SUSTAINABLE OFFICES

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SPECIAL REPORT: SUSTAINABLE OFFICES

Thinking green

Pál Baross, head of the Hungarian Green Building Council, discusses the work of assessing environmental building projects and the challenges of sustainable development. ➔ 22

Law adds to obstacles for refugees at border

Objections from Hungary’s neighbors and riots at the fence on the Serbian frontier followed soon after Hungary began enforcing tough new measures designed to make it harder for asylum seekers to enter the country. ➔ 7

Interview: Hungary past its bad press

Local business guru Nick Kós, the country managing partner of PwC Hungary, says he sees reasons to be cheerful about improvements in policy and the attitudes of local CEOs in this wide-ranging discussion. ➔ 10

Analysts anticipate credit-rating upgrade

Given the country’s steady growth and strong financial position, Moody’s, Standard & Poor’s and other big agencies are expected to finally bless Hungary’s debt with a rating above ‘junk’ status in the near future. ➔ 3

SOCIALITE

Wine Festival flows over from Castle Hill

The annual event in Budapest drew the usual large crowds of happy oenophiles, but it also encouraged fringe gatherings, with an opportunity to try some excellent new vintages. ➔ 30

CEU builds efficiency into its new campus

The university’s ambitious downtown development is a rare educational project to win BREEAM environmental certification. The clever use of natural light and Budapest courtyards puts this design at the head of the class. ➔ 16

It’s not easy being a green consultant

The rapidly changing legal and regulatory situation in Hungary means that companies and their advisors need to keep on top of the country’s regimen for staying sustainable and protecting the environment. ➔ 25
Good, bad and ugly attitudes on refugees

When it comes to dealing with the refugee crisis, the governments of Germany, Austria and Croatia have been good, the heads of the Visegrád Group of countries have been bad, and Hungary’s prime minister has been ugly.

The crisis is overwhelming for all of Europe, and there are obviously no easy answers. More than four million Syrians are said to have fled their country, while huge numbers are also pouring out of Afghanistan, Iraq and other parts of the Middle East and North Africa. The current route sends refugees directly through Hungary, and neither this country nor its neighbors have the capacity to provide for everyone entering our territory to stay here.

Still, some governments refuse to pledge any specific amount of help. The Visegrad Four, Hungary, Poland, Czech Republic, and Slovakia, have been resisting the idea of agreeing to any quota of refugees, and they claim that most of the people fleeing war−torn areas to come here are actually “economic migrants”. Many people migrated from the V4 countries to find jobs in the western half of the European Union as soon as their membership in the Union allowed it. How can they now look down on economic migrants? Of course it should be remembered that most of the people coming through Hungary, especially the Syrians and Afghans who make up the bulk of the traffic, are not “economic migrants” but actually refugees, fleeing war. How can Hungary, whose refugees were helped across the West in 1956 be so unwelcoming now?

Refusing to take even small quotas of refugees is bad. But, as has now become the norm, it took Hungarian Prime Minister Viktor Orbán to bring things down to an ugly level. In the last few weeks, Orbán has made a raft of racist and xenophobic remarks about the refugees in the media. He has said that Europe cannot support a large population of non−Christians. He has said that Hungary already bears the burden of a Roma population without asking other countries to take some of the Hungarian citizens who are Roma − so we should not be forced to take Muslims too. He has said that we love kebab shops but we do not want too many Muslims here. He has said that the refugees come from another type of civilization, one that has more babies than Europeans, so they would soon overwhelm us. It is not just the prime minister’s rhetoric that is hateful, his actions are too. He insists on putting up a fence and border patrols to keep refugees out, even though the countries where the refugees want to go say this action is not necessary. And Orbán wants to extend that fence to Romania, further cutting us off from our neighbors.

Germany and Austria have done what they can. They insist that their border checks are only temporary, because the refugee traffic is overwhelming. Croatia has said it is ready for refugees who decide to skirt Hungary and head toward their country. Only Orbán wants to make sure everyone knows that he is going out of his way to keep out non−Christians.

Thousands of refugees have died this year as they seek to escape their war−torn homelands and reach Europe, including 71 who died trying to leave Hungary in the back of a truck without ventilation last month. Attempting to completely halt the flow of these refugees is tantamount to a death sentence for some of them.

With his callous attitude toward these innocent lives, our prime minister has gone from bad to ugly.
High hopes for a better rating

There is reason to believe that Hungarian debt will finally shake off its junk-bond status by the end of the year.

Major international credit rating agencies issued notes on Hungary and the region recently, scrutinizing the possibility to put the country's bonds back on the investment map. Hungary is still in the junk category with all three rating houses, but while Moody's and Standard & Poor's had left the country's outlook as stable, Fitch changed it from stable to positive at the end of May. The latter will review Hungary's credit rating in November and, according to analysts, is the most likely of the three institutions to upgrade Hungary.

But all of them seem to be noticing chances of improvements here. Government actions to stimulate domestic consumption have had a positive effect on Hungary's economy, and the planned gradual reduction of the bank levy was also a good move, Moody's Investor Service said in a report last week. At the same time, the rating agency identified risk factors too: "We expect growth over the next three years to average around 2.3%. However, government debt levels — although on a declining trend — are still relatively high and represent the country's main credit challenge," said Alpona Banerji, vice president-senior credit officer and co-author of the report.

The report states that Moody's would consider upgrading Hungary's government bond rating if there were signs of sustained growth prospects supported by greater policy stability, or if there were strong evidence that debt is falling. Downward pressure on the rating could stem from any deepening of policymakers’ commitment to containing the budget deficit to less than 3% of GDP, or the introduction of measures that would affect the growth outlook, the rating agency warned. Moody's forecasts GDP growth of around 2.7% in Hungary in 2015, down from the 3.6% recorded in 2014. The country's three-year growth forecast is lower than the 2.8% average for 2014. The country's rating was raised to BB+ in the spring, the highest junk grade, with a stable outlook. In its latest forecast issued on September 11, Morgan Stanley projected that rating agency Standard & Poor's will upgrade Hungary's outlook to positive but keep its credit rating on hold. Morgan Stanley sees Hungary's growth at 2.5% in 2015 and 2.4% next year, somewhat lower than in its previous forecast (3.5% and 2.5%, respectively).

While Moody's latest publication hit a more neutral tone, Fitch acknowledged that a continuation of the current positive developments could lead to upgrades in outlooks and ratings in the medium-term. Fitch will review Hungary's credit rating on November 20.

Moody's and Standard & Poor's seem happy to leave the rating as it is, but Fitch may upgrade Hungary in November.

Citibank's report is upbeat

Domestic factors still support the growth of the Hungarian economy, balancing external risks, Citibank said in an analysis issued after a visit to Hungary in early September. According to Citibank analysts, the slow pullback of foreign investors from the Hungarian bond market is likely to continue, but the possible upgrades by credit rating agencies might attract a fresh crowd of investors to the Hungarian market. The U.S.-based bank expects economic growth of 2.8% this year, and 2.3% in 2016, with a 2.5% growth potential in the medium-term.
HIPA launches investment program for rural settlements

The Hungarian Investment Promotion Agency (HIPA) is launching an investor friendly investment program for Hungary’s rural settlements as of October, to prepare them for potential investments, it announced on September 16 at a press conference.

Representatives of rural settlements will be able to enroll for free in training offered by HIPA throughout the program. The agency hopes to improve the skills of representatives in both theory and practice, to prepare them for potential investors, including those arriving from abroad. HIPA says it saw a need to establish the training program given that potential investors handled by the agency have shown a growing interest in regions outside of Budapest, the President of HIPA Róbert Ésik noted at the conference.

Home sales edge down in August, but up y.o.y.

A little more than 11,000 homes changed hands in Hungary in August compared to around 12,000 in the previous month, real estate broker Duna House said, attributing the decline to seasonal effects. At the same time, the number of transactions in August 2014 was 23% lower, and home sales came to a little more than 7,000 in August 2013. In January-August 2015, the number of home sales came close to 92,000, more than the annual sales for several years following the 2008 crisis, Duna House said. In the same period last year, the number of transactions was around 64,000, 44% less than in the first eight months of this year.

Hungary to receive HUF 2.9 bln agricultural emergency aid

Hungary will receive HUF 2.9 billion in agricultural emergency aid from the European Union based on the decision made at the EU farm ministers meeting in Luxembourg, farm minister Sándor Fazekas told Hungarian news agency MTI on September 15. The EU set aside €500 million in aid to balance falling producer prices in the milk sector, the effects of the summer drought. The EU will also provide €15 million in aid to balance falling producer prices in the dairy sector, the farm minister said.

Hungary’s state-owned utilities company ENKSZ will soon take over the retail customers of electricity distributor Elmű and its sister company ÉMÁSZ under an agreement signed between the government and German owner RWE in the spring. ENKSZ is also in talks with another market player, state secretary Zsuzsa Németh said last week. In addition to ELMU and ÉMÁSZ, the only other “universal service providers” – companies that provide services linked with electricity using a price structure and level controlled by the state – in Hungary are French-owned EDF DEMÁSZ and German-owned E.ON. ENK SZ launched services on the gas market last May, using Főgáz, also a former unit of RWE, as a bridgehead.

Hungary, UAE to sign economic cooperation agreement

Hungary will sign an economic cooperation agreement with the United Arab Emirates in the coming days to deepen ties between the two countries, the National Economy Ministry announced on September 14, according to Hungarian news agency MTI. National Economy Minister Mihály Varga said in a statement that Hungarian companies have a good opportunity to participate in urban development projects in the UAE. He also mentioned opportunities for cooperation in food production, water management and innovation projects.

The statement was issued following a meeting between Varga and the UAE Minister of Economy Sultan bin Saeed Al Mansoori.

Hungary ITC sector turnover climbs 7%

Revenues in Hungary’s ITC sector reached HUF 627 billion in the second quarter, up almost 7% from the same period a year earlier, a report by the Central Statistical Office (KSH) shows. Revenue in the IT segment climbed 27% to HUF 265 bln, but turnover of publishers was down 6% and revenue of film, television and recording companies dropped 24%. Companies with more than four staff members in the ITC sector employed almost 70,000 people during the period. The number of internet subscriptions in Hungary reached almost 7.7 million in Q2. About two-thirds were mobile internet subscriptions.

Lázár: Euratom clears contracts for Paks nuclear power plant upgrade

Euratom informed the government on September 7 that the contracts for the Paks nuclear power plant upgrade comply with all technical, energy policy and environmental protection requirements. Lázár said. Hungary is building another two blocks at its sole nuclear power plant with Russian financing. The plant generates a little more than half of the electricity consumed in Hungary. Earlier, Hungary was engaged in talks with the European Commission to clarify questions related to competition law and the implementation of EU procurement rules with regard to the Paks project.

Ács mayor quits Fidesz over PM’s remarks on Roma

Béla Lakatos, the mayor of Ács and the only Roma mayor in Hungary, quit ruling party Fidesz yesterday, following Prime Minister Víktor Orbán’s public comments on Roma, online daily index.hu reported on September 10. In a speech before a group of diplomats, Orbán compared the plight of refugees to that of the Roma in Hungary. He said that Hungary had hosted Roma for centuries, and added: “Hungary is not asking that we distribute Roma throughout Europe.” Orbán also said in that speech that Hungarians are glad to have the kebab shops that Muslims bring to Budapest, but he added that he does not want to house too many refugees from Muslim countries because he believes Hungary should maintain its mostly Christian nature. Lakatos said he is appalled at the government’s handling of the refugee situation, which he says is “incompatible with my values.”

Design phase of Paks nuclear plant underway

Gennady Ershov, deputy-chief engineer of the St. Petersburg-based Atomproekt, announces at a September 10 press conference that the planning phase of the Paks upgrade has begun. Atomproekt, a division of Russia’s state utility Rosatom, is the engineering company responsible for the upgrade of Paks, which is Hungary’s sole nuclear power plant. Two new 1,200 megawatt blocks will be added at the plant. The blocks are designed to withstand 60 years of use at 100% capacity, but they are expected to operate at anywhere between 50-100% of capacity, Ershov said. Ershov noted that the progress of the work is contingent on the completion of various studies and the receipt of the necessary permits.
RomaVersitas helps ensure the success of top students from Hungary’s largest minority.

Henriett Dinók describes her experience.

Roma college students get support, role models

Henriett Dinók radiates confidence. The young legal expert, currently a researcher of the National Academy of Sciences (MTA), can discuss her area of study – hate crimes – with matter-of-fact authority. In a recent presentation, Dinók demonstrated more emotion as she described the scholarship program that had helped her obtain her education.

Dinók was one of the speakers at a gathering of successful participants in RomaVersitas, who met September 3–5 in Budapest. She said the program, which provides academic support to Roma students, has shaped her life. Along with training and financial support, RomaVersitas also works on community building and helping Roma strengthen their identity.

Mentoring sessions with world-class educators and human rights classes have helped fellows like Dinók, whose father and grandparents barely finished elementary school, to truly integrate into the world of lawyers.

“We had seminars where we learned how to make a presentation or how to write the perfect CV. And thanks to these seminars, we landed the jobs we wanted because we present ourselves confidently at job interviews and conferences,” she said. The seven-year fellowship helped Dinók earn a masters degree in law, a Ph.D. and two language certificates.

The idea for RomaVersitas first began to form in the mid-’90s, not long after the first groups of Roma in Hungary started going to college. “They did not yet belong there,” Gábor Daróczi, director of RomaVersitas tells the Budapest Business Journal. He explains that, even if they are intellectually ready for college, Roma, who often came from schools that were de facto segregated, are not always as academically well-rounded as their fellow students, and they lack role models.

At its official launch in 2006, RomaVersitas supported 13 students. Now it works with 50 people per year, but can only accept new admissions when someone graduates. Including the fixed amount of HUF 30,000/month, RomaVersitas spends an average of HUF 600,000 per student, per year from its HUF 40–45 million annual budget.

Graduates do well

Hungarian Roma who complete higher education do well, according to the statistics, which show that 80% of them find a job less than six months after graduation. As with non-Roma graduates, engineers are most in demand; IT firms scoop them up before they leave college.

Graduates who were near the top of their class often travel abroad “because they can, and don’t want to settle for a lower-paying position in Hungary,” Daróczi says.

Roma education experts say it is important to support Roma once they get to college because there are too few of them, due to de facto segregation in Hungary in elementary schools: Roma children, who belong to the country’s largest and poorest minority, are often pushed toward schools that have a mostly Roma intake, and that tend to have poorer resources. This system means that few Roma move on to higher education.

According to a recent study, Roma make up 1-1.5% of university students, including undergraduates and graduates, Daróczi says, and future trends are not promising.

The organization’s major donor is the Roma Education Fund (REF), which was established ten years ago by the World Bank and the Open Society Institute Foundation. Today, a wider circle finances the REF: Governments, international organizations and NGOs like the Norway Fund. Companies are encouraged to help, though their contribution remains small at this point. Private individuals donate too, and last year contributed €75,000 to REF’s €7.6 million budget, 90% of which was spent on Roma organizations and Roma education-related projects in 16 countries. While it continues to support students, the REF also hopes governments will adopt the RomaVersitas model, so that a broader group of students can get support. Andrzej Mirga, chair of the board of REF tells the BBJ.
Keleti is quieter as refugees leave

Just before the law went into effect, hundreds of refugees, and people who sought to help them, were still at the train station, hoping to get somewhere better.

By mid-September, when Hungary began intensifying border controls, the area around Budapest's Keleti Railway Station, which had been an impromptu campsite hosting thousands throughout August, was practically devoid of refugees.

The tents left behind by the migrants were reportedly being inhabited by local homeless people by September 15. Up until then, trains taking refugees toward the Austrian border were still sporadic, and the station was still busy.

On September 13, the weekend before Hungary began more intensive efforts to keep refugees out and to help those who were here get to Austria, there were still several hundred camped around the station, waiting for the trains that took them to the Austrian border, which they would have to cross on foot. There were also many people still looking to offer assistance.

“I have been here for weeks now and I am doing everything I can to help. We clean up after the refugees, distribute food and water among them,” said Judit, a Hungarian pensioner. “We used to provide soap for them so they could take a shower when they arrived, and they were offered clean and dry clothes, but now the showering facility is out of order, and they cannot clean themselves, which is a big problem.”

At the Migration Aid station, where volunteers had provided food, water, and other forms of aid for tens of thousands, a worker noted how quiet things had become. “There are so many donations arriving that literally we cannot handle them anymore,” she said. “We have been here for three months, and by now, it feels that more and more people arrive to help, bringing more and more donations with them. Hungarian and international tourists who have to wait for their trains become ad-hoc volunteers for a couple of hours and help.”

A Hungarian family arrived with three huge plastic bag of clothes. As they left them at one of the tents, the father said he felt a duty to offer assistance. “I would be happy if someone helped me and my family in a similar situation, therefore I felt it my duty to come here and help,” he said as he dropped the donations off.

“It was straightforward for me to come here, as I believe that if somebody needs help it is everybody’s duty to help if they can,” said Lili, a 17-year-old student. “I have been here all day. I am sorting the shoes that are left here as donations, and I help refugees find the sizes fitting their feet. I am not with any charity organization, I just had a free day and I decided to come and see what I can do for these people.”

Hoping to get to Germany

Among those on the move was a man in his 30s who said he was from Iran, and was there with a young woman. “We are going to Germany, that is why we are here. We are fleeing Iran as she is my girlfriend,” he explained, putting an arm around the woman. “She is not my wife and we are expecting a baby. In our country this is not good.” As he finished his story, the woman next to him started to cry.

A man in his 40s was looking through a pile of shoes to see which might fit his children. “I am escaping Daraa, Syria with my three children as the conflicts there have become intense,” he said. “We escaped through Turkey, Greece, Macedonia, Serbia, and now Hungary. We might go to Austria, Germany, probably Belgium.”

A pair of young men in their 30s spoke hesitantly. They said that they were so afraid they did not even want to say where they had come from. “A car bomb exploded not far from me and I was shot in the shoulder. I decided to leave,” one of them said. The other explained: “My brother was killed and I saw people getting injured. I decided to leave,“ one of them said. The other explained: “My brother was killed and I was shot in the shoulder. I had nothing to leave behind, so I left.”
At left, a drone shot of the border. At right, Hungarian Police fire water cannons to push back rioting asylum seekers at the Serbian border.

Critics question law to keep refugees out

Along with casting doubt on the legality of Hungary’s decision to make it easy to deport people coming into the country from Serbia, lawyers said that there are not enough judges available to handle all the asylum cases.

In the first days after Hungary’s tougher laws on border crossings went into effect on September 15, some refugees who were blocked at the Hungarian-Serbian border began to head to Croatia, where they hoped for a better welcome, while others clashed with Hungarian Police. Meanwhile, Hungarian officials and their Serbian and Romanian counterparts were trading verbal barbs over the very real barbed wire fence that Hungary is putting along its border.

But many were questioning the legality of the new law, and the additional measures that were due for a vote on September 22. Critics also questioned whether Hungary had the capacity to enforce the law, especially because it was planning on returning refugees without arranging anything with Serbia.

“It’s clear from the start that these plans just simply can’t be carried out. There does need to be far more cooperation,” said Marta Pardaví, co-chair of the Hungarian Helsinki Committee.

The riot started late on the afternoon of September 15, after impatient refugees trapped behind the fence that Hungary built on the border with Serbia tore down a gate and sought to move past it in masse. Hungarian police responded with water cannons and tear gas.

Others who had been blocked by the fence headed for Croatia, after that country announced that it would not stop refugees coming over the Serbian border. Croatia is an EU member but not a Schengen country. Still, refugees could enter the Schengen zone if they leave Croatia to go to Slovenia or southern Hungary.

For all the criticism of the law, on the first day it did seem to have the desired impact on the flow of refugees coming into Hungary. A record 9,380 crossed the Serbian border on September 14, as refugees rushed to beat the deadline. On September 15, police said, 316 were stopped at the border, and under the new law, they are likely to be sent back after summary judgments. By September 16, roughly 50 penal procedures had been initiated against people who were charged with crossing into Hungary illegally.

By making it a crime to cross the border fence without permission, and by deeming Serbia a safe place to return asylum seekers, the law makes it possible for Hungary to expel virtually every refugee who enters the country using expedited deportation procedures.

Hard law to implement

Dealing with those procedures could be a problem, critics of the law say.

According to Pardaví, Hungary does not have the judiciary personnel necessary to process the cases. A group of 88 Hungarian lawyers who signed a statement on Facebook agreed with her assessment.

“The Hungarian judiciary is not an immigration authority. It is incapable of dealing with this number of cases under such conditions. Impartial, just and equitable decisions are severely threatened by the new legislation,” their statement said.

The statement also said the law was flawed in many respects and called on Parliament to rewrite it.

“New legislation coming into effect on September 15, 2015 constitutes a direct breach of treaties signed by Hungary, the directly applicable EU law, the Hungarian constitution and principles of law,” the statement said.

But Hungary’s Parliament is expected to strengthen the law on September 22 by spelling out the specific emergency powers of the police and the army.

Kim Lane Scheppelé, a noted scholar on Hungarian politics, published an article in Politico on September 14, in which she strongly criticized the first package of legislation that went into effect on September 15, and the legislation that is to follow.

“This second anti-migration law gives both soldiers and police additional powers. Both may stop cars, block particular locations, and prevent anyone from entering specially marked areas. Perhaps most chillingly, in a state of emergency, both police and military are authorized to ‘use force’ and ‘restrict personal liberty’. The law is vague on these crucial points,” Scheppelé wrote.

Not popular with the neighbors

Another problem that Pardaví saw with the system was that it would push the refugees back toward Serbia. “We’ll see how Serbia reacts to this, because it would actually mean that very soon, within a matter of days, it would be looking at receiving thousands* of rejected asylum seekers, Pardaví said. “And the incoming – the people who are just moving northwards through Serbia – would also be present in the territory.”

Indeed, Serbian officials said they were not pleased. On September 15, Aleksandar Vulin, Serbia’s minister of labor, said the situation of refugees at the Serbian-Hungarian border is getting worse, and could get out of control.

And after Hungary made the September 15 announcement that it would extend its border fencing into Romania, that country’s Prime Minister Victor Ponta wrote on his Facebook page criticizing the “provocation of the representatives of the Hungarian government”. He added that “as a human and a citizen of Europe” he feels “outraged at measures like those experienced in Europe in the 1930s and 1940s.”

Hungary’s Foreign Minister Péter Szijjártó claimed that Ponta had lost his “self control” when he made the statement.

Hungary apparently plans to continue with its plans to extend the fence along the Romanian frontier, but given the reactions already from that country and Serbia, you could be forgiven for asking whether the old expression that “good fences make for good neighbors” really applies in this case.
Audi opens HUF 10 bln logistics base in Győr

German carmaker Audi has inaugurated its second logistics center, in Győr, northwestern Hungary, which was completed on September 7 through a HUF 10 billion investment, Hungarian news agency MTI reported. The ceremony was attended by Hungarian Foreign Minister Péter Szijjártó, who said the new 80,000 sqm center will handle 450 truckloads of raw materials daily and will create at least 500 jobs, and possibly twice as many in the long run. Audi Hungary Motor managing director Thomas Faustmann said the two logistics centers, completed in 2013 and 2015, help the company save €3 bln a year. Audi Hungary manufactured more than one million engines and 84,000 passenger cars in the first half of 2015, its biggest production volume so far. Revenue exceeded €4.147 bln in January to June 2015, up €435 million from a year earlier. Headcount rose 5.3% to 11,342 during the period.

Richter announces $2 mln milestone payment for licensed drug

Hungarian drugmaker Gedeon Richter announced on September 7 European approvals and milestone payments totaling $2 million for a drug for which it has an exclusive license in Europe, state news agency MTI reported. Richter and Australian peer Acrox said the latter’s drug for treating menopause symptoms, called Lenzetto, had received multiple marketing approvals in European territories, triggering the milestone payments. These approvals were granted after the so-called European decentralized procedure was completed with the first country approval triggering a milestone payment of $1 mln and the second and third approvals triggering milestone payments of $500,000 each, Richter said. Initial launches are planned for the first half of 2016, following pricing and reimbursement approvals, Richter added.

Volán wins HUF 4 bln train replacement tender

A consortium led by state-owned bus company Volán has won a two-part contract worth HUF 4 billion to supply train replacement buses for state-owned MAV in a negotiated procedure, an announcement in the official procurement gazette showed. The consortium will get net HUF 599 per kilometer to replace trains that are taken out of scheduled service. Volán Vonzátpótló és Vestering was the only party to bid in the tender.

GVH opens new regulatory office

The Hungarian Competition Authority (GVH) has been expanded with the opening of a new regional regulatory office in the county of Veszprém. The new office is the first to be opened in the country’s west and the authority said its establishment was a step towards establishing existing offices in all the country’s counties. The Veszprém office is staffed by six staff including a head and a deputy head. The authority said it had plans to open a second regional office in the county of Nógrád and there was interest in opening offices in other counties as well. Under the Competition Act of 2011, the authority is required to open office in each county. The authority said it would take about 12 months from the opening of a new office for it to become fully operational.

Budapest Bank reports H1 profit of HUF 15.7 bln

State-owned Budapest Bank had first-half after-tax profit of HUF 15.7 billion, the lender said on September 4. Budapest Bank expects full-year earnings to reach HUF 10 bln, as its bottom line is hit by the cost of converting its FX vehicle loans into forints. The projection is still above target because of growth in Budapest Bank’s key business areas, improved risk provisioning and one-off factors. First-half earnings were strong in spite of a contracting portfolio due to settlement of borrowers’ relief, lower interest rates and new pricing regulations, the lender said. Return on assets was 3.59% and return on equity 23.96%. Budapest Bank had total assets of HUF 867.6 bln at the end of H1, down 2% from 12 months earlier. Stock of client deposits fell 8% to HUF 519.8 bln, with six percentage points of the fall attributed to borrowers’ relief settlements. Client deposits were down 10% at HUF 536.7 bln. Gross stock of retail loans dropped 12% to HUF 337 bln. Corporate lending stock was little changed at HUF 432 bln. Corporate deposits were up 15% at HUF 283 bln. Assets of Budapest Bank’s fund manager rose 10% to HUF 520.5 bln.

Opel opens €1.7 mln training facility

Minister of Foreign Affairs and Trade Péter Szijjártó speaks at the September 10 inauguration ceremony of a €1.7 million training facility that German carmaker Opel opened at its plant in Szentgotthárd, western Hungary. Opel was awarded a HUF 150 mln government grant to complete the project. The center will provide training for automation technicians, electricians and mechanical engineers.

Partos & Noblet, Hogan Lovells welcomes practice lead

Ákos Kovách has joined as lead of the competition/antitrust practice of the Budapest office of Partos & Noblet, Hogan Lovells, an international law firm. Kovách held the same position at Lovells before it was acquired by global law firm Baker McKenzie in 2014. Kovách is a recognized expert in competition law in Hungary, assisting clients throughout various proceedings initiated by the Hungarian Competition Authority and advising on the implementation of efficient competition compliance programs. He is particularly experienced in merger control cases, cartel proceedings and antitrust matters. He also advises on M&A matters and EU regulatory issues, and is a qualified lawyer in both Hungary and France. Kovách holds a postgraduate degree (DESS) in International Business Law from the University Jean Moulin – Lyon 3, as well as an M.A. in Law and Political Sciences from ELTE University in Budapest. Besides his native Hungarian, he speaks fluent English and French, and has served as Foreign Trade Advisor of France since 2013. Industry listings by legal directories Legal 500 and Chambers and Partners rank him...
as a leading individual in competition law. Kovách said of the announcement: “I am looking forward to being part of the Budapest team and working within Hogan Lovells’ market-leading global antitrust practice.”

**Dentons hires new counsel for banking and finance team**

Global law firm Dentons has announced the arrival of Gábor Király, who will join the banking and finance team as counsel. Formerly deputy CEO at CIB Bank, partner at CMS Cameron McKenna in Budapest, and senior legal counsel at the National Bank of Hungary, Király brings a strong background in law and extensive knowledge of the banking sector, a Dentons’ press release noted.

“His experience at the National Bank of Hungary and CIB Bank gives him unrivalled first-hand knowledge of both the public and private sectors. We are glad to welcome him as a highly respected senior colleague,” said Gergely Horváth, partner and head of the banking and finance group of Dentons Budapest.

**Graphisoft closes successful first half of 2015**

The global turnover of Hungarian-founded, Budapest-based Graphisoft grew by nearly 20% as compared to the previous year, according to a press release issued by the company on September 9. Meanwhile, the company’s Hungarian growth surpassed last year’s turnover by more than 30% the release notes. The company’s most notable growth was in the American market, due in large part to strategic reorganization within the company. Growth at the Hungarian branch can be attributed to major government contracts, but there is also growing demand for the company’s products in the residential construction sector, the release added. Graphisoft, which is headquartered in Budapest, develops computer-assisted software for architects, interior designers and planners and is present in more than 100 countries worldwide. Approximately 250 people are employed at Graphisoft’s Budapest headquarters, where all R&D activities are carried out.

**Air Canada Rouge to launch direct Budapest-Toronto flights**

Air Canada Rouge will launch a direct flight between Budapest and Toronto from June 10 next year, Lízst Ferenc International Airport Operator Budapest Airport said on September 10. Air Canada Rouge, a wholly owned subsidiary of Air Canada, will operate the flight three times a week. The airline was launched in December 2012 and predominantly serves leisure destinations. Canadian low-cost airline Air Transat also became the first to offer direct flights to Budapest since the now collapsed Hungarian national carrier Malév stopped direct flights from Budapest to Toronto in 2008.

**Hungarian Competition Office fines Immunetic for false advertising**

Hungary’s Competition Office (GVH) said on September 11 that it had fined Immunetic HUF 1.2 million for making unsubstantiated health claims in advertisements for its products, Hungarian news agency MTI reported. GVH said it counted the fact that the ads ran for a period as long as 16 months as an aggravating factor.

Rossmann Magyarország looks to reach double-digit revenue this year

German-owned health and beauty products retailer Rossmann Magyarország anticipates that it will close 2015 with double-digit revenue and notable profit growth, managing director László Florián announced at a press conference on September 11. Last year, Rossmann Magyarország’s revenue increased by nearly 10% to HUF 2.3 billion, while after-tax profit was up almost 30% to HUF 175 million. The company currently has 197 stores in Hungary and will open another three this year. The company hopes to expand further, primarily in Budapest, Florián said Rossmann Magyarország has a headcount of 1,250.

Közgép goes to court to fight its ban from bidding

Construction firm Közgép Zrt. will appeal before a court in October to dispute a decision by the Hungarian Public Procurement Board that prevents the company from participating in public tenders for the next three years, online daily nol.hu reported on September 11. The Budapest Administrative and Labor Court must decide whether the Procurement Board acted fairly in the case of Közgép, which is partly owned by media oligarch Lajos Simicska, when it found that the company had submitted what the board said is “false data” in a bid for development of the Gönyű port on the Danube. Közgép had been one of the most successful firms when it came to winning government tenders, but the company has been less successful since Simicska had a very public falling out with his long-time ally, Prime Minister Viktor Orbán, earlier this year. The legal proceedings, which began more expeditiously than usual, come with high stakes, the daily noted. If Közgép loses the case, it will be barred from participating in all government contracts for the next three years. If it wins, not only can the firm take part in all European Union funding tenders, it could also win back the exclusive right to the first contract.

**Wizz Air signs contract on fleet expansion**

Hungarian low-cost airline Wizz Air has signed a cooperation agreement with Airbus to purchase 110 Airbus A320neo aircraft, worth $13.7 billion, to change and expand its fleet, the airline announced on September 9. The announcement notes that Wizz Air is purchasing another 48 aircraft from Airbus (21 A320ceo and 27 A320neo planes) of which the first is scheduled to fly in November. The planes are due to be delivered by 2018. The remaining 110 planes will be delivered to the airline between 2019-2024, the announcement added. Wizz Air is aiming to replace 51 aircraft from its fleet with the new planes, while the additional planes will be used to expand the fleet, the announcement added.

**MOL scrutinizes investments in light of lower prices**

Hungarian oil and gas company MOL will only launch investments that it can recoup, calculating with oil and gas prices at present and in the mid-term, Hungarian economic daily Világgazdaság said on September 14. MOL will halt investments that are no longer worthwhile due to low oil prices, the paper said. MOL and its peers around the world are re-examining their production portfolios, MOL’s chief for exploration and production Tamás Szakáll told the paper. This year, MOL targets a 5% drop in domestic hydrocarbon production, at most, Szakáll said. He added that the target was “ambitious,” considering that output of fields in Hungary was winding down. MOL’s production still accounts for one-third of domestic gas consumption and one-tenth of oil consumption. MOL announced last week that it had “significantly reduced” the geological potential of a license it operates in the Kurdistan Region of Iraq. MOL said it expects the completion of a report on the block to trigger write-downs of past investments there in its Q3 2015 earnings statement. The total book value of investments in the block on MOL’s consolidated IFRS balance sheet comes to $440 million, it added.

Bosch invests HUF 9.3 bln in plant expansion

Javier González Pareja, CEO of Bosch in Hungary, announces on Budapest on September 9 that Robert Bosch Energy and Body Systems is investing HUF 9.3 billion in a capacity expansion at its plant in Miskolc, northeastern Hungary. The local unit of German engineering giant Bosch is being awarded a HUF 1.4 bln government grant for the project, Minister of Foreign Affairs and Trade Péter Sziójártó said. The investment will also create 425 jobs, he added. The plant in Miskolc manufactures starter motors, relays and electric drives for the automotive industry.

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Will confidence in companies trump the China effect?

In an exclusive interview with the Budapest Business Journal, PwC Hungary country managing partner Nick Kós looks at the current state of Hungary Plc., state administrative reform, and likely future pressures on the economy.

“IT IS IMPORTANT THAT INVESTORS HAVE ACCESS TO A MARKET THAT IS WELL DEVELOPED, AND REGULATED WITH PROCESSES IN PLACE THAT HELP LIMIT RISK, OR AT LEAST HELP PEOPLE TO UNDERSTAND THE RISK THEY ARE TAKING WHEN THEY INVEST.”

When we spoke last year (May 2014), you said you saw a definite positive shift in terms of international sentiment towards the Hungarian market. How do you view the Hungarian economy now? Is that sentiment still there?

A: It is still there and it does still have an impact. The government seems to be committed to deliver on some of these things that may have been seen to be holding the country back; we see a pick up in investment for sure, the bad press has died away, recent emotive events aside, and the economy has been performing very well, against its peers and against most measures. So I think that optimism has been reasonably well founded, and we continue to see that reflected in our CEO survey. Certain moves by the government have started to support the idea that we are trending in a more positive direction.

Q: Transparency and stability are what interest international businesses. The government has slowed down its legislative pace in this latest term, but it hasn’t lost its ability to surprise – and fundamentally alter – the markets, such as with the unexpected and rapidly implemented Sunday trading regulations. Do you get a sense the government understands the concerns of business?

A: When we look at our CEO survey, the most important thing for CEOs is an internationally competitive and efficient tax system. And certainly when we look at the állam reform, the government administrative reform initiative, it is focused on exactly that. The Sunday trading thing is one of the few where the government has rush−passed a regulation. We have come a long way from the first term where it seemed every week we had a rash of new regulations; that’s a positive trend. In the U.K. they are going the opposite way: they are moving to Sunday trading from a situation which was similar to what we have in Hungary now, and there’s a bunch of people who aren’t happy about that either.

Q: In the wake of the Brokergate scandal, the government said it planned to freeze the assets of firms caught up in suspected financial wrongdoing. To most people on the outside, that probably seems reasonable enough, but the Chamber of Hungarian Auditors has raised concerns that auditors, too, could be involved, although they are not responsible for the decisions taken at companies that come under suspicion. What is PwC Hungary’s view, and how damaging in general has Brokergate been for the investment environment?

A: There has been a regulatory process review through the European Union over the past few years, and to some extent this regulation probably goes beyond some of the recommendations of the EU. Nonetheless, we will work with the regulation we have: it does try to deal with the issue that the quality of the audit is not always what it should be. But I think we also have to be careful that we don’t get into a situation where the auditors’ role is misunderstood or they become a scapegoat. Clearly we support regulation that strengthens the ability and the capability of auditing firms and auditors, through the extent of professional training for example, so ensuring a quality audit.

When people lose money in a situation like that it has a negative impact on further investment, people’s sense of risk is heightened. It is important that investors have access to a market that is well developed, and regulated with processes in place that help limit risk, or at least help people to understand the risk they are taking when they invest.

Hungary has been committed to the adoption of International Financial Reporting Standards (IFRS) since it became a member of the EU. In early summer it was announced IFRS would be available to businesses that want to use it in 2016, and mandatory from 2017. Why is this important?

A: It is good from a cost and efficiency point of view for those companies that have group reporting in IFRS and then statutory (local) reporting. It is beneficial...
in reducing the duplication of effort, and this will move into the tax sphere as well because IFRS can form the basis for your tax reporting too, which is a positive and important step. Some other Hungarian companies won’t use this option, so they won’t be affected at all and won’t have to incur the cost of transition. Besides the simplification for current dual reporters there are other benefits to the transparency of IFRS that give you access to the capital markets more easily, so it is a very positive step, I would say.

Preparations are underway for the fifth PwC Hungary’s CEO survey. Have there been any surprises in the way the predicted trends developed in 2015, and what do you think might be the trends identified for next year?

A: I think what has been interesting is that we continue to see a high level of optimism with Hungarian CEOs. We had seen a big uptick in confidence about the global economy – up to 64% from 26% – in 2014, the third Hungarian CEO survey, and also in the Hungarian economy, by the way, which was quite pleasing. What we saw this year was a big drop in optimism around the global economy from 64% down to 46%, which is a bit of a worry, with a smaller drop in confidence in the Hungarian economy from 55 to 51, but with a really strong level of optimism around CEOs own companies’ prospects. That is sort of surprising, that the increased optimism about the economy has faded but there is still strong confidence in the capabilities of their own companies. And what was maybe unexpected is that optimism in the Hungarian economy is greater than the confidence in the global economy.

This year it will depend somewhat on the timing. We have had a lot of nerves and jitters about China, and how that impacts the global economy will be interesting to see. Hungary’s GDP growth last year was impressive, though there is a fall off expected this year; at the beginning of the year I felt that fall off was overstated and we would continue to have strong growth of 3% or even above, but now I am not so sure. I expect China and global economic concerns to have a downward impact on confidence in the economy, both globally and in Hungary too. What will be interesting is whether the CEOs’ confidence in their own performance can withstand the continued downward pressure on optimism about the economy.

What are the general challenges in the next 12 months and what role will PwC play in meeting them?

A: From the foreign direct investment point of view, I would hope that is an area where the level of activity increases because of all the things we have talked about. If so, then clearly there is a significant role for us to play in whatever type of investment decisions are being made globally: Helping people get comfort around acquisitions they are making; helping them to get comfortable about the regulatory and tax environment.

Secondly, in the public sector there are a lot of initiatives, from government reform to nationalization and then subsequent privatization in the banking sector. These are all big challenges for the state, and certainly an area where we see a need for support from firms like ours with global reach and expertise. In administrative reform, seeking consistencies and efficiencies in integrating public administration to make interactions with public and business more efficient and effective is something where we also see a role for the likes of PwC.

The third thing – and maybe one of the more important – is that we continue to support local businesses as we see the evolution of the Hungarian entrepreneur into developing Hungarian-based businesses of scale that are acquiring and consolidating in Hungary and looking further afield. A very important part of our development as a firm is interacting with and supporting Hungarian businesses to a greater extent.

“A very important part of our development as a firm is interacting with and supporting Hungarian businesses to a greater extent.”

Corporate Social Mobility

A pair of PwC-branded Nissan Leaf electric cars has been buzzing around the streets of Budapest since March. One serves as a courier vehicle, the other provides an alternative to taxis and rental cars for getting staff to meetings. Country managing partner Nick Kós explains the motivation behind acquiring the vehicles.

“They are part of a socially responsible approach to mobility. It is a combination of things: Fuel efficient electrical cars, which we have become familiar with through our work in the energy sector and with Smart City; cycle racks and shower rooms at work; we have discounts on the Bubi bicycle rental scheme; and we have a number of other initiatives to make it easier for our people to commute around in a way that is more environmentally friendly. It is something we are quite proud of. We don’t have a large fleet; they are basically our two company cars. We also encourage the teams to use them on a rotational basis so they become familiar with them as a fuel-efficient alternative.”
Buildings account for 40% of energy consumption and 36% of CO2 emissions in the EU. We look at how efforts to reduce these numbers increases interest in Hungary’s office market.
With buildings burning up to 40% of our energy and generating a third of our greenhouse gases, we have clear incentives to demand more efficient offices. Another incentive is money: Quality office space won’t move in Budapest unless it is certified as being environmentally friendly.

From the total Budapest office stock of circa 3,230,000 sqm, some 860,000 sqm is green accredited, representing 26-27% of total stock according to Colliers International.

Benefits building owners in the following ways: Higher rents (by up to 6%), higher occupancy, higher sales price (16% more than non-green buildings) and a 10-20% saving in energy costs. “Taking into consideration the size of offices currently under certification, this number will grow to 30% by the end of 2015,” said Norbert Szircsák, senior associate at the Green Advisory Services of Colliers International.

What does green mean?

So what do green or sustainable offices provide? The 21,000 sqm Váci Corner Váci Greens by HB Reavis, which was delivered last year, received BREEAM Excellent accreditation. Under the system, projects are assessed according to 9+1 categories and required to meet 4-9 criteria in each category. The assessor uses a wide range of measures to assess projects including aspects related to energy, water and waste management processes, quality of construction materials and the approach of the management to sustainability.

According to HB Reavis, the design of the project ensures zero carbon emissions, delivers rain water harvesting, recycling, access to electric car charging stations, and produces zero pollution from its ventilation systems. In addition, nine elevators with advanced drives offer a 50% reduction in energy usage. With regard to location, Váci Corner is adjacent to a metro station as well as being easily accessible by other means of transport. In addition, the project provides bicycle racks, lockers and shower facilities.

Zoltán Radnóti, CEO of HB Reavis Hungary is keen to emphasize the sustainable elements of the office project. “In both designing and constructing this building, HB Reavis put great emphasis on sustainability on a number of levels. We wanted to create an office building that offers favorable conditions for tenants whilst minimizing harmful effects on the environment. We believe that the future lies in the development of sustainable solutions and the adoption of eco-friendly technology that can also improve working conditions,” he says.

The latest Budapest office delivery is the BREEAM Excellent rated 17,000 sqm Building C, the second phase of the 125,000 sqm Váci Greens in the Váci út business corridor by the Belgium-based developer Atenor Group. According to Atenor, energy efficiency forms a large part of accreditation requirements, hence the heat pumps that are in use at the complex. Váci Greens has low energy consumption appliances with a high efficiency ventilation system. Energy efficient lighting is also a minimum requirement. Credit points by the assessor were given for the provision of bike racks, showers and changing rooms.

Green grows in the pipeline

With regard to the Budapest pipeline, the Hungarian developer Wing is aiming to achieve a “very good” rating based on the BREEAM environmental conscious assessment for its 12,000 sqm V17 office project in Váci út, due to be delivered in mid-2016. According to Wing, green credentials include a green area of 900 sqm, a storage room for 90 bicycles, showers and changing rooms, natural ventilation and fresh air supply, maximum use of natural light, special multifunctional glass and external/ internal shading.

Materials used in construction include recyclable materials for long-term use, optimized material procurement (for example no tropical wood is used, but rather only materials with a minimum environmental “load”), recycling of existing materials (for example crushed recycled concrete in the base ballast bed) and the use of prefabricated elements (for example staircases).

Wing also applies an environmentally conscious approach to the use of drinking water, minimized sewage discharge and sewer utilization, and the use of rain water for irrigation. Furthermore, there are solar collectors to provide hot water, energy-saving operations, environmentally conscious engineering systems, and individual control of the engineering system serving the leased areas.

At the same time, investment funds including CA Immo and Immofinanz are now in the process of certifying their portfolios of existing buildings, which will add at least another 200,000 sqm of certified buildings to the green office stock in 2015 according to Colliers. Much of the €350 million CA Immo portfolio, for example, is now LEED Gold accredited.

Anyone hoping to fill quality office space had better make it green. Environmentally friendly accreditation is now the norm for the higher end of the Budapest office market, with all planned class “A” office projects and office deliveries over the last three years having been green accredited to BREEAM or LEED according to the Hungarian Green Building Council (HungBC). At the same time, owners of older buildings are adding sustainable features to existing projects in order to upgrade their portfolios.

Indeed, with regard to quality offices, green accreditation is now a pre-requisite for developers, financiers, tenants and investors.

For their part, developers are emphasizing green elements in promoting their products to tenants, with names such as Green House and Váci Greens. Conforming to wider sustainability requirements now coincides with financial concerns from both the supply and demand sides. This is seen as benefiting developers and investors, who have resulting higher returns while at the same time minimizing the environmental impact. All major pipeline projects are accredited as regional developers such as Skanska, Atenor and HB Reavis employ a sustainable development policy on all their projects throughout Europe.

Buildings accredited by BREEAM or LEED are regarded as having improved efficiency that delivers lower utility and maintenance charges. In addition, a certified green building’s planning, construction and operation have all been checked and controlled by an impartial third party – which is a guarantee of quality.

On the demand side, class “A” and “B” tenants are pushing green offices. Green accreditation also provides a clear PR factor in that it creates favorable publicity for a project in attracting tenants. Sustainability accreditation is a condition set by lenders. In this sense, green elements need to be incorporated from the design stage and developers, architects, cost consultants and financiers need to coordinate their roles from the inception of a project.

International investors and fund managers also regard accreditation as a basic requirement before making an acquisition. Sustainability elements in a building add to its return on investment and capital value.

Buildings use 40% of energy

The United Nations Environmental Program (UNEP) estimates that buildings are responsible for more than 40% of energy use, one third of green house gas emissions and 30% of raw material use. “There are a growing number of developers or owners of existing buildings that are looking to certify their buildings with the goal of maximizing operational efficiency while minimizing the impact the building has on the environment,” said JLL.

Many consultancies now have dedicated staff working on sustainability issues from the owner/developer, investor, and tenant perspectives, in addition to producing research and playing a proactive role with regard to promoting sustainability.

The most commonly used certification organization in Hungary is the U.K.-based BREEAM (Building Research Establishment’s Environmental Assessment Methodology), followed by the U.S.-based LEED (Leadership in Energy & Environmental Design). In addition, a smaller minority of office buildings has been certified by the German/Austrian DGNB accreditation system.

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JLL weighs in on Hungary’s green office market

Environmentally friendly office buildings are part of a prevailing trend in the Hungarian office market and with demand now outstripping supply, there is an urgency to develop more green office spaces. With years of experience in the field, the sales team at the Budapest subsidiary of international real estate firm JLL, which comprises Head of Office Agency Erika Lóska, Senior Consultant Nóra Bercsényi, Consultant Lívia Kun and Junior Consultant Szilvia Ormos-Szilágyi shared their insight with the Budapest Business Journal on the evolution of the green office market and how to adapt to changing demands.

What can JLL offer its clients in what is becoming a more environment-conscious property market?

Erika Lóska: We represent both tenants and landlords in the Hungarian market. Proprietors not only ask us to represent them, they also involve us in the planning of projects, as advisors. This involvement is particularly important in the case of green office buildings. With our years of experience we can see what key elements tenants are looking for and what might provide a return on investment.

What are the most common green features clients ask for?

Nóra Bercsényi: The standard features on the Hungarian market are bike storage, showers and change rooms, implementation of greywater usage, environmentally-conscious heating systems, as well as effective air cooling systems and of course sustainable lighting. Achieving a certain level of green certification is based on a scoring system. In practice, you can gain extra points for thoughtful planning (location, source of construction materials, waste management), construction and management.

Szilvia Ormos-Szilágyi: Even the selection of the plot on which the structure is built has a bearing on green certification, as well as its proximity to public transportation.

How important is it to receive green accreditation in Hungary nowadays?

N.B.: There are no longer A category office buildings in the Hungarian market that are not equipped to acquire some sort of green accreditation. There are three systems most commonly used in Hungary: BREEAM, LEED and DGNB and to receive the highest accreditation, of course, requires the largest investment.

E.L.: In the past 11 months, we’ve signed a number of lease agreements several thousand square meters in size. And in every case, the tenants were looking for green accredited office buildings. Environmental responsibility is a key factor among our larger international clients but it’s also becoming increasingly important among Hungarian clients and even government agencies, Lóska enthuses.

S.O-S.: I am responsible for medium-size clients, and my experience is they are somewhat less interested in buildings with green certification, so there is clearly room for improvement in this area. We also share the responsibility in educating clients and introducing them to this environmentally conscious way of thinking and showing them what they’ll get for their money.

Is there any difference between the demands of small, medium and large companies?

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Does cost factor into choosing a green office?

E.L.: Price is clearly not the only factor tenants consider. The difference of the occupancy level of B and A category office buildings is a perfect example of this. Location, effectiveness (including green efficiency), quality, design are also key elements in the decision making process.

Lívia Kun: Green certified buildings often provide effective solution to our tenants in several different areas such as space efficiency, property management or energy usage. This means that an environmentally friendly building can easily result in a total cost decrease during the overall leasing period.

N.B.: Cost effectiveness is more of a concern among smaller companies. If we look at the service charge, which is a consideration in green buildings, the more modern and efficient the machinery, the more cost effective it will be.

Does the cachet of being environmentally friendly play a role in tenants’ leasing decisions?

E.L.: Certainly, environmental responsibility is a key factor in both internal and external communication.
CEU project provides a...
found a very interesting solution to working with the courtyards. Courtyards in Budapest are a very permanent feature of the urban space and environmentally they are very bad, as they are cold in winter and others became a heat trap in summer and require artificial cooling systems. To combat this the architects designed an atrium roof insertion structure that was almost like a chimney and this gathers all the heat at the top of the atrium, this can be opened and provides cooling for the building and at night ventilates the whole building,” said Baross. “This is unique and in the future I think we will see similar solutions for other buildings projects in Budapest which use the existing courtyard space. Another feature that is common elsewhere in Europe – but not currently in Hungary – is that there will be heating systems within the concrete beams, and this gives the building a permanent temperature range. I think that these are the two significant new innovations in the design.”

Up to 35% energy savings
The project has been calculated to bring 30-35% energy savings. This comes firstly from the cooling requirement, as in the summer months it will use much less cooling energy, and secondly savings will be made on lighting as there will be much more natural light. Devices for reducing computer energy consumption will also be installed; computers are in general seen as heavy users of energy.

Green pre-accreditation was in part due to the policy of the university. “There was a strong statement from the university that it wanted to have a building with a low environmental footprint: this so-called social responsibility fits into the general philosophy of the university. Of course by translating this philosophy into actual technical solutions and going through the rigorous accreditation process, it was not foreseen how much extra effort it takes. But the university now has a ‘Very Good’ qualification,” Baross said.

He concludes that he would like to capitalize on the experience of the CEU to stimulate the Hungarian government, which spends relatively large sums of money on university buildings, to make green accreditation compulsory; for this there is also a need to develop a Hungarian accreditation system, which is not a second class accreditation but does not require English language accreditation and can be done locally. This would apply to public buildings such as schools, hospitals and universities.

As shown above and at right, the design seeks to make good use of the courtyards.

A sketch shows how the new complex will change the look of Nádor utca.
**Sustainable practices in the building industry**

A reflection by DVM group’s Head of Environmental Consultancy

The primary areas generally associated with Budapest-based DVM group’s portfolio of integrated building services include design, project management, development management and general construction. To respond to market demands, however, the company also set up an environmental consultancy department in 2009, with the aim of introducing a sustainable mindset to its own projects through strict adherence to the aim of introducing a sustainable mindset to its own projects through strict adherence to the LEED and the BREEAM green building rating and certification systems.

The most prominent references include the LEED certification of the Bank Center Management Office, and that of the ING headquarters and Deloitte offices in the Park Atrium office building. DVM group also managed complete accreditation processes of entire buildings, great examples being the LEED certification of the Embassy of the United States to Hungary (where the company also served as project manager) or the BREEAM rating of the Eiffel Square office building (where project management, design and general construction in fit-out works were also part of the company’s main assignments).

The dual certification (LEED Gold, BREEAM Very Good) of downtown Budapest’s recently restored prime office building – Eiffel Palace – represents another major milestone, and stands as a unique example not only in Hungary, but also in Central and Eastern Europe.

As Zsolt Gyöngyösi (Head of Environmental Consultancy at DVM group and Member of the Board of Directors at the Hungarian Green Building Council) pointed out in relation to the green renaissance of the historic 19th century building: ‘the sooner a decision is made to develop a building in compliance with sustainability criteria of either independent verification system, the easier and less costly it is to carry out its implementation. Our intention with Eiffel Palace was to create a truly resource-efficient, high-performing, healthy and welcoming green building that contributes to the wellbeing of its tenants, the future of our planet and the bottom line of its users with its cost-efficient solutions. As we were involved in the project from the site selection, design and development stage all the way to construction, project management and the day-to-day operational tasks of property management, we have a very clear picture of its excellent performance indicators, confirmed by the two best-known international green certification systems.’

When asked about further projects DVM group was involved in, Gyöngyösi mentions: “we provided environmental advisory services to Unilever during the expansion of their factory in Veszprém, to Auchan during the design of one of their shopping centers, and to KELER for the fit-out of their new office. We also have multiple certifications ongoing. One of them is an industrial hall, the next one is the LEED certification of a new office complex, and the BREEAM In-Use certification of an existing educational institution. The closest to home, however, is the sustainable design and fit-out of our own office. We also have multiple certifications ongoing. One of them is an industrial hall, the next one is the LEED certification of a new office complex, and the BREEAM In-Use certification of an existing educational institution. The closest to home, however, is the sustainable design and fit-out of our own office. We also have multiple certifications ongoing. One of them is an industrial hall, the next one is the LEED certification of a new office complex, and the BREEAM In-Use certification of an existing educational institution. The closest to home, however, is the sustainable design and fit-out of our own office.”

There will be fewer glass surfaces, use of more sophisticated design software and more energy-efficient mechanical systems, while a variety of different trends in design will improve the efficiency of buildings in the future, according to local experts in the field.

Given the advances being made, we can hope that buildings in the EU, which currently soak up roughly 40% of our energy use according to the European Commission, should dramatically reduce their carbon footprint. According to the local experts, these advances should continue for some time in the future, because greener construction is not a fad, but a standard expectation, something that clients want because they want to save energy costs, and enjoy a better living environment.

“The green office building or office interior is a standard market demand right now. The savings due to energy efficiency are very important factors; however, we believe that companies will also start to focus on the improvement of productivity through the well-being of their employees,” said Zsolt Gyöngyösi, head of environmental consultancy at the local property firm of DVM group.

“It is definitely more difficult to lease and sell Class ‘A’ office buildings without green certification,” said Zsolt Bozsovics, the director of development & construction at White Star Real Estate Kft. He added, however: “A green certificate does not necessarily guarantee an energy efficient building. As customers are realizing this, we’ll see an increasing demand for real energy efficiency in the near future.”

Zsolt Kákosy, head of asset services at CBRE Hungary also noted that “green” can sometimes be more of a label. “At the moment ‘green’ is often used solely as a marketing tool, but in the long-term it will show its clear benefits in other aspects as well,” he said.

Like the others, Gábor Décsi, MRICS, of Dome Facility Services Group, said that customers now insist that a building is environmentally friendly. “For newly built commercial buildings, there is a significant demand to be green. This is almost a must if you want to make an efficient marketing strategy to let the space,” he said. “Since the economic crisis, 100% of new built buildings are green.”

Representatives of some of the leading real estate companies in Hungary discuss the current trends and future prognosis for green developments here.

All agree that greener offices are here to stay.

**Local experts: Future of the green office**

Csaba Szél, managing director of asset manager CE LAND Kft. said that the desire for a cleaner environment and the desire to save money both mean that green buildings are in demand. He added that this country is now in a position to develop a lot of green properties. “In Hungary, office development has fallen back in the past seven years, but the good thing about that rather passive recent period is that the latest ‘state-of-the-art’ technologies can be applied in the coming new developments,” he explained.

Mátéá Gereben, general manager of CPI Hungary, said that there was no hesitation about taking a green approach for his company. “According to our corporate philosophy, CPI is dedicated to implementing the approach of the high standards of green development for sustainable development,” he explained.

**Technology still improving**

For the future, we can anticipate that continuing technological and design advances will reduce waste. Gereben mentioned several areas where we can expect technology to improve the efficiency of office buildings, including: Integrated building management systems; systems that automate and regulate engineering by areas; better reuse of “greywater”, which is not as polluted and can be treated easily; use of natural and recyclable materials; use of “breathable”, air-permeable materials; more people-friendly, human oriented offices; and collection of waste during building construction.

“In design innovations, there is progress with better shading and fewer glass surfaces, which is also a requirement of a passive house,” Décsi said. “In technology, there is progress with deploying environmentally friendly mechanical systems, such as renewable energy production systems – like solar..."
or air-source heat pumps. There is also a growing number of cases where an intelligent system is deployed that can drive the different mechanical systems together. For example, in winter it can avoid heating a room when the window is open, or lighting a corridor which is empty for a long time. According to Kákosy, “There are many new trends that can help intelligently with low cost.” He noted that simply locating a building well relative to the sun is one solution that designers are using. “To reduce water consumption, the installation of so-called ‘perlators’ is already common, and greywater usage is becoming more and more widespread. New HVAC (heating, ventilation and air conditioning) systems are evolving and becoming more energy efficient.” Széll noted that urban planning and overall design of cities is what will eventually make a real difference in sustainability. “I strongly hope that we will see some breakthrough in urban planning and architectural design in Hungary, if not in the next couple of years then soon after that, before the end of this decade,” he said. Décsi said that newly built structures are already being better designed, so the biggest energy waste comes from old buildings. “If in the next 20 years all the newly built buildings would be zero consumption buildings, we would also need a very intensive energy refurbishment program for the existing building portfolio,” he explained. Kákosy agreed: “It is straightforward for new buildings, but a big question is how we can improve the existing stock.” Gereben expressed confidence that we will see improvement. “Thanks to revolutionary technical development, and with continuous energy-saving control systems, we can reach the highest possible energy saving in all of our portfolio (office, logistic, retail, hospitality),” he said.

Gyöngyösi also noted the changes that should bring improvement. “Hopefully the bigger part of the energy supply will be fed by renewable energy resources,” he explained. But Bozsovics cautioned that improvements in building technology might be offset by worldwide use of energy for other purposes. “Looking at the global tendencies, we use more and more energy intensive technologies in our buildings, which works against energy efficiency,” he said. “Due to the cost of such new technologies I do not expect dramatic changes of energy use, but hopefully I am wrong.”

CPI Hungary is greening its building portfolio and becoming a market leader in creating environmentally friendly office spaces. BBJ interviewed Mátyás Gereben, General Manager of CPI Hungary, about his firm’s sustainable development efforts.

CPI Hungary is a leader in development and management of quality properties in Budapest, and as such it has taken the lead in promoting green offices and environmentally friendly management practices. Can you give an idea of some of the greener projects in which CPI is involved?

The entire CPI PROPERTY GROUP is engaged in a sustainable development drive. This is reflected in several initiatives including:

- the development of a “green” concept for the entire staff;
- efforts to reduce water and power consumption;
- the examination of innovative systems combining different types of energy (solar, geothermal, etc.);
- the soon-to-be realized implementation of active walls and energy collecting window foils; the integrated BMS system should be capable of handling all alternative energy sources;
- the development of an offer of commercial and office projects compliant with high standards of “green development”;
- CPI PROPERTY GROUP’s management team is dedicated to implementing that approach in every project of the portfolio.

Can you say something about one of your latest projects, the green renovation at the Balance Building? What are the changes and improvements that helped this A-category office building win a BREEAM “very good” certification? Can you describe some of the good points about the Balance Building?

Balance Building will be opened with a BREEAM “very good” rating in a completely new surrounding: a 3,000 sqm fresh green space, where informal meetings and negotiations can be held in outdoor pavilions. The cafe will offer healthy food and beverages.

Interior spaces will also go through a significant transformation: An imposing and elegant interior design offers tenants a modern, new generation, sustainable and people-oriented working environment. The building offers 9,400 sqm of usable area on 10 levels with a beautiful panoramic view from the upper floors. The operation of Balance will be in line with the expectations of clients, using the latest technological advances. Key considerations in this work include: sustainable solutions, green areas, modern engineering technology, clear design and a high-tech environment. Balance also offers its customers an exclusive welfare service package.

The Balance Building earned its BREEAM “very good” certification through a host of special features, such as: a building control system; newly planted trees; reduced energy consumption; energy-conscious construction with special solutions for water reduction; selective waste collection; energy and cost-efficient operation; and a good location near public transportation. These features help create an all-encompassing ecosystem for the building.

Along with meeting EU guidelines, we are developing a green and ecological environment in our buildings. Future activities will include developing a refurbishment plan for our portfolio. CPI wants to implement green thinking in other offices, including Gateway, BC30, BC91 and BC209.

What are the considerations when planning a green office building? What are the advantages – for the owners and renters – of a green property?

Not only environmental but human innovation is planned, as mentioned above. It depends on the location and function.

Where can we get more information:

www.balancebuilding.hu

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Mátyás Gereben of CPI Hungary.

Zsolt Bozsovics of White Star Real Estate.

Zsolt Gygányosi of DVM.

Zsolt Kákosy of CBRE Hungary.

Mátyás Gereben, General Manager

CPI HUNGARY

PREDICTING TRENDS

For future trends, most saw a reduction in energy use and increase in efficiency for buildings.

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CPI turns their portfolio green

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Where can we get more information:

www.balancebuilding.hu
Environmental HR-administration

Close to three million people are employed today in Hungary. This means three million people are paid each month either into their bank account or by cash-in-hand, and the same number of people receive a printed pay slip to document the payment.

Let’s be honest with ourselves; in most cases after a quick glance these payslips – if opened at all – rapidly end up at the bottom of a drawer, or even in the waste paper basket. And this is not to mention all of those other HR administration related documents that must be used by the employees during the year. Leave requests written into the vacation registration book, work, shift, leave and other schedules posted onto notice boards, statements and forms related to tax and health care – the list is nearly endless. If a company is complying with all relevant laws, statutes and regulations regarding HR administration, then inevitably it is generating a huge amount of paper and expending a lot of staff effort and financial expenditure in doing so. On top of this, year after year routine HR administration requires us to provide lots of information through forms and statements; such as the data required to calculate annual leave entitlement, or to correctly claim individual tax allowances.

All of this paper based HR administration consumes significant human and cash resources. Not to mention the fact that only employees-of-the-month will routinely fill these forms and statements out without mistakes, so it can be assumed that many HR admin related processes are gone through twice before they are correct.

Let’s just consider paper based pay slips. A reasonable estimate is that printing each payslip and putting it into an envelope must cost at least 100 HUF for paper and printer costs. Add onto this postage, staff (or agency) and other direct costs. It doesn’t take a mathematical genius to calculate that this monthly number, per employee, time the number of employees, adds up to a significant amount over a year – for a piece of paper that more often than not goes straight to the bin.

Now, the advance of on-line solutions has entered into this sector of the “market” as well, with the result that processes can be simplified and costs deceased. Cloud based technology provides new possibilities and new approaches to the provision of HR services. A cloud based approach to HR administration based on this new approach means that the distance between HR and employees in an organization can be decreased to “one touch” on a mobile device.

Cloud based self-service HR systems replace the earlier paper based processes that were based on physical interaction and the passing of paper, with bi-directional, on-line communication between the HR organization, managers and employees.

Using the cloud based system the organization’s HR functions and services are available anywhere, anytime, giving the possibility for employees and managers to view payslips, maintain time sheets, fill out HR forms, download tax certifications etc. via their mobile or PC device - but these administrative possibilities are only the start, and can be enriched.

Let us summarize the above: through cloud-based electronic HR administration organizations can save effort and money, and increase internal efficiency. Administrative processes happen more quickly and reliably, and with higher levels of data security. Less paper goes into the rubbish bin, decreasing the environmental impact of HR administration, and the operation of the organization can be more environmentally friendly. The HR data is always up-to-date, archived, easier to find via the on-line surfaces, and the risk of error resulting from manual data entry decreases.

Hungary’s market leading payroll and HR provider, NEXON has launched its new generation HR solution, which integrates the internal HR processes into a unified system and involves all employees and managers seamlessly into the performance of HR administrative tasks. NEXON_PORT unifies all of NEXON’s existing self service solutions, as well as providing new, modern surfaces optimized for user roles and enlarged HR functionalities.

www.nexonport.hu
output and looking for discrepancies. Importantly, efficiency is measured on an annual basis.

“Another central issue is that we create a pleasant working environment for tenants. This has become more important than energy saving because it raises productivity. A good working environment includes a reasonable internal temperature, efficient external shading and flexible and efficient workplaces. Natural daylight is regarded as another important human factor and in Green House, for example, energy efficient lighting devices have been installed and energy use is lower due to the provision of natural light. According to certification regulations, it is important to place a work station close to a source of natural light; this 5-6 meters of space from the facade constitutes the ‘daylight zone’, explains Schmidt. “A good indoor environment offers thermal comfort, with an avoidance of drafts, efficient lighting, a high ratio of natural daylight, automatic sun shading, flexible design, good restaurant facilities, internal and external gardens that can be used as a meeting point. All new commercial buildings are green accredited and therefore in order be a leader on the Hungarian market we need to offer a good working environment as tenant profitability is closely linked to the provision of amenities and a flexible and comfortable working environment.”

Experience in the U.S. market

Skanska use the U.S.-based LEED accreditation system, in large part due to the previous activities of the company in the U.S. market. The second big step was when Scandinavian countries also introduced the LEED system. In addition to LEED requirements, Skanska has to fulfill the local energy performance building regulations that follow European directives. This stipulates that energy certification is a pre-requisite in order to gain building and occupancy permits. According to the regulations, close to net-zero energy buildings have to be constructed by 2020 with the resulting tightening of the local certification system in order to meet this target.

Location is also a crucial element; this requires close proximity to public transport, bicycle storage and showers, and reasonable service charges. According to Skanska Nordic Light and Green House have one parking space for every 60 sqm of GLA.

Sustainability features for Green House were discussed at the design stage with the Swedish White Architects Studio who designed the overall concept for the building in conjunction and the Hungarian DPI Studio, who produced the drawings, and 573, who were the landscape architects. The Hungarian Mértek Stúdió designed Nordic Light, using knowledge acquired from the development of Green House.

One major change with the new LEED evaluation system, LEED 1V is the integrative design element. “This means that all stakeholders in a project, including investors, are consulted with regard to what should be provided in a development. This consists of particular expectations apart from obvious requirements such as good location, good restaurant and of course a 90% occupancy rate. So our next step will be to design buildings based on an integrative method involving all stakeholders. The Hungarian market is not such a big market, so we know the investors and property management agencies and therefore have a very good relationship with them and ask their opinion,” concludes Schmidt.

Skanska’s Green House: ‘Beyond the standards of green compliance.’

“With Green House we measured almost everything – heat consumption, cooling consumption, electricity receptacle consumption, lighting consumption and lift energy consumption. In this way we have a benchmark based on Green House for 2014, one complete year in a building that had an occupancy of almost 95%.”

The green lease

The green leases can be divided into two categories. The first category includes provisions related to the substance and design of the leased property. While provisions on the sustainable use and management of the building comprise the second category. These provisions, by regulating the undertakings of the parties, constitute the Green Lease. Parties aim to use and manage the leased property as sustainably as possible. The clauses of the green lease can vary, accordingly; green leases may contain in addition to the customary provisions clauses on how the building is fitted out, managed and used in a sustainable way; how the efficiency targets are achieved and monitored. The undertakings of the parties can consist of, for example, the reduction of energy and water usage, increasing the use of renewable technologies and environmentally friendly cleaning materials, recycling of waste, encouragement of the use of public transportation by employees. The exact content of the green clauses depends on the needs of the parties and the building’s characteristic.

Importantly, efficiency is measured on an annual basis.

Acceptance of the green clauses is attractive for the tenant among other things for financial reasons, which are created not just by the reduction of utility consumption but also employee productivity and retention. According to studies, workers are more productive and have fewer sick days in environmentally friendly workplaces. It is therefore advisable for existing building and fit out projects to include binding green clauses in the leases.

The Green Lease is not yet regulated and defined under statute in Hungary. The determination evolved through international practice, according to which a ‘green lease’ is a lease which incorporates an agreement between the landlord and tenant as to how the building is to be fitted out, managed and occupied in a sustainable way. Green leases include a schedule containing specific provisions for monitoring and improving energy performance, achieving efficiency targets (e.g. energy, water, waste) and minimizing the environmental impacts of the building. The provisions represent an agreement between the landlord and the tenant to adopt procedures to ensure that a building operates at an agreed level through regular monitoring and addressing issues as they arise.

There is not only one possible unique content (sample) of a lease, the clauses of which would classify it as a green lease. It is advisable to start a green lease agreement with a non-binding introductory remark, where the parties declare their intent, i.e., what they want to achieve on a sustainable basis. This introductory remark aims for a uniform understanding between the parties and provides a certain interpretation benchmark.

The Green Lease may contain stronger cooperation rules for the parties in order to achieve these targets, but also appropriate sanctions, if the tenants are at risk of not meeting targets. One possible sanctions is the motivational penalty in cases where the amount of the damage may be difficult to prove. The motivational penalty serves as compensation for the injured party but also has a motivational effect on the breaching party and leads it to comply more strictly with the provisions of the green lease. The most serious type of sanction is the termination of the lease agreement.

Green lease, however, works well if parties follow not only the trend but do everything for the sake of sustainability for internal reasons.

**NOTE: ALL ARTICLES MARKED EXPERT OPINIONS ARE PAID PROMOTIONAL CONTENT FOR WHICH THE BUDAPEST BUSINESS JOURNAL DOES NOT TAKE RESPONSIBILITY.**
Sustainability must be built into...
Q: What is the essential difference between LEED and BREEAM?
A: With regard to the different accreditation organizations there is no big difference between LEED and BREEAM. However, LEED is more difficult to adjust to a Central European market because of the conversion of measurements to metric for some of the energy models.

Q: How important are issues relating to energy consumption?
A: I would say that energy consumption is the most quantifiable element. When you look at the productivity side, regarding how people work in different environments, then I think that the management of work space comfort is critical. This consists of design elements that are more difficult to quantify. Energy saving and carbon footprint are the easiest aspects of the product to quantify and document.

Q: How does Hungary compare to elsewhere in Central Europe with regard to accreditation?
A: Hungary is seen as probably ahead of Czech Republic with regard to commercial office sustainability accreditation, and on a par with Poland in terms of the proportion of new buildings that are green accredited. With regard to new buildings in Hungary, this is now 80–90%, and for refurbishments it is 15%.

Q: Is accreditation increasingly important to other sectors?
A: The logistics market is producing green buildings, partly because they are huge buildings in which they are able to install energy conserving devices and harness water from their sites. With regard to retail, the biggest problem is that you can make new projects structurally green but consumers also need to behave in a sustainable way. I would also argue that with on-line retail there could be a more sustainable retail concept. There could be more on-line sales with the shop itself acting as a warehouse space. I am looking for a change in government policy and through the Hungarian Green Building Council I am striving to change thinking from architects and engineers so we could scientifically and cooperatively design green buildings if we had a Hungarian green qualification system.

Q: Do sustainability elements apply at all stages of the development process?
A: A well-coordinated design team is needed, where everybody is aware of his or her contribution to accreditation; this applies to architects and engineers and facility managers if it is a renewal of a building. The other necessity is for a vigorous accreditor – that is somebody who manages the process and acquires the documentation at an early stage.

Q: How much does this incur more expense?
A: Up to the “Very Good” level extra investment is not required. However, once you move to the “Gold” or “Diamond” categories, then you have to include very high tech or a very alternative green energy supply. This can be more expensive, so there is an up to 10% extra cost, but this will also bring in higher energy savings.

Q: Is it a conflict of interest that consultants act for developers as well as being assessors?
A: Consultants acting as assessors submit their report and the real assessment is undertaken in the U.K. or U.S. In this way, assessors put together reports for a third party independent institute. So there is no conflict of interests for consultants. The question is who they represent: when, for example, acting on behalf of a tenant, they could push very hard for the owner to install elements into the building that are not economically justified given the length of the tenancy contract. An investor is striving to match the length of the lease with the amount of money it invests on behalf of the tenants. However, with the green push this can be a difficult challenge.

“The management of work space comfort is critical. This consists of design elements that are more difficult to quantify. Energy saving and carbon footprint are the easiest aspects of the product to quantify and document.”

Greener offices make for happier staff

Creating a green office is about more than simply improving energy efficiency. A truly environmentally friendly office space also provides a more comfortable, natural setting for workers – one that makes the most of elements such as natural light and green surroundings. This is the idea behind Skanska’s Nordic Light office in Budapest, and all the projects in which Skanska is involved.

Staff costs typically account for about 90% of a business’ operating costs. So even the slightest improvement in employee comfort can lead to an increase in work efficiency and translate into saving millions globally. So how can employers make work more pleasant? The World Green Building Council invited 60 experts from 40 organizations and 20 countries to analyze several hundred research papers.

The annual absenteeism rate due to illness in the United States can cost employers up to $2,500 per employee per year. Poor mental health specifically costs U.K. employers £30 billion a year, while in Australia that number is around $7 billion. The conclusion is simple: a healthy employee is of crucial importance to a company. The “Health, Wellbeing & Productivity in Offices” report provides strong evidence that a properly designed and arranged office in a green office building positively contributes to employees’ health.

Research included in the report shows that office workers with access to natural daylight received 173% more white light exposure during work hours than their colleagues without access to windows. It was noted that they slept on average 46 minutes more per night. Additionally, due to the improved quality of sleep, they were more productive during the day.

The WGBC asserts that many factors influence health and productivity – from air quality, ventilation, the aforementioned daylight access, thermal comfort and acoustics to space arrangement, the presence of greenery both in and outside the office as well as the color of the walls and access to amenities. Most of these factors are regulated by the standards of green building.

Apart from solutions regarding the building itself, the WGBC also specifically highlights aspects related to office space arrangement. It underlines the fact that the activity based workplace system, which is becoming increasingly popular, results in an increase in staff efficiency.
Cleaner, greener property demanded regionwide

With environmental accreditation a minimum requirement for quality office space, developers around the region are building green, while owners of existing properties retro-fit to improve the efficiency of their offices.

“There are a growing number of developers or building owners that are certifying their buildings with the goal of maximizing operational efficiency while minimizing the impact the building has on the environment.”

The green revolution is spreading across Central and Eastern Europe, and heading south towards the Balkans, too. For higher-end offices in Central Europe, accreditation to an established sustainability assessment organization is expected. Further south, developers in Serbia and Croatia are increasingly building sustainable complexes with an eye on meeting the perceived need for higher quality office space.

For their part, regional developers and investors are pursuing uniformed development and asset management strategies across the CEE office markets, which is also increasing the proportion of accredited product. Further, international environmental regulations are increasingly being applied across the EU; for example, buildings will be required to have close to zero consumption by 2020.

“Individual company financial concerns over such issues as minimizing utility expenses are part of the same process as, for example, minimizing net zero-carbon emissions to elevate wider environmental concerns, for which there is an increasing number of international regulations that have to be adhered to,” said the prolific Central European developer Skanska Property.

Green Court in Bucharest

In Bucharest, Skanska is due to complete the first 19,500 sqm phase of the Green Court office complex. The company has applied for a Gold LEED certification for the three planned buildings totaling 52,000 sqm. This sustainability policy also extends to major regional cities in Poland, as Skanska has completed the 23,000 sqm building B of the Dominikatki office project adjacent to the re-modernized 18th century Oppersdorff Palace (building C) in Wroclaw. According to Skanska, the LEED Gold pre-certified Dominikatki project provides a good working environment and a reduction in energy costs.

In addition to new developments, sustainable features are increasingly being applied across the EU; for example, buildings will be required to have close to zero consumption by 2020.

“Individual company financial concerns over such issues as minimizing utility expenses are part of the same process as, for example, minimizing net zero-carbon emissions to elevate wider environmental concerns.”

Greening old stock

In addition to new developments, sustainable features are increasingly being added to older stock to improve asset management. In Warsaw, Heitman has undertaken the modification of elements of the 45,000 sqm Marynarska Business Park, and has been awarded the BREEAM In-use Very Good certification. Warsaw has the highest stock of certified green office space in CEE with 73 buildings. This proportion of accredited buildings is expected to increase as, for example, Poland has a potential class “A” pipeline of more than 700,000 sqm of office space, for which sustainable development is the norm, according to JLL.

From a wider perspective, the commercial real estate industry is expected to take its share of responsibility in combating climate change and minimizing the consumption of resources. “There are a growing number of developers or building owners that are certifying their buildings with the goal of maximizing operational efficiency while minimizing the impact the building has on the environment,” concluded JLL.
Fluid regulations keep consultants on their toes

Environmental regulations must deal with constantly changing administrative structures and laws, which make their jobs harder and may intimidate investors. For those who are ready to negotiate the legal maze, there is plenty of work.

Businesses can find it complicated to deal with environmental concerns at the best of times, but in the last few years, rapid changes in Hungary’s regulations have made these issues even more complex.

Take, for example, the recent merging of the environmental ministry with the Ministry of Agriculture. Many observers note that it is unclear if one ministry can properly address both sectors, especially because they sometimes have conflicting interests. Another unusual administrative merger was that of water regulation and disaster/catastrophe relief – which many consider to be an unreasonable expansion of the responsibilities of disaster relief authorities. Other recent changes mean that some decisions that were previously made at the regional level are now being made at the municipal level, and vice versa.

The situation creates a need for environmental experts, who can help businesses navigate the legal maze in terms of accessing information, obtaining necessary permits and dealing with the appropriate authorities. These experts, who are essential for producing environmental impact assessments pertaining to investments, dealing with energy regulations, water quality and more, prove their value by keeping on top of the changes. But the fluid legal situation can have a negative impact on investors, who may be inconvenienced by slower processing times. Some worry that these lags could discourage investment and potentially affect Hungary’s competitive position as a manufacturing base in the region.

Hungarian environmental authorities are constantly under reorganization, and that is not helping the permitting process,” says Eva Szérences, principal managing director of the consulting firm Golder Associates Hungary. “The permitting time is crucial to future business. Hungary could lose significant foreign investment if the permit process is too long and too complicated.”

Another solution may be to take a more holistic approach to the organization of these departments and the whole process, according to James Lenoci, environmental consultant at Lenoci Ltd. “Outside of Europe, I have seen more and more countries forming Ministries of Sustainable Development. This has resulted in an increased relevance of environmental issues, as they are seen more intrinsically connected to economic development priorities,” he says.

A big, busy market

Whatever the regulatory framework, businesses will always need assistance in complying with changing regulations. And there are plenty of consultants ready to help.

Hungary is home to large international environmental consultancies such as Golder Associates, which is based in Canada and was established in Hungary in 1992, and Denkstatt, a large Austrian consultancy established in Hungary in 1997 – as well as smaller, specialized local players such as Lenoci Associates founded in 1997. Many of these companies got their start in Hungary during the privatization wave of the 1990s that created a high demand for their services. This is because much of their business comes from global or international companies investing or divesting in Hungary.

An environmental analysis is oftentimes part of a thorough due diligence procedure performed before an M&A transaction. Environmental consultants often work with business consultants to provide environmental assessments and audits that complement the usual financial side of due diligence. Environmental information is vital if the transaction involves land that has been or will be used in industry or manufacturing.

But the services of environmental consultants are not always specific to a particular transaction or political event. Some companies require clean-up services. Furthermore, as Lenoci notes: “Many companies want to stay ahead of the enforcement or regulatory curve. They want to keep in line with local regulations.”

While manufacturing continues to generate a lot of work for environmental regulators and consultants, energy considerations have also become a priority, especially initiatives related to energy independence and alternative energy.

“The EU Energy Efficiency Directive has just been adopted and large-scale companies are already working on how to be compliant with the new regulation,” says Zsombor Ferjancsik, managing director of Denkstatt Hungary. “Nuclear and geothermal energy generation is producing plenty of work for environmental experts. Plans to expand the nuclear plant in Paks require environmental assessments and monitoring reports, and renewable energy initiatives also require expertise. Industry observers agree that these, and other issues, will remain relevant in the near future. "There is always competition to attract foreign direct investment and the cost and security of energy will remain important," says Lenoci.

Other environmental considerations that are important in this market include water quality, waste management, pollution, increasing scarcity of natural resources – even current population and migration concerns could play a role in future environmental considerations.

As unused land becomes scarcer in Hungary, any development of manufacturing or other facilities can also create a need for consultants. Previously used “brownfield” sites are attractive to investors looking to develop here. They are less expensive than untouched “greenfield” sites and often offer existing connections to logistical infrastructure. On the other hand, brownfield developments generally require additional environmental services and upfront investment in a clean up. Consultants note that greenfield sites are getting rarer, so they expect the shift toward brownfield sites to open up demand for environmental consulting services, which are necessary for assessments prior to purchase of a site and also for clean-up to prepare the sites for their future use.

Given all these opportunities, environmental consultants in Hungary see a bright future, even if the legal environment continues to change.
# Green Office Buildings

## Ranked by net office space (sqm)

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<thead>
<tr>
<th>RANK</th>
<th>COMPANY WEBSITE</th>
<th>NET OFFICE SPACE (SQM)</th>
<th>NO. OF LEVELS</th>
<th>CURRENT MAJOR TENANTS</th>
<th>GREEN SERVICES</th>
<th>STAGE OF COMPLETION</th>
<th>STATE OF GREEN CERTIFICATION RATING</th>
<th>RESULT OF VALIDATION</th>
<th>OWNERSHIP (%)</th>
<th>ADDRESS</th>
<th>PHONE</th>
<th>EMAIL</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>GATEWAY OFFICE PARK</td>
<td><a href="http://www.gatewayofficepark.hu">www.gatewayofficepark.hu</a></td>
<td>35,900</td>
<td>4.675</td>
<td>Magyar Posta Zrt., Samsung, Motorola, AON Texas</td>
<td>-</td>
<td>-</td>
<td>BREEAM “Very good”</td>
<td>Cushman &amp; Wakefield, Eaton, Foveo (100)</td>
<td>1138 Budapest, Dunavirág utca 2–6. (1) 225-6880 <a href="mailto:hungary@foveo.com">hungary@foveo.com</a></td>
<td></td>
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<td>2</td>
<td>ÁTRIUM PARK</td>
<td><a href="http://www.atriumpark.hu">www.atriumpark.hu</a></td>
<td>32,000</td>
<td>3.851</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
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<tr>
<td>3</td>
<td>BANK CENTER</td>
<td><a href="http://www.bankcenter.hu">www.bankcenter.hu</a></td>
<td>32,041</td>
<td>3.500</td>
<td>Citibank, Régia, RESUS, BonarChem</td>
<td>-</td>
<td>-</td>
<td>BREEAM Good</td>
<td>Avantis Real Estate, Generali (50)</td>
<td>1054 Budapest, Szabadság tér 7. (1) 302-9010 (1) 302-9020 <a href="mailto:anett.ekes@bankcenter.hu">anett.ekes@bankcenter.hu</a></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>DUNA TOWER OFFICE BUILDING</td>
<td><a href="http://www.dunatower.hu">www.dunatower.hu</a></td>
<td>29,800</td>
<td>3.800</td>
<td>IBM, Merlife, Hauzei, UnipHCR</td>
<td>-</td>
<td>-</td>
<td>BREEAM “Very Good”</td>
<td>CE Land Holding Kft. (100)</td>
<td>1138 Budapest, Neplúdúti utca 22. (1) 380-6185 (1) 759-8879 <a href="mailto:info@ceand.hu">info@ceand.hu</a></td>
<td></td>
<td></td>
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<tr>
<td>5</td>
<td>SCIENCE PARK</td>
<td><a href="http://www.sciencespark.hu">www.sciencespark.hu</a></td>
<td>29,659</td>
<td>3.102</td>
<td>Ericsson, Sauleitys, GEA ESI</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Very Good - In Use</td>
<td>117 Budapest, Írisz József útca 4–20. (1) 380-5100 (1) 380-5110</td>
<td></td>
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<td>6</td>
<td>NÉPÝUGET CENTER</td>
<td><a href="http://www.nepiugetceteral.com">www.nepiugetceteral.com</a></td>
<td>26,095</td>
<td>3.094</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>EU-Green Building</td>
<td>-</td>
<td>1097 Budapest, Künyves Kálmán körút 11. (1) 473-1209 (1) 473-1210 <a href="mailto:info@horizontdevelopment.hu">info@horizontdevelopment.hu</a></td>
<td></td>
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<tr>
<td>7</td>
<td>PROMENADE GARDENS</td>
<td><a href="http://www.promenadegardens.hu">www.promenadegardens.hu</a></td>
<td>25,000</td>
<td>2.800</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>BREEAM Very Good – LEED Gold</td>
<td>-</td>
<td>1134 Budapest, Váci út 82–84. (1) 473-1200 (1) 473-1210</td>
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<tr>
<td>8</td>
<td>MILLENNIUM TOWER</td>
<td><a href="http://www.milleniumcenter.hu">www.milleniumcenter.hu</a></td>
<td>21,000</td>
<td>3.000</td>
<td>Morgan Stanley, MDS Pharma, Hungary, Grant Bank</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1095 Budapest, Lőcsei Dózsa út 6. (20) 200-5841 <a href="mailto:scske@trigrant.com">scske@trigrant.com</a></td>
<td></td>
<td></td>
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<td>9</td>
<td>NORDIC LIGHT</td>
<td><a href="http://www.skanska.hu">www.skanska.hu</a></td>
<td>20,000</td>
<td>3.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Pre-LEED Gold</td>
<td>CBRE</td>
<td>1135 Budapest, Váci út 96–98. (1) 382-9100 (1) 382-9129 <a href="mailto:leasing@skanska.hu">leasing@skanska.hu</a></td>
<td></td>
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</tr>
<tr>
<td>10</td>
<td>INFOPARK BUILDING D</td>
<td><a href="http://www.gamma-ah.hu">www.gamma-ah.hu</a></td>
<td>19,526</td>
<td>3.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>LEEA Gold</td>
<td>GAMMA Properties Kft. (100)</td>
<td>117 Budapest, Gálber Áron utca 2. (1) 382-7570 <a href="mailto:office@gamma-ah.hu">office@gamma-ah.hu</a></td>
<td></td>
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<tr>
<td>11</td>
<td>EIFFEL SQUARE</td>
<td><a href="http://www.eiffelland.hu">www.eiffelland.hu</a></td>
<td>18,500</td>
<td>3.000</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>BREEAM Commer- gen-E</td>
<td>-</td>
<td>1062 Budapest, Teleki körút 15–17. (1) 225-6012 (1) 375-0445</td>
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<tr>
<td>RANK</td>
<td>COMPANY / OFFICES</td>
<td>TOTAL OFFICE BUILDING AREA (SQM)</td>
<td>TOTAL NUMBER OF LEVELS</td>
<td>AVERAGE LEVEL SIZE (SQM)</td>
<td>MONTHLY SERVICE CHARGE IN 2015 (EURO/SQM)</td>
<td>CURRENT MAJOR TENANTS</td>
<td>BREEAM IN-USE RATING</td>
<td>LEED RATING</td>
<td>YEAR ESTABLISHED</td>
<td>NON-MUNICIPAL</td>
<td>REAL ESTATE AGENCY (AGENCIES)</td>
<td>ADDRESS</td>
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<td>11</td>
<td>MILLENNIUM TOWER II</td>
<td>18,500</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>Nestle, Morgan, Stanley, KLM Royal Dutch Airlines</td>
<td>–</td>
<td>–</td>
<td>2008</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1093 Budapest, Lechner Döm 6. (20) 237-2541 <a href="mailto:azkoos@tennant.com">azkoos@tennant.com</a></td>
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<tr>
<td>11</td>
<td>OFFICE GARDEN III</td>
<td>18,500</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>Vodafone, Morgan, Stanley, KLM Royal Dutch Airlines</td>
<td>–</td>
<td>–</td>
<td>2006</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1117 Budapest, Váci út 10. (1) 327-2505 <a href="mailto:info@officegarden.hu">info@officegarden.hu</a></td>
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<tr>
<td>14</td>
<td>VÁCI CORNER OFFICES</td>
<td>18,480</td>
<td>9</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2011</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1113 Budapest, Váci út 1. (1) 912-2827 <a href="mailto:aderyl@vaci33.hu">aderyl@vaci33.hu</a></td>
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<tr>
<td>15</td>
<td>VÁCIG33</td>
<td>17,480</td>
<td>10</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2007</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1113 Budapest, Váci út 3. (1) 327-2505 <a href="mailto:info@vagicorner.hu">info@vagicorner.hu</a></td>
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<tr>
<td>16</td>
<td>MILLENNIUM TOWER</td>
<td>17,100</td>
<td>7</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2006</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1113 Budapest, Váci út 19. (1) 886-4120 <a href="mailto:info@vaci33.hu">info@vaci33.hu</a></td>
</tr>
<tr>
<td>17</td>
<td>GREEN HOUSE</td>
<td>16,800</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2012</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1114 Budapest, Váci út 117-119. (1) 795-3308 <a href="mailto:info@atenor.hu">info@atenor.hu</a></td>
</tr>
<tr>
<td>18</td>
<td>WESTEND CITY CENTER OFFICES</td>
<td>16,800</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2010</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1117 Budapest, Váci út 1-3. (20) 385-1111 <a href="mailto:info@vaci33.hu">info@vaci33.hu</a></td>
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<tr>
<td>19</td>
<td>OFFICE GARDEN</td>
<td>16,139</td>
<td>7</td>
<td>12.50</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>2010</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1117 Budapest, Váci út 2. (1) 327-2505 <a href="mailto:info@officegarden.hu">info@officegarden.hu</a></td>
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<tr>
<td>20</td>
<td>VÁC GREENS</td>
<td>15,693</td>
<td>7</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2008</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1113 Budapest, Váci út 117-119. (1) 795-3308 <a href="mailto:info@atenor.hu">info@atenor.hu</a></td>
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<tr>
<td>21</td>
<td>INFORPARK BUILDING E</td>
<td>15,600</td>
<td>7</td>
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<td>–</td>
<td>–</td>
<td>–</td>
<td>2010</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1117 Budapest, Neumann János utca 1/E (1) 886-4120 <a href="mailto:info@vaci33.hu">info@vaci33.hu</a></td>
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<tr>
<td>22</td>
<td>KRIZSTINA PALACE</td>
<td>15,500</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>1999</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1123 Budapest, Nagynépet utca 8-14. (1) 268-1389 <a href="mailto:info@vaci33.hu">info@vaci33.hu</a></td>
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<tr>
<td>23</td>
<td>OFFICE GARDEN</td>
<td>15,500</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2008</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1117 Budapest, Alz út 1. (1) 327-2505 <a href="mailto:info@officegarden.hu">info@officegarden.hu</a></td>
</tr>
<tr>
<td>24</td>
<td>EFFEL PALACE</td>
<td>14,500</td>
<td>7</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2013</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1055 Budapest, Bajai-Zsirádút út 78. (1) 238-1393 <a href="mailto:info@officegarden.hu">info@officegarden.hu</a></td>
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<tr>
<td>25</td>
<td>K-3 ALLIANCE OFFICE BUILDING</td>
<td>14,350</td>
<td>8</td>
<td>12.50</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>2010</td>
<td>–</td>
<td>CBRE, Cushman &amp; Wakefield</td>
<td>1087 Budapest, Könyves Kálmán körút 46-52. (1) 327-2505 <a href="mailto:info@officegarden.hu">info@officegarden.hu</a></td>
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<tr>
<td>Rank</td>
<td>Company</td>
<td>Website</td>
<td>Net Office Space (sqm)</td>
<td>No. of Levels</td>
<td>Average Level Size (sqm)</td>
<td>Planning Phase</td>
<td>Classification of Designing</td>
<td>Green Services</td>
<td>Stage of Green Certification</td>
<td>Rating</td>
<td>Ownership (%)</td>
<td>Address Phone Fax Email</td>
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<td>26</td>
<td>LAURUS OFFICES</td>
<td><a href="http://www.laurusoffices.hu">www.laurusoffices.hu</a></td>
<td>13,973</td>
<td>8</td>
<td>4,184</td>
<td>11</td>
<td>2011</td>
<td>BREEAM in Use, Very Good, 2013</td>
<td>CE LAND Holding Kit.</td>
<td>K1A Real Estate Management Kit. (14)</td>
<td>(100)</td>
<td>Budapest, Kőbát utca 2/A, (1) 362-4075, (1) 362-4081 <a href="mailto:info@laurusoffices.com">info@laurusoffices.com</a></td>
</tr>
<tr>
<td>27</td>
<td>ENERGAGE CENTER</td>
<td><a href="http://www.energage.hu">www.energage.hu</a>, <a href="http://www.cpiogroup.hu">www.cpiogroup.hu</a></td>
<td>13,200</td>
<td>8</td>
<td>1,600</td>
<td>3-5</td>
<td>2012</td>
<td>BREEAM -</td>
<td>-</td>
<td>CPI Property Group (100)</td>
<td>(100)</td>
<td>1138 Budapest, Esztergom út 44-48. (1) 225-8600 <a href="mailto:hungary@piogroup.com">hungary@piogroup.com</a></td>
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<tr>
<td>28</td>
<td>BUDAPEST OFFICE BUILDING</td>
<td><a href="http://www.budapest.net">www.budapest.net</a></td>
<td>12,688</td>
<td>8</td>
<td>998</td>
<td>12</td>
<td>2010</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Schemer Excellent -</td>
<td>-</td>
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<td>30</td>
<td>V48</td>
<td><a href="http://www.v48.hu">www.v48.hu</a></td>
<td>11,500</td>
<td>8</td>
<td>6,500</td>
<td>13-15</td>
<td>2006</td>
<td>-</td>
<td>-</td>
<td>Internal garden with park, 2.25 m height, offices, external shades</td>
<td>BREEAM Very Good -</td>
<td>-</td>
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<td>31</td>
<td>BUDALAPAOTA</td>
<td><a href="http://www.wing.hu">www.wing.hu</a></td>
<td>11,355</td>
<td>8</td>
<td>1,404</td>
<td>13</td>
<td>2009</td>
<td>Dressing rooms for cyclists, solar cells</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>JLL</td>
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<td>32</td>
<td>V17</td>
<td><a href="http://www.wing.hu">www.wing.hu</a></td>
<td>10,600</td>
<td>8</td>
<td>1,990</td>
<td>12-15</td>
<td>2015</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Eaton International, JLL</td>
<td>(100)</td>
</tr>
<tr>
<td>33</td>
<td>RIVERPARK OFFICES</td>
<td><a href="http://www.riverpark.hu">www.riverpark.hu</a>, <a href="http://www.gamma-ah.com">www.gamma-ah.com</a></td>
<td>9,885</td>
<td>8</td>
<td>712</td>
<td>12-13.5</td>
<td>2009</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Robertson Hungary</td>
<td>MI Foods (100)</td>
</tr>
<tr>
<td>34</td>
<td>BALANCE BUILDING</td>
<td><a href="http://www.balancebuilding.hu">www.balancebuilding.hu</a></td>
<td>8,792</td>
<td>8</td>
<td>829</td>
<td>13</td>
<td>2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>BREEAM &quot;Very good&quot;</td>
<td>Cushman &amp; Wakefield, Eaton</td>
</tr>
<tr>
<td>35</td>
<td>VISION TOWERS</td>
<td><a href="http://www.energialapkeres.hu">www.energialapkeres.hu</a></td>
<td>8,589</td>
<td>8</td>
<td>829</td>
<td>13</td>
<td>2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<tr>
<td>36</td>
<td>KINNARPS HOUSE</td>
<td><a href="http://www.jkt.kinnarpszpeke.hu">www.jkt.kinnarpszpeke.hu</a>, <a href="http://www.kinnarpszpeke.hu">www.kinnarpszpeke.hu</a></td>
<td>7,531</td>
<td>8</td>
<td>829</td>
<td>13</td>
<td>2008</td>
<td>-</td>
<td>-</td>
<td>Training and conference halls for rent</td>
<td>-</td>
<td>Kinnarps Property Group (100)</td>
</tr>
<tr>
<td>37</td>
<td>LIGET CENTER</td>
<td><a href="http://www.ligetcenter.hu">www.ligetcenter.hu</a></td>
<td>7,170</td>
<td>8</td>
<td>145</td>
<td>13</td>
<td>2002</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>BREEAM in Use, Very Good, 2013</td>
<td>Robertson Hungary</td>
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<tr>
<td>38</td>
<td>THE QUADRUAM</td>
<td><a href="http://www.quadrum.hu">www.quadrum.hu</a></td>
<td>5,390</td>
<td>8</td>
<td>3,040</td>
<td>12-15</td>
<td>2008</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>White Star Real Estate plc., whitestar-real estate.hu</td>
<td>(100)</td>
</tr>
<tr>
<td>39</td>
<td>CORVIN CORNER</td>
<td><a href="http://www.futural.hu">www.futural.hu</a></td>
<td>5,300</td>
<td>8</td>
<td>829</td>
<td>13</td>
<td>2014</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>BREEAM in Use, Very Good, 2013</td>
<td>Robertson Hungary</td>
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</table>
The history of Hungarian equestrian sports stretch as far back as the Magyar conquest of the Carpathian Basin in the 9th century, and were given widespread appeal by the Hungarian Hussars who were revered throughout Europe for their agility in combat and refined style of dress. This yearly event celebrates that history with three days of festivities.

On Friday, the National Gallop opens its doors with traditional food and drink followed the next day from 8 A.M. with public rehearsals, a historical equestrian gala, several rounds of qualifying heats and a charity race with celebrities.

On Sunday there will be additional qualifying heats, show jumping and a final race at 5:30 P.M.

The ARC billboard exhibit features the work of Orsolya Kelemen; you can view this and other works at Ötvenhatosok tere.
The Budapest Wine Festival and its developing fringe

The buzz around the festival brings together serious vinophiles for some fun fringe side events.

The Budapest Wine Festival, the 24th edition of which ran from September 9-13, continued to pull in the crowds once the rain had ceased, and served up its usual bevvy of new releases to an appreciative public. However, it is noticeable that a buzzing “fringe” scene has developed around the castle, with wine tastings aplenty to choose from far from the madding festival crowd.

Last year’s festival was notable for Somló’s Kreinbacher launching its top quality and nicely priced Future Classic quartet of traditional method sparkling wines, which continue to set the standards. At this year’s festival, Kreinbacher doubled up on the bubbles by launching magnum versions of the Extra Dry and Brut Classic members of the Future Classic series. The all important second fermentation, which in traditional method sparkling wine takes place in the bottle, is slowed down by around ten days in these magnum bottles. This is said to lead to richer flavors, more freshness, smoother bubbles and a creamier, rounder mousse, all of which was confirmed on tasting the regular 750 ml and 1.5 L magnum offerings side by side. This should not take away from the quality reached by the excellent regular sized bottles but the magnums do make for a very special treat on the eyes, nose and palate, with lashings more fruit (pineapple, lime, mango, green apple) alongside slightly more developed yeasty notes thrown into the bargain. Note that in sparkling wine vocabulary, Extra Dry actually means fairly sweet and Kreinbacher’s sparkler in this category has dosage of 16 g/l. This one is ideal for those easing their way into the realm of serious sparkling wine. The Brut Classic Magnum, in which the dosage comes down significantly, is actually a vintage offering from 2011. This sparkler represents particularly...
Another benefit of Magnums is that the content of the bottle ages more slowly due to the smaller relative amount of oxygen that makes it in at the time of bottling.

good value in the regular sized format. Incidentally, the magnum of the Prestige Brut is on its way soon. Another benefit of Magnums is that the content of the bottle ages more slowly due to the smaller relative amount of oxygen that makes it in at the time of bottling.

These sparklers are made under the supervision of Christian Forget, who is the celler master of ultra premium champagne house Paul Bara, and utilize the best in French technology, such as the Coupard presses that prevent the kind of oxidation that blights the Hungarian sparkling movement. The yeast also comes from Champagne. The results certainly conjure up the quality and thrilling tension of champagne with a Hungarian twist, with the quince and pear notes of the Furmint grape shining through.

Fine wines under the radar

At the festival, it was nice to get a chance to try the wines from Villány’s Swiss- and German−owned Heumann cellar, which still tends to fly somewhat under the radar locally despite considerable success on the international stage. Rarely do we associate the cooler climate loving Riesling (Rajnai rizling in Hungarian) grape with the heat of Villány, but Heumann’s 2013 was simply bursting with varietal character. While it was round and ripe, it was also nicely balanced with zesty green apple and lemony freshness, plus that unique plastic note of a freshly opened can of tennis balls that can characterize young Riesling, before it goes in a more petrol direction with age. This Riesling comes from a mix of Hungarian, German and Austrian clones. You might think that for Riesling to work in Villány, it would have to be grown on the cooler north−facing vineyards but it comes from Sopron, where Etyeki Kúria has vineyards. This cooler climate wine region, located in the north west corner of Hungary, dangerously dubs itself the “Capital of Kékfrankos” despite the fact that many of its offerings can be thin and tart. However, this wine surely stakes a claim to that title.

2008 was great for dry Tokaj

Also away from the festival, Királyudvar from the Tokaj region showed ten vintages of its Furmint Sec that stretched from 2014 back to 2005. This flight provided the proof that the Furmint grape can age very well as a dry white, and “put on weight”, as owner Anthony Hwang says. Királyudvar’s dry wines tend to be a little restrained on the nose when young, made as they are from naturally occurring wild yeast, with most of the action coming on the structured palate. However, the 2008 Furmint Sec had really exploded into life with lots of tropical fruit to complement the wine’s oily and waxy texture, along with some sweeter caramel tones. Hwang describes 2008 as the greatest vintage he’s ever witnessed for dry wine in Tokaj. He also referred to it as a watershed vintage for Királyudvar since it was the first year of biodynamic winemaking at the cellar. A benefit of switching to this method, which involves only the use of natural treatments applied at specific times, is that the acidity becomes rounder, according to Hwang. The acidity is one of the reasons he bought into Tokaj in the first place, for its ability to showcase the mineralogy of the region’s volcanic soils and build wines that can get better with time. The tasting also served to show that Furmint can be harsh and unappealing when young, and needs time to settle. The 2014 was vegetal and green, but in fairness we should return to it next year. Note that Furmint Sec actually contains a few percent of Hárslevelű, which could help give it extra legs for ageing. Hwang is also the owner of Domaine Huet in the Loire’s Vouvray appellation, and has brought the savoir faire over to Tokaj to make one of Hungary’s best traditional method sparkling wines.
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