MARKETBEAT
ZAGREB
OFFICE Q4 2024

CUSHMAN & WAKEFIELD | CBS INTERNATIONAL

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
2.45% Overall Vacancy Rate	▲	▼
10,570 Total Leasing Activity, sqm	▲	—
€18.00 Prime Asking Rent	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
3.9% GDP Growth Rate Q2 2024	▲	—
2.1% Zagreb Unemployment Rate Q3 2024	▲	▲
€1,525 Zagreb Average Net Salary Q3 2024	▲	▲

(Overall, All Property Classes)
Source: Croatian Bureau of Statistics

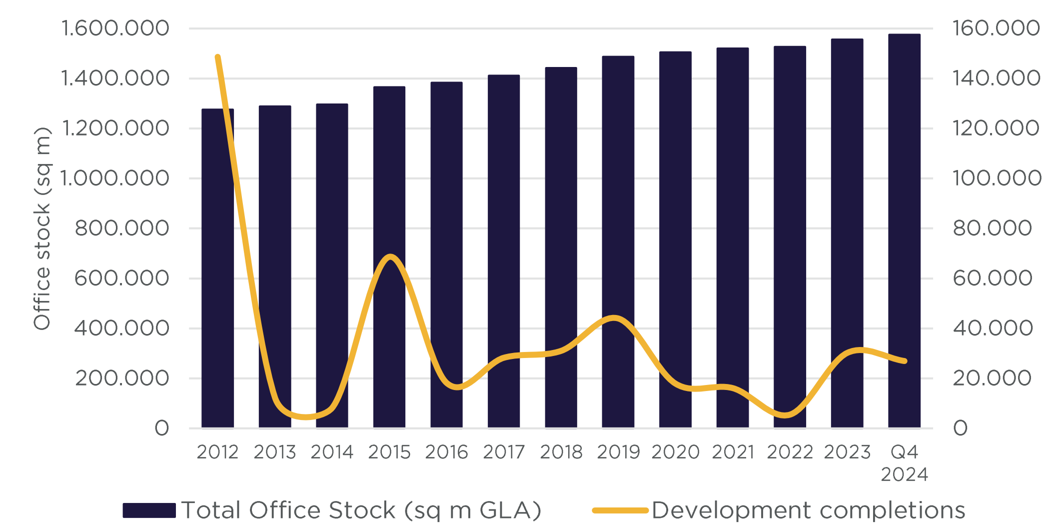
ECONOMY

Croatia experienced a stable economic activity throughout 2024. The Croatian economy continued to expand relatively strongly, with an expected annual real GDP growth rate of 3.7% in 2024. This growth is primarily driven by robust domestic demand, strong labor market trends, fiscal support, and private sector investments. Personal consumption remained resilient, bolstered by ongoing increases in real disposable income. The labor market remained strong, with employment expected to grow by 3.4% in 2024, while the unemployment rate is projected to fall to 4.9%. Employment growth is set to continue in 2025 and 2026, though at a slower pace. Inflation, in Croatia measured by the Harmonised Index of Consumer Prices (HICP), is expected to ease further, declining from 4.0% in 2024 to 3.5% in 2025 and 2.5% in 2026. Croatia's GDP is expected to continue growing, albeit at a slower pace. According to the Croatian National Bank, real GDP growth is projected to average slightly above 3% annually over the next two years. Croatian economy remains on a stable growth path, underpinned by strong domestic demand, favourable labor market conditions, and a gradual reduction in inflation.

SUPPLY

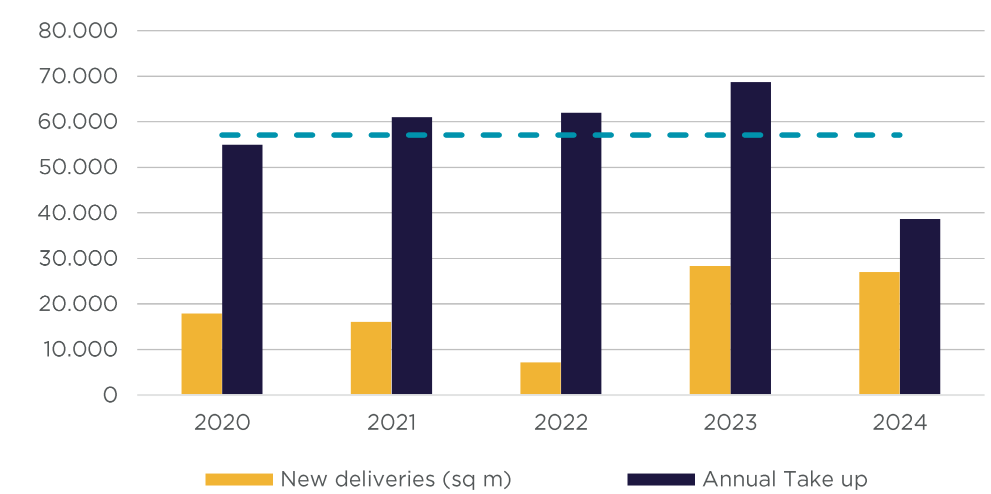
As of Q4 2024, Zagreb's modern office stock has grown to 1.575 million sq m GLA, marking a 0.6% increase year-on-year. This includes both Class A and Class B office schemes, with 1.116 million sq m (71%) categorized as a speculative stock. A total of 26.900 sq m of new office space were delivered during the 2024, that includes delivery of City Island Phase 2 and Grawe Garden project. The completion of these projects was a notable progress in an otherwise quiet year for new construction activity. Looking ahead, more than 112,000 sq m of modern office space is currently under construction or in the preparation phase, with delivery expected by 2027. Specifically, nearly 88,000 sq m is under construction, including the mixed-use Avenue V project on Strojarska-Vukovarska Street, Park Avenue on Vukovarska Street, the VMD business center on Heinzelova Street, Matrix D, the fourth building in the GTC complex, the mixed-use Project Spansko in Business District West the mixed-use Museum Residences in Novi

TOTAL STOCK / NEW DELIVERIES



Source: CBS International, part of Cushman & Wakefield Group

NEW DELIVERIES / SPACE DEMAND



Source: CBS International, part of Cushman & Wakefield Group

Zagreb and the Business Center Arena, where construction has recently begun. Meanwhile, the City Island Phase 3 is still in the preparation phase. Out of all projects that will be delivered, a significant 53% of the total sq/m will be located in CBD, which additionally confirms a strong and dominant position of CBD with the respect to remaining city zones. These upcoming promising projects are anticipated to address the rising demand for high-quality office spaces in Zagreb.

DEMAND

Market activity in 2024 slowed down compared to 2023, with the total office take-up for the year reaching 38,723 sq m, out of which 10,570 sq m was recorded in Q4. However, despite the market slowdown, primarily due to the lack of new deliveries mostly in the CBD zone, overall market absorption remained stable, with a total demand outpacing total supply. The average deal size in Q4 was 533 sq m reflecting a moderate size transactions. Industry-wise, the manufacturing sector emerged as the leading driver of demand in Q4 2024, accounting for 55% of leasing activity, followed by ICT sector with 18%. These two industries continue to shape the market dynamics, with steady interest in both new and existing office spaces. Two significant office building transactions were realized in Q4 2024, the sale of the FINGO office building in the CBD area and the sale of the Selska office building in the Business District West.

PRICING

In regard to rental rates, they remained stable in Q4 2024 with prime asking rents increasing to EUR 17.00–18.50 per sq m per month, reflecting a 6% year-on-year growth from Q4 2023 levels. For Class A office buildings, asking rents ranged between EUR 15.00 and 16.50 per sq m, while Class B office space achieved rents of EUR 13.00 to 14.50 per sq m. Prime yields for moder office space remained stable at around 7,25%. The gap between prime A class and A Class office buildings is expected to widen with the arrival of new, higher-quality projects on the market, making some existing Class A stock appear outdated by comparison, and gradually losing their competitive edge.

VACANCY

At the end of Q4 2024, the vacancy rate increased to 2.45% at the end of Q4 2024, up from 1.71% in Q4 2023. The total amount of available vacant space at the end of Q4 2024 stood at 38,600 sq m. The increase of the vacancy rate was primarily driven by the delivery of City Island Phase 2, which added significant new supply to business district Buzin. For Class A office buildings, the vacancy rate was slightly higher, at 3.19%.

OUTLOOK

- While 2024 was marked by reduced activity and limited market momentum due to lack of new deliveries, the market remains robust and well-positioned for long-term growth, supported by a promising pipeline. The upcoming high-quality developments will be a main driver for a new investment cycle starting in 2025 and continuing in the following years. These projects will not only address the ongoing demand for premium office spaces but will also reshape the market and redefine quality benchmarks.
- These new projects will contribute to a growing gap between newly constructed prime office spaces and older Class A buildings, highlighting upward pressure on prime rents, associated with newer, more advanced buildings. While many office buildings still fall under the Class A category due to limited supply, they are gradually becoming outdated and facing a heightened risk of obsolescence due to stricter building regulations, and tenant demand for energy-efficient, ESG-compliant spaces.
- New projects will drive innovation, demand, and rental growth while older properties must adapt to remain competitive.

TAMARA KOSTADINOVIC
Partner, Regional Head of Market Research
Mob: +381 64 70 10 880
tamara.kostadinovic@cw-cbs.hr

IVAN MIHALJEVIC
Head of Office Agency
+385 99 5837 691
ivan.mihaljevic@cw-cbs.hr

CBS INTERNATIONAL / CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

CBS International, part of Cushman & Wakefield Group (www.cw-cbs.hr)
Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of $9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.