



GKI Economic Research Co.

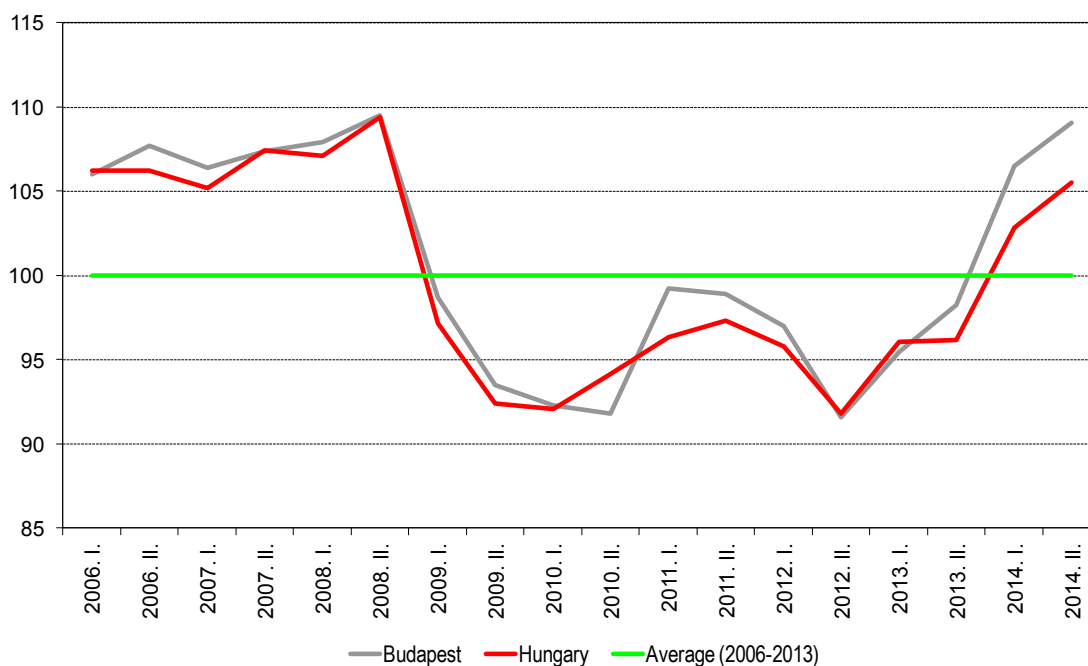
We analyse and you take the decision.

EXUBERANT OPTIMISM ON THE RESIDENTIAL AND OFFICE SPACE MARKETS

(RESULTS OF THE SURVEY ABOUT THE HUNGARIAN REAL ESTATE MARKET CONDUCTED IN OCTOBER OF 2014)

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*, 2006-2014



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

After the years of crisis (2008-2013) considerable optimism could be observed on the Hungarian real estate market. Results of the previous (April 2014) survey referred to a significant improvement of market expectations. This positive tendency can be experienced in October of 2014 as well. However, the measure of improvement halved. The value of real estate market index referring to Budapest is 109 in October of 2014, which is higher by 3 points than the same value measured in April of 2014. The value of real estate market index referring to Hungary is 105.5 in October of 2014, which is higher by almost 3 points than six month ago. Both indexes are very close to their values measured just before the financial and economic crisis. This probably does not mean that actors of the Hungarian real estate market expect for a new 'golden age' but they really expect for a significant improvement on this market. Expectations on the residential and office space markets have considerably improved. On the retail space market the expectations have not improved reflecting a huge uncertainty about future measurements of the government.

OFFICE SPACE MARKET

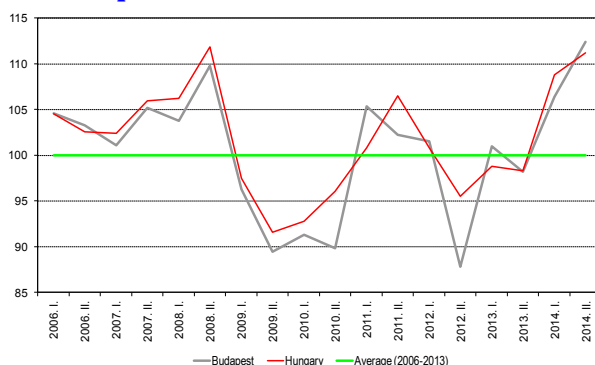
Results of the current survey show a turning point in the occupancy rate of Budapest market. In the second half of 2013 and in the first half of 2014 the tendency of decreasing occupancy rates could be observed. In October 2014 – expect for Pest type ‘A’ – the utilization rates increased in every segments on the capital market. In Eastern-Hungary occupancy rate of 65% (a half year ago) increased to 67%, in Western-Hungary the same rate remained 65%.

Occupancy rates on the Budapest office space market

	Type A (%)	Type B (%)
Pest	72 (72.8)	73 (72)
Buda	68,5 (67.3)	71.5 (70.2)

The results of the previous, April 2014 survey are shown in parentheses.

Office space market indexes, 2006-2014

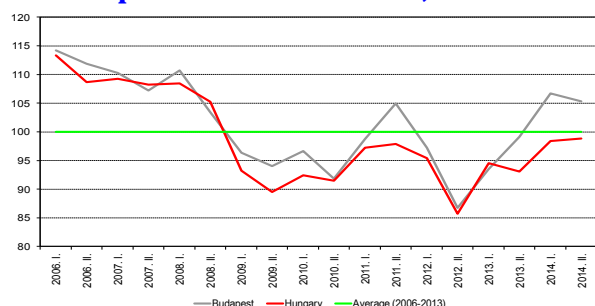


Office space market index (which reflect expectations of real estate developers, realtors and companies) increased by 6 points in Budapest and by 2 points in Hungary. Expectations of real estate developers and realtors became more positive, and it is true for the companies as well. The values of these indexes are close to ones just before the financial and economical crisis. This optimism may refer to a market upturn.

RETAIL SPACE MARKET

Retail sales have picked up since 2013 and this tendency is continuing in 2014 and probably in 2015. The market competition remains strong and this can contribute to remaining of a turbulent market situation. Regulation environment of retail trade sector remains uncertain.

Retail space market indexes, 2006-2014

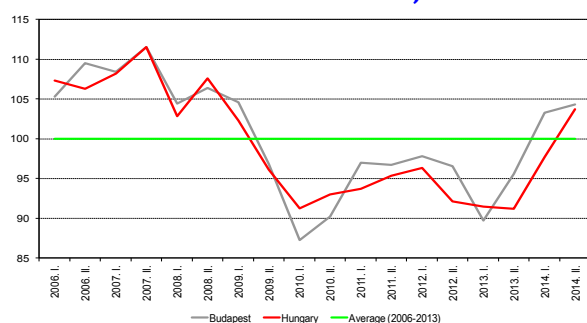


Retail space market index (which reflect expectations of real estate developers, realtors and companies) referring to Budapest decreased by 1 point the index referring to Hungary remained unchanged.

The indexes reflect the uncertainty mentioned before.

MARKET OF WAREHOUSES

Warehouse market indexes, 2006-2014

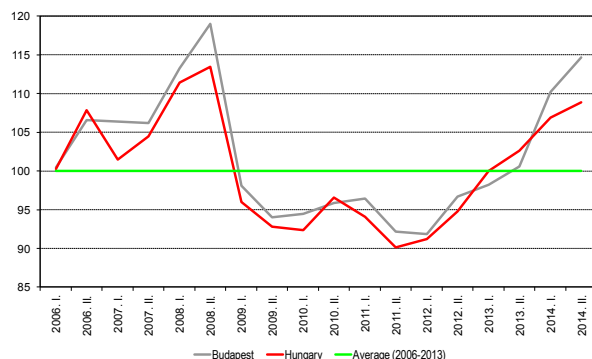


Production of industry and the performance of transport sector will probably grow in 2014 and 2015, so demand on the warehouse market can increase. Warehouse market index (which reflect expectations of real estate developers, realtors and companies) increased significantly in the rural areas (by 6 points) and slightly in Budapest (by 1 point).

RESIDENTIAL MARKET

In October 2014 assessment of residential market improved only in Eastern-Hungary. On the other two areas the situations are unchanged.

Residential market indexes, 2006-2014



Residential market index (which reflect expectations of real estate developers, realtors and households) increased significantly in Budapest (by 3 points) and in the rural areas (by 4 points) as well.

For the next 12 months, responding developers and realtors expect an improving market in every segments.

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

	April 2014	October 2014	Probable change
Budapest			
Non-prefab condominium homes			
Buda, green belt	-20	-8	↗
Buda, other areas	-20	-14	↗
Downtown Pest	-20	-14	↗
Pest, green belt	-16	-12	→
Pest, other areas	-16	-20	→
Prefab housing estates			
Northern Pest	-23	-14	↗
Southern Pest	-25	-14	↗
Buda	-20	-12	↗
Single family homes			
Pest	-21	-24	→
Buda	-15	-19	→
Eastern Hungary			
Non-prefab condominium homes	-31	-21	↗
Prefab housing estates	-35	-20	↗
Single family homes	-27	-27	→
Western Hungary			
Non-prefab condominium homes	-20	-14	↗
Prefab housing estates	-26	-13	↗
Single family homes	-26	-25	→

* / 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.

According to the results of consumer surveys household expectations for home building and purchase reflect huge uncertainty about their future plans.

Households' plans to build, purchase or remodel homes, 2008-2014

(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
2014. 01.	23	47	27	111
2014. 02.	20	49	26	123
2014. 03.	9	50	22	146
2014. 04.	6	61	23	171

Source: GKI household surveys

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	0.5 (-0.6)	0.7 (-1.3)	-1.3 (-2)	0 (-0.6)
Newly built residential unit	0.3 (-0.5)	1.7 (0)	-2 (-1)	0 (-0.5)
Office space	-1 (-5)	-2 (-1)	-1.5 (-1)	-1.5 (-2.3)
Retail space	-0.7 (0)	-2 (-2.5)	1 (-1.7)	-0.7 (-1.8)
Warehouse	1 (-2)	-1 (-2.5)	2 (-1.8)	0.7 (-2)
Construction lots	0 (-3)	-2 (-4)	-5 (0)	-2.3 (-2.3)

The results of the previous, April 2014 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	0 (-2.5)	0 (0)	0 (-1)	0 (-1.2)
Retail space	-0.7 (-5)	-1 (-2)	-1 (-1)	-0.8 (-2.7)
Warehouse	0 (-1.5)	-1.7 (-2.5)	1.5 (-1)	0 (-1.7)

The results of the previous, April 2014 survey are shown in parentheses.