

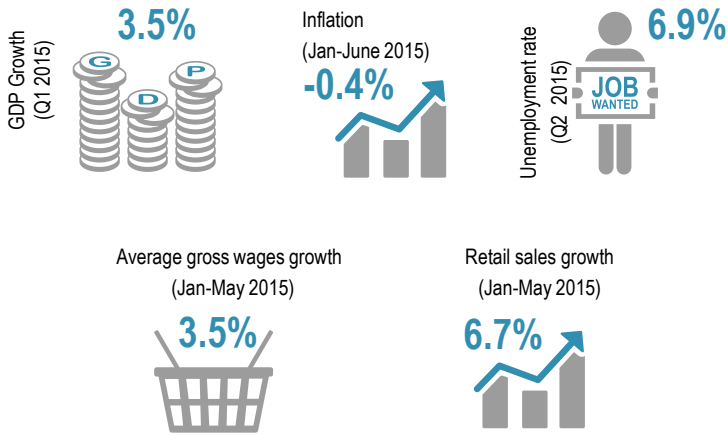
Budapest City Report



Q2 2015

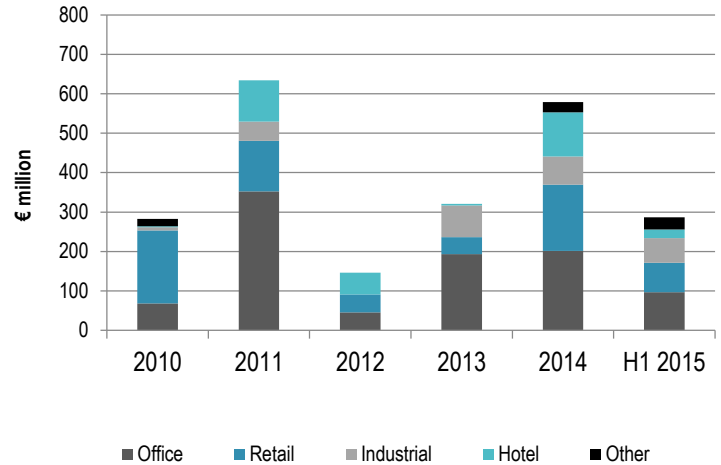


Economy

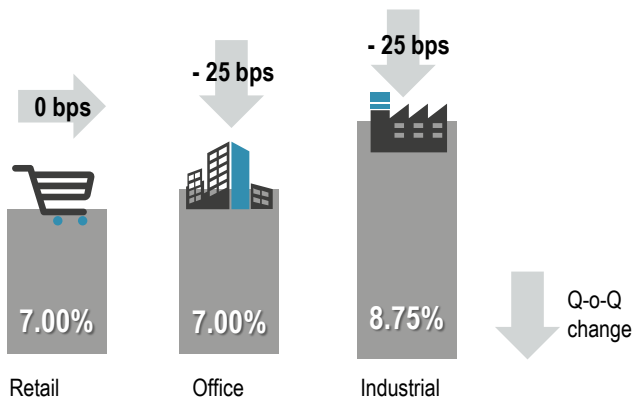


Source: Hungarian Central Statistic Office (KSH)

Investment Volumes



Prime Yields



Quarterly summary

- The investment market was active in the first half of 2015 with a total transaction volume of some €280 million.
- The renewed investor appetite for Hungarian assets is due to improving economic fundamentals, market conditions and the relative pricing, making prime assets particularly attractive.
- The most sought after asset class in H1 2015 was office, representing 34% of the transactional volume, followed by retail and industrial with 26% and 22% respectively.
- The average transaction size increased remarkably with the return of institutional investors and portfolio transactions.
- We expect the 2015 annual investment volume to reach €700-750 million in total, with increasing interest from both international investors and local funds.

Key Transactions

	Quarter	Asset class	Property	Size (sq m)	Seller	Buyer
	Q2	Mixed	AVIVA portfolio	42,000	Aviva	Lone Star
	Q2	Mixed	Orco portfolio	43,700	Orco	Horizon Development, State
	Q2	Office	Volksbank portfolio	27,400	VBRES	Europa Capital
	Q1	Industrial	M1 Business Park	69,100	CA Immo	ProLogis
	Q1	Office	Vision Towers South	9,075	Futureal	ERSTE RE Fund
	Q1	Retail	3 regional shopping centres	37,600	Klepierre	Indotek

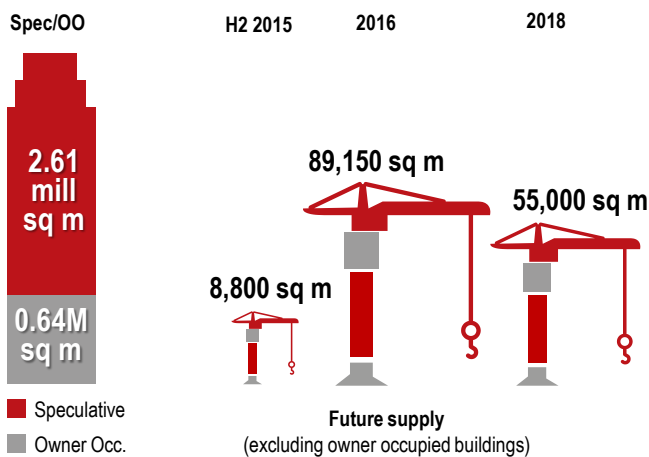
Quarterly summary

- One new office building was delivered in Budapest in Q2 2015. The second phase of Váci Greens comprises 20,100 sq m and was nearly 90% occupied upon delivery.
- The size of the modern office stock in Budapest stood at 3.250 million sq m.
- The improvement of the vacancy rate continued further on for the sixth consecutive quarters declining by 151 bps q-o-q and 338 bps y-o-y. The rate dropped to 14.2%.
- The occupational market reached a record high. Gross take up amounted to 213,450 sq m whereas net take up totaled 152,560 sq m.
- Largest transactions of the quarter include Magyar Telekom's prelease of 55,000 sq m so as Nokia's prelease of 25,000 sq m.
- Net absorption equaled 66,150 sq m, an exceptionally impressive volume.
- Prime rent remained stable at €20 sq m / month.

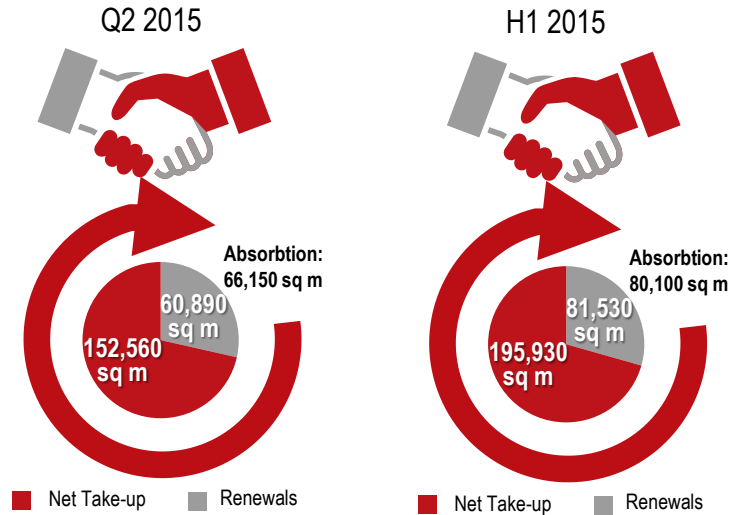
Key leasing transactions H1 2015

Building	Tenant	Size (m ²)	Type of transactions	Quarter
Magyar Telekom HQ	Magyar Telekom	55,000	prelease	Q2
Corvin IV	Nokia Networks	25,000	prelease	Q2
Graphisoft Park	SAP	10,000	renewal	Q2
Népliget Center	Ericsson	6,370	renewal	Q2
Central Udvar	UNICEF	6,200	new	Q2

Distribution of existing stock and future supply



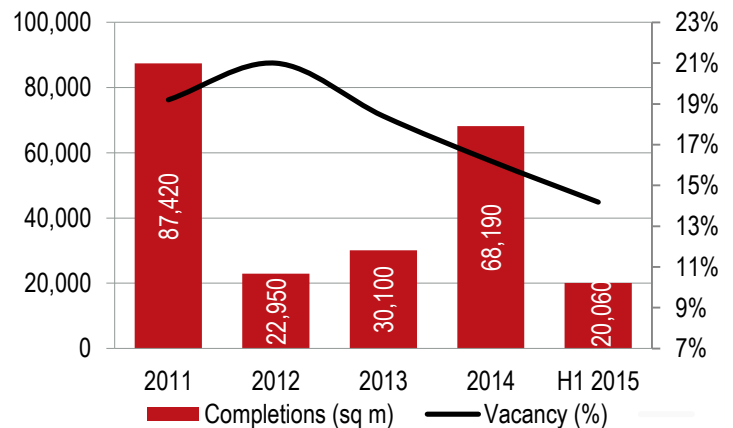
Demand



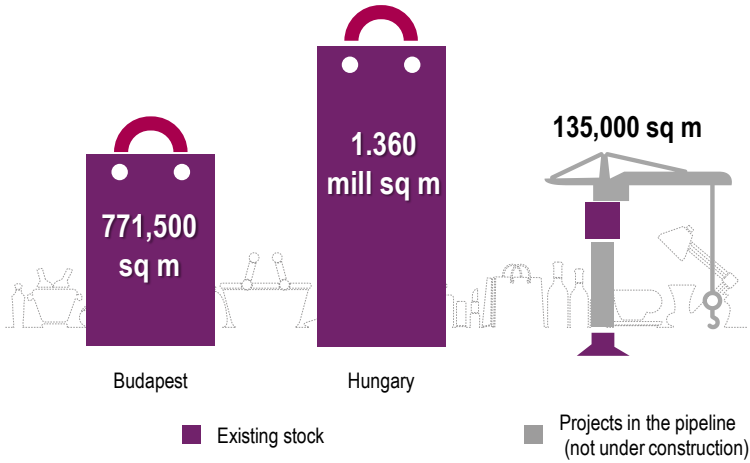
Forecast

- The volume of new supply will remain limited with less than 9,000 sq m modern office space to be delivered in H2 2015. This will bring the annual completion volume nearly 60% lower than in 2014 to 28,900 sq m.
- New supply in 2016 is forecast to reach the highest volume since 2010 with nearly 90,000 sq m modern office space, whereas an additional 55,000 sq m is to be delivered for Magyar Telekom in 2018.
- We expect annual gross take up to reach a similar volume than in 2014 (465,000 sq m).
- The decline of the vacancy rate is forecast to continue further on and come near to 13%.
- Due to the noticeable quality office supply shortage the reduction of tenant incentives has started. While fit-out contributions still vary in a wide range, rent free periods shorten and this results in the increase of effective rents. Furthermore, asking rents have also started to increase in some assets.

Vacancy rate and completions



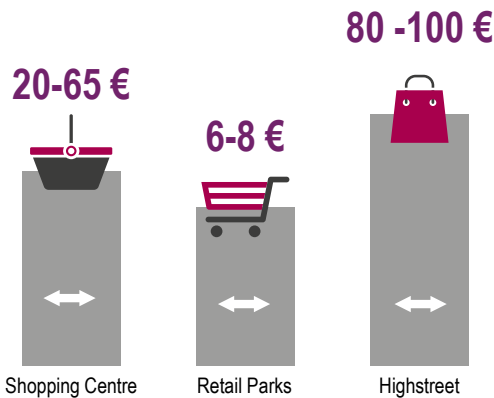
Shopping centre supply / stock (sq m)



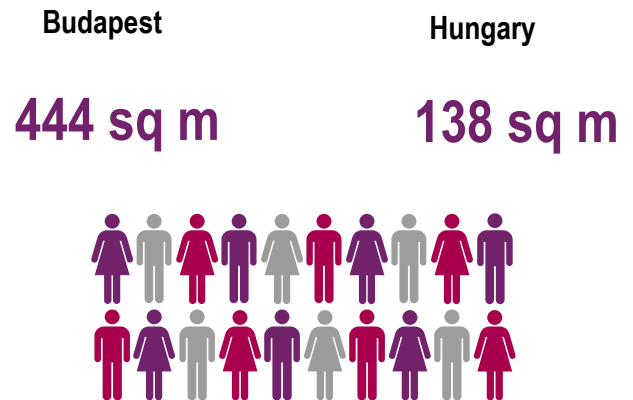
Quarterly summary

- The mandatory Sunday closure of shops do not seem to be having a negative impact of retail sales volumes, which have been constantly rising. Between January and May, retail sales volumes have risen 6.1% year-on-year.
- The total shopping centre stock in Budapest stands at 771,500 sq m in 25 assets, while the shopping centre density is equal to 444 sq m / per 1,000 inhabitants.
- We recorded new store openings in numerous shopping centres, however we have seen the closure of the Swiss luxury watchmaker Hublot at Andrásy Avenue. Furthermore, the luxury department store, Il Bacio de Stile is about to close at the end of July at Andrásy. The future utilisation of the spectacularly refurbished building is yet to be seen. During the second half of the year, we expect to see new openings on the Avenue.

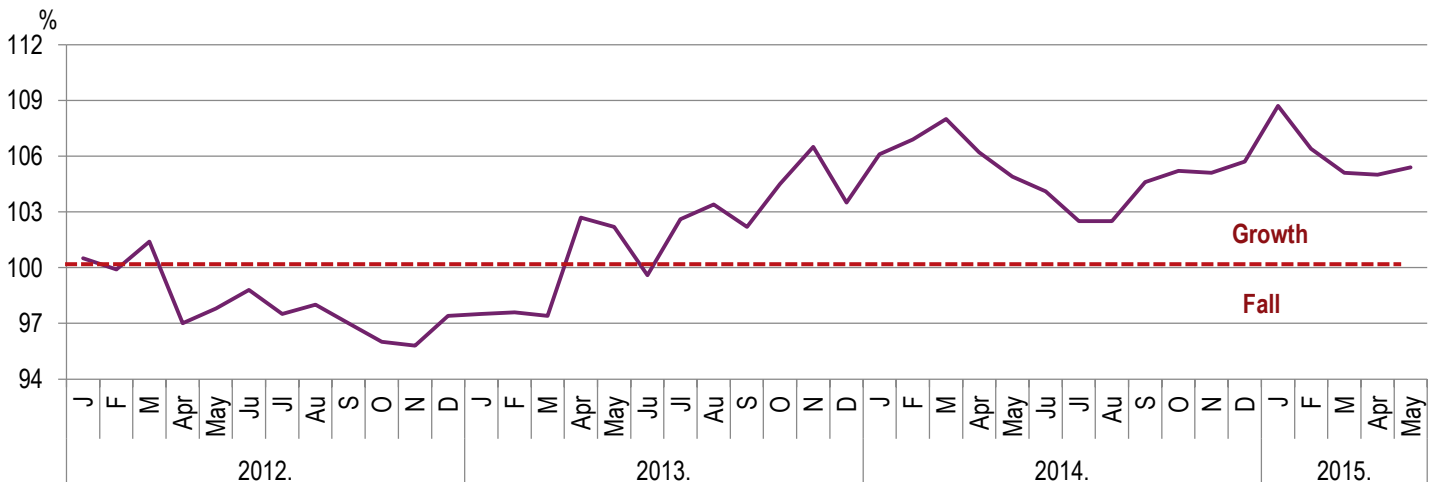
Typical rents (€/ sq m/ month)



Shopping centre density/ 1,000 inhabitants



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

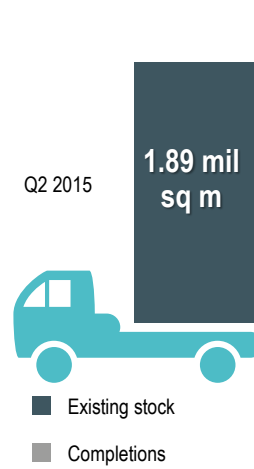


Source: Hungarian Central Statistic Office (KSH)

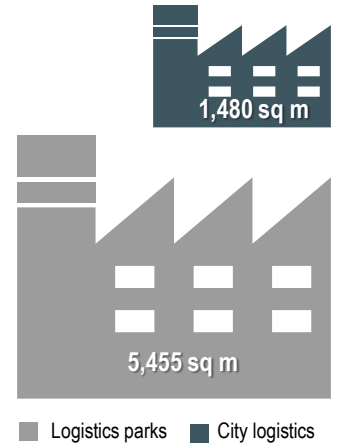
Quarterly summary

- There were no new warehouse completions in Budapest in Q2 2015, therefore the size of the modern industrial stock remained unchanged at 1.89 million sq m.
- The improvement of the vacancy rate continued for the seventh consecutive quarter, declining by 75 bps quarter on quarter and 484 bps year on year. The rate dropped to 13.7%.
- The quarterly total leasing activity remained stable on Q1 2015 reaching 105,575 sq m out of which net take-up totalled 75,225 sq m, indicating a growth of 11% year-on-year.
- During the quarter one large BTS agreement was signed, representing 21% of the quarterly demand and a large manufacturer expanded its Hungarian operation by an additional 15,880 sq m in M1 Business Park.
- Only one BTS development of 5,000 sq m is under construction in the Freeport of Budapest for Ekol logistics.
- Modern industrial supply shortage will translate into a rental increase later in 2015.

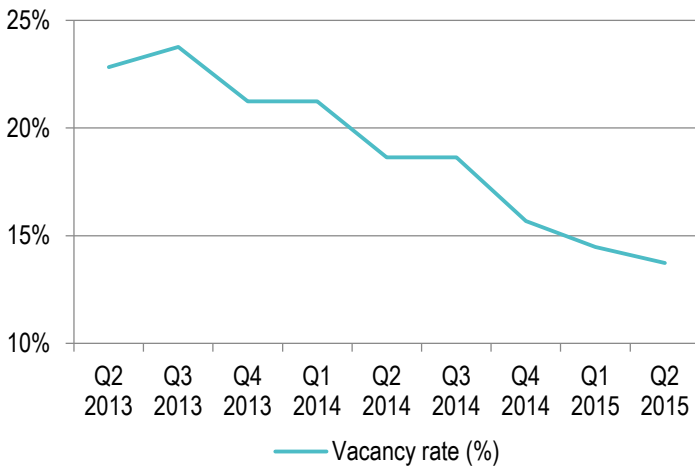
Stock / Supply



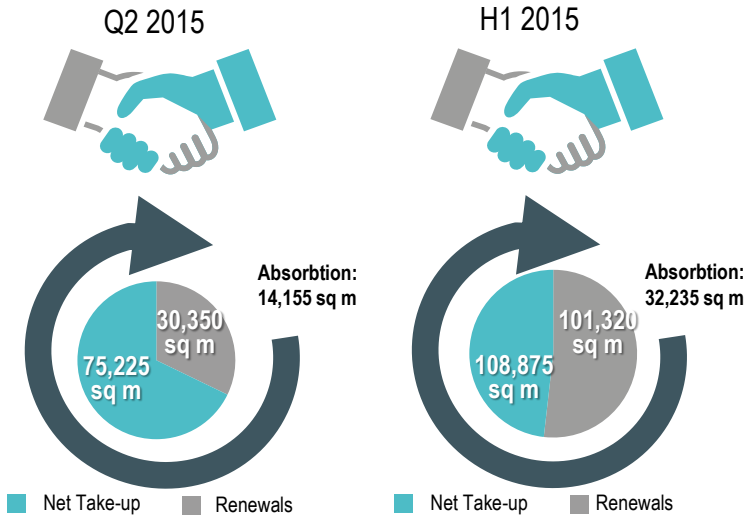
Average transaction size



Vacancy rate



Demand

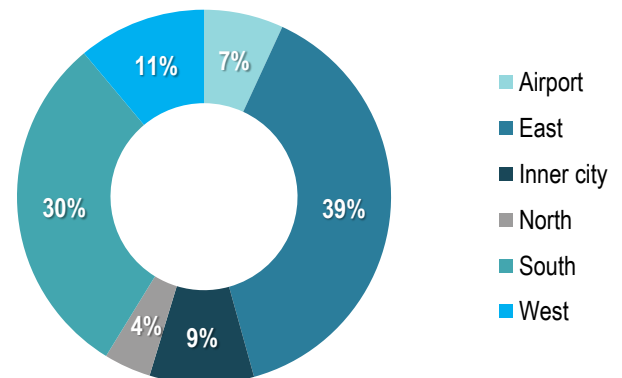


Key Transactions

Property	Size (sq m)	Type of transaction	Quarter
Alsónémedi, new scheme	22,000	BTS	Q2
ProLogis Park Budapest-M1	15,880	new	Q2
ProLogis Park Budapest-Gyál	14,420	renewal	Q1



Distribution of demand by submarkets H1 2015





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