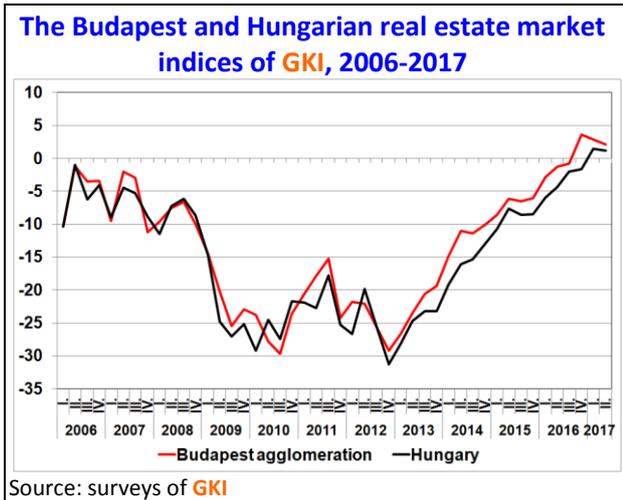


Housing market outlook presses down property indices

(GKI SURVEY RESULTS FOR APRIL 2017)

In April, the Budapest and the national real estate indices of GKI stood at 2 and 1 points, respectively. The index figure in the capital city has fallen modestly by 1 point. The national index has dropped slightly from January (within the error margin). Both indices went up 3 points compared to one year earlier.

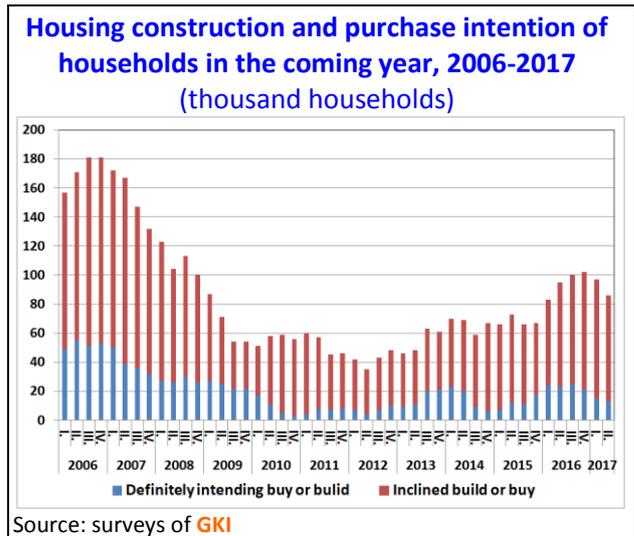


GKI has been conducting quarterly surveys to assess the plans, intentions and prospects of companies engaged in real estate activities (developers, realtors, consultants and operators) and households in the real estate market. Respondents of this survey included 110 real estate firms and 1,139 companies. The household sample contained 1,000 people, and it was representative on gender, age, residence and education level. The Budapest and the Hungarian real estate market indices synthesize **the expectations for the next year's prospects** of the individual market segments (including residential, office space, retail space and warehouse markets), providing an overall view on the prospects of the entire real estate sector.

Home market: is the housing subsidy programme CSOK over?

The GKI housing market index (which reflects expectations of households and property agencies) **went down 4 points, while it dived 7 points in Budapest alone**, compared to January. The index in the capital has fallen 9 points and the national index has dropped 6 points if it compared to one year earlier. Although the uptrend in outlook has broken but present expectations **still slightly better** than they were before the

announcement of housing market measures (VAT cut on new homes and the expansion of CSOK). Expectations have not worsened in the **popular locations** in Budapest. These areas are still face high demand in the future. On the other hand, in outer districts in Pest, expectations have dropped significantly. Furthermore, outlook on concrete panel buildings have mostly turned to worse.

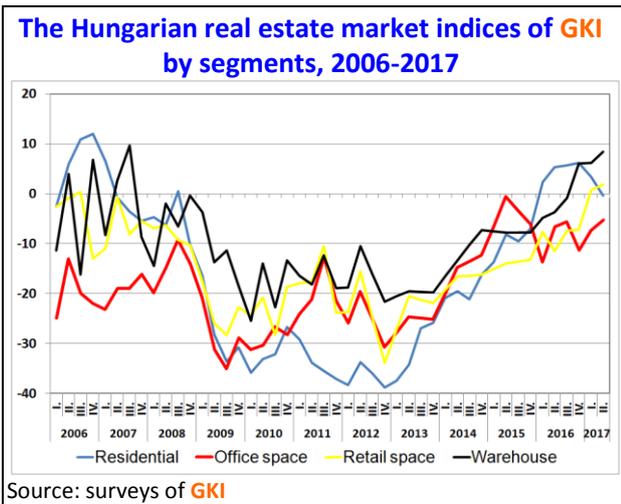


Expectations of household on their future home purchases and constructions have worsened slightly, compared to the previous survey. This negative development has occurred both among those who were certain about their intention to build or purchase a home in the coming year and among those who were inclined to do so. Compared to one year earlier, a drop could only be seen among the certain ones. **The outlook on home renewals and modernisation** is about the same as it was a quarter earlier but less bright as it used to be a year earlier.

The expected price rise of used homes has not really changed in Budapest compared to a quarter earlier. In January, 47 per cent of respondents saw a price rise, and 44 per cent now. The share of those respondents, who saw stagnating prices, has gone up from 45 per cent to 50 per cent. **The overall price rise in Budapest was again considered to be close to 3 per cent.** In Buda and in the frequented Pest regions it was higher even reaching 5 per cent. In Eastern Hungary, the average index went up slightly but in Western Hungary it has dropped. **New home prices on average will likely to grow 5-7 per cent.**

Construction site market: stable optimism

The outlook on construction sites has started to improve significantly in the first half of 2015 and improved further in early 2016, obviously not independently to the that time announced government measures. Since then the outlook kept its high level. The **GKI** construction site index on Hungary went up 6 points, while it has increased 7 points in Budapest alone, compared to the previous survey. Construction site **prices** will likely to increase 3-8 per cent in the coming year.



Office space market: general optimism

Occupancy in Hungary is generally on the rise since 2015. It was 87 per cent in Budapest in the first quarter of 2017, up by 1.5 points from the previous quarter and up nearly 3 points from one year earlier. In Eastern Hungary, the occupancy ratio went up to 83 per cent, from 76 per cent a quarter earlier. In Western Hungary, the ratio remained again at 80 per cent. In April 2017, the **GKI office space index** (which reflects expectations of property agencies and developers) **has increased 2 points both for Hungary and Budapest**, compared to one quarter earlier. The national index has increased 1 point and the Budapest index went up 5 points, compared to one year earlier. Although **GKI** has already seen higher figures but the present outlook is still rather optimistic. In the Budapest region, **rents will likely to go up 3-4 per cent** in the coming year, while outside of this region, the increase could be much smaller.

Retail space market: the gap is closed

Food retailers are getting under an increasing pressure from the government. No large development projects are on the agenda but renewing and upgrading existing capacities are planned at several locations. The ‘gap’ between the overall and Budapest office space indices has been closed by now, as the recent survey testifies. Compared to the previous quarter, the **Budapest index has dropped 3 points but the national one went up 1 point**. Compared to one year earlier, the Budapest index has increased 9 points and the national average went up 13 points. **Rents** will increase about 3 per cent in the coming year, according to respondents.

Logistics real estate market: a ten-year peak

The **utilisation** of logistic facilities has increased in all of the three segments examined, compared to one quarter earlier. The occupancy rate in the Budapest area is 86 per cent, up from 85 per cent a quarter earlier. In Western Hungary, the occupancy was 84 per cent, up from 82 per cent in January. In Eastern Hungary, it has increased from 80 per cent to 83 per cent. One year earlier, these figures were 85 per cent, 90 per cent and 70 per cent respectively. The **GKI storage market indices** have increased more or less. In Budapest, there was a 5 point increase, and the index went up nearly 2 points for Hungary, compared to the previous survey. Compared to one year earlier, the former went up 8 points and the latter has increased 12 points. **Rents** will likely to increase about 2-3 per cent in the coming year.

Expectations regarding prices of real estate in the next 12 months, April 2017

(Percentage changes compared with current prices)

	Budapest	East Hungary	West Hungary	National average
Used homes	2.9 (2.7)	2.2 (1.3)	2 (2.8)	2.4 (2.3)
New homes	6 (4)	7 (5)	5 (6)	6 (5)
Office space	4.5 (2.5)	3 (0)	3 (0.7)	3.5 (1)
Retail space	5 (1.5)	1 (0)	3 (0.5)	3 (0.7)
Storage space	2 (3)	3 (0.5)	3 (3)	2.7 (2.2)
Construction sites	4 (4)	8 (6)	3 (5)	5 (5)

The results of the previous (January 2017) survey are shown in parentheses. Source: surveys of **GKI**