

RESEARCH

**Zagreb Logistics
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.

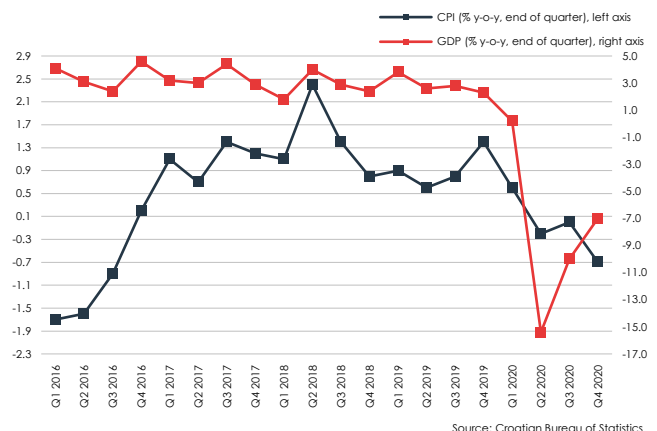
Retail sales

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

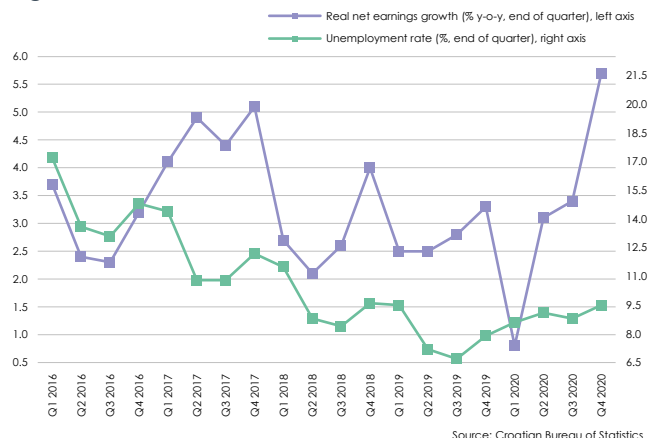
Industrial production volume rate grew 0.3% year-on-year in December 2020.

Figure 1: GDP and CPI indicators



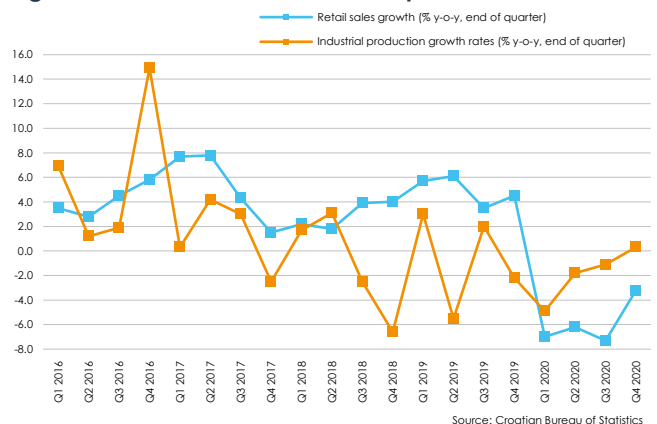
Source: Croatian Bureau of Statistics

Figure 2: Labor market indicators



Source: Croatian Bureau of Statistics

Figure 3: Retail sales and industrial production indicators



Source: Croatian Bureau of Statistics

ZAGREB LOGISTICS MARKET

Market Overview

Logistics

Although the coronavirus pandemic negatively impacted many sectors and forced businesses to close operations for a number of months, the logistics sector remained the most resistant, mostly due to capability to adapt to fast-changing consumer demands, especially growth of e-commerce.

There were no new deliveries recorded during H2 2020. Demand for logistics space remained strong. Occupancy in prime logistics projects remained high.

Investment plans for several logistics projects in Zagreb and its wider area were announced:

- Logistics provider Cargo-partner announced plans for opening of a new logistics center comprising 12,000 sq m with an office area near Zagreb Airport by the end of 2021;
- Italian discount store chain Eurospin started construction of logistics center in Meridian 16 Business Park near Velika Gorica;
- German discounter Lidl announced construction of its logistics center in business zone Križ;
- Croatian detergent and cosmetics producer Saponia announced construction of a new LDC in the industrial zone located in the eastern part of Zagreb. Almost a quarter, out of total 4,124 sq m high-rack warehouse with capacity for 4,500 pallet spaces, will be designed as a temperature controlled zone for Kandit and Koestlin products;
- Austrian retailer Spar signed a preliminary contract for the purchase of land for the construction of a logistics center in Donja Zdenčina;
- Construction of the final phase of Zagreb Logistics Park, hall 5, comprising 3,400 sq m was announced.

The Meridian 16 business zone has become very attractive for logistics investments lately. In addition to the existing facilities occupied by companies such as Atlantic Grupa, Fas Logistika, and Palco, it was announced that several companies such as AGS Movers, Astreja plus, Bertol Metal, CTO, VG Autodijelovi, as well

Figure 4: Planned logistics projects in Zagreb and surroundings

PROJECT	LOCATION	STATUS
Cargo-partner	Velika Gorica	Planned
Eurospin	Velika Gorica	Under construction
Lidl	Križ	Planned
Saponia	Zagreb	Planned
Spar	D. Zdenčina	Planned
Zagreb Logistics Park	Sveta Nedelja	Planned

Source: Propertias

Figure 5: Prime logistics rent and yield



Source: Propertias

as another renowned international company, expressed their interest in construction of a warehouse project within the business park.

Logistics Rent and Yield

Monthly rent in a prime logistics warehouses was €5.25 during H2 2020.

At the end of H2 2020 prime logistics yield was 9.00%.

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

CONTACTS

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