Property Investment Market Report

Hungary 2023 FY

AVISON YOUNG

2023 FY Investment Market Report

Investment volume in 2023 has continued to decrease, reaching only 56% of the 2022 volumes and standing below the €500 million level. Geographically, investments remain concentrated in Budapest (75% of total) due to the over-weight of the office asset class (66% of total) and the limited transactions in the retail and logistics segments. It is worth noticing that 2022 volumes were driven by one large portfolio transaction representing 23% of the total volumes which skewed the basis.

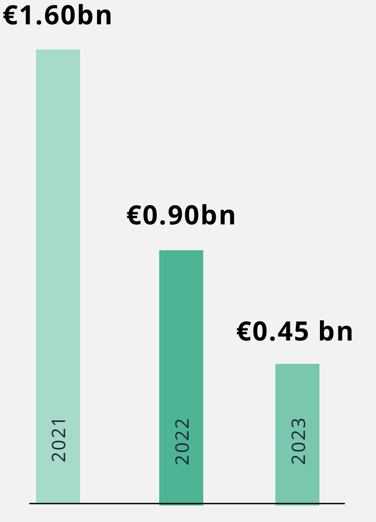
Beyond the 65% driven by office transactions, retail share shrunk significantly from 32% to 13% of total.

The largest Budapest transactions of the year were the disposal of the Váci Corridor 25,900 sq m H2Offices Phase 1 by Skanska to Erste RE Fund and the disposal of Roseville by Atenor to a private Hungarian investor. Outside of Budapest, the most important investment was the acquisition of Forest Offices by the University of Debrecen getting in possession of the 20,000 sq m office building.

While the gap between sellers' and buyers' expectation remain significant, adjustments in end of year valuations should help to gradually close the gap it in the coming months.

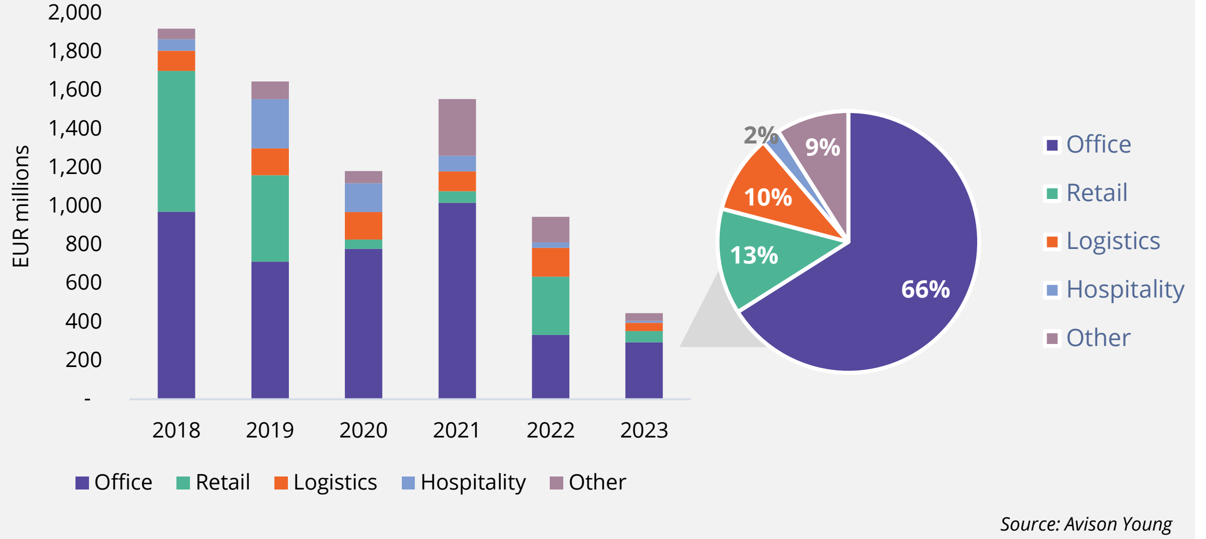
Note: Intra-group and related party transactions are not included in the total

Transaction volumes 2021-2023



Source: Avison Young

Is the dominance of office returning?



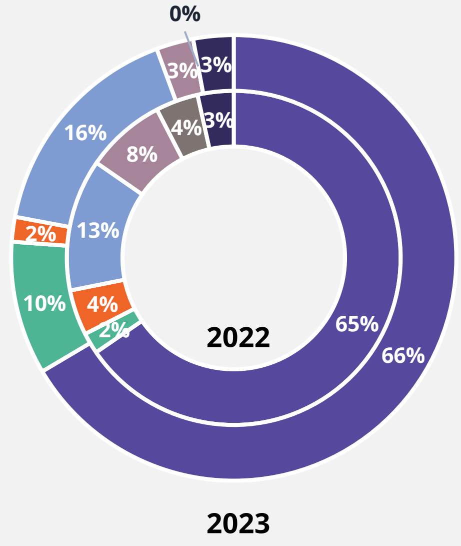
Source: Avison Young

Pricing and capital sources

Despite the few deals closed by international buyers, the weight of local capital remains stable at around 2/3 of the total volume.
While cash flows remain strong due to high indexation levels, yield decompression has pushed property values down across all sectors in 2023. Yields were pushed by rising interest rates, a tightening of lending requirements and the general risk aversion of investors. This repricing which started in 2022 and run through 2023 is expected to continue into 2024. Sellers are focusing their efforts on potential transactions with cash reach buyers able to purchase full equity with the potential to refinance once the debt markets are re-opening.

Due to the difficulties of sourcing debt from banks, in particular for development or value-add transactions, alternative lenders have an opportunity to become more active.

Local Capital remains the driving force on the market



Source: Avison Young

6.75% **Office**

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7.00% **Retail (Strip Mall)**

Main transactions of 2023

Asset	Sector	Size (sq. m)	Buyer	Seller
Development Plot Törökbálint	Other	270,000	IAD Investments	Panattoni
Electrolux Factory	Logistics	68,000	Qvantum	Electrolux
South Buda Business Park	Office	24,500	ILAG	GLD
Forest Offices	Office	22,000	University of Debrecen	GTC
Kanizsa Centrum	Retail	20,800	Appennin	Equilor
Vizivaros Office Center	Office	14,200	FLE	CA Immo
Zone Park	Retail	13,600	Appennin	Equilor
H2Offices	Office	13,500	Erste Real Estate	Skanska
Agora Phase 2 plot	Other	13,000	MBH Bank	HB Reavis
Zone	Retail	10,000	Appennin	Equilor
Hattyúház	Office	8,200	Indotek	Appenin

Source: Avison Young

What to expect in 2024?

Real estate fundamentals had deteriorated significantly but are expected to pick up throughout 2024. A quiet first semester is anticipated due to the lack of debt financing and market uncertainty. Price corrections are now ongoing across all asset classes and are expected to continue in 2024. We expect this adjustment phase to take shape in the first semester of 2024 with subdued volumes. The collapse of inflation levels through Europe, the stabilisation of euro rates in early 2024 and the forecast for their a reduction in the second half are generating expectations for a better end of year.

The importance of renovations and brownfield investments will increase, with the emphasis being on upgrading existing stock to new standards, reducing the carbon footprint and possibly repurposing properties. ESG importance will keep growing for investors and occupiers in 2024 and will become a more critical element in the pricing of assets, as the overwhelming majority of market players will adopt these elements in their future projects.

Despite all the existing challenges, some cash-on-cash driven investors are taking long positions using the current market lull as a good (re-)entry opportunity.

Get more market information

Benjamin Perez Ellischewitz
Principal
+36 70 333 1818
benjamin.perez-ellischewitz@avisonyoung.com

AVISON YOUNG