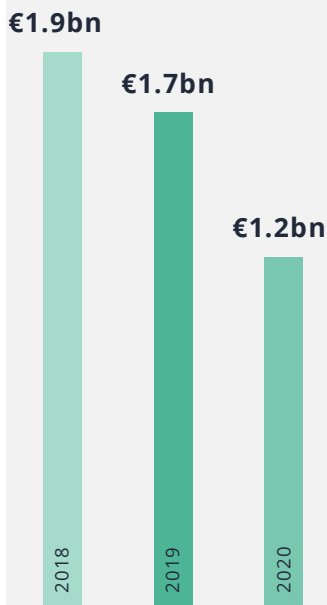


Hungary

Impact of the pandemic on yearly volumes



30% contraction y-o-y in Hungary in line with the CEE trend

Gap generated by the delay on two large transactions (representing more than €350 million)

Source: Avison Young

2020: the stop-and-go year

2020 was anything but a normal year. In Hungary like everywhere, investment activity was seriously impacted by the COVID pandemic and the travel limitations, in particular in the second semester of the year.

The year started relatively strong with over €615 million transacted in the first semester, a level above the 2018 and 2019 numbers, but the impact of the lockdown and the wait-and-see approach of investors was patent in the second half. The traditionally strong 4th quarter of the year witnessed a limited volume of €230 million.

While a handful of transactions collapsed because of the COVID-19 pandemic, most deals were in fact delayed. A positive sentiment is now observed in relation with the upcoming vaccination campaigns. Nevertheless, the lack of process launch in the second half of 2020 will keep the transaction volume somehow depressed in 2021.

Pricing

Pricing in the core and premium segment softened but didn't move significantly, while stronger warranties are expected from buyers on less robust covenants. Re-pricing in the core+, value-add and Grade B categories was more noticeable due in particular to the more conservative approach of financing banks. We foresee the polarization of investors to become more evident across sectors in 2021, with on the one hand the core, long leases, and stable income focus of some and on the other hand the value-add purchases. In terms of yields, we see prime shopping centre yield at 6.00%, prime office yields at 5.50% and prime logistics at 7.00%.

Main transactions of 2020

Asset	Sector	Size (sq m)	Buyer	Seller
GTC Portfolio (61.49%)	Office	130,000	Optima	Lonestar
Goodman Portfolio	Logistics	157,000	GLP	Goodman
Eiffel Square	Office	23,500	Allianz Real Estate	Optima
New York Palace	Hotel	373 keys	Covivio	Varde
Buda Portfolio	Office	37,000	Resolution	Adventum
Vaci Green E	Office	22,500	Capstone	Atenor
Spiral	Office	30,500	Hungarian State	GTC
Barcelo Hotel	Hotel	179 keys	DWS	Sunbelt
Target Centre	Retail	23,500	Erste Fund	Private
Budapest 360	Land	11 ha	Cordia	CIB Bank

Source: Avison Young

Capital Sources

Hungary 52%

EU 31%

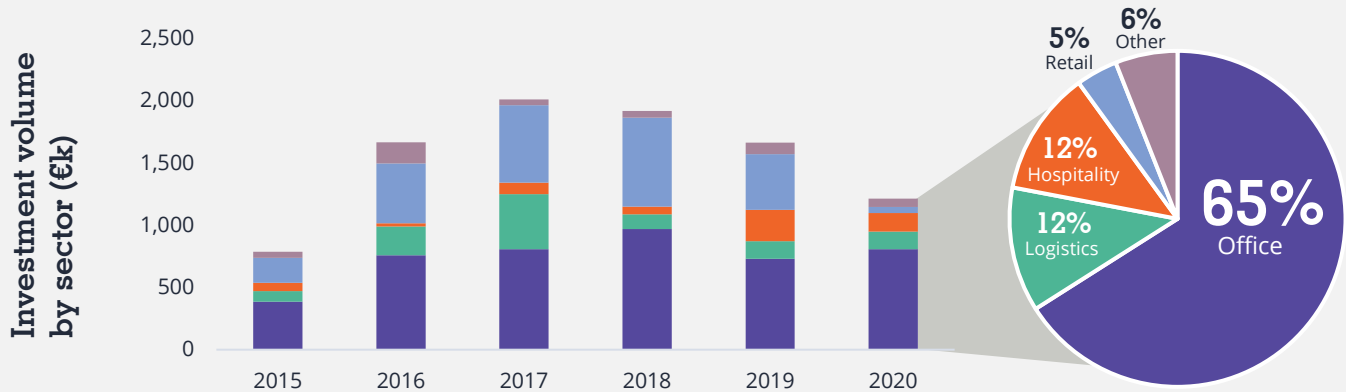
Asia 13%

Other 4%

Domestic buyers closed on 52% of the transactions in volume (down from 75% in 2019) but international investors (Allianz, GLP, DWS, Covivio) closed high-profile deals.

Offices remain the backbone of the investment activity

representing some 65% of the total investment volume



Source: Avison Young

Offices

The asset class reached a record high H1 transaction volume with ca €490 million, which was 25% above the volume of the same period of 2019. Such volume was achieved due to two large transactions. The most significant deal was the acquisition of a majority ownership (61.49%) of GTC SA by the Hungarian Optima Zrt from Lonestar. The Hungarian section of this regional platform includes 3 standing offices, 2 on-going office developments and 2 development sites.

Allianz Real Estate has also concluded their first direct acquisition in Hungary since 2010 with the purchase of Eiffel Square office building, a premium asset at the junction of the CBD and the Váci Corridor submarkets. Further office transactions of the period included the disposal of Rumbach Centre by Al Habtoor to GalCap, the closing of the last phase of Corvin Offices by Futureal to OTP Real Estate and the sale of Lánchíd Palota to the International Investment Bank (IIB).

Retail

The liquidity of the retail asset class is very limited except for food anchored assets and long leases. In H1 only one shopping centre transaction has been recorded with Indotek purchasing the 15,000 sq m Pécs Plaza. Although investors remained active during the lock-down period, sellers were cautious and decided to defer marketing processes until September which in a lot of cases will push the transaction closings toward 2021.

Hotels

Counterintuitively, activity in the hotel sector was sustained thanks to Q1 deals (before the impact of the pandemic) such as the Barcelo and the M Square and in Q4 when the closing of the New York Palace Hotel and Residence took place (part of a pan-European portfolio acquisition by Covivio).

Logistics and industrial

The logistics segment has been high on the priority list of investors for few years and in 2020 it became a total focus as the pandemic made global e-retailers the darling covenants of investors. Nevertheless, the lack of available products to trade (since the main developers are also long term holders) remains a limiting factor for the transaction activity and explain the structurally low volumes in this asset class. The closing of the CEE Goodman platform by GLP in Q3 with a significant footprint in Budapest was the largest deal of the year.

**Get more
market
information**

Benjamin Perez Ellischewitz

Principal

+36 70 333 1818

benjamin.perez-ellischewitz@avisonyoung.com

Avison Young

Andrássy út 12

Budapest 1061

**AVISON
YOUNG**