MARKETBEAT
BUDAPEST
OFFICE Q3 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
14.0% Vacancy Rate	▲	▲
€25.00 Prime Rent, sq m/month	▬	▲
6.50% Prime yield	▲	▼

Overall, All Property Classes, as of 30 Sept 2024 and 4 October 2024 respectively), Source: Cushman & Wakefield, Budapest Research Forum

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
561.1 Ths Budapest Office Employment	▲	▲
2.4% Budapest Unemployment Rate	▲	▲
4.5% Hungary Unemployment Rate	▲	▲

Source: Moody's, 04/10/2024

ECONOMY: GROWTH PROSPECTS IN 2025 AND 2026

Hungary's economy demonstrated resilience over the summer, although growth decelerated after a strong start to the year and lost momentum by the third quarter. Moody's Analytics forecasts GDP growth of 2.0% for 2024, with a stronger economic outlook projected for 2025 and 2026 as domestic demand is expected to strengthen.

Budapest remains a robust economic hub, boasting a significantly lower unemployment rate than the national average. Despite the challenges of slower economic growth, office employment in the capital has stabilized and is anticipated to gradually increase. Real wages have also shown a positive trend, growing each month since January. Inflation, however, remains near the central bank's upper tolerance limit of 4%, and it is expected to stay elevated through the end of 2024. In response, the central bank reduced the base interest rate to 6.5% in September to help alleviate inflationary pressures, with further cuts anticipated, potentially bringing the rate down to 6.25% by year-end. Despite these positive developments, office investment activity has been subdued, with only a handful of smaller office projects completed during the first three quarters of 2024.

SUPPLY & DEMAND: DECLINING SPECULATIVE DEVELOPMENT PIPELINE

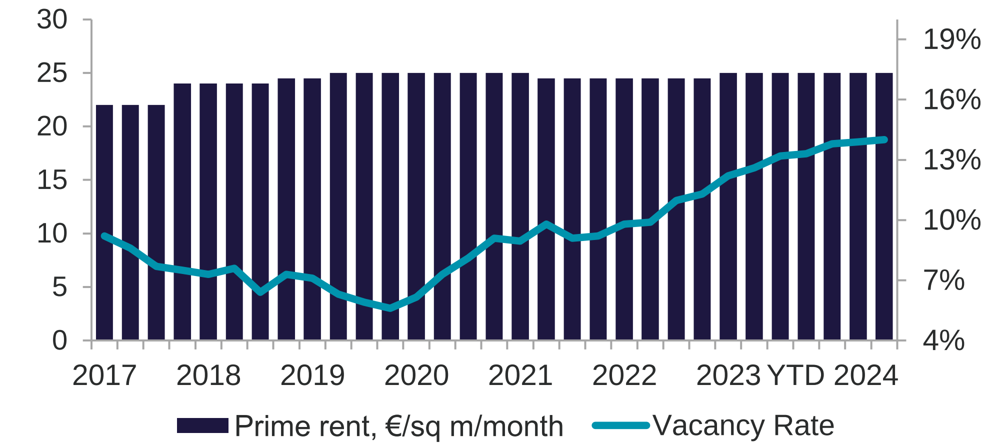
Leasing activity in Budapest slowed in Q3 2024; however, year-to-date (YTD) take-up remained stable, matching the levels recorded during the same period in 2023. As observed in previous trends, renewals continued to dominate the market, accounting for 51% of total demand in Q3. New transactions captured a notable 40% share, while expansions declined to 8%, and pre-leases were non-existent. Owner-occupied transactions represented 2% of the market in Q3. YTD net take-up decreased by 14% year-on-year, with leasing activity primarily driven by tenants in the IT-telecommunication and professional services sectors. Despite positive net absorption in Q3, the vacancy rate climbed to 14.0%, reflecting a slight increase of 8 basis points q-o-q. Looking ahead, only two small office deliveries are scheduled for the final quarter of 2024, but a significant amount of new office space is in the pipeline for 2025 and 2026, with 79% of this pipeline designated for owner-occupancy. The first build-to-suit (BTS) projects tailored for governmental bodies are set to launch in Q1 2025. Meanwhile, speculative developments are projected to hit a record low not seen in years.

PRICING: PRIME RENTS REMAIN STABLE

Prime rents remained stable on a quarter-over-quarter basis, while prime yields increased by 25 basis points, reaching 6.50% by the end of Q3 2024. Submarkets like Váci corridor and North Buda experienced rental growth last year, and similar trends have been observed in Central Buda and South Buda over the past few quarters. Modest rental growth is expected to resume in 2025, signalling potential for a gradual recovery in the rental market.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & PRIME RENT



MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	OVERALL 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	40,940	10.9%	3,520	34,520	-	3,635	25.00
Central Pest (CP)	698,000	129,730	18.6%	29,025	68,460	20,140	76,350	18.00
Central Buda (CB)	450,970	32,930	7.3%	11,810	35,405	3,455	1,560	23.00
Non-Central Pest (NCP)	632,400	117,450	18.6%	4,650	47,580	37,180	151,190	16.00
North Buda (NB)	349,680	27,980	8.0%	1,895	8,010	-	8,900	18.50
South Buda (SB)	686,225	99,720	14.5%	15,015	40,420	26,140	104,205	18.50
Váci Corridor VC)	1,155,460	140,880	12.2%	24,145	90,230	14,600	99,395	18.50
Periphery (P)	114,940	36,635	31.9%	3,090	6,905	-	-	11.50
BUDAPEST TOTALS	**4,463,700**	**626,265**	**14.0%**	**93,150**	**331,530**	**101,515**	**445,235**	**25.00**

Prime rents reflect prime asking rents €/sq m/month.

KEY SALES TRANSACTIONS 2023-2024

PROPERTY	SUBMARKET	SELLER/BUYER	SIZE (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

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Corvin 4 (Nokia HQ)	Central Pest	Nokia	11,765	Renewal
Millennium H	Central Pest	Confidential	6,800	Renewal
Budapest One	South Buda	DSV	2,200	Renewal
Madarász Irodapark	Váci Corridor	Confidential	3,400	Renewal + Expansion

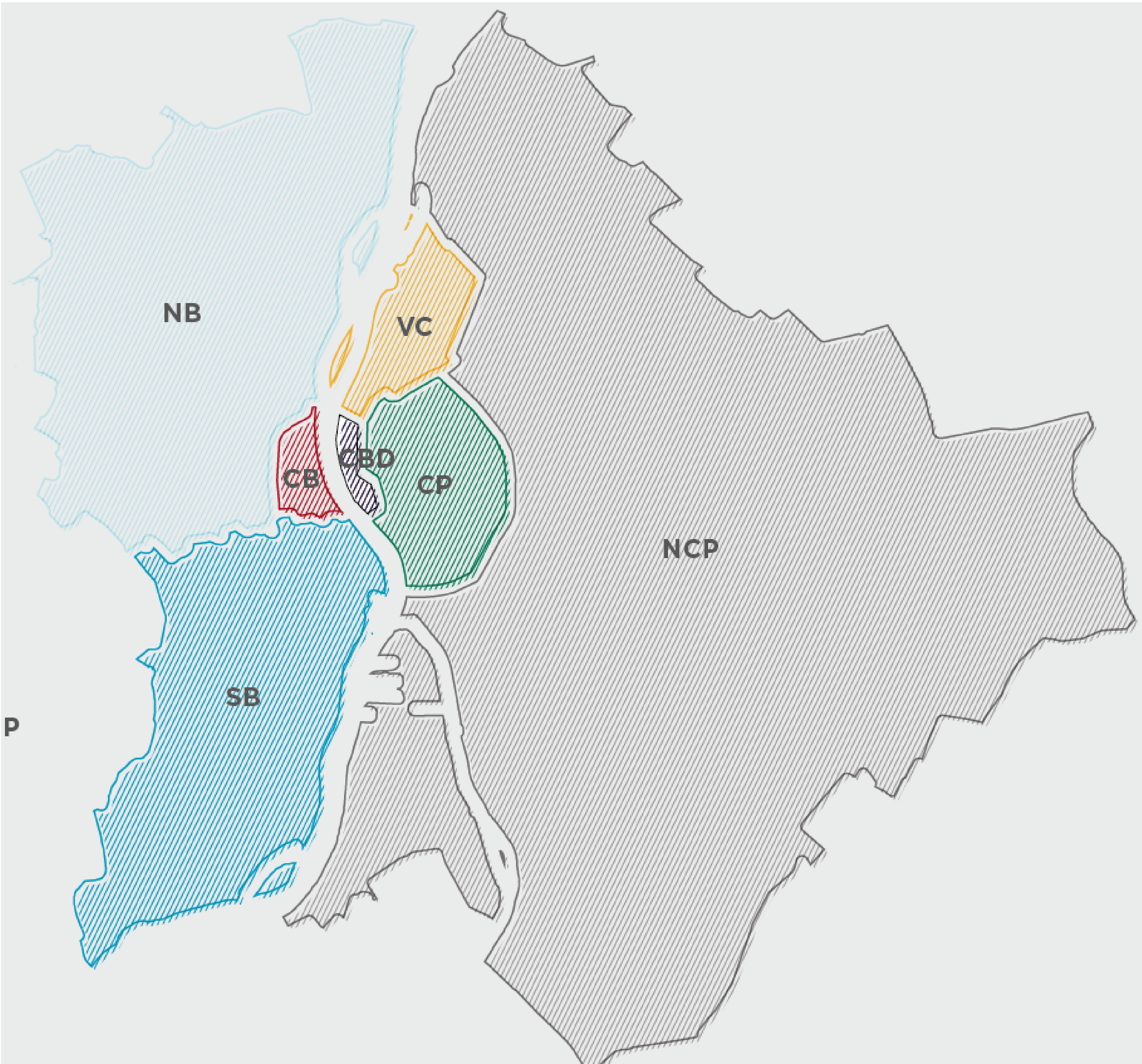
Renewals included in leasing statistics.

KEY CONSTRUCTION COMPLETIONS Q3 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
Liberty North	Non-Central Pest	Confidential	19,800	WING
Enter City Office Park I	Central Buda	Undisclosed	1,925	Gyetvai Fivérek Zrt.

Source: Cushman&Wakefield & Budapest Research Forum

OFFICE SUBMARKETS



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