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_Construction and Real Estate

Author_Goran Buturac

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A slight slowdown in economic growth in the coming year could be reflected in a decrease in the number of transactions and a slowdown in activity on the real estate market.



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Main sector indicators

The construction sector is cumulatively recording a continuation of positive trends. This can be attributed primarily to the implementation of large-scale infrastructure projects, while the real estate market is experiencing a slowdown in activity. Despite numerous negative impacts to which this sector was exposed in the past [the 2009–2014 recession, the coronavirus pandemic, the outflow of qualified labor to more developed EU countries], construction still occupies a significant place in the Croatian economy. According to the latest available data from the Croatian Bureau of Statistics, in the first half of 2025, the construction sector participated in the structure of the total economy with a share of about 6.3 percent [Table 1]. In addition to the effect on aggregate production, the contribution of construction to total employment was noted. The number of persons employed in this industry in August 2025 was 156,520, which is 8.9 percent of the total number of persons employed in the Republic of Croatia [Figure 2]. At the same time, of the total number of persons employed in the construction sector, 82.0 percent were employed in legal entities, and 18.0 percent in trades.

Table 1
Main sector indicators

Note: The percentage changes are compared to the same period of the previous year.

Source: Croatian Bureau of Statistics.

	2022	2023	2024	2025	
Share in GDP (status, in %)	5.0	5.1	5.6	6.3	January–June
Share in total employment (status, in %)	8.2	8.6	9.1	8.9	August
Volume of construction works (percentage change)	4.0	5.2	14.2	7.2	January–July
Number of persons employed (percentage change)	4.4	8.6	9.1	8.9	August
Completed apartments (percentage change)	26.9	4.3	0.6	-	-
Building permits issued (percentage change)	5.8	3.6	2.2	-0.1	January–July
Price of sold apartments (percentage change)	20.2	2.7	11.5	15.9	January–June

By observing the year-on-year rates of change of the main sector indicators in 2024, an increase in activity in construction can be observed [Table 1].

“In the first seven months of 2025, there was an increase in the volume of construction works.

Out of the analyzed indicators, the increase in the volume of construction works in 2024 by 14.2 percent year-on-year should be highlighted. The greatest contribution to positive trends came from the construction of large-scale infrastructure projects.

At the same time, the analyzed indicators confirm a major slowdown in activity on the real estate market. In 2022, the number of completed new apartments increased by 26.9 percent, in 2023 by 4.3 percent, while in 2024 it increased by a negligible 0.6 percent [Table 1]. At the same time, there is a faster growth in the average price of apartments sold. In 2023, it increased by 2.7 percent, by 11.5 percent in 2024, and by 15.9 percent in the first half of this year.

In 2024, the number of persons employed increased faster compared to other sector indicators (share in gross value added, completed apartments), which indicates a cumulative decline in the productivity of the sector. There is also a slowdown in the issuance of building permits. In 2023, their number increased by 3.6 percent year-on-year, by 2.2 percent in 2024, and decreased by 0.1 percent in the first seven months of this year.

Figure 1
Volume of construction works in the Republic of Croatia and EU-27, January 2008 – July 2025

Sources: Croatian Bureau of Statistics and Eurostat.

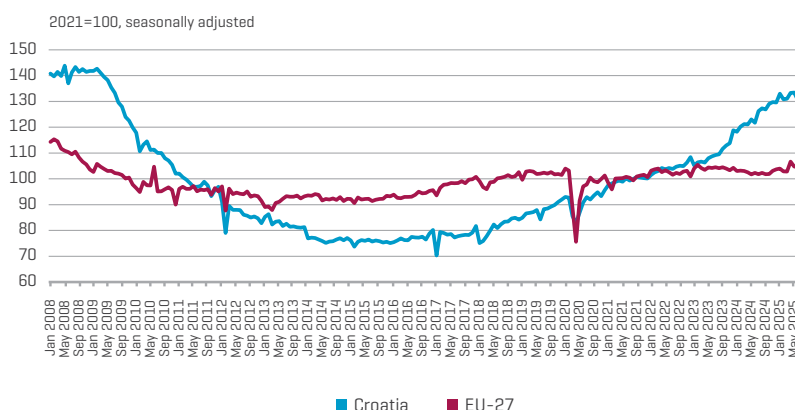


Figure 2
Number of persons employed in construction in the Republic of Croatia, 2008 – August 2025

Source: Croatian Bureau of Statistics.



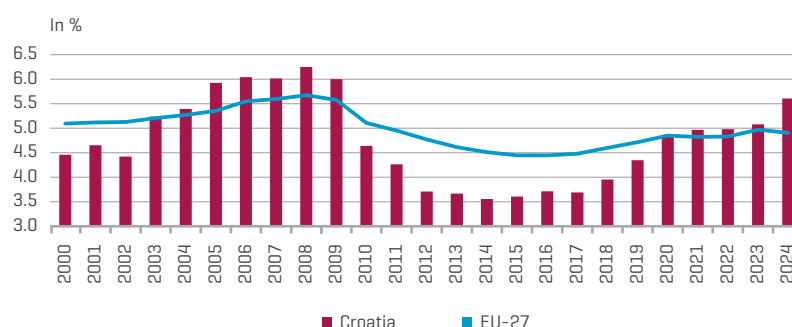
In 2024, after a significant slowdown in construction, the latest trends at the level of the entire European Union (EU-27) indicate a slight increase in this sector (Figure 1). Thus, the volume of construction works in the EU-27 in the first seven months of 2025 increased by 1.8 percent compared to the same period last year.

Structural characteristics of the sector and trends

A more detailed insight into the overall trends in construction is obtained by analyzing longer time series. Analysis of the causes and consequences of trends in this sector, as well as an assessment in relation to other comparable countries, helps forecast trends in the coming period and adopt appropriate economic policy measures for stronger growth in construction activity. In the observed period from 2001 to 2024, the importance and role of construction in the overall economic structure of Croatia changed significantly. Four phases can be distinguished: the first, from 2001 to 2008, when there was a strong increase in activity; the second, from 2009 to 2014, in which a recession was recorded; the third, from 2015 to 2020, in which stabilization and gradual recovery of activity was recorded; the fourth, from 2021 to 2024, when a growth of the construction sector occurred.

Figure 3
Share of construction in the gross domestic product in the Republic of Croatia and EU-27, 2000–2024

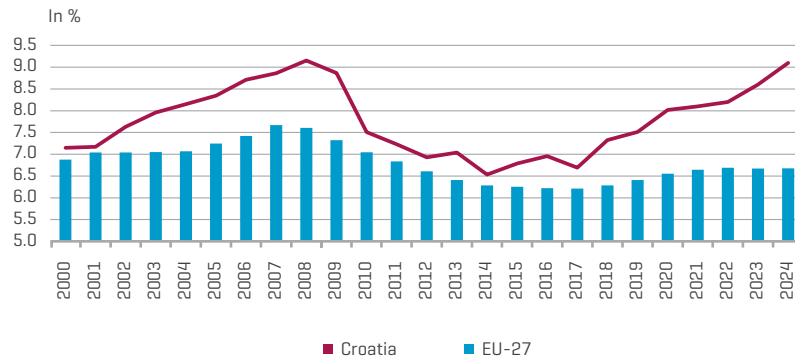
Sources: Croatian Bureau of Statistics and Eurostat.



A comparison with the EU-27 shows that similar processes can only be tentatively seen on the trajectories of the share of construction in GDP and the share of total employment [Figures 3 and 4]. More precisely, the construction sector at the EU-27 level proved to be much more resistant to external shocks, whereby in the recession years [2009–2014] there was a significantly smaller decline in overall activity and employment [Buturac, 2023, p. 7].

Figure 4
Share of construction workers in total employment in the Republic of Croatia and EU-27, 2000–2024

Sources: Croatian Bureau of Statistics and Eurostat.

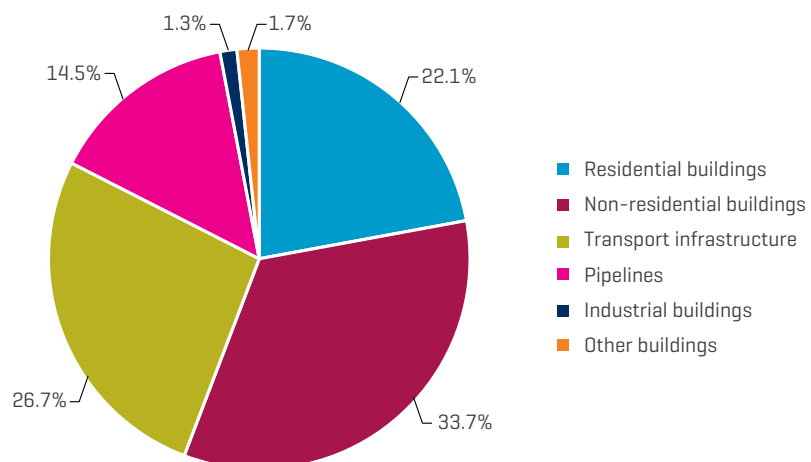


After six years of crisis marked by a significant decline in construction works and employment, 2015 brought a slowdown in negative trends and the first signs of recovery [Buturac, 2024, p. 5]. In 2016, the stabilization of activities continued, and in the 2017–2024 period, the recovery of the construction sector was recorded. In the first seven months of this year, judging at least by the volume of construction works, a continuation of increase is noticeable. In that period, the volume of construction works increased by 7.2 percent year-on-year.

An analysis of the value of completed works by business entities with 20 or more employees, categorized by building type, shows that the trends in the construction sector are driven primarily by the construction of transport infrastructure and pipelines, the construction of non-residential buildings, and the construction of residential buildings [Figure 5]. In the first six months of this year, the total value of the works carried out with own workers amounted to 3.5 billion euros. Of this amount, 41.2 percent of the works were realized in the construction of transport infrastructure and pipelines, 33.7 percent in the construction of non-residential buildings, and 22.1 percent in the construction of residential buildings.

Figure 5
Structure of completed construction works by type of construction in the Republic of Croatia in the period from January to June 2025

Source: Croatian Bureau of Statistics.



“Wages in construction continue to lag behind the economy average. In the period from January to July 2025, the average net wage in the construction sector was 19.6 percent lower than the average net wage in Croatia.

Wages in construction are still below the economy average. In the period from January to July 2025, the average net wage in the construction sector was 19.6 percent lower than the average net wage in Croatia (Figure 6).

This difference has been gradually increasing since 2007, when the average net wage in the construction sector was 13.5 percent lower than the national average [Buturac, 2017, p. 9]. The average net wage paid in construction in the first seven months of 2025 was 1,152 euros. Compared to the same period in 2024, it nominally increased by 10.8 percent.

The increase in prices at the level of the overall economy, as well as the increase in construction activity, contributed to the increase in prices of building materials. Thus, in the January–August 2025 period, the average price of building materials was higher by 4.1 percent compared to the same period in 2024 (Figure 7). At the same time, the producer prices of the overall industry increased by 0.6 percent on average.

Figure 6
Average monthly net wages paid in the construction industry and in the overall economy in the Republic of Croatia, January 2018 – July 2025

Source: Croatian Bureau of Statistics.

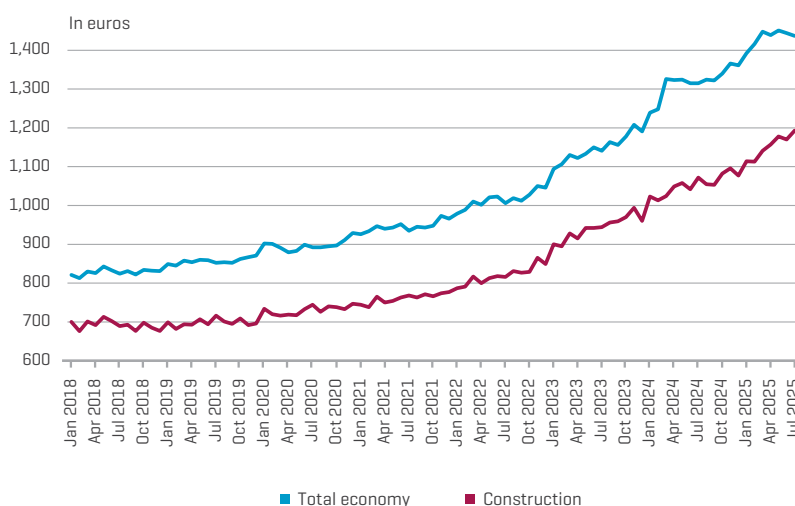
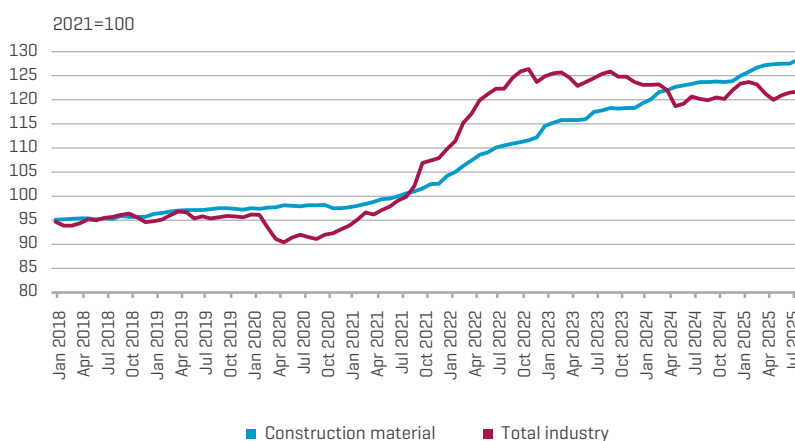


Figure 7
Industrial producer price indices and construction material prices in the Republic of Croatia, January 2018 – August 2025

Source: Croatian Bureau of Statistics.

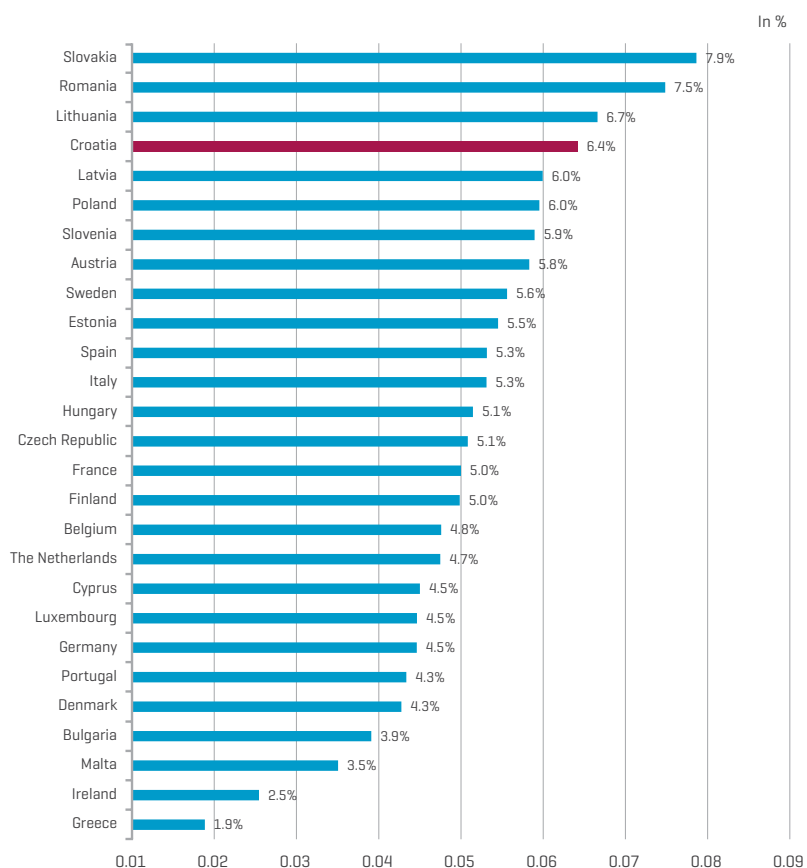


Comparison among EU-27 member states

In most EU member states, construction plays a significant role in overall economic activity [Buturac, 2021, p. 9]. It is clear that, on average, this sector has a much greater importance for the economies of the “new” EU-27 member states than for the “old” member states.¹ This can partly be explained by the achieved level of development, whereby in most of the old member states, other economic sectors have a much greater importance for the overall economy compared to construction [Buturac, 2019, p. 11].

Figure 8
Gross value added of construction in GDP in EU-27 member states in 2024

Source: Eurostat.



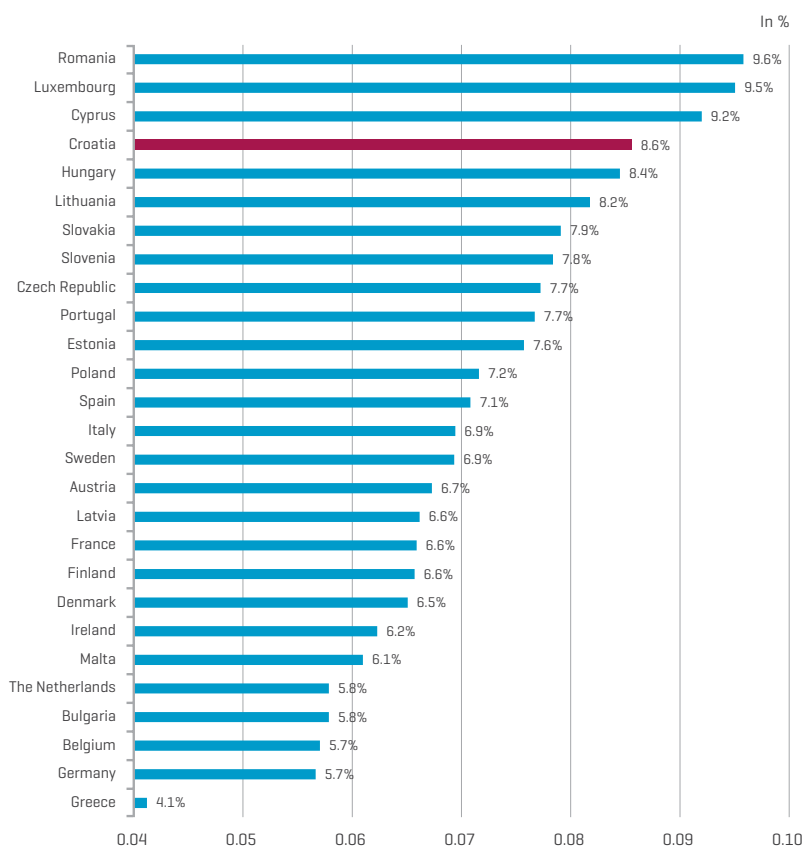
¹ The new EU member states are transitional countries of the fifth wave of EU enlargement that joined the European Union in 2004 and 2007. These are: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia, and Slovenia. Croatia has been a member state since 2013.

Figure 8 shows a comparison of the share of gross value added of construction in GDP among EU-27 member states in 2024. The share of construction in GDP in the new EU-27 member states is on average 5.7 percent, while in the old member states it is 4.5 percent. Among the new member states, Slovakia, Romania, Lithuania, Croatia, Latvia, Poland, and Slovenia have an above-average share.

An analysis of the share of construction in total employment in the EU-27 member states in 2024 further confirms the importance of this sector for the overall economic activity in these countries [Figure 9].

Figure 9
Share of construction in total employment in the EU-27 member states in 2024

Source: Eurostat.

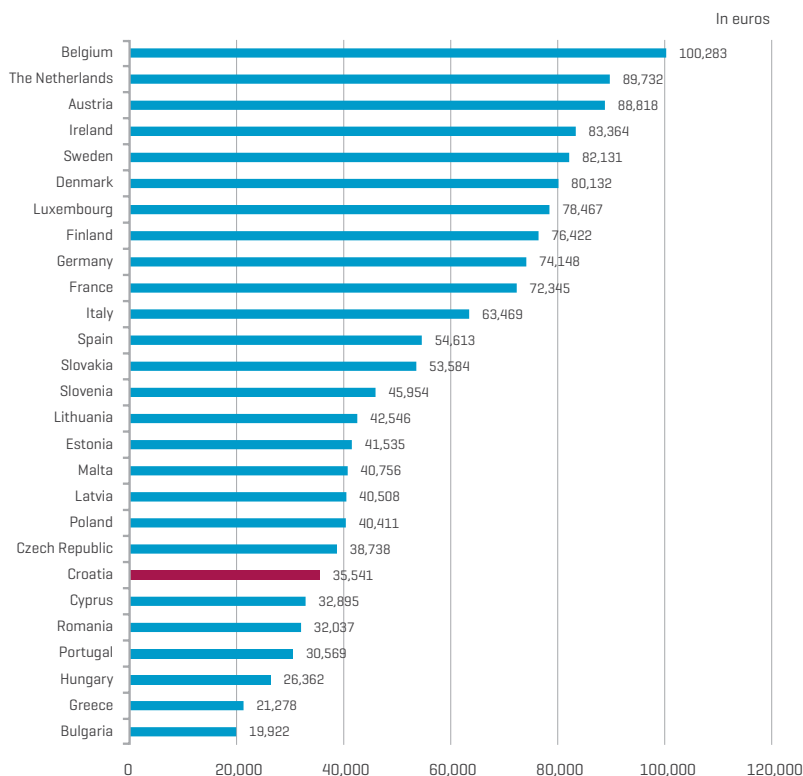


In that year, the share of construction in total employment in the EU-27 amounted to 7.1 percent. In the newer EU member states, this share was 7.7 percent, and in the old member states, it was 6.6 percent. The largest share is in Romania [9.6 percent]. It is followed by Luxembourg, which has a share of 9.5 percent, Cyprus with a share of 9.2 percent, and Croatia, which has a share of 8.6 percent.

When looking at employment along with value added, the important question is how many employees create the value added of the sector [Figure 10].

Figure 10
Gross value added of construction per person employed in EU-27 member states in 2024

Source: Eurostat.



The old member states of the EU-27 managed to achieve a significantly higher value added of the sector with a smaller number of persons employed compared to the new members. In 2024, the average value added per person employed in the old EU-27 member states was 71,127 euros, and in the new member states it was 37,753 euros. The relatively highest value added per person employed was achieved by Belgium, at 100,283 euros. It was followed by the Netherlands, where the value added per person employed was 89,732 euros, and Austria, with 88,818 euros. The economically leading EU-27 states, Germany and France, also achieved significantly higher value added per person employed compared to the new EU-27 members. In Germany, the value added per person employed was 74,148 euros, and in France it was 72,345 euros.

“Compared to other EU-27 member states, the Croatian construction sector, with 35,541 euros of gross value added per person employed in 2024, is significantly below the average of those states.

Among the newer member states of the EU-27, Slovakia had the highest value added of construction per person employed, with 53,584 euros [Figure 10]. It was followed by Slovenia, with 45,954 euros, and Lithuania, with 42,546 euros. Compared to other newer members, Croatia’s 35,541 euros is significantly below the average for EU-27 states.

Real estate market

The real estate market in Croatia is experiencing a slowdown in activity. At the same time, in 2024, there was a significant slowdown in the increase of the number of new apartments built, and a significant increase in their average prices. The increase in apartment prices in Croatia was most prominent in the City of Zagreb. The significant decrease in the number of newly built apartments in the City of Zagreb in 2023 was reflected in a decrease in the supply of apartments and an increase in their prices in 2024. In 2023, the number of newly built apartments in the City of Zagreb decreased by 19.1 percent year-on-year, while the average price increased by 4.1 percent. In 2024, the increase in prices of newly built apartments more than doubled compared to 2023. The average price of newly built apartments increased by 8.7 percent.

Table 2
Number of completed new buildings by building type in the Republic of Croatia, 2021–2024

Source: Croatian Bureau of Statistics.

	Completed buildings				
	2021	2022	2023	2024	Index 2024/2023
I. Residential buildings	5,007	5,660	6,027	6,343	105.2
With one apartment	3,285	3,569	3,844	4,069	105.9
With two apartments	627	705	736	705	95.8
With three or more apartments	1,081	1,379	1,441	1,565	108.6
Buildings for residences for communities	14	7	6	4	66.7
II. Non-residential buildings	1,064	1,149	1,005	1,097	109.2
Hotels and similar buildings	80	130	112	126	112.5
Office buildings	58	52	44	62	140.9
Buildings for wholesale and retail trade	94	134	119	130	109.2
Traffic and communication buildings	132	128	118	131	111.0
Industrial buildings and warehouses	245	274	263	248	94.3
Educational and healthcare buildings	130	96	81	120	148.1
Other non-residential buildings	325	335	268	280	104.5
Total (I + II)	6,071	6,809	7,032	7,440	105.8

A TOTAL OF 16,654 APARTMENTS WERE BUILT LAST YEAR, WHICH IS 0.6 PERCENT MORE THAN IN 2023.

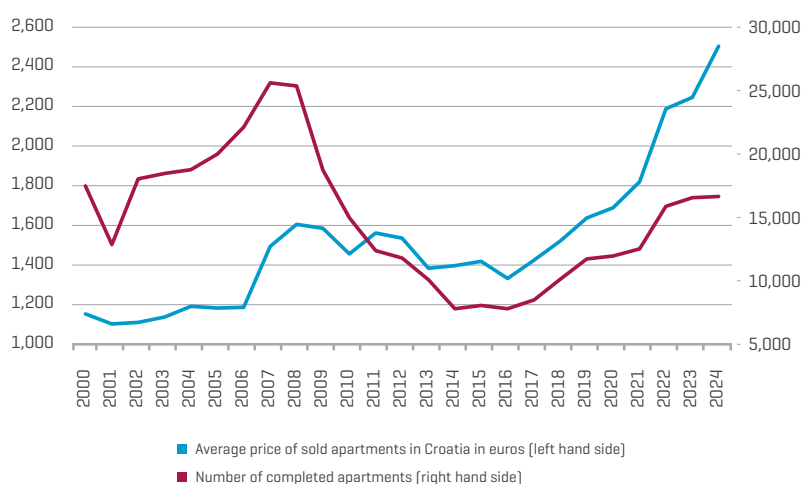
In 2024, a total of 16,654 apartments were built in Croatia, which is an increase of merely 0.6 percent year-on-year [Figure 11]. For comparison, in 2023, the increase in the number of newly built apartments was 4.3 percent, and in 2022 it was 26.9 percent.

By analyzing the number of completed new buildings by building type, it can be stated that in 2024 there was an increase in the number of newly constructed residential and non-residential buildings on a year-on-year basis. At the same time, in 2024, the construction of residential buildings increased by 5.2 percent, while the construction of non-residential buildings increased by 9.2 percent [Table 2]. Regarding the construction of non-residential buildings, there was a significant decline in the construction of industrial buildings and warehouses, i.e., by 5.7 percent. At the same time, there was an increase in the construction of hotels and similar buildings [by 12.5 percent], the construction of buildings for wholesale and retail trade [by 9.2 percent], the construction of traffic and communications buildings [by 11.0 percent], and the construction of educational and healthcare buildings [by 48.1 percent].

The analysis of residential building construction shows that the construction of residential buildings with three or more apartments increased the most, i.e., by 8.6 percent. The construction of buildings with one apartment increased by 5.9 percent, while the construction of buildings with two apartments decreased by 4.2 percent.

Figure 11
Average price of sold apartments per square meter and number of completed apartments in Croatia, 2000–2024

Source: Croatian Bureau of Statistics.



“In the first half of this year, the average price of newly built apartments in the Republic of Croatia increased by 15.9 percent year-on-year.

In 2024, there was an accelerated increase in the prices of new apartments. After a 2.7 percent year-on-year increase in the average price of newly built apartments in 2023, there was a strong price increase in 2024, amounting to 11.5 percent.

The latest trends from the first half of 2025 confirm the continued growth trend in prices of newly built apartments. Thus, in the first six months of this year, the average price of a newly built apartment at the level of the Republic of Croatia increased by 15.9 percent compared to the same period last year. A significant contribution to the price increase was made by the City of Zagreb, where the average price of a newly built apartment increased by 24.1 percent.

The average price increase of apartments in the Republic of Croatia and in the City of Zagreb is only partially due to the increase in the price of construction materials. The reasons are primarily due to the supply and demand for apartments. On the one hand, the supply is largely limited due to the lack of qualified labor and the outflow of a portion of the construction workforce to more developed countries of the European Union. At the same time, a decline in the productivity of the sector can be noticed. On the other hand, the demand pressure is influenced by a number of factors. One part certainly lies in the continued trend of uneven economic and regional development in Croatia, with a significant concentration of the economic structure, and consequently the workforce, in the City of Zagreb and its surroundings. Secondly, there is also the effect of still very low interest rates on savings, which has made the purchase of real estate a desirable investment for some investors. Finally, we should not overlook the effects of inflationary pressures and price increases, which additionally contributed to the demand for real estate in order to preserve as much as possible the value of savings resulting from income earned in previous periods.

It seems interesting to analyze the distribution of built residential buildings by county. The results of the analysis shown in Figure 12 confirm that, in 2024, the largest number of residential buildings were built on the coast. More precisely, the largest number of residential buildings were built in the Istria County, i.e., 1,156 of them. This is followed by Zadar County, where 1,022 residential buildings were built, and Split-Dalmatia County, where 771 residential buildings were built.

The results of the analysis of the number of apartments built by county in 2024 indicate a relatively high concentration of construction on the coast and the City of Zagreb compared to the rest of Croatia. Thus, of the total number of newly built apartments, 50.1 percent were built on the coast, 23.6 percent in the City of Zagreb, while 26.3 percent were built

in the rest of Croatia. At the same time, by observing the distribution of newly built apartments by county, it is noticeable that the City of Zagreb has maintained the leading position in relation to other counties. More precisely, 3,943 apartments were built in the City of Zagreb last year [Figure 13]. It is followed by Zadar County with 2,578 built apartments, the Split-Dalmatia County with 2,196 built apartments, and the Istria County with 2,004 newly built apartments.

Figure 12
Number of built residential buildings by county in 2024

Source: Croatian Bureau of Statistics.

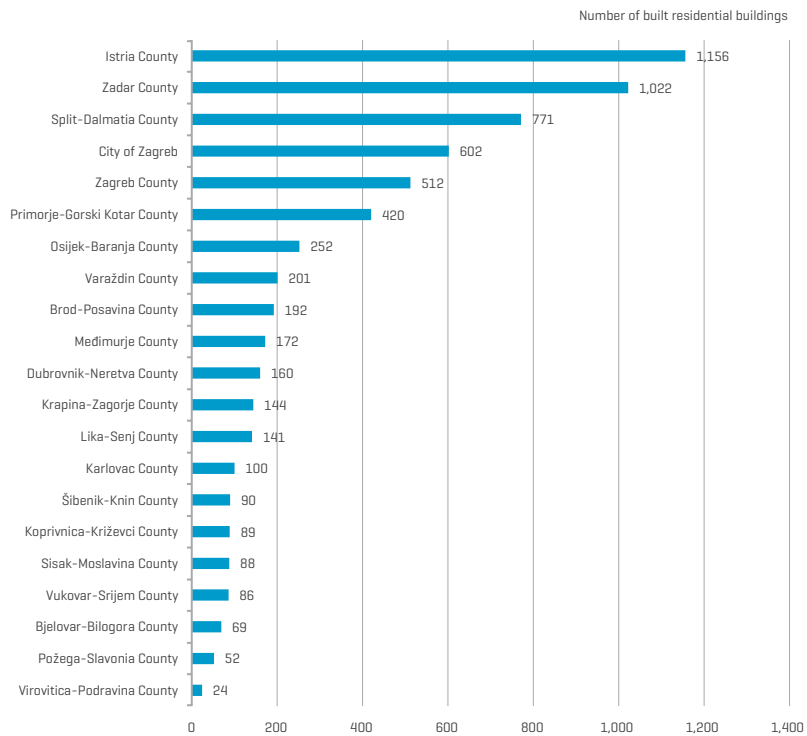


Figure 13
Number of built apartments by county in 2024

Source: Croatian Bureau of Statistics.

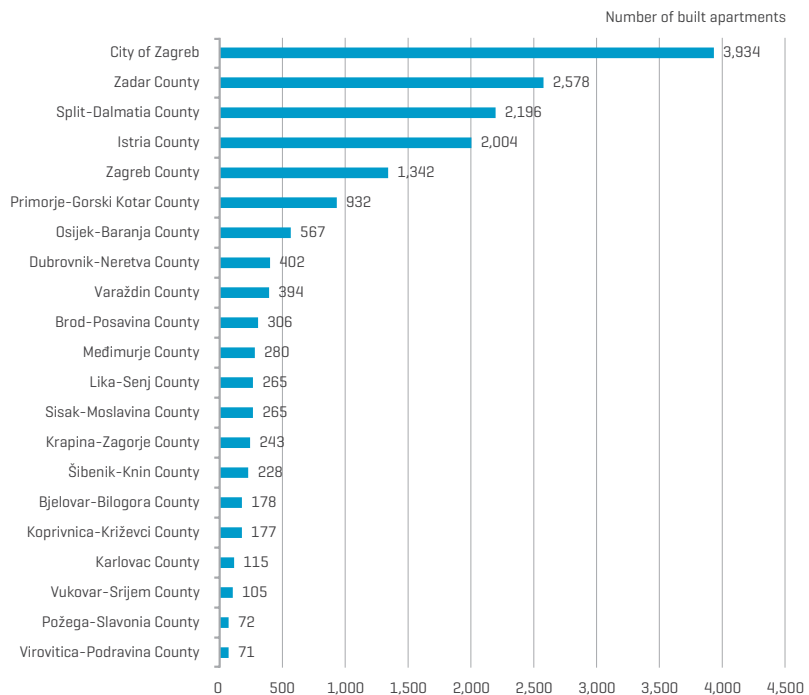
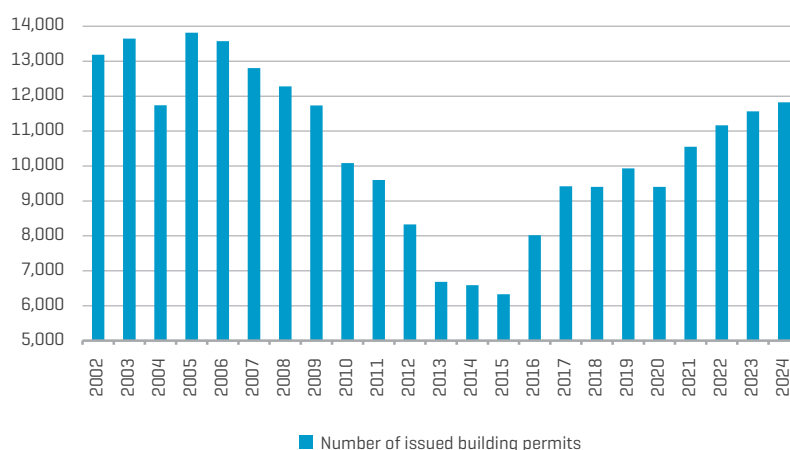


Figure 14
Building permits issued
in the Republic of
Croatia, 2002–2024

Source: Croatian Bureau of Statistics.



A more detailed insight into expected trends in the real estate market is provided by an analysis of issued building permits. After a period of dynamic growth in the real estate market, judging by the number of building permits issued, a continuation of the slowdown in construction activities can be expected in the coming period [Figure 14]. In 2022, the number of building permits issued increased year-on-year by 5.8 percent, by 3.6 percent in 2023, and by 2.2 percent in 2024.

When analyzing supply, demand, and real estate price trends in Croatia, the heterogeneity of the market must be taken into account. During the summer months, the demand for real estate on the coast increases, which results in a higher number of transactions, but also in an increase in prices in coastal locations. Moreover, residential real estate prices rose notably in the City of Zagreb, while demand in the rest of continental Croatia is still relatively weak. Until now, real estate has maintained its status as a desirable investment. However, on the demand side, certain changes occurred continuously. Namely, investors were primarily seeking real estate that could generate a return, and in the case of residential buildings in the City of Zagreb, investors would look for those that were built more recently. It can be expected that the price differences between newer and higher-quality real estate, on the one hand, and older and lower-quality real estate, on the other, will continue to increase.

The major news in the real estate market is the introduction of the real estate tax. The mere introduction of this tax could cause residential real estate to lose its primacy as a desirable investment for investors. This could result in a decline in demand for newly built apartments and, consequently, reduced construction activity, particularly for new apartments. Judging by the first results after the introduction of this tax, this is exactly what happened. There has been a major slowdown in the construction of new apartments.

Given the considerable heterogeneity of the real estate market in Croatia, different degrees of elasticity to real estate taxes were expected. As expected, the demand for real estate in the coastal area exhibits a significantly higher degree of inelasticity to the introduction of the tax, given the substantial participation of foreigners in the real estate market in that area. For foreign investors, as well as some domestic ones, the purchase of residential real estate on the Croatian coast remains a desirable investment. In the City of Zagreb, the introduction of real estate tax could further contribute to limiting the supply of new apartments on the market, and, consequently, price increases.

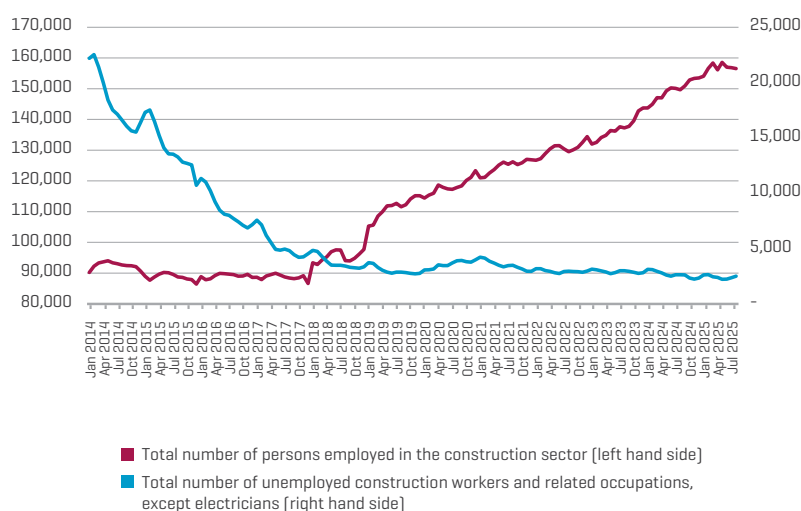
It seems interesting to analyze the data of the Tax Administration and the Croatian Real Estate Exchange (*Burza nekretnina*) on the number of residential real estate transactions. Thus, in 2024, there was a slowdown in real estate transactions, with the number of residential real estate transactions decreasing by 5.1 percent year-on-year. This is a continuation of the trend from 2023, when, according to data from the Tax Administration and the Croatian Real Estate Exchange, the turnover of residential real estate decreased by 6.9 percent year-on-year. This can only be partly attributed to the increase in interest rates in the eurozone and the reduction of inflationary pressures.² The introduced real estate tax could contribute to the trend of a slowdown in the construction of new residential properties, accompanied by an increase in prices.

According to research by The Institute of Economics, Zagreb (Rašić et al., 2024), in 2023, the total value of transactions on the real estate market accounted for 12.0 percent of the GDP. For comparison, in 2022, this share was 13.0 percent, and 14.0 percent in 2021. With regard to the type of real estate, in 2023, the most significant share in the value of purchases and sales on the real estate market was recorded by agricultural land. It accounted for 27.6 percent of the value of contracted sales. This is followed by the purchase and sale of apartments/vacation apartments, with a share of 22.2 percent, construction land with a share of 20.3 percent, and the purchase and sale of family houses, which accounted for 12.2 percent of the total number of sales on the real estate market in 2023. According to the same research, an analysis of price heterogeneity shows that the highest median price of an apartment/vacation apartment was achieved in Bale (4,264 euros per m²). In addition to Bale, the median price of an apartment/vacation apartment is over 3,000 euros per m² in Punat (3,427 euros), Omišalj (3,149 euros), Rovinj (3,120 euros), and Malinska-Dubašnica (3,017 euros). The mentioned cities are followed by Opatija, Dubrovnik, Split, Lovran, Baška, Umag, Dobrinj, Hvar, and Krk, with median prices of apartments/vacation apartments above 2,500 euros per m².

² Croatian Real Estate Exchange (2025), <https://www.burza-nekretnina.com>

Figure 15
Total number of persons employed in the construction sector and the total number of unemployed construction workers and related occupations (except electricians), January 2014 – August 2025

Source: Author's analysis according to the data of the Croatian Bureau of Statistics and the Croatian Employment Service.



The City of Zagreb, with a median price of an apartment/vacation apartment per m² of 2,299 euros, is in a group of 41 local self-government units in which the median price of an apartment/vacation apartment ranges from 2,001 to 2,500 euros per m².

Special attention in future developments should be focused on the need for appropriate worker profiles in the construction industry, as well as on trends in the labor market. Figure 15 shows the relationship between the total number of persons employed in construction (legal entities + trades) and the total number of unemployed construction workers and related occupations (except electricians) in the period from January 2014 to August 2025.

The results of the analysis indicate a significant outflow of the construction workforce from the Republic of Croatia, which was especially pronounced in the recession years [Buturac, 2020, p. 19]. Thus, from January 2010 to January 2015, the number of persons employed in the construction sector decreased by as many as 39,951 persons, while at the same time, the number of unemployed construction workers and related occupations increased by only 1,162 persons. A significant outflow of qualified labor may become a limiting factor in increasing construction activity in the coming period.

Data for the period from January 2018 to August 2025 already indicate problems related to the lack of labor force. More precisely, the results suggest that during that period, the number of persons employed in construction increased significantly. However, at the same time, the increase in the number of persons employed exceeds the decline in the number of unemployed many times over, which indicates a significant import of labor from other countries. The increase in employment in construction is

significantly higher than the increase in gross value added, which indicates a decline in the sector's productivity. An additional problem in attracting qualified construction professionals to Croatia can be the inadequate wages of those employed. More precisely, the average monthly net wages paid in the construction industry lag significantly behind the economy average, with indications that this gap has been gradually deepening since 2007. In that year, the average net wage in the construction sector was 13.5 percent lower than the economy average, and in the first seven months of 2025, it was 19.6 percent lower.

The largest companies

A more detailed insight into the state and dynamics of the real estate market is provided by an analysis of the financial indicators of ten leading companies in the field of residential and non-residential building construction. The results shown in Table 3 indicate an increase in the activities of the leading companies in 2024. Increased activity is primarily reflected in the growth of total revenue, which cumulatively increased by 8.3 percent.

Table 3
Ten leading companies in the construction of residential and non-residential buildings in the Republic of Croatia, 2020–2024

	2020	2021	2022	2023	2024	Index 2024/2023
Total revenue [in millions of euros]	659.6	728.2	848.3	1,062.1	1,150.1	108.3
Profit/loss before tax [in millions of euros]	38.4	43.8	45.0	92.7	70.3	75.9
Number of persons employed	2,921	2,896	2,944	3,008	3,190	106.1
Gross margin [in %]	12.86	13.14	14.17	16.64	15.75	94.6
Profitability of assets [in %]	6.82	7.50	6.26	12.49	7.84	62.7
Labor productivity [revenue in millions of euros per person employed]	0.23	0.25	0.29	0.35	0.36	102.1
Asset turnover ratio	1.40	1.48	1.44	1.68	1.48	87.9
Current ratio	2.12	2.06	2.18	2.56	2.08	81.5
Debt ratio	0.38	0.39	0.40	0.33	0.40	119.7

Notes: Includes leading companies: Kamgrad, Strabag, Radnik, Ing-grad, GIP Pionir, Projektgradnja plus, Lavčević, Zagreb Montaža, AB gradnja, and Mešić Com.

Gross margin = gross profit/total revenue * 100; profitability of assets = net profit/total assets * 100; labor productivity = total revenue/number of persons employed; asset turnover ratio = total revenue/total assets; current ratio = current assets/current liabilities; debt ratio = total liabilities/total assets.

Sources: Fina Info.Biz and author's calculation according to Fina data.

IN 2024, THE LEADING COMPANIES ON THE REAL ESTATE MARKET RECORDED A DETERIORATION IN LIQUIDITY AND AN INCREASE IN INDEBTEDNESS.

“In 2024, the increase in total revenue cumulatively for ten leading companies in the construction of residential and non-residential buildings was accompanied by a slightly smaller increase in the number of persons employed, so labor productivity increased.

The growth in total revenue was accompanied by a 6.1 percent increase in the number of persons employed. In contrast to the growth in total revenue and the number of persons employed, profit before tax decreased by 24.1 percent [Table 3]. Together with the decrease in profit, gross margin and profitability of assets decreased as well. The gross margin decreased by 5.4 percent, and the profitability of assets decreased by 37.3 percent.

In 2024, the asset turnover ratio decreased by 12.1 percent year-on-year [Table 3]. At the same time, indebtedness increased and liquidity deteriorated. The debt ratio increased by 19.7 percent, while the current ratio decreased by 18.5 percent [Table 3]. Despite these negative trends, indebtedness and liquidity remain within economically justified and acceptable limits.

A more detailed insight into the operations of ten leading companies in the construction of residential and non-residential buildings is provided by an overview of selected financial and accounting indicators in Table 4.

Table 4
Selected indicators of ten leading companies in the construction of residential and non-residential buildings in the Republic of Croatia in 2024

Sources: Fina Info.Biz and author's calculation according to Fina data.

	Total revenue (in millions of euros)	Debt ratio	Current ratio	Gross margin (in %)
Kamgrad	247.7	0.56	1.46	4.10
Strabag	197.4	0.34	2.01	0.91
Radnik	178.1	0.22	2.86	7.63
Ing-grad	131.3	0.46	2.00	15.66
GIP Pionir	111.8	0.17	6.81	5.08
Projektgradnja plus	97.0	0.46	2.44	4.76
Lavčević	60.0	0.49	1.52	0.17
Zagreb Montaža	57.8	0.67	0.93	4.48
AB gradnja	36.3	0.31	2.97	10.45
Mešić Com	32.8	0.57	1.74	22.74

Conclusion and expectations

The latest trends in construction indicate an increase in activity in this industry. The greatest contribution to positive trends comes from the construction and renovation of large-scale infrastructure projects. In contrast to the dynamic activities in the area of infrastructure construction and renovation, the real estate market is experiencing a significant slowdown in activity. This is primarily reflected in a significant slowdown in the construction of new apartments. According to the data of the Tax Administration and the Croatian Real Estate Exchange, there is a trend of a decrease in the number of residential real estate transactions. A limited supply of newly built apartments due to the slowdown in their construction supports the increase in prices of new apartments. The decrease in the number of building permits issued in the first seven months of this year indicates an expected continuation of the real estate market slowdown in the coming year. An additional impetus to the slowdown in real estate market activity is the outflow of qualified labor from Croatia to the more developed countries of the European Union.

The increase in the number of persons employed in the first eight months of this year due to the import of labor from other countries was not accompanied by a corresponding increase in construction activity. The end result is a decline in the productivity of the construction sector. The results of the conducted analysis confirm that the decline in productivity, measured by gross value added per person employed, is reflected in Croatia's significant lagging behind the most economically developed countries of the European Union. At the same time, Belgium managed to achieve almost three times higher gross value added per person employed in the construction sector compared to Croatia, while the Netherlands and Austria achieved 2.5 times higher gross value added per person employed, Ireland 2.3 times, and Sweden 2.2 times.

The decline in the productivity of the construction sector suggests that the continued outflow of qualified labor from Croatia could become one of the main limiting factors in achieving a stronger momentum of construction activity in the upcoming period. In addition, the outflow of labor force

THE OUTFLOW OF QUALIFIED LABOR FROM CROATIA CONTRIBUTES TO THE DECLINE IN THE PRODUCTIVITY OF THE SECTOR AND COULD SIGNIFICANTLY HINDER ACTIVITY GROWTH IN THE COMING PERIODS.

from the field of construction and related activities could have negative effects on the demand for real estate. An additional problem in attracting construction professionals to Croatia could be the below-average wages of employees. More precisely, the average monthly net wages paid in the construction industry have been significantly lagging behind the average of the Croatian economy for years. According to the conducted analysis, activities in other sectors, primarily in tourism and industry, are expected to significantly determine the direction and dynamics of the construction sector in the coming period.

Demographic trends in the country are leaving an increasing mark on trends in the construction sector. These trends are quite unfavorable. They are characterized by significant emigration of the population, which was particularly pronounced in the years after Croatia's accession to the European Union, but also by negative natural increase. Unfavorable demographic trends have negative consequences on construction activity in regions such as Slavonia, Lika, and Dalmatian Hinterland. The continued uneven regional development of Croatia contributes to the pronounced concentration of population in the City of Zagreb. Continued high demand in the metropolis results in pressure to increase real estate prices. At the same time, the described trends are closely correlated with the dominant concentration of construction activity in the City of Zagreb and on the coast. In 2024, almost three-quarters of new apartments were built on the coast and in the City of Zagreb.

“The introduced real estate tax could contribute to a reduction in the construction of new apartments and cause negative multiplier effects on other sectors.

The introduced real estate tax could reduce the pressure on the demand side for newly built apartments, which could mitigate the increase in real estate prices. In contrast, a decline in demand for newly built residential real estate could result in a reduction in new housing construction and continued supply limitations. This would certainly support a further increase in prices of newly built apartments. Furthermore, the decline in demand and a further slowdown in activity on the real estate market could negatively impact the continued outflow of construction workforce and qualified labor from Croatia to the more developed countries of the European Union. Decreased activity on the real estate market can cause negative multiplier effects on other economic sectors, such as manufacture in mining and quarrying [gravel and sand], manufacturing industry [cement, brick, glass, timber, sanitary ware, furniture], business services – design, etc.

This could ultimately have a negative impact on the overall economic trends in the country and the purchasing power of domestic residents, making desirable real estate even more unaffordable.

The direction and dynamics of trends in the real estate market in the coming period will largely be determined by economic conditions in Croatia and the European Union. The European Commission's estimates of GDP trends for Croatia in 2026 indicate a slight slowdown in economic growth [European Commission, 2025]. This could further contribute to a reduction in the number of transactions and a slowdown in real estate market activity.

Various figures have been circulating in the media recently regarding the number of empty apartments, which was used in an attempt to justify the introduction of the real estate tax in order to put "empty apartments" into use and thereby contribute to reducing prices through increased supply. The figure, which has often been quoted as 600 thousand, certainly seems too high. However, the subject of this analysis is certainly not an auction on the number of empty real estate in Croatia. The key question is: Why is the real estate empty? The reasons can be various: temporary or permanent emigration from Croatia, pensioners moving to nursing homes, short-term rental during the summer season, etc. When it comes to savings in real estate, an inevitable question arises: Why would someone give up their rental income? Is our short-term and long-term rental market sufficiently regulated? Are landlords sufficiently protected by legal regulations in the market? Of course, from a legal protection standpoint, the same applies to tenants. Another important question is how "empty properties" are distributed in terms of location and region. In any case, the creation of a scientifically based analytical framework would be welcome to guide decisions on desirable directions for the real estate market and domestic residents. Especially for young people. There are currently around 48,500 houses and around 61,000 apartments offered on the real estate market. This gives a total of approximately 109,500 residential real estate on the market. We are not exactly short on supply. There is clearly a mismatch between customer preferences on the one hand and supply on the other. This can be due to location, quality, price, but also demographics. In any case, due to the decrease in demand for real estate, we expect a continued slowdown in activity on the real estate market, which will ultimately result in a limited supply, primarily of new housing units.

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The Institute of Economics, Zagreb
Trg J. F. Kennedyja 7, 10000 Zagreb
Phone: +385 1 2362 200
Fax: +385 1 2335 165
<http://www.eizg.hr>

For the publisher

Ivana Rašić, Director

Editor

Ivana Rašić

Author of the analysis

Goran Buturac

Executive editor

Doris Dresto

Translation

Studio Nixa prijevodi d.o.o.

Graphic editing

Jelena Marčetić

Graphic design

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