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Fly me to the boom

Catch a piece of the old Med in Croatia, says Marc Da-Silva

CROATIA'S property market continues to boom and the Istrian peninsula – the so-called “new Tuscany” – is attracting significant investment. The peninsula is very reminiscent of the Mediterranean of old: it offers some of the finest wines, truffles, olive oil and sea food. Inland there are hills and medieval towns, and the coast remains largely untouched by the tourist boom of the 1990s. Even so, with its spectacular scenery and the easy access to skiing in Italy, Austria and Slovenia, the region lures a third of all tourists heading for Croatia.

Croatia's island resorts and unspoilt Adriatic coastline have always been a holiday favourite with Italians, Germans, Austrians, Slovenians and French. Tourism was severely affected by the conflict in the Balkans between 1991 and 1995 after the break-up of Yugoslavia. However, 12 years on, Croatia has hopes of joining the EU and Nato by 2010 and is regaining its reputation as a desirable holiday location.

Last year the country attracted about ten million tourists, and the World Travel and Tourism Council estimates that tourism in Croatia will rise annually by 8 per cent between now and 2015, compared with a global average of only 3 per cent. So it's no surprise that demand for property in Croatia is increasing dramatically. Prices are expected to rise sharply in the run-up to the country joining the EU, and local people, who tend to buy inland, and foreigners, who prefer the coast, see property as an excellent investment. The upmarket estate agent Knight Frank forecasts that average property prices in Croatia will grow by 12.5 per cent this year. Istria, which lies in the northwestern corner of the country, close to the Italian city of Trieste and just 2½ hours from the UK by plane, is considered by agents to be a prime location for such investment. Peter Ellis, of Croatia Property Services, claims: “As a second-home destination, Istria is unsurpassed.”

Liliane Scully, of the property agents Adriatic Riviera, says: “Istria has it all – wonderful coastal resorts, magnificent hilltop inland villages, such as Motovun, Groznan and Visnjan and the famous Brijuni Island and Lim fjord. It offers easy access to other parts of Europe, a high standard of infrastructure, Mediterranean climate, a low cost of living, low crime rates, friendly English-speaking people – and local property prices that are affordable.”

The data analysis website Propertysecrets estimates that there are now 4,000 holiday homes in Croatia. It says that, in general, cities are more suitable for investment than coastal towns and villages because they cater for the local market and are usually more stable. It tips the capital, Zagreb, where it says prices are rising at more than 10 per cent a year.

Philippe Robin, of Selection Property, says that demand among foreigners is generally strongest for modern properties along the coast, particularly in the towns of Umag and Novigrad. He reports that average property prices in Istria have doubled since 2000, yet remain much lower than southern Croatia. Property prices in Dubrovnik, for example, have reached €6,000 (£4,000) per sq m, while prices in the tourist centre of Porec are the highest in Istria, at about €3,000 per sq m. However, he highlights Novigrad as being a property hotspot now. The buzz around a new marina and the recently constructed five-star Nautica hotel have pushed prices up to €2,585 per sq m.

Adriatic Riviera is currently offering a selection of two-bedroom apartments in Novigrad for €165,000. In addition, it has a range of apartments for sale in Pineta, a small residential development consisting of 27 apartments, also in Novigrad. Property prices start from €116,500 for a two-bed flat that measures 59 sq m; it has a parking space and a communal swimming pool.

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Although Croatia has strict planning laws, obtaining planning permission for new residential developments is easier in Istria, which explains the number of construction cranes that are scattered across the city. For the time being the supply of new units coming on the market is still outstripped by demand.

The most exclusive villas have been built inland, around the hills of Motovun, according to **Andreas Dussmann, of Dussmann Homes**. He says that Istria is undergoing huge changes as it bids to become an exclusive holiday destination.

Liliane Scully says that five new golf resorts are planned for Istria, with construction work on two projects scheduled to start soon. She says: "Golf courses, which to date have not been a feature in Croatia, will come on stream in the near future. This should extend the rental season overall, as has happened in other European countries." The holiday season in Istria generally lasts from Easter to the end of September.

Scully predicts that average property prices in the region will appreciate by 15 to 20 per cent over the next few years, boosted by the increasingly year-round rental season.

Peter Ellis sums it up: "Istria is the nearest point on the Mediterranean for half of Europe and this will continue to drive up prices based on investment coming in from other Europeans, not just the British."

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