HUNGARY

Industrial Market Snapshot

Second Quarter | 2019

CUSHMAN & WAKEFIELD

MARKET INDICATORS

Market Outlook

Prime Rents:	Upwards pressure on rents for both existing and BTS units	◥
Prime Yields:	Yields could sharpen slightly over 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 building and Class 'B' products	▶
Demand:	Occupier demand should accelerate over the second half of 2019	▶

Prime Industrial Rents – June 2019

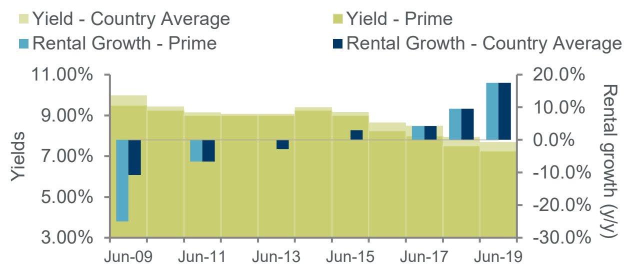
LOGISTICS LOCATIONS	€ SQ.M MTH	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Budapest	4.70	56.4	6.33	17.5	6.7
Debrecen	4.00	48.0	5.39	14.3	2.7
Miskolc	4.00	48.0	5.39	14.3	2.7
Győr	4.25	51.0	5.72	6.3	4.0
Székesfehérvár	4.00	48.0	5.39	14.3	2.7

Prime Industrial Yields – June 2019

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

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 economy continued to grow by 5.0% in 2018, which is the fastest pace in a decade and expanded by 1.5% q-o-q in Q1 2019. Albeit a slowdown of economic growth is anticipated in the second half of 2019 and the HALPIM's manufacturing PMI declined to levels last seen in 2016, a solid industrial production growth of 6.0% is forecasted for 2019.

Occupier focus

Take-up over the first half of 2019 reached 190,800 sq. m – marking a steady 17% increase y-o-y. Q2 alone has seen 107,000 sq. m of industrial space taken off the market. As in the previous quarters, the automotive sector along with occupiers from the FMCG logistics segments are the main drivers of demand.

New leases and pre-leases accounted for 83% of the Q2 occupational activity. Total net absorption was 20,600 sq. m and as a result, vacancy rate continued to break record lows of 2.1% by the quarter-end.

An absence of completions was seen in Q2 however, there is around 80,000 sq. m of new space scheduled to enter the market by the year-end and further 108,000 sq. m in 2020. Most of the development pipeline is concentrated on the South and West submarkets of the capital.

The increased cost of new construction and the lack of available warehouse space continue to strengthen landlords' negotiating positions. This resulted in a 17.5% y-o-y growth of headline rents in and around Budapest and 14.3% y-o-y growth in prime countryside locations.

Investment focus

The industrial investment market recorded healthy activity levels in 2019. The largest acquisition was made by JT Ross, a new market entrant purchasing Aerozone Logistics Park from M7 Real Estate.

Outlook

Moving forward the market is expected to remain BTS dominated, but speculative development is on the horizon. The strong rental growth of new products has opened a window of opportunity for repricing existing stock at an improved rental level in prime locations.

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