HOUSING MARKET REPORT

2025

MAY

‘Using our skills, we may be able to build stairs out of the stones which block our way.’

Count István Széchenyi

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(May 2025)

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The housing market is of key importance for both economic agents (households, financial institutions) and the broader national economy. Housing market trends correlate closely with financial stability issues and are fundamental determinants of the short-term and long-term cyclical outlook. Overall, one can say that the housing market is integrally linked to all areas of the national economy. Housing market trends – in particular fluctuations in house prices – shape the savings and consumption decisions of households through their effect on their financial situation; they also impact the portfolios, profitability and lending activity of financial institutions via the collateral of mortgage loans.

The Housing Market Report provides a comprehensive overview of current trends on the Hungarian housing market, identifying and describing the macroeconomic processes that influence the demand and supply sides of this market. Every six months, the Magyar Nemzeti Bank presents the relevant developments on the housing market in Hungary in this publication.

Within its primary duties, the Magyar Nemzeti Bank views the property market and therein the housing market as key areas in terms of inflation, the economic cycle and financial stability. The development of property market supply has a direct impact on economic growth, and oversupply and inadequate supply can both have serious consequences for financial stability. House price appreciation increases the wealth of households and encourages them to boost their consumption, which in turn affects growth and inflation. Price appreciation also increases the lending capacity of financial institutions while reducing their expected losses, which has a stimulating effect on the economy via an increased supply of credit. The interconnection between the residential mortgage loan market and house prices demands special attention, as a self-reinforcing interaction can develop between bank lending and house prices over the course of economic cycles.

Using a complex, multifaceted set of data, the Housing Market Report facilitates a deeper understanding of the factors behind market trends and provides insight into the interconnections among individual market participants. Nowadays, the housing market is discussed in central bank publications, both in Hungary and internationally, but typically only from the perspective of the main subject of the particular publication. In this context, the Housing Market Report is an internationally unique central bank publication, given the synthesis it offers in terms of the various macroeconomic and financial stability aspects of the real estate market. The following sets of information are used for this publication:

- *The description of the macroeconomic environment shaping the housing market is based on the information presented in the MNB's Inflation Report[1]. The statistical variables most relevant to the housing market include changes in average earnings, real incomes, unemployment and the yield environment.*

- *Our analysis of current trends on the housing market relies primarily on information supplied by the Central Statistical Office, the National Tax and Customs Administration and property agencies. Information on housing market turnover and house price trends can be subdivided according to the differences between the new-build and pre-owned segments of the housing market. Data on the regional heterogeneity of the housing market are also used.*

- *To present housing market trends in the widest possible perspective, the findings and recommendations of market and governmental actors are incorporated with the help of the Housing and Real Estate Market Advisory Board (hereinafter: LITT).*

- *Our analysis of the residential mortgage loan market relies primarily on credit institutions' balance sheet data, interest rate statistics and loan agreement-level granular loan data collected by the MNB, and we also use the information collected in the Lending Survey[2] on qualitative features in lending processes.*

[1] Magyar Nemzeti Bank, Inflation Report: https://www.mnb.hu/en/publications/reports/inflation-report
[2] Magyar Nemzeti Bank, Lending Survey: https://www.mnb.hu/en/financial-stability/publications/lending-survey

Contents

1 Executive summary

At the beginning of 2025, the macroeconomic fundamentals determining housing market demand remained stable. The level of employment in the national economy continued to be historically high, with a growing trend in wages in the private sector that is strong but slower compared to previous years, and an ongoing increase in real wages.

In 2025 Q1, following annual growth of 7 per cent, the number of housing market transactions nationwide exceeded the long-term average, primarily due to the increase in turnover observed in rural areas, which was supported by a wide range of housing programmes and household savings from the government securities market. The heightened investor interest in 2024 Q4 eased in 2025 Q1, with investor participation returning to a balanced level on both the buyer and seller sides of the market, which may have been influenced by a decline in rental yields. At the same time, as a result of limited supply and strong demand, bidding characterised 8.3 per cent of sales on a national average, while in Budapest, an unprecedented 18 per cent of properties were sold above the asking price in Q1.

In 2024 Q4, housing prices in Hungary rose by 15.1 per cent year on year, which was an outstanding rate even by European Union standards and corresponded to a 10.9 per cent increase in real terms. Based on preliminary data, annual housing price growth reached 15.0 per cent nationwide and 19.2 per cent in Budapest in 2025 Q1, with the latter also recording an extremely high quarterly increase of 8.7 per cent. In 2024 Q4, we estimate that housing prices exceeded the level justified by fundamentals by 14.3 per cent nationwide, halting the steady decline in overvaluation that had been ongoing since early 2023. Overheating on the housing market was indicated by housing prices rising faster than rents, incomes and construction costs throughout 2024. Higher house prices than justified by fundamentals also manifest themselves in poorer housing market accessibility, which, looking ahead, may force buyers using credit to take on higher financial strain. However, the financial stability risk stemming from overheating and a potential housing price correction are mitigated by the fact that mortgage loans outstanding typically have low loan-to-value ratios.

Parallel to the upturn in housing market demand, the volume of housing loans also increased significantly in Q4, by 91 per cent year on year, and in the first two months of 2025, the value of disbursements exceeded HUF 120 billion per month. The number of concluded housing loan contracts grew at a more moderate pace than the volume of loans disbursed, meaning that the upturn in housing loans was mainly attributable to an increase in contract sizes. By February 2025, the average contractual amount of market-based housing loans for the purchase of used homes rose to HUF 20 million, and to HUF 27 million for the purchase or construction of new homes. Based on the Lending Survey, banks reduced spreads on housing loans in 2025 Q1, but looking ahead to the next six months, they plan to tighten price-related conditions in line with the cost of bank funding. Banks expect the upturn in demand for housing loans seen in Q1 to continue. In the case of market-based housing loans, with average APRs stagnating at 6.7 per cent for months, housing affordability with a mortgage has deteriorated due to accelerating housing price dynamics. For families who do not plan to have more children and are therefore not eligible for most housing subsidies, purchasing new or used homes in more expensive areas, such as the capital, with the help of loans, would in most cases mean excessive financial strain.

The 13,300 occupancy permits issued for newly built residential properties in 2024 represent a 29 per cent decline compared to 2023. The last time the number of homes completed was lower than this was in 2016. This means the annual renewal rate of the domestic housing stock was 0.29 per cent, the lowest in Europe. Looking ahead, the modest construction volume is indicated by the fact that building permits were issued for 20,500 new homes in 2024, which was 27 per cent less than in 2023. In 2024 Q4, residential construction costs rose significantly even compared to the EU average, by 5.1 per cent, driven by a 12.8 per cent increase in construction labour costs. In 2025 Q1, banks reported brisk demand for housing loans even under unchanged lending conditions, and looking ahead to the next six months, a high proportion of banks expect demand to pick up further in this segment. At the end of 2025 Q1, 21,600 new condominium flats were under construction nationwide, representing a quarterly increase of 19 per cent. Although more modest than the peak in 2024 Q4, the sale of a significant number of new homes was launched in Budapest in Q1, but strong demand caused the number of vacant *new homes available for purchase to fall by 11 per cent year on year in the capital. In the rural new-build market, 1,971 homes made it to the market in 2024 Q4 and 2025 Q1, with the available supply increasing by 7 per cent. The number of new homes sold in Budapest in 2025 Q1 set a new record, exceeding the previous quarter's outstanding sales by 11 per cent. The average price per square metre of new homes in the capital rose to HUF 1.68 million by the end of 2025 Q1, representing a further acceleration in annual price growth to 14 percent.*

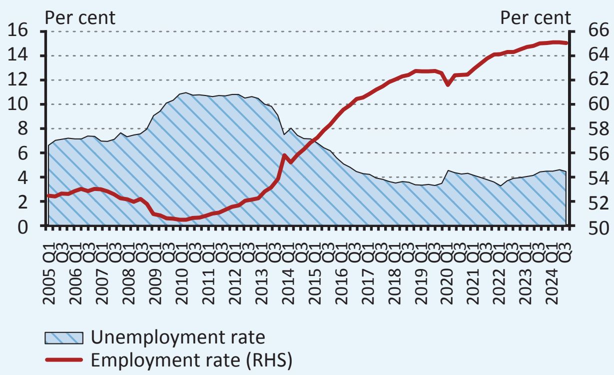
2 Housing market demand and house prices

Among the macroeconomic indicators determining housing demand, the number of people employed in the national economy remained at a historically high level at the beginning of 2025, but the number of job vacancies continued to decline across a wide range of sectors in the national economy, easing the tightness in the labour market. Average gross earnings in the private sector are rising at a more moderate pace than in previous years, but real earnings have been growing again since September 2023, supporting the expansion of household investment. The significant volume of household savings released from the government securities market also supported the upturn in housing market demand. The heightened investor interest in 2024 Q4 eased in 2025 Q1, with investor participation returning to a balanced level on both the buyer and seller sides of the market, which may have been influenced by a decline in rental yields.

In 2024 Q4, the annual nominal growth rate of housing prices reached 15.1 per cent nationwide, making Hungary the country with the highest housing price growth in the European Union after Bulgaria. In real terms, a 10.9 per cent increase was observed in Q4. Based on preliminary data, annual housing price growth reached 15.0 per cent nationwide and 19.2 per cent in Budapest in 2025 Q1, with the latter also recording an extremely high quarterly increase of 8.7 per cent. In 2024 Q4, the estimated deviation of housing prices from the level justified by fundamentals reached 14.3 per cent nationwide, representing a 1.7 percentage point increase compared to Q3. The continuous decline in overvaluation since early 2023 came to a halt as a result of high housing price dynamics. Overheating on the housing market led to housing prices rising faster than rents, incomes and construction costs throughout 2024.

In 2025 Q1, following annual growth of 7 per cent, the number of housing market transactions nationwide exceeded the long-term average. The number of transactions stagnated in Budapest and cities with county rights, but in other cities it increased by 18 per cent, and in villages by 11 per cent, year on year. The increase in the number of sales in rural areas was supported by positive real wage dynamics and a wide range of housing programmes available in rural areas. In 2025 Q1, bids accounted for 8.3 per cent of sales nationwide, while in Budapest, an unprecedented 18 per cent of properties were sold above the asking price. According to data from the advertising platform ingatlan.com, interest in new homes in 2025 Q1 was 47 per cent higher in Budapest and 76 per cent higher in county seats than a year earlier, which may have been influenced by speculative demand.

Chart 1
Unemployment and employment rate

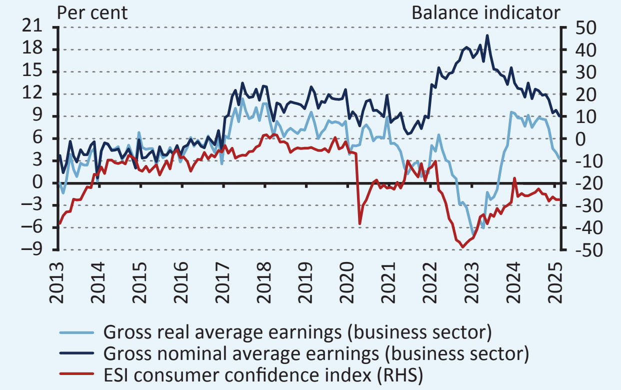


Note: In the 15–74 age group.
Source: HCSO

2.1 FAVOURABLE MACROECONOMIC FUNDAMENTALS AND RELEASE OF HOUSEHOLD SAVINGS SUPPORTED DEMAND IN HOUSING MARKET

The number of people employed in the national economy remains historically high. Between December 2024 and February 2025, the average number of people in employment was 4,689,000, which was 3,000 higher than a year earlier. The unemployment rate stood at 4.4 per cent in 2024 Q4 (Chart 1). The average number of unemployed persons between December 2024 and February 2025 was 214,000, which is 16,000 fewer than in the same period a year earlier. Labour market tightness has been easing since mid-2022, and in 2024 Q4, the number of job vacancies continued to decline year on year across

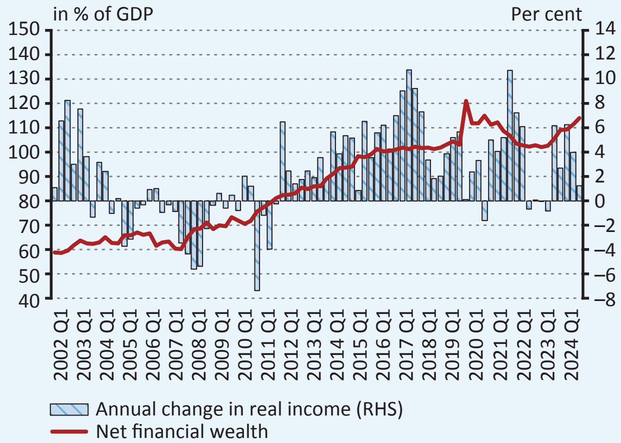
Chart 2
Annual changes of average wages in private sector and changes in ESI consumer confidence index



Note: Based on seasonally adjusted data. The data series runs until February 2025.

Source: HCSO, European Commission

Chart 3
Changes in households' financial assets, liabilities and real income



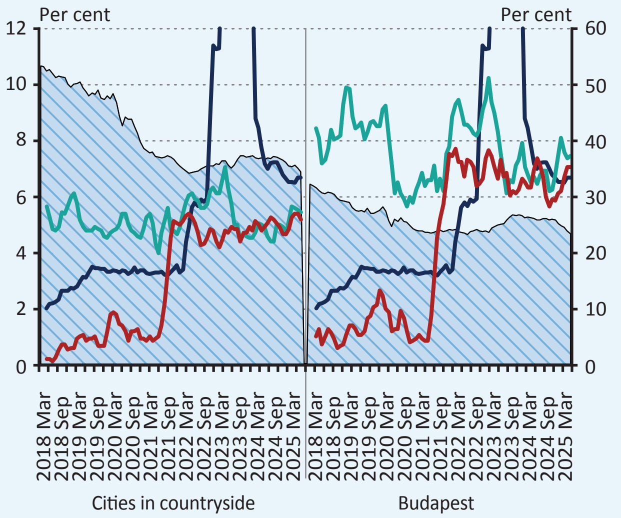
Source: HCSO, MNB

a wide range of sectors in the national economy. The largest decline in Q4 was in industry and in the administrative and support service activities sector, which includes temporary employment. According to ESI's March survey, the majority of companies in construction, industry and trade are planning to reduce their workforce in the coming months.

Nominal wage growth may be more moderate in 2025 than last year, but real wages are expected to continue rising. In 2024 Q4, gross average earnings in the private sector increased by 10.8 per cent and regular average earnings by 11.1 per cent year on year, while bonus payments remained below previous years' levels. In February, annual wage growth slowed in both the private and budgetary sectors: on an annual basis, wages were 9.0 per cent higher in the private sector, and following sectoral wage measures (e.g. wage increases for teachers, water-sector workers, judges and judicial staff) that took effect at the beginning of the year, 9.5 per cent higher in the public sector (Chart 2). Labour market tightness has eased recently, and the 9 per cent minimum wage increase at the beginning of the year was lower than last year and in line with basic wage trends. This means that in 2025, nominal wage growth in the private sector is expected to be more moderate than in the previous year, and real wages will continue to rise.

In 2024 Q4, real household income rose by 1.3 per cent year on year. The growth dynamics of households' net financial assets as a percentage of GDP have been accelerating again since the low point in 2023 Q2 (Chart 3). In 2025, we expect household consumption to continue growing thanks to favourable wage and income trends. In addition to real wage growth, the government programmes announced and the revival in consumer lending are also supporting further growth in consumption this year.

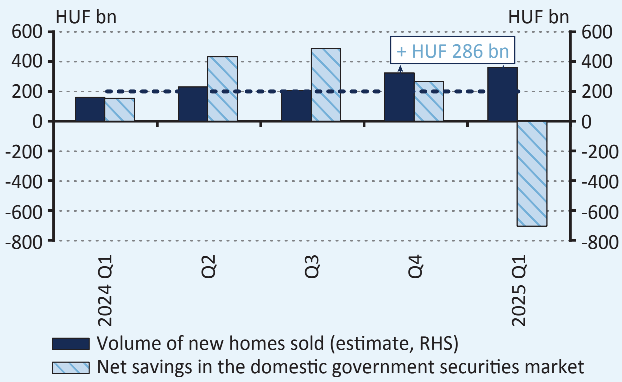
Chart 4
One-year forward-looking rental yield and share of house purchases for investment purposes and those selling their investment



Note: The annual rental yield calculated as the ratio of the annual rental yield net of personal income tax to the house price plus duty on the acquisition of property. The rent and house price data used in the calculations refer to homes with a floor space of 60 square metres. The reference interest rate is based on the average annual interest rates at the time of sale, weighted by the monthly issue volume of dematerialised forint retail government securities.

Source: ingatlan.com, HCSO, Duna House, MNB

Chart 5
Change in net financial savings of households and volume of new-build home contracts



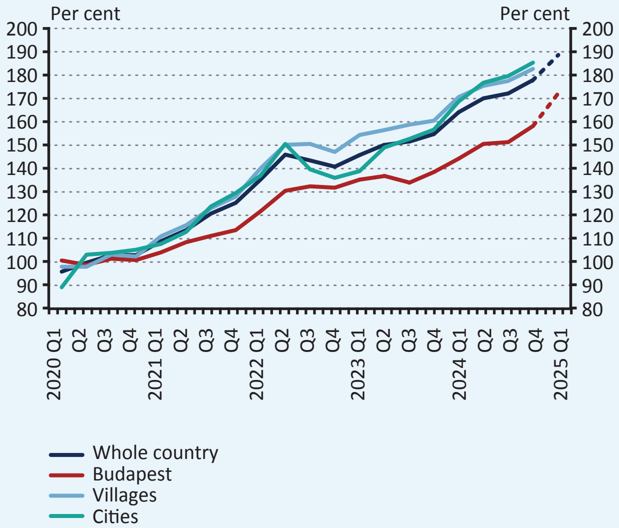
Note: The dotted line indicates the average contracted new-build home volume for the first three quarters of 2024.

Source: MNB

Rental yields decreased at a similar rate in one year to the weighted interest rate on retail government securities. According to measurements by housing agency Duna House, 27 per cent of home buyers and 26 per cent of sellers in rural areas were investors in 2025 Q1, while in Budapest, 37 per cent of buyers and 35 per cent of sellers were investors (Chart 4). Investor participation is thus balanced once again on both sides of the market, following a temporary net increase in excess demand from investors in the housing market in the capital in 2024 Q4. Rental yields in March 2025 fell from 7.3 per cent in the same period of the previous year to 6.9 per cent on average in rural towns, and from 5.2 per cent to 4.7 per cent in Budapest.

Households were able to transfer nearly HUF 300 billion in additional savings to the housing market in two quarters. In 2025 Q1, the savings of households held on the domestic government securities market decreased by approximately HUF 700 billion due to significant interest payments that were not reinvested (Chart 5). These funds did not appear in full in the change in other financial savings, which (apart from being reflected in additional consumption) can also be explained by the fact that households transferred a larger proportion of their savings than usual into real assets, primarily on the domestic housing market. The new funds directed by households towards the real estate market can be approximated by the volume spent on the new housing market (in the case of used housing transactions, the sum of the real assets and cash assets of the buyer and seller remains unchanged). While we estimate that an average of HUF 200 billion in new housing was sold in each of the first three quarters of 2024, in 2024 Q4 and 2025 Q1 buyers signed contracts for new homes worth significantly more, at HUF 323 billion and HUF 361 billion, respectively. We also took into account preliminary contracts among sales, which are not necessarily linked to immediate significant cash flows, so the volume increase at the end of 2024 could also be covered by subsequent interest payments on government securities. To a much lesser extent, new funds also flowed into the housing market from voluntary pension fund savings, as the government made it possible to use pension fund assets for housing purposes by 2025. By the end of March, fund members had requested HUF 38 billion in withdrawals, of which HUF 16.6 billion was disbursed during the same period, while nearly half of the amount disbursed was used to finance loan repayments (Annex, Chart 13).

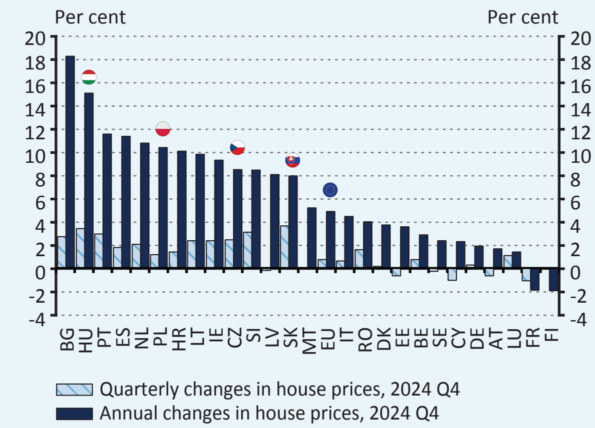
Chart 6
Nominal MNB housing price indices by settlement type (2020 = 100 per cent)



Note: Based on housing agent data for 2025 Q1.

Source: MNB

Chart 7
Developments in house prices in EU Member States



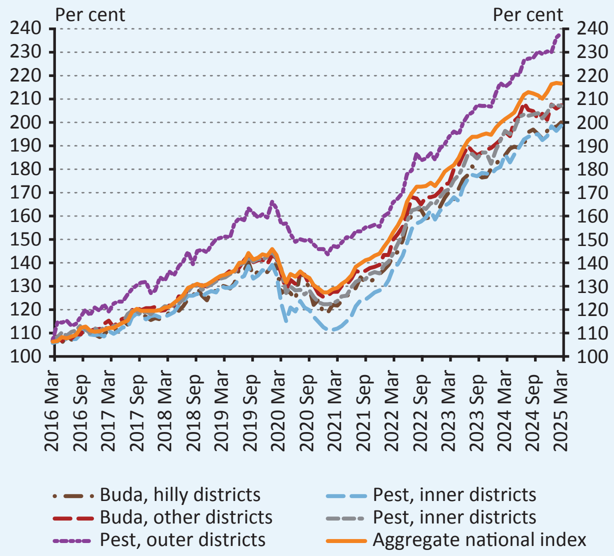
Source: Eurostat, MNB

2.2 OVERVALUATION HAS INCREASED AGAIN DUE TO ACCELERATING HOUSE PRICE DYNAMICS

House price dynamics accelerated rapidly in all types of settlements, and exceptionally rapidly in the capital. Domestic house prices grew at a nominal rate of 15.1 per cent nationwide in 2024 Q4, representing a 10.9 per cent increase in real terms. Based on indices published by the Hungarian Central Statistical Office, prices for new and used homes rose at a similar rate (Annex, Chart 2). Nominal house prices rose by 14.3 per cent in Budapest, 13.8 per cent in rural towns, and 18.4 per cent in villages in 2024 Q4 compared to the same period of the previous year (Chart 6). In 2025 Q1, based on transaction data of real estate agents, annual house price dynamics reached 15.0 per cent nationwide and 19.2 per cent in Budapest, following an extremely high quarterly increase of 8.7 per cent.

The growth rate of house prices accelerated across a wide range of EU Member States. Nominal house prices in the European Union housing market rose by an average of 0.8 per cent on a quarterly basis and by an average of 4.9 per cent on an annual basis in 2024 Q4. In the vast majority of Member States, annual house price growth ranged between 1 and 11 per cent (Chart 7). Only Hungary (+15.1 per cent) and Bulgaria (+18.3 per cent) saw greater increases in housing prices, while only France and Finland experienced slight declines (both -1.9 per cent). The end of 2024 was generally characterised by accelerating price increases in EU housing markets, with dynamic quarterly increases in house prices observed in several Member States. The ratio of house prices to incomes rose by nearly 3 per cent on average in the Visegrad countries, while in the euro area it remained flat year on year (Annex, Chart 6).

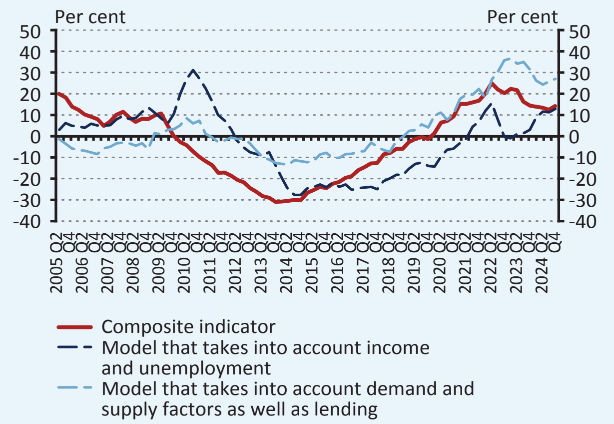
Chart 8
Rent indices for Budapest districts based on rental listings on ingatlan.com (2015 = 100 per cent)



Note: Buda hills districts: I, II, XII, Buda, other districts: III, XI, XXII, Pest, inner districts: V, VI, VII, VIII, IX, Pest, transitional districts: X, XIII, XIV, XIX, XX, Pest, outer districts: IV, XV, XVI, XVII, XVIII, XXI, XXIII

Source: ingatlan.com, HCSO

Chart 9
Deviation of house prices from estimated level justified by fundamentals[3]



Source: MNB

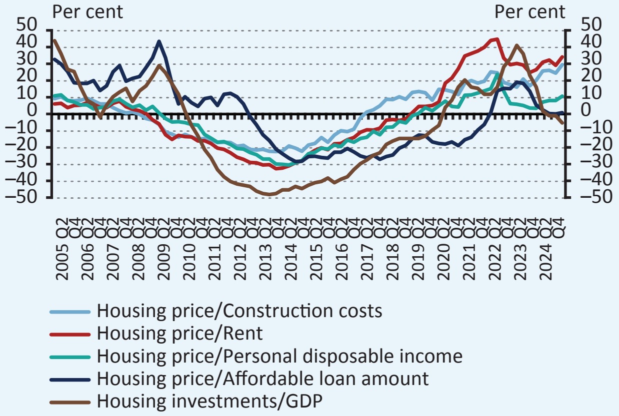
The expansion of available rental supply and the slowdown in rental growth continued in 2025 Q1. According to data from ingatlan.com, 16,200 homes were advertised for rent nationwide at the end of March 2025, which represents a slight increase in the number of vacant rental properties on a quarterly basis, and a 32 per cent increase in the number of homes available for rent on the market year on year. According to the HCSO-ingatlan.com rent index, rents in Budapest were 6.7 per cent higher in March than a year earlier, representing a slowdown compared to the 9.6 per cent annual growth rate recorded in the previous quarter. As a national average, the annual growth rate of rents slowed from 9.3 per cent to 7.6 per cent during the same period, and a modest price correction of 0.1 per cent was observed compared to Q4 (Chart 8). In a regional breakdown, after the capital, the highest average monthly rent in 2024 H2 was in the Northern Great Plain region, exceeding HUF 200,000, while the lowest average rent of HUF 136,000 was paid in Northern Hungary (Annex, Chart 9).

Housing market overvaluation increased again at the end of 2024. According to our composite indicator, the estimated deviation of house prices from the level justified by fundamentals reached 14.3 per cent nationwide in 2024 Q4, which is essentially unchanged from the same period of the previous year, but represents a 1.7 percentage point increase compared to Q3 (Chart 9). The high house price dynamics thus brought to a halt the steady decline in overvaluation that had been ongoing since early 2023. Our additional model estimates also indicate an increase in overvaluation in Q4. Higher house prices than justified by fundamentals manifest themselves in poorer housing market accessibility too, which, looking ahead, may force buyers using credit to take on higher financial strain. Furthermore, bank collateral values also decrease if falling housing prices trigger an overvaluation correction – this financial stability risk is mitigated in terms of mortgage loans outstanding by the fact that the typical current loan-to-value ratio is low[4].

[3] We analyse the deviation of house prices from the level justified by fundamentals using a composite indicator and quantify it based on two model-based estimates. The sub-indicators of the composite index: house price/income, house price/rent, new house price/construction cost, house price/affordable contract-size, housing investments/GDP. The composite index is the weighted average of the deviations of each sub-indicator from the long-term average. For detailed methodology, see: Lados, Csaba (2025): *Composite indicator for estimating housing market overvaluation in Hungary and Budapest,* Magyar Nemzeti Bank, MT 154. The model estimates are as follows: 1. Estimating the level of domestic house prices determined by macroeconomic fundamentals in a dynamic OLS model framework. The explanatory variables of the model are household disposable income and the unemployment rate. 2. Estimating the long-term equilibrium level of domestic housing prices determined by macroeconomic fundamentals using a vector error correction model (VECM). For detailed methodology, see: Berki–Tibor Szendrei, Tamás (2017): *The cyclical position of housing prices – a VECM approach for Hungary*, Magyar Nemzeti Bank, OP 126. The deviation of Budapest house prices from the estimated level justified by fundamentals is presented based on the Budapest composite indicator, where the estimation range is given by a weighted version of the deviations from the long-term average of the composite indicator sub-indicators and a weighted version of the deviations from the HP trend of the sub-indicators. In the Budapest composite, the housing investment/GDP sub-indicator is replaced by the number of house constructions.

[4] Financial Stability Report (May 2023), Box 5: Risks arising from credit institutions' exposures to the real estate market in the event of a possible market correction.

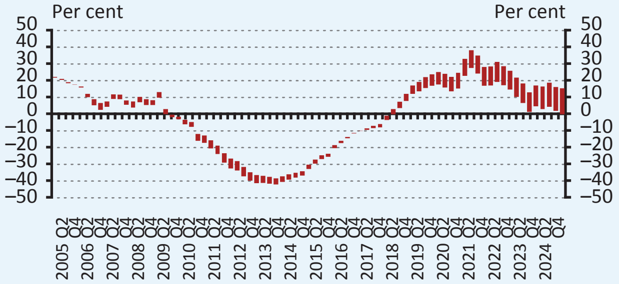
Chart 10
Sub-indicators of composite indicator



Note: Deviations from long-term averages.

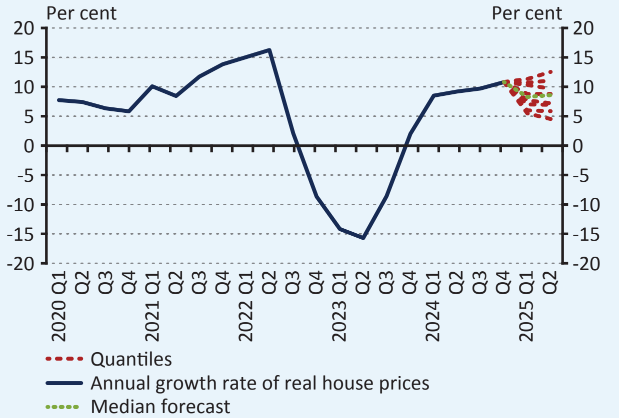
Source: MNB, HCSO, Eurostat

Chart 11
Estimated range of deviation of Budapest house prices from level justified by fundamentals



Source: MNB

Chart 12
Forecast of annual growth in real house prices



Note: Forecast based on MNB's real aggregate house price index for 2024 Q4. The chart shows the annual real growth of the house price index from the 10th quantile to the 90th quantile in the forecast. Annual real growth rates were calculated using actual data (MNB housing price index available up to 2024 Q4) and quarterly real growth rates estimated using the HaR model (for 2025 Q1 and Q2).

Source: MNB

Most of the overvaluation sub-indicators already signal higher risks. An analysis of the sub-indicators of the composite indicator points towards increased overheating on the housing market with house prices rising faster than rents, incomes and construction costs during 2024 (Chart 10). All this suggests that the current level of demand in the housing market is not sustainable in the longer term. A sharper increase in overvaluation risks has been mitigated so far by housing investment as a share of GDP declining significantly in 2024, while the resulting fall in new supply partly explained the dynamic rise in house prices.

In Budapest, too, the shrinking supply reduced the risk of a correction in housing prices. In Budapest, in 2024 Q4, an average of 11.3 years of local average income was required to purchase a median-priced home of 75 square metres (Annex, Chart 5). We estimate that Budapest house prices exceeded the level justified by fundamentals by 0–15 per cent in 2024 Q4, while in the same period of the previous year, the same figure was in the 5–17 per cent range (Chart 11). Demand sub-indicators point to a rise in the overheating, but a significant decline in new construction will lead to higher equilibrium rents in the capital.

The median forecast for 2025 Q1 and Q2 is dynamic, but slowing somewhat, with annual house price growth of around 8-9 per cent. Based on the HaR model (Box 1), while the median of the Q1 and Q2 forecasts are close to each other, at around 8-9 per cent annually and around 2.5 per cent quarterly (Chart 12), the upper and lower edges of the price growth differ considerably. The Q1 estimate still shows significant growth potential, with a probability of quarterly growth above 5 per cent at less than 10 per cent, but the growth potential declines significantly in Q2. Furthermore, no price declines are expected in the first half of the year, meaning the probability of quarterly growth below 0 per cent is less than 10 per cent, while in the annual forecast, at the lower end of the distribution, a decline of around 1 per cent is becoming plausible with a 10 per cent probability.

Box 1
Short- and medium-term forecast of house price distribution using a house price-at-risk model

We have developed a house price-at-risk (HaR) model for short- and medium-term forecasting of house price distribution. The real estate transaction data used by the MNB to calculate its housing price indices are available with a significant delay, but we can get an idea of current housing price trends by making forecasts based on the latest factual data and using macroeconomic variables. A more thorough assessment of housing market risks can be achieved by estimating not only average house price changes but also the distribution of price changes. For this reason, we developed a house price-at-risk model, which we used to prepare forecasts for the annual change in the quarterly national, aggregate MNB real house price index, looking 1 and 2 quarters ahead, for nine points of the distribution.

The HaR model has several advantages over standard methods for estimating the expected value of housing prices. The HaR model uses quantile regression, which highlights the non-linear properties of economic relationships, as opposed to techniques that estimate mean values or equilibrium prices. A significant advantage of quantile regression is that, based on experience in literature, it produces robust short- and medium-term forecasts even when the explanatory variables reveal unusually large fluctuations. This was typical during the global financial crisis and the Covid pandemic, or in the months following the outbreak of the war between Ukraine and Russia. In addition, quantile regression allows for more accurate forecasting because it estimates the quantiles of house price changes separately[5], thereby taking into account that different factors play a greater role in house price dynamics depending on the forecasting horizon and quantile.

The relatively short series of Hungarian data made it necessary to refine the quantile regression technique. The availability of time series for factors important in terms of changes in housing prices determined that the estimation sample used for the forecasts prepared with the HaR model would start in 2005 Q1, thus providing 80 periods for preparing the forecast for 2025 Q1. Taking into account the short length of the periods, we supplemented the quantile regression method with a condition (known as "non-crossing") that prevents the fitted quantiles from crossing each other. In addition, we also use adaptive Lasso-type regularisation for variable selection (see Szendrei and Varga, 2023)[6]. The HaR model uses the following regression equation[7]:

$$\Delta HPI_{t+h}^{\tau} = constant + \Delta HPI_t * \beta_{HPI} + FSI_t * \beta_{FSI} + X_t^T * B_X$$

To forecast the distribution of house price changes, we took into account both housing market fundamentals and variables capturing cyclical fluctuations. Based on empirical experience, changes in housing prices are characterised by persistence, which is why we included the past value of housing price changes in the HaR model. The stress level of the financial system is captured by the Factor Based Financial Stress Index (FSI) in the model. In addition, we used macroeconomic and credit market variables, as well as factors reflecting household expectations and home constructions in the model development. First, we selected the relevant variables from the entire set of variables using variable selection. In the next step, we identified co-movements among the well-functioning variables and selected the most explanatory ones from among the highly correlated variables to increase the efficiency of the model. In addition to the FSI, the model used for the forecast ultimately included the house price/income ratio, long-term unemployment, core income, the number of building permits, and the volume of new housing loans supplemented by family subsidies[8].

[5] The model only estimates every 10th quantile, as the length of the data series used does not allow for the estimation of all quantiles.

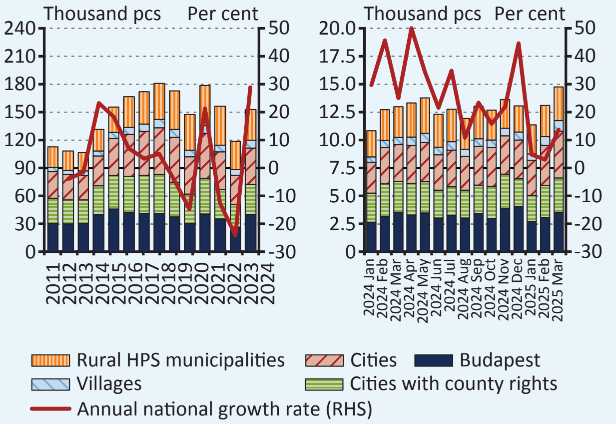
[6] Szendrei, T., & Varga, K. (2023). Revisiting vulnerable growth in the euro area: Identifying the role of financial conditions in the distribution. Economics Letters, 223, 110990.

[7] Where ΔHPI_{t+h}^{τ} is the average quarterly change in house prices between periods t and t+h, h=1,2, ΔHPI_t is the quarterly change in house prices in t, FSI_t is the factor-based financial stress index, X_t^T is the vector of additional indicators influencing housing prices. In the model, non-stationary variables are shown as year-on-year increases.

[8] The variable includes baby loans, HPS loans, and non-repayable HPS and rural HPS subsidies.

On the short horizon of the forecast, i.e. looking one or two quarters ahead, the most important impact will be on the FSI, which quantifies financial stress. The FSI impact is negative, i.e. a higher risk reduces the prospects for growth in house prices. This effect is stronger at the lower end of the distribution, meaning that a significant increase in financial stress could lead to a rapid decline in house prices. The deviation from the long-term average of the house price-to-income ratio also correlates negatively with house price changes, in line with the fact that the scope for dynamic house price increases typically narrows with an increase in housing market overvaluation. A rise in unemployment primarily affects the lower quantiles of house price changes in the short term, while newly issued housing loans and subsidies affect the upper end of house price growth. The increase in these sources of housing market financing may be accompanied by rapid growth in house prices in the short to medium term.

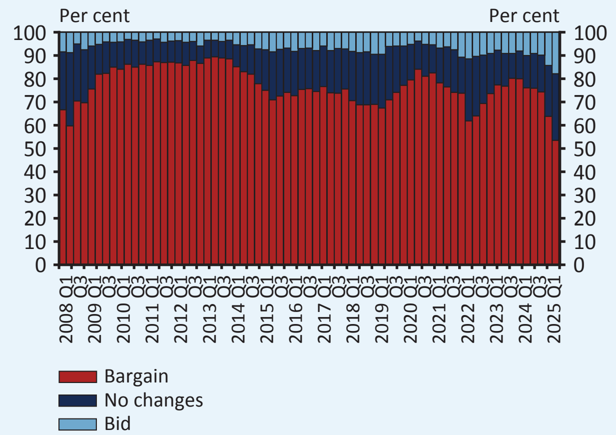
Chart 13
Number of housing market transactions by type of settlement



Note: Taking into account 50 per cent and 100 per cent ownership by private individuals. From July 2023 to September 2024, NTCA tax database data will be adjusted based on estimates of the level of processing by type of settlement. From October 2024, based on real estate agent transactions and estimated market share.

Source: NTCA, MNB, housing agent database

Chart 14
Distribution of housing transactions in Budapest by direction of deviation from last advertised price



Note: Bargaining: transaction price is lower than last advertised price. Bid: transaction price is higher than last advertised price.

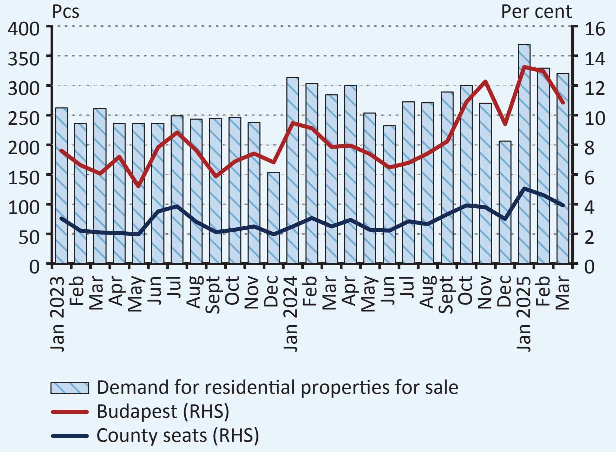
Source: MNB, housing agent database

2.3 DUE TO STRONG DEMAND, FREQUENCY OF BIDS INCREASED ALONGSIDE TURNOVER

At the beginning of 2025, housing market turnover continued to rise in smaller settlements. In March 2025, the annual rolling number of housing market sales nationwide was 155,000, with a 7 per cent year-on-year increase in 2025 Q1, meaning that the number of housing market transactions in this quarter exceeded the long-term average (Chart 13). By settlement type, the number of transactions stagnated in Budapest and cities with county rights, but increased by 18 per cent in other cities and by 11 per cent in villages in the first quarter compared to the same period last year. In addition to positive real wage dynamics, the wide range of housing programmes available in rural areas may have contributed to the increase in sales, while affordability constraints may have hindered further turnover growth in larger – and more expensive – settlements.

The frequency of bargaining has decreased, while bidding has risen to unprecedented levels, especially in the capital. In Budapest in 2025 Q1, in 54 per cent of transactions brokered by housing agents, the transaction price was lower than the last advertised price (bargaining took place), in 28 per cent of cases it was the same, and in 18 per cent of cases the transaction price was higher (bidding took place) (Chart 14). These ratios were 76–14–10 percent in the same period last year, meaning that buyers' bargaining power has significantly decreased in just a short period. The 18 per cent share of sales made with bidding at the beginning of 2025 represents an unprecedented and exceptionally high level in the capital (the long-term average, calculated from 2008, is only 7 per cent). At a national average, 8.3 per cent of sales were characterised by bidding in Q1, which is also a record high (the long-term national average is 4.8 per cent). The median value of bargains in Budapest fell to a record low of 0.9 per cent in 2025 Q1, while it also declined in rural areas, but remained significantly higher, typically at 4 per cent (Annex, Chart 12).

Chart 15
Share of new homes within demand



Note: Demand: number of phone number disclosures and phone calls initiated from mobile application.

Source: ingatlan.com

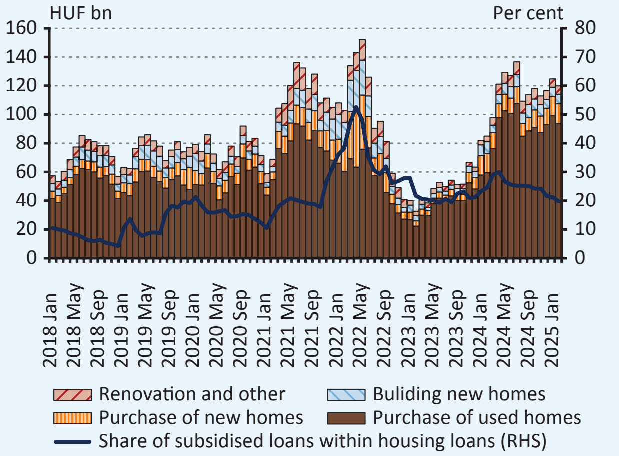
The share of new homes within demand rose to a record high. According to data from the ingatlan.com advertising platform, demand for residential properties for sale increased by 9 per cent in Budapest and 16 per cent in rural areas in 2025 Q1 compared to the same period last year. Demand for detached houses rose by 17 per cent year on year, while demand for flats rose by 10 per cent. According to data from ingatlan.com, demand for newly built homes increased significantly in 2025 Q1, with interest in new homes up 47 per cent in Budapest and 76 per cent in county seats compared to a year earlier, which may have been influenced by speculative demand. As a result, the share of new homes in inquiries about residential properties for sale rose to a record high in the first quarter: new homes accounted for 12 per cent in the capital and 5 per cent in county seats, compared with 9 per cent and 3 per cent a year earlier (Chart 15).

3 Housing loans and family housing subsidies

In 2024 Q4, banks issued HUF 348 billion worth of housing loans, which was 91 per cent higher than in the same period of the previous year. In the first two months of 2025, housing lending continued to pick up, exceeding HUF 120 billion per month. While the volume of housing loans concluded increased by 47 per cent year on year in the first two months of 2025, based on the number of contracts only a 9 per cent increase was observed, meaning that the upturn in housing lending was primarily due to an increase in contract sizes, in line with the rising house prices. By February 2025, the average contractual amount of market-based housing loans for the purchase of used homes rose from HUF 15.6 million a year earlier to HUF 19.8 million, while for the purchase or construction of new homes, it rose from HUF 24 million to HUF 27 million.

Based on the Lending Survey, 39 per cent of banks reduced the spread on housing loans in 2025 Q1, but looking ahead to the next six months, a net 45 per cent of them plan to tighten their price-related conditions in line with their funding costs. In 2025 Q1, 85 per cent of banks saw an uptick in demand for housing loans, which they expect to continue. Following the phase-out of the APR ceiling at the end of June 2024, the APR on market-based housing loans did not change significantly, partly due to strong market competition and favourable developments in funding costs. As a result, the average APR for market-based housing loans stood at 6.7 per cent in February 2025, while the average interest rate on loans remained unchanged at 6.5 per cent. In the case of used homes, affordability began to deteriorate at the end of 2024 and in January 2025 due to accelerating home price dynamics, primarily in the capital, which was affected by outstanding demand growth. For families who do not plan to have more children and are therefore not eligible for most housing subsidies, purchasing new homes, or used homes in more expensive areas, such as Budapest, with the help of loans, would in most cases result in an excessive financial overstretch.

Chart 16
Disbursement of housing loans by purpose and share of subsidised loans

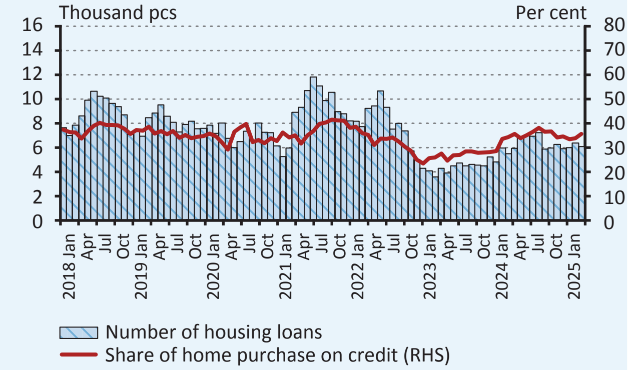


Source: MNB

3.1 HOME AFFORDABILITY HAS DETERIORATED IN BUDAPEST WITH STAGNATING LENDING RATES

In 2025, the expansion of housing lending continued. In 2024 Q4, housing lending continued to pick up, with banks granting HUF 348 billion in housing loans, 91 per cent more than in the same period of the previous year. The volume placed rose by 47 per cent year on year in the first two months of 2025, exceeding HUF 120 billion per month. The significant upturn in housing lending was supported by rising contract sizes in line with the higher house prices, which was also helped by the low client interest rates available under the HPS Plus programme. In the first two months of 2025, 80 per cent of housing loans were requested for the purchase of used homes, which was 64 per cent more than a year earlier (Chart 16). The volume of loans taken out for the purchase of new homes remained essentially unchanged from a year earlier, while the volume of loans for renovation purposes increased by 66 per cent. In February 2025, one in five housing loans was a state-subsidised scheme, while a year earlier, interest subsidies were linked to a quarter of newly contracted housing loans.

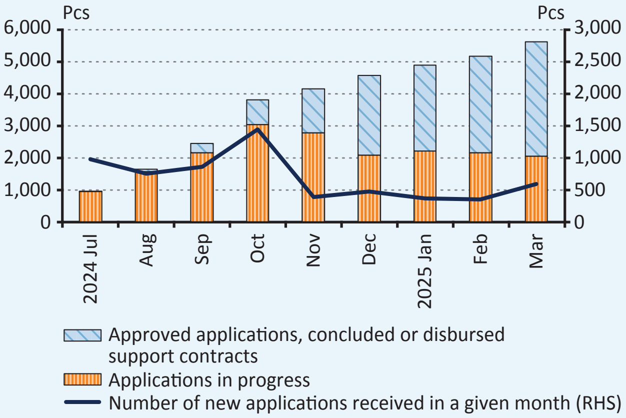
Chart 17
Number of new housing loan contracts and share of loans used to purchase housing



Note: The loan/transaction ratio is calculated based on the rolling 3-month ratio of housing loan applicants in the given month and housing transactions completed in the previous month.

Source: MNB

Chart 18
Cumulative number of home renovation subsidy applications and contracts



Note: Applications in progress refer to applications that have been registered but have not yet received a positive decision.

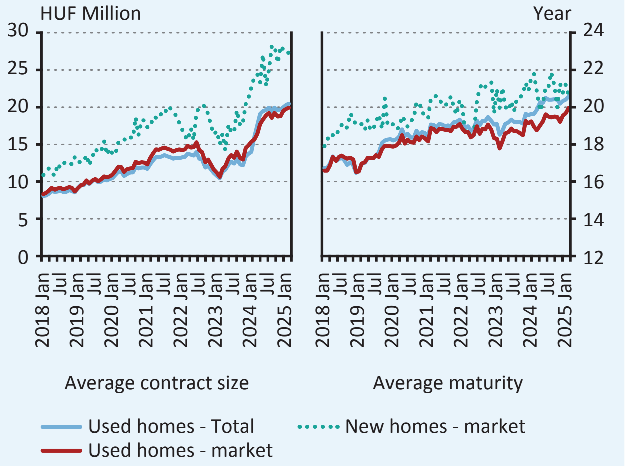
Source: Hungarian Development Bank

In 2024 Q4, the proportion of homebuyers using loans within total housing transactions was at the long-term average. In 2024 Q4, credit institutions concluded 18,000 housing loan contracts, an increase of around 25 per cent compared to the same period of the previous year, more moderate than the expansion in the disbursed loan volume. The 12,000 contracts concluded in the first two months of 2025 exceeded the volume of the previous year by only 9 per cent (Chart 17), meaning that the upturn in housing lending was mainly due to an increase in contract sizes. In 2024 Q4, one-third of housing market transactions involved borrowing, which is in line with the long-term average. At the beginning of 2025, the proportion of sales financed by loans rose to 36 per cent.

Applications submitted for the Home Renovation Programme already account for nearly half of the total budget. The Home Renovation Programme launched on 1 July 2024 has been available since 20 January 2025, under the Széchényi Plan Plus, with separate calls for applications in Budapest and outside the capital at MFB Point Plus branches.[9] From 2025, the eligibility criteria have been relaxed: support can now also be requested for homes built by the end of 2006. Under the programme, more than 6,200 applications were submitted by March 2025, amounting to approximately HUF 35 billion (Chart 18). This means that nearly half of the available budget of HUF 73 billion has already been applied for. The vast majority of subsidy contracts concluded by the end of 2024, approximately 55 per cent, were allocated to the thermal insulation of facades and ceilings, 25 per cent to modernising heating, and 19 per cent to replacing doors and windows. The Rural Home Renovation Programme was launched on 1 January 2025. Although it is not linked to investments aimed at improving energy efficiency, the maximum non-repayable subsidy of HUF 3 million available under the programme can also be used to support such modernisation measures.

[9] The total budget for the home renovation programme is HUF 6.19 billion for use in Budapest. The amount allocated to the whole territory of Hungary outside Budapest is HUF 66.82 billion, with 65 per cent of the budget to be distributed among loan applicants for modernisation projects in the four least developed regions (Southern Great Plain, Southern Transdanubia, Northern Great Plain and Northern Hungary).

Chart 19
Average contract size and maturity of new housing loans



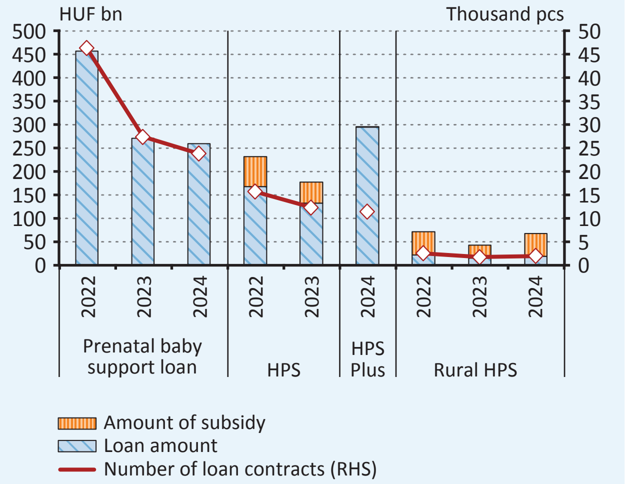
Note: Maturities are averages weighted by contract amount.
Source: MNB

Table 1
Characteristics of HPS Plus loans and market-based housing loans in February 2025

		Market-based housing loans	HPS Plus loans
Average contract size (HUF mn)	**Construction and purchase of new homes**	27.1	31.0
	Purchase of used homes	19.8	25.1
Average maturity (year)	**Total**	19.7	23.6

Source: MNB

Chart 20
Number and amount of newly disbursed subsidised loans



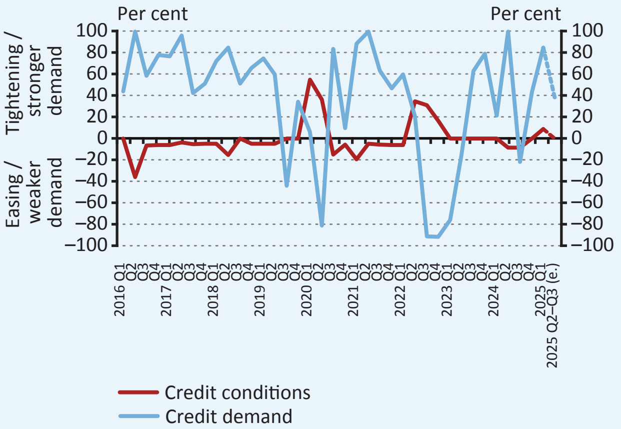
Note: Credit institution sector.
Source: MNB

The average amount of market-based housing loans has risen significantly. In February 2025, the average contractual amount of market-based housing loans for the purchase of used homes was HUF 19.8 million, representing a 27 per cent increase compared to the same period of the previous year (HUF 15.6 million). The contracted loan amount for the purchase or construction of new homes exceeded HUF 27.1 million on a market basis, which was 13 per cent higher than a year earlier (HUF 24.1 million) (Chart 19). However, following the abolition of the voluntary APR ceiling, market-based housing loan interest rates stagnated and the average contract size increased by only HUF 0.7 million for used homes, while the average contract size for new homes rose by HUF 2.1 million from mid-2024 due to dynamic price increases. In relation to collateral value, average contract sizes rose to 53 per cent in rural areas, while in Budapest the average loan to value ratio (LTV) was lower, at 49 per cent in 2024 Q4 (Annex, Chart 14). These figures are not deemed high compared to previous years. The average maturity for used homes rose to 20 years in February, approaching the 21-year term typical for new homes.

With HPS Plus, the contracted loan amount for the purchase of a used home is typically HUF 5 million higher than on a market basis. In February 2025, 19 per cent of housing loan contracts concluded by credit institutions were HPS Plus interest-subsidised loans. 74 per cent of contracts on a market basis and 77 percent under the HPS Plus programme were concluded for the purchase of used homes, with average contract sizes of HUF 20 million and HUF 25 million, respectively. In terms of loan purpose, the largest average loan amounts are requested for the purchase or construction of a new home, for which an average of HUF 27 million was taken out on market terms and HUF 31 million under the HPS Plus programme in February 2025 (Table 1). In the case of HPS Plus, the loans are generally taken out for the maximum maturity permitted by law (25 years), and the average maturity in February 2025 was 24 years. In contrast, the average maturity of housing loans concluded on a market basis was 20 years.

The volume of subsidised loan contracts increased significantly in 2024, while their number remained unchanged. In 2024, households concluded 11,300 HPS Plus loan contracts worth a total of HUF 295 billion (Chart 20). In terms of volume, this significantly exceeds the HUF 133 billion in loans and HUF 44 billion in non-repayable grants disbursed in the last year of the HPS programme, but falls short of the 12,300 loan contracts concluded during that period. This is explained by the fact that the average amount of HPS Plus contracts exceeds the highest amount available under the previous HPS scheme (HUF 15 million in

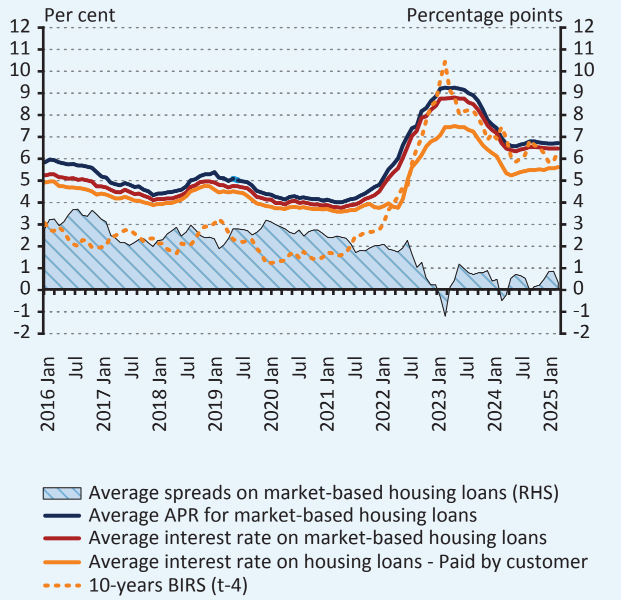
Chart 21
Changes in credit conditions and demand for housing loans



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

Source: MNB, based on banks' responses

Chart 22
Average customer interest rates on newly disbursed housing loans and financing costs of market-based housing loans



Note: Average APR and interest rate data weighted by contract volume. Client interest rates include all housing loans. APR-based spreads based on 10-year BIRS data from 4 months ago.

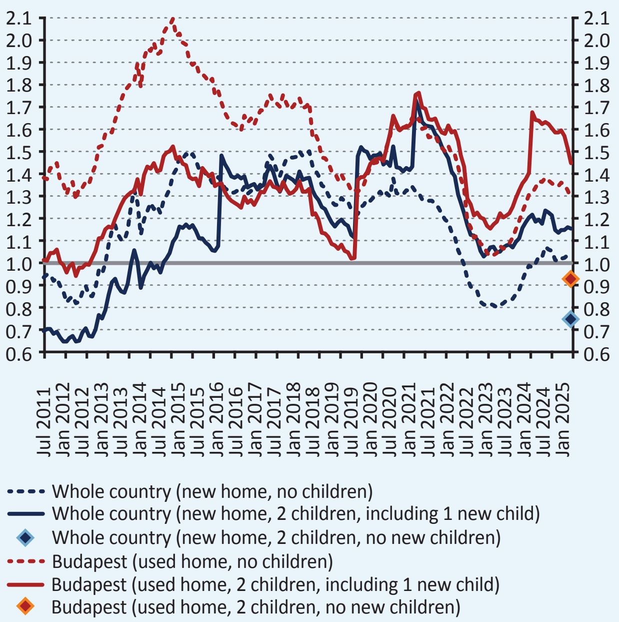
Source: MNB

interest-subsidised loans and HUF 10 million in subsidies). The restructuring of the scheme has therefore not increased the number of households subsidised on an annual basis, but has strengthened the product's role in encouraging people to have children, as only households committing to have children are now eligible for HPS Plus, and the higher loan amount makes it possible to purchase more spacious homes. In the case of the rural HPS, the HUF 18 billion in loans disbursed in 2024 marks a slight increase compared to the 2023 figure, but the value of non-repayable grants disbursed rose significantly, from HUF 27 billion to HUF 49 billion on an annual basis, thanks to the expansion of the scheme's funding amounts in 2024. The value of new baby loan contracts remained essentially unchanged in 2024, while the number of contracts fell by 13 percent.

Most banks saw a pickup in demand for housing loans in 2025 Q1. Based on responses to the Lending Survey, in 2025 Q1 a small group of banks, 9 per cent in net terms, tightened their conditions for housing loans, while 39 per cent in net terms reduced the spreads on housing loans. The responding institutions do not plan to change their housing loan conditions in the next six months, but a net 45 per cent of them may tighten price-related conditions in line with the cost of bank funding (Chart 21). In 2025 Q1, 85 per cent of banks saw a rise in demand for housing loans compared to 2024 Q4, but looking ahead to 2025 Q2 and Q3, a smaller group of banks, around 36 per cent, expect loan demand to keep growing.

With low spreads, the average interest rate on market-based housing loans has been stagnating at 6.5 per cent for six months. Following the phase-out of the APR ceiling at the end of June 2024, the APR on market-based housing loans did not change significantly, partly due to strong market competition and favourable developments in funding costs. As a result, the average APR for market-based housing loans did not shift from 6.7 per cent in February 2025, while the average interest rate on loans remained unchanged at 6.5 per cent (Chart 22). Over the past two years, banks have consistently provided housing loans at a spread below 1 per cent on a market basis, which is unlikely to cover the risk costs of lending in the long term. Through HPS Plus – where contracts were concluded at an average client interest rate of 2.97 per cent until the end of February – the average interest rate actually payable by clients on the total new disbursement was more favourable than the market rate, at 5.6 per cent in February 2025, which is 0.1 percentage point lower than in the same period of the previous year.

Chart 23
Housing Affordability Index (HAI)



Note: The HAI shows the number of times the income of a household with two average earners covers the income required for the financed purchase of an average home. If the value of the indicator is over 1, the family is able to buy a home on credit without assuming an excessive risk or overstretching its liquidity in terms of the parameters detailed below. However, if it is below 1, the purchase represents excessive risk and a financial burden. Calculated for a flat of 45 square metres without a child and 65 square metres for two children. Parameters of the loan product, except for the interest rate, are constant. LTV = 70 per cent, DTI = 30 per cent, maturity = 20 years. Net wages used in the calculation of the indicator are seasonally adjusted.

Source: HCSO, MNB

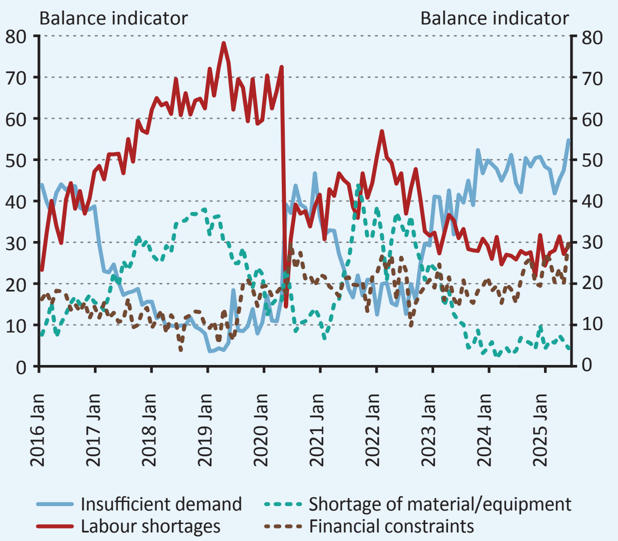
Affordability of home purchases began to deteriorate in the capital at the end of 2024. In the case of new homes, the affordability of home purchases involving loans improved slightly in the early months of 2024, thanks to lower interest on housing loans, but then stagnated overall for the rest of the year (Chart 23). In a long-term comparison, access to new housing is unfavourable for both childless people buying smaller homes and families eligible for subsidies. In the case of used homes, affordability began to deteriorate at the end of 2024 and in January 2025 due to accelerating home price dynamics, primarily in the capital that is influenced by outstanding demand growth. For families who do not plan to have more children and are therefore not eligible for most housing subsidies, purchasing new homes, or used homes in more expensive areas, such as the capital, with the help of loans, would in most cases result in excessive financial overstretch. The deterioration in affordability may, over time, prevent house price dynamics from continuing to exceed the growth rate of earnings.

4 Supply of new homes

In 2024, 13,300 new residential properties were issued occupancy permits in Hungary, 29 per cent less than in the previous year, and 2016 was the last time the number of homes handed over was lower (Chart 27). This means that the annual renewal rate of the domestic housing stock is 0.3 per cent, which is the lowest in Europe. In 2024, building permits were issued for 20,500 new homes, which was 5 per cent less than in 2023. In the capital, 7,000 new homes received building permits during the year, which was 12 per cent less than a year earlier. The low number of building permits indicates a modest development volume going forward. Housing construction costs rose significantly in international comparison, by 5.1 per cent annually in 2024 Q4, with the largest increase, an annual 12.8 per cent, affecting construction labour costs. In 2025 Q1, banks reported buoyant demand for housing project loans even with unchanged lending conditions, and looking ahead to the next six months, a high proportion (55 per cent) expect demand to pick up further in this segment.

At the end of 2025 Q1, 21,600 new condominium flats were under construction nationwide, representing a 19 per cent increase compared to the previous quarter. In 2025 Q1, the development and sale of 15,100 homes was underway in Budapest, representing a 5 per cent increase compared to the previous quarter and a 27 per cent increase year on year. Compared to the peak in 2024 Q4, the number of new home sales started was more modest but still significant. However, due to the high number of new homes sold, the number of vacant new homes available for purchase decreased by 11 per cent year on year. In Budapest, 2,790 new-build condominium flats were sold in 2025 Q1, setting a new record and exceeding the outstanding sales figures of the previous quarter by 11 per cent. In the quarter under review, one-third of the vacant flats were repriced, with 83 per cent of the repricing resulting in price increases. This means the average price per square metre for new homes in the capital rose to HUF 1.68 million by the end of 2025 Q1, representing a further acceleration in the rate of increase to 14 per cent year on year. In the rural new-build market, 1,971 homes made it to market in 2024 Q4 and 2025 Q1, bringing the total number of available homes to 7,408 in March 2025, following a 7 per cent annual increase. After the capital city, most homes are being built in Debrecen.

Chart 24
Constraints on construction output

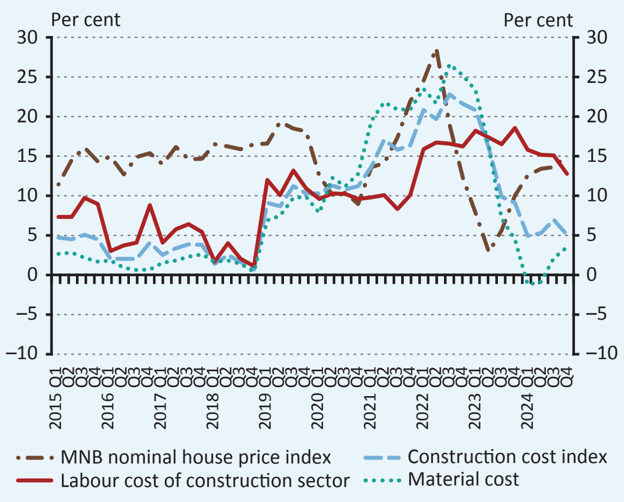


Note: Seasonally adjusted data. The data series runs until March 2025.
Source: European Commission

4.1 WAGE INCREASES RESULTING FROM SHORTAGE OF SKILLED WORKERS SIGNIFICANTLY INCREASE HOUSING CONSTRUCTION COSTS

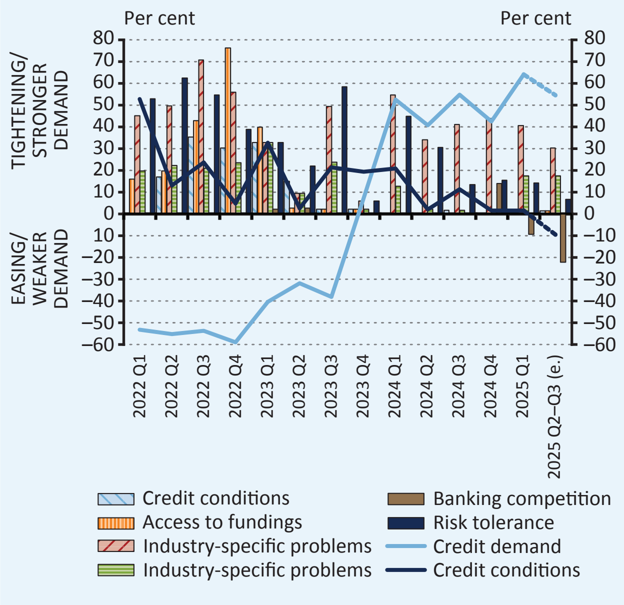
Construction companies are primarily holding production back due to insufficient demand. In 2025 Q1, the largest proportion of construction companies, around 45-55 per cent, cited insufficient demand as the factor most limiting construction output. A sustained upturn in demand on the housing market would support the launch of housing construction projects with a lead time of several years. Labour shortages were cited as an additional constraint by nearly 30 per cent of construction companies (Chart 24). The number of people employed in the construction industry has fallen by 5 per cent since the beginning of 2023, reaching 214,000 in February 2025 (Annex, Chart 15). Financial constraints were reported as a difficulty by 20-30 per cent of respondents. With the easing of supply chain disruptions in recent years, shortages of raw materials and equipment hampered production at only 6-7 percent of companies in Q1.

Chart 25
Annual change in home construction costs and nominal house prices



Source: HCSO

Chart 26
Housing project loan conditions and changes in demand



Note: Net ratio is the difference between tightening and easing, and banks indicating stronger and weaker demand weighted by market share. The factors underlying credit condition changes apply to commercial real estate loans overall.

Source: MNB, based on banks' responses

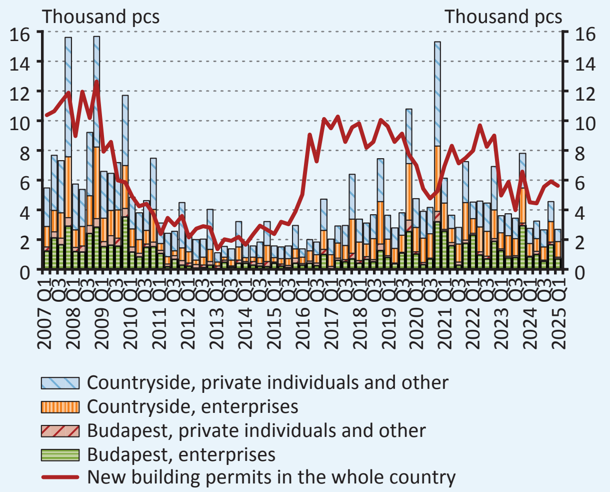
Domestic home construction costs are most affected by rising labour costs. Home construction costs rose by 5.1 per cent in 2024 Q4, with material costs increasing by 3.5 per cent and construction labour costs by 12.8 per cent compared to the same period in the previous year (Chart 25). The rise in home construction costs was the fifth highest by international comparison. On average, home construction costs in the European Union rose by 1.1 per cent year on year in the last quarter of 2024 (Annex, Chart 16).

In 2025 Q1, banks reported brisk demand for housing loans despite unchanged lending conditions. Based on responses to the Lending Survey, banks did not change their overall lending conditions for housing projects in 2025 Q1. Looking ahead to 2025 Q2 and Q3, 10 per cent of respondents in net terms have already envisaged easing the financing conditions for housing projects, citing intensifying competition among banks as the reason (Chart 26). In 2025 Q1, 64 per cent of banks reported an upturn in demand for housing loans compared to 2024 Q4, and looking ahead to the next six months, a high proportion (55 per cent) expect demand to pick up further in this segment.

4.2 RATE OF RENEWAL IN DOMESTIC HOUSING MARKET THE LOWEST IN THE EU

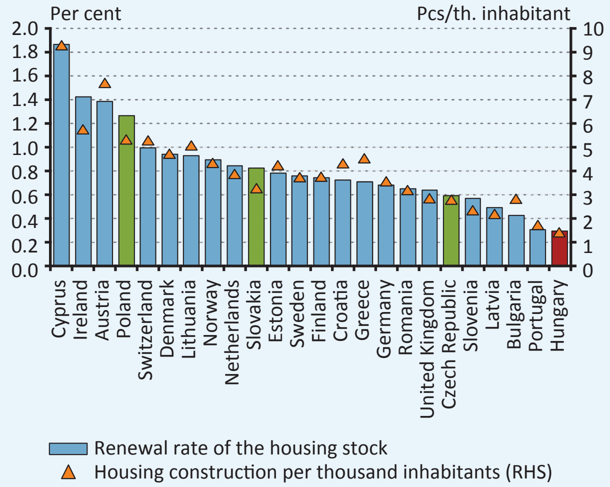
In 2024, the number of homes completed decreased by 29 per cent nationwide and by 28 per cent in Budapest compared to 2023. In 2024, 13,300 new residential properties were issued occupancy permits in Hungary, 29 per cent less than in the previous year, and 2016 was the last time the number of homes handed over was lower than this (Chart 27). The number of homes completed dropped by 28 per cent in Budapest and by 29 per cent in settlements outside the capital in the period under review. In Budapest, 90 per cent of newly completed dwellings were constructed by businesses, while in other settlements this figure was only 46 per cent. The number of residential properties (mainly detached houses) commissioned by natural persons fell by 25 per cent outside the capital and remained stable in Budapest in 2024 year on year. The number of homes completed in 2024 fell by 30 per cent in Budapest and by 34 per cent in rural areas for contractor-

Chart 27
Distribution of new completions by location and developer



Source: HCSO

Chart 28
Annual rate of renewal of housing stock and housing construction per thousand inhabitants in Europe



Note: The reference year for the data is 2022 for Switzerland, 2023 for Austria, Cyprus, the United Kingdom, Croatia, Germany and Slovenia, and 2024 for all other countries. No housing construction data is available for Belgium, France, Luxembourg, Italy and Spain.

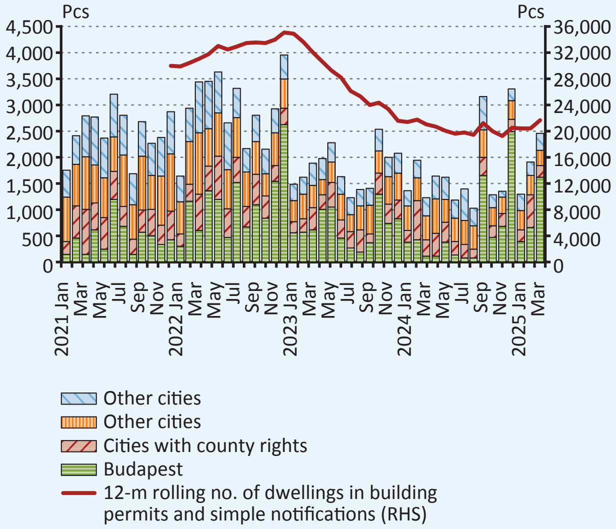
Source: ECB, national statistical offices, MNB

built dwellings. In 2025 Q1 the number of homes completed nationwide was 2,700, which is nearly 3 per cent less than in the same period last year. Based on our forecast, the number of new constructions may increase slightly in 2025, with about 14,000 homes expected to be completed during the year (+7 per cent year on year) (Annex, Chart 17).

The rate of renewal of the domestic housing stock is the lowest in Europe. In 2024, 13,300 dwellings received occupancy permits in Hungary, which corresponds to 0.3 per cent of the domestic housing stock. In terms of population, less than one and a half dwellings were built per thousand inhabitants (Chart 28). In European terms, Hungary ranks last in terms of home construction, based on data measuring the ratio of housing stock to population. Cyprus, Ireland, Austria and Poland are top of the ranking in terms of stock ratio, with completed dwellings accounting for 1.3–1.9 per cent of the housing stock. Favourable rates of close to 1 per cent can still be measured in Switzerland (based on 2022 data), Denmark, Lithuania and Norway. Relative to the existing stock, home construction declined in most European countries in 2024 compared to the previous year, with only Greece and Latvia seeing an increase in activity.

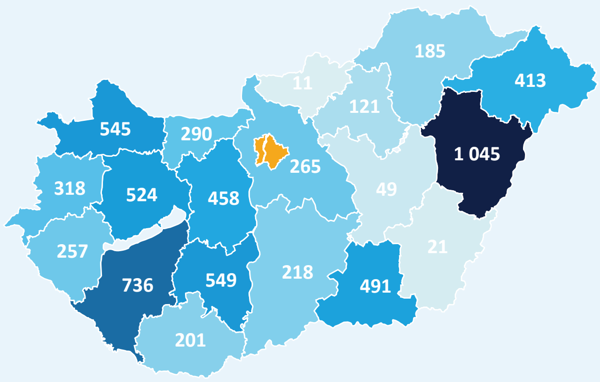
In 2024, 5 per cent fewer homes received building permits than in 2023, but in 2025 Q1, the number of permits issued for the 12-month period had already increased on an annual basis. The downwards trend in the 12-month rolling number of homes covered by building permits issued and simple home construction notifications in Hungary since January 2023 was first bucked by the data for September 2024 (Chart 29). In 2024, building permits were issued for 20,500 new homes, which was 5 per cent less than in 2023. The number of dwellings covered by building permits fell by 4 per cent for multiple-home buildings and by 2 per cent for single-home buildings (detached houses) for which building permits are required, in an annual comparison. In 2024, the number of home constructions planned based on simple notifications also fell by 2 per cent compared to the previous year's figure. In the capital, 7,000 new homes received building permits during the year, which was 12 per cent less than a year earlier. The number of homes registered in cities with county rights fell by 6 per

Chart 29
Number of dwellings in building permits issued and simple notifications



Source: HCSO

Chart 30
Number of new homes under construction by county in 2025 Q1



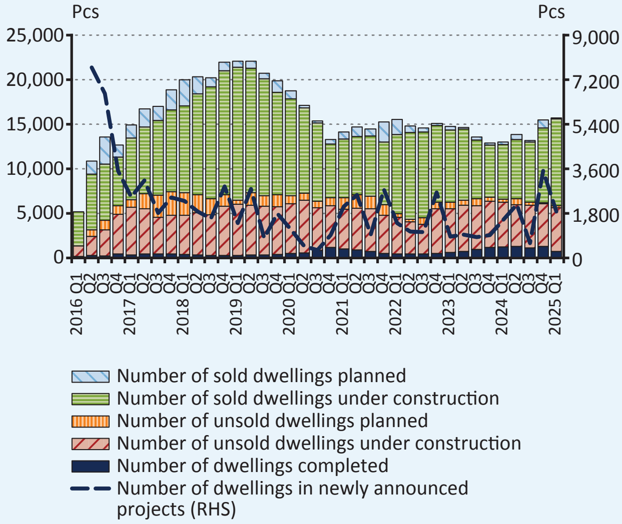
Note: In Budapest, 14,951 homes were under construction.
Source: ibuild

cent, and increased by 1 per cent and 2 per cent in villages and cities without county rights, respectively, compared to 2023. In September and December 2024, the number of registered homes was exceptionally high, with the number of registrations in Budapest rising particularly sharply. The substantial increase in the number of registered homes in the last third of the year may have been due to the publication of the regulation on the extension of the preferential 5 per cent VAT rate on housing, announced in May 2024 and postponed until the end of November 2024, and the entry into force on 1 October 2024 of new decrees on construction and construction supervision procedures related to Act C of 2023 on Hungarian Architecture. In 2025 Q1, 5,700 homes received building permits, 25 per cent more than in the same period of 2024. In Q1, the number of homes covered by building permits decreased most significantly in cities without county rights and cities with county rights (by 25 per cent and 17 per cent respectively), while in Budapest there was a 190 per cent increase year on year. In an annual comparison, the rolling 12-month number of building permits rose for the first time in March 2025 after two years of continuous decline.

4.3 NUMBER OF NEW HOMES COMING ONTO MARKET WAS UNABLE TO OFFSET RECORD SALES

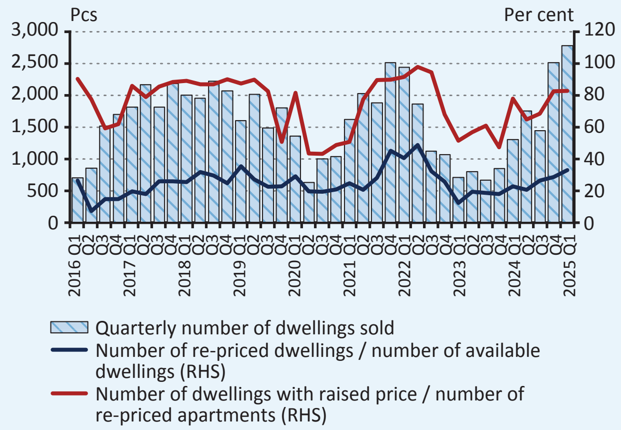
Debrecen leads the way in rural residential construction. At the end of 2025 Q1, 21,600 new condominium flats were under construction nationwide, signalling a 19 per cent increase compared to the previous quarter. Sixty-nine per cent of the housing stock under construction was located in Budapest, where approximately 15,000 homes were completed in Q1 following a 22 per cent quarterly increase. After the capital, the largest volume of development can be observed in Hajdú-Bihar county, with more than a thousand dwellings (87 per cent of which are being built in Debrecen), which may be due to increased housing demand following investments in the automotive industry (Chart 30). In a national comparison, the volume of developments involving more than 700 dwellings in Somogy county – which typically includes projects in the Balaton region – is also high.

Chart 31
Availability of homes in new projects under development and sale in Budapest and number of new announcements of dwellings



Note: Based on projects for at least four new dwellings in Budapest.
Source: ELTINGA – Budapest Housing Market Report

Chart 32
Number of new homes sold in Budapest and ratio of repricing within advertised new homes



Note: Based on projects for at least four new dwellings in Budapest.
Source: ELTINGA – Budapest Housing Market Report

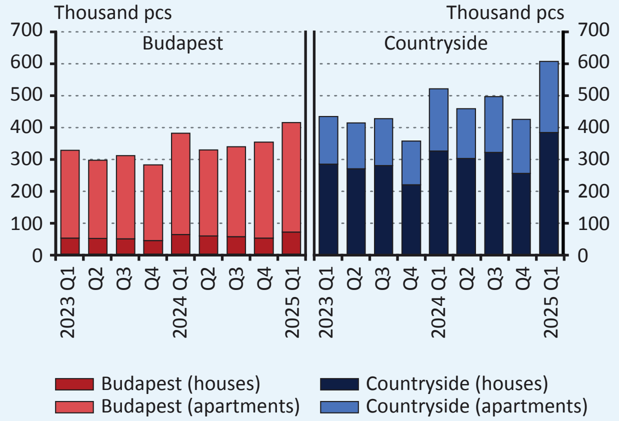
Despite the rising volume of housing developments, the number of vacant new homes remains low in Budapest. In 2025 Q1, the development and sale of 15,100 homes was underway in Budapest, representing a 5 per cent increase compared to the previous quarter and a 27 per cent increase year on year. During the quarter, developers started or completed almost all projects under sale (98 per cent) (Chart 31). In 2025 Q1, sales of new homes in the capital began at a more modest but still significant level of around 1,870, compared to the peak in the previous quarter. Nevertheless, the number of new homes available for purchase fell by 11 per cent year on year to 5,840. In the rural new-build market, 1,971 homes made it to market in 2024 Q4 and 2025 Q1, bringing the total supply to 7,408 homes in March 2025, following a 7 per cent annual increase (Annex, Chart 19).

Despite accelerating inflation, a record number of new homes were sold in 2025 Q1. In Budapest, 2,790 newly built condominium flats were sold in 2025 Q1 (preliminary and final contracts combined), which exceeded the outstanding sales of the previous quarter by 11 per cent and set a new record (Chart 32). In the quarter under review, one-third of available dwellings were repriced, compared to 29 per cent in the previous quarter, with 83 per cent of repricing representing a price increase. The average price per square metre of new homes in the capital rose to HUF 1.68 million by the end of 2025 Q1, signalling a further acceleration in the annual rate of price increases to 14 per cent. By district group, the highest specific price of new homes is found in the Buda hills districts, averaging HUF 3.3 million, while the most affordable prices, at HUF 1.2 million per square metre, are found in the outer districts of Pest (Annex, Chart 21).

5 Charts in the annex

1 HOUSING MARKET DEMAND AND HOUSE PRICES

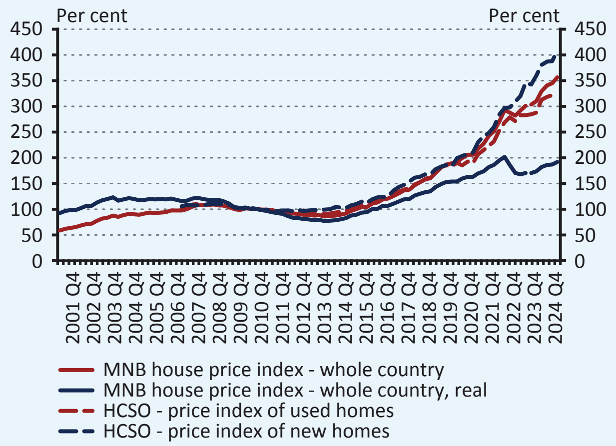
Chart 1
Demand for flats and houses for sale at ingatlan.com



Note: Based on number of disclosed phone numbers and calls initiated from mobile application.

Source: Ingatlan.com

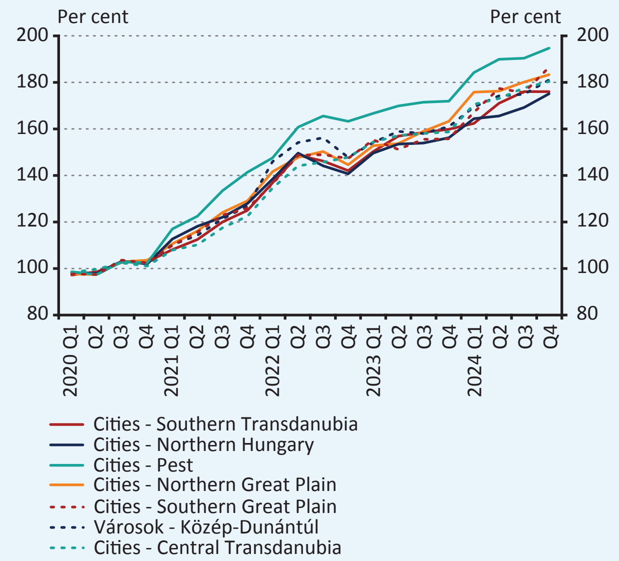
Chart 2
Nominal and real MNB house price index and the HCSO house price indices (2010 = 100 per cent)



Note: Real price index deflated by the consumer price index.

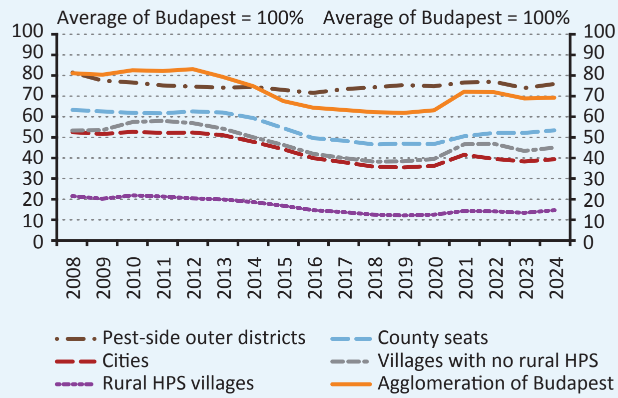
Source: MNB, HCSO

Chart 3
Nominal MNB housing price indices for the cities of each region (2020 = 100 per cent)



Source: MNB

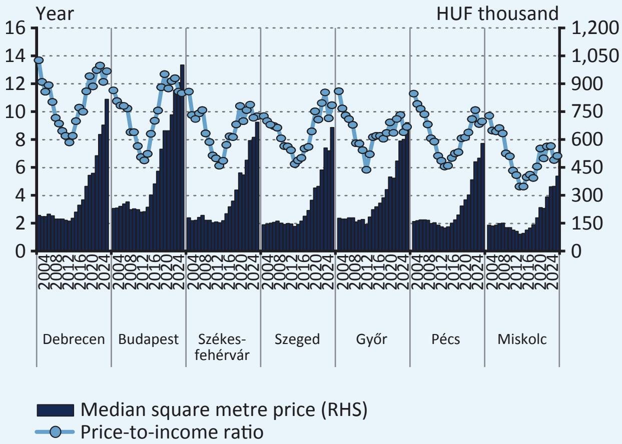
Chart 4
Average square metre price by type of settlement



Note: Outer districts of Pest: IV, XV, XVI, XVII, XVIII, XXI, XXIII

Source: NTCA, MNB

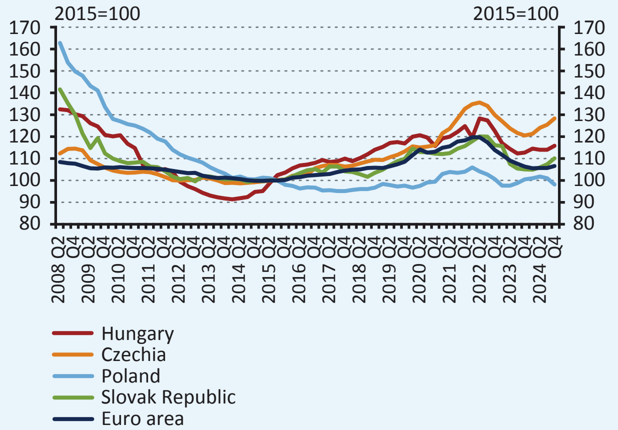
Chart 5
Price-to-income ratio in Hungary's regional centres



Note: The price-to-income ratio is the ratio between the Q4 price of a 75-square metre median real property (new and used total) and the average Q4 net income of the households. Average incomes are county-level data.

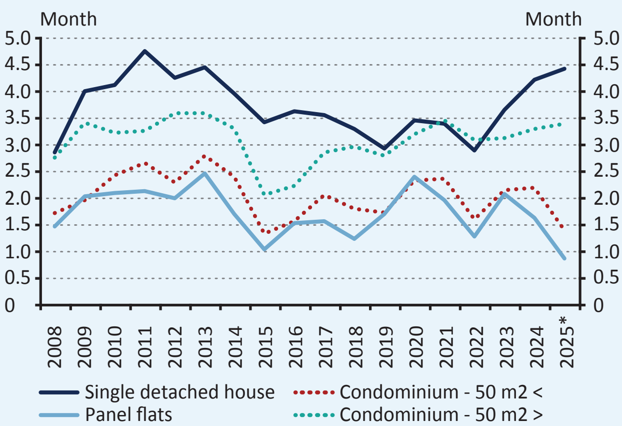
Source: HCSO, MNB

Chart 6
Price-to-income ratios in V4 countries and euro area



Source: OECD

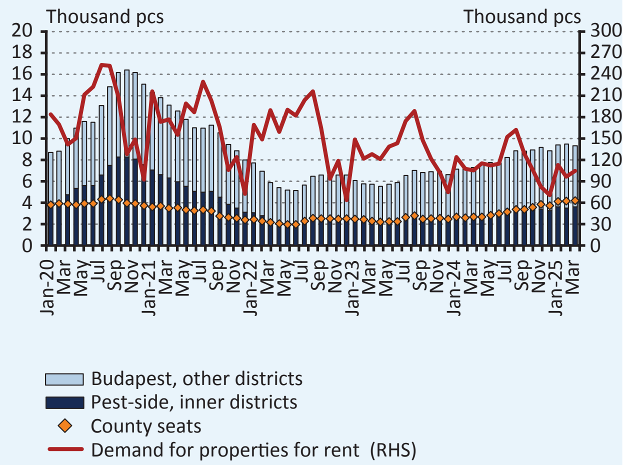
Chart 7
Median time to sell residential property by type of property



*Note: Time from start of advertising to sale. *Based on data from 2025 Q1.*

Source: MNB, housing agent database

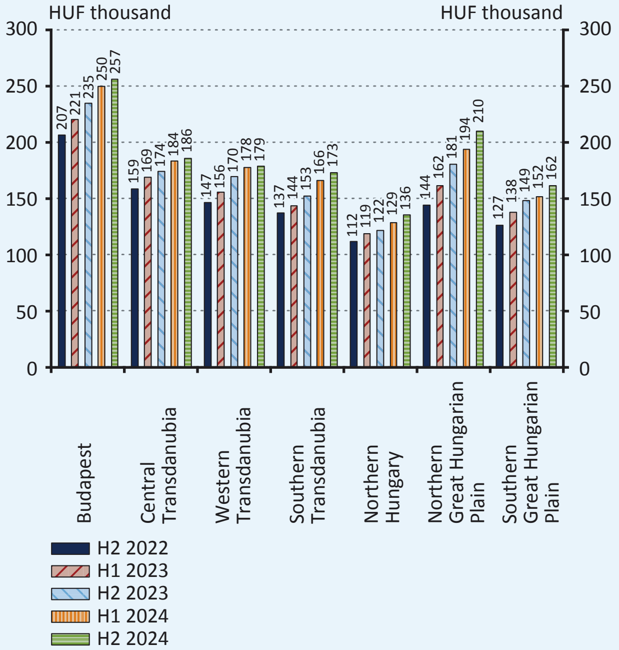
Chart 8
Supply of residential properties to let at ingatlan.com on last day of given month and demand for properties for rent in that month



Note: Demand: number of phone number disclosures and phone calls initiated from mobile application on ingatlan.com advertising site. Pest-side, inner districts: V, VI, VII, VIII, IX.

Source: ingatlan.com

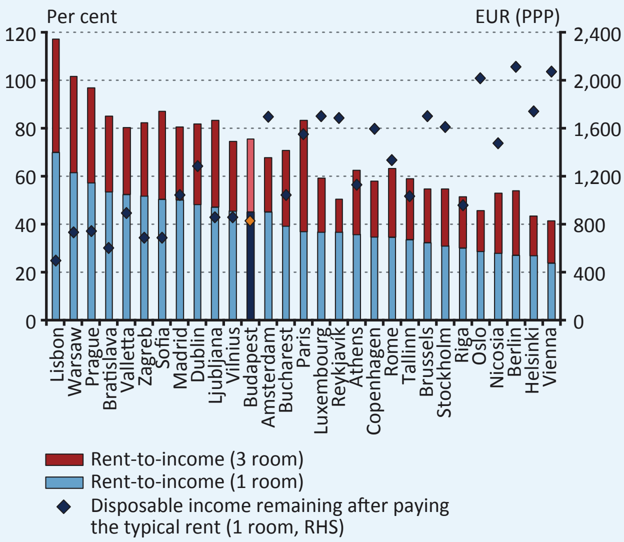
Chart 9
Average monthly rents based on flats to rent advertised on ingatlan.com



Note: Based on ads removed from the site in given period.

Source: ingatlan.com, HCSO

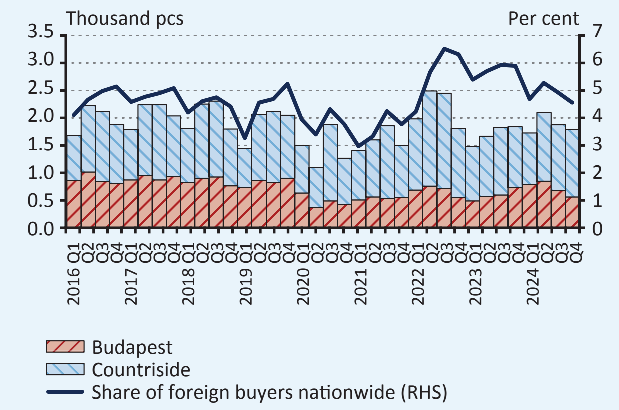
Chart 10
Rent-to-income ratio in European capitals (2024 Q3)



Note: The rent-to-income ratio is the quotient of the rent for a typical rental flat in the capital outside the city centre and the national monthly net average income. Budapest is marked with a different colour.

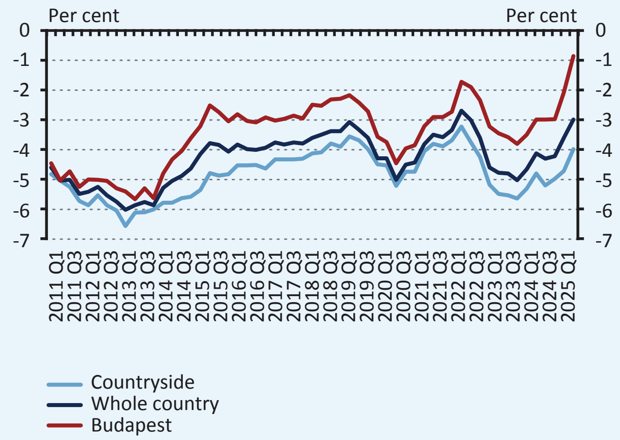
Source: Eurostat, numbeo.com

Chart 11
Ratio and estimated number of foreign buyers' transactions in housing market



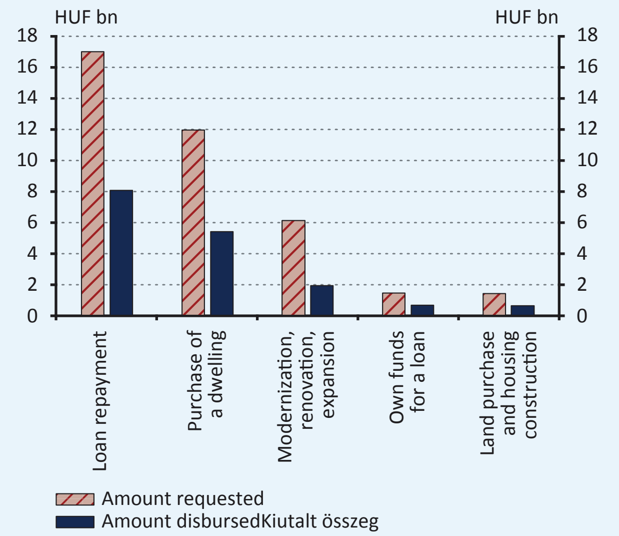
Source: NTCA, MNB

Chart 12
Median deviation of transaction price from last advertised price



Source: Housing agent database

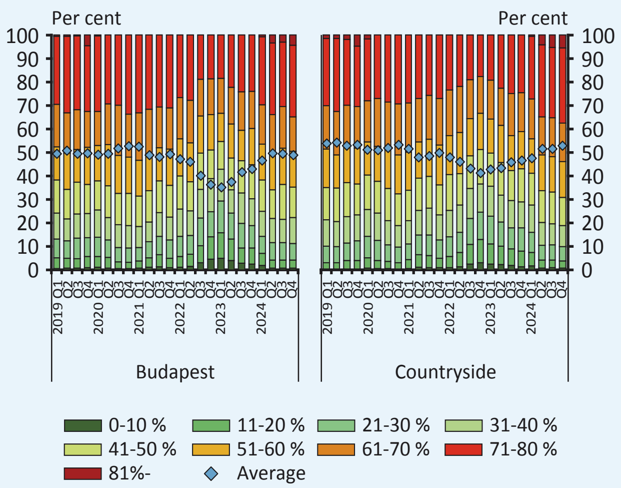
Chart 13
Amount requested and allocated for use of voluntary pension fund savings for real estate purposes by end of March 2025, by purpose



Source: MNB

2 HOUSING LOANS AND FAMILY HOUSING SUBSIDIES

Chart 14
Distribution of new housing loan disbursement by LTV

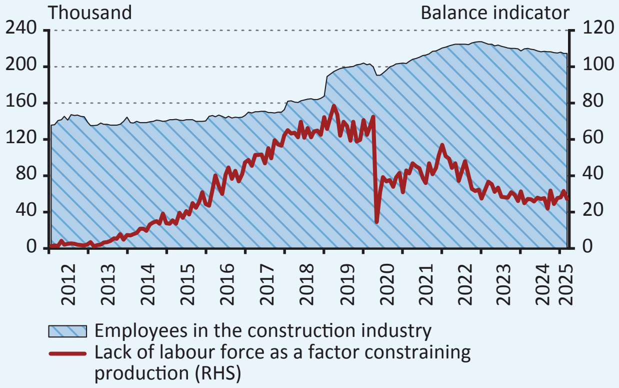


Note: Volume-based distribution.

Source: MNB

3 SUPPLY OF NEW HOMES

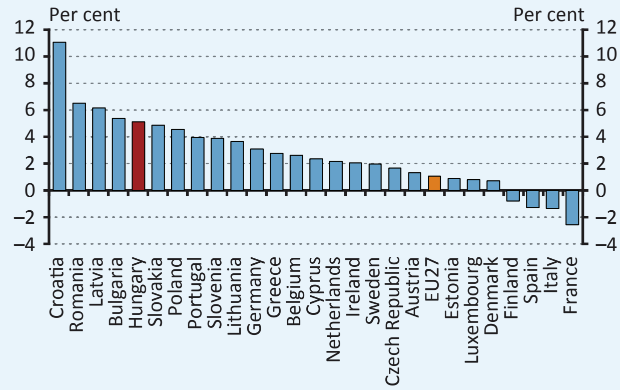
Chart 15
Number of employees in the construction industry



Note: Number of persons employed for at least 60 hours, based on institutional labour statistics. Seasonally adjusted data. The data series runs until February 2025.

Source: HCSO, European Commission, MNB

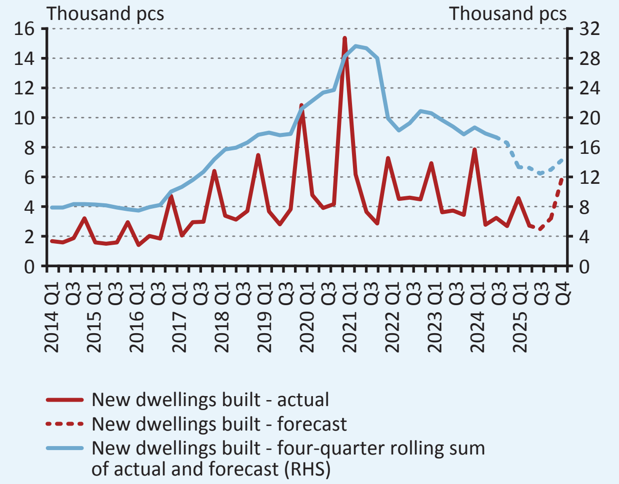
Chart 16
Annual change in home construction costs in EU countries in 2024 Q4



Note: No data available for Malta.

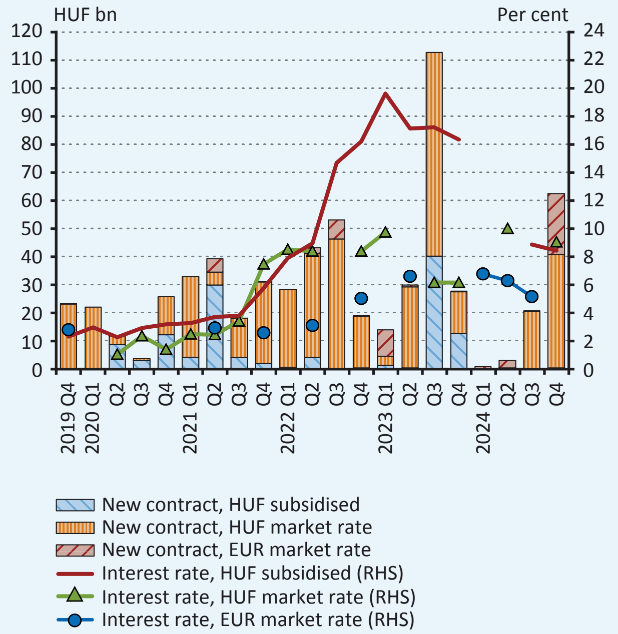
Source: Eurostat

Chart 17
Forecast of number of dwellings granted occupancy permits



Source: HCSO, MNB

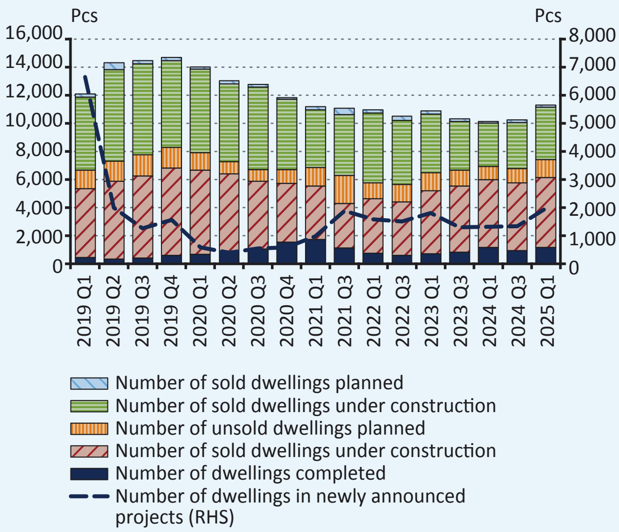
Chart 18
Housing project loan contracts of credit institutions and average transaction interest rates on new housing project loans



Note: Average interest rate weighted by contractual amount. Subsidised housing estate project loans belong to the following schemes: Funding for Growth Scheme, Széchenyi Investment Loan (Plusz, Go!, Max), Baross Gábor Programme. For the periods for which the average interest rate is not shown in the figure, no new credit agreements with interest data were included in the data provision.

Source: MNB

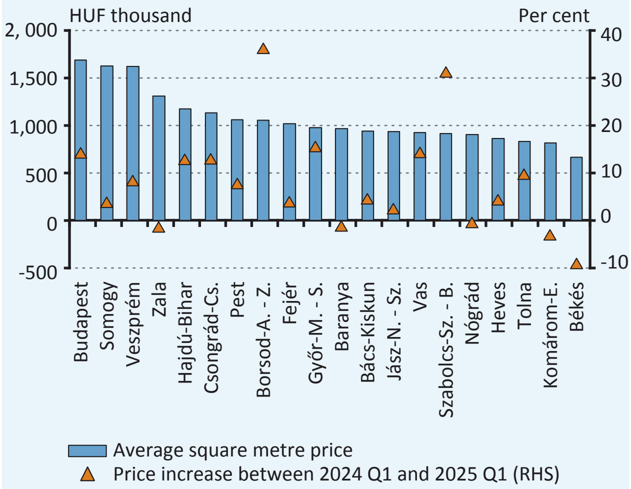
Chart 19
Number of dwellings in new condominium projects for sale in rural areas



Note: Based on condominium developments at least 10 dwellings.

Source: ELTINGA – Countryside Housing Market Report

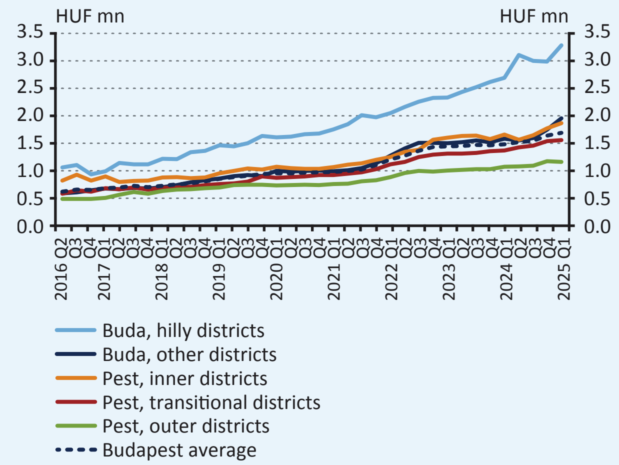
Chart 20
Average square metre price of new dwellings in Budapest in 2025 Q1



Note: Based on condominium developments comprising at least 10 dwellings in rural areas and at least 4 dwellings in Budapest.

Source: ELTINGA – Budapest Housing Market Report, Countryside Housing Market Report

Chart 21
Average square metre price of available new dwellings in Budapest



Note: Based on projects for at least four new dwellings in Budapest. Buda hills districts: I, II, XII, Buda, other districts: III, XI, XXII, Pest, inner districts: V, VI, VII, VIII, IX, Pest, transitional districts: X, XIII, XIV, XIX, XX, Pest, outer districts: IV, XV, XVI, XVII, XVIII, XXI, XXIII

Source: ELTINGA – Budapest Housing Market Report

Count István Széchenyi

(21 September 1791 – 8 April 1860)

Politician, writer, economist, minister for transport in the Batthyány government whom Lajos Kossuth referred to as ‘the greatest Hungarian’. His father, Count Ferenc Széchényi established the Hungarian National Museum and Library; his mother, Julianna Festetich was the daughter of Count György Festetich, the founder of Georgikon, an institution for the teaching of agricultural sciences.

With his ideas – whose message remains relevant even today – and his activities both as a writer and a politician, István Széchenyi laid the foundation for modern Hungary. He is one of the most eminent and significant figures in Hungarian politics whose name is associated with reforms in the Hungarian economy, transportation and sports. He is also known as the founder and eponym of numerous public benefit institutions, a traveller all across Europe and an explorer of England as well as the champion of economic and political development at the time. István Széchenyi recognised that Hungary needed reforms in order to rise, and considered paving the way for a Hungary set on the path of industrialisation and embourgeoisement to be his calling in life.

Published in 1830, his Credit outlined the embourgeoisement of Hungary and summarised its economic and social programme. Count Széchenyi intended this writing to make the nobility aware of the importance of the country’s desperate need for a social and economic transformation. Another work of his, Stádium [Stage of Development] (1833) listed the cornerstones of his reform programme in 12 points, including the voluntary and compulsory liberation of serfs; the abrogation of avicitas (inalienable status of noble property); the right of possession for the peasantry; and the freedom of industry and commerce. This work of Széchenyi already conveyed the idea of equality before the law and the general and proportionate sharing of taxation.

After the revolution in 1848 István Széchenyi joined the Batthyány government and as minister embarked vigorously on implementing his transportation programme.

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