



Newsletter



Pearl Property



**DON'T BUY PROPERTIES IN WESTERN & CENTRAL EUROPE.
BUT YOU CAN STILL DO THIS IN EASTERN EUROPE**

Global property guide prognosis for the real property market favours sofia

In 2008, avoid buying housing properties in the western and central parts of Europe, because property prices have become too high after a long period of steady price growth. This advice comes as a result of the prognosis for the next 12 months, made by the Global Property Guide consultancy, who do market research of the real properties worldwide.

In Lithuania, Latvia and Estonia housing property prices have been going upwards for years as a result of the strong economic growth: **Don't invest in the Baltic States**, the consultants warn.

In some countries in Eastern Europe you can still buy housing properties at reasonable prices. Research data by Global Property Group show that in the Bulgarian capital Sofia profitability from investments in housing properties is still very attractive, in spite of the absurd prices in some regions, such as the beach resorts.

Table 1**Annual Change in Housing Property Prices (%)**

Country	2007	2006
1. Bulgaria	30.59	-
2. China	27.85	- 0.61
3. Singapore	27.59	10.15
4. Estonia	23.28	28.64
5. Lithuania	13.64	30.95
14. Great Britain	9.86	10.49
23. Spain	5.31	9.14
24. Greece	4.18	10.54
34. USA (NAR) National Association of Realtors	- 5.07	- 0.18
35. USA (FHFB) Federal Housing Finance Board	- 3.49	- 1.90
36. USA (OFHEO) - Office of Federal Housing Enterprise Oversight	1.79	6.03

Source: *Global Property Guide*

Table 2**Change in Housing Property Prices in 2007 (%)**

Country	Accounting for inflation	Nominal
1. Singapore	24.29	27.59
2. China	20.04	27.85
3. Bulgaria	15.42	130.59
4. Estonia	15.08	23.38
5. Norway	11.93	11.56
12. Great Britain	7.49	7.75
21. Spain	2.88	5.31
34. USA (NAR) National Association of Realtors	- 8.46	- 5.07
35. USA (FHFB) Federal Housing Finance Board	- 6.79	- 3.49
36. USA (OFHEO) - Office of Federal Housing Enterprise Oversight	- 0.56	1.79

Source: *Global Property Guide*



BULGARIAN PROPERTY MARKET 2007 TURNOVER REACHED EUR 11 BILLION

Property market was the absolute economic leader for Bulgaria's economy in 2007 with a record-breaking turnover of EUR 11.36 billion, a real estate agency data showed.

This was the total value of deals with land and buildings in the country over the period. In 2006, turnover in the sector was close to EUR 9 billion. According to experts, the increase in the number of property deals and in the property prices was the most accurate measure for the real estate market situation.

The data shows that the pace of price increase was twice faster than in 2006, thanks to a good mortgage market, relatively high annual revenue of properties and the weak impact of the world financial crisis in Bulgaria. The number of property deals in 2007 is expected to reach 292 000.

The property market stimulated construction development. The sector ranks among the fastest developing in Bulgaria in 2007 with a growth of 15 per cent on annual basis. Nikolin Gavrailov, president of Bulgarian Entrepreneurial Chamber in Building said that the lack of modern apartments, retail and administrative buildings caused the construction boom. It was also stimulated by the investment growth in tourism, production and the need for a modern infrastructure.

Construction sector growth is expected to be between 12 and 16 per cent annually until 2010. According to the Bulgarian Construction Chamber, the sector turnover will reach BGN 11 billion.



EIB TO DISBURSE UP TO EUR 700 MLN TO BULGARIA

Bulgaria will receive up to EUR 700 million through 2013 from the European Investment Bank (EIB), envisages a loan agreement signed in December between Bulgaria's Finance Minister Plamen Oresharski and the EIB Vice President Matthias Kollatz-Ahnen.

The loan agreement represents a structural programmatic loan and is the result of the memorandum signed between Bulgaria and the EIB for infrastructure development.

Proceeds from the loan will be used as a part of the national co-financing of Transport and Environment operational programs.

According to the financial parameters of the loan, it can be disbursed in 20 instalments of at least EUR 30 million. The parties have the opportunity to choose between a fixed and a floating interest rate.

The partnership between Bulgaria and the EIB dates back to 1991. It intensified after Bulgaria's accession to the EU when it became a shareholder in the bank, Oresharski was quoted as saying.



TRAKIA MOTORWAY CONCESSION DEAL TAKES EFFECT

This week the Bulgarian regional development ministry signed a second agreement on the Trakia motorway concession deal with a Portuguese-led consortium.

The endorsement of the document means that the concession contract signed a couple of years ago finally enters into force.

The cost of the construction and rehabilitation of the Kalotina-Sofia ring-road-Stara Zagora-Nova Zagora section and the Yambol-Bourgas section will remain unchanged at EUR 715 mln, the ministry announced.

The operator of the Trakia motorway concession will be entitled to be reimbursed for no more than 50% of revenue lost due to traffic shortage.



The airports in Bulgaria's Black Sea cities of Varna and Bourgas processed more than 3,4 million passengers last year, German firm Fraport, which owns a 35-year concession for the two airports, announced.

Fraport and Bulgarian firm BM Star won the 35 years concession in 2006, pledging to invest EUR 403 million in new terminals, expansion and equipment over that period.

Total passenger volume for Germany's Fraport Group reached 75,6 million in 2007, an increase of 5.5%.

Fraport's two Bulgarian international airports accounted for 4,4% of its total passengers.

Bourgas Airport developed positively processing 1,95 million passengers, a 7,3% increase compared to 2006.



BULGARIA NEW VEHICLE SALES UP IN 2007

Bulgarian sales of new motor vehicles rose 22.15% year-on-year to 55,366 units in 2007, up from 45,300 units in 2006, shows data of the Union of Automobile Importers.

Truck sales increased by just over 28% year-on-year while automobile sales added 22%. Automobiles and light trucks accounted for 52,000 of total sales. Compact city cars and mid-size models generated 44.2% of overall auto sales. Small and mid-size vans generated a further 21% of sales while all-wheel-drives contributed 16.6%.

The Dacia Logan Sedan is the nation's top-selling car model for 2007 with 2,529 units. Sofia France Auto is relegated from No.1 in 2006 to No.3 last year, slipping behind Toyota Balkans and runner-up Ford.

The Bulgarian market for new motor vehicles is among the EU's pace-setters, according to preliminary data of European Automobile Manufacturers' Association.

January-November data ranks Bulgaria as the fifth fastest-growing market behind Lithuania (45.7%), Latvia (32.6%), Romania (26.2%) and Poland (22.8%).



BULGARIA MORTGAGE LOAN SIZE UP 49% IN 2007

The average size of mortgage loans disbursed in Bulgaria last year jumped 48.5% to EUR 38,600, said local consulting company Credit Center.

Mortgage loans increased 75% in volume last year.

The biggest increase in the average loan size was registered in Varna (+64.1%) while the lowest was in Bourgas (+27.2%).

The share of mortgage borrowers aged over 45 increased to 17% of total borrowers, up from 7.3% in 2006, after the banks raised the age limits.

Mortgage loans in the BGN 20,000-40,000 range accounted for the bulk of housing credits as residents in cities with cheaper property prices and population of 20,000 to 50,000 flocked to the banks in increasing numbers.

The euro started out 2007 as the currency of choice of mortgage borrowers but was overtaken by the local currency, which reached a share of 55% by the end of the year.

BULGARIA, RUSSIA TO SIGN NEARLY EUR 4 BILLION DEAL FOR NEW NUCLEAR PLANT AT BELENE

Bulgaria and Russia will sign a nearly EUR 4 billion (USD 5.95 billion) contract this week to build a nuclear plant in northern Bulgaria.

Economy and Energy Minister Peter Dimitrov said construction of the plant at Belene, some 250 kilometers northeast of Sofia, will start in the second half of this year. He said the two 1000-megawatt reactors are expected to come into operation by 2014.

The Belene project is considered an important test as other central and eastern European countries consider plans to build new nuclear plants or to rebuild old ones from the Communist era.

The deal will be signed on Friday with officials from Russia's Atomstroyexport, during a visit to Sofia, Bulgaria's capital, by Russian President Vladimir Putin. Atomstroyexport will be the main contractor, with France's Areva and Germany's Siemens as primary subcontractors.

Compared to the VVER 1000 Russian reactors at Kozlodui, the two AES92 reactors in Belene will include advanced safety systems and comply with EU standards. "The opportunity to generate cheap electricity is in accordance with Bulgaria's economic interests. The electricity deficit in the region is expected to reach 50% in coming years. It is in Bulgaria's interests to ensure that the region has enough electricity and develops well economically," said Dimitrov.

Bulgaria's government invested more than USD1 billion (EUR 670 million) in Belene, but froze the project in 1990 after environmentalists said it could pose a safety risk. The project was revived to compensate for the closure of the two units at Kozlodui, which Bulgaria agreed to shut ahead of its entry into the European Union last year.