Bulgaria

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

IN A NUTSHELL

- → Bulgaria's GDP is projected to grow by 3.1% with inflation increasing to 5%.
- → Despite house price and general inflation, low interest rates and increasing income fuelled mortgage market growth.
- → Landmark first issuance of covered bonds under the new Bulgarian Covered Bonds Act.
- → Bulgaria entered the eurozone on 1 January 2026.
- → 2026 begins with a moderation of housing market and credit growth.

MACRO-ECONOMIC OVERVIEW

The economy remained stable throughout most of 2025. GDP growth is projected to be 3.1% (to EUR 116 bn) over the year compared to the EU average of 1.5% and eurozone average of 1.4%.

Still, factors such as the expected introduction of the euro as of 1 January 2026 contributed to a renewed increase of inflation with the HICP up 3.5% y-o-y (2.6% in 2024) compared to the EU average of 2.5% and the eurozone average of 2.1%. CPI marked an annual increase of 5%.

Unemployment reached a historical low at 3.5% (EU average of 6%, 6.4% in the eurozone), compared to 4.2% in 2024.

Inflation, shortage of qualified labour and higher wage growth in the public sector, contributed to further growth of average wages, which in Q4 marks an annual increase of 11% to BGN 2678 (EUR 1,369.24).

LOOKING AHEAD

In 2026 growth is expected to slow down and inflation to rise, as a result of weaker consumer confidence and an increase of energy prices.

According to its spring economic forecast, the European Commission expects real GDP growth in 2026 of 2.5% (1.1% in the EU and 0.9% in the eurozone) and projects an increase in inflation measured on the HICP to 4.2% from 3.5% in 2025 (3.1% in the EU and 3.0% in the eurozone). Wage growth is expected to slow down, while the labour market will remain tight.

The general government deficit reached 3.5% of GDP in 2025 and the deficit is expected to exceed 4% in 2026. As a result in the spring of 2026, the European Commission proposed that the Council open an excessive deficit procedure for Bulgaria. Controlling the budget deficit has been set as a priority of the new Bulgarian government, which was elected following a landslide victory by a coalition led by former president and now prime minister Rumen Radev at the latest parliamentary elections in April 2026.

The above factors, together with a drop in demand after the introduction of the euro on 1 January 2026, have moderated activity in the housing market in the first months of 2026. Still, in Q1 2026 the amount on new mortgage loans increased by 17.6% compared to Q1 2025 to EUR 1.6 bn.

HOUSING MARKETS

In 2025 the growth of the housing market regained its momentum. The number of building permits issued increased by 13.7% to 8,850 (from 7,786 in 2023) marking a record high since 2007/2008. Housing starts increased to 6,651 (6,184 in 2024), and completions increased to 5,930 (5,201 in 2024). With this background, new residential lending grew more than 30% from EUR 5.4 bn in 2024 to EUR 7.1 bn in 2025.

The increased demand further accelerated house prices, which averaged 249.2% of the index's base value in 2015 compared to 217.5% in 2024.

The housing market varies regionally: prices in Sofia and the third largest city – Varna – outperform the average and reached 284.8% (248% in 2024), and 257.1% (218.2% in 2024), respectively. At the opposite end is the fourth largest city – Burgas – and its South-east region of Bulgaria with HPIs of 221.5% and 204.8%, respectively. There were higher average wages and more diverse job opportunities in the largest cities – for instance, the average wage in Sofia was 40% higher than the country average contributing to the asymmetric price increases.

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

MORTGAGE MARKET

MARKET DYNAMICS

2025 arguably marked the strongest year for the Bulgarian mortgage market since the 2008/2009 financial crisis.

The total amount of outstanding residential loans grew by 19.6% to a total amount of outstanding residential loans of EUR 16.9 bn. Average interest rates decreased to an all-time low of 2.47%. In the first quarter of 2026 interest rates remained low.

Most new loans are at a floating rate (99%) and – before the statutory conversion to the euro as of 1 January 2026 – were originated in BGN. 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 for new loans has increased in the past years to around EUR 120,000) with an LTV of 70-80%, with an 85% limit prescribed by the Bulgarian National Bank.

Housing NPLs continued to decrease to 0.73% (EUR 133.6 m) of all outstanding mortgage loans (BGN 145.7 mn in 2024).

On the supply side, credit standards for house purchases remained largely unchanged. As of October 2024, the Bulgarian National Bank introduced restrictions on mortgage lending activity, which consist of ceilings on maturity (30 years) and LTV (max. 85%) for new and renegotiated loans, as well as a Debt Service to Income Ratio at Origination (DSTI-O) of 50%. These restrictions did not materially change the dynamics of the mortgage market in 2025.

Favourable mortgage market conditions, fears of inflation (including in the context of the adoption of the euro), and traditional regard for investment in housing were the main drivers of demand in 2025.

With the increase in prices and the drying up of the supply of high-quality housing, it is expected that 2026 will be more moderate compared to 2025. Indicative of this is a 15.5% drop in real estate transactions in Q1 2026 compared to Q1 2025.

MORTGAGE FUNDING

The funding of banks in Bulgaria is dominated by deposits. As of the end of 2025, the banking sector had EUR 97.4 bn of deposits (2024 – EUR 83.3 bn), equal to approximately 84% of GDP and 84% of banking assets. Household deposits were EUR 56.8 bn or 58% of the total, followed by deposits of non-financial entities – EUR 27.3 bn or 28%, and deposits of financial entities (including banks) – EUR 11.4 bn or 11.7%. There is a well-established preference among 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 play an insignificant role. In recent years, through guarantee programmes of the European Investment Bank and the European Investment Fund, several of the larger Bulgarian banks, which are part of international banking groups, have engaged in private synthetic securitisations of SME loan portfolios. The size of these transactions is modest compared to the funding needs of the market.

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

Until now central bank funding was practically non-existent due to limitations on the powers of the Bulgarian National Bank as a result of the pegging of the Bulgarian lev to the euro (so-called currency board). This is likely to change after Bulgaria's entry in the eurozone and the Bulgarian National Bank, as the national central bank, takes up its new responsibilities in the formulation and implementation of the Eurosystem's monetary policy.

GREEN FUNDING

The National Recovery and Resilience Plan, part of NextGenerationEU, establishes a National Programme 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 programme 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 programme is to achieve a 30% increase in energy efficiency in participating buildings through the funding of projects, such as 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 programme 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 12.3 m) 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 as part of an ongoing revision. It is to be seen how the implementation of the National Recovery and Resilience Plan will facilitate green projects in Bulgaria.

	BULGARIA 2024	BULGARIA 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	2.8	3.1	1.5
Unemployment Rate (LSF), annual average (%) (1)	4.2	3.5	6.0
HICP inflation (%) (1)	2.6	3.5	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	86.0	86.1	68.5
Gross Fixed Investment in Housing (annual change) (1)	5.2	4.1	2.8
Building Permits (2015=100) (2)	45.1	49.8	86.9
House Price Index - country (2015=100) (1)	217.5	249.2	161.92
House Price Index - capital (2015=100) (2)	248.0	284.8	n/a
Nominal house price growth (%) (1)*	16.5	14.6	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	14,100	16,863.67	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	2,187.6	2,625.43	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	n/a	n/a	81.39
Gross residential lending, annual growth (%) (1)	39.2	28.1	2.8
Typical mortgage rate, annual average (%) (2)	2.95	2.47	3.31

(1) Eurostat Data
(2) European Mortgage Federation - Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 to be confirmed

BULGARIA FACT TABLE

Which entities can issue mortgage loans in your country?	In Bulgaria there are no specialised mortgage banks. Therefore, all licensed commercial credit institutions can provide mortgage loans. Some of the active leaders of residential loans are 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 2025, the total amount of outstanding mortgage loans increased by ca. 19.6% or BGN* 5.4 bn from BGN 27.6 bn to BGN 33.0 bn. The 7 most active banks on the Bulgarian residential mortgage loan market account for around 95% of this increase – DSK (26,5%), UBB (21,7%), UCB (18,9%), Eurobank (16.2%), FIB (5,2%), CCB (3,8%), Allianz (3%). * EUR 1 = BGN 1.95583
Which entities hold what proportion of outstanding mortgage loans in your country?	As of 31.12.2025 the total nominal (principal) value of residential mortgage loans issued is BGN 33.0 bn. The 7 banks mentioned above form BGN 31.4 bn (ca. 95%) of this amount, of which DSK holds BGN 8.74 bn (ca. 26.5%); UBB – BGN 7.16 bn (ca. 21,7%); UCB – BGN 6.23 bn (ca. 18,9%), Eurobank – BGN 5.34 bn (ca. 16,2%), FIB – BGN 1.72 bn(ca. 5,1%), CCB – BGN 1.25 bn (ca. 3,8%), Allianz – BGN 0.99 bn (ca. 3%). * 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?	In the official statistics of the Bulgarian National Bank (BNB), information is provided 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 in Bulgaria are local currency denominated housing loans with variable rates, which are generally defined in the banks' own lending policies. The average size of loans is cited as EUR 120.000. In 2025, the average interest rate on BGN denominated housing loans is 2,47%, which is near all-time low figures.

What is the typical/ average maturity for a mortgage in your country?	The average maturity of newly issued mortgage loans is around 26 years with maximum term of any mortgage being 30 years.
What is/are the most common ways to fund mortgage lending in your country?	In Bulgaria the funding of mortgage loans is mainly based on deposits, even though there are alternative funding sources such as securitisation and covered bonds, but they are uncommon.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	The process of purchasing a house in Bulgaria is accompanied by variety of taxes and fees, 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 EUR 255,65 and EUR 3.067,75 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?	This information is not available, other than limited tax benefits for young families (spouse not elder than 35 years), which can deduct from their taxable income interest payments on loans (or the part of loans) up to EUR 51.129,19.