

## PROPERTY FOCUS: All quiet on the property market

10:00 Fri 17 Oct 2008 - Svetlana Guineva, Nick Iliev

**Despite floating fears of financial troubles, BalPex proved that investors' fever is still burning**



Photo: Julia Lazarova

The current global financial crisis could affect Bulgaria in two particular ways: one would be a chance for the country to brave the strong winds and sail the rocking boat ahead; the other – not so heroic – would be to hit rock bottom, buried under a landslide of financial misfortune.

This was the view of property specialists at a recent conference.

Sofia's chief architect Petar Dikov spoke eloquently at a conference about the state of Bulgaria's property market as well as its prospects for the future.

Held on October 9 2008 at Sheraton Hotel in Sofia, the event attracted property professionals, owners of successful developments and managers of financial institutions who shared views and prognoses about supply and demand for residential and holiday homes. The event was held on the eve of the fourth annual BalPex property expo, which ran from October 10 to 12 2008.

Backed by other panellists, Dikov spoke about the two main advantages Bulgaria appeared to have: a relatively stable banking system and extremely high profits accumulated by construction businesses in the past few years. Even if the real estate sector goes into rapid decline, he claimed, there would still be enough free capital circulating. He also stressed the fact that, in a global crisis, while investors may not be strong enough individually, combined efforts could shelter businesses from the approaching storm.

Ivan Mekoushin, chief executive of the British-Bulgarian investment group Winslow Developments Ltd, described the property market as "balanced." The company presented two new projects at BalPex – Winslow Homes, a gated residential complex in the Sofia borough of Vitosha, and a 444-apartment development at the foot of the mountain, called Winslow Gardens.

Mekoushin admitted that the financial crisis creeping across the world has affected the company's sales. No comparison could be made with the results from the beginning of 2008.

"At its heart, this might be a psychological reaction to the world news of financial crisis," Mekoushin said. "However, there is no sign of total desperation in this country."

He went on to say that, at this point, there is no threat of Bulgarians losing their jobs or of a decline in household income. On the contrary, in larger cities, the economy is progressing steadily, unemployment is being kept to the minimum and people have disposable income.

Nevertheless, all speakers agreed that more potential clients felt uncertain and preferred to postpone the purchase of property.

"We advise our clients that mortgage payments should account for no more than 50 per cent of household income," said Tihomir Toshev, chief executive of the credit consultancy CreditCenter. He went on to say that if a family with a monthly income of 1500 leva wished to purchase a home, it would not fit into the 45 000 euro price bracket, which was the cost of a small flat in larger cities. Unless personal funds are used to support the application, banks are more reluctant to grant loans, Toshev said. On the other hand, bad credit in Bulgaria is about two per cent, which is, he said, "quite normal".

Despite all the concerns raised at the conference, BalPex presented a wide variety of residential, commercial, office and logistics projects.

Bulgarian investor Victory Group announced at the expo a large-scale investment and construction project in Sofia, consisting of offices, shops and apartment estate housing. It highlighted two large-scale projects, one of which is the conference centre Maritza, to be built directly opposite Plovdiv Fair.

It will be a multi-functional complex of 45 000 sq m, with underground parking facilities, a 7000 sq m trading centre, sports centre, congress conference centre with halls with a flexible capacity. The second project is a mixed complex of housing, offices, shops and an Olympic cycle-racing track with swimming pools and a multi-functional sports hall. The 44 000 sq m project will house four apartment estate buildings comprising 270 flats, 43 shops and more than 180 offices.

A Polish company, GTC, which specialises in investment and management of trade centres presented three projects they want to build in Bulgaria. All are named "Galeria", and will be in Stara Zagora, Varna and Bourgas. A spokesman for the company at BalPex revealed plans for the construction of a similar but smaller project in Rousse. The Bourgas gallery will boast 130 shops over 37 000 sq m, which are due to be completed by the end of 2009. At the same time they will complete the largest of the projects, a mall in Varna, with 160 shops and spread over 38 000 sq m.