

AUGUST 19 2012

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Coast without the cost: look to old-fashioned seaside for value for money **P2-3**




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PROPERTY

LIFE

# Explore the Croatian coast

Venture outside Dubrovnik for great value homes on the Adriatic, reports **Zoe Dare Hall**



Old-Town charm: the Stradun, Dubrovnik's main street, left; and the waterfront view from a three-bedroom apartment at Ploce, one of the city's desirable suburbs

**C**roatia is one of the fastest-growing holiday destinations in Europe, and Dubrovnik's striking walled Old Town is the first port of call for many visitors. George Bernard Shaw described the town as "the most beautiful city in the world".



town as "paradise on Earth" when he went there in 1929, and today British tourists make up the majority of visitors.

The resident population within the fortified walls is shrinking, with just 1,500 people left, about a quarter of the size of the population before Croatia's secessionist war in the Nineties. And while a few hundred foreigners are estimated to own homes there, many holiday-home buyers seeking a Dubrovnik property are looking farther along the Adriatic coast.

Old Town bolt-holes ooze charm and character, but they are rarely the most family-friendly or economical option, with little outdoor space. Prices for historical buildings start at £8,500 per square metre – on a par with affluent areas of London – more, good places rarely come to market.

For boat-loving Paul Sampson of Reading, who was seeking a sunnier alternative to Salcombe, Dubrovnik's Old Town flood of tourists and lack of properties with moorings sent him and his wife, Margaret, a teacher, eight miles along the coast to the rustic suburb of Old Mokosica, where they found an old stone-built house just 10 metres from the water's edge, with a mooring.

"The area used to be popular among aristocrats in the 18th and 19th centuries, and it's now where families from cities such as Zagreb spend their holidays," Paul says. "Scenically, it's very

flower business in Reading that counts the Middletons as customers. He and Margaret paid £130,000 for their two-bedroom holiday home, Villa Mirak, in 2005, "about a fifth of what we'd have paid in the UK".

The house, which is 400 years old and listed, was "just about habitable", he says, "but there is no way we could rent it out without doing a lot of cosmetic work, including replacing the staircases and windows. Our first architect did nothing for four years, then we found a fantastic Australian through an advert in the *Dubrovnik Times* who got the whole thing done in 18 months."

Making Villa Mirak rental friendly has proven to be a wise move. Rental demand for waterfront Croatian properties is high and there is 100 per cent occupancy for the



On the water's edge: apartments in Dubrovnik Sun

Sampsons' home from June to October. It rents for about £1,000 a week with Owners Direct (ownersdirectproperty.co.uk, property ref CR606).

New flight routes from Britain to Dubrovnik with Monarch, Ryanair and Jet2 are also boosting demand. "Britons are looking to save money by opting for better-value destinations and we have seen the supply of holiday homes in Croatia increase by 34 per cent this year in response to high demand from renters," says Sarah Chambers of HomeAway.co.uk.

Rental potential is also drawing buyers to the Adriatic coast's first five-star resort, Dubrovnik Sun Gardens, near the village of Orasac, 20 minutes north of Dubrovnik's Old Town. One of the first buyers, a Dutch fund manager who bought there in 2009, made enough rental income during his first summer to cover costs for the entire year.

Once a retreat for the country's Communist elite, it has been transformed into a high-quality, family-friendly resort, with 207 apartments, ranging from one bedroom to three, set in a Mediterranean-style village. The old hotel, now a five-star Radisson Blu, remains on site, so the resort sits on the water's edge, a position that would not be permitted for any coastal newbuild project.

The developer, iO Adria, established rental demand – there was 98 per cent



Rustic refuge: Paul Sampson, left, and the Sampsons' holiday home, Villa Mirak, above, in Old Mokosica

releasing properties for sale. Of the initial 26 flats, six have sold, and remaining units cost from £137,000.

"We had to be whiter than white before making properties available," says Julian Houchin, iO Adria's commercial director, given the nervousness of buy-to-let owners in the current climate. "Buyers can see the last three years' income for every property. And we tap into the market for luxury, family-friendly resort properties, which are otherwise lacking on the coast, so two-bedroom apartments that sleep four people rent out quickly for £550 a night in summer."

Owners at the resort must make properties available for rent when not using them and split any income 50-50 with

foreigners to buy property in their own name, but most owners at Dubrovnik Sun Gardens have still invested through a Croatian company, "which means they can show their rental income and claim back the VAT", says Julian.

The lack of Old-Town charm is compensated for by the ease of resort living, with 24-hour security and good facilities. There are also great wines and olives from nearby Orasac, whose residents hold a weekly farmers' market at the resort. Twenty-five kilometres away, there's Ston, the "shellfish capital", and festivals all year round.

countries, EU membership may seem something of a poisoned chalice at present. But Croatia awaits its turn to join the EU next year – and the feeling is that it will be a good move for the country.

"British buyers have retrenched to traditional markets and Croatia is seen as emerging," says Jelena Cvjetkovic, head of Savills' Croatian desk. "This may well change once Croatia enters the EU. It's a morale boost, finally, formally being part of Europe. It will give some stability too."

With sea-view properties hard to come by in the Old Town and where prices are high – Savills has a small, basic two-bedroom apartment listed for £170,000 – go instead to Ploce, a desirable suburb that has postcard views of Dubrovnik's red-roofed Old Town. Savills has a three-bedroom apartment there for £166,000, that overlooks the sea.

Or drive 20 minutes' north to Zaton Veliki, where First Property Croatia is selling a seafront flat in a stone villa for £177,000.

As you pass Old Mokosica on your way, look out for Paul Sampson. He'll be dipping his toes in the water, right outside his front door.

• Dubrovnik Sun Gardens (00385 20 361650; dubrovniksungardens.com). Savills Croatia (020 7016 3740; sav-croatia.com). First Property Croatia, (00385