



**13.40%**

Vacancy Rate



**-2,8K**

YOY Net Absorption, sqm



**\$19.10**

Asking Rent, per sqm



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2020

**2,426K**

Costa Rica Employment



**20.1%**

Costa Rica Unemployment



**2,449M<sup>1</sup>**

Foreign Direct Investment (FDI)<sup>2</sup>



<sup>1</sup> FDI reflects YOY data in US\$

<sup>2</sup> Data reported for Q1 2020, Q2 2020 data currently not available

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

## ECONOMY: High unemployment rate and general contraction of economic activities during the second quarter

According to the Central Bank of Costa Rica (BCCR), the production measured by the Monthly Economic Activity Index (IMAE) decreased by 7.5% during May. In a per-industry analysis, thirteen of the fifteen economic activities that make up the IMAE decreased their production respecting the same month of the previous year. Likewise, the production under special regimes contracted 12.1%, while the definitive regime did so by 7.0%, reversing the trend of higher growth that it had been shown during previous years. For its part, between the months of March and May an unemployment rate of 20.1% was registered, 8.8 percentage points (p.p.) higher than that observed for the same period of the previous year. Similarly, a 17.6% underemployed rate was reported, increasing by 8.0 p.p., compared to the same period in 2019. Preliminary estimates suggest a contraction of the country's GDP of between 3% and 5% at the end of the year.

## MARKET OVERVIEW: Companies show a cautious behavior regarding their real estate decisions

The corporate office market has shown a cautious behavior during the second quarter of the year, mainly due to the uncertainty about the long-term effects, business-fundamentals changes and time-extension of the COVID-19 pandemic. This has slowed down some investment decisions and has extended certain development dates for new inventory. As social distancing, telecommuting and virtual meeting environments continue, companies have opted for negotiations with their landlords on key aspects such as payment methods flexibility and modifications of their commercial terms.

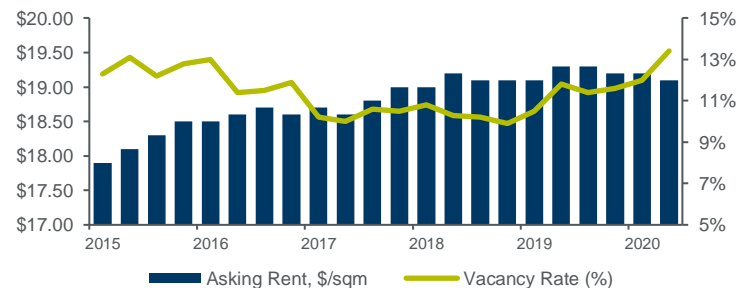
## OUTLOOK: Flexibility in space requirements and commercial renegotiations will mark the rest of the year

In the following months, companies are expected to seek greater flexibility in their space requirements to guarantee business continuity during the pandemic. Thus, sublease solutions or short-term renewals may be more frequent until the end of the year. On the other hand, cost-efficient real estate solutions could experiment an increase in their demand as companies seek to decrease their capital expenditures. Regarding the long-term effects of the pandemic, it is still premature to define whether the current situation will induce permanent and substantial changes in the companies' required densities, workplace configurations, remote work vrs. on-site work, common areas modifications, commuting patterns, among others.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



# MARKETBEAT COSTA RICA

Office Q2 2020



**CUSHMAN &  
WAKEFIELD**  
AB Advisory

## 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        | 11              | 32,200           | 3,000               | 9.3%                 | 200                                      | 200                              | 900                        | -                 | \$17.00                               | \$17.50                           |
| Cartago         | 10              | 24,600           | 2,700               | 11.0%                | (200)                                    | (200)                            | -                          | -                 | \$16.80                               | \$18.50                           |
| Heredia         | 81              | 507,300          | 86,000              | 17.0%                | (13,100)                                 | (500)                            | 20,200                     | 43,000            | \$19.10                               | \$20.20                           |
| San José Centro | 131             | 441,900          | 56,600              | 12.8%                | (2,800)                                  | (9,100)                          | 3,000                      | 41,700            | \$17.60                               | \$20.10                           |
| San José Este   | 86              | 309,400          | 21,700              | 7.0%                 | 5,800                                    | 5,900                            | 8,800                      | 25,000            | \$18.80                               | \$19.60                           |
| San José Oeste  | 109             | 488,100          | 71,100              | 14.6%                | (1,300)                                  | 900                              | 12,400                     | 49,200            | \$20.80                               | \$20.40                           |
| <b>Totals</b>   | <b>428</b>      | <b>1,803,500</b> | <b>241,100</b>      | <b>13.4%</b>         | <b>(11,400)</b>                          | <b>(2,800)</b>                   | <b>45,300</b>              | <b>158,900</b>    | <b>\$19.10</b>                        | <b>\$20.30</b>                    |

## 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) | OVERALL AVG ASKING RENT (CLASS A) |
|----------|-----------------|-----------------|---------------------|----------------------|--|----------------------------------|----------------------------|-------------------|---------------------------------------|-----------------------------------|
| Clase A+ | 16              | 163,400         | 6,400               | 3.9%                 | (400)                                    | 3,600                            | 4,200                      | -                 | -                                     | \$24.00                           |
| Clase A  | 139             | 944,300         | 134,300             | 14.2%                | (10,200)                                 | (7,200)                          | 23,700                     | 156,500           | -                                     | \$20.30                           |
| Clase B  | 273             | 695,800         | 100,400             | 14.4%                | (800)                                    | 800                              | 17,400                     | 2,400             | -                                     | \$16.20                           |

## KEY TRANSACTIONS 2020

| PROPERTY                                   | SUBMARKET         | TENANT                               | SQM    | TYPE     |
|--|-------------------|--------------------------------------|--------|----------|
| Escazú Village II                          | West San José     | Confidential                         | 25,000 | Alquiler |
| Ultrapark II – Building III                | Heredia           | National Instruments                 | 5,500  | Alquiler |
| Leumi Business Center                      | Downtown San José | Confidential                         | 5,000  | Alquiler |
| Epic Corporate Center                      | West San José     | EY                                   | 4,500  | Alquiler |
| Leumi Business Center                      | Downtown San José | Confidential                         | 4,000  | Alquiler |
| Centro Corporativo El Cafetal – Building F | Heredia           | Confidential                         | 3,300  | Alquiler |
| Oficentro Yoses Plaza                      | West San José     | Caja Costarricense del Seguro Social | 2,500  | Alquiler |
| Zona Franca América – E21                  | Heredia           | Dell                                 | 1,600  | Alquiler |
| Centro Corporativo El Cafetal – Building F | Heredia           | Nestlé                               | 1,600  | Alquiler |
| Torre Universal                            | Downtown San José | Confidential                         | 1,100  | Alquiler |

## KEY CONSTRUCTION COMPLETIONS 2020

| PROPERTY                                   | SUBMARKET     | MAJOR OCCUPIER  | SQM    | OWNER / DEVELOPER       |
|--|---------------|-----------------|--------|-------------------------|
| Centro Corporativo El Cafetal – Building F | Heredia       | Nestlé          | 13,200 | Garnier & Garnier       |
| C3 Cariari Corporate Center – Fase II      | Heredia       | WeWork          | 11,100 | Portafolio Inmobiliario |
| Momentum Pinares – Oficentro               | East San José | Volvo, Ramstack | 7,800  | Desarrolladores 506     |

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

Daniel Alvarez, CCIM  
Managing Principal  
[daniel.alvarez@ab-latam.com](mailto:daniel.alvarez@ab-latam.com)

José Ignacio González  
Market Research & Consulting  
[jose.gonzalez@ab-latam.com](mailto:jose.gonzalez@ab-latam.com)

Cushman & Wakefield | AB Advisory  
Plaza Tempo, 4<sup>th</sup> Floor, Module B  
Escazú, San José, Costa Rica  
**+506 4031-1040**

[www.ab-latam.com](http://www.ab-latam.com)  
[www.cushwake.com](http://www.cushwake.com)

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