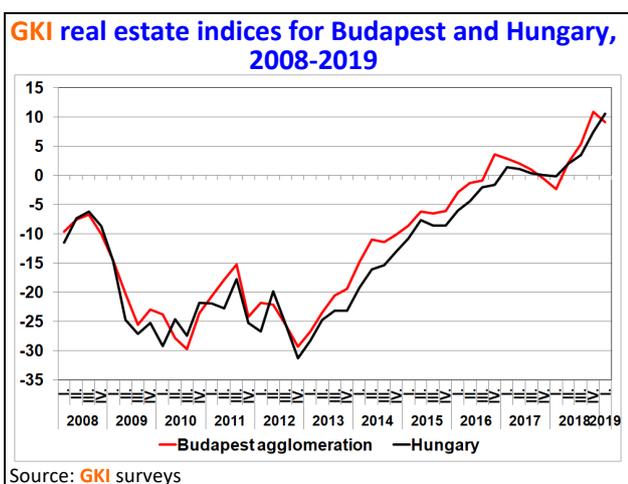


Real estate market races without braking

(GKI SURVEY RESULTS FOR JANUARY 2019)

In January of 2019, the GKI real estate indices for Budapest and Hungary stood at 9 and 11 points respectively. Budapest index decreased by almost 2, the national index rose by 3 points compared to the previous (October 2018) survey. Both indices went up 11 points compared to the survey made one year earlier. The national index reached its historical peak, the capital index is not much less than its historical peak. General optimism lasts longer. There are 'no clouds on the sky' of the Hungarian real estate market.

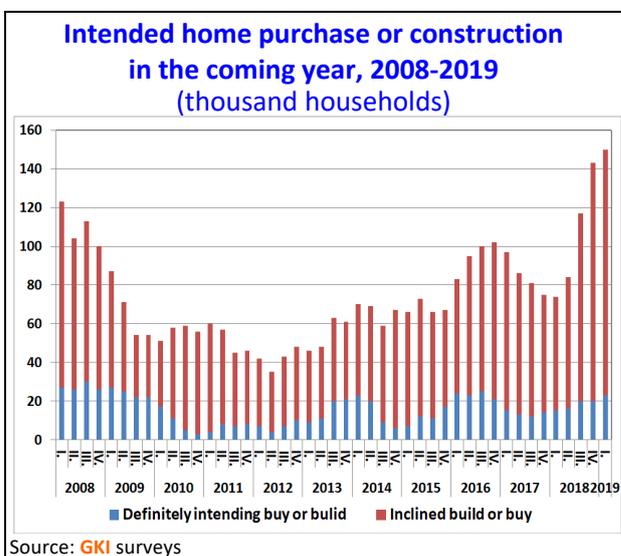


GKI has been conducting quarterly surveys to assess plans, intentions and prospects of real estate companies (developers, agents, consultants and operators) and households concerning the real estate market. Respondents of this survey included 110 real estate firms and 1,1154 companies. The household 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 intensifying demand

The **home market indices** of Budapest and Hungary of the present survey, which reflect expectations of households and property agencies, rose by 3 and 5 points, compared to the previous survey (in October 2018). Both indices

reached their historical peaks. Responding companies saw an improving outlook for the coming 12 months in the East Hungary region and almost unchanged in Budapest and West Hungary.



Expectations of households on their future home purchases and constructions **have increased** from the previous quarter. Compared to October 2018, among those who were certain about their planned home purchase or build there was a 15 percentage point increase. Among those who were uncertain about their plans there was a 3 percentage point increase. **The outlook on home renewals and modernisation** has also significantly improved, compared to the previous quarter. Among households with clear intentions the increase was 13 percentage points and among uncertain households there was a 7 percentage point improvement.

Expected movements in residential prices in Budapest for the next 12 months, January 2019 (Price rise over current prices in percentages)

Non fabricated apartments	
Buda green belt	8 (5)
Other Buda	5 (4.5)
Pest downtown	9 (4.5)
Pesti green belt	4 (5)
Other Pest	5 (5)
Block of flats - North-Pest	3 (3)
Block of flats - South-Pest	3 (3)
Block of flats - Buda	6 (3)
Family house - Pest	4 (3)
Family house - Buda	5 (3)
Budapest total	5 (3.7)

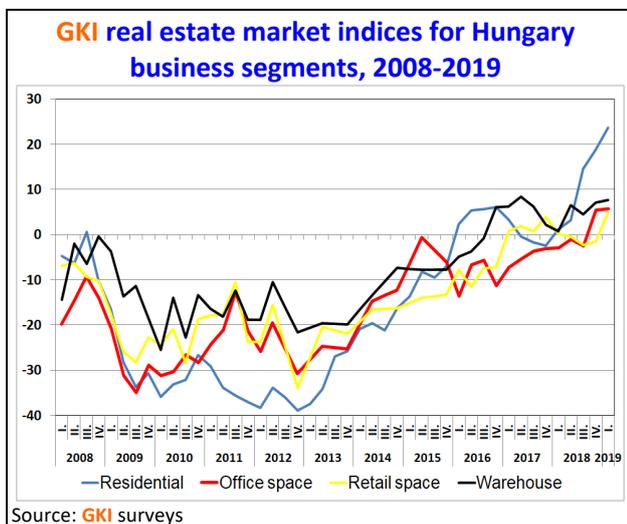
Results of the previous survey (October 2018) are shown in parentheses.

Source: GKI surveys

Further increases in house prices can be expected in the near future. **The expected price rise of new and used homes** has increased compared to a quarter earlier. The overall price rise in Budapest was again considered to be 5-6 per cent for the next year. The expected price rise is about 6-6 per cent in East and West Hungary. Concerning **new home prices** a 4-6 per cent is forecast for the coming 12 months.

Construction site market: stabilization

The results of this survey indicate stabilization of the construction site market, expectations have improved again. The **GKI** national construction site index, which reflects expectations of firms and property agencies, went up 7 points, while it went up 5 points in Budapest compared to the previous survey. Construction site **prices** will likely to increase 7 per cent in the coming year, respondents said.



Office space market: persistently positive outlook

The office occupancy rate decreased within margin of error in the Budapest region in the fourth quarter of 2018 (from 91.9 to 91.6 per cent). In East Hungary, the occupancy rate of 82 per cent registered in October 2018 rose to 84 per cent in January 2019. In West Hungary, it remained 90 per cent. In October 2018, the **GKI office space index**, which reflects expectations of firms and property agencies, altered within margin of error for Hungary and decreased 2 points in

Budapest, compared to one quarter earlier. The national and Budapest indices increased 11-11 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: improving outlooks in the countryside

The **retail market index** of the present survey decreased by 3 points in the Budapest region although the national index went up 7 point compared to the previous survey. The national index rose by 5 points and Budapest index increased 4 points compared to one year earlier. **Rents** will increase about 2 per cent.

Logistics facility market: negative correction in the Budapest region

The rate of economic growth reached a peak in 2018, which clearly represents a favourable demand for the logistics real estate market. 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 92 per cent (-1 point compared to the previous survey). In Eastern Hungary, it is also 92 per cent (+5 points compared to the previous survey). The **GKI storage market index** of the present survey decreased by 5 points in the Budapest region although the national index has not changes practically. **Rents** will likely to increase about 2-3 per cent in the coming year.

Expected movements in property prices for the next 12 months, January 2019
 (Price rise over current prices in percentages)

	Budapest	East Hungary	West Hungary	National average
Used homes	5 (3.7)	6 (2)	6.3 (4.7)	5.7 (3.5)
New homes	5 (3)	4 (2)	6 (3)	5 (2.7)
Office space	3 (3)	2 (3)	2 (3)	2.3 (3)
Retail space	3 (3)	2 (2)	1 (4)	2 (3)
Storage space	1 (1)	2 (0)	3 (4)	2 (1.7)
Construction sites	10 (1)	5 (1)	7 (4)	7 (2)

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

Source: **GKI** surveys