

MARKETBEAT ZAGREB

Office Q4 2021



3.23%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



10,140

Take-Up Q4 2021



370 sq m

Average deal size in Q4 2021



(Overall, All Property Classes)

ECONOMIC INDICATORS

15.8%

GDP Growth rate Q3 2021

YoY
Chg



12-Mo.
Forecast



7.4%

Croatia Q4 2021 Unemployment Rate



EUR 953

Average net salary in Q3 2021



Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

In the first three quarters of 2021, Croatia's economy continued its recovery from the significant drop in output in 2020. According to the first estimate, published by the Croatia Bureau of Statistics, the quarterly GDP, in the third quarter of 2021, increased in real terms by 15.8% as compared to the same quarter of 2020. This growth was mostly influenced by Wholesale and retail trade, Transportation and storage, as well as Accommodation and food service activities. In addition, the GDP growth was favourably affected by tourist movements, as in the first 11 months of 2021, tourists realised 12.5 million arrivals and 69.6 million overnights, which was 80.7% more arrivals and 71.5% more tourist nights compared to the same period of 2020. According to the Croatia Bureau of Statistics, the volume of construction works in November 2021, as compared to November 2020, increased by 4.5%, the successive increase has been recorded in the field of construction for eighteen months in a row.

SUPPLY AND DEMAND

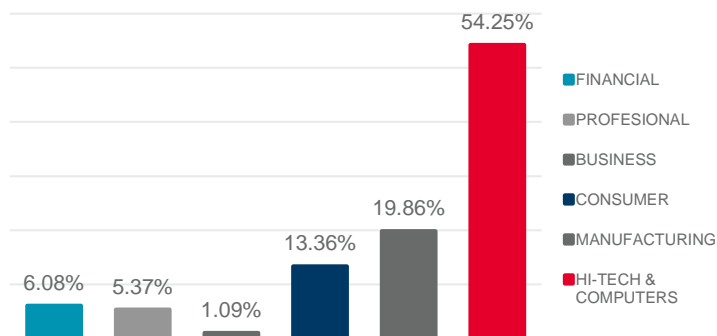
During Q4 2021, the total supply of modern office stock in Zagreb remained unchanged standing at approx. 1.53 million sq m, including Class A and Class B office space. Speculative (leasable) office stock totals approx. 1,175,000 sq m, i.e. over 76% of the total modern office supply in Zagreb. Despite the fact that there were no new completions in Q4 2021, the office market was very active overall. Several office projects are under construction, including the construction works on the first phase of the CITY ISLAND project in Buzin, which should deliver 15,000 sq m of GLA of office space only, and the completion is expected in Q3 2022. Also, under construction are Gradiscanska office building, Rimac Automobili Campus, Business Centre in Radnicka cesta St. as well as several smaller office schemes. Business Centre in Radnicka cesta St. will upon completion (Q1 2023) comprise 3,300 sq m GLA with 46 parking places.

As per our market intelligence, the total leasing activity exceeds 61,000 sq m in 2021, while the average size of the deal in Q4 2021 was 370 sq m. If we analyse the share per type of business, Computers & Hi-Tech and Manufacturing sectors were the key performers, and we expect companies from this market segment to remain the main market drivers in the upcoming period. Despite the slowdown in activity due to COVID-19 pandemic and the earthquake that hit Zagreb in 2020, the office market bounced back, high absorption rate as well as dynamic construction activity further indicates the recovery of Zagreb Office Market and the restored confidence in it.

RENTS AND VACANCY

The asking rental values of Class A office buildings slightly increased and vary between EUR 13-16/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 remained unchanged for several quarters and vary between 7.75 – 8.00%. After the drop in the vacancy rate in Q3 2021, further decline was recorded, bringing the vacancy rate to the level of 3.23%, as a result of stable demand and no new deliveries on Zagreb Office Market.

TAKE-UP PER SECTOR OF BUSINESS Q4 2021



CBS International

6A Slavenska Avenue,
City Plaza Zagreb
10000 Zagreb, Croatia
Tel: +385 1 22 3884 728
office@cw-cbs.hr

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

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