



Colliers

Sofia

Residential Market Overview

H2 2020

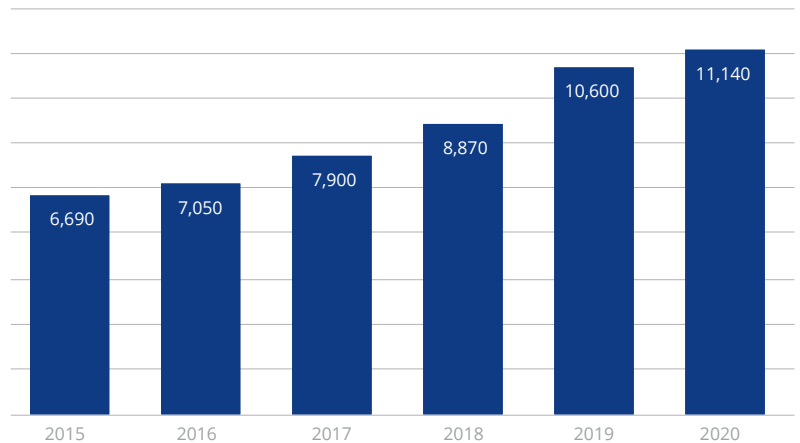
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Supply

- The supply in mid-plus and high-end residential market registered a marginal growth of 1% in the second half of 2020, and 5% year-on-year. Thus, the total number of residential units in this segment exceeded 11,100. (Fig. 1)
- In H2 2020, 4 new residential compounds or about 560 units started construction. Thus, at year-end under construction in mid-plus and high-end segment were almost 4,000 units.
- Vacancy rate in existing complexes remained stable at 4%.

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

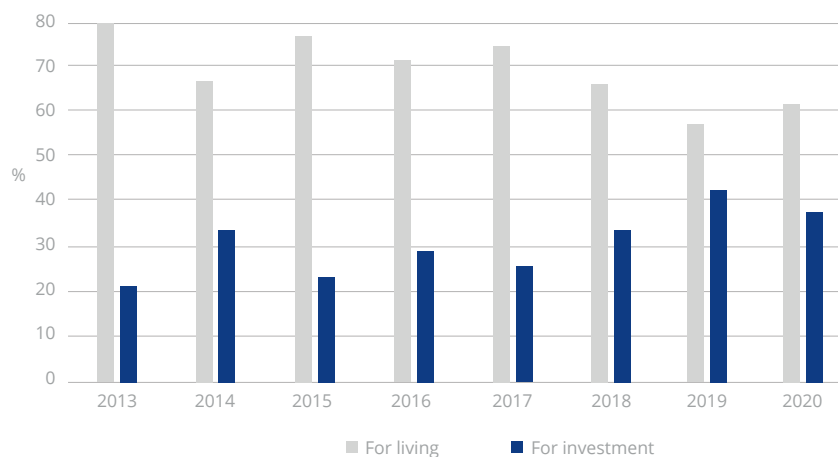


Source: Colliers International

Demand

- Despite difficulties and limitations due to pandemic, 2020 had similar dynamics to 2019 in terms of number of completed transactions. The property types that were purchased most often were houses and apartments with 2 or 3 bedrooms.
- Demand was driven predominantly by buying residential property for own use (62%) with 38% of the sales done for investment purposes. (Fig. 2)
- At the end of 2020, banks restored their lending levels and rates, based on the number of mortgages provided, however the requirements for the borrowers' profile, as well as loan-to-value ratio and collateral, remained high.
- Despite the affordable bank lending and the low interest rates, there was a surge in the purchases with equity - from 43% to 62% of the total transactions.
- In addition to the main requirements when choosing a home, such as neighborhood and green areas, increased attention was paid to social infrastructure, sports and recreation options for the whole family, as well as the variety of services included in the property management of the complex.
- Requirements expanded toward the desired functional internal distribution - in addition to size, more weight was added to the presence of extra space for work / "flex room", as well as ground floor terrace, courtyard and garden pertaining to the property.

Fig. 2: Purpose of purchasing a home



Prices

Average sales and rental price remained stable:

Average sales price for:**

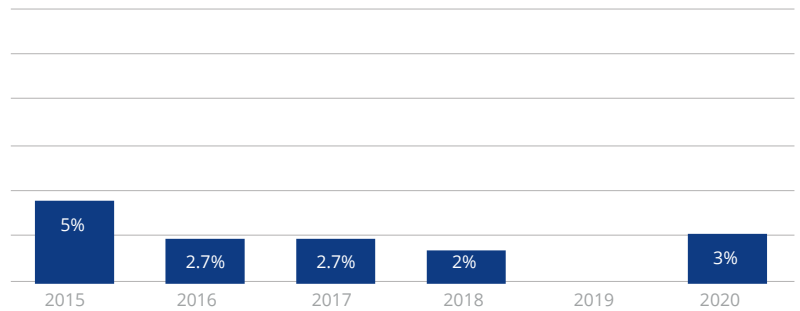
- two-bedroom apartment – 145,000 – 180,000 euro
- three-bedroom apartment – 210,000 – 250,000 euro
- row house – 250,000 – 420,000 euro
- single house – above 450,000 euro.

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

Fig.3: Average Discount



Source: Colliers International



Forecast

- Purchase and sale of income-generating residential properties will accelerate.
- Depending on the duration of the pandemic, two main market scenarios are outlined for 2021. In the more favorable one:
 - Interest in larger homes with more space and houses near Sofia will remain.
 - Sales of properties under construction will continue.
 - Prices will remain stable.
- In the more unfavorable scenario:
 - Buyers of properties under construction will be more careful when evaluating the proposed payment schemes. Developers aiming to realize the target sales prior to obtaining \ use permit will be more flexible in their pricing policy.
- The share of transactions with residential units under construction will decrease.
- Vacant residential units may undergo a transformation - some of them will be furnished by the developer, thus leading to an increased supply in the rental market.

Definitions:

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

** Including VAT and a parking lot

*** Including VAT

For more information

Svoboda Kodjamanova
Manager | Residential Services
phone: +359 2 976 9 976
svoboda.kodjamanova@colliers.com

Adriana Toncheva
Senior Market Researcher
phone: +359 2 976 9 976
adriana.toncheva@colliers.com

colliers-residential.bg

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Colliers International | Sofia
European Trade Center
115K Tsarigradsko Shose Blvd.
Build. B, 7th floor | 1784 Sofia
phone: +359 2 976 9 976
colliers.com

 Colliers International | Bulgaria



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