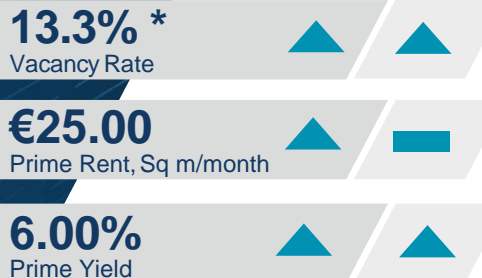


MARKETBEAT BUDAPEST



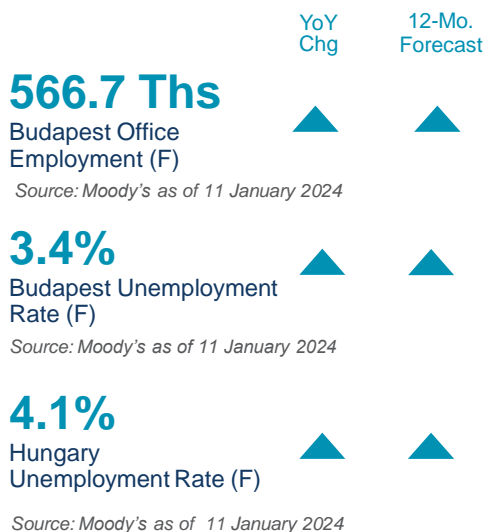
Office Q4 2023



(Overall, All Property Classes, as of 30 December 2023 and 11 January 2024 respectively), source: Cushman & Wakefield, Budapest Research Forum

* Refined calculation incorporating ex-post BRF correction

ECONOMIC INDICATORS Q4 2023



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. By December 2023, inflation dropped to single digits, and it's expected to keep going down 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%. While the unemployment rate experienced a slight increase, it is not anticipated to escalate significantly due to a tight labour force. Budapest remains a robust economic hub, particularly for global companies in finance, insurance, and business consulting, maintaining the highest office employment in the CEE region. Throughout the year, investment activity remained subdued, with only a few office transactions closing. The noteworthy completion of the H2O Offices sale in Q4, the largest office transaction of the year, significantly contributed to the annual investment volume of Euro 292 million. Office investments comprised 46% of the total investment volume, underscoring the enduring appeal of office assets in Hungary.

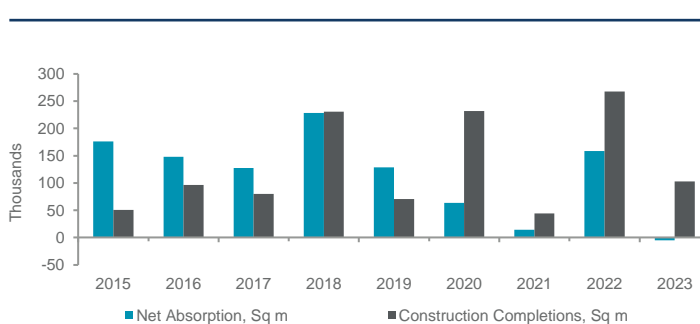
SUPPLY AND DEMAND: New completions ease, opening doors to refurbishment opportunities

After a dynamic Q3, transactional activity remained robust in Q4, with renewals accounting for over 50% of the transactions during the last quarter. Year-to-date, gross take-up reached 464,570 sq m, reflecting a noteworthy 19% year-on-year growth, showcasing a resilient rebound from the pandemic's impact. Annual net take-up also displayed a 21% increase. Despite a higher number of transactions in 2023, the average deal size dipped compared to 2022. Renewals and new transactions dominated lease preferences, contributing 48% and 45% to the gross take-up in 2023, respectively. Pre-leases and expansions dwindled, making up only 3% and 4%. Public companies and tenants in professional, IT, and telecom sectors were the primary drivers of demand. The vacancy rate stood at 13.3% by the end of the year, signalling a 200 basis points increase y-o-y. Some new deliveries were postponed to 2024, resulting in a lower-than-expected annual volume of new completions. In 2024, we expect the completion of numerous owner-occupied projects, along with a speculative pipeline measuring 117,000 sq m. Additionally, there are reports of an additional 64,800 sq m of speculative office space for 2025.

PRICING: Prime rents hold firm

Stable prime rents in CBD and Váci corridor, with noticeable increases in Buda sub-markets. No imminent service charge hikes. Yields rose by 50 bps annually, with further adjustments expected in 2024.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	OVERAL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (SQ M / MTH)
CBD	379 730	43 730	11.5%	4 810	33 880	-	1 380	25.00
Central Pest	679 605	105 605	15.5%	26 275	83 365	17 525	95 700	18.00
Central Buda	451 900	48 635	10.8%	19 970	63 145	29 060	3 460	22.00
Non-Central Pest	599 785	81 070	13.5%	15 085	52 510	18 250	138 215	16.00
North Buda	347 085	30 245	8.7%	4 820	32 170	15 535	8 900	18.50
South Buda	649 145	86 560	13.3%	21 120	51 850	22 465	111 525	18.00
Váci Corridor	1 139 710	140 545	12.3%	37 075	137 050	-	50 505	18.50
Periphery	122 940	45 210	36.8%	2 160	10 600	-	-	11.50
BUDAPEST TOTALS	4 369 900	581 600*	13.3%*	131 315	464 570	102 835	409 685	25.00

*Refined calculation incorporating ex-post BRF correction

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
myhive Átrium Park	Central Pest	Confidential	12 400	Renewal
Mill Park	Central Pest	SSC	7 400	Renewal
BIF Tower	Non-Central Pest	Public organization	6 800	New

KEY SALES TRANSACTIONS 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Forest Offices Debrecen	Debrecen	GTC / University of Debrecen	22 000
Víziváros Office Center	Central Buda	CA Immo / FLE	13 500
RoseVilLe	North Buda	Atenor / Hungarian private company	15 500
K6 Offices	CBD	Asian company/Hungarian company	1 400
H2Offices phase 1	Váci Corridor	Skanska/Erste RE Fund	25 900

CONSTRUCTION COMPLETIONS Q4 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
BEM Center	Central Buda	Dentons, Colliers	25 320	Property Market

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