

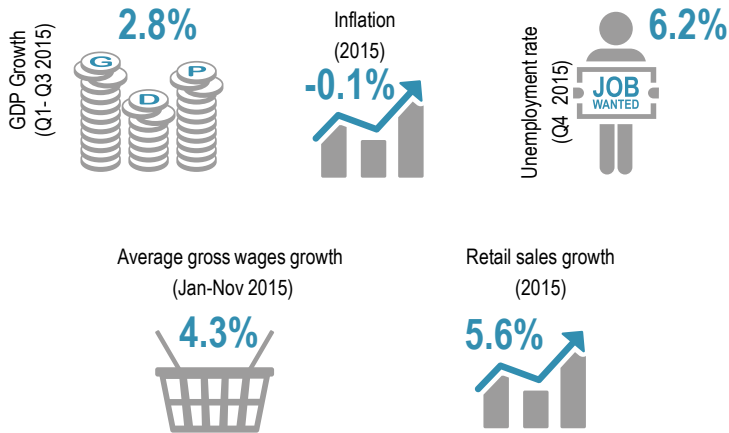
Budapest City Report



Q4 2015

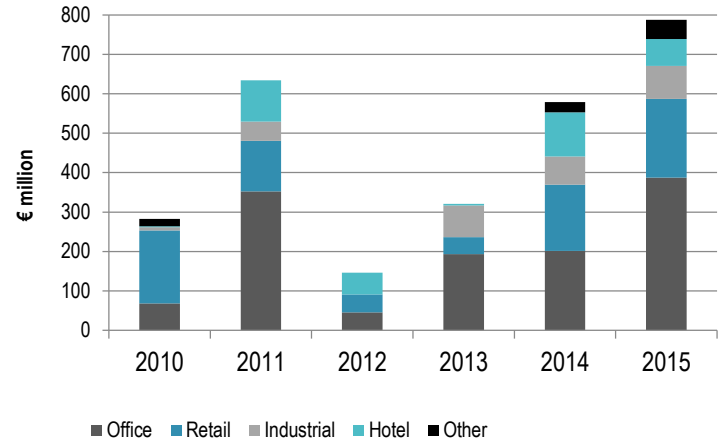


Economy

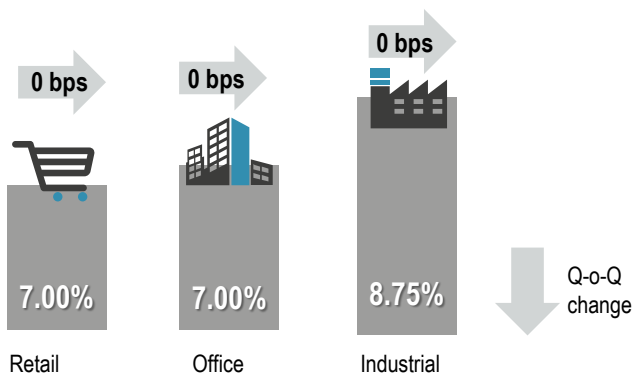


Source: Hungarian Central Statistic Office (KSH)

Investment Volumes



Prime Yields



Quarterly summary

- Similarly to Q3, portfolio transactions remained the key driver of Hungarian investment activity in Q4 2015.
- The quarterly transactional volume reached some €209 million, the second highest quarterly volume in 2015.
- The largest transactions of the quarter included the sale of Duna Tower Office building purchased by GTC and TPG's acquisition of TriGránit's share in the Millennium Tower office buildings.
- The annual transactional volume amounted to ca. €790 million, the highest volume since the peak of the market in 2007.
- Interest for Hungarian assets will further increase in 2016. We expect large platforms to be sold, as well as large ticket landmark buildings. Secondary debt trading will remain an essential part of the activity in 2016.

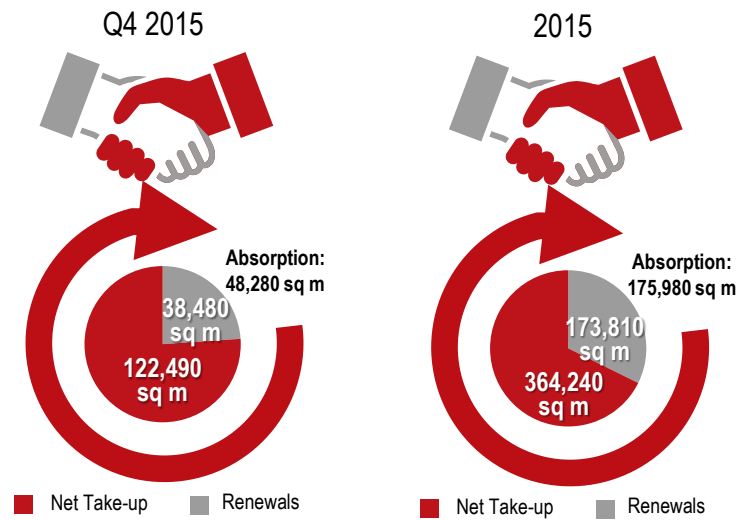
Key Transactions

| | Quarter | Asset class | Property | Size (sq m) | Seller | Buyer |
|--|---------|-------------|---------------------------------|-------------|-----------------|-------------------------------|
| | Q4 | Office | TriGránit portfolio (26% share) | 67,000 | TriGránit | TPG |
| | Q4 | Office | Duna Tower | 31,500 | Volksbank RE | GTC |
| | Q4 | Industrial | Üllő, Tatabánya | 40,500 | Raiffeisen Bank | CTP |
| | Q3 | Mixed | AEW portfolio | 84,700 | AEW | Morgan Stanley, WING, CC Real |
| | Q3 | Office | Infopark E | 17,000 | Bluehouse | Diófa REIM |
| | Q2 | Mixed | AVIVA portfolio | 42,000 | Aviva | Lone Star |
| | Q1 | Industrial | M1 Business Park | 69,100 | CA Immo | ProLogis |

Quarterly summary

- One new office building was delivered to Budapest in Q4 2015: a refurbished, fully let property of 3,020 sq m in the CBD.
- Three assets totalling 23,010 sq m were transferred to the owner occupied stock after being purchased by end-users.
- As a result of the changes, the size of the modern office stock in Budapest increased to 3.28 million sq m.
- Vacancy declined by 140 bps q-o-q and 410 bps y-o-y, dropping to 12.1%.
- Occupational markets became active again. Quarterly gross take-up amounted to 160,970 sq m whereas net take-up totaled 122,490 sq m. Pre-leases were one of the main drivers, representing 25% of the total leasing activity.
- Quarterly net absorption totalled 48,280 sq m, the second strongest quarterly level in 2015.
- A prime rental incline of 5% was recorded quarter-on-quarter, hence the prime office rental level increased to €21 sq m / month.

Demand



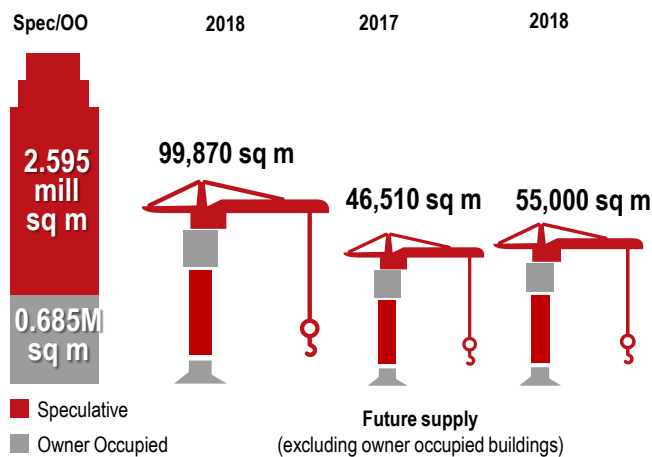
Selected leasing transactions in 2015

| Building | Tenant | Size (m ²) | Type of transactions | Quarter |
|-------------------|-----------------|------------------------|----------------------|---------|
| Magyar Telekom HQ | Magyar Telekom | 55,000 | Pre-lease | Q2 |
| Corvin IV | Nokia Networks | 25,000 | Pre-lease | Q2 |
| New HQ | confidential | 20,000 | Pre-lease | Q4 |
| Millennium Towers | Morgan Stanley | 16,900 | Renewal+ Expansion | Q3 |
| Graphisoft Park | SAP | 10,000 | Renewal | Q2 |
| Váci Greens B | confidential | 11,270 | Pre-lease | Q4 |
| IP West | British Telecom | 11,250 | Renewal | Q4 |

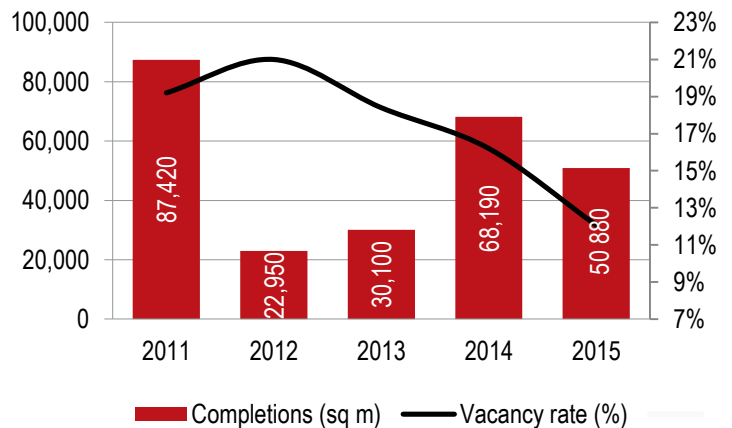
Annual summary

- In 2015, Budapest's modern office stock expanded by four buildings totalling 50,885 sq m. Out of this volume, 30,885 sq m included assets for letting purposes, while the remaining 20,000 sq m accounted for an owner-occupied headquarters.
- Annual gross take-up reached an all-time high of 538,050 sq m, reflecting a ca. 16% growth on 2014. Annual net take-up totalled 364,240 sq m, reaching a record peak, indicating a significant 45% growth on 2014.
- The largest transaction of the year was signed by Magyar Telekom, pre-leasing 55,000 sq m from WING, who will develop a new headquarters for the company by 2018.
- Vacancy declined constantly throughout the year and bottomed at 12.1% by the year end, representing the lowest rate since 2008.
- The high annual net absorption played an important role in the sharp fall of availability. The annual level reached a record high with 175,975 sq m, reflecting a 41% improvement on 2014.

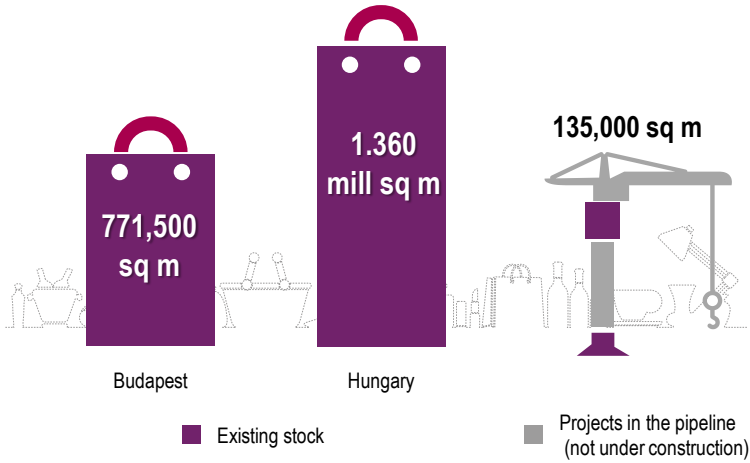
Distribution of existing stock and future supply



Vacancy rate and completions



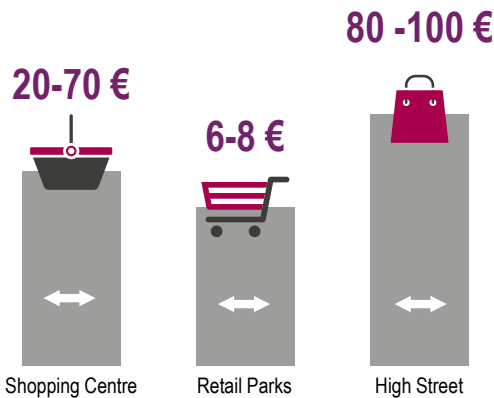
Shopping centre supply / stock (sq m)



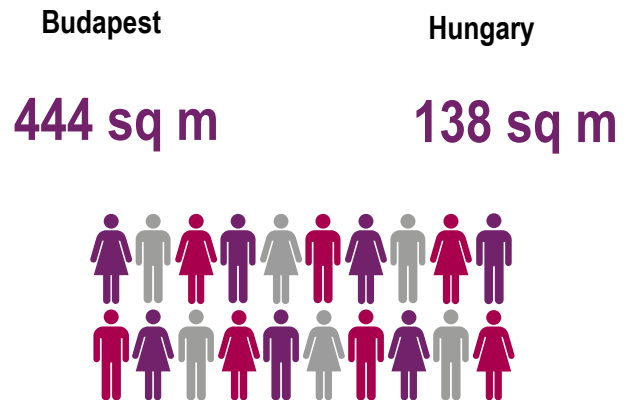
Quarterly summary

- According to preliminary reports, annual retail sales growth reached 5.6% in 2015, which is the highest rate since 2007.
- At the beginning of 2016, personal income tax was cut to 15%, boosting the disposable income of households and increasing consumer confidence.
- The total shopping centre stock in Budapest stands at 771,500 sq m in 25 assets. The size of the stock remains unchanged since 2013, when the last shopping centre expansion was delivered.
- Various new brands and retailers decided to enter the Hungarian market in late 2015. On Andrassy Avenue we have recorded the opening of Michael Kors's flagship store, together with Polo Ralph Lauren and Cos. Danish variety store, Tiger, opened its first Hungarian unit in Váci Street whereas the American cosmetics retailer, Kiehl's, opened its first Hungarian store in Westend Shopping Centre.
- Prime shopping centre rents increased by 8% quarter on quarter to €70/sq m/month.

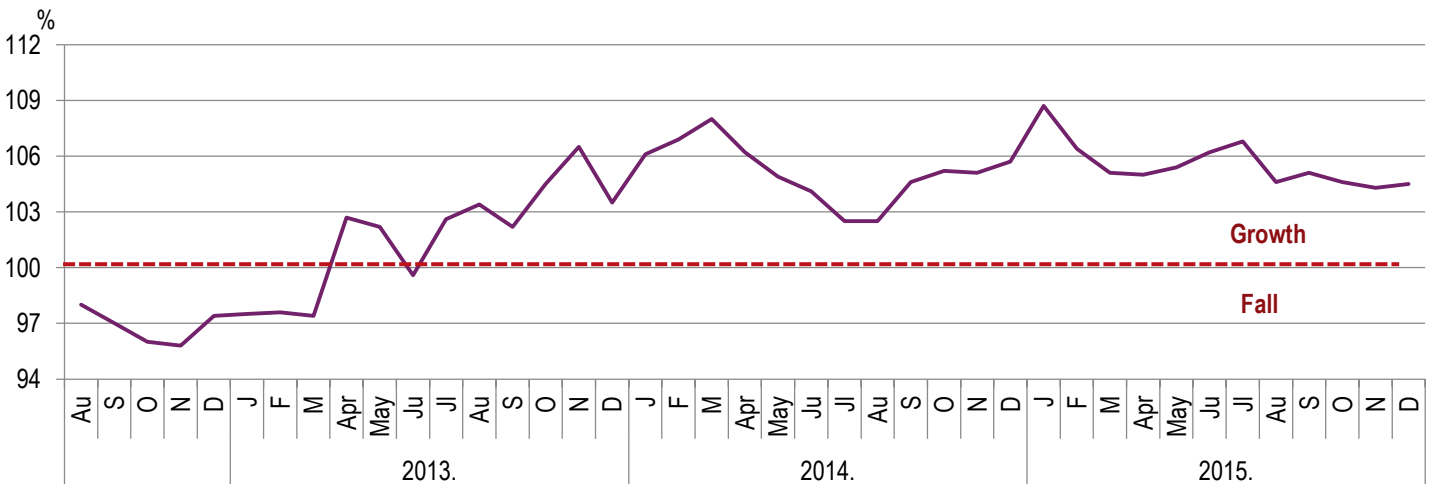
Typical rents (€/sq m/month)



Shopping centre density/ 1,000 inhabitants



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

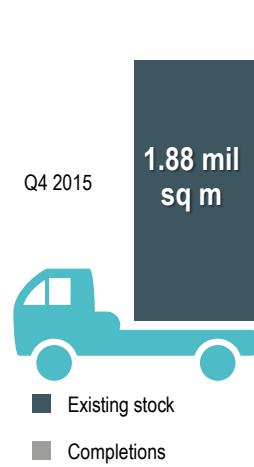


Source: Hungarian Central Statistic Office (KSH)

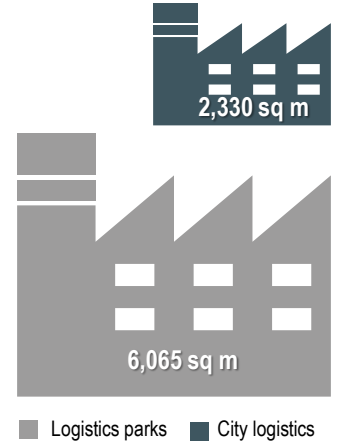
Quarterly summary

- In Q4 2015, the size of the modern industrial stock in Greater Budapest expanded by 39,340 sq m. At the Freeport of Budapest, a 5,000 sq m BTS warehouse was delivered for Ekol logistics, while Czech industrial developer, CTP, acquired a 34,340 sq m fully let warehouse, which was added to the stock. Therefore, the total size of the stock increased to 1.88 mill. sq m.
- The improvement of the vacancy rate continued, declining by 170 bps quarter-on-quarter and 505 bps year-on-year, dropping to 10.6%.
- The total quarterly leasing activity amounted to 81,190 sq m, out of which net take-up totalled 27,935 sq m, which was the lowest quarterly volume in 2015.
- The largest transaction of the quarter was a renewal of 24,820 sq m in Prologis Park Budapest-Sziget, whereas the largest new lease agreement was signed in Rozália Park for ca. 9,400 sq m by a manufacturing company.

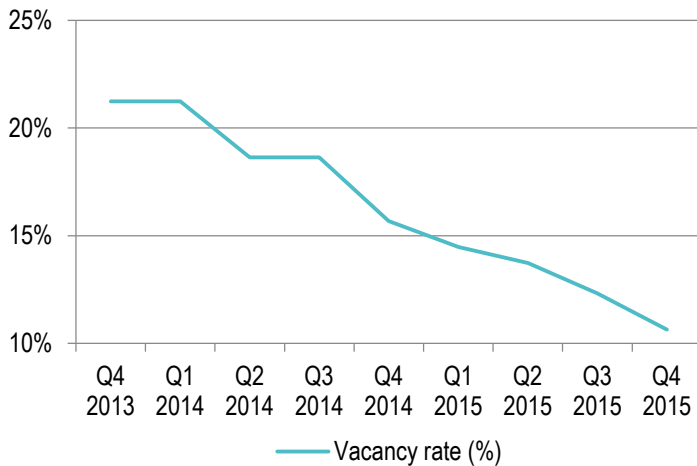
Stock / Supply



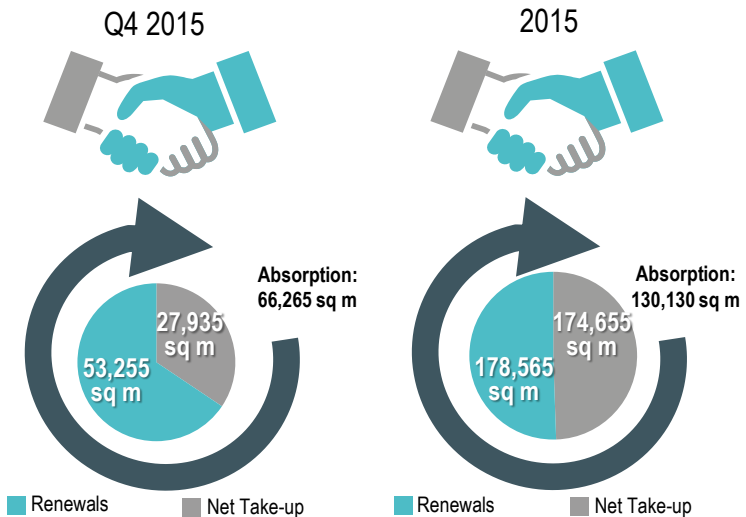
Average transaction size



Vacancy rate



Demand



Key Transactions in 2015

| Property | Size (sq m) | Type of transaction | Quarter |
|-------------------------------|-------------|---------------------|---------|
| Prologis Park Budapest-Sziget | 24,820 | Renewal | Q4 |
| Alsónémedi, new scheme | 22,000 | BTS | Q2 |
| Prologis Park Budapest-M1 | 15,880 | New | Q2 |
| Prologis Park Budapest-Gyál | 14,420 | Renewal | Q1 |



Annual summary

- There was only one new delivery in the Budapest industrial market in 2015; a 5,000 sq m warehouse at the Freeport of Budapest.
- Annual gross take-up totalled 353,220 sq m, indicating a slight, 8% drop on the 2014 volume. Roughly half of this volume accounted for renewals.
- Annual net take-up totalled 174,655 sq m, which was significantly below the 2014 volume.
- The largest transaction of 2015 was a renewal of 24,820 sq m in Prologis Park Budapest-Sziget signed in Q4, whereas the largest new transaction was a pre-lease agreement of 22,000 sq m.
- The vacancy rate declined continuously throughout the year, reaching 10.6% by the year end and representing the lowest level since the beginning of 2008. The volume of the vacant modern industrial stock totalled 200,280 sq m.



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