

# MARKETBEAT ZAGREB



Office Q2 2020

**3.45%**

Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**15,000**

Take-Up H1 2020



**EUR 13-15**

Class A Rent per sq m



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2020

**0.4%**

GDP Growth  
rate Q1 2020

YoY  
Chg



12-Mo.  
Forecast



**7.0%**

Croatia  
Unemployment Rate



**EUR 902**

Average net salary  
in Q1 2020



Source: Croatian Bureau of Statistics  
YoY Change vs Q1 2019

## ECONOMY

In the last few years, macroeconomic developments in Croatia have been positive. However, as of late February 2020, when the first case of COVID-19 was reported, the economic activity moderated with GDP increasing 0.4% in the first quarter of 2020, slowing from 2.9%, recorded in the year 2019. Following the easing of strict epidemiological measures, domestic demand started to recover as of May 2020, yet the expected decrease in the foreign demand, particularly in tourism revenues, will slow down and prolong the recovery period. As per Croatia National Bank's projections, the decline of GDP by 9.7% is anticipated in 2020, while the annual economic growth is estimated to reach 6.2% in the next year.

## SUPPLY AND DEMAND

At the end of H1 2020, the total supply of modern office stock in Zagreb amounts to app. 1.5 million sq m, including Class A and Class B office space. Majority of Zagreb office supply is located in the central city area (including Central Business District, Centre, Novi Zagreb, Business District East and Business District West). The least favourite submarkets are at city outskirts (Buzin, Jankomir). If we analyze per category, 62% of the overall stock belongs to Class B buildings, while 38% could be considered as Class A properties, which are mostly located in Central Business District submarket.

Zagreb office market saw the completion of two office buildings in H1 2020 totaling 18,000 sq m, while another two projects are expected to be delivered in the second half of the year, which will further boost the total office stock by app. 25,000 sq m.

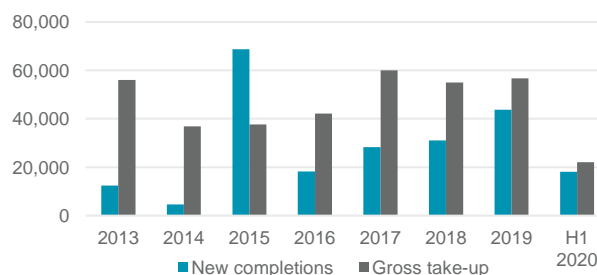
The market activity was mainly driven by tenant relocations and new leases. Such a trend has been constant over the recent period as companies continue to migrate to more flexible and modern office schemes. In addition, a stronger demand for office space occurred after the earthquake in Zagreb, having in mind that this situation forced a number of companies, located in older buildings, to relocate to newer office premises. At the end of Q2 2020, the total year-to-date take-up volume exceeded 15,000 sq m.

## RENTS AND VACANCY

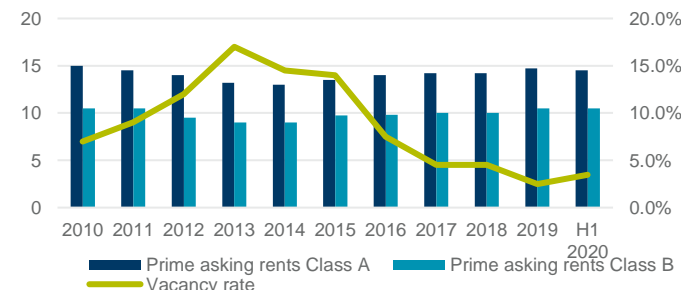
The asking rental values of Class A office buildings vary between EUR 13-15/sq m/month, while the asking rents of Class B stock amount to around EUR 10-12/sq m/month. Prime yields for modern office spaces vary between 7.25 - 7.50%.

After several quarters with historically low vacancy levels, new deliveries in H1 2020 have resulted in a marginal increase of the vacancy rate, reaching the level of 3.45% at the end of Q2 2020.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SQ M GLA)	AVAILABILITY	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP	YTD OVERALL TAKE-UP (SQ M)	UNDER CNSTR (SQ M)
Business District East	124,303	830	0.67%	/	4,000	/
Business District West	97,828	10,015	10.24%	/	300	/
Buzin	50,390	5,577	11.07%	/	900	/
CBD	665,942	19,467	2.92%	4,500	9,000	5,600
City Centre	51,013	270	0.53%	500	300	/
Jankomir	81,543	1,400	1.72%	/	/	20,000
Novi Zagreb	150,565	2,400	1.59%	/	500	/
Wide central area	291,457	12,180	4.18%	/	/	/
<b>ZAGREB TOTALS</b>	<b>1,513,039</b>	<b>52,139</b>	<b>3.45%</b>	<b>5,000</b>	<b>15,000</b>	<b>25,600</b>

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SQ M	TYPE
City Plaza	CBD	IBM	1150	Expansion
Petrius	CBD	HZZ	800	Relocation
Grand Centar	CBD	Ministry of Economy	400	Relocation
City Plaza	CBD	Tele2	200	Expansion

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SQ M GLA	OWNER / DEVELOPER
MATRIX Business Park - Building B	CBD		10,391	GTC
Office-sport center EURO DAUS	Business District West		7,700	Eurogram TIS

**Tamara Kostadinovic**

Regional Head of Market Research  
1 Josipa Marohnica Street,  
City Plaza Zagreb  
10000 Zagreb, Croatia  
Tel: +385 1 22 3884 728  
office@cw-cbs.hr  
www.cw-cbs.hr

[cushmanwakefield.com / cw-cbs.hr](http://cushmanwakefield.com/cw-cbs.hr)

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