



APPRAISAL REPORT

**Market Value
Commercial-Office Property
4,414 Square Feet**

Located at:

No. 418 Andalucía Avenue
Puerto Nuevo Development
San Juan, Puerto Rico, 00920
RE:4002002893

Requested by

Mr. Enio Russe García, SRA
Appraisal Manager
Doral Bank
PO Box 70308
San Juan, Puerto Rico 00936-8308

Prepared by

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As of:

August 27, 2013

Prepared on:

December 4, 2013

APPRAISAL REPORT



MARKET VALUE

**Commercial-Office Property – 4,414 Square Feet
No. 418, Andalucía Avenue, Puerto Nuevo Development
San Juan, Puerto Rico, 00920**



December 4, 2013

Mr. Enio Russe García, SRA
Appraisal Manager
Doral Bank
PO Box 70308
San Juan, Puerto Rico 00936-8308

Dear Mr. Russe:

In accordance with your request, I have prepared an appraisal report presented in a summary format of the commercial-office property located at No. 418, Andalucía Avenue, in the Puerto Nuevo Development of the San Juan Municipality in Puerto Rico, 00920. The owner of record is Cozy Ambience, Inc.

The purpose of the appraisal is to form an opinion of the “as is” market value of the fee simple interest on the subject property, as defined in the report, subject to the assumptions, limiting conditions and certification, as of August 27, 2013. The client/intended user of this appraisal report is Doral Bank and affiliates companies. The intended use of this appraisal is to assist the client in loan transaction or servicing action, or similar lending-related transaction regarding the subject property.

The commercial property improvements are comprised of a 4,414 square foot office building. This two-story structure is built of reinforced concrete and concrete block walls, in average physical condition. The commercial property is currently used as offices. The property has four parking stalls, providing a parking ratio of 0.91 parking stalls per each 1,000 square feet of building. Additional improvements include paved areas, iron gate, chain link and concrete fence. From the exterior-only inspection performed the property appears to be vacant.

The subject site is comprised of 252.065 square meter lot. The subject site is of rectangular shape and mostly level topography. It has a commercial (C-I) zoning classification, which allows commercial use to satisfy the need of a group of the neighborhood. The property lies within the floodable area Zone AE, as outlined on FEMA map No. 7200C0365J, dated November 18, 2009.

As part of the scope of the assignment a “drive-by” inspection and/or an exterior observation of the subject property was carried out as per client request. Moreover, the improvement and building areas were extracted from an appraisal report prepared by Eric S. Rodriguez (EPA No. 872), dated August 16, 2012. Thus, this report was utilized as the basis of this report and has been assumed correct. No responsibility and/or liability are assumed by the appraiser in this respect. The site area was extracted from a Title Study prepared by Title Search & Legal Assistance Inc. provided to us by the client. No responsibility and/or liability are assumed by the appraiser in this respect. Moreover, only a partial inspection from the exterior was performed. However, for analysis purpose I will assume that the subject interior condition is in average physical condition in harmony with its exterior physical state.

I performed an observation of the physical, legal and financial aspects of the subject property. A thorough investigation and analysis of the factors influencing value in the subject’s area was also carried out and it is the appraiser’s opinion that the “as is” market value of the subject property as of August 27, 2013 with an estimated marketing time of 24 months is rounded to:

Market Value
\$520,000
(FIVE HUNDRED TWENTY THOUSAND DOLLARS)

The following appraisal report presents information considered relevant to the fee simple estate in this property and the methods by which the data collected has been analysed in arriving at my value conclusion.

The report is for the sole use of the client. However, the client may provide only complete, final copies of the report to third parties who shall review such in connection with loan underwriting or securitizing efforts. The appraiser is not required to testify or explain as to appraisal results other than to respond to the client for routine and customary questions.

The value estimate indicated in this report is based on market data and conditions as of the appraisal date, which is projected to remain stable. Any substantial changes in market conditions could have either favorable or unfavorable influences on real estate values. I accept no responsibility regarding future changes in the market that could not be anticipated as of the effective date of the appraisal report. The appraiser is not responsible for the unauthorized use of this report.

It has been a privilege to assist you in this appraisal assignment. If you have any questions concerning the analysis or the report, or if I can be of further service, feel free to contact me.

Respectfully submitted,



Raimundo Marrero Otero
Real Estate Appraiser
GCA 195, EPA 780

TABLE OF CONTENTS

CERTIFICATE OF THE APPRAISER.....	6
SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS.....	7
PREMISES OF THE APPRAISAL.....	9
HYPOTHETICAL CONDITIONS.....	9
MARKETING TIME.....	13
TERMINOLOGY.....	14
SCOPE OF WORK.....	16
IDENTIFICATION OF THE SUBJECT PROPERTY.....	18
PROPERTY PRODUCTIVITY ANALYSIS.....	20
MARKET AREA ANALYSIS.....	30
HIGHEST AND BEST USE.....	40
VALUATION PROCESS.....	49
INSURABLE VALUE.....	50
THE SALES COMPARISON APPROACH.....	54
THE INCOME APPROACH.....	63
RECONCILIATION AND FINAL VALUE ESTIMATE.....	72
ADDENDA.....	73

CERTIFICATE OF THE APPRAISER

I certify, that to the best of my knowledge and belief,

- The statements of facts contained in this report are true and correct;
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, unbiased professional analyses, opinions and conclusions.
- I have no present or contemplated future interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favor the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- My engagement in this assignment was not contingent upon developing or reporting predetermined result.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice (USAP), in compliance with Title XI of FIRREA, Interagency Appraisal and Evaluation Guidelines (2010), Doral Bank minimum requirements and PR Board of Appraisers.
- The use of this report is subject to the requirements of the Appraisal Institute to review by its duly authorized representatives.
- The appraisal assignment was not based on the requested minimum valuation, specific valuation, or the approval of the loan.
- I am currently certified under voluntary continuing education program of the Appraisal Institute.
- I have made a personal exterior observation of the property that is the subject of this report.
- I have not performed prior services regarding the subject property, as an appraiser, or in any other capacity, within the three year period immediately preceding acceptance of this appraisal assignment.
- Mr. Alwin Delgado provided assistance in the preparation of this appraisal report.

Very truly yours,



Raimundo Marrero
Real Estate Appraiser
GCA 195, EPA 780

SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS

Property Type	Commercial-Office
Client	Doral Bank of Puerto Rico
Owner	Cozy Ambience Inc.
Property Rights Appraised	Fee Simple Interest
Cadastral Number	062-078-076-10-001
Location	418 Andalucía Avenue, Puerto Nuevo Development, San Juan, Puerto Rico, 00920
Frontage/Access	It enjoys adequate access/frontage to Andalucía Avenue
Geographic Coordinates	18°24'47.96"N, -66° 4'43.57"W
Date of Valuation	August 27, 2013
Date of Report	December 4, 2013
Site	
Area	252.065 square meters
Topography / Shape	Level / Rectangular
Utilities	Electric power line, potable water, telephone, sanitary and storm sewer
Soil / Subsoil	Firm and apparently stable
Drainage	Adequate
Building Improvements	
Gross Building Area	4,414 square feet
Bldg. Class	Average Class C- Commercial Office
Physical Condition	Average
Average Height	Estimated 8 feet
Building to Land Ratio	162%
Parking Capacity / Index	4 Stalls / 0.91:1,000 sq. ft.
Zoning	C-I (Intermediate Commercial Zoning)
Flood Zone	Zone AE as outlined on map No. 7200C0365J, dated November 18, 2009.

Appraisal Methodology

This appraisal considered the development of the Sales Comparison approach and Income Capitalization approach. In this assignment, the Cost Approach was discarded due to lack of market data of similar properties of vacant land with similar characteristics to the subject in the subject neighborhood. Only the replacement cost new of the improvements was developed for insurance purposes.

Highest and Best Use

As if Vacant

As if Improved

Commercial (Hold for Future Development)

Commercial Office

Market Value

\$520,000

Insurable Value (RCN)

\$440,000

PREMISES OF THE APPRAISAL

Identification of the Type of Report

Standard Rule 2-2 of the Uniform Standards of Professional Appraisal Practice as promulgated by the Appraisal Standards Boards of the Appraisal Foundation states:

“Each written real property appraisal report must be prepared under one of the following three options and prominently state which option is used: Self-Contained Appraisal Report, Summary Appraisal Report or Restricted Use Appraisal Report”

The essential difference among the three options is in the use and applications of the terms describe, summarize and state. Describe is used to connote a comprehensive level of detail in the presentation of information. Summarize is used to connote more concise presentation of information. State is used to connote the minimal presentation of information. For this appraisal assignment, the client requested the **Summary Appraisal Report** as the reporting option.

Extraordinary Assumptions

- The improvement and building areas were extracted from an appraisal report prepared by Eric S. Rodriguez (EPA No. 872), dated August 16, 2012, and provided to us by the client. Thus, this information was utilized as the basis of this report and has been assumed correct. No responsibility and/or liability are assumed by the appraiser in this respect.
- The site area was extracted from a Title Study prepared by Title Search & Legal Assistance Inc. provided to us by the client. No responsibility and/or liability are assumed by the appraiser in this respect.
- The appraiser made only an exterior inspection as requested by the client. Thus, this analysis is based on the extraordinary assumption that the interior of the building is in average condition, in harmony with its exterior physical state, and has the necessary layout for its commercial use.

Hypothetical Conditions

No hypothetical conditions were required for this assignment.

General Assumptions

- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- As part of the “Scope of Work” of this assignment, the appraiser has assumed that, as of the effective date of valuation, the subject property is subject to normal easements and restrictions of record, which are considered to be standard and typical for properties of this type and are not considered to adversely affect the normal use or value of the subject property. The subject property is appraised as though free and clear of all liens, mortgages, obligations, or encumbrances, except normal leases.
- The property is appraised as though under responsible, adequately capitalized ownership and competent property management.
- The concluded values presented in this report are based on market conditions as of August 27, 2013, which is the date of value. Raimundo Marrero Appraisers, P.S.C cannot be held responsible for unpredictable events that alter market conditions and that may occur after the date of this appraisal.

- In developing the value conclusion, I have relied upon information supplied by others. This includes information regarding to price, terms, date of sale, parties, location, and availability of utilities, time on market, absorption, zoning, and conditions of sale for the comparable sales used in this report. In addition, I have consulted with various government officials. This information has been carefully reviewed and based on upon my experience and judgment, there is no reason to doubt its accuracy, but however, I do not guarantee the accuracy of the information provided or confirmed by others.
- The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them.
- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless any nonconformity has been stated, defined and considered in the appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- The availability of capacity and/or connection rights to any or all public utilities has not been determined by us. The value estimate reported herein is contingent upon and limited to said capacity and right of connection.
- I am no expert in the identification of hazardous substances or detrimental environmental conditions. Our routine inspections of and inquiries about the subject property did not develop any information that indicated any apparent significant hazardous substances or detrimental environmental conditions which would affect the property negatively. The values estimated in this report are based on the assumption that the property is not negatively affected by the existence of hazardous substances or detrimental environmental conditions.
- I have made the Assumptions to value the subject site that it is free of any toxic or environmentally hazardous materials. I notice the client that the existence of such material may have a dramatic effect on the value of the subject property. I reserve the right to change the value conclusions stated herein, given such negative factors are discovered.

Limiting Conditions

- The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made therefore.
- It is agreed that you will indemnify Raimundo Marrero Appraisers, P.S.C. and/or Raimundo Marrero Otero for any damages, costs, expenses, and attorney's fees resulting from any cause of action by any interested party, other than the client, concerning the appraisal or report.
- Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser(s), and, in any event, only with proper written qualification and only in its entirety.
- In the case where an improvement is considered, the distribution of the total valuation between land and improvements applies only under the reported highest and best use of the property. The allocations of value for the land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
- Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of the contents of this report, or copy thereof, shall be conveyed to the public through advertising, public relations, news, sales or any other media without written consent and approval of the appraiser. Nor shall the appraiser, firm or professional organization of which the appraiser is a member be identified without prior written consent of the appraiser.
- The physical condition of the improvements described herein is based on physical visual inspection by the appraiser as of the effective date of the report, August 27, 2013. No liability is assumed for the soundness of structural members including roof (wear and leakage), foundation (settling or leakage), footings, exteriors and interior walls, partitions, floors, or any other part of the structure, since no engineering test was made of it and no termite inspection was conducted. Furthermore, I accept no legal responsibility for the efficiency of the plumbing and electrical systems, the heating and air conditioning equipment, or any major appliances. Unless otherwise noted, all of these items appeared adequate and operational.
- In this appraisal assignment, the existence of potentially hazardous material used in the construction or maintenance of the building, such as the presence of the urea formaldehyde foam insulation or asbestos, and/or existence of toxic waste, which may or may not be present on the property, have not been considered. The appraiser is not qualified to detect such substances. I urge the client to retain an expert in this field, if desired.
- The appraiser is not aware of the presence of archeological findings within the subject or in adjacent properties. The physical inspection of the property did not reveal any evidence of such circumstances. However, the appraiser is not qualified to detect such artifacts and assume no responsibility in this respect. The value reported herein and estimated marketing time of the property is predicted on the assumption that the property is free from archeological materials.

Purpose of the Appraisal

The purpose of this appraisal is to form an opinion of the “as is” market value of the fee simple interest of the subject property, subject to the assumptions, limiting conditions and certificates included in the report as of August 27, 2013.

Intended Use and Intended Users

The client/intended user of this appraisal report is Doral Bank of Puerto Rico and affiliate companies. The intended use of this appraisal is to assist Doral Bank in a related loan transaction or servicing action, or in similar lending-related transactions.

Interest Being Valued

This appraisal refers to the valuation of the “as is” market value of the fee simple interest on the subject property.

Effective Date of the Appraisal

August 27, 2013

Date of the Report

December 4, 2013

Property Rights Appraised

Fee Simple Interest - *Absolute ownership unencumbered by any other interest or state subject only to the four powers of government.*

Exposure Time

Reasonable exposure time is one of a series of conditions in most market value definitions. Exposure time is always presumed to precede the effective date of the appraisal. Exposure time may define as follows:

“The time a property remains on the market. The estimate length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; market value estimates imply that an adequate marketing effort and reasonable time for exposure occurred prior to the effective date of the appraisal; a retrospective opinion based upon an analysis of past events assuming a competitive and open market.”

Exposure is different for various types of real estate and under various market conditions. It is noted that the overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable efforts. The comparable sales were analyzed in the valuation section and the appraiser concluded that a reasonable exposure time for this type of property would be approximately of twenty four (24) months.

Marketing Time

Normal Marketing Period is the amount of time necessary to expose a property in the open market to achieve a sale, and is always presumed to occur after the effective date of the appraisal. Implicit in this definition are the following characteristics:

1. The property will be actively exposed and aggressively marketed to potential purchasers through marketing channels commonly used by sellers of similar type properties.
2. The property will be offered at a price reflecting the most probable mark up over market value used by sellers of similar type properties.
3. A sale will be consummated under the terms and conditions of the definition of market required by the regulation.

Based on the same information analyzed to estimate an exposure time and assuming economic conditions remain constant, I concluded that the marketing time of the subject property is approximately 24 months.

TERMINOLOGY¹

Appraisal-*The act or process of estimate value. An opinion as to the nature, quality value, or utility of specified interests in, or aspect of, identified real estate.*

Competence - *The state of having the requisite or adequate ability or qualities to perform the specific assignment. (USPAP, 2012-2013 Edition) The comment on the Competency Rule of the Uniform Standards of Professional Appraisal Practice states that competency applies to factors such as, but not limited to, an appraiser's familiarity with a specific type of property, a market, a geographic area, or an analytical method.*

Extraordinary Assumption - *The foregoing term is defined by USPAP (2012-2013 Edition) as: an assumption, directly related to a specific assignment, which if found to be false, could alter the appraiser's opinions or conclusions.*

Fee Simple Estate - *Absolute ownership unencumbered by any other interest or state subject only to the four powers of government.*

Market Rent - *The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including term, rental adjustment and revaluation, permitted uses, use restrictions, and expense obligations; the lessee and lessor each acting prudently and knowledgeably, and assuming consummation of a lease contract as of a specified date and the passing of the leasehold from lessor to lessee under conditions whereby:*

1. *Lessee and lessor are typically motivated*
2. *Both parties are well informed or well advised, and acting in what they consider their best interests.*
3. *A reasonable time is allowed for exposure in the open market.*
4. *The rent payment is made in terms of cash in United States dollars, and is expressed as an amount per time period consistent with the payment scheduled of the lease contract.*

The rental amount represents the normal consideration for the property leased unaffected by special fees or concessions granted by anyone associated with the transaction.

Market Value - *The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.*

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and the seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition are the consummation of the sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised and acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in open market;*

¹The definitions are from the 5th edition of *The Dictionary of Real Estate Appraisal*, published by the Appraisal Institute.

- *Payment is made in terms of cash in U.S dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)*

Real Estate - *An identified parcel or tract of land, including improvements, if any.*

Real Property - *The interest, benefits, and rights inherent in the ownership of a real estate.*

Value - *The monetary worth of property, goods, services, etc. The present worth of future benefits that accrue to real property ownership.*

Value As Is - *The value of a specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical; market conditions or possible rezoning.*

Value Estimate - *The fair market value at its highest and best use, reflecting all costs related to the conversion to its highest and best use. The fair market value referenced above is defined as:*

The most probable price in terms of money which a property should bring in a competitive and open market under all conditions requisite to a fair sale, that the buyer and the seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimulus.

Value Terms - *All values reported in this appraisal are in terms of cashing, U.S. dollars, or financing terms equivalent to cash.*

Land Area Measurements

In Puerto Rico, land area is measured in square meters while the improvements are measured in square feet. One square meter is equivalent to 10.764 square feet. Larger tracts of land are measured in “cuerdas” where one “cuerda” is equivalent to 3,930.3954 square meters or 0.97123 acres.

SCOPE OF WORK

The scope of the assignment relates to the extent and manner in which research is conducted, data is gathered and analysis is applied, all based upon the following problem-identifying factors elsewhere in this report.

- Client
- Intended use
- Intended user
- Type of opinion
- Effective date of opinion
- Relevant characteristics about the subject
- Assignment conditions

This appraisal of the subject has been presented in the form of a Summary Appraisal Report, which is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of USPAP. That is, this report includes full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value.

The information contained in this report is specific to the needs of the client and for the intended use stated in this report. Raimundo Marrero Appraisers, PSC is not responsible for the unauthorized use of this report. The appraiser completed the following steps for this assignment:

Extent to Which the Property is Identified

I collected the relevant information about the subject from our client, public records, and through an inspection of the subject property.

The property was legally identified through its legal description, physical address and assessor's records. Moreover, the zoning, cadastral and location maps were gathered and analyzed. Economic characteristics of the subject were estimated based upon the appraiser's market research.

Extent to Which the Property is Inspected

On August 27, 2013, I performed an exterior inspection of the property as requested, and the inspection of the immediate neighborhood to determine the functionality of the subject's site and the improvements. Moreover, the inspections helped to determine the vehicular and pedestrian activity around the property, along with the access (ingress and egress) of the area in general.

Type and Extent of Data Researched

I reviewed the micro and/or macro market environments regarding the physical and economic factors relevant to the valuation process. This process includes interviews with regional and/or local market participants, available published data, and other available resources.

I also conducted regional and/or local research regarding the applicable tax data, zoning requirements, flood zone status, demographics, income and expense data, and comparable listing, sale, and rental information. The property's current physical and legal conditions, background and history were researched with all due diligence expected of a professional real estate appraiser in the normal course of performing appraisal services. The legal interests, easements, covenants, restrictions, and other legal aspects were researched using the appropriate sources. The subject market area was examined to determine the demand for and marketability of the property.

Type and Extent of the Applied Analysis

I analyzed the data gathered through the use of the appropriate and accepted appraisal methodology to reach a credible value indication via each applicable approach to value. In this assignment, I considered the development of the Sales Comparison Approach and the Income Approach. In this assignment, the Cost Approach was discarded due to lack of market data of similar properties of vacant land and similar characteristics to the subject in the subject neighborhood. Only the replacement cost new of the improvements was developed for insurance purposes.

The steps required to complete each approach are discussed in the “Valuation Process” section of this report. If two or more approaches are developed, the appraiser then correlates and reconciles the results into a reasonable and defensible value conclusion, as defined herein. A reasonable exposure time associated with the value opinion presented has also been concluded.

Special Appraisal Instructions

As request by Client, as part of the scope of this assignment a “drive-by” inspection and/or physical observation of the subject property from street was carried out by the appraiser in August 27, 2013.

Competency

I certify that I have the competency to develop this assignment, gained with the experience in appraising numerous commercial properties in Puerto Rico mainland and its island municipalities, and having the relevant education and professional credentials.

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property refers to a commercial-office property located at No. 418 Andalucía Avenue in the Puerto Nuevo Development of the San Juan municipality.

History of the Property

The Uniform Standards of Professional Appraisal Practice indicate that in developing a real property appraiser must:

- a. Consider and analyze any current agreement of sale, option, or listing of the property being appraised, if such information is available in the normal course of business
- b. Consider and analyze any prior sale of the property being appraised that occurred during the following periods; one year for one to four family residential properties; and three years for all other property types.

Research of the applicable public records, private data services revealed that the subject property is not currently under any agreement or option to buy. Moreover, the subject property has not been transferred during the past three years. Also, as per my best knowledge, the property is not listed for sale at the open market.

The current owner of the public record is as per title research submitted, Cozy Ambiance Inc. Cozy Ambiance Inc. acquires the property by sale from Guillermo Aviles Aguirrechea and his wife Glorimar De Jesus Mila for the price of \$370,000 on May 16, 2006. Deed number 109 by attorney Jorge Velez Nieves registered at page 177, book 951 of Monacillos district, farm 6,903, inscription eleven.

No more data regarding Public Registry records of the property were not available to us.

Subject Photos



PROPERTY PRODUCTIVITY ANALYSIS

Property productivity analysis addresses a property's capacity to deliver goods and services to meet human needs, house economic activities, and supply amenities.

The property refers to a commercial-office property located at No. 418 along the Andalucía Avenue in the Puerto Nuevo Development of the San Juan Municipality. A more detailed description of the property is presented in the following pages:

I. Physical Characteristics

A. Site Analysis

Size, Topography and Shape

The subject site refers to a lot with a total land area of 252.065 square meters, which has a rectangular shape with a level topography.

Accessibility

The main thoroughfare to the subject site is through Andalucía Avenue, which refers to a two way urban avenue that connects to the Jose Pineiro Avenue at short distance to the south, and to the F.D. Roosevelt Avenue at the north, this two avenues connects to the PR-52 Expressway This expressway experiences high traffic flow, particularly on peak hours (7:00AM to 9:00AM & 4:00PM to 6:00PM) and is considered a vital communication artery in the metropolitan area. It is intersected by many important corridors such as De Diego Expressway (PR-22), Roosevelt Avenue (PR-23), Jesús T. Piñero Avenue (PR-17), Americo Miranda Avenue, PR-21 and PR-1.

Access Street

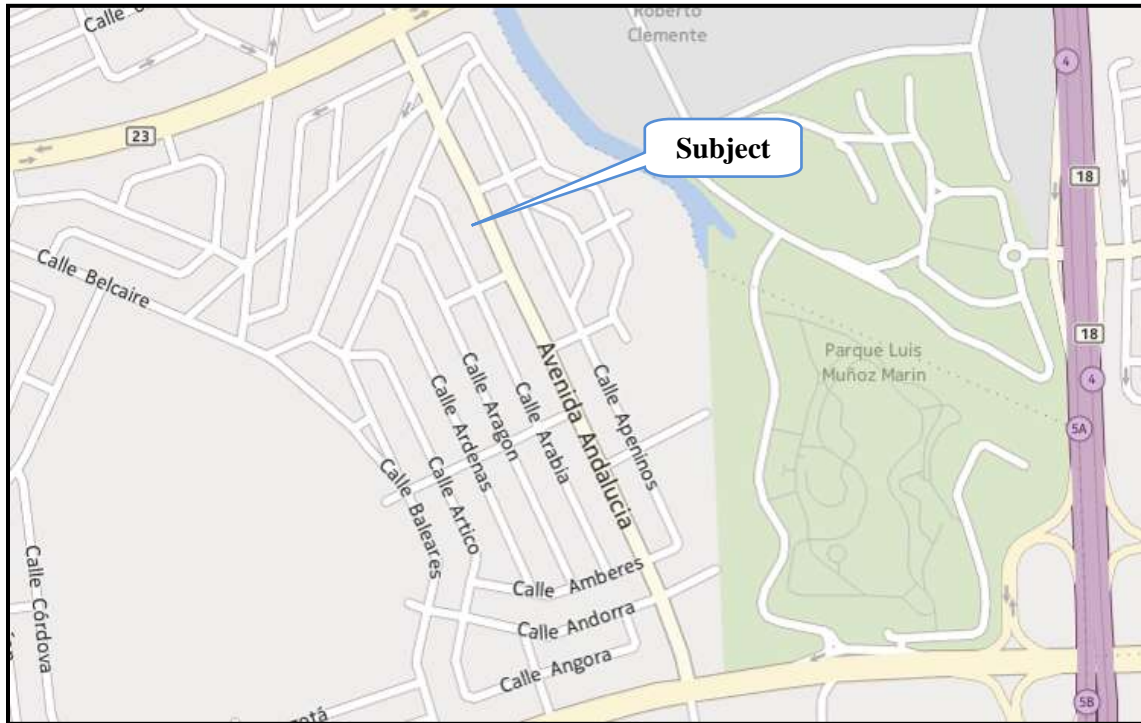


Andalucía Avenue (Southbound)



Andalucía Avenue (Northbound)

Location Map



Aerial View



Services, Infrastructure and Utilities

The Puerto Rico Electrical Power Authority (PREPA), the Puerto Rico Aqueducts and Sewers Authority and the Puerto Rico Telephone Company provide electrical, water and sewer and telephone connection facilities respectively to the site.

The subject site has the typical and necessary government services available, including fire and police protection provided by the Commonwealth government, street cleaning and garbage pick-up provided by the municipal government, and postal service provided by the federal government. Public transportation in the area is adequate, and is provided by public buses and/or mini-vans, and urban trains.

Drainage, Flood Conditions and Subsoil

During my inspection of the subject site, I observed no drainage problems, and assume that none exist. It lies within a flood prone area Zone AE, as outlined on FEMA map No. 72000-C0365J, dated November 18, 2009; however, the subject site is adaptable to normal commercial usage.

I have not performed or examined any subsoil studies prepared for the subject site. For purposes of this appraisal, the subject site is assumed to be adaptable for normal usage.

Flood Map



Immediately Adjacent Land Uses

Overall, the nearby properties are being used for commercial (office, retail) and residential purposes.

The following chart summarizes the salient characteristics of the subject site.

SITE ANALYSIS-SUMMARY			
Site Area	Area in Sq. Mts. 252.065	Area in Cuerdas 0.0641	Source The site area was extracted from a Title study provided by the client. Thus, this information was utilized as the basis of this report and has been assumed correct. No responsibility and/or liability are assumed by the appraiser in this respect.
Property Boundary Limits	North: Lot No. 416 of Andalucía Avenue, Commercial Property South: Lot No. 420 of Andalucía Avenue, Commercial Property East: Andalucía Avenue West: Lot No. 411 of Arabia Street		
Site Access Frontage Topography / Site Shape Cadastral No. Tax Rate Zoning District Flood Panel No. / Zone Last Revision Date	Andalucía Avenue +/- 40 lineal feet Level topography /Rectangular 062-078-076-10-001 10.33% C-I Intermediate Commercial 72000-C0365J/ Zone AE November 18, 2009		

B. Improvements Analysis

The improvements of the subject property consist of a two-story commercial-office building, comprised of 4,414 square feet of gross building area and with a ceiling height of approximately 8 feet. The building is constructed of reinforced concrete and concrete blocks, and built around 60 years ago but renovated in recent years, and observed in average condition. The appraiser made only an exterior inspection as requested by the client; thus, this analysis is based on the extraordinary assumption that the interior of the subject property is in average to good condition, in harmony with its exterior physical state, and has the necessary layout for its commercial use. Improvements include paved areas used as parking space for four vehicles in its front area, for a parking ratio of 0.91 per 1,000 S.F. Additional improvements also includes iron gate in entrance door, chain link and concrete back fence.

In summary, refer to the next table.

IMPROVEMENTS DESCRIPTION-SUMMARY	
Year Built	+/- 1950
Building Type	Commercial Office Building / Average
Existing Use/Physical Condition	Office Use /Average to Good
Construction Type	Reinforced Concrete, concrete blocks
Overall Gross Building Area	4,414 sq. ft.
Parking Facilities/Index	4 Stalls / 0.91:1,000 sq. ft.
Fire Protection & Security	None/Iron works
Paving	Concrete parking at the front area of the building
Basement	None
Luminaries	Not inspected
Bathrooms	Assumed Adequate
Effective Age/Remaining Eco. Life	20Years / 30 Years
Interior Improvements	
Physical Condition	Assumed Average
Physical Depreciation	Yes / Normal wear & tear
Functional Obsolescence	None
External Obsolescence	Market Conditions
Street & Pedestrian Access	Andalucía Avenue and walkways.
Additional Improvements	Additional improvement includes: Iron works, paved areas, chain link and concrete fence.
Comments	The appraiser made only an exterior inspection as requested by the client. The interior condition is assumed to be in average condition, in harmony with its exterior physical state. I also assume that the building has the typical and necessary layout for its commercial office use.

Legal Characteristics

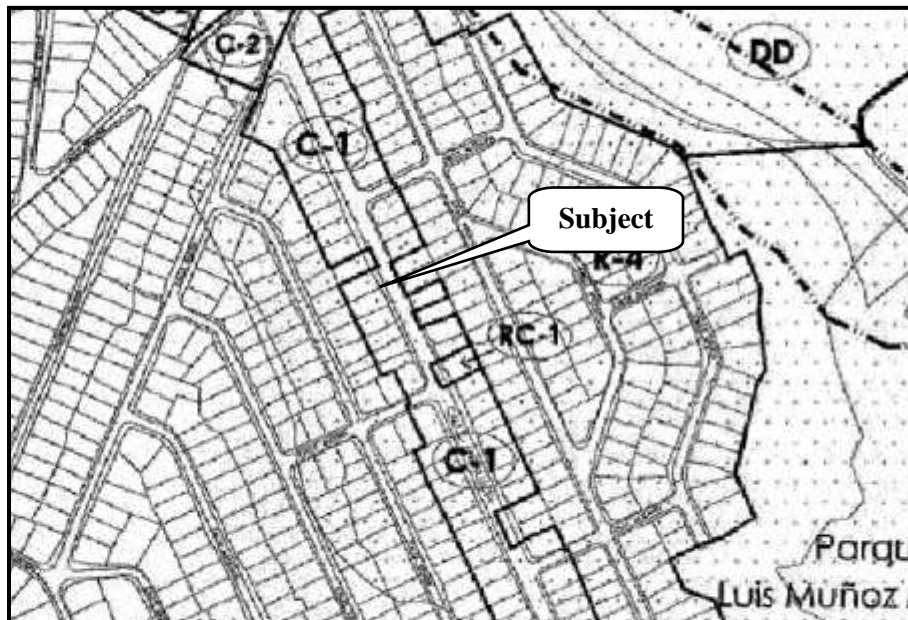
Zoning

The subject site actually has a C-I, Commercial Use (formely C-1 Urban Commercial) zoning classification, which is in conformity with the immediate neighborhood trend. This district is established to classify existing commercial uses and/or create new commercial uses. The following table summarizes the C-I district regulatory parameters.

Zoning Parameters – C-I	
Allowed uses	Retail stores, bars, care centers, gas stations, hostels, offices, simple commercial, recreation, light industries, small service centers, among others.
Maximum height	Up to 2 times the frontage distance.
Minimum lot size	450 square meters and 15 meters wide
Maximum lot occupancy	75 % of lot size
Maximum building area	450 % of lot size
Minimum front patio	2 meters including the pedestrian way
Minimum lateral patio	2 lateral patios no less than 2 meters of wide or 1/5 of building height. No patio required for the first 3 stories.
Minimum rear patio	1 rear patio no less than 3 meters or 1/5 of building height
Parking requirements	1:15 sq. mts. (retail), 1:25 sq. mts. (office), 1:70 sq. mts. (light industrial)

Overall, the subject property meets most of the above requirements, with the exception of the minimum lot size, the maximum lot occupancy by only 6% and minimum parking requirements. However these deficiencies are typical in this type of property within the market area and immediate neighborhood. Thus the current use on the site is legally nonconforming. This appraisal report assumes that the subject complies with all the federal and local governmental agencies permits, approvals and requirements and conditions for the existing building and uses. Any variation from these contingencies would render the reported values null and void.

Zoning Map



Parcel Profile as Puerto Rico Planning Board



Easements, Encroachments & Expropriations

The easements observed on the subject property are those typical of the neighborhood, which include electrical and sewer easements not considered having a negative effect on the subject property. No adverse easements, encroachments or contemplated expropriations are assumed for the subject property. No responsibility is assumed in these terms.

Deed and Lease Restrictions

I have no knowledge of the existence of deed and/or lease restrictions that limit the use of the property. The reported market value is based on an unencumbered fee simple interest.

LEGAL DESCRIPTION

The legal description of the subject site in Spanish language is as follows:

---**URBANA**: Solar de forma rectangular que mide 12.00 metros de frente por 21 metros de fondo, marcado con el número 9 de la manzana GM de la Urbanización Puerto Nuevo, propiedad de la Everlasting Development. Corporación que radica en el Barrio Monacillos de Río Piedras, con un área superficial de 252.065.04 metros cuadrados. En lindes por el Norte, Sur, Este y Oeste, con terrenos propiedad de Everlasting Development Corporation y dando frente al Este, con la calle denominada Puerto Nuevo Main Street de la Urbanización.

Enclava una casa.

Se segrega de la finca 2,554, inscrita al folio 235 del tomo 239 de Río Piedras.

PROPERTY PRODUCTIVITY ANALYSIS - SUMMARY

Property Tax Data

The Municipal Revenue Collection Center (CRIM, by its Spanish acronym) is responsible for assessing properties and collecting real estate taxes. Puerto Rico’s real estate tax rates are based on two separate factors, one is the rate fixed by the Legislature of Puerto Rico, standard for all parts of the Commonwealth, and the other, is the rate set by the Municipality wherein a given property is located. The current tax rate for the municipality of San Juan is 10.33%; these tax rates are periodically revised.

Real estate assessments are made at 1957-58 values using a cost approach based mass appraisal methodology. The law in Puerto Rico provides for a 10% discount on the property taxes, which are collected in two yearly payments, if these are paid within the 30 days following the mailing of the tax invoice. In addition, the law also grants property tax exemption for the first \$15,000.00 of assessed valuation on one residence, if owner occupied. Special real estate tax exemptions are often granted to some type of commercial properties as an incentive for job creation.

The reported value disregards any existing tax liability that might be pending, and no liability is assumed in this respect. Furthermore, no abnormal tax assessments or liabilities are assumed, nor is any responsibility assumed for their possible existence.

Subject Tax Information:

Site No.	Tax Code Number	Owner as per CRIM	Assessed Value	Annual Taxes
No 418 Andalucía Avenue Puerto Nuevo, San Juan	062-078-076-10-001	Cozy Ambie Inc	\$21,086	\$1,960.38

Cadastral Map



I. Physical Characteristics

Site Analysis		Improvements Analysis	
Land Area	252.065 Sq. Mts.	Main Building Type	Commercial Office Building
Topography	Level	Year Built /	+/-1950
Shape	Rectangular	Building Class	C
Street Frontage	+/- 40 feet	Construction Type	Reinforced Concrete/ Concrete Blocks
Main Access	Andalucía Ave.	Roof Type	Concrete
Transportation Linkages	Américo Miranda Ave / De Diego Ave. / Jesús T. Piñero Ave./PR-22 / Roosevelt Ave.	Foundation Type	Concrete Slab
Utility Linkages	Electric Power/Sewer Potable Water/Cable Telephone	Gross Construction Area	4,414 Sq. Ft.
Drainage	Adequate	Leasable Area	4,414 Sq. Ft.
Flood Conditions	Zone AE	Effective Age	20 Years
Excess or Surplus Land	None	Remaining Economic Life	30 Years
Adjacent Land Uses	Commercial Retail / Office / Residential	Physical Depreciation	Yes/ Normal wear & tear
Cadastral No.	062-078-076-10-001	Obsolescence	External - Market Conditions
		Parking Facilities	4 Stalls / 0.91:1,000 SF
		Additional Features	Iron Works, paved areas , chain link and concrete fence

II. Legal Characteristics

Zoning	C-I	Permit Use / License	Assumed
Easement Deed Restrictions	Typical Unknown	Tax Rate	10.33%
		Lease Restrictions	Unknown

III. Locational Characteristics

Neighborhood Character	Urban, Commercial trend	Predominant Use	Commercial
Growth Trend	Stable	Location Rating	Average

IV. Overall Property Rating

Based on the physical, legal and locational characteristics of the subject property, it evidences an average performance in comparison to the market standard for this property type.

Conclusion of the Property Productivity Analysis

The subject is located along Andalucía Avenue in the Puerto Nuevo Development of the San Juan Municipality in Puerto Rico. The Puerto Nuevo development refers to an over 60-year old neighborhood, which displays a wide variety of amenities mainly in those properties fronting important corridors such as Roosevelt Avenue, Jesus T Piñero Avenue, José De Diego Avenue and Andalucía Avenue, among others.

The Andalucía Avenue is a well-transited corridor within this development, which intersects with many important corridors such as the Roosevelt Avenue (PR-23), Jesús T. Piñero Avenue (PR-17) and the Americo Miranda Avenue. The subject immediate and general neighborhoods have the typical and necessary government services available, including fire and police protection provided by the Commonwealth government, street cleaning and garbage pick-up provided by the municipal government, and postal service provided by the federal government. Public transportation in the area is adequate, and is provided by public buses and/or mini-vans and the Metropolitan Bus Authority ("Autoridad Metropolitana de Autobuses" or AMA in Spanish) provides daily bus transportation to residents of San Juan, Guaynabo, Bayamón, Toa Baja, Trujillo Alto, Cataño and Carolina through 30 fixed routes.

In terms of its physical characteristics, the subject exterior was observed in average to good condition and shows normal wear and tear. The improvements appear to have been renovated in recent years remain useable and thus are functional for commercial office use, as they adequately contribute to the overall property value and are in harmony with the highest and best use of the property. Moreover, the site's physical characteristics enhance its functionality for commercial purposes.

In terms of its legal characteristic, the subject property is currently zoned C-I (Commercial Use), which allows retail store, office, limited light industrial, parking spaces, among other related uses to satisfy the needs of the neighborhood. The current use of the subject as office commercial business is allowed.

In conclusion, the physical, legal and locational characteristics of the property support commercial utilization. Moreover, the subject's use as a commercial site conforms to the immediate neighborhood and it concurs with the trends observed at the surroundings.

MARKET AREA ANALYSIS

Market analysis refers to the process for examining the demand for and supply of a property type and the geographic market area for that property type². This process is necessary for determining a property's highest and best use.

The goal of market analysis is to identify the relationship between demand and competitive supply in the subject property's real estate market, both now and in the future. To do this, the appraiser focuses on the study of the four factors that create value in real property (utility, desire, effective buying power and scarcity). The interaction of these factors is the foundation of real estate market analysis and operates through the principles of supply and demand.

To determine the level of market analysis appropriate for this appraisal assignment, I considered the regulatory requirements, the requirements of the client and user of the appraisal, the market conditions prevailing at the time of the appraisal, the stability of the real estate market and the complexity of the property being appraised. For this assignment I concluded that an inferred analysis is appropriate because the standards do not specify the level of market analysis to be developed.

Moreover, the client did not request a particular level of market analysis, and current market conditions are not expected to change in the near future.

Puerto Rico Island



Puerto Rico, the fourth largest of the Caribbean Islands, is 100 miles long and 35 miles wide, comprising a total area of 3,500 square miles. In 1898 Spain ceded the Island to the United States in the aftermath of the Spanish American War. The United States granted Puerto Ricans US citizenship in 1917 and instituted Puerto Rico's current Commonwealth status in 1952. Its close political relationship and heavy reliance on the United States for trade and finance have traditionally and historically made the Island follow the economic

behavior of the U.S. economy.

Economic development in Puerto Rico has been accompanied, as in other developing countries, with an accelerated urban growth. Declining agriculture and the increased emphasis on manufacturing and services has motivated a mass migration to the cities.

Population

Puerto Rico's colonial history with Spain resulted in a racially mixed population (Spanish, African, and indigenous Taino), 85 percent of which is Roman Catholic. People between the ages of 15 and 64 constitute two-thirds of the population, and people 14 and under make up roughly one-fourth. The average life expectancy of the population is 75.55 years.

Population growth is discouraged by the government, which supports family-planning programs and birth-control measures on the community and national levels. In the 20th century, large-scale migration to the U.S. mainland had slowed population growth and alleviated overcrowding. The government also places high emphasis on education, which explains the high literacy rate on the island (90 percent). Bilingual education measures are growing, and are the source of great debate on the island.

²The Appraisal Real Estate, 13th Edition (Chicago: Appraisal Institute, 2008), 173.

According to the most recent data available of the U.S. Census Bureau, the population in Puerto Rico reduced 2.2% from 3,808,610 in 2000 to 3,725,789 in 2010. The population of Puerto Rico shows high concentrations in urban areas along the coastal lowlands. Several pairs of neighboring cities are virtually growing together due to urban expansion. For example, the capital and its surrounding areas have a population of more than 1.5 million.

Nowadays, there has been an exodus of Puerto Rico residents amid the marathon local economic recession. This demographic shift represents a range of challenges for the island. The ongoing exodus of Puerto Rico residents leaving for the U.S. mainland was highlighted in new data issued by the federal Census Bureau. Last year, 76,218 people residing in the U.S. lived in Puerto Rico the year before, according to state-to-state migration flow tables based on 2011 American Community Survey estimates.

The state with the largest flow of people moving from Puerto Rico was Florida with 21,611 movers. The Puerto Rican population in the Sunshine State surged 4.5% over a decade, reaching nearly 848,000 in the 2010 Census. Following Florida as the top destinations for movers from Puerto Rico were: New York (10,582), Texas (5,225) Massachusetts (4,413), New Jersey (4,312), Pennsylvania (2,723), Illinois (2,387), Connecticut (2,105), South Carolina (2,166), Georgia (1,635) and Ohio (1,607).

The data in 2011 shows 22,649 people in Puerto Rico lived in the U.S. one year earlier. Florida also had the most movers to Puerto Rico with 6,614 making the journey. Rounding out the top five in the movers to the island category were New York (2,615), New Jersey (2,150), Connecticut (1,849) and Massachusetts (1,412).

The population drop raises the prospect of less federal funding for Puerto Rico, increased pressure on the financially ailing public-pension system and a dramatically aging population with fewer financial resources.

According to U.S. Census Bureau figures (as of September 2012), Puerto Rico's poverty rate was pegged at 45.6% in 2011, up slightly from 45% in 2010. The Census numbers show nearly 1.673 million island residents were living below the federal poverty line last year, up from roughly 1.659 million in 2010. The poverty rate in Puerto Rico remained far ahead of the poorest state in the Union, Mississippi, where 22.6% of the population was living below the poverty line in 2011.

The median household income in Puerto Rico fell to \$18,660 last year, dropping from \$19,370 in 2010, the new Census data shows. The percentage of Puerto Ricans on food stamps inched up from 36.7% in 2010 to 37.5% in 2011.

Governmental Structure

The Commonwealth's Constitution provides for the separation of powers of the executive, legislative and judicial branches of government. The Governor is elected every four years. The bicameral Legislature consists of a Senate and a House of Representatives, and is elected for four-year terms. Decisions of the District Court of the United States for the District of Puerto Rico may be appealed to the United States Court of Appeals (First Circuit) and to the Supreme Court of the United States.

Decisions of the Supreme Court of Puerto Rico may (be appealed to the Supreme Court of the United States in the same manner and under the same terms and conditions that decisions may be appealed from state courts. Governmental responsibilities assumed by the Commonwealth are similar in nature to those of the various state governments but more intensive in scope.

The Commonwealth assumes responsibility for local police and fire protection, education, public health and welfare programs, and economic development.

Economy of Puerto Rico - Overview³

The island's recession, already in its sixth year, has been deep and long. In fact, it is the longest of any developed country in the world in modern times, making it Puerto Rico's own "Great Depression." Puerto Rico's economy went into negative-growth territory in March of 2005, a total negative period of five years and 10 months to date. However, signs of improvement in some economic sectors point to 2012 as the beginning of a long road to recovery for the island.

Puerto Rico scaled up six notches to the 35th position out of 142 jurisdictions evaluated in the 2011-2012 edition of the World Economic Forum's (WEF) Global Competitiveness Report. Puerto Rico showed the most improvement among the top-35 economies in the world. This is the highest ranking Puerto Rico has obtained in this report in its history. Puerto Rico also advanced eight notches to the 45th position out of 139 jurisdictions in the Travel & Tourism Competitiveness Report published by WEF, the highest ranking Puerto Rico has obtained in this report in its history as well.

The stateside recession, which began in December 2007, officially ended in June 2009, lasting 18 months. Since then, the mainland economy grew at a 3% rate in 2010 and is less than 2% in 2011, according to a recent Associated Press survey of economists. That same survey has the U.S. economy growing 2.4% in 2012.

If projections hold true, given that Puerto Rico's economy is directly linked to the U.S. mainland's, as the U.S. continues to improve, it should have a positive effect on our local economy. However, projected cuts in social programs in the federal budget will likely translate into a reduction in financial transfers to Puerto Rico.

Puerto Rico, which relies on federal funding for \$1 out of every \$4 spent by the local government, must prepare in advance for cuts in federal spending over the next several years, with projected cuts of nearly 8% in education, health and transportation. Defense and farm bills, the latter affecting the island's \$2 billion Nutritional Assistance Program, are also expected to contain substantial cuts.

As fiscal year 2012 kicks off, the island stands to lose millions of dollars in rum excise tax rebate revenue after Congress failed to extend an increase in the program that expired Dec. 31, 2011.

Housing Market

Housing sales in the first quarter (1Q) of 2012 fell almost 50%, from 1,138 in 1Q 2011 to 619 in 1Q 2012, despite the stimulus efforts offered by the administration of Gov. Luis Fortuño. According to a recent study by Estudios Técnicos, Inc. (ET), there still remain 3.2 years of housing inventory on the market. At the industry's peak in 2004, there were only 1.1 years of inventory.

The foreclosure rate in Puerto Rico steadily increased over the first four months of 2012. In January, 17,833 homes, or 4%, were in some stage of the foreclosure process. By April, the number of properties in foreclosure had risen to 19,207 homes, or 4.33%.

Foreclosures have been increasing steadily in Puerto Rico over the past four years. In 2008, there were 2,357 foreclosures; this number rose slightly to 2,454 in 2009: In 2010, foreclosures jumped significantly to 3,162: In 2011 there were 3,188, and, in the first quarter of 2012, there have already 1,195 foreclosures. If the rate of foreclosures continues in 2012 at the same pace as in the first quarter, there will be 4,780 foreclosures more than double the number in 2008.

³Extract from the Caribbean Business – Story Archives.

Tax Reform

General Fund net revenues rose 5.8% in fiscal year 2011 to \$8.2 billion, and for the first five months of fiscal 2012, they are up 4.7% than during over the same period of the previous year.

Local sales & use tax (IVU by its Spanish acronym) collections rose 2.8% in 2011 to \$1.1 billion, marking the second-straight year of growth, as 2010 collections had risen by 15.1%. January 2011 was the month with the highest IVU revenue for any given month in recent history, and every single month in 2011 reflected a year-to-year increase.

Unemployment

Puerto Rico's unemployment rate fell to 14.1% in August 2012. The June jobless rate decreased sharply from the 16.4% registered during the same month last year. The unemployment rate was 14.8% in July.

Still, Puerto Rico's unemployment crisis persists. The unemployment-rate has decreased, due in large part to a sector of the unemployed who cease to seek employment. The labor-participation rate was a low 39.6% in May, down from 40.2% a year ago. The island's labor-participation rate at the onset of the recession in 2006 was above 47%, but since then has been decreasing and trails far behind the U.S. average, which is currently 65%.

BLS data shows Puerto Rico's unemployment rate has fallen monthly since April 2011, and experienced a sustained decrease when making same-month comparisons since March 2010. The jobless rate in June 2006, when Puerto Rico's long recession was taking hold, was 10.7%.

Government Shuffling

Most everyone agrees that Puerto Rico's government needs to be overhauled, reorganized and modernized to become more efficient. Under Law 182 of 2009, nine out of 13 reorganizational plans established by the executive branch are currently being implemented.

The bulk of the reorganization is focused on the use of technology and the digitizing of hundreds of processes and services. To date, pr.gov offers more than 100 online services, compared with none only three years ago. The online platform has processed more than 4 million transactions, representing savings of more than 4 million hours and \$50 million.

Energy

In October 2012, Pattern Energy's Finca de Viento Santa Isabel (FVSI) wind project began producing clean energy as Puerto Rico Gov. Luis Fortuño officially started operations at the first commercial-scale wind power project in Puerto Rico, and largest in the Caribbean.

Thanks to a recent agreement between Pattern and the Puerto Rico Electric Power Authority (Prepa), FVSI will now produce up to 95 megawatts (MWs) of clean renewable energy—20 MWs more than it was originally slated to produce—without any increase to the project size. The output will be enough to power 30,000 homes.

The Fortuño administration has set forth an aggressive plan to diversify Puerto Rico's energy sources to comply with the law and exceed the goal of generating 12% of energy with renewable energy by 2015, 15% by 2020 and 20% by 2035. Fortuño emphasized there are renewable-energy projects in operation and under construction in several areas of the island that constitute more than 220 MWs of energy from clean, renewable sources.

The \$215 million Santa Isabel project includes 44 turbines spread over 3,700 acres and leased from the island government's Land Authority. The Santa Isabel wind farm is among a range of projects spurred by recently implemented government incentives aimed at jumpstarting alternative-energy sources and paring Puerto Rico's heavy reliance on dirty and volatile petroleum for power.

Other commercial-scale renewable-energy projects in the works include wind farms such as Punta Lima in Naguabo and Windmar in the municipality of Guayanilla.

Manufacturing

Manufacturing, still considered Puerto Rico's economic engine, appears to be continuing its downward path, with no end in sight, as the sector continues to feel the pinch of high operating expenses and sluggish U.S. and European economies, the principal export markets for locally produced goods.

In 2011, employment in the segment fell below 100,000 for the first time and in 2012 this economy sector lost additional 6,300 jobs. Although the value of manufactured products has remained fairly stable at more than \$40 billion, or almost 45% of the island's gross domestic product (GDP), the rebound in local manufacturing exports seen during 2011, which reflected 5.2% growth over the previous year, according to Puerto Rico Planning Board statistics, isn't expected in 2012.

The numbers this fiscal year point to a very different scenario, registering a 9% reduction compared to 2011, with industry export levels lower than those in 2006, the year when the local recession turned depression began. This seems to do away with the theory that the island's economy started its recovery. Although not all industry segments had the same degree of deceleration, the principal ones were all affected.

Beverages & tobacco showed a 19% reduction against the previous year; textiles 9%; petroleum & coal products 18%; apparel 18%; and chemicals & pharmaceuticals, which represent nearly 75% of the island's manufacturing output, lost 9%.

The segment with the biggest loss during these past years is computers & electronic products, which once was strong, has lost 79% of its production since 2006 when it peaked.

Puerto Rico has one of the world's best incentives packages for manufacturers, Act 73 of 2008, offers a fixed 4% tax rate, even lower rates for "pioneering projects," and a 50% tax credit for local and recycled products, among other benefits. Industry leaders, however, claim these incentives aren't enough to fully compensate for the island's high operating costs.

Highly paternalistic labor laws, along with one of the highest electricity costs in the world, which often represents 17% to 20% of the entire operating budget of some manufacturing operations. Another issue affecting the manufacturing sector during recent years is the continuing expiration of patents for the many medications produced by pharmaceutical companies on the island.

The pharmaceutical industry continues to thrive in Puerto Rico, accounting for more than 60% of the island's exports, 25% of the gross domestic product and some 25,000 direct jobs, or 26% of the total manufacturing employment.

In fact, Bristol-Myers Squibb Co. (BMS) recently announced the expansion of its manufacturing facility in Humacao, at a cost of \$165 million. The investment by the New York-based company will go towards boosting capacity to add new pharmaceuticals to its production line. The expanded operation is expected to create 100 new jobs starting in 2016. Construction is expected to start by the end of this year.

The BMS manufacturing site encompasses more than 48 acres. The expansion and renovation project will cover some 165,000 square feet. An initial phase will add 82,000 square feet of factory space to allow for the production of a drug to treat Type 2 diabetes. A second phase calls for the renovation of more than 83,000 square feet and the addition of equipment to make new cardiovascular medications.

Construction

The increase in sales and production of cement during 2012 is a good indicator of rebound of the Puerto Rico construction industry, despite the lag in the issuance of construction permits during the last year.

From July through November 2011, the first five months of fiscal year 2012, 6.98 million bags of cement were produced, representing an increase of 11.9% over the same period the previous year, a telling sign of economic activity and one that points to impending economic growth. In November (the fifth month of fiscal year 2012), cement sales increased by 114,000 bags, or 7.5%, from the same period in the previous year.

From January to November, sales of cement grew 4.4%, compared to the year-ago period. This breaks a five-year downward trend in sales, with the largest drop being 29.7% in 2009.

Although issued construction permits remained low at only 236 for February 2011 industry employment rose to 58,000 in October 2011 from 46,000 in October 2010. However, employment remained well below the 75,800 employed during the industry's peak in 2001. Moreover, the Puerto Rico economy will get a \$1.39 billion boost during fiscal year 2012 from new and ongoing projects prompted by ARRA funds. The overall tally of federal economic-stimulus funds available through the ARRA program has reached \$7.029 billion. Funding for fiscal year 2012 is nearly 20% of Puerto Rico's total ARRA funding available.

Puerto Rico's public-private partnership (PPP) reform has led to the development of what many industry observers have hailed as one of the most novel, ambitious and well-thought-out PPP programs. This year is slated to have vigorous PPP construction activity. During the first quarter, there will be construction of a correctional hospital in Bayamón, the extension of PR-5 and a bevy of green projects will be established. Additional sections of PR-66 shall be ready by the summer. Works on PR-22, which extends from De Diego / Minillas to Hatillo, will continue in 2012.

On July 19, 2012 Aerostar Airport Holdings, LLC (Aerostar) was chosen to operate the Luis Munoz Marin (LMM) International Airport in a forty year lease by way of public-private partnership (PPP). Aerostar is a 50-50 joint venture between Highstar Capital, an infrastructure investment firm, and the also leading Mexican airport management firm, Grupo Aeroportario del Sureste, S.A.B. de C.V. (NYSE: ASR; BMV: ASUR) (ASUR). Selected after a competitive bidding process, Aerostar's partners are industry leaders in revitalizing transportation and aviation infrastructure, as well as for managing public-private partnerships, successfully. Aerostar is a limited liability company registered in Puerto Rico.

Over the course of this concession, Aerostar is looking to invest nearly \$1.4 billion in capital improvements, and will provide an upfront \$615 million leasehold fee, which shall result in the improvement of aviation services and passenger experience, while creating crucial jobs for Puerto Rico. Working in partnership with the Puerto Rico Port Authority, Aerostar has ensured that all existing jobs and workers benefits will remain unchanged. The Puerto Rican government has indicated that it shall receive over \$2.6 billion in revenues and other benefits from this PPP over the course of the lease.

Long Term Projects

It appears that, 2012 will be a watershed year for the Caribbean Riviera project, which shall convert key sections of the former U.S. Naval Station at Roosevelt Roads in eastern Puerto Rico into a world-class tourism complex.

The Puerto Rico Government expects to finalize a bulk land conveyance from the U.S. Navy early in the year. A formal request-for-proposal (RFP) process has been filed, involving primary industry sectors that will operate within the Caribbean Riviera namely gambling, hospitality, lodging, entertainment and ecotourism. Additional investment in infrastructure is also scheduled for 2012.

This project will transform the entire eastern seaboard of Puerto Rico into an economic driver for the whole region, creating thousands of jobs in the process. The island municipalities of Vieques and Culebra have also been included in the economic-development initiatives of this project.

Construction will also continue on Pier 6, the westernmost component of the Bahía Urbana project in San Juan. In addition, the government commenced construction of the principal structures of the project's first phase in Piers 7 & 8, unique recreational spaces that shall integrate amenities for tourists and locals alike.

Last year was important for Bahía Urbana, which after nearly two decades in the planning phase, had little to show than plans and sketches. The project began construction of its first phase in 2010, with the remediation and demolition of various structures on the eastern edge of the nearly 90-acre project site, as well as improvements to Fernández Juncos Avenue. These improvements complement major investments incurred by the local Department of Transportation & Public Works along Intersection 5, culminating with the inauguration of the newly renovated Dos Hermanos Bridge at the entrance of Condado in San Juan.

Finally, in 2012, several development efforts will help get the new Science District underway (as established by Law 208 of 2011), including groundbreaking construction of the Comprehensive Cancer Center (CCC) on the district's main road, known as Science Boulevard, with funding facilitated by the Science, Technology & Research Trust.

The Science District, to be developed on a 70-acre expanse of land in the Río Piedras sector of San Juan, formerly occupied by the Oso Blanco penitentiary building, will be developed over a 20-year period and will include the CCC, the Biomolecular Sciences Building and the Biotechnology Development & Training Center, among other medical and scientific research facilities—topping a combined one million square feet of laboratory and research space. Also this year, demolition will begin on a number of existing structures in the areas surrounding Science City to make way for future infrastructure development.

In a climate of uncertainty, it is difficult to make firm projections about the future. However, prevailing economic conditions combined with expert analysis, can provide vital indicators for an assessment of Puerto Rico's economic prospects in 2013.

Private-sector leaders are hopeful that modest signs of economic improvement may be observed during 2013. However, external factors, including a still-weak U.S. economy, uncertainty within the European community and the volatility of oil prices could still set us back. A healthy recovery will take several years, at least.

Tourism

Puerto Rico tourism showed signs of improvement in 2012 compared with the previous year. The hotel occupancy levels went up 7.3% between July and September, according to numbers from Smith Travel Research (STR). Revenue per available room went up 10.7% in third quarter 2012 compared with the same period in 2011, while average daily rates (ADR) increased by 3% during the period. Year-to-date numbers up to October show the island's ADR stands at \$171.37, while Revenue per available room so far is at \$125.93.

Since 2009, 28 hotel properties have been opened, remodeled or expanded. This represents 1,793 rooms, \$779 million worth of investment and 1,640 permanent jobs. Due to begin operation or construction in 2012 and 2013 are 23 additional projects, representing 2,106 rooms, \$1.5 billion in investment and 2,713 permanent jobs, chief among them being the \$100 million Condado Vanderbilt Hotel.

Regarding air travel, 2012 was marked by transitions, such as the case with American Airlines and American Eagle phasing out their local presence, while new notable players such as JetBlue and AirTran have taken over the old routes. British Airways and Iberia eliminated direct routes in December as a result of their parent company's inner turmoil.

The proposed public-private partnership for Luis Muñoz Marín International Airport (LMMIA) has also been a hot-button topic this past year. While there has been some opposition to the terms of the 40-year lease agreement with Aerostar Airport Holdings Inc., which is under review by the Federal Aviation Administration, there is almost total consensus among government and industry leaders that in its current state, the LMMIA represents a weak point in Puerto Rico's viability as a world-class tourism destination.

Homeport cruise ship visitors, meanwhile, totaled 456,109 in 2012 with 197 trips, according to PRTC numbers. The cruise ship industry has pumped \$187 million into Puerto Rico's economy in the 2011-2012 season, generating along the way 5,000 jobs and \$70.3 million in wages, according to a study commissioned by the Florida-Caribbean Cruise Association.

Retail Sales

Retail-industry experts continue to be baffled by the performance of Puerto Rico's retail sector. While mainland U.S. sales have felt the negative impact of a weak global economy during recent years, local retail sales have continued to show modest growth. The trend is expected to continue.

The latest statistics for 2012 show accumulated monthly retail sales up to August have increased 2.6% compared with the same period in 2011, which is very similar to the 2.7% growth from 2010 to 2011. Were this trend to continue, this year's sales would be close to \$36 billion.

Automobile sales, an important market barometer, which had been in a downward spiral since 2006, started recovering in 2010. From January to October 2012, auto sales have increased by a robust 12.2% compared with the same period in 2011 when 79,859 units were sold. Should this trend continue, sales in 2012 should top 2011 numbers and total more than 100,000 units.

Motivated by these facts, many national retailers have either entered the local market or expanded their presence on the island. During the past two years, new arrivals have included PetSmart, iShop (Apple products), T.J. Maxx, Victoria's Secret, Steve Madden, Microsoft, PetCo and fashion retailer Massimo Dutti. New dining offers include Texas de Brazil, Teriyaki Xpress, Buns the Burger Shop, DiYukas, Casa Lola, P.F. Chang's, Charley's Philly Steaks and Firehouse Subs.

Shopping center owners are also preparing to take advantage of the growth trend. DDR Corp. began redeveloping four of its shopping centers in Puerto Rico: Plaza del Sol and Rexville Plaza in Bayamón, Plaza del Norte in Hatillo and Plaza Escorial in Carolina.

Plaza Carolina, the island's second-largest shopping mall, also has significantly remodeled its facilities. Plaza Carolina seeks to attract new retailers that will better respond to the needs of a changing customer profile.

Calling itself San Patricio Village, what is considered the Caribbean's first "modern shopping mall," has evolved into the equivalent of a private town center. While Puerto Rico's economy has been in a recession for the past six years, San Patricio Village's sales have increased an average of 2.7% a year from 2007 to 2011.

Meanwhile, Plaza Las Américas recently completed a \$12 million expansion project of its main entrance and repaved the parking area, which included new landscaping. Parking for 300 additional spots is also being constructed and should be ready early next year. The 1.8-million-square-foot shopping center, which already has more than 300 stores, added new tenants to its roster during 2012.

Finally, Plaza Las Américas' sister mall, Plaza del Caribe in Ponce, is adding 10,500 square feet of space to its food court at a cost of \$3.5 million, and an 18,000-square-foot Zara clothing store opened for December 2012.

Market Area Delineation

Considering the relationship to customer location, the location of substitute properties in relation to complementary populations' areas plus employment centers, and the location of possible comparable properties, we concluded that the market area for the subject property can be delineated by the Municipality of San Juan, plus the nearby municipalities of Bayamón, Carolina and Guaynabo.

Workforce

The following table displays the employment and unemployment statistics for the subject's market area for the period between April 2008 and April 2013.

Municipality	Labor Force			Employment			Unemployment Rate		
	Apr-13	% Change	Apr-08	Apr-13	% Change	Apr-08	Apr-13	Change	Apr-08
Bayamon	69,208	-14.20%	80,661	62,460	-15.56%	73,970	9.8%	1.46%	8.3%
Carolina	64,470	-14.70%	75,581	58,764	-15.72%	69,723	8.9%	1.10%	7.8%
Guaynabo	37,932	-13.42%	43,814	35,123	-14.77%	41,209	7.4%	1.46%	5.9%
San Juan	138,808	-15.98%	165,208	127,379	-16.83%	153,150	8.2%	0.93%	7.3%
Market Area	310,418	-15.02%	365,264	283,726	-16.07%	338,052	8.60%	1.15%	7.45%
PR Total	1,257,835	-7.64%	1,361,857	1,079,949	-12.65%	1,236,379	14.14%	4.93%	9.21%

The information indicates that the base of the labor force has shrunk significantly in both the market area and in the overall Puerto Rico during the last five years in 15.02% and 7.64% respectively. For the same period, the total employment in the market area experienced a decrease of 16.07%, while the overall Puerto Rico Island reflected a decrease of 12.65%. Moreover, the unemployment rate for the market area jumped from 7.45% in 2008 to 8.60% in April 2013. This loss in employment consequently leads to a decrease in population, having a negative impact on the housing and retail markets for the municipalities comprising the market area.

Population

The following table presents the population growth for the delineated market area for the period between 2000 and 2010.

Municipality	Population Growth			Household Growth		
	2010	% Change	2000	2010	% Change	2000
Bayamon	208,116	-5.01%	224,044	76,834	5.63%	73,632
Carolina	176,762	-5.01%	186,076	67,192	5.63%	63,611
Guaynabo	97,924	-2.13%	100,053	37,402	9.71%	34,091
San Juan	395,326	-8.99%	434,374	165,316	1.16%	163,428
Market Area	878,128	-7.03%	944,547	346,744	3.58%	334,762
PR Total	3,725,789	-2.17%	3,808,610	1,376,531	9.09%	1,261,816

The preceding information indicates that the population in the market area experienced a decrease of 7.03% for the period from 2000 to 2010. This decrease in population could be translated into a lower demand for residential, commercial and industrial uses within the market area. On the other hand, the number of households increased 3.58% for the same period, suggesting that the average size of the households (persons per households) is smaller in 2010 than 2000, implying a higher demand for public services within the market area. However, Bayamon, Carolina and San Juan are the municipalities within the market area that experienced the highest decreases in population during that period. This scenario suggests that the direction of the growth in terms of new housing units and retail space within the market area has been towards other municipalities outside the market area, at least during the last decade.

Housing Units

The following table displays the statistics of the housing market for the subject's market area for the period between 2000 and 2010.

Municipality	Total Housing Units			Total Occupied			Vacancy Rate		
	2010	% Change	2000	2010	% Change	2000	2010	% Change	2000
Bayamon	86,060	8.37%	79,413	76,834	4.35%	73,632	10.72%	3.44%	7.28%
Carolina	79,838	11.79%	71,417	67,192	5.63%	63,611	15.84%	4.91%	10.93%
Guaynabo	42,011	14.00%	36,851	37,402	9.71%	34,091	10.97%	3.48%	7.49%
San Juan	199,923	9.80%	182,072	165,316	1.16%	163,428	17.31%	7.07%	10.24%
Market Area	407,831	10.30%	369,753	346,744	3.58%	334,762	14.98%	5.52%	9.46%
PR Total	1,636,973	15.36%	1,419,046	1,376,531	9.09%	1,261,816	15.91%	4.83%	11.08%
Municipality	Total Occupied			Homeowner - Occupied			Renter - Occupied		
	2010	% Change	2000	2010	% Change	2000	2010	% Change	2000
Bayamon	76,834	4.35%	73,632	70.44%	-2.86%	73.30%	29.56%	2.86%	26.70%
Carolina	67,192	5.63%	63,611	72.06%	-0.93%	72.99%	27.94%	0.93%	27.01%
Guaynabo	37,402	9.71%	34,091	77.18%	0.15%	77.03%	22.82%	-0.15%	22.97%
San Juan	165,316	1.16%	163,428	54.59%	-1.05%	55.64%	45.41%	1.05%	44.36%
Market Area	346,744	3.58%	334,762	68.57%	-1.17%	69.74%	31.43%	1.17%	30.26%
PR Total	1,376,531	9.09%	1,261,816	71.64%	-1.28%	72.92%	28.36%	1.28%	27.08%

The preceding information indicates that the total housing units in the market area experienced a significant increase of 10.30% for the period from 2000 to 2010. However, the vacancy rate for the market area increased from 9.46% to 14.98% during that period.

It can be said that this increment in vacancy is due mainly to the effects of the current economic recession, which is responsible for the decrease in population and effective demand, low absorption rates and a high volume of foreclosures creating an oversupplied market for the overall Puerto Rico. Moreover, the rate of renter occupation for the market area increased from 30.26% to 31.43% for the same period. It implies that most people within the market area are experiencing a reduction in its borrower margin and/or facing a credit crunch by the local banks that limits the purchase of more residential properties. These figures in the market area are similar to the performance of the overall Puerto Rico Island.

Household Income

Finally, the average of the median household income in the market area at 2011 was estimated in \$27,902, which represents an increase of 31.81% from the average household income for 2000. However, in terms of constant dollars it can be said that the effective buying power was shortened, as the inflation registered in Puerto Rico during that period reached 32.49% (based on the CPI).

Municipality	Median Household Income			Consumer Price Index - Average		
	2011	% Change	2000	2010	% Change	2000
Bayamon	\$25,294	27.36%	\$19,861			
Carolina	\$28,311	33.32%	\$21,236			
Guaynabo	\$34,661	32.24%	\$26,211			
San Juan	\$23,342	34.40%	\$17,367			
Market Area	\$27,902	31.81%	\$21,169			
PR Total	\$19,122	32.68%	\$14,412	\$109,779	32.49%	\$82,857

This inflationary effect on the average household income has led to a reduction in the effective buying power, which leads to a reduction in retail sales (in terms of constant dollars) and increases in delinquency on credit. This scenario, in combination with the decrease in population and employment, limit the recovery of the real estate market in the market area.

Neighborhood Analysis

Neighborhood analysis provides a framework or context within which property value is estimated. It identifies the area of analysis and establishes the potential limits of the appraiser search for data to be used in the approaches to value.

- a. Neighborhood- a group of complementary land use
- b. District- a type of neighborhood that is characterized by homogeneous land use- residences, commercials, industrial and agricultural.

General Neighborhood data consist of information on value influences that derive from the social, economic, governmental and environmental forces that affect real property value. The data collected and the analysis performed of the area are used to support the appraiser's determination of the highest and best use of the subject property.

San Juan Municipality



The subject property is located within the legal jurisdiction of the San Juan Municipality in Puerto Rico. The San Juan Municipality is the core of the San Juan Metropolitan Area and is located towards the northeastern part of the Island of Puerto Rico. The San Juan Municipality covers an area of 47 square miles and as of the last official Census of Population and Housing published by the U.S. Department

of Commerce (Bureau of the Census) dated 2010, had a population of 8,411 persons per square mile, for a total of 395,326 inhabitants.

In 2000, the San Juan Municipality had a population of 434,374 inhabitants, or 9% more than in 2010, which is consistent with the continuing decrease in the municipality's population for the last forty (40) years. The municipality's 1960, 1970, 1980 and 1990 populations were of 451,658, 463,242, 434,849 and 437,745, respectively. This scenario can be attributed to the build-up housing market and high cost of land in the municipality, which in turn lead to the relocation of many San Juan residents to nearby municipalities such as Carolina, Guaynabo, Trujillo Alto and Bayamón, as well as residents relocating to the United States.



Social, economic, governmental and environmental forces influence property values. Although San Juan's population levels and urban core activity have been adversely affected by the expansion to the suburbs, the city still represents the island's main economic base and a natural location for gentrification. The central government's focus on the redevelopment of San Juan's urban cores will hopefully foster substantial government investment and increased private sector interest in the city. This condition will bring along increased demand and upward values for prime properties in the area.

Geography

San Juan is located along the north-eastern coast of Puerto Rico. It lies south of the Atlantic Ocean; north of Guaynabo and Trujillo Alto; east of and Bayamón; and west of Carolina. The city occupies an area of 76.93 square miles (199.2 km²), of which, 29.11 square miles (75.4 km²) is water. The majority San Juan's water territory is composed of San Juan Bay and two natural lagoons, the Condado and San José.

Demographics

San Juan is the largest city in Puerto Rico in population. From 1899 to 1950 the municipality of San Juan excluded the township of Río Piedras. For this reason, population data and land area for the period make reference only to the Antiguo San Juan and Santurce barrios, or subdivisions, of San Juan. The old municipality of Río Piedras constituted the third most populated city of Puerto Rico at the time of its annexation in 1951. Its strategic location south of the capital served as a junction for all the principal ways of transportation of the Island and as a geographical entry to San Juan, which are factors that prompted Río Piedras's dramatic urban development in the 20th century. As a whole, Puerto Rico is comprised mainly of people from a Creole (born on the Island of European descent) or Spanish and European descent, with small groups of African and Asian people.

Economy

San Juan experienced significant economic growth following World War II. During this period the city underwent an industrial revolution. The city's economy relies mostly on companies dedicated to the manufacture of several products, including: Chemical substances (bleach and house cleaning products); medicines; rum and other beverages; fertilizers; electric tools; electronic devices; plastics, textiles, and food-based products. Tourism is also a key industry, based on San Juan's proximity to Puerto Rico's main airport, the Luis Muñoz Marín International Airport. The tourism focus of the city is located in the district of Condado Beach where there are numerous luxurious hotels. Historical locations such as El Morro, Old San Juan and El Cuartel de Ballaja are promoted in tourism campaigns. The district of Hato Rey contains a corporate sector known as "La Milla de Oro," which serves as the headquarters of numerous local and international banks. San Juan is often referred to as the "Wall Street of the Caribbean," due to the influence of the area on the city's economy.

Tourism

Due to technological advances after World War II in the development of the airliner coupled with the island's climate and natural setting, has transformed San Juan into the springboard for tourism around the island, and has made the rest of the Caribbean known throughout the world during the last fifty years. Today the capital boasts numerous hotels, museums, historical buildings, restaurants, beaches and shopping centers. In San Juan there are a lot of attractions, for example: Old San Juan, Ocean Park, Isla Verde and Condado.

Places and monuments emphasized in tourism campaigns consist of: Old San Juan, promoting the historic nature of its colonial buildings and narrow streets covered by "adoquines", a blue stone cast from furnace slag; they were brought over as ballast on Spanish ships. This includes the city's ancient defensive wall and forts, most notably El Morro and the Castle of San Cristóbal. On January 23, 1984, both of these edifications were catalogued as being part of humanity's cultural patrimony. The numerous restaurants and art galleries in the zone are frequently visited by visitors. The local universities are promoted as historic places, most notably the campus of University of Puerto Rico located in Río Piedras, which is the oldest university in the island being founded in 1903.

Government

As one of Puerto Rico's 78 municipalities, San Juan's government is comprised of two branches, the executive and the legislative. Those citizens eligible to vote directly elect a mayor and the municipal assembly for four-year terms. The municipal government is housed in City Hall or Casa Alcaldia, which is located at 153 San Francisco Street, facing the Plaza de Armas or Military Square at the center of Old San Juan. City Hall was constructed based on Madrid's City Hall starting in 1604 and finally completed in 1789.

The executive branch is headed by a popularly elected mayor. The office is currently held by the Honorable Carmen Y. Cruz. In addition to running the city's day-to-day operations and supervising associated departments, the mayor is also responsible for appointing a secretary-auditor and a treasurer. San Juan's Municipal Assembly is made up of 17 officials who represent the city's various districts.

Safety

Law enforcement in San Juan is the joint responsibility of the Department of Police and Public Safety also known as the San Juan Municipal Police Department and the Puerto Rico Police Department. The Municipal Police was created in 1521 and was originally known as the "San Juan Municipal Guard" which had both active military and law enforcement functions. It currently employs about 1,900 sworn officers plus civilian staff.

Health and Utilities

The main hospital and medical school in the city of San Juan is "El Centro Medico de Río Piedras" (Río Piedras Medical Center). The Medical Center is a conglomeration of Hospitals located in the same place. It has various helicopters in service, allowing patients and people in need of medical attention to be carried to the center from many places around the island.

Transportation



The Port of San Juan is the fourth busiest seaport in the Western Hemisphere, ranked among the top 17 in the world in terms of container movement. It is also the largest home-based cruise port in the world with over a dozen cruise ships. It is the second busiest port in cruise volume after Miami.

The Metropolitan Area is served by two airports. The Luis Muñoz Marín International Airport, San Juan's primary commercial airport, is located eight miles (12.7 km) from Old San Juan in the neighboring municipality of Carolina. The airport accommodates more than 30 domestic and international airlines and is the busiest airport in the Caribbean. It is often referred to

as "The Gateway to the Caribbean" because it serves as the main connection to the island and the rest of the Caribbean for the United States and vice versa. The area's secondary airport is the Fernando Ribas Dominicci Airport, which is located directly across the San Antonio Creek or Cano San Antonio from Old San Juan in the Isla Grande district. Dominicci Airport is used mainly by general aviation aircraft, charter flights, and some domestic commercial flights. It used to be the city's and also the island of Puerto Rico's main international gateway until the opening of Luis Muñoz Marín International Airport. It is now also widely used by the Isla Grande Flight School and Caribbean Flight Center, the only flight school on the island.

Public Transport

Increased investment in public transportation has not changed the fact that San Juan is an automobile reliant city and its fast growth has sparked urban sprawl. It is currently served by five limited-access expressways and highways and numerous arterial avenues and boulevards and suffers from severe traffic congestion.



In an attempt to decrease vehicle dependency and road congestion, the City constructed a metro system dubbed "Tren Urbano" ("Urban Train"). The 10.7 mile (17.2 km) line connects to sixteen stations. The project, which opened in late 2004, cost 2.25 billion dollars and was more than \$1 billion over budget and four years late. The Tren Urbano has received less than expected ridership than was originally projected and has not significantly reduced the city's automobile traffic, despite a reported 7.5% ridership increase in 2006 over 2005.

Metropolitan Bus Authority ("Autoridad Metropolitana de Autobuses" or AMA in Spanish) provides daily bus transportation to residents of San Juan, Guaynabo, Bayamón, Toa Baja, Trujillo Alto, Cataño and Carolina through 30 fixed routes. Its fleet consists of 277 regular buses and 35 buses for handicapped persons. AMA's ridership is estimated at 112,000 on work days. A daily ferry service known as the Cataño Ferry, ("La Lancha de Cataño" in Spanish) operates a route across San Juan Bay between Old San Juan and the municipality of Cataño.

Immediate Neighborhood – Puerto Nuevo Development

The subject property is located at No. 418, Andalucía Avenue in the Puerto Nuevo Development of the San Juan municipality. It refers to an over 60-year old neighborhood which presents a commercial use character mainly in those properties fronting the Andalucía Avenue, José De Diego Avenue, Américo Miranda Avenue, Roosevelt Avenue and Jesus T. Piñero Avenue.

Properties along the Andalucía Avenue are mainly owner-user commercial properties, with some commercial and residential developments at interior areas. They serve to the immediate community market and experience an adequate vehicle traffic flow. They are being used as pharmacies, retail stores, medical offices, commercial offices, auto parts, mini markets and gas stations, among many others.

During the last decades, the immediate neighborhood has experienced changes in land uses from residential to commercial and institutional uses motivated mainly by its proximity to main institutional and commercial centers as the Río Piedras Medical Center Complex (which also includes the facilities of the Veterans Hospital), University of Puerto Rico, the former State Penitentiary, Plaza Las Américas Shopping Center, the Hato Rey Financial District, among others.

The neighborhood enjoys adequate access to institutional uses of different levels, including schools and universities. In fact, the subject lies at short driving distance from the Puerto Rico Cardiovascular Center, the Río Piedras Medical Center, the Veterans Hospital, San Juan Municipal Cemetery, the former State Penitentiary (which will be redeveloped and integrated to Science City), among others. In addition, the main facilities of the Medical Sciences Campus of the University of Puerto are located within the Río Piedras Medical Center grounds.

The subject immediate and general neighborhoods are served with public utilities that are typical, such as potable water, electricity, telephone, sanitary and storm sewer systems. Other typical services such as police protection, firefighting, street clean-up and postal services are rendered by the Commonwealth, Municipal and Federal Governments. Public transportation is adequate and is available by taxis and buses at reasonable fares. In fact, mass transportation services are provided by urban train stations (Cupey and San Francisco) and AMA's buses.

Highest and Best Use Analysis

The highest and best use analysis requires the appraiser to distinguish from among all possible uses, that particular use which would represent the highest value as of the effective date of appraisal.

Definition

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. (The Dictionary of Real Estate Appraisal, Appraisal Institute, Chicago, 2010).

Highest and Best Use of Subject Site As Though Vacant

Highest and Best use of land or a site as though vacant is defined by the “Dictionary of Real Estate Appraisal”, Fifth Edition (2010), published by The Appraisal Institute as:

“Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.”

Legally Permissible

The property is located within an C-I zoning district, which allows a variety of uses such as retail, offices, institutional, limited light industrial and residential, among other uses that support and harmonize with the traditional urban activity of the neighborhood. The subject’s use as a commercial property conforms to the immediate neighborhood and it concurs with the trend observed at the surroundings. , implying that permits are granted by the pertinent government agencies in the area. Therefore, the commercial use of the subject property is legally possible and permissible.

Physically Possible

The site consists of a 252.065 square meter lot with level topography and rectangular shape. The site enjoys direct access by the Andalucía Avenue and has a frontage distance of about 40 lineal feet to this corridor. Also, the subject has enough site area and configuration to be developed with a functional commercial building with adequate parking facilities. Therefore, these physical characteristics of the subject site enhance its functionality for a commercial usage. The property lies inside the floodable area (Zone AE) that required insurance coverage but allows commercial development and is not affected by any special nuisances or hazards. Its physical (size, frontage, access and topography) and location attributes are adequate for commercial purposes.

Financial Feasibility

The determination of financial feasibility depends primarily on the relationship of supply and demand for the legally probable land uses versus the cost to create the uses.

The analysis indicates that a commercial use experience adequate demand levels with adequate sales prices levels, with a competitive risk–return scenario for properties within the immediate neighborhood. In addition to its physical attributes, the subject site enjoys adequate transportation linkages to support a feasible commercial operation.

The existence of properties being used for commercial purposes in the vicinity suggests that this use enjoys adequate financing terms. However, there is a soft market at this time that reflects low absorption rates, high vacancy rate and price reductions. Other land uses for the subject site uses were considered as part of this analysis. Nevertheless, such uses lack of permissibility and from adequate demand at this time. These market conditions could reduce the feasibility of some commercial uses at this time.

Maximum Profitability

Based on use trends within the competitive market area, the subject site suggests that a commercial use would represent the maximum productive use for the subject site.

Highest and Best Use of Subject Site as Vacant

The concluded highest and best use of the subject site, considered as if vacant and available for use, is a commercial development. It is supported by the physical attributes of the site. Therefore, the highest and best use of the site, as vacant, would be to hold for future commercial development when economic conditions improve. Based on the market analysis previously presented the timing for the shift of the current downward trend could be estimated two years ahead from today.

Ideal Improvements

The ideal improvements for the subject site, as supported by its physical attributes and location, and subject to the current economic scenario, should be for a commercial use. Subject property ideal improvements call for a commercial office and/or retail building (small-medium scale) supported by adequate parking facilities and services such as electric power line, telephone line, and potable water with adequate building distribution, in line with its current use.

Analysis Criteria for Improved property

Legally Permissible - The property is located within a Commercial zoning district with a variety of uses. The subject's use as a commercial property conforms to the immediate neighborhood and it concurs with the trend observed at the surroundings. Moreover, some of the commercial ventures observed at walking distance from the subject and within the same C-I zoning district are offices, retail and Auto Parts Shop among others, implying that commercial permits are granted by the pertinent government agencies in the area. Therefore, the current commercial use of the subject property is legally possible and permissible.

Physically Possible - The actual construction in the subject property is in average and usable physical condition. It have parking space for the operation of the commercial activity on the property. The functionality and utility of it are enhanced by its easy access from Andalucía Avenue. Therefore, these physical characteristics of the subject site and improvements enhance its functionality for its commercial usage. The property lies inside the floodable area (Zone AE) that required insurance coverage but allows commercial development and is not affected by any special nuisances or hazards. Its physical (size, frontage, access and topography) and location attributes are adequate for commercial purposes. Based on the physical and locational characteristics of the subject property, it evidences average typical performance in comparison to the market standard for this property type.

Financial Feasibility – The analysis indicates that a commercial use experiences adequate demand with adequate sales prices levels with a competitive risk–return scenario for properties within the immediate neighborhood which makes this use financially feasible. In addition to its physical attributes, the subject site enjoys adequate transportation linkages to support a feasible commercial operation.

The existence of properties being used for commercial purposes in the vicinity suggests that this use enjoys adequate financing terms. However, there is a soft market at this time that reflects low absorption rates, high vacancy rate and price reductions. These market conditions could reduce the feasibility of some commercial uses at this time.

Maximum Profitability - Current market trends in the sector point towards to commercial uses or Commercial related uses which are in harmony with the neighborhood composition and its land utilization trend. Its current use as a commercial office conforms to the uses observed at the immediate neighborhood. The actual improvement and space use represent the maximum productive use for the subject site at this moment.

Highest and Best Use of Subject Site as Improved

The improvements of the subject property consist of a two-story commercial-office building comprised of 4,414 square feet of gross building area and with a ceiling height of approximately 8 feet. The building is constructed of reinforced concrete and concrete blocks, and built around 60 years ago but renovated in recent years, and observed in average to good condition. The appraiser made only an exterior inspection as requested by the client.

Additional improvements include paved areas used as parking space for four vehicles in its front area, for a parking ratio of 0.91 per 1,000 S.F., iron gate, chain link and concrete fence

These improvements are in line with the ideal improvements and conform to the commercial uses observed in the immediate neighborhood and within the Andalucía Avenue. Moreover, the use of the subject as commercial-Office meets the four criteria of the highest and best use (legally permissible, physically possible, financial feasibility and maximum profitability), for these purposes.

Conclusion of Highest and Best Use

In summary, after analyzing the subject site's physical characteristics, the composition of the general and immediate neighborhood and its recent past development trends, other alternate uses, the property's present zoning; the highest and best use of the subject property is its current commercial use. This commercial use has been typical of, and in conformity with general and immediate area uses, are legally permissible (assuming the proper permits are obtained), and physically possible. The subject's existing improvements are of significant contribution to the overall property value. Therefore, the highest and best use of the property as improved is its use as a commercial-office property; this use is one that typically results in maximum profitability and is in line with the ideal improvements. The most likely buyer for the subject property will be an individual to owner-occupy the building.

VALUATION PROCESS

The appraiser in the estimation of the market value may use three basic approaches. These approaches provide data from the market from three different areas when all are available. These are the Cost Approach, the Sales Comparison Approach and the Income Approach.

The Cost Approach

The Cost Approach has as its premise, the valuation of the site by comparison with other sites in the area that have sold in the recent past, making adjustments, if market driven and/or extracted, for differences to indicate a site value estimate. This site value is added to the estimated cost to reproduce or replace the improvements, less any loss of value (depreciation) that might have transpired or taken place. The Cost Approach is useful in allocating the tangible assets in the sales comparison approach. The site value establishes the minimum limit of value for the tangible assets while the replacement cost of the improvements plus the site value establishes an upper limit of value for the tangible assets, (real estate). The cost approach does not take in consideration the value of intangibles assets such as capitalized economic profit or franchises.

The Sales Comparison Approach

The Sales Comparison Approach has at its premise the comparison of the subject property with other of similar design, utility and use that have sold in the recent past. To indicate a value for the property, a ranking analysis is developed which consider the similarities and the dissimilarities of sales and subject property. This approach will provide a reliable indication of value whenever there is a strong market action and a considerable number of sales of relatively similar properties. To derive a value indication by the sales comparison approach, the appraiser will use the relative comparison analysis qualitative technique, which studies the relationship indicated by the market data, without recourse to quantification. This is the most commonly used technique in appraisal practice.

The Income Approach

The Income Approach as used for investment properties has at its premise the estimation of the amount of the net income, which, when capitalized in a manner that is commensurate with the risk and the life expectancy of the improvements, will indicate the present value of the income stream. The Income Approach is most useful in the valuation of income producing properties, because the average investor buys such properties based on the future benefits, in monetary terms, he is to receive.

Normally, these three approaches will each indicate a different value, but should fall within a reasonable range. After all the factors in each of the approaches have been carefully weighed, the indications of value derived from each of the approaches are correlated to arrive at a final value estimate.

In this assignment, the appraiser only developed the Sales Comparison Approach and the Income Approach. The Cost Approach was discarded due to lack of recent market data of vacant land with similar characteristics as the subject. Only the Replacement Cost New of the improvements was developed for insurance purposes. No lease-up cost will be considered in any of the approaches, as the property is determined to be an owner-occupied property and will be immediately occupy after any sale transaction.

INSURABLE VALUE

Insurable Value, is defined by The Appraisal of Real Estate, 13th Edition (Appraisal Institute, 2008), as follows: *“Insurable value is the value of an asset or asset group that is covered by an insurance policy, Insurable value may be based on the replacement or reproduction cost of physical items that are subject to loss from hazards. This value is often controlled by state law and varies from state to state”*. Also, The Dictionary of Real Estate Appraisal, 5th Edition (Chicago 2010), defines Insurable Value as: *“A type of value for insurance purposes”*.

Insurable value appraisals are generally used for the following purposes:

1. Proper Placement - Determine the proper amount of insurance to be carried to assist in recovery in the event of loss, without paying premiums for excessive coverage that can never be collected.
2. Proof of Loss - Establish a reasonable basis for preparing the required proof of loss in the event of a catastrophe.
3. Updating - To provide the client with a report which facilitates its revision on an annual basis in order that the property record and insurable values may be kept current.

Introduction

In this assignment, the replacement cost of the building (improvements) will be estimated for purposes of securing insurance for the property. Traditional appraisal standards have been followed to develop a reasonable calculation based upon industry practices and industry accepted publications such as the Marshall & Swift Building Costs Manual by Marshall Valuation Service (MVS) and from the construction cost market extracted from local contractors. The methodology employed is a derivation from the cost approach. The replacement cost new disregards the underlying land component, depreciation, entrepreneurial profit and additional indirect costs of the subject property.

Replacement Cost (New) - *A replacement cost estimate envisions constructing a structure of comparable utility, employing the design and materials that are currently used in the market. The current cost of a similar new item having the nearest equivalent utility as the item being appraised. The cost of replacing an asset with an equally satisfactory substitute asset; normally derived from the current acquisition cost of a similar asset, new or used, or of an equivalent productive capacity or service potential. Replacement cost assumes the use of modern materials, techniques, and designs. (The Dictionary of Real Estate Appraisal, Appraisal Institute, Chicago, 2010).*

Source of Replacement Cost

Replacement cost new of the subject improvements is based on the cost per square foot developed in the Marshall & Swift Building Costs Manual, **Section 15**. These per square foot averages include architect's fees, contractor overhead and profit, sales taxes; permit fees and insurance during construction. The base cost per square foot is adjusted to reflect the particular type of subject building. These average figures are then adjusted to reflect current and local pricing as well as story height modifiers. The Marshall and Swift figures are generally supported by construction data on similar buildings and estimates of current cost of replacement provided by local owners and contractors.

The improvements of the subject property consist of a two-story Class-C office building, comprising 4,414 square feet of gross building area. The structure is built in reinforced concrete and concrete blocks and is in average to good physical condition. The classification, class and type of the building by the Marshall & Swift Building Costs Manual is as follow:

Classification	Class	Type	Section/Page
Office Building	C	Average	15/17

Replacement Cost New conclusion of the subject's building (improvements), using the construction base cost indicated by the Marshall & Swift Building Costs Manual, adjusted to reflect the characteristics of the subject's building is presented in the next page.

Marshall & Swift Cost Estimate

The base building cost indicated by the Marshall Valuation Service, adjusted to reflect the characteristics of the subject is presented on the following table:

CALCULATOR COST FORM	
Marshall & Swift Valuation Service - Calculator Cost Method	
Square Foot Costs	
Occupancy	Commercial-Office
Building Type	Commercial
Building Class & Quality	Class C; Average
Exterior Wall	Concrete
No. of Stories & Avg. Height per Story	2Story / 8Ft.
Average Floor Area	2,207
Average Perimeter	190
Age and Condition	+/-60- Average Cond.
Region	Eastern
Climate	Moderate
Base Square Foot Cost (Rounded)	\$98.36
Square Foot Refinements	
Heater / Cooling Adj.	\$0.00
Deduct Elevator	(\$2.00)
Add Sprinkler System	\$0.00
Total	\$96.36
Height & Size Refinements	
Number of Stories Multiplier	1.000
Height per Story Multiplier	0.900
Floor Area-Perimeter Multiplier	1.105
Combined Multiplier	0.995
Final Calculations	
Refined Cost	\$95.83
Current Cost Multiplier	1.08
Local Multiplier	0.93
Final Cost	\$96.25
Building Area (Square Feet)	4,414
Replacement Cost (Area x Final Cost)	\$424,855
Total Replacement Cost	\$424,855
Rounded To	\$425,000

The total replacement cost figure of \$425,000 results in a \$96.28 per square foot unitary cost, if divided by the subject's gross building area of 4,414 square feet.

Contributory Value of Additional Improvements

COST OF THE SITE IMPROVEMENTS	
Paved areas	\$3,000.00
Other Site Improvements (iron work, fences)	\$11,000.00
Total	\$14,000.00

The contributory value of the subject additional and site improvements was estimated in \$14,000, which includes paved areas Iron works and fences..

Conclusion of Insurable Value:

Base in the estimates the Insurable value of the subject property is the sum of the replacement cost of the property and the additional improvements as new.

SUMMARY OF THE INSURABLE VALUE	
Building Cost	\$425,000
Site Improvement Cost	\$14,000
Replacement Value	\$439,000
Rounded to	\$440,000

Therefore, based on the cost analysis performed, the **Insurable Value** for the subject property and his improvements is (excluding the land), as of July 12, 2013, is estimated at \$440,000, which yields an overall unitary of \$99.68 per square foot.

\$440,000.00
(FOUR HUNDRED FORTY THOUSAND DOLLARS)

THE SALES COMPARISON APPROACH

The sales comparison approach is the most easily understood by the general public. The basic principle behind it is the principle of substitution. This principle states that a well-informed purchaser will pay no more than what would cost him acquiring a satisfactory substitute in the current market. This valuation approach assumes an active market for the subject property type as a basis for the extraction of data, which might support a value conclusion for the subject property.

The comparison process is based on an analysis of the similarities and differences of the comparable transactions with the subject property. Adjustments are made for property rights transferred, financing conditions, sales conditions, market conditions, location, and physical characteristics. After applying the necessary adjustments to the prices of the comparable transactions, their adjusted indicators are reconciled into a single market value estimate for the subject property.

For the sales comparison approach, I listed and analyzed four sale transactions of commercial properties which took place within the subject's neighborhood. I performed a visual inspection of the properties involved in these transactions. The data pertaining to the listed sales was verified with at least one of the involved parties and the available public records.

The physical and locational attributes of the subject property were placed in perspective to the market transactions in order to obtain a market value figure based on the Sales Comparison Analysis.

Unit of Comparison

The Sales Comparison Approach requires the use of at least one unit of comparison, in order to set a base for the adjustments and/or a value indication. In a valuation for an improved commercial property, the per square foot of building area unit of comparison is considered to be a reliable value indicator as it incorporates the contribution of the improvements with its supporting land area. Thus, in this assignment the unit of comparison used was the sale price per square foot.

The next table contains a summary of the main characteristics of the sales. The listed sales represent "all cash to seller" transactions requiring no adjustments for financing concessions.

Description	Subject Property	Building Sale 1	Building Sale 2	Building Sale 3	Building Sale 4
Location	418, Andalucía Avenue Puerto Nuevo, San Juan	No. 763 Jose De Diego Ave., Caparra Terrace, San Juan	No. 626 Escorial St. Caparra Heights San Juan	No. 1222 Americo Miranda Ave. Reparto Metropolitano, San Juan	418, Andalucía Avenue Puerto Nuevo, San Juan
Date of Sale	-----	January-11	July-12	February-11	May-13
Sales Price	-----	\$220,000.00	\$430,000.00	\$505,000.00	\$320,000.00
Property rights	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Condition of Sale	All cash to Seller	All cash to Seller	All cash to Seller	All cash to Seller	All cash to Seller
GBA (SF)	4,414	2,079	3,858	3,587	2,337
Site Area-SM	252	238	328	252	296
Site Area-Cuerdas	0.0641	0.0604	0.0835	0.0641	0.0752
Build-to-Land Ratio	162%	81%	109%	132%	73%
Physical Condition	Average to Good	Average to Fair	Average to Good	Average to Good	Average to Good
Quality of Construction	Concrete/Average	Concrete/Fair	Concrete/Average	Concrete/Average	Concrete/Average
Parking Stalls	4 spaces	4 spaces	5 spaces	5 spaces	6 spaces
Parking Index	0.91/1,000 SF	1.92/1,000 SF	1.30/1,000 SF	1.39/1,000 SF	2.23/1,000 SF
Zoning	C-I	C-1	R-3	C-2	C-I
Highest & Best Use	Commercial	Commercial	Commercial	Commercial	Commercial
Flood Zone	Zone AE	Zone X	Zone X	Zone 0.2PCT/AE (5%)	Zone X
Seller	-----	Sucn. Efrain Colon Gonzalez	Ismael Melendez	BPPR	Elba Velez Varela
Buyer	-----	Pedro Ramirez Olazabal	Fiba Americas Inc.	Special Care Pharmacy	Andalucia Investment Inc
Legal Data	-----	Deed 14, before Jaime Biaggi, Esq.	Deed 9, before Jorge L. Marchand, Esq.	Deed 9, before Jose Marrero Munoz, Esq.	Deed 106, before Susana I Valtueña, Esq.
Verification	Previous Appraisal	Registry, Inspection	Office Files	Office Files	Registry, Inspection
Price per SF		\$106	\$111	\$141	\$137

The listed transactions refer to four sale transactions of comparable properties within the subject's neighborhood. They range in size from approximately 2,079 to 3,858 square feet. These sale transactions took place between January 2011 and May of 2013 from \$220,000 to \$505,000, equivalent to \$106 to \$137 per square foot of gross building area. The comparable sales presented above indicate a mean of \$123.50 per square feet, a median of \$124.00 and a mid-point of \$121.50.

Building Sales Analysis



Building Sale 1 refers to a two-story commercial property, located at No. 763 along Jose De Diego Avenue in the in the Caparra Terrace Development of the San Juan municipality. This property totals 2,079 square feet of gross building area occupying a rectangular shaped lot of 237.50 square meters, for a building-to-land ratio of 81%. It has a commercial (C-1) zoning category. This property was acquired by Mr. Pedro Ramirez on January 2011 for \$220,000, or \$106 per square foot. This property has four parking stalls, for a parking index of 1.92 per 1,000 SF. It is in average to fair physical condition, built in reinforced concrete

and concrete blocks with a fair quality of construction.

This property is similar to the subject in location and land area, very inferior in terms of physical condition, inferior in quality of construction, and superior in terms of size differential and parking index. Thus, its value indication is considered to be within a lower value level in the comparison analysis, and the subject should be positioned above to this value indication.



Building Sale 2 refers to a two-story commercial property, located at No. 626 along Escorial Street in Caparra Heights development of the San Juan municipality. This property totals 3,858 square feet of gross building area occupying a rectangular shaped lot of 328 square meters, for a building-to-land ratio of 109%. It has a residential (R-3) zoning category. This property was acquired by FIBA Americas Inc. on July 2012 for \$430,000, or \$111 per square foot. This property has five parking stalls, for a parking index of 1.30 per 1,000 SF. It is in average to good physical condition, built in reinforced concrete and concrete blocks with average quality of construction.

This property is similar to the subject in physical condition, quality of construction, size differential and parking index, but inferior in location and superior land area. Thus, its value indication is considered to be within a similar value level in the comparison analysis, and the subject should be positioned near to this value indication.



Building Sale 3 refers to a two-story commercial property, located at No. 1222 along Americo Miranda Avenue in Reparto Metropolitano development of the San Juan municipality. This property totals 3,587 square feet of gross building area occupying a rectangular shaped lot of 252 square meters for a building-to-land ratio of 132%. It has a commercial (C-2) zoning category. This property was acquired by Special Care Pharmacy on February 2011 for \$505,000, or \$141 per square foot. This property has five parking stalls, for a parking index of 1.39 per 1,000 SF. It is in average to good physical condition, built in reinforced concrete and concrete blocks with average quality of

construction.

This property is similar to the subject in physical condition, quality of construction, size differential, land area, parking index and location. Thus, its value indication is considered to be similar in value level in the comparison analysis, and the subject should be positioned near to this value indication.

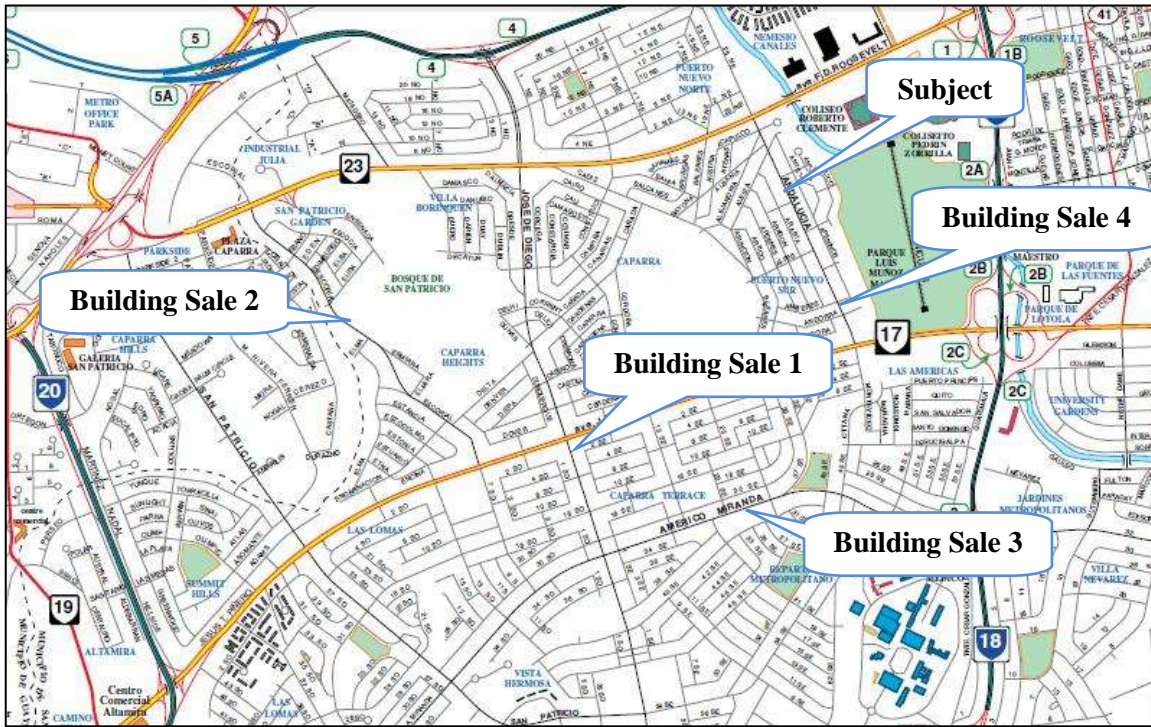


Building Sale 4 refers to a one-story commercial property, located at No. 640 along Andalucia Street corner with Amberes street, Puerto Nuevo development of the San Juan municipality. This property totals 2,337 square feet of gross building area occupying a rectangular shaped lot of 296.5 square meters for a building-to-land ratio of 73%. It has a commercial (C-I) zoning category. This property was acquired by Andalucia Investments Inc. on May 30, 2013 for \$320,000, or \$137 per square foot. This property has six parking stalls, for a parking index of 2.23 per 1,000 SF. It is in average to good physical condition, built in reinforced concrete and concrete blocks with average

quality of construction.

This property is similar to the subject in location, quality of construction, and physical condition superior in size differential and parking index. Thus, its value indication is considered to be within the upper value level in the comparison analysis and the subject should be positioned below this value indication.

Comparable Sales Location Map



Relative Comparison Analysis

To derive a value indication by the sales comparison approach, I will use the relative comparison analysis qualitative technique, which studies the relationship indicated by the market data, without recourse to quantification. This is the most commonly used technique in appraisal practice.

In developing the relative comparison analysis, I will analyze the listed sales to determine whether the comparable characteristics are inferior, superior or similar to those of the subject property. In theory, this means, that the comparable sales and listing could basically be divided into three groups, those that are superior overall to the subject site, those that are similar and those that are inferior.

The sales prices per square foot (based on gross building area of the main improvements) of these three groups, would bracket the value of the subject of appraisal by indicating a range of values. Finally, I will determine the most probable position of the subject site within the range of indications and will reach a single value indication.

Adjustments

The 13th edition of the Appraisal of Real Estate, published by the Appraisal Institute, defines comparative analysis as “the general term used to identify the process in which quantitative and/or qualitative techniques are applied to derive a value indication in the sales comparison approach.”

The qualitative analytical technique identifies which elements of comparison require adjustment and compares the subject and the comparable sales without measuring the dollar amount of the adjustments. When differences can be identify, a quantitative comparison is made and a monetary adjustment is applied. In this case both techniques were applied.

In terms of the qualitative adjustments, if a significant item in a comparable property is “superior to”, or “more” favorable than, a minus (-) adjustment will be made, thus reducing the indicated value of said property by the specific element of comparison. On the other hand, if a significant item in a comparable is “inferior to”, or “less” favorable than, a plus (+) adjustment was made, thus increasing the indicated value of said property by the specific element of comparison.

Similarly, some items can be considered “very superior” or “very inferior”, compared to the valuated property, which means that these elements of comparison need to be double accounted due to a greater difference with the subject property. Also, in other cases, some elements required more weight in order to arrive to a reliable indication. Then, if an item in a comparable property is considered “very superior to”, a double minus (--) adjustment will be made, thus significantly reducing the indicated value of said property by the specific element. On the other hand, if an item in a comparable property is considered “very inferior to”, a double plus (++) adjustment will be made, thus significantly increasing the indicated value of said property by the specific element. This adjustment signs can be numerically expressed as follows:

Comparability	Adjustment	Weight/Value
Very Inferior	++	2
Inferior	+	1
Similar	=	0
Superior	-	-1
Very Superior	--	-2

After all adjustments are applied to each comparable, if the final result is greater than “zero” the “overall comparability” for the sale/transaction results in an “inferior” indication and the subject must be positioned above this value indication. If the final result is less than “zero” the “overall comparability” for the sale/transaction results in a “superior” indication and the subject must be positioned below this value indication. Finally, when the final result for a comparable is equal to “zero”, the “overall comparability” for the sale/transaction results in a “similar” indication for the subject.

Adjustments will be made to the selected comparable sales as described as follows:

Real Property Rights Conveyed Adjustment

All comparable transactions involved the transfer of the fee simple estate of the properties. For this reason, none of the transactions require an adjustment for property rights conveyed.

Financing Terms Adjustment

According to the information obtained, all of the transactions were cash to seller terms or in terms considered being similar to cash. For this reason, all sales are considered as cash to seller and no adjustments are required.

Conditions of Sale Adjustment

No undue stimulus was present in any of the sales, so adjustments for this element of comparison are not required.

General Market Conditions

Adjustments for market conditions are sometimes necessary to reflect the fact that since the time the comparable sales were transacted, general values may have appreciated or depreciated due to inflation or deflation and investors' perceptions of market conditions may have changed.

The closed sale transactions took place between January 2011 and May 2013. The general information available suggests that values of improved properties within the commercial market have been declining from 5% to 10% per year from 2007 to the present. Thus, an adjustment of -5.0% per year seems reasonable to be applied to the comparable sales over one year old.

Expenditures Immediately after Sale

This adjustment is for expenditures by the buyers immediately after the sale. No expenditures immediately after sale were reported in any of the sales, so an adjustment for this element of comparison is not required.

Once the comparable transactions have been adjusted for the elements of comparison described, they can be adjusted for differences in location and physical characteristics with the subject.

Location

Sale 2 is located in Escorial Street with a lower traffic flow exposure compared to Andalucía Avenue, implying inferior location attributes compared to the subject. Therefore, a positive (+) adjustment was applied to Building Sale Two in order to account for this element of comparison.

Physical Condition

In terms of physical condition, Building Sale One was observed in average to fair condition at the time of sale, and thus in very inferior condition compared to the subject. Therefore, a double positive (++) adjustment was applied to Building Sale One in order to account for this element of comparison.

Quality of Construction

Building Sale One was observed with inferior quality of construction compared of the subject. Therefore, a positive (+) adjustment was applied to this sale in order to account for this element of comparison

Size Differential (Building)

The size differential refers to the relationship between the total area in square feet and the sale price per foot. Typically, an inverse relationship exists between these two characteristics (economics of scale). Building Sales One and Four are smaller in terms of building area than the subject property. Therefore, a negative (-) adjustment was given to these sales in order to account for this element of comparison.

Parking Index

The functionality of commercial properties relies greatly in their accessibility and parking facilities for customers. The subject property has 4 parking stalls in its front area, for a parking index of 0.91:1,000 SF. In this case, Building Sales One and Four have considerable higher parking index of 1.92:1,000 SF and 2.23:1,000 SF respectively. Thus, a negative (-) adjustment was given to these sales in order to account for this element of comparison.

Land Area

Sale 2 has a bigger site area in comparison with the subject, therefore is considered superior in terms of land area. A negative (-) adjustment was given to that sale in order to account for this element of comparison

The relative comparison previously presented is summarized in the following table.

ADJUSTMENT GRID					
	SUBJECT	BUILDING SALE 1	BUILDING SALE 2	BUILDING SALE 3	BUILDING SALE 4
Sale date	N/A	January-11	July-12	February-11	May-13
Sale date (years ago)	N/A	2.58	1.08	2.50	0.22
Sale date (months ago)	N/A	31	13	30	3
Sales Price	N/A	\$220,000	\$430,000	\$505,000	\$320,000
Building Area in SF	4,414	2,079	3,858	3,587	2,337
Zoning	252	238	328	252	296
Occupancy at sale date	Commercial	Commercial	Commercial	Commercial	Commercial
Unadjusted Price/SF		\$106.00	\$111.00	\$141.00	\$137.00
Property Rights Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Intermediate Adjusted Price		\$106.00	\$111.00	\$141.00	\$137.00
Financing Terms Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Intermediate Adjusted Price		\$106.00	\$111.00	\$141.00	\$137.00
Conditions of Sale Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Intermediate Adjusted Price		\$106.00	\$111.00	\$141.00	\$137.00
Market Conditions Adjustment		-\$14.00	-\$6.00	-\$18.00	\$0
Intermediate Adjusted Price		\$92.00	\$105.00	\$123.00	\$137.00
Expenditures Immediately After Sale Adjustment		\$0.00	\$0.00	\$0.00	\$0.00
Intermediate Adjusted Price (rounded)		\$92.00	\$105.00	\$123.00	\$137.00
Location and Physical Characteristics					
Location	Andalucía Ave.	Jose De Diego Ave.	Escorial St.	Americo Miranda Av	Andalucía Ave.
Comparison		Similar	Inferior	Similar	Similar
Adjustment		=	+	=	=
Physical Condition	Average to good	Average to fair	Average to good	Average to good	Average to Good
Comparison		Very Inferior	Similar	Similar	Similar
Adjustment		++	=	=	=
Quality of Construction	Concrete/Average	Concrete /Fair	Concrete/Average	Concrete/Average	Concrete/Average
Comparison		Inferior	Similar	Similar	Similar
Adjustment		+	=	=	=
Building Size Differential (SF)	4,414	2,079	3,858	3,587	2,337
Comparison		Superior	Similar	Similar	Superior
Adjustment		-	=	=	-
Parking Index	0.91/1000 SF	1.92/1000 SF	1.30/1000 SF	1.39/1000 SF	2.23/1000 SF
Comparison		Superior	Similar	Similar	Superior
Adjustment		-	=	=	-
Land Area	252	238	328	252	296
Comparison		Similar	Superior	Similar	Similar
Adjustment		=	-	=	=
Adjusted Price Indication - Rounded		\$92.00	\$105.00	\$123.00	\$137.00
Overall Comparability		Inferior (+)	Similar	Similar	Superior (-)
Market Value Indication		\$118			

Per Square Foot Conclusion

After the market research, the appraiser selects the best comparable data available for this kind of property. The adjusted unitary price indications fall within a rounded range from a lower level of \$92 per square foot to an upper level of \$137 per square foot, with an average of \$114.25 per square foot, a median of \$114 per square foot and mid-point value of \$114.5 per square foot.

Thus, placing the subject within the context of this analysis the most probable market value for the subject property can be bracketed as follows:

Transaction	Area in SF	Indication (Rd.)	Comparability
Building Sale 1	2,079	\$92	Inferior
Building Sale 2	3,858	\$105	Inferior
Subject	4,414	\$118	Value Level
Building Sale 3	3,587	\$123	Similar
Building Sale 4	2,337	\$137	Superior (--)

As suggested by the previous relative comparison analysis, I understand that the value indication for the subject property is similar the value indications provided by Building Sale Two and Three. Therefore, it is my opinion that a unitary price indication of \$118 per square foot, positioned between of both sales, is adequately supported. Moreover, this value conclusion is well supported by the statistical indications.

Thus, a value of \$118 per square foot provides a rounded subject value conclusion of \$520,000 ($\$118 \times 4,414 \text{ Sq. Ft.} = \$520,852$).

Consequently, the market value conclusion in fee simple for the subject property based upon the market data analyzed, and considering the subject physical and locational characteristics, as of August 27, 2013 was rounded to:

\$520,000
(FIVE HUNDRED TWENTY THOUSAND DOLLARS)

THE INCOME APPROACH

In income producing properties, the typical investor is mostly concerned with the income producing capabilities of the properties. Other factors and amenities are of secondary concern. This approach is one of the most reliable methods of estimating value for income producing properties.

The Income Capitalization approach is based on, and consistent with, the principles of anticipation and change, supply and demand, substitution, balance and externalities. Income-producing properties are bought with an anticipated flow of benefits in mind, and this flow can be affected by change. Supply and demand, and the related concept of competition, is relevant in forecasting future benefits and estimating rates of return in this approach. Substitution is important in this approach because prices, rents and rates of return for property tend to be set by prices, rents and rates of return for equally desirable substitute properties. The principle of balance and all related concepts are especially important in applying the income capitalization approach. A good balance between the types and locations of income properties creates and sustains value. Positive and negative external forces such as crime, transportation and others are externalities that affect the appeal of income producing properties, and ultimately their value.

There are two income capitalization methods that can be used to estimate the market value of the subject property. They are based on different measures of expected earnings and include different conclusions concerning the relationship between expected earnings and value.

The first method is direct Capitalization, which is defined as follows:

“Direct capitalization is a method used to convert an estimate of a single year’s income expectancy into an indication of value in one direct step- either by dividing the income estimate by an appropriate income rate or by multiplying the income estimate by an appropriate factor.”

The second method, Yield Capitalization, is defined as follows:

“Yield Capitalization is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment’s income pattern, value change, and yield rate.”

There are six basic steps followed in the Income Capitalization Approach, which are:

1. An estimate of the income the property is expected to generate has to be determined (for a single year in the case of the Direct Capitalization, or the forecasting period in the case of yield Capitalization). Potential Gross Income is first calculated. To obtain effective gross income, vacancy and collection losses are deducted from all revenue items.
2. The operating expenses for the property are estimated next.
3. The net operating income is calculated by subtracting the operating expenses from the effective gross income.
4. The property reversion at the end of the forecasting period is found.
5. The overall capitalization rate or the discount rate is estimated.
6. The net operating income is capitalized into an indication of value by dividing it by the overall capitalization rate, or the annual cash flows are discounted to present value using the appropriate discount rate.

The income approach is related to and takes into consideration;

The conclusion reached in the highest and best use analysis in terms of the ideal improvements on the subject property. Differences between the subject property and the ideal improvements are reflected in the forecast income and expenses levels of the property.

In this particular case, the Income Capitalization Approach was developed using Direct Capitalization.

Summary of Commercial Market Rent Data

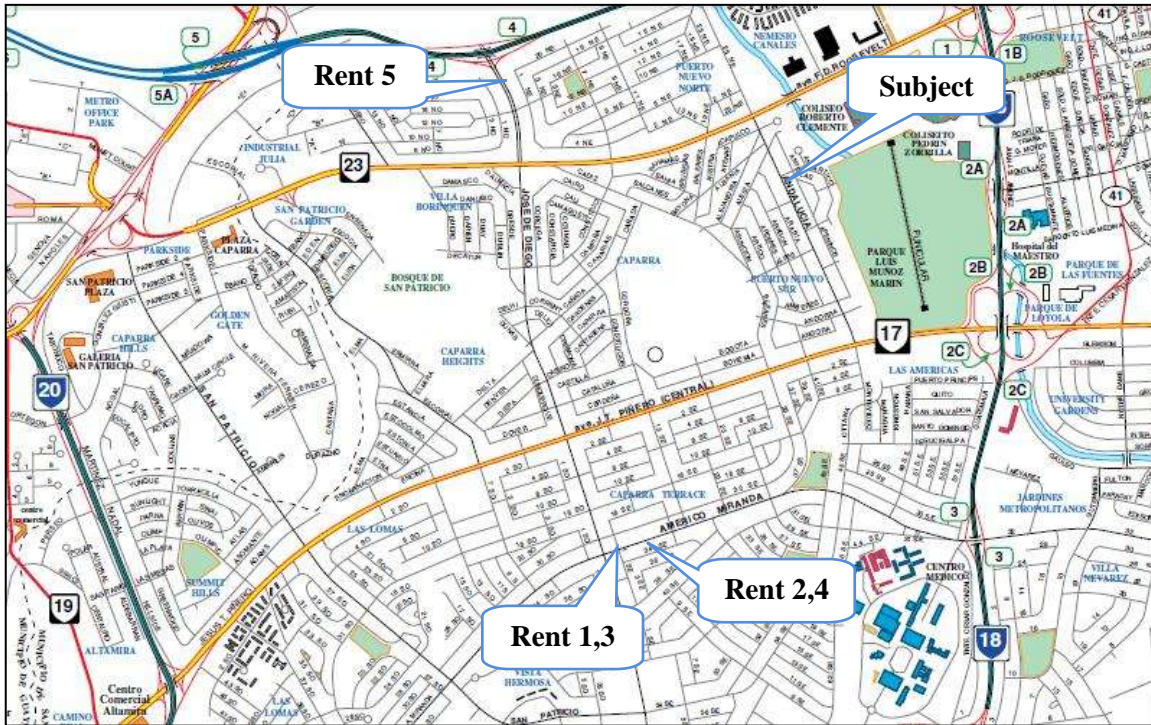
In order to extract comparable commercial rentals indication to support this approach, the appraiser carried out an investigation for rentals of similar properties, considered comparable to the subject.

Summary of Listed Commercial Rents, San Juan

Description	Rental 1	Rental 2	Rental 3	Rental 4	Rental 5
<i>Photo</i>					
<i>Location</i>	1422 Americo Miranda Ave., San Juan	1406 Americo Miranda Ave., San Juan	1422 Americo Miranda Ave., San Juan	1406 Americo Miranda Ave., San Juan	257 Jose De Diego Ave. Puerto Nuevo, San Juan
<i>Tenant</i>	Edgar Andujar	Mr. Ortiz	Edgar Andujar	Mr. Ortiz	Claro - Lenceria del Hogar
<i>Lease Area</i>	1,450	825	600	700	1,976
<i>Monthly Rent</i>	\$1,000	\$650	\$600	\$700	\$2,000
<i>Annual Rent</i>	\$12,000.00	\$7,800.00	\$7,200.00	\$8,400.00	\$24,000.00
<i>Term</i>	1 year	1 year	1 year	1 year	Undisclosed
<i>Condition</i>	Average	Average	Average	Average	Average to Good
<i>Utilities</i>	None	None	None	None	None
<i>Verification</i>	Tenant	Tenant	Tenant	Tenant	Tenant
<i>Rent/SF/Yr.</i>	\$8.28	\$9.45	\$12.00	\$12.00	\$12.15

Overall, commercial market rents range from \$8.28 to \$12.15 per square foot, with a mean of \$10.78, a median of \$12.00 and a mid-point of \$10.22 per square foot. All comparable rents have similar location attributes compared to the subject. Analyzing the location, amenities, and exposure factor, among other, the subject potential gross income will be estimated according to rent data from the similar competitive market area. Based on the rental data analyzed, I concluded a rounded rent per square foot of \$12.00 for the commercial property will be adequate due to its similarities in commercial exposure and location but inferior in physical conditions. I considered the higher end of the rental data range due to the superior physical condition of the subject.

Comparable Rents Map



Development of Capitalization Rate

Capitalization Process:

The appraiser considers that the most reliable indication of value for the subject property by the Income Approach would be obtained if the income stream of the entire property were capitalized into a single indication of value. In direct capitalization, the income stream of the entire property is capitalized into a single indication of value by the use of an overall rate. An overall rate by definition is the result of dividing net operating income by overall capitalization rate to reach the value by the Income Approach. The overall rate has built-in investor expectations as to possible property value increases and the effect of equity buildup in the case of a mortgaged property. An overall rate is built up from market information, using different techniques or is obtained directly from the market.

Debt Coverage Ratio Formula:

The appraiser contacted different lending officers to inquire about the financing parameters for the acquisition of a property like the subject. Specifically, the appraisers inquired about real estate collateral and repayment ability requirements, interest rates charged, and the loan duration or term.

The cost, term, and conditions to obtain financing affect the value of real estate. The lending policies of the financial institutions influence the demand for real estate by making funds easy or difficult to obtain by potential buyers of real estate. The majority of real estate is acquired with financing due to its high cost. Low cost and lax financing conditions will usually increase the demand for real estate and its value. While costlier and tighter financing parameters, I can relate it to value by estimating an overall capitalization rate. The present prime rate is at 3.25 %.

The following are the results of this investigation:

The loan to value ratio represents the amount of money financial institutions is willing to lend according to the value of real estate (collateral) provided by the borrower. According to this research, in Puerto Rico, lenders are typically willing to provide proposed loans in the range of 70% to 75% of the collateral value provided by the borrower. Therefore, the appraisers considered that a 70% loan to value ratio, which falls within this range, is adequate for the analysis. As per the 1st Quarter 2013 Realty Rates Investor Survey, the loan to value ratios for office buildings (all types), range from 50% to 80% with an average of 68%. Thus the concluded loan to value ratio of 70% is well supported and lies within the referenced national parameters.

The debt coverage ratio represents the times net operating income of the borrower has to exceed the annual debt service of the proposed loan. This research resulted in a range between 1.20 and 1.40, for Puerto Rico. Based on this analysis, a debt coverage ratio of 1.30 is considered typical. As per the 1st Quarter 2013 Realty Rates Investor Survey, the debt coverage ratios for office buildings (all types) at the national market range from 1.15 to 2.25 with an average of 1.70. Therefore, the concluded debt coverage ratio of 1.30 comfortably lies at the lower level of the referenced range.

I have made a research in order to estimate the variable interest rate of the loan. In Puerto Rico, the banks are charging 3% - 5% over the prime rate. However, the majority of the banks researched are charging 5% over the prime rate since the implied higher risks, results of the current economic situation within the island. I estimate a fixed 8.25% over the one-year period.

The term or loan duration is between 5 years to 20-year amortization period. The investigation shows more institutions willing to lend for up to 15 years. Therefore, a 15-year loan term is considered typical.

From this information, I can estimate the typical lending parameters as follows:

Loan to Value Ratio	:	70%
Debt Coverage Ratio	:	1.30
Interest Rate (fixed)	:	8.25%
Loan Term	:	15 years

I can estimate now an overall capitalization rate by applying this information into the following formula.

$$\mathbf{Ro = DCR \times Rm \times M}$$

Ro	=	Overall Capitalization Rate
DCR	=	Debt Coverage Ratio
Rm	=	The mortgage constant is function of interest rate, amortization frequency, and loan term. This factor is obtained from the present value of \$ 1.00, at 8.25%, for 15 years compounded monthly. Then, 12 (months) multiply the factor obtained equals 0.1164
M	=	Loan to Value Ratio

By applying into the formula the typical lending parameters previously mentioned, I obtain the following overall capitalization rate:

$$\mathbf{Ro = 1.30 \times 0.1164 \times 0.70 = 10.60\%}$$

Band of Investment Ratio Formula:

The market data available requires the appraisers to apply a band of investment technique, which employs the loan constant and the equity investment at the appropriate return to the lender and the equity investor. Lenders of mortgage funds expect both a return on capital, in form of interest, and a return of capital through amortization of the principal. Similarly, an equity investor expects a return on the equity commensurate with the investment risk. Accordingly, the band of investment technique considers the overall capitalization rate as a composite rate, weighted by the proportions of debt and equity in the property investment. The following band of investment will be build up assuming a 70% loan to value ratio at a 8.25% interest rate with an amortization schedule of 15 years, resulting in a mortgage constant of 0.1164, say 11.64%. As per the 1st Quarter 2013 Realty Rates Investor Survey, the equity cap rates for office buildings (all types) range from 8.21% to 17.17% with an average of 13.14%. Thus a 10%, comfortably lies within the range and is deemed applicable for the equity investment. Based on these parameters a simple band of investment analysis to build up an overall capitalization rate follows:

Overall Capitalization Rate:

0.1164 Mortgage Constant (Rm)	X	0.70 (% of Value) =	0.0815
0.1000 Equity Dividend Rate	X	0.30 (% of Value) =	<u>0.0300</u>
Overall Capitalization Rate			0.1115, let's say 11.15%

Realty Rates Investors Survey- Surveyed Rates

As per the 1st Quarter 2013 Realty Rates Investor Survey, the overall capitalization rates surveyed for office buildings (all types) at the national market, range from 5.26% to 13.77% with an average of 10.20%.

In summary, the Overall Capitalization Rate results in 10.60%, by Debt Coverage Ratio Formula, 11.15% by the Band of Investment Ratio Formula and within a range of 5.26% to 13.77% with an average of 10.20% as per the surveyed rates reported in Realty Rates Investors Survey. Considering the previous OAR indications with the surveyed rates at the average of 10.20%, they provide an average of 10.65%, a median of 10.60% and a midpoint of 10.70%. Finally, the appraiser considered that in this particular case, a 10.65%, in line with the statistical indications, is adequate for the analysis.

Potential Gross Income (PGI)

Based on the previous analysis and conclusions, the Gross Income is calculated as follows:

POTENTIAL GROSS INCOME (PGI)			
	Rent/SF/Yr	Area (SF)	PGI's
Commercial office	\$12.00	4,414	\$52,968.00
Potential Gross Income			\$52,968.00

Effective Gross Income (EGI)

Vacancy and rent loss allowance:

This is an allowance for reductions in potential income attributable to vacancies, tenant turnover, and non-payment of effective rent. The current trend seems to point towards adequate market absorption for commercial properties, in adequate locations at the San Juan municipality.

The appraiser observed some vacant properties in the subject's immediate location along the Andalucía Avenue. Therefore, a 10% level was concluded to account for rent loss, free rents, and/or potential legal contingency.

EFFECTIVE GROSS INCOME (EGI)		
Potential Gross Income		\$52,968.00
Less: Vacancy & Collection Loss	10% PGI	\$5,296.80
EFFECTIVE GROSS INCOME (EGI)		\$47,671.20

Operating Expenses (OE)

Operating expenses are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income. These expenses include professional services, repairs & maintenance, insurance, and other expenses. The expenses considered in our analysis are based on previous similar assignments and office files data not presented due to confidentiality with previous clients. BOMA or other published data on such expenses are not applicable to this type of property and in the Puerto Rico market.

On management expenses in this type of properties typically range from 2% to 5% of EIG. It is considered reasonable 2% of the EIG in this analysis, or \$953.42.

The reserve for replacements and structural repairs range typically from 2% to 5% of EIG, which was estimated in 2%, or \$953.42. These are typical market-oriented reserves.

The property real estate taxes are based on the assessed value of the subject. The real estate property tax of the subject property as per C.R.I.M. (Centro de Recaudación de Ingresos Municipales) for the last year is \$1960.38 representing \$0.44/s.f.

The property insurance is based on data provided by the insurance company. In this particular case, this information was not provided by the client. Due to the subject lies within the floodable prone area (Zone AE), it is considered reasonable based on Insurance Expenses of similar commercial building in 0.35 per square feet or \$1,544.90

Finally, the maintenance includes supplies, cleaning, janitorial, trash removal, plumbing and other related expenses. This information was not provided by the client. It is considered reasonable based on typical market-oriented expenses of similar commercial use buildings in \$0.15 per square feet, or \$662.10 for maintenance.

The Net Operating Income is the EGI less the operating expenses such as management, reserve for replacement, maintenance, among others. It is calculated in the following table:

NET OPERATING INCOME (NOI)		
Effective Gross Income		\$ 47,671.20
Property Expenses:		
Management	2% EGI	\$953.42
Property Tax	\$0.44 /sq. ft.	\$1,960.38
Insurance	\$0.35 /sq. ft.	\$1,544.90
Reserve for Replacement	2% EGI	\$953.42
Maintenance	\$0.15 /sq. ft.	\$662.10
Total Expenses		\$6,074.23
NET OPERATING INCOME (NOI)		\$41,596.97
ROUNDED TO:		\$41,600.00

These operating statements are at market parameters when compare to comparable rent data, which statements were gathered by the appraiser, with additional data kept at the appraiser's files.

$$Value = \frac{NOI}{Ro}$$

VALUATION BY INCOME APPROACH	
Net Operating Income NOI	\$41,600.00
Overall Rate	10.65%
Value	\$390,610.33
Rounded Value	\$390,000.00

Consequently, the market value of the subject property under the income approach, as of August 27, 2013 is concluded at:

\$390,000.00
(THREE HUNDRED NINETY THOUSAND DOLLARS)

RECONCILIATION AND FINAL VALUE ESTIMATE

In this appraisal assignment, the Sales Comparison Approach and Income Approach were developed. The result of the analysis is as follows:

Sales Comparison Approach	:	\$520,000
Income Approach	:	\$390,000

The development of the Cost Approach was not developed. However, as per client's request, the replacement cost new was estimated for purposes of securing insurance for the property. The Replacement Cost New of the subject improvements for purposes of securing insurance for the property was estimated based on information furnished by the Marshall and Swift Valuation Service. The Insurable Value was concluded at \$440,000, which yields an overall unitary of \$99.68 per square foot for this commercial property.

The Sales Comparison Approach combined four sales transactions of competitive commercial-use properties in similar locations as that of the subject. The listed sales were analyzed via a relative comparison analysis based on a per sq. ft. unit of comparison. This approach resulted in a rounded \$520,000 value indication for the subject.

The Income Capitalization Approach is sustained on the rent analysis and expenses of comparable properties to determine net operating income that was capitalized to reach a value by this method. This approach combined five commercial spaces with market rents ranging from \$8.28 to \$12.15 per square foot. The listed rents were analyzed on a per sq. ft. per year basis, concluding a rounded \$12.00 per square foot. The income approach provides a \$390,000 value, which falls below to the sales comparison approach value.

More weight was given to the Sales Comparison, since it presents a reflection of the recent past history in the market place activity, combined with the present date supply/demand relationships and specific investor's expectations. In addition, these type of office-building properties located within the subject market area are typically occupied by the owner and are not acquired for income producing; this is reflected in the difference of values resulting of both approaches. Thus, in this case the final value conclusion was based on the Sales Comparison Approach, from which \$520,000 provides the most credible and reliable value result.

Therefore, the market value conclusion "as is" in fee simple for the subject property based upon the market data analyzed, and considering the subject physical and locational characteristics, as of August 27, 2013 is rounded to:

Market Value

\$520,000

(FIVE HUNDRED TWENTY THOUSAND DOLLARS)

ADDENDA

Raimundo Marrero

El Centro I #500 Muñoz Rivera Ave. Suite 301
Hato Rey, PR 00918
Tel: (787) 622-7605
Fax: (787) 622-7606
Email: raimundo.marrero2@gmail.com

College Education

Bachelor in Civil Engineering 1992
University of Puerto Rico, Mayaguez Campus
Mayaguez, PR

**Licenses of Commonwealth
of Puerto Rico**

Civil Engineer, EIT No. 23864
Certified General Real Estate Property Appraiser
For Federally Related Transaction, Certificate No. 195
Authorized Professional Real Estate Appraiser – Certificate

Member

Colegio de Ingenieros y Agrimensores de Puerto Rico
Associate Member Project Management Institute
Associate Member Appraisal Institute
Member of Board Directors of the Appraisal Institute – Puerto Rico Chapter

Professional Experience

1/2006 to Present
President
Raimundo Marrero Appraisers, PSC
Real Estate Appraisers & Consultants
10/1997 to Present
President
Octagon Consultant Group, Corp.
General Contractor

Appraisal Courses	Course Name	Year
Appraisal Institute		
	Residential Sales Comparison and Income Approach	2012
	General Appraiser Report Writing and Case Studies	2012
	Real Estate Finance, Statistics, and Valuation Modeling	2012
	Advanced Market Analysis and Highest & Best Use	2012
	General Appraiser Site Valuation and Cost Approach	2012
	7 Hour National USPAP Equivalent Course	2012
	General Appraiser Market Analysis and Highest & Best Use	2012
	General Appraiser Sales Comparison Approach	2012
	General Appraiser Report Writing and Case Studies	2011
	Machinery and Equipment Valuation Advanced Topics and Case Studies	2011
	Leyes y Reglamentos que Rigen la Profesión del Tasador en PR	2010
	National Uniform Standards of Professional	
	Appraisal Practice (USPAP) Update Course	2010
	Requirements of UASFLA – The ‘Yellow Book’	2010
	Subdivision Valuation	2010
	Appraisal of Nursing Facilities	2010
	National Uniform Standards of Professional	
	Appraisal Practice (USPAP) Update Course	2009
	Federal Housing Administration Training	2009
	Spotlight The New Residential Market Conditions	2009
	Commercial Appraisal Engagement and Review Seminar	
	For Bankers and Appraisers	2009
	Introduction to Machinery and Equipment Valuation	2008
	Machinery and Equipment Valuation Methodology	2008
	Appraisal of Residential Property for Foreclosure and Foreclosure	2008
	Appraisal Challenges: Declining Markets and Sales Concessions	2008
	Advance Income	2007
	Online General Application	2007
	Office Building Valuation: A Contemporary Perspective	2007
	Residential Sales Comparison and Income Approaches Course	2007
	Basic Income Capitalization Course	2007
	Leyes y Reglamentos que Rigen la Profesión del Tasador en PR	2007
	National Uniform Standards of Professional	
	Appraisal Practice (USPAP) Update Course	2007
	National Uniform Standards of Professional	
	Advanced Income Capitalization	2006
	Appraisal Practice (USPAP) Update Course	2006
	Market Analysis and the Site to Do Business	2006
	Scope of Work and New USPAP Requirements	2006
	New Technology for the Real Estate Appraiser: Cool Tools	2006
	Seminario sobre nuevas relaciones	2005
	The Professional Guide to the Uniform Residential Appraisal Report	2005
	Advanced Sales Comparison Approach & Cost Approaches	2004
	Twenty Common Appraisal Errors	2004
	USPAP: Standard 3 & its Effect on lenders & Appraisers Relationship	2003

Second Real Estate Market Trends Symposium – Expectation Beyond 2003, Economic Outlook, Residential, Tourism, Case Study	2003
Online Analyzing Operating Expenses	2003
Appraisal Practice (USPAP) Update Course	2003
Avoiding Liability as Real Estate Appraiser	2003
Appraisal of Local Retail Properties	2003
First Real Estate Market Trend Symposium	2002
Advance Application	2001
National Uniform Standards of Professional Appraisal Practice (USPAP) Update Course- Part A	2001
National Uniform Standards of Professional Appraisal Practice (USPAP) Update Course- Part B	2001
Condemnation Process Forum	2001
Highest & Best use and Market Analysis	2000
Condemnations Process	2000
The FHA and the Appraisal Process Course	1999
Advanced Income Capitalization	1996
National Uniform Standards of Professional Appraisal Practice (USPAP) Update Course	1993
Curso de Expropiación Forzosa	1993
Curso Básico de Tasaciones de Bienes Raíces	1991





PO Box 70308 San Juan PR 00936-8308

August 26, 2013

RAIMUNDO MARRERO
RAIMUNDO MARRERO APPRAISERS
EL CENTRO I BUILDING
#500 MUÑOZ RIVERA AVENUE, SUITE 301
SAN JUAN, PR 00918

RE: 4002002893

Dear Mr. Marrero:

This letter with the attached "Minimum Requirements for Summary Appraisal Reports" will confirm your engagement to prepare a real estate appraisal on the referenced property on behalf of Doral Bank. We hereby request your professional service as real estate appraiser to perform Summary Appraisal Report for the property identified below with loan number, type of property, and fees for your services pursuant to the terms set forth herein and those set forth in the Services Agreement executed by and between you and Doral Bank.

Loan Number	Property Type	Report Type	Fee	Delivery Date
4002002893	Commercial	Summary	\$3,500	September 6, 2013

With your acceptance of this assignment, we authorize you to appraise a Fee Simple Leased fee Leasehold ownership interest in 418 Andalucía Ave. Puerto Nuevo Dev. San Juan, PR.

The appraisal report shall include the following values:

"As Is" Market Value Market Value Insurable Value Liquidation Value
 Replacement Cost New* Prospective Market Value (As Completed & As Stabilized)

*Please indicate the replacement cost for each individual structure.

The following approaches are required within your valuation analysis:

Cost Approach / Land Value Sales Comparison Approach
 Income Approach (Direct Capitalization) Income Approach (DCF)

The following are enclosed or will be provided as indicated to assist you in your work:

Site Plan Permits Land Survey Legal Description / Title Report
 Rent Roll Plot Plan CRIM Value/Data Environmental Studies
 Financial Statements (Projected or Historical) Leases or Rental Agreements

Other Documents

Previous appraisal report.

Member FDIC

Page 2

GENERAL ASSIGNMENT CONDITIONS

Confidentiality -- The results of your assignment are to be communicated only in writing and only to us. All documents and information furnished to you by Doral Bank or its affiliates in connection with this assignment are confidential information. You will maintain the confidentiality and privacy of customer information obtained in the course of this assignment in compliance with USPAP and the Regulation P Title V of the Gramm-Leach-Bliley Financial Modernization Act.

Access and Communications -- Interior Inspection.

Please advise us of the date and time when you have made contact with that party and when you have scheduled the property inspection. Also, please contact us immediately if you encounter unforeseen problems, such as difficulty in making access arrangements or obtaining necessary property information.

Original and Copies, and Electronic Files -- one electronic (Adobe PDF, via email) file containing your appraisal report are required. If you are unable to provide the electronic file, provide an unbound original paper copy.

Fee -- The fee for appraisal services rendered, payable upon our acceptance of your report, shall be \$3,500.00. Please include your tax identification number on your invoice.

GENERAL APPRAISAL ASSIGNMENT REQUIREMENTS

All appraisals property must comply with the following requirements.

Standards and Contract Requirements -- All appraisals must conform to the applicable requirements in the current edition of the *Uniform Standards of Professional Appraisal Practice (USPAP)*; the *Interagency Appraisal and Evaluation Guidelines (2010)*; the *Doral Bank Minimum Requirements and Title XI of The Financial Reform, Recovery and Enforcement Act of 1989*. By accepting this assignment you are representing that you have reviewed that material, are aware of the applicable requirements, and will complete this assignment in compliance with them.

Upon your execution of this document you agree to comply with the fees, cost and delivery date submitted herein; and with the Bank's Appraisal Standards, FIRREA, USPAP and any other applicable laws, regulations, guidelines and procedures for the services contemplated herein.

Engagement, Compensation, and Personal Interest -- An appraisal completed by an appraiser who has a direct or indirect interest, financial or otherwise (except for payment of the appraisal service fee), in the property appraised or with regard to the parties involved in the assignment (Client, Client's Customer, Property Owner(s), Property Broker(s), etc.) is not acceptable to Doral Bank. By accepting this assignment you are representing that you have no such interests and have disclosed to us any existing or prior involvement you may have with the property to be appraised or with the parties to the loan transaction. If you are unable to make your report certification with regard to compensation or personal interest consistent with these conditions and representations, please return this package to us and do not proceed with this assignment.

Competency -- Your engagement in this assignment is predicated on your being able to personally complete it in compliance with the assignment requirements. If at any time in the course of this assignment you find that you will not be able to comply with the Competency Rule in USPAP, please contact us immediately and do not proceed with any further effort in this assignment until we have discussed the matter.

Page 3

Assumptions, Limiting Conditions, Extraordinary Assumptions, and Hypothetical Conditions -- Except by our prior agreement, the only Assumptions, Limiting Conditions, Extraordinary Assumptions, and Hypothetical Conditions Doral Bank will accept are those consistent with appraisal standards outlined by USPAP; if you believe there is a need to apply others, please contact Enio Russe to discuss obtaining our prior agreement.

Intended Users -- *Doral Bank and affiliates companies* are intended users of your assignment results. We may, without your prior authorization or a notice to you, provide your report or elements of it to other parties for their use in lending-related activities. In addition, Doral Bank reserves the right to provide a copy of the report to the borrower, the borrower's representative, or again to any third party Doral Bank may deem appropriate.

Intended Use -- It is our intention to use your assignment results in a Doral Bank-related loan transaction or servicing action, or in similar lending-related transactions.

Purpose of Appraisal -- The "purpose" in the assignment is to develop and provide the property, market, analysis, and Market Value information in a report that responds to the requirements stated or referenced in this engagement letter.

Date(s) of Value and Date of Report -- The date of value must be a *current date*, typically the date of your last property inspection or a date between the date of your report and the date of this letter. The date of report is the date you sign your appraisal report, and must appear concurrent with your signature in each instance.

APPRAISAL ACCEPTANCE, APPRAISAL REVIEW, SUBSEQUENT REQUESTS, and SUPPLEMENTAL ASSIGNMENTS

Acceptance Audit -- Your appraisal report will be read and the result compared to your responses to the requirements stated in this engagement letter.

Appraisal Review -- As part of our collateral valuation quality assurance effort, all appraisal reports are subject to an appraisal review completed in accordance with Standard 3 in USPAP. Representatives of Doral Bank and/or Independent Reviewers will perform an administrative or technical review of the report. Your full cooperation in the review process is deemed to be integral part of this valuation assignment.

Subsequent Requests -- You may be contacted to provide responses to questions resulting from our reading or review of your report. By accepting this assignment, you agree to respond promptly to our subsequent requests. When the cause of our subsequent request is a deficiency in your appraisal or report that was under your control, you agree to cure that deficiency promptly without additional cost to us.

Delivery -- It is mutually agreed that your complete report will be delivered to the undersigned on or before *September 6, 2013* and that the total fee (including expenses) will not exceed the fees specified in the above table. **FURTHERMORE, BY EXECUTING THIS DOCUMENT, YOU UNDERSTAND THAT TIME IS OF THE ESSENCE. UPON FAILURE TO COMPLY WITH THE AGREED DELIVERY DATE, YOU WILL INCUR IN A DAILY PENALTY OF 5.0% OF THE INVOICED AMOUNT.** As agreed, fees for your services will be the amount set forth herein. Payment by the Bank will be processed upon receipt of a copy of the report in PDF.

Assignment Termination -- Further, Doral Bank, reserves the right to terminate this assignment at any time without any further liability or obligation owed to you, if in the judgment of Doral Bank, you have failed to perform in accordance with the terms and conditions set forth in this engagement letter.

Certification -- Your appraisal report must include your personal certification. Your signature must be in a personal capacity as well as in any business capacity and include your state licensing and certification information as well as any professional accreditation. This assignment is placed with you on the express condition that your certification constitutes your representation that the assignment was accepted and performed by you with knowledge of and in compliance with all applicable requirements in the assignment.

Page 4

ENGAGEMENT / ASSIGNMENT CONTRACT ACCEPTANCE SIGNATURES

The terms set forth herein are in addition to the terms set forth in the Agreement. As amended hereby, the Agreement is hereby affirmed and shall remain in full force and effect. If you are in agreement with the terms and conditions of this letter, please confirm your acceptance of this assignment by signing this letter and returning a copy to Enio Russe at Doral Bank within three (3) days of receipt.

"PLEASE INCLUDE A SIGNED COPY OF THIS LETTER AS AN ADDENDUM TO THE COMPLETED REPORT"

If you have any questions, please contact us.

Cordially,




Enio Russe
Appraisal Manager
Doral Bank USA

Accepted by: Raimundo Marrero Otero

Printed Name Raimundo Marrero Otero

Date: August 26, 2013

de título, por lo cual no debe utilizarse como tal. La responsabilidad de la entidad que preparó este estudio de título, esta limitada a la cantidad pagada por que no sea el solicitante lo hará bajo su propio riesgo y responsabilidad. Para completa protección debe requerir una póliza de seguro de título. No no registro de la propiedad en la entrada de datos, ni en la omisión de información suministrada por ellos tanto de sus libros como del sistema computarizado libros.

FINCA: 6,903, inscrita al folio 188 del tomo 115 de Monacillos, 
Registro de la Propiedad de San Juan, Sección III.

DESCRIPCION:

URBANA: Solar en forma rectangular que mide 12.00 metros de frente por 21.00 metros de fondo, marcado con el número 9 de la manzana GM de la Urbanización Puerto Nuevo, propiedad de la Everlasting Development Corporation que radica en el Barrio Monacillos de Río Piedras, con un área superficial de 252.065 metros cuadrados. En linderos por el Norte, Sur, Este y Oeste, con terrenos propiedad de la Everlasting Development Corporation y dando frente al Este con la calle denominada Puerto Nuevo Main Street de la Urbanización.

Enclava una casa.

TRACTO REGISTRAL:

Se segrega de la finca 2,554, inscrita al folio 235 del tomo 239 de Río Piedras.

DOMINIO:

Consta inscrita a favor de *trato* **COZY AMBIENCE INC.**, quien adquiere por compra a Guillermo Aviles Aguirrechea y su esposa Glorimar De Jesus Mila, por el precio de \$370,000.00, según consta de la escritura número 109, otorgada en San Juan el 16 de mayo de 2006, ante el notario Jorge Velez Nieves, inscrita al folio 177 del tomo 951 de Monacillos, finca 6,903, inscripción 11ma.

GRAVAMENES:

Afecta por su procedencia a:

1. Servidumbres
2. Condiciones Restrictivas de Edificación y Uso

Afecta por si a:

1. **HIPOTECA:** En garantía de un pagaré a favor de Doral Bank, o a su orden por la suma de \$296,000.00, intereses al 9.25% anual y vencido a la presentación, según consta de la escritura número 83, otorgada en San Juan el 16 de mayo de 2006, ante el notario Elaine Villanueva Martínez, inscrita al folio 177 del tomo 951 de Monacillos, finca 6,903; inscripción 12ma.

ESTA SECCION DEL REGISTRO TIENE ATRASO EN LA ENTRADA DE DATOS DE SU SISTEMA DE DATOS

Centro de Recaudación de Ingresos Municipales
 Estado Libre Asociado de Puerto Rico

Aviso Legal Mejor Visto en 1024 x 768
 Bienvenido(a): JBLONDET

Resultados de la Búsqueda (Total de Propiedades: 1)

S-Seller O-Owner Número de Seguro Social: **660-62-3575**
 Número de Cuenta: **823206**

URB PTO NUEVO 418 . CALLE ANDALUCIA SAN JUAN

Número de Catastro	Propietario	Tipo	Postal
062-078-076-10-001	COZY AMBIE INC	OWNER	BOSQUE DEL LAGO B J I VIA TANGANICA TRUJILLO ALTO PR 00976

Centro de Recaudación de Ingresos Municipales
 Estado Libre Asociado de Puerto Rico

Aviso Legal Mejor Visto en 1024 x 768
 Bienvenido(a): JBLONDET

Certificación de Valores / Value Certificate

Número de Seguro Social: **660-62-3575**
 Número de Catastro: **062-078-076-10-001**
 Número de Cuenta: **823206**

Dirección Postal
 BOSQUE DEL LAGO B J I VIA TANGANICA TRUJILLO ALTO PR 00976

Localización de la Propiedad
 URB PTO NUEVO 418 . CALLE ANDALUCIA SAN JUAN

Valores Actuales / Current Values		- Prior Year Values -	
Cabida / Land Size:	252 M	Total Tierra / Total Land	
Tierra / Land:	3,030	Total IMPS / Total IMPS	
Estructura / Structures:	18,056	Total MACH / Total	
Maquinaria / Machinery	0	- Prior Owner -	
Valor Tasado / Assessed Value:	21,086	AVILES AGUIRRECHEA GUILLERMO	
Exenciones / Exemptions:	0		
Exoneraciones / Exonerations:	0		
Valor Tributable / Taxable Value:	21,086		
Tasación Incompleta:			
Cartografía Pendiente:			

		Centro de Recaudación de Ingresos Municipales Estado Libre Asociado de Puerto Rico		PROPIETARIO / OWNER COZY AMBIE INC			
ESTADO DE CUENTA / STATEMENT OF ACCOUNT							
Número de Catastro / Pin #:		062-078-076-10-001		Número de Cuenta / Account Number			
Municipio / Municipality:		SAN JUAN(79)		823206			
Fecha de Intereses / Descuento / Interest Date / Discount Date :				04/09/2013 (dd/mm/yyyy)			
Número de Prestamo / Loan Number:		000004002002893		HIP / MTG: 035			
AÑO FISCAL/ FISCAL YEAR	FECHA VENC./ DUE DATE	PRINCIPAL UNPAID TAX	DESCUENTO DISCOUNT	INTERESES INTEREST	RECARGOS SURCHARGE	PENALIDAD PENALTY	CANTIDAD ADEUDADA AMOUNT DUE
2014-I	01/01/2014@	1,089.09	-108.90	0.00	0.00	0.00	980.19
2011-I	01/01/2011	1,089.09	0.00	264.66	108.91	0.00	1,462.66
2011-I	01/07/2010	253.63	0.00	66.08	0.00	0.00	319.71
2010-I	01/01/2010	930.94	0.00	319.33	93.09	0.00	1,343.36
2010-I	01/07/2009	930.95	0.00	366.26	93.10	0.00	1,390.31
2009-I	01/01/2009	930.94	0.00	412.42	93.09	0.00	1,436.45
2009-I	01/07/2008	930.95	0.00	459.35	93.10	0.00	1,483.40
2008-I	01/01/2008	930.94	0.00	505.77	93.09	0.00	1,529.80
2008-I	01/07/2007	930.96	0.00	552.71	93.10	0.00	1,576.77
2007-I	01/01/2007	930.94	0.00	598.86	93.09	0.00	1,622.89
2007-I	01/07/2006	930.96	0.00	645.81	93.10	0.00	1,669.87
GRAND TOTAL		9,879.39	-108.90	4,191.25	853.67	0.00	14,815.41
-Localización de la Propiedad / Property Location-				- Dirección Postal / Postal Address -			
URB PTO NUEVO 418 . CALLE ANDALUCIA SAN JUAN				BOSQUE DEL LAGO B J 1 VIA TANGANICA TRUJILLO ALTO PR 00976			
TOTAL ADEUDADO AL CRIM						14,815.41	
TOTAL DUE TO CRIM							
ESTA CERTIFICACION NO SERA OFICIAL SIN EL IMPORTE DE \$2.50 EN ESTAMPILLAS EMITIDAS POR EL CRIM. ES VALIDA PARA GESTIONES DE COBRO.LA DEUDA MARCADA CON @ NO ESTA VENCIDA. SI MEDIANTE INVESTIGACION REALIZADA POSTERIORMENTE SE COMPRUEBA QUE ESTA PROPIEDAD NO REUNE LOS REQUISITOS PARA DISFRUTAR DE LA EXENCION Y/O EXONERACION, SE PONDRAN AL COBRO LAS NOTIFICACIONES RETROACTIVAS PARA LOS AOS CORRESPONDIENTES. ***** ACCCOUNT IS EXEMPT *****							