

Development of commercial properties in Sofia

1. Overview

Since the EU accession Bulgaria popularity as a place to invest has been constantly rising. Officially the Net flow of FDI for the last three years is as follows 2.7 billions for 2004, 3.1 billions for 2005 and 4,1 billions for 2006. The estimates for the 2007 are that the FDI will be even bigger than the level achieved in 2006. Understandably, the companies that are investing in Bulgaria needs office space and this demand is one of the major forces behind the growth of the office space prices.

As in every market, for a successful office building project it is critical to access plot of land at good location. The figures below correspond to a central location plot where price levels at 1800 EUR per sq. m are even a pessimistic forecast. It is located within 15 min walk from the presidency 1 minute from a Metro Station in an area designated to be developed into the Sofia City. The demand for projects in the area is enormous and normally the office spaces are sold out even before the construction itself has started. We currently own 500 sq. m and have negotiated an option of purchasing of the adjacent plot of 500 sq. m. Under the current market conditions, opportunities for accessing such central development plots are extremely limited and it is essential to react immediately in order to secure the land. The duration of the project is 2 years maximum including designing and construction.