

New Deliveries

Q1

BudaPart Gate - 18,160 sq m (South Buda);

Budapest One - 27,400 sq m (South Buda);

Lánchíd Palota - 5,120 sq m (CBD) - it has been purchased by an end user and therefore been added to the owner-occupied stock.

Q2

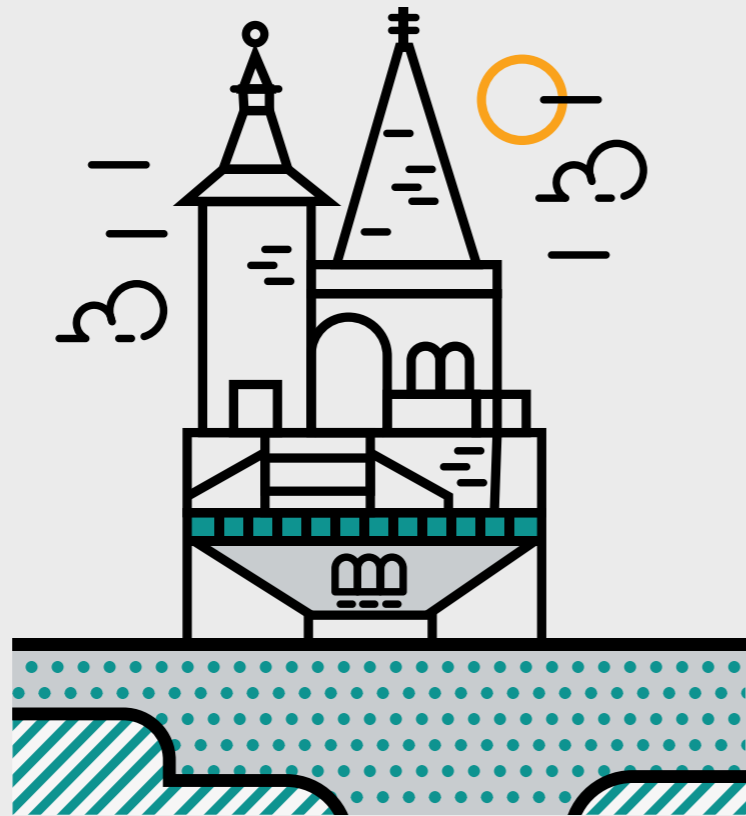
Agora Tower - 34,500 sq m (Váci Corridor);

Váci Greens F - 25,050 sq m (Váci Corridor);

1st phase of Arena Business Campus - 20,400 sq m (Non-Central Pest);

Kálmán Imre 20 - 2,300 sq m (CBD);

New HQ of Market Zrt. - 5,500 sq m (North Buda) - owner-occupied.



Budapest Office Market Overview

H1 2020

Overview

Despite to a strong end in 2019, the Budapest office market is inevitably showing effects reflecting economic restrictions triggered by the COVID-19 pandemic in the second quarter of 2020. The total leasing activity decreased, as we experienced a significantly lower number of transactions.

Supply

sq m

133,310

The first half of 2020 saw 133,310 sq m of class A office space delivered to the Budapest office market, representing a **robust increase compared to the same period last year** (a total of 32,000 sq m).

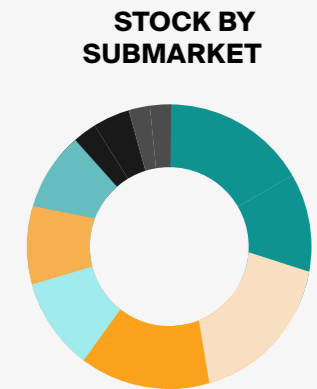
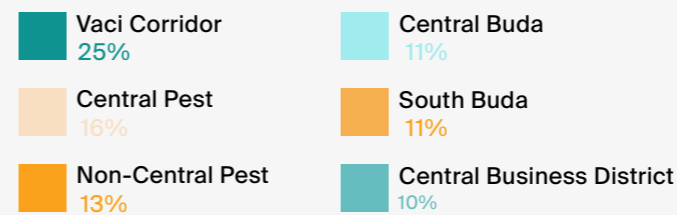
In terms of stock by submarkets, at the end of H1 2020, **Váci Corridor stays on top with a total office stock of just over 950,000 sq m**, followed by Central Pest with approximately 622,000 sq m and Non-Central Pest with 500,000 sq m.

Stock

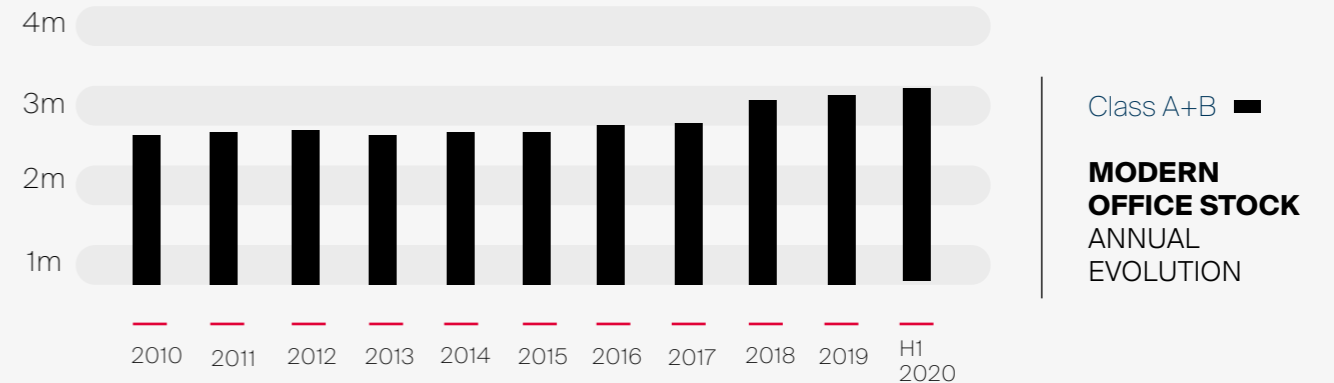
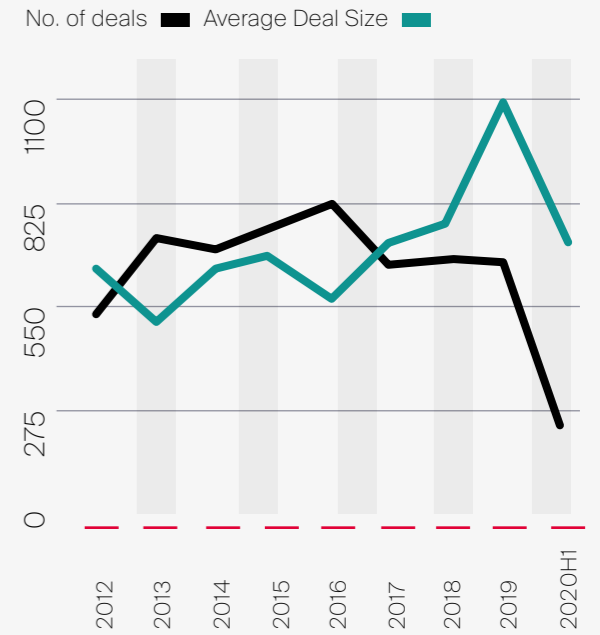
sq m

3.817 mil

The total modern office stock currently adds up to 3,817,305 sq m, consisting of **3,204,915 sq m of 'A and B' speculative office space**, as well as **612,390 sq m owner-occupied space**.



TOTAL DEALS VS. AVERAGE DEAL SIZE



Demand ^{sq m} 167,500

The total demand amounted to 167,500 sq m during the first half of 2020, representing a **30% decrease compared to the same period last year** (243,370 sq m total demand). Leasing activity weakened towards the end of H1 2020, reflecting the economic restrictions triggered by the Covid-19 pandemic.

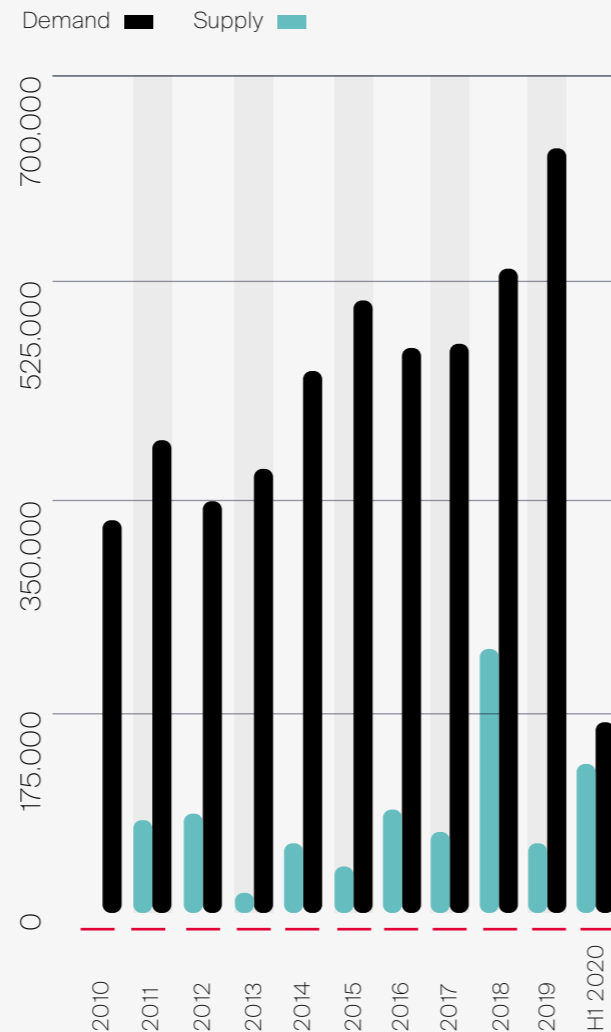
The number of transactions concluded in the first six months of 2020 **has dropped by almost 35% compared to the same period of last year**, with 232 office agreements in total (360 in 2019H1). The average deal size amounted to 723 sq m, which jumped back to the figure measured in 2018.

Key transactions

Key transactions included an **8,000 sq m pre-lease in South Buda** and a **7,450 sq m pre-lease in Váci Greens E**, while the largest new transaction was concluded for **4,730 sq m in South Buda**. The largest renewal was registered in **Park Átrium** at **6,300 sq m**.

Size (sq m)	Submarket	Building	Type of transaction
8,000	South Buda	Budapest One	Pre-lease
7,450	Váci Corridor	Váci Greens E	Pre-lease
6,300	Central Pest	Park Átrium	Renewal
4,790	Váci Corridor	West End City Center	Renewal
4,730	South Buda	Budapest One	New Lease

SUPPLY VS. DEMAND



Forecast ^{sq m} 89,000

until the end of 2020, new supply

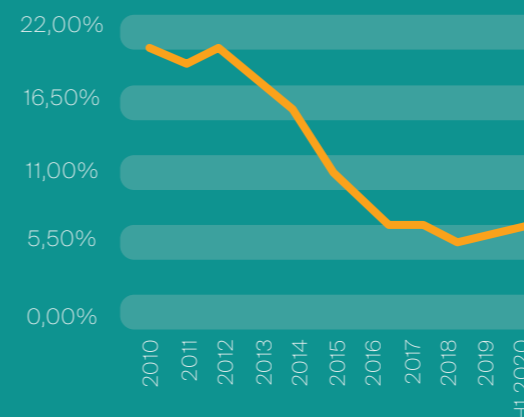
We are expecting approximately **89,000 sq m until the end of 2020**, out of which 59% is already pre-let. While a delay in delivering new schemes was expected due to one of the many implications of the Covid-19 pandemic, development **constructions have been able to go ahead as scheduled** and no project cancellations have been announced.

We believe the Covid-19 pandemic will bring new trends to the Budapest office market, including more sublease options coming up as companies are expected to downsize their office space. **We expect more and more renegotiations and more flexible landlord-terms.**

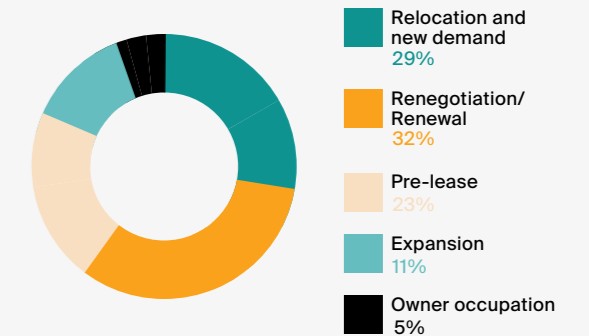
Tenants are keen to introduce risk-minimising measures, which – with an effective strategy and experienced advisor – might bring early savings. Several businesses reported that they **are carrying out extensive researches to examine the possibilities of working from home permanently**. Despite, the aforementioned recently improving trend, the Hungarian office market is well positioned for a recovery in office leasing.

VACANCY RATE

2010 - H1 2020



DEMAND BY TYPE OF TRANSACTION H1 2020



Rents ^{sq m/month} 25 eur

Average rent: 13.50 eur / sq m
Prime rent 25.00 eur / sq m

Based on headline rents in the current availability, **only a minimal rent correction has been registered**, mainly in category B office schemes.

Vacancy 7.3%

Due to the significant amount of new supply and the relatively low demand, **the vacancy rate for class A and B offices increased by 1.1 p year-on-year**, standing at 7.3% in the first half of 2020.

The **highest vacancy rate** in Budapest is still recorded **in the periphery with a rate of above 30%**. North Buda has taken over the title of the lowest vacancy, standing at 2.8%.