

# BUDAPEST BUSINESS JOURNAL

BUSINESS ECONOMY POLITICS REAL ESTATE ANALYSIS OPINION BUDAPEST EVENTS WHO'S NEWS

## Exchange Palace Redevelopment to Start Next Year

BBJ.HU ★ PREMIUM

✍ Gary J. Morrell

🕒 Thursday, July 13, 2017

Renovation and redevelopment of the 50,000 sqm Exchange Palace are planned to commence at the beginning of next year. The listed eclectic and Beaux Arts building in Szabadság tér is scheduled to deliver around 25,000 sqm of premium office space in addition to 6,000 sqm of retail.



The listed eclectic and Beaux Arts building Exchange Palace.

Redevelopment of what was once home to the stock exchange (hence the name) and then the Hungarian TV (MTV) is being carried out by Tőzsdepalota Kft., the Hungarian subsidiary of the Canadian Tippin Corporation, which purchased the building several years ago. According to Michael Tippin, founder of the eponymous developer, reconstruction work is planned to start at the beginning of next year.

The building was completed in 1905 and designed by Ignác Alpár. The developers and CMA Architects, designers of the project, plan to preserve the historical bourse as part of the renovation. The building was the headquarters of MTV from 1955 until it fell into disuse after MTV relocated. Tippin's website describes it as "the largest privately owned historic landmark in Budapest".

"CMA Architects will rethink the spaces – the two stock halls and the roof will be rebuilt into offices providing tenants with either cellular, open space or loft spaces, green roof terraces, courtyards and a 360-degree imposing panoramic view. Further, we aim to acquire green certification focusing on wellbeing," said Tippin.

The redevelopment will provide the possibility for headquarters in separated wings of the building. Asking rents for the development are expected to be in the range of EUR 18-25 per sqm per month.

## Great Location

"There are not too many better locations to be found in Budapest than Szabadság tér in downtown. At this moment in this submarket, there are only a few contiguous office spaces available and due to the land shortage development potential is limited. The steady demand justifies the start of development of the Exchange Palace as the vacancy rate in the CBD office submarket has decreased to 9.7% for the first quarter," said Ferenc Furulyás, managing director of JLL Hungary, exclusive letting agents on the project.

With the limited supply of suitable development plots in the historical center of Budapest, most office development is now being undertaken in out-of-center or suburban locations. One solution is for companies to redevelop historic buildings, thus providing a building with a use-value while at the same time preserving and maintaining the classic Central European architecture in the heart of the capital.

The Exchange Palace has been at the planning stage for several years. However, Tippin rejects the argument that redeveloping older historic buildings, with their high renovation costs and often protracted planning and construction process, in large part due to red-tape and bureaucracy, makes such projects unattractive ventures. "High-tech firms, in particular, like historic buildings because they appreciate the sheer space, ceiling height, character and prestige that such buildings provide," he commented.

He further argues that investment into historic buildings in Central Europe offers a much more solid investment for private equity than many people suppose, an important consideration given that the Tippin Corporation has a policy of avoiding debt finance and working with private equity.

Tippin first began redeveloping older historic buildings in his native Toronto. The Tippin Corporation entered the European markets with the purchase of a derelict factory in east Berlin. This was followed by the redevelopment of a Stalin-era building at Tbilisi international airport in Georgia.

The first tenants are expected to enter the Exchange Palace at the beginning of 2020.