HUNGARIAN
INVESTMENT
PROJECTS

Real Estate

The Hungarian Investment Promotion Agency took part in collecting and editing the projects appearing in the brochure.
If You would like to receive more detailed information on the projects, given sectors, or any industry which is not included in this publication, or need assistance in organizing meetings with project owners, please contact HIPA on the contact details below.

Hungarian Investment Promotion Agency (HIPA)

Hungary, 1055 Budapest, Honvéd street 20.
Phone: +36 1 872 6520 Fax: +36 1 872 6699
hip@hipa.hu

Editing closed: 11 August 2014

www.hipa.hu

Table of Contents

12

18

24

30

36

The Property Market in Hungary

The past 25 years dynamics of the real estate market were influenced by the general economic conditions in Hungary. Significant and long-lasting GDP growth started in 1997 and lasted until 2007. As major real estate segments (office, retail, logistics) were operated on a non-market basis before 1989, the changes resulted in significant improvements in this sector. Major existing stocks lost their past function and became unused and large scale new and modern developments entered the market. As Hungary transformed to a market economy, the real estate market emerged to western standards.

Subsequent to the effects of the crisis and despite the limited international interest from large REITs or major institutional investors for solely Hungary's property market, many attributes - low rents but the highest returns (in CEE comparison) and a shortage of new developments –promise remarkable growth potential in the future.

Sentiment data shows a prime yield range 7.50%-7.75% for offices, 9.25%-9.50% for logistics, and 7.25%-7.50% for shopping centres. For 2013, the expected annual investment volume (of commercial real estates) will reach nearly EUR 350-400 million, almost twice the volume of 2012.

OFFICE MARKET

The total Budapest office stock (including owner-occupied and speculative buildings) reached 3.172.400 sqm in the third quarter of 2013. Total modern office stock comprises 2,588,059 sqm of 'A'- and 'B'- category speculative office buildings and 584.341 sqm of owner-occupied buildings. The total volume of demand reached 98.014 sqm. Although the vacancy level decreased by 3.0% during the past year, it still stands at 18.6% and is one of the highest in the CEE region. Budapest office rents are also the lowest in regional terms, but some new premises were leased at pre-crisis (13.5-14.0 EUR/sqm/month) levels. The level of new construction is very low due to the lack of adequate financing.

Total new completions in 2014 are expected to be 35.000 sqm comprising two – partially built to suit – buildings, no further significant development volume is forecasted for 2015.

Based on the opinion of credible real estate market players, due to continuous ageing and permanent deficiency of new premises, potential future demand will not be adequately supplied if the construction pipeline remains at the current level. This will leave a sizeable gap in the market and signal a new era for quality developments and unique solutions that are still sought after.

RETAIL MARKET

The retail market experienced the most significant structural and volume change, among all segments as new retail types entered the market, and covered the whole country with shopping centres, hypermarkets, DIY stores, thematic stores, supermarkets, discount stores etc. over a very short time period. Almost all modern retail types appeared and expanded until 2008.

Following the years of 2008 and 2009, the retail market in Hungary stabilised during 2010 as market players adjusted to the changed conditions. The total shopping centre stock in 2013 is 1.359.000 sqm and the supply pipeline for new retail space remains fairly muted with just one new shopping centre development planned to be extended by 20.000 sqm. The retail market shows signs of improvement and an increased level of demand, especially for space in the best centres. A number of new retailers and international brands have entered the market (for example GAP) or started expansions again (Zara, H&M for example).

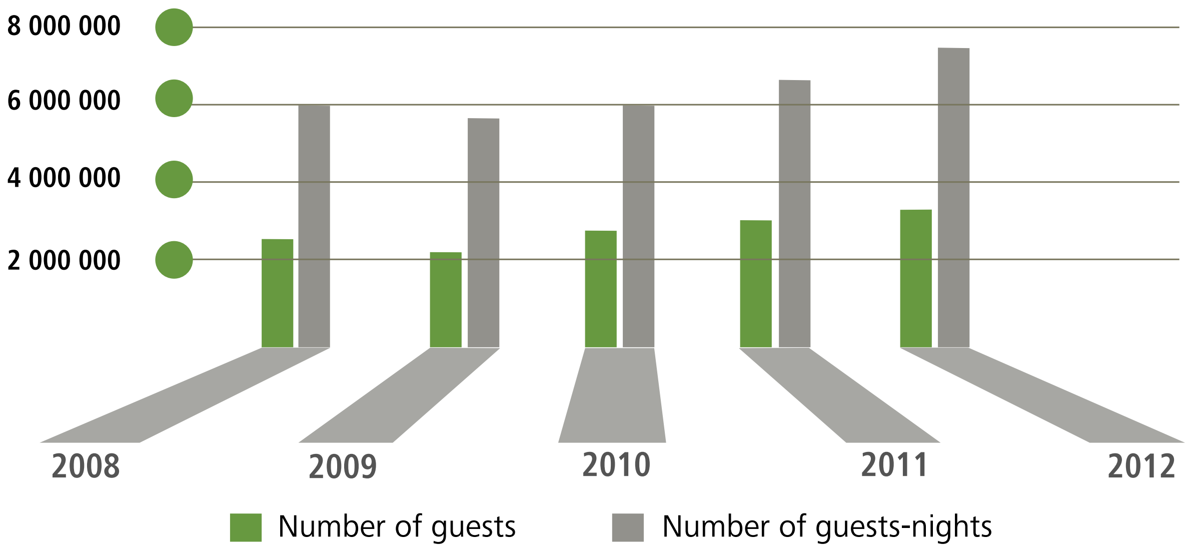
A unique sector of the retail sphere is rapidly increasing though, venues such as Andrássy Street and Deák Street in the heart of the city have become trendy fashion hotspots and attract a volume of luxury and upmarket vendors such as Louis Vuitton, Armani, Vertu to name a few, and these locations attract affluent local residents and tourists alike.

INDUSTRIAL/LOGISTICS MARKET

As most of the brownfield industrial sites were insufficient for modern production and logistics purposes, high numbers of modern industrial premises were built over the past 25 years. Almost every larger city established new industrial and logistics parks. In 2013, more than 220 industrial parks existed in Hungary.

The highest volume of modern industrial/logistic stock is located in Budapest. Total area of these buildings is 1,833,640 sqm, 10% of the stock is represented by premium quality city logistics. The construction activity – similarly to other market segments – is low, approximately 10.000 sqm new development entered the market in 2013. Key market players forecast market rent increases in the mid-term for the modern stock.

Number of Guests and Guests- Nights Spent in Commercial Accommodations in Budapest (2008-20122)



Source: Hungarian Central Statistical Office

HOTEL MARKET

The capital is one of the main driving forces of Hungary's tourism, accommodating approximately 37% of the country's 8.4 million guest arrivals and 34% of the 21.8 million guest-nights spent (2012).

Budapest, through increased marketing efforts and strengthening the city image is establishing itself as a regional tourism powerhouse, with its two Michelin star restaurants and awards such as the second best destination according to Condé Nest Traveler's 2013 'Top 25 Cities in the World', second place on the 2013 'Top European Destinations' list of the Lonely Planet Guide.

Total room stock now stands at 20.175 rooms of which 2.315 rooms (about 50 hotels) entered between 2008 and 2012. This increase was fuelled by upscale (4- and 5-star) developments, with openings such as the luxury Buddha Bar Hotel located in the city centre. Currently there is no general development trend, only a few properties are under way, however the positive demand trends give room to a number of potential new entries in the mid-term (3-5 years).

The market saw above 7.3 million guest nights in 2012, up by a staggering 30.5% compared to 2009 levels, exceeding pre-crisis levels. Demand grew by 9.2% in the first four months of 2013, underlining continued growth.

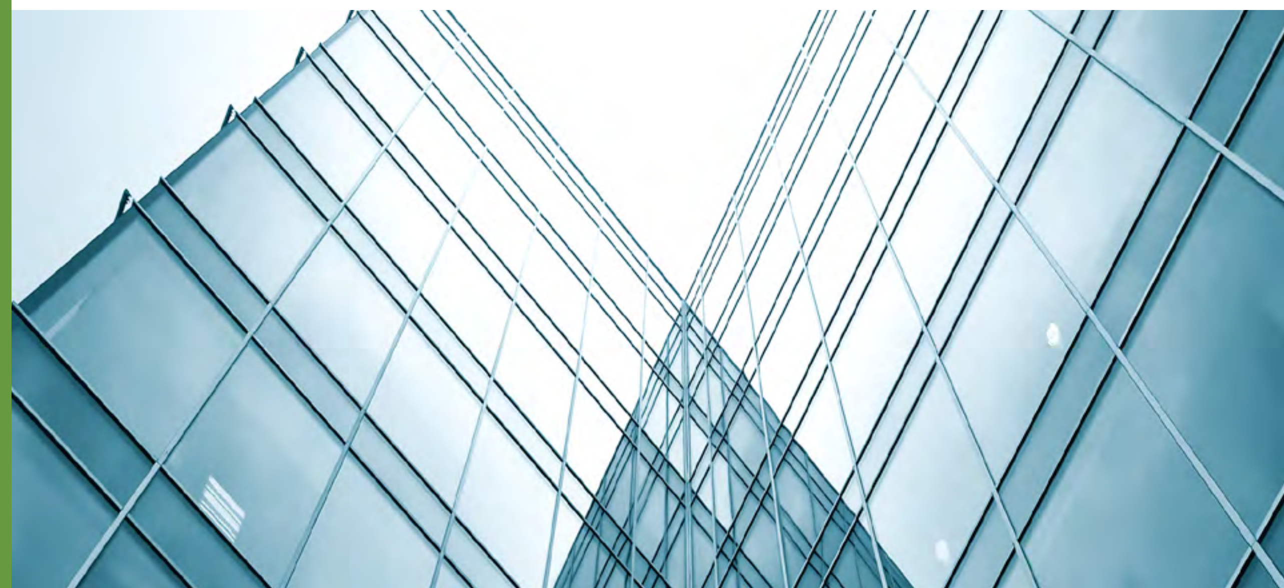
In the 4-star market, demand growth surpassed supply increase, and performance indicators exceeded three-year levels with occupancy closing at 63% in 2012. The achieved occupancy rates of the 5-star sector realised continuous growth achieving 69.5% in 2012.

WHY INVEST?

- There is sizeable gap in the market signalling a new era for quality developments and unique solutions that are still sought after.
- By investing into real estate, the highest returns can still be achieved in the CEE region.
- The retail sector has seen the advent of luxury type vendors like Louis Vuitton, Armani etc.
- Budapest is the main driver for the country's tourism and is recognised as the World's Second Best Destination according to Condé Nast.
- The hotel market is on a healthy track with visitor demand up by 30% since 2009 with a double digit annual growth over the past three years.
- Centrally located 4- and 5-star hotels perform up to 35% above the respective category averages.
- Recent hotel transactions (Le Meridien, Four Seasons and InterContinental) signal the interest of large investors for proven hotel properties with a solid cash flow.

THE SECTORIAL OVERVIEW WAS PREPARED BY:

BDO Hungary, Hotel and Real Estate Services Ltd.
+36 1 235 3010
gyorgy.rabai@bdo.hu
www.bdo.hu
1103 – Hungary, Budapest, Kőér street 2/a., Laurus Offices, Building C



DunaCity - Multifunctional waterfront city district

BASIC PROJECT DATA

SHORT DESCRIPTION

Large scale multifunctional city district development in Budapest with approximately 1.5 km waterfront promenade. The total built area is expected to be 500.000 sqm, with office, retail, residential and parking function. There is an opportunity for a large conference function, and an Optional location for the first high-rise building in Budapest.

Funding requirement

515-1.000 M EUR

Sector	Real Estate
Project owner	DunaCity Budapest Real Estate Development Ltd.
Location	District 9, Soroksari ut, Budapest, Hungary
Implementation period	10 years
Investment need	Based on selected cooperation model and final development mix. Total volume 515-1.000 million EUR
Overall Budget of the Project	Based on the final development mix.

I. PROJECT BACKGROUND

Majority owned by Quaestor Zrt.

The legal predecessor of QUAESTOR Financial Consulting Pte. Ltd was privately established on 13 January 1990, with the goal of taking part in the formation of a capital market in Hungary. QUAESTOR Financial Consulting Pte. Ltd has set up several affiliates that bear the QUAESTOR name. In 1996, the Group launched a real estate development company.

The Group today is a full financial services provider, is involved in the development and sale of real estate, travel and within its investment activities

investment in real estate, telecommunications, alternative energy generation, sports projects, leisure and tourism, alternative medicine and trade.

Key People of DunaCity Budapest Real Estate Development Ltd.

- Dr Benedek Gyorgyevics Executive Director, Lawyer and has a degree in economics.
  He has been leading the operations of the project and its legal predecessors for nine years.
- Pal Borbely Technical Director, Civil Engineering graduate.
  He has been directing the project's technical construction work for seven years.

II. PROJECT DESCRIPTION

Project description

The developers of DunaCity have a concept for a new type of living, where the harmony of apartment, workplace, commerce, entertainment and relaxation is provided from the beginning. The point of the concept of 'city within the city' is to have everything in the vicinity, so that you do not lose precious time travelling, with a wide spectrum of activities available in one place. DunaCity has prepared a complex urban development programme, which offers a range of different kinds of products, but also fulfils the principle of variety. The products will not only harmonise, but also strengthen each other, creating harmony and comfort in everyday life.

Main Data of the DunaCity Budapest Project

- 32.5 hectare development area.
- 1.5 km waterfront promenade.
- more than 500.000 sqm total built-in area.

Actuality

DunaCity, as a gem of Budapest, due to its unique nature and special location.
There is no other ongoing new waterfront development project in progress inthe city.

Competitive advantages

- directly on the bank of the Danube.
- a total shoreline of over one kilometre.
- regulated water level.
- proximity to the National Theatre and Palace of Arts.
- flexibility of future functions.
- multi-functionality.

Property rights, licenses, certifications

• In order to optimally use the development conditions in respect to the area, the District Regulation Plan has been changed and it has been approved by the municipality. The project has an existing. building permit, which is variable and the development has already reached a certain technical level.
• The programme plan is elaborated in detail and the 1:500 scale architectural concept is ready.

Current position in the market – expected share

DunaCity is the largest waterfront development in the centre of Budapest.

Target groups

Due to its large scale, wider market segments are to be targeted.

Short market description, main competitors

No similar scale Danube riverside development exists in Budapest in the completion phase.

Key strategic partners (included: involved in project finance):

- Colliers Hungary,
- Ecorys Group,
- Municipality of Budapest, IX. district,
- MKB Bank.

Key risks and measures to prevent risks: market risk, size risk – phased development, new 'city in the city' concept might be unique and able to assign special attractiveness to the project.
Upscale leisure-, business, MICE tourists, tour groups.

III. FINANCIAL INDICATORS

Calculated costs (should be updated when final functions and fit-out determined)

- Development costs are projected to be in excess of €370m.
- Development cost is strongly correlated to the final functional mix.

Proposed income levels

- The 590.000 sqm total area to be developed implies numerous business models, where the investor may choose the most business opportunity. The level of preparation and the period of the development will help the investor apply the model suited for the current market needs.
- Total gross projected income range within the implementation period is €515-1,000m.

IRR, NPV

- Depending on the nature of the investment, profitability and revenue overwhelming the sector average is guaranteed. As the leading real estate development in the region, DunaCity implies huge potential in a predictable and stable market environment.

Quantitative and Qualitative Indicators

QUANTITATIVE INDICATORS

Revenues / year 2013	N/A (development phase)
Mid-term revenues/year expectation	data will be provided by project owner, depends on final functional mix
Available owner's resources /available funds	Gross Potential Income (office function) is projected to be in excess of 3.8 million -3.9 million EUR /year

QUALITATIVE INDICATORS

	poor	adequate	high
Elaboration level		X	
Existing client relations	X	X	
Level of sectorial/market competition*		X	
Owner's background (market presence, experience)		X	
Management background (knowledge, experience)		X	
Level of innovation in the Project idea /Added value		X	X
Risk management plan	X	X	

* poor = high competition

IV. INVESTMENT OFFER

Required amount of investment	• based on negotiation with the project owner regarding the selected investment form
Form of investment	• Subject to negotiations • DunaCity development is a complete and complex task. The extent of investment depends on its nature and the financing model (real estate purchase, financing, co-financing, development, etc.). The execution of the whole project is approximately 1 billion EUR.
Guaranteed profit / estimated return	• According to the project owner - DunaCity, as a gem of Budapest, due to its unique nature and special location, provides outstanding, above average profit and ROI for the investor
Estimated exit time	10+ years

Proposed capital/equity structure

- Based on the selected cooperation model, and final development mix.
- Total investment volume €515-1.000m.
- equity/loan structure based on financing negotiations.

Investment schedule

- Subject to negotiations.

Proposed exit policy

- Subject to negotiations
- The scale and magnitude of the development provides the possibility for long and short-term exits. In the timeframe of 1 to 10 years from purchase until continuous utilization, potential investors may choose between numerous opportunities.

WHY INVEST?

- Valuable 1.5 km waterfront promenade;
- High volume: more than 500 000 sqm gross built-in area potential;
- No comparable ongoing project in Budapest;
- Flexibility of future functions;
- Opportunity of phased development.

CONTACT DETAILS

For further information please contact HIPA at hip@hipa.hu

Dózsa Office Complex - Landmark office building

BASIC PROJECT DATA

SHORT DESCRIPTION

The Dózsa Office Complex consists of an eight-story landmark office project totalizing 41,000 sqm above ground, divisible in two separate phases of comparable size. The conceptual design was delivered by the internationally renowned London based Foster & Partners and the Budapest based Tiba Studio. The office building targets market-leading, international corporations, looking for an opportunity to headquarter their activity in an efficient and exceptional "built to suit" office building.

Funding requirement

9-100 M EUR

Sector	Real Estate
Project owner	Maxima III Kft.
Location	District 13, Dózsa György út 144-148, Budapest, Hungary
Implementation period	• demolition works completed, • building permit to be filed on demand of tenant, • building permit documentation design phase: five months, • permitting process: five months.
Overall Budget of the Project	9-100 million EUR
Investment need	based on selected option: 1.Finance (possible as a Partner) the development of the project: 25-50 million EUR 2.Invest in the completed project: 50-100 million EUR 3.Acquire the development project (land+planned project): 9-18 million EUR 4. Leasing the completed project, from 5.000 up to 41.000 sqm

I. PROJECT BACKGROUND

The Dózsa Office Complex project is managed by Codic (www.codic.eu)

CODIC International S.A. is a real estate developer of multi-functional projects, business parks, shopping centres, offices, and houses in Europe. It develops projects in Belgium, France, Luxemburg, Hungary, Romania, and Spain. The company was founded in 1970 and is based in Brussels, Belgium.

Key People

- Christophe Boving MRICS, General Manager of Codic Hungary Kft.
- Pál Szilvási MSc in RE, Project Manager

II. PROJECT DESCRIPTION

Project description

The plot is located along the important Dózsa György street which preserved well its "boulevard" character in comparison to the noisier Váci street, which it crosses at 300 meter distance only.
The projected eight-story Dózsa Office Complex has a strong architectural identity and curved shapes. It is organized around a circular courtyard in the center that will remain accessible by visitors and customers, through openings between and a large gate in the surrounding buildings. The complex is planned to be divisible in two ownerships and in occupancies of flexible sizes, ranging from a few thousand to a total of 41,000 sqm.

A BREEAM certification with an „Excellent" score is planned.

The project has reached the stage of final concept and scheme design. The Building Permit request will be filed and tailored to suit tenants or investors' demand.

Actuality

The project disposes of a zoning plan that was tailored to fit the conceptual design delivered by Foster and Partners. The site has been cleared from all encumbrances and offers now to market-leading, international corporates a unique opportunity to headquarter their activity in a landmark, "built to suit" office project with a Foster and Partners signature, in the heart of the beautiful capital of Hungary.

Competitive advantages

1. An opportunity of financing at an attractive rate and in safe conditions: Codic as a 50% quota holder is an international developer with an impressive track record and has proven in its 43 years of activity to be a perfect reliable borrower.
2. An opportunity to invest in a landmark project designed by Foster & Partners (Reichstag in Berlin, WTC towers in New York), at values which are without doubt the most competitive around the world and include high potential capital gain on top of already attractive immediate yields. Good leasing outlooks since recent office developments in the immediate surroundings of the building demonstrate very high leasing ratios within one year after completion.
3. An opportunity to lease office space in this landmark project that are 20% to 30% lower than in buildings of comparable standard and signature in other CE capitals.

Property rights, licenses, certifications

- Approved Zoning Plan tailored to project,
- Approved preliminary design documentation by the Environmental Authority.

Current position in the market – expected share

Prime office segment, limited competition in the future.

Target groups

Big corporations looking for an emblematic building in a strategic location and green environment for their HQ.

Short market description, main competitors

The inner "Váci corridor" has become the most preferred business location of many international corporates and the strongest growing office submarket of the city in the last years, both in terms of development and take-up.
Within this submarket and even to extend of the city of Budapest, this project will come on the forefront in terms of standard and architectural signature.
Competition and reference projects location wise are: Capital Square (95 % leased), Green House (95% leased), Vision Tower (50% pre-leased under construction).

Key strategic partners (included: involved in project finance)

Financial institutes, investors and developers.

Key risks and measures to prevent risks

Market risk – exclusive architecture to reach high added and time proof value has been initiated in the form of a master and conceptual plan, approved by the Administration.

III. FINANCIAL INDICATORS

Based on form of investment, subject to negotiations with project owner

Proposed income levels

• The estimated/targeted average office lease is 14 EUR/sqm/month.

EBITDA on equity (from construction start)

• N/A (data will be provided by project owner).

IRR, NPV (based on current market levels)

• Yield: 7-8%
• ROI of 15% on development/investment and much more later on potential capital gain

Quantitative and Qualitative Indicators

QUANTITATIVE INDICATORS

Revenues / year (first full year of operation)	Approx. 5 million EUR
Mid-term revenues/year expectation (stabilized year)	Approx. 7.3 million EUR

QUALITATIVE INDICATORS

	poor	adequate	high
Elaboration level		X	
Existing client relations		X	
Level of sectorial/market competition*		X	
Owner's background (market presence, experience)			X
Management background (knowledge, experience)			X
Level of innovation in the Project idea /Added value			X
Risk management plan		X	

* poor = high competition

IV. INVESTMENT OFFER

Required amount of investment	• Based on negotiations with the project owner, see various forms of investment
Form of investment	1., Finance the existing project, 25 million EUR + VAT / 20 000 sqm phase (two phases in total). Estimated return: 5-6% / year, in 36 months, 2., Invest in the completed project, 50 million EUR + VAT / 20 000 sqm phase (two phases in total). Estimated return: 7-8% / year. 3., Acquire the development project (land + planned project), sale price: 9 million EUR + VAT / phase (two phases in total). 4., Leasing (pre-leasing) of the completed project, rate 14 EUR/sqm/month+VAT, 10 000 sqm-40 000 sqm.
Guaranteed profit / estimated return	• 5-8% according to selected investment type
Estimated exit time	Minimum 36 months

Proposed capital/equity structure

• Based on the form on investment.
• Equity/loan structure based on financing negotiations.

Investment schedule

• Subject to negotiations.

Proposed exit policy

• Subject to negotiations.

WHY INVEST?

• Landmark building concept by Foster & Partners in a quality location and environment.
• Various cooperation forms at investor's preference.
• Level of achievable profit (and risks) are based on the selected investment type.
• Possibility to phase the development.

CONTACT DETAILS

For further information please contact HIPA at hip@hipa.hu

Renaissance by Marriott - Upscale city center hotel

BASIC PROJECT DATA

SHORT DESCRIPTION

The development of an upscale hotel and adjacent event/ entertainment facilities in the heart of Budapest, operated by Marriott under the Renaissance brand.
The building of the proposed hotel has a prime location facing Vörösmarty Tér (Vörösmarty Square) This is a prime tourist hub in Budapest and has excellent accessibility and visibility. The area and the proposed hotel's immediate vicinity has always been and will remain a frequented hotspot in Budapest, and real estate values in the environs have traditionally been the highest in Hungary.

Funding requirement

45-60 M EUR

Sector	hotel / mixed-use
Project owner	Moons Ltd. / Budapest City Centre Ltd.
Location	District 5., Vörösmarty Tér, Budapest
Implementation period	The event/entertainment facilities were completed in 2008. The façade of the building and the structural rehabilitation has been partly completed. The project is ready for recommencement of development works of the second phase. Development of the hotel can take placed during 2014-2015 Opening: January 2016
Overall Budget of the Project	90-95 million EUR

I. PROJECT BACKGROUND

- Budapest City Center Ltd.
- The company is related to the Laurus Invest group, a Hungarian investment group owning and operating entertainment centres throughout Hungary. They are the owners and operators of the Monte City event hall.
- The property subject of the development is owned by Moons Ltd, a subsidiary 100% owned by Budapest City Center Ltd.
- Moons Ltd signed a 20+5+5 years management agreement with Marriott International, for the management of the hotel under the Renaissance by Marriott brand.

II. PROJECT DESCRIPTION

Project description

A 180 key, 5-star hotel and adjacent event/retail facilities in two interconnected landmark buildings in Vörösmarty Tér under the Renaissance brand of Marriott International on a total area of 19.000 m2, including conference facilities, a spa, restaurant, bar, jewellery shop and a nightclub. The developer signed a 20+5+5 years management agreement with Marriott International in 2009 (updated in 2012). The project is located in the heart of Budapest, at a truly exceptional site surrounded by a pedestrian shopping district, with upscale restaurants, bars, entertainment facilities and luxury retail units.

WHY INVEST?

- Unique, upscale hotel development located in the heart of the city, in an area catering tohigh-end tourists and locals, which will become one of the key 5-star properties of Budapest.
- The hotel will be managed by Marriott International, ensuring a strong market position, and giving way topotential cooperative efforts with the twoother Marriott managed properties in Budapest.
- Strong cash-flow basis, four-year corporate guarantee of EUR 5M by Marriott, signalling trust in the project and limiting the investors' exposure.
- Standalone upscale restaurant with a "Budapest theme".
- Turn-key contract.

Competitive advantages

- Marriott International is one of the world's leading hotel companies and is already present in Budapest with three properties.
- The operator's presence in Budapest and experience in international and local hotel operation provides excellent operational synergies and cost reduction, leadingt.
- better profitability vs a standalone operation.
- Renaissance by Marriott would be the fourth Marriott brand appearing in Budapest (after Marriott, Marriott Executive Suites and Courtyard by Marriott).
- Primary location.
- Large rooms - 32-35 m2.
- Luxurious bathrooms with bath & shower.
- Old architecture from neo-Renaissance period.
- Spa/Wellness, Fitness, Pool.
- Lifestyle and design - 'buzz'.
- Variety and quality of Food and Beverage facilities.

Property rights, licenses, certifications

- The property subject of the development is 100% privately owned by the project owner.
- The architectural plans are completed.
- The necessary construction/building permits and licenses are effective and available, the development can begin right after receiving the necessary financing.

Current position in the market – expected share

N./A.
The hotel, once in operation, could become a landmark property and an alternative for the city's centrally located 5-star hotels.

Target groups

Upscale leisure-, business, MICE tourists, tour groups.

Short market description, main competitors

There have not been any classic, full-service 5-star openings in recent years. Demand has seen a steady increase since 2010, with both the number of guests and guest-nights on the rise. The hotel's competitors will be the 5-star hotels in downtown Budapest, the narrower niche is between the standard 5-star properties (e.g. Intercontinental, Sofitel) and the Four Seasons Gresham. Primary competitors will be Le Meridien and Boscolo Budapest. This niche has been performing exceptionally well historically.

Key strategic partners (included: involved in project finance)

MKB Bank.

Key risks and measures to prevent risks

diversified operation (hotel, retail, event centre), owner's priority cash-flow arrangement, potential synergies with the other Marriott properties.

III. FINANCIAL INDICATORS

Calculated costs

- Real estate value: 45 million EUR.
- Redemption of current loan : depending on negotiation with MKB Bank about loan discount.
- Construction, FF&E, working-capital) until opening: 28-30 million EUR.
- Full development costs: 90-95 million EUR.

Proposed income levels (stabilised year)

- Average Daily Rate: EUR 185.
- Occupancy: 72%.

Basic P&L plan for the first 5 years of operation

(EUR, current value):

EUR	2016	2017	2018	2019	2020
Operation Revenue	8 412 543	9 839 232	11 364 313	13 061 580	13 651 934
GOP	3 057 840	3 768 877	4 693 653	5 811 042	6 239 060
Hotel EBIDTA	2 281 686	2 748 269	3 375 663	4 014 544	4 346 481
Lease Income from retail and commercial	1 472 076	1 500 438	1 529 366	1 558 874	1 588 971
Owner's CF	3 753 762	4 248 706	4 905 029	5 573 418	5 935 452

Quantitative and Qualitative Indicators

QUANTITATIVE INDICATORS	
Revenues / year (first full year of operation)	8.41 million EUR
Revenues/year expectation (stabilised year)	13.65 million EUR
Available owner's resources /available funds	real estate ownership + project plans

QUALITATIVE INDICATORS

	poor	adequate	high
Elaboration level			X
Existing client relations			
Level of sectorial/market competition*		X	
Owner's background (market presence, experience)			X
Management background (knowledge, experience)			X
Level of innovation in the Project idea /Added value		X	
Risk management plan		X	

* poor = high competition

IV. INVESTMENT OFFER

Required amount of investment	45-60 million EUR
Form of investment	Redemption of current loan Equity for development: 28-30 million EUR
Guaranteed profit / estimated return	9-10% yield
Estimated exit time	subject to negotiations

Proposed capital/equity structure

- Full development costs: 90-95 million EUR.
- Project owner's contribution: 45 million EUR (in form of the real estate).
- Partner's contribution: 45-50 million EUR.

Investment schedule

- Subject to negotiations.

Proposed exit policy

- Subject to negotiations.

CONTACT DETAILS

For further information please contact HIPA at hip@hipa.hu

Budapest Airport Hotel

BASIC PROJECT DATA

SHORT DESCRIPTION

The development of the first full service, mid-market on-site airport/conference hotel on the territory of Budapest Airport, with direct access to the terminal.
The product is an internationally successful hotel type, a proven investment globally. All major international airports in the CEE region have comparable airport hotels within a walking distance to the Terminal, providing hotel and conference services for airport passengers, airlines and corporates located in the vicinity of the airport.
The increasing passenger volume at Budapest Airport and the mature business climate around it (logistics and office parks), will further enhance the viability of such a hotel in the given location.

Funding requirement

20.3 M EUR

Sector	Hotel
Project owner	Budapest Airport Ltd / Wing Ltd
Location	Budapest International Airport
Implementation period	Scheduled opening of the hotel: 2016
Overall Budget of the Project	20.3 million EUR

I. PROJECT BACKGROUND

Project owner

• Budapest Airport Zrt. is in charge of managing, operating, and developing Hungary's main international airport, which is at the same time the second largest airport in the new EU member states.
• Budapest Airport appointed WING Ltd as its exclusive partner for the development of the project, and as an authorised representative in the operator and investor search process.
• WING Group is the leading property company with a track record of over 14 years of outstanding performance on the Hungarian commercial real estate market.
• The Group's core competencies are real estate development, investment and services. WING covers the entire real estate value chain through the services of its market leading subsidiaries in construction, facility management and brokerage.
• WING has developed many of Hungary's leading, award-winning commercial buildings, which form the backbone of its diversified and established investment portfolio (cca. 350,000 sqm) and WING is also preparing a promising pipeline of prime sites for development in the near future (cca. 500,000 sqm)
• Since its foundation in 1999, WING has an established track record of successful joint ventures with international partners.
• Past major projects of the company include developing the headquarters of the Hungarian National Television (Best Public Services Development in Europe in 2013), and developing the extension of the University of Economics (Hungary's largest university), (Best Public Services Development in Europe 2009).

II. PROJECT DESCRIPTION

The development and operation of an approximately 150 key, mid-market airport/conference hotel, located at Terminal 2 of the Budapest International Airport. The exact number of rooms will be tailor-made for the selected operator.

Budapest International Airport is the third busiest international airport hub with 8.5 million passengres (2013) in the CEE region, yet the only one without a true on-site airport hotel; the demand and international examples justify the development of such a product. The territory of the airport where the subject development can take place is owned by the Hungarian State; however, all facilities are managed by Budapest Airport Ltd until 2080 under a concession structure.

The subject of the present investment opportunity is therefore the exclusive operating rights (cash-flow) of the Budapest Airport Hotel until 2080, however, alternative agreements are also possible. Wing Ltd is in talks with a number of potential international hotel management companies, e.g. Marriott International with its Courtyard brand and Rezidor with its Park Inn brand have both expressed serious interest in the project.

WHY INVEST?

- The new hotel at Terminal 2 of Budapest International Airport represents a unique opportunity and will compensate for a long-existing market gap.
- The airport is the 3rd largest international hub airport in the CEE region (8.5 million passengers in 2013), yet the only one without a true airport hotel.
- The development will be the only on-site full service airport hotel and the leading internationally branded hotel in the greater airport area. Not one real competitor exists today.
- Budapest-based Wizz Air, the leading airline in the CEE region is continuing to expand its routes. The company's offices are located at Terminal 1 and they have opened an international simulation and training centre for their pilots and stewards, where 1,500 of their international staff will be trained on a reoccurring basis. The necessary Hotel accommodation could be provided by the new Airport Hotel.
- Vast opportunities for arrangements with current and future airlines operating at the airport.
- The hotel could serve as a "fly-in, fly-out" conference facility for the regional conferences of international companies.
- With more than 14 years of experience in Hungarian real estate and with a proven track record of successful developments and the entire real estate value chain is available within the holding company, from planning, developing, to constructing and operating, WING is ideally positioned to execute this project on time and quality.
- The likely continuation of the BUD Future Programme (since 2008, EUR 300 million has already been invested to develop the area and the airport).
- International hotel management companies (e.g. Marriott International with Courtyard brand and Rezidor with Park Inn brand) have already expressed serious interest).
- Budapest's tourism and hotel market is on the rebound, and the city is establishing itself as a regional tourism powerhouse, both occupancy rates and ADRs are on the rise.

Competitive advantages

- Unbeatable location, direct access to Terminals;
- Excellent visibility from the immediate environs and passenger halls;
- Very limited competition in the greater airport area (none of them are internationally branded);
- Budapest Airport continuously welcomes new airlines and introduces new destinations;
- Extensive corporate presence in the greater airport area;
- Highly experienced developer and committed airport partner;
- Serious interest from local banks to finance the project;
- Airport and terminal hotels tend to achieve good trading indicators, especially very healthy rates due to the proximity of the terminal, which could be a serious supplement to rates compared to city hotels.
- The subject property of the development is owned by the Hungarian State therefore the evolution of the airport are of national importance.

Property rights, licenses, certifications:

- Budapest Airport Ltd owns the management rights of the premises until 2080, and has appointed WING Ltd as its exclusive partner;
- Architectural plans will be tailored to the hotel management company's needs and finalised with experts.

Current position in the market – expected share

N./A.
Once completed, the hotel would become the first option for travellers seeking this type of hotel product with no other direct competitors in the terminal area

Target groups

Transit / layover passengers, airline crews, corporate and MICE demand generated by the airport and regional companies.

Short market description, main competitors

There are currently two hotels located in the greater area of the airport. None of them are internationally branded and both are at least 10 minutes drive from the airport, hence none of them can be considered primary competitors, resulting in a strong market position for the subject property. The success of an airport hotel will be largely dependent on the passenger volume and activity generated by the airport. The airport is showing continuous growth in passenger numbers, and the market quickly recovered from the dissolution of Malév, the former national airline; it is expected to reach 11 million passengers per annum in the mid-term. Meanwhile Budapest's hotel market has bounced back from the effects of the financial crisis and the 4- and 5-star hotels have a healthy performance in the city.

Key risks and measures to prevent risks

The most relevant risk is considered to be the long-term risk of the potentially poor macroeconomic performance of the country. Partnership with Budapest Airport could prove to be a huge advantage.

III. FINANCIAL INDICATORS

Exit price
Investor's contribution: EUR 20.3 million;

Basic P&L plan for the first 5 years of operation
(EUR, inflated values).

EUR	2016	2017	2018	2019	2020
Operation Revenue	2 398 900	2 800 700	3 254 600	3 685 700	3 745 700
GOP	933 500	1 186 300	1 469 800	1 765 600	1 794 400
Hotel EBIDTA	720 200	899 600	1 095 000	1 294 200	1 315 300
Occupancy	58%	64%	71%	77%	77%

Quantitative and Qualitative Indicators

QUANTITATIVE INDICATORS

Revenues / year (first full year of operation)	2.34 million EUR
Revenues/year expectation (stabilised year)	3.75 million EUR

QUALITATIVE INDICATORS

	poor	adequate	high
Elaboration level		X	
Existing client relations (not applicable)			
Level of sectorial/market competition*		X	
Owner's background (market presence, experience)			X
Management background (knowledge, experience)			X
Level of innovation in the Project idea /Added value		X	
Risk management plan		X	

* poor = high competition

IV. INVESTMENT OFFER

Required amount of investment	20.3 million EUR
Form of investment	Investor receives 100% operational rights (cash flow) for a period of 50 years.
Estimated return	Initial yield of 9.00%
Estimated exit time	In case investor sells the project in the 6th year of operation at an exit yield of 8.00%, an IRR of 20.4% is achievable

Proposed capital/equity structure:
- Partner's contribution: EUR 20.3 million

Investment schedule:
- Subject to negotiations;

Proposed exit policy:
- Subject to negotiations;

CONTACT DETAILS
For further information please contact HIPA at hip@hipa.hu

Budapest Airport Cargo City - Airport development

BASIC PROJECT DATA

SHORT DESCRIPTION

Construction of 11.000 sqm warehouse + 4.000 sqm office space next to Terminal 2 as part of the airport expansion plan (BUD Future). This would be the 1st phase of the Budapest Airport Cargo City project, which would replace the existing and outdated cargo facilities close to Terminal 1. At present one building is planned althoughthe total development potential is five buildings.

Funding requirement

20-100 M EUR

Sector	Real Estate
Project owner	Budapest Airport Zrt. (BUD)
Location	BUD International Airport, Budapest
Implementation period	• phase I construction is planned to start in 2015; • completion of phase I in 2016; • following phases will be scheduled based on market demand or partners request.
Investment need	estimated 20 M EUR/phase
Overall Budget of the Project	20.0 million EUR - 100.0 million EUR 1st phase: 20 M EUR; 2nd-5th phase: 80 M EUR

I. PROJECT BACKGROUND

Budapest Airport Zrt. is in charge of managing, operating, and developing Hungary's main international airport, which is at the same time the second largest airport in the new EU member states. The airport company has set itself the goal of operating efficiently and profitably on a sustainable basis.

The airport company aims to strengthen its strong global position in the private airport market and to realize the great potential of the airport together with private shareholders with strong aviation expertise and financial background. BUD has invested already more than 300 M EUR into the development of the airport since 2007.

Shareholder structure of BUD

- AviAlliance GmbH 50%.
- Caisse de depot et placement de Québec 18%.
- Malton Investment Pte Ltd 18%.
- Aero Investment S.á.r.l 10%.
- Kfw IPEX-Bank GmbH 4 %.

Key People

- René Droese, Director Property
- Réka Sebestyén, Head of Property Management

II. PROJECT DESCRIPTION

Construction of 11.000 sqm warehouse + 4.000 sqm office space next to Terminal 2 as part of the airport expansion plan (BUD Future). This would be the 1st phase of the BUD Cargo City project, which would replace the existing and outdated cargo facilities close to Terminal 1.

The project had already started and was 90% pre-leased to the cargo handling companies at BUD and the construction company was selected. The project was stopped in 2012 due to the Malév collapse and postponed to 2016/17, but the project could be moved forward in case a 3rd party investor would finance this project.

The proposed building can handle a cargo volume of approximately 150-200.000 tonnes per year. The Cargo City area is capable of accommodating five buildings in total, which can handle approximately 1 million tonnes of cargo per year.

Actuality: Cargo City 1 will be the only Airside / Landside facility at Budapest Airport at Terminal 2 until a second facility is built. The building will be leased to handling companies, cargo and logistics companies.

The prospects are promising, as air traffic will increase notably across the region. Budapest Airport has a great basis for further route development and great growth potential for both aviation and non-aviation businesses.

BUD traffic figures 2013:

- 8.5 M pax
- 92,112 to cargo
- 6,004 freighter movements

Competitive advantages

- Budapest is the perfect location for distribution within Eastern Europe.
- Seven direct country borders; 20 neighbouring countries within 1.000 km.
- Abundant space for future development on and around the airport.
- Integrated air cargo and logistics concept.
- Close cooperation with government, communities and developer.
- Flexibility to extend up to five phases.

Property rights, licenses, certifications

- All permissions and plans projected to be completed in 2014.

Target groups

Cargo handling and logistics companies.

Short market description, main competitors

No other competitive buildings are possible to be built in the airport area, beside BUD's development with airside-landside connection.

Key strategic partners (included: involved in project finance):

- BUD,
- Handling Companies,
- Banks.

III. FINANCIAL INDICATORS

Calculated costs

•Not relevant, all construction costs will be incorporated in the sale price.

Proposed income levels (based on current airport rent levels)

The estimated office lease is projected to be in a 10.0-20.0 Euro/sqm/month range, warehouse rents in a 6.0-9.0 Euro/sqm/month range.

EBITDA

- Gross Potential Income is projected to be in excess of €1.9m/year from year 2017.

IRR, NPV

ROI 9%

Quantitative and Qualitative Indicators

QUANTITATIVE INDICATORS

Revenues / year 2013	N/A (development phase)
Mid-term revenues/year expectation	data will be provided by project owner Gross Potential Income is projected to be in excess of €1.9m/year
Available owner's resources /available funds	property ownership + project plans

QUALITATIVE INDICATORS

	poor	adequate	high
Elaboration level		X	
Existing client relations			X
Level of sectorial/market competition*			X
Owner's background (market presence, experience)			X
Management background (knowledge, experience)			X
Level of innovation in the Project idea /Added value		X	
Risk management plan		X	

* poor = high competition

IV. INVESTMENT OFFER

Required amount of investment	• completed building estimated sale price: €20m/phase • total investment potential: up to five phases (€100m)
Form of investment	• Investor will get from BUD a fully constructed building (the land remains under the management of Budapest Airport) and already leased minimum 50%. BUD will provide the full property development service (design and construction, leasing and later property management, facility management) against a fee to be agreed. Investment: 20 m EUR. • Investment model: Transfer of the building will be via concession contract (term: 20 years – to be negotiated). After the term expires, the building will be handed back to BUD without compensation.
Guaranteed profit / estimated return	• Projected ROI 9%
Estimated exit time	• based on negotiation with project owner (20 years)

Proposed capital/equity structure

•Completed building sale price: 20 million EUR / phase.
•Total investment potential: up to five phases (100 million EUR).
•equity/loan structure based on financing negotiations.

Investment schedule

•Subject to negotiations proposed exit policy.
•Subject to negotiations (20 years).

Why Invest?

- Project size can vary between €20.0m - €100.0m;
- Flexibility to extend up to 5 phases (1 phase = €20.0m);
- No development risk (investment to the completed scheme);
- No other competitive buildings allowed to be built in the airport area;
- Attractive ROI.
- Increasing cargo volume will ensure the development of additional cargo buildings.

CONTACT DETAILS

For further information please contact HIPA at hip@hipa.hu

NOTES

HUNGARIAN
INVESTMENT
PROMOTION
AGENCY

H-1055 Budapest, Honvéd street 20.

Tel: +36 1 872 6520
Fax: +36 1 872 6699

info@hipa.hu

WWW.HIPA.HU