

# HUNGARY

*Cushman & Wakefield*

*Global Cities Retail Guide*



***Hungary, with a population of 9,772,500 (2019) and a land area of 93,030 sq km, is bordered by Slovakia to the North, Ukraine and Romania to the East, Serbia and Croatia to the South and Slovenia and Austria to the West. The country is situated in the centre of the CEE region connecting Western to Eastern Europe.***

Hungary is one of the oldest European countries, situated in the middle of the continent in Central Europe. It is a gateway to Eastern Europe and the Balkan countries. The early adoption of a free market economy in the early 1990's meant that it became an attractive destination for foreign investment. The retail sector has seen many fundamental changes to arrive today at a modern retail infrastructure. The capital, Budapest, accounts for a fifth of the country's population.

The country is comprised of 19 counties; county seats tend to be the smaller cities which are also of interest to foreign retailers. Tourism is an important segment of the economy, providing 10.4% of GDP (based on 2018 data). Hungary is one of the top five European tourist destinations. The number of tourist arrivals in Hungary increased by 7.8% last year (in 2018), more than the European average of 6.8% or the global average of 6.2%, according to data from the World Tourism Organization (UNWTO). The number of tourists coming to Hungary has been growing in the past decades, which is due to affordable accommodation, low-cost flights, and the many tourist attractions. The country welcomes tourists with its many natural and cultural sites, including Lake Balaton, the thermal baths and the historic cities. However, Budapest remains the leading destination, as almost 70% of the tourists come here.

The economy in Hungary has been performing well in the past few years, with strong GDP increase during 2018 of 5.0% and an unemployment rate of 3.7%.

The shopping centre pipeline in Budapest is limited to 2 major schemes – Etele Pláza and Árkád Aquincum - both planned to be located at the Buda side of the city. Beyond the newly planned centres, retailers have excellent opportunities in existing, well operating shopping centres. The shopping streets are further developing with new retailers, which continuously improves the quality and supply of the city's downtown area.



## HUNGARY OVERVIEW

# HUNGARY

## ECONOMIC OVERVIEW

### ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019F	2020F	2021F	2022F
GDP growth	5.0	3.9	2.8	2.3	2.1
Consumer spending	5.4	3.5	2.4	1.9	1.8
Industrial production	3.9	5.4	5.3	3.6	2.8
Investment	16.5	9.9	2.8	2.2	1.9
Unemployment rate (%)	3.7	3.8	4.1	4.4	4.5
Inflation	2.9	3.2	3.1	2.9	2.9
Forint/€ (average)	318.8	318.6	316.9	314.9	313.1
Forint/US\$ (average)	270.2	278.9	266.6	254.7	250.5
Interest rates Short Term (%)	0.9	0.9	1.5	2.2	2.7
Interest rates 10-year (%)	3.1	3.2	3.8	4.1	4.4

### ECONOMIC BREAKDOWN

Population	9.8 Million (2019F)
GDP (nominal)	US\$ 165 Billion (2019F)
Public Sector Balance	-1.9% Of GDP (2019F)
Public Sector Debt	65.5% Of GDP (2019F)
Current Account Balance	1.2% Of GDP (2019F)
Parliament	Majority government (Fidesz & KDNP)
President	János Áder
Prime Minister	Viktor Orbán
Election dates	2017 (Presidential) 2018 (Parliamentary)

### RETAIL SALES GROWTH: % CHANGE ON PREVIOUS YEAR

HUNGARY	2018F	2019F	2020F	2021F	2022F
Retail Volume*	6.4	3.9	2.8	2.7	2.4

NOTE: \*annual % growth rate unless otherwise indicated. Figures are based on local currency and real terms. E estimate F forecast.

CITY	POPULATION (2018)
Budapest	1,749,734
Debrecen	202,214
Miskolc	155,650
Szeged	161,122
Pécs	144,188
Győr	130,094
Nyíregyháza	117,121



# HUNGARY LARGEST CITIES

# HUNGARY

## RETAIL OVERVIEW

### MAJOR DOMESTIC FOOD RETAILERS

CBA, Reál Hungaria, Coop

### MAJOR INTERNATIONAL FOOD RETAILERS

Tesco, Auchan, Spar, Aldi, Lidl, Penny Market, Metro

### MAJOR DOMESTIC NON-FOOD RETAILERS

Retro, Heavy Tools, Libri, Playersroom, DRK, Roland, Kristóf, Dockyard Island, Pirex, Brendon, Ofotért, Bestbyte, Biohair, Diego, Szamos, BioTech USA, Scitec Nutrition, Bortársaság, Budmil, Café Frei, Devergo, Herend, Zsolnay, Lipóti, Kiwisun

### INTERNATIONAL RETAILERS IN HUNGARY

Gucci, Louis Vuitton, Nespresso, Burberry, Ermenegildo Zegna, COS, Michael Kors, Polo Ralph Lauren, Armani, Inditex Group (Zara, Zara Home, Bershka, Pull & Bear, Stradivarius, Massimo Dutti, Oysho), Desigual, LPP Group (Reserved, Mohito, Sinsay, Cropp, House), Mango, C&A, H&M, New Yorker, Van Graaf, Peek & Cloppenburg, Guess, Springfield, Women'Secret, Promod, Tally Weijl, Gant, KIK, TAKKO, Deichmann, CCC Shoes, Humanic, Reno, Salamander, Müller drogerie, dm drogerie, Douglas, Rossmann, Fressnapf, Media Markt, Euronics, Intersport, Decathlon, Sports Direct, Euronics, IKEA, Mömax, Jysk

### FOOD AND BEVERAGE OPERATORS

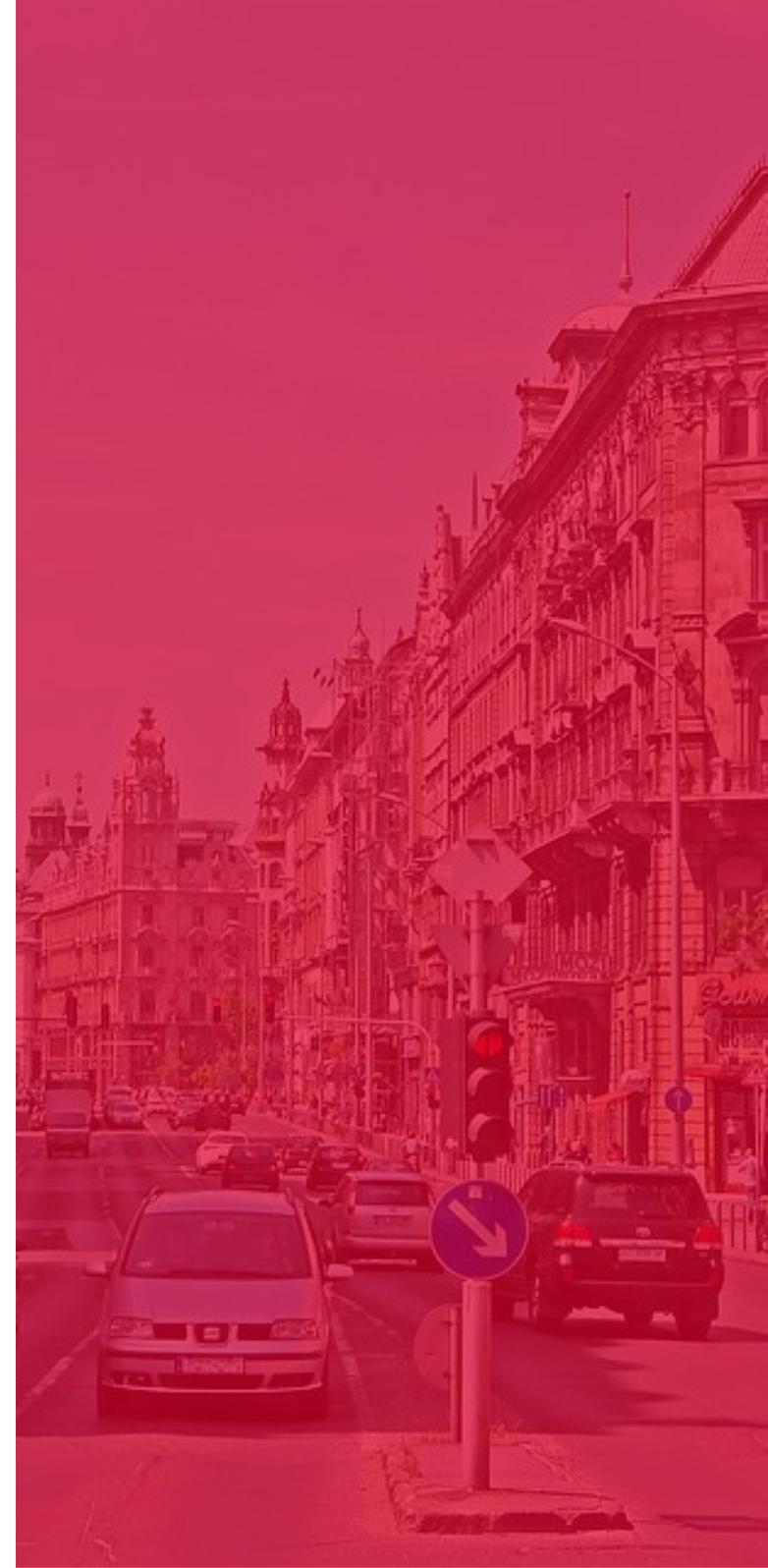
McDonald's, Burger King, KFC, Nordsee, Starbucks, Costa Coffee, Coffeeshop Company, Café Frei, Vapiano, TGIF, Leroy, Hard Rock Café, Pad Thai, Pizza Hut, Wok'n Go, Il treno, Guru, Don Pepe, Pizza Forte, Bellozzo, Sushi time, Fruitissimo

#### TYPICAL HOURS

MONDAY-FRIDAY	SATURDAY	SUNDAY
10.00-21.00	10.00-21.00	10.00-19.00

#### NEW ENTRANTS TO MARKET

Philipp Plein	Tiger	Jo Malone	TWIN-SET	John Reed
Cinema Pink	Kiehl's	NYX	Kitchenshop	Sushi Time
Liu Jo	Mobiup	Under Armour	Polo Ralph Lauren	Byte Bakery
PINKO	Karl Lagerfeld	Calvin Klein	Notino	



# HUNGARY

## RETAIL SCENE

***Retail activity both in the capital, and the main cities in Hungary, is dominated by modern shopping centre developments. Beyond that, high street retail activity has also strengthened during the past 4-5 years, offering different locations for medium, high-end and luxury retailers, and extending the overall supply of quality retail space.***

Total stock of modern retail space in Hungary (including shopping centres, retail warehouse developments and factory outlet centres) extends to 2,069,060 sqm GLA, 47% of which is located in Budapest.

Retail parks and strip malls (usually 5-10,000 sqm) typically target local residential areas and are very popular in Hungary, especially in medium size cities and in the agglomeration of the capital. Retailers such as IKEA, Baumax, Praktiker, OBI, Tesco, Metro, Decathlon and Auchan are present in this market.

The factory outlet market is concentrated in just two major schemes in Hungary; Premier Outlets Centre near Budapest and M3 Outlet Centre between Debrecen/ Nyíregyháza/ Miskolc, offering 30,000 sqm of GLA.

Retailers can enter the Hungarian market directly or via franchise or joint-venture partners. In the past 5-10 years retailers have mostly expanded directly.

There are no restrictions on foreign companies either buying or renting real estate in Hungary, except land. Typical leases in Hungary are signed for a fixed period of time including indexation and no options at the final expiry date of the leases.

Although it is possible to occupy a new building within a few weeks, it is more realistic to expect that on average it will take 6-9 months from initiating the property search to taking occupation of an existing property. This includes time for considering location options, the identification of buildings or sites, negotiating leasehold terms and drafting of the appropriate legal documentation.



# HUNGARY

## SHOPPING CENTRES

### TOP SHOPPING CENTRES BY SIZE

NAME	CITY	SIZE (GLA SQM)	YEAR OPENED
Aréna Mall	Budapest	68,000	2007
Árkád Budapest	Budapest	68,000	2002 +2013
KÖKI	Budapest	58,000	2011
Mammut I & II	Budapest	56,000	1998 +2001
Westend City Center	Budapest	50,000	1999
Allee	Budapest	46,700	2009
Pólus	Budapest	44,000	1996
Campona	Budapest	40,905	1999
Duna Pláza	Budapest	36,904	1996
Corvin Pláza	Budapest	34,600	2010
MOM Park	Budapest	31,000	2001

# HUNGARY

## KEY FEATURES OF LEASE STRUCTURE

KEY FEATURES OF LEASE	
ITEM	COMMENT
Lease Terms	Generally 5 or 10 years, often with tenant extension right for further 3-5 years. Tenant's break options are also often built within the leases, and if applied are typically required by tenants in the 3rd-5th years of the lease.
Rental Payment	Usually based on an agreed EUR rate/sqm/ month and payable quarterly or monthly in advance. Payment is usually in HUF based on the exchange rate (usually on National Bank exchange rate) at an agreed date. Turnover rents with a minimum base are now getting common; percentage of turnover varies between 5-12%.
Rent Review	Rents are usually increased annually in line with the increase in the HICP (MUICP or EEAICP) inflation rate as measured by an appropriate index.
Service Charges, Repairs and Insurance	Service Charge is usually payable in multi-tenanted buildings/projects and covers management fees, security, cleaning, landscaping, internal maintenance of common parts, external maintenance and insurance, servicing of elevators, air conditioning, management fees and property taxes. Service charges are usually paid monthly or quarterly in advance. It excludes internal maintenance and insurance of rented accommodation, utility charges and VAT. The landlord is responsible for external /structural matters in shopping centers (charged back via service charge) or tenant (except in multi-let buildings). The tenant is responsible for internal matters. The landlord usually insures the main structure and external fabric but will charge this back to the tenant through the service charge. Insurance for common parts is also paid by the landlord and charged back. The tenant usually pays for internal insurance directly.
Property Taxes and other costs	The property tax legislation is determined on local municipality levels controlled by Act C of 1990 on Local Taxes, which maximizes the volume of taxing and other exemptions.
Disposal of a Lease	Sub-letting is usually only possible under the terms of the lease, subject to landlord's prior written approval. Assignment rights are not normally barred in the lease but will also be subject to consent – which should not be unreasonably withheld. Early termination is only by break clause – to be negotiated at outset of lease by mutual consent upon negotiation. At lease end, the tenant is responsible for re-instating the premises to the same condition as at the start of the lease, subject to normal wear and tear.
Measurement	Zoning methods not applied. Standards vary, but typically gross areas are used.
Legislation	Act VII of 1998 on Rental of Residential and non-residential Property and Act IV of 1959 on the Civil Code of the Republic of Hungary. Leases must be in writing and the lease document forms the standard documentation required. A mandatory standard form of lease does not exist although a market standard is in place.
Security	The usual amount is 3 month gross payment obligation. Both deposit and bank guarantee are accepted, mother company guarantee/comfort letter are less acceptable by landlords.

**VIKTORIA SZABO**

Partner, Head of Retail Services  
Cushman & Wakefield Kft.  
Deák Ferenc utca 5.  
Budapest H-1052

Tel: +36 1 268 1288  
Mob: +36 30 2448 237



No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and the same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

© 2019 Cushman & Wakefield LLP. All rights reserved.



# WHAT'S NEXT

REDEFINING THE LANGUAGE OF  
RETAIL & LEISURE