



Greater Metropolitan Area of Costa Rica Office Market

Generating Spaces for Culture and Innovation

Highlights include coworking spaces and developers trying to understand new trends, offering coordinated and modular spaces.

For reasons of cost and efficiency, some entrepreneurs choose to reduce the size of the space, transfer it to another company or return a certain amount of square meters to the owner. Other companies, anticipating growth, have decided to carry out small reforms of short duration, low investment and restructuring to adapt the space to the conditions they currently need. Several entities, despite having traditional offices, are opting for the growing demand for flexible spaces such as coworking.

Mixed projects are also analyzed because they encourage partners to come to the office to use the facilities or services offered by the project. Tenants who will drive this fundamental change in the office landscape will be those who offer flexibility in terms of costs, contracts and broad collaboration.

Current Conditions

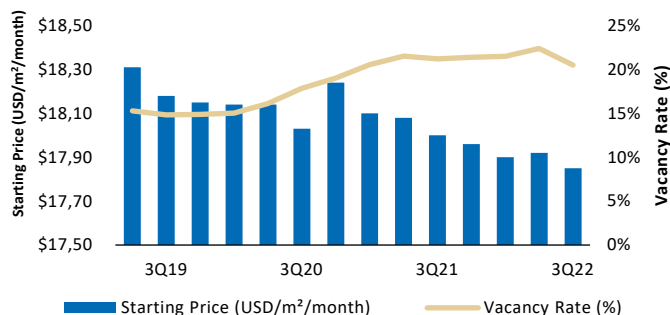
- Adaptation to hybrid work schemes has been one of the most important tools for reactivating the market.
- The oversupply "as an effect of the pandemic" continues to affect the dynamics of the recovery of the real estate sector.
- The increase in supply was 3.6% higher than in the same period in 2021.

Market Summary

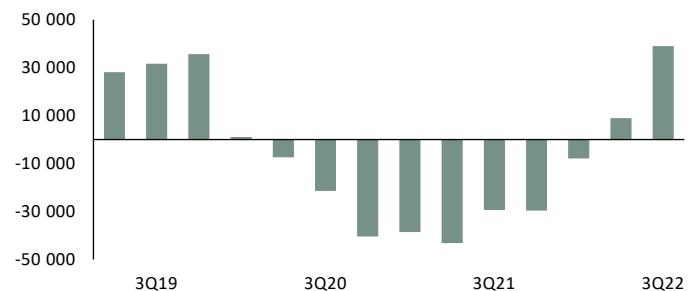
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory (m ²)	2,47M	2,45M	2,40M	↑
Vacancy Rate	20.5%	22.4%	21.2%	←
Quarterly Net Absorption (m ²)	39,020	8,945	-29,334	↑
Average Asking Rent (USD/m ² /mes)	\$17.85	\$17.92	\$18.00	←
Under Construction (m ²)	101,689	96,742	78,400	↑

Market Analysis

AVERAGE DEPARTURE PRICE AND VACANCY RATE



NET ABSORPTION (M²)



Market Upturn

For the third quarter of 2022, the increase in supply was quite conservative, entering the inventory of the office market 16,909 m², for a total of 2,472,488 m² of leasable area. An increase of 3.6% over the same period as in 2021. The largest area corresponds to the development Centro 27 Escazú – Tower 2 with 10,131m² class A, located in the West area of San José. A total of 8 projects under construction, mostly class A offices within the G. A. M. Among the most ambitious include Escazú Village - Tower III with 7,719 m²; Escazú Avenue - AE 301 with 12,506 m²; City Place Town Center - Office Stage 3 with 12,500 m² and Aleste - Stage I located east of the capital with 11,583 m².

The market-wide availability rate was set at 20.5% and excluding class C, it stands at 18.4%. The gross absorption was 117.431m², while the net absorption was located at 39.020 m², the demand corresponds to buildings of class A+ and A. The developers expect that with the resumption of face-to-face work, industry stabilizes and gradually returns to pre-health occupation levels.

Because of these profound changes in the workforce, employers are delaying real estate decisions in search of more flexible terms. This directly influences rental prices, which are at an initial average price of USD \$17.85 per square meter per month.

During the third quarter, the same situation continued as in the first half of 2022, towards a stabilization of the office market.

Strengthening of External Investment

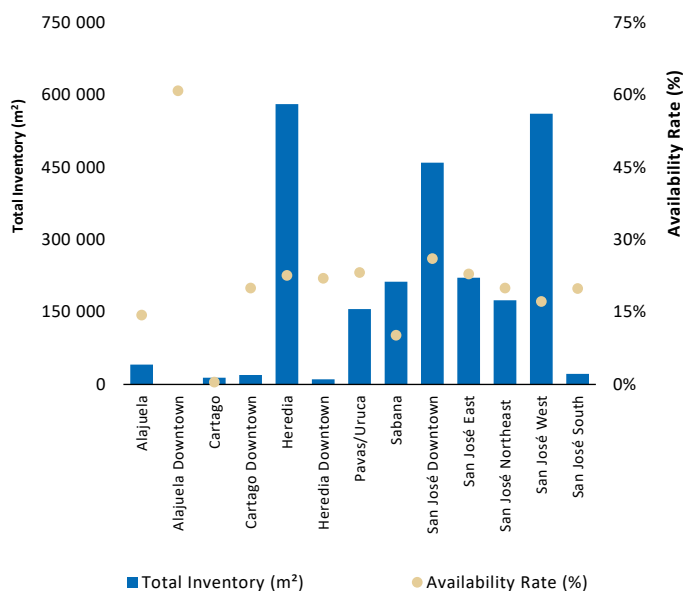
Costa Rica’s strong position in attracting foreign direct investment continues to translate into the creation of a variety of service activities by local multinationals, as well as the creation of thousands of direct and indirect jobs. This allows anticipating a positive scenario for the industry in the medium and long term.

Of the 100 largest technology companies in the world, 16 are in Costa Rica. The well-educated infrastructure and workforce has made it a technology center in Latin America and the preferred option for nearshoring development in areas such as software, data analysis, cloud services and cybersecurity. The operation of technology companies in the country contributes to the creation of prosperity, the general welfare of the population and the progress of society.

It also opens the door to projects and companies that want to invest in the region such as Harris Adelante that provides software solutions for the public, private and health sector located in Ultrapark II Lagunilla de Heredia. As well as Altimetric, which will provide services related to digital payments, technology, finance, big data, product development and digital transformation. In the case of expansions, there is the case of Desyfin Financial Group at Escazú Centro 27; Pfizer, a biopharmaceutical company, with its new facility at Tower 2 in Escazú Village and Equifax Inc. with the opening of activities in Torre Universal, located in La Sabana, in colony T24.

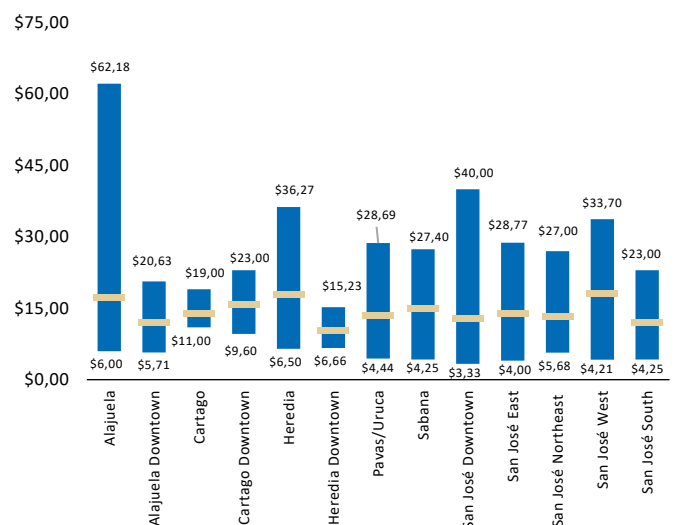
Availability by Submarket

FULL AVAILABILITY: 507,917



Price Range and Average Income

MINIMUM AND MAXIMUM (USD/M²/MONTH)



In Harmony with the Environment

Building design that provides tenants with efficiency, safety and functionality allows them to remain competitive in a global environment. This is what international companies looking to expand their operations locally and new organizations with intentions to start operating in the country are looking for.

In addition, the operational savings offered are lower energy cost, lower water consumption, 100% savings in irrigation water, lower carbon dioxide emissions, as well as 50% less waste during construction and operation.

Projects that have a LEED sustainability certification and unique features enable prospective tenants to reduce their monthly operating expenses compared to other similar buildings. The long-term profitability of their operating or capital investments by tenants increases.

Now more than ever, the new reality is driving structures focused on individual and social well-being. The concept of well-being is positioned as a collective joy that strives increasingly to achieve a healthy and full life. This leads them to look for spaces that allow them to initiate a dynamic process of change and physical, mental, spiritual and emotional growth, both individually and collectively.

Therefore, commitment to nature becomes an essential component. They are characteristics that extend to corporate centers, which increasingly realize the creation of spaces not only work but also great equipment for leisure, sport and reflection. Rest is important during the post-pandemic period to regain the interest of collaborators returning to an office.

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)	Price (USD/m ² /month)
Alajuela	40,921	0	5,893	14.4%	65	985	\$13.61
Alajuela Downtown	690	0	420	60.9%	19	19	\$13.87
Cartago	13,646	0	74	0.5%	-1,456	190	\$17.92
Cartago Downtown	19,341	0	3,859	20.0%	707	762	\$15.10
Heredia	581,032	19,800	131,218	22.6%	2,618	27,764	\$19.42
Heredia Downtown	10,350	0	2,277	22.0%	-697	85	\$9.96
Pavas/Uruca	156,043	0	36,211	23.2%	885	6,872	\$15.87
Sabana	212,752	34,000	21,707	10.2%	12,167	13,739	\$18.42
San José Downtown	459,626	0	119,809	26.1%	-1,863	15,194	\$13.78
San José East	221,012	13,214	50,599	22.9%	4,787	11,218	\$16.69
San José Northeast	174,343	0	34,858	20.0%	-1,677	1,420	\$17.46
San José West	561,045	34,675	96,685	17.2%	23,465	39,183	\$20.39
San José South	21,687	0	4,307	19.9%	0	0	\$10.71
Total	2,472,488	101,689	507,917	20.5%	39,020	117,431	\$17.85

Economic Challenges

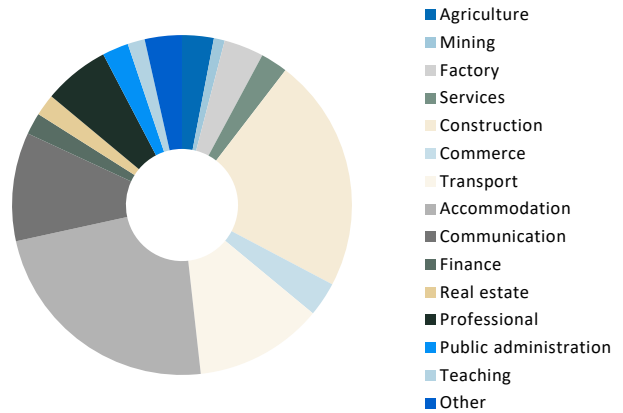
General inflation, measured by year-on-year changes in the consumer price index (CPI), was 12.1% in August 2022, a value not seen in the last 13 years.

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

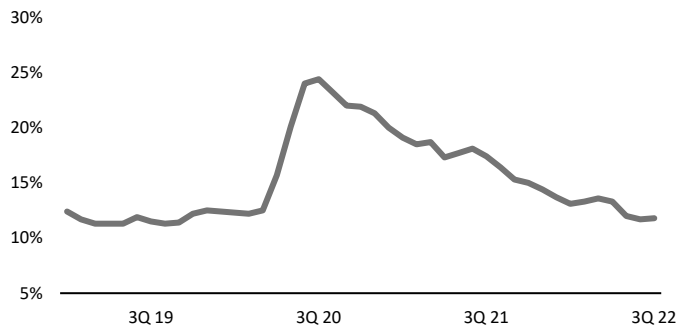
ANNUAL VARIATION, JULY 2022



Source: Department of Macroeconomic Statistics

Unemployment Rate

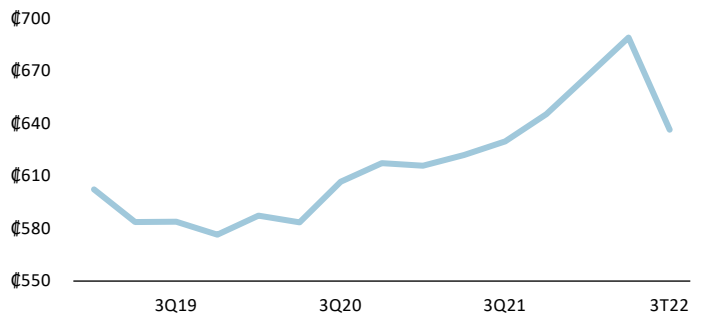
QUARTERLY INDICATOR



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

Exchange Rate

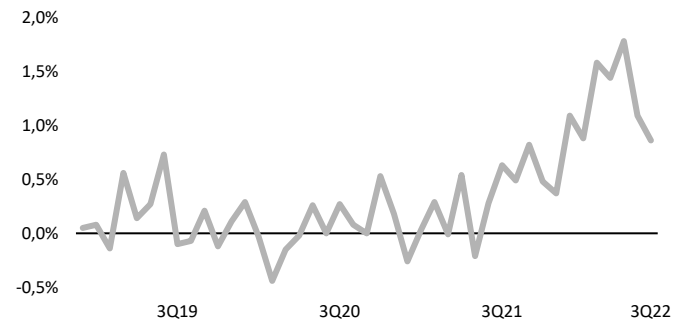
COLONES (CRC) FOR US DOLLAR (USD)



*Source: Central Bank of Costa Rica

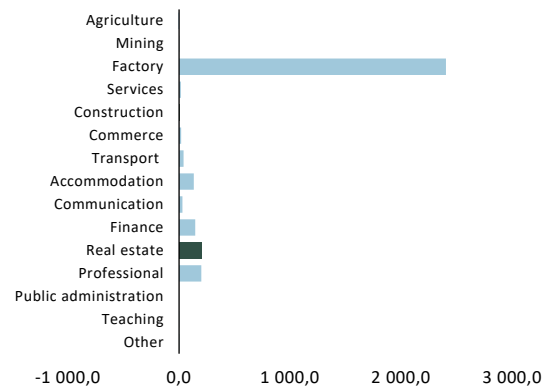
National Consumer Price Index (NCPI)

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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