

ZAGREB

Retail Market Snapshot

First Half | 2019



Economic Overview

According to the results published by the Croatian Bureau of Statistics, GDP grew by 3.9% in Q1 2019 in comparison with the corresponding period of the previous year. The largest positive contribution to the GDP volume change in the first quarter of 2019 was realized by an increase in the final consumption expenditure of households. According to the same source, in the period from January to May 2019, the growth of average net salary was recorded, marking a nominal increase of 3.2% and a real increase of 2.5%, as compared to the same period last year. In May 2019, the unemployment rate amounted to 7.5% and dropped in comparison with the corresponding period of 2018, when unemployment rate amounted to 9.0%. However, this trend could be a result of migration of workforce to the Adriatic coast during the summer, as well as a result of a strong emigration wave that followed Croatia's accession to the EU in 2013. It generates labour shortages and it will represent a great challenge in the forthcoming period.

Occupier focus

As the retail market in Zagreb is considered to be saturated, the slowdown in development activity was noted. In line with this trend, Arena retail park of 8,000 sq m of GLA was the single opening during the first half of 2019, which led to the increase in Zagreb retail stock to the level of app. 520,000 sq m of GLA. Analyzing the stock per capita, it amounts to 650 sq m per 1,000 inhabitants, significantly above the regional average, which stands at the level of 500 sq m per 1,000 inhabitants. Western-style formats total nearly 300,000 sq m, with the share of 57% in Zagreb retail stock, while the retail parks participate with the share of 16%, i.e. 83,000 sq m split in 5 schemes.

Generally, the occupier demand is driven mostly by expansions and repositioning within older retail schemes. The Arena Center recently expanded for additional 5,000 sq m in order to rearrange existing premises, while King Kross Jankomir expanded its offer with additional amenities. In terms of the newcomers, Turkish LC Waikiki entered the market within Arena retail park, while Body Shop opened its first store in Arena Center. Fashion Company has introduced a new shoe brand Steve Madden to Croatian retail market, within the Mall of Split. In August 2019, Serbian fashion brand Mona opened its first store at a prime location in high-street zone, in Illica Street.

Developer focus

Due to capital's oversupply, developers' focus is on secondary cities. Croatian subsidiary of Austrian MID Bau, AM PS Delta Real Estate has completed a retail park in Poreč, comprising 8,000 sq m of GLA, while British Poseidon Group announced expansion of its retail network in SEE region by opening 10 new locations in Croatia by 2020. The locations are currently occupied by Konzum. All assets will be re-branded and transformed with a different tenant mix.

Prime Retail Yields (%) - June 2019

HIGH STREET SHOPS	CURRENT Q	LAST Q	LAST Y
	6.50	6.50	6.50
RETAIL PARKS	CURRENT Q	LAST Q	LAST Y
	8.50	8.50	8.50
PRIME SHOPPING CENTRES	CURRENT Q	LAST Q	LAST Y
	7.00	7.00	7.00

Source: CBS International, part of Cushman & Wakefield Group

Retail stock in Zagreb, per types of shopping centers



Source: CBS International, part of Cushman & Wakefield Group



Arena Park, 8,000 sq m GLA

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Austrian Supernova recently finalized extension and refurbishment of Koprivnica shopping park, while the same investor is aiming to expand Sisak East retail park by the end of 2019.

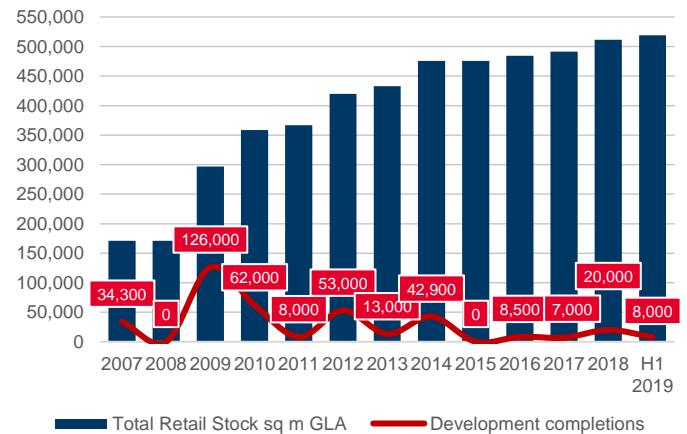
The restructuring of existing schemes continues, as the Branimir center in Zagreb downtown is currently under renovation. The first phase is completed and includes rebranding of the shopping center in Branimir Mingle Mall, as well as opening of Canopy by Hilton hotel. The similar restructuring will take a place in Kaptol Center, as announced.

When it comes to future supply, group of local investors Sensa nekretnine commenced development of Z Center, modern shopping center in Zagreb, totaling 30,000 sq m of GLA. The completion is planned for 2020.

Rental levels and Vacancy rate

Rental levels currently range between EUR 19-22/sq m/month in prime shopping centers, while rents for prime high-street locations range between EUR 45-70/sq m/month. Vacancy rate in prime shopping centers stands at the level of 4%.

Development of Zagreb retail stock (sq m GLA)



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