

TAKARÉK Agricultural Land Price Index 2017

According to the completed and processed transactions, the year of 2016 brought continuous growth in prices on the agricultural land market. The value of agricultural land has exceeded the level of 2015 by 11.2 percent in average, setting the average price at 1.22 million HUF per hectare for farmland in Hungary. According to our data, the land prices have doubled in the past five years. Based on the correlation between the growth of land prices and revenues attainable with agricultural activities, this price level is not exaggerated. According to TAKARÉK Agricultural Land Price Index analysis, about 2.5 million HUF per hectare of farmland with an average aptitude would be the price level above which the cash-flow based returns become questionable. Since FHB is operating as a member of TakaréK Banking Group, this year the TAKARÉK Agricultural Land Price Index reflects our collaboration with experts from TakaréK Agricultural Directorate.

1. TAKARÉK Agricultural Land Price Index – Price increase accelerated further on the agricultural land market

In 2016, TAKARÉK Agricultural Land Price Index has repeatedly shown a price increase, even higher than the previous year, although it was still behind the period between 2012 and 2014. The repeatedly growing dynamics of prices seems surprising at first because the turnover significantly dropped during 2014 due to the new Act on the Transfer of Lands used for Agriculture and Forestry (TL Act.).

The value of TAKARÉK Agricultural Land Price Index in 2016 elevated from the level of 162.4 recorded previous year to the level of 180.5, while the index value deflated by CPI rose from 133.4 to 147.7. The rise of TAKARÉK Agricultural Land Price Index showed **acceleration anew, after a double-digit price increase during previous years has lessened to a one digit price increase in 2015.** (Figure 1.).

We have revised the TAKARÉK Agricultural Land Price Index figures from the beginning of 2008 and chose this year as a base for determining the index-numbers.

A TAKARÉK Agricultural Land Price Index, nominal and deflated by CPI

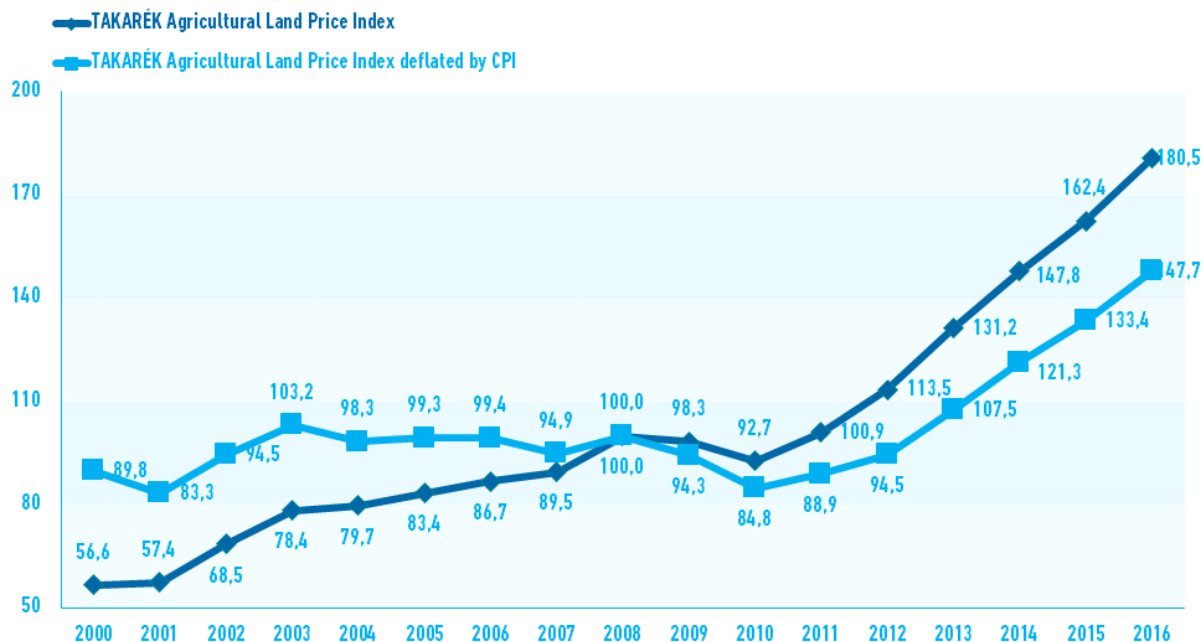


Figure 1. TAKARÉK Agricultural Land Price Index – nominal and deflated by CPI (Source: TAKARÉK Agricultural Land Price Index)

During 2016 we have experienced a double-digit growth again in the nominal value of agricultural land. The prices increased by 11.2 percent while in 2015 the growth rate was 9.9 percent. In the same time, the result of 2016 did not achieve the rate of expansion experienced before tightening the property acquisition right, when the period between 2012 and 2014 was characterized by a growth range between 12.4 and 15.6 percent. The value of agricultural land in 2016 rose by 10.7 percent in real terms compared to the previous year, which is repeatedly less than it was in 2013 and 2014, but exceeding not only the value recorded in 2015 but also the one in 2012. Despite the expectation that the tightening of property acquisition regulations will cause price stagnation, this is the second year when price increase has the star turn.

The significant price increase experienced in the past two years, with the extent of its acceleration, seems surprising because the rise in 2016 was shortly behind the growth registered in 2012 and 2014, years when the pricing dynamics was under strong influence of heightened purchasing strain prior to introducing the new TL Act. Furthermore, the price increase between 2015 and 2016 could be interpreted as especially high, if we consider the years prior to 2012. One of the factors of the increase, in our opinion, was the program named “Provide Land to Farmers!” and the related financing opportunities. The trading transactions of the Program have not yet been completed, and for this reason, they are not taken into account for Agricultural Land Price index of this year. However, according to our preliminary calculations, a further price increase took place; the countrywide average price per hectare was HUF 1.4 million for the transaction volume of 185 thousand hectares.

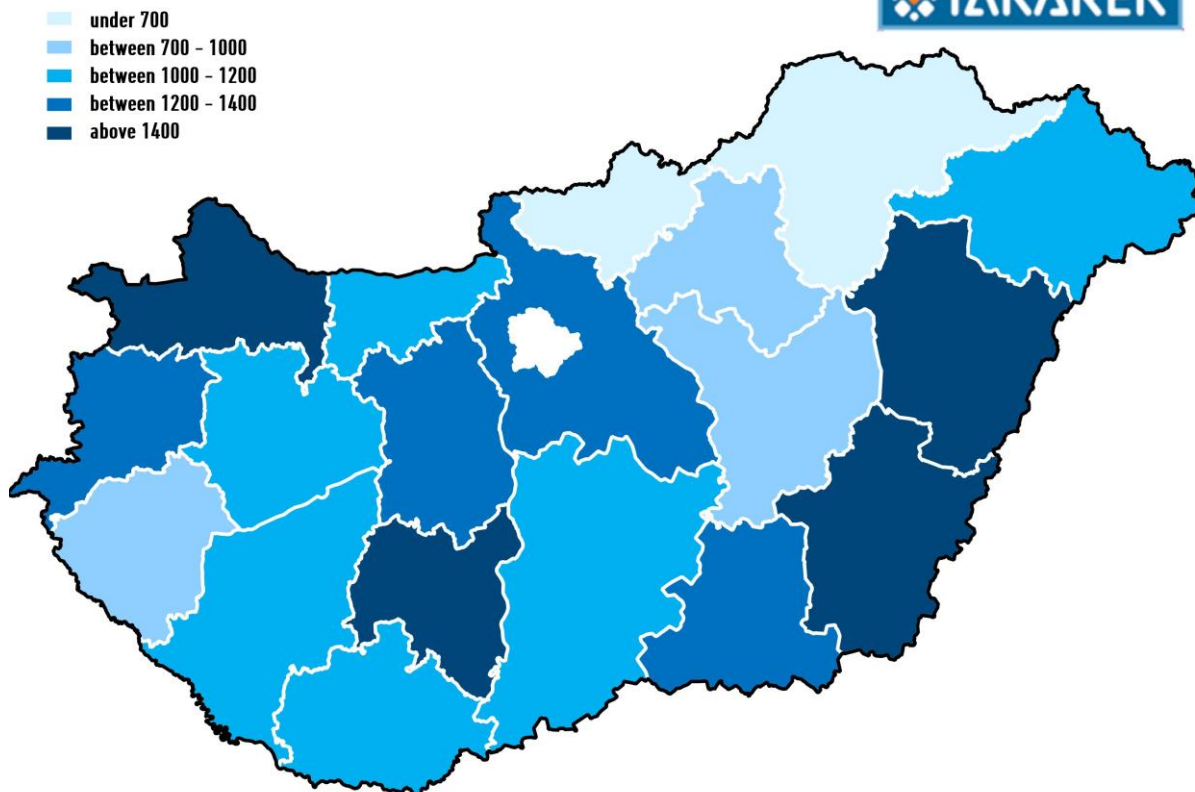
Price development for arable land

In 2016 the average price for arable land showed further growth. For one hectare of arable land in Hungary, one had to pay 1,218 thousand HUF. Prices went up by 12 percent, which is still less than the price increase between 2012 and 2014, still its surpassing the rise experienced in 2015.

During 2016 the appreciation of arable land continued in all regions of Hungary, particularly in Western Transdanubia where the price increase was around 23.4%. Notably smaller growth was recorded in the regions of Central Transdanubia and Southern Great Plain, still the growth was 14.1 and 13.8 percent, while in

Southern Transdanubia it was 12 percent. In case of other regions, transactions were characterized by price increase lower than the national average.

**Average prices in Hungary
for arable land in 2016 (Thousand HUF/ hectare)**



Map 1. Average prices in Hungary for arable land in 2016, regional breakdown (Source: TAKARÉK Agricultural Land Price Index)

Peak prices diverged from the regional growth dynamics: the highest price for arable land was to be paid in North Great Plain in 2016, while in 2015 Western Transdanubia overtook the leading position from Central Hungary, , previously the most expensive region in Hungary for a long period. **The lowest purchasing prices in 2016 were still in the region of Northern Hungary**, where a hectare of arable land was available for less than 750 thousand HUF. (Map 1.)

Developments by cultivation methods

All cultivation methods were characterised by growth in 2016 (Figure 2.) Among the examined methods, the greatest price increase was recorded for permanent grassland, meadow, and pasture which in 2016 were sold for 14.4 percent higher price than it was in 2015. **The second place in price increase was taken by arable land, as previously specified while orchards showed the third highest increase**, as their transaction price in 2016 was higher by **10.8 percent** as in 2015. The smallest sales price difference between 2015 and 2016 was recorded for forest and vineyard transactions.

Evolution of land rates according to the utilization of the land (HUF)

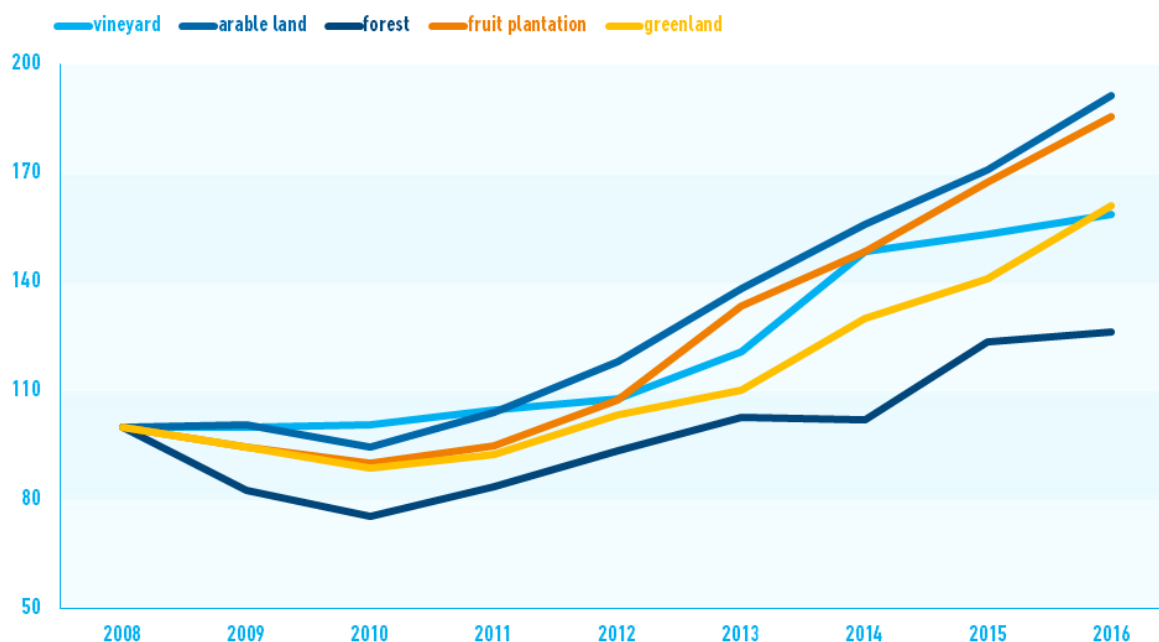


Figure 2.: Evolution of land rates according to the utilization of the land between 2007 and 2016
(Source: TAKARÉK Agricultural Land Price Index)

Our analysis by regions and cultivation methods shows that **in the region of Northern Hungary mainly the vineyards have high value**, almost 1.4 million HUF per hectare, which is the fourth highest price in the country. Vineyards are also the most valuable in all regions of Transdanubia, among which the record-holders are the areas in Central Transdanubia sold for 2.3 million HUF per hectare. In the Great Plain regions the orchards are accounted as the most valuable agricultural type of land, with arable land holding the second place. In the region of Central Hungary besides the valuable orchards (circa 1.5 million HUF/ha) the permanent grasslands/meadows are outstanding with a price tag of more than 1.3 million HUF/ha, a value that is exceeding the countrywide average (800 thousand HUF/ha) for this category by 63 percent.

Average agricultural land price by land according the utilization of land, 2017 (HUF / sq.meter)

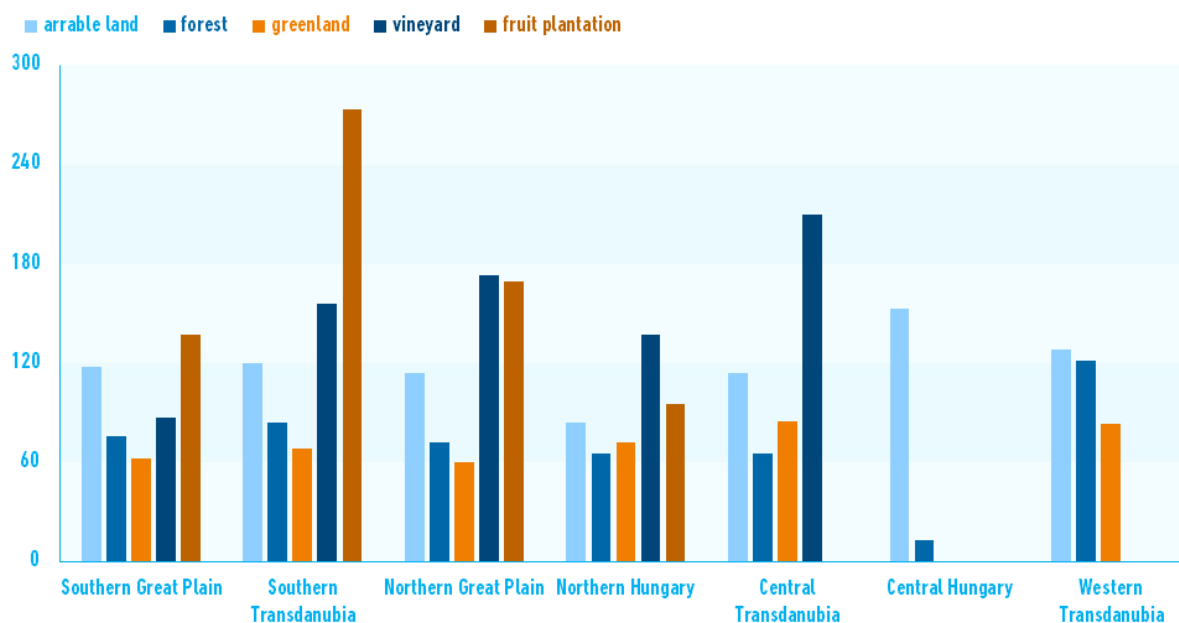


Figure 3.: Average agricultural land price by land according to the utilization of land, 2017
(Source: TAKARÉK Agricultural Land Price Index)

3. For our partners

As a member of the TAKARÉK Group, the professionals of the TAKARÉK Agricultural Directorate ensure the highest level of land-related banking and valuation expertise for our partners and clients. We are always ready to take any request from farmers, residential and corporate clients, as well as orders from governmental or business customers.

TAKARÉK Agricultural Directorate and colleagues from FHB are cordially available to agricultural partners through Takarék Group's network of branches countrywide.

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

We are pleased to respond to any real estate related enquiries:


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