

# MONTENEGRO GOES '5 STAR'



Looking for cheap and cheerful property on the Balkans? It's probably not Montenegro anymore, but there's something afoot, writes **Diarmaid Condon** in Budva.

I first encountered the former Yugoslav republic of Montenegro when it was still in a 'loose federation' with Serbia back in 2003. It is tucked into the coastline between Croatia and Albania, directly north of southern Italy across the Adriatic on Serbia's southern border. At the time, the pretty town of Dubrovnik in Croatia was remarkably popular with Irish investors, but prices were rising. The Irish love a bargain, so the attraction was waning a little. Ennistymon native, Kieran Kelleher, now head of Savills in Montenegro, suggested that the burgeoning republic a two-hour drive from Dubrovnik airport was a very likely next port of call for the invading Irish. An amicable separation from Serbia was pending, completed in 2006, and the future looked bright. Montenegro is a tiny country, slightly smaller than Connacht, with a population of just 630,000, but it had huge potential.

The story of Montenegro's popularity with Irish property enthusiasts is a strange one, even by our standards. There have long been direct flights from Dublin to Dubrovnik. Not to visit the famed 'old town' (where the impressive bits of Game of Thrones are filmed), but to facilitate the hordes of pilgrims who flock to Medjugorje, 2.5 hours north in Hercegovina. Legend has it that pilgrimage wasn't for all of them, so some returned to Dubrovnik in

search of craic and commerce. Copious property purchases ensued there and in neighbouring Cavtat. As predicted, price inflation inspired further Balkan coastal investigations.

From 2004 to 2006 the Irish devoured coastal Montenegro. The coastline from Herceg Novi to the islet hotel of Sveti Stefan hosted thousands of investors. Many 'flipped' the properties soon afterwards and made significant profits. Following remarkable property price gains of 40% up to 2006, the financial crisis brought a plunge of 60%. Prices had just about recovered to 2003 levels by 2017. Buyer profiles have now changed dramatically. Irish, British and Russian buyers have been replaced, mainly by middle-eastern and south-east Asian investors.

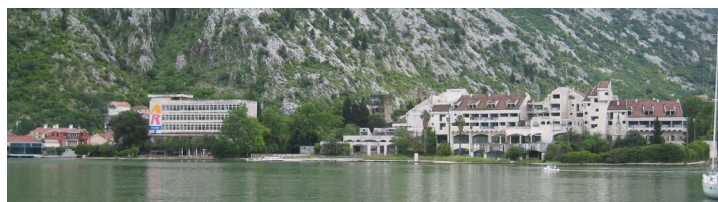
The buying process has long been reasonably straightforward in Montenegro, particularly when compared to other former Yugoslav states. The Deutsche Mark (now the Euro) has long been its currency, rather than the Serbian Dinar. EU entry negotiations are ongoing, considered likely by 2025.

Coastal Montenegro has progressed remarkably since that time, when properties were ramshackle, often poorly finished and generally in small developments. Some years ago the government made a concerted effort to attract high-end developments onto its underdeveloped coastline. The first landmark project was Porto Montenegro. A disused former Yugoslav naval base in Tivat, it was purchased by Canadian entrepreneur Peter

## The Kotor hotel that never was - an Irish story

At the tip of the UNESCO world heritage Bay of Kotor you find the eponymous old walled town, which welcomed Irish investors with open arms for a time. The town's mayor joked in the late noughties that they should name the town 'O'Kotor' such was the influx of Irish investors. But that all changed.

In 2006 the fabulous waterfront site of the derelict Hotel Fjord was purchased for €5.5 million by an Irish consortium, including investor Louis Maguire and former Irish Nationwide chief, Michael Fingleton. The aim was to develop a much needed five-star hotel to service the town's wealth of tourist traffic.



The site became the source of much frustration and rancour with the owners very publicly falling out, preventing any development.

Fingleton's party eventually managed, contentiously, to oust Maguire. Some months ago the site was sold, reportedly for €10m, to a Turkish consortium who have since demolished the old building. It is likely that UNESCO building restrictions on the bay will halt any progress for some time.

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Munk for €23 million in 2009. The 24-hectare site is now home to 450 yacht berths, many for superyachts up to 250m. long, including a purpose-built retail village for the yachting community. Munk's stake was purchased by the Investment Corporation of Dubai (ICD) in 2016 for an estimated €200m. It is now the fastest selling development in the region.

Since that time most effort and incentives along the coast have been aimed at high-end hotel based product. The logic is that this will bring the highest return on investment from Montenegro's blossoming tourist economy. Luštica Bay and Portinovo have followed, with more in the pipeline.

"Tourism has broken the 2m barrier and 25 new hotels were opened in 2018, more than half of them 4 or 5-star," says Kelleher. Kotor Bay, the deepest fjord in southern Europe, is now marketed as the 'Five Star Fjord'. It has just welcomed the Iberostar in Perast, Chedi at Luštica and will shortly open PortoNovi's 'One & Only' Hotel, the first in Europe. More than €5 billion is slated for investment around Kotor and Tivat in the coming five years. The newly introduced 'Economic Passport Program', essentially citizenship for investment, should boost the industry further.

Kelleher says that those looking for value should consider Kotor Old Town, which he describes as "still fantastic value." Apartments are available for under €2,200 per sqm, 60% below Dubrovnik Old Town prices. Rental yields of 7% nett are also attractive. Kelleher expects good price growth here in the next 2-3 years due to the unique nature of these properties. Tivat also still offers value according to Kelleher, with buyers seeking proximity to

Porto Montenegro. Two-bed units are still available for under €150k.

Noisy, bustling Budva is preferred by Eastern Europeans but Kotor Fjord is still the Irish favourite with its scenery and history. Kelleher says to look at Dobrota and Muo. Here one-bedroom apartments, with incredible views, are available for under €100k.

If you like historic architecture, you'll love this stretch of coastline. Montenegro maintained neutrality during the Balkan war, so most of its beautiful old-town structures are still intact. It also boasts numerous sandy beaches, something neighbouring Croatia's pebbled coastline can't match. In general, good quality food is inexpensive and the easy-going Montenegrins are very welcoming to visitors.



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