Housing prices, housing price index, Quarter 1 2021

The recovery that the housing market had been experiencing since 2014 came to a halt in 2019, and in 2020 the housing market responded to the successive waves of the Covid19 epidemic with first a sharp and then a more moderate decline. New and second-hand house price indices diverged, and while the former continued to rise at the same pace as before, the growth in second-hand house prices slowed to just above the rate of overall consumer price increases. Housing market activity picked up in the first quarter of 2021, with both new and second-hand house prices up by 5.8% compared to the previous quarter.

Housing market rebounded in the first quarter of 2021 after the pandemic period last year

The downturn that started in 2019 in the housing market was exacerbated in 2020 by successive pandemic periods. Based on data measured at a similar level of processing, annual turnover was 14% lower than the previous year and showed significant fluctuations throughout the year, linked to the evolving pandemic situation. The market slowed down less in the second half of the year, after a fall of 14% in the first quarter and 29% in the second. Turnover declined by 13% during the new closures in the fourth quarter, after a 3.5% drop in the third quarter.

The first quarter of 2021 saw a general recovery in the housing market. Based on the data processed so far, the number of sales rose by 15% compared to the same quarter of 2020.

In 2020, the introduction of the village CSOK curbed the decline in sales in the supported municipalities. Here, housing sales fell by 7.9% year-on-year in 2020, while sales in villages that were not eligible fell by a fifth. In 2021, however, the housing market in non-subsidised villages started to expand faster, with a 14% increase in housing transactions in the first quarter of 2021 compared to the same period of the previous year, while the number of housing transactions in subsidised villages increased by 1.9%.

The share of new dwellings in the housing market has gradually increased since 2016, reaching 7.1% in 2019. In 2020, 6.1% of all known sales so far were for new-build housing. In the first quarter of 2021, 3.9% of all dwellings sold were new-build, according to data received so far.

Table 1

Number of home sales and homes built for sale

(thousand units)

Year, quarter	Home sales, total	Of which:		New homes built for sale
		second-hand homes	new homes	
2007	191.2	..[a]	..[a]	17.9
2008	154.1	140.0	14.1	17.4
2009	91.1	82.9	8.3	16.9
2010	90.3	85.5	4.8	10.7
2011	87.7	83.9	3.9	4.8
2012	86.0	83.3	2.6	3.5
2013	88.7	86.4	2.3	3.2
2014	113.8	110.5	3.3	3.4
2015	134.1	130.7	3.4	3.1
2016	146.3	141.4	4.9	5.2
2017	153.8	147.7	6.1	7.3
2018	163.7	154.6	9.1	9.5
2019	157.0	145.8	11.2	12.1
2020 (preliminary data)	127.8	120.0	7.9	15.0
Quarter 1 2021 (preliminary data)	20.1	19.4	0.8	4.4

[a] The data is unknown.

Strong rise in annual house price indices that continued until 2019 slowed in 2020

The annual increase in the pure price index for second-hand dwellings slowed significantly in 2020. The 2015-based index increased by 3.9% year-on-year as a consequence of the reverse movements in the housing market in that year.

The price level of new housing transactions in 2020 is 12% higher than in 2019, according to data received so far.

The annual real price index for new dwellings, taking into account the consumer price index, rose significantly (8.5%), while the annual real price index for second-hand dwellings barely increased (0.5%), interrupting the upward momentum in real house prices in the second-hand market since 2014.

Table 2

Trends and factors of annual price change

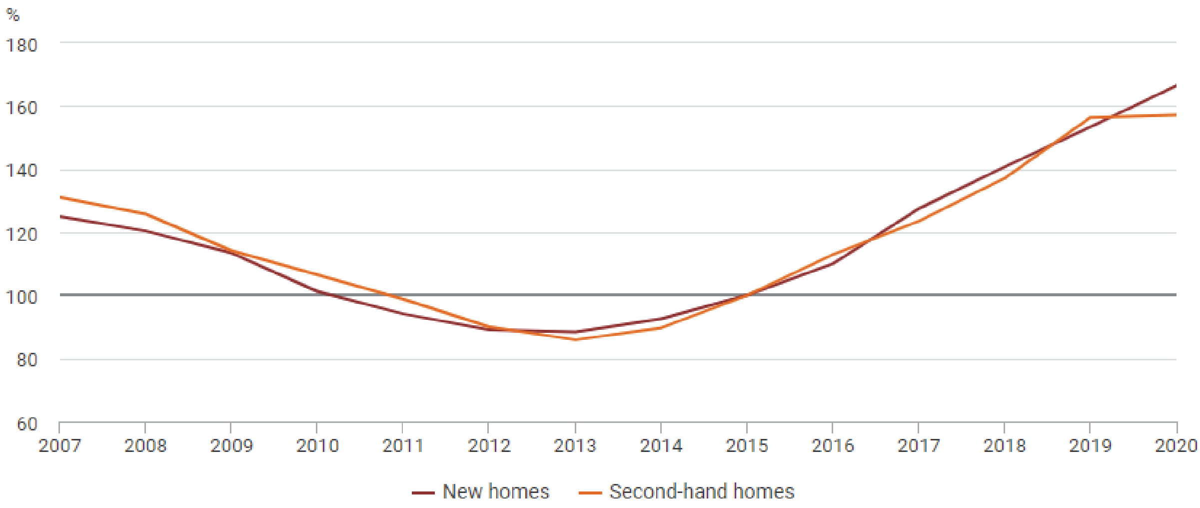
(%)

Year	New homes			Second-hand homes		
	composition effect	pure change in prices	total change in prices	composition effect	pure change in prices	total change in prices
	Previous year=100.0					
2016	97.4	110.5	107.6	92.9	113.3	105.3
2017	98.0	118.6	116.3	97.2	111.9	108.7
2018	106.5	113.4	120.8	97.6	114.2	111.5
2019	98.3	112.7	110.8	95.4	117.9	112.5
2020 (preliminary data)	100.9	112.1	113.2	97.4	103.9	101.2
	2015=100.0					
2015	100.0	100.0	100.0	100.0	100.0	100.0
2016	97.4	110.5	107.6	92.9	113.3	105.3
2017	95.5	131.1	125.1	90.3	126.9	114.5
2018	101.7	148.7	151.1	88.1	144.9	127.7
2019	100.0	167.6	167.5	84.1	170.8	143.6
2020 (preliminary data)	100.9	187.9	189.6	81.9	177.5	145.4

Figure 1

Trends in real housing price indices

(2015=100%)



New home market price levels have moved away from second-hand housing

During 2020, both pandemic waves resulting in restrictions have temporarily set back house prices. After rising in the first quarter of 2020, second-hand house prices fell by 2.8% in the first period of the Covid19 epidemic, quarter 2, compared to the previous quarter. The 3.9%

rise in quarter 3 was followed by another fall in quarter 4 (2.1%). Due to these shifts in direction, second-hand house prices in quarter 4 were only 2.2% above their level in the same period of 2019.

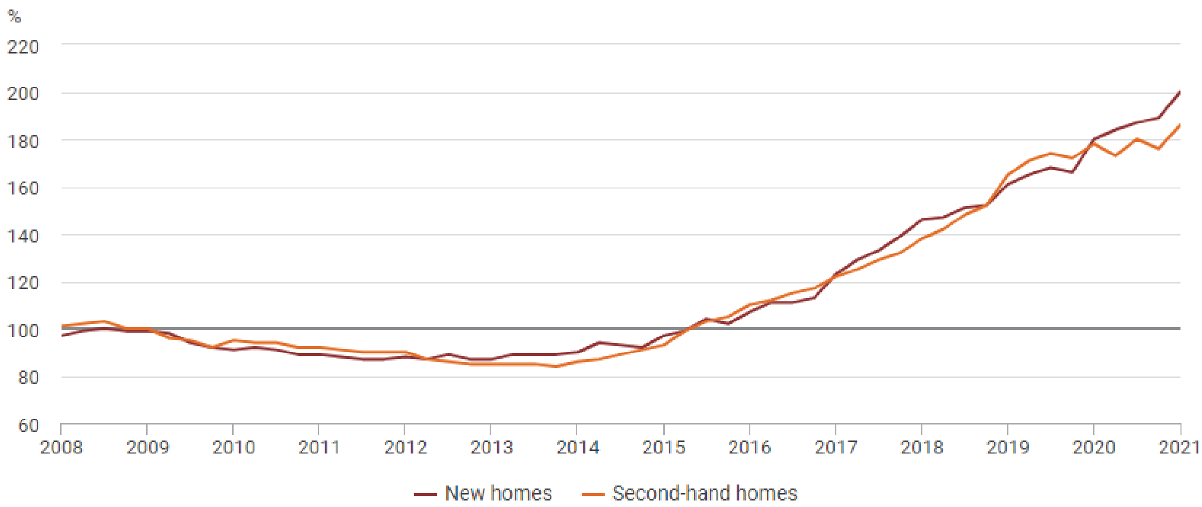
In quarter 1 of 2021, a sharp correction unfolded, with an increasing number of sales accompanied by a 5.8% increase in prices of second-hand housing compared to the previous quarter. The index value reached 186% compared to the 2015 base.

In the new housing market, after a sharp 8.6% price increase in quarter 1 2020, growth slowed down during the year, but prices did not fall during the epidemic waves, and in quarter 1 2021, we saw a 5.8% price increase, the same as in the second-hand housing market. Compared to the same period last year, new house prices were 11% higher. This suggests that the new housing market has not been as disrupted by the epidemic as the second-hand market. In the first quarter of 2021, new house prices reached double the 2015 base.

Figure 2

Quarterly trends in housing prices (pure price change)

(2015=100%)



New housing prices continue to rise

In 2020, 15,000 homes were built for sale, and in the first quarter of 2021, a further 4,400 homes. Although VAT on housing reverted to 27% from 2020, a significant share of sales in this period were still made with the 5% reduced VAT rate, which helped to maintain the momentum of housing construction. (After the phasing out of the reduced VAT rate from January 2020, developers could still sell housing with a building permit obtained before November 2018 with a reduced VAT rate.)

However, two waves of the pandemic and lengthy administrative procedures have delayed the sale of homes and the receipt of data. This has contributed to the fact that data on only 8,000 new home sales in 2020 are available so far, and the number of transactions in the first quarter of 2021 is still below 1,000. In 2020, the number of new housing transactions increased by 15% in Budapest, but decreased in all other categories of settlements compared to data of the same level of processing in 2019.

In the first quarter of 2021, new home sales nearly doubled compared to the same period last year. However, the upturn in rural housing construction in 2020 still had little impact on housing sales, as the majority of new construction was of houses built for private use that did not enter the market.

In the first quarter of 2021:

- New home prices averaged HUF 36.1 million, up 600 thousand from the average for the previous year.
- On average, a new dwelling in Budapest cost HUF 46 million, HUF 3 million more than in 2020. At the same time, prices per square metre rose by 14% to HUF 815,000. Of districts with an extensive new housing market, unit prices were close to HUF 821,000 in District 13, HUF 800,000 in Districts 8 and 14, while in District 4 prices were slightly lower. So far, few data are available on new home sales in the inner districts of Pest and in district 11, where prices ranged between HUF 900 thousand and HUF 1 million in the first three months of the year.
- More than a third of all new homes were sold in county seats, at an average price of HUF 520 thousand per square metre, 13% more expensive than in 2020. The price per square metre was 550 thousand HUF in Győr, which has the largest market for new apartments, 615 thousand HUF in Debrecen and 417 thousand HUF in Nyíregyháza. Housing prices have risen everywhere compared to 2020 levels, and in Debrecen they have increased by 18%, above the average.
- The price level in the settlements around Lake Balaton reached HUF 784 thousand per square metre, 12% higher than in 2020. Average price per square metre of newly built housing in Siófok was 862 thousand HUF, 17% higher than in 2020.

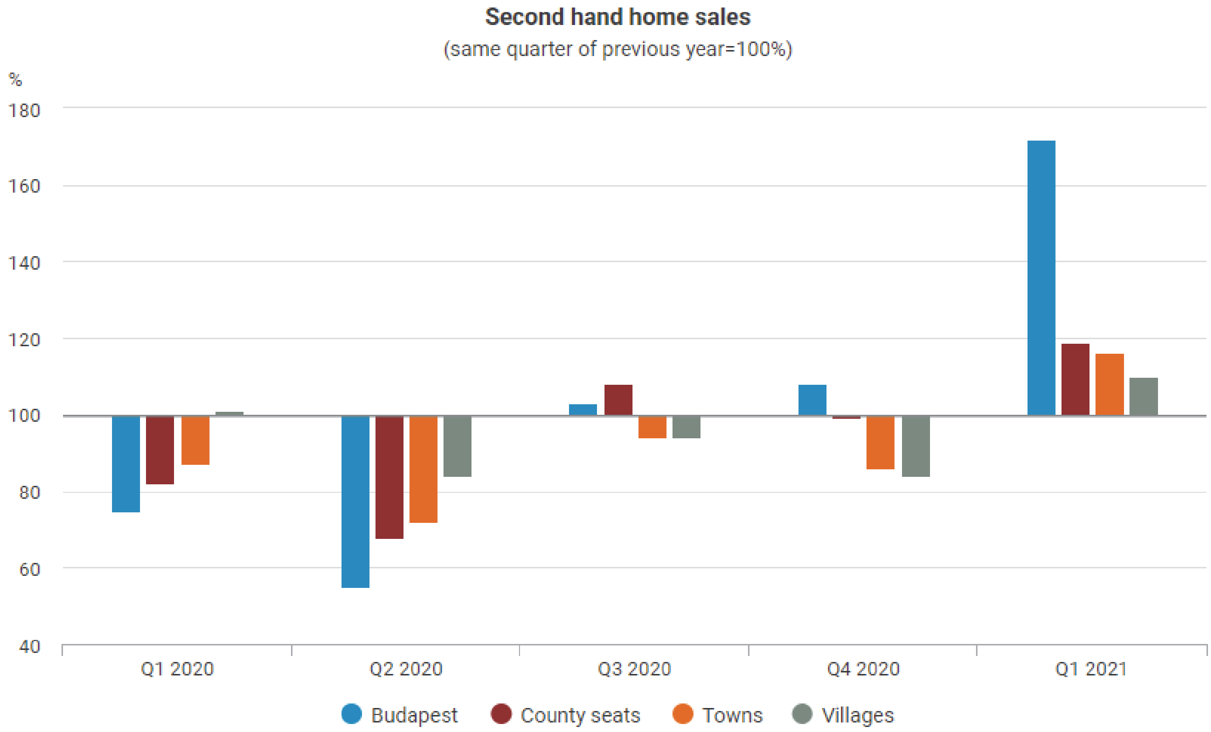
The prices of new dwellings delivered in 2020 were mostly set in contracts signed several months, or even years, before, so the price level of new dwellings presented here is below the supply prices of the period and only provides information on the price evolution of dwellings actually delivered.

Regional and price ratios in the second-hand housing market have been changed by the pandemic

The share of larger cities in the second-hand housing market decreased steadily from 2015 to 2020. In the first quarter of 2021, this trend reversed and the share of Budapest and the county seats increased. Most second-hand dwellings were still sold in smaller settlements, i.e. in non-county towns and villages, but the share of second-hand dwellings sold in these settlements decreased from 63% to 59%.

This change is linked to the different ways in which the housing market in different settlements reacted to the pandemic crisis. While the larger settlements experienced some recovery in the third quarter of 2020, after an initial, more pronounced decline, the smaller settlements experienced a more moderate decline, which persisted throughout the year. Only the first quarter of 2021 saw a consistent recovery across all categories of settlements, with the capital city recording the largest increase in second-hand housing sales compared to data at the same level of processing in the previous period. (The sharp rise in the capital is partly due to the low base, as the arrival of data from this area slowed down in the first quarter of 2020.)

Figure 3



The regional composition of the housing market continued to shift towards the eastern part of the country. In the first quarter of 2021, almost half (48%) of all second-hand dwellings were sold in the large regions of the Great Plain and North.

In the first quarter of 2021:

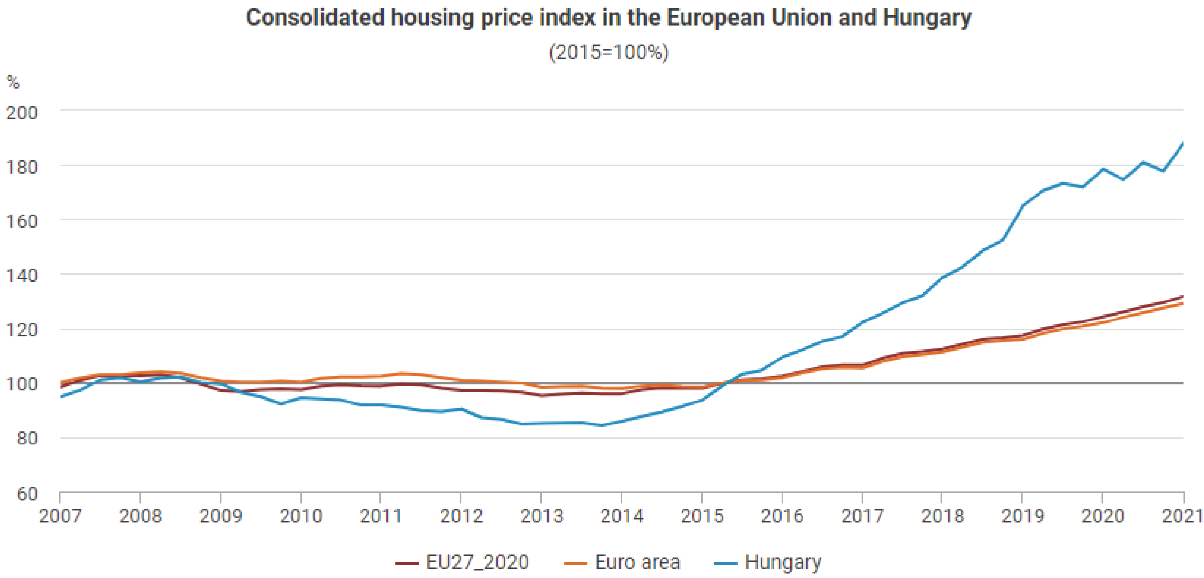
- Second-hand home prices averaged HUF 18.6 million. This was HUF 200,000 lower than the average of the previous year, but an increase of HUF 1.1 million compared to the decline in the fourth quarter of 2020. In the first quarter of 2021, the average price per square metre was 294 thousand forints, above the average of a quarter earlier in all settlement categories.
- Home prices averaged HUF 34.4 million in Budapest, up HUF 500,000 from a quarter earlier, but down from the average for 2020.
- Data received so far in the Budapest agglomeration point to strong price increases, but the low number of data received does not yet allow to assess realistic market developments.
- Home prices averaged HUF 20.9 million and square metre prices HUF 345,000 in the county seats, both up on the previous year. Home prices exceeded HUF 26 million in the most expensive county seats (Székesfehérvár, Győr and Debrecen), while the cheapest place to buy a dwelling was Salgótarján (HUF 9 million).
- In the Balaton agglomeration, the price of second-hand housing has risen from HUF 33.7 million in 2020 to HUF 36.4 million.
- In smaller towns and villages, prices have not reached the 2020 average, but have generally increased since the decline at the end of 2000. The only exceptions in this respect are the villages in the eastern part of the country, where prices have continued to fall.

It should be stressed that the prices presented have been calculated on the basis of the data on house purchases processed so far. As data for the more valuable properties in the larger municipalities are usually received later, there may still be a significant correction for the latest period.

House prices also rose in most EU countries in Q1

Eurostat's Housing Price Index shows a combined price trend for second-hand and new dwellings. In the first quarter of 2021, the aggregate EU-27 house price index was 131% of the 2015 average, while the euro area house price index was 127%.

Figure 4



In the first quarter of 2021, the value of the aggregate house price index calculated according to Eurostat's methodology reached 188% of the 2015 base, which is still the highest among the countries reporting data. In most European countries, price increases were recorded during and after the coronavirus pandemic. However, house prices fell significantly in Cyprus (5.8%) and to a lesser extent in Malta and Slovakia (1.6% and 1.2% respectively).

House prices rose sharply in Estonia (6.6%) and Denmark (5.8%), the latter with the same index as in Hungary. The rate of price increases was also high in Lithuania (5.0%) and the Czech Republic (4.6%).

Among the neighbouring countries, house prices increased by 3.1% in Slovenia, 2.7% in Romania and 2.3% in Austria compared to the fourth quarter of 2020.

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Table 3

Quarterly nominal housing price index for individual European countries

(%)

Denomination	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Austria	122.4	126.4	127.8	129.8	131.9	135.0	138.7	139.7	142.9
Belgium	111.5	112.0	116.0	115.6	115.5	117.0	119.6	122.2	123.3
Bulgaria	129.5	130.3	132.0	134.0	135.5	134.1	138.8	141.2	145.7
Croatia	117.6	120.6	121.4	124.9	128.3	130.6	129.8	133.0	134.2
Cyprus	107.9	112.7	105.6	106.5	109.1	109.5	104.2	109.1	102.8
Czech Republic	137.2	140.6	143.4	146.4	149.0	151.5	155.4	159.5	166.8
Denmark	116.0	118.7	118.9	116.4	118.4	120.4	126.2	129.0	136.5
Estonia	122.0	123.1	126.2	129.8	136.0	128.1	131.1	136.0	144.9
Finland	103.7	105.3	104.9	104.2	105.1	106.1	106.6	107.7	108.9
France	108.6	109.9	112.3	112.7	113.9	115.5	117.8	119.3	120.2
Germany	124.6	127.8	129.6	132.7	133.8	136.2	140.3	144.3	146.4
Hungary	165.0	170.5	173.2	171.9	178.5	174.6	180.9	177.7	188.0
Iceland	146.2	147.2	148.2	151.7	153.1	156.3	159.2	162.6	166.3
Ireland	133.0	133.7	135.6	135.3	134.3	134.2	134.6	136.3	138.4
Italy	97.7	99.1	98.8	98.5	99.4	102.4	99.8	100.0	101.1
Latvia	134.0	140.2	144.6	144.7	145.8	142.3	147.1	147.9	149.9
Lithuania	129.2	131.1	132.4	133.8	137.3	140.3	140.9	146.4	153.7
Luxembourg	125.0	131.4	134.4	137.2	142.7	148.7	153.0	160.1	166.9
Malta	118.5	122.8	126.4	130.9	125.1	127.6	129.8	133.0	130.9
The Netherlands	129.7	131.8	133.4	135.6	137.8	141.1	144.6	147.4	153.4
Norway	118.5	121.7	120.5	120.0	122.2	125.3	127.9	128.2	134.0
Poland	118.3	121.1	123.6	127.1	131.7	134.3	137.1	138.4	141.2
Portugal	137.1	141.5	143.1	144.1	151.2	152.5	153.3	156.5	159.1
Romania	119.9	121.8	123.6	125.5	129.6	129.8	126.4	128.0	131.5
Slovakia	126.4	131.1	134.5	137.6	143.0	143.8	145.9	147.5	145.8
Slovenia	127.0	128.8	131.3	131.6	133.0	135.6	135.7	138.4	142.7
Spain	122.9	124.3	126.3	125.4	126.9	127.0	128.6	127.6	128.1
Sweden	115.0	116.5	118.5	118.7	120.2	120.3	123.0	125.0	128.9
EU27	117.4	119.6	121.3	122.4	124.2	126.0	127.8	129.5	131.7
Euro area	116.0	118.1	119.7	120.7	122.0	124.0	125.7	127.4	129.1

Further data, information

Methodology

Annual national data:

18.1.1.1. Summary data of housing
18.1.1.13. Housing price indices
18.1.1.14. Mean price per dwelling and sqm by region and building type
18.1.1.15. Number of housing transactions made by private persons

Annual regional data:

18.1.2.8. Mean price per dwelling by region and settlement type
18.1.2.9. Mean price per sqm by region and settlement type
18.1.2.10. Number of housing transactions made by private persons by region and settlement type
18.1.2.11. Mean price per dwelling by region and building type
18.1.2.12. Mean price per sqm by region and building type

Infra-annual national data:

18.2.1.1. Summary data of housing (quarterly data)
18.2.1.8. Housing price indices by quarter years
18.2.1.9. Number of housing transactions made by private persons by quarter years

Infra-annual regional data:

18.2.2.13. Mean price per dwelling by region and settlement type (quarterly data)
18.2.2.14. Mean price per sqm by region and settlement type (quarterly data)
18.2.2.15. Number of housing transactions made by private persons by region and settlement type (quarterly data)
18.2.2.16. Mean price per dwelling by region and building type (quarterly data)
18.2.2.17. Mean price per sqm by region and building type (quarterly data)

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