

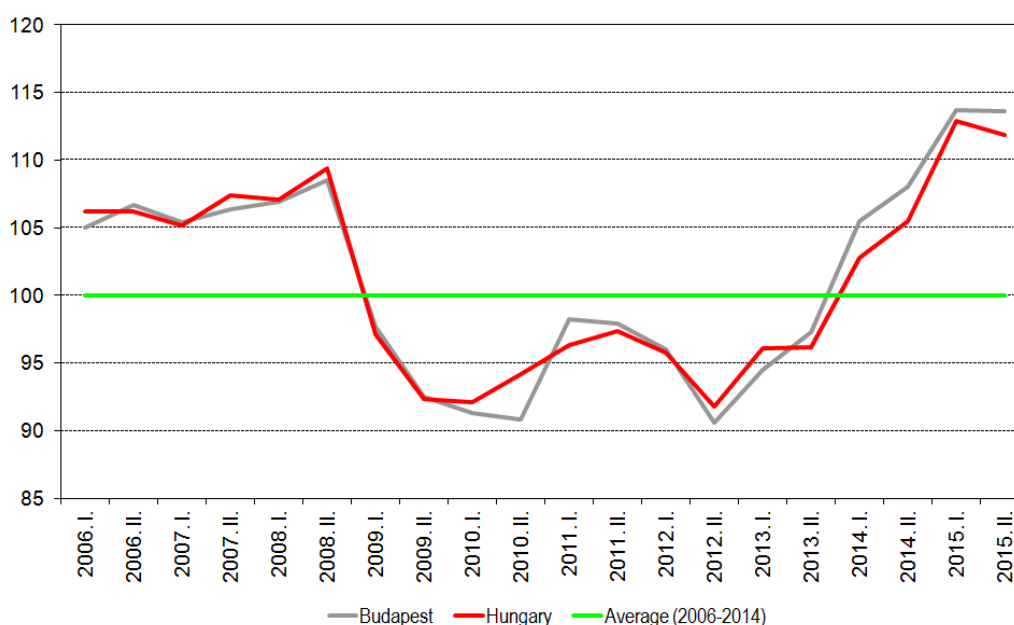


## OPTIMISM HAS SURVIVED BUT NOT STRENGTHENED ON THE REAL ESTATE MARKET

(RESULTS OF THE SURVEY ABOUT THE HUNGARIAN REAL ESTATE MARKET CONDUCTED IN OCTOBER OF 2015)

GKI conducts real estate surveys twice a year in order to assess plans, intentions and prospects of market players (realtors, developers, operators, households and companies) for the next one year. The real estate market indexes of GKI (referring to the capital and Hungary) synthesize the expected outlooks for the individual market segments (including the residential, office space, retail space and warehouse markets), and provides **an overall view of the entire real estate sector**. In particular, the indexes reflect the relationship between supply and demand as well as the future plans and expectations of market actors.

Real estate market indexes of GKI\*, 2006-2015



\*/Value 100 represents the long term average of two indexes.

Real estate market index of GKI referring to the capital is almost equal to the value which was measured a half year ago. Index referring to Hungary is one point lower than it was in April of 2015 – this change can be interpreted as stagnation. Among the players of the Hungarian real estate market improving expectations could have been observed since the beginning of 2013. Though this favourable tendency is now over but the actual outlooks reflect optimism. In Budapest and Eastern-Hungary the residential market expectations slightly improved. On the office space market the indexes decreased significantly but it is a natural negative correction after the exuberant optimism which was observed in 2014 and in the first half of 2015. On the retail space market there was no perceptible change. Expectations referring to the warehouse market have improved only in the capital. House prices can increase significantly in Budapest and in Western-Hungary in the next 12 months.

## OFFICE SPACE MARKET

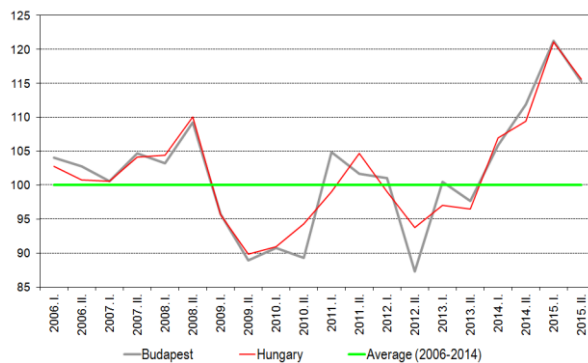
Results of the current survey show increasing occupancy rates in all segments of Budapest market. In Western-Hungary occupancy rate is 75% (a half year ago it was 69%), in Eastern-Hungary the occupancy rate (70%) is equal to the value measured in April of 2015.

### Occupancy rates on the Budapest office space market

	Type A (%)	Type B (%)
Pest	80.5 (77.5)	82 (78)
Buda	79.5 (78.5)	80.5 (74.5)

The results of the previous (April 2015) survey are shown in parentheses.

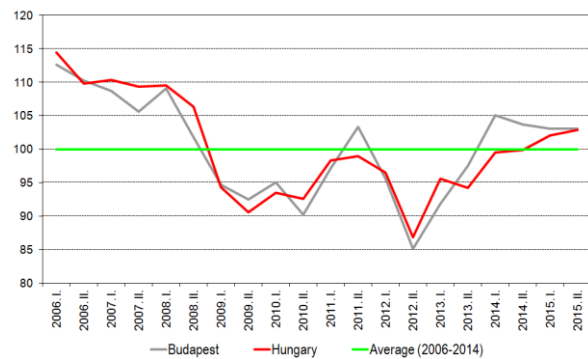
### Office space market indexes, 2006-2015



Office space market indexes (which reflect expectations of real estate developers, realtors and companies) decreased by 6-6 points in Budapest and in Hungary as well. In the light of notable improvement experienced between October 2013 and April 2015 the actual setback can be interpreted as negative correction. After all, expectations of realtors and real estate developers reflect ongoing optimism.

## RETAIL SPACE MARKET

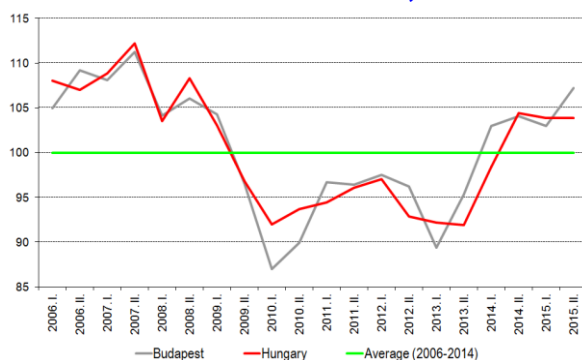
### Retail space market indexes, 2006-2015



Retail sales increased by 4.1% in 2014, by 6% in the first eight months of 2015 and outlooks are favourable as well. But there are negative factors: overdevelopment, hostile measurements of the governments, etc. Retail space market indexes (which reflect expectations of real estate developers, realtors and companies) referring to Budapest and Hungary remained practically unchanged.

## MARKET OF WAREHOUSES

### Warehouse market indexes, 2006-2015

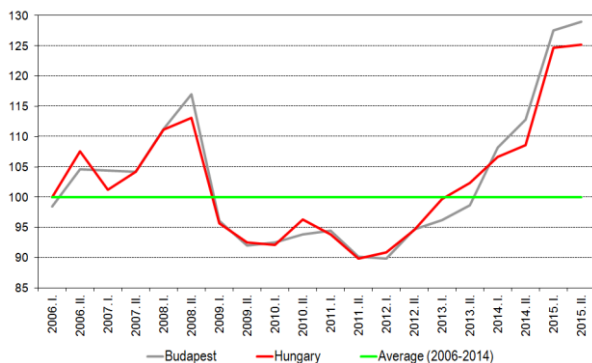


On the warehouse market – despite of favourable processes in the recent past – a lot of unused capacities can be found. Warehouse market index (which reflect expectations of real estate developers, realtors and companies) did not change significantly in the rural areas but a slight improvement can be observed in Budapest.

## RESIDENTIAL MARKET

In April of 2015 assessment of residential market improved only in Budapest. In Eastern- and Western-Hungary the situations are practically unchanged.

### Residential market indexes, 2006-2015



Residential market index (which reflect expectations of real estate developers, realtors and households) increased slightly in Budapest (by 1.5 points) and remained the same in Hungary.

Since 2012 the residential market indexes has been increasing permanently. In October of 2015 this positive tendency refracted.

### Expectations of housing market segments for the forthcoming 12-month period\*

	April 2015	October 2015	Probable change
<b>Budapest</b>			
Non-prefab condominium homes			
Buda, green belt	12	15	→
Buda, other areas	6	10	→
Downtown Pest	18	10	↘
Pest, green belt	-9	0	↗
Pest, other areas	-18	0	↗
Prefab housing estates			
Northern Pest	0	10	↗
Southern Pest	-12	10	↗
Buda	9	15	↗
Single family homes			
Pest	-3	0	→
Buda	3	0	→
<b>Eastern Hungary</b>			
Non-prefab condominium homes	-23	0	↗↗
Prefab housing estates	-30	-20	↗
Single family homes	-17	-25	↘
<b>Western Hungary</b>			
Non-prefab condominium homes	12	7	→
Prefab housing estates	19	10	↘
Single family homes	-12	5	↗

\*/ balance indicators: weighted difference between the indices indicating the rates of oversupply and excess demand, with 0 reflecting balanced market conditions, negative values indicating oversupply and positive values signalling excess demand.

According to the results of consumer surveys the household expectations for home building and purchase show a slight upturn.

## Households' plans to build, purchase or remodel homes, 2009-2015

(4-quarter moving averages, thousand households)

	Home construction or purchase		Home remodelling	
	Certain	Likely	Certain	Likely
2009. 01.	27	60	37	164
2009. 02.	25	46	32	153
2009. 03.	22	32	37	144
2009. 04.	22	32	33	147
2010. 01.	17	34	32	139
2010. 02.	11	47	30	131
2010. 03.	5	54	23	123
2010. 04.	3	53	25	116
2011. 01.	4	56	30	114
2011.02.	8	49	27	107
2011.03.	7	38	23	97
2011.04.	8	38	21	84
2012. 01.	7	35	16	81
2012.02.	4	31	12	77
2012.03.	10	38	19	99
2012.04.	10	38	19	99
2013.01.	9	37	19	104
2013.02.	11	37	21	106
2013.03.	20	43	28	112
2013.04.	21	40	26	104
2014.01.	23	47	27	111
2014.02.	20	49	26	123
2014.03.	9	50	22	146
2014.04.	6	61	23	171
2015.01.	7	59	23	183
2015.02.	12	61	33	203
2015.03.	11	55	27	182
2015.04.	15	50	37	182

Source: GKI household surveys

## PRICES, RENTS

### Expectations regarding prices of real estate in the next 12 months

(Percentage changes compared with current prices)

	Budapest	Western-Hungary	Eastern-Hungary	Hungary average
Existing residential unit	2.4 (1.5)	3 (2.3)	1.2 (1.3)	2.2 (1.7)
Newly built residential unit	5.5 (1.3)	4.5 (3)	2 (1.3)	4 (1.9)
Office space	0.7 (1.4)	1.5 (1)	0 (0)	0.8 (0.8)
Retail space	0 (-1.2)	-1 (0.7)	0 (0.5)	-0.3 (0)
Warehouse	0.5 (0)	0 (1)	-1.5 (-1)	-0.3 (0)
Construction lots	(1.3)	(-1.5)	(0)	(0)

The results of the previous (April 2015) survey are shown in parentheses.

### Expectations regarding rents in the next 12 months

(Percentage changes compared with current prices)

	Budapest	Western-Hungary	Eastern-Hungary	Hungary average
Office space	0.5 (0.4)	0 (0)	1 (0)	0.5 (0.1)
Retail space	0.5 (-1.2)	1.3 (0.7)	0.8 (0.5)	0.8 (0)
Warehouse	1 (0)	1 (-1)	-1.5 (-1)	-0.2 (-0.7)

The results of the previous (April 2015) survey are shown in parentheses.