



### Hungary fact file

**Direct flights:** There are direct flights from Dublin every day outside of Sunday with either Malev Airlines or Aer Lingus. There is currently no scheduled direct access from Belfast.

**Cheap flights:** Fares are not too bad from Dublin with Malev or Aer Lingus if you book early.

**What you get for Stg£100,000/€145,000:** As with anywhere else it depends very much where you go. Close to the Danube or any of the better areas you will find very little unless it is in need of refurbishment. The further into the suburbs you go, the cheaper you will find property and here you will find it easy enough to locate units in this price range. It is also here that you will find most locals purchasing as they will generally not be active above the Stg£55k/€80k mark and most locals cannot now afford property in some of the more desirable areas.

**Key places to look for a home:** If you are going to live here or use it for city breaks then a nice apartment along the Danube, particularly on the Pest side for ease of access, is probably the most desirable. Anything reasonably close to Andrassy is also very popular. You'll have to look a little closer at the dynamics of the various districts if you want to use the property for investment. The local market is growing. So many foreigners are now buying off-plan to sell to locals when the properties are completed.

**Tax agreements with Ireland and UK:** There are double taxation treaties between Hungary and both the UK and Ireland so tax paid in Hungary will be credited back home.



## Hungary

Hungary's central location in Europe, its strong economic performance and the expansion of the local airline have been a huge boon to the country's property industry.

Once British and Irish property investors started to leave the Spanish coastal market in their droves their focus switched almost immediately to some of the former Communist countries which were relatively immature in terms of freehold ownership of land and buildings and were also cheap. This latter would appear to be a certified necessity for British investors to some extent and Irish investors to an even greater extent, to become involved in an overseas location. Up to a few years ago Hungary, in particular its capital Budapest, fulfilled this particular criteria. It has at this stage been through a number of years of substantial capital appreciation and couldn't really be considered a cheap destination, in the way that say Bulgaria or Turkey would be, but it still draws a substantial amount of investment from the British Isles. The main reasons for this are Hungary's central location in Europe, its strong economic performance over recent years and the striking beauty of its capital, Budapest, where most of the investment activity is located. The opening of Budapest's Ferihegy airport to low cost carriers, and the expansion of the local

airline, Malev, has also been a huge boon to the property industry.

### House prices

The city is divided by the Danube into the upmarket hills on the Buda side and the flatter Pest side where most of the property, and consequently people, are located. In terms of making a capital appreciation killing Budapest is well past its heyday at this stage. Properties valued at Stg£20k (€30k) a decade ago are now worth Stg£100k-plus (€145k). The advent of a more flexible mortgage environment and access to the EU in May of 2004 has meant that interest, which seemed to be fizzling out a couple of years ago, has returned to a more manageable extent.

### Rental returns

Depending where you buy, vacancy rates can be quite high, Hungarians themselves don't rent very much. Those buying in Budapest expecting to make a killing on rental returns would have, in the main, been badly misinformed. Some people make it pay if they research the city fully and invest in areas with high ex-pat demand, such as the areas around univer-



### What's on offer

A1 Real Estate are currently offering a property located in the 5th district near the Danube across from the old Stock Exchange. The façade of the building has been refurbished and it is protected by the UNESCO world heritage. The apartment has two bedrooms and a living room and has been renovated to the highest standards. The two bedroom unit is 89 sq. m. with a living room and is located on the fourth floor facing the street with a view of the famed Danube river. The property is very centrally located just around the corner from Vaci Street which is the premiere pedestrianised shopping street in Budapest. The price on this property is 37,850,000 HUF (Stg£102,800/€151,000).

Central Home Hungary currently have a very attractive apartment on the fifth floor of a building located on Akadémia st. The recently renovated two bedroom property is a substantial 120-square metres. It is a beautiful classical building in excellent condition, with the top floor renovated. The apartment is elegant and sunny, fully fitted to a high standard, with two bathrooms. The price on this exceptional property is Stg£152,000 (€222,200).

sities. Many others, however, are sitting on beautifully appointed units with very little prospects of achieving the level of rental income to cover the cost of the property. One money spinner would appear to be the refurbishment of turn of the century properties. According to Zoltan Szemes of A1 Real Estate which specialises in such property, there is a premium to be made in renovation projects close to areas such as the famous Andrassy ut which he describes as the 'Champs Elysées of Budapest'.

### Paddy tax

Budapest was the original location of what became widely known as the 'Paddy Tax', with prices growing by 30-50% once it was found that the buyer was Irish, simply because the Irish have become widely known for having more money than sense. It is not as much of a problem these days as property is not as cheap to begin with. Prices on high end new developments can cost Stg£2,700 (€3,900) per

square metre, but unscrupulous agents can still load the price up so know the value of what you intend to buy.

### Overheating in market

According to one local agent, "some developments have targeted foreign investors, and there is definitely some overheating in the market. This could potentially cool down as developers complete their projects and start looking for residents. It could be a while before word hits Ireland that Hungarians don't rent."

UK based Fidentia Group has been at the forefront in providing financial services to buyers in Budapest and says that activity in the market has been very strong since accession to the EU in May 2004. Since the introduction of mortgaging into the market, rates have fallen significantly, particularly for Euro or Swiss Franc based mortgages, but remember that you are leaving yourself open to currency fluctuations when borrowing outside the local Hungarian Forint.

### Case Study

Newtownards resident Bill Donnan is a 49-year-old teacher who is head of the Brass section of the School of Music in Belfast. He was so taken with Budapest during a school visit there five years ago that he bought an apartment. Since this time he has bought three other properties, one a commercial unit which is occupied by an estate agent.

Bill's first property was a renovation project based in District V. It is in a beautiful old corner building built in the early 1900s. The apartment features two balconies, one in the bedroom and the other in the living room. The two roomed apartment is located on the fourth floor of an old historic corner building comprising one well-proportioned bedroom and a very spacious living room. The initial price of the apartment was Stg£55,000 (€80,557) and Bill had Central Home Hungary (through which he bought), organise full refurbishment of the unit. He says he was very impressed with the quality of the workmanship in the project and as the property has been let to foreign students since it was completed he has, obviously, been very happy with his investment.

Bill says that his one main piece of advice to those investing in Budapest is to consider the location carefully. Some



areas are cheaper, but most of them are aimed at the local Hungarian market. It is difficult, he says, to invest wisely without good local on the ground advice from an agent with offices in several areas.

### Source book

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