

1,537,000

Office stock Q3 2022

YoY
Chg



12-Mo.
Forecast



9,200

Take-Up Q3 2022



2.31%

Vacancy Rate Q3 2022



(Overall, All Property Classes)

ECONOMIC INDICATORS

7.8%

GDP Growth rate Q2 2022

YoY
Chg



12-Mo.
Forecast



6.6%

Zagreb Q2 2022
Unemployment rate



EUR 1,210

Zagreb Q2 2022
Average net salary



Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

The recovery of the global economy from the coronavirus crisis edged down at the turn of 2021, and was further weakened following the conflict in Ukraine, which resulted in imposition of trade and financial sanctions on Russia and spurred uncertainty over the supply of energy and other raw materials, contributing to a sharp rise in their prices. However, since the second quarter of 2021, the Croatian economic activity has shown a continuous upward trend, and in Q2 2022, GDP was 1% higher than in previous quarter, as it was largely influenced by tourist movements. Namely, in the first eight months of 2022, tourists realised 14.2 million arrivals and 74.5 million overnights in commercial accommodation establishments, which was a double-digit increase of 42.7% in tourist arrivals and 31.5% in tourist nights compared to the same period of 2021. The prices of goods and services for personal consumption, measured by the consumer price index, increased by 12.8% on average in September 2022, as compared to September 2021.

SUPPLY AND DEMAND

The Zagreb modern office stock currently stands at the level of app. 1,54 million sq m of GLA, with no completions during the third quarter of 2022. Speculative (leasable) office stock reaches the share of 76% (including class A and class B office space), while 44% of office stock is situated in the CBD. In terms of the new deliveries, several office schemes are underway with delivery dates set for the next year, suggesting the upturn in office stock by 40,000 sq m.

In line with the standard market practice that summer quarters are less active in tenants' activity, this year's Q3 performance was at the similar level as Q1 results, i.e., take-up was around 9,000 sq m. The average deal size amounted to 350 sq m. The overall take-up in the first three quarters of 2022 exceeded 40,000 sq m, which is at the similar level as compared to the corresponding period of 2021, showing the stable activity in the leasing segment. The overall demand was mostly driven by IT & Hi-Tech industry (45%), followed by Manufacturing services (22%) and Consumer services & Leisure (10%).

Despite all the challenges that office market has been facing recently due to organizational changes and adapting to new trends in office market, as well as uncertainty caused by Russia-Ukraine conflict, there is a healthy appetite for this property segment in Zagreb, proved by two investment transactions that occurred during Q3. Namely, GTC has agreed to sell its Matrix A and B office buildings in Zagreb to a local real estate group. These prime office schemes are part of the Matrix Office Park, developed in the period 2019-2020 and have a combined leasable area of 21,440 sq m. Both buildings are LEED Platinum certified. In addition, class A office building of 13,725 sq m, located in the heart of CBD in Koranska street, was sold to international insurance group.

RENTS AND VACANCY

Without new completed projects and stable demand, vacancy level has been showing a constant decline. At the end of Q3 2022 vacancy rate further dropped to the level of 2.31%.

Due to low vacancy, the rents are noting the upward trend. 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. However, in certain cases, when it comes to the prime office space, recently developed and situated at the most attractive locations, asking prices can go up to EUR 17 per square meter on a monthly basis.

Prime yields for modern office space vary between 7.25-7.75%.

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