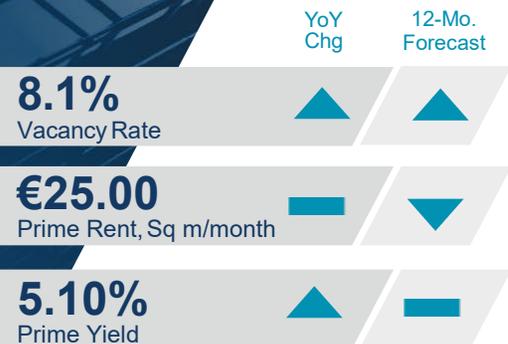


MARKETBEAT BUDAPEST



Office Q3 2020



(Overall, All Property Classes, as at 30 September 2020)
Source: Cushman & Wakefield, Budapest Research Forum

ECONOMIC INDICATORS Q3 2020



ECONOMY: GDP is now forecast to fall 6.4% this year before growing 5.1% in 2021

It is now clear that Hungary, like the rest of Europe, is facing a resurgence of the coronavirus as we head into winter. While Hungary entered the crisis from a position of relatively solid macro fundamentals, more recent indicators suggest sentiment have begun to stall when COVID-19 cases started recurring. The Hungarian economy contracted by 13.6% in Q2 according to CSO, which reflects the impact of the April lockdown. The GKI business sentiment index has strongly improved from its April low by October, but plans for downsizing has appeared in the business sector with decision making processes remaining slow. Hungary is expected to significantly benefit from the recently-agreed next generation EU recovery fund which will provide a stimulus to the economy, equal to some 6.7% of GDP in the period of 2021-2025. Recovery is expected to start in 2021, Oxford Economics forecast GDP to grow by 5.1% in 2021 and by 5.0% in 2022.

Office investment volumes in H1 2020 reached a record Eur 400 million driven by Optima's corporate acquisition of GTC accounts. Whilst Q3 was moderate in terms of the number of deals, there are several ongoing transactions still proceeding and expected to be closed in the remainder of 2020.

SUPPLY AND DEMAND: The impact of WFH remains to be seen in Budapest

In line with the global trend, Q3 demand levels in the Budapest office market were restrained compared to the same period of previous years. Q3 total demand shows a decrease of 59% y-o-y but net take-up dominated the market activity amounting to 48 250 sq.m. As new supply is continuously delivered to the market, vacancy rate has increased by 0.8 percentage points q-o-q. Net absorption levels reached 70,000 sq.m in YTD 2020.

Ongoing development schemes continue, and no major delays are reported. 4 new schemes were delivered during the quarter with 89% of the new supply was pre-let. For the remainder of 2020, 48,700 sq.m of new supply is planned to be delivered. Whilst the pipeline for the 2020-2022 period shows an increased level compared to the amount seen in the last ten years, the impact of WFH in Budapest remains to be seen on future demand and design. Large-scale transactions, however, have proceeded and we have seen large occupiers are committing for long term leases as the Budapest market remains attractive for large SSC / BPO business.

PRICING: Budapest remains Landlord favourable with no decrease in headline rents

Most occupiers are in "wait-and-see" mode and rethinking their future space requirement based on their home office experience. Large occupiers are requiring shorter terms in their renewal negotiations, whilst some excess space has been put on the market for sublease.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (SQ M / MTH)
Budapest (CBD)	371 490	26 520	7.1%	8 930	18 830	5 800	11 675	€25.00
Budapest (Central Pest)	641 715	55 585	8.7%	4 670	45 390	0	95 910	€17.00
Budapest (Central Buda)	433 420	41 060	9.5%	4 455	33 550	0	16 700	€18.00
Budapest (Non-Central Pest)	521 740	52 330	10.0%	12 850	20 680	28 900	74 400	€15.00
Budapest (North Buda)	329 860	11 660	3.5%	4 465	9 260	5 500	15 000	€15.50
Budapest (South Buda)	432 825	26 470	6.1%	21 240	52 810	45 560	183 370	€17.00
Budapest (Váci Corridor)	1 002 335	54 730	5.5%	19 780	59 980	107 340	49 000	€17.50
Budapest (Periphery)	133 075	43 890	33.0%	2 930	6 460	0	0	€11.50
BUDAPEST TOTALS	3 866 460	312 245	8.1%	79 320	246 960	193 100	446 055	€25.00

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Budapest One Phase 2	South Buda	Vodafone	14 140	pre-lease
Laurus Offices	Non Central Pest	Confidential Client	4 800	renewal
Paris Department Store	CBD	IBM Labs	2 750	renewal
Infopark B	South Buda	Ericsson	2 600	expansion

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Electrolux	Central Pest	Raiffeisen / Private	3 000

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
AGORA Hub	Váci Corridor	BP	34 500	HB Reavis
AGORA Tower	Váci Corridor	Raiffeisen	34 500	HB Reavis
Budapest One	South Buda	Unysis, Roche, Estée Lauder	27 400	Futureal
Váci Greens F	Váci Corridor	Jaguar, Sanofi, Intrum Justitia	25 000	Atenor
Arena Business Campus Phase I	Non Central Pest	Medicover, Cargill	20 400	Atenor
BudaPart Gate	South Buda	Inceptech, Semcon, DBH	18 160	Property Market

Source: Cushman & Wakefield Research, Budapest Research Forum

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