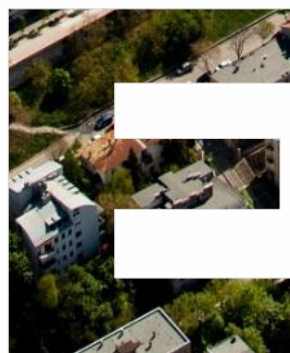


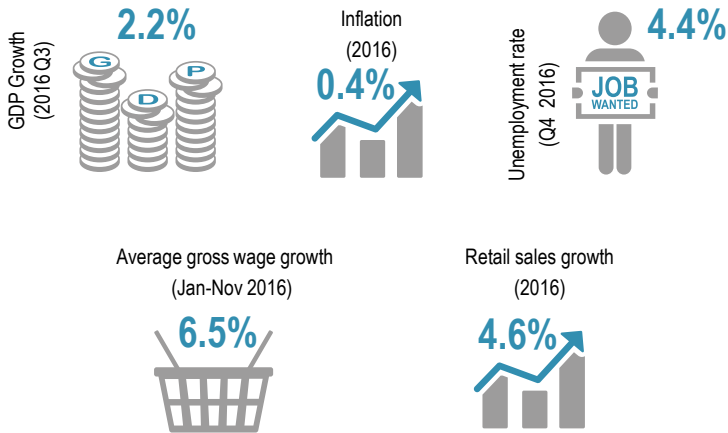
Budapest City Report

Q4 2016



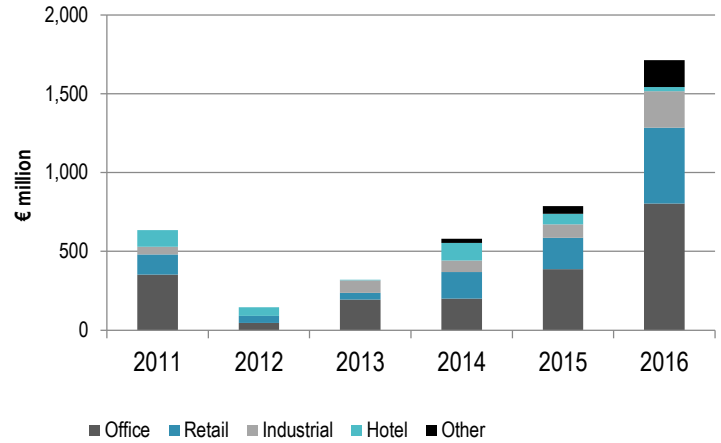
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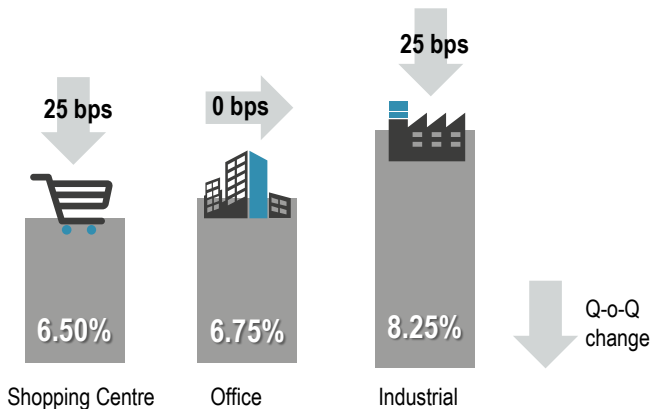


Source: Hungarian Central Statistics Office (KSH)

Investment Volumes



Prime Yields



Quarterly Investment Summary

- The Q4 total transactional volume reached some €255 million, pushing the annual investment volume to ca. €1.7 billion, the highest volume since the peak of the market in 2007.
- The headline deal of the last quarter was the acquisition of Váci 1, a recently refurbished multi-purpose development by GLL Real Estate Partners. Further notable transactions included the sale of Váci Greens C by Atenor and the acquisition of Office Garden I. Both properties were purchased by new market entrants.
- Within the annual volume, offices had a share of 47% followed by retail with 28%, industrial and hotel with 15% and other assets for redevelopment purposes with the remaining 10%.
- Prime office yields remained flat at 6.75%, whereas they compressed by 25 bps q-o-q in the retail and logistics sectors falling to 6.50% and 8.25% respectively.

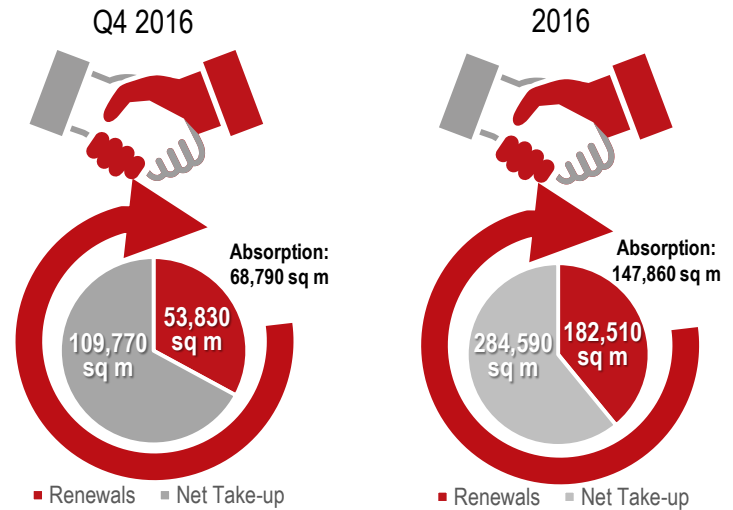
Key Quarterly Transactions

	Asset class	Property	Size (sq m)	Seller	Buyer
	Retail	Váci 1	14,000	Horizon Group	GLL
	Office	Váci Greens C	20,060	Atenor	IAD Investment
	Office	Office Garden I	15,020	confidential	FLE
	Industrial	M0 Central Business Park	31,000	IDI Gazeley	ProLogis
	Industrial	WestLog DC	63,000	Industrial Securities	CTP

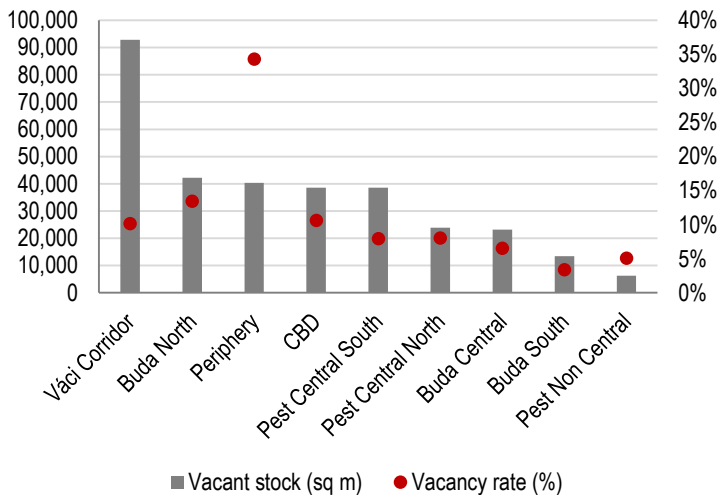
Quarterly summary

- One new office building was delivered to the Budapest office market in Q4 2016 with 25,400 sq m. The 4th office phase of the Corvin Quarter urban development project was developed as a single-tenant built-to-suit scheme for Nokia Networks.
- Due to the new completion, the size of the modern office stock in Budapest increased to 3.360 million sq m.
- Vacancy decreased by 1.4 pps quarter-on-quarter to 9.5% which is the lowest ever rate on record.
- The occupational market is very active.
- Quarterly gross take-up amounted to 163,600 sq m whereas net take-up totalled 109,770 sq m. Renewals stood for a third of the total leasing volume.
- Quarterly net absorption totalled 68,790 sq m, the highest quarterly volume since mid-2009.
- Prime office rental levels remained unchanged standing at €22 sq m / month.

Demand



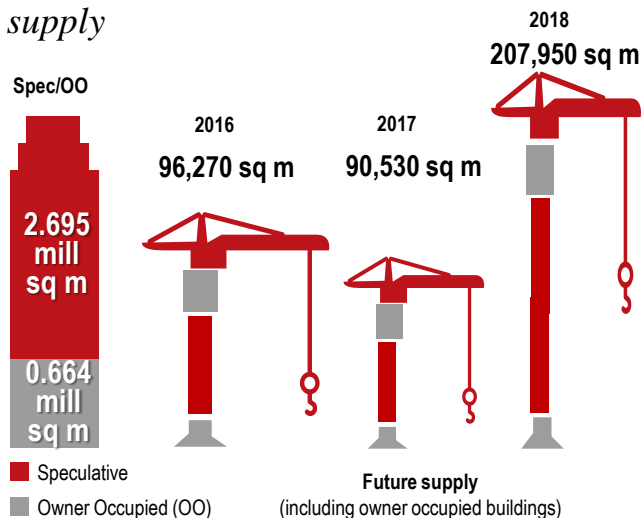
Vacant stock and vacancy rate by submarket



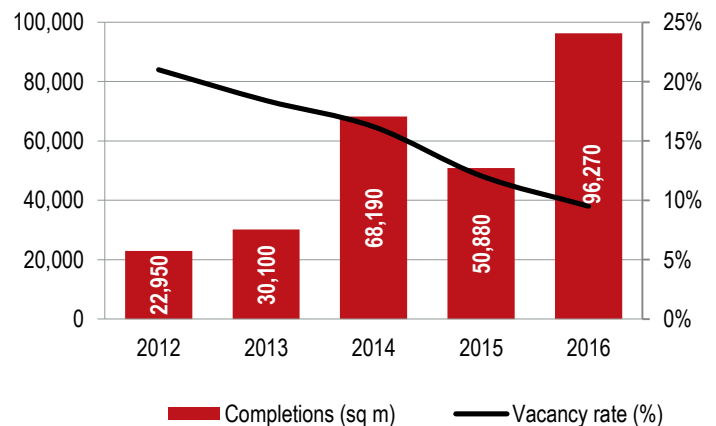
Annual summary

- In 2016, the Budapest office market expanded by 96,270 sq m. During this period, six new buildings were delivered to the market: the third phase of Váci Greens (25,600 sq m), Váci 1 (5,700 sq m of office space), V17 (12,350 sq m), Nordic Light (24,900 sq m), Buda Loft (2,320 sq m) and Nokia Skypark (25,400 sq m).
- Gross take-up amounted to 467,110 sq m, whereas net take-up reached 284,590 sq m. Although both indicators are below the volumes of 2015, they are significantly above the 10-year average gross and net take-up volumes and are the second best annual volumes on record.
- Net absorption totaled 147,860 sq m, which is 27% stronger than the 10-year average of the annual absorption volume.
- The volume of new supply is increasing dynamically. The projects secure pre-leases quickly, hence they are delivered with a significant occupancy rate. Speculative constructions have also reappeared.

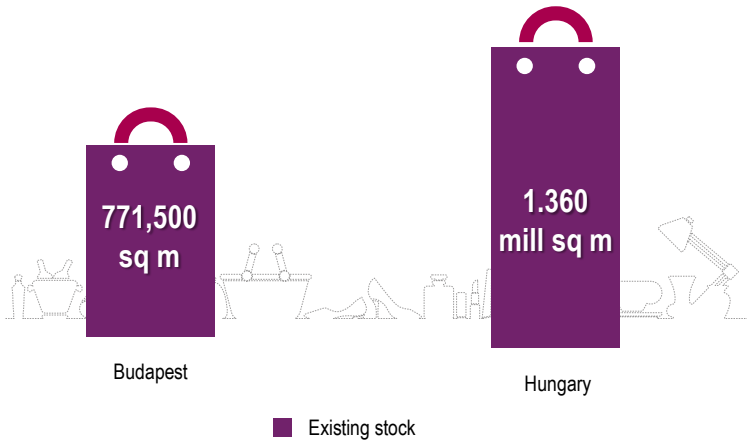
Distribution of existing stock and future supply



Vacancy rate and completions



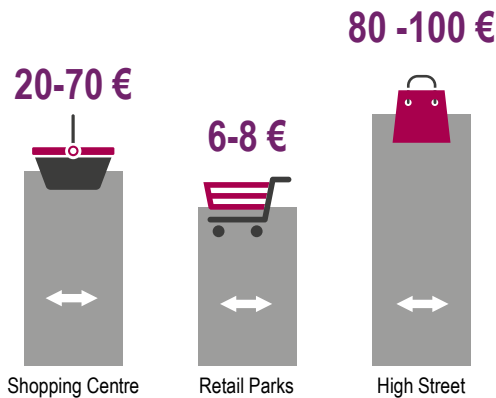
Shopping centre supply / stock (sq m)



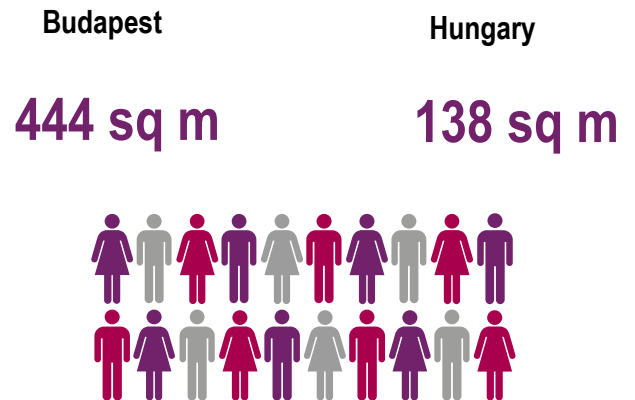
Quarterly summary

- The annual retail sales growth remained strong reaching 4.6% in 2016. Due to increasing real wages, the minimum wage hike and increased consumer confidence, retail sales are likely to remain close to 5% in 2017 as well.
- In December 2016, CCC Shoes opened Hungary's largest shoe store in Vörösmarty Nr.1. The 2,700 sq m shop has three floors with a supply of more than 38,000 shoes.
- Europe's largest mono-brand ROLEX shop (300 sq m) was opened on Andrassy Avenue and the fit-out of Ghraoui Chocolate's new store is also on-going on the avenue.
- A new Turkish cinema operator, CINEMApink announced that it will take over the operation of the cinemas in MOM Park and Mammut shopping centres. The opening of the cinemas is expected in early 2017.
- The completion of the third Hungarian IKEA store (34,000 sq m) is due in spring 2017 and Immochan are expanding their Soroksár Mall by 11,000 sq m close to the new IKEA store.

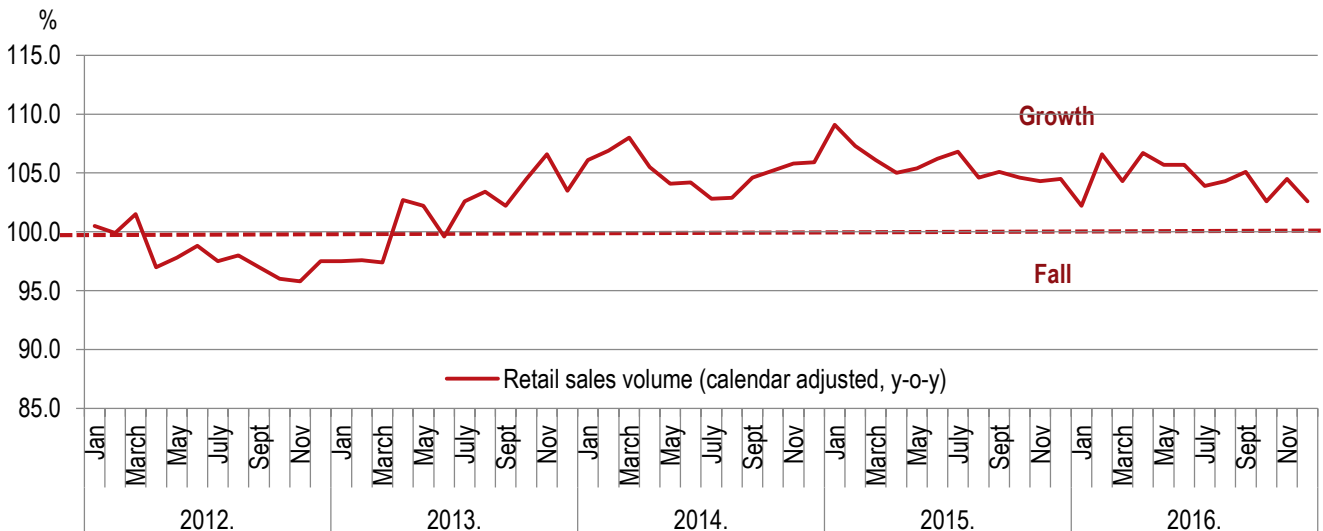
Typical rents (€/sq m/month)



Shopping centre density (per 1,000 inhabitants)



Retail sales growth (% change, year-on-year)

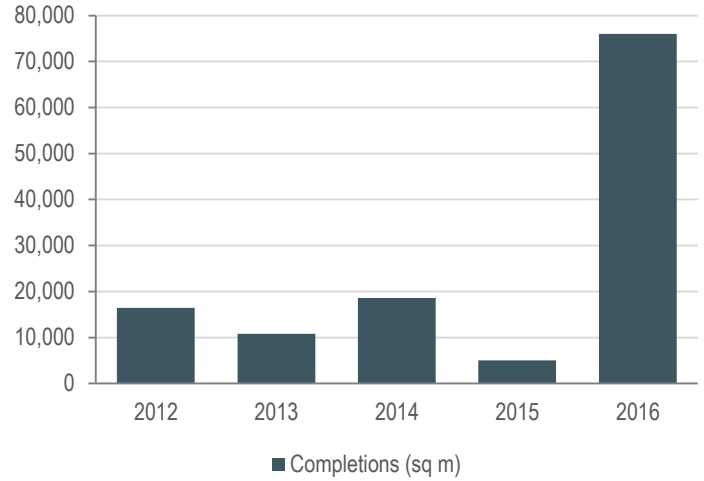


Source: Hungarian Central Statistic Office (KSH)

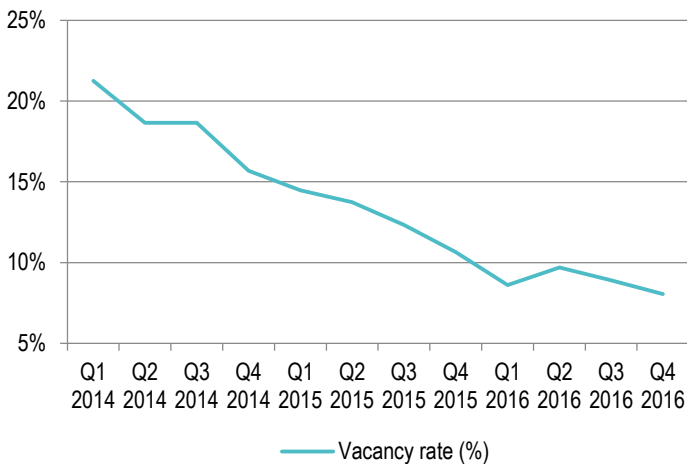
Quarterly summary

- In Q4 2016, three developments were handed over totalling 32,500 sq m, including Goodman's Gyál Logistics Centre's new building (21,700 sq m), Airport City G (7,400 sq m) and the extension of Bunzl Warehouse in Biatorbágy (3,400 sq m).
- As a result of the new deliveries, the total stock increased to 1.935 million sq m.
- Vacancy decreased by 80 basis points q-o-q reaching 8.1%, which is back to pre-crisis levels.
- The total quarterly leasing activity amounted to 133,450 sq m, which was 58% above the volume recorded in the previous quarter. Net take-up totalled 81,950 sq m, reflecting a 34% increase on Q3 2016.
- Renewals account for 39% of the total take-up in Q4, while the share of new lease agreements made up 23% and expansions 5%.
- Three large pre-leases were signed during the quarter, totalling 44,520 sq m and represent 33% of the total demand of Q4 2016.
- Net absorption remained positive amounting to 38,980 sq m

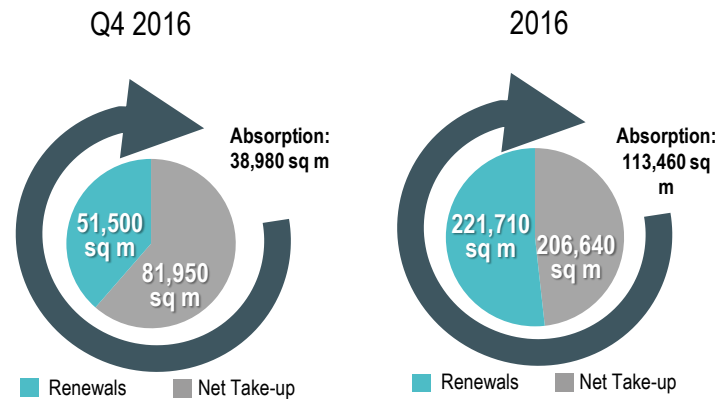
Annual completions



Vacancy rate



Distribution of demand by type of take-up



Key Transactions in 2016

Quarter	Property	Size (sq m)	Type of transaction
Q1	Prologis Budaörs	27,820	Renewal
Q4	Inpark Páty	23,400	Pre-lease
Q4	BILK	21,800	Renewal
Q2	Prologis Park Budapest Harbor Park	20,860	Renewal



Annual summary

- In 2016, five developments were completed in the Budapest industrial market with a total size of 76,010 sq m. This was the highest annual completion volume since 2009. Budapest Dock, Goodman Gyál Logistics Park, Airport City and Prologis Park Sziget were expanded and a new warehouse was handed over in Alsónémedi by VGP.
- As a result of the new deliveries, the total stock increased by 3% since 2015.
- Overall occupational activity is very bullish in Hungary. The annual gross take-up volume reached a record high with 428,360 sq m, whereas net-take-up equaled 206,640 sq m, reflecting a 18% increase on 2015.
- Development activity has picked up with currently ca. 72,000 sq m of warehouse space under construction and due in 2017.
- The National Industrial Park Developer (NIPÜF) has started to acquire plots and is expected to launch large developments. Their first project is a built-to-suit warehouse of 23,400 sq m in Páty for Kühne+Nagel due in H2 2017.



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