

Emerging from the shadow of the past

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For a country in desperate need of positive PR, rumours – false, as it turned out – that US President George Bush's watch was stolen as he shook hands with the crowds on a recent visit to Albania were devastating to locals.

But after four decades of isolation under the Communist dictator Enver Hoxha, followed by a tumultuous transition that left the country bankrupt and riddled with organised crime and corruption, Albania is finally starting to draw foreign property buyers to its 450km of largely unspoilt coastline and its capital city, Tirana.

Given bleak assumptions about the place, Tirana's preponderance of Mercedes cars and stylish, cosmopolitan bars come as a surprise. The city is distinctly Mediterranean in feel, with buzzing pavement cafés, streets jammed mid-afternoon with office-workers heading home for a siesta and a huge, fountain-lined square surrounded in the evenings by well-dressed families taking post-prandial strolls. Even the city's Stalinist-era apartment blocks are less of an eyesore than the concrete monstrosities seen in other ex-Communist capitals, thanks to a creative initiative by the current mayor Edi Rama to paint them in bright colours and designs.

"Changing outside perceptions of Albania is the biggest obstacle to selling property there," says Robin Barrasford, managing director of Barrasford and Bird, the only British estate agency currently selling property in Tirana. "When foreigners began investing in Bulgaria, everyone knew someone who had been there on holiday and Bulgaria was near to joining the European Union. Albania is ten years behind. It isn't yet a holiday destination and no date has been set for EU membership."

But the country is working toward joining that and other international organisations, such as the North Atlantic Treaty Organisation. There are fresh efforts to reduce corruption, increase transparency and encourage foreign investment, which totalled £130m in 2005.

Barrasford acknowledges that Tirana is a "high-risk, high-return" investment option. "The cost of living is low and rental returns are unknown, so this is a capital- appreciation market only at present," he says. "But if you compare Tirana with Sofia or Bucharest, where apartments in far worse locations cost two and a half times as much, [the market] can only go one way."

He is currently marketing off-plan apartments with secure underground parking and bars and restaurants on the ground floor at Terra Nova, a new business district near the capital's new link road and five minutes from the centre. They are priced from £29,000 for a 75 sq metre, one-bedroom unit and "there's no capital gains tax, no property transfer tax or stamp duty," Barrasford says, "just notary fees to pay, which equate to 1 per cent of the purchase price."

Ian Warburton, a laboratory manager from the UK, was one of the first buyers at Terra Nova, picking up a 75 sq metre penthouse for £29,000. "We looked at Montenegro but that had already become too expensive, so I thought that, given its geographical location next door to Montenegro, but with prices at rock bottom, why is no one buying in Albania?" he says. "I would expect these properties to rise to about €2,000 per sq metre in the next four or five years."

Ludovic Lavature, a businessman from Lyons, first came to Albania in 1996 to breed frogs to export to France. He quickly saw far more potential in the property market and opened Balkimo estate agency in Tirana. "Five years ago, there was just open countryside between the airport and Tirana. Now new commercial buildings line the main road into the city and companies such as Citroën, Hewlett-Packard and Peugeot have [distributors] here. Salaries are rising and in six years city-centre apartment prices have quadrupled."

David Hentsell, chief executive of InterAction International, which advises foreign companies

seeking to invest in Albanian industries, including airline, mining, banking, hotels and property development, agrees. He expects Tirana property values to show annual growth of about 25 per cent in coming years, thanks to a continued influx of expatriates, embassy staff, overseas government support and supply organisations. "The demand for rental property in better parts of the city is increasing as planning permission for new-build is not being given," he says. This is "a fast-evolving, emerging destination".

There is also increased interest from locals, says Irini Tzortzoglou, head of retail for Piraeus Bank in London, which is considering releasing mortgage products for foreign buyers in Albania with its local affiliate, Tirana Bank. "Now much of the real estate activity is being created by Albanians living and working abroad and sending money back home," she says.

Outside Tirana is "the Albanian Riviera" and though it is not yet high on many Europeans' holiday agenda there are plans for a new highway that will eventually link Sarande in the south of the country to Dubrovnik in Croatia. In the meantime, local road improvements are helping to open up the pristine coast, only 10 per cent of which has been developed.

Durres, 35km from Tirana, is the biggest seaside town with £80m of EU investment focused on turning its port into a new gateway into the region. There, one-bedroom frontline beach apartments cost from £35,000, while non-sea view apartments start at £20,000. In Vlore, a smaller resort further south, Balkimo has one-bedroom apartments in Bella Vista, near the beach, from £17,000. "There has been a boom in construction in Durres and now it's time for Vlore," Laventure says.

Further south is the attractive resort of Sarande, with a few hotels. But new development along the coast leading to the town is almost non-existent. Butrint, on a cliff top overlooking Corfu, is a Unesco world heritage site. Other embryonic tourist destinations include villages along the shores of Lake Prespa in the east; the ancient city of Gjirokaster in the south, where 200 homes have been preserved as "cultural monuments"; and outdoorsy havens in the Northern Albanian Alps, such as the towns of Razma and Thethi.

"The Albanians are very positive about change in their country, they want to join the EU [and] they realise that tourism will be the main source of revenue," Laventure says. "But the government's role at this point is crucial to ensure that coastal development in particular respects the rules and standards of the EU and doesn't spiral out of control as it has in some parts of Spain."

As a result, change is happening more slowly outside of Tirana but it is happening, Laventure says. "The south, which currently feels isolated due to its distance from the airport, will soon be linked to the north by a new road that is part of a major infrastructure project agreed upon by Albania and its neighbouring countries," he says. "New roads have already been completed from [the capital] to Shkodra, a historic and cultural city on a lake crossing the Montenegrin border, and inland from Tirana to Elbasan, [so] these towns and the ski resort of Korca are also seeing new development and bringing new opportunities to the local market."

There are obstacles for potential property buyers across Albania, however. Land rights remain a problem especially in the south where the best beaches are located. The government is still in the process of returning property to its pre-Communist owners and disputes over ownership and forged title deeds can raise obstacles. It is vital to hire a reliable lawyer. Buyers should also establish for themselves whether construction quality is of a western-European standard, and, with electricity black-outs a constant problem both in Tirana and the countryside, ensure that well-maintained generators and good-sized water tanks are included.

Additional reporting by Kerin Hope

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