

RESEARCH

**Zagreb Logistics  
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

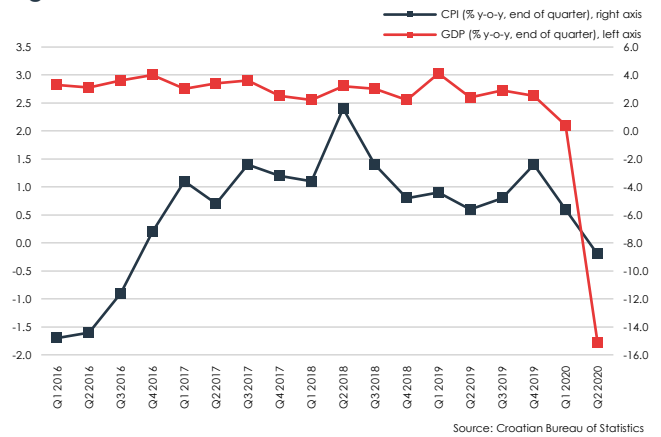
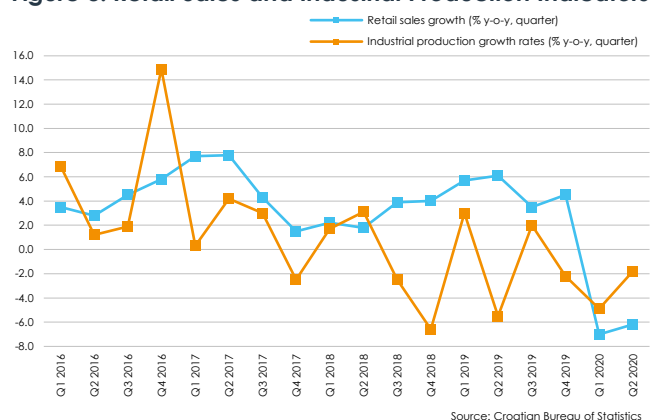


Figure 2: Labor Market Indicators



Figure 3: Retail Sales and Industrial Production Indicators



# ZAGREB LOGISTICS MARKET

## Market Overview

### Logistics

Despite strong occupier demand, low leasing activity in Zagreb and its wider area continued during H1 2020, primarily due to lack of quality stock available. The demand was driven mainly by logistics providers requiring larger, modern units with clear internal height over 8 meters on attractive location with good transport connection. Overall occupancy rate in prime logistics projects remained high.

Property investor and developer Helios Properties completed a new part of Zagreb Logistics Park in Sveta Nedelja. Hall 4 comprising approximately 15,000 sq m was released for a 10-year-period to logistics company Milšped with occupation start in March 2020.

Helios also announced construction of the final phase of Zagreb Logistics Park - Hall 5, comprising 3,400 sq m. Construction is expected to commence once all Covid-19 restrictions are lifted.

### Logistics Rent and Yield

Monthly rent in a prime logistics warehouses declined to €5.00/sq m/month.

Monthly rent in B-class warehouses remained at range between €3.00 and €4.50 per sq m, while rent in older warehouses that could not be categorized as A or B class, remained between €2.50 and €3.50.

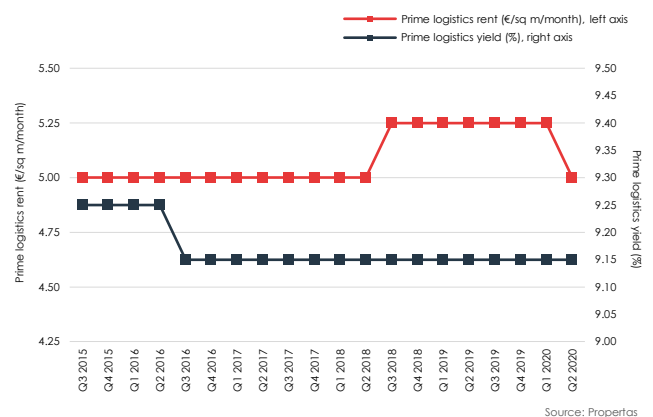
Prime logistics yield was 9.15%.

Figure 4: Zagreb Logistics Park – Hall 4



Source: www.heliosrealestate.com

Figure 5: Prime logistics rent and yield



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## DEFINITIONS

**Competitive Logistics Stock** – total gross leasable floor area in completed (occupied and vacant) logistics warehouses which comprise at least 4,500 sqm, have a clear height of at least 6 meters (class A 10+ m, class B 6-10 m), have a high ratio of loading docks to overall floor area, and office space share of <20%

**Prime Rent** – the typical achievable open-market headline rent that could be expected for a unit of standard size 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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