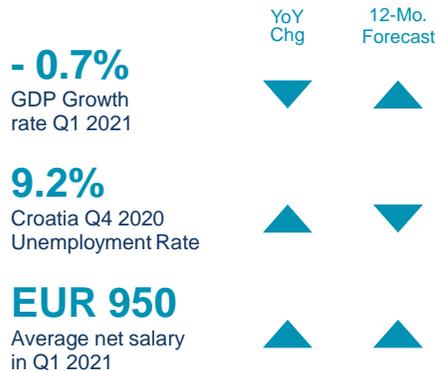




ECONOMIC INDICATORS



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.

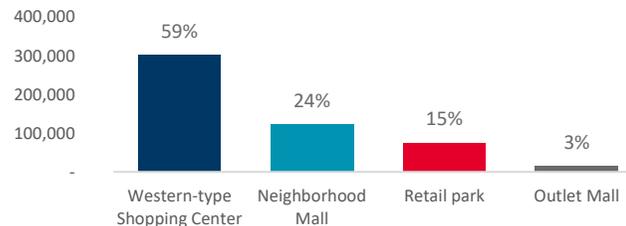
SUPPLY AND DEMAND

Croatia retail market has shown remarkable resilience, despite several lock down periods since the March 2020, as a result of the COVID-19 pandemic. Retail sales volume grew by an annual 16.5% in real terms in May, according to the Croatia Bureau of Statistics latest available figures. Due to the lack of new completions in H1 2021, Zagreb modern retail stock stands at the level of approx. 506,000 sq m of GLA. However, in regard to the new comers, Kiko Milano, Italian make-up brand opened its first store in Arena Centar along with De'Ilure, jewellery brand which is coming from the Prahir Fine luxury factory. In the city center several brands opened their shops including multi-brand women's clothing store Boutique Bandolera, Shoe Cleanique and pop up store Fashion Designer Outlet. Additionally, Studenac, leading retail chain on the Adriatic coast, opened its first shop in Zagreb, at the address 1 Kneza Mislava Street, presenting the new city format of the store, tailored to the needs of customers in the urban environment. Most of the large food retailers in Croatia, such as Konzum, Plodine, Lidl, Eurospin, Spar i Interspar and Tommy have been expanding their retail networks throughout the country since the beginning of 2021.

RENTS AND VACANCY

As the consequence of adopted measures against coronavirus, visitors' footfall decreased across all formats since March 2020, 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. 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. All of these influenced investors to apply different pricing strategies, which means the introduction of rents that directly depend on turnover for new leases, the period of non-payment of service charges as a means of lowering effective rents. In 2021, it is expected that further pressure will be put on the rent levels, if the situation and measures related to the operation of retail market continue. Prime yields for high-street locations are set at the level of 7.00%, while prime shopping centres' yields increased slightly to 7.25%.

ZAGREB RETAIL SUPPLY



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