

# MARKETBEAT

# ZAGREB

Office Q1 2022



	YoY Chg	12-Mo. Forecast
<b>3.20%</b> Vacancy Rate Q1 2022	▼	▲
<b>9,800</b> Take-Up Q1 2022	▼	▲
<b>320 sq m</b> Average deal size in Q1 2022 <i>(Overall, All Property Classes)</i>	■	■

## ECONOMIC INDICATORS

	YoY Chg	12-Mo. Forecast
<b>9.7%</b> GDP Growth rate Q4 2021	▲	▲
<b>7.5%</b> Croatia Q1 2022 Unemployment Rate	▼	▼
<b>EUR 961</b> Croatia Q1 2022 Average net salary	▲	▲

Source: Croatian Bureau of Statistics, The Croatian Employment Service

## ECONOMY

When analysing the Croatian economic activity in 2021, according to the figures published by the Croatia Bureau of Statistics, it is evident that the first quarter of 2021 showed a slowdown in the real GDP decline, while in other quarters of 2021, a significant growth was realised compared to the same periods of the previous year. In the last quarter of 2021, GDP thus increased in real terms by 9.7% compared to the same quarter of 2020. However, given that the real decline in GDP in the fourth quarter of 2020 was significant (-7.4%), the real GDP level in the fourth quarter of 2021 exceeded the level from the same period of 2019 and it increased in real terms by 1.6%. Preliminary GDP figures for the 2021, indicate a growth of 10.4% which is also the highest growth since 1995. The quarterly growth was recorded in all activities and it was mostly influenced by Wholesale and retail trade, Transportation and storage, and Accommodation and food service activities. According to working-day adjusted indices, the volume of construction works in February 2022, as compared to February 2021, increased by 5.2%. making the successive increase in the volume of construction works for twenty-one months in a row.

## SUPPLY AND DEMAND

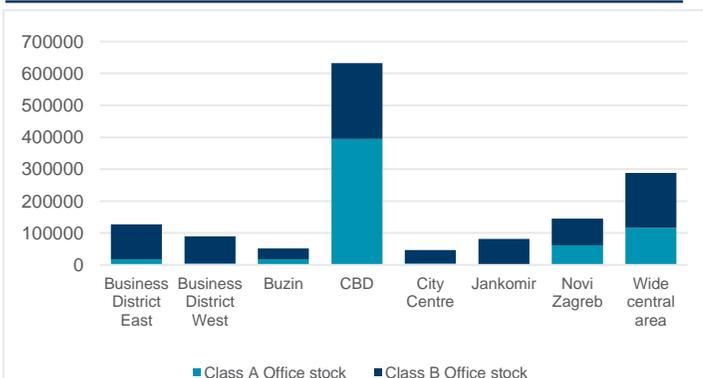
Summarising 2021, two office buildings were completed in Zagreb, totalling approx. 16,000 sq m. The first quarter of 2022 noted the completion of Gradiscanska office building totalling 5,500 sq m of GLA. Hence, the total supply of modern office stock in Zagreb now stands at approx. 1,537,700 sq m, out of which share of Class A stock is 38%, while Class B share is 62%. Additionally, several new office projects are under construction including Matrix C office building, the third phase of the Matrix office park being developed by GTC, totalling 10,500 sq m GLA, as well as V49 office building of 8,200 sq m GLA. The construction works in the first phase of the CITY ISLAND project in Buzin and Rimac Automobili Campus, Business Centre in Radnicka cesta St. are progressing well.

When looking at the total leasing activity, the first quarter was at the similar level as the Q4 2021, totalling 9,800 sqm, with the average deal size of 320 sq m. If we analyse the share per type of business, Computers & Hi-Tech sector is the key performer, with the share of 47% of the total take-up, followed by Manufacturing sector with the share of 17%. We expect companies from these market segments to remain the main market drivers in the upcoming period.

## RENTS AND VACANCY

The asking rental values of Class A office buildings slightly increased and vary between EUR 13-16.5/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 space remained unchanged for several quarters and vary between 7.75 – 8.00%. After the drop in the vacancy rate in Q4 2021, a slight decline was recorded in Q1 2022, bringing the vacancy rate to the level of 3.20%, as a result of stable demand and limited amount of deliveries on Zagreb Office Market.

## ZAGREB OFFICE STOCK Q1 2022



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