ESTON Market Riport
Investment 2018 H1

Economic overview

In the first quarter of 2018 economic growth in Hungary grew by 4.4% compared to last year's result. This is one of the most significant GDP growth measured in the EU.

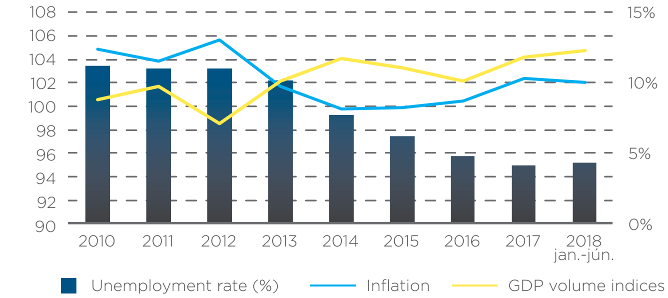
In the January-May period performance grew in several fields: industry (3.1%), construction industry (6.9%) and tourism (number of guests: 7.1%, income of commercial accommodation: 11%).

Inflation in the first half of the year stood at 2.3%; in case of durables deflation could be seen.

Labour-market indicators continued to improve; unemployment rate fell to 3.7%, employment rate increased to 69.1%. Average net income surpassed by 12.1% last year's data in the January-May period.

Base rate stills stands at 0.9%, the Hungarian forint weakened significantly compared to the euro (HUF/EUR 328.6).

GDP, inflation, unemployment
(previous year =100)



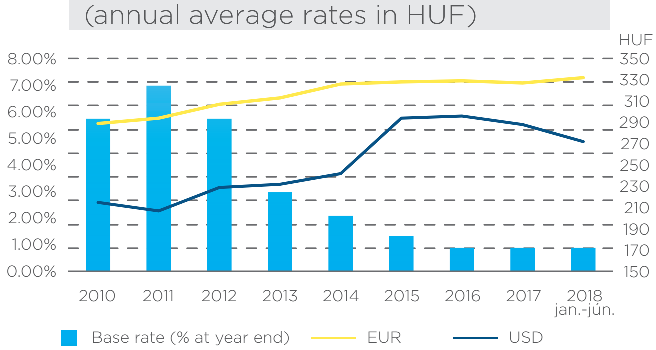
Transactions

Property investment transactions of around 320 million euro were closed until the middle of the year, which indicates a significant, 60% fall in comparison with last year. The biggest deals included the sale of the Premier Outlet Center in Biatorbágy and the sale of the TriGranit's Central-European portfolio. Revetas and Goldman Sachs Asset Management, active in the region, obtained the property right of more than 173 thousand square metres' high quality properties from TPG Real estate during the course of the deal.

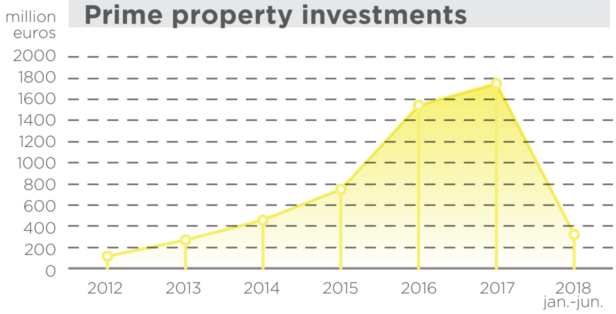
Local investors increased their market presence and purchased high quality buildings such as Infopark D (WING) or Alkotás Point (Diófa Property Fund).

Demand for retail properties increased noticeably in the first half year; further, more significant transactions are expected to be announced until the end of the year in this sector.

Hungarian base rate, exchange rates
(annual average rates in HUF)



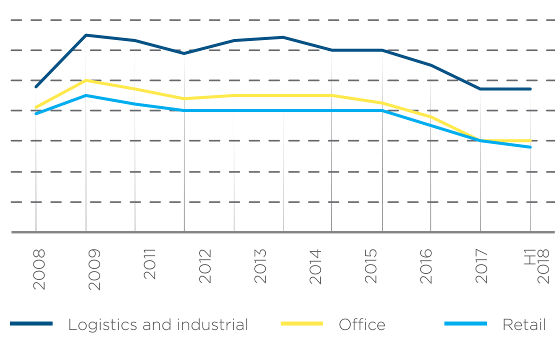
Prime property investments



Yields

Remission of yields slowed down in the first half of 2018, it continued to grow only in the premium retail sector. Office properties tend to bring a yield of 6%, while industrial/logistics properties 7.7%. Average yield level in the market of commercial premises fell under 6%, to 5.8%.

Prime property investment yields



Forecast

As a result of the favourable financing environment and sufficient liquid capital we can expect further strong demand in the investment property market. In 2018 the annual investment volume can come close to the level measured last year (1.75 billion EUR), but in many cases – in case of big value properties – closing the deal might be postponed to 2019 due to prolonged negotiations.

According to our estimates yields will decrease slightly; regarding the distribution of investment deals in different sectors we expect retail property deals to strengthen, while in the office segment some more deals can be expected thanks to the growing number of "A" category office buildings that are handed over.