

LIVING

NOW IS THE TIME TO BUY RESIDENTIAL
PROPERTY IN HUNGARY

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In Hungary, the value of apartments has significantly increased in recent years. According to data provided by Magyar Nemzeti Bank (MNB, the central bank of Hungary), between Q1 2014 and Q1 2023 there was a 231% increase in residential property prices, which means that in the past 9 years, the annualised yield from the increase in value was over 14%. Annualised yields are also convincing when current prices are compared to the pre-crisis maximum in 2008. From Q3 2008 to Q1 2023, over the course of nearly 15 years, those who invested in residential properties had an annualised 6.7% return as prices went up by approximately 163% overall.

In the capital city, Budapest, the increase was above the national average: prices per sqm shot up and in Q1 2023 residential property cost nearly 4 times as much as it did in early 2014 – this increase meant a 16.4% annualised yield for property owners. Compared to the pre-crisis maximum in 2008, prices went up by nearly 220%, which means that on average the value of properties increased by 8% annually in Budapest.

Prices of both existing and new residential properties went up: while in early 2016 there were new homes available for less than 500,000 HUF per square meter in Budapest, current median prices are around 1.4 million HUF – this is a 182% increase in average price, which equals a nearly 15% average increase annually. Current residential property prices are also significantly higher than pre-crisis prices: the price per square meter of new properties was almost 4 times higher in 2023 than in 2008, which translates to an annualised 9.4% increase in the price of new apartments over the past 15 years.

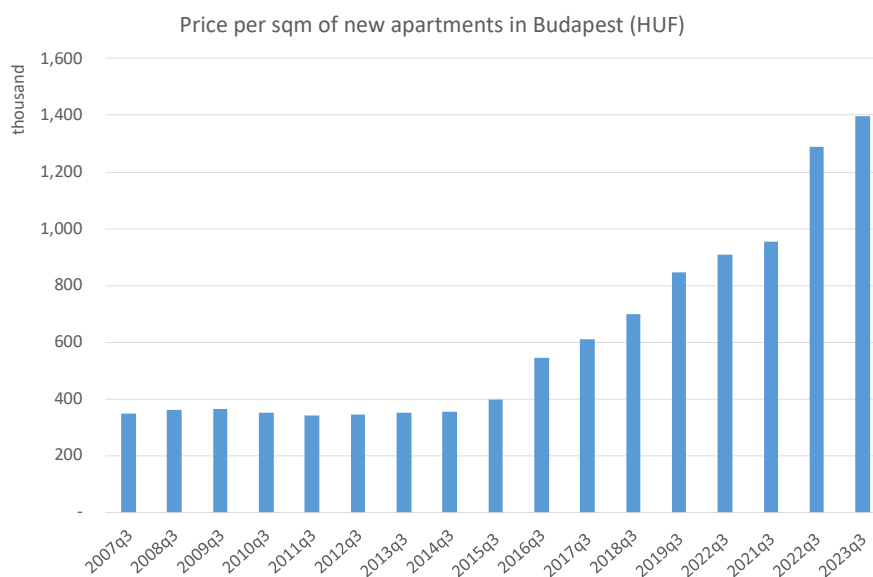


Figure 1 Price per sqm of new apartments in Budapest (Source: 2007-2015 – Hungarian Central Statistical Office, average price per sqm of new apartments, Q3 data; 2016-2023 – Budapesti Lakáspiaci Riport /Report on the Budapest residential property market/, median square meter price of apartments on the market in September)

How much does an apartment cost in Budapest today?

While prices in HUF have considerably gone up in recent years, the increase has been slightly more moderate in other currencies. In September 2023, a typical, 40-square-meter apartment in Budapest cost nearly 142,000 CHF, which equals 146,000 EUR / 154,500 USD / approx. 127,000 GBP / a little over 590,000 ILS / approx. 1,130,000 CNY. Prices of new apartments vary in the capital city: central

locations are popular among investors, here the prices are typically higher than the city average. The priciest part is District 5, here a 40-square-meter home costs about 258,000 EUR (over 1 million ILS, nearly 2 million CNY). Some locations are popular with investors and are easy to rent, yet they are still less expensive than the average – one such area is District 13, where price per sqm is lower than the Budapest average, and a typical, 40-square-meter new apartment may cost less than 140,000 EUR (approx. 560,000 ISL or 1 million CNY). This is a major location of the Budapest office market, which makes it even more popular and generates continuous, strong demand for properties. As many parts of the district are currently undergoing transformation, the value of certain apartments is expected to increase at a higher rate than the market average.

Price of a new, 40-square-meter apartment in Budapest, in districts popular among investors, in various currencies

	currency						
	HUF	EUR	CNY	ILS	CHF	USD	GBP
District 5	100,279,400	258,206	1,993,626	1,044,904	249,930	272,669	224,419
District 6	72,031,120	185,470	1,432,030	750,559	179,526	195,859	161,201
District 7	67,655,160	174,203	1,345,033	704,962	168,619	183,961	151,408
District 8	54,235,560	139,649	1,078,242	565,130	135,173	147,471	121,376
District 9	64,233,880	165,394	1,277,016	669,312	160,092	174,658	143,751
District 11	60,706,240	156,310	1,206,883	632,554	151,300	165,066	135,857
District 13	53,849,920	138,656	1,070,575	561,112	134,212	146,423	120,513
Budapest	56,818,770	146,301	1,129,598	592,047	141,611	154,495	127,157

Figure 2 Price of a 40-square-meter new apartment in various currencies in Budapest and in select districts popular among investors, calculated from median prices (Source: Budapesti Lakáspiaci Riport /Report on the Budapest residential property market/ – median square meter price of apartments in September 2023; MNB – exchange rates on 27 September 2023)

Budapest is inexpensive and offers great yield

Foreign investors should explore their options thoroughly when seeking out investment opportunities: prices in attractive cities vary greatly, as do the yields that can be realised. For example, while the price per square meter of new residential properties was almost 15,000 EUR in Tel Aviv in 2022, it was only 1700 EUR in Bucharest. While we have pointed out the significant increase in prices in recent years in Budapest, it is still considered a relatively cheap city – in Budapest, Zagreb and Warsaw, the price per square meter of new residential properties was below 3000 EUR in 2022. Based on the above, investors seeking to buy new residential properties in Central Europe had to pay less than one fifth of the Tel Aviv property prices, and less than a third of the price of a similar property in London. Prices in Budapest are especially attractive when compared to Prague, Vienna or Bratislava. New residential properties are more than 40% cheaper here than in Prague, for example.

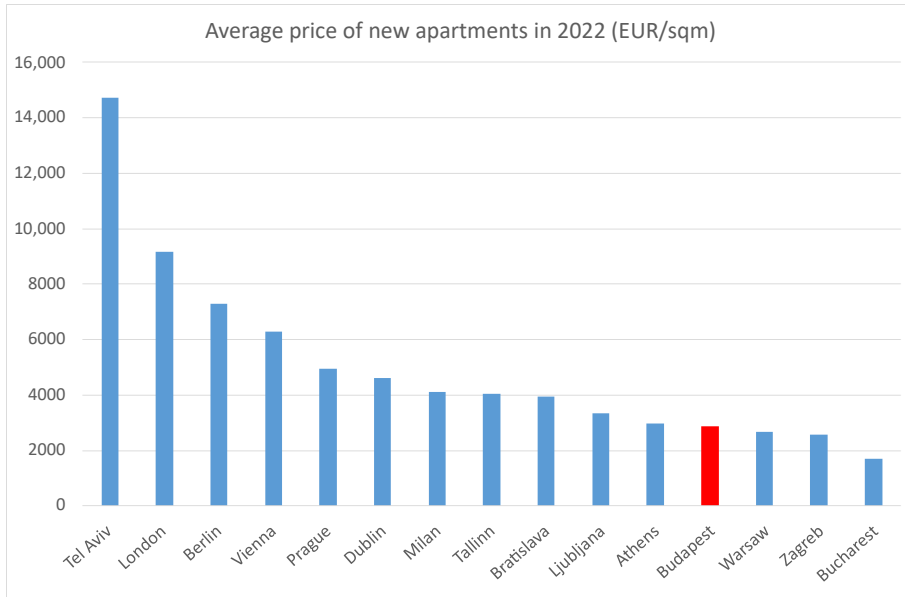


Figure 3 Price of new apartments in select cities in 2022 (Source: Deloitte Property Index 2023)

It's not only low prices that can attract investors to the Hungarian capital. Compared to other European cities, gross yields in Budapest, calculated from purchase prices and revenue from rent, are among the highest. The most current data available in 2023 show that potential gross yield is above 5% when purchasing residential properties, while, for example, this is less than 3% in Tel Aviv. Budapest offers more attractive opportunities than Western-European cities, and much better yield than Prague, Bratislava and Vienna.

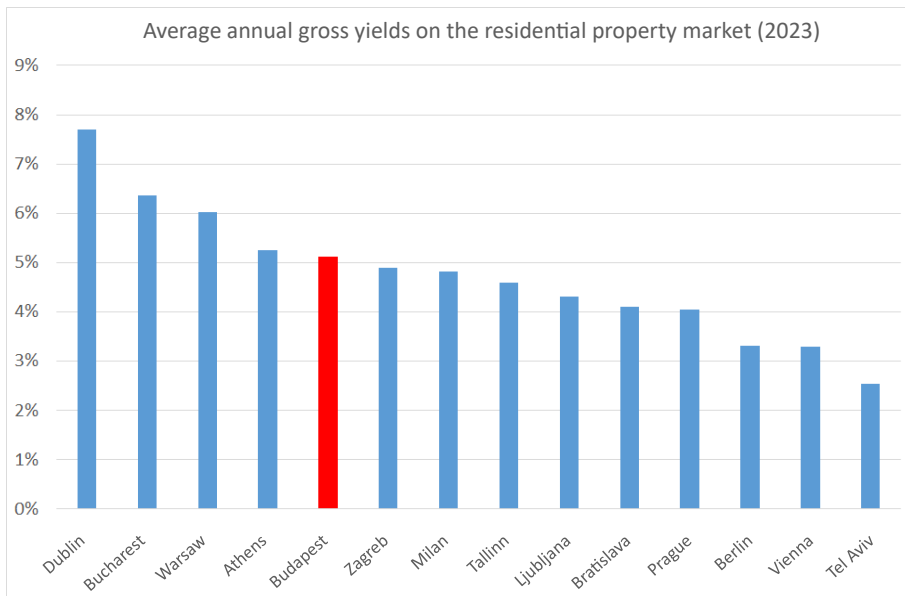


Figure 4 Gross residential rental yields in select cities as updated in September 2023 (Source: Global Property Guide)

In addition, purchasing residential properties abroad as an investment has become considerably easier. For example, like in other cities abroad, there are services available on the Budapest market that allow foreign investors to realise yield from their properties with practically no effort. Property management companies deal with every aspect of the management of the apartments, from furnishing to finding tenants to handling rent and utility fees.