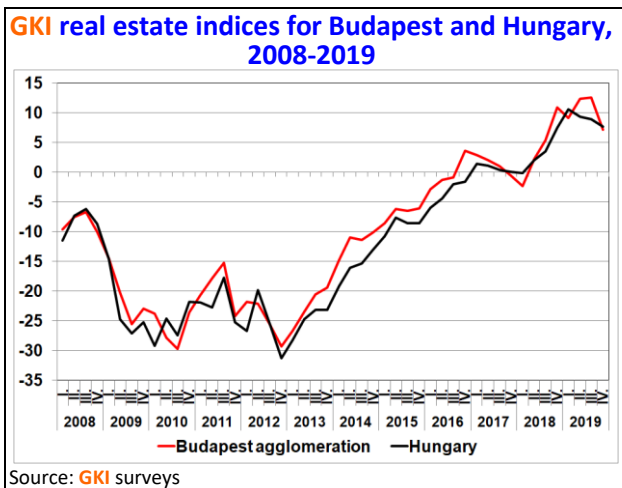


Negative turnaround on the housing market while the confidence in the business real estate sector is unbroken

(GKI REAL ESTATE SURVEY RESULTS FOR OCTOBER 2019)

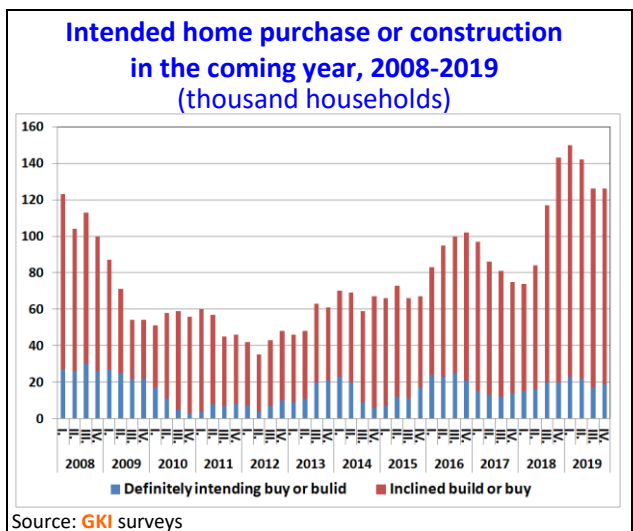
In October of 2019, the GKI real estate indices for Budapest and Hungary stood at 7 and 8 points respectively. Budapest index decreased by 6 points, the national index went down by just 1 point compared to the previous survey (in July 2019). The capital index went down by 4 points, the other one practically did not change compared to the survey made one year earlier. Data of the present survey refer to a negative turnaround on the housing market. The era of soaring prospects and rising prices is now behind us. At the same time, there is nothing in the business real estate market, and especially in the office market, to suggest that the golden age is coming to an end.



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 1,060 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: negative turn

The **home market indices** of Budapest and of Hungary, which reflect expectations of households and property agencies, decreased by 12 and 7 points respectively, compared to the previous survey. Outlooks of the responding property agencies deteriorated in Budapest and - to a lesser extent - in the countryside as well.



Expectations of households on their future home purchases and constructions **have not changed** from the previous quarter. These outlooks remain optimistic, although on a yearly basis there is some downside. **The outlooks on home renewals and modernisation** have not modified down as well.

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

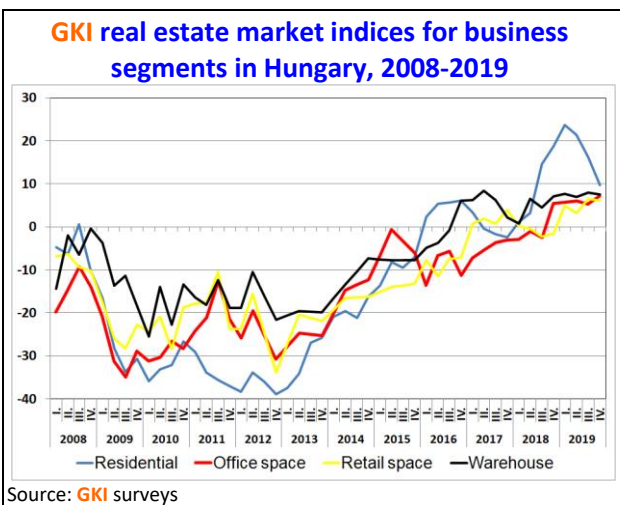
Non fabricated apartments	
Buda green belt	0 (7)
Other Buda	0 (6)
Pest downtown	0 (10)
Pesti green belt	0 (8)
Other Pest	-1 (5)
Block of flats - North-Pest	0 (5)
Block of flats - South-Pest	0 (7)
Block of flats - Buda	0 (8)
Family house - Pest	-1 (3)
Family house - Buda	0 (7)
Budapest total	-0.2 (6.6)

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

Respondents' expectations referring to the housing prices have changed significantly compared to the previous survey. Over the next 12 months, Budapest price average is not expected to rise, according to data from the present survey. In the eastern region, aggregate forecasts declined from 3% to 2%, while in the west, from 4% to 1.7%.

Construction site market: growing uncertainty

The **GKI** national construction site index, which reflects expectations of firms and property agencies, decreased by 7 points compared to the July 2019 survey, while it went down by 17 points in Budapest compared to the previous survey. The national index increased by 9 points and the Budapest index rose by just 2 points compared to one year earlier. Construction site **prices** will likely to stagnate in the coming year, respondents said.



Office space market: soaring is prolonged

The office occupancy rate slightly increased in the Budapest region compared to the previous survey (from 91.8 to 92.4 per cent). In East Hungary, the occupancy rate of 83 per cent registered in July 2019 went up to 85 per cent in October 2019. In West Hungary, it remained 95 per cent. The **GKI office space index**, which reflects expectations of firms and property agencies, altered within margin of error for Budapest and rose by 2 points for Hungary. These indices are on their historical

peaks. In Budapest, **rents will likely to go up about 4 per cent** in the coming year while there will be no change in the countryside.

Retail space market: negative correction for Budapest

The **retail market index** of the Budapest decreased by 5 points while the national index went up by 8 points compared to the previous survey. **Rents** will likely to increase about 1-3 per cent in the coming year.

Logistics facility market: the countryside is performing better now

Tenant activity is also strong in the logistics real estate market, and there is hardly any empty warehouse in or around the capital. The **occupancy rate** in the Budapest area is 95 per cent, 3 points higher than in July 2019. In Western Hungary, the occupancy rate is 96 per cent (3 point higher compared to the previous survey). In Eastern Hungary, it is also 90 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 decreased by 4 points in the Budapest region, while the national index has not changed. **Rents** will likely to increase about 1-5 per cent in the coming year.

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

	Budapest	East Hungary	West Hungary	National average
Used homes	-0.2 (6.6)	2 (3)	1.5 (4)	1.1 (4.5)
New homes	1 (5)	5 (7)	4 (4)	3.3 (5)
Office space	3 (7)	0 (1)	0 (1)	1 (3)
Retail space	1 (3)	0 (1)	3 (1)	1.3 (1.7)
Storage space	5 (3)	1 (2)	5 (2)	3.7 (2.3)
Construction sites	0 (5)	2 (3)	-2 (4)	0 (4)

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