

HUNGARY

Retail Q2 2020

€38,312

Average HH Income 2019

YoY Chg



12-Mo. Forecast



€130.00

Prime HS Rent, Sq m/month



5.00%

Prime HS Yield



Prime rent and yield for High Street units as at 30 June 2020
Source: Cushman & Wakefield, Oxford Economics

ECONOMIC INDICATORS Q2 2020

-5.0%

GDP Real, LCU (F)

YoY Chg



12-Mo. Forecast



4.8%

Unemployment Rate (F)



0.8%

Consumer Spending (F)



-0.4%

Retail Sales (F)



Annual growth, PPP, \$ current prices
Source: Oxford Economics as at 22 July 2020

ECONOMY: Coronavirus now expected to lead to 9.6% drop in GDP in Q2 and 5.0% in 2020 overall

Hungary has come out of the COVID crisis comparatively well and the economy is ranked one of the most resilient to the impacts of Coronavirus epidemic, according to Oxford Economics. Hungary entered the current crisis from a position of relatively solid macro fundamentals. Growth started from a high base, having averaged roughly 5% for the last two years, the fiscal and current account deficits are small, while the employment rate is high. Therefore, a strong recovery is expected with a projected GDP growth of 4.5% in 2021 and 5.2% in 2022.

The current crisis delivered a drastic but temporary decline in retail sales. April showed a decline of 10.2% y-o-y in retail sales, which is comparatively moderate compared to the contraction seen in the EU-27 countries. May was significantly improved with a decline of 2.1% y-o-y only, as consumers have already been returning to physical retail. Oxford Economics forecasts that government funding for affected industries to support employment, and crisis-related declines in discretionary spending will point to a slower private consumption this year, but recovery will be much faster in Hungary than the EU average with a rebound to grow by 6.0% in 2021.

SUPPLY AND DEMAND: Curfew restrictions are fully lifted since May

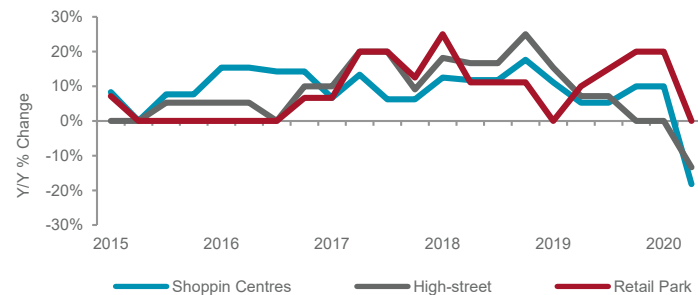
Footfall in prime shopping centre schemes is around 50% of pre-COVID and expected to revert to pre-COVID levels during the second half of the summer. Market players are still focusing on lease modifications of existing lease agreements, mostly in response to the effects of the lockdown period.

Hungary is a long way behind the rest of Europe in terms of online retail share, but the growth is expected to be much quicker. Indeed, online sales rocketed up to 12.5% in April 2020 from 7.3% as at YE 2019 and if they continue at pre-COVID growth rates, the share may reach the 20% mark by 2022.

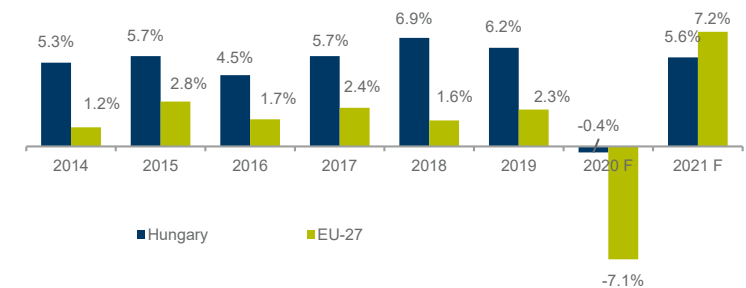
PRICING: Prime high street and shopping centre rents are affected

Prime Budapest high street locations, which are much dependent on tourism have recorded a decline of 13.3% y-o-y in prime rents due to the massive decline of international tourist arrivals seen in Q2. We consider this to be a short-term fluctuation and rents can recover by 2021. Retail parks, however, have been the least impacted in terms of footfall and basket sizes, and rents remained stable.

PRIME RENT



RETAIL SALES Y/Y GROWTH



MARKET STATISTICS

SUBMARKET	SHOPPING CENTRE STOCK	SHOPPING CENTRE PIPELINE	PRIME RENT (Euro/month/sq m)	PRIME YIELD
Budapest	767 467	54 000	90	5.85%
Central Transdanubia	24 128	0		
Northern Hungary	184 105	0		
South Transdanubia	146 274	0		
West Transdanubia	123 898	0		
HUNGARY TOTAL	1 245 872	54 000	90	5.85%
Budapest High Street			130	5.00%
Budapest Retail Parks			12	7.50%

KEY SALES TRANSACTIONS YTD 2020

PROPERTY	TYPE	SELLER / BUYER	SQ M
Burger King Székesfehérvár	Retail - Other	n/a	2 000
Pécs Plaza	Hypermarket	n/a	15 000

KEY CONSTRUCTION COMPLETIONS 2019 / 2020

PROPERTY	SUBMARKET	COMPLETION DATE	SIZE
Galéria Center	Mosonmagyaróvár	November 2019	4 500

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