

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 centre 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 is app. 107,000 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. At the moment, the highest asking rental levels in modern office buildings in Podgorica are ranging between EUR 14-16/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 period, the modern retail stock in Podgorica remains at the level of 73,000 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.

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.

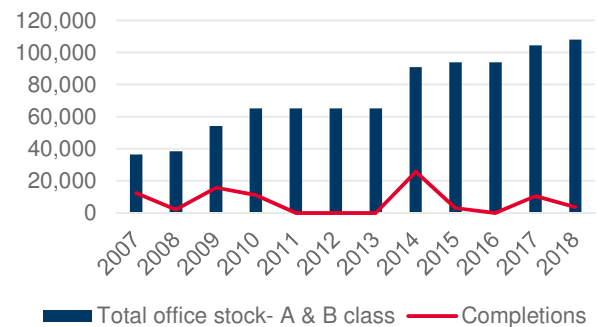
The second large-scale complex is Orascom Development Holding's project Lustica Bay, located in Tivat Municipality also. Upon completion, the project is planned to offer over 1,000 houses, seven hotels with a total of 1,200 rooms, two marinas with 176 berths for yachts, a golf course with 18-holes by Gary Player design, and other supporting facilities, in total less than 6% of the land area will be developed. Lustica Bay's masterplan includes 7 hotels, while the first hotel is The Chedi Lustica Bay, the 5-star hotel offering 110 rooms, two restaurants, a bar, conference and business center, an outdoor pool, spa and fitness center, is The Chedi's second European hotel, opened during the summer of 2018.

MARKET INDICATORS

Market Outlook

Prime Rents:	Stable rents
Prime Yields:	Further yield decompression is possible
Supply:	Limited developments in the pipeline
Demand:	Leasing activity is expected to remain strong

Office Market Stock - June 2019



Chedi Lustica Bay

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. In addition, the Portonovi Marina will feature 220 berths for yachts and superyachts.

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