



SOFIA

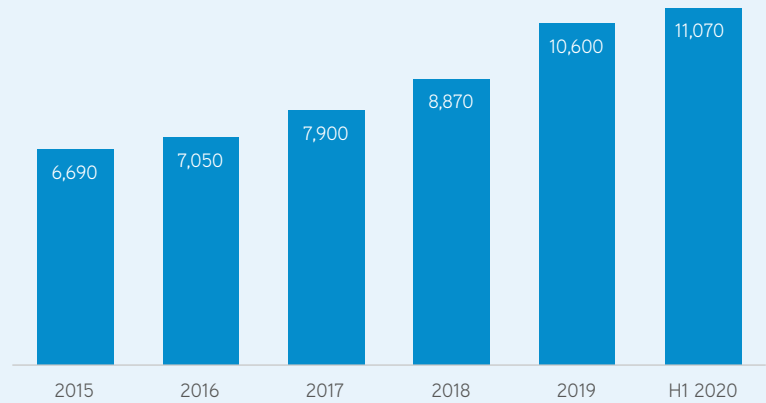
# RESIDENTIAL

## MARKET OVERVIEW

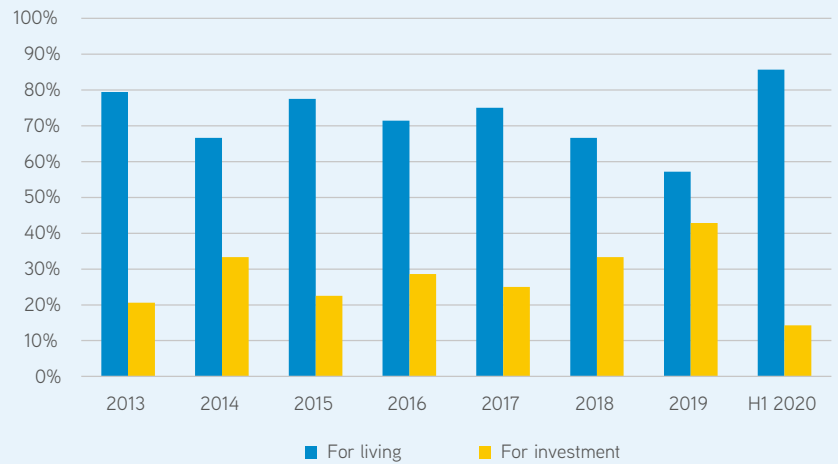
H1 | 2020



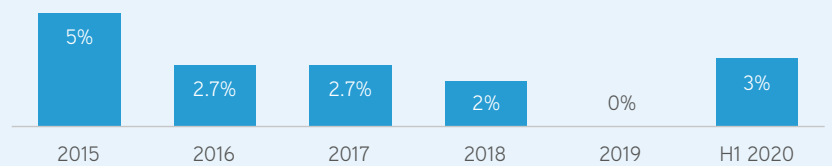
**FIG. 1: NUMBER OF RESIDENTIAL UNITS IN THE MID-PLUS AND HIGH-END MARKET**



**FIG. 2: PURPOSE OF PURCHASING A HOME**



**FIG. 3: AVERAGE DISCOUNT RATE**



# SUPPLY

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- The mid-plus and high-end residential market registered 4% growth of the completed projects. Thus, the total supply in the segment marginally exceeded 11,000 (apartments / row or single houses), mainly concentrated in the southern neighborhoods and the foothills of Vitosha. (Fig.1)
- 4% decrease in the supply of residential units under construction was recorded compared to the second half of 2019, resulting into a total stock of 3,800.
- Vacancy rates continued to decline steadily and fell from 5% to 4% in the first half of 2020.

# DEMAND

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- The coronavirus pandemic triggered a change in the mid-plus and high-end segment, shifting it to buyer's market. Demand drivers for the period remained the same - the need for a larger residential property or a real estate investment appetite.
- On the buyers' radar were residential units in an advanced stage of construction or completed with Act 16. The strongest interest was registered in the following types of properties - apartments with 2 or 3 bedrooms, apartments on the ground floor with courtyards and villas near Sofia.
- Banks slowed down the provision of mortgage loans, increasing their selectivity towards borrowers, their profile, loan-to-value ratio and collateral.
- Some buyers preferred to monitor the development of the coronavirus pandemic before making a residential property purchase. This had a positive impact on the rental market toward increased demand by both Bulgarian and foreign citizens
- During the reported period transactions with properties, purchased for investment purposes, were 15% of all, which was a significant decrease compared to 2019, when their share was about 40% (Fig.2)

# PRICE

Average sales and rental price remained stable:

#### Average sales price\*\* for:

- two-bedroom apartment: 145,000 – 180,000 euro
- three-bedroom apartment: 210,000 – 250,000 euro
- row house: 250,000 – 420,000 euro
- single house: above 450,000 euro.

#### Average rental price\*\*\* for:

- Two-bedroom apartment: 950-1,200 euro
- Three-bedroom apartment: 1,300 – 1,600 euro
- House: above 2,000 euro.

The difference between asking and purchase price varied depending on whether the property was ready for use or under construction. The average discount was 3% in the first half of 2020. (Fig. 3)

# FORECAST

- Supply is expected to shrink. It is likely that some sellers postpone the sale of their properties until the containment of the pandemic.
- Projects that are scheduled to start construction in 2020 could potentially be delayed or suspended until next year. This will reduce supply in the short term and keep prices at their current level.
- Buyers of properties under construction are likely to benefit from more flexible payment schemes. Entrepreneurs, who fail to achieve the planned sales volume, before receiving Permit to Use, could apply discounts in prices between 5% - 10%.
- Private individuals, who seek to sell faster, are expected to reduce their offering prices in order to increase the attractiveness of their properties.

#### Definitions:

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

\*\* Including VAT and a parking lot

\*\*\* Including VAT



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