



CAPITAL MARKETS

H2 2024 Hungary



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Foreword

In the second half of 2024, the Hungarian commercial real estate investment market showed clear signs of recovery, with total transaction volume reaching EUR 268.8 million, representing a substantial increase compared to H1 2024. In fact, Q4 alone surpassed the combined volume of Q1–Q3, indicating a strong end-of-year rebound and renewed investor confidence. This resurgence stems partly from expectations of an easing interest rate environment and a noticeable improvement in market sentiment, with cautious optimism characterising the current outlook.

The anticipated rate cuts by the European Central Bank in early 2025 further support this momentum, potentially triggering continued growth in activity. While some deals are expected to close in Q1 2025, the general market view suggests that the 2025 investment volume could outperform 2024.

Notably, prime yields remained stable across all asset classes, suggesting a pricing floor and potential upside as confidence builds. Significant transactions in H2 2024 included the Stock Exchange Palace, Vörösmarty 1 (retail asset), Honvéd Center (office asset), and Hotel Budapest (hotel asset) – signaling activity across diverse segments of the market.

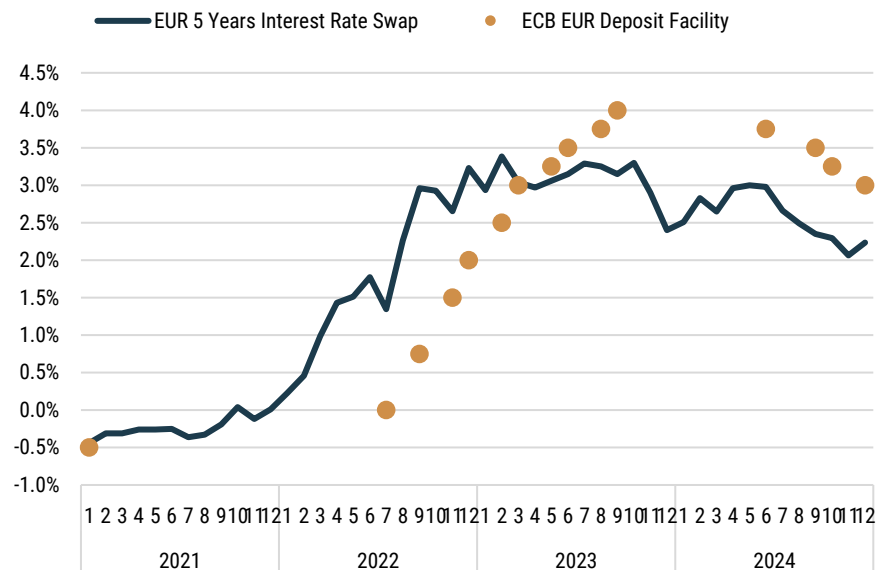
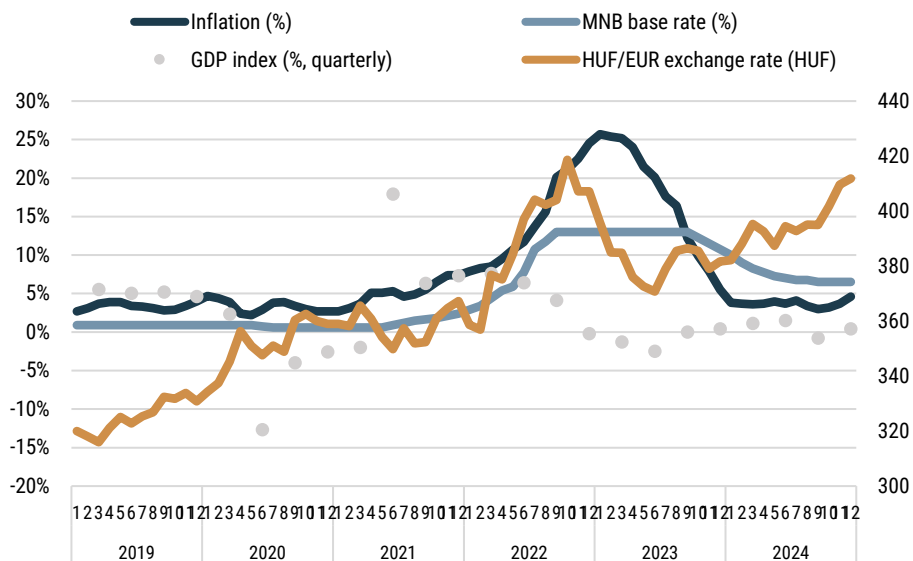
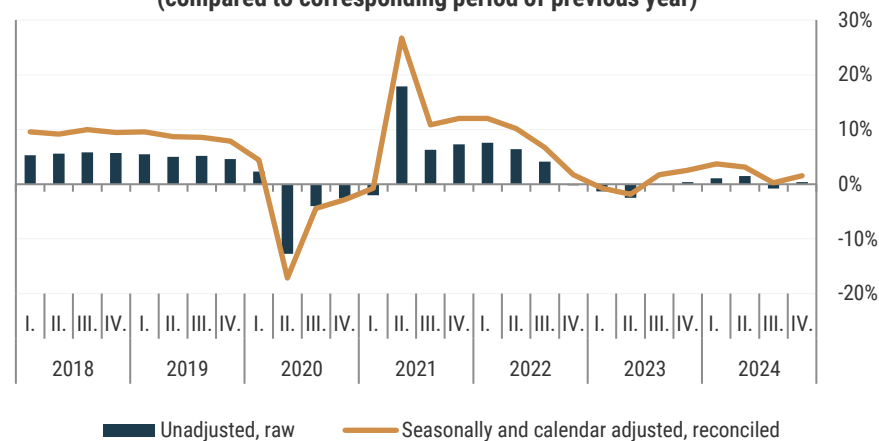
Regionally, investment volumes in 2024 reflected a continued caution among investors, although some markets showed relative resilience. Poland again led the CEE region with a total annual transaction volume of EUR 4.77 billion, accounting for over half of all regional investment activity. The Czech Republic followed with EUR 1.85 billion, while Romania registered EUR 719 million. Hungary's total for the year stood at EUR 435.9 million, underscoring its more modest share of the regional capital flow.

While geopolitical risks remain a central concern for institutional investors globally, there are signs of stabilisation and cautious re-engagement in selected markets. Hungary's proximity to geopolitical tensions continues to influence risk perceptions; however, the marked increase in activity during Q4 suggests growing confidence among market participants.

Economic summary

- Hungary's GDP growth slowed, with full-year 2024 growth at 0.6%, down from H1's 1.5%. Inflation remained a concern, closing the year at 4.6%.
- Industrial production contracted by 5.3% YoY in December, continuing the trend of weaker manufacturing output.
- The Hungarian National Bank held its base rate steady at 6.5% at year-end, suggesting a cautious but stable monetary approach.

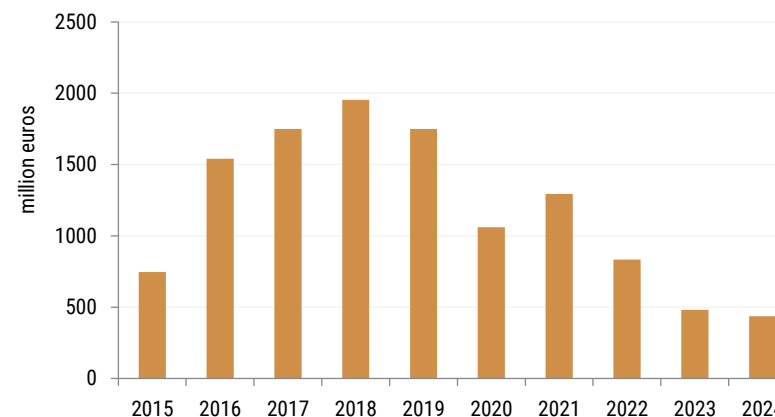
Volume change of GDP
(compared to corresponding period of previous year)



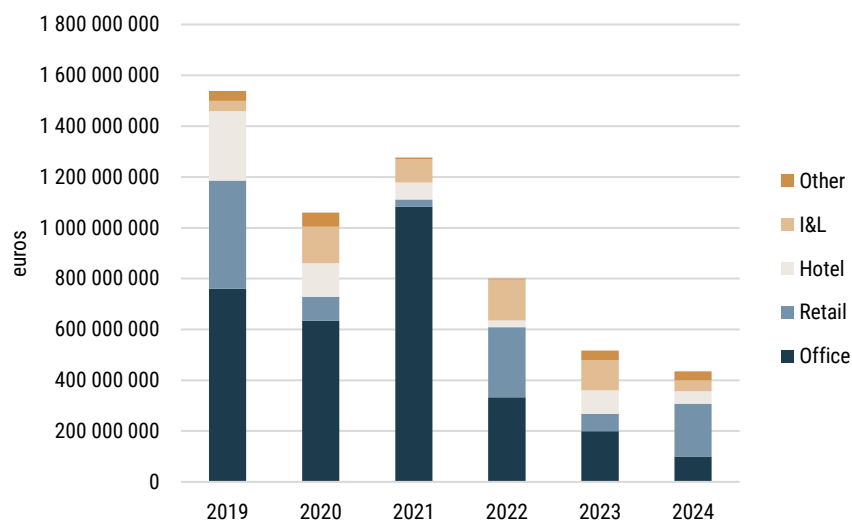
Transactions

- The total investment volume for H2 2024 equalled EUR 268.8 million, significantly up from H1's EUR 167.1 million.
- The retail sector led the way with EUR 120 million in transactions, followed by office assets (EUR 93 million) and development lots (EUR 22.3 million). The hotel sector also saw notable activity (EUR 20 million), while industrial (EUR 7.6 million) and other (EUR 5.9 million) assets contributed more modestly.
- Domestic investors continue to dominate, though a return of cross-border interest is evident in some of the high-profile deals mentioned above. There is clear buzz on the market, especially following the uptick in activity during Q4, as investor sentiment improves.

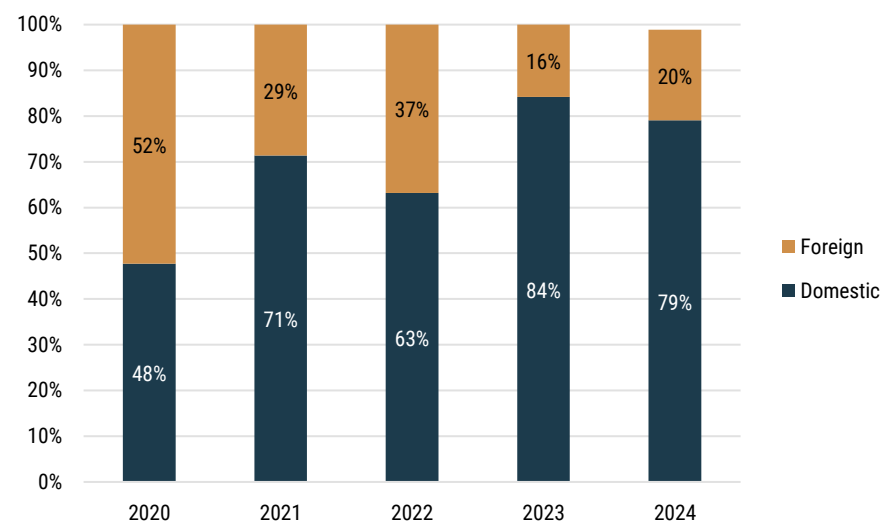
Commercial Real Estate Investment Volumes



Sectoral Share of Investment Volume, Hungary

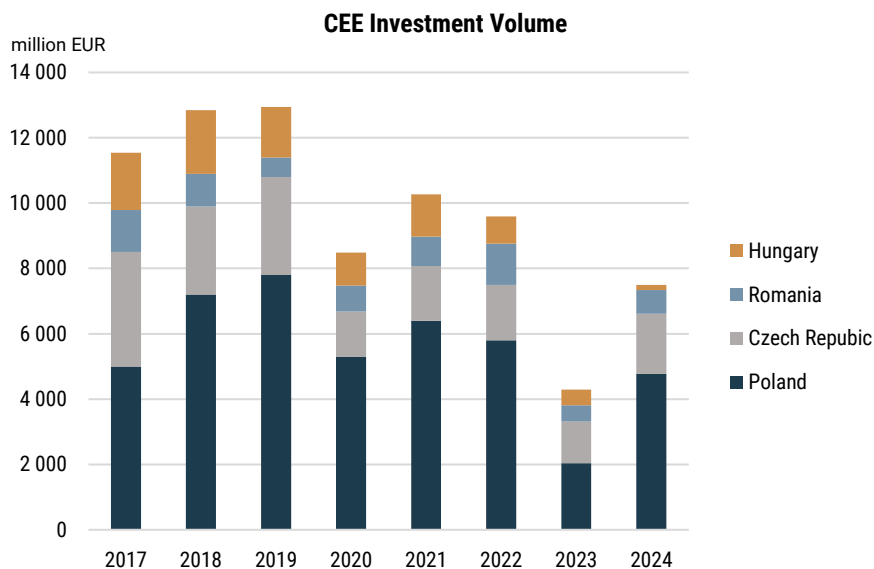


Domestic vs. Foreign investors

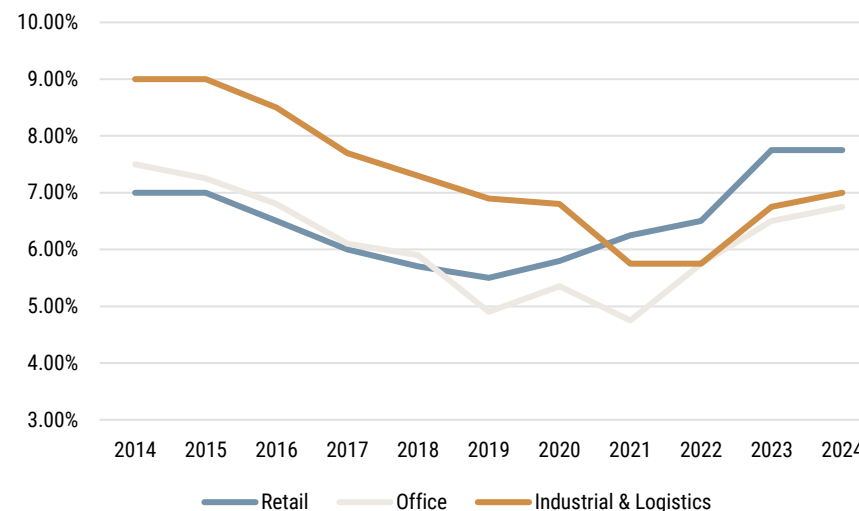


Prime yields & regional comparison

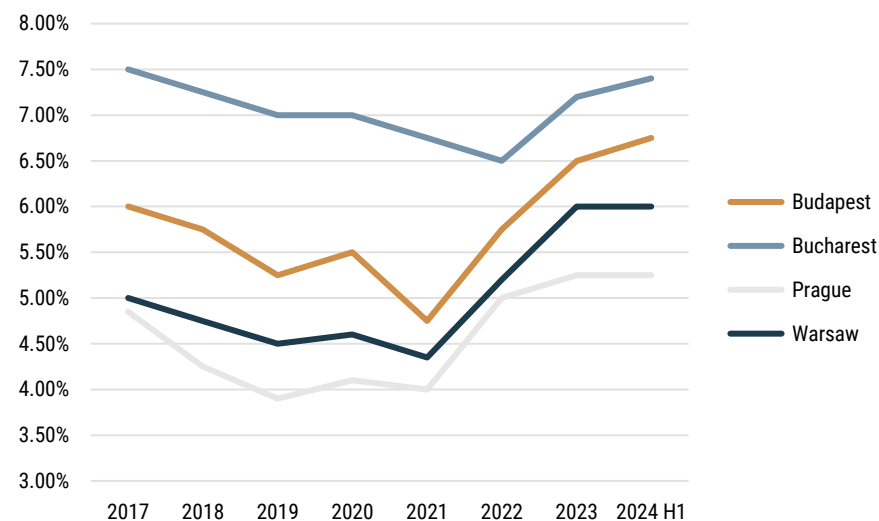
- Prime yields in Hungary remained stable across all sectors during H2 2024, with office yields holding at 6.75% and logistics at 7.00%. The fact that yields have stabilized in H2 2024 and no longer appear to be expanding is an encouraging signal. It reflects growing investor belief that the market is approaching a turning point.
- Compared to other CEE office markets, Hungary remains competitively positioned, with Budapest's prime office yield of 6.75% sitting between Warsaw (6.00%) and Bucharest (7.10%), while Prague continues to offer the sharpest yield at 5.25%.
- This puts Budapest in the mid-range of CEE capitals, suggesting potential upside for yield compression should market conditions improve.

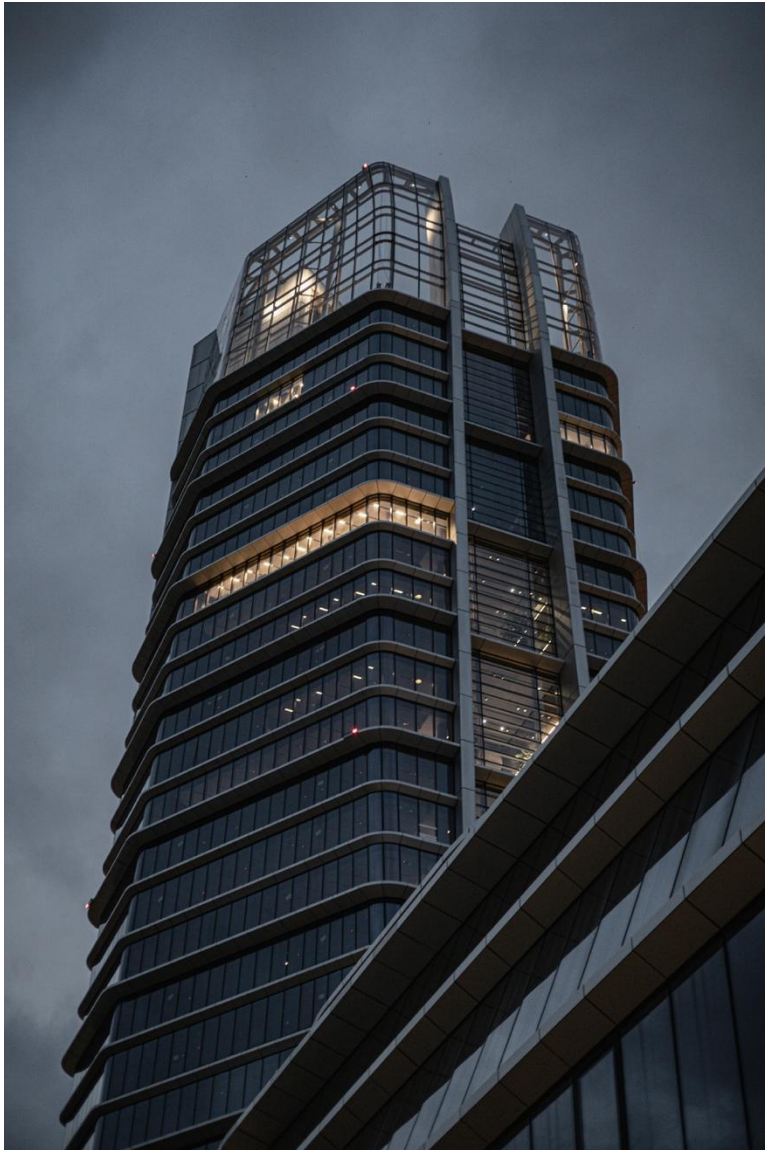


Prime property investment yields



CEE Prime Office Yields (%)





Forecast

Momentum has returned to the market, driven by strong activity in Q4 2024. The office sector, after a subdued performance earlier in the year, is showing renewed promise - particularly with landmark deals like Honvéd Center and repurposing strategies gaining traction.

Investor sentiment has clearly improved, supported by expected monetary easing and a more optimistic global backdrop. If current trends hold and with major deals continue into Q1, 2025 is well positioned to exceed 2024 in terms of total investment volume.

MORE INFORMATION

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