

SNAPSHOT OF CROATIA'S TOURIST, DEVELOPMENT AND INVESTMENT MARKET

ECONOMIC OVERVIEW

- Croatia recorded negative GDP growth of 1.4% in 2010 but is expected to achieve positive growth of 1.5% in 2011.
- The Croatian CPI rate of inflation is currently marginally above 2%. The target rate for EU countries is 2%.
- The unemployment rate has settled at 12% and is expected to fall over the next 12 months in line with economic growth.
- The current account deficit is forecast to be 2.3% of GDP. The target deficit for EU countries is 3%.
- Public Debt is currently 55% of GDP. Within the EU the public debt amounts to 80% of GDP.
- The Croatian *Kuna* nominal exchange rate to the Euro is €1:7.45 and £1:8.54. The Kuna has appreciated against the Euro and Pound by 30% over the last five years.
- Croatia's base interest rate is currently at 3.5%. Coupled with stringent foreign credit control Croatia is successfully controlling inflation.
- The country is a net exporter.

POLITICAL OVERVIEW

- The President of Croatia is Ivo Josipović who is from the Social Democratic Party.
- The ruling party is a centre- right coalition formed of the Croatian Democratic Union (HDZ) and the Croatian Peasant Party (HSS). The Prime Minister is Jadranka Kosor.
- Croatia has fulfilled all EU accession requirements and is scheduled to join the EU in 2013.

TOURIST MARKET OVERVIEW

- According to the WTTC Croatia has one of the fastest growing tourist sectors in the world. In absolute terms Croatia has the 49th highest volume of tourists in the world and the 21st highest in terms of relative contribution to national GDP.
- Tourism accounts for 27% of GDP (WTTC) and this is expected to increase to 30% over the next ten years.
- Tourist overnights increased by 0.2% in 2010 while tourists increased their spending by 5%.
- Total accommodation facilities increased by 5%. Total camping facilities increased by 1%.
- From 2008 to 2009 the share of 5* hotels increased by 1%, while the share of 4* hotels increased by 2% - 4/5 * hotels now comprise 25% of the Hotel market indicating that hotel standards are improving.
- Despite the improvement in accommodation standards camping experienced growth of 4.9% in overnights, while tourist resorts experienced a decline of 21% and Hotels a decline of 4%.

SECOND HOME PROPERTY MARKET

- The second home market is chronically undersupplied. This is mainly a result of land supply which has been constrained by title, assembly and infrastructure problems. While central planning controls, implemented to ensure Croatia's coastline is preserved, have slowed development delivery timelines.
- At present there are only 3 modern tourist resorts comprising hotel, apartments and supporting facilities. These are the Novi Vinodol Resort (Kvarner), Kempinski Resort (Umag) and Punta Scala Resort (Zadar). This sector has significant scope for growth, especially for Hotel/Marina anchored developments.
- In terms of large scale apartment developments, supply of these has again been negligible, with 90% of apartment developments comprising less than 15 units.
- As a result supply mainly comprises existing stock built before 1990.
- In contrast with supply, demand has been increasing. Croatia's undeveloped and unique coastline, medieval towns and numerous islands has made it a prime tourist and second home destination.

TOURIST REGIONS



Istria County

- **Geography:** The coastline stretches from the Italian border to Opatija. The tourist and second home market is focused on the interior, mainland coast and islands. The most popular destinations are Porec, Rovinj, Umag, Pula, Opatija and Brijuni Island. The Geography is split between the interior and the coast. The Istrian interior is often compared with Tuscany being dominated by rolling hills, walled villages, forests, vineyards and olive groves. The coastline has fewer islands than the rest of Croatia but is more developed as a result of proximity to Western Europe.



Pula Amphitheatre

- **Tourist Profile:** The area is most popular with Germans (30%), Italians (13%) and Austrians (12%) which are all within driving distance. The area has seen growth in nights of 1% over the last year. Camping comprises 41% of accommodation facilities which is 18% above average for Croatia.
- **Property Market:** The average price for tourist apartments is €1,919/sq m which is a 9% decrease from 2010.

Kvarner County

- **Geography:** The coastline stretches from the Rijeka to Karlobag. The tourist and second home market is focused on the mainland coast and islands. The most popular destinations are Novi Vindolski (Mainland), Krk Island, Cres Island, and Rab Island. The area is affected by strong winds from the north and so the landscape can be bare. This is particularly true of the northern side of Rab and Pag Island.



Krk Old Town

- **Tourist Profile:** The area is most popular with Germans (27 %), Slovenians (16 %) and Italians (14%). The area has seen negative growth in nights of 1% over the last year. Camping comprises 21% of accommodation facilities which is 2% below the average for Croatia.
- **Property Market:** The average price for apartments is €2,122/sq m which is a 5.1% increase from 2010.

Zadar County

- **Geography:** The coastline stretches from Starigrad to Pakostane. The tourist and second home market is focused on the mainland coast and islands. The most popular destinations are Zadar (Mainland), Pag Island (South Side), Dugi Otok Island, Ugljan Island and Pasmán Island. The area is affected by

strong winds from the north and so the landscape can be bare. This is particularly true of the northern side of Pag Island which is often bare. Zadar's popularity is underpinned by an international airport.



Zadar Old Town

- **Tourist Profile:** The area is most popular with Germans (21 %), Slovenians (15 %) and Czechs (10 %). The area has seen negative growth in nights of 2% over the last year. 23% of the accommodation facilities are for camping which is the average for Croatia.
- **Property Market:** The average price for apartments is €2,021/sq m which is a 2.2% increase from 2010.

Sibenik County

- **Geography:** The coastline stretches from Rogoznica to Drage. It is located in north-central Dalmatia. Its most popular destinations include Sibenik, Primosten and Rogaznica. Tourism and property are the core drivers of this economy.



Sibenik – St. Nicolas Fortress

- **Tourist Profile:** The area is most popular with Germans (18 %), Czechs (14 %), Slovaks (10 %). The area has seen negative growth in nights of 4% in 2010. 16% of the accommodation facilities are for camping which is 7% below the average for Croatia.
- **Property Market:** The average price for apartments is €1,668/sq m which is a 7% decrease from 2010.

Split County

- **Geography:** The coastline stretches from Marina to Tucepi. The tourist and second home market is focused on the mainland coast and islands. The most popular destinations are Split (Mainland), Makarska (Mainland), Trogir (Mainland), Hvar Island, Brac Island and Vis Island. Split's popularity is underpinned by an international airport and the main ferry terminal for the coast.



Hvar Old Town

- **Tourist Profile:** The area is most popular with Czechs (18 %), Germans (12 %), and Polish (11 %). The area has seen negative growth in nights of 4% over the last year. 8% of the accommodation facilities are for camping which is 15% below the average for Croatia.
- **Property Market:** The average price for apartments is €1,849/sq m which is a 13% decrease from 2010.

Dubrovnik County

- **Geography:** The coastline stretches from the Montenegro border to plocce. The Municipality of Neum, which belongs to Bosnia and Herzegovina to the north of the county, divides the county in two parts. The tourist and second home market is focused on the mainland coast and islands. The most

popular destinations are Dubrovnik (Mainland), Elaphite Islands and Korcula Island. Dubrovnik's popularity is underpinned by an international airport.



Dubrovnik Old Town

- **Tourist Profile:** The area is most popular with British (12 %), Germans (10 %) and Polish (7 %). The area has seen negative growth in nights of 3% over the last year. 12% of the accommodation facilities are for camping which is 11% below the average for Croatia.
 - **Property Market:** The average price for apartments is €2,757/sq m which is a 23% decrease from 2010.
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