

COSTA RICA

Retail Q1 2023

10.30%
Vacancy Rate



13.2K
YTD Net Absorption, sqm



\$19.50
Asking Rent, per sqm



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

2,438K

Costa Rica
Employment



11.8%

Costa Rica
Unemployment



0.95%¹

Commerce - Monthly
Economic Activity
Index (MEAI)²



¹ Average of data reported during the Q1 2023 months

² MEAI reflects YOY variation

Sources: Central Bank of Costa Rica (BCCR) and National Institute of Statistics and Census (INEC)

ECONOMY: Retail continues to employ the largest proportion of the country's labor force

According to the Central Bank of Costa Rica (BCCR), during Q1 2023, retail reported a low year-on-year growth of only 1.2% and 0.7% during the months of January and February, respectively. These figures maintain the trend of timid growth that the sector has been reporting since S2 2022. Prior to that date, the country reported average figures above 8%, largely due to the reactivation of the commercial sector and the rebound effect following the months of critical sanitary measures to contain the pandemic. In terms of employment, commerce continues to be the economic activity with the largest number of occupied workforce in the country, with over 368,000 people dedicated to commercial activities, representing 18% of the total. This number has shown a clear upward trend for over 48 months, confirming the relevance of the commercial sector in the country's economy and employment.

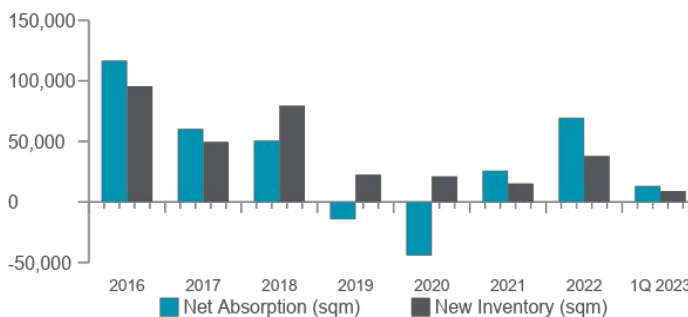
MARKET OVERVIEW: Retail market continues to report a downward trend in its vacancy rate

In terms of market behavior, the continuous decrease in the vacancy rate of the commercial sector stands out, which has decreased by more than 3 percentage points over the past year. Interestingly, this decrease in the vacancy rate has been accompanied by a continuous reduction in the average listing prices of commercial spaces, going from \$20.30/sqm at the beginning of 2022 to \$19.50/sqm during Q1 2023. This vacancy is mainly concentrated in submarkets such as Heredia (16.9%) and Downtown San Jose (14.0%), while submarkets with a larger inventory, such as East and West San José, report healthier vacancies below 10%.

OUTLOOK: The country's new retail developments report high pre-lease levels

Currently, there are approximately 30,000 square meters of new commercial inventory under construction, mainly located in Heredia, as well as East and West San José. These projects consist of both speculative inventory, own developments of projects for individual tenants, so they are generally reporting high pre-lease levels. Over the next few months, it is expected that the downward trend in the overall vacancy rate of the market will continue, thanks to the dynamic transactional activity reported throughout the country, as well as the high general levels of pre-leasing generally reported by the projects currently under construction.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS (BY SUBMARKET)

*Rental rates reflect gross asking US\$/sqm/month

SUBMARKET	TOTAL BUILDINGS	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SQM)	YTD OVERALL NET ABSORPTION (SQM)	YTD LEASING ACTIVITY (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (ALL CLASSES)	OVERALL AVG ASKING RENT (CLASS A)
Alajuela	64	146,000	7,300	5.00%	-1,000	-1,000	100	-	\$19.30	\$22.30
Cartago	83	136,400	12,400	9.00%	5,200	5,200	5,500	1,400	\$17.90	\$21.70
Heredia	177	314,400	40,700	13.00%	3,600	3,600	4,900	8,600	\$18.20	\$20.90
Downtown San José	208	220,100	29,000	13.20%	500	500	1,900	4,200	\$15.60	\$17.40
East San José	298	576,100	57,300	9.90%	-800	-800	4,900	7,100	\$19.20	\$19.90
West San José	221	434,000	41,200	9.50%	5,700	5,700	7,100	8,500	\$23.30	\$26.20
Totals	1,051	1,827,000	187,900	10.30%	13,200	13,200	24,400	29,800	\$19.50	\$22.30

MARKET STATISTICS (BY CLASS)

CLASS	TOTAL BUILDINGS	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SQM)	YTD OVERALL NET ABSORPTION (SQM)	YTD LEASING ACTIVITY (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (ALL CLASSES)
Class A	337	1,021,400	123,400	12.10%	11,500	11,500	17,200	21,100	\$22.30
Class B	714	805,600	87,700	10.90%	1,700	1,700	7,200	8,700	\$15.80

MARKET STATISTICS (BY SUBTYPE)

SUBTYPE	TOTAL BUILDINGS	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SQM)	YTD OVERALL NET ABSORPTION (SQM)	YTD LEASING ACTIVITY (SQM)	UNDER CNSTR (SQM)	OVERALL AVG ASKING RENT (ALL CLASSES)	OVERALL AVG ASKING RENT (CLASS A)
Neighborhood Center	112	197,500	18,700	9.50%	6,100	6,100	6,700	3,400	\$19.80	\$20.70
Community Center	67	359,900	49,900	13.90%	2,800	2,800	4,500	12,700	\$18.30	\$19.50
Regional Center	16	519,700	58,000	11.20%	-2,200	-2,200	2,100	-	\$27.80	\$27.90
Free Standing	338	321,800	27,700	8.60%	1,300	1,300	2,300	10,400	\$12.30	\$13.70
Strip Center	421	365,500	50,600	13.80%	5,000	5,000	8,600	3,100	\$15.30	\$19.00
Urban	97	62,600	6,200	9.90%	200	200	200	200	\$16.90	\$19.60

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in 400 offices and 60 countries. In 2022, the firm had revenue of US\$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

Daniel Alvarez, CCIM
Chief Executive Officer
daniel.alvarez@ab-latam.com
 Danilo Manzanares
VP – Capital Markets & Retail Group
danilo.manzanares@ab-latam.com

José Ignacio González
Market Research & Consulting
jose.gonzalez@ab-latam.com

CONTACT US

Cushman & Wakefield | AB Advisory
 Plaza Tempo, 4th Floor, Module B
 Escazú, San José, Costa Rica
+506 4031-1040
www.ab-latam.com
www.cushwake.com