

Zagreb Industrial Market Pulse

H2 2015



Stock and Supply

Although Zagreb's industrial market is still considered as the least developed real estate segment, during 2015 it has noted an increase of construction activity. Still, the existing stock remains mainly owner occupied as developers prefer to build for owner occupation purposes.

The recent supply has relied on the expansion of companies from the retail, manufacturing and logistic sectors. The beginning of the year was marked by Kaufland opening a logistic center for owner occupation, totalling more than 64,500 sq m in Jastrebarsko. During the second half of the year, a new logistics center was opened in Rugvica area by Ralu logistika, totalling 11,500 sq m. This was an investment of nearly €20 million and offers controlled temperature conditions from -25 to +25 C, plus a vehicle maintenance area of 1,500 sq m.

Recently completed schemes

Scheme	Location	Size (sq m)
Ralu Logistika	Rugvica - Zagreb	11,500
Lagermax	Luka - Zagreb	17,000
Zagreb Brewery	Zaprešić - Zagreb	43,000
Kaufland logistic center	Jastrebarsko - Zagreb	64,500

Source: JLL, January 2016

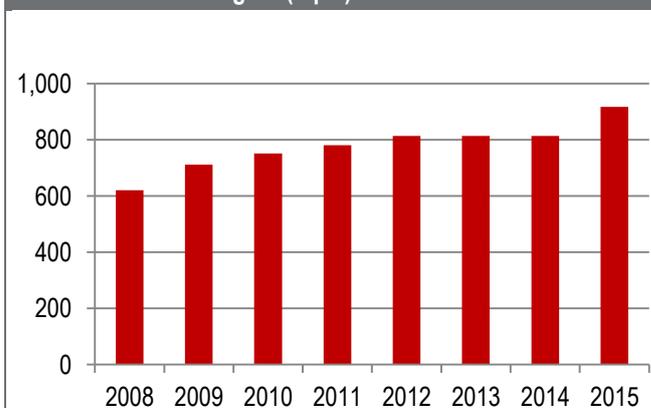
Furthermore, Austrian logistic company Lagermax has opened a new distribution and logistics center within the Luka municipality in the Greater Zagreb area. The center spreads over 50,000 sq m, out

of which 17,000 sq m is warehouse space. The company bought land near to Osijek where they plan on building a cross dock platform for servicing the Slavonija and Baranja regions. In addition, Zagreb Brewery has opened a new, owner occupied distribution center spread over 43,000 sq m. This was an investment of approximately €5 million.

North East of Zagreb, in Jalžabet, new logistic center was opened by Ducal group Calzedonia. This is €80 million greenfield investment, which includes 5 halls, spread over 100,000 sq m.

During 2015, food retail chains continued their expansion across the country, including the modernisation of existing properties and the opening of new stores. Therefore, it is expected that the future development of the retail sector will have a crucial impact on the development of the industrial market.

Industrial stock in Zagreb (sq m)

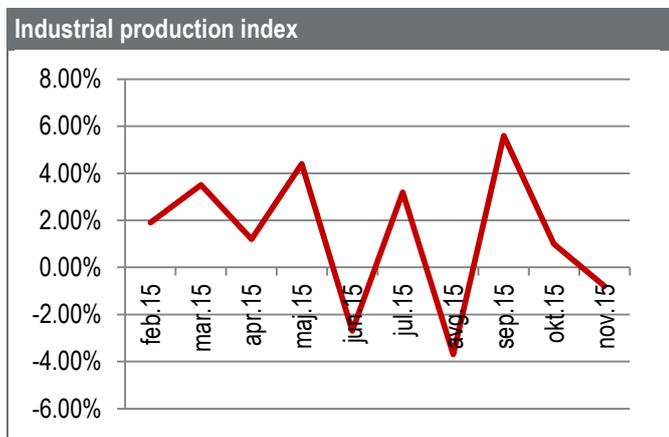


Source: JLL, January 2016

Demand

During 2015, demand for industrial schemes remained driven by shipping companies and the growing retail sector. It is expected that these sectors will further underpin the development of the industrial stock. Previously, many retailers had delayed their expansion plans, yet with improved economic circumstances, a gradual increase in market activity is expected.

General industrial market conditions have influenced a slight, recent drop in rental levels. However, when compared to other regional cities, rents in Zagreb are still relatively high. Industrial schemes maintained low vacancy levels as the market offer remains limited with the majority of recently developed schemes being owner occupied.



Source: Croatia Bureau of Statistics, January 2016

Rental levels

The ongoing general market conditions have had an overall negative impact on rental levels. Prime rents recorded a slight downward trend in 2014 whilst in 2015, rental levels have remained stable and currently range between €5 and 5.25 sq m/month. A further decrease was recorded for secondary premises which range between €3 and 4 sq m/month, including 15 to 20 year old stock that provides smaller and lower quality industrial facilities.

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