

Quick Stats

	Change from	
	2007	H1 2008
Investment volume	↓	↑
Number of deals	↓	↑
Average deal size	↓	↑

For More information regarding the Hungarian Investment Market View, please contact:

CBRE HUNGARY OFFICE

Adrienne Konthur

Managing Director

CB Richard Ellis

Honvéd utca 20/A

1055 Budapest

t: +36 1 374 3040

e: adrienne.konthur@cbre.com

CBRE CAPITAL MARKETS

Tim O'Sullivan

Senior Property Consultant

CB Richard Ellis

Honvéd utca 20/A

1055 Budapest

t: +36 1 374 3040

e: tim.o'sullivan@cbre.com

CBRE RESEARCH

Gábor Borbély

Senior Research Analyst

CB Richard Ellis

Honvéd utca 20/A

1055 Budapest

t: +36 1 374 3040

e: gabor.borbely@cbre.com

OVERVIEW

The total investment volume in H2 2008 reached EUR 257 million which is 80% higher than in H1. The total annual investment was EUR 410 million representing an 80% drop on previous year, and means a volume comparable with the level in the first years of the Hungarian commercial property market.

• Deals

Sale of Bank Center (ca. EUR 120 million), which has been prolonged already for a year, closed in Q3. Besides this deal, the forward sale of Krisztina Palace (ca. EUR 58 million) and the sale of Buda Square (ca. EUR 35 million) were significant in volume. The only logistics transaction in 2008 was the acquisition of Tulipán Park (ca. EUR 20 million). In retail segment only one deal was recorded this year when a strip-mall portfolio was purchased by Mosaic Property (ca. EUR 70 million). First part of this deal was completed in 2007.

• Purchasers, vendors

While purchasers were few in 2008 the majority were open-end German Funds and property companies with existing debit financing facilities in place. The share of local investors increased in 2008 with fewer international investors entering the market. In 2009 equity will play an important part in the market. Investors with equity are seeking 'Trophy Assets' that are well let in good, core locations. We are very much back to the basic fundamentals of property with low risk profiles and good income streams.

• Financing

Finance takes place exclusively in euro therefore Hungarian monetary conditions have limited impact on the property investment market. Although European Central Bank (ECB) has cut rate to 2% (from 4.25% in July 2008), debtors do not feel easing monetary conditions since bank spreads offered to investors/developers have risen in the same time. Banks are restrictive in financing property transaction, and even if they do so, they ask for significantly higher spreads. LTV ratio has remarkably gone back - instead of 70-80% in 2007, rather 50% bank financing was typical in 2008.

Yields have moved significantly out in WE markets as well. EU-15 yield index stood at 5.75% at YE 2008 which means a shift of 100 b.p., equal to the decompression seen in Budapest so far. The perception by investors is that the yield gap between the core Western Europe and Central Europe has still some adjustment to go through. Once this adjustment has been realized, we should see increased investment activity returning to Hungary.

Prime yields at YE 2008 and their decompression over the last 12 months

	Q4 2007	Q3 2008	Q4 2008
Prime Office Yield	5.75%	6.25%	6.75%
Prime Shopping Centre Yield	5.75%	6.00%	6.75%
Prime High Street Yield	5.75%	6.25%	6.50%
Prime Logistics Yield	6.75%	7.50%	8.00%

SECTOR BRIEFING

Property investment is down, the availability of debt remains restricted and investors are more cautious as they make a flight to quality. The freezing of German Open Ended Funds and the unclear pricing of assets has added to the current market uncertainty.

Office

There remains good demand from investors for well located offices in core traditional office locations. Location is key for investors. Fringe or edge of core offices will struggle in 2009. The yield difference between prime and secondary properties will widen during 2009.

Retail

Retail pricing is expected to see further outward movement as more tenants being to struggle and trading figures continue to decrease. Shopping centres with asset management (add value) opportunities will proving most popular. Demand for high street retail premises also remains constant for the smaller well located units. Food stores are currently the most popular with investors.

Industrial

This sector is proving to be the least popular with investors. Industrial output has been shrinking in most CE countries making logistics property a subject to high volatility in the global markets.

OUTLOOK

The structure of the investment market is changing. The days of highly leveraged transactions have gone and the number of investors actively in the market has decreased. With banks retaining restrictive lending policies, equity will be key in 2009 – „Cash is King“. We expect to see some product being forced onto the market as vendors are forced to sell. Well let income producing assets will prove most popular with developments and secondary assets falling out of favour with investors.

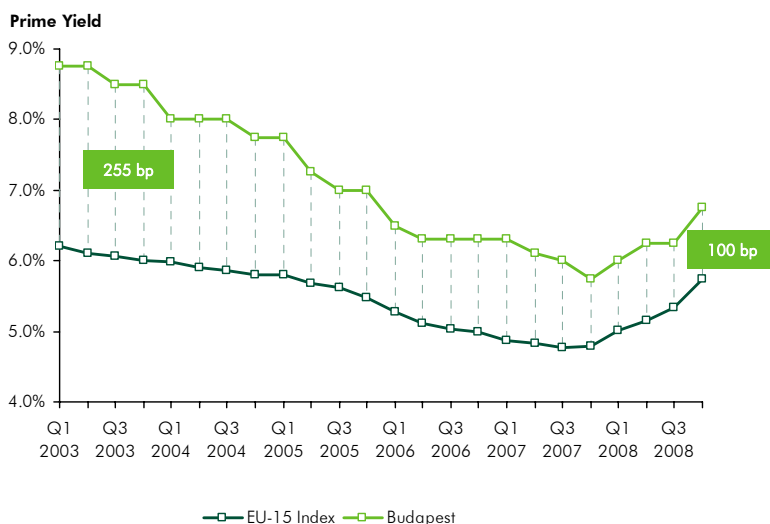
Recommendations for Purchasers

Focus on core, prime assets let to tenants of sound financial strength and standing. The income stream of an asset in the short and medium term will be key to the performance of the asset.

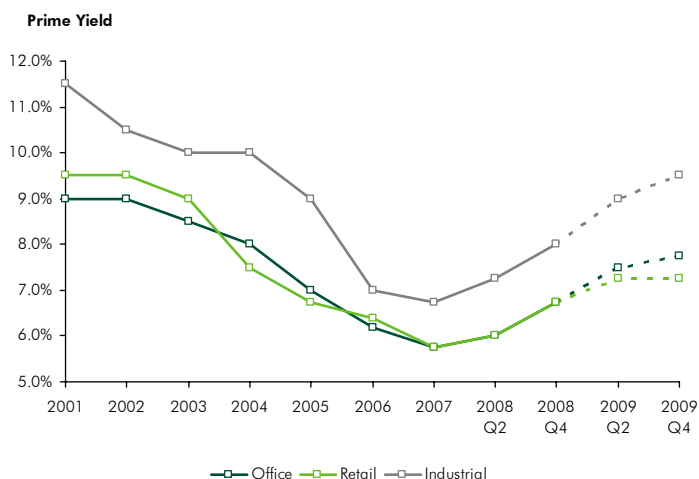
Recommendations for Vendors

The market is changing quickly, the timing of a sale will influence the returns (sale price) achieved. Realistic pricing needs to be adopted as what buyers are prepared to offer and what vendors expect to achieve are not currently aligned.

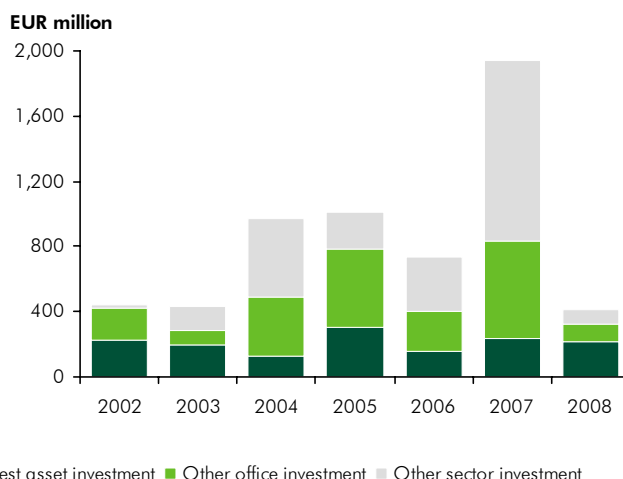
Prime Office Yield in Budapest and EU-15



Prime Yields by Property Sector in Budapest



Investment Volume Breakdown



Disclaimer 2009 CB Richard Ellis

Information herein has been obtained from sources believed to be reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example only and do not represent the current or future performance of the market. This information is designed exclusively for use by CB Richard Ellis clients, and cannot be reproduced without prior written permission of CB Richard Ellis. © Copyright 2009 CB Richard Ellis

CB Richard Ellis Group, Inc. (NYSE:CBG), a Fortune 500 and S&P 500 company headquartered in Los Angeles, is the world's largest commercial real estate services firm. With over 29,000 employees, the Company serves real estate owners, investors and occupiers through more than 300 offices worldwide (excluding affiliate offices). CB Richard Ellis offers strategic advice and execution for property sales and leasing; corporate services; property, facilities and project management; mortgage banking; appraisal and valuation; development services; investment management; and research and consulting. CB Richard Ellis is the only commercial real estate services company named one of the 50 "best in class" companies by BusinessWeek, and was also named one of the 100 fastest growing companies by Fortune. Please visit our web site at www.cbre.com