

Office Q3 2021

	YoY Chg	12-Mo. Forecast
3.47% Vacancy Rate	▲	▲
25,630 Take-Up Q3 2021	▲	▲
520 sq m Average deal size in Q3 2021 <i>(Overall, All Property Classes)</i>	■	■

ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
16.5% GDP Growth rate Q2 2021	▲	▲
8.0% Croatia Q2 2021 Unemployment Rate	▲	▼
EUR 979 Average net salary in Q2 2021	▲	▲

Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

In the first half of 2021, Croatia's economy continued to rebound strongly from the significant drop in output recorded in 2020. The first estimate, published by the Croatia Bureau of Statistics, shows that the quarterly GDP increased in real terms by 16.1% in the second quarter of 2021, as compared to the same quarter of 2020, mostly supported by strong private consumption and a better-than-expected performance of the tourism sector. In the first nine months of 2021, in commercial accommodation establishments, an increase of 75.2% in arrivals and of 68.4% in tourist nights was recorded compared to the first nine months of 2020. The growth in industrial production volume was realised in parallel with the growth in the volume of construction works, which was recorded in all various segments: construction of buildings, civil engineering and other specialised construction activities. According to working-day adjusted indices, the volume of construction works in August 2021, as compared to August 2020, increased by 10.8%. The increase has been recorded in the field of construction for fifteen months in a row.

SUPPLY AND DEMAND

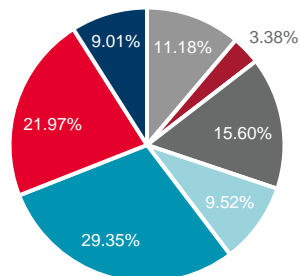
Despite dynamic construction activity on Zagreb office market, only one office building was completed in the previous quarter, BHB Domus totalling 4,600 sq m of GLA. At the end of Q3 2021, the total supply of modern office stock in Zagreb amounts to app. 1.53 million sq m, including Class A and Class B office space. Speculative (leasable) office stock totals approx. 1,175,000 sq m, i.e. over 76% of the total modern office supply in Zagreb. Further expansion of Zagreb office market is expected in the following period, with several office schemes currently under construction, i.e., City Island and Gradiscanska office building, as well as Rimac Automobili Campus of almost 200,000 sq m, that started development on the outskirts of Zagreb, which features office HQ of 5,000 sq m, production and R&D facilities and many additional amenities for employees. Moreover, Business centre in Radnicka cesta St. is being developed, which upon completion (Q1 2023) will feature 3,300 sq m GLA with 46 parking places.

During Q3 2021 dynamic leasing activity continued from the previous period, additionally boosted with the opening of the Infobip – Alpha Centauri campus Zagreb, at the end of H1 2021, hence, the total take-up volume in Q3 2021 exceeds 25,500 sq m. The first three quarters of 2021 marked strong performance in office segment, as the overall demand exceeded 51,000 sq m. If we analyse the share per type of business, Manufacturing sector was the key performer in the third quarter, followed by Computers & Hi-Tech and Business Services sectors.

RENTS AND VACANCY

The asking rental values of Class A office buildings vary between EUR 13-15.5/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%. After a marginal decline in the vacancy rate in Q2 2021, the vacancy rate continued to drop, due to the strong absorption, at the end of Q3 2021 reached the level of 3.47%, returning to the same level it had at the end of the second quarter of 2020, after more than a year of higher vacancy level.

TAKE-UP PER SECTOR OF BUSINESS Q3 2021



- FINANCIAL
- PROFESSIONAL
- BUSINESS
- CONSUMER
- MANUFACTURING
- COMPUTERS
- PUBLIC

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