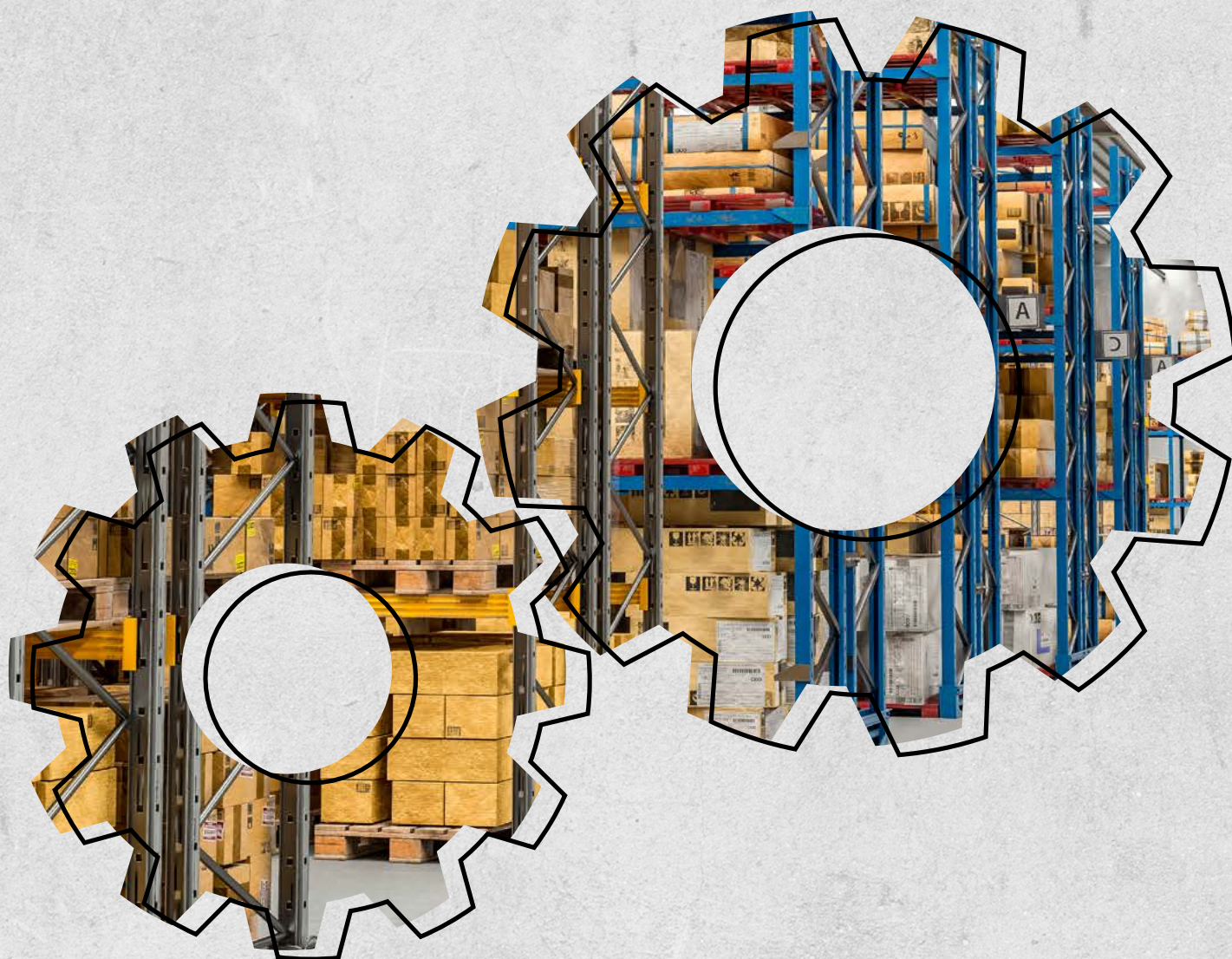


MARKET REPORT

2020 H2



BUDAPEST

INDUSTRIAL&LOGISTICS

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The recent period's uncertainty has not been able to shake up the industrial and logistics real estate market, but on the contrary, more intense competition has begun, where e-commerce actors have experienced explosive growth. Record low vacancy and high stabilizing rents characterize the entire sector. We expect the expansion of demand and tight supply caused by changing consumer habits to keep this segment in focus for developers and investors in the coming years. We can already see those already launched investments, which are larger than ever before, will not necessarily satisfy all the needs, so no stagnation or decrease in rents is expected.

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Ernő Kiss

Associate Director,
Head of Investment & Industrial

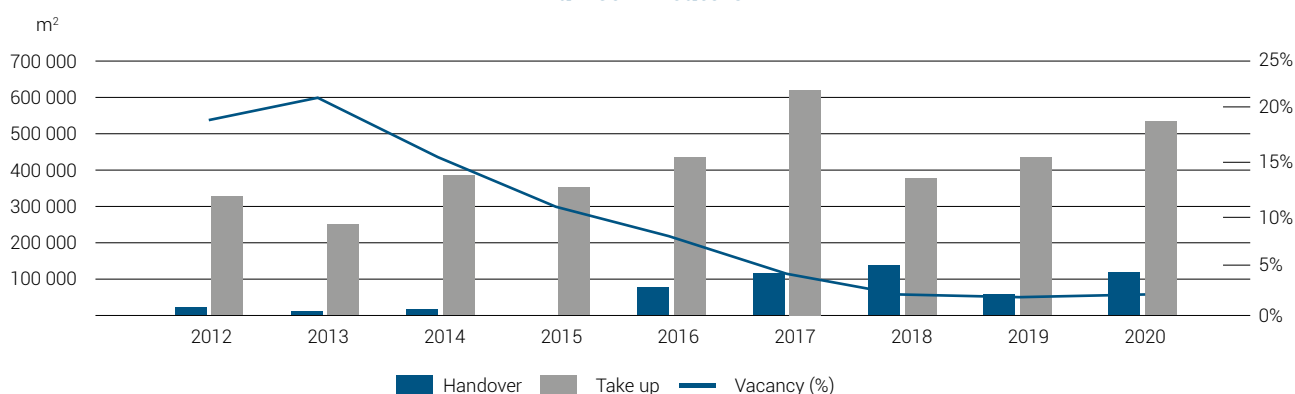
Handovers

In 2020 modern logistic property stock expanded by 128 thousand square metres following the handover of eight new halls. Total supply grew to 2.375 million square metres in Budapest and its outskirts, the volume of developments doubled compared to the previous year. The number of developments is expected to increase in the logistic market, and the number of speculative investments is going to expand as well.

Out of the handovers made last year the two biggest ones were realised as an investment by CTP (CTPark West 31,300 m² and CTPark South 22,800 m²), furthermore WING's development in Fót also increased by a significant area (East Gate Business Park 17,800 m²).

Industrial logistics market indicators	
Total stock	2 374 903 m ²
Logistics parks	2 113 338 m ²
City logistics	261 565 m ²
Handover	127 948 m ²
Take up	537 935 m ²
Net absorption	121 588 m ²
Average rents	EUR 4.5-5.00
Prime yields	6.8%

Market indicators



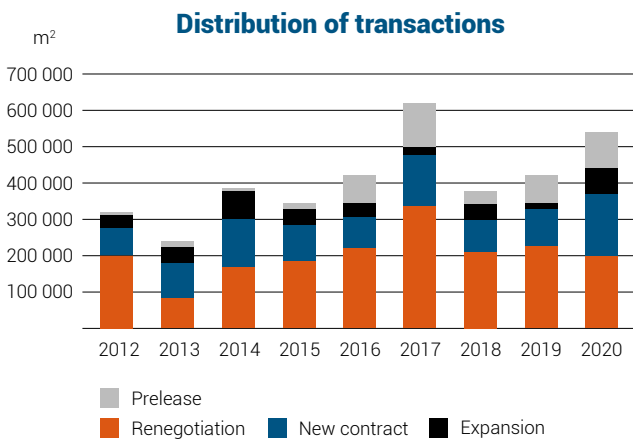
Developments in progress

The major part of a development of 232 thousand square metres, roughly 90 thousand square metres, which is planned to be handed over before the end of 2021, will be realised in the north-eastern region of the capital's agglomeration; in addition, developers' activity is intense in the southern sector as well, where 73 thousand square metres are under completion at the end of 2020. The average size of the halls under construction is nearly 30 thousand square meters.

Planned completions 2021		
Project	Location	Size
Dudapest Dock Szabadkikötő	Budapest	12 852 m ²
Budapest East Business Park	Nagytarcsa	34 000 m ²
CTPark Budapest West	Biatorbágy	30 300 m ²
CTPark Budapest East	Üllő	39 771 m ²
CTPark Budapest South	Dunaharaszti	36 440 m ²
East Gate Business Park	Fót	9 167 m ²
GLP Sziget Logistics Centre	Szigetszentmiklós	23 600 m ²
HELLO Parks Fót	Fót	46 000 m ²
Total		232 130 m ²

Demand

While other markets have been hit hard by the Covid pandemic starting in 2020, the logistic property market continued its dynamic growth. Storage market demand increased by 30% in 2020 compared to the demand in the previous year. Lease contracts for a total of 538 thousand square metres were signed, which is the second biggest volume ever recorded. Demand intensified in the second and third quarters: lease contracts in excess of 170 thousand square metres were signed in both periods. There is an increasingly growing demand for modern storage properties by logistic service providers, e-commerce companies, FMCG and food commerce companies.



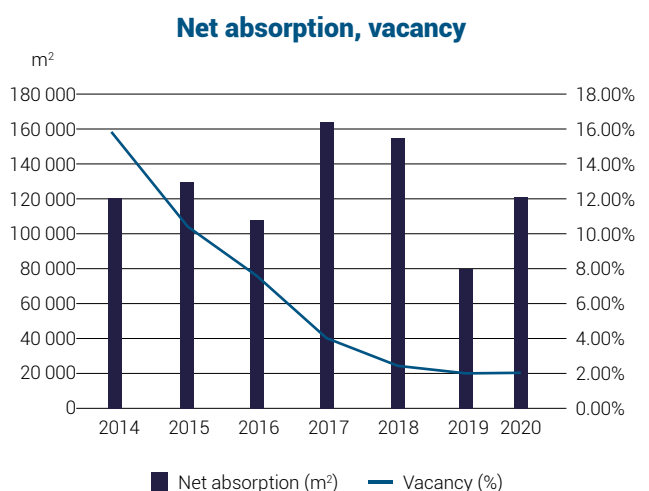
Vacancy

Average vacancy rate was 2.02% at the end of 2020. The unutilised areas (48 thousand square metres) were office buildings and warehouses (50-50%); vacant warehouse over 5 thousand square metres was available only at one project. The vacancy rate of logistic parks (1.87%) increased by only 0.16 percentage points. At logistic properties of the city an increase of 0.35 percentage points could be observed, which in practice means a vacant area of 750 square metres. Vacancy rate is still structural, as a result of the new developments demand pressure is expected to diminish.

According to statistics net absorption was positive again (121.6 thousand square metres), which means an expansion of 42 thousand square metres compared to last year, and also indicates strong and increasing demand.



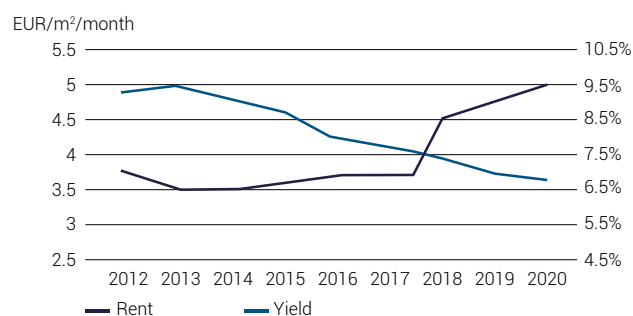
Net demand made up for 63% of the total lease volume, the rate of lease extensions dropped from 53% to 37% within a year. Six tenants signed contracts for areas of more than 20 thousand square metres, three of them were prelease agreements, one expansion and two renewals. The biggest volume contract was signed for nearly 36 thousand square metres at CTPark Budapest East.



Rental fees, yields

Rental fees stabilised at a high rate in 2020, the average fees are in the 4.5-5 EUR / m² range. Investors' yield expectation did not change compared to that of the previous year, it was slightly under 7% at the end of 2020.

Avarage industrial/ logistics rents and yields



Forecast

As a result of the strengthening and expanding demand, the low vacancy rate, the barriers set by the building industry's capacity and the increase of implementation costs the continuing increase of rental fees can be predicted. According to our estimates demand will remain strong in 2021 too, whereas vacancy rate is going to increase as a result of the ongoing constructions. In the logistic market we forecast the stabilization of investment yields.



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1123 Budapest, Alkotás str. 55-61.
www.eston.hu