

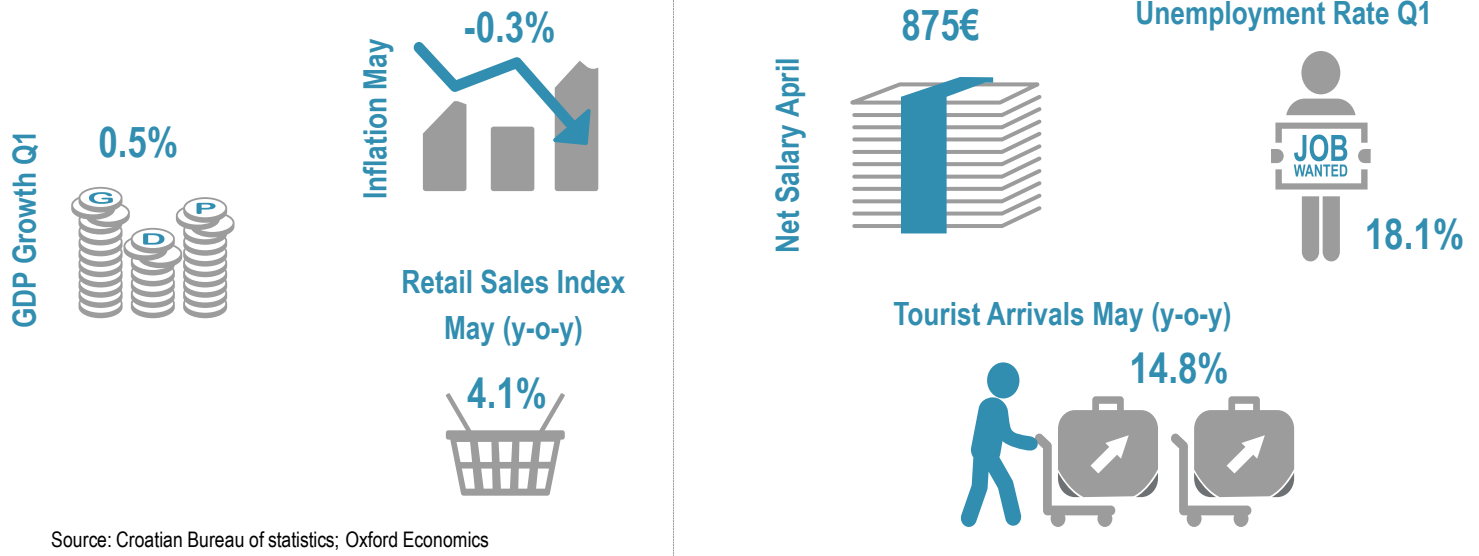
Zagreb City Report



H1 2015



Economics



Source: Croatian Bureau of statistics; Oxford Economics

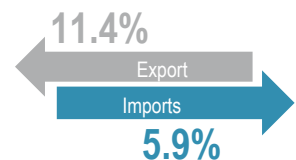
An estimated GDP growth of 0.3% for the entire year will be mainly driven by tourism expansion. Medium term growth will remain subdued due to high household and public debt and a possible change of government. With the revival of investment, GDP growth is expected to pick up to 2.5% in 2017-18. Export growth in the recent quarter suggests the success of producers' in redirecting sales to the EU since accession in 2013.

The recovery is estimated to gain strength gradually with the stimulus from rising exports and tourism, productivity gain, oil and gas investment and rising inflation. Other sectors, including manufacturing and IT services are facing a strong upward trend.

Industrial production May (y-o-y)



Exports / Imports Q1



Prime yields



Tourism remains a key driver of export growth with official projections indicating that the current year's revenue will exceed €7 billion, strengthened by further cost reductions and difficulties in Greece, Turkey and Tunisia. Adriatic coastal resorts have emerged as a major attraction within and beyond Europe. Tourism and travel's direct GDP contribution reached 12.1% of GDP in 2013 and grew 6% in 2014, according to the World travel and tourism council. WTTC forecasts annual growth averaging 5.4% in 2014-2024 period, increasing the GDP share to 17%.



Supply

During the first half of the year, the market has witnessed increasing development activity underpinned by the completion of the second phase of VMD Strojarska, adding over 18,000 sq m.

Property	Submarket	Size (sq m)	Completion
VMD Strojarska part 2	Business District East	18,700	H1 2015
VMD Strojarska part 1	Business District East	10,500	H1 2014
Sky Office tower 2	Business District West	18,800	H1 2014

Vacancy level

2013



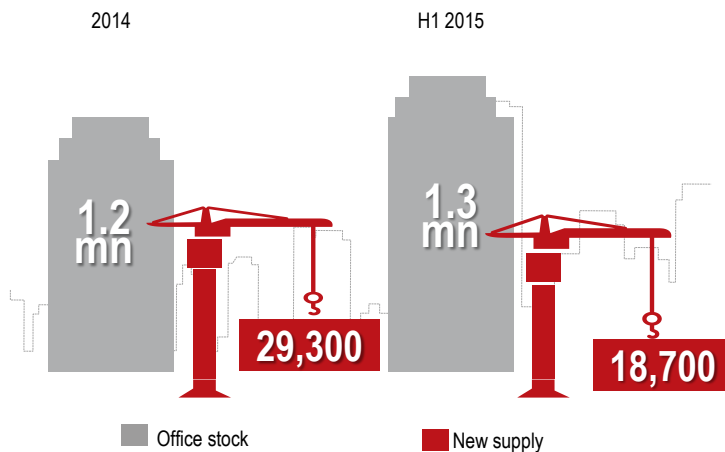
2014



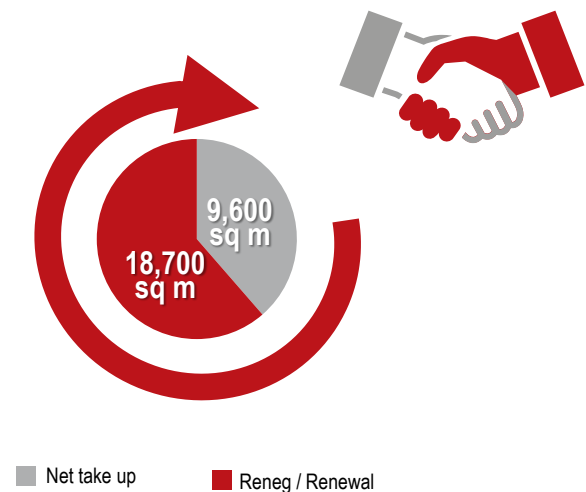
H1 2015



Zagreb office stock (sq m) / New supply

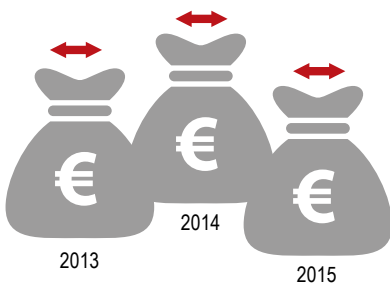


Demand (Take up) H1 2015



Rental level

€14- €15



Future supply

We are aware of several, mainly smaller sized office projects in the pipeline, which will add nearly 50,000 sq m to the existing stock. However, the delivery dates have not yet been determined.

Property	Location	Size (sq m)
Avenija projekt	Business District West	7,000
Conditum	Novi Zagreb	6,500

Supply

After higher development activity recorded throughout 2014, including the completion of Supernova, Meridijan 16 and Ikea (see table below), the first half of 2015 noted no larger scale retail completions.

Project	Location	Type	Size (sq m)
Supernova Zagreb	Buzin	Shopping center/park	30,900
Meridijan 16	Gračani	Shopping center	12,000
IKEA	Rugvica	Big Box	38,000

Zagreb shopping center density

565 sq m
per 1,000 inhabitants



Zagreb Shopping center stock ('000 sq m)



Demand

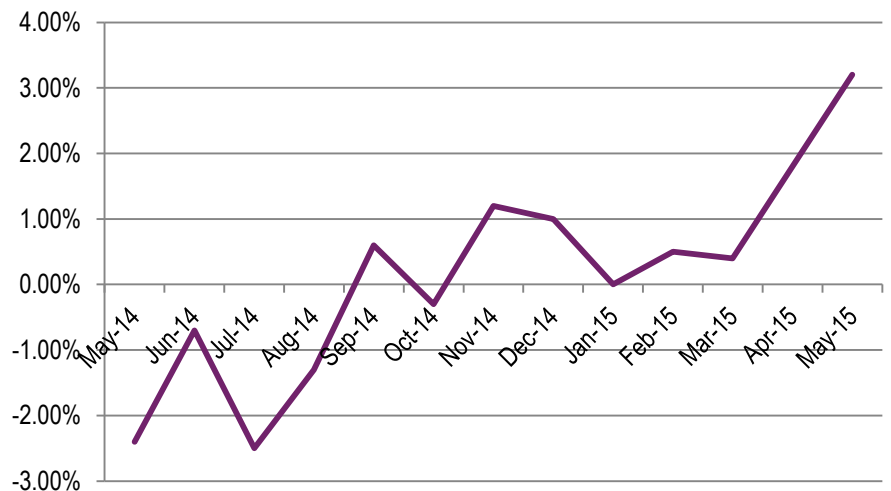
During the first half of the year, we have noted one market entry, namely MAC, while present fashion and supermarket chains including Spar, Lidl and Kaufland have continued their expansion plans within Zagreb and other cities.

Location	Retailers	Representative
High street - Preobrazenska street	MAC	Orbico Beauty

Rental level



Retail trade index (y-o-y)



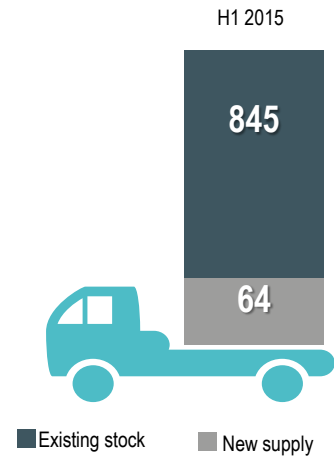
Source: Croatian Bureau of statistics

Supply

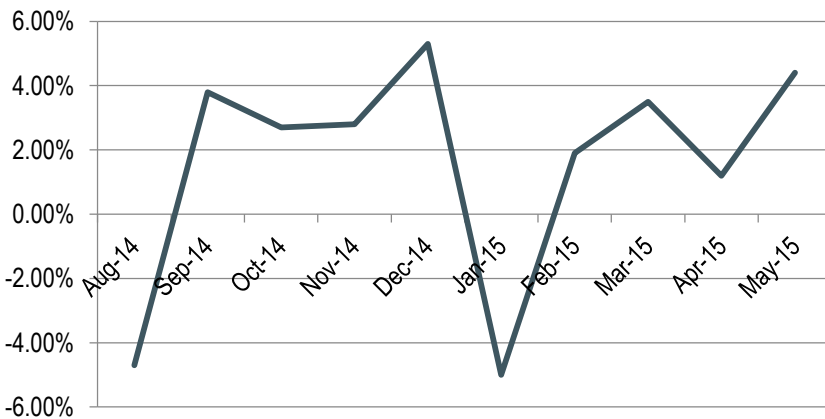
The majority of industrial stock remains owner occupied as investors continue to develop built to suit properties. In addition, the first half of the year was marked with the completion of the Kaufland Logistic center in Jastrebarsko.

Property	Region	Size (sq m)	Investment
Kaufland Logistic center	Jastrebarsko	64,500	€75 million

Zagreb Industrial supply ('000 sq m)



Industrial production index



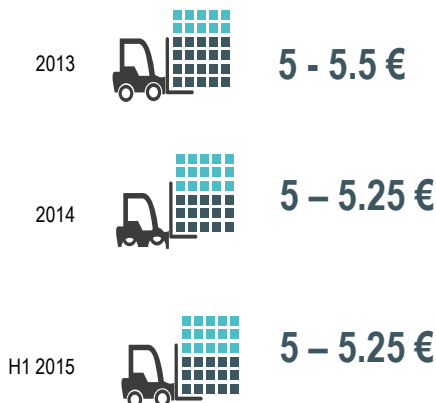
Source: Croatian Bureau of statistics

Demand



Demand remained to driven by logistics companies and retail chains. Retail chains are expected to have a significant impact on the development of respective market segment.

Rental levels (€/sq m/month)



Future supply

Property	Location	Size (sq m)
Ralu Logistika	Rugvica - Zagreb	3,000
Lagermax	Luka - Zagreb	16,700
Zagreb Brewery	Zagreb	43,000







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