

rental returns

STILL A GOOD INVESTMENT?

Real estate investment from private investors in Bulgaria has been particularly dynamic since late 2002, early 2003. However, 2 to 3 years on, what does Bulgaria really offer investors?

Just what rental returns are people achieving and where? And can we expect to see an increase in rental returns in the future? You will see countless advertisements from estate agents promising guaranteed rental returns of between 8 - 10% and sometimes higher - but you have to think beyond the 1 or 2 years guaranteed rental income you are promised - and also consider how they are able to offer you such guarantees. Many estate agents may only offer you such rental returns on properties you buy from them and may have actually increased the price to cover the 'guaranteed rental income'. So beware. Things are not always as they seem.

Investors flocked to the Black Sea coast in 2004 - snapping up apartments across the coastline with a view to achieving good rental yields. Focus centred on resorts like Sunny Beach, where average apartment prices in 2004 were £27,000 for a one bedroom apartment.

Foreign investment has been mostly dominated by the English and the Irish - who have invested heavily on the Black Sea Coast over the last few years. More and more Russians are investing in Bulgaria, having enjoyed their summer holidays along the 370 kms of golden sands for many years.

If you have purchased on a resort like Sunny Beach you are looking at a prime rental period of between June and September - i.e. 4 months, with perhaps only 3 months peak rental potential

If you paid £50,000 for a luxury 2 bedroom apartment for example and were able to rent it out for 3 months at £50 a night, then you could achieve a rental return of 9%.

If you look to Varna on the Black Sea Coast, the appeal of a city with year round living, rental potential to tourists, holiday home buyers and investors alike - a city centre apartment in 2004 could achieve a rental return as high as 14.7% and was capable of generating up to £950 in the peak month of August for a 3 bedroom apartment.

Of course, rental returns are based on a number of factors. For example - where the property is located, its view, standard, amenities, price, market (businessmen, tourists, locals) and just how well you are advertising/marketing the property. Getting the right 'mix', you can achieve double digit rental returns, but in the coastal regions you really need to focus on short term rentals to maximise your returns. If you have a 2 bedroom city centre apartment you should be able to charge between £20 and £40 per night, depending on the location, quality etc. If you have a 2 bedroom apartment with a sea-view, you should be able to charge between £40 and £60 per night.



Renting your property for medium terms of between 3 - 6 months is less attractive and has a much smaller market on the Black Sea Coast. You may attract the odd businessman on a short term assignment, but the chances are you are more likely to attract property developers who are looking for a place to stay while they oversee their own property development. With

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a medium term rental you would typically charge between £190 and £270 a month for a 1 - 2 bedroom apartment. Hence if you are lucky enough to achieve 100% occupancy on two 6 month lets - and you bought the apartment for lets say £40,000 - you could expect a maximum rental return of 6.8%; clearly less attractive than the short term option.

Bulgaria's capital city, Sofia, has a rental market principally targeted towards the business community - and much less for tourists. Luxury properties in and around Vitosha are particularly attractive and gated apartment communities have seen increased interest - with guaranteed rental returns of 12% common. You can expect to pay between £27 and £47 per night for apartments in Sofia on a short term rental.

In ski resorts, rental returns of up to an average of 12% are common due to the longer rental period from both summer and winter seasons. In 2005, there has been an increased interest in ski-resort properties in areas such as Borovets, Bansko and Pamporovo. UK based property events have more and more estate agents promoting properties in these ski-resorts and the future for these investments look good.

As the facilities and standards increase on these resorts, and the potential to host the winter Olympics in 2014 becomes more a reality - rental income will become a stable and reliable earner for those early investors

In 2005, you could pay between £450 and £600 a week to rent a luxury mountain apartment that sleeps 6 in Bansko. Assuming you paid £80,000 for a luxury apartment, and were able to achieve 50% occupancy during the year - that would equate to a rental return of between 14.6% - 19.5%.

Looking inland, towards Plovdiv, you could expect to pay upwards of £30 a night to rent a luxury two bedroom apartment - and a monthly rate of £500 would be common. However, at these rates don't expect to rent to locals. You are largely targeting the tourists who are attracted to the architecture, history and ambience of this historical city. Rental returns here are on a par with Varna, as are property prices.

British Airways start direct flights to Varna in March 2006, for the first time - with prices from £149 return. The future will inevitably attract low cost airlines to the Black Sea Coast and with that, property prices will likely see another jump - as well as an increase in rental returns for investors with a greater influx of tourists to the region. EU membership in 2007 is expected to raise confidence in Bulgaria and with this increase in confidence you are likely to see more serious investment in strengthening the countries infrastructure and expanding its commercial centres. As tourism grows, the potential for greater rental returns is also a good opportunity for those early investors to reap the inevitable rewards.

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Inspired Ideas



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