



MANSION

"O, I have bought the mansion of a live,
But not possess'd it"

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MANSION



ISLAND LIFE: The view from San Juan, a 1920s villa on Dorado Beach, now a Ritz-Carlton Reserve. The beachfront property underwent a \$2 million restoration and is expected to open in December.

A Land Rush in Puerto Rico

Buyers of new homes on the island this year will pay no property taxes for five years. The result: a luxury building boom. Can Puerto Rico recapture its former glory?

BY ALYSSA ABKOWITZ

NO PROPERTY TAXES for five years. No closing fees and no capital-gains taxes. With a blitz of housing incentives set to expire Dec. 31, Puerto Rico is courting high-end home buyers—and sparking a real-estate revival.

The Puerto Rican government introduced the aggressive incentives two years ago to boost the island's flagging housing market. The stimulus seems to be working: New-home sales were up 51% by volume in 2011 and 38% for the first six months of 2012, compared with 2010, when the incentives were enacted, according to the Puerto Rico Federal Affairs Administration.

The stimulus means a buyer who purchases a \$1 million home will save about \$25,500 in closing costs and property taxes. And a homeowner who rents out the property can waive rental-income taxes through 2020.

The incentives apply only to new homes, and the buyer must hold on to the property for a minimum of six months in order to waive capital-gains taxes upon selling. (There are also some incentives for buyers of existing properties.) Currently, the Dec. 31 expiration date targets only buyers of second homes; the incentives will continue for primary-home buyers.

Although the incentives have warmed up the market, asking prices remain 30% below what they were during the market's peak seven years ago.

The island's real-estate community is hoping the program will bring Puerto Rico back to its glamour days. In the late 1950s, financier and conservationist Laurance Rockefeller opened a resort west of San Juan that attracted actresses like Ava Gardner and Elizabeth Taylor, and post-World War II presidents like John F. Kennedy.

Today, it remains to be seen whether the commonwealth can reclaim its stylish mystique.

That's because for the past two decades, Puerto Rico has focused on the cruise-ship crowd and only recently found its footing in multimillion-dollar properties, says Ani González Brunet, a broker in San Juan.

Acquamarina, a 47-unit development designed by Enrique Gutiérrez, the architect behind Miami's Bacardi buildings, is one of the newest offerings in

San Juan's Condado neighborhood. Located on Ashford Avenue, San Juan's equivalent of Rodeo Drive, the terraced building is walking distance to Cartier, Ferragamo and Boudart, one of the top Latin-fusion restaurants on the island.

When plans were released in 2006, the building's options sold out quickly. But the real-estate market tanked in 2008, and many Acquamarina buyers pulled out, leaving the property virtually empty when it opened in 2009. The recent tax incentives have spurred sales in the development, as did an exclusive affiliation between its sole seller, Trillion Realty Group, and Christie's International Real Estate. Today, three units remain, including the \$5 million resale of the 8,379-square-foot, three-story penthouse with an elevator, floor-to-ceiling windows and an infinity pool overlooking the ocean.

Competition is sizzling on opposite coasts, where two luxury developers are vying for the same buyers. Built on former coconut plantations, both family-developed properties are marketing their gated communities to eco-friendly buyers, a message that is in sync with recent green initiatives pushed by Gov. Luis Fortuño.

Thirty-five minutes west of San Juan is Dorado Beach, a Ritz-Carlton Reserve, built by the family-owned Stubbe Organization and the Caribbean Property Group. In addition to a hotel, there are two residential sections: On West Beach, 13 condos have been built, and a second phase of 14 additional condos, priced from \$2.5 million, is in progress. On East Beach, there will be 10 single-family villas starting at \$4 million. When the development opens in December, homeowners will get to borrow artwork through a partnership with the nonprofit Art Production Fund. There's also an eco-adventure program in the works that will include snorkeling, hiking and wetland tours. The Ritz-Carlton and the Stubbe Organization declined to elaborate on the project.

On the opposite end of the island, 27 miles from San Juan, sits Bahia Beach Resort & Golf Club, a 483-acre resort on the edge of the El Yunque rain forest. Developers are emphasizing exclusivity and the natural surroundings by keeping 65% of its land undeveloped and capping

heights on residences at below tree level. The St. Regis-branded properties at Bahia, developed by Puerto Rico's Interlink Group, are on a private island with 26 lots, 16 of which are still available. Prices for homes on the island start at \$3.5 million. St. Louis Cardinals outfielder Carlos Beltrán and former boxer Oscar De La Hoya have built tropical plantation-style homes here that include infinity pools, travertine floors, lily ponds and coral-stone terraces.

Bahia's environmental focus has earned it a certification from Audubon International, meaning the developer takes specific measures to help preserve the environment.

The environmental efforts are what attracted Marie Helene Reinhold, a jewelry-store owner with homes in San Juan and Sun Valley, Idaho, to build a 9,200-square-foot home with her husband on Bahia's private island. Ms. Reinhold says she enjoys feeding the birds, eating at Fern, chef Jean-Georges Vongerichten's restaurant on the property, and watching turtles lay eggs on the beach.

"I've lived in Puerto Rico for 40 years and didn't know such beauty existed here," she says.

Puerto Rico's renaissance has experienced its share of growing pains. Airlines increased the number of flights to the island before new roads had been built, so travel times are longer than expected. High-end developments have round-the-clock security, but the island has seen crime rates rise in recent years, mostly attributed to drug trafficking and an unemployment rate that has been above 13% since December 2008. And while the allure of traveling without a U.S. passport attracts some people, it can be off-putting to others who view Puerto Rico as a destination for less-well-heeled tourists.

But Leticia Brunet González, a principal owner at Trillion Realty Group, likens the island's recent ascendancy to a prized Gucci bag: "It was put in the drawer while people tried something else. Now they're taking it back out."

SNAPSHOT PUERTO RICO

Population: 389,714 (San Juan); 3.7 million (Puerto Rico)

Cost of living: The consumer price index rose 0.1% over the past 12 months, compared with a 1.7% increase for the U.S. as a whole.

High and low temperatures:

JANUARY:

82°/71° F

AUGUST:

88°/77° F



THE PAST

Glam guests on the island included John and Jackie Kennedy (1961) and Carol Burnett and her husband, Joe Hamilton (1967).



THE PRESENT

Singer Ricky Martin and former boxer Oscar De La Hoya, above left and right, live in Puerto Rico; actor Benicio del Toro was raised there.



HISTORY Puerto Rico is home to the oldest city on U.S. soil, Old San Juan. Churches built in the early 1500s and El Morro fort are still standing.

Sources: World Bank, Puerto Rico Department of Labor, U.S. Department of Labor (CPI as of August), National Weather Service, Puerto Rico Federal Affairs Administration

SUNNY LUXURY



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