Croatia

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IN A NUTSHELL

- → The economy again grew at a significantly above euro area average of 3.4%.
- → House prices continued to accelerate sharply, by approximately 14% fuelled by domestic and foreign demand and higher construction costs.
- → Housing loans increased to EUR 13.7bn, a 15.5% growth rate.
- → Macropudential limits were strengthened in July.

MACRO-ECONOMIC OVERVIEW

The economy continued its strong growth, real GDP expanded by 3.4% (3.9% in 2024), supported in particular by private consumption, foreign and domestic investment, growth in employment and receipts from the EU's Recovery and Resilience Facility. The European Commission forecasts that growth will continue but at a slower pace in 2026 (2.7% forecast) and 2027 (2.5%) as the facility tapers and domestic demand weakens.

The labour market remains tight, with unemployment falling to 4.9% (from 5.0% at end 2024), close to historical lows. Unsurprisingly, inflation remains high and significantly above the ECB's target rate. CPI by year end was 3.3% (3.4% in 2024), while HICP was 4.4% in 2025 compared to 4.0% in 2024. Wage inflation was even higher at 11.2% (gross wages in nominal terms, compared with 15.9% a year previously). The EU predicts inflation to increase to 4.6% in 2026 with Croatia particularly vulnerable to energy price increases.

The IMF reports that imbalances are emerging due to the rapid growth with credit and house price growth specifically mentioned.

HOUSING MARKETS

Residential property prices rose rapidly. According to the national statistics office, prices rose by 14.1%, a fourth consecutive year of double digit increases. Prices grew faster in newly built properties (16.4% compared with 14.7% for existing). Geographically the rest of the country was 'catching up' with previous rises in Zagreb and the tourist regions. Prices rose by 14.9% in Zagreb, 14.5% in the Adriatic coast and 23.3% in the rest of the country. According to the OECD prices are being driven higher by a combination of foreign and domestic demand, higher construction costs, tourism and high vacancy rates.

Despite rising prices construction has not increased significantly, building permits were slightly down (0.8%) over the year, although the number of dwellings covered by these permits increased by 6.9%, suggesting a strong increase in multiple property developments. Housing completions were not available at time of going to press but in 2024 they increased by only 0.6% y-o-y.

Croatia adopted a National Housing Policy Plan for the first time in 2025 highlighting the need for affordable housing, sustainable housing and better management of existing housing. Under the plan over EUR 2bn will be invested via state programmes, grants for energy efficient renovation and encouragement of affordable renting. In addition new taxes were introduced on real estate (at rates set by local government) ostensibly to encourage the selling of vacant properties. In contrast, tax refunds were introduced for buyers under the age of 45 including up to 50% of the VAT on a new property. Finally, subsidies were introduced for owners renting properties that have been vacant for at least two years.

On the supply side the government introduced a package of laws to accelerate and digitalise the planning permits process.

Rules were introduced to require the consent of neighbours in multi-flat blocks before a flat could be used for short-term rentals. This is particularly relevant in tourist areas.

MORTGAGE MARKETS

MARKET DYNAMICS

Unsurprisingly, mortgages outstanding grew significantly, up 20.7% to EUR 13.7bn by year end.

Some of the growth was due to front-loading ahead of new credit rules introduced by the national bank, including that 80% of a bank's new lending must have a 45% DSTI cap and a 90% LTV cap. They noted that currently 31% of new loans had a DSTI over 45% and 28% had an LTV over 90%.

Early evidence suggests these measures are affecting underwriting: the HNB reported in February 2026 that the share of new loans with a DSTI over 45% fell from around one third of all loans to 15% after the rules were introduced and the share of high LTV loans fell from 30% to 20%.

The vast majority of mortgages (over 90%) are fixed for 10 years or longer. If anything the average fixing period has increased as the effect of the rate cuts have been more pronounced at the long end, 10 year and floating rate mortgages now have broadly similar rates.

MORTGAGE FUNDING

Mortgage funding remains primarily deposit-funded by banks. At end-2025, domestic deposits were EUR 69.8bn, well above total loans to the domestic economy of EUR 50.7bn. Because of the high level of liquidity in the banking sector the covered bond law introduced in 2022 remains sadly unused.

GREEN FUNDING

Several banks offer green mortgages, with either lower rates for properties rated A or A+ or loans for specific energy efficiency upgrades.

Historically energy efficiency measures have been introduced by direct grants from the government but the "Loans for Energy Renovation of Multi-Apartment Buildings" scheme is operated by banks who channel a government subsidy.

The Act on Energy Efficiency in Building Construction enters into force on 1 January 2026 and is aligned with the EU Energy Performance of Buildings Directive.

	CROATIA 2024	CROATIA 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	3.9	3.4	1.5
Unemployment Rate (LSF), annual average (%) (1)	5.0	4.9	6.0
HICP inflation (%) (1)	4.0	4.4	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	91.0	91.4	68.5
Gross Fixed Investment in Housing (annual change) (1)	n/a	n/a	2.8
Building Permits (2015=100) (2)	20.4	21.7	86.9
House Price Index - country (2015=100) (1)	198.5	226.46	161.92
House Price Index - capital (2015=100) (2)	218.8	249.9	n/a
Nominal house price growth (%) (1)*	6.6	14.1	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	11395	13,757	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	2,951	3,550.81	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	22.2	24.76	81.39
Gross residential lending, annual growth (%) (1)	-9.5	15.5	2.8
Typical mortgage rate, annual average (%) (2)	3.73	3.04	3.31

(1) Eurostat Data
(2) European Mortgage Federation - Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

CROATIA FACT TABLE

Which entities can issue mortgage loans in your country?	Commercial banks and housing saving banks.
What is the market share of new mortgage issuances between these entities?	Commercial banks dominate the market.
Which entities hold what proportion of outstanding mortgage loans in your country?	Commercial banks hold 94.5%, and housing saving banks hold the rest 5.5%
What is the typical LTV ratio on residential mortgage loans in your country?	Between 70 and 80%.
How is the distinction made between loans for residential and non-residential purposes in your country?	The 'Consumer Housing Loans Act' defines "housing loan" as a loan: a) collateralised by a security on residential immovable property or a transfer of ownership of residential immovable property for the purpose of securing the loan; or b) the loan the purpose of which is for the consumer to acquire or retain the ownership of residential immovable property. Loans not falling within this description would not be residential.
What is/are the most common mortgage product(s) in your country?	Housing loans.
What is the typical/average maturity for a mortgage in your country?	Between 20 and 30 years.
What is/are the most common ways to fund mortgage lending in your country?	Deposits.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	Real estate transfer tax (3% of market value, application from January 2019); transaction costs (fees and commissions): up to 2% of market value; and other costs agency intermediation, public notary, etc.): 2-4% of market value.
What is the level (if any) of government subsidies for house purchases in your country?	Low (in the part of government supported "Publicly Subsidised Residential Construction Program", through the governmental incentives for housing savings and through the limited government financial support for first housing property purchase).