

## HUNGARY

# Industrial Market Snapshot

Fourth Quarter | 2018



## MARKET INDICATORS

### Market Outlook

Prime Rents:	Upwards pressure on rents for both existing and BTS units due to increased cost of development	▼
Prime Yields:	Yields could sharpen further during 2019 due to increased competition for the best assets	▲
Supply:	The very limited availability and pre-leased pipeline for 2019 creates a window of opportunity for speculative build	►
Demand:	BTS activity are likely to accelerate in 2019 from tenants wishing to secure space for market entrance and expansions.	►

### Prime Industrial Rents – December 2018

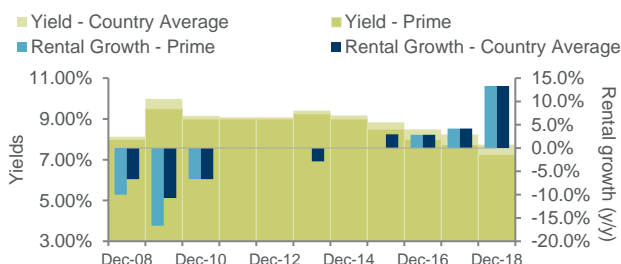
LOGISTICS LOCATIONS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Budapest	4.25	51.0	5.40	13.3	4.6
Debrecen	3.75	45.0	4.77	7.1	1.4
Miskolc	3.75	45.0	4.77	7.1	1.4
Győr	4.00	48.0	5.08	6.7	2.7
Székesfehérvár	3.50	42.0	4.45	0.0	0.0

### Prime Industrial Yields – December 2018

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Budapest	7.25	7.50	7.75	9.50	7.25
Debrecen	8.75	8.75	9.25	12.00	8.75
Miskolc	9.25	9.25	9.50	12.00	9.25
Győr	8.25	8.50	9.00	10.00	8.25
Székesfehérvár	8.75	8.75	9.25	10.00	8.75

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

Early data suggests that Hungary's economy continued to grow by 4.9% in 2018, and industrial production grew by 3.8% y-o-y. The GKI economic sentiment index suggests that business confidence has remained strong. Yet, 2018 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 105,000 sq m of industrial space was let, with the logistics sector being the most active in Q4. The yearly take-up reached 378,000 sq m and the vacancy rate fell to an all-time record low of 2.4% by the year-end.

One BTS scheme, the Üllő Airport Logistics Center extending to 92,000 sq.m of new space was handed over in Budapest over the period. New developments are still subject to pre-lease agreements and 24% of the 2019 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 strong 13.3% y-o-y growth of headline rents in and around Budapest.

## Investment focus

Following the healthy investment activity seen in the first 3 quarters of 2018, Q4 delivered one transaction. The Singapore-based Mapletree closed a transaction by acquiring a cross-border portfolio of 37 logistics schemes including the Budapest-Üllő and the Budapest-Batta properties in Hungary.

Prime yields hardened 25 bps over the quarter standing at 7.25% for prime assets in the capital city.

## 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 land banking, even in subprime Budapest locations and, are in a wait to see position in assessing their speculative build options.

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