

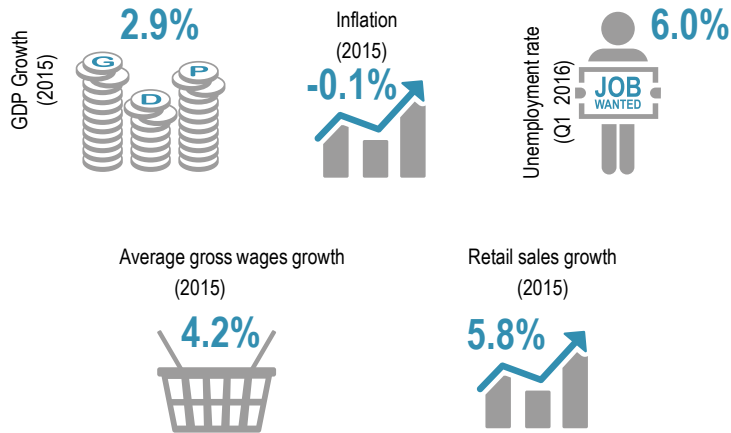
Budapest City Report

Q1 2016



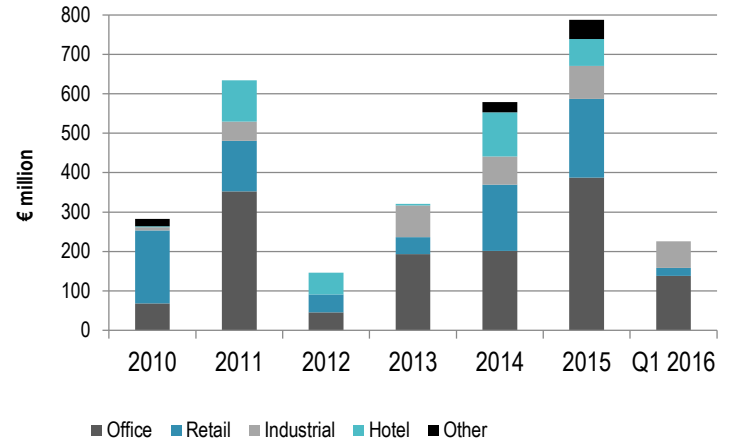
*City
Reports*

Economy

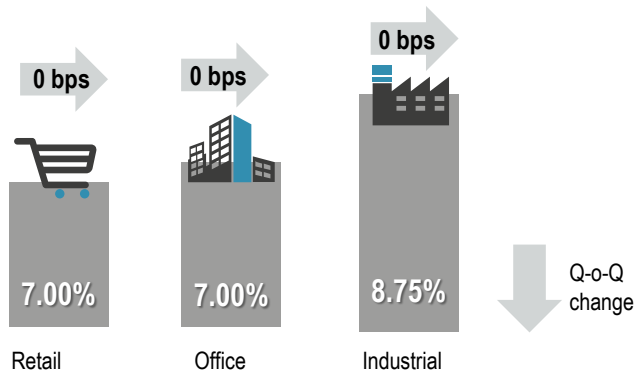


Source: Hungarian Central Statistics Office (KSH)

Investment Volumes



Prime Yields



Quarterly summary

- The quarterly transactional volume reached some €230 million, roughly twice as much as the volume of the corresponding period of 2015.
- The largest transactions of the quarter included the sale of Immofinanz's Hungarian logistics portfolio consisting of 5 assets. The portfolio was part of a regional platform, which was purchased by Blackstone.
- Office transactions represented 61% of the transactions, logistics assets had a share of 30% while the remaining part was made up of retail deals.
- Based on the current pipeline of deals, we expect further large portfolio deals to transact. It is highly likely that the 2016 annual volume will exceed €1 billion, which could be the highest volume since 2007.

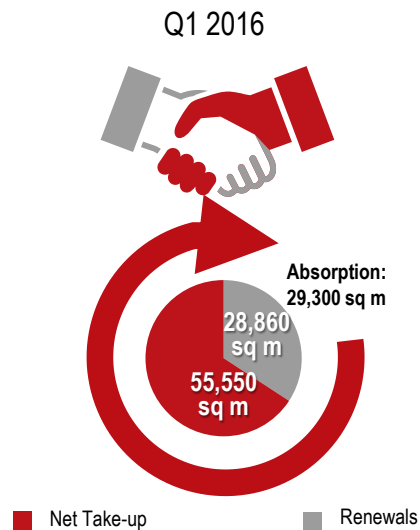
Key Transactions

	Quarter	Asset class	Property	Size (sq m)	Seller	Buyer
	Q1	Industrial	Immofinanz portfolio	107,000	Immofinanz	Blackstone
	Q1	Office	Váci Corner	21,150	HB Reavis	Zeus Capital Management
	Q1	Office	Office Garden II	16,800	GRT	ERSTE RE Fund
	Q1	Office	Infopark G	18,300	WING	Diófa REIM

Quarterly summary

- One new office building was delivered to Budapest in Q1 2016: the third phase of Váci Greens (25,600 sq m), partially pre-let to GE.
- The Budapest Research Forum did its annual stock revision at the beginning of the year. After the changes, the size of the modern office stock in Budapest stood at 3.295 million sq m.
- Vacancy declined by 75 bps q-o-q and 440 bps y-o-y, dropping to 11.3%.
- Occupational markets were very strong despite the fact that the beginning of the year is typically less active in terms of leasing. Quarterly gross take-up amounted to 84,410 sq m whereas net take-up totalled 55,550 sq m. New leases were the main drivers of the market, representing 47% of the total leasing activity.
- Quarterly net absorption totalled 29,300 sq m, twice as much as at the beginning of 2015.
- A prime rental incline of 5% was recorded quarter-on-quarter, hence the prime office rental level increased to €22 sq m / month.

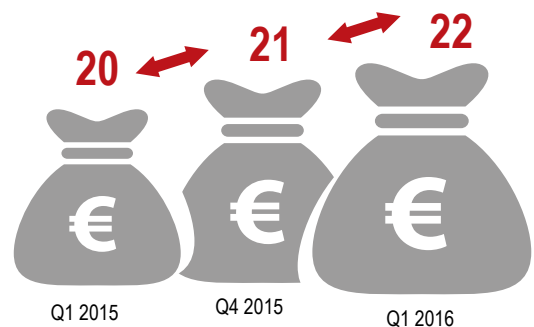
Demand



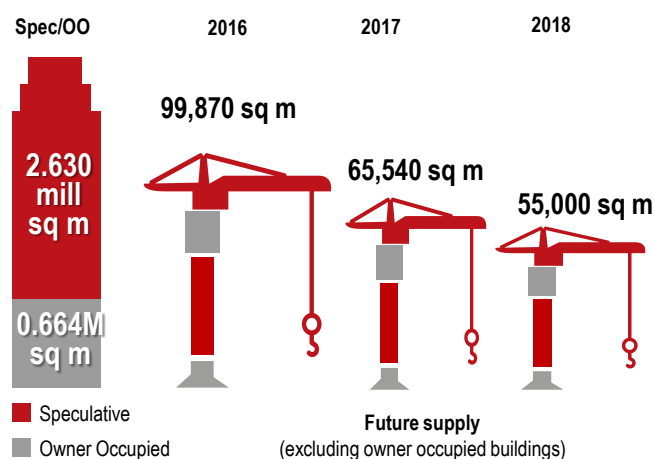
Selected leasing transactions in Q1 2016

Building	Tenant	Size (m ²)	Type of transactions
Váci Greens B	GE	3,670	Pre-lease
Millennium Tower III	MSD	2,500	Renewal
Office Garden I	Sophos	2,000	New+expansion
Átrium Park	McFit	1,890	New
Akadémia Business Center	confidential	1,555	New
Népliget Center	DHL	1,450	New

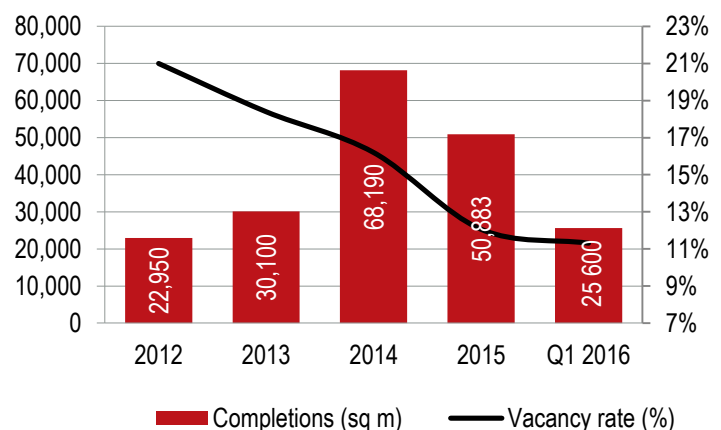
Prime Rents (€/sq m/month)



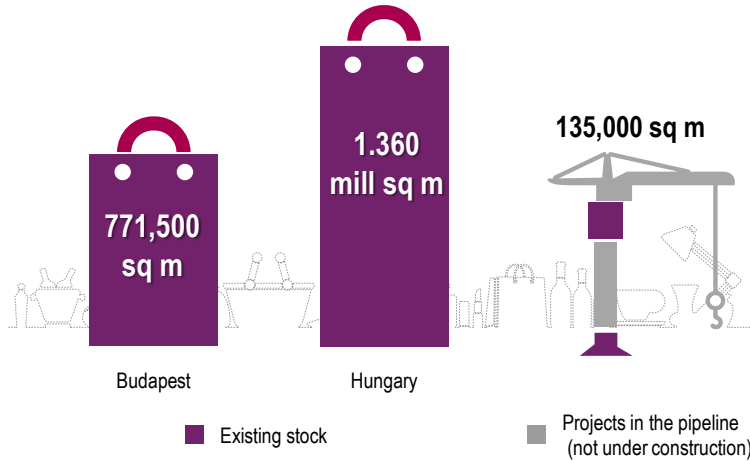
Distribution of existing stock and future supply



Vacancy rate and completions



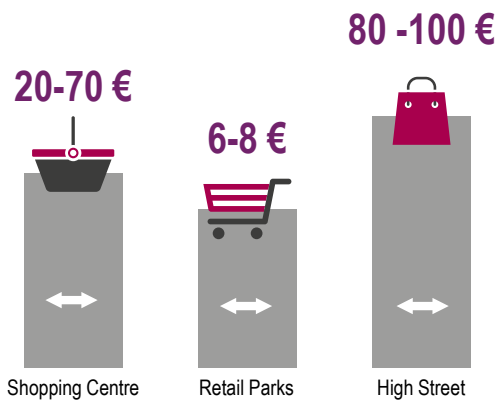
Shopping centre supply / stock (sq m)



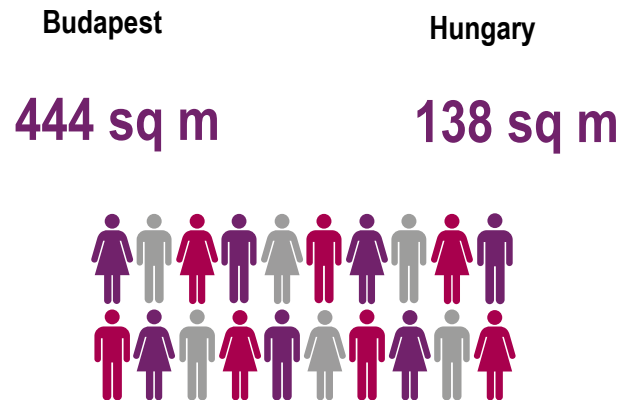
Quarterly summary

- Annual retail sales growth reached 5.8% 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.
- At the beginning of April, 2016 the Hungarian government abolished the legislation which prohibited Sunday trading. The law was introduced at the beginning of 2015, but was short-lived after most consumers criticized it and complained about its negative effects.
- Prime shopping centre rents stands at €70 sq m/month.

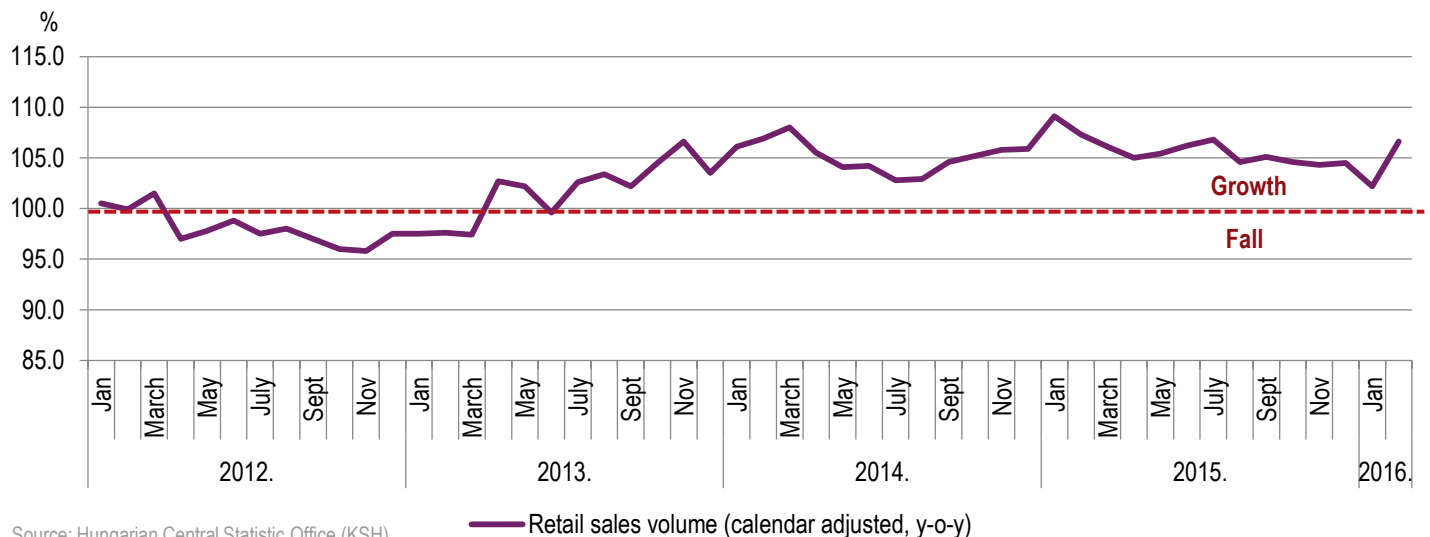
Typical rents (€/sq m/month)



Shopping centre density/ 1,000 inhabitants



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



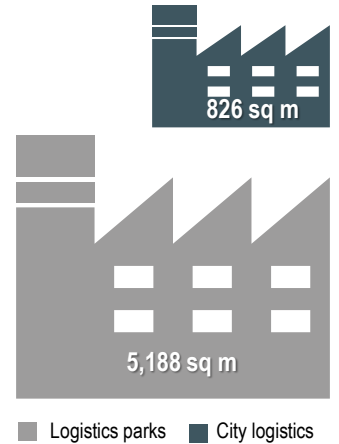
Quarterly summary

- In Q1 2016, the size of the modern industrial stock in Greater Budapest expanded by 22,000 sq m. VGP delivered its first Hungarian development in Alsónémedi, which is a BTS development for a logistics provider. Therefore, the total size of the stock stood at 1.88 million sq m.
- The improvement of the vacancy rate continued, declining by 206 bps quarter-on-quarter and 590 bps year-on-year, dropping to 8.6%.
- The total quarterly leasing activity amounted to 118,260 sq m, out of which net take-up totalled 31,270 sq m, which was roughly in line with the volume of the corresponding period of 2015.
- The largest transaction of the quarter was a renewal of 27,820 sq m in Prologis Park Budapest-Budaörs, whereas a BTS lease was concluded in Airport City for 7,400 sq m of warehouse and office space.

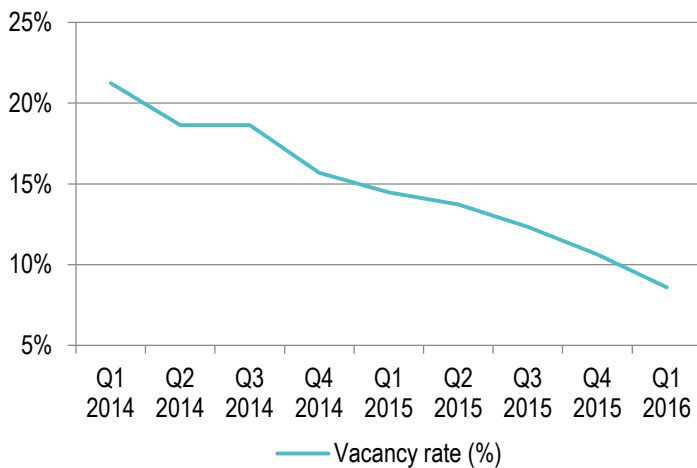
Stock / Supply



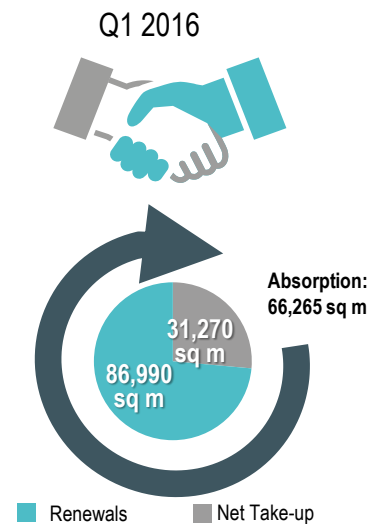
Average transaction size



Vacancy rate



Demand

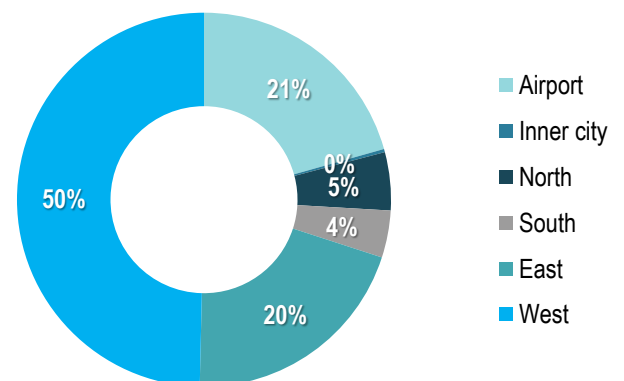


Key Transactions in Q1 2016

Property	Size (sq m)	Type of transaction
Prologis Park Budapest - Budaörs	27,820	Renewal
Prologis Park Budapest-Gyál	19,580	Renewal
Üllő Airport Logistics Center	17,000	Renewal
Prologis Park Budapest M1	10,760	Renewal



Distribution of demand by submarkets Q1 2016





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