AVISON YOUNG

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H1 2021

Budapest

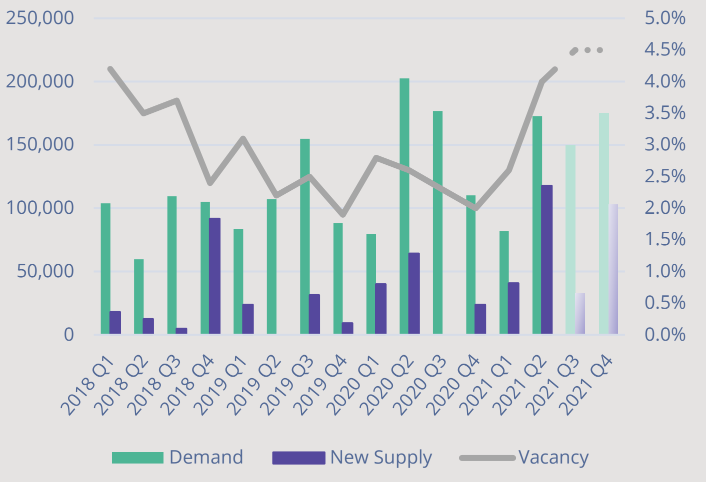
Industrial & Logistics Market Tracker

Highlights

- The Budapest industrial stock reached 2.54 million sq m with more than 155,000 sq m delivered in H1 2021.
- The pipeline of deliveries for H2 2021 and 2022 stands above 250,000 sq m.
- Vacancy increased to 4% (from a low of 2.0% at the end of 2020) but large vacant spaces remain very scarce and large occupiers still need to commit to pre-lease.
- Strong demand of 255,000 sq m in H1 2021 with an exceptional level of 60% pre-leases illustrates the strong dynamics of the market.

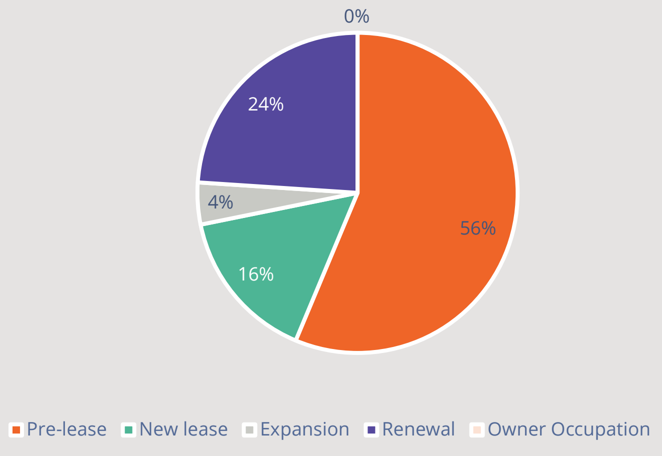
TOTAL LOGISTIC STOCK (SQ M)	NEW SUPPLY H1 2021 (SQ M)	VACANCY RATE	UNDER CONSTRUCTION / REFURBISHMENT (SQ M)
2.54 million	**155,000**	**4.0%**	**380,000**

New Supply, Demand and Vacancy
sq m, %



Source: Avison Young, BRF

Demand Structure H1 2021



Source: Avison Young, BRF

Prime headline rents (€/sq m/mth)

Logistic Parks	4.25-4.50
City Logistics	4.50-5.25

Source: Avison Young

Industrial Leasing

During the first semester of 2021, the industrial and logistic market continued performing in line with the excellent pattern of 2020 as demand remained very robust with a total take-up of 255,000 sq m. New supply, while increasing significantly, at 163,000 sq m, was largely absorbed by the market but impacted with a small uptick in vacancy rates, increasing to 4.0% from the bottom of 2.0% witnessed at the end of 2020.

The scarcity of large vacant units is forcing tenants to commit to pre-leases which represented some 56% of the leased areas in the semester while renewals accounted for 24% of the total take-up in H1 2021 and new leases for 16%.

Additional stock was delivered in existing parks in the form of CTPark Budapest East ULL5 (40,750 sq m), CTPark Budapest South DNH2 (36,400 sq m) and CTPark Budapest West BIA5 (30,000 sq m) or Budapest Dock (13,000 sq m) in the Danube harbour. In addition, Weerts delivered 34,000 sq m in Budapest East Business Park Trans-sped warehouse.

There is now 140,000 sq m under construction with an expected delivery by the end of 2022, 87,000 sq m of which is due in the second half of 2021. However more than 50% of this pipeline is pre-let or earmarked for owner occupation.

Some large leasing transactions were announced such as a pre-lease of 43,000 sq m by Fiege in GLP Sziget Logsitics; a renewal of 20,000 sq m in M5 Business Park in Gyál and 4 confidential transactions above 10,000 sq m in some CTP parks.

The vacancy increased to roughly 100,000 sq m which is equivalent to a 4% vacancy rate.

Take-up (sq m)	H1 2021	vs. H1 2020
Gross	172,890	**-6.5%**
Net	96,240	**+32%**

Source: BRF, Avison Young

Building	Tenant	Area (sq m)
GLP Sziget	Fiege	43,000
CTPark Vecsés	Confidential	30,400
M5 Business Park	Confidential	22,000
CTPark Vecsés	Confidential	16,500
CTPark Vecsés	Confidential	16,000
CTPark Budapest West	Confidential	10,650

Source: BRF, Avison Young

Rents

Despite a higher vacancy rate, rental rates have remained stable and we witnessed a rental premium for large units above 10,000 sq m due to the scarcity of large vacant space.

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6.50%

Prime Industrial Yield

Logistics Investment

Overall investment activity was subdued during the first half of 2021. While the total volume of transactions for all asset classes reached some €590 million, in line with past year levels for H1, the number of deals reduced and the weight of local capital increased as international investors were absent. Local capital secured more than 80% of the total volume of transactions.

In this context, the majority of the transaction volume was related to offices accounting for more than 80% of the total while investment in logistics only reached some €30 million. The three main assets that traded includes the 11,000 sq m city logistics Újbuda Technopark, bought by a local investor, One Logistics Park and the Ivy Technology facilities in Szombathely transacting as a sale and lease back.

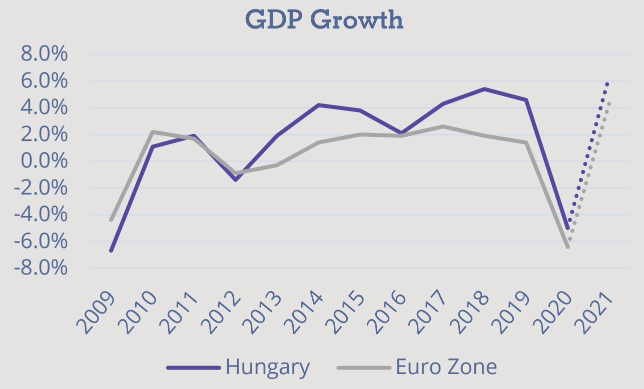
The asset class remained characterized by the scarcity of product due to the reluctance of main players to sell despite the strong interest of investors.

Economic Background

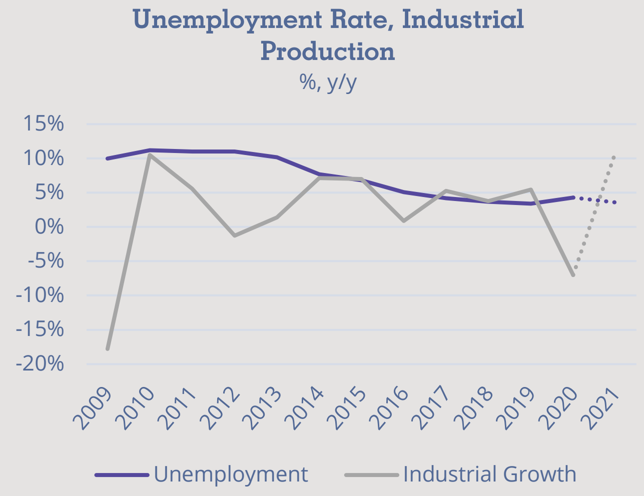
According to the Hungarian Statistical Office, the GDP fell by 5% in 2020 but the recovery is expected at a level above +6% in 2021 (Q1 alone was at +1.9% QoQ).

Unemployment is down from 4.8% in the summer of 2020 to a level of 4.1% by the end of H1 2021.

To combat inflation (above +5% YoY in April) due to the strong economic bounce back and general wage growth (+10% YoY), the central bank already went through 3 rate hikes in 2021 , taking the benchmark to 1.50% by Q3 2021.



Source: CSU, Avison Young



Source: CSU, Avison Young

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