

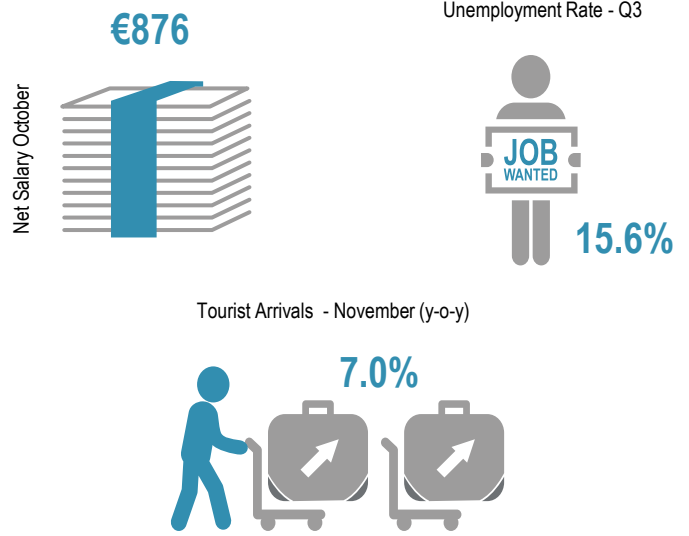
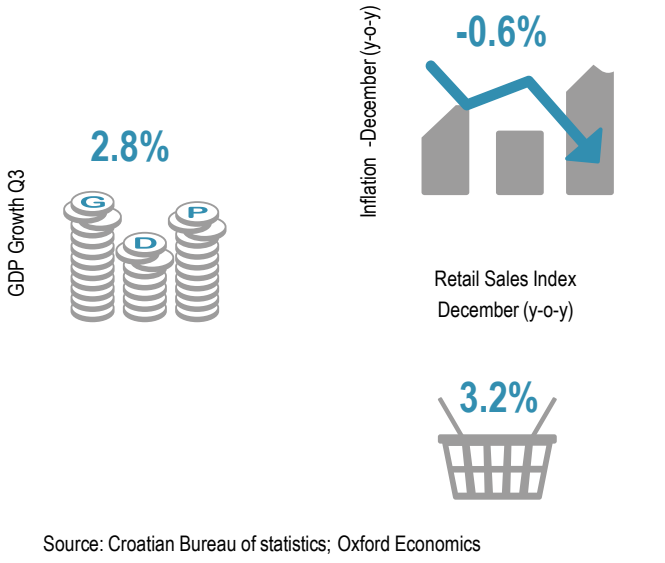
Zagreb City Report



H2 2015



Economics



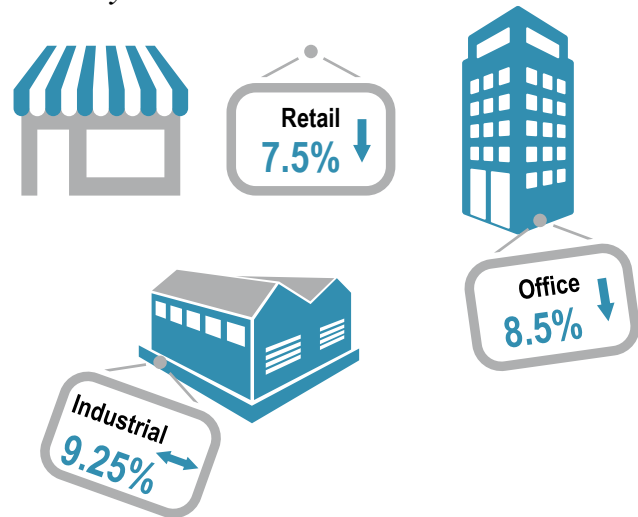
Source: Croatian Bureau of statistics; Oxford Economics

Key Transaction

Year 2015 was notable for the Tower Property Fund acquisition of a partial interest of a recently completed office building in Zagreb by local company VMD Grupa.

Property	Segment	Price (in millions)	Seller	Buyer
VMD Strojarska bldg B	Office	€23.7	VMD Grupa	Tower Property Fund

Prime yields



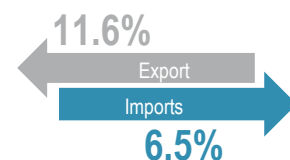
Croatia's economic recovery continues, with GDP growth accelerating to a seasonally adjusted 2.3% during the third quarter, along with strong tourism figures and improved industrial output. This will set the stage for policymakers to launch reforms, including a consolidation of existing ministries and the expediting of infrastructure projects.

The near term GDP growth will be driven by strong growth of tourism which has noted another successful year. Apart from tourism, shipbuilding, machinery and pharmaceuticals have noted stronger exports during 2015. In the medium term, continued expansion of exports will be driven by closer trade links with the EU.

Industrial production November (y-o-y)



Exports / Imports I – X 2015





Supply

2015 was notable for the completion of the second phase of VMD Strojarska, adding 18,700 sq m to the office stock. The first phase of the project was delivered in the first half of 2014, totaling 10,500 sq m

Property	Submarket	Size (sq m)	Completion
VMD Strojarska part 2	Business District East	18,700	H1 2015

Vacancy level

2013



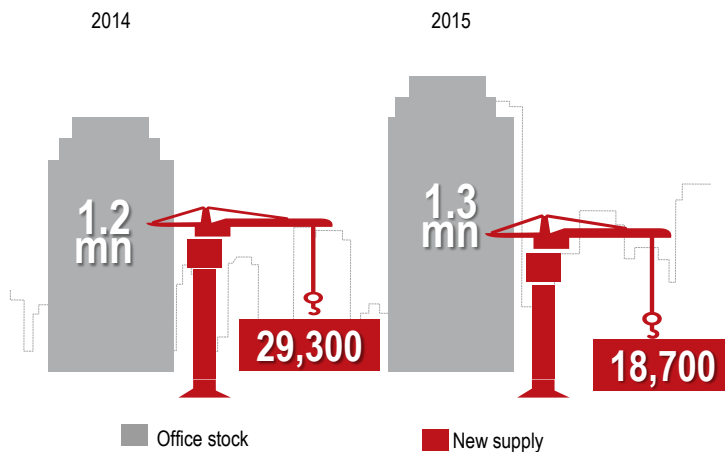
2014



H2 2015



Zagreb office stock (sq m) / New supply



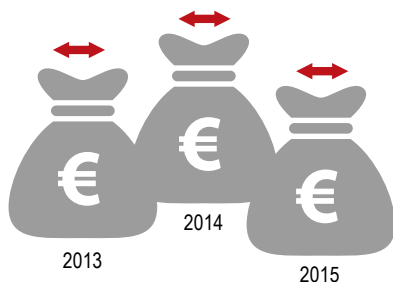
Demand (Take up) 2015

- Market activity was driven by net take-up, mainly relocations
- The majority of activity took place in the CBD and Business District East
- The most active sectors were the IT and financial sectors



Rental levels

€14 - €15



Future supply

There are several, mainly smaller sized projects in pipeline, totalling ca.45,000 sq m, with undetermined delivery dates. Two office schemes, listed below, are currently under construction.

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



Supply

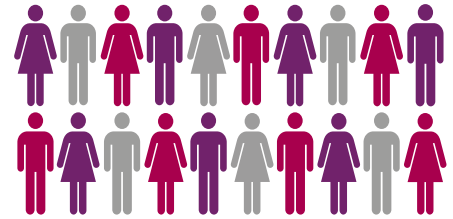
- Ikea reports a successful year and announces expansion plans
- City Center One East introduces new food court
- More construction activity in secondary cities

Project	Location	Type	Size (sq m)	Status
SUB City	Dubrovnik	Shopping center	23,000	Completed
Mall of Split	Split	Shopping center	61,700	Completed*

* Opening rescheduled for the beginning of 2016

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

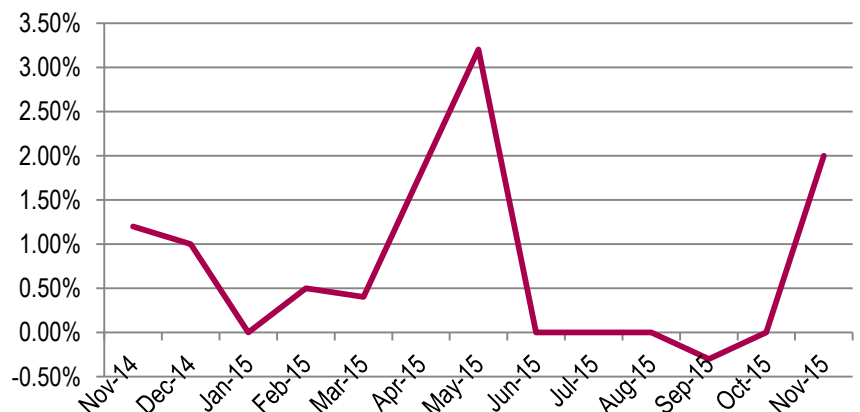
- Strong interest for secondary cities
- Kiehl's has opened its first store
- Debenhams to enter the market

Location	Retailers	Category	Representative
Arena centar	Kiehl's	Cosmetics	L'Oreal Adria

Rental levels



Retail trade index (y-o-y)



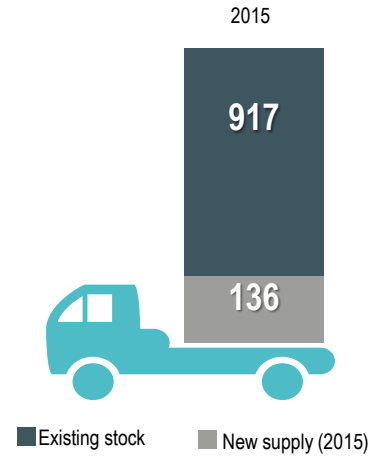
Source: Croatian Bureau of statistics

Supply

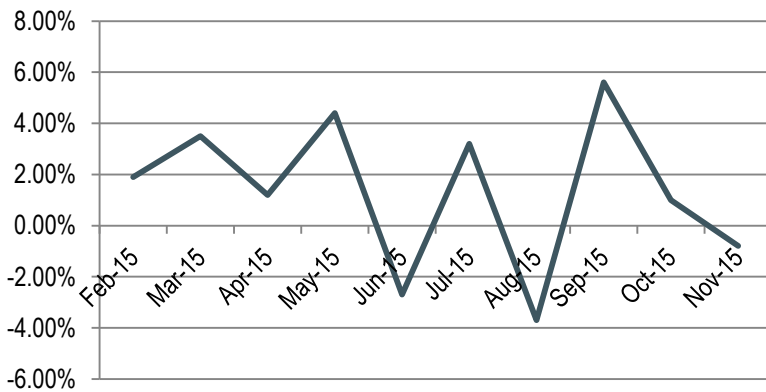
The second half of the year has noted an increase in construction activity with several new schemes opening in Zagreb and its Greater area.

Property	Region	Size (sq m)	Investment
Ralu Logistika	Zagreb / Rugvica	11,500	€20 million
Lagermax	Zagreb / Luka	17,000	€12 million
Zagreb Brewery	Zagreb / Zaprešić	43,000	€5 million

Zagreb Industrial supply ('000 sq m)



Industrial production index



Source: Croatian Bureau of statistics

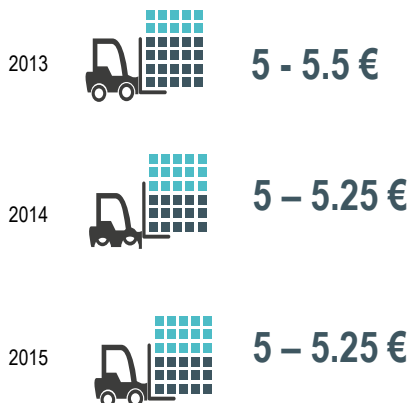
Demand



Demand continued to be driven by companies from the shipping, manufacturing and retail sectors.

Furthermore, these are expected to have a significant impact on the further development of industrial market in Croatia.

Rental levels (€/sq m/month)



Future supply

The upcoming supply will remain reliant on the construction of owner occupied schemes. We are aware of several schemes that are under construction in secondary cities.

Property	Location	Size (sq m)
Industrius	Šibenik	27,000



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