

Zagreb City Report

H1 2016



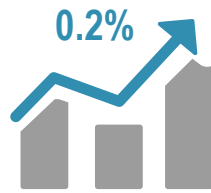
*City
Reports*

Economics

GDP Growth Q1 y-o-y



Inflation May y-o-y



Retail Sales Index
May y-o-y



Net Salary April

€870

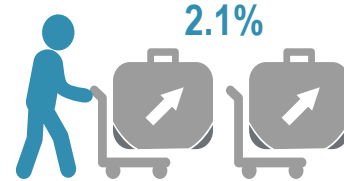


Unemployment Rate Q1



15.4%

Tourist Arrivals May y-o-y

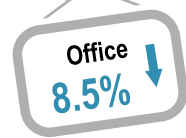


Source: Croatian Bureau of statistics; Oxford Economics

During 2015, GDP grew by 1.6% driven mainly by the growth of consumption and strong tourism season noted in the second half of the year. Despite some downward pressures from various external headwinds, tourism will maintain its pivotal role in driving exports.

Additionally, supported by the impact of rising incomes and falling prices, industrial production and retail trade volumes noted robust growth. During March 2016, industrial production has increased 6.9% on an annual level, presenting constant growth for more than a year, which was not the case since 2007.

Prime yields



Key Transactions

From the beginning of the year, investor focus has remained strong, targeting retail assets in Zagreb and several secondary cities.

Scheme	Type	Location	Price (in millions)	Seller	Buyer
Super Konzum	Supermarket	Zagreb	€13.2	Agrokor	Tower Property Fund
Sub City Centre	Shopping centre	Dubrovnik	€28.7	Agrokor	Tower Property Fund
Super Konzum	Supermarket	Velika Gorica	€8.8	Agrokor	Tower Property Fund
Meridijan 16	Shopping centre	Zagreb	€15.7	Agrokor	Tower Property Fund
City Center One East / City Center One West	Shopping centres	Zagreb	€220	Manta / Gradski centar	Morgan Stanley



Supply

Since the beginning of the year, construction activity remained low with one smaller sized office scheme delivery.

Prior to current market conditions, Zagreb had witnessed extensive office supply which has created tenant favourable market conditions.

Recent office completion

Property	Submarket	Size (sq m)	Completion
Avenija Projekt	Business District West	6,000	2016
VMD Strojarska part 2	Business District East	18,700	2015

Vacancy level

2013



2014



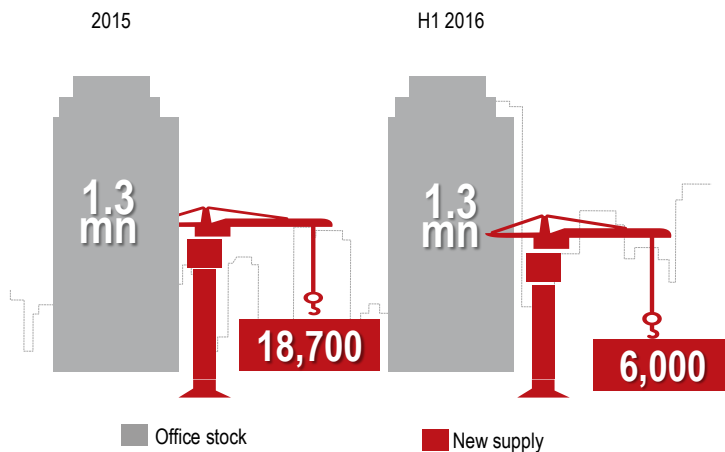
2015



H1 2016



Zagreb office stock (sq m) / New supply



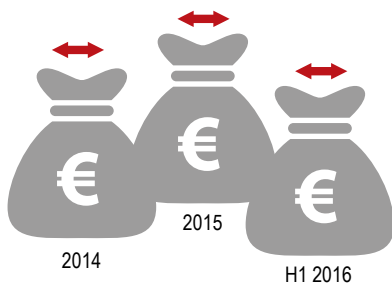
Demand



- Market activity driven by net take-up - relocations
- The majority of activity took place in Business District East and Buzin
- The most active sectors were the IT and pharmaceutical sectors

Rental levels(sq m / month)

€14 - €15



Future supply

Future supply will rely mainly on smaller scale projects, which are in final stages of construction.

The limited new supply is expected by the end of the year, and total planned projects will add around 40,000 sq m. The development of larger sized projects remains uncertain.

Property	Location	Size (sq m)
Conditum	Novi Zagreb	6,500
Adris centar	Centre	10,800

Supply

- No new shopping centres in Zagreb
- Increasing activity in secondary cities - Split, Samobor, Pula
- Mall of Split officially opened
- New project announced - Designer Outlet Croatia by Ikea centres and Mutschler Outlet Holding

Recent completion

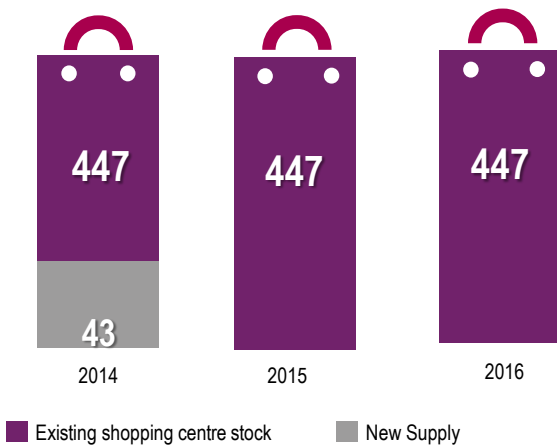
Project	Location	Type	Size (sq m)	Status
Mall of Split	Split	Shopping center	61,700	Completed

Zagreb shopping center density

565 sq m
per 1,000 inhabitants



Zagreb Shopping center stock ('000 sq m)



*Stock includes shopping center/park development

Demand

- Zara expanding store in Arena centre
- Blitz Cinestar to open in Kaptol centre
- Hervis sports announces expansion plans
- Debenhams opens first store in Westgate shopping centre

Scheme	City	Brand entry
Mall of Split	Split	GAP

Rental levels (sq m / month)



Retail trade index (y-o-y)



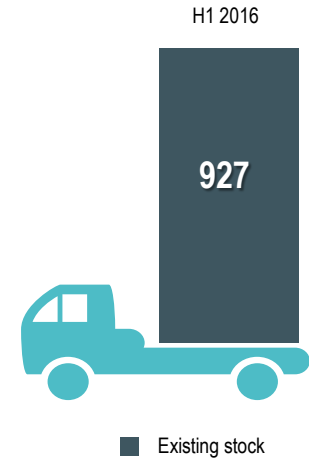
Source: Croatian Bureau of statistics

Supply

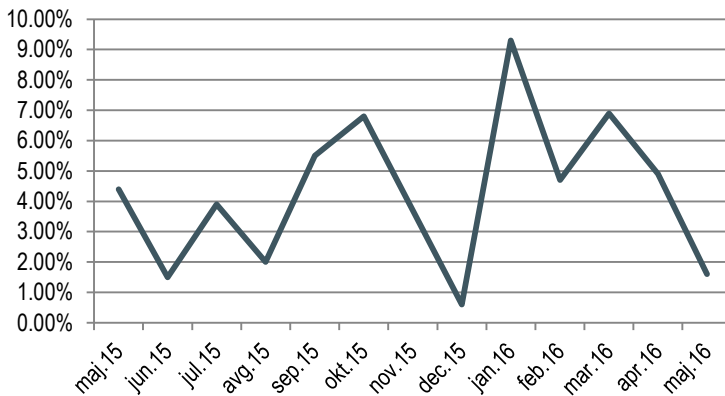
- The industrial market is the least developed real estate segment in both Zagreb and the whole country
- The majority of existing stock is owner occupied
- No new supply since the beginning of the year
- Major investors in 2015 were Kaufland and Ralu Logistika

Property	Region	Size (sq m)
Ralu Logistika	Zagreb / Rugvica	11,500
Kaufland	Zagreb / Jastrebarsko	64,500

Zagreb Industrial supply ('000 sq m)



Industrial production index



Source: Croatian Bureau of statistics

Demand

- Demand for industrial schemes remained to be driven by shipping companies, retail and manufacturing sectors.
- Industrial schemes maintained low vacancy levels as the newly developed stock was mainly built for owner occupation purposes.



Rental levels (sq m/month)



Future supply

- The future supply remains reliant on construction activity within secondary cities
- The construction of new facilities and the modernisation of terminal Škrjevo has been announced. This will be an investment worth €350 million and the funds have been provided in the process of the recapitalisation of the Port of Rijeka

Property	Location	Investment volume
Terminal Škrjevo	Škrjevo	€350 mn



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