

YoY Chg 12-Mo. Forecast

**107,000**

Modern office stock in sq m



**EUR 13 - 15**

Class A office rent per sq m



**73,000**

Modern retail stock in sq m



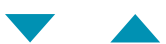
(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

**-26.9%**

Montenegro GDP Growth rate in Q3 2020



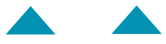
**19.0%**

Montenegro Unemployment Rate in Q3 2020



**EUR 524**

Montenegro average net salary in 2020



Source: Monstat - Statistical Office of Montenegro  
YoY Change vs Q3 2019

## ECONOMY

The beginning of 2020 promised to retain a positive trend from the previous period, as the Montenegrin economy rose by 2.6% in Q1 2020. However, like many tourism-dependent countries, Montenegro has been hit hard from the effects of COVID-19. According to the official data published by Central Bank of Montenegro, GDP shrank by a record 26.9 % year-on-year in the third quarter of 2020, following 20.3% contraction in Q2 2020. In June 2020, due to losses in tourism revenue, Montenegro received an emergency loan under the IMF's Rapid Financing Instrument to help its economy. In addition, Montenegro has taken out a loan of EUR 750 million to fill big gaps in the 2021 budget. The IMF projects that Montenegro will face its largest economic contraction since independence in 2006, i.e., nearly 9% in 2020.

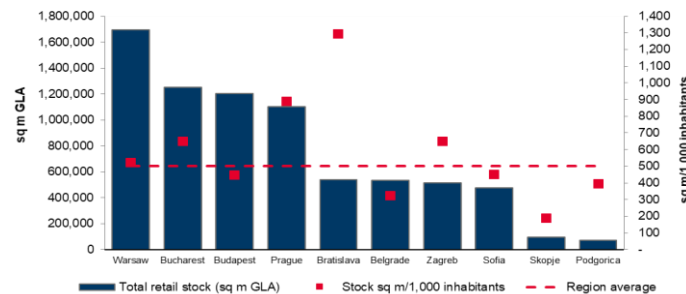
## OFFICE MARKET

Montenegro office stock is mostly located in Podgorica, where the centre of business activities is. During the 2020, the speculative office stock remained unchanged with 70,000 sq m of GLA, while due to lack of new completions, the total office stock stands at the level of 107,000 sq m. Podgorica modern class A office supply is very limited, new office space is usually delivered within large mixed-use projects and the investors are focused on the sale of office space. The highest asking rental levels are recorded in the modern office premises in the centre of Podgorica, ranging between EUR 13 -15 per sq m/month, which is a slight decrease as compared to the previous year. The lower prices were marked in case of lower quality office space located in the old part of the city, varying between EUR 9-12 per sq m/month.

## RETAIL MARKET

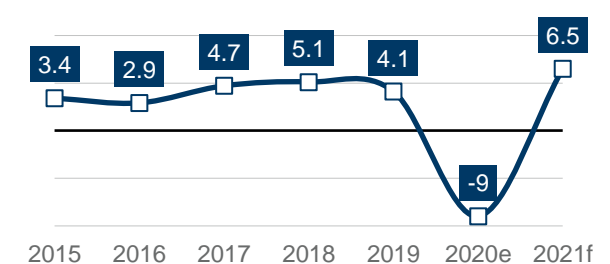
With few shopping centres trading, such as Delta City, Bazar and Mall of Montenegro, Podgorica modern retail stock exceeds the level of 73,000 sq m, or 393 sq m per 1,000 inhabitants. As compared to the regional cities, Podgorica retail market can still be considered as less developed, since the regional average is 500 sq m per 1,000 inhabitants. In addition to shopping centres, high street retail zone represents very important segment of Podgorica retail market. The excellent position in the city centre and visibility attract retailers to choose this option for their business. Hercegovacka, Njegoseva and Sloboda streets, as well as Dzordza Vasingtona Boulevard are the main retail zones in Podgorica.

Retail Market Stock in the Region in 2020



Source: CBS International

GDP of Montenegro (%) in period 2007- 2021



Source: Monstat; Central Bank of Montenegro

## RESIDENTIAL AND MIXED-USE MARKET

The Montenegrin residential market, as well as economy is strongly influenced by the net FDI inflows in tourism and real estate. In 2020, due to pandemic and the following lockdowns and travel restrictions imposed worldwide, tourism sector depressed, while foreign direct investment in real estate decreased by 34.6%, according to Central Bank of Montenegro. Consequently, demand for residential units slowed down, especially from foreign buyers, which further led to the decline in the sales prices of newly-built apartments. Namely, the average price recorded in Montenegro in 2020 decreased by 15% in comparison with 2019, while the sales price of apartments in Podgorica dropped by nearly 10%. In the coastal region, the prices are significantly above the national average, being by 4% lower than the previous year. According to the Statistical Office of Montenegro, additional impact on average price of newly-built apartments have the involvement of solidarity housing development, of which share in 2020 was significantly higher, compared to the 2019.

Despite the impact of COVID-19 pandemic on the sales prices, construction activity continues to rise. Thus, during the first three quarters of 2020, the number of building permits for apartments grew by 10% to 1,131 units from the same period last year, according to the official statistics. However, residential market is expected to remain unstable in the medium-term, until the situation with the pandemic improves.

When it comes to the coastal high-end residential market, over years it evolved in two directions. One segment is large-scale deluxe resorts (such as Porto Montenegro, Portonovi or Lustica Bay), while another segment is luxurious residential buildings being much more exclusive than competing projects. In addition, there are also a portion of mid-end residential projects, being offered at much lower prices as compared to high-end market. The prices in high-end complexes start off EUR 4,000/sq m and go up to EUR 10,000/sq m for the really premium units/villas, in the high-end projects they are mostly around EUR 3,000-4,500/sq m, while in mid-end projects the prices are usually EUR 1,500-2,500/sq m (VAT incl.). These projects have a strong spin-off effects for the entire economy.



Portonovi, Boka Bay

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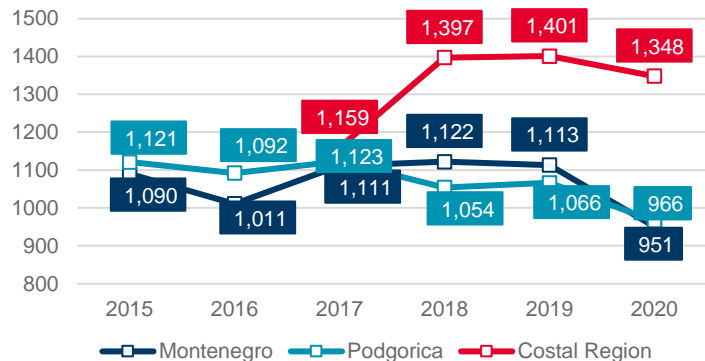
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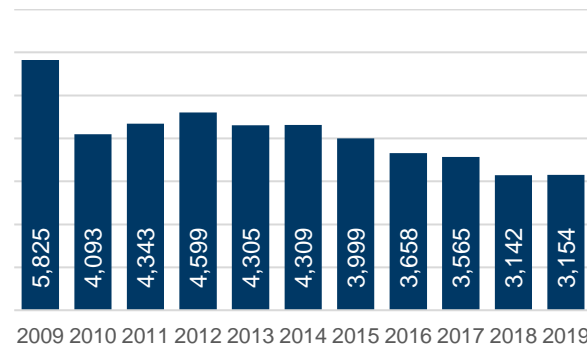
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Average sales prices ( EUR/sq m) of newly-built apartments 2015-2020



Source: Monstat - Statistical Office of Montenegro; since 2017 data on the average prices are published by the regions

Total number of completed apartments in Montenegro 2009 - 2019



Source: Monstat - Statistical Office of Montenegro