



# Budapest

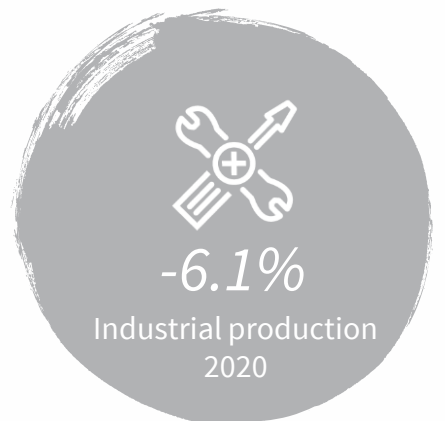
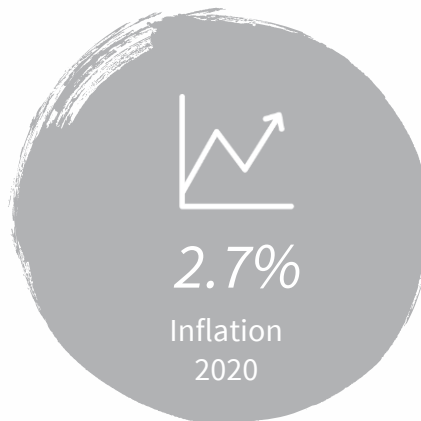
## City Report

Q4 2020





# Economy & Investment



## Investment market

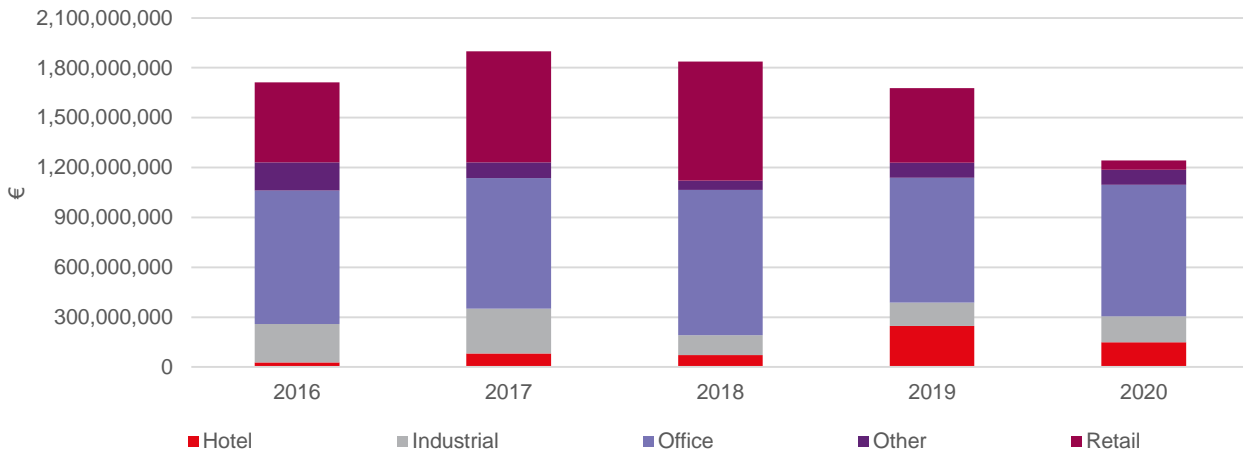
- The investment market remained active throughout 2020, although volumes dropped ca. 26% y-o-y (in line with the drop recorded in EMEA) reaching ca. €1.24 billion.
- More than 80% of this amount was generated by income producing assets, whereas the rest was made up by development site sales and the disposals of properties suitable for re-development purposes.
- The most active asset class in 2020 was offices representing 65%, of the transaction volumes, followed by logistics with ca. 13%.
- The market share of domestic and international investors became even in 2020. Although local purchasers remained very active, new market entrant international players carried out most of the large-ticket transactions.
- There is no evidence of re-pricing in Hungary in the prime and core segments, however we see some re-pricing happening in the core+, value-add segments.
- Based on the pipeline of transactions we foresee the first half of 2021 to record strong investment activity with some landmark deals being closed.
- We see the prime shopping centre yield flat at 6.00%, prime office yields standing at 5.25% and prime logistics yield at 6.90% after a 10 bps. compression quarter-on-quarter.

## Prime yields in Q4 2020



Source: JLL Research

## Hungary investment volumes 2016 – 2020



Source: JLL Research

## Selected transactions in 2020

Sector	Property	Size (m <sup>2</sup> )	Seller	Buyer
Mixed	GTC portfolio	60,000	GTC	Optima
Logistics	Goodman portfolio	157,000 + 17ha	Goodman	GLP Gazeley
Office	Eiffel Square	23,000	Optima	Allianz RE
Office	Buda Portfolio	37,000	Adventum	Resolution Property
Hotel	New York Palace and Residence	373	Varde Partners	Covivo
Office	Spiral	30,500	GTC	Hungarian Development Bank

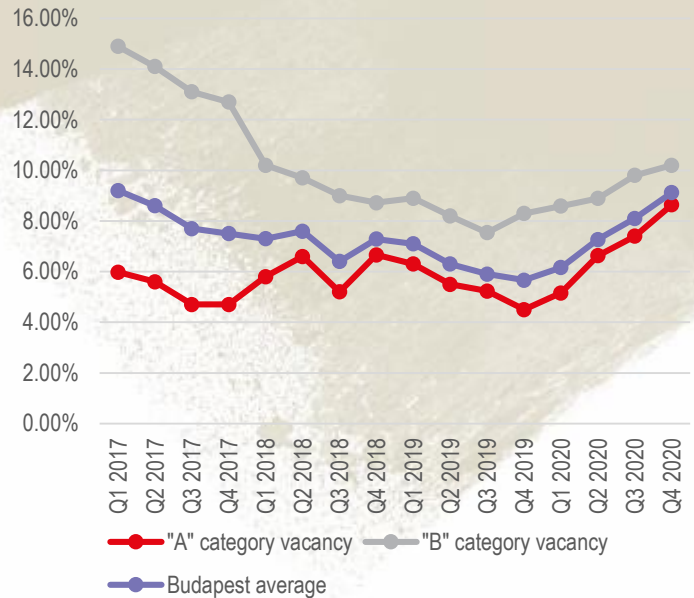
Source: JLL Research

# Office Market

## Quarterly summary

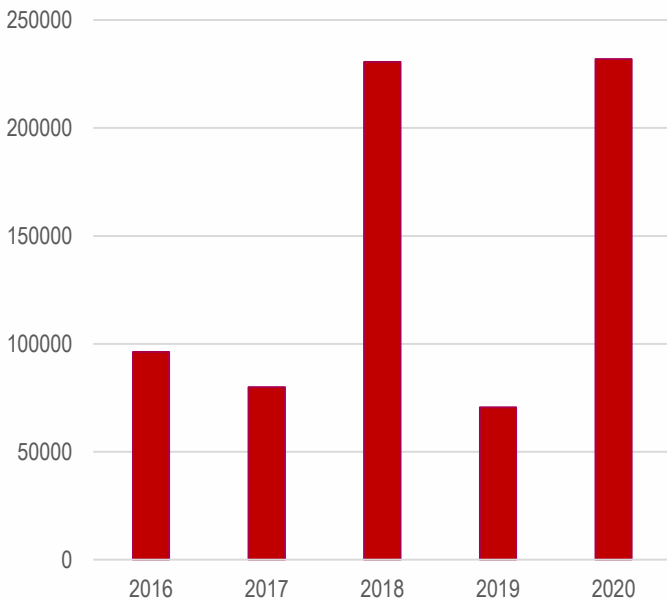
- In the fourth quarter of 2020, **38,850 m<sup>2</sup> of new office space was delivered** to the Budapest office market in 4 schemes. Váci Greens E (22,460 m<sup>2</sup>) was handed over in the Váci Corridor submarket, the Szervita Square building (8,450 m<sup>2</sup>) was completed in the CBD and the Alphagon office building (4,690 m<sup>2</sup>) was handed over in the South Buda submarket. In addition, the office component of Csalogány 43 (3,250 m<sup>2</sup>) was delivered in the Central Buda submarket.
- The office vacancy rate** has increased to **9.1%** due to handover of new completions, decreasing demand, emergence of secondary space and sublease options, representing an increase of 1.0 p.p. quarter-on-quarter and 3.5 p.p. year-on-year.
- Gross take-up** reached 86,310 m<sup>2</sup>, representing a 9% increase quarter-on-quarter, however, it is a **57% decrease year-on-year**.
- The 2020 **annual net take-up** amounted to **182,627 m<sup>2</sup>** meaning that more than 42% of the total demand was generated by renewals, and 31% was generated by new transactions.
- The volume of office buildings under construction is ca. **441,000 m<sup>2</sup>**, out of which 50% is already pre-let.
- Prime rent remained unchanged on the previous quarters at **25.00 €/m<sup>2</sup>/month**.
- The Q4 2020 office market statistics continued to reflect the economic changes triggered by the COVID-19 pandemic, as the demand volume lagged behind the norm of previous years and the number of transactions declined. We have seen a significant increase in contract reviews. Some occupiers are looking to temporarily underperform on their lease obligations using 'force majeure' (COVID-19).

## Vacancy rate evolution in Budapest



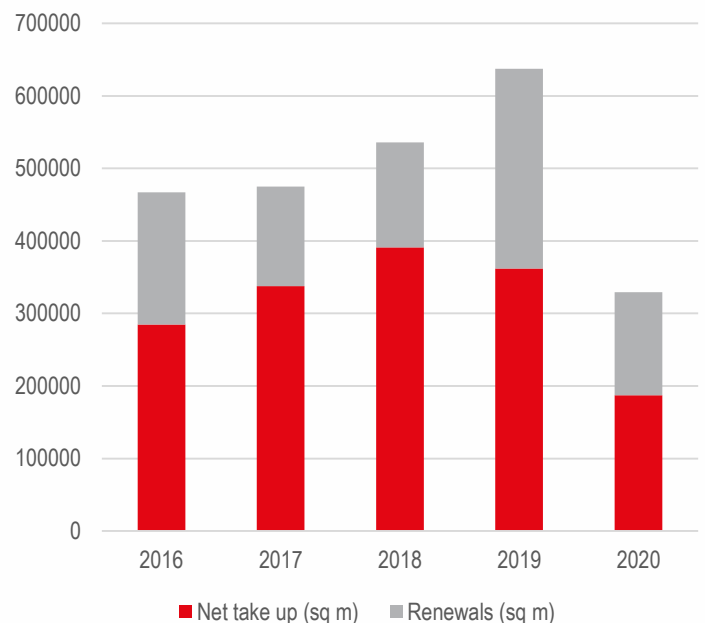
Source: JLL Research, BRF

## Completions in Budapest 2016-2020



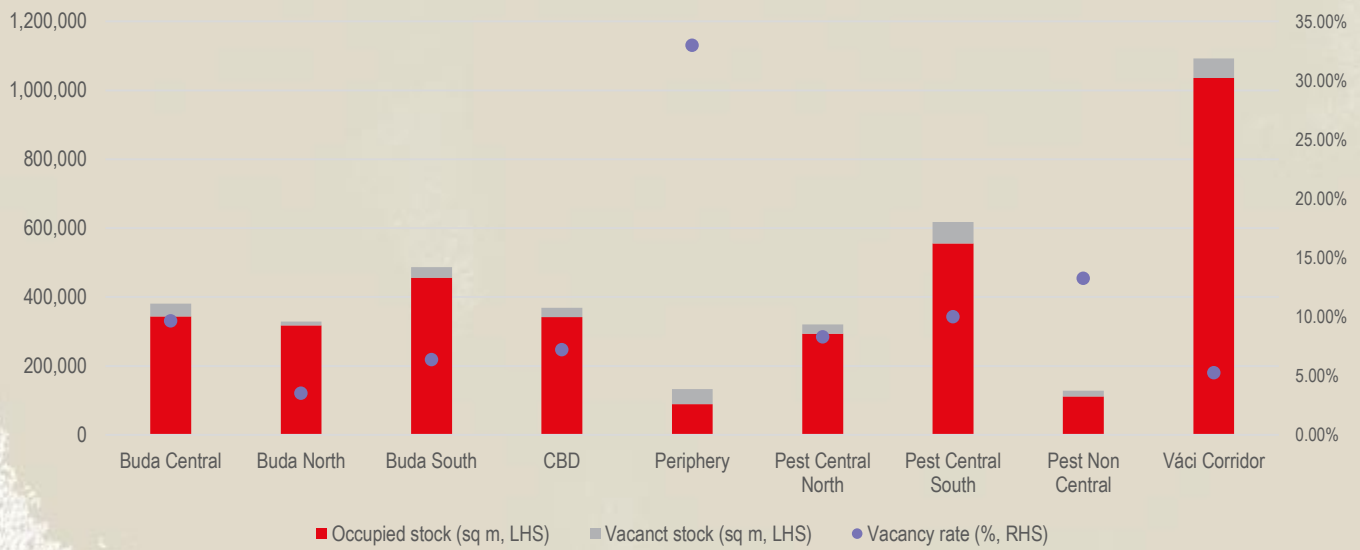
Source: JLL Research, BRF

## Take-up structure in Budapest since 2016



Source: JLL Research, BRF

### Budapest office stock by submarkets



Source: JLL Research, BRF

### Key leasing transactions in Q4 2020

Submarket	Building	Size (m <sup>2</sup> )	Type
Central Business District	Szervita Square	4,589	new
Pest Central South	Arena Corner	4,555	renewal
Pest Central South	Millennium Gardens	3,663	pre-lease
Buda South	Prielle Corner	3,006	new
Pest Central North	Eiffel Square	3,000	expansion

Source: JLL Research, BRF

# Retail Market

## Retail faces significant challenges

The retail sector (including the hotel and hospitality) is being under the greatest threat of the COVID pandemic and its potential aftermath. Autumn used to be the main season for tourism in Budapest and in the countryside. The second wave has practically killed the season, translating into a significant drop in non-residential consumption. The holiday season and Black Friday was forecasted to boom retail sales but it didn't come up to expectations.

## Quarterly summary

- Compared to last year's value of 7,416 EUR, the **purchasing power** per capita in Hungary was 6,871 EUR in 2020, which means a decline of almost 7.3% due to the pandemic and its economic impacts. Despite the decline, it is still above the 2018 value. Hungary is on the 26<sup>th</sup> place in the ranking of European countries purchasing power.
- During the second wave, due to the holiday season and Black Friday, retail sales were getting better compared to the first wave, however, in December **sales in retail shops decreased** by 0.2% month-on-month and by 4.0% year-on-year. Overall retail sales in 2020 decreased by 0.2% y-o-y.
- **The volume of mail order and internet retailing** accounting for 9.4% of all retail sales and involving a wide range of goods rose by 24%, continuing a multi-year expansion.
- The shopping center market in Budapest is seen as consolidated in terms of total stock, with centre owners and investors instead concentrating on upgrading and extending their products to meet the **changing market requirements**.
- **Footfall** in prime shopping center schemes is **around 70-80% of pre-COVID level** and Hungary is a long way behind the rest of Europe in terms of online retail share, but the growth is expected to be faster, especially in this period. **Strip malls and outlet centres footfalls and revenues** recovered faster compared to shopping centers.
- The 55,000 m<sup>2</sup> **Etele Plaza**, built by the Hungarian developer Futureal, has a rescheduled handover of Q4 2021, when potentially the market could improve. Meanwhile, to date, more than three quarter of the rentable area has been leased to high-profile tenants including some of the largest fashion retailers (eg. Inditex group).
- Increasing availability and 10-20% falls in prime rents can be an opportunity for retailers to **enter the market** or **relocate** to prime locations in 2021.
- Due to the current economic and **business uncertainty**, most investors prefer a 'wait and see' approach in terms of retail assets. Banks seem to be unwilling to provide capital for retail projects.





# Retail Market

## Covid-19 impacts on the retail industry

### New shopping habits

**Conscious shopping** - customer habits have changed; the basket value has increased, customers visit less stores and buy larger quantities at once.

During COVID, shoppers are more likely to turn to **'open space'** shopping parks than to the regular 'closed malls'.

Not only **price sensitive** customers keeping their finances tight (decreasing purchasing power), decreased propensity to consume, precautionary savings.

**E-commerce** is further spreading during the second wave of the pandemic. Revenue is expected to show an annual growth rate (2020-2024) of 7.3%. The market's largest segment is Fashion. User penetration is 72.2% in 2020 and is expected to hit 78.5% by 2024.

- **Retail chain expansion strategies** have been modified; the focus is on optimization.
- **Renegotiations**, lease terminations are still in place, in return of rental reductions the rental period has been extended due to the second wave.
- **Growing availability**, 10-20% decline in prime rents.
- Less frequent shopping but more spending per occasion. Strengthening **online shopping** and e-commerce. Redeveloping shopping centre concepts to accommodate recent shopping habits.
- **Online stores** have introduced new measures – click and collect solutions, omni-channel distribution, offline-online interaction.
- **Digital innovation** flourished during the pandemic as technology becomes an enabler of business transformation to meet the next normal.
- Pandemic has **made consumers reassess what's important to them** and their own personal impact on the planet. Now more than ever these conscious consumers expect brands to deliver on **sustainability**.

### First wave of the pandemic

### Second wave of the pandemic

Stores must stay closed between 15:00 and 06:00 every day, except food and drugstores, pharmacies.

9th April 2020

Curfew restrictions has been extended.

18th May 2020

All shops, public areas, parks, beaches can be opened.

13th July 2020

The government categorized foreign countries in terms of the severity of the coronavirus epidemic

Sept 2020

A potential second wave of the pandemic hit Europe.

1st Oct 2020

New measures in Hungary: wearing a mask is compulsory in public areas of shopping malls, cinemas, theaters, health care institutions. Bars, night clubs must close at 23:00.

11th March 2020

State of Emergency, curfew Restrictions.

14th April 2020

The special tax levied on retailers was reestablished to help the economy.

18th June 2020

The emergency was lifted, epidemiological preparedness came into effect. Restaurants, cafés, etc. reopened.

Oct 2020

Several European countries reintroduced curfew restrictions.

4th Nov 2020

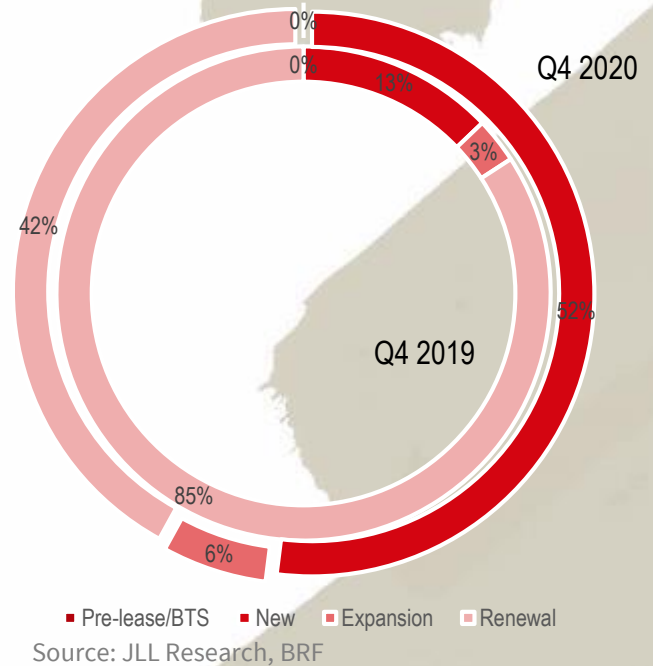
The government restored the state of emergency which was extended by Parliament until 1st March 2021. Restaurants and inns are not allowed to receive guests, only delivery is allowed. Shops can remain open until 7 pm and can open at 5 am at the earliest, curfew is between 8 pm-5 am.

# Industrial Market

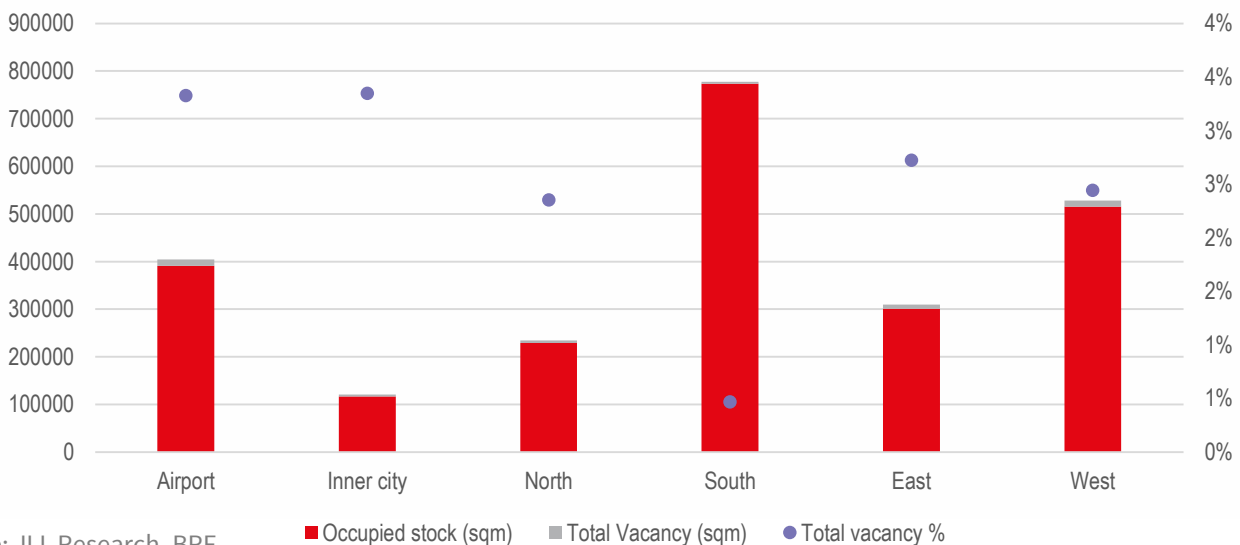
## Quarterly summary

- In Q4 2020 **23,796 m<sup>2</sup> of new space** was added to the total modern industrial stock in Budapest and its surroundings. Two new buildings were handed over to the Greater Budapest modern industrial stock; a new 10,600 m<sup>2</sup> building in Inpark Páty and a 13,200 m<sup>2</sup> building in Budapest East Business Park in Nagytarcsa.
- The **total modern industrial stock** in Greater Budapest stood at **2,374,900 m<sup>2</sup>** at the end of the year.
- **In Q4 2020 the total demand** was 110,260 m<sup>2</sup>, which was 25% higher than in the corresponding period of the previous year. The quarter saw no pre-leases, hence, the quarterly net take-up totaled 64,410 m<sup>2</sup>, the remaining 42% of total demand was made up of renewals.
- The **vacancy rate** stands at **2.02%** due to the significant new supply, it is down by 0.3pp from the previous quarter but up by a marginal 0.1pp from a year earlier.
- **Total demand** amounted to **537,900 m<sup>2</sup> in 2020**, marking a 29% increase from the previous year and the second highest annual volume on record.
- Prime rent remained stable at **4.75 EUR/m<sup>2</sup>/month**.
- Currently there's ca. **277,868 m<sup>2</sup>** industrial space under construction for 2021, from this volume ca. 50% is already pre-let.
- Q4 2020 market statistics did not reflect the current economic restrictions triggered by the COVID-19 pandemic. At the end of the year a total of 48,000 m<sup>2</sup> logistics stock stood vacant and there was only one existing building with more than 5,000 m<sup>2</sup> of available warehouse space.

## Take-up structure (Q4 2019/Q4 2020)



## Warehouse stock and vacancy in Greater Budapest



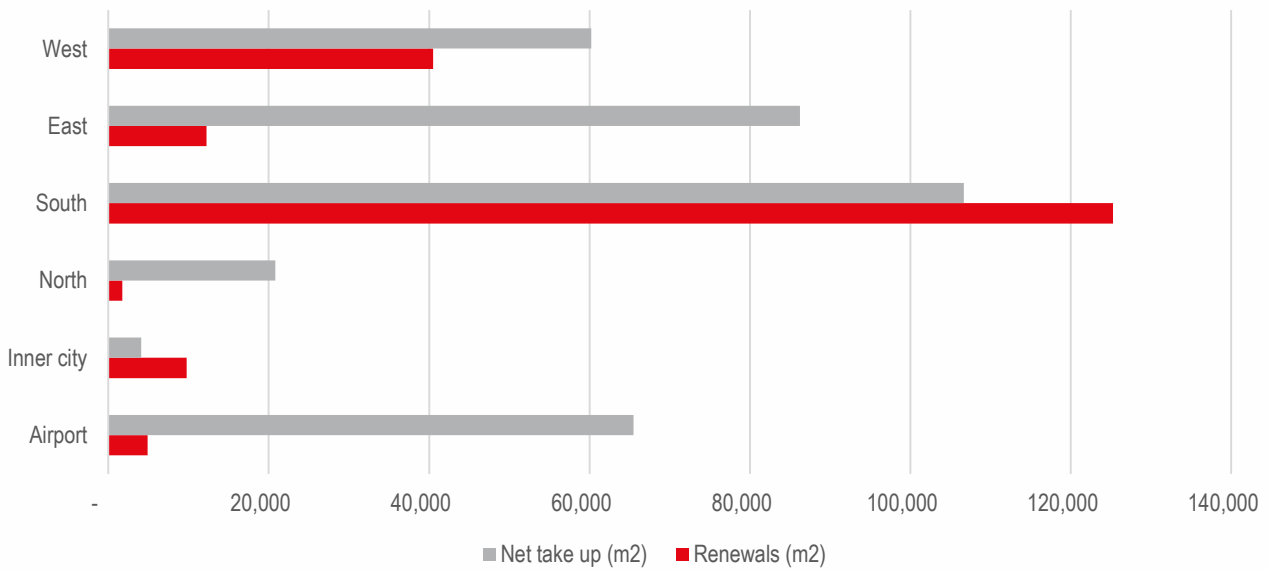


## Key leasing transactions in Q4 2020

Submarket	Building	Size (m <sup>2</sup> )	Type
Airport	CTPark Budapest East - ULL6	23,373	new
South	Prologis Park Budapest - Sziget	15,940	renewal
West	Euro-Business Park	13,049	new
Inner city	Logicor Fehérakác	8,598	renewal

Source: JLL Research, BRF

## Take-up by submarkets in Q4 2020



Source: JLL Research, BRF

# Contacts

*Anikó Nagy*

Market Researcher

+36 1 489 0202

[Aniko.nagy@eu.jll.com](mailto:Aniko.nagy@eu.jll.com)

*Ferenc Furulyás*

Managing Director

+36 1 489 0202

[ferenc.furulyas@eu.jll.com](mailto:ferenc.furulyas@eu.jll.com)

*JLL Office*

Szabadság tér 14.

1054

Budapest

Hungary

Phone number +36 1 489 0202

[www.jll.hu](http://www.jll.hu)