

9,700 sq m
Take up Q2 2024

YoY Chg

12-Mo. Forecast



1.45%
Vacancy Rate



€ 16.0-18.0
Prime asking rental levels



(Overall, All Property Classes)

ECONOMIC INDICATORS

3.9%
GDP Growth Rate
Q1 2024

YoY Chg

12-Mo. Forecast



2.5%
Zagreb Q1 2024
Unemployment Rate



EUR 1,494
Zagreb Q1 2024
Average Net Salary



Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

At the beginning of 2024, Croatia experienced a stable economic activity. Although economic growth decelerated as compared to the late 2023, it remained rather strong, with an annual real GDP growth rate of 3.9% in Q1 2024. This growth was primarily driven by positive trends in the service and construction sectors, while the manufacturing sector remained stable. According to the Croatian National Bank, Croatia's GDP is projected to increase by 3.3% in 2024 and 2.9% in 2025, primarily fuelled by robust household consumption. Due to the ongoing economic growth, the number of employees in Croatia increased at a slightly faster pace at the start of 2024 as compared to the end of the previous year. The labour market is anticipated to remain constrained, with employment growth and the unemployment rate hitting lower levels. Inflation is expected to gradually decrease over the forecasted period. After significantly slowing in 2023, consumer price inflation continued to decrease in the first five months of 2024. According to Eurostat's initial estimation, overall inflation, as measured by the HICP, was at 4.3% in May 2024, down from 5.4% in December 2023.

SUPPLY AND DEMAND

Having in mind that there were no deliveries during the second quarter of 2024, the supply of modern office space in Zagreb stands at 1,556,601 square meters at the end of Q2 2024, out of which almost 1.2 million square meters are office buildings dedicated for lease. Split by classes, the majority of the supply in Zagreb is Class B (61%), while modern Class A space makes up for 39% of the total supply.

In regard to market development, an additional more than 100,000 sq m of modern office space is currently under construction or in the preparation phase, expected to be delivered by the end of 2026. To be more specific, almost 60,000 sq m is already or still under construction including projects like City Island Phase 1 and Phase 2 in Buzin, and mixed-use project Museum Residences in Novi Zagreb, while projects such as VMD business centre in Heinzelova Street and GTC's Matrix D office building, the fourth building within the complex, are still in the preparation phase.

Since 2022 and 2023, a market recovery has been noticeable, with tenants mostly coming from the IT sector, pharmaceutical, manufacturing and energy sectors, as well as the professional services sector. In Q2 2024 only, the total take-up amounted to 9,700 sq m, with an average deal size of 440 sq m. Among sectors, ICT remains the key demand driver holding the share of 52% in the Q2 2024 figures. Looking at the first 6 months of 2024, the total take-up equals 20.176 sq m, indicating rather stable demand on the market.

Traditionally, the highest volume in lease transactions on the market was recorded in CBD, where more than 40% of all transactions have taken place, followed by the Buzin business district as the second most desirable location in Q2 2024.

VACANCY AND RENTS

Due to the lack of new projects on the market, together with stable demand, the overall vacancy rate further fell to a historically lowest level of 1.45% at the end of Q2 2024. The vacancy rate for Class A offices dropped to an even lower level of 0.54%.

After a period of stabilization, Class A office buildings are experiencing a steady increase in rental levels due to the low vacancy rate, with rents ranging from EUR 14 to 15.5/sq m/month. Class B office premises are priced between EUR 12 and 13.5 per square meter per month. Current rents for prime Class A office projects at the most attractive locations range between EUR 16-18 per sq m per month. Prime yields for modern office space remained stable between 7.25-7.75%.

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