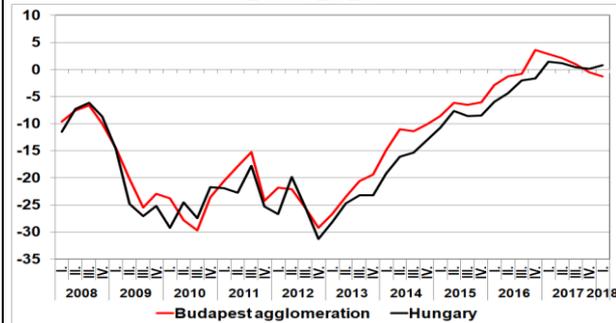


Non-Budapest market drives growth alone

(GKI SURVEY RESULTS FOR JANUARY 2018)

The GKI real estate indices for Budapest and Hungary stood at -1 and 1 point in January 2018, respectively. The Budapest index has dropped within the error margin, while the index for the whole country has increased 1 point, compared to the previous survey completed in October. Compared to one year earlier, the index in the capital has decreased 4 points and it has dropped 1 point for the whole country. The real estate outlook in Budapest peaked five quarters ago and a very modest decline is experienced since then. The national index reached its highest point a year ago and the present one is close to it.

GKI real estate indices for Budapest and Hungary, 2008-2018



Source: GKI surveys

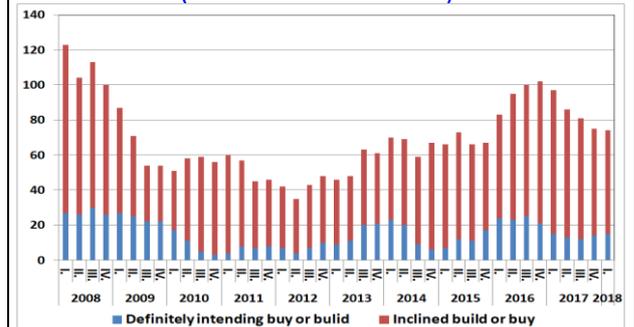
GKI has been conducting quarterly surveys to assess plans, intentions and prospects of real estate companies (developers, agents, consultants and operators) and households concerning the real estate market. Respondents of this survey included 110 real estate firms and 1,231 construction companies. The household sample of 1,000 persons was representative with respect to sex, age, residence and education level. The Budapest and the Hungarian real estate market indices synthesize **expectations for the coming 12 months** on the selected market segments of residential, office, retail and storage space markets thus providing an overall view on the prospects of the entire real estate sector.

Home market: non-Budapest will drive it

The **home market index in Budapest** (measuring expectations of real estate companies and household by a single digit) **has not changed**, compared to the previous quarter. That is the outlook has essentially been maintained. On the contrary, the nationwide index **has increased 7 points**. It seems that non-Budapest areas became the engine behind the growth in the whole home market. That is in line with previous experience: generally, the market in the capital is the first to react challenges, followed by no-Budapest areas

with a time lag. **Among property company respondents**, the outlook in the Budapest region for the coming 12 months has worsened slightly, compared to the previous quarter. On the other hand, an obvious improvement has happened in both Eastern and Western Hungary.

Intended home purchase or construction in the coming year, 2008-2018 (thousand households)



Source: GKI surveys

Expectations of households on their future home purchases and constructions have not really changed from the previous quarter. Compared to October, among those who were certain about their planned home purchase or construction the increase was 7 percentage points but among those who were uncertain about their plans there was a 3 percentage point drop. The outlook of household was more optimistic a year ago: although there was no change in the index among certain would be purchasers but there was a 28 per cent drop among uncertain households. The **outlook on home renewals and modernisation has firmly improved**, compared to the previous quarter. Among certain households, there was not any significant change but among uncertain ones there was a 50% improvement.

Expected movements in residential prices in Budapest for the next 12 months, January 2017

(Price rise over current prices in percentages)

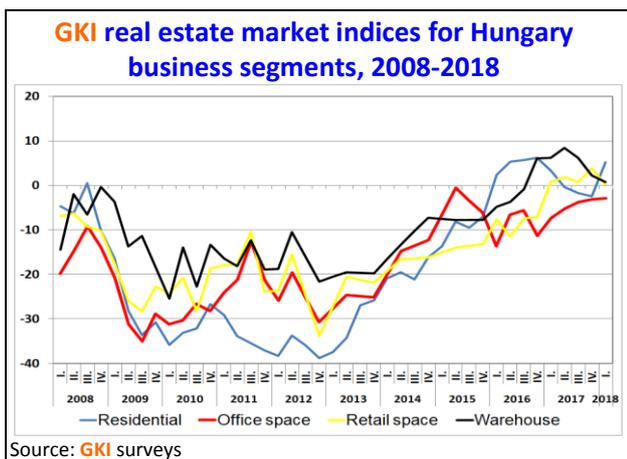
Non fabricated apartments	
Buda green belt	4 (8)
Other Buda	4 (6)
Pest downtown	5 (5)
Pest green belt	3 (6)
Other Pest	2 (4)
Block of flats - North-Pest	1 (2)
Block of flats - South-Pest	1 (1.5)
Block of flats - Buda	2 (4)
Family house - Pest	1 (2)
Family house - Buda	4 (4)
Budapest total	2.7 (4.3)

Results of the previous survey (October 2017) are shown in parentheses. Source: GKI surveys

The expected price rise of **used homes** has slowed down in Budapest from 4.3 per cent to 2.7 percent, compared to the previous quarter. On the other hand, this index has increased in non-Budapest areas, rising from 0.7 per cent to 4.3 per cent in Eastern Hungary and going up from 2.5 per cent to 4.0 per cent in Western Hungary. **New home** prices are seen to grow 2-5 per cent over the coming 12 months.

Construction site market: growing uncertainty

The outlook on construction sites was relatively stable over the last two years with a little volatility. The present survey has found a modest decline in the whole country (a drop of 2 points) **but the index in Budapest has plummeted** (with 17 points). The priority low VAT on new home sales is valid until the end of December in 2019 only. Expectations beyond this date are rather uncertain that profoundly affects the construction site market. A general 2-5% **price** increase is expected for the coming 12 months.



Office space market: new stimulus

There is a boom on the Budapest office space market. Demand is growing for rent and developers are also very optimistic. In addition, positive developments emerged also in non-Budapest areas. The office **occupancy** rate in the Budapest agglomeration was slightly over 90 per cent in the fourth quarter of 2017 which is significantly higher than the rate a quarter and a year earlier (both 86 per cent). The office space occupancy rate in Eastern Hungary has gone up from 80 per cent to 84 per cent, while in Western Hungary it has increased from 85 per cent to 89 per cent. The Budapest **office space index** has

increased 4 per cent, compared to the previous quarter while the nationwide index has not really changed. Compared to one year earlier, the Budapest index has increased 1 point and the national index has improved 4 points. Concerning office **rents** the expected increase might reach some 7-8 per cent in the Budapest region and West Hungary in the near future.

Retail space market: searching for opportunities

Several retail chains are planning to expand on the Hungarian market and the dynamic expansion also attracts new entrants. The outlook in this market segment was moving in a band over the last two years without a clear trend. According to the present survey, the **retail space market index has dropped 3 points in the Budapest agglomeration area and has fallen 4 points nationwide**, compared to the previous quarter. In October, a similar size improvement was seen. Concerning **rents**, Budapest leads with an expected 5 per cent increase and other areas might expect a modest 2-3 per cent hike on average, of course with large regional differences.

Logistics facility market: cautious moves

The **utilisation** of logistic facilities has noticeably improved. The occupancy rate in the Budapest agglomeration has gone up from 85 per cent in October to 89 per cent in January. In Western Hungary it has increased from 83 per cent to 91 per cent and in Eastern Hungary from 82 per cent to 86 per cent. **Logistic facility indices** have fallen for three consecutive quarters. In January the index in Budapest has dropped nearly 5 points while the nationwide index has decreased 3 points, compared to October. Among respondents in all areas, the majority expect stagnating **rent fees**. A 1-2 per cent price rise is likely on the logistics facility market in the coming 12 months.

Expected movements in property prices for the next 12 months, January 2018 (Price rise over current prices in percentages)

	Budapest	East Hungary	West Hungary	National average
Used homes	2.7 (4.3)	4.3 (0.7)	4 (2.5)	3.7 (2.5)
New homes	4 (4)	5 (5)	2 (7)	3.7 (5)
Office space	6 (6)	1 (2)	8 (5)	5 (5)
Retail space	4 (4)	5 (1)	7 (5)	5.3 (3.3)
Storage space	2 (7)	0 (0)	2 (2)	1.3 (3)
Construction sites	2 (10)	5 (5)	2 (7)	3 (7.3)

Results of the previous survey (October 2017) are shown in parentheses. Source: GKI surveys