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COUNTRY	DESTINATION	
CROATIA	DUBROVNIK	

A photograph capturing a couple in swimwear running along a sandy beach towards the ocean. The beach is framed by a rocky cliff on the left. The water is a vibrant blue, transitioning to a lighter turquoise near the shore. The sky above is a clear, pale blue. The overall scene is bathed in the warm, golden light of a setting sun.

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*There has never  
been a better time  
to explore the  
property market  
in the  
BALKAN  
PENINSULA,  
as Liz Rowlinson  
discovers*

# EASTERN PROMISE

PHOTOGRAPH BY STEPHEN WILSON

IT'S MORE THAN TEN YEARS SINCE THE BALKAN CONFLICT OF THE 1990S DREW TO A CLOSE AND THINGS FINALLY BEGAN TO CALM DOWN IN THAT VOLATILE CORNER OF SOUTH-EAST EUROPE and while focus has since shifted south to the troubled economies of Greece and Cyprus, the Balkan countries of Croatia and Montenegro – outside of the Eurozone – are now highly fashionable places for holidays and investment.

In the pre-Lehman Brothers 'boom' years, Croatia was hailed as the 'new Tuscany' and buyers were drawn to holiday homes in its beautiful and historic coastal towns and resorts. Property prices rocketed, within the beautiful Old Towns of Dubrovnik, for the islands around Split also attracted buyers,



as did the Italianate Istrian peninsula. Meanwhile, Montenegro tourism was a little slower finding its feet after independence and has since ploughed its own furrow, establishing itself as a high-end destination for overseas investors.

Whilst both countries offer stunning swathes of Adriatic coastline their property markets are now very different propositions. We take a look at the highlights of both.

## DUBROVNIK

In the mid-1990s this ancient city was still recovering from the months it was under siege – from October 1991 to May 1992 – and a market for overseas buyers, as such, did not exist.

Fast forward to the mid-Noughties and property prices per square metre in the Old Town – a UNESCO World Heritage Site – were nudging alongside those of the hotspots of the Côte D'Azur as the most expensive in Europe. And this, despite issues surrounding the title of old properties as owners of expropriated land/homes returned to claim rights years after the end of the conflict.

The romantic and cultural city – or ‘Pearl of the Adriatic’ – continued to attract visitors for its historic palaces, world-class restaurants and nearby beaches; Dubrovnik tourism had a record year in 2011, and in 2012 grew a further 12 per cent.

This summer, it is due to join the EU in July, and if you visit in August you may well see the fourth series of the hit medieval fantasy drama, Game of Thrones, being filmed there once more.

In contrast, the growth of the overseas property market has been somewhat slower in recent years.

## 'DUBROVNIK TOURISM HAD A RECORD YEAR IN 2011, AND IN 2012 GREW A FURTHER 12 PER CENT'

Why? “There’s been little new build in recent years – the red tape is greater than in Montenegro; plus it’s been harder for foreigners to buy,” says Jelena Cvjetkovic of Savills International ([www.savills.co.uk](http://www.savills.co.uk)). “Properties in the Old Town come up for sale relatively rarely; prices haven’t fallen as such properties are unique.”

Savills are offering a Renaissance stone townhouse in the Old Town for just over £1 million. Within the five-storey listed building – lovingly restored with original staircase and well – are four bedrooms, and it could even make a boutique B&B. They are also offering “an attractively priced” two-bed apartment for €185,000 – in south side of the Old Town.

For around €5,000 per square metre you can get a wonderful piece of history in an outstanding location but if you are seeking outside space and tranquility (and a lower price point), you’d do better looking along the coast outside the city itself.

First Property Croatia ([www.firstproperty-croatia.com](http://www.firstproperty-croatia.com)) are offering two/three-bed seafront villas, new and old, in various locations for €350,000–€400,000. You can even get a five-bed property walking distance from the sea in a small seaside village 5km north of Dubrovnik for €390,000. It comes with three bathrooms, and terrace/balcony with sea views.



Large projects are thin on the ground, but one exceptional example is Dubrovnik Sun Gardens, an integrated five-star development 11km from the Old Town ([www.dubrovniksungardens.com](http://www.dubrovniksungardens.com)). Launched in 2009, the 22 hectare resort offers its own beach, spa, sports centre, 19 bars and restaurants and three pools and is operated by Radisson Blu Hotels & Resorts. It has just launched a concierge service for residents.

A total of 307 residences is planned, and the first phase of 25 houses sold out earlier this year, priced from €184,000 for a two-bedroom property with sea views. With the resort's hotel and spa having won a handful of tourism awards, and occupancy rates topping 95 per cent, the resort attracts both investors and lifestyle buyers. "Seas from location and luxury facilities aside, the unique appeal of the property is the fact it offers buyers assured freehold," says the project's Commercial Director, Julian Houchin. "Freehold is rare in Croatian resort real estate and we believe that it offers buyers the comfort they are looking for when investing in an emerging property market," says Mr Houchin. "Furthermore, freehold provides buyers with a clear exit strategy should they decide to sell in the future."

He adds that buyers can benefit from the future growth potential of a country in its "infancy".

"Tourism in Dubrovnik is projected to continue for the foreseeable future, rental occupancy levels continue to generate respectable returns to owners (from 13 different nations)," he adds. "Croatia is unspoilt and underdeveloped – something that appeals to many buyers who have considered more traditional and more mature property markets."

## 'FREEHOLD IS RARE IN CROATIAN RESORT REAL ESTATE'

### MONTENEGRO

Another fast emerging market is that of Montenegro, specifically the area around the Kotor fjord, just a 40-minute drive over the Croatian border from Dubrovnik. In fact, because the new Tivat airport in this area has relatively few flights at present, many visitors still reach this glitzy little corner of Montenegro via Dubrovnik airport (if not by yacht).

For in the past six years the area – the one-time 'St Tropez of the Adriatic' attracting the likes of Sophia Loren and Elizabeth Taylor in the 1960s – is again deserving of the sobriquet. In that time frame it has gone from developing-world to first-world country, with fibre-optic broadband replacing phone lines that used to stop when it rained and the end of constant power cuts and terrible roads greatly helped by considerable foreign investment, virtually non-existent before 2007.

It may only be half the size of Wales, but Montenegro has some pretty grand plans. The arrival of €500 million Porto Montenegro, a superyacht marina development that has attracted global buyers has started the evolution of a 'golden triangle' – the other two points being Kotor Old Town and Lustica Bay, another high-end marina development. Properties at Porto Montenegro – whose berths cost half of those at Antibes – have

**STAR QUALITY:**  
Among the new five-star Dubrovnik Sun Gardens development boasts its own beach, spa, sports centre, 19 bars and restaurants and three pools

PHOTO © DUBROVNIK SUN GARDENS

now sold out, with the exception of hotel rooms for €750,000 ([www.portomontenegro.com](http://www.portomontenegro.com)).

The Kotor area is dramatically beautiful, with 2,000 foot pine clad mountains dropping down to the Adriatic, fringed with ancient towns (Venetian walled Kotor and Perast are particularly special), quaint fishing villages and trendy beach clubs such as the new Portofino Club.

Montenegro infrastructure is maturing all the time and whilst Aman Resorts are at Sveti Stefan already, the One&Only Resort will soon be arriving in Tivat, firmly establishing Montenegro's reputation for high-end tourism.

Whilst tourism is fast-growing here too, the embryonic overseas property market is set to eclipse that of Croatia's, with the choice of new-build properties far higher. "It's easier for foreigners to buy property here than in Croatia, there isn't the currency risk of Croatia [Montenegro adopted the euro even though it's not a member state yet] plus it offers better value for money than Italy," says John Kennedy, founder of Boka Group, the developer behind Sea Breeze, one such new project – and founder of Adriatic Marinas, the company behind Porto Montenegro.

Overlooking Kotor Bay at Kavac, the luxury villa development of Sea Breeze has so far sold half of its 50 units off plan and building has just started ([www.seabreeze.me](http://www.seabreeze.me)). Kennedy is keen to point out that the project isn't bank-funded (but financed by British investment capital) and that capital growth means that prices of villas have gone up 20 per cent between plan and build stage.

Prices currently start at €399,000 for a two-bedroom villa on the hillside development surrounded by olive and pine groves, a 10-minute drive from Kotor town. Each finished villa will offer generous living space, spectacular views, balcony and a pool, although five different villa types can offer further options (including an extra bedroom and staff house in the garden, which the Russian owners tend to favour).

Kennedy says buyers are a mix of nationalities – British, Arabic, Russian and Ukrainian is the majority – and have all been cash buyers until now (Boka has just negotiated a 50 percent LTV mortgage package that should attract the local market). "The high interest rate in Montenegro [8 per cent] can be mitigated by capital growth and the rental potential of these properties," he says.

Interest in the area will certainly be heightened by the arrival of Montenegro's first 18-hole golf course (to be completed spring/summer 2016, designed by Gary Player). It, alongside another



#### A ROOM WITH A VIEW:

From left: Stunning scenery surrounds the village of Pocat on Kotor Bay, where you can also buy into the new Sea Breeze development in nearby Kavac

two marinas, will be part of the new development of Lustica Bay ([www.lusticabay.com](http://www.lusticabay.com)), managed by Orascom Holdings, the leading Egyptian developer of global resorts.

A 90-minute drive from Dubrovnik, Lustica Bay has just launched to UK buyers and offers studio apartments from €162,000. Located at Trašte Bay, the development will also have seven hotels, a school, medical centre and retail outlets.

If you prefer a stand-alone property, you can buy an apartment for under €100,000 around Kotor Bay. Montenegro Living ([www.montenegroliving.com](http://www.montenegroliving.com)) are offering a two-bed apartment in a traditional fisherman's building in Prcanj for €95,000; or a two-bed semi-detached stone house in Orahovac (with sea views) for €159,000. There are some affordable new-builds too, such as a 41m<sup>2</sup> studio in a small development in Herceg Novi for €91,400.

If you are buying a resale, make sure you use an independent lawyer to do the conveyancing – it is not automatic for local authority searches to be done in Montenegro. ☐



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