

Think twice when buying cheap property

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Potential property buyers need to approach cautiously offers with attractive low prices, for they could be a sign for a developer trying to rid of a project that subsequently may never get finished, Nikolai Pehlivanov, executive director of Green Life development company said at a news conference on December 17 2008.

In the setting of a financial crisis, entrepreneurs in the construction business would need to sell at 20 per cent lower prices compared to the market high for this year. Only those who have self-financed their projects would be able to retain higher property value as opposed to developers who have relied on bank financing and selling off plan, Pehlivanov said.

Green Life's manager was voted Developer of the Year by members of the Bulgarian Entrepreneurial Chamber, an award given him for outstanding achievements in the realm of construction and protection of the environment. The company invests in land in ski and seaside resorts and some of its projects include holiday centres in Pamporovo, Bansko and Sozopol.

According to Pehlivanov, the global financial crisis would hit hard the large international development companies and investment funds that have engaged in vast initiatives, involving the construction of complex and expensive infrastructure. Their projects would most likely remain frozen for indefinite time, Pehlivanov said. On the other hand, the manager said he was expecting some of the grand projects planned to begin construction in the near future to also be postponed and their market value reconsidered.

Selling off plan was not an option of financing for developers any longer, for clients preferred completed projects, he said. He warned that lured by the significantly low prices, buyers could be trapped into a vicious circle by buying a cheap flat in a building that might never be finished.

At the current price decrease of construction materials, the petrol and the labour, the property prime cost could drop by 15 per cent, the developer said. He predicted that what for the next couple of years, the small blocks of flats would be in the highest demand by buyers. Pehlivanov also said that the Black Sea property would remain desirable product by the tide of Russian clients flooding the market for holiday second homes. Expressing his opinion, Pehlivanov said that Russia, it seemed, was least affected by the financial crisis at the moment.