

Europe's last frontier

It may have a serious image problem, but Albania has a coastline and a climate to die for. So, how intrepid do you have to be to invest there?

Loud bangs ring across the Albanian sky: first one, then another, then a loud rata-tat. Dogs bark. I contemplate seeking refuge under the bed. A repeat of the orgy of shooting that followed the collapse of a financial pyramid scheme a decade ago, in which most of the population lost their savings and at least 1,000 people lost their lives? Or maybe an example of that great local tradition, the blood feud, in which a single killing sets off an infinite chain of tit-for-tat retribution?



Wrong and twice wrong. When I open the shutters on the window of my comfortable seafront hotel in Vlore, halfway down the coast, the sky is full of spectacular fireworks. August is high wedding season: seven days of festivities typically end with thousands of pounds of explosives going up in smoke.

To say Albania has an image problem is something of an understatement. Run for more than 40 years by a Stalinist regime so hard-line, it dismissed the Soviets as a bunch of capitalist lackeys, this Balkan nation of 3.6m people tucked between Greece and Montenegro has an impoverished population, diabolical infrastructure and some of the scariest drivers this side of Beirut. Oh, and Albanian emigrés are said to have their fingers in some of the sleaziest parts of the London underworld.

Yet the country also has a balmy southern Mediterranean climate, mile after mile of undeveloped beaches and crystal-clear water, and some of the lowest house prices in Europe: in short, everything to give it the potential to become the next stop on the itinerary of the intrepid British property investor.

“If you have missed Croatia and Montenegro this is the place to be” says Marin le Corre, Managing director of Balkimo the largest Albanian agency. “I think Albania is going to be a hybrid of Croatia and Montenegro, for the simple reason that it is a sort of last frontier in Europe. When Albania is finished, there is nothing left in Europe as far as the second-home market is concerned. When it’s done, those buying second homes will have to go to Morocco, Tunisia and maybe Libya.”

So, how intrepid do you have to be to buy in Albania? Not quite as much as you might think. While the country continues to be dogged by its mafia image the guns have long since gone, the political system is stable and the government has embarked on an economic reform program (including a flat tax on income due to drop to 10% next year) – all of which, it hopes, should allow it to join the European Union in about 2014.

On a warm summer’s day, it is pleasant to sip coffee at one of the pavement cafes in the Block – a smart area of the capital, Tirana, once reserved for the communist fat cats – or in the park opposite the white marble pyramid built as a monument to Enver Hoxha, the dictator who ran the country with an iron fist from the end of the second world war until his death in 1985. Although determined to isolate his country from the rest of the world, Hoxha, bizarrely, made an exception for the films of Norman Wisdom, who consequently remained a cult figure in Albania long after he went out of fashion at home.

For those looking purely at an investment, buying in Tirana is straightforward. Main agencies are offering several projects in the capital, with prices starting at £370 per square metre – about half those in Sofia, the Bulgarian capital. Although rental returns are not expected to be high, investors are hoping prices will soon rise as more Albanians are drawn to the city in search of the best jobs.

Typical of buyers is Colin Clarke, 47, an accountant from Belfast whose portfolio already includes properties in Liverpool, Bulgaria, northern Cyprus and Texas. He has just paid £27,000 for a one-bedroom flat in the Teranova development (www.teranova.com), a complex of 135 flats on the edge of town, due to be completed in the middle of next year. "The world has been passing Albania by," Clarke says. "It is surrounded by countries that have been doing well. But it is starting from such a low base, improving its infrastructure and attracting a lot of direct foreign investment." He plans to borrow 70% of the purchase price from one of several banks ready to lend to nonresident foreigners. Although optimistic about renting out his flat for £200 a month, he expects it may take time to pay its way. "It's the capital growth I am looking for," he adds.

Albania's real charm, however, lies in its coastline, which stretches more than 200 miles from the Adriatic, in the north, to the Ionian, in the south. Some of it, admittedly, is already far from unspoilt: Durrës, the country's second city, has been turned into a kind of Albanian Benidorm, with blocks of flats built willy-nilly along the coast, most of them without any planning permission. Vlore, a couple of hours' drive south, is considerably better. The centre is built-up and filled to bursting in summer with holidaying Albanians, but the town has been developed more sensitively. It also has a marina, but don't expect to see many Albanian boats – in order to curb the burgeoning trade in smuggling and people-trafficking, the government has put restrictions on locals owning powerboats.

Leave the towns behind and you really appreciate the country's potential. The most beautiful stretch of the coast is probably south of Vlore, past Himare and Sarandë, and down to the ancient Greek city of Butrint, a Unesco World Heritage Site, reached along a winding mountain road that allows the locals to put their idiosyncratic driving skills on scary display. The wide, sandy beaches have been kept in their pristine state by the sheer hell of getting here: the drive from Tirana's Rinas airport, the only international airport in the country, can take a good six hours, although an alternative is to fly to Corfu and take the short ferry ride across.

The Holy Grail for the many large investors that have begun looking at Albania over last year is to buy large enough stretches of seafront land to put together and build self-contained gated resorts. This would allow British and other foreign holiday-makers to enjoy the country's natural beauty without suffering its grimmer realities. Frontline plots cost anything from £30 to £120 per square metre, with building costs ranging from £140 to £280 per square metre.

Alternatively, you could go for one of the coastal developments being marketed to local and foreign buyers. Antony Bowler, 45, and his wife, Melanie, 40, who run a music business doing Abba and Bee Gees tribute shows, have bought a one-bedroom, 69-square-metre penthouse flat in the Soleal resort (www.soleal.net), just down the coast from Vlore, for £25,700. The couple is so happy with a flat they bought last year on the Black Sea in Bulgaria that they decided to try their luck in Albania. "It's a lot cheaper than Bulgaria, the weather is better and the sea is better," Melanie says. They expect to make only a minimal return for the first few years, but hope it will eventually start paying its way.

How soon that happens depends as much on foreign perceptions of Albania as on concrete things such as new roads and power-transmission networks but considering the appetite of the investor for the part of Europe it may go fast, very fast.

Balkan bargains

Croatia: Prices in the best locations are already close to western European levels, but there are still some old stone houses to restore

Montenegro: Thanks to its beautiful coast, it has become popular since winning independence from Serbia in June 2006. Prices have jumped by up to 50% over the past year, boosted by Russian buyers

Romania: A favorite with investment buyers since the country joined the EU in January. Prices in Bucharest, the capital, are low compared to other eastern European cities, but rising fast

Bulgaria: The Black Sea coast has been heavily marketed to British buyers as the new Spain, while its ski resorts are cheap alternatives to the Alps. But there is a danger of oversupply