

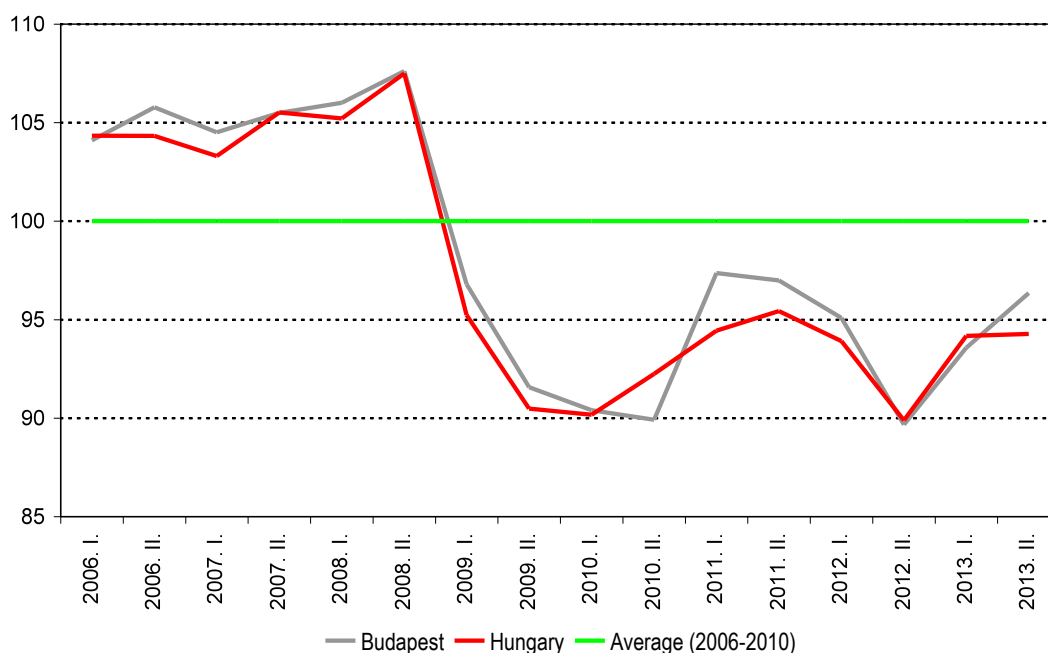


## STAGNATING MARKET EXPECTATIONS IN HUNGARY, SLIGHTLY IMPROVING OUTLOOKS IN BUDAPEST

(Results of the survey about Hungarian real estate market conducted in October of 2013)

GKI conducts real estate surveys twice a year in order to assess plans, intentions and prospects of market players (realtors, developers, operators, households and companies) for the next one year. The real estate market indexes of GKI (referring to the capital and Hungary) synthesize the expected outlooks for the individual market segments (including the residential, office space, retail space and warehouse markets), and provides **an overall view of the entire real estate sector**. In particular, the indexes reflect the relationship between supply and demand as well as the future plans and expectations of market actors.

**Real estate market indexes of GKI\*, 2006-2013**



*\*/Value 100 represents the long term average of two indexes.*

**In October of 2013 real estate market index referring to the capital shows significant increase compared to the previous survey (in April of 2013). The index referring to Hungary did not change significantly. In the background of improving market expectations in Budapest there is a positive change in outlooks of companies and households. Expectations of realtors and developers remained practically the same. Market expectations in October of 2013 do not refer to a turning point.**

## Office space market

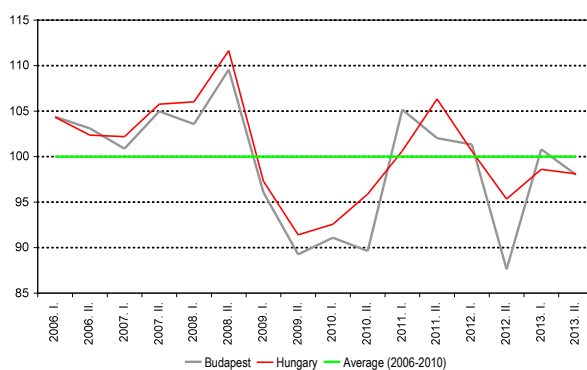
In the first three quarters of 2013 20 thousands square metres new capacity entered the capital market. It is slightly more than was one year ago. There is no any sign about increase of market demand, so developers are very cautious.

### Occupancy rates on the Budapest office space market

	Type A (%)	Type B (%)
Pest	73 (75)	76 (79)
Buda	68.5 (70.5)	71 (72.5)

The results of the previous, October 2012 survey are shown in parentheses.

### Office space market indexes, 2006-2013



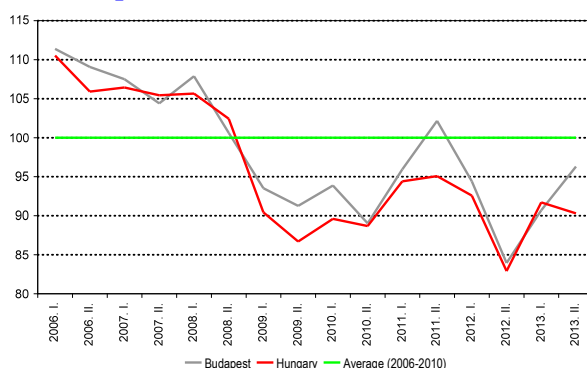
The occupancy rates in Budapest have been deteriorated in every segment. The occupancy rate is 67% in Eastern-Hungary (it was 70% in April of 2013) and 68% in Western-Hungary (it was 62% in April of 2013). The national average remained the same.

Office space market indexes (which reflect expectation of real estate developers, realtors and companies) decreased by 3 points in Budapest and remained the same in Hungary.

## Retail space market

In 2013 two shopping malls entered the market. There are some plans for new developments but the uncertainty about them is high. On the area of shopping malls reconstructions and modernisations are more popular than new investments for new retail spaces. Outlooks are more favourable than they were a half year ago: consumption of the Hungarian households will probably increase by 0,5% in 2013 and by 1,5% in 2014.

### Retail space market indexes, 2006-2013

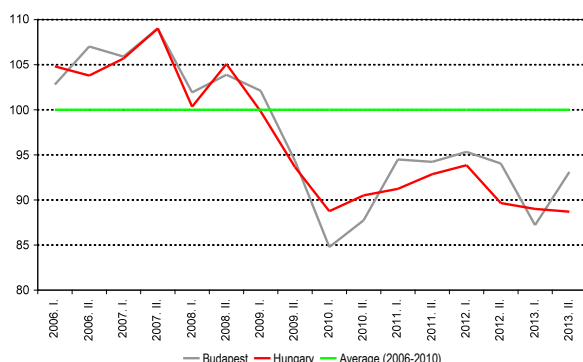


The competitors are searching for their place on the market. The retail property market - due to the strong retail competition - has stabilized at a high level of turnover rate.

Retail space market index (which reflect expectation of real estate developers, realtors and companies) for Budapest shows significant improvement compared to the previous survey. But the composite index referring to the whole country slightly decreased.

## Market of warehouses

### Warehouse market indexes, 2006-2013



In Hungary the market of warehouses have been in a hard situation. Needs for warehouses have not increased so the developments are in a very low level. According to GKI the demand on this market segment will probably stagnate until the end of 2014.

Warehouse market indexes (which reflect expectation of real estate developers, realtors and companies) decreased slightly in the rural areas, but significantly increased in Budapest.

## Residential market

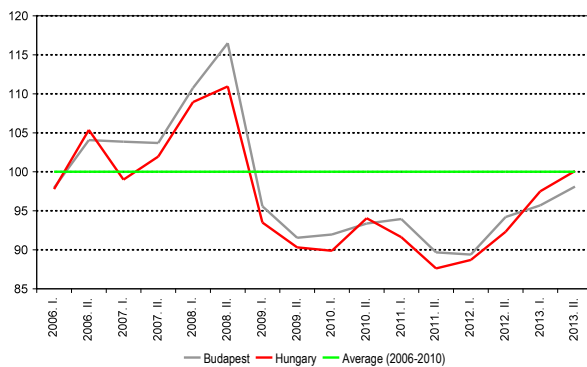
In October of 2013 assessment of residential market is practically unchanged compared to the previous survey in the rural areas and in Budapest as well.

### Expectations of housing market segments for the forthcoming 12-month period\*

	April of 2013	October of 2013	Probable change
<b>Budapest</b>			
Non-prefab condominium homes			
Buda, green belt	-32	-26	↗
Buda, other areas	-32	-35	→
Downtown Pest	-35	-33	↗
Pest, green belt	-37	-30	↗
Pest, other areas	-37	-28	↗
Prefab housing estates			
Northern Pest	-42	-44	→
Southern Pest	-42	-48	↘
Buda	-40	-42	→
Single family homes			
Pest	-39	-41	→
Buda	-39	-39	→
Eastern Hungary			
Non-prefab condominium homes	-50	-50	→
Prefab housing estates	-46	-58	↘
Single family homes	-58	-46	↗
Western Hungary			
Non-prefab condominium homes	-24	-19	→
Prefab housing estates	-34	-23	↗
Single family homes	-36	-28	↗

\* / balance indicators: weighted difference between the indices indicating the rates of oversupply and excess demand, with 0 reflecting balanced market conditions, negative values indicating oversupply and positive values signalling excess demand.

## Residential market indexes, 2006-2013



Residential market indexes (which reflect expectation of real estate developers, realtors and households) increased slightly in Budapest and in the rural areas as well.

For the next 12 months, responding developers and realtors expect an improving market in Western-Hungary. In Eastern-Hungary and in Budapest an unchanged situation can be forecast.

According to the October of 2012 survey data, household expectations for home building and purchase significantly improved.

## Households' plans to build, purchase or remodel homes

(4-quarter moving averages, thousand households)

	Home construction or purchase		Home remodelling	
	Certain	Likely	Certain	Likely
2008.01.	27	96	71	296
2008.02.	26	78	59	247
2008.03.	30	83	51	233
2008.04.	26	74	45	207
2009.01.	27	60	37	164
2009.02.	25	46	32	153
2009.03.	22	32	37	144
2009.04.	22	32	33	147
2010.01.	17	34	32	139
2010.02.	11	47	30	131
2010.03.	5	54	23	123
2010.04.	3	53	25	116
2011.01.	4	56	30	114
2011.02.	8	49	27	107
2011.03.	7	38	23	97
2011.04.	8	38	21	84
2012.01.	7	35	16	81
2012.02.	4	31	12	77
2012.03.	10	38	19	99
2012.04.	10	38	19	99
2013.01.	9	37	19	104
2013.02.	11	37	21	106
2013.03.	20	43	28	112
2013.04.	21	40	26	104

Source: GKI household survey

## Prices, rents

### Expectations regarding prices of real estate in the next 12 months

(Percentage changes compared with current prices)

	Budapest	Western-Hungary	Eastern-Hungary	Hungary average
Existing residential unit	-0.6 (-1.4)	-1.3 (-1.8)	-2 (-2)	-0.6 (-1.7)
Newly built residential unit	-0.5 (-0.5)	0 (0)	-1 (-2.5)	-0.5 (-1)
Office space	-5 (-3.2)	-1 (-2.5)	-1 (-1)	-2.3 (-2.3)
Retail space	0 (-3)	-2.5 (0)	-1.7 (-1)	-1.8 (-1.5)
Warehouse	-2 (-3.5)	-2.5 (-1.5)	-1.8 (-1)	-2 (-2)
Construction lots	-3 (-1)	-4 (-1)	0 (-3)	-2.3 (-1.7)

The results of the previous, April 2013 survey are shown in parentheses.

### Expectations regarding rents in the next 12 months

(Percentage changes compared with current prices)

	Budapest	Western-Hungary	Eastern-Hungary	Hungary average
Office space	-2.5 (-3.5)	0 (-1.5)	-1 (0)	-1.2 (-1.8)
Retail space	-5 (-3)	-2 (-3)	-1 (-2)	-2.7 (-2.8)
Warehouse	-1.5 (-3)	-2.5 (-2)	-1 (-1)	-1.7 (-2)

The results of the previous, April 2013 survey are shown in parentheses.