HUNGARY

Industrial Market Snapshot

Second Quarter | 2017

MARKET INDICATORS

Market Outlook

Prime Rents:	Very limited available warehouse space is putting upwards pressure on rents for the best units.	
Prime Yields:	Yields could sharpen further as investor demand solidifies.	
Supply:	Existing new supply is practically fully pre-leased for 2017. It is expected that this will be followed by speculative developments breaking ground.	
Demand:	Pre-lease agreements and BTS activity is likely to accelerate in 2017 from tenants wishing to secure space for market entrance and expansions.	

Prime Industrial Rents – June 2017

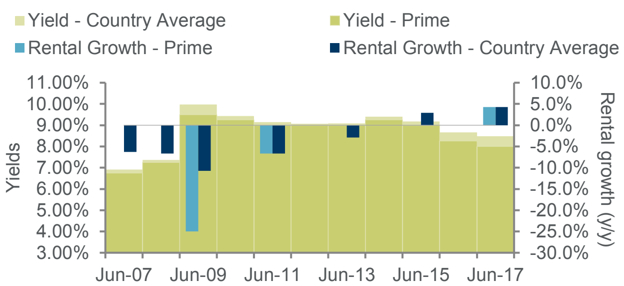
LOGISTICS LOCATIONS	€ SQ.M MTH	€ SQ.M YR	US$ SQ.FT YR	GROWTH % 1YR	GROWTH % 5YR CAGR
Budapest	3.65	43.8	4.54	4.3	0.8
Debrecen	3.50	42.0	4.35	0.0	0.0
Miskolc	3.50	42.0	4.35	0.0	0.0
Győr	3.50	42.0	4.35	0.0	0.0
Székesfehérvár	3.50	42.0	4.35	0.0	0.0

Prime Industrial Yields – June 2017

LOGISTICS LOCATION (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH	10 YEAR LOW
Budapest	8.00	8.00	8.25	9.50	6.75
Debrecen	9.75	9.75	9.75	12.00	7.50
Miskolc	9.75	9.75	9.75	12.00	7.50
Győr	9.25	9.25	9.25	10.00	7.00
Székesfehérvár	9.50	9.50	9.50	10.00	7.00

With respect to the yield data provided, in light of the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

Recent performance



Overview

The Hungarian industrial market closed a particularly strong quarter with record high demand and falling availability. The overall vacancy rate stood at 5.5% at the end of the quarter, which is the lowest level ever registered on the Budapest market.

After a strong first quarter in 2017, robust GDP growth of 3.6% is forecasted for 2017. GDP growth, together with continued monetary easing, will further strengthen the positive business sentiment. Labour shortages, however are putting pressure on the Budapest market in particular.

Occupier focus

Total leasing activity in Q2 reached a record high of 212,800 sq.m. However, the underlying lack of available relocation options, due to the absence of new speculative supply, has seen renewals account for 75% of the occupational activity. In fact, the largest transaction was a renewal with Waberer's committing for a new term on their 95,000 sq.m facility at BILK.

One new scheme was handed over in the quarter with a size of 8,800 sq.m. at BILK Logistics Park. Due to the high proportion the current pipeline being pre-leased and build-to-suit remaining virtually the only viable way of entering the market, supply still cannot match the requirements of new entrants and companies' expansion needs. Low vacancy rates and increasing construction costs have added to upwards pressure on rents; we have measured rental growth of 4.3% in this quarter and further increase is expected in 2017.

Investment focus

The industrial investment market recorded healthy activity levels in Q2, supported by the acquisition of a nine-asset portfolio by M7 and the acquisition of Rozália Park by CTP. Whilst yields remained stable over the quarter, yield hardening is expected as 2017 progresses due to increased competition for the best assets, which are scarce. This may force investors to divert their attention to stable countryside projects.

Outlook

Through 2017, the vacancy rate is expected to decline further albeit at a slower rate. Developers are beginning to assess speculative build options, but this is from a low base, and any schemes are expected to be absorbed with relative ease.

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. ©2017 Cushman & Wakefield LLP. All rights reserved.

Orsolya Hegedűs MRICS
Head of Research & Head of Consultancy
Deák Ferenc u. 15., Budapest, 1052, Hungary
Tel: +36 (06) 1 484 1357
orsolya.hegedus@cushwake.com
cushmanwakefield.com