

MARKETBEAT

Costa Rica

Industrial Q3 2019



COSTA RICA INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
CR Employment	2,138k	2,163k	▲
CR Unemployment	10.2%	11.4%	▲
Foreign Direct Investment ¹	\$1,543M	\$2,791M ²	▲

¹ FDI reflects YOY data in US\$ ² Data reported for Q2 2019, Q3 2019 data still not available

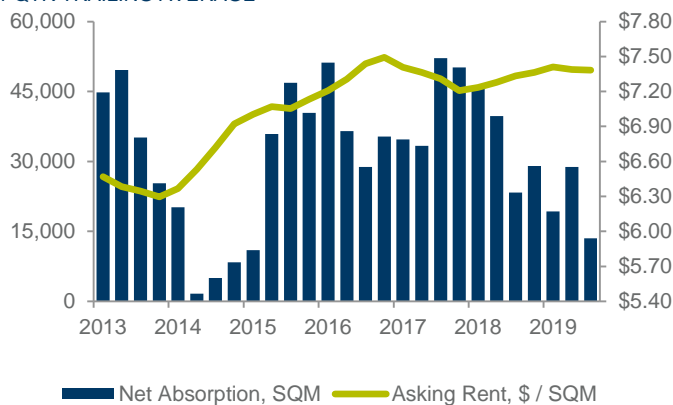
Market Indicators YOY (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	4.9%	7.0%	▲
Net Absorption (sqm)	93k	54k	▲
New Supply (sqm)	116k	225k	▲
Average Asking Rent ³	\$7.30	\$7.40	▼

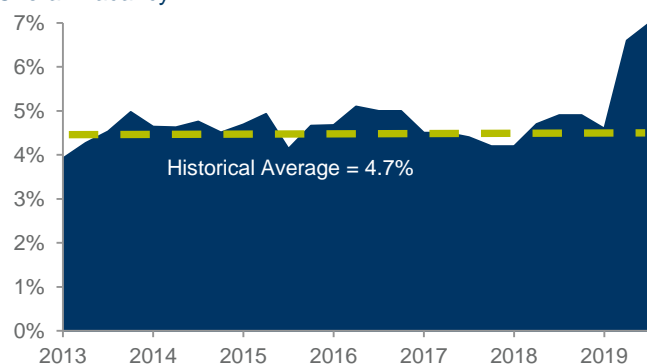
³Rental rates reflect net asking \$/sqm/month

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy*

According to Costa Rica's Foreign Trade Promoter (Procomer), the country's exports of goods presented a 2% growth for Q3 2019, compared to the same period of 2018. Moreover, companies under the Free Trade Zone (FTZ) Regime reported a 9% growth in its export figures during the current period. More than half of this growth in the FTZ Regime is attributed to precision and medical equipment, a productive segment that has reported a 13% growth so far in 2019.

For its part, the Central Bank of Costa Rica (BCCR) presented a decline in 2019 GDP growth projections and placed it at 2.2%, compared to the projected 3.2% at the beginning of the year. An increase in this variable is expected for 2020, for a 2.6% projection.

Despite the above, during Q3 2019, the Monthly Economic Activity Index (IMAE) reported an average YOY growth of 1.7%. This being four consecutive months of economic recovery.

Market Overview

During Q3 2019, the general market trend of migrating from Class B and C spaces to modern Class A projects with better distributions continued, allowing users to generate higher levels of operational efficiency. This has led to an increase in the vacancy rates of Class B and C products, as well as a decrease in their average listing prices. In turn, these movements present a challenge for the landlords, as these products do not meet market demands. In addition to the above, during this period the vacancy rates of warehouses previously occupied by small and medium-sized local businesses also increased, which have been affected by the contraction of local commerce.

On the other hand, the main transactions of the year have corresponded to expansions and new operations of multinational companies under FTZ Regime, as well as distribution centers of recognized retail companies.

Outlook*

A large amount of Class A inventory is expected to be delivered during the next 6-24 months, both inside and outside the Greater Metropolitan Area (GAM). Most of this new inventory reports high prelease levels, corresponding to transactions that have been closed during the last months or are currently active. Therefore, an increase in absorption figures is expected, compared to those reported during this year.

For its part, several companies recognize the trade reactivation and the country's economic growth as the main challenges in the upcoming months, in order to resume certain real estate transactions. * Data source: Central Bank of Costa Rica (BCCR) and National Institute of Statistics and Census (INEC)

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SUBMARKET	TOTAL BLDGS	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SQM)	UNDER CNSTR (SQM)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Alajuela	229	1,544,300	108,700	7.0%	48,500	55,600	\$7.20	\$7.20	\$7.30
Cartago	153	702,300	46,100	6.6%	(5,400)	21,400	\$6.70	N/A	\$5.00
Heredia	268	1,390,200	62,500	4.5%	1,200	23,700	\$8.40	\$8.50	\$6.90
Downtown San José	293	1,162,400	108,200	9.3%	(25,900)	-	\$7.20	\$8.70	\$6.30
East San José	192	674,600	70,500	10.5%	(12,700)	-	\$7.80	N/A	\$7.00
West San José	118	618,200	33,200	5.4%	(17,900)	9,400	\$6.80	\$8.70	\$6.30
COSTA RICA TOTALS	1,253	6,092,000	429,200	7.0%	(12,200)	110,100	\$7.40	\$8.50	\$6.80

*Rental rates reflect asking \$/sqm/month

HT = High Tech/Flex OS = Office Service/Flex W/D = Warehouse/Distribution

	TOTAL BLDGS	INVENTORY (SQM)	DIRECT VACANT (SQM)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SQM)	UNDER CNSTR (SQM)	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Class A	248	2,428,500	51,900	2.1%	97,700	76,000	\$8.60	\$8.80	\$7.30
Class B	748	3,151,200	276,300	8.8%	(86,400)	34,100	\$6.90	\$8.40	\$6.40
Class C	257	512,300	101,000	19.7%	(23,500)	-	\$3.60	N/A	\$5.50

Key Transactions 2019

PROPERTY	SQM	TENANT	TRANSACTION TYPE	SUBMARKET
Walmart Coyoil	44,000	Walmart	Own Development	Alajuela
Parque Logístico Coyoil 2	25,000	Pequeño Mundo	Lease	Alajuela
Parque Industrial Zeta Cartago	20,000	Corrugados Altavista	Buy	Cartago
Parque Industrial BES	9,000	Cemaco	Lease	Alajuela
Parque Logístico Aeropuerto	8,000	DHL	Lease	Alajuela
Kimberly Clark Coris	8,000	Kimberly Clark	Own Development	Cartago
Parque Logístico Coyoil	6,700	Intcomex	Lease	Alajuela
Coyoil Free Zone	6,000	St. Jude – Abbott	Buy	Alajuela
Parque Industrial BES	6,000	PAINSA	Lease	Alajuela
Coyoil Free Zone	5,700	Philips	Buy	Alajuela
Parque Logístico Coyoil	5,700	Rex Cargo	Lease	Alajuela
Parque Empresarial 506	5,000	EBBA Logística	Lease	Alajuela
Metalco Tibás	5,000	Abonos Agro	Lease	Downtown San José
Parque Industrial Las Brisas	4,000	Irex	Lease	East San José
Etiprés (Former Mabe)	3,500	Red Point	Lease	Heredia
Accelera	3,000	Terminales Santamaría	Lease	Heredia
Almafissa Uruca	3,000	Grupo Colono	Lease	Downtown San José
Parque Industrial Zeta Cartago	3,000	Price Smart	Lease	Cartago

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About Cushman & Wakefield

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