

REAL ESTATE AND CONSTRUCTION

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REAL ESTATE AND CONSTRUCTION

The macroeconomic evolution of the Dominican Republic in recent years has been positive and of constant growth, which offers a favorable and stable business climate for foreign investment in the sectors of great importance that make up the economic and productive engine of the country. This is the case of the real estate and construction sector, which has presented an important development in the last decades. Also associated with this, the spillover effect it generates for the industry of inputs and materials linked to the real estate and construction sector, responds to internal needs, generating competitive and attractive advantages for the attraction and development of investment for this sector.

The real estate and construction sector in the Dominican Republic includes the construction of residential and non-residential buildings, civil engineering works, as well as specialized construction support services. It focuses on the development of products of great importance, which generate great benefits and at the same time constitute basic welfare elements for society. Such is the case of the construction of bridges, roads, ports, railways, dams, power plants, industries, as well as homes, schools, hospitals, and places for leisure and entertainment such as cinemas, parks, hotels, theaters, among others.



SECTOR GROWTH

AND TENDENCIES

The business scheme in this sector in the Dominican Republic is mainly defined by aspects related to the demand and underlying needs in the population of the products generated by this sector. The real estate and housing demand is centered around different nuclei of the national geography, both in the urban area and in tourist areas. The first segment of demand is characterized because it exceeds the constructions made.

The commercialization and development of real estate products follow mainly a traditional scheme, of which the following types of contracts can be highlighted according to scope:

Construction only: As the name states, the contractor only has the responsibility to build the project. That is, the design, maintenance and operation of the project are entirely the responsibility of the client. The contractor receives from the principal all the necessary information to carry out the project.

Turnkey or EPC (Engineering, Procurement and Construction): Includes the service of design, supply of equipment, construction and assembly. Normally the design is based on a preliminary project granted by the client to the contractor.

Concessions or BOAT (Build, Operate and Transfer): The client contracts a concessionaire to finance and provide the service of design, construction, maintenance and operation of a project. The benefit for the concessionaire comes from the payments made by the users or the State for the use or availability of the infrastructure.

Trust: Its objective is to manage the resources and goods destined to develop a real estate project or another type of construction, in accordance with the instructions indicated in the contract, thus promoting security, trust and transparency among the Parties involved in the Project.



GROWTH AND TRENDS ¹

PRODUCTION

The Gross Domestic Product (GDP) had an annual growth of 12.3% in 2021, reflecting the Dominican economy will continue to grow above its potential for regional leadership among Latin American countries.

According to the Report of the Dominican Economy of the Central Bank, during 2021, the added value of the activity constituted an interannual growth of 23.4%, real estate and construction is consolidated as the activity with the greatest impact on the dynamism of the Dominican economy during the referred period, driven by private initiatives in the development of medium and low-cost real estate projects, commercial establishments, the expansion of the offer of hotel units in the tourism sector and investments for the diversification of the electricity generation matrix.

Likewise, this result is associated with the execution by the public sector of street and avenue maintenance programs in the different provinces of the country, the construction and expansion of several educational facilities, repair and remodeling of hospitals and children's stays, as well as the development of road infrastructure works aimed at the improvement of land transport, such as the construction of section II-B of the Metro and the completion of the first line of the Santo Domingo railway.

Similarly, the performance shown by the activity is evidenced in the interannual variation of sales volumes of the main inputs for construction, stories such as: Metal structures (24.2%), Paint (32.9%), Cement (7.2%) and asphalt cement (27.7%).

Notably, constructions loans were RD \$80,181 zzzmillion, registering a growth of 10.8% compared to the previous year. On the other hand, the loans for the real estate activities showed loans for a total amount of RD\$78,447 million, while house purchase and remodeling amount of RD\$253,613 million.

¹ Dominican Economy Report Jan-Dec 2021. Central Bank of DR



Housing Deficit

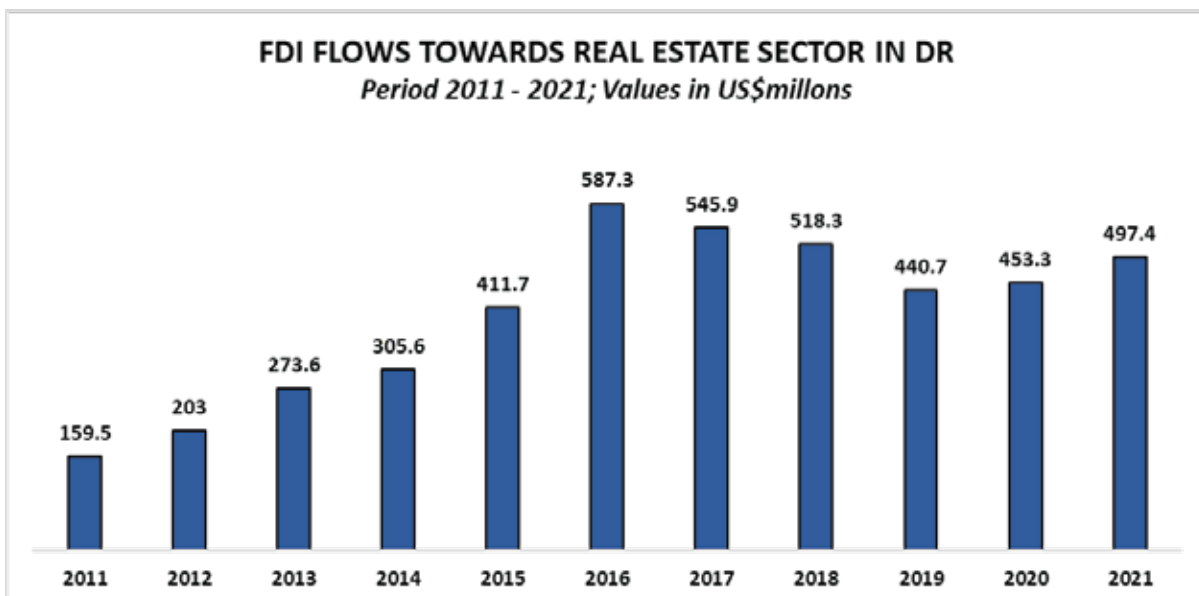
A study published by the Global Development Organization (Oxfam), which uses official data from the National Statistics Office (ONE), with the 2010 Census database, estimates a qualitative housing deficit amounting to 1,333,458 housing units, for a 60.6% and a quantitative one amounting to 865,829 housing units for 39.4%. Therefore, the total housing deficit under this measurement is around 2,199,377 housing units.

Jobs

Regarding jobs, according to the National Continuous Labor Force Survey (ENCFT), the construction sector generated a total of 398,894 jobs at the end of 2021.

Direct Foreign Investment

From 2011 to June 2021, Foreign Direct Investment in real estate has grown significantly, with an accumulated foreign investment of US \$4,396.3 million. This sector has been one of the protagonists in the generation of dynamism and economic growth of the Dominican Republic, representing 16% of the total foreign direct investment received in the country in this period.



Source: Elaborated with data from the Central Bank of DR



Legal framework and incentives.

The incentives to the real estate sector are established through Law No. 171-07 on Special Incentives for Pensioners and Rentists from a foreign source, which provides different tax exemptions. Also, Law No. 189-11 for the Development of the Mortgage Market and the Trust in the Dominican Republic, which facilitates the channeling of resources, through the trust, for the financing of housing and construction, with a view to promoting housing projects and reducing the housing deficit in the country.

Other laws related are Law No. 687 which creates a Regulation System of Engineering, Architecture and Allied Branches, Law No. 675 on Urbanization and Public Ornamentation, and the new Law No. 108-05 of Real Estate Registry and its regulations, this law also called "Real Estate Registry Law".

Related Institutions

Real Estate Jurisdiction, has exclusive competence to know the real estate rights and its registration in the Dominican Republic, since the authorization for the measurement is requested and throughout the life of the property, except for the exceptions provided for in the legal framework.

<http://ji.gov.do/>

The city councils of the different municipalities of the nation, since they are in charge of issuing the Urbanization and Public Ornamental permits.

Ministry of Public Works and Communications (MOPC), is the body in charge of preparing, proposing and executing the policies and provisions of the Executive Power regarding the Initiative for Infrastructure Integration.

<http://www.mopc.gob.do/>



The Dominican Chamber of Construction, is an institution that groups together a number of companies that make up the construction sector in the Dominican Republic.

<http://cadocon.org/portada/>

Ministry of Housing and Edifications, is the governing and regulatory institution of the housing sector of the Dominican Republic, its main function is to formulate, design and implement housing projects, integrating all sectors, both public and private.

<https://mived.gob.do/>

Dominican Confederation of Micro, Small and Medium Construction Companies, is a non-profit entity, made up of federations, associations and business chambers of the Micro, Small and Medium Construction Companies and related activities in the Dominican Republic.

<http://www.copymecon.com/>

Dominican Association of builders and housing developers, is an association of companies that are dedicated to the construction and housing promotion.

<http://acoprovi.org/>

Association of Dominican Trust Companies (ASOFIDOM), is a non-profit entity, incorporated and existing in accordance with Law 122-05, dated April 8, 2005, which brings together the fiduciary societies of the Dominican Republic, with the fundamental purpose of unifying and defending the interests of its associates for the promotion and development of the trust in the country.

<http://www.asofidom.org/>



EXPOS

Real Estate Expo, a space where the most important companies of the real estate sector of the Dominican Republic are concentrated, to exhibit products and services related to construction, also exhibit the main financial mortgage entities of the country

<http://republicadominicana.inmobilia.com/es/expo-inmobilia>

International Ferretera Expo, organized by the Dominican Association of Ferreteros Inc., focuses on international and local businesses, with the aim of continuing to promote the hardware and construction sector in the country. This is the best opportunity to expand their business in this celebration.

<http://www.expoferretera.com.do/>

Construexpo Santo Domingo, International construction exhibition held in Santo Domingo, Dominican Republic, at the Convention Center of the Dominican Fiesta hotel, with the participation of large companies in the industrial construction sector. Directed to all the professionals linked to this important industry: Engineers, architects, designers, project promoters and interested, in general.

<http://construexpord.com/>



WHY DR?



Benefits

- Additional incentives in strategic zones of the country.
- Local financing available to companies installed in free zones.
- Easier start of operations.
- Repatriation of benefits: Free zone companies are under no obligation to disclose their profits.
- Streamline registration and accreditation process for delivery times corresponding to equipment, machinery, and raw materials exonerations (in general less than 1 day).
- Large investments are not required, for free zone buildings can be leased eliminating the need to purchase the property.
- 24/7 security of all installations.
- Minimum conflicts with labor unions, thanks to the constant control of the free zone park administrators.
- Reliable support services (direct hiring of labor, payroll services, water, and power) allowing the owners/managers to focus on the core business.



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