

RE/MAX HOUSING MARKET REPORT – 2022. Q2

Magyarország

ECONOMIC INDICATORS / MACRO ECONOMIC ENVIRONMENT

After a challenging Q1, Q2 was no less eventful. On top of rising inflation across the region and a continuing cycle of interest rate hikes, it became clear that the Russian-Ukrainian war was dragging on, further hitting the economy. To address inflation, central banks have begun raising interest rates as an active monetary tool. Alongside the FED and the ECB, the MNB raised its base rate from 3.40% at the end of February to 7.75% in four steps by the end of June. This increase continued in July (10.75% on 27.07.2022).

Economic and political developments continue to have a significant impact on the forint. In the first quarter of the year, the average HUF/EUR exchange rate of the MNB was 364 HUF/EUR, while the average of the second quarter exchange rates reached 386 HUF/EUR. At the end of the period, the daily exchange rate was around 400 Ft/Eur.

HOUSING MARKET

The changing economic situation is having a significant impact on the real estate market and therefore on the residential property sector. In addition to the steady growth of previous years, this year the factors affecting the housing market are generating a variety of consequences. The effects detailed above are expected to play out gradually. We are forecasting even diverging results for each quarter of 2022. While prices rose by 20.5% in Q1 compared to the same period of the previous year, according to the KSH, Q2 shows a more complex picture.

In the second quarter, housing prices rose at a slower pace, as demand and the number of transactions declined. The typical price increases in the months of March-June were largely due to the fact that many people brought their purchases forward, thus increasing demand, shortening the selling period and allowing higher transaction prices to be achieved.

The housing market is affected by many more factors at the same time than before, including:

- Rising inflation;
- The impact on the credit market of the increase in interbank interest rates associated with an increase in the base rate (increase in the cost of housing loans);
- Steeply rising energy prices, which have already been partly passed on to household consumers;
- Stalling supply chains, rising construction prices;
- Reduced housing tax credit of 5% and extension of CSOK and Baby Loans.

DEMAND/SUPPLY/VOLUME

There were approximately 35,000 transactions during the second quarter. This figure is slightly down on the previous quarter (40,000) and was also down on the same period last year. In June, there was a drop of more than 10% compared with May, partly due to the beginning of summer and due to the worsening economic outlook.

Comparing at first half year transaction data with last year's first half year data, a slowdown in the market is already evident (around -10% in terms of volume). Further moderation and rebalancing is expected in the second half of the year. One of the main drivers of this, besides inflation and rising interest rates, is the energy market crisis in Europe, which is now directly affecting residential consumers in Hungary. From the second half of 2022, the current reduced gas and electricity prices will only apply up to the level of average consumption. The impact will be felt in smaller properties equipped with energy-saving systems (geothermal heating, solar panels, etc.), in panel dwellings and, in units that can be heated by electricity.

■ Average size

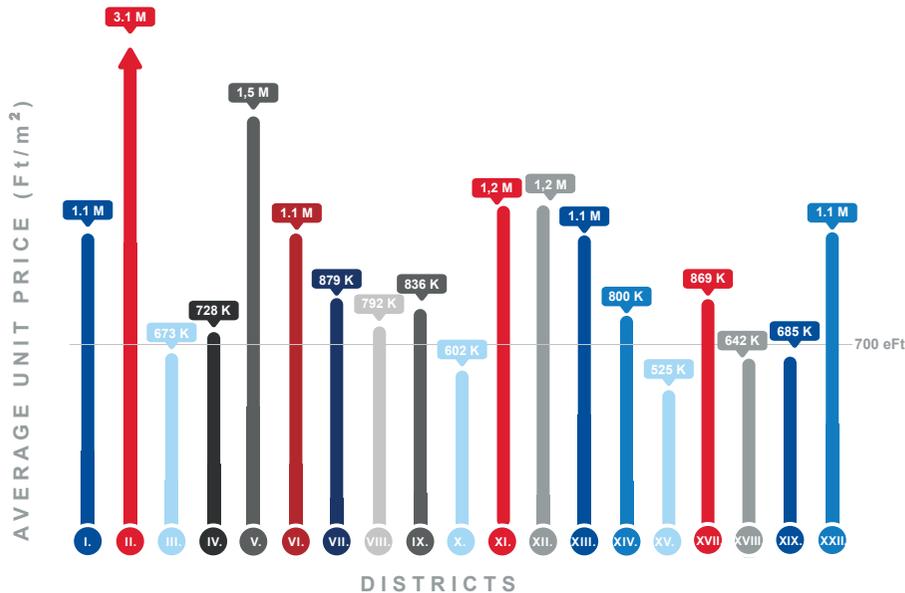
The most popular average apartment size in the second quarter of 2022, in both Buda and Pest, was typically between 40-60 m².

■ Average price

In the second quarter of 2022, the market continued to be characterised by rising prices. Based on the quarterly data, the majority of transactions, in the case of second-hand residential property, were for properties sold at between HUF 8-900 thousand per square metre. The average price of properties sold in Buda reached 900 thousand HUF/m², while the average price in Pest was 850 thousand HUF/m² in the inner districts and 700 thousand HUF/m² in the outer districts. Looking at the market for new-build properties, the average price per square metre is around HUF 1.2 million.

At the regional level, the most significant increase in prices (between 25-35%) was observed in the last quarter in the case of flats in panel housing. In rural areas, the average price per square metre of a panel apartment was 460 thousand HUF/m², while in Budapest it was 760 thousand HUF/m² in the second quarter.

The following chart shows the average square meter price of the sold real estates by RE/MAX, located in the I-XXII. districts of Budapest in the second quarter of 2022.



The time of sale



AVERAGE SALES TIME 3 MONTHS

According to RE/MAX transactions, the average time to sale for residential properties was 4 months. Typically, sales of prefabricated apartments are faster, around 2.5 months, while for brick apartments it is between 3 and 4 months.

The size of bargaining



DECREASING BARGAIN LEVEL 2-4%

The size of the bargain has undergone a major transformation since the COVID-19 outbreak. Whereas in 2010 the average bargaining level was as high as 8-10%, it has now fallen to 3-4%, and in some cases to 2%.

RENTAL MARKET



AVERAGE RENTAL PRICES 4.000 - 5.500 Ft/m²

Over the past two years, the supply of apartments for longer-term rent in Budapest has increased significantly. This led to a decline in rental prices until the beginning of 2022, when macroeconomic factors suddenly reversed this trend. Average nominal rents in June showed an average increase of more than 20% year-on-year. As a result, rents for brick-built apartments for rent in the capital ranged between HUF 125-350 thousand, while rents for panel apartments were between HUF 130-290 thousand.

The average rent in the inner districts of Budapest is between 4.000-5.500 HUF/m² according to the RE/MAX database.

INVESTMENT

In Budapest, the main reason for buying in the second quarter of 2022, as in the previous quarter, was to invest. Among investors, the most typical purchase was for properties of around 50 square metres on average. In rural areas, the most common purchase objective was moving.

Returns on the Budapest housing market are expected to average around 6% for second-hand housing and between 5-5.5% for new housing, with a 3% increase in house prices, according to TakaréK Index. Changes in yield levels are also forecast in the coming months, depending on changes in house prices/rent prices and other macroeconomic factors.



RETURNS: USED APARTMENTS CA. 6% NEW APARTMENTS CA. 5 - 5,5%

EXPECTATIONS

RE/MAX forecasts divergent movements in the housing market segments over the coming period. The overall slowdown in the market will be different for different types of property, due to the impact of economic trends.

On the supply side, smaller properties and/or those with renewable heating systems, as well as prefabricated flats, are expected to predominate. On the demand side, buyers with cash or higher equity may be in a better position.



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