

RE/MAX RE/MAX HOUSING MARKET REPORT – 2023 Q1

Magyarország

ECONOMIC INDICATORS / MACRO ECONOMIC ENVIRONMENT

The Macrone Institute expects the Hungarian economy to avoid recession; and inflation to fall to single digits by the end of the year. This is confirmed by the Central Banks Inflation Report, which suggests that disinflation will accelerate in the second half of the year, driven by tight monetary policy, falling global commodity prices and the downward pressure on prices from slowing domestic consumption. GDP is expected to grow by 0.8 percent per year, rising to 3.2 percent by 2024.

The economic indicators deteriorated slightly further in Q1 2023. Inflation rose further in January 2023 compared to 2022, to 25.7%. This fell slightly to 25.2 percent in March. The unemployment rate shows a slight increase compared to Q4 2022, from 3.8 percent in December 2022 to 4 percent in February 2023. The quarterly change in GDP was -1.3 percent, moving from -1.9 percent at the end of 2022 to -0.9 percent in Q1 2023.

Economic and political developments continue to have a significant impact on the Forint. Overall, the Forint strengthened in the first quarter of the year. While the exchange rate was around 402 EUR/HUF at the beginning of January, it moderated to 381 EUR/HUF by the end of March.

HOUSING MARKET

Demand-side slowdown at the end of 2022 and price decline continued in Q1 2023. In 2023, the domestic housing market will show its weakest first quarter in the last 10 years, with a severe downturn in all areas. The supply market has been forced to change as demand has collapsed, which is reflected in the price decline. Both the supply and demand sides have been in a standstill for the last few quarters. Residents are mainly looking for lower-value properties.

DEMAND/SUPPLY/VOLUME

In the first quarter of 2023, housing market demand halved year-on-year, with demand for residential property for sale in Budapest down 47 percent and in rural areas 45 percent, according to the MNB's housing market report. Demand for residential property for sale reached its lowest point at the end of 2022. Since then, there has been a slight and steady improvement. Analyses show that despite a quarterly low in the number of transactions, the number of transactions increased month-on-month from January to March, with a 25 percent increase in the number of transactions in March compared to the previous month.



INFLATION 25,7% GDP -0,9



UNEMPLOYMENT RATE 3,8%

Based on a national estimate, there were around 8,000 transactions in the first quarter of 2023, a drop of around 45 percent compared to last year. As a result of price sensitivity, demand for second-hand housing in the agglomeration has fallen from HUF 80-100 million to HUF 70 million. For Budapest properties, the decline was from HUF 80-100 million to HUF 50-80 million.

Demand for newly built houses has been boosted recently by government subsidies, including VAT rebates, CSOK and baby loans. However, since the beginning of 2023, there has been a significant demand-side slowdown in the demand for new housing. Demand has shifted more towards second-hand housing, as the number of buyers with credit has fallen. Those who are creditworthy will think more carefully about whether it is worth taking out a loan now or opting instead for a smaller home or a rental property.

■ Average size

The most sought-after average apartment sizes in the first quarter of 2023 were the larger 60-80 nm on the Buda side of the capital, and the 40-60 nm on the Pest side.

■ Average price

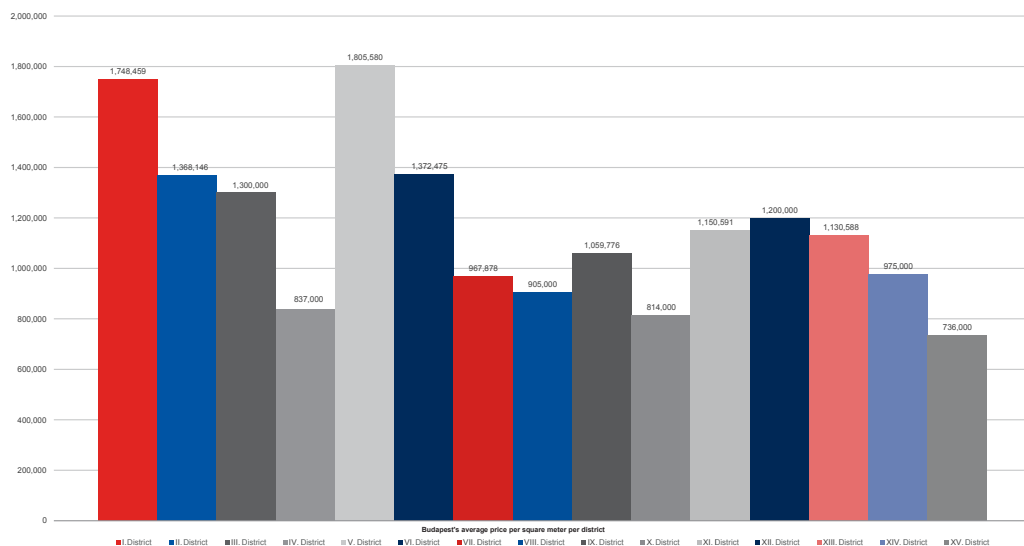
Looking at the first three months of 2023, the price per square metre of second-hand housing in Budapest is still above HUF 1 million, averaging around HUF 1.017 million/nm. Highest prices per square metre in Budapest are in districts I and V, while the lowest are in the outer Pest districts, where the average price per square metre is around HUF 787,000. Nationally, the price of brick apartments increased by 8 percent compared to the last quarter and by 24 percent compared to the same period last year. In the capital city, the price per square metre increased by 5.6 percent compared to the previous quarter, and by 20 percent compared to the same period last year.

In Budapest, the average price per square metre of flats was HUF 747 thousand in the first quarter. At the national level, this is HUF 619 thousand per square metre, a 21 percent increase compared to the same period a year ago.

Single-family houses sold at an average price of HUF 359 thousand per square metre nationwide, an increase of 8% compared to the previous quarter. On an annual basis, however, it is down 4 percent. In the capital, the average price of 604 thousand HUF per square metre fell by 18 percent compared to the previous quarter, with the significant change in the segment being explained by the energy crisis.

In Budapest, the number of new homes sold fell substantially in the first quarter, which also held back price increases. The average price increase was 0.7 percent, a significant decline from 3.6 percent in the fourth quarter. In the capital, the average price per square metre of newly built housing rose to 1.42 million forints after a 20 percent annual increase, the MNB report said.

The following chart shows the average price per square metre of properties sold by RE/MAX in Budapest in Q1 2023, typically second-hand brick apartments.



The time of sale



AVERAGE SALES TIME 4 MONTHS

In RE/MAX transactions, the average time to sale for residential properties was 4 months. Typically, sales of prefabricated apartments are faster, around 2-3 months, while for brick apartments it is 3-4 months.

The size of bargaining



DECREASING BARGAIN LEVEL 6-9%

The size of the bargain has undergone a major transformation since the COVID-19 epidemic, with average bargaining levels as high as 8-10% in 2010. Today's bargaining level is starting to approach this level again, ranging between 6-9% in the first quarter of 2023. Declining demand and low transaction levels predict a further increase in bargaining and even lower guide prices.

RENTAL MARKET

According to a report by ingatlan.com, the average monthly rent in Budapest exceeded HUF 200,000 already last autumn. This figure rose further to an average of 210,000 forints in March 2023. In Budapest, the most expensive district in terms of monthly rents is District V with 320 thousand forints, while the cheapest is District XX with 139 thousand forints. Rents are expected to follow inflation the most in the coming year. Rents in the real estate market are expected to rise by 3 percent per quarter and by 8-9 percent by spring 2024, compared to the current situation.

INVESTMENT

In the first quarter of 2023, 40% of all housing purchases in Budapest were driven by investment purchases, only a few percent lower than in the same period last year. The average value of houses and apartments bought for investment purposes was HUF 50.7 million, with an average size of 54 square metres. According to the MNB's housing market report, government bond market yields exceeding rental yields could dampen investment demand. In the past seven years, gross yields of 26-38% on average in Hungary and 23-33% in Budapest could be achieved in the year following purchase, considering both rental and appreciation. However, by 2022 the yields on government bonds, typically residential government bonds, reached or even exceeded the gross yields achievable through rental in Budapest. Overall, this points towards a reduction in investment demand for housing.

EXPECTATIONS

The war conflict, which has been going on for more than a year, the energy crisis, the negative economic effects, and the unfavourable banking lending environment are making it very difficult to buy and sell property. Home buyers and sellers are finding it more difficult to commit to buying or selling a large asset, in this case property, on less favourable terms. All this is exacerbated by the unfavourable bank lending environment, which encourages even more waiting. Both the Hungarian National Bank and the Macronome Institute are forecasting single-digit inflation by the end of the year. This could mean that the central bank's base rate could be lowered moderately to 11 percent by the end of the year, and even to around 6 percent by 2024. Housing loans are expected to become substantially cheaper next year. In the meantime, on the supply side, smaller properties and/or those with renewable heating systems, as well as panel houses, are expected to come to the fore. On the demand side, buyers with cash or higher equity may be in a better position. In this context, RE/MAX forecasts divergent movements in the different segments of the housing market in the coming period. As a result of economic trends, the overall slowdown in the market will be different for different property types.



RE/MAX Magyarország
1061 Budapest,
Andrássy út 5.
IV. em. 14.
www.remax.hu

Pápai Dorottya, MRICS
Business Development Manager
+36 70 708 6505
d.papai@remax.hu

www.remax.hu
RE/MAX is one of the biggest global franchise real estate agencies of the world. The RE/MAX name comes from the Real Estate Maximus phrase as an acronym. The company was founded in the USA in 1973, by today it operates with more than 140,000 real estate agent in 120 countries around the globe.

© 2023 RE/MAX Hungary
All rights reserved.

In this market study the information is based on several certified sources and on the database of RE/MAX. Despite this, the communicated information can be imperfect and owing to that, RE/MAX doesn't take responsibility for any loss or business decision based on this published information