



Industrial Agency

2017 H1 market summary and outlook

- Record low vacancy rate of 5.5 %;
- Lack of available space over 5,000+ sqm;
- Large requirements (20,000+ sqm) dominate the market;
- Lease renewals dominate the transactions partially due to the shortage of available space;
- Top 5 developers own 68% of space;
- No/limited ongoing speculative development;
- Limited number of projects with building permit (8+ months completion period);
- New market player (NIPÜF);
- Rent increase;
- Quick transactions, first comes first served;
- Increasing interest on the countryside market;
- Significant increase in construction and labor costs;
- Increased construction period (8+ months);
- Lack of labor force throughout Hungary.

Supply in greater Budapest

- Construction activity showed „significant” increase in 2017 as five new projects, 50,000 sqm were handed over in the first half of the year, that is already two third of the 2016 full year’s handovers. By the end of the year, another 50,000+ sqm is expected.
- These new buildings increased the modern stock with almost 2.5% and it stood at 1.95 million sqm as of H1 2017.
- The following projects are under construction and scheduled to be handed over in 2017, but these speculative buildings are typically pre-leased by the end of the construction, thus they do not appear on the market as leasable area.

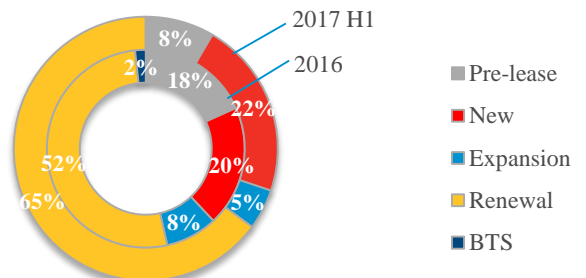
Developer	Building Name	Handover	Size (sqm)
NIPÜF	Inpark (Páty) BTS	2017 Q3	23,400
WING	East Gate Business Park	2017 Q3	14,300
Westbay	Budapest Dock Szabadkikötő	2017 Q4	15,000

Demand in greater Budapest

- The general strength of the market is perfectly reflected by the fact that the new leases, expansions and pre-lease transactions were decisive elements; these types of transactions reached 100,000 sqm altogether which number is half, so proportionally identical compared to the full year of 2016. New lease transactions showed also growth amounting 61,735 sqm during H1 (84,500 sqm in 2016).
- Total leasing activity was driven by renewals (184,560 sqm) representing 65% of all transactions. This volume almost reaches the volume of 2016 (221,700 sqm / 52%).
- Expansions contributed to the semi-annual leasing volume with only 14,000 sqm which is proportional figure compared to last year although it is barely 5% of the total leasing activity and 14 % of the new contracts so far.
- Due to the low number of developments realized / in the pipeline, the amount of pre-lease was only 23,980 sqm, which is lower compared to 2016 (78,200 sqm / 38%), representing around 24 % of the total new leasing deals.
- The sales market is very similar to the lease: limited number of good quality buildings are available yet the demand is significant both in Budapest and in the countryside; assets with reasonable pricing and good quality change hands quickly.
- Colliers’ major selling successes in 2017 were the followings:

Vendor	Building/Location	Buyer	Size (sqm)
Jacobs Douwe Egberts	Budapest XV.	n/a	35,000
Scanfil	Biatorbágy	Reál	15,450

Type of transactions in greater Budapest 2016-2017 H1



Source: BRF, Colliers International

Vacancy and availability

- Approximately 90% of the stock is located in logistics parks (big box) and only approximately 10% is city logistics.
- The vacancy rate by logistics parks (big box) stood at 4.8%, while by city logistics buildings it was 12.6%.
- The overall vacancy rate declined further and stood at a record low 5.5% by the end of 2017 H1.
- Currently, the supply is very limited for tenants who want to lease contiguous spaces above 5,000 sqm in existing logistics parks.
- Additionally, there is a shortage of supply in terms of so called, 'plug and play' development lands, that are immediately ready to develop.

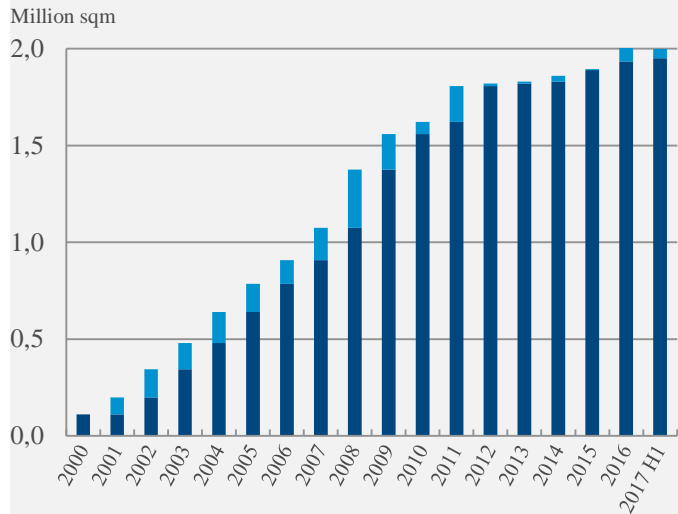
Rents

- Headline rents have slightly increased and currently stands at € 3.6 - 3.9 /sqm/month for big-box logistics in the metropolitan area of Budapest and € 4.5 - 5.5 /sqm/month for city logistics projects. Net effective rents continued to be normally 5-10 % lower than the headline rents.
- The rents of build to suit (BTS) buildings can be significantly higher than the above specified ranges, due to the lack of well-prepared so called 'plug and play' development land, increased construction costs, and higher specifications.

2017 Outlook

- Demand for industrial and logistics spaces are driven mostly by companies from the automotive, electronics and distribution industries in the first half of 2017 as well.
- Colliers' expectation is that vacancy rate will continue to decline by the end of 2017, if all newly built 53,000 sqm finds a tenant before handover.
- The typical size of speculative buildings will remain in the range of 10,000-25,000 sqm. Due to the low available supply and increased demand, (20,000+ sqm requirements) both for logistics and end users/industrial use, we expect that further projects will start during 2017/2018. Pre-leases and BTSs are still more favorable than speculative developments.
- In Budapest, the entire southern M0 region and the main highways (M1, M3, M5) remain the most popular locations.
- In the countryside Colliers still sees continued interest for good quality industrial premises (either to rent or to buy) or prepared land for green field development. Győr and its close vicinity, Tatabánya, Székesfehérvár, Miskolc and its vicinity are still the top demanded locations.

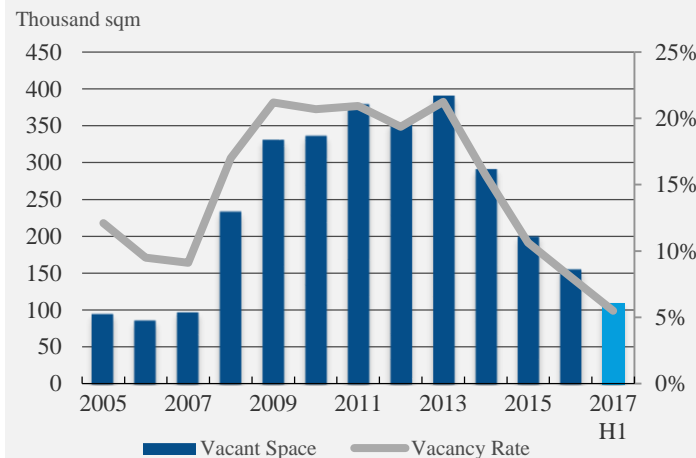
Change in stock over time



*the stock growth from H2 2010 to H1 2011 is due to the BRF harmonization.

Source: Colliers International

Change in vacancy and vacancy rate over time



*the stock growth from H2 2010 to H1 2011 is due to the BRF harmonization.

Source: BRF, Colliers International

Transactions over 10,000 sqm in greater Budapest in 2017 H1

Building	Tenant	Size [sqm]	Deal type
BILK	Waberer's	95,000	Renewal
Prologis Gyál	GE Hungary	20,800	Renewal
Prologis Gyál	Diebold	19,600	Renewal
Prologis Harbor	Confidential	13,600	New
M7 Dunaharaszti	Jöbstl-Hungária	11,600	New
CTP Biatorbágy	GSI	10,000	Pre-lease

Source: BRF, Colliers International