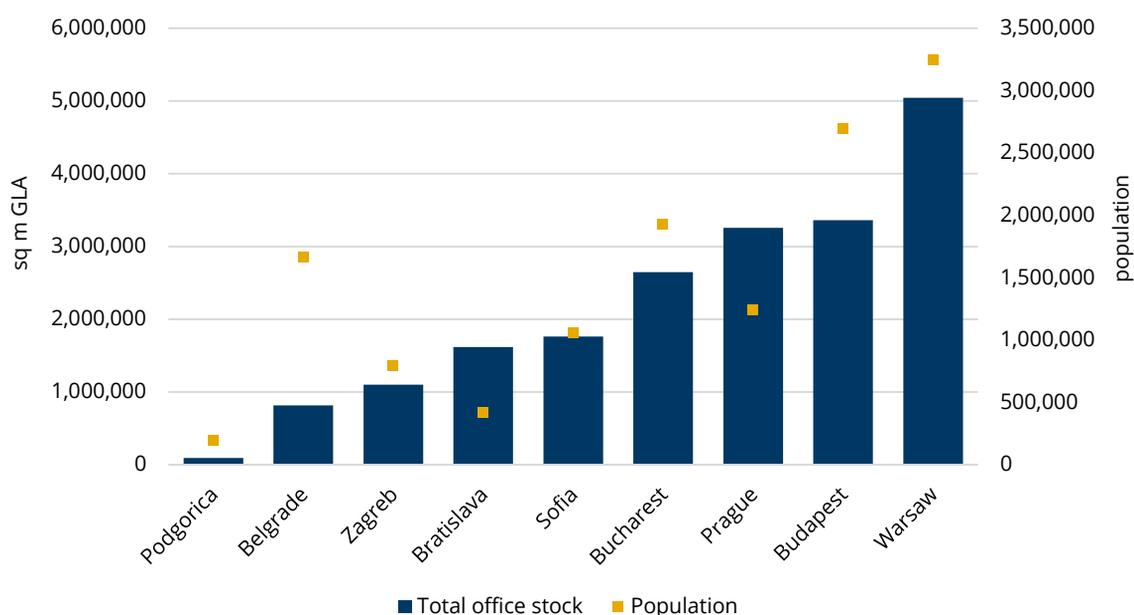


MarketInSight

Montenegro Property Market, 2017



Sea-side exclusive complexes continue to attract the largest attention



Source: CBS International
GLA – Gross Leasable Area

2017 SUMMARY

- At the moment, the speculative office stock in Podgorica exceeds 70,000 sq m, while the total modern office stock exceeds 90,000 sq m.
- Office rental levels have shown a downward trend over the course of the last several years, due to the stock increase and lower demand
- The first investments have occurred in the retail segment, when Hyprop Investments Limited and Homestead Group acquired two Delta City malls, in Belgrade and Podgorica
- Residential and mixed-use projects are interesting for the investors at both locations, in the city of Podgorica and along Montenegro coast

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Montenegro Property Market, H1 2017

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. At the moment, the speculative office stock in Podgorica exceeds 70,000 sq m, while the total modern office stock exceeds 90,000 sq m.

With regard to the prospective projects, the office part of Celebic complex of app. 5,000 sq m is under construction, being nearly completed. This project is developed next to Delta City and City Mall. In addition, Normal company is working actively on its Office Tower of 5,500 sq m, which will be located next to the Hotel Podgorica. The same investor is aiming to complete the office building next to the Hilton hotel, which will comprise app. 3,500 sq m.

Office rental levels have shown a downward trend over the course of the last several years, due to the stock increase and lower demand. At the moment, the highest asking rental levels in modern office buildings in Podgorica are ranging between EUR 14-16 per sq m/month, with the effective rents being between EUR 12-14/sq m. When it comes to the lower quality office space located in the old part of the city, the average rental values mainly range between EUR 9 and 12 per sq m/month.



RETAIL MARKET

With no new completions in the previous several quarters, the modern retail stock in Podgorica remains at the level of 55,000 sq m GLA. Looking at the type of retail offers, only three retail schemes could be considered as modern: Delta City, Mall of Montenegro and Bazar.

The first investments have occurred in the retail segment during 2016, when South African funds Hyprop Investments Limited and Homestead Group have acquired two Delta City malls in Belgrade and Podgorica, of 30,000 sq m and 23,000 sq m GLA respectively, for EUR 202.8 million in total.



RESIDENTIAL AND MIXED-USE MARKET

Residential and mixed-use projects are interesting for the investors at both locations, in the city of Podgorica and along Montenegrin coast. While in Podgorica, the local construction companies, such as Celebic and Zetogradnja are working on various projects throughout the city, Montenegrin seaside area has become recognized as desired destination for international developers.

The exclusive complexes currently under construction have positioned Montenegro on the world map of luxury tourist destinations, since they offer an extensive list of amenities for high-end clientele. One of the most representative projects currently underway is Porto Montenegro, designed as a large scale mixed-use waterfront project, totaling 200,000 sq m of GBA. The residential complex consists of six completed properties totaling 176 luxury apartments, as well as a seventh building in the form of the Regent Hotel. At the moment, the Regent Pool Club Residences complex is in the final construction phase, comprising 62 units, which size between 70 - 340 sq m.



Portonovi complex
Herceg Novi, Kumbor

The second large-scale complex is Orascom Development Holding's project Lustica Bay, located in Tivat Municipality also. A total of 26 buildings featuring 160 units have already been built, as well as 176-berth marina which will be fully operational by summer 2018. The next phase will comprise the construction of Lustica Bay Centrale, a commercial and administrative hub, set to become Lustica Bay's town centre. The complex will also feature the first Montenegrin 18-hole Gary Player signature golf course, of which the construction commenced in July 2017. The first hotel will be The Chedi Lustica Bay, the 5-star hotel offering 110 rooms, two restaurants, conference and business center, an outdoor pool, spa and fitness center. The Chedi hotel in Lustica Bay will be The Chedi's second European hotel, with the opening scheduled in 2018.

Furthermore, one of the largest projects in Montenegro is Portonovi, developed by Azmont Investments, a Montenegrin subsidiary of Azerbaijan's State Oil Company (SOCAR).

The 26-hectare Portonovi resort will comprise 275 properties, from town houses and apartments, villas in landscaped gardens, to penthouse apartments and sky villas. Portonovi will also be a home to Europe's first One&Only resort, One&Only Portonovi. Approximately 140 ultra-luxury guest rooms, suites and villas and the Espace Chenot Health Wellness Spa within the hotel will be opened in 2018. In addition, the Portonovi Marina will feature 220 berths for yachts and superyachts, including the members-only Portonovi Yacht Club.

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CONTACTS

Dragan Radulovic

Regional Managing Director

Nikola Cetkovic

Managing director

Montenegro

Tamara Kostadinovic

Head of Market Research

Serbia

CBRE MONTENEGRO OFFICE

CBS International doo

13 Sava Ilica Street

85347 Herceg Novi, Montenegro

+382 31 33 17 49

+382 69 55 98 35