

HUNGARY

Retail Market Snapshot

Fourth Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents: Upward pressure on prime high street and shopping centre retail. ▶
- Prime Yields: Further hardening in prime high street yields is anticipated as core investment opportunities remain limited. ▶
- Supply: Two schemes are under development. Remodelling of existing schemes is another trend of development. ▶
- Demand: Slowing occupier demand for prime retail locations. ▶

HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Budapest (Váci utca)	150	1,800	191	25.0	9.6
Budapest (Fashion Street)	120	1,440	153	n/a	n/a
Budapest (Andrássy út)	70	840	89	27.3	11.8
OUT OF TOWN RETAIL (RETAIL PARKS)	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Budapest	10.00	120	12.7	11.1	7.4
Budaörs	9.50	114	12.1	18.8	6.3

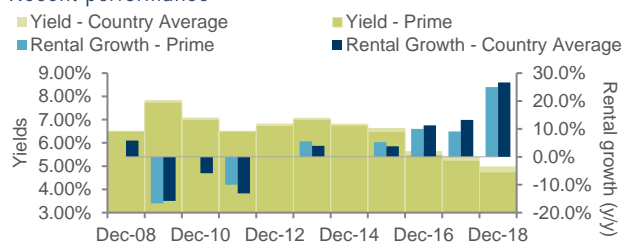
Prime Retail Yields – December 2018

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Budapest (Váci utca)	4.75	5.00	5.25	7.75	4.75
Budapest (Andrássy út)	5.50	5.75	5.75	8.00	5.50
OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Budapest	7.00	7.25	7.25	8.50	7.00
Budaörs	7.00	7.25	7.25	8.50	7.00
SHOPPING CENTRES (FIGURES ARE GROSS, %)	CURRENT	LAST	LAST	10 YEAR	
	Q	Q	Y	HIGH	LOW
Country prime	5.65	5.75	5.80	7.50	5.65

* New HS location added to the schedule as at Q1 2018

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

GDP is expected to grow 4.9% this year, one of the fastest in Europe. Private consumption remains an important driver of the economic growth, supported by a tight labour market and hikes in real wages. Indeed, the GKI consumer confidence index shows an optimistic last year and consumption growth is seen accelerating to 5.3% in 2018 from a level of 4.8% in 2017.

Occupier focus

A healthy albeit slowing expansion activity is seen from both international and local retailers. Due to current low availability levels however, rents are under upward pressure in prime locations and a 7.1% rental growth was measured in prime Váci utca high streets and 5.3% growth in prime shopping centres, quarter-on-quarter.

On the supply, there have been no new shopping centre openings, nor extension projects completed in 2018. Retail development activity however is accelerating. Gallery Center, a 4,500 sq m retail warehousing scheme in Mosonmagyaróvár will be completed in 2019 and Futureal's 54,000 sq.m Etele Plaza is under development and scheduled for delivery in Q4 2020. The extension of Campona Shopping Center is in planning phase as well.

Investment focus

The last quarter of 2018 saw a couple of countryside shopping centre investment transactions conclude, bringing the year-end total to in excess of €720 million in the retail sector - the best performance ever recorded.

The largest acquisitions in 2018 include the purchase of Mammut Shopping Center by Nepi Rockcastle and MOM Park Shopping Centre by OTP RE Fund.

Outlook

The outlook for retail property market is positive. As private consumption is improving, and Budapest has seen a growing number of tourists in the recent years, the importance of the F&B sector is improving, primarily in high street locations.

The rising cost of construction has put strong pressure on the development market in particular.

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