



Greater Metropolitan Area of Costa Rica Office Market

Search for Circumstantial Balance

Several companies have chosen the remote work model, which has changed the importance of the work environment towards more flexible spaces. This has generated a significant increase in availability levels. Due to the unemployment during 2020 and 2021, it places the market in a stage of oversupply, much more favorable for users. Therefore, the intentions of the tenants to maximize the efficiency of the spaces used are increasing. Said vacancy of spaces has brought with it the growth of a second generation offer (class B and C) that has forced the owners of new buildings to adjust the prices proposed during the construction stage.

Foreign investment in the country, as well as the requirements for moving, consolidating and expanding operations of multinational firms in the services and digital technology sector, project a market trend towards recovery and the search for a conjunctural balance between supply as well as in the demand. Delays in decision-making continue and tenants seek more flexible terms.

Actual conditions

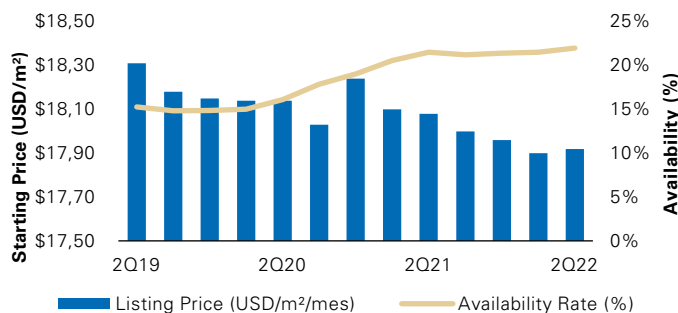
- Consolidation of a hybrid work scheme, between home and office.
- Total inventory increased 1.9%, compared to the same period in 2021, the highest income is class A real estate.
- Vacancy of spaces attracts second-generation supply, forcing owners to adjust prices.

Market Summary

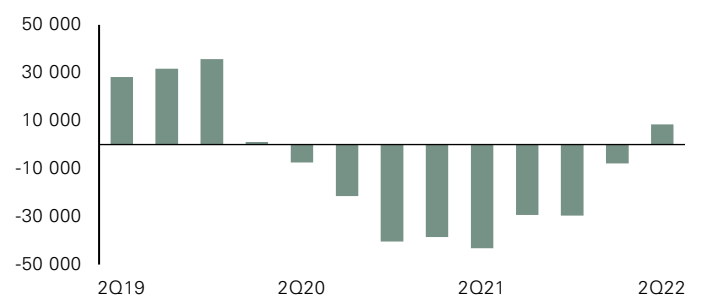
	Trimester Current	Trimester Previous	Year Previous	Projection at 12 months
Total Inventory (m ²)	2.45M	2.41M	2.39M	↑
Cup of Availability	22.4%	21.5%	21.5%	↑
Net Absorption Quarterly (m ²)	8,945	-7,874	-43,160	↑
Rental Price (USD/m ² /month)	\$17.92	\$17.90	\$18.08	→
In construction (m ²)	96,742	138,700	71,239	←

Market analysis

AVERAGE STARTING PRICE AND AVAILABILITY RATE



NET ABSORPTION (M²)



Conservative Quarterly Growth

The office market inventory, in June 2022, was established at 2,455,579 square meters of total leasable area. A 1.9% increase compared to the same period in 2021. The largest market entry of the new inventory is class A real estate located in the province of Heredia. The new projects are La Ribera Business Hub and Cityzen. The opening of La Ribera Business Hub, in its first stage, contains 26,000 m² available for office space. In the case of Cityzen, the new mixed-use project, in this first stage with approximately 31,000 m², contains a hotel, residences, shops and offices.

The availability rate for the entire market was established at 22.4% and excluding class C, it was 20%. The gross absorption was 59,523 square meters, while the net absorption was 8,945 square meters, that is, a disuse of almost 70,000 square meters during the last year. Most of the demand during the first half of the year corresponds to second generation spaces with improvements in a ready-to-operate delivery.

In this second quarter, the average initial rental price was USD \$17.92 per square meter per month. The closing price for this same period was USD \$16.82 per square meter per month, after negotiations. The closing prices have undergone significant changes that are due particularly to the conditions of delivery and the ability of the owners to invest in the improvements.

A significant deterioration has been observed mainly in class A properties, which are under the free zone regime. With age and lack of proper maintenance, they have lost validity and interest on the part of users in the service sector. These have migrated to properties in the same category but with better locations,

features, and amenities at similar prices. Availability rates have increased to levels never before recorded. However, having this system continues to be a favorite element for service sector tenants such as *shared service centers*, *contact centers* and recently *digital technologies*.

New Requirements of Multinational Firms

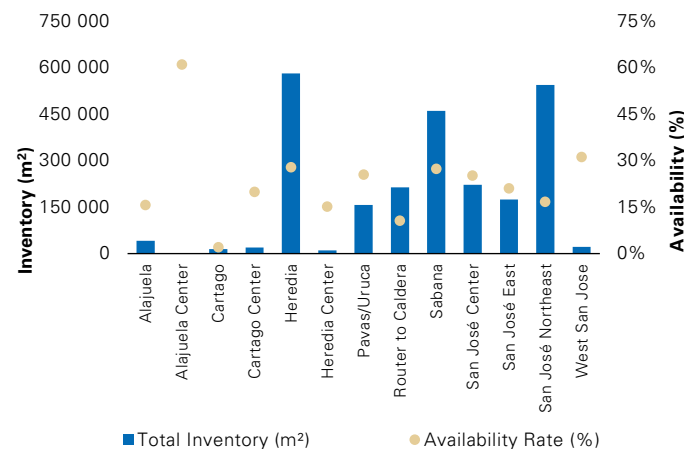
The companies that decide to establish themselves in the national territory, as well as those that are also committed to growth, declare that the main reason is human talent. It stands out for the quality of education and both technical and soft skills, added to a stable political system, with transparency, economy and developed infrastructure.

Some examples of companies that arrived in the country are: Delbridge Solutions located in the Solarium Corporate Center in the province of Guanacaste, within the GAM are ModSquad from the digital technologies and services sector as well as Autodesk in the field of software development, also Boston Consulting Group (BCG) dedicated to management consulting, growth experienced by the services sector. While companies with a presence in Costa Rica such as Infosys BPM, Emerson and Lifetime Value Company announced expansions of their properties.

The geographical location makes the country a dynamic center for corporate services, with a varied offer that ranges from transactional contact centers to knowledge-intensive services, and that optimizes the corporate structure and adopts digital transformation. An option of choice for the era of the economy of *offshoring*, *nearshoring* and *noshoring*.

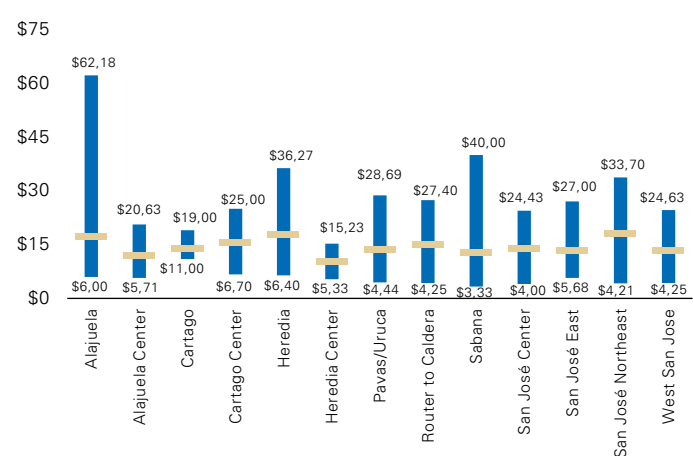
Availability by Submarket

TOTAL AVAILABILITY: 548,966



Price Range and Average Rent

MINIMUM AND MAXIMUM PRICES (USD/m²/month)



The Evolution of the Office

The arrival of a new generation of importance, the growing need for technology and the continued investment in collaboration tools based on connectivity, to facilitate access to business resources and move the workforce where it is needed, has created a shift towards work flexible.

With the new technology consumption habits, the traditional office concept will change. Virtual work will be a fact of life for most people. Organizations face increasingly complex challenges in developing strategies designed to meet people's diverse expectations and needs. As a new generation enters the world of work, values and ways of working are changing. What leads developers to bet on creativity based on sensory experience, being able to innovate to provide new properties under the concept of "experience".

What they mean is that the structure of intervention and user interaction has changed fundamentally beyond basic needs. The importance lies in how users feel in the interaction at each point of contact, from the functionality of the space to intangible qualities such as surprise and ingenuity that have a significant impact on everyone.

The importance of the environment has also increased, and this demand has increased through active policies that integrate responsibilities corresponding to this aspect. This already installed trend will lead to increased demand over time and new green meters entering the market in the coming years. Adopt practices such as the efficient use of water and energy, the use of sunlight and natural ventilation, the use of low-carbon materials, the use of certified wood, and the reduction of paper use.

Statistics by Submarkets

Submarket	Total Inventory (m ²)	Under Construction (m ²)	Availability (m ²)	Availability Rate	Net Absorption (m ²)	Gross Absorption (m ²)	Rent (USD/m ²)
Alajuela	40,921	0	6,350	15.5%	-392	528	\$13.60
Alajuela Center	690	0	420	60.9%	19	19	\$13.87
Cartago	13,646	0	264	1.9%	0	0	\$17.92
Cartago Center	19,341	0	3,834	19.8%	582	637	\$15.42
Heredia	581,032	19,800	160,943	27.7%	-7,282	7,674	\$19.41
Heredia Center	10,350	0	1,556	15.0%	24	56	\$9.61
Pavas/Uruca	156,043	0	39,680	25.4%	-2,092	2,383	\$16.17
Sabana	212,752	34,000	22,260	10.5%	5,638	6,837	\$18.84
San Jose Center	459,626	0	125,126	27.2%	-2,772	9,779	\$13.81
San Jose East	221,012	11,583	55,246	25.0%	2,831	8,757	\$16.70
San Jose Northeast	174,343	0	36,484	20.9%	1,178	1,428	\$17.37
West San Jose	544,136	31,359	90,074	16.6%	11,211	21,425	\$20.47
San Jose South	21,687	0	6,729	31.0%	0	0	\$13.30
Total	2,455,579	96,742	548,966	22.4%	8,945	59,523	\$17.92

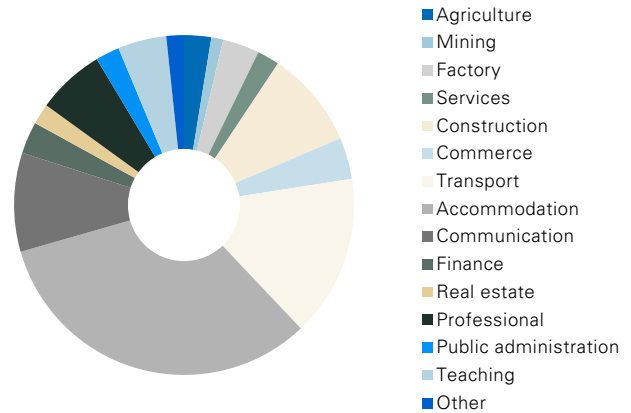
Lower Economic Growth

The production of Costa Rica reached in May 2022 an interannual variation rate of 5.4%; however, economic growth slows due to national and international tension. This has put pressure on the increase in the prices of imported raw materials, mainly energy and food, which have been showing an increase since 2021. It should be noted that, in the analysis by trade regime, the growth in the production of companies of the definitive regime surpassed for the third consecutive month that of the special regimes.

Headline inflation indicates, in June 2022, an interannual rate of 10.1%, the highest variation recorded in the last 5 years. The Central Bank projects this indicator around 6% throughout 2022 and close to 4% for 2023. It would be located at values above the tolerance range around the goal.

Monthly Index of Economic Activity

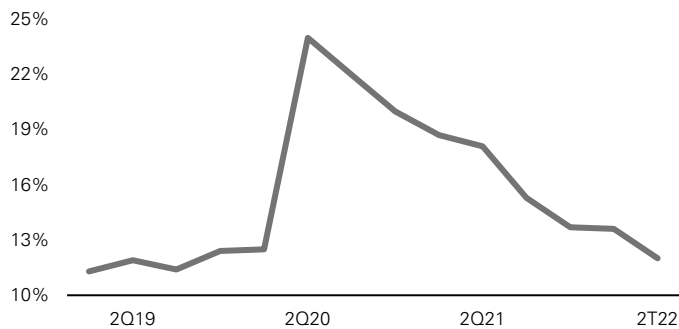
YEAR-ON-YEAR CHANGE, MAY 2022



Source: Department of Macroeconomic Statistics

Unemployment rate

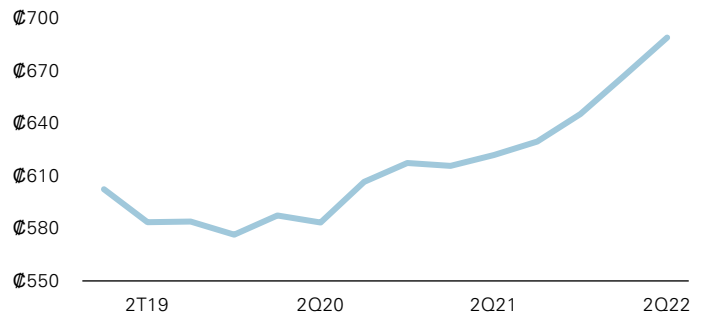
QUARTERLY INDICATOR



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

Exchange rate

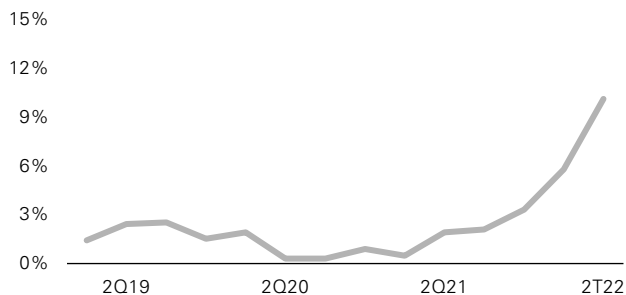
COLONES (CRC) PER US DOLLAR (USD)



*Source: Central Bank of Costa Rica

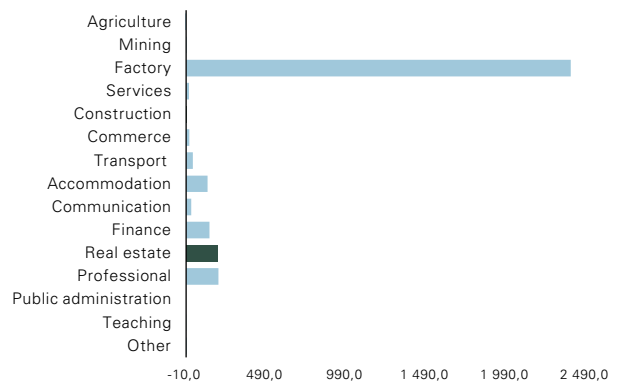
National Consumer Price Index (INPC)

INTERANNUAL VARIATION



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

Foreign direct investment



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

RESEARCH Q2 2022

For more information:

Costa Rica

Santa Ana, CC City Place,
Building B, Floor 3
t (506) 4000.5171

Danny Quiros

Research Director
Newmark Central America
danny.quiros@nmrk.com

Joseline Saborio

MarketResearch
Newmark Central America
joseline.saborio@nmrk.com

centroamerica.nmrk.lat

Newmark has implemented its own database and the monitoring methodology has been reviewed. With this expansion and refinement in our data, there may be adjustments to historical statistics, including availability, rental prices, absorption and effective rents. Our market reports are available at <https://nmrk.lat/reportes-de-mercado/>. All information contained in this publication is based on sources believed to be reliable, however, it has not been verified by Newmark and does not guarantee it. The recipient of this information should independently verify it, as well as all information it receives and uses for decision-making, which must be consulted by professionals of its choice, including its legal, financial, tax and implications. The recipient of this publication may not, without Newmark's prior written consent, distribute, broadcast, publish, broadcast, copy, transmit, upload, download, or in any otherwise reproduce this publication or any of the information it contains. This document is for informational purposes only and nothing in its content is intended to advise or recommend strategies specific. It should not be used as a basis for predicting market behavior, transactions, investment strategies, or any other matter.