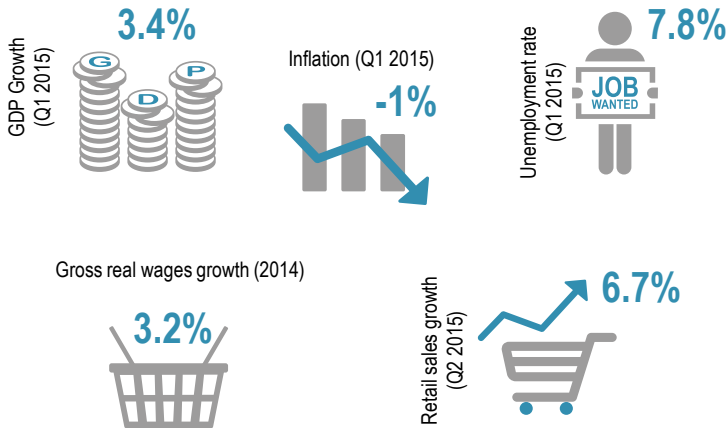


Budapest City Report

Q1 2015

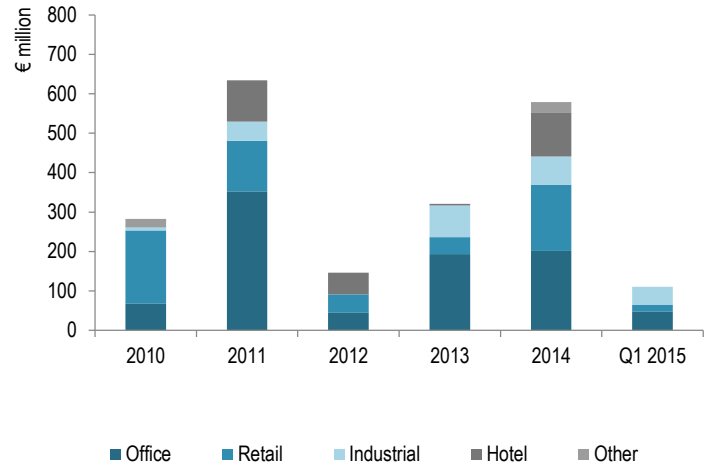


Economy

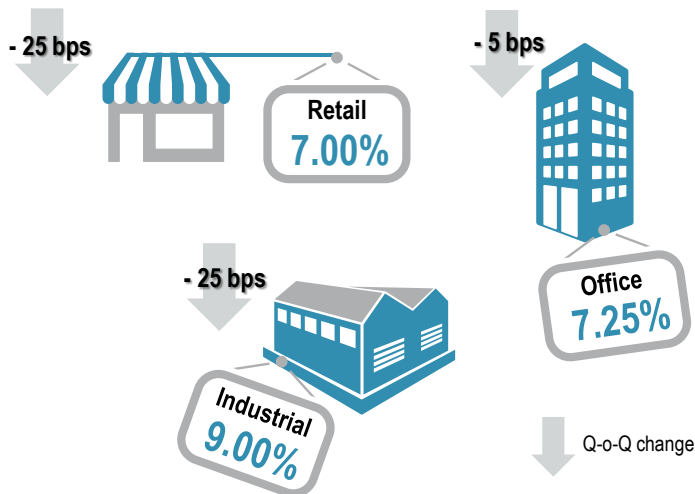


Source: Hungarian Central Statistic Office (KSH)

Investment Volumes



Prime Yields



Quarterly summary

- The first quarter of 2015 was active with the quarterly investment transaction volume reaching €110 million.
- Office and industrial assets were equally attractive representing circa 43% respectively of the total quarterly transaction volume, the remaining 14% was made up of retail asset deals.
- The general market sentiment is improving and market fundamentals are strengthening quickly, especially in the office and industrial sectors.
- The average ticket size is forecast to increase in 2015 taking the annual transaction volume to at least €750-800 million.

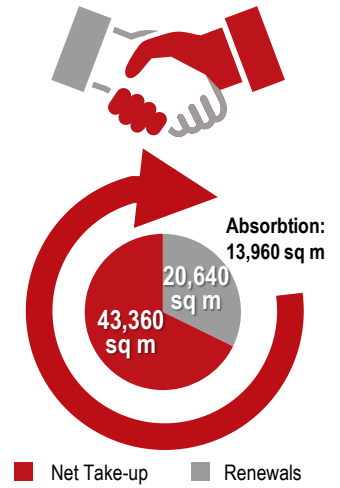
Key Transactions

Asset class	Property	Size (sq m)	Seller	Buyer
Industrial	M1 Business Park	69,000	CA Immo	ProLogis
Office	Vision Tower South	9,075	Futureal	ERSTE RE Fund
Retail	3 countryside shopping centres	37,400	Klepierre	Indotek
Industrial	Innové Business Park	19,000	Altan Beton	Diófa REIM

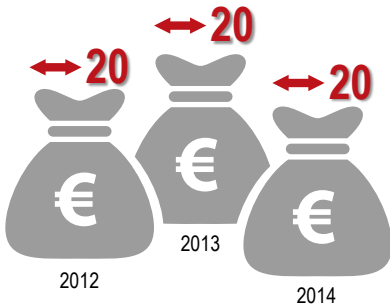
Quarterly summary

- There were no new office completions in Budapest in Q1 2015. After the annual stock revision of the Budapest Research Forum, the size of the modern office stock in Budapest stood at 3.23 million sq m.
- The improvement of the vacancy rate continued for the fifth consecutive quarter, declining by 50 bps q-o-q and 277 bps y-o-y. The rate dropped to 15.7%.
- The occupational market also showed improvement on the corresponding period of 2014. Gross take up increased by 12% whereas net take up grew by 17%.
- Net absorption nearly doubled on Q1 2014, amounting to just below 13,000 sq m.
- Prime rent remained stable at €20 sq m / month.

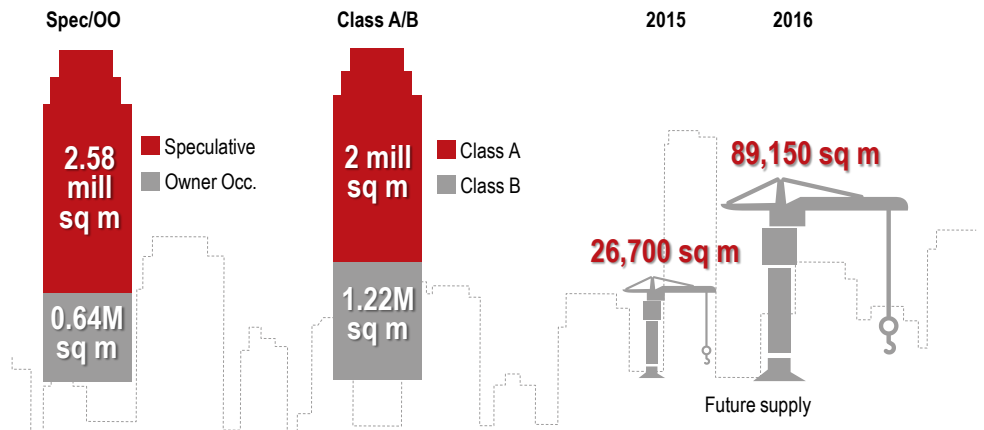
Demand



Prime Rents (€/sq m/month)



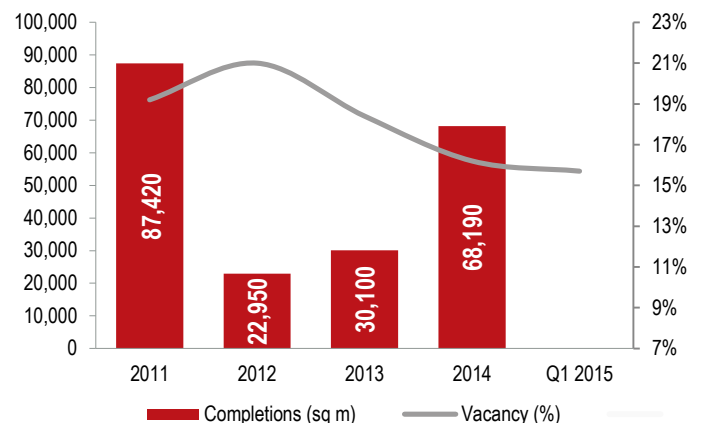
Distribution of existing stock and future supply



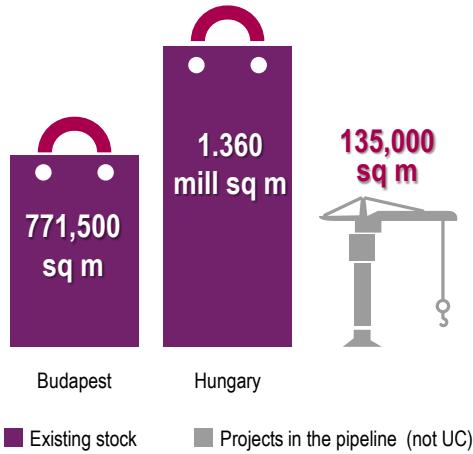
Forecast

- Various large corporates are forecast to commit to new space and increase employee numbers in the short term.
- The volume of new supply will remain limited with less than 30,000 sq m modern of office space to be delivered in 2015.
- The 2016 office pipeline is forecast to reach the highest volume since 2010 with nearly 90,000 sq m.
- Due to the current shortage of quality office supply, asking rents may start to improve. That said, office space remains extremely price-sensitive, particularly for financial and business service occupiers.

Vacancy rate and completions



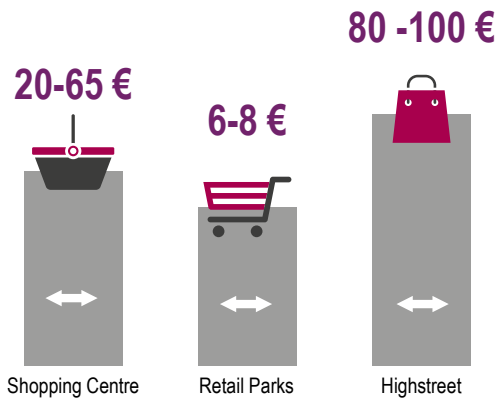
Shopping centre stock / supply (sq m)



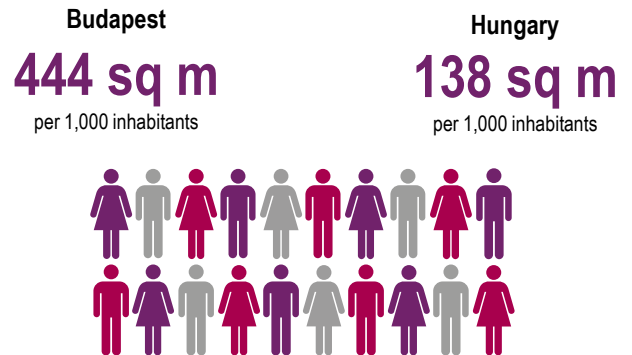
Quarterly summary

- Due to the improving macroeconomic environment, retail sales volumes have been rising in Hungary for 20 consecutive quarters.
- A new legislation, the Sunday closure of shops, took effect on 15 March. Consumer habits are likely to change drastically as a result of it, however the full extent of the changes are yet to be seen.
- In Q1 2015, the Hungarian shopping centre stock remained unchanged as no new completions were delivered.
- The total shopping centre stock in Budapest stands at 771,500 sq m in 25 assets (phased shopping centres account for one property), while the shopping centre density is equal to 444 sq m / per 1,000 inhabitants.
- The current national shopping centre stock (excl. Budapest) equals 541,000 sq m in 33 centres.

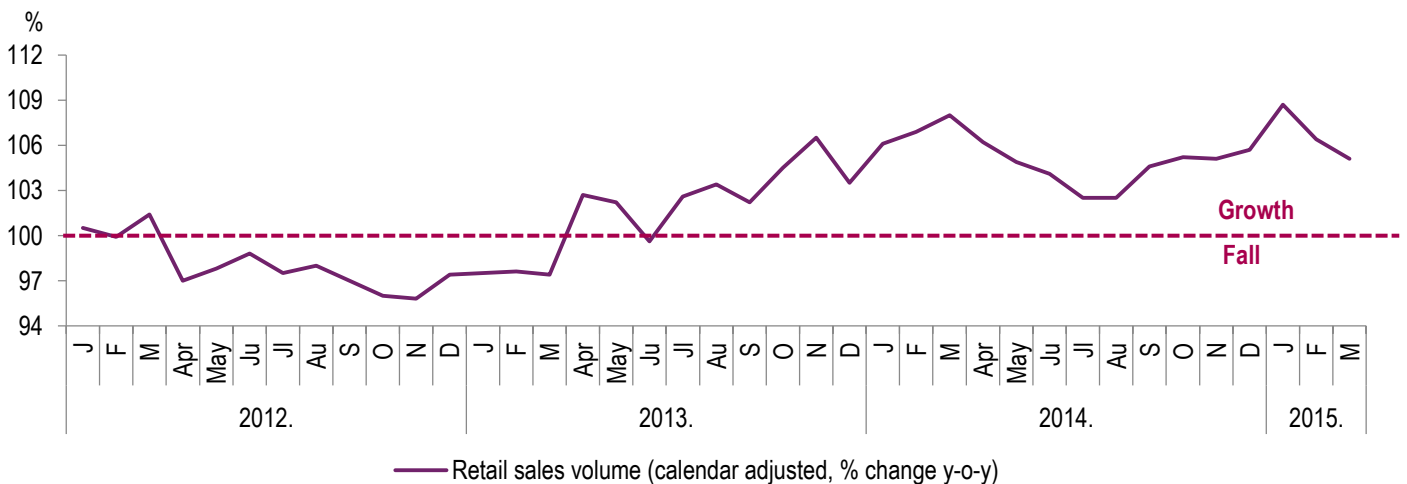
Typical rents (€/sq m / month)



Shopping centre density / 1,000 inhabitants



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

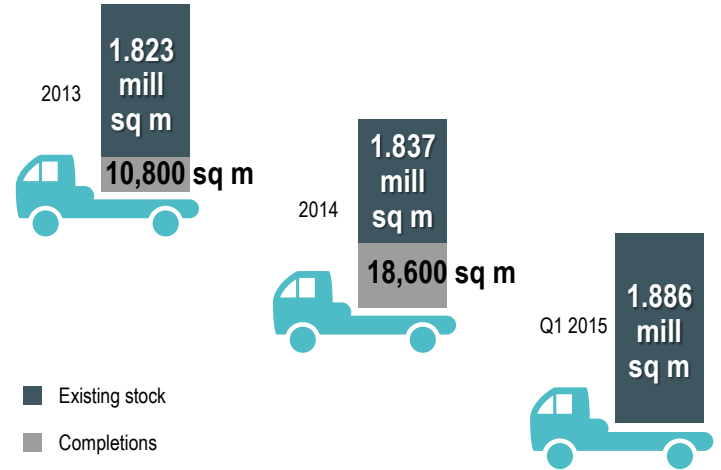


Source: Hungarian Central Statistic Office (KSH)

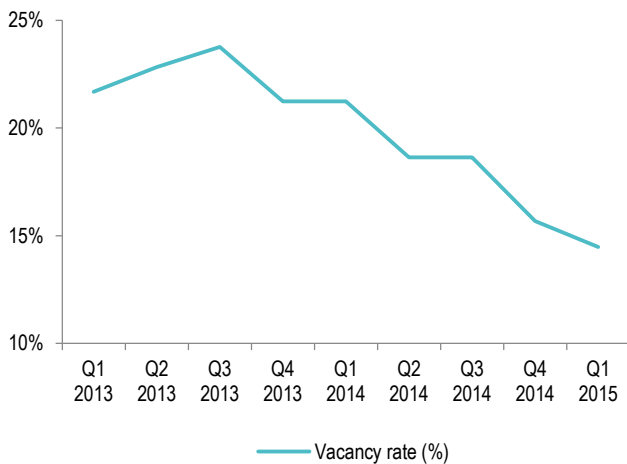
Quarterly summary

- There were no new warehouse completions in Budapest in Q1 2015. After the annual stock revision of the Budapest Research Forum, the size of the modern industrial stock stood at 1.886 million sq m.
- The improvement of the vacancy rate continued for the sixth consecutive quarter, declining by 120 bps q-o-q and 680 bps y-o-y. The rate dropped to 14.5%.
- Demand was mainly generated by renewals which had a share of 68% from the 104,620 sq m of gross take-up.
- Speculative development activity remains missing.
- The modern industrial supply shortage is forecast to translate into a slow rental increase later in 2015.

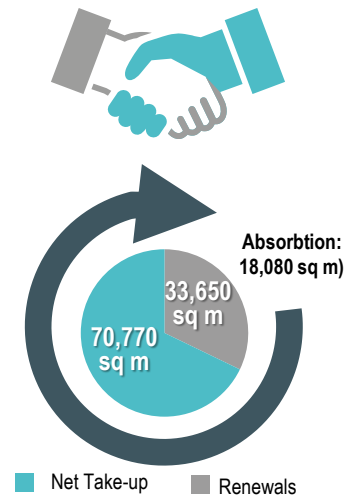
Supply / Stock (sq m)



Vacancy rate



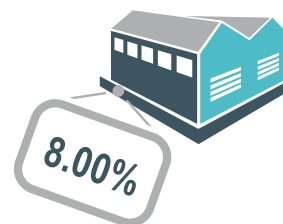
Demand



Key Transactions

Property	Tenant	Size (sq m)	Type of transaction
ProLogis Park Budapest-Gyál	Sauflon	14,420	renewal
ProLogis Park Budapest-Gyál	Nagel	12,170	renewal
ProLogis Park Budapest-Gyál	Cargo Partner	9,760	renewal

Industrial production growth (Q1 2015)



Source: Hungarian Central Statistic Office (KSH)



Ferenc Furulyas

Managing Director
+36 1 489 0202
ferenc.furulyas@eu.jll.com

Rita Tuza

Head of Research
+36 1 489 0202
rita.tuza@eu.jll.com

JLL Office

Szabadság tér 14.
1054
Budapest
Hungary
Phone number +36 1 489 0202