

HUNGARY

Industrial Market Snapshot

Third Quarter | 2018



MARKET INDICATORS

Market Outlook

Prime Rents:	Upwards pressure on rents for both existing and BTS units	▼
Prime Yields:	Yields could sharpen further during 2018 due to increased competition for the best assets	▲
Supply:	The very limited availability and pre-leased pipeline for 2018 creates a window of opportunity for speculative building and Class 'B' products	►
Demand:	Occupier demand should accelerate in the last quarter of 2018	►

Prime Industrial Rents – September 2018

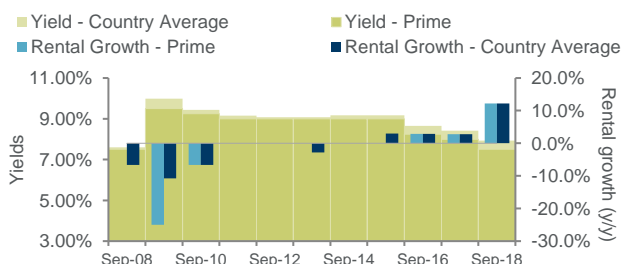
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Budapest	4.15	49.8	5.40	12.2	4.1
Debrecen	3.50	42.0	4.56	0.0	0.0
Miskolc	3.50	42.0	4.56	0.0	0.0
Győr	4.00	48.0	5.21	14.3	2.7
Székesfehérvár	3.50	42.0	4.56	0.0	0.0

Prime Industrial Yields – September 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Budapest	7.50	7.50	8.00	9.50	7.50
Debrecen	8.75	9.00	9.50	12.00	8.50
Miskolc	9.25	9.25	9.50	12.00	8.50
Győr	8.50	8.50	9.00	10.00	8.25
Székesfehérvár	8.75	8.75	9.25	10.00	8.25

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The Hungarian industrial market is supported by the country's strong industrial output. In the first eight months of 2018 figures indicate a y-o-y growth of 3.6%, according to CSO. The GKI industrial confidence index returned to a strong level in October following a drop in September. Yet, Q3 occupier demand for modern industrial space fell on the trend and was primarily driven by renewal transactions due to the low current availability.

Occupier focus

In and around Budapest approximately 110,000 sq. m of industrial space was let, with the logistics sector being the most active in Q3.

One BTS scheme extending to 5,000 sq.m. of new space was handed over in Budapest Dock over the period. New developments are still subject to pre-lease agreements and 95% of the Q4 pipeline has lease commitments in place. The lack of available warehouse space around Budapest and the rising cost of construction put upward pressure on rents. This resulted in a 3.8% q-o-q growth of headline rents in and around Budapest.

There is a steady flow of demand from new market entrants from the manufacturing/production sector predominantly looking for BTO options in countryside locations. This is driven by the better availability and pricing of land & workforce, as well as the possibility of state incentives granted. Large automotive hubs (Győr, Kecskemét and BMW's new venture in Debrecen) are already sought-after locations.

Investment focus

The industrial investment market recorded healthy activity levels in Q3, supported by the acquisition of Innovations Business Park.

Outlook

Moving forward the market is expected to remain BTS dominated. In response to the increased cost of new development, developers show an increasing interest in entering countryside locations and, are in a wait to see position in assessing their speculative build options in prime Budapest locations.

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