

Investment project

Istria, Istria



Ref	RE-AB-INV
Type	Investment project
Region	Istria > Pula
Location	Istria
Front line	Yes
Sea view	Yes
Distance to sea	0 m
Plot size	126000 sqm

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Price

€ 25 000 000

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Exceptional investment project in the South of Istrian peninsula - offering golf course and 5*** resort!**

Total area of the project is 126 ha (126 000 sq.m.) in size, and includes cadastral parcels of two cadastral municipalities.

The project provides a unique investment opportunity with the possibility to participate in a premier high-end integrated golf and real estate development, with direct access to the sea and in a truly fascinating natural environment. The current master plan for the overall envisioned development stretching over 126 hectares of land is to include:

- 5***** star luxury hotel with 170 rooms, extensive spa & wellness facilities, conference facilities, restaurants, bars, and a casino
- 114 residential units: 87 apartments with two or three bedrooms and 27 luxury villas facing the sea
- 27 hole golf course and amenities

Estimated project value: 100 000 000 eur.

Estimated value descriptive:

The total investment cost of the project is approx. 100 mil EUR (including land).

Total development costs excluding land: approx. 70 to 75 mil EUR.

Residential component:

- Total Gross Floor Area – 23,300 m²
- Total estimated sales proceeds – approx. 90 to 100 mil EUR

Hotel component:

- Total Gross Floor Area – 29,200 m²
- Estimated stabilised EBITDA – approx. 3.7 to 4 mil EUR

Golf course component:

- 27-hole golf course – 113 hectares
- Clubhouse – Total Gross Floor Area – 1,800 m²
- Estimated stabilised EBITDA – approx. 1 to 1.25 mil EUR

All the financial estimations are available upon request.

Estimated duration of project: 3-5 years.

General tourism data:

Tourism is one of the most important drivers of GDP growth in Croatia: the sector generated EUR 10.5 billion in revenues in 2019 (4% y-o-y growth). So far 2019 was the best year of tourist activity in Croatia ever. Tourist spending normally accounted for more than 20% of GDP. As one of the most important tourist destinations in the Mediterranean, Croatia boasts a long-standing tradition in tourism and shows great potential for development.

- The most important advantages of Croatia are its preserved nature and environment, the naturally heterogeneous Croatian coast, its cultural and historical heritage, mild Mediterranean climate and proximity to all European markets.
- Travel demand has been constantly growing over the past decade. The number of tourist arrivals reached 19.6 million in 2019, a 4.8% increase compared to the previous year. Meanwhile, guest nights spent in commercial accommodations reached 91.2 million in 2019.
- Nearly half of all visitors to Croatia chose to stay at private accommodation during their visit, with more than 20.7 million guest nights registered in 2019. Hotels were selected as the accommodation option by approximately a third of the country's visitors.
- The country's tourism industry is historically highly dependent on international demand. In 2019, 88.7% of all tourist arrivals and 92.2% of all guest nights derived from foreign countries. The key source markets were Germany, neighboring Slovenia, Italy, Austria, followed by Poland and the UK.
- Tourists vacationing in Croatia in 2019 spent a daily average of €98 per person and per overnight stay, with the amount being slightly higher in the continental part of the country (€115), and a little lower on the coast (€97). Hotel guests spend the most on average (€142).
- The highest spending tourists arrived in 2019 from the United States (€174), the Republic of Korea (€157), China and other Asian countries (€150), and Great Britain (€143), followed by tourists from Switzerland (€118), Scandinavian countries (€115), Spain and France (€107), Austria and Belgium (€102) and Serbia (€100).

Istria has been the best performing region in terms of tourism over the past decades. In 2019, nearly 4.5 million tourist arrivals and over 26 million guest nights (29% of all guest nights) were registered in the county of Istria, followed by the county of Split-Dalmatia region with 3.6 million tourist arrivals and 18 million guest nights.

Tourism is expected to remain a highly attractive investment segment for domestic and international investors in Croatia. Several leading hotel brands are interested in entering the Croatian market, but the country currently lacks quality developments that would match their investment criteria. The average size of all hotels in Croatia, many of which is independently operated, is 79 rooms; below a required minimum of 120-150 rooms by major hotel operators.

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There are seven five star hotels in Istria, out of which five are located on the western coast of the Istrian peninsula, and accounting for approximately 7% of

the total hotel room supply. Currently, Umag, Rovinj and Savudrija offer upscale hotel supply in Istria.

— The Lone Hotel (1), the Monte Mulini Hotel (2) and the recently opened (in 2019-2020) Grand Park Hotel (3) – are located in Rovinj, less than 600 meters from each other. The Melia Coral Hotel (4) and the Kempinski Hotel Adriatic (5) – are located in the north-western corner of the peninsula near Umag within less than 8 kilometers from each other.

— In Istria, out of the 5-star hotels, only Kempinski Hotel Adriatic is a part of an international hotel chain and also this is the only establishment that has a golf component. This represents an opportunity for a new international quality, high-end hotel development.

- EBITDA margins of the leading hotel groups in Croatia between 2014 and 2018 based on public sources. The presented hotel groups have units outside of Istria which are also included in the results.

— In 2018, all six hotel groups presented reached EBITDA margins between 30% and 40%. Plava Laguna (with 24 out of their 25 hotels located in Istria) achieved the highest EBITDA margin reaching 40%. The relatively high margin of the hotel groups is the result of the positive economy of scale, the operation of a portfolio of hotels under one branch.

SUPPLY of golf resorts in Croatia:

At the moment, the only integrated golf resort offering residential properties is Kempinski Golf Adriatic, which opened in August 2009. The 5-star luxury resort is located on the northwestern part of Istria and features, besides the Kempinski hotel and spa, an 18-hole golf course, which is well utilized and an upscale residential development. It is built adjacent to the Skiper Resort.

— Falkensteiner Hotels & Residences Punta Skala is another comparable integrated resort development in Croatia which currently offers individual properties for sale. The resort features a residential component as well as two hotels and additional leisure facilities; however, it does not include a golf course.

— Although all the above are positioned as high quality resorts, some of the residential components are relatively high-density developments, which do not necessarily meet the requirements of discerning buyers looking for privacy and serene environment in a high-end resort.

— The golf market in Croatia is still in its infancy, currently offering only one golf integrated residential development. However, should the government decide to provide the required support and legal environment, the golf integrated resort concept could present a unique opportunity in the country and could become a draw card for international buyers.

PROJECT CONCEPT:

Based on the market findings and site characteristics, the concept plan has been prepared, featuring the following key components:

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Zone A: 18-hole golf course

- 18-hole championship golf course
- Golf academy
- Driving range and putting area
- Supporting facilities

Zone B: Golf clubhouse

- Restaurant and bar
- Pro shop and other supporting facilities

Zone C: Hotel

- 170 key 5-star luxury hotel
- Large spa & wellness facilities
- Restaurants and bars
- Casino and conference facilities

Zone D and E: Apartments

- 48 apartments with 2 bedrooms
- 39 apartments with 3 bedrooms
- Ancillary facilities (café and retail units)

Zone F: Villas

- 27 luxury villas with 4 bedrooms

The resort will be positioned as the high-end destination, designed in a low-density and high quality.

Detailed feasibility study is available upon submission of official LOI and signing the Agency agreement.

Overall additional expenses borne by the Buyer of real estate in Croatia are around 7% of property cost in total, which includes: property transfer tax (3% of property value), agency/brokerage commission (3%+VAT on commission), advocate fee (cca 1%), notary fee, court registration fee and official certified translation expenses. Agency/brokerage agreement is signed prior to visiting properties.

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