

# RESEARCH REPORT

## Montenegro Property Market

### HOT TOPICS

- The Azerbaijan SOCAR company commenced the preparation works on the large scale tourist resort at the location of former military site in Kumbor, in August 2013.
- Upon the completion of Atlas Capital Center, one of the largest mixed-use projects in Podgorica, the speculative office stock has been boosted by the additional 24,000 sq m.

### OFFICE MARKET

The office market in Podgorica still noticeably lags behind other cities in the region, noting very limited construction activity, with the speculative office stock being 57,400 sq m of GBA. In addition, the total office stock includes the significant share of owner-occupied buildings, all together exceeding 75,000 sq m. However, it is expected that the upcoming period will bring some positive tendencies in this market segment.

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



Atlas Capital Centre

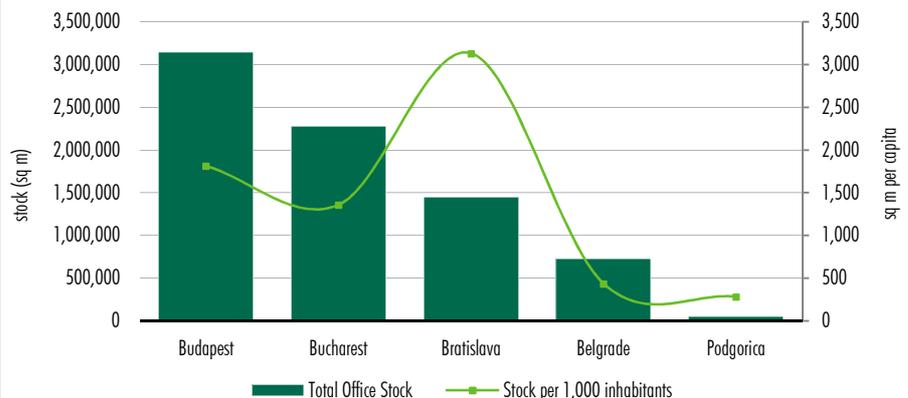
When analyzing the prospective projects, Celebic company has announced the project Business City office building comprising app. 20,000 sq m of office space and 10,000 sq m of the parking space situated at the attractive location, in the immediate vicinity of Delta City.

Another prospective project, very close to the old town of Budva is DOMXXI. The 13-floor building should comprise 30 luxury office apartments, several retail units and two luxury penthouses. The developer is the company Monterra, while the completion is set for spring 2015.

#### Montenegro essentials

Population (Census 2011)	620,029
Average salary (EUR) January 2014	478
Average Household Expenditure (EUR) 2012	553
Unemployment rate (Labor Force Survey – Q3 2013)	17.8%
GDP Q3 2013 (y-o-y)	4%
CPI December 2013 (y-o-y)	0.3%

Source: MONSTAT



Source: CBS International/CBRE

As in the previous period, office rental levels have shown a constant downward trend. The highest asking rental levels in modern office buildings are in the center 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.

## RETAIL MARKET

Global economic crisis has affected smaller shopping centers in Podgorica, with a significant decrease on the demand side. Therefore, Palada shopping center was converted into an office building while Nikic business centre has changed its concept and become a 4-star hotel M Nikic, counting 71 rooms with only few retail shops on the ground floor.

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 amounts to 475 sq m per 1,000 inhabitants.

Besides, 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.

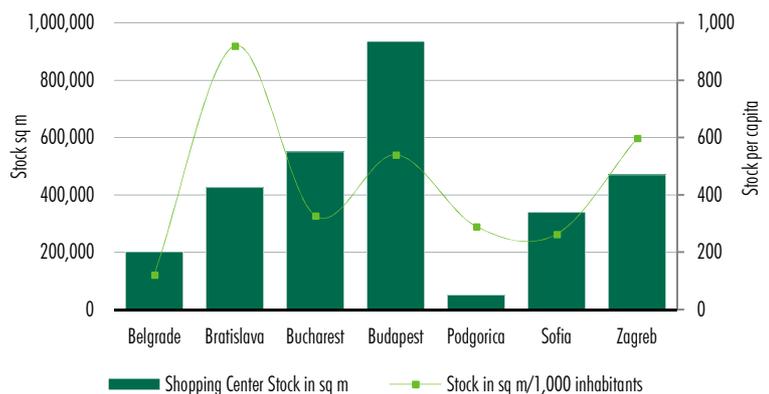
## RESIDENTIAL AND MIXED-USE MARKET

After the certain slowdown in the construction activity, considering residential property segment in 2010, the years 2011 and 2012 saw the increase in the number of constructed units in Montenegro. 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, currently under construction, which are set for completion for mid-2014. Gradnja Promet is developing another project Ljubovic, comprising 165 residential units. The completion is set for December 2014. Several residential projects are underway in Podgorica, with the prices ranging between EUR 1,000-1,300/sq m.

Over the last several years, Montenegrin coastline remains very interesting for the investors, as it is recognized as very attractive emerging market. Accordingly, residential, hotel and mixed use developments are very common, with a large number of projects currently under construction, whereby the prices range between EUR 2,000-3,000/sq m.

In immediate proximity of Adriatic Fair in Budva, the project Tre Canne featuring 275 luxury apartments entered the final stage of completion, expected to be finished in May 2014. In addition, another residential complex Blevedere residence, located in Becici is expected to be finished by the end of June 2014, comprising 70 apartments divided into four buildings.

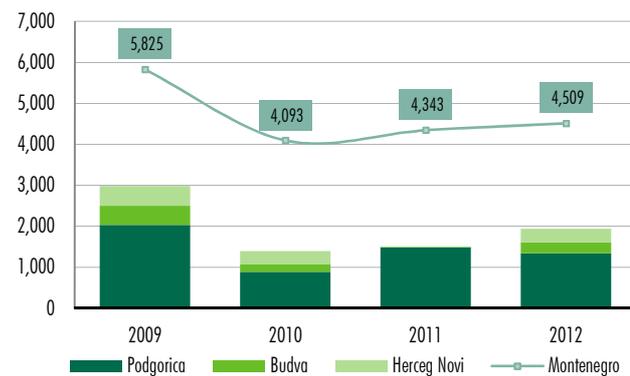
## SHOPPING CENTRE STOCK



Source: CBS International/CBRE

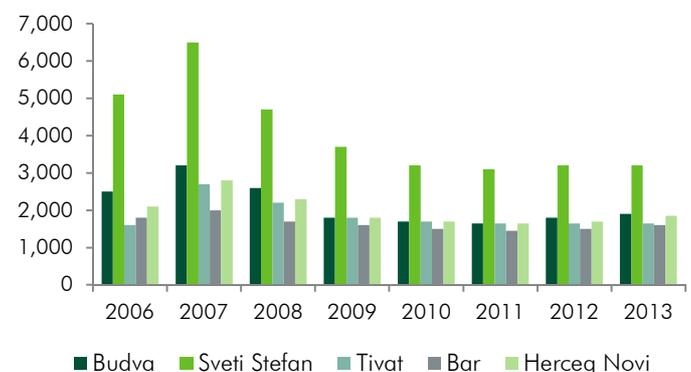
The main retail zone in Podgorica covers Hercegovačka, Njegosova and Sloboda streets, as well as Džordža Vasiingtona Boulevard, featuring many upscale brands. In general, the rental prices range between 15-25 EUR/sq m, whilst some units may command higher rental levels depending on the size and location.

## NUMBER OF CONSTRUCTED APARTMENTS



Source: MONSTAT

## ASKING SALES PRICES EUR / SQ M



Source: CBS International, part of the CBRE Affiliate Network

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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. Due to its size, development of the complex will be realized in phases. The opening of Regent hotel with 80 rooms is set for the second quarter of 2014, while marina will be enlarged by another 150 berths.

Orascom Development commenced the construction works on Lustica bay mixed-use complex in May 2013. The construction process will be performed in phases, whereas the phase 1 features 72 residential units, marina with 120-150 berths and 300-room hotel. In addition, the complex shall host 18-hole golf course on 860,730 sq m.

Another high-end project, Dukley Gardens, located in Zavala peninsula should be completed by the end of 2014, while the completion of the first phase is scheduled for summer 2014, comprising 36 villas with luxurious apartments ranging from 77 to 639 square meters.



Portonovi

### SELECTED PROJECTS PLANNED OR UNDER CONSTRUCTION IN MONETENEGRO

Project Name	No of apartments	Location
Gradnja Promet Ljubovic	165 apartments	Podgorica
Block 6 Zetogradnja	180 apartments	Podgorica
City Quarter	120 apartments	Podgorica
Harmonia building	110 apartments	Budva
Belvedere Residence	71 apartments	Becici
Harmonia building	120 apartments	Becici

Source: CBS International, part of the CBRE Affiliate Network

The Azerbaijan SOCAR company aims to develop a large tourist resort called Portonovi, in Kumbor. The project envisages the development of ultra-luxury hotel resort of 120 luxury rooms and apartments, a helipad, yacht club and marina with 350 berths. This luxury resort will also comprise: high-end residences, health and wellness center of 5,000 sq m, two marinas, the largest sandy beach in the region, international tennis academy and conference center. The resort shall also feature a renowned wellness chain Henri Cheno. According to the developer plans, it is expected that the whole project will worth EUR 500 million. The preparation works commenced on the 20th August 2013, whilst the project is planned to be opened for tenants and customers by the mid-2016.

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