

# MARKETBEAT HUNGARY

Investment H2 2021



	YoY Chg.	12-Mo. Forecast
<b>4.75%</b> Prime Yield	▲	▼
<b>€ 1 134 M</b> 2021 Total Volume	▲	▲
<b>€ 834 M</b> YTD Office Volume	▲	▲
<b>€ 42 M</b> YTD Retail Volume	▼	▲
<b>€ 36 M</b> YTD Industrial Volume	▼	▲

(All Property Classes)

## ECONOMIC INDICATORS Q4 2021

	YoY Chg.	12-Mo. Forecast
<b>7.6%</b> GDP*	▲	▲
<b>3.8%</b> Unemployment Rate	▼	▲
<b>-0.01%</b> 10-Yr EUR Swap	▲	▲
<b>3.79%</b> 10-Yr Interest Rate	▲	▼

\* Annual growth forecasts  
Source: Moody's Analytics

## ECONOMY: GDP is projected to rebound by 7.6% in 2021 and 4.6% in 2022 respectively

The Hungarian economy is on its way to recovery from the pandemic-induced recession. Moody's Analytics estimate that GDP growth decelerated in Q3 2021 following two strong quarters as the boost from reopening measures ran its course. A further slowdown in Q4 can primarily be traced to accelerating inflation and a slowdown in industrial production. The labour market, however, will demonstrate signs of tightness and the unemployment rate continued to trend down with real wage growth further accelerating. This, combined with pent-up demand is expected to keep consumption healthy in 2022.

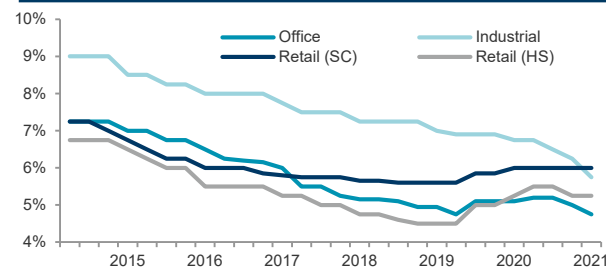
Hungary currently contends with elevated energy prices and supply-chain disruptions but a recovery in global trade is expected to boost net exports. Inflation is above the National Bank's target and in order to curb inflation pressures and limit currency stress, an accelerated pace of base rate hikes have been executed and the key monetary policy rate now sits at 2.9%. The GKI Business Sentiment Index shows optimism in the business sector with the index reaching 2.5-year peak in November 2021.

## INVESTMENT OVERVIEW: Investors on the real estate market still cautious

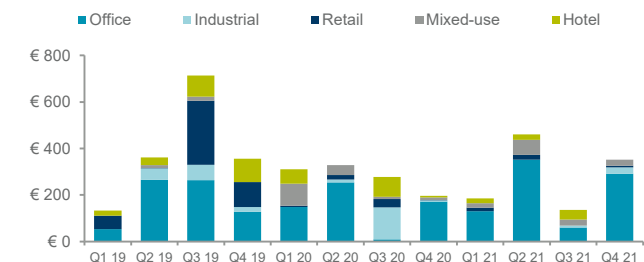
Investment volumes in 2021 reached Eur 1.13 billion. Whilst 2020 and 2021 investment volumes were down on recent years, they exceeded the €1bn mark, demonstrating underlying resilience to a challenging environment. International capital continues to be active in Hungary, and domestic sources of capital continue to hunt increasingly larger opportunities. Indeed, more than 40% of the capital invested in commercial real estate in 2021 originated in Hungary.

Offices continue to be the dominant sector, delivering 74% of the market. GTC's acquisitions accounts for over 29%, and other significant transactions such as Union Investment's acquisition of Szervita Square or S-Immo's acquisition of BudaPart Gate illustrate Hungary's strong performance. The retail sector delivered 4% and the industrial sector delivered 3% of the market, respectively. There are large-scale logistics transactions in the pipeline, and the current activity could soon translate into new pricing benchmarks reflecting the growing importance of the sector.

### PRIME YIELD TREND



### INVESTMENT SALES VOLUME BY SECTOR



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## INVESTMENT ACTIVITY YTD 2021

PROPERTY TYPE	YTD NO. OF TRANSACTIONS	YTD SALES VOLUME (€ MILLION)	AVERAGE VOLUME PER PROPERTY (€ MILLION)	PRIME SECTOR-YIELD (%)
Office	24	834	34.75	4.75
Industrial	3	36	12.03	5.75
Retail	3	42	13.83	5.25

## ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2017	2018	2019	2020	2021 <sup>F</sup>	2022 <sup>F</sup>	2023 <sup>F</sup>
GDP growth (%)	4.4%	5.4%	4.6%	-5.1%	7.6%	4.6%	2.3%
Private consumption expenditure (%)	5.0%	5.1%	5.1%	-2.3%	3.3%	1.7%	3.2%
Unemployment rate (%)	4.0%	3.6%	3.3%	4.1%	4.2%	4.4%	4.4%
Inflation (%)	2.5%	2.9%	3.7%	3.3%	4.9%	5.4%	3.8%
HUF/EUR (average)	311.7	323.2	332.3	360.6	354.0	321.3	314.9
HUF/USD (average)	274.4	270.2	290.7	308.0	298.7	271.3	241.7
Interest Rates: 3-month (%)	0.1%	0.1%	0.2%	0.7%	1.4%	2.0%	2.7%
Interest Rates: 10-year bond yield (%)	2.3%	3.5%	1.9%	2.2%	3.8%	3.5%	4.1%

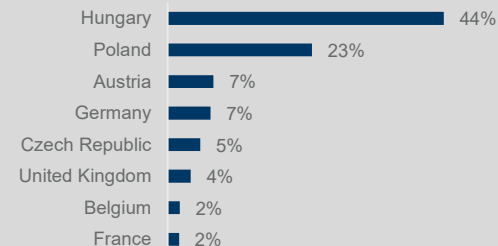
Annual % growth unless otherwise indicated. Source: Moody's Analytics

## SIGNIFICANT SALES

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M / ROOMS)	MARKET
Szervita Square	Office & Retail	Union Investment RE	Horizon Development	11,600	Budapest
Ericsson HQ & Univerzum Office Building	Office	GTC	WING	41,900	Budapest
BudaPart Gate	Office	S-Immo AG	Property Market	18,160	Budapest
Váci Greens F	Office	Local investor	Atenor	25,000	Budapest
BC140	Office	DWS	Resolution Property	16,270	Budapest
Infopark portfolio	Office	Local investor	WING	47,600	Budapest
Fotex Plaza	Office	Local investor	Fotex Ingatlan	5,200	Budapest
Iberostar Hotel	Hotel	Corporacion Masaveu	Local developer	50 rooms	Budapest

Closed transactions over € 10 million. Source: Real Capital Analytics, Cushman & Wakefield Research

## YTD 2021 ACQUISITIONS BY CAPITAL SOURCE COUNTRY



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