



2023

Investor study

Overview of the business climate for investments in Bulgaria in 2023



Commissioned by:

Bulgaria | **Sotheby's**
INTERNATIONAL REALTY

 **Manpower**[®]

In partnership with:

 **invest
Sofia**

Introduction & Methodology

For over three years, **Assert International Bulgaria**, in collaboration with **Manpower Bulgaria**, has been spearheading precise surveys aimed at forecasting, monitoring, and highlighting trends associated with the business environment, labor market dynamics, and the evolution of the workforce in Bulgaria.

The most recent study, commissioned by **Sotheby's Realty and Manpower Bulgaria** and carried out by **Assert International Bulgaria**, spanned a duration of two months and received **notable backing from the Sofia Invest Agency**. **The study's primary objective** is to glean insights into the perspectives of both nascent and established investors in the country, particularly focusing on the prevailing business development climate and the workforce.

To deeply probe the prevailing attitudes, we crafted a comprehensive 16-question survey addressing key areas such as anticipated shifts in business expansion, and workforce dynamics, and juxtaposing the Bulgarian business landscape with its Eastern European counterparts.

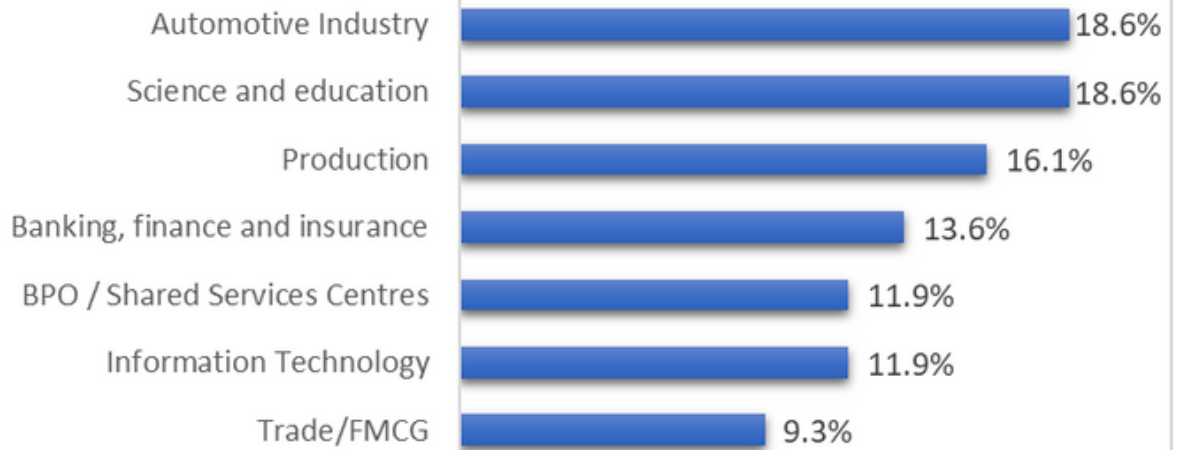
The survey was disseminated via the robust communication channels of Manpower, Assert International, Sotheby's International Realty, and Sofia Invest Agency. Additionally, collaborations with affiliated industry and business entities augmented its reach. **For meticulous qualitative and quantitative assessment, we utilized the Zoho Survey and Zoho Analytics platforms.** The survey findings are systematically showcased through illustrative diagrams and detailed statistics.



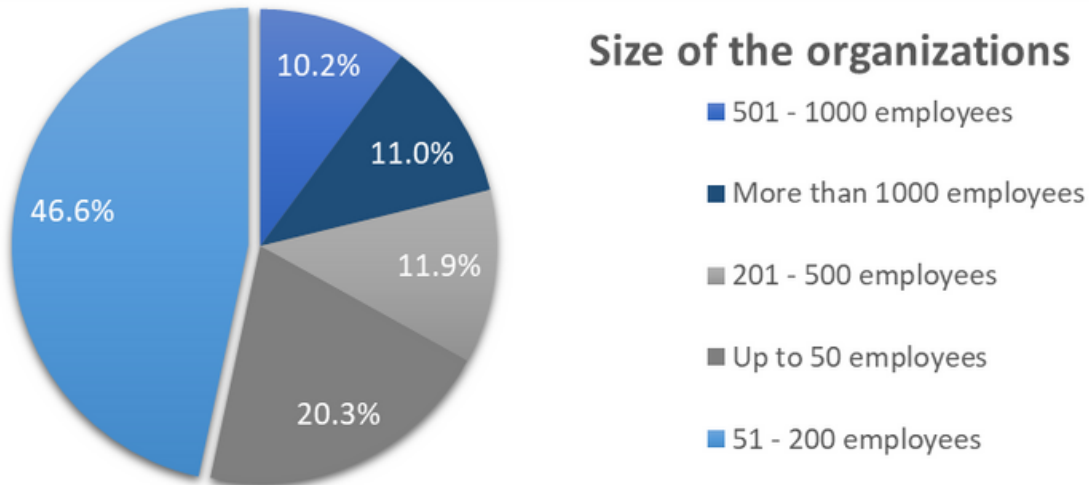
Demographics

118 companies from a total of 7 business sectors took part in the survey. The participants represent companies that have invested in Bulgaria over the past five years.

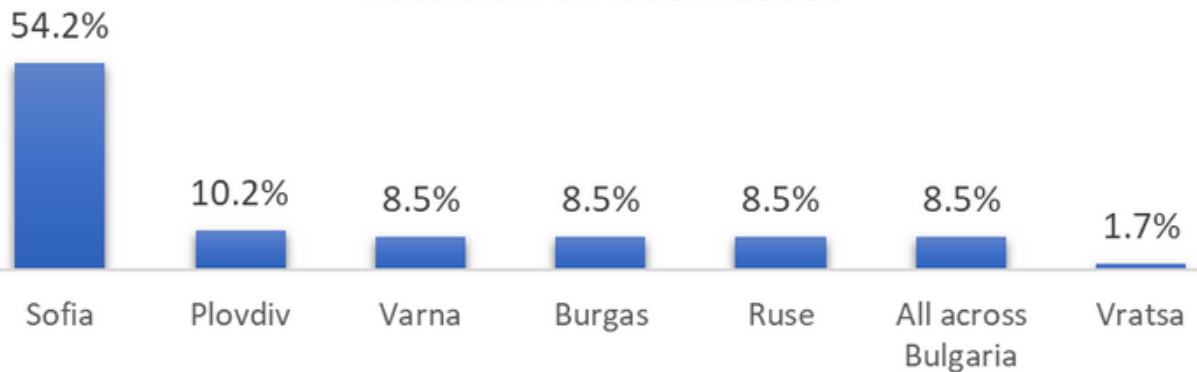
Respondents per business sectors



Size of the organizations



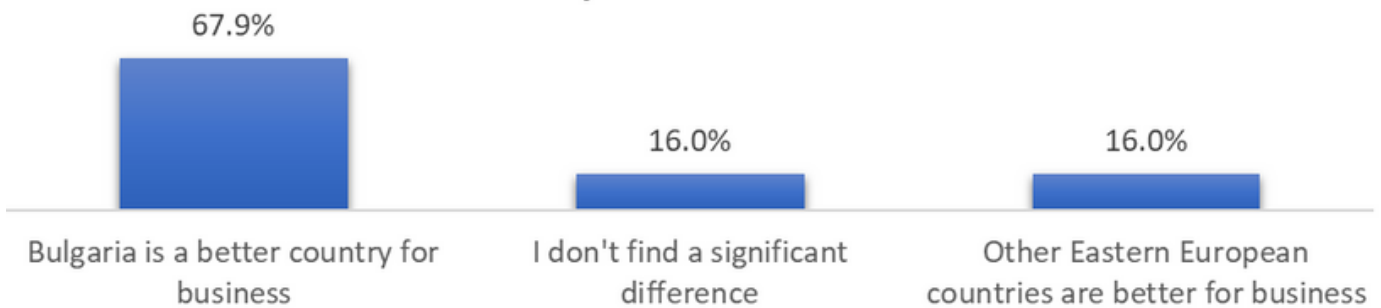
Location of businesses



Results

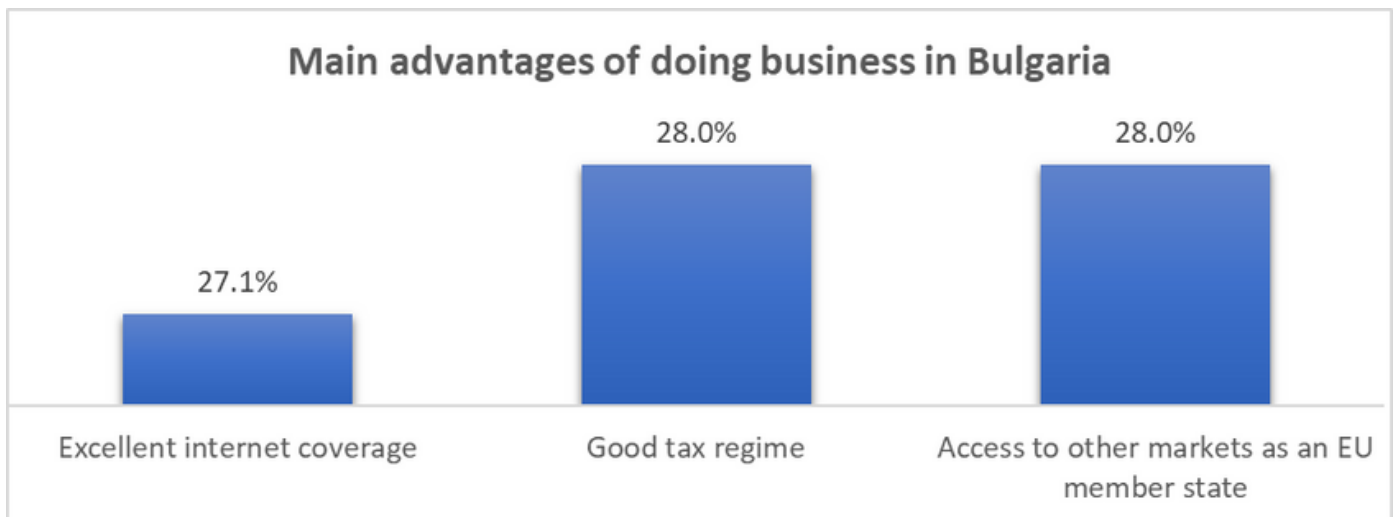
The aggregate perception of the business environment, as gleaned from all respondents, yielded an average rating of 3.61 out of a maximum score of 5. A notable 64% of the 118 participants deemed the country's business climate to be moderately favourable. Notably, when juxtaposed against other Eastern European nations, Bulgaria emerged as a preferred investment hub among the respondents.

Comparison of the climate in Bulgaria with other Eastern European countries



Relying on the average assessment of the climate in Bulgaria now, as well as in past years, the respondents shared the three biggest advantages of doing business in Bulgaria:

Main advantages of doing business in Bulgaria



Against the same question asked in 2021 (Fig. 4 - result for 2023) we see differences between the three biggest advantages - for 2021 they are "Good quality of labor (workers)", "Beneficial labor costs" and "Access to European markets".

The fewest respondents cited the following as existing advantages: "Low utility rates," "Competitive real estate prices," and "Beneficial labor costs."

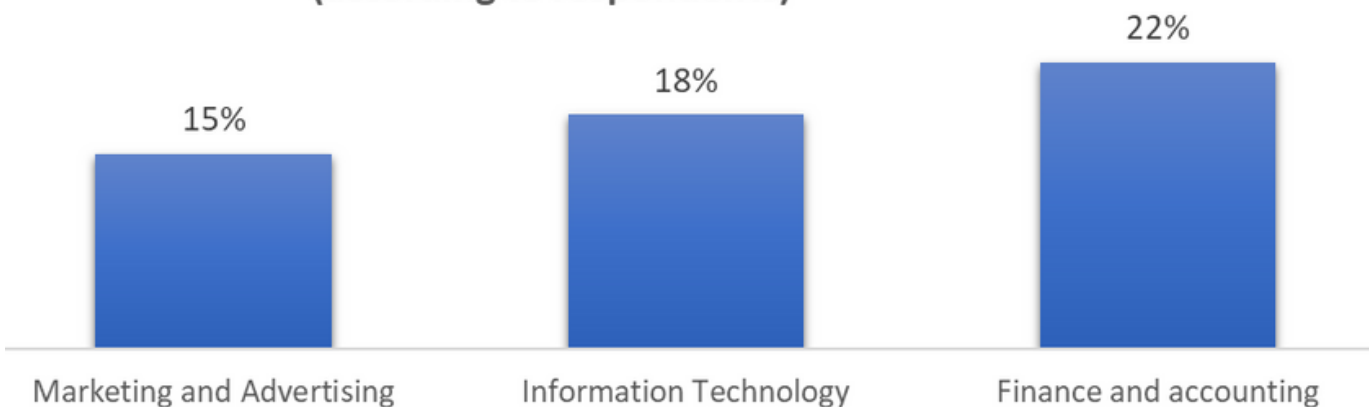
Results

According to data from Sotheby's International Realty Bulgaria, since 2014, the growth of the real estate market has been extremely stable. Banks are careful when granting loans, investors do not buy land and do not start a project if there is no proven investment sense in it based on the profit they have calculated. During these years, there were several waves of investment in the sector: during the negative interest rates of the banks and the limit of the amounts that can be kept on account, as well as the high inflation. Covid also had a positive effect on the market, due to people's interest in buying properties outside of Sofia, in the resorts and with more space and outdoor area. Property prices are currently at the level of 2008, with the average price slightly higher.

In terms of human capital, the business in the current survey evaluates the provision of its need with a medium to low score of 2.9 out of a maximum of 5. This is due to the trends of the last year and a half - there is a lack of free specialists on the labor market and the attraction it becomes difficult for them and conceptually different from standard selection practices.

According to the responding employers in the country, the most highly qualified specialists on the labor market in Bulgaria are found in the following sectors: "Finance and Accounting", "Information Technologies" and "Marketing and Advertising".

Highly qualified specialists in Bulgaria
(according to respondents)



Forecast

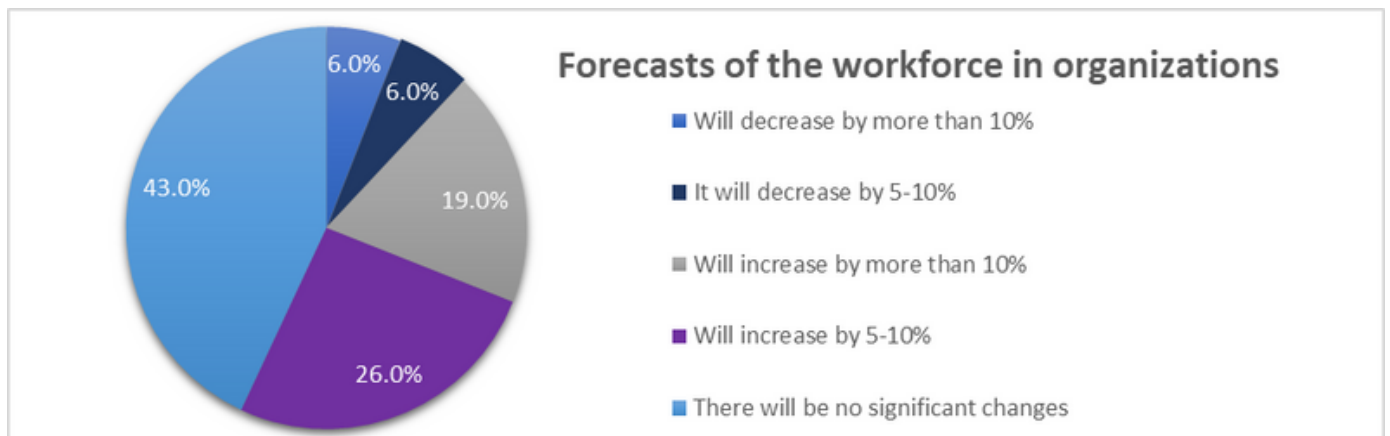
According to data from Sotheby's International Realty Bulgaria, since the beginning of 2023 real estate prices have been positioned at one level without growth or decline. The number of sales has decreased compared to 2022, but this is in areas where there is more supply and undeveloped infrastructure. In central urban areas and prestigious neighborhoods, such a delay is not observed, and properties are sold quickly. There is an increase in demand for ready-to-move-in, finished, and fully furnished properties. Banks have raised interest rates in euros, due to European regulations, but keep acceptable levels of 3 to 4% in BGN. Since the leva are tied to the euro, this allows lending at good levels.

Bulgaria is currently in a period of economic transition due to the possibility of entering Schengen and the Eurozone. The expectations of Sotheby's International Realty Bulgaria are that the banks will maintain their current levels of lending and in the next 18-24 months the market will be stable.

The company's forecast shows that the real estate sector will change after the signing of the agreements and the start of the accession processes. They provide an opportunity to observe the trends that occurred when our country entered the European Union - great interest among international investors and individuals. Due to this fact, Sotheby's International Realty Bulgaria expects an increase in prices.

There are currently new construction projects in extremely attractive locations, offering an investment opportunity, choosing the property now, after 2 to 3 years, a profit of 20 to 40% can be realized on resale.

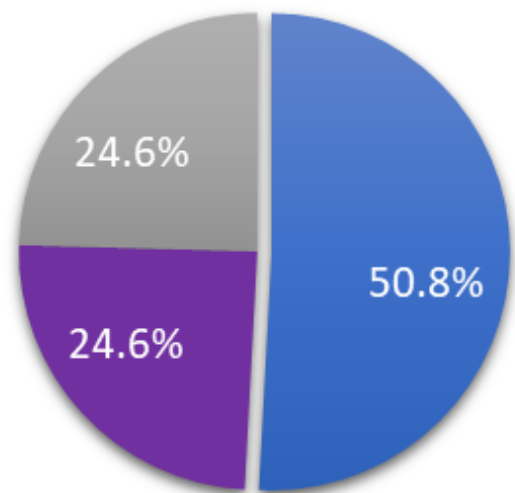
Regarding the workforce in the country, half of the responding organizations do not anticipate significant changes in the number of employees, and one in four expects to increase the number of employees by 5 to 10 percent.



Half of the survey respondents have no plans to increase the amount of their investments in the country in the current or next year, and another 24% will invest, but with a longer horizon - after 2024. Currently, the remaining 24% will expand their investments in the country.

Plans for expansion of the investments in Bulgaria

- We have no such plans at the moment
- Yes, after 2023
- Yes, in 2023 - 2024



The survey participants were asked to provide open-ended recommendations concerning the current state of the Bulgarian market. The majority centered their responses around the following key points:

- *Minimizing administrative hurdles imposed by governmental agencies*
- *Establishing pivotal collaborations between employers and governmental entities*
- *Shifting investor focus beyond the capital and major cities*
- *Capitalizing on opportunities within a slow-moving economy*

KEY CONCLUSIONS

- 1. The average rating of the business climate in Bulgaria in 2023 is 3.61 out of a maximum of 5.**
- 2. In the real estate market in central city areas and prestigious neighborhoods, properties sell quickly, while in other areas with undeveloped infrastructure, there is a delay in sales.**
- 3. The assessment of the business regarding the provision of human capital is medium to low (2.9 out of 5), due to the difficulties in attracting and retaining qualified specialists.**
- 4. Compared to other Eastern European countries, the respondents indicate Bulgaria as the better destination for investments.**
- 5. In the real estate market, there are current projects for new construction in attractive locations, where the investment can bring a profit of 20 to 40% in the short term.**
- 6. Half of the respondents plan to expand the size of their investments in the country this year and next.**

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