



HUNGARY

BUDAPEST

Steady occupational and investment improvements characterise Budapest office market



OCCUPATIONAL ACTIVITY DRIVEN BY LARGE PRE-LETS AGREEMENTS

Office take-up totalled 361,980 sqm representing a slight decline compared to 2018. Market activity remained concentrated in Váci Corridor, where 42% of the transactions was concluded. The second most important submarket for take-up is South Buda, accounting for 22% of the annual take up.

The appetite for brand new office areas is still high, the ratio of pre-let agreements grew by 10% compared to 2018 and accounted for 35% of the annual take up. Pre-lets are now an important market feature. Two of the largest deals were pre-let for over 20,000 sqm and the new office schemes delivered in 2019 had an 80% occupancy rate.

In 2019, 70,545 sqm of new office space arrived in the Budapest office market, which is 58% of the project pipeline thought viable in 2018. The volume of new developments for 2020 is 230,100 sqm and a further 325,250 sqm is expected to be completed in 2021. The ongoing developments mean that the size of the Budapest office market is going to exceed 4 million sqm by 2021.

With a modest level of new completions and high demand for modern office space, the vacancy rate in Budapest reached a historically low rate of 5.6% at the end of 2019. Based on the current trends we do not expect a considerable vacancy increase. Rising labour force and construction costs are encouraging rent levels to grow. Prime rents in the CBD increased moderately; however, in the other submarkets we registered a higher rental growth.

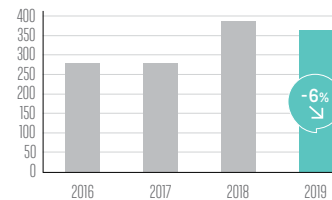
5.25%
OFFICE PRIME
YIELD IN
BUDAPEST

SOLID TRANSACTION ACTIVITY IN THE OFFICE SECTOR IS RESULTING IN YIELD COMPRESSION

The annual investment volume mirrored the levels recorded over the last three years indicating steady interest from buyers in Budapest real estate. Office properties continued to be the leading sector, accounting for 51% of the total investment volume in 2019. The prime transactions concluded over the year included GTC White House, Advance Towers, Váci Greens E and Roosevelt 7/8. Due to increased interest from buyers, compression occurred in prime office yields, dropping by 50 basis points to 5.25%. Hungarian property funds and private investors carried out most transactions.

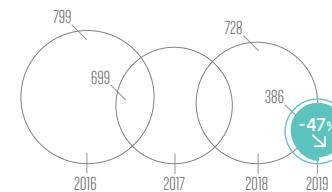
TAKE-UP

thousands of sqm

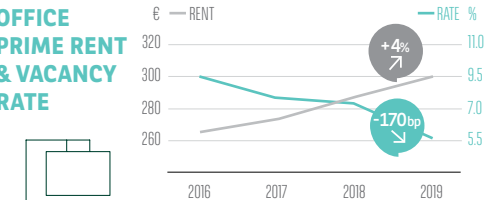


OFFICE INVESTMENT

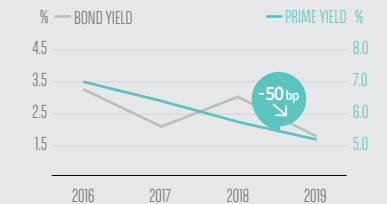
€ million



OFFICE PRIME RENT & VACANCY RATE



OFFICE PRIME YIELD & BOND YIELD



MAIN OFFICE TRANSACTIONS: LETTING & SALES

Occupier	Space (m ²)	Building-address	Submarket
Exxonmobil	27,300	Pillar	Váci Corridor
British Petrol	22,100	Agora Hub	Váci Corridor
thyssenkrupp Compotents	15,900	South Buda Business Park	South Buda

MAIN OFFICE TRANSACTIONS: INVESTMENT

Buyer	Price (€ m)	Building-address	Submarket
OTP Property Fund	confidential	Roosevelt 7/8	CBD
Warburg-HIH Invest	confidential	GTC White House	Váci Corridor
R AMC	41	Nordic Light Trio	Váci Corridor

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OFFICES IN EUROPE

Sustained office demand is creating historic lows in Europe's CBD vacancy rates

THE OFFICE MARKET REMAINS DYNAMIC IN EUROPE DESPITE A SLOWER ECONOMY

The European office market was still thriving in 2019, with take-up amounting to 12.73m sqm, barely 3% down on a very active 2018, and still well above the long-term average. Occupier momentum is still sufficiently great, even with economic slowdown, for many city markets to perform extremely well and achieve new highs in take-up. Records were broken last year in Milan (+25% vs. 2018), Rome (+60%), Brussels (+42%, best performance since 2007), Barcelona (+6%, best result since 2005) and Lyon (+33%). Another all-time high was in Berlin, where transacted volumes stood at 1.02m sqm (+22%). Berlin's result is the first time ever that any German city reported take-up in excess of 1m sqm. Berlin allowed the combined four main cities of the country to reach 2.93m sqm, despite a dip in Munich (-21%), Hamburg (-9%) and Frankfurt (-6%). Leasing activity in Central London slowed compared to 2018 (-18%) and was below its long-term average, despite the good demand from media-tech companies and the finance sector. The lack of deals for large units

TAKE-UP IN EUROPE AMOUNTED TO **12.73m sqm**

(> 5,000 sqm) hampered the market in Central Paris, which was 6% below its 2018 result. However, the overall demand level remained good in the French capital as take-up was above its 10-year average.

LOW VACANCY AND COMPETITION FOR THE BEST SPACE IS PUSHING UP RENTAL VALUES

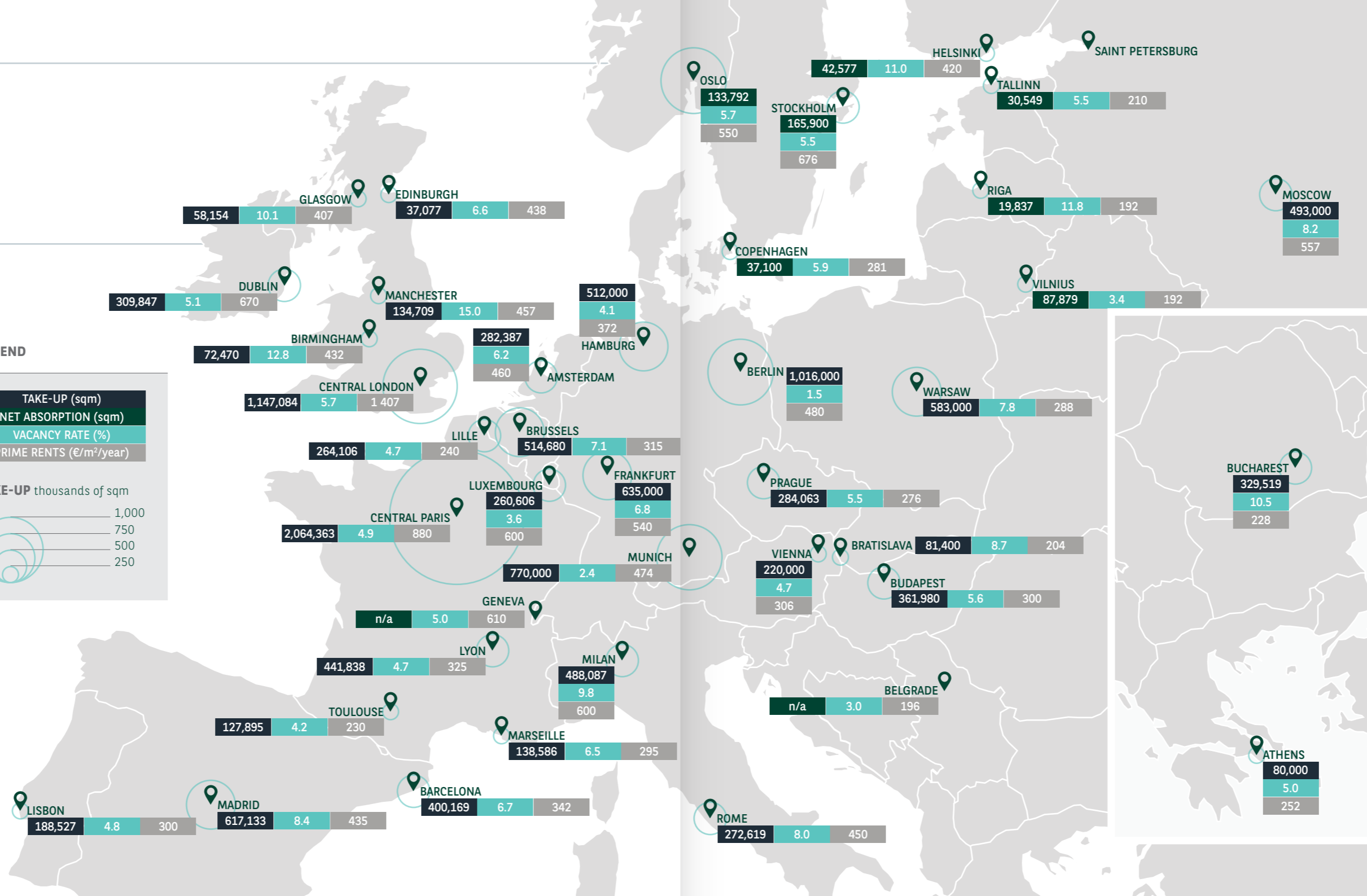
The overall office vacancy in Europe reached 5.8% at the end of 2019, 40 bps down on 2018. With only 1.5% of empty offices, representing 304,000 sqm, Berlin displays the lowest vacancy on the continent, followed by Munich (2.4%), Vilnius (3.4%) and Luxembourg (3.6%). Other markets saw important drops in vacancy year-on-year, such as Barcelona (-210 bps) and Budapest (-170 bps). It is unlikely that Europe will see large increases in vacancy over the next five years: the restrained construction pipeline and strength of demand mitigate against that scenario occurring.

The lack of supply pushed up prime rental values over 2019, especially for the prime assets located in the best-located business districts in Europe. Big increases in rents occurred in Lisbon (+19%), Berlin (+11%) and Barcelona (+10%), all among Europe's liveliest office markets.

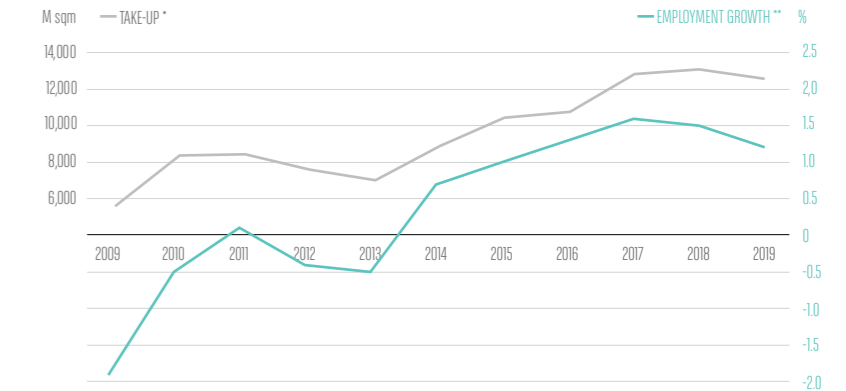
LEGEND

TAKE-UP (sqm)
NET ABSORPTION (sqm)
VACANCY RATE (%)
PRIME RENTS (€/m ² /year)

TAKE-UP thousands of sqm



EUROPEAN OFFICE DEMAND



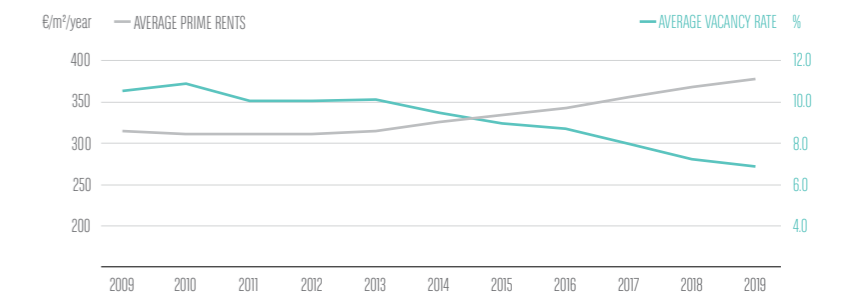
* 30 cities - ** Eurozone

TAKE-UP sqm



OFFICE TAKE-UP IN THE MAIN EUROPEAN CITIES REACHED 12.73m SQM, SLIGHTLY DOWN ON 2018.

EUROPEAN OFFICE PRIME RENT AND VACANCY (42 CITIES)



VACANCY RATE %



PRIME RENTS €/m²/year



THE VACANCY RENT CONTINUED TO DIMINISH ON AVERAGE IN THE MAIN EUROPEAN CITIES WHILE PRIME RENTAL VALUES INCREASED.

INVESTMENT MARKET

Investment in offices is still booming

MANY EUROPEAN CITIES POST NEW HIGHS FOR OFFICE INVESTMENT

The total commercial real estate investment volume in Europe reached €281bn in 2019, a 3% increase compared to 2018. Offices were the most sought-after asset with their share representing 47% of the total volume.

Central Paris remained the leading European city market by far, despite the lack of products for sale. Office investment of €20.6bn (+7% vs. 2018) comes from a high number of huge deals, with 57 transactions for over €100m signed in 2019. Investors from South Korea were particularly active in the French capital. Central London retained its second place despite a subdued market. The £13.8bn investment volume decreased 27% compared to 2018, falling to its lowest level since 2011. In contrast, Berlin saw €8.7bn invested in offices, more than twice the volumes of 2018. The increased activity is an outcome of the

€281bn
INVESTED
IN EUROPE
IN 2019

booming occupational market and higher construction activity, which provides more products for sale. Intense office investment activity was also recorded in Milan with €3.8bn (best year ever on record), in Dublin (+103% compared to 2018) and Stockholm (+56%) with more than €3bn each.

FURTHER COMPRESSION IN PRIME OFFICE YIELDS

In this context, prime office yields decreased again throughout Europe last year and stood on average at 4.22% (-26 bps vs. 2018) for the 40 markets analyzed in this report. Among the largest office markets, Berlin and Munich remained the most expensive in Europe, with the prime office yield at 2.60% (-10 bps), followed by Hamburg and Central Paris (2.80%). Geneva was the other market below 3%, with 2.90%. Significant yield compression occurred in Warsaw, Brussels, Prague, Amsterdam, Vienna and Budapest.

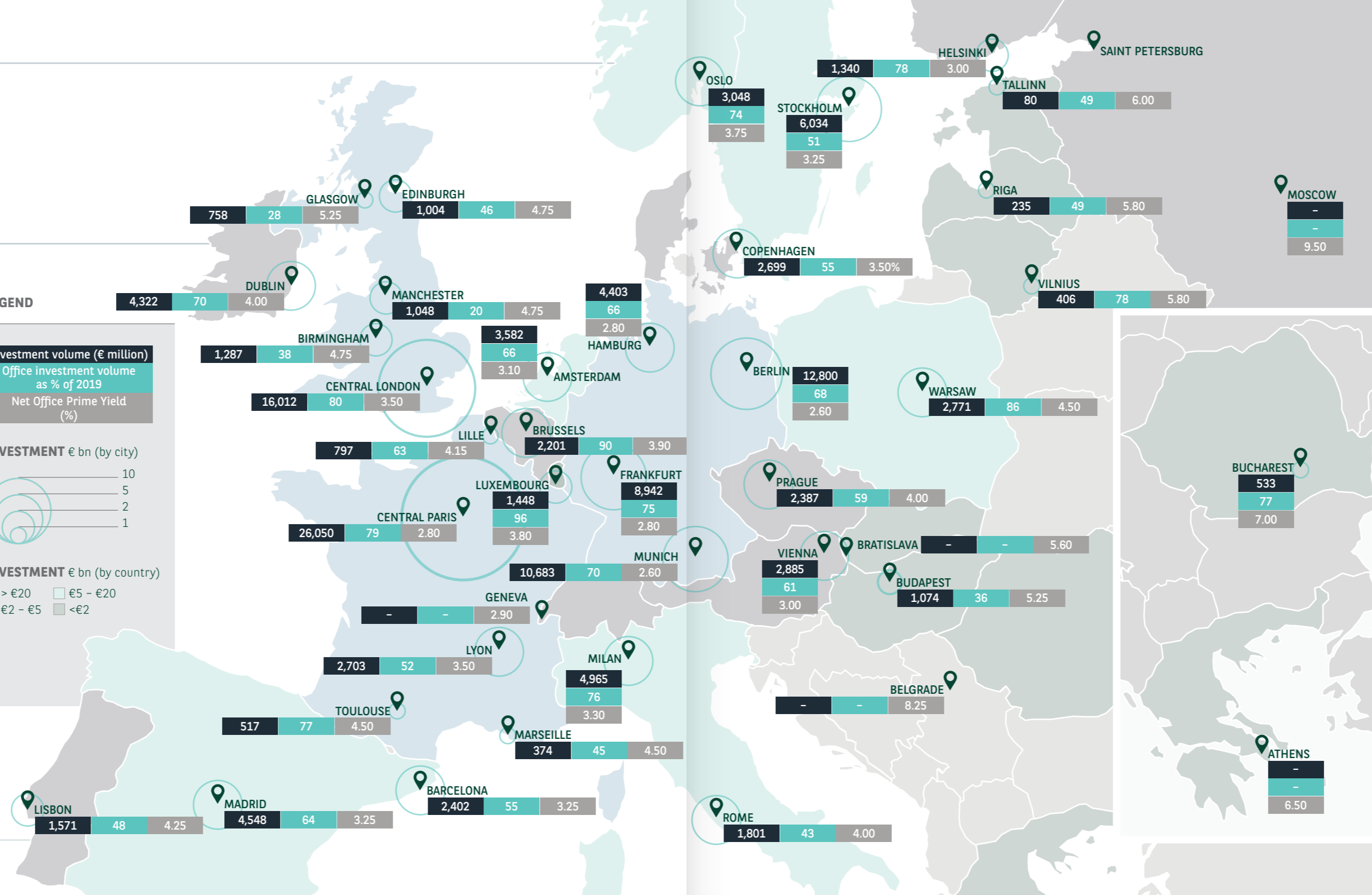
LEGEND

Investment volume (€ million)
Office investment volume as % of 2019
Net Office Prime Yield (%)

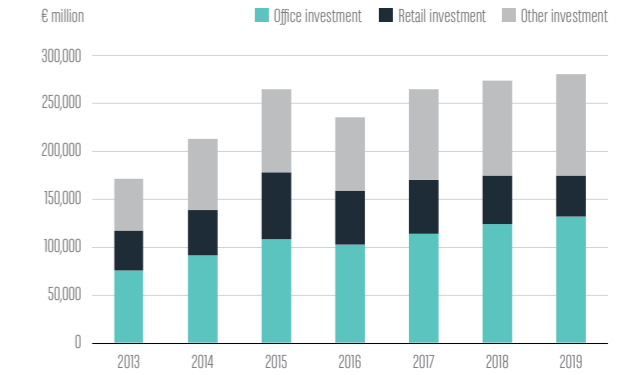
INVESTMENT € bn (by city)



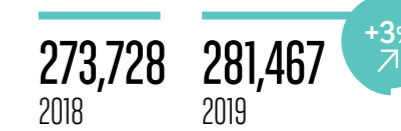
INVESTMENT € bn (by country)



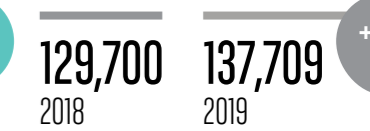
COMMERCIAL REAL ESTATE INVESTMENT VOLUME IN EUROPE



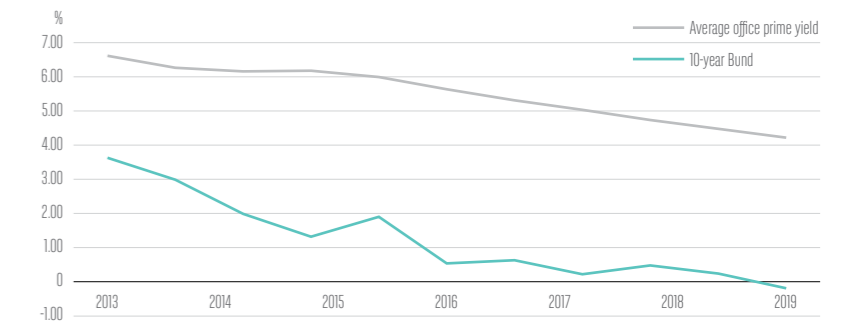
TOTAL INVESTMENT COUNTRIES



TOTAL INVESTMENT CITIES



EUROPEAN OFFICE PRIME YIELD VS 10-YEAR BUND



PRIME YIELD %



OFFICE PRIME YIELDS SAW FURTHER COMPRESSION DURING 2019, WITH BERLIN BEING THE MOST EXPENSIVE MARKET.

KEY FIGURES OFFICE MARKET

	Take-up (sqm)			Vacancy Rate (%)			Prime Rents (€/sqm/year)		
	2019	2018	2017	Q4 2019	Q4 2018	Q4 2017	2019	2018	2017
Central Paris	2,064,363	2,206,488	2,364,163	4.9%	5.5%	6.2%	880	850	850
Central London	1,147,084	1,400,461	1,177,744	5.7%	5.0%	6.2%	1 407	1 407	1 439
Berlin	1,016,000	831,000	913,000	1.5%	1.7%	2.0%	480	432	396
Munich	770,000	975,000	995,000	2.4%	2.3%	3.3%	474	468	444
Frankfurt	635,000	678,000	796,000	6.8%	7.4%	8.9%	540	528	492
Hamburg	512,000	563,000	613,000	4.1%	4.5%	5.1%	372	348	318
Warsaw	583,000	657,000	600,000	7.8%	8.6%	13.4%	288	270	264
Brussels	514,680	361,423	400,347	7.1%	7.9%	8.3%	315	310	310
Madrid	617,133	533,595	552,982	8.4%	9.6%	10.2%	435	420	372
Bucharest	329,519	292,019	322,100	10.5%	8.3%	8.9%	228	222	216
Milan	488,087	389,530	353,984	9.8%	10.6%	11.7%	600	590	550
Prague	284,063	340,504	398,053	5.5%	5.1%	7.5%	276	264	252
Vienna	220,000	270,000	175,000	4.7%	5.3%	5.2%	306	306	318
Amsterdam	282,387	377,798	407,379	6.2%	7.2%	10.3%	460	425	410
Lyon	441,838	331,910	270,426	4.7%	5.5%	6.0%	325	300	300
Barcelona	400,169	354,569	304,345	6.7%	8.8%	10.1%	342	312	282
Budapest	361,980	385,787	278,484	5.6%	7.3%	7.5%	300	288	276
Dublin	309,847	359,480	342,595	5.1%	6.4%	8.1%	670	670	650
Lille	264,106	277,691	212,747	4.7%	4.7%	4.3%	240	240	230
Stockholm*	165,900	180,750	184,000	5.5%	5.5%	6.0%	676	648	573
Luxembourg	260,606	247,882	204,351	3.6%	3.7%	4.6%	600	600	600
Bratislava	81,400	106,100	117,000	8.7%	6.0%	6.2%	204	198	192
Toulouse	127,895	177,888	161,773	4.2%	4.7%	5.4%	230	220	220
Helsinki*	42,577	62,416	61,128	11.0%	12.0%	14.0%	420	396	372
Lisbon	188,527	206,428	166,980	4.8%	5.8%	8.6%	300	252	246
Rome	272,619	172,529	217,854	8.0%	8.7%	8.1%	450	440	420
Manchester	134,709	163,649	112,227	15.0%	11.7%	14.3%	457	438	425
Marseille	138,586	124,634	145,287	6.5%	6.1%	5.9%	295	320	320
Geneva*	n/a	n/a	-80,540	5.0%	4.8%	3.4%	610	620	630
Vilnius*	87,879	36,201	74,001	3.4%	3.7%	3.4%	192	192	192
Edinburgh	37,077	68,019	93,898	6.6%	7.5%	8.8%	438	425	413
Athens	80,000	70,000	59,000	5.0%	8.0%	9.5%	252	250	250
Copenhagen*	37,100	-77,778	189,478	5.9%	6.0%	5.7%	281	268	261
Birmingham	72,470	70,155	93,374	12.8%	12.4%	13.5%	432	413	413
Glasgow	58,154	91,829	46,155	10.1%	9.5%	11.0%	407	406	388
Oslo*	133,792	134,093	19,108	5.7%	5.9%	7.1%	550	506	485
Tallinn*	30,549	76,230	5,893	5.5%	6.9%	8.5%	210	210	210
Riga*	19,837	17,149	20,210	11.8%	6.0%	6.6%	192	192	186
Belgrade*	n/a	n/a	n/a	3.0%	4.0%	6.0%	196	n/a	198

NOTE *: Net absorption instead of take-up

Constant Exchange Rate (Q4 2019 average) €/£: 1.1620 - €/CHF: 0,9124 - €/DKK: 0.1339 - €/SEK: 0,0939 - €/NOK: 0,0991

6 BUSINESS LINES in Europe

A 360° vision

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