

Croatia: Still an attractive investment?

By Rachel Newcombe

A few years ago it seemed impossible to open any property supplement without seeing something about the wonders of Croatia. Whilst other emerging markets are now hogging the media limelight, Croatia is still a viable area and attracts a wide range of property investors.

Croatia is blessed with over 1,000 miles of stunning coastline, speckled with secluded coves and backing onto gorgeous blue sea. It's no wonder then that the coastal regions are particularly of interest to investors and have that timeless appeal that often surrounds beach and sea properties. But the country is geographically varied, with many mountainous areas and plains,

plus historical cities that are growing in international status.

"Between 2003 and 2013 Croatia's income from travel and tourism is expected to grow from approximately £4 billion to in excess of £10.2 billion – a staggering 155% growth," explains Sonny Gowans, CEO of Global Spaces. "What's more, with the country's expected entry into the EU in 2008 or 2009, Croatia will continue to enjoy an ongoing period of capital growth, increasing property prices even further. Investing in Croatia, particularly in sought-after locations, offers excellent rental yield potential."

Experts are predicting that by 2015, Croatia will be one of the world's top five most popular destinations for travel

and tourism. The prediction seems plausible at the moment, especially as 2006 saw 10.3 million people visit the country – an increase from 2005. More money is being invested into key areas to boost tourism, with funding focused on the capital, Zagreb, as well as Istria.

Flight options to the country have increased over the last few years, which is certainly good for investors. British Airways and Croatia Airlines fly direct to Croatia from a number of UK airports, including London Heathrow, Gatwick and Manchester, and go to key destinations such as Dubrovnik, Zagreb, Pula and Split. EasyJet, from Gatwick, and Wizzair from Luton both go to Split, plus there are a number of charter companies.



Farrell's facts

Population:

4,493,312 (July 07 est.)

GDP per capita: €7,734 (£5,246)

Interest rate: 4.5%

Inflation: 2.70%

Unemployment: 14.30%

Foreign Direct Investment in millions (€): 2,700 (2006)

Tourist Trends:

Tourist arrivals: 6.1 million (Jan - July 2007)

Tourist expenditure (€ million): 6,300 (2006)

Taxation:

Income tax: 15 - 45%

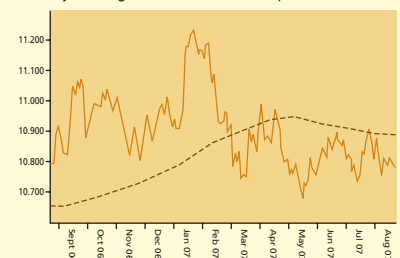
Corporation tax: 20%

Capital gains tax: 20%

Value added tax: 22%

Currency:

Daily Exchange Rates: Croatian Kuna per British Pound



Climate:

Mediterranean & continental climate, with hot summers & cold winters

Average annual temperature:

Average summer temp.: 22 - 30°C

Average winter temp.: 1 - 10°C

Carriers:

Direct Routes:

Zagreb: Croatia Airlines, Wizzair

Dubrovnik: Flybe, Aer Lingus (Europe), Croatia Airlines, Astraeus (sub charter), British Airlines (GB Airways), BH Air, First Choice Airways, Thomsonfly

Pula: Ryanair, Flyglobespan, Thomsonfly, Croatia Airlines, Monarch, My Travel Airways, Astraeus

Some of the areas in mainland Croatia that are popular with foreign investors include Istria in the north-west, the central Dalmatian coast and the southern areas around Dubrovnik. Istria has been favourably dubbed the 'new Italy' and 'Tuscany-by-the-sea' and prices have been rising over the last few years. It benefits from being on the Croatian border, as it's easily accessible from Italy and Slovenia, via flights offered by companies such as Ryanair.

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Areas in the south near Dubrovnik are considered very fashionable and prices there are already higher than many other areas of Croatia. This part of the country is served well by a range of direct flights to Dubrovnik, which is also a plus point for investors to consider.

It's not just mainland Croatia that's popular, but Croatia's Dalmatian Islands, too. There are 1,100 islands in total, but only about 50 are inhabited, and the largest is Brac, in the south. Brac is located an hour's ferry trip away from Split and has long been a favourite with Italian, German and French buyers, not to mention those from the UK.

“The island of Brac offers a first-rate location and a powerful case for investment, due to the limited amount of new-build property currently available in the local market. It's the perfect holiday location and one of the world's top nautical destinations,” says Sonny Gowans from Global Spaces. Other habitable islands nearby include Hvar, which has become a popular holiday destination with travellers and celebrities alike, Korcula, which tends to be quieter than Brac, and Hvar and Vis in the south-west.

Unlike some other countries, Croatia has strict planning regulations, so nowhere on either the mainland or the islands has been overbuilt – something many buyers are thankful for. Restrictions are particularly in force along the coastlines, so you won't find row upon row of high-rise hotels or apartment blocks already there or being constantly built. “Croatian authorities are extremely

rigorous about how new homes are built,” says Christen Thomson, from Colliers International. “There are new developments, but they're sympathetic to the environment, especially when located on the islands.”

It is important to bear in mind, though, that there have been problems with foreign property purchases here in the past. For example, when interest in property first arose, some buyers eagerly snapped up properties that seemed to be

legitimately for sale, only to find later on that they were still owned by families that had fled the conflicts. Sometimes there are still difficulties in obtaining clean property titles, or ensuring that land you purchase to build on can actually be built on. However, by using an established and reputable agent, you can be sure of gaining the best advice on dealing with whatever unexpected issues arise. These difficulties highlight how, in this instance, buying new-build properties may have some advantages over purchasing older homes or renovation projects.

Another issue to keep in mind is that, in order to purchase property in Croatia, you have to first be cleared by the Ministry of the Interior – or Croatia's equivalent of the Home Office. It's not a quick process and can take up to one year to complete. Mortgages aren't available to foreigners, so you'll need to have enough funds available to purchase outright, and if you plan to let your property, you'll need to either be a resident of the country or have company ownership. This may sound daunting, but setting up a company is relatively easy and costs in the region of €1,000, so could be worth considering as a means of ensuring you can rent out your property.

As the time draws nearer for Croatia to enter the EU, predictions suggest property prices could be set to rise. If prices in previous EU membership entrant countries are anything to go by, this could very well be true. So perhaps now is a good time to investigate the benefits of Croatia, before it's too late to find a bargain.