TOURISM INVESTMENT IN PUERTO RICO

LUIS DANIEL MUÑIZ MARTINEZ
DEPUTY EXECUTIVE DIRECTOR
Objective: GDP: 6% ➔ 8% by June 2017

- 53,558 jobs
  - 13,492 jobs in hotel industry

- 28% increase in hotel registrations in ten years

- 74% increase in visitors’ expenditures in ten years
  - From $569/person to $991.80/person
TOURISM INVESTMENT IN PUERTO RICO

Tourism at a Glance: 14,747 endorsed rooms.

- 329 new hotel rooms in operation since January 2013
  - 175 new hotel rooms to open in 2014
  - 739 under construction
- Over 60 lodging projects in various stages of development (design, permitting, financing, construction): 7,976 potential new rooms
TOURISM INVESTMENT IN PUERTO RICO

Projections (January 2013 – June 2017)

- Jobs
  - Construction: 11,241
  - Operation: 4,822
- Hotels: 212
  - 42 hotels
  - Among them:
    - JW Marriott (Old Cerromar)
    - Hyatt House at Convention Center: October 2014
    - Condado Vanderbilt: November 2014
    - Mall of San Juan
    - Marriott Courtyard at PR Convention Center
    - Marriott Residence Inn
    - Hyatt Place Convention Center: 2015
    - Normandie Hotel
    - Ponce Intercontinental
    - Hyatt Regency: October 2015

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Tourism at a Glance - Occupancy:

- Average Occupancy Rate FY 2012: 68%
- Average Occupancy Rate FY2013: 69.9%
  - 73% luxury hotels
- Average Occupancy Rate FY 2014: 69.8%
  - 72% luxury hotels
Tourism at a Glance - ADR:

- Average Room Rate FY2012: $123.46
- Average Room Rate FY2013: $131.15
- $374.44 luxury hotels
- Average Room Rate FY2014: $148.83
- $607.87 luxury hotels
Tourism at a Glance - RevPar:

- Revenue Per Average Room FY2012: $83.88
- Revenue Per Average Room FY2013: $91.91
  - $377.40 luxury hotels
- Revenue Per Average Room FY2014: $106.26
  - $607.87 luxury hotels
Tourism at a Glance - Room Nights:

- Room Nights FY 2012: 3,242,423
- Room Nights FY 2013: 3,373,414
- Room Nights FY 2014: 3,378,122
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Tourism at a Glance - Visitor Expenditure:

- Visitor Expenditure 2011-12: $3.19B
- Visitor Expenditure 2012-13: $3.25B
- Visitor Expenditure 2013-14: $3.33B
Cruise Passengers

1.2 million passengers

16.5%

20%

11%
Cruise Passengers

**Visitors**

<table>
<thead>
<tr>
<th>Year</th>
<th>Passengers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012-2013</td>
<td>1,038,024</td>
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<tr>
<td>2013-2014</td>
<td>1,209,196</td>
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<tr>
<td>2014-2015</td>
<td>1,585,458</td>
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</tbody>
</table>

53% Δ
Air Access

1,600 weekly flights

8.5 MM yearly passengers
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Synergy

Public Relations
Sales
Advertising
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Financial Incentives

- Government Assisted Financing
  - Hotel Development Corporation (HDC)
    - A subsidiary of the PR Tourism Company
    - Participation as a junior lender or preferred investor
  - Economic Development Bank for Puerto Rico (EDB)
    - Puerto Rico’s small business bank
    - Up to $7MM for hospitality projects
    - Guaranty or co-participation from the Hotel Development Corporation
    - Under SBA 504 Program total financing could increase up to $15MM
- EB5 Program eligibility
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Financial Incentives
Tourism Development Act
- Tax Credits
  - 10% total project cost, or
  - 50% eligible cash investment
- Tax Exemptions
  - 90% income tax exemption
    - Covers dividends and ROI
  - 90% property tax exemption
  - 90% interest yield to financing institutions
  - 100% municipal license, excise and construction tax
  - 100% sales tax for goods and articles related to the construction and operation of the tourism activity
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Financial Incentives
Tourism Development Act

• Eligible Tourism Activities
  • Hotel
  • Guest Houses
  • Condominiums
  • Timeshares
  • Theme Parks
  • Nautical Tourism
  • Marinas
  • Golf Courses
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• Special tax considerations for export services
  • Tax benefits to eligible services for foreign markets or promotion services, such as advertising and public relations, consulting services, professional services, centralized managerial services, investment banking and other financial services.

• Benefits
  • 4% income tax rate
  • 100% exempt distributions
  • 90% exemption from Real and Property Taxes
  • No federal taxes apply
• Special tax considerations for individuals relocating to Puerto Rico
  • To attract new residents to Puerto Rico by providing a total exemption from Puerto Rico income taxes on all passive income
  • After complying with the requirements, such individual will be 100% exempted on income from interest, dividends and long term capital gain.
  • 100% exemption from federal taxes due to Puerto Rico’s relationship as a commonwealth of the United States.
  • Duration of benefits: until 2036.
TOURISM INVESTMENT IN PUERTO RICO

Certifications:
- Travel Agents
- Nautical Tourism
- Tourist Guides
- Tourist Transportation
- Promotional Endorsement
- Quality Endorsement
- Green Lodging Facilities

Products:
- Bed and Breakfast
- Posadas
- Paradores
- Mesones