

MONTENEGRO

Montenegro, the world's newest independent nation, is very keen to encourage visitors back to its alluring shores. With recent troubles overcome there's never been a better time to go and its virtues are many and various for holidaymakers and property buyers alike.

Potted History

I write 'back' to its shores but one thing this veritable jewel of the Adriatic hasn't lacked in the last 1,000 years is visitors. A short sail from Italy, the Venetians settled its coastal regions in medieval times and contributed to its rich heritage, not least of which are the two beautiful UNESCO-listed towns of Kotor and Perast.

By the 1980s tourism was a mainstay of the economy and the country, then part of Communist Yugoslavia, enjoyed a reputation as a playground for the rich and famous. Exclusive resorts such as Sveti Stefan boasted visits from film stars and royalty.

After a hiatus characterised by economic decline, instability and a dramatic slump in tourism brought about by the break-up of Yugoslavia, Montenegro is back on its feet and promoting itself on the world stage. The World Travel and Tourism

FOR HOLIDAYMAKERS, THE PRINCIPAL NATURAL ATTRACTIONS OF MONTENEGRO ARE ITS CLIMATE, COASTLINE, HISTORIC TOWNS AND PROXIMITY TO WESTERN EUROPE.

Council (WTTC) has rated it as the fastest-growing tourist destination in the world in the next ten years, but much of that growth will constitute a recovery to its former estimated half a million visitors annually.

So what did the Venetians and what do modern day visitors find so appealing about Montenegro, and what has been done to enhance that appeal by the current open-minded government? Further, what are the opportunities and challenges facing property buyers in this emerging market?

Fjords and Festivals

For holidaymakers, the principal natural attractions of Montenegro are its climate, coastline, historic towns and proximity to western Europe. Boasting a similar climate to central Italy, its 199 km of coastline hosts numerous stunning bays and beaches and English is widely spoken.

Of the coastal towns, several stand out as worthy of any itinerary. At the head of the Bay of Kotor (Europe's most southerly fjord), enclosed by stunning defensive perimeter walls and surrounded by dizzying mountains that seem to crash straight down into the sea, is the town of Kotor. Comparisons are often made with Dubrovnik in Croatia, but these don't do it justice. It's possible to become lost in the myriad of old cobbled streets and sun-drenched plazas, discovering new Catholic and orthodox Christian churches at every turning. As the cultural centre of the Montenegrin coast, Kotor has a range of interesting events, from the Masked Carnival held in February (another legacy from the Venetians), to the annual race around the walls in March (not for the faint-hearted) and more recently the Kotor Boat Show held in July.

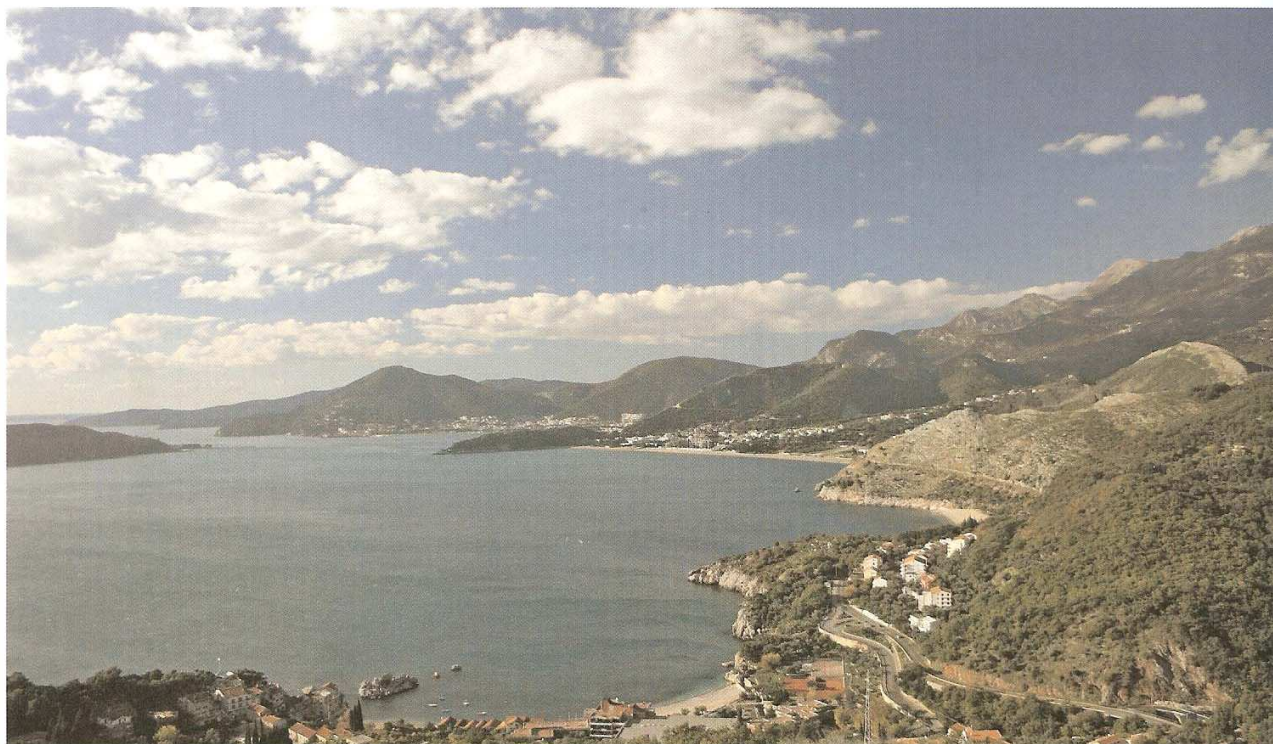
Perast is an incredibly well-preserved medieval seaside village with many old houses and churches. The two islands just off its coast are amongst the most beautiful sights in Montenegro, containing a church and a monastery: the staple of local postcards.

Herceg Novi is the nearest seaside town to the Croatian border, and benefits from being only a 20-minute drive to Dubrovnik international airport. A green garden town, it's famous for its walled old town and annual mimosa festival: an ancient pagan ritual, it culminates in a burning model man representing the sins of the past year being cast into the sea, freeing the citizens of evil.

Finally, the wild peninsula of Lustica, where the people



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are rumoured to be descended from pirates and smugglers, certainly has its own character. It features rugged hills, olive groves hemmed in by dry-stone walls and farmhouses with home-made sausage and cheese.

Further inland Montenegro has much to offer – including Lake Skadar National Park in the south, perfect for rambling or fishing. In the north-east the mountainous Durmitor National Park (also a UNESCO world heritage site) offers white water rafting on the Tara River – the world’s second deepest canyon after the Grand Canyon. Rafters have the choice of modern inflatable rafts or traditional wooden craft – whichever one you choose the turquoise water is freezing when you fall in!

Montenegro is easily accessible. In high season there are several charter flights and a weekly scheduled service (e.g. two and a half hours from London on Air Montenegro) into the newly refurbished Tivat airport, 20 minute’s drive to Kotor or to the resort of Budva.

Year round there are scheduled flights on British Airways or Croatian Airways to Dubrovnik in Croatia, a 30-minute drive to Herceg Novi and 1 hour 20 minutes to Kotor.

It’s also rumoured that low-cost carriers are targeting Tivat for Autumn 06/Spring 07.

Development

The government is doing its bit for the infrastructure and economy, but has stated it doesn’t want to rely too heavily on tourism, implying that development may be capped.

OF THE “NEW DESTINATIONS” IN EASTERN EUROPE MONTENEGRO STANDS OUT BECAUSE OF NOTICEABLE A LACK OF HIGH STANDARD ACCOMMODATION AND THE AFOREMENTIONED BUILDING RESTRICTIONS.

Certainly, it would be a shame if the picturesque towns named above were to be overrun with new buildings, but constant improvements to the travel infrastructure will only encourage more visitors for whom accommodation must be available.

Other incentives for visitors are the relatively low prices of most goods and services and the country’s adoption of the euro.

Property: Prices and Processes

Property and land prices offer the most notable opportunities for outsiders with more than just a great vacation on their minds. The most useful comparison to make is with Croatia’s trajectory, which

Montenegro is set to follow. Coastal Croatia, to Montenegro’s north, is about four years ahead of coastal Montenegro and stagnating, which in concrete terms means 4,000 EUR per square metre in Dubrovnik compared to 1,500 in Montenegro.

Interest in Montenegro is driven by ‘fly to let’ and second home purchasers put off by over-developed and over-priced traditional markets such as Spain and Portugal. Of the ‘new’ destinations in Eastern Europe, Montenegro stands out because of a noticeable lack of high-standard accommodation and the aforementioned building restrictions.

There are no restrictions on foreigners buying property, although to buy land, foreigners must register a local company (which they can wholly own). Any good local lawyer can help with this.

Most foreigners buying in Montenegro use local estate agents. When dealing with such agents, remember to apply the same caution as you would back home – check references and build trust before agreeing to buy through a particular

agent. It is often a good idea to shop around to check prices and deals before deciding to go with a particular one. An alternative is to buy direct from the developer, cutting out agent fees.

Buying in Montenegro is a two-step process – firstly signing the purchase pre-contract and contract with the seller and secondly registering the purchase in the property ownership register.

In detail, the first step is to agree a price with the owner. You may choose to do this directly, or through an estate agent. Remember that if you choose to do this yourself, it will involve several sessions of drinking Rakija, a type of local brandy that locals are especially proud of! Each family will have their own home-made version which will need to be drunk with appreciative murmurs. Bring a companion to help with the drinking otherwise you will be paying more before you know it...

Once the price is agreed, it is normal to sign a pre-contract and pay a 10 per cent deposit, obliging both parties to sign the main contract in 30 days time. If you, the buyer, fail to sign the main contract, you will forfeit your deposit. If the seller fails to sign the main contract, he must pay you twice your deposit back. You will sign the main contract.

The next step is to use the signed main contract to register your purchase in the property ownership register – again, any good lawyer will be able to help with this.

Types of Property

New-build property is in short supply – especially property fitted out to Western standards. The typical Montenegrin apartment built for locals will be much smaller than you might be used to and will lack amenities such as a swimming pool. Many Montenegrins still can't understand why anyone would want to have a swimming pool if you live within 5 km of the sea!

Consider rentability when you are buying – the current shortage of new high quality apartments means that

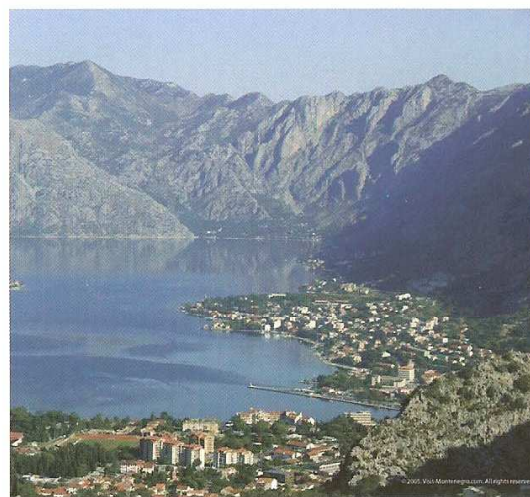
these can attract a substantial premium on the rental market.

Cute old stone farmhouses are in short supply now and both ruins and restored properties attract a premium.

Where to Buy

Most opportunities are found in coastal villages. The main hot spots in Montenegro are around the bay of Kotor, from Herzeg Novi to Tivat. Further south, there are very interesting locations south of over-developed Budvar, running to Petrovac.

Baosici and Djenovici, for example, are 3–6 km from Herceg Novi and extend south from Herceg Novi to the ferry across the fjord. They have attractive stone houses along the waterfront, and newer small apartment buildings set in large green gardens slightly further back. These sleepy villages typify the Mediterranean as it was, with small sandy beaches, fishing boats in tiny marinas, and small cafés and restaurants right on the sea. Luxury off-plan apartments to Western specifications are being offered by UK developers such as Pluto Developments in Baosici if you are keen to get away from it all and also keen to avoid time-consuming negotiations for extant properties or land, as all negotiations are handled for the buyer. Prices range from 138,000 EUR (2 bedroom, 2



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bathroom) to 155,000 EUR.

If you're more of a town dweller than Kotor Old Town, with stone houses in medieval streets, is very enticing. However, the atmosphere is countered by its tendency to be dark and noisy with bars and restaurants throughout.

Tips for Buying

Montenegro escaped the troubles of the 1990s unscathed and has not had large flows of population in and out of its borders (unlike in many other parts of the former Yugoslavia, such as Croatia). This reduces the risk of uncertainty of title deed. Along the whole of the coast of Montenegro, the land registry has complete records of

Useful tourist site, with more information on all aspects of Montenegro:

www.visit-montenegro.com/

Developer site:

www.plutodevelopments.com

Overseas property agency site:

www.dreampropertymontenegro.com

A Montenegrin lawyer:

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ownership and any good lawyer will be able to check the ownership history of any property or land that you are considering.

Watch out for properties with multiple ownership – such as old farmhouses jointly owned by large families. Even if you have a deal with Jovan, his brother Branko will probably want something different and negotiations will be back at square one. To avoid wasting time (and excess Rakija consumption), make sure that one owner has legal authorisation to represent all the others.

If you've ever had the feeling that you've missed the boat on other emerging markets, Montenegro could offer you an opportunity at exactly the right moment. Not so much undiscovered as sidelined in recent times, it's poised to steal much of the limelight from its more well-known neighbour, Croatia. Very soon the red tape will be loosened, opaque planning laws will become more transparent and the next five years will witness one of the most dynamic growth rates for property in the world.

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