

MARKETBEAT ZAGREB

Office Q1 2023



1,552,700

Office stock Q1 2023

YoY
Chg



12-Mo.
Forecast



18,700

Take-Up Q1 2023



1.53%

Vacancy Rate Q1 2023



(Overall, All Property Classes)

ECONOMIC INDICATORS

6.3%

GDP Growth rate
2022



6.3%

Zagreb Q4 2022
Unemployment rate



EUR 1,209

Zagreb Q4 2022
Average net salary



Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

According to the first estimate published by Croatian Bureau of Statistics, the Croatia's annual GDP increased in real terms by 6.3% in 2022, with domestic demand being the main driver of the growth. In 2023, real GDP is forecast to grow by 1.2% supported also by the accession of Croatia to the euro and Schengen areas, which is expected to further reduce costs and frictions to trade and travel and support inbound investments. At the same time, geopolitical tensions and a weaker global environment are set to weigh on external demand. Real incomes are expected to start recovering in the second half of the year, benefiting from lower energy and food inflation and a still resilient labour market, supporting a mild increase in household consumption.

SUPPLY AND DEMAND

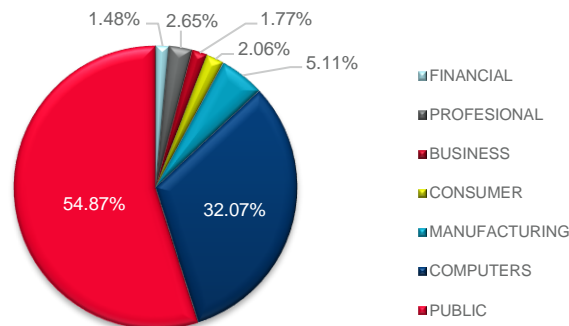
In the first quarter of 2023, the total supply of Zagreb modern office stock remained unchanged at the level of 1,552,700 sq m of GLA, out of which app. 953,500 sq m of GLA is speculative/leasable office stock, while app. 277,500 sq m is built for owner-occupation purposes. However, construction activity is picking up as per current investors plans over 60,000 sq m of office space is expected to be completed by the end of 2024. Namely, Matrix C office building of app. 10,000 sq m, the third phase of the GTC's Matrix office park, should be completed during the second quarter of 2023. Also, Radnicka 75 Office Building of 3,300 sq m GLA is close to completion, as well as Grawe Garden Centar totalling 2,100 sq m GLA, while the works on the second phase of City Island Buzin app. 25,000 sq m should be completed by the end of 2023. Additionally, mixed-use complex Museum Residences, in Novi Zagreb, is currently under construction, which upon completion in Q2 2024, will provide approx. 8,000 sq m of additional office space to the Zagreb office market.

In the first three months of 2023, occupier's activity was very healthy, with the take-up reaching 18,700 sq m of modern office space, representing an impressive growth of app. 90%, as compared to Q1 2022, with 33% of the deals were in Zagreb's CBD zone, with average deal size of 800 sq m. If we analyse the share per type of business, Public sector was the key performer in the first quarter, with the share of more than 54% of total take-up, followed by Computers & Hi-Tech and Manufacturing sectors.

RENTS AND VACANCY

At the moment, in general, the asking rental levels for Class A range between EUR 13-15.5/sq m/month, and for Class B office stock amount 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. Due to the lack of new deliveries on the market, which would increase the total office stock, along with a steady demand, the overall the vacancy rate declined to historically lowest level of 1.53%, while the vacancy rate for class A offices dropped to the level of 0.58%. Prime yields for modern office space vary between 7.25-7.75%.

TAKE-UP PER SECTOR OF BUSINESS Q1 2023



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