

Zagreb Industrial Market Pulse

H1 2015



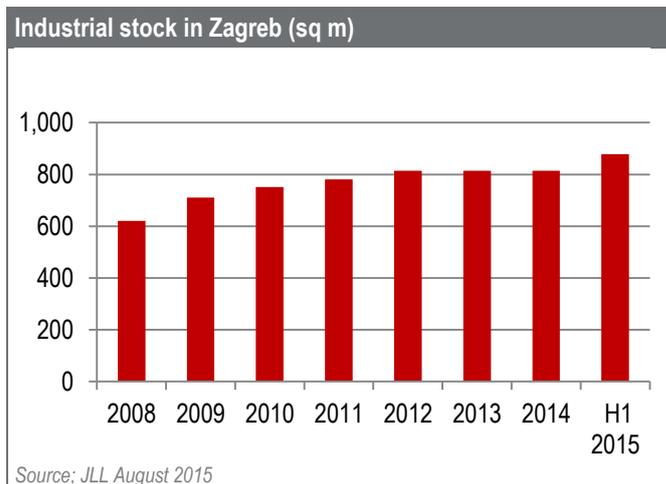
Stock and Supply

The Zagreb logistics market is considered as undersupplied and is the country's least developed real estate segment. The majority of the existing industrial stock is not suitable to satisfy the needs of modern occupiers. New supply is expected to follow the evolution of the retail sector. Therefore, the existing stock is predominantly owner occupied with developers increasing the stock with built to suit properties.

Unlike 2014, the first half of 2015 recorded increased development activity. Kaufland opened a logistic centre for owner occupation purposes totalling 64,500 sq m in Jastrebarsko. This investment was estimated at around €75 million.

However, with lower construction levels and a dependence on project financing, future supply remains uncertain. We are aware of several ongoing projects including Ralu Logistika in Rugvica, Lagermax in Luka and the Zagreb Brewery distribution centre for owner occupation purposes.

It is expected that the development of the retail sector will have a crucial impact on the industrial market segment. However, a recent fall in retail trade and a reduction of available credit has had a profound impact on demand and reduced commercial development. Consequently, many retailers and major logistic occupiers have delayed their plans for further expansion of their activities.



Future Supply

Scheme	Location	Size (sq m)
Ralu Logistika	Rugvica - Zagreb	3,000
Lagermax	Luka - Zagreb	16,700
Zagreb Brewery	Zagreb	43,000
Industrius	Šibenik	27,000

Source: JLL, August 2015

Demand

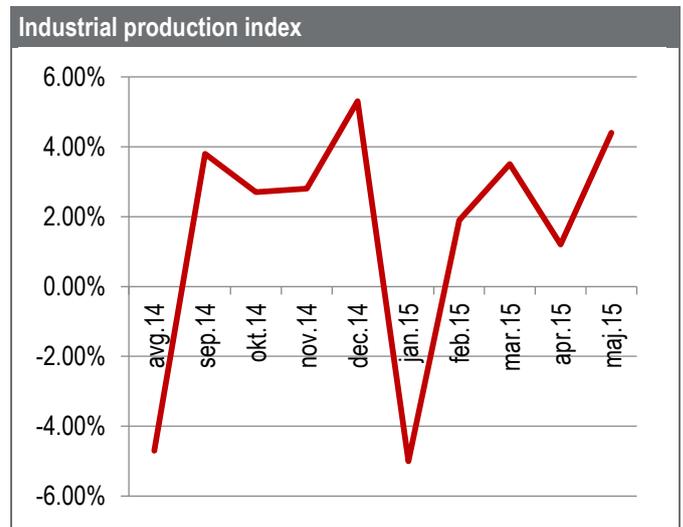
Demand remained driven by shipping companies and the expanding retail sector, which will underpin the further development of the industrial market. However, as mentioned previously, many retailers and potential occupiers have delayed their business expansion plans.

Industrial market conditions have recently influenced a slight drop in rental levels. However, when compared to other regional countries, rents in Zagreb are still quite high.

Although the industrial market remained static throughout 2014, notable activity included Veletabak's entrance to the market, as well as DB Schenker's move to MSan logistic center in Rugvica, where it operates out of 8,000 sq m. Low vacancy continues to match the limited demand with difficult economic conditions putting pressure on retailers, manufacturers and exporters alike.

Rental levels

The ongoing market circumstances have had an overall negative impact on rental levels. Therefore, prime rents have recorded a slight downward trend from 2014, and currently range between €5 – 5.25 sq m/month. A more notable decrease was recorded for secondary premises which range between €3 – 4 sq m/month, including 15 to 20 year old stock providing smaller and lower quality industrial facilities.



Source: Croatia Bureau of Statistics, August 2015

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