

MARKETBEAT HUNGARY

Investment 2023



YoY Chg. 12-Mo. Forecast

6.00%
Prime Yield (OFF)



€ 630 M
2023 Total Volume



-43%
YTD Volume y/y Change



All Property Classes, prime yield as at 30 December 2023,
Source: Cushman & Wakefield Research

ECONOMIC INDICATORS Q4 2023

	YoY Chg.	12-Mo. Forecast
-0.6% GDP*	▼	▲
4.1% Unemployment Rate	▲	▲
2.42% 5-Yr EUR Swap**	▲	▼
7.51% 10-Yr Interest Rate	▲	▼

* Annual growth forecasts
** End of December 2023
Source: Moody's as of 11 January 2024

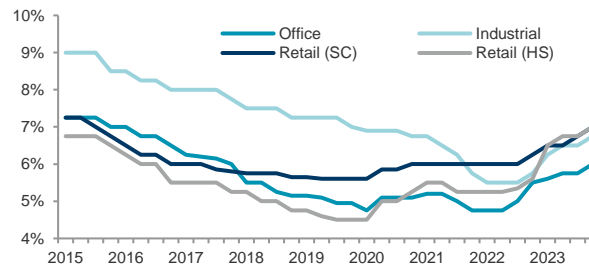
ECONOMY: Growth forecast from 2024

Hungary faced a recession in Q1 2023, but signs of recovery emerged by the year-end. Disinflation, fuelled by declining energy prices and stringent monetary measures, led Moody's to revise GDP growth forecasts to -0.6% for 2023 and a more optimistic 2.9% for 2024. In December 2023, inflation dropped to single digits, with expectations pointing towards a continued decrease to 4-5% by the end of 2024 and early 2025. The National Bank of Hungary concluded the year with a third rate cut in December, setting the base interest rate at 10.75%. The forint has regained stability against the Euro and the US dollar, returning to pre-pandemic levels. While the unemployment rate has seen a slight increase, its further rise is not anticipated due to the resilience of the tight labour force. Looking ahead to 2024 and 2025, the economy may face the lagging effects of a prolonged high-interest rate environment and slowing global demand. Nominal wages continue to rise and have begun increasing in real terms against the backdrop of Hungary's elevated inflation.

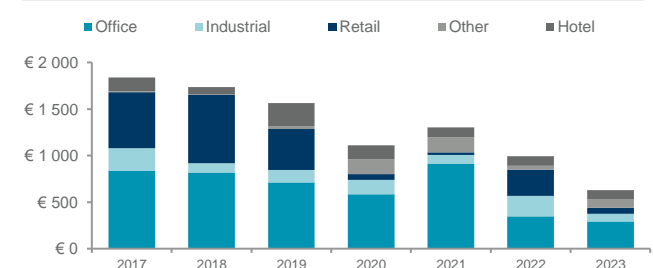
INVESTMENT OVERVIEW: Market activity remains slow until full repricing

The investment landscape in Hungary witnessed subdued activity in the latter half of 2023, reflecting the global economic scenario. The total investment amounted to EUR 630 million, and the traditional CRE transactional volume alone reached EUR 440 million. Offices emerged as the leading sector, constituting 46% of the market, with nine office investments completed, including notable projects like H2O and Roseville. In the industrial segment, which contributed 14%, there were six smaller investment transactions in regional centre locations across Hungary. The retail sector saw four retail park transactions in regional cities and the sale of five smaller high street retail units in Budapest. Retail transactions accounted for 10% of the total investment volume. The ongoing repricing of CRE is persisting, pushing up yields across most sectors in Hungary. This trend is expected to extend into 2024, playing a pivotal role in shaping the investment landscape.

PRIME YIELD TREND



INVESTMENT SALES VOLUME BY SECTOR



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INVESTMENT ACTIVITY 2023

PROPERTY TYPE	YTD NO. OF TRANSACTIONS	YTD SALES VOLUME (€ MILLION)	AVERAGE VOLUME PER PROPERTY (€ MILLION) *	PRIME SECTOR-YIELD (%)
Office	9	292	32	6.00
Industrial	6	85	14.2	6.75
Retail	6	63	10.5	7.00

ECONOMIC SUMMARY

ECONOMIC INDICATORS*	2018	2019	2020	2021	2022	2023 ^F	2024 ^F
GDP growth (%)	5.4%	4.6%	-4.9%	7.1%	4.6%	-0.6%	2.9%
Private consumption expenditure (%)	5.1%	5.0%	-1.4%	4.2%	5.1%	-6.4%	3.1%
Unemployment rate (%)	3.6%	3.3%	4.1%	4.1%	3.6%	4.1%	5.0%
Inflation (%)	2.9%	3.7%	3.3%	5.1%	15.3%	16.8%	3.0%
HUF/USD (average)	270.2	290.7	308.0	303.1	372.6	353.6	352.9
Interest Rates: 10-year bond yield (%)	3.1%	2.5%	2.2%	3.1%	7.6%	7.5%	6.2%

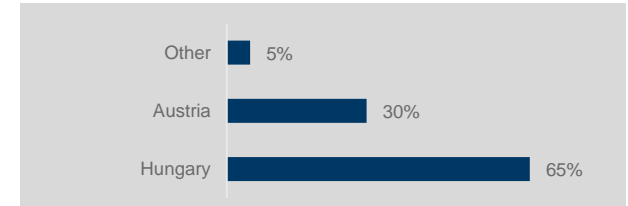
Annual % growth unless otherwise indicated. Source: Moody's Analytics as at January 2024

SIGNIFICANT SALES – 2023

PROPERTY NAME	TYPE	BUYER	SELLER	SIZE (SQ M / ROOMS)	MARKET
H2Offices phase 1	Office	Erste Re Fund	Skanska	25,900	Budapest Váci Corridor
Roseville	Office	Hungarian private	Atenor	15,500	Budapest North Buda
Víziváros Office Center	Office	FLE	CA Immo	13,500	Budapest Central Buda
Sofitel	Hotel	Equilor	Indotek	360 rooms	Budapest CBD
Zone Zalaegerszeg	Retail	Appennin	Tidahold Properties	13,500	Zalaegerszeg
Zone Székesfehérvár	Retail	Appennin	Tidahold Properties	9,900	Székesfehérvár
Kanizsa Centrum	Retail	Appennin	Kantrum	20,800	Nagykanizsa
Forest Offices- Debrecen	Office	University of Debrecen	GTC	22,000	Debrecen
Rossmann HQ	Industrial	OTP RE Fund	Panattoni	32,000	Üllő

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

2023 ACQUISITIONS BY CAPITAL SOURCE COUNTRY*



* Shares calculated pertain exclusively to traditional CRE sectors.

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