

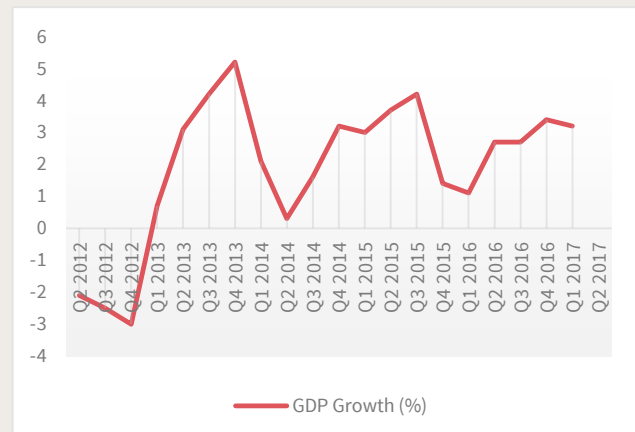
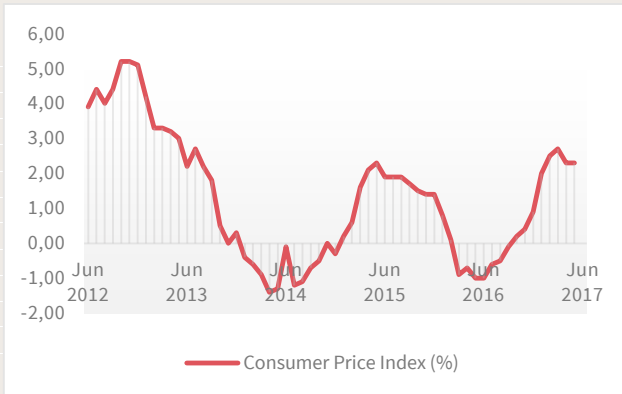
# Office Market Snapshot

## Podgorica — H1 2017



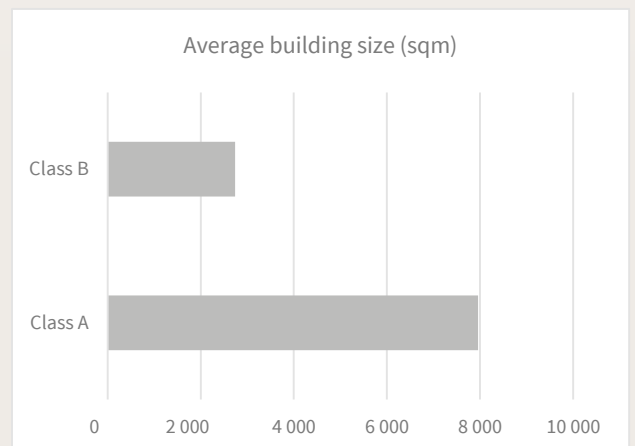
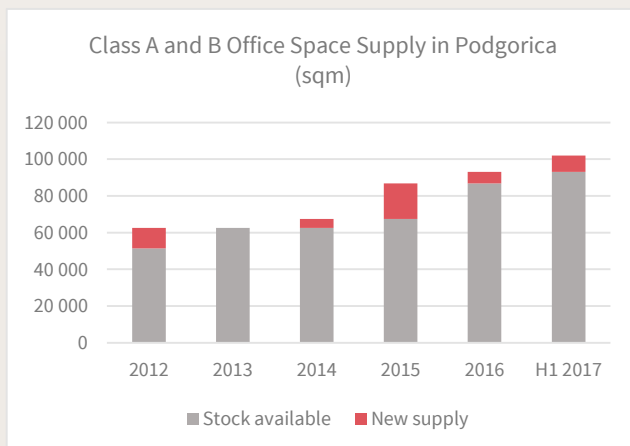
## Economy

The main macroeconomic indicators of Montenegro, having highlighted only four of them, show a diversified picture of the current trends of the Montenegrin economy. The consumer prices increased by 2.36%, the unemployment peaked with five-year record 22.45%, while the gross wages increased further having reached € 766 /month, and the GDP grew by 3.2% in H1 2017.



Source: Statistical Office of Montenegro (IEconomics.com)

## Office market



Source: Adriatic Appraisal

## SUPPLY

The Class A and B office stock of Podgorica expanded by 8,800 sqm in H1 2017, totalling 101,943 sqm in 18 buildings.

The Current tenants and owners of the new project, City Mall Office Tower, are Erste Bank, which have already bought four floors and occupy 45-50% of the total GLA, and Sleasing. The office building also serves as the headquarter of these companies.

According to our knowledge the effective rent level in City Mall Office Tower ranges from € 14.50 to € 16.00 /sqm/month plus service charges with around € 2.00 /sqm/month. Office space of 2,500 – 3,000 sqm is still available for rent or sale.

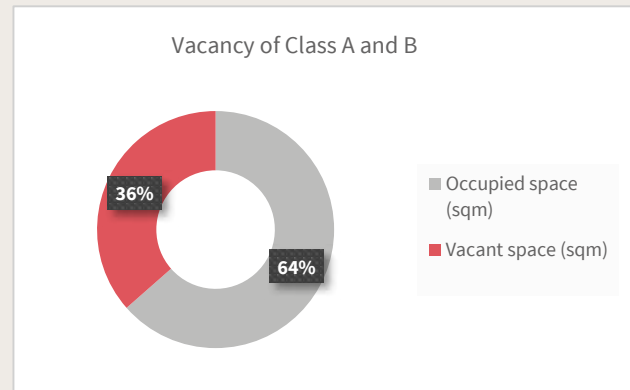
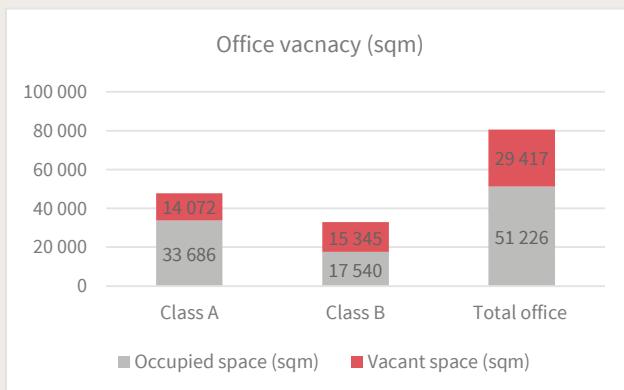
## Demand

### Overview

Despite the high vacancy level, there is a relatively stable rising demand for modern office spaces in Podgorica, which could relate to the overall economic development of the country. Due to the more and more open economy of Montenegro, expected EU membership in 2022, increasing number of international companies are looking for modern office spaces in the capital, which trend is expected to be continued in the future. The main tenants of Class A and B office buildings are banks, insurance, audit, IT, petrol companies and governmental institutions.

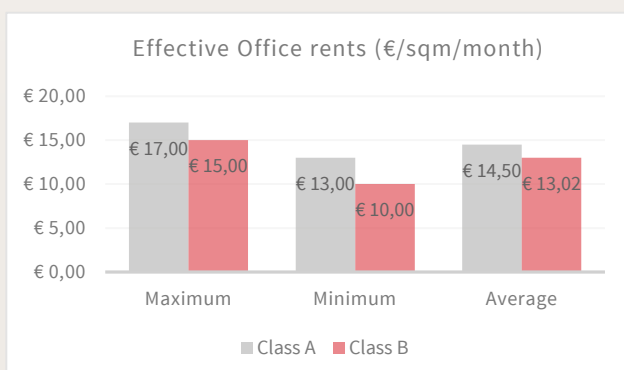
### Vacancy rates

Thanks to the intensive development activity of premium office building developers, totalling 34,458 sqm new space in the last three years, the vacancy of modern office buildings reached 36% in H1 2017.



Source: Adriatic Appraisal

## Rents



The average effective rents of Class A and Class B office buildings shrank slightly to € 14.50 and € 13.02 /sqm/month in H1 2017 compared to H2 2016. The difference between average rents in Class A and B was 11.36% or almost € 1.50 /sqm/month in favour of Class A. In addition, the tenants bare the service charge of around € 1.75 /sqm/month. The service charge covers the operational cost of the building including security, maintenance, cleaning, heating, cooling of common spaces, and further costs.

## Investment

### Transactions

According to our information, two large office transactions were registered in Class A segment, including City Mall Office building and Ex Hypo Alpe Adria Bank headquarter and one in Class B segment with Celebic Business Centre in H2 2016 and H1 2017 in Podgorica. The buyers were mainly reputable international companies. The unitary sales price of a less than 1,000 sqm office space was around € 2,000 /sqm with underground parking place of € 10,000 per lot in Celebic BC. Nearly the same unitary sales price was realised in City Mall Office but on a significantly larger space. Both buildings were developed by Celebic. Ex Hypo building was sold at a lower price level due the company's wind down process.

### Yields

Due to the small office market and limited number of office transactions in Podgorica the reported prime office yield relied mainly on our internal sentiment survey, accordingly we have estimated it at 8.00% in H1 2017.

### Asking prices

At the date of our survey around 21,000 sqm (26% of the total modern office stock) office space in ten (10) buildings were offered for sale. Three larger spaces were available between 3,500 and 5,000 sqm, whilst the rest of them ranged usually between 500 and 1,000 sqm. The lowest asking price of modern office spaces with fit-out was € 1,700 /sqm in the former Opportunity Bank while the highest was € 3,268 /sqm in the most prestigious office building of Podgorica Capital Plaza.

## Description of services

### Full version of market reports

The full version of our market reports, segmented by geographic regions and property types, provide the following information for our clients.

- A macroeconomic overview and analysis on Montenegro, introducing key macro-data in a real estate context, as well as short regional overviews of Montenegro's geographic regions.
- An overview of the supply, by introducing the existing and pipeline stock, presenting the geographic position of the market segments, and sizes, visuals, built date and investment details of larger projects.
- An overview of the demand, by analysing vacancy and absorption rates, transaction volumes and take-ups.
- We provide data on transacted and asking prices and rents, by first hand transactional data collection, direct interviews with stakeholders, and by 'big data' analysis, as well as investment overview addressing market yields.
- We provide on request general overview of the functioning of the market, addressing topics such as typical lease terms, types and source of property documents, planning and regulatory overviews, overview on the key features of the lending market.

### 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.

#### Valuation

We perform 'Red Book' valuations, to the international standards of the Royal Institution of Chartered Surveyors, for residential, investment and development properties, with our team of locally based valuers.

#### Industrial property valuation

We do this realistically; if needed with the support of machinery and business valuers.

#### Automated Valuation Model

Backed by our market research and IT team, we can take up the challenge of preparing indexation and the automated revaluation of your real estate portfolio.

### Asset management

We take care of your properties; starting from the preparation of feasibility studies and business plans (asset strategies), to the execution of the business plan and the sales of the assets.

#### Asset management

We prepare a cash flow or budget for your real estate. We analyse if a development project is feasible.

#### 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 and planning support, by property data management, document collection and identification of the properties – even managing your second home while you are away.

### Building surveying

Our engineers provide a variety of building surveying services, including technical due diligence, project monitoring, construction management and site supervisions.

#### Technical Due Diligence

Depending on the extent you define, we analyse the physical characteristics and defects of the 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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