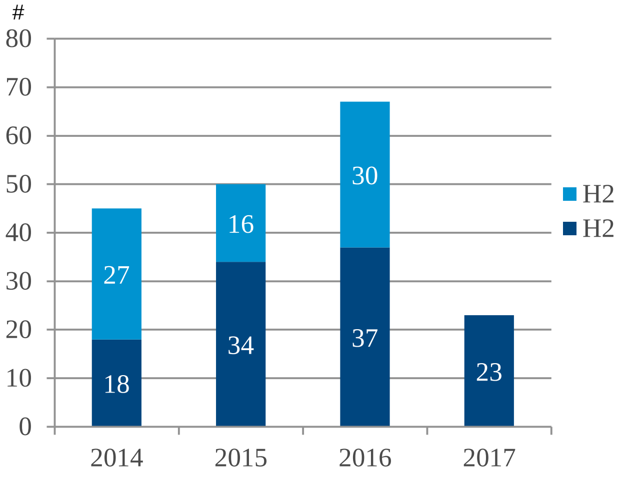
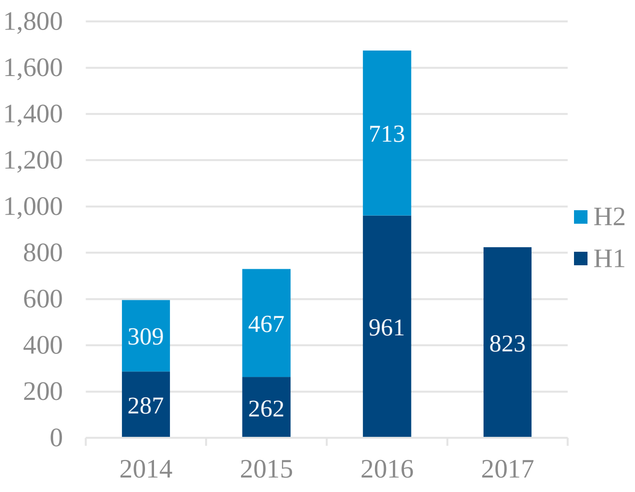
## NUMBER OF TRANSACTION DEALS IN 2014 – H1 2017




Source: Colliers International

## INVESTMENT VOLUME IN 2014 – H1 2017

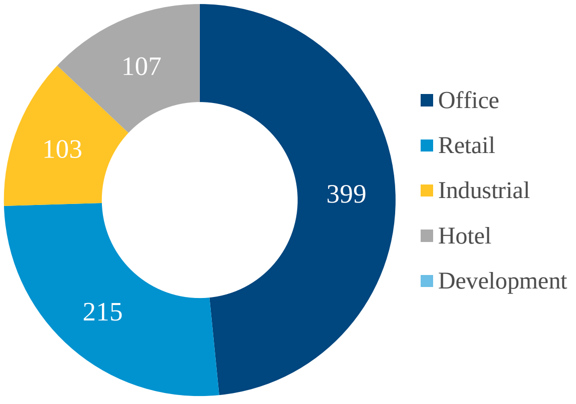
**€ Mln**




Source: Colliers International

## SHARE OF SECTOR BY VOLUME (H1 2017)

**€ Mln**




Source: Colliers International

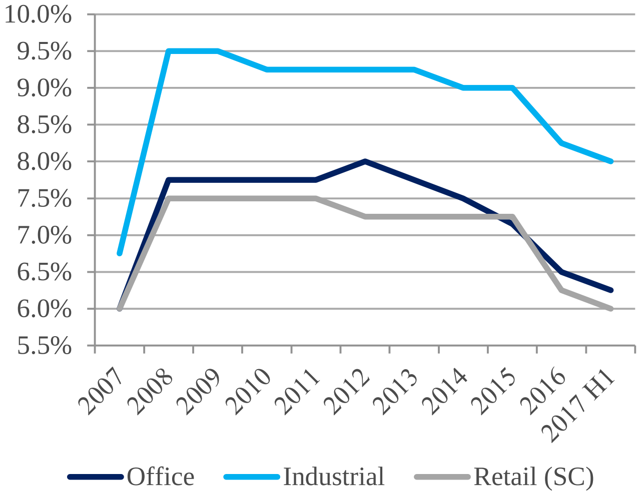
## Deal volume & trends

- Following a very strong year of 2016, the investment market remained active during H1 2017 as well. The semi-annual volume of reached EUR 823 million, which is approximately 10% lower compared with the same period last year, however, it is already higher than the full year of 2015.
- Due to the changed tax conditions, decreasing corporate tax rate to 9%, entering into force in 2017 pushed some larger deals from last year to this year.
- Even though the number of deals have decreased compared with H1 2016, the average deal size has increased significantly (approximately 38%).
- Hungary is experiencing a more intense growth in transactions compared with other CEE countries and the sharpest capital value appreciation.
- The most popular type of asset remained the offices with share of 58%, followed by retail at 26%, while both the industrial and hotel deals accounted for 13% of the overall volume. The distribution is similar to those during the previous year, and expected to remain fairly constant in 2017 positive increase in the retail segment.

## Investors

- Hungarian investors remained the most dominant in H1 2017 with a share of 55% of the total activity by volume, which is very similar to their share in H1 2016.
- Among the domestic purchasers, the most active were large local open-ended real estate funds: Erste Real Estate Fund, Diófa and OTP Real Estate Investment Fund, contributing to 90% of the local investment volume.
- Colliers International expects that they will remain a dominant players in the second half of the year as well.
- The country's attractiveness for international investors was reinforced, as all of the three major credit rating agencies (S&P, Moody's, Fitch) has upgraded the country's sovereign debt rating to investment grade by the end of 2016.
- This has opened the door to larger scale of international investors with strict investment policy to target Hungarian investments.
- During the course of 2016 and H1 2017 a number of fresh international investors tapped into the local market adding a new pool of investors to the prevailing ones.
- New market entrants are foreseen to be US and UK private equity, South-African listed and private companies, German fund managers and various Austrian buyers. The biggest group of buyers during H1 after Hungarian investors were Czech institutions acquiring assets for EUR 185 mln.

## PRIME GROSS INITIAL YIELDS (2007 - H1 2017)




Source: Colliers International

## KEY TRANSACTIONS IN H1 2017

| Name of property | Asset type | Buyer | Seller | Size (sq m) |
|---|---|---|---|---|
| Nokia Skypark | Office | OTP Fund | Futureal | 25,399 |
| Westend Business Center | Office | Erste | Skanska | 26,000 |
| Nordic Light | Office | Erste | Skanska | 26,000 |
| Váci Greens B | Office | OTP Fund | Atenor | 24,739 |
| CBRE Global Investment portfolio | Retail/ Office | CPI | CBRE GI | n.a. |
| South Pest BP | Industrial | Diófa | Wing | 34,400 |

Source: Colliers International

- Regional (Austrian, Czech and Slovak) real estate investment funds showing a greater interest not only in the CEE region, but in Hungary especially.
- These new players are expected to increase their activity in the Hungarian investment market.

## Transactions and yield evolution

- The average deal size further growth since the previous year. During H1 2017, mainly the portfolio deals and larger individual office building transactions were a key catalyst in the market.
- During the first half of the year four transactions were closed with more than EUR 60 million single asset value, while in H1 2016 only two such transaction were closed.
- This development is partly the result of banks willingness to finance large transactions individually, while previously this was only feasible through syndicated loans.
- Another interesting factor is the shortening of transaction periods. Currently, transactions are typically closed within 6 months while previously this lasted on average between 6 to 9 months and sometimes even 12 months.
- This pattern is in the interest of buyers, as the market conditions are rapidly improving and quick reactions can lead to significant competitive advantages.
- The market is characterized by strengthening position of the sellers. As a result a growing number of properties were sold through project companies, which is usually a more preferred structure by vendors.
- The increase in demand is also noticeable in the declining prime yields by 0.25% in each segment compared to the end of 2016.
- The typical prime office yield at the end of H1 2017 stood at 6.25%, while prime retail (shopping center) yields were at 6.00% and prime industrial/logistics properties at 8.00%.

## Outlook

- As a result of less investment opportunity in high-quality products and evidenced rental growth, further compression in yields is expected during the second half of 2017 across all asset classes.
- Based on the H1 activity, 2017 is expected to remain as active as 2016 with a number of portfolio deals and value-add opportunities similarly to previous year.
- According to Colliers International Hungary forecast this year the total investment volume may reach EUR 2 bn.
- In the office segment a higher share of forward sales is anticipated by Colliers International on the back of shortage of product and high pre-lease levels of ongoing developments.