

MARKETBEAT BUDAPEST



Office Q1 2024

YoY Chg 12-Mo. Forecast

13.8%
Vacancy Rate



€25.00
Prime Rent, Sq m/month



6.25%
Prime Yield



(Overall, All Property Classes, as of 31 March 2024 and 10 April 2024 respectively), Source: Cushman & Wakefield, Budapest Research Forum

ECONOMIC INDICATORS Q1 2024

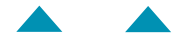
YoY Chg 12-Mo. Forecast

568.3 Ths
Budapest Office Employment (F)



Source: Moody's as of 10 April 2024

3.5%
Budapest Unemployment Rate (F)



Source: Moody's as of 10 April 2024

4.9%
Hungary Unemployment Rate (F)



Source: Moody's as of 10 April 2024

ECONOMY: Recovery commences in 2024

Hungary navigated a recession in Q1 2023, but by year-end, signs of recovery emerged, leading to stabilised economic performance in Q4. This positive trajectory is expected to persist through 2024. Notably, January witnessed a significant decline in inflation to 3.8%. The inflation rate is anticipated to stabilise near 4% during 2024, achieving the central bank's inflation target by the end of 2024 into early 2025. In accordance with disinflation, the National Bank of Hungary lowered its base rate to 8.25% in March, with further rate cuts expected in 2024. Nominal wages were able to grow, despite the unemployment rate rising to 4.6%. The labour market will remain resilient as domestic and global demand return, and nominal wages will continue to rise. Due to these positive trends, Moody's forecasts suggest 2.6% growth for 2024 and 3.2% for 2025. Budapest maintains its position among the capital cities of CEE with the largest number of office employments in the region. It remains a robust economic hub, particularly for global companies in finance, insurance, and business consulting. Office investment activity remained subdued, consistent with last year's trends, with only two smaller office schemes transacted in the first quarter of 2024.

SUPPLY AND DEMAND: Renewals dominate, OO pipeline emerges

The Budapest office market kicked off the year with a surge in leasing activity. Gross take-up soared by 24% compared to the same quarter the previous year, surpassing the five-year average for first-quarter results by an impressive 17%. Once again, lease renewals dominated the scene, constituting 53% of the gross take-up, maintaining a consistent trend from previous quarters. Notably, there were no pre-leases recorded in the first quarter, while new leases accounted for 36%, expansions for 9%, and one owner-occupier transaction contributing 2% to the gross take-up. Demand was mainly driven by IT companies, and tenants from professional and pharmaceutical sectors. However, despite the heightened activity, the vacancy rate rose to 13.8% by the end of the quarter, signalling a 40-basis point increase quarter-on-quarter. Looking ahead to 2024, there is a significant 178,500 square metre of office space in the pipeline. However, we anticipate potential delays in some projects. Notably, there has been a surge in owner-occupied/BTS projects tailored for governmental bodies, indicating a shift in sector preferences.

PRICING: Steady prime rents

CBD prime rents remained steady since early 2023. While submarkets like Váci Corridor, Central Buda, and North Buda experienced growth last year, momentum slowed in Q1 2024. No immediate service charge increases expected. Yields rose by 50 bps annually, with further adjustments anticipated 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	376 025	41 180	11.0%	19 970	19 970	-	3 635	25.00
Central Pest	694 800	128 895	18.6%	5 085	5 085	16 940	79 550	18.00
Central Buda	447 545	46 170	10.3%	10 995	10 995	-	3 455	22.00
Non-Central Pest	595 220	86 780	14.6%	8 005	8 005	-	175 215	16.00
North Buda	349 680	29 270	8.4%	5 290	5 290	-	8 900	18.50
South Buda	658 095	90 095	13.7%	15 385	15 385	9 500	102 025	18.00
Váci Corridor	1 140 860	141 155	12.4%	27 875	27 875	-	50 505	18.50
Periphery	114 940	38 225	33.3%	2 370	2 370	-	-	11.50
BUDAPEST TOTALS	4 377 165*	601 770	13.8%	94 975	94 975	26 440	423 285	25.00

* As a result of our annual stock revision, the office stock has decreased by 19,175 square meters.

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Váci Greens E	Váci Corridor	Confidential	8 100	Renewal + Expansion
Váci Greens F	Váci Corridor	Confidential	4 700	Renewal + Expansion
Atrinova	CBD	Confidential	3 800	Renewal

KEY SALES TRANSACTIONS 2023&2024

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
RoseVille	North Buda	Atenor / Hungarian private company	15 500
K6 Offices	CBD	Asian company / Hungarian property company	1 400
H2Offices phase 1	Váci Corridor	Skanska / Erste RE Fund	25 900
Révay 10	CBD	Obra / Optinvest	3 400
Tölgyfa Irodaház	Central Buda	Immo-Rapid / Hungarian private company	2 200

CONSTRUCTION COMPLETIONS Q1 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Knorr-Bremse Office & Research Centre (OO)	South Buda	Knorr-Bremse	9 500	OPES
Millennium Gardens South (P2)	Central Pest	None	16 940	Trigránit / Revetas

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