



Sofia

Residential Market Overview

H1 2021

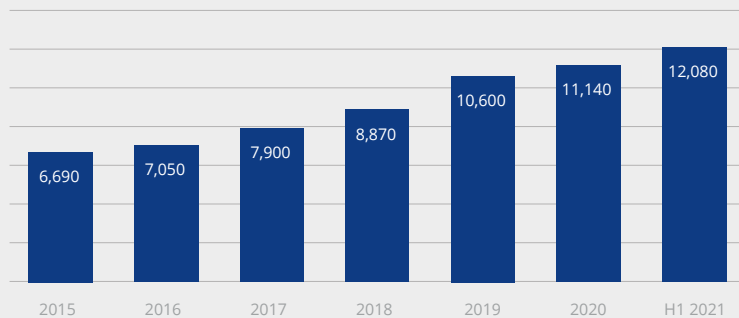
Supply

- The supply in mid-plus and high-end residential market* recorded an 8% growth of the new completions. Thus, the total stock in the segment was just over 12,080 (apartments/row or detached houses), concentrated mainly in the Southern districts and the foot of Vitosha mountain. (Fig.1)
- There was a 9% decrease in the supply of residential units under construction compared to the second half of 2020, resulting into a total of 3,560 properties in the monitored segment. The trend for reduction of the number of projects launching construction persisted.
- With respect to residential properties with use permit vacancy continued to shrink, from 4% to 3%.

Demand

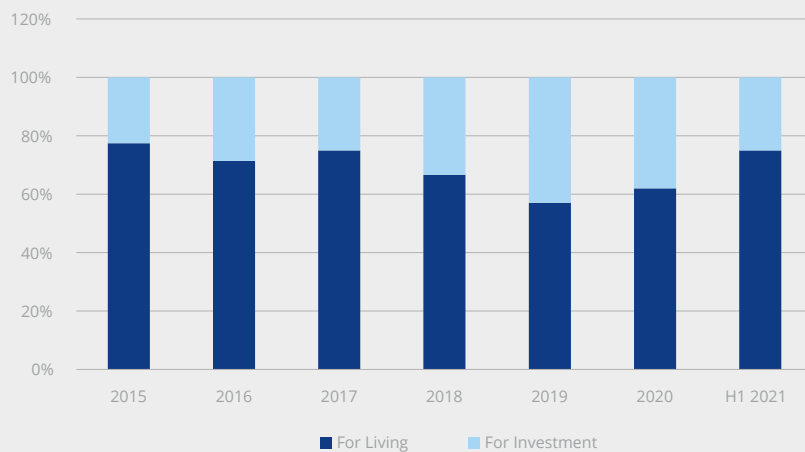
- High levels of demand characterized the first half of 2021 – the property types attracting highest interest were houses with 3 bedrooms, ground floor apartments with courtyards and villas near Sofia.
- Newly built residential properties continued to be preferred by buyers. Transactions were also concluded at early construction stages as with the progression of the development choices became more limited.
- Purchasers readjusted to the new reality and approached property selection pragmatically, assessing their needs and opportunities and making decisions relatively quickly. The predominant part of buyers were young people and families with a grasp on technology and ecological values, oriented towards easily accessible areas within nature, offering good quality of life, sports areas and property management services.
- Residential market activity was largely tied to bank policy. Record low interest rates on loans stimulated purchases with mortgage credit. Savings were rising, but zero interest rates on deposits and the policy of some banks to charge funds above certain threshold, stimulated property investment.
- Another trend that determined the dynamics and growth of the market in the first half of the year, was the aspiration to move to a larger residential unit. As a result of the pandemic measures, the demand for a home with more rooms increased, so that there is space for all family members who study or work from home.
- During the period under review, transactions with investment properties accounted for 25% of the total. (Fig.2)

Figure 1: Number of residential units in the mid-plus and high-end market



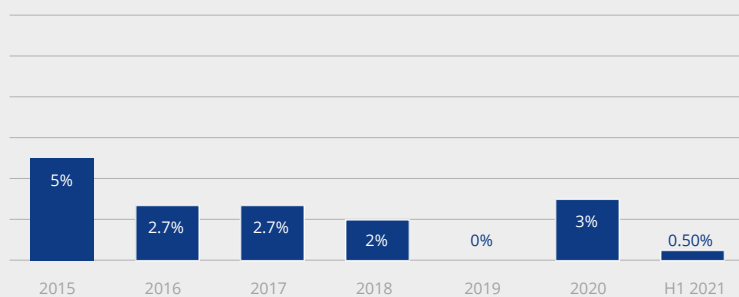
Source: Colliers International

Figure 2: Purpose of purchasing a home



Source: Colliers International

Figure 3: Average Discount



Source: Colliers International

Prices

Active demand and a temporary reduction in supply, as a consequence of the health crisis, led to an 8% increase in sale prices:

Average sales price for:**

- two-bedroom apartment
156,000 – 194,000 euro;
- three-bedroom apartment
226,000 – 270,000 euro;
- row house
270,000 – 453,000 euro;
- single house –
above 486,000 euro.

Average rental price remained stable:

Average rental price* for:**

- two-bedroom apartment
950 – 1,200 euro;
- three-bedroom apartment
1,300 – 1,600 euro;
- house – above 2,000 euro.
- Gap between property asking and purchase price almost vanished - less than 1% in the first half of 2021 (Fig. 3).

Forecast

- It is expected that demand will outpace supply, due to its high levels and the slower pace of new construction in the second half of the year.
- The rising prices of construction materials could affect the start of some projects, postponing them until next year. In the short term, this will lead to a decline in supply and higher prices.
- Within newly built residential complexes with houses there is a trend to go from larger to more compact houses, according to the specific needs of the family.
- Elements of “sustainable” construction will become more prevalent within contemporary residential projects. Renewable energy sources are commonly applied and will contribute to utility cost optimization.

Definitions:

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

** Including VAT and a parking lot

*** Including VAT

For more information

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