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## **Bulgaria should grab this opportunity**

**By**

**Graham Norwood on Thursday, December 25, 2008**

Five years ago the holiday home market in Bulgaria, concentrated along the Black Sea coast and in the ski districts of Bansko and Pamparovo, was the Next Big Thing, set to be an east European rival to Spain and a match for Dubai.

Developers piled in, there was the hope of the winter Olympics being staged there, there were promises that infrastructure would improve, and EU membership would rid the country of its dubious reputation for corruption.

In real estate terms, it was set for long-term investment with good returns. That was then.

Even before the credit crunch, the reality appeared to be diverging from the dream.

Firstly, there was a building moratorium on many holiday home schemes, announced in 2006. At first it appeared sensible, having been described as an opportunity for infrastructure work to "catch up" with dense schemes of apartments built by the coast and the ski slopes.

But then developers began to use it as an excuse to alter payment schemes agreed with buyers, and the country's reputation deteriorated.

Secondly, in 2007 there were claims of corruption after many hotels and holiday homes were found to have been built on illegally-acquired land or without necessary permits – a common problem across eastern Europe and still in parts of Spain.

Thirdly, the re-sales market was shaky long before the credit crunch; the glut of new properties coming on sale, especially at the Black Sea resorts, meant investors trying to flip their homes or genuine buyers simply wanting to sell after one or two years, were finding intense competition from a slew of other flats being completed month after month.

Big name British estate agents who piloted sales in some resorts quickly lost heart and now are declining invitations to sell any more in Bulgaria.

Fourthly, the arrival of the credit crunch to the country in 2008 meant almost all schemes had their funding temporarily – some perhaps permanently – suspended. This is much as in other countries except that in Bulgaria, as an emerging market, there are more than a fair share of heavily-gearred developers with limited track records, so with less likelihood of surviving the downturn.

Nikolai Pehlivanov of Green Life, a developer active in Bulgarian resorts, has now warned of rival builders selling off-plan flats cheaply to lure buyers, despite knowing that the funding crisis may well mean those schemes will never ever be completed.

Fifthly, and perhaps most worrying in the long term, is that Bulgaria has not lost any of its reputation for corruption. EU probes have produced evidence of widespread irregularities in the transparency (or lack thereof) in many financial dealings. This hardly bodes well for future investment once the global recession subsides.

Now despite all this, I like Bulgaria – I have visited twice and was charmed.

Few Westerners realise it has over 217.2km of gorgeous Black Sea coast and largely undiscovered beaches, while its mountains boast 130 peaks reaching 2,000 metres, which means they have good skiing and hiking conditions. Its economic potential is enormous, because it attracts both Western and Eastern visitors. Sofia, its capital, has a quiet, under-stated feel and growing sophistication.

Many developers, especially those from Western countries, have entered the commercial and residential markets there with honourable intentions.

But all that potential will be lost if Bulgaria does not act immediately to stem the sense of "lost opportunity" that is beginning to spread like treacle over the nation and in particular across its over-supplied, over-valued holiday home sector. The country should do three things immediately.

One: introduce strict financial and build-quality criteria for developers to meet, to avoid get-rich-quick builders throwing up monstrosities that are every bit as brutalist and badly-constructed as the relics of communist architecture.

Two: introduce a proper land registry acting retrospectively to determine once and for all the legality of building work conducted in recent years, to prevent widespread racketeering and mis-selling of properties that were illegally erected to begin with.

Three: introduce master-planning for its holiday home areas, to give long-term shape to what is at risk of becoming havens of short-term greed, as ugly buildings are developed with little care in ski-towns like Bansko and along the Black Sea coast.

There is no guarantee that such three measures alone will turn the tide. But doing these, with a fanfare, would send out a signal that the country wants to use the hiatus of the credit crunch to snatch real estate victory from the jaws of defeat.

If those measures wait until the time global economies are growing again, it may just be too late.