

1.76%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



€13.5-15.5

Prime rental levels



7.25-7.75%

Prime yields



(Overall, All Property Classes)

ECONOMIC INDICATORS

6.3%

GDP Growth rate
2022

YoY
Chg



12-Mo.
Forecast



2.8%

Zagreb Q1 2023
Unemployment rate



EUR 1,290

Zagreb Q1 2023
Average net salary



Source: Croatian Bureau of Statistics, The Croatian Employment Service

ECONOMY

Croatia's GDP growth slowed down in the first quarter of 2023, following the surge in energy prices and uncertainty over the war in Ukraine, although the mild and late winter supported construction activity and reduced the drag from high energy prices, moderating the slowdown. Moreover, the World Bank in June 2023, revised its forecast, as it expects Croatia's economy to grow by 1.9% in 2023, up 1.1 % compared to the bank's previous prediction made in January. The new forecast is supported by the growth that is expected to gather pace in 2024-25, partly owing to the increased use of funding from the EU Recovery and Resilience Facility (RRF), made available to Croatia as a new member of the euro area since January 2023. According to the Croatian National Bank in the first five months 2023, inflation slowed down continuously reaching 7.9% in May 2023. In the first half of 2023, 16% more tourist arrivals were generated, as well as 10% more overnight stays in Croatia, as compared to H1 2022, according to Croatia's e-visitor registration system data.

SUPPLY AND DEMAND

The second quarter of 2023 marked completion of the Matrix C office building, the first office building in Croatia with gold DGNB certificate, totalling 10,390 sq m of GLA, as well as the Radnicka 75 office building both located in Zagreb's CBD. Thus, the total supply of Zagreb modern office stock now stands at the level of 1,566,400sq m of GLA, out of which 43% is situated within Zagreb CBD. Additionally, promising pipeline should enlarge Zagreb modern supply for additional 87,000 sq m of GLA by the end of 2024. Namely, works on Supernova office building of approx. 15,000 sq m GLA are in preparation phase, while works on the second phase of City Island Buzin of approx. 25,000 sq m should be completed in Q1 2024. Moreover, Grawe Garden Centar totalling 2,100 sq m GLA, as well as mixed-use complex Museum Residences, located in Novi Zagreb, are currently under construction.

During Q2 2023, occupier's activity continued to intensify. The take-up reached notable 23,400 sq m, with average deal size of 820 sq m. If we analyse the share per type of business, Computers & Hi-Tech was the key performer with over 58% of the total take-up, followed by Manufacturing and Consumer sectors. The market is very active, considering that the total occupier activity in 2023 hit 42,000 sq m, representing an increase of 33% compared to H1 2022.

Certain number of global IT and pharmaceutical companies are aiming to reposition their offices in coworking space or reduce their local premises while certain portion of local companies from IT industry follow the same trend. In addition, demand for serviced offices is on the rise, therefore, the main players on the market expanded their network in the previous period.

Location-wise, CBD remains the most preferred business area with 61% of deals in Q2 being signed within Zagreb's CBD zone. Due to proximity of Zagreb bypass, southern part of New Zagreb became very attractive destination for occupiers, as well.

RENTS AND VACANCY

The asking rents for Class A office buildings remained at the level of EUR 13.5-15.5/sq m/month, while the asking rents for Class B office premises amount to EUR 11-13/sq m/month. However, new office buildings, situated at the most attractive locations, can achieve asking prices between EUR 16-17.50/sq m/month. Due to the new deliveries on the market overall vacancy rate mildly increased to the level of 1.76%, while the vacancy for class A buildings dropped to the level of 1.29%.



Radnicka 75 office building

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