

BARNES
INTERNATIONAL REALTY

INVESTMENT GUIDE BUDAPEST



BARNES HUNGARY

17, ANDRÁSSY AVENUE, BUDAPEST 1061

HUNGARY

+36 1 610 7842

www.barnes-hungary.com

budapest@barnes-international.com



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LUXURY IS

It is chosen by those seeking values that last. Values that do not change with short-term trends but preserve their unique elegance throughout over time. This is exactly what BARNES Hungary offers: timeless style of lasting quality, in one of Europe's most stunning capitals.

A LIFESTYLE



Zoltán Hamza

General Manager

"Budapest is paradise for explorers. Keep your senses primed and you'll discover something wonderful at every turn."

Lonely Planet

We couldn't be more proud to open our showroom at the enchanting Budapest. Where dazzling atmosphere of historic architecture is uniquely merged with dynamic night life and a hint of relaxation by the healing thermal baths. Where hearty cuisine hypnotizes us with its exquisitely blended flavours, such as the well-known Goulash soup, the Hortobágy-style pancake or the dreamy dessert, the Dobos cake. Discover our paradise, come and taste the city, taste the life of Budapest!



INTRODUCING ONE OF THE MOST BEAUTIFUL CITIES IN THE WORLD: BUDAPEST

Founded in 1873 the capital of Hungary was the second capital of the Austro-Hungarian Empire and one of the most beautiful cities in Europe. Its natural layout along the River Danube, and the Buda Hills with their breathtaking views makes Budapest exceptionally unique. Budapest's blend of vintage and modern day attractions, its elaborate architecture and thriving culinary scene, often see the city lauded by writers in the major international media. Among many others, CNN, Bloomberg, Forbes, National Geographic and The Telegraph lavished praise upon the Hungarian capital.

The praise that Budapest receives worldwide seems endless. In November, the Gellért Bath was declared one of the most enchanting Art Deco baths in the world by the BBC. Furthermore, Metro Line 4's Szent Gellért Square station was chosen among the most beautiful metro stations in the world, and the Chain Bridge received high praise too. We recommend Budapest for its unique

Meanwhile, the Buda Castle has made it to National Geographic's Top 10 castles in Europe.

artistically tasteful architecture and for the matchless culinary scene. What should you visit in Budapest in our opinion?

Well, the Four Season Gresham Palace and the Postal Savings Bank, apart from the most popular places like the Parliament or Andrásy Avenue.







WHY INVEST IN BUDAPEST?

*The real estate prices
in Budapest have
increased dramatically
since 2014.*

In fact, the average cost per square meter was 420,000 HUF (EUR 1,321) then. Last year this increased to more than 788,000 HUF (EUR 2,500). In 2018 the average square meter price reached 900,000 HUF (EUR 2,831). According to the latest data, growth has not stopped. In the luxury apartments segment, prices are going up rapidly too, from EUR 3,500 for a fully refurbished apartment 4 years ago to sometimes EUR 8,500 on the World Heritage site Andrásy Avenue or Váci Street. As a matter of fact, house prices are on a rising trend here.

Hungary is one of the European Union's few low-tax destinations, with 15% personal income and capital gains tax.

Corporate tax is also low at 9%, as is the cost of labour, so multinationals are flocking to Hungary as the Vietnam of Europe. In Budapest the rental laws are highly favourable for landlords, not something that can be said of Dubai or Paris for instance. Rental yields of 5 to 7% are high, even to international standards.



What Kind Of Property Can You Buy In Budapest?

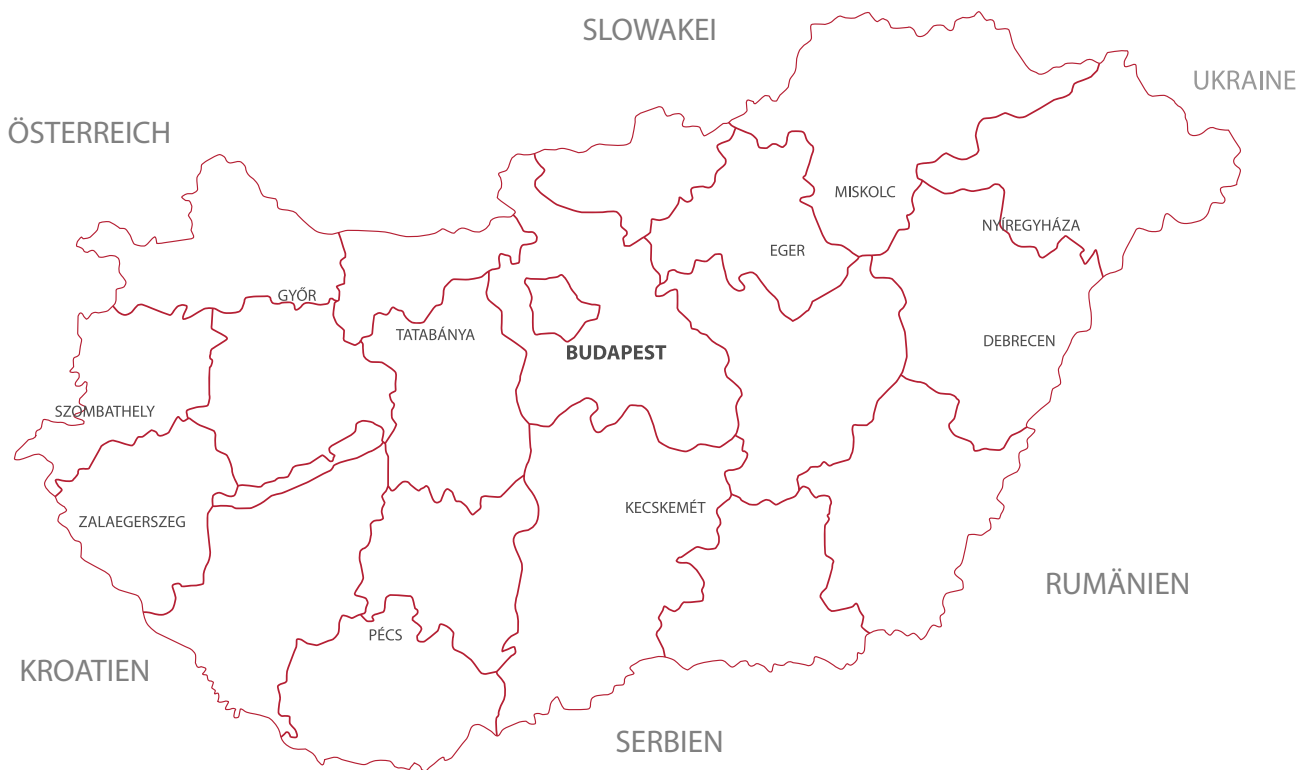
Budapest is divided into 23 Districts. The river Danube runs between the two parts of the city, separating Buda from Pest. **The first kind** you will find within the historical part of the city, in Pest. Built more than hundred years ago, these buildings have unique architecture with internal courts and balconies and very high ceilings. Many of those apartments used to be residences for the aristocrats from the late 19th century, but later they were reconstructed and turned into smaller

apartments and sold to ordinary people. Nowadays, many of these apartments have gone through additional modernisation and are popular among architecture admirers and fans of the classical charm of old Budapest. **The second kind** of residential properties are the ones in the residential districts of Buda. Built in the last three decades of the 20th century, many of the properties there are spacious apartments in small blocks of 2-3 floors, surrounded by green areas and children's playgrounds.

Most of these apartments are in the 11th and 12th Districts – within 15 minutes from the city centre but without the noise and conjunction. 2017 marked a significant increase in **the third type** of residential property which are the newly constructed buildings. This type has been the most attractive to foreign investors, interested both in staying permanently or buy-to-let opportunities to the rapidly increasing numbers of local and foreign highly paid executives relocating and working in Budapest.



Key Figures



POPULATION
9,778,371
(2018)*



GDP
GROWTH RATE
4,8%
(2018, HCSO)



GDP
PER CAPITA (PPS)
€ 20,334
(2018, HCSO)



CURRENCY
FORINT
(HUF)



€1
=318,87 HUF
(2018)



CORPORATE
PROFIT TAX
9%



VAT
STANDARD
0-27%

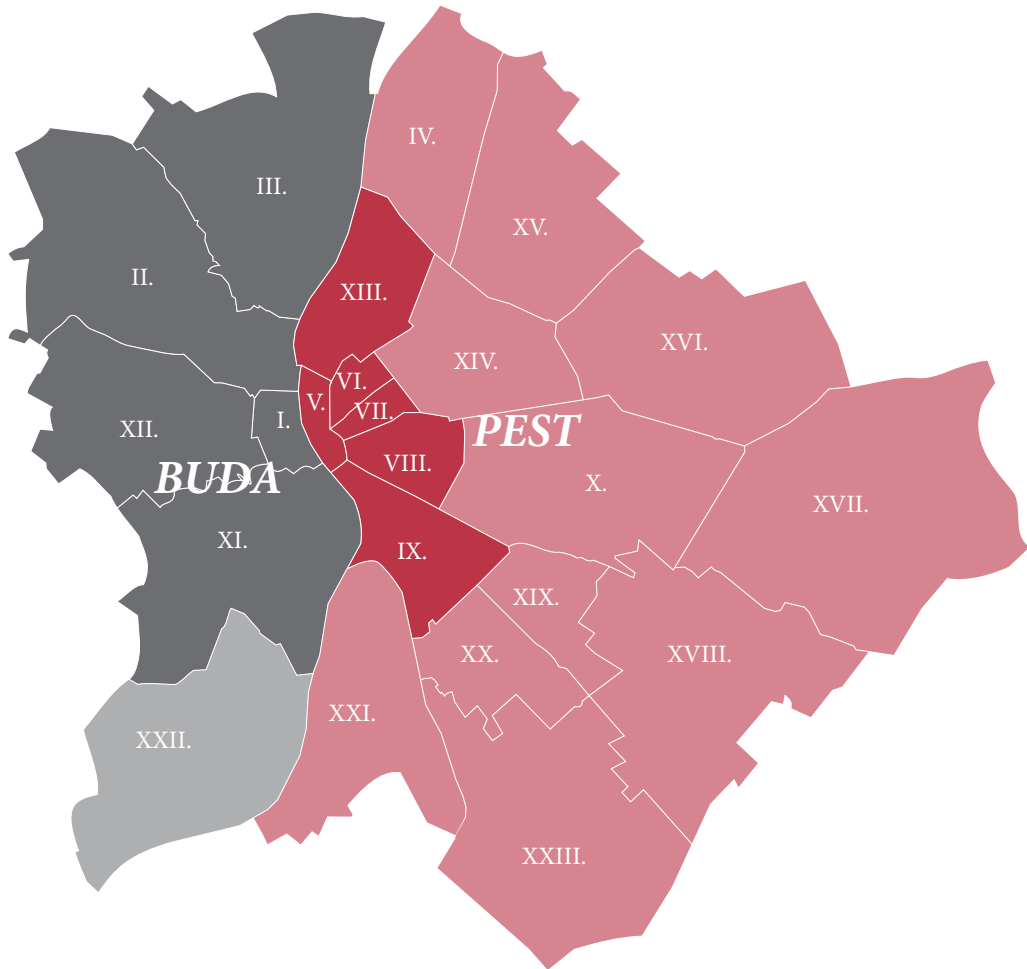


UNEMPLOYMENT
RATE**
3,6%

*Source: hipa.hu

**Unemployment rate based on HCSO (Hungarian Central Statistical Office as of 10th April 2019).

The most sought-after locations for properties in Budapest





WHO IS BUYING IN BUDAPEST?

Foreign direct investment by non-residents totalled a staggering €1,16 billion in 2015, according to figures published by the National Bank of Hungary this year. Compared to last year, investor interest by non-EU citizens has largely risen, growing by 50%. European investors still play a crucial role; whilst German institutional investors have become most active, American venture investors also carry an increasingly significant weight. The Hungarian government has published statistics showing just how many apartments

and houses in Hungary were sold to foreign nationals in 2016, reports index.hu. The data reveals that Russian, Chinese and Middle Eastern investors were the top foreign buyers of Hungarian real estate. 3,163 total real estate properties were sold to foreigners in 2016, with the Chinese investors representing the largest single nationality, buying some 1,213 houses and apartments.

Coming in second place for purchasing the most houses and apartments were Russian investors who in total purchased some 446 properties.

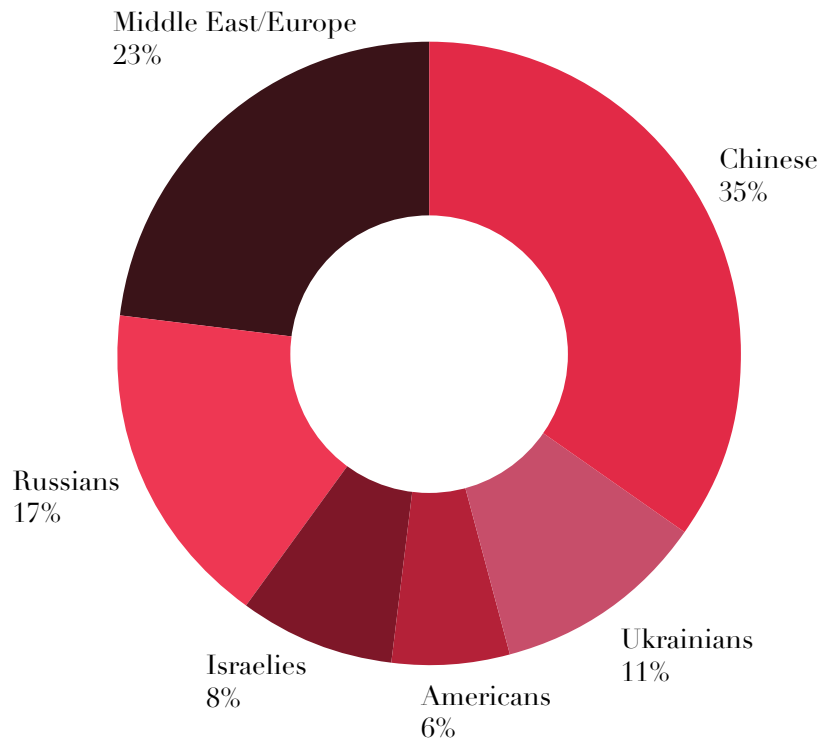
The single most popular destination for Russian home buyers in Hungary is the small spa town of Hévíz, to the north of the westernmost tip of Lake Balaton, where some 446 properties were purchased. Middle Eastern investors have already snapped up many top hotels. For example: Oman's sovereign wealth

fund has the Four Seasons. The most sought-after locations for property are Budapest's 5th, 6th, 7th, 8th, 9th, 13th, 1st, 2nd, 3rd, 11th and inner 12th Districts.



Properties purchased by foreign investors in downtown Budapest

(Districts: 5th, 6th, 7th and 13th)



FOREIGN DIRECT INVESTMENTS

Foreign investors looking for reasons to invest in Hungary can easily see that this European country offers plenty of business opportunities. Hungary is a member of the European Union which represents an advantage for other European companies that want to open branches or subsidiaries here. Furthermore, important international companies have established their presence in the country and benefit from its central location and its investor friendly policies. Ex. (Mercedes-Benz, Audi, BMW, Samsung, etc.)



1. Good geographical location

Hungary has a central location in Europe which makes it ideal for foreign investors who want to expand their operations in the continent. The geographical location is suitable for transport and logistics activities or for import and export businesses. Other

European countries are easily accessible from Hungary and the country offers access to a valuable internal market.

2. Well-trained workforce

Human resources are one of the country's main assets. Investors have access to a

well-trained workforce: individuals have college/university degrees or have other qualifications in areas like manufacturing. Hungarians have achieved good results in fields like technical and medical sciences. The workforce in Hungary is also more accessible to the employer who benefits from competitive average wages.

3. Business friendly environment

Hungary welcomes foreign direct investments and has a competitive policy for foreign investments. Although the country offers many business opportunities, some of the leading sectors in Hungary are:

- the automotive industry
- the electronics sector
- the services sector
- the food and agriculture industry

4. A favourable tax system

Hungary has advantageous taxes for companies and individuals. The corporate income tax is 9%, lower than in other European countries like France or the United Kingdom. The personal income tax has a flat rate of 15%. This competitive tax system is aided by certain tax incentives and allowances.

5. Government incentives

The Hungarian government encourages investment and competitiveness through a range of incentives. This state aid can be either refundable or non-refundable. Special attention is offered to the progress of research and development activities as well as R&D investments.

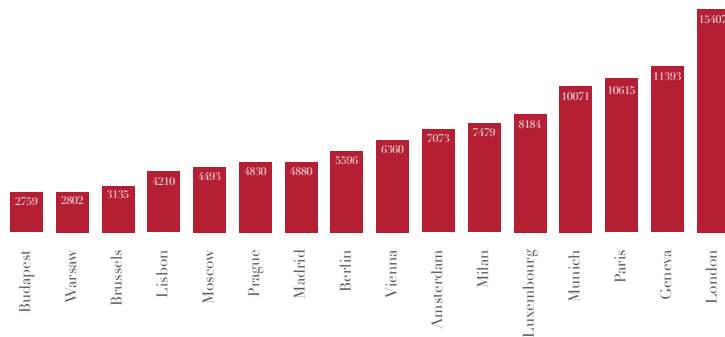


YOUR INVESTMENT IN NUMBERS

Property price growth in Hungary was the fastest among EU member states. Last year, house prices in Hungary increased every quarter at least twice as fast as the EU average.

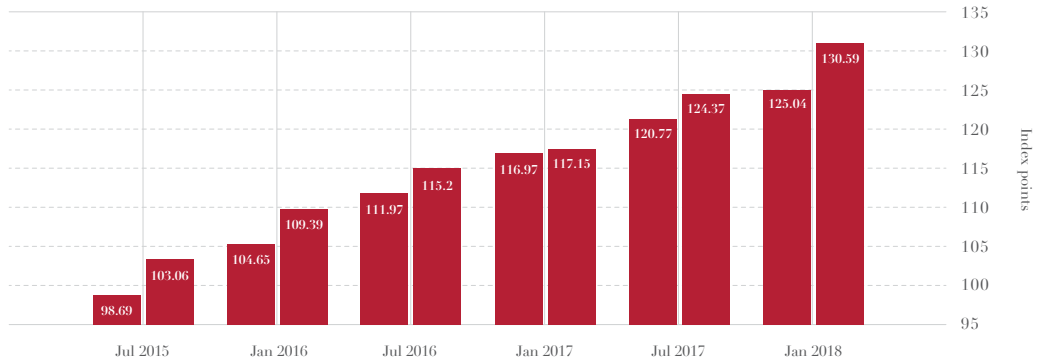
Rankings by City of Price per Square Meter

Date	Avg.Price/Sqm EURO
Budapest	2759
Warsaw	2802
Brussels	3135
Lisbon	4210
Moscow	4493
Prague	4830
Madrid	4880
Berlin	5596
Vienna	6360
Amsterdam	7073
Milan	7479
Luxembourg	8184
Munich	10071
Paris	10615
Geneva	11393
London	15407

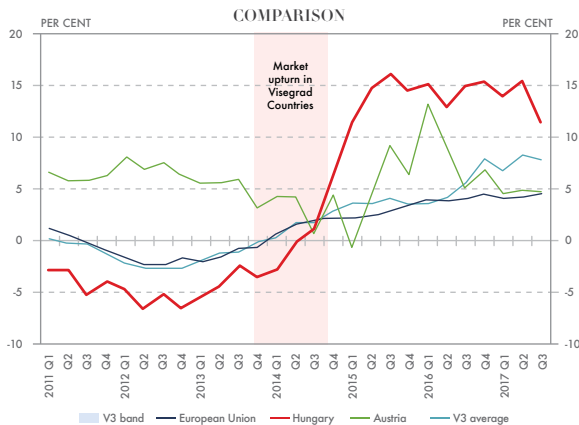


*Source:www.numbeo.com

Hungary House Price Index



According to the 6th edition of the annual Deloitte Property Index findings, returns on residential property are the lowest in London (2.0%), while in Budapest they are extremely high, at 7%, surpassed only by Denmark (8.9%). When adding the possibility of renting the property on short-term basis during the summer months, the yield can quite easily get to 10% pending the property's location and arrangement (i.e. – how many people it can accommodate).



COSTS OF PROPERTY PURCHASE AND MANAGEMENT:

- For (Non-EU Citizens) Property Purchase Permit: 50,000 HUF Per Property approx. 160 EUR
- Stamp Duty: 4%
- Legal Fees: 1% + VAT
- Setting up a Hungarian Company: 100.000 HUF = approx. 400 EUR
- Rental Services: 12% + VAT of the 1st year rental income
- Property Management: 10% + VAT of the monthly rental income



”For wealthy buyers looking for houses, apartments, seafront villas and countryside properties, the world is their oyster” – explains Thibault de Saint-Vincent.

“It is up to us to provide our assistance and to offer a global service – going beyond a simple property hunt, including legal and tax advice, personalised guidance, various refitting, renovation and decoration services – in the city or region of their choice. Globalisation is a real game-changer, and that goes for the real estate industry too”.

THIBAUT DE SAINT-VINCENT
President of Barnes International

BUYING A PROPERTY IN HUNGARY—FAQs

Can Non-Hungarians buy property in Budapest?

If you hold an EU passport then there is no restriction on buying a property in Budapest. For non-EU passport holders, you will be required to apply for a permit to buy property. This is almost always granted and is seen as almost a formality.

Are properties in Budapest leasehold or freehold?

Generally, centrally located property for sale in Budapest are all freehold. There are exceptions to the rule though with some properties in the 1st District (Castle area) being lease hold and also being subject to some buying restrictions. Your lawyer will advise you on each individual property status prior to purchase.

Are there any additional/hidden costs when buying property in Budapest?

There are no hidden costs when buying a property in Budapest. You will need to factor in to your purchase price the cost of your legal fees, which is around 1% + VAT of the purchase price and a 4% stamp duty which is paid directly to the government a couple of months after the completion of your purchase. If you sell a property and then buy another within one year the stamp duty will be based on the difference in value and not the full value of the property.

How much is the capital gain tax on the profit from selling a property?

From 2008 the Hungarian Government revised the way capital gains tax is calculated, which has made things much simpler. After owning your property for 5 years there will be no capital gains tax due on any profit you make. You can calculate the rates using the following table:

$$\text{1st Year } 15\% \times 100\% = 15\%$$

$$\text{2nd Year } 15\% \times 100\% = 15\%$$

$$\text{3rd Year } 15\% \times 90\% = 13.5\%$$

$$\text{4th Year } 15\% \times 60\% = 9\%$$

$$\text{5th Year } 15\% \times 30\% = 4.5\%$$

$$\text{6th Year } 15\% \times 0\% = 0\%$$





*Do I need to establish
company when buying property
or multiple properties?*

An individual is allowed to purchase a property in Hungary without setting up a company. In case you wish to buy multiple properties, it's recommended to set up a company to manage your portfolio and take advantage of the tax reductions and writing off some of your expenses.

*Do I need a Hungarian bank
account or can I just use
my overseas local account?*

You do not need to have a Hungarian bank account to buy a property here. You may find one useful though for the payment of bills, etc. It is a simple process to open an account and most of the larger branches have English speakers working there. You will need to take your passport with you when opening the account.



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BARNES SERVICES

- » **Inspection trips**
(airport transfers, accommodation, city tours)
- » **Investment advice** *(local, international)*
- » **Multilingual Legal advice** *(English, Chinese, Russian, Arabic, Hungarian)*
- » **Financing/Mortgage advice**
- » **Financial transfer solutions, selecting banks, administrative requirements of property owners**
- » **Property Management and rental service**
- » **Renovations and internal design**
- » **Sale of retail and office space**
(land, plots, buildings, hotels, office buildings)
- » **Reporting, Analysis and Valuation**

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SOURCES:

<https://www.hipa.hu> | <https://www.ksh.hu> | <https://www.numbeo.com>

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