



CEESEN-BENDER

**Building intErventions in vulNerable Districts against
Energy poveRty**

**Croatia's report on building renovation
technical and economic barriers**

Annex 2 to Deliverable 3.2 – Report on Building Renovation Technical and
Economic barriers in 5 pilot countries and in CEE

WP3 Tackling the barriers hindering building related interventions in vulnerable districts



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CROATIA

National Report on Building Renovation – Technical and Economic Barriers

1. Summary and Recommendations

Renovation activity in Croatia has increased in recent years, primarily supported mainly by EU and national programmes, including the Recovery and Resilience Facility (RRF). However, most of these works remain partial and superficial, while deep renovations that integrate technical systems and deliver substantial energy savings are still rare. Financing is the key bottleneck, as households depend heavily on subsidies and rarely take loans due to high interest rates and low repayment capacity.

Between 2020 and 2023, construction costs rose by 40%, consumer prices by 23%, and labour costs by 27% [1] [2] [3]. At the same time, the EURIBOR climbed from negative levels to nearly 4%, discouraging borrowing [4]. Although grants can cover 60–80% of renovation costs, demand far outstrips supply and calls are unpredictable. The market also suffers from a shortage of skilled workers, overstretched construction companies, and low-quality works by uncertified contractors. Finally, administrative burdens on municipalities further slow down project delivery.

Key Recommendations:

- 1. Introduce more frequent, timely, and predictable grant calls** – more accurate publication dates and a stable schedule would reduce uncertainty. This would also help mitigate labour shortages, as workforce resources could be distributed more evenly instead of peaking when calls suddenly open.
- 2. Develop flexible and inclusive financing options** – such as longer repayment periods, deferred payment plans, or financing models aligned with residents' financial capacities. Targeted financial assistance or subsidies for low-income households would make renovations more accessible and enable all residents to benefit.
- 3. Strengthen awareness-raising, training, and technical assistance** – including workshops on renovation processes, energy efficiency in multi-apartment buildings, sustainable energy practices, energy poverty issues, energy communities, and project management.
- 4. Implement supportive policies and regulatory measures prioritising low-income households** – for example by streamlining permit processes, offering tax incentives for energy-efficient upgrades, or establishing minimum renovation standards. This should be combined with stronger quality control mechanisms to ensure that renovations are carried out by certified professionals meeting modern performance standards.

2. Overview of the Renovation Landscape

Renovation activity in Croatia is dominated by partial interventions, with deep renovation remaining the exception. The most typical measures include replacing windows and doors, insulating facades and attics, replacing roofs, and partial upgrading heating systems. These works are typically carried out reactively in response

to system failures or visible damage, rather than as part of a planned, long-term strategy. While technically feasible, deep renovations — which integrate comprehensive envelope upgrades, system replacements, foundational work, and renewable energy sources — remain rare due to high upfront costs and a lack of viable financing.

The average cost of deep renovation is estimated at 400–450 €/m² (expert input, 2024), which is high compared to average household incomes. Between 2020 and 2023, construction costs increased by 40%, while wages rose by only 27% and consumer prices by 23% [1]. At the same time, the EURIBOR climbed from negative values to nearly 4% by 2023, which significantly increased borrowing costs [1]. As a result, loan uptake is negligible, and households overwhelmingly depend on subsidies or personal savings to finance works.

Grant schemes funded by the state and the Recovery and Resilience Facility (RRF) can cover 60–80% of renovation costs, but demand far exceeds supply. Calls are frequently oversubscribed within days, leaving many eligible buildings unsupported. The unpredictability of funding schedules also creates instability in the construction market, causing temporary peaks of activity followed by stagnation. Furthermore, resources are concentrated in larger urban centres like Zagreb, while smaller municipalities often lack the technical and administrative capacity to prepare and manage projects. As a result, regional disparities are widening: areas with stronger institutions (e.g., Međimurje County) see more renovation activity, leaving vulnerable regions further behind.

3. Homeowner Motivation in Multi-Apartment Buildings

In Croatia, renovation decisions are primarily driven by the availability of subsidies and the financial feasibility of projects. Homeowners and building managers are motivated mainly during active grant calls, while loan-financed renovations remain rare. The key motivators, as identified by experts, are:

- Availability of grants,
- Reduction of monthly living costs,
- Energy savings,
- Repair of poor and failing systems (e.g., heating, water, sewage),
- Addressing poor and dangerous structural conditions (e.g., roofs, balconies, load-bearing walls),
- Aesthetics of the building,
- Increased real estate value.

Notably, experts did not prioritize other potential drivers, such as reducing greenhouse gas emissions, improving indoor climate, or addressing substandard living conditions.

In practice, renovations are typically reactive—triggered either by system failures or the announcement of significant subsidies. While factors like aesthetics and property value play a role, the dominant drivers are unequivocally grants, immediate safety concerns, and cost. Consequently, climate considerations and strategic long-term planning remain secondary.

4. Barriers to Renovation

Financial situation

Financing represents the primary barrier. Although subsidies cover up to 80% of costs, programmes are oversubscribed and unpredictable. Banks are often reluctant to provide loans for renovation due to high risks and borrowers' limited collateral. Households are reluctant to borrow given low incomes, high interest rates, and uncertainty about achieving a return on investment. Between 2020 and 2023, construction costs rose 40%, significantly outpacing the 23% growth in consumer prices and the 27% increase in wages, thereby eroding affordability [1]. The rise of EURIBOR to nearly 4% by 2023 further worsened the situation [1].

Barriers not prioritised: Awareness of available subsidies was not identified as a major issue, as information on the programs is relatively widespread. While innovative financial instruments were mentioned, they were considered secondary to the fundamental lack of affordable financing and the irregular scheduling of subsidy calls for applications.

Market situation

The renovation market is fragmented and volatile. The cycle of oversubscribed subsidy calls creates temporary peaks of activity, which are followed by periods of stagnation. Municipalities often lack administrative capacity to prepare projects, while building managers struggle with complex bureaucratic procedures. Furthermore, quality assurance is weak, as many renovation works are carried out by uncertified contractors.

Barriers not prioritised: The availability of positive examples was not deemed a critical barrier, as demonstration projects do exist. Similarly, while support systems are formally in place, they are overstretched; the primary issue is not their absence, but their insufficient capacity to meet demand.

Technical situation

Shortages in human capital are acute. Experts highlighted a lack of skilled on-site workers, alongside limited availability of construction companies specialising in renovation. Frequently, works are carried out by uncertified contractors, resulting in poor quality outcomes. The availability of specialized designers (e.g., for HVAC, electrical, and structural work) is also insufficient, particularly during periods of peak demand.

Barriers not prioritised: The roles of consultants and supervisors were mentioned but were not viewed as primary bottlenecks. The main constraint lies in skilled labour and certified companies, rather than in advisory or supervisory functions.

Other/social factors

Homeowners remain heavily dependent on subsidies, as few are willing or able to undertake renovations without grants. Energy savings are often perceived as offset by loan repayments or other costs. Climate benefits and aesthetics play only a marginal role in decision-making.

Barriers not prioritised: General awareness of renovation was not seen as an obstacle, as many households are already informed. While innovative technological solutions

were acknowledged, they were considered a secondary concern, with the primary barriers remaining the persistent issues of financing and human capital.

5. Energy Poverty Context

Even though energy poverty has been defined by the Croatian legislation in March 2025, monitoring remains insufficient and fragmented. The primary support measure is a monthly €70 compensation for vulnerable energy consumers, covering electricity and heating costs. However, this measure is not linked to renovation and provides no structural improvements to housing quality.

Consequently, energy-poor households remain excluded from renovation schemes, which typically require homeowners, building representatives and building managers to co-finance and apply for support. The absence of a comprehensive national framework hinders the effective targeting of renovation programmes towards those most in need.

6. Background and Methodology

The findings in this report are based on expert assessments collected through a structured questionnaire in Spring 2024. Responses were analysed to identify the most relevant barriers and motivators, with results validated and summarised by the Society for Sustainable Development Design (DOOR) and Medjimurje Energy Agency Ltd. (MENEJA), consolidated by the Tartu Regional Energy Agency (TREA) in November 2024.

This national report constitutes a part of Deliverable 3.2 – “Report on Building Renovation Technical and Economic Barriers in five pilot countries and in Central and Eastern Europe (CEE)”, prepared within the CEESEN-BENDER project. The CEE-level report provides a comparative analysis of findings across all pilot countries, highlighting similarities and differences in renovation practices, barriers, and the policy context.

References:

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