

**PROPERTY FOCUS: Home, sweet home**

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**Bulgarian immigrants have shown themselves to be more than interested in homeland property**

The influx of money coming from Bulgarian emigrants surpassed foreign investments for the past 12 months, a report released by Industry Watch Bulgaria (IWB) stated.

During that time, close to three billion euro was transferred from Bulgarians living abroad to their relatives resident in this country. According to the report, a significant part of the money was invested in the country's real estate market. Therefore, any deviation from that tendency would affect demand for residential property and could put pressure on housing market prices, the report said.

"It is hard to measure exactly how much out of that sum is being invested in real estate," Krassen Yotov, an economic analyst at IWB told The Sofia Echo. "The data we find in official statistics is underestimated, because, in reality, the amounts transferred from abroad are larger, but there is no adequate system for them to be tracked down."

Previous research by the IWB showed that every fifth Bulgarian received financial help from abroad, Yotov said. Relatives advised from here that residential property prices were still lower compared to other European countries. However, after the global financial crisis started in mid-2007, property prices began to equalise throughout Europe, Yotov said. He gave an example of how some of Bulgarian residential property were beginning to cost as much as in Italian cities like Turin and Genoa.

The report also suggested that foreign investments in Bulgarian real estate had begun to slow down, but that tendency would not affect average housing prices. Yotov said that in the past 12 months foreign investments accounted for about 1.8 billion euro, but investments have been made in various segments of the property market such as retail and office facilities, not only residential estates.

The report, investigating Bulgaria's property market for the third trimester of 2008, quoted official statistics as indicating that despite being an asset with low liquidity, a residential estate still accounted for better profitability than investment in securities. Over the past year, prices of residential property have increased by 32 per cent, while investment in stocks or mutual funds tend to register negative index.

Industry Watch Bulgaria said that the level of loans on mortgages in the country was still at a low – only 12 per cent of the purchases were financed as opposed to 39 per cent in the eurozone. At the same time, statistics show that total loans taken for residential property reached about seven billion leva. Within a few years, mortgage loans were expected to increase up to 20 to 25 per cent.

Yotov commented that in Bulgaria, the percentage of mortgage loans was not as high as in other parts of Europe, because of the local mentality forcing necessary ownership at all costs.

"People buy new homes, but most live in hereditary ones," Yotov said. "Many pay cash, supplied by the sale of another property or through other means." The analyst said that the Bulgarian residential market was small by definition, and most first-time buyers were choosing to take bank loans.

However, with the global property market crisis approaching, banks were becoming more cautious with loan approvals, which affected foreign investment interest in Bulgaria's holiday homes. The report said that building permits for new residential property developments had decreased by 55 per cent in the Black Sea region of Bourgas, while in Varna, new construction had increased only by 12 per cent in comparison to other large cities in the country. In Sofia, for instance, construction had expanded by 82 per cent in the past year, and in Plovdiv the pace still remained steady, at 43 per cent property market growth.

Industry Watch is a private independent research company based in Sofia. Most of its reports are accessible through subscription.