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 asset: investors purchase such assets to realise a yield premium – over and above the available risk-free rate of 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 percent 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 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 contract level loan data collected by the MNB; information on the qualitative features of lending developments collected in the Lending Survey*[2] *is also used.*

[1] In addition to project loans backed by commercial real estate, this also includes traditional corporate loans for which a mortgage on commercial real estate was provided as collateral.
[2] Magyar Nemzeti Bank, Lending Survey: https://www.mnb.hu/en/financial-stability/publications/lending-survey

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1 Executive Summary

The slow recovery in economic activity did not provide significant support for the commercial real estate market in 2026 H1. However, favourable trends were seen in some market segments: with the expansion in tourism, performance indicators in the hotel sector improved, while retail sales also continued to increase as the consumer confidence index advanced to a multi-year high. Overall, perceptions of the cyclical position in the commercial real estate market improved in 2026 H1, but based on survey data from recent quarters, market experts' assessment of the situation continues to reflect uncertainty.

In the Budapest office market, the vacancy rate fell by 0.3 percentage point to 12.2 percent in 2026 H1, remaining below its long-term average of 13.2 percent. By contrast, in the industrial-logistics market, the vacancy rate rose by a substantial 2 percentage points to 14.8 percent. The industrial-logistics vacancy rate in Budapest thus significantly exceeds its long-term average of 10.5 percent and is also considered high compared to other regional capitals. The rise in this indicator was driven by negative net take-up in the industrial-logistics market in Budapest and its environs in the first half of the year. In the office market, the vacancy rate is expected to rise in the short term due to the low pre-lease rate for offices due for completion and the anticipated relocations following the delivery of state-owned office buildings. In the industrial-logistics market, the indicator is expected to rise further, given the high planned completion volume and low net take-up.

Investment volume in the domestic commercial real estate market amounted to approximately EUR 560 million in 2026 H1, which was 50 percent higher than the volume for the same period in the previous year. High-value transactions (exceeding EUR 50 million) accounted for a significant portion of the half-yearly volume, with three such deals accounting for 42 percent of the total. The proportion of transaction volume attributable to domestic investors rose again in the first half of the year, advancing to 80 percent from 61 percent in 2025, while the average share of domestic investors across the CEE region was 35 percent. Primary office investment yields typically stagnated in the more mature Western European office markets and in the CEE region. In the one-year period to the end of 2026 Q2, capital values calculated on the basis of prime office yields and rents rose by an average rate of 5.4 percent in the CEE region and 1 percent in Budapest. Persistent geopolitical tensions, rising euro yields and the continued subdued level of investment activity are counteracting the decline in expected yields in the real estate market, preventing any significant improvement in valuations.

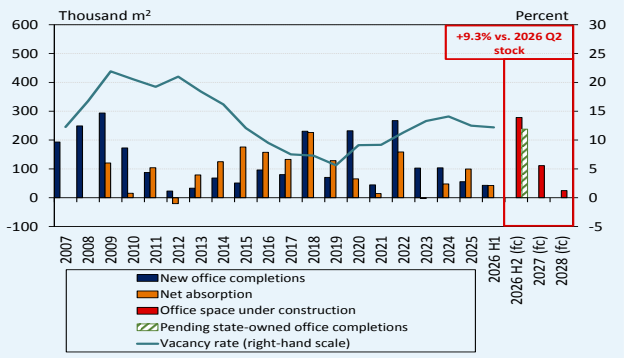
Compared to the same period of the previous year, banks disbursed 21 percent more project loans secured by commercial real estate in 2026 H1. 22 percent of the volume disbursed was for refinancing purposes, and thus the exchange rate-adjusted stock rose by 12 percent in year-on-year terms. The volume of project loans granted increased most significantly in the case of industrial-logistics properties and housing estates, while the proportion of refinancing among industrial-logistics disbursements reached 37 percent. The risk classification of credit institutions' project loan portfolio backed by commercial real estate did not deteriorate overall, but the risk associated with bond exposures linked to the real estate sector increased in the second quarter. According to the MNB's Lending Survey, on the whole banks left lending conditions unchanged in the commercial real estate segment in 2026 Q2, although in the case of office buildings a net 11 percent of banks reported tightening. Looking ahead to 2026 H2, 10 percent of banks plan to further tighten project lending standards for office buildings, citing sector-specific risks and overvaluation.

In view of the continuing risks in the commercial real estate market and in line with an earlier decision, the MNB has applied a 1-percent sectoral systemic risk buffer (sSyRB) since 1 January 2026. This helps to promote domestic credit institutions' resilience in relation to their exposures in the commercial real estate market. These risks are mitigated by the portfolio's conservative average LTV ratio of around 50 percent, as well as the low proportion of non-performing loans.

2 Rental and Development in the Office and Industrial-Logistics Markets

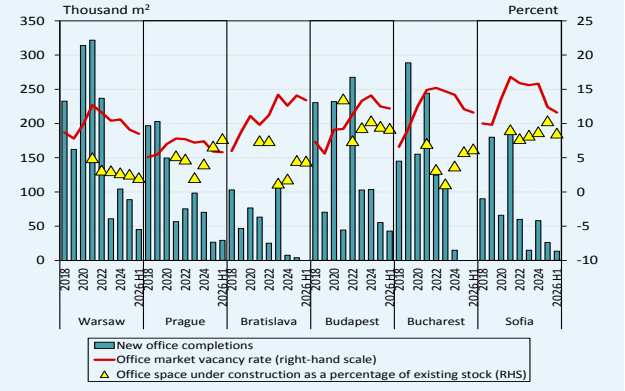
The vacancy rate in the Budapest office rental market reached 12.2 percent at end-June 2026, after falling by 0.3 percentage point in 2026 H1. The high volume of government-commissioned office space due for delivery in Budapest increases the risk of a rise in the vacancy rate. The vacancy rate for industrial-logistics sites in Budapest and its environs rose by 2 percentage points in the first half of the year compared to end-2025, exceeding its long-term average. The figure was 14.8 percent at end-June 2026, which is high by regional standards and is expected to continue rising in the future, based on the available vacant space in development projects and current levels of demand. However, the capacity-expanding investment projects carried out in recent years may support performance in industrial exports and in this segment.

Chart 1
Leasing and development activity in the Budapest office market



Note: Office space under construction based on data from end-2026 Q2.
Source: Budapest Research Forum, Cushman & Wakefield

Chart 2
Development activity and vacancy rates in regional capital office markets



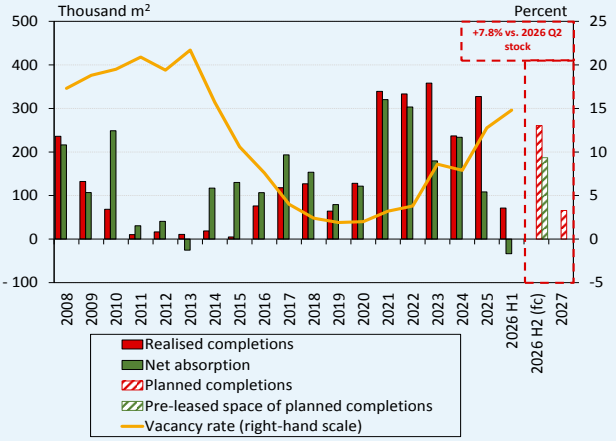
Source: MNB compilation based on CBRE, Colliers, Cushman & Wakefield and JLL data

The vacancy rate in the Budapest office market fell in 2026 H1, but the risk of an increase in this rate has not yet moderated. In 2026 H1, the vacancy rate for modern offices in Budapest fell somewhat (by 0.3 percentage point) to reach 12.2 percent at the end of June (Chart 1). The decline in the rate in the first half of the year was aided by the fact that net take-up[3] and new completions balanced each other out. In addition, a statistical revision in the first quarter resulted in a minimal increase in the modern office stock. Lease renewals dominated office market demand in the first half of the year: net demand, calculated excluding these, fell by 19 percent compared to the same period of the previous year. As regards new supply, several delivery dates previously expected in the second quarter were delayed: these were all office buildings constructed under previous government contracts for state institutions (see Box 1). The completion of 40,000 square metres of office space built for rental purposes is expected in 2026 H2, excluding offices built for the state. Including the state-owned office buildings not yet delivered, 414,000 square metres of office space (176,000 square metres excluding state-owned buildings) – representing 9.3 percent of the existing office stock – was under construction in Budapest at the end of 2026 Q2. At end-June 2026, the pre-lease rate for office buildings under construction for rental purposes in the market stood at 25 percent.

In 2026 H1, vacancy rates fell in the office markets of all regional capitals. The lowest vacancy rate (5.8 percent) was observed in Prague, while the highest (13.4 percent) was recorded in Bratislava (Chart 2). Out of the six capital cities examined, the ratio of office space under construction to the existing stock rose moderately in Prague (+1.1

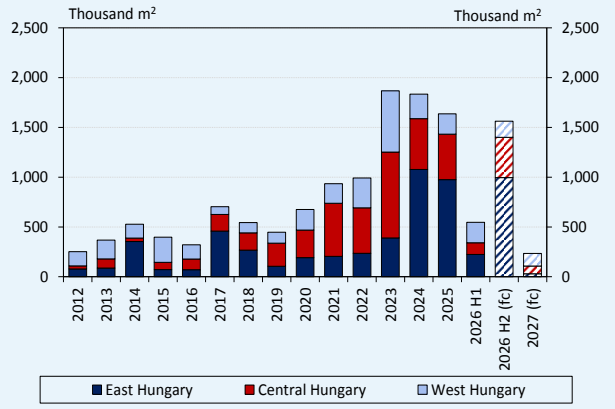
[3] For definitions related to commercial real estate demand, see Annex 2.

Chart 3
New completions, net take-up and vacancy rate in the industrial-logistics market of Budapest and its environs



Note: Planned completions are based on data from end-2026 Q2.
Source: Budapest Research Forum, Cushman & Wakefield

Chart 4
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-2026 Q2.
Source: CBRE

percentage points) and Bucharest (+0.4 percentage point), while it fell between 0.1–1.8 percentage points in the other capitals. At end-June 2026, the ratio was between 2.1–6.3 percent in Bucharest, Bratislava and Warsaw, while in Budapest, Prague and Sofia it was higher, ranging between 7.8–9.3 percent.

The vacancy rate in the industrial-logistics market in Budapest and its environs has risen, a trend that is likely to continue in the future. In 2026 H1, the vacancy rate in the industrial-logistics market in Budapest and its environs rose by 2 percentage points, reaching 14.8 percent at end-June (Chart 3). Net take-up in the first half of the year was negative, meaning that the rental stock decreased, while the total stock increased due to new completions. Of the space newly coming to market in 2026 H1 (71,000 square metres), 27 percent had tenants at the time of completion. A further 261,000 square metres of industrial-logistics space is scheduled for completion in 2026 H2, 72 percent of which had pre-lease agreements in place at the end of June 2026. A total of 326,000 square metres of industrial-logistics space (7.8 percent of the existing stock) is under construction in Budapest and its environs. The vacancy rate in the industrial-logistics market in Budapest and its environs has remained above its long-term average of 10.5 percent since 2025 Q2, and is considered exceptionally high when compared to the capital cities of the CEE region. Based on the volume of vacant space in planned new completions, a further rise in this indicator is expected.

Most industrial-logistics projects are being built in the eastern part of the country. At end-June 2026, the stock of modern industrial-logistics real estate at the national level was approximately 18.8 million square metres, including properties for lease and for owner occupancy (Annex, Chart 8). In 2026 H1, 547,000 square metres of new space was completed, representing 3 percent of the total stock at the end of 2025 (Chart 4). At end-June 2026, the stock of modern industrial-logistics space for lease totalled 6.5 million square metres in Hungary, with a vacancy rate of 13.2 percent, representing an increase of 1.8 percentage points compared to end-2025. Several capacity-expanding investment projects have started production this year. The recent favourable industrial performance is being driven by a few major industrial players, and this trend expected to continue into the latter half of the year, thus boosting industrial exports and the sector's overall performance.[4] In 2026 H2 and in 2027, another 1.6 million square metres of industrial-logistics property is expected to be delivered nationwide, representing a 9.5-percent increase compared

[4] Magyar Nemzeti Bank, Inflation Report, September 2026: https://www.mnb.hu/en/publications/reports/inflation-report/22-09-2026-inflation-report-september-2026

to the stock at end-June 2026. Of the new completions planned for the next year and a half, 57 percent are expected in Eastern Hungary, 27 percent in Central Hungary (including Budapest) and 16 percent in Western Hungary. The high proportion in Eastern Hungary is mainly explained by the region's ongoing industrial investments and the space demand these have generated.

Box 1
Public Investment office Developments in the Budapest Office Market

In this Box, we present the situation regarding office buildings commissioned by the Hungarian state – which account for the overwhelming majority (75–85 percent) of office space under construction over the past three years – and their potential short- and medium-term impact on vacancy rates in the Budapest office market.

In 2023, the Hungarian government concluded contracts for the construction and purchase of a total of approximately 331,000 square metres of office space (representing 7.4 percent of the total modern office stock in Budapest in 2026 Q2). A portion of the office buildings commissioned (93,000 square metres) was delivered in 2025 H2 and 2026 Q1, and the buildings delivered were incorporated into the modern office stock in Budapest monitored by the Budapest Research Forum at full occupancy.[5] The developers had planned to deliver the remaining 238,000 square metres of office space from the total state orders by 2026 Q2, but this did not ultimately take place; furthermore, a settlement dispute has arisen between the developer and the state regarding the project, which accounts for roughly half of the space yet to be delivered (Zugló City Centre – ZVK), postponing the delivery of the project for an indefinite period.[6] In addition to the ZVK office spaces, some 100,000 square metres of office space were also due for delivery at the end of 2026 Q2 as part of the BudaPart project, accounting for 2.3 percent of the modern office stock. Under the BudaPart project, 43,000 square metres of office space had already been delivered in 2026 Q1.

Offices commissioned by the state may affect the vacancy rate of the office market in two ways:

- In the case of office buildings that have already been delivered or are due to be delivered to the state in the near future, some of the institutions moving in may vacate modern office buildings that are included in office market statistics; in such cases, the space they leave behind will increase the vacancy rate.
- One possible outcome of the settlement dispute between the state and the developer is that the offices from the ZVK project may in future appear on the supply side of the Budapest office rental market, which, *ceteris paribus*, based on the office stock at end-June 2026, would increase the vacancy rate by 2.6 percentage points.

Detailed information regarding the utilisation of the new state-owned office buildings and the existing office space of the organisations and companies moving in is not available; furthermore, the legal proceedings relating to the ZVK project also give rise to significant uncertainty. Consequently, the expected trend in the vacancy rate is also subject to considerable uncertainty. In light of this, we present the impact of two extreme scenarios – a best-case scenario and a worst-case scenario in terms of the development of market oversupply – on the vacancy rate. It is important to note, however, that in both cases, the impact calculations were based on the office stock in Budapest and the vacant space as at the end of 2026 Q2, with all other factors remaining constant apart from the assumptions

[5] Office buildings that become the property of the occupier are recorded in market statistics as being fully occupied, regardless of the extent to which the building is actually used.

[6] In early August 2026, the Government announced that it was withdrawing from the purchase of the Zugló City Centre office complex (ZVK). As a result of this decision, at the end of August 2026, both the company developing the ZVK and the construction firm carrying out the project – which belongs to the same group as the developer – initiated bankruptcy proceedings. Although the ZVK project has thus been physically completed, it will certainly not be transferred to its ultimate owner for an indefinite period, pending the resolution of the legal dispute between the state and the developer and depending on the outcome of the bankruptcy proceedings. The buildings are therefore likely to remain vacant for the time being and will be transferred to either a state or a commercial user at a later, as yet uncertain date. As such, these buildings are not currently included in statistics relating to the modern office stock.

regarding the utilisation of state-owned office buildings, and we calculated the total impact as a single, concentrated effect at a single point in time, disregarding the possible temporal spread of individual sub-effects.

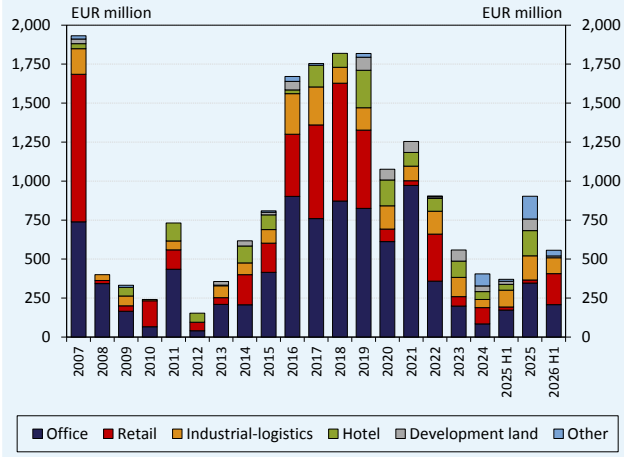
The mildest impact occurs when all office buildings constructed as state investments ultimately pass into state ownership (including ZVK) and the associated organisations and companies occupy the premises in their entirety. In this scenario, the rise in the office market vacancy rate is caused by the modern office space left behind by the government institutions moving in. In the absence of more precise information, we estimate the latter to be between 30–40 percent of the total new space, given that several state organisations may be moving from state-owned and/or older premises which do not form part of the modern office stock. Based on this assumption and using market data from the end of 2026 Q2, the total impact of state office disposals on the vacancy rate could range between +1.2–1.9 percentage points.

Under our pessimistic scenario, the ZVK project will ultimately not be transferred to the state but, once the legal proceedings have been concluded, will come onto the market as supply; for the remaining state-owned office space, we also apply a space return rate of 30–40 percent. Based on these assumptions, the results indicate that, compared to the level at the end of 2026 Q2, the total impact of state-owned offices on the vacancy rate could range between +3.2–3.6 percentage points.

3 Commercial Real Estate Investments

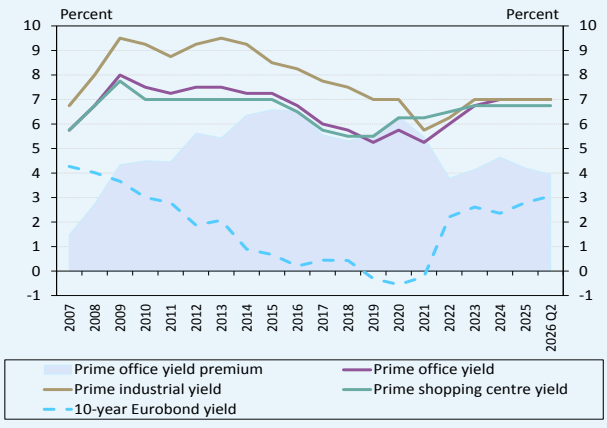
Turnover in the Hungarian commercial real estate investment market rose by 50 percent in 2026 H1 versus the same prior-year period, but investment activity remains moderate in a longer-term comparison. Over the past six months, prime real estate investment yields remained unchanged in all market segments. According to the quarterly survey by the Royal Institution of Chartered Surveyors,[7] in 2026 Q2 the majority of property market professionals (72 percent) classified the commercial real estate market cycle as being in an upturn, but their assessment of the situation remains characterised by a high degree of uncertainty based on data from recent quarters.

Chart 5
Investment volume on the Hungarian CRE market



Source: CBRE, Cushman & Wakefield, MNB

Chart 6
Prime yields and office yield premium on the Hungarian CRE market



Note: The 10-year Eurobond yield is the Q4 average; for 2026, the Q2 average of 10-year government bonds issued by AAA-rated euro area countries.
Source: CBRE, Cushman & Wakefield, ECB

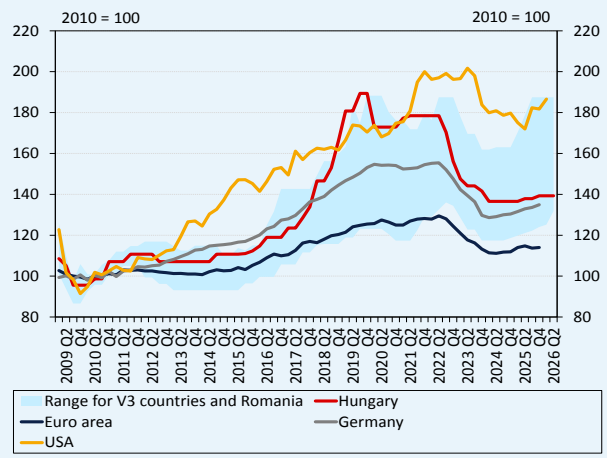
With yield levels unchanged for two years, investment volume in the domestic commercial real estate market has been rising but remains subdued for the time being. In 2026 H1, investment turnover in the domestic commercial real estate market reached EUR 560 million, nearly 80 percent of which comprised transactions involving income-generating properties, while one-fifth related to non-income-generating project properties requiring refurbishment and/or a change of use, or properties purchased for owner occupancy. Compared to 2025 H1, total investment volume increased by 50 percent, while the transaction volume for income-generating properties rose by 48 percent (Chart 5). Despite the significant rise in 2025 and 2026, investment activity remains subdued versus the 2016–2021 period. High-value transactions played a significant role in the investment volume in the first half of the year, with 42 percent of the total volume attributable to three such transactions. The proportion of purchases by domestic investors within the total transaction volume rose again: after 61 percent for 2025 as a whole, it stood at 80 percent in the first six months of 2026 (Annex, Chart 14). In 2026 H1, prime yields[8] remained unchanged in all segments, holding steady at the levels reached two years ago, with prime office and industrial-logistics yields at 7 percent and shopping centre yields at 6.75 percent. As a result of the continued rise in 10-year Eurobond yields[9] in 2026, the yield premium on domestic property investments fell another 26 basis points, following a 45-basis-point decline in 2025 (Chart 6). Amid varying market trends, investment turnover in the CEE region for 2026 H1 exceeded that of the same prior-year period by 12 percent: transaction volumes rose most significantly in Poland (+115 percent), while Hungary also saw a substantial increase; whereas turnover in the other countries of the region fell both in nominal terms and as a proportion of GDP (Annex, Chart 17).

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

[8] The yield data refer to the (initial) gross yields of commercial real estate transactions, defined as the ratio of the property's annual net rental revenue to the transaction price, and reflect the yield level requirement of investors.

[9] The 10-year EUR-denominated government bond yield is the average yield of 10-year government bonds issued by euro area countries with an AAA rating.

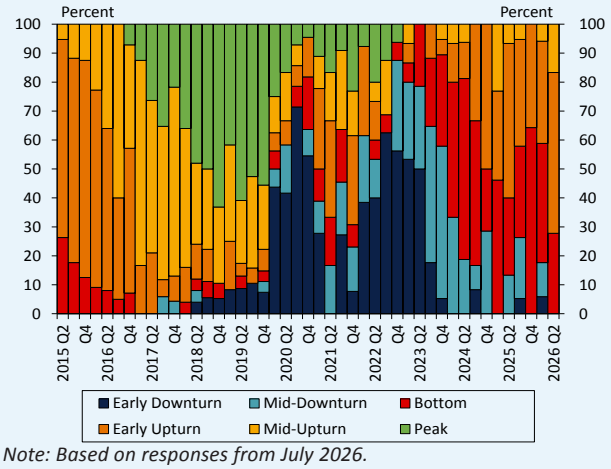
Chart 7
Valuation of commercial real estate



Note: In the case of CEE countries, estimated office market capital value indices. For the United States and the euro area, indices based in completed transactions for 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 euro area and Germany, the last data point is 2025 Q4; in the case of the United States, it is 2026 Q1.

Source: BIS, CBRE, Cushman & Wakefield

Chart 8
Perceptions of the current phase of the domestic CRE market cycle



Note: Based on responses from July 2026.

Source: RICS

Valuations of commercial real estate improved, albeit at a slow pace, both in the region and in Western European countries. In 2026 H1, commercial property investment volume rose by 14 percent for Europe as a whole (Annex, Chart 18). Primary office investment yields typically stagnated in the more mature Western European office markets and in the majority of countries in the CEE region. In Germany, the price index for office and retail properties rose steadily in 2025 and was 3.5 percent higher at year-end than one year earlier (Chart 7). Based on developments in prime office yields and prime rents, the estimated capital value of prime office properties in Western Europe increased on average[10] by 5.7 percent in the year to end-June 2026.[11] In Central and Eastern Europe, the improvement in valuations also continued, with capital values increasing on average by 5.4 percent in the period under review, showing country-level changes ranging between 1 and 9 percent. The increase in valuations is mainly attributable to rising rents, while yields have stagnated. Based on prime office yields and rents, the capital value of prime office investments in Budapest advanced by 1 percent versus the end of 2025 Q2. Valuations in the office markets still lag significantly behind the levels seen in the years prior to 2023. Persistent geopolitical tensions, rising euro yields and the continued modest level of investment activity are counteracting the decline in expected yields in the property market, hindering any substantial improvement in valuations.

The majority of experts already viewed the Hungarian commercial real estate market as being in a recovery phase, but their assessment of the situation remains uncertain based on data from recent quarters. According to a survey by the Royal Institution of Chartered Surveyors (RICS), at end-2025 nearly two-thirds of the experts surveyed considered the domestic commercial real estate market to be at the bottom of the cycle, whereas by end-June 2026, this proportion had fallen to 28 percent (Chart 8). One positive development is that not a single respondent perceived a market downturn at the end of the second quarter, whereas at the end of the first quarter, 18 percent still perceived a downturn. At the end of 2026 Q2, a net 40 percent of respondents expected office capital value to rise over the next three months – a development unprecedented since the start of the coronavirus pandemic, as experts had been forecasting a decline in capital values almost continuously since then (Annex, Chart 28).

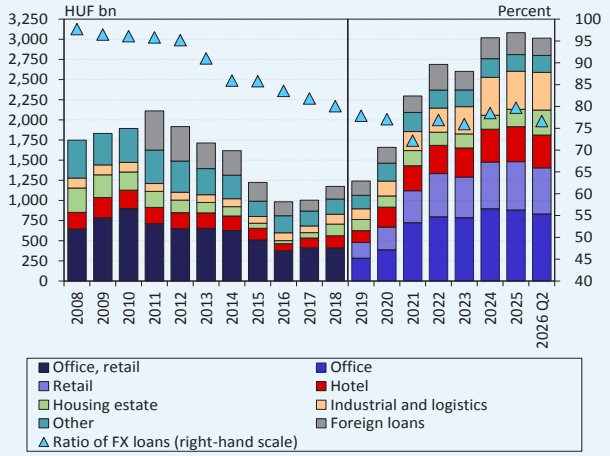
[10] The capital value of prime offices is a calculated, theoretical value, being the amount of the annual net rental revenue resulting from the level of prime rental rates capitalised by the prime yield as a perpetual annuity (annual prime revenue from rents/prime yield).

[11] 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.

4 Commercial Real Estate Financing

In 2026 H1, the stock of project loans linked to the financing of housing estates expanded by 44 percent, while it stagnated in the industrial-logistics segment. In the hotel, office and retail segments, banks' loan portfolios contracted by between 5–6 percent over the 6-month period. The volume of project loans granted by credit institutions in 2026 H1 increased at a year-on-year rate of 21 percent. The average LTV ratio of the project loan portfolio secured by commercial real estate fell from 51 percent at the end of 2025 to 49 percent by 2026 Q2, while the NPL ratio rose by 0.6 percentage point to 3.7 percent. The risk classification of credit institutions' project loan portfolio backed by commercial real estate did not deteriorate overall, but the risk associated with bond exposures linked to the real estate sector increased in the second quarter.

Chart 9
Composition of the credit institution sector's project loan stock for CRE purchase or development, by real estate type



Note: No breakdown by real estate type is available for loans provided to foreign companies before 2011. From 2019, the data include loans from financial intermediary institutions (including investment funds), in addition to non-financial companies.

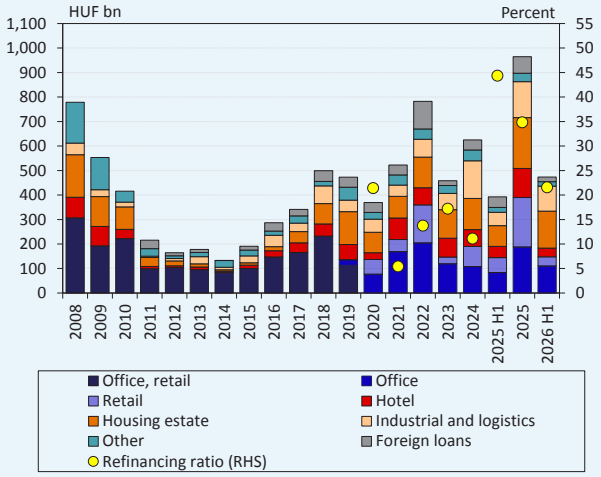
Source: MNB

Only the project loan portfolio related to the financing of housing estates expanded in 2026 H1. As of end-June 2026, the stock of commercial real estate financing project loans on the balance sheets of credit institutions[12] amounted to HUF 3,015 billion, representing a 4.4-percent increase versus end-2025, excluding exchange rate effects (Chart 9). In 2026 H1, only the project loan portfolio linked to the financing of housing estates expanded, growing by approximately 44 percent. In the industrial-logistics segment, the banks' loan portfolio stagnated, while in the hotel, office and retail segments it contracted by between 5–6 percent over the 6-month period. The share of foreign-currency loans within the portfolio stood at 77 percent at end-June 2026, representing a decline 3 percentage points compared to end-2025. Within the project loan portfolio of the credit institution sector as of end-June 2026, the three banks with the largest portfolios collectively held a 54-percent share, which is essentially the same as their market share at the end of 2025. Overall, the credit institution sector's project loan portfolio accounted for 31 percent of regulatory capital, while its exposure – supplemented by the institutions' bond portfolios linked to property transactions – stood at 40 percent in June 2026 (Annex, Chart 23). Compared to the level at the end of the first quarter, this indicator fell by 3.8 percentage points by the end of the second quarter, mainly due to an improvement in the institutions' capital adequacy.

Amidst rising market concentration, the volume of project loans granted by credit institutions increased by one-fifth. In 2026 H1, credit institutions disbursed HUF 474 billion in development or acquisition project loans secured by commercial real estate, representing a year-on-year increase of 21 percent (Chart 10). 22 percent of new

[12] In monitoring the stock and disbursements of CRE-backed project loans, the MNB has switched to using loan contract level data from the credit registry data reporting system, which are available from December 2019 onwards. Compared to the previously used data tables based on the CRR definition of project loans, the credit registry provides a broader coverage of project loans; therefore, the comparability of the stock data prior to 2019 Q4 to the data for 2019 Q4 and subsequent periods is limited in Charts 9 and 10.

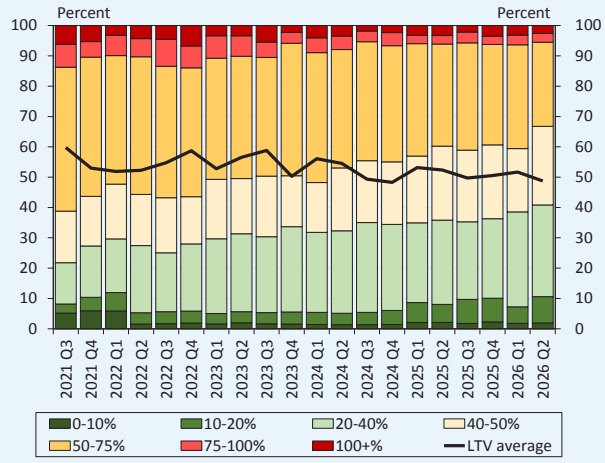
Chart 10
Project loan disbursements of the credit institution sector for the development or purchase of commercial real estate, by property type



Note: No breakdown by real estate type is available for loans provided to foreign companies before 2011. From 2020, the data include loans from financial intermediary institutions (including investment funds), in addition to non-financial companies.

Source: MNB

Chart 11
Composition of the project loan portfolio backed by commercial real estate by LTV categories



Note: In proportion to outstanding principal amount, without housing estate loans. Data necessary for LTV calculation are available for around 80 percent of the total portfolio, for 82 percent at end-June 2026.

Source: MNB

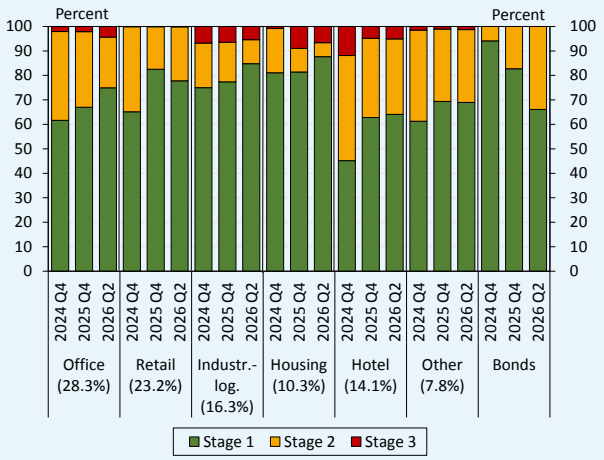
disbursements were for refinancing purposes, while in the same period of the previous year, this proportion was 44 percent. The growth in lending was driven primarily by loans in the housing estate and industrial-logistics segments, which expanded by 79 percent and 87 percent in year-on-year terms, respectively. In the case of office buildings, lending increased by 31 percent, while in the hotel segment – which accounts for a small share of the market – lending fell by 23 percent. In 2026 H1, the three most active lending banks accounted for 66 percent of sector-level volume, with the highest concentration – at around 92 percent – observed in lending to the retail segment (Annex, Chart 20). In June 2026, the average interest rate on newly contracted market-based project loans was 8.1 percent for HUF-denominated loans and 5.6 percent for EUR-denominated loans (Annex, Chart 21). According to the MNB's July 2026 Lending Survey,[13] banks indicated that they would further tighten lending conditions for office project loans due to the negative outlook for the sector (Annex, Chart 25).

The NPL ratio of the project loan portfolio backed by commercial real estate has risen, while the loan-to-value ratio remains favourable. In 2026 Q2, based on outstanding principal, the loan-to-value (LTV) ratio exceeds 75 percent in 6 percent of the CRE-backed project loan portfolio and 100 percent in 3 percent of this portfolio (Chart 11). The average LTV ratio of credit institutions' project loan portfolio secured by commercial real estate fell from 51 percent at end-2025 to 49 percent by 2026 Q2. An LTV ratio around 50 percent can be regarded as conservative. The portfolio quality of the banking sector's project loan portfolio secured by commercial real estate deteriorated in 2026 H1, with the NPL ratio rising by 0.6 percentage point to 3.7 percent. An improvement was seen only in the housing estate segment.

The risk classification of the project loan portfolio secured by commercial real estate did not deteriorate overall, but the risk associated with bond exposures linked to the property sector increased. In the breakdown of credit institutions' commercial real estate-backed project loan portfolios by impairment category, the proportion of loans with increased credit risk (Stage 2 classification) fell from 24 percent to 20 percent in 2026 H1, with this improvement being observed in almost all commercial real estate segments (Chart 12). In the office market, however, while the proportion of Stage 2 loans fell, the proportion of Stage 3 loans rose moderately. While the risk classification of the loan portfolio did not deteriorate overall, the risk associated with the credit institutions' own-account bond exposures linked to the real estate sector increased. At

[13] MNB Lending Survey, July 2026. Available at: https://www.mnb.hu/en/financial-stability/publications/lending-survey/senior-loan-officer-survey-on-bank-lending-practices-july-2026

Chart 12
Composition of the commercial real estate exposures by impairment categories



Note: Credit institution sector. Loan data include loans to financial intermediaries (including investment funds), in addition to non-financial corporations. The share of the segment's loan exposure in the CRE-backed project loan stock is shown in parentheses. The bonds category includes corporate bond exposures related to the real estate sector held by credit institutions on their own account.

Source: MNB

end-June 2026, credit institutions held corporate bonds for property financing totalling HUF 831 billion, up 50 percent versus end-2025. At the same time, the proportion of the bond portfolio classified as Stage 2 rose from 17 percent at the end of 2025 to 34 percent by the end of 2026 Q2. In examining the maturity and renewal risks of credit institutions' project loan portfolios backed by commercial real estate, the refinancing of exposures (with market-rate loans) at maturity is likely to pose the biggest problem in the case of Stage 2 or Stage 3-rated subsidised loans that currently still carry preferential interest rates. Within the loan portfolio of HUF 310 billion maturing over the next year – between 2026 Q3 and 2027 Q2 – HUF 55 billion (17.7 percent) consists of maturing loans with higher risk ratings, which represents 1.8 percent of the total project loan portfolio backed by commercial real estate as of end-June 2026 (Annex, Chart 22).

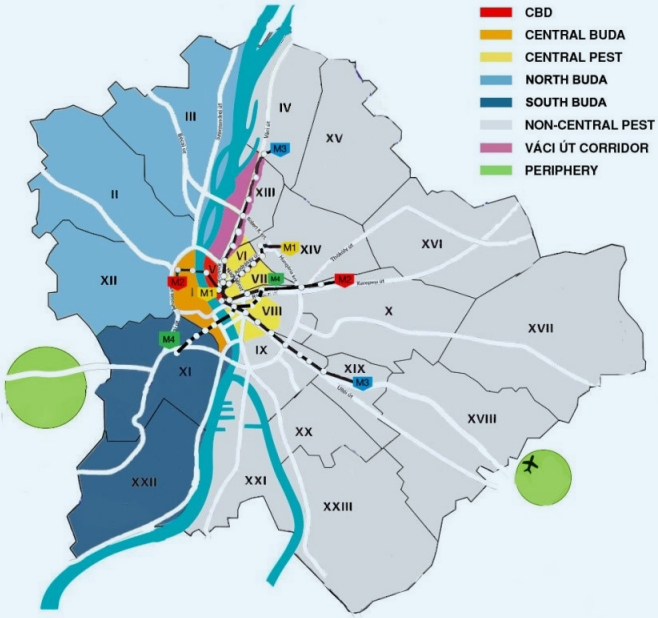
Annexes

ANNEX 1: OVERVIEW OF THE SUB-MARKETS OF THE BUDAPEST OFFICE MARKET[14]

According to data collected by the Budapest Research Forum, the Budapest office market is divided into the following eight sub-markets (Chart 13):

- **City Centre (Central Business District – CBD):** The inner districts of Budapest, primarily the office buildings in District V and on Andrássy út and the surrounding streets from Bajcsy-Zsilinszky út to the Oktogon. Most of the Central Business District 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 Central Business District–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 II, III and XII; investments are limited to smaller areas.

Chart 13
Sub-markets of the Budapest office market



Source: Budapest Research Forum

- **South Buda**: District XI and XXII. 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 Central Business District, 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

[14] Source: Cushman & Wakefield

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 LEASING DEMAND

Members of the Budapest Research Forum (CBRE, Colliers International, Cushman & Wakefield, Eston International, iO Partners, Robertson Hungary) collect CRE rental 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 agreement 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 lease agreement concluded with a tenant that is already present in the property, but rents area additional to its existing tenement.
- **Owner occupancy:** 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 agreement with no effect on the leased 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 agreements; from the above, it includes the volume of new leases, pre-leases and expansions for the period considered.
- **Net take-up (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.

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