

Bulgaria

By Petar Ivanov, Tsvetkova Bebov & Partners, member of Eversheds Sutherland

IN A NUTSHELL

- The economy grew by 2.8% and inflation fell to 2.6%
- Despite house price and general inflation, low interest rates and increasing income fuelled mortgage market growth.
- Growth continued in 2025, as rates continued to decline.
- Bulgaria to enter the Eurozone on 1 January 2026.
- Landmark first issuance of covered bonds under the new Bulgarian Covered Bonds Act.

MACROECONOMIC OVERVIEW

The economy remained stable after a period of uncertainty due to factors such as to the war in Ukraine and a political impasse, which has left the country without a stable government since 2021. GDP growth is projected to be 2.8% (to EUR 94 bn) over the year compared to the EU average of 1% and Eurozone average of 0.9%.

Inflation continued to decrease with the HICP down to 2.6% y-o-y from 8.6% in 2023, which equals the EU average and is slightly above the Eurozone average of 2.4%. Unemployment remained historically low at 4.2% (EU average of 5.9%, 6.4% in the Eurozone). Inflation and a shortage of qualified labor contributed to further growth of average wages, which increased 13.9% y-o-y.

LOOKING AHEAD

The economy is expected to continue to grow with further decrease of inflation and unemployment rate.

According to its spring economic forecast, the European Commission expects real GDP growth in 2025 of 2% (1.1% in the EU and 0.9% in the Eurozone) and projects an increase in inflation to 3.6% from 2.6% in 2024 (2.3% in the EU and 2.1% in the Eurozone). Wage growth is expected to moderate, while the labor market will remain tight with a low rate of unemployment.

Following the introduction of measures by the Bulgarian National Bank to moderate residential mortgage lending, in the first quarter of 2025 the mortgage market grew at a slower rate of 9% y-o-y. This is a notable decrease compared to the annual growth of above 20% in each of the past several years. In the first months of the year rates continued to decrease compared to 2024.

HOUSING MARKETS

In 2024 the growth of the housing market shows signs of slowing down. The number of building permits issued decreased to 7,786 from 8,165 in 2023). Housing starts increased to 6,184 (5,860 in 2023), and completions decreased to 5,201 (5,419 in 2023). Despite this, new residential lending grew from BGN 5.7 bn (ca. EUR 2.9 bn) in 2023 to BGN 8.4 bn (ca. EUR 4.3 bn) in 2024.

The increased demand further accelerated house prices, which averaged 217.5% of the index's base value in 2015 compared to 186.7% in 2023.

The housing market varies regionally: prices in Sofia and the third largest city – Varna – outperform the average and reached 248% (210% in 2023), 218.2% (182.1% in 2023), respectively. At the opposite end is the fourth largest city – Burgas and its South-east region of Bulgaria with HPIs of 197.8% and 182.1%, respectively. There were higher average wages and more diverse job opportunities in the largest cities – for instance, the average wage in Sofia was 23% higher than the average contributing to the asymmetric price increases.

Similarly, in the rental market prices and demand in Sofia have steadily increased compared to the other regions, for the same reasons.

MORTGAGE MARKET

MARKET DYNAMICS

There has been growth in mortgage lending and lower interest rates for nearly 15 years, since 2010 with a slow recovery following the crash of 2008/2009 after the global financial crisis.

In 2024 the mortgage market grew by 25% to a total amount of outstanding residential loans of BGN 27.6 bn (ca. EUR 14.1 bn). Average interest rates decreased to an all-time low of 2.53% for BGN denominated loans (2.59% in 2023) and 2.95% for loans in EUR (3.53% in 2023). In the first quarter of 2025 interest rates continue to decrease (2.46% in March for loans in BGN).

Most new loans are floating rate (99%) and BGN denominated (96% of all outstanding and 97.6% of new loans) due to the more favourable interest rate terms on BGN loans and despite Bulgaria joining the Eurozone on 1 January 2026. The maximum maturity for new mortgages is 30 years with an average of 20 – 25 years. Due to the rise in inflation and house prices the average borrowed amount on new loans has increased in the past years to around BGN 195,000 (ca. EUR 100,000) with an LTV of 70-80%, with a 85% limit prescribed by the Bulgarian National Bank.

Housing NPLs continued to decrease to 1% (BGN 285 m) of all outstanding mortgage loans (1.5% in 2023).

On the supply side, credit standards for house purchases remained largely unchanged. As of October 2024, the Bulgarian National Bank introduced certain restrictions on mortgage lending activity, which consist of a maturity (30 years) and LTV (max. 85%) ceiling on new and renegotiated loans, as well as a Debt Service to Income Ratio at Origination (DSTI-O) of 50%. These restrictions appear to be slowing growth in lending in the first months of 2025.

In 2024 the main drivers of demand were fear of rising inflation and borrower's desire to convert savings into a housing investment, which is perceived as a "safe haven" in an environment of regional crises and regional and domestic political instability.

MORTGAGE FUNDING

Bank funding is dominated by deposits. As at the end of 2024, the banking sector had BGN 163 bn (ca. EUR 83 bn) of deposits (2023 – BGN 147 bn), equal to 80% of GDP and 85% of banking assets. Household deposits were BGN 92 bn (EUR 47 bn) or 57% of the total, followed by deposits of non-financial entities – BGN 49bn (EUR 25 bn) or 30%, and deposits of financial entities – BGN 18.3 bn (EUR 9.3 bn) or 11%. There is a well-established preference of households and non-financial entities to keep their free funds in bank deposits. The growth in deposits is also a result of the strengthening of consumer confidence in the banking system in recent years.

Typical wholesale funding tools such as securitisations and covered bonds are practically non-existent. The same applies to central bank funding, which may be provided only in strictly limited cases due to the pegging of the Bulgarian Lev to the Euro (so-called “currency board”). This is likely to change, when Bulgaria enters the Eurozone and the Bulgarian National Bank, as national central bank, takes up new responsibilities in the formulation and implementation of the Eurosystem’s monetary policy. Bulgaria is set to join the Eurozone on 1 January 2026.

Whereas the lack of appropriate legal infrastructure has hindered securitisations, mortgage bonds – a type of covered bonds – did not manage to establish themselves as successful and marketable products despite the issuance of several mortgage bond programmes and stand-alone issues in the late 00s and early 10s. The last mortgage-backed bonds issued by a Bulgarian bank matured in September 2019.

In March 2022, the Bulgarian Parliament adopted the new Covered Bonds Act, which replaced the existing mortgage-backed bonds legislation and transposes the EU’s Covered Bonds Directive (EU) 2019/2162. The Covered Bonds Act is the result of an EBRD (European Bank for Reconstruction and Development) funded project aimed at creating a modern covered bonds market in Bulgaria and encouraging cross-border investment into and from Bulgaria. In addition, in March 2021 a new law on special purpose and securitisation companies entered into force, which established a legal framework for securitisations in Bulgaria.

In July 2025, Eurobank Bulgaria AD, the Bulgarian bank part of Eurobank Group, issued Bulgaria’s first covered bonds under the Covered Bonds Act. The inaugural issue of EUR 500,000,000 floating rate mortgage loan covered bonds due 2032 has been awarded a rating from Moody’s of Aa2 and admitted to trading on Euro MTF organised by the Luxembourg Stock Exchange. The issue was retained by the issuer.

GREEN FUNDING

The National Recovery and Resilience Plan, part of Next Generation EU, establishes a National Program for Energy Renovation of Residential and Non-residential Buildings (the Program) under the auspices of the Ministry of Regional Development and Public Works. The total funds dedicated to the Program are BGN 2.47 bn (EUR 1.26 bn) for the renovation of multifamily residential buildings, public and commercial buildings in the period 2022 – 2026. The main goal of the Program is to achieve a 30% increase in energy efficiency in participating buildings through the funding of projects, such as the thermal insulation, renovation of common heating, cooling and ventilation systems, and the construction of renewable energy installations. The application period for a first stage of the Program started in December 2022.

The National Recovery and Resilience Plan also envisages the co-funding of individual investments to increase the energy efficiency of single family and multifamily buildings, such as the construction of solar energy installations, in a total amount of BGN 240 m (EUR 12 3m) in the period 2022 – 2025.

Due to the prolonged period of political instability and changing geopolitical conditions, the implementation of the National Recovery and Resilience Plan is behind schedule, and it is expected that certain projects will be amended or excluded from the plan in an ongoing revision. It is to be seen how the implementation of the National Recovery and Resilience Plan facilitates green projects in Bulgaria.

	BULGARIA 2023	BULGARIA 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	1.9	2.8	1.0
Unemployment Rate (LSF), annual average (%) (1)	4.3	4.2	5.9
HICP inflation (%) (1)	8.6	2.6	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	86.1	86.0	68.4
Gross Fixed Investment in Housing (annual change) (1)	-0.2	-4.0	-4.3
Building Permits (2015=100) (2)	47.3	45.1	136.9
House Price Index - country (2015=100) (2)	186.7	217.5	179.8
House Price Index - capital (2015=100) (2)	210	248	171.5
Nominal house price growth (%) (2)*	19.6	16.5	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	11,263	14,100	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	1,746.8	2,187.6	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	n/a	n/a	71.3
Gross residential lending, annual growth (%) (2)	13.2	39.2	3.9
Typical mortgage rate, annual average (%) (2)	3.53	2.95	4.34

(1) Eurostat Data

(2) European Mortgage Federation - Hypostat 2024, Statistical Tables

* Eurostat Reviewed

** EU 2024 to be confirmed

BULGARIA FACT TABLE

Which entities can issue mortgage loans in your country?

There are no specialised mortgage banks. Therefore, all licensed commercial banks (credit institutions) can provide mortgage loans. The largest and most active lenders of residential mortgage loans are 'tier 1' banks DSK Bank (DSK), United Bulgarian Bank (UBB), UniCredit Bulbank (UCB), Eurobank Bulgaria (Eurobank), First Investment Bank (FIB), as well as 'tier 2' banks Central Cooperative Bank (CCB) and Allianz Bank Bulgaria (Allianz).

What is the market share of new mortgage issuances between these entities?

In 2024 the total nominal (principal) value of residential mortgage loans issued has increased by ca. 25% or BGN* 5.5 bn from BGN 22 bn to BGN 27.6 bn. The 7 most active banks on the Bulgarian residential mortgage loan market account for around 96% of this increase – DSK (27.6%), UBB (24.7%), UCB (19%), Eurobank (16.3%), FIB (3.5%), CCB (2.3%), Allianz (2%).

* EUR 1 = BGN 1.95583

Which entities hold what proportion of outstanding mortgage loans in your country?

As of 31.12.2024 the total nominal (principal) value of residential mortgage loans issued is BGN* 27.6 bn. The 7 banks mentioned above form BGN 26.4 bn (ca. 96%) of this amount, of which DSK holds BGN 6.9 bn (ca. 25.1%); UBB – BGN 6.2 bn (ca. 22.4%); UCB – BGN 5.1 bn (ca. 18.5%), Eurobank – BGN 4.6 bn (ca. 16.5%), FIB – BGN 1.5 bn (ca. 5.4%), CCB – BGN 1.2 bn (ca. 4.2%), Allianz – BGN 0.98 bn (ca. 3.5%).

* EUR 1 = BGN 1.95583

What is the typical LTV ratio on residential mortgage loans in your country?

The average LTV ratio is 80%.

How is the distinction made between loans for residential and non-residential purposes in your country?

The official statistics of the Bulgarian National Bank (BNB) provides information only on residential mortgage loans reported at nominal (principal) value before deduction of provisions, without fees and currently accrued interest.

BNB defines "residential" or "housing" loans as loans granted to households for the purpose of investing in dwellings for their own use or for letting out, including for the construction and improvement of dwellings, which can be secured by various types of assets.

What is/are the most common mortgage product(s) in your country?

The most widely used mortgage products are BGN denominated housing loans with variable rates, which are generally defined in the banks own lending policies. The average size of loans is BGN 195,000.

Interest rates have been on a downward trend over the last years. In 2024 the average interest rate on BGN denominated housing loans is 2.53%, which is slightly lower than 2023 (2.59%).

What is the typical/ average maturity for a mortgage in your country?

The average maturity of newly issued mortgage loans is around 25 years with maximum term of any mortgage being 30 years.

What is/are the most common ways to fund mortgage lending in your country?

Funding of mortgage loans is based largely on deposits. Alternative funding sources are uncommon. There is practically no mortgage bond market, with last mortgage bond issuance dating back to 2014 and all issues being redeemed since, the latest in September 2019. In March 2022 a new Covered Bonds Act transposing the Covered Bonds Directive (EU) 2162/2019 was adopted by Parliament. There have been no covered bonds issued yet.

What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?

A variety of taxes and fees are associated with purchasing properties, most of which vary according to the property's price, but which may also depend on whether the property has land attached, whether it is being bought through an agent (as opposed to directly from the vendor), or whether there are other consultants involved (e.g. lawyer, surveyor or translator).

In particular, a purchaser should be aware of the following related costs: municipal tax (up to 3% of the purchase price depending on municipality involved, no cap); notary expenses for the purchase and for the establishment of a mortgage (each notarisation costs between BGN 500 and BGN 6,000 depending on the price of the property); state fee for registration of the purchase and the mortgage in the Bulgarian Property Register (each registration costs 0.1% of the property price, no cap); potential VAT implications of the purchase must also be considered.

What is the level (if any) of government subsidies for house purchases in your country?

Not available, other than limited tax benefits for young families (spouse not older than 35 years), which can deduct from their taxable income interest payments on loans (or the part of loans) up to BGN 100,000.