

**Research &
Forecast Report**

Bulgaria | Residential Real Estate Market
2016



Residential Market Overview

Accelerating success.

HIGHLIGHTS

"Residential property prices increased by 9%."*

"Pre-sale deals climbed to 57% of all transactions"

"17 projects are presently under construction, out of which 10 are scheduled for completion in 2017."

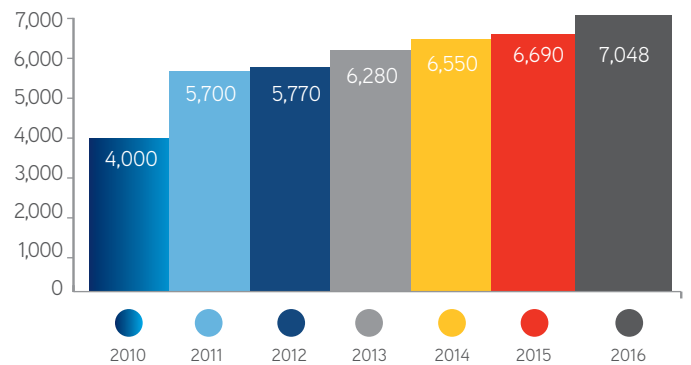
"The average discount in 2016 shrank to -2.7%"



Supply

2016 saw a 5% increase in the number of completed residential projects. Total supply reached 7,048 units (apartments, row or single houses), concentrated in 57 projects. The neighborhoods in the southern parts of Sofia and at the foot of the Vitosha Mountain remained the most popular. (Fig. 1).

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



High levels of demand and insufficient supply distilled into a consistent 2% annual decline in the vacancy rate of residential properties, ending the year at 9% of the total volume.

17 projects with 1,650 units were in the process of construction through 2016, out of which 10 are scheduled for completion in 2017. Developers announced 13 more compound projects, adding to the future supply pipeline.

Demand

The trend towards pre-sales continued over the year. The share of these transactions grew significantly - from 37% in 2015 to 57% in 2016. Insufficient supply of completed quality residential product saw this pre-sale proportion grow. The higher level of comfort that buyers now have when buying real estate from experienced developers added to the momentum.

Buyer focus towards three-bedroom apartments remained high in 2016, while the sales of two-bedroom units grew 14%. A large number of deals for smaller-space units for investment purposes drove the latter's growth.

Colliers International observed a growing interest in apartments with pertaining yards/gardens. These are residential units, part of compounds, located on the ground building levels with their own private yard/garden. Often these apartments were the first to sell in most of the projects Colliers International was working on in 2016.

The typical buyer profile remained unchanged - married or living with a partner, having one or two children, either employed in a managerial position or a private business owner. The criteria for property selection continues to be quality of construction, social environment, functional

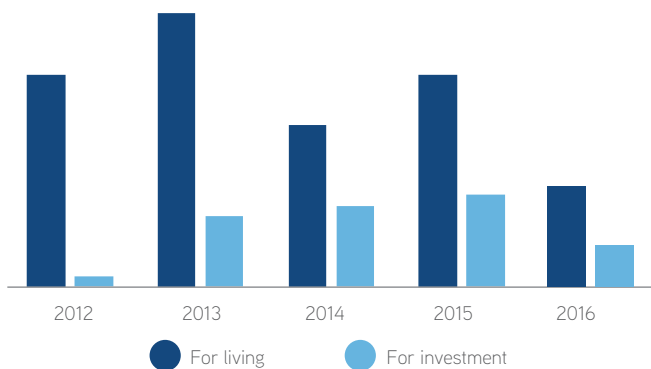
* The report covers the mid-plus and high-end residential market in Sofia

layouts of the premises, location, infrastructure, fast and easy access.

The proportion of clients who obtained a property through a bank loan grew in 2016, reaching 50%. This compares to 27% and 33% in 2014 and 2015 respectively. Increased flexibility of bank institutions concerning this type of lending drove this acceleration.

Residential real estate investment yields preserved their attractiveness in comparison to bank deposits. The share of property, bought for investment purposes, maintained itself at the level, seen in the previous two years and stood at 29%. Respectively, in most of these cases, clients financed their purchases almost entirely through private resources, as opposed to bank loans (Fig. 2).

Fig 2. Purpose of purchasing a home

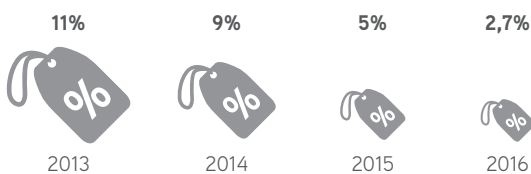


Price

Asking prices for mid-plus and high-end residential units registered a 9% year-to-year growth in 2016. These were in the range of EUR 900 - 1,550 per sqm including VAT, depending on the characteristics of the compound and the specific negotiated terms. Average prices for the most sought-after property – a two-bedroom apartment, in 2016 stood in the range of EUR 160,000 - 175,000. Single houses sold for about EUR 360,000.

The discount between asking and contracted price continued to shrink, reaching – 2.7% in 2016. Among the explanations is the fact the investors have begun to define their pricing strategy so that it more adequately reflects market conditions. Numerous cases of buyers not negotiating over this parameter at all confirmed this trend (Fig. 3).

Fig 3. Discount rate



Forecast

- » Pre-sale deals to keep their growing share in all transactions.
- » Investment sales to increase due to the better market conditions.
- » Units with spacious and flexible layouts are likely to continue to be preferred.
- » The construction of seven new projects announced to start in 2017.
- » Investors to keep a focus on the quality of the offered product and its competitiveness.
- » Buyers to demonstrate preferences towards projects built in accordance with international standards for sustainable construction.
- » Prices set to remain stable.

PREMIUM RESIDENTIAL
PROPERTY AT

▲
THE ZENITH



The Zenith is launching now!

- Quality construction materials
- Desirable residential location - Boyana
- Professional property management
- Resident services – 24/7 security, concierge, house-keeping, grocery shopping
- Regular shuttle bus service to the city centre



THE ZENITH

- Exclusive residential compound
- 3 buildings with spacious 3- and 2-bedroom apartments
- Variety of available configurations and layouts
- Individual parking places and storage rooms
- Playgrounds and magnificent gardens

The Location

● One of the most sought after locations in Sofia – at the foot of Vitosha Mountain, near Boyana Residence

● Boyana is among the neighborhoods with the highest prices for high-quality residential property

● A few minute drive to the city centre

● Fresh mountain air and wide-open stunning views of the mountain

● Restaurants, supermarkets, shopping malls, pharmacies, dry-cleaning services, cafés in close proximity

The Services

● Experienced professional property management

● 24/7 security and concierge service

● House-keeping and grocery shopping, available on request

● Regular shuttle bus service between the city centre and The Zenith

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THE DEVELOPERS

The Zenith is a unique project between two leading European developers - Euroterra Capital and Euroterra Bulgaria.

Euroterra Capital, headquarters in Marylebone, London, is a leading global real estate investment and development firm. Since inception in the 1980's, they have successfully cemented their name as one of the most esteemed developers in Europe. At present, they have developed approximately 2,000,000 square feet of residential and commercial space across Europe.

Euroterra Bulgaria, based in Sofia, covers a spectrum of projects in the residential and commercial development area. Euroterra Bulgaria's commercial real estate assets are subject to tenancies from leading international brands and financial services firms, such as ZARA, H&M to mention a few.

With the development and project management expertise of Euroterra Capital, combined with the extensive local sector knowledge of Euroterra Bulgaria, we are able to produce exceptional living space.

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554 offices in 66 countries on 6 continents

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€2.34

billion in
annual revenue

186

million square meters
under management

16,000

professionals
and staff

About Colliers International

Colliers International is a global leader in commercial real estate services, with over 16,000 professionals operating out of more than 554 offices in 66 countries. The company operates in Bulgaria since 1991 and delivers a full range of services to real estate users, owners and investors worldwide. Presently Colliers represents some of the most innovative and professionally planned projects in all market segments, including office, retail, logistics, industrial and residential. As of June 2015, Colliers is an independently owned company. The common shares of Colliers International Group Inc. trade on the NASDAQ under the symbol "CIGI" and on the Toronto Stock Exchange under the symbol "CIG".

As part of the CEE Quality Awards 2016 Colliers won for the fifth time in a row the Industrial agent of the year award. The latest annual survey by the Lipsey Company ranked Colliers International as the third-most recognized commercial real estate firm in the world.

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Accelerating success.