

Podgorica Market Overview

H1 2008

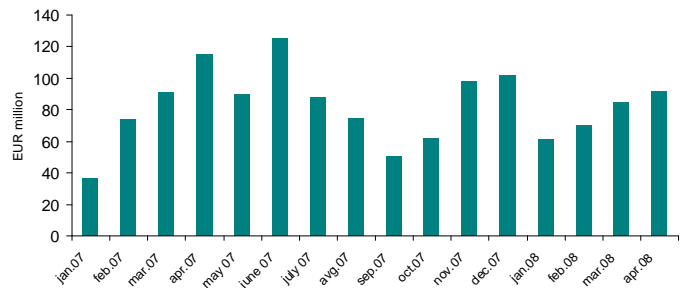
S&P'S LT FC Rating

BB+ / Negative

MONTENEGRO ECONOMIC OVERVIEW

According to preliminary data of the Central Bank of Montenegro, total inflow of foreign direct investments in first four months of 2008 amounted to EUR 308.5 million, which is 2.7% less than in the corresponding period of 2007.

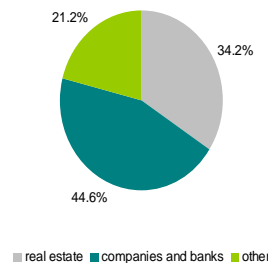
FDI inflow in Montenegro



Source: Central Bank of Montenegro

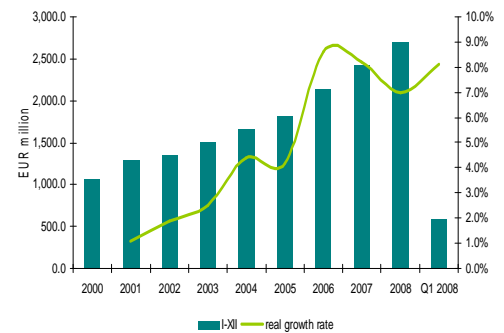
Observed by the structure of FDI inflow, there is a decline of investments share in real estate and increase of investments in domestic banks and companies in comparison to the same period of the previous year.

Structure of FDI inflow, January-April 2008



Source: Central Bank of Montenegro

GDP, Montenegro



Source: MONSTAT

Selected macroeconomic indicators

Related Indicators	Unit	2001	2002	2003	2004	2005	2006	2007e
GDP	mil Euro	1,244.80	1,301.50	1,433.00	1,535.00	1,644.00	1,778.81	2,278.14
GDP growth rate	%	-0.2	1.7	2.3	3.7	4.1	6.5	7
GDP per capita	Euro	2,023.46	2,107.26	2,310.75	2,465.43	2,638.00	2,790.50	3,673.56
Budget deficit	% of GDP	na	1.93%	3.16%	2.10%	3.10%	na	3.00%
FDI	mil Euro	225.62	181	213.62	111	383	502	524.9
Other Macroeconomic Indicators								
Population		615,183	617,627	620,145	622,609	625,082	627,583	na
Average net monthly salary	Euro	176	193	271	302.81	326.5	376.37	386
Unemployment rate	%	na	21.6	22.9	22.4	17	15.5	11.9
Annual Inflation	%	28	9.5	6.7	4.3	1.8	2.5	4.2
Number of tourists		555,040	541,699	599,430	703,484	820,457	936,247	1,150,000
Total income from tourism	mil Euro	86.0	113.0	151.2	179.7	217.0	276.0	480.0

Source: MONSTAT, Montenegrin secretariat for development

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OFFICE MARKET

Podgorica office market is characterized by a relatively small stock, with majority of office buildings being owner-occupied. This resulted in a fact that companies in need of office space had to be oriented towards renting adapted apartments.

The face of Podgorica office market is slowly starting to change with the completion of one office building in Podgorica downtown and the start of construction of two more developments.

SUPPLY

The completion of Sofranac office building will add additional 1,300 sq m of GLA to Podgorica office stock. Another office building currently in construction phase is office building constructed by Normal company, with app. 4,800 sq m of GLA.

The completion of Atlas Capital Center, located in close proximity of Vectra square will give strong impulsion and increase the office stock by additional 24,000 sq m. This mixed-use development scheduled for completion in Q4 2009 will feature 13,000 sq m of residential space, 14,000 sq m of retail space while restaurant and conference room will take around 3,800 sq m of GBA.



Sofranac office building



Atlas Capital Center

DEMAND

Demand for office space in Podgorica is characterized by a constant upward trend. The improvement of the economic situation has directed the interest of big international companies deciding to enter the market. But, due to inadequate supply, it is not uncommon that big foreign companies lease their office space in shopping centers or use converted apartments.

RENTAL VALUES

As a result of restricted supply, asking rents for office space in Podgorica are recording high levels. Average asking rents in downtown and in the area around Vectra square generally range between EUR 25-30/sqm/month, but there are examples of asking rents at the level of EUR 40/sqm/month, though without transactions recorded at this level. Office buildings currently offered for lease command rents of app. EUR 30/sqm/month.

The current situation in Podgorica office market seems to be similar to Belgrade office market after the change of regime and the market opening in 2000. After a period characterized by a high level of asking rental values, caused by a lack of proper supply, their gradual downward trend was constant. The same situation seems to be happening in all transitional countries.

Current rental levels are unrealistically high so the appearance of new office buildings will lead to a more balanced situation between supply and demand and to a settlement of rental levels at the relatively constant level.

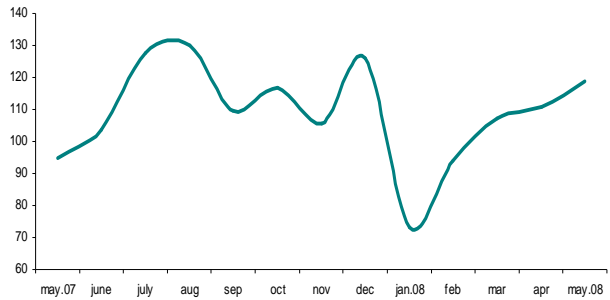


Normal company office building

RETAIL MARKET

According to data provided by the Statistical Office of the Republic of Montenegro, compared to the same period of the previous year, the turnover of retail trade in first five months of the year 2008 noted a 32.5% growth at current prices in the Republic of Montenegro. (Ø2007=100)

Retail trade turnover in Montenegro



Source: MONSTAT

SHOPPING CENTERS

The only currently operating modern shopping center in Podgorica is Palada. Opened in 2006, the tenanat list of this shopping center features internatinaly recognized brands like Mango, Replay, Camper, Springfield, Timberland, Bata and other.



Delta City Montenegro

First large-scale shopping center in Podgorica, Delta City Montenegro is set to be opened in Q3 2008. With the opening of this shopping center, some brands will enter the market for the first time. With app. 26,000 sq m of GLA, this shopping center will, besides retail units, feature entertainment facilities and restaurants.



Nikic Business Center

Another shopping center currently in construction phase is a shopping center being part of mixed-use development holding 12,000 sq m of GBA, located in Kralja Nikole Street. This mixed-use project is developed by local construction company Nikic.

Prime asking rents recorded in these shopping centers are EUR 35-55/sqm/month.

Another shopping center announced for development is a project development of Gintas Inc., named Mall of Montenegro. It comprises Green Bazaar, opened in Q1 2008, and shopping center. The whole project will be constructed in three phases. When completed, the Mall of Montenegro will consist of retail stores, hypermarket, cinemas, entertainment areas and a food court. Construction of office building integrated within the shopping mall is also announced.



Mall of Montenegro

RESIDENTIAL MARKET

Residential property market is the most active segment of Montenegro market. Besides local developers, constructing small scale developments in inland and on the sea coast, many international developers have either announced or started large-scale developments on the Adriatic coast.

PODGORICA SUPPLY AND SALES PRICES

There are several attractive residential developments in Podgorica. One of them is a project of Toloska Suma, offering 80 high-end apartments on a very attractive location. Completion is due in Q4 2009/Q1 2010. In H1 2008 asking prices were at the level of EUR 2,200/sqm.

According to the preliminary plans, Atlas Capital Center will include 12,900 sq m of residential space (apartments will range in sizes from 80 to 340 sq m). Some 10% of apartments in Atlas capital center are offered for sale, with asking prices ranging EUR 3,000-5,000/sqm.

Local company Celebic has started the construction of residential complex along Cetinjski road across Delta City Montenegro. First phase comprises the construction of two buildings located directly along Cetinjski road, and is completely sold out. Asking prices for second phase were at the level of EUR 1,600-1,700/sq m depending on apartment structure.

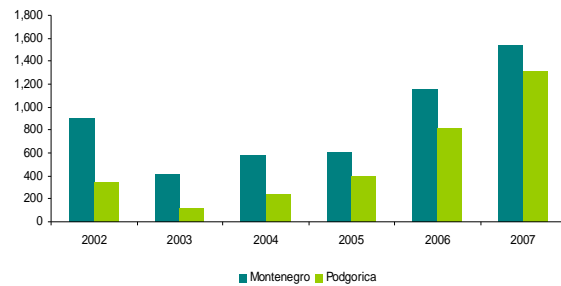
SEA COST SUPPLY AND SALES PRICES

Interest of foreign investors in Montenegro sea coast has grown over the time. According to the Ministry of Finance of Montenegro, 51% of total foreign investment inflow during 2007 was attributed to property purchases.

Based on data presented by Department of Real Estate being part of the Ministry of Financial Affairs, international investors currently hold 1.4% of the total Montenegrin land area. In Montenegrin Riviera this jumps to 3%. More than 19% of total coastal residential stock is owned by foreigners. They are owners of every fourth housing space in Budva, every fifth in Bar and Tivat, and every sixth in Herceg Novi and Kotor.

Average asking prices of apartments recorded rapid growth during last two years.

Number of constructed apartments



Source: MONSTAT

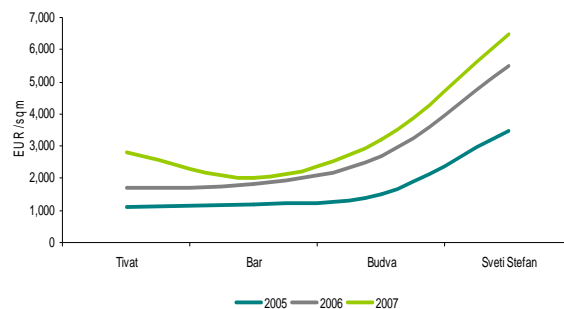


Toloska Suma apartments



Celebic apartments

Development of average prices of apartments in several towns on the sea coast



Source: CB Richard Ellis

Map of Montenegro



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