

RE SOURCE

Member of the **Portfolio** Group

CEE Property Forum 2014

25 September 2014, Hotel Park Royal Palace, Vienna



Moscow stormclouds cast a long shadow



INTERVIEW
Alan Vincent,
managing director
of ConvergenCE

ANALYSIS
Office develop-
ment boom on
core CEE markets

OPINIONS
CEE: mix of
risks and
opportunities

FOCUS
CEE developers
and develop-
ments

WHEN IT COMES TO YOUR OFFICE, HOW AMBITIOUS ARE YOU?



WIEN NORD



Many factors make the critical difference in the quality of workplaces and company sites. That's why CA Immo provides office environments that underpin your company's aspirations to leadership. As a specialist in office properties in the big cities of Europe, we set the standard.

For more information, please visit www.caimmo.com

CA IMMO HUNGARY KFT.

Rákóczi St. 70-72., Budapest H-1074, Hungary

Phone: +36 (1) 501 28 00 / Fax: +36 (1) 501 28 01

Email: office@caimmo.hu



CA IMMO

URBAN
BENCHMARKS.



COVER STORY

The whole world is concerned about the escalating Russian-Ukrainian conflict and the Cold War-like tension between the EU and Russia, and this dark cloud casts a long shadow on the CEE property markets' performance as well. The markets of Ukraine and Russia, formerly coming increasingly into the crosswires of property market players, may be powerfully affected by the continuing crisis. The future is at the moment uncertain, the magnitude of the damage depending on how long the situation lasts. Fallback, however, is already perceptible.

5-9 Brief news

COVER STORY

- 10-12 Moscow stormclouds cast a long shadow

ANALYSIS

- 14-15 Getting out of the woods
16-18 Improving macroindicators in CEE countries
19-20 Spreading optimism in CEE
21-22 Office development boom in Warsaw and Prague

OPINIONS

- 23-25 Risks and opportunities - What do CEE markets offer?

INTERVIEW

- 26-27 Budapest: an attractive investment market

ANALYSIS

- 28-29 Time for the real turnaround
29-31 Hungarian home loans: rewriting the past
32-33 Some succeed, others don't – Residential markets in CEE
34-35 The Hungarian housing market is really reviving
38-39 City developments in CEE
39-40 A huge conference centre to be built in Budapest

LIST

- 36-42 CEE developers and developments

OPINIONS

What are the most attractive markets in CEE? How have the different markets been developing after the crisis? What are the risks on the various regional markets? What opportunities do the different pricing and yield spreads offer investors? Is it time for the real turning point for less favoured markets? What are the most attractive investment assets in Budapest? Leading CEE experts share their opinion.



INTERVIEW

All of the CEE markets have reached a level of maturity now, each market has its own particular characteristic. As such CEE can no longer be seen as a homogenous investment location. It's clear that the Polish and Czech markets came out of the crisis in better condition than Hungary, but comparing prime office investment yields with Warsaw at 6%, Prague at 6.25% I see Budapest as the most attractive location with comparative yields for the best offices at 7.25, Alan Vincent, B.Sc., MRICS, managing director of ConvergenCE believes.



ANALYSIS

The Warsaw and Prague office markets are regarded as thriving despite some concerns over vacancies. Some say that Poland as an almost "core" destination and Warsaw office stock is expected to reach five million sqm within the next three years. At the same time the Budapest and Bucharest office markets are showing signs of recovery after a period of limited delivery.



Portfolio RICS
CEE PROPERTY FORUM
Vienna 2014

25th September 2014 • Hotel Park Royal Palace, Vienna, Austria

More information and registration: www.portfolio.hu/conference • conference@portfolio.hu • Phone: +36 (1) 327 4086

PARTNER: **Noerr** SPONSORS: **CA IMMO** **Colliers** **CUSHMAN & WAKEFIELD** **Horwath HTL** **IMMOFINANZ GROUP** **pwc**

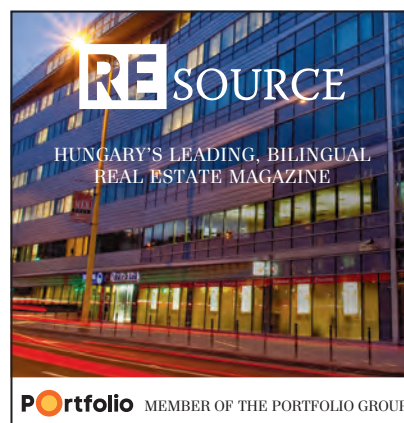


Katalin Major
Editor-in-chief//major@portfolio.hu

Let's see! What's in store for the CEE?

After last year's huge success, we are organising a conference together with RICS in Vienna for the second time. We are bringing 50 speakers – leading real estate experts and opinion makers of the property world to share their views on the more and more exciting Central Eastern European property markets. In our event 200 top level real estate decision makers, CEE real estate professionals, real estate executives from Austria, the Czech Republic, Slovakia, Poland, Hungary, Bulgaria, Romania, Serbia and Croatia will be discussing what this region has in store for investors, real estate developers consulting firms. In honour of this event the current issue is dedicated to the Central Eastern European (CEE) countries, which are offering more and more opportunities, but also challenges. While the markets of the CEE region are of course developing in different ways, the general picture shows that optimism is spreading in the region: while the Polish and Czech markets continue to flourish, we have finally hit and passed rock bottom in less favoured markets as well. Less favoured – so far: the RICS Commercial Property Monitor for Q2 2014 revealed that most regional markets, slowly but steadily, seem to be getting out of the woods. In most Central and Eastern European markets macroeconomic challenges influence real estate sentiment, but expectations are improving with a longer term outlook for capital values. This year is expected to be the strongest since 2006 for the Polish investment market, and there is a real office development boom in core CEE markets, despite some concerns of over development and vacancies. At the same time the Budapest and Bucharest office markets are on the way to recovery. It appears that international investors are once again beginning to trust in the more peripheral markets of the region, and despite rating the risks as high, they are chasing yield. And yield differences between core and peripheral CEE markets are persuasive: looking at prime office investment yields, for example, while Warsaw is at 6% and Prague at 6.25%, Budapest offers 7.25%.

At the same time a dark cloud casts a long shadow on the region's performance. The world is concerned about the escalating Russian-Ukrainian conflict and the Cold War-like tension between the EU and Russia. The emergence of this crisis has a significant influence on the property markets in the two countries as well, which were previously on the upswing. The signs can already be seen.



RE SOURCE
IngatlanInfo

For further news and analyses, visit our website!
www.resourceinfo.hu

resourceinfo newsletter

READ US DAILY//SUBSCRIBE@//www.resourceinfo.hu

Editor-in-chief

Katalin Major – major@portfolio.hu

Contributors

Ákos Budai, Gergely Ditrőy, David Lawrence, Bálint Nagy, István Palkó,
Tünde Madurovicz-Tancsics

Advertising coordinator

Krisztina Barta

Translator

Adrian Bury, András Nagy

Copy editor

McLean és Társa Kft.

Photo

Lázár Todoroff, Shutterstock.com, MTI, Profimedia.hu

Sales

Attila Bacsa – bacsa@portfolio.hu

Publisher

Zoltán Bán
NET Média Zrt
1033 Budapest, Polgár u. 8–10., Hungary
Tel: (+36-1) 327-4080, fax: (+36-1) 327-4081
E-mail: resource@portfolio.hu
www.resourceinfo.hu

HU ISSN 1419-4392

Our paper is regularly reviewed in the revised



All rights reserved in connection with the copying and distribution of any part of
REsource IngatlanInfo.

NET Média PLC obtains all the data, information and news included in REsource IngatlanInfo from reliable, verifiable sources. The data and information are checked before publication, to the best of our ability. In spite of all this, it is possible that news and information appears in REsource IngatlanInfo, which subsequently turns out to be erroneous. For this very reason we draw the attention of our readers to the fact that, should they wish to make economic or financial decisions on the basis of the published news and information, they should first of all check the adequacy and veracity of the information. NET Média PLC disclaims all responsibility for damage resulting from the possible falsehood or inaccuracy of the published information.

Portfolio

Unusual deal on the Budapest office market

The Budapest property investment market has been shaken up by a rather unusual deal: the Hungarian National Bank (MNB) has purchased a premium category, inner-city office building. Since August 1st the MNB has been the registered owner of the recently transferred Eiffel Palace Office Building, located at 78 Bajcsy-Zsilinszky Road in the Inner City. The title deed attests that the central bank purchased the property from Eiffel Palace LLC., and at the same time this UniCredit Bank's 28 million euro mortgage was cancelled, as was its right of pre-emption.

The MNB is at present in operation in a number of properties, one of these being the Krisztina Boulevard office block housing the former Hungarian Financial Supervisory Authority, for which the rental agreement will presumably expire in a few years, making it worthwhile for the institution to look for another location. Taking into account the present business and yield environment it is not surprising that instead of concluding a new rental agreement, the central bank has decided to purchase a property.

The Eiffel Palace is an absolutely premium category office block in district V; originally opened in 1893, the building was revitalised by Horizon Development with reconstruction launched in 2011. The major tenant of the block is PricewaterhouseCoopers, the office building having been let out to the extent of almost 70 percent according to the information available. During reconstruction the exterior of the building regained its original appearance, and the interior spaces, technical structure and building technology system have been renovated on the most up-to-date principles.

There is little information available to the public on the details of the transaction; according to an announcement by the central bank the property was purchased for 45.3 million euros (almost 18 billion HUF), which according to the pro-



fessional consensus is well above the market value of the office block.

In an interview György Matolcsy, president of the Hungarian National Bank, spoke of a 6.5-7 percent yield level in connection with the purchase of the Eiffel Palace, which means that the central bank really did pay a rather high price for a property. At least, market players do not usually pay so much for a Budapest office building nowadays. The 6.5-7 percent yield level certainly rates as very low (i.e. expensive) in Budapest today. We do not know of a transaction in recent years where the yield level fell below 7.5 percent. This is corroborated by the joint research of Portfolio and RICS and by individual significant open market transactions in the recent past.

For that matter, this was not the first news in recent weeks about a property purchase by the central bank. The MNB bought a manor house located in Tiszaroff for 415 million HUF, and at the end of last year the former headquarters of an organisation for the safeguarding of interests named the Hungarian Association of Craftsmen's Corporations (IPOSZ) came into the possession of the central bank – for 450 million HUF, according to press information. The four-storey building, however, on June 18th of this year was passed on to its own, newly established educational-scientific foundation, the Pallas Athene Domus Scientiae Foundation.

Optimism on the Hungarian property market

The majority of real estate experts are now optimistic with regard to the future according to the latest Market Sentiment Survey. It turns out from joint research by Eltinga, Portfolio.hu and RICS that in the premium segments of the office market, not only have rental fees reached the nadir, but they have even begun to rise to an extent clearly visible to the naked eye.

Six months ago we reported that experts participating in the Market Sentiment Survey resulting from collaboration between PICS, Portfolio and Eltinga are increasing optimistic with regard to the investment market, with no-one now expecting deterioration of morale. The optimism has continued to rise in this present survey: according to more than half of the respondents, the investment appetite on the domestic property market will improve. Based on the research, the Budapest yield levels continue to be basically stable. Exceptions to this are the lower category offices and retail properties. In the top premium category which can be considered a reference point (top CBD - Central Business District - building), 7.5 percent has been regarded as a stable consensus for a relatively long time.

In the more expensive segments of the office market, rents have already begun to rise: according to the experts polled, rental fees have increased both in the top CBD office block and the premium non-CBD office building categories. One of the most important findings of the present research is that rents are perceptibly increasing in the upper segments of the office market. A typical rental fee for the top CBD office buildings has increased by 2 euros compared with the end of 2013, i.e. it has already reached the 15 euro level. A change in the cycle is also indicated by the fact that typical rental fees have begun to depart from minimum rents, whereas in recent years precisely the opposite of this was observed.

On the retail market, however, the correction in the rental fees has not yet stopped, the fall has continued over the last six ►



KLOTILD PALACE

months according to property analysts. Together with this it is worth emphasising that typical rents for top shopping centres are at the 2011 level, i.e. significant fee reductions have not come about in the premium segment. This cannot be said, however, about retail parks and big box type properties, where falls of 12 and 25 percent respectively have occurred in the past 3 years. In both categories of the logistics sector (premium out of town logistics real estate, city logistics property) rents have continued to fall, in the former case reaching a round 3 euro level, and in the latter the 4 euro level has "fallen". The fees in both categories are at a nadir at present.

Participants in the survey were also asked about the results of the April parliamentary elections. According to almost half of the property experts the effect of the election result on the international opinion of Hungary is neutral, whereas it is positive according to around 40 percent. Less than 15 percent think that the election results will have a negative effect on opinion of the country.

At the same time, the Budapest Commercial Property Index (BCPI) which aggregates the results of the study has fallen to a new low. A slight rise may have been registered in the first half of the year, but the present fall of more than 100 basis points has pushed the value of the index to under 90. In contrast to the past three years, the fall was not caused by a reduction in rental fees, but by the yield increase observed in the cheaper office market and retail segments. (The Budapest Commercial Property Index (BCPI) incorporates the median

values with respect to the rental fees and transaction yields in that the median rent is divided by the median transaction yield for each category (top CBD office, city logistics property, retail park, etc.). This calculation is performed for each category and various weightings are coupled with the categories, which represent their significance within the whole property sector.)

A Turkish investor has bought the south Klotild palace

The south Klotild palace has been sold; the monument has come into the hands of a Turkish investor, the sale price being 2.15 billion HUF. The buyer is Melis Investment LLC. belonging to the Özyer Group, and a hotel will probably be opened in the memorial building. Besides paying the purchase price, the buyer has had to undertake to renovate the building completely within five years.

The local government invited entries for an open, international competition in several legs for the local-government owned part of the Klotild palace, empty since 2009, and the present, third competition has been successful. The competition guide was purchased by four enquirers. Since its foundation in 1948 the Özyer Group has been a group of companies in family hands, which is the owner of seven hotels, and its activities have been expanded to include jewellery trade, property development, media and energetics branches.

The south Klotild has changed hands before: in 2010 the local government sold it together with the Párisi udvar and 15 Szent István Square to one of the companies of the SCD group – which has since gone bankrupt. But in the end the buyer did not pay the purchase price, and the deal fell through.

HB Reavis sale in Prague

The HB Reavis Group has sold the Prague River Garden Office I office building to the Prvý realitný fond (PRF) managed by IAD investment.

Based on the transaction the office block may be valued at more than 50 million euros, which represents a derived yield of 6.5%. The River Garden Office I opened in 2012, is located in the developing Karlín district of Prague and has around 19,500 square metres of rentable area. Utilisation is 100% at present, thanks to tenants such as Unilever, ADP, Monster Worldwide, Alpiq, Tengelmán or HB Reavis themselves.

Plaza stop: still an issue

The government is willing to make concessions in the issue of the ban on building large new shopping centres (the so-called plaza stop), in order to dispel the concerns of the European Commission. The Ministry of Justice has responded to all matters raised by Brussels on the plaza stop issue, according to which the government is willing to change certain elements of the regulation but continues to insist on the paragraph banning the construction of shopping centres larger than three hundred square metres. Work on formulating the modifications is already underway in the Ministry for National Economy.

Before this year's European parliamentary elections, the commission launched infringement proceedings against Hungary in connection with the restrictive rules known as plaza stop. According to the European Commission the regulation

restricting the construction of shopping centres larger than three hundred square metres is disproportionate, and in addition it is also considered problematic that the minister for national economy and not an independent authority is commissioned to decide on any possible exemptions. According to press releases, the Ministry of Justice sent a letter to the European Commission at the end of July, and the regulation may be altered depending on the response to this. Hungary is prepared to review certain elements and conditions of the plaza stop if necessary, to discontinue any possible disproportionateness and to avoid even the appearance of offending EU law – announced the Ministry for National Economy.

The biggest deal of the year

6000 square metres of office space in the M3 Business Center has been rented since August by several organisational units of the Budapest Region Tribunal (Budapest



M3 BUSINESS CENTER

Környéki Törvényszék).

Besides the organisational units of the Tribunal, housed until now in various buildings, the court of public administration and labour will also move to the M3 Business Center. This 5900 square metre rental is the biggest new rental contract of the year so far. Since 15 August 2014, the Civil Divisions of the first and second instance of the Civil, Administrative and Labour College and the Court of Company Registration and the Bankruptcy, Liquidation and Litigation group of the Eco-

nomic College of the Budapest Region Tribunal have been doing their work in one building, in the M3 office block owned by CPI Hungary (formerly Ablon), as have the Budapest Region Administrative and Labour Court, the Executors' Office and the Penal Group. CPI Hungary is a member of the CPI Property Group. Besides Ablon, CPI bought the Endurance real estate fund in 2013, thus becoming one of the most active investors in the CEE region. The company group manages more than 610,000 square metres of retail area, 407,000 square metres of office space, 17 hotels (with 8,000 beds) and 212,000 square metres of industrial and warehouse space in the region.

Housing market is catching up

The property market continues to be characterised by high transaction volumes in the current year. 27 percent more residential property changed hands in August than one year previously – as it turns out ►

ADVERTISEMENT

Magyar Telekom Nyrt. eladó és bérelhető ingatlanok

Irodaházak, telephelyek, üdülők, lakások: www.strabag-pfs.hu



Budaörs Gyár u. 2.

Funkció: raktárbázis
Épületterület: 10 969 m²
Telekterület: 71 100 m²
Visszabérlés: –



Budapest, XI. Budafoki út 59.

Funkció: iroda
Épületterület: 1 917 m²
Telekterület: 3 057 m²
Visszabérlés: –



Sopron Széchenyi tér 7-10.

Funkció: iroda és technológia
Épületterület: 7 044 m²
Telekterület: 3 584 m²
Visszabérlés: 1 868 m²



Budapest XV. Kert köz 20.

Funkció: iroda és technológia
Épületterület: 1 189 m²
Telekterület: 1 612 m²
Visszabérlés: 450 m²

from Duna House Transaction Estimates. Compared with the level during the years following the crisis, high transaction volumes continue. The number of sales taking place in August fell slightly short of the preceding month, but this is a normal, seasonal phenomenon. Sales of 8978 properties were transacted in August. The volume in the preceding month is thus 27% higher than the value estimated one year before, which is remarkable.

Based on Duna House estimates the total transaction volume for the current year is approaching 64 thousand, which signifies a 16% growth compared with the same period of 2013. Based on the high forecasts for September and the seasonally strong end-of-year months, it is increasingly certain that volume this year will approach or may even reach 100 thousand, which will be the highest level on the property market since 2008.

A milestone on the Budapest investment market

The Green House office block of Skanska Hungary Real Estate LLC., which has also been awarded an international prize, has been sold. The new owner of the green office building is the open-ended Torony Real Estate Investment Fund under the direction of Diófa Fund Management, registered as a member of the FHB Group.

The Green House is the sixth office investment by Skanska in the Hungarian capital. Located in District XIII, the building which was opened in the December of 2012 offers tenants office space on 7 storeys and 17,800 square metres. The office block which is rented out to the extent of 98 percent at present houses international companies such as the AVIS Budget Group, MSCI or the ABB, among others. Although the parties have not made details of the transaction public, rumour has it that the yield level of the deal worked out between 7.5 and 8 percent.

The transaction could even be regarded as a milestone, as no institutional investor with a domestic background has purchased



VÁRKERT BAZÁR

a building in a similar category before on the Budapest market. The Green House is after all the premium product of a leading European developer, with high utilisation and the latest green solutions. This market segment has been dominated almost exclusively by foreign institutional investors for around the past 20 years. The domestic property market (has) suffered to a significant extent for about the last 6 years, from the fact that international (typically Western European and North American) institutional capital disappeared on the clients' side, which was generally explained by the risks of the Hungarian market.

Although one swallow does not a summer make, Diófa's acquisition must definitely be regarded as a positive sign. On the one hand it suggests the possibility that Hungarian institutional capital may play a more active role on the Budapest property market in the future. On the other hand the fact of the transaction is a positive message for the whole market, which is particularly important in such an illiquid situation.

Várkert Bazár: opened for the second time

The renewed Várkert Bazár opened for the second time this year on August 29. Reconstruction works on the long-neglected building started in February 2013 and the Buda Castle's newest attraction was briefly opened to visitors in April. The first phase included the renovation of the parts originally designed by Miklós Ybl, containing

2,500 sqm of exhibition space. The second phase included the construction of new areas, the reconstruction of the royal gardens and the completion of a new underground garage.

Transportation in the area is also being improved as part of the reconstruction project. Lánchíd utca was refurbished, a new pier for BKK boats was inaugurated and the opening of a new tram stop serving Várkert Bazár is underway, while some nearby roads and squares are still under construction. The total cost of the reconstruction of Várkert Bazár, which is expected to attract 250,000 visitors each year, was HUF 11 billion.

Starwood Capital has been shopping in Poland

Within the scope of one of the largest office market transactions in Poland in the year so far, the Ghelamco Central Eastern European office development firm has sold three important office projects to a controlled subsidiary of the Starwood Capital Group global investment company.

Of the three office spaces sold, two are located in the business quarter of Warsaw, the T-Mobile Office Park completed in the May of 2013 and the Łopuszańska (Łopuszańska) Business Park offer a total of 78,000 square metres of office space, and the third project, the Katowice Business Point opened in 2010, is to be found in Katowice city centre. The popularity of

the office blocks in question is shown by the fact that close to 100% of the offices are rented out. Each one also has a green rating (BREEAM), the T-Mobile Office Park being the first office park in Poland which could boast of this recognition. This unprecedented triple sale well exemplifies the growing dynamic of the Polish market, as well as its increasing significance for international investors.

Record letting on the Budapest office market

The full complement of offices in Budapest, including speculative buildings and those in private ownership, amounted to 3,205,600 square metres in the second quarter of 2014. The BRF has registered the conveyance of a new office block on Váci Road. With the opening of the Váci Corner Offices (21,100 square metres), the complete modern speculative complement includes 2,569,100 square metres of "A" and

"B" category offices, the volume used by private owners being 636,500 square metres.

The office market vacancy index is at present 17.6%, which means a fall of 0.9 percentage points for the quarter, and of 2.3 percentage points over the year. At this point, however, we must not forget to mention the performance of the complement of rented offices which may be more relevant from the point of view of the market, and which likewise fell compared with the previous periods, though at the moment it is ranging well above 20% (21.9%).

With regard to the submarkets, the performance of South Buda is once again the best (11.8%), whilst the highest vacancies are still measured in the Budapest metropolitan area (the agglomeration), where the proportion of vacant office space reached 31.9% in the second quarter of 2014.

The gross rental volume in the second quarter was 191,720 square metres, which is an outstandingly high quarterly value. The net rental also displayed a record high value, reaching 81,210 square metres. The

high quarterly volume was also boosted by the transactions in excess of 5000 square metres which were concluded in the second quarter. The gross rental reached 248,900 square metres in the first quarter of 2014, which means a 71% increase in demand compared with the same period in 2013. 20 percent of the demand was new contracts, expansions and pre-leases represented an 11 percent proportion per type of contract, whilst 5 percent of the total demand was made up of private take-overs. The strongest rental activity was registered on the "Pest Central" submarket, where 34 percent of the gross rental was realised.

It is particularly welcome news that the strong performance for the quarter is high, resulting in a net absorption of more than 46,000 square metres. This is one of the most important data points with respect to the present and future of the office market, which shows what the extent of expansion is really like, and whether there is genuine demand for the new spaces.

ADVERTISEMENT



www.portfolio.hu/conference • conference@portfolio.hu • Phone: +36 (1) 327 4086

Portfolio
Conference
www.portfolio.hu/conference

20 conferences, 8000 participants annually, covering 7 branches of industry
Domestic and regional economic and financial decision makers, CEOs and professionals
High-level networking opportunity, unique professional content

Moscow stormclouds cast a long shadow

TÜNDE MADUROVICZ-TANCSICS

The markets of Ukraine and Russia, formerly coming increasingly into the crosswires of property market players, may be powerfully affected by the continuing crisis. The future is at the moment, the magnitude of the damage depending on how long the situation lasts. Fallback, however, is already perceptible.

Political uncertainty in Ukraine has been increasing since the beginning of 2014. The prime minister resigned at the end of January, the president Viktor Yanukovich and his government left the country, following which a temporary government was set up. Early elections were held at the end of May, and a new government was formed under the leadership of Petro Poroshenko. Besides the political changes, Ukraine was compelled to face numerous new challenges, and after the loss of Crimea, fighting broke out in East Ukraine. Sanctions were then imposed on Russia by Europe and the United States because of its disputed role in the development of the situation.

The emergence of this crisis situation may have a significant influence on the property markets in the two countries, which were previously on the upswing, and the signs of this can already be seen. Great losses could be suffered by the Ukrainian economy, which following the stagnation of last year has already experienced a fallback in the first quarter of 2014, the real GDP of the country falling back by 1.1 percent compared with the level one year earlier. This tendency is expected to have continued in the second quarter, though the actual data will only come to light later. According to the IMF forecast of July, the Ukrainian economy could shrink by 6.5 percent this year. It is likewise bad news that domestic consumption is falling, but industrial production and investment activity have also fallen sharply.

The Russian economy may be hit hard by the European and American sanctions. An important component of these is that the accessibility of European and American credit markets has been restricted for the Russian state banks. This makes access to longer term resources more expensive for the financial institutions, and therefore for the financing of the Russian economy. This has indirectly increased uncertainty in connection with the Russian markets, thus worsening the business environment. As a result of the Ukrainian conflict and the sanctions, a larger measure of capital outflow and a more volatile exchange rate have been observed in recent times, which have also had a negative effect on the property market.

In contrast to investments of record magnitude in 2013, the Russian investment market significantly underperformed at the beginning of 2014, although according to 2013 data from Cushman & Wakefield it had previously been the 12th most attractive investment target. In the first six months of the year the estimated investment volume was approximately 1.2 billion dollars, which is roughly 30 percent less than in the same period last year. Even though last year was outstanding with regard to the data from the first six months, this result still gives food for thought, since numerous transactions were initiated at the end of last year, their completion slipping through to 2014. According to Colliers estimates, property investments for the current year may fall back to half of those measured in the past three years, not even reaching the level for the year 2007. Overlooking present activity levels, the investment sum by the end of the year could be 3.7-4 billion dollars, in contrast to the investment volume of more than 8 billion dollars last year.



MOSCOW



In the first quarter it was domestic investors who were principally active; they transacted around 80 percent of the investments, with Finnish and Swedish players also making purchases. In the second quarter the balance tipped further in the direction of domestic buyers: with regard to the first half of the current year, only somewhat more than 6 percent of the total investments may be linked with international players.

Damian Harrington, MRICS, M.Sc; Regional Director of Research & Consulting, Eastern Europe Regional Team declared: at the start of 2014 they predicted that a reduced regional investment volume turnover would be plausible in 2014, as a direct result of the Russia/Ukraine conflict. As of mid-year, this has become a reality with most investors focused on Russia deploying a 'wait-and-see' mentality while there has been a weakening of international investment sentiment towards the country. Although Russian investment volumes have been lower in H1 2014 than previous years it is not all bad news. Owner occupiers are taking the opportunity to buy assets – a number of office, retail and logistics/distribution facilities having been acquired so far in 2014 – and some long-term foreign investors have remained active.

In a similar way to the previous year, the attention of investors in the first six months was primarily focused on Moscow, 87 percent of the property investments coming to the whole country being registered here. The yields have not yet changed over the first six months, but according to the July expectations of Colliers International, growth of half a percent is likely by the end of the year.

As a result of the credit market restriction it may be more difficult for property market players to find resources in the future, and refinancing may become more expensive. The banks may think more carefully about who to provide with loans, though good property projects will hopefully continue to have access to credit. The sanctions may, however, also affect demand. The strictures on the credit market may also set back retail turnover, and in the case of the office market the slowdown may have a negative effect on leasing. The vacancy rate may develop unfavourably in every property market segment,

and rental fees are beginning to come under pressure.

Everything depends on stabilisation

The Russian property market has therefore lost some of its earlier momentum, but we must not forget that the Russian market has numerous advantages, even just due to its size. Consumption is constantly increasing, incomes and the population are expanding too, which may make the country attractive to investors in the long term. A very important role with respect to the future, however, is taken by how long the crisis takes to end. Should the political and economic situation stabilise, the Russian commercial property market may continue to count on the interest of international and domestic property players. A protracted conflict, however, may cause the market further significant losses. Existing as well as future sanctions may unsettle the country's economy, which will also adversely affect domestic property companies, and cause foreigners to lose interest in getting involved. It may be a warning sign that Russian investments are falling in spite of the fact that the volume of investments has increased in other countries in the region: to a highly significant extent in Poland, for instance, but investors are also starting to return to Hungary.

Árpád Török, CEO of TriGranit said about the situation, that in Russia they don't see any sign of decrease in retail turnover, mostly only stagnation. The Russian domestic market is strong while the volatile economic environment in Ukraine immediately brought down the willingness to invest. However, it seems like the retail chains that are present in Russia are holding back the realisation of their expansion and network development plans. The trends of lending activity trends show deterioration, and the ongoing conflict has already set off a decrease of international investments and foreign bank loans.

In connection with the crisis and the future of the Russian real estate market Damian Harrington said: while Russia remains a blocked market for many international investors this will play into the hands of other CEE locations. Aside from the change in the distribution of capital across the region, there have been some other ►

Domestic and international investors' in Russia (billion USD)



SOURCE: CBRE, RESOURCE



KIEV

direct impacts on the Russian market in particular. The depreciation of the ruble has had a negative effect on tenants, especially in retail whose core business implies costs are denominated in foreign currency (including import of goods and rental rates) while their income is denominated in Russian rubles. Despite the appreciation of the ruble in June and July, as sanctions have been imposed and the conflict continues, the ruble has fallen back to the lows of March earlier in the year.

On the other side of the coin, Western sanctions on Russia have started to place a drag on economic growth in the eurozone with Q3 growth looking rather unhealthy after growth had stagnated in Q2. Italy has fallen back into recession, France is flatlining and even Germany has seen a big fall in output. Whilst these issues are driven primarily by the need for structural reform and choking austerity, the extra burden on markets resulting from sanctions is likely to exacerbate the short-lived nature of Europe's economic recovery, filtering into weaker occupier demand into 2015. Mario Draghi's recent move to cut ECB rates to try and stimulate growth and fend off a period of deflation is evidence of how real the problem has become.

Ukraine is suffering too

The business attitude with respect to Ukraine at present is characterised by wait-and-see. The Ukrainian currency, the hry-

vnia has been greatly devalued, which has exercised a further significant negative effect on the Ukrainian business environment. The present attitude of investors is well reflected in the fact that thanks to the unstable political environment, very few investments were concluded on the Ukrainian property market in the first half of 2014.

According to DTZ estimates, the value of property investments in Ukraine in 2013 totalled around 48 million dollars, but in the first quarter of 2014 there were practically no secondary investment deals. In the second quarter there were transactions, to a total value of 16 million dollars, but this only affected two properties in all: a Kiev office building was sold for 12.5 million dollars and a warehouse on the outskirts of Kiev for 3.5 million dollars.

According to DTZ forecasts, this year's secondary investment transactions may reach 25-150 million dollars by the end of the year, irrespective of the stabilisation of the present situation. There may be investor demand for income-producing office buildings, retail and logistics properties located primarily in Kiev, but in the case of retail properties other major cities may also come into view, although investors will clearly avoid the eastern region of the country.

Premium property market yields in Kiev continue at a high level compared with the rest of Central Europe. According to data from March, the yield is 12.5 percent on the office market and the retail market alike,

whereas it is 11 percent in the industrial property segment.

Downward pressure is weighing on rental fees on the office submarket, the vacancy rate and rental fees will remain sensitive to the economic performance of the country in the medium term, and to developments in the crisis. The rental market continues to have significant potential in Ukraine, thanks to the magnitude of the population and the country, as well as the present very low maturity level of the market. There are likewise many opportunities inherent in the logistics market in connection with the upswing in retail.

The future for Ukraine, however, is very uncertain for the time being, and it cannot really be seen at present when the political uncertainty will be resolved.

The long-term situation depends on how quickly the conflict can be resolved. All similar conflicts automatically lead to uncertainty, which in this case has a stronger effect on the Ukrainian real estate market than on the Russian one, said Árpád Török.

In the case of Ukraine they certainly expect long-term negative effects. There will be a setback in the field of development and real estate investments because of the increased country risk, therefore lending activity will drop or narrow down completely, but loans will definitely become more expensive. All this leads to deteriorating yields, and as a result also to value loss. Currently Ukraine is too dangerous even for opportunistic investors with a higher risk tolerance.



SKANSKA

Nordic Light

Excellent business location, energy and cost efficient solutions.

26,200 sq m quality space to accommodate your office and retail requirements.

96-98 Váci Road, 1133 Budapest, Hungary

Contact: leasing@skanska.hu, +36 1 382 9100

www.skanska.hu



Getting out of the woods

The RICS Commercial Property Monitor for Q2 2014 revealed that most regional markets, slowly but steadily, seem to be getting out of the woods. In most Central and Eastern European markets macroeconomic challenges influence real estate sentiment, but expectations are improving with a longer term outlook for capital values.

In Bulgaria and Hungary, rents and capital values are expected to pick up across the board over the next 12 months. Similar movements are expected for capital values in the Czech Republic, but the outlook for rents shows a more mixed picture across market sectors. The next 12 months look to be gloomier in Romania where growth in capital values is projected to slow and rents are expected to fall.

All four countries have their own macroeconomic challenges to face, but a brighter economic outlook is captured in the latest Q2 survey. In Bulgaria, the government's resignation and a swift outbreak of vulnerability in the banking sector could cause some challenges and jeopardise a brighter outlook, while the other three countries are facing record low inflation and interest rates.

Balázs Czifra MRICS, Country Head, DTZ Hungary added: "Hungary shows signs of being on the path to recovery. This can be seen on the occupier market, where there is increasing interest; a lack of available, larger prime space in practically all market segments. Although vacancy rates are still high, occupiers have a quite limited choice of modern, good quality, large contiguous space. This trend will lead to pre-let or built-to-suit agreements and impose upward pressure on rental levels. Hungary has once more become an interesting, potentially attractive market for investors mainly looking for retail and office products. With the positive signs on the occupier market we

expect increasing investment activity in the next two years, as well-positioned and well-managed properties may prove to be profitable investments, especially when compared to other CEE countries. On the other hand several value-adding products are available in the marketplace; investors willing to take greater risks may also find attractive deals."

A positive value was registered for Occupier Sentiment in Bulgaria, Hungary and Romania, while it is slightly negative, but in relatively neutral territory, in the Czech Republic. In Hungary the index has reached its highest level since the global financial crisis, while in the Czech Republic and Romania it has eased back relative to the last quarter.

Occupier demand increased across the board in Bulgaria, Hungary and Romania, particularly in the office sector in Bulgaria and in the office and retail sectors in Hungary. In the Czech Republic, growth in availability outpaced occupier demand in both the office and retail sectors, in the industrial sector, however, demand is outpacing availability and tenant inducements are falling. In Romania growth in availability accelerated, especially in the office sector.

Rents are expected to increase across all three sectors (office, retail and industrial) in Bulgaria and Hungary over the next twelve months. In Bulgaria a particularly firm increase is expected in the office market. In the Czech Republic office rents could be set to fall further, but the retail and industrial areas of the market should see growth.

"In Bulgaria, investor interest is going up on the back of a brighter outlook for occupier demand and rental growth across all three commercial real estate segments," Michaela Lashova, MRICS, Managing Partner at Forton, the Cushman & Wakefield Alliance Partner in Bulgaria and FYROM, said. "The fundamentals further improved in the office market with positive spillovers seen

beyond the prime segment. Retail rents are supported by reasonable pre-leasing rates for new developments and a return to growth of consumer expenditures since the start of the year. And in industrial and logistics real estate the shortage of supply is putting upward pressure on rents while demand builds up."

In Hungary, confidence in the rental outlook turned positive for the first time in four years, while in Romania confidence in the outlook for rents turned negative and rents are projected to fall in all but the retail sector (where they are expected to remain flat).

The Czech Republic demonstrated the highest Investment Sentiment index reading by some margin, although the reading is also positive in Hungary. The Index reached its highest level since 2011 in the Czech Republic and since 2010 in Hungary. The index is in neutral territory and indicates a more or less stable investment market for both Romania and Bulgaria. In Romania it turned neutral for the first time since 2010.

"Bulgaria together with a number of other SEE and CEE countries is among our primary targets. Although the number of investments one could make in Bulgaria, and more precisely in Sofia, is



BALÁZS CZIFRA



STUART JORDAN



MICHAELA LASHOVA

rather limited, there are some good quality investments that can generate decent returns and therefore be of interest to investors," Lila Pateraki, Director of Business Development at Zeus Capital Managers, said. "We believe that there are still opportunities in the office market and in the retail sector."

In all four countries investment enquiries continue to increase across the board. The growth was particularly strong in the retail sector in Bulgaria and Romania, and in the industrial sector in the Czech Republic.

This is a result of elevated capital value expectations (3 months) in the Czech

Republic, with growth anticipated in all sectors, although the industrial sector is the standout performer. "The level of activity in the industrial sector and the weight of capital forcing itself into the sector has benchmarked pricing, with a significant appetite for single stand-alone investment assets, through to industrial parks, portfolios and even entire platforms," commented Stuart Jordan FRICS, Head of Capital Market, JLL. Meanwhile, modest growth is expected in Hungary across the board. Results vary in Bulgaria, where retail values are expected to fall while office and industrial segment values are anticipated to be more or less flat.

In Romania capital values are expected to remain flat in all areas of the market.

Nevertheless, the longer term outlook for capital values (12 months) is encouraging for all four countries, with some degree of growth projected in each sector. In Bulgaria a firm pick up is expected, the Czech Republic exhibits the strongest readings with a strong appetite in the industrial sector now being reflected in a competitive retail sector, while in Hungary and in Romania capital values are only expected to pick up moderately.



RICS

the mark of
property
professionalism
worldwide

ADVERTISEMENT

RE SOURCE
HUNGARY'S LEADING, BILINGUAL REAL ESTATE MAGAZINE

Portfolio MEMBER OF THE PORTFOLIO GROUP

RE SOURCE
START
Paks II:
Shall we start the megaproject?
Paks II: Indulhat a megvalósítás?

Improving macroindicators in CEE countries

Macroeconomic data shows that most countries in the region are performing better in 2014 than they did in 2013. Growth is expected to accelerate in all members of the Visegrad Group, but most of them are still fighting stubbornly high unemployment rates and facing budgetary issues. Also, all examined countries in the CEE region are experiencing record low inflation rates that may cause problems in the longer run. All in all, the countries in the region are increasingly showing signs of recovery, but they are still not entirely out of the woods.

AKOS BUDAI

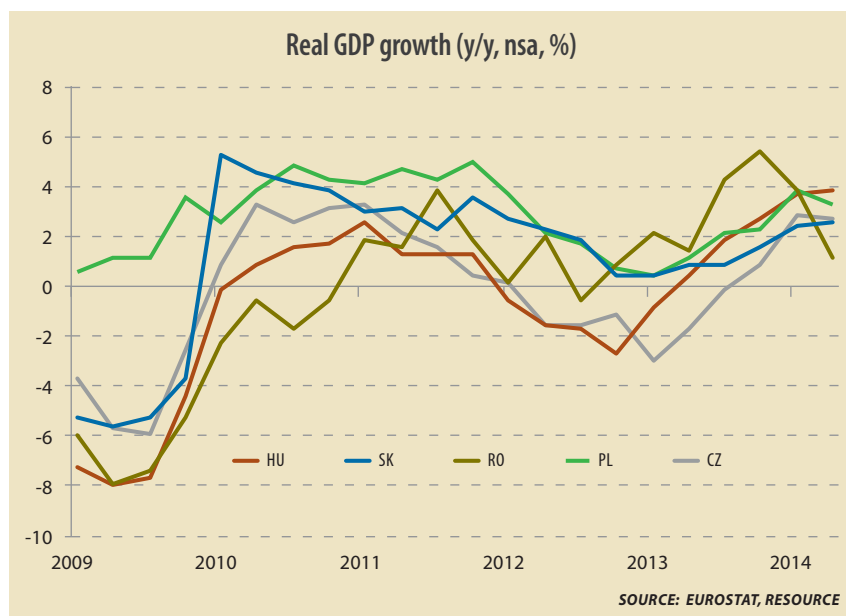
AFTER SPENDING two years in recession, the Czech Republic's economy is expected to grow 2.5% this year. Yearly GDP growth was 2.5% in Q2, lower than the 2.9% rate registered in Q1. Nevertheless, economic conditions continued to improve in the past months. The labor market especially benefited from the recovery in domestic demand, as the unemployment rate decreased from a record high of 8.6% in January to 7.4% in July. While business sentiment decreased somewhat in the second summer month, Czech consumers are optimistic. Consumer confidence declined slightly to -4.3 in August from a four-year high of -2.3 in July. Meanwhile, the Purchasing Managers' Index (PMI) stood at

56.5 in July, remaining in expansion territory, where it has been since May 2013, suggesting that the Czech manufacturing sector will remain on its growth trajectory.

Estimates for Hungary's GDP growth this year, after a 1.1% expansion in 2013, have been on the rise for months now. Based on higher than expected quarterly figures in the first two quarters most analysts estimate 2.8% economic growth for 2014. Unemployment in Hungary has been on a downward path for more than a year now (at 7.9%, a six-year low in July), but the increase in employment is mostly due to the sharp rise in public work schemes since 2010 and to the jump in the number of Hungarians taking jobs abroad. Also, the country still struggles

with high debt figures. Public debt stood at 85.1% of GDP at the end of the second quarter despite the government's continuous pledges to reduce it. Consumer confidence has been on an upward path for more than two years now, but July's figure of -18.9 is still not as promising as April's eight-year high of -15.3 was. The manufacturing PMI rose sharply to 56.7 in July from 51.7 in June and has been expanding for 12 months now, which is a distinctly positive sign in an economy that otherwise shows a very mixed picture.

Poland's economy has proven to be one of the most resilient in Europe during the years of the crisis, but it appears to have lost steam last year. Economic growth in the region's largest country stood at 1.5% in 2013 and is expected to be at 3.3% in 2014, but Poland is likely to suffer the most from Russia's recently imposed ban on the import of almost all fruit and vegetables. Unemployment nearly reached a two-year low in July at 11.9%, while industrial production and retail sales growth both bounced back in July from reaching one-year lows in June. After three months of deteriorating expectations for the future, business confidence also bounced back in August to 5.1. Manufacturing shows a less promising picture: the PMI began contracting for the first time in a year in July. Economic growth in Romania is expected to slow down to 3.0% in 2014 from 3.5% in 2013. Several sectors of the Romanian economy are showing signs of losing steam. Industrial production grew by ▸



Property valuation based on new foundations

In the past year, the domestic commercial property market has been showing signs of recovery. Are you experiencing the recovery of the market through more client approaches?

Ágoston Jakab (Á.J.): We have definitely experienced market recovery, both in the growth of the number of engagements from banks, and the number of valuations either preceding or following other market transactions. It is important to note, however, that for us the recovery mostly involves the updating of earlier valuations; there is a far greater number of these than of engagements due to new developments.

In the past year both the development and the investment market appear to be recovering, more transactions have been concluded in the current year. What are you experiencing in this area?

Á.J.: Over the past few years (2008-2012) our professional activities linked to investments has been very low key, but in the last two years we have managed to get engagements again in the case of several green and brown field development projects, which represent significant growth compared with the preceding period. Due to the new business credit opportunities, we have an increasing number of requests for the review and valuation of smaller and larger developments for pre-financing banking purposes, and in addition, for supervision of the full project from the bank's point of view following signature of the loan contract. We interpret this tendency as clear recovery of the investment market.

What kind of property development projects have a raison d'être in Hungary today?

Nóra Sarlós (N.S.): Primarily build-to-

suit developments, and I also believe that high-quality projects make sense in the long term in every segment.

As one of the signs of recovery from the crisis, a property valuation practice based on new foundations has emerged in Hungary (too). How do you see this issue?

N.S.: As a result of the crisis, the market and economic conditions have become more difficult, so there is even more need for qualified valuers in the future. There is an increase in the significance of experts who are familiar with unpublished market background information because of their market presence. Property valuers are faced with significant difficulties: due to the lack of transactions, suitable market data are not available, and so input parameters have become more uncertain for certain methodologies, i.e. the results of individual approaches are more scattered. The appearance of huge quantities of defaulted properties on the market has had a negative effect on the value of functioning properties. Insofar as the actual data for speculative transactions are public, they distort the market significantly – damage could even be caused if the offer price becomes public. Revaluation of the portfolios of properties valued before the crisis has in many cases not been done, or not properly, and this significantly distorts the market. The discount rates are “theoretically constructed” or come from foreign sources, there are no transaction data to rely on.

As a result of all this it can be said that there is greater uncertainty in the valuation process due to the unreliability of the market and the appearance of distorted data, and so the applicability of valuation methodologies is limited. Valuation requires a circumspect method, qualified valuers are needed who have professional experience, practise networking in the



NÓRA SARLÓS



ÁGOSTON JAKAB

property trade in order to obtain maximum information on the market, are informed on the areas directly and indirectly connected with the property trade, represent an ethical attitude and have advanced professional qualifications.

Is the question of defaulted properties still a current issue on the domestic market? How are these assets to be assessed?

N.S.: The defaulted properties can't necessarily do anything about being defaulted. I prefer the appellation defaulted credit transaction. In most cases the property “houses” an economic business, which will either be successful, or not. The value of the assets is embodied in certain forms of value. The individual forms of value are defined along certain assumptions. In the case of the determination of market value, the highest and best use of the given asset must be examined, which is the possible and legal use of it which may be realised in practice, may be properly justified, is financially feasible and results in the greatest value. In the case of usage for speculative purposes, value for a given market player is to be determined by means of the assumption of a defined use.

What is the experience in the state sector?

N.S.: The growth in the number of our engagements, and also their nature, attests that asset management by local governments is playing a prominent role nowadays. The individual usage concepts for property asset components may hold ambitious expectations which are difficult to support by the market at the moment, and which do not necessarily harmonise with the current market value of the asset components.

How does a property expert proceed in such cases under the present uncertain market conditions?

N.S.: It is extremely important that with regard to the given property asset, the valuation analyse several forms of value, differentiating the market value form featured in the balance sheet and that for investment assuming defined development concepts. An anomaly so typical of the period immediately before the crisis may thus be avoided, when in many cases the market valuation of properties was made based on an unprepared project.





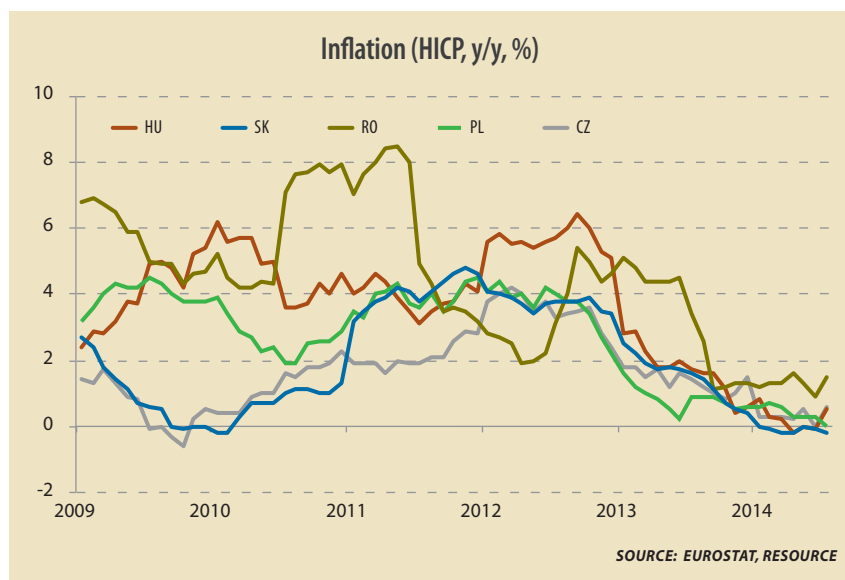
PRAGUE

11.5% on a yearly basis in June after registering a 13.4% growth in the previous month, while retail sales grew by 10.3% year-on-year in the first summer month (as opposed to 10.1% in May). Unemployment has been steadily above 7.0% for months now. This summer, concerns were raised in Bucharest about certain budgetary issues. In July, President Traian Băsescu sent a previously approved social security tax reform back to Parliament. According to the president the 5 percentage point cut in social security contributions could create a risky shortfall in government revenues. In response Prime Minister Victor Ponta gave his assurance that the budget deficit would not surpass this year's target of 2.2% of GDP.

After a low growth rate of 0.9% in 2013, Slovakia's economy is expected to expand by 2.5% in 2014. Industrial production growth accelerated to 7.5% in June from 4.7% in May, retail sales grew by 2.5% on a yearly basis in June (as opposed to 1.6% in the previous month), while the unemployment rate has been decreasing for more than 18 months, but still stands at a relatively high 12.7% in July. All in all, most signs suggest that the Slovakian economy is picking up in 2014.

All regional countries have experienced record low inflation this year. The Czech Republic saw a slight increase in prices from a rate of 0% in June to 0.5% in July. After two months of never before seen deflation, the CPI in Hungary increased

to 0.1% in July and is expected to stay in the same territory for a while, depending on the next round of government-induced utility price cuts and the effect of Russia's import ban. Poland has seen a 32-year-low inflation rate of -0.2% in August and the year-end figure is expected to be around 0%, but as in the case of Hungary, Russia's import ban poses a downside risk to the growth of consumer prices. Slovakia's inflation rate has also been steadily around 0% for almost a year now. Price growth at -0.1% in July was unchanged from June. Romania is the only country in the region that hasn't experienced deflation in the past few months, but 2014 still brought record low increases in the price level: the CPI in August stood at 1.0%.



BUDAPEST

Spreading Optimism

This year is expected to be the strongest since 2006 for the Polish investment market as volumes are expected to top €4 billion for the year. Over €2 billion in volume is predicted for the improving Czech Republic. A more modest €500 million plus is anticipated for Hungary.

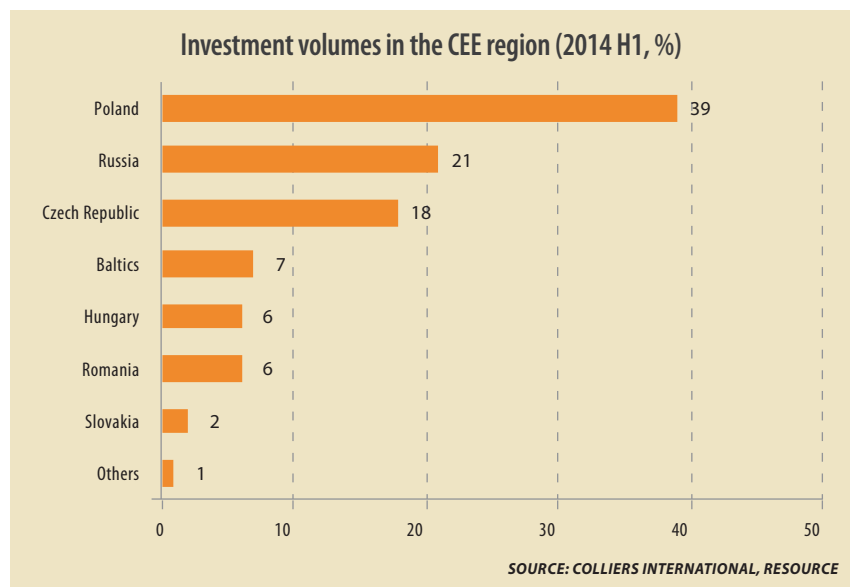
DAVID LAWRENCE

ALTHOUGH private equity funds and CEE regional investors are actively investing in Hungary, the major Austrian and German funds are still pursuing a “wait and see” strategy, preferring the economically successful Polish and Czech markets. Romania, the second largest CEE EU country after Poland, is finally regaining its status as an investment destination and 2014 is expected to set a new post-2008 economic crisis investment volume benchmark. However, institutional investors have still not entered Romania.

“Core investors that are focused on prime in Warsaw and Prague are starting to seriously consider Bucharest. What Romania needs is an arm’s length institutional deal at an attractive price. The development activity by for example Skanska and AFI Europe is significant,” commented Troy Javaher, Head of CEE Capital Markets at JLL on the prospects for Romania.

Unsurprisingly, Poland reported a circa 50 percent share of CEE investment (or €1.433 billion) for the first half year according to JLL. This was followed by the Czech Republic with 25 percent (or €719 million), Romania with 15 percent (or €430 million), Hungary with 8 percent (or €230 million) and Slovakia with 2 percent (or €34 million).

The thriving Polish investment market is attracting investors to regional cities not only for the retail and industrial, but also for the office segment. In a recent deal, Starwood Capital Group purchased three office developments from Ghelamco. The 78,000 sqm Class A portfolio consists of the Katowice Business Park in Silesia and the T-Mobile Office Park and the Lopuszanska Business Park, both in War-



saw. The almost fully let Class A property portfolio has been placed in the Starwood Opportunity Fund 1X. “Improving business conditions and easing credit conditions are likely to support an increase in investment in Poland,” Keegan Viscius, Vice-President of Starwood Capital Group commented on the deal.

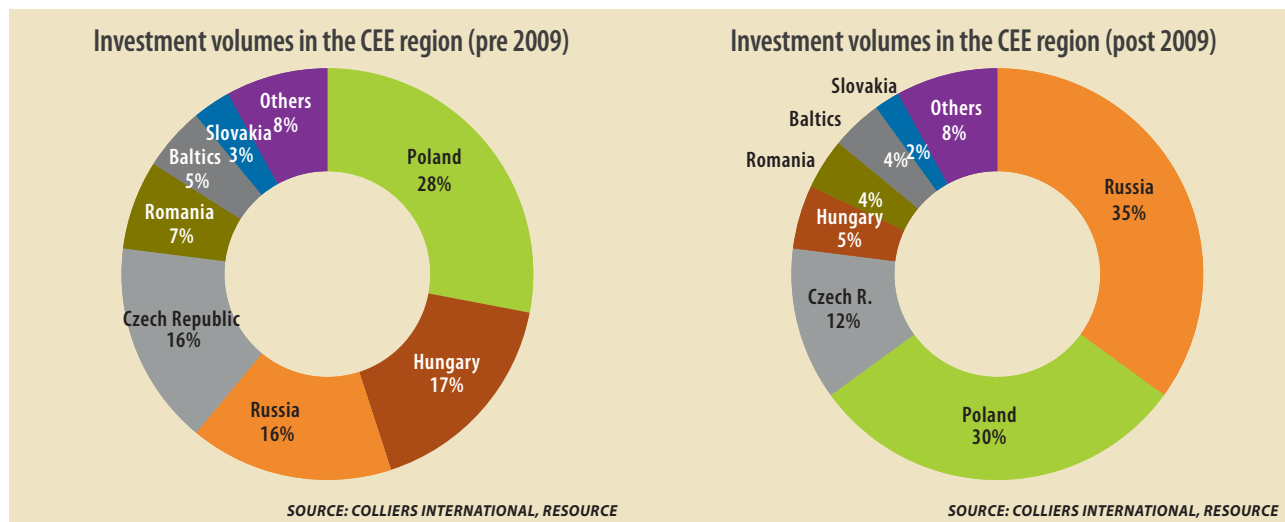
The Prague office market is also active after a two-year downturn. One of the largest transactions in Prague and CEE in the first half year was the purchase of the City Tower office centre in Prague by PPF Real Estate for €130 million. In another deal, HB Reavis Group sold the 19,500 sqm River Garden Office I in Prague to the Czech investor Prvý Realitný Fond (PRF), managed by IAD Investments, for a reported €50 million plus. “The Czech Republic is back on the investment map, which was not the case two years ago. Although Prague office will be the highest in terms of volume, retail will be more

regional and logistics will be present both around Prague and regionally,” said Tewif Sabonyui, Managing Director of JLL in the Czech Republic.

Budapest is back on track

In Budapest, Skanska Property Hungary has sold the 17,800 sqm Green House office centre to the Hungarian open-ended property fund, the Torony Real Estate Investment Fund managed by the Diófa Fund Management, a member of the FHB Group. Erste Bank was the financial partner in the acquisition. The deal is generally regarded as a significant step in the recovery of the Hungarian property investment market, in that a class A office centre by a major international developer is the subject of an investment acquisition. Michael Edwards, Partner at Cushman & Wakefield (C&W) sees the closing of the deal as a significant advance for Hungary.

Distinct signs of a recovery in the ▶



Hungarian investment market were evident as Dutch ING Real Estate completed the sale of its remaining 50 percent stake in the 47,000 sqm Allee shopping centre in Budapest for a reported €95 million.

In one of the largest European retail deals of the year, TriGranit, Europa Capital and PKP sold the Poznan City Center retail complex to a consortium of Resolution and ECE. "Core investors are looking at Poland and the Czech Republic for prime, landmark shopping centres, seen as offering better value compared to other core European countries. Meanwhile the regional cities across both countries have opened up, with a significant shift of core and value-add capital towards this sector. Prime shopping centres in Hungary and Slovakia are also back on the radar for investors searching for stock," said James Chapman, Head of CEE Capital Markets at C&W.

Office was the dominant sector for investment in Romania in the first half year as it accounted for 80 percent of deals. The largest transaction was the acquisition by Globalworth of the BOB and BOC office buildings in Bucharest in addition to 446 apartments and 25 retail units in an adjacent project from RREEF for €210 million. Globalworth also purchased Tower Center International in the Bucharest CBD for €58 million. The international investor is focusing its activity on Romania.

Yields are lowest in Prague

JLL put prime office yields for Bucharest at 8.25 percent compared to 6.25 for Warsaw and 6.00 and heading to sub-6 for Prague. This compares to 7.50-7.75 percent for Budapest. In general a two percent yield differential is expected between Warsaw and Bucharest.

In addition to office the logistics sector is attracting investors with yields of 7.25 percent for Poland. In one of the biggest transactions of the year, the US-based Blackstone has acquired the 200,000 sqm Standard Life Poland logistics portfolio for €118 million. Standard Life made the purchase through its European logistics platform, Logisor. The portfolio consists of 200,000 sqm of GLA of warehouse and office space developed by Standard Life Investments and its development partner PDC in addition to a 70,000 sqm development plot.

Outside the more traditional investment sectors, the hotel investment market is also active. This year has seen the sale of the Four Seasons Hotel in Prague to Northwood for a reported €80 million. In Budapest, the Dubai-based Al Habtoor Group has purchased the Intercontinental Hotel. The group, which is active in hotel and hospitality development, bought the Le Meridien Hotel in Budapest in 2012. Further hotel transactions are expected to close this year in Prague. According to C&W it makes more sense to buy an existing trading hotel rather than build a new one, simply because property prices are still below replacement costs.

The German Halaba bank is financing Starwood Capital Group's Poland office portfolio purchase with the provision of a €136 million long term loan. Commentators stress the importance of investment financing for a functioning investment market beyond Poland and the Czech Republic.



RIVER GARDEN

Office development boom in Warsaw and Prague

The Warsaw and Prague office markets are regarded as thriving despite some concerns over vacancies. At the same time the Budapest and Bucharest office markets are showing signs of recovery after a period of limited delivery.

DAVID LAWRENCE

DEVELOPERS REGARD Poland as an almost “core” destination and according to Savills, Warsaw office stock is expected to reach five million sqm within the next three years. JLL research records that over 1.1 million sqm of office space is in the pipeline, not only in Warsaw but in Krakow, Wroclaw and Tri-City.

The Warsaw office market is continuing to thrive as construction activity has reached 579,000 sqm with an additional 62,000 sqm under refurbishment. The latest delivery was the 38,000 sqm first phase of the 67,000 sqm Eurocentrum office complex by Capital Park Group. For 2014 a total of circa 350,000 sqm of newly built and refurbished office space is expected to be completed, according to JLL.

Ghelamco is developing the 49-story, 220 meter high Warsaw Spire that together with two adjacent buildings will provide a mixed-use complex next to the Palace of Culture in central Warsaw. The developer is one of a number of leading international companies that are active in the Warsaw office market, as the conventional wisdom is that the city is the major business centre of Central Europe. The development of high visibility skyscrapers is in fashion as the city seeks to live up to its reputation as a leading European and indeed, world city. Furthermore, there are few height restrictions that restrict development in Prague and Budapest, where there are concerns over the need to preserve the historic centres.

Outside of the capital, Skanska Property Poland has installed the facade of the first building at the 46,000 sqm Silesia Business Park located in Katowice. The development is Skanska’s largest project in Poland and is a sign of the success of the Polish market, in that such a large, quality complex by a leading developer is being constructed in a major city outside of Warsaw. According to Skanska, the first building is 65 percent let after a pre-lease was signed with PwC. “We are developing the complex phase by phase and the first building will be available for occupation by the end of 2014,” said Mariusz Krzak, Regional Director of Skanska Property Poland.

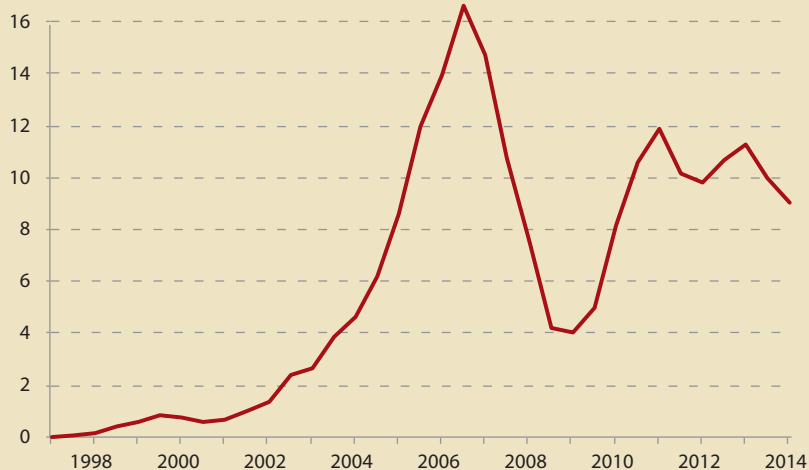
The standard of office buildings in CEE is generally regarded as on a similar level to that found in Western Europe, as developers need to meet the requirements of tenants and investors in order to let a building, facilitate debt finance and attract investors. Developers of prime products are constructing in accordance with BREEAM, LEED and DGNB certifications in order to conform to EU legislation, and this is now a basic requirement from tenants and investors.

In Prague, developers such as HB Reavis, Karimpol, PPF Real Estate, Skanska and Immorent have anticipated that there will be a scarcity of supply at some point and have started construction on a specula- ▶



WARSAW SKYLINE

Total investment volumes in CEE (EUR billion)



SOURCE: COLLIERS INTERNATIONAL, RESOURCE

tive basis. About 300,000 sqm of space will be delivered in the next two years according to Tewfik Sabonyui, Managing Director of JLL in the Czech Republic. Although the Prague office market is generally viewed in a favourable light, one potential black cloud on the horizon is a high vacancy rate that has risen to 14 percent. Vacancy in Warsaw is predicted to rise to 14 percent and this is expected to put pressure on rents.

However, this vacancy level should be qualified in the case of Prague, as there is considerable variation across the city with, for example, a vacancy of 6 percent in Prague 4 and 31 percent in Prague 7. Tewfik Sabonyui, Managing Director of JLL in the Czech Republic, argues that there could be office oversupply in particular locations, but overall there is no such oversupply.

However, another problem for developers in Prague is the lengthening lease negotiation process that is now often as long as a year. "This puts pressure on landlords and it takes longer to get tenants into a building and banks can get nervous. This can force landlords into offering financial incentives and concessions," said Tewfik Sabonyui. Pre-lease requirements from lenders for Prague office developments are put at 40-50 percent.

Although office development in the Hungarian capital is limited, cranes working in the Váci út business district are an indication of the popularity of the area with

international developers such as Skanska, Atenor and Futureal. These companies are able to find financing and construct in what is considered to be a challenging office market. The market has historically high vacancy rates and these currently stand at 18.5 in the city with circa 2.55 million sqm of speculative office stock, according to the Budapest Research Forum. Around 80,000 sqm of space is under construction.

The largest completion belongs to HB Reavis, which has officially opened the 21,000 sqm Váci Corner office complex after a two-year construction period. The so-called Váci út Corridor has developed into the major out-of-centre business district of Budapest. Zoltán Radnóty, CEO of HB Reavis Hungary expects the complex to be fully let by the second half of 2015. A €21 million debt financing agreement has been concluded with Raiffeisen Bank as was the case with earlier HB Reavis projects in Slovakia and the Czech Republic.

Robert Papp, senior consultant at the Hungarian firm Robertson argues that the difficulties of the Hungarian office market are grossly misrepresented. "The right asset in the right location will have no problem letting as has been the case with Skanska's Green House and Atenor's Váci Greens," he said.

Another CEE developer, Futureal has launched the €170 million Budapest One business park adjacent to the terminus

of the recently completed fourth metro, located on the western edge of Budapest. Reflecting the current situation in the slow-moving Budapest office market, Futureal is pursuing a phased development strategy with construction going ahead once pre-lets have been concluded. The development project is planned to become a business and leisure hub that will include retail and service elements.

In another major development the equity-rich developer, Skanska is set to commence construction of the first phase of the 26,000 sqm Nordic Light in Váci út. The project will be developed in two phases depending on pre-lets.

Economic and political concerns from international developers have put a brake on market development since the economic downturn and eurozone crisis. However, Romania is now attracting prestigious developers such as Skanska, AFI Europe, Raiffeisen Evolution (RE), Portland Trust and the Atenor Group, and this is seen as a significant step forward.

Skanska is due to complete the first 19,500 sqm phase of the Green Court office complex in the fourth quarter after an estimated €46 million investment. A 13,700 sqm pre-lease has been signed with Orange. The company has applied for a Gold LEED certification for the planned three buildings totaling 52,000 sqm. The latest office delivery in Bucharest was by the Belgian Atenor Group with the 18,000 sqm first phase of the Hermes Business Campus (HBC). The three-phase project is planned to deliver a total of 78,000 sqm of space.

Regarding pipeline projects, DTZ Echinox estimates that new Bucharest office supply will reach 150,000 sqm in 2014, in a city with a total stock of a little over two million sqm. This is significantly lower than Prague and Budapest and half of the stock in Warsaw. Prime rents are quoted at €18.5 per sqm per month with vacancies put at 15 percent, according to JLL. However, vacancy data should be treated with caution as it varies widely depending on the sub-market.

Bucharest, Prague and Budapest are regarded as being at the bottom of the office rental cycle in contrast to Warsaw, where rents are falling, according to C&W.

Risks and opportunities – What do CEE markets offer?

What are the most attractive markets in CEE? How have the different markets been developing after the crisis? What are the risks on the various regional markets? What opportunities do the different pricing and yield spreads offer investors? Is it time for the real turning point for less favoured markets? What are the most attractive investment assets in Budapest? Leading CEE experts share their opinion.

KATALIN MAJOR



Bruno Ettenauer, CEO,
CA Immo AG.

In our view the markets of the CEE region are developing in different ways. What most of these countries have in common is that the rental level in the office sector is at a low, that is to say a sustainable level. Excluding

Poland, property prices are partly under the production value which makes the region rather attractive for investments. The volume of transactions is increasing, especially in Poland. Due to the current pressure to invest, money is flowing into the market and real estate is in demand on account of the prevailing interest rate situation.

Of course, this trend also poses risks. In the near future, for example, we will need to keep a close eye on developments in Warsaw: large volumes of high quality floor space come onto the market and will increase the competition and – in some areas – the low vacancy rates will rise in the future. At the same time, potential stays high in areas with less development activity.

Bucharest has emerged as highly promising: demand is high for centrally located office space, which opens up definite opportunities for development activity. Due to our expertise, we consider Hungary an attractive market, too, with one weakness: the low availability of external financing.

With regard to the current Ukrainian-Russian conflict, I think that the middle European industrial nations will be more afflicted than the geographically close CEE countries. Most likely, the losers in this conflict will be the European industrial nations and Russia, while Asia and also the USA will remain unscathed or will even benefit from this situation. ▶

ADVERTISEMENT



project development
Member of Real Estate Group, Hungary

Category A offices

leasable units between
120-1000 sq m





In the REnowned and prestigious Central Buda milieu.
www.residenceirodahaz.hu



1. BRUNO ETTEAUER, CEO, CA IMMO AG; 2. JENŐ FARAGÓ, INVESTMENT ANALYST, PORTICO INVESTMENTS; 3. MIKE EDWARDS, HEAD OF VALUATION & ADVISORY, CENTRAL EUROPE; HEAD OF CAPITAL MARKETS AT CUSHMAN & WAKEFIELD; 4. DAMIAN HARRINGTON, DIRECTOR OF RESEARCH, EASTERN EUROPE, COLLIERS; 5. DIETMAR REINDL, COO IMMOFINANZ GROUP



Jenő Faragó, Investment Analyst, Portico Investments

A positive mood is spreading on the market, some are optimistic about the coming years, and some are already positive about the present. Pessimists are in the minority. The numbers appear to support this mood. Real estate investment volumes are up. In some countries, 2014 forecasts say they will hit 2006-2007 levels, and all countries' prognoses talk about the highest investment volumes since the crisis. This is supported by good GDP data and GDP forecasts, the lowest unemployment levels in a long time, growing industrial output and what is most important for us: increased retail spending. By looking at Portico's portfolio we can conclude that in all our countries tenants report increasing turnovers each quarter.

A more in-depth look at the region reveals that Poland and the Czech Republic are taking the lead and the main investor focus is on these two countries, while other countries are feeding on the crumbs only and investment activity comes mostly from domestic players. The fact that the Hungarian real estate market was shaken up by a very unusual player, the Hungarian National Bank, sends ambiguous signs to foreign investors.

While more and more investors were convinced that the Hungarian real estate market had bottomed out and the next years may therefore be regarded with cautious optimism and a slow catching up, more and

more investors tend to forget that the current good data are not exactly a result of a well-founded and well-governed economy. This might after all be indifferent from the point of view of the result, as most market actors move when there is confidence in the market. If some start to believe that things are going well and others follow them, we might end in an upward spiral, attracting more foreign capital – and the optimists will nod and say: "I told you so".



Mike Edwards, Head of Valuation & Advisory, Central Europe; Head of Capital Markets at Cushman & Wakefield

The different markets have their own merits. Poland is seen as the most established and therefore stable market offering buyers a visible exit, but Budapest's comparative pricing may offer better prospects for rental growth and yield compression in the medium term.

Last year, Hungary saw next to no investment; this year we have already seen Green House and Eiffel Palace trading and there are various well-known assets under due diligence. Investors are actively looking and, critically, access to finance is increasing – but let's not get too carried away just yet. The focus is on the very best-class assets and when one considers the fundamentals of these assets – occupancy, class of tenants, location and quality – then Hungary seems very underpriced compared with other markets. It is natural that investment is returning.

The best opportunities are the core ones. There are clear arguments for future yield compression and rental growth. Vacancy in the best buildings is actually quite low – I would suggest sub-10% - and rents and incentives are beginning to readjust from a tenant's market. The lack of supply in recent years means that there is little prime stock available and pressure could be brought to bear on rents again - indeed rents have to increase to justify development and, based on recent statistics, demand seems to be increasing.

As for the attractive assets in Budapest, investors are focussed at polar opposite sides of the market. Some are looking at distressed assets, whilst others are after core assets with long leases. Owners' expectations are still some way from buyers' for "value add" opportunities, such as those assets with vacancies etc. One issue we have identified is that there are a number of investors looking for large volumes that the market cannot match. You will begin to notice investment in property companies rather than the assets themselves as a result.



Damian Harrington, Director of Research, Eastern Europe, Colliers

In 2013 commercial real estate volumes for CEE reached €10.8 billion, up around 20% on 2012. Through the first half of 2014 investment volumes across CEE have been positive, but have slowed marginally, losing some of the momentum that was gained

during 2013. This is primarily the result of a slow-down in Russian investment transaction volumes, due to concerns over the current Russia/Ukraine conflict. The Russian market has seen €750 million worth of deals close in H1 2014, but the hiatus in international investor activity puts this figure below the €2.5 billion, half-yearly average which the market has posted over the last three years.

Although there may have been a decline in closed deals in Russia, this should not detract from the growing popularity of the core Polish and Czech investment markets which continue to see increasing deal volumes and should at least match 2013 levels. Equally, investment activity is also picking up across the Tier 2 markets of the region – notably the Baltics, Hungary and Romania. This has led to some yield compression in these locations during the first half of the year. There are also signs of increasing interest further south and east in the likes of Bulgaria and Serbia.

New development activity is also beginning to recover in the smaller markets of the region. For example, as of H1 2014, the volume of office space under construction in Budapest is at its highest level since 2010. Although as the individual markets adjust to such a large volume of incoming new supply, many have continued to experience fluctuating vacancy rate conditions through the year.

Similar movements can be seen in the retail segment. While there is still a huge amount of new construction underway

it is beginning to moderate in those markets that led in 2013, including Moscow, St. Petersburg and Kyiv, and is starting to rise in other peripheral cities, including Bucharest, Bratislava and Tallinn.

As for the future, if investment demand continues to diversify across the region in the second half of 2014, this could take us back towards a more robust “Mid-Case scenario” for investment volumes. However, it is more likely that it won't be until 2015 before regional investment genuinely picks up pace outside of the core CEE markets of Poland and the Czech Republic.



Dietmar Reindl,
COO IMMOFINANZ Group

The spin-off of BUWOG gave IMMOFINANZ a sharper profile as a commercial property specialist with a focus on Central and Eastern Europe. Russia is now our largest single market, followed by Austria, Romania, Poland and Germany. Even though Eastern Europe is still not the growth story we would like to see – it would be good to have stronger impulses from the economy for our rental business – we are convinced of the long-term growth story and the convergence potential of this region. In 2013 the total return on our CEE properties brought us the “IPD Property Investment Award in Central & Eastern Europe” for the highest performance among the 49 portfolios surveyed in this region.

Looking at our core countries, Poland and the Czech Republic are currently the most active transaction markets in Eastern Europe. The sale of the Silesia City Center, our Polish shopping centre, during 2013/14 represented a benchmark deal for the CEE region.

However, investors are also shifting their attention to other CEE destinations – e.g. Bucharest – because of the attractive risk-return profiles. With regard to our development activities our focus will be – besides Germany – first and foremost directed towards Poland, Romania and Russia.

As emphasised in the past, our business in Russia is a source of considerable satisfaction in spite of setbacks: the returns are significantly higher than in Eastern and Western Europe, and the occupancy in our properties is well over 90%. However, the crisis in Ukraine, its further development and the sanctions imposed by the west and Russia represent uncertainty factors that have substantially clouded the mood of investors over the past weeks.

Apart from these developments, the European Central Bank has also set a signal in favour of real estate investments with its interest rate announcements. There is no end in sight to the loose monetary policy and the related low interest rates. That, in turn, has increased investors' search for relatively safe investments as an alternative to the money market. The economic recovery in Central and Eastern Europe is continuing with a higher GDP growth than in Western Europe.

ADVERTISEMENT

BUDAPEST ECONOMIC FORUM 2014

DECISION MAKERS, ECONOMISTS, INVESTORS
AND CORPORATE LEADERS AT ONE PLACE.

REGISTER NOW!

2nd October 2014 • Budapest, Hotel Sofitel

*How could Hungary's competitiveness be improved? • Central Bank Governors' panel
Development outlook on Hungary overshadowed by the Russia-Ukraine crisis*

www.budapesteconomicforum.hu • www.portfolio.hu/conference • conference@portfolio.hu • sales@portfolio.hu

PARTNERS:

Deloitte

MFB
Magyar Fejlesztési Bank
Zártkörűen Működő Részvénytársaság

SPONSOR:

CIB BANK

SECTIONS:

BUDAPESTI ÉRTÉKTŐZSDE
BUDAPEST STOCK EXCHANGE

exim

Portfolio
Conference

Budapest: an attractive investment market

How does a CEE real estate pioneer see the post-crisis CEE market? How did CEE markets transform into mature property markets starting in the late nineties? Which countries are the most attractive in the region? What does the Budapest market offer? We spoke to Alan Vincent, B.Sc., MRICS, managing director of ConvergenCE.

KATALIN MAJOR

YOU ARE one of the real estate pioneers in Central Europe, you have experienced how CEE markets developed over the last 20 years. You have seen a lot: the boom of the late nineties, the crisis, the post-crisis period, and now – hopefully – the stabilisation. How do you see the region now in the context of the past 20 years?

I think all of the Central European markets – Poland, Hungary, the Czech Republic and Slovakia – have reached a level of maturity now. It's a logical progression from the underinvestment during communist times followed by the boom in foreign direct investment which caused this massive development through the nineties up to 2007. I would say the first ten years was catching up and the last five years became a speculative boom. As I have said in the past, that period will in future be compared to the 1880s and 90s in terms of the development of Budapest.

Each market has its own particular characteristic. As such CEE can no longer be seen as a homogenous investment location. It's clear that the Polish and Czech real estate markets came out of the crisis in better condition than Hungary, both in terms of the health of local banks and in terms of investor perception, but it seems Budapest in particular is catching up.

I see Budapest, Prague and Bratislava as more stable rental markets than Warsaw going forward, mainly due to the urban structure and limitations of the built fabric of these cities, compared to the relatively unlimited development potential, and therefore risk of oversupply (particu-

larly in the office sector) in Warsaw. On the other hand, being the capital city of a country of 40 million people, Warsaw will continue to be an attractive investment location for global investors. I foresee a quite illiquid investment situation approaching in the smaller capital cities (similar to Vienna) once the best buildings have traded to traditional long term institutional investors.

It's been interesting to see that although Hungary and Budapest were way ahead of any of the other CEE countries in the early nineties, in terms of development and FDI, they started to fall back from about 1998. The cause was partially demographic, which is understandable compared to Warsaw, but obviously as we all know, later there was a perception problem with Hungary, because it was very much seen as a small peripheral market. When Greece crashed, a lot of investors were expecting that something similar would happen here. This, combined with all the politically motivated negative media that followed the first Fidesz landslide victory, did not help bring investment back to Hungary. Fortunately we seem to be past that now.

Budapest is catching up, but from now on I see significantly fewer development opportunities than in the past, as it has become a mature market. The future will be far more controlled and less exciting; the development and renovation of the existing stock and a more normal market will follow. We are definitely not going back to a situation where you can build an office building in Soroksár, for example, call it an A grade building and expect to

rent or sell it with ease. In Hungary there will be some industrial and production opportunities in the regions and smaller scale commercial investment in provincial cities but this will be more of interest to local investors. Downtown residential may finally pick up and start to show good investment returns after being flat for ten years, thanks to the government investment in the downtown area, the City and the 5th district, which are finally bringing out the true beauty of Budapest landmarks.

Which markets are the most attractive in CEE at the moment in terms of investment? Budapest is still very cheap, compared to Warsaw or Prague, the yield difference is still considerable. Is Budapest still a market for opportunistic buyers or are there opportunities for institutional capital as well?

For institutional investors this is a question of returns. They are chasing yield. The brave ones who come in early will benefit the most. Comparing prime office investment yields for the first half of 2014, with Warsaw at 6%, Prague at 6.25% and even Bratislava at 7%, I see Budapest as the most attractive location with comparative yields for the best offices at 7.25%. Similar spreads are also present in the retail and industrial sectors. In fact these yields are already moving down fast (witness the recent sales of Vision Towers North and Eiffel Palace). Investors realise that they can buy here at a discount compared to other CEE capital cities.

Opportunistic buying of distressed assets has been much more difficult than expected, due to the unclear and fragmented approach as well as overpricing by the banks holding these portfolios. That was an opportunity that I think everybody expected but it hasn't really happened. The banks, of course, will be very happy to see capital values improving at the best end of the market and they may believe that this will also have a positive impact on their portfolios, but I think that is going to take some time, because they are at the complete opposite end of the risk scale.



Office market indicators in Budapest appear to have improved in the last 12 months. What do you expect for the next 1-2 years?

I believe that there will be a steep increase in interest from investors, which will raise capital values quite significantly. I expect retail and office yields to reach the mid-6% level, rents to stabilise and concessions such as rent free periods to significantly reduce as vacancy continues to fall. The big challenge in Budapest is going to be the renovation and re-use of historic buildings, finding ways to make them efficient.

The Eiffel Palace is a very good example here. There is an interesting issue around this office building as the Central Bank just bought it. The transaction is quite controversial, experts are debating whether this was a good investment and whether a central bank should invest in real estate at all. What do you think about this issue?

It is difficult for anyone who is not a central banker to make a judgment. I can't really second guess the investment strategy of the Central Bank without knowing what their investment objectives are. I do think there is a place in every investment portfolio for real estate. It is a long-term secure asset, which holds its value. If you ask me what the ten best office investment projects in Budapest are, Eiffel Palace is definitely one of them. It is a great building, it was an expensive investment and clearly the developer didn't cut any corners in terms of the quality of the building. It also has a very good long-term tenant in PwC. As a real estate investment I would say it is a rather conservative one. If the question is whether the Central Bank should be buying real estate or not, I think that is one for bankers, not real estate experts.

As for ConvergenCE, what are your plans for the next years?

We are looking at investing in existing assets and developments at the moment, as well as continuing to expand our niche service lines of asset, property and project management services, to a select group of international investors.

Time for the real turnaround

The years of the crisis have completely transformed the allocation of investment volumes among Central and Eastern European countries. The biggest winner is Russia and the country that has lost most of its attractiveness is Hungary.

AKOS BUDAI

ACCORDING to data compiled by Colliers International, prior to 2009 Hungary received 17% of all CEE investments, while the same number for the post-2009 period is only 5%. These are daunting numbers, but luckily for Hungary, several reports on increasing investment activity have surfaced in the first half of the year, with many stating that international investors are also returning to the market.

All signs point to investment appetite in Hungary significantly increasing in the first half of 2014. The first open market transaction in years occurred in May, when the StefaniaPark office building was sold by IVG to an unnamed German investor, marking a real turn in the Hungarian real estate capital market. Also, the biggest transaction in the CEE retail market in Q2 2014 happened in Budapest. ING Real Estate Development sold their remaining 50% share in the Allee shopping center to an ING insurance fund for EUR 95 million, which helped Hungary record its best Q2 results since 2010.

In July, Skanska announced the sale of its "Class A" Green House office building in downtown Budapest to the Hungarian open-ended property fund Torony Real Estate Investment Fund, managed by Diófa Fund Management, a member of the FHB Group. Green House was completed in 2012 and currently 98% of the building is leased. It is the only LEED Platinum-certified office building in Hungary. The EUR 36 million transaction will be recorded in Q3 2014 and it is a milestone in the Hungarian real estate market, since the last 20 years rarely saw Hungarian institutional investors making similar purchases.

It is not only large, international deals that show positive movements in the investment market: several smaller deals in the

retail segment also point to an improving situation. Futureal purchased Sziget Center in Tököl, while another Hungarian investor, Portico acquired three hypermarkets occupied by Spar from the Raiffeisen Fund for EUR 3.6 million. Furthermore, a 50% stake in the Új Udvar shopping centre in Budapest was sold to individuals initially involved in its development.

Eastern capital

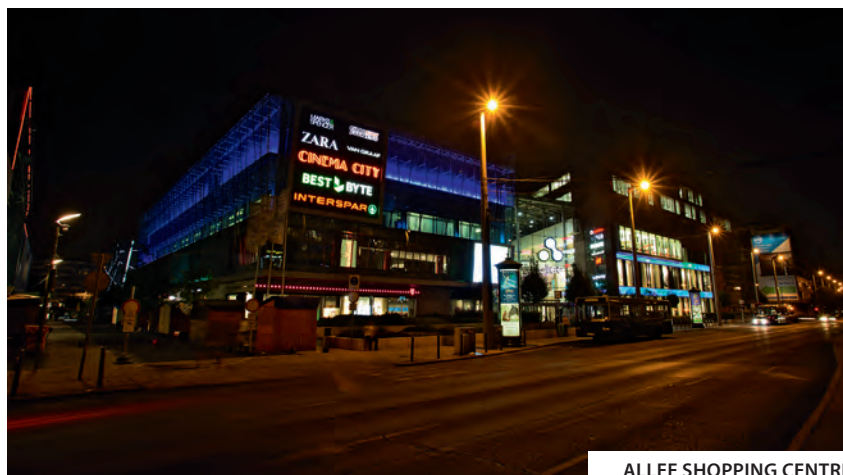
Buyers from the Gulf region have been actively present on the Hungarian hotel market for years now. H1 2014 saw the acquisition of the Intercontinental Hotel by the Al Habtoor Group. This was the second deal the Dubai-based real estate conglomerate made in Budapest after buying the Le Meridien Hotel in 2012.

ace (the former Ballet Institute) on Andrassy Avenue was sold to a Luxembourgish company belonging to a sheik of the Qatari royal family, at an undisclosed price. In August, the southern Klotild (also known as Matild) Palace was purchased by Melis Investment, a unit of the Turkish Özyer Group for EUR 6.85 million. All three buildings are expected to be converted into hotels and the Párisi Udvar is also expected to feature restaurants and a conference center after renovation. These purchases show that Hungary is gaining momentum among foreign investors and also that we will see grey spots in the city centre filled with life once more, which could further increase Budapest's attractiveness.

Unorthodox purchases

A special kind of investor has also become active this year. The National Bank of Hungary (MNB) has purchased two properties in the past months. First, in July, it purchased a castle hotel in Tiszaroff. The final price remains unknown, but a few months earlier this property was up for sale for EUR 1.84 million. The central bank plans to operate the facility as its own resort in the future.

The second and much bigger transaction was the purchase of a premium-category office building in the downtown area of



ALLEE SHOPPING CENTRE

Investors from the Middle East also showed considerable interest in abandoned landmarks in downtown Budapest. In May, Párisi Udvar on Ferenciek Square was acquired by the Mellow Mood Group (developers of the nearby Klotild Palace) for EUR 6.7 million. In June, the Dreschler Pal-

Budapest. The property known as Eiffel Palace is one of the top ten office buildings in the capital and it was sold to the MNB for EUR 45.3 million. According to MNB governor György Matolcsy, the transaction took place at 6.5-7%, indicating that the office building was overpriced. That yield level

seems considerably low, since no similar transaction took place in the previous 12 months in Budapest below 7.5%.

These purchases are controversial both from a political and an economic point of view. It is unclear why the central bank would buy overpriced property, and it is debatable whether an institution like the MNB really needs a castle hotel or a "Class A" office building.

Still not there yet

György Lindwurm, Investment Associate at DTZ Hungary agrees that increasing investment activity can be seen in the Hungarian real estate market, but he believes that most international institutional investors have merely invested in Poland and the Czech Republic so far. In some cases, Hungarian assets have been excluded from regional portfolio investment deals.

So far, in 2014, all signs have been positive; there's been more movement in the market, the number of distressed properties decreased and in the case of some properties that are fully rented out for a longer term we could even see bid wars starting. Yields have decreased to between 7% and 8% for office buildings and to around 8.5-9% in the industrial segment, according to György Lindwurm.

This corresponds to prime office investment yields for Warsaw at 6%, Prague at 6.25% and Bratislava at 7%. Budapest is still very cheap compared to the Polish or the Czech market, and the relatively low yield levels could steer investors in Hungary's direction, but most of them still consider the country and political risks too high. Foreign investors are still cautious; they prefer to buy properties in the two main markets of the region that offer stable cash-flow and low risk. However, macroeconomic conditions and the financing environment in Hungary have considerably improved over the last year. Office market indicators also paint a more and more positive picture and with the economy picking up we might see increased end-user demand. Thanks to these developments, despite the risks related to instability, we should see international institutional investors returning to Hungary in the next year.

Hungarian home loans: rewriting the past

Du passé faisons table rase (Of the past let us make a clean slate) – this widely known line from the Internationale soon takes on a new meaning for several hundred thousand Hungarians with foreign currency loans.

ISTVÁN PALKÓ

MASSES OF CREDIT agreements are being rewritten in Hungary, probably soon transferring a sum equivalent to almost 3 billion euros from the banks' tills to the debtors' pockets. Meanwhile in the area of new lending the sky is not cloudless for the banks either: burgeoning home loans will shortly be policed with new regulations by the central bank.

Fresh hopes, inherited problems

For years Hungary has been reckoned a black sheep in the region from many angles in connection with the banks. It also falls significantly behind in lending to the population compared with the eurozone and other countries in the region: reckoning without revaluations, in the past year household credit has fallen back by close to 5 percent, whereas Slovakia, Poland and the Czech Republic produced a growth of 5-10 percent. (Figure 1) New loans may have increased significantly compared with the nadir of 2013 (for instance the month of July brought a jump of 75 percent compared with one year earlier), but for the time being this has not counterbalanced the repayment of foreign currency loans taken out before the crisis.

Home loans in this country have already been bleeding from many wounds: close to half the credit stock is still foreign currency-based, mostly denominated in Swiss francs. The exchange rate for the Swiss franc has grown by more than 60 percent by today compared with the average rate when the loan was taken out, significantly increasing the burden of debt on households. In order to restrict the unfavourable exchange rate effect, two and a half

years ago an exchange rate limit scheme was introduced with the concurrence of the banks and the government, but irrationally enough, only a total of 40 percent of those entitled have laid claim to this so far. Meanwhile assessment of the rate spread (use of selling and buying rates, i.e. heterogeneous rates) used during disbursement and repayment of foreign currency loans and the unilateral contract modifications carried out by the banks continues to be inconsistent, and debtors' ability/willingness to pay is deteriorating: the proportion of undischarged home loans according to data from the end of June is 13.6 percent, of which that for foreign currency loans is 17.7 percent. In addition, the eviction moratorium and other government measures restrict the banks' portfolio cleaning, so the banks are compelled to postpone addressing the problem. As a result of all this, the risk cost to the banks continues to be very high, and although they have fallen significantly in recent times, their resource costs are not neglected either. It can best be explained by these two factors that the interest surcharge on newly awarded home loans continues to be very high in Hungary by international standards (Figure 2).

The foreign currency loan package is here

Based on the result of the April parliamentary elections, newly in possession of the support of two-thirds of parliament the government probably felt that it had received the mandate to settle some of the above problems in a way that was unfavourable to the banks. The responsibility, however, was only partly the gov- ➤

ernment's: on June 16th, the Curia, the supreme judiciary in this country, subsequently extending the result of a specific lawsuit, resolved to declare the rate spread used with foreign currency loans to residents to be unethical, and instead ordered the retroactive use of the central bank's official exchange rate. And in connection with the fairness of unilateral interest rate increases, 7 strict requirements were set up. If a contractual condition does not conform to any one of them, it is to be regarded as unethical. With this the contracts as a whole do not become invalid, but the individual conditions enabling modification of the contracts do.

As the Curia's resolution only applied to foreign currency loan contracts affected by lawsuits, at the suggestion of the government, Parliament decided on July 4th to declare in law that the rate spread in all the residential foreign currency loan contracts was unethical, and in addition to express the opinion in law that unilateral contract modifications (typically interest rate increases) were unethical in the case of HUF loans as well as foreign currency loans. Instead of the clients, the burden of proof is transferred to the banks: by around the end of the year they may prove, within the scope of an enforced judicial procedure prescribed by law, that they proceeded ethically in the cases of unilateral contract modification. These lawsuits are underway at present; based on the initial judgements, the banks don't have much chance.

As the Curia's aforementioned 7 conditions (which are also authoritative at present for the Metropolitan Court transacting the lawsuits) are extremely strict with regard to ethics, it is predictable that the banks will not be able to defend the decisive majority of the loan contracts before the court. It is to be expected, therefore, that besides the rate spread, clients will get back the rise in regular payments due to the unilateral contract modifications, and the interest rate on their loans will return to the original level. As to exactly how and in what sum, a law appearing in autumn (perhaps September) may make provisions.

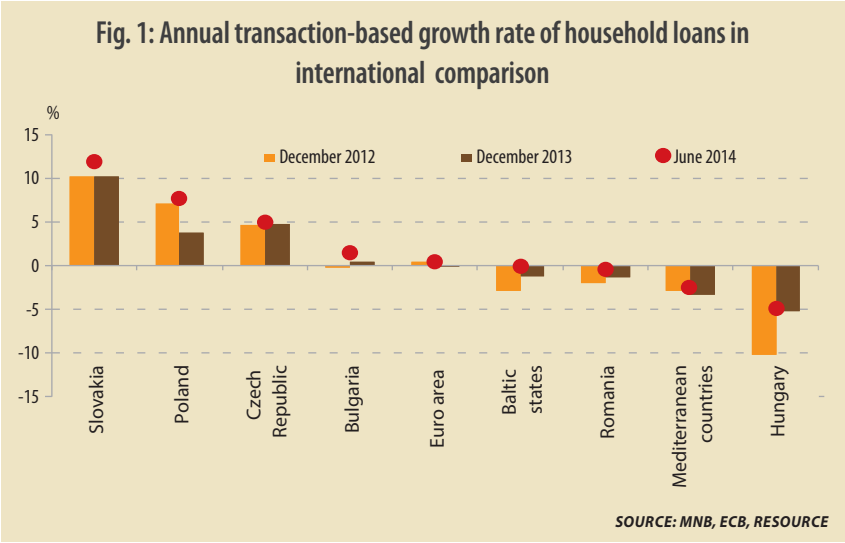
With regard to the precise calculation of the sum to be returned to those with foreign currency loans because of the rate spread, the central bank provided guidelines at the beginning of August. Use of the published formula is in principle not obligatory for the banks, but the central bank may enforce this based on its supervisory authority. The essence of the formula is that the banks must take into account current overpayment by clients retroactively as advance payment of the capital sum of the loan. If this formula is extended to the settlement of the hordes of interest rate increases which are expected to prove unethical, then according to estimates a loss of around 900 billion HUF (almost 3 billion euros) is to be expected for the banks. Assuming that in the case of extant contracts the amount due back is settled in such a way as to reduce the outstanding capital debt of the foreign currency loans, the capital debt of an average person with a foreign currency loan may fall by almost one fifth compared with the present amount by the beginning of next year, and the regular payments by close to one quarter.

All this will result in a sizeable loss for the Hungarian banking sector, though

recover their losses resulting from any governmental measures (the bank tax introduced in 2010, the final repayment of 2011-2012, the transaction fee introduced in 2013) with capital injections received from the parent bank. Foreign-owned banks in Hungary have received a capital increase of close to a total of 1000 billion HUF over the past five years in such ways.

Will the foreign currency loans be converted to HUF?

Settlement of the foreign currency loan issue from a legal dispute angle, therefore, is expected to be complete by the end of this year, and the indebtedness and debt repayment obligation of the population will fall considerably. Although the financial position of the banks is deteriorating significantly, a positive point is that the vulnerability of the country because of foreign currency resources (primarily short-term) may be reduced, and the available income of households may increase. With this, however, the banks' walk to Canossa because of foreign currency loans will not have come to an end: according to statements by governing party politicians, at the end of 2014 or in the first half of 2015 the foreign currency-based mortgage loans (and possibly

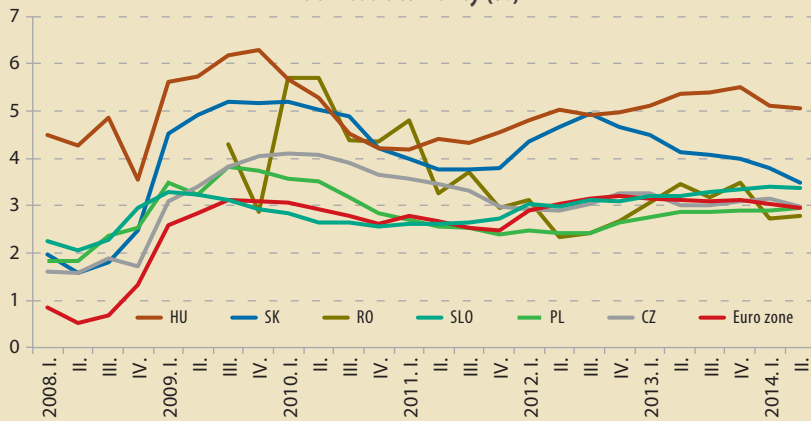


probably not a stability problem. Close to four fifths of the foreign currency loans to residents have been financed by major banks under Western European ownership, which so far have been able to

other foreign currency loans) may be converted to HUF.

When they hear this, the final repayment of 2011-2012 may once again come to mind for bank management (as well as

Fig. 2: International comparison of spreads on housing loans extended in domestic currency (%)



SOURCE: ECB, NATIONAL CENTRAL BANKS, MNB, RESOURCE



GYÖRGY MATOLCSY

credit rating experts and foreign investors). At that time, better-off foreign currency borrowers could get rid of their loans with a 25-30 percent exchange rate discount, but the banking sector (taking into account the compensation received from the bank tax) lost more than 260 billion HUF. If in accordance with the promises of certain governing party politicians the foreign currency loans were now converted to HUF not at the market exchange rate, but at some discount rate, then this would result in a renewed major capital loss for the banking sector. Whether the government will dare to undertake this, cannot be known as yet.

This is still not the end

Besides dealing with inherited problems, the Hungarian state, and with it the Hungarian National Bank (MNB), is clearly

attempting to draw on the lessons of the past. It was announced on August 27th: the debt brake regulation promised in the spring will be introduced on 1 January 2015. Within the scope of this, taking out excessive loans by the population will be restricted by three measures: 1. the instalment-to-income ratio index will be introduced, 2. the credit cover index will be readjusted (Figure 3) and 3. verification of legal income will be needed for taking out loans. According to the MNB, the new regulation will not really push back residential lending, but it will provide the central bank with a new tool should the process of residential indebtedness become excessive in the future, as the indices introduced now may be made more severe later by the central bank (on the upward curve of the credit cycle, for preventative purposes).

Hungarian home loans, therefore, now just reviving and comprising around one quarter of the sum advanced before the crisis, are facing a great many challenges. A huge issue is how bank lending will react to the financial loss resulting from the foreign currency loan package, and what fraction of the population will drop out from among potential borrowers in consequence of the fresh measures by the central bank. Targeted handling of the undischarged loans and acceleration of the residential credit portfolio cleaning are as yet unsolved tasks. There is a reason for hope, however, as irrespective of the state of the financial sector Hungarian economic growth has begun, in the wake of which domestic housing demand is gradually increasing. It is conceivable, therefore, that Hungary will not solve some of the problems of residential borrowing, but grow out of them.

Fig. 3: Debt brake regulation valid from January 1, 2015

Income	Instalment-to-income ratio (PTI)		
	HUF	EUR	Other currency
Under 400 k HUF	50%	25%	10%
At least 400 k HUF	60%	30%	15%
Credit type	Credit cover ratio (LTV)		
	HUF	EUR	Other currency
Mortgage loan	80%	50%	35%
Vehicle loan	75%	45%	30%

SOURCE: MNB, RESOURCE



Some succeed, others don't

When could the regional housing markets recover? As in other parts of the continent, the property markets of the Central Eastern European region are characterised by polarisation. Certain countries are on their way out of the pit, whereas others are just approaching the bottom.

TÜNDE MADUROVICZ-TANCSICS



THE EUROPEAN housing markets are characterised by dichotomy. The downhill trend following the world economic crisis of 2008 has not stopped in many countries, and no turnaround has yet occurred. At the same time, another group of countries is typified by a much more favourable environment, and recovery can be observed. A reason for confidence is also given by the fact that the fall is slowing in several countries, and the market is approaching the bottom of the pit. The prices of residential properties increased most in Ireland, the United Kingdom, Sweden and Germany during the past year, whereas the greatest fall was suffered by markets in Italy, Holland, Spain and Portugal.

The crisis also brought huge losses to the property market in the Central Eastern European region, and the present dichotomy typical of the continent's property markets is found in these countries too. Apart from

Hungary, property prices increased in Bulgaria, Romania and the Czech Republic in the first quarter of 2014. The downhill trend continued in Croatia and Slovenia, whilst Slovakia was characterised by stagnation and a slight fall.

Where have prices begun to rise?

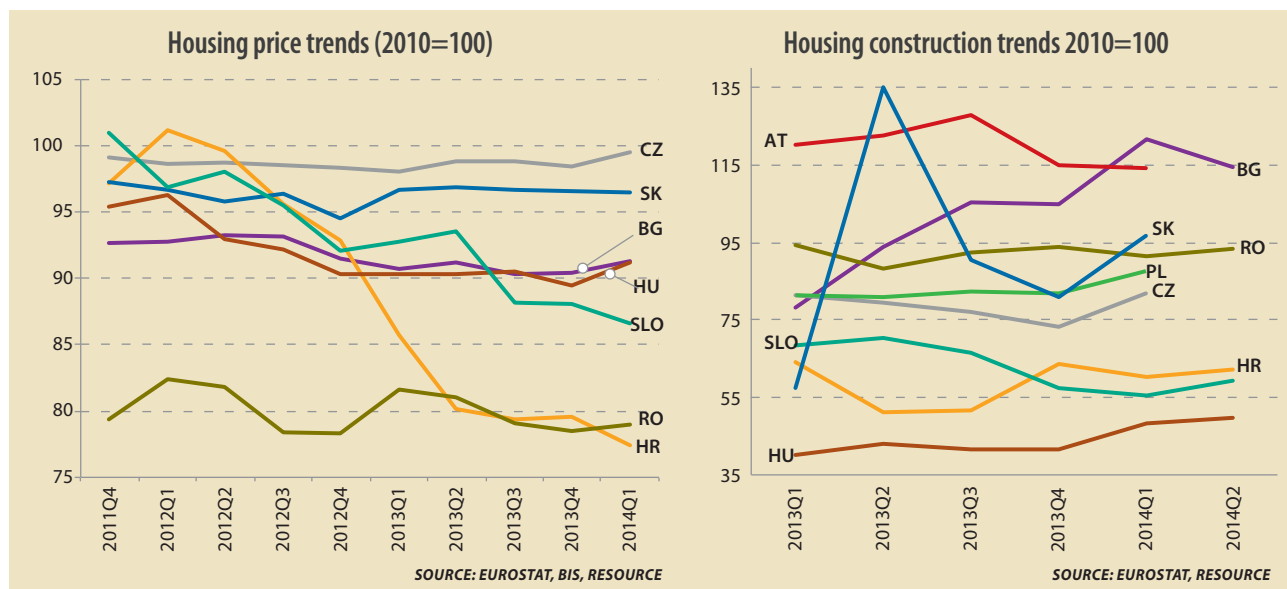
The prices of residential properties are rising in Bulgaria, which suffered one of the greatest price falls in the crisis, with housing losing almost 30 percent of its value between 2008 and 2010. The crash had eased off by 2013, but even so there was a fall of a further 6 percent. In the background of the huge drop of 6 years ago was a price bubble generated by enormous foreign demand due to the approaching accession of the country to the EU, which then burst with the credit crisis of 2008. Many regarded the country as the next Spain. The rise experienced at present is therefore positive news, but the increase is by no means drastic. From the

autumn of 2013 to the first quarter of 2014, prices have risen by 1 percent.

The Romanian market, which likewise suffered a housing market shock involving a fall of more than 40 percent between 2008 and 2013 after the property market balloon burst, is also showing signs of recovery, with residential property prices rising in the first quarter of 2014. This may give reason for hope, but the future is still in question. In recent years a rise in the first quarter has been followed by a fall again in the rest of the year.

In comparison with the region, Hungary belongs to the middle field with regard to the effects of the crisis on prices, with a housing market price fall of around 18 percent occurring between the zenith and the nadir. In the first quarter of the present year prices have shown a rise of close to 2 percent compared with the last quarter of 2013, which may be a sign of recovery.

Of the countries in the region, in the Czech Republic, likewise showing signs of



upswing, there was a much smaller fall compared with the above with regard to housing prices. Compared with the third quarter of 2008 which is regarded as the peak, the fall in residential property prices remained under 10 percent up till the first quarter of 2013, and since then a slight growth has been experienced with prices rising by a little more than 1 percent between the last quarter of 2013 and the first quarter of 2014. Prices are also rising in Poland, where housing market players experienced a rise of more than 2.2 percent between the first and last quarters of 2013. Prices also rose in Ukraine in 2012 and 2013 on the residential property market which in any case only suffered a slight fall of 7 percent in total following the crisis. At the same time this tendency could be broken due to the Ukrainian crisis.

Of the countries in the region, Slovakia is still characterised by stagnation, which has lasted for more than a year. So we still need to wait for a significant recovery in this country which suffered a fall in residential property prices of a little more than 24 percent during the crisis. Prices are likewise stagnating in Austria, which is the only one of the countries in consideration which has experienced a significant growth in prices since the crisis broke. The value of residential property in Vienna has been rising since 2004, so almost twice as much had to be paid for homes at the end of 2013 than 9 years earlier, according to data from the Austrian National Bank. Of the countries in the region,

the property markets of Croatia and Slovenia are clearly performing the worst. The only positive thing that can be said is that the price fall seems to be slowing. The Croatian market is still groaning under the losses caused by the earlier bursting of the residential property price bubble, which was created due to increased interest from foreign investors, as in Bulgaria and Romania.

In contrast to the price trends, trends in the number of transactions was much more similar in the various countries, the most residential properties changing hands between 2006 and 2008 in the countries of the region. Growth in residential property sales is seen at present in Hungary, Romania and Bulgaria, although the rise is rather slow. At the same time, the number of transactions continues to fall in Croatia, according to data from the OTP Jelzálogbank (Mortgage Bank).

Where has construction begun?

The crisis discouraged developers from engaging in housing construction, as is clearly shown by the drastic fall in the number of building permits. This was most noticeable in Hungary, but developments also dropped off greatly in Bulgaria and Croatia.

At present the continent is also divided with regard to trends in the numbers of building permits, although developments are being launched in ever more countries. In the region, only in Bulgaria does the num-

ber of permits reach the level experienced in 2010. Here growth was discernible right up to the second quarter of 2014, although a sight check in expansion is seen with respect to the past quarter.

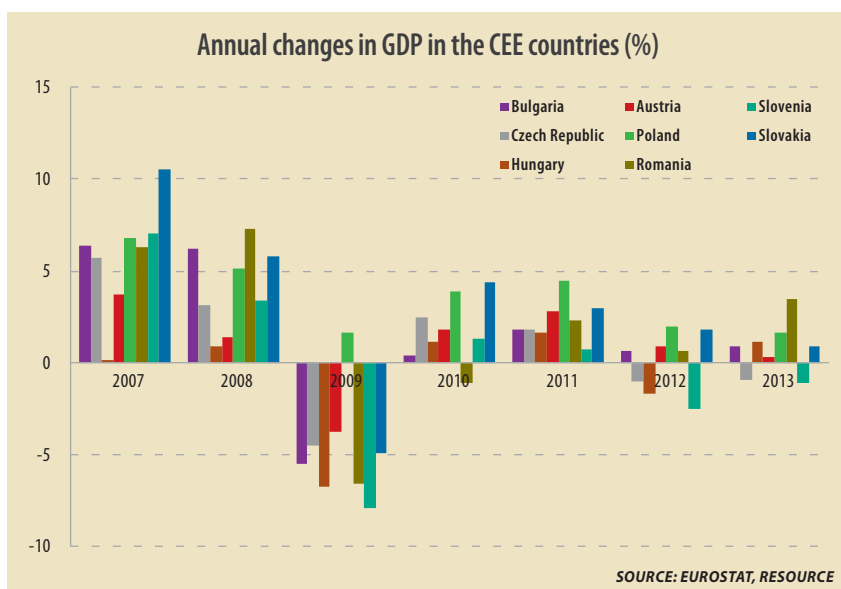
But positive signs have also appeared in other countries, although these are still rather fresh at present. The new data from the second quarter of 2014 further confirm the hope of resurrection, growth having continued in several countries. These include the Czech Republic and Hungary, but favourable signs are also appearing in Poland. Construction is being launched from the lowest level in the case of Hungary, and will still not reach even half of the 2010 rate.

What can we count on in the future?

Concerning the housing market trends, it is worthwhile examining economic development in the individual countries, as this can have significant influence on the property market. In the case of the region it can be said that following the fallback of 2012, the economy in ever more countries once again entered a growth phase in 2013, or the extent of fallback eased off, which may have a positive effect on the housing market. Last year, economic prospects improved in Romania, Hungary and Bulgaria, and the extent of fallback dropped in the Czech Republic and Slovenia.

In light of the figures we can be confident in respect of several countries that the negative trend characteristic of recent years will finally turn round this year, and this will perhaps even persist. In Bulgaria the trend in housing construction indicates recovery, as do the prices, but we can also hope for the resurrection of the Hungarian housing market, where besides the rise in prices, the number of transactions seems to be expanding. There is positive news in the case of Romania too, such as a growth in the number of transactions, but on the whole the market is just about convalescing.

For the time being, the residential property market in Croatia has not fully come round since the crisis, with neither prices nor construction making an imminent turnaround likely, and furthermore the number of sales is falling.



The Hungarian housing market is really reviving

The tediously reiterated crisis and its effects are slowly beginning to fade and a new world is appearing, the wings of a system based on new foundations and values gradually unfolding above the ruins of the housing market, with regard to sellers, buyer and financiers alike. We can only trust that the clarification process which has lasted for many years will persist, and indeed continue, and the market will not quickly forget the lessons learnt from the passing crisis.

GERGELY DITRÓY

ALTHOUGH slowly, instead of over-priced properties, realistic offer prices are beginning to appear, primarily in those areas still today dominated by a total lack of demand. Ever more deliberately, buyers are seeking and purchasing from the properties on sale in accordance with their own existing means and requirements, and we can only trust that this will remain so in the long term. And thanks to those hundreds of thousands who have got into trouble over foreign currency loans, and the discontinuation of such loans, financiers are much more circumspect at present in providing credit to home buyers requiring mortgages. The market has been able to create a basis for slow growth, without any kind of state contribution, which promises to be decidedly more stable than the mar-

ket growth preceding the crisis. And the data from recent months show that following the seven lean years and a persistent fall in average prices, an increasing number are thinking that the time has come to realise postponed moves, investments anticipating the nadir, and purchases arising from other changes in life situations.

Opinions that the Hungarian housing market, and principally certain segments of it, is now no longer on a downward slope but at the beginning of a rise, are also attested by mutually supporting data. The signs of stabilisation and growth, however, as can unfortunately be perceived ever more strikingly in society as well, do not pertain to every segment of the housing market. With regard to the still struggling prices, smaller towns and settlements, as well as the cen-

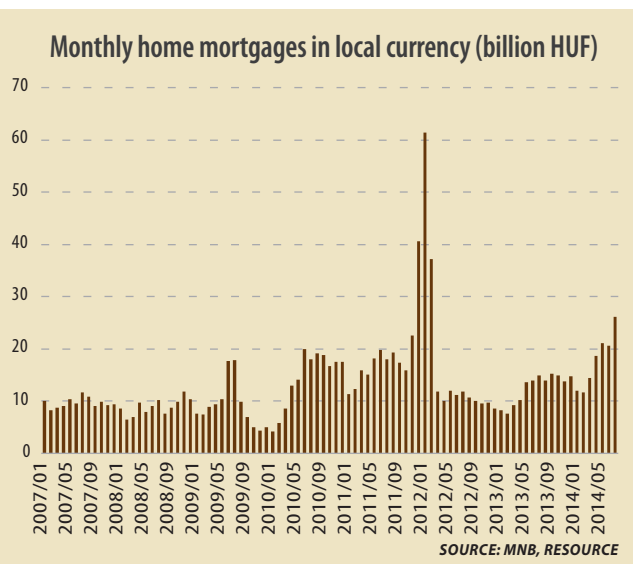
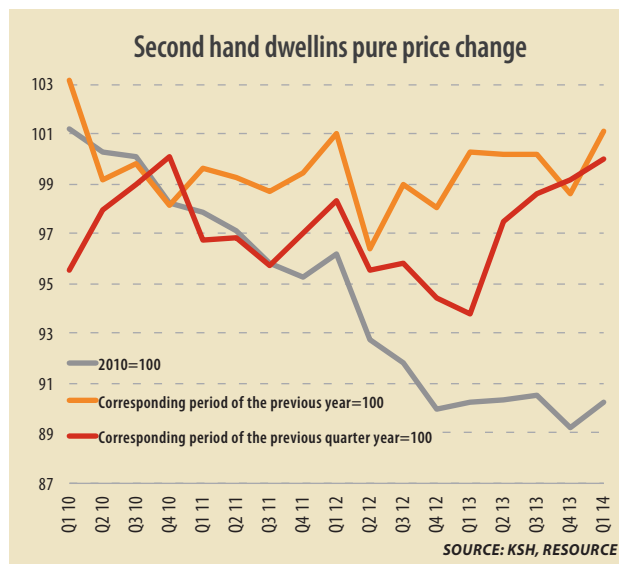
tres of economically less prosperous counties and regions, continue to bring the average down, whereas the capital city and the centres of production signify powerful bastions with respect to both transactions and the turnaround of average prices to growth on a local level.

Prices

The changes in average prices can be and are reckoned on the basis of various calculation methods. The Central Statistical Office (KSH) publishes several different types of data series, of which we have taken the statistics examining pure price changes as a basis. It can be clearly seen from the statistics office's data series that when quality is held constant a kind of positive trend can be seen (at least a reduction in the extent of fallback), whilst the general price indices still point downwards. The difference here, however, lies in the details already referred to. The prices of better quality, well-located second-hand homes (both within the country and the cities) have already stabilised, indeed they have begun to rise slightly, but the properties involved in other transactions continue to bring the average down considerably.

More sales and purchases

One of the most striking of the positive signs, which is decidedly important not only with regard to the housing market, but also the stability and stabilisation of households and credit institutions, as well as their trust relationships, is the amount of lending.



Crime in your area

Although housing market prices are influenced primarily by location, the quality and legal background of the given property and other technical and environmental factors, house hunters are laying increasing emphasis on selecting not only an appropriate property, but also an area with appropriate environmental features. The proximity of public transport, schools and services can be incorporated into the price of a given property just as easily as, for instance, the technical features of the building. But when buying a property, the green area index, or even the crime index of the location could be impor-

tant criteria. In the latest report of Otthon-térkép (Home Map), taking the data published on the Hungarian Police crime map as a basis, you can search the crime statistics for the period in question on a street-by-street level. This development enables you to investigate on the level of crime categories such as crimes related to motor vehicles, home break-ins, violence against persons or other crimes, to what extent your residential environment, or the area of your prospective new residence, is infected in comparison with the average.

On the map including the districts of

Budapest and data from the 44 most relevant settlements with respect to the housing market, both in Budapest and in the provincial towns, for those settlements with the most active tourism and night life, such as Siófok, and the inner city districts in Budapest, the crime statistics are sky high.

Of course it doesn't hurt to note that the average figures, as in the case of house prices, are not valid everywhere, as the majority of the crimes are registered in certain focal points (such as the Western Railway Station – Nyugati pályaudvar – and surroundings) where huge crowds are constantly present.

The huge fallback after the discontinuation of foreign currency loans (apart from the final repayment period, as clearly seen on the graph) was followed by a relatively stable period of a monthly 15-20 billion HUF, which seemed to take wing in the middle of 2014 and the latest data from July show numbers of 26 billion HUF, following continuous growth. Should this tendency continue in a similar way, these processes could have a significant positive effect, with regard to both transactions and prices.

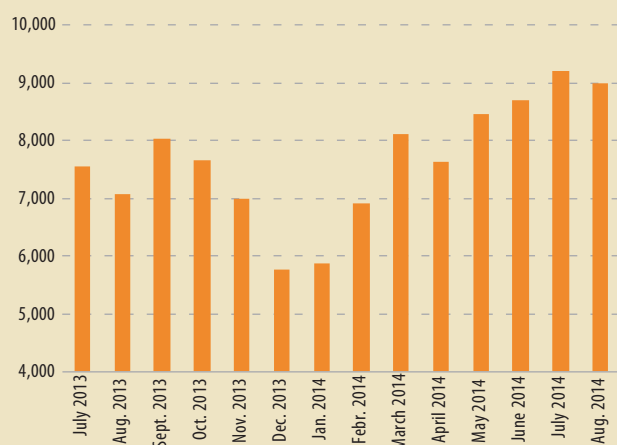
The encouraging signs are also confirmed by the estimates of the numbers of monthly transactions constantly updated by Duna House, which since the beginning of the year have measured a 10-20% growth on a

monthly basis compared to the same periods in the previous year. Meanwhile, the CSO's official data shows that close to 3000 more sales were transacted on the Hungarian housing market in the year 2013, so trusting in the preliminary data from 2014, the year 2012 clearly signified the bottom of the pit with its total number of transactions amounting to 86 thousand.

What is definitely noteworthy, however, and will be an interesting and specifically important index in the future, are those new housing construction and sales figures which reached rock bottom last year. It is indisputable, that those looking for quality property, who represent the most important buyers on the present market, can choose

from an increasing number of good quality renovated flats and houses, which represent significant competition for new housing and developers. It would certainly be desirable with regard to the development of the housing market, if only from the standpoint of business environment stability and job opportunities, if new housing developments started up again, which is already indicated by scattered signs. The recovery of the new housing market is of course not primarily desirable from the standpoint of serving the interests and profits of the developers, but it is a kind of mirror of the trends in the solvency and the long-term confidence of the population, as well as the stability of the country.

Monthly estimates of the number of residential transactions



SOURCE: DUNA HOUSE BAROMETER, RESOURCE

Number of home sales and homes built for sale

Year	Home sales as a whole	Of which		
		Second hand homes	New home	Homes built for sale
2009	91,100	82,900	8,300	16,900
2010	90,300	85,500	4,800	10,700
2011	87,700	83,900	3,900	4,800
2012	86,000	83,300	2,600	3,500
2013	88,700	86,400	2,300	3,200

SOURCE: KSH, RESOURCE

Prices hit a record low on the Hungarian housing market

Due to the continuous falling of prices, Hungary now has one of the least expensive housing markets in the European Union. The low price levels favor buyers, and the decreasing interest rates on mortgage loans and increasing government support are now coupled with a modest new housing supply. The FHB House Price Index provides a deeper understanding of Hungarian housing market processes, providing an accurate picture of the current price levels and predicting future trends.

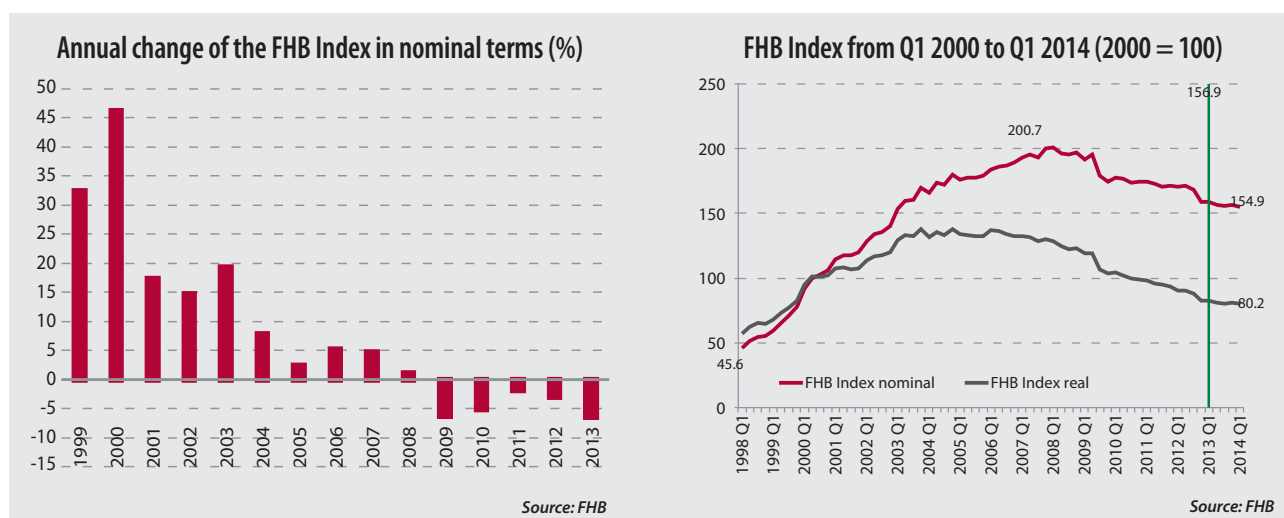
How did Hungary become the cheapest?

FHB's House Price Index covers residential market events over the past 15 years. With this information, we can divide the decade behind us into four distinct eras. The first period, from 1998 to the end of 2000, represents a radical increase in both nom-

tain its level of demand for a few years, with the volume of loans granted on par with the previous period. After the subsidies were withdrawn, foreign currency loans, at that point featuring lower interest rates, became much more popular – and thus began the population's foreign currency indebtedness. This long upward trend was about to change at the end of 2007 when, suddenly, several impor-

(less than € 1,000/square meter) as well as a very modest number of newly built homes. Hungarian prices are considered low even for the CEE region.

Recently, however, several factors that influence the housing market have begun evolving in a positive direction in Hungary. For one, the government is supporting home purchases more actively through various measures. Meanwhile, it seems



inal and real prices. Over the period of three years, the value of homes increased by 132 percent and their value adjusted for inflation almost doubled. Favorable changes in the economy were responsible for this trend. The upward trend in residential prices continued between the beginning of 2001 and the end of 2003. Yet, compared to the above, it was much more sedate, with an average 11 percent increase in value, when adjusted for inflation. Demand increased since discounted financing faced a revitalized supply, as new home construction also started increasing from 2001 onwards. The system of subsidies became untenable for the budget by 2003 and the first stringency measures took place at this point, likewise affecting the price of homes.

The reigning in of the subsidy system had an effect on the residential market with home values' steep upward trend finally breaking course in 2003. In the following years only a 4 percent rate of increase was seen as at that point the price increase was just keeping pace with the rate of inflation. Despite tightening control over the system of subsidies, competition in lending was able to main-

tain its level of demand for a few years, with the volume of loans granted on par with the previous period. After the subsidies were withdrawn, foreign currency loans, at that point featuring lower interest rates, became much more popular – and thus began the population's foreign currency indebtedness. This long upward trend was about to change at the end of 2007 when, suddenly, several impor-

tant residential market indicators began to point in the same direction: supply was saturated, demand decreased, the available income (that had at first leveled off) started decreasing, and there were an increasing number of reports from abroad declaring the end of the real estate boom.

In the FHB Home Price Index's historic timeline, the peak value is located in the first quarter of 2008, where the gradual decline in home prices begins. Compared to the then-highest residential price levels, national averages were 6.3 percent lower in 2009. The gradual decline in residential prices took place alongside a decrease in turnover, which was more visible in decreasing turnover for used homes than in a decline in the number of newly built ones.

Price level among the lowest in the European Union

Since 2008, the trend has been clear: nominal housing prices in Hungary continue to decline, thus, we have been experiencing a downward trend for the last six years. Thanks to this, Hungary now has one of the lowest average prices in the European Union

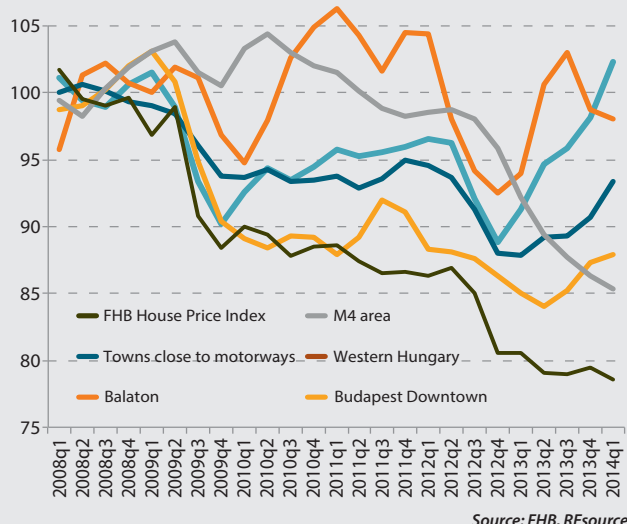
that the Hungarian economy is slowly beginning to recover. Though not spectacularly, the economy has at least started to grow. Thirdly, interest rates have been steadily decreasing over the past year. The Hungarian National Bank (MNB) has lowered its rate to a record low (2.1 percent on the 23rd July 2014). In addition to all these positive factors, the Hungarian housing market has accumulated a considerable amount of postponed demand, since the number of sales transactions has been quite low over the last six years.

The so-called First Home Buyers segment – analyzed separately by FHB – will profit from this. Thanks to increasing income and more generous state subsidies this segment has more favorable entry opportunities, and the Hungarian housing market has become more affordable.

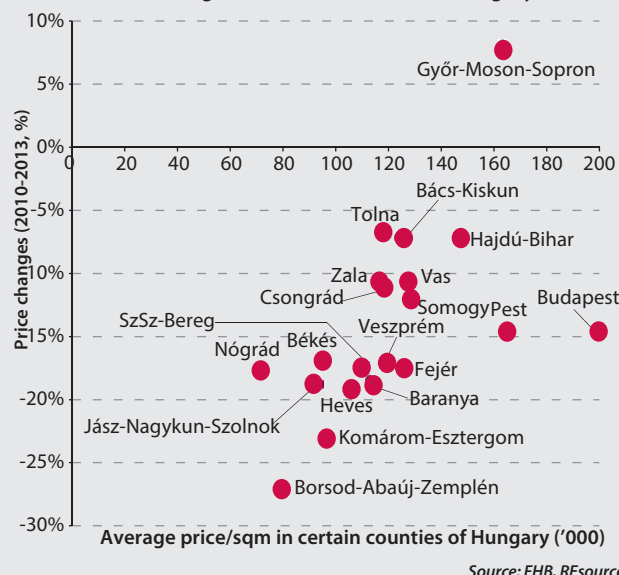
To whom is the House Price Index useful?

The FHB House Price Index and its associated real estate professional services are useful to all economic entities that are in any way related to the

Change of the house price index on the strongest submarkets and the FHB House Price Index (2008=100)



Price changes in certain counties of Hungary



housing market. An adequate understanding of the market is essential to making sensible, solid decisions. This applies to every developer, financial institution, agency, or fund management firm dealing in real estate.

For example, if a developer plans to launch a housing project on a given site, it is crucial they have an understanding of the immediate and wider implications relating to the development area's environment and that they be able to identify the trends associated with the planned development type. In fact, this information is not only essential for the developer, but also for the bank that is funding the project, since an essential understanding of the market plays an important role in the final decision to finance it. Last but not least, this holds true for the real estate agencies as well: a realistic pricing strategy is key to the success of a new residential project. Without an intricate knowledge of the market, this is impossible. While the nationwide statistics regarding the current situation in the housing market are not very positive, there is already a sense of movement, and in fact there are submarkets where change is imminent. The geographical breakdown of data from the FHB House Price Index also highlights that there are significant differences between the various submarkets. Average national trends do not apply consistently in all regions. The national market is clearly polarized,

with positive (Győr-Moson-Sopron) and negative (Borsod-Abaúj-Zemplén) extremes in the counties.

In the same way that various submarkets reacted differently to the crisis (weaker markets suffered more), change is also going to happen in different ways. The strongest submarkets will be the first to improve, so firstly positive changes are expected in the highly developed areas of Western Hungary, in the inner districts of downtown Budapest, and in the cities that can be reached within two hours from Budapest by motorway (Győr, Kécskémét, Székesfehérvár, Szeged and Szekszárd). The outlook is also more optimistic regarding real estate in Budapest with connections to the Kelenföld railway station and metro 4, and in cities near Balaton. At the same time the Index also shows that the value of flats and houses in the eastern counties decreased further, and that they are increasingly threatened by forced sales. Another important factor is the proportion of force-sold real estate in each submarket, because this figure is a good indicator of the tenacity of a certain market.

The current situation reflects a sensitive stage in the real estate market cycle, where detailed breakdowns of comprehensive and accurate data, as well as high-quality real estate consulting services are vitally important.

FHB offers much more than a basic nation-wide housing price index. Alongside the indexes that are

published quarterly, FHB offers its clients access to updates on a range of detailed indicators. These indicators allow us to give detailed breakdowns in terms of region and property type. This means our subscribers receive tailor-made analyses of the evolution and/or the current situation of a specific housing market segment, according to their business and strategic needs or their interests.

FHB also produces forecasts

FHB has launched another unique service, beside the House Price Index: the FHB House Price Forecast. It includes a one year forecast and is updated every six months. The method used in forecasting is based on three pillars. First, based on Hungarian and international experience a certain correlation was identified between selected macroeconomic indicators, financial and credit market indicators and the sales volume and prices of housing. Second, FHB also uses verified local assessments for its forecasts.

In addition, other empirical facts, obtained from the analyses of other real estate crises cannot be ignored either. Thus the experience gained from similar international crises and related observations are also built into the model. FHB's projection model not only provides information about the future development of housing prices, but also takes into consideration the dynamics of the prices given the modifying effect of the crisis.

FHB INDEX

URL: www.fhbindex.hu
E-mail: fbindex@fhb.hu
Address: 1082 Budapest,
Üllői út 48.

ZSOLT MOLNÁR

Vice-managing Director
FHB Real Estate Zrt.
Phone: +36 (1) 452-9208
Mobile: +36 (30) 748-3913
E-mail: Molnar.Zsolt@fhb.hu

DR. GYULA NAGY

FHB Mortgage Bank Nyrt.
FHB Index Project Manager
Phone: +36 (1) 452-5930
Mobile: +36 (30) 964-6087
E-mail: Nagy.Gyula@fhb.hu

City developments in CEE

Capital cities in the region have all evolved tremendously since the end of the socialist era. City centers acquired a completely new look and became more pedestrian-friendly, while infrastructure received much needed investment. Although the crisis called a halt to commercial real estate development in many cases, Warsaw, Prague, Budapest, Bratislava and Bucharest are still expanding both towards the sky and below ground thanks to infrastructural and cultural projects mostly financed by EU funds. As we take a look at some of the most important city development projects in CEE capitals it is apparent that these cities are on the right path to becoming modern, fully European metropolises.

AKOS BUDAI

AMONG Central European capital cities Warsaw has seen the biggest transformation over the last decades, and based on its skyline it is the most modern city in the region. Warsaw already has more skyscrapers than Berlin and the city's downtown area always appears to be under construction. Despite the economic hardships Poland had to face last year, growth in the city never stopped. Sometimes, however, the city's expansion was perhaps too ambitious, and resulted in controversy. For example, the construction of a new office building (a EUR 30 million project) had to be cancelled a few months ago because UNESCO pointed out that the new building could damage the historic nature of the area. Nevertheless, 338,000 square metres of new office space will be built in 2014 in Warsaw, more than the same value for Prague, Bratislava and Bucharest combined.

Poland co-hosted the UEFA Euro 2012 which required the completion of the National Stadium, and triggered construction works on a new metro line. Warsaw's second underground line was expected to be finished before the 2012 event, but has been delayed to the end of 2014. After its opening, Line II will provide a new link between the two banks of the Vistula River and also give the city renewed public squares.

Currently, one of the Polish capital's biggest projects is the construction of the Museum of Modern Art's new building. The 25,000-square-metre complex will also house a theatre with a stage opening onto

a public square, allowing pedestrians to view performances. Some backstage areas of the theatre will have glass walls to show outsiders what is happening in the building. Poland's largest cultural project is scheduled to be completed by 2019 and is estimated to cost EUR 95 million.

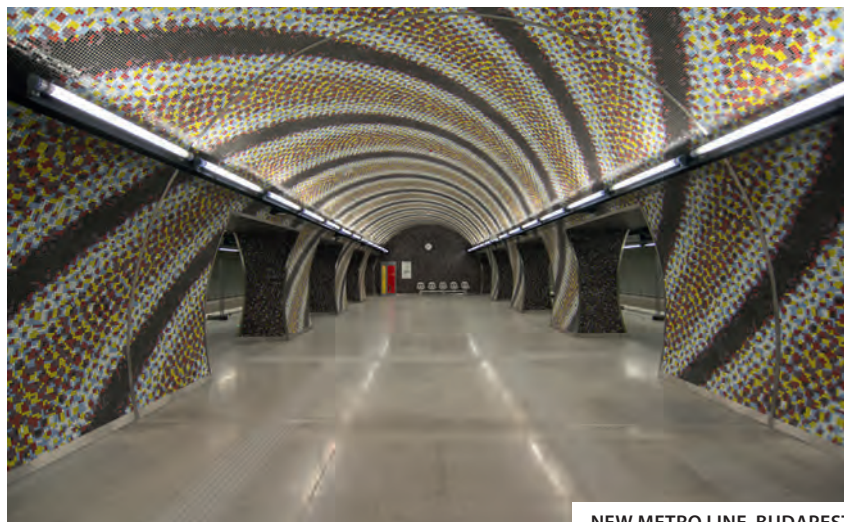
Warsaw is not the only regional capital with a major cultural construction project under way. The historical building of the National Museum in Prague has been undergoing reconstruction since 2011. The exhibition space in the renovated and the extended building will be nearly doubled. The new museum is expected to open in June 2015.

There is a further similarity between Warsaw and Prague's city development plans. The Czech capital is also extending its underground network; the new western section of Line A is scheduled to open this year. The EUR 675 million project is just

one element of the city's ambitious transportation plan, as the line will be further extended to the airport, and the construction of a fourth line is expected to begin next year.

Vast infrastructure developments in Budapest

This year, the Hungarian capital saw the completion of its most important, scandalous and costly infrastructural development project in decades. Metro line M4 was inaugurated on March 28. Construction on the 7.4 km line featuring 10 new stations started in 2006 and was scheduled to be finished by end-2009. The total cost of the first phase of Budapest's new metro line was EUR 1.44 billion (HUF 452.5 billion). Two extensions (one on each end of the line) have been planned, but they are currently not funded by the Budapest city government or the European Union.



NEW METRO LINE, BUDAPEST

Currently, the most anticipated infrastructural project in Budapest is the reconstruction of the Buda side's most neglected public square, Széll Kálmán tér. Work is scheduled to start this year and is expected to be finished next year along with the expansion of the tram network in the area. Another tram line is also being extended on the Buda side providing a new link between the two sides of the Danube. Major reconstruction works on several other tram lines are also under way.

Budapest also has several cultural construction projects planned. The complete reconstruction of the Buda Castle might start this year and it is projected to go on for ten years. Phase 'zero' of the project, the renovation and extension of Várkert Bazár was finished on August 28. The government is also planning to create a new museum district in the City Park, where construction hasn't started yet, but the opening date has already been set for 2018, the next election year.

Skyscrapers on the rise?

The construction of two triangular towers called Panorama City next to the Danube in the center of Bratislava began last year. The 108-metre-high buildings will house more than 600 new apartments. They will be the tallest residential buildings in Slovakia and almost 6,500 tons of iron and 45,000 cubic meters of concrete will be used for their construction.

Currently the most important infrastructural project in Bratislava is the

rebuilding of the so-called Old Bridge. The current project aiming to improve and redirect Bratislava's city transport involves extending the tram line from the city center across the Danube, via a newly built bridge, to the city's most densely populated Petržalka borough which is currently only served by buses. Further plans also include the reconstruction of several streets and squares in the city center, and building a cycling path. The total cost of the project is expected to be around EUR 59 million, with 85 percent of the sum coming from EU funds, on the condition that the project is finished by the end of 2015.

Bucharest has recently seen skyscrapers rising up from the ground, although Romanian architects generally avoid designing tall buildings due to the city's vulnerability to earthquakes. There is an increasing need for shopping opportunities in the Romanian capital, so construction work started in July on a new shopping mall called Victoria City Center. The mall, which is developed by a Canadian real estate investor on the former industrial platform Textila Dacia, should be opened in October 2015.

Furthermore, the city's metro network has been expanding rapidly in the past few years. Currently, a new section of line M5, measuring 1.6 km with two new stations is under construction. Also, the first part of new metro line M5 is expected to be completed by 2016 and the 7.2-km-long section will feature 10 stations. The expected total construction cost of Bucharest's line

A huge conference centre to be born in Budapest

Within four years, a new congress center suitable for accommodating 4000-5000 may be built in Budapest. Preparations for the project were begun this year, which according to information from REsource will be revealed soon. According to the developers' expectations, after the project is completed Budapest could become one of the five most popular conference venues in the world, and one of the top three in Europe.

According to data from the flash report recently issued by the Central Statistical Office (KSH), in the first six months of the current year the number of hotel guest nights in Hungary grew by almost 6 percent to above 7.8 million. Apart from March, the sector showed an increase in practically every month during this period. Furthermore, the upward market trend has also left its mark on revenues. The hotels' gross accommodation fee income of more than 129.8 billion HUF turned out to be almost 10 percent higher than in the same period of the previous year. In the meantime the number of available rooms also showed a slight increase in the first half of this year, which clearly indicates a cautious growth of investor confidence. According to statistics, in the first six months of the current year 1335 more rooms were registered than in the first half of last year, which corresponds to a rise of almost half a percent.

If we examine guest arrivals in commercial accommodation in the first half of this year by tourist region, it turns out that Budapest continues to play its leading role. So much so that the number of guest nights in the capital in the first



PRAGUE

Project of special significance

A governmental resolution from the end of November 2013 provides for preparations for the conference center: it calls upon the national development minister, by means of the Hungarian National Holding LLC, to make an immediate proposal for the property deemed most suitable for implementation of the project, and to take the necessary measures in order to guarantee state building authorisation. The head of portfolio must work out a detailed legal and financial scheme for implementation with the assistance of the government commissioner responsible for individual projects of special significance in Budapest, which will guarantee that the project (within the scope of the proper form of public procurement) is implemented as a state investment, and that the constructed edifice will come into state ownership.

half of the current year, alongside a growth index of an ample 3 percent, exceeded 3.6 million. Furthermore, the greatest growth here is thanks to the increased number of foreign tourists. Whilst the number of nights spent by foreign guests in Budapest rose from 3066 to 3174, the rise of domestic tourist guest nights from 417 to 427 scarcely added proportionally to the statistics this year.

In spite of the constantly improving statistical index, numerous important factors are still needed for an explosion in tourism and by means of this the hotel development market. According to experts, besides the appearance of strong investors and positive financing agencies, the greatest need is for the development of tourism. Here we must think primarily of remedying the basic deficiencies as soon as possible. These include the development of air traffic, appropriate promotion of the country and Budapest, and the construction of a conference center similar to that of Vienna.

A huge conference center will be built; but when?

For almost a decade now there has been talk of a new Budapest conference center,

but a governmental resolution of last year has brought the development into a reasonable timeframe. The Hungarian tourist trade has long lacked a facility able to accommodate even five thousand people. For lack of this, truly significant world conferences cannot come to Budapest. In February this year, in his speech for the opening of the spring session of parliament, Prime Minister Viktor Orbán even designated a location for the project. Accordingly, the facility will be built in the Millennium City Center.

Balázs Fürjes, the government commissioner responsible for special Budapest projects, has previously stated that as yet no modern conference center for at least 4 thousand people and satisfying 21st century requirements has been built in Budapest. The work must therefore be started with a knowledge of international experience. The government commissioner also considers it important that the center be designed by a Hungarian designer, and built by Hungarian companies. According to his briefing, one of the first steps is to choose a consultant in an open public procurement competition, who will examine international examples in order to help find the best concept to be realised in Budapest. The designer will also be selected in an open competition – he added. The cost of the project will be determined in knowledge of the designs, and financing will be arranged for following this – said the government commissioner. He noted: domestic and EU resources may come into consideration.

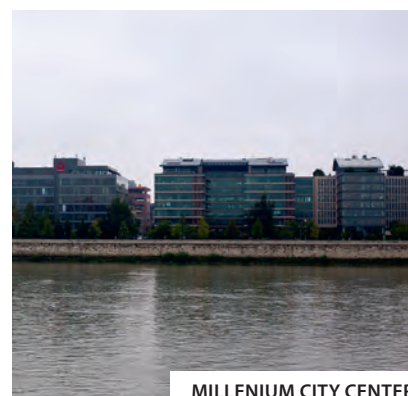
For that matter, it is no coincidence that Viktor Orbán mentioned the Millennium City Center as the site for the conference center for four to five thousand people in his February speech. The Hungarian state had purchased the open space next to the Palace of Arts from TriGranit Development Corporation at the beginning of 2014. The center will be built on this plot of almost 13 thousand square metres, as already planned earlier.

“The project will be implemented with the active participation of the tourism sector” – stated the government commissioner previously, who deems it a realistic goal for Budapest to be among the first

five most popular conference venues in the world, and one of the top three in Europe. In his opinion, all the conditions are met for this to be achieved: the capital of Hungary is easily accessible from all parts of the world, it has a pleasant climate, there is a good price-value ratio relative to the standard of services. Among the existing conditions he also lists that sufficient hotel rooms are available in all categories, and furthermore, public safety in Budapest is top-ranking in Europe, and it has a good image.


As previously stated by Balázs Fürjes, he deems that the congress center to be built will be an investment which will operate to full capacity, be profitable for the national economy and pay for itself within 10 years, and which will create new jobs during both construction and operation. It will bring additional revenue for Budapest hotels, tourism, and for SMEs active in event or travel organisation – he added. And all this will result is constantly increasing income from tax and contributions, as well as falling expenditure for the budget. The expansion of conference tourism will at the same time increase the number of visitors in leisure time tourism, as a traveller to a conference for business purposes may later return to the city to relax for a longer period. The government commissioner observed: the development of conference tourism is an investment which will pay for itself, as the highest per capita spending is measured in the business segment.

According to Balázs Fürjes, this development could be realised within 4 years. According to REsource's information, the feasibility study needed for this, the project budget and the designs will soon be released.



MILLENNIUM CITY CENTER

Real estate developers in CEE

Company name	Company headquarters/ regional headquarters (city, country)	Type of real estate development					Current main projects in the region and in Hungary – name, planned delivery year	Presence in the region						Company headquarters contact – phone number, website, e-mail
		office	retail	industrial, logistics	residential	hotel		Hungary	Poland	Czech Republic	Slovakia	Austria	Other	
AFI Europe N.V.	Amsterdam, The Netherlands	✓	✓	✓	✓	–	AFI City (CZ), AFI Karlin Business Park (CZ)	✓	✓	✓	–	–	Germany, Bulgaria, Romania, Serbia	P: +31 204 218 928 afi-europe.eu info@afi-europe.eu
AIG/Lincoln Kft.	Budapest, Hungary	✓	✓	✓	–	–	The Quadrum Phase II, III (HU) – 2015, 2018	✓	✓	✓	✓	–	Bulgaria, Romania,	P: +36 1 382 5100 www.aiglincoln.hu info@aiglincoln.hu
Austrian Real Estate Development	Vienna, Austria	✓	–	–	✓	–	Trillple (AU) – 2018 Rosenhöfe (AU) – Q4 2015	–	–	–	–	✓	–	P: +431 7120 742-0 www.are-development.at office@are-development.at
CA Immo	Vienna, Austria	✓	–	–	–	✓	Avia (PL) – Q4 2014	✓	✓	–	✓	✓	Romania, Serbia	P: +431 532 5907 www.caimmo.com office@caimmo.com
Capital Park S.A.	Warsaw, Poland	✓	✓	–	✓	–	Royal Wilanow (PL) – Q3 2015	–	✓	–	–	–	–	P: +48 22 318 8888 www.capitalpark.pl biuro@capitalpark.pl
CBS Property Zrt.	Budapest, Hungary	✓	–	✓	✓	–	Duna Intermodal Logistics Centre (HU) – 2015-2020	✓	–	–	–	–	–	P: +36 1 802 7300 www.cbsproperty.hu tamas.turak@cbsproperty.hu
CODIC International S.A.	Brussels, Belgium	✓	✓	–	–	–	Dózsa Office Complex (HU) – Q4 2016 Margit Corner (HU) – 2016 V48 (HU) – Q1 2016	✓	–	–	–	–	Belgium, France, Luxembourg, Spain, Romania	P: +32 26 600 070 www.codic.eu
ConvergenCE CONVERGENCE	Budapest, Hungary	✓	✓	✓	–	–	N.A.	✓	✓	–	✓	–	–	P: +36 1 225 0912 F: +36 1 375 0445 www.convergen-ce.com office@convergen-ce.com
CPI Property Group 	Luxembourg, Luxembourg	✓	✓	✓	✓	✓	Quadrio (CZ) – 2014 Balance Building (HU) – 2015	✓	✓	✓	✓	–	Germany, France, Romania	P: +352 264 767-1 www.cpihg.com contact@cpihg.com P: +36 1 225 6600 www.cpihg.hu hungary@cpihg.com

Real estate developers in CEE

Company name	Company headquarters/ regional headquarters (city, country)	Type of real estate development					Current main projects in the region and in Hungary – name, planned delivery year	Presence in the region						Company headquarters contact – phone number, website, e-mail
		office	retail	industrial, logistics	residential	hotel		Hungary	Poland	Czech Republic	Slovakia	Austria	Other	
Crestyl Management A.S.	Prague, Czech Republic	✓	✓	–	✓	–	Dock Phase II. (CZ) – Q2 2015 Central Opava (CZ) Central Kladno (CZ) Central Jablonec (CZ)	–	–	✓	–	–	–	P: +420 226 202 800/801 www.crestyl.com crestyl@crestyl.com
ECE Projektmanagement Budapest Kft.	Budapest, Hungary	–	✓	–	–	–	Aquincum Központ (HU) – 2017	✓	✓	✓	✓	✓	Denmark, Italy, Bulgaria, Romania, Greece, Turkey	P: +36 1 434 8208 F: +36 1 434 8218 www.ece.com
ECE Projektmanagement G.m.b.H & Co. KG	Hamburg, Germany	✓	✓	✓	–	✓	Puro (AU) – Q2 2016 Arkady Hradec Kralove (CZ) – 2017 Zielone Arkady, Bydgoszcz (PL) – Q3 2016	✓	✓	✓	✓	✓	Germany, Spain, Italy, Switzerland	P: +49 40 60 60 60 www.ece.com
Echo Investment S.A.	Kielce, Poland	✓	✓	–	✓	✓	Mundo Center (HU) – 2016/17 Q22 Tower (PL) – 2016	✓	✓	–	–	–	Romania	P: +36 30 429 2333, +48 41 33 33 333 www.echo.com.pl orsolya.stefankovits@ echo.com.pl office@echo.com.pl
Erste Group Immorent AG	Vienna, Austria	✓	✓	✓	✓	✓	Enterprise Office Center (CZ), Erste Campus (AU), Immopark Praha (CZ), Immopark Zilina (SLO), Innovation Park Puchstrasse (AU), Silo (AU)	✓	–	✓	✓	✓	Bulgaria, Romania, Serbia, Croatia, Slovenia	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204 office.at@immorent.com www. erstegroupimmorent.com
Futureal	Budapest, Hungary	✓	✓	–	✓	–	Budapest One (HU) – Q1 2017 Vision Towers (HU) Q3-Q4 2014 Corvin Corner Q3-Q4 2014	✓	✓	–	–	–	–	P: +36 1 266 2181 www.futureal.hu info@futureal.hu
Ghelamco Poland	Warsaw, Poland	✓	–	–	✓	–	N.A.	–	✓	–	–	–	Belgium, Russia, Ukraine	P: +48 22 455 1600 www.ghelamco.com poland@ghelamco.com
Globe Trade Centre S.A.	Warsaw, Poland	✓	✓	–	✓	–	N.A.	✓	✓	✓	✓	–	Croatia, Serbia, Romania, Bulgaria	P: +48 22 60 60 700 www.gtc.com.pl
Goodman Group	Warsaw, Poland	–	–	✓	–	–	Goodman Űllő Airport Logistics Centre (HU), Goodman Krakow Airport Logistics Centre (PL), Pomeranian Logistics Centre (PL), Goodman Mlada Boleslav Logistics Centre (PL), Goodman Senec Logistics Centre (PL)	✓	✓	✓	✓	✓	–	www.goodman.com

Real estate developers in CEE

Company name	Company headquarters/ regional headquarters (city, country)	Type of real estate development					Current main projects in the region and in Hungary – name, planned delivery year	Presence in the region						Company headquarters contact – phone number, website, e-mail
		office	retail	industrial, logistics	residential	hotel		Hungary	Poland	Czech Republic	Slovakia	Austria	Other	
Graphisoft Park Ingatlanfejlesztő Kft.	Budapest, Hungary	✓	–	–	–	–	Graphisoft Park (HU) – 2020	✓	–	–	–	–	–	www.graphisoftpark.com jkocsany@graphisoftpark.com
HB Reavis Real Estate	Luxembourg, Luxembourg	✓	✓	✓	–	–	Twin City North (SK) – 2019, Twin City South (SK) – 2016–2024, Metronom Business Center (CZ) – 2015, Postepu 14 (PL) – 2015, Gdansk Business Center II (PL) – 2016, West Station I-II (PL) – 2016–2018, Aupark Shopping Center Trencin (SK), Aupark Shopping Center Karvina (CZ), Aupark Shopping Center Hradec Kralove (CZ), Aupark Shopping Center Brno (CZ)	✓	✓	✓	✓	–	–	www.hbreavis.com hbreavis@hbreavis.com
Hochtief Development	Warsaw, Poland	✓	–	–	–	–	South Park (PL) – Q1 2015, Copernicus Square (PL) – 2016	–	✓	–	–	–	–	P: +48 22 335 77 77 www.hochtief-development.pl
Horizon Development	Budapest, Hungary	✓	–	–	–	–	Promenade Gardens (HU) – 2016	✓	–	–	–	–	–	P: +36 1 473 1209 www.horizondevelopment.hu info@horizondevelopment.hu
Immofinanz AG	Vienna, Austria	✓	–	–	–	–	Nimbus Office (PL) Jungmannova 15 (CZ)	✓	✓	✓	✓	✓	Germany, Romania	P: + 43 1 88 090 www.immofinanz.com mail@immofinanz.com
J&T Real Estate	Bratislava, Slovakia	✓	✓	✓	✓	✓	Rustonka (CZ) Panorama City (SK) Zuckerman (SK) Westend Gate (SK)	–	–	✓	✓	–	–	P: +421 2 5941 8200 www.jtre.sk info@jtre.sk
KÉSZ Csoport	Budapest, Hungary	✓	–	✓	–	✓	N.A.	✓	✓	–	✓	✓	Russia, Belarus, Serbia, Ukraine	P: +36 1 476 6900 www.kesz.hu kesz@kesz.hu
Liebrecht&wood	Warsaw, Poland	✓	✓	✓	–	–	Hampton Park (PL)	–	✓	–	–	–	Romania, Russia	P: +48 22 571 44 44 www.liebrecht-wood.com
Mayland Real Estate	Warsaw, Poland	–	✓	–	–	–	Serenade (PL) – 2016	–	✓	–	–	–	–	P: +48 22 546 98 00 www.mayland.pl

Real estate developers in CEE

Company name	Company headquarters/ regional headquarters (city, country)	Type of real estate development					Current main projects in the region and in Hungary – name, planned delivery year	Presence in the region						Company headquarters contact – phone number, website, e-mail
		office	retail	industrial, logistics	residential	hotel		Hungary	Poland	Czech Republic	Slovakia	Austria	Other	
Metrodom Kft.	Budapest, Hungary	–	✓	–	✓	–	Metrodom City Home (HU) – Q2 2015 Metrodom Szent László út 41-43. (HU) – Q4 2015	✓	–	–	–	–	–	P: +36 1 211 2060 www.metrodom.hu info@metrodom.hu
Multi	Gouda, The Netherlands	–	✓	–	–	–	Forum Radunia (PL) – 2016 Forum Poprad (SLO) – 2015	–	✓	✓	✓	–	Belgium, Germany, Italy, Portugal, Spain, Ukraine, Turkey	P: +31 (0) 182 690 900 www.multi.eu info-nl@multi.eu
OTP Ingatlan Zrt.	Budapest, Hungary	–	–	–	✓	–	Pauler Ház (HU) – Q4 2014 Platán Lakókert (HU) – Q1 2015	✓	–	–	–	–	–	P: +36 1 373 3800 www.otpingatlan.hu erteakesites@otpingatlan.hu
Penta Investments	Bratislava, Slovakia	✓	✓	–	✓	–	Culenova (SLO) Mokotow (PL) – Q1 2017 Waltrovka (CZ)	–	✓	✓	✓	–	–	www.pentainvestments.com
Plaza Centers Group	Amsterdam, The Netherlands	✓	✓	–	–	–	Kielce Plaza (PL) Leszno Plaza (PL) Lodz (PL)	✓	✓	✓	–	–	Latvia	P: +31 20 344 9560 www.plazacenters.com info@plazacenters.nl
Portus Buda Group Zrt.	Budapest, Hungary	✓	✓	–	✓	–	CDO – Galasanz Downtown Offices (HU) Inspired Garden Project (HU)	✓	–	–	–	–	–	P: +36 1 488 7476 www.portusbudagroup.com office@portusbudagroup.com
PPF Real Estate	Prague, Czech Republic	✓	✓	–	✓	–	ArtGen Office Gallery (CZ) – Q4 2014, LINE (CZ) – 2016	–	–	✓	–	–	Germany, The Netherlands	P: +420 224 174 555 www.ppfreal.com info@ppfreal.com
Proform Zrt.	Budapest, Hungary	✓	✓	–	–	✓	N.A.	✓	–	–	–	–	–	P: 36 1 250 4288 www.proform.hu
Prologis	Warsaw, Poland Budapest, Hungary Prague, Czech Republic Bratislava, Slovakia Bucharest, Romania	–	–	✓	–	–	Prologis Park-Sziget (HU) DC6	✓	✓	✓	✓	✓	Romania	P: +48 22 218 36 00 www.prologiscee.com info-pl@prologis.com

Real estate developers in CEE

Company name	Company headquarters/ regional headquarters (city, country)	Type of real estate development					Current main projects in the region and in Hungary – name, planned delivery year	Presence in the region						Company headquarters contact – phone number, website, e-mail
		office	retail	industrial, logistics	residential	hotel		Hungary	Poland	Czech Republic	Slovakia	Austria	Other	
Raiffeisen Evolution Project Development GmbH	Wien, Austria	✓	✓	–	✓	✓	Kerepesi Business Park (HU) – 2016	✓	✓	✓	✓	✓	–	P: +36 1 346 6400, +43 171 7060 www.raiffeisen-evolution.com office@raiffeisen-evolution.com
Savills Poland	Warsaw, Poland	✓	✓	–	–	–	Prime Corporate Center (PL) – 2015 West Point 120 (PL) – 2016 Promenady ZITA (PL) Q4 2014 Sukcesja Shopping and Entertainment Center (PL) – 2015	–	✓	–	–	–	–	P: +48 022 222 4000 www.savills.pl info@savills.pl
Sekyra Group	Prague, Czech Republic	✓	–	–	✓	–	Belariepark II. (CZ), Rohan City (CZ), Hrebenky (CZ), Smichov City (CZ), Zizkov City (CZ), Nové Tuhnice (CZ), Zamecky Dvur (CZ), Opatov Park II. (CZ), Dejvice Center (CZ)	–	–	✓	–	–	–	P: +420 234 005 551 www.sekyragroup.cz info@sekyragroup.cz
Shikun & Binui R.E.D. Hungary	Budapest, Hungary Amsterdam, Holland	✓	✓	✓	✓	✓	Garden Ville Kamaraerdő (HU) Garden Ville Tükörhegy (HU) Garden Ville Üröm (HU)	✓	✓	✓	–	✓	Romania	P: +36 1 437 8280 www.shikunbinui.hu office@shikunbinui-red.com
SIMMO AG	Wien, Austria	✓	✓	–	✓	✓	N.A.	✓	–	✓	✓	✓	Bulgaria, Romania, Croatia	P: 43 (0) 50 100-27521 www.simmoag.at office@simmoag.at
Skanska Property Hungary Ltd.	Budapest, Hungary	✓	✓	–	–	–	Nordic Light Offices (HU) – 2016	✓	✓	✓	–	–	–	P: +36 1 382 9100 www.skanska.hu leasing@skanska.hu
SwedeCenter Sp	Warsaw, Poland	✓	–	–	✓	✓	Business Garden phase II. (PL) Business Garden Poznan (PL) Business Garden Wrocław phase I (PL) Gdynia Waterfront I. (PL)	–	✓	–	–	–	–	P: +48 22 820 9151 www.swedecenter.pl info@swedecenter.pl
TriGranit Fejlesztési Zrt.	Budapest, Hungary	✓	✓	–	✓	✓	Bonarka 4 Business Center Building E (PL) – Q2 2015 Bonarka 4 Business Center Building F (PL) – Q1 2016	✓	✓	–	✓	–	Russia, Croatia	P: +36 1 374 5600 www.trigranit.com info@trigranit.com
WING Zrt.	Budapest, Hungary	✓	✓	✓	–	✓	East Gate Business Park (HU) Dél-pesti Üzleti Park (HU) V17 Office building (HU) – Q3 2016	✓	–	–	–	–	–	P: +36 1 451 4760 info@wing.hu www.wing.hu

Real estate developments in CEE

Name of real estate development	Country	Location of real estate development	Name of real estate developer	Total gross size of the building (sqm)	Est. monthly rent (€/sqm)	Est. time of delivery	Real estate developer/Leasing agent(s)	
							phone	website, e-mail
AFI City	CZ	Prague, Czech Republic	AFI Europe	150,635	N.A.	planned	P: +420 255 743 111	afi-europe.eu
AFI Karlin Business Center	CZ	Karlin, Prague 8, Czech Republic	AFI Europe	12,289	N.A.	planned	P: +420 255 743 111	afi-europe.eu
Aquincum Központ	HU	District III., Budapest, Hungary	ECE Projektmanagement Budapest Kft.	140,000	N.A.	2017	P: +36 1 434 8208	www.ece.com
Arkady Hradec Kralove	CZ	Hradec Kralove	ECE Projektmanagement G.m.b.H & Co. KG	39,000	N.A.	2017	P: +49 40 60 60 60	www.ece.com
ArtGen Office Gallery	CZ	Prague, Czech Republic	PPF Real Estate	25,500	N.A.	Q4 2014	P: +420 224 174 555	www.ppfreal.com info@ppfreal.com
Aupark Shopping Center Brno	CZ	Brno, Czech Republic	HB Reavis Group	31,220	N.A.	2017	P: +420 225 001 900	www.hbreavis.com hbreavis@hbreavis.com
Aupark Shopping Center Hradec Kralove	CZ	Hradec Kralove, Czech Republic	HB Reavis Group	25,900	N.A.	2016	P: +420 225 001 900	www.hbreavis.com hbreavis@hbreavis.com
Aupark Shopping Center Karvina	CZ	Karvina, Czech Republic	HB Reavis Group	11,400	N.A.	2017	P: +420 225 001 900	www.hbreavis.com hbreavis@hbreavis.com
Aupark Shopping Center Trencin	SLO	Trencin, Slovakia	HB Reavis Slovakia	10,100	N.A.	2017	P: +421 2 58 30 30 30	www.hbreavis.com hbreavis@hbreavis.com
Avia	PL	Jana Pawla II. 41, 31-864 Krakow, Poland	CA Immo & GD&K Group	12,500	N.A	Q4 2014	P: +48 78 400 55 44	www.aviaoffices.pl avia@gdkgroup.pl
Balance Building	H	99. Váci Road, Budapest, 1139, Hungary	CPI Property Group	15,952	9.9	2015	P: +36 1 225 6600	www.cpigroup.hu hungary@cpigp.com
Bonarka 4 Business (B4B)	PL	9 Puskarska, 30-644 Krakow, Poland	TriGranit Fejlesztési Zrt.	N.A.	14	Bulding E: Q2 2015 Building F Q1 2016	P: +48 662 295 050	www.trigranit.com akrzton@trigranit.pl www.bonarka4business.pl
Budapest One	HU	Őrmező, Budapest, Hungary	Futureal	70,000	N.A.	Q1 2017	P: +36 1 266 2181	www.futureal.hu info@futureal.hu
Business Garden Poznan	PL	Poznan, Poland	SwedeCenter Sp	80,000	N.A.	under construction	P: +48 22 820 9151	www.swedecenter.pl info@swedecenter.pl
Business Garden Warsaw	PL	Warsaw, Poland	SwedeCenter Sp	58,000	N.A.	Phase II. planned	P: +48 22 820 9151	www.swedecenter.pl info@swedecenter.pl
Business Garden Wroclaw	PL	Wroclaw, Poland	SwedeCenter Sp	100,000	N.A.	Q4 2014	P: +48 22 820 9151	www.swedecenter.pl info@swedecenter.pl
CDO – Calasanz Downtown Office	HU	Váci Street, Budapest, Hungary	Portus Buda Group Zrt.	21,000	N.A.	N.A.	P: +36 1 488 7476	www.cdo.hu cdo@portusbudagroup.com
Central Jablonec	CZ	Jablonec nad Nisou, Czech Republic	Crestyl Management A.S.	16,500	N.A.	in preparation	P: +420 226 202 800/801	www.crestyl.com crestyl@crestyl.com
Central Kladno	CZ	Kladno, Czech Republic	Crestyl Management A.S.	29,000	N.A.	in preparation	P: +420 226 202 800/801	www.crestyl.com crestyl@crestyl.com
Central Opava	CZ	Opava, Czech Republic	Crestyl Management A.S.	18,000	N.A.	in preparation	P: +420 226 202 800/801	www.crestyl.com crestyl@crestyl.com
Copernicus Square	PL	Warsaw, Poland	Hochtief Development Poland	42,199	N.A.	2016	P: +48 22 335 7777	www.hochtief-development.pl
Corso Court	CZ	Prague, Czech Republic	Skanska Property Czech Republic	17,000	N.A.	Q2 2015	P: +420 737 256 304	www.skanska.cz

Real estate developments in CEE

Name of real estate development	Country	Location of real estate development	Name of real estate developer	Total gross size of the building (sqm)	Est. monthly rent (€/sqm)	Est. time of delivery	Real estate developer/Leasing agent(s)	
							phone	website, e-mail
Corvin Corner	HU	31–33. Futó Street, Budapest 1082, Hungary	Futureal	6,200	14	Q3–Q4 2014	P: +36 1 266 2181	www.futureal.hu info@futureal.hu
Culenova	SLO	Bratislava, Slovakia	Penta Investments	150,000	N.A.	in preparation	P: +421 2 57788 111	www.pentainvestments.com bratislava@pentainvestments.com
Dejvice Center	CZ	Prague, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: 420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Dél-Pesti Üzleti Park	HU	36–38. Táblás Street, Budapest, 1097, Hungary	WING Zrt.	N.A.	N.A.	continuous	P: +36 1 451 4760	www.wing.hu info@wing.hu
Dock	CZ	Prague, Czech Republic	Crestyl Management A.S.	120,000	N.A.	Q2 2015	P: +420 226 202 800/801	www.crestyl.com crestyl@crestyl.com
Dózsa Office Complex	HU	144–148. Dózsa György Street, Budapest, 1134, Hungary	CODIC Hungary Kft.	41,000	13.5-14	Q4 2016	P: +36 1 266 6000	www.codic.eu p.szilvasi@codic.eu
Duna Intermodális Logisztikai Központ	HU	Érd/Budapest, District XII (Nagytétény), Hungary	CBS Property Zrt.	150,000	N.A.	2015–2020	P: +36 1 802 7300	www.cbsproperty.hu
East Gate Business Park	HU	Akácok - Fót, 2151, Hungary	WING Zrt.	N.A.	N.A.	continuous	P: +36 1 451 4760	www.wing.hu info@wing.hu
Enterprise Office Center	CZ	Prague 4 - Pankrac, Czech Republic	Erste Group Immorent AG	29,069	N.A.	in development	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.com www.enterprise-prague.cz
Erste Campus	AU	Vienna, Austria	Erste Group Immorent AG	Total: 117 000 Office: 12 000 Retail: 2 000	N.A.	under construction	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.com www.erstecampus.at
Forum Poprad	SLO	Poprad, Slovakia	Multi	45,775	N.A.	2015	P: +31 (0) 182 690 900 P: +420 737 252 783	www.multi.eu info-nl@multi.eu kchadimova@multi.eu
Forum Radunia	PL	Gdansk, Poland	Multi	62,000	N.A.	2016	P: +31 (0) 182 690 900 P: +48 697 901 200	www.multi.eu info-nl@multi.eu mslowik@multi.eu
Gdanski Business Center II	PL	Warsaw, Poland	HB Reavis Poland	46,000	N.A.	2016	P: +48 22 203 44 20	www.hbreavis.com poland@hbreavis.com
Gdynia Waterfront II.	PL	Gdynia, Poland	SwedeCenter Sp	65,000	N.A.	Q3 2015	P +48 22 820 9151	www.swedecenter.pl info@swedecenter.pl
Goodman Gliwice Logistics Centre	PL	ul. Eiffel'a, Gliwice, Poland	Goodman	50,837	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Gyál Logistics Centre	HU	M5–M0 Intersection, Gyál, Hungary	Goodman	21,000	N.A.	N.A.	N.A.	www.goodman.com/hu info-hu@goodman.com
Goodman Krakow Airport Logistics Centre	PL	ul. Komandosow 1, Modlniczka, Poland	Goodman	132,252	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Lodz Logistics Centre	PL	ul. Lutomierska, Pabnice, Poland	Goodman	26,902	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Mlada Boleslav Logistics Centre	CZ	Plazy - Mlada Boleslav	Goodman	57,800	N.A.	N.A.	N.A.	www.goodman.com/cz info-cz@goodman.com
Goodman Poznan Airport Logistics Centre	PL	ul. Batorowska, Wysogotowo, Poland	Goodman	52,310	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Poznan Logistics Centre	PL	Nieprzewoz, BUK, Poland	Goodman	50,378	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Senec Logistics Centre	SK	Diaľnica cesta 18, Senec, Slovakia	Goodman	180,000	N.A.	N.A.	N.A.	www.goodman.com/sk info-sk@goodman.com

Real estate developments in CEE

Name of real estate development	Country	Location of real estate development	Name of real estate developer	Total gross size of the building (sqm)	Est. monthly rent (€/sqm)	Est. time of delivery	Real estate developer/Leasing agent(s)	
							phone	website, e-mail
Goodman Sosnowiec Logistics Centre	PL	ul. Inwestycyjna, Maczki Bór, Poland	Goodman	66,975	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Torun Logistics Centre	PL	Lysomice k/Torun, Poland	Goodman	82,815	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Üllő Airport Logistics Centre	HU	8. Zsáróka Road, Üllő, Hungary	Goodman	155,000	N.A.	N.A.	N.A.	www.goodman.com/hu info-hu@goodman.com
Goodman Warsaw Logistics Centre	PL	Emilianow, Warszawa, Poland	Goodman	54,697	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Wrocław East Logistics Centre	PL	ul. Kielczowska, Wrocław, Poland	Goodman	51,768	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Goodman Wrocław South Logistics Centre	PL	ul. Logistyczna 6,55-040 Bielany Wrocławskie, Poland	Goodman	123,500	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Graphisoft Park	HU	7 Záhony Street, Budapest, 1031, Hungary	Graphisoft Park Ingatlanfejlesztő Kft.	116,000	15.5	1998-2020 continuously	P: +36 20 661 2401	www.graphisoftpark.com jkocsany@graphisoftpark.com
Hampton Park	PL	Warsaw, Poland	Liebrecht&wood	50,000	N.A.	N.A.	P: +48 22 571 44 44	www.liebrecht-wood.com
Hrebenky	CZ	Prague, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: +420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Immopark Kosice	SLO	Kosice, Slovakia	Erste Group Immorent AG	25,000	N.A.	phase I. unders construction	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.com www.immopark.com
Immopark Praha	CZ	Prague, Czech Republic	Erste Group Immorent AG	131,000	N.A.	under construction	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.com www.immopark.com
Immopark Zilina	SLO	Zilina, Slovakia	Erste Group Immorent AG	150,000	N.A.	under construction	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.com www.immopark.com
Innovation Park Puchstrasse	AU	Graz, Austria	Erste Group Immorent AG	175,000	N.A.	in development	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.at
Inspired Garden Project	HU	Svábhegy, Budapest, Hungary	Portus Buda Group Zrt.	9,000	N.A.	N.A.	P: +36 1 488 7476	www.portusbudagroup.com office@portusbudagroup.com
Jungmannova 15	CZ	Prague, Czech Republic	Immofinanz Group	7,700	N.A.	in development	P: +43 1 88 090	www.immofinanz.com mail@immofinanz.com
Kielce Plaza	PL	Kielce, Poland	Plaza Centers Group	33,000	N.A.	planning stage	P: +48 22 231 9900	www.plazacenters.com headoffice@plazacenters.pl
Kerepesi Business Park	HU	Budapest, Hungary	Raiffeisen Evolution Project Development Kft.	65,000	11	2016	P: +36 1 346 6400 +43 171 7060	www.raiffeisenrevolution.com office@raiffeisenrevolution.com
Leszno Plaza	PL	Leszno, Poland	Plaza Centers Group	16,000	N.A.	planning stage	P: +48 22 231 9900	www.plazacenters.com headoffice@plazacenters.pl
LINE	CZ	Prague, Czech Republic	PPF Real Estate	18,000	N.A.	2016	P: +420 224 174 555	www.ppfreal.com info@ppfreal.com
Lodz Plaza	PL	Lodz, Poland	Plaza Centers Group	35,000	N.A.	2017	P: +48 22 231 9900	www.plazacenters.com headoffice@plazacenters.pl
Margit Corner	HU	19-21. Margit krt., Budapest, 1024, Hungary	CODIC Hungary Kft.	5,100	13.5-14	Q1 2016	P: +36 1 266 6000	www.codic.eu p.szilvasi@codic.eu www.margitcorner.hu
Metrodom City Home	HU	10 Nádasdy Street, District IX., Budapest, 1192, Hungary	Metrodom Kft.	5,454	N.A.	Q2 2015	N.A.	www.metrodom.hu

Real estate developments in CEE

Name of real estate development	Country	Location of real estate development	Name of real estate developer	Total gross size of the building (sqm)	Est. monthly rent (€/sqm)	Est. time of delivery	Real estate developer/Leasing agent(s)	
							phone	website, e-mail
Metrodom - Szent László út 41-43.	HU	41-43. Szent László Street, District XIII., Budapest, Hungary	Metrodom Kft.	3,291	N.A.	Q4 2015	N.A.	www.metrodom.hu
Metronom Business Center	CZ	Prague 5 – Nové Butovice, Bucharova Street, Czech Republic	HB Reavis Group	33,595	N.A.	2015	P: 420 225 001 900	www.hbreavis.com hbreavis@hbreavis.com
Mokotow	PL	Warsaw, Poland	Penta Investments	24,500	N.A.	Q1 2017	P: +48 22 502 32 22	www.pentainvestments.com warsaw@pentainvestments.com
Mundo Center	HU	Csömöri Street/Bosnyák Street, District XIV., Zugló, Budapest, Hungary	Echo Investment S.A./Echo Investment Hungary Kft.	37,000	N.A.	2016-2017	P: +36 30 429 2333	www.echo.com.pl orsolya.stefankovits@echo.com.pl
Nimbus Office	PL	Warsaw, Poland	Immofinanz AG	19,000	N.A.	in development	P: +43 1 88 090	www.office.immofinanz.com mail@immofinanz.com
Nordic Light Offices	HU	96-98. Váci Road, Budapest, 1133, Hungary	Skanska Property Hungary Ltd.	26,200	12.95-13.5	2016	P: +36 1 382 9100	www.skanska.hu leasing@skanska.hu
Nove Tuhnice	CZ	Karlovy Vary, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: +420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Opatov Park II.	CZ	Prague, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: +420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Panorama City	SLO	Bratislava, Slovakia	J&T Real Estate	94,000	N.A.	under construction	P: +421 2 5941 8200	www.jtre.sk info@jtre.sk
Pauler Ház	HU	15. Pauler Street, District I., Budapest, Hungary	OTP Ingatlan Zrt.	3,577	N.A.	Q4 2014	P: +36 70 457 2784	www.paulerhaz.hu racz.tibor@otpip.hu
Platán Lakóker	HU	98. Hunyadi Street, Balatonboglár, Hungary	OTP Ingatlan Zrt.	4,929	N.A.	Q1 2015	P: +36 70 953 9255	www.eladonyaralobalatonboglár.hu kruppai.agnes@otpip.hu
Pomeranian Logistics Centre	PL	ul. Kontenerow 21, Gdansk	Goodman	515,761	N.A.	N.A.	N.A.	www.goodman.com/pl poland@goodman.com
Postepu 14	PL	Warsaw, Poland	HB Reavis Poland	34,445	N.A.	2015	P: +48 22 203 44 20	www.hbreavis.com poland@hbreavis.com
Prime Corporate Center	PL	78 Grzybowska Street, Warsaw, Poland	Golub GetHouse	20,148	N.A.	2015	P: +48 22 695 01 10	www.golubgethouse.pl info@golubgethouse.pl
Promenade Gardens	HU	80-84. Váci Road, Budapest, 1133, Hungary	Horizon Development	25,000	13.5-14.5	2016	P: +36 1 473 1209	www.horizondevelopment.hu info@horizondevelopment.hu
Promenady ZITA	PL	Antoniiego Slonimskiego Street, Wrocław, Poland	Savills Poland	21,120	N.A.	Q4 2014	P: + 48 022 222 4000	www.savills.pl info@savills.pl
Puro	AU	Vienna, Austria	ECE Projektmanagement G.m.b.H & Co. KG	10,000	N.A.	Q2 2016	P: +49 40 60 60 60	www.ece.com
Q22 Tower	PL	Warsaw, Poland	Echo Investment S.A.	55,000	N.A.	2016	P: +48 41 33 33 333	www.echo.com.pl office@echo.com.pl
Quadrio	CZ	Purkynova Street, Prague 1, 110 00 Czech Republic	CPI Property Group	45,000	office: 21-23 retail: 90-120	Q4 2014	P: +420 281 082 110	www.cpipg.com contact@cpipg.com
Rohan City	CZ	Prague, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: +420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Rosenhöfe	AU	Vienna, Austria	Austrian Real Estate Development	N.A.	N.A.	Q4 2015	P: +431 7120 742-0	www.are-development.at office@are-development.at
Royal Wilanow	PL	Wilanow, Poland	Capital Park	36 700	N.A.	Q3 2015	P: 48 22 318 8888	www.capitalpark.pl biuro@capitalpark.pl

Real estate developments in CEE

Name of real estate development	Country	Location of real estate development	Name of real estate developer	Total gross size of the building (sqm)	Est. monthly rent (€/sqm)	Est. time of delivery	Real estate developer/Leasing agent(s)	
							phone	website, e-mail
Rustonka	CZ	Prague, Czech Republic	J&T Real Estate	40 400	N.A.	planned	P: +420 221 710 111	www.jtre.cz info@jtre.cz
Serenada Shopping Center	PL	Cracow, Poland	Mayland Real Estate	42 000	N.A.	2016	P: +48 22 546 98 00	www.mayland.pl www.ch-serenada.pl
Silesia Business Park	PL	Katowice, Poland	Skanska Property Poland	N.A.	N.A.	Phase II: Q3-Q4 2015	P: +48 22 653 84 00	www.skanska.pl
Silo	AU	Vienna, Austria	Erste Group Immorent AG	12,000	N.A.	under construction	P: +43 (0)5 0100 27000 F: +43 (0)5 0100 27204	www.erstegroupimmorent.com www.silo-offices.at
South Park	PL	Warsaw, Poland	Hochtief Development Poland	86,586	N.A.	Q1 2015	P: +48 22 335 77 77	www.hochtief-development.pl
Smichov City	CZ	Prague, Czech Republic	Sekyra Group	210,000	N.A.	in preparation	P: 420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Spectrum Office Corner	HU	180. Üllői Road, Budapest, 1191, Hungary	RZT Kft.	8,775	11-12	built-to-suit	P: +36 1 327 20 50	www.robertson.hu office@robertson.hu
Sukcesja Shopping and Entertainment Center	PL	Lodz, Poland	Savills Poland	46,000	N.A.	2015	P: +48 022 222 4000	www.savills.pl info@savills.pl
The Quadrum	HU	Vécse, Hungary	AIG/Lincoln Kft.	N.A.	N.A.	Phase II: 2015 Phase III: 2018	P: +36 1 382 5100	www.aiglincoln.com info@aiglincoln.hu
Trillple	AU	Vienna, Austria	Austrian Real Estate Development/Soravia Group	110 000	N.A.	2018	P: +43 1 7120 742 7725	www.are-development.at office@are-development.at www.triiple.at
Twin City North	SLO	Bratislava, Slovakia	HB Reavis Slovakia	28 700	N.A.	2019	P: +421 2 58 30 30 30	www.hbreavis.com hbreavis@hbreavis.com
Twin City South	SLO	Bratislava, Slovakia	HB Reavis Slovakia	194 700	N.A.	2016-2024	P: +421 2 58 30 30 30	www.hbreavis.com hbreavis@hbreavis.com
V17	HU	17 Váci Road, Budapest, 1134, Hungary	WING Zrt.	12 350	N.A.	Q3 2016	P: 36 70 334 3555 +36 70 333 8282	www.eston.hu, v17@eston.hu www.jll.com erika.loska@eu.jll.com
V48	HU	48/e-f. Váci Road, Budapest, 1132, Hungary	CODIC Hungary Kft.	13,500	13-14	Q1 2016	P: +36 1 266 6000	www.codic.eu p.szilvasi@codic.eu www.v48.hu
Vision Towers	HU	Váci Street - Dózsa György Street, District XIII., Budapest 1134, Hungary	Futureal	20,300	14.5	Q3-Q4 2014	P: +36 1 266 2181	www.futureal.hu info@futureal.hu
Waltrovka	CZ	Prague, Czech Republic	Penta Investments	169,000	N.A.	N.A.	P: +420 225 101 110	www.pentainvestments.com prague@pentainvestments.com
Westend Gate	SLO	Bratislava, Slovakia	J&T Real Estate	35,000	N.A.	under construction	P: +421 2 5941 8200	www.jtre.sk info@jtre.sk
West Point 120	PL	120 Włodarzewska Street, Warsaw, Poland	Savills Poland	20,480	N.A.	2016	P: + 48 022 222 4000	www.savills.pl info@savills.pl
West Station I-II	PL	Warsaw, Poland	HB Reavis Poland	63,305	N.A.	2016-2018	P: +48 22 203 44 20	www.hbreavis.com poland@hbreavis.com
Zamecky Dvur	CZ	9 Vinor, Prague, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: 420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Zielone Arkady, Bydgoszcz	PL	Bydgoszcz, Poland	ECE Projektmanagement G.m.b.H & Co. KG	50,000	N.A.	Q3 2015	P: +49 40 60 60 60	www.ece.com
Zizkov City	CZ	Prague, Czech Republic	Sekyra Group	N.A.	N.A.	in preparation	P: +420 234 005 551-2	www.sekyragroup.cz info@sekyragroup.cz
Zuckermanel	SLO	Bratislava, Slovakia	J&T Real Estate	66 000	N.A.	planned	P: +421 2 5941 8200	www.jtre.sk info@jtre.sk

The list was compiled by REsource. No claim is made as to the accuracy of the information. The database was compiled based on information by real estate developer companies and real estate agencies as of September 4, 2014.



PROPERTY

Investment Forum

2014

SAVE THE DATE

25th November 2014

Hotel InterContinental, Budapest

MORE INFORMATION AND REGISTRATION:

www.propertyforum.hu • www.portfolio.hu/conference
conference@portfolio.hu • sales@portfolio.hu

PARTNER:



SPONSORS:



SECTIONS:



PROFESSIONAL PARTNER:



Portfolio

Conference

www.portfolio.hu/conference

Noerr in CEE

REAL ESTATE ADVISORY SERVICES

Noerr provides a full range of services regarding real estate, construction and environmental law with a strong focus on the infrastructure sectors.

Our integrated approach combines an in-depth business understanding of the 'real estate' asset class with a high level of legal expertise and covers the whole value chain in real estate investment.

Your key contacts for Germany and CEE:

Prof. Dr. Alexander Goepfert
alexander.goepfert@noerr.com IT +49 211 49986282

Dr. Zoltán Nádasdy
zoltan.nadasdy@noerr.com IT +36 1 2240900

ALICANTE
BERLIN
BRATISLAVA
BRUSSELS
BUCHAREST
BUDAPEST
DRESDEN
DÜSSELDORF
FRANKFURT/M.
LONDON
MOSCOW
MUNICH
NEW YORK
PRAGUE
WARSAW

NOERR.COM

Noerr