

MARKETBEAT BUDAPEST



Office Q2 2024

YoY Chg 12-Mo. Forecast

13.9%

Vacancy Rate



€25.00

Prime Rent, Sq m/month



6.25%

Prime Yield



(Overall, All Property Classes, as of 30 June 2024 and 9 July 2024 respectively), Source: Cushman & Wakefield, Budapest Research Forum

ECONOMIC INDICATORS Q2 2024

YoY Chg 12-Mo. Forecast

566.2 Ths

Budapest Office Employment (F)

Source: Moody's as of 9 July 2024



2.6%

Budapest Unemployment Rate (F)

Source: Moody's as of 9 July 2024



4.8%

Hungary Unemployment Rate (F)

Source: Moody's as of 9 July 2024



ECONOMY: 2024 rebound with GDP growth and disinflation

Hungary's economic recovery continued in the first quarter of 2024, with GDP increasing by 1.1% year-on-year. Several indicators showed notable improvement during the first half of the year. The unemployment rate stood at 4.6% in February and expected to stabilize at 4.8% in the second half of the year. Real wages have continued to rise, supporting consumer confidence. Firm monetary policy and lower commodity prices have contributed to disinflation, stabilizing inflation near 4%. In response, the National Bank of Hungary lowered its interest rate to 7.25% in May, with further cuts expected, potentially reducing the central interest rate to 6% by the end of 2024. Moody's forecasts 2.5% growth for 2024 and 3.1% for 2025. Budapest remains a robust economic hub, particularly for global companies in finance, insurance, and business consulting. According to Moody's, it maintains its position among the CEE capital cities with the largest number of office employees in the region. However, office investment activity remained subdued, with only several smaller office schemes transacted in the first half of 2024.

SUPPLY AND DEMAND: Prevalence of lease renewals and emerging owner-occupied projects

Leasing activity in Budapest remained robust in Q2 2024, leading to a 24% increase in H1 gross take-up compared to the same period the previous year. Net take-up also showed a 7% increase in the first half of the year compared to H1 2023. Lease renewals were dominant in Q2, accounting for 41% of the total take-up. New transactions captured a significant share at 32%, while pre-leases and expansions were more modest, comprising 5% and 7% of the total take-up, respectively. Owner-occupied transactions accounted for 14% in Q2. Demand was primarily driven by financial companies, along with tenants from the professional and pharmaceutical sectors. Although two large office spaces were vacated during the quarter, a robust positive net absorption was recorded in Q2, thanks to the high occupancy rates of newly completed office schemes. By the end of the quarter, the vacancy rate rose slightly to 13.9%, marking a 10-basis point increase quarter-on-quarter. Additionally, 95,830 sq m of new office space is expected to be delivered by the end of the year. The first owner-occupied/BTS projects, tailored for governmental bodies scheduled for H2 2024, indicate a shift in sector preferences that will significantly impact the vacancy rate of the speculative office stock.

PRICING: Prime rents remain stable

Prime rents and yields remained stable quarter-over-quarter. Although submarkets such as Váci Corridor, Central Buda, South Buda, and North Buda saw growth last year, this momentum has stalled in 2024. Modest rental growth is anticipated to resume in 2025.

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	39 230	10.4%	11 030	31 000	-	3 635	25.00
Central Pest	698 000	125 900	18.0%	34 345	39 430	20 140	76 350	18.00
Central Buda	447 540	38 940	8.7%	12 600	23 590	-	3 455	22.00
Non-Central Pest	612 620	108 220	17.7%	34 920	42 930	17 400	158 600	16.00
North Buda	349 680	26 830	7.7%	825	6 115	-	8 900	18.50
South Buda	686 225	102 190	14.9%	10 020	25 405	26 140	104 205	18.50
Váci Corridor	1 155 460	139 950	12.1%	38 210	66 085	14 600	99 395	18.50
Periphery	114 940	38 110	33.2%	1 445	3 815	-	-	11.50
BUDAPEST TOTALS	4 440 490	619 370	13.9%	143 395	238 370	78 280	454 540	25.00

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Millennium Towers	Central Pest	Morgan Stanley	20,500	Renewal + Expansion
NEW Telekom HQ	Non Central Pest	MÁV	6,600	New
White House	Váci Corridor	Confidential	6,100	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	Hungarian property company / Hungarian private company	3 400

CONSTRUCTION COMPLETIONS Q2 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Richter New HQ (OO)	Non Central Pest	Richter	17,400	Richter
BakerStreet 1	South Buda	E.ON	16,645	Atenor
Madarász Irodapark IV	Váci Corridor	MVM	14,600	Proform
Liget Center Auditorium	Central Pest	RTL Klub	3,200	WING

Source: Cushman & Wakefield Research, Budapest Research Forum

Orsolya Hegedűs MRICS

Partner, Head of Business Development Services Budapest

Mobile: +36 30 399 5106

Orsolya.hegedus@cushwake.com

Edit Jakab

Senior Research Analyst Budapest

Mobile: +36 70 373 7482

[Edit.Jakab@cushwake.com](mailto>Edit.Jakab@cushwake.com)

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