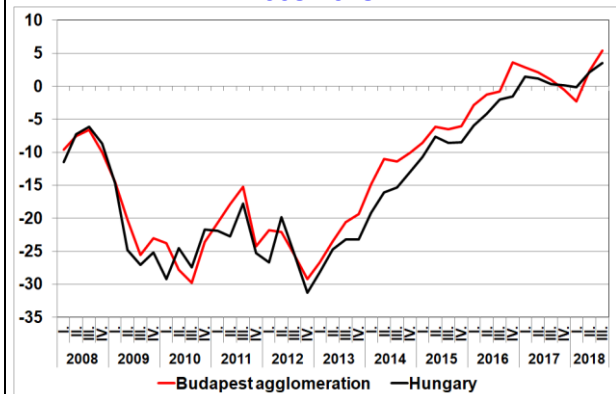


Euphoria on home market: demand and prices both may rise further

(GKI SURVEY RESULTS FOR JULY 2018)

The **GKI real estate index** rose to 4 points in July 2018, while the Budapest index stood at 5 points. The index has increased by nearly 2 points and the Budapest index has gone up by 3 points, compared to the previous survey conducted in April. Both indices have increased by 4 points, compared to one year earlier and reached their historical peaks indicating that real estate market players have never been so optimistic during earlier surveys.

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



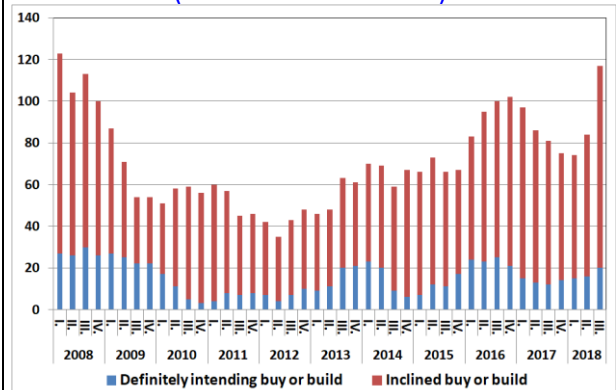
Source: GKI surveys

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 1,122 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: demand, prices both grow further

Home market indices both the nationwide and Budapest ones (measuring expectations of real estate companies and household by a single digit) have increased by 11 points. Both of them reached their historical peaks: so high levels that have not been recorded in any survey earlier. In other words, home market participants are more optimistic now than before the crisis. **Home market companies** reported higher expectations for the coming 12 months in all of the three regions (West, Central and East 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 substantially increased from the previous quarter. Compared to April, among those who were certain about their planned home purchase or construction the increase was 25 percentage points and among those who were uncertain about their plans there was a 43 percentage point increase. **Households were so optimistic only back in the beginning of 2008** that is household expectations have reached a ten-year peak. The **outlook on home renewals and modernisation has also firmly improved**, compared to the previous quarter. Among households with clear intentions the increase was 24 percentage points and among uncertain households there was a 33 percentage point improvement. Compared to a year earlier, there increases are 56 percentage points and 71 percentage points respectively.

Expected movements in residential prices in Budapest for the next 12 months, July 2018

(Price rise over current prices in percentages)

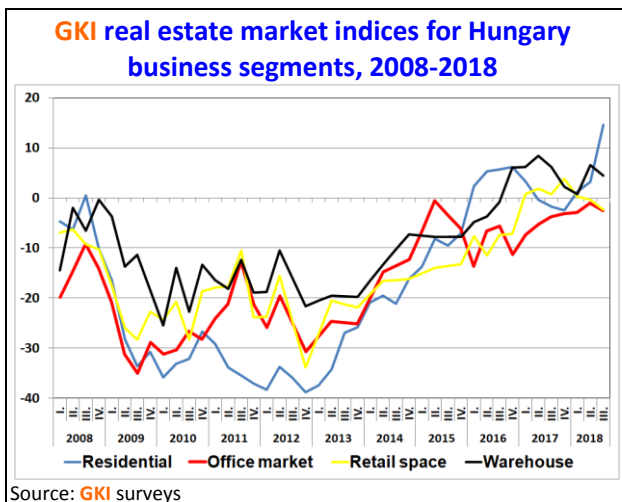
Non fabricated apartments	
Buda green belt	7 (3)
Other Buda	4 (5)
Pest downtown	6 (5)
Pesti green belt	4.5 (3)
Other Pest	4 (2)
Block of flats - North-Pest	3 (2)
Block of flats – South-Pest	4.5 (2)
Block of flats – Buda	3 (3)
Family house – Pest	4 (3)
Family house – Buda	4 (5)
Budapest total	4.5 (3.3)

Results of the previous survey (April 2018) are shown in parentheses.
Source: GKI surveys

The expected price rise of **used homes** has slightly accelerated in Budapest from 3.3 per cent to 4.5 per cent, compared to the previous quarter. Expectations have not changed in non-Budapest areas. In East Hungary they stood at 3 per cent and in West Hungary at 4-5 per cent. Concerning **new home prices** a 3-6 per cent is forecast for the coming 12 months.

Construction site market: coming end of low VAT era of new homes cracked expectations

The **construction site index** has dropped by 10 percentage points from the previous quarter and the index in Budapest has fallen by 20 percentage points. They have reached a two-year and a four-year bottom, respectively. A general 3-6% construction site **price** increase is expected for the coming 12 months.



Office space market: everything is bright in Budapest and will likely remain so

The office **occupancy** rate in the Budapest agglomeration has slightly increased over the second quarter reaching over 91 per cent which is a 5 percentage point increase from a year earlier. The office space occupancy rate in Eastern Hungary has dropped from 86 per cent in April to 84 per cent in July, while in Western Hungary it has increased from 89 per cent to 90 per cent. The Budapest **office space index** has increased by 5 percentage points, compared to the previous quarter while the nationwide index has dropped by 2 percentage points. Concerning office **rents** the expected increase can be about 3 per cent in the Budapest but outside capital only “symbolic” increases are likely.

Retail space market: worsening outlook

The outlook in this market segment was moving in a relatively narrow band over the last two years. Although negative developments were seen in July, the band has not changed. The **retail space market index** has dropped 5 points in the Budapest agglomeration area and has fallen 3 points nationwide, compared to the previous quarter. A year earlier, both indices were 3 percentage points higher. Concerning **rents**, Budapest leads with an expected 4 per cent increase and other areas might expect a modest hike only.

Logistics facility market: optimism gets stronger in Budapest region

The **utilisation** of logistic facilities is still high. The occupancy rate in the Budapest agglomeration was 91 per cent. In Western Hungary it stood at 92 per cent and in Eastern Hungary 85 per cent. The present **logistic facility index** has increased further in Budapest by 3 percentage points while the nationwide index has dropped by 2 points, compared to the previous quarter. Expectations on **rent fees** have jumped up, respondents see a 3-5% increase in rents, compared to the April survey.

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

	Budapest	East Hungary	West Hungary	National average
Used homes	4,5 (3,3)	3 (3,3)	4,3 (4)	4 (3,5)
New homes	6 (6)	3 (3)	3 (3)	4 (4)
Office space	3 (3)	1 (2)	1 (2)	1,7 (2,3)
Retail space	3 (3)	4 (-1)	1 (5)	2,7 (2,3)
Storage space	2 (2)	7 (2)	6 (5)	5 (3)
Construction sites	3 (6)	3 (4)	6 (2)	4 (4)

Results of the previous survey (April 2018) are shown in parentheses.
Source: GKI surveys