

MARKETBEAT ZAGREB

Retail H2 2023



	YoY Chg	12-Mo. Forecast
555,250 sq m Total stock	▲	▲
€ 30-45 Prime SC Rent /sq m /month	■	■
7.25% Yield - Prime shopping centers	■	▲
(Overall, All Property Classes)		

ECONOMIC INDICATORS

2.6%
GDP Growth rate
2023

▼ ▼

2.6%
Zagreb Q1 2023
Unemployment rate

▼ ■

EUR 1,387
Zagreb Q4 2023
Average net salary

▲ ▲

Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

The Croatian economy, as analyzed in the Croatian National Bank's December macroeconomic projection, navigated challenges in the form of a decline in foreign demand and tightened financing conditions. Despite these obstacles, Croatia experienced economic growth throughout 2023, surpassing both the EU and the euro area averages. This growth was driven by various factors, prominently including a resilient demand for tourist services, heightened utilization of EU funds, and an expansionary fiscal policy. Real economic activity in 2023 is anticipated to be 2.6% higher than the previous year, reflecting the strength of domestic demand and service exports. The primary contributor to this growth is expected to be personal consumption, supported by continuous employment growth and an increase in nominal wages. In terms of HICP, inflation is expected to decelerate to 8.4% in 2023, down from 10.7% in 2022. The slowdown in inflation during 2023 is attributed to diminished inflationary pressures and the subsidizing impact of price increases. Substantial decrease in energy prices, from 19.2% in 2022 to an expected 0.1% in 2023, is a primary driver of this slowdown. The Croatian economy has demonstrated resilience in the face of external challenges, with sustained growth attributed to robust domestic demand, strategic utilization of EU funds, and a supportive fiscal policy. As the country moves into 2024, economic growth is projected to continue, albeit at a slightly moderated pace, while inflation is expected to remain under control. Monitoring key economic indicators will be crucial for stakeholders and policymakers in navigating the evolving economic landscape.

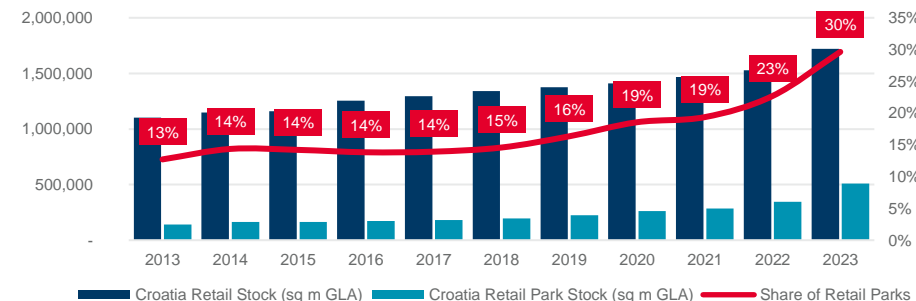
SUPPLY AND DEMAND

The year 2023 on Croatia retail property market was marked by opening of 12 Retail parks across Croatia, including one in Zagreb, which enriched Croatia's retail scene with additional 136,740 sq m GLA of retail space. Moreover, 91,600 sq m of retail park stock is currently under development or planned, on the other side, there were no changes in shopping centre stock in 2023. Looking at the entire 2023, Zagreb modern supply amounts to 555,250 sq m of GLA, encompassing 21 modern retail formats. Although shopping centres formed the basis for the development of the retail market in Croatia, the interest in other formats, i.e., retail parks have increased noticeably over time. The total stock of retail park formats raised to 30% of the Croatia's total retail stock, compared to 23% in 2022. This focus on retail park formats is aligned with other markets in the region, where the development activity in retail sector is also primarily focused on the development of retail parks and convenience schemes at the secondary and tertiary locations. Retail parks will most probably continue to be popular with shoppers in the coming years. They are a short drive away, customers can browse at their leisure and easily take any purchases home with you. Also, thanks to their convenient positioning in the urban fringe, retail parks are the ideal springboard for last-mile distribution, and we will certainly in the future see the development of such concept in Croatia. With 1,721,207 sq m of modern retail stock at the end of 2023, Croatia has app. 445 sq m per 1,000 inhabitants, in developed European countries, retail density varies between 250-500 sq m, therefore Croatia could be considered to have well developed retail sector. Looking at the retail density across Croatia, the most developed markets are in the coastal town, where retail density reaches over 1,000 sq m. Leasing activity in general was slow, with retail parks emerging as the main choice for retailers, mostly occupied with food and DIV retailers and mass market brands.

RENTS AND YIELDS

Rental Levels in the leading Zagreb shopping centres maintain a rather stable level during the 2023, 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 8.00-8.50% for retail parks, while the prime yields for high-street locations stayed at the level of 7.00%. It could be expected that yields for prime SC will be subjected to upward pressure in the following period, in accordance with the tightening of monetary policy.

RETAIL PARK SHARE IN CROATIA TOTAL RETAIL STOCK (2013-2023)



Source: CBS International, part of Cushman & Wakefield Group



MARKET STATISTICS

SUBMARKET	RETAIL STOCK (SQ M GLA)	DENSITY (RETAIL STOCK PER 1,000 INH.)	RETAIL PIPELINE (SQ M GLA)
Zagreb	555,250	724	10,000
Split	182,372	1,136	/
Rijeka	145,292	1,346	6,800
Osijek	93,700	973	8,300
Zadar	89,940	1,271	/
CROATIA TOTAL	1,721,207	445	73,100

CONSTRUCTION COMPLETIONS IN CROATIA 2023 – 136,740 SQ M

PROPERTY	SUBMARKET	TYPE OF SCHEME	SQ M GLA	DEVELOPER
Galerija Bakar - 1st phase	Rijeka	Retail Park	30,000	MID Bau nekretnine
Park & Shop	Zagreb	Retail Park	13,000	Sopnica gradnje
STOP SHOP Vinkovci	Vinkovci	Retail Park	10,000	CPI Property Group
STOP SHOP Labin	Labin	Retail Park	8,300	CPI Property Group
Supernova Krizevci	Krizevci	Retail Park	8,000	Supernova
STOP SHOP Daruvar	Daruvar	Retail Park	7,300	CPI Property Group
Gacka Retail Park	Osijek	Retail Park	6,400	Local developer
City Park Zadar	Zadar	Retail Park	7,140	ZKM nekretnine
Marof Mall	Novi Marof	Retail Park	7,500	Atlas-ImmoInvest 1
Hey Park	Vukovar	Retail Park	7,200	BMP Asset
STOP SHOP	Djakovo	Retail Park	8,600	CPI Property Group
Tramontana Mall Volosko	Opatija	Retail Park	6,700	Projekt Galerija d.o.o.

SELECTED PIPELINE PROJECTS IN CROATIA

PROPERTY	SUBMARKET	TYPE OF SCHEME	DEVELOPER	SQ M GLA	DELIVERY YEAR
Zabica	Rijeka	Retail Park	Best In Parking	6,800	2025
STOP SHOP Dugo Selo	Dugo Selo	Retail Park	CPI Property Group	7,000	2024
Retail Baška	Baška Voda	Retail Park	Adria Podbiokovlje d.o.o.	7,000	2025
STOP SHOP Krapina	Krapina	Retail Park	CPI Property Group	8,500	2024
STOP SHOP Virovitica	Virovitica	Retail Park	CPI Property Group	10,000	2024
Retail Park Refala Nova	Osijek	Retail Park	M nekretnine	8,300	2024

Source: CBS International, part of Cushman & Wakefield Group



GALERIJA BAKAR RIJEKA – phase 1

CBS International

CBS International, part of Cushman & Wakefield Group
80 Radnička cesta, Zagrebtower
10000 Zagreb, Croatia
Tel: +385 1 22 3884 728
office@cw-cbs.hr

cushmanwakefield.com / cw-cbs.hr

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