



YoY Change 12-Mo. Forecast

19.60%
Vacancy Rate



-8,7K
YTD Net Absorption, sqm



\$18.70
Asking Rent, per sqm



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

YoY Change 12-Mo. Forecast

2,350K
Costa Rica Employment



9.60%
Costa Rica Unemployment



2,957M¹
Foreign Direct Investment (FDI)²



¹ FDI reflects YOY data in US\$

² Data reported for Q1 2023, Q2 2023 data currently not available

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

ECONOMY: Companies under the free trade zone regime drive strong figures in goods and services exports

According to the Central Bank of Costa Rica (BCCR), production levels measured by the Monthly Index of Economic Activity (IMAE) recorded an average increase of 5.0% during Q2 2023. During the first half of the year, the country reported a record US\$9,061 million in exports, representing a YOY growth of 24%. This increase was driven by both goods exports, such as medical, pharmaceutical, plastic, agricultural, and food products, and services exports, including digital technologies and business services. On the other hand, the definitive regime experienced an average increase of 2.2%, showing varied performance across industries. Additionally, it is worth noting the new country strategy to position the Foreign Trade Promotion Agency (PROCOMER) as the entity responsible for attracting foreign investment to the country, which is expected to continue boosting Foreign Direct Investment (FDI) both within and outside the Greater Metropolitan Area (GMA).

MARKET OVERVIEW: Amid high vacancy rates, companies continue rethinking their physical offices

During the first semester of 2023, the office market continued to report low net demand figures compared to 2022. Most companies have been embracing the hybrid work as the preferred model, reevaluating the utilization and purpose of their physical offices and executing changes in their global workplace strategies. Consequently, despite several companies continue choosing Costa Rica to establish new high added value operations, they are leaning towards flexible models or smaller facilities compared to the historical average size of new operations in the country. As a result, the majority of active transactions in the market consist of renegotiations, renewals, downsizings, and subleasing of spaces, leading to a persistently high vacancy rate above 19%, which has also mainly affected uncompetitive properties, as a result of the *flight to quality* trend.

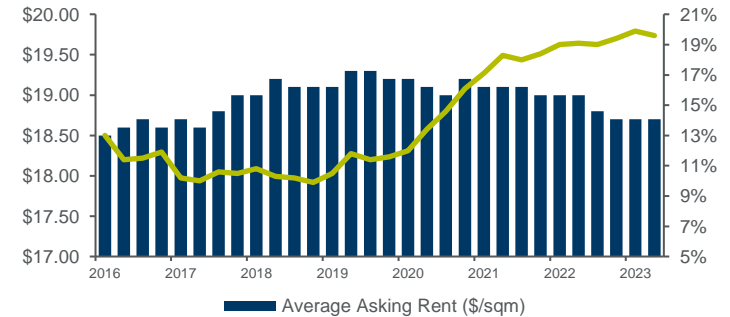
OUTLOOK: High vacancy rates will continue generating favorable contractual conditions for tenants

During the second semester 2023, a continuous increase in vacancy rates is expected due to the entry of new speculative inventory and the ongoing downsizings of office spaces by major tenants. This will lead the market to continue offering favorable commercial conditions to tenant companies, both for new spaces and for the renegotiation of existing contracts. Furthermore, tenants are expected to continue preferring spaces that require low capital investment, strengthening the flexible and coworking space sector.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT COSTA RICA

Office Q2 2023



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MARKET STATISTICS (BY SUBMARKET)

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	12	33,000	5,100	15.5%	(900)	(900)	-	-	\$14.50	\$18.00
Cartago	12	26,700	3,400	12.7%	(1,100)	(1,000)	-	-	\$16.00	\$19.00
Heredia	86	575,500	104,900	18.2%	2,700	8,800	20,300	-	\$19.00	\$20.00
Downtown San Jose	140	494,400	103,900	21.0%	(2,800)	(16,100)	5,100	34,000	\$17.50	\$19.80
East San Jose	89	346,200	83,900	24.2%	700	(300)	5,800	2,800	\$17.80	\$19.50
West San Jose	117	553,700	97,400	17.6%	2,600	800	7,500	32,300	\$19.60	\$19.80
Total	456	2,029,500	398,600	19.6%	1,200	(8,700)	38,700	69,100	\$18.70	\$19.60

MARKET STATISTICS (BY CLASS)

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)
Class A+	19	229,900	40,700	17.7%	2,900	2,500	4,400	-	N/A	\$22.50
Class A	95	776,000	128,300	16.5%	2,400	7,800	21,400	66,300	N/A	\$19.60
Class B	342	1,023,600	229,600	22.4%	(4,100)	(19,000)	12,900	2,800	N/A	\$16.00

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

KEY TRANSACTIONS 2023

PROPERTY	SUBMARKET	TENANT	SQM	TYPE
Cityzen Belén	Heredia	JLL	2,000	Lease
El Cafetal Corporate Center	Heredia	Active Campaign	1,900	Lease
El Cafetal Corporate Center	Heredia	Neodent	1,600	Lease
Cityzen Belén	Heredia	Brenntag	1,400	Lease
Sabanilla Corporativo	East San José	Istmo Center	1,200	Lease
Ultrapark I	Heredia	Globant	1,000	Lease
Ultrapark II	Heredia	Sysco	1,000	Lease

KEY CONSTRUCTION COMPLETIONS 2023

PROPERTY	SUBMARKET	MAIN TENANTS	SQM	DEVELOPER
Flex Center - Stage 1 - Offices	West San José	-	2,000	HBQ Desarrollos

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