



Costa Rica Overview

- Costa Rica is one of the most developed and stable nations in Central America.
- It has a population of over 4.3 million people. San Jose, with a population of about 343,000 people, is the capital and largest city of the country. San Jose was the first city in Central America to be illuminated by electric energy.
- Costa Rica has shown lasting stability and growth over the last decade. It continues to benefit from increased tourism and foreign investment, particularly from the United States.
- Currently efforts are being made towards financial liberation and freeing banks and telecommunications from regulations.

History

- Costa Rica in Spanish means “Rich Coast.”
- Spanish explorers arrived to Costa Rica at the beginning of the 16th century, but it was until 1563 when they began establishing a colony.
- In 1821 it declared independence from Spain.
- Costa Rica is one of the few countries in the world to constitutionally abolish its army. Since the late 19th century Costa Rica has had only two brief periods of violence. At the present it has over fifty-nine years of uninterrupted democracy, which is the longest in Latin America.

Climate & Geography

- Costa Rica has tropical and subtropical climate. Dry season is between December and April and rainy season between May and November.
- Costa Rica is bordered by Nicaragua to the north, Panama to the south, the Pacific Ocean to the west, and the Caribbean Sea to the east. It is the only country in which both the Atlantic and Pacific Oceans can be seen from the same point.
- It has an area of 19,730 square miles and a total of 801 miles of coastline.
- The time zone of Costa Rica is the same as the central time of the USA. A direct flight from San Jose takes 2:30 hours to arrive in Miami.



Labor Force

- Costa Rica has a labor force of approximately 1,900,000 people.
- A labor law requires a ratio of 9 Costa Rican staff to every foreigner on the payroll of every company in the country; however, this law can be waived for businesses operating with Free Zone status.
- Although Costa Rica's wage rates are higher than many country competitors abroad, the higher labor productivity and modern manufacturing techniques, among other advantages, often compensate for labor costs.
- Minimum wage laws are updated twice a year in Costa Rica



Education

- Costa Rica has a literacy rate of 96 percent. It focuses on improving its educational system in two key sectors: science and technology because technical training, along with innovation and technology transfer, are crucial factors to achieve higher levels of productivity and a better competitiveness level in the global economy.
- The National Learning Institute (INA) offers free technical training in a wide variety of fields, and is able to provide tailor-made programs to meet specific manufacturing and service investors' needs.
- The America Economy Magazine considered INCAE as the best Latin American business school during 2003 and 2004.
- Costa Rica has several other technical schools and universities to help prepare professionals with the highest international standards. Even Harvard University has had an extension in Costa Rica since 1964 through INCAE, to prepare middle and upper level managers.
- There are 76 universities in Costa Rica, of which, 72 are private and 4 are public.
- "Universidad Nacional" and "Universidad de Costa Rica" are the two largest public universities. Most public and private universities are located in San Jose or near by.



Juan Santamaria International Airport

Logistics & Transportation

- There are 7 customs of interest for trading purposes. These are located at the borders with Panama and Nicaragua, at the main Atlantic & Pacific ports, at the Juan Santamaria International Airport and other strategic points throughout the country.
- About 236 major carriers operate in the country, 60% of them from Moin (in the Atlantic at Limon) and the rest from Caldera Port (Pacific shore).
- It takes 5 hours of effective transit time through customs to go to San Jose from Moin, and 6 from the Caldera Port. Tariff rates are competitive with respect to the USA, Europe and Asia.
- Although Costa Rica's infrastructure is better than most countries from Central America, its roads are not well maintained.
- There is good taxi and public bus service in the capital city of San Jose. Official taxis are red and are the recommended means of travel for business visitors.
- Juan Santamaria International Airport is the country's largest and busiest airport. It is located about ten miles from San Jose and it serves about three million people each year.
- The second major airport is the Daniel Oduber, located at Liberia, Guanacaste, in the northern part of the country. Both airports have been approved Class 1 by the Federal Aviation Administration of the USA.



The Latin American University of Science and Technology

Economic Incentives

- Costa Rica offers many economic incentives to foreign and local investors.
- Costa Rica’s location provides easy access to American Markets as it has the same time zone as the central part of the United States and direct ocean access to Europe and Asia.
- CINDE, a private nonprofit organization, gives free professional assistance to companies planning to establish presence in the country. Their expert personnel provide complete, updated economic and business information, prepare custom-design visits to the country, help in the initial contact with suppliers and professionals, and follow-up to establish the operation.
- Costa Rica is one of the high-tech exporters in the world.
- 100% exemption of taxes on profits and dividends until CAFTA (Central America Free Trade Agreement) takes effect. The exact form in which this will happen is still under discussion. Unlike Panama, which guarantees in law that the conditions set today will continue no matter what subsequent changes arise, Costa Rica leaves the door open for adjustments.
- 100% exemption from municipal, (property), taxes, up to 10 years in some areas, but 5 years in San José.
- 100% exemption from taxes on profit remittances abroad.
- If locating out of a major city, exporting companies also can qualify for a tax credit, known as a CAT, equivalent to 2% per annum for 5 years, a total of 10%, of the value of salaries paid.



Costa Rica contains 5% of the world’s biodiversity

Costa Rica’s Economic Indicators

	2006
GDP	\$20.45 billion
GDP – PPP	\$48.77 billion
Real GDP Growth	5.9%
Labor Force	1.9 million
Unemployment Rate	6.6%
Inflation Rate	12.96%
Exchange Rate	1 CRC = \$0.0019

Some Multinationals in Costa Rica

- Nestlé
- Pfizer
- Bayer
- Microsoft
- Intel
- Panasonic
- Micro Technologies
- Alcatel-Lucent
- Teradyne
- Sylvania
- Current Controls
- ITT Canon
- Saco International
- Western Union



Intel - Heredia. Costa Rica



Downtown San Jose

Real Estate Market Overview

- All sectors of the real estate market in Costa Rica are growing.
- Major Commercial Areas in Costa Rica are located in San Jose, Barreal-Aurora, Heredia, Cartago, and Alajuela.
- Rentals in Costa Rica have increased in the past 24 months because supply does not meet demand in some sectors of the real estate market. Landlords are making improvement to current facilities in order to attract even more investors to the market.
- Even though spaces available for lease are limited, demand continues to be strong in Costa Rica driven by multinational expansions as well as new arrivals. Costa Rica has become the preferred destination for international firms investing in Central America due to its stable government and educated workforce.
- All individuals and private companies, local or foreign, can own land and property in Costa Rica.
- Few restrictions apply, the most important being physical occupancy and a 50-meter limit from the beach on oceanfront property.
- Potential real estate investors, and their lawyers, must first go to the National Registry for a title search, to the Ministry of the Environment and Energy for an environmental impact study, the local municipality for zoning laws and building permits, and then perhaps to other ministries and institutions for pertinent information.
- The typical lease length in Costa Rica is 3 years and the landlord is responsible for structural and major repairs, while the tenant is responsible for maintenance.



Bayer - San Jose, Costa Rica

Industrial Market

- Supply can not fulfill demand in the industrial market.
- Space for warehouse is at a historical low, with vacancy rates reaching 5%.
- It is really hard to find available space in the free trade zones and in most of the industrial parks. Demand for high-quality business parks properties in proximity to transport systems remained solid.

Industrial Rental Rates
(US\$/SF/MONTH)

Average Rental cost	Overall Vacancy
\$0.44	5.0%

Office Market

- The total office space available in the city has fallen over the last two years. Total space for grade A/AB is approximately 3.2 million square feet. There is no grade A space in any submarket for areas larger than 16,145 square feet.
- Many multinational companies are waiting for expansion of free trade agreements with the United States to define their plans in Costa Rica. Similar agreements with the European Community are also in progress.
- It is expected that demand for office space will considerably increase once these agreements take effect.
- Average absorption during the last 10 years has been around 53,800 and 64,583 square feet per year.
- Sales value for grade A and B space ranges from \$140/sf to \$186/sf and \$93/sf to \$130/sf respectively.

Office Rental Rates
(US\$/SF/MONTH)

	Average Rental Cost	Overall Vacancy
Grade A	\$1.77	5.0%
Grade B	\$1.30	5.0%

Ideal locations for industry:

- The raw materials are mostly located on the central and western parts of the country.
- The greatest concentration of labor is in the central area of Costa Rica, some twenty or thirty miles either side of the capital city.
- Shipping agents provide collection and delivery, inter-model, and related services.
- Shipping agents are located on both sides of the country. Cross-country transport is provided by roadway only.
- State operated ports offer full services to free zone occupants in the port areas.

Guapiles

There is a new industrial estate planned for this small town which is about half way between San José and Limón-Moín. The advantage of moving to more remote areas is that these attract slightly better incentives, such as longer periods free of property taxes or free of corporate taxes if selling locally.

Limón Moín

JAPDEVA, the port authority, owns and operates a vast area of land in Limón where they lease or sell land at prices that vary according to the area required, but which are comparable with other free zones in the country. Occupants of the park have to use JAPDEVA shipping agent for services.

**Main locations for electronic companies
Technological Corridor**

- Training centers: CEFOF, technical schools, universities, INA. Seven Free Zone Parks
- Infrastructure: Redundant electrical service from several substations (San Jose, Heredia and Alajuela), fiber optic network, telecommunications infrastructure for Internet and voice phone lines, water supply, international airport, precision machining and plastic injection services, freight forwarders, in bond warehouses, and many more.
- Population: Surrounded by the nation's three largest cities-San Jose, Heredia, and Alajuela-the area has some 2.5 million inhabitants, providing ample availability of human resources from nearby populations.

Cartago

- Training centers: Technological Institute of Costa Rica, technical school, research center, Technological Base Incubator, INA.
- Two Free Zone Parks.
- Infrastructure: Electricity, water, telecommunications, precision machining and plating services. Located 15 miles from the international airport
- Population: The Cartago area has approximately 454,000 inhabitants.

Leasing Guidelines		
Lease Terms	Length of a typical lease	3 years
	Rents quoted in	US\$/m ² /month
	Typical break options	It is possible by law but terms and penalties must be negotiated
Unit Standards	Area	Square meters (m ²)
	Costs	US\$/m ² /month – paid by tenant
	Parking space ratio	One parking space for ever 30 m ² - Grade A
Rental Payments	Frequency of payments	At the beginning of every month
	Basis of rent review	According to market rates
	Rent Reviews	Annually
Expenses (service cost, insurance, maintenance)	Internal, common parts, and external/structural.	Paid for landlord
Disposal of lease	Penalty for early termination	It can be from 1 to 6 months of rent
Tenant improvements	Improvements vary from \$200/m ² to \$275/m ²	

Forecast for the rest of 2007

- **Office:**
 - Approximately 194,000 square feet are expected to enter the market this year.
 - Availability of space will remain limited and demand will continue increasing, especially after the free trade agreements with the United States and the European Community expand.
 - Vacancy rate will remain in the single digits, around 5 percent.
- **Industrial:**
 - Few projects are under construction; therefore, supply will continue low. It will be hard to find warehouse spaces and quality space in industrial parks.
 - Industrial warehouse inventory will continue to be in San Jose, Heredia, Cartago, and Alajuela.
 - Industrial space production will increase in the coming years as the economy continues growing and as multinationals continue entering or expanding in the Costa Rican market.
 - The quality of the space is also expected to improve in an effort to attract foreign investment.



Arenal Volcano – the most active in Costa Rica

Short Term Outlook
Rental Rates

Office Market	
Industrial Market	



Costa Rica has 801 miles of coastline

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