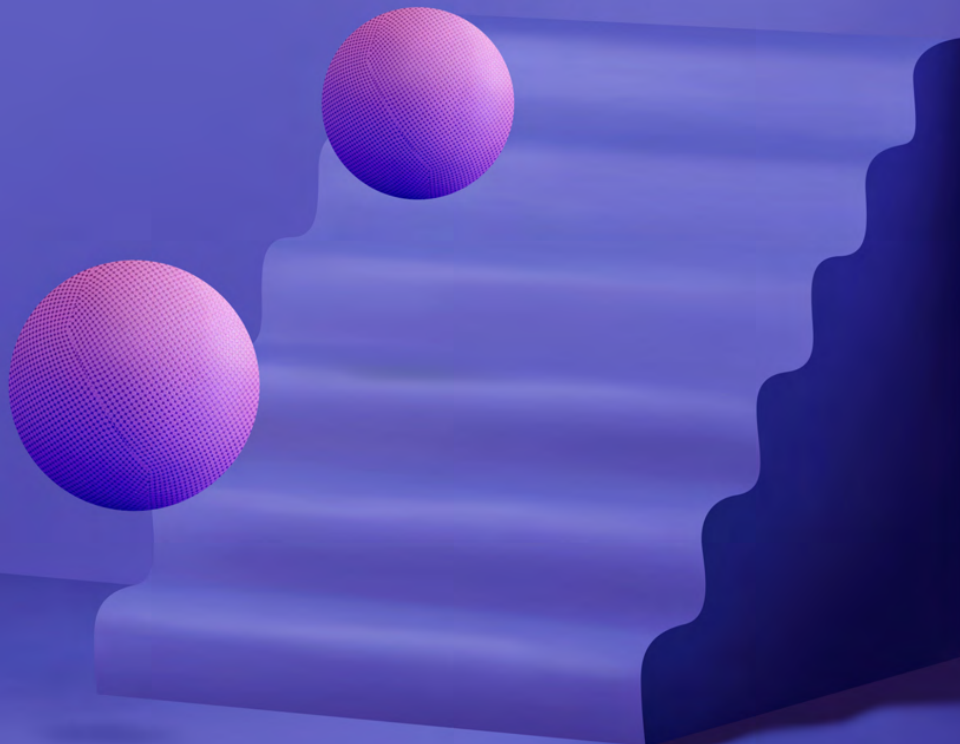


Hungary *Market Overview*

Stepping into a better era

2021-2022



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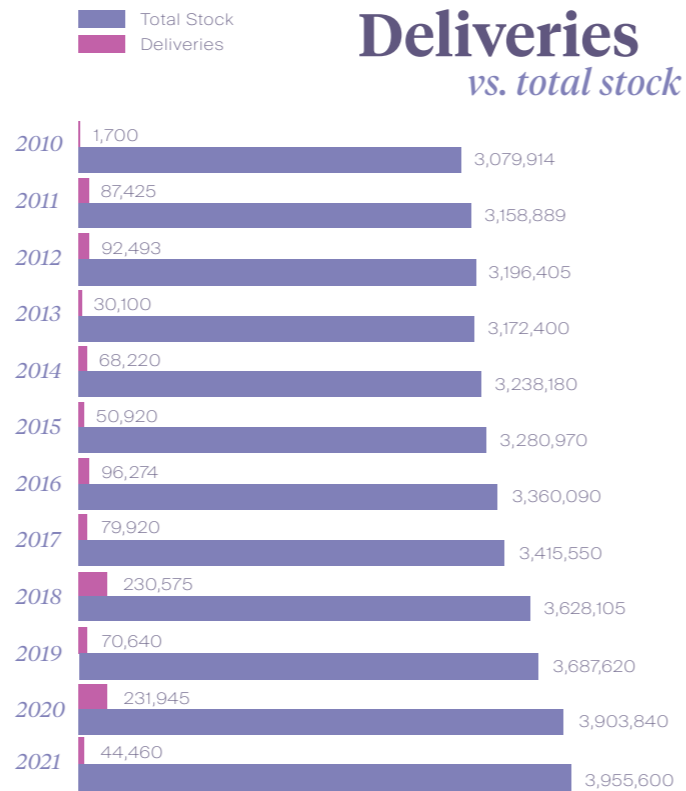
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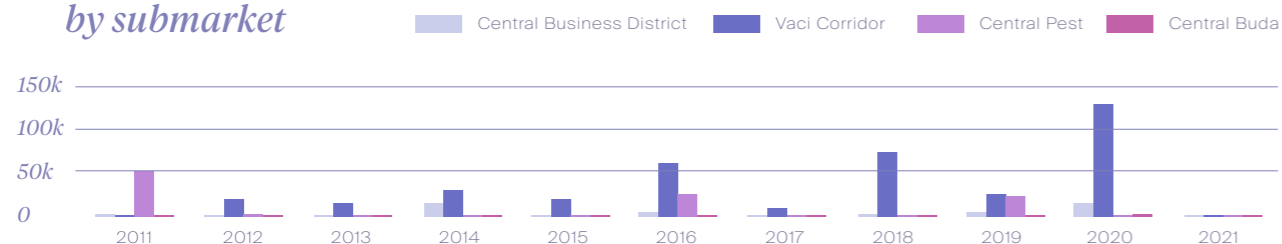
Office Market

Supply 44,460 sq m

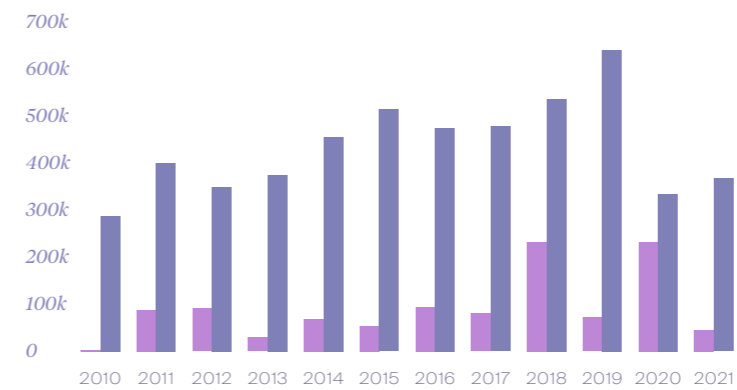
In 2021 44,460 sq m of class A office space was delivered to the Budapest office market, representing a significant drop compared to the same period last year (a total of 81,500 sq m). The new supply mainly concerned South Buda submarket by the completion of the second building of **BudaPart City** (19,760 sq m) and **Univerzum Office Building** (22,000 sq m), the new HQ of Evosoft. **JA4 Loft Offices** (2,700 sq m) in Non-Central Pest has also been completed in the second quarter of 2021. In H2 2021 there was no new supply coming to the market.



Deliveries by submarket



Supply vs. Demand



Demand 366,670 sq m

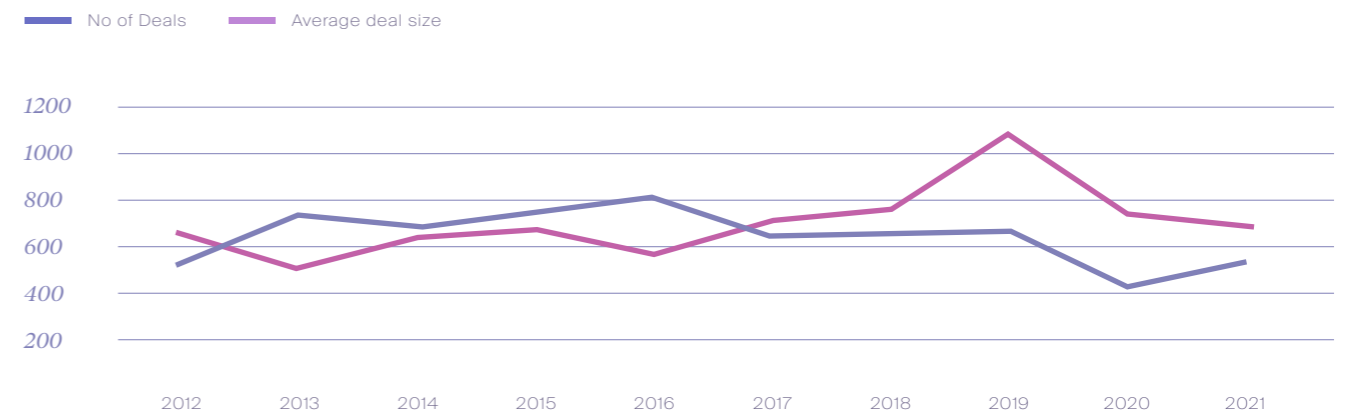
The total demand in 2021 started to show the rebound of the office market and presented slightly more than 9% increase compared to 2020. COVID vaccination rate of Hungary's population is at the top in the European Union and therefore restrictions were gradually lifted from April. This positive change is clearly showing in the demand of Q4 2021 - 112,280 sq m - 27% increase compared to the previous quarter and 23% increase compared to Q4 2020.

Stock 3,955,600 sq m

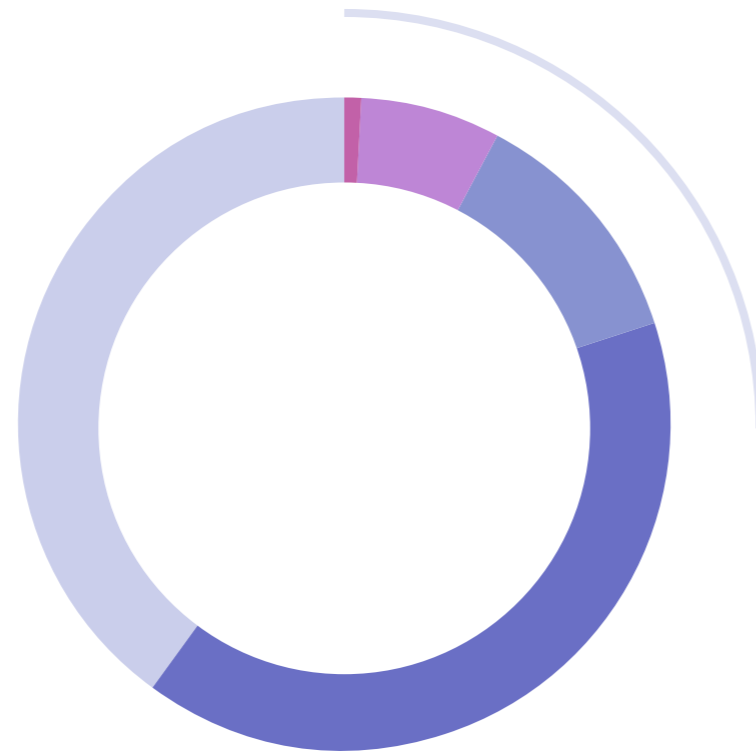
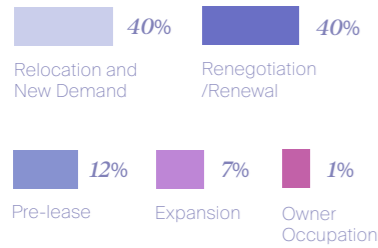
The total modern office stock currently adds up to 3,955,600 sq m, consisting of 3,301,750 sq m of 'A and B' speculative office space, as well as 653,850 sq m owner-occupied space.

531 lease agreements were signed in 2021 and the average deal size amounted to an above average 692 sq m. The number of transactions was also increased compared to last year, with 449 office agreements in total, although the average size of the transaction decreased from 744 sq m. Renewals still represented a significant share making up 40% of the total leasing activity, whereas new leases were also 40%. 12% of the total leasing activity was made up of pre-lease transactions and almost 7,5% of expansions, as well as 0,5% owner-occupier activity.

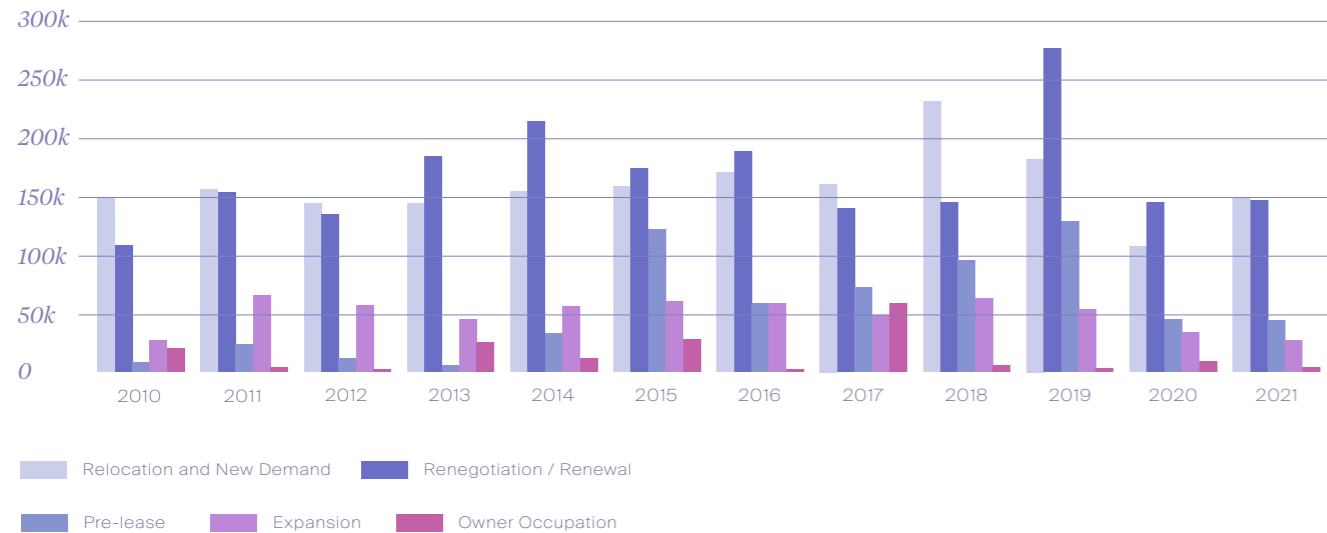
Total Deals & Average Deal Size



Demand by type of transaction



Demand by type of transaction



Rents

Avg. rent: 14.50 EUR / sq m
Prime rent 25.00 EUR / sq m

The Hungarian office market only witnessed a minimal rent correction in 2021, however tenant incentives are definitely increasing, as we predicted. Average rental fee in the new developments is between 14.5 – 17.00 EUR / sq m, while average rent in existing buildings is a bit lower level at 13.50 EUR / sq m. There were no changes at prime rent either as it remained at 20-25.00 EUR / sq m. Although headline rents stood at the same level, fit-out contributions and rent-free periods slightly increased. This is due to decreasing demand and growing supply.

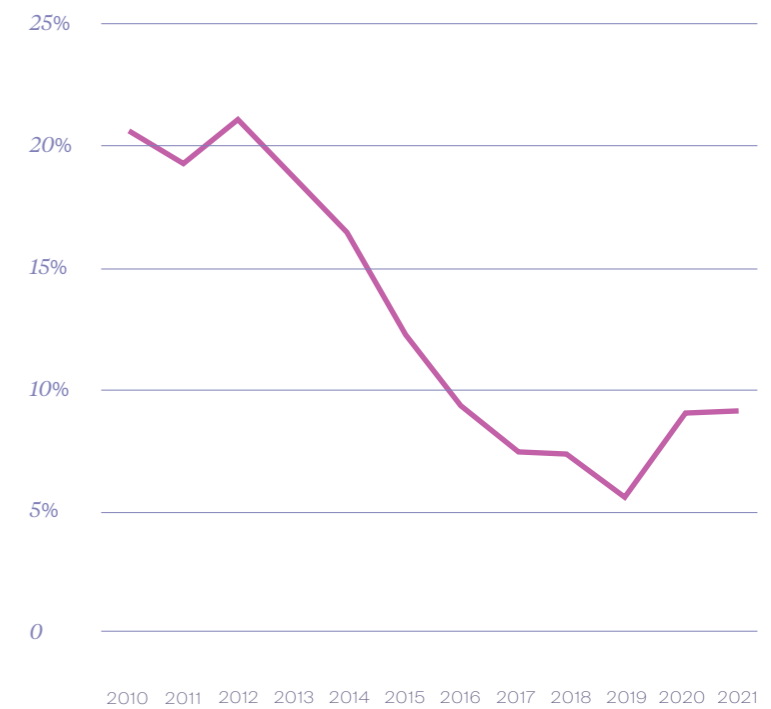
Key transactions

Size (sq m)	Submarket	Building	Type of transaction	Occupier
16,000	Váci Corridor	Center Point	Renewal & expansion	Közbeszerzési és Ellátási Főigazgatóság
14,450	Non-Central Pest	Corvin Innovation Campus	Pre-lease	IBM
13,780	Váci Corridor	Gateway Office Building	Renewal	Magyar Posta
11,500	Váci Corridor	Thirteen Globe	Renewal	Egészségbiztosítási Pénztár
7,180	Váci Corridor	Agora Hub	New lease	Huawei
5,250	South Buda	Office Garden	New lease	Confidential
5,000	Non-Central Pest	Liget Center	New lease	Undisclosed

Vacancy 9,2%

The office **vacancy rate** increased to 9.2%, representing a 0.1 pps increase quarter-on-quarter and year-on-year. The lowest vacancy is registered in Central Buda with a 5.5% vacancy rate, while the highest vacancy rate is still in the Periphery submarket (31.1%).

Vacancy rate



Forecast

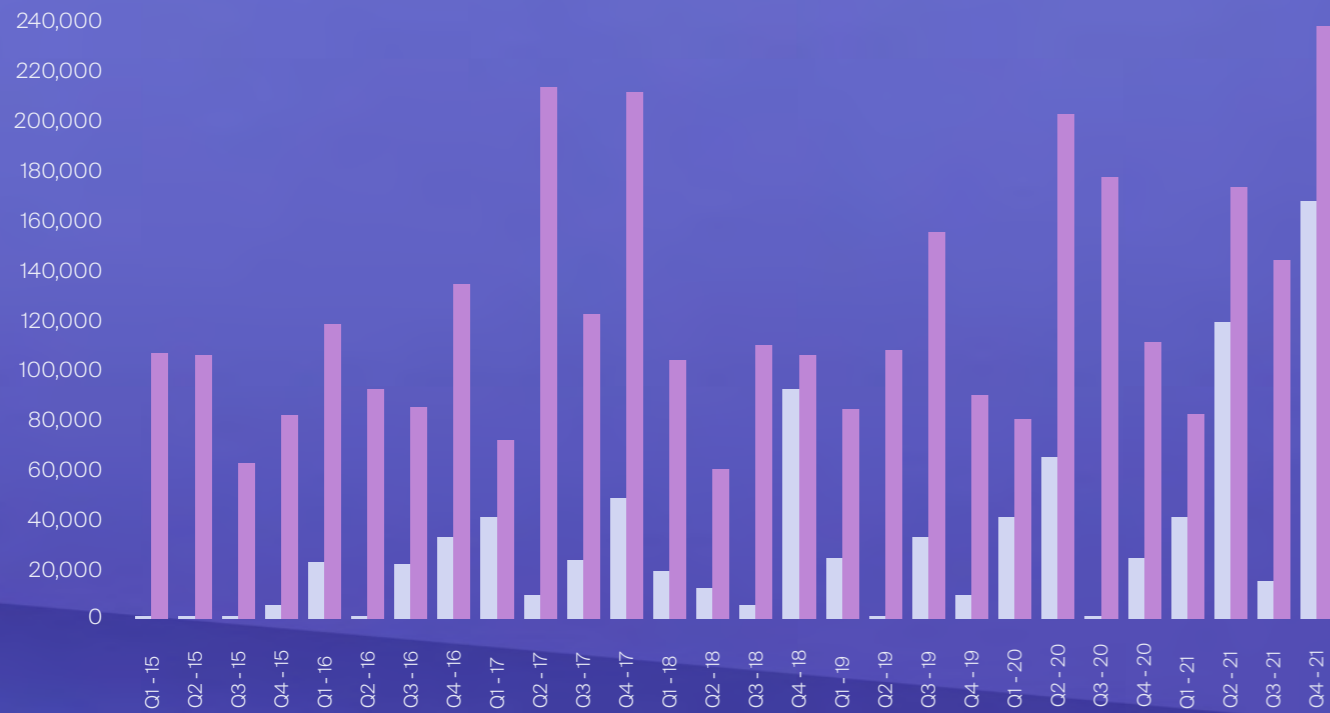
The Q4 2021 office market statistics continued to reflect the lingering challenges tied to the COVID-19 pandemic, yet the moderate recovery in annual gross demand, the increasing number of transactions and the largely stable vacancy rate give confidence, although the supply of sublease space is still significant presence.

Industrial *and* Logistics Market

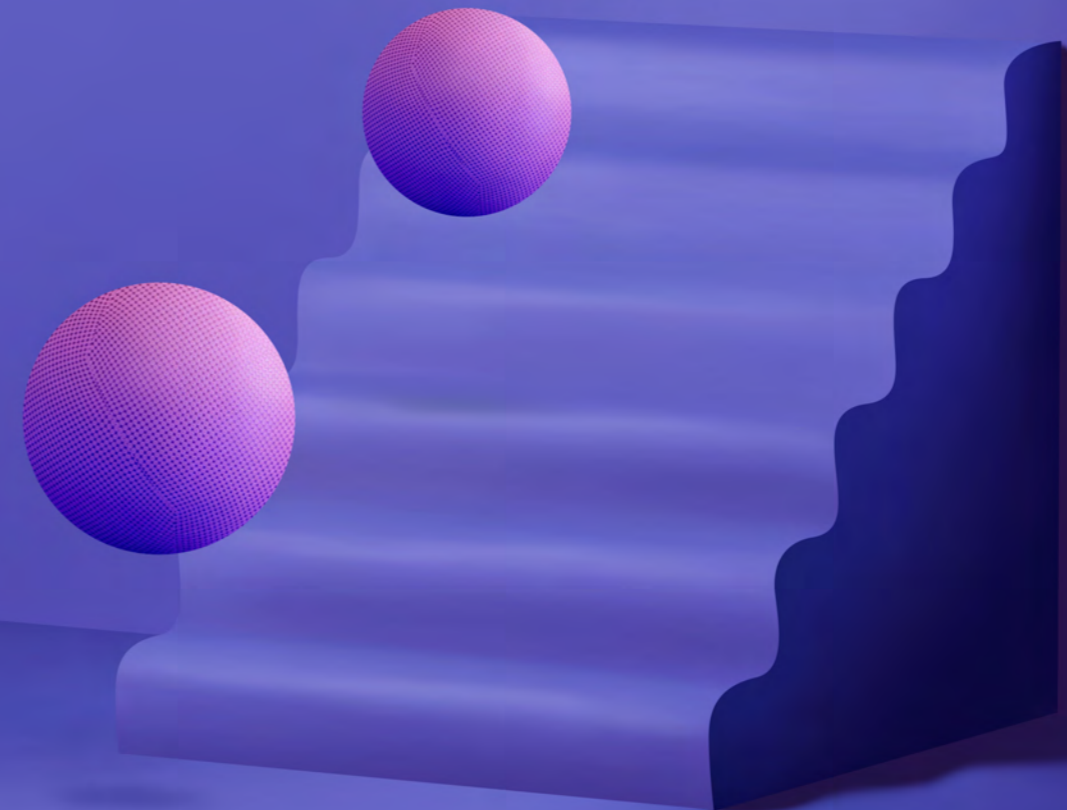
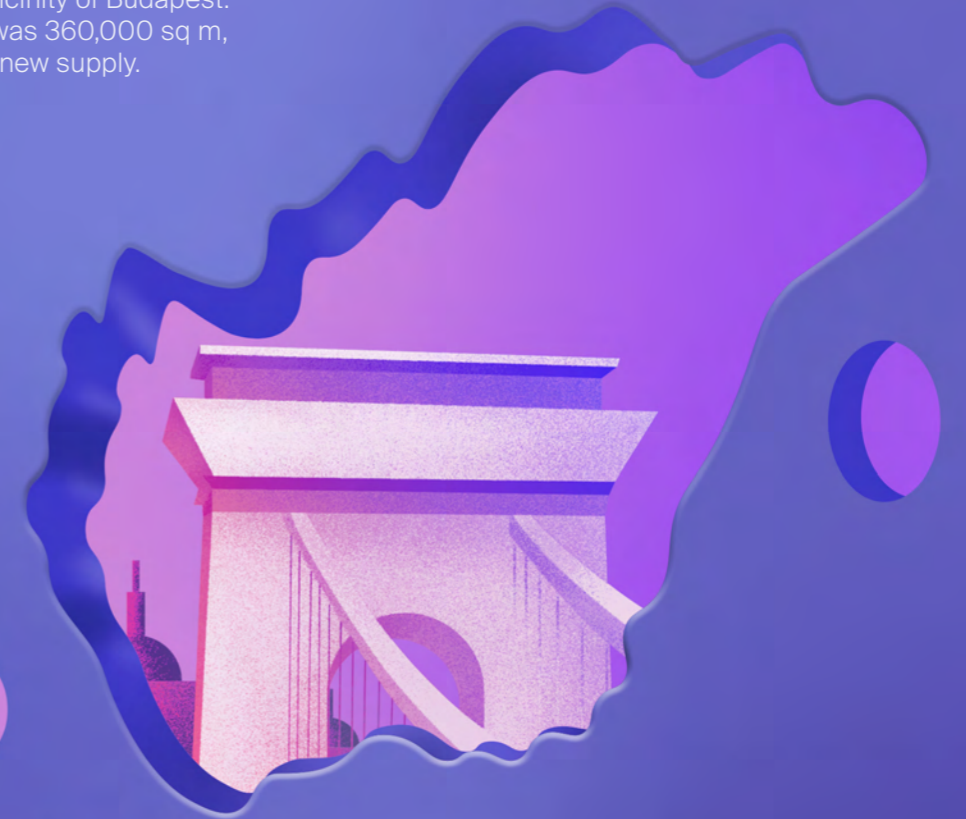
NEW
Supply
~360,000 sq m

The modern industrial stock stands at 2,750,000 sq m in and around the close vicinity of Budapest. The level of deliveries in 2021 was 360,000 sq m, reaching a record high level of new supply.

■ Completions (sq m) ■ Total demand (sq m)



Source: BRF, Property Forum



Latest Completion

in 2021 Q4



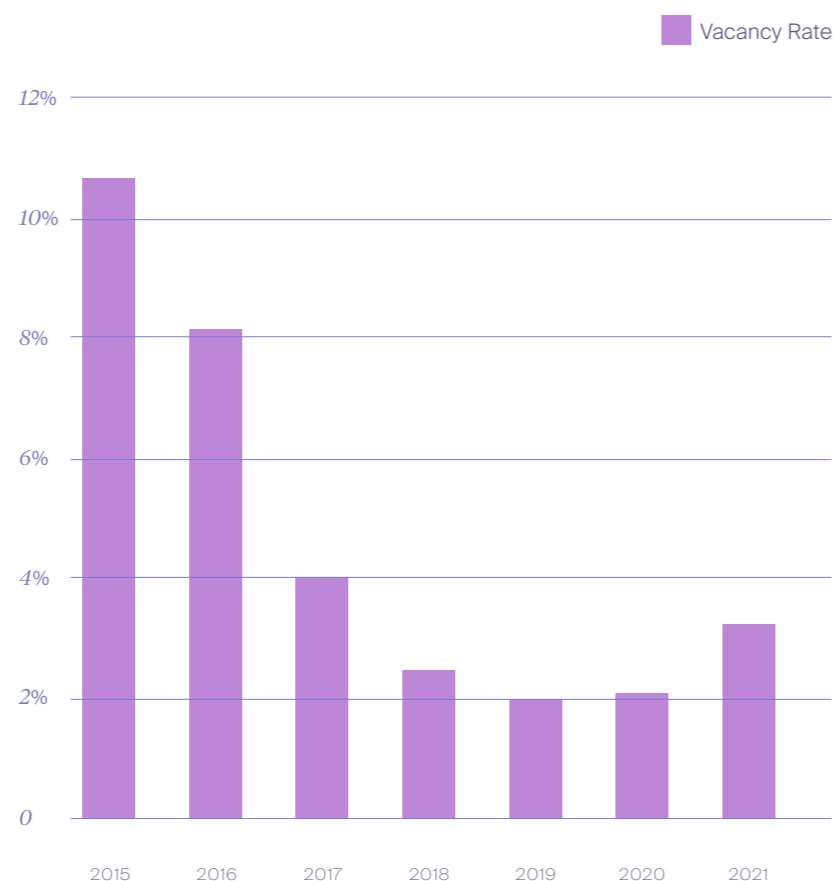
In 2021 half of the new supply was delivered in the last quarter of the year. As the chart shows above, demand has been growing significantly in the last 4 years.

Project	Developer	Area (sqm)
CTPark Vecsés	CTP	51,630
HELLO Parks Maglód	HELLO Parks	46,000
CTPark Budapest East	CTP	40,750
CTPark South	CTP	38,940

Vacancy

3.2%

The vacancy rate at the end of the year stood at 3.2%, showing a 1.1pp increase compared to last year. At the end of the fourth quarter, a total of 86,660 sqm logistics space stood vacant, and there were four existing schemes with availability of more than 5,000 sq m.



Demand

/Total leasing activity

~635,500 sq m

Total leasing demand for industrial space amounted to ~635,500 sq m, making 2021 a record year in terms of demand as well. The total net take up (excluding renewals) amounted to 433,000 sqm from which the prelease transactions are leading with 49%. Last quarter of the year was very intense since 37% of the transactions was concluded during that period.

Key transactions

2021

Project	Size (sqm)	Type
VGP Park BUD Aerozone	62,980	Pre-lease
GLP Sziget Logistics Center	43,000	Pre-lease
Inpark Páty	33,110	Pre-lease
CTPark Vecsés	30,440	Pre-lease

Prime rents

4.65 EUR / sq m / month

The prime rent level remains at a stable 4.65 EUR/ sq m/ month in the Greater Budapest, with chances of increasing during the following period of time, as the construction prices are expected to rise as well



Capital Markets

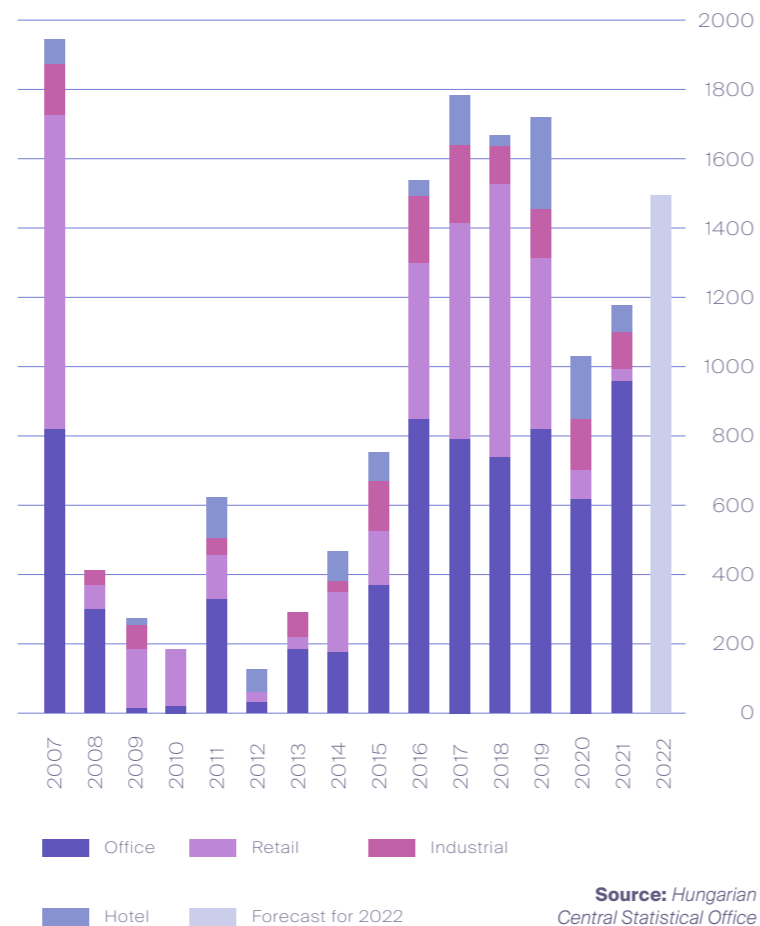
Economy review

Hungary's gross domestic product expanded 7.1 percent in 2021, recovering from a 4.9 percent contraction in 2020. It was the largest annual growth in the country's economic history. Looking ahead, the economy is expected to grow by 5.9 percent in 2022, according to the Minister of Finance.

The improvement of the investment market was dependent on the arrival of a COVID vaccine. The logistics and office sectors are seen as being the most favorable positions for a post-COVID improvement. A large part of acquisitions have slipped over to 2021 from the previous year, that is one of the reasons of the increase in the investment volumes in 2021.

Following challenging few months in Q1 and Q3, we have seen a strong recovery of investment volumes by the end of the year. The total transaction volume reached almost EUR 1.2 billion in 2021 demonstrating resilience to a challenging market.

Investment Volume
Evolution & Outlook



Prime yields

With regards to the yields for prime assets remained in stable throughout the year, but it still didn't reach the pre-COVID levels.



Office has remained the most attractive asset by the investors and continued to be the dominant sector with an investment volume at EUR 1.0 billion, delivering 65% of the market. Significant share of the total investment volume was generated by GTC acquisitions (6 buildings) and other transactions such as S-Immo's transaction of BudaPart Gate or Union Investment's acquiring the prime Szervita Square. This is followed by the industrial sector, while retail and hospitality are still struggling to generate interest from investors.

Key transactions

Asset	Sector	Size (sq m)	Buyer	Seller
Univerzum and Ericsson HQ	Office	41,900	GTC	Wing
Infopark B, C, I	Office	30,000	Skygreen Buildings	Wing
BudaPart Gate	Office	18,160	S-Immo AG	Property Market
Szervita Square	Mixed-use	11,600	Union Investment RE	Horizon Development

Capital sources

International capital continues to be active in Hungary however, there is a definite increase in local sources of capital. Domestic capital represented almost 70% of the acquisitions. Some high-profile transactions have attracted core cross-border equity back to the country in the second half of 2021 such as S-Immo's or Union Investment to invest again in Hungarian asset.

Forecast

The recovery of the investment market is clearly visible since the middle of 2021 and we expect to continue in 2022, however the share between domestic and cross-border equity shall not change significantly. Offices will keep remain as preferred targets, industrial and retail assets will show slightly higher share of the total investment volume.

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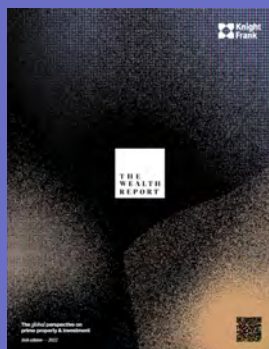
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