

RESIDENTIAL CONSTRUCTION AS A FACTOR RAISING THE COMPETITIVENESS OF THE CONSTRUCTION SECTOR IN MONTENEGRO

Abstract

The construction of housing is one of the most important measures of housing policy that encourages both production and employment. From this perspective, the paper presents a brief overview: the main participants in housing, opportunities and constraints for improving housing and ongoing housing construction and housing market in Montenegro.

Keywords: housing, participants in residential construction, capabilities and limitations of housing construction, the housing market.

Introduction

Construction of housing is one of the most important measures of housing policy that encourages both production and employment. According to data statistics, the share of the value of construction of residential buildings in relation to the total value of construction work, in the previous five-year period ranged from 33% to 50%.

1. The main participants in the process of housing construction in Montenegro

The main participants in the process of housing construction in Montenegro are investors, developers and construction companies-contractors. In addition to these players, in the process of participating housing banks, financial institutions, authorities in administrative proceedings conducted legal procedure, consultants etc.

The role of investors in housing appear natural and legal persons. Corporates are often both investors and contractors and construction companies that build homes for the market. Financing their activities in the field of residential construction is based on the equity investments (firms and / or homebuyers), credit and / or mortgage debt and in part to public-private partnership (when municipalities or states participate in the project with land and exemption from payment of fees for utility equipment). Despite the initial development of the credit market in the period since 2005, the economic downturn has slowed the development and imposed a number of obligations and insurance to borrowers, resulting in increasing problems of investors in terms of the financial structure and their turning advance payments homebuyers. In terms of the financial crisis, investors are faced with the problem of lack of liquidity in the absence of banking support for the implementation of projects initiated and, in this connection, the problem of blocked assets in unfinished buildings, which ultimately led to lower prices of newly built apartments.

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According to the Law on Spatial Planning and Construction in Montenegro are treated especially apartment buildings (buildings intended for residential areas up to 500 m² and a maximum of four separate units) whose construction is exempt from review of technical documentation and supervision responsibilities, but requirements that need to be fulfilled by responsible designers in this case are somewhat lower (Bachelor instead of specialists) that contribute to the lower cost of construction. Investors of these buildings are usually individuals who financed the construction of its own savings and / or mortgage loans.

Information on holders of construction activities include the number of subjects, number of employees, revenue, as well as the amount of gains or losses. In a survey conducted for the construction Development Strategy of Montenegro by 2020, based on data available from the Central Registry of the Commercial Court the Pension Fund and the Tax Administration, the database was created on companies operating in operative - constructors in the manufacture and / or sale of building materials and design.

According to these data at the end of 2008, 2.632 subjects from the construction activities that were involved in construction, where their concentrations were highest in the southern region, then in the middle and lowest in the northern region of Montenegro. However, this number is not a true representation of the situation in the area as it is only about 50% of the subjects considered active subjects of our research⁵. Data on the number of companies can give a wrong picture of the real situation, because there are parts of foreign companies or companies whose founders or co-founders of legal and natural entities established to facilitate the exercise of property or payment between Montenegro and surrounding countries.⁶

According to the latest data from the first quarter of 2010⁷ a total of 3.134 registered economic entities as a prevailing activity recorded construction industry (located under the activity code 45) and in the first quarter of 2012 was 1.964 what is drop of 37,33%.

It can be argued that identified characteristics of construction in Montenegro are also valid for the part that applies to participants, contractors in residential construction⁸:

- No big companies that are leaders of development, only a small number of medium-sized companies, and the rest are small businesses,
- a small number of employees in companies with greater participation by non-resident workforce,
- large short-term obligations that are at the height of fixed assets, which is probably a guarantor for these loans,
- the presence of large stocks in business operations
- lack of resources in companies,
- lack of available funds,
- unsatisfactory level in most companies - obsolete equipment and machinery,
- poor and inefficient organization, reduced productivity,

⁵ To govern the number of active business entities it is adopted a number of companies that filed a tax return in the period 2005-2008, the Tax Administration, or the balance sheet and income statement in the period 2004-2007 to the Central Bank of Montenegro.

⁶ Chamber of Commerce of Montenegro-Committee for Construction "submit proposals and suggestions" - I Perisic, p. 5

⁷ www.crps.me

⁸ Strategy of construction development in Montenegro until 2020

- lack of quality personnel - an insufficient number of qualified and highly professional staff,
- difficulties in obtaining bank guarantees.

Construction activity of construction companies operating in Montenegro may, furthermore, be illustrated through the value of contracted projects⁹ and construction work, the average number of employees in the construction industry and made effective classes of employees (Table 1).

The enclosed shows that from 2005 until 2008 there has been a growing trend of completed projects with immediate, but somewhat slower growth in the number of workers and increased the number of effective working hours, as a result of growth of price more than productivity growth. In 2008 the maximum value of construction works (about € 290 million) has been achieved, followed by a fall and re-growth since 2009, but the values from 2008 till date have not been reached.

Table 1. The value of construction and contracted work, the number of employees and Effective working hours.¹⁰

Year	The value of construction work in thousands		No. of employees on the site at the end of the reporting quarter		Effective working hours in 000	
	EUR	index	No. of employees	index	000 hours	index
2005	73.252	25,44	2.343	58,79	5.345	53,48
2006	204.248	70,94	3.525	83,93	8.424	84,29
2007	197.639	68,64	3.522	83,86	8.280	82,85
2008 ¹¹	287.931	100,0	4.200	100,0	9.994	100,0
2009	225.953	78,47	3.665	87,26	8.071	80,76
2010	256.856	89,21	6.783	161,50	8.061	80,66
2011	283.074	98,31	4.495	107,02	9.560	95,66

2. Possibilities and limitations of housing construction in Montenegro

The process of housing construction in Montenegro is characterized by open and partially under-exploited opportunities for improving the process in the future. On the other hand, this process is limited to certain circumstances in which the state of Montenegro in the period ahead to a greater or lesser extent, can influence.

The primary opportunities for improving the process of housing construction in Montenegro in the coming months include:

- creation of specialized funds to adequately finance escorted housing construction;
- at the local and state level, primarily intensive problem solving of social housing, and housing construction for low-income households;
- encourage all mechanisms of domestic savings committed to addressing the housing needs;

⁹ The total value of the contract works in the second quarter of 2010 included the unseen and the value of contracted projects abroad

¹⁰ Monthly Statistical Review, January 2011, Monstat, p. 31

¹¹ Indexes are given in the table above have been calculated for the base 2008

- improving the quality of the rehabilitation of existing facilities, according to the criteria of European directives (in particular energy efficiency criterion objects), which would also increase the utilization of the specialized construction companies;
- encouraging the implementation of the concept of public-private housing construction;
- encouraging the interest of strategic partners from home and abroad for the process of residential construction in Montenegro, which would increase competition among investors and contractors, and to improve the quality of housing construction process.

Some of the key limitations of the process of housing construction of satisfactory quality, whose minimization and elimination should do are:

- Illegal construction and poor quality, due to non-compliance with the laws and procedures that cover the areas of housing construction, and the interlinked inefficient control over their use;
- lack of compliance with the cadastral records state of affairs in the field (especially in the illegal construction);
- lack of harmonization of technical regulations and rules of design with the EU countries, making it more difficult marketing of construction products in the EU;
- inadequate and poor infrastructure as a precondition for housing construction;
- insufficient coverage area zoning plans and weaknesses in the implementation of plans;
- decrease of economic growth with the advent of the economic crisis, the consequences of the fall / weakening real estate market for housing;
- mismatch between supply and demand for labor involved in the process of housing construction, with the consequences of "black labor", etc.

3. Use of land for housing in Montenegro

One of the necessary conditions for the construction of facilities is the right to build on the plot. In this sense, the investor has the option of buying or leasing land for building. In this sense, the investor has the opportunity to purchase or lease land to develop, construction costs of providing land depend on market conditions that have changed significantly in the past, and after „investment boom“ in 2008. In addition to these costs the investor pays the costs of construction land.

Land development is the responsibility of local governments, and includes preparation work and utility equipment in order to create conditions for the implementation of the plan documents or the space to create conditions for the realization of their construction projects. Land development is carried out based on the Program Planning, in accordance with the schedule specified by the rate of implementation of planning documents and within the budget of the municipality.

Preparation for construction land utility equipment involves the creation of conditions for the past adequately equip municipal land infrastructure and includes resolving property issues, documentation (planning, technical, etc.). Taking measures to protect cultural and natural monuments, demolition of existing buildings and relocation of existing installation. Utility equipment construction of municipal infrastructure and equipment, or the same utility facilities and installation of all types of connections to the city parcel, traffic areas, squares, green spaces and urban facilities (playgrounds, parks, cemeteries, landfills) and municipal utilities for cases emergencies. Utility equipment can have on investors in accordance with the plan document.

Local government collects fees from investors for land development in accordance with the laws of the use of construction land. Prescribing the method and amount of compensation is the responsibility of local governments and are usually expressed in relation to the m² of building floor area, and the amount determined in accordance with the level of equipment of construction land, realized and planned equipment costs (the fee for the construction of housing moves from¹² 7 to 256 eur/m²¹³).

With regard to the method of calculation, these costs represent a significant item in the cost of investors, and the Law on Urban Planning and Construction, and in order to remove barriers, it provides evidence that the payment of these costs are shown only at the end of the construction process, and the application for the occupancy permit. On the other hand, the collection of these costs is the income of the local government, which is invested in land and still equipping its own interest payment as soon as possible, and the problem is more complex in situations where the local government is responsible for issuing building and occupancy permits. Therefore, the changes in the law that, according to the decision of the competent authority of the municipality, the developer in the process of submission of an application for a building permit, and must provide evidence of a contract in terms of regulation for utility equipment.

According to the latest available data¹⁴, the costs of construction land is about 20% of newly constructed and sold flats,¹⁵ provided that such participation is different in different municipalities.

Local governments may exempt investors pay these fees, especially when it comes to housing construction for the needs of vulnerable persons, which is a form of public-private partnerships. For this purpose, often municipalities except release of these costs and give way to free land (in the case of solidarity, which are implemented through CFSSI).

4. Current housing construction in Montenegro

According to Monstat (Table 2), the participation of the construction of residential buildings in relation to the total value of construction work, in the period from 2005 until 2010 ranged from 33% to 50%. In the period of the record value of performed construction work in 2008 participation housing construction was about 45%.

Monstat data presented on the construction activities shows that the value of construction work in 2010 is less than the value of the works in 2009. Compared to record the 2008, the value of construction work performed in 2010 were reduced by about 25%. The newest data

¹² Report on the state of spatial planning for 2010

¹³ For example in Podgorica, depending on the zone, these fees can range from 60-192 € / m², in Bar 70-140 € / m², in Tivat 35-105 € / m² (where they can be reduced by 50% in the case of housing, investors object to 200 m²), in Berane from 8.75 to € 12.75 / m², in Andrijevisa is 7 € / m², while in Budva expensive fees and costs € 256 / m².

¹⁴ Monstat, prices of newly built dwellings in 2010, notification no. 40 of 15.04.2010

¹⁵ These costs include the following elements: land acquisition (recording and evaluation facilities, purchase and fee owners, court costs, etc.), demolition, displacement of residents, providing housing for their resettlement, etc, making the Detailed Urban Plan and projects, field testing, repair works, works regarding environmental and cultural monuments etc, landscaping around the building, communal equipping of land which, by rule, entering secondary network construction costs for electricity, water, sewer, telephone, etc., and the corresponding part of the cost of the primary network, the connection to the utility network (for electricity, water, etc.)

shows that the value of construction work in 2011 is higher than in 2010, but still than in 2008 by about 19%.

Table 2. The value of construction work in thousands €¹⁶

Year	TOTAL	Residential buildings	Non-residential buildings	Other buildings*
2005	130.104	64.222	20.996	44.886
	100%	49,36%	16,14%	34,50%
2006	259.880	85.175	110.732	63.973
	100%	32,77%	42,61%	24,62%
2007	285.345	119.553	97.351	68.441
	100%	41,90%	34,12%	23,99%
2008	412.352	183.242	85.186	143.924
	100%	44,44%	20,66%	34,90%
2009	362.430	184.028	58.418	119.984
	100%	50,78%	16,12%	33,11%
2010	303.454	136.233	33.457	133.764
	100%	44,89 %	11,03%	44,08%
2011	336.484	192.527	49.126	94.831
	100%	57,21%	14,59%	28,18%

* transport infrastructure, pipelines, communication and electricity lines, complex industrial sites etc.

According to Monstat on residential construction shown in the following table (Table 3), it can be concluded that there is a steady growth in the number of completed dwellings, flats 2.114 in 2005 to 5.825 dwellings in 2009, representing a total increase of about 175%. However, in 2010, a decline in the number of completed and uncompleted flats compared to the number in 2009 and a total of about 13%, which is a drop in the number of completed apartments significant at about 30%. This trend is reflected in the total floor area of dwellings built almost proportional to the ratio of the average area of the apartment. Based on the same data should be noted that 30% of housing in any residential buildings, while 70% have been in private houses (except in a year of intense construction activity in 2008, when the share of apartments in apartment buildings were slightly lower and amounted to about 20% and in 2010) This may be due to the large inflow of foreign direct investment in the real estate market, where foreign nationals are giving priority to investment in housing in private houses.

Ratio of the number of apartments in apartment buildings and private homes in the EU, from 35% in Denmark to 75% in Lithuania, while the majority of the EU countries, this ratio is around 50%.

In the same period there has also been growth in the number of uncompleted flats from 11.570 flats in 2005 to 15.135 unfinished flats in 2009, followed by a smaller decline to 14.169 unfinished apartments in 2010 (table 3).

¹⁶ Monstat, data on value of construction 2010

http://www.monstat.org/userfiles/file/gradjevinarstvo/2011/VRIJEDNOST_IZVEDENIH_GRADJEVINSKIH_RADOVA11.xls

¹⁸ Monstat: "The number of finished and unfinished dwellings 2005-2010"

From the ratio of uncompleted and completed flats can be seen that there is a downward trend in this ratio of 5,47 in 2005 to 2,6 in 2009, while in 2010 of this relationship is 3,46. The referenced table also shows that the greatest number of uncompleted flats¹⁷ in private buildings (an average of about 12.000 per year, or about 85% of the total number of unfinished apartments). The number of finished flats in 2011 slightly rose by about 6% while in the same time the number of unfinished flats has significantly dropped by about 43% in respect with 2010. It is highly likely that the greatest number of these apartments, although unfinished, was settled because the owners did not have the means to make them complete. Unfinished apartments in residential buildings (an annual average of about 2.000, or about 15%), and probably have not been completed, because the investors did not have sufficient funds to complete them.¹⁸

Table 3. Residential construction¹⁹²⁰

Number of finished flats							
YEAR	2005	2006	2007	2008	2009	2010	2011
TOTAL	2.114	2.679	3.448	4.650	5.825	4.093	4.343
Flats in residential buildings	614	749	995	877	1.637	890	931
Flats in private houses	1.500	1.930	2.453	3.773	4.188	3.203	3.412
Area of completed units, in thousand m2							
TOTAL	139	168	244	302	402	282	366
Flats in residential buildings	34	40	73	58	106	54	64
Flats in private houses	105	128	171	244	296	228	302
Number of unfinished flats							
TOTAL	11.570	11.932	13.344	15.688	15.135	14.169	8.075
Flats in residential buildings	2.063	1.515	1.673	2.409	2.447	1.873	1.682
Flats in private houses	9.507	10.417	11.671	13.279	12.688	12.296	6.393
Area of uncompleted units, in thousand m2							
TOTAL	856	898	1.006	1.196	1.191	1.139	631
Flats in residential buildings	135	95	111	158	176	136	115
Flats in private houses	721	803	895	1.038	1.015	1.003	516

5. Housing market in Montenegro

The real estate market in Montenegro has always been very attractive. Even at the time of Yugoslavia, with the real estate business on the Montenegrin coast was a very attractive source of income of many individuals and social businesses of the time. The first buyers of real estate in Montenegro, at that time, were from the former Yugoslav republics (Serbia, Bosnia and Herzegovina, Macedonia).

During the late seventies and eighties, a mass purchase and construction of property in Montenegro is starting its nationals who have lived in Western Europe or in other republics of the old Yugoslavia. Also, the group belonging to the customers who have worked and lived abroad (Germany, Switzerland, Austria and the United States).

¹⁸ Housing Statistics in the European Union, OTB Research Institute for the Built Environment, Delft University of Technology, September 2010

¹⁹ Monstat: „The number of finished and unfinished dwellings 2005-2010“

²⁰ Monstat: „The area of finished and unfinished dwellings 2005-2010“

In the early nineties of the last century, in the Montenegro starting to come first foreign investors and buyers of real estate. Market begins to grow very quickly, but the war that was taking place in the former Yugoslavia have influenced the slowdown of the process. However, in spite of that, the property market is constantly developing, as the number of home buyers is not reduced, or the number of customers who were citizens or originating in Montenegro, and lived abroad. At the end of the nineties and the beginning of the new century, they began to come to the first interested buyers from abroad (the Russians, British, Irish, Norwegians). The end of 2001 started with what is called an 'explosion' of real estate market in Montenegro.

In the period from 2004 to 2005, many foreign agencies, mostly from England and Ireland, were founded on the territory of Montenegro. Foreign companies with significant number of investments started by utilizing the "ready to rent" system, especially in the cities on the coast. Apart from the interests of customers, the price increase starts. In this period, the average price of newly built flats in Montenegro is amounted to € 639 / m² (2004), or € 813 / m² (2005).

In the future, the housing market in Montenegro is developing very dynamically, reaching its peak in 2008. Developments in this market have been especially intense in Podgorica and the coast. Reasons for the rise in real estate prices in the period in 2005 - 2007 were large. Foreign demand, the growth of household income is increasing, interest rates fall and the growth of capital markets is noticed²¹. According to official data statistics, the average price of newly built apartments in Montenegro in 2008 was increased by more than 40% in just two years and amounted to € 1.530 / m² (in 2006 amounted to € 1.087 / m²)²². According to analysis of the CBM, the average square meter of housing in May month in 2008 in Podgorica was € 1.738,3 / m²²³. According to the same analysis, the average price of a square meter of housing in Budva was € 3.036.

The coefficient of availability of real estate, which measures the ratio of average price per square foot and average net salary in Montenegro, was in 2008 for Podgorica to Budva 4,09 a 7,61. Present data indicate the high cost of real estate in Montenegro during the period, and the relative inaccessibility of housing employee population.

Interest rate (effective and nominal lending) in loans from 2003 until 2008 was significantly decreased, which in turn affected the growth of home loans. Thus, from January to until June of 2008 interest rate fell by 42,9% (from 13,8% to 9,23%). With fall of effective interest rates at the same time the number of home loans increased, as well as their share in total loans to households. That is, from the third quarter of 2005 to the second quarter 2008, housing loans grew by 36,7 times, while in the same period, total loans given to individuals grew by 10,62 times. Thus, the share of housing loans in total loans to individuals increased from 7,25% to 25,02% in the second quarter of 2008 from 13,36% na 41,46%²⁴.

Along with the development of the banking sector and the real estate market in this period there has been a significant development and capital markets (as an important factor of real estate). Total turnover on the capital market in 2007 compared to 2005 was 3,5 times higher.

²¹ Analysis of the real estate market, CBM, 2008

²² Monstat, Statistical Yearbook, 2009

²³ These prices have been obtained in a survey for the purpose of drafting the aforementioned studies and consisted of old and new homes, as opposed to statistical indicators to monitor Monstat concern the cost of housing in the new development on the basis of contracts on purchase of new flats.

²⁴ Analysis of the real estate market, CBM, 2008

Cash generated from the sale of the real estate market is invested in the purchase of securities in the capital markets, to high yields on it served as a good basis for financing buying new properties or their resale. In the first half of 2008 there has been a significant decline in investment in the capital market, which has had an effect on the market and real estate prices. In the last two years, with the global financial crisis, the property market in Montenegro has seen "the fall" in terms of scope and level of realization of sales prices. However, it is obvious that most of the expected decline in real estate prices was missing. At this moment it is difficult to estimate the level of the real estate market in Montenegro since, according to all sources of information, transactions declined significantly. Kind of landmark information and can provide CEB's project "1.000 apartments", launched in late 2010 with a range of affordable housing at average prices below € 1.000 / m².

According to recent data Monstat in 2009 ²⁵ year was purchased 962 apartments with a total useful floor area of 56.100 m²²⁶, and the average price of 1.250 € / m². According to the same source in 2010, 1.015 flats with a total useful floor area of 60.000 m² have been sold, with an average price of € 1.272 / m². In both cases, the highest price of housing was in Bar and Budva (1.400-1.700 € / m²). These data indicate a significant drop in prices of newly built apartments in comparison to the previous period (Table 4).

Table 4. Prices of newly built flats²⁷

Year	2005	2006	2007	2008	2009	2010 ²⁸	2011
MONTENEGRO	813	1.087	1.332	1.530	1.250	1.272	1.307
PODGORICA	798	868	1.072	1.355	1.168	1.137	1.118
BAR	798	986	1.486	1.188	1.516	1.479	1.735
BUDVA	932	1.377	1.527	2.165	1.334	1.714	1.702
NIKŠIĆ	-	-	907	1.003	802	752	757
OTHERS	659	2.082	2.769	2.806	1.537	1.296	1.255

Coefficient of availability of real estate, which measures the ratio of average price per square metre and average net wage in Montenegro (applied to newly constructed homes), according to the latest data Monstat ²⁹ for 2010 is 1200 € / m² / 479 € / m² = 2.5. Compared to data from 2008, the coefficient decreased approximately 56% as a result of falling housing prices and a slight increase in net wages.

A significant "decline" of the real estate market in Montenegro, there is, among other things, an absence of mortgage financing from parent banks, which almost stopped the financial crisis. The banking sector has been very weakened by dragging € 400 million in deposits from local customers in the period of severe crisis. In the meantime, the situation has partially improved. Commercial banks are again entered in offering long-term mortgage loans, with a repayment period of 15-25 years, an interest rate of 10 to 13% and required a minimum deposit of 20% of the loan amount.

²⁵ Monstat, prices of newly built dwellings in 2009, notification no. 28 of 13.04.2010 and prices of newly built dwellings in the first half of 2010, notification no. 102 of 15.10.2010

²⁶ The observation unit is the price of flat usable area sold exclusively in residential new construction, primarily residential and nonresidential buildings, mostly. Exceptions are the flats that are working for our own purposes.

²⁷ Statistical Yearbook, 2010, Monstat, p. 135

²⁸ Monstat, prices of newly built dwellings in 2009, notification no. 28 of 13.04.2010 and Prices of new homes in 2010, notification no. 40 date 15.04.2011

²⁹ Monstat, prices of newly built dwellings in 2009, notification no. 28 of 13.04.2010 and prices of newly built dwellings in the first half of 2010, notification no. 102 date 15.10.2010

According to current law, in Montenegro there are no special restrictions for buying property in Montenegro. Every foreign buyer can become the owner of real property (house, apartment, properties) in Montenegro, in the same way as its citizens. The only difference in the process of buying the property, between foreign and domestic buyers, there is the case of purchase of land without construction projects. In the case of a foreign national is required to register the company, which becomes the owner of the land until it is built on the property. Thereafter, the property can be transferred to the individual's name, along with a simple procedure. According to unofficial estimates, foreigners own more than 1.5 million m² property in Montenegro (of which the largest part of the coast), which is about 10% of residential property. In addition, more than 20,000 hectares of land also owned by foreigners, which is about 1,5% of the territory of Montenegro. The growth rate of real estate sales to non-residents in the period 2004 - 2008 stood at 104,4% (2004), 547,16% (2005), 382,05% (2006) and 51,27% (2007). The highlight of purchase of real estate by non-residents in Montenegro was recorded in 2007, when it achieved sales of real estate in Montenegro by non-residents amounted to € 514.357.000,98, after which there is a decrease in net foreign direct investment in real estate.

In 2011, there was a significant increase in housing prices in Bar, which caused a slight increase in housing prices, on average, at the level of Montenegro.

One of the very important elements of movement in the housing market is the amount of real estate taxes and taxes on owning real estate. Compared with the other regions, we conclude that the tax rate on real estate in Montenegro is still a liberal (3%), and that is not a limiting factor for purpose of development of the property market. Property tax in Montenegro by local governments, which entirely belongs to the tax revenue (which provided a high degree of fiscal decentralization). The tax rate is proportional and local governments decide how much tax will be based on the types of real estate, but not less than 0.10% and not more than 1.00% of the market value of real estate, where special rates are not specified for non-residents.

Given that the property market by its very nature unpredictable, and time-series on the movement of the market in Montenegro does not exist, except for statistical monitoring of prices of newly built dwellings (on a semi-annual basis), more precise projections of future developments in this market can not provide. According to some unofficial estimates, in the next short period can still be expected stagnation in the housing market. Also, one should not expect a price correction due to the famous so-called action. Hysteretic effects (rigidity in prices down). This is more so because the expected price drop did not occur even after the first and strongest effects of two decisive factors for the market in Montenegro: the decline in demand for real estate and the non appearance of the global financial crisis.

Conclusion

Based on the analysis of the main elements influencing the housing, it can be concluded the following:

- In Montenegro, there is a sufficient number of companies involved in the construction of facilities (including housing), most of which falls the category of small businesses. Improvement, specialization and human resource should be the priorities of development, which in the current economic crisis hardly possible;

- Opportunities to improve housing are recognized in the desing of incentive mechanisms aimed at increasing demand by taking measures that would also affect the reduction in producer prices of apartments;
- Some of the key limitations of the high quality housing, which minimizes the need to work and fighting are illegal and poor construction, lack of compliance with the cadastral records situation on the ground; insufficient harmonization of technical regulations and legislation with EU countries, insufficient and poor quality infrastructure; insufficient coverage area in urban plans and weaknesses in the implementation of plans; decline in economic growth with the advent of the economic crisis; mismatch between supply and demand for labour and the „black labour“;
- Planning of construction land and its proper utility equipment also represent the basic assumptions intensification of residential construction;
- The real estate market, especially flats in Montenegro is very active and attractive, no matter what the purchase 1m² flat now need to allocate about 2,5 average salary. Despite the reduced demand in the crisis period in the future is more important is not expected decline in housing prices.