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## BUSINESS

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### RESIDENTIAL PROPERTY PRICES IN BULGARIA ACHIEVE STABILITY

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Residential real estate prices in Sofia have reached a stable state, according to the latest report by Colliers International on the property market in the first half of 2006.

Bulgaria's capital city had more than 523 000 housing units in the beginning of 2006. The inventory was comprised primarily of two- and three-bedroom apartments, which account for 40 per cent and 32 per cent of all apartment units respectively.

The southern part of Sofia continues to retain its popularity among middle class families, with new construction being most intense in the vicinity of Bulgaria Boulevard and the Vitosha neighbourhood.

Compound developments comprising of single family homes and row houses continue to draw increasing interest. The latter developments are primarily in Sofia's southern outskirts and the neighbourhoods of Manastirski Livadi and Vitosha.

Supply of houses continues to be mostly concentrated in the villa areas of Boyana, Simeonovo and Dragalevtsi.

With increasing supply, Sofia continues to be a demand-driven market, Colliers said. Buyers continue to prefer properties that are completed or in the final stage of construction. The middle segment of the market continues to be most active, with two-bedroom apartments being in highest demand.

Affluent buyers tend to prefer large units or houses with three bedrooms or more in areas with high concentration of new developments such as Lozenets, Ivan Vazov, Borovo, Manastirski Livadi, and Vitosha, as well as the villa areas of Boyana, Simeonovo, and Dragalevtsi.

Sales prices stabilised during the first six months of 2006 and recorded a marginal increase compared to previous years. In fact, average prices for one-bedroom apartments in some areas experienced a slight decrease from 2005 year-end levels. The stabilisation trend is expected to continue further.

Doctors' Garden, which is considered the most prestigious neighbourhood in Sofia, leads the way with the highest average asking price at of 1700 euro a sq m. The Ivan Vazov area follows with an average asking price of 1325 euro a sq m. In general, sales prices in prime residential areas range between 500 and 1700 in Lozenetz, 550 and 1900 in Iztok, 700 and 2000 in Ivan Vazov, and 1000 to 3000 euro a sq m in Doctors' Garden.

Houses in Boyana, Simeonovo and Dragalevtsi in sizes of 250 - 450 sq m and with three to four bedrooms are typically offered at 200 000-350 000 euro, with prices going up to 500 000 euro depending on the quality of construction, land area, landscaping, value-added services and amenities, and others.

The rental market experienced an increase in supply during the first half of the year. The number of high-class apartments offered for rent has grown, but continues to be mainly concentrated in Doctors' Garden, Lozenets, Iztok, Ivan Vazov and Hladilnika, while Manastirski Livadi, Vitosha, and Krustova Vada remain characterised primarily by middle-class developments. Most of the supply comprises two- and three-bedroom apartments.

With the growing number of new stand-alone and compound developments delivered on the market, the number of houses offered for rent is also increasing. Such developments continue to be concentrated mostly in the southern suburbs of Boyana, Simeonovo and Dragalevtsi.

In general, rental rates remained stable in the first six months of 2006. Doctors' Garden remained the most expensive location with average rents above seven euro a sq m, followed by Ivan Vazov, Iztok and Lozenets.

However, rents for the most exclusive properties exceed 10 euro a sq m in all four locations. Most often, units with one- and two- bedrooms are offered furnished, while larger apartments are offered unfurnished with fitted kitchens and bathrooms.

Rents for 250 - 450 sq m, three- to four-bedroom houses, which are in highest demand, range between 1200 and 2500 euro a month in the southern villa zones depending on furnishing, size of land area, landscaping, value-added services and amenities.

Colliers International wrote that yields continued the slow compression from the previous period and ranged between seven and 10 per cent for single deals of residential properties in the first half of 2006.

This is driven by the increased supply of middle-market and high-end properties offered for sale. Development returns remain high, whereas the increase in construction costs and land property prices are offset by the slight increase in the prices of residential properties.