Property Investment Market Report

Hungary 2024 H1

AVISON YOUNG

Investment Market Report 2024 H1

Investment volume in the first half of 2024 has been disappointingly low and the market remain in hibernation mode with less than €200 million transacted. The volumes have stabilised with a limited 5% decrease y-o-y but we are not experiencing yet a rebound.

While investments remain concentrated in Budapest (63% of total), the degree of concentration has decreased significantly since last year (76% concentration). This can be attributed to the plummeting weight of the office asset class (11% compared to last year's 66% of total) and the reemergence of transactions in the retail and logistics segments (47% and 22% respectively).

The most significant transactions involved the disposal of a 6,300 sqm prime retail asset on Vörösmarty tér acquired from Redevco by Indotek and Gránit Asset Management, as well as the sale of a regional retail portfolio of two Interspar standalone assets in Zalaegerszeg and Nyíregyháza acquired by Unione.

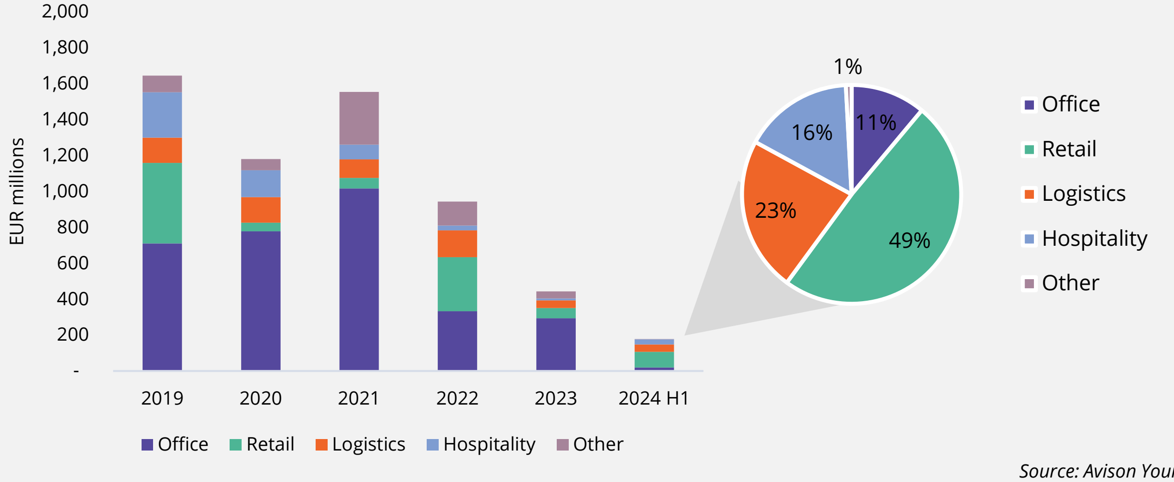
The logistics segment witnessed the disposal of the 16,500 sqm recently delivered Faedra22 Park by the developer, Faedra, to RIMO. Finaly, on the hotel segment, Market Asset Management acquired from Danubius Group the iconic 70's Hotel Budapest expected to go through a full makeover.

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

Transaction volumes 2022-2024 H1

Source: Avison Young

The reemergence of Retail and Logistics



Source: Avison Young

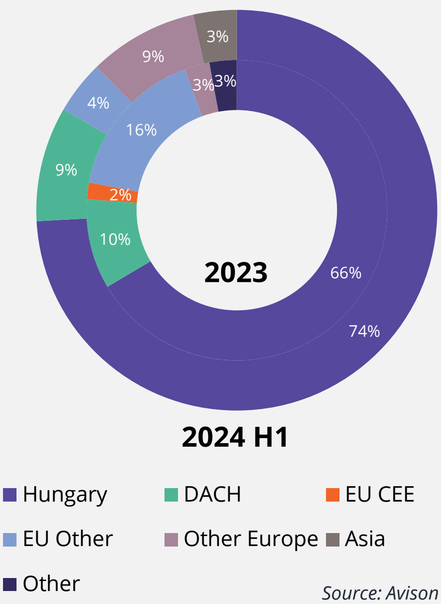
Pricing and capital sources

Despite the few deals done by international buyers, local capital remains the market maker. In the first semester 74% of the total investment volume was done by Hungarian capital.

The increase in prime yields observable in 2023 has stopped due to the slowly improving investor sentiment and the stop to the tightening of lending requirements. However, as borrowing costs remain relatively high, full-equity purchases remain relevant with some buyers postponing their debt financing exercise to a later stage.

Due to the difficulties of sourcing debt from banks, in particular for development or value-add transactions, alternative lenders still have an advantageous position on the market.

Already prevalent local capital increases its weight



Source: Avison Young

6.75% **Office**

7.00% **Industrial**

7.50% **Retail (Strip Mall)**

Main transactions of 2024 H1

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
Interspar Portfolio	Retail	17,800		Unione
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 H2 2024?

After a challenging year in 2023, real estate fundamentals have recovered significantly in the first half of 2024, which is expected to be a base for improvements on the market in the rest of the year. Other markets in the CEE region had an encouraging H1 with Poland and Romania experiencing significant rebound in activity while Hungary, Slovakia and Czech Republic remained in subdued mode.

A stronger second semester can be anticipated as the situation gradually improves in term of interest rate, debt availability and general market environment. A significant number of properties in the office segment are currently in the bidding, due diligence, or contract negotiations phase and will translate into larger volumes for the second semester.

Price corrections are still ongoing across all asset classes and are expected to continue until the end of 2024. The governmental purchase (outside of the market) of 350,000 sqm of office space currently under development is expected to stress the occupancy level and trigger some repricing as city centre office properties will be vacated.

The case for renovations, conversions and brownfield investments moves further up the agenda, with the emphasis being on carbon footprint reduction. ESG credentials are now a real focus across all asset classes and are translating through asset pricing.

Despite the existing challenges, some cash-on-cash driven investors are taking long positions using the current market lull as a good (re-)entry opportunity.

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