

RESEARCH

# Croatia Retail Market Overview

## H2 2020



# ECONOMY OVERVIEW

## Croatian economy in H2 2020

The COVID-19 pandemic negatively affected economy with the recession continuing in H2 2020. Weak personal consumption was one of the leading reasons of recession as it is the largest component of GDP and accounts for 60% of its total use.

### GDP

The estimate of Croatia's GDP for Q4 2020 shows 7.0% contraction in Q4 2020 year-on-year, following a 10.0% drop in Q3 2020, with peak of 15.4% contraction in Q2 2020.

### Inflation

Consumer prices in December 2020 decreased 0.7% at the annual level following November's 0.2% decline, marking the biggest drop in consumer prices since September 2016.

### Labor market

The average monthly net salary in December 2020 reached an all time high of HRK 6,999 which represented 5.7% increase year-on-year.

The unemployment rate in December 2020 further increased to 9.5% marking the highest unemployment rate since May 2020.

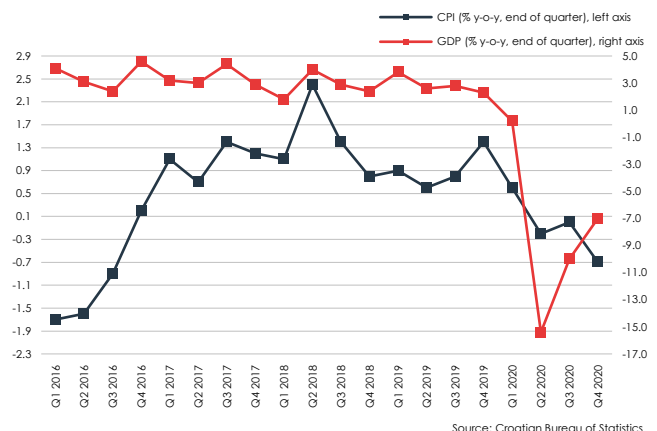
### Retail sales

Retail sales fell 3.2% year-on-year in December 2020. This was the tenth consecutive month of decline in retail activity. Retail sales for the entire year fell by 5.8% in real terms.

### Industrial production

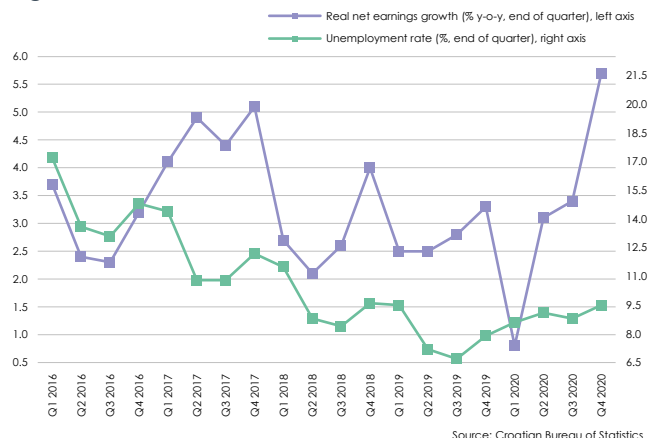
Industrial production volume rate grew 0.3% year-on-year in December 2020.

Figure 1: GDP and CPI indicators



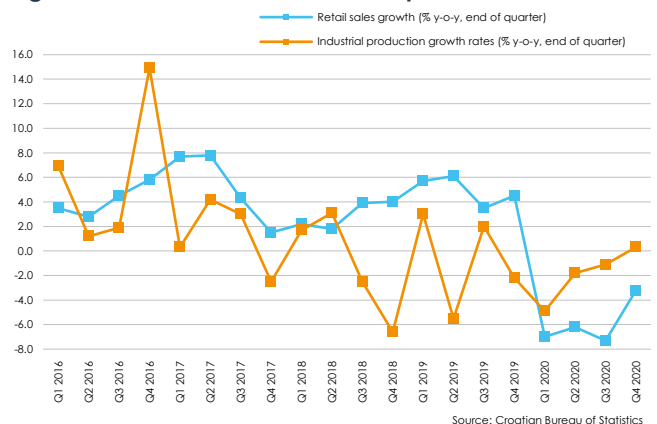
Source: Croatian Bureau of Statistics

Figure 2: Labor market indicators



Source: Croatian Bureau of Statistics

Figure 3: Retail sales and industrial production indicators



Source: Croatian Bureau of Statistics

# CROATIA RETAIL MARKET

## Market Overview

### Shopping Centers

After completion of two new shopping centers in H1 2020, there were no new completions recorded in H2 2020. Therefore, total leasable area within shopping centers in Croatia remained at around 1.6 million sq m. However, a few new retail neighborhood projects that do not meet standard classification requirements for shopping centers and retail parks opened during H2 2020:

- Building of the former textile company Betex in Čakovec was converted into the retail project named Jug Mall and opened in December. It comprises 4,000 sq m of sales area including Spar supermarket, dm, Pepco, Mobia, Silver for you, and the florist shop. Several other tenants are announced as well;
- Former production hall in Ivanec comprising nearly 3,000 sq m was converted into the retail project named Mipcro with four tenants: Bipa, Pepco, Tedi, and café Bueno;
- Former Konzum retail warehouses in Sisak and Ivanić Grad were converted to a retail facilities as part of the Capitol Park brand from Poseidon Group with Konzum supermarket as an anchor tenant as well as several additional tenants.

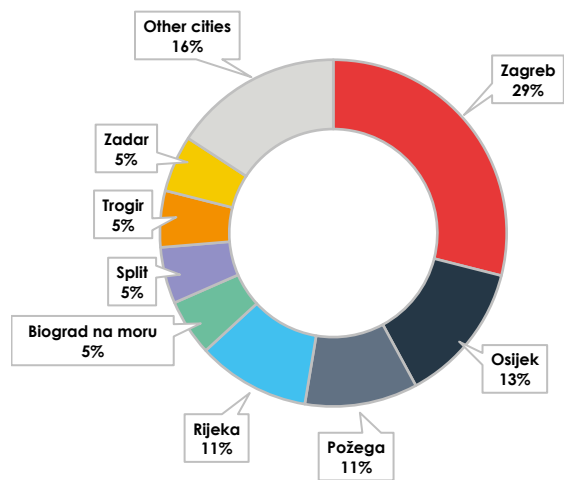
### Leasing Activity in Shopping Centers

During H2 2020, the strongest leasing activity within shopping centers was recorded in Zagreb with 29% out of total number of new store openings. Osijek followed with 13%, Požega and Rijeka with 11%, Biograd na moru, Split, Trogir, and Zadar with 5%, while all other cities together contributed with total 16%.

The highest share in total number of new openings was recorded by home sector (16%), accessories (14%), and fashion sector (14%).

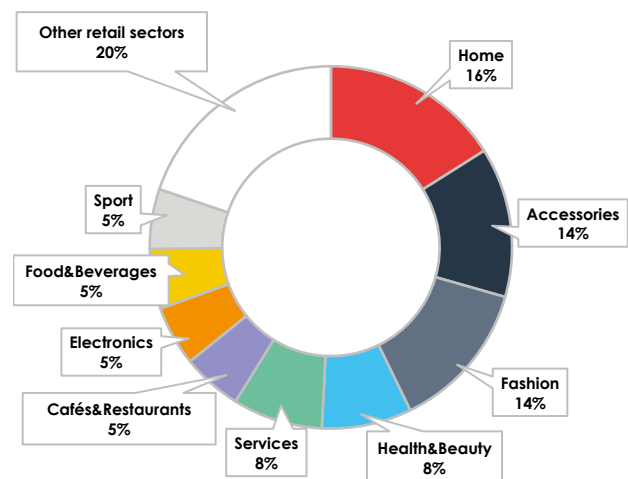
Vacancy within the prime shopping center projects slightly increased but still remained at low level.

Figure 4: Store openings by cities, H2 2020



Source: Propertias

Figure 5: Store openings by retail sector, H2 2020



Source: Propertias

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## New pipeline projects and announcements

- Construction of Shopping center Z in Zagreb's neighborhood Špansko is underway. Opening scheduled for August 2021;
- New STOP SHOP retail park comprising approximately 6,500 sq m is announced in Velika Gorica. Once finished, this will be the third STOP SHOP location in Croatia. The other two retail parks are located in Valpovo and Osijek;
- After opening of shopping center Spot in Makarska in June 2020, Croatian retail chain Tommy announced opening of another project in Trogir. Tommy also bought construction land at the entrance to Opatija, in Kuk neighborhood, and announced construction of a new shopping center on 75,000 sq m. Works should start in 2021 and completion is planned within 18 months.

## Shopping Center Rent and Yield

At the end of H2 2020, average blended monthly rent in a prime shopping center remained at €20.00/sq m and prime shopping center rent at €40.00/sq m/month.

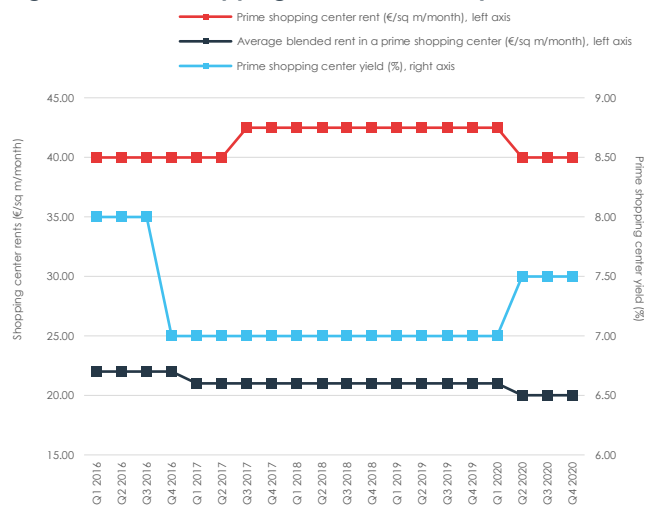
Prime shopping center yield at the end of H2 2020 was 7.50%.

Figure 6: Shopping center Z construction site



Source: Propertias

Figure 7: Prime shopping center rent and yield



Source: Propertias

# CROATIA RETAIL MARKET

## Retail Warehouses and Supermarkets

Market activity in the second half of 2020 was mainly related to new openings, and a few refurbishments:

- Eurospin opened seven new supermarkets: in Križevci, Poreč, Požega, Samobor, Velika Gorica, Zadar, and Zagreb;
- Kaufland renovated their stores in Sinj and Zagreb (Ravnice), and opened a new store in Zagreb's neighborhood Remete;
- Konzum opened two small format stores. One in Varaždin, located on the ground floor of a residential building, and the other in Zadar, right next to main city bus hub;
- Pevex relocated stores in Makarska and Slavonski Brod. Both stores opened in a more attractive locations. Also, Pevex opened a new store in Vinkovci;
- Plodine opened three new supermarkets: in Kastav, Sukošan, and Žminj;
- Spar opened a new supermarket in Buje, and another located in Malešnica in Zagreb on the ground floor of a residential building;
- Tommy renovated store in Opuzen and opened three new stores: on the island of Krk, in Donji Proložac, and Kaštel Stari.

## Rent and Yield

Monthly rent for prime retail warehouse in H2 2020 remained at €9.50/sq m/month.

Prime retail warehouse yield at the end of H2 2020 stood at 8.50%.

Figure 8: Eurospin construction site in Zagreb



Source: www.jatrgovac.com

Figure 9: Pipeline projects

PROJECT	LOCATION	PLANNED OPENING
Eurospin	Bjelovar	2021
Eurospin	Čakovec	2021
Eurospin	Vrbovec	2021
Eurospin	Pula, Gregovica	2021
Kaufland	Rovinj	2021
Kaufland	Zagreb, Planinska	2021
Kaufland	Biograd na moru	2021
Plodine	Vrsar	2021
Spar	Zlatar	2021

Source: Propertias

Figure 10: Prime retail warehouse rent and yield



Source: Propertias

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## Zagreb High Street

Leasing activity during H2 2020 in Zagreb high street was weak. Comparing the number of store openings and closings, there were approximately twice as many closures than new store openings recorded. Several units were closed due to structural damage as a consequence of an earthquake.

Demand was largely driven by tenants from cafés, bars, restaurants and pastry shops. Portion of new store openings from that sector amounted to 32%. Accessories, eyewear, jewelry, watches, and health and beauty followed both with 21%. Fashion sector participated with 16%, while shoes and sports both with 5%.

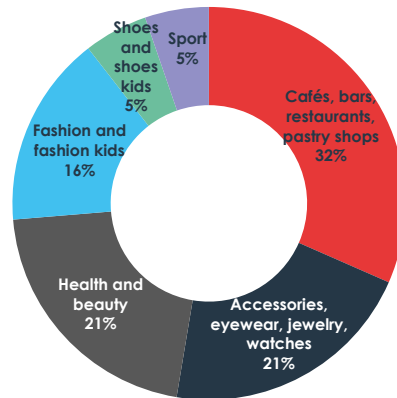
Overall vacancy in Zagreb high street slightly increased.

## Rent and Yield

Monthly rent for a prime high-street unit in Zagreb at the end of H2 2020 amounted to €55.00/sq m.

High street prime yield was 7.15%.

Figure 11: Zagreb high street store openings by category



Source: Propertias

Figure 12: Zagreb high street prime rent and yield



Source: Propertias

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## 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

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## CONTACTS

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