

**1,552,700**

Office stock Q4 2022

YoY  
Chg



12-Mo.  
Forecast



**22,560**

Take-Up Q4 2022



**2.37%**

Vacancy Rate Q4 2022



(Overall, All Property Classes)

## ECONOMIC INDICATORS

**5.2%**

GDP Growth rate Q3 2022

YoY  
Chg



12-Mo.  
Forecast



**6.8%**

Zagreb Q3 2022 Unemployment rate



**EUR 1,190**

Zagreb Q3 2022 Average net salary



Source: Croatian Bureau of Statistics, The Croatian Employment Service

## ECONOMY

When looking back at 2022 economic developments in Croatia, it is obvious that after a rebound in 2021, real GDP in Croatia continued to strongly increase in the first three quarters of 2022. Furthermore, Croatia's gross domestic product advanced by 5.2% year-on-year in the third quarter of 2022, following 7.7% growth in the second quarter of the year. The country benefited from the reopening of economies after the COVID-19 lockdowns, while the high demand and consumer savings built up during the pandemic boosted tourism, the most important sector of the economy. However, food and energy prices surged as a result of the ongoing conflict in Ukraine and supply chain issues. Wages grew but not enough to offset the negative impact of inflation on real incomes. According to the figures published by the Croatia Bureau of Statistics, in November 2022 compared to October 2022, the prices of goods and services for personal consumption, measured by the consumer price index, increased by 0.9% on average. Compared to November 2021, that is, at the annual level, they increased by 13.5% on average, while on the annual average they increased by 10.1%. However, the government introduced fiscal support schemes to ease the negative economic and social impact of soaring energy prices from April this year. Additionally, as of 1<sup>st</sup> January 2023, Croatia joined the EU's border free Schengen zone and adopted the euro. This will provide a boost to Croatia's tourism industry, which has a typical contribution to GDP of 25% and accounts for a similar share of employment.

## SUPPLY AND DEMAND

Zagreb Office market ended the year 2022 with one more new delivery on the market, i.e. the first phase of City Island project has been completed, which contributed to the total supply of modern office stock in Zagreb with additional 15,000 sq m of GLA. Summarising whole 2022, two office buildings were completed in Zagreb, totalling approx. 20,500 sq m. Hence, the total supply of modern office stock in Zagreb now stands at approx. 1,552,700 sq m, out of which share of Class A stock is 38%, while Class B share is 62%. Additionally, several new office projects are under construction or in preparation phase including Radnicka 75 office building of 3,300 sq m GLA, which is planned for completion in Q1 2023 as well as Grawe Garden Centar totalling 2,100 sq m GLA which should be completed in Q3 2023. Furthermore, Matrix C office building, the third phase of the GTC's Matrix office park, which construction was postponed should commence in spring 2023.

During the 2022, after a moderate leasing activity in the first quarter 9,800 sq m, leasing activity picked up in the second quarter, amounting to 20,400 sq m, in the third quarter leasing activity continued in line with the market practice for summer months, when tenants are less active, with the results on the similar level as in Q1. However, in the fourth quarter leasing activity picked up amounting to 22,560 sq m, which resulted with the overall leasing activity in 2022 amounting 62,600 sq m. If we analyse the share per type of business, Consumer sector was the key performer, followed by Computers & Hi-Tech and Manufacturing sectors.

## RENTS AND VACANCY

At the end of Q4 2022, the market recorded an overall vacancy rate of 2,37%, which remained at a similar level as in the previous quarter, despite new delivery on the market during the fourth quarter, thanks to intense leasing activity in this period.

In the fourth quarter 2022 the asking rental levels remained stable, for Class A office buildings between EUR 13-15.5/sq m/month and for Class B office stock amounted to around EUR 10-12.5/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 vary between EUR 16-17 per square meter on a monthly basis.

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

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