

# Due Diligence Study - Dubrovnik

## Real Estate Market Analysis and Investment Opportunities 2026

**Prepared for:** Almisum Konzalting GPM

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**Location:** Dubrovnik, Republic of Croatia

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### Executive Summary

This due diligence study provides a comprehensive analysis of the real estate market in Dubrovnik, including current market conditions, regulatory framework, investment opportunities, and risks. Dubrovnik remains one of the most attractive real estate markets in Croatia, with an average price of €4,700 per m<sup>2</sup> in January 2026, making it the most expensive city on the Croatian Adriatic.

The strong tourism sector, limited property supply, and growing international demand continue to support price growth, with an expected increase of 4-6% during 2026[2]. However, investors face challenges such as strict building regulations, high entry prices, and potential legislative changes.

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## 1. Real Estate Market Analysis

### 1.1 Current Prices and Trends

Category	Average Price (€/m <sup>2</sup> )	Trend
Old Town and Ploče	6,000 - 9,000	Growth
Lapad, Babin Kuk	4,500 - 6,500	Stable growth
Mokošica, Nova Mokošica	2,300 - 3,500	Moderate growth
City average price	4,700	+5-7% annually

Table 1: Real estate prices by location in Dubrovnik, January 2026

#### Key observations:

- The average apartment price in Dubrovnik reached €216,000 at the beginning of 2026[1]
- Small apartments (15-24 m<sup>2</sup>) achieve a price of €4,250/m<sup>2</sup>, almost double that of larger units (120+ m<sup>2</sup>)

- Prices increased by 9% between 2023 and 2024, reaching €3,217/ m<sup>2</sup> Over the past 10 years (2014-2024), nominal prices increased by 62%, from €1,985/m<sup>2</sup> to €3,217/m<sup>2</sup>[1]
- Dubrovnik holds the most expensive real estate prices on the Adriatic with an average price per square meter around €5,750[3]

## 1.2 Market Liquidity

**Average time to sale:** 75-110 days, depending on condition, location, and pricing.

- Premium properties in Ploče or Babin Kuk: 45 days
- Overpriced properties or those requiring renovation: 140+ days
- Most transactions (70-80%) close at a price lower than the asking price
- Remaining transactions (20-30%) achieve a price at or above the asking price, mainly for luxury properties with sea views or near the Old Town.

**Negotiation margin:** Buyers in Dubrovnik typically negotiate 5-12% below the initial asking price in 2026, with the largest discounts when properties require renovation or lack clear .

## 1.3 Market Segmentation

**New construction vs. old buildings:**

Newly built apartments in Dubrovnik cost approximately 10-20% more per m<sup>2</sup> than older properties in 2026, reflecting modern amenities and limited supply of new .

**Most profitable investments:**

- Luxury segment: apartments with sea views, villas, historic properties in the Old Town
- Short-term rentals: high tourist demand throughout the year
- Villas and higher-priced houses: faster appreciation than standard apartments due to tourism and weekend.

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## 2. Tourism Sector and Impact on Real Estate

### 2.1 Tourism Performance

- Croatia recorded 21.3 million arrivals in 2024 with revenue of €13.19 billion in the first nine .
- Overnight stays increased by 1% in 2024 to 108.7 million, with pre-season and post-season arrivals growing by 11% and 10.3%
- The Adriatic coast, including Dubrovnik and Split, accounts for 97% of all overnight stays.
- Dubrovnik-Neretva County consistently ranks among Croatia's top destinations by number of overnight stays.

## 2.2 Impact on Real Estate Prices

Tourism has a strong and direct impact on apartment prices in Dubrovnik:

- High seasonal demand from tourists for accommodation through short-term rental platforms (Airbnb, Booking) significantly drives up market prices
- The tourism sector encourages growth of luxury and premium properties for tourist rentals, reducing availability for the local population
- Rental operators report growth of up to 67%
- Concentration of tourists during summer months significantly increases rental value and attractiveness
- Dubrovnik is expected to become one of the most densely populated tourist destinations in Europe by 2030

## 2.3 Rental Income Potential

- High rental yields, especially during the summer season
- Extended season: growth in pre- and post-season arrivals indicates potential for higher annual occupancy rates
- Studio apartments in coastal cities like Dubrovnik: €550-650 monthly for long-term rentals
- Short-term tourist rentals: significantly higher income, but subject to seasonal fluctuations

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# 3. Regulatory Framework and Legislative Changes

## 3.1 New Laws Effective January 1, 2026

Three key laws came into effect on January 1, 2026, bringing significant changes to the construction sector:

1. **Construction Act**
2. **Spatial Planning Act**
3. **Energy Efficiency in Building Construction Act**

## 3.2 Key Provisions of the New Legislative Framework

**Acceleration of building permit issuance:**

- Issuance of building permits will no longer take longer than 30 days, particularly benefiting those building family homes
- For less complex buildings, a building permit can now be issued based only on a preliminary project
- Approximately 90% of all building permits in Croatia relate to family homes

- The procedure for obtaining a use permit has also been simplified

#### **Complete digitalization:**

- From January 1, 2026, all plans are developed digitally in the ePlans system
- All plans are developed according to the same standard, are transparent, publicly available, and connected to the ePermits system

#### **Stricter penalties for illegal construction:**

- Fines for illegal construction range from €20,000 to €30,000[9]
- The law introduces penalties up to €10,000 for unapproved activities such as short-term rentals, unauthorized balcony enclosures, or installation of air conditioning units on street-facing facades

#### **Specific restrictions for coastal and tourist zones:**

- New construction zones will not be permitted without existing infrastructure on current parcels
- Limitation on expansion of construction zones to protect natural and urban environments
- Measures against excessive development of tourist zones

### **3.3 Legalization of Illegally Constructed Buildings**

In January 2026, the Government adopted amendments to the Act on Proceeding with Illegally Built Buildings:

- Amendments allow legalization of buildings constructed before June 21, 2011
- All buildings constructed without required building permits after June 21, 2011 cannot be legalized
- The time limit for submitting legalization requests has been abolished (previous deadline was June 30, 2018)
- Legalization is not possible on maritime property, in nature parks, infrastructure corridors, on state, forest and water land, and archaeological sites, protected cultural heritage, UNESCO protected areas.
- The area where legalization is not possible has been expanded, including buildings in zones designated as planned infrastructure corridors by spatial plans

### **3.4 Implications for Investors**

- **Positive:** Faster permit issuance reduces administrative time and costs for new projects
- **Positive:** Digitalization increases transparency and reduces bureaucracy
- **Risk:** Stricter penalties require full compliance with regulations - careful due diligence is necessary
- **Risk:** Restrictions in coastal and tourist zones may reduce availability of building land
- **Caution:** Purchasing properties without complete documentation or with illegally constructed parts carries significant legal and financial risk

- Foreign buyers: Introduction of stricter consent conditions and increased taxation for properties not used as permanent residences

## 4. Macroeconomic and Market Outlook

### 4.1 Price Growth Projections for 2026

Area	Expected Price Growth 2026
Dubrovnik	4% - 6%
Split	4% - 7%
Coastal regions (general)	5% - 7%
Urban metropolitan areas	4% - 6%
Secondary cities	3% - 5%

Table 2: Real estate price growth projections in Croatia for 2026

#### Factors supporting growth:

- Limited supply in central and coastal locations
- Strong international demand for coastal apartments
- High rental attractiveness due to tourism and digital nomads
- Strict building regulations support long-term value
- Mortgage interest rates in Croatia were around 3% at the end of 2025, keeping borrowing costs acceptable

#### Market pressure factors:

- The Croatian government has announced policy measures to curb real estate prices, which could introduce restrictions on speculative demand in Dubrovnik
- Asking prices on major Croatian portals peaked in early 2025 but pulled back slightly by November, signaling that the Dubrovnik market may be reaching an affordability ceiling
- Availability of apartments for the local population is increasingly declining due to conversion to tourist rental units

### 4.2 Interest Rates and Financing

- Mortgage rates around 3% at the end of 2025[5]
- Relatively favorable borrowing conditions compared to other European markets
- Financing availability for foreign buyers may vary depending on the bank and creditworthiness

## 4.3 Infrastructure Development

- Investments in Dubrovnik airport aimed at improving passenger processing can further support property values by enhancing tourist accessibility
- Croatia prioritizes eco-projects aligned with EU climate goals
- Expansion of electric vehicle charging infrastructure - more than 1,500 stations installed by mid-2024, with annual growth of 40% since 2020
- The government targets a station every 60 km on major roads by 2025

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# 5. SWOT Analysis - Real Estate Investment in Dubrovnik

## 5.1 Strengths

- **UNESCO World Heritage:** Dubrovnik's Old Town is a globally recognized tourist magnet
- **Stable market:** Continuous price growth over the past decade (+62% from 2014 to 2024)
- **Strong tourist demand:** 21.3 million arrivals in Croatia in 2024, Dubrovnik among top destinations
- **Limited supply:** Geographical constraints and strict regulations limit new construction
- **High rental yields:** Especially in the luxury segment and short-term rentals
- **Modern infrastructure:** Airport improvements, digital transformation of administrative processes
- **Favorable regulatory framework:** New laws accelerate permit issuance (30 days)

## 5.2 Weaknesses

- **High entry prices:** Among the most expensive in Croatia (€4,700-5,750/m<sup>2</sup>)
- **Seasonal fluctuations:** High dependence on summer tourist season
- **Limited availability:** Difficult to find quality properties at reasonable prices
- **Negotiation discounts:** Most transactions below asking price (5-12%)
- **Time to sale:** Average 75-110 days, can be longer for overpriced properties
- **Strict regulatory oversight:** Penalties up to €30,000 for violations
- **Pressure on local community:** Decreased availability of apartments for permanent residents

## 5.3 Opportunities

- **Extended tourist season:** Growth in pre- and post-season arrivals (+11% and +10.3%)
- **Luxury segment:** Increased demand for villas and premium properties
- **Digital nomads:** New demographic group seeking long-term rental options
- **EU funds:** Availability for sustainable projects and infrastructure improvements
- **Renovation of historic properties:** High demand for authentic properties in the Old Town
- **Green transition:** Investments in energy-efficient buildings
- **Integrated development:** Sustainable development programs for the city of Dubrovnik

## 5.4 Threats

- **Regulatory changes:** Government measures to curb prices and limit speculative demand
- **Affordability ceiling:** Market may be reaching the limit of sustainable high prices
- **Overtourism:** Pressure on ecosystems, congestion, risk of tourism restrictions
- **Climate change:** Risks from natural disasters (floods, coastal erosion)
- **Economic uncertainty:** Global economic crises may reduce tourist demand
- **Increased penalties:** Stricter sanctions for short-term rentals and building violations (up to €10,000)
- **Competition from other destinations:** Alternative Mediterranean locations may attract investors
- **Tourism sustainability:** Dubrovnik could become among the most densely populated tourist destinations by 2030, potentially leading to restrictions

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# 6. Key Risks and Mitigation Measures

## 6.1 Legal and Regulatory Risks

### Risks:

- Incomplete or non-compliant property documentation
- Illegally constructed parts of the building
- Legislative changes restricting short-term rentals or increasing tax burden
- Strict penalties for violations of construction and tourism regulations

### Mitigation measures:

- Engage an experienced local lawyer for thorough due diligence of all properties
- Verify that all building permits, use permits, and ownership documents are in order

- Verify compliance with spatial plans and urban planning provisions
- Ensure that the property can be legally used for the intended purpose (residence, tourist rental)
- Monitor legislative changes and adjust strategy as needed

## 6.2 Market Risks

### Risks:

- Decline in tourist demand due to economic crisis or pandemic
- Reduction in rental yields due to increased competition
- Stagnation or decline in property prices
- Reaching affordability ceiling

### Mitigation measures:

- Portfolio diversification - combination of long-term and short-term rentals
- Focus on quality locations with sustained demand (Old Town, Lapad, Babin Kuk)
- Investing in the premium segment which is more resilient to market fluctuations
- Maintaining financial reserves for periods of lower income
- Long-term perspective - historical data shows continuous growth over 10+ years

## 6.3 Operational Risks

### Risks:

- High maintenance costs for historic properties
- Need for constant management of tourist rental properties
- Seasonality of income
- Language and cultural barriers for foreign investors

### Mitigation measures:

- Engage a professional property management agency
- Include realistic maintenance and renovation costs in financial projections
- Extend the season by diversifying the target guest group (digital nomads, business travelers)
- Collaborate with reliable local partners and consultants

## 6.4 Financial Risks

### Risks:

- Changes in mortgage interest rates
- Currency exchange rate fluctuations (EUR/USD, EUR/GBP)
- Unexpected taxes or levies

- Overpriced properties - paying more than market value

#### **Mitigation measures:**

- Fix interest rates where possible
- Hedge currency risks for foreign investors
- Detailed market research before purchase - comparison with comp sales
- Engage an independent appraiser to determine real market value
- Negotiate - room for 5-12% discount

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## **7. Recommendations and Conclusions**

### **7.1 General Recommendations for Investors**

1. **Thorough Due Diligence:** Detailed verification of all legal, technical, and financial aspects of the property before purchase is absolutely essential
2. **Location, Location, Location:** Focus on areas with proven demand - Old Town, Ploče, Lapad, Babin Kuk
3. **Luxury and Premium Segment:** Best performance shown by villas, apartments with sea views, and historic properties
4. **Long-term Perspective:** The Dubrovnik market is most suitable for investors with a 5-10+ year horizon
5. **Professional Support:** Work with experienced local professionals - lawyers, agents, property managers
6. **Regulatory Compliance:** Strict adherence to all construction, tourism, and tax regulations to avoid penalties
7. **Sustainable Approach:** Consider energy-efficient and environmentally acceptable projects aligned with EU goals
8. **Strategy Diversification:** Combine short-term tourist rentals with long-term rental options for more stable income

### **7.2 Best Investment Opportunities in 2026**

- **Renovation of historic properties:** Properties in the Old Town with renovation potential
- **New construction in attractive locations:** Utilizing the simplified permit procedure (30 days)
- **Premium villas in coastal zones:** Lapad, Babin Kuk, Ploče - strong demand, faster appreciation
- **Energy-efficient projects:** Possibility of accessing EU funds and state subsidies (up to 33% for renovations)
- **Short-term rentals for digital nomads:** Growing segment with demand for quality accommodation year-round

## 7.3 Areas of Special Caution

- **Legalization:** Avoid properties with illegal building parts or incomplete documentation
- **Overtourism:** Monitor possible future restrictions in the most popular zones
- **Political risks:** Regulatory changes aimed at curbing prices or limiting short-term rentals
- **Affordability ceiling:** Be cautious about paying peak prices - the market shows signs of slowing growth

## 7.4 Conclusion

Dubrovnik remains a very attractive destination for real estate investment in 2026, supported by strong tourism, limited supply, and continuous price growth over the past decade. The city offers diverse opportunities, from luxury villas and historic properties to modern apartments for short-term rentals.

However, investors must be aware of growing risks: stricter regulations, high entry prices, potential government restriction measures, and sustainability challenges of overtourism. Success in this market requires:

- Detailed knowledge of the local market and regulations
- Professional approach to the due diligence process
- Long-term investment strategy
- Flexibility to adapt to changing market conditions
- Focus on quality, location, and regulatory compliance

For investors willing to approach the market with due diligence, strategic planning, and professional support, Dubrovnik can provide solid returns and long-term capital appreciation in one of the most beautiful cities in the Mediterranean.

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