

An aerial photograph of a city, likely Zagreb, Croatia, featuring a prominent glass skyscraper in the foreground. The city is densely packed with buildings, and a large green park area is visible in the middle ground. The sky is clear and blue.

Colliers

2022 OVERVIEW AND 2023 OUTLOOK

Croatia

Economic Overview

Key figures - Croatia



Population
3.8 million



GDP growth, yoy, Q3 2022
5.2 %



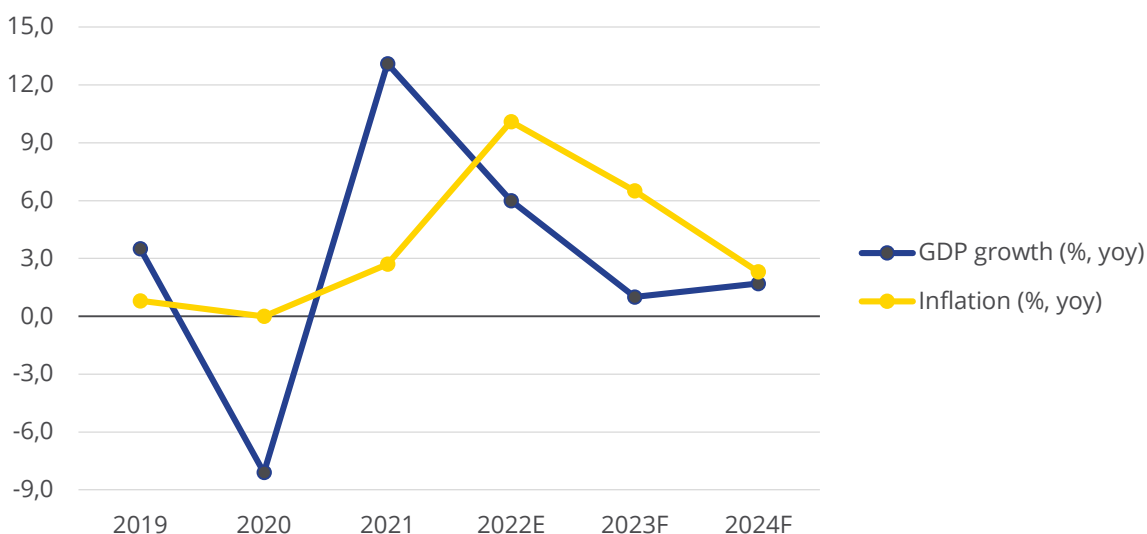
Inflation, yoy, 2022
10.8 %



Unemployment, 11/2022
6.7 %

- Croatia adopted the euro as its currency and joined Schengen area on 1/1/2023
- Being part of the EU no-border control area and Eurozone will allow citizens and businesses easier travelling and transport of goods, elimination of currency risk and exchange fees
- Average net salary was EUR 1,030 in October 2022 (+7.5% yoy or -4.1% factoring in inflation)
- Croatia holds investment grade rating from all three major credit rating agencies
- Record-high property prices and rising interest rates have caused the demand for real estate to slow down. On the other hand, strong labour market and lack of supply will extend the sellers' market

Economic indicators (annual variance in %)



Source: European Commission

Office Market

Key figures - Zagreb



Total Stock
1.5 million m²



Vacancy
4.0 %



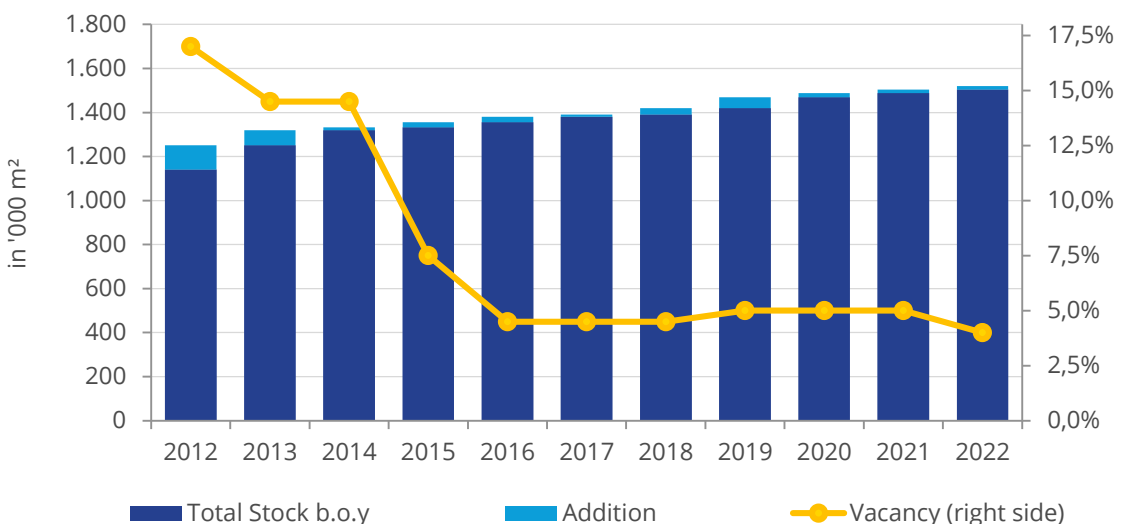
Class A Monthly Headline Rent
€13.0 / m²



Prime Yield
6.75 %

- Market activity is strongest in Zagreb and Split with occupier and investor demand outstripping the supply. The existing stock is quite old but this will change with pipeline projects and reconstructions
- Latest notable completions include 1st phase of City Island complex by KFK and Infobip Campus in Zagreb. GTC is finishing works on Matrix C, third building in Matrix Office Park
- Construction costs and land prices grew significantly in the last two years. Net effective rents should be \geq €15/ m² to make new developments feasible
- Demand for flexible offices is growing. High inflation should result in rising rents for leases with indexation clause, however, tenants will try to negotiate

Zagreb office market stock and vacancy



Source: Colliers data base

Retail Market

Key figures - Croatia



Shopping malls and retail parks*

1.5 million m²



Vacancy in prime shopping malls

3.0 %



Headline rents in prime malls

€10 - €45 / m²



Prime Yield

6.75 %

- Retail market has seen a full recovery to pre-covid turnovers. However, high inflation has eroded the purchasing power and this could in turn reflect negatively on non-essential retail businesses
- Occupancy cost ratio (OCR) has increased as higher costs outpaced the turnover growth
- Retail parks and food big-boxes continued opening across the country. Retail park SPOT by domestic retailer Tommy was the biggest completion last year
- The most active player was CPI Property Group (IMMOFINANZ) which has been expanding their Stop Shop retail park portfolio by a combination of developments and acquisitions
- Several new projects will be completed in 2023

**excl. food, DIY, furniture big-boxes and old department stores*

Retail Sales (YoY variation in %, real)



Source: Croatian Bureau of Statistics

Logistics & Warehouse

Key figures - Zagreb



Total Stock
1.3 million m²



Vacancy
2.5 %



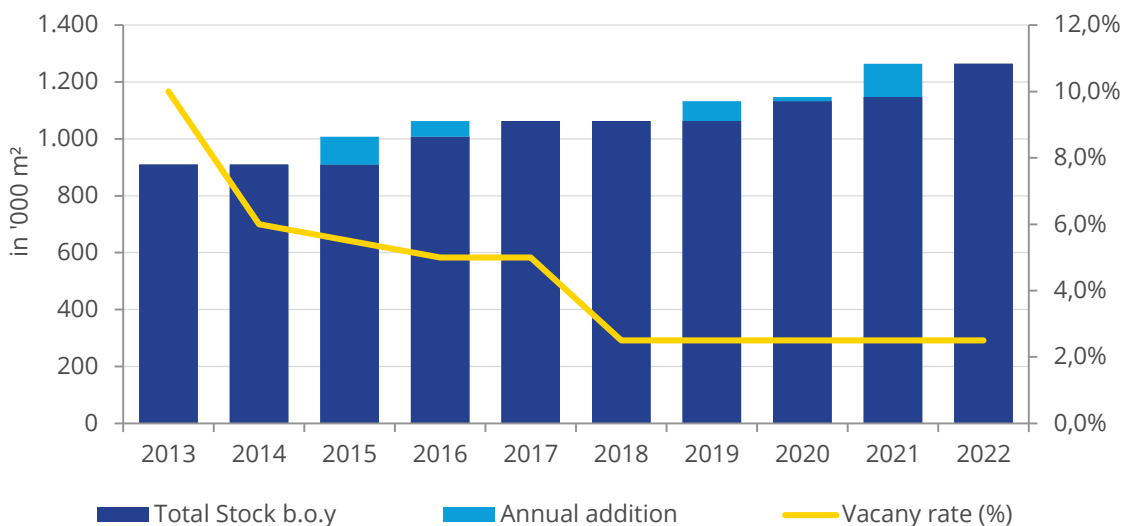
Class A Monthly Rent
€5.0 – €6.0 / m²



Prime Yield
6.50 %

- Logistics & warehouse sector has been the hottest CRE sector, seeing huge demand from all market participants; occupiers, developers, investors and lenders
- Approx. 200,000 m² GLA is under construction in business zones in Zagreb satellite cities. Owner occupiers will account for half of that GLA
- Log Expert is the busiest player with one developed multi-tenant LDC in Velika Gorica and a number of projects in pipeline near Zagreb, Rijeka and Osijek
- Occupier demand shows no signs of a slowdown, on contrary, coming years could be record-setting
- The sector will benefit from Schengen area, nearshoring and further growth of e-commerce

Zagreb logistics market stock and vacancy



Source: Colliers research

Residential Market

Key figures - Croatia



Price index, yoy, Q3 2022

14.8 %



NPLs in household loans

5.5 %



Interest rate, housing loans
12/22

3.1 %

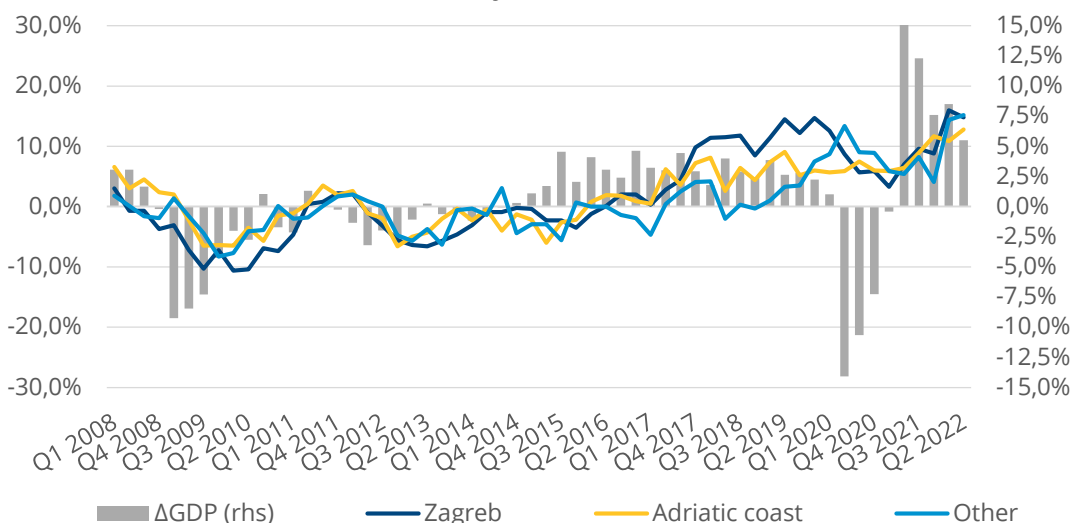


Yields

3.00 – 6.00 %

- Annual transaction volumes were down approx. 20% and 15% in Croatia and Zagreb, respectively, as potential home buyers struggle with affordability and/ or lower value for money due to lack of supply
- Based on the number of issued building permits in the first 11 months of 2022, 15,499 new apartments are planned to be built, up 11% yoy. Development activity has never recovered from last recession. From 2004 to 2008, on average 22,000 apartments were built p.a.
- Average asking prices per m² were €2,400 in Zagreb, €3,200 in Split, €1,900 in Rijeka and €1,300 in Osijek, in December 2022
- Plateauing of prices is expected, except in coastal destinations with large share of foreign buyers

GDP growth, Residential price index (same quarter of previous year, lhs)



Source: Croatian Bureau of Statistics

Our services

Colliers offers a comprehensive portfolio of commercial property services across Croatia, Bosnia and Herzegovina & Slovenia to **occupiers, owners, investors** and **developers** on a local, regional, national and international basis.

Services include commercial property sales, agency services, real estate management, property valuation and advisory, real estate consulting, office space design, project management, property marketing and market research.

What sets Colliers apart is not what we do, but how we do it.



Author

Klara Matić MRICS
Head of Capital Markets
+385 1 488 6280
klara.matic@colliers.com

Colliers Croatia, Slovenia & Bosnia and Herzegovina

Petrinjska 3
10 000 Zagreb
croatia@colliers.com
colliers.com



This report gives information based primarily on Colliers data, which may be helpful in anticipating trends in the property sector. However, no warranty is given as to the accuracy of, and no liability for negligence is accepted in relation to, the forecasts, figures or conclusions contained in this report and they must not be relied on for investment or any other purposes. This report does not constitute and must not be treated as investment or valuation advice or an offer to buy or sell property.

Colliers (NASDAQ, TSX: CIGI) is a leading diversified professional services and investment management company. With operations in 65 countries, our 18,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 28 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of 20% for shareholders. With annual revenues of \$4.5 billion and more than \$98 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people.



Accelerating success.