

Realtors racing against time amid financial turbulence

14:15 Thu 02 Oct 2008 - Nick Iliev

The meltdown of financial markets worldwide is reaching morbid proportions and real estate investors are facing a race against time to avoid being embroiled in the collapse. Realtors are eager to sell every large site, office or trade facility that they have available. The current trend is not to “cry wolf” and raise general alarm, but sell as fast as possible every major project, brokers have told Bulgarian-language Standart daily on October 2 2008.

The goal is to repay the money as quickly as possible, in cash, as it is unclear yet which way the Bulgarian real estate market will swing. However, the spectre of financial disaster in US real estate market is making local investors and developers nervous and impatient, and they are looking to offload their investments immediately.

Those with cash will be able in two or three years' time to go shopping in Bulgaria at their leisure, buy great properties cheaply as, by then, there will be a surplus of real estate in the country ripe for the taking. This trend has been observed in the larger holiday resorts, the so-called PUDs or Planned Utility Developments - gated residential areas with their own recreational facilities, as explained by Luchezar Iskrenov, Head of the National Committee for Real Estate told Standard.

In the past few months the demand for such projects has dropped significantly. Developers in turn are eager to offload and sell at a much lower price entire condominiums, rather than individual units at a proportionally higher price. This is because developers are eager for a return on investments and, in light of the impending financial meltdown, they want to transform those projects into liquid cash as soon as possible, Iskrenov added.

Sofia City Centre shopping mall is a prime indicator that the time has come when large projects are gagging to be sold. The mall recently went for 101.5 million euro to Heitman European Property Partners III. Equest Balkan Properties, the previous owner and operator of the site, bought the mall two years ago for 94 million euro.

The profit – a meagre 7.5 million euro – is not the kind of return one would expect from such a large site, according to the country's financial experts. And the trend for the future is that such large projects are likely to change hands several more times.

Globally, such malls can be resold up to five or six times before they are purchased by a firm which will finally take control and manage them permanently. Those sorts of deals are not unlike how family homes or apartments change hands. These large deals involve huge sums of money, and are brokered and managed by agencies who operate with VIP clients under an cloak of secrecy.