

ESTON Market Report

Modern Offices 2018 H1

Handovers

In the first half of 2018 office areas of around 75 thousand square meters were handed over in five office buildings, which surpasses last year's volume (5,500 m²) significantly. The main parts of the new areas were finished on Váci Street (about 60 thousand square metres). The biggest newly handed over building is Promenade Gardens (22,500 m²).

Developments

The building of further new office buildings, about 462 thousand square metres, has started; out of this 168 thousand square metres could be handed over until the end of the year (10 buildings). The office stock of Váci Street will probably surpass one million square metres in 2020. This means that the current office stock (25% of the market) will remain the largest sub-market in Budapest.

Demand

The volume of closed lease transactions (252,646 m²) is significantly, more than 50%, higher than the volume measured last year; net demand strengthened at the same pace. The most significant deal signed in the first semester was the prelease agreement of Evosoft (20,400 m²).

Vacancy

Vacancy rate, which has been decreasing gradually since 2012, has not changed compared to the end of last year; it was 7.6% in the middle of the year.

Net absorption (the change of utilised office areas) was positive in the first half of 2018, and showed significant rise (it grew three-fold) compared to the figure last year.

Rental fees, yields

Rental fees continued to increase, which can be explained by growing implementation prices and the still strong demand. The typical average fee for 'A' category properties in Budapest is 14 EUR/m². Investors' yield expectation is between 6-6.5%; for premium properties the expected yield is under 6%.

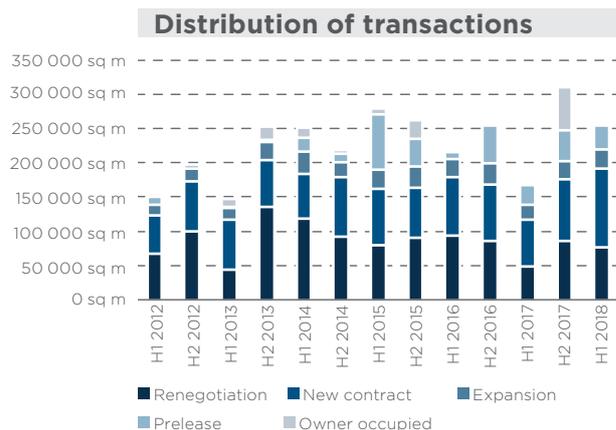
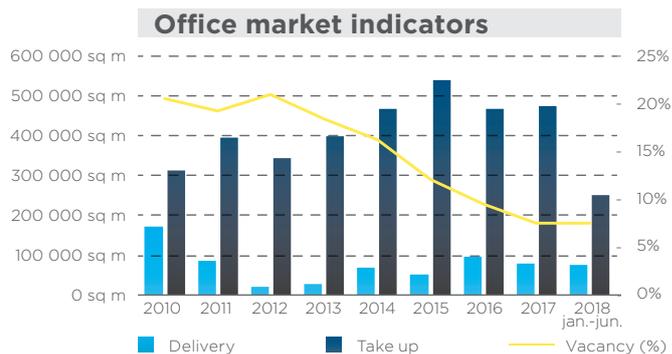
Forecast

The prospects of modern office market in Budapest are still favourable, thanks to the continuous, strong demand, the significant, positive net absorption and the rising rental fees, which continue to rise despite the dynamically growing volume of developments. The number of finished offices in the second half of the year may double. 76% of the areas under development has been leased, therefore we expect average market vacancy to stagnate until the end of the year. Developments continue to focus on the Váci Street region and the submarket of central Pest, where more than 100 thousand m² office areas are being built currently in each submarket.

Rental fees continue to increase, while office market yields continue to decrease in 2018, in addition, property investors remain positive.

Office market indicators (H1 2018)

| | |
|------------------------|----------------|
| Deliveries | 75 341 sq m |
| Total stock | 3 503 172 sq m |
| Speculative offices | 2 838 721 sq m |
| Owner occupied offices | 664 451 sq m |
| Take up | 252 646 sq m |
| Net absorption | 79 825 sq m |
| Vacancy | 7.6% |



Planned office deliveries of 2018

| Submarket | Building name | Size (sq m) | Status |
|------------------|--------------------------------------|----------------|-----------|
| CBD | Société Budapest | 1,120 | Planned |
| Central Buda | EcoDome | 4,828 | Planned |
| Central Buda | HillSide Offices | 20,850 | Planned |
| Central Pest | Corvin Technology & Science Park (I) | 14,400 | Planned |
| Central Pest | Markó Irodák 9 | 2,630 | Completed |
| Central Pest | Mill Park | 36,000 | Planned |
| Non Central Pest | Hungária Center | 6,922 | Planned |
| Non Central Pest | NEW Telekom HQ | 58,800 | Planned |
| North Buda | Graphisoft Park South | 13,000 | Completed |
| North Buda | Pasaréti Irodaház | 5,870 | Planned |
| South Buda | Bartók Udvar Phase 2 | 8,000 | Planned |
| Váci Corridor | Advance Tower I | 11,400 | Planned |
| Váci Corridor | Promenade Gardens | 22,500 | Completed |
| Váci Corridor | Váci Greens D | 15,647 | Completed |
| Váci Corridor | White House | 21,564 | Completed |
| Total | | 243,531 | |