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home

WITH GARDENING, INTERIORS AND PETS

With a coastline to rival Greece, the sunshine you'd expect in Spain or Portugal and Italian-influenced food and architecture, Croatia might be the best place in Europe to enjoy the Mediterranean lifestyle.

Throughout the pre-2008 boom, it was an emerging star. Property in this untapped market was cheaper than in many established southern European destinations, and its winning mix of stunning scenery, stylish resorts and historic cities attracted buyers in search of affordable second homes and solid rental opportunities.

It wasn't always easy, however. When Charlotte Beckford, 61, a teacher from Oxford, bought her six-bedroom villa on the upmarket island of Hvar 12 years ago, she had to do so through a former relative who was Croatian, with the aim of transferring the ownership later, as non-nationals were not allowed to purchase property.

Beckford, who decided to buy after spending time in the country with her son, Nick, then 15, picked Hvar because it was the most beautiful location. She admits that she found the process daunting: "We were mad to plunge in without asking anything about the legal process of house ownership."

Nevertheless, she feels it was worth taking up the challenge. The villa, which has a garden filled with flowers and fruit trees, is surrounded by woodland on the edge of a pretty bay, 6km from the island's capital, Hvar Town. Now that it has been renovated, it brings in between £1,500 and £4,000 a week (through ownersdirect.co.uk).

"Croatia is an increasingly popular destination," she says. "If we didn't make a determined effort to set aside the peak summer weeks for ourselves, we could let the villa several times over."

Although Beckford's purchase was complicated, the law has since changed to allow any EU citizen to buy — although she says that locals are sceptical as to whether this will bring any changes to what she describes as the "labyrinthine bureaucracy" of

Not sure about Greece, Italy or Spain? Croatia offers sun, sea, history — and a bright future for investors. **Laura Latham** finds the best deals on the Dalmatian coast and beyond



Alamy: Getty Images

British buyers are drawn to historic towns such as Hvar, where it is easy to find renovated properties for sale

the Croatian purchase and registry system.

Prices have also gone up since Beckford's day, and vary depending on where you buy. Nevertheless, you can still pick up a one-bedroom flat for as little as €100,000 (£79,000), while new-build villas with three or four bedrooms and a pool start at about €350,000.

Local agents admit that the market in Croatia has slowed since 2008, as a result of the global recession and economic uncertainty in Europe. This has led to a large supply of property and caused many owners to drop their prices. "Buyers can find better deals, but properties in really attractive locations are still difficult to negotiate on," says Spiro Trgo, owner of Trgostan Properties, who has seen values drop by as much as 35% in the past three years.

Yet he believes things are looking up: "The start of 2012 shows the first signs

that prices in city centres and sought-after locations have stabilised, though the prices of properties on less-attractive locations are still falling," he says.

Trgo has also noticed a drop in the number of British buyers in the past two years, but says that now prices have dipped, interest has picked up again: "There are almost 35% more than in 2010."

As well as the potential for bargains, Croatia's planned entry into the EU next July may also be tempting buyers. After all, when eastern European states such as Estonia and Latvia joined in 2004, their

property markets took off as a result of foreign investment. The financial crisis in Europe means things are different now, with less money to invest and a less gung-ho attitude to buying in emerging economies. Yet Kieran Kelleher, head of Savills estate agency's Croatian office, remains upbeat. "Membership of the EU should bring confidence that a purchase is secure," he says.

Despite the slowdown, good-quality properties in the most popular locations are holding their value. They tend to be in areas with solid tourism infrastructure and access to airports. The main markets for overseas buyers are Istria, to the north, Split and the Dalmatian islands, and the area around picturesque Dubrovnik.

Often referred to as Tuscan in its appeal, Istria was part of the Roman empire, and was passed between the Venetians, the Austrians, the French and the Italians until it became part of Yugoslavia after the second world war. It's green and forested, with a lovely coastline, and has pretty towns with Italianate architecture, including Rovinj and Pula, which has one of the best-preserved Roman amphitheatres in Europe.

Though still mostly undiscovered by British buyers, the region is popular with Italians and northern and eastern Europeans. This makes it a popular location for those looking to let out their properties to a wide international base. If you want to maximise returns, now might also be a good time to buy.

"Prices in Istria have declined, albeit slowing to an average of about €2,000 a square metre for a decent property that's inland," Kelleher explains. "This is now seen as attractive, so buyers are starting to re-enter the market with a view to the bottom being imminent." Prices start at about €200,000 for a two-bedroom flat in a good location, rising to €506,000 for a four-bedroom property with a pool.

In contrast, the historic walled city of Dubrovnik is the country's big earner, with a high level of global tourism and a property market that has so far proved immune to the recession. "Dubrovnik probably joins Paris and London as one of those destinations where prices never seem to drop," Kelleher says. "Despite



Rovinj, in Istria, remains undiscovered by British buyers



stagnant growth, average prices of €3,500 a square metre are still being achieved, although transaction levels are down." Property is scarce in the sought-after old town, where Savills is selling a two-bedroom flat for €199,000 and a renovated four-storey townhouse on the prime street, Stradun, for €3m.

Those who can't afford the city should head further out to the Dubrovnik riviera, which stretches north as far as Ston, and south to Cavtat. Prices in the region vary widely depending on proximity to the sea and the nearest town, ease of access and condition — many resales are dated or in need of modernisation. New studios and one-bedders start at about €85,000, with two-bedroom flats going for between €140,000 and €200,000. Traditional stone houses or new villas with three or four bedrooms and sea views start at €400,000; a big property on the waterfront will cost €1.5m.

Less easily accessible options include the Dalmatian islands, such as Korčula, and the Pelješac peninsula, north of Dubrovnik. Prices can start as low as €63,000 for ruins in need of rebuilding, or plots of land with planning permission for a new property, but residences in prime coastal locations are in the same price bracket as areas nearer Dubrovnik.

Another popular spot is Split, built on the site of the Roman emperor Diocletian's palace, parts of which date from the 4th century AD. It's easy to find renovated flats on the terraced streets of the old walled town, or seafront villas just outside the main city and on the neighbouring islands of Brač and Hvar.

"British buyers are mostly interested in old stone cottages close to the sea or in authentic villages in the hills, particularly on the islands of Hvar and Vis," Trgo says. "They also want flats and townhouses in the centre of Split, which is one of the fastest-growing tourist destinations in Europe. The property needs to have two to four bedrooms and, if possible, nice views."

With the woeful situation in other southern European destinations very much in the news, there is evidence that some holidaymakers are looking elsewhere for their summer break. The property rental portal Holidaylettings.co.uk reports that its most popular Croatian destinations are the Dubrovnik riviera, the islands of Kvarner Bay, in Istria, and the Lika region, in the centre of the country. One- and two-bedroom flats are the most popular rental properties and, depending on location, size and style, weekly rentals average €500-€900 in low season, rising to between €900 and €1,300 in the peak months.

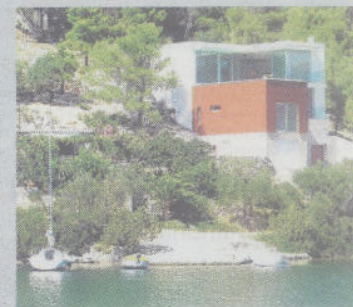
Owners Direct, a property rentals website, also reports increases in searches for Croatian property of 29% and 21% respectively in the past two years. According to its database, the prime destinations within the country are Dubrovnik and Hvar, followed by Brač and Poreč, in Istria.

Croatia's popularity with tourists and its accession to the EU next year may be just what the country needs to breathe fresh life into its property market. There may not be much sun across Europe this summer, but there are certainly pockets where it's not all gloom.

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ST Watch videos of the beaches of Hvar at thesundaytimes.co.uk/overseasproperty

ON THE SPOT

Three desirable retreats on the Dalmatian coast



Brač €1.5m

This luxury three-bedroom villa is on a fantastic stretch of seafront near Milna, on the island of Brač. It has a terrace, a pool, a fitness room, a sauna and a self-contained two-bedroom flat. The owner has private access to the sea and there's a small pier, where you can moor a boat.

Trgostan Properties;
00 385 21 343105, trgostan.hr



Pelješac peninsula €900,000

Built in 1872, this stone-built former captain's house offers sea views. It has 252 sq metres of living space, but needs complete internal renovation. The property includes terraces and gardens, a quayside and a boat house. Savills Croatia; 020 7016 3740, sav-croatia.com



Dubrovnik from €170,000

Managed by Radisson Blu, this waterfront resort complex is 30 minutes from Dubrovnik. It offers a mix of one- to three-bedroom flats, many with sea views. Owners have access to bars, restaurants and shops, three large pools, a sports centre and a spa. One-bedders start at €170,000; a two-bedroom flat with panoramic views is €608,000. Dubrovnik Sun Gardens; 00 385 020 361650, dubrovniksungardens.com

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Balkan bliss

