

Zagreb Office Market Pulse

H2 2016



Stock and Supply

Zagreb office market has noted increased leasing activity and the past year has confirmed that the recovery of the market is tangible and sustainable, with a higher number of transactions and improved liquidity recorded throughout 2016. The improving economic indicators confirm the basis for the recovery, which is in contrast with the purely mechanical survival mode experienced on the Croatian market between 2010 and 2015, which included increasing vacancy and downward rental pressure. However, the recovery has not yet been followed by increased development activity. In the second half of 2016, only two new projects were delivered in Zagreb, namely Adris Centar and Conditum, increasing the existing office stock by a total of around 20,300 sq m. Adris centar was built for owner occupation purposes. Prior to this, in the first half of the year, one smaller sized project was delivered, Avenija projekt spread over 6,000 sq m.

Recently completed office projects

Property	Location	Size (sq m)
Adris centar	Centre	10,800
Conditum	Novi Zagreb	9,500

Source: JLL, January 2017

Future supply will mainly rely on the delivery of smaller scale projects, while the completion of larger projects is still uncertain. VMD plans to complete its Kuniščak mixed scheme project in Q2 2017, while an additional major project was announced in Ilica, Crystal Tower, which will include residential units, hotel and retail.

Overall Statistics

20,300 sq m

H2 2016 completion

22,000 sq m

Future office projects

Take-up 2016

Driven by relocations and new occupiers

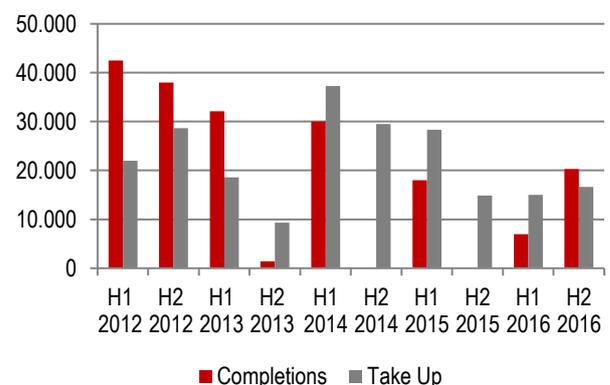
Location

The highest activity occurred in Business District East

10%

Vacancy rate in A&B Class office buildings

New office supply and take up



Source: JLL, January 2017

Demand

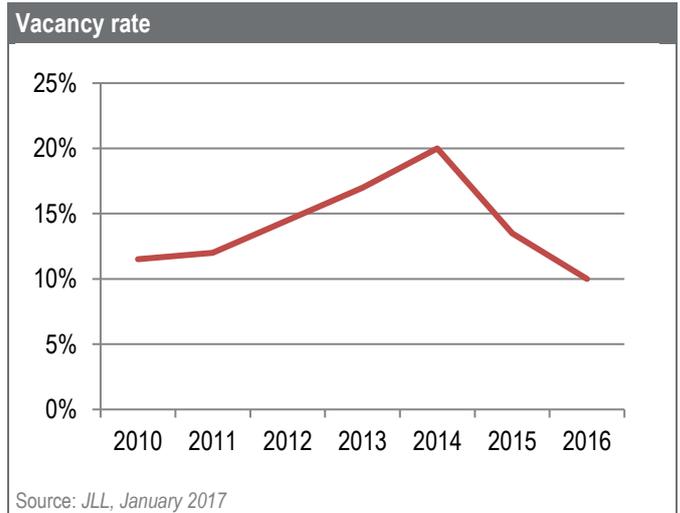
Throughout 2016, market activity was dominated by net take-up, driven by relocations and new occupation. The renewal of existing contracts also accounted for significant part of activity. During the year, tenants continued to relocate to higher quality and more flexible office space, located in more developed business zones outside of the core city area, now available at more affordable prices.

The majority of activity took place in Business District East and the central city area. The most active sector was IT, followed by the consumer goods and public sectors.

Vacancy

In 2016, underpinned by the economic trends, the vacancy level has noted a downward pressure and currently stands at 10%. The decrease in vacancy was underpinned by the increase of net take-up, mainly relocations and new occupation. Due to the low level of development, such trend is expected to continue throughout 2017.

Occupiers continued to relocate to modern office buildings, causing an increase in available space within lower quality buildings. Demand for modern office premises remained stable as such units are always in focus. Therefore, prime assets are recording higher occupancy levels.



Rental levels

Throughout 2016, prime office headline rental levels in Zagreb remained stable ranging between €14 and €15 m²/month, with few exceptions exceeding this average. There has been more downward pressure on office premises in secondary locations, where rental levels for A and B class offices range from €8 to €10 m²/month. This was supported with tenants relocating to modern schemes. For the offices on the top of the price range, greater levels of incentives are expected by tenants, including rent free periods and fit-out contributions.

Jones Lang LaSalle

Andrew Peirson

Managing Director
SEE Region & Romania
JLL
+381 11 785 0579
andrew.peirson@eu.jll.com

Jones Lang LaSalle

Jana Golubović

Senior Research Analyst
SEE Region
JLL
+381 11 785 0589
jana.golubovic@eu.jll.com

Renova Property Consultants

Tomislav Greguric

Managing Director
+385 91 4826 194
tomislav.greguric@renova.hr

