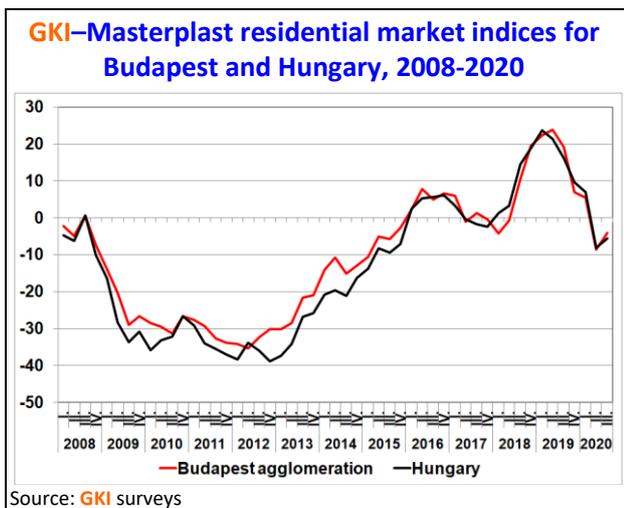


Housing market is over the fright caused by the epidemic – GKI residential indices show a little upturn

(GKI RESIDENTIAL MARKET SURVEY RESULTS FOR JULY 2020)

The outlooks of housing companies has been deteriorating since mid-2019. In April, the epidemic exacerbated the negative process. According to the results of the joint survey of GKI and Masterplast conducted in July, there was some rebound, a slight but positive correction both in the national average and in the capital compared to the previous quarter. Housing market players, especially in the capital, are beyond the shock of the epidemic and look a little more optimistic about the future, but their prospects are still not really optimistic in annual terms. At the same time, the market for home renovations picked up during the epidemic, and the turnover of building material stores increased significantly year-on-year. In the next year, the price of flats in Budapest may fall by an average of 5% and in the countryside by 8-13%.



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 residential market. This survey is carried out with the support of Masterplast Nyrt. Respondents of this survey included 106 real estate firms. The Budapest and the Hungarian residential market indices synthesize expectations for the coming 12 months thus providing an overall view on the prospects of the entire housing sector.

The expectations of realtors deteriorated significantly in April 2020 compared to January, largely due to the negative effects of the corona virus. There was a slight positive correction in July, both on a national average and for the capital. The value of the GKI capital housing market index rose by almost 5 points in July compared to April (after a 14-point drop in April), while

the national indicator rose by 3 points (after a 15-point drop in April). The former index indicates a decrease of 23 points on an annual basis, the latter 21 points. The market processes in the capital and in the countryside are somewhat different.

Among realtors in the capital, expectations for the next 12 months have improved somewhat compared to the previous quarter. In the case of non-panel condominiums, some improvement can be felt in the case of the other Buda area and the Pest side, as well as in the case of the entire prefabricated block of flats and family house market. In contrast, in rural areas, the outlooks were essentially unchanged compared to the previous survey.

Expected movements in residential prices for the next 12 months, July 2020

(Price rise over current prices in percentages)

Non fabricated apartments	-5 (-9)
Buda green belt	-3 (-8)
Other Buda	-3 (-8)
Pest downtown	-4 (-10)
Pest green belt	-6 (-10)
Other Pest	-7 (-10)
Block of flats	-5 (-11)
North-Pest	-5 (-12)
South-Pest	-8 (-12)
Buda	-3 (-9)
Family house	-4.5 (-8)
Pest	-6 (-9)
Buda	-3 (-7)
Budapest total	-5 (-9)
East-Hungary	-12 (-12)
West-Hungary	-7 (-6.6)

Results of the previous survey (April 2020) are shown in parentheses. Source: GKI surveys

In the capital, there is a significant majority of those who expect stagnant sales prices (55%), declining prices by 35% and rising prices by 10%. Prices in the capital are expected to fall by around 5% on average over the next 12 months - compared to the 9-10% decline expected in April. In the eastern region, the expectation of a fall in prices has remained general (80%), while 20% projects stable prices, with an average price drop of 12%. In the western part of the country, 29% of the survey participants expect stagnant prices, 71% expect declining prices, based on which a potential price decrease of around 7% is expected.

70% of the respondents expect decreasing housing rents in the next one year, 24% expect stagnation and 6% increase. Expected fee reductions are above 10% in all three regions studied, as they were a quarter earlier.