

Hungary Market Report 2019 H2



commercial real estate investments

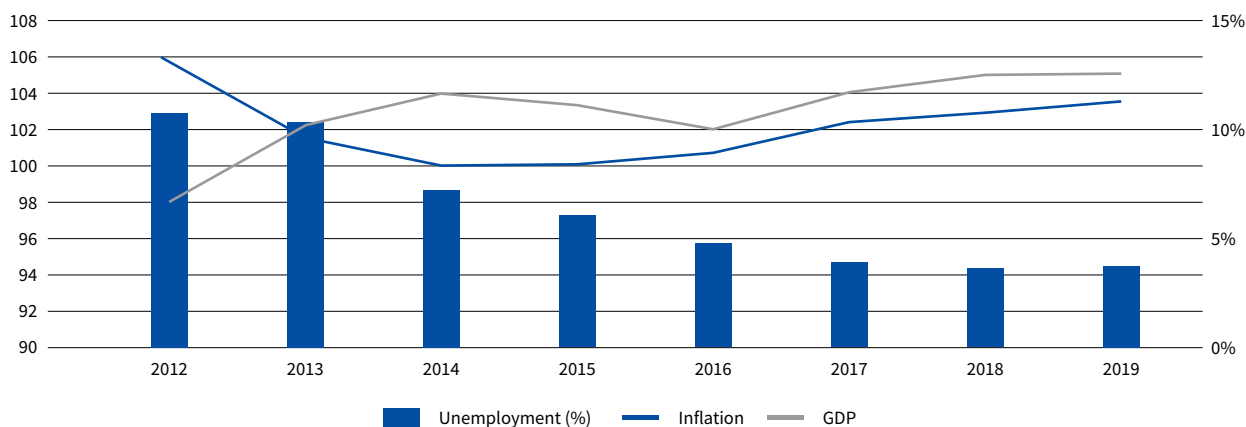
Economic overview

The rate of domestic economic growth stood at 4.9% in 2019 which means a significant growth both in the EU and in the central and middle-eastern region. Industrial (+5.4%), retail (+6%) and touristic output (guest number: +0.5%, commercial accomm. income: +8.3%, average occupancy rate of hotels: 62.4%) strengthened. The expansion rate of the building industry was 21.7%.

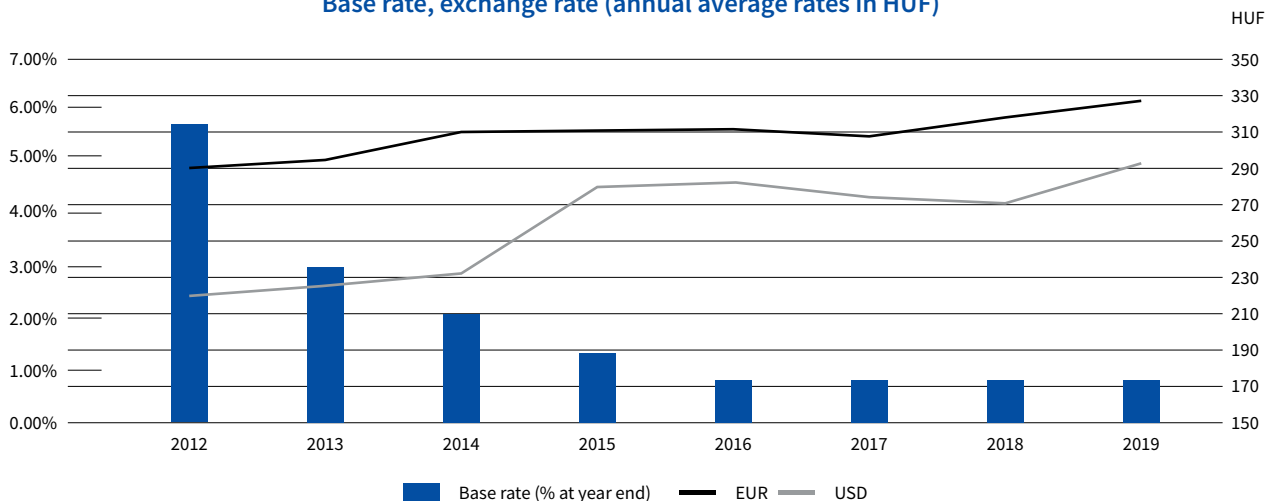
Labour market indicators are still positive; unemployment rate stands at 3.5% while employment rate is 70.3%. In the January-November period real income grew by 10.9%. Base rate remained at 0.9%, while HUF continued to weaken compared to the EUR in 2019 and stayed in this region at the end of the year too (monthly rate in December was HUF/EUR 330.8).

The rate of inflation during the year was 3.4%; while in case of non-perishable consumer goods deflation could be seen. Production costs in the building industry were 10% higher compared to the previous year, which resulted in higher fees for the property market tenants.

GDP, inflation, unemployment (previous year=100)



Base rate, exchange rate (annual average rates in HUF)



Transactions

In 2019 the volume of property investment transactions decreased slightly in comparison with the previous year (1.75 bn EUR), however, the total value of transactions has been higher than 1.5 bn euro since 2016. There was a strong and stable demand for office- and retail properties, in addition the volume of hotel sales increased significantly. The most sought after product in 2019 was the offices (45%), furthermore there was a big demand for retail properties and hotels (23% and 20% of the annual volume). The average transaction volume was approximately 31 million EUR.

Among the biggest value property investments (above 100 million EUR) in 2019 we can find Roosevelt premium office building (buyer: OTP Property Fund), Sofitel Chain Bridge (buyer: Indotek) and KÖKI (buyer: Adventum), what's more, Gellért Hotel, one of Budapest's iconic buildings, was sold as well. Several properties of METRO – logistic buildings of M7 Real Estate and some buildings at Infopark- were sold by closing Portfolio sales.

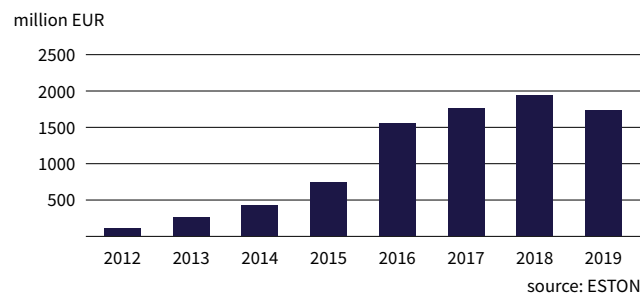
Local investors are the major players in the market with over 70% of the purchases. In addition to open-end real property funds the activity of local private investors strengthened in case of over 40 million euro deals as well, primarily in the office and hotel market.

Yields

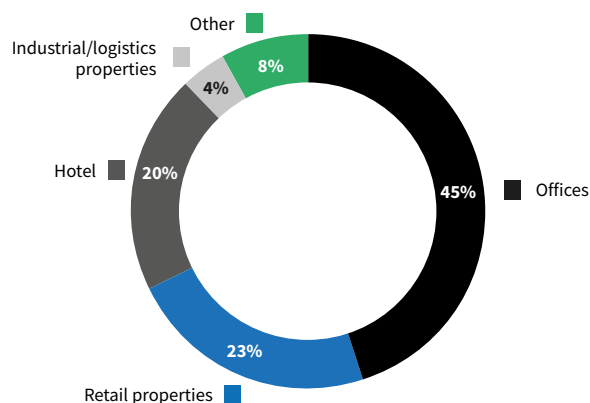
Yields continued to decline at a slower pace but the trend has not stopped at any submarket.

One of the most important deals (office) was closed with around 5% yield during the year; as for retail properties average yield is around 5.5%; the sale of industrial properties brings almost 7% yield.

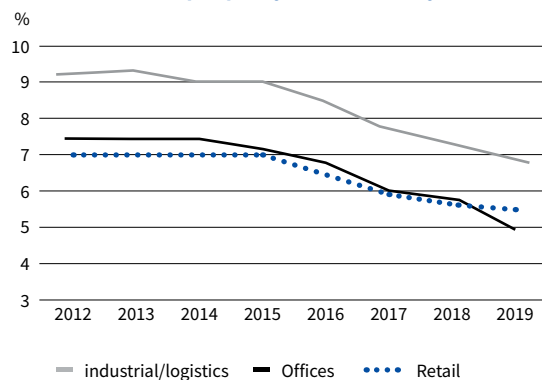
Property investments



Distribution of property investments (2019)



Premium property investment yields



Forecast

In 2020 premium office stock and logistic properties are expected to grow more dynamically, as a result of which annual transaction volume – and investors’ demand – may grow. Based on our expectations yields will decline at a slower pace, however, in the office market deals with under 5% yield can still be expected.

Office and retail premium properties which are launched into the market or are under completion will play a significant role in the next twelve months, in addition, demand is expected to grow further in the hotel market.





We know all about commercial real estate

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