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Investment prospects in the real estate sector of new EU member States: the case of Bulgaria

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Bulgaria's ascension in January 2007 has been very beneficial for international investors. Indications are that Bulgaria has a significant development potential, displaying strong economic growth in recent years and a convergence trend with the rest of the EU. Also recently, the European Union approved a developmental financial framework, with a total investment of € 6.8 billion, to further boost Bulgaria's economic development for the period 2007-13. This investment will be allocated in seven distinct operational programmes, which will cover the areas of competitiveness, regional development, technical assistance, human resource development, administra-

tive capacity, transport and the environment.

Furthermore, the negative signals arising from the reverse in the trends in the international financial and credit markets change the investment prospects in certain parts of the world, making other parts comparatively more advantageous. Specifically, the sub-prime crisis in the U.S. and its concomitant financial repercussions in the banking sector, has led more attention in the markets of the new E.U. member states, with an emphasis in relatively lower risk investment activities, prime real estate positioning, being one of them. The Bulgarian real estate market,

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given its overall economic prospects and geographical location, is of primary interest especially due to the fact that prices are at much lower levels than those in other neighbouring markets. Furthermore, Bulgaria is strategically geographically positioned between Europe, Asia & Africa; hence, it attracts foreign direct investment at an increasing pace, and especially in the real estate sector, the manufacturing and the banking sectors. The country has seen buoyant employment growth and a strong decrease in unemployment because of its fast economic growth, its strong private sector job creation, and its reductions in pension contributions. Respectively, prices on all indices remain comparatively low, although they are expected to rise dramatically, as it is typical for all the new E.U. members.

In the last few years the prices of Bulgarian properties have increased by more than 40%, overall. In fact, some real estate has increased even by 75% annually, especially properties in Sofia and in the Black Sea Coasts. Bulgaria's magnificent natural sights and beautiful mountains, lovely and clean Black Sea coasts, preserved rural areas, and centuries of history, make Bulgaria a unique destination for holiday travelers throughout Europe. Consequently,

Bulgaria, and especially the area of Burgas is considered as the fastest growing tourist market in Europe.

Burgas is the second-largest city on the Bulgarian Black Sea Coast and the fourth-largest by population in the country, after Sofia, Plovdiv and Varna. As Burgas is surrounded by the coastal Burgas Lakes and is located at the westernmost point of the Black Sea, it has the largest port in the country (extending 6km) and the largest port in the Black Sea. Today, it is the key economic, cultural and tourist centre of southeastern Bulgaria, with the new Burgas Airport serving the resorts of the southern Bulgarian coast for numerous international flights and thousands of tourists each summer.

Due to its tourist sector boom, the area of Burgas has an upcoming and increasing in size middle class, which reinforces its economic development process. This means that, besides its exogenous development forces, the Burgas area has a self-sustaining real estate market growth, by virtue of its internal demand for housing of the growing middle class. This fact adds a factor of stability to the local economy and prospects further adds degrees of security for investment

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