

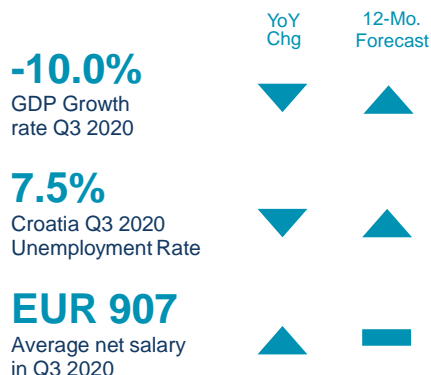
MARKETBEAT

ZAGREB

Retail H2 2020



ECONOMIC INDICATORS 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

In the second half of 2020 retail sector started to recover, after the lockdown measures in the first half of the year during which Croatia retail turnover decreased substantially in comparison with 2019. Hence, in December 2020, retail turnover decreased by 3.2% compared to the same month of the previous year, however this represents substantial increase compared to April data when it decreased by 25.5% y-o-y. There were no new completions in Zagreb in H2 2020, however Supernova reopened its Kaptol Center after renovation, totalling 12,000 sqm of GLA, just before Christmas, with Konzum as an anchor tenant. Capitol park Ivanić opened its doors in November, in the renovated Konzum building near the city center, which will along with Konzum supermarket host international brands on about 5,000 sq m of GLA, namely: Pepco, TEDI and Kik Textilien. In regard to the demand, Nespresso and Hempium opened their new shops in Zagreb city centre, Mona opened its shop in Avenue Mall Zagreb, while Atelier Rebul a Turkish cosmetic brand opened its first store in Croatia in City Center East. When it comes to future supply, a group of local investors Sensa nekretnine are currently developing modern scheme Z Centre in Zagreb totalling 30,000 sq m of GLA, also IMMOFINANZ, announced development of its third retail park in Croatia, Stop Shop Velika Gorica.

RENTS AND VACANCY

As the consequence of adopted measures against coronavirus, visitors' footfall decreased across all formats during the year, the most affected being shopping centres as well as high-street zones as depending significantly on the tourists. Subsequently, in regard to the rents in shopping centres, there were some pressures for additional lease incentives for the recovery period, while in the city centre the pressures were caused not only by reduced footfall and lack of tourists due to the corona pandemic, but also due to the earthquake that damaged many buildings in the centre. However, high-street has been very dynamic in the previous period with substantial number of new leases but also tenants who left before the expiry of the contract. Moreover, retail parks remain the most resilient to footfall decline, due to their open-type architecture as best-placed for social distancing. Prime yields for high-street locations remained stable, amounting to 6.50%, while prime shopping centres' yields are set at the level of 7.00%.



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