Hotel performance figures for the last 3 years have been improving, showing significant growth in both occupancy and room rates. The general occupancy among Budapest hotels has returned above the 65% level for 4* and 5* hotels.

The first quarter of 2016 saw €123 million invested in the office sector, all of which took place in Budapest. Furthermore, as investor appetite for prime assets strengthens, coupled with the known transactions in the latter stages of negotiations, indications are for an increasingly active year ahead.

Despite the increasing share of national investors in the past years, the real estate investment market in Hungary remains highly international with foreign investors typically representing more than 80% of investment volumes.

Efficient tax structuring can allow investors to avoid capital gains and limit the tax impact on income derived from real estate assets.

The real estate market in Hungary is standardized and supported by a robust and reliable land registry system. Lease agreements are of an international standard, € based with annual rent uplifts in line with inflation. In retail, lease contracts with turnover rent provisions and turnover reporting are the norm.

Hotel performance figures for the last 3 years have been improving, showing significant growth in both occupancy and room rates. The general occupancy among Budapest hotels has returned above the 65% level for 4* and 5* hotels.

Why Hungary?

AN IMPROVING ECONOMY
See the figures in the indicators schedules.

FLOW OF FOREIGN INVESTMENT
Budapest is #1 in CEE on the FT’s list of European Cities of the Future. FT also ranks Budapest Europe’s 5th most business friendly city. Hungary is the most sought-after SSC hub in the CEE region.

A GREAT PLACE TO LIVE
Budapest voted the #2 best city in the world by CNN and Conde Nast Traveller. It has a highly developed infrastructure.

BUDAPEST IS A COMPETITIVE NEAR-SHORING CENTRE
Budapest has asserted itself as a major location for Business Process Outsourcing companies and multinationals to setup SSC and companies of ICT sector are driving demand for office space in Budapest.

DEVELOPMENT PIPELINE
The first quarter of 2016 saw €123 million invested in the office sector, all of which took place in Budapest. Furthermore, as investor appetite for prime assets strengthens, coupled with the known transactions in the latter stages of negotiations, indications are for an increasingly active year ahead.

FOREIGN INVESTORS REMAIN THE DOMINANT FORCE
Despite the increasing share of national investors in the past years, the real estate investment market in Hungary remains highly international with foreign investors typically representing more than 80% of investment volumes.

HUNGARY OFFERS INVESTORS ATTRACTIVE TAX STRUCTURING
Efficient tax structuring can allow investors to avoid capital gains and limit the tax impact on income derived from real estate assets.

MARKET STANDARDS AND EASE OF BUSINESS
The real estate market in Hungary is standardized and supported by a robust and reliable land registry system. Lease agreements are of an international standard, € based with annual rent uplifts in line with inflation. In retail, lease contracts with turnover rent provisions and turnover reporting are the norm.

HOTEL PERFORMANCE IMPROVING
Hotel performance figures for the last 3 years have been improving, showing significant growth in both occupancy and room rates. The general occupancy among Budapest hotels has returned above the 65% level for 4* and 5* hotels.
Hungarian Real Estate Market in a Nutshell
**MARKET INDICATORS**

**GDP:** Slowing in 2016, but expected to recover in 2017 as investment activity picks up.

**Inflation:** Gradually rising, although inflationary pressures are expected to remain relatively modest.

**Interest rate:** Accommodative monetary policy to continue, with further rate cuts possible if growth disappoints.

**Employment:** Steady growth, but rate job creation may slow due to tightening labour market conditions.

### ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross domestic product</td>
<td>2.1</td>
<td>4.0</td>
<td>3.1</td>
<td>2.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Consumer spending</td>
<td>0.2</td>
<td>2.5</td>
<td>3.4</td>
<td>4.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Industrial production</td>
<td>1.1</td>
<td>7.7</td>
<td>7.4</td>
<td>0.9</td>
<td>4.5</td>
</tr>
<tr>
<td>Investment</td>
<td>9.8</td>
<td>9.9</td>
<td>1.9</td>
<td>-15.5</td>
<td>10.2</td>
</tr>
<tr>
<td>Unemployment rate (ILO %)</td>
<td>10.2</td>
<td>7.7</td>
<td>6.8</td>
<td>5.1</td>
<td>4.0</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>1.7</td>
<td>-0.2</td>
<td>-0.1</td>
<td>0.4</td>
<td>1.6</td>
</tr>
<tr>
<td>HUF/EUR (average)</td>
<td>296.92</td>
<td>308.66</td>
<td>309.90</td>
<td>311.46</td>
<td>309.46*</td>
</tr>
<tr>
<td>HUF/USD (average)</td>
<td>223.70</td>
<td>232.52</td>
<td>279.46</td>
<td>281.44</td>
<td>285.92*</td>
</tr>
<tr>
<td>Interest rates: 3-month (%)</td>
<td>4.2</td>
<td>2.5</td>
<td>1.6</td>
<td>1.0</td>
<td>0.5</td>
</tr>
<tr>
<td>Interest rates: 10-year (%)</td>
<td>5.9</td>
<td>4.8</td>
<td>3.4</td>
<td>3.1</td>
<td>3.6</td>
</tr>
</tbody>
</table>

**NOTE:** annual % growth unless otherwise indicated

F: forecast

*: 2017H1

---

**RETURNING TO INVESTMENT GRADE CATEGORY**

**Economic**
- GDP Growth (2016): **2.0%**
- Inflation (2016): **0.4%**
- Unemployment rate (2016): **5.1%**
- Average gross wage growth (2016): **6.1%**
- Retail Sales growth (2016): **4.8%**

Source: Hungarian Central Statistics Office (HCSO)
Office transactions are representing 62% of the total transactional volume.

The Q2 transactional activity reached a level of ca. €300 million, pushing the overall investment volume between January and June to €756 million, 15% less than the volume recorded at the same period of 2016.

Notable transactions of the quarter included the disposal of the 25,200 m² Nokia Sky-park office building by Futureal to OTP Real Estate Fund and the sale of Westend Business Center by Morgan Stanley also to OTP Real Estate Fund. Rozália Park logistics park was sold by Challenger to CPI, who has been in an acquisition mode for many quarters.

The 2017 investment volumes are expected to be 25-30% above the 2016 tally and pass the €2 billion level.

Yields have compressed in every asset class. Prime offices are at 6.50%, shopping centres are at 6.00% and logistics are at 7.75%.

PRIME YIELDS IN Q2 2017

- 6.00% Shopping Centre
- 6.50% Office
- 7.75% Industrial

Source: JLL Research
With no new office building completion in the second quarter, in the first half of 2017 one new office asset was handed over in Budapest, the new 5,500 m² building of SAP. Therefore the total Budapest office stock comprises 3,346,735 m².

The vacancy rate has decreased 180 bps year-on-year and now stands at 8.6% which is the lowest rate ever on record.

Quarterly net absorption totalled 19,265 m².

OFFICE COMPLETIONS AND VACANCY

Source: JLL Research

/// H-1055 Budapest, Honvéd utca 20. • +36 1 872-6520 • www.hipa.hu
In the second quarter of 2017 one development was completed in the Budapest industrial market: BILK Logistics Park was expanded with a new building on 8,790 m².

The modern industrial stock in the Greater Budapest market stands at 1,953,790 m².

Speculative developments re-appeared on the market, currently ca. 69,720 m² is under construction in the Greater Budapest industrial market out of which the construction of 36,330 m² was launched on a speculative basis.

The vacancy rate declined 33 bps quarter on quarter reaching a record low of 5.5% at the end of Q2 2017.

Source: JLL Research
Budapest Hotel Market Snapshot

For 2017 and 2018 estimated completions are around 1,000 and 800 rooms respectively, amongst them will be new additions to the fifteen 5* hotels currently operating in the city.

Continuing the positive trend seen in 2015, tourism activity in 2016 continued to grow with bed nights up 6.4% to c. 9.3 million.

In 2016 RevPAR was up 9.0% compared to the prior year, pushed by a 2.7% growth in occupancy to 75.3% and a 6.1% rise in ADR to €76.

In 2016 Budapest’s hotels performed well and the city entered the Top 10 of European cities based on Revenue per Available Room growth.

BUDAPEST HISTORIC TRADING PERFORMANCE, ALL HOTELS

<table>
<thead>
<tr>
<th>YEAR</th>
<th>OCC. %</th>
<th>% CHANGE</th>
<th>ADR (€)</th>
<th>% CHANGE</th>
<th>REVPAR (€)</th>
<th>% CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>62.0%</td>
<td>7.2%</td>
<td>64</td>
<td>0.92%</td>
<td>39</td>
<td>8.2%</td>
</tr>
<tr>
<td>2012</td>
<td>63.6%</td>
<td>2.7%</td>
<td>65</td>
<td>1.29%</td>
<td>41</td>
<td>4.0%</td>
</tr>
<tr>
<td>2013</td>
<td>65.7%</td>
<td>3.3%</td>
<td>65</td>
<td>0.35%</td>
<td>43</td>
<td>3.7%</td>
</tr>
<tr>
<td>2014</td>
<td>69.0%</td>
<td>5.0%</td>
<td>68</td>
<td>4.47%</td>
<td>47</td>
<td>9.7%</td>
</tr>
<tr>
<td>2015</td>
<td>73.3%</td>
<td>6.3%</td>
<td>72</td>
<td>5.95%</td>
<td>53</td>
<td>12.6%</td>
</tr>
<tr>
<td>2016</td>
<td>75.3%</td>
<td>2.7%</td>
<td>76</td>
<td>6.11%</td>
<td>57</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

Source: STR Global, February 2017
## Mandated Prestige Portfolio - 1

<table>
<thead>
<tr>
<th>Project categories</th>
<th>Net Value (million EUR)</th>
<th>Operational</th>
<th>Development</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HOTELS &amp; WELLNESS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NM 38</td>
<td>15</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Continental Hotel</td>
<td>45</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td><strong>OFFICES &amp; LOGISTICS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A66 Office Building</td>
<td>n/a</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Ecodome</td>
<td>9</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Gregersen Palace and Office Building</td>
<td>n/a</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Honvéd Center</td>
<td>n/a</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>HQ Office Building in Mérleg utca</td>
<td>n/a</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Austria House</td>
<td>n/a</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Project categories</td>
<td>Net Value (million EUR)</td>
<td>Operational</td>
<td>Development</td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-------------------------</td>
<td>-------------</td>
<td>-------------</td>
</tr>
<tr>
<td><strong>RESIDENTIAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Neobarokk Villa</td>
<td>3.5</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Neumann Villa</td>
<td>n/a</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Residential project at Csengery street</td>
<td>1</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Westhome City</td>
<td>n/a</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td><strong>MULTIFUNCTIONAL</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Óbuda Gasworks</td>
<td>60</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Népsziget / Danube – peninsula</td>
<td>3</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Development site – Danube bank</td>
<td>n/a</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Palazzo Dorottya</td>
<td>50</td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>VAM Design Center</td>
<td>8</td>
<td>X</td>
<td></td>
</tr>
</tbody>
</table>
Hotel and Wellness Developments
SUMMARY

Unique opportunity to develop a 4* internationally branded select service, boutique hotel with 140 rooms in the heart of Budapest. The planned hotel will be located in close proximity to the prestigious Andrássy Avenue in a very convenient location close to major sights. The property has the potential to become one of the leading city center upscale hotels in Budapest.

FUNDING REQUIREMENT (M €)
4–8

TOTAL PROJECT BUDGET (M €)
15

PLOT SIZE (m²)
1,182

STATUS
Re-development opportunity of existing building for 50% JV partnership

LOCATION
District VI., Nagymező u. 38, Budapest
https://goo.gl/maps/SmowF3M9CqQ2
The hotel is built on the site of the legendary Hungarian Spa and the historical continental Hotel in Budapest’s city center with 272 rooms, a restaurant, a conference room for 300 person and a spa on the rooftop. It operates with 80% occupancy on average.

**SUMMARY**

**TOTAL PROJECT BUDGET** (M €)

45

**STATUS**

Operating Hotel.

**LOCATION**

District VII., Dohány utca 42-44, Budapest

https://goo.gl/maps/QfoJFVoF7AT2
Office and Logistics

H-1055 Budapest, Honvéd utca 20. • +36 1 872-6520 • www.hipa.hu
**A66 Office Building**

**SUMMARY**
Located on historic Andrássy út, surrounded by high class office, residential and cultural buildings, as well as many embassies. The turn-of-the-century facade will conceal high-quality, modern offices and imposing interior spaces. Access to the property is outstanding both by car and public transport.

<table>
<thead>
<tr>
<th>PROPERTY</th>
<th>QUANTITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>PLOT SIZE (m²)</td>
<td>1,443</td>
</tr>
<tr>
<td>TOTAL USABLE AREA (m²)</td>
<td>3,000</td>
</tr>
<tr>
<td>QUOTING SELLING PRICE (NET M €)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**STATUS**
Signed built-to-suit agreement, ongoing construction.

**LOCATION**
District VI, Andrássy út 66., Budapest
[https://goo.gl/maps/VtCNNopGbyk](https://goo.gl/maps/VtCNNopGbyk)
The new Ecodome Green Office Building offers high quality, LEED Platinum certified offices, provides 5,000 m² gross leasable area and 90 underground parking spaces. The building provides highly livable environment in Buda side with a breath-taking panoramic view from the upper floors. Ecodome is located in close proximity to Déli Pályaudvar. Category A, eco-conscious office building is ready to construct.

**FUNDING REQUIREMENT (M €)**
1–9

**TOTAL PROJECT BUDGET (M €)**
9

**STATUS**
New construction.

**LOCATION**
District I., Mészáros út 13., Budapest
[https://goo.gl/maps/ctadtpfYDKD2](https://goo.gl/maps/ctadtpfYDKD2)

---

**ECODOME** - The Living Office
The GREGERSEN Palace and Office building

**SUMMARY**
The Gregersen Palace and Office building is located in the 9th district, walking distance to universities, pedestrian streets and the Danube embankment. The project includes the Palace, and the Office building. The Palace was built in eclectic style from the 19th century, continuously expanded and maintained. Instead of the previous flat-function, currently it operates as banquet hall and office building. Part of the Palace is under monumental protection. Total gross area is 2,194 m². The Office building was built in 2006 and it is physically connected to the Palace. Total gross area is 2,402 m², includes 7 parking places in the underground garage. The Project is currently 100% leased.

**PLOT SIZE (m²)**
1,075

**FUNDING REQUIREMENT (M €)**
3.85 + VAT

**TOTAL PROJECT BUDGET (M €)**
n/a

**STATUS**
The project is owned by an Hungarian SPV, with an amount of EUR 232,000 bank loan (1st rank mortgage registered by the Bank)

**LOCATION**
H-1093 Budapest, Lónyay str 29. [https://goo.gl/maps/ctadtpfYDKD2](https://goo.gl/maps/ctadtpfYDKD2)
Honvéd Center is located in the heart of Budapest surrounded by a number of headquarters of banks, ministries and governmental bodies. The building complex is a composition of a stylish period building (originally built in 1899) and an adjoining, award-winning, state-of-the-art extension (constructed in 1995). Both of them are extensively renovated in 2008, high prestigious Class A' office buildings with 90 highly sought after parking lots in underground garage.

**TOTAL USABLE AREA (m²)**
1,182

**QUOTING SELLING PRICE**
(NET M €) n/a

**STATUS**
Operating business.

**LOCATION**
District V., Honvéd utca 20., Budapest
[https://goo.gl/maps/KHehLNJqHJn](https://goo.gl/maps/KHehLNJqHJn)
SUMMARY

The property is located in Mérleg Street in district V. in Budapest close to Roosevelt square, one of the main squares in Budapest, 1 minute from the Chain Bridge. The land (with full utilities) has a 6-floor office building of 3,720 m². The office building is 100% leased.

TOTAL USABLE AREA (m²)

3.720

QUOTING SELLING PRICE (NET M €)
n/a

STATUS

Operating business, re-development opportunity

LOCATION

District V., Mérleg utca 4, Budapest

https://goo.gl/maps/gtQP2sTFEJS2
Austria House

**SUMMARY**
Unique opportunity to acquire a 100% let 'A' category office building in the CBD submarket. Austria House has superb location and accessibility in the heart of District V with a high demand for tenants reflected in the historically low vacancy level. The property comprises 3,400 sqm of office and storage GLA accompanied with 41 underground parking spaces.

**FUNDING REQUIREMENT & TOTAL PROJECT BUDGET**

<table>
<thead>
<tr>
<th>TOTAL USABLE AREA (m²)</th>
<th>3.400</th>
</tr>
</thead>
<tbody>
<tr>
<td>(NET M €)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**STATUS**
Operating business

**LOCATION**
District V., Vármegye u. 3-5., Budapest
Residential Developments

H-1055 Budapest, Honvéd utca 20. • +36 1 872-6520 • www.hipa.hu
The neo-baroque villa is located in the most prestigious district in Budapest. This 800 m² luxurious real estate is suitable for ambassadorial residencies, embassies, foreign missions to supply a representative to hold meeting, to develop high quality living space close to the city center.

Neobarokk Villa

SUMMARY

PLOT SIZE (m²)
800

QUOTING SELLING PRICE (NET M €)
3.5

STATUS
Refurbished neo-baroque villa.

LOCATION
District II., Érmelléki útca 1, Budapest
https://goo.gl/maps/rqYLiZZVV262
### SUMMARY
The neo-baroque villa is located in the XIth district in Budapest. This 900 m² luxurious real estate is suitable for ambassadorial residencies, embassies, foreign missions or for high quality living space close to the city center.

### Location
District XI., Eötvös út 13., Budapest

### TOTAL LIVING AREA (m²)
892

### QUOTING SELLING PRICE (NET M €)
n/a

### PLOT SIZE (m²)
5,261

### STATUS
Refurbished neo-baroque villa.

### LOCATION
District XI., Eotvös út 13., Budapest
https://goo.gl/maps/sixKQdRWipM2
SUMMARY

This new development project is located in Csengery street, halfway between Andrássy Avenue and Nyugati square. The proposed development opportunity includes 42 high quality residential units and 2 retail units.

TOTAL USABLE AREA (m²)
4.775
42 apartments, 2 retail units, underground parking.

QUOTING SELLING PRICE (NET M €)
1.3

STATUS
New construction. Residential development project for a mixed-use real estate development.

LOCATION
District VI, Csengery u. 70, Budapest
https://goo.gl/maps/RCzhBJuYmY42
West Home City is in one of the most dynamic districts of Budapest, district 13, Bulcsú Street with excellent transport and infrastructure capabilities and also has the WestEnd City.

**SUMMARY**

West Home City

**AREA** 3,569 (m²)
TOTAL building area of which 1,999 m² are actual floorspace

**Funding requirement:** n/a

**LOCATION**
District XIII., Bulcsú utca, Budapest
https://goo.gl/maps/vDpCf3Kq1YB2

**STATUS**
Development opportunity

**TOTAL PROJECT BUDGET** (M €)
n/a

/// H-1055 Budapest, Honvéd utca 20. • +36 1 872-6520 • www.hipa.hu
Óbuda Gasworks

SUMMARY
Unique waterfront location in Budapest provides opportunity for multifunctional, leisure, amusement and hospitality development, adjacent to a modern office park occupied by blue-chip companies.

AREA (m²)
15,000

FUNDING REQUIREMENT (M €) n/a

TOTAL PROJECT BUDGET (M €) 40–60

STATUS
Brown-field development project (historic buildings included) Preliminary decontamination of the site before development is mandatory.

LOCATION
District III., Jégtörő utca, Budapest
https://goo.gl/maps/x6rwcnuMSH62
Népsziget – Danube peninsula

**SUMMARY**
The site is located on a peninsula called Népsziget on the border of Districts IV and XIII. The property was used for industrial purposes. Given its location it will encourage developers with a vision to build a logistic center or even a plant.

**QUOTING SELLING PRICE (NET M €)**
3

**PLOT SIZE (ha)**
15.000

**STATUS**
Brown-field

**LOCATION**
District XIII., Népsziget, Zsilip utca, Budapest
https://goo.gl/maps/qQE1Kmbxd3w
The site is located opposite the previous development plot called Népsziget therefore synergy between the two projects are possible. Public tender in 2016 H1.

**LOCATION**
District XIII., Meder utca, Budapest
[https://goo.gl/maps/sCuCLvDHMWN2](https://goo.gl/maps/sCuCLvDHMWN2)

**SUMMARY**

The site is located opposite the previous development plot called Népsziget therefore synergy between the two projects are possible. Public tender in 2016 H1.

<table>
<thead>
<tr>
<th>PLOT SIZE (ha)</th>
<th>11.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECT BUDGET (NET M €)</td>
<td>n/a</td>
</tr>
</tbody>
</table>

**STATUS**
Green-field development project for mixed use.
Palazzo Dorottya is a unique residential home in the very heart of Budapest, with easy access to the famous Váci utca and its shopping amenities. With 87 individual apartments, 100 underground car spaces, 24-hour manned reception, Fitness Centre, Contemporary internal courtyard and Concierge service it is one of the most prestigious buildings of its kind.

**TOTAL USABLE AREA (m²)** 9,800
Retail: 2,500 m²
Offices: 2,500 m²
Residential: 4,800 m²

**QUOTING SELLING PRICE (NET M €)** 50
The most significant cultural buzz of the year 2007 was the opening of VAM Design Center multicultural building complex possessing Central Europe’s biggest exhibition space. The complex’s comfort is completed with offices and studios, exhibit and event space, conference and auditorium center, gallery, restaurant with the atmosphere of Hungarian Royal Winery and cafeteria.

**TOTAL USABLE AREA (m²)** 11,500

Exhibit and event place: 5,000 m²
Offices: 27 offices and studios.

**QUOTING SELLING PRICE (NET M €)** 8

**LOCATION**
District VI., Király utca 26., Budapest
https://goo.gl/maps/aqFXVtTV1Zp