

# Property Investment Market Report

Hungary 2022 FY



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# 2022 FY Investment Market Report

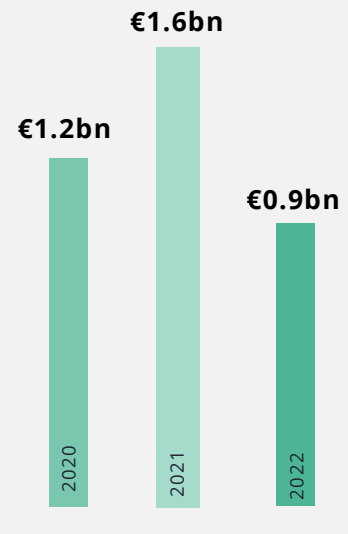
The first half of 2022 saw transaction volumes roughly in line with 2021 numbers, reaching €619 million. Nevertheless, the number of deals reduced during this period, and such volume was achieved on the back of a large retail portfolio transaction representing 35% of the 1<sup>st</sup> semester volume. The second half of the year witnessed reduced activity as general confidence deteriorated and interest rates started to increase sharply.

Investors' appetite remains strong for industrial and best in class assets especially when combined with secured long income streams but we have clearly entered a new phase of the cycle.

As a consequence of the robust activity in retail and logistics, the office segment only accounted for 35% of the yearly total, falling short of the usual 60%+ share. Some noteworthy CBD prime assets transacted including Akademia Business Center acquired by Europa Capital and their local partner ConvergenCE from DWS. A fund managed by Groupama Gan REIM entered the Hungarian market with the acquisition of the CBD historical Freedom Palace sold by the French SCC group in the first semester followed by the purchase of Green Court Office, a prime office development of CODIC in the second semester, the later being the largest single asset transaction of 2022 setting a record yield.

Note: We have decided not to include intra-group transactions hence the operations between CPI, S-Immo and Immofinanz are not reflected here

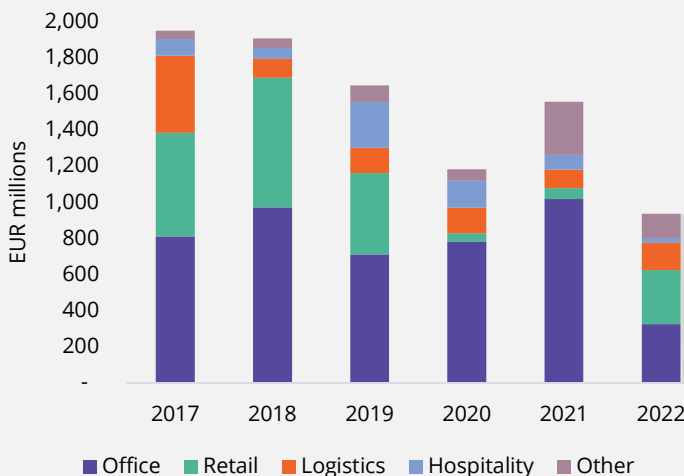
Transaction volumes 2020-2022



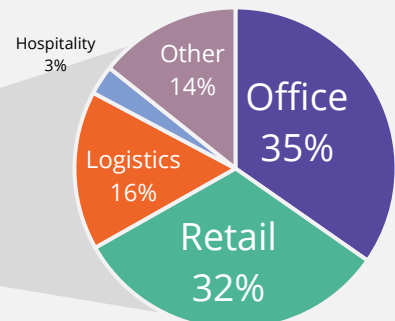
A dry second half limited the total transaction volumes below the €1bn level

Source: Avison Young

## Is retail returning to the forefront?



Zoom on 2022



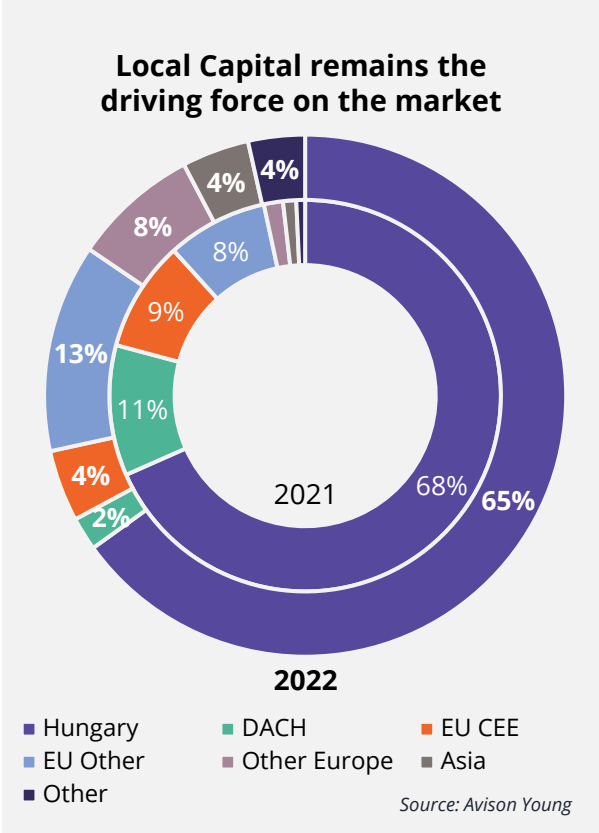
Source: Avison Young

# Pricing and capital sources

Despite the few high-profile deals closed by international buyers, the weight of local capital remained dominant with circa 65% of the activity driven by local investors.

Pricing in the core segment remained stable with premium being paid on super prime products. Re-pricing in the core+, value-add and Grade B categories was more noticeable due to the significantly more conservative approach of financing banks and higher costs. The market is experiencing a clear dichotomy between full equity transactions and leveraged deals with a strong advantage given to the first group of buyers.

Due to the difficulties of sourcing debt from banks, in particular for development or value-add transactions, alternative lenders are becoming more active.



**5.75%**  
Office

**6.00%**  
Industrial

**6.50%**  
Retail (SC)

## Main transactions of 2022

Asset	Sector	Size (sq m)	Buyer	Seller
Tesco Portfolio (13 HU assets)	Retail	273,400	Adventum	Tesco
Green Court Offices	Office	18,800	Groupama Gan REIM	CODIC
Airport City Logisitic Park	Logistics	52,000	WING	CPI Group
Akademia Business Center	Office	12,700	Europa Capital	DWS
Krisztina Plaza	Office	16,700	4iG	White Star
Freedom Palace	Office	6,540	Groupama Gan REIM	SCC
R70	Office	17,000	Épkar	CA Immo
Akácliget Logisztikai Központ	Logistics	20,000	M7 Real Estate	RED
Herzog Villa & Bathory 12	Office	10,500	WING	US Family Office
Máriássy Ház	Office	9,000	GRAWE	WING
Family Center Szombathely	Retail	10,700	Unione	WING

Source: Avison Young

# What to expect in 2023?

Real estate fundamentals remain strong in the context of weakening capital markets. Occupational market is also being kept in a healthy check as a result of the freeze or delays of some of the new developments due to the financing bottleneck and high construction costs.

Price corrections are now expected across all asset classes and have already started to materialise. We expect this adjustment phase to take shape in the first semester of 2023 with subdued volumes. With limited exposure to bank finance, borrowers are not close to distress but should the general macroeconomic environment and occupier market further deteriorate, forced selling could come on the horizon.

The increasing role of inter-CEE capital flows experienced in the last years should remain a major trend in Hungary and the region. Whilst Hungary has been a strong issuer of capital towards the CEE region (and beyond towards the UK and EU markets) till now, inwards investments have been limited with CEE money accounting for 9% of the total volume in 2021 and 4% in 2022. It will be interesting to see the evolution in the different market context of 2023.

ESG importance will keep growing for investors and occupiers in 2023 and will become a more critical element in the pricing of assets.

Despite all the existing challenges, some cash-on-cash driven investors are taking long positions using the current market lull as a good entry opportunity.



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**Benjamin Perez Ellischewitz**

Principal

+36 70 333 1818

benjamin.perez-ellischewitz@avisonyoung.com

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