

# Costa Rica Greater Metropolitan Area (GMA) Real Estate Offices Market

At the end of 2020, the office real estate market showed a significant deterioration in its dynamism resulting from internal and external factors that have discouraged both local and foreign investors.

The not-so-recent local political situation, as well as the global crisis resulting from the pandemic period that continued during the last three-quarters of the year, have created widespread uncertainty that has kept initiatives for the establishment and growth of business space users within the GMA paused.

Until December 2020, there was no significant output of users as a product of this situation. However, for this year, the need for some tenants to review their operating costs and place greater importance on aspects such as the flexibility and efficiency of leased spaces has been expressed.

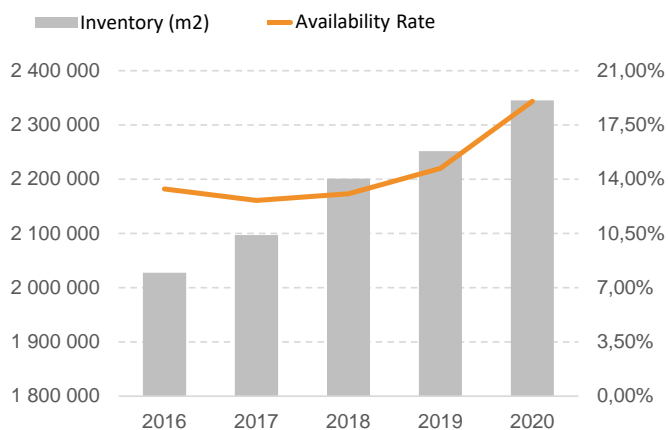
After 9 months of crisis and measures of social distancing, the imposition of the telework model also predicts, the return of spaces by companies looking for a flexible model between work from the office and the home, in order to experience savings in leasing costs, which in turn support the mitigation of the effects of COVID-19 on the performance of their businesses.

## Projected Changes (2021 – 2022)

- Move to more efficient properties.
- Increased Availability.
- Reduction of spaces.
- Price adjustments.
- Slow revival in demand.
- Conservative bid growth.

## Offer

### Inventory and Availability Rate

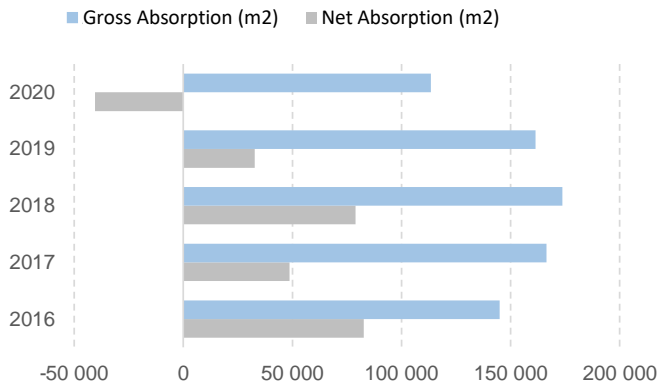


By December 2020, the office market inventory was set at 2,345,378 square meters of total leasable area. 4.17% higher compared to the same period in 2019.

As for the market-round availability rate, this indicator was set at 19.02% and excluding Class C was 15.45%. This is justified by the migration of companies to more efficient and higher-end properties, as well as by the delay in negotiating terms of the new demand during the last nine months of the year.

## Demand

### GROSS AND NET ABSORPTION

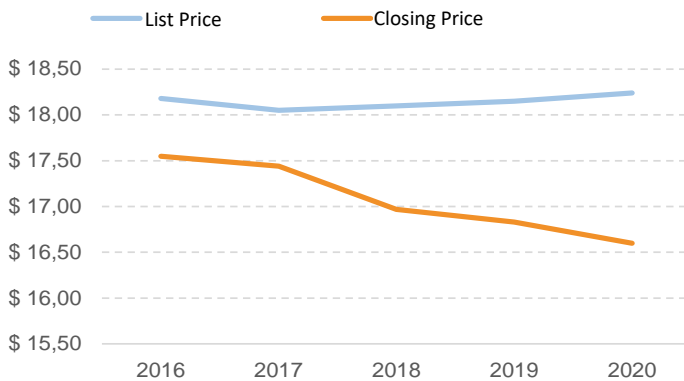


At the close of the last quarter, gross absorption was **113,431 square meters**, reflecting an occupancy rate of 4.83%; while Net Absorption stood at **-40,452 square meters**, which means the disuse of more than **150,000 square meters**.

By 2021, these space adjustments may be made and the high levels of migration to more modern and efficient real estate, as well as a delay in decision-making, will be maintained.

## Prices

### LIST PRICE AND CLOSING PRICE



The average rental price listed for the last quarter of the previous year was **US\$ 18.24 per square meter per month**; while the closing price for this same period was **US\$ 16.60 per square meter per month**, after negotiations.

Relative stability in rental prices is due to new properties that entered the market with better specifications and offer significant savings in tenants' operating costs.

## Construction

Property	Leaseable Area
Edificio de Oficinas Sabana Sur	284
San Pedro Business Center	13 346
Oficentro Esmeralda	924
Torres Las Loras - oficina	2 352
Cityzen Belén Oficinas Etapa 1	25 000
Parque Empresarial Lindora	7 093
Zona Franca América - E23	9 600
Edificio Hkemon	2 115
Centro Corporativo 100 Calle Blancos CC	4 490
Eurocenter V	6 000
Leumi Business Center - Comercial	9 577
La Ribera Business Hub	26 000
Proyecto Edificio Contentera	870
Antiguo Edificio Comercial Paseo Colon Calle 36	483
<b>Total</b>	<b>108 134</b>

COSTA RICA GREATER METROPOLITAN AREA (GMA) REAL ESTATE OFFICES MARKET - RESEARCH Q4 2020

Analysis by Submarket

	Inventory (m <sup>2</sup> )	Availability (%)	Net Absorption (m <sup>2</sup> )	Gross Absorption (m <sup>2</sup> )	Rent (US\$)	Maintenance (US\$)
<b>San José Center</b>	448 487	27,86%	-27 612	14 720	14,36	2,82
<b>Sabana</b>	204 747	11,15%	8 779	18 291	19,66	3,32
<b>San José West</b>	533 049	16,14%	-3 754	19 046	20,96	3,90
<b>San José East</b>	202 304	16,61%	923	15 377	17,10	2,86
<b>Pavas/Uruca</b>	156 955	24,61%	-4 361	5 553	15,80	3,19
<b>San José Northeast</b>	170 732	13,34%	-11 728	1 916	18,16	3,50
<b>San José South</b>	18 739	24,85%	1 588	1 644	10,75	2,60
<b>Heredia</b>	536 628	19,16%	-3 532	34 893	19,15	3,54
<b>Alajuela</b>	40 750	12,41%	-703	1 556	14,89	2,67
<b>Cartago</b>	32 987	14,70%	-52	435	16,89	2,65
<b>Total</b>	<b>2 345 378</b>	<b>19,02%</b>	<b>-40 452</b>	<b>113 431</b>	<b>18,24</b>	<b>3,53</b>

## Conclusions

The results at the end of 2020 reflect a significant deterioration in the real estate market of offices, where the increase in the availability rate and the decline in demand place the market in the over offering phase according to the Real Estate Cycle.

During the time of the pandemic, a considerable delay in closing transactions has been confirmed as a result of the uncertainty experienced by users of such facilities.

Despite this crisis, demand projects signs of recovery with initiatives to expand established companies and the arrival of new service operations in the country, once a return to normal is safe.

The current landscape forecasts an increase in availability due to the reduction of spaces and the departure of companies whose business was affected by mobility restriction measures, projecting a more flexible mode of work where workers have rotating schemes of office assistance and work from home.

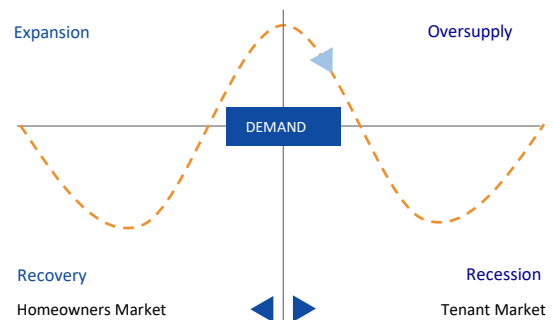
The high migration that has been appreciated since the last three years, proposes that owners consider investing in improving properties that show a greater degree of deterioration, or otherwise consider changing the use of them.

Having biosecurity measures in the offices has been one of the permanent changes that the health crisis has brought, these elements being considered of high importance to current and new tenants.

On the other hand, one element that takes increasing importance in the expectations of the new prospects is the delivery of spaces with improvements that allow them to save time in the establishment of their operations. Models such as the turnkey or even the Plug & Play are increasingly prevalent in the needs of potential users who show interest in settling in the country.

The evolution of the market and recently the effect of the pandemic, have come to feed the intention of users to establish themselves in buildings with welfare specifications and amenities that enhance the efficiency and comfort of their workforce, focusing their attention on recently built buildings and projects under construction.

## Real Estate Cycle



## REAL ESTATE MARKET

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