



(Overall, All Property Classes)

ECONOMIC INDICATORS



Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

The Croatian economy entered 2022 strongly, with real GDP growth in the first quarter of 7.0% compared to the corresponding period of the previous year. According to the European Commission predictions from May 2022, Croatia's GDP is expected to expand by a real 3.4% this year, hence lowering projection for a 4.8% growth made in February, due to the exposure of the Croatian economy to the ongoing Russia-Ukraine conflict. The GDP growth was largely influenced by tourist movements, as in the first five months of 2022, tourists realised 2.8 million arrivals and 8.7 million nights in commercial accommodation establishments, which was almost three times more tourist arrivals and nights than in the same period of 2021. EC expects Croatia's inflation to accelerate from 2.7% in 2021 to 6.1% in 2022, mainly driven by rising energy and food prices triggered by shocks on international commodity markets. Croatia got green light to join Economic and Monetary Union, as in their assessment, the ECB and EC both concluded that Croatia is meeting the convergence criteria and is ready to become the 20th EMU member from 2023.

SUPPLY AND DEMAND

After the increase of the total modern retail stock in 2021 for 30,000 sq m of GLA, due to the opening of Z centre in Spansko settlement, development cycle in the capital has slowed down in the first six months of 2022, with no new completions, while the pipeline indicates lack of new deliveries over the remaining quarters of this year. Consequently, Zagreb modern retail supply remained unchanged and amounts to 530,000 sq m of GLA at the end of H1 2022. When it comes to projects under construction, two large retail parks in Zagreb are currently in various development phases, both set for completion during 2023. Namely, Slovenian investor Europark Maribor is currently developing retail park Europark in Jankomir settlement, totalling 10,000 sq m of GLA, while Osijek-based developer M-Nekretnine is aiming to build a large retail park of similar size, along Branimirova street. In H1 2022, retail market welcomed a new brand, i.e., the largest Spanish cosmetic brand Equivalenza opened its first store in Zagreb high-street zone, in Teslina street. Along with the relaxation of travel restrictions and an increase in the number of tourists' arrivals and overnights, recovery of high-street is evident and footfall in the main pedestrian zones is returning to the pre-pandemic levels.

Furthermore, the investors' interest in retail parks continues, especially at the secondary locations across the country. In addition to numerous advantages of retail park projects, such as lower initial investment and shorter construction period, retail parks were less affected by the COVID-19 pandemic. As a result, a share of retail park formats is on constant rise. In the first half of 2022, the cities of Kastel Sucurac, Trogir and Rovinj have witnessed the opening of retail parks, enlarging Croatia retail stock by additional 24,000 sq m of new retail space. Thus, Croatia's modern retail supply accounts for nearly 1,5 million sq m of GLA at the end of first two quarters of 2022.

In terms of the new supply, pipeline is also dominated by retail park formats. After purchasing 22 development sites throughout the country in late 2021, Austrian Immofinanz aims to strengthen its position on Croatia retail market by further expansion. In addition to already existing Stop.Shop retail parks in Osijek, Valpovo and Kastel Sucurac, as well as retail parks in Nasice and Ludbreg, both operated by Immofinanz, Austrian landlord is currently developing three new retail parks located in Velika Gorica, Gospić and Daruvar, planned for opening during the 2022. In the same period, retail park in Ludbreg should undergo expansion for additional 3,000 sq m.

Even though retail was affected the most by ongoing health crisis, which caused decrease of footfall and income difficulties, as well as a risk of new lockdown, healthy appetite for retail assets across the country was recorded in the previous year. Both retail parks and shopping centres in Croatia attract the investors' attention. Namely, Point Centre neighbourhood mall in Vrbanji settlement in Zagreb was acquired by Slovenian Trigal fund for EUR 21.5 mln, while the group of private investors purchased Poseidon Group portfolio of 6 retail parks in Zadar, Krizevci, Krk, Jastrebarsko, Ivanic-Grad and Makarska for EUR 50 mln. Nevertheless, Poseidon will remain to be the property, asset and facility manager of 6 Capitol Parks sizing over 37,000 sq m of GLA. Furthermore, Galerija Porec of 8,500 sq m was sold to another Slovenian investor Alfi Real Estate, however, the sales price has not been revealed. Summarizing the previous 18 months, investment volume in retail segment exceeded EUR 70 mln.

ZAGREB

Retail H1 2022



After being hit hard during the 2020, retail market in Croatia and across the globe has evolved and embraced new trends. Due to quarantine measures, customers have been opting for minimal contact and moving towards online consumption patterns. Therefore, e-commerce has boomed during the pandemic, since the consumers shifted from store visits to ordering from home. Online food delivery was making small improvements for years, but COVID-19 pandemic accelerated the growth of these services, provided by operators such as Wolt, Glovo and Bolt. As the buyers now prefer touchless interaction in a store to complete their buying process, increasing number of retailers are introducing online shops through mobile apps and allow customers to order products online and pick them up from the store.

Even though the online shopping trend in Croatia is on the rise and customers benefit from the time saving and having accessibility to a global marketplace, real-world experience and traditional in-store shopping is still very present in Zagreb and Croatia and stores continue to recover to pre-pandemic levels. There are still customers who enjoy the whole experience of shopping and the necessity for a traditional brick-and-mortar store is still very present. The importance of physical stores, providing an intimate and personalized aspect of shopping experience, is confirmed by the increased footfall in Zagreb shopping centres during the previous 12 months.

However, in-store experience is facing transformation as well, since the shopping centres are focusing on expending their gastronomic and entertainment offer. In order to remain relevant and meet the involving consumers' needs, whose experience became essential, landlords try to follow the global trends and improve offer by providing additional benefits to consumers. In this respect, certain formats already experienced redevelopment in order to answer to the growing consumer expectations. In the previous period, the largest shopping centre in Zagreb, West Gate, upgraded its entertainment and F&B offer by introducing a large children cinema and bowling centre, as well as several new restaurants. Branimir Mall became entertainment mall, while the latest refreshment experienced Kaptol Centar in Zagreb downtown. In addition to upgraded and modernized appearance, the centre also introduced the lifestyle category and improved gastronomic and leisure contents.

RENTS AND YIELDS

After period of lockdown and tailor-made solutions prepared for retailers, which included several incentive packages, relaxation of the measures was marked by return of customers in the shopping malls and recovery of demand and turnover, while the retailers continued with the network expansion. During H1 2022, the leading Zagreb shopping centres maintain a rather stable level of rents, ranging between EUR 30-45/sq m/month.

Prime yields for retail properties in Zagreb also remained at the similar level, i.e., 7.25% for modern shopping centres and 8.50% for retail parks, while the prime yields for high-street locations stayed at the level of 7.00%.

ZAGREB RETAIL MARKET DEVELOPMENT 2009 – H1 2022



Source: CBS International, part of Cushman & Wakefield Group



Spot Shopping Park, Trogir, 11,000 sq m GLA

CBS International

6a Slavenska avenija,
City Plaza Zagreb
10000 Zagreb, Croatia
Tel: +385 1 3884 728
office@cw-cbs.hr

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

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