



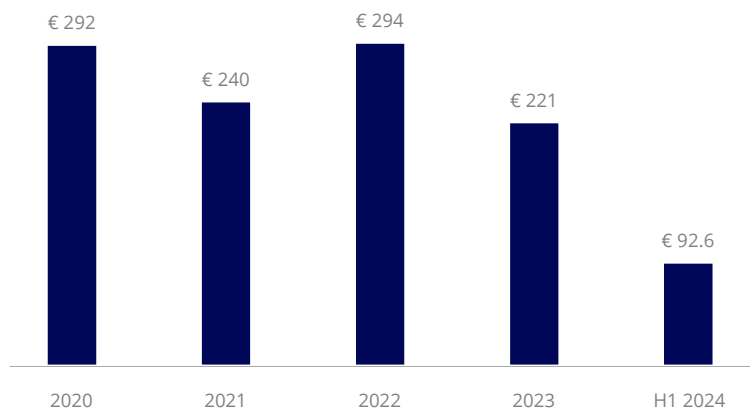
Bulgaria

Investment Market Overview

H1 2024

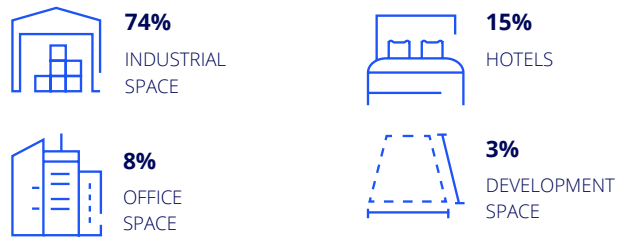
- In the first half of 2024 the total value of investment transactions exceeded EUR 92.6 mln. Over 77% of the volume is due to one transaction with a portfolio comprising industrial and logistics properties as well as development land plots. (Fig. 1)
 - The distribution of investments by sector during the first half of 2024 is as follows: 74% are industrial and logistics space transactions, followed by hotels (15%), offices (8%) and development land (3%). (Fig.2)
 - Local investors have continued to be very active on the Bulgarian market over the last few years.
- The share of Bulgarian buyers has been constantly increasing since 2020. In the first half of 2024, this trend was not valid, as international capital was behind 77% of the volume. (Fig. 3)
- The investment volume of income-generating transactions was over 81%. The rest was due to speculative properties. (Fig. 4)
 - Prime yields remain unchanged since the end of the previous year - 7.75% for office and retail space and 7.50% for industrial and logistics properties. (Fig. 5)

**Fig. 1: Investment Volume
(mln EUR)**



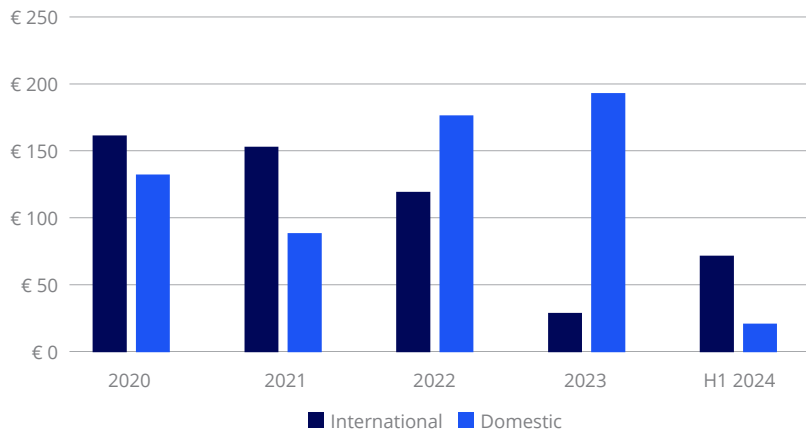
Source: Colliers

Fig. 2: Investment Volume by Sector



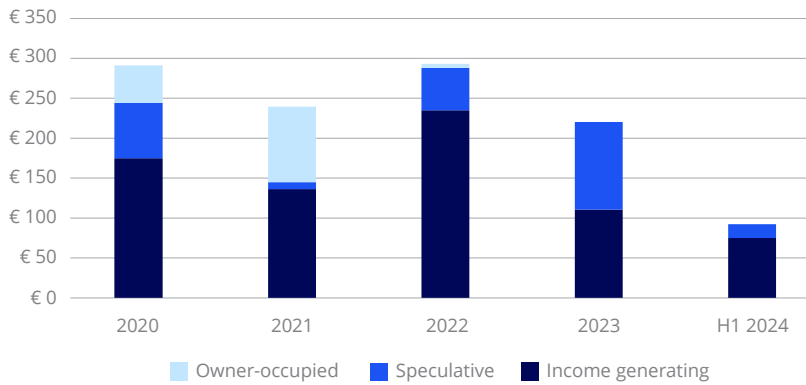
Source: Colliers

Fig. 3: Origin of Investments (mln EUR)



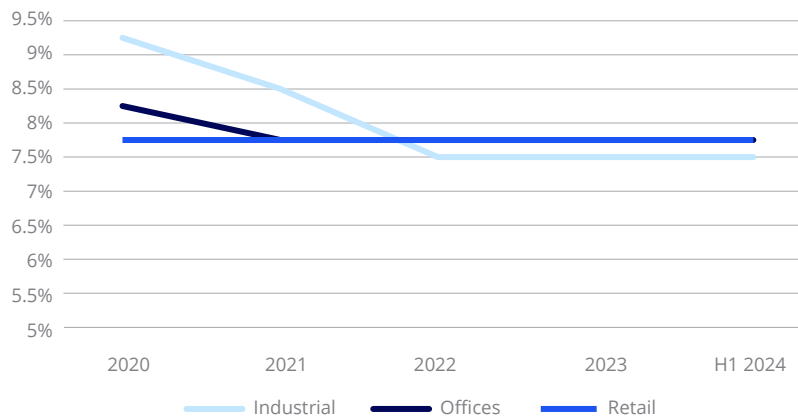
Source: Colliers

Fig. 4: Transactions Type (mln EUR)



Source: Colliers

Fig. 5: Yields



Source: Colliers

Forecast

- Central and Eastern Europe is following the trend, that started in Western Europe, of decreasing investment volumes as a result of increased interest rates. Buyers continue to have expectations of low asset prices, while sellers are not motivated to sell yet. Bulgaria is no exception, with volumes in 2023 being almost 25% lower than the previous year. For comparison – this decline was over 50% in CEE. More investments are expected in the current 2024, than in 2023, which will still be far from the values typical for the period before the interest rate hike.
- Due to price correction in Bulgaria and the higher attractiveness of markets such as Poland, Czech Republic and Hungary, a trend of price convergence is expected to start (with the expected ECB base rate cuts), and, respectively, larger investment volumes to recover there first.. At the same time, in previous periods Bulgaria has maintained decent levels of investment activity, mainly due to the low indebtedness of the economy as well as a conservative approach to investing.
- The adoption of the euro as the country's official currency has been delayed due to the failure to meet the inflation criterion, and the lack of a regular government could further delay it. However, it is expected that in 2025 this process will be able to start, which is prerequisite for an increase in the interest of international investors in Bulgaria.
- Commercial banks continue to be very active in the credit market. The increase of interest rates in Europe has not affected the domestic market to a large extent. In 2024 banks in Europe will have to report the proportion of financed green projects for the first time. In this regard ESG is expected to be an increasingly important criteria in lending decisions.
- ESG is also expected to be a focus for the wider community of market participants – developers, owners, investors, tenants. The cost of improving and retrofitting already obsolete buildings will be significant, but will be still lower than the alternative of leaving them in their current state.
- Low liquidity on exit from investment is expected to remain the main concern of most international investors. In this context, local capital should continue to dominate.

Definitions:

Gross initial yield = sum of expected annual income / property price

For more information

Georgi Kirov
Partner | Director |
Investment Services
phone: +359 2 976 9 976
georgi.kirov@colliers.com

Nikolay Georgiev, MRICS
Manager
Valuation & Advisory Services
phone: +359 2 976 9 976
nikolay.georgiev@colliers.com

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

Copyright © 2024 Colliers

Colliers | Sofia
European Trade Center
115K Tsarigradsko Shose Blvd.
Build. B, 7th floor | 1784 Sofia
phone: +359 2 976 9 976
colliers.com

 Colliers | Bulgaria



Accelerating success.