Intelligent Investment

2025 Hungary Real Estate Market Outlook

REPORT

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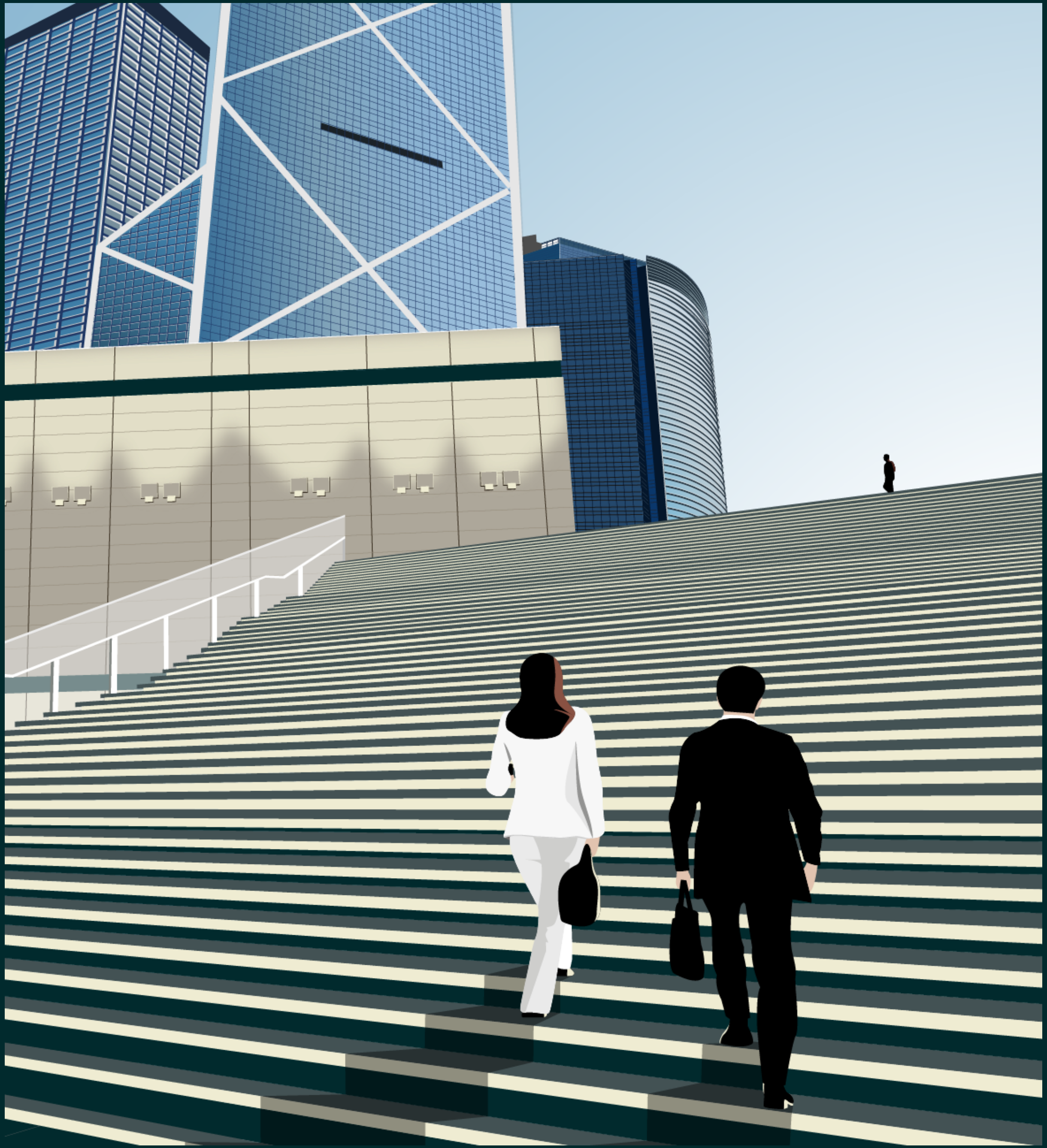

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01

Economy

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Economy

Economic growth relies on domestic drivers

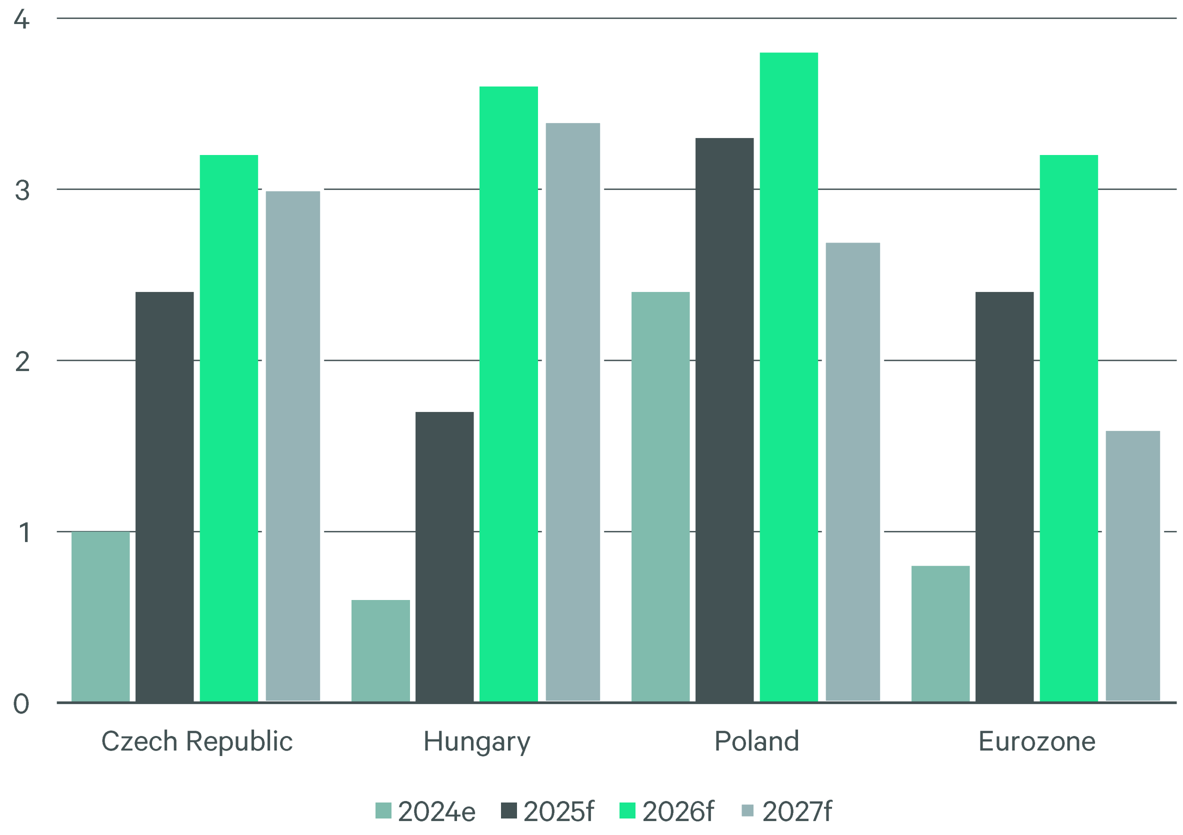
The Hungarian economy had a difficult year in 2024, and annual GDP growth at 0.6% was well below expectations. Economic growth developed much more slowly than expected at the beginning of last year, mainly due to the weakness of export markets due to the weak German and European economy. After the decline seen in Q3, a technical recession was avoided by the end of the year, and Hungarian economy returned to growth in Q4. The outlook for this year is better than last year, but unfortunately, we cannot expect a sudden rebound now either.

According to a survey by portfolio.hu, market analysts expect economic growth to be between 1.8-2.5% this year. Oxford Economics suggest a GDP growth at 1.7% in 2025, before finally picking up to 3.5% in 2026/27. The government is significantly more optimistic already for this year, as they based the 2025 budget on an economic growth at 3.4%.

There are significant drivers (like the launch of the production in the BMW factory in Debrecen later this year) which can help, however, achieving this optimistic rate already this year would require an extraordinary acceleration in the second half of the year. This is largely independent of domestic processes (e.g. relying on the improvement of the German economy) and partially unlikely for politically determined reasons (e.g. continuing restrictions on access to EU funds).

Economic experts and the government agree that consumption can support economic growth this year, while the outlook for investments and net exports is significantly bleaker.

GDP Growth Forecast for the Eurozone and CEE (%)



Source: Oxford Economics

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Economy

Domestic consumption could be a driving force everywhere in the region after the strong wage outflow of recent years. The additional consumption-stimulating effect of PMÁP household interest payments (20%+ one-off interest payment resulting from the inflation-following state bond schemes) could provide further dynamics to economic growth. In 2025, it is estimated that more than HUF 1,700 billion (ca €4.1 billion) will be released from the maturities of the inflation-following state bond program (PMÁP) to Hungarian households. This income is tax free. Ca 63% of this amount is expected to be paid out in the first quarter of the year. As the same bond scheme offers much less lucrative yields (with inflation trending down), vast majority of this money will be channelled into real estate purposes, domestic consumption or to alternative investment opportunities.

Household consumption recovered in 2024, and by the end of the year the dynamics of retail trade could also strengthen. This is expected to remain this year, although the weaker retail sales data in December dampened optimism, and the strengthening of inflation in January also came as an unpleasant surprise.

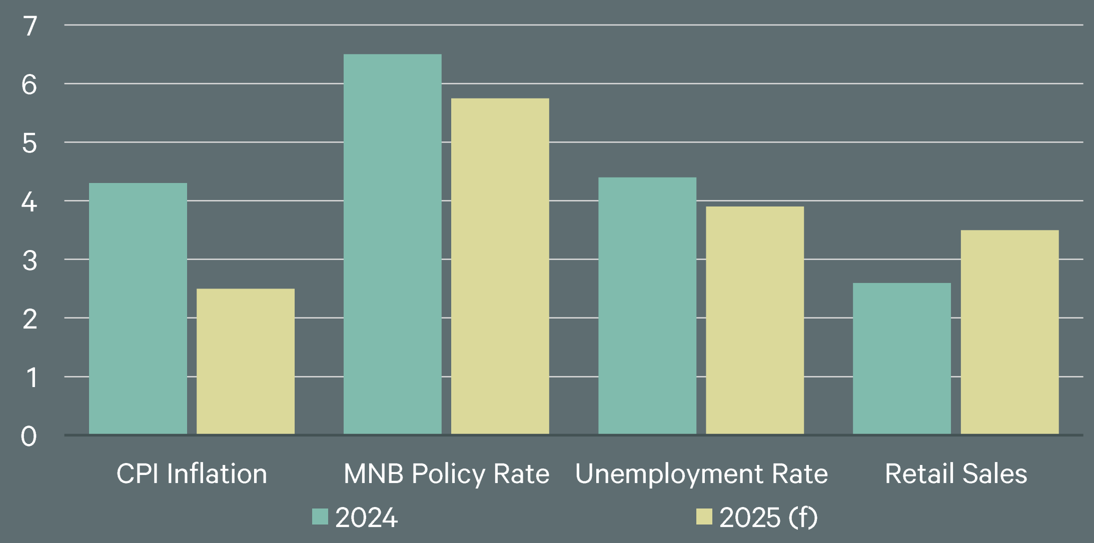
Last year's annual inflation averaged at 3.7%, clearly lower than expected at the beginning of the year. However, the higher-than-expected January inflation (5.5%) suggests a re-acceleration in the pace of inflation, which could reach 4-5% in 2025. Fortunately, the HUF has somewhat recovered from the weak levels seen at the end of last year, and this reduces imported inflation.

Analysts expect the average FX rate to remain around 410 HUF/EUR this year, which also requires the MNB's disciplined interest rate policy. The policy rate is currently 6.5%, which may only fall slightly below 6% by the end of the year, and a significant easing in monetary conditions will have to wait until 2026/27.

According to the Hungarian Central Statistical Office (KSH), the average gross monthly earnings for reached HUF 655,000 (ca €1,690) by end-2024. Hungarian wages have been increasing by a rate clearly above the economic growth over the last period and most remarkably in 2023/24. Current salaries are by 12% above the level a year ago and ca 50% above the level of 2021. However, this wage increase in HUF terms translates to somewhat lower wage increase in EUR terms, as HUF has depreciated by 2% and 10% since 2023 and 2021, respectively.

High wage growth in 2024 was justified by the high inflation in 2023 and the expectation that inflation remains stubbornly high for longer – therefore nominal wage increases were relatively high during 2024. As inflation started to fall much faster than anticipated, this turned out a much bigger increase in real terms than originally expected. Going forward, salary growth should be more moderate in 2025/26 (ca 7%) as inflation remains under 5%.

Inflation, MNB Policy Rate, Unemployment Rate and Retail Sales Growth in Hungary (%)



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01

Economy

Strong FDI inflow but weak export markets

In contrast to consumption, the outlook for Hungarian industry and foreign trade is unfavourable. The volume of Hungarian industry has decreased by a total of 7% in the past two years, which shows an unprecedented weakness. The reasons for this can clearly be found in weak exports and the weak external economy. The state of the German economy key to the Hungarian economy, as nearly 40% of foreign trade goes to Germany. Due to the extraordinary openness of the economy, this year's industrial performance cannot be outstanding without stronger European economic performance and the European automotive industry finding its feet.

It is encouraging, however, that after the German elections, a change of direction is expected in German economic policy, which could boost consumption and investment through fiscal stimulus, and the positive impact of this can also be felt in CEE, primarily in the Czech Republic and Hungary.

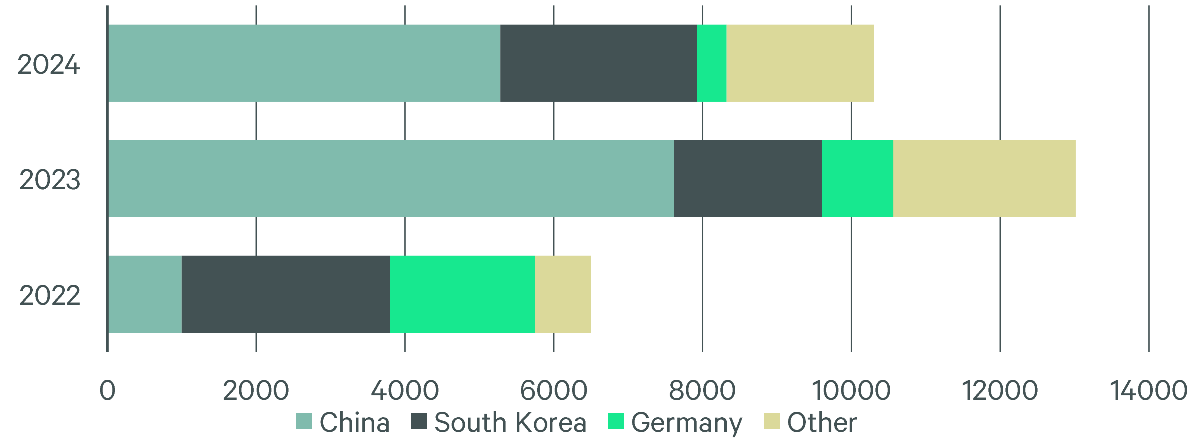
Investment was down by a cumulative 25% since peaking in Q2 2022, and it is assumed to be flat this year before picking up over 2026-27 as demand outlook improves. It is somewhat encouraging that the reason behind the postponement of investments by private actors is weak demand, not a shortage of funds. This is not the case for public investors; here the lack of funds from Brussels is clearly visible, which could result in an additional 1-1.5% growth in other CEE countries this year.

The Hungarian government has rescheduled several large-scale infrastructure investments, and elsewhere it is trying to help with targeted programs: supporting energy efficiency investments, targeted real estate development programs or subsidized loans. The government’s new economic policy measures focus on three key areas, including affordable housing as one of them.

Although investments in general have been shrinking, Hungary continues to stand out with regards to green transition and attracting new FDI. After the 2023 record level (13B EUR+), new FDI projects announced last year amounted to 10.3B EUR in total. In terms of investment volume, China took the lead with EUR 5.2 billion - driven by the BYD factory announcement in Szeged, South-Hungary. South Korea was second with EUR 2.6 billion; however, Germany still leads in terms of number of projects.

In the sectoral breakdown, automotive continues to take the lead, followed by electronics and food industry. The vast majority of the new FDI will trigger GDP growth in regional locations. In the service sector, (R&D) has doubled in a year, showing a stronger emphasis on primarily innovation-focused investments. Budapest continues to stand out as a highly competitive location to attract high add-value functions at a global scale.

FDI Inflow to Hungary by Origin of Capital



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02

Capital Market

02
Capital
Market

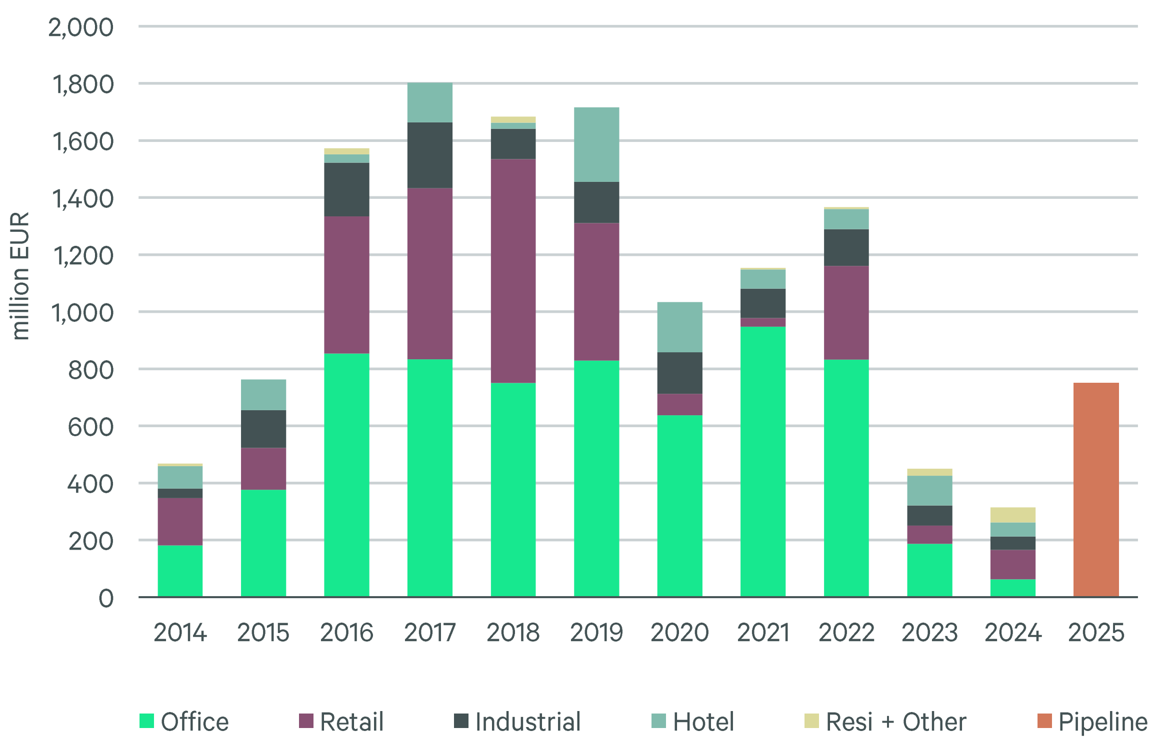
Investment volumes hit a low in 2024

While the turnover in the classic CRE investment segment remained muted and set a 11-year negative record, we experienced an increase in the investment activity into development opportunities, vacant assets or properties with conversion opportunities in Hungary in 2024. The annual property investment volume reached only EUR 315M in the country last year, showing a decline of 21% on 2023. In 2024, the retail sector held the largest share at 33%, followed by offices at 20%, and hotels at 16%. The recent popular industrial sector accounted for 14%.

The average transaction size declined to 12.6 million EUR (-32% y/y), indicating that activity shifted towards small assets of mostly opportunistic nature. The largest transaction by value was the sale of Exchange Palace, the former MTV headquarters, but that deal was still under EUR 50 M. Most purchasers were property companies (36%) and private investors (27%), while in terms of origin of purchasers the Hungarian investors were dominant.

Going further, we don't expect significant capital from traditional Western European markets, but rather from South or from East from Hungary. China has played a crucial role in overall FDI volume to Hungary for the last years and this triggers growing interest from Chinese parties to invest into cash-flow generating assets as well. While more risk-averse capital continues to stay a bay, Chinese capital could be a new driver in 2025- 2026. Looking at the stronger activity in early 2025 and the available pipeline-for-sale, investment volume can go up to as high as EUR 700-800 M this year.

CRE Investment Volume by Asset Classes in Hungary



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" Looking at the stronger activity in early 2025 and the available pipeline-for-sale, investment volume can go up to as high as EUR 700-800 M this year. "

Offices make the largest part of the currently available investment supply on the market: legacy portfolios are up for sale and add-value, or opportunistic assets are available to conversion or retrofit. On the other hand, there is limited supply in the prime segment, as owners of such assets still wait for the cycle to turn. While offices can offer best forward-looking yields in many core markets (following strong adjustments in prices), this is less the case in Budapest with strong development pipeline and modest occupational demand.

Industrial assets are the most sought-after asset class in CEE and Hungary as well, here the ask-bid spread is more manageable. Given the strong development pipeline and the slight correction in occupational fundamentals, we expect the supply side to strengthen and more investment deals to be closed on 2025. The sentiment has been proven recently when a major logistic park in Greater Budapest traded earlier this year, giving confidence in the liquidity of the segment and providing much needed guidance with relations to asset pricing.

02
Capital
Market

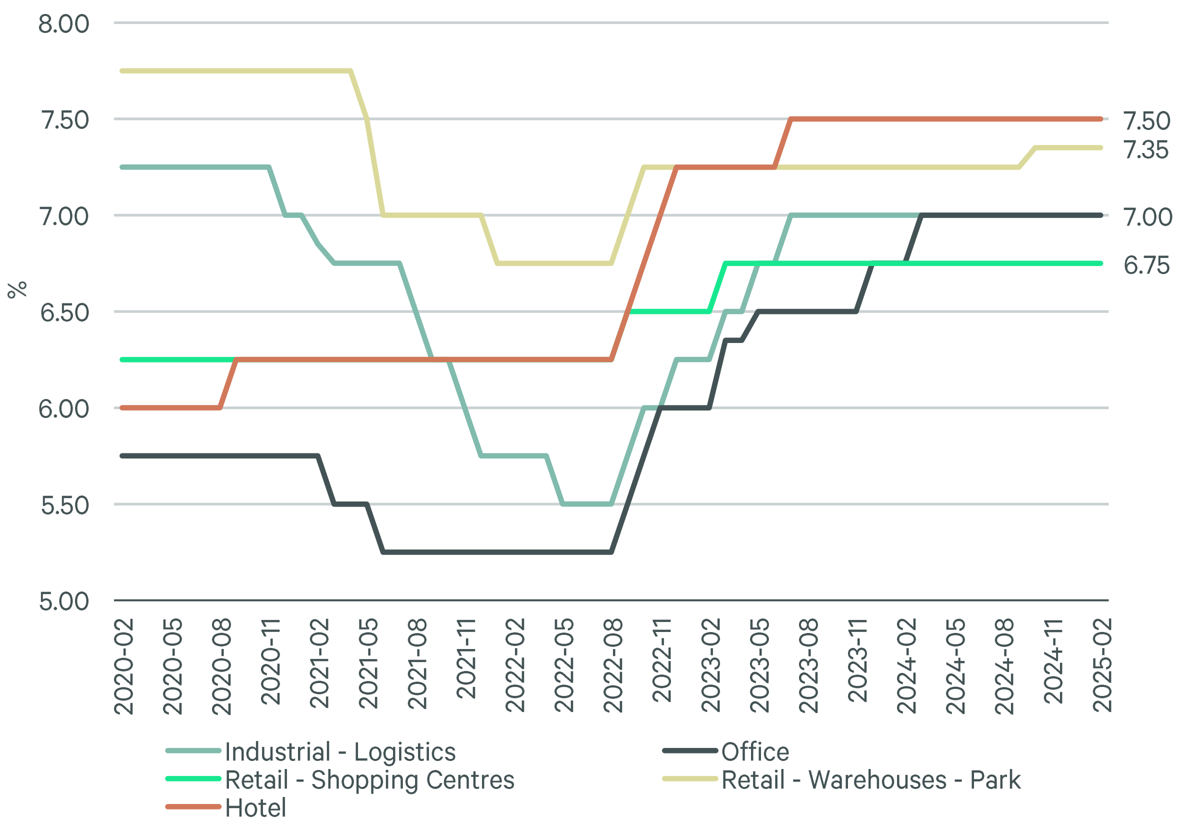
Stable yields in Hungary look more attractive

Prime yields have recently moved in across several markets for many asset classes - also in the CEE region. As yields have not compressed in Hungary, a bigger yield gap has emerged, making pricing profile more attractive compared to other markets in the region. Nevertheless, yields remain still hard to define as liquidity in the prime segment of most asset classes remains low. Office and I&L prime yields stand at 7.00%, Shopping Centres at 6.75%, Retail Parks at 7.35%, while the Hotels (with lease contract) at 7.50% by the end of February 2025.

Older buildings and development plots, however, can benefit from the strong sentiment for operational real estate. International hotel brands and regional PBSA operators are looking to expand into this segment, taking advantage of the strong tourism, increasing international student population and the changing legislation around rental residential properties.

The government recently launched a capital injection program (300B HUF for the next 5 years) to support housing accessibility, whereby funds can apply for non-refundable subsidies in case of rental residential or PBSA development up to 70% of the project value. This is likely to speed up the delivery of new operational housing developments.

Prime Yields by Asset Classes



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03

Offices

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Offices

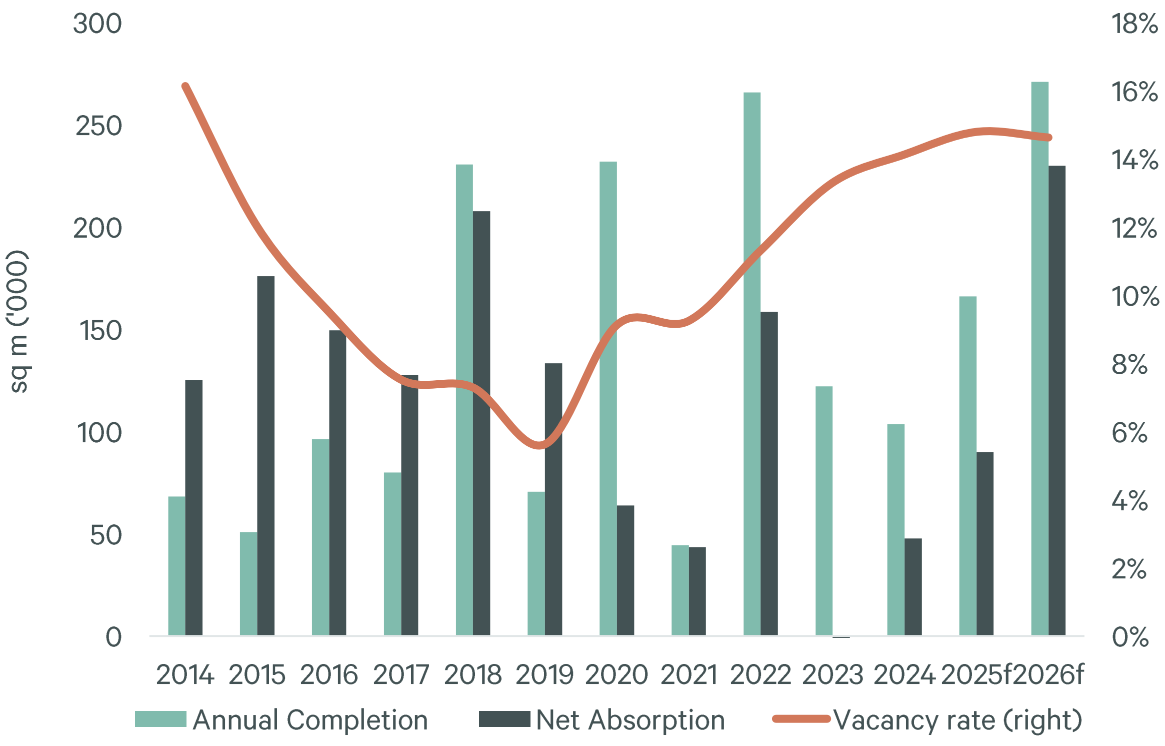
Development pipeline with limited availability

Budapest office stock has expanded by a more moderate pace than we previously anticipated due to delays and rescheduling of new projects- 40% below our forecast at the start of the year, with a significant development volume delayed into 2025. The annual completion volume reached 103,600 sq m, (near the same level in 2023), which increased the modern office stock to 4,455,600 sq m by the end of Q4 2024-. The largest handovers were Liberty North Wing (19,800 sq m, Non- Central Pest) in Q3, the owner-occupied Richter Gedeon HQ (17,400 sq m, Non- Central Pest) in Q2 and Millennium Gardens South (16,900 sq m, Central Pest) in Q1.

Developer sentiment remained weak in 2024 due to high ratio of lease renewals and market uncertainty, however there were two new project commencements in the office market at the end of the year, Skanska has started the second phase of H2Offices and construction of Modiano has also kicked off. Significant volume of ca. 529,000 sq m is currently under construction (including 18,100 sq m of refurbishment projects) is also outstanding at regional level, however high ratio is already pre-leased. BudaPart, Dürer Park and Zugló City Center are the biggest projects, which taken away two-thirds of under construction pipeline. The pipeline consists of new space on 165,600 sq m (68% pre-let) for 2025, 270,600 sq m (88% pre-let) for 2026, and 92,600 sq m (65% pre-let) for 2027.

The outstandingly high pre-lease ratio is due to the leases signed by public bodies in 2023. The highest under construction volume is in Non-Central Pest (33% of total volume) and South Buda (27% of total volume) submarkets. Additionally, around 225,000 sq m of planned projects have yet to begin construction, resulting in a very limited amount of new space available for companies looking to relocate in 2025 and 2026.

Budapest Office Market: Cyclical Dynamics of Selected Indicators



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Offices

Vast majority of leases are renewals

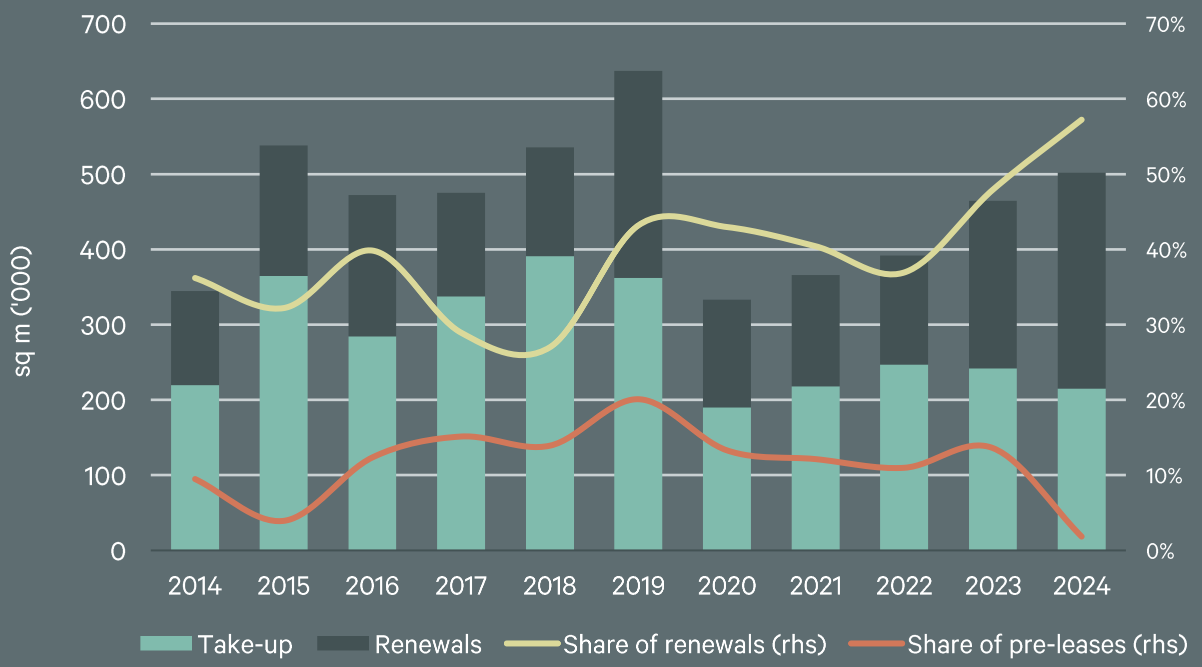
The office demand in 2024 increased mainly by renewals, which is not favourable for landlords with significant vacancy. Annual take-up (excl. renewals) reached 214,800 sq m (-11% y/y), while total leasing activity reached (incl. renewals) 502,200 sq m (+8 y/y) - boosted by Q4, where the TLA was higher by 30% than same period in 2023.

Excluding the large transactions by public sector leases from 2023, the share of renewals is continuously increasing. While in 2022 the share of renewals was 37%, then in 2023 increased to 48% and by 2024 it reached 57%. In contrast, the share of pre-leases is decreasing, standing at 2% by the end of 2024 (in 2022 it was 11%). However, this figure is also affected by the reduction in available development opportunities.

Deal sizes have increased regarding to total leasing activity by 6% y/y, while if we see only the take-up deals, they decreased by 17% y/y - showing the share of renewals has boosted the average deal size.

Analysing submarkets, in terms of net demand (take-up), the largest volume of transactions during the year was in Váci Corridor where 51,100 sq m take-up was registered. On an annual basis, the highest increase was seen in Periphery and Non-Central Pest submarkets. Annual net absorption turned into positive again and reached 47,700 sq m in 2024, and geographically was the highest in Central Buda (17,300 sq m) and South Buda (16,400 sq m) submarkets.

Total Leasing Activity in Budapest



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Offices

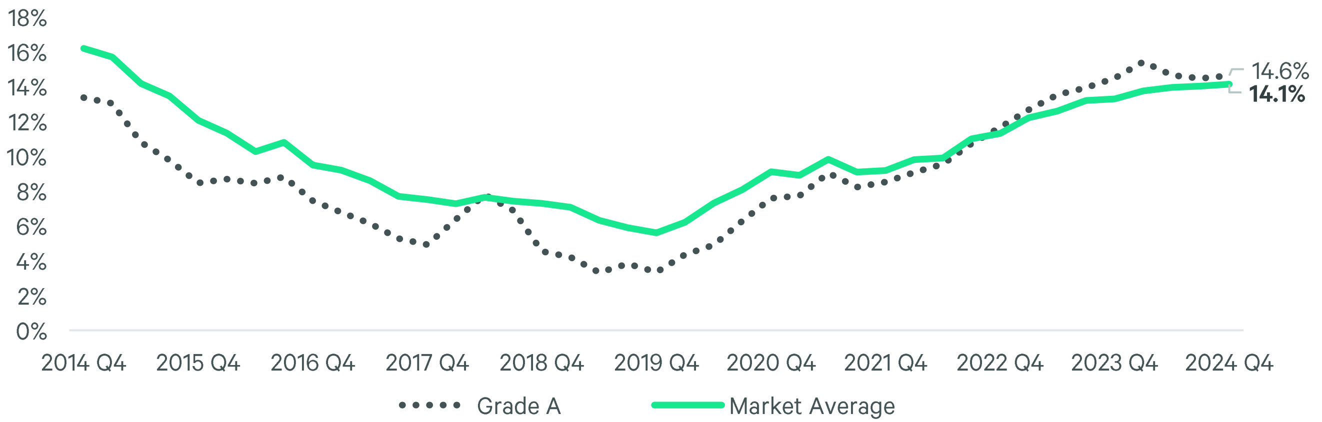
Vacancy rate trends up

The overall vacancy rate continued to grow as in previous quarters, increased to 14.1%, while the vacancy rate in ‘A’ category stock reached 14.6%. The lowest vacancy rates were measured in Central Buda (8.0%), North Buda (8.7%) and the CBD (10.6%) submarkets. In contrast, the Periphery submarket had the highest vacancy rate at 28.6%.

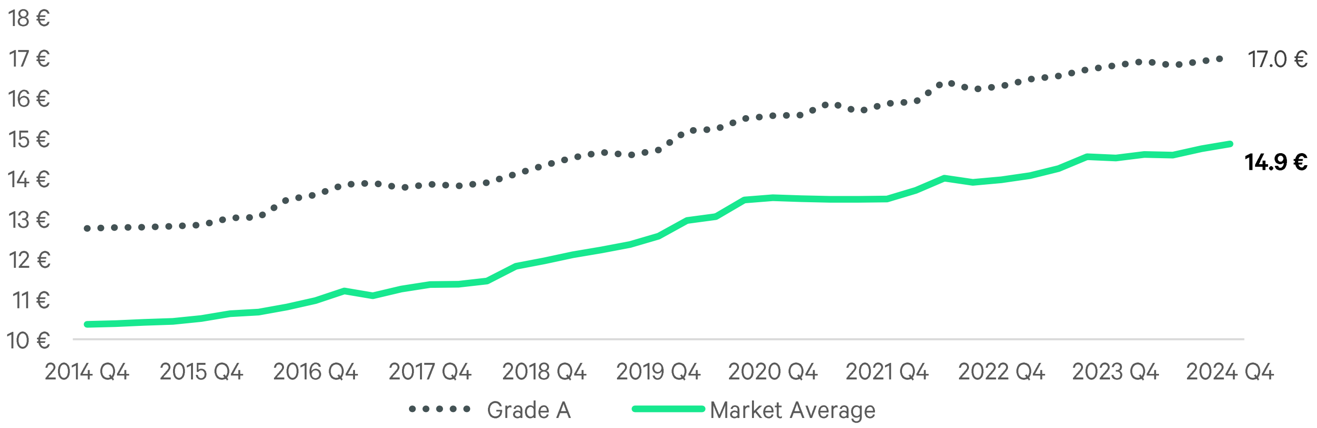
We expect vacancy to increase further during the year and to surpass 15% by the end of 2025. Thereafter, given the enormous activity with the public sector consolidating into new “A” category, those buildings they vacate will increase the “B” category vacancy higher. This will be further added to with other large consolidations (for example MBH Bank). In general, much stronger demand activity is required to offset the upcoming strong supply – even if the large proportion of the new completions is already pre-leased.

As of January 2025, the average asking rent for vacant space slightly increased q/q, standing at 14.85 EUR/ sq m/ month, by a mere 2% up y/y. For existing ‘A’ category assets, the asking rent stands at 17.0 EUR/ sq m/ month, reflecting a 1% y/y increase. Geographically, the largest increase was measured in Central Buda and Periphery submarket, where the prices went up by 8 and 6% y/y. For ongoing developments, the typical range is between 20-25 EUR/ sq m/ month. Prime rent is quoted at 25.0 EUR/ sq m/ month in the CBD and 19.0 EUR/ sq m/ month in non-central locations.

Office Vacancy Rate Evolution in Budapest



Office Asking Rent Evolution in Budapest



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04

Retail

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Retail

Retail sales improved modestly in 2024

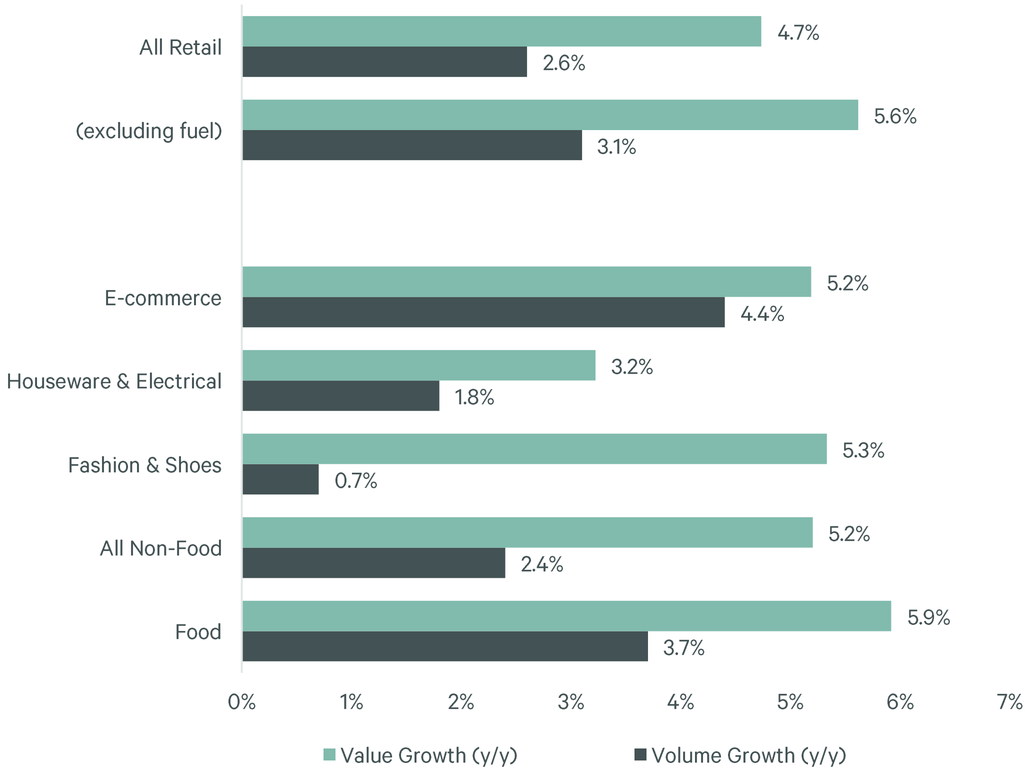
Inflation has decreased much faster than previously expected and reached a moderate level. The consumer price index averaged at 3.7% in 2024, in line with the levels before the price shock induced by the energy-crisis. Most remarkable were the price decrease for energy (-4.6%) and the very moderate price increase for food items (2.8%). The cost of services, however, went up by almost 9% in a year reflecting a stronger consumer sentiment in this segment. Despite the modest figures last year, inflation in general must be carefully watched in 2025 as inflationary pressure starts to build up again – pausing potential danger for the recovery of the purchasing power of the households.

Based on KSH data, the average gross monthly earnings for full-time employees in November 2024 were HUF 655,600 (approximately €1,700). The average net earnings, including tax benefits, were HUF 451,300 (approximately €1,170). Hungarian wages have been increasing by a rate clearly above the economic growth over the last period and most remarkably in 2023/24. Current salaries are by 12% above the level a year ago and ca 50% above the level of 2021. High wage growth in 2024 was justified by the high inflation in 2023 and the expectation that inflation remains stubbornly high for longer – therefore nominal wage increases were relatively high during 2024. As inflation started to fall much faster than anticipated, this turned out a much bigger increase in real terms than originally expected. Going forward, salary growth should be more moderate in 2025/26 (ca 7%) as inflation remains under 5%.

According to the Hungarian Central Statistical Office (KSH), retail sales volume rose by ca 2.6% in 2024. Food sales saw a year-on-year increase of 3.7% (y/y), while the non-food category grew by 2.4%. The cosmetics category experienced the highest growth at 9.6%, followed by pharmacy sales at 4.9%. Petrol sales volume stabilized after years of volatility and remained practically flat.

In 2025, it is estimated that more than HUF 1,700 billion (ca €4.1 billion) will be released from the maturities of the inflation-following state bond program (PMÁP) to Hungarian households as tax free income. Ca 63% of this amount is expected to be paid out in the first quarter of the year. As the same bond scheme offers much less lucrative yields (with inflation trending down), vast majority of this money will be channeled into real estate purposes, domestic consumption or to alternative investment opportunities.

Retail Sales and Volume Change in 2024



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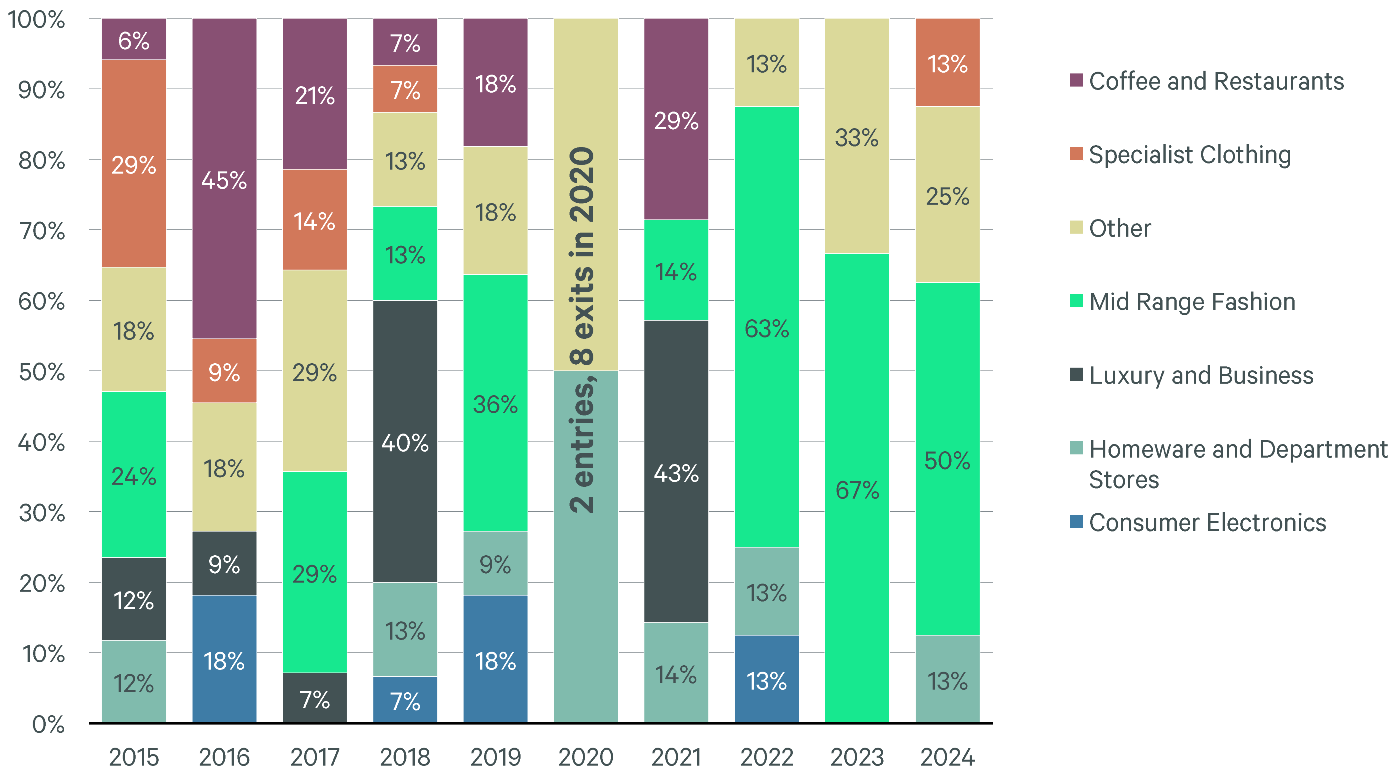
Retail

New retailers help reduce vacancy

Based on our market monitoring, in Q4 2024 the majority of new units were opened by F&B retailers: restaurants and cafés accounted for 20% of all the new units opened in the last quarter across the Hungarian modern retail stock. The Health & Beauty sector was also popular, with around 10 % of new unit openings taking place in this sector.

In 2024, eight new brands have been registered, surpassing the number in 2023 and matching the totals from 2021 and 2022. Among these, five are fashion brands, one is a furniture store, and two fall into other categories. The Irish retailer Primark opened its first store in Arena Mall in Q2, receiving a warm welcome from Hungarian shoppers. Koton also launched its first store in KÖKI and is planning further expansion across the country. From the US, Banana Moon, which specializes in lingerie, set up shop in the Allee shopping center, while Marciano by Guess opened on Fashion Street. Orsay, a mid-range women's fashion brand, re-entered the Hungarian market after exiting in 2022. They initially opened in the capital and are now expanding to regional cities, though with fewer stores than before. Hungarian brands have also made their mark, with Luxoya opening in Westend and Anybody in the Allee shopping center. Additionally, Vellea Home launched its first store in Hungary at the retail gallery of Váci út Shopland.

New Retailer Entries Split by Categories



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This trend is highlighted by the extensive refurbishment and expansion of Duna Plaza, adding 15,000 sq m, and the Alba Plaza expansion in Székesfehérvár, which will add approximately 20,000 sq m by 2028. Additionally, the FÓRUM in Debrecen is planning a 15,000 sq m expansion due to high occupancy rates.

“

In Budapest's prime shopping centres, the vacancy rate is minimal, at just 1-2%. Regional prime shopping centres have also seen post-COVID vacancies filled almost everywhere, maintaining low vacancy rates. This trend is highlighted by the extensive refurbishment and expansion of Duna Plaza, adding 15,000 sq m, and the Alba Plaza expansion in Székesfehérvár, which will add approximately 20,000 sq m by 2028. Additionally, the FÓRUM in Debrecen is planning a 15,000 sq m expansion due to high occupancy rates.

In regional cities, primary shopping centres have low vacancy rates, but there is a focus on filling vacancies in lower-end malls, typically with discounters, following renovations. In Greater Budapest's modern retail parks, the vacancy rate is negligible at 2-3%, slightly higher in regional cities at 4-5%.

Footfall on Váci Street and Fashion Street is largely driven by foreign tourists, with positive tourism forecasts suggesting this trend will continue. Váci Street has a strong occupier demand with only a 1% vacancy rate, while Fashion Street is also nearly full. The high demand in these areas has spurred expansion into nearby locations like Petőfi Sándor Street and Szervita Square.

04

Retail

Few new completions in 2024; stronger pipeline for 2025

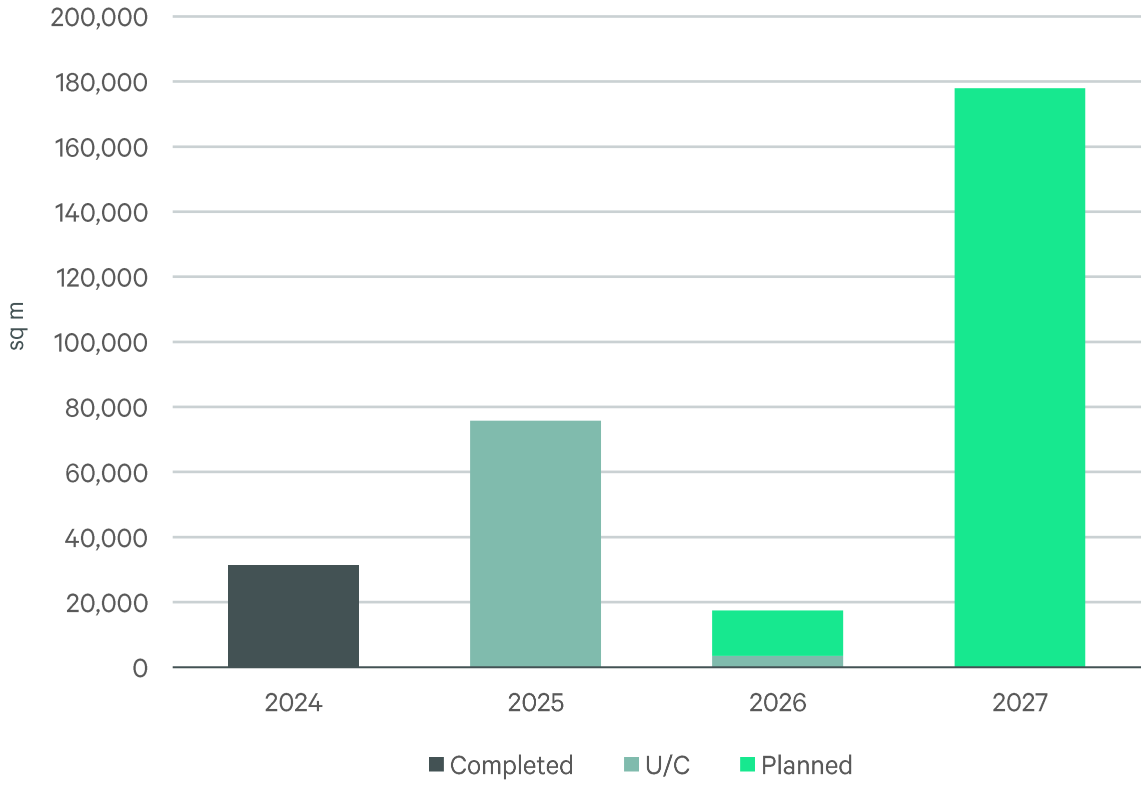
In 2024, we registered 31,000 sq m of new retail unit completions across the country, with 96% of these located in regional cities. These are typically small retail parks and retail warehouses, averaging 4,000 sq m each. In Budapest, Müller opened a new store on Váci Street. By early 2025, the total modern retail stock will reach 4.6 million sq m, comprising 36% retail warehouses, 32% shopping centres, and 32% retail parks (including 12% hypermarkets).

The retail pipeline remains relatively low. For 2025, we anticipate around 59,000 sq m of projects under construction, with a focus on regional cities. Only one project, the Zenit Corso shopping center, will be in Budapest, offering 11,000 sq m as part of the Zugló Városközpont mixed-use development, which includes residential and a significant amount of office space. Other projects in regional cities will typically be smaller retail parks and warehouses, with an average size of 4,800 sq m.

Rental levels and service charge

In Budapest's prime shopping centres, rents can reach 70-90 € / sq m / month. After the energy crisis, there was a major correction in service charges, which have not changed significantly compared to the previous year. Increased tourist activity has boosted demand on the High Street, potentially enhancing future rental rates. As of January 2025, the asking rent for an average 100 sq m unit on Váci Street and Fashion Street ranges from 90-120 € / sq m / month, while on Andrassy Avenue, it is 50-65 € / sq m / month.

Retail Completion and Pipeline in Hungary



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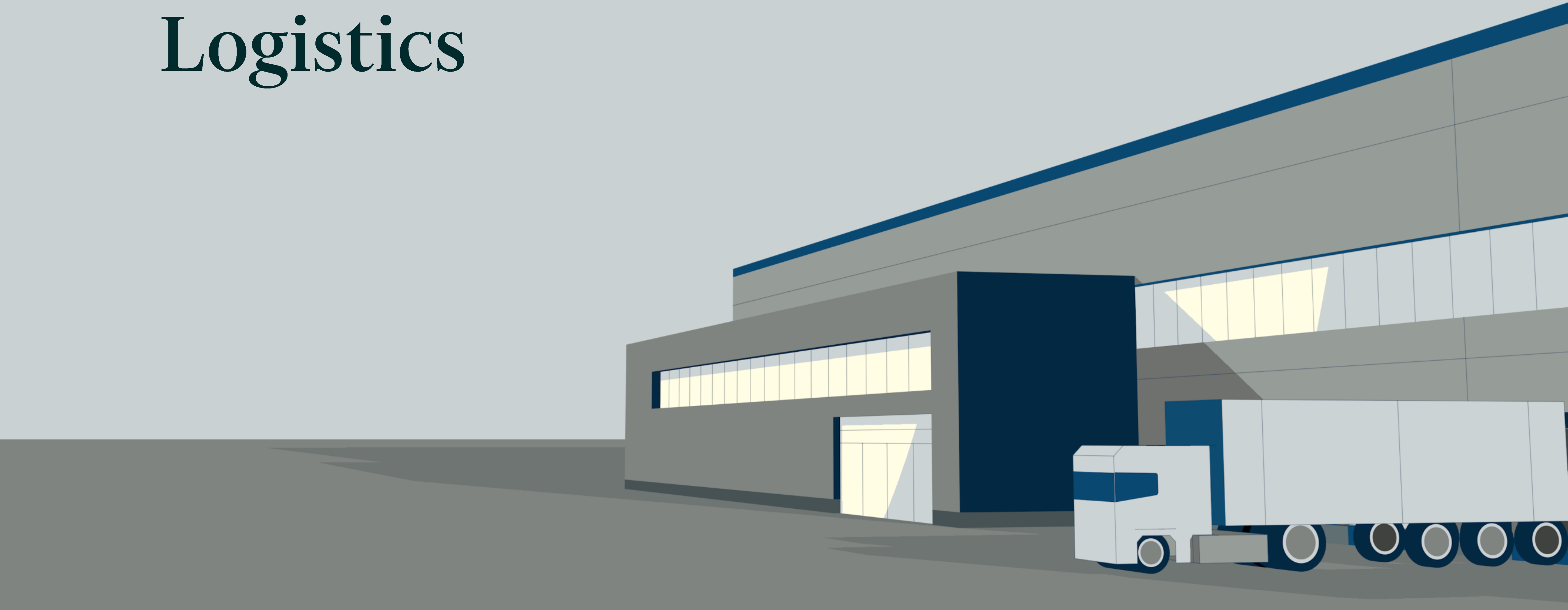
Industrial & Logistics



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Industrial and Logistics

Sector maintained strong dynamics

In 2024, total leasing activity remained strong, with only a 7% decrease from 2023. However, we observed a slowdown reminiscent of pre-COVID times, along with increased flexibility from landlords. While the development pipeline has started to shrink, it remains substantial enough to meet demand. It can reproduce the last year's volume. We recorded 22 new completions in 2024, with an 84% occupancy rate at the time of handover.

Completions and Pipeline in Hungary

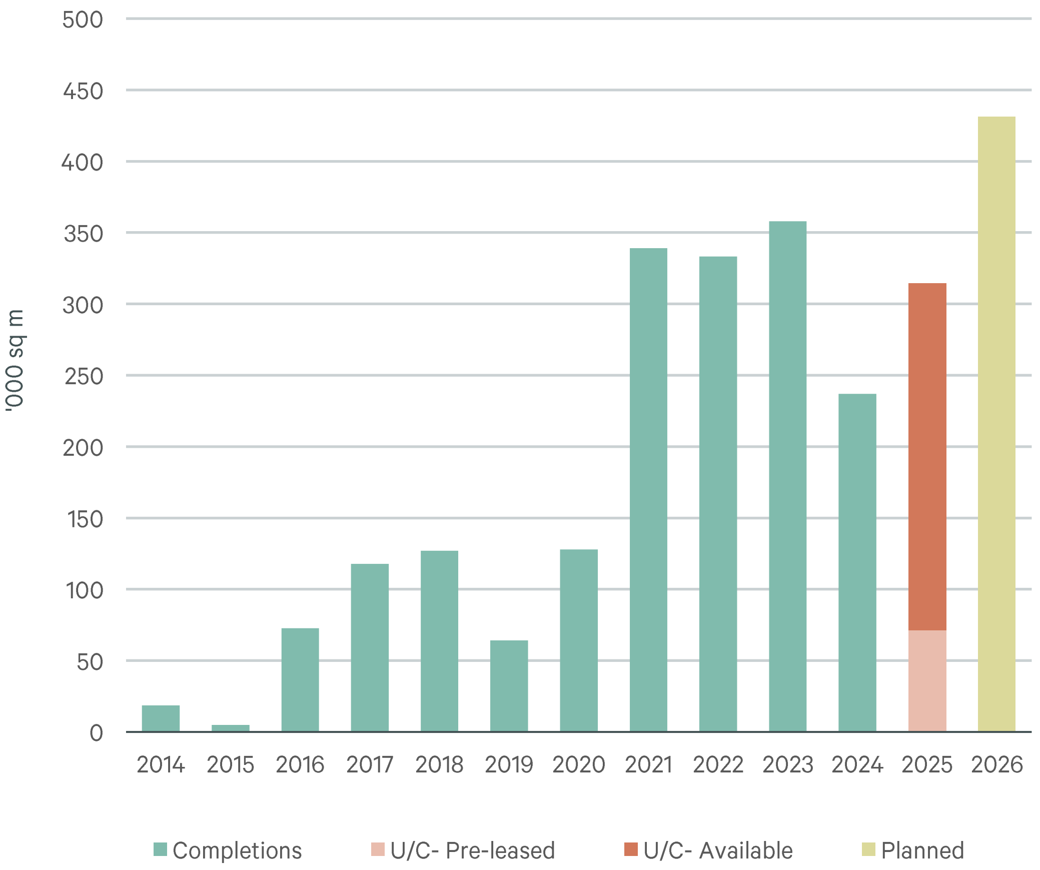
In Hungary, the annual countrywide completion for 2024 was 486,000 sq m, a 6% decrease y/y. This includes completions in Greater Budapest, which reached 237,000 sq m, -34% y/y. The new completion figures were significantly boosted by Q4, which accounted for approximately 57% of the market. The largest volume of new supply was recorded in the Budapest South submarket, accounting for 48% of completions, followed by Budapest West with 26%. The remaining volume was split between the Airport and North submarkets.

While the development pipeline has shrunk, it remains robust. For 2025, we forecast 314,000 sq m (23% pre-leased) in Greater Budapest and 144,000 sq m (65% pre-leased) in Regional Hungary, where the pre-lease ratio is much higher, 65%. Developers primarily focus on pre-leases in regional cities and targeting key FDI locations as the plot of the developments.

Regarding the pipeline, the most significant volume under construction is in the Budapest Airport submarket (48% of the under-construction volume), where the upward trend continues, followed by the Budapest South submarket (29% of the under-construction volume).

In terms of regional cities' pipeline, most of the development is taking place in Debrecen, which is not surprising as it is home to the BMW factory and the sites of several battery companies. In Szeged, the construction of BYD could boost the construction of industrial and logistics market, but it is very difficult to find vacant industrial development land. Pécs remains further a potential new manufacturing hub in the southwestern part of the country.

Annual New Industrial Supply in Greater Budapest



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Industrial and Logistics

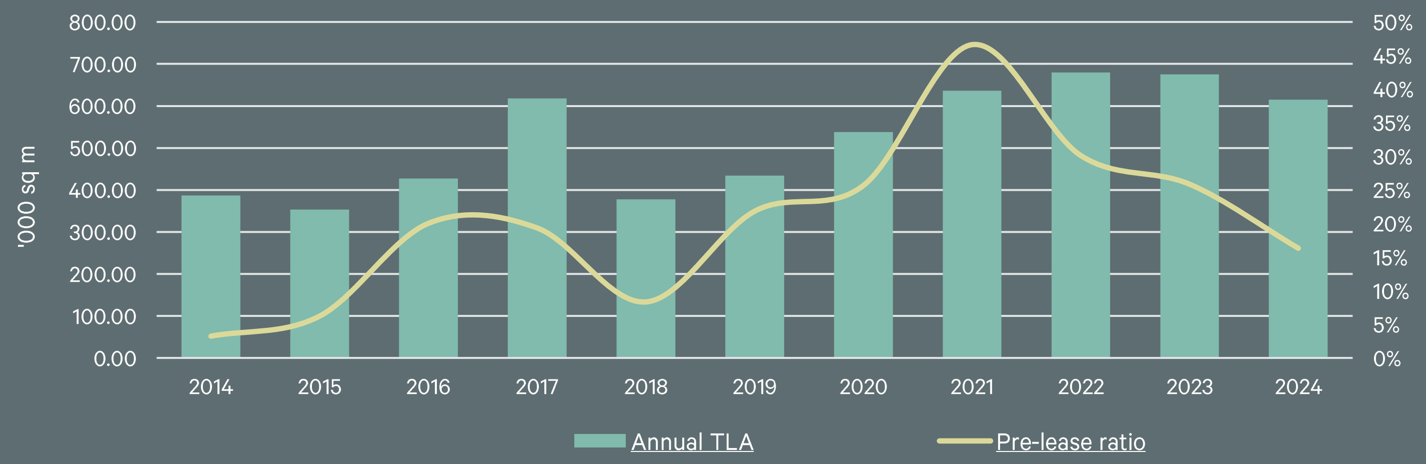
Industrial leasing activity fuelled by renewals

In 2024, annual countywide total leasing activity reached 833,000 sq m, marking a 7% decrease compared to the previous year. Greater Budapest (TLA: 614,900 sq m) experienced a larger share of this decline, with an 8% drop. However, the strength of Regional Hungary became more evident, increasing its share of total leasing activity from 20% in 2022 to 26% in 2024. This shift is largely due to the focus on regional cities, driven by the electric car and related battery companies.

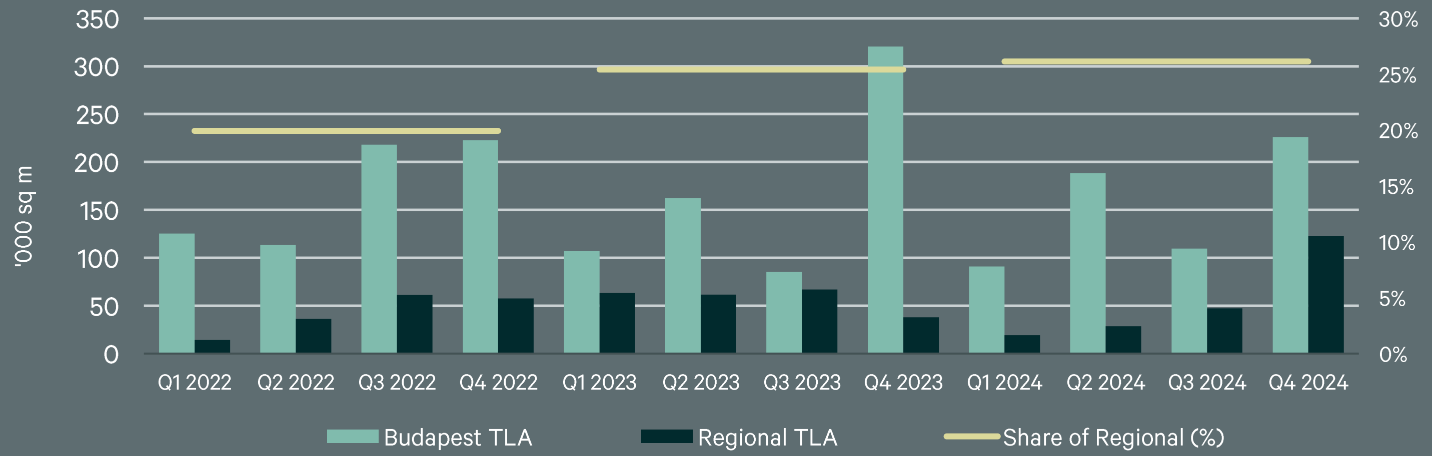
Seven deals exceeding 20,000 sq m were signed in Hungary, including two renewals, two new deals, and three pre-leases. The largest deal, approximately 57,000 sq m, was signed in Greater Budapest at CTP's Park(s), though the details remain confidential. The average deal size was 5,300 sq m around the capital city and 7,100 sq m in regional cities. The share of pre-leases decreased from 30% to 21% at the national level in 2024, with a stronger decline in regional cities. Net absorption reached 233,900 sq m in Greater Budapest and 212,400 sq m in Regional Hungary, which developed in the capital and in regional as well.

Looking at take-up (net demand), manufacturer companies were the most common tenants at national level in 2023 at 46%, falling to 21% in 2024. This is likely due to the arrival of a series of factories for electric car production in 2023. In 2024, Logistics was the dominant sector, accounting for almost half of total demand (45%).

Annual Total Leasing Activity with Pre-Lease Ratio in Greater Budapest



Split of Total Industrial Demand in Hungary



Source: CBRE Research, BRF

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Industrial and Logistics

Vacancy rate sets to grow

In Greater Budapest, the vacancy rate decreased throughout the year due to robust absorption. In contrast, the vacancy rate in regional areas increased compared to Q1 2024. By the end of 2024, the countrywide industrial vacancy rate in Hungary was 7.6%, with Greater Budapest at 7.9% (a decrease of 1.7 pps q/q) and Regional Hungary at 6.8% (an increase of 0.2 pps q/q).

However, there is a hidden vacancy in the system. More tenants, especially logistics companies, have significant empty space in their rented warehouses. Beside of this, few major occupiers will be moving from their older rented building to a new, more effective modern ones in the near future that are in line with their parent company's ESG strategy, thus creating a significant amount of vacancy in older (secondhand vacancy) stock, increasing the overall vacancy rate.

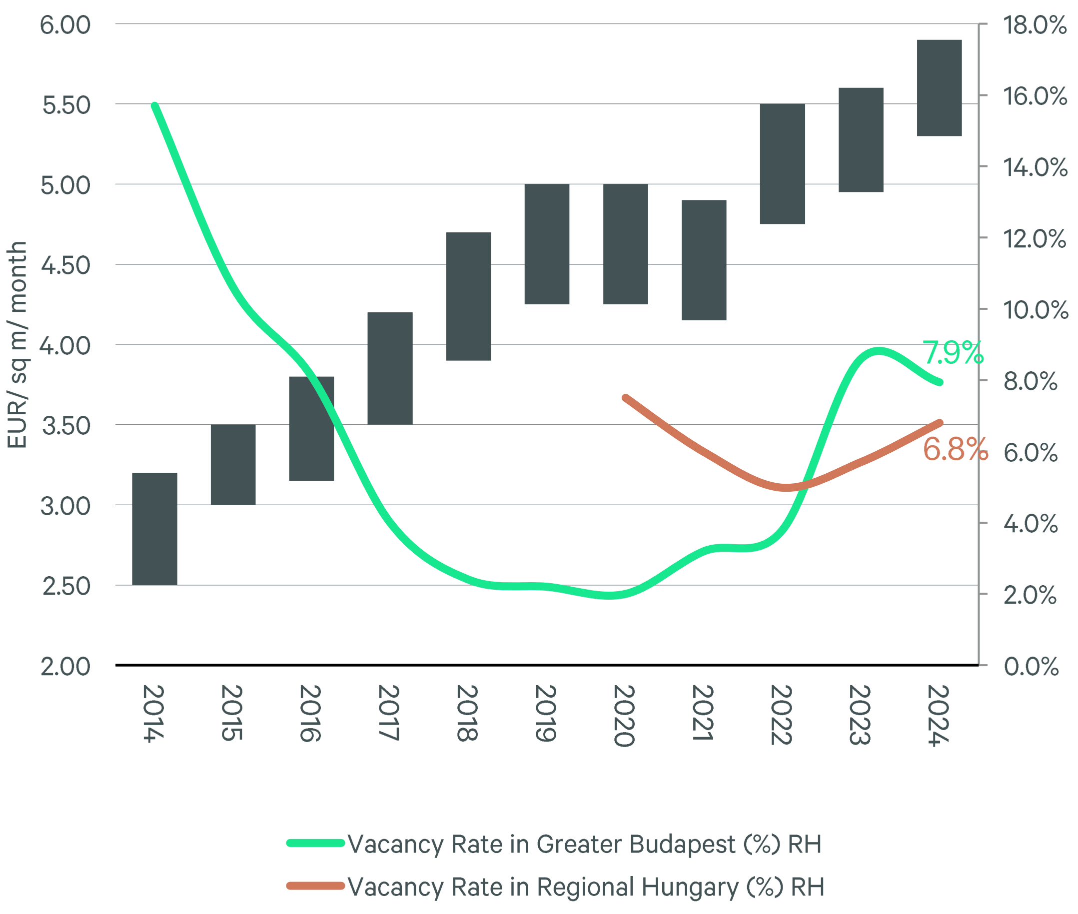
As of Q4 2024, the total vacancy in Greater Budapest reached 298,000 sq m, spread across 73 properties. The most lettable space in existing premises was available in Budapest West (91,900 sq m) and Budapest South (80,400 sq m). In regional the most absolute availability was in Székesfehérvár and Miskolc.

Rental increase might slow down

Headline rents are holding up well, but landlords are increasingly using incentives to persuade or encourage tenants to stay. Instead, or in addition to the rental discounts, they may reduce the duration of the rental contract (as earlier market standard from 5 to 3 years). There is little variation in headline rents between Greater Budapest and Regional Hungary. By the end of the year, prime asking rents for Grade 'A' properties were 5.7 EUR/sq m/month for big-box warehouses, reflecting a 2% y/y increase, and 6.9 EUR/sq m/month for city logistics, showing a 1% y/y decrease. The preliminary headline rent communicated here is used for average, but the headline rents in customized offers for clients can be significantly different.

Build-To-Suit developments are priced higher than average warehouses, and new projects suggest further rent hikes for industrial and logistics spaces, with some new developments asking for rents above 6.0 EUR/sq m/month.

Industrial Big-Box Headline Rents and Vacancy Rates in Hungary



Source: CBRE Research, BRF

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06

Hotels

06

Hotels

Pre-pandemic tourism levels in Budapest

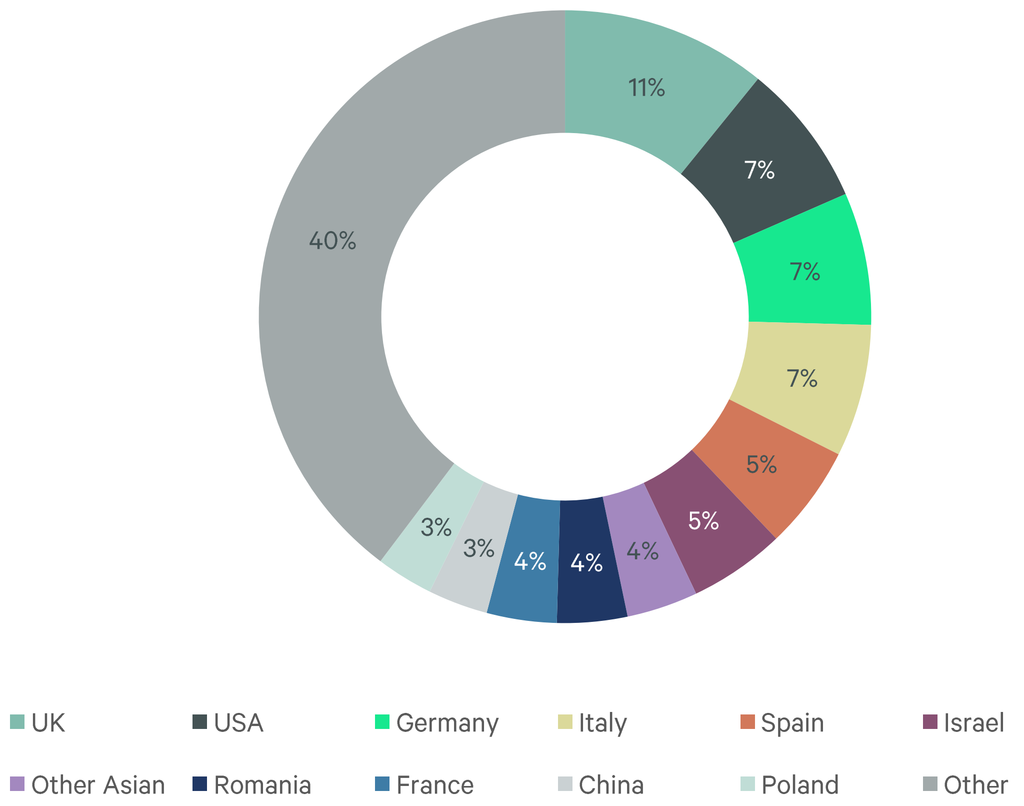
Tourism in Budapest continued to grow in 2024, commercial accommodations registered 10.7 million overnight stays, 8% year-on-year increase and nearly reaching pre-pandemic figures (-3% compared to 2019). In additional, private and other accommodation category registered 5.3 million overnight stays, this way more than 16 million guest nights were spent in the Hungarian capital.

Overnight stays registered in hotels in Budapest exceeded 9 million in 2024, comprising 1.3 million domestic and 7.8 million international nights. This represents a 10.4% overall increase compared to 2023, with domestic nights up by 6.6% and international nights by 11.1%.

The top source markets for Budapest hotels, based on the number of overnight stays, are the United Kingdom (847,000), the USA (592,000), and Germany. This ranking was the same in the last pre-COVID year, but demand from these countries has not yet reached 2019 levels. However, demand from neighbouring countries has significantly increased. The number of overnight stays by tourists from Romania has grown by more than 50% compared to 2019, making Romanian tourists the seventh largest group in terms of overnight stays in Budapest hotels. Significant increases compared to 2019 are also seen among Polish (+23%), Czech (+25%), and Austrian (+17%) tourists.

Chinese tourists are also returning to Budapest at a very rapid pace, largely thanks to 7 direct air connections. In 2024, Chinese tourists spent nearly 250,000 overnight stays in Budapest hotels, almost double the 2023 figure.

Top Source Market for Budapest Hotels (Based on Overnights)



Source: CBRE Research, HCSO, MSZESZ

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Hotels

Fewer new hotels added, but many to come

In terms of new hotel openings in Budapest, 2024 fell short of the record year 2023, when nearly 1,500 new hotel rooms entered the market. However, that year was exceptional, as several developments were delayed due to COVID, resulting in the opening of 10 hotels in that year alone.

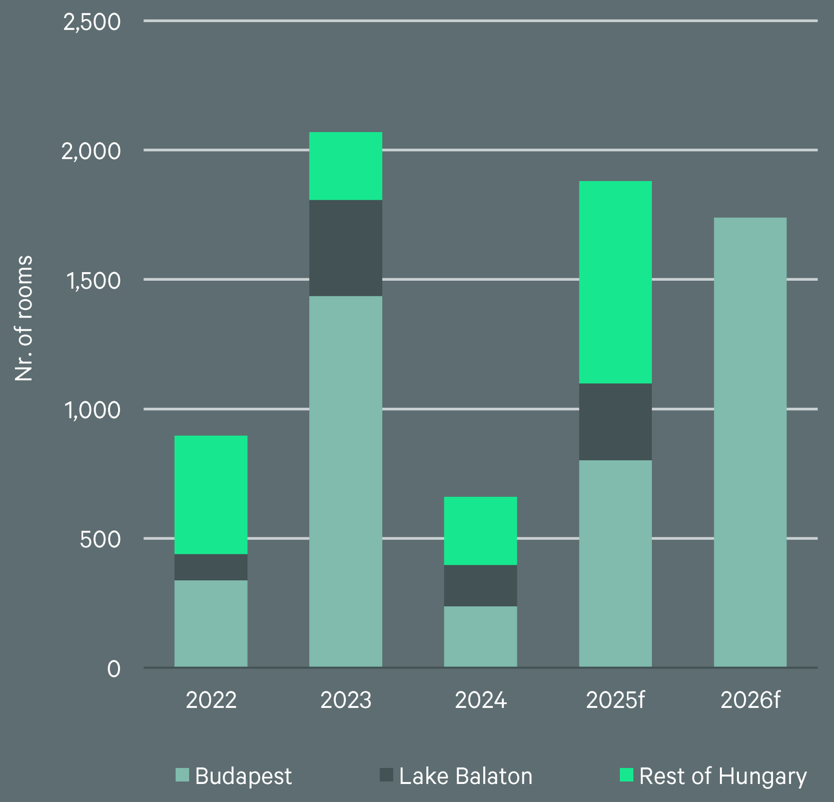
In 2024, three new hotels were opened in Budapest, totalling 237 rooms. These include the 5-star, 127-room Kimpton BEM Budapest, built on the site of the former Radetzky Barracks, further expanding the number of five-star hotels in Budapest. Currently, there are 21 hotels in Budapest with a 5-star or 5-star superior rating, totalling nearly 4,000 rooms. With this, Budapest is starting to catch up with Vienna, where 25 five-star hotels offer more than 4,500 rooms to guests. Out of the capital, five new hotels have been opened with 424 rooms. The largest addition came from the Kenese Bay Garden Resort & Conference Hotel at Lake Balaton. Following extensive renovations and expansions, the hotel reopened with 159 rooms, now operated by Accent Hotels, the first Hilton-branded property outside of Budapest, the Hilton Garden Inn Debrecen City Center, has opened with 101 rooms. This expansion aims to capitalize on the growing business opportunities in Debrecen, the new hub for car and battery manufacturing.

Budapest's Hotel Market Poised for Significant Growth in 2025 and Beyond

Looking ahead, the year 2025 could again bring high delivery numbers, with up to ca 1,900 rooms based on our database. In 2025, the opening of 9 new hotels is expected, which will add 800 new rooms to the market. Beyond the capital, we anticipate the opening of 10 new hotels, adding over 1,000 rooms in total. This includes the first Marriott-branded property at Lake Balaton, the 102-room Le Meridien in Balatonfüred, and the first branded airport hotel at Debrecen Airport, the 73-room Ibis Styles hotel. Following its renovation the historic Lycium Hotel will join the Handwritten Collection brand of the Accor hotel chain.

Looking ahead, between 2026 and 2028, we anticipate the opening of an additional 11 hotels, totalling 1,880 rooms, which are currently under construction. Additionally, 11 more hotels, comprising 1,829 rooms, are in the planning phase. If all these projects come to fruition, the hotel market in Budapest could expand by 3,700 rooms between 2026 and 2028. However, in the countryside, the development pipeline appears to be shrinking, with around 1,000 rooms currently in the planning phase and expected to open by 2028.

Hotel Completion and Pipeline Split by Regions



Source: CBRE Research, iBuild

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Hotels

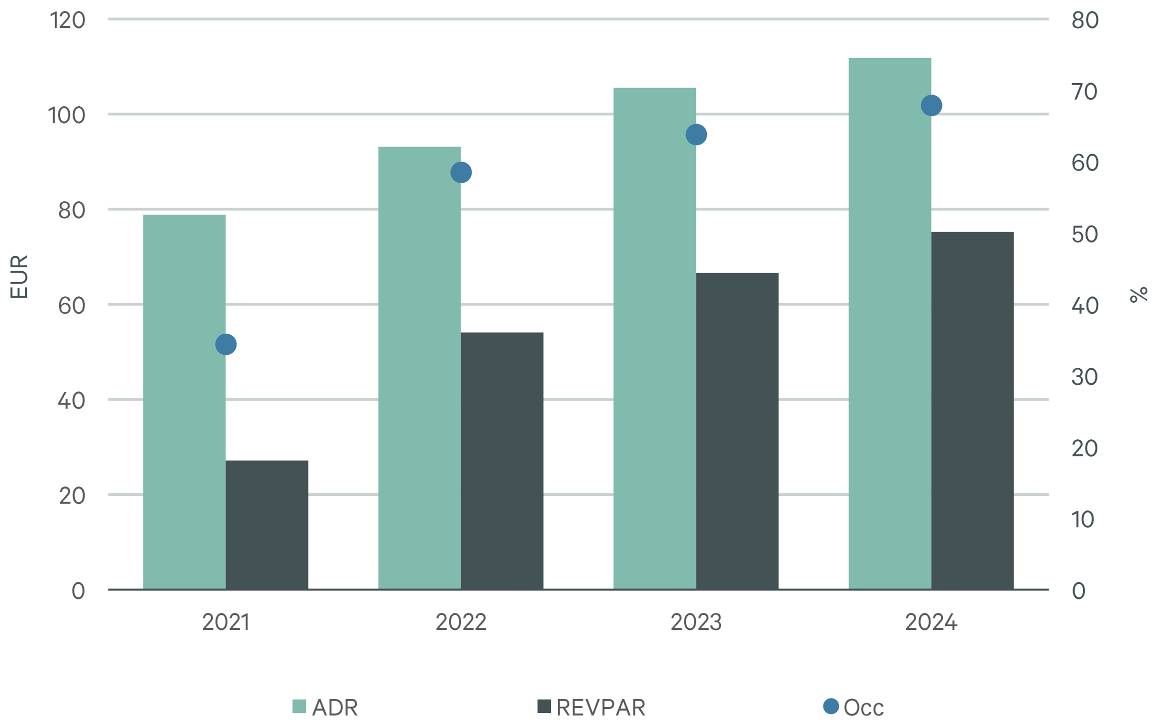
All KPIs improved for Budapest hotels

The annual room occupancy rate in Budapest hotels was 67.9%, with an average daily room rate (ADR) of HUF 44,600 (ca. EUR 111). The gross revenue per available room (REVPAR) was HUF 30,300 (ca. EUR 75). Compared to the previous year, occupancy increased by 4.1 pps, the ADR by 9.4% and REVPAR by 16.6%. Increasing passenger traffic and tourism, and the shift towards higher categories, all indicate that ADR and occupancy will continue to grow in the near future.

Budapest Airport traffic reached a peak with more than 17.5 million passengers, exceeding 2019 levels by 8.7% and achieved 19% y/y growth. Following its acquisition by the Hungarian Government in 2024, the development of a third terminal has been announced with the aim to increase yearly passenger traffic to 20 million by 2030.

Hungary's tourist appeal and the popularity of travel were strongly reflected in passenger numbers, with more than one million passengers registered every month, and in October Budapest Airport achieved the highest traffic growth among Europe's 50 busiest airports. This year the second airport hotel developed by Wing will open under the TRIBE brand with 167 rooms.

Main KPIs for Budapest Hotels



Source: CBRE Research, HCSO, Budapest Airport

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