

RESIDENTIAL MARKET M O N I T O R

FIRST QUARTER OF 2013

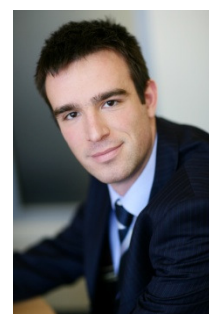
WELCOME

DEAR READERS, DEAR PEERS,

Right now, you are holding in your hands or watching on your monitor our Residential Market Monitor for the first quarter of 2013. As it can be guessed from the serial number, after the quarterly issues of last year, we decided to come up with our summary note on a biannual basis, in line with the old order. Even so, we do not fully give up a quarterly analysis of the housing market, given that our publication covering the most important segment thereof, the market of homes for resale, is published after the quarter that follows Residential Market Monitor. And so, Residential Market Monitor, offering a summary analysis, will be published at the end of each first and third quarter, whilst Residential Market Adviser, providing a deeper analysis of the second-hand homes' market will be published at the end of each second and fourth quarter of the year.

Further on, the machinery of the housing market continues to progress half-heartedly, with creaks and crackles. Residential construction continues to follow a downward trend; therefore, it is not a surprise that the share of newly built homes is declining within total sales. The market of homes sold by their owners is characterised by stagnating sales times, improving bargaining positions for buyers and slightly lowering prices. This year, we might expect a miracle from government measures designed to boost demand, however, due to low popularity, for the time being, these cannot exercise a demand expansion effect. Turnover in the first months remind the same period of the year 2011, with demographic changes generating, further on, a large portion of the turnover. With regard to trends, no change indicating a boom can be observed now either, therefore, anticipation of a future resurrection, becoming slowly a tradition, remains with us.

Attila Déry
Otthon Centrum
Senior Analyst





SUMMARY

HOME CONSTRUCTION

Lower construction volumes:

from 2011 to 2012, the number of occupancy and construction permits decreased by 17 and 15 percent, respectively, in Hungary. The decrease is a continuation of the hedge-hopping seen since 2009, even though the recession is increasingly modest.

Worrying picture in Budapest:

in the capital city, the number of homes built in 2012 was 49 percent less than the same figure in 2011. The number of homes built for sale dropped to one-tenth, from 2005 to 2012.

No trend change can be expected:

a change in the number of construction permits is the first indicator of changes in the expectations of property developers, that is, of a trend change as well. Unfortunately, the declining trend remained also in terms of construction permits; therefore, no trend change can be expected in home construction in the near term.

FINANCING ENVIRONMENT

Less and less housing loans:

new, housing-purpose borrowing of the households amounted to 28.1 billion forints in the 4th quarter of 2012. This is 15 percent less than the same figure in the 3rd quarter of 2012. The negative trend persisted in the 1st quarter of 2013, as the amount of housing loans placed decreased by another 11 percent, to 25.1 billion forints.

Decrease in average borrowing costs:

an ongoing decline is observable in the average APR indicator since the 4th quarter of 2012. In March 2013, the average APR indicator of household loans was already 10 percent lower than 6 months earlier.

Smaller loan amounts:

a further decrease can be expected in respect of the average loan amounts. The average size of loans for the purchase of homes for resale was 3.7 million forints in 2012, while in the case of newly built homes, it was 4.2 million forints in 2012.

HOUSING POLICY AND REGULATION

Changes in duties:

no impact of the changes in duties, effective from 2013, can be observed on the residential market. The main reason behind this might be mainly the fact that such changes prompted a portion of the buyers to occupy a wait-and-see position, while another portion brought forward their home purchases, hence, these effects cancelled each other.

Government interest subsidies:

from 2013, positive changes came into effect in respect of interest subsidies. An increase took place in the subsidy amount available in 5 years, the upper value limit for second-hand homes is higher, and the maximum loan amounts available are also higher. What is particularly welcome is a strengthening of support in the case of homes for resale, given that these represent the overwhelming majority of sale and purchase transactions on the market.

Changes planned in the social benefit scheme:

according to the government's plans, non-refundable assistance available within the social benefit scheme shall increase. According to the plans, social benefit would be available also for smaller homes, with a minimum of 45 square meters and also with one child in the family. An important plan for changes is that the government would provide assistance also for the purchase of homes for resale.

Exchange rate fixing:

by the end of February 2013, those who joined the exchange rate fixing scheme concluded almost 133,000 collection account contracts. This might bring a contraction on the offer side, and that might reduce the pressure on prices, originating from oversupply. Roughly 30 percent of the eligible debtors joined the exchange rate fixing scheme.

Auction quota system:

further on, banks do not use in full their possibilities for forced sales, offered by the auction quota system. At the same time, in spite of the forced sales already started, the basis of the quota increased, with some fluctuations during the last quarters, with 110,000 properties at present, involved in forced sales.

MARKET OF THE NEWLY BUILT HOMES

Declining sales: at the national level, the share of newly-built homes within total sales decreased from the level of 10 percent in 2008 to 3 percent in 2012. In Budapest, the sale of newly-built homes dropped from 15 percent to 5 percent. And all that, on a market stagnating at a level of about ninety thousand transactions, since 2009.

Buyers' distrust on the buyers' side, the continued high level of distrust and the stock of unsold homes, remaining static because of the lack of resupply, make more and more buyers turn towards the market of homes for resale.

Additional assistance schemes: the presently available tools aimed at boosting demand (interest-rate subsidy and social benefit) are unable to exercise a demand expansion effect, due to their low popularity. This is why it would be important to introduce further assistance schemes, both on the offer and the demand sides. Inexpensive financing facilities might restart developers' activity, too.

MARKET OF HOMES FOR RESALE

Turnover similar to 2011: the turnover experienced in the first quarter of the year is comparable, most of all, with the turnover measured in the first quarter of 2011. Turnover in the first three months of 2013 was roughly identical with the sale and purchase figure observed in the first quarter of 2011.

Growth in bargaining: sellers are compelled to make concessions not only at the time of concluding the contract, but already prior to that, during the selling process, they have to lower the offered prices. In the first quarter of this year, in the case of brick-built homes and blockhouse flats, total price allowance increased by one percentage point in a comparison with the same period of the previous year. As opposed to that, in the case of family houses the average total price allowance decreased, to a minimal extent. In the case of flats, behind the increase, we find mostly an increase in the offered price allowances, showing pricing problems at the sellers.

Increasing selling times: when comparing data for the first quarter of this year with data for the same period in 2012, a further increase is observable in selling times, in each segment. For selling a brick-built home, the selling time required in the first quarter of 2013 was, on average, 5 months, for selling a blockhouse flat, 3.5 months, and in the case of family houses, an average of 7 months were necessary.

MARKET OF RENTED HOMES

Stagnating rentals:

in the first quarter of this year, rentals of brick-built homes increased minimally, in a comparison with the same period of the previous year. Average rental in blockhouse flat increased slightly, but a more important increase can be observed only in the average rentals of family houses.

Yields:

at present, in the case of properties purchased for the purpose of lease, yields of 8 to 9 percent can be achieved over an investment period of 10 years.

HOUSING LAND MARKET

Plot prices:

in the first quarter of 2013, in downtown Budapest, the average price per square meter of construction plots was around an average of HUF 30,000. In the agglomeration of the capital city, the average price per square meter was one-third of the average price in Budapest.

Plots looked for:

in Budapest, demand is most important for plots with a value between 12 and 13 million forints, with sizes of 500-600 square meters; in Pest county, for plots of 9-11 million forints, with sizes of 700-800 square meters. In both the eastern and western halves of the country, demand is concentrated on plots between 2 and 8 million forints. In the western part of the country, one-fifth of the searchers had an interest in plots with values above that level.



HOME CONSTRUCTION

KEY FINDINGS

Lower construction volumes:

from 2011 to 2012, the number of occupancy and construction permits decreased by 17 and 15 percent, respectively, in Hungary. The decrease is a continuation of the hedge-hopping seen since 2009, even though the recession is increasingly modest.

Worrying picture in Budapest:

in the capital city, the number of homes built in 2012 was 49 percent less than the same figure in 2011. The number of homes built for sale dropped to one-tenth, from 2005 to 2012.

No trend change can be expected:

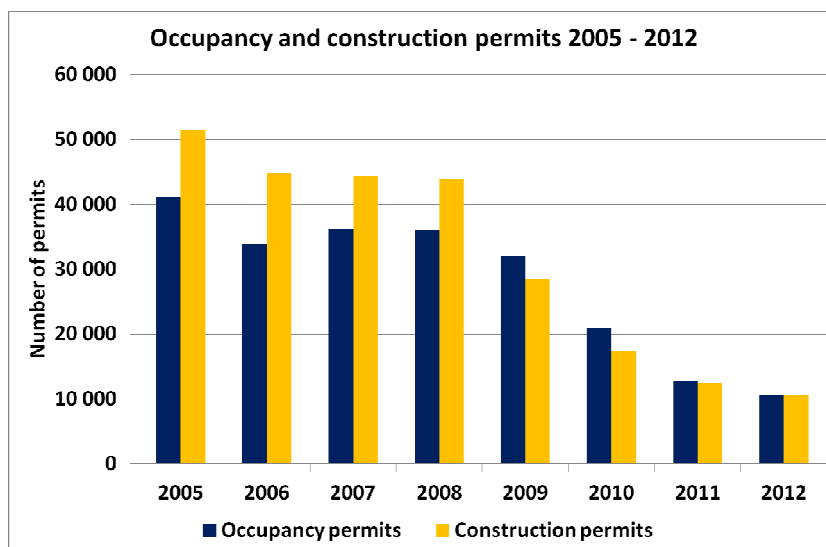
a change in the number of construction permits is the first indicator of changes in the expectations of property developers, that is, of a trend change as well. Unfortunately, the declining trend remained also in terms of construction permits; therefore, no trend change can be expected in home construction in the near term.

Home construction statistics for last year did not bring any surprise, unfortunately; the falling trend, started in 2008, persisted further, even though its rates were somewhat reduced. The number of occupancy permits was 17 percent lower than in the preceding year, and the number of construction permits decreased by 15 percent, from 2011 to 2012. This drop can be already considered a moderate decline in view of the 30-40 percent observed between 2009 and 2011, on the other hand, the number of homes built is worryingly low. The number of occupancy permits issued in 2012 (10,560 homes) is scarcely one-fourth of the number of homes built in 2005, and the number of construction permits fell to one-fifth of the initial level in the same period.

In home construction, the descent did not stop in 2013 either. According to the newest statistics of HCSO (Hungarian Central Statistical Office) on the 1st quarter of 2013, occupancy permits were issued for 1,123 homes all over the country, which is 54 percent less than the data measured in the same period of the previous year, a figure already very low: 2,444 permits. The drop in the number of construction permits was 36 percent in the first three months of 2013, as compared to the same period of last year.

Even if no far-reaching conclusions can be drawn from data for the first quarter yet, after the decline, at a slower pace, observable from 2011 to 2012, in the first three months of this year, recession seems to pick up again. This is also shown by the fact that between the first quarters of 2011 and 2012, the drop in the number of occupancy permits and construction permits was 22 and 10 percent, respectively, whilst this year, the same figures were 54 and 36 percent.

1 - Main indicators of home construction in Hungary



Source: HCSO

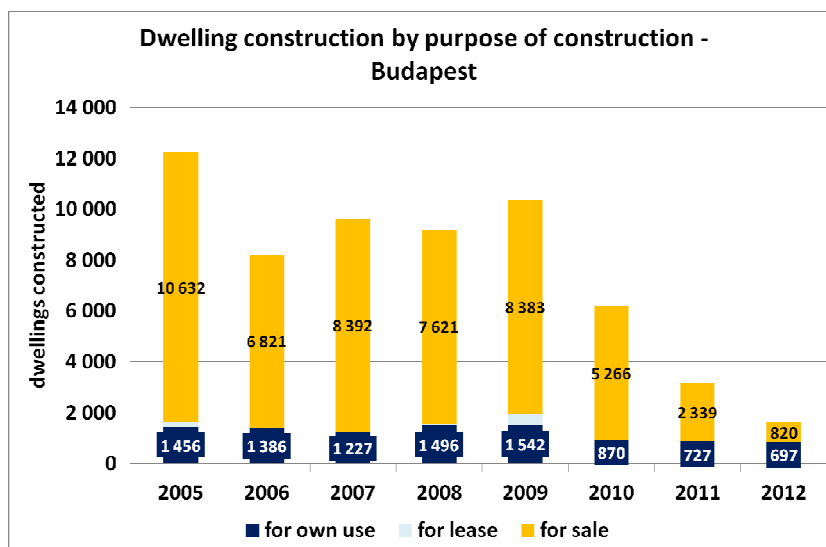
Taking account of the change in the size of housing stock (4.4 million homes in 2011) and in the number of inhabitants per 100 homes (where from 269 persons in 2001, a drop to 248 persons took place), the decrease in the number of newly-built homes should not look worrisome; still, new homes increase not only the housing stock, but also represent a shift in the existing stock towards higher quality, first of all in terms of energy efficiency. As to the quality of the housing stock, unfortunately, no exact statistics are available, but energy efficiency, which is increasingly in the focus, can be achieved through quality-purpose replacements or refurbishments. The choice between refurbishing or replacing a home or a building is based on efficiency, but the proportions thereof are difficult to estimate in the absence of respective statistics on the stock. Also, one shall not forget that developers of homes built for sale, based on purely market considerations, make their decisions not on the basis of energy efficiency characteristics of the whole stock, but rather in accordance with individual economic interests.

The number of construction permits is relatively closely followed, with a lag of one year, by the number of the occupancy permits, that is, we can consider the number of construction permits issued to be a good predictive indicator for the number of homes that would be completed. On this basis, no trend change can be expected in the number of homes built. Another good indication of the market players' restrained expectations is that the number of the homes completed and the number of the construction permits issued are very close to each other, even with a one-year lag, that is, the construction permits are realised in a higher proportion now than in the years prior to the crisis, and that reflects a more conscious, risk-avoiding attitude of the builders.

Whilst the number of occupancy permits decreased by 17 percent only for the whole of the country, home construction statistics for Budapest show, further on, a very serious drop. The number of occupancy permits in 2012 was 49 percent lower than in 2011, and the number of construction permits decreased by 32 percent in the same period. The reason behind is that in Budapest, traditionally, the share of homes built for sale is very high, and in the present economic and financing environment, only very few property

development firms gave a go for home construction for the purpose of sale. While between 2005 and 2007, the share of homes built for sale was 80-85 percent, in 2012 the same ratio was already only 50 percent. In the number of homes built for own use, a drop of 52 percent took place between 2005 and 2012, but the number of homes built for the purpose of sale in 2012 was less than 8 percent of the number of homes built for sale in 2005.

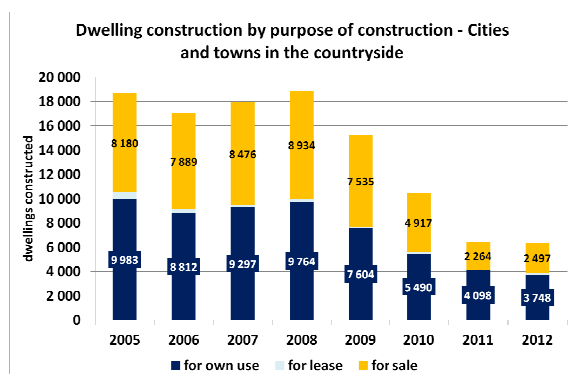
2 - Breakdown by construction purpose in home construction - Budapest



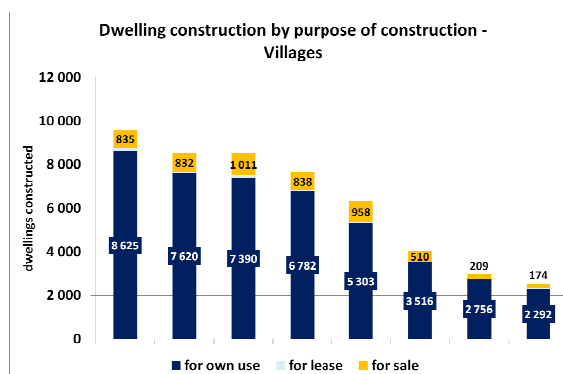
Source: HCSO

In towns and cities of the countryside as well, the share of homes built for sales also decreased, but the decline was less significant (from 45% in 2005 to 39% in 2012). On top of that, the decrease in construction for own use in 2011-2012 was compensated by the increase in the number of homes built for sale, resulting in a minimal drop of 1 percent in home construction.

3 - Breakdown by construction purpose in home construction - towns and cities in the countryside and villages



Source: HCSO



Source: HCSO

In villages, both construction for sale and for own use show a downward trend. From 2011 to 2012, in this respect, a decline corresponding to the average national figures can be seen.



FINANCING ENVIRONMENT

KEY FINDINGS

Less and less housing loans:

new, housing-purpose borrowing of the households amounted to 28.1 billion forints in the 4th quarter of 2012. This is 15 percent less than the same figure in the 3rd quarter of 2012. The negative trend persisted in the 1st quarter of 2013, as the amount of housing loans placed decreased by another 11 percent, to 25.1 billion forints.

Decrease in average borrowing costs:

an ongoing decline is observable in the average APR indicator since the 4th quarter of 2012. In March 2013, the average APR indicator of household loans was already 10 percent lower than 6 months earlier.

Smaller loan amounts:

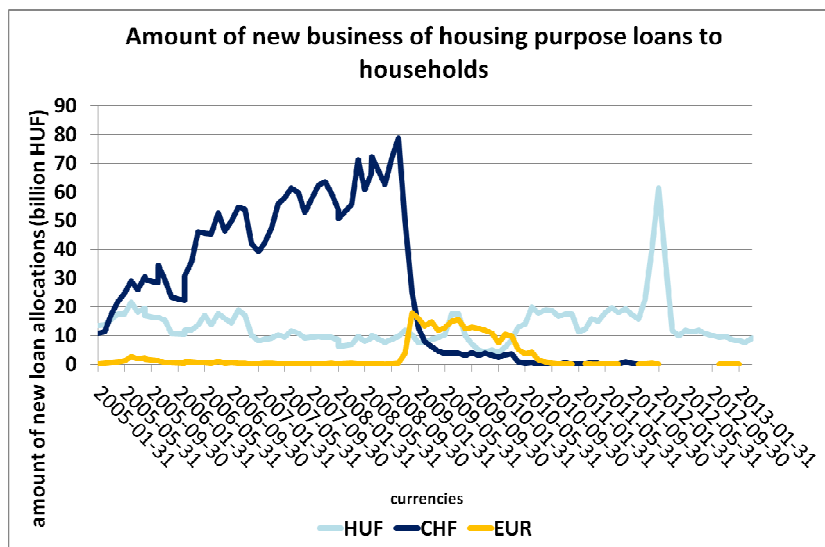
a further decrease can be expected in respect of the average loan amounts. The average size of loans for the purchase of homes for resale was 3.7 million forints in 2012, while in the case of newly built homes, it was 4.2 million forints in 2012.

In March 2013, the households' loan stock was reduced by 36.4 billion forints, according to NBH (National Bank of Hungary) data. In the third month of 2013, households were net loan repayers both in the case of forint loans and currency loans, that is, loans repaid by them in March exceeded their borrowings. In the case of forint loans, the stock decreased by 8.8 billion forints, in the case of currency loans, by 27.6 billion forints. The stock of retail loans amounted to 3,553 billion forints in March 2013, thereof, 1,607 billion forints under forint-denominated and 1,946 billion forints under foreign currency loans.

New disbursements of housing-purpose loans amounted to 9.2 billion forints in March 2013, that is, 1.5 billion forints higher than in February, but the new loan placements, in a monthly breakdown, represent a one-digit number expressed in billion forints ever since October 2012, meaning lows not seen in this decade yet. In the last quarter of 2012, banks placed 28.1 billion forints in new housing-purpose loans. This is 15 percent less than the figure for the third quarter of 2012. The negative trend persisted in the first

quarter of 2013, as the amount of housing loans placed decreased by another 11 percent, to 25.1 billion forints.

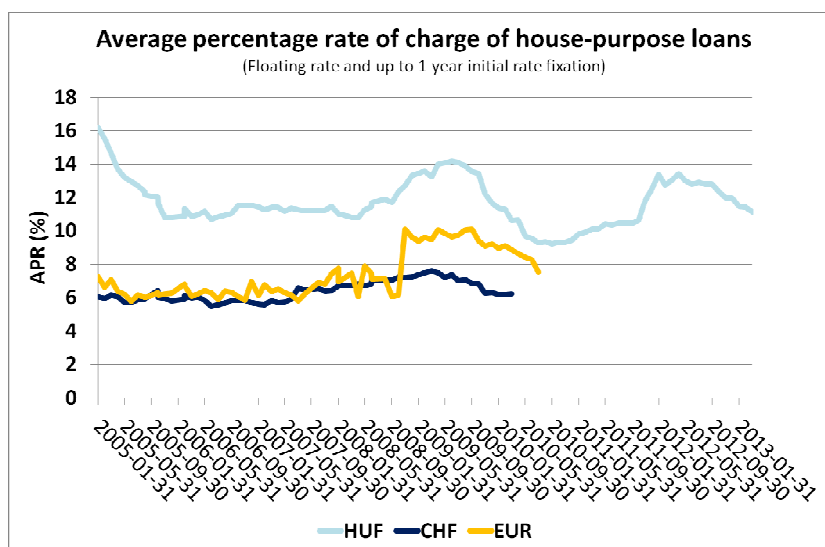
4 – Amount of the new placements of housing-purpose retail loans



Source: NBH

As to the average APR indicator, from the end of 2011, the one-off repayment scheme brought a significant increase and, actually, this effect persisted also in the first three months of 2012. A decrease can be observed since the last quarter of 2012, and in March 2013, the average APR indicator of household loans was already 10 percent lower than 6 months earlier. According to a survey of NBH on lending, prepared in January 2013, banks expect a further easing in the conditions of consumption loans in the period covering the first half of 2013, whilst in the conditions of housing-purpose loans, no change is expected. According to the survey, banks expect a growth in housing-purpose loan demand of households, assumed on the basis of the government interest-rate subsidy programme and the favourable changes in its conditions. Thanks to the new modifications, such schemes appeared in the offer of several banks. More favourable and simpler conditions might confirm the expectations of the banks regarding demand expansion.

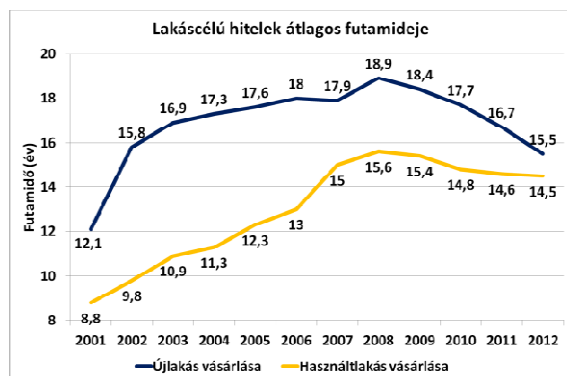
5 – Average APR of housing-purpose loans placed with households



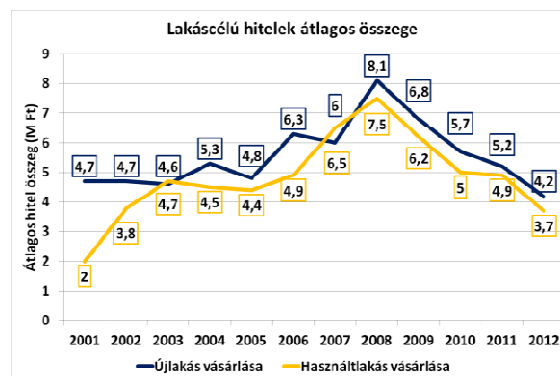
Source: NBH

In 2012, the average term to maturity of loans for the purchase of homes from their owners seemed to stabilise at about 14-15 years; since 2010, only a minimal decrease took place in the average maturity, according to HCSO data. On the other hand, in the case of loans disbursed for the purchase of newly-built homes, the average maturity keeps decreasing significantly, falling in 4 years from 19 years, representing the top, to 15.5 years in 2012. It is important to take into account that purchases of newly built homes decreased significantly, therefore, disbursements of such loans occur in small numbers only.

6 - Average term of the housing-purpose loans disbursed



7 - Average amount of the housing-purpose loans disbursed



Source: HCSO

As to the average loan amount, a further decrease is observed, in respect of loans disbursed for the purchase of both second-hand homes and newly-built homes. This is a good indication of the low level of readiness of the families to get indebted.

LENDING FORECAST

The NBH did not update yet its earlier forecast on household lending, therefore, we can only present the forecast, already published in the previous issue of Residential Market Monitor. On its basis, the 3.4 percent decrease in the stock of household loans in 2013 might be followed by another lowering of 2 percent in 2014.

For a resurrection of lending to households, a takeoff is needed in housing market demand as well. NBH forecasts on household lending do not paint a rosy picture from the point of view of the housing market; for 2013 as well, we assume stagnation. In the year 2013, on the basis of the forecasts, the financing environment will not be able yet to support a boost on the residential market. Deteriorating forecasts regarding economic growth do not predict a very positive picture for 2013, either. In addition to the financing environment, an improvement is necessary also in the expectations of the households (safety of their jobs, revenues) in order to let the market wake up from its present status of burning at low heat.



HOUSING POLICY AND REGULATION

KEY FINDINGS

Changes in duties:

no impact of the changes in duties, effective from 2013, can be observed on the residential market. The main reason behind this might be mainly the fact that such changes prompted a portion of the buyers to occupy a wait-and-see position, while another portion brought forward their home purchases, hence, these effects cancelled each other.

Government interest subsidies:

from 2013, positive changes came into effect in respect of interest subsidies. An increase took place in the subsidy amount available in 5 years, the upper value limit for second-hand homes is higher, and the maximum loan amounts available are also higher. What is particularly welcome is a strengthening of support in the case of homes for resale, given that these represent the overwhelming majority of sale and purchase transactions on the market.

Changes planned in the social benefit scheme:

according to the government's plans, non-refundable assistance available within the social benefit scheme shall increase. According to the plans, social benefit would be available also for smaller homes, with a minimum of 45 square meters and also with one child in the family. An important plan for changes is that the government would provide assistance also for the purchase of homes for resale.

Exchange rate fixing:

by the end of February 2013, those who joined the exchange rate fixing scheme concluded almost 133,000 collection account contracts. This might bring a contraction on the offer side, and that might reduce the pressure on prices, originating from oversupply. Roughly 30 percent of the eligible debtors joined the exchange rate fixing scheme.

Auction quota system:

further on, banks do not use in full their possibilities for forced sales, offered by the auction quota system. At the same time, in spite of the forced sales already started, the basis of the quota increased, with some fluctuations during the last quarters, with 110,000 properties at present, involved in forced sales.

CHANGES IN DUTIES

From 2013, several important changes became effective in the rules of charging duties. From the beginning of the year, the duty payable upon the purchase of a home became a flat-rate levy, that is, the buyer shall pay 4 percent of the total turnover value (in 2012, the extent of the duty was 2 percent up to 4 million forints and 4 percent for the amount exceeding that limit). From 2013, in the case of the negative basis for the duty (where the value of another home sold within one year prior to the purchase or will be sold within a year after that is higher than the value of the newly purchased property), no duty is payable on the value difference any longer. Another positive change is that the upper limit of 40,000 forints for the 50% allowance in paying the duty for young people below the age of 35 years was eliminated from 2013, and the upper value limit of 8 million moved to 15 million forints in respect of the home purchased.

These changes in the duties did not bring a change in the trading of properties. Given that when the rules of duty payments became more favourable from 2009 to 2010, many people postponed their purchases, the present changes cannot be clearly tracked in the statistics on the turnover. The main reason behind this might be mainly the fact that such changes prompted a portion of the buyers to occupy a wait-and-see position, while another portion brought forward their home purchases, hence, these effects cancelled each other.

GOVERNMENT INTEREST-RATE SUBSIDY

With effect from 1st of January 2013, important changes took place in the government's interest-rate subsidy system. On the one hand, within the 5-year support period, the previously lowering subsidy amounts were replaced by fixed subsidy amounts for all over those 5 years. In the case of a loan of 5 million forints, with 20 years to maturity, available for the purchase of a home for resale means an assistance that is 150,000 forints higher now for the whole of the support period, as compared to the rules in effect in 2012, disregarding the time value. Another important change is that the maximum amount of the subsidised loan increased; for newly-built homes from 10 million forints to 15 million forints, for homes purchased from previous owners from 6 million forints to 10 million forints. A further change is that when a second-hand home is purchased, not only the maximum of the subsidised loan amount is higher, but the upper limit for the value of the home also increased from 15 million forints to 20 million forints. This is a very important change, because this way, the maximum subsidised loan amounts to 50 percent of the value of that home, both for newly-built and second-hand homes. Whilst earlier, it was frequent that buyers had to take a debt at market rates as well, in addition to the subsidised loan, with the 50 percent loan amount or, if you wish, a 50 percent own contribution, this will be needed in far less cases. On the other hand, the maximum value of 15 million forints for the second-hand home increased to 20 million forints, opening a major segment of the offer, mainly in Budapest, for homebuyers using subsidised loans.

These changes and, in particular, the raise of the maximum value for second-hand homes are highly progressive, because the overwhelming majority of the transactions on the market are purchases of second-hand homes and a stronger support for such purchases provides help to a very large segment.

Until now, the interest-rate subsidy scheme could not exercise a major demand expansion effect on the housing market, due to the low readiness for indebtedness. In terms of conditions, subsidised loans provide at present, no doubt, one of the best sets of financing conditions for homebuyers. Still, it is already questionable that, in addition to buyers who make use of a subsidised loan instead of a loan at market rates and who are already on the market, how many new buyers can be attracted by this programme to the residential market – people who earlier did not think about buying a home. Due to low demand for loans, the government's interest-rate subsidies are not able for the time being to stimulate demand; such effects can be expected, with high probability, in the future, subject to an improvement of the households' expectations regarding their own income situation and the economic situation in general.

Example in the case of purchasing a home for resale

For the purchase of residential property for resale, the maximum subsidised loan available is 10 million forints. Assuming that the homebuyer takes the loan with a 20-years term, he/she shall calculate with the redemption instalments shown in the table below in the first 5 years of the subsidised period, disregarding time value.

1 - Redemption instalments of subsidised and market-rate loans and the total amount of the subsidy, for a loan amount of 10 million forints

years to maturity	monthly instalments		amount of the subsidy p.a.
	at subsidised interest rate *	at market interest rate **	
years 1-5	HUF 64,948	HUF 96,502	HUF 378,648
year 6	HUF 91,105	HUF 96,502	
total			HUF 1,893,240

Source: Otthon Centrum Loan Centre

in this table, conditions of an actual banking product are shown

(*subsidised scheme: initial interest: 6.04% , initial APR 8.03%, tenor: 240 months, loan amount: HUF 10 m, purchase of a home from its owner)

(**market scheme: interest: 10% , APR 10.47%, tenor: 240 months, loan amount: HUF 10 m, purchase of a home from its owner)

Example for the purchase of a newly-built home

Use of a subsidised loan of maximum 15 million forints, for the purchase of a newly-built home. For those who buy newly-built homes, a larger number of children also means a larger interest-rate subsidy. Assuming that the homebuyer has the required own contribution and takes the loan with a 20-years term, he/she shall calculate with the redemption instalments shown in the table below in the first 5 years of the subsidised period.

2 Redemption instalments of subsidised and market-rate loans and the total amount of the subsidy, for a loan amount of 15 million forints

years to maturity	monthly instalments		amount of the subsidy p.a.
	at subsidised interest rate *	at market interest rate **	
years 1-5	HUF 93,726	HUF 144,753	HUF 612,324
year 6	HUF 138,802	HUF 144,753	
total			HUF 3,061,620

Source: Otthon Centrum Loan Centre

in this table, conditions of an actual banking product are shown

(*subsidised scheme: initial interest: 6.00%, initial APR 8.01%, tenor: 240 months, loan amount: HUF 15 m, purchase of a newly-built home, 4 children in the family)

(**market scheme: interest: 10% , APR 10.47%, tenor: 240 months, loan amount: HUF 15 m, purchase of a newly-built home)

SOCIAL BENEFIT – CHANGES PLANNED

According to press information, the government plans a change in the system of conditions for home construction subsidies – generally called social benefit ("szocpol"). As per the plans, on the one hand, the amount of the subsidy shall increase, and it is expected that its extent would also depend on the number of children moving into the home, the latter's size, as well as its energy classification; furthermore, the amount might be in a range from 350,000 forints to almost 3 million forints. According to the leaked plans, the former eligible minimum size of 60 square meters would be lowered to 45 square meters. Even though for a smaller home, lower subsidies would be due, taking account of the home sizes most looked for, on the basis of sales realised at Otthon Centrum in 2012, most of the buyers, every fifth of them, were looking for homes in the range between 45 and 55 square meters. Therefore, with this modification, another large group would enter the scope of eligible homebuyers. The scope of users would also widen by the fact that social benefits would be due already with 1 child, given that in Hungary, the family model with 1-2 children can be considered general.

The most important change could be the introduction of the "half szocpol", equivalent to expanding the home construction subsidy onto the purchase of homes for resale, providing half of the amount ensured for newly built homes. Its importance lies in subsidising the purchase of homes for resale, given that (as we already demonstrated above) these properties account for the overwhelming majority of trading. When a second-hand home is purchased, the maximum price per square meter indicated in the draft covers almost the full range of the offer in the case of blockhouse flats, and in the brick-built houses for resale as well, most of the offer complies with the requirements. However, in the case of brick-built homes for resale, not each home will meet the criteria. In almost all areas, the average price per square meter of brick-built homes for resale are – according to sales data of Otthon Centrum for 2012 – slightly above the maximum price indicated in the draft.

In Budapest, for instance, this means that in the Buda districts, on the basis of the average price per square meter, far less brick-built homes meet the criteria for social benefit than in the Pest districts, in particular, the districts far from the centre. At the same time, there is no significant difference between the maximum price and the average price, therefore, the lower segment of the offer, which is still an important one, would meet the requirements of the half social benefit.

A tougher question is energy-focus classification, given that for newly-built homes, the system of criteria for the social benefit requires a category "B" classification. So in the case of a newly-built home, where the requirement for the occupancy permit is compliance with category "C", this is not a major problem, but in the case of homes for resale it is. According to experiences of Otthon Centrum, in the case of brick-built homes for resale, a category "B" property is very rare, the majority represent qualifications with "E" and "F". In the case of blockhouse homes, where the building has already had a major refurbishment according to energy-focus considerations, the categories "C" and "B" are typical, but in houses without such refurbishments, homes with such high qualifications are rare. On this basis, classification based on energy considerations might be a key consideration among the requirements, as the required "B" qualification would largely reduce the scope of homes eligible for subsidies.

PROGRAMS TO SUPPORT CURRENCY LOAN DEBTORS

The government launched several programmes aimed at helping housing loan debtors struggling with payment problems, in particular, debtors of foreign currency loans. In this subchapter, similarly to previous issues of our publications, we present the operation of these programmes.

We have already presented in detail the terms and conditions of exchange rate fixing, in previous issues of Residential Market Monitor. In short, in the new, modified system of exchange rate fixing, the instalment calculated at or below the fixed exchange rates – in the case of the Swiss franc, 180 HUF/CHF, in the case of the euro, 250 HUF/EUR, in the case of the Japanese yen, 2.5 HUF/JPY – shall be paid in full by the debtor. As to the portion of the instalment that exceeds the fixed exchange rate, which is the difference between the instalments calculated on the basis of the exchange rate on the market and the instalment calculated at the above, fixed exchange rate, the debtor is liable only for the payment of the principal's portion. Even that is not to be paid immediately, but this amount is recorded by the bank on a collection account, in the form of a credit, payable by the debtor. The bank remits the other portion of the instalments, due above the fixed exchange rate, the portion of interests and interest-type fees, and the debtor will not be required to pay that later as well. By the way, this amount will be borne by the bank and the government in equal portions.

According to data of the Hungarian Financial Supervisory Authority (HFSA), until 28 February 2013, a total of 132,559 collection account contracts were concluded, where to date, a debt of 5,011 million forints was accumulated by those who made use of the exchange rate fixing scheme. The total stock of currency loans protected by exchange rate fixing was roughly 1,152 billion at the end of February. About 30 percent of the eligible debtors entered the programme until 28 February 2013, which means that until now, the participation ratio remained below the preliminary expectations. A possibility to join this programme was extended several times, at present, it is open until 31 May 2013.

We also already presented the operation of the National Asset Management Company (Nemzeti Eszközkezelő Társaság, NET) in previous issues of Residential Market Monitor, but the first quarter of the year brought another change in the terms and conditions. With this amendment, debtors with repayment difficulties in 2012 can also join the NET programme. In addition to that, for the value limit of the properties included in the programme, a uniform increase of 5 million forints applies, therefore, the market value of a property offered to the asset management company shall be a maximum of 20 million in Budapest and in cities with county rights, and in other towns and villages, 15 million forints. A further change is that the period for the repurchase option was extended to five years. For social qualifications of the loan debtor / mortgagor, from among relatives living in the same household, not only spouse or partner, but adult children and parents are also taken into consideration.

The direct effect of the above might appear on the property market as a narrowing of the offer. Those who joined the exchange rate fixing scheme, having offered for sale their property explicitly because of payment difficulties might withdraw now from the market. This might mean a narrowing of the offer, which could be a positive development in the present situation of oversupply. But the moderate popularity of the exchange rate fixing option, at the same time, does not help in such reduction of the offer.

AUCTION QUOTA

The auction quota system is operational already since mid-2011, its rules were already covered in previous issues of Residential Market Monitor in detail. Essentially, this is a facility for banks to transfer for forced sale (that is, to initiate the sale of the property in a court procedure or submit an application for enforcement regarding that property) on a quarterly basis, only for a certain portion of their loan stocks in default since more than 90 days. In 2013, the quota amounts to 4 percent per quarter. The auction quota was designed to avoid a situation where properties representing collaterals behind loans in default come to the market, all of them at the same time, generating a major drop in the prices there.

According to HFSA data, the basis for the quota at present consists of 110,000 properties. Even though forced sales could start in the year 2011, the basis of the quota, with some fluctuations, increased until the end of 2012, and only in the first quarter of the year is a modest decrease observed therein.

3 - Evolution of the forced sales quota of property collaterals standing behind loans in default since more than 90 days

	quota basis	quota utilisation
4Q2011	100,268	72%
1Q2012	99,778	83%
2Q2012	107,182	84%
3Q2012	113,846	70%
4Q2012	112,286	68%
1Q2013	110,670	71%

Source: HFSA

Quarterly, HFSA publishes the number of properties selected for forced sale and the quota utilisation level. As witnessed by these statistics, banks use the forced sales option in continuously decreasing proportions. Even if no official information is available on the reasons for such low popularity, in the management of non-performing loans, an important decision-making criterion for the bank is the recovery of the claim.

The sale of the property upon mutual consent between the bank and the debtor may be one of the alternatives of the forced sales described above. According to the experiences of Otthon Help (a company belonging to the same corporate group as Otthon Centrum, providing help in the sale, management, value appraisal of properties provided as collaterals for loans in default from the point of view of banks), banks manifest an increasing interest in the sale of properties standing behind bad debt, jointly with the debtor

The auction quota system shall remain in force until the end of 2014, but the liquidation of bad loans shall last, according to an estimate of Otthon Help, taking account of the joint sale option with the debtor's involvement as well, at least until the end of the operation of the auction quota system, that is, three years, or even a longer period of one or two additional years might be also needed.

The auction quota system is designed to lessen any pressures on prices from forced sales. In practical life, this operated well until now, and it is highly likely that we shall not expect a decrease in the prices due to forced sales in the future either. The purpose of a sale jointly with the debtor is selling at market prices, therefore, no pressure will be exercised on prices and, depending on the timing of such sales, this might bring some expansion in the supply.



MARKET OF THE NEWLY-BUILT HOMES

KEY FINDINGS

Declining sales: at the national level, the share of newly-built homes within total sales decreased from the level of 10 percent in 2008 to 3 percent in 2012. In Budapest, the sale of newly-built homes dropped from 15 percent to 5 percent. And all that, on a market stagnating at a level of about ninety thousand transactions, since 2009.

Buyers' distrust on the buyers' side, the continued high level of distrust and the stock of unsold homes, remaining static because of the lack of resupply, make more and more buyers turn towards the market of homes for resale.

Additional assistance schemes: the presently available tools aimed at boosting demand (interest-rate subsidy and social benefit) are unable to exercise a demand expansion effect, due to their low popularity. This is why it would be important to introduce further assistance schemes, both on the offer and the demand sides. Inexpensive financing facilities might restart developers' activity, too.

Notes to the methodology: accurate data on the sale and purchase of newly built homes are available from the procedure of imposing the respective fee. NAV (the Hungarian tax authority), in charge of maintaining that database, makes the decision on the basis of the duty/fee allowance applicable to the purchase of new homes whether the property in the given sale and purchase was a new one, or an existing one. It can happen, however, that prior to the purchase of a new home, the buyer already sold a property, and for him/her, the fee payable is more preferential, if the fee due for the new home can be diminished by deducting the fee already paid, instead of making use of the fee allowance offered for the purchase of the new home. In other words, it is thinkable that some of the transactions implying newly built homes are classified by NAV as sale and purchase of existing residential property. Therefore, the number of transactions for newly built homes in the HCSO statistics, originating from NAV, shall be considered as a lower estimate for the number of transactions with new homes.

Statements on the Budapest market of newly-built homes are based on the project database of Otthon Centrum, in addition to HCSO data. This database contains, retrospectively, from 2005, the data of newly built homes and projects offered for sale, as at the date of the semi-annual updating process. For instance, the number of sales transactions, the delivered and unsold stock of homes and the main characteristics of the homes.

We have already presented in previous chapters the continued decline in home construction and in the number of homes built explicitly for sale. Of course, this has a major impact on the market of newly-built homes as well, and for the time being, there is no aftergrow of the homes already completed, but still unsold. This gives a very static character to the available supply.

According to HCSO data, the number of newly-built homes sold is permanently decreasing in Hungary, ever since the crisis. Whilst since 2009, the number of all sales and purchases was permanently around the level of 90,000, the number of new homes sold is declining, reflecting a narrowing of the supply, on the one hand, and the lack of confidence among buyers, on the other. Whilst in 2008, at the country's level, every tenth sale and purchase transaction was about newly-built homes, by 2012, this ratio dropped to below 3 percent. In Budapest as well, the share of newly-built homes within total sales fell to one-third of its previous level, decreasing from 15 percent in 2008 to 5 percent in 2012.

4 - Number and share of newly-built homes sold in total transactions in Hungary

number of transactions (#)	2008	2009	2010	2011	2012*
home for resale	140,000	82,900	85,500	83,900	71,239
new home	14,100	8,300	4,800	3,900	2,194
home for resale, Budapest	34,504	20,674	24,714	22,578	19,300
new home, Budapest	5,798	3,064	2,015	1,551	925
share of new homes, sale	9.15%	9.10%	5.32%	4.44%	2.99%
share of new homes, sale, Budapest	14.39%	12.91%	7.54%	6.43%	4.57%

Source: HCSO, Otthon Centrum
*preliminary data

Behind the fact that buyers are turning away from the market of newly-built homes, we find two main reasons. On the one hand, the general lack of confidence can be felt on the market of newly-built homes as well, as manifested in the interest of buyers only in already completed homes or the ones that are very close to completion, not daring to pay instalments of the purchase price for longer periods, in advance. At the same time, this implies serious difficulties in the financing for developers, who have difficulties, similarly to homebuyers, in accessing to funds from banks. This is exactly why it is not a rare phenomenon on the market that a project with a small number of flats already holds the construction permit, and even the sales are relatively strong, but in order to be able to start the construction, the developer needs to sell one or two flats.

Another reason for a strengthening of the market of homes for resale is that the present stock of newly-built homes offered is a very static one. In other words, for an update of the stock, a resupply is missing, therefore, the buyers face an offer of homes, not particularly changing, and many times already pre-picked, and so, if they do not find a home corresponding to their needs, they might easily continue their search on the market of homes for resale.

On the developers' side, the already presented adaptation forms continue to be observable. Further on, projects with a small number of flats are a majority on the market, and developers continue their efforts to lure the buyers with price allowances (a discount to the listed price, free garage or storage room etc.). One can experience increasingly often that the completed homes are rented out by the developers. This way, these homes are either completely leaving the market, or the developer will offer the home with the lessee. In such cases, lease contracts for a determined period are frequent, ensuring that even in the case of a change in ownership, the lessee shall be able to remain there. This might be attractive for buyers who are looking for investment opportunities, given that the property can produce income immediately.

The demand-expansion measures, such as the interest-rate subsidy and social benefit, in effect at present, are unable to adequately exercise their stimulation impact due to low popularity, therefore it would be desirable to complement these with further allowances. An at least temporary lowering of the VAT payable on newly-built homes, or eventually, a VAT refund possibility for private individuals, opened temporarily could significantly reduce the prices of new homes, and that would boost demand.

Financing difficulties and the high levels of interest rates are detrimental for property developers. This is why the new NBH programme for boosting the economy, where loans are offered to companies at an interest rate of 2.5 percent, could mean very substantial help for property developers as well. Selling times significantly increased also in the case of newly-built homes, therefore, loans with low interest rates can be better applied to the time-wise extended cash flow from sales, ensuring a possibility for profitable projects. This would also make risks manageable for the property developers, as high risks prevent many developers from launching their projects.

A start of property development projects would be needed for the construction industry as well, where the present performance is very poor. A more intense activity of the developers could give an impetus to the market of construction plots as well, not to mention a cleaning of the plots or semi-finished projects stuck in the portfolio of banks at present. Moreover, new homes increase not only the housing stock, but also ensure replacements for a quality upgrade of the existing stock, first of all in terms of energy efficiency. Even though there are no statistics on the status of the housing stock, on the basis of the first experiences with energy certificates issued for homes for resale, a large portion of the stock lags far behind the "C" level energy classification of the newly-built homes.



MARKET OF HOMES FOR RESALE

KEY FINDINGS

Turnover similar to 2011:

the turnover experienced in the first quarter of the year is comparable, most of all, with the turnover measured in the first quarter of 2011. Turnover in the first three months of 2013 was roughly identical with the sale and purchase figure observed in the first quarter of 2011.

Growth in bargaining:

sellers are compelled to make concessions not only at the time of concluding the contract, but already prior to that, during the selling process, they have to lower the offered prices. In the first quarter of this year, in the case of brick-built homes and blockhouse flats, total price allowance increased by one percentage point in a comparison with the same period of the previous year. As opposed to that, in the case of family houses the average total price allowance decreased, to a minimal extent. In the case of flats, behind the increase, we find mostly an increase in the offered price allowances, showing pricing problems at the sellers.

Increasing selling times:

when comparing data for the first quarter of this year with data for the same period in 2012, a further increase is observable in selling times, in each segment. For selling a brick-built home, the selling time required in the first quarter of 2013 was, on average, 5 months, for selling a blockhouse flat, 3.5 months, and in the case of family houses, an average of 7 months were necessary.

In this chapter, we present the main trends on the market of homes for resale. Detailed analyses on the market of residential property from owners are included in our Residential Market Adviser publication.

TURNOVER

The turnover experienced in the first quarter of the year is comparable, most of all, with the turnover measured in the first quarter of 2011. In 2012, the completion of the one-off repayment scheme resulted in a large number of purchases brought forward, therefore, a comparison of this year's first quarter with the same period of last year does not provide a realistic picture. The turnover measured in the first three months of 2013 was roughly identical with the sale and purchase figure observed in the first quarter of 2011.

While it is still difficult to draw conclusions from the first three months' data, based on the trend of past years, we might expect, in 2013 as well, a transaction number of about 90,000. The relatively stable level of turnover, accounting for roughly 2 percent of the property stock is due to the fact that decisions of market players are driven increasingly by changes resulting from their life situation. These demographical changes produce, more and more independently from the present situation in the economy and financing, a need for low-level, but stable home for living and the overwhelming portion of that need is met on the market of homes for resale.

EVOLUTION OF PRICES

5 Average selling prices per square meter by type of property and area, first quarter of 2013 (thous. forints)

1Q2013 (thHUF)	brick home for resale	block home for resale	brick house for resale
Budapest	274	166	256
East	182	117	127
West	175	143	119
Pest County	187	150	176

Source: Otthon Centrum

The average price per square meter of brick-built homes for resale for the country in the first quarter of 2013 was almost identical with the value measured in the same period of last year. A minimal reduction can be seen in Budapest and in the agglomeration of the capital city, while in the countryside areas, prices show a stagnation or a minimal increase. In the case of blockhouse flats in terms of prices, in a comparison of the first quarters of 2012 and 2013 we can see a picture that is similar to the case of brick-built homes; at a countrywide level, the average prices per square meter minimally decreased. In Budapest and in the eastern part of the country, a drop of 1-2 percent, in the western part of the country, the same extent of increase can be observed. The most important decrease is observed in the average price per square meter of family homes, in a comparison of the first quarters of this year and last year. The reason behind mainly is a price drop in countryside areas, given that in the same period, prices slightly increased in the capital city and its surroundings.

PRICE BARGAIN

For calculating the price bargain, we investigate the total price-cutting granted in the selling process. In the case of total price-cutting, we compare the price indicated by the seller when the order was given, to the selling price. The difference between the two prices comes from the price bargain in selling, on the one hand, achievable by the buyer in the process of concluding the contract. On the other hand, it also comes from price reductions granted by the seller in the process of selling. It can be seen clearly that somewhat less than half of the total price-cutting comes from reducing the offer price

prior to the emergence of a serious buyer. A larger portion of the total price-cutting is frayed out by buyers, in the framework of negotiations about the contract.

6 - Extent of the total price cut, by type of property, 1st Q 2013

type of property	total price cut	thereof: upon concluding the contract
brick home for resale	13.50%	8.22%
brick house for resale	17.98%	11.13%
block home for resale	10.30%	6.04%

Source: Otthon Centrum

In the first quarter of this year, in the case of brick-built homes and blockhouse flats for resale, total price allowance increased by one percentage point in a comparison with the same period of the previous year. As opposed to that, in the case of family houses the average total price allowance decreased, to a minimal extent. In the case of flats, behind the increase, we find mostly an increase in the offered price allowances, showing pricing problems at the sellers. The extent of the price cuts tends to be the same in the country's different regions, the only exception being Pest County, where a worse bargaining position of buyers is manifested in the extent of total price cut as well.

It is important to know that the above-mentioned bargain values always reflect an average of the price cuts, with price allowances lower and higher than that also occurring. The extent of the allowance to be made by the sellers from the initial price is largely dependent on how sanguine their hopes were when they started and how far they can accept the market price levels.

SELLING TIME

Even if in 2012, looking at the full year, there were no significant changes in time required for selling in a comparison with 2011, when comparing data for the first quarter of this year with data for the same period in 2012, a further increase is observable in selling times, in each segment. For selling a brick-built home, the selling time required in the first quarter of 2013 was, on average, 5 months, for selling a blockhouse flat, 3.5 months, and in the case of family houses, an average of 7 months.

A shorter selling time for blockhouse homes, in a comparison with the other types of property, could be observed already before the crisis. In the background, the reason might be that as opposed to brick-built homes and houses, blockhouse flats mean a more homogeneous conglomerate, the parameters of differences among them are less in number, and this shortens the time required for making comparisons and the decision about the purchase.

7 Average selling times in days, by type of property

type of property	2012 1Q	2013 1Q
Brick home for resale	129	148
Block home for resale	94	103
Brick house for resale	193	216

Source: Otthon Centrum

When assessing data, it should be taken into consideration that the time needed for the sale of properties shows a huge standard deviation; we can come across flats sold within a matter of weeks, and it is not a rarity either than the property spends even a full year on the market. One shall evaluate the average selling times in the knowledge of that.



MARKET OF RENTED HOMES

KEY FINDINGS

Stagnating rentals:

in the first quarter of this year, rentals of brick-built homes increased minimally, in a comparison with the same period of the previous year. Average rental in blockhouse flat increased slightly, but a more important increase can be observed only in the average rentals of family houses.

Yields:

at present, in the case of properties purchased for the purpose of lease, yields of 8 to 9 percent can be achieved over an investment period of 10 years.

Notes to the methodology: on the market of rented homes, we only have limited information available. Due to the high ownership ratio, the relatively narrow market of rented property generates few renting contracts in itself, in addition, many contracts belong to the gray or black zones of the economy, therefore, information hidden there cannot be accessed. In accordance with that, no central register exists for lease contracts (similar to the one used for sale and purchase information, from the database of NAV or HCSO), that is, statistics we became used to in the case of sale and purchase, covering the whole of the market, are not available here. Therefore, in the analysis we can use only data on the transactions administered through the Otthon Centrum network.

Further information on the rental market is available in our Residential Market Adviser.

EVOLUTION OF RENTALS

8 - Average monthly rentals per square meter, by type of property

type of property	2009 1Q	2010 1Q	2011 1Q	2012 1Q	2013 1Q
Brick home for resale	HUF 1,520	HUF 1,510	HUF 1,290	HUF 1,330	HUF 1,390
Block home for resale	HUF 1,000	HUF 840	HUF 1,010	HUF 960	HUF 980
Brick house for resale	HUF 1,070	HUF 970	HUF 970	HUF 940	HUF 1,020

Source: Otthon Centrum

In the first quarter of this year, rentals of brick-built homes increased minimally, in a comparison with the same period of the previous year. Rentals in this type of homes kept increasing in the first quarter of three consecutive years already, but even so, their level is still far from the value of HUF 1500 per square meter level in the year 2010. Average

rental in blockhouse flat increased slightly, but a more important increase can be observed only in the average rentals of family houses.

YIELDS

One of the most frequently employed investment strategies is the purchase of properties for lease. Parallel to the reduction in real estate prices, rentals also decreased, but in frequented areas, such as in the proximity of universities and colleges, in cities with important demand for manpower, the lease of a property provides secure revenue. In this chapter, we demonstrate the profit that can be realised from lease with a calculation of theoretical yield.

In the model, we calculated with an investment period of 10 years, which means that in the first year, the flat acquired in the first quarter of 2013 is leased by its new owner for ten years and, at the end of the tenth year, it is sold. In the model, we have been using the following assumptions:

- *The property's nominal value follows inflation, that is, it maintains its real value, but its owner cannot calculate with an increase in the real value. This assumption is supported by the fact that in the case of properties purchased for the purpose of a lease, the main criteria are good location and easy occupancy, and in the case of properties fulfilling these criteria, the investor shall not necessarily expect a significant increase in the price as well.*
- *At the time when the property is acquired, we calculated with the duties in effect and an attorney fee of 1 percent. The purchase of the property is realised fully from own funds.*
- *For the 10 years, we set an average inflation of 4.22 percent.*
- *From the second year, the owner spends HUF 100,000, in real terms, on maintenance, and in the fifth year, a fivefold of that amount, for refurbishment. The costs of renovation in the individual years were indexed with inflation.*
- *The amount of the tax payable on the revenues from the annual rental fee was calculated with the PIT level of the current 16 percent. For simplicity, we calculated with this tax rate for each year.*
- *The annual rental fee increases each year at a rate identical with inflation, but we did not calculate in the model with an increase in rental fees in real terms.*
- *The property is assumed to be leased all throughout those 10 years.*

In the model, we calculated yields based on data of some types of leases, highly searched for. Taking for a basis the ground areas of properties attracting the most interest, we calculated the purchase price and the annual rental fee revenues based on the average purchase price per square meter in effect in the first quarter of 2012 and the average rental fees per square meter in this same period. Yields for the different properties are around 8-9 percent.

9 - Yields achievable through lease in the case of some types of renting, being looked for 1Q2013

Location	Type of property	ground area	yield
Budapest	block home for resale	50 sqm	8.29%
Budapest	brick home for resale	40 sqm	8.12%
Budapest	brick home for resale	60 sqm	8.53%
Western part of the country	brick home for resale	60 sqm	8.16%
Eastern part of the country	block home for resale	50 sqm	10.25%
Pest County	brick-built house for resale	100 sqm	8.48%

Source: Otthon Centrum



HOUSING LAND MARKET

KEY FINDINGS

Plot prices: in the first quarter of 2013, in downtown Budapest, the average price per square meter of construction plots was around an average of HUF 30,000. In the agglomeration of the capital city, the average price per square meter was one-third of the average price in Budapest.

Plots looked for: in Budapest, demand is focused for plots with a value between 12 and 13 million forints, with sizes of 500-600 square meters; in Pest county, for plots of 9-11 million forints, with sizes of 700-800 square meters. In both the eastern and western halves of the country, demand is concentrated on plots between 2 and 8 million forints. In the western part of the country, one-fifth of the searchers had an interest in plots with values above that level.

Notes to the methodology: We investigate buyers' preferences on the basis of queries referring to specific properties included in the advertisements. The study covers two criteria in the case of plots: the price and size of the plots. We classify properties into groups, based on their prices, by a scale of one million forints, based on the area, by one hundred square meters. We establish for the different groups how many queries were received for plots belonging to the given group. The values indicated for the individual groups always show the middle of a group, that is, for plots of 10 million, for instance, properties ranging from 9.5 million to 10.5 million will be considered. This also means that plots of 400 square meters, plots with 350-450 square meters will be involved. In this chapter, we use the preferences from queries referring to plots in urban areas, advertised via Otthon Centrum in the first quarter of 2013.

A general trend on the market of plots is that due to the decrease in prices of family houses, buyers who earlier thought only in terms of buying construction plots and build there for their own use, increasingly frequently are looking for family houses, parallel to the plots.

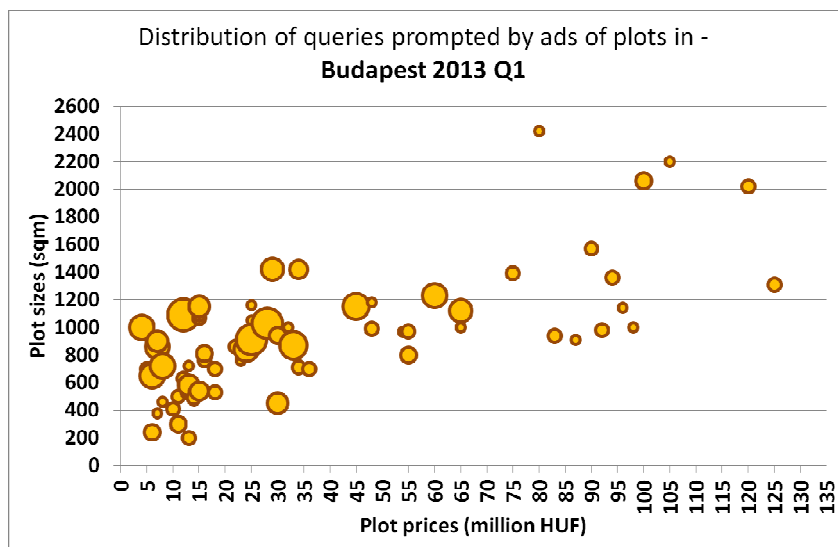
PLOTS LOOKED FOR

In this chapter, we investigate queries received in the first quarter of 2013, referring to plots advertised, on the basis of price and ground area. The survey covers construction plots in urban areas only.

Budapest

In the capital city, on the market of construction plots in urban areas, demand was the strongest in the range between 5 and 35 million forints. There were applicants also for urban area plots offered at prices of 40 and 65 million forints, 15% of the demand was manifested in this segment. The ranges at and above 80 and 100 million forints were visited by only 10 percent of the searchers. Plots that are highest in demand were offered at prices of 12-13 million. For that amount, plots of 500-1,100 square meters are offered, but the most important interest was generated by smaller ones, at around 500-600 square meters.

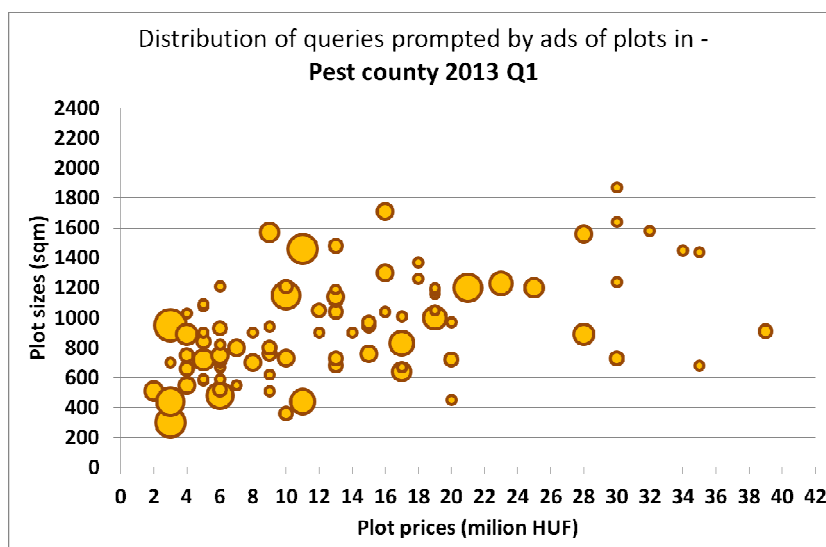
8 - Urban area construction plots searched for – Budapest 1Q2013



Source: Otthon Centrum

Pest County

9 - Urban area construction plots searched for – Pest County 1Q2013



Source: Otthon Centrum

In the agglomeration of the capital city, demand is strong in a number of segments. One-third of the people who manifested interest applied for plots offered at prices between 3 and 6 million forints. Demand was also vivid for urban area plots at 9 and 11 million. Demand is strong roughly up to the range of 20 million; for plots more expensive

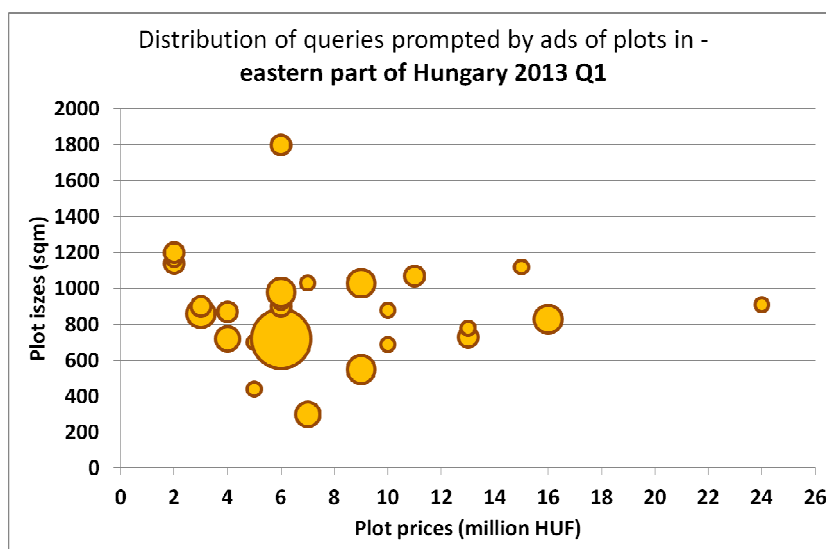
than that, less than one-fifth of the searchers showed an interest and plots above 30 million attracted only about 3 percent of total demand.

The cheapest plots, offered at prices of 3-4 million forints, usually have a ground area of 300-400 square meters, even though some of the enquirers were searching for plots of 500-600 square meters. Most of the enquiries were registered for plots of 700 meters; independently for the offer price, these were the ones most searched for on the plot market of the agglomeration.

Eastern Hungary

In the eastern half of the country, similarly to the trends seen in the third quarter of last year, demand for construction plots was concentrated on purchase prices ranging between 3 and 9 million. The largest number of enquirers was generated by plots of 6 million forints. At this value, interest was manifested for offer ranging from 600 to 1,000 square meters, but the 700 square meter plots brought the largest number of searches.

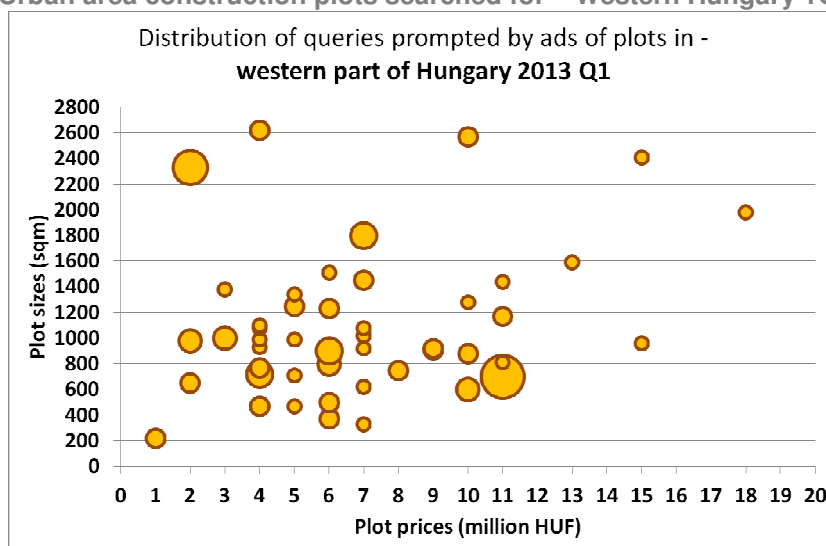
10 - Urban area construction plots searched for – Eastern Hungary 1Q2013



Source: Otthon Centrum

Western Hungary

11 - Urban area construction plots searched for – Western Hungary 1Q2013



Source: Otthon Centrum

In the western half of the country, the picture is very similar to the one experienced in the eastern half, with the majority of searchers showing an interest towards plots priced between 2 and 7 million forints. As opposed to the eastern counties, in the western part of the country, significant demand is seen also for plots above 10 million, in the range of 11-12 million.

PLOT PRICES

In the table below, we present the data of sale and purchase transactions, administered through Otthon Centrum, in a few districts of the capital city and in the countryside.

10 – Prices of plots in urban areas in the case of some transactions administered in 1Q2013

Plot size (sqm)	Price	Location
896	HUF 29,500,000	Budapest, District II – Budaliget
1145	HUF 40,000,000	Budapest, District XI - Madárhegy
542	HUF 13,200,000	Budapest, District XVIII - Gloriett-telep
1157	HUF 21,750,000	Budapest, District XXII – Budatétény
744	HUF 17,000,000	Debrecen – Kertváros
996	HUF 15,000,000	Győr – Győrszabadhegy
1003	HUF 15,500,000	Nagykovácsi
727	HUF 12,000,000	Solymár
344	HUF 8,500,000	Sopron
778	HUF 12,844,000	Szeged – Újszeged
425	HUF 6,200,000	Tatabánya - Dózsakert

Source: Otthon Centrum

Upon request, we also prepare structured reports on the property market;
please contact us at:

Otthon Centrum Research Division

Tel.: (+36 1) 487 3321 | Fax: (+36 1) 487 3333

dery.attila@oc.hu | www.oc.hu