

RESEARCH

Croatia Retail
Market Overview

H1 2020



ECONOMY OVERVIEW

Croatian economy in H1 2020

During the first half of 2020, the COVID-19 pandemic led to a decline in economic activity. Decreasing exports, lost revenue from tourism, as well as rise in unemployment negatively affected the overall economic outlook.

GDP

After a 0.4% expansion in Q1 2020, Croatia's GDP in Q2 2020 decreased 15.1% year-on-year, marking the deepest economic contraction on record.

Further contraction of GDP is projected for this year as a result of the coronavirus pandemic.

Inflation

Annual inflation rate in June 2020 decreased by 0.2% at the annual level, a more modest drop compared to May's 0.6% fall which represented the largest drop since September 2016.

Labor Market

The average monthly net salary in June 2020 amounted to HRK 6,774. As compared to the same month last year, it increased 3.1% in real terms.

Crises caused layoffs and absence of seasonal employment reflected in higher unemployment rate. In June 2020 it increased at 9.1%.

Retail Sales

After favorable figures in the first two months of the year, retail sales started to decline in March 2020 by 11.7% year-on-year. Further decrease by 6.2% was also recorded in June.

Industrial Production

Industrial production volume rates dropped by 1.8% year-on-year in June 2020.

Figure 1: GDP and CPI Indicators

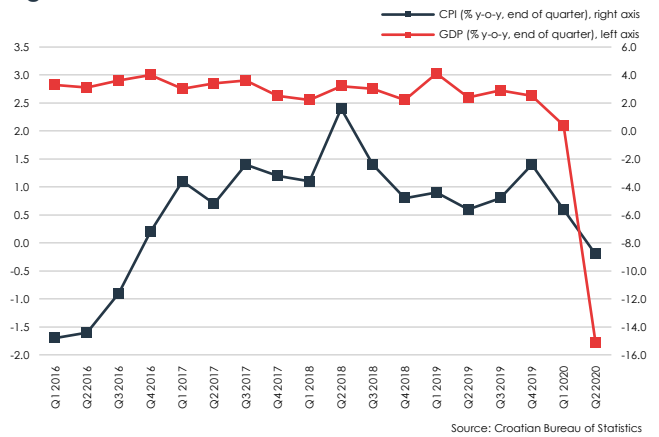


Figure 2: Labor Market Indicators

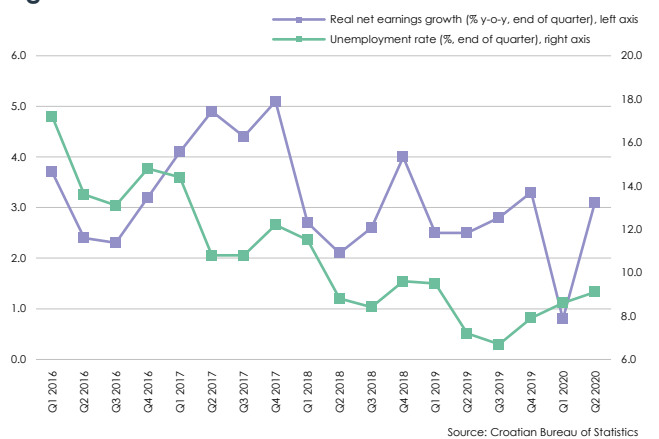
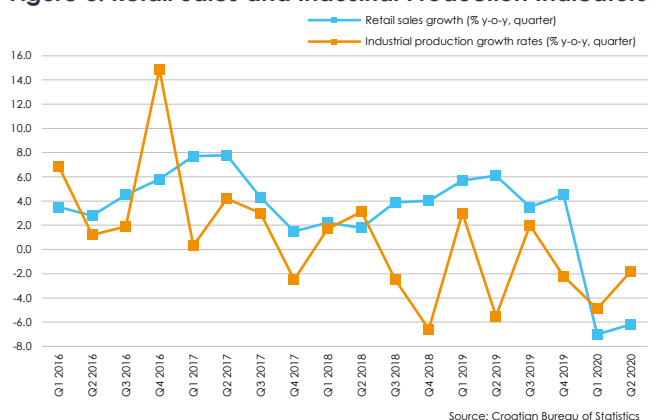


Figure 3: Retail Sales and Industrial Production Indicators



CROATIA RETAIL MARKET

Market Overview

Shopping Centers

Shopping center sector was one of the most exposed retail segment to the coronavirus outbreak and government counter-measures. Temporary closure came into affect on March 19 and remained for a period of seven weeks. Closures included all non-essential stores. Food-anchored stores and pharmacists were allowed to remain open. After seven weeks of nationwide lockdown, all stores within shopping centers reopened.

Construction activity continued despite the crisis. Two new projects with a total of 20,000 sq m opened in June 2020:

- Supernova Group opened its fifteenth project in Croatia, retail park in Požega. The project covers 11,000 sq m GLA comprising 17 units. Tenant mix includes Baby Center, C&A, CCC, Deichman, dm-drogerie markt, Galileo, KiK, NewYorker, Pepco, Sinsay, Sport Vision, Top Shop, and Tedi. Three tenants announced the opening during the summer - coffee bar Leggiero, Admiral slot club and market newcomer Italian food chain Eurospin. This is the first retail park in Požega-Slavonia County.
- Shopping mall Spot comprising 32 units covering 9,000 sq m GLA opened in Makarska. Tenants include Tommy hypermarket, Müller, NewYorker, Optics Anda, Intersport, Deichmann, Mass, s.Oliver, Svijet medija, Pepco, Galileo, Zaks, Farmacia, Watch center, Top Shop, Favbet gambling club, Biberon restaurant, and others.

Total leasable area within shopping centers in Croatia at the end of H1 2020 amounted around 1.6 million sq m with density ratio of approximately 388 sq m per 1,000 people.

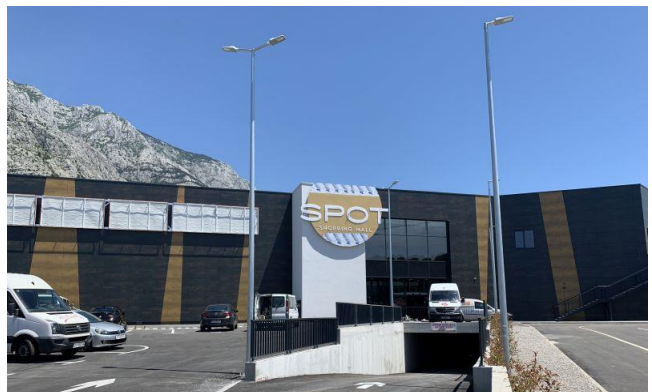
Construction of Shopping center Z in the west part of the city of Zagreb continued. Construction work is progressing with an opening scheduled in August 2021.

Figure 4: Supernova Požega retail park



Source: www.jatrgovac.com

Figure 5: Spot shopping mall in Makarska



Source: www.jatrgovac.com

Figure 6: Shopping center Z in Zagreb



Source: Senza nekretnine

CROATIA RETAIL MARKET

Leasing Activity in Shopping Centers

Due to opening of two new projects, the strongest leasing activity within shopping centers was recorded in Makarska (47%) and Požega (18%). Leasing activity in these two cities alone made up about 65% out of total number of new store openings during H1 2020.

The highest share in total number of new openings was recorded by fashion sector with 28%. Home and Electronics stores contributed with 20%, followed by Health and Beauty, and Sport with 11%. The remainder of 31% was recorded in other sectors.

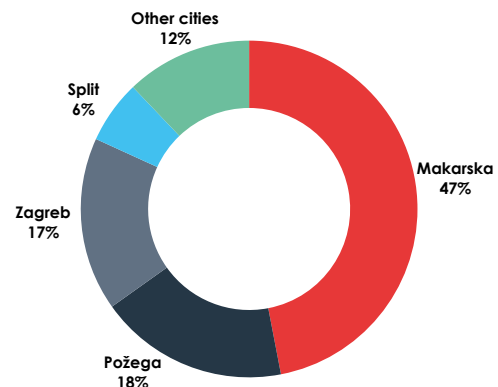
Although some store closures were recorded due to coronavirus impact, vacancy within the prime shopping center projects remained low.

Shopping Center Rent and Yield

At the end of H1 2020, average blended monthly rent in a prime shopping center dropped at €20.00/sq m. Prime shopping center rent decreased to €40.00/sq m/month.

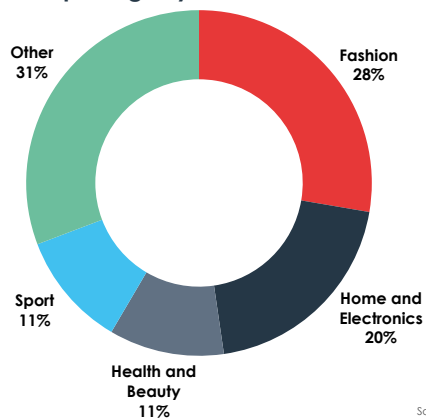
Prime shopping center yield increased at 7.50% at the end of H1 2020, which was 50 bps higher compared to H2 2019.

Figure 7: Store openings by cities, H1 2020



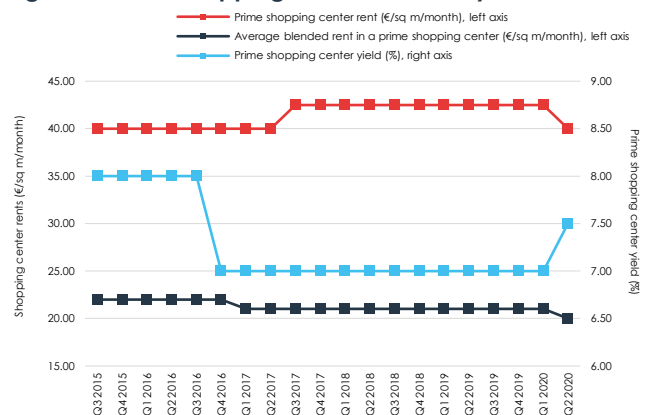
Source: Propertias

Figure 8: Store openings by retail sector, H1 2020



Source: Propertias

Figure 9: Prime shopping center rent and yield



Source: Propertias

CROATIA RETAIL MARKET

Retail Warehouses

Market activity in retail warehouse sector slowed down compared to the previous period. However, opening of a few new retail warehouses was recorded in H1 2020:

- Plodine opened three new supermarkets: in Labin, Vodnjan, and Kaštel Sućurac.
- Konzum opened standalone store in Gornji Bukovac Street in Zagreb.
- Lidl opened a new store in Zagreb. The store is located in the wider city center area, in Ilica Street, covering the ground floor of a residential building.

Pipeline

Construction of Kaufland store in Barutanski jarak Street in Zagreb is ongoing. Opening is announced by the end of summer 2020.

Eurospin is currently constructing actively working on development of several projects in Croatia. Opening of the first stores are planned in Zadar, Požega, Samobor, Velika Gorica, and Zagreb.

Construction of the Spar supermarket in Buje, which began in February is underway. According to announcement, a new store will open in Q3 2020.

Opening of a new Pevex center in Vinkovci comprising 5,000 sq m is announced for Q3 2020.

Rent and Yield

Monthly rent for prime retail warehouse in H1 2020 decreased to €10.00/sq m/month.

As a result of a 35 bps increase, prime retail warehouse yield at the end of H1 2020 stood at 8.50%.

Figure 10: Plodine supermarket in Vodnjan



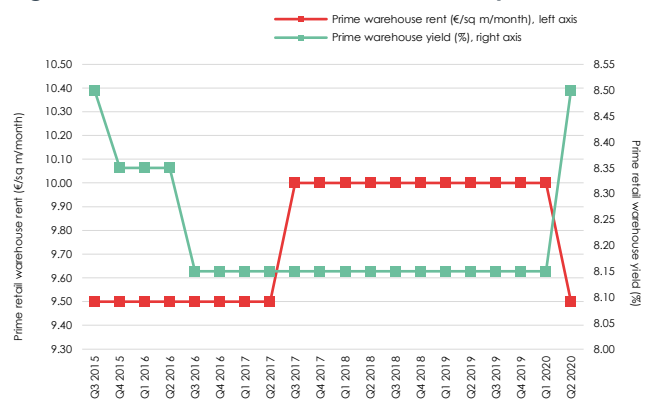
Source: www.jatrgovac.com

Figure 11: Eurospin construction site in Zagreb



Source: Propertias

Figure 12: Prime retail warehouse rent and yield



Source: Propertias

DEFINITIONS

Prime Shopping Center Rent – the typical achievable average blended open-market headline rent that could be expected for a shopping center of highest quality and specification within the prime location

Prime Rent – the typical achievable open-market headline rent that could be expected for a ground-floor unit of standard size (150-200 sqm GLA for shopping centers and high street, 1,500-2,000 sqm GLA for retail warehouses) in a property of the highest quality and specification within the prime location

Prime Yield – the yield which an investor would receive when acquiring a prime (class A) property in a prime location, which is fully let at current market rents; the prime yield reported is net

CONTACTS

For more information about this Market Overview please contact:

Dejan Ružić

HEAD OF AGENCY & CORPORATE SERVICES

T: +385 1 6187 350

E: dejan@propertas.hr

Sandra Doležal

RESEARCH & CONSULTANCY

T: +385 1 6187 348

E: sandra@propertas.hr



Radnička cesta 80
HR – 10000 Zagreb
Croatia

W: www.propertas.hr

T: + 385 1 6187 346

F: + 385 1 6187 336

E: propertas@propertas.hr