Intelligent Investment

2026 Hungarian Real Estate Market Outlook

REPORT

CBRE RESEARCH
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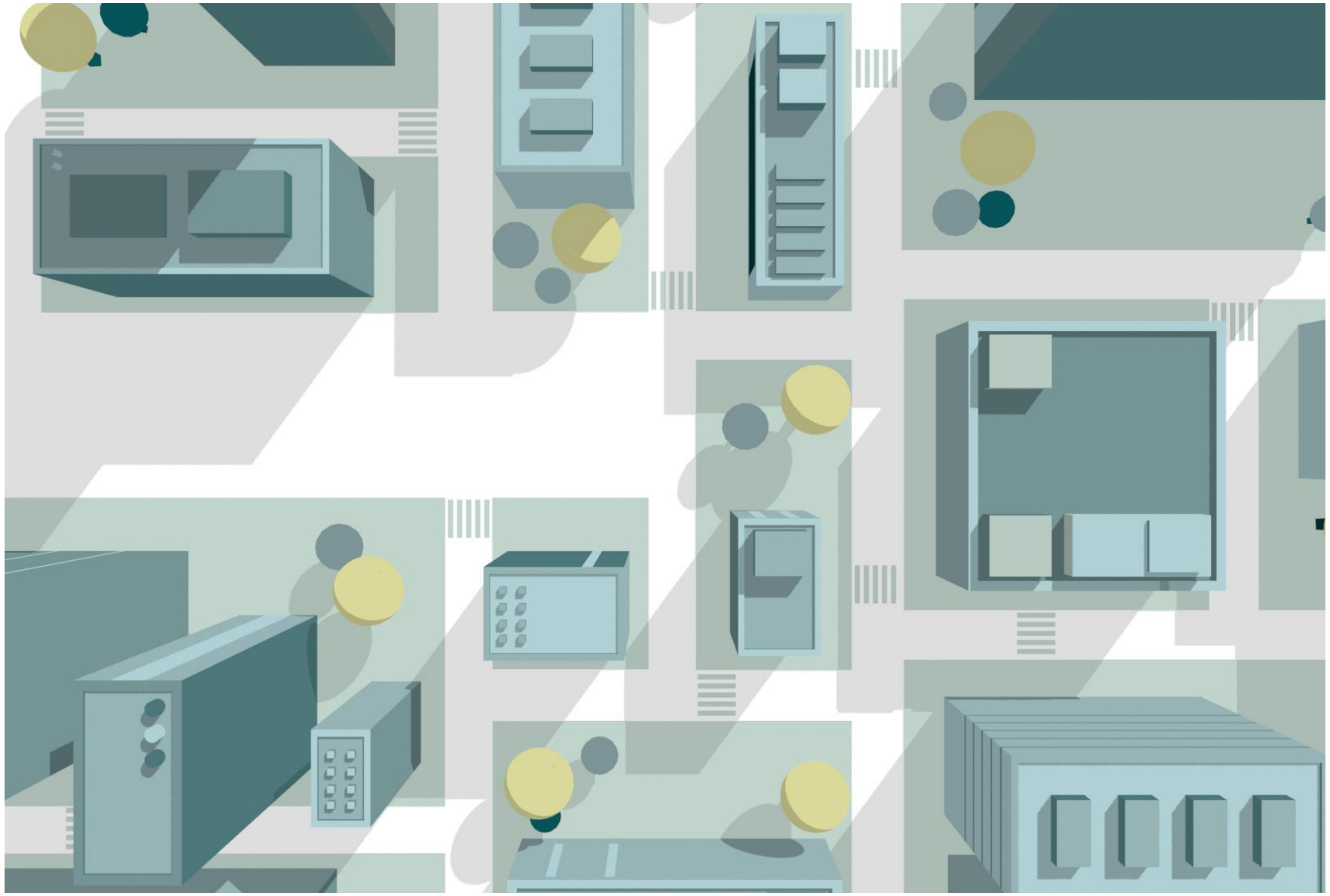

Executive Summary

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- Hungary's **economy** is entering a phase of gradual recovery from 2026, supported primarily by resilient household consumption amid strong wage growth, easing inflation and a tight labour market. While GDP growth is forecast to accelerate, fixed investment remains the main weak spot, constrained by policy uncertainty, frozen EU funds, and subdued external demand. Monetary easing is expected to resume cautiously from mid 2026, while forint is expected to remain stable. Election in April and the change in fiscal policy (independently who wins) will remain key themes to watch.

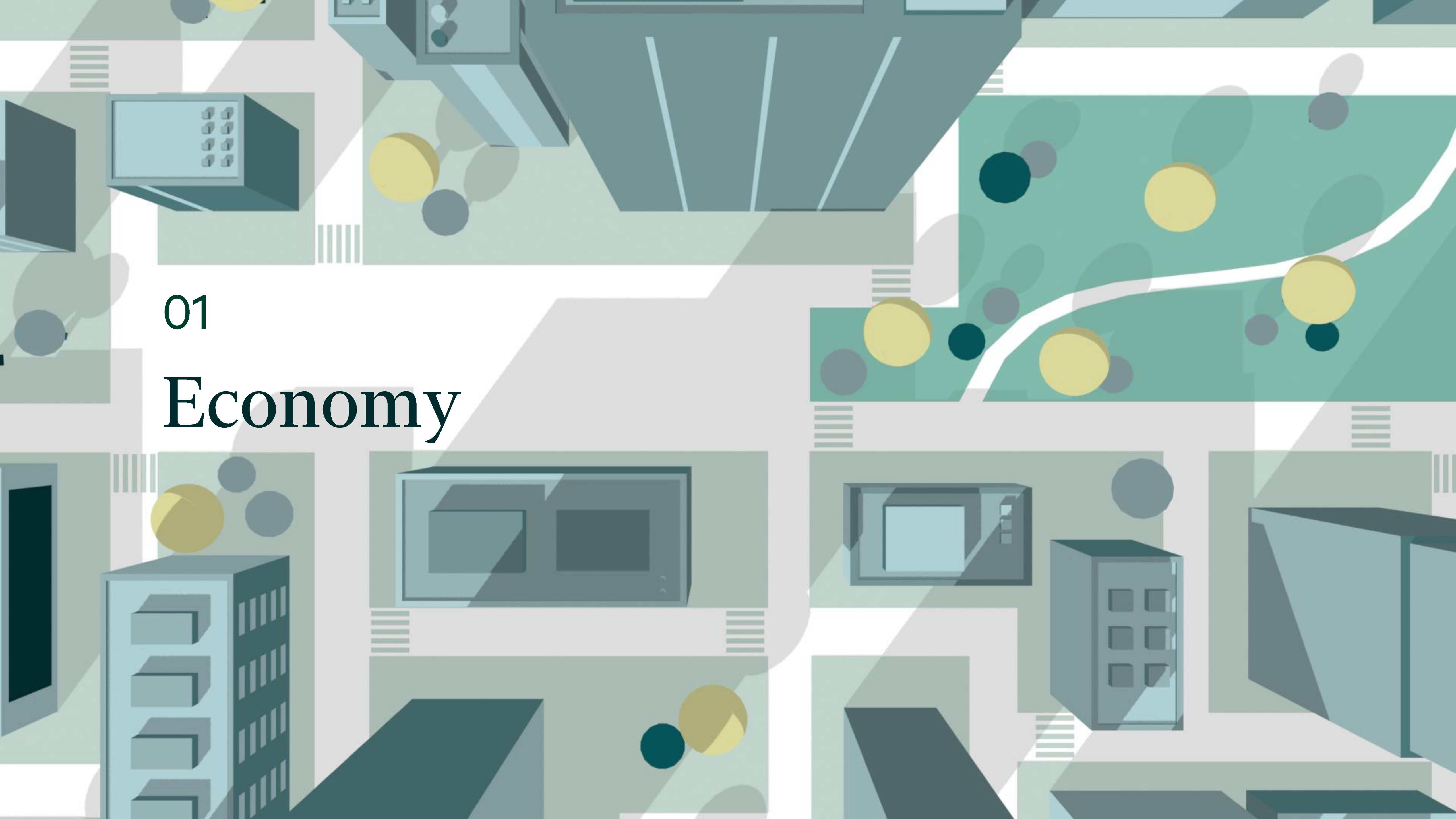
- The **investment market** regained momentum in 2025, with volumes doubling year on year, although activity remains well below long term potential and regional peers. Liquidity is still dominated by domestic capital and add-value strategies (including conversions), while limited prime stock availability continues to restrict pricing transparency. Investor appetite is gradually broadening beyond offices in Budapest towards a more balanced sector mix, with hotels and retail gaining relevance, but a meaningful yield compression in Hungary will require higher transaction volumes, stronger institutional participation and improved political and policy visibility.

- The Budapest **office market** is characterised by constrained new supply and a growing structural divergence between prime and secondary stock. Limited speculative development has tightened availability in new buildings, forcing occupiers to plan relocations further ahead, while an impending wave of public sector relocations is set to release substantial second-hand vacancy. As a result, vacancy pressure is expected to re-emerge in first generation assets in strategic submarkets, while rental growth prospects remain confined to prime locations and newly delivered, high quality space.

- **Industrial and logistics markets** recorded record leasing activity in 2025, driven increasingly by regional Hungary, where manufacturing and FDI related demand continues to expand. Despite strong take up, rising vacancy reflects weaker net absorption and a rapidly expanding development pipeline, particularly around Budapest. While headline prime rents remain broadly stable, effective rents are increasingly shaped by incentives, and future performance will hinge on developers' ability to moderate supply and align new projects more closely with genuine occupier demand.

- **Retail fundamentals** continue to improve on the back of rising real incomes, easing inflation and strengthening consumer confidence, positioning Hungary among the faster-growing retail markets in the region. The sector remains polarised: value-driven, cost-conscious consumption coexists with growing demand for experiential retail, dining and services. Vacancy levels are exceptionally low in prime shopping centres and high-street locations supported by tourism, underpinning rental growth, while retailers' expansion strategies remain focused on retail parks and omnichannel formats.

- Hungary's **hotel market** has moved firmly from recovery into a more mature growth phase, with Budapest surpassing pre pandemic demand levels and recording strong occupancy and pricing performance. A significant pipeline of upscale and branded hotels is set to enter the capital in 2026, creating short term pressure on daily rates and occupancy, while regional supply remains limited. Adaptive reuse, particularly office to hotel conversions, is emerging as a key structural trend, reinforcing Budapest's position as an attractive, institutionally investable hospitality market.



01

Economy

01
Economy

Slow but steady improvement in the economy unfolding from 2026

Hungary's economy expanded by a modest 0.3% in 2025, marking a weak recovery following the 2023 recession.

Oxford Economics forecasts GDP growth of 1.9% in 2026, accelerating further to 2.6% in 2027, although near-term risks remain skewed to the downside. The main tailwind is household consumption, supported by strong nominal wage growth, a tight labour market and sizeable pre-electoral fiscal transfers. Improving consumer sentiment and easing inflation also underpin spending.

Fixed investment remains the weakest component. After a cumulative decline of more than 25% from its 2022 peak, investment fell by 5.3% in 2025 and is expected to recover only gradually (+2.0% in 2026, +6.0% in 2027). Net exports are a mild drag in the near term, while stronger domestic demand pushes imports higher. From 2026–27, a gradual recovery in investment and some support from German fiscal stimulus are expected to improve momentum.

Key headwinds include prolonged weakness in industrial output, subdued foreign demand (especially from the euro area), and elevated policy and trade uncertainty, notably related to global tariffs and domestic elections. Investment remains constrained by frozen EU funds, weak public investment and high uncertainty, while a wide fiscal deficit limits policy flexibility.

Among sectors, industry remains the main laggard. Industrial output fell by 3.2% in 2025, with capital goods and electronics particularly weak.. A recovery is expected only gradually from 2026 onward. Services, especially consumer-facing activities, continue to outperform. High employment, rising wages and improving confidence have supported market services, cushioning overall economic activity.

Retail sales have been reflecting resilient household demand. Improving sentiment points to stronger retail dynamics in 2026.Tourism and related services continue to perform relatively well, benefiting from stable external demand and domestic spending, although they are not sufficient to offset industrial weakness.

Inflation eased markedly to 3.3% y/y in December 2025, with core inflation at 3.8%, driven by lower food and fuel prices. The forint entered 2026 relatively strong versus the euro, supported by wide interest-rate differential within CEE, falling inflation and expectations of real yield support. Business confidence weakened at the start of 2026, reversing the gradual improvement seen towards the end of 2025.

Economic Forecast for Hungary

	2024	2025	2026f	2027f	2026 Eurozone
GDP growth (%)	0.6	0.3	1.9	2.6	0.9
CPI (%)	3.8	4.4	3.4	3.1	1.5
Unemployment (%)	4.5	4.5	4.2	3.7	6.3
Ind. Production Growth (%)	-3.9	-3.2	3.3	6.7	1.1
Retail Sales Growth (%)	2.6	2.9	4.4	4.8	1.5
MNB Policy Rate	6.5	6.5	5.5	4.0	-

Source: Oxford Economics, CBRE House

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Economy

Trends to watch

- The labour market remains tight, with unemployment stable around 4.5% in 2025 and forecast to decline further in 2026–27. Nominal wage growth accelerated to around 9% y/y in late 2025, driven by labour shortages, administratively influenced wage increases and strong public-sector dynamics. While this supports consumption and real incomes, it also raises concerns about cost pressures, particularly in services, and poses medium-term competitiveness risks.

- Inflation eased markedly to 3.3% y/y in December 2025, with core inflation at 3.8%, driven by lower food and fuel prices. Oxford Economics forecasts average inflation of 3.4% in 2026, close to the MNB's target, before easing further in 2027.The MNB policy rate has been held at 6.5%, but easing is expected to resume in mid-2026, with rates forecast to fall to 5.5% by end-2026 and 4.0% by 2027, subject to inflation developments.

- The forint entered 2026 relatively strong versus the euro, supported by wide interest-rate differential within CEE, falling inflation and expectations of real yield support, improved external balances and positive global risk sentiment at the start of the year. Most forecasters expect a gradual depreciation of the forint against the euro over the course of 2026, rather than a sharp correction. The forint is likely to remain range-bound in H1 2026, followed by moderate depreciation in H2 towards 380-390 HUF/EUR, assuming no external shock.

- Business confidence weakened at the start of 2026, reversing the gradual improvement seen towards the end of 2025.The GKI Business Confidence Index has marked a clear month-on-month deterioration for businesses in early 2026, less so for households – suggesting that divergence in trends remains. Consumers are cautiously more optimistic, supported by real income dynamics and improving purchasing power. Businesses, especially in export-oriented manufacturing, remain pessimistic due to weak foreign demand, investment delays and policy uncertainty.

02

Capital Markets

02
Capital Markets

Investment volume doubles in 2025, still below market potential

Hungary's commercial real estate investment market regained momentum in Q4 but closed 2025 below original expectations.

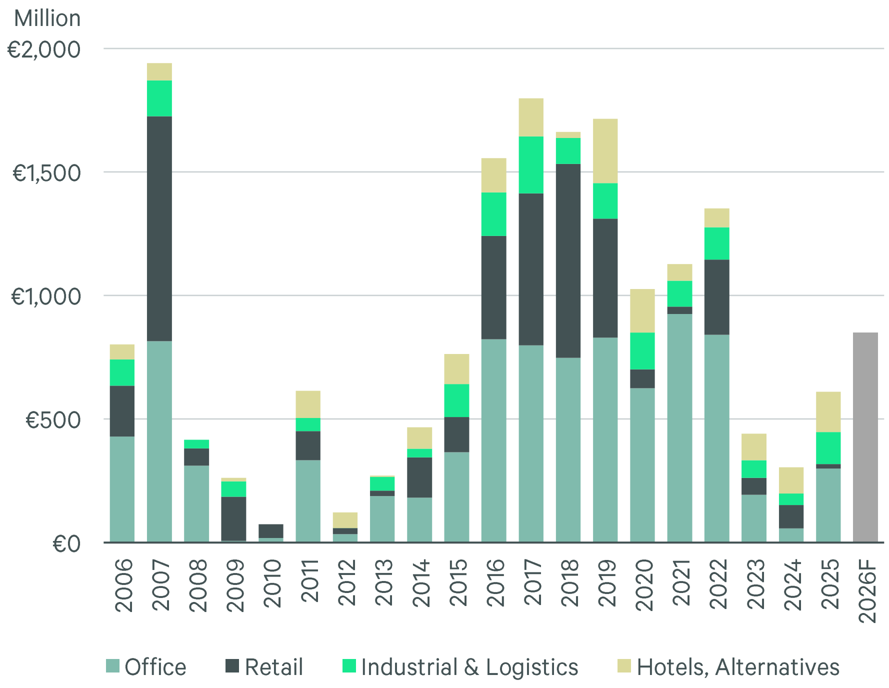
Hungary recorded €610m in 2025, up sharply from €320m in 2024, but still well below the country's perceived market potential and regional liquidity benchmarks. Market depth in Hungary remains constrained by limited institutional "core" demand as owners continue to delay the disposal of prime assets, leaving the market with insufficient evidence for pricing. Sectorally, office (€300m) and hotels (€160m) led 2025 volumes, followed by industrial (€130m), with retail (€20m) closing last year with negligible figure. Buyer composition was overwhelmingly domestic (~90% of volume), largely opportunistic, and Hungarian open-ended funds were notably less active than peers in the Czech market.

Total property transaction volumes were further inflated by approximately €300 million (around 50% uplift) due to the inclusion of non-income-producing assets. These transactions primarily involved vacant properties, owner-occupied buildings and functionally obsolete assets acquired with a view to redevelopment or functional conversion.

The majority of this additional volume was linked to hotel-led conversion strategies, concentrated in prime, central locations in Budapest, reflecting continued investor interest in repositioning opportunities rather than stabilised, income-generating assets.

Regarding pricing, the most notable development was yield compression in the hotel sector. Prime leased hotels are currently quoted at around 7.00%. The Marriott Hotel transaction in Budapest, the only landmark deal of Q4 2025, was a key reference point supporting this compression. In contrast, yields across other major asset classes remained broadly flat. Prime office and logistics yields are both quoted at around 7.00%, with limited transactional evidence to justify repricing. While industrial and logistics assets continue to be the most sought-after product across the wider CEE region, Hungary has seen very few trades above a certain size threshold, limiting yield-setting transactions. Similarly, retail yields showed no movement, with prime Budapest high-street assets quoted at 6.00% and dominant shopping centres at 6.75%.

Hungarian real estate investment volumes (EUR million)



Source: CBRE Research

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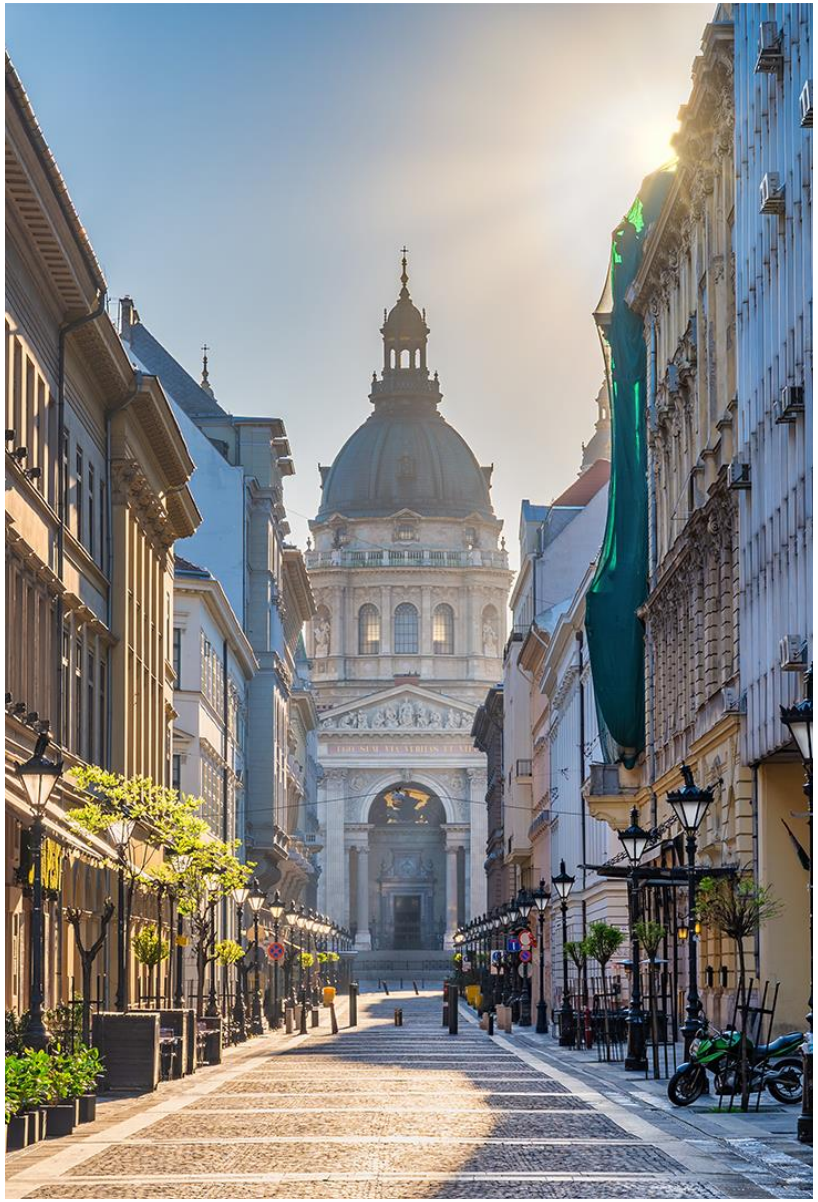
Capital
Markets



Capital injection to boost residential developments

Hungarian property investment funds underperformed most other asset classes in 2025, reflecting both weak investor sentiment and modest return dynamics. Investor demand for open-ended real estate funds remained subdued throughout the year, with virtually no fresh retail inflows, while assets under management stagnated and stayed concentrated in a small number of large, legacy vehicles. Despite regulatory efforts to improve liquidity and restore confidence, real estate funds failed to regain traction. Performance also lagged the broader fund universe: only a handful of property funds achieved returns above 9%, while most delivered low single-digit yields. This contrasted sharply with developments in other asset classes. The Budapest Stock Exchange recorded an exceptionally strong year, with the BUX rising by around 35–40%, driving substantial household inflows into equity and mixed funds. Multi-asset strategies benefited further from the continued appreciation of the forint, generating HUF-denominated returns of 20–30%. Against this backdrop, household savings increasingly bypassed property funds in favour of higher-yielding, more liquid investment alternatives.

The National Capital Programme (Housing Capital Programme) is a structural development for Hungarian property developers, as it represents a state-funded capital injection (at a scale of ca 800 M EUR) targeted explicitly at residential supply. The programme is aimed at increasing the construction of new homes, rental housing and student accommodation by channelling state capital into professionally managed real estate investment funds, rather than through direct subsidies or demand-side incentives. While capital deployment began in 2025, its tangible market impact is expected from 2026 onwards, with the bulk of new supply reaching the market in 2027–2028. This supply-side intervention comes at a time when housing affordability in Hungary has become a critical policy and market issue. Affordability pressures have been exacerbated by elevated, partly subsidised mortgage activity on the demand side, combined with a prolonged and structural shortage of new housing supply. The programme is therefore explicitly aimed at easing supply-side bottlenecks by accelerating residential development and expanding the availability of new housing stock.

02
Capital Markets

Trends to watch

— CEE region faces a distinct set of heightened risks. Investors here express significantly greater concern over geopolitical uncertainty and potential economic turbulence. Even so, the region offers equally strong tailwinds. The most pronounced advantages relate to lower debt costs and more attractive entry pricing.

— Investors in our region are more inclined to increase acquisitions but also more willing to sell this year. Reluctance to sell properties has fallen to a record low of 10%, down from more than 22% two years ago. This dual acceleration suggests that the CEE market is entering a phase of more heightened asset rotation. This is clearly visible in the accumulated pipeline of assets offered or prepared for sale in Hungary this year.

— Investors preferences move from a Logistics heavy stance in 2024 toward a more balanced mix by 2026, with Residential steady as the anchor - despite still marginal investment volumes in the region. Retail and Hotels are gaining relevance, and Office slightly rebounces following a sharp decline in preference since post-pandemic boom.

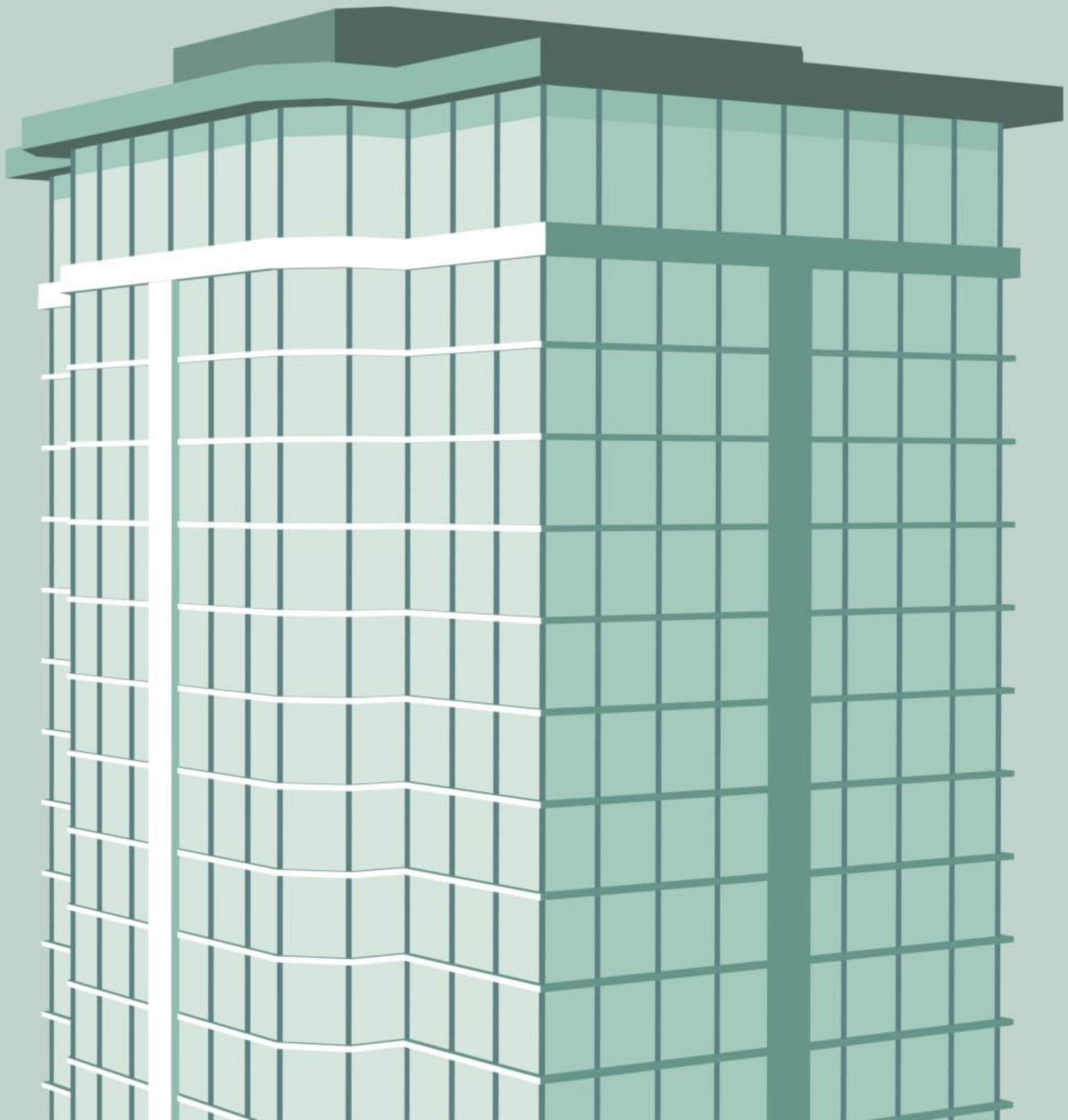
— With parliamentary elections scheduled for April, many investors and owners remain cautious and are postponing decision-making until the post-election period. This uncertainty is dampening near-term transaction activity, as both buyers and sellers prefer to wait for greater political and policy clarity.

— As a result, deal flow in early 2026 is expected to be driven largely by transactions that have carried over from 2025 rather than by newly launched processes. Against this backdrop, Q1 2026 investment volume is likely to reach around €150 million, reflecting the completion of delayed deals, with little contribution from new transactions entering the market.

— While yields are selectively compressing in more liquid CEE markets such as the Czech Republic, or Poland, and a broader repricing has taken place across SEE, where yields have tightened by up to 100 basis points over the past year, Hungarian asset pricing has remained broadly stable. A more pronounced compression in Hungarian yields will require higher transactional liquidity, greater participation from institutional buyers and a stronger value proposition in terms of scale, product quality and income security.

03

Offices

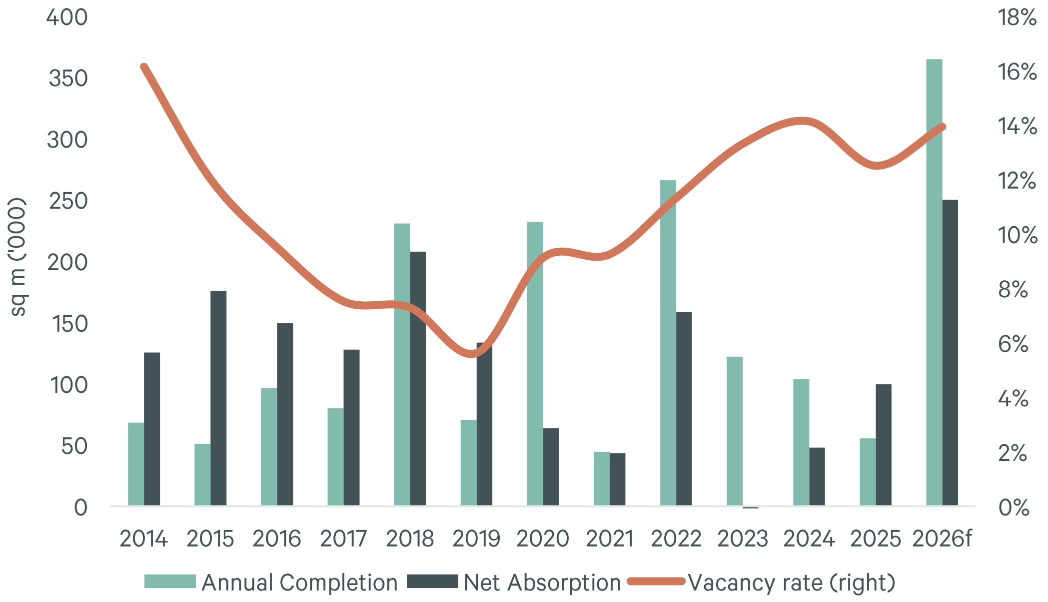


03
Offices

Low new availability for occupiers, but looming second-hand vacancy

Relocation of public sector entities at planned scale causes serious butterfly effect on the office market

Budapest office market indicators



Source: BRF, CBRE Research

Throughout 2025, new supply in the Budapest office market remained limited, with annual completions amounting to 55,400 sq m, confirming the prolonged slowdown in development activity. During 2025, the construction market increasingly pivoted toward the residential sector, supported by expanded public subsidy schemes. As a result, construction development pipelines shifted accordingly, with several mixed-use projects advancing; however, in most cases the primary focus is residential, with office components playing a secondary role at these projects. Leasing activity reached a level broadly in line with 2024, indicating stabilisation in occupier demand, although volumes remained below the peak recorded in 2019. The underlying upward trend in take-up has continued; however, the recovery has remained strongly driven by a very active public sector.

Projects delivered during the year included Wagner Palota (2,250 sq m, CBD) and Rhodium in Q1 (2,800 sq m, Váci Corridor), followed by Dürer Park Phases I & II (50,400 sq m, Central Pest) in Q4. As of December 2025, the city's modern office stock reached 4,461,700 sq m, including 942,900 sq m owner-occupied office stock. Development activity remained subdued throughout 2025, falling well short of initial forecasts. Much of the planned pipeline has been pushed into 2026 due to project delays, resulting in an enlarged delivery schedule for this year. This increase comes despite developers' continued reluctance to commence speculative projects, with new schemes progressing almost exclusively on the basis of secured pre-leases.

As a consequence, occupiers are now required to plan relocations further in advance, as availability in newly delivered buildings remains limited. While speculative development remains weak, the overall volume of space under construction is exceptionally high by regional European standards. This is largely driven by government related demand, with public sector occupiers consolidating into newly developed Class A office buildings, predominantly under state ownership.

03
Office

Improved demand in 2025 was not entirely driven by public sector

New construction starts remained very limited in 2025, with only a handful of projects breaking ground. The most notable commencements included H2Offices Phase II (25,900 sq m in Váci Corridor by Skanska), pre-leased to single-tenant company HQ. Proform's new office development (Juta Street Office Building, 5,200 sq m in the Váci Corridor) has also started without pre-lease. These projects further reinforced the Váci Corridor's position as the most active development hub, accounting for 32% of total space under construction, followed by Non-Central Pest (32%) and South Buda (26%).

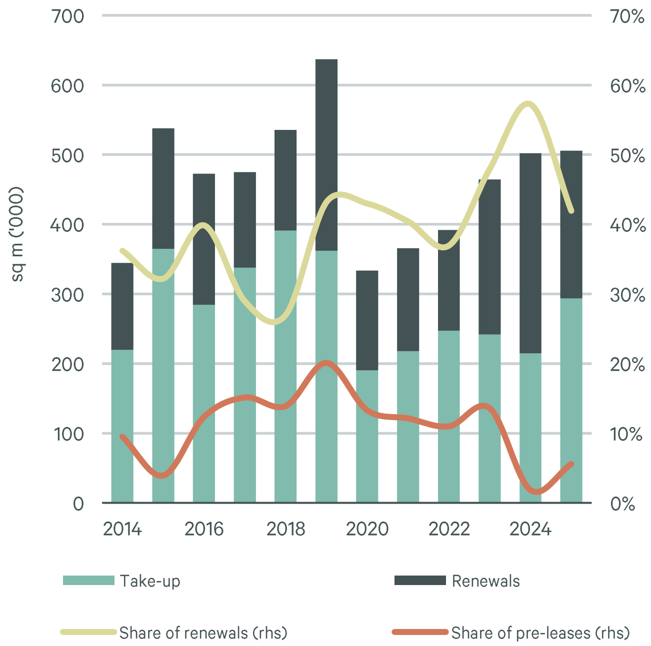
As of year-end, ca. 542,800 sq m of office space was under construction, including 14,800 sq m of refurbishment projects, representing an exceptionally elevated pipeline. A significant proportion of this volume is already pre-leased, driven primarily by long-term commitments from public sector tenants. According to current forecasts, this pipeline is expected to translate into a sharp increase in completions over the next two years. Around 364,700 sq m is scheduled for delivery in 2026, of which 81% is pre-leased, followed by 178,100 sq m in 2027, with an even higher pre-lease ratio of 86%. This high level of forward commitment, combined with the continued lack of new project starts, is expected to severely constrain relocation options should occupiers aim for new developments. Moreover, approximately 179,000 sq m of planned developments have yet to commence construction, but this volume can hit the market in 18-36 months, maintaining the imbalance between demand for high-quality space and available new stock until 2028 the earliest.

In 2025, total leasing activity (TLA) in the Budapest office market reached 505,800 sq m, representing a marginal 1% year-on-year increase compared with 2024, indicating broadly stable demand conditions. However, the composition of leasing activity shifted materially over the year. The share of lease renewals declined sharply, falling by 26%, while take-up (excluding renewals) increased significantly. Total take-up reached 293,700 sq m, marking a 37% annual increase; this growth was largely driven by owner-occupied transactions. Excluding these deals, net take-up still recorded a solid 14% year-on-year expansion, pointing to an underlying improvement in occupier activity in the private sector as well.

Pre-leasing activity remained limited, reflecting the unfavourable development pipeline and the shortage of speculative projects. Nevertheless, pre-leases totalled 28,300 sq m in 2025, representing a notable increase compared with the previous year, as occupiers increasingly sought to secure future space amid constrained forward supply. The average transaction size increased to 900 sq m, representing a 9% year-on-year rise. Analysis of the top ten transactions further underscores these structural dynamics: the largest deals included three owner-occupied occupancies, two pre-leases and four lease renewals.

Net absorption remained in positive territory, reaching 99,500 sq m by year-end. However, this improvement was predominantly driven by public sector relocations into newly completed owner-occupied buildings rather than broad-based private-sector expansion.

Total leasing activity in Budapest



Source: BRF, CBRE Research

03
Office

Vacancy down to under 13%, rental growth prospect for prime only

From a sectoral perspective, Manufacturing and Energy companies dominated leasing demand, accounting for 22% of total take-up. The Public Sector followed closely with 21%, reflecting continued government-driven occupier activity, while Consumer Services and Leisure contributed 11%, highlighting a diversification of demand sources.

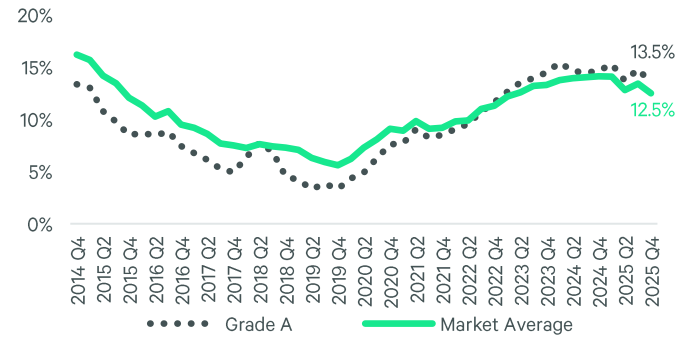
From a geographical standpoint, the Váci Corridor remained the most active submarket in terms of leasing activity, reinforcing its position as Budapest's primary office hub, followed by Central Pest.

The vacancy rate stabilised within the 12-14% range in 2025, reflecting a temporary equilibrium between limited new supply and solid occupier demand. Vacancy rate is expected to become more volatile as the public institutions start moving into their new premises and leaving their leased or owned premises behind. This wave of secondary move-outs is likely to release an estimated ca. 200,000 sq m of space (including leasing stock and owner-occupied space), mainly within the older (15+ years) office segment, while their estimated absorption volume in the new-built stock is ca. 300,000 sq m over the next 18-24 months. These moves will place renewed pressure on vacancy rate in the second-hand stock. However, it is hard to estimate how this will play out at building or submarket level due to lack of transparent communication about the planned relocation strategies of these entities.

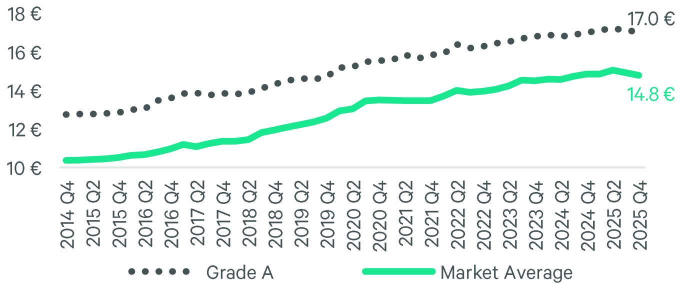
At year-end, the headline vacancy rate declined to 12.5%, representing a 0.9 percentage point quarter-on-quarter and 1.6 percentage point year-on-year reduction. In Class 'A' segment, vacancy stood at 13.5%. Vacancy levels continued to vary significantly by submarket. Lowest vacancy rates were observed in Central Buda (6.4%), North Buda (7.9%) and the CBD (11.7%), underlining the resilience of well-located, high-quality office stock. In contrast, the Periphery remained the most oversupplied area with a vacancy rate of 20.7%, leaving it particularly exposed to the anticipated secondary space influx. Overall, while vacancy indicators showed short-term improvement in 2025, the combination of pipeline-driven relocations and limited organic demand growth suggests that vacancy pressure is set to re-emerge, especially within older or Class 'B' assets and peripheral submarkets.

As of December 2025, the average asking rent for vacant office space stood at EUR 14.8 per sq m per month, remained practically flat year-on-year. Rents in existing buildings have remained broadly stable in recent years; however, limited new supply is exerting upward pressure at the prime end of the market. For existing Class 'A' assets, average asking rents reached EUR 17.0 per sq m per month, reflecting a modest 0.2% annual increase. In contrast, ongoing developments are being marketed at significantly higher levels, typically in the EUR 20–25 per sq m per month range, with upside potential should demand strengthen further amid constrained availability. Prime rents edged up slightly over the year and are currently quoted at EUR 25.5 per sq m per month in the CBD and EUR 19.5 per sq m per month in non-central locations, highlighting the growing rental divergence between prime and secondary stock.

Office vacancy rate evolution in Budapest



Office asking rent evolution in Budapest



Source: BRF, CBRE Research

03
Offices

Trends to watch

— The relocation of the public sector from first-generation office buildings is expected to generate over 200,000 sq m of second-hand vacancy, largely in central locations. Beyond this, the sale of state-owned properties could release a further 150,000–200,000 sq m of vacant space to the market. Part of this volume is likely to be withdrawn from office stock and repurposed through functional change. Nevertheless, uncertainty around the timing and execution of the public sector's move at this scale will cause a key challenge for the market.

— The Budapest office market in 2025 saw very limited new development, as much of the construction sector shifted toward residential and mixed-use projects. Developers delayed several office schemes into the following year, and most new projects moved forward only when pre-leased, making fresh supply increasingly scarce. This constrained pipeline requires occupiers to plan moves much earlier than before.

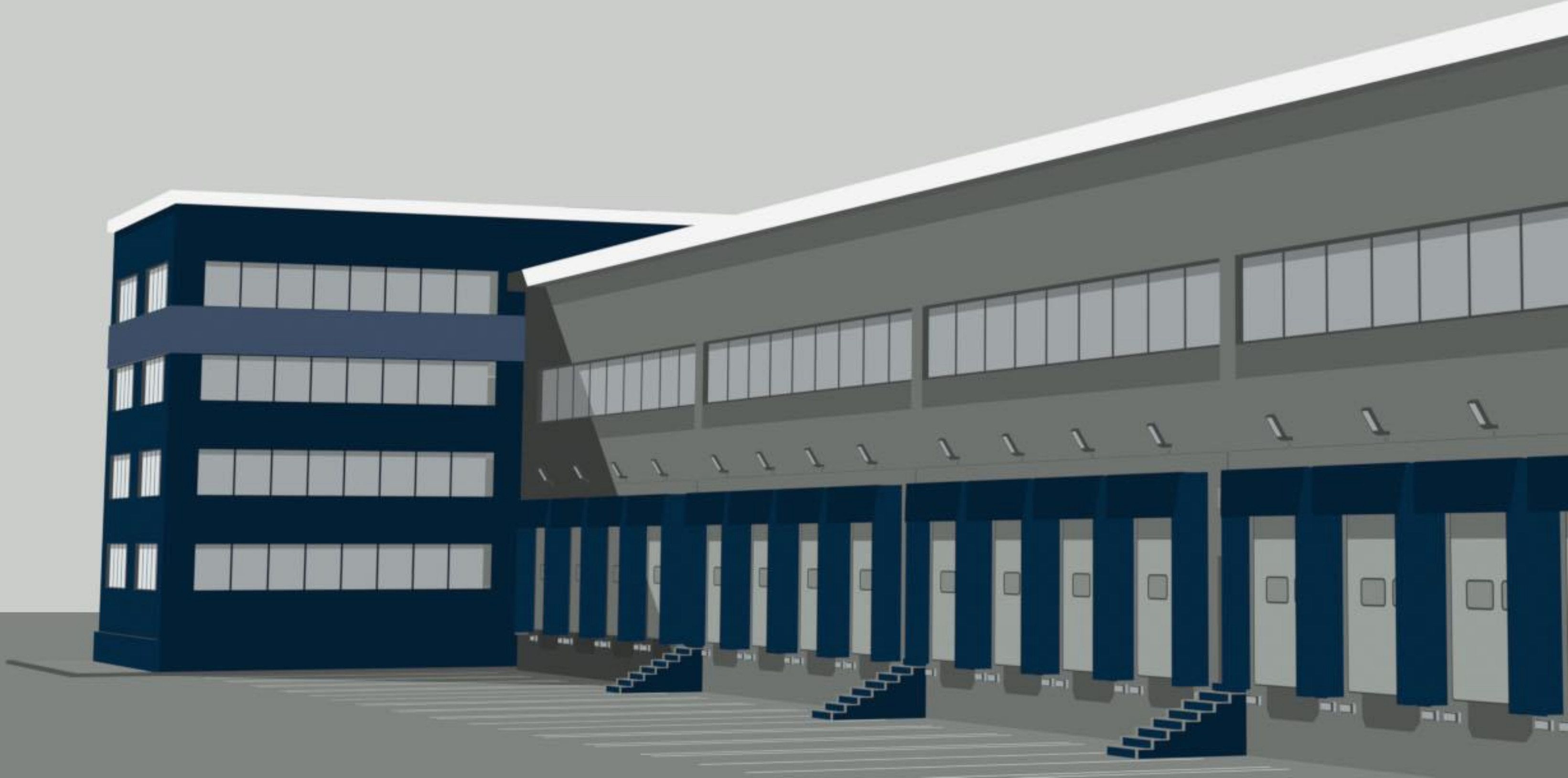
— Leasing activity remained broadly stable, with overall demand slightly higher than the previous year. Growth was driven mainly by public-sector relocations and several owner-occupied deals, while the private sector also showed a gradual improvement. Although pre-leasing increased, it remained limited due to the small number of speculative developments.

— Vacancy rates stayed within a balanced range but are expected to rise as public institutions move into newly built offices and vacate older buildings. This will release a significant amount of secondary space, putting pressure especially on ageing assets and peripheral locations.

— Rents remained largely unchanged, but the gap between prime and secondary properties widened. Older buildings maintained stable pricing, while new developments commanded noticeably higher rents due to limited availability. Prime locations in particular saw modest increases, reflecting limited new offices in the pipeline.

04

Logistics

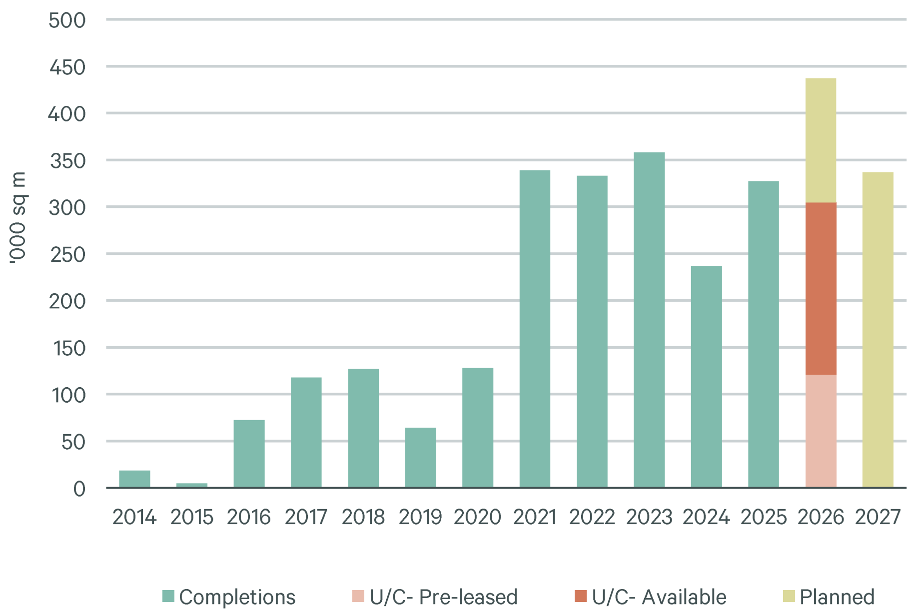


04
Logistics

All-time high leasing demand in 2025, strong pipeline for 2026

Improving market fundamentals in regional Hungary – which accounts already for over 40% in leasing demand

Annual new industrial supply in Greater Budapest



Source: BRF, CBRE Research

In 2025, total countrywide completions amounted to 477,000 sq m, reflecting a 2% year-on-year decline. Of this volume, 14 projects were delivered in Greater Budapest, totalling 327,000 sq m, while 11 developments were completed in Regional Hungary, adding 149,000 sq m. Delivery activity was heavily last minute, with 44% of annual completions handed over in Q4, materially supporting full-year figures. Completion remained concentrated in the capital, with Budapest West accounting for 45% of Greater Budapest deliveries, followed by the Airport submarket at 24%. In regional markets, the largest completions were recorded in Kecskemét (41,000 sq m), Debrecen (37,000 sq m), and Hatvan (32,000 sq m). At the project level, the biggest developments were the Debrecen Southern Industrial Zone project by Xanga (22,000 sq m) and IGPark Debrecen, which delivered 21,800 sq m.

Development activity has surged once again, and the national under construction pipeline reached almost 596,000 sq m by the end of 2025. All of this space is scheduled for delivery in 2026, which would represent a 25% increase in annual completions and position 2026 as the strongest year on record for the I&L construction market. This renewed acceleration in development is largely driven by stronger pre- leasing demand, particularly in regional cities, where I&L developments follow large FDI projects.

The total volume of pre- leases rose by 84% year on year in 2025, resulting in high occupancy levels across the pipeline. In Greater Budapest, 304,000 sq m is currently under construction with a pre- lease ratio of 40%, while in Regional Hungary a further 292,000 sq m is underway, 66% of which has already been pre- leased. From a geographical perspective, development activity shows a clear concentration pattern. Within Budapest, new construction was heavily skewed toward the Western submarket, which accounted for 49% of total pipeline activity. This was followed by the Airport area at 37%, while the Southern and Northern submarkets represented a more marginal share, at 8% and 6%, respectively. In regional markets, Kecskemét, Mosonmagyaróvár, and Nyíregyháza stand out as the most active locations, each recording more than 40,000 sq m of space currently under construction.

04
Logistics

Demand for manufacturing facilities accounts for absorption

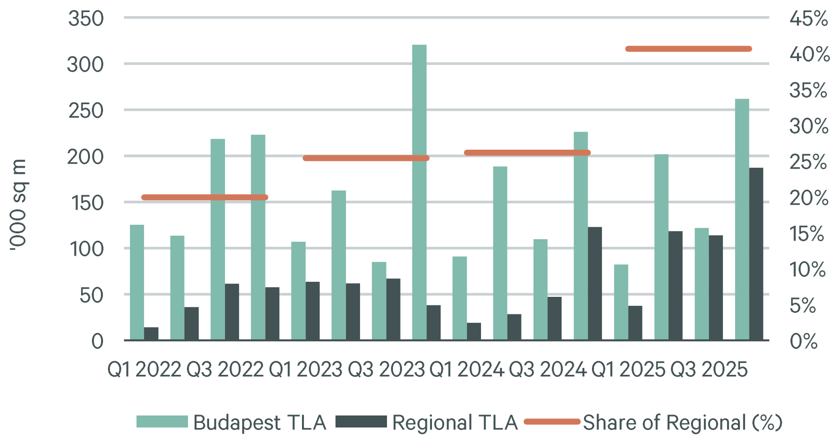
Total leasing activity reached 1,124,000 sq m in 2025, representing a record level for the Hungarian market and a 35% increase year-on-year. Leasing volume in Greater Budapest totalled 667,000 sq m, up 8.5%, while Regional Hungary recorded 457,000 sq m, more than doubling year-on-year (+110%). As a result, Regional Hungary's share of total leasing activity increased from 20% in 2022 to 41% in 2025, underlining a clear structural shift in occupier demand. This trend is largely attributable to the expansion of electric vehicle manufacturing and battery-related industries, which continue to favour regional locations. Excluding renewals, net demand reached 448,000 sq m in Greater Budapest and 305,000 sq m in Regional Hungary, the latter representing a 70% increase, positioning regional markets as the primary growth driver.

Ten transactions exceeded 20,000 sq m during the year, with three deals signed in Greater Budapest and seven in Regional Hungary. The largest transaction in the capital was an 80,000 sq m pre-lease at CTPark Érd, signed by a confidential tenant. In Regional Hungary, the largest deal was a 32,000 sq m pre-lease at IGPark Nyíregyháza. The average deal size remained significantly higher in regional markets at 9,500 sq m, compared with 5,300 sq m in Greater Budapest, reflecting the dominance of large-scale industrial occupiers outside the capital.

Net absorption declined in both markets, by 54% in Greater Budapest and 7% in Regional Hungary, contributing to rising vacancy levels. Vacancy in Greater Budapest increased to 12.8% (+4.8 percentage points year-on-year), while Regional Hungary rose to 8.6% (+1.8 percentage points). As a result, overall national vacancy reached 11.4%, up from 7.6% at the end of 2024.

At a countrywide level, net take-up was led by the logistics sector, which accounted for 35% of total demand, followed by production-related occupiers at 22%. Distribution activity represented a further 4%, while the remaining share comprised confidential transactions. The sectoral split shows a clear geographical differentiation: logistics demand remains predominantly concentrated around Budapest, benefiting from its transport infrastructure and proximity to consumption hubs, whereas regional markets are primarily driven by production activity, which has emerged as the dominant occupier profile in non-capital locations.

Total leasing activity split between Greater Budapest and Regional cities



Share of pre-leases in Greater Budapest

Source: BRF, CBRE Research

04

Logistics

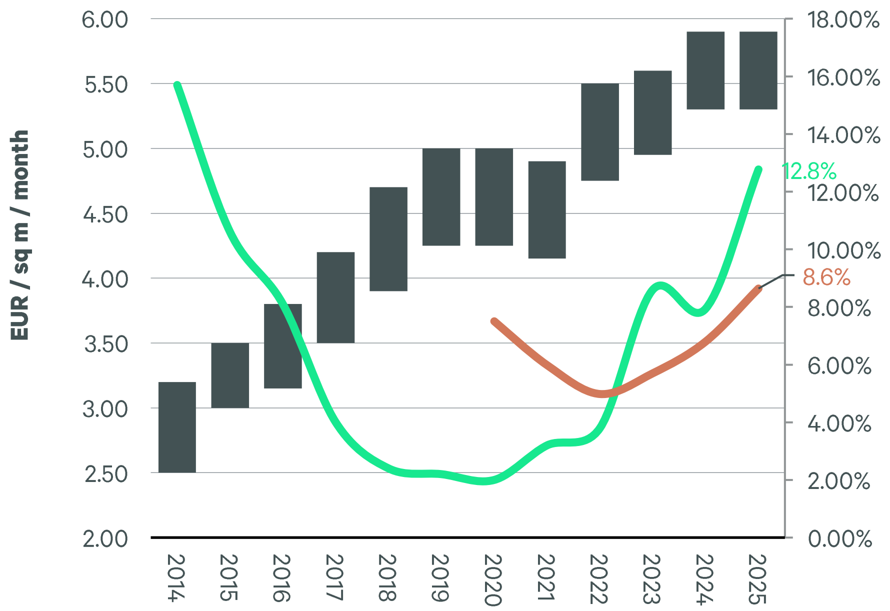
Vacancy trend doesn't allow room for rents to grow in general

Average prime headline rents for best-in-class (Grade 'A') warehouse assets remain resilient; however, effective rents are increasingly shaped by landlord incentives rather than nominal pricing adjustments. To retain or attract tenants, landlords are more frequently offering commercial incentives, including rental free periods or, in some cases, shorter lease tenures, with contract lengths increasingly shifting from the former five-year market standard toward three years. As a result, effective deal terms may vary materially from advertised headline levels.

There is limited geographical differentiation in average prime headline rents between Greater Budapest and Regional Hungary, reflecting a broadly balanced rental environment for top-quality assets nationwide. By year-end, average prime asking rents for Grade 'A' big-box warehouses stood at EUR 5.7/sq m/month, remaining unchanged year-on-year. City logistics prime rents averaged EUR 6.9/sq m/month, also showing no year-on-year change. These headline figures should be interpreted as benchmark averages, as transaction-specific offers—particularly for large or strategic occupiers—can deviate significantly depending on lease structure and incentives.

Build-to-Suit (BTS) developments continue to command a premium over standard speculative warehouses due to higher technical specifications and bespoke requirements. In line with this, newly launched projects indicate upward pressure on prime rents, with several developments marketing initial asking rents can be above the Greater Budapest average level, signalling a gradual repricing of modern industrial and logistics space at the upper end of the market.

Industrial big-box headline rents and vacancy rates in Hungary



Source: BRF, CBRE Research

04
Logistics

Trends to watch

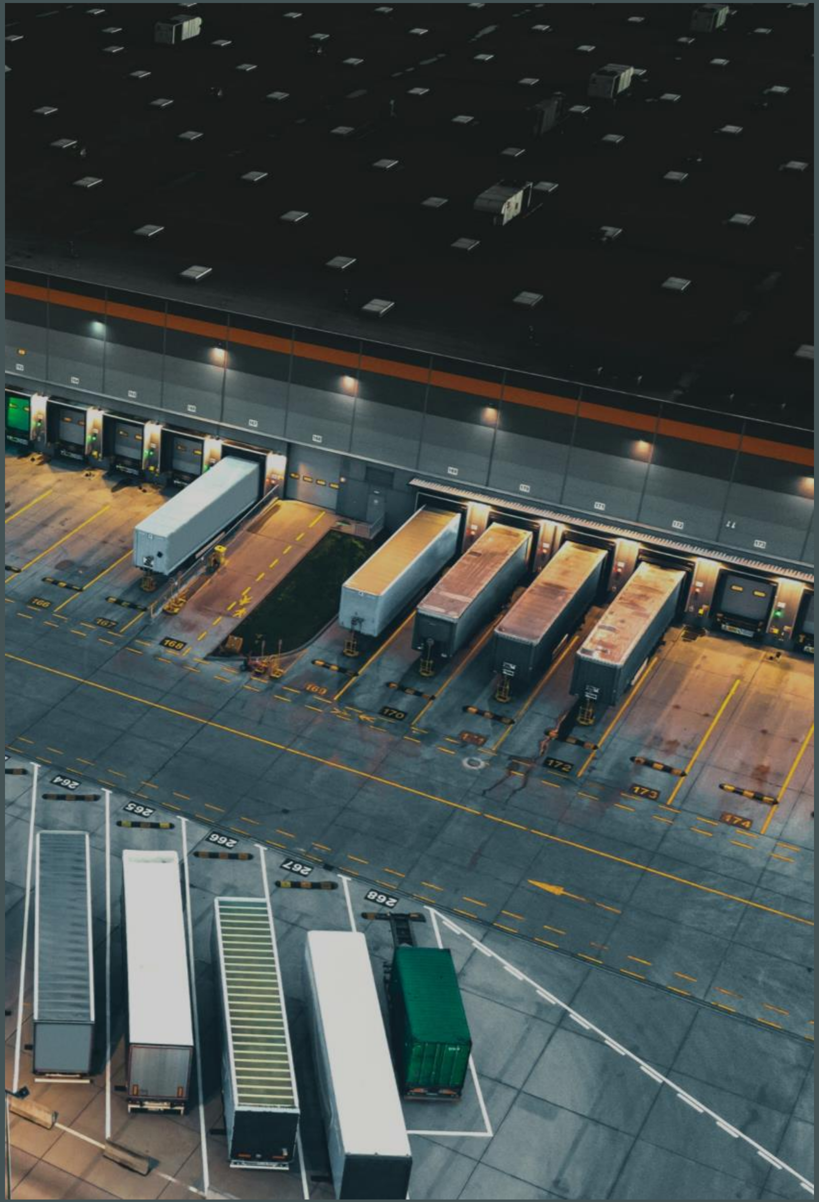
- Market fundamentals continue to diverge between Budapest and the regional office markets. Budapest appears increasingly affected by overdevelopment, with rising vacancy and tenant demand largely driven by relocations rather than net expansion. In contrast, supply in regional markets is more closely aligned with underlying demand: a higher share of pre-lets and genuine new take-up has helped keep vacancy levels under better control.

- Industrial and logistics completions dipped slightly in 2025, with many projects delivered late in the year. Although the 2026 development pipeline is the largest on record, we expect developers to moderately scale back or delay completions, particularly in Greater Budapest, assuming market indicators continue to deteriorate.

- In 2025, activity remained concentrated around Budapest, while regional areas also added several sizeable developments: 2026 can be a record year in case of new supply. Development activity accelerated again, driven mainly by strong pre-leasing demand. Regional cities benefited from large investment projects (car manufacturer, battery manufacturing plants), while Budapest saw most construction clustered in its West and Airport submarkets.

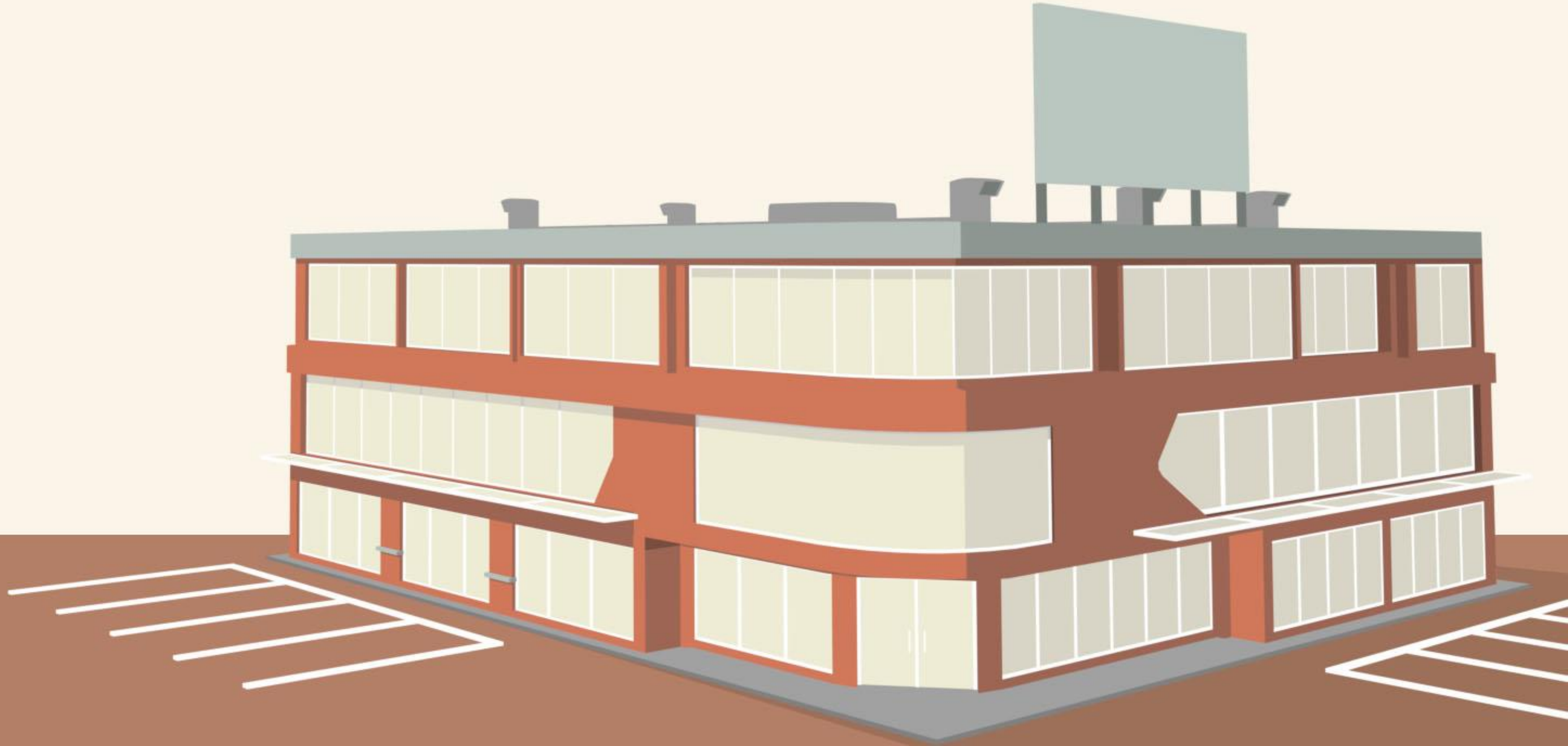
- Leasing volumes reached a record high, with regional markets expanding rapidly (ca. 40% of total demand in 2025) and attracting more large-scale occupiers. Despite strong activity, vacancy increased due to weaker net absorption in both Budapest and regional locations.

- Prime headline rents stayed stable, but effective rents increasingly depended on landlord incentives. Build-to-Suit projects continued to command higher pricing, reflecting ongoing demand for modern, customised warehouse space.



05

Retail



05
Retail

Retail sales are improving on the back of improving purchase power

Although economic growth fell short of earlier expectations, household consumption remained resilient throughout 2025. This was supported by moderated inflation—particularly the sharp easing in food price pressures—which helped lift consumer sentiment as the year progressed. At the same time, wage dynamics stayed robust, with real earnings rising by more than 6%. Together, these improving household fundamentals provided a favourable backdrop for a more detailed assessment of retail sales performance.

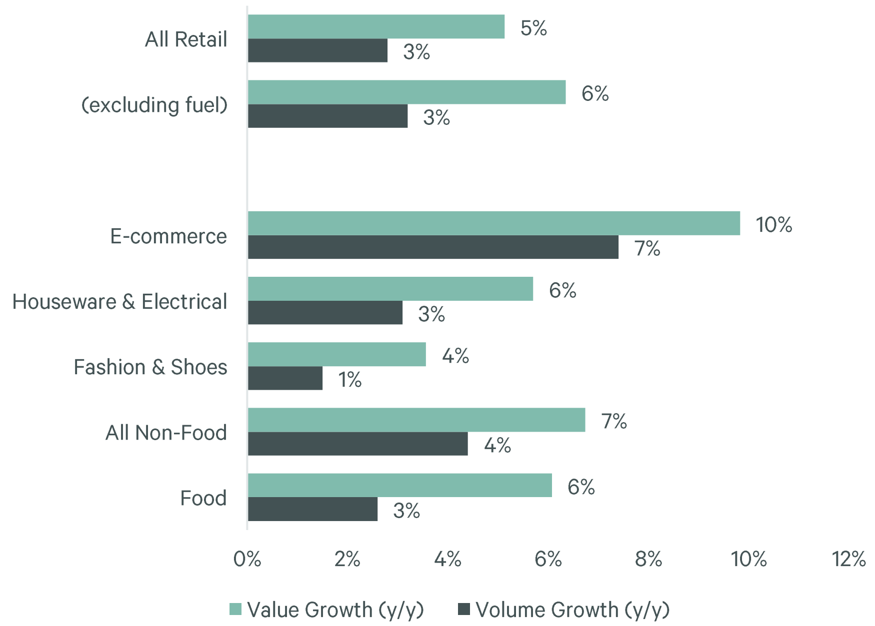
Retail sales stabilized in the second half of the year after significant volatility early on, showing a slow but steady upward trend—from 0.9% at the end of March to 2.5% by the end of November. During the first eleven months of 2025 (January–November), retail sales increased by 2.8% year-on-year. Across major product categories, food retail sales volume rose by 2.6%, the non-food segment expanded by 4.4%, while fuel sales registered a more subdued 0.7% increase. The strongest growth was recorded in cosmetics at 10.7%, followed by e-commerce at 7.4% and pharmacy at 6.1%. The largest decline occurred in the books and newspapers category, which fell by 2%. Based on Euromonitor forecast the share of e-commerce in total sales will reach 9% in 2026 and rise to 11% by 2029. In comparison, other CEE countries- such as the Czech Republic and Poland- are expected to reach around 20% by 2029.

In 2025, the Hungarian retail landscape recorded notable market entries, reflecting both growing international interest and the continued diversification of the domestic retail mix.

Three new brands established a presence in the country, each contributing to the expansion of key retail segments. The Dutch cosmetics and lifestyle brand Rituals entered the market with its first store in the Mammut shopping center, followed shortly by additional openings in Arena Mall and Allee. The company's strategy indicates further expansion not only within Budapest but also into regional cities, aligning with a broader market trend in which brands increasingly target secondary urban locations to deepen their national footprint. The Spanish jewellery brand Tous also launched its first Hungarian store in the prime retail environment of Arena Mall and has since pursued additional openings. Their expansion underscores the rising demand for accessible luxury and branded accessories within the Hungarian consumer base. Another newcomer, ONLY, which operates in more than 70 countries, opened its first local outlet store in Premier Outlet Center Biatorbágy. Their entry strengthens the fashion outlet segment, a category that continues to enjoy strong footfall and price-sensitive customer demand. Our pipeline includes an increasing number of international brands that continuously monitor the Hungarian market.

In addition to these retail brands, Hungary welcomed a new gastronomic concept: the TimeOut Market. Now available in Budapest, this dining food hall model brings together multiple restaurants and culinary experiences within a single leisure-oriented space. The concept caters to evolving consumer preferences for experiential dining and multifunctional social environments.

Retail sales and volume change in 2025



Source: Hungarian Statistical Office, CBRE Research
Note: YTD data until November 2025.

05
Retail

Store openings exceed closures

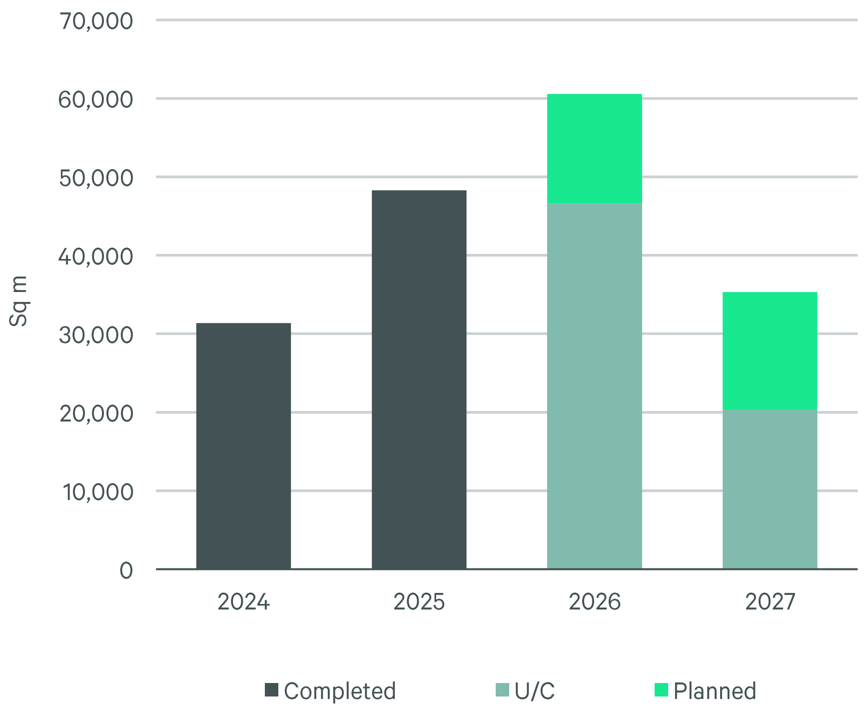
In total we monitored 146 new openings and 140 store closures in our modern retail stock across the country – considering domestic and international retail chains. Food & beverage retailers expanded the most dynamically, followed by Household & furniture and Fashion categories. Although the Accessories and Specialty retail segments saw a high number of new store openings, they also experienced even more closures, placing these categories in negative territory overall.

In recent years, food courts in shopping centres have reached full occupancy, driven by a growing demand for dining options. In response, many landlords have not only renovated these areas but, in several cases, expanded them to accommodate the increasing dominance of F&B operators. This trend reinforces the notion that shopping centres now serve a broader function than traditional retail—they increasingly operate as multi-service hubs and community spaces. Retail sales trends also reflect this shift: the long-standing strength of the perfumery and cosmetics category highlights the sector's resilience, supported by the continued expansion of brands such as Rituals. When it comes to store closures, smaller or niche brands are typically the most exposed, often unable to compete with the scale and efficiency of large multibrand retailers. Several Hungarian brands are strengthening their online presence, and it is likely that some will either reduce their physical store networks or consider consolidation in the future.

Total modern retail stock expanded by 48,300 sq m in 2025, of which approximately 16,000 sq m was delivered in Budapest. One new shopping centre was completed in the capital city, Zenit Corso shopping mall opened in Zugló with the size of 11,000 sq m, as the convenient retail element of the new mixed-use scheme dominated by ca. 150,000 sq m of governmental offices. It was opened in October 2025 with ca. 30 brands, focusing on services and daily shopping.

Looking ahead, we expect around 47,000 sq m of new retail space to be handed over in 2026, followed by a further 20,000 sq m in 2027. The majority of these upcoming developments are smaller retail parks, regionally focused projects, averaging around 6,100 sq m per scheme and typically delivered by local developers. A notable recent start is the commencement of construction on Stop Shop Salgótarján with the size of 7,600 sq m. All currently listed pipeline schemes are already under construction. The refurbishment and expansion of Duna Mall (+15,000 sq m), which includes an additional office component, has been postponed. The planned expansions of Alba Plaza (+20,000 sq m) in Székesfehérvár, the Forum shopping mall (+15,000 sq m) in Debrecen and Premier Outlet Center (+4,000 sq m) remain in the planned stage, with construction yet to begin.

Retail completion and pipeline in Hungary



Source: ibuild, CBRE Research

05
Retail

Low new delivery volumes leave opportunity for refurbishments

In Budapest's prime shopping centres, vacancy levels remain exceptionally low, a trend mirrored across regional shopping centres as well. Several assets are currently in planned expansion or refurbishment phases, including schemes in Debrecen, Székesfehérvár and Budapest. Modern retail parks in Greater Budapest continue to show strong fundamentals, with vacancy stabilising at a negligible 2–3%, while regional cities record only slightly higher levels at around 4–5%.

Tourism-driven demand is strengthening retail performance further. Budapest hotels registered 8.8 million guest nights, marking a 6.3% increase year-on-year. Passenger volumes at Budapest Airport exceeded 19 million in 2025, surpassing the previous 2019 record and positioning the airport as the third busiest in the region after Vienna and Warsaw.

High-street locations continue to benefit from this momentum: Fashion Street is experiencing sustained high footfall, resulting in practically zero availability of retail units. This supply–demand imbalance has pushed rents to the €130–150/sq m range for a 150 sq m unit, making the area a strong magnet for new market entries. Váci Street, particularly the section connecting directly from Fashion Street, is also capturing the increased tourist flow and now faces similarly limited availability.

The addition of new luxury hotels and entertainment facilities is expected to further reinforce the attractiveness and performance of this micro-location in the near future. As of January 2026, asking rents for standard 100–150 sq m units on Andrássy Avenue typical rates range between €50–65 per sq m per month. In Budapest's prime shopping centres, headline rents currently range between €70–100 per sq m per month, reflecting a modest year-on-year increase. Following the energy crisis, service charges have stabilised and no longer represent a key concern for occupiers. Strengthening tourist activity, combined with persistently low vacancy levels, continues to support demand along the High Street and is likely to exert further upward pressure on rents.

Retailer openings and closings by categories in 2025

Source: Shopingy, CBRE Research

Note: only international brands and brands with more than 10 units

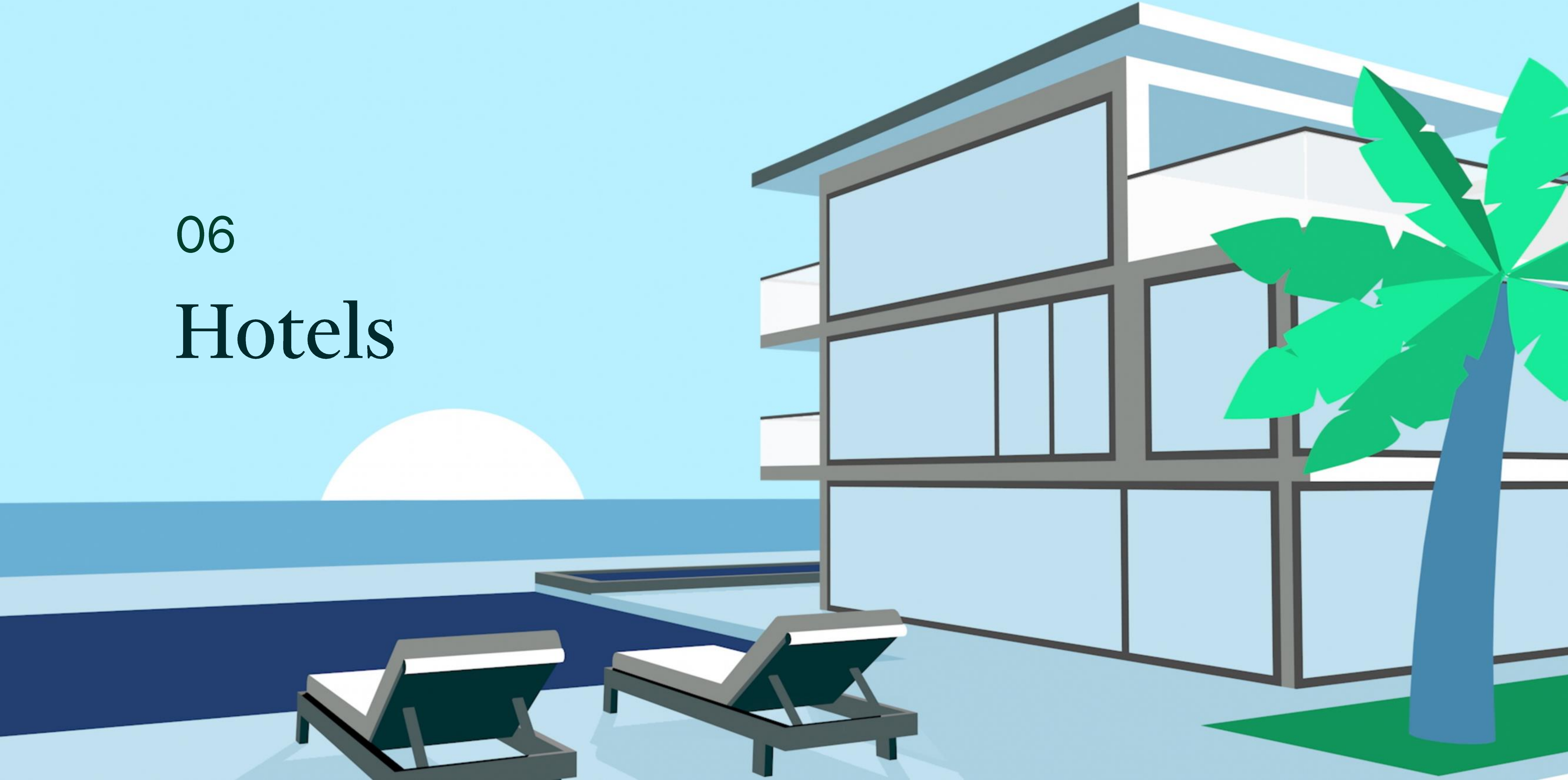
05
Retail

Trends to watch

- Retail sales continue to benefit from stronger spending power: Hungary stands out in the region with retail sales growth expectation above 4% in 2026. The retail landscape remains distinctly two-sided: on one hand, consumers exhibit heightened cost-consciousness; on the other, there is a growing appetite for experience-led retail and value-driven indulgence.
- E-commerce penetration continues to rise, yet the pace of growth has moderated. Retailers broadly acknowledge the strategic importance of physical stores within an omnichannel framework. Retailers' expansion strategies remain heavily skewed towards retail parks, consistent with findings from our European survey last year. A key factor is that retail parks typically incur lower fixed costs.
- Retail sales strengthened in 2025 as low inflation and rising real wages improved consumer sentiment. Food prices stabilised significantly, and overall household consumption remained resilient. This created a supportive environment for gradual retail sales growth.
- Several new international brands entered Hungary, expanding segments such as cosmetics, jewellery, and fashion. New dining concepts also appeared, reflecting growing demand for experiential retail. These arrivals signal continued international interest in the Hungarian market.
- Store openings broadly matched store closures, with food & beverage and household categories performing well. Shopping centres increasingly operate as multi-purpose spaces, driven by strong demand for dining and services. Smaller brands remain vulnerable and may shift more activity online.
- Retail vacancy stayed low across Budapest prime shopping centres. High- street locations supported by strong tourism and high footfall- with limited availability and rising rents. Continued tourist growth and new hotel developments are expected to reinforce this trend further.

06

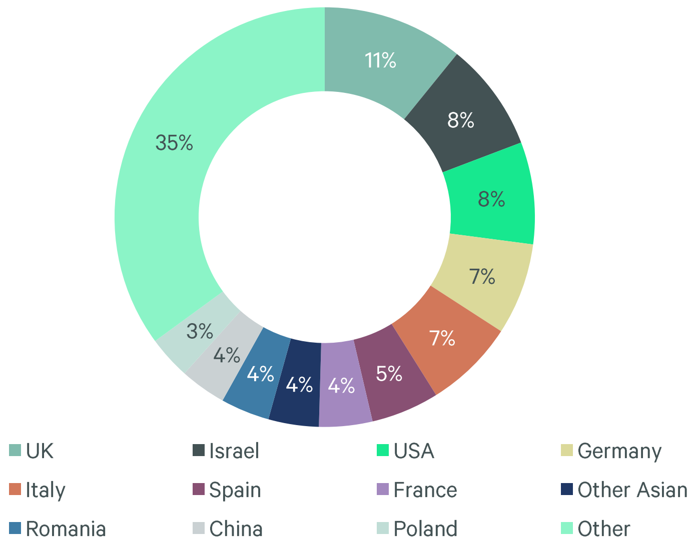
Hotels



06
Hotels

Visitors' number in Budapest hotels back to pre-Covid peak

Top source market for Budapest Hotels (based on overnights)



Source: Hungarian Statistical Office, CBRE Research

Overnight stays in Budapest hotels exceeded pre-COVID levels for the first time in 2025, finishing the year 4% above 2019. Year-over-year, hotel overnights also grew strongly, increasing by 6.5% compared to 2024. Hotels in the capital recorded 9.9 million guest nights in total, of which 8.5 million were international visitors, 7% up on the previous year. Budapest International Airport has registered over 19.6 million guests last year, up by 12% y/y.

Tourism in Hungary reached an all-time high in 2025, with over 46.8 million guest nights recorded across all accommodation types nationwide. Outside Budapest, the market remains strongly driven by domestic demand: nearly 12 million visitors travelled to regional destinations, more than 70% of whom were domestic travellers.

In 2025, a total of 19 hotel openings were recorded, adding approximately 1,700 rooms to the national supply. This represents a 157% year over year increase compared to 2024, although it remains 18% below the peak development level observed in 2023. In the capital, 10 new hotels entered the market in 2025, adding 819 rooms, with branded properties accounting for roughly 70% of the new supply. Outside Budapest, three new hotels opened around Lake Balaton, while the remaining additions were launched in other regional cities. The largest opening of the year was the 285-room La Primore Hotel in Hévíz. Beyond the capital, only one branded property debuted in 2025: the ibis Styles Airport Hotel in Debrecen.

In Budapest, the hotel development pipeline remains robust, with nearly 3,000 rooms currently under construction and scheduled to open between 2026 and 2029, alongside an additional c. 2,000 rooms in the planning phase. In 2026 alone, 13 new hotel openings are expected in the capital, adding approximately 2,000 rooms, including the reopening of the former Sofitel under the SO/ brand. This significant influx of new supply is likely to place short-term pressure on ADR and occupancy levels across the city.

Outside the capital, the development pipeline is considerably weaker, primarily due to the continued suspension of subsidy schemes such as the Kisfaludy programme. Currently, only around 300 rooms are under construction in regional markets, with a further c. 1,100 rooms in planning and expected to be delivered by 2028.

06

Hotels

When looking at the new supply expected to enter the Budapest market in 2026, the pipeline is heavily concentrated in the upper tiers. Around 70% of incoming rooms fall within the upscale (37%), upper-upscale (11%), or luxury (23%) categories, underscoring the city's ongoing premiumisation trend. Nearly 80% of the new supply will be branded, highlighting the strong confidence international hotel chains continue to place in the Budapest market.

Hungary has firmly entered the strategic horizon of international hotel operators, evidenced by the introduction of new lifestyle and hybrid brands. Recent and upcoming entries include JO&JOE (Accor), Moxy (Marriott International), and Ruby Hotels (recently acquired by IHG), reflecting a diversification of brand concepts targeting younger, experience-driven, and urban-focused demand segments.

International hotel brands continue to expand their footprint beyond the capital, with increasing presence in key regional cities. Accor remains particularly active, most recently delivering the Ibis Styles Debrecen Airport (88 rooms), further extending its multi-brand regional coverage established over recent years. Similarly, IHG is strengthening its national presence, following the rebranding of a hotel in Székesfehérvár and advancing with planned entry into Szeged, signalling sustained operator confidence in secondary urban markets.

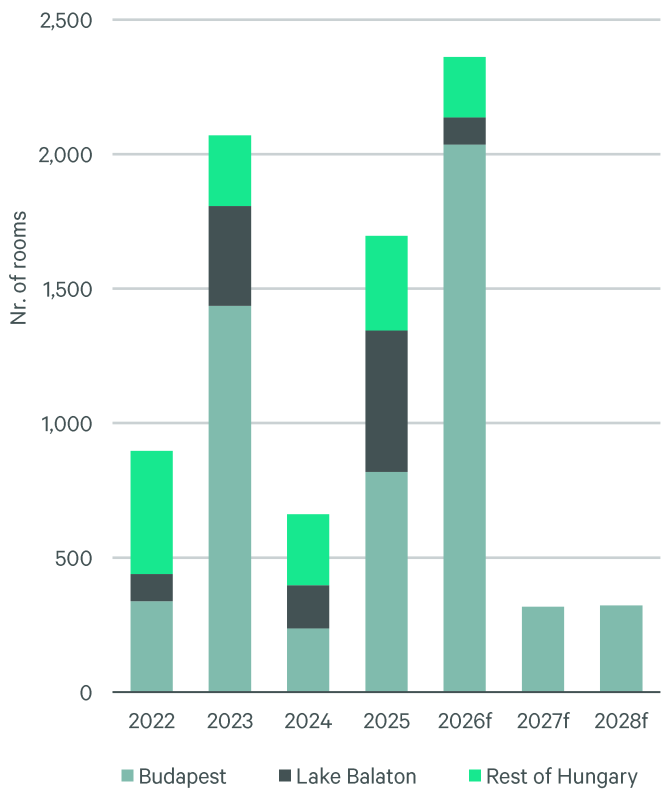
Beyond traditional hotel formats, branded residential and mixed-use concepts are emerging. Marriott is set to introduce its first branded residences in Hungary, comprising 48 residential units on the Buda side of Budapest, marking a significant milestone for the local market.

This development is expected to be followed by a Hilton-branded residential project at a later stage, confirming growing institutional interest in alternative hospitality-adjacent asset classes.

Hotel conversion activity has gained significant momentum, driven by strong accommodation demand, limited availability of development sites, and tighter urban planning constraints. As a result, the market has seen a growing number of conversions from older, secondary ("B-class") office buildings in well-located areas into hotel use. International operators are increasingly adapting their brand standards to fit conversion-led developments, with a particular focus on inner-city locations inside the Ring Road, where accessibility and tourist demand fundamentals are strongest. Based on the current pipeline—including projects under construction and planned conversions—over 1,000 new rooms are expected to enter the Budapest market between 2026 and 2029 through office-to-hotel redevelopments. This trend is likely to continue: we identify a further c. 500 potential rooms from early-stage projects that could expand supply, although these schemes have not yet secured building permits.

Overall, these trends highlight a structural shift toward urban densification, adaptive reuse, and brand diversification, reinforcing Budapest's and Hungary's position as mature and investable hospitality markets for international operators.

Hotel completion and pipeline split by status



Source: ibuild, CBRE Research

06
Hotels

Hotel pipeline for next years skewed towards the capital again

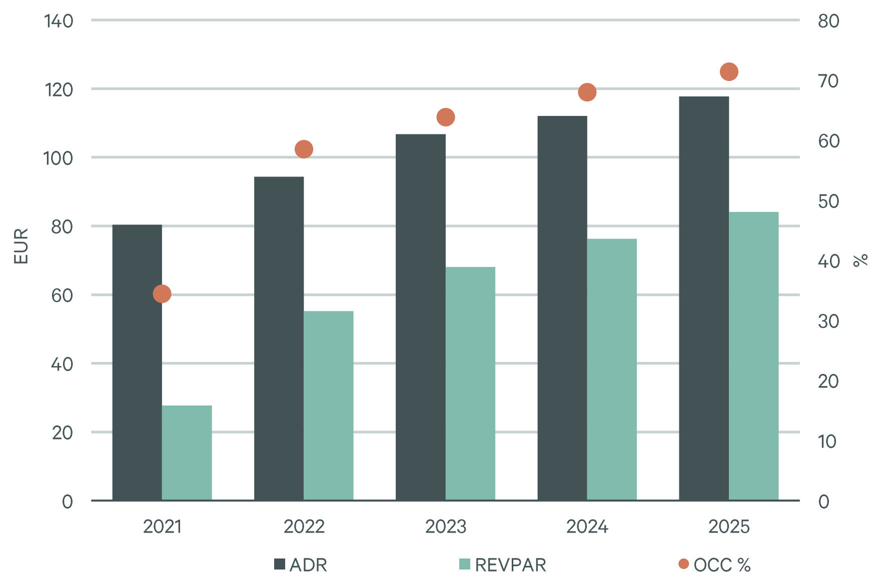
Between 2022 and 2024, hotel occupancy in Budapest increased at a rapid pace, reflecting a post pandemic recovery phase in tourism demand. This recovery continued into 2025, when the market reached an average occupancy rate of 71.4%, representing a 3.4 percentage point increase year over year and signalling a return to structurally healthy demand levels. At the same time, ADR growth has begun to moderate, indicating a transition from recovery driven price inflation to a more normalized growth trajectory. According to data from the Hungarian Statistical Office, ADR reached EUR 117.7 in 2025, reflecting a 5.8% year on year increase.

Supported by the combination of high occupancy and continued ADR growth, RevPAR increased to EUR 84.1, representing a strong 11% annual growth. This performance underscores the resilience and maturity of the Budapest hotel market.

In the Balaton region, hotel performance improved year on year across all major indicators. Occupancy edged up to 49.2%, continuing the steady upward trajectory seen since 2021. ADR rose to EUR 91.5, representing a stronger 10% annual increase, while RevPAR reached EUR 37.2, up 12% y/y. Despite these positive developments, performance levels remain structurally below those recorded in the capital, reflecting Balaton's more seasonal, leisure focused demand profile. At the same time, foreign guest nights show a clear upward trend, signalling a gradual return of international demand. Nevertheless, the region continues to rely predominantly on domestic tourism, with domestic guest nights still more than double the volume of foreign stays.

Overall, these indicators confirm a sustained recovery in tourism demand and provide clear evidence of the market's attractiveness to international hotel brands, particularly given the ability to absorb new supply while maintaining solid pricing and occupancy levels.

Main KPIs for Budapest hotels



Source: Hungarian Statistical Office, CBRE Research

06
Hotels

Trends to watch

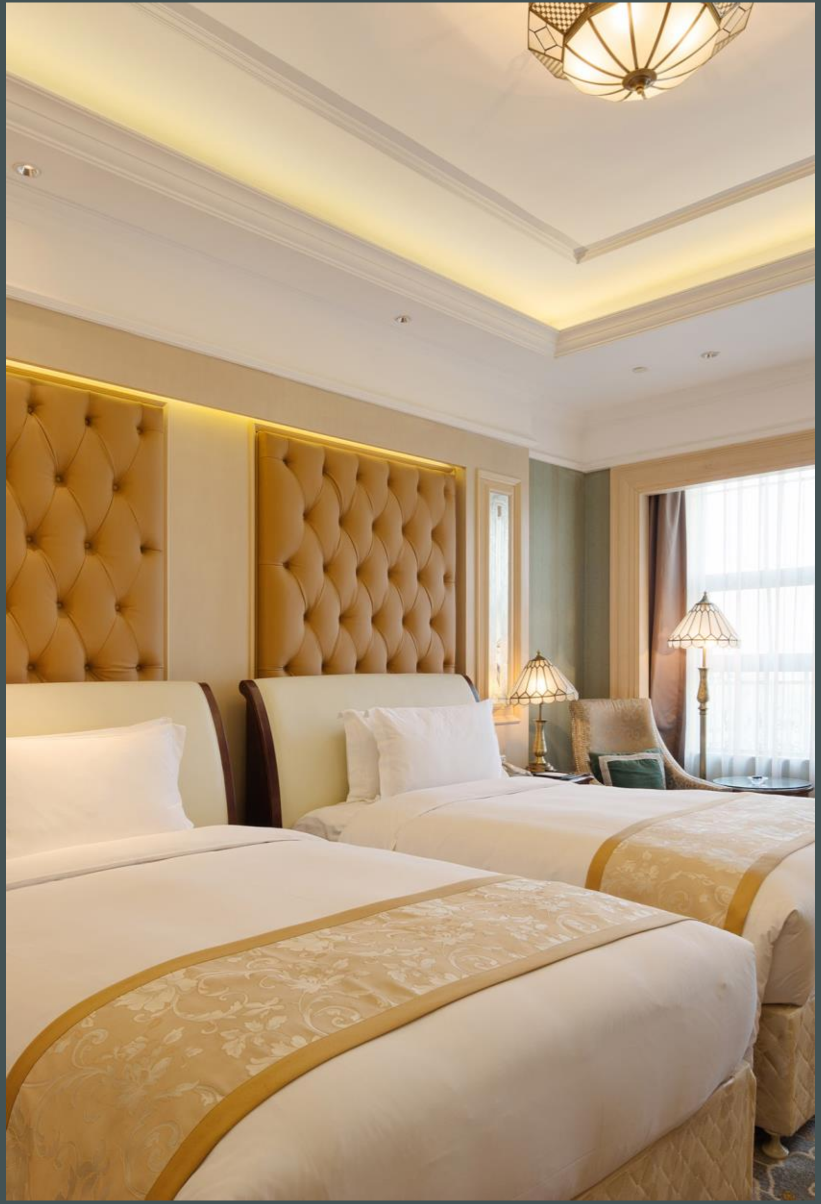
- Tourism in Budapest surpassed pre-COVID levels for the first time, supported by strong international arrivals and record airport traffic. Nationwide guest nights also reached an all-time high, though regional markets still rely mainly on domestic travelers.

- Passenger traffic at Budapest Airport continues to increase strongly, with the airport overtaking Prague to become the second-largest hub in Central and Eastern Europe. In 2026, air connectivity is set to improve further, particularly to Tier-2 cities across Western Europe and to key Asian destinations. This enhanced connectivity is expected to support continued growth in international tourism, with a higher-spending visitor profile increasingly evident.

- Hotel supply expanded significantly in 2025, and Budapest is set for another sharp increase in 2026, driven largely by upscale and branded developments. This wave of openings is expected to create short-term pressure on room rates and occupancy as new capacity enters the market. Regional pipelines remain limited due to paused subsidy schemes.

- Adaptive reuse—especially office-to-hotel conversions—is emerging as a major driver of new supply. More than 1,000 rooms are already under construction, with a further 500 rooms in the planning phase expected to follow in the coming years.

- Hotel performance continued improving in 2025, with Budapest achieving healthy occupancy and further ADR and RevPAR growth. Lake Balaton also strengthened, though its seasonal profile keeps performance below the capital. Overall, stable demand and pricing resilience indicate that the market has moved from recovery into a more mature growth phase.



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