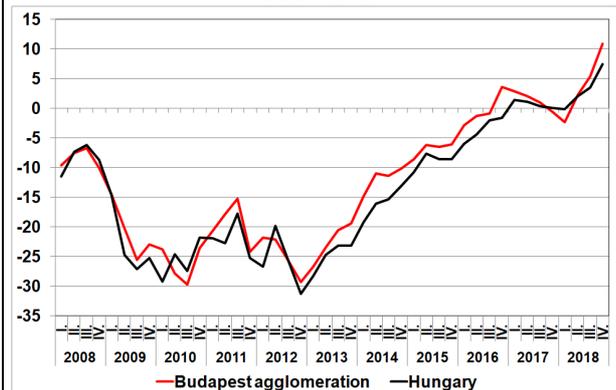


## The real estate market boom is expected to remain unbroken

(GKI SURVEY RESULTS FOR OCTOBER 2018)

In October, the GKI real estate indices for Budapest and Hungary stood at 11 and 7 points respectively. Budapest index rose by 5, the national index rose by 4 points compared to the previous survey. The capital index went up 11 points, the other one rose by 7 points, compared to the survey made one year earlier. Both indices reached their historical peaks indicating that real estate market players have never been so optimistic during earlier surveys. This is not surprising, as the Hungarian economy is in good shape, the pace of economic growth has peaked in the second quarter of this year, and the households and business expectations measured in other sectors are near their many-year summit.

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



Source: GKI surveys

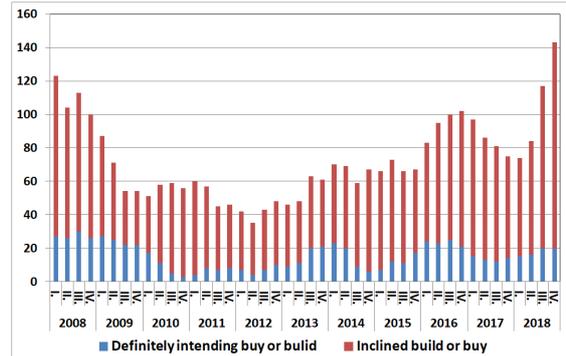
GKI has been conducting quarterly surveys to assess plans, intentions and prospects of real estate companies (developers, agents, consultants and operators) and households concerning the real estate market. Respondents of this survey included 110 real estate firms and 1,1164 companies. The household 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: further speeding

The **home market indices** of Budapest and Hungary of the present survey, which reflect expectations of households and property agencies, rose by 9 and 5 points, compared to the previous survey. Both indices reached their historical peaks. Responding companies saw an

improving outlook for the coming 12 months in the Budapest region and a slightly worsening outlook in East and West 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 July, among those who were certain about their planned home purchase or build there is no increase, but among those who were uncertain about their plans there was a 27 percentage point increase. Households were so optimistic only back in 2007 that is household expectations have exceeded 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 22 percentage point improvement.

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

(Price rise over current prices in percentages)

|                             |                  |
|-----------------------------|------------------|
| Non fabricated apartments   |                  |
| Buda green belt             | 5 (7)            |
| Other Buda                  | 4.5 (4)          |
| Pest downtown               | 4.5 (6)          |
| Pesti green belt            | 5 (4.5)          |
| Other Pest                  | 5 (4)            |
| Block of flats - North-Pest | 3 (3)            |
| Block of flats - South-Pest | 3 (4.5)          |
| Block of flats - Buda       | 3 (3)            |
| Family house - Pest         | 3 (4)            |
| Family house - Buda         | 3 (4)            |
| <b>Budapest total</b>       | <b>3.7 (4.5)</b> |

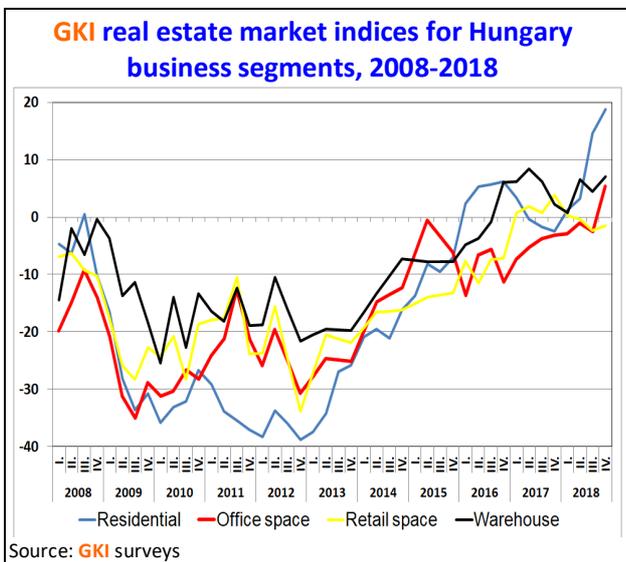
Results of the previous survey (July 2018) are shown in parentheses.

Source: GKI surveys

**The expected price rise of used homes** has not altered much compared to a quarter earlier. The overall price rise in Budapest was again considered to be 3-4 per cent. The expected price rise practically remained about 4 per cent in West and 2 per cent in East Hungary. Concerning **new home prices** a 2-3 per cent is forecast for the coming 12 months.

**Construction site market: it was better**

The **GKI** construction site index on Hungary went down 3 points, while it went up 10 points in Budapest, compared to the previous survey. Construction site **prices** will likely to increase 3 per cent in the coming year, respondents said.



**Office space market: lasting recovery**

The office occupancy rate rose to 92 per cent in the Budapest region in the third quarter. In East Hungary, the occupancy rate of 84 per cent registered in July dropped to 82 per cent in October. In West Hungary, it remained 90 per cent. In October 2018, the **GKI office space index** went up 7 points for Hungary and 3 points in Budapest, compared to one quarter earlier. The national index increased 8 points and the Budapest index went up 15 points, compared to one year earlier. In Hungary, **rents will likely to go up about 3 per cent** in the coming year.

**Retail space market: the leader is Budapest**

The **retail market index** of the present survey has increased significantly (by 10 points) in the Budapest region although the national index went up 1 point compared to the previous survey. **Rents** will increase about 2-3 per cent.

**Logistics facility market: negative correc**

Vigorous economic growth keeps logistics occupancy rates high. The **occupancy rate** in the Budapest area is 90 per cent, down from 91 per cent a quarter earlier. In Western Hungary, the occupancy was 93 per cent. In Eastern Hungary, it is 87 per cent. The **GKI storage market index** of the present survey has not really changed in the Budapest region although the national index went up 1 point. **Rents** will likely to increase about 2-4 per cent in the coming year.

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

|                    | Budapest  | East Hungary | West Hungary | National average |
|--------------------|-----------|--------------|--------------|------------------|
| Used homes         | 3.7 (4.5) | 2 (3)        | 4.7 (4.3)    | 3.3 (4)          |
| New homes          | 3 (6)     | 2 (3)        | 3 (3)        | 2.7 (4)          |
| Office space       | 3 (3)     | 3 (1)        | 3 (1)        | 3 (1.7)          |
| Retail space       | 3 (3)     | 2 (4)        | 4 (1)        | 3 (2.7)          |
| Storage space      | 1 (2)     | 0 (7)        | 4 (6)        | 1.7 (5)          |
| Construction sites | 1 (3)     | 1 (3)        | 4 (6)        | 2 (4)            |

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