

Residential Market Snapshot Podgorica

August 2017



PURPOSE OF THE RESEARCH

The aim of our residential real estate market research was to analyse the actual apartment supply in Podgorica, having used the advertisements of the largest real estate portal - Realitica.com - in Montenegro.

By this first report, as part of a lengthy process, we are trying to overcome the lack of data and non-transparency in this field and share our analytics and knowledge in this subject.

Having collected and analysed the property ads regularly, we will be able to provide not only a static snapshot about this market segment but we will also be able to show its dynamic.

SOURCE AND METHODOLOGY

The basis of this research has been a database of asking prices of 1,495 advertisements; collected from the Montenegrin section of realitica.com website on 29 August 2017.

We have filtered the obviously false and repeating ads from the database, which resulted a reduced number of data of 952.

The sources of information for population, area, and further basic data has been the official website of Podgorica and the national statistical agency Monstat.

We must note that the advertisements on Realitica have been uploaded by real estate agents and individual sellers, therefore the accuracy and the quality of them could not be checked fully and cannot be guaranteed.

The basis for the area calculations have also been uncertain. We have assumed them as net and not made any adjustment.

PODGORICA

According to the last census in 2011, Podgorica has a total area of 1,500 square kilometres and population of around 190,000. Despite the increase in the number of habitants of around 25% in the last six years the city is still growing.

Podgorica, as a capital city, which has strong and vibrant economy, universities and many other social

and cultural institutions over other municipalities in Montenegro, is expected to see further population growth by a foreseen annual rate of 6 - 8%.

APARTMENT MARKET OF PODGORICA

Our snapshot research showed an average unitary asking price of € 1,106 per sqm and an average living area of 68 sqm in Podgorica, whilst the average absolute price recorded has been € 76,524.

'Average asking price: € 76,524'

'Average unitary asking price: € 1,106 /sqm'

'Average size: 68 sqm'

We have divided Podgorica into 19 market segments. Market segments are districts which have similar or same characteristics, in terms of building qualities and types, prices, living conditions, and access to services and amenities. Accordingly, we had to merge and create to 'new' districts - which we called 'Delta city' and 'Autobuska and Tuski put' - as they qualify for the market segment criteria as a whole. We have named the newly built area around Cetinjski boulevard to 'Delta city', since this shopping mall is in its centre. It includes City kvart, university buildings and new buildings behind Delta city. Furthermore, the location near to the bus station, which is surrounded by several buildings from the socialist era, were grouped in one district - Autobuska and Tuski put.

Table 1: Districts of Podgorica

1	Autobuska & Tuški put	11	Momišići
2	Blokovi	12	Pobrežje
3	Centar	13	Preko Morače
4	Delta city	14	Stara Varoš
5	Donja Gorica	15	Stari Aerodrom
6	Drač	16	Tološi
7	Gorica	17	Zabjelo
8	Gornja Gorica	18	Zagorič
9	Konik	19	Zlatica
10	Masline		

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Table 2: Asking Prices, Unitary Asking Prices, Sizes of Apartments for Sale in Districts of Podgorica

#	Location	Average of Unitary price (€ per sqm)	Sum of <= €500 /sqm	Sum of €500 - 800 /sqm	Sum of €800 - 1,000 /sqm	Sum of €1,000 - 1,300 /sqm	Sum of €1,300 - 1,600 /sqm	Sum of €1,600 - 1,900 /sqm	Sum of €1,900 - 2,300 /sqm	Average of Price	Average of Living Area
17	Zabjelo	950	4	24	96	58	3	1	0	61,453	65
15	Stari Aerodrom	1,001	0	11	66	53	1	2	0	58,404	59
1	Tuški put	1,002	0	6	20	18	4	0	0	59,708	60
12	Pobrežje	1,049	0	3	12	11	5	0	0	61,823	60
14	Stara Varoš	1,050	0	2	11	15	2	0	0	65,310	63
2	Blokovi	1,065	0	4	17	28	4	1	0	71,473	69
11	Momišići	1,137	0	7	11	12	8	4	0	82,899	74
4	Delta city	1,197	0	1	13	70	25	5	0	76,429	65
13	Preko Morache	1,226	0	6	29	71	47	14	1	94,912	76
3	Centar	1,256	0	8	33	61	20	14	10	101,616	77
Grand Total		1,106	4	72	308	397	119	41	11	76,524	68

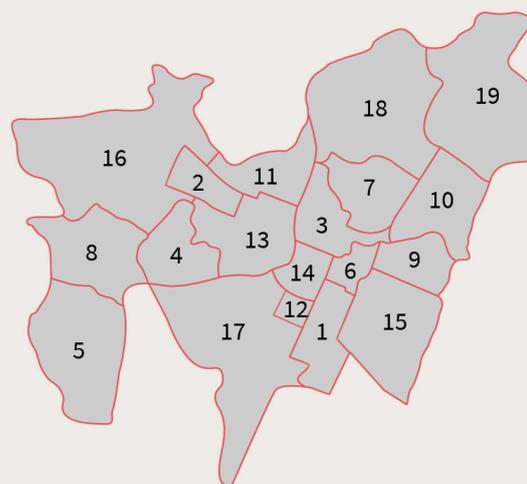
Source: Realitica.com, Filtered and Edited by AA Market Research

The three main locations with the most active real-estate markets, in terms of number of properties for sale, were Zabjelo (213 ads), Preko Morace (173) and Centar (153). In Zabjelo, there are still many new residential developments, as well as immense few decades old residential complexes. Preko Morace is generally one of the most attractive areas of Podgorica with relatively high prices and stable demand. The city centre was facing with declining demand and excessive supply which resulted lower unitary prices.

Based on the conducted research, the highest average unitary prices have been displayed in Stara Varos, Centar, Preko Morace and Delta city with close to over € 1,200 per sqm. Although Distric Gorica has not been part of the analysis in terms of averages, due to the low number of ads within the district, we did identify here the highest prices with town-wide premium locations, embassies, villas and small luxury buildings, followed closely by Preko Morace. Preko Morace, which contains also the central business district of Podgorica with new landmark office and residential developments. Delta city quart with its 26 new buildings in City kvart is taking over many functions from the old part of the town and becoming a more and more vibrant part of the city. Besides it is still lacking the necessary infrastructure and public services such as hospital and elementary school.

Most of the apartments (69%) are offered for sale in the price segment between € 800 and € 1,300 per sqm in Podgorica.

Map 1: Districts of Podgorica



Having analysed the total apartment supply of Podgorica in terms of correlation of size and unitary prices, the general principles are the followings. The smaller the apartments have been, the higher the unitary price could be justified until the size of 75 sqm. We have seen the increase of unitary price along with the sizes of the apartments until 150 sqm, when unitary prices have dropped again. This increase, which starts with slight statistical rise from apartments higher than 75 sqm, is especially shown in the range 90-150 sqm. Trend displayed in the three and four-bedroom range, is related to the fact that those were usually luxury properties in high quality buildings and at premium locations. In most cases, those apartments were offered for sale in settlements Preko Morace, Delta city and Gorica.

Graph 1: Unitary price (€ /sqm) vs Living area (sqm) and No of ads



Source: Realitica.com, Filtered and Edited by AA Market Research

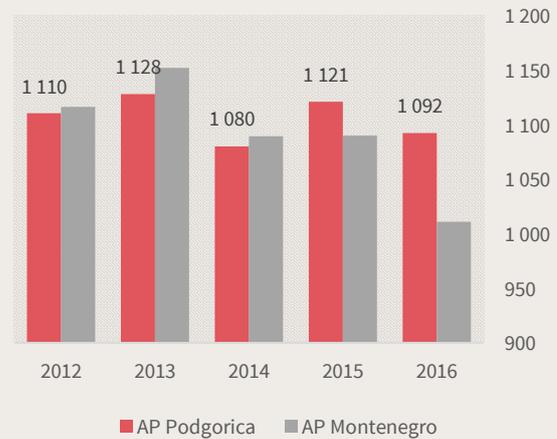
Based on our experience, real transactional prices of the apartments in Podgorica usually differ by 10-15% from the asking prices. In that sense, we may assume that the average price of apartments in Podgorica has been in the range of € 950 and € 1,000 per sqm.

NEWLY BUILT RESIDENTIAL MARKET

The residential market of Podgorica is active with several landmark projects in pipeline such as City kej, developed by Celebic company, Central point by Zetogradnja and across the street another large project is under construction by Master inzenjering and almost 50 further smaller ones are in the pipeline. Majority of the new developments are located in Delta city quart.

In the last few years, the average price of newly built apartments in Podgorica remained stable at around € 1,100 per sqm, while average prices in Montenegro have fallen mainly due to the decrease of residential prices in the coastal area.

Graph 2: Average transaction prices (€ per sqm) of newly built apartments in Podgorica and Montenegro

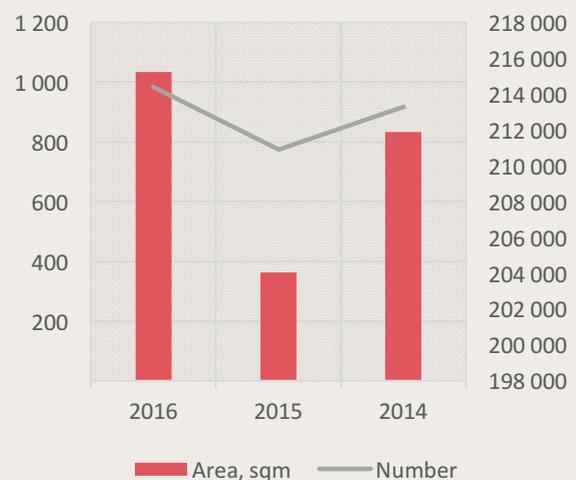


Source: Monstat, Edited by AA Market Research

Official data about the residential development market of Montenegro is only available on country level. According to Monstat the number of issued building permits of dwellings increased by 18% in H1 2017, the total volume of the projects increased by 5% compared to H1 2016.

Whilst the number of issued building permits showed a hectic movement, the total volume of planned residential projects did not show meaningful change in the last three years (204 – 215k sqm).

Graph 3: Number issued building permits and total volume of dwellings to be built in sqm



Source: Monstat, Edited by AA Market Research

DESCRIPTION OF SERVICES

Valuation

We have extensive references, covering distressed assets and prime properties. We have valued large bank portfolios, as well as single large-scale development projects. We perform 'Red Book' valuations, to the international standards of the Royal Institution of Chartered Surveyors (RICS), for residential, investment and development properties, with our team of locally based valuers.

Hotel valuations

Our local valuers have teamed up with hotel valuers from Austria, to perform the most complex hotel valuations for competitive fees.

Industrial property valuations

Besides real estate valuation we also can support you with valuing machineries and equipment via our external partners.

Automated Valuation Model

The multiple regression based model is suitable for valuing or keep the market value of your real estate portfolio up-to-date with saving time any money.

Asset Management

Our aim is to maximize the value of your property assets and the return on your investment.

Business plan and asset management strategy

With our team of experts, we develop a strategy to bring the best out of your properties, we prepare business plans, and upon request we also execute these.

Feasibility studies and highest and best use

We analyse the feasibility of your real estate project, what the best use of your property would be and deliver you our reports in a transparent manner.

Repossession price calculation

We support the decision-making process of our banking clients by establishing the minimum threshold for which a distressed asset can feasibly be repossessed.

Property management

We support the operation of your real estate assets, by legal, accounting and maintenance support, by property data management, document collection and identification of properties – even managing your second home investment while you are away.

Investment Sales and Acquisitions

We specialise in the sales and acquisition of commercial and distressed properties and portfolios.

For sellers

Backed by our asset management, valuation and building surveying team and legal partners, we provide support for the effective disposal of the banks' distressed properties and portfolios, and for commercial properties. We are also readily available to negotiate a marketing programme for our clients' properties and portfolios.

For investors and developers

We offer prospective buyers a large variety of commercial and bank properties. We perform property searches and advice on financial, technical and legal matters, in form of feasibility studies, technical and legal due diligences.

Market Research

Our real estate market analysts continuously overview and collect transactions, asking prices, and analyse supply and demand trends.

Market segment and market practice reports

We regularly publish market snapshots and upon request we prepare detailed analysis of specific market segments, by geographical location and property types, or on selected topics related to general practices of the market (e.g. planning, taxation, or tenancy matters.)

Building Surveying & Development

Our engineers provide a variety of building surveying and development advisory services, to support your investment decisions and property development.

Technical Due Diligence

Depending on the extent you define, we analyse the physical characteristics and defects of properties for prospective purchasers, occupiers, and financiers.

Project monitoring

To minimize the risk of financing of **development** projects, we follow up and monitor the progress of development; we perform an initial audit and issue monthly reports for funding drawdown.

Construction management, supervision

Our engineers have extensive personal references in construction management and site supervision.

Contact details

In case of request of the full version of this report or need of market report of any other real estate segment in Montenegro, please contact us.

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