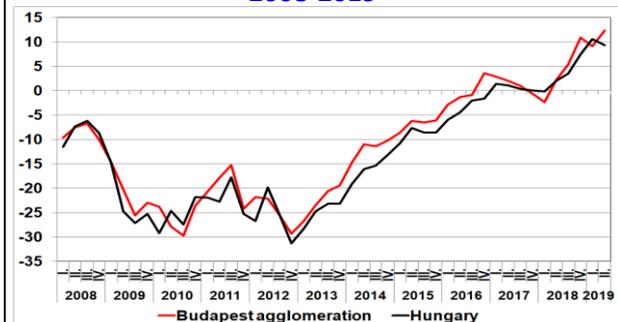


Golden age of the Hungarian real estate market does not end soon

(GKI SURVEY RESULTS FOR APRIL 2019)

The Hungarian real estate market undoubtedly is in its golden age. Both the home and the business markets are behind fertile years and the prospects are also favourable. In April of 2019, the GKI real estate indices for Budapest and Hungary stood at 12 and 9 points respectively. The national index decreased by 1 point, the Budapest index rose by 3 points compared to the previous (January 2019) survey. The capital index reached its historical peak, the national index is not much less than its historical peak. Taking into account the country as a whole, the expectations of the office space, warehouse and construction site market have not changed much compared to the January survey, while the residential and retail space market show a slight negative correction. Regarding the capital market - with the exception of the retail market - outlooks for all segments have improved.

GKI real estate indices for Budapest and Hungary, 2008-2019



Source: GKI surveys

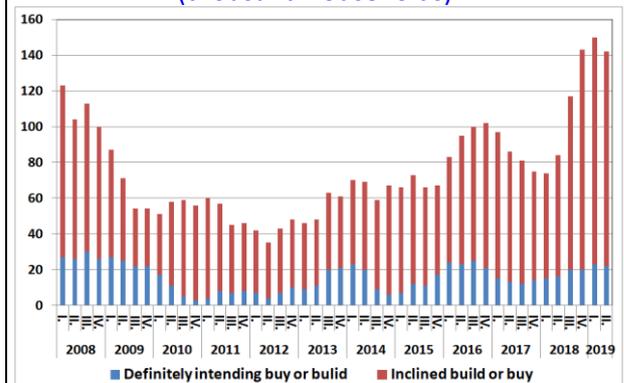
GKI has been conducting quarterly surveys to assess plans, intentions and prospects of real estate companies (developers, agents, consultants and operators) and households concerning the real estate market. Respondents of this survey included 110 real estate firms and 1,1139 companies. The household 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 increasing demand in Budapest

The **home market indices** of Budapest of the present survey, which reflect expectations of households and property agencies, rose by 2

points, compared to the previous survey (in January 2019). This index reached its historical peak. The national index decreased by 2 points. Responding companies saw an improving outlook for the coming 12 months in Budapest region and almost unchanged in East Hungary. Some deterioration could be observed in West Hungary.

Intended home purchase or construction in the coming year, 2008-2019 (thousand households)



Source: GKI surveys

Expectations of households on their future home purchases and constructions **have slightly decreased** from the previous quarter. Compared to January 2019, among those who were certain about their planned home purchase or build there was a 4 percentage point decrease. Among those who were uncertain about their plans there was a 5 percentage point decrease. **The outlooks on home renewals and modernisation** have practically no changed, compared to the previous quarter.

Expected movements in residential prices in Budapest for the next 12 months, April 2019

(Price rise over current prices in percentages)

Non fabricated apartments	
Buda green belt	8 (8)
Other Buda	7 (5)
Pest downtown	9 (9)
Pesti green belt	6 (4)
Other Pest	6 (5)
Block of flats - North-Pest	6 (3)
Block of flats - South-Pest	6 (3)
Block of flats - Buda	7 (6)
Family house - Pest	4 (4)
Family house - Buda	5 (5)
Budapest total	6.5 (5)

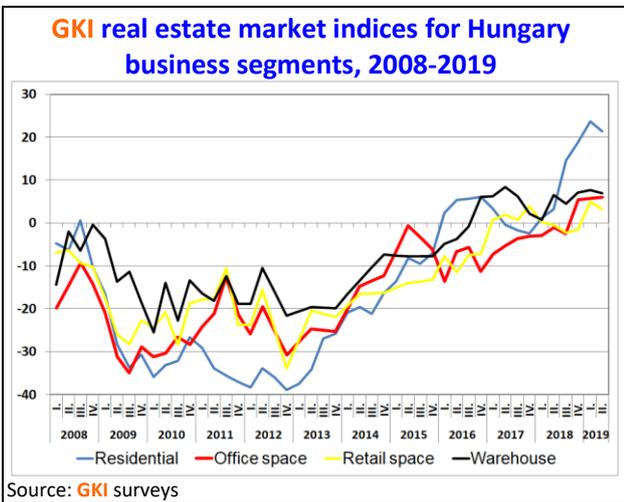
Results of the previous survey (January 2019) are shown in parentheses.

Source: GKI surveys

Further increases in house prices can be expected in the near future. The overall price rise in Budapest was again considered to be 5-6 per cent for the next year. Concerning **new home prices** a 4-9 per cent is forecast for the coming 12 months.

Construction site market: boom in Budapest again

The **GKI** national construction site index, which reflects expectations of firms and property agencies, has not changed compared to January survey, while it went up 4 points in Budapest compared to the previous survey. The national index decreased by 6 points and Budapest index decreased 2 points compared to one year earlier. Construction site **prices** will likely to increase 5-10 per cent in the coming year, respondents said.



Office space market: notable optimism

The office space market is a definite success story in the Hungarian real estate sector. It promises a significant return for the investors, and it is still undervalued for renters in a regional comparison. Developments have been fast for years. The office occupancy rate slightly decreased in the Budapest region compared to the previous survey (from 91.6 to 90.6 per cent). In East Hungary, the occupancy rate of 84 per cent registered in January 2018 rose to 87 per cent in April 2019. In West Hungary, it rose from 90 to 94 per cent. The **GKI office space index**, which reflects expectations of firms and property agencies, altered within margin of error for Hungary and increased 5 points in Budapest, compared to one quarter earlier. The national and Budapest indices increased 7 and 10 points compared to one year

earlier. In Hungary, **rents will likely to go up about 2-4 per cent** in the coming year.

Retail space market: improving outlooks in the countryside

Retail sales are developing in Hungary dynamically. However, this only affects the real estate market indirectly. Several new entrants are looking for their place in the sector, while many of the shopping malls have been renewed or will be renewed in the near future. However, there are no important developments. The **retail market index** of the Budapest has not changed while the national index decreased by 2 points compared to the previous survey. The national index rose by 5 points and Budapest index increased 7 points compared to one year earlier. **Rents** will increase about 2 per cent.

Logistics facility market: the countryside is slowing down while the capital is racing

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 94 per cent, it was 90 per cent a quarter earlier. In Western Hungary, the occupancy rate is 93 per cent (+1 point compared to the previous survey). In Eastern Hungary, it is also 92 per cent (it means stagnation compared to the previous survey). The **GKI storage market index** of the present survey, which reflects expectations of firms and property agencies increased by 6 points in the Budapest region although the national index has not changes practically. **Rents** will likely to increase about 3-5 per cent in the coming year.

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

	Budapest	East Hungary	West Hungary	National average
Used homes	6.5 (5)	4.3 (6)	5.3 (6.3)	5.3 (5.7)
New homes	9 (5)	5 (4)	4 (6)	6 (5)
Office space	4 (3)	2 (2)	1 (2)	2.3 (2.3)
Retail space	5 (3)	5 (2)	5 (1)	5 (2)
Storage space	7 (1)	2 (2)	1 (3)	3.3 (2)
Construction sites	10 (10)	2 (5)	3 (7)	5 (7)

Results of the previous survey (January 2019) are shown in parentheses.
Source: **GKI** surveys