RESIDENTIAL
MARKET MONITOR

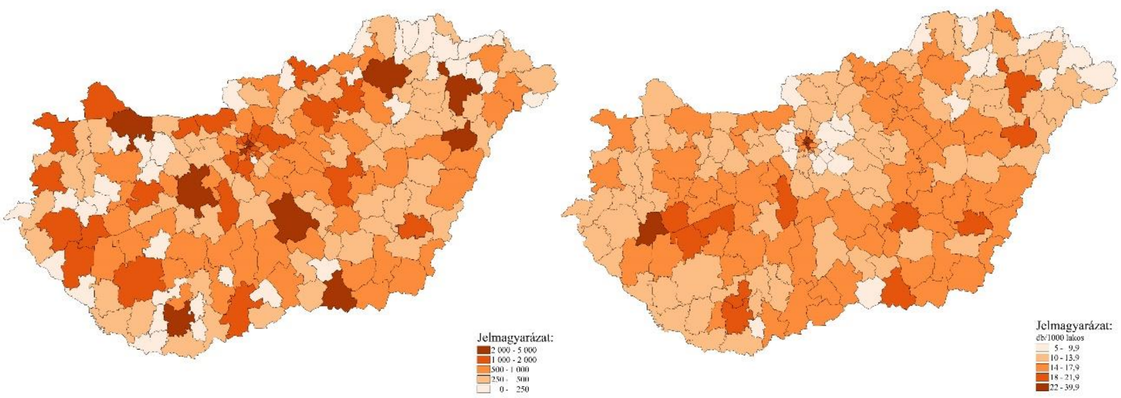
2019/Q2

OTTHON CENTRUM

MARKET MOTION CONTINUES

Since the end of the economic crisis, 2018 had been the busiest year on the Hungarian residential real estate market: the number of transactions had reached the average annual volume registered between 2000-2008. As for the sales, it is encouraging that the number of transactions had been increasing steadily in every quarter since 2014. During the first half of 2019 Otthon Centrum observed minimal changes of discounts and sales lead times. Although transactions slightly declined during Q1, the increase of the price level did not decreased, prices grew mainly in the districts of the capital city, county towns and urban agglomerations all around the country.

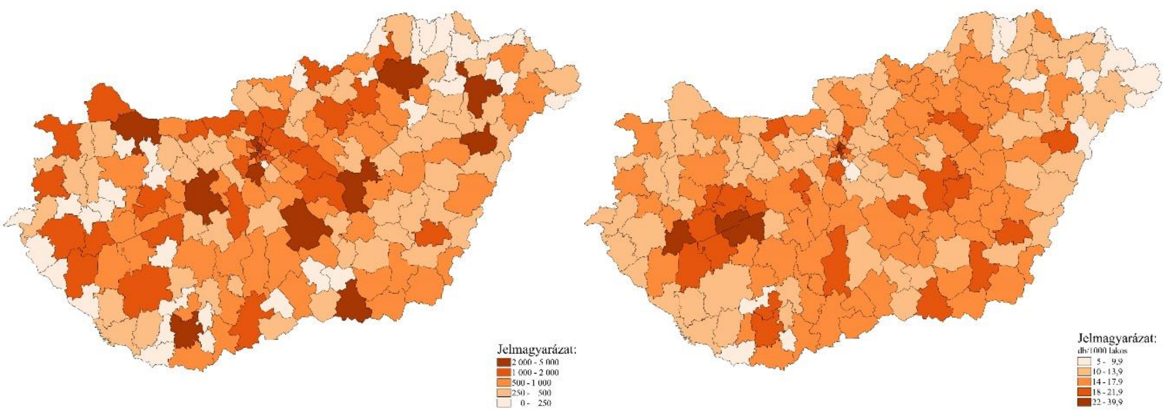
ABSOLUTE NUMBER OF TRANSACTIONS (LEFT) AND PER 1000 INHABITANTS (RIGHT) IN THE REGIONAL DISTRICTS (2018*)



Source: Central Statistical Office *preliminary figures

Given the favourably priced mortgages, low yields make residential property an attractive investment. Investor appetite generates a large share of housing purchases, especially in Budapest and the larger towns. At the moment it is hard to predict the impact of the new, attractive investment opportunities on the housing market during 2019. In Hungary beside increasing incomes, affordable mortgage lending and government subsidies still remain important stimuli for the housing market.

ABSOLUTE NUMBER OF TRANSACTIONS (LEFT) AND PER 1000 INHABITANTS (RIGHT) IN THE REGIONAL DISTRICTS (2019*)



Source: Otthon Centrum *estimate

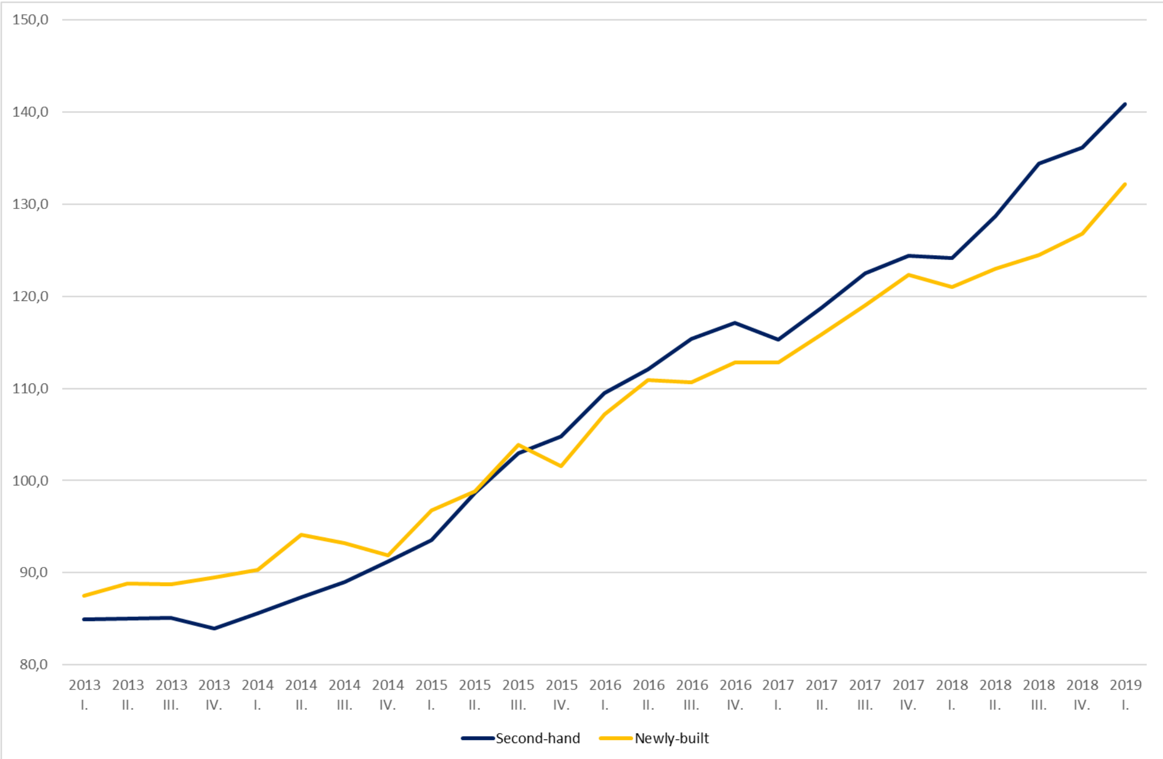
The majority of purchases concentrates in and around the capital city and Lake Balaton. As the family subsidies have been extended to rural areas, smaller settlements within the reach of main employment centers may experience a housing market revival during 2019.

Changes/development in housing prices

According to the housing price index published by the Central Statistical Office, housing prices have been increasing during the past five years. In the first quarter of 2019 housing prices in Hungary were higher by 13.4% than a year ago, while newly- built homes became more expensive by 9.3%. Since 2014 the price index for second-hand dwellings has increased by 1-5% in every quarter in Hungary.

Prices of newly built homes have also increased since 2014, however, every third quarter showed a slowdown, moreover they even slightly dropped in 2016. According to the published statistics the price dynamics of second-hand and newly- built homes are almost the same.

HOUSING PRICE INDEX (2015 = 100%)



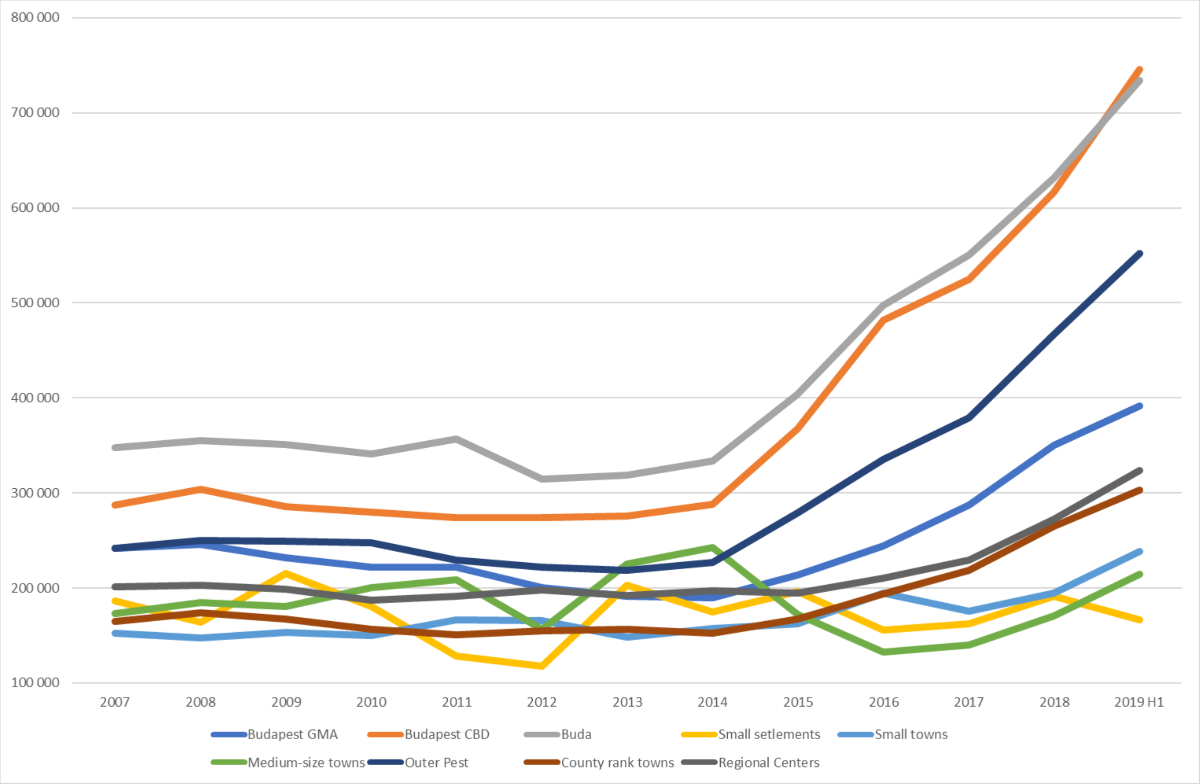
Source: Central Statistical Office of Hungary

According to the data of Otthon Centrum, the average price per square metre of second-hand, brick flats increased since 2014. The highest increase was observed in Budapest districts. This trend was followed by the county towns and the settlements in the Greater Metropolitan Area of Budapest. By 2018 in all types of settlements the nominal price had reached pre-crisis levels in Hungary, however the rate of growth was significantly lower in smaller settlements than in the capital city.

In the case of a flat in the prefabricated concrete multi-apartment buildings (so called 'panel' buildings), which is the cheapest housing type, affordable for most of the customers, the price increase was even more dynamic compared to the apartments/flats in traditional brick buildings. The average price in the capital city tripled and in other towns and Pest county more than doubled.

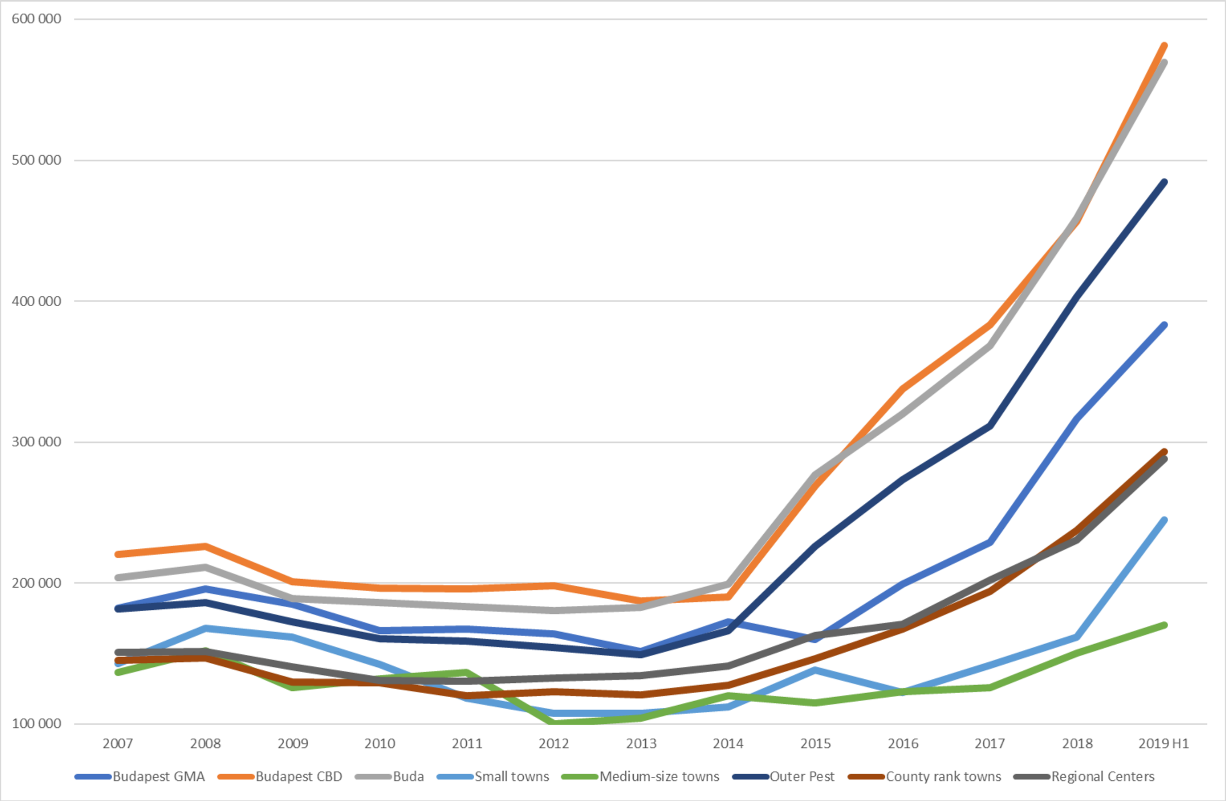
The price of a single family (detached) house showed moderate growth in the price per square metre comparing to that of a flat. Districts of Budapest show significantly higher nominal house price than before the economic crisis. Since 2014, the average price has almost doubled. Paralelly with the change in the settlement size, lower prices and more moderate growth may be observed, which means stagnation in the price in smaller settlements.

AVERAGE PRICES OF SECOND-HAND BRICK FLATS (HUF/M2)



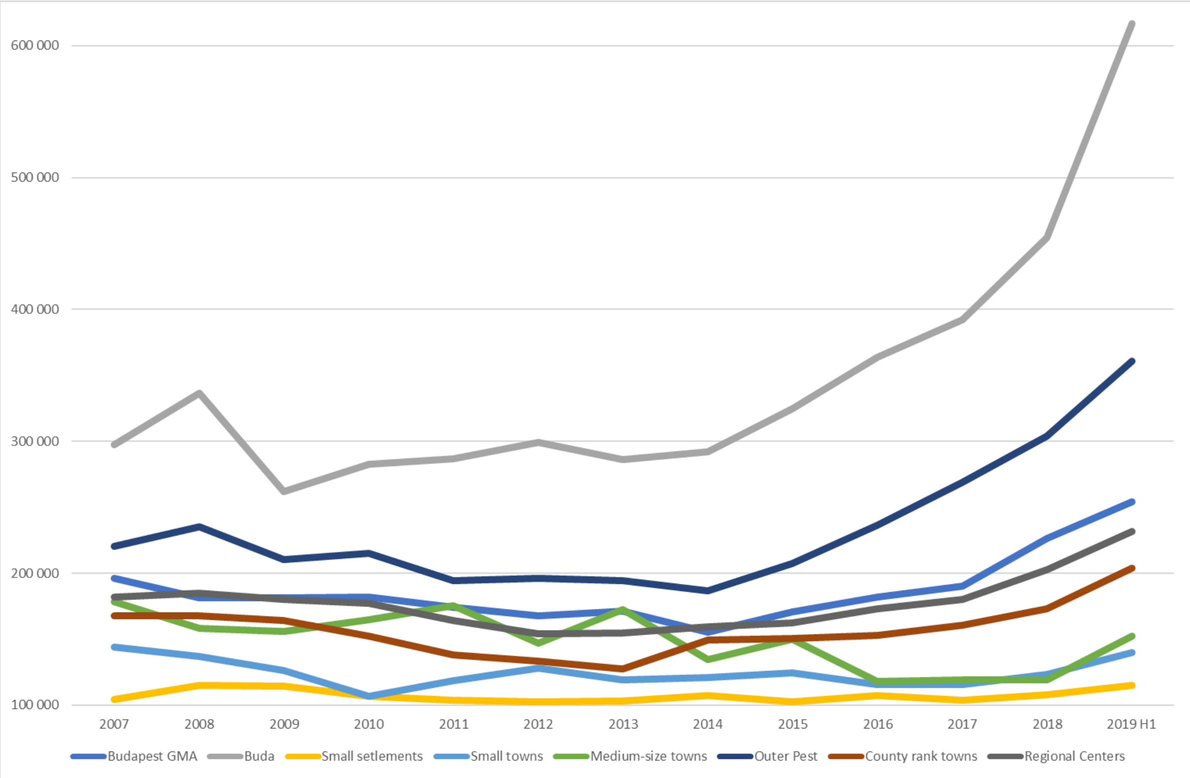
Source: Otthon Centrum

AVERAGE PRICES OF SECOND-HAND CONCRETE PREFAB (PANEL) FLATS (HUF/M2)



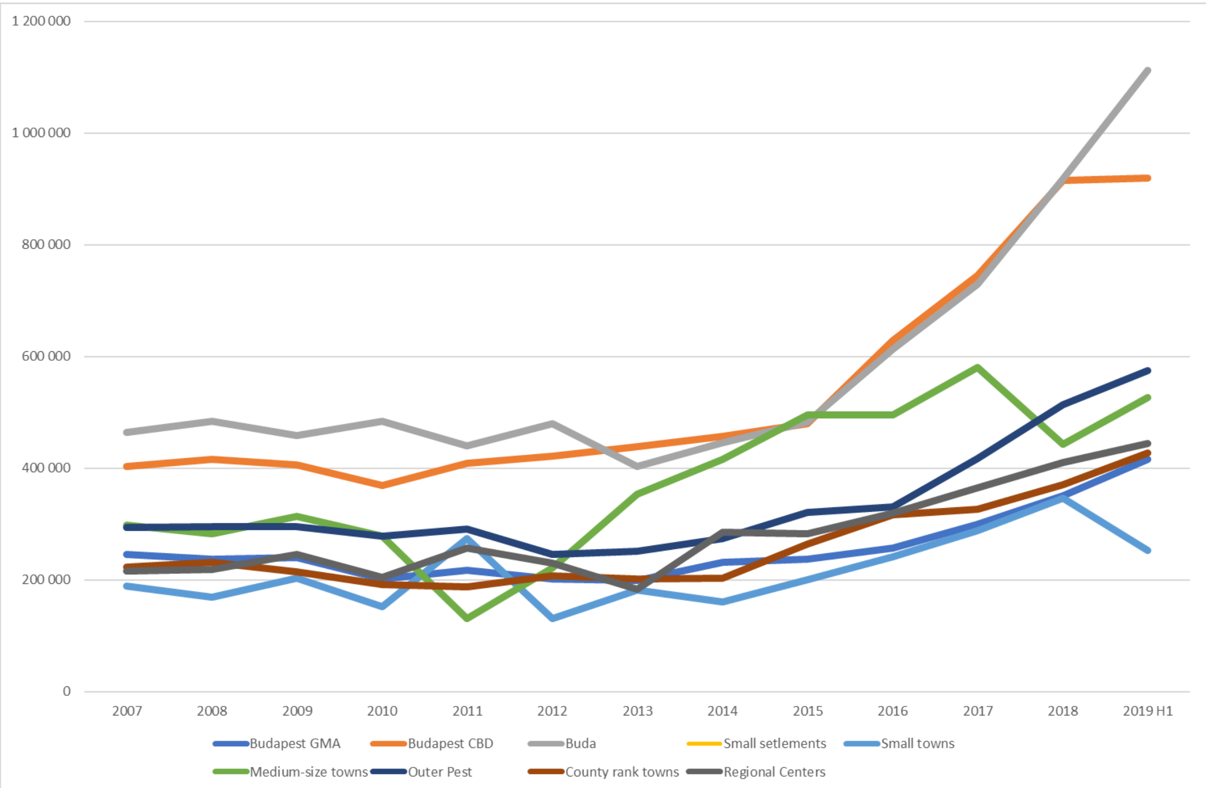
Source: Otthon Centrum

AVERAGE PRICES OF SECOND-HAND SINGLE FAMILY (DETACHED) HOUSES (HUF/M2)



Source: Otthon Centrum

AVERAGE PRICES OF NEWLY- BUILT FLATS (HUF/M²)



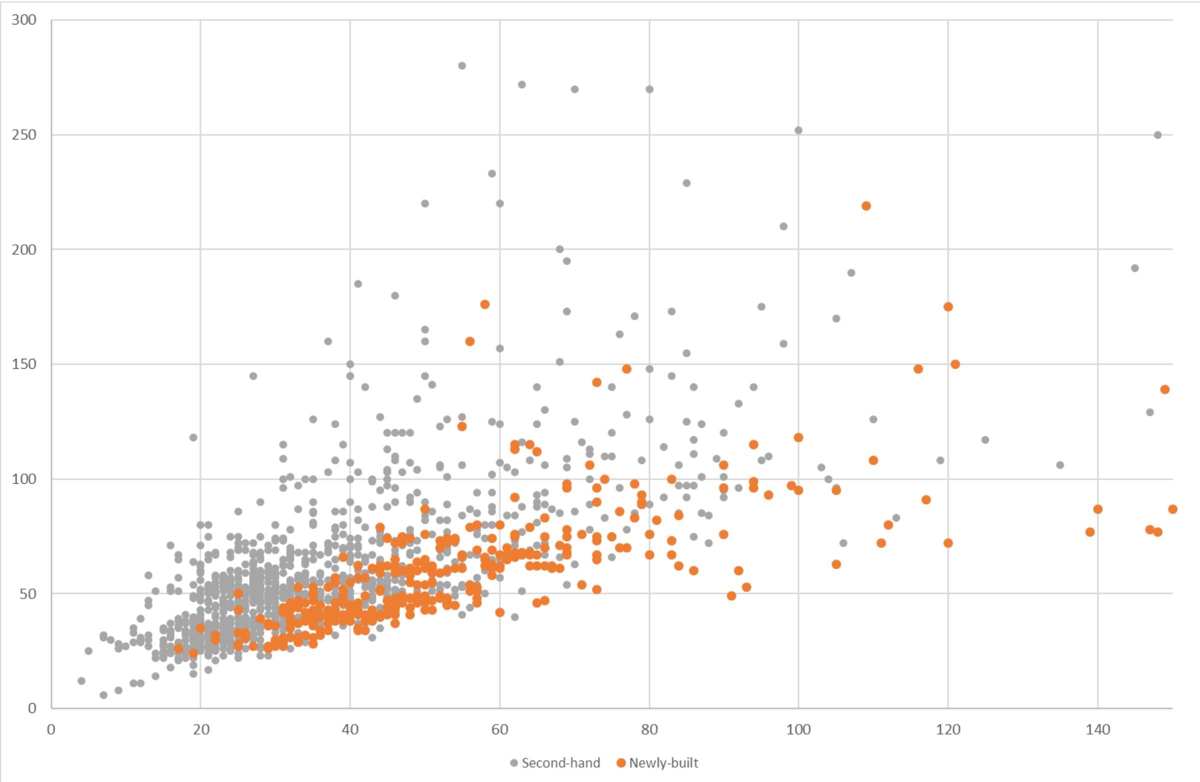
Source: Otthon Centrum

Sales statistics of Otthon Centrum in 2019

In 2019 from January to June 61% of the properties sold by Otthon Centrum were flats in multifamily buildings of which 22.5% were in prefabricated concrete apartment buildings. The share of newly- built dwellings was 15% in multifamily buildings sold in Hungary, however in Budapest the share was above 20%. During the period observed, 36% of the properties sold by Otthon Centrum were located in Budapest. In Budapest 77% were flats in traditional brick buildings, the shares of flats in ‘panel’ buildings and single family houses were 10% and 12%. The graph below shows all concluded sales contracts by the size of the apartment and the price per square metre. The price difference between second-hand and new units is obvious. Most of the sales in Budapest were between 15-40 million HUF, whereas most of the the newly-built units were sold between 20- million HUF.

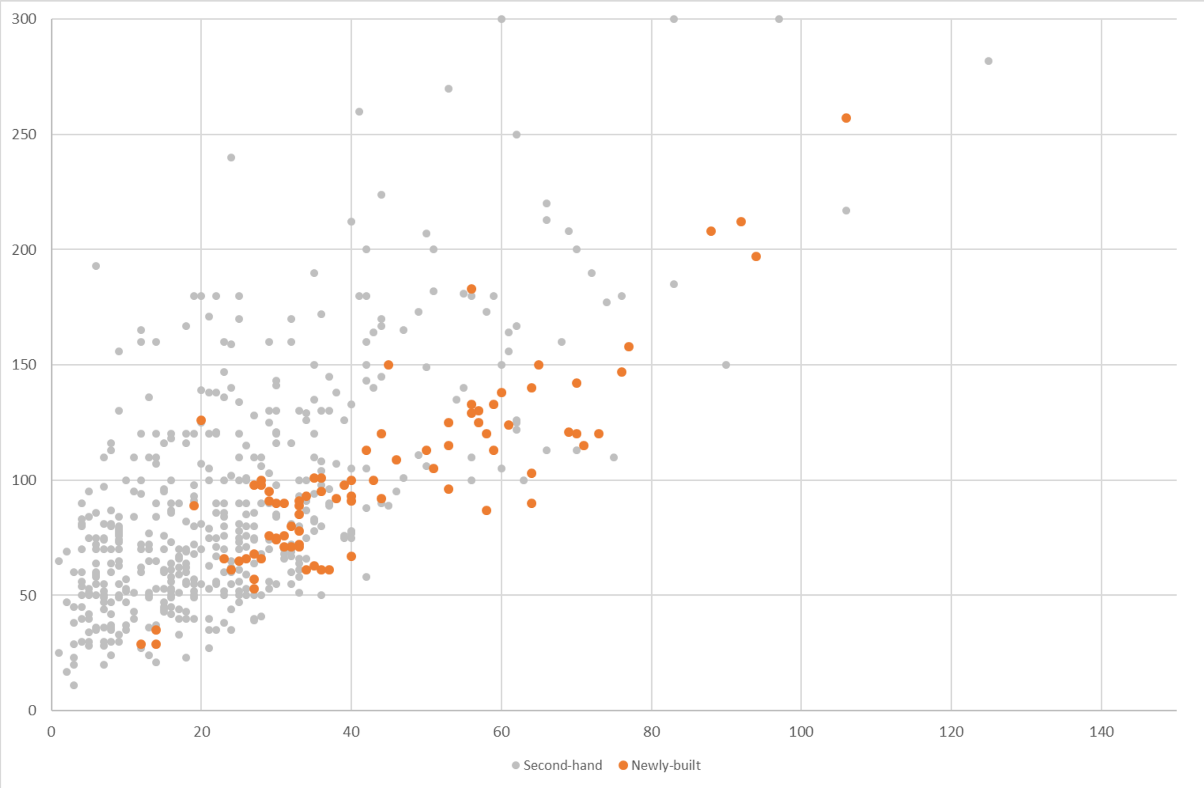
In Pest County single family dwellings/detached houses dominated the market due to the fact that the average size of the dwellings is higher than that of real estates in Budapest. Prices have a strong connection with the location of the property even in the Greater Metropolitan Area. Lower price dominated farther from the capital city, in the eastern part of the county. In the Greater Budapest Metropolitan Area, the homes with the highest prices are located in the western and north-western sector, near the border of the capital city, or they are in settlements with very good accessibility. Most of the transactions were concluded between 10- 30 million HUF. In the countryside real estate may be found even from some million HUF, but the change in the settlement size makes the prices rise significantly, moreover, the price of the majority of newly-built homes exceeded HUF 20 million. The size of the property belonging to the given sales price range was the most varied here, depending on whether it was an urban apartment/flat or a single family (detached) house in the countryside. While in Budapest many transactions were concluded above 60 million forints, in Pest County and elsewhere in the country most of the transactions were concluded at a lower price level. Dwellings above 100 m^2 had a higher share within the total volume of dwellings sold in the Greater Metropolitan Area and in the countryside than in Budapest. During 2019 most of the second-hand and newly-built dwellings sold in Budapest by Otthon Centrum were between 30 and 80 square metres.

HOUSING TRANSACTIONS IN BUDAPEST IN 2019



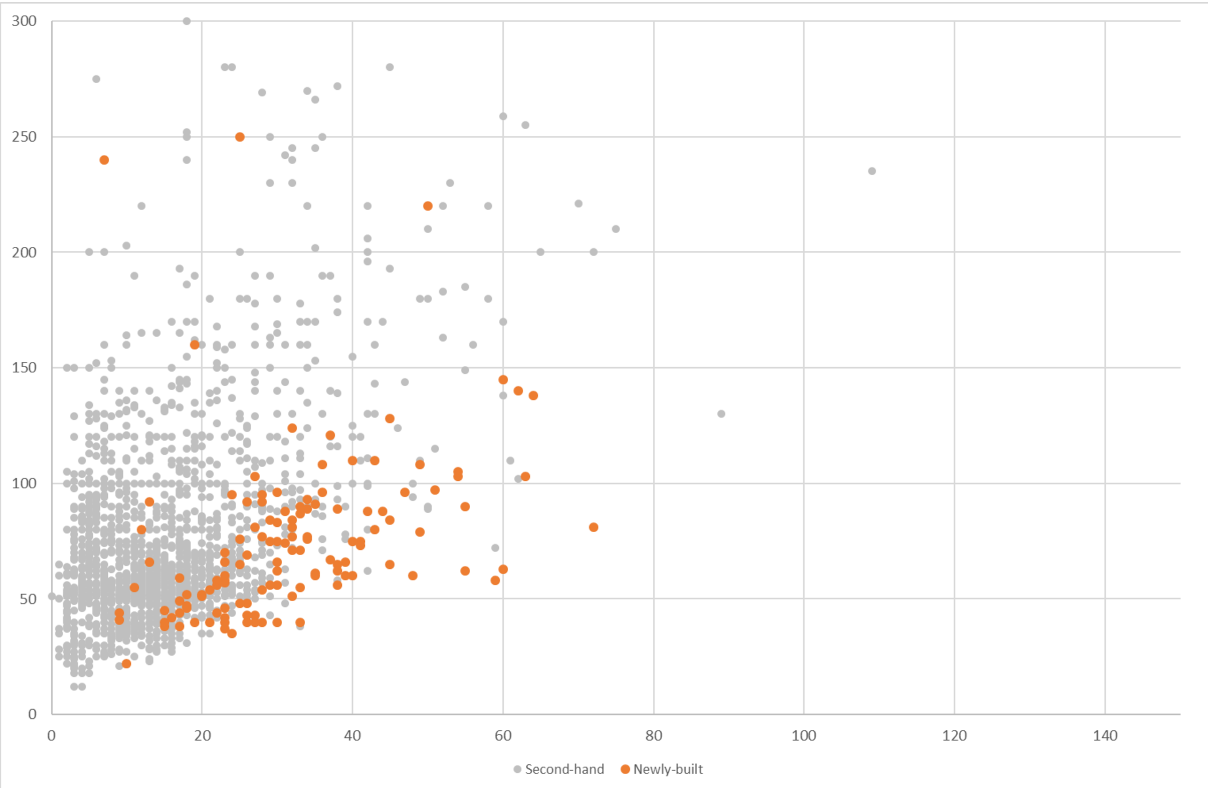
Source: Otthon Centrum (x: million HUF, y: m^2)

HOUSING TRANSACTIONS IN PEST COUNTY IN 2019



Source: OtthonCentrum (x: million HUF, y: m2)

HOUSING TRANSACTIONS IN THE COUNTRYSIDE IN 2019



Source: Otthon Centrum (x: million HUF, y: m2)

Changes in the average housing prices in Budapest

The average square metre price of the second-hand flats in brick buildings increased in all of the Budapest districts comparing with that of the previous year: the average price minimum increased by 10% everywhere. The average price registered in peripheral districts was less then half of that of the District 5, however, the highest increase of the average price was registered in the following „cheap" districts: in District 10, 15, 20, 21, and 22, because the yearly increase of the average prices was more than 30%. In the central districts the average price increased by 20-30% and in the Buda districts it increased by around 20%.

According to the price per square metre District 5 is still the most expensive with 1 million HUF/m^2. In the Buda districts (except District 22) and District 6 and 13 the average price was 700-850 thousand HUF/m^2. In the other downtown districts the average price started at 600 thousand HUF/m^2 and in the peripheral Pest districts flats in brick buildings were available from an average 450 thousand HUF/m^2.

The increase of the average price of dwellings in prefabricated buildings („panel" houses) reached 20% in all districts, comparing with the increase in the first half of the last year, but in District 10 and 20 the price doubled. The average price was the highest in District 11 with 655 thousand HUF/m^2 and in the popular District 13, where it was 600 thousand HUF/m^2. Apartments/flats under 0,5 million HUF/m^2 could only be bought in peripheric Pest districts.

Single family houses/Detached houses had moderated prices and growth of price than in the case of apartments/ flats in the first six months of this year. The highest price was in Buda mountain area (District 2 and 12), where the average price was over 800 thousand HUF/m^2.However, in the cheapest Pest side districts (Districts 15, 17, 18 and 20) the average price was 300-350 thousand HUF/m^2.

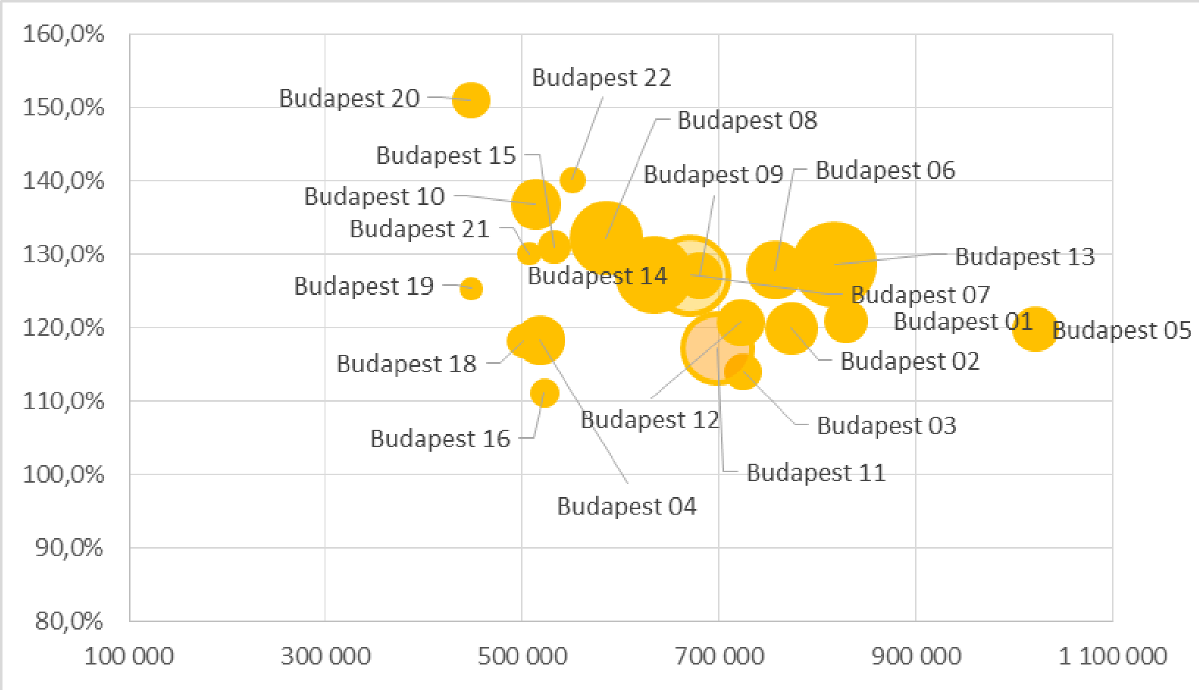
Average housing prices in the countryside

In most of the towns of county rank the average per square metre price of apartments/flats in multifamily brick buildings increased by more than 20%, however, in Pécs, Szeged and Debrecen it reached 30%, but in cheaper Nagykanizsa it increased by more than 40%, and in Salgótarján it increased by more than 50%. In Győr and Sopron the average price was the same as last year. The highest average price was observed in Debrecen, where dwellings were sold at up to 425 thousand HUF/m$^{2.}$ The second most expensive town was Székesfehérvár, where the average price reached 400 thousand HUF/m^2, while in Sopron it was 350 thousand HUF/m^2. In spite of the considerable price growth, the lowest average price was in Salgótarján, only 120 thousand HUF/m^2 which means that it was only 60% of that of the second cheapest town, Nagykanizsa.

The average price of the flats in prefabricated (concrete)(panel) multifamily buildings increased in all towns with county rank by more than 10%, comparing with that of the first six months of the previous year, but in Szeged, Debrecen, Miskolc and Nagykanizsa,compared with the average price observed during the previous year, the average price increased by more than 40%. In most of the towns the average price increased by 20-30%. The highest price (similarly to that of the brick apartments) was in Debrecen and Székesfehérvár with 400 thousand HUF/m^2. In Győr, Kecskemét and Sopron the average price was 350 thousand HUF/m^2. In 2019 the cheapest town in this segment too was Salgótarján with 100 thousand HUF/m^2 which was quite common.

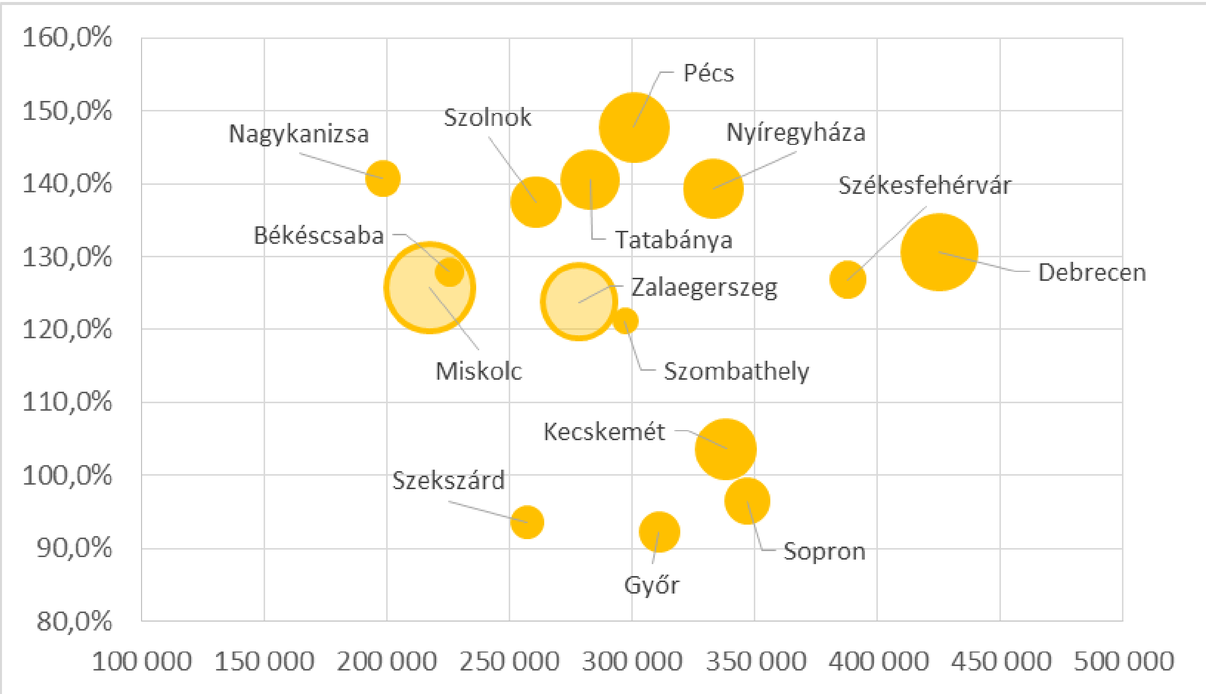
Single family houses/Detached houses had more moderate prices and growth of price than those of the flats this year. There were same exceptions, e.g, in Szolnok, Érd and Kecskemét, where the average price increased by around 30%, but in the most of the towns the average price increased by less than 15%. The highest price was over 300 thousand HUF/m^2 in Székesfehérvár, and in Érd, a little under 300 thousand HUF/m^2. In the smaller towns, for example Salgótarján, Nagykanizsa and Hódmezővásárhely the average price was one third of that of Székesfehévár.

AVERAGE PRICE IN BUDAPEST DISTRICTS FOR BRICK FLATS (HUF/M2) AND THE Y-O-Y INCREASE OF THE AVERAGE PRICE (%)



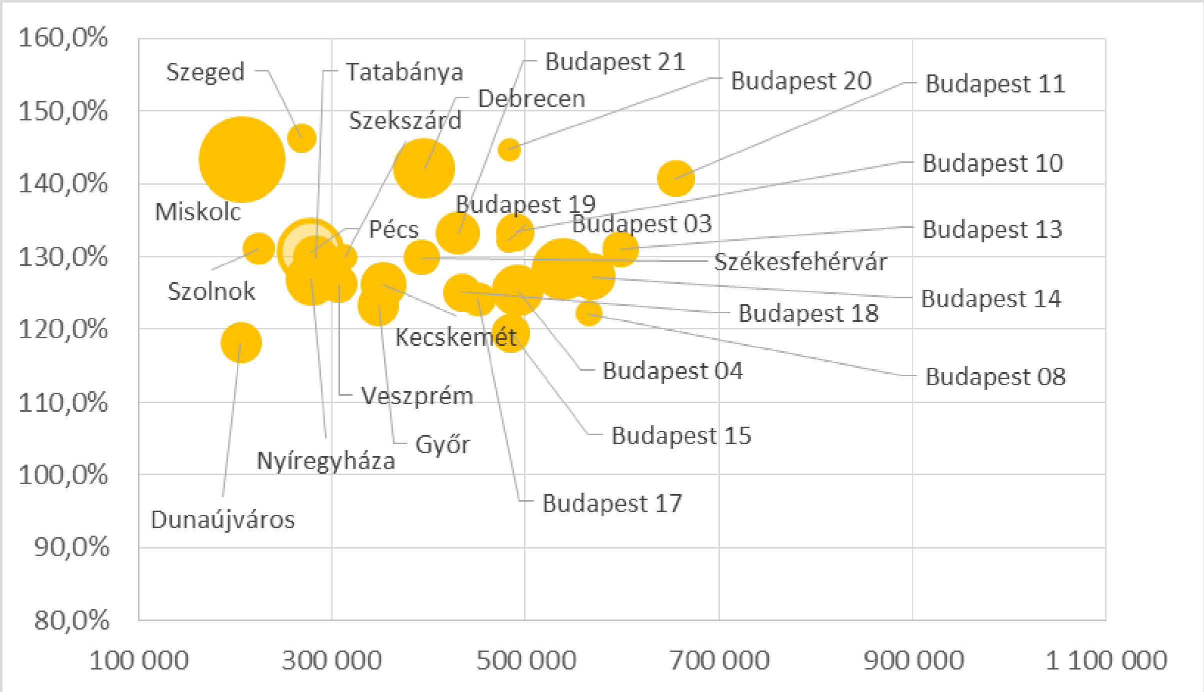
Source: Otthon Centrum (x: average price thousand HUF/m²; y: the change of price (%); the size of bubble corresponds with the number of transactions observed

AVERAGE PRICE IN TOWNS WITH COUNTY RANK FOR BRICK FLATS (HUF/M2) AND THE Y-O-Y INCREASE OF THE AVERAGE PRICE (%)



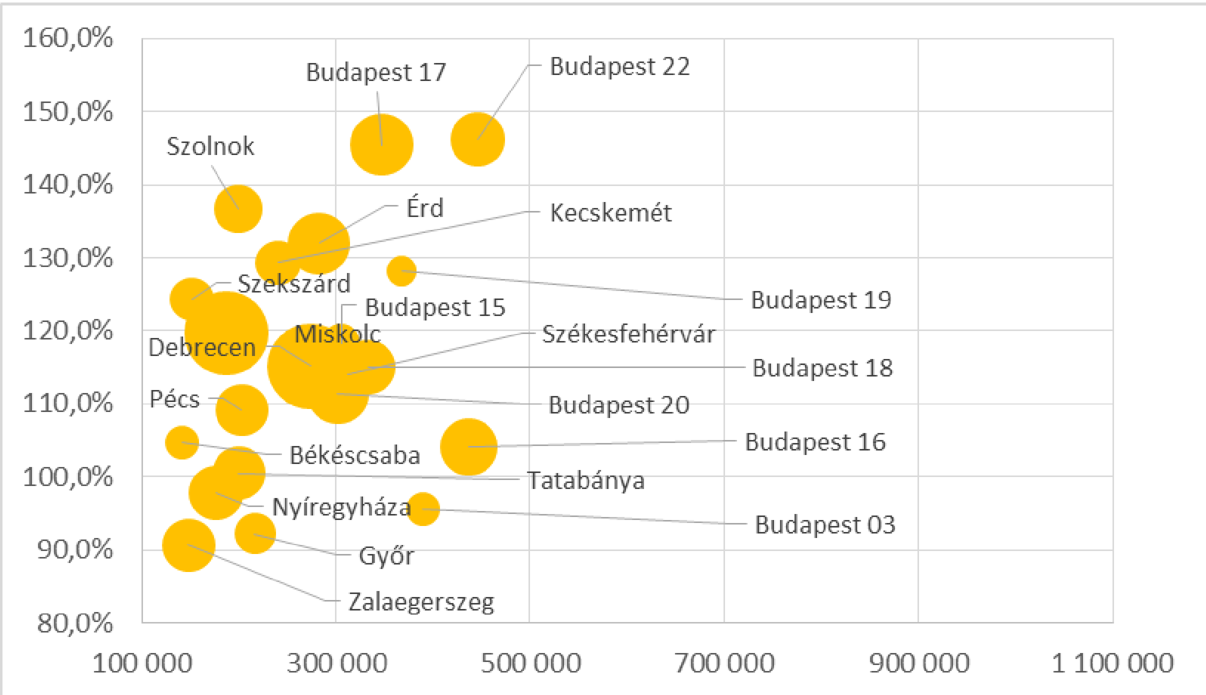
Source: Otthon Centrum (x: average price thousand HUF/m²; y: the change of price (%); the size of bubble corresponds with the number of transactions observed

AVERAGE PRICE IN BUDAPEST DISTRICTS AND TOWNS WITH COUNTY RANK FOR PREFABRICATED CONCRETE (PANEL) FLATS (HUF/M2) AND THE Y-O-Y INCREASE OF THE AVERAGE PRICE (%)



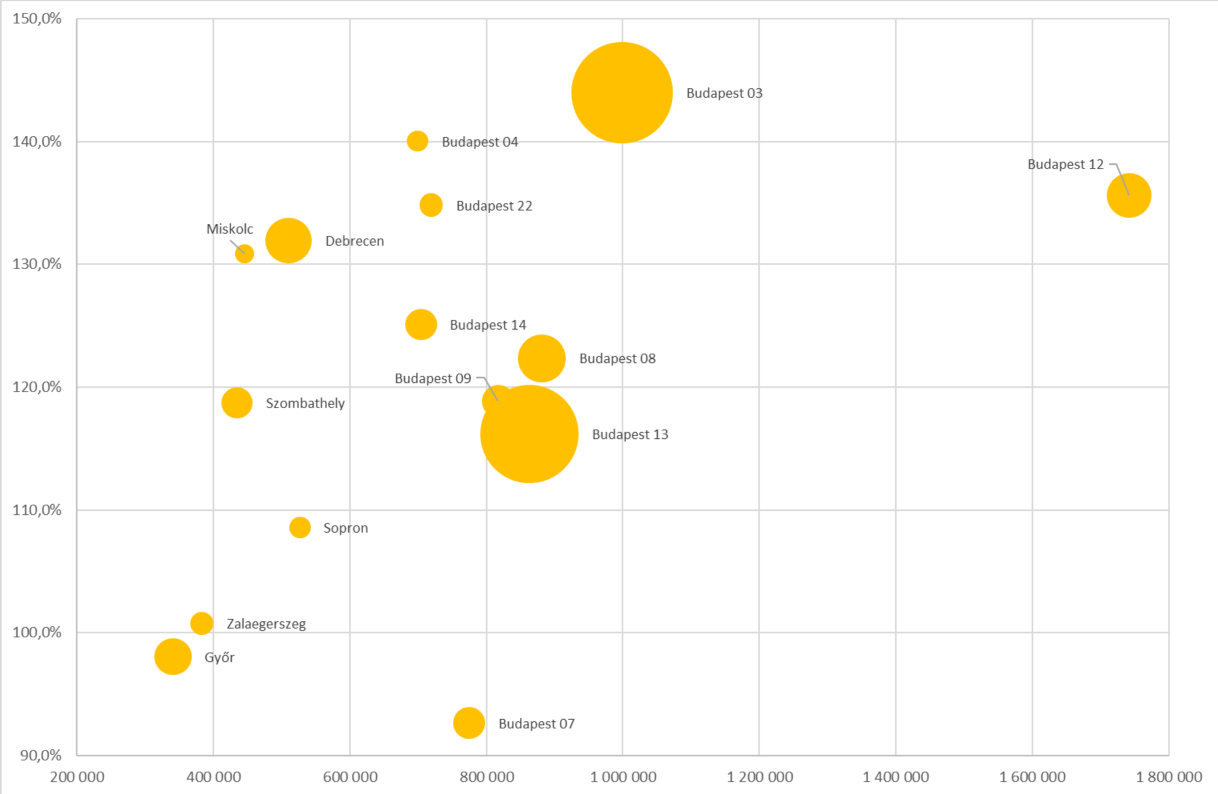
Source: Otthon Centrum (x: average price thousand HUF/m²; y: the change of price (%); the size of bubble corresponds with the number of transactions observed

AVERAGE PRICE IN BUDAPEST DISTRICTS AND TOWNS WITH COUNTY RANK FOR SINGLE FAMILY (DETACHED) HOUSES (HUF/M2)
AND THE Y-O-Y INCREASE OF THE AVERAGE PRICE (%)



Source: Otthon Centrum (x: average price thousand HUF/m2; y: the change of price (%); the size of bubble corresponds with the number of transactions observed

AVERAGE PRICE OF NEWLY- BUILT HOUSING UNITS IN BUDAPEST DISTRICTS AND TOWNS WITH COUNTY RANK (HUF/M2)
AND THE Y-O-Y CHANGE OF THE AVERAGE PRICE (%)



Source: Otthon Centrum (x: average price thousand HUF/m²; y: the change of price (%); the size of bubble corresponds with the number of transactions observed

Budapest Greater Metropolitan Area

In the first part of 2019 the housing prices increased in all settlements of the Greater Budapest Metropolitan Area compared to the same period of 2018. The most expensive apartments/flats were sold in the north sector of the Budapest GMA in Dunakeszi, Szentendre and Pilisvörösvár districts. The average price was 500 thousand HUF/m^2. The buyers mainly looked for single family houses/detached houses. The most expensive suburban homes were sold in Dunakeszi district where the average price of a single family unit/ detached house was 45 million HUF. The least expensive homes were sold in the Monor district, where the average price for a single family unit/ detached house was 20,5 million HUF.The average square metre price was between 220-440 thousand HUF/m^2 in the Budapest Metropolitan Area.

Lake Balaton

The differences in the property prices of the lakeside settlements remain enormous. The average square metre price of a lakeside apartment in Siófok was 800 thousand HUF/m^2, but farther away from the lakeside and the centre, the prices were moderate up to 400 thousand HUF/m^2 this year. In other settlements at the eastern basin of the lakeside the maximum price was 500 thousand HUF/m^2, but at some less popular parts the price was only 250 thousand HUF/m^2. In the western basin of Lake Balaton, the average price was under 400 thousand HUF/m^2.

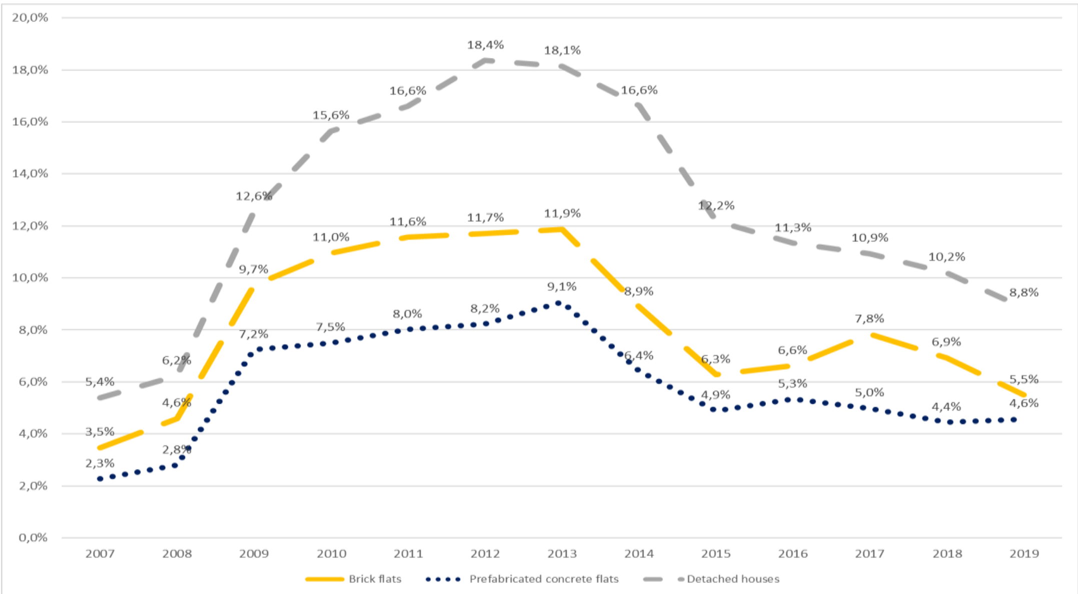
The distance from the lakeside and from the capital city were determinant, however, as for the family houses, the average square metre price was lower than 0,5 million HUF/m^2 even in Siófok. In the western part of Lake Balaton in smaller settlements, for example in Balatonberény, it was possible to buy a house for 100 thousand HUF/m^2. The average square metre price of newly- built housing units varied from 500 thousand HUF/m^2 to 1 million HUF/m^2 in the eastern part of Lake Balaton in favourite summer resorts, but in the smaller towns farther from Budapest the average price approached the above mentioned ones. The distance from the lake was determinant for the average price.

Discounts and sales period

The smallest discount was given at the sale of prefabricated concrete ('panel') flats in 2019. The average discount was 4.6% in Hungary. When entering into contract, the strong demand for units motivates sellers not to offer discounts. The number of sellers not willing to decrease their price expectation was also high. However, at the time of the final agreement some discounts were negotiable, especially for buyers with cash. The full discount for brick units was on average 5.5%, of which 3.6% was achieved at the final negotiation. The highest discount was observed at single family (detached) houses, on average 8.8%, of which 3.6% was given at the final sales agreement.

Sellers of single-family (detached) houses in smaller towns and villages had to give the biggest discounts to buyers during 2019, while bargaining yielded the least discounts in the case of flats in housing estates of Budapest, the Budapest agglomeration and bigger towns. Between two extreme values, there are three times as much difference. The average value of the bargain yield decreased by 1.5% at brick flats and single-family houses. As for the flats, the bargain yield value decreased everywhere (except for Pest county and the small settlements). As for the single-family (detached) houses, except for Pest County, the bargain yielded value decreased everywhere, mainly in towns with county rank and in Buda districts.

AVERAGE RATE OF DISCOUNTS BY TYPE OF DWELLINGS



Source: Otthon Centrum

AVERAGE RATE OF FULL DISCOUNT IN 2019

	Brick apartments	Prefab panel apartments	Single-family (detached) houses
Budapest GMA	5,1%	4,3%	8,0%
Pest-CBD	5,9%	6,0%	-
Buda	6,3%	4,4%	7,7%
Small villages	15,0%	-	11,4%
Small towns	5,8%	7,3%	12,5%
Medium-size towns	6,4%	7,2%	10,0%
Peripheral Pest	4,1%	3,4%	6,7%
Large towns	5,6%	4,3%	8,4%
Regional centres	3,4%	4,8%	8,7%

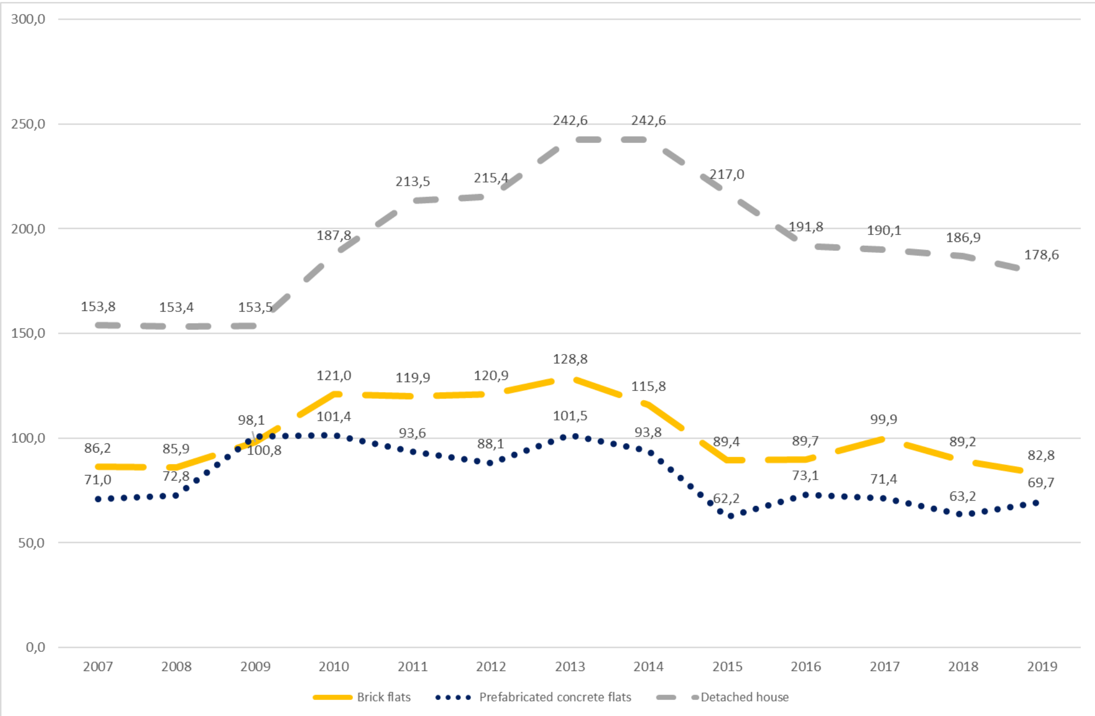
Source: Otthon Centrum

THE SALES PERIOD CORRELATES WITH THE SIZE OF THE SETTLEMENT AND THE TYPE OF DWELLINGS

During 2018 the flats in prefabricated concrete multifamily ('panel') buildings were sold the fastest, however, the duration of the selling process increased with some days up to 70 days. The sales period was the shortest in the Buda districts and in the regional towns, on average 2 months. The time required to sell apartments/flats in brick buildings was 83 days, 7 days less than in 2018. In this category, the fastest deals were obesrved in the peripheral Pest districts and countryside towns, where it took on average 2.5 months to conclude a deal. In Buda and the central districts in Budapest, as well as in the smallest towns with less than 25 thousand inhabitants, the sales period grew with 2 weeks.

On the other hand, selling a single-family (detached) house usually requires more patience. In 2019, it took on average 178 days (almost 6 months) to find a buyer for this type of dwelling. As in the case of flats, the size of the settlement and the regional location both have a significant influence on the length of the sales period. The slowest deals – 3-4 weeks slower than the average – were in small towns with less than 25 thousand inhabitants, probably due to the lack of demand. Meanwhile, in Budapest the sales period took on average 130 days.

AVERAGE SALES PERIOD (DAYS) ACCORDING TO THE HOUSING TYPES IN HUNGARY (2007-2019)



Source: Otthon Centrum

AVERAGE SALES PERIOD (CALENDAR DAYS) IN 2019

	Brick apartment	Prefabricated (panel) apartment	Single family house
Budapest GMA	86	87	162
Budapest CBD	87	88	-
Buda	93	58	129
Small villages	132	-	204
Small towns	79	91	197
Medium-size towns	69	89	183
Outer Pest	74	65	136
Large towns	78	74	181
Regional centres	83	58	183

Source: Otthon Centrum

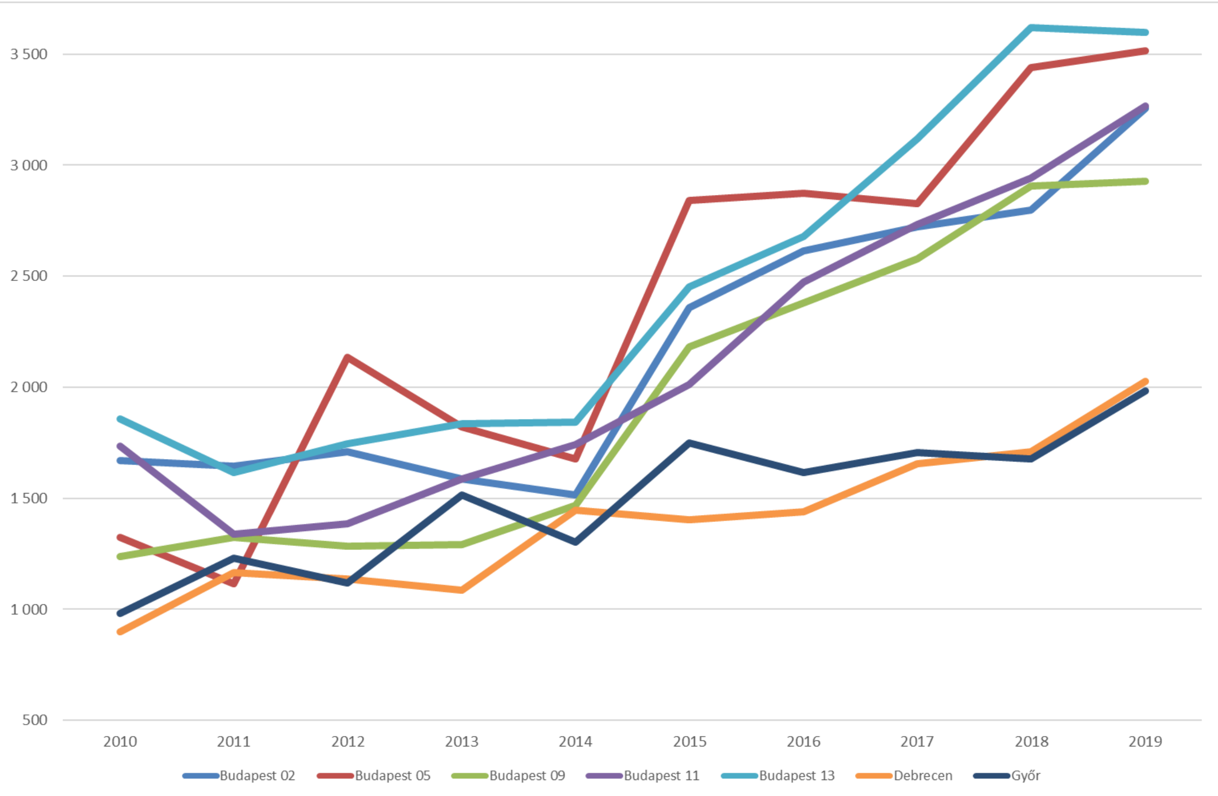
RENTAL MARKET AND INVESTMENTS

In the case of the the brick apartments/flats the average rental prices were 2,400-3,600 HUF/m^2 in Budapest districts, according to the data of the first six-months of this year. The most expensive districts were District 13 and 5, and cheapest districts were Districts 15 and 16, where the rental prices were under 2,500 HUF/m^2. In most districts the rental prices increased by 0-10%, but in the rental market in more popular districts, for example in District 9 and 13 the rental prices were the same as the previous year. As for the flats in prefabricated multifamily buildings, the average rental price was 500 HUF/m^2 less.

In the main regional centres rental prices were more favourable than in Budapest during the first six months of this year. The rental price was the same in Debrecen, Győr, Miskolc and Székesfehérvár, where the average rental price was 2,000 HUF/m^2, it was less by 500 HUF/m^2 in Szeged and Pécs. In the above mentioned towns, rental prices increased by 20% except for Szeged and Pécs. As for the prefabricated concrete multifamily ('panel') buildings the average rental price was similar to that of brick flats.

In 2018 the healthcare contribution – a levy on rental income – was abolished, therefore it increased the net rental income of investors. This is an important benefit for them even this year. In the first half of 2019 the rental yield was around 6.4-6.8% for those private persons who selected the general expense allowance. In Budapest, the most expensive districts are at the lower end of the yield spectrum, whereas higher yields were achieved in the popular Budapest housing estates and in the towns of the countryside, where the prices of flats are relatively lower, but due to the demand higher rental prices were available for the investors. Investment in rental apartments remained attractive thoroughout the year in the capital city and in towns of secondary importance in Hungary.

MONTLHY AVERAGE RENT PER SQM IN TRADITIONAL BRICK FLATS IN BUDAPEST DISTRICTS AND REGIONAL CENTRES (HUF/M²/MONTH)



Source: Otthon Centrum