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Plain Sailing

With its stunning stretch of unspoilt Adriatic coastline and string of island resorts, Croatia has long been a popular holiday destination. Today, tourism is a notable source of income, particularly during the summer period- but this wasn't always the case. The country's tourist trade was severely affected by the Balkan War, triggered after the country declared its independence from Yugoslavia back in 1991. The Croatian War of Independence lasted until 1995, during which time tourism to this beautiful country was non-existent.

Twelve years on and Croatia is now regaining its reputation as a desirable holiday location. Last year it attracted around ten million tourists, according to the Croatian Statistical Office, while the World Travel and Tourism Council claims that tourism in Croatia will rise annually by eight percent between now and 2015, compared to a global average of three percent.

And with Croatia now living under democratic rule, the country has hopes of becoming a member of both NATO and the European Union (EU), with possible entry earmarked for 2009 or 2010. Nowadays, there is an increasing demand for property to buy in Croatia, not just from locals, but also from foreigners looking either for a second home or investment property. This is partly because property prices are now generally expected to accelerate in the run up to Croatia joining the EU.

ISTRIA

Istria, located in the north of Croatia, just an hour's drive from the Italian city of Trieste, is considered by some the best place to invest in Croatia, because there is strong demand for residential property to both buy and rent.

"Istria is the area epitomising the sobriquet, 'the new Tuscany', "says Ellis, "as inland there are rolling hills covered in the vineyards, with medieval towns perched on top of them. Olive groves abound nearer the coast, where there are vibrant tourist centres like Porec."

Property prices in Istria have been appreciating annually by 25 to 30 percent over the last few years, according to **Andreas Dussmann** of **Dussmann homes**: yet, he forecasts further annual capital growth in the region of around 20 percent in the run-up to Croatia joining the EU.

"Istria is now a very good place to invest", says Dussmann. "Not only is it accessible through low cost airlines, but it will see many great investments over the next three years. Istria is aiming for four- to five-star tourism, in order to attract wealthy visitors in the future, which will increase the demand for luxury properties."

Ellis reports that the holiday season in Istria currently lasts from Easter through to the end of September. However, the attraction of golf will extend the letting season and increase the chance of achieving a year-round rental income.

Dussmann reports that a rental return of seven to eight percent is currently achievable in Istria.

He says there is still an undersupply of luxury villas with swimming pools and that these properties make a good investment. "All those that are currently on the market are completely booked over the summer months," says Dussmann. However, he warns that there is an oversupply of apartments priced at the lower-end of the market.



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