# A STUDY OF THE REAL ESTATE MARKET IN

# BULGARIA

**Sofia, June 2003**

## 1.    SURVEY GOALS

The chief goal of the survey was to collect information in several basic areas related to the real estate market:

- Level of information and sources of information about the real estate market;

- Estimation of the share of people who have carried out real property transactions;

- Identifying the most common types of transactions;

- Mechanisms for conducting real estate transactions;

- Assessment of the potential of the real estate market.

## 2.    SURVEY METHODOLOGY

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| *Survey method:* | *Quantitative survey* |
| *Method of registration:* | *Face-to-face interview* |
| *Scope:* | *National representative survey of the Bulgarian population aged 18 and over* |
| *Sample type:* | *Random, two-stage cluster sample* |
| *Sample size:* | *N = 1077* |
| *Time of the survey:* | *April 18 – May 15, 2003.* |

## 3.     MAIN FINDINGS

According to the findings of the national representative survey on the real estate market in Bulgaria, interest in this type of services is not particularly high. Most people, as well as the members of their households, have not sought information about the real estate market in the past two years. The share of the potential participants in real property transactions for the period surveyed amounts to approximately 10%  (Figure 1).

FIGURE 1.     DEMAND FOR INFORMATION ABOUT THE REAL ESTATE MARKET IN THE PAST TWO YEARS
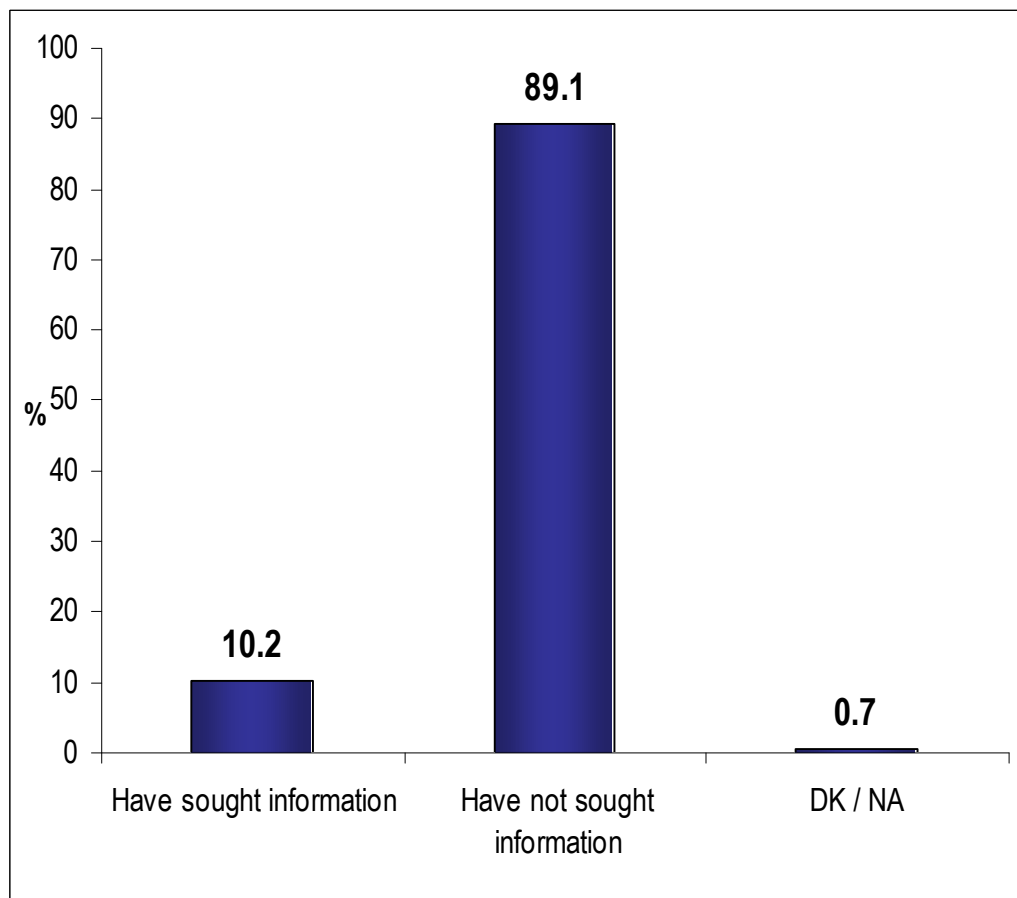


*Base N=1077 (all respondents)*

A large number of the respondents who in the past two years had inquired about the real estate market (they made up roughly 10% of all respondents) used a combination of different sources of information. The most common sources are family, friends and acquaintances and the classified ads in the press. Real estate agencies came third by order of preference. The least popular way of getting information is through the Internet.

**FIGURE 2.     SOURCES OF INFORMATION ABOUT THE REAL ESTATE MARKET**
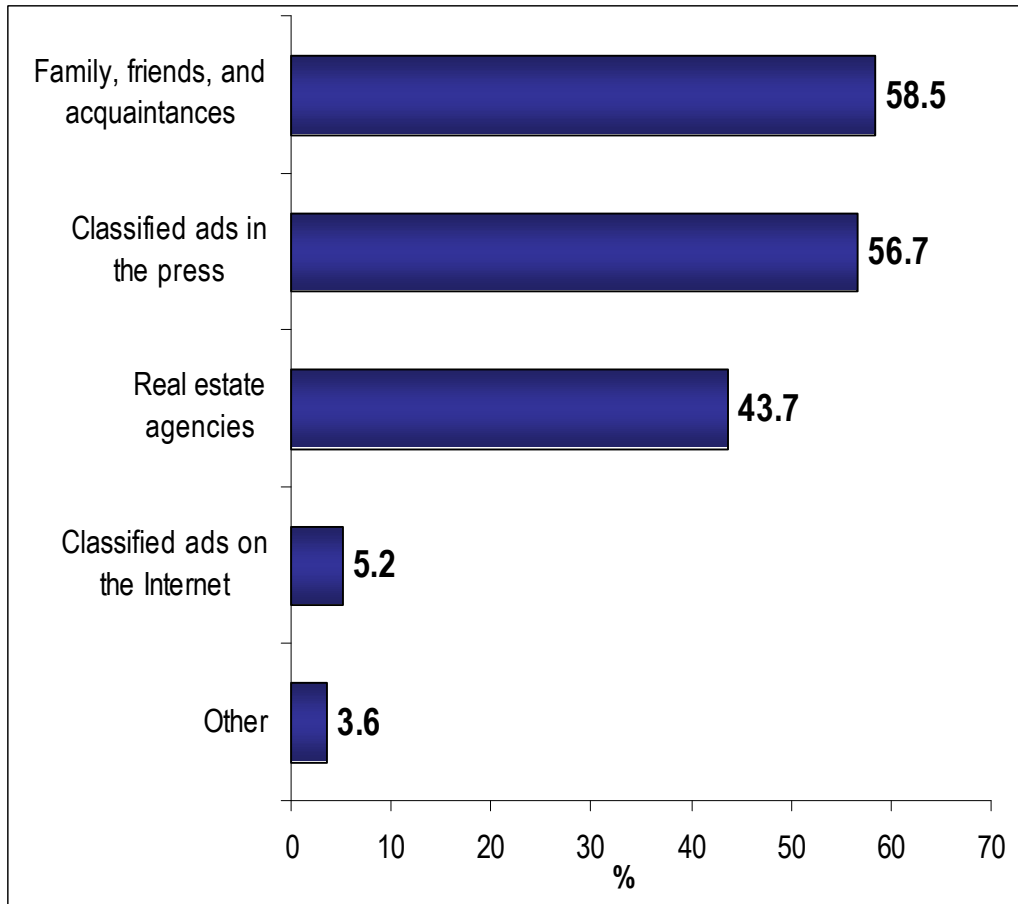


*Base N=110 (those who have sought information about the real estate market in the past two years)*
*The percentages add up to more than 100 because respondents could give more than one answer.*

The overwhelming majority of the respondents (92%), as well as the members of their households, had not carried out any real property transactions in the past two years. This confirmed the initial assumption that the real estate market in Bulgaria is not particularly active. The largest share of the universe surveyed had only carried out one type of transaction – purchase, sale, lease, rental, or exchange (Figures 3, 4).

With a probability rate of 95%, the number of people in Bulgaria who have carried out one type of transaction in the past two years is approximately 400,000[1], with the lower limit value of the confidence interval roughly 305,000 people, and the upper limit, about 490,000 people.

**FIGURE 3.     NUMBER OF TYPES OF TRANSACTIONS CONDUCTED (PURCHASE, SALE, LEASE, RENTAL, EXCHANGE) IN THE PAST TWO YEARS AMONG ALL THE RESPONDENTS**
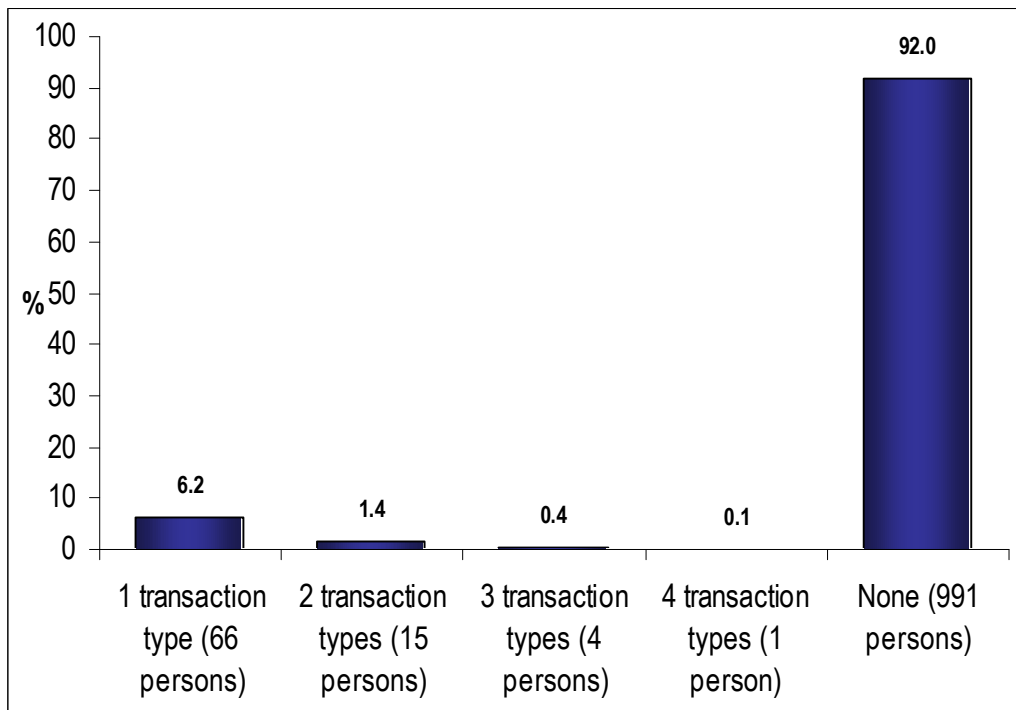


*Base N=1077 (all respondents)*

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[1] The number of people who have carried out one type of real property transaction has been obtained by multiplying the respective share by the number of the Bulgarian adult population (64,179 people) corresponding to 1% of the thus defined universe. The formula used to compute the upper and lower limit values of the confidence interval is $\triangle \max = 1.96 \sqrt{\frac{p \cdot q}{n}}$, where $\triangle max$ is the maximum error, $\partial$ is the relative share for which the confidence interval is computed, $q$ is (100-$\partial$), and $n$ is the size of the sample.

**FIGURE 4.** **TYPES OF TRANSACTIONS CONDUCTED (PURCHASE, SALE, LEASE, RENTAL, EXCHANGE) BY THE RESPONDENTS WHO HAVE CARRIED OUT A REAL PROPERTY TRANSACTION IN THE PAST TWO YEARS**
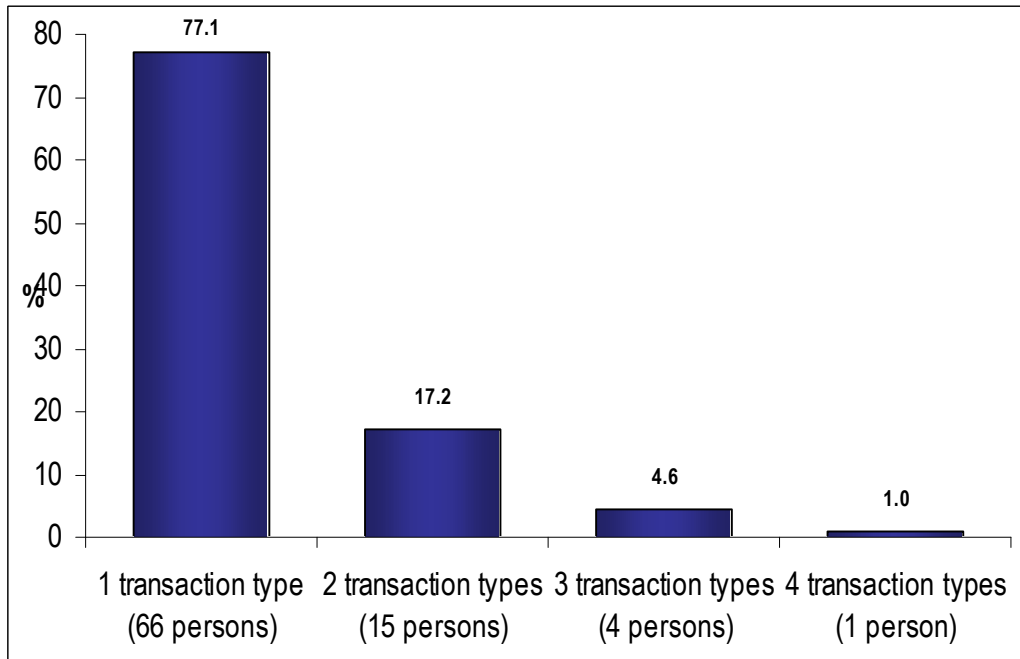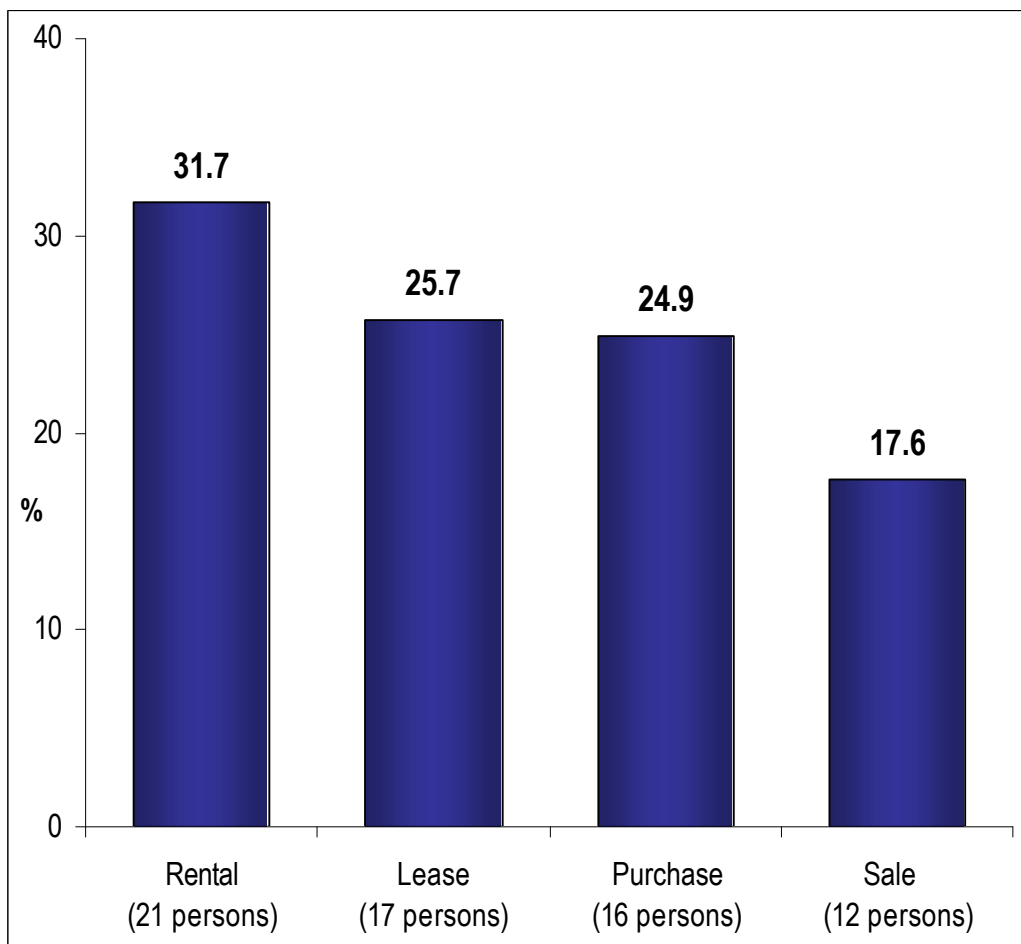


*Base N=86 (those who have conducted real property transactions)*

The number of adult Bulgarian citizens who have carried out the following three types of property transactions: purchase, sale, and rental, is approximately 150,000 for each group. The size of the error is 5%, which means that the values range between 90,000 and 205,000 persons. Slightly more people leased out real estate property – 160,000. The lower limit value of the confidence interval is approximately 100,000, and the upper limit, about 220,000 persons.

In terms of types of transactions, among those who have carried out **one transaction** in the past two years there predominated the rental of real estate property. About one third of the respondents and/or members of their households had rented real property. Leasing and purchase transactions ranked second and third, respectively. The sale of real property made up the smallest share.

The relative shares of "leasing" and "rental", as well as of "purchase" versus "sale" are not proportional – rentals and purchases outnumber leases and sales. One of the possible explanations is that some of the people renting and buying property are not Bulgarian citizens (Figure 5).

**FIGURE 5.     TYPES OF TRANSACTIONS CONDUCTED BY THOSE WHO HAVE CARRIED OUT ONE TRANSACTION IN THE PAST TWO YEARS**



*Base N=66 (those who have carried out one type of transaction)*

According to the respondents who have concluded real property deals (they themselves or members of their households), the most commonly used ways of preparing a transaction are the same cited as the most popular sources of information on the real estate market, i.e., through family and friends first and foremost, and through classified ads and real estate agencies, ranked second and third, respectively. The largest number of deals was concluded with the intermediation of family and friends, and the fewest, through ads in the print media. The real estate agencies came second by share of deals concluded with agency intermediation (Figure 6). In terms of the ratio between the use of a given mechanism and the actual transactions conducted, the real estate agencies have the highest rate of success.

FIGURE 6.      USE OF DIFFERENT MECHANISMS TO PREPARE AND CLOSE REAL PROPERTY DEALS
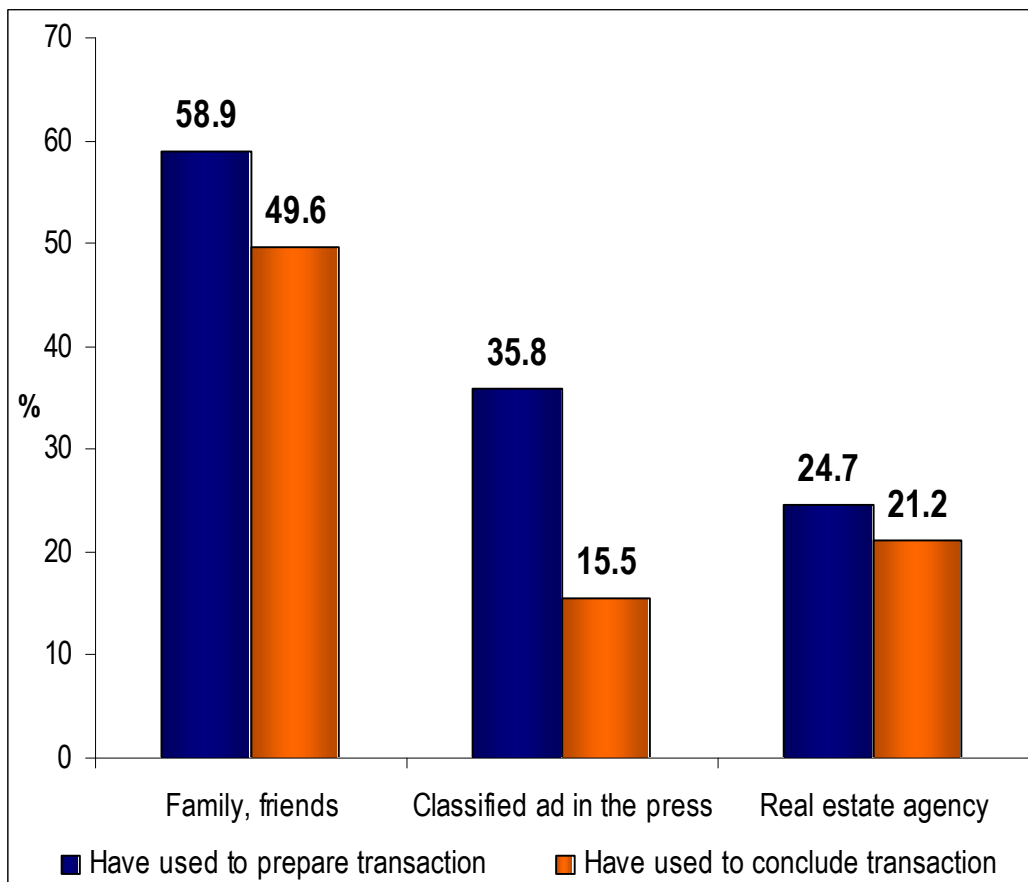


*Base N=86 (those who have carried out real estate transactions)*

Expectations regarding the real estate market tendencies proved rather pessimistic. On the whole, the majority of the people, and the members of their households, do not plan to sell, buy, rent, lease, and/or exchange any real estate property. The share of the potential participants in such transactions amounted to barely 6.9%, versus 88.5% who were quite positive they did not have any intention of concluding such deals in the next two years (Figure 7). Approximately 440,000 people planned some kind of real estate transaction over the coming two years.

Close to 80% of those who plan real estate transactions in the near future are residents of Sofia, large and small towns, and 13.7% live in the villages.

FIGURE 7.      LONG-TERM PLANS FOR CONCLUDING A REAL ESTATE TRANSACTION (IN THE NEXT TWO YEARS)
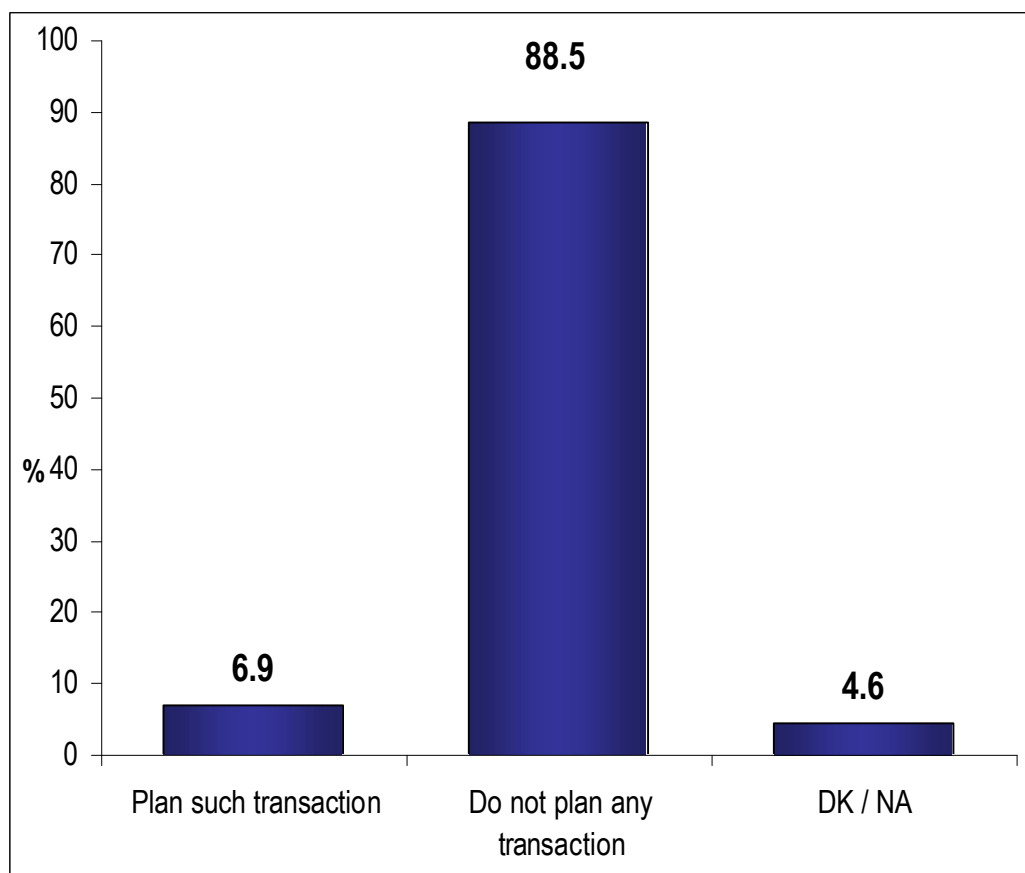


*Base N=1077 (all respondents)*

Using the services of a real estate agency as an intermediary in real estate transactions is a relatively popular practice among those who plan such transactions. Nearly half of them intend to turn to an agency (Figure 8). Using friends, acquaintances, and classified ads in the media are quite common, and often effective, ways to close real property deals. One of their advantages is the non-payment of an intermediary commission.

**FIGURE 8.**   **CONSUMER READINESS TO USE REAL ESTATE AGENCIES AS INTERMEDIARIES IN PLANNED FUTURE REAL ESTATE TRANSACTIONS**
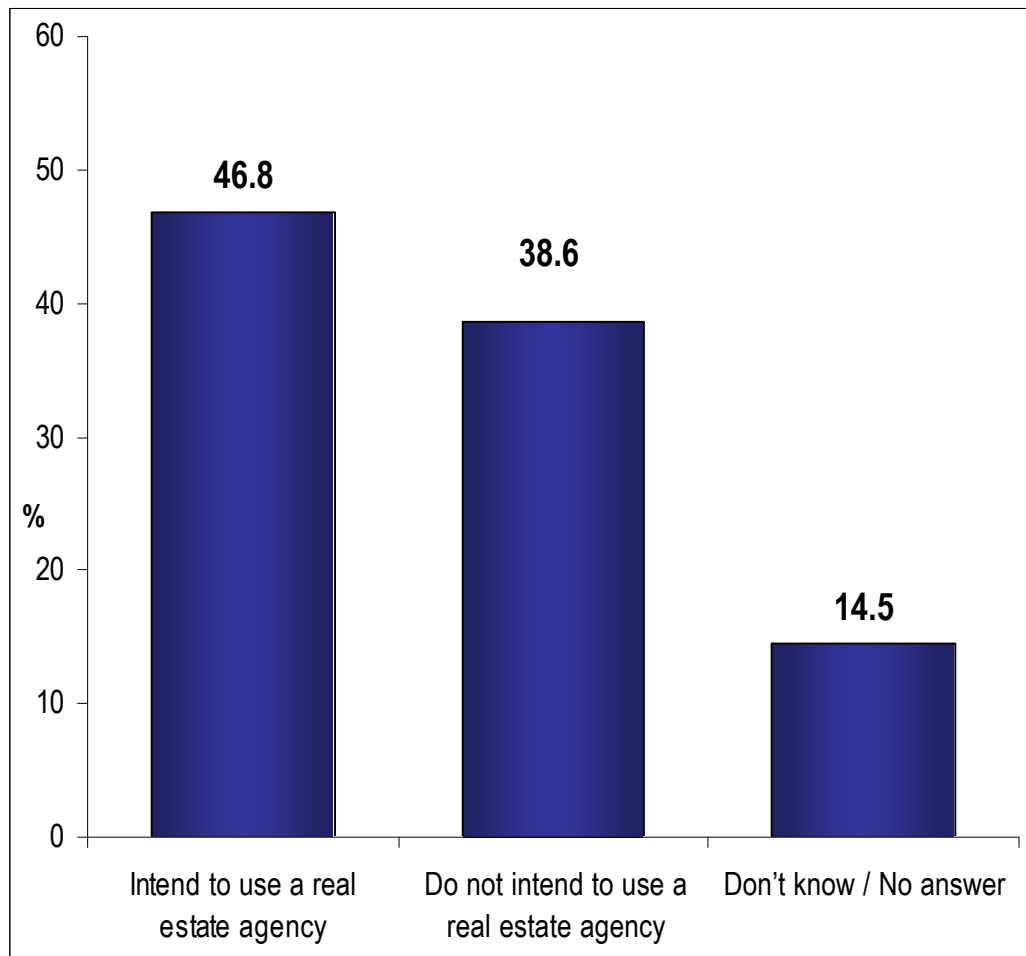


*Base N=75 (planning real estate transactions in the next 2 years)*