

# Zagreb Retail Market Pulse

H2 2016



## Stock and Supply

Throughout 2016, there were no new shopping centres delivered in Zagreb. Construction activity was concentrated within the secondary cities such as Split, Pula and Samobor. In the second half of the year, Pula City Mall was opened by Mid Bau Nekretnine, part of Austrian company MID Holding. The scheme spreads over 13,000 sq m and includes tenants such as Interspar, C&A, Deichmann, Hervis, New Yorker and Muller. In the first half of the year, more activity was noted when the second largest shopping centre in the country was opened, Mall of Split, totalling over 61,700 sq m. The scheme features around 200 retail units and 2,300 parking spaces. Furthermore, Shopping Gallery Samobor was opened, spread over 8,500 sq m.

Supernova has started expansion works on its scheme in Zadar, with completion scheduled for 2018. After completion, the extension will be merged with the existing scheme and the total size will be around 67,000 sq m.

During 2016, IKEA established an online store offering the entire assortment of furniture and home décor from its department store in Rugvica. Furthermore, the company announced plans to develop Designer Outlet Croatia, which is an investment of €88 million. The scheme will be developed in two phases, out of which, the first phase will spread over 15,000 sq m with 90 stores and is scheduled for opening in 2018. Furthermore, the company plans on opening a new pick-up store in Split in 2017, spread over 2,500 sq m.

Shopping center density in Zagreb

**565 sq m**  
per 1,000 inhabitants



\*Including shopping centre/park development



Kaufland continued its Zagreb expansion by opening its 36<sup>th</sup> and 37<sup>th</sup> store in Središće and Soboština. In late 2016, German discount food retailer Lidl opened its first store in Crikvenica, spread over 1,300 sq m and increased its network to 90 stores in Croatia. Prior to this, the company opened a store in Bjelovar, totalling over 1,500 sq m of retail space and reopened a store of 1,700 sq m in Zagreb.

Local retailer Plodine opened its remodelled store with 1,700 sq m in Crikvenica which was investment of €1.5 million. Pevec has announced its plans to invest 2.6 million in the construction of a new center in Bjelovar. In addition, Austrian drogerie chain Bipa, owned by German Rewe Group, has continued its expansion and opened a new store in Zagreb.

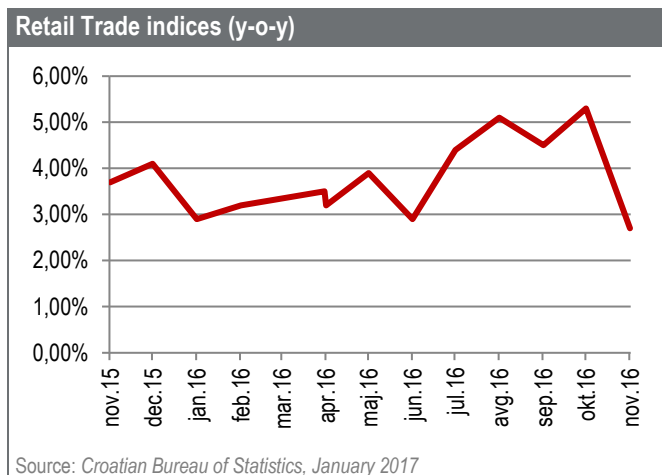
Müller is strengthening its position on the market, and its subsidiary company in Zagreb has signed an agreement with Croatian retailer Konzum to take over the drogerie chain Kozmo. Furthermore, Spar announced acquiring of 62 Billa stores and a logistic centre.

## Demand

During 2016, strong demand from existing retailers was noted in Zagreb as well as in secondary cities where new schemes were delivered. Some of the recently delivered schemes, brought new brands such as Gap and Koton, who opened in Mall of Split. French dry cleaning chain 5asec has expanded its network in Zagreb to three stores with an aim to reach 8 stores in 2017.

Hervis is strengthening its retail network in the region and announced its plans to open seven new stores over the next three years.

Discount retail chain Pepco has announced the opening of its first store in Croatia. The company is part of Steinhoff International Holding which is already present on the market through Emmezeta.



## Rental levels

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

## Investment outlook

During 2016, significant investor demand was noted for retail schemes. From the beginning of the year, South Africa's Tower Property Fund acquired four retail schemes from Agrokor for an overall price of €66.4 million. Additionally, Morgan Stanley acquired two prime assets in Zagreb, namely City Centre One East and West for around €220 million. The largest transaction occurred in the second half of the year, the sale of Arena Centar to South African fund NEPI for €237.5 million, including adjacent land. In addition, City Galleria Zadar phase 2 was sold to Ilirija for €10.4 million. In the first days of 2017, Austrian Supernova has acquired retail centres in Koprivnica, Sisak and Požega – in project stage; as well as Garden Mall and Cvjetni shopping center in Zagreb, which brought it to the leading place in Croatia with around 200.000 m<sup>2</sup> of retail space.

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