

RESIDENTIAL MARKET M O N I T O R

FIRST QUARTER, 2014

WELCOME

HONOURABLE READERS, DEAR PEERS,

Lots of good news about the residential market in the first quarter of 2014: increase in the number of transactions on the market of homes sold by owners, increase in the number of homes built and in housing loans. Can we lean now back, stating that from now on, the residential market can go only upwards, and the much-expected turning point is finally here? Not completely yet. On the residential market, indeed, the signs of spring can be observed, but growth is very primal and fragile. One can observe a clear strengthening of the confidence of households, with a more than 10 percent increase in the turnover of the housing market in the first three months of the year, the improving positions of sellers, and the 50% jump in the residential loans to households during the first quarter also signals an improvement in the expectations of the families. The same conclusion comes from the increase observed also in the number of construction works for own purpose in the first quarter of this year, after long years, that is, more and more families dare to launch such expensive, long-term constructions. Still, from the first three months, one shall not draw far-reaching conclusions, given that in the basic economic indicators, the recovery on the residential market or the basis provided by increased confidence are not necessarily manifested yet. For the time being, housing prices did not start to rise upon impact of the widening demand; an increase can be seen in the case of certain types of properties and locations, but the market remains characterised by stagnation. It is not to be forgotten either that the market shall climb back from a very low level, and due to the low basis, any small movements in absolute terms might appear to be large changes, but we are still far from the pre-crisis levels. That said, the residential market badly needs good news, because this is the basis for building the lacking confidence, in each segment.



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SUMMARY

RESIDENTIAL CONSTRUCTION

Growth, at last: in the first three months of 2014, the number of homes built increased by 50 percent and the increase in construction permits was 20 percent. This growth is encouraging, by all means, after the negative records in 2013.

Different regions: in the capital city, mainly because of the basis effect, as well as the completion of some larger projects, with sizes considered rare nowadays, the number of homes built increased by 120 percent. In the cities with county rights, the number of occupancy permits increased somewhat less than the average for the country as a whole, but in the villages and in several towns of the countryside, the increment was substantial, between 47 and 60 percent.

Improving prospects: even though in 2013, the downward trend persisted in terms of construction permits, in the first three months of 2014, one can already see hope among the principals. Another positive element is that in the countryside, construction for own use (reflecting the expectations of households, their confidence status and their belief in the future) increased faster than construction for the purpose of sale.

FINANCING ENVIRONMENT

Improving trends: in the first quarter of 2014 households took 50 percent more housing-purpose loans than a year earlier. Even if a significant portion of this increase is attributable to the basis effect, the recovery of lending is evident and this can be demonstrated also by the lowering of the 85-90 percent share of cash purchases earlier.

Lowering in average loan costs: the average loan cost indicator continues to decline since April 2012, that is, 23 months; in March 2014 it was about 7.8 percent. There is still plenty of room for its further reduction, given that this indicator in Hungary is among the highest ones in a comparison with

either the countries of Western Europe or the neighbouring countries.

No trend change
can be expected
yet:

according to the national bank, the household sector shall remain net repayer even in the first quarter of 2016. For a revival of retail lending, the restart of demand for residential property will be also needed.

HOUSING POLICY AND REGULATION

Measures to be
amended:

in 2013, only one in four loans was a subsidised one, and the social benefit scheme is, together with the sales of newly-built homes, increasingly marginalised on the market. It would make sense to revise the lower limit of 6% for the interest of subsidised loans, specified by legislation and adjust it to the present interest rate environment, because an increasing number of loans will be available on the market with more favourable conditions. And as to "half-szocpol", the market needs it, urgently.

Exchange rate
fixing:

the terms and conditions of the exchange rate fixing scheme were modified at the end of 2013, but even the widening of the scope of beneficiaries could not boost the scheme's popularity. Its utilisation rate is roughly 50 percent.

Auction quota
system:

further on, banks do not use in full the possibility of forced sales provided by the auction quota system; its utilisation rate was around 75 percent in the recent quarters. At the same time, despite the forced sales launched, the basis for the quota increased in recent quarters with some small fluctuations and at present, forced sales apply to 118,000 properties.

THE MARKET OF NEWLY-BUILT HOMES

Decreasing
sales:

within total sales, newly-built homes represent a continuously declining share. Whilst in 2008, at a national level, the share of newly-built homes within total sales was about 9 percent and in Budapest, around 15 percent, in 2013, these figures fell back to 3 and 4 percent, respectively.

Adaptation by
buyers and
developers:

an increasing number of buyers turn towards homes for resale, due to the static, pre-picked, unsold stock of newly-built homes, a stock unable to refresh because of the lack of new supply. In addition to the lack of confidence, bargains hoped for on the

market of homes for resale also orient attention toward that segment. Developers minimise their risk and concentrate on projects with low numbers of units.

THE MARKET OF HOMES SOLD BY OWNERS

Pick-up in sales: the number of sale and purchase transactions in the first three months exceeds the turnover measured in the same period of the previous year by more than 10 percent. The excess demand is due to the realisation of previously postponed purchases, as well as purchases for investment purposes. Even if to a minimum extent, but the number of buyers using loan facilities also increased.

Deteriorating buyers' positions:

sellers are compelled to provide allowances not only when the contract is concluded, but already prior to that, during the selling process, they have to lower their prices. In the first quarter of this year, the extent of total price allowance was 12 percent, or 200 basis points lower, in a comparison with the same period of the previous year. The deterioration of the buyers' positions is in line with the revival of demand.

Shortening selling times:

The selling times decreased in the first three months of 2014, in a comparison with the same period of the previous year. In the case of the brick- and block-built houses, the decrease is insignificant, in the case of block homes, one shall calculate, on average, with 3 months, in the case of brick homes, an average of 4.5 months. The only exception represent brick-built houses sold by owners, where the average selling time increased by 10 days, to 7.5 months.

THE MARKET OF RENTED HOMES

Increase in rentals:

increase in rentals continued in the first quarter of 2014 as well; in a comparison with the same period of the previous year, an increase was observed in each segment. The increase is stable since years, the rentals are at the level of the first full crisis year, 2009, but lag still behind the pre-crisis level.

Yields:

in the case of properties purchased newly, for the purpose of a lease, yields between 7 and 9 percent could be achieved for an investment period of 10 years.

LAND MARKET

Land prices:

land prices dropped significantly during the crisis, similarly for the prices of homes, due to the drop in demand. On the basis of data for the first three months of this year, in Budapest, for the purchase of a construction plot in an urban area HUF 26,000 shall be spent, on average. In the larger cities of the countryside, the average price per square meter was about HUF 10,500.

Plots looked for:

in Budapest, demand is highest for plots to the value of 8 million forints, 800 square meters, in Pest County, for plots of 7 million, 600-800 square meters. Both in the eastern and western halves of the country, demand is concentrated for plots offered at prices of 7 million forints. In the east, the most vivid interest was demonstrated for land plots of 700, in the west for those of 500 square meters.



RESIDENTIAL CONSTRUCTION

KEY FINDINGS

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Different regions: in the capital city, mainly because of the basis effect, as well as the completion of some larger projects, with sizes considered rare nowadays, the number of homes built increased by 120 percent. In the cities with county rights, the number of occupancy permits increased somewhat less than the average for the country as a whole, but in the villages and in several towns of the countryside, the increment was substantial, between 47 and 60 percent.

Improving prospects: even though in 2013, the downward trend persisted in terms of construction permits, in the first three months of 2014, one can already see hope among the principals. Another positive element is that in the countryside, construction for own use (reflecting the expectations of households, their confidence status and their belief in the future) increased faster than construction for the purpose of sale.

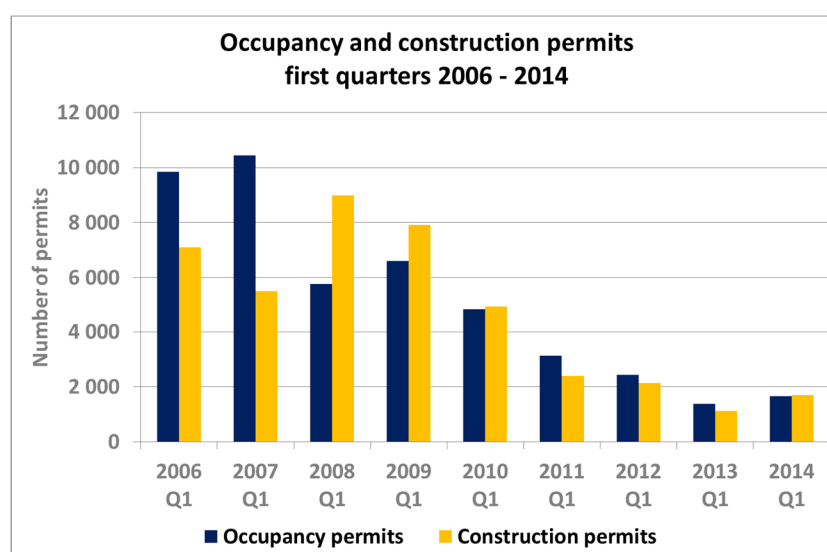
In the first three months of 2014, the number of homes built increased by 50 percent as compared to the same period of 2013. Over the same period, the number of construction permits increased by 20 percent. This increase put an end to the downward trend that prevailed since 2009, without interruption. Even if from the data of the first quarter one shall not draw far-reaching conclusions, after a series of consecutive negative records in home construction, the positive change in the statistics gives reason to hope.

The market is coming now back from very low levels, as in 2013, the number of occupancy permits decreased by 31 percent, the number of construction permits by 29 percent to the level of 2012. This year's 30 percent drop actually is a characteristic of the market, year by year, since 2010; from 2011 to 2012, only some slowdown took place in residential construction, where the drop was only 15 percent in terms of occupancy permits and construction permits. However, in 2013, the extent of the decline increased again.

In 2013, less than 7,300 were built, all over the country, and construction permits were issued for slightly more than 7,500 homes. This activity level in residential construction represents only 15 percent of the level in 2005. This is also a historical negative record; according to the data of KSH, the number of new homes built was not so low for decades.

In the first quarter of 2014, almost 1700 homes were completed, representing a 50 percent increase to 2013 indeed, but the main reason for such jump is the basis effect, given that the performance of the first three months represented only two thirds of the level reached in 2012 and only 15 percent of the level in 2007. The situation is similar in the case of construction permits where, parallel to an increase of 20 percent to the first quarter of 2013, the number of the permits issued in the first quarter of 2014 was only 80 percent of the figure for the same period of 2012, and from the pre-crisis level, the lag still is 70 percent.

1 - Main indicators of home construction in Hungary



Source: KSH

Taking into consideration the size of the housing stock (4.4 million homes in 2012) and the change in the number of inhabitants per 100 dwellings (where a decrease took place, from 269 persons in 2001 to 248 persons in 2011), the markedly low number of new homes built does not necessarily seem frightening. But the replacement share based on the performance in 2013 was 0.17%, which means that the stock could be fully replaced, at the present rate, in 600 years from now. However, new homes are not simply added to the housing stock, but shall be also considered to provide a change for higher quality and, in particular, for energy-related considerations. Unfortunately, no exact statistics exist on the quality of the housing stock, but the increase in energy efficiency, gaining ground, can be achieved by quality-oriented replacements and refurbishments. The choice between a refurbishment or replacement of a home or a building is made on the basis of efficacy. Also, one shall not forget that developers of homes for sale, acting purely on a market basis, make their decisions not based on a consideration of energy efficiency in the total stock, but rather based on individual economic interests.

REGIONAL DIFFERENCES

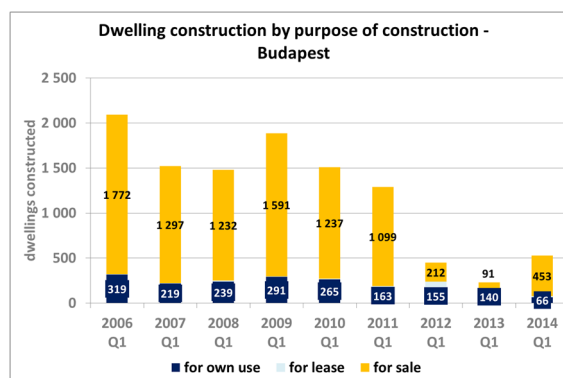
In Budapest, in 2013, as opposed to the countrywide trend of last year, there was an increase in the number of occupancy permits, with 7 percent more homes built than in 2012. This upward trend continued also in the first quarter of 2014, when 120 percent more homes were built, in a comparison with the first three months of 2013. The growth rate, in itself, indicates that there is a major effect of the low basis; the 529 homes built represent more than the double of the figure of 240 for 2013 and it even exceeds the value

for 2012. However, when compared to the performance in 2007, it is merely one-third of that number and only one-fourth of the value for 2006.

The growth in 2013 also came from a one-off effect, while the completion of development projects with a larger number of units, by the way, a rarity on the market, pushed up the indicator; and growth in 2014 is attributable to the very low basis in the previous year. The picture is more realistic based on the number of construction permits, where the number of permits issued in the first quarter of 2014 exceeded the one for the same period in previous year by 8 percent. Construction permits provide a good forecast of developers' expectations and also regarding the issue of occupancy permits. Therefore, even though we may be optimistic about the full-year performance in 2014, it is highly probable that the rise in residential construction will be moderate.

The one-off character of the boom in the capital city is also supported by the fact that constructions for own use continued to decline in the first quarter of 2014 to the previous year. Growth came basically from the projects with a large number of units, already mentioned earlier, built for sale. In terms of the number of homes built for sale, the increase was almost 500 percent, and this was cooled down in the capital city, to 50 percent, by the drop in construction for own use.

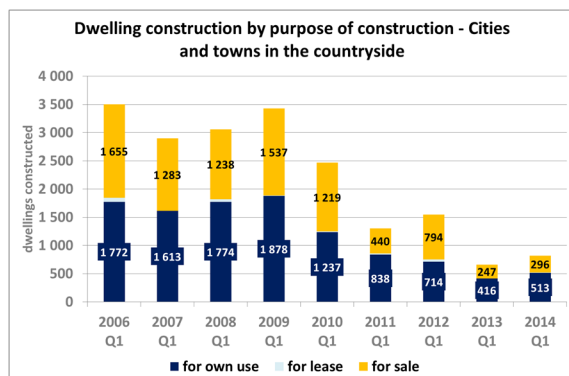
2 - Breakdown by construction purpose in housing - Budapest



Source: KSH

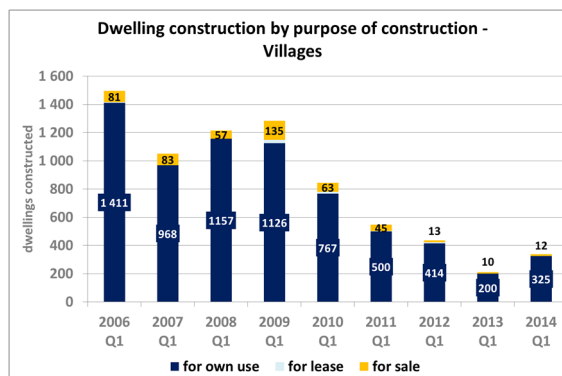
In the countryside, the number of occupancy permits, after a decrease in 2013, increased in the first three months of 2014. In the cities with county rights, the increase was moderate, just 4 percent, but in the other cities and towns and in the villages, an expansion of 45 to 60 percent was seen. Again, it is very important to stress the basis effect, because the about 800 homes built in the towns of the countryside represent only the half of the 2012 level, and even in the villages, the number of homes built in the first three months is only three-quarters of the figure for the same period in 2012.

3 - Breakdown by construction purpose in housing – towns in the countryside



Source: KSH

4 - Breakdown by construction purpose in housing - villages



Source: KSH

In the towns of the countryside, the number of homes built for sale increased by 20 percent, the number of homes built for own use by 23 percent. In the villages, the increase in construction activities for own use was 62 percent in the reviewed period. This may provide a reason for hopes, because the construction for own use (reflecting the

expectations of households, their confidence status and their belief in the future) increased faster than construction for the purpose of sale.

In terms of the number of construction permits, the trend is very similar to the one observed for completions. In the cities with county rights, the rise is more moderate, 5 percent; in the smaller towns and villages it is a more important one, 37 and 30 percent, respectively.



FINANCING ENVIRONMENT

KEY FINDINGS

Improving trends:

in the first quarter of 2014 households took 50 percent more housing-purpose loans than a year earlier. Even if a significant portion of this increase is attributable to the basis effect, the recovery of lending is evident and this can be demonstrated also by the lowering of the 85-90 percent share of cash purchases earlier.

Lowering in average loan costs:

the average loan cost indicator continues to decline since April 2012, that is, 23 months; in March 2014 it was about 7.8 percent. There is still plenty of room for its further reduction, given that this indicator in Hungary is among the highest ones in a comparison with either the countries of Western Europe or the neighbouring countries.

No trend change can be expected yet:

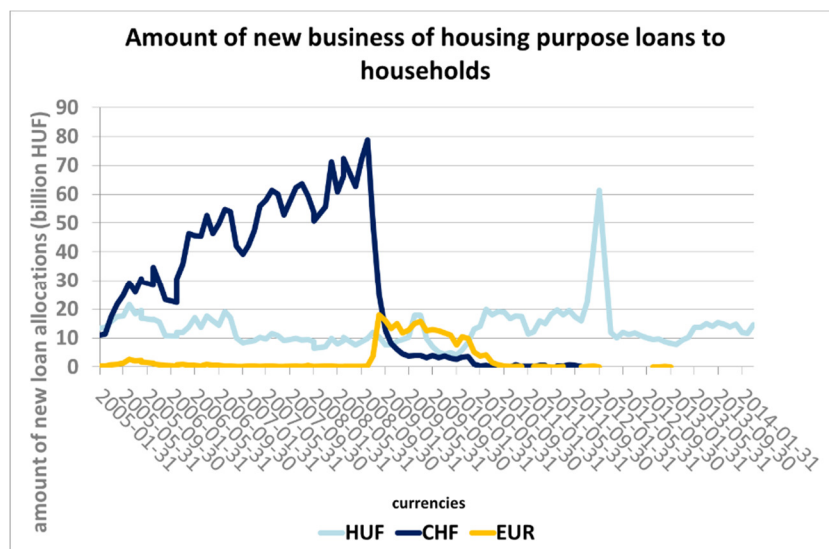
according to the national bank, the household sector shall remain net repayer even in the first quarter of 2016. For a revival of retail lending, the restart of demand for residential property will be also needed.

In March 2014, the households were net debtors in the case of forint loans, after a transaction growth of 9.9 billion forints. This growth figure includes also the disbursement of collection account loans standing behind the exchange rate fixing scheme. With regard to currency loans, the transaction volume decreased by 31.9 billion forints and households were net repayers. The result of the transactional changes in forint and currency loans is a net loan repayment position of 22 billion forints. The stock of housing-related loans of the retail customers amounted to 3,360 billion forints in March 2014, thereof, forint loans represented 1,566 billion and currency loans 1,793 billion.

In the first three months of 2014 the contractual amount of the new, housing-purpose loans granted to households was around 12.7 billion forints on a monthly average, which is lower than the monthly average of 14.5 billion forints typical for the last three months

of 2013, but in a comparison with the first three months of 2013, the increase is more than 50 percent, according to data of NBH. This significant increase was mainly due to the basis effect, given that in early 2013, the placement of new housing loans hit a historical negative record, therefore, there was quite a way to climb up for the market. The revival of lending can be felt also on the residential market, with some diminution seen in terms of the ratio, earlier 85-90 percent, of the purchases against cash payment.

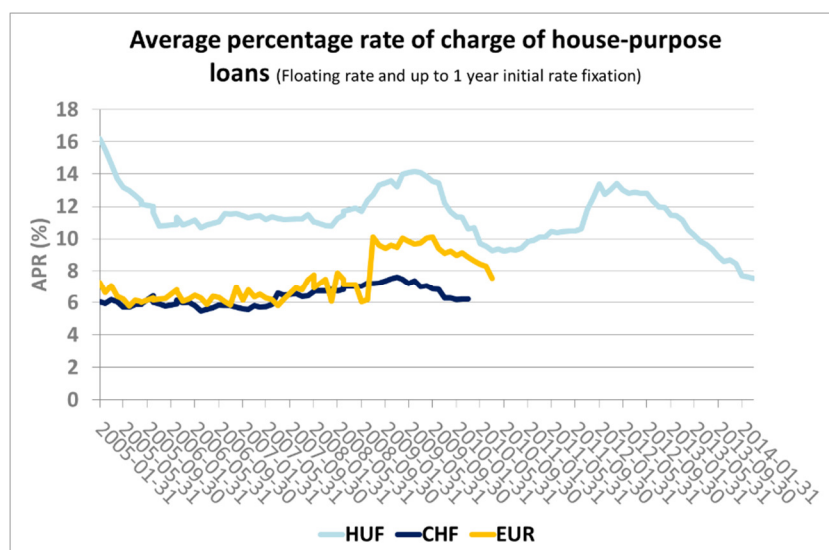
5 – Amount of the new housing-purpose retail loans



Source: NBH

The average APR is on the decline continuously since April 2012, that is, for 23 months. After the first quarter of 2012 we could see only a correction of the interest rates that had jumped high because of the one-off final repayment scheme, but in 2013 and in the first three months of 2014 as well, the declining trend remained continuous, partially thanks to the base rate's cut. In March 2014, the average APR of the forint loans reached the level of the average APR, last measured in July 2010 of the euro-denominated loans. At present, the APR of the housing-purpose forint loans is still 1.5 percentage points away from the average APR of the currency-denominated loans, typical for the pre-crisis period, but if the present trends persist, it can reach that level within 6-9 months.

6 – Average APR of the housing-purpose loans granted to households

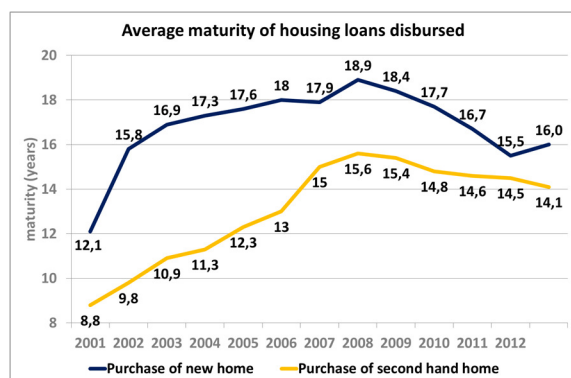


Source: NBH

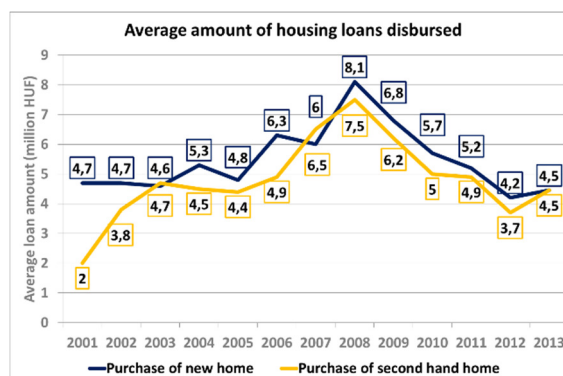
There is still plenty of room for a further reduction of the loan cost indicators, given that this indicator in Hungary is among the highest ones in a comparison with either the countries of Western Europe or the neighbouring countries.

In 2013, the average term of loans used for the purchase of homes from their previous owners was 14.1 years, therefore, the decrease at moderate rates, experienced since 2008, continued. With regard to newly-built homes, the time to maturity already increased, but the purchases of new homes are only marginal on the market, therefore, the loans related to such purchases are also very small in number. The increase in the average housing-purpose loan amounts witnesses an improvement in the willingness to borrow; the average amount of loans taken for the purchase of homes from owners increased to 4.5 million forints in 2013.

7 – Average term of the housing-purpose loans disbursed



8 – Average amount of the housing-purpose loans disbursed

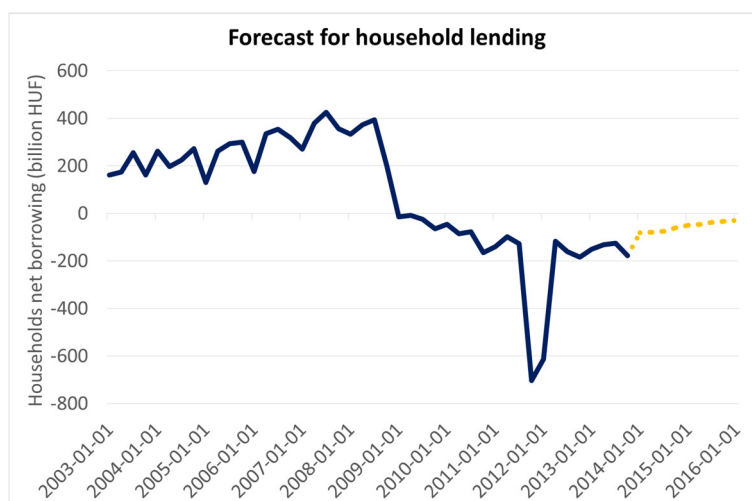


Source: KSH

LENDING FORECAST

On the basis of an NBH forecast of March 2014, the household sector will remain a net loan debtor even in early 2016, that is, in the upcoming two years, the central bank does not expect a trend change in retail lending.

9 – Forecast of NBH regarding household lending



Source: NBH

For a revival of retail lending, the restart of demand for residential property will be also needed. Even though the first quarter of 2014 brought an expansion in the turnover of the residential market, accompanied by livelier borrowing, still, we cannot expect a well-founded growth with significant rates in the short run according to this forecast.



HOUSING POLICY AND REGULATION

KEY FINDINGS

Measures to be amended:

in 2013, only one in four loans was a subsidised one, and the social benefit scheme is, together with the sales of newly-built homes, increasingly marginalised on the market. It would make sense to revise the lower limit of 6% for the interest of subsidised loans, specified by legislation and adjust it to the present interest rate environment, because an increasing number of loans will be available on the market with more favourable conditions. And as to "half-szocpol", the market needs it, urgently.

Exchange rate fixing:

the terms and conditions of the exchange rate fixing scheme were modified at the end of 2013, but even the widening of the scope of beneficiaries could not boost the scheme's popularity. Its utilisation rate is roughly 50 percent.

Auction quota system:

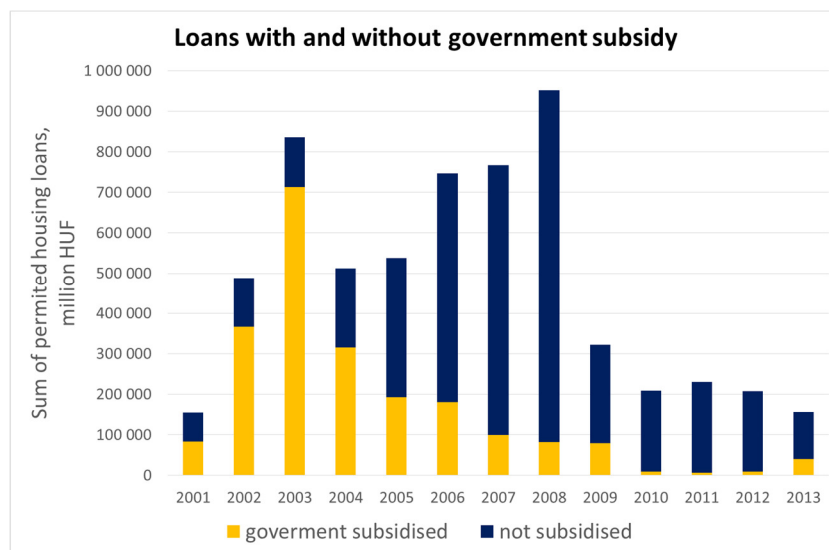
further on, banks do not use in full the possibility of forced sales provided by the auction quota system; its utilisation rate was around 75 percent in the recent quarters. At the same time, despite the forced sales launched, the basis for the quota increased in recent quarters with some small fluctuations and at present, forced sales apply to 118,000 properties.

GOVERNMENT PROGRAMMES FOR BOOSTING DEMAND

Government interest-rate subsidies, even if far more popular in 2013 than in 2012 according to KSH data, partially due to the positive modifications at the beginning of 2013, was not able to revive yet the demand on the housing market. On top of that, by the end of the year when lending rates fell on the market and when the lower limit of 6 percent for the government's interest-rate subsidy was reached, it was not rare that loans granted at market rates turned out more favourable than the schemes subsidised by the government. Therefore, it is not a surprise that in 2013 only one in four loans was a subsidised one, in terms of loan amounts. And when we look at the number of those loans, only one in five loans was supplied with a government subsidy. This also means that the average value of loans supplied with government subsidy is higher than that of the loans at market rates.

The average loan amount, according to KSH data is 5 million forints in the case of the subsidised loans, and in the case of non-subsidised loans 3.6 million forints.

10 – Breakdown of the subsidised and market-rate housing loans



Source: KSH

This is another reason why it is important to carry out new modifications in the terms of the government's interest-rate subsidy system. It would make sense to revise the lower limit of 6% for interest of subsidised loans, specified by legislation and adjust it to the present interest rate environment, because an increasing number of loans will be available on the market with more favourable conditions. On the other hand, demand for such products would significantly increase, due to better calculability, where the support period would be doubled to 10 years or cover the whole of the term.

Unfortunately, the social benefit scheme is, together with the sales of newly-built homes, increasingly marginalised on the market. The system of the social benefit was already presented detail in [previous issues](#) of Residential Market Monitor; essentially, the system is about providing a non-repayable amount between 800,000 and 2.5 m forints, in the case when a newly-built home is purchased. For the time being, this measure does not seem to have an effect of boosting demand on the market.

Because of the lack of success of "szocpol", the residential market could rather profit from the "half-szocpol" scheme, already presented in the media several times. This subsidy would be essentially about providing half of the amount of the full social benefit, but this money could be used for the purchase of a home from the owner as well. About the planned terms and conditions thereof, as known at present, we have already provided details on previous issues of the Residential Market Monitor. As it would be available for the purchase of homes already in use, this facility would affect a far larger segment, covering more than 95 percent of the market and so, its demand-boosting effect could be also more widespread. Of course, a lot depends on the specific terms, especially the size of the subvention, and also on the formulation of the energy-related provisions designed to restrict the scope of eligible home purchases. A fact is that its introduction would be highly desirable, the market needs this instrument as soon as possible.

A typical feature of both existing and planned government measures designed to boost demand is that their effect substantially depends on the demand for such instruments and on the willingness of households to buy a new home and to borrow. The expansion of the demand on the residential market experienced in the first quarter of 2014 provides some ground to be optimistic, given that the buyers who generate the additional demand entered the market either with an intention to invest or implementing earlier postponed purchase

plans. And this may indicate some positive changes in the expectations of households, which is strongly needed also for a revival of the loan demand. However, from the events of the first three months, one shall not draw far-reaching conclusions, given that the fundamentals for demand expansion cannot be seen in the economic indicators as yet.

PROGRAMMES TO ASSIST CURRENCY DEBTORS

Those programmes that the government elaborated as an assistance to currency debtors are in effect since a long time. One of these is the exchange rate fixing facility, another is the National Asset Management. Recently, it was also announced that tax-free employer contributions can be extended to loan redemption as well.

New legislation, entered into force in April 2014 allows the employer to provide a maximum of five million forints in five years, free from taxes and levies, in addition to salary, to employees, for the redemption of their forint- or currency-denominated housing loans. This type of employee benefit exists already since years, for the purchase, construction, expansion, modernisation of homes. The novelty is that this assistance can be used also for the redemption of housing loans. As of now, we don't have experience with the practical implementation of this arrangement, but its effects on the housing market will be quite limited. In theory, sellers who entered the market explicitly due to payment difficulties, might withdraw from the sale as a consequence of such assistance, if it provides help for them in the redemption of their loan, diminishing by the same the oversupply and that might alleviate the pressure on prices. But such an effect can be safely assumed to remain theoretical, because the exchange rate fixing could have launched the very same mechanism on the residential market, still, oversupply did not diminish in practice. In terms of oversupply, a moderating effect from the employers' assistance is questionable also from the point of view of the limitations for pecuniary possibilities available at companies for the purpose.

We have already presented in detail the terms and conditions of the exchange rate fixing scheme [in previous issues](#) of Residential Market Monitor. In short, in the new, modified system of exchange rate fixing, below the fixed exchange rate (i.e. 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) the instalments are payable in full by the debtor. Out of the instalment above the fixed exchange rate, which is the difference between the instalment at market rate and at the exchange rate indicated above, the debtor's liability is only to pay the portion of the principal. Not even that amount is payable immediately, as the bank charges that amount to the debtor as a loan, via a collection account. The other portion of the instalment in excess of the fixed exchange rate, covering interests and interest-type fees is waived by the bank and this is not payable by the debtor, not even later. By the way, this amount is charged to the bank and the state in equal proportions.

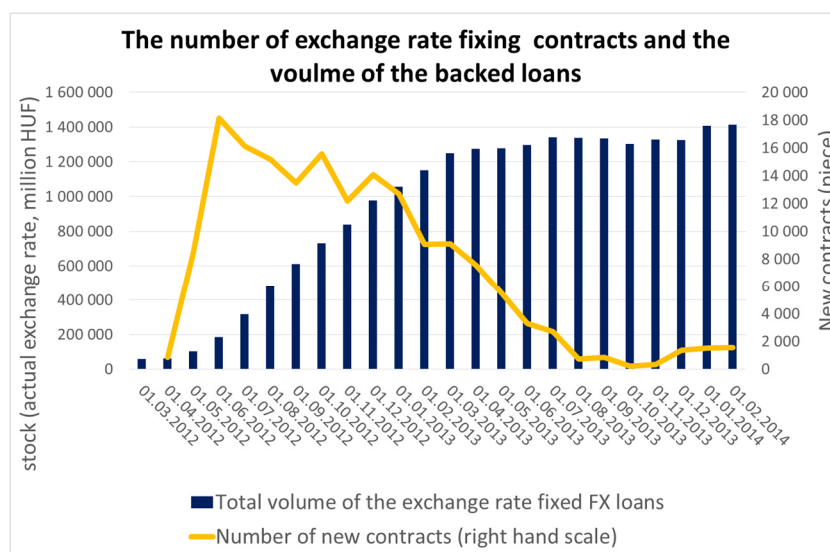
According to data of NBH, until the end of February 2014, a total of 164,914 collection accounts were opened, which means an exchange rate fixing for loans representing 1,412 billion forints. The total number of mortgage-backed retail currency loan contracts with credit institutions was 482,000 at the end of February, therefore the share of collection accounts already opened with credit institutions represented 33% in the number of contracts of all mortgage-backed retail currency loans. Not each and every debtor under the mortgage-backed retail currency loans are eligible for the use of the exchange rate fixing scheme, therefore, this number equals roughly half of all debtors eligible for the exchange rate fixing scheme.

The government modified the rules applicable to the exchange rate fixing in November 2013 for the last time. In accordance with this modification, even debtors in default since more than 90 days can join the programme, as the upper time limit of the arrearages was changed to 180 days. A related modification is that in the case of debtors in default since at least three months, they can apply for the government guarantee attached to the

collection account only where the banks waive a portion of the customers' debt, provided that the debt shall represent not more than 95 percent of the value of the real property used as the collateral of that debt. The modification also cancelled the 20 million limit regarding the loan amount.

In spite of the modifications, the popularity of exchange rate fixing did not reach the levels expected. From the number of new contracts it is clearly visible that the number of new entrants was the highest in mid-2012, and in one year, the number of debtors joining the programme fell to almost zero. The modifications of November 2013 brought about only a minimal revival in the field of new entrances.

11 – Popularity of the exchange rate fixing facility



Source: NBH

NBH prepared a survey where the reasons for keeping away from exchange rate fixing were investigated. The reason for keeping away was, most frequently, that when the programme is over, the instalments payable by the participants will increase excessively, together with the redemption of the loan charged to the collection account. The second and third, most frequently mentioned reasons were that either the interviewees were still waiting for conditions even more favourable than the ones announced, or they did not have confidence in the system and therefore they decided to abstain from the exchange rate fixing system.

The National Asset Management Company (NET), also presented in [previous issues of Residential Market Monitors](#) purchased until the end of 2013, according to its own communication, 15,000 properties and leased these to their previous owners. The property items offered are located predominantly in the Pest, Borsod-Abaúj-Zemplén and Szabolcs-Szatmár-Bereg counties. The average market value of the properties offered was 7.8 million forints at the time when the mortgage contract was concluded; based on that figure, the average purchase price payable by NET calculated on that basis was around 3.3 million forints.

As we already explained in the case of the employer benefits, in theory, the programmes aimed at assisting currency debtors have only an indirect effect to reduce oversupply on the residential market, but these theoretical effects did not show themselves yet until now, in practice.

AUCTION QUOTA

The system of auction quotas operates already since mid-2011; we already dealt with its rules in detail in [previous issues](#) of Residential Market Monitor. Essentially, banks are allowed to initiate the forced sale on a quarterly basis, that is, initiate the sale of the property in an out-of-court procedure or submit an application for collection for that property only in respect of a certain percentage of their loan stock in default since more than 90 days. In 2014, the quota amounts to 5 percent per quarter. The auction quota was designed to avoid a situation where the properties concerned, i.e. the properties behind the loans in default come to the market in bulk, generating a significant drop in prices.

According to NBH data, the basis for the quota means 118,000 properties. Even though forced sales were allowed to start already in year 2011, the basis for the quota kept increasing, with small fluctuations until the first quarter of 2014.

NBH publishes in every quarter the number of property items selected for forced sale and the utilisation of the quota. As these statistics witness, banks do not use in full the possibility of forced sales provided by the auction quota system; its utilisation rate was around 75 percent in the recent quarters. Even if no official information is available about the reasons for low popularity, in the management of non-performing loans, an important decision-making criterion for banks is the recovery of the claim.

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

	basis of the quota	utilisation of the quota
4Q2011	100,268	72%
1Q2012	99,778	83%
2Q2012	107,182	84%
3Q2012	113,846	70%
4Q2012	112,286	68%
1Q2013	110,670	71%
2Q2013	115,076	72%
3Q2013	117,335	74%
4Q2013	117,861	75%
1Q2014	118,595	74%

Source: NBH

One of the alternatives of the forced sales described above can be the sale of the property, subject to a joint agreement between the bank and the debtor. According to the experiences of Otthon Help, which is an undertaking that belongs to the Otthon Centrum Group and provides help to banks in the sale, management, assessment of real estate items standing behind loans in default, banks show an increasing interest in the sale of property behind bad loans, jointly with the debtor.

The auction quota system was designed to reduce the impact of forced sales on the prices. In practice, this worked well until now, but the quota system is in effect until the end of 2014 and the time remaining is too short to clean the portfolios of the banks, that is, for a solution, it is very likely that another intervention will be necessary on behalf of the regulators. It is also against the interest of banks to let a large number of properties come to the market within a short period, because such an oversupply shock, resulting in a downturn, would reduce also the value of the collaterals behind the presently well-performing loans and these would hold more risks. But this situation, representing a typical case of the prisoner's dilemma shall be not necessarily solved by the market only.

The purpose of a joint sale with the debtor or the market-based sale of homes already empty is to sell at market prices, that is, no major pressure will be exercised on pricing and some expansion of the supply may also result, depending on the rates of the disposal.

Taking into account the large number of the properties concerned and the present situation on the market, the cleaning of the bank portfolios may require a process taking several years, even though a recovery of the residential market may speed it up. At any rate, banks shall not forget that growth is fragile as yet, therefore a cleaning of portfolios shall be in harmony with the receptivity of the market.



THE MARKET OF NEWLY-BUILT HOMES

KEY FINDINGS

Decreasing sales:

within total sales, newly-built homes represent a continuously declining share. Whilst in 2008, at a national level, the share of newly-built homes within total sales was about 9 percent and in Budapest, around 15 percent, in 2013, these figures fell back to 3 and 4 percent, respectively.

Adaptation by buyers and developers:

an increasing number of buyers turn towards homes for resale, due to the static, pre-picked, unsold stock of newly-built homes, a stock unable to refresh because of the lack of new supply. In addition to the lack of confidence, bargains hoped for on the market of homes for resale also orient attention toward that segment. Developers minimise their risk and concentrate on projects with low numbers of units.

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 KSH 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 KSH 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.

In early 2014, based on Otthon Centrum sales, an expansion of demand was observed on the market of newly-built homes, as well as on the market of homes sold by owners, but

to a lesser degree. The market of newly-built homes actually are in need of good news, given that the year 2013 was closed with a very poor performance. Whilst since 2009, the total turnover on the housing market is stagnating between 85,000 and 90,000 in terms of transaction numbers, within that small but stable demand, newly-built homes account for a constantly diminishing share. Whilst in 2008, at a national level, every tenth home sold was a newly-built one, this share dropped to 3 percent by 2012, moreover, according to preliminary data of KSH, showing not the full year yet, this share was even lower in 2013. The drop was particularly marked in the capital city, where from the level of 14.5% in 2008, the share of newly-built homes in total sales dropped to 3.5 percent according to the preliminary data for 2013.

2 - Number of newly-built homes sold and their share in total transactions

number of transactions (#)	2008	2009	2010	2011	2012	2013*
home from owner	140,000	82,900	85,500	83,900	83,323	57,128
newly built home	14,100	8,300	4,800	3,900	2,634	1,374
home from owner, Budapest	34,504	20,674	24,714	22,578	23,916	16,456
new home, Budapest	5,798	3,064	2,015	1,551	1,124	629
share of new homes in sales	9.15%	9.10%	5.32%	4.44%	3.06%	2.35%
share of new homes in sales, Budapest	14.39%	12.91%	7.54%	6.43%	4.49%	3.68%

Source: KSH, Otthon Centrum

* preliminary data

The two main reasons why buyers turned away from the market of newly-built homes are as follows. On the one hand, the general lack of confidence manifests itself also on the market of newly-built homes and, as to buyers, this becomes evident from their interest only in homes already completed or very close to completion, while they do not dare to pay instalments of the purchase price for a longer time ahead. The lack of confidence and the fact that, as a result, the share of pre-sales is close to zero, represent a huge problem for developers. This means that in a comparison to pre-crisis times, a developer shall finance alone the 1-1.5 year period of the construction. This implies difficulties in several aspects. On the one hand, developers have access to the funds from banks with similar difficulties like the buyers, and on the other hand, at the present level of interest rates, it is not profitable to launch development projects.

The other reason for a strengthening of the market of homes for resale is that the stock of newly-built homes offered for sale (in Budapest, this means 3-4,000 homes) is very static, given that less and less new homes are built for sale. In other words, for an update of the stock, a resupply is missing, therefore, the buyers face a situation where the offer is not particularly changing, and the homes are many times already pre-picked, and so, if they do not find one that corresponds to their needs, they might easily continue their search on the market of homes for resale.

According to the experiences of Otthon Centrum, for a very large portion, above 90 percent, of people looking for a home, it is irrelevant what the legal status of that home is: for sale or for resale. As to the rest, however, both in Budapest and the countryside, those who are looking specifically for newly-built homes, represent about 15 percent. When we compare this figure with the share of newly-built homes within total sales, it is clear that demand exists for new constructions, but due to the static and pre-picked stock of homes, it does not lead to realised transactions.

On the developers' side, the already presented adaptation forms remained observable. Projects with a small number of flats represent 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. As a result, these homes are either completely leaving the market, or the developer will offer the home together with the tenant. In such cases, lease contracts for a determined period are frequent, ensuring that

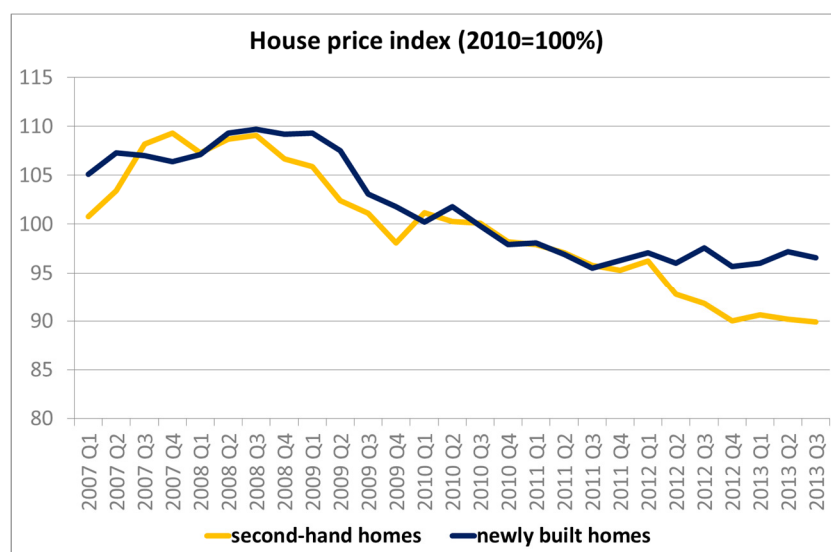
even in the case of a change in ownership, the lessee shall be able to remain there. This might be attractive for buyers who are looking for investment opportunities, given that the property can produce income right away.

A typical feature of developers' adaptation is that whilst in 2007, the average number of units for sale in housing projects in the capital city was 60, by 2013, this figure dropped below 20. On the market at present, projects with a small number of units dominate, not rarely investments with 4-8 homes.

From the situation on the market of newly-built homes it is evident that the measures taken in order to boost demand, such as the social benefit ("szocpol") and the interest rate subsidy, are insufficient to activate the market; for refreshing the static housing stock, which is one of the most important problems, the supply side, the developers also need support. In addition to facilities for cheap financing, the reduction of the VAT content of the price of newly-built homes could bring about the changes necessary to make development profitable again for the developers and so, new offer could appear on the market.

According to the KSH statistics, the average price per square meter of newly-built homes sold in Budapest in the first three quarters of 2013 was around HUF 355,000 per square meter. In the cities and towns of the countryside, KSH registered an average price of HUF 225,000 per square meter, but it is to be noted that the number of transactions was very low there. The prices of newly-built homes show a stagnation trend since the second half of 2011, with some small fluctuations. When reviewing prices, one shall take into account that this average price, as opposed to homes for resale, is established by KSH from a much smaller number of transactions.

12 – Housing price indexes in Hungary



Source: KSH, Otthon Centrum



THE MARKET OF HOMES SOLD BY OWNERS

KEY FINDINGS

Pick-up in sales: the number of sale and purchase transactions in the first three months exceeds the turnover measured in the same period of the previous year by more than 10 percent. The excess demand is due to the realisation of previously postponed purchases, as well as purchases for investment purposes. Even if to a minimum extent, but the number of buyers using loan facilities also increased.

Deteriorating buyers' positions:

sellers are compelled to provide allowances not only when the contract is concluded, but already prior to that, during the selling process, they have to lower their prices. In the first quarter of this year, the extent of total price allowance was 12 percent, or 200 basis points lower, in a comparison with the same period of the previous year. The deterioration of the buyers' positions is in line with the revival of demand.

Shortening selling times:

The selling times decreased in the first three months of 2014, in a comparison with the same period of the previous year. In the case of the brick- and block-built houses, the decrease is insignificant, in the case of block homes, one shall calculate, on average, with 3 months, in the case of brick homes, an average of 4.5 months. The only exception represent brick-built houses sold by owners, where the average selling time increased by 10 days, to 7.5 months.

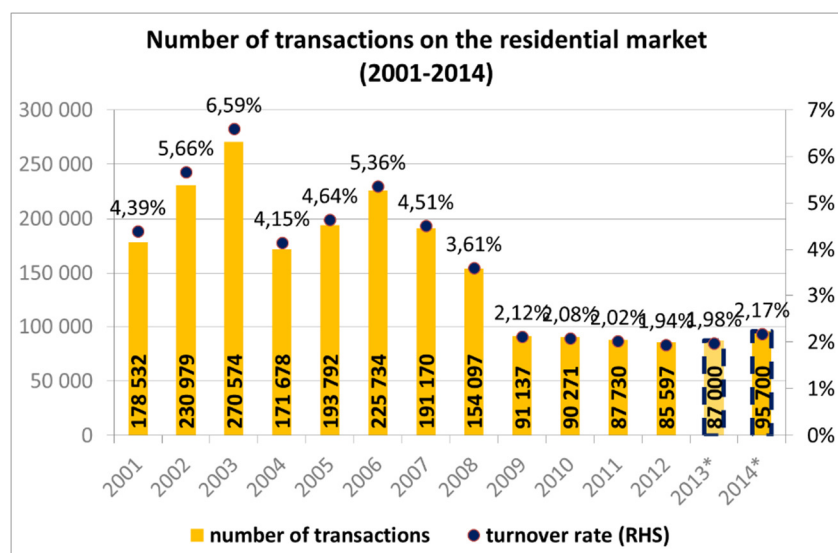
In this chapter, we present the main trends on the market of homes for resale. Detailed analyses on the market of residential properties for resale can be found in our publication [Residential Market Advisor](#).

TURNOVER

In the first three months of the year 2014, the increase in demand exceeded 10 percent, as compared to the same period of the previous year. The increase in disposals might have been caused by small changes in a number of factors, given that for the time being, one cannot see yet in the economic fundamentals the reasons for confidence and a recovery of the willingness to buy a new home.

The number of queries aimed at purchasing a home for investment increased recently. They are the ones who make their purchases either in the hope of future price increases or for a lease. Frequently, the reason behind additional demand is the realisation of formerly postponed purchases. In the last 5 years, demographic changes represented the main motivation in the sale and purchase of real estate, therefore, even with to the negative economic environment and the expectations of the households, year by year, 85-90,000 transactions were realised. At the same time this meant that in a comparison with the pre-crisis years or to an equilibrium level with an appropriate economic and financing environment, the market worked only at half-speed, that is, the number of purchases postponed was very large. What we see now is the implementation of some of these postponed purchases.

13 – Number of transactions on the residential property market, 2001-2014



Source: KSH, Otthon Centrum

* Otthon Centrum estimate

Cash buyers continue to dominate on the market, but an indication that confidence is coming back is that there is an increasing number of buyers who use loans. The previous ratio of 85-90 percent for cash was already diminishing recently, to a minimal degree.

EVOLUTION OF PRICES

For the time being, in the evolution of prices one cannot see the effect of the increasing demand, manifested in the turnover. The price per square meter of brick homes for resale increased minimally in the capital city during the first three months of 2014 to the same period of the previous year; in the agglomeration and in the western counties stagnation, in the eastern half of the country, a small decrease was typical. In the case of block homes, with the exception of the eastern counties where stagnation was experienced, a minimal increase is typical in this period; and in the case of the brick-built houses, prices remained unchanged in each region. According to data of KSH, the price index of homes for resale

was stagnating already from the second half of 2013, and it is highly likely that this will be the case this year, too.

3 - Average selling prices per square meter, by types of property and by regions, first quarter of 2014 (in thousand forints)

1Q2014 (HUF'000)	brick home for resale	block home for resale	brick house for resale
Budapest	275	177	224
East	163	126	134
West	174	142	123
Pest County	187	162	150

Source: Otthon Centrum

PRICE BARGAIN

For the calculation of the pricing bargain, we study the total price-cutting in the selling process. In the case of total price allowance, 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. The larger portion of the total price-cutting comes from price bargain in the process of concluding the contract, but it reflects well the pricing difficulties typical for the market that the decrease in the offer price reaches 4.5 percent, as an average.

4 - Size of the total price allowance, by type of property, 2014 1st quarter

type of property	total price allowance	thereof, upon contracting
brick home for resale	11.46%	7.04%
brick house for resale	17.36%	10.93%
block home for resale	7.81%	4.97%

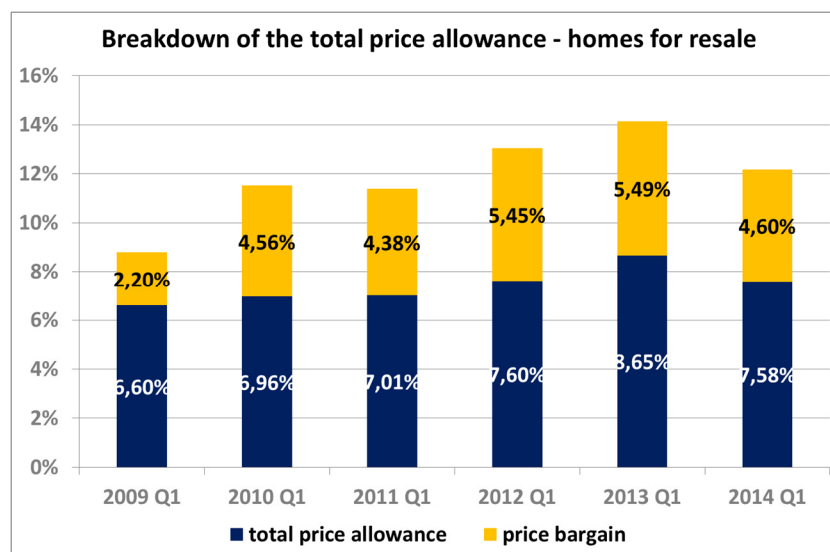
Source: Otthon Centrum

The size of the bargain decreased for the first time since long years in the first quarter of 2014, in a comparison with the same period of the previous year. The reduction of bargaining possibilities for buyers reflect the increase in the turnover observed at the beginning of the year. In the case of both the decrease in the offered prices and the actual price bargain with buyers, the size of price-cutting decreased in a comparison with the first quarter of 2013. The average total price allowance of 12 percent in the first quarter of 2014 already reminds the levels of 2010, 2011, but it is still far from the levels of the pre-crisis years. As compared to the last quarter of the previous year, there was a minimal decrease in the total price allowance achievable in the case of brick homes for resale and there was no change in the case of family houses. A more important change could be observed only in the case of the block homes, almost one percentage point.

At the same time, as compared to the total price allowance of one year ago, the difference is substantial: the drop in the case of brick homes for resale is almost 2 percentage points, for block homes 3.5 percentage points, when comparing the first quarters of 2014 and 2013. The reason behind such drop is the expansion in demand, implying a weakening of the buyer positions as well.

It is important to know that the sizes of bargain always show the average size of price allowances, but smaller and larger price allowances can also occur. As to how much a seller shall allow from the initial price, depends largely on how strong the hopes at the start of the selling are and how far the seller can accept the prices on the marketplace.

14 – Breakdown of the total price allowance, in the first quarters of the years 2009-2014



Source: Ottthon Centrum

SELLING TIME

Similarly to the total price allowance, the selling times decreased in the first three months of 2014, in a comparison with the same period of the previous year. The only exception represent brick-built houses sold by owners, where the average selling time increased by 10 days, that is, to 7.5 months. In the case of the brick- and block-built houses, the decrease is insignificant, in the case of block homes, one shall calculate with an average of 3 months, in the case of brick homes, an average of 4.5 months required for the sale.

Already prior to the crisis one could observe that the selling times of block homes is shorter than for the other types of property. The background may be that as opposed to brick-built homes and houses, block homes are more homogeneous, their differences apply to a smaller number of parameters, and this shortens the time required for comparisons and the decision about the purchase.

5 - Average selling times in days, by type of real property

type of property	2013 1Q	2014 1Q
Brick home from owner	148	140
Block home from owner	103	96
Brick house	216	226

Source: Ottthon Centrum

For the assessment of the data one shall also consider the fact that the time required for the sale of real estate may be very different. We can see homes sold within a matter of a few weeks and it is not rare that a property spends a whole year on the market. It is advisable to evaluate the average selling times in that knowledge.



THE MARKET OF RENTED HOMES

KEY FINDINGS

Increase in rentals:

increase in rentals continued in the first quarter of 2014 as well; in a comparison with the same period of the previous year, an increase was observed in each segment. The increase is stable since years, the rentals are at the level of the first full crisis year, 2009, but lag still behind the pre-crisis level.

Yields:

in the case of properties purchased newly, for the purpose of a lease, yields between 7 and 9 percent could be achieved for 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 KSH), 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

6 - Average monthly rentals per square meter by types of properties

type of property	2009	2010	2011	2012	2013	1Q2014
Brick home from owner	HUF 1,400	HUF 1,390	HUF 1,310	HUF 1,370	HUF 1,440	HUF 1,450
Block home from owner	HUF 1,030	HUF 930	HUF 970	HUF 1,000	HUF 1,070	HUF 1,060
Brick house	HUF 1,010	HUF 970	HUF 970	HUF 960	HUF 1,000	HUF 1,050

Source: Otthon Centrum

Increase in rentals continued in the first quarter of 2014 as well; in a comparison with the same period of the previous year, an increase was observed in the case of each type of properties. With the exception of the block homes, an increase can be seen, even when we compare the average for the full year of 2013 to the first quarter of 2014. The increase is moderate, but stable, since years.

YIELDS

One of the most frequently employed investment strategy is purchasing for lease. This might become particularly attractive with the decrease in real property prices. In busy areas, such as in the proximity of universities and colleges, in cities with important demand for manpower, the lease of property provides secure revenue. In this chapter, we demonstrate the profit that can be realised from lease, by calculating the 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 three months of 2014 is leased by its new owner for ten years and, at the end of the tenth year, it is sold. In the model, we used 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 real terms. 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 implemented entirely from own funds.*
- *For the 10 years, we established an average inflation of 3.22 percent.*
- *From the second year, the owner spends HUF 100,000, in real terms, on maintenance, and in the fifth and the tenth years, that is, in the year when it will be sold, a fivefold of that amount, for refurbishment. We indexed the annual refurbishment costs with inflation for the respective years.*
- *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 simplification, we applied the same 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 rented out on a continuous basis, for 10 years.*

In the model, we calculated yields based on data of some types of leases, highly searched for. We established the purchase price and the revenue from renting on the basis of the ground area of properties having attracted the largest number of queries, the average selling price for the first three months of 2014 and the average rental fees per square meter in the same period. Yields for the different properties are in the range of 7-9 percent.

7 - Yields achievable through lease in the case of some popular types of renting, 1Q2014

Community	Type of property	ground area	yield
Budapest	block home for resale	50 sqm	7.91%
Budapest	brick home for resale	40 sqm	6.73%
Budapest	brick home for resale	60 sqm	7.21%
Western part of the country	brick home for resale	60 sqm	7.92%
Eastern part of the country	block home for resale	50 sqm	9.05%
Pest County	brick-built house for resale	100 sqm	8.66%

Source: Otthon Centrum



LAND MARKET

KEY FINDINGS

Land prices: land prices dropped significantly during the crisis, similarly for the prices of homes, due to the drop in demand. On the basis of data for the first three months of this year, in Budapest, for the purchase of a construction plot in an urban area HUF 26,000 shall be spent, on average. In the larger cities of the countryside, the average price per square meter was about HUF 10,500.

Plots looked for: in Budapest, demand is highest for plots to the value of 8 million forints, 800 square meters, in Pest County, for plots of 7 million, 600-800 square meters. Both in the eastern and western halves of the country, demand is concentrated for plots offered at prices of 7 million forints. In the east, the most vivid interest was demonstrated for land plots of 700, in the west for those of 500 square meters.

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 the 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 included. 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.

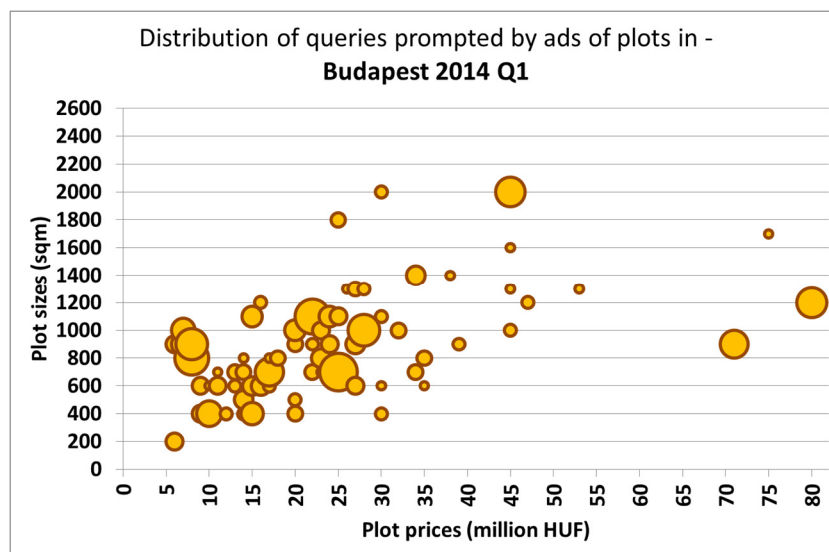
CONSTRUCTION PLOTS LOOKED FOR

In this chapter, we investigate the queries received in the first quarter of 2014, by prices and ground area. In the survey, only construction plots in urban areas are included.

Budapest

In the capital city, the largest number of queries applied to plots of 8 million forints in the first quarter of 2014. Within that price range, plots of about 800 square meters were the most popular. Demand is concentrated on the range of 6 to 25 million, this is the range where two-thirds of all queries go. The upper category is in the range between 25 and 45 million, this is where one-fifth of the demand goes, but demand exists also for plots more expensive than that; it is not rare that interest is shown also towards land offered at prices between 100 and 200 million. Plots more expensive than 45 million appear in less than 15 percent of the queries. Regardless of prices, the plot size most looked for was around 900 square meters, but the 700 and 1,100 square meters plots are also very popular.

15 - Construction plots in urban areas looked for – Budapest, 1st quarter of 2014

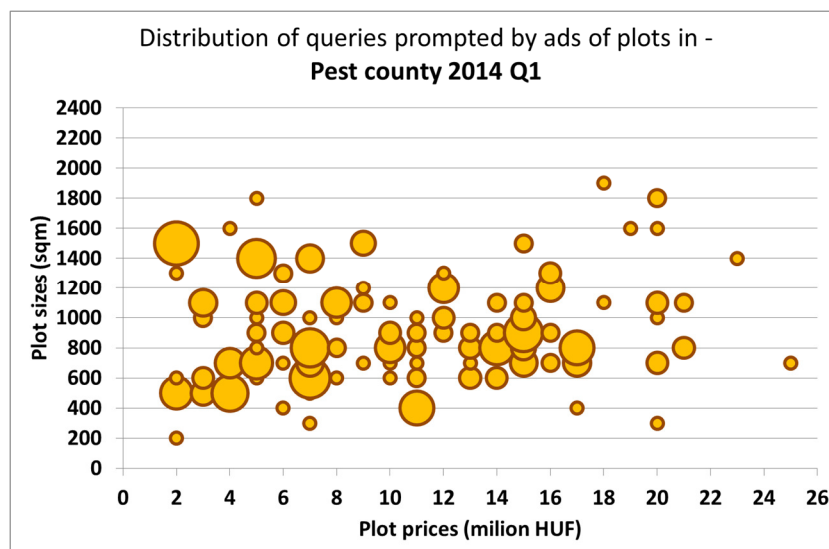


Source: Otthon Centrum

Pest County

In the agglomeration of the capital city, the most popular plots were the ones offered at a price of 7 million, but plots priced at 5 or 15 million are also searched for. In the category of 7 million, most searched for, interest was the most important toward plots of 600 and 800 square meters. Demand is important already for the smaller-value plots, at 2-5 million, and it remains significant up to the price tag of 17 million. 90 percent of the demand is concentrated in the range between 2 and 17 million forints. The upper category can be set at the range of 20-21 million, above that, queries are exceptional.

16 - Construction plots in urban areas looked for – Pest County, 1st quarter of 2014



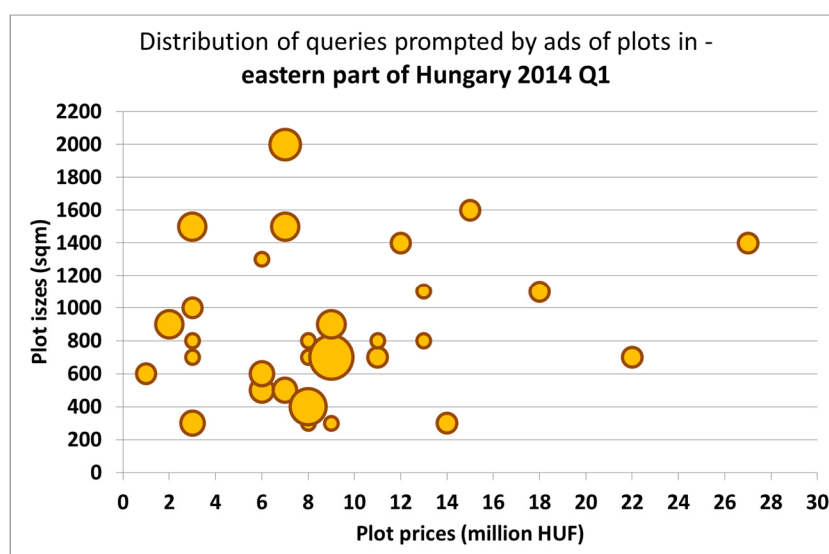
Source: Otthon Centrum

Regardless of prices, the largest number of queries arrived regarding plots of 700 and 800 square meters in Pest County areas. In addition to these, larger construction plots of 1,100 square meters were also searched for.

Eastern Hungary

In the eastern counties of the country, the construction plots of urban areas highest in demand were the ones offered at prices of 7 or 9 million forints, but substantial interest was generated by cheaper plots, priced at 3 million as well. Four-fifths of the demand is concentrated in the range between 2 and 12 million forints. The upper category is in the range of 20-25 million, above that, queries are exceptional. Regardless of price, the most vivid interest was demonstrated for land plots of 700 square meters.

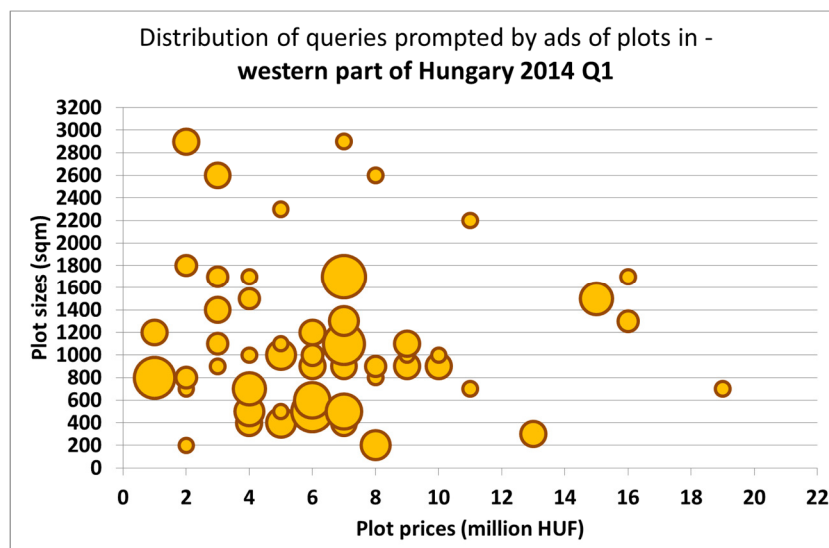
17 - Construction plots in urban areas looked for – Eastern Hungary, 1st quarter of 2014



Source: Otthon Centrum

Western Hungary

18 - Construction plots in urban areas looked for – Western Hungary, 1st quarter of 2014



Source: Otthon Centrum

In the western half of the country, the plots most looked for were the ones offered at a price of 7 million. The ones with a price ticket of 6 and 4 million also proved popular. 80 percent of the demand is already concentrated in the range between 1 and 9 million. As opposed to the eastern counties, the upper limit can be set a little higher in the western half of the country, with demand existing also for plots offered at 28 million or even 42 million. Regardless of prices, the most popular plots were the ones of 500 square meters.

Larger plots, with 900-1,100 or even 1,700 square meters also attracted important interest.

PLOT PRICES

In the table below, we present data of the sale and purchase transactions, administered via Otthon Centrum, in a couple of Budapest districts and in towns or villages of the countryside.

8 – Prices of plots in urban areas in some transactions during the 1st quarter of 2014

Plot size (sqm)	Price	Community
500	HUF 9,000,000	Budapest District XXII - Budatétény
365	HUF 10,200,000	Budapest District XI - Sasad
931	HUF 29,000,000	Budapest District II - Budaliget
500	HUF 5,150,000	Debrecen - Homokkert
737	HUF 9,800,000	Szeged - Újszeged
488	HUF 5,700,000	Pécs - Tettye
680	HUF 14,300,000	Győr - Győrszabadhegy
725	HUF 6,240,000	Nagytarcsa
554	HUF 6,900,000	Nagykovácsi
720	HUF 10,000,000	Solymár

Source: Otthon Centrum

Upon request, we also prepare structured reports on the property market;
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