

# MARKETBEAT ZAGREB

Office Q2 2022



YoY Chg      12-Mo. Forecast

**2.52%**  
Vacancy Rate Q2 2022



**20,400**  
Take-Up Q2 2022



**545 sq m**  
Average deal size in Q2 2022



(Overall, All Property Classes)

## ECONOMIC INDICATORS

YoY Chg      12-Mo. Forecast

**7.0%**  
GDP Growth rate Q1 2022



**7.1%**  
Croatia Q1 2022 Unemployment Rate



**EUR 995**  
Croatia average net salary in Q1 2022



Source: Croatian Bureau of Statistics, The Croatian Employment Service

## ECONOMY

The Croatian economy entered 2022 strongly, with real GDP growth in the first quarter of 7.0% compared to the corresponding period of the previous year. According to the European Commission predictions from May 2022, Croatia's GDP is expected to expand by a real 3.4% this year, hence lowering projection for a 4.8% growth made in February, due to the exposure of the Croatian economy to the ongoing Russia-Ukraine conflict. The GDP growth was largely influenced by tourist movements, as in the first five months of 2022, tourists realised 2.8 million arrivals and 8.7 million nights in commercial accommodation establishments, which was almost three times more tourist arrivals and overnights than in the same period of 2021. EC expects Croatia's inflation to accelerate from 2.7% in 2021 to 6.1% in 2022, mainly driven by rising energy and food prices triggered by shocks on international commodity markets. Croatia got green light to join Economic and Monetary Union, as in their assessment, the ECB and EC both concluded that Croatia is meeting the convergence criteria and is ready to become the 20th EMU member from 2023.

## SUPPLY AND DEMAND

Despite the dynamic construction activity on Zagreb office market, there were no new completions on the market in Q2 2022. Hence, at the end of second quarter 2022, the total supply of modern office stock in Zagreb remained at the same level at app. 1,537,000 sq m, including Class A and Class B office space, out of which a share of Class A stock is 38%, while Class B share is 62%. Further expansion of Zagreb office market is expected in the following period, with several office schemes currently under construction, including Matrix C office building, being developed by GTC, totalling 10,500 sq m GLA. Moreover, the first phase of the City Island Project is due for completion in Q3 2022, which should enlarge Zagreb office market for additional 15,000 sq m GLA, along with Radnicka 75 office building of 3,300 sq m GLA, which is planned for completion in Q1 2023. Another smaller scale office project Grawe Garden Centar is currently under construction totalling 2,100 sq m GLA.

During the Q2 2022 leasing activity picked up in the first quarter, amounting to 20,400 sq m, which is more than double the figure compared to the previous quarter, and the year-to-date leasing activity exceeds 30,000 sq m. If we analyse the share per type of business, Consumer sector was the key performer in the second quarter, followed by Computers & Hi-Tech and Manufacturing sectors.

## RENTS AND VACANCY

The asking rental values of Class A office buildings vary between EUR 13-16.5/sq m/month, while the Class B stock command the rental levels between EUR 10-12/sq m/month. Strong appetite for this segment of property market, along with a stable demand and lack of opportunities on the market caused the pressure on yields for prime offices in Zagreb. At the end of Q2 2022, prime yields are revised and range between 7.25 - 7.75%. After a marginal decline in the vacancy rate in Q1 2022, the amount of available space continued to drop. Due to the strong absorption in the second quarter of 2022, a vacancy rate reached the level of 2.52%, hitting the lowest recorded vacancy level on Zagreb office market.



Project 75, Radnicka Str.



GTC Matrix C, Slavonska Ave.

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