

# RESEARCH REPORT

## Montenegro Property Market

### HOT TOPICS

- As of July 2013, Value Added Tax (VAT) in Montenegro has been increased from 17% to 19%
- One of the largest mixed-use projects in Podgorica, Atlas Capital Center is set for completion in autumn 2013
- Podgorica retail market witnessed the completion of new shopping scheme totalling 17,000 sq m in late 2012
- The year 2012 saw the increase in the number of constructed residential units in Montenegro as a whole

#### Montenegro essentials

Population (Census 2011)	620,029
Average salary (EUR) May 2013	480
Average Household Expenditure (EUR) 2012	553
Unemployment rate (Labor Force Survey –Q1 2013)	21.50%
GDP Q1 2013 (y-o-y)	4.3%
CPI May 2013 (y-o-y)	3%

Source: MONSTAT

### OFFICE MARKET

After the completion of office buildings Europoint and Normal Tower, delivered to the market in 2009 and 2010, the following years were characterized by the limited construction activity and lack of new supply. The only project recently offered to the market is Palada, originally shopping center which was converted into a 3,000 sq m-large office building.

As a consequence, Podgorica office market still noticeably lags behind other cities in the region, with the speculative office stock being 33,000 sq m of GBA. In addition, the total office stock includes the significant share of owner-occupied buildings, all together exceeding 50,000 sq m. However, it is expected that the late 2013 will bring some positive tendencies in this market segment.

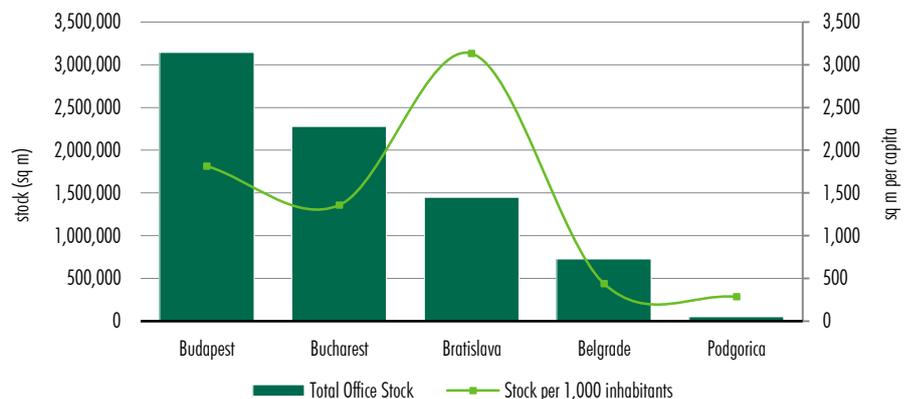
As per the latest announcements, Podgorica market will witness the completion of one of the largest projects in Podgorica, Atlas Capital Center in the autumn of 2013. This contemporary mixed-use complex is a blend of business, commercial and residential zone, holding 93,000 sq m. The business part will comprise two business towers, with the 4-star hotel of app. 130 keys in the middle, totaling 32,500 sq m. Additionally, the project will include app.14,000 sq m of retail space and 17,000 sq m of residential space.



Atlas Capital Centre

With regard to the prospective projects, Celebic company has presented the project Business City office building comprising approximately 20,000 sq m of office space and 10,000 sq m of parking space situated at the attractive location opposite Delta City.

Office rental levels have shown a constant downward trend as of beginning of 2010. The highest asking rental levels in modern office buildings are in the centre of Podgorica, ranging between EUR 15 and 18 per sq m/month, while lower prices were recorded in case of lower quality office space located in the old part of the city.



Source: CBS International/CBRE

## RETAIL MARKET

Global economic crisis has affected smaller shopping centers in Podgorica. Nikic business centre has changed its concept and became a 4-star hotel M Nikic, counting for 71 rooms with only few retail shops along the street. In addition, Palada shopping center was converted into an office building.

However, in late 2012, the new retail scheme Bazar of 17,000 sq m was constructed and delivered to the market. The first phase included the completion of hypermarket and covered green market, while the whole complex upon completion additionally comprises the retail offer and entertainment on the first and second floors. In terms of brands supply, the first Rifle store in Montenegro will be opened in shopping mall Bazar and available for customers as of July 1<sup>st</sup>.

When summarized, the total stock of modern shopping centres in Podgorica exceeds 50,000 sq m with Delta City, Guintas's Mall of Montenegro and recently opened Bazar. According to a number of sq m of modern shopping stock per capita, Podgorica with its app. 290 sq m of shopping stock per 1,000 inhabitants is below the average ratio of the capital cities in the region, which on average amount to 475 sq m per 1,000 inhabitants.

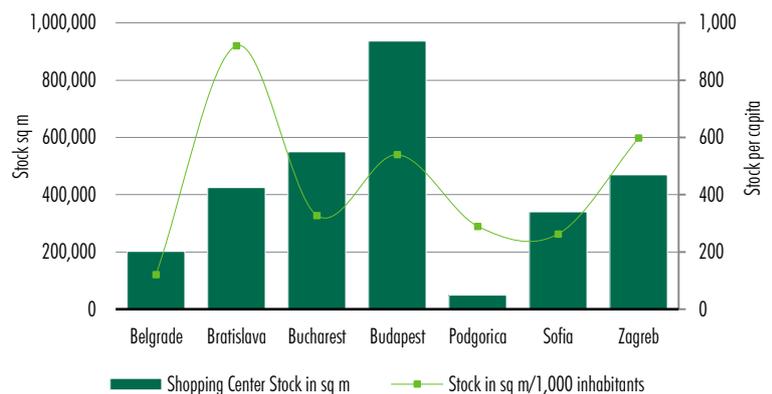
## RESIDENTIAL AND MIXED-USE MARKET

After the certain slowdown in the construction activity in residential property segment in 2010, the years 2011 and 2012 saw the increase in the number of constructed units in Montenegro, in total by 6% and 4%, respectively. In Podgorica, several residential projects are underway, with the prices ranging between EUR 1,000-1,300/sq m. The largest project in Podgorica is a residential complex, City Quarter, being developed by Celebic company. The complex includes 10 already completed buildings and 2 buildings of 60 units each, currently under construction, which are set for completion by mid-2013.

For several years now, Montenegrin coastline remains very interesting for the investors, as it is recognized as very attractive, newly discovered, emerging tourism destination. In that sense, residential, hotel and mixed use developments are very common, there are large number of projects currently under construction, whereby the prices range between EUR 2,000-3,000/sq m. There are also few projects with the prices between EUR 5,000-7,000 per square meter.

In Budva, in immediate proximity of Adriatic Fair, Fab Live company's project Tre Canne featuring 275 luxury apartments entered the final stage of completion. Two eight-floor towers are entirely finished, while the exterior works on central tower holding 15 storeys should be realized in the near future.

## SHOPPING CENTRE STOCK



Source: CBS International/CBRE

Podgorica high street retail zone represents very important retail environment, attracting well-known international brands and remains the focal point for retailers, due to excellent visibility and accessibility.

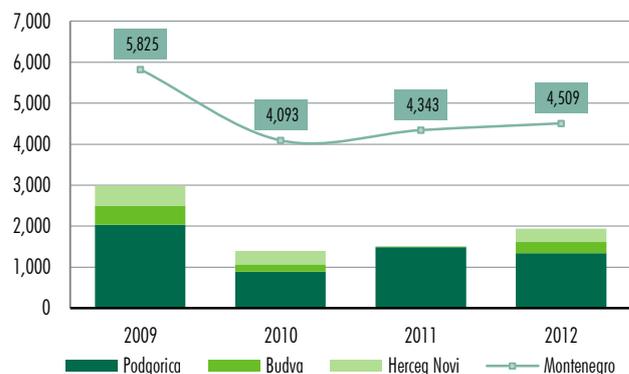
The main retail zone in Podgorica covers Hercegovačka, Njegosova and Sloboda streets, as well as Džordža Vasiingtona Boulevard, featuring many upscale brands. In general, the rental prices range between 20-25 EUR/sq m, whilst some units may command higher rental levels depending on the size and location.

## SELECTED PROJECTS PLANNED OR UNDER CONSTRUCTION IN MONETENEGRO

Project Name	No of apartments	Location
Belvedere Residence	71 apartments	Becici
Poseidon Apartments	174 apartments	Becici
Harmonia building	120 apartments	Becici
Obilaznica	148 apartments	Budva
Gradnja Promet Ljubovic	165 apartments	Podgorica
Gradnja Promet Zabjelo	115 apartments	Podgorica
Block 6 Zetogradnja	180 apartments	Podgorica
City Quarter	120 apartments	Podgorica

Source: CBS International, part of the CBRE Affiliate Network

## NUMBER OF CONSTRUCTED APARTMENTS



Source: MONSTAT

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One of the most representative projects currently underway in the area is Porto Montenegro, designed as a large scale mixed-use waterfront project, totaling 200,000 sq m of GBA. The marina is planned to host maximum 800 berths, out of which 150 will be allocated for mega and super yachts.

As far as residential part is concerned, it should include app. 950 units after the completion of the entire complex, while 125 units are already being constructed, offered to the market and almost fully sold out. Regent hotel of 80 rooms will become operational, as of mid-2014. Due to its size, the development of the complex will be realized in phases, planned to be completed in the next 5-8 years.



Lustica bay

Once the project Astra Montenegro has changed the ownership and was renamed into Dukley Gardens, the construction works continued as planned and it is scheduled for completion for summer 2014. The complex consists of 36 villas with luxurious apartments ranging from 77 to 639 square meters.

On May 18, 2013, the construction works on Lustica bay complex commenced. The Egyptian-Swiss consortium Orascom Development plans the development of mixed-use complex in phases, whereas the phase 1 features 72 residential units, marina with 120 – 150 berths and 300-room hotel, which in total amounts to 110,000 sq m of GBA. In addition, the complex shall host 18-hole golf course on 860,730 sq m. Upon completion, the whole complex should provide 7 hotels with 1,370 keys, 500+ villas/townhouses, 1,100+ apartment units, 18-hole golf course, 2 marinas, supporting leisure and commercial facilities.

In addition to the prospective projects, Azerbaijan company SOCAR aims to develop a large tourist resort One and Only at the location of former military site Orjen Battalion barracks in Kumbor. The project envisages hotels and congress facilities, serviced apartments and residential complexes, a helipad, yacht club and marina with 350 berths.

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