

# Hungary

By Nagy Gyula László, MBH Mortgage Bank Plc

## IN A NUTSHELL

- The economy grew by 0.5 % GDP after contracting in the previous year
- Gross residential mortgage lending more than double compared to the previous year
- The average mortgage rate was 7.2 %
- Housing completions were the lowest in the last 10 years at 13.3 thousands

## MACROECONOMIC OVERVIEW

The economy grew annually by 0.5% according to raw data (0.6% seasonally and calendar-adjusted) in 2024. Services grew by 2.1% and contributed to growth by 1.1%. Agricultural value added decreased by 10.4%, decreasing GDP volume by 0.3%. Value added was 3% lower in industry (reducing GDP by 0.6 % and, 0.6% lower in construction (reducing GDP by 0.3%). Exports decreased by 0.8% and imports by 3.3%. Household consumption grew by 4.3%, while public consumption decreased by 5.8%, overall consumption grew by 2.6%.

Unemployment varied between 4.3 and 4.7 during the year. It returned to 4.3% at year-end (210 thousand people).

Inflation decreased to 3.7% (17.6% in 2023).

Food prices have grown by 2.8% , services by 8.9%, tobacco and alcoholic drink prices increased by 4.4%. clothes and fashion products by 4.2%.and durable consumer goods by 0.9%. Energy prices decreased by 4.6%.

The deficit of the general government sector was HUF 4,002 billion (EUR 9.72bn equivalent), representing 4.9% of GDP. The debt of the general government sector at year end – based on data of the National Bank of Hungary – was HUF 59,875 billion (EUR145bn), 73.5% of GDP.

Housing loan disbursements increased significantly, driven by more market-based lending and a new type of housing loan subsidy program, called HPS Plus. For both new and pre-owned homes, the availability of mortgage loans for house purchase has improved significantly, the latter also supported by HPS Plus program for those intending to have more children.

As the rapid rise in house prices in recent years has particularly hit first-time buyers, who are typically young couples, with small savings and low incomes, the National Bank of Hungary proposed lowering the down payment for first-time buyers to 10% from 2024.

## LOOKING AHEAD

Growth is expected in the mortgage market as funds flow into housing household savings. During the high inflation period (mainly 2023 and onwards) many households invested in high Premium Hungarian Government Securities (PMÁP) many of which paid high interest in the first half of 2025 then switch to lower rates. Other mature in 2025. As a result, significant funds may search for other

investment possibilities such as the housing market. Government bonds had typically bullet repayment and had longer maturities, holders had only interest payments, unless they had maturing bonds.

Pension fund members will also be permitted in 2025 to use part of the savings for their own, their spouses' or their children's housing needs.

With the volatility of the stock market and lower return on other investments housing may become an attractive investment opportunity.

## HOUSING MARKETS

Hungary had a population of 9,540 td and a stock of approximately 4,600 td housing units at year-end. The homeownership ratio was the 3<sup>rd</sup> highest in the EU at 91.6 % according to Eurostat. Even with worse economic performance in, decreasing inflation, growing disposable real income for households, the slightly lower mortgage rates (also fueled by the competition among the banks) and new housing subsidy programs (CSOK PLUS) helped the recovery of the mortgage market during the year.

The pickup of mortgage lending has not improved the market for newly built dwellings. The number of building permits granted was 20,494, 5% lower than the 21,501 in 2023. Completions were 13,295 down 29% y-o-y (18,617 units). Completions have been falling since 2020 when there were 28,208. In Budapest, the number of building permits was 7,027, a 12% fall y-o-y and the number of completions decreased by 28 % to 4,607 (from 6,359 in 2023).

According to the MBH House Price Index, house prices overall were 12% higher than in the previous year. Growth was more moderate in Budapest at 6%, while in Debrecen it was 13% (above the country average) and in Szeged it was above 9%. Debrecen has become the center for several new industrial projects, the price increase reflect a shortage of available dwellings.

According to the KSH (Hungarian Statistical Office) House price Index, the new house price Index was 14.2% higher at year-end and for second hand dwellings it was 12.8% higher.

According to the figures in the House Market Report of the National Bank of Hungary, the number of housing transactions (new and second hand dwellings) was above 152,8<sup>th</sup> in 2024.

## MORTGAGE MARKETS

In H1 housing lending gained new momentum, by year end the outstanding volume of residential loans (mortgage loans secured by residential property) was HUF 6,355 bn (EUR 15bn) an increase y-o-y of 11%.

The number and amount of loans granted and the average loan amount were all significantly higher than a year earlier. Among the housing loans granted, the number and average amount of loans granted for the purchase of second-hand dwellings also increased. Growth in the gross residential lending has more than doubled in 2024 compared to the year before.

Mortgage debt/GDP increased to 6.9%, still the among the lowest in the region. The NPL housing loan ratio decreased close to 1% in 2024 from the previous year end figure of 1.4%. Despite the persistent rise in house prices in recent years, the median LTV ratio of newly disbursed mortgage loans has only increased slightly, for new loans in 2024 it was around 50% in Budapest and 52% on the countryside. The volume of mortgages with an LTV above 70% increased; around 30% of new mortgages were issued with an LTV between 70 – 80%, and 2-3% above 80% (mostly first time buyers due to the new regulation allowing first time buyers to borrow up to 90% LTV).

The volume of remortgaging increased by 24% but was only about 1.8% of total gross lending.

To mitigate the effects of increasing mortgage rates, the government earlier introduced “interest rate caps” on certain types of already existing mortgages (variable and 1 to 5 years fixed rate mortgages), where the rates were frozen at their earlier rate. Despite decreasing inflation and the constant decrease of the Central Bank base rate, the end of these caps has not been announced yet, although it was only intended to be temporary in the high inflation period. Mortgage interest rates were in the range of 6.5 – 7.8% toward the end of the year. Average mortgage rate was 7.2%.

The termination of certain subsidies was offset by the new HPS Plus program, announced at the end of 2023, which allowed couples committing to have children to access preferential-rate loans from 2024 onwards. With the new HPS Plus subsidy program the volume of subsidised loan contracts increased significantly in 2024. In 2024, households concluded 11,300 HPS Plus loan contracts worth a total of HUF 295 billion. The average amount of HPS Plus contracts exceeded the highest amount available under the previous HPS scheme. Under the previous subsidy program in 2023 133 billion was extended in loans and 44 billion in non repayable grants.

The total volume of newborn baby loan contracts in 2024 remained unchanged compared to the previous year.

## MORTGAGE FUNDING

Most mortgage funding is from deposits, but covered bonds are also commonly used. By year end more than 30% of residential loans were funded through covered bonds. Act XXX. on Mortgage Banks and Mortgage Bonds, approved by Parliament in 1997, contributed significantly to the establishment of the covered bond market. In April 2017, the Mortgage Funding Adequacy Ratio (MFAR) was introduced by the National Bank of Hungary requiring commercial banks to finance initially 15% of their mortgage loans with long-term securities. The ratio was increased to 20% in October 2018 and to 25% in October 1, 2019. The Hungarian covered bonds comply with the European Covered Bond and the European Covered Bond Premium criteria. The outstanding amount of covered bonds was HUF 2,107 bn (EUR 5.2bn) at year-end and EUR 500mn (HUF 212bn) was in EUR, the rest denominated in HUF. Presently there are 5 mortgage banks in Hungary, belonging to the largest commercial banks. Only one out of the five mortgage banks is engaged in direct mortgage origination, the other four mortgage banks do mostly refinancing of commercial bank's residential mortgage portfolios.

## GREEN FUNDING

In July 2021, the preferential treatment of green funds in the MFAR (Mortgage Funding Adequacy Ratio) came into force, contributing to the issue of the first domestic green mortgage bonds. With the start of the MNB's Green Mortgage

Bond Purchase Programme, green mortgage bond issuance started in the summer of 2021, and by June 2022, all five mortgage banks were already present in the Green Mortgage Bond market. At the end of 2024, the volume of green covered bonds outstanding was HUF 272,2 bn, (EUR 670mn) approximately 13% of all Hungarian covered bonds. In the future, as green loan portfolios for the commercial banks grow, the share of green funds is also expected to increase.

In 2021, to encourage green lending, the National Bank published the Green Preferential Capital Requirement Programme for Housing (also available for Corporates and Municipalities). In the Programme, capital relief is available for the lending institutions on their mortgage loans and personal loans, or on loans for modernizing residential buildings.

A new home renovation programme was introduced in the summer of 2024, exclusively for energy efficiency modernisation projects for detached houses. The renovation programme may include the insulation of buildings, replacement of doors and windows and modernisation of hot water and heating systems with a total budget of HUF 108 bn (EUR 300mn). A primary energy saving of at least 30 per cent must be achieved with the renovations, the improvement must be certified by energy efficiency certificates both before and after the completion of the renovation work. Besides contributing HUF 1 million from their own funds, a customer may apply for an interest-free loan and a non-repayable grant. From the presently allocated budget of the home renovation programme approximately 20,000 detached houses may be renovated.

	HUNGARY 2023	HUNGARY 2024	EU 27 2024
<b>MACROECONOMIC VARIABLES</b>			
Real GDP growth (%) (1)*	-0.8	0.5	1.0
Unemployment Rate (LSF), annual average (%) (1)	4.1	4.5	5.9
HICP inflation (%) (1)	17.0	3.7	2.6
<b>HOUSING MARKET</b>			
Owner occupation rate (%) (1)	90.5	91.6	68.4
Gross Fixed Investment in Housing (annual change) (1)	3.7	-3.7	-4.3
Building Permits (2015=100) (2)	171.8	163.8	136.9
House Price Index - country (2015=100) (2)	318.1	356.6	179.8
House Price Index - capital (2015=100) (2)	324.5	344.6	171.5
Nominal house price growth (%) (2)	8.6	12.1	4.9
<b>MORTGAGE MARKET</b>			
Outstanding Residential Loans (mn EUR) (2)	14,993	15,450	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	1,562	1,612	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	12.4	12.4	71.3
Gross residential lending, annual growth (%) (2)	-45.1	95.5	3.9
Typical mortgage rate, annual average (%) (2)	9.2	7.3	4.34

(1) Eurostat Data

(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

\* Eurostat Reviewed

\*\* EU 2024 to be confirmed

## HUNGARY FACT TABLE

<b>Which entities can issue mortgage loans in your country?</b>	Banks, specialised mortgage banks, saving cooperatives, financial companies (mortgage houses) can issue mortgage loans.
<b>What is the market share of new mortgage issuances between these entities?</b>	In proportion to the total volume issued in 2024 commercial banks issued 63%, mortgage banks 31.8%, home savings cooperatives, 5.2% of the new mortgage issuances.
<b>Which entities hold what proportion of outstanding mortgage loans in your country?</b>	Commercial banks hold 59.7%, mortgage banks 31% and housing saving banks hold 9.3% of the outstanding mortgage loans.
<b>What is the typical LTV ratio on residential mortgage loans in your country?</b>	Between 50 and 60% is the typical LTV on new residential mortgages. Banks can grant mortgages generally up to max 80 % LTV without additional collateral. From 2024 First Time Buyers can borrow up to 90 % LTV.
<b>How is the distinction made between loans for residential and non-residential purposes in your country?</b>	In the residential loan portfolio, by "housing loans" it is understood that the purpose of said loan is to finance the acquisition or purchase of a house or flat.  On the other hand, in the residential mortgage loan portfolio, the so called "home equity" or free purpose mortgage loans are also included, when the purpose is to get a loan with a mortgage on the already existing residential property. "BTL mortgages" at present are included also in the residential loan portfolio, and statistically are not registered separately.
<b>What is/are the most common mortgage product(s) in your country?</b>	The most typical mortgage product is the housing loan granted by commercial banks and mortgage banks (when the purpose is the purchase of a flat or house).
<b>What is the typical/average maturity for a mortgage in your country?</b>	Average maturity for a mortgage loan for building purpose 21.7 years, for new dwelling was 19.9 years, for used homes 18.3 years, for refurbishment 11.3 years in 2024
<b>What is/are the most common ways to fund mortgage lending in your country?</b>	The most common way to fund mortgage lending is funding from deposits, but covered bonds are also used. Since April 2017, commercial banks must adhere to a new regulation introduced by the National Bank of Hungary. The regulation prescribed, that certain proportion of all outstanding residential mortgage loans must be funded or refinanced by mortgage bonds. The ratio is called Mortgage Funding Adequacy Ratio (MFAR), and it was initially set at 15%.  From October 2019 the ratio increased to 25% and remained at this level also in 2024.
<b>What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?</b>	A transfer (stamp duty) tax of 4% is to be paid by the buyer to the National Tax and Customs Administration. (The rate of duty is 2% until 4 Mio HUF than 4% up to HUF 1bn (EUR 2.9 mn) per property. Buyers may be entitled to certain reliefs.  Legal fees may range from 0.5–1% of the property price, usually paid by the buyer.  When the property is sold through a real estate agency, a further 3-5% is paid by the seller.  Buying a newly built flat is subject to a preferential VAT payment of 5% (instead of the 27% VAT applied on most consumer prices and services). The easing of the preferential VAT payment is valid until the end the 2026.

### What is the level (if any) of government subsidies for house purchases in your country?

- In 2024 of the total outstanding mortgage portfolio, 19% were subsidized. New mortgage lending has grown significantly in 2024 compared to the previous year. The volume of newly issued subsidized loans for housing purchase has grown from HUF 126 bn in 2023 to HUF 339 bn in 2024, the volume of non subsidized loans has grown from HUF 482 bn to HUF 1,007 bn. So while market priced housing loan issuance doubled in 2024, the volume of subsidized loans has almost tripled during the year.
- The most significant housing subsidy loan program is the Home Purchase Subsidy (CSOK in Hungarian) for families. The new, interest subsidised housing loan, that was introduced in 2024 – called Home Purchase Subsidy Plus (CSOK+) – provided a higher loan amount than previously. This loan type alone contributed significantly to the total housing loan amount issued in 2024.
- Apart from the CSOK programs the "Prenatal Baby Support" program (unsecured interest free loan facility up to HUF 10 Mio) also helped to stimulate the house purchase possibilities for families and first-time buyers.