



Sofia and other Bulgarian cities have avoided the market slowdown

# See? It's not all black

Stung by poor rental returns, buyers are selling up in Bulgaria fast, compounding market gloom

SIOBHAN  
MAGUIRE



A crisis of confidence has hit the Bulgarian property market, with Irish and British buyers taking their leave en masse. Figures released by Bulgaria's central bank this month show the property market shrank by 17% year-on-year in January to June. Irish investment plunged 68% to €37.6m, and British buys are down 40%.

"Bulgaria came out of nowhere in 2004, and in less than a year it was being touted as a big investment destination," says Colin Murphy, director of Someplace Else Ireland, an emerging-market investment specialist in Dublin. "It was

massively hyped up by estate agents and developers from Ireland, Britain and Bulgaria, and the fallout of investors leaving over the next 12 months will be severe, with the Black Sea coast among the worst regions affected."

Last May Bulgaria was in sixth place in the top 10 overseas locations of Irish buyers, compiled by Myoverseasproperty.ie, an online portal. This was despite a rocky 12 months in which there was an oversupply of new properties, ski slopes without snow, tales of corruption and controversial planning deals, and a weak resale market.

In addition, mortgage finance has become a big issue, as many investors paid 30% deposits with the intention of getting a local mortgage to cover the balance on completion. But amid the credit crunch and worries about overdevelopment, Bulgarian banks have dramatically changed their lending criteria, effectively forcing overseas investors to find the 70% elsewhere or forfeit their deposits.

However, the current exodus of Irish investors is more rooted in poor decision-making than concerns over corruption or home loans.

Irish owners pulling out of the market now are doing so because their investments are not making money. Many are bringing home stories of poor rentals in coastal resorts that promised

annual yields of up to 8% but only produced 3%-4%.

To make matters worse, it's not always easy to sell. In places such as Bansko and Sunny Beach, where Irish and British buyers have snapped up properties over the past four years, the chances of a resale are slim, as oversupply forces builders to slash prices on new-builds.

"The second-hand-home market has always been difficult, and a lot of Irish buyers came to Bulgaria with the idea of taking advantage of capital appreciation on the Black Sea coast or mountain resorts," says Hugh Fraser, operations director of LS Property in Sofia.

"Unfortunately a lot of agents were directing buyers to second homes which really were at a low entry price. But just because a property is cheap does not mean it's a good investment, and this is what has happened. Some Irish investors came to get on the ladder with little more than a wing and a prayer."

Murphy says: "I first went to Sunny Beach in early 2005, and was horrified by the amount of low-quality construction in a small town with nowhere near enough infrastructure to support it. The resale market was always going to be tiny on the Bulgarian coast as property ownership was dominated by speculative foreign investment and the average

local Bulgarian could never afford to buy a beach apartment at €1,000-plus per square metre."

As Irish and British investors cut their losses, other foreign buyers are taking their place, notably from Russia and Greece, Germany, Austria and France. According to the central bank, the bulk of them are investing for business and farming purposes.

Last February, research by LS Property showed that only about 30 apartments were sold in Bansko in January, and the buyers were Russian and Greeks. Two years earlier, more than 500 properties a month were being sold to Irish and British buyers.

As recently as the third quarter of last year, Bulgaria was still in favour with Irish buyers. It saw the fastest house price rises in the world in that time.

Even as investors spill out of the country, Irish selling agents are looking at new ways to secure sales.

"The Irish are a bit more jittery about Bulgaria these days, and that's partly because it's more difficult for buyers to get a mortgage here or top up a loan," says Sean Boylan, managing director of PropertyinBulgaria.com, and Build-in-Bulgaria.eu, a Co Cavan-based business. But, on the other hand, mortgages are more readily available to Bulgarians, and Russians and Greeks are the new investors. Once you can get your head

around the market changing like that, you will see property is still very buoyant there. Just last week I sold a property to a Russian investor."

There is some comfort for Irish buyers who chose city locations over holiday resorts. Sofia, the capital, Plovdiv and Bourgas have so far avoided the slowing market, with some property values rising by 50% in 18 months.

Bulgaria's domestic market is unaffected by owners struggling with high-percentage home loans, so they are not forced to sell up because they can't meet the payments. This makes city investments appear even safer.

"Initially there was a perception that if you bought anything in Bulgaria you'd make money, but that's not true," says Mike O'Riordan, from Property-showrooms.com, an online overseas property portal.

"Tourism is up, and people are still buying there, but you have to bear in mind the three markets in Bulgaria are coastal, ski and city investments. You have to do your research and buy in the right location."

Someplace Else Ireland, 1890 425 425, www.someplaceelse.ie; LS Property, 00 359 2491 4000, www.lsproperty.eu; Property in Bulgaria, 049 555 6696, www.propertyinbulgaria.ie; Property Showrooms, www.property-showrooms.com

## Portugal from €377,300

Residencias Cerro in Loule, eastern Algarve, is a development of four country cottages. The three-bedroom, three-storey houses are fully furnished and equipped, including Italian kitchens, central vacuuming systems, galleried entrance halls, a fireplace with wood-burning stove, piped gas, television, telephone, video entry and an alarm system. Facilities include private garages, a central barbecue area and a communal saltwater swimming pool.

**Agent:** Titan Properties, 00 34 959 399 982, www.titan-properties.com  
**They say:** Free air conditioning installed in the living room.  
**We say:** These properties are being offered with a €7,700 discount — they originally cost €385,000 — which suggests the market has stalled.  
**Location:** 18km from Faro airport



# Wish you were here?

## Thailand from €31,715

Forest View in Pattaya is a gated complex of 65 studio apartments and bungalows. The scheme has a clubhouse, swimming pool and tropical gardens. The units are furnished and come with a two-year rental guarantee of 7% a year. The two-bedroom bungalows have air conditioning, granite kitchen counters and plumbing for a washing machine. Every bungalow comes with off-road parking. Prices for bungalows start from €46,880. The studio apartments have air conditioning and a kitchenette.

**Agent:** Locations Estate Agency, 01 677 1188, www.locations.ie  
**They say:** Pattaya has every ingredient for memorable holidays.  
**We say:** Completion of this scheme is scheduled for 2010, by which time Pattaya will be even busier, livelier and noisier.  
**Location:** 147km from Bangkok



## Turkey from €40,400

Dalaman Village in Mugla province is a complex of 36 two-bed apartments and six one-bed units. All the units have gardens or terraces. The development, which is due for completion in 2009, includes two pools and 24-hour security. Units come with a three-year rental guarantee of 5% a year.  
**Agent:** The Right Move Abroad, 01 866 6168, www.therightmoveabroad.ie  
**They say:** Dalaman has been declared a protected tourist area. There are strict regulations on buildings: in town, the number of floors is limited to four; outside town, it is limited to two or three.  
**We say:** A marina, hotels and golf courses are being built in Dalaman. A new airport has opened.  
**Location:** 10km from Dalaman airport

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