

Balchik Supreme Beach Front Apartment



Holiday Homes Market Overview

Bulgaria, 2007

Economic Overview

- Stable economic growth. GDP for the period from January to September 2007 amounts to BGN 40 132 million, while the preliminary data shows a total amount of BGN 52 233 million for the whole year which is 6.4% more than in 2006.
- A high level of inflation amounting to 12.5%, while the figure for the preceding year is 6.5%.
- Decreasing unemployment 6.9% compared to 9.1% for 2006.

- A significant increase of mortgages - the value of loans granted by bank institutions for the purchase of residential estates for 2007 amounts to BGN 18.8 million which is 42.59% more compared to 2006.
- Certain increase of the attractiveness of Bulgaria as an international investment destination. The direct foreign investments for the previous year amount to 2 864.3 million Euro, which is 43.94% more compared to 2006.

Real Estate Market Overview

- There are 311 584 property transactions performed in Bulgaria in 2007, which is 4.43% more than the transactions closed in 2006.
- The foreign direct investments in real estates and building activities in Bulgaria in 2007 amount to 2 864.3 million Euro which is 43.94% more compared to 2006 and 282.37% more than the figures for 2005.
- There are a total of 976 672 sq.m of vacation properties completed in 2007 in the Black sea reagon and 344 847 sq.m completed in the territory of the biggest mountain destination in Bulgaria - the region of Bansko, Razlog and Dobriniste.

- One typical trend is the arising of a “secondary holiday homes market”.
- There can also be observed a certain improvement on the quality of construction product, as well as some increase in the number of additional services included in the vacation developments.
- Holiday homes price increase for the past year is 20.82% on the average for the South Black sea region and 53.94% for the North Black sea region.
- Among the buyers of holiday homes were representatives of Russia, Latvia, Lithuania, Estonia, Poland, Great Britain, Ireland, Greece, Romania and Bulgaria.

Supply

During the year, holiday homes market continued its development and lead to a considerable increase in residential units inventory in the different areas of the country, mainly in the mountain regions and in the South Black sea region. The greatest inventory of vacation apartments were built in the regions of Bansko and Razlog where more than 340 000 sq. m of apartments and houses were completed. The situation with supply of vacation properties in the sea resorts is almost the same with the greatest stock of vacation properties constructed around the South Black sea coast line with more than 800 000 sq.m already completed, a major part of which are located in the resorts of Sunny Beach, Ravda and St. Vlas. The main trend related to supply of such properties in the region was the increased supply of vacation apartments located in quiet and calm regions at price level between 600 and 800 Euro per square meter. Regarding to the North Black sea region, supply is still comparatively limited, having in mind that the greatest volume of vacation units for the past years were built in St. Konstantin & Elena Resort near the city of Varna (29 000 sq. m) as well as in the vicinity of the town of Kavarna (19 000 sq. m) and Golden Sands Resort (19 000 sq. m).

Holiday homes in Bulgaria in 2007, square meters

Район	Completed in 2007	Pipeline	Projects
Northern Seaside	150 606	1 204 111	2 349 469
Southern Seaside	826 066	1 777 793	675 645
Bansko, Razlog and Dobrinishte winter resorts	344 847	964 066	661 128

Another important trend related to vacation property supply was the appearance of a “secondary market” where an additional inventory of holiday homes was announced for sale. These properties were purchased “off-plan” in the last few years mainly by citizens of Great Britain and Ireland. The reasons for the resale are basically two. The first one has been set in the initial purpose of purchase, i.e. an investment where estates have been bought against a considerably low price at initial stage of construction works and with an intention to gain maximum profit through subsequent sale of the property after a few years when the building would be completely finished and the price of the property would rise under the influence of various factors.

The second reason is observed regarding to estates bought to be leased. In this particular case, the wish to sale the property is generally due to non-fulfillment of the lease contracts by the investors who have planned excessively high levels of guaranteed profitability.

A comparatively new and undeveloped segment regarding to vacation properties is this of SPA holiday developments. Supply of such properties is still limited and mainly concentrated in the regions of Sandanski, Velingrad and the village of Banya (Blagoevgrad District).

The big supply and competition in the branch lead to a number of positive trends for the final consumer related to certain improvement of building and service quality as well as to an increase of additional facilities in the developments. As a result of increased necessities of luxurious product, foreign investors reoriented towards more extensive and highly diversified projects that lead to construction of ecological settlements and SPA complexes. The sizableness of this new product caused a necessity of larger terrains because the projects envisaged vacation settlements and complexes to be constructed on a territory from 20 000 to 50 000 square meters. Here, the North Black sea region appears to be the leader as it is well known for its beautiful nature, still clean beaches with crystal clear sea water, sparsely building development of the region and the presence of vast green areas, all of these quite adequate for the implementation of ambitious projects. The establishment of three golf-courses (Thracian Cliffs Golf & SPA Resort, Black Sea Rama and Lighthouse Golf Resort) on the territory between the towns of Balchik and Kavarna, the official opening of which is planned for 2008, also contributes to all this. The three golf developments offer for sale approximately 1200 luxurious residential units including apartments, villas and high-category hotels. It is expected that the courses will attract really solvent clients which could increase the standard in the whole district. They will also enhance the investment attractiveness in the region and will additionally attract a number of foreign investors. As a result, a wide range of various projects for luxurious developments amounting to hundreds of millions euros appear; amongst them are Topola Village Resort (150 million Euro), July Morning

Major holiday developments completed in 2007 in Northern and Southern Bulgarian seaside resorts and Bansko, Razlog and Dobrinishte winter resorts

Development	Location	Total area (sq. m)	Residential units
Lyahovo Village Resort	Lyahovo village /Dobrich district/	18 457	134 villas
Esencia Complex	St. Constantie and Helena Resort	17 310	93 apartments
Kaliakria Golf and Spa Complex	Kavarna town	15 000	104 apartments
Admiral Apartments	Golden sands resort	11 095	91 apartments
Rogachevo Holiday Village	Rogachevo village /Dobrich district/	7 730	96 apartments
Sunrise Club	Ravda resort	102 000	950 apartments
Sunset Resort	Pomorie town	93 398	440 apartments
Emerald Beach Resort	Ravda village	70 000	763 apartments
Garden of Eden	St. Vlas resort	52 537	550 apartments
Royal Beach	Sunny Beach resort	50 000	501 apartments
Aspen Golf Bulgaria	Razlog town	27 000	385 apartments
White Fir Resort	Razlog town	15 900	131 apartments
Lira Thermal Resort	Dobrinishte winter resort	18 500	48 villas 37 apartments
Residential Complex Stragite	Bansko winter resort	25 200	275 apartments
Sunrise Apartment Complex	Bansko winter resort	15 500	158 apartments

(40 million Euro) and others, which are expected to be completed between 2008 and 2014.

All considerations, as referred in above, define the north Black sea region as a more luxurious destination as compared to functioning developments in rest of the resorts and exurbs in the country what exactly is the basic trend related to holiday homes market for the last year. In the major part of the new projects, the massive resorts have been replaced by detached super luxurious villas or by a great number of small residential buildings with modern flats situated on vast territories, including a great number of green park areas and offering incredible panoramic views. Besides luxury, these estates have other specific characteristics, such as high rate of security and seclusion as well as the presence of a wide range of additional facilities and amenities like SPA center, etc.

Demand

The main features of demand of holiday homes for 2007 are related to the characteristics of the basic groups of buyers for the period together with their consumer habits and purchasing capacity, as well as the purpose of the purchase itself.

Although not so active as in the previous years, the Englishpersons and the Irishmen are still present on the vacation property market in any of Bulgarian sea or mountain resorts. As so far, the main purpose of purchase for them is the investment either for lease or resale.

The past year was marked by the return of Russians in our country as tourists and more than ever as clients ready to buy an estate. Unlike previous years when that clients' group used to purchase real estates situated mainly along the Black sea coast, in 2007 a stronger interest in vacation properties in our mountain resorts could be observed. The citizens of Russia (mainly from the region of Moscow), Latvia, Lithuania, Estonia and Poland were the most active ones. This particular client group is characterized by its specific demand of more luxurious properties requiring the buildings to be fully completed and not off-plan or pipeline. Also, the residential estates should be completely finished "turn key".

Certain activeness related mainly to the mountain resorts and especially to Bansko area can be observed regarding to Greek population. It is quite characteristic of Greek people that they search to buy completely finished and, if possible, furnished apartments which they wouldn't lease but use themselves on a regular basis, once in two or three weeks. Their visits, besides for rest, are connected with some shopping due to the considerably lower prices of consumer goods in our country.

During last year, a certain and not very small number of Bulgarian people sought to purchase an apartment in any of the sea or mountain resorts with main locations such as Sunny Beach and Bansko. Representatives of this group are mainly Bulgarians working in the resorts. They will usually search small apartments at low prices and buy them with mortgages. These properties are not leased but people use them for living all the year round.

Sales Prices

Despite the great volume of vacation properties completed in 2007, as well as the big number of pipeline developments and off-plan projects, prices of such properties went on growing through the year and reached an average increase of 20.82% for the region along the South Black sea coast. The biggest rate was marked in the region of the town of Primorsko as well as in Sarafovo a residential district in the city of Burgas and in the town of Ahtopol.

A significant price increase regarding to vacation properties located in the vicinity of the city of Varna was observed too, namely 53.49% on the average and this was due to more limited supply in this region.

Other main groups of buyers are Macedonians and Serbs in Bansko and Romanian people along the North Black sea coast.

Thus, the main trend related to demand of holiday homes in Bansko resort for the previous year appeared to be particularly the purchase of vacation properties for personal use instead of renting them out. The greatest demand was for apartments with attractive location, with high quality of construction works, completely or almost finished, most frequently with price of up to 800 Euro per square meter. The other requirements included a certain proximity to a ski-lift and regions without building works. It could be said that the main requirement was the obtaining of optimal values of the correlation "qualitative building and attractive price".

A basic tendency regarding to vacation properties in the sea resorts and mainly in the region of South Black sea coast is the polarization of demand. On one hand, there was demand for very small apartments at low prices, usually up to 25 000 Euro, located mainly in the area between Sunny Beach resort and the village of Tunkovo, and from the other hand, very luxurious apartments with sea view, which prices vary between 1500 and 2000 Euro per square meter. There was also demand for such apartments located in big hotel developments but the obligatory requirement was the presence of sea view. Another characteristic feature of demand was the enhanced interest in newly built detached villas with more than three bedrooms, a swimming pool and sea view with price of up to 250 000 Euro but the supply of such properties was quite limited. There was one new region enjoying a strong buyers' interest, which was in the area between the village of Aheloi and Kableshkovo in the vicinity of the future golf course.

Prices of vacation apartments in the region of the South Black sea coast started from 550 Euro per square meter for areas far from the sea and in somewhat less attractive regions (the village of Tunkovo near Sunny Beach) and reached values of 2000 Euro per square meter for luxurious apartments located first line on the sea. Prices in the region of the mountain resort Bansko were quite similar. They ranged from 500-600 Euro per sq. m for properties located 2 km away from the ski-lift and reached values of up to 2000 Euro per square meter. The most attractive locations were these situated close to the ski-lift, the golf course and close to "Katarino SPA" complex. The average price of vacation apartments in Bansko Resort at December 31st, 2007 is 1190 Euro per sq. m

Average holiday homes prices for the period from December 2006 to December 2007

Location	Price at 31.12.2007 (Euro/sq.m)	Price at 31.12.2006 (Euro/sq. m)	Rate of increase (percentage)
Northern seaside	1299	1093	18.79%
Southern seaside	1031	853	20.82%

Property prices in the golf resorts of Thracian Cliffs Golf & SPA Resort, Black Sea Rama and Lighthouse Golf Resort at 31.12.2007

Type of property	Prices (Euro/sq.m)	Average price (Euro/sq.m)
Apartments	939 - 1570	1254
Villas	1514 - 3250	2382

2008 forecasts

- Strengthening of the competition in the branch due to the great number of developments that should be completed in 2008 and the years to come;
 - Maintaining the price level, keeping in mind that there will be some developments which prices will go up and such with falling prices, which due to poor quality of construction works or small number of additional facilities won't be able to answer the competition;
 - Demand of properties located in big developments built on vast territories and including large landscaped areas and a great number of additional facilities and amenities will increase.



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