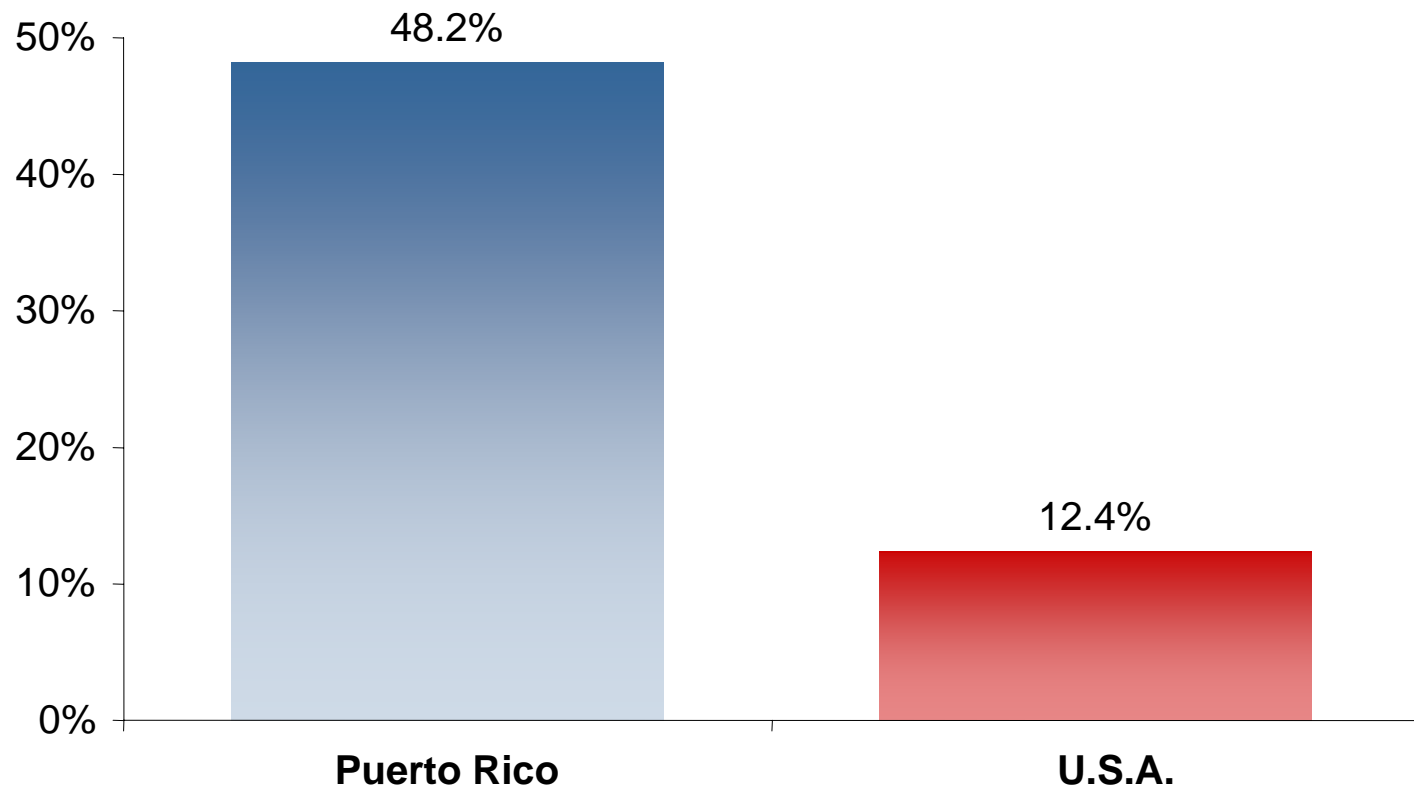
 *Per Capita Income 2000-2005*



Shopping Centers in Puerto Rico

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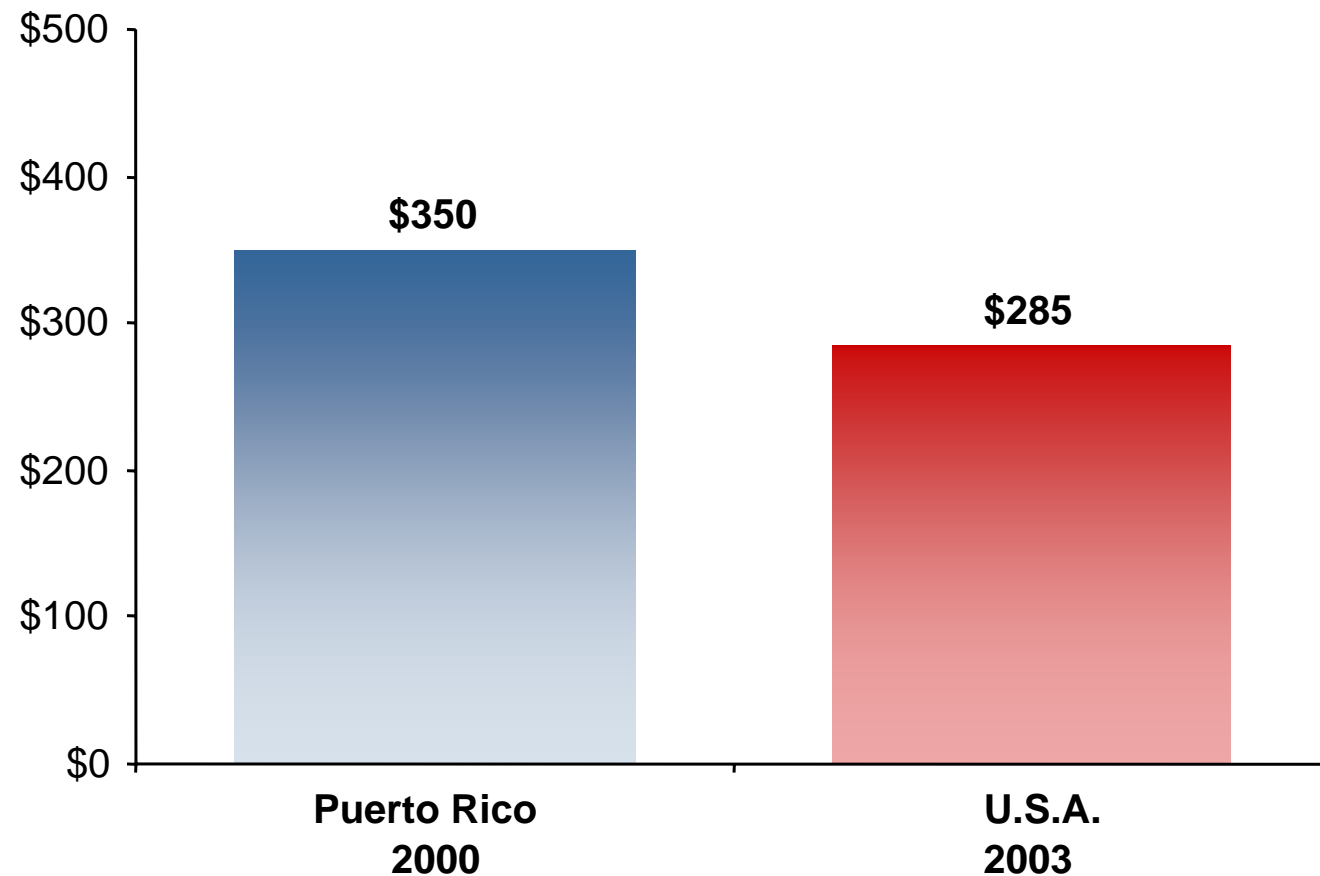
 *Families under Poverty Level – 2000*



Shopping Centers in Puerto Rico

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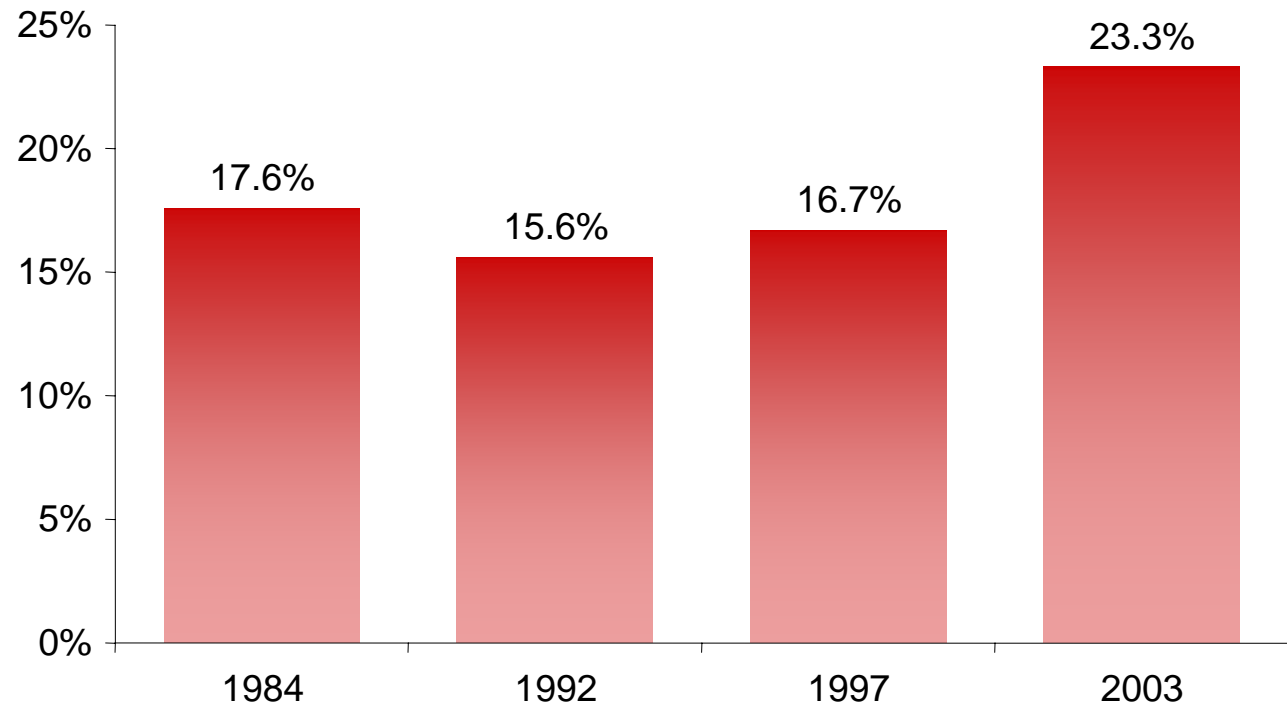
 *Shopping Centers – Sales per square foot*



Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

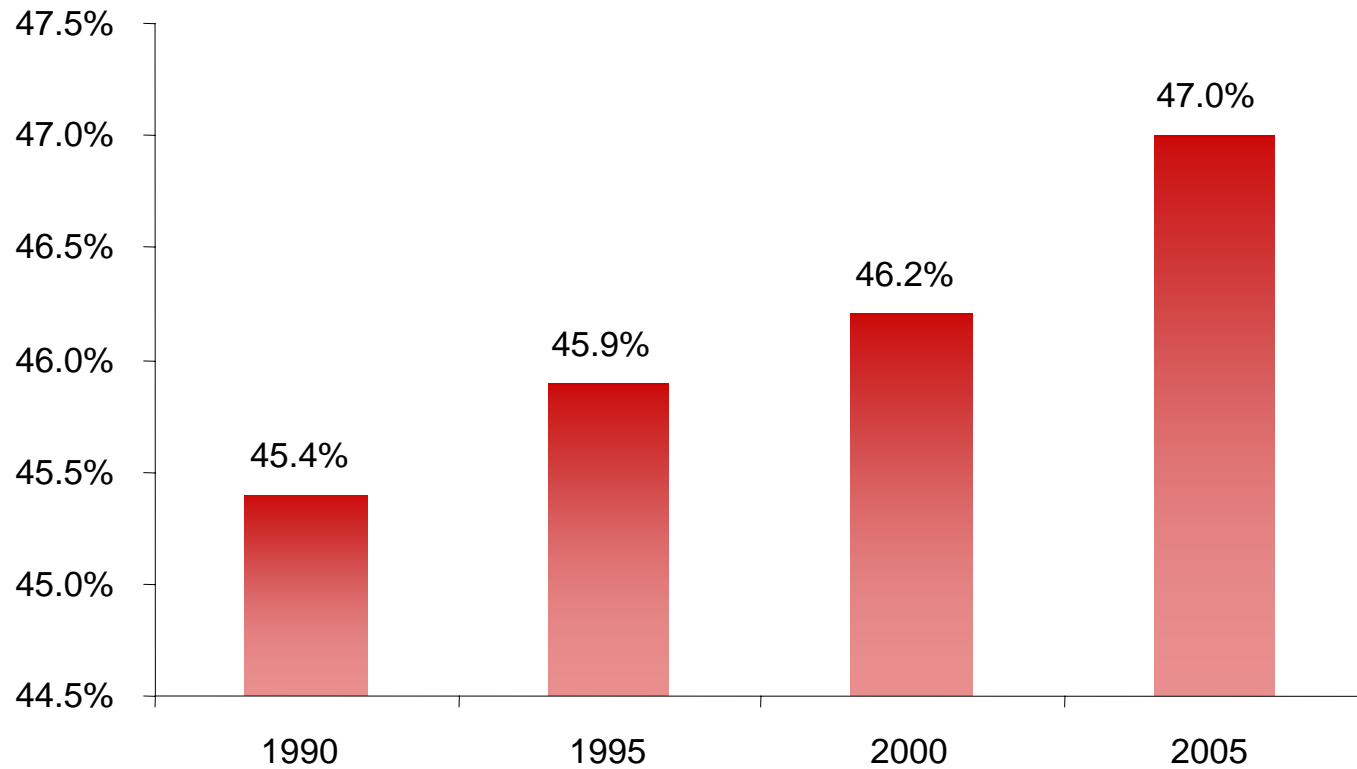
 *Puerto Rico – Underground Economy Estimates*



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Challenges and Opportunities 2006-2010

 *Labor Force Participation Rate*



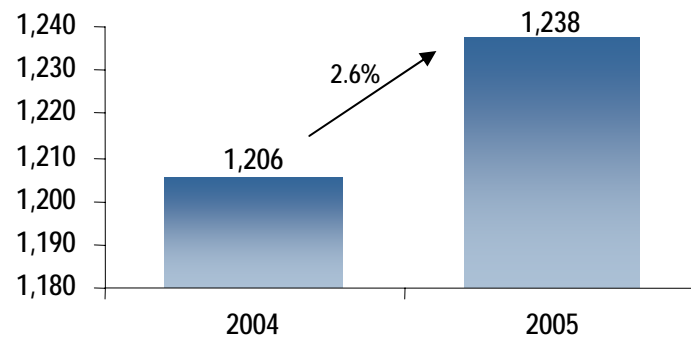
Shopping Centers in Puerto Rico

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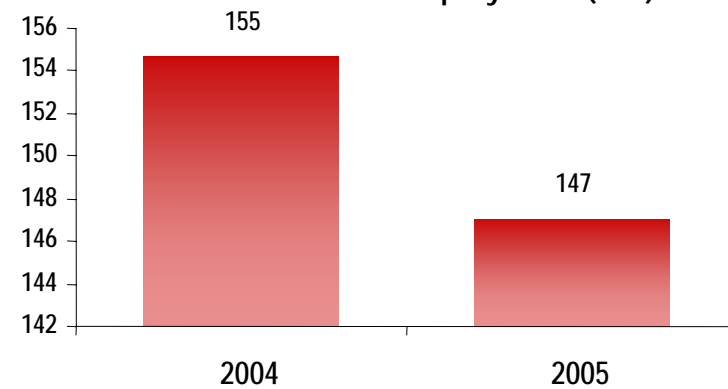
 *Employment*

July – February FY 2004 and 2005

Total Employment (000)



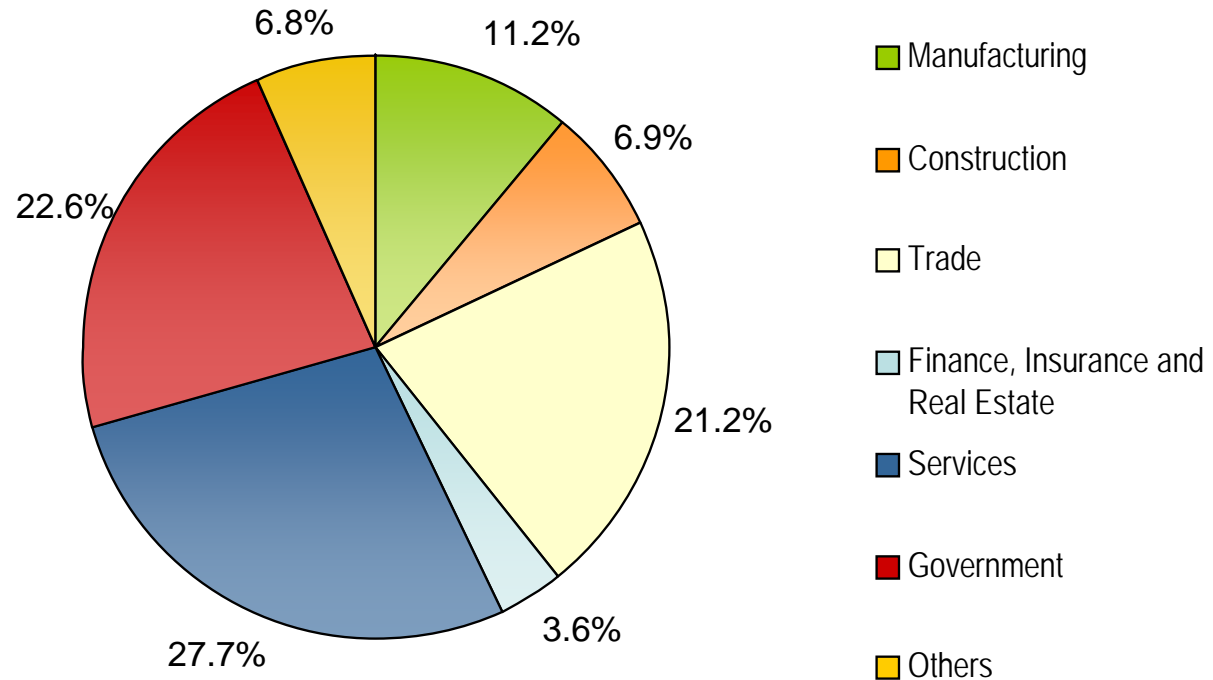
Unemployment (000)



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 *Employment in Puerto Rico by Major Industrial Sector*



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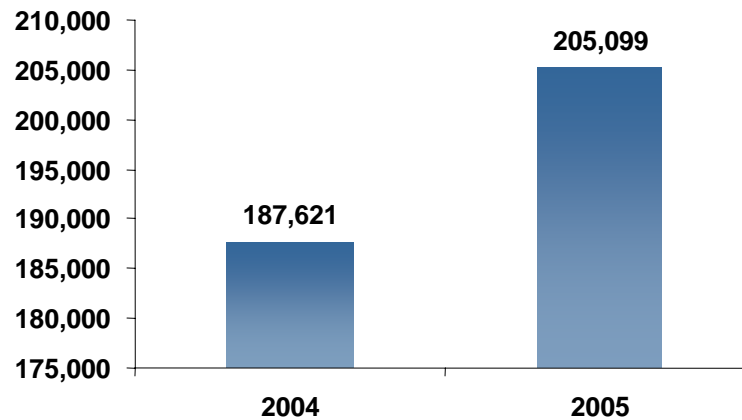
Challenges and Opportunities 2006-2010



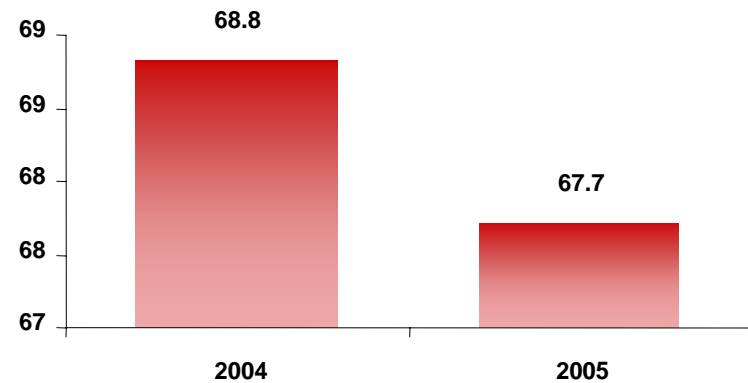
July – February FY 2004 and 2005

* Tourism is approximately 6% of GNP.

Hotels Registration



Occupancy Rates

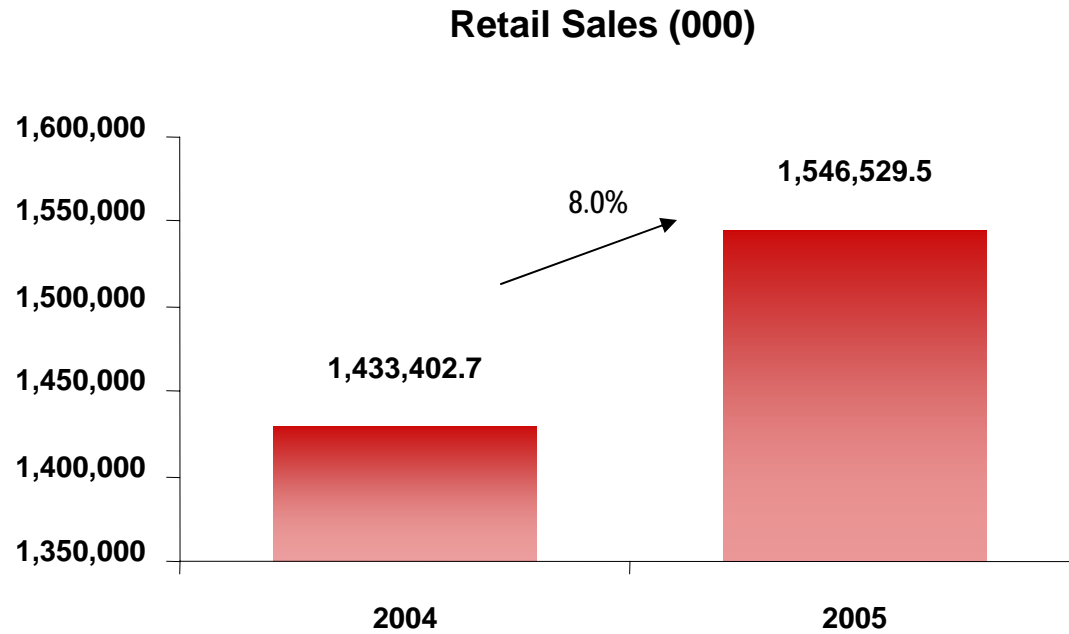


Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

 *Retail Sales*

FY 2004 and 2005



Shopping Centers in Puerto Rico

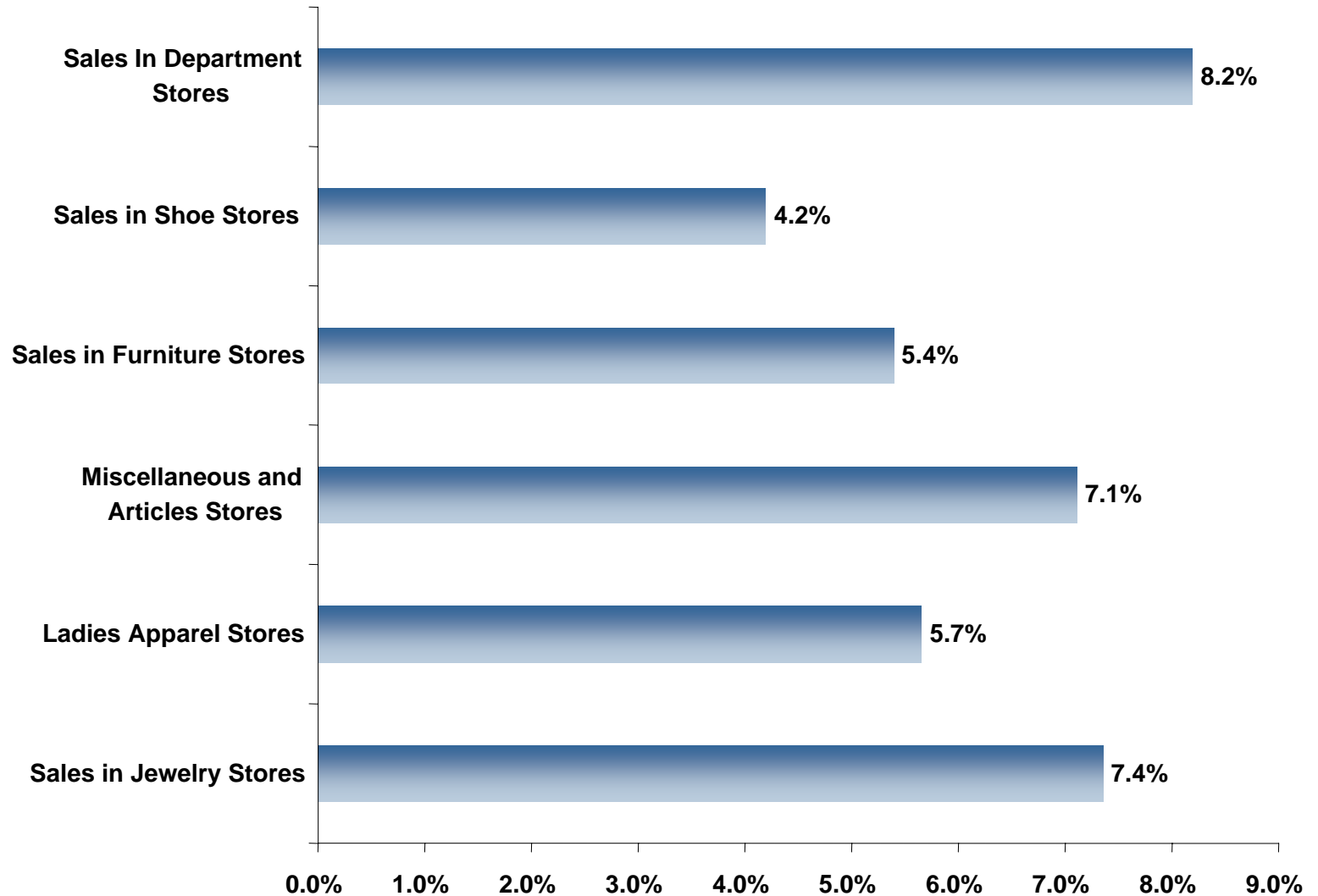
Challenges and Opportunities 2006-2010



Retail Sales

Sales Growth by Retailers

FY 2005 vs. 2004



Shopping Centers in Puerto Rico

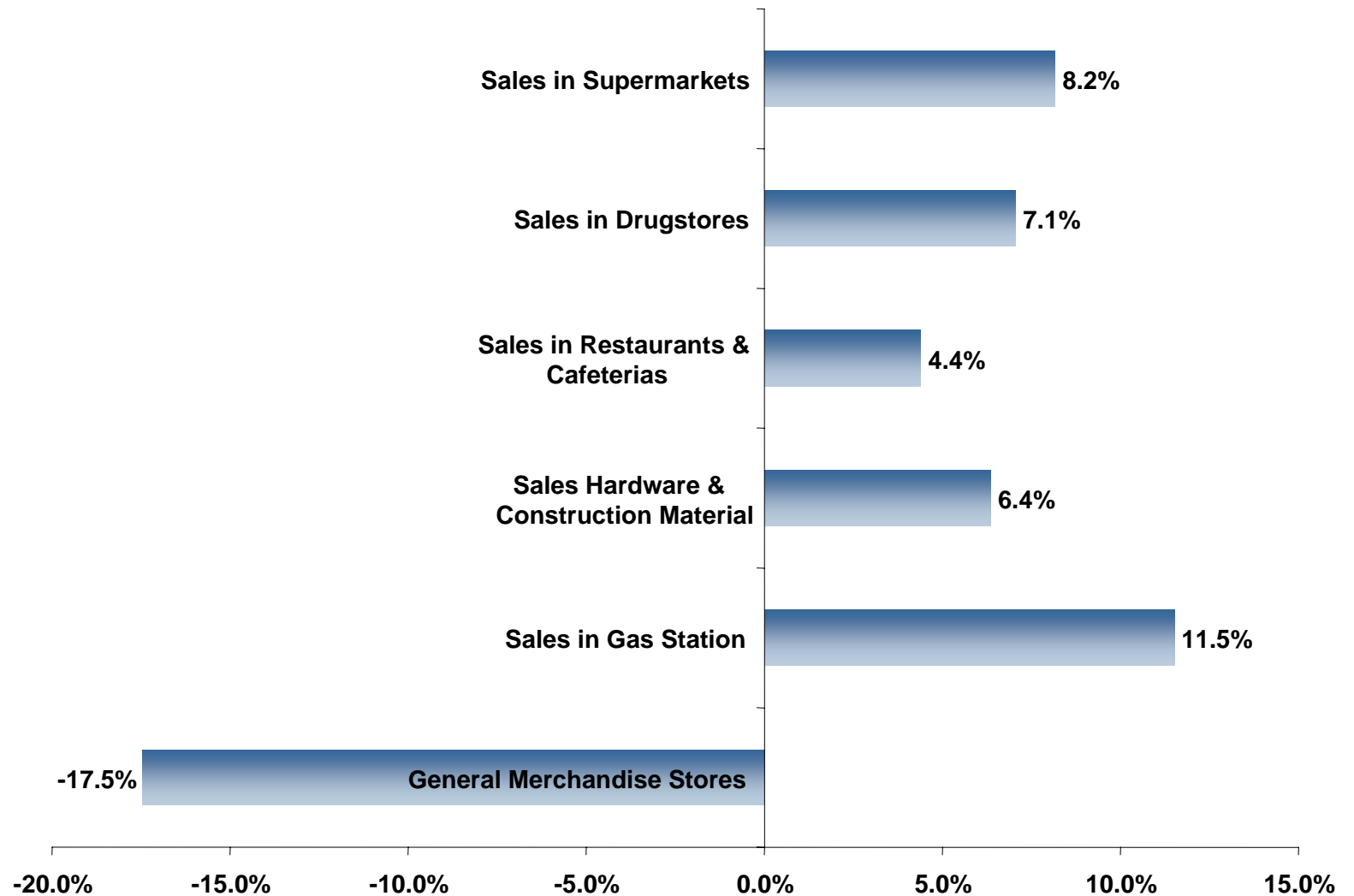
Challenges and Opportunities 2006-2010



Retail Sales

Sales Growth by Retailers

FY 2005 vs. 2004

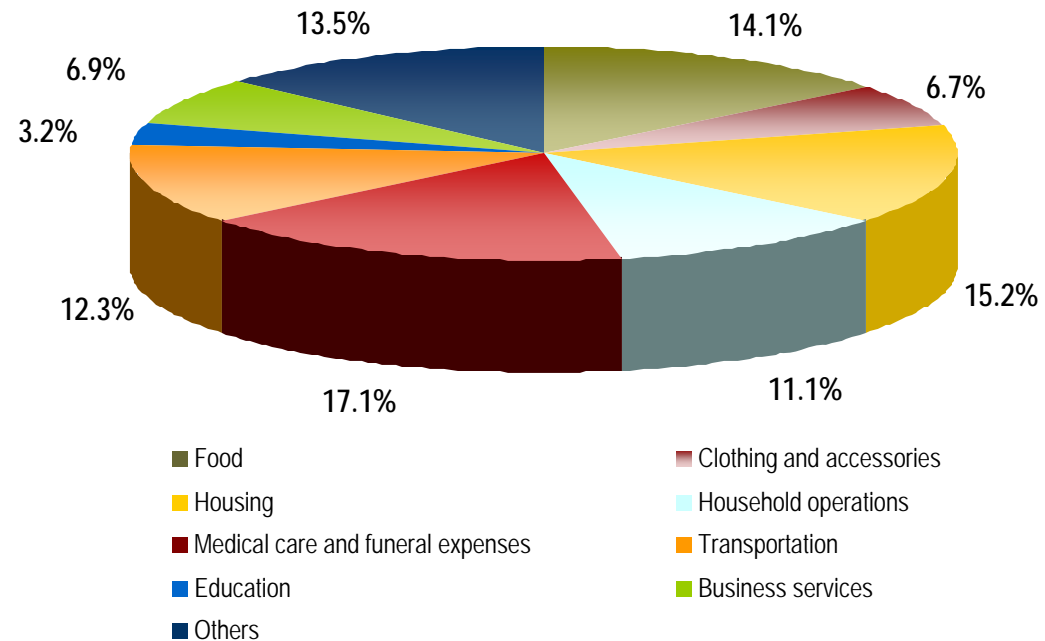


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Challenges and Opportunities 2006-2010



Personal Consumption Expenditures



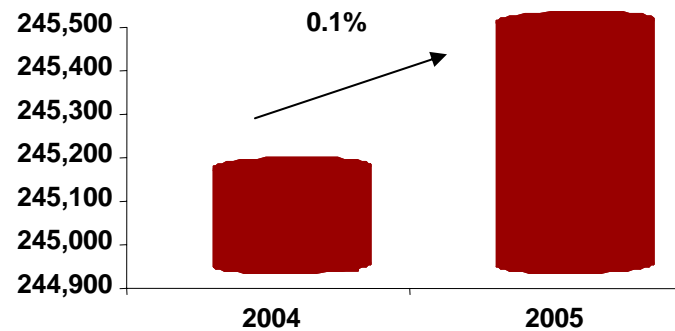
Shopping Centers in Puerto Rico

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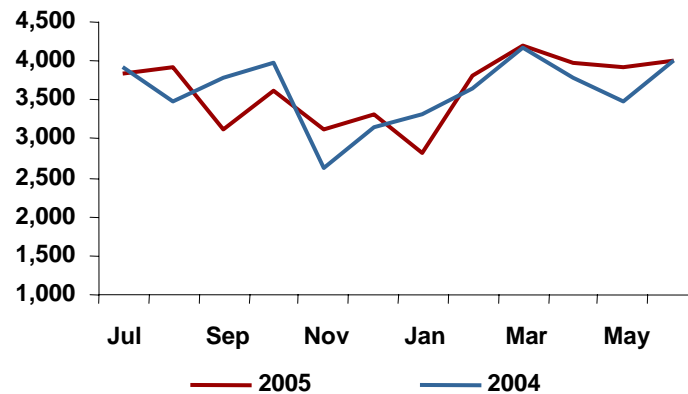
 **Construction**

FY 2004 and 2005

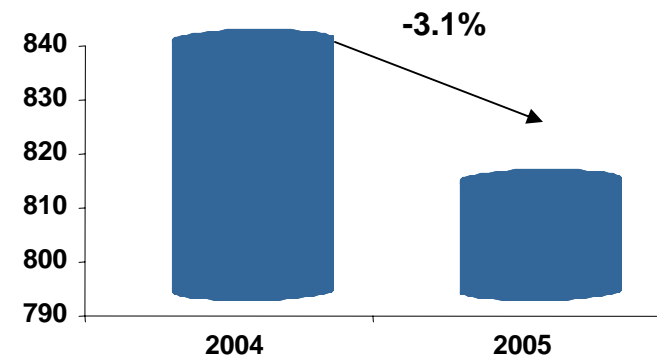
Value of construction permits
(\$000)



Cement Sales In Puerto Rico Total
(94 lbs bags)



Number of construction permits



Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010



Demand for Housing

- **Housing priced over \$300,000 is 11% of the total.**
- **Social interest housing is roughly 50% of total demand.**

Sales Distribution 2005-2009

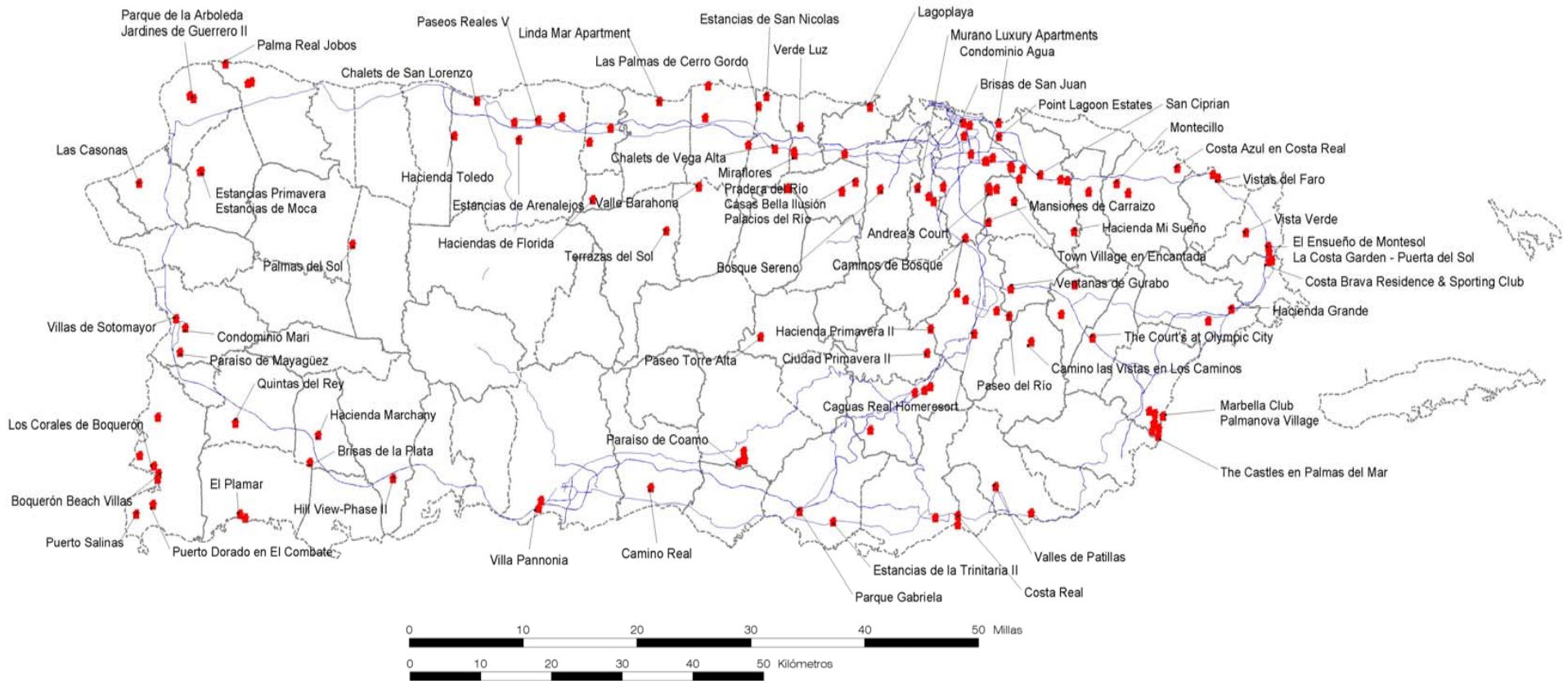
<i>From</i>	<i>To</i>	<i>Units</i>	<i>%</i>
0	90,000	51,896	52.0%
91,000	180,000	19,410	19.4%
181,000	300,000	17,252	17.3%
301,000	480,000	10,051	10.1%
481,000	600,000	898	0.9%
601,000	or more	294	0.3%
		99,800	100.0%

Median Price

Total	\$85,278
IN-MARKET	\$196,661



Active Residential Projects



Map Key:

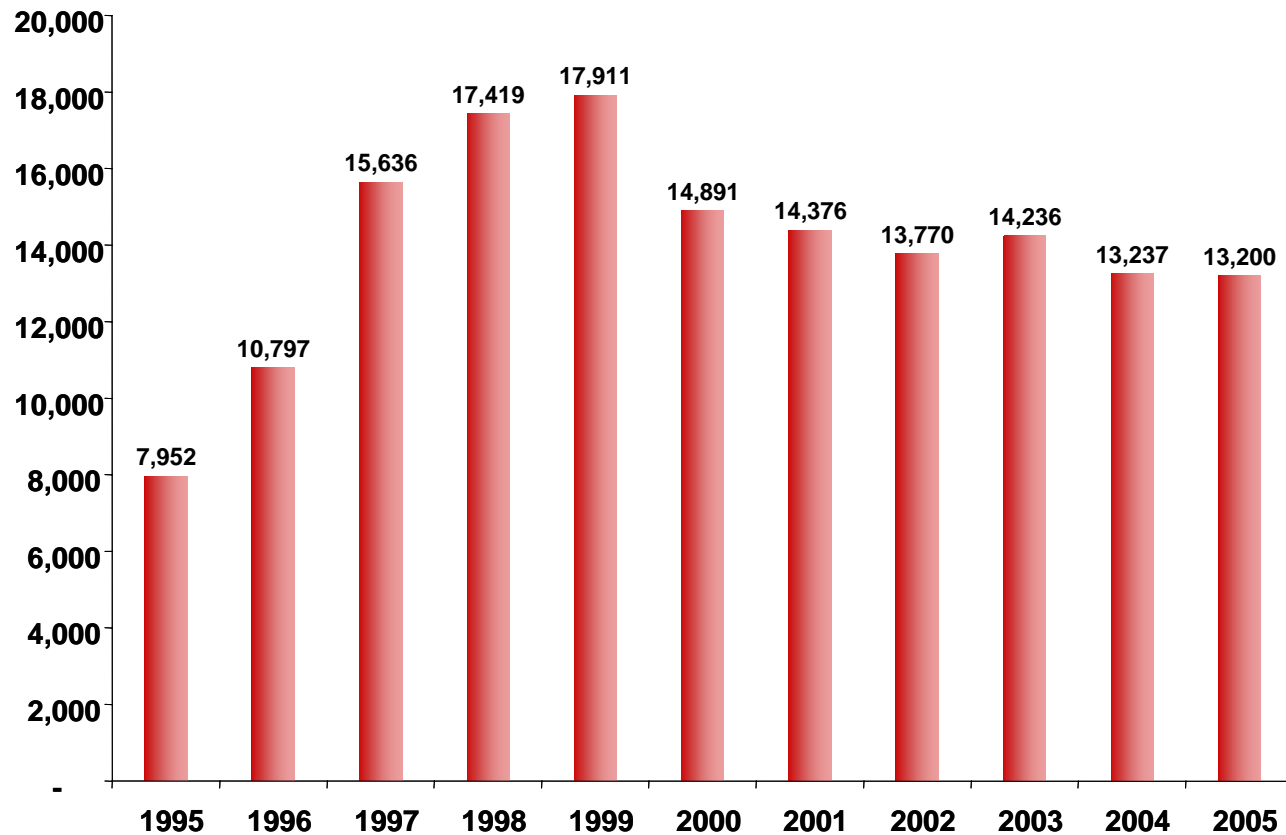
- Primary roads
- Municipal Boundary
- Residential projects

Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

 *Personal Bankruptcies*

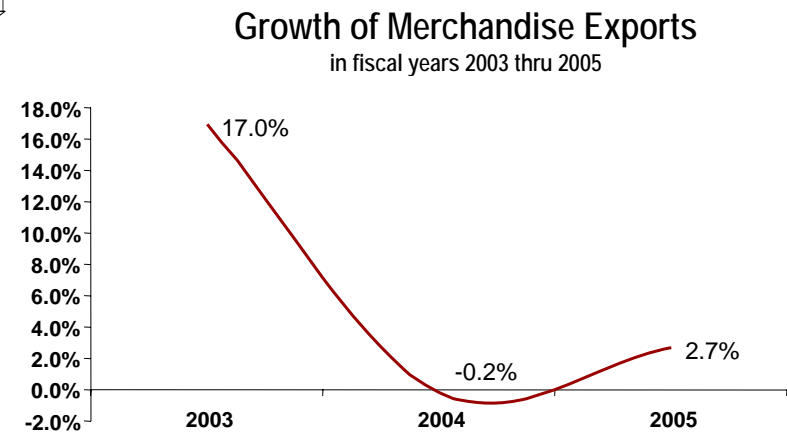
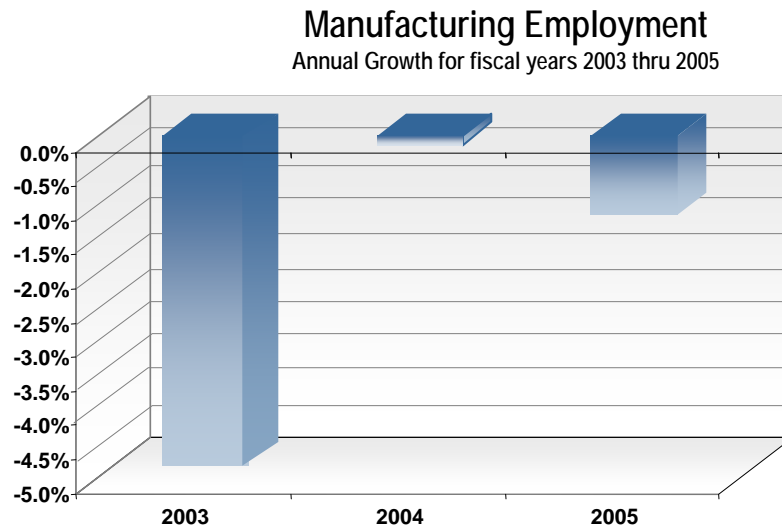
FY 2004 and 2005



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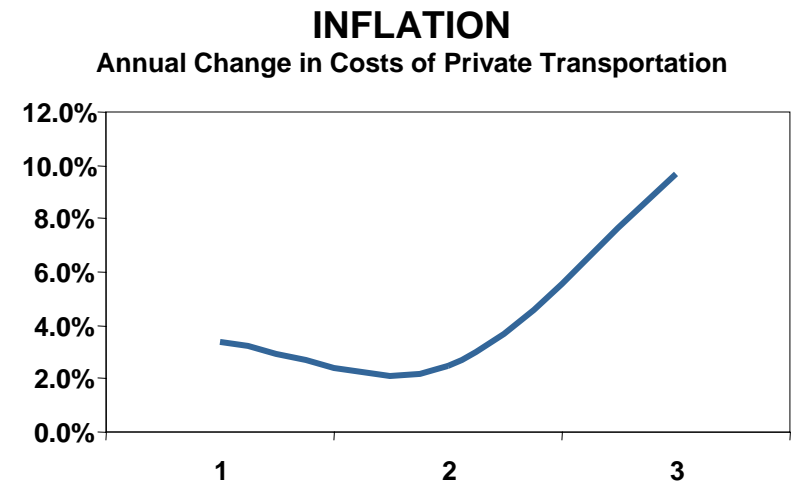
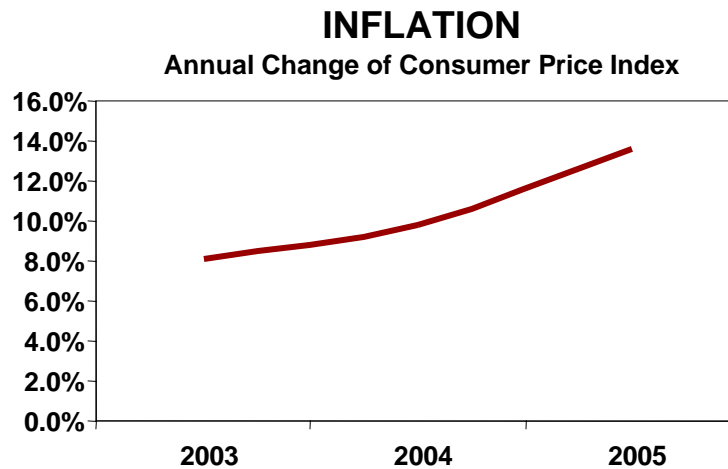
Manufacturing



Manufacturing continues to grow at a moderate pace. Employment in the sector is declining, but output, as indicated by merchandise exports, is growing at about 2.7% per year. This trend is expected to continue in the near term.

Shopping Centers in Puerto Rico

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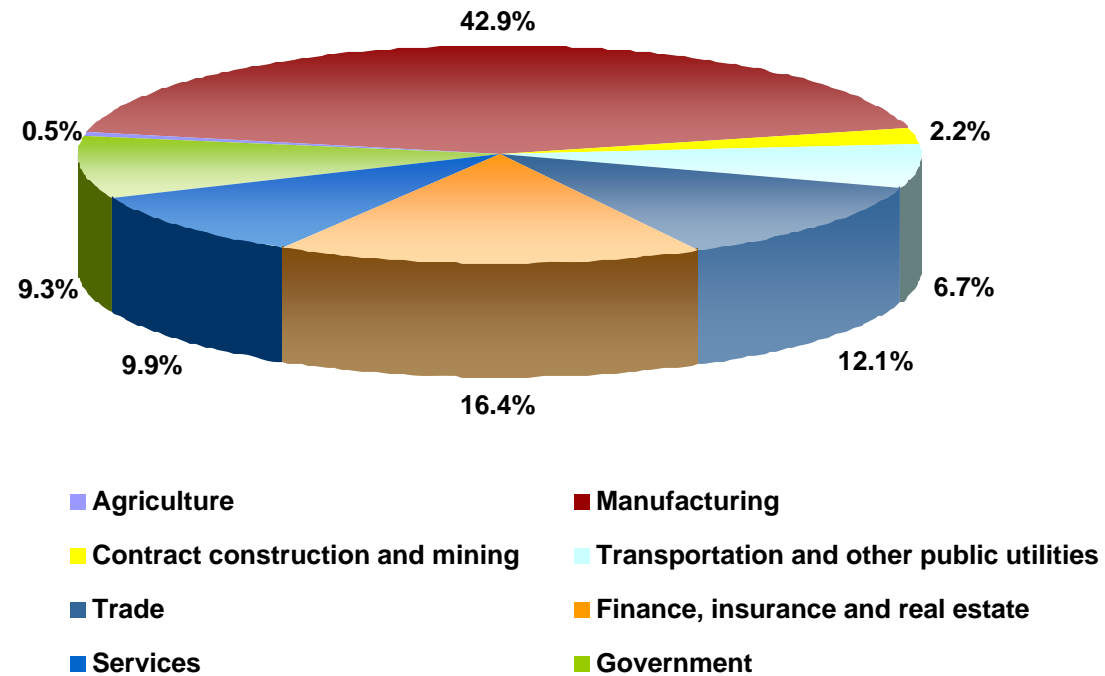
Inflation has risen sharply in the past twelve months, owing to the rise in energy costs. The outlook is for inflation to abate rapidly once oil prices start to recede. Within three years, inflation should be roughly the same as in the United States, or about 3% annually.

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Challenges and Opportunities 2006-2010



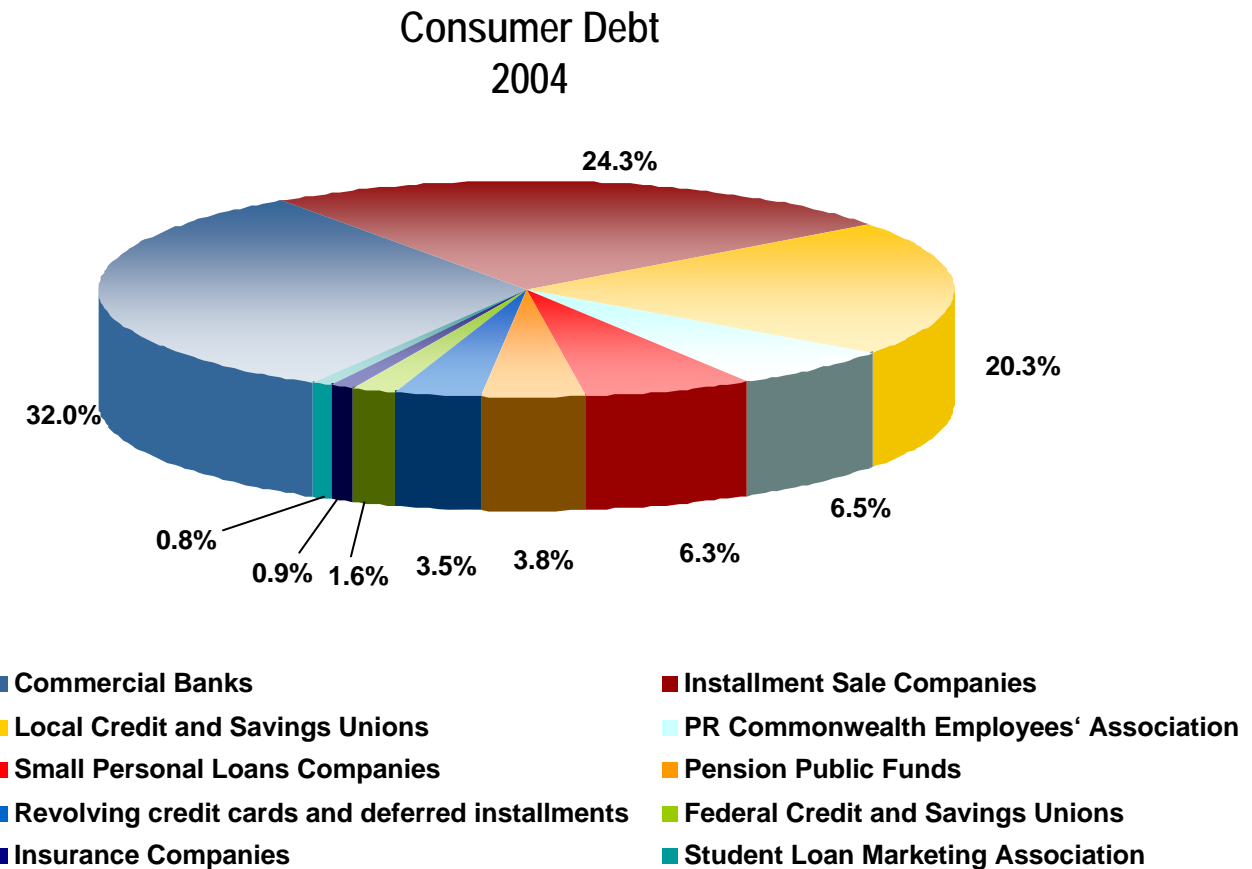
Gross Domestic Product by major industrial sector
2004



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 *Consumer Debt*



Total consumer debt is approximately 42% of Personal Income



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Fiscal Situation in Puerto Rico

- Structural deficit around \$1.3 billion = 2.6% of GNP
 - Extraordinary growth in public expenditure
 - “Diminishing” income tax system
 - “Unhealthy” financing of the budget
- Downgrading by credit classifying agencies
- Governor’s projects
 - Short term > transition measures
 - Medium and Long Term > Fiscal Reform
- Disconnection Executive / Legislature

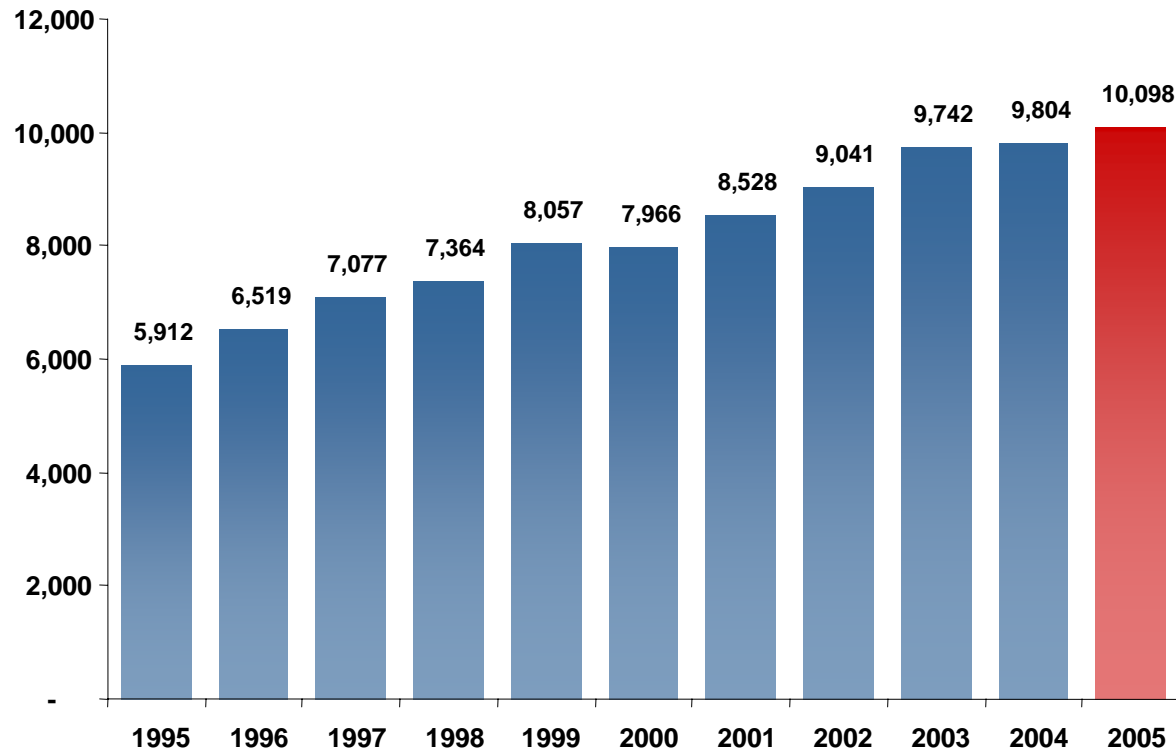


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Challenges and Opportunities 2006-2010

 *Changes in the Economic Context*

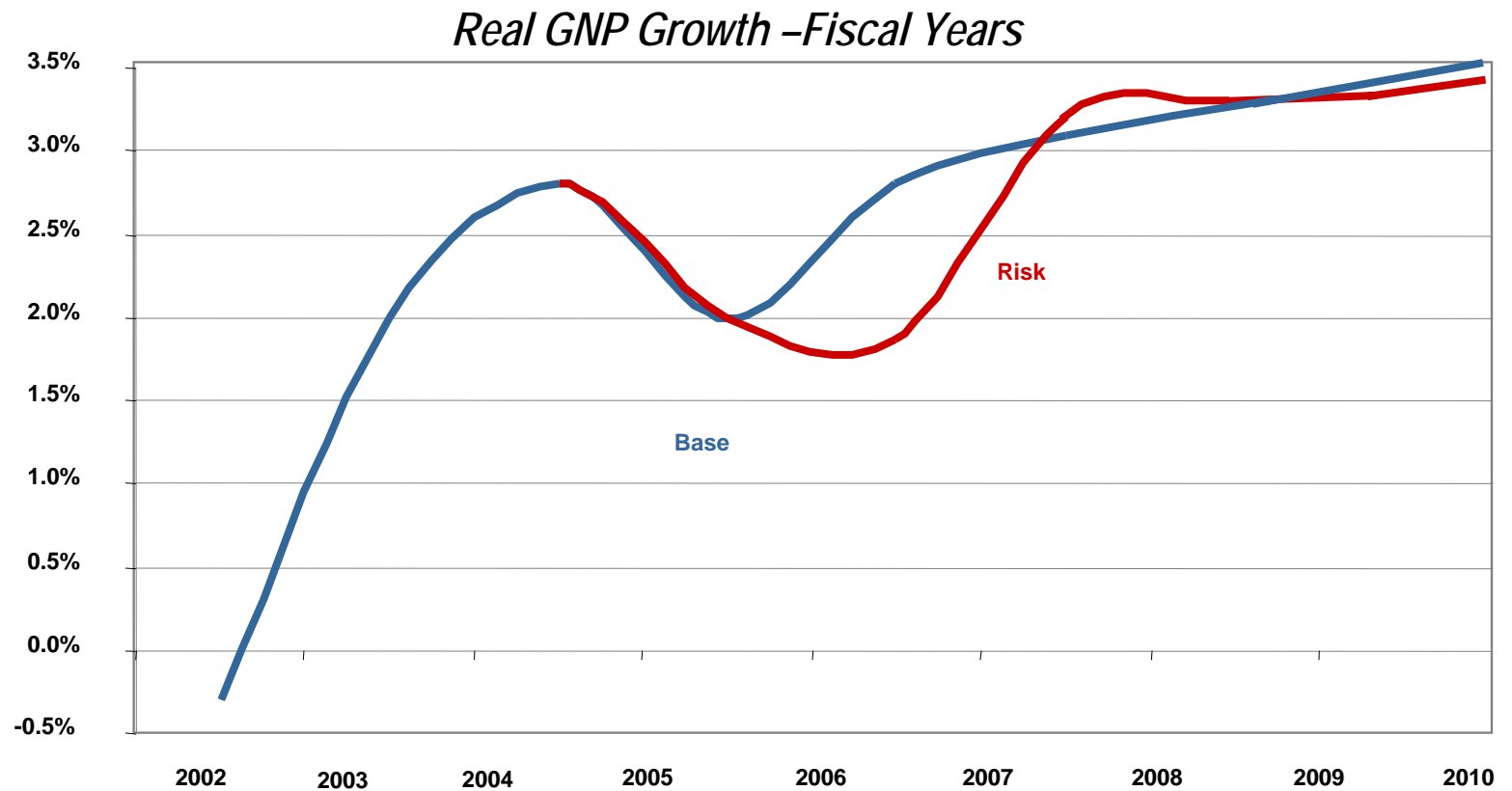
Total Transfers
Federal Government



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Challenges and Opportunities 2006-2010

 *Short Run Prospects*

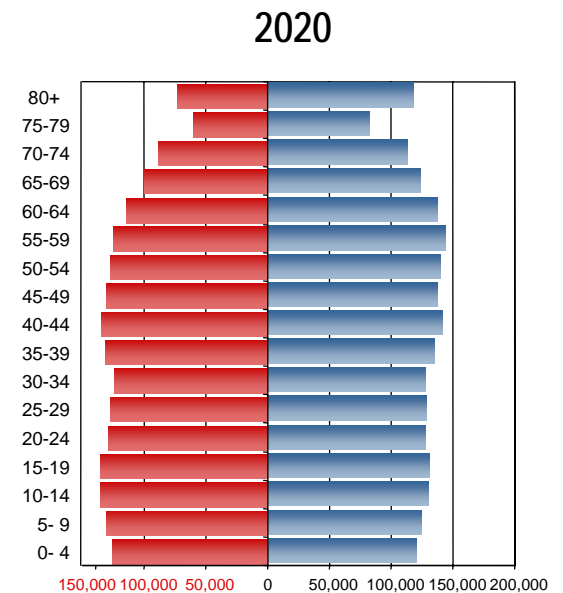
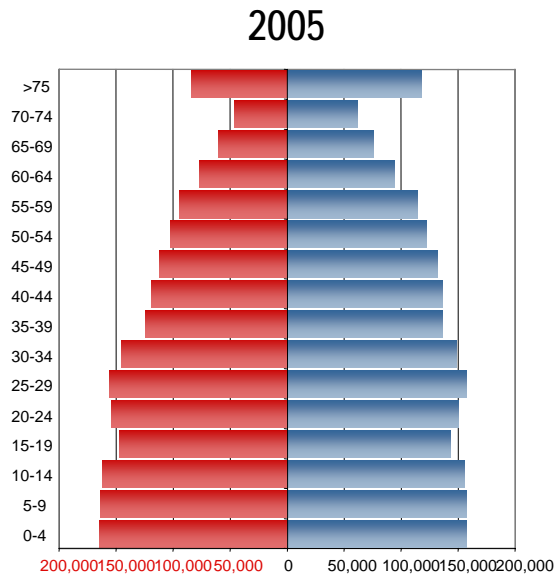
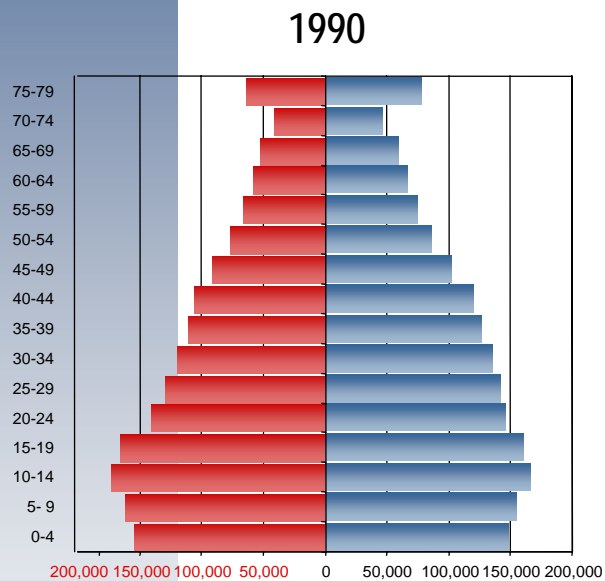


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Challenges and Opportunities 2006-2010

The Demographic Dimension

Age Composition of the Population

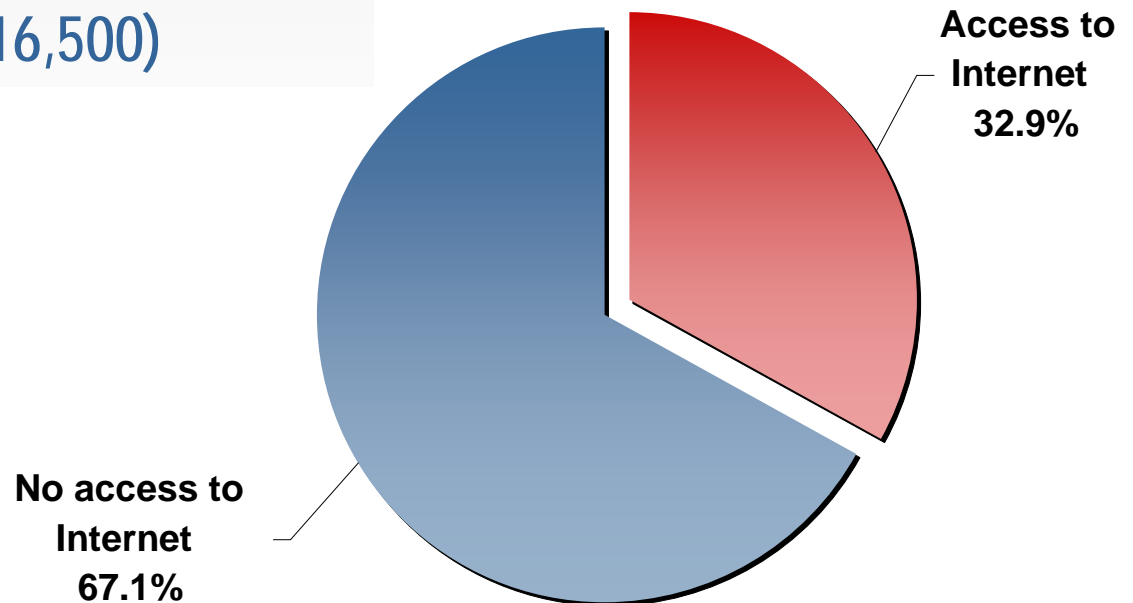


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Internet Incidence in Puerto Rico

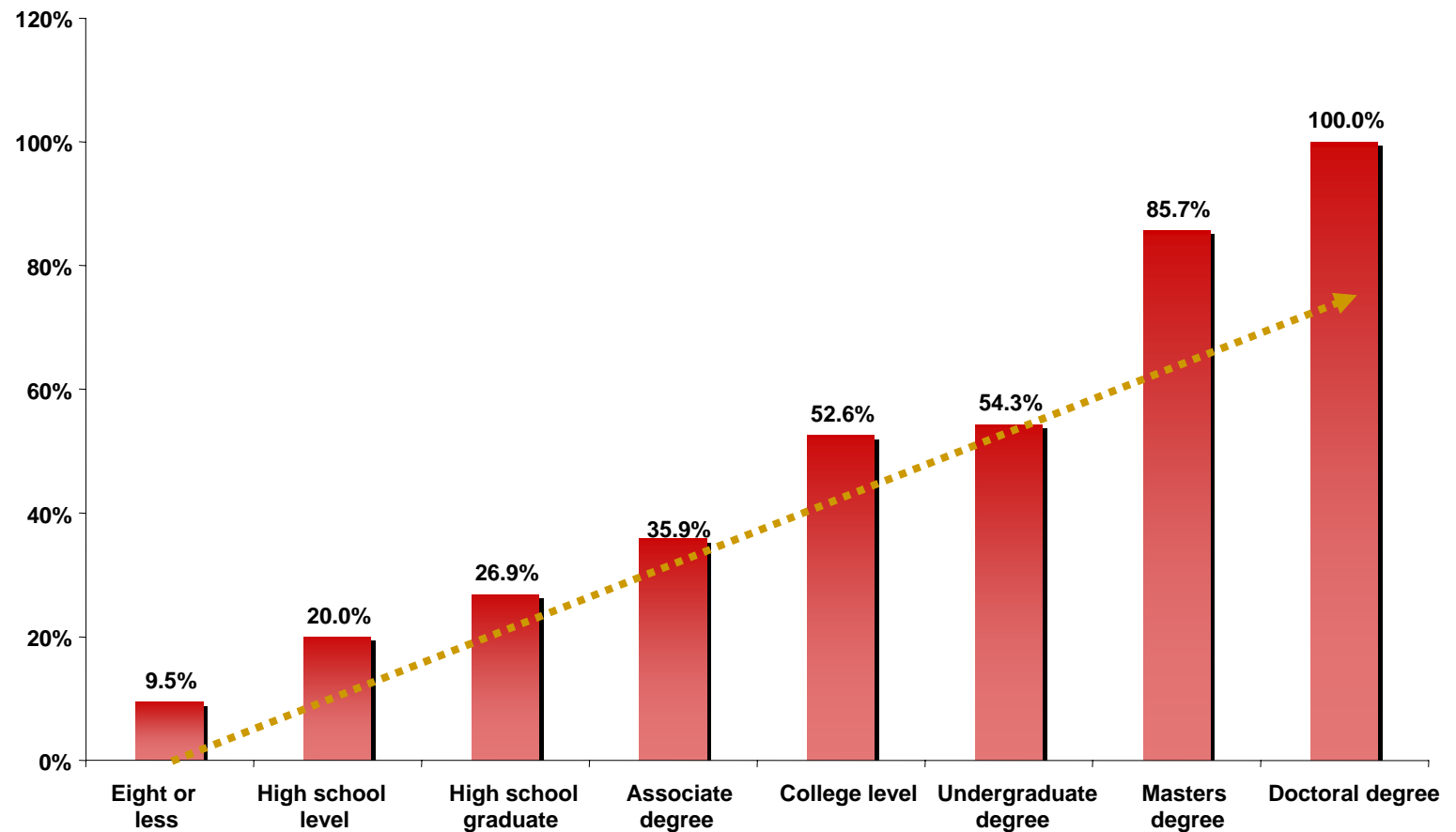
Internet access in 2005 is
33% among persons 12+
(1,016,500)



Shopping Centers in Puerto Rico

Challenges and Opportunities 2006-2010

Internet Incidence by Educational Level

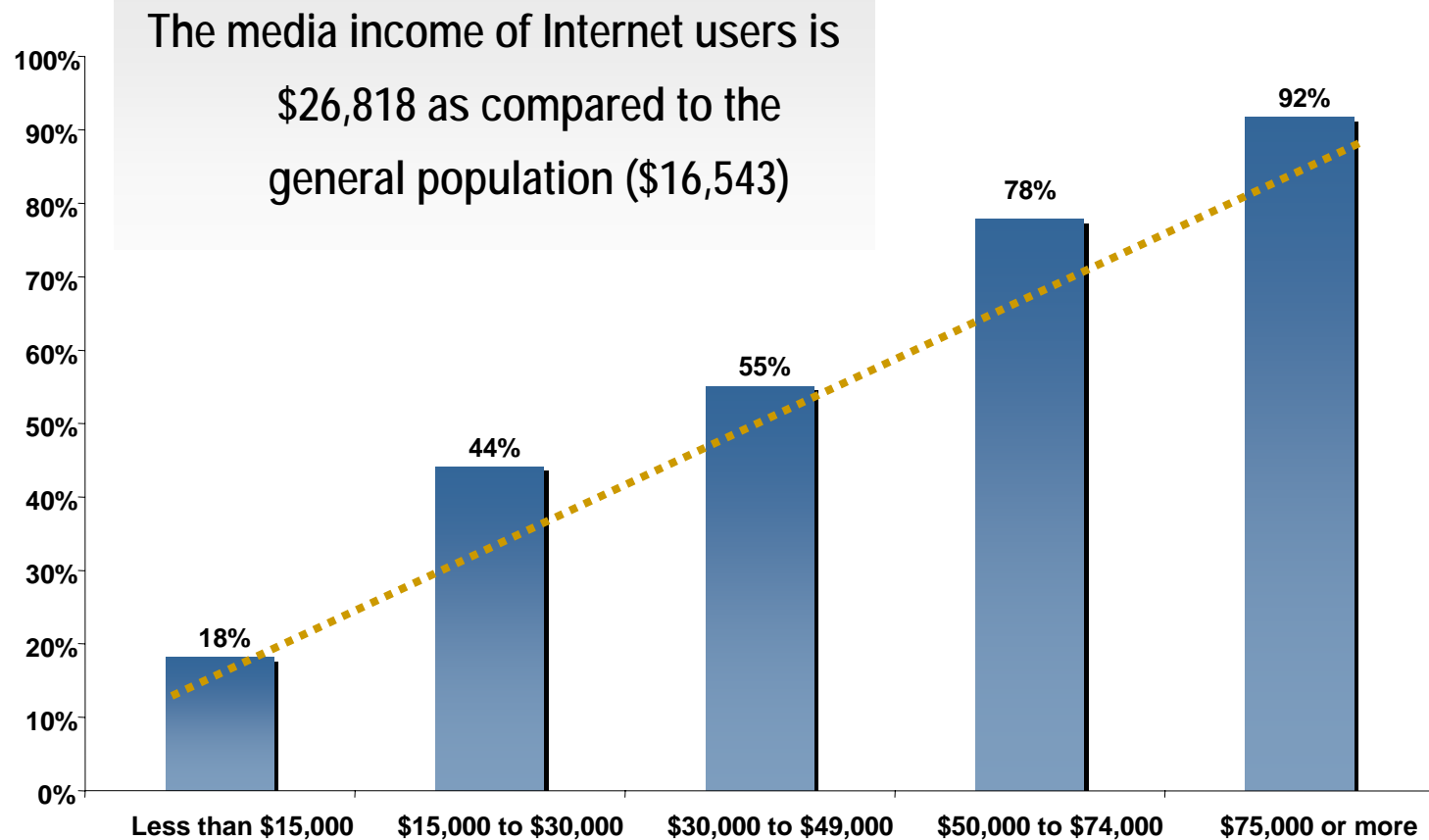


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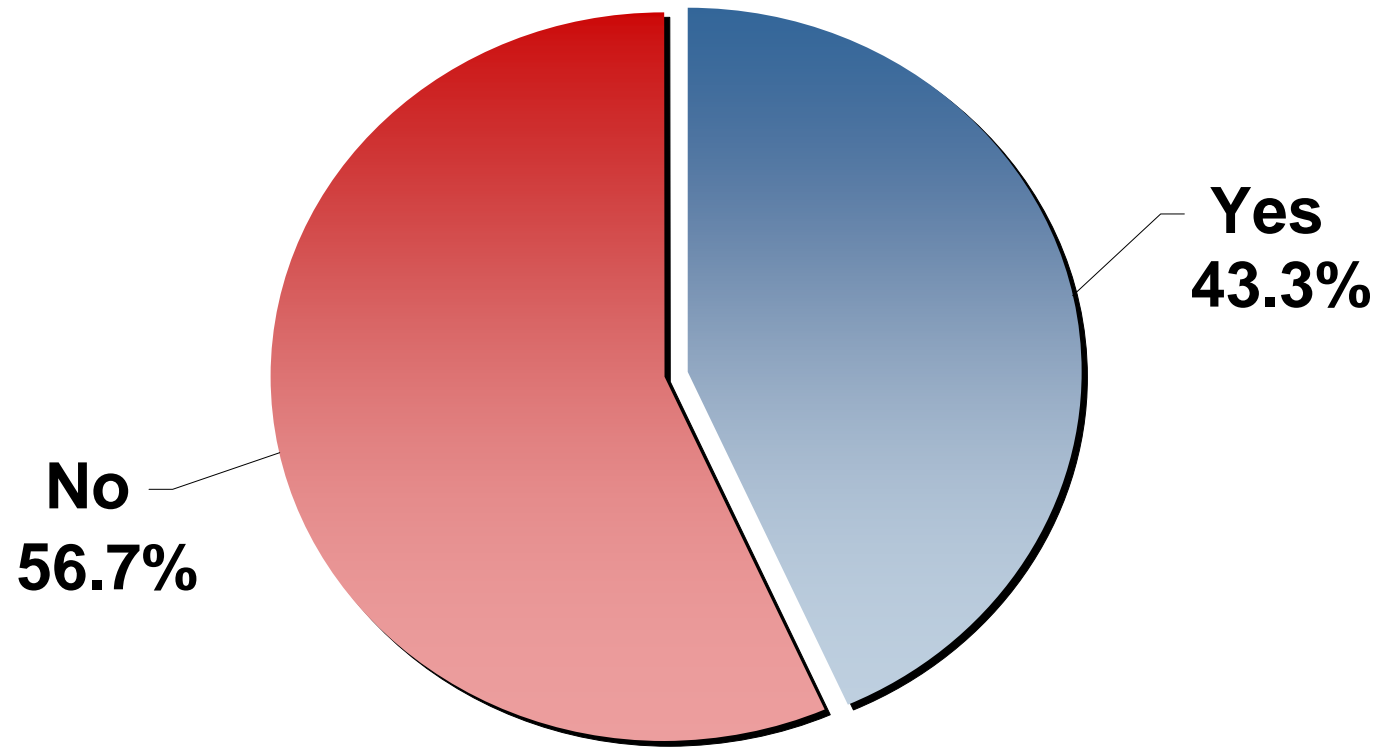
Internet Incidence by Family Income



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Challenges and Opportunities 2006-2010

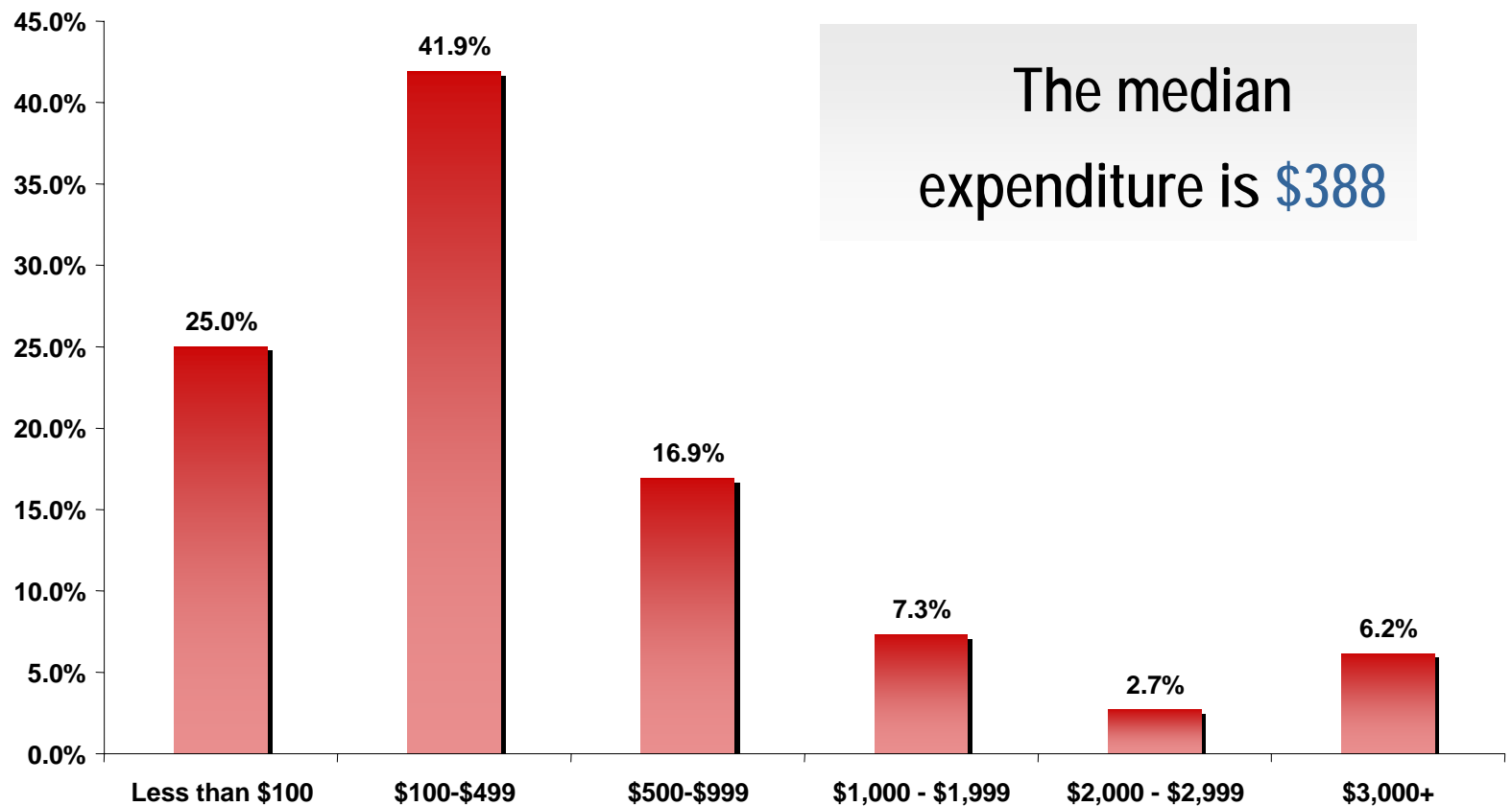
 *Persons Shopping Via Internet*



Shopping Centers in Puerto Rico

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 *Annual Internet Shopping Expenditure*



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Most Frequent Purchases in Internet

Cruise ships and airplane tickets, hotel and auto reservations	35.0%
Books	34.2%
Electronic Products	31.2%
Tickets (cinemas, events)	30.8%
Music	25.8%
Clothing and Accessories	25.0%
Computers and Software	24.6%
Movies and DVD	23.8%
Decoration and Articles for the House	23.1%
Office Articles	18.5%
Gifts	15.4%
Collection Articles	11.2%
Vehicles	11.2%
Vitamins and Health Products	10.4%
Games	10.0%
Toys and Kid Articles	9.6%



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Reasons for Puerto Rico's high retail revenue

- High level of consumerism.
- Consumer debt is 42% of Persona Income
- Credit Card Market > \$4,000 million a year
- 400,000 consumers have credit cards from Banco Popular, (34% SOM)
- Lack of competition among retailers
- Underground economy



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 *Local Consumers want more... and more... stores*



VICTORIA'S SECRET



FOREVER 21

