

THE  TIMES

bricks & mortar

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Property
Supplement
of the Year



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Overseas

The latest European hotspot

Dubrovnik has buyers excited, but property bargains are few in this city, says Robin Ash

Last week, with little fanfare, Croatia became the 28th member of the European Union and reforms to convoluted property ownership laws mean that all citizens of member states can purchase property there. The attention of buyers will be focusing on Dubrovnik, the Unesco World Heritage Site at the heart of the country's tourism industry. The medieval city is well preserved despite having been shelled in the 1990s during the Balkans conflict. Home to 40,000 people, it consists of the Old Town, defined by its encircling walls, and surrounding suburbs.

Inside the car-free city, Gothic, Renaissance and Baroque churches, monasteries and palaces and maze-like streets of terracotta-tiled homes have changed little over the centuries. This timelessness led to a starring role for the city in the *Game of Thrones* TV series, which helped to propel visitor numbers to record highs last year. Britons make up the majority of visitors, creating a buoyant rental market for the 1,450 apartments in the Old Town. It is now forecast that the prices of these homes will start to rise, and may increase further when Croatia eventually adopts the euro. Nataša Flakovic, of Savills Dubrovnik, says: "I believe that now is the time to buy because the market is at its lowest. Prices have dropped from 2008."

Igor Koprivica, owner of the Progen property agency, agrees: "Given that prices fell substantially as a result of the crash, and the real market momentum is still expected, now may be the best time to purchase real estate."

But the days when you could pick up a mansion for a song are long gone. In the Old Town, apartments range from €2,000 to €5,000 per square metre. Those looking for better value should try Ploce, just outside the walls, or picturesque Cavtat, which dates from the 7th century, 30 minutes' drive to the south.

The Old Town, however, is the epicentre of holiday lettings. Mark Thomas, of *The Dubrovnik Times*, says: "It has a rental season of about 200 days a year and in summer two-bedroom apartments rent for about €250 a night. It's a good return. Some people have bought for €200,000 to €300,000 and they're earning €50,000 a year."

Such profits are attractive but there are potential pitfalls to consider, such as clean title. Thomas says: "There's a huge Croatian diaspora and because they hand the properties down, lots of them still have rights. Say you want to buy a house and it's owned by 25 people, you have to do a deal with all of them. You need a good estate agent and English-speaking lawyer."

These difficulties mean that restoring a home in



MATTHEW WILLIAMS-ELLIS / GETTY IMAGES



Top, Dubrovnik. Above, Selma Shah, who bought a Croatian home. Below, Emilia Clarke in *Game of Thrones*

Croatia poses problems. One person who confronted the obstacles is Paul Sampson, a florist from Reading, whose business supplied flowers for the royal wedding in 2011. A keen boater, he bought a 400-year-old stone building "against all advice" for £140,000 in 2005.

The two-bedroom holiday home is eight miles along the coast in Old Mokošica, on the water's edge with mooring for a boat. The property needed a lot of work, including replacing the staircases and windows. After firing his first architect, who "did nothing for two years", Sampson found an Australian with a local team. "Eighteen months later it was all done," he says. Villa Mirak now lets for £1,000 a week in summer.

Investors who are unable to commit so much time to a project may consider large developments, but strict planning laws mean there is limited availability. Jelena Cvjetkovic, of Savills Residential International, says: "Coastal areas are zoned for touristic development so you can't have a freehold title."



One scheme that offers freehold ownership is Dubrovnik Sun Gardens, the first five-star resort on the Adriatic coast. Twenty minutes from the Old Town, the former playground for high-ranking Communists was badly damaged in the 1990s war and remained closed until 2008, when it was redeveloped by the London-based developer iO Adria. Opened in 2009, it has 207 one and two-bedroom apartments ranging from 45 sq m to 133 sq m, alongside a 201-room Radisson Blu hotel, 13 restaurants and bars, sports facilities, three pools and a spa. Thirty-six units have been sold, four to Britons. "Most owners are cash-rich and time poor. They're typically corporate executives and entrepreneurs," says Julian

Centre, this detached stone villa with sea views on the car-free island of Lopud, just north of Dubrovnik, has three self-contained apartments with a total of five bedrooms, €590,000; above, a waterfront villa in the most exclusive area of Dubrovnik, this property offers privacy, but is in need of modernisation, €2.75 million — both for sale with Savills Croatia (sav-croatia.com)

Adriatic rental

Benedict O'Halloran owns two apartments in Dubrovnik Old Town that he has been renting out but is now selling with Savills Croatia.

"We had to do a total and utter refurbishment of the property, it was a very big operation," he says. "There is a lot of red tape and things can take a very long time. Dubrovnik has changed an awful lot — it's an expensive city, no two ways about it. Some parts of it have Central London prices."

"The return from renting isn't great. There's quite a high level of VAT on everything, and by the time you've paid people to look after the property and all the relevant taxes it's probably about a 4 per cent yield. It's busy from June to September."

"The Old City is absolutely beautiful, with great vistas, but also has its downsides — there are no pools for example, and there's no parking."

Houchin, commercial director of iO Adria. Prices range from €184,000 to €608,000, with management fees of €110 per sq m per year. Owners have to make their units available to let when they aren't in residence and changes to decor or structure are not permitted. Owners keep half of the rental income and last year received net yields of about 4 per cent.

Another option outside the Old Town is new-build, the route chosen by Selma Shah, who left her job at the BBC in London and moved to Croatia.

"During a holiday in Dubrovnik with a friend in 2006 I met a Croatian, and now he is my husband," she says. After deciding to move to Dubrovnik she bought a shell, finished the interior and moved in this summer. The purchase took nine months and building work another seven.

"Converting an older build just didn't seem achievable. The apartment was completed with only outside walls and windows. The inside was a playground for me to design. Eventually I found the right builder and we made a great team. You need drive, determination and patience to successfully complete a project like this."

