

BUDAPEST

Key Investment Trends

Prime, core and value-add products are highly sought after by investors. Continued demand by domestic funds, new market entrants and favourable financing conditions as well as a reduced corporate income tax rate are all contributing to the strong fundamentals of the Hungarian commercial property investment market. In Q2 2018, prime yields stand at 6% for offices, 7.5% for logistics and 6% for shopping centres.

Budapest has been experiencing a strong capital value appreciation thanks to recent yield compression and continuous rental growth in the recent period. Almost all (96%) of H1 2018 investment activity was in the dominant asset classes, equally split between the office and retail sectors. They were followed by industrial at a much lower share of 4%. Retail properties continued to gain even more significant market share this year through various portfolio deals and the sale of two significant strip mall type of assets, the Market Central Ferihegy and Premier Outlet Center in Biatorbágy.

Market Position – Ranked by Yield

EMEA Rank	City	All sector Yield (%)	12 mth basis point change
32	Glasgow	5.60	15
33	Eindhoven	5.72	-26
34	Wroclaw	5.77	-23
35	Krakow	6.01	-20
36	Poznan	6.19	-21
37	Budapest	6.20	-25
38	Gdansk	6.32	0
39	Katowice	6.33	-17
40	Vilnius	6.38	-5
41	Lodz	6.61	-14

Note: Lowest scoring yield ranks highest.

Yield Outlook

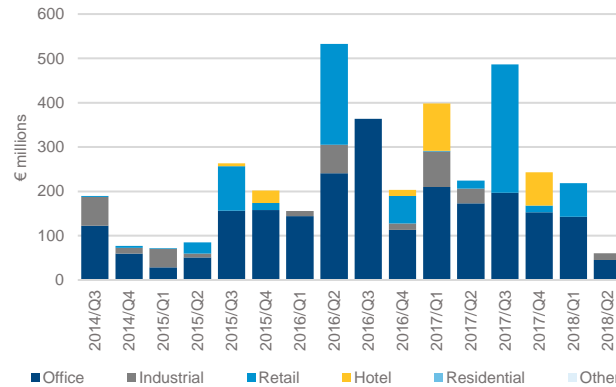


Sectors to watch out for in the next 12M

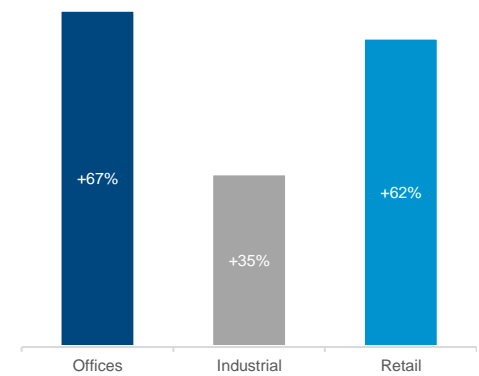


Source: Colliers International, Oxford Economics.

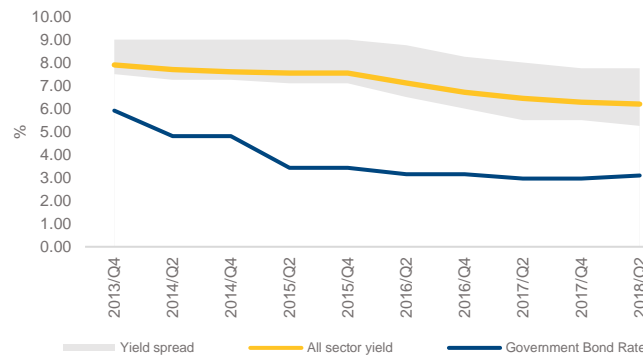
Quarterly investment volumes by sector (City & catchment)



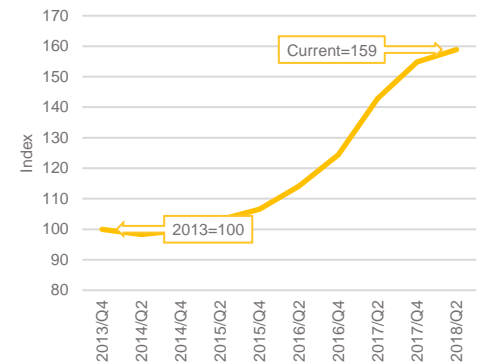
5yr cap. value growth – by sector



All sector yields vs. bond rates



All sector cap. value index

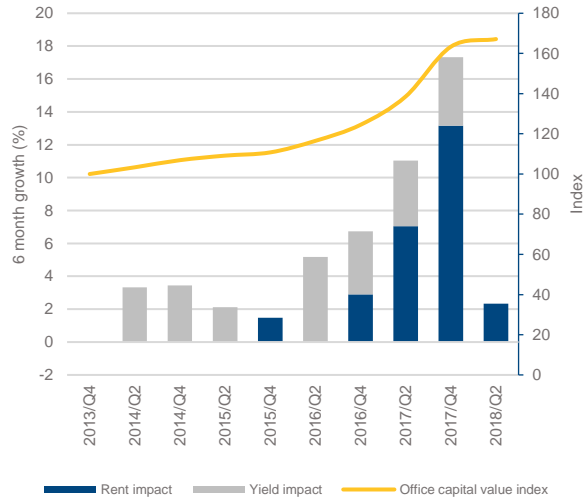


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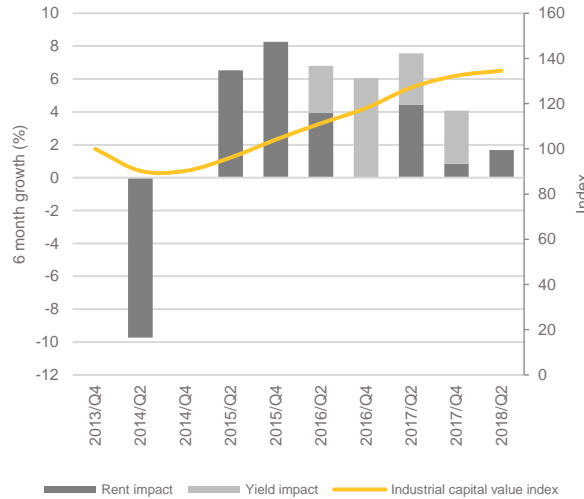
“The first half of 2018 was rather sluggish in Hungary both in terms of the number and volume of commercial real estate transactions. The investment volume was down by 60% year-on-year closing the first semester at €360 mn, whilst the number of deals halved during the same period. However, with a healthy line-up of deals for the second half of the year, there is no need to be worrisome about structural or local investment issues. The prime and core segments provide excellent total returns to developers and investors through continuous yield compression and strongly evidenced increase in rental rates. The capital value gap of commercial investments in Budapest is closing in with Prague and Warsaw.”

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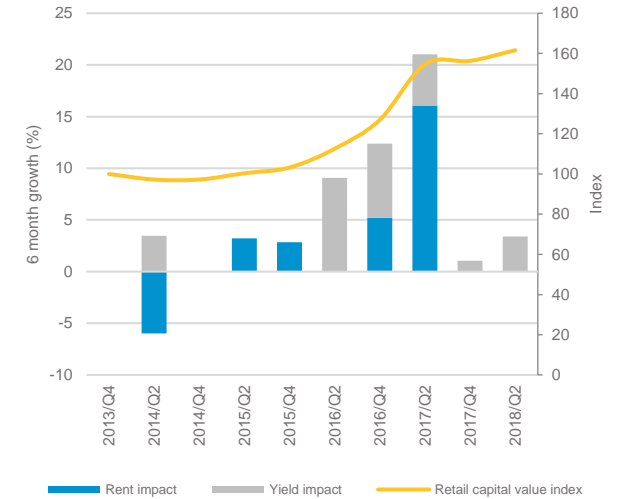
Cap. value index - rent/yield impact: Office



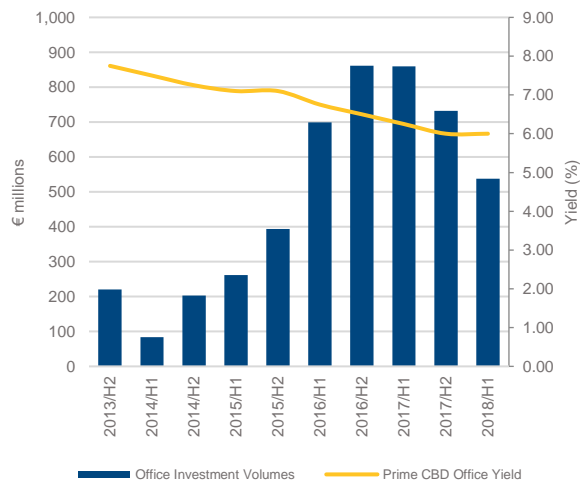
Cap. value index - rent/yield impact: Industrial



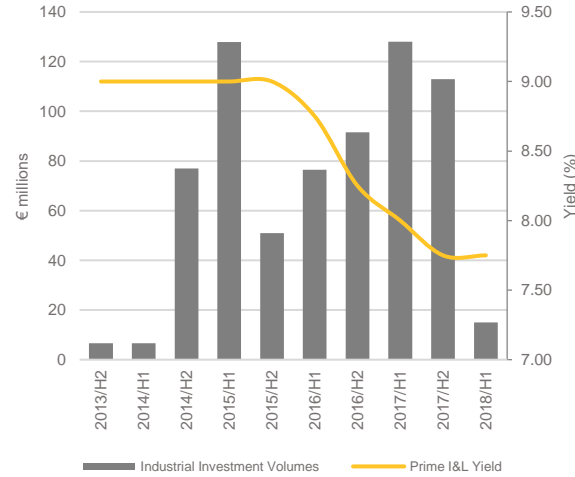
Cap. value index - rent/yield impact: Retail



Yields and 12M rolling investment volumes: Office



Yields and 12M rolling investment volumes: Industrial



Yields and 12M rolling investment volumes: Retail

