

Testing the water

Will Montenegro's 'cut-price Monaco' sail through the recession, asks Jack Grimston

The town of Perast, across the bay from Porto Montenegro



Porto Montenegro as it will look when completed



This is the stuff dreams are made of: relaxing on your terrace with a cool drink under the Mediterranean sun, ogling the upper decks of an oligarch's mega-yacht as the sun dips behind the mountains. Need supplies for your own rather more modest vessel anchored below? Try the on-site chandlery. Fancy a bit of exercise? Head for the golf course, tennis courts or nearby ski slopes.

This is the vision behind Porto Montenegro, a former Yugoslav dockyard that Peter Munk, an 81-year-old Canadian gold-mining tycoon, hopes to transform into a yachting haven to take on the best in the Med — with a little help from Oleg Deripaska, the Russian tycoon and the financier Nathaniel Rothschild.

All going well, when the £200m project is finished five or so years from now, it will span 60 acres. There will be 1,000 flats, a five-star hotel — probably run by the Four Seasons chain — and a promenade with restaurants, bars and boutiques stretching more than 1,000 yards along the waterfront. Eventually, there could also be a casino, international school and naval museum. The first 25 flats go on sale later this month.

"We want to create a nautical community," says Oliver Corlette, Munk's managing director, who, to make his point, is planning a regatta nearby this summer. "The super-yachts will be the anchor and will look fantastic, but it is not going to be a billionaire's den. Our core target market is owner-users of sailing and motor yachts of 40ft-80ft. They are what will make it sustainable."

To imagine the end result you need to squint hard and employ considerable imagination. At the moment, the only vessels in port are rusting submarines from the old Yugoslav navy (one of which is to be turned into an art installation), a motor yacht that once belonged to President Tito, an elegant sail training ship and a pleasure boat that used to ply the Seine. There is also a giant red and white striped crane, intended to be the beacon for approaching boats. Building permits were granted only last month and the sole part completed so far is a jetty garlanded with palm trees from Spain, one of which is already looking north-east.

Still, the setting — on the turquoise, butterfly-shaped fjord of the Bay of Kotor, into which green and grey mountains plunge — is spectacular. With deep waters and 60 miles of sheltered coast, it is one of the biggest anchorages in Europe. The bay is dotted with little islands, one with a working monastery and another with collapsing straw huts that were once a French tourist colony: a reminder of Montenegro's glory days as a resort in the 1950s and 1960s, when Elizabeth Taylor, Sophia Loren and Kirk Douglas holidayed there — even though they stayed on the red-tiled resort island of Sveti Stefan rather than among the naturists.

The coast has a string of pretty, Venetian-era stone towns such as Kotor and Perast. A few developments are starting to sprawl across the pristine hillside, but are being just about kept under control.

75% discount: the one-bed flat comes with a slot for a 50ft yacht for €5,885 a year.

The Teuta flats will overlook a jetty for 50 boats. One berth will be for an as-yet-undefined monster of up to 520ft, and two for 375ft yachts. When Porto Montenegro is fully operational, there will be 400 berths for boats of up to 75ft and 150 for the big ones. Entons — along with Russians, Germans and Austrians — are expected to be the main buyers.

The developers claim to have spotted a gap in the market for a "cut-price Monaco". Yachts in the Mediterranean are getting bigger, but harbours are not. Although the recession may free things up, facilities able to accommodate the largest ones are getting crowded and, particularly in the south of France, too pricey even for the wealthiest owners.

"There is hardly anywhere for these really big yachts to dock in the Med, but because this place was built for warships it has the depth of water they need," says Corlette. Thanks to the Yugoslav navy, it has 60ft-wide jetties and berths 12ft-50ft deep. By contrast, elsewhere in the Med, super-yachts have to stand offshore while their occupants clamber into smaller boats to reach land.

There are other benefits: marine fuel is duty free, meaning a big boat can top up its tanks for €100,000, 50%-70% less than in France or Italy, and there will be a training school for yacht skippers on the other side of the bay, complete with 3D bridge and engine room simulators. For those taking up permanent residence, income tax is just 12% and due to fall to 9% next year. There is no capital gains tax.

The architecture is intended to blend in with the traditional stone buildings that line the shore in Montenegrin towns, with a few splashes of glass and colour. The idea is also to mirror the layout of the older towns, with tree-lined avenues, small piazzas and narrow winding pedestrian streets. A square, stone-lined basin will be overlooked by a development called Venice Square.

A worldwide recession is a tricky time to be marketing an expensive new development. "Interest in Montenegro from British investors has completely disappeared since the end of last summer," says Maja Dragovic, a business consultant who advises Britons investing in property in the country. "Two or three years ago, there were a guaranteed 10 British buyers a week; now there are virtually none, although developers who came here are completing the projects they have started. Others are trying to sell off assets with huge discounts — 10%-50% is typical."

There are other drawbacks, too. Tivat is not the prettiest town, and early residents will have to spend a few years living next to a building site. Water and electricity supplies are apt to be cut off unexpectedly for hours at a time, particularly in the summer.

Nevertheless, Andrea Marston, director of the estate agency Montenegro Prospects, insists the infrastructure is improving fast. "Last year, my office in Kotor had fewer power cuts than the one in Wundorf," she says.

Despite its glittering history, Montenegro — which became independent from Serbia in 2006, shaking off the last vestige of the former Yugoslavia — is only just emerging from its more recent past as a smugglers' backwater. Air links are also improving while most visitors previously flew via Dubrovnik, over the border in Croatia, Tivat airport now has three flights a week to London. A fast water taxi to Porto Montenegro for residents is eventually planned.

The project may not be built yet, but it has already attracted headlines. Prince Andrew visited last month and "may be interested in buying", says Corlette,

intriguingly. It was also obliquely caught up in the juiciest political scandal of last summer, when Rothschild and Deripaska met in the Adriatic. Rothschild claimed George Osborne, the shadow chancellor, tried unsuccessfully to touch the Russian for a €50,000 gift to the Tories, while Lord Mandelson lurked in the vicinity. Osborne denies he asked for cash. The venue for the encounter was Deripaska's boat, the Queen K, likely to be one of the first super-yachts to moor at Porto Montenegro.

Early residents need not be billionaires like Deripaska (and even the oligarch's personal fortunes have taken a hit recently). However, they will probably have a boat of their own and a few hundred thousand for outciders to obtain mortgages.

The first phase, the Teuta complex, is due to open in summer next year. The flats will range from €200,000 (£162,000) studios to four-bed penthouses with roof terraces and a plunge pool at €1.5m. A typical 113 square metre one-bedder with a large terrace will cost €550,000. Each flat comes with the offer of leasing a berth at

Deripaska, left, and Rothschild are among the project's backers



GO SELL IT ON THE MOUNTAIN

Make like the yachting set and snap up a bolt hole in Montenegro

Hercegov Novi
€150,000
A 30-minute drive from Dubrovnik airport, the three-bedroom Kameno House, which needs renovation, has panoramic views over the Bay of Kotor. **Monte negro Prospects**, 01753 851162, montenegroprospects.com

Bay of Kotor
from €102,000
Acacia Hill, on the shore of the bay, is a gated development of 36 flats. One-bedroom flats start at €102,000, two-bedders cost from €148,000. **Pluto Developments**, 00 382 22 204786, plutodevelopments.com

Kotor
€130,000
A three-bedroom, top-floor flat in the old town, with fantastic views over the sea and the surrounding mountains. Some redecoration is required. **Savills Montenegro**, 00 382 22 204786, dreanmontenegro.com

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