

# HUNGARY

Retail Q4 2023

**€1,605** Average monthly wage (EUR) \* ▲ ▲

**€110.00** Prime HS Rent, Sq m/month ■ ■

**7.00%** Prime HS Yield ▲ ■

\* As of December 2023, HCSO calculated at an exchange rate of 30 January 2024. Average regular gross salary. Prime rent and yield for High Street units as of 30 December 2023 Source: Cushman & Wakefield, Moody's

## ECONOMIC INDICATORS Q4 2023

**-0.6%** GDP Real, LCU \* ▼ ▲

**4.1%** Unemployment Rate \* ▲ ▲

**16.8%** Consumer Price Index\* ▲ ▼

**-7.8%** Retail Sales Volume Index \* ▼ ▲

\* Annual growth forecast 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%. 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 activity has remained subdued since H2 2022, mirroring the global economic landscape. In the retail sector, investors' attention has shifted towards retail parks, with several transactions concluded during the year. Additionally, the sale of two smaller high-street retail units has been registered, bringing the total retail investment volume to Euro 63 million, representing a 10% share of the market.

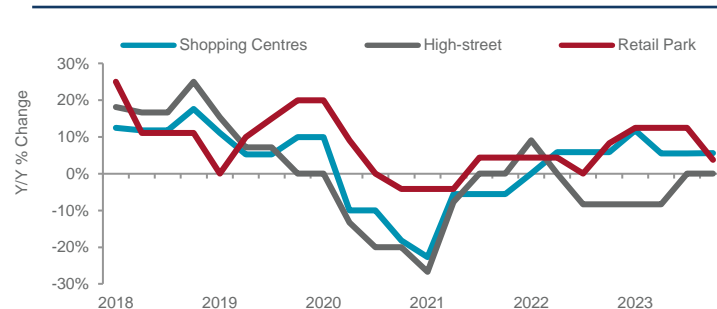
## SUPPLY AND DEMAND: A strategic emphasis on energy-efficiency

Moody's projects a 7.8% annual decline in retail sales in Hungary for 2023, followed by a moderate improvement of 3.1% in 2024. This projection accounts for the notable impact of a high base effect from the government's 2022 tax rebate. As inflationary pressures eased, signs of recovery surfaced towards the year-end. Notably, online retail sales saw an uptick, constituting 8.1% of total sales from January to November. Although two small retail warehouses were delivered in Kiskunhalas and Nagyatád in 2023, the overall size of the Hungarian retail stock remained constant. In October, the extensively renovated historic Corvin Áruház reopened, boasting anchor tenants like DM, Spar, and KIK, with anticipated additional store openings. Major retail chains like JYSK, Aldi, and Spar have undertaken comprehensive refurbishments, resulting in multiple reopenings throughout the year, reflecting the dynamic nature of the retail landscape and ongoing efforts to meet evolving consumer preferences and enhance sustainability. In 2023, Hungary welcomed seven new brands, including Sports Vision and Jack & Jones, unveiling their first Hungarian stores in Westend. DINO Park debuted in August at KÖKI Shopping Mall, and Starbucks introduced its first Drive Through at Market Central Ferihegy, with WHSmith inaugurating its initial store at Liszt Ferenc Airport. Polish jewellery retailer W.kruk opened its first Hungarian stores in December. Looking forward, Primark is set to open its flagship store in Arena Mall in 2024, and additional fashion retailers are expected to enter the Hungarian market. Mass-market retailers like JYSK, KIK, and Sinsay actively expanded with new store openings in 2023.

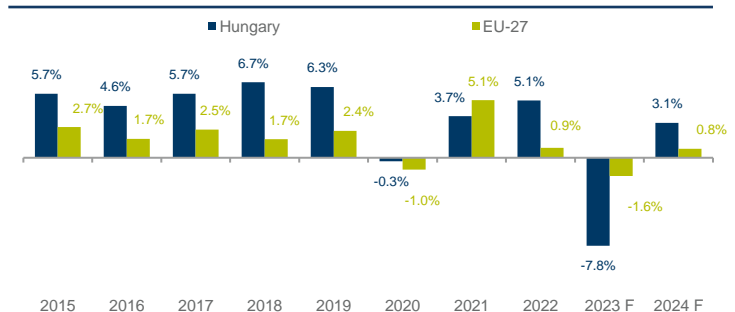
## PRICING: Limited prospects for short-term rental growth

Prime rents remained stable across all sectors throughout the year. While retail park prime rents had been steadily increasing since 2020, the pace of growth halted in 2023. Projections indicate that rental levels will remain stable in 2024, with no anticipated room for further growth.

### PRIME RENT



### RETAIL SALES Y/Y GROWTH



## MARKET STATISTICS\*

SUBMARKET	SHOPPING CENTRE STOCK SQ M	RETAIL PARK&WHS SQ M	RETAIL PIPELINE SQ M
BUDAPEST	822 860	365 770	21 000 **
CENTRAL HUNGARY	0	417 265	76 555
CENTRAL TRANSDANUBIA	54 130	131 305	22 145
NORTHERN HUNGARY	29 200	21 100	0
NORTHERN GREAT PLAIN	149 290	178 425	6 500
SOUTHERN GREAT PLAIN	92 985	155 400	10 600
SOUTHERN TRANSDANUBIA	61 710	126 335	13 950
WESTERN TRANSDANUBIA	108 900	293 200	30 785
<b>HUNGARY TOTAL</b>	<b>1 319 075</b>	<b>1 688 800</b>	<b>181 535***</b>

## KEY SALES TRANSACTIONS 2023

PROPERTY	TYPE	SELLER / BUYER	Year	SQ M
2 Zone Parks	Retail Park	Tidahold / Appennin	2023	23 400
Kanizsa Centrum	Retail Park	Kantrum /Appennin	2023	20 800
Váci Street Retail Unit	Hight Street Retail	Austrian Private / Hungarian Private	2023	420
Andrássy Street Retail Unit	Hight Street Retail	German Private / Hungarian Private	2023	230
Mybox Debrecen	Retail Park	Austrian /Indotek	2023	7 500

## KEY PIPELINE PROJECTS

PROPERTY	SUBMARKET	DELIVERY DATE	TYPE	SIZE (SQ M)
Praktiker	Central Transdanubia - Veszprém	Q4 2024	New	7,700
Zenit Corso	Non-Central Pest – Budapest	2025	New	10 000
Fontana Müller Üzletház	CBD - Budapest	Q4 2024	New	3 000

## KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	DELIVERY DATE	TYPE	SIZE
OBI & DM – Kiskunhalas	Southern Great Plain	Q2 2023	New	5 610
JYSK & KIK – Nagyatád	Southern Transdanubia	Q2 2023	New	2 000
Corvin Áruház	Central Pest – Budapest	Q4 2023	Refurbishment	7 300

Source: Cushman &amp; Wakefield Research

	PRIME RENTS		PRIME YIELDS	
	EURO/MONTH /SQ M	Y-O-Y GROWTH	CURRENT Q	LAST Y
BUDAPEST HIGH STREET	110.0	0 %	7.00%	5.60%
BUDAPEST PRIME SHOPPING CENTRES	95.0	5.6%	7.00%	6.25%
RETAIL PARKS (OUT OF TOWN)	13.5	3.8%	7.25%	7.25%

\* The Hungarian Retail stock is under revision; the stock of Shopping Centres and Retail Parks has already been revised and recalculated. The stock of Supermarkets and Hypermarkets is still under review. In line with the practice in CEE countries, the retail stock comprises of retail schemes with a Gross Lettable Area (GLA) over 5,000 sq m.

\*\* Includes refurbishment, \*\*\*Includes planned and U/C. U/C can either be new supply or refurbishment.

**High Street unit** represents an actual or theoretical shop situation in the prime retail location in a market. The market could be a specific street or broader area. Data should reflect the standard unit prevalent in that market, thus the typical frontage and depth may vary market to market.

**Shopping Centre** is a centrally managed purpose-built retail facility, comprising units and communal areas, with a Gross Lettable Area (GLA) of or over 5,000 sq m. The centre can include a mix of shops, restaurants, service and leisure operators.

**Retail park** which is purpose-built typically by a single developer with a common design, comprises at least two warehouse-type units, has a minimum total GLA of 5,000 sq m, has car parking facilities shared by all units, has majority of units occupied by professional retailers. Given the nature of their location edge/out-of-town and type of retail offer, accessibility by car is important for the vast majority of retail park schemes.

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