

# Zagreb Industrial Market Pulse

H2 2016



## Stock and Supply

Construction activity was slow at the beginning of 2016 with no new schemes delivered in the first six months. However, more activity was noted in the second half of the year. Company Tisak, which operates under Agrokor, opened a new logistics distribution center - TEX Logistik in Sveta Nedelja, totalling over 40,000 sq m. This presents a new logistic platform, with a click and collect network across the country, which aims to become an essential partner for small and medium sized enterprises.

Due to limited construction activity, the industrial market is considered the least developed real estate segment in both Zagreb and Croatia. Due to the lack of speculative development aimed at letting on the open market, there has been a continued trend in the construction of owner occupied facilities. With the evolution of this segment, several zones have been created including areas around Zagreb such as Jankomir, Žitnjak, Rugvica, Sveta Helena and Sveta Nedelja.

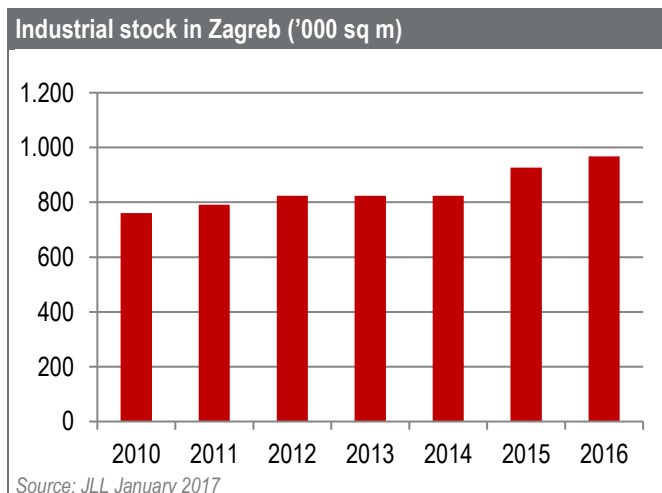
### Recent deliveries

Scheme	Location	Size (sq m)
Tex Logistik	Sveta Nedelja - Zagreb	40,000
Ralu Logistika	Rugvica - Zagreb	11,500
Lagermax	Luka - Zagreb	17,000
Kaufland logistic center	Jastrebarsko - Zagreb	64,500

Source: JLL, January 2017

The previous higher levels of construction were recorded in 2015 when the major investors on the market included Ralu Logistika and Kaufland. Ralu Logistika opened a new logistics centre, totalling over 11,500 sq m in Rugvica. Furthermore, Kaufland opened a logistics centre spread over 64,500 sq m in Jastrebarsko. Austrian company Lagermax opened a distribution and logistics center totalling over 17,000 sq m in Luka Municipality in the greater Zagreb area. Additionally, the company acquired land in the industrial zone of Nemetin, Osijek where they announced construction of a cross dock platform for servicing Slavonija and Baranja.

Additionally, Zagreb Brewery opened a distribution centre spread over 43,000 sq m for owner occupation purposes. This was an investment of approximately €5 million.



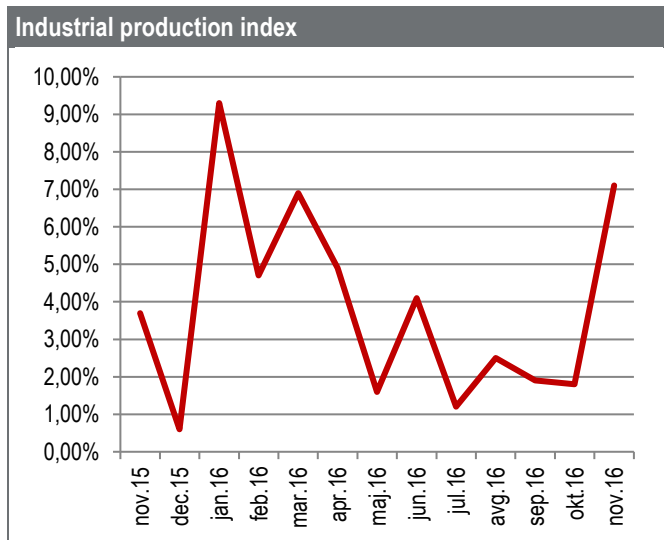
Existing retail chains are expanding on the market and remodelling their existing stores, underpinning the need for further development of the industrial market segment. Further market development also relies on the expansion of both manufacturing and logistic companies, for which the majority will take place in Zagreb or its greater area. Other important industrial areas in the country are situated around the major coastal cities such as Split and Rijeka, while light industrial projects are attracted to Međimurje area located in the North of Croatia.

Under current market conditions, future supply will rely on the construction of built-to-suit schemes. Moreover, the market will witness more activity in secondary cities. The construction of the new logistic centre Hrvatske pošte (Croatian Post) has been tendered for, with a location near Velika Gorica. After completion, shipments, transportation and international services will be centralised.

## Demand

Throughout 2016, demand for industrial schemes remained driven by the retail, manufacturing and shipping sectors. The respective sectors will further underpin the development of the industrial market.

Previously, many retailers had delayed their expansion plans, however with the improving market conditions; existing retail chains have continued to strengthen their networks and modernize their stores. Industrial schemes maintained low vacancy levels as newly developed stock was built mainly for owner occupation purposes.



Source: Croatia Bureau of Statistics, January 2017

## Rental levels

During the second half of the year, prime rental levels have witnessed a slight downward pressure and currently stand at €5 sq m/month. Previously, a decrease has been noted for secondary assets, including the 15 to 20 year old stock and lower quality facilities where rental levels range from €3 to €4 sq m/month.

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