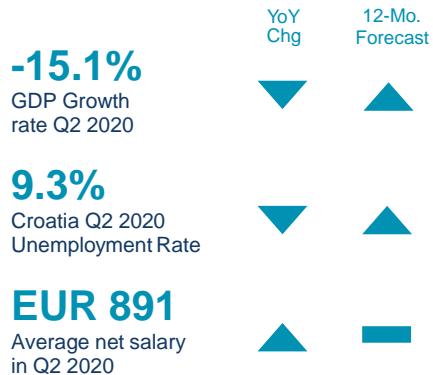




ECONOMIC INDICATORS Q2 2020



Source: Croatian Bureau of Statistics, The Croatian Employment Service
YoY Change vs Q2 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, comprehensive restrictive measures were implemented in March and gradually relaxed by May. In the first quarter, Croatia managed to avoid an economic downturn, thanks to solid pre-Covid-19 domestic demand. In Q1 2020, GDP grew by 0.4%, slowing from 2.9%, recorded in the year 2019. However, according to the most recent information published by Croatian Bureau of Statistics, Croatia's economic decline in the second quarter amounted to 15.1%, compared to the same period last year. The double-digit drop was caused mainly by restrictive lockdown measures and the pre-season tourism output drop. In Q2 2020, the major decline was recorded in tourism (67%), followed by exports of goods and services (40%), while household consumption dropped by 14%. According to Government's forecast, Croatia's GDP will drop by 9.4% this year, but for the full-year growth forecast, the third quarter will be crucial.

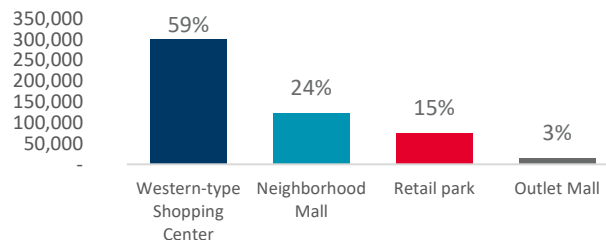
SUPPLY AND DEMAND

COVID-19 pandemic has dramatically disrupted the retail sector. As a result of lockdown measures, retailers turned to flexible omni-channel retail models, in order to recompense the revenue from their physical stores and to ensure commerce keep going. Relaxing restrictions at the end of April led to increased turnover in retail, noting 22% rise in consumption in first week of eased measures. Croatia was among EU countries with the strongest recovery of retail trade in May, considerably above the EU average, according to Eurostat. A good sign of recovery are new brands that entered Croatia retail market in post-lockdown period. Global pizza chain Domino's has opened its first restaurant in capital's high-street zone, while Italian discount retailer Eurospin opened its first store in the coastal city of Zadar. Due to the lack of new completions in H1 2020 and since the Branimir center was recently redesigned into entertainment center, Zagreb modern retail stock totals 513,000 sq m of GLA. 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, while Poseidon group is developing Capitol Park of 5,000 sq m GLA in Ivanic grad, both scheduled for opening in H2 2020. Supernova opened retail park in Pozega, totaling 11,000 sq m, while the same investor has Kaptol Center under renovation.

RENTS AND VACANCY

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 yields for high-street locations amount to 6.50%, while prime shopping centers' yields are set at the level of 7.00%

ZAGREB RETAIL SUPPLY



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