



Greater Metropolitan Area of Costa Rica Industrial Market

Manufacturing and Logistics are the Most Valued Sectors

Despite the uncertainty that still dominates the region, mainly due to factors such as inflation, investors remain determined to develop new housing projects. Therefore, the industrial market inventory is expected to close the year with an increase, compared to the levels reported in the periods 2020 and 2021.

However, the post-pandemic experience, exacerbated by the conflict in Ukraine and difficulties in the US economy, has led investors to choose to be more cautious and conserve resources. Due to such circumstances, experts dare not stress that the proposed investment position is strong, but it is a conservative position for an industry with high potential.

The industrial and logistics sectors are the sectors of greatest interest to investors, considered the most promising and with the best rates of recovery, unlike the office complexes that continue to face greater challenges.

Current Conditions

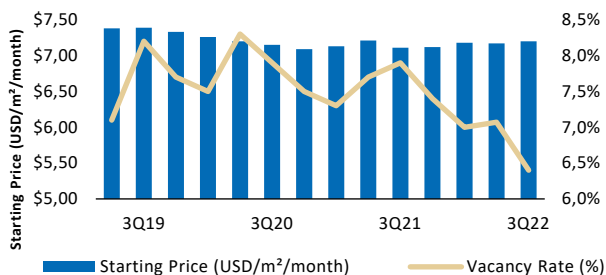
- Large American companies opt for the "nearshoring", due to a recovery rooted in the transformation of the supply chain.
- Availability across the industrial market is determined at 6.4%, which is 12.6% lower than the same period in 2021.
- New law aims to facilitate the formation of businesses in free zones outside the Central Valley.

Market Summary

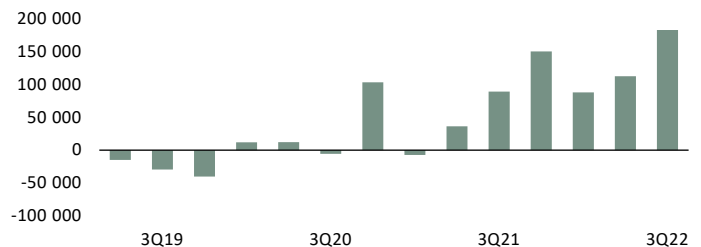
| | Current Quater | Prior Quater | Year Ago Period | 12-Month Forecast |
|---|----------------|--------------|-----------------|-------------------|
| Total Inventory (m ²) | 6,73M | 6,72M | 6,51M | ↑ |
| Vacancy Rate | 6.4% | 7.1% | 7.9% | ↓ |
| Quarterly Net Absorption (m ²) | 183,085 | 112,613 | 89,285 | ↑ |
| Average Asking Rent (USD/m ² /mes) | \$7.20 | \$7.17 | \$7.11 | → |
| Under Construction (m ²) | 194,788 | 186,344 | 248,682 | ↓ |

Market Analysis

AVERAGE DEPARTURE PRICE AND VACANCY RATE



NET ABSORPTION (M²)



Good Performance of the Market

As of September 2022, the total leasable area in the industrial market was 6,732,366 square meters. This is an increase of 1.7% compared to the same period in 2021. As for availability across the market, the indicator is determined at 6.4% which is 12.6% lower than the same period in 2021. Investors are interested in the industrial and logistics sectors where recovery occurs after the transformation of the supply chain and the decisions of many large American companies to opt for the "nearshoring".

The Central American geography has created a competitive advantage that strengthens the manufacturing and logistics sectors. More than 17,000 square meters have been entered into the new inventory, due to the good performance of the industrial sector. There is a high level of supply in the manufacturing operations of companies under the free zone regime, as well as in the storage and distribution operations of local and regional companies.

The gross absorption was 283,910 square metres and the net absorption was 183,085 square metres. Most of the absorbed footage correspond to consolidated class A properties in the area of Alajuela.

The initial average rental price for the third quarter of this year was USD\$7.20 per square meter per month. The closing price for this same period was USD\$6.94 per square meter per month, after negotiations.

Most Dynamic Sector

Medical devices are considered the most dynamic sector of the economy, creating added value and quality jobs in various areas of life

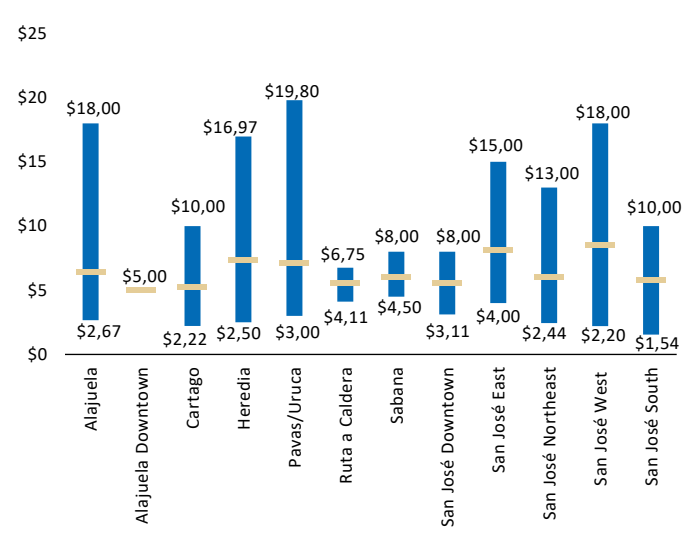
sciences. Most of these devices are exported from "Coyol Free Zone". According to the Export Results Report 2022 of the Promoter of Foreign Trade (PROCOMER), issued between January and August 2022, the main exports of the country occur under the free zone regime. Among them, medical devices accounted for more than 50 per cent of the total volume, followed by food products and chemical components.

This industry is mainly concentrated in G.A.M., which attracts companies under the free zone regime that usually offer better wages and conditions than the rest. The new law, which was approved on May 4, facilitates the incorporation of companies outside the Central Valley, in surrounding areas such as the coast and the north of the country.

In rural areas await the arrival 13 industrial parks, this investment would be under the free zone regime. In Guanacaste 4 free zones will be included in the province, two in Liberia, one in Carrillo and one in Cañas. There are a total of 6 in Alajuela, 4 in Greece, 1 in Orotina and 1 in San Carlos. In Limón 2, one in the center of Limón and the other in Siquirres, finally one in Puntarenas, of which, thanks to the reforms, it hopes to benefit from the so-called foreign direct investment (FDI) effect of the multinationals, launched four years ago.

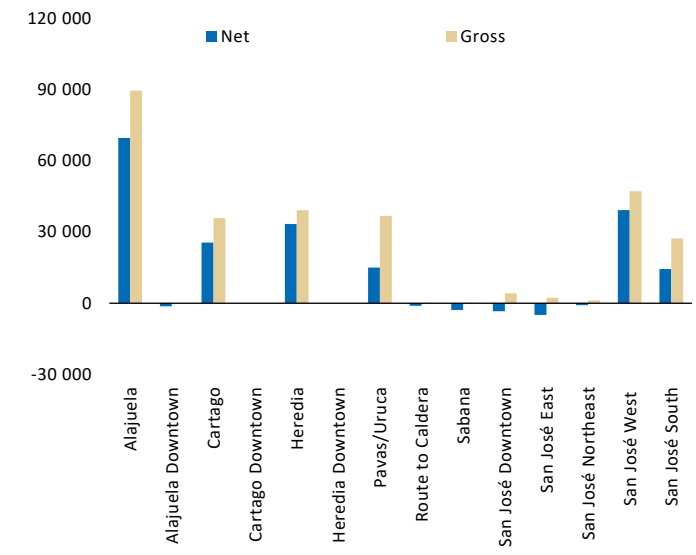
Output Price Ranges by Submarket

AVERAGE RENT PRICE (USD/ M²)



Absorption by Submarket

IN SQUARE METERS



Global Value Chain

A global value chain is the set of activities necessary to produce a good or service and carried out in different geographical locations (regions, countries, etc.). The usual aim is to reduce the overall cost of the system, although today it changes. Also included is the importance of the concept of resilience against external shocks. Therefore, the current phenomenon of nearshoring occurs; that is, the relocation of production plants or installation of new plants of multinationals.

Among the main companies with such activity in the country for this third quarter are Confluent Medical Technologies, which applies materials science to innovation in MedTech, inaugurated a major manufacturing center in Alajuela. This new facility will add 6,100 m² to the Coyol Free Zone project.

Global SAE-A Group, a leading Korean yarn manufacturing company and one of the world's largest garment manufacturers, has opened its second yarn manufacturing plant in Coris de Cartago. In addition, construction of the third plant has begun, with the aim of starting operations in 2024.

AR Holdings, the Costa Rican company, inaugurated its own Distribution Center (CEDI) measuring 3,200 m², in the Terrazas Lindora shopping center in Santa Ana. It has grown from having a presence in one region to having a presence in nine countries.

Tegra Medical, a leading medical device manufacturer and part of the SFS group based in Heerbrugg, Switzerland, has announced the expansion of its operations with the purchase of a new building of more than 7,800m², to have a total area of more than 12,500m². With the aim of strengthening the metal processing business and establishing a clean room for casting and product assembly. The new plant is in Heredia Global Park.

Novex is in the process of rapidly building and operating a distribution center in Greece. The complex has an initial area of 7,000 m² and will be expanded to 30,000 m². Its first point of sale is in Curridabat and the second is in Escazú. In Central America it has operations in Guatemala and El Salvador.

The Colombian textile company Proquinal has begun expanding its production plant. This investment will expand the plant to 30,000 m².

Statistics by Submarket

| Submarket | Total Inventory (m ²) | Under Construction (m ²) | Availability (m ²) | Availability Rate (%) | Net Absorption (m ²) | Gross Absorption (m ²) | Price (USD/m ² /month) |
|--------------------|-----------------------------------|--------------------------------------|--------------------------------|-----------------------|----------------------------------|------------------------------------|-----------------------------------|
| Alajuela | 1,769,763 | 60,750 | 101,200 | 5.7% | 69,631 | 89,570 | \$6.97 |
| Alajuela Downtown | 20,911 | 0 | 1,280 | 6.1% | -1,280 | 0 | \$5.00 |
| Cartago | 819,418 | 35,270 | 26,718 | 3.3% | 25,540 | 35,879 | \$5.59 |
| Cartago Downtown | 6,024 | 0 | 0 | 0.0% | 0 | 0 | - |
| Heredia | 1,491,583 | 43,471 | 49,261 | 3.3% | 33,401 | 39,140 | \$7.73 |
| Heredia Downtown | 2,950 | 0 | 0 | 0.0% | 0 | 0 | - |
| Pavas/Uruca | 996,897 | 0 | 72,557 | 7.3% | 15,031 | 36,793 | \$7.14 |
| Route to Caldera | 43,867 | 2,395 | 1,252 | 2.9% | -1,048 | 204 | \$5.49 |
| Sabana | 73,411 | 0 | 6,504 | 8.9% | -2,820 | 180 | \$6.52 |
| San José Downtown | 137,938 | 0 | 23,222 | 16.8% | -3,364 | 4,176 | \$5.72 |
| San José East | 123,119 | 0 | 27,819 | 22.6% | -4,913 | 2,280 | \$8.77 |
| San José Northeast | 250,885 | 0 | 24,333 | 9.7% | -780 | 1,200 | \$6.20 |
| San José West | 630,958 | 26,075 | 72,755 | 11.5% | 39,232 | 47,202 | \$8.43 |
| San José South | 364,642 | 26,827 | 26,626 | 7.3% | 14,455 | 27,286 | \$7.06 |
| Total | 6,732,366 | 194,788 | 433,527 | 6.4% | 183,085 | 283,910 | \$7.20 |

Economic Challenges

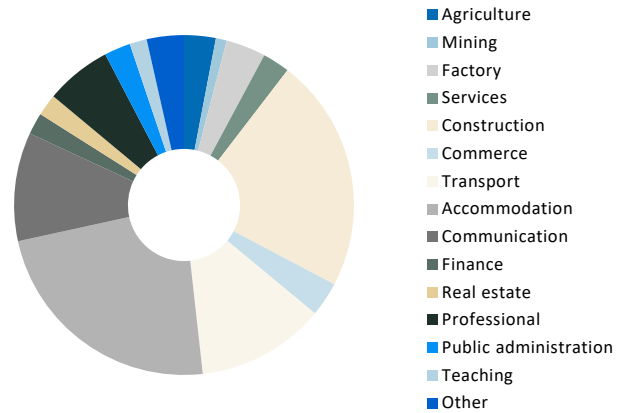
General inflation, measured by year-on-year changes in the consumer price index (CPI), was 12.1% in August 2022, a value not seen in the last 13 years.

The country's production reached an annual rate of variation of 3.3% in July 2022, measured by the cyclical trend series of the Monthly Economic Activity Index (IMAE). Despite this behavior, the deceleration of this indicator continued, but on average economic activity grew 6.5% in the first half of 2022.

The exchange rate for sale continues to slow. This recent behavior in exchange rate trends reduces the upward pressure in the first half of 2022 report.

Monthly Economic Activity Index

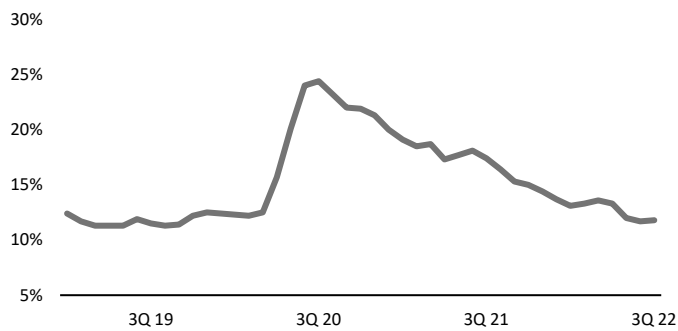
ANNUAL VARIATION, JULY 2022



Source: Department of Macroeconomic Statistics

Unemployment Rate

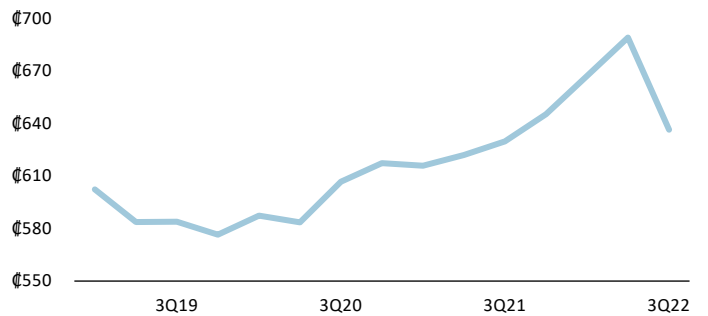
QUARTERLY INDICATOR



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

Exchange Rate

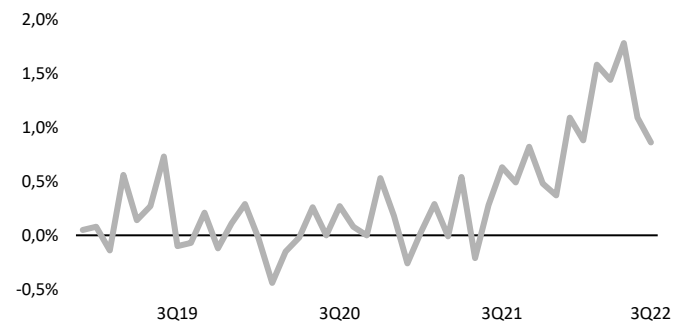
COLONES (CRC) FOR US DOLLAR (USD)



*Source: Central Bank of Costa Rica

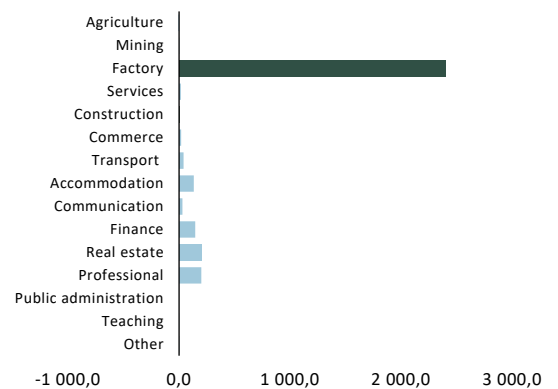
National Consumer Price Index (NCPI)

INTERANNUAL VARIATION



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

Foreign Direct Investment



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

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