



Sofia

# Residential Market Overview

H1 2022

## Supply

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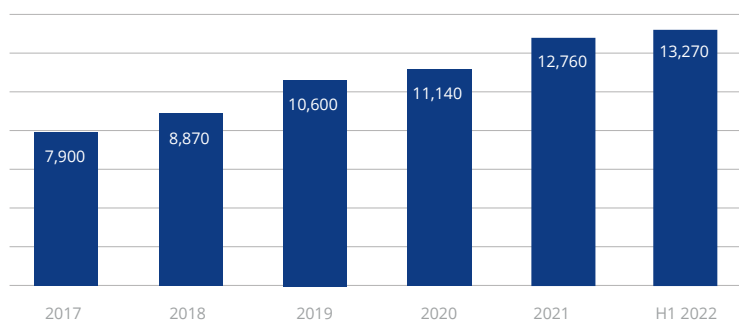
- In the first half of 2022, the supply of mid-plus and high-end residential market saw a 4% growth, leading the number of residential units to 13,270. Larger part of the new supply was realized in the first quarter of the year, while the dynamics in the second one was subdued by the war in Ukraine and the disrupted supply chain of building materials. (Fig. 1)
- For the first time, since the end of 2020, an increase in projects under construction was recorded, comprising a total of 3,800 residential units. Larger shared premises (living and dining rooms) and dedicated home office areas have become typical to the interior planning of new properties.
- Freeze of property offers was another trend observed about some projects under construction. The reasons were constantly changing construction material costs and supply challenges, which made developers cautious in their price calculations.
- Vacancy rates in existing developments remained stable, after a marginal fall at the start of the year - 2% of the total stock.

## Demand

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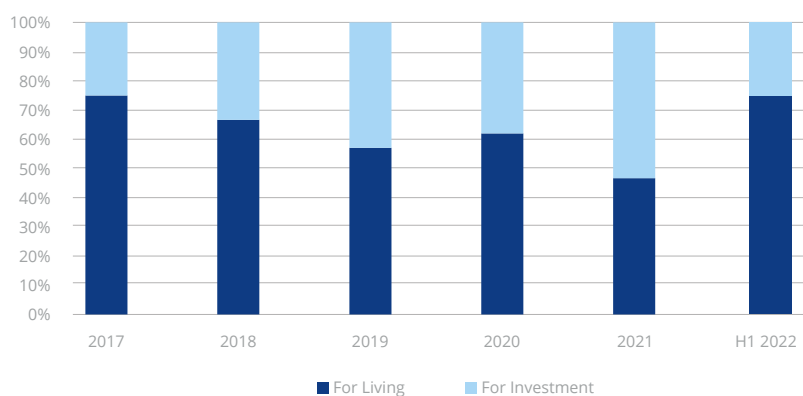
- The highest sales volume was recorded for 3-bedroom apartments, followed by 2- bedroom apartments and houses. Existing demand was predominantly focused on owner-occupation (75% of all transactions) versus investment. Mid-plus and high-end residential market dynamics was defined by the desire to move into a larger home. (Fig. 2)
- The demand levels for newly built properties slowed down as most buyers took a wait-and-see approach due to the geopolitical and economic challenges.
- The number of enquiries for purchasing a property by foreign nationals living in Bulgaria increased, driving upwards the sales volumes of completed residential units, bought by this buyer profile.

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



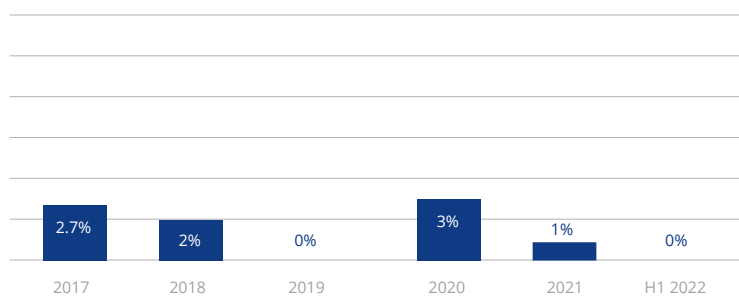
Source: Colliers

**Figure 2: Purpose of purchasing a home**



Source: Colliers

**Figure 3: Average Discount**



Source: Colliers

## Prices

Average sales price remained stable in the first six months of 2022.

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

- two-bedroom apartment: €180,000 – €230,000
- three-bedroom apartment: €240,000 – €300,000
- row house: €320,000 – €450,000
- single house: over €486,000.

Average rental prices\*\*\* registered an 8% increase due to higher levels of demand. The main driver was the relocation of companies'

operations from Russia and Belarus, as well as the withdrawal of employees from Ukraine.

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

- two-bedroom apartment: €1,000 – €1,300
- three-bedroom apartment: €1,400 – €1,700
- house: over €2,150.

The gap between asking and selling price melted. In most of the cases developers did not provide discounts from the offered price. (Fig. 3)

## Forecast

- The rise in interest rates by the Federal Reserve (FED) and the European Central Bank (ECB) are foreseen to lead to a contraction in economic activity, which will most likely be felt in the early autumn. Larger projects in the planning and construction phases will be impacted the most. The potential cooling of buyer interest will balance the market, which saw a shortage in supply over the recent years.
- The nascent development of built-to-rent investment market in CEE, especially in Poland and Czech Republic, provoked interest in Bulgaria, as well. By definition, built-to-rent (BtR) is a term for residential units built specifically for long-term renting. The properties are professionally maintained and managed by the owner or operator of the building. The first projects of this type are already a fact in Bulgaria. In the medium term, this still undeveloped market niche has a good development potential.
- Average rental rates in the segment are expected to hold and the sales prices - to slow down.

Definitions:

\*The subject of the report is mid-range and high-end housing in the city. Sofia

\*\* Including VAT and parking space

\*\*\* Including VAT

## For more information

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