

## HUNGARY

# Retail Market Snapshot

First Quarter | 2017



## Overview

After a slowdown in GDP growth in 2016, the Hungarian economy will accelerate in 2017, primarily driven by consumption, which is expected to rise 4.6% in 2017 after 5% growth in 2016. An increasingly tight labour market has resulted in a record-low unemployment rate and in significant wage pressures. High wage growth and subdued inflation are resulting in higher real earnings growth, which is likely to have exceeded 5% in 2016 and is expected to be around 4% in 2017.

## Occupier focus

Occupier demand for prime high street and dominant shopping centre locations remains strong and rents are under pressure to rise. This was already reflected through 10% year-on-year rental growth in prime high street retail and 6.7% year-on-year growth for rents in prime shopping centre locations. Whilst rents have remained unchanged over the quarter, prime rental levels are anticipated to increase further as 2017 progresses.

Landlords of existing shopping centres are concentrating on modernising or refurbishing their projects. Prime examples include Mammut and Shopmark (former Europark). Shopping centre development activity has remained limited during the last three years, but the significantly improved market conditions has motivated developers to commence a series of new schemes including the 37,400 sq.m IKEA retail warehouse in Budapest (due for delivery in Q2 2017) and the 53,000 sq.m Etele City Centre in Budapest (Q4 2019).

## Investment focus

Total retail property investment volumes in the first quarter of 2017 were above €210mn, represented by the acquisition of CBRE GI portfolio by CPI. Prime yields currently stand at 5.50%.

## Outlook

Looking ahead, investor interest in the Hungarian market is expected to increase further throughout the remainder of 2017, with a number of deals already well progressed through demand from international investors seeking prime shopping centres or retail parks. With investor interest picking up and more product coming to the market, a further hardening in prime yields is anticipated.

## MARKET INDICATORS

### Market Outlook

Prime Rents:	Further increase is expected in prime retail rents, with strong upward pressure on Váci utca.	▶
Prime Yields:	Further hardening in prime yields are anticipated across all sectors as activity picks up.	▲
Supply:	Limited new supply, with an IKEA retail warehouse is currently under construction completing in Q2 2017.	▶
Demand:	Strong occupier and investor demand for prime retail locations is set to persist.	▼

### Prime Retail Rents - March 2017

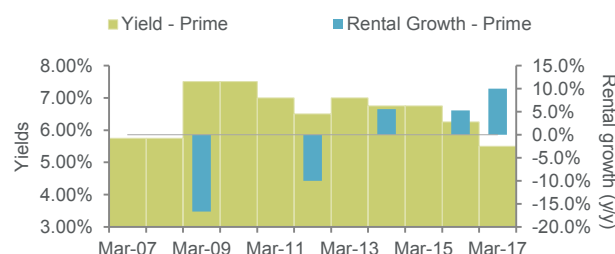
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Budapest (Váci utca)	110	1,320	133	10.0	4.1
Budapest (Andrássy út)	45	540	55	0.0	2.4
RETAIL PARKS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Budapest	8.00	96	9.7	6.7	0.0
Budaörs	7.50	90	9.1	7.1	-1.3

### Prime Retail Yields - March 2017

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Budapest (Váci utca)	5.50	5.50	6.25	7.75	5.50
Budapest (Andrássy út)	6.00	6.00	6.50	8.00	6.00
RETAIL PARKS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Budapest	7.50	7.50	7.75	8.50	6.25
Budaörs	7.50	7.50	7.75	8.50	6.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	6.00	6.00	6.50	7.50	5.50

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



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