

# Avisource

## 2023 FY Budapest

## Office Market Tracker

### Highlights

- Initially expected above 247,000 sqm back in early 2022, the deliveries in 2023 finally amounted to 145,000 sqm with several handovers deferred to 2024 when 185,000 sqm are now expected.
- Development pipeline is drying out beyond the end of 2024 and projects will only be launched for owner occupation and pre-lease.
- Vacancy progressed by 200 bps YoY to a level of 13.30%.
- Tenants and investors alike are showing an increasing preference for environmentally friendly buildings that promoted energy efficiency and reduced environmental impact.
- Both landlords and tenants still face considerable pressure due to fit-out costs remaining at their peak.



TOTAL  
OFFICE STOCK

**4.4 m sq m**



NEW SUPPLY  
2023

**145,000 sq m**



VACANCY RATE

**13.3%**



UNDER CONSTRUCTION  
/ REFURBISHMENT

**376,000 sq m**



Krausz Palota



Liberty South Wing



BEM Center

## New supply

Initially expected above 247,000 sqm, the deliveries in 2023 finally amounted to 145,000 sqm with several handovers deferred to 2024. With the 12 new buildings and refurbishments delivered in 2023, the total stock stands at 4.4 million sq m.

The percentage of owner-occupied building deliveries have plummeted to 6,200 sq m (2% of all deliveries) compared to the exceptional 2022 when they represented 110,000 sq m (40% of all deliveries). The most important deliveries included BEM Center in the Buda Central submarket (22,070 sq m) and Liberty South Wing along Könyves Kálmán krt. (19,000 sq m). While the new developments are relatively evenly spread out across submarkets, the largest numbers are witnessed in Pest Non-Central (19%) and Buda Central (18%). In the CBD, Krausz Palota and Academia were delivered after significant refurbishments and technical upgrades.

New supply in 2024 is now expected at 185,000 sqm including 40,000 sqm of owner occupation.

Q	Building	Submarket	Size (sq m)
Q4	BEM Center	Buda Central	22,070
Q3	Liberty South Wing	Pest Non-Central	19,000
Q1	Corvin Innovation Campus (Phase 1)	Pest Central	17,520
Q2	Roseville	Buda North	15,500
Q3	Madarasz Phase IV	Váci Corridor	14,600
Q2	F99	Buda South	14,000
Q3	Academia	CBD	10,000
Q1	BIF Tower	Pest Non-Central	8,500
Q2	Budapest Downtown	Buda South	8,400
Q4	Teve Irodaház	Váci Corridor	6,200
Q1	Krausz Palota	CBD	5,300
Q3	HomeWork	Buda Central	3,750

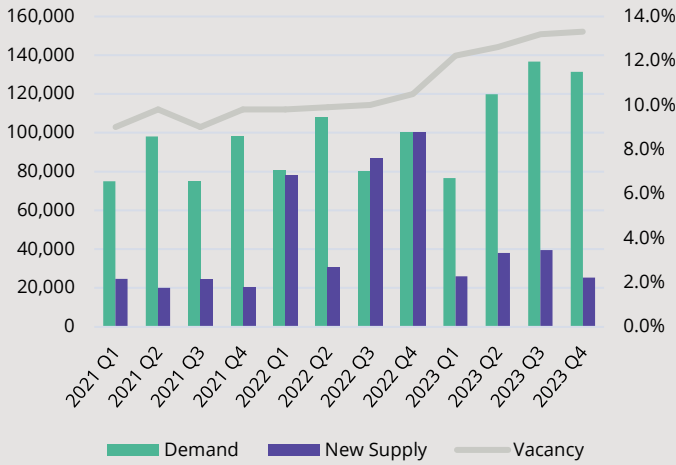
Source: BRF, Avison Young

## Rents and Service Charge

Following the “explosion” of service charge levels in 2022 mainly driven by energy prices, operating costs decreased in 2023 to more manageable levels.

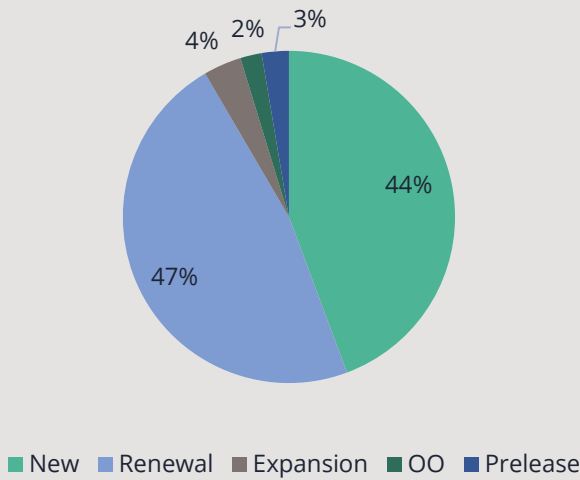
Higher financing costs and inflationary pressure (particularly during the 1<sup>st</sup> semester) have pushed asking rents in most areas, especially in Central Buda (BEM Center).

## New Supply, Demand and Vacancy sq m, %



Source: Avison Young, BRF

## Demand structure 2023



Source: Avison Young, BRF

## Prime headline rents (€/sqm/mth)

CBD	24.00 – 25.00
Inner City	18.00 – 22.00
Outer City	12.00 – 16.00



Source: Avison Young

## Office Leasing

After a difficult start, demand on the office market has recovered parallelly to the decrease of inflationary pressure, and the normalization of interest rates. Stronger demand has translated in several large transactions in the second semester.

On the demand side, the bulk of the leasing activity was generated by renewals (47%) and new leases (44%). The share of those categories have increase by 11 and 14 percentage points respectively over 2022, while the owner occupiers' transactions became marginal in 2023.

Gross total demand stood at 470,765 sq m signifying a 4% increase compared to 2022. This can be attributed to the stronger second semester with a demand of 274,000 sq m., making up 58% of the yearly figure.

The Váci Corridor remained the most popular and active submarket with 29% of the occupational activity, followed by Pest Central (18%), and Buda Central (14%).

The most significant leasing transactions included renewal of the lease of MBH Bank in GTC Metro (16,200 sq m on the Váci Corridor submarket), followed by the renewal of the 12,390 sq m lease in Átrium Park by the Hungarian State. The biggest new lease was signed for a 10,600 sq m area in T-com HQ for Deutsche Telekom IT Solutions.

Take-up (sq m)	2023	2022
Gross take up	470,765	451,733
Net absorption	-13,000	158,510

Source: BRF, Avison Young

Building	Occupier / Tenant	Area (sq m)
GTC Metro	MBH Bank	16,200
Átrium Park	Public Sector	12,390
Telecom HQ	Deutsche Telekom IT Solutions	10,600
Millennium Tower I	Wizzair	8,112
Hungária Office Park	Lightware	7,019
Rumbach Center	BKK	7,000
Mill Park	Cognizant	7,000
BIF Tower	Public Sector	6,800
Teve Irodaház	Metrodom (OO)	6,200
Promenade Gardens	Celanese	5,416
H2Offices	Albemarle	5,070
Buda Square	Public Sector	5,000

Source: BRF, Avison Young



## 6.75% Prime Office Yield

### Economic Background

Inflation peaked at 26% in January 2023, coming down to single digit values by October with a forecast of 4-5% by end of 2024. The recession of early 2023 was followed by a gradual recovery but the year closed on a -0.60% growth rate with a growth forecast of +2.4% in 2024.

The National Bank of Hungary settled on a third rate cut in December, setting the base interest rate at 10.75% (down 225 bps YoY), followed by a further 75 bps cut in January 2024.

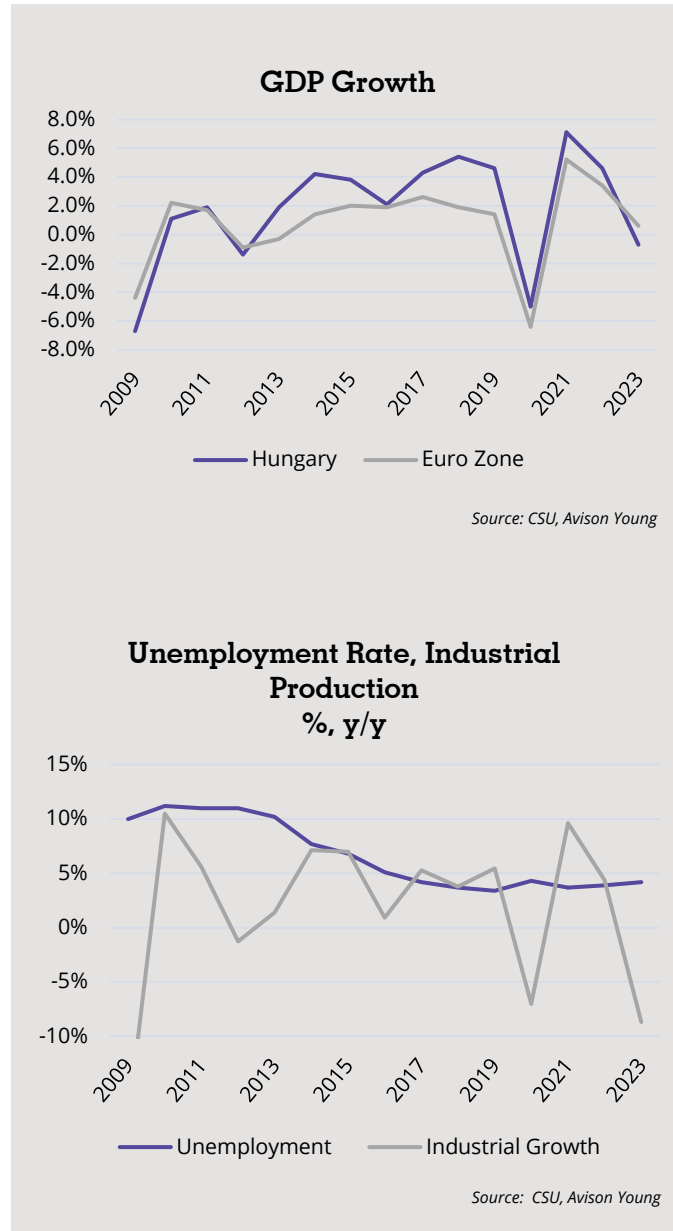
Unemployment rate increased marginally in 2023, standing at 4.1% nationwide (3.4% in Budapest) but further increase is not anticipated due to the persistently tight labour force availability.

### Office Investment

The volume of office investment in 2023 stood at €300 million, 14% below 2022 level but still representing 65% of total investment volumes.

The largest transactions of the year were the disposal of the Váci Corridor 25,900 sq m H2Offices Phase 1 by Skanska to Erste RE Fund; the sale of the Forest Offices in Debrecen by GTC and the disposal of Roseville by Atenor to a private Hungarian investor.

While the gap between sellers' and buyers' expectation remain significant, adjustments in end of year valuations should help to gradually close the gap in the incoming months.



## Contact us

**Benjamin Perez Ellischewitz, MRICS**  
Principal  
+36 70 333 1818  
[benjamin.perez-ellischewitz@avisonyoung.com](mailto:benjamin.perez-ellischewitz@avisonyoung.com)

**Martina Cifer**  
Head of Office Leasing  
+36 30 280 2545  
[martina.cifer@avisonyoung.com](mailto:martina.cifer@avisonyoung.com)

**Jake Lodge, MRICS**  
Principal  
+36 30 619 4821  
[jake.lodge@avisonyoung.com](mailto:jake.lodge@avisonyoung.com)

**Gábor Varga**  
Analyst Research and Capital Markets  
[gabor.varga@avisonyoung.com](mailto:gabor.varga@avisonyoung.com)

