# RESIDENTIAL MARKET MONITOR

2018 / Q2

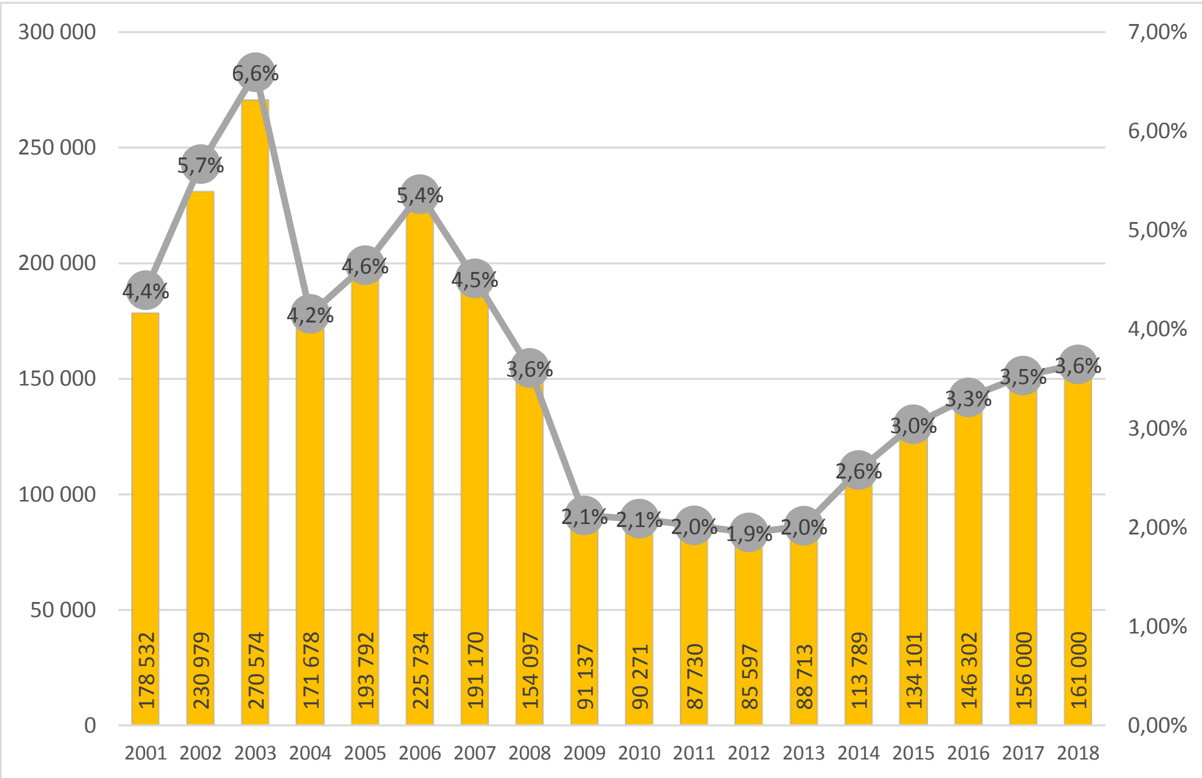
OTTHON CENTRUM

# THE MARKET CONTINUE TO THRIVE IN 2018

During the past fifteen years the Hungarian housing market was first fuelled by the introduction of subsidized mortgages later further boosted by foreign currency based lending. As a consequence of the global financial crises, started in 2008 important decisions were made by the Hungarian Government that converted foreign currency denominated loans, extended the family housing subsidy scheme and reduced value added tax to 5% until then end of 2019 for new housing construction. As a result the housing market revived: the number of housing transactions is on the rise since 2014.

It is expected that the number of housing transactions shall reach the average of the period between 2000 and 2008 this year. With regards the price increase – fuelled by strong demand in Budapest and its larger metropolitan area as well as in and around secondary cities – the average price level has already passed the pre-crisis level. The growth was fuelled by the favourable financing conditions – interest rates in Hungarian Forints are lower today, than the interest paid on pre-2008 Swiss Francs denominated mortgages – and the spatially rather concentrated demand. It seems there is appetite only for properties that are located in cities or in settlements very close to cities from buyers looking for an accommodation for their own use as well as among the investors. People move to places where the local economy thrives, where new jobs are available and thus they can prosper. These are the places where demand drives prices and rents.

THA NUMBER OF YEARLY HOUSING TRANSACTIONS AND
THE SHARE OF SOLD UNITS COMPARED TO THE HOUSING STOCK (2001-2018)




Source: CSO (Otthon Centrum estimates for 2017 and 2018)

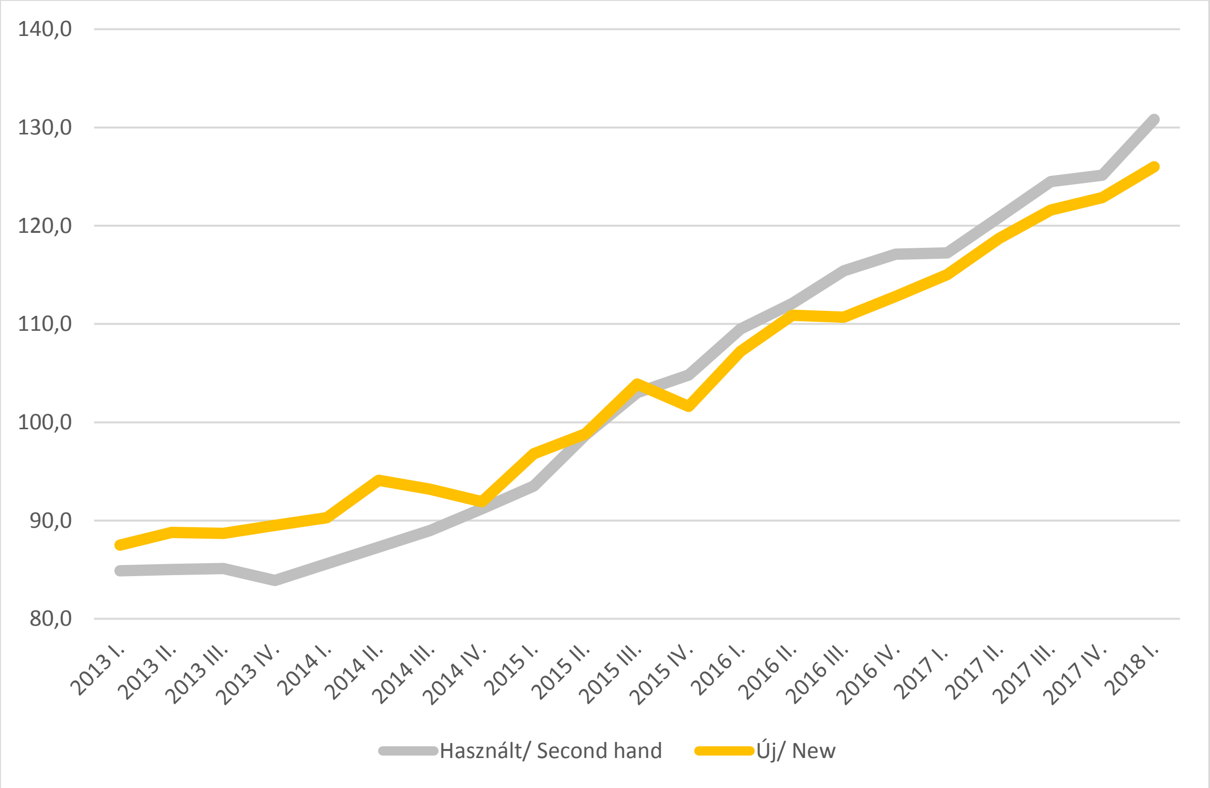
Otthon Centrum was established 15 years ago. We celebrated by mediating 11,6% more sales transactions during the first half of the year compared to the same period last year. Sustaining market demand and construction capacity shortages mean further price-increases. We expect to reach around 160 thousand transactions by the end of 2018.

# HOUSING PRICES

According to the published data of the Central Statistical Office housing prices continued to increase for the past four years in Hungary. The second-hand unit price average was 4.5% higher during Q1 2018 than a year ago. On average the Central Statistical Office registered an average increase between 1% and 5% during each quarter since the beginning of 2014.

The average price of newly built dwellings also increased since 2014, although there was a short drop in the dynamics at every 3rd quarter and during 2016 there was a short period of price decrease. By now there is no significant difference in the price dynamics of second-hand and new dwellings.

HOUSING PRICE INDEX (2015 = 100%)

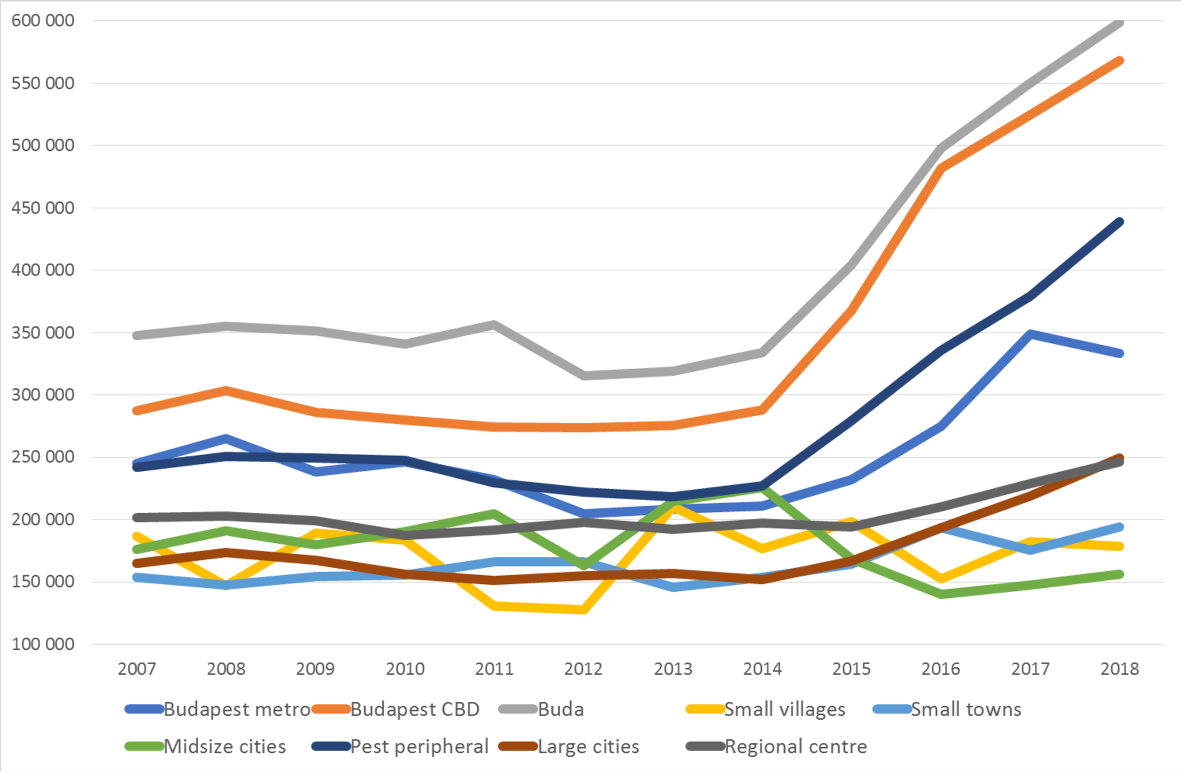



Source: CSO

Otthon Centrum's own data shows, since 2014 the nominal value of the average per square metre housing price has grown above average in case of traditional brick-built apartments in the Buda side and in the central districts of the Hungarian capital city. Significant price hikes were observed in peripheral districts and the greater metropolitan area as well. By 2018 the average price level of all housing types reached the pre-crisis level, however outside Budapest the observed dynamics of growth was far lesser than in the capital.

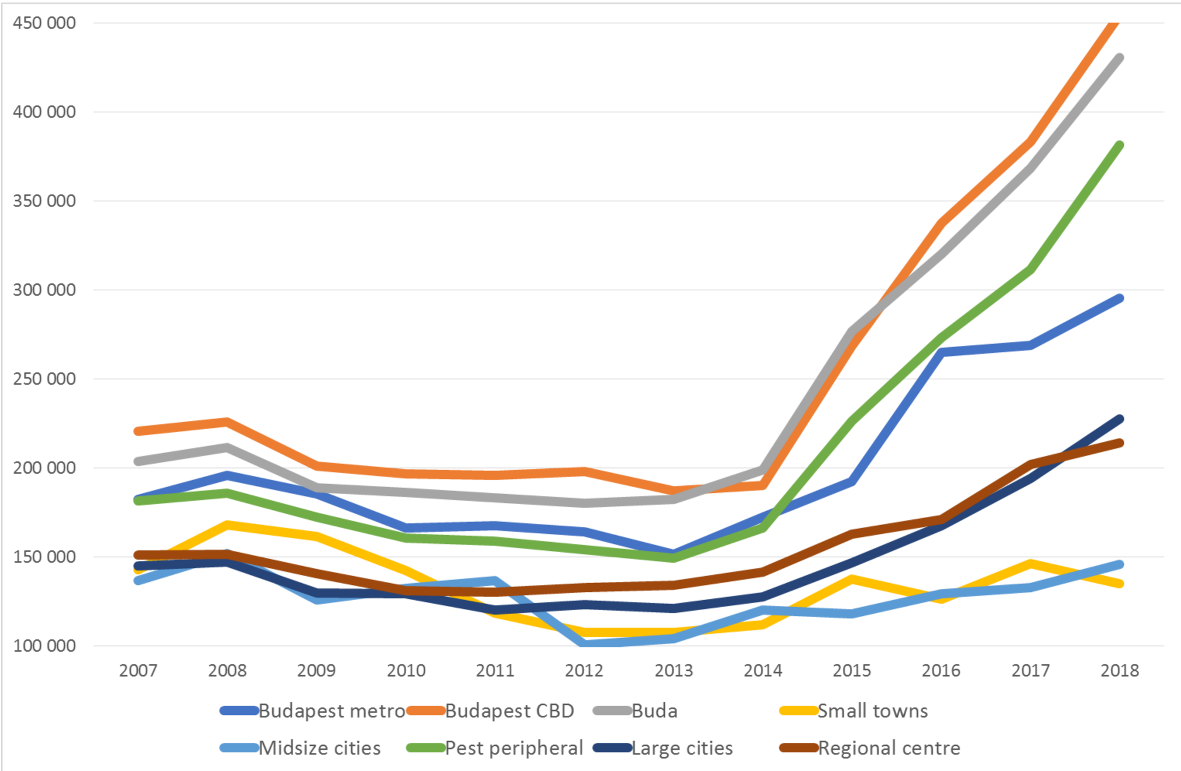
Apartments in prefabricated concrete multifamily buildings – a common type of housing built in the framework of state dominated housing programs during the 1960's and 1970's – being the most affordable types of dwelling have experienced even steeper price increases. Based on the sales data of Otthon Centrum prices of dwellings have reached pre-crisis levels in all types of settlemenst. Sinle family house prices increased significantly in Budapest where the average price is well above the pre-crisis price level. Single family houses experienced lower price increases in smaller cities and settlements, in most of the peripheral small villages, average house prices have stagnated or lacked any market activity.

AVERAGE PRICE OF SECOND-HAND APARTMENTS (HUF/M²)



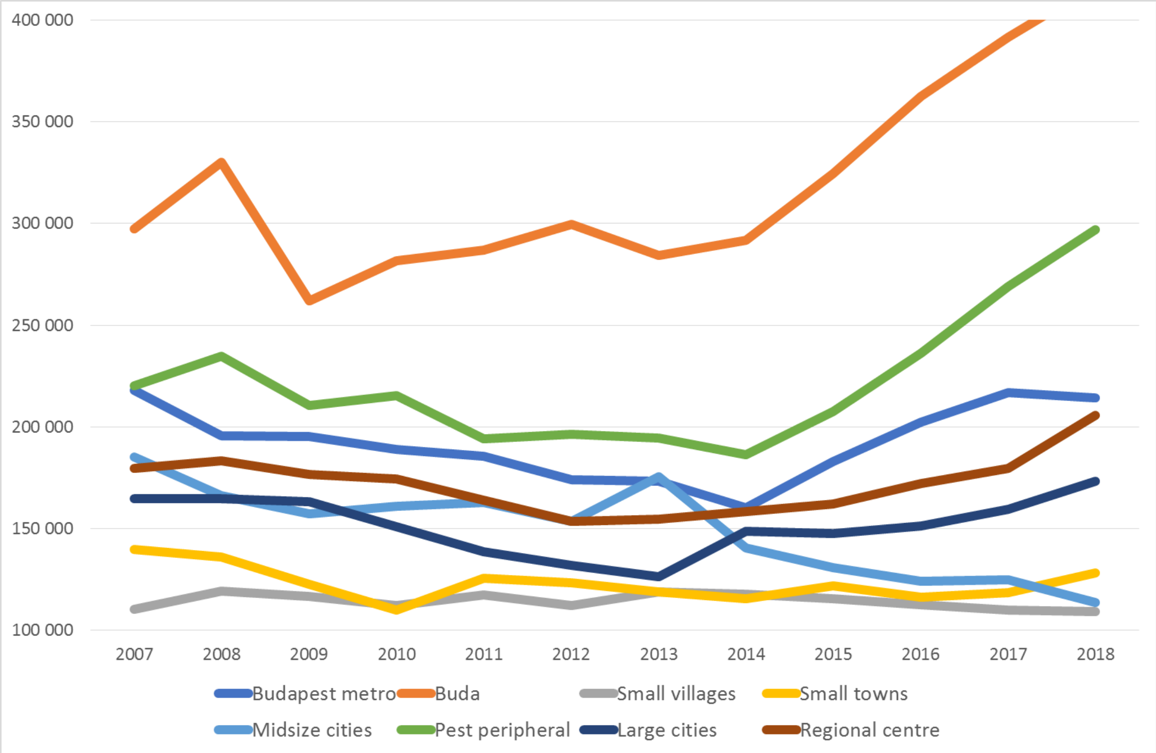

Source: Otthon Centrum

AVERAGE PRICE OF SECOND-HAND APARTMENTS IN PREFAB BUILDINGS (HUF/M²)



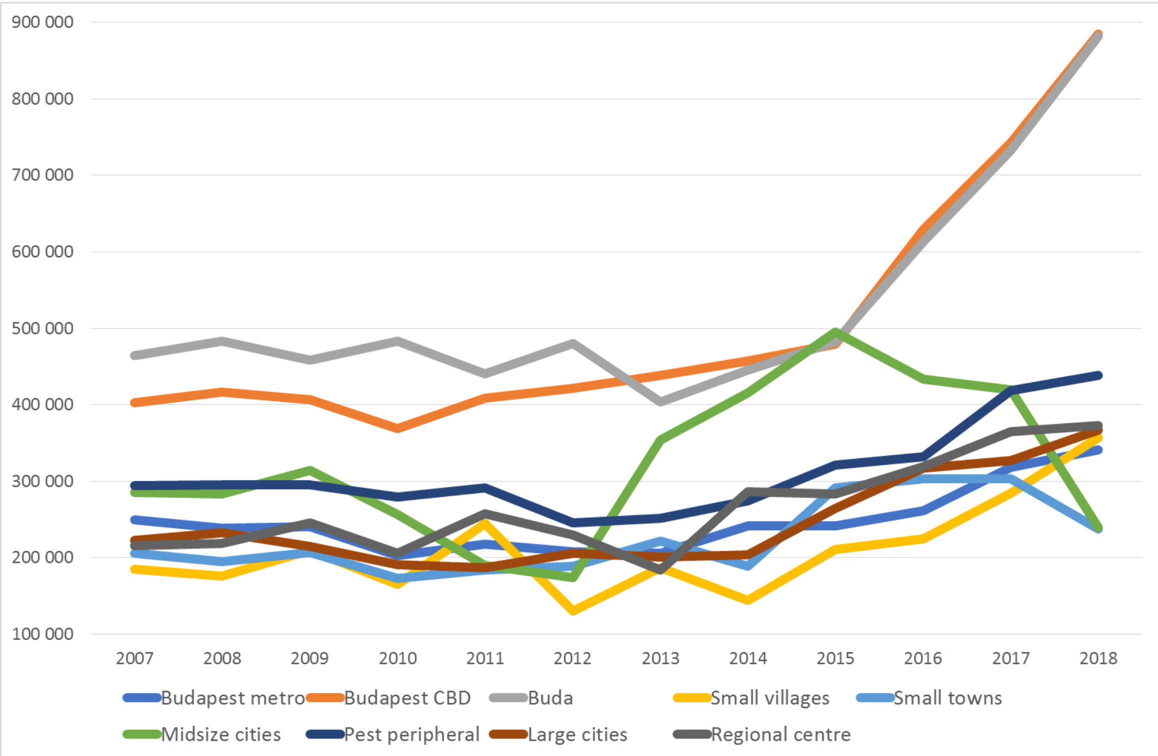

Source: Otthon Centrum

AVERAGE PRICE OF SINGLE FAMILY HOUSES (HUF/M²)




Source: Otthon Centrum

ÚJ ÉPÍTÉSŰ LAKÁSOK FAJLAGOS ÁTLAGÁRÁNAK ALAKULÁSA (FT/M²)




Source: Otthon Centrum

# Otthon Centrum mediated sales transactions in 2018

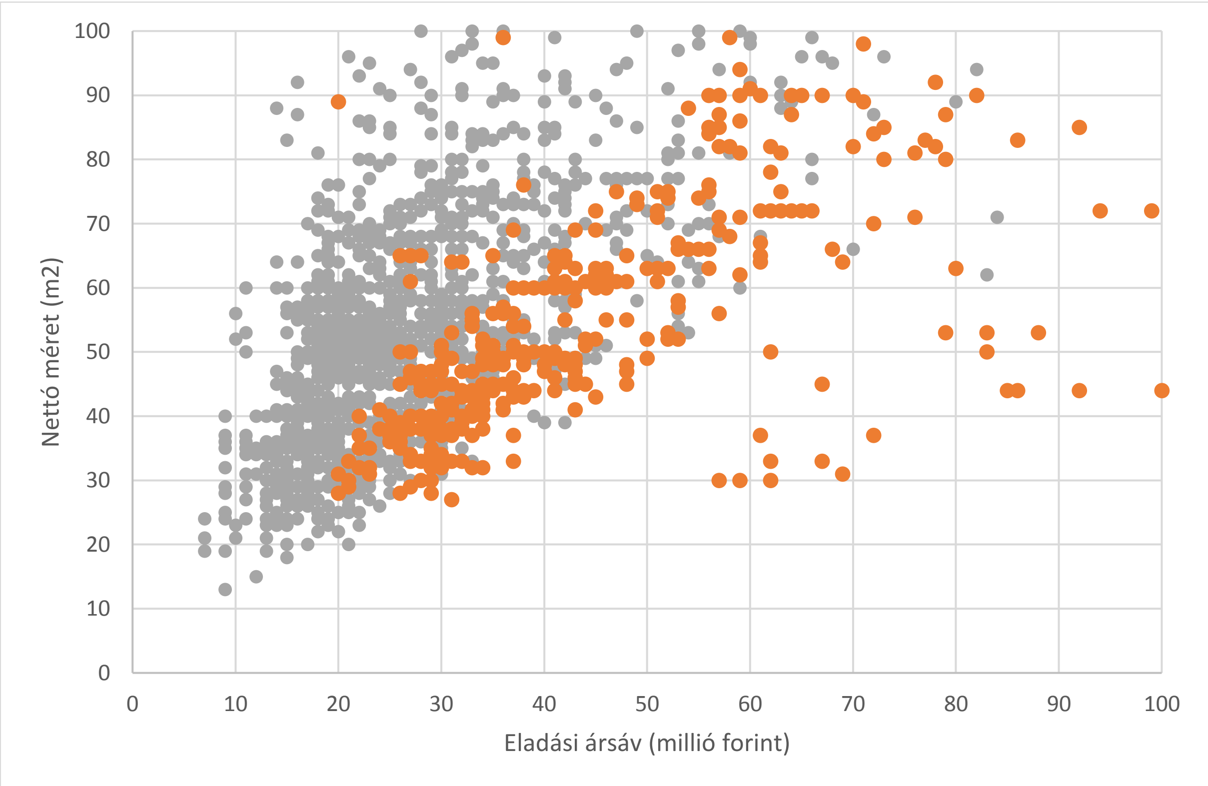
About one-third of sales mediated by Otthon Centrum were in Budapest (33.1%), whereas over two-thirds of all newbuilt homes sold by Otthon Centrum affiliated offices were in the Hungarian capital (67,7%). The graph below shows all these transactions by size of dwellings and price per square metre. New dwellings were priced higher then second-hand units. The bulk of of the second-hand transactions were conducted between 15 and 30 million HUF, whereas newly built homes mostly sold between 30 and 45 million HUF price brackets.

In Pest county most dwellings sold were single family houses, this is the reason for the larger avarage floorspace compared to the dwellings sold in Budapest. Prices are set by the location of the property. The cheapest deals were made in the eastern sector of the Budapest greater metropolitan area especially in peripheral settlements. The most expensive properties were traded in the western and north-western sector, in villages and towns bordering the capital city. Easy access to Budapest also has an impact on desirability and thus the price of properties. Most of the units sold between 10 and 20 million HUF.

About half of transactions mediated by Otthon Centrum was conducted outside Central Hungary region, whereas among the newly built units only about one-fifth of transactions were delivered in the countryside. Prices strongly correlated with the regional location and the size of the settlement: among the cities of county standing the price difference reached 200% whereas the average price level of small settlements was sometimes one-quarter to one-fifth of the prices observed in the large regional central cities. Over 50% of second-hand units sold between 5 and 13 million HUF, except in the popular resort cities, where prices were higher than average. Newly built dwellings sold between 10 and 30 million HUF.

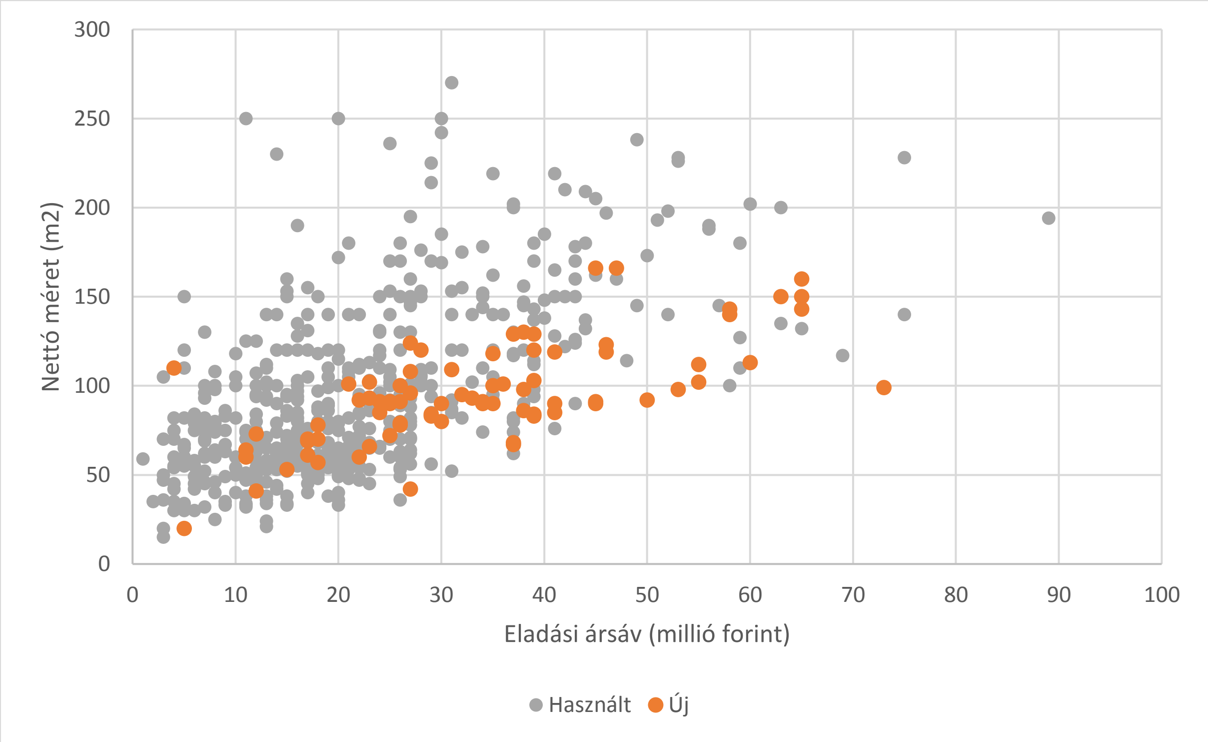
The charts below show the transactions using the same scale for price and size. Regional differences are well observable: in Budapest we see many transactions above 40-50 million HUF, in Pest County and outside Central Hungary most of the deals were made in a lower price range. Grey dots represent second-hand, orange dots newbuilt units sold.

HOUSING TRANSACTIONS IN BUDAPEST BY SIZE (M²) AND PRICE (HUF/M²) 2018 H1



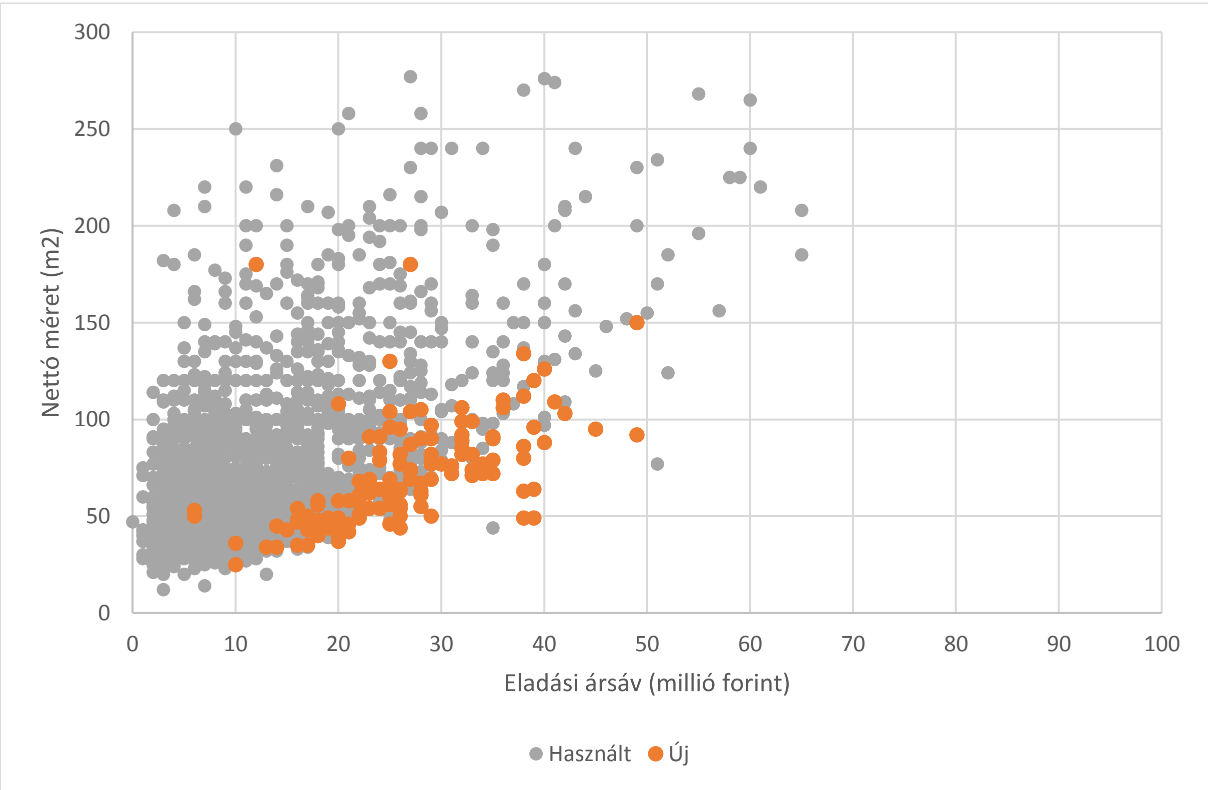

Source: Otthon Centrum (horizontal axis: price in million HUF, vertical axis: size in m²)

HOUSING TRANSACTIONS IN PEST COUNTY BY SIZE (M²) AND PRICE (HUF/M²) 2018 H1




Source: Otthon Centrum (horizontal axis: price in million HUF, vertical axis: size in m²)

HOUSING TRANSACTIONS OUTSIDE CENTRAL HUNGARY BY SIZE (M²) AND PRICE (HUF/M²) 2018 H1




Source: Otthon Centrum (horizontal axis: price in million HUF, vertical axis: size in m²)

# Budapest housing prices

The average per square metre price of second-hand dwellings, in all of the districts of Budapest increased during the first half of 2018 compared to the prices registered during the same period last year. The increase in the price was over 10% in most districts and in a few peripheral ones it was above 25% (in Districts 4, 16 and 21). On the Buda side (West from the river Danube) and in the CBD, where the highest prices were observed a few districts experienced 20% increase of the average per square metre price (in Districts 3, 7 and 8). During the first half of 2018 the highest average price was observed in District 5 (850 thousand HUF/$m^2$). In the Buda districts – except in District 22 – and in Districts 6 and 13 (Inner-Pest) the average price level was between 600 and 650 thousand HUF/$m^2$. In general other inner lying districts had prices between 450 and 600 thousand HUF/$m^2$, whereas on the periphery transactions were concluded at 300-450,000 HUF/m2. The cheapest average price of 300,000 HUF/$m^2$ was observed in District 20.

The price of apartments in prefabricated ('panel') buildings increased by over 20% y-o-y, in District 17 and 20 over 30% increase was observed. The highest average price per square metre was registered in District 11 and 13, at 460 thousand HUF/$m^2$. The average price in District 14 was almost the same. The cheapest 'panels' were sold in Csepel (District 21) at 323 thousand HUF/$m^2$.

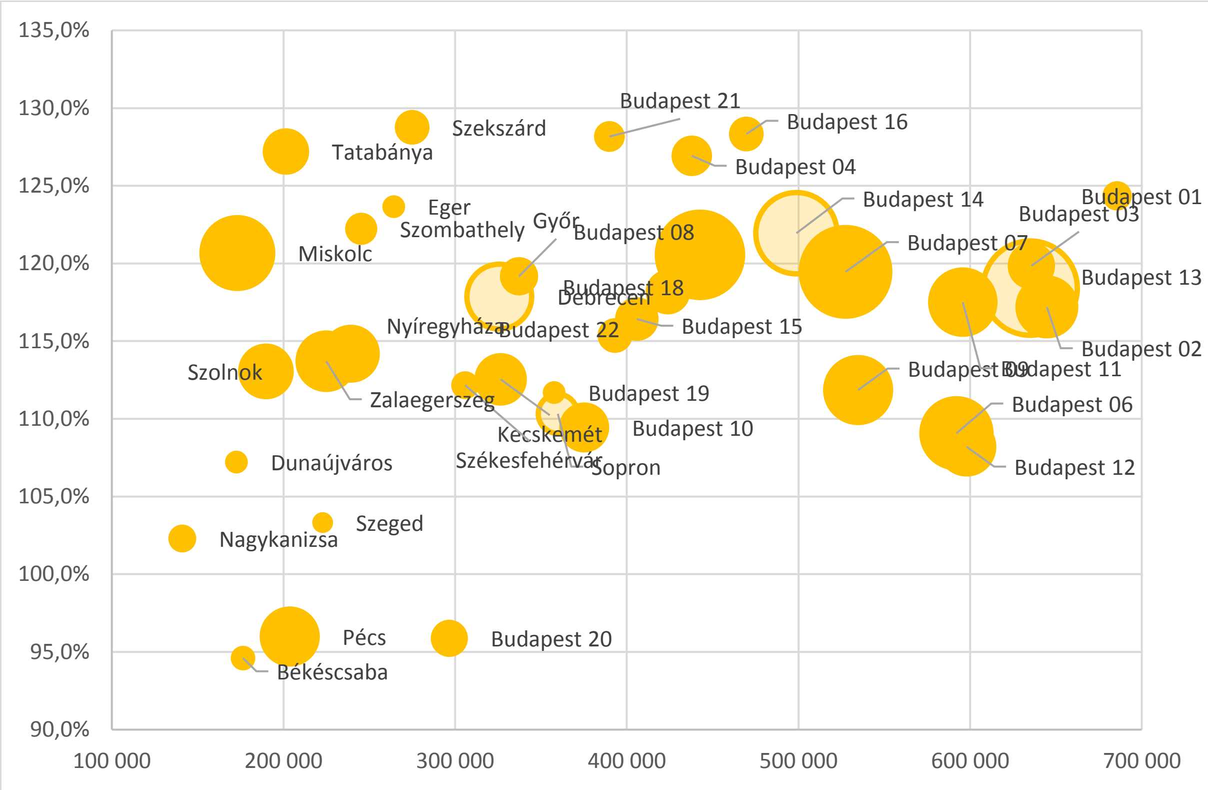
The price of single family units was more diverse as this dwelling type is the least standard of all housing types. In most districts prices have increased but there are parts of the capital where the average pirce stagnated or even decreased with a few percents. These changes are mainly attributed to the heterogenity of the product, the average price is highly dependent on the age, construction quality and style of these homes. The highest prices were observed in the Buda hill neighbourhoods, where over 600,000 HUF/$m^2$ was paid during the first halfo of 2018 on average. In the peripheral Pest districts single family houses were sold around 250-300 thousand HUF/$m^2$ on average.

# Housing prices outside Central Hungary

In most of the cities of county rank the average per square metre price for apartments in brick-built multifamily buildings increased by over 10% y-o-y, except for Pécs and Békéscsabe where the price increase remained lower. In many cities outside Central Hungary the average per square metre price reaches the 300,000 HUF/$m^2$ threshold. In Sopron, thek most attractive city in West Hungary, close to the Austrian border, the price level already passed the 360,000 HUF/$m^2$ level. The lowest average price was observed in Salgótarján (North-Hungary), where during the first half of 2018 apartments were sold at below 100 thousand HUF/$m^2$ average price.

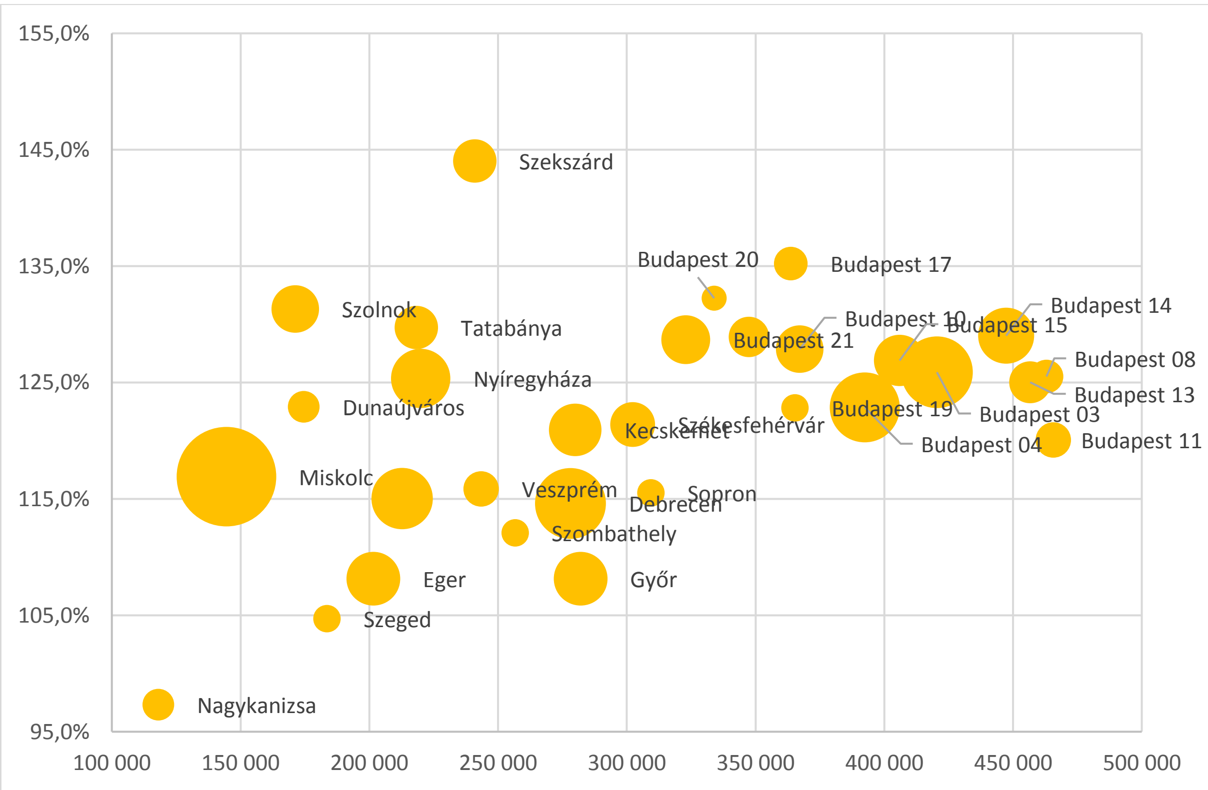
There was considerable difference among countryside cities in terms of the average transaction pice of apartments in prefabricated ('panel') buildings: in some cities there was no or minimal increase. On the other end of the spectrum growth of the average price reached 40%. The largest increase in the average price was registered in Eger and Szekszárd. In Nagykanizsa price stagnated compared to the first half of the previous year. Panel prices reached 300,000 HUF/m2 in the most expensive cities, like Sopron and Székesfehérvár, whereas in Salgótarján the average price of panel apartments remained below 100,000 HUF/$m^2$. A small increase of the average price was observed in case of single family houses. In most cities the increase remained below 10%, only Kecskemét and Zalaegerszeg experienced over 20% increase. The most expensive single family homes were sold in Székesfehérvár, whereas in cities with less than 50 thousand inhabitants – especially in Hódmezővásárhály and Salgótarján – the average per square metre price remained below 100 thousand HUF/m2.

## AVERAGE PRICE OF BRICK BUILT APARTMENTS IN BUDAPEST DISTRICTS AND COUNTY TOWNS IN 2018 H1 AND THE INCREASE OF THE AVERAGE PRICE COMPARED TO 2017 H1



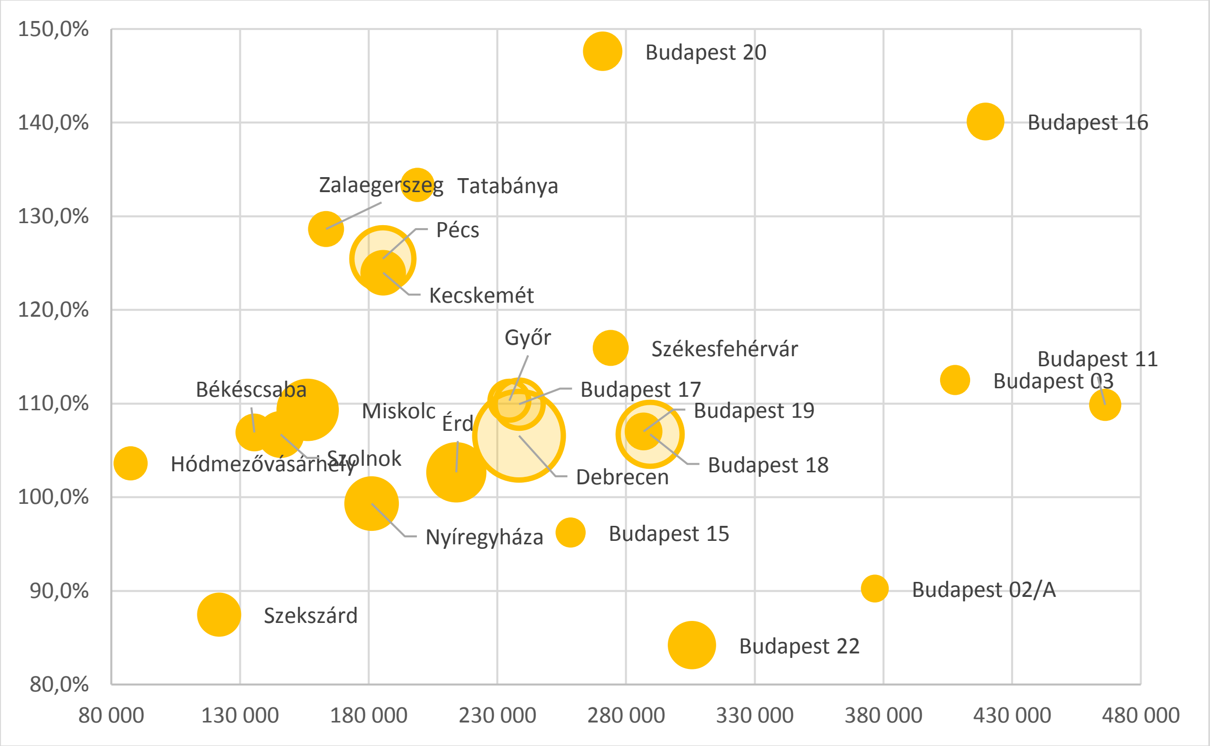

Source: Otthon Centrum (the size of dots relates to the number of transactions)

## AVERAGE PRICE OF ’PANEL’ APARTMENTS IN BUDAPEST DISTRICTS AND COUNTY TOWNS IN 2018 H1 AND THE INCREASE OF THE AVERAGE PRICE COMPARED TO 2017 H1




Source: Otthon Centrum (the size of dots relates to the number of transactions)

AVERAGE PRICE OF SINGLE FAMILY HOUSES IN BUDAPEST DISTRICTS AND COUNTY TOWNS IN 2018 H1 AND THE INCREASE OF THE AVERAGE PRICE COMPARED TO 2017 H1




Source: Otthon Centrum (the size of dots relates to the number of transactions)

## The Budapest metropolitan area

Prices of single family homes increased in all settlemesnts of the greater metropolitan area of Budapest. In Gödöllő, Pilisvörösvár and Szigetszentmiklós districts the average increase of price was over 30%, whereas the increase was 20% in other districts with the exception of in Gyál and Budakeszi districts. The highest average prices were observed int he northern and western sectors of the agglomeration, especially in the settlements of Budakeszi and Pilisvörösvár districts. During the first six months 300-350 thousand HUF/m$^2$ average price was recorded (approx. 900-1100 EUR/m$^2$)

## Second homes: Lake Balaton and Lake Velence

Around Lake Balaton and Lake Velence most residential units are single family homes. At Balaton the eastern basin of the lake is the more expensive, here single family houses sold at above 200,000 HUF/m$^2$ on average. Settlements around the western basin of Balaton remained cheaper.

Apartments were more expensive during the first three quarters of 2018: in Balatonfüred and in Siófok the average price per square metre was nearly 400,000 HUF. In Keszthely the average price for second hand apartments was 50% lower. This showed a 10-20% price increase compared to the same period of 2017.

In the settlements around Lake Velence the average price increased by 10% year-on-year. During the first three quarters of 2018 the average price of single family houses was 225,000 HUF/m$^2$.

# Housing construction

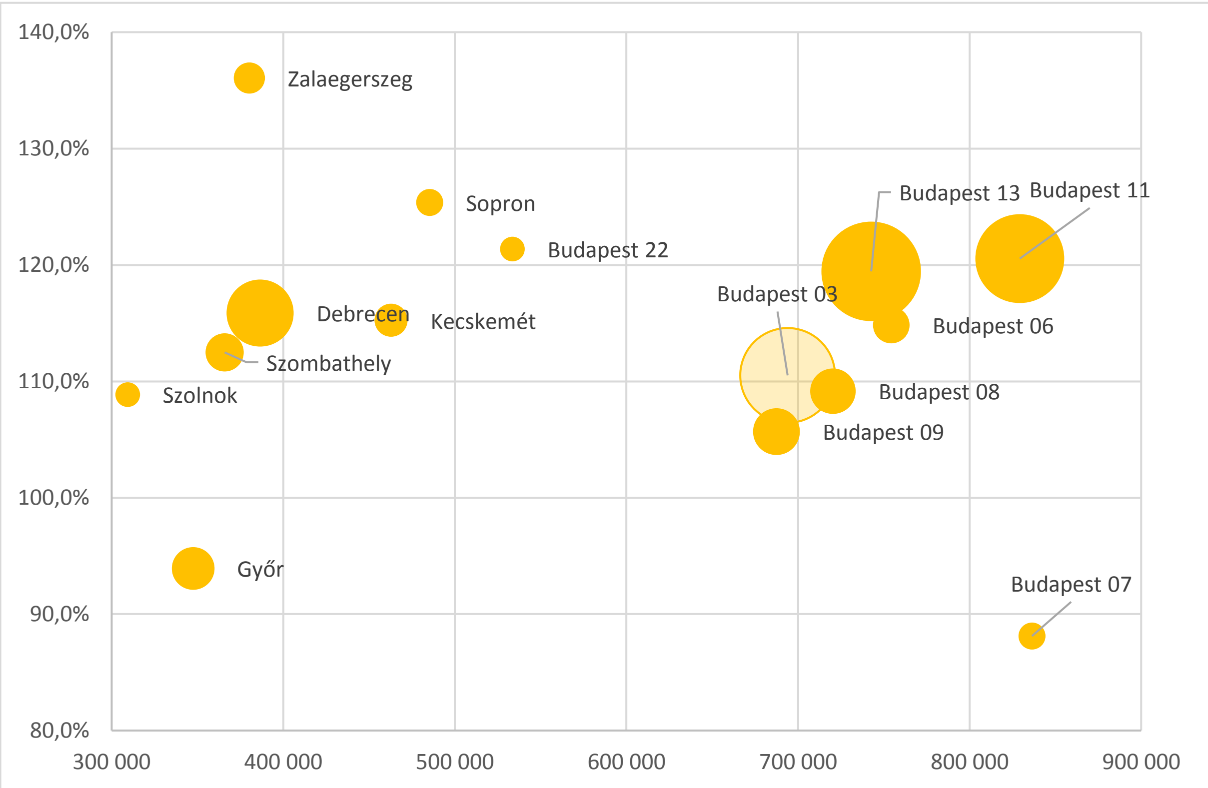
38 thousand units were granted a building permit in 2017 in Hungary. Most of the permitted units, in total 14,600 were located in Budapest districts (38.5% of all prmitted units). Pest County ranks the second with 7,300 permitted units. The least number of permitted dwelling units were registered in Nógrád county (in total 67 permitted units). The overall increase of permitted units compared to 2016 was 20%. In half of the counties, in the Western-Transdanubia, the North- and South Great Plains Regions the number of permitted units slightly decreased compared to the previous year.

During the first quarter of 2018 the number of permitted residential units increased by 3.4%. Further increase is limited by the lack of construction capacities and the expiration of the VAT reduction for newly built homes at the end of 2019.

14,400 units were granted an occupation permit in 2017. Most of these were handed over by the builders in Pest County, in total 3,400, that represented 23,9% of the total newly built units in Hugary. In Budapest and in Győr-Moson-Sopron county 2,750 units were built each, the least number of new units were completed in Nógrád County, in total 27 units. The volume of newly built units was 44% and in all of the counties more units were completed than a year ago except for Budapest where the number has not changed.

During the first quarter of 2018 3,400 units were completed, which was 65% more than a year ago. Pest County remained the number one county for new housing completions in absolute terms but the capital city experienced the highest growth in housing completions. It is expected that over 20 thousand new units will be completed by the end of the year, mostly in Budapest and those regions where the highest number of permitted units were registered during the previous years.

FŐVÁROSI KERÜLETEK ÉS VIDÉKI VÁROSOK CSALÁDI HÁZAINAK ÁTLAGÁRAI 2018-BAN ÉS AZ ÁTLAGÁR-NÖVEKEDÉS MÉRTÉKE (%) 2017 I. FÉLÉVHEZ KÉPEST




Forrás: Otthon Centrum (x tengely átlagár eFt/m²; y tengely a változás mértéke % a buborék mérete a tranzakciószámmal arányos)

# Housing projects

According to Otthon Centrum's survey of online advertisements, conducted in June 2018, in Budapest there 452 housing projects under various stages of construction, with about 31 thousand units in total, of which about 29.4% was in the planning phase (the units of these were not yet advertised for purchase). 7,100 new-built units were available for purchase at the time of the survey, representing 22.8% of all housing units under development. Since June 2017 about 18 new projects, in total 4,000 new units appeared on the Budapest market (+15%). The share of unsold units available for purchase slightly decreased from 59.8% in June 2017 to 52.1 % in June 2018. In the Buda districts of the Hungarian capital the average number of flats per residential project was 64, in the Pest districts 71 units per project. Compared to previous surveys, when the difference in the average project size was larger between Buda and Pest, data reveals larger projects have appeared also on the Buda side, whereas compared to the inner districts, smaller scale projects gradually emerged in the more outlying districts of Pest.

HOUSING PROJECTS IN BUDAPEST BY DISTRITS

| District | Number of projects | Number of units | Unsold units | Average number of units per project | Avg. price (HUF/m²) | Share of unsold units | No. of new units per 1000 existing stock |
|---|---|---|---|---|---|---|---|
| I. | 6 | 197 | 107 | 32,8 | 1 314 257 | 54,3% | 11,57 |
| II. | 38 | 605 | 257 | 15,9 | 1 222 946 | 42,5% | 12,35 |
| III. | 49 | 1 223 | 627 | 25,0 | 777 602 | 51,3% | 19,38 |
| IV. | 25 | 1 332 | 749 | 53,3 | 718 592 | 56,2% | 28,22 |
| V. | 7 | 242 | 120 | 34,6 | 2 153 039 | 49,6% | 12,26 |
| VI. | 21 | 550 | 191 | 26,2 | 1 071 895 | 34,7% | 19,67 |
| VII. | 13 | 700 | 345 | 53,8 | 927 891 | 49,3% | 18,94 |
| VIII. | 25 | 1 917 | 852 | 76,7 | 762 564 | 44,4% | 42,43 |
| IX. | 28 | 3158 | 1520 | 112,8 | 764 282 | 48,1% | 78,11 |
| X. | 10 | 1 232 | 641 | 123,2 | 646 594 | 52,0% | 31,78 |
| XI. | 53 | 8 335 | 5 504 | 157,3 | 767 772 | 66,0% | 105,40 |
| XII. | 15 | 204 | 109 | 13,6 | 1 411 523 | 53,4% | 6,08 |
| XIII. | 94 | 9 073 | 4 248 | 96,5 | 799 471 | 46,8% | 122,79 |
| XIV. | 28 | 1 234 | 389 | 44,1 | 687 193 | 31,5% | 16,94 |
| XV. | 2 | 48 | 5 | 24,0 | 534 088 | 10,4% | 1,29 |
| XVI. | 7 | 112 | 42 | 16,0 | 545 497 | 37,5% | 3,59 |
| XVII. | 2 | 53 | 27 | 26,5 | 653 511 | 50,9% | 1,59 |
| XVIII. | 7 | 166 | 62 | 23,7 | 585 130 | 37,3% | 3,78 |
| XIX. | 4 | 126 | 93 | 31,5 | 532 241 | 73,8% | 4,61 |
| XX. | 7 | 228 | 134 | 32,6 | 653 856 | 58,8% | 7,34 |
| XXII. | 5 | 156 | 27 | 31,2 | 527 402 | 17,3% | 6,81 |
| XXIII. | 6 | 208 | 147 | 34,7 | 501 304 | 70,7% | 23,86 |

Source: Otthon Centrum survey (2018. June)

In Budapest the largest number of projects advertised, in total 94, were in progress in District 13. This represents one-fifth of the total number of multifamily apartment projects. On the Buda side District 11 has 53 projects. In District 3 49 and in District 2 38 projects are under various stages of development. On the Pest side Ferencváros (District 9) and Zugló (District 14) are also to be mentioned where 29 projects are located in each district.

The average price per square metre for new apartments in Budapest was 826 thousand HUF in June 2018, which represents an overall increase of 20.9% since June 2017. The highest average offer price exceeded 1 million HUF/m2 in Districts 5, 12, 2 and District 1. The offer price remained 500 thousand HUF/m2 in District 23. Prices were between 500 – 720 thousand HUF/m2 in the other peripheral districts of Pest. New homes in the Hungarian capital are priced between 410,000 – 2.5 million HUF/m2.

In the larger cities and county capitals of Hungary, Otthon Centrum found 296 residential projects, in total 9,023 dwelling units that were advertised on internet marketplaces in June 2018. Among the 23 cities with county standing the largest number of projects were registered in Győr, Debrecen and Pécs. More than a third (35.4%) of the projects that appeared online were located in the three above mentioned towns. The largest number of new dwellings were in Győr (1,490) followed by Debrecen (1,330 units) and Szeged (1,030 units). At least 40% of the new homes were still available for purchase at the time of the survey.

48.7% of the 9,023 newly built homes were still available in June 2018. The smallest number of unsold units were available in Szolnok and in Sopron. In the county capitals the average asking price was 427 thousand HUF/m2, half of the Budapest average. In the most expensive cities prices are almost as high as in the outlying Pest districts.

HOUSING PROJECTS IN COUNTY TOWNS

| Town | Number of projects | Number of new units | Number of unsold units | Average offer prices (HUF/m$^2$) | Share of unsold units |
|---|---|---|---|---|---|
| Békéscsaba | 7 | 231 | 82 | 375 044 | 35,5% |
| Debrecen | 36 | 1332 | 560 | 462 287 | 42,0% |
| Dunaújváros | 1 | 4 | 4 | N.A | 100,0% |
| Eger | 7 | 180 | 124 | 396 698 | 68,9% |
| Érd | 6 | 68 | 53 | 414 257 | 77,9% |
| Győr | 37 | 1490 | 677 | 427 196 | 45,4% |
| Hódmezővásárhely | 1 | 15 | 15 | 320 543 | 100,0% |
| Kaposvár | 3 | 58 | 21 | 340 616 | 36,2% |
| Kecskemét | 15 | 452 | 229 | 429 839 | 50,7% |
| Miskolc | 17 | 691 | 399 | 331 586 | 57,7% |
| Nagykanizsa | 5 | 73 | 25 | 296 914 | 34,2% |
| Nyíregyháza | 10 | 249 | 73 | 417 584 | 29,3% |
| Pécs | 32 | 537 | 299 | 456 411 | 55,7% |
| Sopron | 20 | 754 | 218 | 492 380 | 28,9% |
| Szeged | 29 | 1029 | 774 | 428 783 | 75,2% |
| Székesfehérvár | 18 | 572 | 242 | 469 992 | 42,3% |
| Szekszárd | 4 | 49 | 21 | 330 366 | 42,9% |
| Szolnok | 9 | 111 | 25 | 356 876 | 22,5% |
| Szombathely | 20 | 608 | 259 | 407 546 | 42,6% |
| Tatabánya | 1 | 140 | 76 | 399 902 | 54,3% |
| Veszprém | 7 | 190 | 142 | 459 562 | 74,7% |
| Zalaegerszeg | 11 | 190 | 79 | 386 626 | 41,6% |
| **városok összesen** | **296** | **9023** | **4397** | **427 201** | **48,7%** |

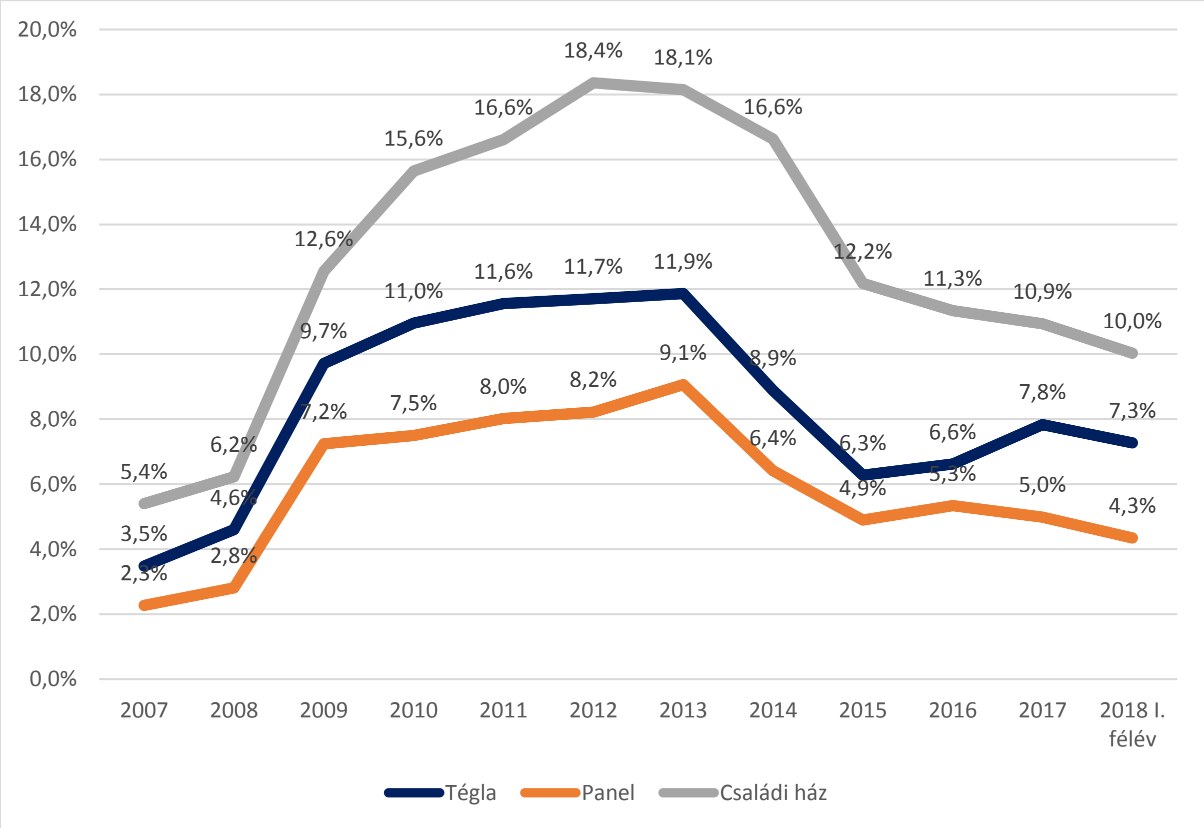
Source: Otthon Centrum survey (2018. June)

# Price discounts and sales period

## Smaller discounts

The price discount offered by sellers was the smallest in the cheapest category: apartments in prefabricated housing estates sold at 4,3% lower prices as the asking price, which was 0,7% less, than during the first half of 2017. In cities smaller than 25 thousand population the discount increased by 1,8%, but in larger cities sellers did not give such concessions to the buyers. The level of discount decreeased in larger cities by the highest rate (0.9%). In Budapest – the Buda districts and the Pest peripheral districts – very little concessions were given as there was very high demand for units.

AZ ÁRENGEDMÉNY VÁLTOZÁSA KÜLÖNBÖZŐ LAKÁSTÍPUSOK ESETÉBEN




Forrás: Otthon Centrum

## Sales period

The time required to sell a dwelling highly correlates with the type and location of the unit for sale. Apartments in prefabricated housing estates sell the fastest on average in two months. These type of units sell even quicker in Buda distrits and outer Pest, whereas in small towns the sales period is above average at 102 days.

The sales period of apartments in brick-built houses was on average 97 days during the first half of 2018, 3 days shorter than a year ago. The fastest sales were registered in the outer Pest districts and cities above 50 thousand inhabitants, whereas in small settlements sellers had to wait much longer to find a buyer.

Single family homes found a buyer within 198 days on avarage, a full week longer than a year ago. In Buda and the greater metropolitan area of the Capital City homes sell faster, whereas in the cities and villages of the countryside – except for the larger regional cities – single family houses on average required over 200 days to sell, somewhat longer time than a year ago.

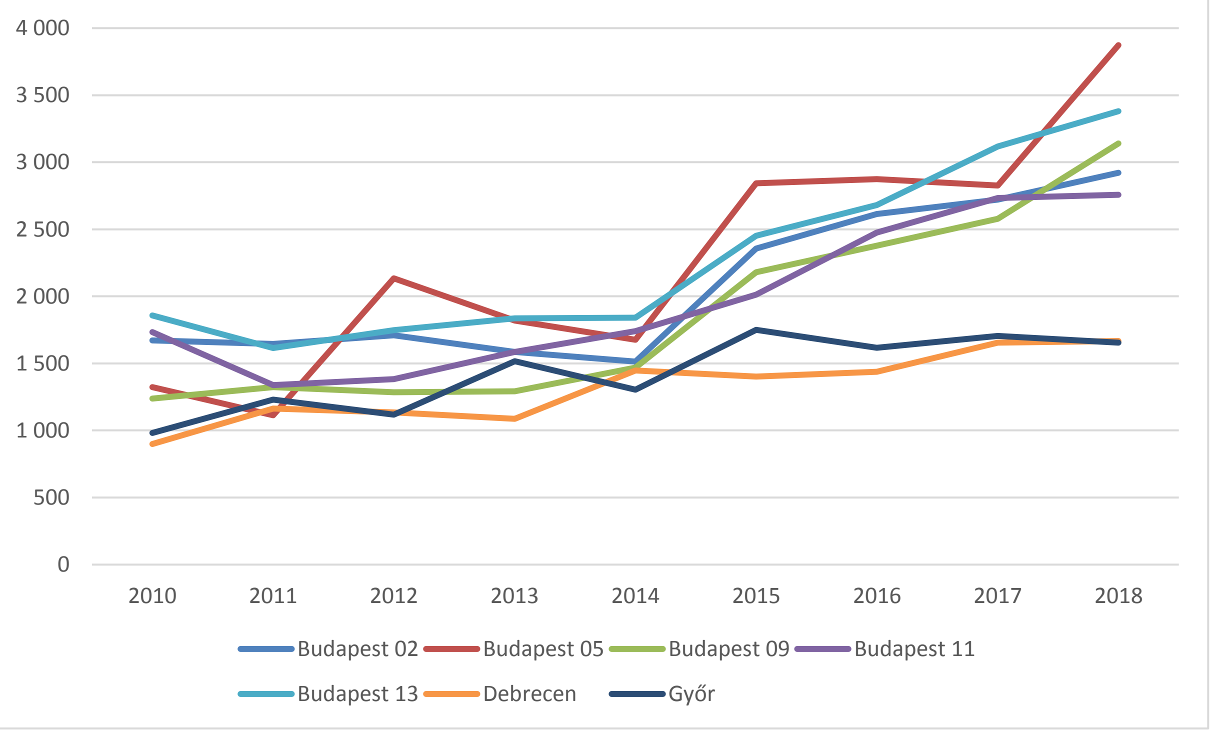
# Rental sector

Rents have increased during 2018. In most Budapest districts rents increased by 8-20% during the first half of 2018, compared to 2017. The highest rents were registered in District 5, where tha average monthly rental fee was 3,800 HUF/m$^2$. Inner city districts favoured by university students and professionals are somewhat cheaper, the monthly rent on average ranges from 2,800 HUF/m$^2$ to 3,300 HUF/m$^2$. Only the outer parts of Józsefváros (District 8.), outside the great ringroad are more affordable. In the county capitals the average rent was 1,500 – 1,700 HUF/m$^2$/month during the January – June period of 2018.

Changes in the tax regime makes rental investments easier both for long-term and short term letting. Current residential rental yields modelled by rental contracts and sales values of apartments in the same neighbourhood are around 5-6%. Short term price increases may erode this as rents do not increase with property prices.

This is visible in the highest priced segments, where yields have decreased as demand for highly priced rentals decreased with the exception of luxury properties. In the county towns cheaper apartments in prefab housing estates are in high demand resulting 7-9% yields, however changes in the cafeteria renumeration regulations expected for next year may reduce affordability.

Average rental prices in Budapest districts and regional cities (Ft/m²/month)




Source: Otthon Centrum