ZAGREB

Retail Market Snapshot

Second Half | 2019

Overview

Due to the lack of new completions in the second half of 2019, Zagreb modern retail stock remains at the level of 520,000 sq m of GLA. Summarizing the whole year, Zagreb retail market has witnessed the limited development activity. In total, Zagreb modern stock grew by a modest 8,000 sq m, due to the completion of Arena Retail Park.

Occupier focus

International brands are still interested to enter the Croatian market. In line with the growing tourism in the capital and high number of foreign visitors (holding the share of 84% in the total number of tourists in 2018), the prime pedestrian zones as well as well-established shopping centers remain shopping preferred destination among tenants and buyers. In H2 2019, British luxury clothing retailer Ted Baker entered the market within Arena Center, as well as The Body Shop, the UK cosmetics and skin care brand. Serbian fashion brand Mona opened its first store at the capital's most frequented high-street location, in Ilica Street. Earlier this year, Turkish LC Waikiki entered the market within newly-opened Arena Retail Park, while USA shoes brand Steve Madden opened its first store in Croatia, within the Mall of Split.

Developer focus

Over the previous decade, Zagreb retail market has witnessed the significant level of development. Since 2007, the shopping centre stock has evolved rapidly which led to the shopping center saturation. According to the number of square meters of modern shopping stock, Zagreb is among the most developed cities in Central Eastern Europe. For that reason, several existing retail formats have commenced or announced the process of re-development and re-positioning, in order to offer new amenities and stay competitive in the market. Branimir center in Zagreb downtown was recently renovated and redesigned into mixed-use project, named Branimir Mingle Mall, becoming the first entertainment center in Croatia. The similar restructuring will take place in Kaptol Center, recently acquired by Austrian Supernova, while the Westgate shopping center was the first scheme which broaden its offer by accommodating more entertainment tenants. The trend of expanding and improving customer experience and widening the range of services, especially in food and beverage, leisure and entertainment sector will remain in developer's focus in the forthcoming period.

When it comes to the future supply, in December 2019, local investors Sensa nekretnine commenced the development of modern shopping center in Zagreb's settlement Spansko, totaling 30,000 sq m of GLA.

Rental levels

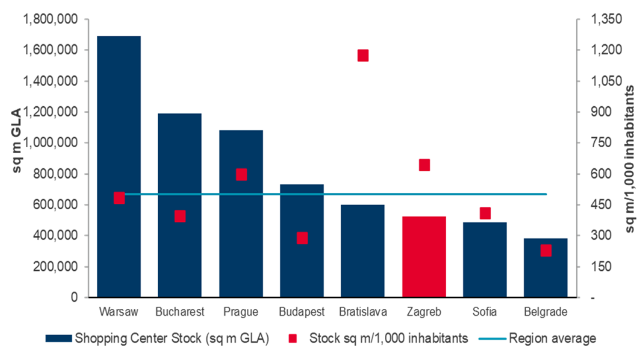
Rental levels currently range between EUR 19-22/sq m/month in the prime shopping centers on average. The rents for prime high-street locations range between EUR 65-95/sq m/month, while the secondary high-street locations command lower prices between EUR 45-70/sq m/month.

Prime Retail Yields (%) - December 2019

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

Source: CBS International, part of Cushman & Wakefield Group

Total retail stock in Zagreb - Region comparison



Source: CBS International, part of Cushman & Wakefield Group

Shopping center Spansko, 30,000 sq m GLA

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