

Off plan property projects in Bulgaria may never be finished

MONDAY, 22 DECEMBER 2008

An award winning Bulgarian property developer is warning real estate investors to be wary of off-plan bargains as they could be buying into a project that is never finished.

Nikolai Pehlivanov, executive director of Green Life which was voted Developer of the Year by the Bulgarian Entrepreneurial Chamber, said that attractive low prices could be a sign that a developer is trying to rid of a project that subsequently may never get finished.

In the current financial crisis, entrepreneurs in the construction business would need to sell at 20 per cent lower prices compared to the market high for this year. Only those who have self-financed their projects would be able to retain higher property value as opposed to developers who have relied on bank financing and selling off plan, Pehlivanov said.

According to Pehlivanov, whose company invests in land in ski and seaside resorts including Pamporovo, Bansko and Sozopol, it is large international development companies and investment funds that have engaged in large projects involving the construction of complex and expensive infrastructure that are being hit hardest by the credit crisis.

He predicted that mega projects are likely to remain frozen indefinitely. He said some developments due to start soon are also likely to be postponed and their market value reconsidered.

He believes that property investors should see the safety of completed developments as being lured by significantly low prices; buyers could be trapped into a vicious circle by buying a cheap flat in a building that might never be finished.

Safe buys include small blocks of flats and Black Sea property as it is likely to remain in demand because of the number of Russian investors looking for second homes.

It is estimated that tourist projects worth close to 4.5 billion leva are now on hold in Bulgaria. There are also doubts being voiced about the construction of about two dozen golf courses over the next five to eight years around Sofia and the northern Black Sea coast. None of the projects has been abandoned yet but investors are hunting for buyers while waiting for better times.

German property investment firm DEGI had postponed the purchase of Mall of Sofia with a company spokesman saying that it might look at the investment again next year.

Greek company Eurobank Properties, which won a tender to build Sofia's first skyscraper, has backed down from the deal because of the global financial crisis.

According to research published Colliers International, investors had slowed down or halted industrial and logistics centre projects in Bulgaria because of administrative hurdles and a worsening global financial market.