

3.45%
Vacancy Rate

YoY
Chg

12-Mo.
Forecast

15,000
Take-Up H1 2020

EUR 13-15
Class A Rent per sq m

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2020

0.4%
GDP Growth
rate Q1 2020

YoY
Chg

12-Mo.
Forecast

7.0%
Croatia
Unemployment Rate

EUR 902
Average net salary
in Q1 2020

Source: Croatian Bureau of Statistics
YoY Change vs Q1 2019

ECONOMY

In the last few years, macroeconomic developments in Croatia have been positive. However, as of late February 2020, when the first case of COVID-19 was reported, the economic activity moderated with GDP increasing 0.4% in the first quarter of 2020, slowing from 2.9%, recorded in the year 2019. Following the easing of strict epidemiological measures, domestic demand started to recover as of May 2020, yet the expected decrease in the foreign demand, particularly in tourism revenues, will slow down and prolong the recovery period. As per Croatia National Bank's projections, the decline of GDP by 9.7% is anticipated in 2020, while the annual economic growth is estimated to reach 6.2% in the next year.

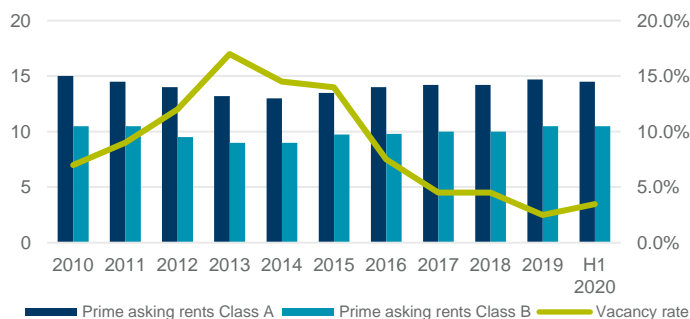
SUPPLY AND DEMAND

At the end of H1 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. Majority of Zagreb office supply is located in the central city area (including Central Business District, Centre, Novi Zagreb, Business District East and Business District West). Zagreb office market saw the completion of two office buildings in H1 2020 totaling 18,000 sq m, while another two projects are expected to be delivered in the second half of the year, which will further boost the total office stock by app. 25,000 sq m. The market activity was mainly driven by tenant relocations and new leases. Such a trend has been constant over the recent period as companies continue to migrate to more flexible and modern office schemes. In addition, a stronger demand for office space occurred after the earthquake in Zagreb, having in mind that this situation forced a number of companies, located in older buildings, to relocate to newer office premises. At the end of Q2 2020, the total year-to-date take-up volume exceeded 15,000 sq m.

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 spaces vary between 7.25 - 7.50%. After several quarters with historically low vacancy levels, new deliveries in H1 2020 have resulted in a marginal increase of the vacancy rate, reaching the level of 3.45% at the end of Q2 2020.

OVERALL VACANCY & ASKING RENT



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