

RESEARCH REPORT

Montenegro Property Market

HOT TOPICS

- Podgorica speculative office stock surpasses the level of 65,000 sq m, while the total modern office stock exceeds 80,000 sq m
- With no new deliveries, modern retail stock remained at the same level, exceeding 55,000 sq m
- The largest mixed-use complex City Quarter, located in the immediate vicinity of Delta City shopping center, will be expanded with 12 new residential buildings

Montenegro essentials

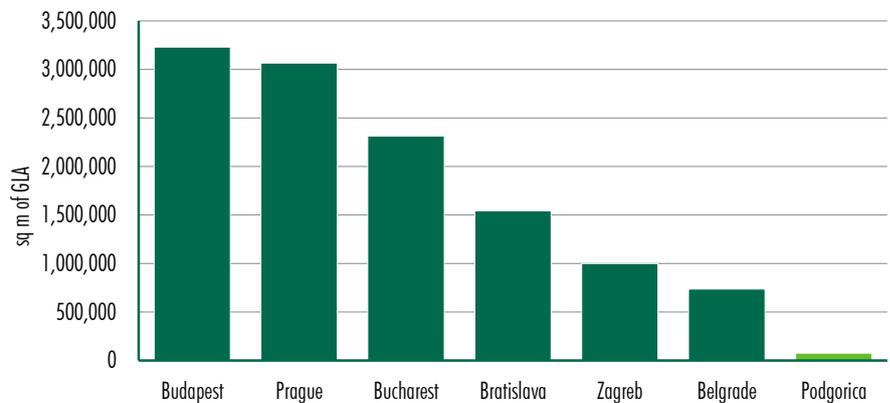
Population (Census 2011)	620,029
Average net salary (EUR) June 2015	481
Average Household Expenditure (EUR) 2014	602
Unemployment rate (Labor Force Survey –Q1 2015)	18.2%
GDP Q1 2015 e (y-o-y)	3.2%
CPI June 2015 (y-o-y)	1.9%

Source: MONSTAT

OFFICE MARKET

Montenegro office market can still be considered as immature with insufficient supply of the modern office buildings. The office stock is primarily located in Podgorica, being the center of business activities in the country. Several years ago, Podgorica speculative office stock was extremely limited since the stock consisted almost solely the owner-occupied buildings. In the recent years, with a few new developments, Podgorica has been able to offer modern office space to the potential tenants. At the moment, the speculative office stock is estimated at around 65,000 sq m, while the total modern office stock exceeds 80,000 sq m.

TOTAL OFFICE STOCK IN THE REGION (SQ M OF GLA)

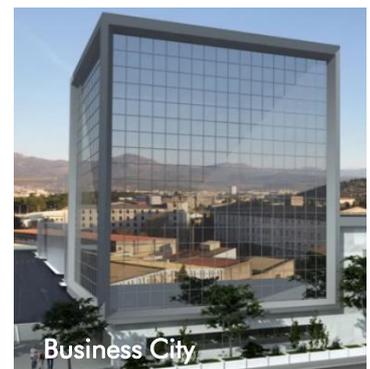


Source: Q1 2015, CBS International/CBRE Group

The positive tendencies in the construction activity continued during the first months of 2015. In terms of the new deliveries, Capital M continues the construction works on its small-scale office project located in Džordža Vasiingtona Boulevard. Upon completion, this modern office building will encompass app. 3,000 sq m.

Furthermore, the local company Celebic aims to develop a new mixed-use project Business City, at an attractive location in Podgorica, next to Delta City shopping center. The project will cover the area of 10,000 sq m, whereas the shopping center will comprise 5,000 sq m and another 5,000 sq m will be dedicated to the office accommodation. In addition, the office space within Hotel Hilton complex should be completed by 2015 year-end.

Limited offer of modern office buildings in the city center generates higher rental levels. In the previous period, the rental levels for modern office space varied between EUR 16 -19 per sq m/month, depending on the requested size, location, lease length and other related parameters. At less attractive locations, the premises of lower quality command the prices that range between EUR 11 – 14 per sq m.



RETAIL MARKET

As far as the retail offer is concerned, only three schemes in Podgorica could be considered as modern shopping center stock: Delta City, Mall of Montenegro and Bazar. Having in mind the lack of new deliveries during 2015, the modern retail stock remained at the same level, exceeding 55,000 sq m. Therefore, the high street retail segment remains the significant retail environment among the occupiers, due to excellent visibility and pedestrian flow. Depending on the location, size and position, the rental prices range between EUR 15-25/sq m, while Hercegovacka Street, Njegoseva, Sloboda Street as well as Dzordza Vasingtona Boulevard are considered as the prime retail zone.

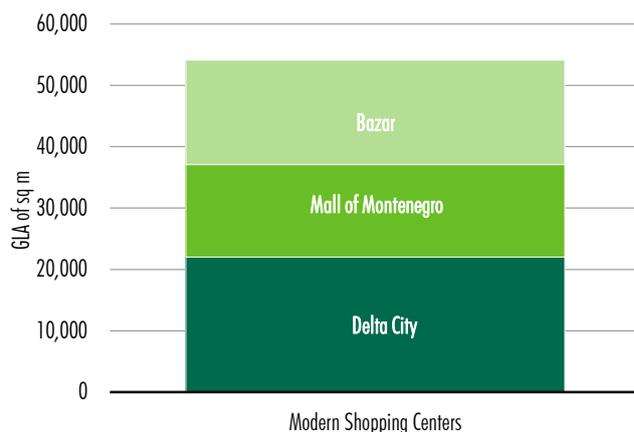
RESIDENTIAL AND MIXED-USE MARKET

For a while, Podgorica witnesses the intensive residential development, while at the moment several residential projects are under active construction. The largest mixed-use complex City Quarter, located in the immediate vicinity of Delta City shopping center, will be further expanded with 12 new residential buildings called New City Quarter. The local company Celebic is planning to develop 6 residential buildings in total, featuring the retail units on the ground floor and seven upper floors. Currently, two residential buildings are completed, three are under construction, while the sixth should be developed afterwards. Also, in the same neighborhood, the local company Zetogradnja already completed one residential building, out of six planned, while the construction works on two residential buildings are currently underway. Furthermore, Gradnja Promet entered the final construction phase of its residential project Ljubovic, totaling app.170 apartments.

Old Airport, the settlement in Podgorica, hosts two residential projects currently under construction. Normal Company is targeting to complete the mixed-use project in Block X, holding 142 residential units by the end of 2015. Additionally, the same investor is developing the residential building in Block VII, totaling 42 apartments, with the completion date set for June 2016.

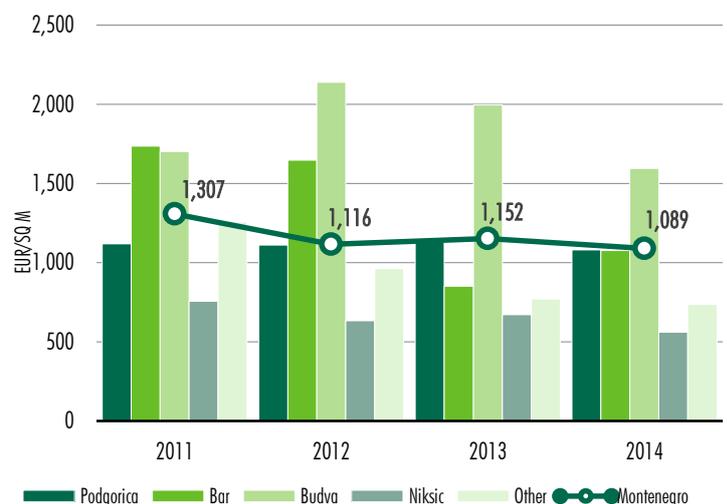
Going to the coastal area, Budva and Becici have been significantly developed during the last five years with numerous apartment buildings and few large-scale projects. The project of Stratex Group, Dukley Gardens, located in Zavala peninsula has been completed and officially opened. This high-end project consists of 36 villas and 202 residential units, while in the next year the completion of five-star Dukley Gardens hotel is planned. Mixed-use project DOMXXI is another high-end residential project in Budva, located in immediate vicinity of Budva Old Town.

SHOPPING CENTRE STOCK



Source: CBS International/CBRE Group

AVERAGE PRICES OF NEWLY BUILT APARTMENTS (EUR/SQ M)



Source: MONSTAT



Dukley Gardens

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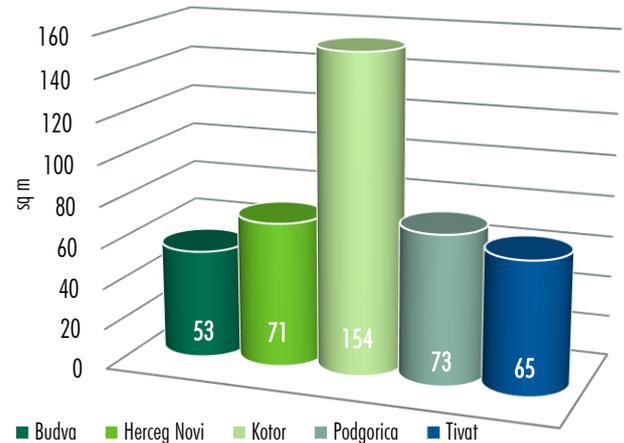
In terms of Boka Bay, the exclusive complexes and projects currently under construction have positioned it on the world map of luxury tourist destinations, since they offer an extensive list of amenities and contents for high-end clientele.

After Porto Montenegro, the second large-scale complex is Orascom Development Holding's project Lustica Bay, located in the north-western Traste Bay in Tivat Municipality. The first 10 residential buildings with 70 apartments have been completed, recently. Preparatory works on another 16 residential buildings with 90 residential units have recently commenced, set for completion by 2017 year-end. This project will feature: over 500 residential villas, more than 1,000 apartments, hotels, 2 marinas, spa and wellness centres, conference centre, sports courts, restaurants and shops, etc.

The latest investment is Azmont's world-class luxury resort Portonovi, situated in Kumbor, whereby the preparatory works are also in progress. The resort will consist of ultra-luxury One&Only hotel with 120 rooms, high-end residences, Henri Chenot's wellness centre of 5,000 sq m, two marinas etc. The completion of the One&Only hotel is scheduled for 2018.

On the other part of the Montenegro, on Skadar Lake, one more innovative project, Porto Skadar Lake, will be developed, presuming 30 private villas, panoramic restaurant, hotel, tennis courts, marina, eco-spa etc. As per the latest information, the preparatory works should start in late 2015.

AVERAGE SIZE OF APARTMENTS IN 2013 (SQ M)



Source: CBS International/CBRE Group



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