

Industrial and logistics 2019 H1



Handovers

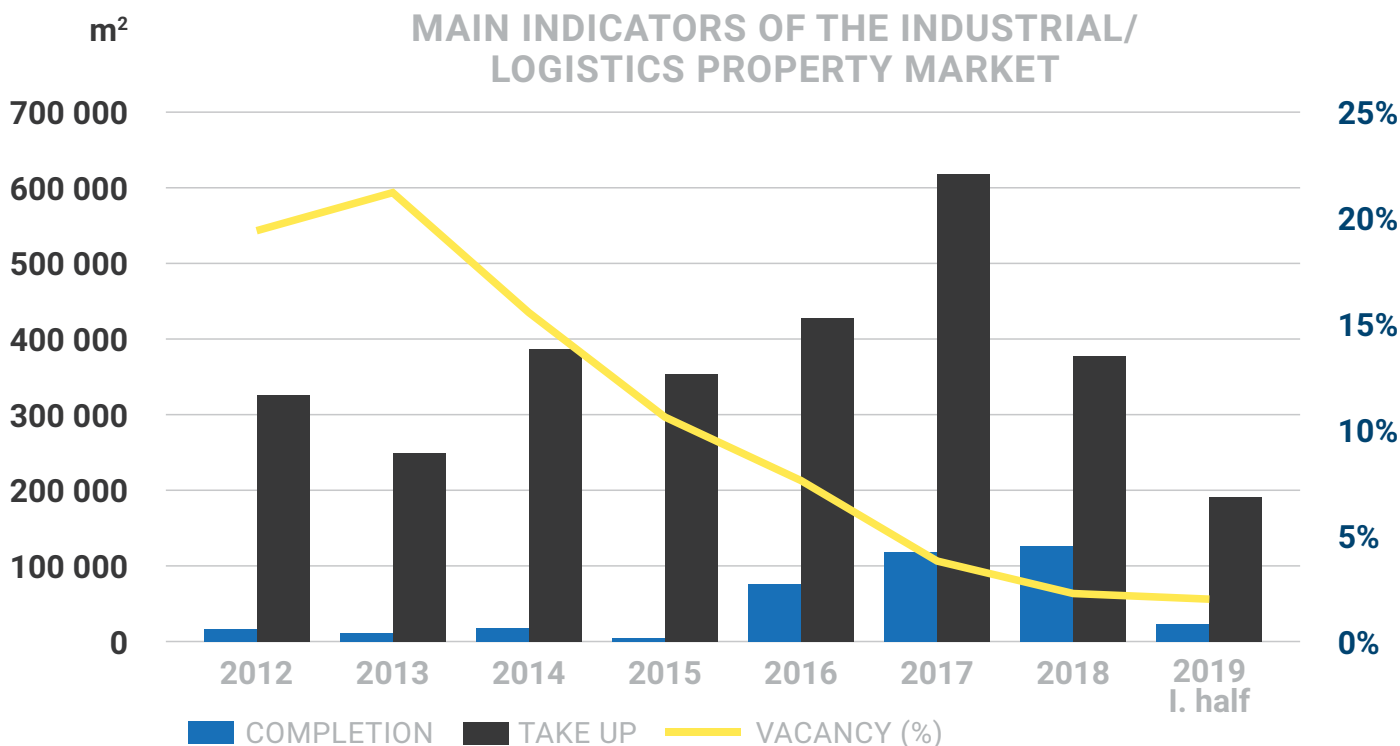
The market stock of storage properties increased by nearly 24,000 square metres in the first half of 2019, with 2 new logistics halls being added to the mix. With the handover of the new units of the Airport City LOGISTIC Park and the Prologis Park Budapest Harbor, the total demand for storage property space increased to 2.2 million square metres. There has been no change in the market of city logistics properties. The volume of handovers decreased by 10%, compared to the first half of 2018.

Developments

Progressing developments and developments to be handed over by the end of 2019 comprise 101,500 square metres. Accordingly, the number of handovers will not change significantly in 2019, as compared to their change in 2018. There is a signed lease agreement for the major parts of the areas—the largest-sized halls will be built in CTPark South and OTP Budapest (22,000 square metres each).

Indicators of the industrial/ logistics property market

Stock	2 200 246 m ²
Logistics parks	2 001 484 m ²
City logistics	198 762 m ²
Completions	23 736 m ²
Take up	190 756 m ²
Vacancy	2,14%
Net absorption	25 812 m ²
Average rents	EUR 4,5 - 5
Prime yield	7,0%



Demand

In the January-June period for 2019, lease agreements were written for 190,000 square metres—a 16% increase compared to the January-June period of 2018. Tenants’ activity strengthened by the middle of 2019 based on the quarterly distribution of transactional volume. We expect a continuation of this positive trend for the remainder of the year.

Vacant areas have practically been depleted. As a result, the volume of area expansions has decreased significantly (from 12%, to 1%). The ratio of lease extensions has similarly decreased (from 63%, to 35%). The ratio of pre-lease agreements has noticeably increased, however (from 0% to 20%). The largest volume deal was signed at Prologis Park Budaörs for approximately 28,000 square metres (lease extension).

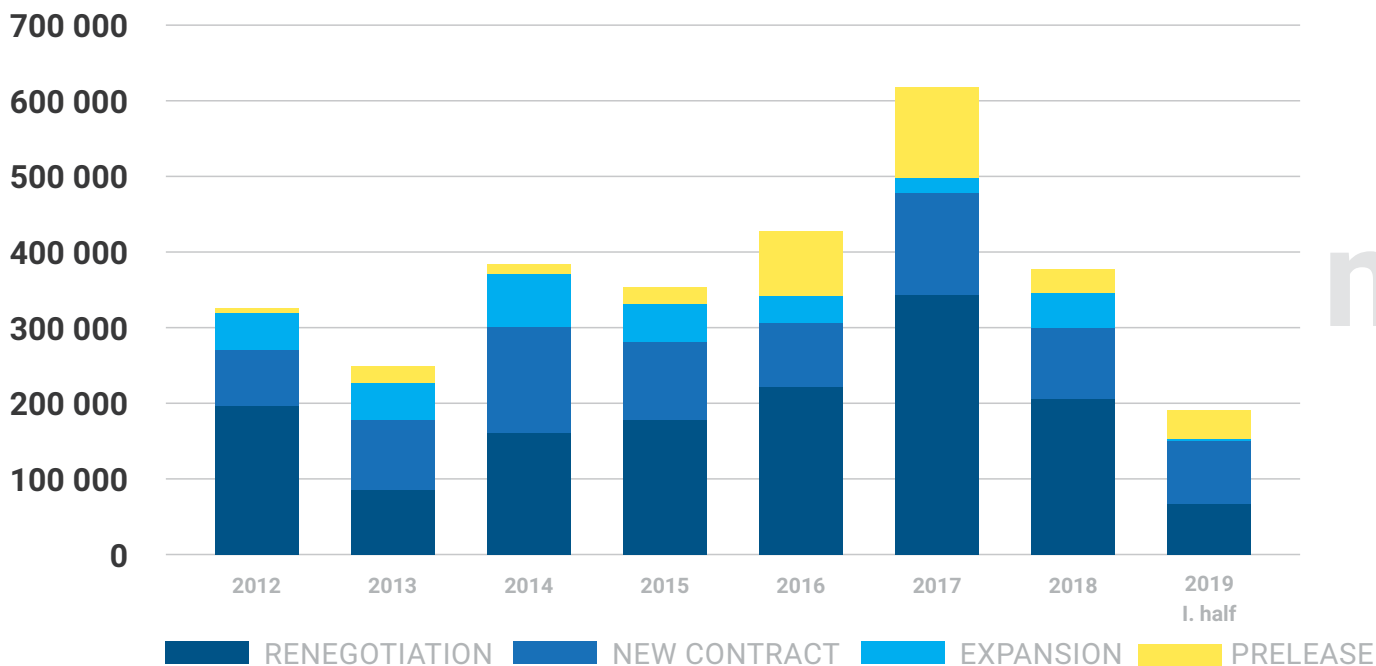
Vacancy

The average vacancy rate hit a record low. In mid-2019, only 2.14% of modern industrial and logistics properties was vacant. The vacancy rate within the logistics parks stands at 1.8% (which is lower than the market average). This means the vacancy rate is effectively 0. Tenants’ rental options have decreased—only 3 of the logistics parks offer an undivided area in excess of 4,000 square metres.

The data shows that net absorption was once again positive. The areas used by tenants expanded by 26,000 square metres during the first half of 2019.



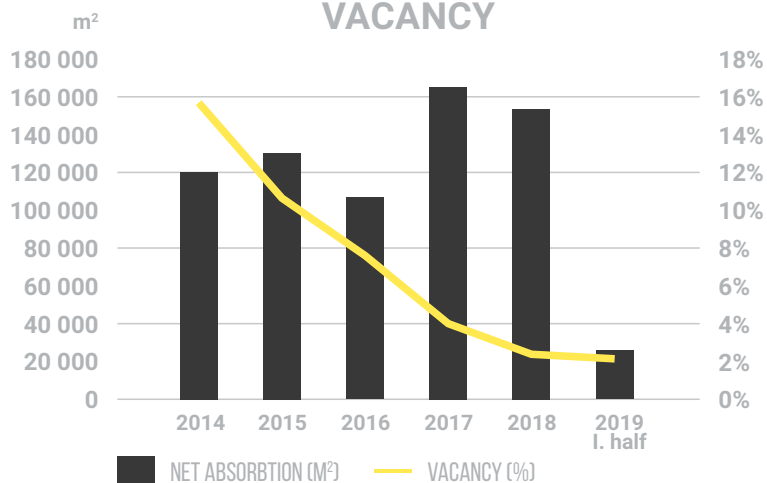
Distribution of transactions



m²



NET ABSORPTION, VACANCY

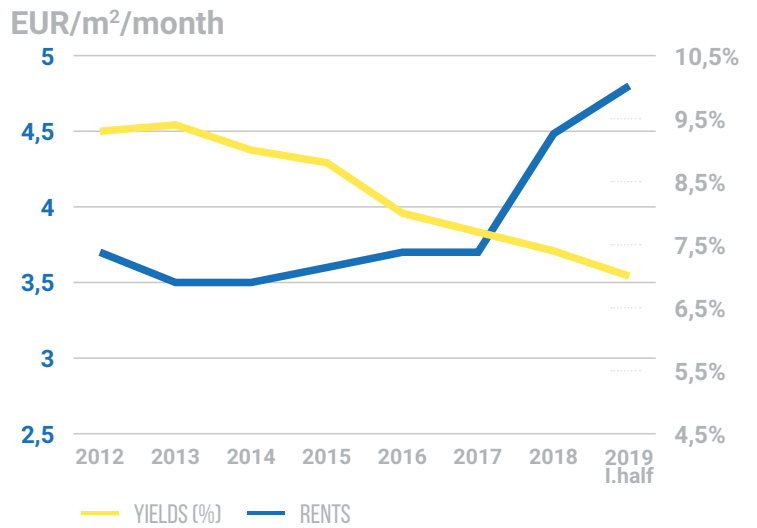


Rental fees, yields

Rental fees continued to increase until mid-2019, with the average monthly prices being in the range of 4.5-5 EUR/month. Investors' yield expectation decreased compared to the end of 2018, and it presently stands at around 7%.



AVERAGE INDUSTRIAL PROPERTY RENTS AND YIELDS



Forecast

Owing to the notably low vacancy rate, the construction industry's limited capacity and increasing implementation costs, we predict rental fees will continue to increase. We anticipate a demand increase in the second half of 2019; in addition, the ratio of pre-lease agreements will likely increase compared to 2018. According to our forecast investment, yields will moderately decrease in the logistics market.