

RESEARCH

Zagreb 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

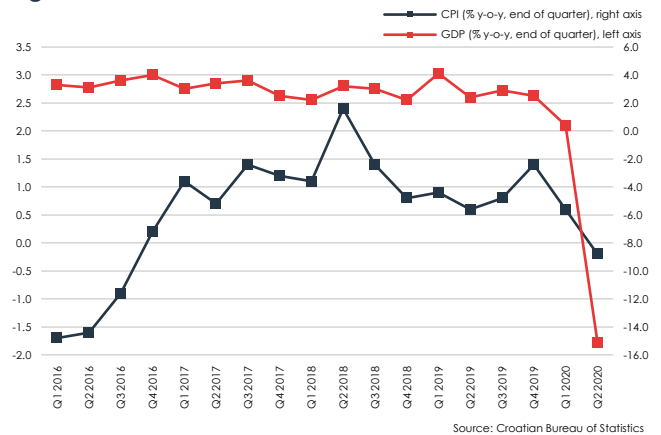
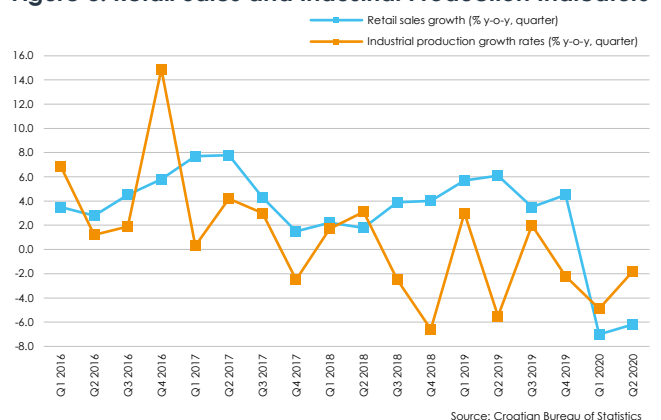


Figure 2: Labor Market Indicators



Figure 3: Retail Sales and Industrial Production Indicators



ZAGREB RETAIL MARKET

Market Overview

Shopping Centers

Total leasable space within shopping centers in Zagreb area remained at approximately 537,000 sq m as there were no new shopping center openings recorded during H1 2020.

Vacancy rate within shopping centers remained low despite the coronavirus crisis. Even though several closures of stores within shopping centers were recorded, there were no significant vacancy level variations.

Construction and reconstruction of shopping centers continued:

- Construction of Shopping center Z in the western part of the city of Zagreb continued. Opening is scheduled for August 2021.
- Works on renovation and reconstruction of Centar Kaptol are progressing and, according to schedule, should be completed by the end of 2020.

Leasing Activity in Shopping Centers

Leasing activity was very low. It was mainly driven by openings of fashion stores, health and beauty, and home and electronics sectors. The largest number of new store openings within centers located in Zagreb and its wider area was recorded in Westgate Shopping City and King Cross Jankomir.

Rent and Yield

Average blended monthly rent in a prime shopping center dropped to around €20.00/sq m. Prime shopping center rent decreased to €40.00/sq m/month.

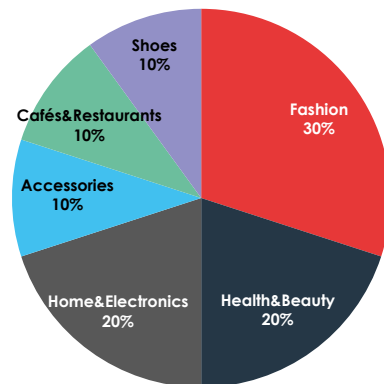
Prime shopping center yield increased at 7.50% at the end of H1 2020, which was 50 bps higher compared to H2 2019.

Figure 6: Shopping center Z in Zagreb



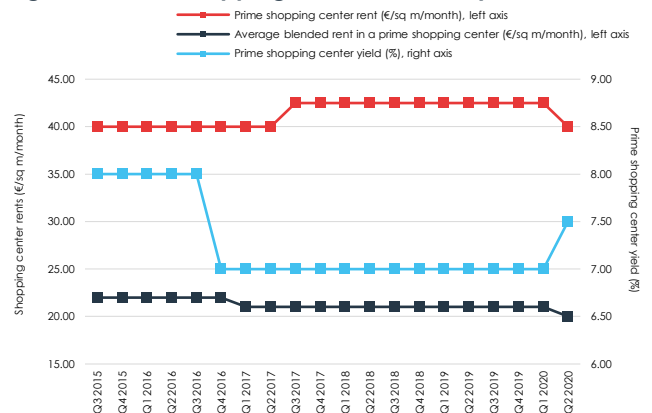
Source: Sensa nekretnine

Figure 5: Store openings by sectors, H1 2020



Source: Propertias

Figure 6: Prime shopping center rent and yield



Source: Propertias

ZAGREB RETAIL MARKET

Retail Warehouses

Market activity in retail warehouse sector continued, yet as a slower pace. Only two store openings were recorded in Zagreb during H1 2020:

- Konzum opened a new smaller standalone format store in Zagreb's Bukovac neighborhood in Q1 2020;
- Lidl opened a new store in the wider city center area, Ilica Street, covering the ground floor of a residential building.

New Retail Warehouse Developments

Construction of two retail projects is underway:

- Kaufland is constructing a new store in Maksimir neighborhood (Barutanski jarak Street). Opening is announced for September 2020.
- Eurospin announced opening of one of its first stores in Zagreb by the end of 2020. Construction is underway.

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 7: Kaufland construction site



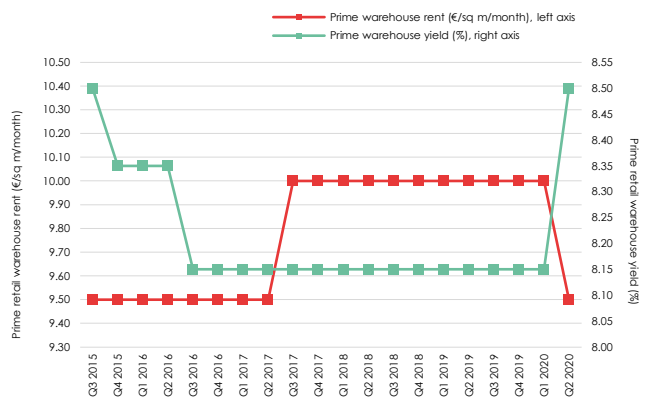
Source: www.suvremena.hr

Figure 8: Eurospin construction site



Source: Propteras

Figure 9: Prime retail warehouse rent and yield



Source: Propteras

ZAGREB RETAIL MARKET

Zagreb High Street

Leasing activity during H1 2020 in Zagreb high street was weaker compared to H2 2019. Comparing the number of openings and closings, H1 2020 saw more shops close than open, namely 16 new openings and 27 unit closures. However, out of 27 shops that were closed, 13 were occupied by other tenants shortly thereafter.

The largest portion of new openings recorded were by fashion retailers (31%), following by cafés and restaurants, and health and beauty, both by 19%. Other categories such as accessories, exchange offices, and other services participated by 31%.

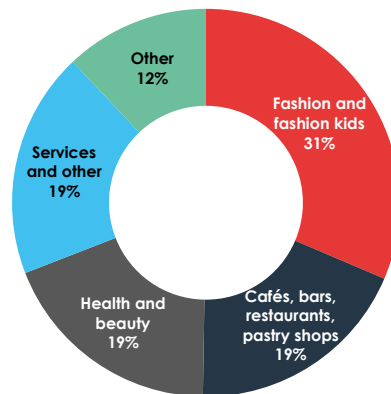
Overall vacancy in Zagreb high street slightly increased.

Rent and Yield

Monthly rent for a prime high-street unit in H1 2020 dropped to €55.00/sq m.

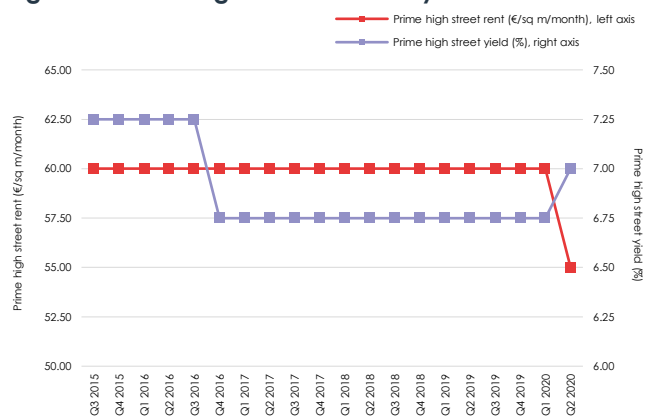
Prime high street yield increased at 7.00% at the end of H1 2020, which was 25 bps higher compared to H2 2019.

Figure 10: High street store openings by category, H2 2019



Source: Propertias

Figure 11: Prime high street 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