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Property prices in Croatia in 2019 rise by massive 9 percent – but what does the new COVID-19 future hold for the real estate market?

Across the whole of Croatia house prices increased in value by a staggering nine percent in 2019, when compared with 2018, according to information just released by the National Bureau of Statistics. The Croatian capital saw by far the biggest increases in property prices in 2019 with house prices jumping in Zagreb by an unbelievable 13.2 percent. Zagreb is the in-destination for property hunters, both domestic and foreign, and this is shown by the fact that real estate prices rose by almost double those of the always sought after Adriatic coastline. Along the Croatian coastline house prices rose by 6.9 percent last year, whereas other regions of the country saw a 3.8 percent increase.

The data from the National Bureau of Statistics stated that new-build properties increased in value by 8.3 percent across the country, whilst existing properties saw a 9.1 percent increase. Zagreb has been on the radar for property investors for some time now, and the capital is attracting attention both in terms of tourism and business. In the fourth quarter of 2019 property prices in Zagreb increased hugely when compared with the same quarter from 2018, by a whopping 13.8 percent.

But how will the coronavirus COVID-19 pandemic affect property prices in Croatia. With a global recession on the cards and fewer international investors even able to visit the country the real estate prices should fall. Add into the mix the large number of people, and indeed businesses, who purchased property in order to rent out and therefore pay for their initial investment, and who now may be looking to offload these rental properties. These properties could well flood the real estate market, driving down prices. There are already cases of a few apartment being sold in Dubrovnik at reduced prices. The real estate market, like many other business, is in a holding pattern. "Even at this stage, it is pretty clear that the tourist season will be weaker than usual, and the reduced number of tourists, in addition to falling occupancy in the daily rent, means a smaller number of property buyers - which could also affect prices," commented Ivana Beljan from the specialised Croatian property website crozilla.com.

And of course as any potential buyers, and indeed real estate agents, are banned from actually making home visits to view properties the market is operating blindfold.

Investing into a second home, a place in the sun, or a future rental apartment, in times of financial uncertainty is not on the top of most people's lists. This has meant an almost complete stagnation of the market in Croatia. Speaking to Jutarnji List, Sergio Serdarušić from the real estate firm Eurovilla stated "Several buyers, who were in the process of buying and selling, gave up their purchases and even some lost their deposits. Real estate prices could well be adjusted to a peak of up to 30 percent, i.e.

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the price of 2,000 Euros per square metre for an apartment could drop to 1,400 Euros.” However, he added that “Quality apartments and top locations will always hold their price.”

And the longer the coronavirus pandemic keeps all of us in lockdown and business continues to suffer so the demand for real estate will become less. The offer will slowly grow and the demand will fall, hence a drop in property prices seems imminent.

This is a global pandemic, and a global problem for the real estate market. The Financial Times recently reported that property transactions in the UK could fall by a massive 60 percent from March to June. And reported that the Royal Institution of Chartered Surveyors predicted sales to drop to the lowest level seen in 20 years. These same predictions could well come true in Croatia as well.

With many property experts predicting a five to ten percent drop in prices in the short-term the question is what does the long and middle terms hold. Again one of the biggest motivators of property prices in Croatia is the foreign markets, either with domestic buyers looking to purchase apartments for rental on Airbnb, or with foreign buyers seeking their villa on the seaside. And as travel and tourism are in the front line of restrictions and cancellations the knock-on effect to the property market will be felt far and wide.

Whilst property prices during recessions have tended to remain relatively stable as the market stagnates, this COVID-19 fuelled recession is likely to be no ordinary recession. Although banks and lenders will be falling over themselves to grab clients with mouth-watering deals and governments are slashing interest rates this may not be enough to tempt potential buyers to part with their cash. Uncertainty breeds a need to conserve and not spend.

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