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2002	121,0
2003	138,4
2004	140,8
2005	147,3
2006	153,2
2007	158,0
2008	176,6
2009	191,1
2010q1-q2	190,2

FHB Agricultural Land Price **Index**



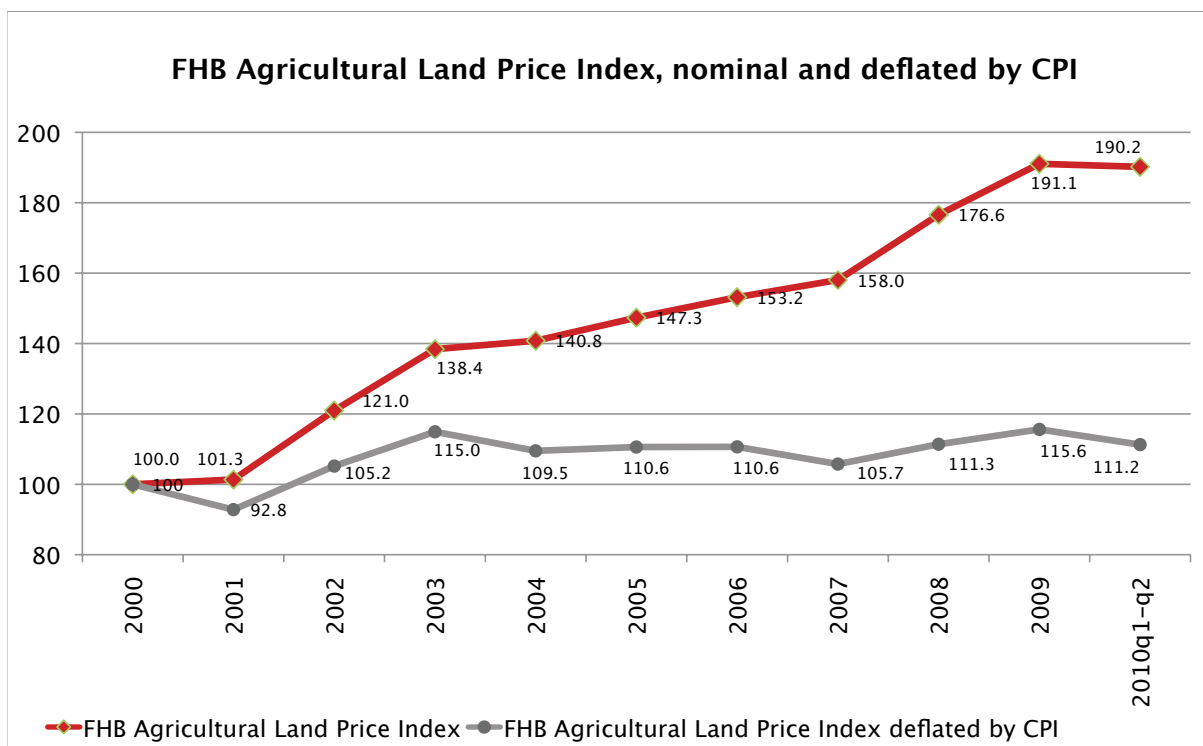
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FHB Agricultural Land Price Index

FHB Agricultural Land Price Index is based on FHB's own valuation and lending transactions, as well as more than 800 000 data from Stamp Duty Offices; data available at the time of the first publication cover the period between 2000 and the first half of 2010. In order to ensure that the Index reflects real market trends, our analysis only includes transactions that have been confirmed by FHB's valuers. The purpose of the Agricultural Land Price Index is to measure the changes in prices of lands that are actually utilised, i.e. our experts have filtered data that may have been transferred for speculative reasons in the hope that it is later upgraded to be part of the municipality. After the filtering, still more than 300 000 data remained that now form the basis of the Agricultural Land Price Index.

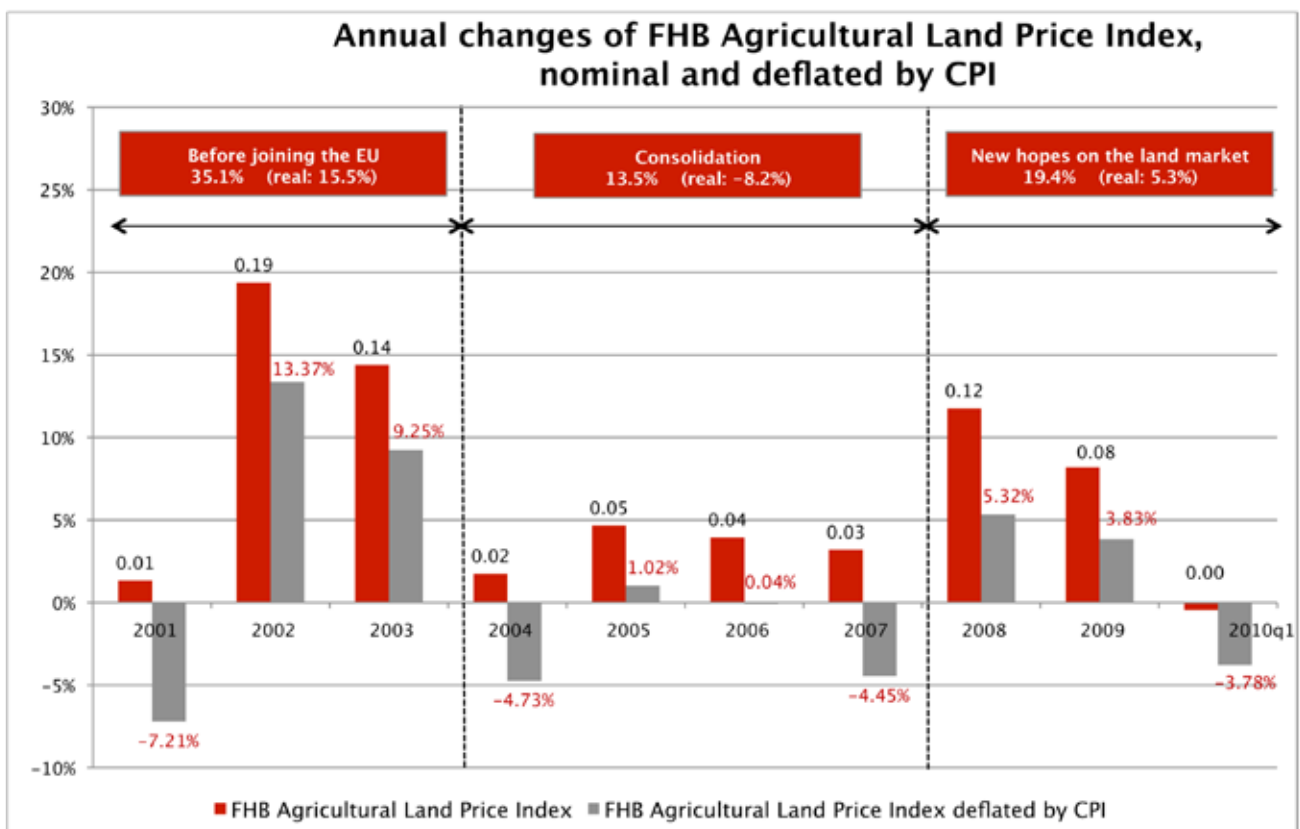
The value of the index is normalised with the average for the year 2000, i.e. the average index value in 2000 is 100.



From a value of 100 points in the base year, FHB Agricultural Land Price Index has climbed to 190.2 points by the end of the first quarter of 2010. **The rate of the rise has reached more than 90% over the last 10 years, although its dynamics have been varying from period to period. It can be stated, however, that the price of agricultural land has been ascending without significant corrections in the last 10 years. Even the crisis could not disturb the 90% rise of the last decade.**



The rise of agricultural land prices is even more spectacular, if we consider the fact that they **were rising during the years of the crises (in 2008 and 2009)**, too. In the first half of 2010 a minimal correction, or rather a stagnation can be observed, this, however, remains within the margin of error. (Nevertheless, such a small shift in prices cannot be considered as a clear indication of correction, due to the widely used documentation practices intended to reduce duties on sales.)



Regional differences

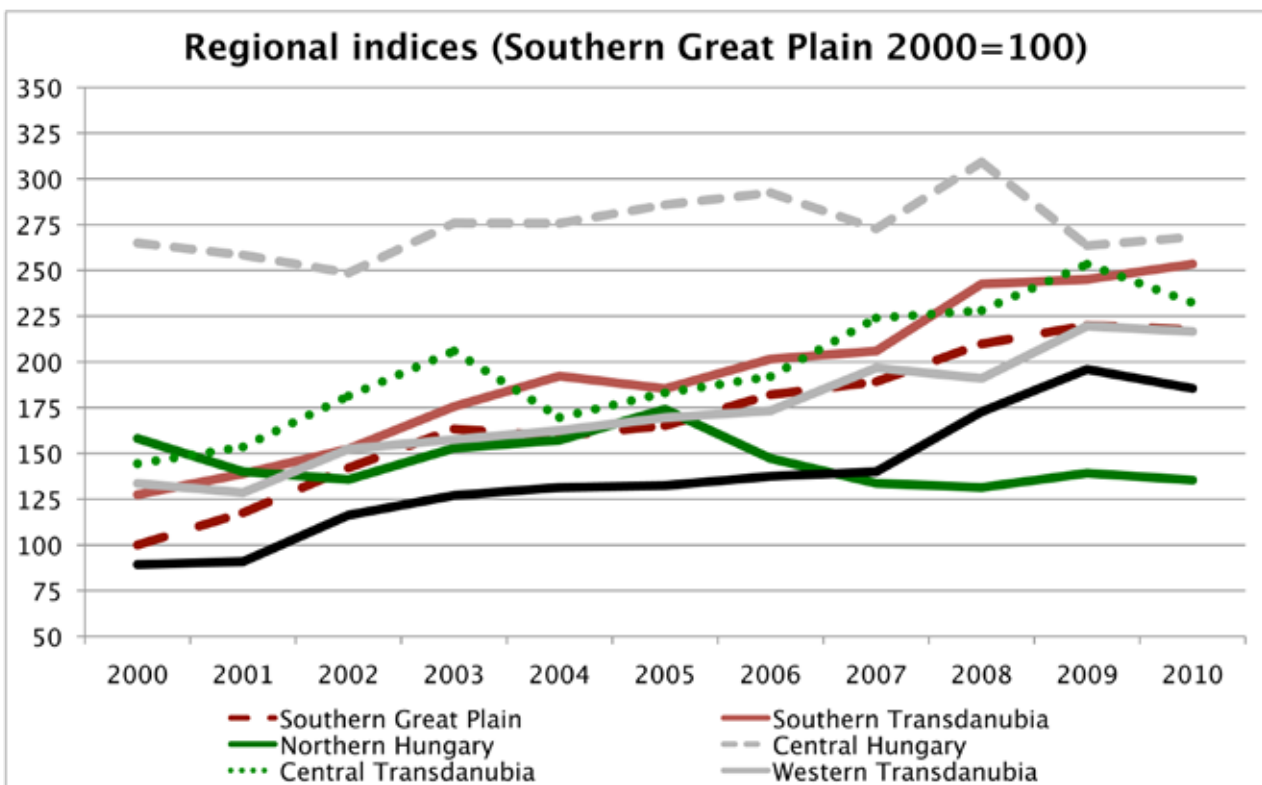
In the last century, the increase of prices in Northern Great Plain, in Northern Hungary, in the Southern Great Plain and in Southern Transdanubia exceeded the country average. Rate of price growth in Central Transdanubia and Western Transdanubia was about on the same level as the average. In the same period, Central Hungary and Northern Hungary were characterised by nominal stagnation in land prices.

Analysis of regions unfolds significant differences – beyond the effects of the composition by use – in their price growth over the last 10 years and their current price levels. For instance, **while prices in Central Hungary are stagnating because they have been at a high level already, prices in Northern Hungary have dropped behind the other regions; here, one hectare land costs about two thirds of the rest of the country's average.**

In Hungary, the average price for agricultural land in the middle of 2010 was 472 000 HUF/hectare.

Considering the significant differences by the way of use – one's price can be two and a half times higher than the other's –, **the meaning of such an average price is consequently limited.**

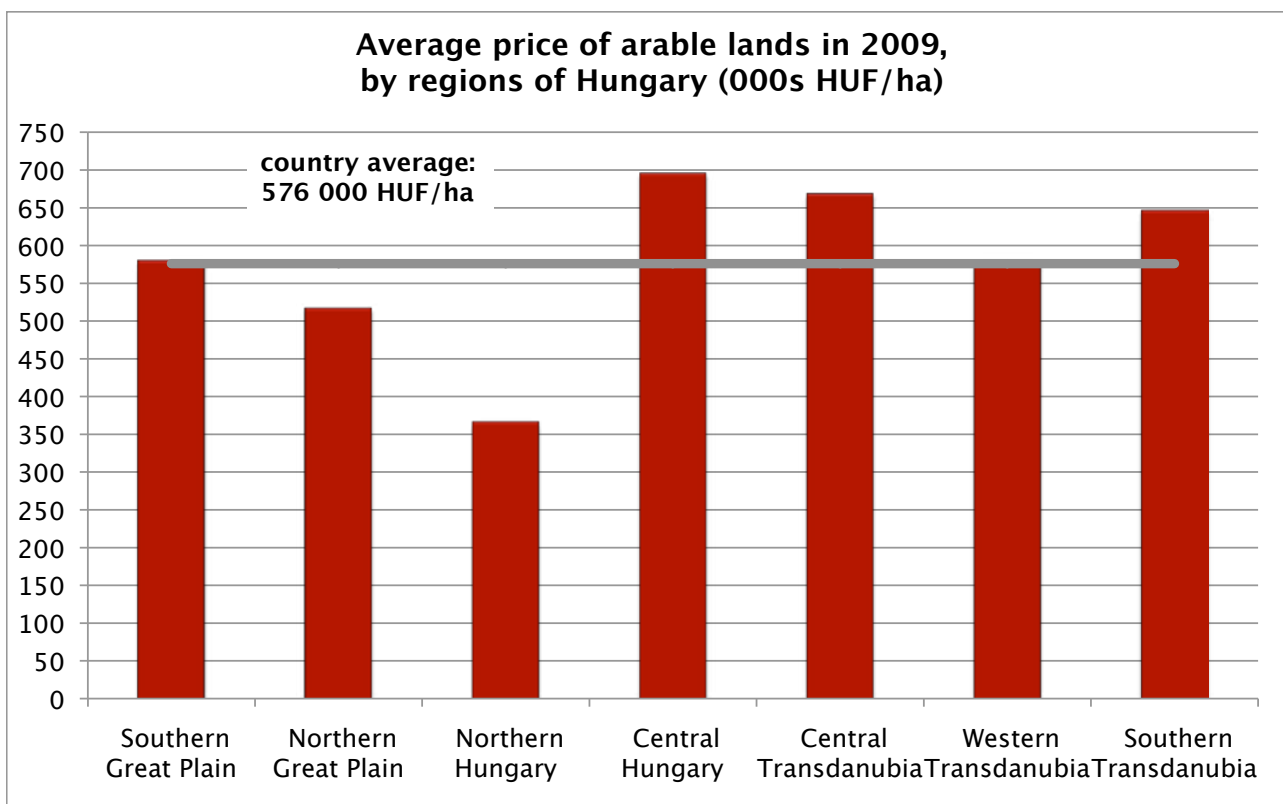
If we only take arable lands in 2009, that is the largest type by use, **average price per hectare in Northern Hungary, i.e. the cheapest region, hardly reached half the price of Central Hungary's** that is the most expensive region of all.



Price levels of the seven regions:	
More expensive than average:	Central Hungary, Central Transdanubia, Southern Transdanubia
Average:	Western Transdanubia, Southern Great Plain
Cheaper than average:	Northern Great Plain, Northern Hungary



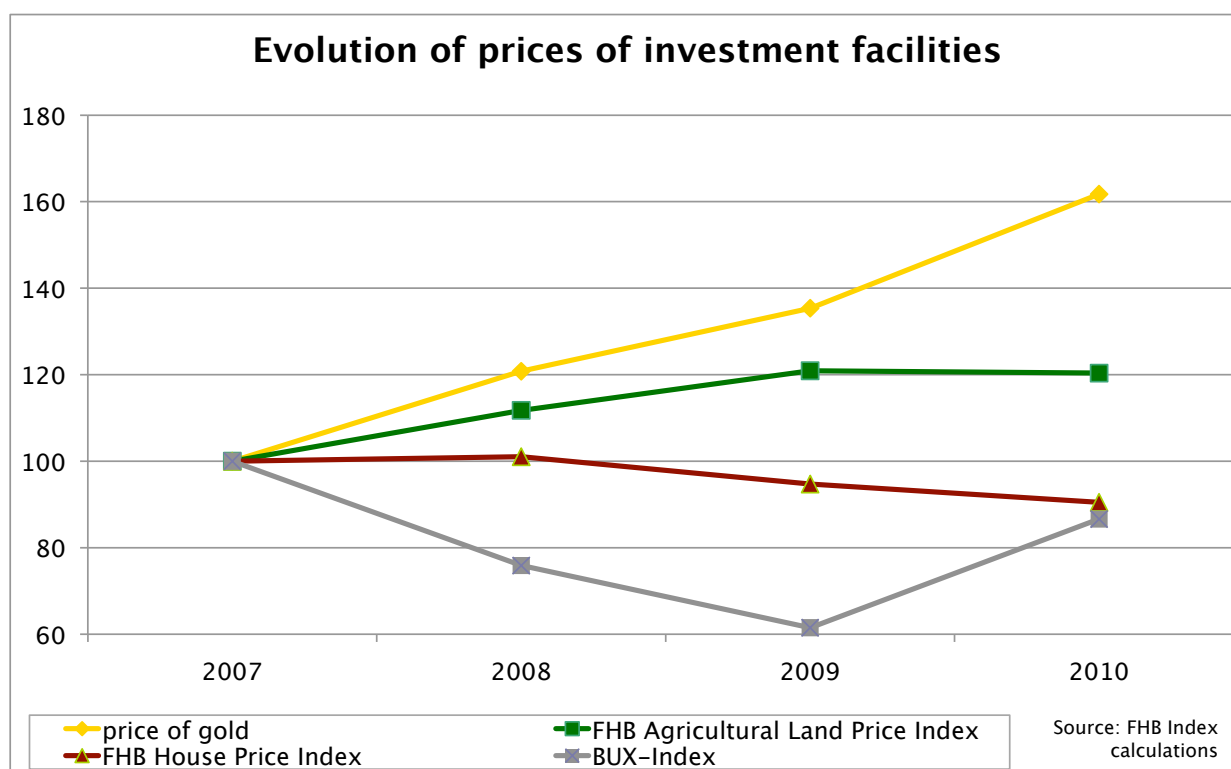
In 2009, average price of arable land per hectare was HUF 576 000. Higher prices in Central Hungary and Transdanubia, the regions characterised by outstanding quality of agricultural lands, can be explained by the high quality, the structure by use (lower ratio of arable lands), furthermore by governmental land purchase tenders, advanced concentration of agricultural holdings, and – especially in the case of Transdanubia – also by the price appreciation caused by pocket deals of foreigners.



A crisis-resistant and yielding investment

From an investment point of view, crisis resistance of agricultural lands is very advantageous; even current economic crises could not break down domestic land prices.

Evolution of land prices can be assessed as relatively stable; it is less vulnerable to fluctuations compared to other investment facilities. At the same time, yield on agricultural land investments is significant, since compared to shares or properties, substantial part of the yield beyond the price appreciation stems from cash flows generated by the investment. **Land-based subsidies can provide 5-10% revenue of the land's value, and utilisation can further benefit the investment.** Domestic, non-agricultural investors, however, traditionally deem land utilisation problematic.



Methodology

Similarly to FHB House Price Index, FHB Agricultural Land Price Index was also prepared by hedonic method. Lands sold in different periods have different characteristics, thus the evolution of average prices are affected by the composition of lands sold. By managing this composition effect, the hedonic **method** helps us to detect the real changes in prices.

In the last 10 years, parcel sizes have grown. While in 2000 a typical (median) transaction covered 1 hectare land, in 2010 this number was 2 hectares. If we have a closer look at the average parcel sizes, the same trend can be observed even sharper: according to our data the average size within the transactions was 4 hectares, while in 2010 the same number reached 12 hectares.

We have also considered the differences between regional markets. We have filtered the significant effect of the fact, that **by the end of our observation period relatively more transactions took place in low-priced regions**. The improving quality of data also enables us to include the effect of the **lands by use** when computing the index. It is important to note, however, that we haven't corrected our result with the experience of experts that there is a 15-25% percent gap between real transaction prices and prices declared at Stamp Offices, primarily as a result of practices intended to reduce du

To our Partners

Experts of agricultural land at FHB Banking Group provide services for both residential and corporate clients, in the fields of agricultural land based financing as well as loans secured by agricultural land. Over the 12 years of the Bank's operations, FHB's professionals have ensured the highest level of land related banking and valuation expertise for our partners and clients. We are always ready to take any requests from farmers, residential and corporate clients, as well as orders from governmental or business customers.

Further analyses and details of FHB Agricultural Land Price Index are available in our special offers.

We are pleased to respond to any enquires including also other types of real estate,

Sincerely,

Zsolt Molnár

Deputy Chief Executive Officer
FHB Real Estate Ltd.
Directorate of Real Estate Valuation

Telephone: +36(1)452-9208

Fax: +36(1)329-0986

Mobile: +36(30)748-3913

E-mail: molnarzs@fhb.hu

Address: 1132 Budapest, Váci út 20.

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URL: www.fhbindex.hu

E-mail: fhbindex@fhb.hu

Direct line: +36(1) 452-7999

Press contact:

Béla Kappéter,

FHB Mortgage Bank Plc.

Telephone: +36(1)452-8578,

+36(30)4567-635

E-mail: kappeterb@fhb.hu.