# COMMERCIAL REAL ESTATE MARKET REPORT

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*The commercial real estate (CRE) market is of key importance, as it influences all economic sectors and also plays a role in people's everyday lives. In light of this, the Magyar Nemzeti Bank analyses developments on the CRE market in this biannual report.*

*The following two aspects are crucial to the analysis of commercial real estate:*

*I. On the one hand, commercial real estate is a fixed asset used by economic agents as a production factor; therefore, its value is influenced by the interplay of supply and demand for this asset.*

*II. On the other hand, commercial real estate is an investment vehicle: investors purchase such assets to realise a yield premium – over and above the available risk-free return – on the cash flow from utilising the real estate and/or the increase in value, while taking extra risk in the process.*

*Consequently, in addition to supply and demand trends, investor expectations are a key determinant in the value of commercial real estate, similarly to financial markets. Furthermore, developments on the CRE market also affect the functioning of the financial system. This is primarily due to the fact that a large share of credit institutions' corporate loan portfolios is comprised of CRE-collateralised loans, accounting for almost 40 per cent of these portfolios in Hungary.*[1]

*As such a large amount of bank assets are CRE-collateralised, there is a strong relationship between CRE values and the credit cycle. During an economic upturn, a positive feedback loop may develop between rapid growth in real estate values and lending, which can lead to excessive lending and fuel borrowing for real estate speculation. In an economic crisis, banks' non-performing loans burden the institutions' capital adequacy, resulting in a reduction in credit supply. As seen in the 2008 crisis, the commercial real estate market plays a major role in banks' pro-cyclical behaviour. Moreover, corrections in CRE prices affect future investments and thus the real economy, which influences the operating environment of banks. A decrease in commercial real estate values generates losses for banks and institutional investors with large CRE stocks and contributes to financial instability.*

*Consequently, the CRE market can negatively affect the stability of the financial system via multiple channels, and thus it is of the utmost importance for the Magyar Nemzeti Bank as a macroprudential authority to monitor and thoroughly analyse the commercial real estate market.*

*The Commercial Real Estate Market Report aims to provide an overview of the underlying economic developments and the system of interactions between economic agents. Consequently, this Report represents a unique central bank publication at the international level, due to its integrated presentation of the macroeconomic and financial stability aspects of the CRE market. The set of information used by the publication includes the following:*

- *The presentation of the macroeconomic environment influencing the CRE market is based on the information in the MNB's Inflation Report.*[2] *Key statistical variables relevant to the CRE market include changes in the volume of gross value added, employment trends, changes in retail sales and changes in the yield environment.*

- *The analysis of current commercial real estate market developments relies primarily on data provided by real estate consulting firms and information from meetings of the Housing and Real Estate Market Advisory Board. Developments in the commercial real estate market are analysed by market segment (office market, retail market, industrial-logistics market, hotel market), but due to the capital city-focused market structure the bulk of the data is limited to Budapest. A micro-database is available to monitor construction projects.*

- *The analysis of the CRE financing market relies mainly on balance sheet data from credit institutions, interest statistics and granular, loan agreement level loan data collected by the MNB; information on the qualitative features of lending developments collected in the Lending Survey*[3] *is also used.*

[1] In addition to project loans secured by commercial real estate, this also includes classic corporate loans to which mortgage on commercial real estate was provided as collateral.
[2] Magyar Nemzeti Bank, Inflation Report https://www.mnb.hu/en/publications/reports/inflation-report
[3] Magyar Nemzeti Bank, Lending Survey https://www.mnb.hu/en/financial-stability/publications/lending-survey

# Contents

# 1 Executive Summary

*The cyclical situation of the commercial real estate market improved in 2025 H1, but stagnating economic activity did not provide a favourable environment for the sector to recover. Looking ahead, domestic GDP is expected to grow by 0.6 per cent in 2025, falling short of previous expectations, which suggests that a meaningful upturn in the commercial property market will continue to be delayed.*

*In terms of the macroeconomic developments determining the performance of commercial property segments, performance indicators for the hotel sector improved as tourism expanded, and the number of foreign and domestic guest nights in hotels continued to rise in 2025 H1. Retail sales also increased, supporting the improvement in vacancy rates observed in this segment in the recent past, both in rural areas and in shopping malls in the capital. At the same time, declining industrial production has slowed down and restrained activity in the industrial-logistics segment on both the demand and supply sides.*

*In the Budapest office market, vacancy rate fell by 1.3 percentage points to 12.8 per cent in 2025 H1, while in the industrial-logistics market, vacancy rate rose significantly by 5.5 percentage points to 13.4 per cent. As a result, the vacancy rate in the industrial-logistics market in Budapest and its environs exceeded the office market indicator for the first time since 2014, due, among other factors, to the negative net market absorption in 2025 H1, which has not been experienced in the past ten years. Within the volume of office space under construction, the proportion of office buildings built for owner use, primarily state use, is high. As a result, the average pre-lease level for developments is favourable, but the relocations will free up areas currently in use, which will lead to an increase in the vacancy rate. Overall, given the demand levels seen in recent quarters and the planned new completions, there is a risk of oversupply in both the office and industrial-logistics markets, and vacancy rates are expected to rise further in both segments. This indicator in the office market may rise to 16–17 per cent by the end of 2026, which is above the average in regional and historical terms. In the industrial-logistics market as well, vacancy rate is expected to rise further, by the end of 2025 the indicator may exceed 15 per cent.*

*In 2025, investment volume in the domestic commercial property market amounted to approximately EUR 300 million, which is 67 per cent higher than the low base volume from the same period of the previous year. High-value transactions (exceeding EUR 50 million) played a significant role in the development of volume in the first half of the year, with two such sales accounting for 46 per cent of volume. At the CEE regional level, investment volume rose by 60 per cent in the first half of the year, with typically stagnant prime office yield levels (for properties in the best locations and of the highest quality). The proportion of transaction volume attributable to domestic investors decreased in the first half of the year, accounting for 58 per cent, down from 73 per cent in 2024, thereby making the market more balanced. Prime office investment yields typically stagnated in the more mature Western European office markets and in the CEE region, supporting the stabilisation of property values. In 2025 H1, capital values calculated on the basis of prime office yields and rents rose by an average of 3.5 per cent in the CEE region and 1 per cent in Budapest. At the same time, the start of a meaningful recovery in the commercial property market remains fragile, as evidenced by the example of the USA, where the commercial property price index, which began to rise in 2024, turned downward again in 2025 H1.*

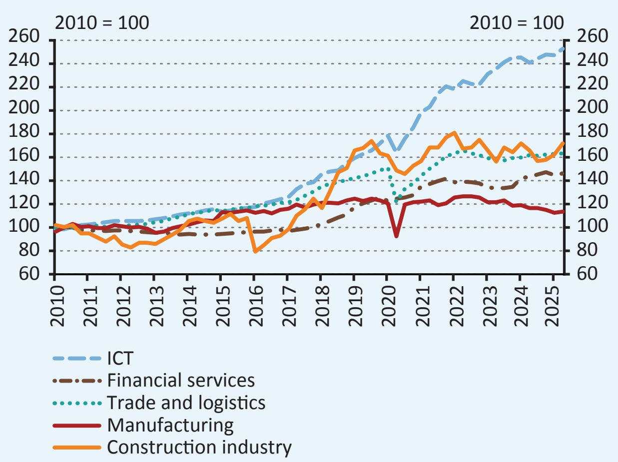
*In 2025 H1, banks disbursed 19 per cent more CRE-backed project loans than in the same period of the previous year, with two-thirds of this related to construction loans. The volume of project loans originated increased in year-on-year terms in all commercial real estate segments except for industrial-logistics properties. According to the MNB's Lending Survey, in 2025 Q2, driven by increased competition, 11 per cent of the banks eased lending conditions in all commercial real estate segments with the exception of office buildings. However, looking ahead to 2025 H2, there are no plans to change standards for project loans, while 10 per cent of the respondents expect tighter standards for office buildings due to the slow resolution of the cyclical and structural challenges affecting the segment. Overall, domestic credit institutions' CRE-backed project loan exposure is less than one-half of the peak level seen after the 2008 crisis, both in terms of total assets and regulatory capital. In addition, approximately 70 per cent of the portfolio has conservative LTV ratio of less than 50 per cent. In view of the continuing risks in the commercial property market, from 1 January 2026, the MNB strengthens the shock resilience of credit institutions with sectoral systemic risk buffer requirements.*

# 2 Office Market

*In 2025 H1, the performance of the Hungarian economy stagnated in year-on-year terms, with the sectors crucial to the office market showing an increase in output in the first half of the year, as the information and communications sector expanded by 2.9 per cent and the financial sector by 1.9 per cent. With the expected gradual upturn in the latter half of the year, the Hungarian economy may grow by 0.6 per cent in 2025. In 2025 H1, both labour demand and labour market activity moderated, while labour market tightness eased. Based on business surveys, slack demand and the lingering effects of high inflation continue to be the main obstacles to corporate production. In 2025 H1, gross rental demand in the Budapest office market fell by 11 per cent versus the same period last year, while net take-up was favourable and the volume of new completions was minimal, helping to reduce the vacancy rate. The vacancy rate in the Budapest office market stood at 12.8 per cent at the end of June 2025, down 1.3 percentage points versus end-2024. Based on data from projects currently underway, developers plan to complete 306,000 square metres of new office space in 2025 H2, equivalent to nearly 7 per cent of existing stock. Within the total volume of office space being built in Budapest, 83 per cent is accounted for by office buildings constructed for owner occupancy, primarily by state institutions. This means that the occupancy rate of the overall building stock is favourable (83 per cent), but areas currently leased will become vacant due to relocations, which will increase the vacancy rate for offices. This indicator may rise to 16–17 per cent by the end of 2026, which is above the average in regional and historical terms. In Central and Eastern European capitals, office space equivalent to 2–11 per cent of the total stock is currently under construction, with Budapest ranking highest on the scale, at 11 per cent.*

**In 2025 H1, the performance of some service sectors that are important in terms of office market demand improved in year-on-year terms, but stagnant economic activity did not help the sector overall.** Based on seasonally and calendar-adjusted, balanced data, the domestic economy stagnated on an annual basis in the first half of the year, while the European Union economy grew by 1.6 per cent and the euro area economy by 1.5 per cent. The dual trends observed in the national economy persisted, with the performance of services supporting GDP growth, while agriculture and industry had a negative effect. With the exception of the manufacturing industry, the performance of sectors that are key to the commercial property market improved in the first half of the year: the ICT sector grew by 2.9 per cent, the financial sector by 1.9 per cent, and trade and logistics by 1.4 per cent in year-on-year terms (Chart 1). By contrast, manufacturing output declined by 4.0 per cent. In 2025 H1, demand for labour in the national economy declined, with the average number of people in employment in the first six months 24,000 lower than in the same period of the previous year.

**Chart 1**
**Performance of sectors relevant to the CRE market**




*Note: Seasonally adjusted data. ICT refers to the information and communications technology sector.*

*Source: HCSO*

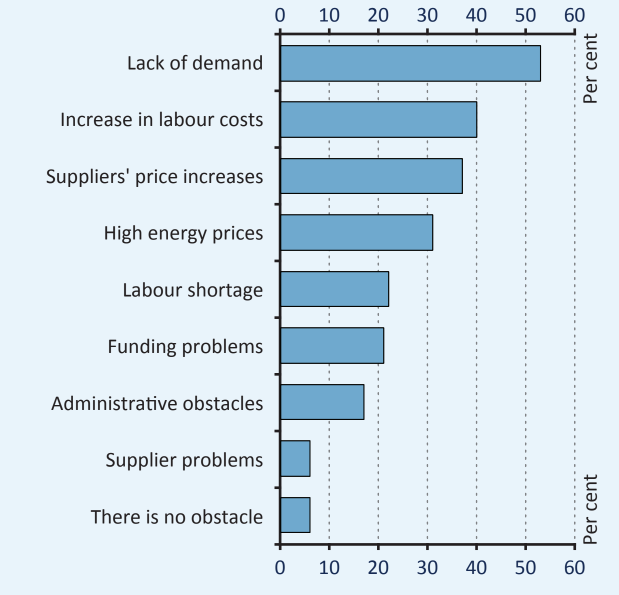
**Gross domestic product is projected to grow at a rate of 0.6 per cent in 2025.**[4] In 2025 H2, GDP growth will mainly be supported by the performance of services on the production side. From 2026 onwards, both internal and external factors will contribute to a further upturn in the economy. Strong consumption dynamics will be an important growth factor over the entire forecast horizon, supported by rising real wages and government programmes. Growth may be supported by investment projects starting from 2026 and net exports starting from 2027. The large capacity expansion

[4] Magyar Nemzeti Bank, Inflation Report, September 2025. Available at: https://www.mnb.hu/en/publications/reports/inflation-report/25-09-2025-inflation-report-september-2025

projects undertaken in recent years are gradually starting production. With recovery in the European economy and output ramping-up from new capacities, faster export growth and an increase in Hungary's share of the export market are expected over the forecast horizon.

**Slack demand and the lingering effects of high inflation continue to be the main obstacles to corporate production.** In the MNB's September 2025 Corporate Business Sentiment Survey, companies cited a lack of customers, rising labour costs and price increases by suppliers as the factors constraining production the most (Chart 2). Supplier problems (delays and product shortages) were mentioned least frequently by companies in the survey. According to a survey published by the European Commission (ESI), insufficient demand is also the main constraint in the construction industry, which is of particular importance to the real estate market (Annex, Chart 1).

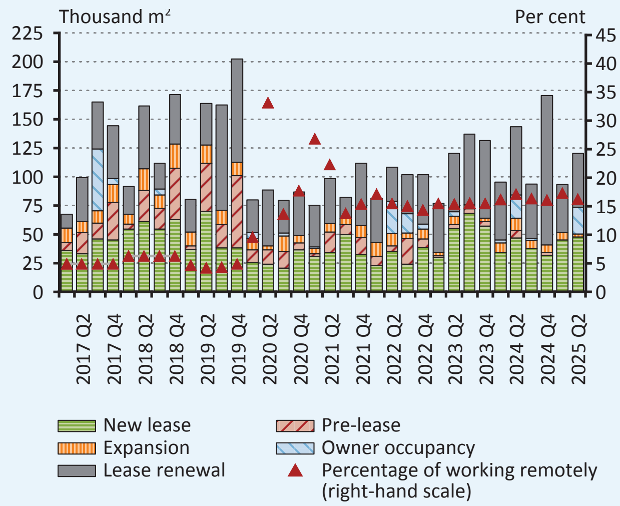
**Chart 2**
**Factors limiting corporate activity in September 2025**




*Source: MNB corporate business sentiment survey*

**In 2025 H1, new leases accounted for a higher share of office demand, but the share of renewals also remained high.** In 2025 H1, total demand for modern offices in Budapest was 11 per cent lower than in the same period of the previous year (Chart 3). Within demand, the volume of new lease transactions rose by 14 per cent, while area expansions (-52 per cent) and lease renewals (-19 per cent) declined. Net demand (excluding lease renewals) in the first half of the year was 4 per cent lower than one year earlier. The volume of lease agreements concluded in 2025 H1 was 213,000 square metres, 42 per cent of which was contract extensions, a share that is consistent with the average for the past seven years (2018–2024). New leases accounted for 43 per cent of total demand, owner occupancy accounted for 11 per cent, and area expansion transactions accounted for 4 per cent. There were no pre-lease transactions in the first half of the year. Based on white-collar workers, the ratio of remote work at the national level remained at the 2024 level, with a figure of around 16 per cent in 2025 H1.

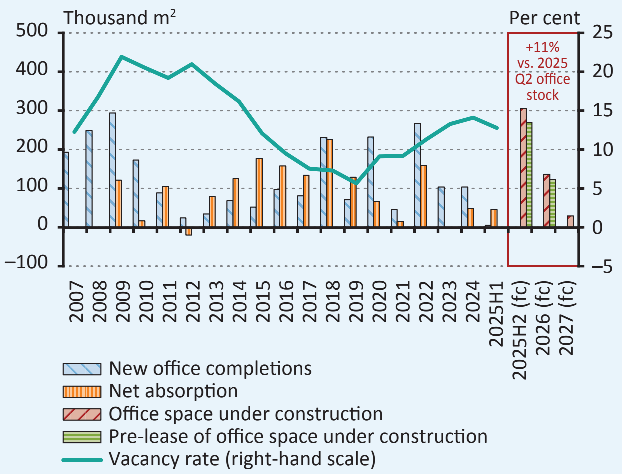
**Chart 3**
**Demand in the Budapest office market and the ratio of employees in intellectual occupations working remotely**




*Note: The 3-month moving average of employees aged 15–74 working remotely at home as a percentage of those in intellectual occupations. For each quarter of 2017 and 2018, the annual rate of working remotely is shown; no quarterly data are available for these years.*
*Source: CBRE, Cushman & Wakefield, HCSO*

**While the vacancy rate in the Budapest office market fell in 2025 H1, the risk of oversupply may increase going forward.** At end-June 2025, the stock of modern office space in Budapest amounted to 4.43 million square metres, with a vacancy rate of 12.8 per cent, representing a decrease of 1.3 percentage points compared to the end of 2024. One factor behind this decline in the indicator was that a record low of only 5,000 square metres of new office space (0.1 per cent of the stock at the previous year-end) was completed on the Budapest office market in 2025 H1 (Chart 4). Furthermore, net take-up in the first half of the year amounted to 46,000 square metres, which is a favourable figure in light of the data for 2023 and 2024 H1. With the planned completions for the latter half of the year, the annual completion volume for 2025 may exceed 310,000 square metres, which would be a historic record. The vast majority (88 per cent) of office space slated for completion in the second half of the year is built for owner occupancy, primarily for the state. Office space built for rental purposes with completion scheduled for 2025 H2 featured a minimal pre-lease rate at the end of June. Overall, office

**Chart 4**
**Leasing and development activity in the Budapest office market**




*Note: Office space under construction based on data from end-June 2025.*

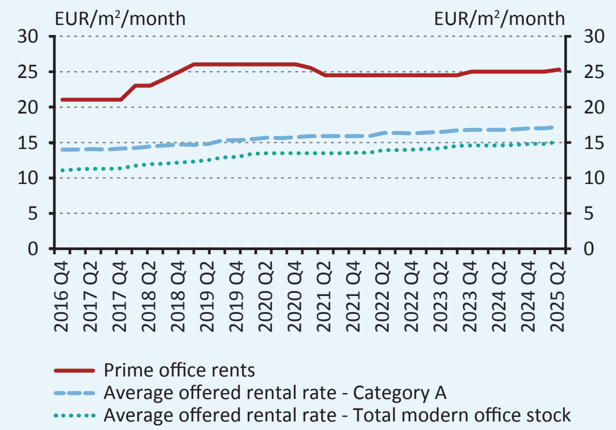
*Source: Budapest Research Forum, Cushman & Wakefield*

completions expected in 2025 H2 and relocations to owner-occupied office buildings are projected to further increase the vacancy rate. This increase may exceed 1 percentage point, but depending on the timing of the aforementioned relocations, the rise in the indicator may be postponed until 2026 (Box 1). A total of 470,000 square metres of office space was under construction in Budapest at the end of the second quarter, corresponding to 10.6 per cent of the existing modern office stock. With the rise in vacancy rates, considerations regarding a change of function may arise in the case of old, difficult-to-utilise office buildings. However, due to related technical and regulatory conditions, the costs and the suitability of the locations, these functional changes may only be implemented in a few cases. The few examples that have been completed or are in progress show that in Budapest, old office buildings in central locations are typically converted into hotel functions.

**Offered rental rates rose faster euro area inflation.** The average monthly offered rental rate for the entire modern office stock regularly monitored by the Budapest Research Forum was EUR 15.1/m² at the end of June 2025, representing a 3.4-per cent year-on-year increase (Chart 5). For higher quality (category "A") offices, the average offered rental rate also rose by 2.4 per cent to EUR 17.2/m²/month compared to the level one year earlier. Prime rents for office buildings in prime locations rose to EUR 25.25/m²/month in H1. Average offered rental rates rose faster than the 2-per cent annual inflation rate (HICP) for the euro area in June 2025.

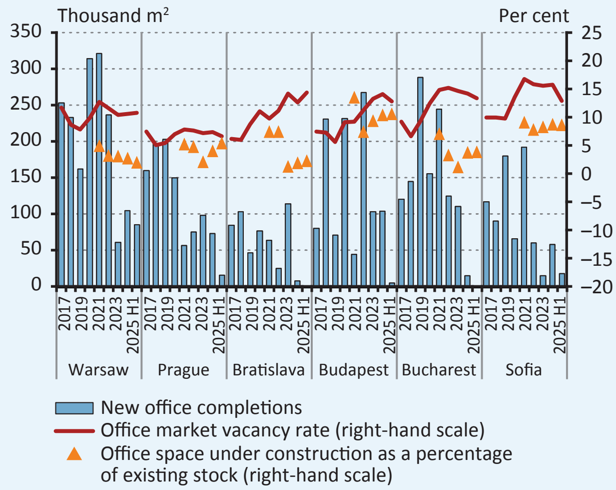
**Vacancy rates in the office markets of several regional capitals fell in the first half of the year.** In the CEE region, vacancy rates rose in Bratislava and Warsaw in 2025 H1, but declined in other capitals (Chart 6). Increases of 0.2–1.8 percentage points were observed in Bratislava and Warsaw, while decreases of 0.8–2.9 percentage points were recorded in Budapest, Bucharest, Prague and Sofia. The lowest vacancy rate (6.6 per cent) was seen in Prague, while the highest (14.4 per cent) was in Bratislava. The figure for Budapest (12.8 per cent) is above the average for the six capitals surveyed (11.8 per cent). Among these capitals, the ratio of office space under construction to existing stock decreased in Warsaw and Sofia. At the end of June 2025, the ratio was 2.0–5.4 per cent in Bucharest, Bratislava, Prague and Warsaw, but was higher in Sofia and Budapest, at 8.7 per cent and 10.6 per cent, respectively. In terms of new completion data for 2024, in 2025 H1, with the exception of Warsaw, significantly smaller volumes of new office space were completed in time-adjusted terms, and no new supply came to market in Bratislava and Bucharest.

**Chart 5**
**Offered rental rates on the Budapest office market**




*Source: CBRE*

**Chart 6**
**Development activity and vacancy rates in regional capital office markets**




*Source: MNB compilation based on CBRE, Colliers, Cushman & Wakefield and JLL data*

**Box 1**
**Meeting of the Housing and Real Estate Market Advisory Board in September 2025**

At its September 2025 meeting on the commercial property market, the Housing and Real Estate Market Advisory Board (LITT), consisting of experts from the construction industry and real estate development, investment and consulting, as well as the relevant ministries and key players in financing, reviewed rental market trends in the office and industrial-logistics segments, as well as the situation of commercial real estate investments.

## OFFICE MARKET

Some commercial property market experts already see signs of a trend reversal in the office market in 2025, partly because the increase in vacancy rates has stopped – albeit temporarily – and partly because more new leases have been signed than in previous years. Experts do not expect any significant changes in office usage habits. In the five years since the COVID19 pandemic, lease agreements have been renewed and companies have established a balance between remote work and office presence. During the pandemic, it was primarily larger companies that returned office space. According to experts, if more than 70 per cent of work is done in the office, the tenant cannot reduce their office space compared to full office presence. Previously, many shared service centres (SSCs) arrived in Hungary, but this process has now stopped, and according to some players, the government should once again encourage the spread of service centres.

Market experts reported that 70 per cent of Budapest's office stock is more than 15 years old. Although these office buildings cannot compete with new developments in terms of Environment, Social and Governance (ESG)considerations, many companies have begun to postpone the fulfilment of ESG goals, and only very large, international tenants are insisting on this more strongly. This provides an opportunity to lease older buildings to smaller companies; moreover, with larger tenants absorbing new developments, office development may start again in 2026–2027. It is not always worthwhile to renovate outdated office buildings, in which case a change of function may be considered, typically to create hotel or residential facilities (e.g. hotels, rental apartments, dormitories). There are examples on the Budapest office market of older office buildings in suitable locations being converted into hotels. The Real Estate Developers Roundtable Association (IFK) has already begun working with urban planning experts to develop the regulatory framework for real estate function changes.

The possibility of a change in function also arose due to the expected relocation of state tenants, as their move may free up several types of office space: these include outdated buildings excluded from Budapest's modern office stock, modern office buildings leased in their entirety and areas within individual office buildings. Some participants emphasised that the arrival of state tenants on the office market comes at a time when the buildings being left are becoming vacant in an environment already characterised by high vacancy rates, further increasing the vacancy rate. Some experts expect the indicator to rise to 16–17 per cent by the end of 2026.

According to experts, one of the current major obstacles to commercial real estate development is securing energy supplies for buildings and obtaining permission to connect to the electricity grid, which has now been extended to 36 months, up from the previous 12 and then 24 months.

## INDUSTRIAL-LOGISTICS

In this segment, market experts believe that there have been no problems with fundamentals for a long time, and there has been no oversupply. Nevertheless, Western European investors have turned away from Budapest warehouses, which experts believe may be partly due to reputational reasons. Currently, board members see high internal vacancy rates in the industrial-logistics market, with leased warehouses not being fully filled. In the case of rural industrial real estate, the trade war and the later-than-planned start of production by car manufacturers (BYD, BMW) indicate deteriorating fundamentals, and although the EU–US trade agreement has improved predictability, rental demand for rural industrial-logistics has clearly deteriorated compared to the environment two years ago. With the exception of the Polish market, the deterioration of the trade sector's situation has worsened industrial-logistics demand in most Central and Eastern European countries, resulting in oversupply. One of the reasons for the increase in vacancy rates in the Budapest industrial-logistics market was that several companies moved out of their previously leased buildings in 2025 (similar to the government relocations expected in the office market from 2025 H2) and their spaces could not be re-let.

## FINANCING, INVESTMENT PROJECTS

According to market experts, investment volume in the domestic commercial property market may reach around EUR 800 million in 2025. There has been no significant capital inflow from Western Europe in recent years, with investors from Asia and the CEE region (including China and Czechia) now taking the place of Western European investors. Some experts believe that Hungarian investors currently prefer to buy abroad rather than on the domestic market. Within the region, annual investment volume in Poland may reach EUR 4–5 billion again, returning to levels seen before the decline in 2023. In Czechia a similar annual investment volume of EUR 4 billion may be expected, which would be a historic record. Domestic institutional investors play a prominent role in Czechia, and the same is true of the Slovenian and Croatian markets. According to some market experts, Czechia has moved beyond its secondary market role, typical for the CEE region's markets, and is becoming a prime market for Western European investors, which explains the strong growth in investment activity. Market experts have pointed out that predictability is the most important factor when it comes to the investment market, as investors assess frequent changes in legislation as higher risk, which is also reflected in prices.

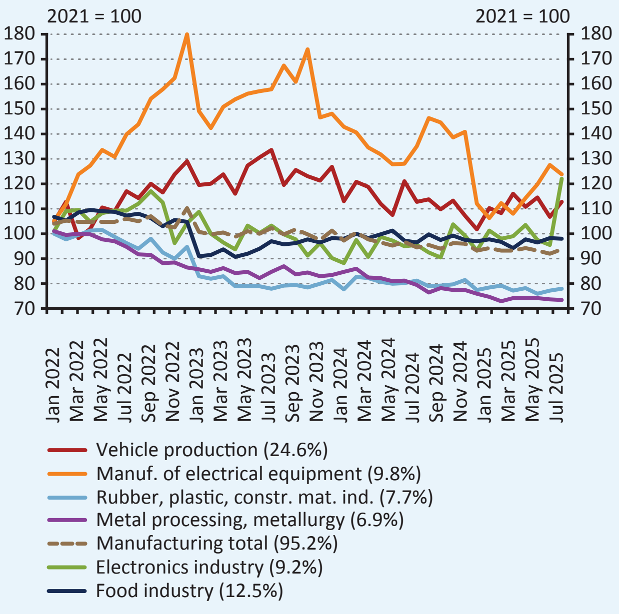
With regard to the structure of investment volume, some expressed the opinion that a 50-50 ratio between foreign and domestic investor turnover would be ideal, but the absence of foreign investors who were previously present does not merely reflect the assessment of the domestic market. In previous years, as in other CEE countries, larger investors typically viewed Hungary as a secondary investment location and only invested their surplus liquidity in the Hungarian real estate market. However, institutional investors in Western Europe are now also facing capital and financing shortages in their domestic markets. There has been a significant outflow from German open-ended investment funds. According to experts, stimulating the domestic rental housing market may attract stronger investor interest.

# 3 Industrial-Logistics Market

*In 2025 H1, output declined in most of the sectors that are key demand drivers for industrial-logistics real estate: industrial output fell 4.1 per cent on average, while domestic road freight transport volume measured in tonne-kilometres dropped 5.1 per cent versus the same period last year. The vacancy rate in the industrial-logistics segment in Budapest and its environs rose by 5.5 percentage points in year-on-year terms, reaching 13.4 per cent at the end of June 2025, with net take-up negative in both quarters. In 2025 H2, a large volume of 265,000 square metres new industrial-logistics space is planned to be completed in the market of Budapest and its environs, with 47 per cent of this being pre-leased as of end-June 2025. Based on the available free space in developments and the current level of demand, the vacancy rate is expected to rise, with the indicator likely to exceed 15 per cent by end-2025. In a regional comparison, the vacancy rate in the industrial-logistics market in Budapest and its environs at the end of June 2025 was more than twice as high as the second largest data of Warsaw, at 6.6 per cent. At the national level, industrial-logistics space equivalent to 18 per cent of the existing stock is being built, and the vacancy rate for rental space was 12.5 per cent nationwide at the end of June 2025. Typical rents for industrial-logistics properties denominated in euros have stagnated over the past year.*

**In Hungary, industrial production fell by an average of 4.1 per cent on an annual basis in 2025 H1.** Among the manufacturing industry sub-sectors, the most significant ones, vehicle manufacturing (-3.8 per cent) and electrical equipment output (-14.4 per cent), both registered declines on an annual basis in the first half of the year (Chart 7). The production of food, beverages and tobacco products fell by 2.3 per cent compared to the same period of last year. The manufacture of computers, electronic and optical products showed a 4.8-per cent increase. Both domestic sales (-3.4 per cent) and foreign sales (-1.6 per cent) declined in 2025 H1. During the half-year, total orders were 11.8 per cent lower than a year earlier. In July 2025, industrial production continued to contract, with volume falling by 1.0 per cent versus the same period last year, according to unadjusted data. Production levels rose by 2.0 per cent compared to the previous month, according to data adjusted for seasonality and working days.

**Chart 7**
**Change in the volume of production of the main manufacturing industries (2021 = 100)**

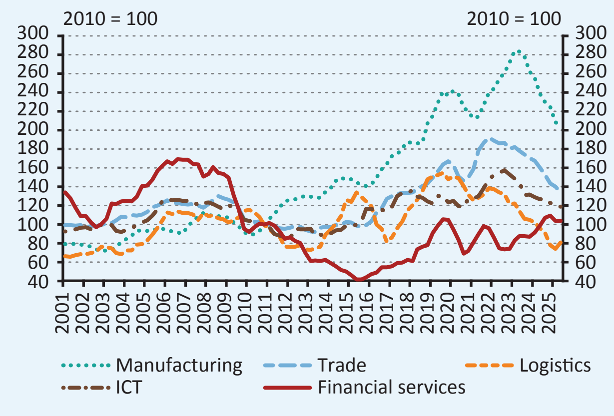



*Note: Seasonally and working day effect adjusted data. Compared to the monthly average of 2021. In the legend, the percentage values in parentheses next to the manufacturing sub-sectors denote the sub-sector's share in 2024 industrial production.*

*Source: HCSO*

**Investment activity declined in most sectors relevant for the commercial property market.** In 2025 H1, the largest decline was recorded in the manufacturing industry (-17.2 per cent), while investment activity also slowed in trade (-12.4 per cent), the financial sector (-8.8 per cent) and the ICT sector (-8.2 per cent) (Chart 8). Among the sectors,

**Chart 8**
**Investment activity of sectors relevant to the CRE market**



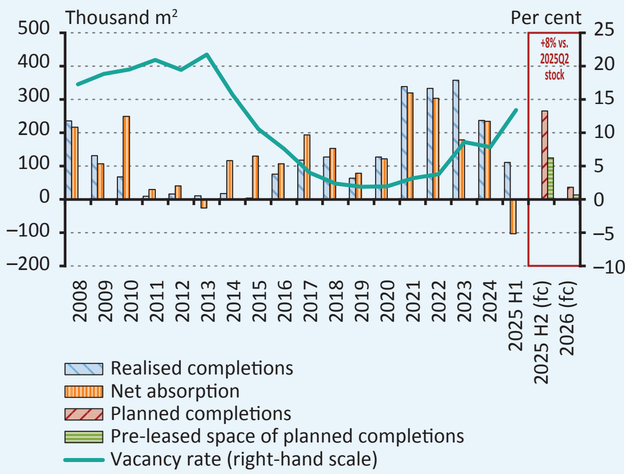

*Note: Four-quarter moving average. The ICT sector refers to the information and communications technology sector.*

*Source: HCSO, MNB calculations*

only logistics sector investments increased (+10.5 per cent) in year-on-year terms, but they remain at a very low level.

**The vacancy rate in the industrial-logistics market in Budapest and its environs has risen and is expected to keep rising in the future.** In 2025 H1, 111,000 square metres of industrial-logistics space was completed in Budapest and its environs, which corresponds to 3 per cent of the stock at the end of 2024 (Chart 9). Only one-third of the areas coming to market in 2025 had tenants at the time of completion. In 2025 H2, an additional 265,000 square metres of industrial-logistics space is expected to be completed (6.9 per cent of the existing stock), 47 per cent of which had pre-lease agreements at the end of June 2025. In terms of rental demand, following an exceptionally strong 2024 Q4 (177,000 square metres of net take-up), net take-up in the first half of the year was around -50,000 square metres in both quarters. Due to the negative net take-up, the vacancy rate in Budapest's industrial-logistics market rose significantly, increasing by 5.5 percentage points, in 2025 H1 to reach 13.4 per cent at the end of June. In 2025 H2, based on the volume of vacant space in new completions, there is a high risk of oversupply in the market, and the vacancy rate in the industrial-logistics segment is expected to rise further. By the end of 2025, the indicator may exceed 15 per cent.

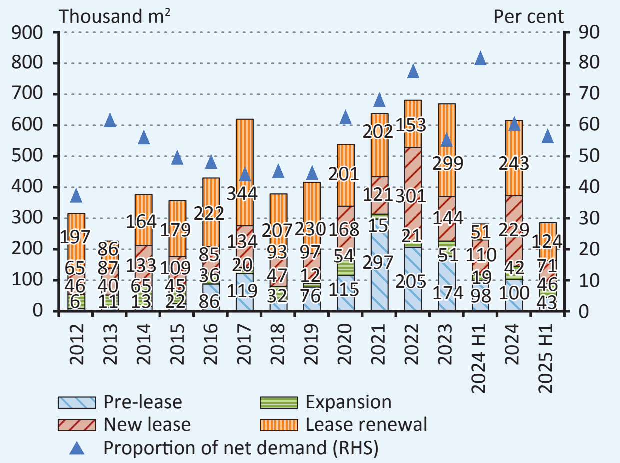
**Chart 9**
**New completions, net absorption and the vacancy rate in the industrial-logistics market of Budapest and environs**




*Note: Planned completions are based on data from end-June 2025.*
*Source: Budapest Research Forum, Cushman & Wakefield*

**In 2025 H1, net demand in the industrial-logistics market fell by 30 per cent on an annual basis.** In 2025 H1, lease agreements were signed for 284,000 square metres of industrial and logistics space in Budapest and its agglomeration, which was 2 per cent higher than in 2024 H1 (Chart 10). In 2025 H1, net demand excluding lease renewals was 30 per cent lower than one year earlier, while the volume of renewals more than doubled in year-on-year terms. Within this gross demand, the share of contract extensions amounted to 43 per cent, which was higher than the 40-per cent annual rate for 2024. New leases accounted for 25 per cent of gross demand, lease expansions for 16 per cent and pre-leases for 16 per cent. Typical asking rents at the end of June 2025 remained in the range of EUR 5.3–5.9/m²/month (Annex, Chart 12). The average value of the typical rent range has remained stable over the past year.

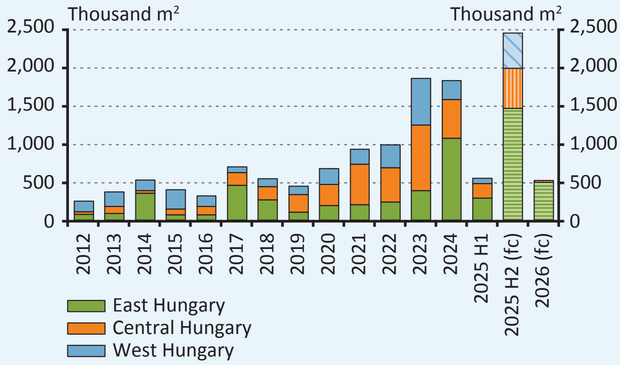
**Chart 10**
**Rental demand by contract type in the industrial-logistics rental market of Budapest and environs**




*Source: Budapest Research Forum, Cushman & Wakefield*

**The stock of industrial-logistics real estate may increase by 14 per cent nationwide in 2025 H2.** At the end of June 2025, the stock of modern industrial-logistics real estate at the national level was approximately 17.1 million square metres, including properties for lease and for owner occupancy (Annex, Chart 13). In 2025 H1, 551,000 square metres of new space was completed, representing 3.4 per cent of the total stock at the end of 2024. At the end of the half-year, the modern industrial-logistics stock available for lease nationwide amounted to 5.8 million square metres, with the vacancy rate rising by 4.9 percentage points in the first half of the year to 12.5 per cent at the end of June 2025. In recent periods, the large-scale industrial investment projects underway at the national level, along with the related supply chain, have generated significant demand for industrial-logistics real estate. The slowdown in large-scale investment projects may also reduce demand for industrial-logistics real estate rentals. In 2025 H2, a record volume of nearly 2.5 million square metres of industrial-logistics real estate is expected to be completed nationwide, representing a 14-per cent increase compared to the end of June 2025. Of the new completions slated for 2025, 60 per cent are expected in Eastern Hungary, 21 per cent in Central Hungary (including Budapest) and 19 per cent in Western Hungary (Chart 11). The high proportion in eastern Hungary is mainly explained by the industrial investment projects underway in Debrecen, Kecskemét, Nyíregyháza and Szeged.

**Chart 11**
**Industrial-logistics completions and planned completions in Hungary**




*Note: Central Hungary includes property developments in Budapest and environs. Planned completions are based on data from end-June 2025.*
*Source: CBRE*

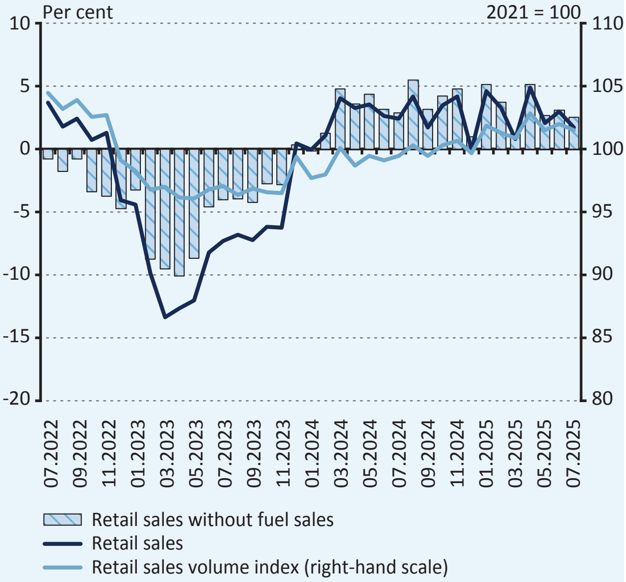
# 4 Retail Market

*Retail sales continue to grow slowly, showing a 3.1-per cent increase in 2025 H1 versus the same prior-year period. The increase in sales was mainly driven by health, beauty and online sales, with only books and computer products showing a moderate decline. Rental rates for retail properties in the capital's shopping streets are on the rise, mainly due to the impact of growing tourism demand.*

**In 2025 H1, retail sales increased by 3.1 per cent year-on-year.** Retail sales excluding fuel sales rose by 3.5 per cent based on calendar-adjusted data (Chart 12), in line with the growth in real average earnings (Annex, Chart 3). In 2025 H1, volume increased by 0.9–6.7 per cent in most business types (with the exception of books and IT). Based on the volume index of retail sales adjusted for calendar and seasonal effects, taking a medium-term retrospective view, sales have reached the average level of 2021 since 2024 H2, and since the beginning of 2025, monthly data have exceeded that level by 1–3 per cent. In July 2025, the volume of retail sales increased by 1.7 per cent on an annual basis. The turnover of commercial catering establishments grew somewhat, rising by 0.2 per cent in 2025 H1, followed by a 3.2-per cent decline in July 2025 compared to the same period of the previous year (Annex, Chart 4).

**Rents for shopping streets in the city centre have risen significantly due to limited supply.** As a result of growing tourist traffic, typical rents in Budapest's prime shopping malls and shopping streets in the city centre have also increased. As a result, the typical rental rates for prime shopping malls in Budapest range between EUR 70–100/m$^2$/month, while those for shopping streets in the city centre range between EUR 130–150/m$^2$/month. In the case of the former category, the avegare value of the typical rental range increased by 11 per cent, and in the case of the latter, by 36 per cent. The rise in rents on shopping streets in the city centre reflects the impact of high prices resulting from the limited supply on Váci Street and Fashion Street (Deák Ferenc Street) (Chart 13). Rents for secondary shopping malls in Budapest and regional cities remained stagnant. Meanwhile, the increasingly

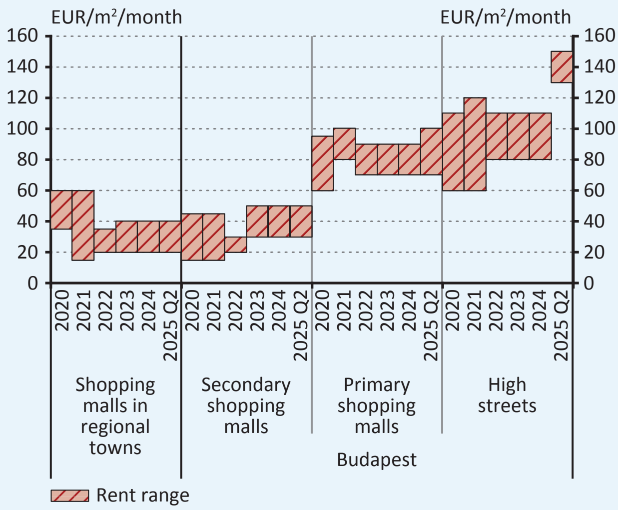
**Chart 12**
**Year-on-year change of volume and volume index in retail sales**




*Note: Volume changes are calendar-adjusted data, while the volume index is calendar and seasonally adjusted.*

*Source: HCSO*

**Chart 13**
**Retail rental rates in Hungary**




*Note: The rental rate data refer to a retail unit of 100-150 square metres, and the columns show the range of the highest rental rates for real estate in different retail property types.*

*Source: CBRE*

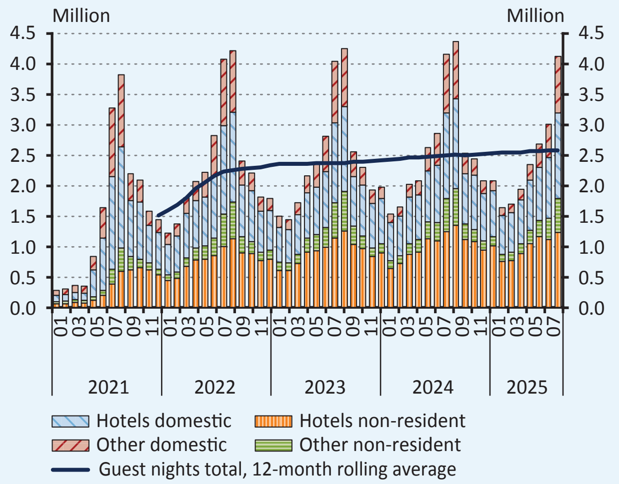
dominant e-commerce sector now covers almost all retail categories. The number of parcel terminals has increased dynamically over the past years, and today, they can be found in almost every settlement, supporting the growth of online commerce. According to data from the National Media and Infocommunications Authority, the number of parcel terminals operating in Hungary was 8,286 at the end of June 2025, which is a 38-per cent increase compared to the end of 2024 and an increase of nearly two and a half times compared to the end of 2023. The average vacancy rate in Budapest's prime shopping malls was around 1–2 per cent at the end of June 2025, while in Budapest's secondary shopping malls, the indicator stood at around 10 per cent or higher in individual properties.

# 5 Hotel Market

*Between January and July 2025, the number of hotel guest nights nationwide increased by 4.2 per cent compared to the same period in 2024. Parallel to the increase in the number of guest nights, hotel revenues exceeded the previous year's figure by 17 per cent. In the hotel sector, approximately 3,400 new hotel rooms were under construction nationwide at the end of June 2025, with completion expected by the end of 2026. In the capitals of the CEE region, similar to Budapest, hotel occupancy rates continued to improve, and the region's average is now only 3.3 percentage points below the pre-pandemic level of 2019. Hotels in Warsaw exceeded their 2019 occupancy levels by 1.7 percentage points, while Budapest still lags behind by 5.7 percentage points. In terms of gross average daily rates, hotels in Budapest remain the most expensive in the region, with a rate of EUR 117 in 2025 H1, which is 7 per cent above the regional average.*

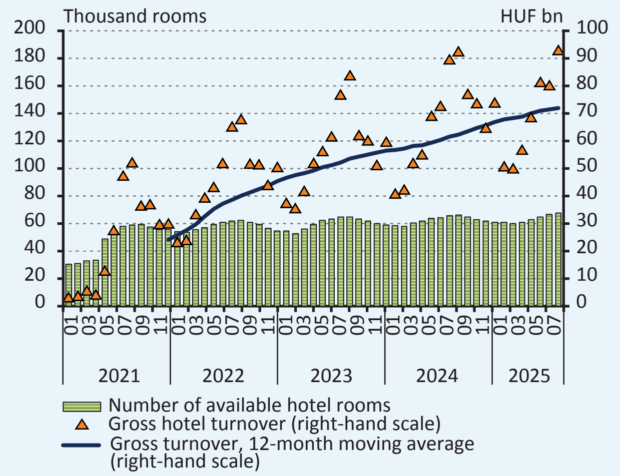
**Domestic hotel occupancy rates continued to rise compared to 2024.** In the first seven months of 2025, domestic hotels registered 13.1 million guest nights, of which 7 million were attributable to foreign guests and 6.1 million to domestic guests (Chart 14). The number of hotel guest nights increased by 4.2 per cent nationwide and by 5 per cent in Budapest versus the same period in 2024 (Annex, Chart 6). The number of available hotel rooms in July 2025 exceeded the room supply in the same period of the previous year by approximately 1,700 rooms, and the figure for July 2025 was already 67,300 rooms (Chart 15). Alongside the increase in the number of guest nights, in July 2025, the 12-month moving average of gross revenue for domestic hotels was HUF 71.8 billion, which is 17 per cent higher than the figure for the previous year.

**Chart 14**
**Monthly guest nights in commercial accommodation establishments**




*Source: HCSO*

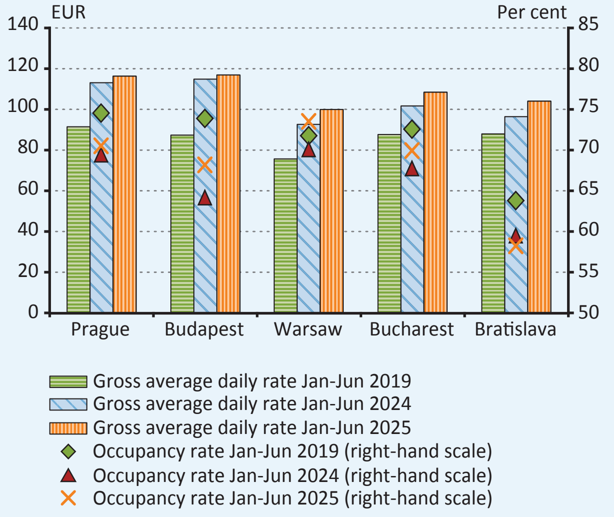
**Chart 15**
**Domestic hotel capacity and development of gross turnover**




*Source: HCSO*

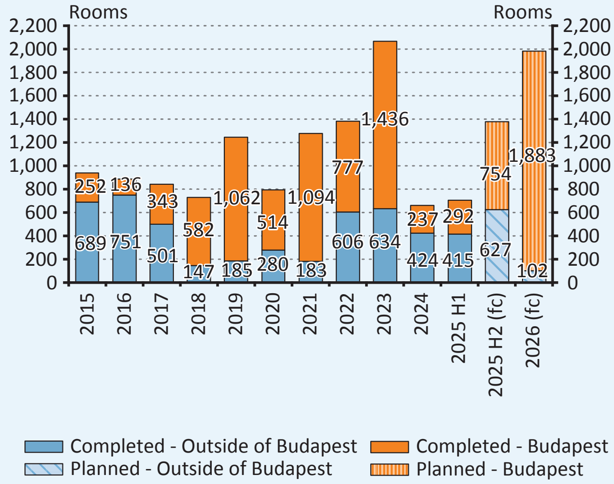
**The performance of hotels in the CEE region improved, but room occupancy only exceeded 2019 levels in Warsaw.** In 2025 H1, hotel occupancy rates in regional capitals ranged between 58–73 per cent with Budapest's 68-per cent rate matching the regional average (Chart 16). The region's average occupancy rate is 3.3 percentage points lower than in 2019 H1, but hotel occupancy in Warsaw has already exceeded pre-coronavirus levels. In terms of gross average daily rates, hotels in Budapest remain the most expensive in the region, with a rate of EUR 117 in 2025 H1, which is 7 per cent above the regional average. Hotel room rates rose in all capital cities in the first half of the year, with the largest increase (7.9 per cent) in Warsaw and the smallest (1.8 per cent) in Budapest.

**Chart 16**
**Average performance indicators for hotels in CEE capitals**




*Source: CBRE, STR Global*

**Chart 17**
**Number of completed and planned hotel rooms in Hungary**




*Note: Completions planned are based on data from end-June 2025.*

*Source: CBRE, Cushman & Wakefield, Hungarian Hotel & Restaurant Association*

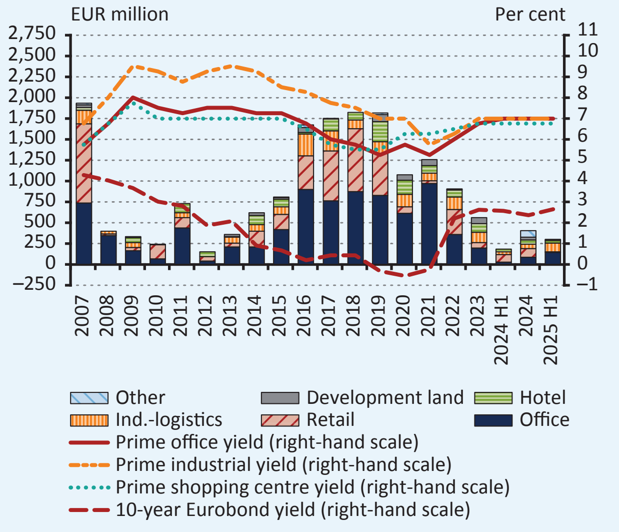
**In 2025, the completion of new hotel rooms accelerated again.** In 2025 H1, a total of 707 new hotel rooms were completed nationwide, which already exceeds the number of completions for the whole of 2024 (Chart 17). 41 per cent of the completed rooms are located in Budapest. The hotel developments currently underway are expected to result in significant completions in 2025 and 2026: an additional 3,400 hotel rooms are under construction, of which 1,400 rooms are scheduled for completion in 2025. In terms of room numbers, 78 per cent of hotels under construction are located in Budapest, while locations outside Budapest account for nearly 50 per cent of the completions expected in 2025 H2. Significant delays have been observed in hotel completion plans in recent years, and there is considerable uncertainty surrounding the current completion plans.

# 6 Commercial Real Estate Investments

*The domestic commercial real estate investment market registered a volume of approximately EUR 300 million in 2025 H1, which is 67 per cent higher than the low base investment volume from the same period of the previous year. The share of foreign investors in volume was higher than in the previous four years. The transaction volume was concentrated, with nearly half (46 per cent) related to two high-value transactions. In the first half of the year, prime property investment yields stagnated across all market segments. The investment volume in the CEE region rose by a similar rate, increasing by 60 per cent in 2025 H1 compared to the previous year. Of the six countries surveyed, only Romania and Poland saw declines in volume. In 2025 H1, the estimated capital value of prime offices rose by an average of 3.5 per cent across the CEE countries. Compared to end-2022 Q2, which marked the turning point in the cycle, capital values fell by an average of 10 per cent in the CEE capitals and by 23 per cent in Budapest. According to the Royal Institution of Chartered Surveyors' quarterly survey,[5] in 2025 Q2, the majority of real estate professionals (60 per cent) already perceived an upturn in the commercial property market. Since 2024 Q2, the professionals surveyed forecast negative capital value expectations only for the office segment.*

**Investment volume, which had been declining since 2022, rose in 2025 H1, thanks to the closing of high-value transactions.** In 2025 H1, investment volume in the domestic commercial property market reached EUR 303 million, representing a 67-per cent increase compared to the same period last year (Chart 18). 48 per cent of the volume came from the sale of office buildings, 35 per cent from industrial-logistics properties, 12 per cent from hotels, 1 per cent from retail properties and a further 4 per cent from other properties requiring further development. During the half-year, the average transaction size was nearly EUR 17 million, which is 58 per cent higher than the 2024 average. High-value transactions played a significant role in investment volume during the half-year, with two transactions – one in industrial-logistics and one in the office segment – accounting for 46 per cent of the total volume. In 2025 H1, prime yields[6] stagnated in all segments, meaning that prime investment yields in Budapest have remained unchanged since 2024 Q1. At the end of June 2025, the prime office and industrial-logistics yield stood at 7 per cent while the shopping mall yield stood at 6.75 per cent. In 2025 H1, in parallel with a moderate increase in 10-year euro bond yields,[7] the yield premium on real estate investments decreased by 30 basis points (Annex, Chart 16).

**Chart 18**
**Investment volume on the Hungarian CRE market, its composition and prime yields**




*Source: CBRE, Cushman & Wakefield, MNB*

**In 2025 H1, the share of foreign investors in investment volume rose, aided by one high-value transactions.** Purchases by Hungarian investors accounted for 58 per cent of investment volume in 2025 H1, which is significantly lower than the levels seen in recent years (Chart 19). Investments beyond those made by domestic investors were made by investors from Turkey, China, Spain and Israel. Hungarian public open-ended real estate funds accounted for 28 per cent of investment volume. Foreign real estate investment companies accounted for 28 per

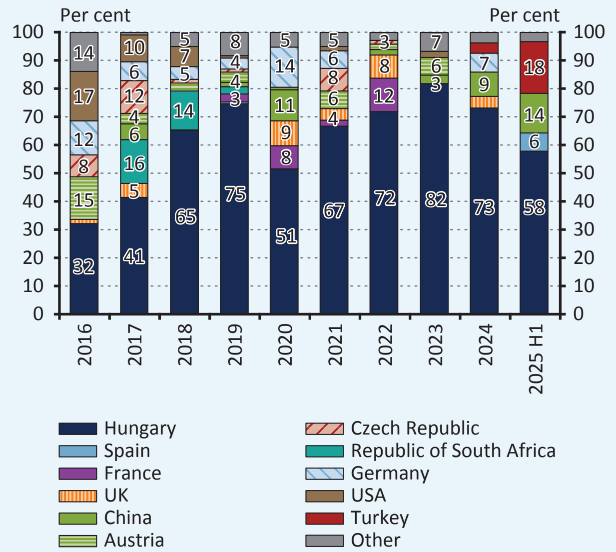
[5] Royal Institution of Chartered Surveyors, Global Commercial Property Monitor. Available at: https://www.rics.org/news-insights/market-surveys/global-commercial-property-monitors

[6] Yield data refer to the (initial) gross yields of CRE transactions and are calculated as the ratio of the real estate's annual net rental revenue and the purchase price and reflect the yield level requirement of investors.

[7] The 10-year Eurobond yield is the average of the 10-year government bonds issued by AAA-rated euro area countries.

cent. Hungarian real estate investment companies for 23 per cent private investors for 3 per cent and domestic private and foreign real estate funds together for 1 per cent of the investment volume in 2025 H1 (Annex, Chart 15). In 2025 Q1–Q3, Hungarian public open-ended real estate funds experienced a moderate overall capital outflow. The liquidity of public real estate funds remains at an adequate level, with the ratio of liquid assets to net asset value, taking into account the amount of immediately drawable credit lines,[8] standing at 53 per cent at the end of September 2025 (Annex, Chart 18).

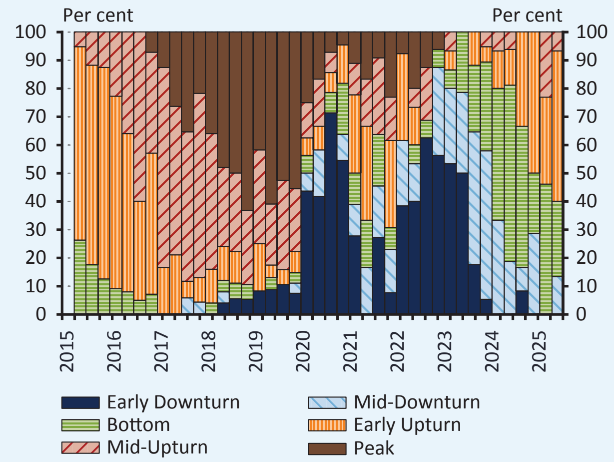
**Chart 19**
**Investment volumes on the Hungarian CRE market by investors' country of origin**




*Source: CBRE, Cushman & Wakefield, MNB*

**In 2025 Q2, most real estate market experts already perceived an upturn in the commercial property market.** According to a survey by the Royal Institution of Chartered Surveyors (RICS), in 2024 the majority of experts surveyed still placed the commercial property market at the low point of the cycle, whereas in 2025 H1, the majority of experts believed that the commercial property market was in the initial phase of recovery. At the same time, 40 per cent of respondents still placed the market's cyclical position at the bottom of the cycle or in a downturn in 2025 Q2 (Chart 20). The responding experts reported a further decline in foreign investor interest but also growing demand from domestic investors, which continued to be focused on industrial-logistics and retail. In these segments, 13 per cent of respondents expect capital values to rise in the next three months, while in the office market, a declining proportion of experts, around 7 per cent in 2025 Q2, expect lower capital values going forward (Annex, Chart 23).

**Chart 20**
**Perceptions of the current phase of the property cycle**

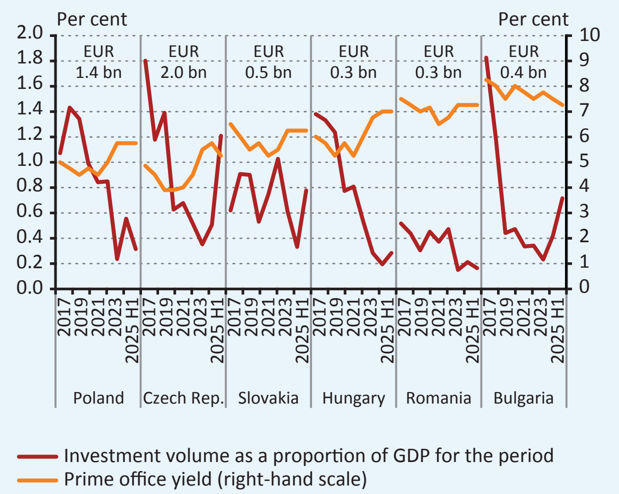



*Note: Based on responses from July 2025.*
*Source: RICS*

**In 2025 H1, investment activity picked up in the CEE region, with transaction volume growing by an average of 60 per cent on an annual basis.** At the regional level, investment volume in 2025 H1 exceeded that of the same period last year by 60 per cent with the largest increase in transaction volume – from a low base – in Slovakia (503 per cent), but significant increases were also seen in Bulgaria (322 per cent), Czechia (187 per cent) and Hungary (67 per cent). There was a decline in volume in Romania (-28 per cent) and Poland (-13 per cent). The increase in domestic investment volume in 2025 H1 is more in line with the turnaround in commercial property investment activity already observed at the European and regional levels in 2024. Looking at investment volume as a percentage of GDP, investment activity in the commercial property market was highest in Czechia (1.2 per cent) in 2025 H1. In 2025 H1, among the CEE countries, prime office yields stagnated in Poland, Hungary, Romania and Slovakia, while in Czechia and Bulgaria, they fell by 50 and 25 basis points, respectively (Chart 21). Among the capital city office markets examined, Prague has the lowest prime office yield at 5.25 per cent while Bucharest and Sofia have the highest at 7.25 per cent.

[8] Government Decree No 78/2014. (III. 14.) on the investment and borrowing rules applicable to collective investment forms permits the inclusion of unconditional and immediately drawable credit lines in the calculation of the ratio of liquid assets.

**Chart 21**
**Investment volume as a percentage of GDP and prime office market yields in the CEE region**

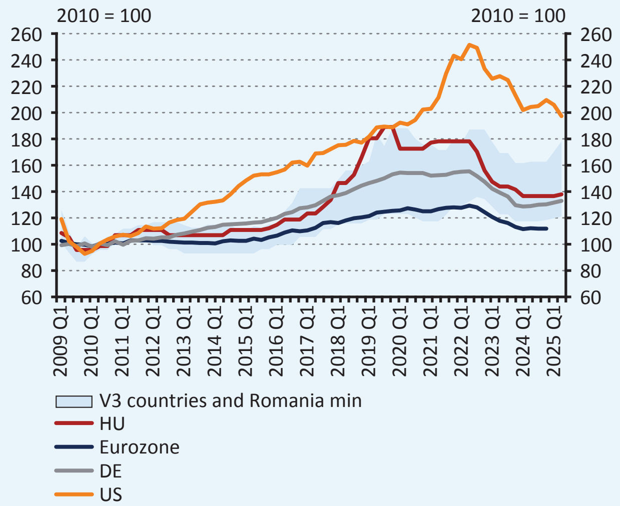



*Note: Investment volume as a proportion of GDP is calculated on the basis of annual GDP at market prices.*

*Source: CBRE, Colliers, Cushman & Wakefield, JLL, Eurostat*

**In 2025 H1, commercial property valuations improved in the region and in Western European countries.** In 2025 H1, commercial property investment volume rose by 17 per cent across Europe (Annex, Chart 17). Prime office investment yields typically stagnated in the more mature Western European office markets and in the CEE region, supporting the stabilisation of property values. In Germany, the price index for offices and retail properties rose in the first half of the year (Chart 22). Based on the development of prime yields and prime rents in the office market, the calculated capital value of prime offices[9] in Western Europe rose by an average of 6.7 per cent in the 12 months leading up to the end of 2025 Q2.[10] The rise in valuations that began in 2024 continued in Central and Eastern Europe, with an average increase of 3.8 per cent in capital values observed during the period under review, ranging from -2 per cent to +10 per cent across countries. Based on prime office yields and rents, the capital value of prime office investments in Budapest increased by 1 per cent versus 2024 Q2. However, from a broader perspective, the fragility of the commercial property market recovery is well illustrated by the fact that the US commercial property price index fell again in 2025 H1, following a temporary rise in 2024. If we examine the changes in value relative to the beginning of the yield increase trend, i.e. end of 2022 Q2, there is average depreciation of 23 per cent in Western Europe, 10 per cent in the CEE region and 23 per cent in Budapest by the end of June 2025, based on changes in prime office yields and rents.

**Chart 22**
**Valuation of commercial real estate**




*Note: In the case of CEE countries, estimated office market capital value indices, in the case of the United States, all types of commercial real estate, in the case of Germany, an index estimated based on completed transactions including office and retail real estate. In the case of the Eurozone, an index estimated based on completed transactions including all commercial real estate types. Last data point for the Eurozone is 2024 Q4.*

*Source: BIS, CBRE, Cushman & Wakefield*

[9] The capital value of prime offices is a calculated, theoretical value, being the amount of the annual net rental revenue resulting from the level of prime rental rates capitalised by the prime yield as a perpetual annuity (annual prime revenue from rents/prime yield).

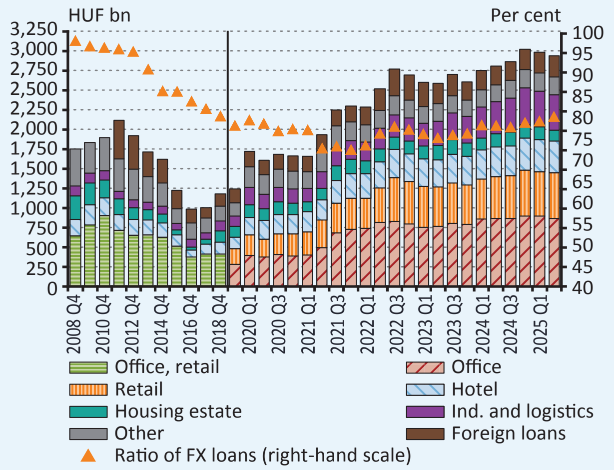
[10] As regards the changes in the capital value estimated based on the change in prime yields and rental rates it should be noted that the prime yield and rental rate represent the expected yield and rental rate in the case of top-quality properties at prime locations. The degree of the changes measured in the prime property category does not necessarily reflect the average trend in the entire office market, but it may serve as a good indicator of the direction of changes.

# 7 Commercial Real Estate Financing

*At the end of June 2025, credit institutions' CRE-backed project loan portfolio expanded at a year-on-year rate of 5 per cent and grew 4 per cent after excluding exchange rate effects. On an annual basis, a decline was only registered for the loans outstanding of residential real estate projects. In 2025 H1, the volume of project loans originated rose on an annual basis in all commercial real estate segments, except for industrial-logistics properties. The largest expansion was recorded in hotel financing, but a significant portion of this was disbursed for loan refinancing purposes. In 2025 H1, the highest concentration continued to be observed in disbursements for residential projects and retail real estate, where the three banks with the largest volumes accounted for an 81-per cent share in both categories. In 2025 H1, the average interest rate on market-based forint project loans fell by 1.2 percentage points to 7.5 per cent returning to the level from one year earlier, while the average interest rate on euro loans dropped to 4.6 per cent in line with the decline in funding costs. The domestic credit institutions to CRE-backed project loan exposure is less than one-half of the highest level from after the 2008 crisis, both in terms of total assets and regulatory capital, and approximately 70 per cent of the portfolio has a conservative LTV ratio of less than 50 per cent. According to the MNB's Lending Survey, in 2025 Q2, with the exception of office buildings, 11 per cent of the banks eased their lending conditions in all commercial real estate segments, driven by increased competition. However, looking ahead to 2025 H2, there are no plans to change standards for project loans, while 10 per cent of the respondents indicated that they expect stricter standards for office buildings. In 2025 Q2, 45 per cent of the banks experienced a surge in demand for loans for housing projects, while 13 per cent saw increased demand for office building financing. Looking ahead, the banks expect demand to pick up only in the case of housing projects, partly as a result of improved appetite for real estate investment, due to subsidised loan programmes and more favourable financing conditions resulting from competition.*

**The volume of project loans disbursed by banks to finance housing estates decreased in year-on-year terms.** As of end-June 2025, the portfolio of commercial real estate financing project loans on the balance sheets of credit institutions[11] amounted to HUF 2,935 billion, showing a 5-per cent increase versus the same prior-year period, or a 4-per cent increase after excluding exchange rate effects (Chart 23). The largest share of the project loan portfolio, approximately 29 per cent consists of loans granted for the development or purchase of office buildings, which remained stagnant in year-on-year terms. With a 20-per cent share of the portfolio, retail properties saw an annual growth rate of 9 per cent while industrial-logistics properties, which account for 15 per cent of the portfolio, expanded by 10 per cent compared to June 2024. Following a 15-per cent annual decline, loans outstanding for housing estates amounted to HUF 142 billion; a level lower than this was observed during the COVID19 pandemic. At the same time, the surge in demand on the housing market triggered by the Home Start loan programme may also support the launch of new developments. The largest increase, 13 per cent was seen in foreign loans. The share of foreign currency loans rose from 78 per cent in 2024 to 80 per cent in June 2025 (Annex, Chart 20). Box 2 provides a detailed insight into the risk characteristics of the portfolio.

**Chart 23**
**Composition of the credit institution sector's project loan stock for CRE purchase or development, by real estate type**




*Note: No data breakdown by real estate type is available for loans provided to foreign companies before 2011. Based on the aggregated data of the data-providing institutions up to 2018 Q4, and based on individual loan agreement data from 2019 Q4; the comparability of data from these two periods is limited. From 2019 Q4, the data include loans from financial intermediary institutions (including investment funds), in addition to non-financial companies.*

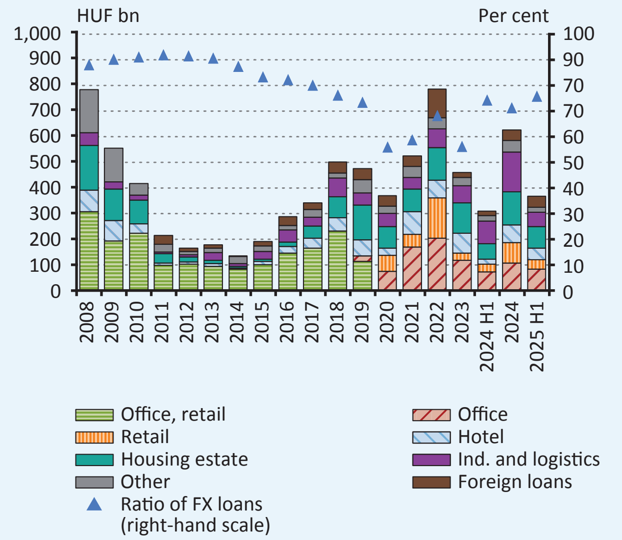
*Source: MNB*

[11] In monitoring the portfolio and disbursements of project loans secured by commercial real estate, the MNB has switched to using the credit contract-level data of the credit registry data service, which is available from December 2019. Compared to the previously used data tables based on the CRR definition of project loans, the credit registry provides a broader view of project loans; consequently, the comparability of portfolio data before 2019 Q4 with 2019 Q4 and onwards in Charts 23 and 24 is limited.

**With the exception of industrial and logistics properties, the volume of project loan disbursements increased in all commercial property segments.** In 2025 H1, credit institutions disbursed HUF 367 billion in CRE-backed development or purchase project loans, representing a 19-per cent increase (18 per cent after excluding exchange rate effects) compared to the same period of the previous year (Chart 24). Due to the low base in 2024 H1, the volume of loans granted for hotel financing increased by 117 per cent on an annual basis, but their share in project loan disbursements was only 12 per cent. In addition, a significant portion of the funds disbursed to hotels served refinancing purposes, which did not increase the portfolio. The largest disbursement volume was related to the financing of housing estates, where issuance increased by 44 per cent on an annual basis. In the case of office buildings, disbursement volume increased by 14 per cent relative to 2024 H1, while in the case of retail properties, it increased by 28 per cent. In the case of industrial properties, which account for 15 per cent of disbursement, the volume disbursed fell by 38 per cent. In 2025 H1, the volume of loans disbursed for foreign real estate rose significantly, increasing by 171 per cent from the low base in 2024; these loans accounted for 12 per cent of disbursements. The share of foreign currency loans in new disbursements was 75 per cent at the end of 2025 H1, which was essentially the same as one year earlier. Disbursements for construction purposes accounted for two-thirds of the total volume in 2025 H1, but their volume increased by only 3 per cent in year-on-year terms, while disbursements for purchases rose by 75 per cent.

**The highest concentration continued to be seen in the financing of residential projects and retail properties.** At the end of June 2025, the project loan portfolio of the credit institution sector was divided among 15 institutions, with the three banks with the largest portfolios together accounting for 54 per cent of the sector's outstanding capital (Chart 25). In the case of disbursements in 2025 H1, 63 per cent of the sector-level volume was linked to the three most active financing banks, which was essentially the same as the figure one year earlier. Disaggregating disbursements by property type, the share of the three institutions with the largest volumes ranged between 68 and 81 per cent within each segment, indicating high concentration in commercial property financing. In 2025 H1, the highest concentration continued to be observed in disbursements for residential projects and retail real estate, where the three banks with the largest volumes accounted for an 81-per cent share in both categories. In the period under review, the lowest concentration was observed in office financing.

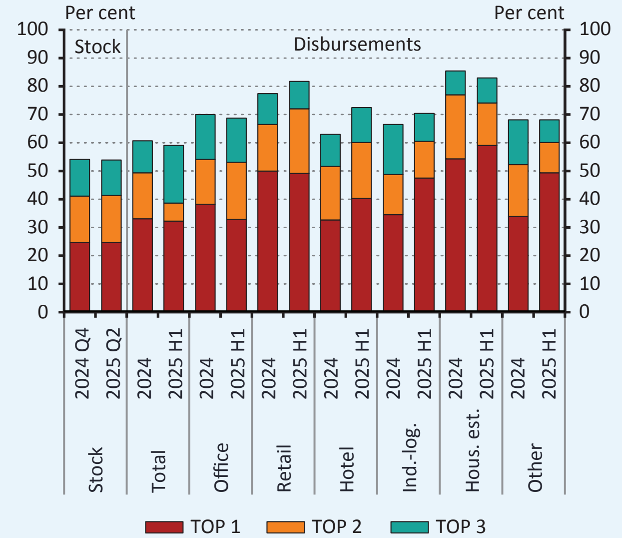
**Chart 24**
**Project loan disbursements of the credit institution sector for the development or purchase of commercial real estate, by property type**




*Note: No data breakdown by real estate type is available for loans provided to foreign companies before 2011. Based on aggregated data of the data-providing institutions up to 2019, and based on individual loan agreement data from 2020; the comparability of data from these two periods is limited. From 2020, the data include loans from financial intermediary institutions (including investment funds), in addition to non-financial companies.*

*Source: MNB*

**Chart 25**
**Concentration of CRE lending activity by the credit institution sector**

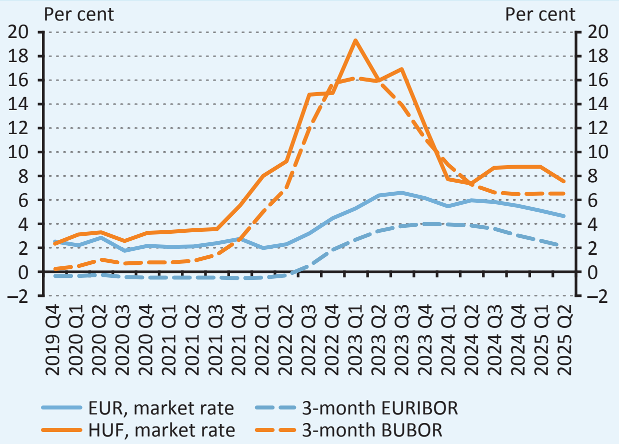



*Note: Stock: the cumulative ratio of the stock of institutions with the three largest project loan stocks secured by commercial real estate compared to the total stock of the credit institution sector. Disbursements: the cumulative ratio of the disbursements of institutions with the three largest commercial real estate-backed project loan disbursements within the total disbursements of the credit institution sector.*

*Source: MNB*

**In 2025 H1, average interest rates on market-based forint and euro project loans both declined.** In 2025 H1, the average interest rate on new commercial real estate loan agreements denominated in forints fell by 1.2 percentage points to 7.5 per cent while the 3-month BUBOR remained unchanged during the same period (Chart 26). The average interest rate on forint-denominated project loans thus returned to its level from one year earlier. In the case of euro loans, the 0.9-percentage point decline in interbank interest rates in 2025 H1 was followed by a reduction in lending rates, which averaged 4.6 per cent in 2025 Q2, reflecting a 1.3-percentage point decline in year-on-year terms.

**Chart 26**
**Average interest rate of new project loan contracts secured by commercial real estate and 3-month interbank offered rates**



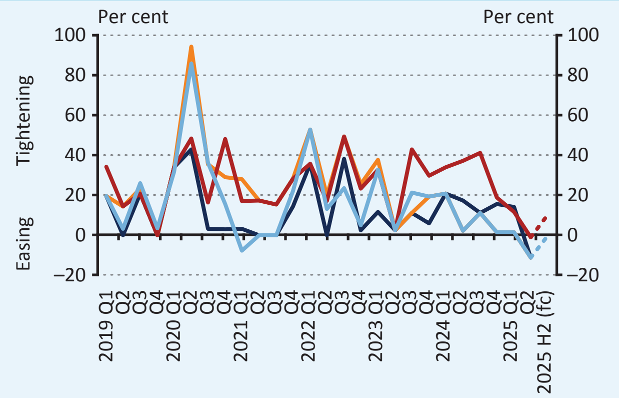

*Note: Average interest rate weighted by the contractual amount of project loans secured by commercial real estate concluded in the given quarter. Interbank offered rates are quarterly averages.*

*Source: ECB, MNB*

**Banks have generally relaxed their lending conditions for commercial real estate, but plan to tighten them in the office market due to the challenges in this segment.** According to the MNB's quarterly Lending Survey, in 2025 Q2, with the exception of office buildings, 11 per cent of the banks eased their lending conditions in all commercial real estate segments, driven by increased competition (Chart 27). However, looking ahead to 2025 H2, there are no plans to change standards for project loans, while 10 per cent of the respondents indicated that they expect stricter standards for office buildings, due to the challenges facing the sector (Annex, Chart 22).

**Banks expect further growth in demand for housing project loans in 2025 H2.** Based on responses to the Lending Survey, in 2025 Q2, 45 per cent of the banks experienced stronger demand for loans for residential projects, while 13 per cent saw increased demand for office building financing. In the case of logistics centres and shopping malls, the institutions surveyed reported unchanged credit demand (Chart 28). In 2025 H2, 30 per cent of the banks in net terms believed that demand would strengthen only for housing projects, partly as a result of improved real estate investment sentiment due to new subsidised loan programmes and more favourable financing conditions due to competition. In the case of office buildings and logistics centres, a net 26 per cent and 23 per cent of the banks, respectively, expect a decline in loan demand for these segments due to the continuing high uncertainty in the outlook for the commercial real estate market.

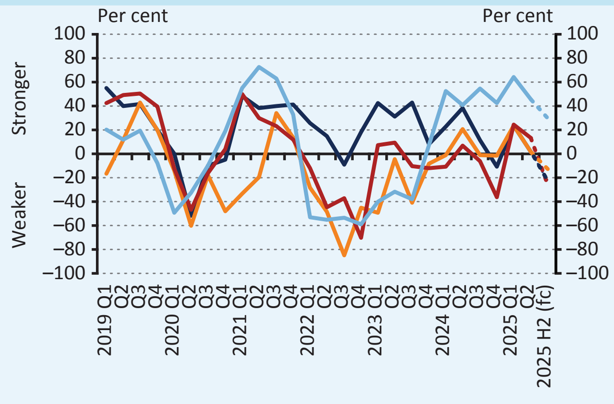
**Chart 27**
**Changes in credit conditions of commercial real estate loans**




*Note: Net ratio is the difference between tightening and easing banks weighted by market share.*

*Source: MNB, based on banks' responses*

**Chart 28**
**Changes in credit demand for commercial real estate loans**




*Note: Net ratio is the difference between banks indicating stronger and weaker demand, weighted by market share.*

*Source: MNB, based on banks' responses*

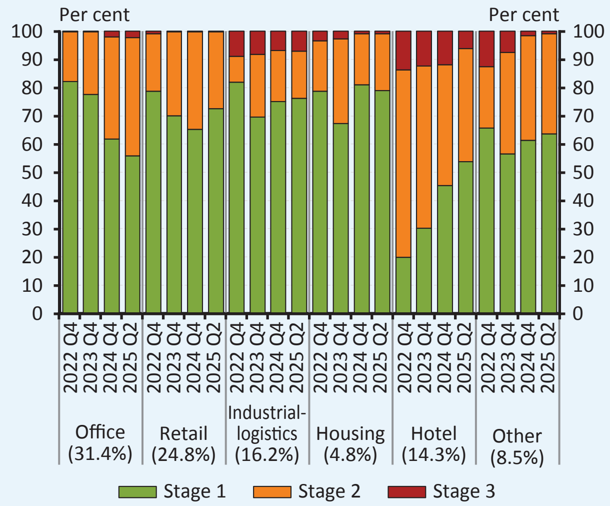
**Box 2**
**Commercial Real Estate Exposure of the Credit Institution Sector**

**Through the direct exposure of the banking system, the current cyclical risks in the commercial property market can have a significant impact on the stability of the financial intermediary system.** Following the significant fall in the value of commercial real estate in recent years, investment volume rose from a low base in 2025 H1, and a slight correction is also evident in the calculated office market capital values. However, transaction activity remains weak, and the expected increase in vacancy rates in both the office and industrial-logistics markets raises the risk of investment. Overall, despite the rising investment volume, the commercial property market continues to be exposed to risks. In this Box, we examine the riskiness of credit institutions' CRE-backed project loan portfolios from various perspectives.

**Foreign currency loans account for 80 per cent of credit institutions' CRE-backed project loan portfolios, but exchange rate risk may only arise in certain sub-segments.** At the end of 2025 Q2, credit institutions had HUF 2,935 billion in project loans financing the purchase or development of commercial real estate on their balance sheets, 80 per cent of which were foreign currency loans, disbursed almost entirely in euros. While the foreign currency ratio ranges between 88–90 per cent for loans on office buildings, retail properties and industrial-logistics properties, it is 63–65 per cent for hotels and other types of properties and 15 per cent for residential projects. Given that commercial property rents are typically set in euros in lease agreements, there is no direct exchange rate risk on the part of finance providers. However, in many cases, this is only apparent, as tenants with exclusively or predominantly HUF-denominated revenues are exposed to exchange rate risk. This is primarily the case for retail properties and lower-quality offices or urban logistics properties, where a large proportion of tenants are small and medium-sized Hungarian companies, typically with domestic operations and no export revenue.

**In the case of CRE-backed project loans, the proportion of Stage 2 loans, which indicate increased risk, rose over the past two years and stagnated in 2025 H1.** The proportion of loans affected by a significant increase in risk after contract conclusion (Stage 2) has risen in all segments except hotels in recent years. The increase in credit risks related to the commercial property market can be attributed to cyclical risks resulting from the slowdown in economic growth and structural risks resulting from changing demand since the outbreak of the COVID19 pandemic (remote work, e-commerce, Environment, Social and Governance considerations). The upward trend in the proportion of high-risk portfolios reversed in several segments in 2025 H1. During this period, with the exception of office and housing estate loans, the ratio of Stage 2 loans decreased, and this occurred without an increase in the share of Stage 3 loans. Based on the composition of credit institutions' project loan portfolios by impairment category, institutions perceive the greatest increase in lending risk in relation to their exposure to the office market.

**Composition of the project loan portfolio secured by commercial real estate properties by impairment categories**



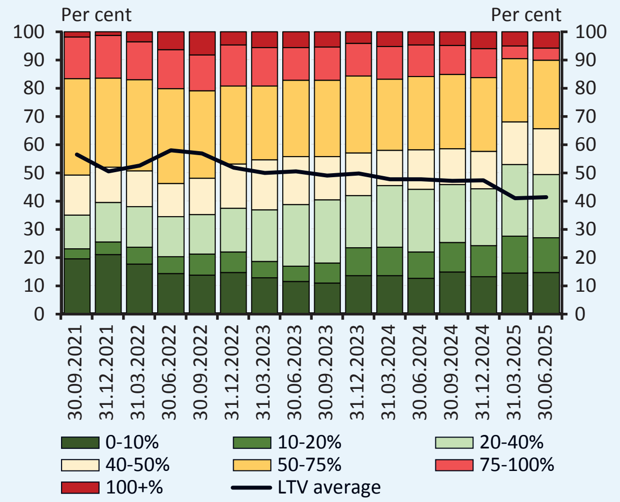

*Note: Credit institution sector. The data include loans to financial intermediaries (including investment funds) in addition to non-financial corporations. In parentheses, the proportion of the segment's exposure within the project loan portfolio secured by commercial real estate.*

*Source: MNB*

**Two-thirds of credit institutions' CRE-backed project loan portfolios have a conservative loan-to-value ratio (LTV ratio) of less than 50 per cent.** Based on outstanding capital, the LTV ratio exceeds 75 per cent for 10 per cent of the CRE-backed project loan portfolio and 100 per cent for 6 per cent of the portfolio. Exposures in the latter category are considered to be the riskiest, as the value of the collateral does not cover the amount of the loan. 24 per cent of the portfolio falls into the 50–75-per cent category, while 23 per cent falls into the 20–40-per cent category. The former group typically includes new exposures disbursed during the last few years. The average LTV ratio of CRE-backed project loans has remained at a conservative level in recent years, with a moderate downward trend observed since 2022.

**Credit institutions' exposure to the real estate market through project financing is moderate.** The CRE-backed project loan portfolio of the credit institution sector without branches, which also includes bonds from the Bond Funding for Growth Scheme (BGS) related to real estate sector, accounted for 4.2 per cent of total assets at end-June 2025. The ratio of the portfolio to regulatory capital was 36 per cent at the end of the first half of the year, which is about one-half the level of the values between 2008–2012 (68–79 per cent). At the institutional level, this ratio shows significant variation, but three-quarters (76 per cent) of the sector-level total assets is linked to institutions whose exposure-to-regulatory capital ratio is 50 per cent or less. Based on data from the end of June, 9 per cent of the sector's total assets were related to credit institutions with exposure-to-regulatory capital ratios of over 75 per cent. In recent years, the rising regulatory capital of credit institutions has overall improved their shock resilience to potential adverse effects on the real estate market. In order to prepare for the continuing uncertainty in the commercial property market and potentially emerging risks, the MNB reviewed, among other things, the capital buffer requirement targeting project loan exposures with such collateral but not requiring an effective capital requirement for a longer period of time and decided to apply a new sectoral systemic risk buffer requirement (sSyRB) for commercial real estate-backed exposures to domestic counterparties for preventive purposes from

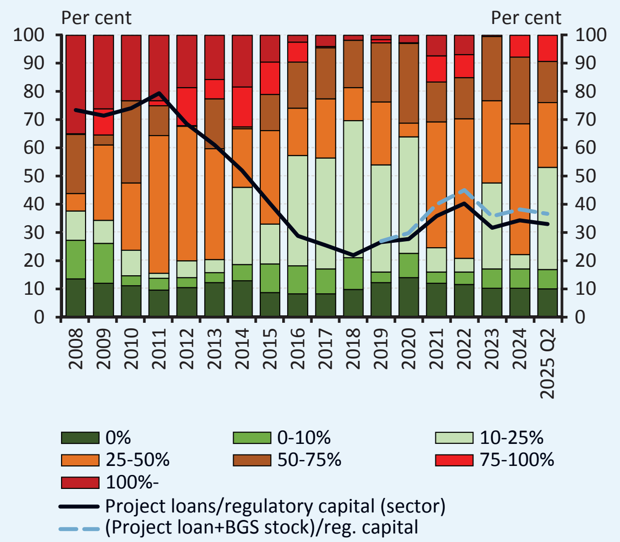
**Composition of the project loan portfolio secured by commercial real estate by LTV categories**




*Note: In proportion to the outstanding principal amount, excluding housing estate loans. LTV data is not available for approximately 10 percent of the total portfolio, and for 22 percent at the end of June 2025.*

*Source: MNB*

**Distribution of credit institutions by project loan stock/regulatory capital ratio**




*Note: Credit institutions sector without affiliates, based on non-consolidated data, in proportion to balance sheet total. Until 2019, based on the project loan portfolio according to the CRR project loan definition, from 2020 on the basis of a broader project loan definition, the use of the broader definition results appoximately one-quarter higher project loan stock compared to the CRR definition. From 2019, the data increased by the BGS stock also includes the BGS bond stock related to real estate sector in addition to project loans.*

*Source: MNB*

1 January 2026. In addition, MNB will introduce a 1-per cent sSyRB on domestic residential mortgage exposures to domestic counterparties.[12]

**Overall, it can be said that the foreign currency ratio of credit institutions' CRE-backed project loan portfolios is high, which poses an exchange rate risk for tenants without foreign currency income, even with rents set in euros. Based on impairment classifications, banks perceive an increasing credit risk in the case of office exposures. Approximately 70 per cent of the CRE-backed project loan portfolio has a conservative LTV of less than 50 per cent. At the sector level, credit institutions' CRE project loan exposure in terms of regulatory capital ratio is moderate, but 9 per cent of the sector's total assets have large commercial real estate portfolios, exceeding 75 per cent of the regulatory capital. In response to the continuing risks in the commercial property market, from 1 January 2026, the MNB will strengthen the shock resilience of credit institutions with revised sectoral capital buffer requirements.**

[12] Further details can be found in the MNB's Macroprudential Report, 2025.

# Annexes

## ANNEX 1: SUB-MARKETS OF THE BUDAPEST OFFICE MARKET[13]

The office market of Budapest is divided into the following eight sub-markets based on the data collection of the Budapest Research Forum (Chart 29):

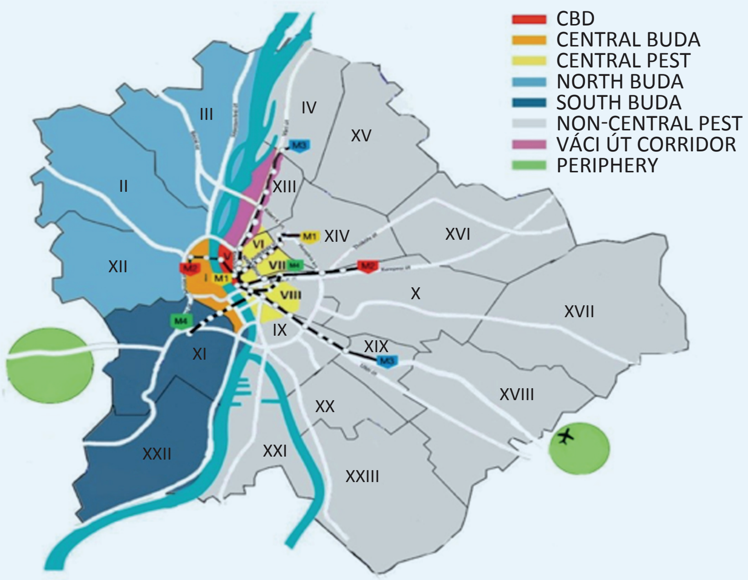
- **Central Business District – CBD:** The inner districts of Budapest, primarily the office buildings in the 5th district and on Andrássy út and the surrounding streets from Bajcsy-Zsilinszky út to the Oktogon. Most of the CBD is an architecturally protected area with a few category "A" office buildings and very limited development opportunities.

- **Central Buda:** Area bounded by the Margit körút–Krisztina körút–Böszörményi út–Jagelló út–Villányi út–Fehérvári út–Október huszonharmadika utca–Irinyi József utca. Similar to the Central Business District, development opportunities are limited.

- **Central Pest:** Area bounded by the Inner City–the Váci út Corridor–Dózsa György út–Thököly út–Fiumei út–Orczy út–Haller utca. Concentrated developments have been performed in this sub-market.

- **North Buda:** Most of districts 2, 3 and 12; investments are limited to smaller areas.

**Chart 29**
**Sub-markets of the Budapest office market**




*Source: Budapest Research Forum*

[13] Source: Cushman & Wakefield

- **South Buda:** Districts 11 and 22. In this sub-market, the available development areas are an alternative for the service centre office tenants of the Váci út Corridor, but these are less accessible than the Váci út Corridor.

- **Non-Central Pest:** Areas of Pest that are not part of the Inner City, Central Pest or the Váci út Corridor.

- **Váci út Corridor:** Area bounded by Szent István krt.–Váci út–Újpest Városkapu and the Danube. The Budapest office corridor is where the most significant office developments were realised due to the available development areas and good accessibility (public transport: metro line M3, car: via Váci út). This is the most popular sub-market among foreign companies for siting service centres.

- **Periphery:** Agglomeration areas, mainly Budaörs, Vecsés, Biatorbágy and Törökbálint.

## ANNEX 2: CONCEPTS RELATED TO DEMAND IN BUDAPEST

Members of the Budapest Research Forum (CBRE, Colliers International, Cushman & Wakefield, Eston International, iO Partners, Robertson Hungary) collect CRE market contracts categorised into the following transaction types:

- **New lease:** A lease agreement of an immediately available area concluded with a tenant that was not previously present in the property.

- **Pre-lease:** A pre-lease contract concluded for a building that has not been completed yet and is not present in the current supply. Consequently, the volume of pre-lease transactions made in the period considered does not immediately increase the leased stock, but only later when it is actually placed on the market.

- **Expansion:** A rental agreement concluded with a tenant that is already present in the property, but rents area additional to its existing tenement.

- **Owner occupation:** The real estate owner utilises the property, basically removing it from the market, decreasing stocks offered for lease.

- **Lease renewal:** The extension of an existing contract with no effect on the rental stock.

The comprehensive measures of rental market activity are:

- **Total demand (gross demand):** The total volume of the above five lease transaction types in the period considered.

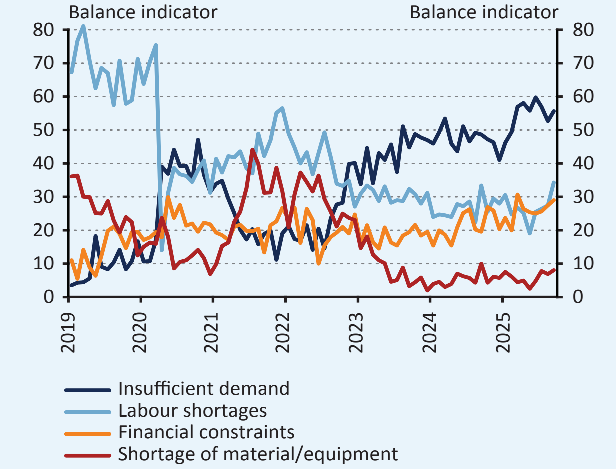
- **Take-up:** Measures the stock of actual new lease contracts; from the above, it includes the volume of new leases, pre-leases and expansions for the period considered.

- **Net absorption:** Shows changes in the lease stock in the period reviewed. The difference between net absorption and gross demand is caused by lease renewals, pre-leases and tenants which exit the market.

# ANNEX 3: ANNEX CHARTS

## 1. Macroeconomic environment

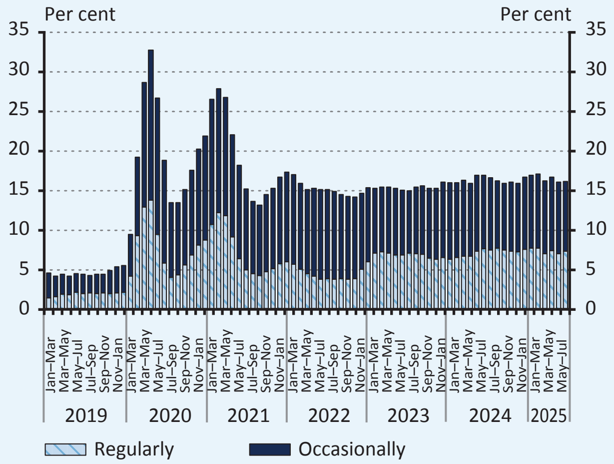
**Chart 1**
**Factors limiting output in the construction industry**




*Note: Last data point September 2025.*

*Source: European Commission*

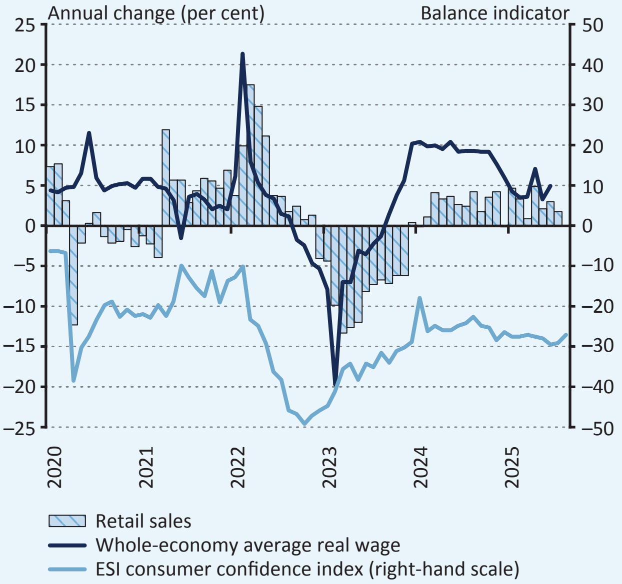
**Chart 2**
**Employees working remotely or at home as a proportion of those in intellectual occupations**




*Note: Three-month moving average of employees working remotely or at home aged 15–74 as a percentage of those in intellectual occupations.*

*Source: HCSO*

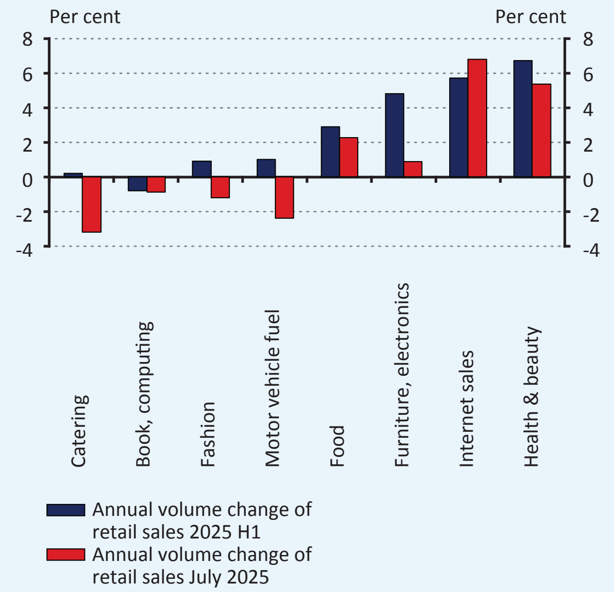
**Chart 3**
**Development of retail sales, average real wage and consumer confidence**




*Note: Retail sales with calendar-adjusted data.*

*Source: European Commission, HCSO*

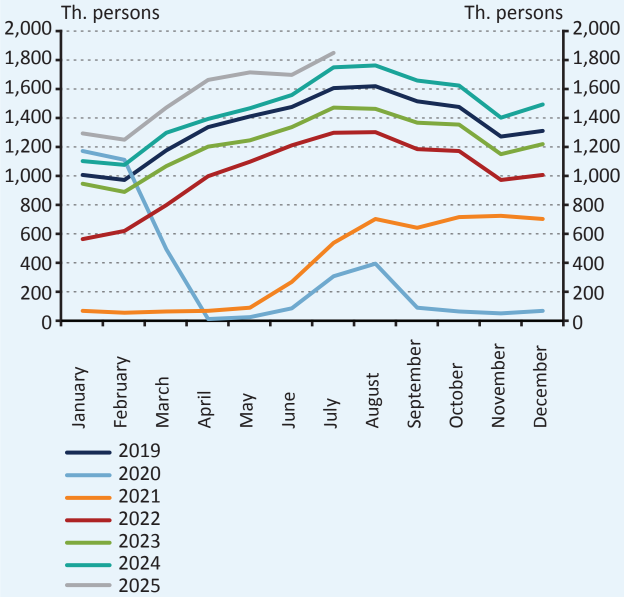
**Chart 4**
**Development of the global number of commercial flights**




*Note: The change in the volume of retail store sales based on calendar adjusted volume indexes of retail sales, in the case of catering based on unadjusted volume index.*

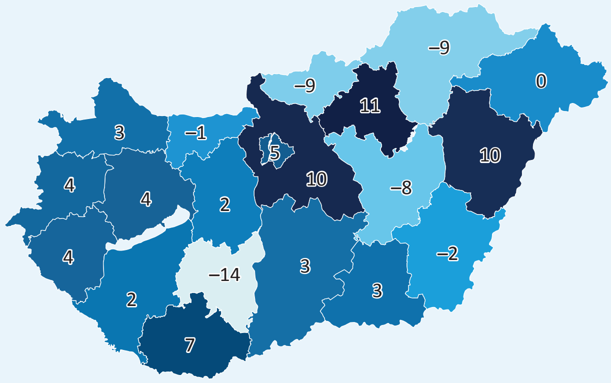
*Source: HCSO*

**Chart 5**
**Budapest Liszt Ferenc International Airport passenger traffic**




*Source: HCSO*

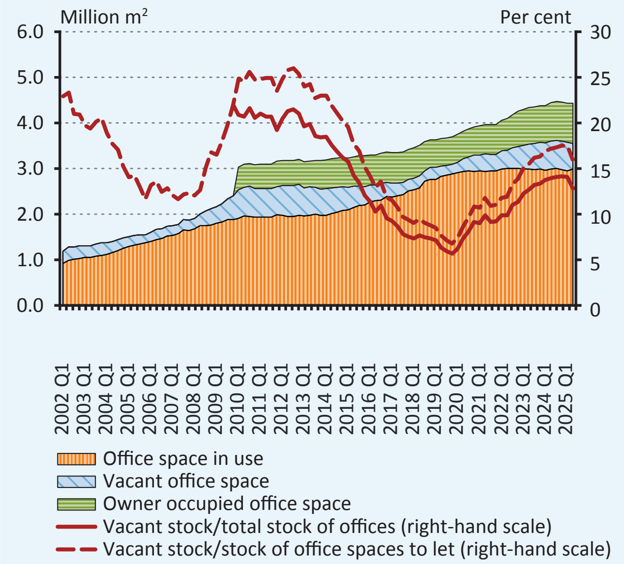
**Chart 8**
**Annual change in the number of guest nights spent in hotels by county (January–July 2025)**




*Note: Percentage change compared to the same period in 2024.*
*Source: HCSO*

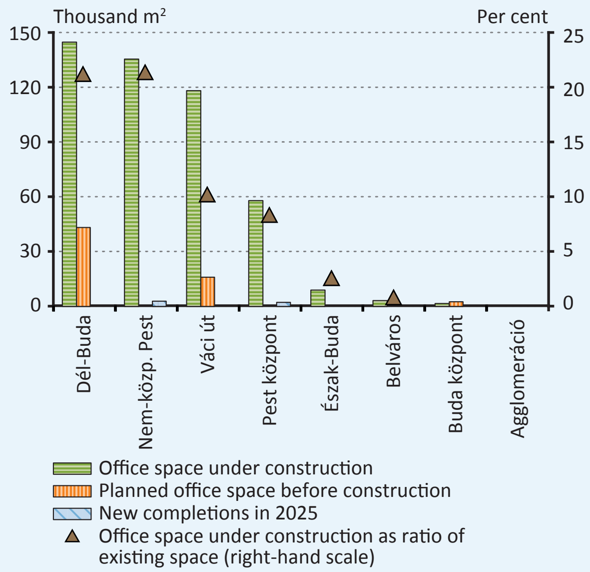
## 2. Office market

**Chart 7**
**Floorspace and vacancy rates of modern offices in Budapest**



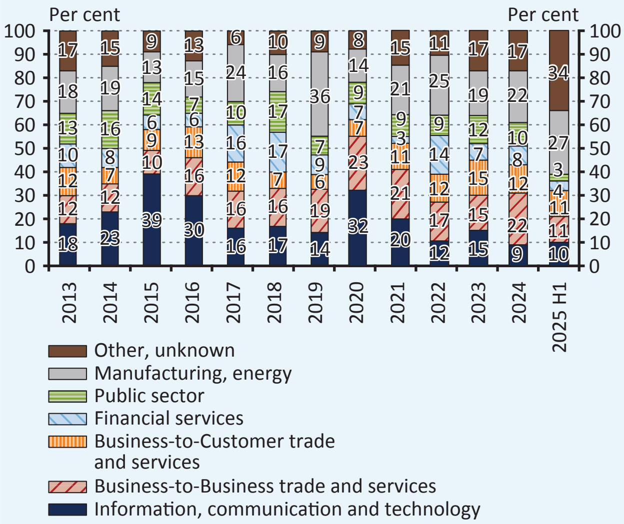

*Note: Data for owner-occupied offices only available from 2010 onwards.*
*Source: Budapest Research Forum*

**Chart 8**
**Distribution of Budapest office developments, renewal rate and new completions by sub-market**




*Note: Based on data from end-June 2025.*
*Source: Cushman & Wakefield*

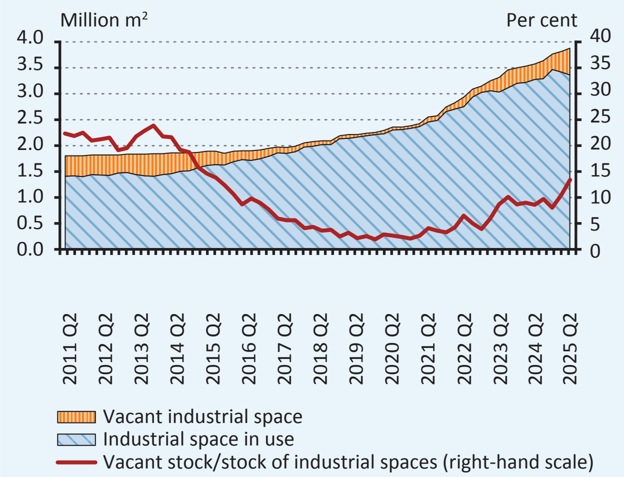
**Chart 9**
**Take-up composition of the Budapest modern office market by tenant activity**




*Source: CBRE*

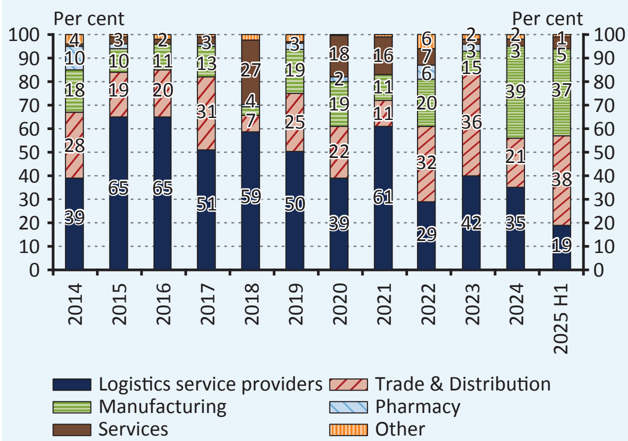
## 3. Industrial-logistics

**Chart 10**
**Floor space and vacancy rates of modern industrial-logistics sites in Budapest**



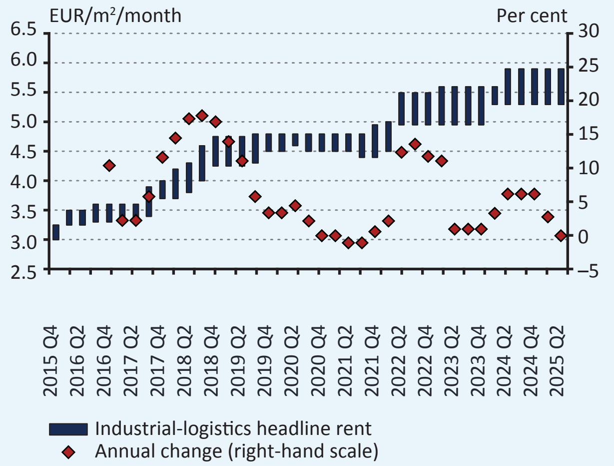

*Source: Budapest Research Forum*

**Chart 11**
**Total demand composition on the industrial-logistics market of Budapest and environs by tenant activity**




*Source: Cushman & Wakefield*

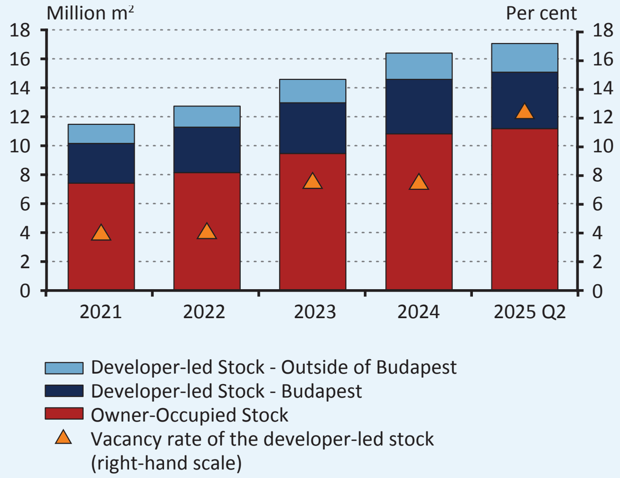
**Chart 12**
**Typical rental rates of industrial-logistics properties in Budapest and environs**




*Note: Yearly change presents the yearly change in the mean of the rental rate range.*

*Source: CBRE*

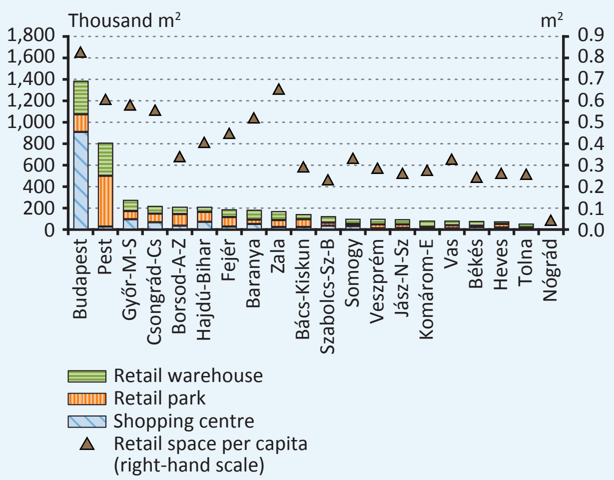
**Chart 13**
**Stock and vacancy rate of industrial-logistics properties in Hungary**




*Source: CBRE*

## 4. Retail market

**Chart 14**
**County distribution and composition of the modern Hungarian retail real estate stock**

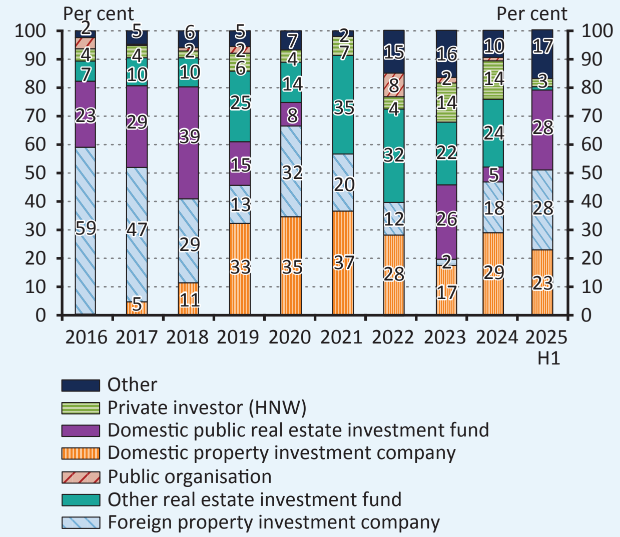



*Note: Based on data from end-June 2025.*

*Source: CBRE*

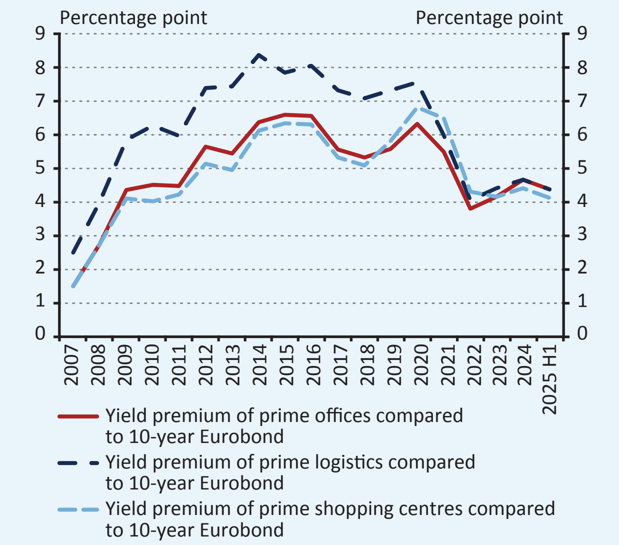
## 5. Commercial real estate investments

**Chart 15**
**Investment volumes on the Hungarian CRE market by investor type**




*Source: CBRE, Cushman & Wakefield, MNB*

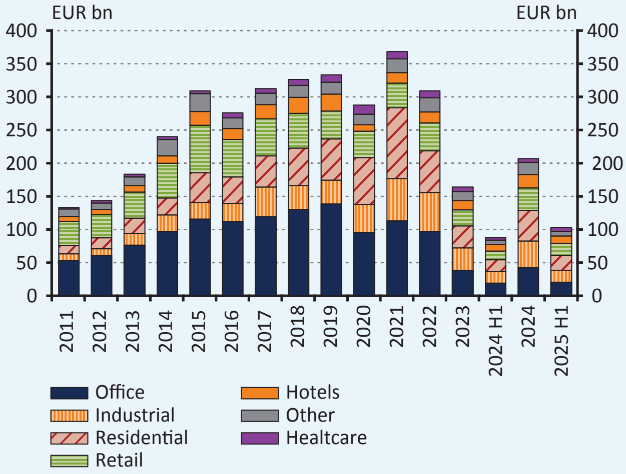
**Chart 16**
**Yield premium of Budapest prime real estate investments compared to 10-year euro government bonds**




*Note: The 10-year Eurobond yield is the Q4 average and for 2025 the Q2 average of the 10-year government bonds issued by AAA-rated euro area countries.*

*Source: CBRE, Cushman & Wakefield, ECB*

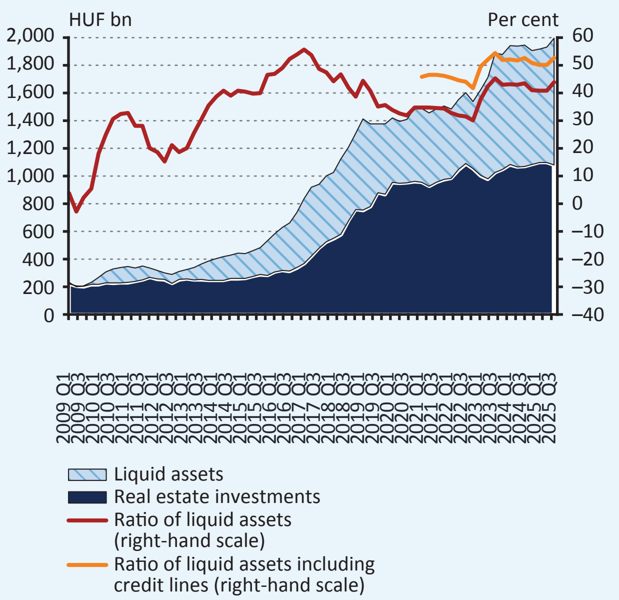
**Chart 17**
**Investment volume of the CRE market in Europe**




*Note: Data include investment volumes in the following countries: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, UK and Ukraine.*

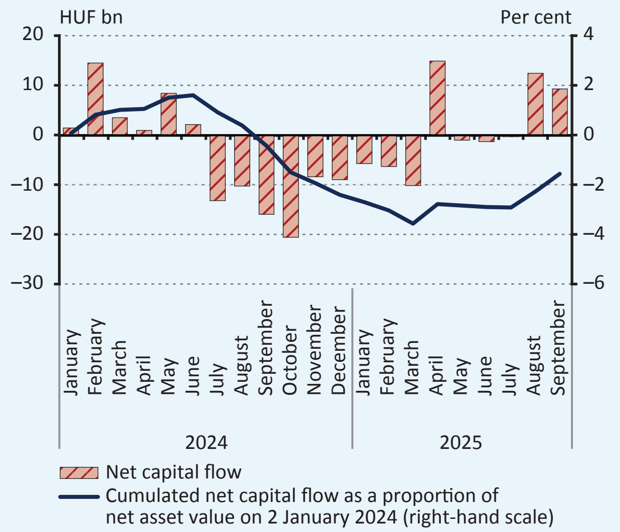
*Source: CBRE*

**Chart 18**
**Asset composition of public real estate funds and the ratio of liquid assets to net asset value**




*Source: MNB*

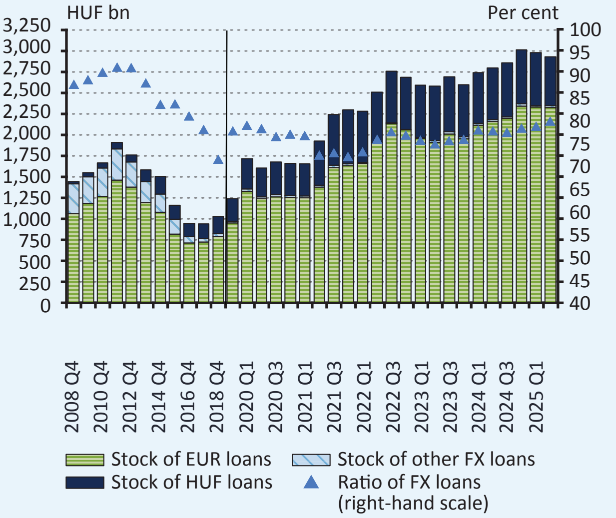
**Chart 19**
**Net capital flows in Hungarian public real estate investment funds**




*Source: MNB*

## 6. Bank financing of commercial real estate

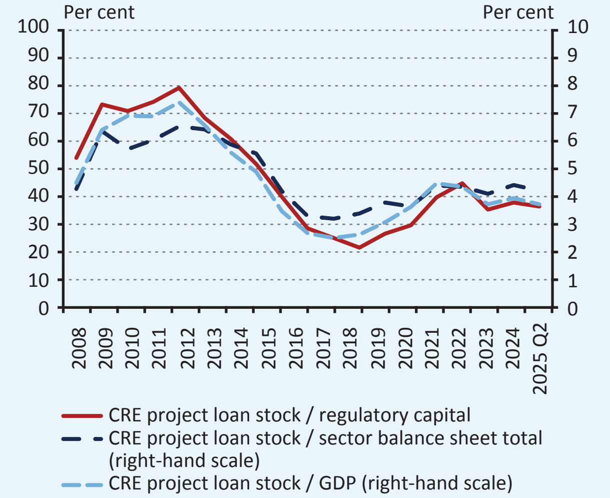
**Chart 20**
**Composition of the credit institution sector's stock of CRE purchase or development project loans by currency**




*Note: Until 2018 Q4 based on aggregated data of the data-providing institutions, from 2019 Q4 based on individual loan agreement data, the comparability of data from these two periods is limited.*

*Source: MNB*

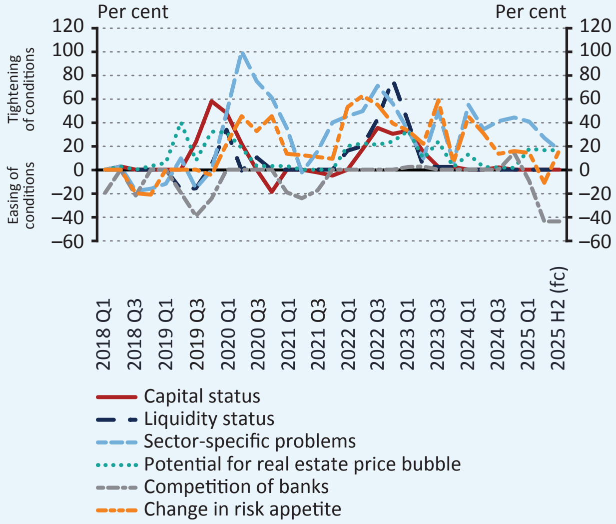
**Chart 21**
**Importance of commercial real estate project loans in credit institutions sector**




*Note: Credit institutions sector without affiliates, based on non-consolidated data. Until 2019, based on the project loan portfolio according to the CRR project loan definition, from 2020 on the basis of a broader project loan definition, the use of the broader definition results approximately one-quarter higher project loan stock compared to the CRR definition. From 2019 CRE project loans outstanding includes real estate Bond Funding for Growth Scheme (BGS) bond stock.*

*Source: MNB*

**Chart 22**
**Factors behind changes in CRE loan conditions**

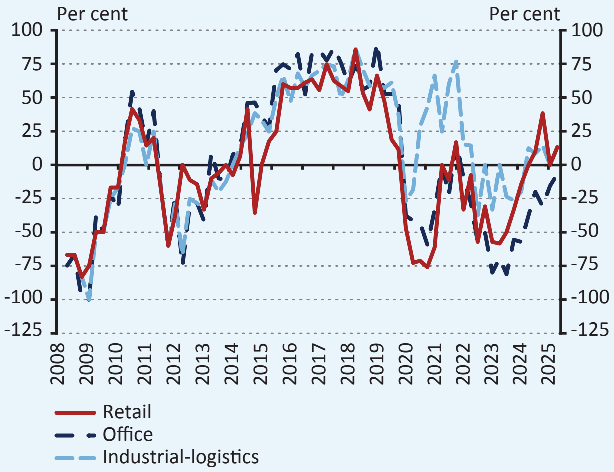



*Note: Responses of the analysed banks weighted by market share.*

*Source: MNB, Lending Survey*

## 7. Commercial real estate market survey of RICS

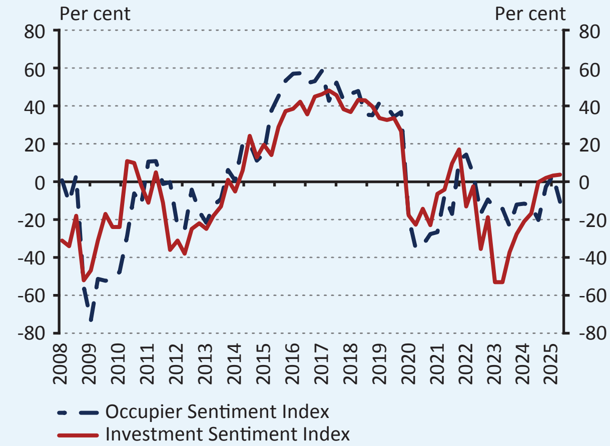
**Chart 23**
**3-month capital value expectations by segment**




*Note: Net ratio of respondents indicating increase or decrease in capital value. Based on responses from July 2025.*

*Source: RICS*

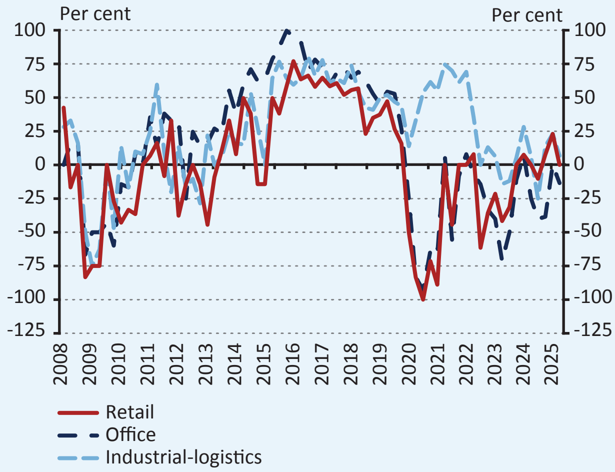
**Chart 24**
**Development of Investment and Occupier Sentiment Index**




*Note: Based on responses from July 2025.*

*Source: RICS*

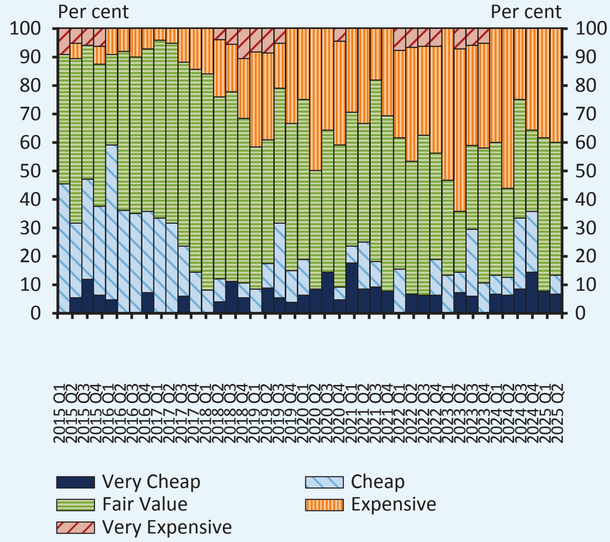
**Chart 25**
**Development of rental demand by segment**




*Note: Net ratio of respondents indicating increase and decrease in capital value. Based on responses from July 2025.*

*Source: RICS*

**Chart 26**
**Valuation level of the commercial real estate market**




*Note: Based on responses from July 2025.*

*Source: RICS*

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