

Zagreb Retail Market Pulse

H1 2016



Stock and Supply

From the beginning of 2016, there were no large scale shopping centres completed in Zagreb. However, more construction activity has been noted in the secondary cities such as Split. The Mall of Split is the second largest shopping centre in the country, totalling over 61,700 sq m, with 200 retail units and 2,300 parking spaces. The opening of the scheme has brought several new brands to the market including GAP, Koton, Buzz and Chic. In addition, more supply has been noted in other cities such as Samobor where Shopping Gallery Samobor was opened, spread over 8,500 sq m, including 12 retail units and 300 parking spaces.

Furthermore, Pula has witnessed an increase of construction activity. TC Pula by Mid Bau Nekretnine is currently under construction and, after completion, will present a retail park of 13,000 sq m with 16 retail units. Its completion is set for the second half of the year.

Following the opening of its first store in 2014, IKEA has established an online shop offering an overall assortment of furniture and home décor from the Zagreb department store in Rugvica. In addition, Ikea has recently announced construction of Designer Outlet Croatia, which will be developed in two phases. The first phase will spread over 15,000 sq m including 90 shops. The project will present a joint investment between IKEA centres and Mutschler Outlet Holding.

Shopping center density in Zagreb

565 sq m
per 1,000 inhabitants



*Including shopping centre/park development



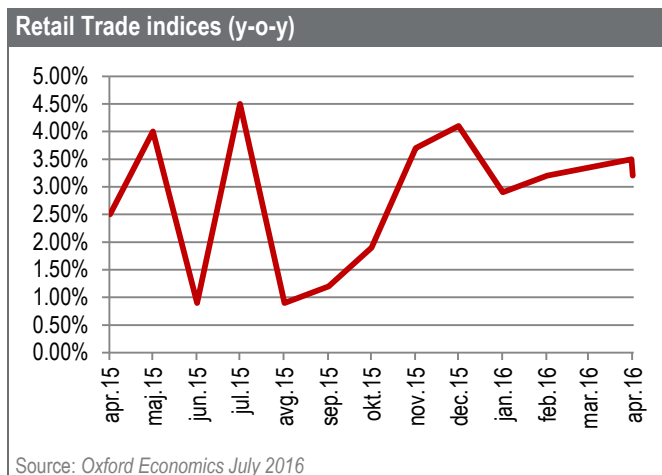
The activity of the big box market segment relied on relocation and the expansion of food retailers and DIY chains. Bauhaus has opened a new store in the Buzin area of Zagreb. Kaufland opened another store in Zagreb, spread over 2,600 sq m in Karela Zahradnika Street. Croatian DIY chain Pevec has opened a new store in Osijek, totalling over 10,000 sq m at the former Baumax location. Another Pevec store was opened in Virovitica, spread over 3,500 sq m. Metro Group opened another Metro Cash and Carry store in Kastel Sucurac, as a part of its strategy to reposition its previous store in Dugopolje. Another Metro store was opened in Poreč. In addition, Lidl has opened its new concept store in Osijek. Billa has continued the expansion of its retail network with the opening of a new store in Split.

Demand

During the first half of the year, strong demand was directed towards Zagreb, which has been the most attractive city in the recent period. Sportina group opened its first Esprit and Only mono brand stores in City Centre One West. Hervis Sports announced its plans to open seven new stores over the next three years. Spanish fashion brand Zara is in process of renovating and expanding its store in Arena center and, after completion, will be 400 sq m larger.

British department store chain Debenhams will enter the Croatian market by opening its first store in Westgate shopping centre in Zagreb. A few new brands have been noted in the newly opened Mall of Split. American fashion brand GAP has opened its first store there through its franchise partner Magistrat.

Blitz Cinestar is taking over Multiplex Cinema at Kaptol center in Zagreb with opening scheduled for late summer. New cinema will spread over 2,300 sq m and offer 750 seats.



Rental levels

From the beginning of 2016, average rental levels within prime shopping centres remained stable and range from €20 to €22 sq m/month. Prime rental levels on the high street range from €60 to €70 sq m/month.

Investment outlook

From the beginning of the year, investor focus remained strong targeting retail assets in Zagreb and several secondary cities. South Africa's Tower Property Fund acquired four retail schemes from Agrokor, including two Konzum stores in Zagreb and Velika Gorica; Sub City shopping centre in Dubrovnik and Meridijan 16 in Zagreb, for €66.4 million. Furthermore, US based investment fund Morgan Stanley has acquired two dominant shopping centres in Zagreb, namely City Centre One East and West for approximately €220 million. In addition, Loan Star Real Estate Fund has acquired the Centrice portfolio from Heta Asset Resolution including 5 assets in Croatia.

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