



## Szia!

We're enjoying the agility that comes with our size here in Hungary. We're not the biggest player on the market (yet), but already consider ourselves serious competition to some very large local brands – including DVM-Horizon, Granit Polus, Futureal, Property Market, and WING – along with international giants like Skanska and GTC.

They all have flagship developments in Budapest, and ambitious projects along the Vaci office corridor. But so, do we. Our landmark project, Agora Budapest, is one of the city's largest office developments. Its size will allow us to utilise all the ideas we believe to be the central to our future developments.

This is what will differentiate us from our competitors, letting us gain a healthy piece of the thriving Budapest office market. In fact, we're already making a great impression with our community focus, human-centric thinking and transparency.

But we are not only focusing on Agora; our new integrated brands, Origameo and HubHub, are also gaining attention, and our ambition is to open our first HubHub office in Budapest before the end of 2018.

All in all, it's already shaping up to be a very good year.

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**Jan Hubner**

Country CEO

HUNGARY

# THE ECONOMY

Hungary's GDP picked up in 2017 by 3.8%, after a stagnant 2016. The average number of unemployed dropped to 174,000. It certainly had an effect. Per capita purchasing power jumped to €6,204 in 2017. That's still less than half of the European average; but a healthy 10% year on year rise.

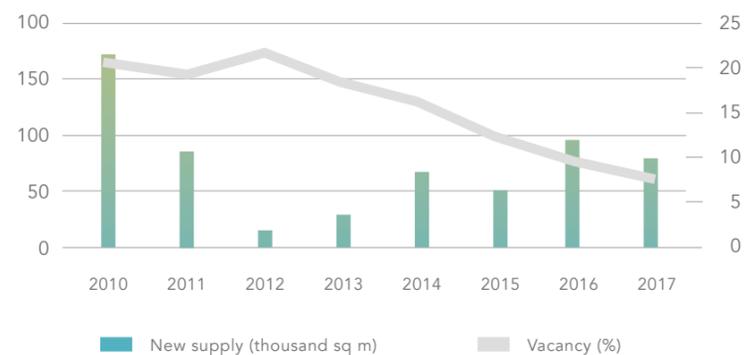
The fourth quarter economy raced away faster than it has in the last four years. Most likely, this was down to buoyant domestic demand, driven by EU investment and good financial conditions giving key industries – like construction – a lot of confidence.

The coming year looks to be strong, before a slightly slower pace in 2019. Similar to the last 12 months, the EU's funds will support growth, and private consumption will be supported by wage and employment increases. However, inflation will probably harm Hungary's competitiveness, and dampen exports.



# THE MARKET

## Budapest



Source: CBRE, JLL

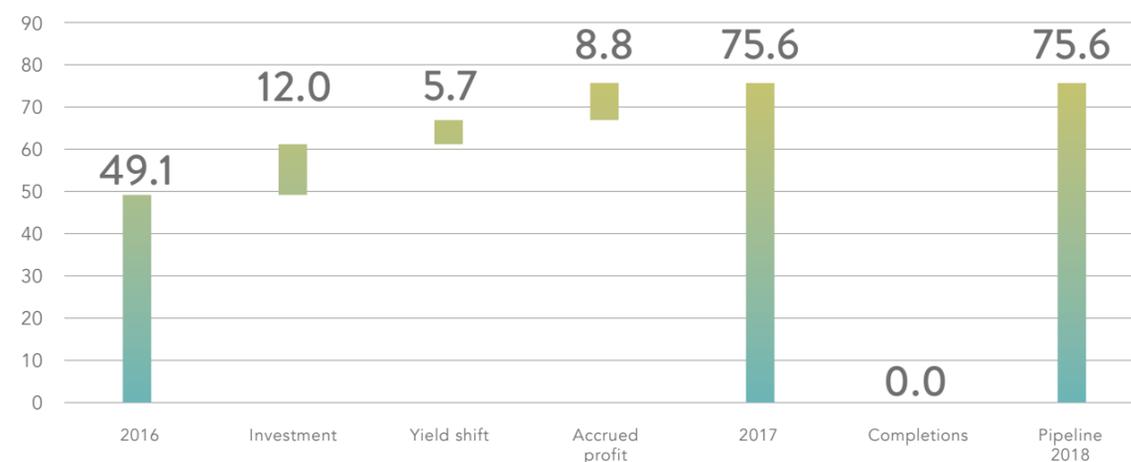
We're currently in the fourth year of a house price boom. Across the country, we saw an 8.6% year-on-year rise in 2017, with Budapest prices rising 13.8%. Altogether, the real estate development market is worth HUF 680bn – a record high. As we write, 1.5m sq m are under construction, 41% of which is office space.

Office developments are particularly safe. Vacancies among Budapest's 3.4m sq m of office space are at an all-time low of 7.5%. So, it's no surprise that the office developers have been busy here. This coming year, we expect to see 300,000 sq m of new stock hit the market. This will meet a healthy demand from new and growing businesses; but we do expect competition to get tougher as the year goes by.

In the near future, growth should keep the market broadly stable. The only concern is the lack of larger 1,000+ sq m properties, though there are a number set to be handed over in 2018 and 2019.

Away from the hard numbers; more and more companies here now see the benefits of lifestyle working environments. And this has had a big impact on both tenants' needs and developers' expectations. The knock-on effect is likely to be more WELL-qualified buildings. Green and lifestyle features are definitely here to stay. Which is good time for us to position ourselves as a Workspace as a Service (WaaS) provider and differentiate from other players.

## Changes in our Hungarian development property value (€m)



# OUR PERFORMANCE

We started construction of our landmark Agora Budapest project in 2017. To reflect the development's ambition, we also opened an innovative container showroom near the site, together with a new 5,000 sq m public park.

The park and showroom are very much community focused (we set up an ice rink there last winter) and have been very well received by both local families and working communities. To further embed our values, we also donated HUF 1m to a local NGO (Angyaloldi Szocialis Egyesulet).

Now in a new phase of the Agora Budapest project, we're looking to speed the construction up further and deliver the first set of buildings by the end of 2019, which is our big ambition. Across all our work, we're known as a very professional business that's building a great reputation for high-quality projects that put people at the heart of design. Everyone's thoroughly energised by our achievements so far and are excited at what's in the pipeline.

HB Reavis development Hungary	GLA sq m	Valuation				ERV	GDV	Value change	Investment
		2014	2015	2016	2017				
Projects under construction	68,607	7.5	29.5	40.9	67.1	27.2	410.8	26.2	12.0
Projects in preparation	92,822	0.0	0.0	8.2	8.5	6.4	97.4	0.3	0.0
<b>Total 2017</b>	<b>161,429</b>	<b>7.5</b>	<b>29.5</b>	<b>49.1</b>	<b>75.6</b>	<b>33.6</b>	<b>508.2</b>	<b>26.5</b>	<b>12.0</b>
<b>Total Pipeline for 2018</b>	<b>161,429</b>	<b>7.5</b>	<b>29.5</b>	<b>49.1</b>	<b>75.6</b>	<b>33.6</b>	<b>508.2</b>	<b>26.5</b>	<b>12.0</b>

Note: Figures based on external expert valuations and management report. All figures in €m, except GLA.

## Awards

'Community Space of the Year', Office of the Year Awards (Agora Park and Showroom)  
 'Planned Project of the Year - Commercial', Office of the Year Awards (Agora Budapest)

## Project Under Construction

### Agora Budapest

We worked on acquiring of this interesting plot of land in Budapest for over a year, starting in December 2014. Finally, in January 2016, this well-located Vaci corridor plot at the crossroads with Robert Karoly Street was consolidated and prepared for our development.

During the reporting year, we worked on fine-tuning the Agora concept and design with leading British studio, Make architects. As this project's, planned 131,000 sq m of GLA will significantly change this part of the city, we worked closely with city representatives to create a truly iconic and remarkable design.

Agora Budapest's five office buildings and spacious community areas will not only be a new city landmark but, once completed, will offer workspace for over 12,000 people. Uniquely, it will combine business, life and leisure in a compelling new way; perfectly serving the needs of the people who work there, residents and passers-by.

We did, however, face some challenges with permits. After receiving the building permit for Agora Hub (expected 34,500 sq m of GLA) and Agora Tower (expected 34,100 sq m of GLA) during the reporting year, we were preparing for construction works and are currently looking ahead to complete both buildings towards the end of 2019.

The next phase of the Agora project (expected 63,300 sq m of GLA) is now in the final stage of product design. There are the usual risks of new regulations, but we believe there should be no further obstacles to gaining permits enabling us to deliver the project in late 2021 which is our challenging ambition.

