



# Greater Metropolitan Area of Costa Rica Industrial Market

## Positive Balance in Production

Industrial entrepreneurs rate the overall results of this second quarter as poor. This is largely explained by the effects of the pandemic and sanitary measures that were applied throughout the year 2020, in the search to reduce its spread. However, the effects and the recovery process differ significantly by regime and company size. For small businesses operating under the definitive regime, they were more affected.

Free zone activities, such as the manufacture of medical and dental devices, returned to positive rates and their economic activity is increasing. For the companies of the definitive regime the process has been cautious and several activities. Particularly smEs, a significant proportion of them still cannot overcome it, reaching the levels of activity and results they had prior to COVID-19.

The outlook for the behavior of production for 2021 is a positive balance between companies that indicate that they will increase production and those that indicate that they will reduce it, in relation to the previous year.

### Current Conditions

- New offer entries are under contract "Build to Suit" which favors the availability rate.
- Increased demand from companies focused on manufacturing primarily in life sciences and technology.
- The inventory under construction corresponds to new companies dedicated to the production of medical devices or remodeling of existing buildings.

### Market Overview

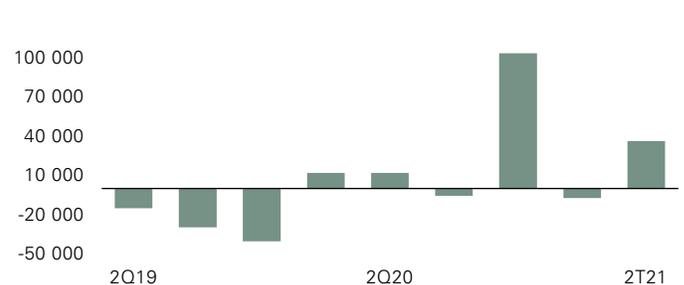
	Current Quarter	Previous Quarter	Previous Year	12 Month Projection
Total Inventory (m <sup>2</sup> )	6.50M	6.43M	6.33M	↑
Availability Rate	7.7%	7.3%	8.3%	→
Quarterly Net Absorption (m <sup>2</sup> )	36,299	-7,298	12,117	↑
Rental Price (USD/m <sup>2</sup> /month)	\$7.21	\$7.13	\$7.20	→
Under Construction (m <sup>2</sup> )	215,003	146,136	123,453	↑

### Market Analysis

#### AVERAGE RENTAL PRICE AND AVAILABILITY RATE



#### NET ABSORPTION (M<sup>2</sup>)



### Favourable Industrial Market Figures

By June 2021, the inventory of the industrial real estate market was set at just over 6.50 million square meters in total leasable area. With a growth of 1.19% compared to the same period in 2020.

As for the availability rate of the entire market, this indicator was set at 7.7%. Rate that remains at acceptable levels, thanks to the fact that the largest properties that entered the industry, were products built to the measure of the users. Gross absorption was 138,292 square meters, reflecting an occupancy rate of 2.12%. Net absorption stood at 36,299 square meters, reflecting a recovery from 2020.

### Establish Investment Incentives

Several companies are or plan to invest in machinery, equipment and plant. Mainly the investment plans are concentrated in companies under the free zone regime. The importance of legal certainty for investment is to continue strengthening the free

zone regime and the urgency of redoubling efforts to strengthen the definitive regime with measures to reactivate economically and improve competitiveness. Establish investment incentives, particularly for SMEs under the definitive regime to achieve higher growth rates in the short term, strengthen the ability to compete and reduce the productivity gap between free zone companies and those in the definitive regime.

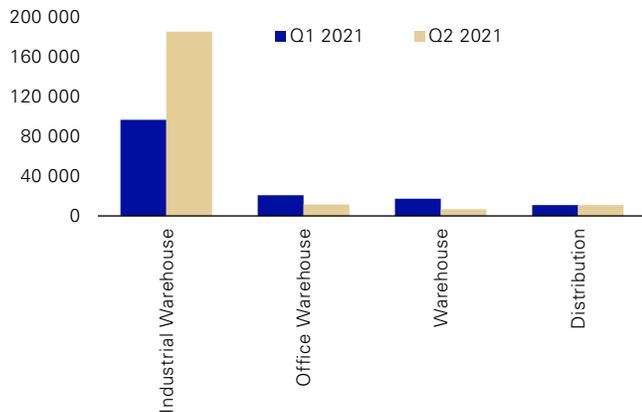
### Price Range Is Maintained

The average listed rental price for June of this year was USD\$7.21 per square meter per month. The closing price for this same period was US\$6.45 per square meter per month, after negotiations.

The problems of costs and obstacles to production must be addressed seriously and promptly, in the same way to the generation of employment, as well as to the cost of electricity and fuels, the high social charges, the endless problems of paperwork.

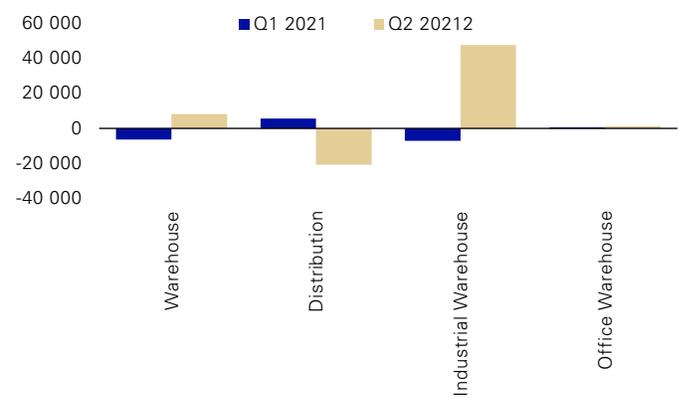
### In Construction by Type of Property

CONSTRUCTION Q1 2021 – Q2 2021 (M<sup>2</sup>)



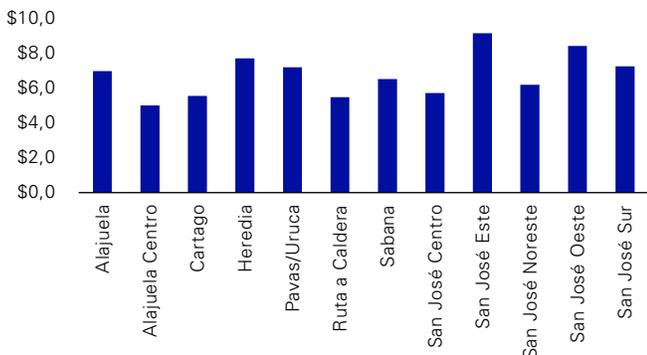
### Absorption By Type of Property

NET ABSORPTION Q1 2021 – Q2 2021 (M<sup>2</sup>)



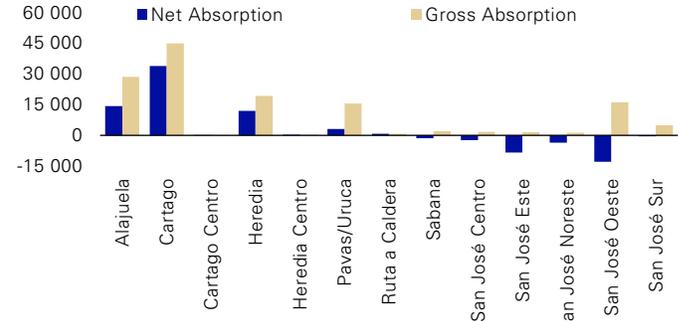
### Departure Prices by Submarket

AVERAGE PRICE (USD/M<sup>2</sup>)



### Net and Gross Absorption by Submarket

MARKET ABSORPTIONS (M<sup>2</sup>)



### Increased demand

The Costa Rican company Establishment Labs, focused on medical devices. Recognized worldwide for its breast implants for cosmetic and reconstruction surgery. It announced the construction of its new Sulayöm Innovation Campus, which will be located in the Coyal Free Trade Zone, in Alajuela. These new facilities will feature 13,500 square meters of construction and support the company's global growth, increasing production capacity in manufacturing, research and development, digital media, training and education for medical specialists in cosmetic surgery.

It should be noted that Coyal Free Zone, is named "Free Zone of the Year" for the second consecutive period by The European magazine, of the Thompson Reuters publishing house. Along with the recognition as the most Innovative Free Zone of the year and as the best Business Center for Life Sciences and Advanced Manufacturing in the Latin American region.

LatAm Logistic Properties, announces that it has begun the construction of 30,260 square meters that correspond to two logistics buildings of LatAm Parque Logístico San José - Verbena, its new class-A logistics park located in Alajuelita, in San José. They have three pre-lease contracts for a total of 17,790 square meters to companies dedicated to e-commerce, import and distribution of home furniture, marketing and distribution of health products. Leases have ten-year terms.

According to LatAm Parque Logístico San José – Verbena indicates that the buildings will be available between the fourth quarter of 2021 and the second quarter of 2022. It is under construction, the completed project will have five modern and sustainable logistics buildings that approximate 77,100 square meters of net leasable area.

### Statistics by Submarket

Submarket	Total Inventory (m <sup>2</sup> )	Under Construction (m <sup>2</sup> )	Availability (m <sup>2</sup> )	Available Rate	Net Absorption (m <sup>2</sup> )	Gross Absorption (m <sup>2</sup> )	List Price (USD/m <sup>2</sup> /month)
Alajuela	1,677,459	103,782	121,717	7.2%	14,405	28,753	\$6.97
Alajuela Centro	209,11	0	0	0.0%	0	0	\$5.00
Cartago	747,442	85,641	25,253	3.3%	33,910	44,968	\$5.54
Cartago Centro	6,024	0	0	0.0%	147	147	-
Heredia	1,480,617	6,671	103,761	7.0%	12,074	19,417	\$7.69
Heredia Centro	2,950	0	0	0.0%	400	400	-
Pavas/Uruca	1,010,245	0	96,810	9.5%	3,204	15,682	\$7.18
Ruta a Caldera	43,867	0	204	0.4%	828	832	\$5.47
Sabana	74,403	0	1,700	2.2%	-1,281	2,004	\$6.50
San José Centro	147,633	0	14,033	9.5%	-2,356	1,721	\$5.71
San José Este	122,786	0	20,446	16.6%	-8,289	1,673	\$9.13
San José Noreste	250,885	0	25,810	10.2%	-3,470	1,330	\$6.17
San José Oeste	588,213	18,909	73,636	12.5%	-12,843	16,285	\$8.41
San José Sur	336,503	0	20,332	6.0%	-430	5,080	\$7.23
<b>Total</b>	<b>6,509,938</b>	<b>215,003</b>	<b>503,702</b>	<b>7.7%</b>	<b>36,299</b>	<b>138,292</b>	<b>\$7.21</b>

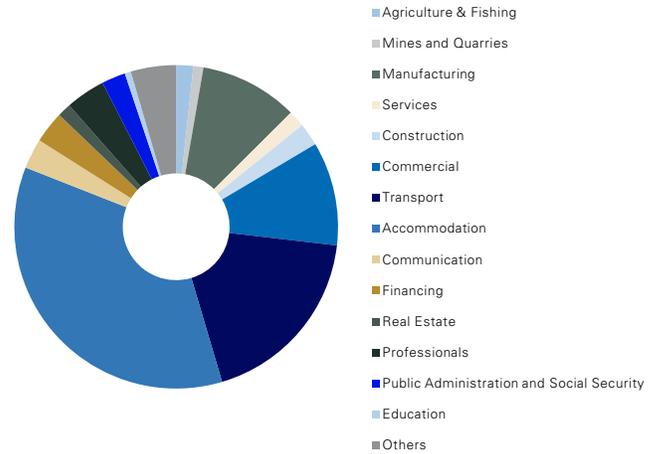
### Stable Economy

The economic situation of the country and the effect of the pandemic have come to feed the intention of users. For establishing themselves in properties with wellness specifications and amenities that enhance the efficiency, safety and comfort of their workforce.

During the first half of 2021, general inflation, measured by the year-on-year variation of the Consumer Price Index (CPI), remains low, in June it stood at 1.9%. The country's production, measured by the trend cycle series of the Monthly Index of Economic Activity (IMAE), registered an increase in May 2021 with a year-on-year variation rate of 7.9% (-7.0% in May of the previous year). Although most industries registered growth in their production in year-on-year terms, in some cases it has not been enough to reach pre-pandemic levels.

### Employment by Sector of Economic Activity

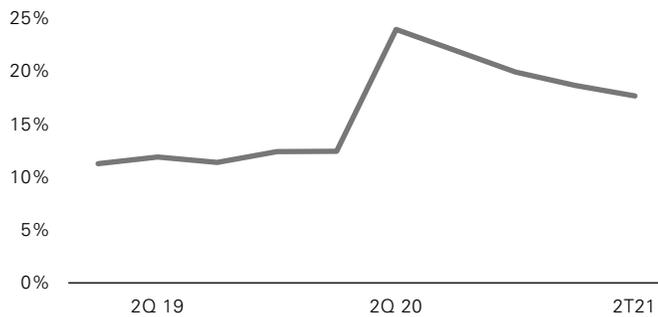
GREATER METROPOLITAN AREA, MAY 2021



Source: Department of Macroeconomic Statistics

### Unemployment Rate

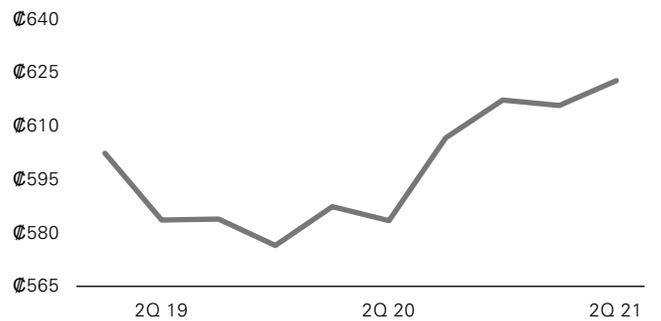
QUARTERLY INDICATOR



Source: National Institute of Statistics and Censuses (INEC).

### Exchange Rate

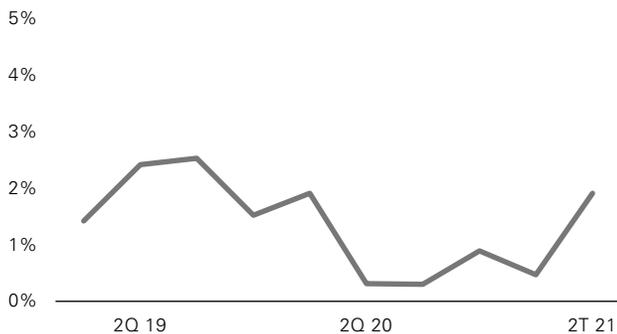
COLONS (CRC) PER US DOLLAR (USD)



\*Source: Central Bank of Costa Rica

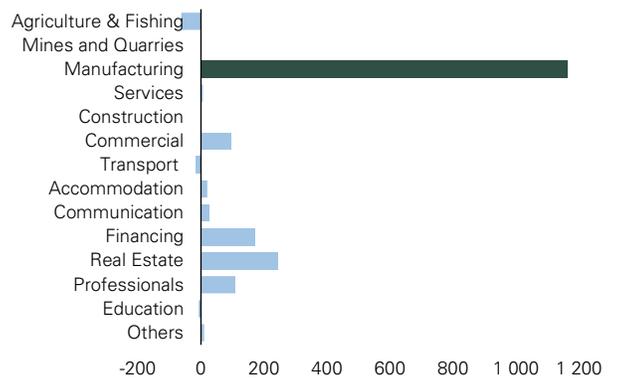
### National Consumer Price Index (INPC)

YEAR-ON-YEAR CHANGE



\*Source: National Institute of Statistics and Censuses (INEC).

### Foreign Direct Investment



Source: Interinstitutional Group of Foreign Direct Investment (Central Bank of Costa Rica, Costa Rican Coalition of Development Initiatives, Foreign Trade Promoter, Ministry of Foreign Trade and Costa Rican Institute of Tourism).

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