

# REAL ESTATE MARKET ANALYSIS

08



## HEDONIC INDEX OF REAL ESTATES

In December 2024, the CBCG conducted its regular survey on the movement of real estate prices in Podgorica. The questions in the survey referred to the qualitative features of housing units (heating, internet connection, number of rooms, number of balconies, etc.) aimed at determining the relative influence that these qualitative features have on the dwelling value. A subjective value of an apartment unit was assessed with the following question: “Which is the price that a housing unit owner would not go below at this moment?” The collected data were used to calculate the Hedonic index of real estate prices which measures the effect of such qualitative characteristics on the value of a housing unit.

The calculation of an average price per square meter for December 2024 was based on a sample of 58,296 apartments in the locations Podgorica 1, Podgorica 2, and Podgorica 3<sup>71</sup>. The survey included a random sample and 401 questionnaires were successfully completed.

The results of the December 2024 survey show that the average price of a square meter of real estate units in Podgorica amounted to 1,586.4 euros, which is an 0.2% increase compared to the June 2024 survey. Most of the sampled residential facilities were apartments (53.1%) and the remaining were houses (46.9%). The price of individual housing units ranged between 3,490 euros/m<sup>2</sup> at high-end city locations to 800 euros/m<sup>2</sup> at locations further away from the city centre.

The average price of an apartment square meter was the highest in the first zone and it amounted to 2,104.1 euros. In the second and third zones, the prices per square meter were lower and amounted to 1,835.4 euros and 1,549.4 euros, respectively. The average price per square meter of a house in the first zone was 1,675 euros, while in the second and third zones it was 1,295 and 1,201.6 euros, respectively.

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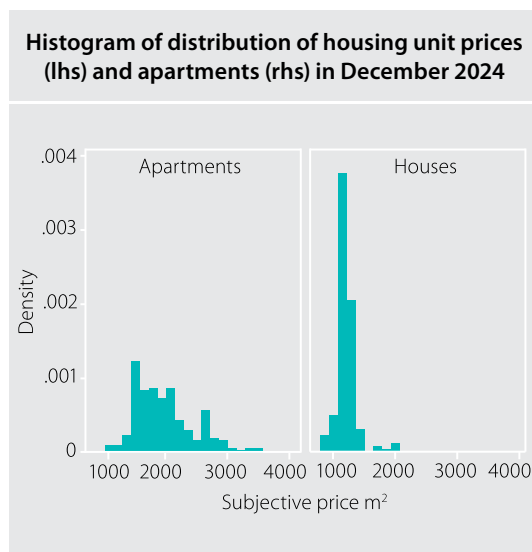
<sup>71</sup> In the previous survey, a reorganization of the zones into which the city is divided was carried out so that now Zone 1 includes the urban core and more expensive locations, which roughly comprise the city center, Gorica C, Preko Morače, Blok 5, part of Kruševac, City Kvart, Central Point, and Master Kvart. Zone 2 includes Blok 6, Blok 9, part of Stari Aerodrom, Stara Varoš, Drač, part of Zabjelo, Ljubović, part of Kruševac, and part of Zagorič up to Nikola Tesla Street, while all other areas fall under Zone 3.

Table 8.1

Summary statistics of average values; standard deviation; minimum and maximum prices by housing category in Podgorica in December 2024, in euros					
Variable	No. Observations (valid)	Medium value	Standard deviation	Minimum price	Maximum price
Average housing price per square meter - apartment	211	1,912.3	486.7	950	3,488.4
Average housing price per square meter - house	186	1,216.8	163.9	800	2,000

Source: CBCG calculations

Graph 8.1



Source: CBCG calculations

Empirical results of using the model<sup>72</sup> of average housing unit price indicate that, measured by the level of statistical significance, the price of a housing unit is affected by the location, type of housing (apartment or house), number of rooms, and a garage ownership. By averaging the results and analysing other factors we come to the conclusion that a square meter of an apartment is more expensive than a square meter of a house and that housing units in the first and second zones in Podgorica are more expensive. Owning a parking space adds to the total price of an apartment. In this iteration, characteristics such as the number of balconies, type of heating, possession of a telephone line and internet, heating system, floor level, and the presence of an elevator did not have a significant impact on the price per square meter.

<sup>72</sup> The available data provided for the preparation of an econometric real estate model which assesses the effect of qualitative characteristics of a housing unit on the price of that unit. Graph 8.1 shows the price range of housing units, and this price is also the dependant variable in the model. In order to achieve a normal distribution, the value of standard errors necessary when applying the econometric method of the ordinary least square (OLS) and the interpretation of results in the form of percentage changes, prices per square meter are logarithmic. The independent variables used were qualitative characteristics related to the type of a residential unit (apartment or house), square metres, age, location, type of heating, the number of balconies, the number of rooms, available internet connection, parking space, and elevator. Also, in order to fulfil the correct functional form, properties of extremely high/low values of real estate were excluded, as well as poor quality data (e.g. detected errors in entering the qualitative characteristics of a residential unit). This resulted in a reduced sample for the modelling purpose to 397 observations.