

# Budapest, Hungary



## Contact

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## Country Data

Area (KM <sup>2</sup> )	90,736,364
Population (Millions)	10.1
GDP 2006 (US\$ B)	136.4
GDP Growth (%)	2.1
GDP/Capita (US\$)	13560.35
Inflation Rate (%)	7.6
Interest Rate (%)	7.25
Unemployment Rate (%)	7.4

In 2007 the Hungarian economy will acquire less deficit than accumulated during from 2001-2006. The actual deficit for 2007 is expected to be 6.2% of GDP and predicted to increase by 3.2%. This rate is lower than those of all other Central European countries, but it is slightly higher than the EU average. Investments are expected to expand by 4%. Central and local government investments will slow down, while the investments of the business sector will pick up moderately. Business sector employment will grow while public sector employment will decline by 4-7% as result of the reforms. The overall employment level will remain flat; and the unemployment rate will increase slightly.

The office market in Budapest has entered a new development phase, with a large number of class A projects underway. Available office property now stands at 1.74 million square meters. Recent projects include: BC30 office building (13,000 square meters), the first phase of Atrium Park (16,000 square meters), River Loft (5,500 square meters), Váci 33 office building (17,400 square meters), Infopark D (17,500 square meters) and Arena Corner (29,600 square meters).

Developers forecast an additional 150,000 square meters of office space to be available; therefore, the available class A office property for lease in Budapest may reach 2.25 million square meters by the end of the year. Key office transactions in 2007 include the Hungarian Post acquisition of 24,000 square meters in Gateway Office and the €60 million sale of Arena Corner Office to ORCO's Endurance Fund.

In 2006, the retail sector experienced a slow year, with no new shopping centers opening. However, in 2007, the retail sector experienced more growth with the addition of several new shopping centers and strip malls planned for development between 2007-2009 in Budapest and regional cities across the country. The Arena Plaza Mall developed by Plaza Centers, with some 67,000 square meters of gross leaseable area, was sold to aAIM for €390 million with a yield close to 6%. Tesco, the international grocery and general merchandising retail chain, acquired 15,000 square meters in Agrogate, Hungary.

AIG/Lincoln completed Market Central Ferihegy, the first integrated retail park in Hungary, which totaled 44,000 square meters. This development offers a return to the traditional urban and village shopping environments by re-creating the characteristics of a Town Center while providing the convenience of a ground level streetscape of stores connected by a covered walkway and directly accessed by over 1,550 parking spaces.

On the residential market, developers can reach their previous achievements only if their projects offer some additional value, for example, a complex town center development. There are more multifunctional developments being built in Budapest that comprise not only apartments but offices, commercial, hotel and service facilities as well. Examples include Corvin Promenade, Károlyi Town Center, Mundo Town Center and Danubio Park.

Hungary has served as a logistics center, providing a gateway between Western Europe, the Balkans and Eastern Europe. With the EU expansion to Romania and Bulgaria, Hungary will have a stronger position as a distribution hub for South Eastern Europe.

## Budapest At A Glance

Conversion: .70 Euro = 1 US\$

	NET RENT/M <sup>2</sup> /MONTH		US\$ NET RENT/SF/YEAR		Vacancy
	Low	High	Low	High	
<b>CITY CENTRE OFFICE</b>					
New Construction (AAA)	€ 12	€ 16	\$ 19.11	\$ 25.48	N/A
Class A (Prime)	€ 11	€ 14	\$ 17.52	\$ 22.30	11.0%
Class B (Secondary)	€ 8	€ 13	\$ 12.74	\$ 20.70	8.0%
<b>SUBURBAN OFFICE</b>					
New Construction (AAA)	€ 11	€ 14	\$ 17.52	\$ 22.30	
Class A (Prime)	€ 10	€ 14	\$ 15.93	\$ 22.30	11.0%
Class B (Secondary)	€ 7	€ 10	\$ 11.15	\$ 15.93	8.0%
<b>INDUSTRIAL</b>					
Warehouse	€ 4	€ 5	\$ 6.37	\$ 7.64	18.0%
Manufacturing	€ 4	€ 5	\$ 6.37	\$ 7.33	10.0%
High Tech/R&D	€ 5	€ 6	\$ 7.96	\$ 8.76	8.0%
<b>RETAIL</b>					
City Centre	€ 60	€ 120	\$ 95.56	\$ 191.11	N/A
Neighborhood Service Centers	€ 20	€ 80	\$ 31.85	\$ 127.41	N/A
Community Power Center (Big Box)	€ 5	€ 10	\$ 7.96	\$ 15.93	N/A
Regional Shopping Centres/Malls	€ 8	€ 32	\$ 12.74	\$ 50.96	N/A
Solus Food Stores	€ 5	€ 8	\$ 7.96	\$ 12.74	N/A
<b>DEVELOPMENT LAND</b>					
Office in CBD	N/A	N/A	N/A	N/A	
Land in Office Parks	N/A	N/A	N/A	N/A	
Land in Industrial Parks	N/A	N/A	N/A	N/A	
Office/Industrial Land - Non-park	N/A	N/A	N/A	N/A	
Retail/Commercial Land	N/A	N/A	N/A	N/A	
Residential	N/A	N/A	N/A	N/A	