



Industrial Agency

2016 market summary and outlook

The industrial and logistics real estate market experienced increased activity in 2016 compared to last year both in terms of new developments and total leasing activity.

Due to the lack of new supply and constant demand the vacancy rate continued to decrease and stood at 8.1% by the end of 2016. Headline rents continued to increase slightly and currently approximately 10-15% higher compared with the crises years.

Colliers expectation is that vacancy rate will decrease slightly further during the first half of 2017 putting further upward pressure on rents, especially by existing stock.

Supply in greater Budapest

- Construction activity showed significant increase in 2016 as five new projects were handed over, increasing the stock with 76,000 m². In comparison during 2015 only one new property with 5,000 m² was handed over in Budapest.
- These new buildings increased the modern stock with almost 3% and it stood at 1.93 million m² as of Q4 2016.
- The following projects are under construction and scheduled to be handed over in 2017 in the Budapest Metropolitan area with a total size of 72,000 m².

Developer	Building Name	Handover	Size (m ²)
BSZL	Budapest Dock Szabadkikötő	2017 Q1	19,200
BILK	L2 building	2017 Q1	8,200
NIPÜF	Inpark (Páty)	2017 Q3	23,400
Prologis	Sziget DC7b, DC8	2017 Q3	21,100

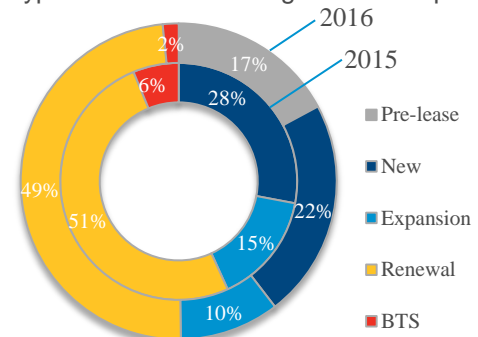
Demand in greater Budapest

- Total leasing activity was driven by renewals (221,700 m²) that increased by 21% compared to 2015. Meanwhile the volume of expansions (46,600 m²) was 14% less than in previous year and below the 5-year average of 53,600 m².
- As there are number of development in the pipeline, the amount of pre-lease was 78,200 m², which is a great turnaround since 2015 when no such deal was closed.
- The strength of the market and of the demand is more reflected in the size of the new contracts including new leases, expansion, pre-lease and BTS transactions, which showed 34% increase compared with last year.
- Colliers' major selling successes in 2016 were the followings:

Vendor	Building/ Location	Buyer	Size (m ²)
AFL Hungary	Mór	CTP	13,874
Samsung	Szigetszentmiklós	Expressluck	13,000
Bricostore	Törökbálint	Régió játék	11,930

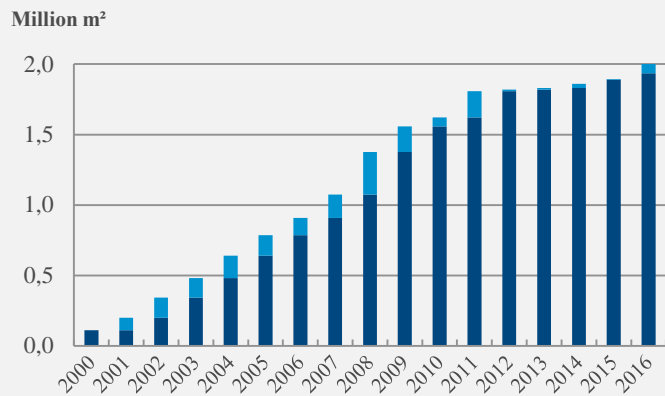
Source: Colliers International

Type of transactions in greater Budapest 2015-2016



Source: BRF, Colliers International

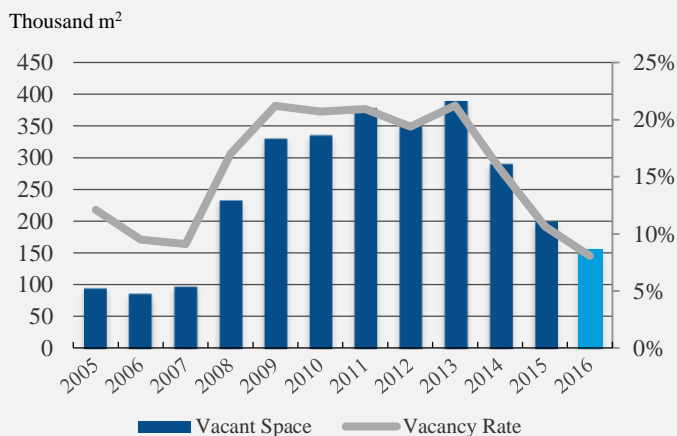
Change in stock over time



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

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 harmonis

Source: BRF, Colliers International

Transactions over 15,000 m² in greater Budapest in 2016

Building	Tenant	Size [m²]	Deal type
ProLogis Park Bp - Budaörs	Geodis	27,800	Renewal
Inpark- Páty	Kühne-Nagel	22,650	Pre-lease
ProLogis Park Bp - Gyál	Diebold	19,600	Renewal
BILK	N/A	21,800	Renewal
ProLogis Harbor Park	Fiege	20,900	Renewal
ProLogis Park Bp- Gyál	Diebold	19,600	Renewal
M0-Central Business Park	FM Logistics	19,000	Renewal
Üllő Airport Logistics	Oriflame	17,000	Renewal
ProLogis Park Bp – M1	Confidential	15,900	New

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 7.5%, while by city logistics buildings it was 13.1%
- The overall vacancy rate declined further and stood at 8.1% by the end of 2016.
- Currently the supply is very limited for tenants who want to lease contiguous spaces above 5,000 m² 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 in 2016 to €3.2-3.8/m²/month for big box logistics in the metropolitan area of Budapest and €4.0-5.0/m²/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 development land, increased construction costs, and higher specifications.

2017 Outlook

- Demand for industrial and logistics spaces is expected to be driven mostly by companies from the automotive, electronics and distribution industries in 2017 as well.
- Colliers expectation is that vacancy rate will reduce further until the end of Q2 2017, which is expected to result into the initiation of further speculative projects by developers.
- The typical size of speculative buildings (phases) will remain in the range of 10,000-20,000 m², maximum.
- Due to the low available supply and increased demand both for logistics and end users/industrial use, we expect that further BTS projects will start during 2017.
- In Budapest, the entire southern M0 region and the main highways (M1, M3, M5) remain the most popular ones.
- In the countryside Colliers still see 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, Komárom-Esztergom County, Miskolc and its vicinity are still the top demanded locations.