

# HUNGARY

Retail Q1 2024



**€1,555** Average monthly wage (EUR) \*

YoY Chg



12-Mo. Forecast



**€120.00** Prime HS Rent, Sq m/month



**7.00%** Prime HS Yield



\* As of March 2024, HCSO calculated at an exchange rate of 30 January 2024. Average regular gross salary. Prime rent and yield for High Street units as of 31 March 2024. Source: Cushman & Wakefield, Moody's

## ECONOMIC INDICATORS Q1 2024

**2.6%** GDP Real, LCU \*

YoY Chg



12-Mo. Forecast



**4.9%** Unemployment Rate \*



**3.3%** Consumer Price Index\*



**2.6%** Retail Sales Volume Index \*



\* Annual growth forecast. 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. Despite a rise in unemployment to 4.6%, nominal wages grew, indicating labour market resilience. As demand rebounds, wages are expected to rise further. Falling interest rates will stimulate credit demand, boosting private consumption. Moody's predicts 2.6% growth in 2024 and 3.2% in 2025, driven by internal demand, easing inflation, rising wages, and enhanced consumer confidence. Unlike previous years, the retail sector saw a strong start to investment activity in the first quarter of 2024. In March, the sale of the iconic Vörösmarty 1 was successfully completed, alongside a transaction involving a Decathlon store in the countryside. The outlook for retail assets is promising, with several other transactions expected to close throughout 2024.

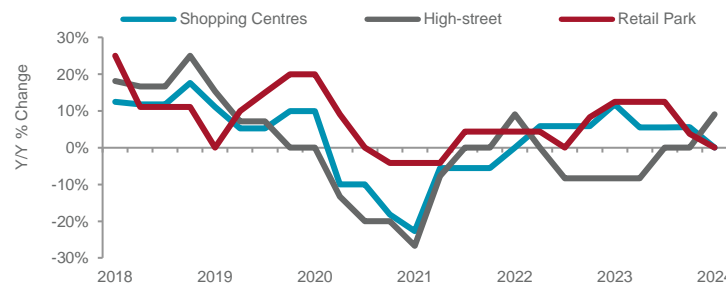
## SUPPLY AND DEMAND: Prioritising energy efficiency; new projects on the horizon

As inflationary pressures eased, signs of economic recovery emerged at the beginning of 2024. Retail sales in Q1 saw a notable growth of 0.9% compared to the corresponding period last year. Particularly noteworthy was the surge in online retail sales in January, which spiked by 7.8% compared to the same period a year prior. In 2023, only two small retail warehouses were completed, maintaining the overall size of Hungary's retail stock. Encouragingly, the Hungarian retail landscape will expand by 37,500 sq m in 2024. Already in Q1, two smaller retail park schemes were delivered in Békéscsaba and Várpalota. Müller Üzletház set for completion by year-end on Váci utca. Additionally, five retail schemes are currently under construction in regional cities, featuring anchors such as Kik, Pepco, Rossmann, JYSK, Tedi, or Sinsay. Concurrently, both tenants and landlords are prioritising refurbishments and sustainability initiatives, leading to multiple re-openings throughout the year. In 2023, Hungary welcomed seven new brands, including sports and fashion retailers. This trend is set to persist in 2024, with Orsay making a re-entry into the Hungarian market and opened its new store in Duna Plaza. Furthermore, Primark is set to open its flagship store in Arena Mall in May 2024. Looking ahead, Budapest will see the arrival of Time Out Market, with its culinary and gastro market planned to open in the newly refurbished Corvin Áruház in 2025.

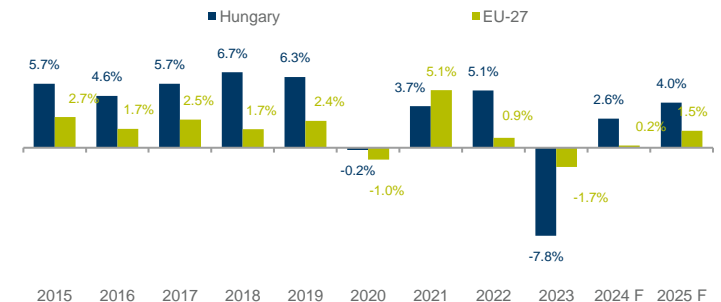
## PRICING: Limited prospects for short-term rental growth

High street prime rents have increased by 9.1% year-on-year in Q1 2024, indicating some rebound in this sector. Meanwhile, other sectors have sustained stability during the same period. Projections for the remainder of 2024 suggest that rental levels will remain steady, with limited potential 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	24 000 **
CENTRAL HUNGARY	0	417 265	85 415
CENTRAL TRANSDANUBIA	54 130	131 305	22 145
NORTHERN HUNGARY	29 200	21 100	3 720
NORTHERN GREAT PLAIN	149 290	178 425	16 500
SOUTHERN GREAT PLAIN	92 985	155 400	7 100
SOUTHERN TRANSDANUBIA	61 710	126 335	17 450
WESTERN TRANSDANUBIA	108 900	293 200	35 385
<b>HUNGARY TOTAL</b>	<b>1 319 075</b>	<b>1 688 800</b>	<b>211 715***</b>

## KEY SALES TRANSACTIONS

PROPERTY	TYPE	SELLER / BUYER	Year	SQ M
2 Retail Parks	Retail Park	Tidahold / Appennin	2023	23 400
Kanizsa Centrum	Retail Park	Kantrum / Appennin	2023	20 800
Mybox Debrecen	Retail Park	Austrian / Indotek	2023	7 500
Vörösmarty 1	High Street Shop	Confidential / Indotek	2024	6 350

## KEY PIPELINE PROJECTS

PROPERTY	SUBMARKET	DELIVERY DATE	TYPE	SIZE (SQ M)
Praktiker	Central Transdanubia - Veszprém	Q4 2024	New	7 700
Müller Üzletház	CBD - Budapest	Q4 2024	New	3 000
Zugló Városközpont/Zenit Corso	Non Central Pest Budapest	Q4 2025	New	11 000
Centrale	Non Central Pest Budapest	2026	New	10 000

## KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	DELIVERY DATE	TYPE	SIZE
Corvin Áruház	Central Pest – Budapest	Q4 2023	Refurbishment	7 300
Békéscsaba Kik+Rossmann	Békéscsaba	Q1 2024	New	3 500
Shopping Center Várpalota	Várpalota	Q1 2024	New	4 700

Source: Cushman &amp; Wakefield Research

	PRIME RENTS		PRIME YIELDS	
	EURO/MONTH /SQ M	Y-O-Y GROWTH	CURRENT Q	LAST Y
BUDAPEST HIGH STREET	120.0	9.1 %	7.00%	6.50%
BUDAPEST PRIME SHOPPING CENTRES	95.0	0 %	7.25%	6.50%
RETAIL PARKS (OUT OF TOWN)	13.5	0 %	7.50%	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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