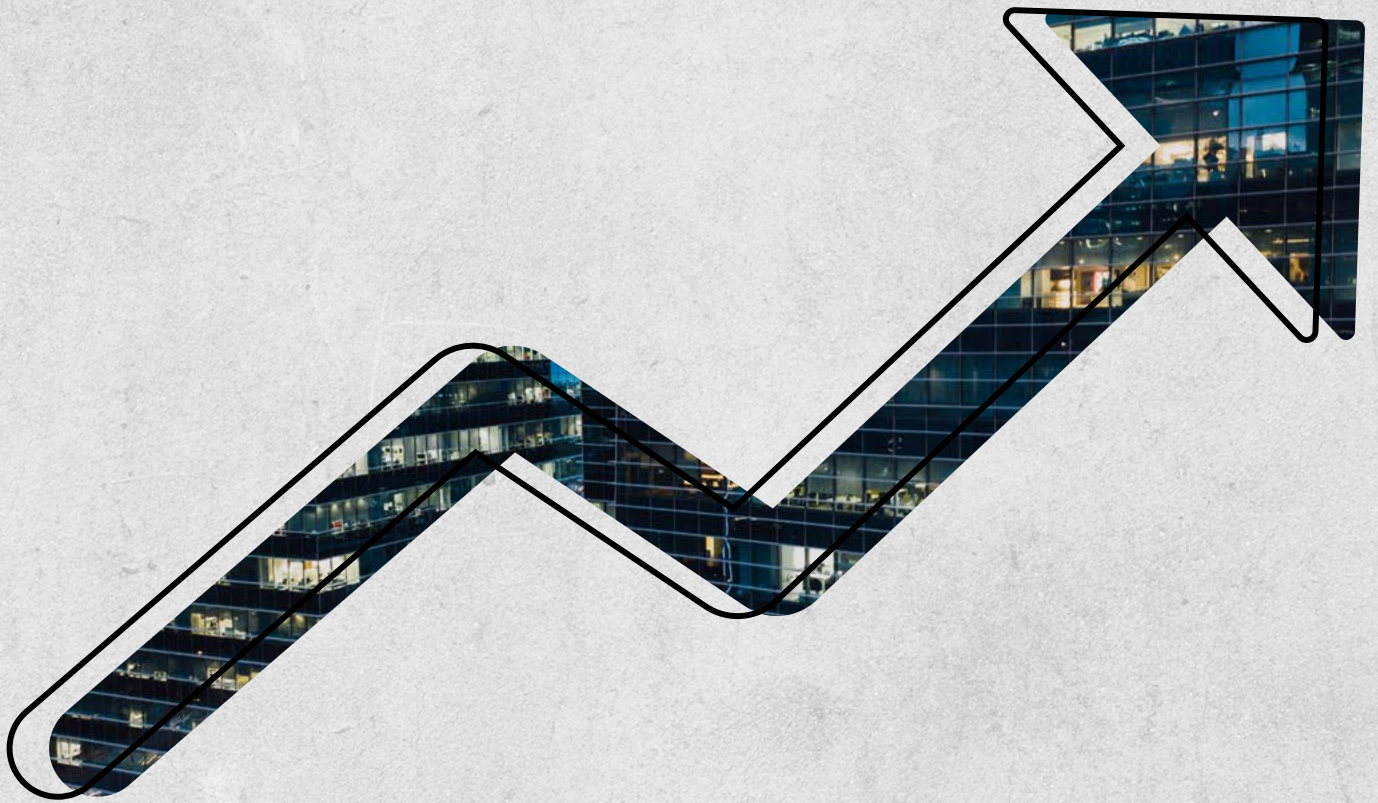


MARKET REPORT

2020 H2



INVESTMENT

CAPITAL MARKETS

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With the persistence of travel restrictions, a market favorable to domestic investors with strong purchasing power may emerge. Hungarian players' success with a market share of almost 50% so far may depend on the price sensitivity of the sellers, which is not a negligible aspect in the light of the current and expected economic outlook. Simultaneously, the border closure did not act as a barrier to international acquisitions: for domestic players to have a more diversified and saturated portfolio, the business for them continued at a breathtaking pace in Poland, Romania, Bulgaria, Greece, Spain, and Malta. In listed countries, they can realize higher returns, so spectators and players will likely witness exciting events in the next period.

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Attila Balogh

Investment
Asset Management

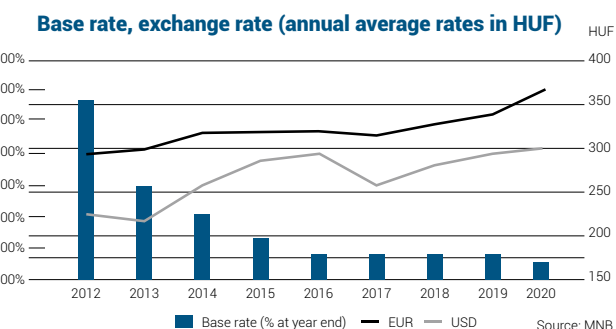
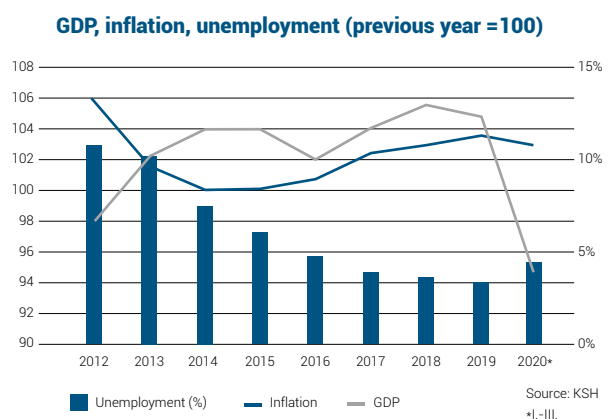
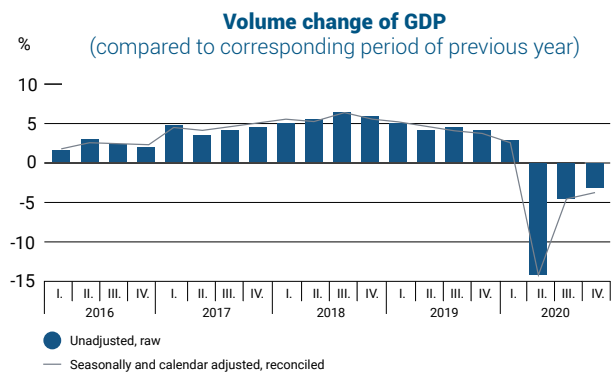
Economic overview

The pandemic inflicted by Covid-19 has brought about a general and large scale economic downturn worldwide. Some markets were unable to fend off the negative effects, owing to the complex nature and inter-dependence of supply chains. Hungarian economic output dropped by 5% in 2020, according to raw data.

Compared to last year, industrial output fell by 4.8%, while construction industry decreased in a bigger extent (9.4%). This period was particularly difficult for the accommodation and catering services segment (-32.2%) and the sector of cultural and leisure services (-9.7%), on the other hand, the info-communication sector expanded (+6.2%), and so did commerce (+1.4%).

Rate of inflation stood at 3.3% in 2020. Producers' prices in the construction industry were 8% higher than last year, the rate of growth was 10% compared to that of last year.

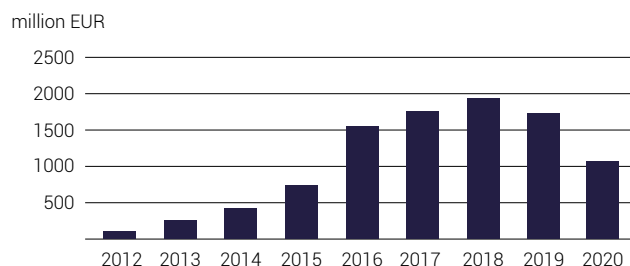
The 4.3% unemployment rate was 0.9 percentage point higher compared to last year's data. The employment rate of the 15-64 year-olds was 70.4%, which is slightly higher (by 0.2 percentage point) than it was last December. Real income grew by 6.2% (compared to the 10.9% the year before). MNB decreased the base rate to 0.6% in two steps during the year, HUF weakened compared to the EUR in 2020 as well (at the end of the year 1 euro cost 365 HUF).



Transactions

In 2020 the volume of property investments decreased significantly. The volume of transactions closed was 39% lower compared to last year's data, in a total value of slightly more than 1 billion euro. Ticket price did not exceed EUR 100m for single assets, the average transaction size was around 25 million euro. Over 100 million euro was paid for two portfolios: during the sales of GTC's majority shares Optima Investment Fund became the owner of 41 office buildings and 5 retail properties in 6 countries of the region. Furthermore GLP purchased Goodman's logistic properties in central-eastern Europe.

Property investments



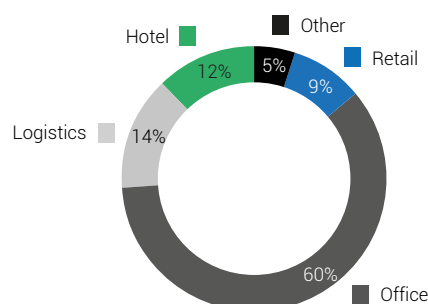
Source: ESTON

Similarly to previous years the most sought-after asset class was offices in 2020, in addition to this we could see strengthening demand in the logistic property market. 60 and 14% of the total investment sum was spent on these two submarkets respectively. In 2019 we forecasted an upsurge in hotel sales; however, as a result of the unexpected pandemic situation mainly the transactions launched earlier were closed (4 deals, 12% of the total volume). In the retail property market we could see moderate investment appetite – and small supply – the ratio of this asset fell from 23% to 9% in the annual investment volume.

The most significant open market office sale was the sale of Margit Palace (17,950 m²) and Buda Square (19,300 m²) office buildings, which were closed by ESTON's and Savills' team representing the seller, Adventum Zrt. This was the buyer's, Resolution Property, first investment purchase in Hungary. The sale of Eiffel Square office building is among the major transactions, the 23,500 square-metre inner city property was bought by Allianz.

As a result of the travel restrictions and the cancellation of business meetings the closing of the deals required much more time, and in many cases the owners decided to postpone the sale. Domestic investors' market activity remains active, with almost 50% share.

Sectorial split of property investments



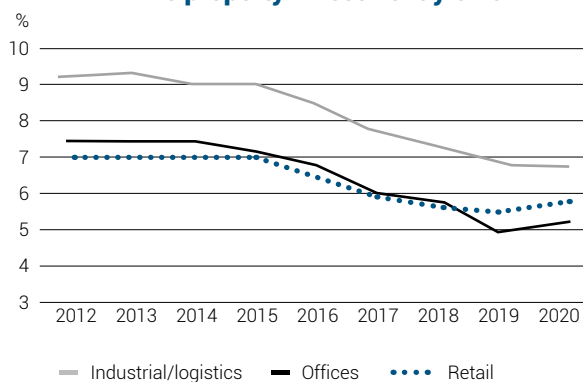
Yields

The decreasing tendency of yields stopped in 2020, yields stabilised in most markets. As a result of the low number of deals in certain sectors it is difficult to speak about benchmark yields; average rate of return for premium offices is around 5.8-6.5%, for industrial properties under 7% and for retail properties slightly under 6%.

Forecast

Although the year of 2020 slowed down investors' activity everywhere, it did not derive from financing difficulties, rather the insecurity of business planning. When the virus situation is successfully controlled, investment volume is expected to expand dynamically in 2021, since significant amount of capital is looking for its place in the market. The ongoing constructions in the domestic office- and logistic property market ensure the expansion of high quality supply, therefore at top category properties the decrease of yields will start again. We expect the biggest turnover in the segment of offices with high levels of occupancy, at the same time investments in the logistic property market can also take up. The hotel sector will probably not get back on track in 2021, but a wave of forced sales is not very probable.

Prime property investment yields





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