



Q2 2018: Hungary Commercial Property Monitor

Robust projections for offices

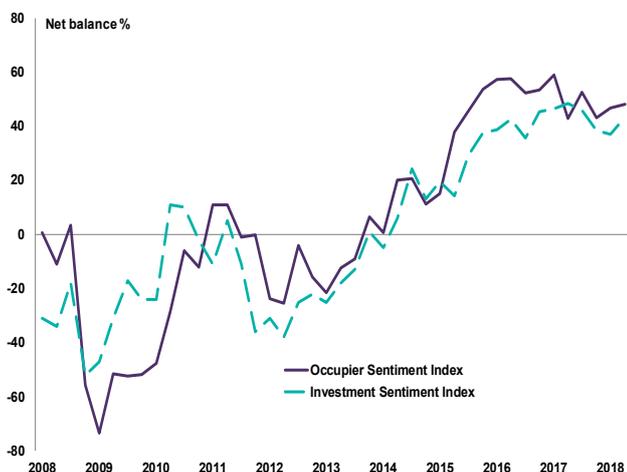
Occupier Market

- The Occupier Sentiment Index (a composite indicator capturing momentum) edged up to +48 from +47 recorded previously. Indeed, this measure is consistent with solid momentum behind occupier market dynamics.
- Occupier demand continued to increase at the headline level with the office sector seeing the strongest pick-up. Demand also continued to rise smartly in the industrial and retail areas of the market.
- Despite solid demand in the market, the availability of leasable space edged up for the first time in three years. Nevertheless, landlords reduced the value of incentive packages offered to tenants across all three sectors.
- Development starts picked up in each area of the market, led by a sharp rise in construction activity across the office sector.
- Rental value projections for the year ahead were broadly similar to the previous quarter. Prime office rents are seen posting the strongest growth, although projections remain solid across the board. Projections for the secondary sub-markets are modest in comparison, but signal a positive outlook for rental values nonetheless.

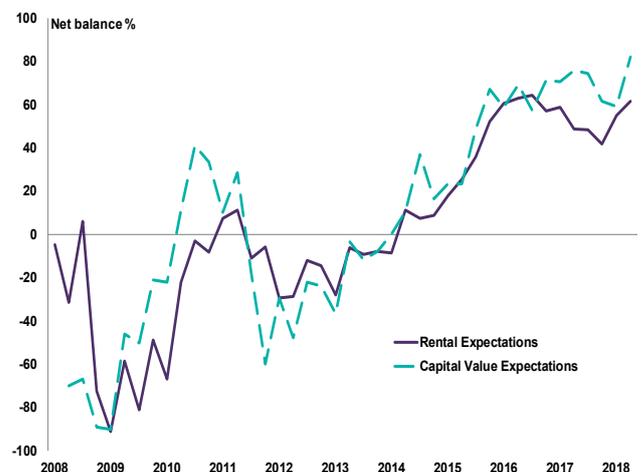
Investment Market

- The Investment Sentiment Index increased to +43 from +37 in Q1, signalling further robust quarterly improvements in investment market fundamentals.
- Investor demand continued to rise firmly over the quarter as robust demand growth was once again reported across the office sector. Alongside this, demand also continued on an upward trajectory within the industrial and retail portions of the market. Demand from foreign investors did continue to rise although the pace of growth moderated from Q1.
- The supply of property available for investment purposes increased only marginally at the headline level.
- Capital value expectations for the year ahead point to robust gains in prime assets. At the same time, expectations for the secondary sub-markets also continue to signal a positive trend.
- The majority of respondents (48%) to the survey sense the market is close to peaking whilst 40% of the believe that conditions in their local market are consistent with the early to middle stages on upturn.

Occupier and Investment Sentiment Index



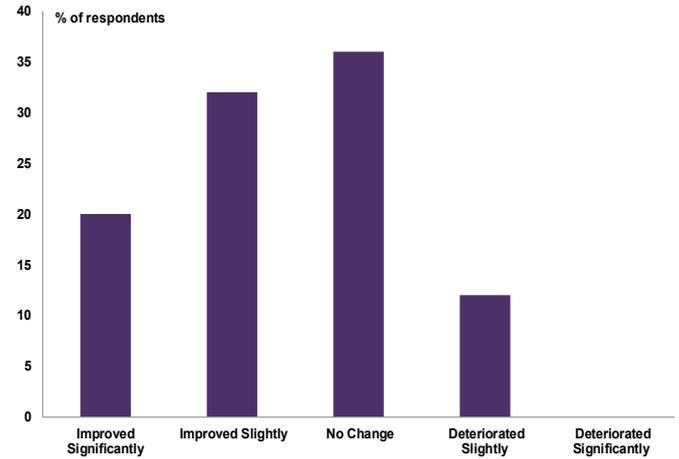
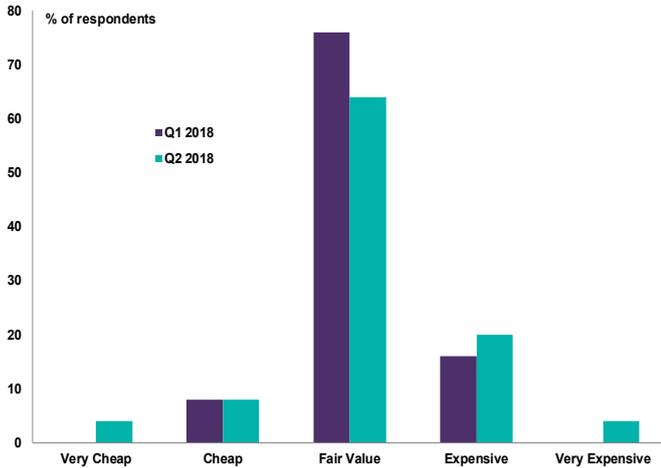
Rental and Capital Value Expectations



Commercial Property Market

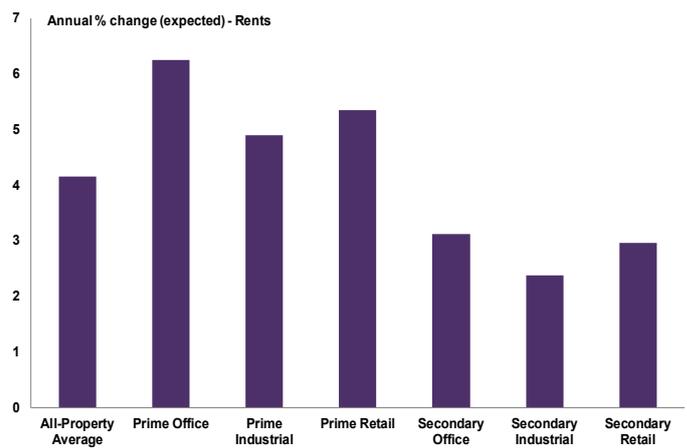
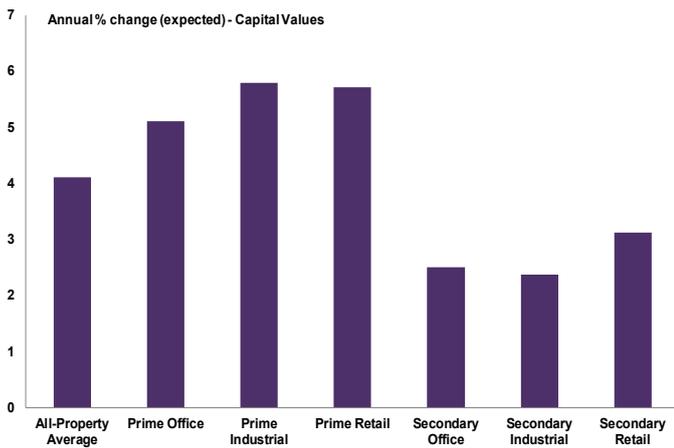
Market Valuations - The majority of respondents (64%) believe market prices are either at or below fair value. That said, the proportion of respondents stating valuations are stretched has been slowly creeping up for six consecutive quarters.

Credit Conditions - On balance, credit conditions eased in Q2, with 40% of respondents noting some degree of improvement.



12m Capital Value Expectations - Robust gains in capital values are projected across primes assets in the coming year, with respondents also expecting solid capital value growth the secondary sub-markets.

12m Rental Expectations - Rental values across prime sub-markets are projected to outpace those in secondary locations in the coming year. Prime office and retail rents are anticipated seeing the strongest growth.



Information

Global Commercial Property Monitor

RICS' Global Commercial Property Monitor is a quarterly guide to the trends in the commercial property investment and occupier markets. The report is available from the RICS website www.rics.org/economics along with other surveys covering the housing market, residential lettings, commercial property, construction activity and the rural land market.

Methodology

Survey questionnaires were sent out on 13 June 2018 with responses received until 8 July 2018. Respondents were asked to compare conditions over the latest three months with the previous three months as well as their views as to the outlook. A total of 1965 company responses were received, with 371 from the UK. Responses for Ireland were collated in conjunction with the Society of Chartered Surveyors Ireland. Responses for Spain and Portugal were collated in conjunction with Iberian Property. Responses for New Zealand were collated in conjunction with Property Council New Zealand.

Responses have been amalgamated across the three real estate sub-sectors (offices, retail and industrial) at a country level, to form a net balance reading for the market as a whole.

Net balance = Proportion of respondents reporting a rise in a variable (e.g. occupier demand) minus those reporting a fall (if 30% reported a rise and 5% reported a fall, the net balance will be 25%). Net balance data can range from -100 to +100.

A positive net balance reading indicates an overall increase while a negative reading indicates an overall decline. The RICS Occupier Sentiment Index (OSI) is constructed by taking an unweighted average of readings for three series relating to the occupier market measured on a net balance basis; occupier demand, the level of inducements and rent expectations. The RICS Investment Sentiment Index (ISI) is constructed by taking an unweighted average of readings for three series relating to the investment market measured on a net balance basis; investment enquiries, capital value expectations and the supply of properties for sale.

Contact details

This publication has been produced by RICS. For all economic enquiries, including participation in the monitor please contact: economics@rics.org

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