



R&D REAL ESTATE

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## PURCHASING CYCLE (RESIDENTIAL)

### RESEARCHING THE MARKET:

WHILE HUNGARY IS CONSIDERED TO HAVE GREAT GROWTH POTENTIAL AS AN EMERGING MARKET, BE SURE THESE ARE IN LINE WITH YOUR INVESTMENT EXPECTATIONS. ANNUAL YIELDS ARE TYPICALLY BETWEEN 4-12%, DEPENDING ON THE NATURE OF THE INVESTMENT.

### CHOOSING AN AGENCY:

COMMUNICATION IS VITAL. YOUR AGENT IS YOUR AMBASSADOR, MAKE SURE THEY SPEAK YOUR LANGUAGE WELL. A GOOD AGENCY SHOULD OFFER A VARIETY OF COMPLEMENTARY SERVICES AND SHOULD HAVE A CLEAR UNDERSTANDING OF THOSE SERVICES, OR CONVERSELY BE ABLE TO OFFER GOOD ALTERNATIVES IF THESE SERVICES ARE NOT PROVIDED. A GOOD AGENCY SHOULD OFFER A VARIETY OF PROPERTIES AND BE COMPETITIVELY PRICED VERSUS THEIR COMPETITORS. THERE IS NO CENTRAL PROPERTY DATABASE IN HUNGARY, THEREFORE PROPERTIES ARE OFTEN LISTED WITH MULTIPLE AGENCIES. LOCAL AGENCIES NOW PROVIDE SERVICES IN BOTH ENGLISH AND HUNGARIAN AS A MATTER OF COURSE, FOR WHICH THERE SHOULD BE NO EXTRA CHARGE. IN THE CASE OF RESIDENTIAL PROPERTIES THE AGENCY RECEIVES THEIR COMMISSION FROM THE SELLER, NOT FROM THE BUYER. COMMISSION IS ONLY RECEIVED FROM THE BUYER IN THE CASE OF A DISTRESSED ASSETS BEING PURCHASED DIRECTLY FROM THE BANK.

### SEARCHING FOR/SELECTING A PROPERTY:

TRY NOT TO VIEW MORE THAN 5 APARTMENTS PER DAY. ANY MORE AND IT IS DIFFICULT TO KEEP TRACK OF WHAT YOU HAVE SEEN, MAKING YOUR SELECTION/DECISION MAKING PROCESS LESS EFFICIENT. KNOW YOUR INVESTMENT STRATEGY. INNER-CITY PROPERTIES TEND TO APPRECIATE SLOWER, BUT COMMAND A HIGHER YIELD. THIS DECISION NEEDS TO BE BALANCED WITH A SHORT, MEDIUM, OR LONG-TERM STRATEGY. SHOP AROUND/COMPARE. HAVE A

R&D Re Kft.  
Lajos utca 24, Fsz. 1 Bp-1023. Hungary.

Tel :+36/1/373-0489  
Fax:+36/1/373-0490



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LOOK AT COMPETITOR WEBSITES, THESE ARE OFTEN IN ENGLISH. LOCAL PRICES SHOULD BE COMPARED LOCALLY, BE WARY OF AGENTS COMPARING APARTMENT PRICES TO YOUR HOME MARKET PRICES. BUDAPEST PROPERTY PRICES SHOULD ONLY BE COMPARED WITH LIKE BUDAPEST PROPERTY PRICES! TRY AND AVOID PROPERTIES WITH UNRESOLVED ENCUMBRANCES, OR PENDING LAW SUITS. CHANCES ARE THEY WON'T BE RESOLVED ANY TIME QUICKLY.

### MAKING AN OFFER:

THIS IS FIRST DONE VERBALLY, THEN PUT IN WRITING AND WILL USUALLY REQUIRE YOU TO PUT DOWN A 1%+VAT DEPOSIT TO REFLECT THE SERIOUSNESS OF YOUR INTENT. ONCE A PRICE IS AGREED UPON AND A DATE SET FOR FINAL CONTRACT SIGNING, UNLESS YOU DEFAULT ON SAID CONTRACT SIGNING THE 1%+VAT DEPOSIT WILL BE COUNTED TOWARDS THE PURCHASED PRICE. BE SURE TO NEGOTIATE, MANY TIMES A SELLER WILL BE WILLING TO COME DOWN IN PRICE.

### PURCHASING A PROPERTY:

TYPICALLY 10-20% OF THE PURCHASE PRICE IS GIVEN TO THE SELLER AS A DEPOSIT, AT THE PURCHASE/SALES CONTRACT SIGNING. THIS AMOUNT COULD BE HIGHER IF AN ENCUMBRANCE (I.E. A MORTGAGE) EXISTS ON THE PROPERTY, TO BE ABLE TO CLEAR SAID ENCUMBRANCE FROM THE PROPERTY. THE DEPOSIT IS EITHER PAID IN CASH OR WIRED TO THE LAWYERS ESCROW ACCOUNT, THE REMAINING SALE BALANCE IS TRANSFERRED TO THE SELLER, VIA THE LAWYER'S ESCROW ACCOUNT, AFTER ALL ENCUMBRANCES ARE PAID IN FULL AND A PROPERTY WAIVER SIGNED.

LEGAL COSTS: FOR A DUAL-LANGUAGE CONTRACT, ARE TYPICALLY 1%+VAT OF THE PURCHASE PRICE. YOUR LAWYER SHOULD BE: MULTI-LINGUAL, COMMUNICATIVE,

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PRO-ACTIVE. DO NOT ACCEPT A LAWYER THAT DOES NOT SPEAK YOUR LANGUAGE WELL THEY ARE THERE TO REPRESENT YOU, THIS CANNOT BE DONE THROUGH INADEQUATE COMMUNICATION CHANNELS. OTHER COSTS INCLUDE REQUESTING AN OFFICIAL OWNERSHIP SHEET, AS WELL AS REGISTRAR ADMINISTRATION FEES. PLEASE SEE 'COSTS WITH REGARDS TO PURCHASING' FOR A FULL BREAKDOWN.

FOREIGN NATIONALS PURCHASING PROPERTY IN HUNGARY WILL NEED TO BE GRANTED PERMISSION TO DO SO, UNLESS PURCHASING THROUGH A COMPANY. THIS IS ALL ARRANGED BY THE LAWYER. PLEASE SEE 'PURCHASING AS AN INDIVIDUAL OR A COMPANY' FOR THE PROS AND CONS OF EACH. ONCE PERMISSION HAS BEEN RECEIVED, OR A COMPANY HAS BEEN FORMED, AND ALL ENCUMBRANCES (IF ANY) ARE CLEARED FROM THE PROPERTY, THE REMAINING AMOUNT (PURCHASE PRICE LESS THE DEPOSIT) ARE WIRED TO THE LAWYER'S ESCROW ACCOUNT, A FINAL WAIVER IS SIGNED BY THE SELLER, AT WHICH POINTS THE FUNDS ARE THEN TRANSFERRED TO THEIR ACCOUNT. WITHIN TWO TO FOUR WEEKS THE PURCHASER'S NAME, OR COMPANY NAME, WILL APPEAR ON THE OWNERSHIP SHEET.

### STAMP DUTY:

PLEASE SEE 'STAMP DUTY' FOR EXPLANATIONS, WHICH ALSO INCLUDES EXAMPLES. THIS IS TYPICALLY DUE 2-6 MONTHS AFTER THE PROPERTY HAS BEEN REGISTERED.

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