



RESIDENTIAL REAL ESTATE MARKET

SOFIA | FIRST HALF 2011

Accelerating success.

The market of mid-plus and high-end residential properties might become qualitatively undersupplied

No new large-scale projects have entered the mid-plus and high-end residential pipeline in 2010

Research clearly points to safety as the most important driver when selecting a home in a compound

SUPPLY

The amount of residential units in the mid-plus and high-end of the market is estimated at 3,000-4,000 in the greater Sofia area. This includes projects with predominantly more than 50 units (apartments/row houses/houses) located in prime and emerging neighborhoods in Sofia – both finished and in final stages of construction.

By Colliers definition, the mid-plus and high end market includes residential projects characterized by a clear concept at an attractive location, good quality of the construction, convenient access, green areas, effective layouts, ample parking, good surrounding infrastructure, property management services, and availability of amenities within the project or in close proximity.

In terms of location, the majority of the mid-plus and high-end residential units (when referring to projects) are situated in the southern neighborhoods and in Iztok. The genuine new supply of mid-plus and high-end projects is small compared with the overall stock on the market, and must hence be considered a niche. Many of the projects are developed as so-called gated communities (compounds).

No new large-scale projects have entered the mid-plus and high-end residential pipeline in 2010, and as the current stock is gradually absorbed, available supply is becoming scarcer. Having in mind that a medium-size residential project takes up to 3 years from initiation to completion, it is likely that this segment of the market becomes qualitatively undersupplied in the coming years. Thus, potential buyers might experience that the selection of appropriate properties gets smaller. There is little doubt also that developers will take advantage of the gap between supply and demand, and adjust prices to new market conditions.

As most residential properties in this market are bought for personal usage, only few units are currently resold.

DEMAND

Demand for residential real estate is growing in maturity with increasing segmentation of the market. Buyers of mid-plus and high-end properties have high expectations and requirements and prefer new projects offering an attractive standard of living.

Research points to safety as the most important driver when selecting a home in a compound. Safety is followed by quality of the property and the maintenance of common areas as the demand factors. Large, green areas and the availability of parking solutions complete the list of priorities for buyers in this segment. This is hardly surprising as these elements are conspicuously missing in the vast majority of the Sofia residential inventory. Buyers are often attracted by neighbors with a similar lifestyle, and thus new communities are being formed within the developments.

In the mid-plus and high-end segment most transacted units are 3-5 BR apartments as well as single family houses.

The typical profile of a buyer in the mid-plus and high-end segment is a person in a key professional position, often self-employed. These buyers are less dependent on the availability of mortgages, since most purchases have a high degree of self financing. The buyer is often selecting a home for the family, and has quite specific (and high) expectations. The growing number of Bulgarian managers in both local and international companies further drives demand in this segment, as their remuneration enables purchase of properties in this segment. The institutional buyer has all but disappeared from the market, though sporadic bulk buying



There is a clear expectation that the residential market has reached the bottom in terms of sales prices

is observed. A substantial majority of buyers are Bulgarian nationals (in a few cases diaspora), reflecting the diminishing role of expatriate management across most businesses.

SALES PRICES

There is a clear expectation that the residential market has reached the bottom in terms of sales prices. Some developers might consider adjusting prices in 2011, reflecting the steady demand and what is seen as a potential lack of supply as the pipeline empties.

The offered price range in the mid-plus and high-end segment of the market is quite wide, and is typically EUR 1,000 – 1,900/sqm. Numerous factors influence the level including location, quality, overall concept, scope of finishes, type of property etc. The upper end of the scale is typically reached for apartments with exceptional view/location as well as houses. Flexibility remains the key to closing a deal. Besides pure price discounts, developer's con-

cessions are made on finishing works, second parking space or notary/transfer fees. 'Lease-to-buy' remains a viable option in the market, but the success highly depends on the details of the various project schemes.

FORECAST

- » Demand of mid-plus and high-end residential real estate will continue to grow as the Bulgarian economy gradually improves
- » Supply is dwindling and with increasing absorption, there is a genuine risk of the market becoming qualitatively undersupplied
- » Prices will stabilize or even increase slightly in 2011

Business Park Sofia, Build. 7B, 2nd floor, 1715 Sofia, Bulgaria
main: +359 2 976 9 976 | Bulgaria@colliers.com | www.colliers.com



This report has been prepared by Colliers International for general information only. Colliers International makes no guarantees, representations or warranties of any kind, express or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from.

This publication is the copyrighted property of Colliers International © 2010. All rights reserved.