

**Research &
Forecast Report**

Bulgaria | Residential Real Estate Market
2015



Residential Market Overview



Accelerating success.



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“Completed transactions in mid-plus and high-end compounds grew by 25% in 2015 compared to 2014.”

“Pre-sales were 37% from all deals, transactions of 3-bedroom apartments and houses doubled on an annual basis.”

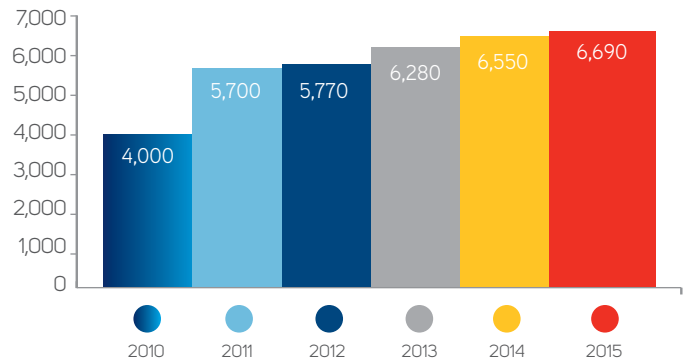
„Construction of eight compounds commenced in 2015, completion of another seven is due in 2016, widening the variety of choices available to buyers”

“The average discount shrank from 9% to 5% in 2015”

Supply

Mid-plus and high-end residential market in Sofia marked a 2% increase in stock in newly completed projects. The number of residential units totaled to 6,690 (apartments / row or single houses), concentrated in 50 projects in Sofia (located mainly in the Southern neighborhoods and at the foot of Vitosha Mountain). (Fig.1)

Fig 1. Number of residential units in mid-plus and high-end market



The high levels of demand and the insignificant increase in supply led to a decline in vacant residential properties by 2% on annual base or 11% of the total volume.

Seven compounds or 350 residential units in mid-plus and high-end market are anticipated in 2016. Construction of another 8 (about 420 units) started in 2015, situated predominantly in Southern parts of Sofia.

Demand

The shortage of quality product and the high level of demand led to a come back to pre-sales transactions, which took an impressive share of 37%. Buyers prefer to trust developers, experienced in the segment and with secured financing. Portfolio size and existence of previous projects are considered as an advantage, but not necessarily a must.

25% year-on-year growth in the number of transactions was registered in 2015. The sales of three-bedroom apartments and houses doubled, whereas the two-bedroom apartments were less on demand, registering a 42% decline.

The buyer profile remained unchanged – married or living with partner, with one or more children, at a managerial level or having own business. Purchases of a first home in a compound and a subsequent demand for a larger one have been increasingly observed.

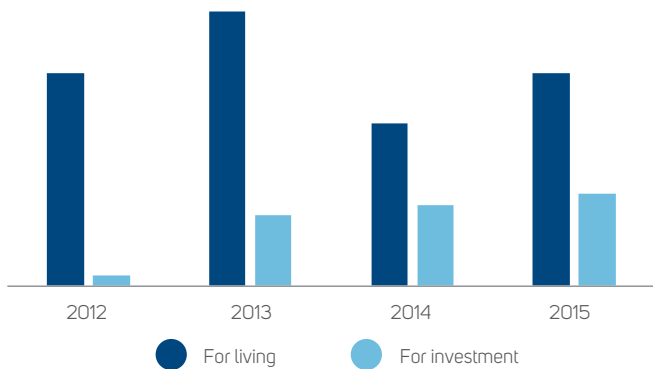
Demand characteristics showed no variation both in terms of buyer profile and property requirements. Quality of social and living environment, construction quality, functional layouts of the premises, location, infrastructure, fast and easy access were still on top of the wish list. Major selection criteria were social environment factor, affected by the availability of green areas, feeling of spaciousness and additional services

provided in the compound. Growing attention towards the comfort of the property, the size of the premises and the number of service rooms was seen in 2015.

The buyer became better prepared, having a clearer vision regarding the desired purchase. Despite the improved numbers of pre-sale transactions, the preferences in 2015 were still inclined towards completed or almost completed properties. By the end of the year the supply of finished high quality product remained scarce.

The low interest rates did not motivate buyers to use mortgage lending more often as a source of financing purchases, which was demonstrated by the figures dropping from 33% in 2014 to 27% in 2015. The properties, bought for investment purposes, kept their share of 30% from the total, continuing the trend from 2013 onwards. This type of investment kept its appeal over a bank deposit as properties have a long-term value and a higher return. (Fig. 2)

Fig 2. Purpose of purchasing a home



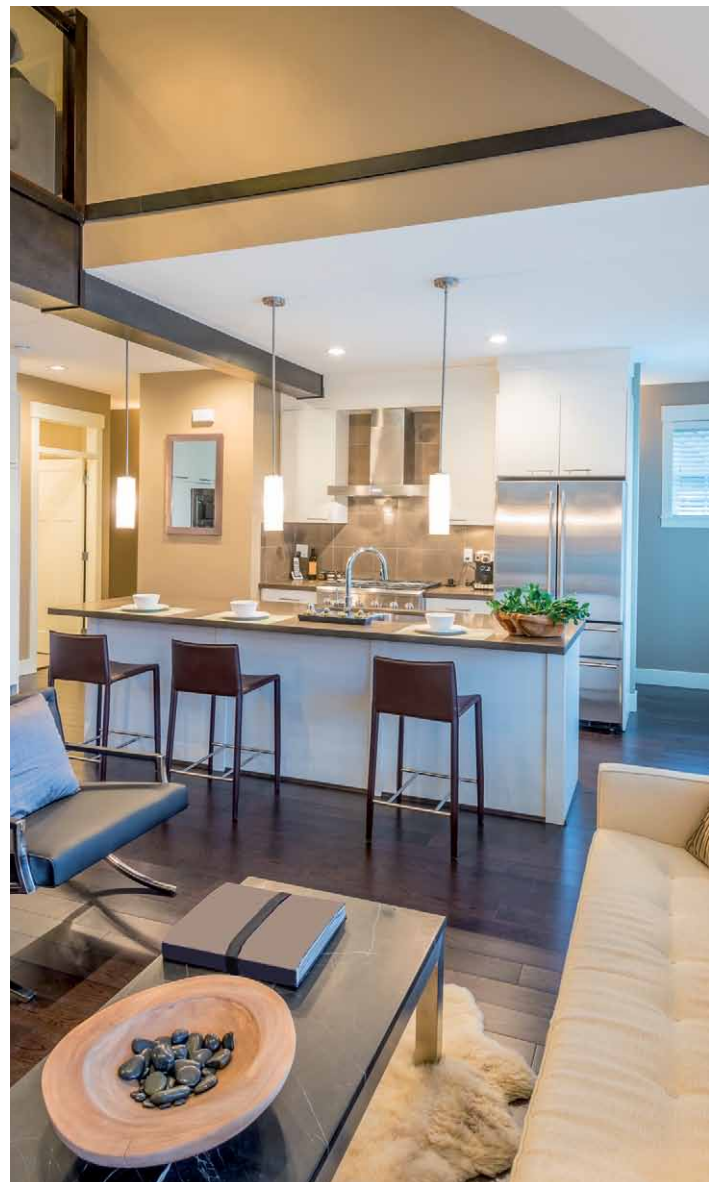
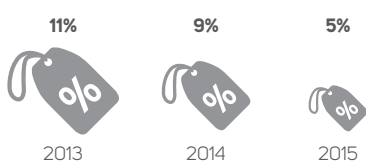
Price

Asking prices for mid-plus and high-end residential units registered a 5% year-to-year growth, due to the shortage of a high quality product. They were in the range of 850-1,500 euro per m2 including VAT, depending on the location, specific characteristics of the compound and additional services provided.

The prices in 2015 on the mid-plus and high-end residential market were in the range of 150,000 – 170,000 euro for a two-bedroom apartment, 200,000 - 230,000 euro for a three-bedroom one, above 250,000 euro for a row house and above 350,000 euro for a single house (transaction price with parking space/ garage included), depending on the type, size, facilities and location.

The difference between asking and final price continued to shrink, reaching 5% in 2015 due to a combination of limited supply and high levels of demand. (Fig.3)

Fig 3. Discount rate



Forecast

- » For the mid-plus and high-end residential market in 2016 expectations are:
 - » Pre-sale transactions to continue;
 - » Interest towards residential properties with spacious layouts to remain;
 - » The high demand to result into a wider project pipeline;
 - » Prices to stand at levels comparable to those of 2015.

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€1.75

billion in
annual revenue

160

million square meters
under management

16,300

professionals
and staff

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