

MARKETBEAT ZAGREB

Office Q4 2020



4.58%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



20,600

Take-Up Q4 2020



990 sq m

Average deal size in Q4 2020



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

-10.0%

GDP Growth rate Q3 2020

YoY
Chg



12-Mo.
Forecast



7.5%

Croatia Q3 2020
Unemployment Rate



EUR 907

Average net salary
in Q3 2020



Source: Croatian Bureau of Statistics, The Croatian
Employment Service
YoY Change vs Q3 2019

ECONOMY

Croatia's economy entered COVID-19 crisis in a significantly better condition than the 2008 crisis, due to positive macroeconomic developments in the last few years. However, as of late February 2020, when the first case of COVID-19 was reported and comprehensive restrictive measures were implemented in March, the slowdown in economic activity was recorded in the first half of 2020. The third quarter of 2020 recorded a positive macroeconomic development, following the relaxation of strict epidemiological measures, as of May 2020. As per Croatia National Bank, after a significant drop in real GDP in the second quarter of the year, it grew by 6.9% on a quarterly basis in Q3, mitigating the decline from the previous quarter. On an annual basis, real GDP decreased by 10.0% in the third quarter year-on-year. Despite the unfavourable development of the epidemiological situation at the end of the year the CNB estimated that the real GDP might fall by 8.9% in 2020, forecasting a favourable rise by 4.9% in 2021, and a return to a stable and sustainable growth path thereafter.

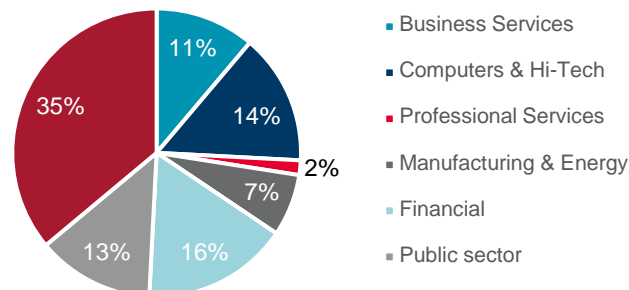
SUPPLY AND DEMAND

At the end of 2020, the total supply of modern office stock in Zagreb amounts to app. 1.5 million sq m, including Class A and Class B office space, both speculative and owner-occupied buildings. There were no new completions in Q4 2020, however several office projects are expected to be completed in the first half of 2021, including Infobip – Alpha Centauri campus Zagreb, in the area popularly named Zagreb Silicon Valley, which will upon completion total 20,000 sq m. Additionally, the construction works on the first phase of the CITY ISLAND project in Buzin is progressing, the first phase should deliver 15,000 sq m of GLA of office space only. Despite the slowdown in activity in the first half of 2020 due to COVID-19 pandemics and the earthquake that hit Zagreb in April the same year, the office market was very active overall, with significant leasing activity. As per our market intelligence, the total leasing activity amounted to 55,000 sq m in 2020, while the average size of deal in Q4 2020 was 990 sq m. If we analyse the share per type of business, Professional Services sectors were the key performers, followed by Business Services and Computers and Hi-Tech.

RENTS AND VACANCY

The asking rental values of Class A office buildings vary between EUR 13-15/sq m/month, while the asking rents of Class B stock amount to around EUR 10-12/sq m/month. Prime yields for modern office space vary between 7.50 – 7.75%. After a marginal increase in the vacancy rate in Q2 and Q3 2020, the vacancy rate continued to increase and at the end of Q4 2020 reached the level of 4.58%.

TAKE-UP PER SECTOR OF BUSINESS Q4 2020



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