Property Investment Market Report

Hungary 2024 FY

AVISON YOUNG

Investment Market Report 2024 FY

After an underwhelming first half of the year and despite the positive trend of the last quarter, the real estate investment market remained quiet. Investment volume stabilized and passed the € 400 million level. The general revival of the European market in the second semester did not materialise in Hungary.

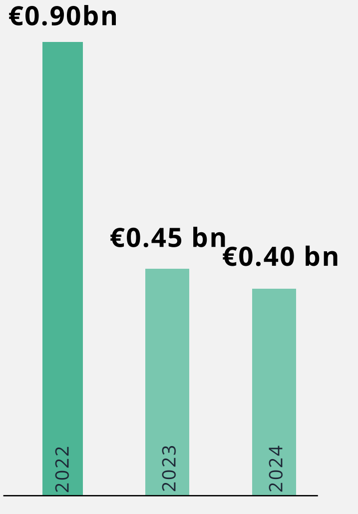
While the degree of investment concentrating around Budapest decreased in the first semester (61% compared to last year's 76%), it rebounded in the second and accounted for 80% of the total yearly volume.

The main asset class in 2024 was retail, increasing its share of from 13% in 2023 to 28% of all transactions in 2024 while the office asset class shrunk as its share was divided by 3 from 65% to 21%.

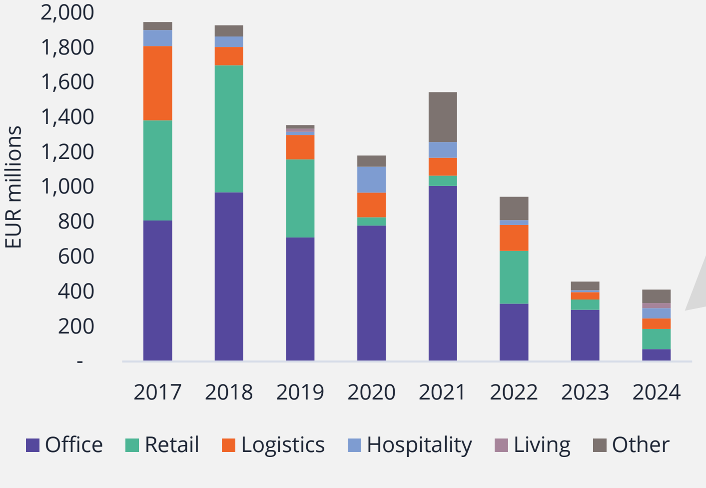
The main transactions of the year were Vörösmarty 1 high-street unit, the Interspar regional portfolio and a Budapest OBI big box on the retail segment. Several hotels were transacted including the Hotel Budapest, Lancíd Hotel and some ibis hotels in Budapest and Győr. On the office segment, noticeable deals took place in the CBD with the transaction of Honved Centre and Váci Utca Centre. Finaly, Faedra 22 Logistics Park was the main logistics investment transaction of the year.

Note: Arm's length market transactions are included in the volumes (intra-group and related party transactions are not)

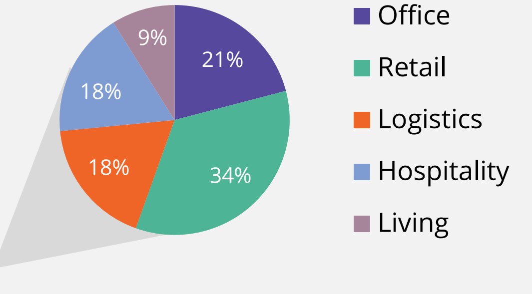
Transaction volumes 2022-2024



Source: Avison Young



"Other" includes non-income generating assets (land; vacant buildings for redevelopment)



Source: Avison Young

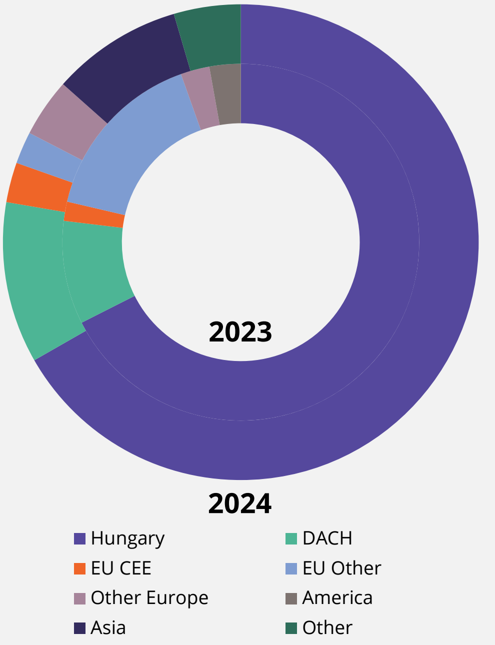
Pricing and capital sources

The market remained dominated by domestic capital with 67% of the total transaction volume. Among international buyers, the expansion of Chinese capital is noticeable.

Investors remain interested by industrial, hospitality and living asset classes but also by assets offering change of use and reconfiguration opportunities when properly priced.

While prime yields remain relatively stable, the decompression of non-prime yields carried on through 2024. Availability and pricing of debt remained challenging through the year but we see encouraging signs on this front and the progressive acceptance of the pricing reality by potential sellers should translate into more activity.

Local capital retains its prevalence



Source: Avison Young

6.75
Office

6.75%
Industrial

7.25%
Retail (Strip Mall)

Main investment transactions of 2024

Asset	Sector	Size (sq m)	Seller	Buyer
Vörösmarty tér 1	Retail	6,300	Redevco	Indotek & Gránit AM
Hotel Budapest	Hotel	289 (keys)	Danubius Group	Market Asset Management
Honvéd Center	Office	6,200	Wallis Asset Management	Greve Group
Interspar Portfolio	Retail	17,800	Confidential	Unione
Corvin Promenade	Retail	6,000	Futureal	Private
Váci utca Center	Office	10,000	Generali	Recorde
Faedra22 Park	Logistics	16,500	Faedra Group	RIMO
DS Smith Gyor	Logistics	28,000	OTP Fund	DS Smith
OBI Fót	Retail	13,000	Adventum	Erste Fund
Csalogány utca 43	Office	2,900	OTP Fund	Budai Egészségkozpont

Source: Avison Young

What to expect in 2025?

2024 was another challenging year for our market but investor sentiment finally turned towards cautious optimism.

While long anticipated interest rate cuts are now at play and justify a certain degree of optimism, the return of liquidity to the market is still to come and remain subject to external (Russia-Ukraine war, potential trade war, etc.) and internal (Hungary and the EU; 2026 parliament elections) make 2025 difficult to read.

The ongoing price corrections on non-core are expected to persist across all asset classes, gradually closing the pricing gap. The governmental purchases (outside of the market and not accounted for in our volumes) of 350,000 sqm of office space currently under development is expected to stress the office occupancy level and trigger some repricing as existing office properties will be vacated. A similar trend is anticipated to take place in the industrial segment as the current constrained demand (low GDP growth and consumption) coupled to a robust pipeline are pushing down net effective rents. Retail, hospitality and living segments shall therefore be in the spotlight.

Energy efficiency and ESG credentials are expected to have a growing significance as both the policies of the European Union and the evolution of tenant requirements incentivise the adoption of green solutions. This phenomenon should translate into a growing number of brownfield, change of use and renovation projects, aimed at making real estate assets compliant with eco-friendly standards.

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