Hungary on a high

HUNGARY IS ENJOYING A WIDESPREAD REAL ESTATE UPTICK, FROM OFFICES TO HOTELS AND HOUSING, WITH BUDAPEST SEEING A RAFT OF PROPERTY DEVELOPMENTS. **WENDY ATKINS** REPORTS

After years of stagnation, Hungary's property market is booming, with vacancy rates falling and prices rising. There has been significant growth across the board. Commercial real estate notched up record turnover in 2017 of nearly €1.78bn; the hotel market has seen growth in its revenue per available room outpace that of other key capital cities in the central and eastern Europe region; the office market is buoyant; and commercial, logistics and residential property are generating good figures.

Real estate firm CBRE says large transactions in the pipeline for the second half of 2018 are expected to push annual property market turnover volume comfortably past the billion-euro mark.

"The Budapest office market has been growing since the end of 2012," says Róbert Ésik, president of the Hungarian Investment Promotion Agency (HIPA). "Vacancy rates declined to 7.6% by the second quarter of 2018, compared with the peak in the third quarter of 2012, when it stood at 21.5%. Similarly, the industrial property market vacancy rate has been decreasing, and in the second quarter of 2018 reached an outstandingly low value in Budapest of 3.5%."

Flying high

Property company Wing has been active in the sector for almost two decades, and its current projects include the Magyar Telekom headquarters office building, the Evosoft-Siemens headquarters building and the Kassák Residence development. Wing chairman and CEO Noah Steinberg says the main challenges for the sector are labour shortages and the rising cost of construction materials.

"We've overcome them with prudent and forward-looking planning. Even if we can see rising prices and limited resources in some segments, we are able to work with reliable partners to deliver projects on time and to budget," he adds.

One of the country's most ambitious projects is the €1bn Liget Budapest development, which is transforming Városliget (City Park) into a major leisure and cultural district. Its backers say it will deliver more than 1.5 million new guest nights to the city's tourism industry, and generate more than 11,000 new jobs, €710m in additional revenue and more than €120m in tax receipts.

BUDAPEST IS RECOGNISED FOR HAVING PRESERVED THE CITY'S TRADITIONAL VALUES AS WELL AS CREATING NEW ONES


City on the rise: Budapest is a booming business destination

"Budapest has developed in spectacular fashion recently. It is recognised internationally for having preserved the city's traditional values as well as creating new ones," says Benedek Gyorgyevics, leader of the Liget Budapest project. "The scale of the project to renew districts and shape the future and the image of the Hungarian capital is unequalled across Europe."

Other major developments in the property market include Evosoft signing for its new headquarters in the South Buda submarket – the country's largest pre-lease deal since 2015, which is being carried out by Wing; Atenor's new Arena Business Campus; the Kecskemét Boróka Park residential development of 59 apartments by CEEtrus; the Milestone Budapest One student housing project by Forestay; Futureal Group's Etele Plaza shopping and entertainment centre; Granit Polus's development of Central Park – a new district near WestEnd City Center; HB Reavis's construction of Agora Budapest; a mixed-use city centre project – Szervita Square Building – by Horizon Development; and the creation of the mixed-use BudaPart project by Property Market.

Ideal conditions

Insiders say key drivers for the country's real estate upturn have been a favourable macroeconomic environment, which is helping real GDP to grow, and an increase in FDI that has been boosted by changes to taxation policy (there is a flat corporate income tax rate of 9% and a flat personal income tax rate of 15%).

CBRE points to Hungary's investment grade rating with all major rating agencies and its FDI inflow achieving new highs on a yearly basis. A spokesperson for the company adds: "This gives strong fundamentals to real estate growth, which is different to where we were four to five years ago."

Mr Ésik agrees: "The FDI projects negotiated by HIPA – almost €13bn since 2014 – will help us to maintain these trends in the coming years." ■