

Office H1 2021

	YoY Chg	12-Mo. Forecast
4.16% Vacancy Rate	▲	▲
25.450 Take-Up H1 2021	▲	▲
415 sq m Average deal size in H1 2021 <i>(Overall, All Property Classes)</i>	▬	▬

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
- 0.7% GDP Growth rate Q1 2021	▼	▲
9.2% Croatia Q4 2020 Unemployment Rate	▲	▼
EUR 950 Average net salary in Q1 2021	▲	▲

Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

Figures show that the pandemic has largely led to a slowdown in Croatian economy since mid-March 2020. However, the economic activity accelerated sharply in the first quarter of 2021 as compared to the previous quarter, indicating the recovery of the economy. The first estimations, published by the Croatia Bureau of Statistics, show that the quarterly GDP decreased in real terms by 0.7% in the first quarter of 2021 compared to the same quarter of 2020, which is a much milder decrease than in the fourth quarter of 2020, when it amounted to -7.2%. The quarterly decline was recorded in most business activities and it was mostly influenced by wholesale and retail trade, transportation and storage, accommodation and food service activities, as well as real estate activities. However, the increase was recorded in all construction activities: construction of buildings, civil engineering and other specialised construction activities.

SUPPLY AND DEMAND

During the H1 2021, three small-scale projects, were completed, totalling 12,000 sq m. Additionally, Infobip – Alpha Centauri campus Zagreb has been also completed, which further boosted the total office stock by app. 12,000 sq m. At the end of H1 2021, the total supply of modern office stock in Zagreb amounts to app. 1.53 million sq m, including Class A and Class B office space. Speculative (leasable) office stock totals approx. 1,050,000 sq m, i.e. over 75% of the total modern office supply in Zagreb.

At the end of H1 2021, the total take-up volume exceeds 25,000 sq m, which represents an increase of over 65% in comparison with the same period last year. If we analyse the share per type of business, Computers and Hi-Tech sector was the key performer, followed by Business Services and Professional Services sectors.

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 7.75 – 8.00%. During the 2020, there was no significant impact on the headline rents, bearing in mind that the investors were applying different pricing strategy for the tenants (i.e., rent-free period to be used earlier than stipulated in lease agreements, a waiver of certain obligations and/or tenant incentives, etc.). Along with new trends in demand, it is expected that further pressure will be put on the effective rental levels in the forthcoming period.

Even though several office buildings were completed in H1 2021, causing stock increase, the strong absorption of the new space has retained the vacancy low, which further dropped to the level of 4.16%.



Infobip – Alpha Centauri Campus, Zagreb

CBS International

6A Slavenska Avenue,
City Plaza Zagreb
10000 Zagreb, Croatia
Tel: +385 1 3884 728
office@cw-cbs.hr

[cushmanwakefield.com / cw-cbs.hr](http://cushmanwakefield.com/cw-cbs.hr)

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