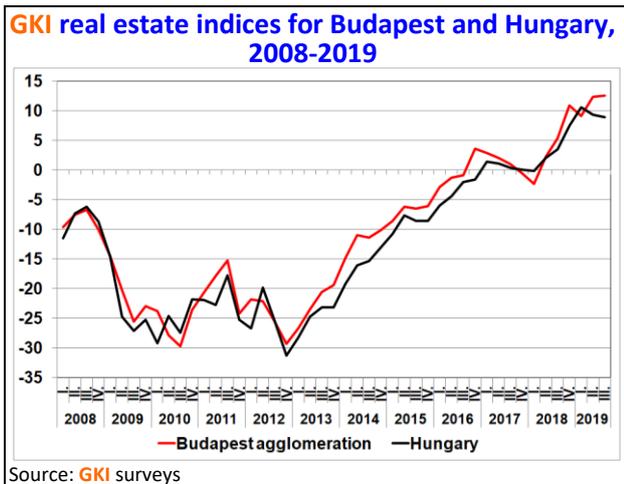


Optimism prolonged

(GKI REAL ESTATE SURVEY RESULTS FOR JULY 2019)

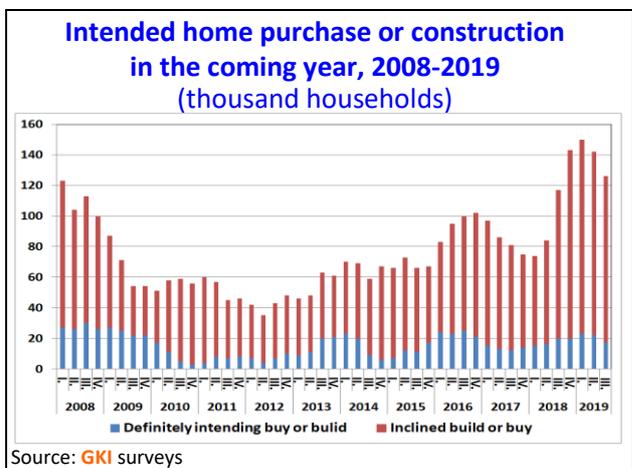
The activity of tenants, landlords and investors is increasing in the Hungarian real estate market. The development process is popping up in almost every segment. All of that is supported by buoyant economic development, inflowing EU funds, a low interest rate environment and growing investor appetite. So, everything is given for the further dynamic development of the sector. Accordingly, expectations remain optimistic. In July of 2019, the GKI real estate indices for Budapest and Hungary stood at 13 and 9 points respectively. Both indexes changed within the error of margin compared to the previous (April 2019) survey. The Budapest index increased by 7 points, the national index rose by 3 points on an annual basis. The capital index is on its historical peak, the national index is not much less than its historical peak.



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 112 real estate firms and 1,097 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: households became more cautious

The **home market indices** of Budapest and of Hungary, which reflect expectations of households and property agencies, decreased by 5-5 points, compared to the previous survey (in April 2019). According to the responding companies outlooks are almost unchanged in Budapest and in the countryside as well.



Expectations of households on their future home purchases and constructions **have decreased** from the previous quarter. Compared to April 2019, among those who were certain about their planned home purchase or build there was a 23 percentage point decrease. Among those who were uncertain about their plans there was a 9 percentage point decrease. **The outlooks on home renewals and modernisation** have gone down, too.

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

(Price rise over current prices in percentages)

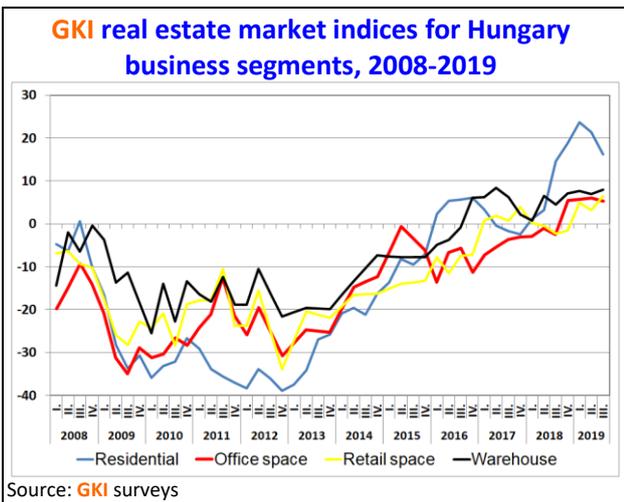
Non fabricated apartments	
Buda green belt	7 (8)
Other Buda	6 (7)
Pest downtown	10 (9)
Pesti green belt	8 (6)
Other Pest	5 (6)
Block of flats - North-Pest	5 (6)
Block of flats – South-Pest	7 (6)
Block of flats – Buda	8 (7)
Family house – Pest	5 (4.5)
Family house – Buda	3 (4)
Budapest total	6.6 (6.5)

Results of the previous survey (April 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 and in Hungary was considered to be 6-7 and 4-5 per cent respectively for the next year. Concerning **new home prices** a 4-7 per cent is forecast for the coming 12 months.

Construction site market: further recovery

The **GKI** national construction site index, which reflects expectations of firms and property agencies, increased by 7 points compared to the April 2019 survey, while it went up 9 points in Budapest compared to the previous survey. The national index increased by 12 points and the Budapest index rose by 30 points compared to one year earlier. Construction site **prices** will likely to increase 4-5 per cent in the coming year, respondents said.



Office space market: the golden age continues

The Hungarian office market closed a very strong year in 2018 and will reach another peak in 2019 as well. For the time being, the end of the upturn is not yet visible, as the drive to develop is uninterrupted and newly entering areas are being absorbed by the market in the short term. The office occupancy rate slightly increased in the Budapest region compared to the previous survey (from 90.6 to 91.8 per cent). In East Hungary, the occupancy rate of 87 per cent registered in April 2019 went down to 83 per cent in July 2019. In West Hungary, it rose from 92 to 95 per cent. The **GKI office space index**, which reflects expectations of firms and property agencies, altered within margin of error for Hungary and

Budapest as well. The national and Budapest indices increased 7 and 8 points compared to one year earlier. In Hungary, **rents will likely to go up about 2-5 per cent** in the coming year.

Retail space market: higher and higher

The retail space of the Hungarian retail network has been decreasing for the seventh year. Since 2011, only 4 new shopping malls have been opened. Retail trade volume figures have shown dynamic growth in recent years and the outlooks are favourable. Larger shopping malls have practically run out of empty space. The **retail market index** of the Budapest increased by 4 points while the national index went up by 3 points compared to the previous survey. Both indexes reached their historical peaks.

Logistics facility market: slightly improving prospects

Tenant demand is stable, and developments in this area are also booming. The **occupancy rate** in the Budapest area is 92 per cent, 2 points lower than in April 2019. In Western Hungary, the occupancy rate is 93 per cent (practically unchanged compared to the previous survey). In Eastern Hungary, it is also 90 per cent (it means 2 points decrease compared to the previous survey). The **GKI storage market index** of the present survey, which reflects expectations of firms and property agencies increased by 2 points in the Budapest region although the national index went up by 1 point. **Rents** will likely to increase about 2-3 per cent in the coming year.

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

	Budapest	East Hungary	West Hungary	National average
Used homes	6.6 (6.5)	3 (4.3)	4 (5.3)	4.5 (5.3)
New homes	5 (9)	7 (5)	4 (4)	5 (6)
Office space	7 (4)	1 (2)	1 (1)	3 (2.3)
Retail space	3 (5)	1 (5)	1 (5)	1.7 (5)
Storage space	3 (7)	2 (2)	2 (1)	2.3 (3.3)
Construction sites	5 (10)	3 (2)	4 (3)	4 (5)

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