

## Property developments worth over 2B euro put on hold

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Photo: Julia Lazarova

The effects of the mortgage meltdown in the US and the subsequent global financial fallout are slowly being felt in Bulgaria, with property developers putting projects worth over two billion euro put on hold.

The crisis is hitting hard across the board, business climate is changing and no sector will escape unscathed, Rossen Plevneliev, manager of property developer Lindner Immobilien Management, has said. Next year will be a tough time for businesses, but 2010 may see the light at the end of the tunnel, he said.

Entrepreneurs were wondering whether to go ahead or pull out of projects, according to Tihomir Tsakov, owner of local real estate agency Aristo.

Under pressure by shareholders, property funds have already started selling out assets. Private equity firm Equest sold its City Center Sofia shopping mall to US real estate investment management firm Heitman at a humble profit of 7.5 million euro earlier this week and the company's cinema halls have also been put up for sale.

Immoeast AG, the Austrian real-estate developer that focuses on Eastern Europe, unveiled plans to freeze or abandon projects worth two billion euro to bolster liquidity. The company has not given details whether Bulgarian projects would be affected.

The property funds listed on the alternative segment of the London Stock Exchange are also shedding Bulgarian assets after their share prices halved in the past year.

Bulgarian Land Development placed on the block its projects in Borovets and Kavarna; Black Sea Property gave up on its Tsarevo development; Bulgarian Property Development halted its investments in Bansko.

The holiday property segment was hit the worst with the number of deals shrinking by 10 per cent, according to data from the Registry Agency.

Speculators are fleeing the market and selling homes for virtually no profit at 600 euro a sq m, Nikolai Pehlivanov, director of investment company Green Life, said.

Foros real estate agency said that some 50 000 second-home properties are up for grabs on Bulgaria's Black Sea coast. Soaring loan prices are dragging the urban property market as well.

Foreign direct investment, a large part of which has gone into the property market since end-2005, shrunk by about 500 million leva in the first half of this year compared to the same period of 2007.