

# MARKETBEAT BUDAPEST



Office Q1 2020

YoY Chg 12-Mo. Forecast

**6.2%**  
Vacancy Rate



**€25.00**  
Prime Rent, Sq m/month



**4.75%**  
Prime Yield

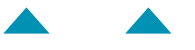


(Overall, All Property Classes, as at 31 March 2020)  
Source: Cushman & Wakefield, Budapest Research Forum

## ECONOMIC INDICATORS Q1 2020

YoY Chg 12-Mo. Forecast

**1.5M**  
Budapest Employment



Source: Oxford Economics as at 20 March 2020

**3.4%**  
Budapest Unemployment Rate



Source: Oxford Economics as at 20 March 2020

**6.4%**  
Hungary Unemployment Rate



Source: Oxford Economics as at 21 April 2020

## ECONOMY: Coronavirus now expected to lead to 8% drop in GDP in Q2 and 3.1% in 2020 overall

Despite a strong end to 2019, the Hungarian economy is inevitably being heavily affected by the virus containment measures. The economy is expected to experience recession this year, although a rebound is anticipated in activity once social distancing measures are relaxed. As of 21 April 2020, Oxford Economics forecasted that GDP will fall 3.1% this year, after a growth of 4.9% in 2019, and before recovering to grow by 7.5% in 2021 and 3.3% in 2022. The GKI business sentiment index fell by an extreme extent in April, yet, the business expectations during the global economic crisis were more pessimistic.

In spite of that, investment market remained strong in Q1, in fact produced the highest office investment volume since 2017. Likewise previous quarters' investment activity, several schemes were acquired in Budapest with the domestic buyers being the most active.

## SUPPLY AND DEMAND: High supply meets with low current availability

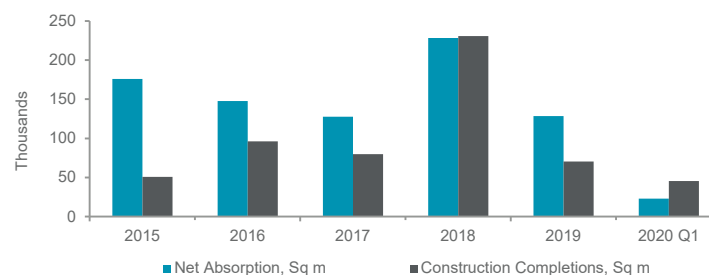
Total demand in the first quarter of 2020 reached 79,660 sq. m showing no decrease year-on-year, with the Central Pest submarket enjoying the highest share of take-up. Leasing activities were dominated by renewals having a share by 36% from the total demand. Net take-up amounted to 46,140 sq. m and was driven by new lease transactions. Pre-leases amounted to 10,940 sq. m and owner-occupation added up to 5,120 sq. m. The office vacancy rate has increased to 6.2%, representing a slight 0.6 pps uptick quarter-on-quarter due to planned relocations only. Net absorption reached 22,780 sq. m.

A total of 45,500 sq. m of new space was delivered in Q1 over two schemes. 2020 will see an improved level of completions with 185,000 sq. m of new supply registered in the pipeline. Ongoing development schemes proceed, no major delays reported yet.

## PRICING: Budapest remains Landlord favourable

Prime headline rents have increased in most submarkets, with the CBD prime headline rents remained unchanged in Q1 2020. Tenant flexibility (i.e. flexible lease terms, wide incentive packages, etc.) remained limited.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	STOCK (SQ M)	AVAILABILITY (SQ M)	OVERALL VACANCY RATE	CURRENT QTR TAKE-UP (SQ M)	YTD TAKE-UP (SQ M)	YTD COMPLETIONS (SQ M)	UNDER CNSTR (SQ M)	PRIME RENT (SQ M / MTH)
Budapest (CBD)	374 134	21 025	5.6%	4 797	4 797	0	16 537	€25.00
Budapest (Central Pest)	650 493	42 831	6.6%	20 409	20 409	0	37 259	€17.00
Budapest (Central Buda)	435 269	43 802	10.1%	15 484	15 484	0	13 100	€18.00
Budapest (Non-Central Pest)	492 839	6 258	1.3%	3 083	3 083	0	161 235	€15.00
Budapest (North Buda)	327 363	9 083	2.8%	850	850	0	0	€15.50
Budapest (South Buda)	432 824	24 471	5.7%	14 494	14 494	45 558	127 654	€17.00
Budapest (Váci Corridor)	894 999	38 286	4.3%	17 899	17 899	0	173 765	€17.00
Budapest (Periphery)	133 075	44 751	33.6%	2 644	2 644	0	0	€11.50
<b>BUDAPEST TOTALS</b>	<b>3 740 996</b>	<b>230 507</b>	<b>6.2%</b>	<b>79 659</b>	<b>79 659</b>	<b>45 558</b>	<b>529 550</b>	<b>€25.00</b>

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SIZE (SQ M)	TYPE
Váci Greens E	Váci Corridor	Confidential IT Company	7460	pre-lease
Park Atrium	Central Pest	Deloitte	6300	renewal
Lánchíd Palota	Central Buda	IIB	5120	owner-occupation
Budapest One	South Buda	Confidential IT Company	4730	new

## KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SQ M
Corvin T&SP II	Central Pest	Futureal / OTP RE Fund	11 570
V188	Váci Corridor	Private HU / WING	15 540
Corner 6 Business Center	Central Pest	CBRE GI / Goldman Sachs Prime Holding	6 900

## KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SIZE (SQ M)	OWNER/DEVELOPER
BudaPart Gate	South Buda	DBH, Semcon, IFUA, Doterra, Novo Nordisk	18 160	Property Market
Budapest One	South Buda	Roche, Estée Lauder, DSV, Regus	27 400	Futureal

Source: Cushman & Wakefield Research, Budapest Research Forum

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