

BUSINESS SERVICES HUNGARY

2024



REPORT
ON THE HUNGARIAN
BUSINESS SERVICES
INDUSTRY

THIS REPORT WAS CONDUCTED BY
HIPA – Hungarian Investment Promotion Agency

PUBLISHER
HIPA – Hungarian Investment Promotion Agency

WEB ADDRESS
www.hipa.hu



PROFESSIONAL PARTNERS



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Foreword

This year, the Hungarian Investment Promotion Agency (HIPA) celebrates its 10th anniversary, marking a decade of significant accomplishments. Between 1 January 2014 and 31 December 2023, HIPA facilitated 2,123 projects, attracting investments worth approximately EUR 49 billion and creating over 150,000 new jobs. In 2023, we doubled the previous year's investment record, generating more than EUR 13 billion in investments. This achievement is even more remarkable, as it exceeded the combined FDI inflows of all other V4 countries that year.

These successes have reshaped the goals of attracting FDI. In the early 2010s, Hungary's unemployment rate exceeded 10%, necessitating large-scale investments with substantial job-creation potential. As a result of effective investment incentives, the government succeeded in creating almost one million new jobs, reducing the unemployment rate to around 4%. Consequently, the focus has increasingly shifted towards generating higher value-added jobs, placing even greater emphasis on Hungary's thriving business services (BSC) sector.

Continuous growth in added value is also vital for the sector itself, which has seen the number of R&D positions double compared to last year. The sector's maturity and complexity continue to grow, as 81% of centers plan to introduce new high-value-added functions within the next 1-3 years. The business services sector's quiet growth is largely due to its ability to retain skilled, multilingual young professionals, offering them well-paid jobs with good working conditions. This is evidenced by the fact that the average age in the sector is under 35, and its size has more than doubled in terms of number of companies and employees since 2018, with a 10% growth in the last year alone.

Another key driver of growth is the sector's increasing interest in university towns across the country, with more offices opening in these locations, helping local talent stay in their hometowns. For companies, this geographic diversification offers opportunities to maintain business continuity while tapping into the pool of emerging university talent.

The favorable investment environment in Hungary, along with its tax structure and skilled talent pool, enables both existing and new BSCs to meet their growth needs, which aligns with government objectives. Given these factors, we expect continued growth and significant development in the business services sector, both in Budapest and regional university cities, supported by tailored incentives that match its evolving needs.

The Business Services Hungary 2024 report offers a detailed overview of all these trends in the Hungarian business services sector, covering its historical development, current trends, and future outlook. It explores the sector's growth drivers, challenges, and strategies employed by businesses. The study is a result of the collective efforts of partners such as the Association of Business Service Leaders Hungary (ABSL), the American Chamber of Commerce of Hungary (AmCham), CBRE Hungary, Randstad Hungary, and Knowledge Pyramid, alongside participating companies. Their insights have enriched our understanding of the sector and laid the groundwork for informed decision-making and strategic planning. This report aims to serve as a valuable resource for businesses, policymakers, and academics, providing a foundation for leveraging the sector's potential to drive economic growth, foster innovation, and shape the future of the business services industry in Hungary.

Rita Szép-Tüske

Deputy CEO
Investment Promotion
and Incentives
HIPA



István Joó

CEO of the Hungarian Investment
Promotion Agency (HIPA) and
Government Commissioner for
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Implementation of Large FDI Projects



Fadi Shadeh

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HIPA

Introduction to the Annual Business Services Hungary Report

The Annual Business Services Hungary Report provides an insightful and detailed analysis of the business services sector, offering a snapshot of its current landscape and future trajectory. This report is the product of a collaborative and data-driven approach, ensuring that it captures the most relevant trends and challenges facing the sector.

Key highlights of our methodology include:

Questionnaire Development: We partnered with the Association of Business Service Leaders (ABSL) and the American Chamber of Commerce (AmCham) to enhance the depth of our survey, which now includes over 100 questions. These questions explore various dimensions of the sector, such as growth, labor market shifts, competitiveness, and real estate trends.

Broad Industry Engagement: We gathered responses from 72 Business Service Centers (BSCs) across Hungary, which account for 33% of the centers and 51% of the sector's workforce. This broad participation allows us to track historical developments and forecast future changes for the entire business services industry.

Expert-Led Analysis: We conducted our analysis in partnership with Knowledge Pyramid, a leading consulting firm with extensive experience in Hungarian and regional business services. This collaboration ensures that the data is interpreted from multiple professional angles, providing a balanced and thorough evaluation.

Comprehensive Market Overview: In addition to sector-specific insights, we included an overview of labor market and real estate trends in partnership with Randstad and CBRE. This adds further context to the industry's current state and potential growth areas.

Local Stakeholder Contributions: Recognizing the importance of regional diversity, we engaged local municipalities, investment bodies, and universities to explore the potential of key university towns and remote regions, further enriching the report.

This report highlights our commitment to providing a clear and well-rounded understanding of the business services sector, powered by collaborative efforts and expert insights. We are grateful to all stakeholders who contributed to this study, as their input has been invaluable in shaping a comprehensive overview of the sector's dynamics in Hungary.

Executive Summary

The Hungarian business services sector has demonstrated remarkable growth, even in the face of global economic pressures. As of 2024, the industry comprises 215 BSCs, up from 201 in the previous year, with a workforce totaling 110,836 – a more than 10% increase over the previous year. This expansion occurs within a broader context of post-pandemic economic realignment, inflationary challenges, and rapid technological advancements. These factors have pushed corporations globally to focus on cost efficiency, innovation, and the diversification of service locations, all of which have contributed to the sector's evolution in Hungary.

In terms of operational models, 56% of BSCs function as captive centers, while hybrid models now account for 33%, a significant increase from 20% in 2023. Fully outsourced centers have declined to just 11%, down from 23% the previous year, indicating a shift towards more integrated service models. Notably, 60% of the BSCs in Hungary are over 10 years old, signaling the sector's maturation. Nevertheless, the appetite for growth remains strong: 63% of surveyed companies reported expansion in 2023, and 64% plan further growth by late 2024 or 2025.

A key priority for the sector is the creation of high value-added jobs, with 81% of companies planning to introduce such roles within the next 1-3 years. The proportion of employees engaged in Research, Development & Innovation has more than doubled in the past year, rising from 3% to 7%, indicating a shift towards more specialized, knowledge-intensive functions. Meanwhile, Finance, Accounting & Controlling and IT remain the core functions within the sector, employing over 40% of the total workforce.

72% of BSCs have established collaborations with educational institutions, including those in regional areas, helping to ensure a steady pipeline of skilled workers. As a result, it is no surprise that regional expansion is on the horizon, with 7% of companies indicating plans to open offices in Hungary's regional cities, an effort that reflects the broader geographic diversification of services and access to untapped local talent pools.

Technological innovation continues to play a central role in the sector's development. A majority of BSCs (57%) now report having a defined AI strategy, and 46% have already implemented AI solutions. These figures highlight the sector's commitment to future-proofing its operations through advanced technologies, positioning it as a forward-looking and competitive industry.

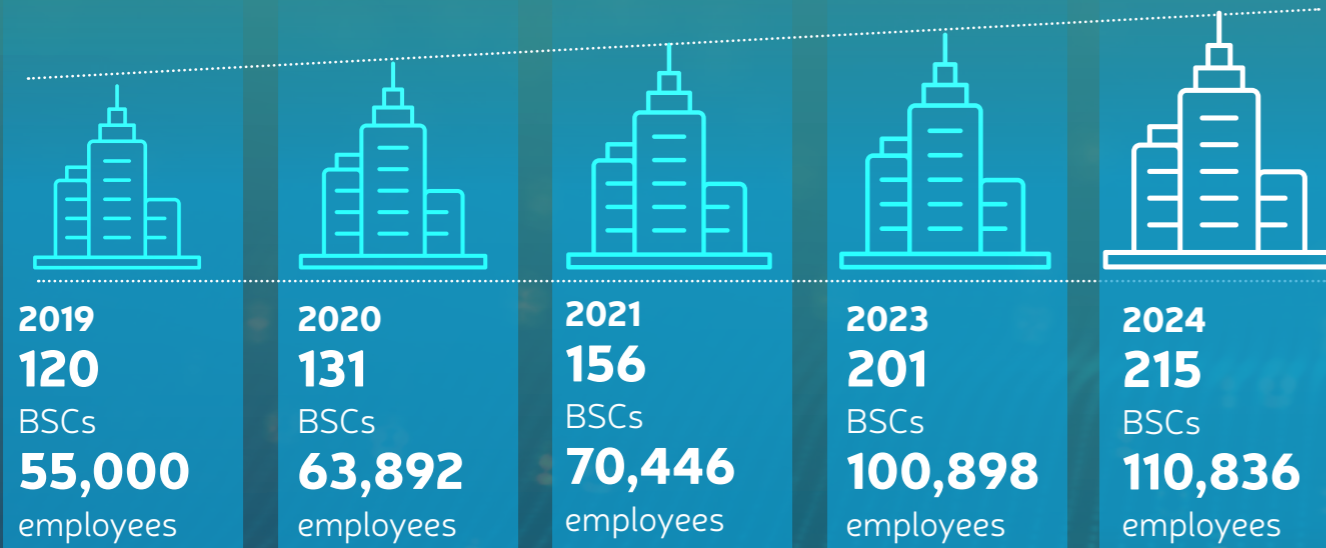
In line with global trends, remote work continues to be embraced, with only 8% of companies viewing extensive home office use negatively. The majority (79%) of BSCs require fewer than two mandatory office days per week, reflecting the sector's shift towards flexible, hybrid working models.

In conclusion, the Hungarian business services sector has proven resilient and adaptive, driven by its focus on high-value functions, gender equality, and technological innovation. As the sector continues to grow, it is expected to strengthen its position both in Budapest and across Hungary's regional cities, aligning with global trends towards digital transformation and flexible work environments.

Evolution

of the Hungarian BSC market

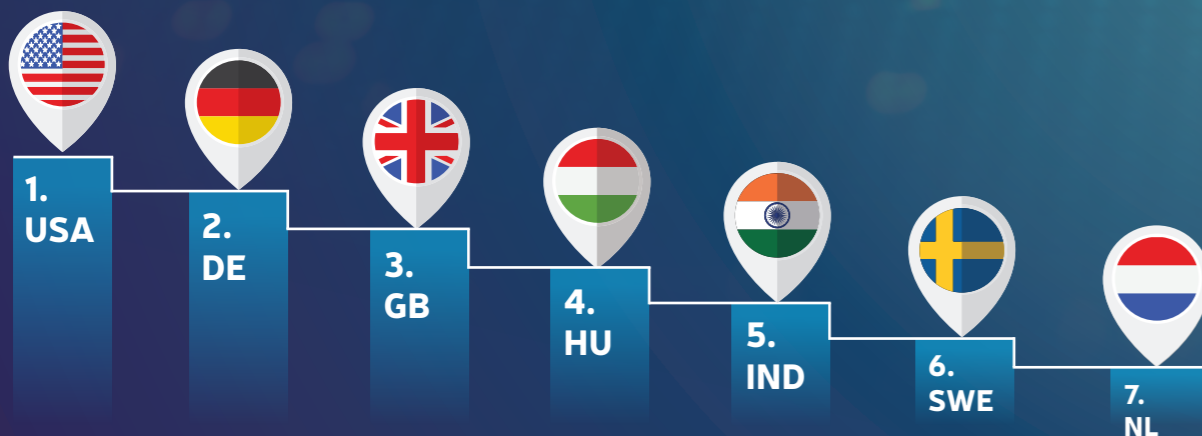
Overall



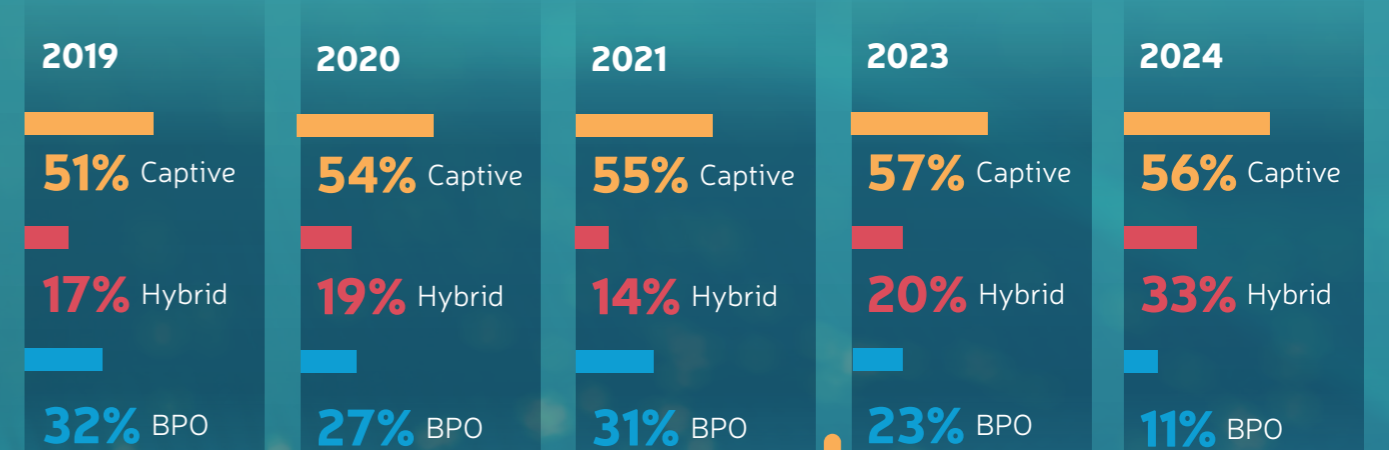
Newly established BSC centers in Hungary



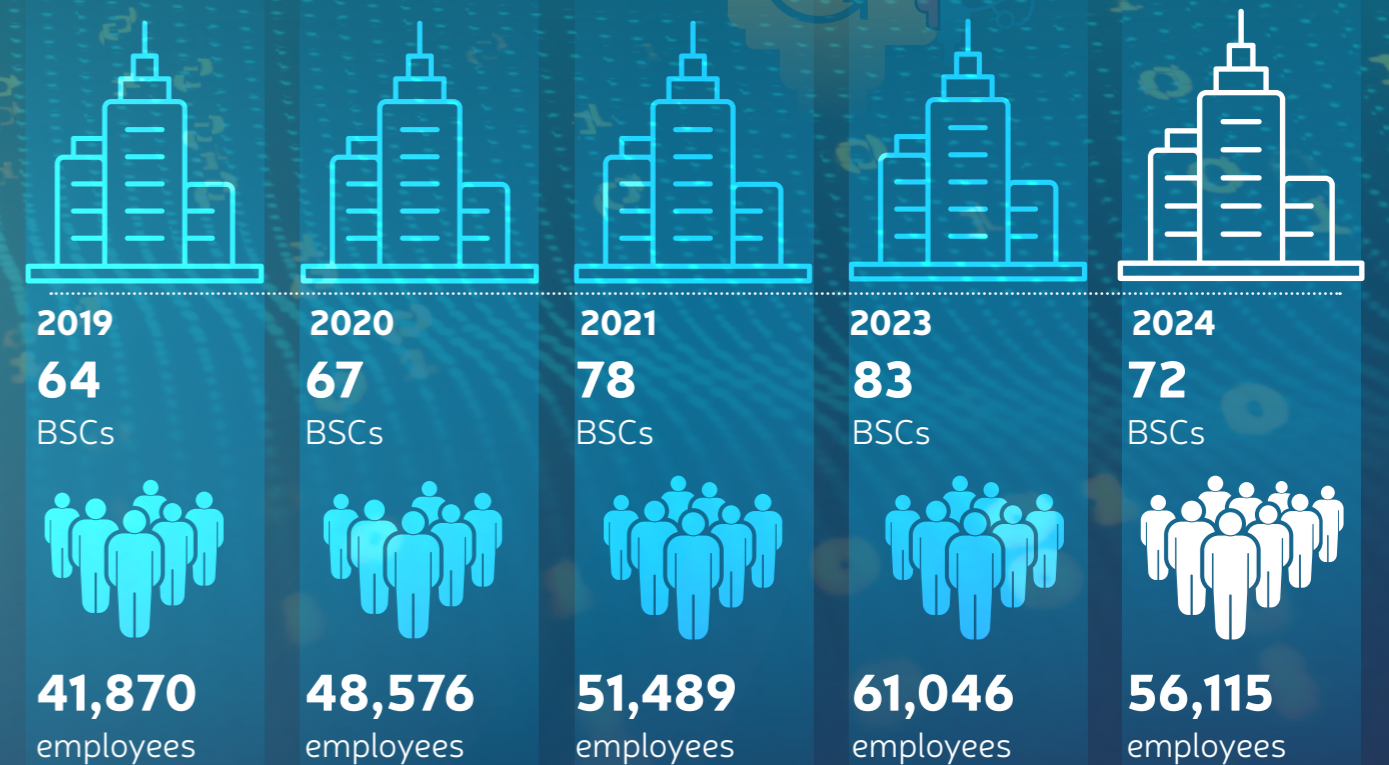
Major investors in the BSC market



Operational model



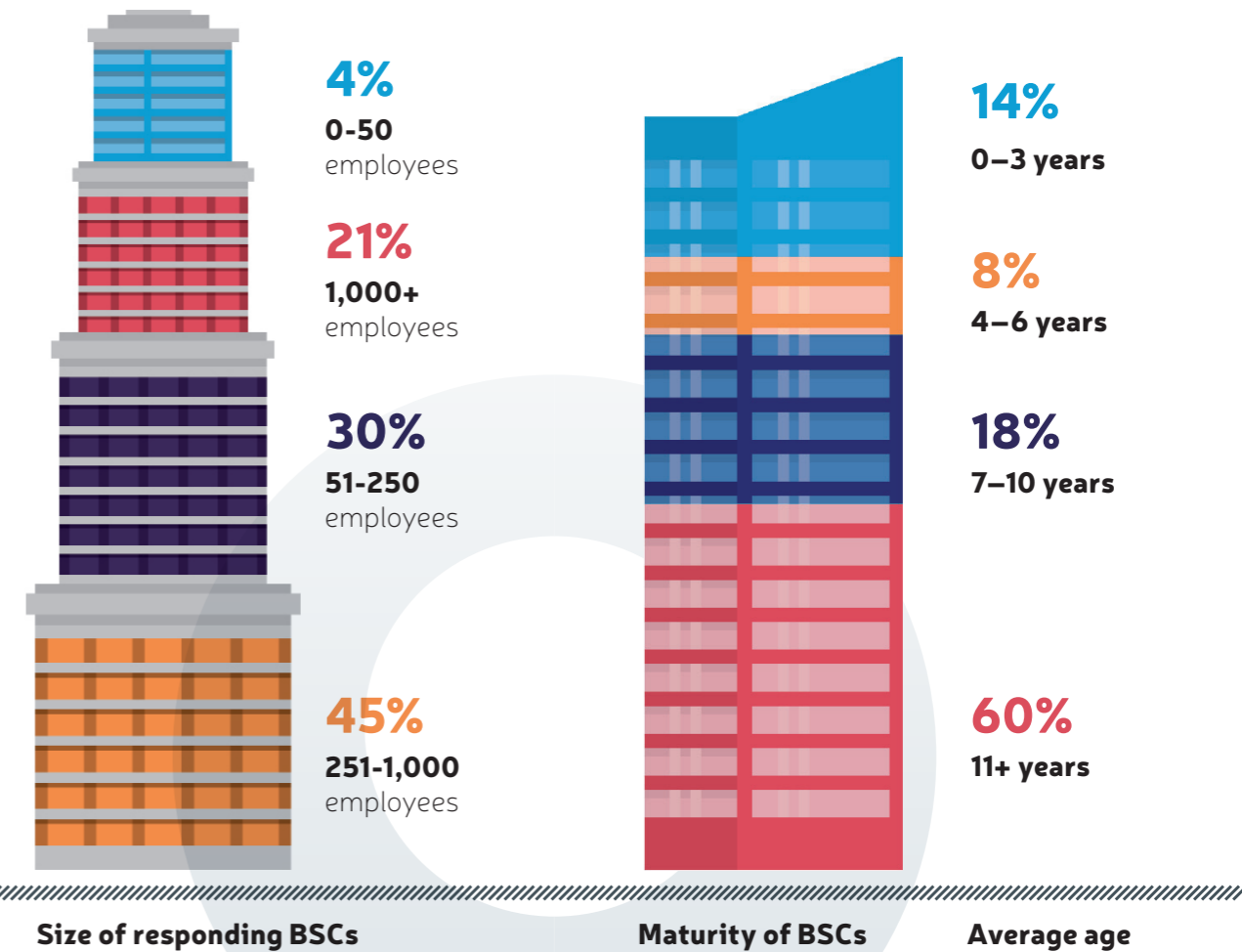
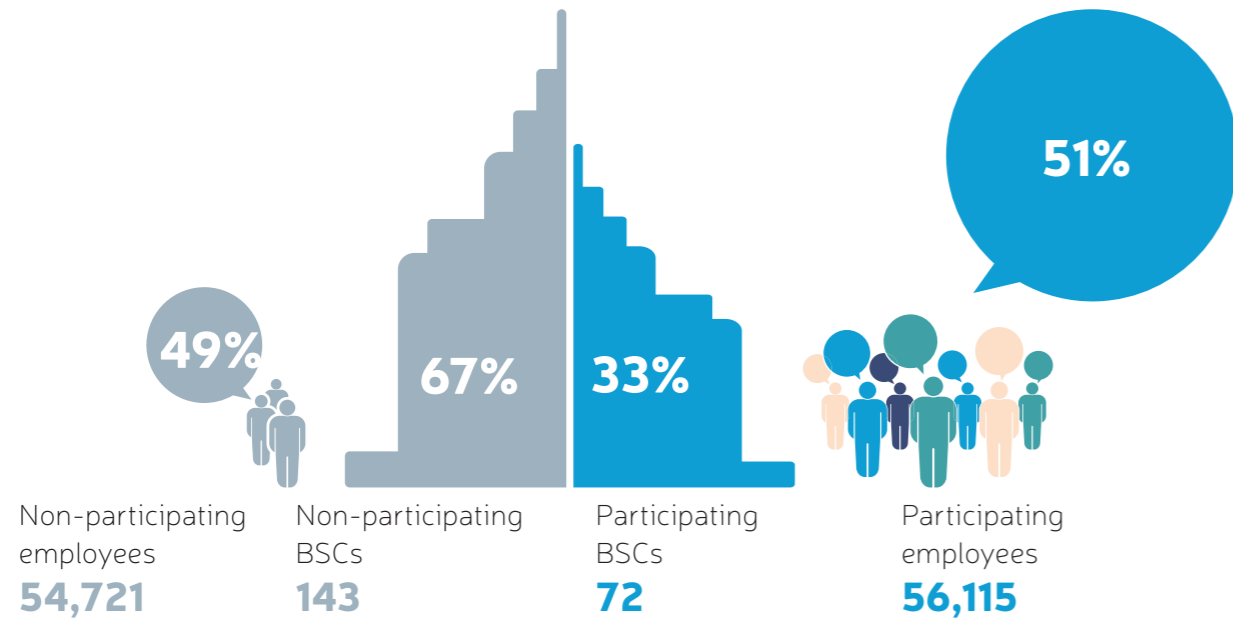
Number of BSCs and employees represented in the survey



General Information about the Survey

Industry & Employee Coverage

The Business Services survey, conducted in July 2024, gathered insights from 72 companies across various industries. Together, these companies employ 56,115 individuals, accounting for 51% of the labour force across 215 centers. This survey provides valuable data on the employment landscape and the contributions of these companies to the overall workforce.



Size of responding BSCs

Most companies participating in the survey boast a strong presence in Hungary, with 60% of respondents having operated in the market for more than 11 years. Additionally, 18% have provided services to their clients for 7 to 10 years. A significant portion of the respondents employs more than 250 workers. However, it's important to note that we only reached out to a select group of Hungarian-owned companies, which resulted

in a limited number of large Hungarian companies being included in the survey. Hungary's number of service centers has been steadily increasing, highlighting the country's appeal in the region. Overall, the market demonstrates impressive stability and maturity, with centers established over a decade ago continually enhancing their capabilities within the Hungarian marketplace.

Service locations of BSCs responding

According to the survey responses, 14% of Business Service Centers (BSCs) plan to open new service units in Hungary over the next three years, with 7% targeting rural areas for these expansions. Notably, 25% of respondents have relocated specific processes to Tier 2 cities, with 17% moving to various Tier 2 locations and 8% establishing operations in Pest County. These areas outside the capital are increasingly regarded as attractive options for secondary site openings. While there is a modest increase in investment in rural areas,

many businesses continue to explore other low-cost locations for their outbound services. Nevertheless, Hungarian Tier 2 cities are actively positioning themselves to lure potential investors, benefiting from significant universities that provide a well-educated and multilingual talent pool. This combination of well-prepared labour and growing investment potential reflects a promising outlook for the future of BSCs in Hungary.



Service locations of BSCs responding
Note: dashboard data is based on the responses of survey respondents.

Business Overview



Average headcount

516
(industry level)

779
(respondent companies)



Office presence in Budapest

69%



215
BSCs in Hungary



Captive centers

56%



Major BSC locations in Hungary

8 cities

Budapest, Debrecen, Szeged, Székesfehérvár, Pécs, Győr, Miskolc, Veszprém



Languages used by the centers

English, German, Hungarian, French, Spanish, Italian, and many more...



60%
Proportion of centers established 11+ years ago

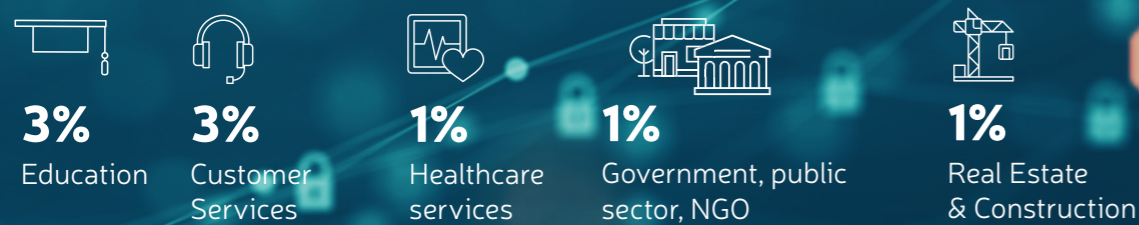
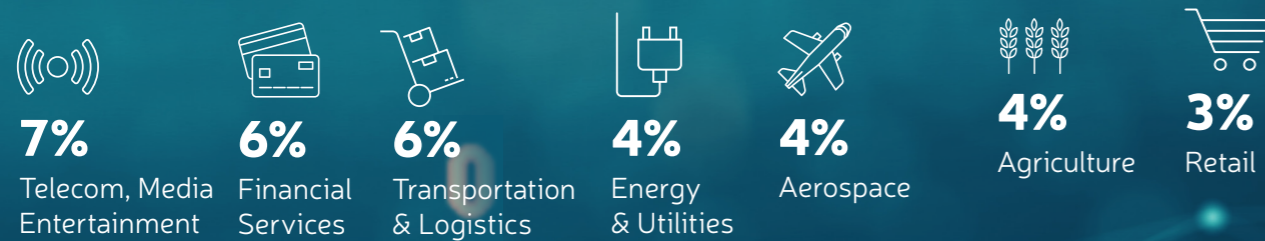
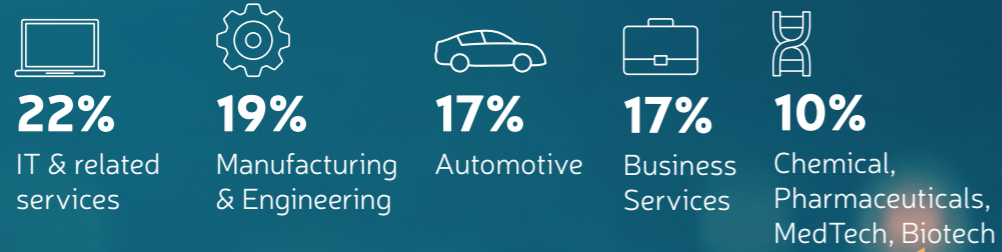


Global focus of activity

53%

Note: dashboard data is based on the responses of survey respondents.

Industry of Parent Company / respondents



As in previous years, the most prevalent industry profiles among respondents include manufacturing, engineering, information technology, and automotive, with over 50% of participants offering services in these sectors. Notably, there has been a marked increase in the

number of companies providing business services compared to prior years. However, companies in the chemical, pharmaceutical, MedTech, and biotech industries appear to be experiencing stagnation in the number of newly established operations.

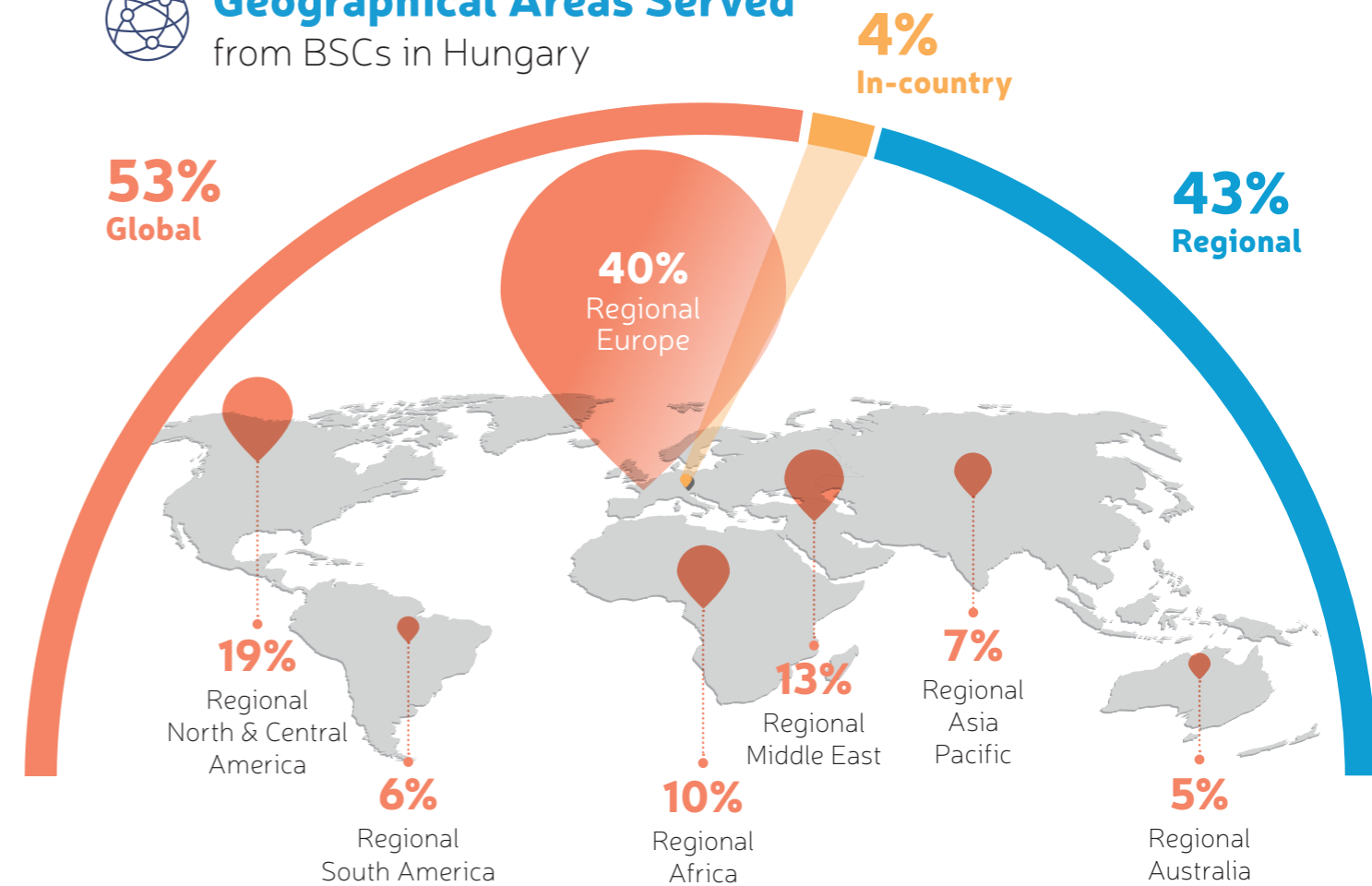


Operational model of respondents

Regarding operational models, 56% of respondents are captive centers primarily providing services to their parent companies. There has also been a notable rise in the number of hybrid companies, with an increasing number of respondents indicating this structure compared to previous years. Conversely, the proportion of Business Process Outsourcing (BPO) companies has decreased to 11% compared to 2023. This shift reflects evolving trends in the industry, with more organizations adapting to hybrid models while traditional BPO structures face a decline.



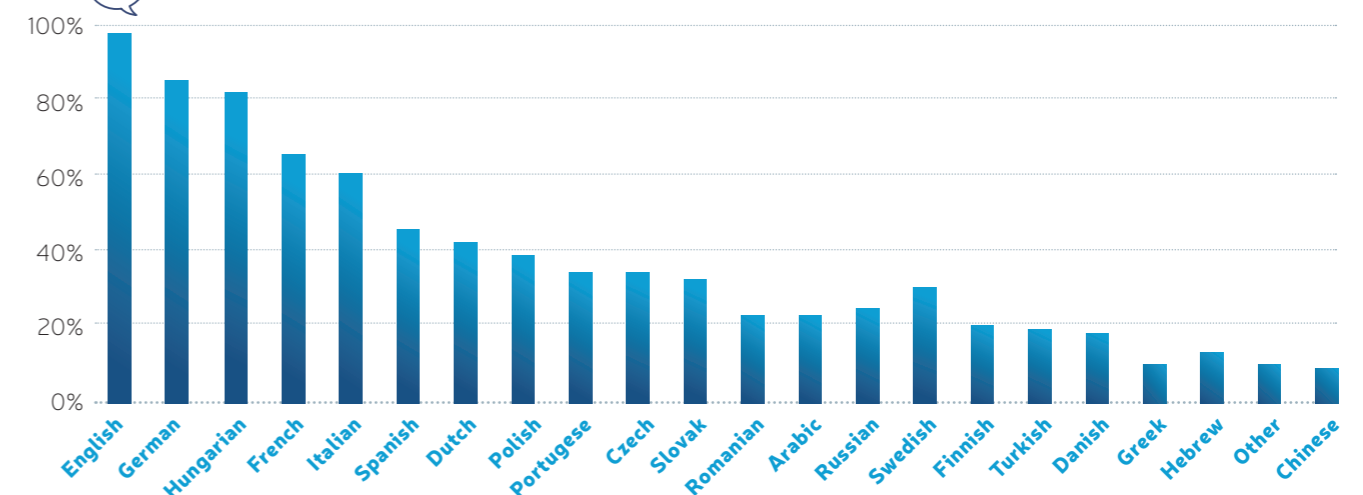
Geographical Areas Served from BSCs in Hungary



There has not been a notable change among responding business service centers (BSCs) that provide services on a global scale. Over 50% of respondents deliver services worldwide, reflecting a higher maturity level within the sector. Additionally, 40% of respondents cater to various European countries. However, there has been a decline in regional focus on servicing countries in the Middle East and Africa compared to previous years, indicating a shift in priorities and strategic landscapes. Meanwhile, North and Central America continue to be key areas of interest for service providers.



Languages supported from BSCs in Hungary



Hungarian BSCs continue to excel in providing a robust multilingual platform for service delivery. The top five languages utilized are English, German, French, Italian, and Spanish. Additionally, there is a growing trend in the use

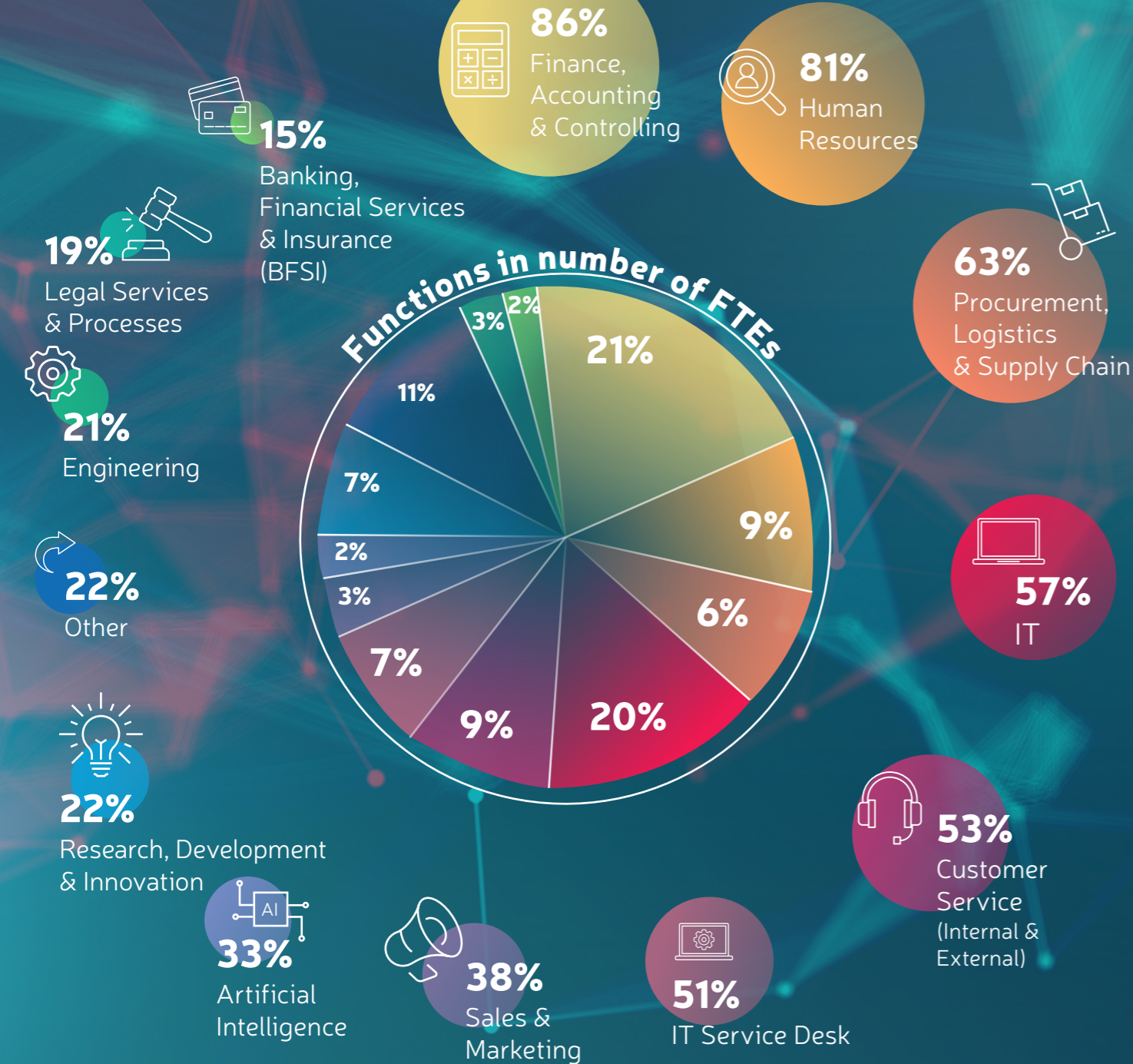
of Dutch, and Polish languages. Moreover, foreign nationals often lend their expertise by offering services in exotic languages as native speakers, further enriching the linguistic diversity available.



Functional focus

Hungary continues to be a reliable destination for Finance, Accounting, and Controlling services, with a notable increase in this functional area compared to previous years. Human Resources and Procurement services also remain key components of the extensive service portfolios offered by respondent companies.

Meanwhile, there is an ongoing emphasis on delivering information technology-related services. However, focusing on research, development, and innovation within the Business Service Centers still requires enhancement to fully capitalize on emerging opportunities.



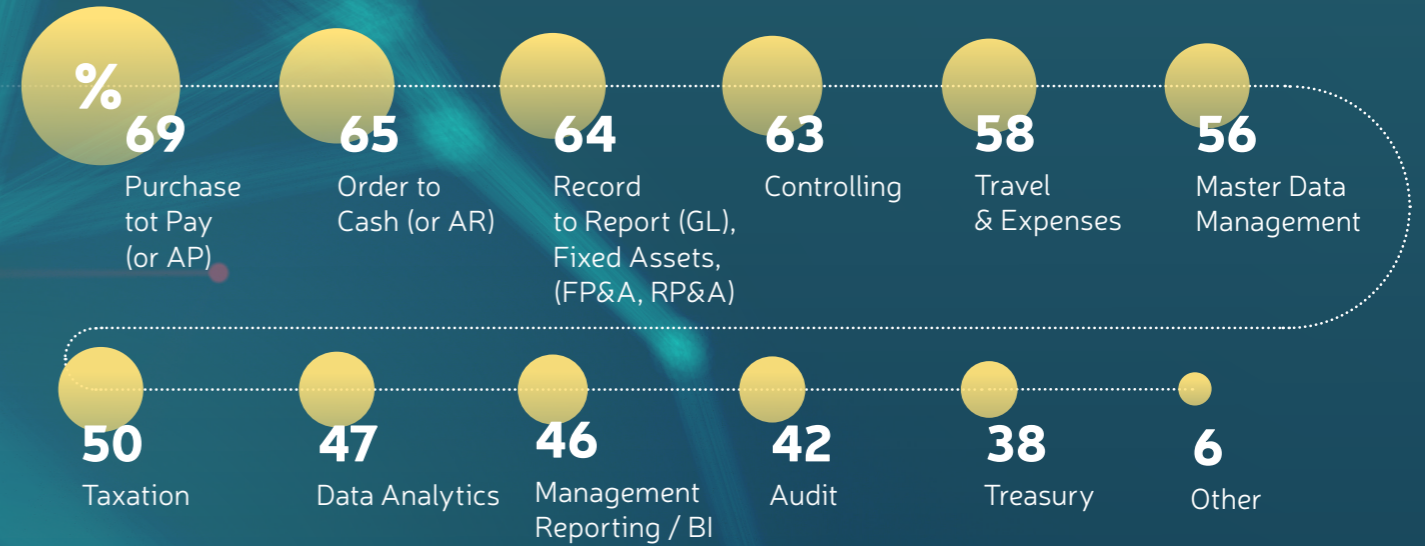
Functions in number of FTEs*

Regarding talent distribution across various segments of BSCs, survey respondents have noted a slight decline in the proportion of employees engaged in Finance, Accounting, and Controlling, which currently accounts for 21%. Similarly, the areas of information technology, human resources, customer service, and IT service desks are experiencing stagnation. These trends exemplify the evolving dynamics of workforce allocation within BSCs. Interestingly, there has been a significant increase in employment within Research, Development, and Innovation compared to previous years, highlighting a positive shift in focus towards these crucial areas.

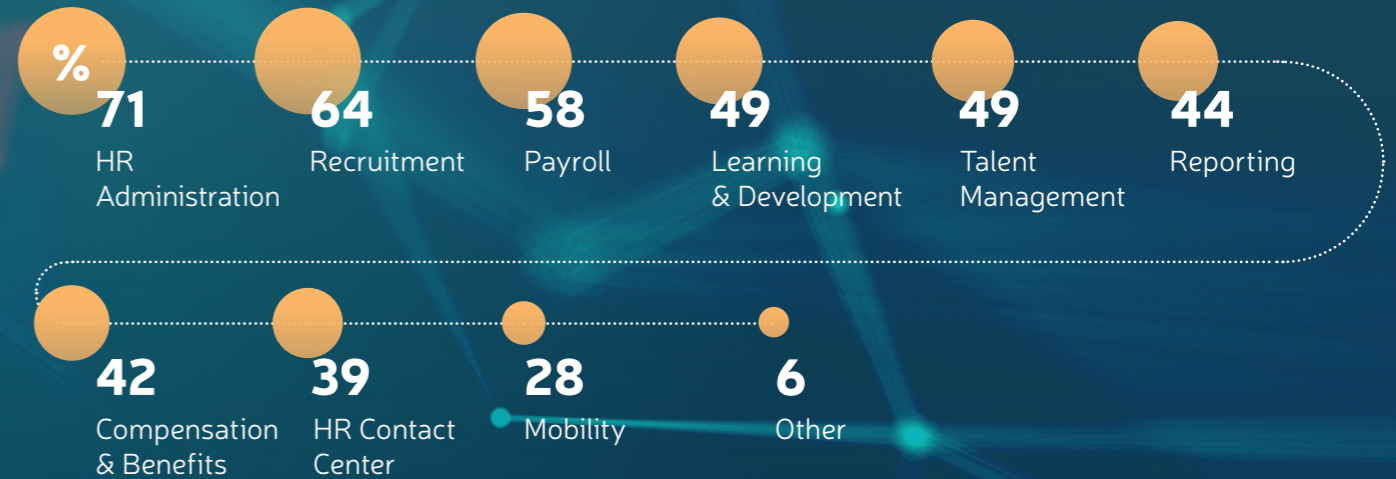
* % of the total number of survey respondents



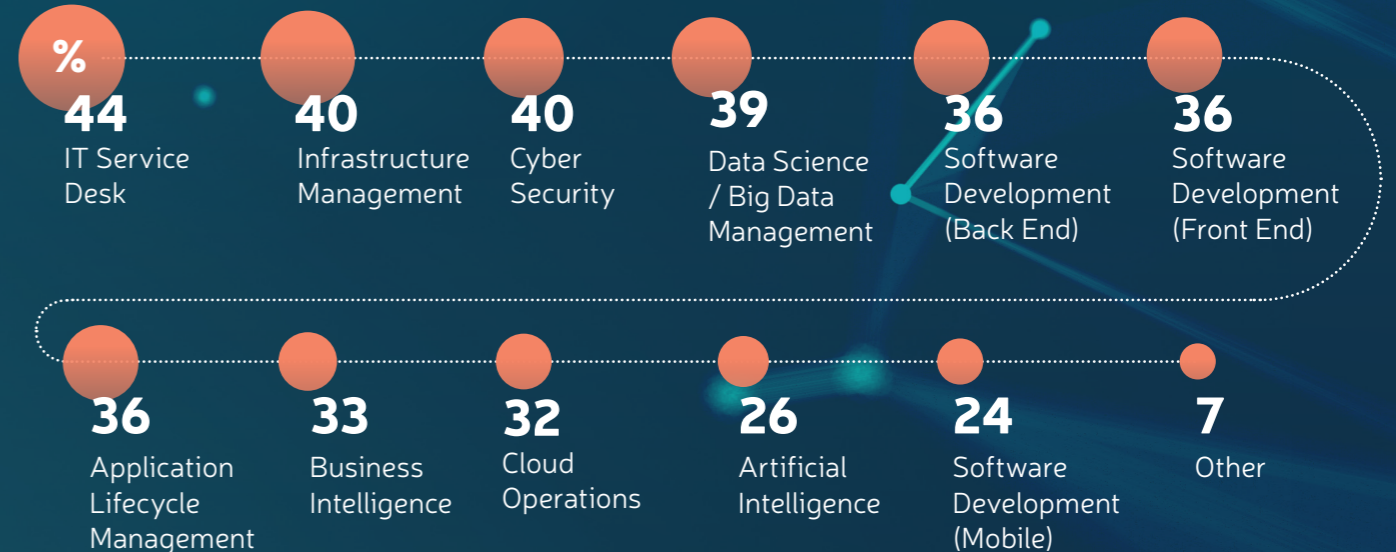
Finance, Accounting & Controlling*



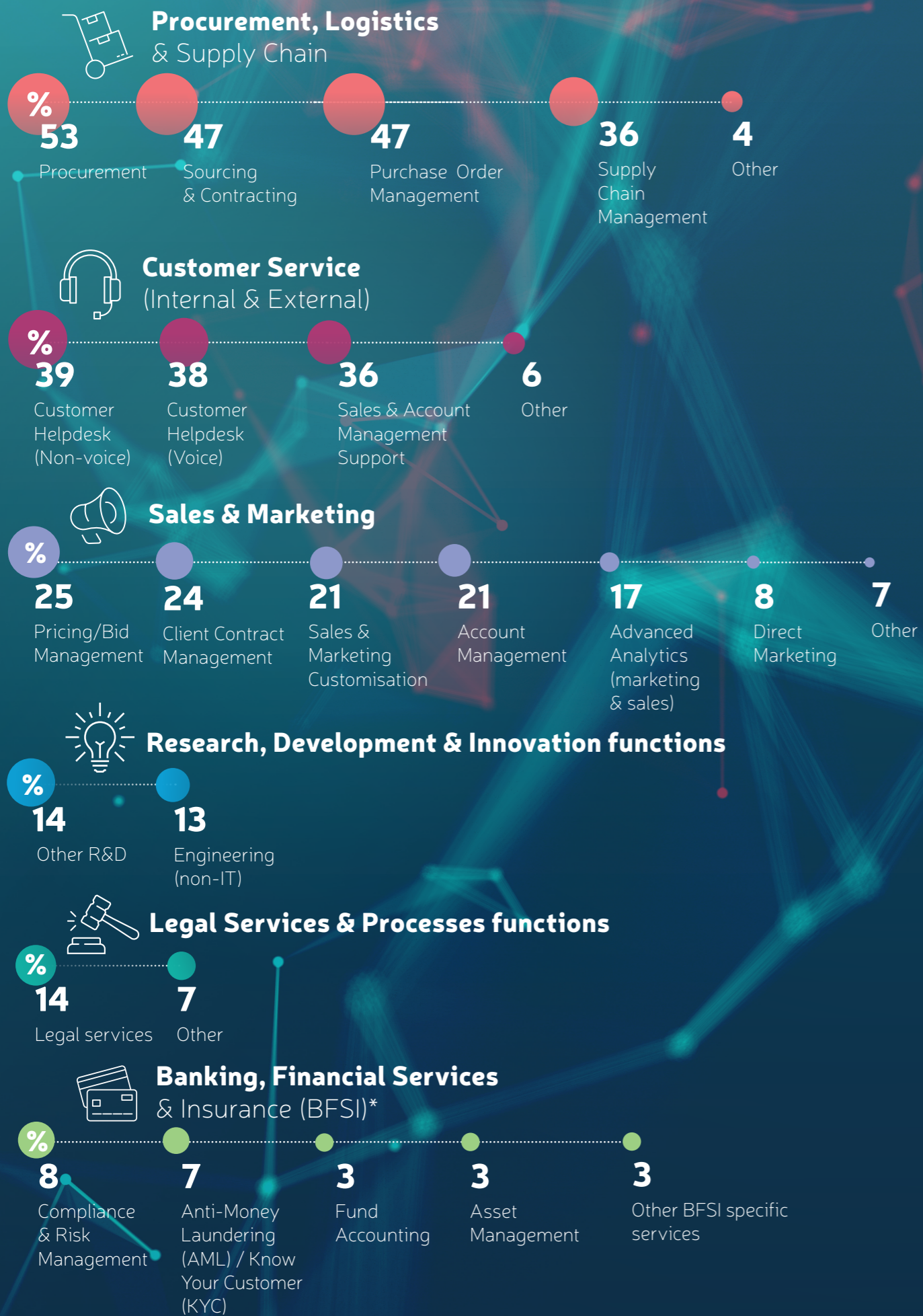
Human Resources



IT Functions



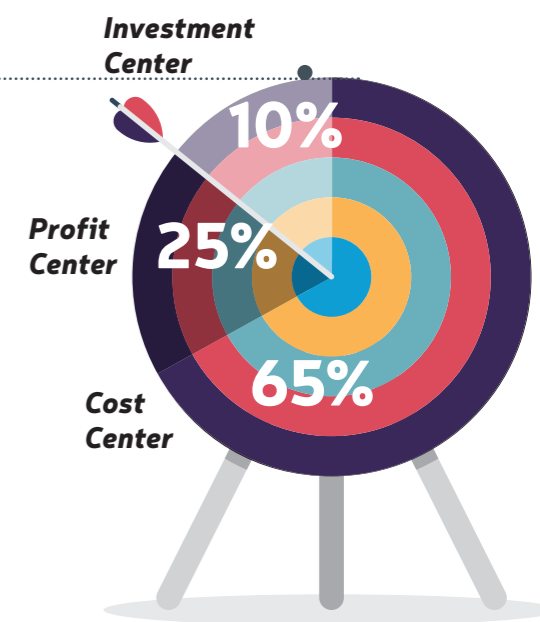
* % of the total number of survey respondents



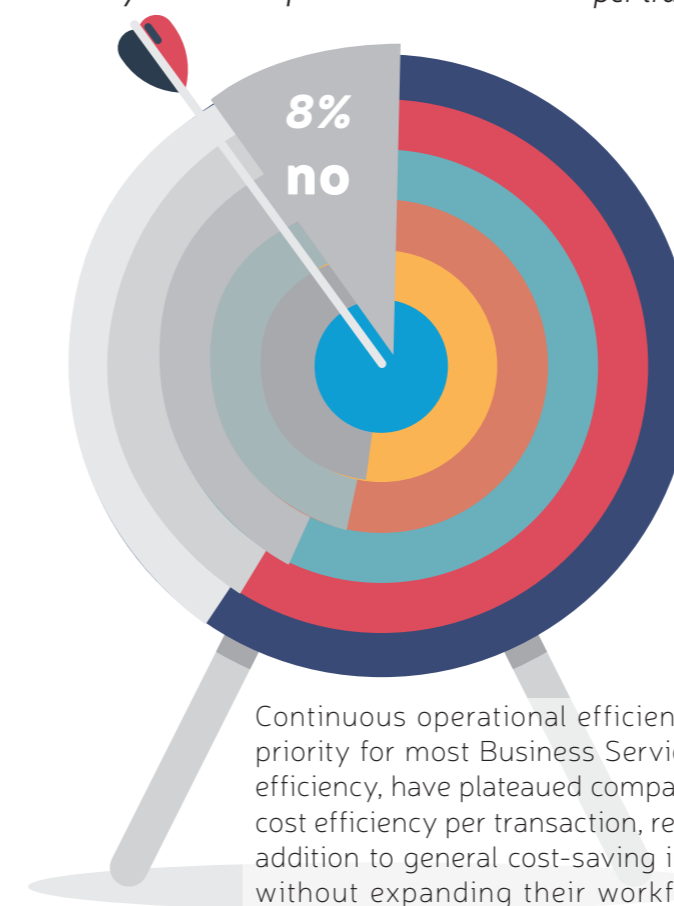
Financial responsibilities

Business model of BSCs based in Hungary

65% of responding business service centers operate as cost centers with a predefined budget, a model most commonly associated with captive centers. However, there has been a notable increase in the share of BSCs functioning as profit centers, indicating a shift toward more value-driven operational strategies. Conversely, the responsibility of investment centers has decreased compared to 2023. This shift in operational models reflects a broader trend within the industry, as organizations seek to enhance profitability and efficiency by adapting their approaches to align with evolving market demands.



Do you have any **annual efficiency targets** for your BSC operation?



67% yes,
improving cost efficiency per transaction

60% yes,
cost saving

53% yes,
expanding scope without increasing headcount

53% yes,
decrease attrition/Increase retention

47% yes,
eliminating roles by automation and other digital solutions

8%
other

Continuous operational efficiency and value generation improvement remain a top priority for most Business Service Centers. While cost savings, a key factor in driving efficiency, have plateaued compared to 2023, there is a notable emphasis on enhancing cost efficiency per transaction, reflecting a growing maturity in process management. In addition to general cost-saving initiatives, BSCs are increasingly taking on more tasks without expanding their workforce. Achieving desired efficiency targets through automation and other digital solutions is becoming crucial in this landscape. The elimination of certain roles due to these advancements creates new opportunities for expansion and the optimal utilization of a skilled workforce, ultimately contributing to the overall growth and adaptability of the industry.



Effects of the home office / hybrid working model

Efficiency aspects

The data on the impact of home office and hybrid working models on efficiency reveals some interesting trends: 66% of respondents reported no significant change in efficiency due to these new working arrangements. This indicates that many organizations have successfully adjusted to remote or hybrid models without decreased operational performance.

In contrast, a smaller yet optimistic percentage reported improved efficiency. Specifically, 7% noted a significant enhancement in efficiency, while 18% experienced moderate improvements. These numbers not only suggest the potential for greater productivity and effectiveness with flexible work arrangements but also make us optimistic about the future of work.

However, it's important to note that 8% of respondents reported a moderate reduction in efficiency due to the hybrid model. This highlights that transitioning to hybrid working is not universally beneficial and may present some challenges. The variation in results underscores the need for businesses to continuously assess and optimise their operational models to maximize efficiency, particularly as remote work continues to evolve.

Efficiency effects of home office / hybrid working model

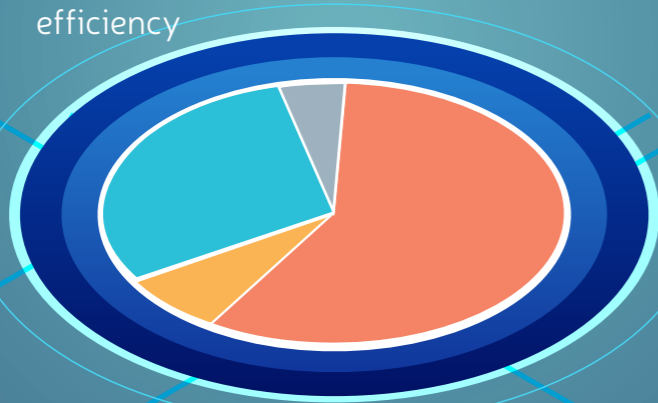


18%
Moderately improved efficiency

8% Moderately reduced efficiency



7%
Greatly improved efficiency



66%
No significant change in efficiency

Are you considering to introduce a 4 working days model?



3% yes



94% no



Despite the rise of home-office and hybrid working models, most responding firms are unprepared to embrace the promising workweek reduction from five days to four. Several factors contribute to this hesitance, including corporate headquarters' guidelines, client expectations, the specific nature of certain positions, revenue and profit objectives, and the already flexible work schedules in place. Conversely, companies open to a shorter workweek highlight vital benefits such as increased flexibility, enhanced employee motivation, and greater engagement. These factors are believed to contribute to lower attrition rates, making a compelling case for re-evaluating traditional work structures. While many organisations remain cautious, there is a growing recognition of the potential advantages of a condensed workweek in fostering a more agile and satisfied workforce.

Are you considering to hire people for permanent remote work regardless of their residency?

39% yes

61% no

40% no

60% yes

Does the company exceed the legal minimum in terms of the number of days off?

The BSC sector's wide range of office attendance policies reflects the industry's shift towards flexible work arrangements. Employers are accommodating the desire for remote work while still recognizing the importance of in-person collaboration. As the industry evolves, finding the right balance between remote and on-site work will be crucial for maintaining productivity and employee satisfaction.

A small number of companies (2%) require daily in-office attendance, reflecting a traditional emphasis on in-person collaboration. On the other hand, 13% of respondents mandate a minimum of three days in the office, striking a balance between remote work and on-site collaboration. Additionally, 31% require employees to be in the office at least twice a week, providing flexibility while fostering regular face-to-face interactions.

There are also options for minimal in-office presence, with 16% of companies requiring employees to be in the office at least one day a week. Notably, 9% of respondents have no minimum requirements, allowing employees to choose fully remote work.



How many days are colleagues obliged to go to the office?

13%

There is no minimum, employees can choose fully remote work

3%

Employees have to come into the office every day

18%

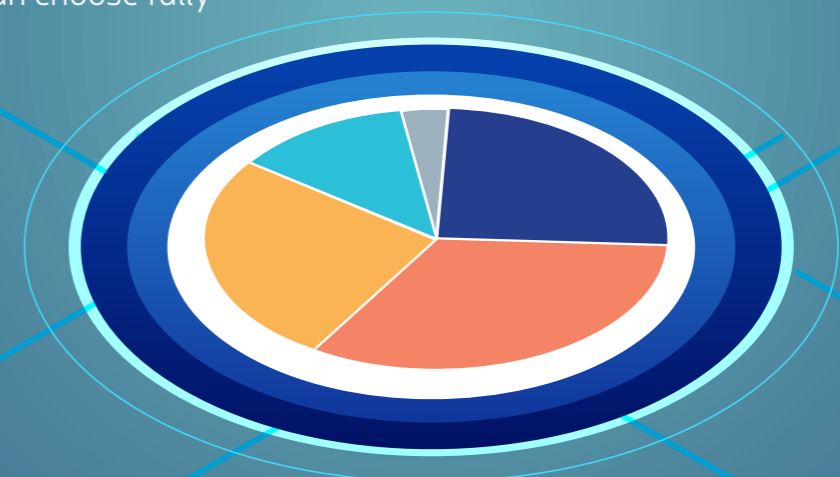
Minimum 3 days

22%

Minimum 1 day

44%

Minimum 2 days



Regardless of residency, responses regarding hiring people for permanent remote work show a clear division among BSCs. 38% of respondents indicated they are open to hiring remote employees from any location, while a more significant portion, 62%, do not plan to adopt this approach. These findings highlight differing strategies within BSCs regarding remote work policies. While some organisations embrace flexible hiring practices, most remain focused on more traditional employment models.

Competitiveness Overview



63%

continuous growth
expanded
with new services
in 2022-23



63

higher education
institutions



**Skilled
& educated
workforce**



**Shift to
value-added
services**



279,811

students



81%

are planning to bring
more value-added
functions to Hungary



64%

to increase
service portfolio



Job creation
subsidy



Cash
subsidy
for training
purposes



**Various
Incentives**



Cash
subsidy
for R&D
activities



520,000 m2

office under
construction
in Budapest



**High quality
infrastructure**



Full climate
neutrality
by **2050**



Corporate
**tax
allowance**

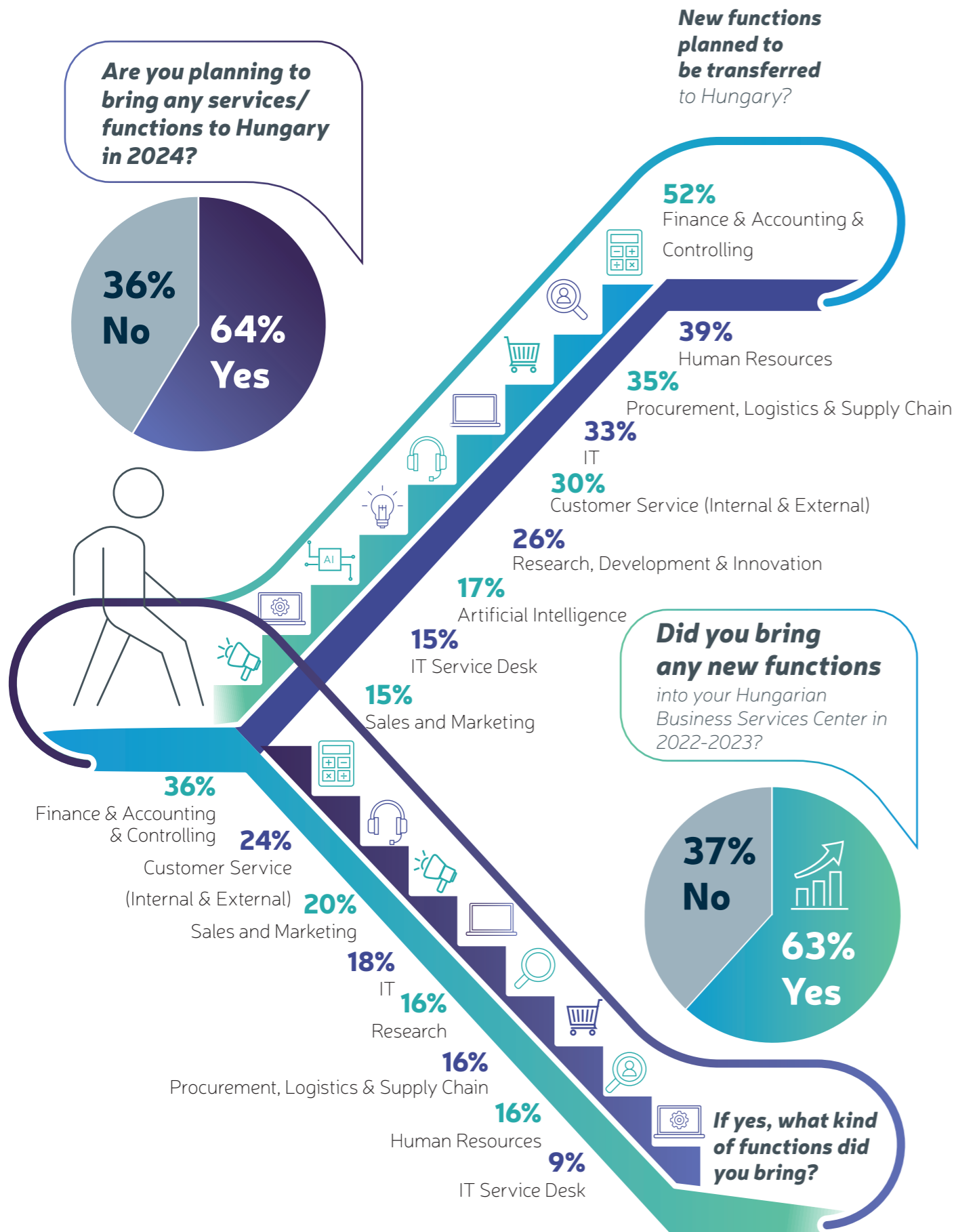


4.5 million m2

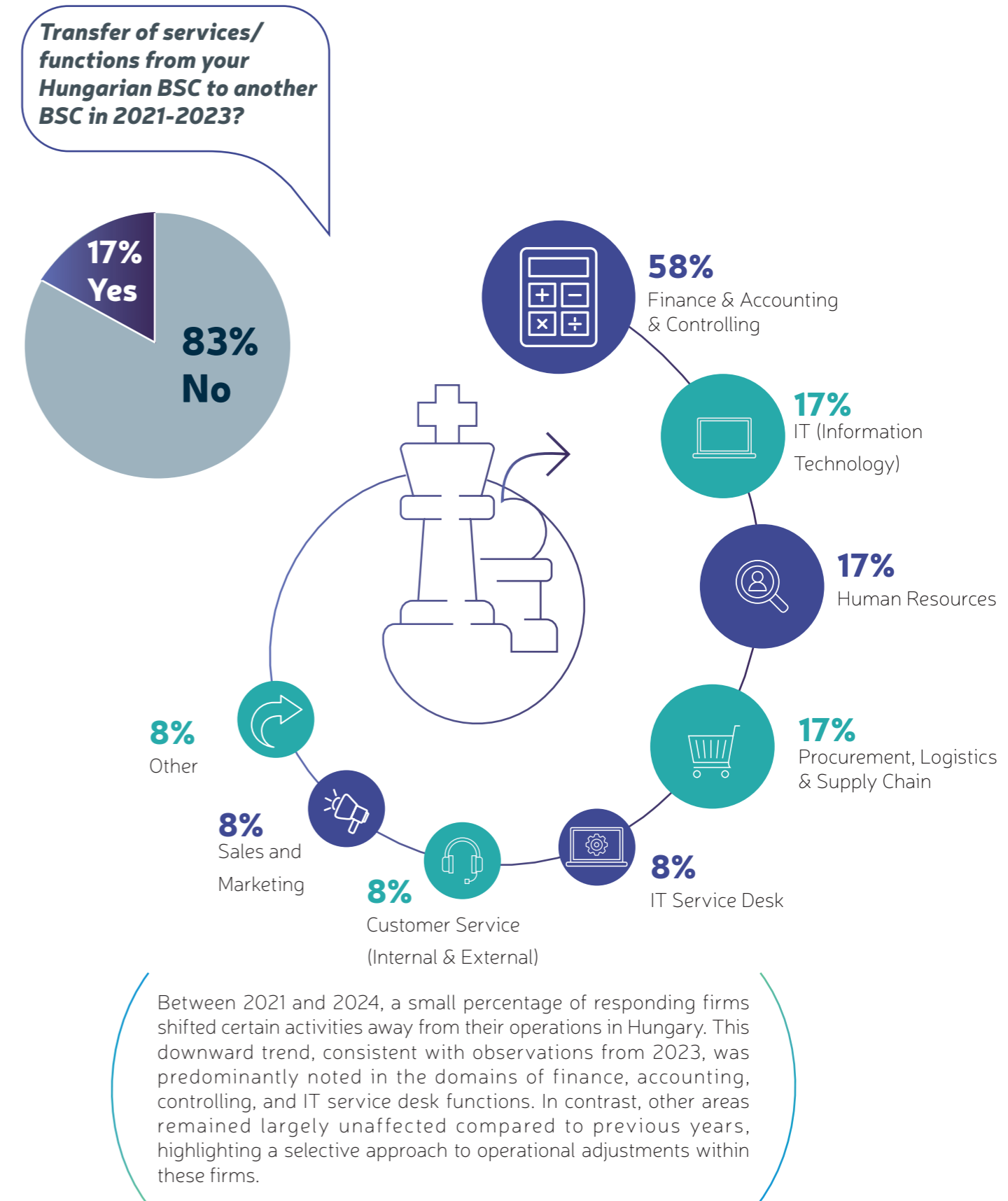
office stock in Budapest



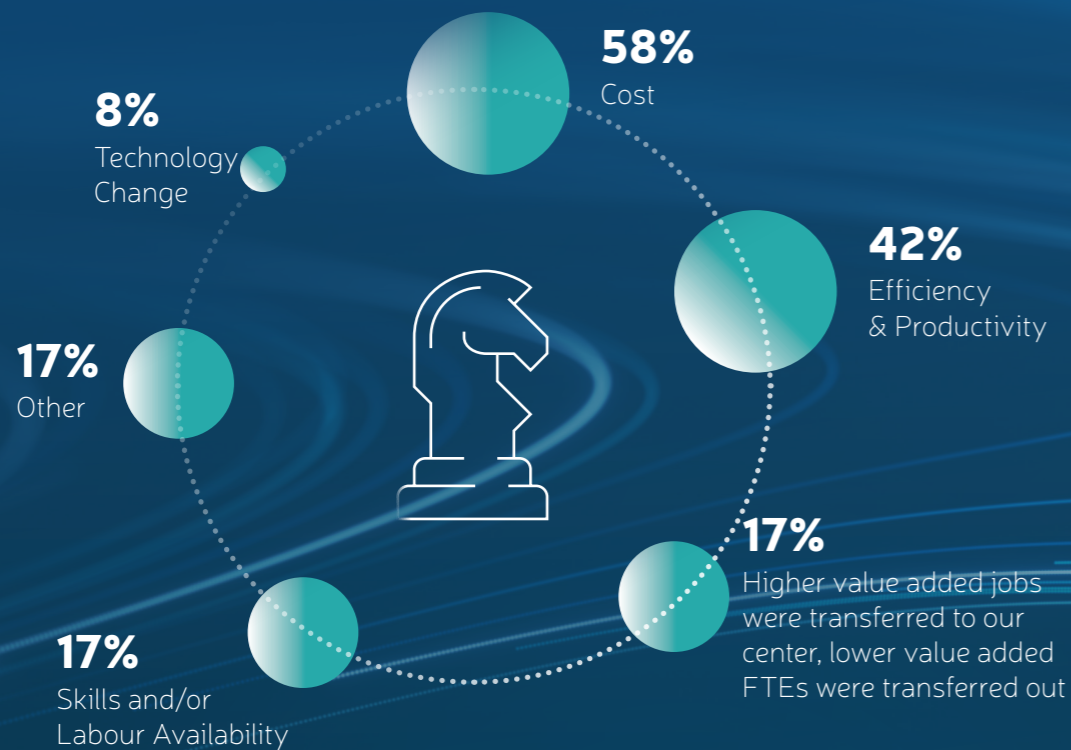
Continuous growth



Functions replaced from BSCs based in Hungary



Reasons for the outbound service migration



Overall, the reasons provided for outbound service migration reflect evolving business strategies. Organisations emphasise maximising existing resources and capabilities rather than outsourcing for cost and efficiency gains. This trend may indicate a more stable and mature approach within the industry, allowing firms to focus on higher-value activities within their centers. The data regarding outbound service migration in Business Services show notable shifts compared to 2023. A significant decrease in the reasons cited for migration can be observed, particularly in cost and efficiency/productivity. In 2023, 75% of respondents identified cost as a driving factor for outbound migration, while this figure has now fallen to 58%. Similarly, the emphasis on efficiency and productivity has dropped from 75% to 42%. This decline suggests that firms may be finding alternative ways to manage costs and enhance productivity within

their existing operations, potentially reflecting improvements in operational efficiency or a shift in strategic priorities.

Notably, the percentage of respondents attributing technology change as a reason for outbound migration has increased significantly, from 0% to 8%. This shift underscores the growing influence of technological advancements on operational decisions, indicating a more tech-savvy approach in the industry.

Respondents mentioning skills and labour availability as a reason for outbound migration have dropped noticeably, from 25% to 17%. This decrease suggests a potential alleviation of workforce challenges, allowing firms to focus on other strategic areas.

The data on the new locations for outbound service migration show interesting developments compared to 2023. Notably, the percentage of firms relocating services to other Central and Eastern European (CEE) countries has significantly increased, rising from 19% to 33%. This suggests a growing preference for leveraging regional capabilities within the CEE, likely due to proximity, familiarity, and the availability of skilled labour.

Conversely, the trend of moving services to other countries with lower operating costs has slightly decreased, from 81% in 2023 to 75%. This shift in focus from cost to value suggests that companies are beginning to appreciate alternatives closer to home rather than solely seeking out the lowest-cost options.

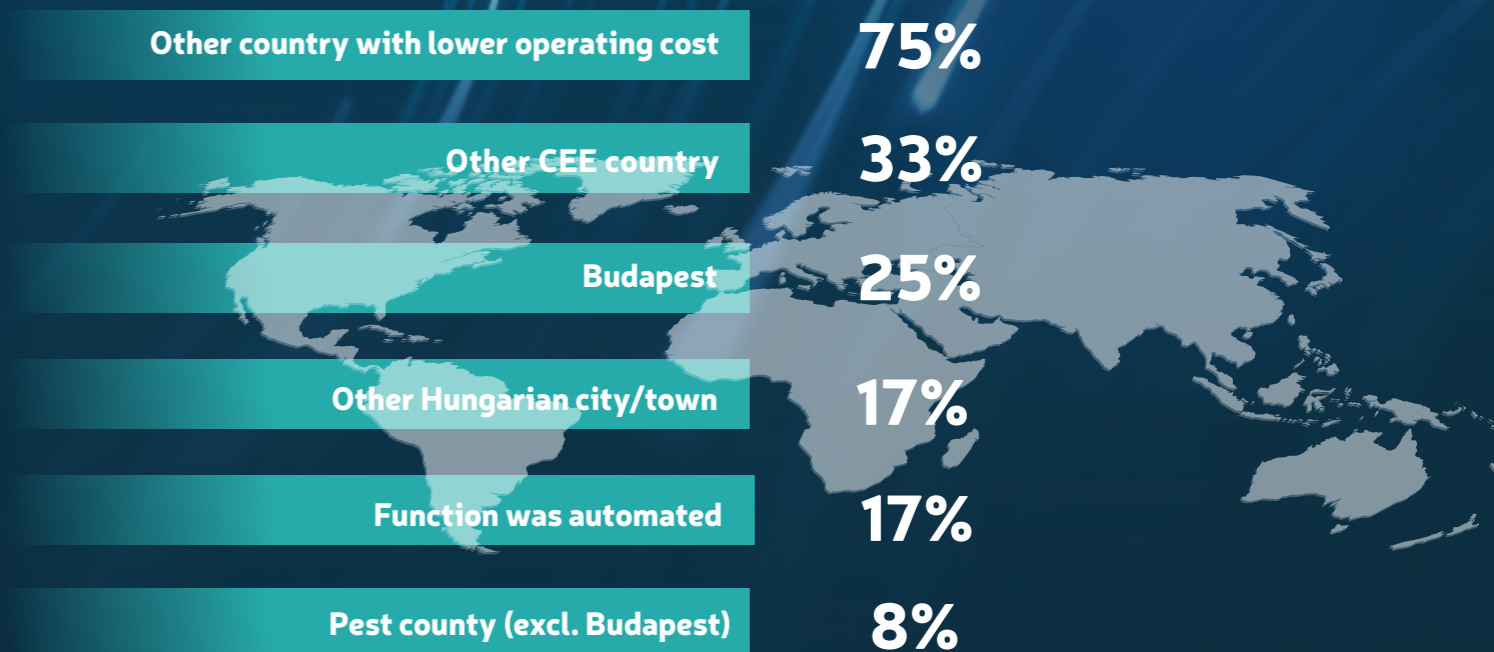
Notably, the movement of services back to Budapest has increased, with 25% of firms now relocating activities to the capital, compared to just 13% in the previous year. This uptick underscores Budapest's growing appeal, attributed to its robust infrastructure and talent pool, making it an attractive destination for certain business functions.

Pest County, excluding Budapest, has emerged as a new location for service migration, with 8% of respondents indicating this option for the first time, showcasing a broader regional movement within Hungary. Similarly, other Hungarian cities and towns have also seen 17% of firms relocating services there, a significant increase from zero in the previous year.

Function automation has also gained traction, with 17% of firms indicating that their services were automated, compared to only 6% in 2023. This shift highlights the increasing reliance on technology to streamline operations and reduce dependence on manual processes.

The response to the survey reflects a dynamic shift in the locations of outbound services, indicating that firms are adapting to changing economic conditions and exploring a mix of regional options in Hungary and other CEE countries. This evolution emphasizes the ongoing importance of strategic decision-making in optimizing service delivery.

New locations for outbound service migration



Reasons for the outbound service migration

The trends in value-added services reflect a strategic evolution within firms towards enhancing service quality and focusing on more impactful offerings, which is crucial for maintaining competitiveness in the Business Services landscape. The data on the ratio of value-added services in the complete service portfolio shows notable shifts compared to 2023. Among respondents, 26% reported that value-added services comprise 76-100% of their service portfolio, a slight increase from 23% in the previous year. Increasing firms' focus on high-value services could indicate a strategic shift towards enhancing their competitive advantage and meeting client demands for more comprehensive solutions.

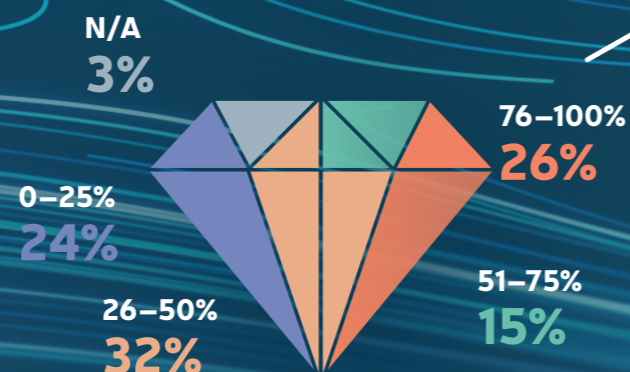
There has been a noticeable decrease in the 51-75% range, with only 15% of firms indicating that this proportion of their services is value-added, down from 18% in 2023. This decline underscores a consolidation of offerings as firms aim to prioritize their most impactful service elements.

The segment of respondents reporting a 26-50% ratio of value-added services remains stable at 32%, consistent with the previous year's results. This steadiness suggests that many firms maintain a balanced mix of value-added and traditional services.

Conversely, the percentage of firms indicating that value-added services account for only 0-25% of their portfolio has stayed at 23%. This shift from lower-value service offerings indicates a growing awareness of the need to enhance their service value proposition.

Focus on **value-added services** in the complete service portfolio

Are you planning to bring high-value added functions to Hungary in the next 3 years?



Current maturity level

25%

Higher value-added services integrated, outcome-oriented operation, charging back of full costs, market-based pricing, center of excellence model

17%

Digitalization and automation, optimization with management methods (e.g. Lean6Sigma)

3%

Other

29%

E2E processes, global process ownership, multisourcing, multi-location model, rightsourcing, GBS (Global Business Services) model

22%

Horizontal and vertical extension, standardization of service processes, building sophisticated SLA/OLA

4%

Launching the center, centralization, consolidation, harmonization

The trends in the maturity stages of service center operations reflect a progressive evolution among BSCs toward optimising their operations and services. The industry moves steadily towards more complex and integrated models, enhancing overall efficiency and responsiveness to market demands. The data regarding the current maturity stage of service center operations at responding Business Service Centers (BSCs) reveals interesting trends compared to 2023. A mere 4% of firms are still in the initial stages of launching their centers, down from 10% the previous year. This decline suggests that more firms have matured beyond their operations' foundational phases. The segment focused on horizontal and vertical extension, standardization of service processes, and building sophisticated Service Level Agreements (SLA) or Operational Level Agreements (OLA), which has seen a slight increase, rising from 19% to 22%. This growth is a testament to the industry's commitment to refining and structuring service processes, showcasing a strong dedication to operational excellence.

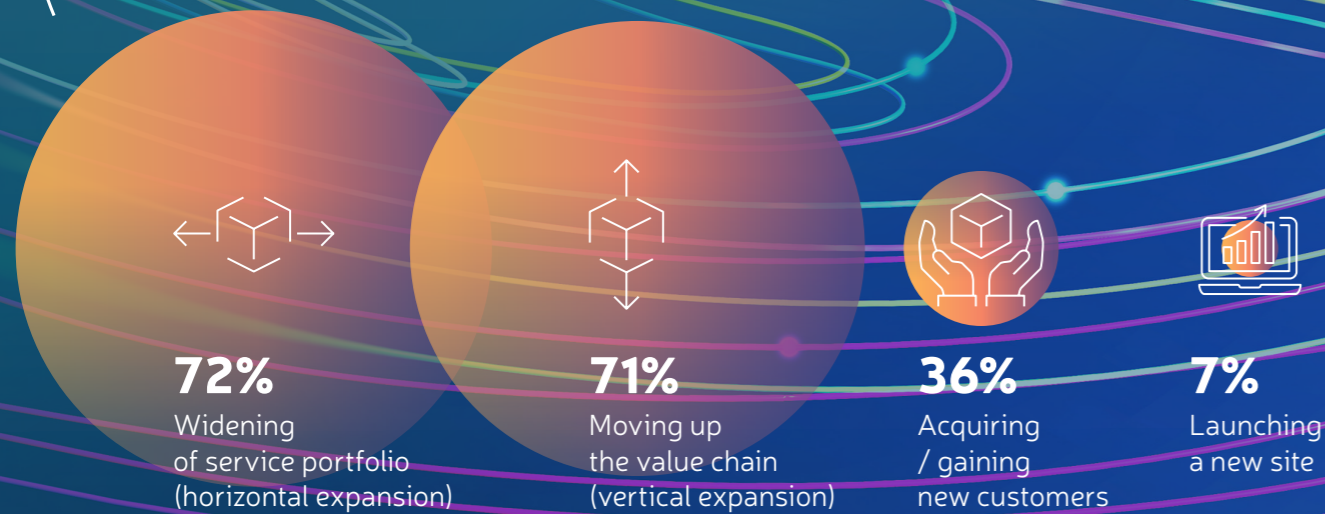
Regarding digitalisation and automation, 17% of respondents indicate they are at this maturity stage, a slight increase from 16% in 2023. This stability reflects the industry's consistent recognition of the importance of technology in enhancing operational efficiency. The proportion of respondents engaged in E2E processes, global process ownership, and multisourcing increased from 25% in 2023 to 29%. This shift highlights a significant move toward more integrated and global operational frameworks, which can enhance agility and responsiveness in service delivery. Finally, the category representing firms that have integrated higher value-added services adopted outcome-oriented operations and implemented market-based pricing strategies has declined from 28% to 25%. While this may suggest a plateauing in this area, it also indicates a strategic focus on more sophisticated operational models and approaches, such as the center of excellence model.

Further expansion

Factors that influence expectations for 2025



The outlook for BSC expansion highlights a shift in strategy. Organisations emphasise value enhancement and customer acquisition while tempering their eagerness to broaden service portfolios slightly. The data on factors influencing expectations for expanding BSCs in the upcoming year shows some notable changes compared to 2023. A considerable 72% of respondents anticipate that widening their service portfolio through horizontal expansion will drive growth. However, this is a decrease from 85% the previous year, indicating that firms may have reached a limit in expanding their offerings or are focusing more on optimising existing services. The expectation of moving up the value chain through vertical expansion has significantly increased, with 71% of respondents highlighting this factor, up from 51% in 2023. This shift suggests a growing emphasis on delivering higher-value solutions. Gaining new customers is also important, with 36% of firms indicating this expectation, a notable rise from 21% in the previous year. This points to a renewed focus on client acquisition strategies. The anticipation of launching a new site remains stable, with 6% expecting this, down slightly from 8% in 2023. This indicates that while opening new sites can contribute to growth, firms prioritise other expansion strategies. Lastly, the “Other” category has decreased from 8% to 6%, suggesting a more focused approach to firm expansion.

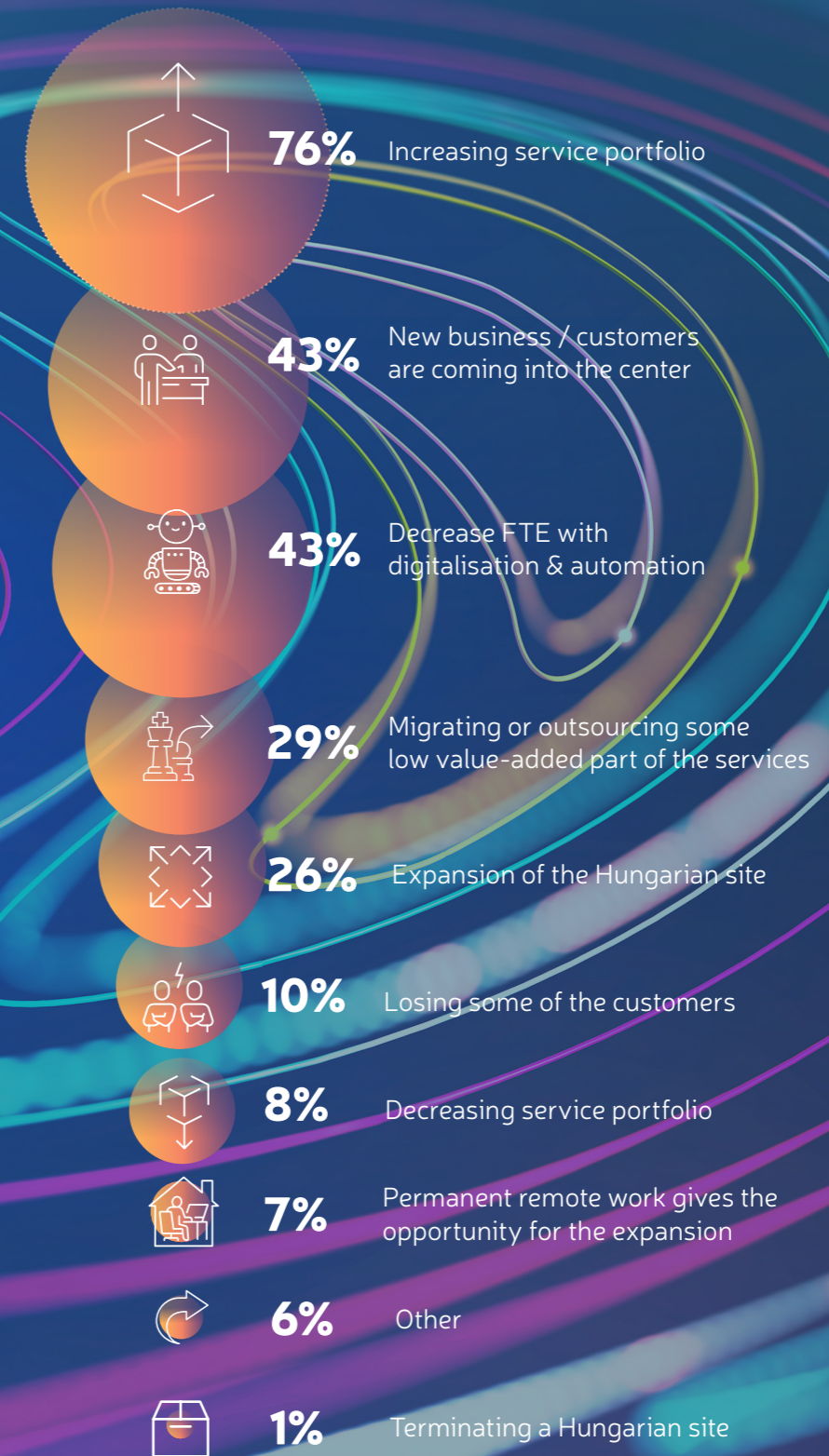


Factors influencing the outlook for 2024

Inputs on factors influencing expectations for 2024 show some interesting changes compared to the previous year. 76% of respondents expect to increase their service portfolio, slightly down from 78% in 2023. This indicates ongoing growth interest but also some caution among firms. The percentage of firms anticipating a decrease in their service portfolio has risen to 8%, up from 5%, suggesting some companies may be reassessing their service offerings. The expectation of migrating or outsourcing low-value-added services has risen to 29%, compared to 23% last year, reflecting a desire to optimize operations. Maintaining efficiency through digitalisation and automation is stable, with 43% expecting to decrease full-time equivalents (FTEs), almost the same as the 41% reported in 2023.

Also, 43% of firms expect new business and customers to enter these centers, consistent with the 45% expected in the previous year. However, 10% of firms now expect to lose customers, up from 8%, which indicates potential concerns about competition. The likelihood of terminating a Hungarian site remains very low at 1%, while expectations for expanding the Hungarian site have decreased to 26% from 36%, suggesting a

more cautious growth approach. The perceived impact of COVID-19 on business outlook has fallen to 0%, signalling that its influence is now minimal. Lastly, the opportunity for expansion due to permanent remote work has decreased from 16% to 7%. Overall, the outlook for 2024 reveals mixed sentiments among firms. They optimise services and manage customer relationships while adapting to a changing market landscape.

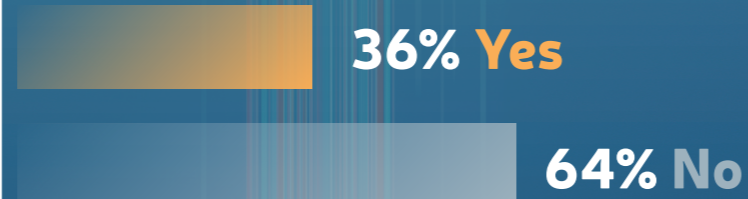


Incentives

for new and expanding BSCs

The data on whether firms have received subsidies or allowances in the last three years reveals a slight decrease in support. In 2023, 36% of respondents indicated receiving subsidies or allowances, down from 43% the previous year. Conversely, 64% of firms reported not receiving any support, an increase from 57% in 2022. This trend suggests that fewer firms are benefiting from financial assistance recently, possibly reflecting changes in funding availability or eligibility criteria.

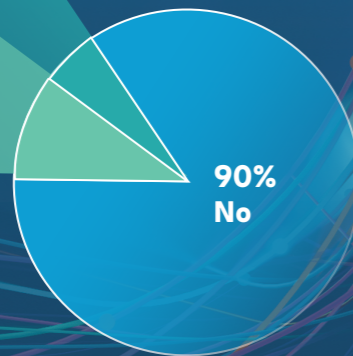
Have you received any subsidies/allowances in the last three years?



7% Yes, in Budapest (and its agglomeration)



7% Yes, in the country-side



Are you considering to open a new office in Hungary in the next 3 years?

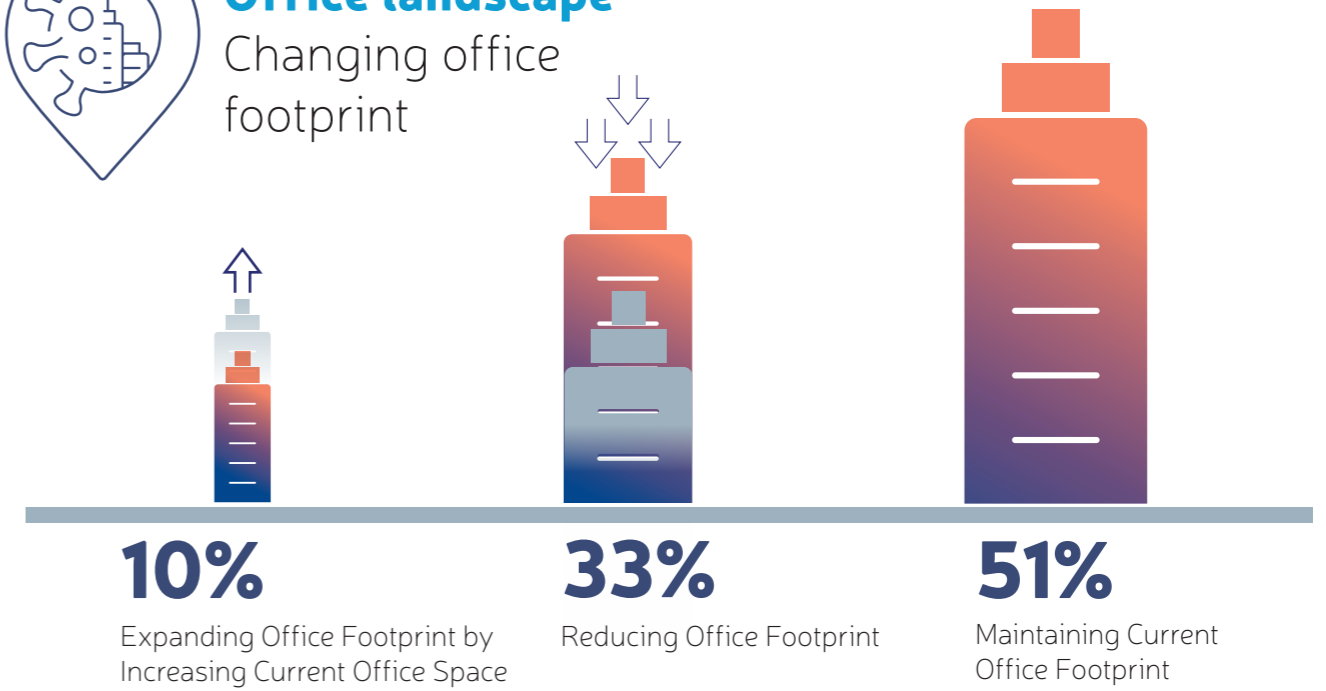
The information regarding plans for new office openings in Hungary over the next three years reveals a noteworthy contrast between expectations for Budapest and rural areas. In 2023, only 7% of respondents expressed intentions to open offices in Budapest and its surrounding agglomeration, a modest increase from 5% the previous year. Similarly, 7% indicated plans to establish offices in the countryside, representing a decline from 10% in the prior year.

Interestingly, while both locations show comparable interest levels, it's important to note that the potential for new office openings in rural areas is twice that of Budapest. Furthermore, a significant 90% of respondents do not plan to open any new offices at all. This information underscores a cautious approach to expansion in the current business landscape, with a tendency to favour rural locations over the capital.



Office landscape

Changing office footprint



How is your preference for your office location changing based on home office trends?



10%

Optimizing the office location strategy by choosing locations that offer flexibility for both in-person and remote work arrangements

58%

Office location remains unchanged to value a centralized workspace for collaboration and team synergy

15%

Downsizing or relocating to a smaller office due to the increased adoption of remote work



11%

Prioritizing office locations with robust infrastructure to support meetings while accommodating remote work preferences

Overall, the findings indicate a cautious mindset among firms regarding their physical office space, with many choosing to maintain or reduce their footprints instead of actively pursuing expansion. This trend reflects adapting to evolving work dynamics, including a shift towards more flexible working arrangements.

Office markets by CBRE



OCCUPATIONAL TRENDS

The landscape of office attendance and space utilization has undergone significant transformations over the past year, driven by the ongoing adoption of hybrid work models and a heightened focus on sustainability. One of the most notable trends observed is the continued growth of hybrid work models. This shift allows employees greater flexibility and contributes to a decrease in the number of days employees are physically present in the office. Despite this reduction, office utilization rates during peak days have increased, indicating that while employees may not be in the office every day, there are specific days when attendance is significantly higher. The desire for in-person collaboration remains strong, particularly for activities that benefit from face-to-face interaction. This dual preference has prompted companies to rethink their office space needs, leading to a trend towards more flexible and adaptable office environments that can accommodate varying levels of occupancy.

Office Space Optimization Strategies

In response to these changing attendance patterns, companies are implementing several strategies to optimize their office spaces. One key approach is the investment in flexible workspaces. These spaces are designed to be easily reconfigured to suit different needs, featuring movable furniture, modular meeting rooms, and multi-purpose areas. This flexibility allows companies to adapt their office environments to the fluctuating number of employees present on any given day. Desk sharing and hot desking policies are also becoming increasingly popular. By reducing the number of dedicated desks, companies can maximize space efficiency and create a more dynamic use of office space. This approach is complemented by the integration of advanced technology solutions, such as occupancy sensors and booking systems for desks and meeting rooms. These technologies enable companies to manage their office spaces more effectively and identify areas for improvement through data analytics. Another important aspect of office space optimization is the creation of dedicated collaboration zones. These areas are designed to facilitate teamwork and social interaction, providing spaces for brainstorming sessions, informal meetings, and group activities. The emphasis on collaboration zones reflects the ongoing need for in-person interaction, even in a predominantly hybrid work environment.

Portfolio Consolidation Plans

Our recent survey reveals that many companies are also focusing on portfolio consolidation as part of their office space optimization strategies. A significant 45% of companies plan to reduce their office space over the next three years, with an average reduction of approximately 20%. This reduction is driven by the need to cut costs and improve space utilization. Centralization of office locations is another common strategy, with 35% of companies consolidating their operations into fewer, larger offices.

This approach aims to enhance collaboration and streamline operations. Additionally, there is a growing preference for flexible leasing arrangements, with 40% of companies opting for shorter lease terms to maintain flexibility in their real estate strategies. The use of co-working spaces is also on the rise, with 25% of respondents increasing their reliance on these spaces to accommodate fluctuating workforce sizes and project-based work.

Sustainability Strategies

Sustainability has emerged as a critical factor for office occupiers, driven by both regulatory requirements and corporate social responsibility goals. The survey highlights several key sustainability strategies that companies are implementing to reduce their environmental impact and enhance their corporate reputation. A significant 60% of companies have set targets to become carbon neutral by 2030, reflecting a strong commitment to reducing carbon emissions. Investments in energy-efficient technologies are a priority, with 55% of respondents planning to upgrade their HVAC systems and lighting to reduce energy consumption. These initiatives not only contribute to environmental sustainability but also lead to significant cost savings over time. Green building certifications, such as LEED or BREEAM, are also becoming increasingly important. Half of the companies surveyed are actively pursuing these certifications to demonstrate their commitment to sustainability. These certifications provide a framework for implementing sustainable practices and offer recognition for achieving specific environmental standards. The use of sustainable materials and practices is another key focus area. Forty-five percent of companies are committed to using sustainable materials in their office fit-outs and renovations, including recycled materials, low-VOC paints, and sustainably sourced wood. Waste reduction initiatives are also a priority, with 40% of respondents implementing comprehensive recycling programs and aiming to achieve zero waste to landfill. Employee well-being is closely linked to sustainability, with 50% of companies prioritizing the creation of healthy work environments. This includes improving indoor air quality, increasing natural light, and providing access to green spaces. Additionally, 35% of respondents have introduced well-being programs that promote physical and mental health, such as fitness facilities, mental health support, and wellness workshops.

Conclusion

Our CBRE European Office Occupier Survey 2024 underscores the significant changes in office attendance patterns and the strategies companies are employing to optimize their office spaces. The adoption of hybrid work models and the focus on sustainability are driving these changes, prompting companies to rethink their office space needs and implement innovative solutions. By investing in flexible workspaces, adopting desk sharing policies, and integrating advanced technologies, companies are creating dynamic and efficient office environments. At the same time, the emphasis on sustainability reflects a broader commitment to reducing environmental impact and enhancing corporate reputation. As companies continue to navigate the evolving landscape of office attendance and space utilization, these strategies will play a crucial role in shaping the future of work.

Talent Pool Overview



Average age of employees
34.5

Ratio of university or college graduates among employees
80%

Voluntary attrition rate
14%

Average annual salary increase in 2024
11%

Ratio of foreign citizens among employees
21%

Ratio of BSCs with internship / fresh graduate program
63%

Ratio of female employees
54%
managers
44%

Ratio of in house middle and senior management promotion
56%

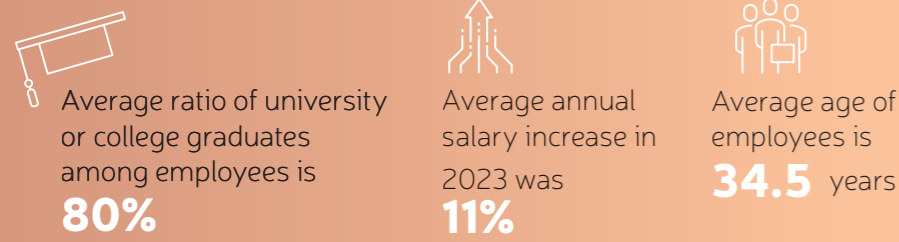
Average training days per person per year
8

Proportion of employees with some form of disability
1%

Ratio of fresh graduates starting at the BSC
17%

Employment

Key employment statistics



The statistics regarding Business Service Centers (BSCs) not only present an encouraging portrait of the industry but also underscore its promising growth potential, commitment to employee development, and progressive approach to workforce diversity.

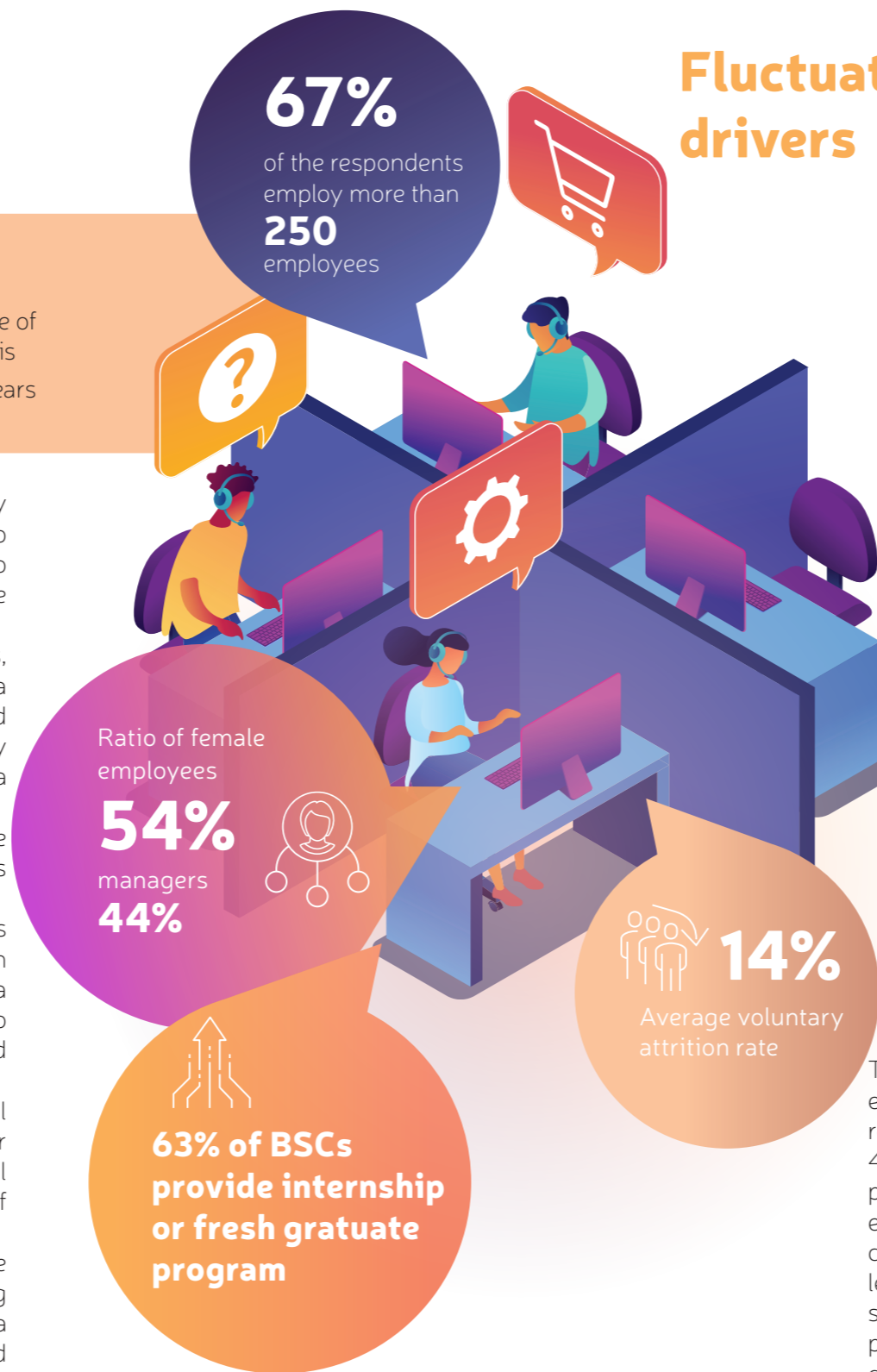
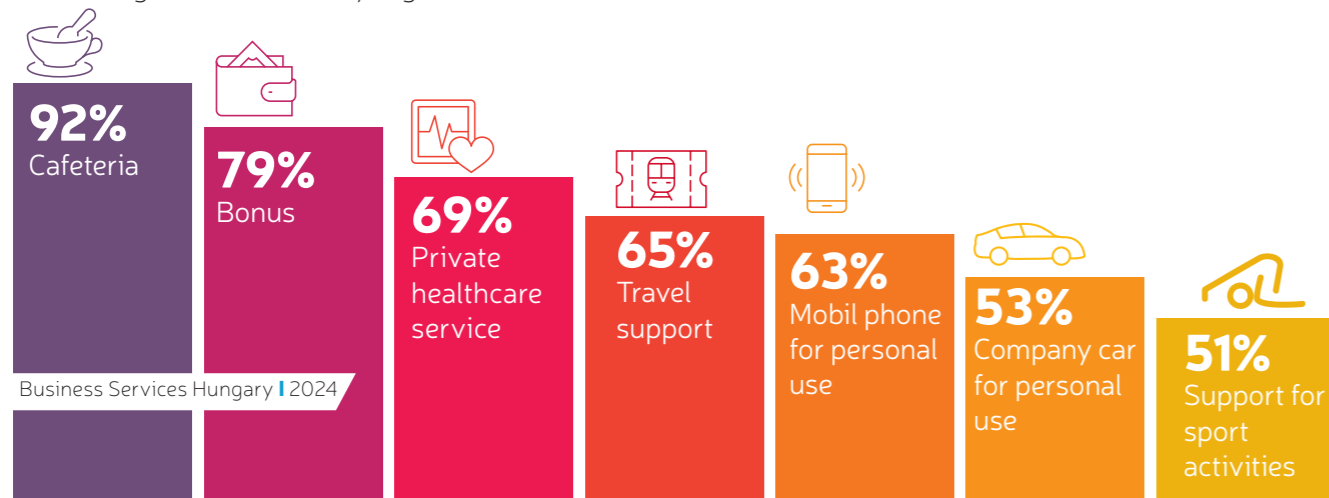
With 67% of respondents employing more than 250 individuals, many BSCs operate on a substantial scale, demonstrating a robust capacity for managing various business functions and services. This scale indicates healthy growth and the possibility of achieving economies of scale, positioning BSCs favourably in a competitive landscape.

Furthermore, 80% of employees hold university or college degrees, showcasing a significant focus on education within this sector.

In addition, an average annual salary increase of 11% illustrates BSCs' effectiveness in attracting and retaining talent through competitive compensation packages. This metric signifies a flourishing industry where organizations are committed to investing in their employees, fostering motivation, and minimizing turnover rates.

The average age of employees, at 34.5 years, reveals a youthful and dynamic workforce. This demographic advantage allows for fresh perspectives and greater adaptability to technological advancements, critical in the rapidly evolving landscape of business services.

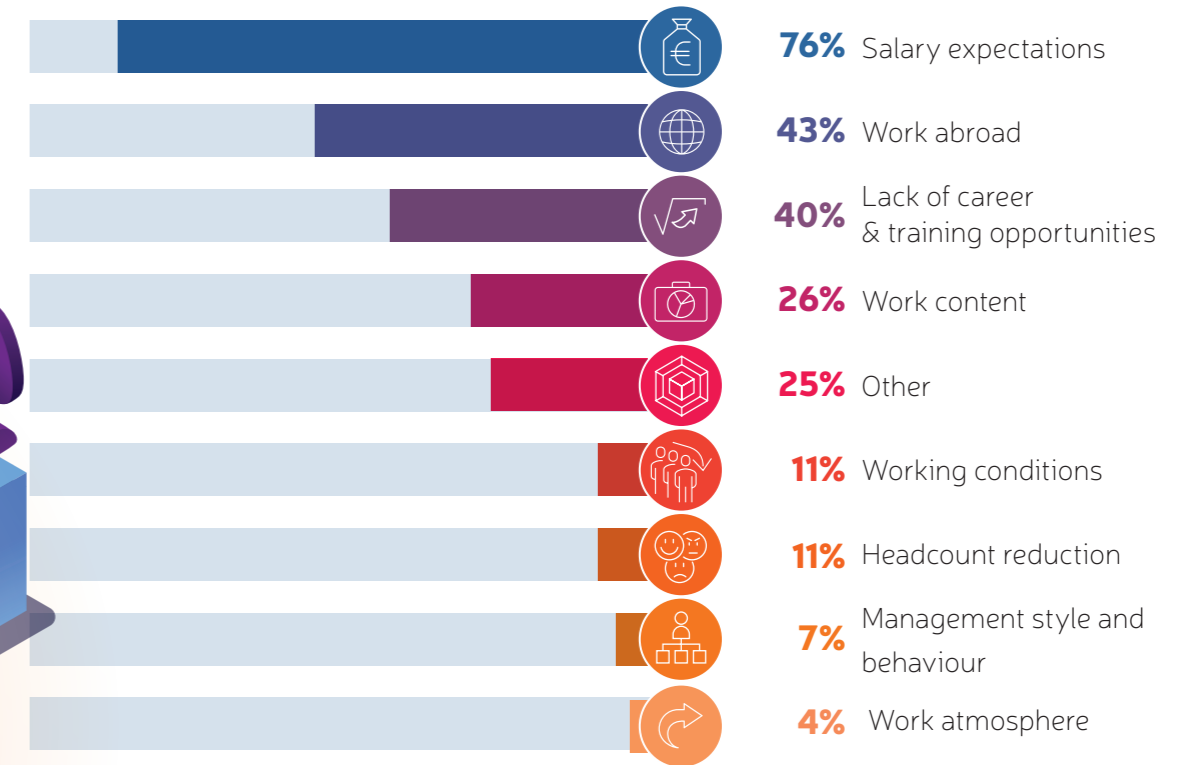
The gender dynamics within BSCs are noteworthy, with female employees making up 54% of the workforce and women holding 44% of managerial positions. This gender diversity reflects a progressive corporate culture and contributes to enhanced decision-making and creativity within teams—crucial elements for driving innovation in any organisation.



Fluctuation drivers

Reasons for fluctuation

among young employees (based on exit interviews)



Methods used to track labour market attractiveness

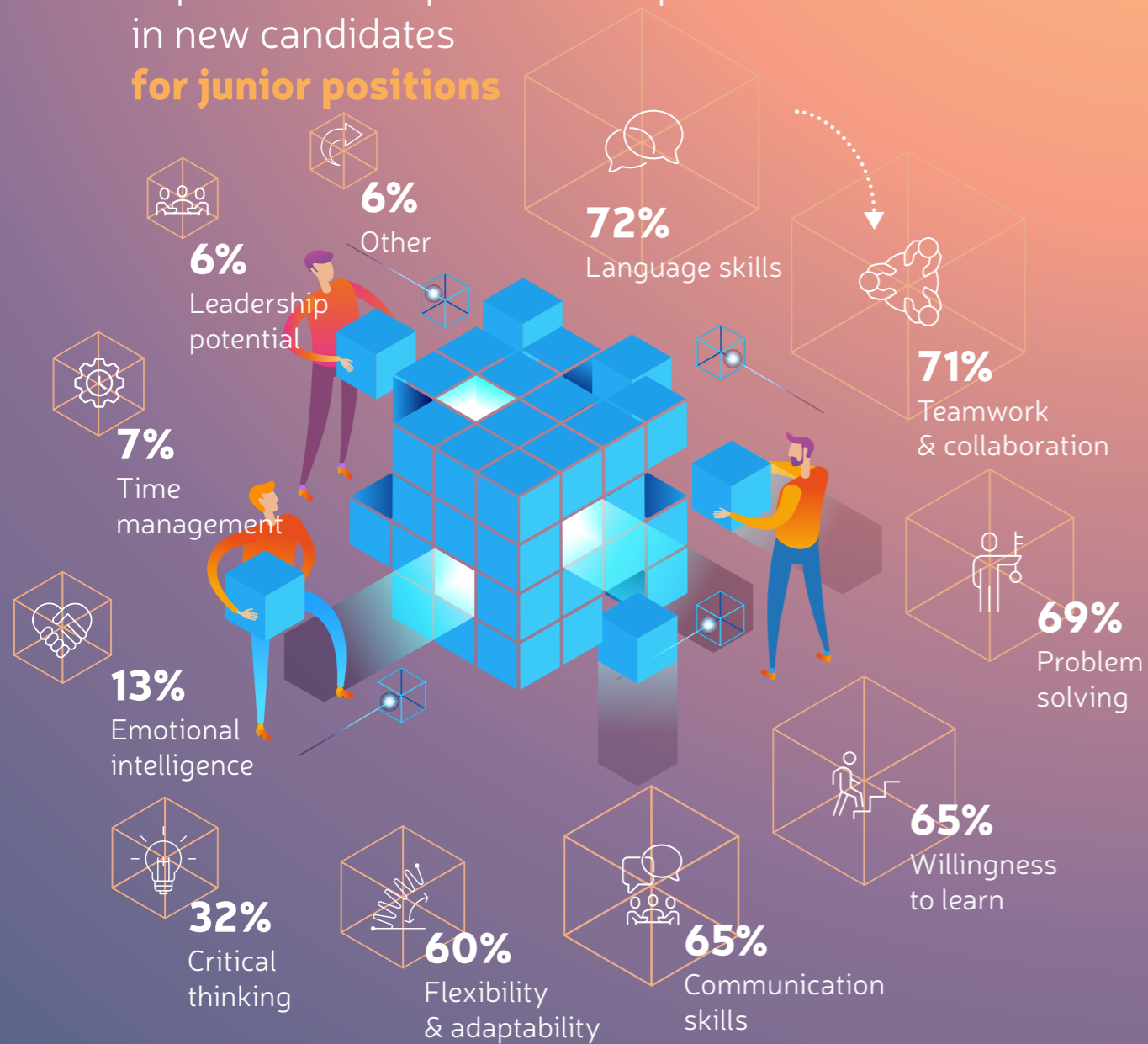
The exit interview data from responding BSCs reveals critical factors influencing employee turnover. 76% of respondents cited salary expectations as the primary reason for leaving, highlighting the need for competitive compensation. Additionally, 40% mentioned a lack of career and training opportunities, indicating that enhancing professional development could improve retention. The desire for international work experiences (43%) also emerged as a significant factor. While dissatisfaction with work content and conditions was noted, management style and work atmosphere received less emphasis. To reduce turnover rates and enhance employee satisfaction, BSCs should implement strategies focusing on competitive pay, clear career advancement paths, and opportunities for global experiences. By actively responding to the concerns revealed in the exit interviews, organisations can create a more supportive and fulfilling work environment, leading to higher retention rates and a stronger organizational culture.





Top skills and competencies

Top skills & competencies required in new candidates for junior positions



Inputs on the top soft skills and competencies sought in candidates for junior positions within BSCs highlight vital attributes essential for effective performance and integration into the workplace. The most valued skills include teamwork and collaboration, at 71%, indicating that being well within a team is crucial in this industry. Language skills follow closely at 72%, emphasizing the importance of effective communication, especially in diverse and global environments. A willingness to learn (65%) is also prioritized, as employers seek candidates open to growth and adapting to new challenges. At 69%, problem-solving skills are another key attribute employers seek. This underscores the need for employees who can address issues creatively and efficiently. Communication skills (65%) are also fundamental, enabling individuals to convey ideas clearly and foster strong professional relationships.

Other skills like flexibility and adaptability (60%), critical thinking (32%), and emotional intelligence (13%) also hold significance but are somewhat less emphasized compared to the top five competencies. The emphasis on teamwork, communication, and a willingness to learn reflects the collaborative nature of work in BSCs. In prioritizing these soft skills during recruitment, BSCs can enhance their team's effectiveness and adaptability, ensuring that new hires are skilled and aligned with the organization's culture and objectives. By focusing on these competencies, organizations can cultivate a capable and dynamic workforce ready to navigate the complexities of the business landscape.

Top skills & competencies required in new candidates for manager / executive positions



Emphasizing leadership and people management skills is vital for BSCs to ensure they hire strong leaders who can effectively guide teams and drive success. Organisations can create a productive and adaptable work environment by focusing on these competencies. According to respondents, the most important skill is leadership (89%), indicating the need for candidates who can inspire and guide teams. People management skills (74%) are also essential for developing employees. A strategic and business-oriented mindset (68%) is crucial for achieving organizational goals. Communication skills (60%) are essential for effective team interaction, and change management (63%) is necessary for navigating transitions and adapting to new challenges. Other skills like emotional intelligence (38%) and stakeholder management (49%) also matter to a lesser extent.

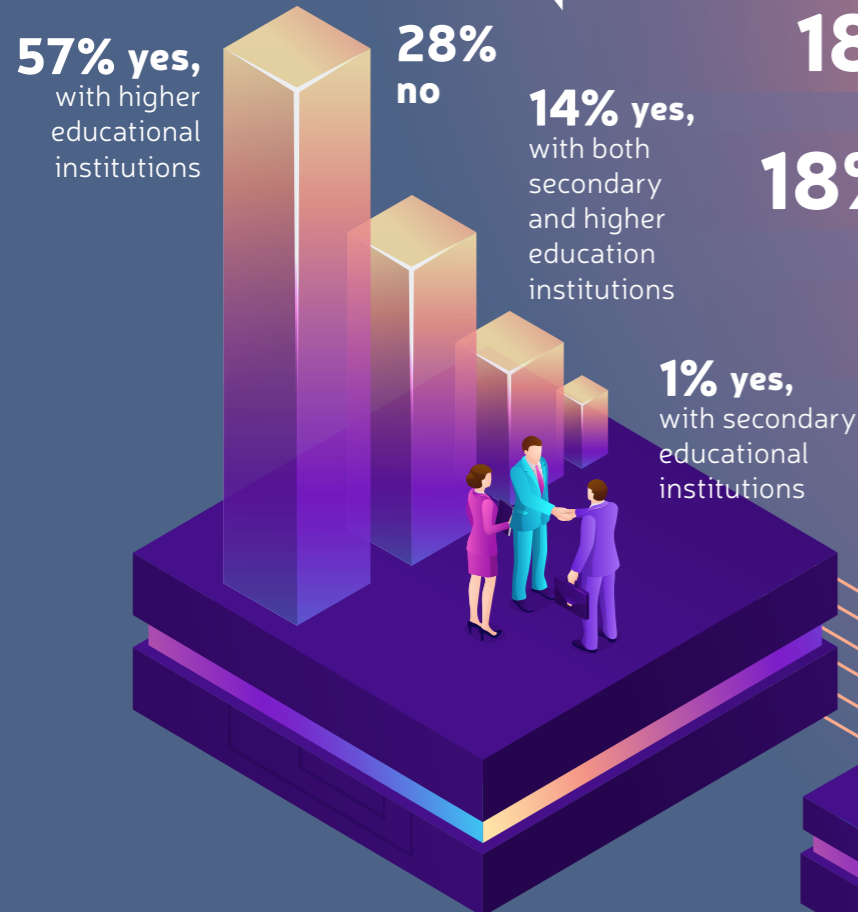
Cooperation with educational institutions



Ratio of BSCs with internship / fresh graduate programmes **63%**

A majority, 57%, of BSCs have active relations with higher educational institutions, reflecting a strong focus on collaborating with universities and colleges. Additionally, 14% have connections with both secondary and higher education institutions, indicating some interest in engaging with a broader educational spectrum. However, only 1% maintain relations specifically with secondary educational institutions. Meanwhile, 28% of BSCs do not have any active relationships with academic institutions. The strong connections with higher education institutions suggest that BSCs recognize the value of partnering with universities to attract talent and develop skills aligned with industry needs. BSCs may consider expanding their collaborations with secondary education institutions to further enhance talent acquisition and training.

Do you have active relations with educational institutions?



18% Partnering in dual educational system

13% Graduate programme

18% Organising workshops for students

18% University co-operation resulting in credit points for the diploma

17% Joint laboratory / research programmes

10% Other

53% Employer branding activities at educational institutions

53% Guest lectures

36% Open days at educational institutions

44% Company visits

21% Sponsorship & donations

22% Participation in student competition

3% Sport related cooperation

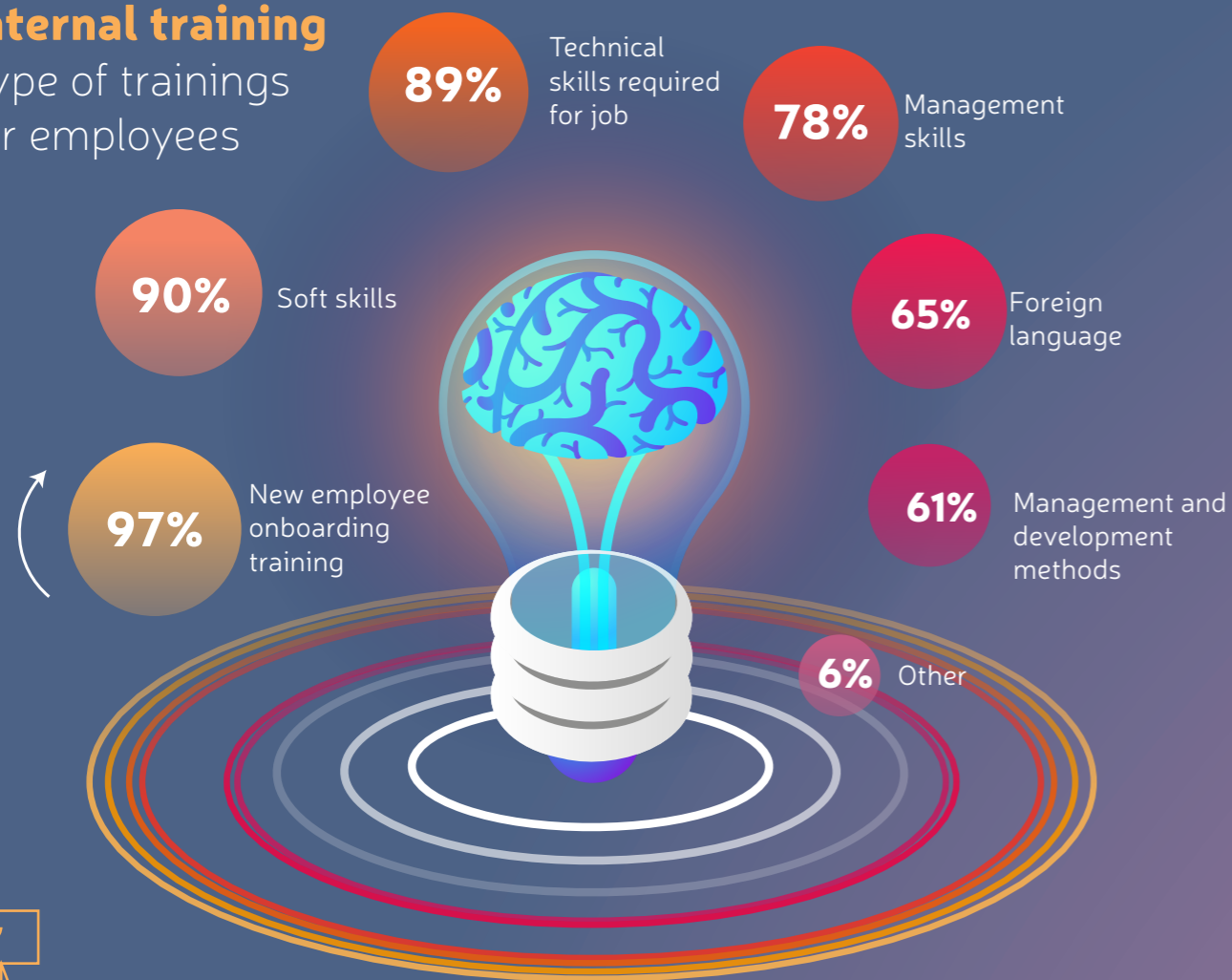
List of higher educational institutions with the MOST active relations with BSCs

- 1. Budapesti Műszaki Egyetem (21%)**
- 2. Eötvös Loránd Tudományegyetem (19%)**
- 3. Budapesti Corvinus Egyetem (19%)**
- 4. Budapesti Gazdasági Egyetem (16%)**
- 5. Óbudai Egyetem (16%)**
- 6. Debreceni Egyetem (11%)**

Comparing data to the previous year, there is a slight increase in active relations with higher education institutions. This suggests a growing recognition of the importance of partnerships with educational institutions to enhance talent acquisition and ensure alignment with industry needs.

Internal training

Type of trainings for employees

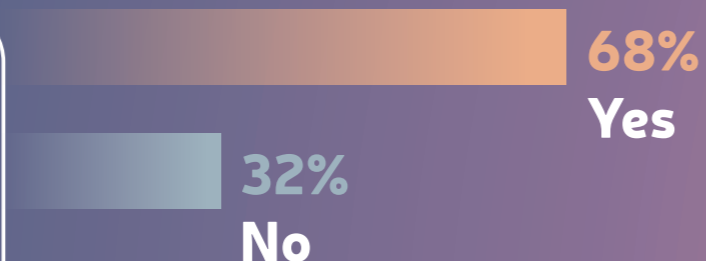


Average training days per person per year

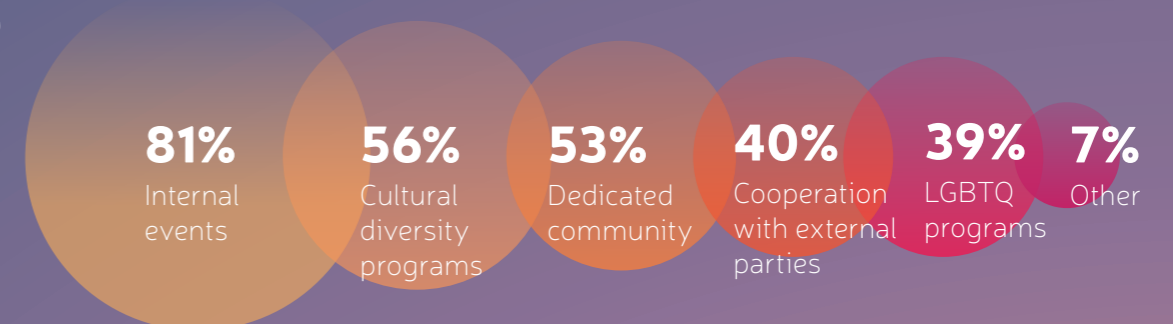
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The comprehensive training and development programs BSCs provide underscore their dedication to equipping employees with essential skills for success. The slight increase in management skills training suggests a proactive approach to developing future leaders within the organization. BSCs can enhance employee competency, satisfaction, and overall organizational performance by continuing to invest in technical and soft skills. A notable 97% of BSCs provide new employee onboarding training, ensuring that new hires are well-prepared for their roles. Additionally, 89% offer training in technical skills essential for job performance, which remains a priority for effective job execution. Soft skills training is also emphasised, with 90% of organizations recognizing the importance of interpersonal skills in the workplace. The data indicates that 78% of BSCs provide training in management skills, up from 73% in the previous year, showing a growing focus on developing leadership capabilities. Furthermore, 65% offer training in foreign languages, a significant asset in today's globalised business environment. Training in management and development methods (e.g., Lean, Six Sigma) is provided by 61% of BSCs, reflecting a commitment to continuous improvement and operational efficiency. Only 6% noted "other" types of training.

Does your company provide financial support for your employees to attend external training courses?



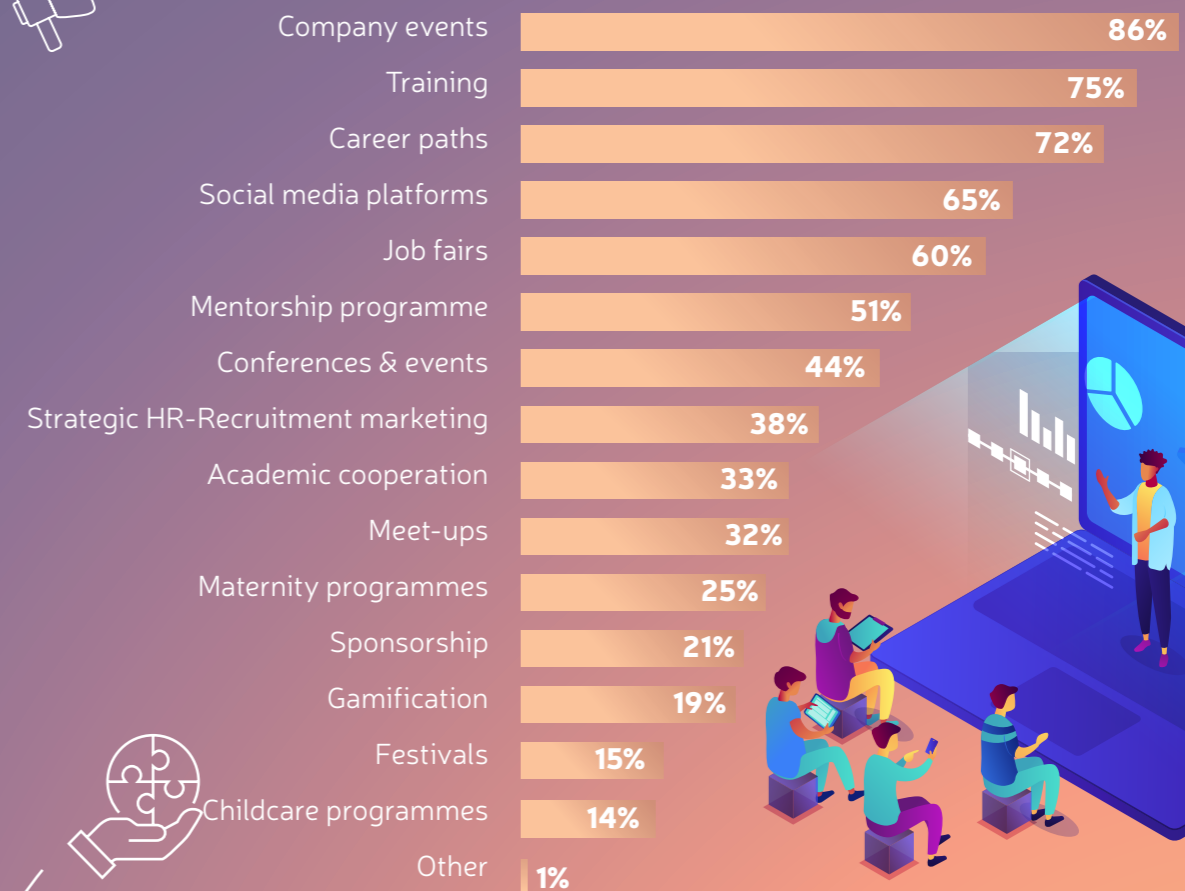
Programs for diversity and inclusion



Employer Branding Programme



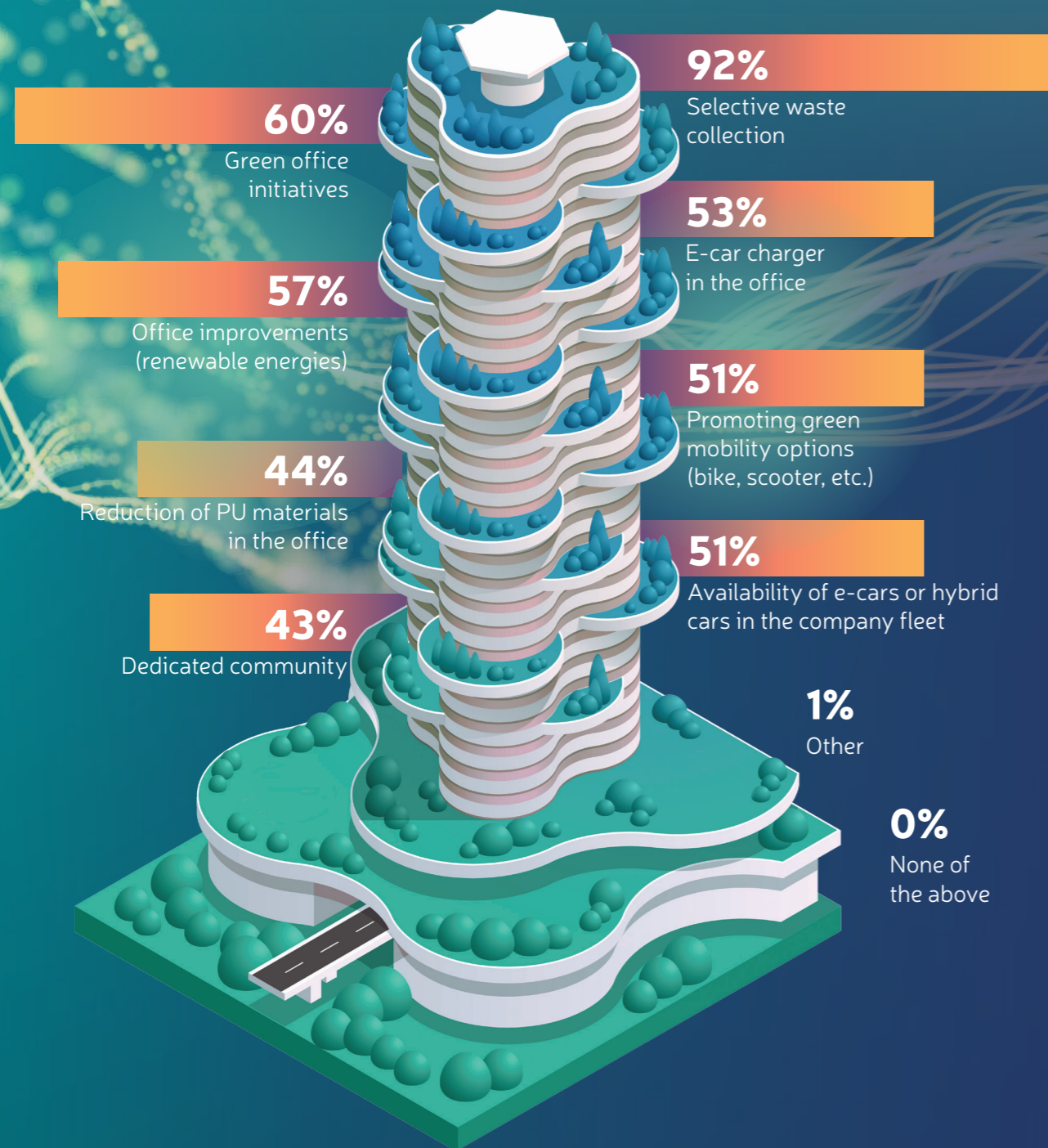
Elements at BSCs



BSCs emphasise various employer branding elements, strongly focusing on community engagement, training, and clear career paths. These initiatives reflect a commitment to building a supportive and attractive workplace. By enhancing these programs, BSCs can strengthen their employer brand and appeal to current and potential employees. The most common element is company events, with 86% of BSCs organizing these activities, emphasizing community and engagement. Training programs are provided by 75% of organizations, showcasing a commitment to employee development. Career paths are outlined by 72%, ensuring employees see potential growth within the company. 65% utilise social media platforms to enhance brand visibility, while 60% hold job fairs to connect with potential candidates. 44% attend conferences and events, and mentorship programs are available in 51% of BSCs, supporting professional growth. Other notable initiatives include strategic HR recruitment marketing (38%), academic cooperation (33%), and maternity programs (25%). Although lower on the list, elements such as childcare programs (14%) and gamification (19%) demonstrate innovative approaches to employer branding.

Programs for sustainability

BSCs are actively implementing various sustainability programs, with a strong emphasis on waste management and green initiatives. By enhancing these practices, BSCs can further their commitment to sustainability and contribute positively to their communities and the environment. The most popular program is selective waste collection, implemented by 92% of BSCs, demonstrating a strong commitment to proper waste management. Additionally, green office initiatives are in place at 60% of organizations, reflecting efforts to create a more sustainable work environment.



Plans for flexible work arrangements

57% of BSCs adopt office improvements using renewable energies, while 53% provide E-car chargers to promote electric vehicle use. 51% also support promoting green mobility options like bikes and scooters. Furthermore, 44% of BSCs are working on reducing polyurethane (PU) materials in their offices.

Other initiatives include having a dedicated community (43%) and the availability of e-cars or hybrids in the company car fleet (51%). Only 1% reported other sustainability efforts, and 0% indicated that they have none of these programs.

BSCs are increasingly embracing flexible work arrangements, particularly remote work and flexible hours, which reflect a positive trend toward supporting employee work-life balance. By expanding these options, BSCs can enhance employee satisfaction and adaptability. The most widely available arrangement is home office/remote work, with 93% of BSCs providing this option, indicating a significant shift toward flexible working environments. Flexible hours are offered by 76%, allowing employees to tailor their schedules to fit their personal and professional lives better.

Additionally, part-time work is also provided by 76% of organizations. Other arrangements include career breaks (31%), shift systems (19%), and teleworking (18%), although these options are less common. Compressed hours and term time contracts are available in 8% and 4% of BSCs, respectively. Job sharing is offered by 3%, and only 3% of BSCs reported none of the mentioned flexible work arrangements.



93% Home office / remote works

76% Flexible hours

76% Part time working

31% Career breaks

19% Shift systems

18% Teleworking

8% Compressed hours

4% Term time contracts

3% Job sharing

3% None of the above



Recruitment & employer branding trends 2024 by Randstad

The shift in recruitment and employer branding trends, keeping the competitiveness of compensation, the efficient hybrid work models, the focus on personalization, diversity, and employee well-being enabled the growth of the business services sector in 2024.

More moderate competition for talents: even though the number of employees increased by 10,000 in one year, the competition for talents became slightly more moderate due to the cooling down of economies in Europe and Hungary. According to the 2024 Randstad Employer Brand Research, the business services sector is increasingly well-known, and highly attractive to candidates, and the sector also excels in terms of the drivers that are important to candidates when choosing a new job. Whether it's an attractive salary and benefits package, a pleasant working atmosphere, financial stability, or even work-life balance, the BSS sector ranks on the podium among the 14 examined sectors.

Attractive compensation maintained: salary is the number one choice for employees of all generations in Hungary (and Europe). The majority of the business services sector exports high value-added services, which leaves room for above-average compensation. However, higher than EU average salary growth in Hungary has been a challenge for the sector due to the stability of the Hungarian currency against the euro and the US dollar, as service fees have not been able to increase much in foreign currencies. The average salary growth of 11% in the business services sector is still very competitive and not far behind the national average of 12.7% for the business sector.

International recruitment: the international environment, where in many cases up to a hundred of different nationalities work together, creates a positive, inspiring and motivating atmosphere in the centers. In many cases, international recruitment is vital for the sector when specialisations require skills and languages that are difficult to recruit in Hungary. Hungary's favourable living conditions and its central location in Europe make it an attractive hub for tens of thousands of young professionals from abroad.

Hybrid and flexible work models: The pandemic has permanently altered work preferences, with hybrid and remote working models becoming the norm. Candidates are demanding flexibility, and companies that fail to offer these options risk losing out on top candidates. Companies are creating environments that support collaboration and productivity regardless of location. Some companies believe in the physical presence. Others give back some office space, which means a long-term commitment to working from home type of work. More office space available creates an opportunity to attract more centers/new functions to Hungary.

Employer branding and employee experience: Companies are tailoring their EVPs (employee value propositions) to meet the diverse needs of their workforce and bridge the gap between organizational objectives and employee expectations. Instead of focusing solely on general company culture messaging, companies are now creating strategic hiring content highlighting specific job roles and attracting talent for competitive positions. This includes day-in-the-life videos, team storytelling, and targeted job ads.

Diversity, Equity, and Inclusion (DEI): DEI is no longer just a buzzword. Companies are actively implementing concrete policies and initiatives to promote a culture of inclusion, such as targeted mentoring programs, recruitment initiatives to reduce unconscious bias, and diversity training workshops. Companies are actively seeking to build more diverse teams by attracting talent from various backgrounds, genders, and cultures. This not only fosters innovation but also enhances the company's appeal to a broader range of candidates, contributing to a more inclusive work environment.

Personalization and authenticity: Companies are moving away from one-size-fits-all approaches and are increasingly using AI to personalize candidate experiences. This includes tailoring job descriptions, communication, and benefits packages to individual preferences. CEOs and top executives are becoming more visible and engaging with employees and potential candidates on social media and other platforms. This builds trust and creates a more human connection with the company. Meanwhile, candidates are increasingly demanding and want genuine, relatable content from companies. This means sharing authentic employee stories, showcasing company culture, and highlighting company values.

Technology and innovation: service centers are increasingly leveraging AI to personalise content, streamline processes, and make data-driven decisions in recruitment and employer branding. This includes using AI-powered tools for content creation, candidate screening, and assessment, chatbots, and internal communication platforms. AI does not take jobs away, but enables people to do their jobs more efficiently.

Employee well-being and mental health: Companies are prioritising employee well-being and mental health by providing support programs such as coaching sessions, counselling services, and promoting a healthy work-life balance. A new trend has emerged: lifelong care, which extends from high school and university, through scholarships and internship/mentoring programs, to lifelong learning. This approach respects the family life cycle, which includes caring for children and elderly parents until a smooth, gradual retirement.



AI Strategy Overview

The trends reflect a positive outlook on the future of automation within these centers. The current rate of automation for processes in the BSCs stands at 24%, indicating that a significant portion of operations remains manual or semi-automated. However, the planned automation rate over the next three years is projected to reach 42%. This anticipated increase suggests that BSCs recognise the importance of automation in enhancing efficiency, reducing operational costs, and improving service delivery. The shift towards higher automation aligns with broader industry trends aimed at digital transformation and innovation. As BSCs work to streamline processes and adapt to evolving technological landscapes, this proactive approach to automation indicates a commitment to improving productivity and maintaining a competitive edge in the market.

AI

What is the current rate of automation of processes in your Center?

Rate of automation

23%

Planned rate of automation for next 3 years

42%

The diverse strategies employed by companies to enhance the competencies of future candidates reflect a growing recognition of the need for collaboration between educational institutions and the business sector. By actively participating in the educational process, companies can better align candidate skills with job market expectations, ultimately leading to a more competent workforce. Encouraging more organizations to implement such initiatives could further strengthen the talent pipeline and contribute positively to the industry. The findings on preliminary actions taken by companies to align the competencies of future candidates with their expectations showcase a diverse range of strategies aimed at improving the preparedness of potential employees.

Most companies engage with higher education institutions, with 38% conducting presentations, workshops, and seminars. This proactive approach helps establish early connections with students and ensures that they know the skills required in the job market. Similarly, 17% of respondents focus on integrating these activities into secondary education, recognizing the importance of reaching candidates early in their educational journey. While some companies also emphasize dedicated training programs—such as the 13% that offer programs for higher education students—many choose to organize non-accredited preparatory courses (21%) and training workshops for secondary school students (10%). These efforts highlight the importance of reaching candidates early in their educational journey. Additionally, collaboration between companies and educational institutions through dual training programs is evident, with 15% partnering with higher education institutions and 7% collaborating with secondary schools. These initiatives help create a pipeline of talent equipped with the skills and knowledge necessary for specific roles. However, it is noteworthy that 32% of respondents reported taking none of these actions, indicating that many companies may not be fully engaged in fostering the development of future talent. This highlights an area for potential growth and improvement.



Preliminary actions to bring the competence of future

39%

Conduct presentations, workshops and seminars integrated into the processes of higher education

32

None of the above

21

Organise non-accredited preparatory and training courses

17

Conduct presentations, workshops and seminars integrated into the processes of secondary education

15

Run dual training programmes together with higher education institutions

14

Provide dedicated training programmes (with a duration of at least 6 months) for higher education students

10

Run training workshops for secondary school students

8

Other

7

Run dual training programmes together with secondary education institutions

6

Run a company school (either individually or together with other companies)

4

Provide dedicated training programmes (with a duration of at least 6 months) for secondary school students

4

Organise accredited preparatory and training courses (e.g. trainings accredited by the National Qualifications Register of Hungary [OKJ])

Reasons for the outbound service migration

Business Service Centers are increasingly recognizing the value of AI and are making strides toward its implementation despite some barriers that need addressing. The significant interest in various AI technologies and their applications demonstrates an initiative-taking approach to modernization. As organizations continue to invest in AI, overcoming knowledge and resource gaps will be essential for fully realizing the potential benefits. By leveraging AI effectively, BSCs can enhance productivity, accuracy, and overall operational success in an increasingly competitive landscape.

AI Strategy and Implementation

A notable 57% of respondents report having a clearly defined strategy or plan for implementing AI in their operations, indicating a solid recognition of AI's potential benefits. However, 30% do not have such a plan, and 13% are unsure about their status, highlighting areas where further development and support could help organizations become more aligned with technological advancements. Regarding actual AI integration, 46% of BSCs have already implemented AI technologies, while 38% are in the process of doing so or planning for future integration. This fact suggests a positive trend toward embracing AI, even though 21% of organizations still need to utilize these technologies.

Barriers to AI Adoption

The reasons for not adopting AI are telling. 60% of respondents noted a lack of knowledge about use cases as the primary barrier. Additionally, 38% cited a lack of resources, and 14% reported policy restrictions. These challenges reveal the need for increased education, awareness, and resource allocation to facilitate AI integration in BSCs.

Measuring AI Efficiency

In measuring AI efficiency, only 3% of organizations indicated that they do not measure it at all. Various metrics are employed, with 28% measuring productivity increases and 21% assessing cost reductions. Furthermore, 21% evaluate improvements in customer experience, showcasing a diverse approach to understanding AI's multifaceted impacts on operations.

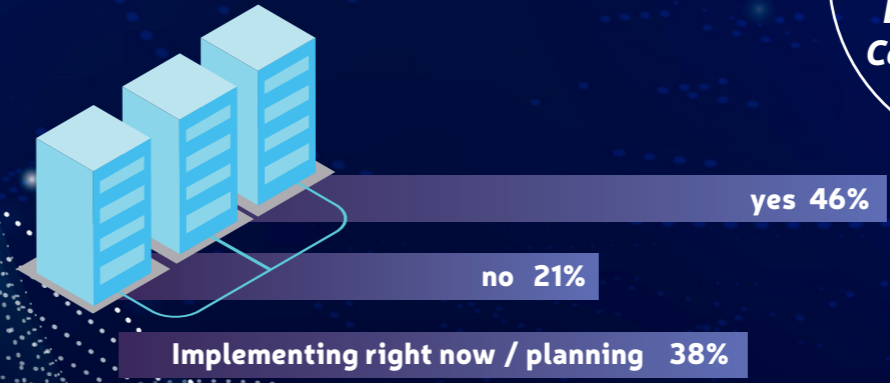
Advantages of AI

When asked to rate the advantages of using AI on a scale from 0 to 100, 58% identified increased productivity as the primary benefit. Additional advantages included improved accuracy (43%) and reduced manual workload (49%). These findings highlight a consensus on the substantial efficiency gains that AI can deliver within BSC operations.

Practical Areas for AI Application

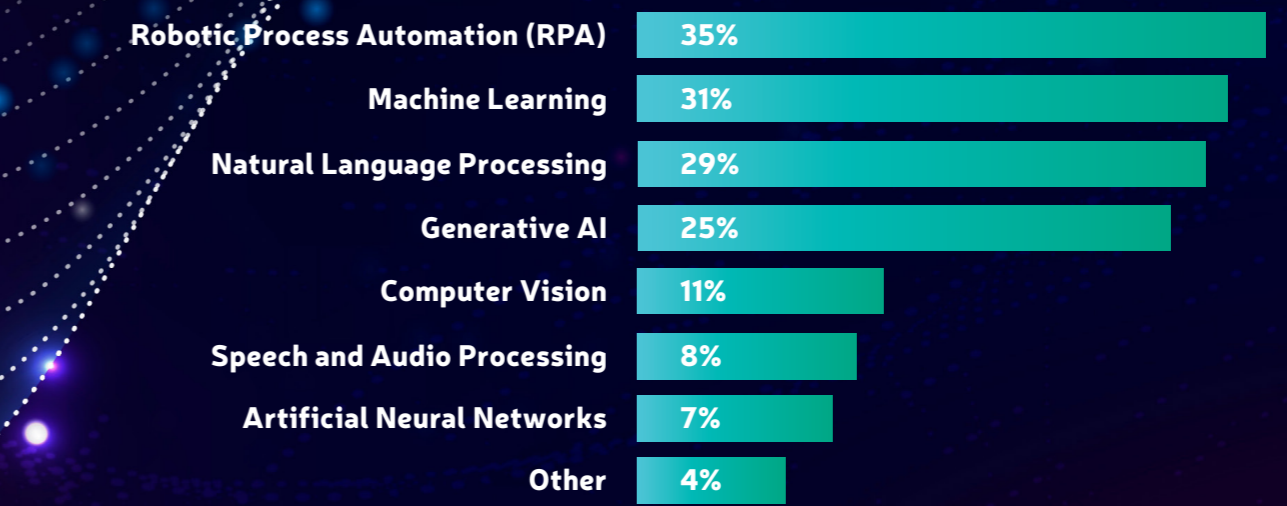
Respondents identified areas where AI is particularly effective, with 75% of respondents citing data analysis, followed by task automation at 71% and document processing at 67%. The strong preference for AI applications in these functional areas underscores the significant potential of AI to enhance operational efficiency and effectiveness within BSCs.

Has your organization implemented AI technologies in its Business Service Center operations?



As for the current use of AI technologies, Robotic Process Automation (RPA) is the most commonly implemented technology at 35%, followed by Machine Learning at 31% and Natural Language Processing (NLP) at 29%. With RPA and Machine Learning at the forefront, planned future implementations show similar trends, though projected usage rates are slightly lower. The emerging interest in Generative AI is noteworthy, with 25% currently using it, indicating that BSCs are considering innovative AI applications for the future.

Which AI technologies are currently being used?



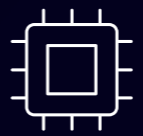
60%
Lack of knowledge on use cases

38%
Lack of resources

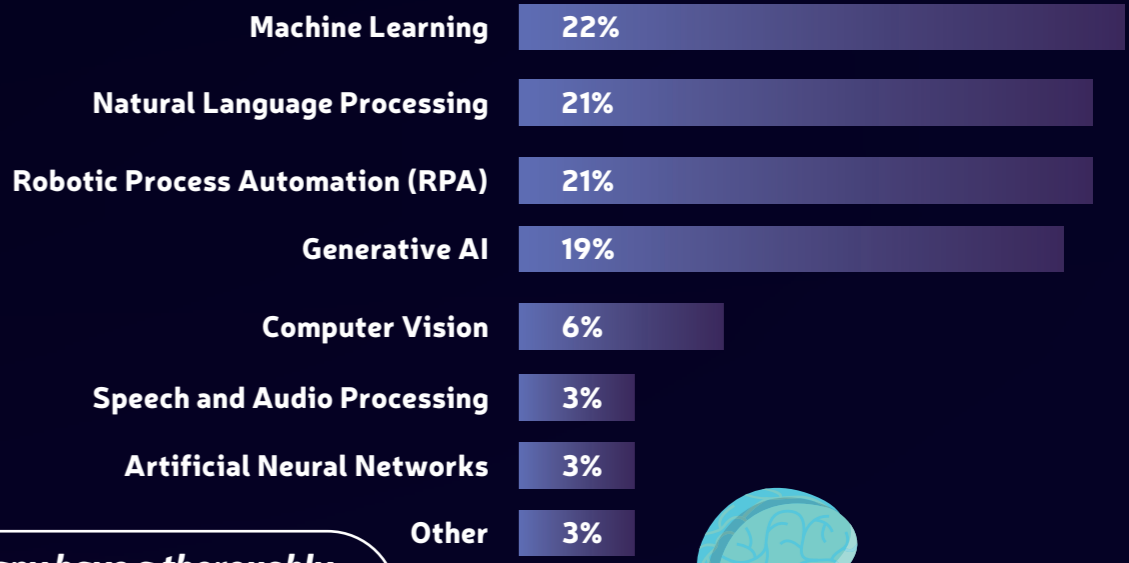
14%
Banned by policy

7%
Lack of trust

Why BSCs are not implementing AI technologies?



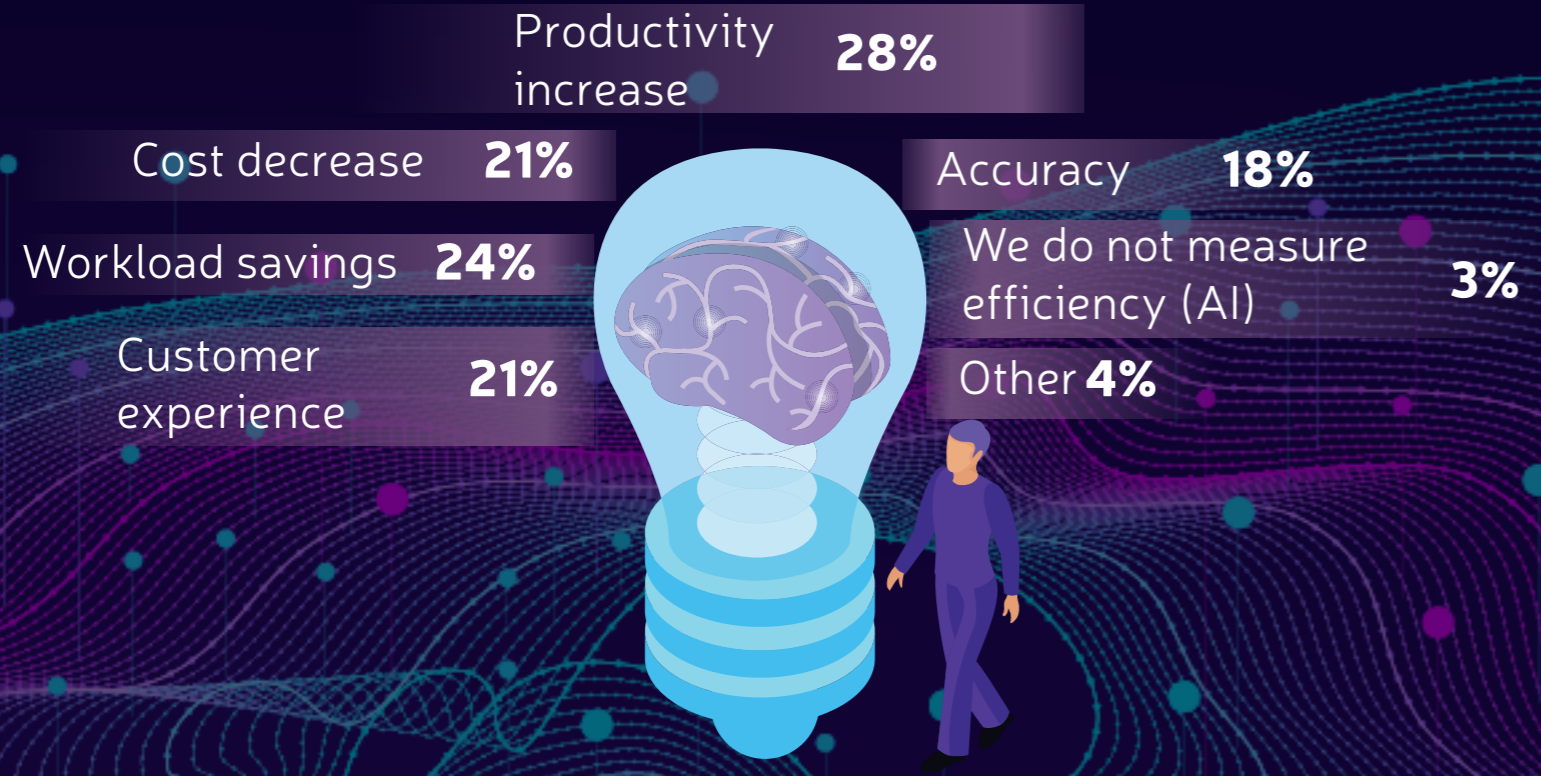
Which **AI technologies** are **planned to be used**?



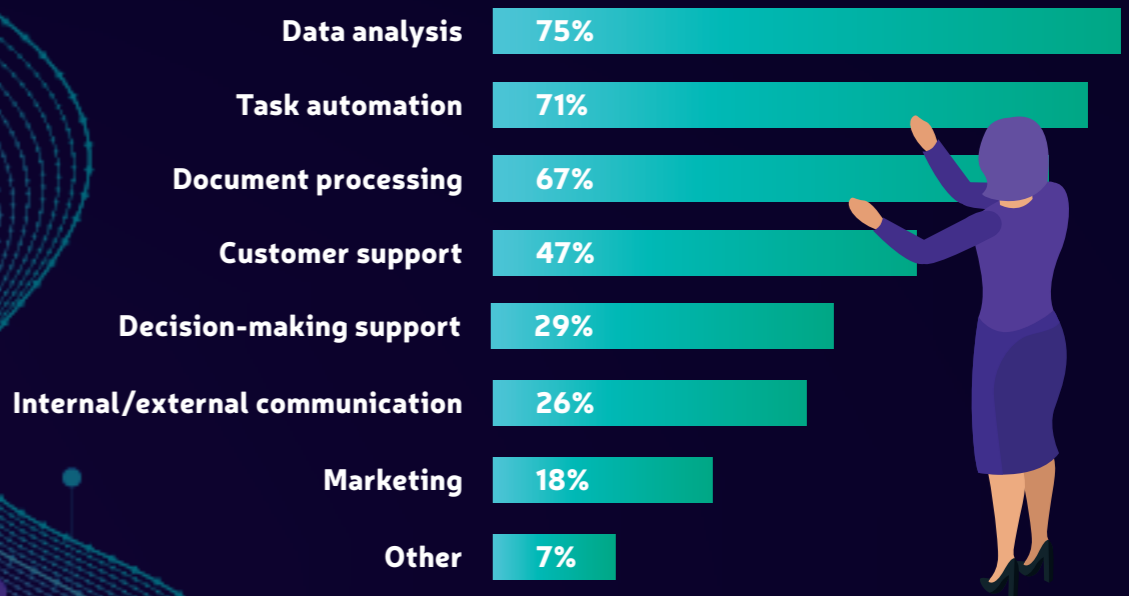
Does your company have a thoroughly defined strategy/plan for AI Implementation?

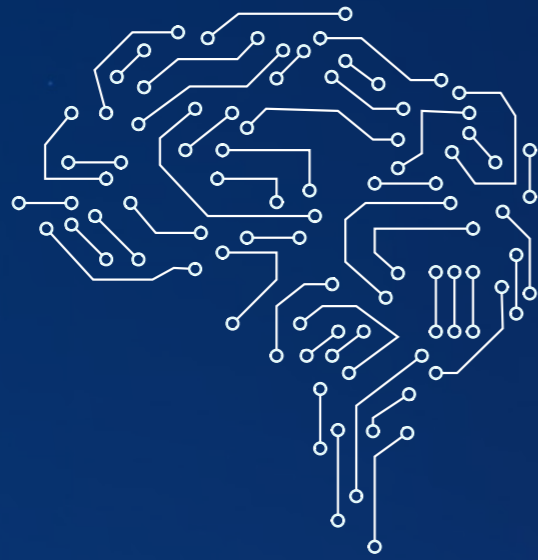


How do you **measure the efficiency** of using **AI**?



Effectiveness of AI in Business Service Center operations





The responses regarding training initiatives for AI adaptation and perceptions of AI's role in competitiveness and employment highlight critical focus areas for business service centers. A commitment to regular or occasional training signifies an understanding of the importance of effectively upskilling employees to leverage AI. Simultaneously, perceptions of AI as a competitive necessity reflect organisations' broader acknowledgement of technology's importance in the current market landscape. Balancing optimism about AI's potential benefits against job displacement concerns will be crucial. By developing comprehensive training programs, engaging employees in discussions about the implications of AI, and addressing potential anxieties, business service centers can foster a well-prepared workforce to navigate the transformative changes artificial intelligence brings. This approach enhances employee confidence and productivity and positions organisations for sustained success in an increasingly automated world.



To what extent do you agree with the following sentences?*

4.1

Large-scale implementation of AI is required to stay competitive in the long term

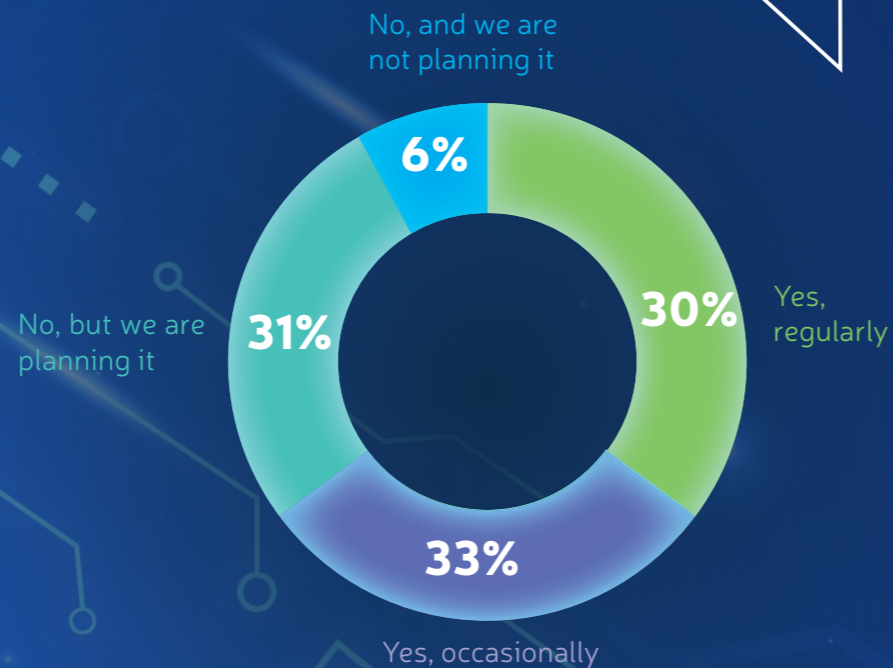
3.1

AI implementation will have a net positive impact on the number of jobs in the long term

2.8

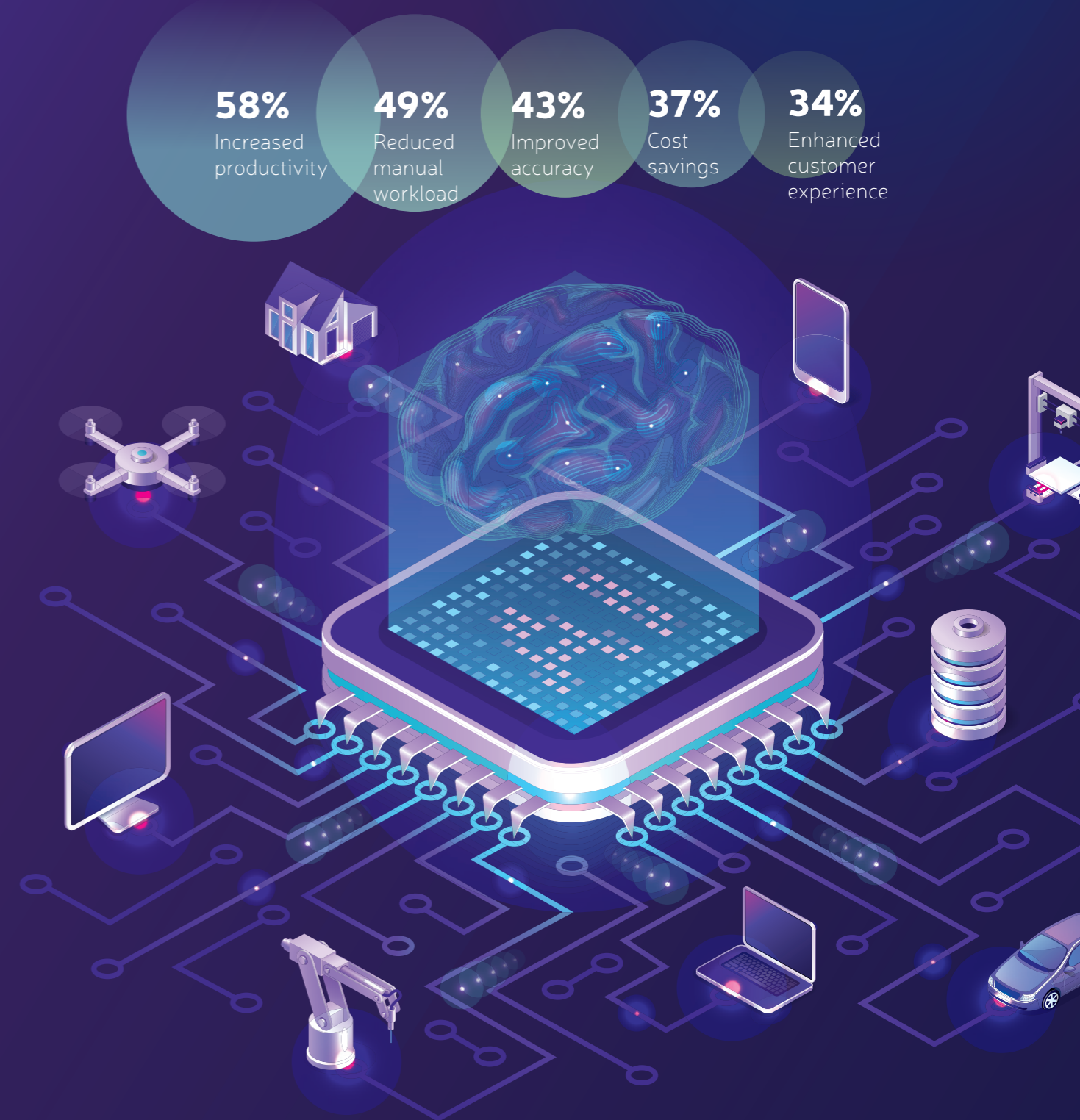
AI implementation will have a net negative impact on the number of jobs in the long term

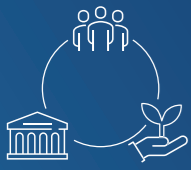
Do you provide trainings for employees to adapt to AI technologies?



* Answer on scale 1-5 where 1 means "highly disagree", 5 means "highly agree".

What are the **key advantages** and efficiency impacts of using AI in BSCs?





Environment Social Governance Overview

The responses strongly align with ESG principles among businesses, emphasizing the responsibility to prioritize ethical considerations in their operations. While there is a solid foundation for ESG awareness and commitment within these companies, the level of employee interest and involvement may require attention to foster a deeper engagement with ESG initiatives. By enhancing education and participation in sustainability efforts, companies can strengthen their ESG impact and contribute meaningfully to addressing pressing global challenges.

Companies should put people and planet before profit	4.0	4.6	Companies should care about their impact on society
Businesses should play a part in solving challenges like climate change or social justice	4.4	4.2	How would you score ESG importance?
It's good that brands use their money and power to raise awareness	4.6	3.4	To what extent are the employees interested in the ESG topics?
Companies have a responsibility to take care of the planet	4.6	3.3	To what extent are the employees involved in the ESG topics?
Sustainability should be a standard business practice	4.7	4.1	To what extent does your company is ready to operate in an ESG-responsible way?
	4.5		Companies should do a lot more to reduce their carbon impact

The data indicates that organizations primarily rely on general employee surveys and direct interactions during meetings to gauge interest in ESG topics. This comprehensive approach allows companies to capture a wide-ranging perspective from their workforce. However, there is potential for growth in conducting dedicated ESG surveys and enhancing participation in training programs to engage employees in sustainability initiatives further. Encouraging open discussions around ESG in various forums can strengthen an organization's understanding of employee concerns and interests, ultimately leading to a more integrated approach to sustainability within the corporate culture.

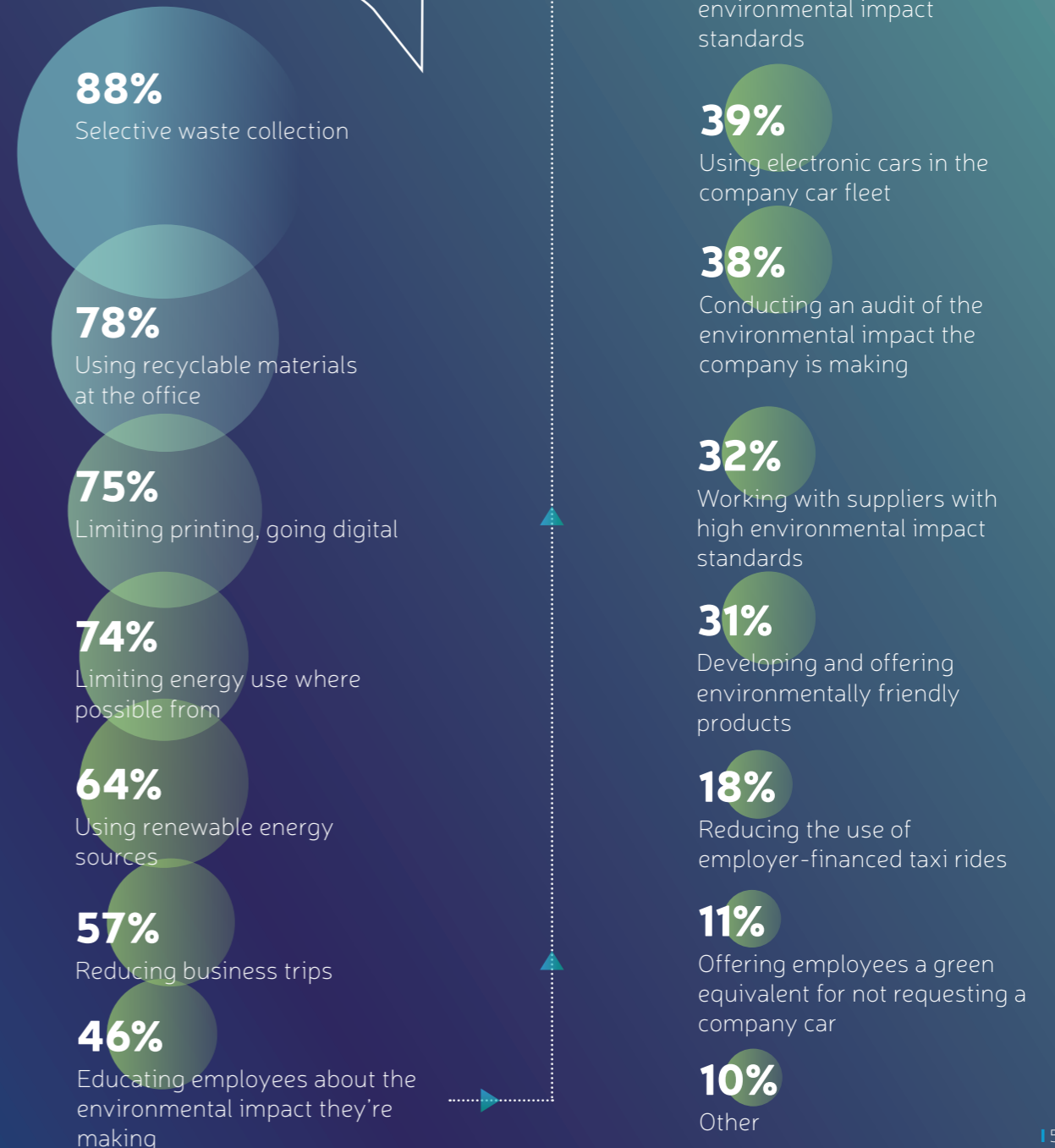


* Answer on scale 1-5 where 1 means "highly disagree", 5 means "highly agree".



The data shows that companies are comprehensively integrating environmental sustainability into their ESG (Environmental, Social, and Governance) strategies. High participation in initiatives such as selective waste collection and using recyclable materials indicates a strong commitment to environmental responsibility. While many companies are making significant progress, particularly in energy management and employee education, there is still potential for more action in areas such as the use of electric vehicles and collaboration with environmentally responsible suppliers. By continuing to enhance and expand these initiatives, organizations can further reduce their environmental impact and positively contribute to their communities' sustainability efforts.

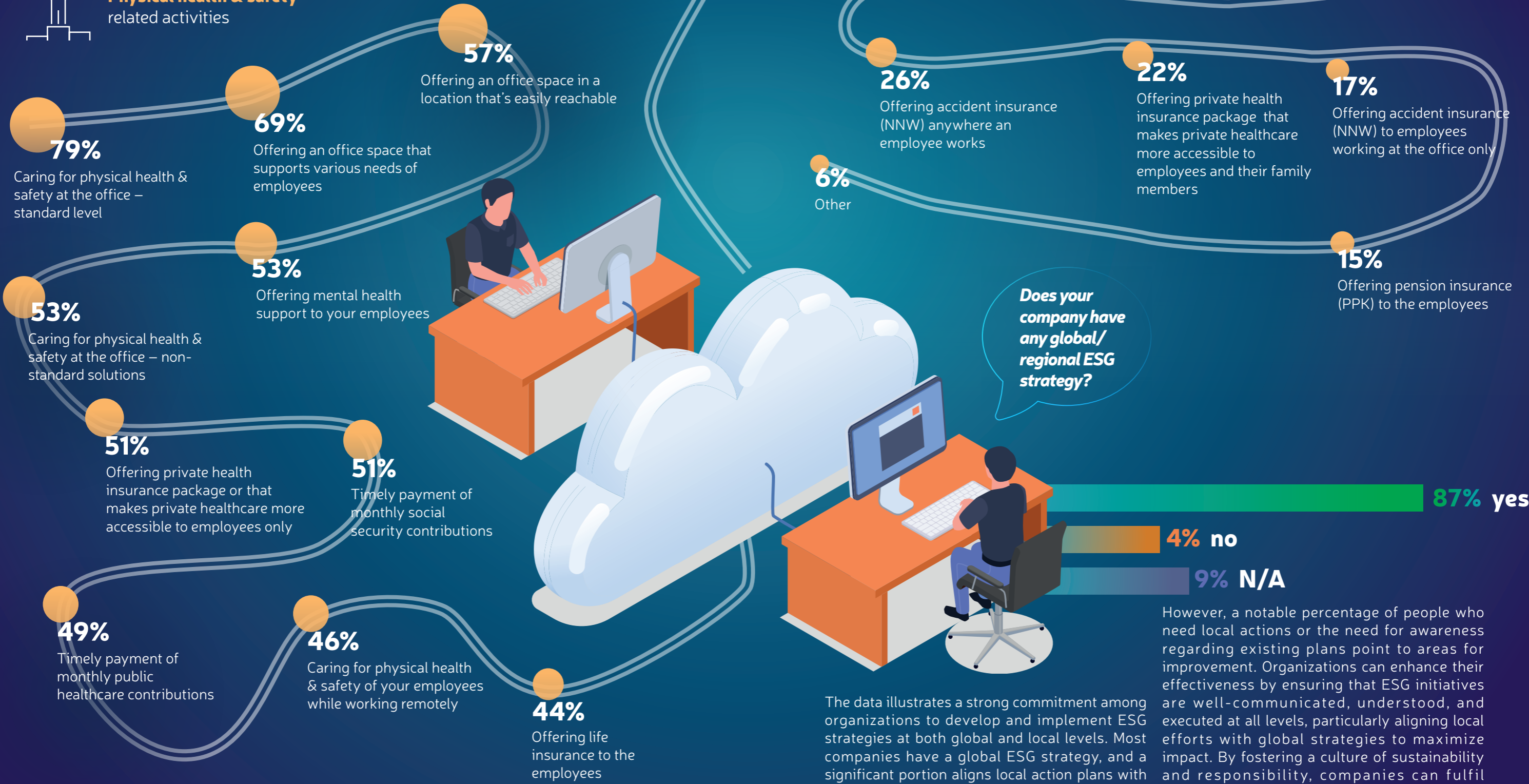
Activities that has been introduced in terms of the environmental aspect of ESG?



The data illustrates a comprehensive range of health and safety initiatives implemented by companies, demonstrating a commitment to employee well-being and compliance with legal standards. With a focus on both physical and mental health, organizations are taking steps toward creating supportive and inclusive workplaces. However, there is room for growth in areas such as insurance coverage for families and enhancing local health and safety roles. By continuing to invest in the health and safety of employees, companies can foster a culture of care that ultimately contributes to employee satisfaction and productivity.



Physical health & safety
related activities



Does your company have any global/regional ESG strategy?

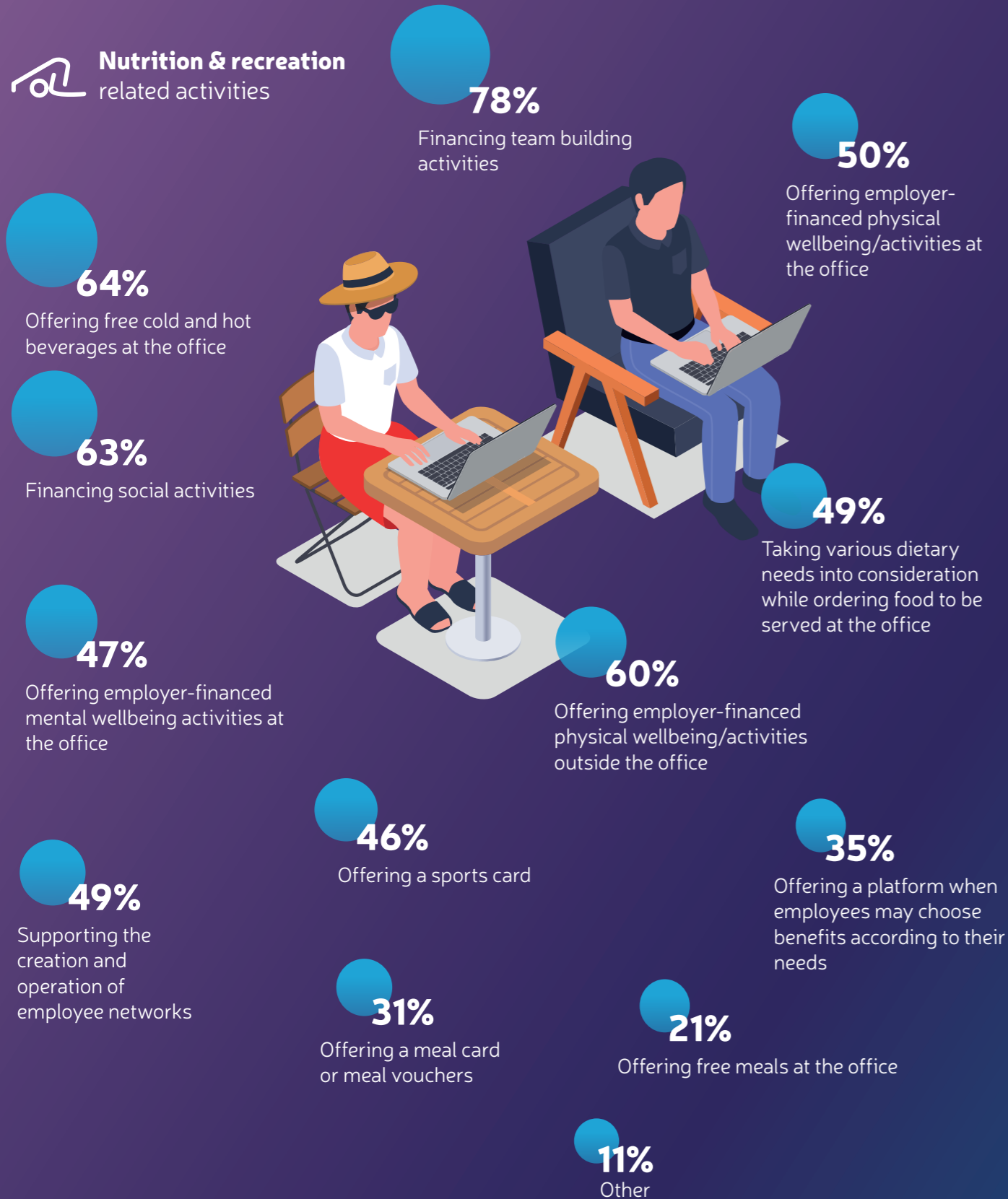


The data illustrates a strong commitment among organizations to develop and implement ESG strategies at both global and local levels. Most companies have a global ESG strategy, and a significant portion aligns local action plans with these objectives, establishing the foundation for responsible and sustainable business practices.

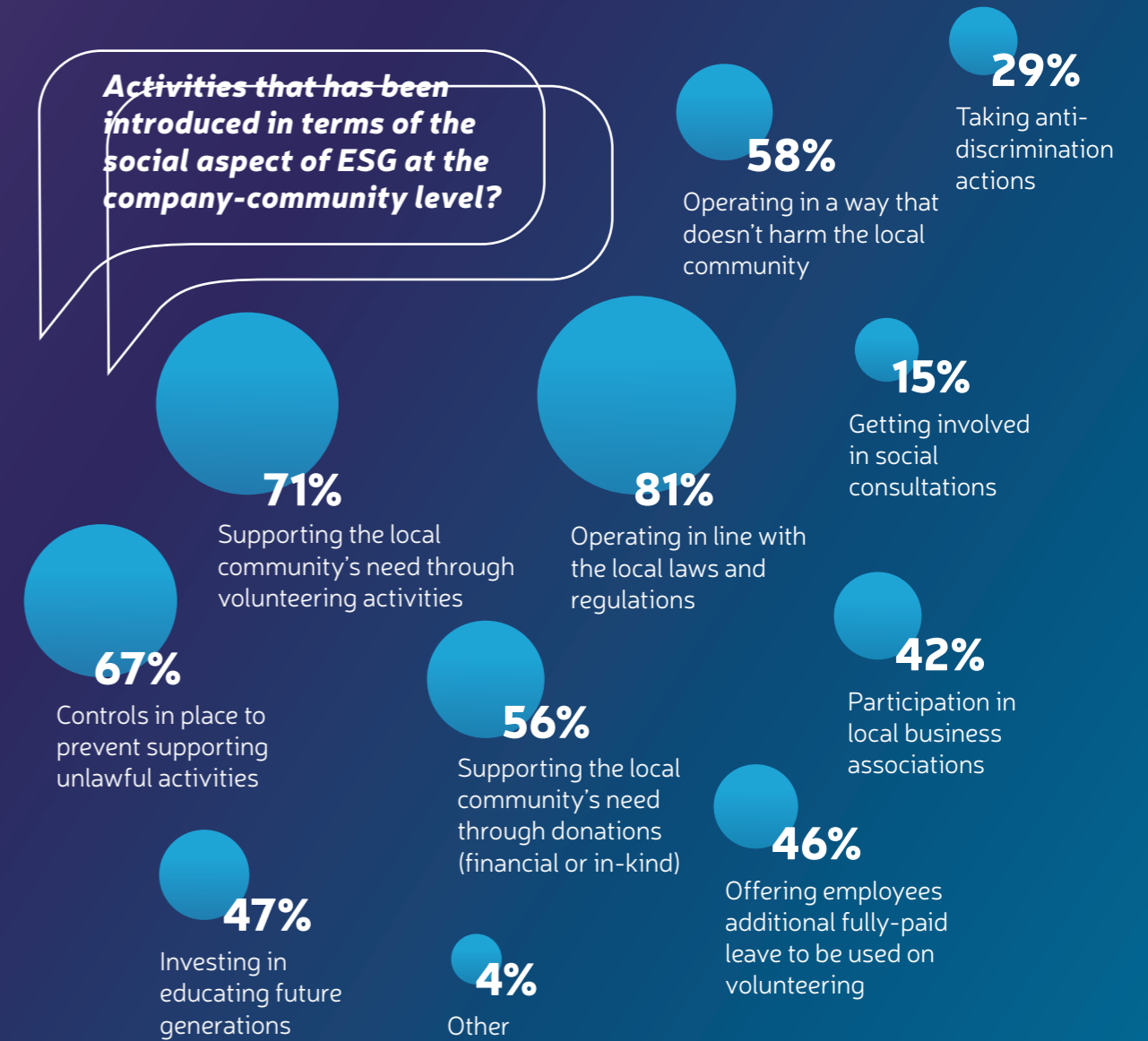
However, a notable percentage of people who need local actions or the need for awareness regarding existing plans point to areas for improvement. Organizations can enhance their effectiveness by ensuring that ESG initiatives are well-communicated, understood, and executed at all levels, particularly aligning local efforts with global strategies to maximize impact. By fostering a culture of sustainability and responsibility, companies can fulfil stakeholder expectations and contribute to broader societal and environmental goals.

The variety of initiatives promoting nutrition and recreation within organizations reflects a strong commitment to enhancing employee well-being through the social dimension of ESG considerations. Companies are creating environments that support employee satisfaction and engagement by investing in team-building and social activities, offering both physical and mental well-being programs, and accommodating diverse dietary preferences. These proactive efforts strengthen employee interpersonal connections and cultivate a workplace culture centered around health and wellness. As organizations prioritize these initiatives, they will likely see positive effects on employee morale, productivity, and overall organizational performance, ultimately leading to a more sustainable business model that aligns with social responsibility principles.

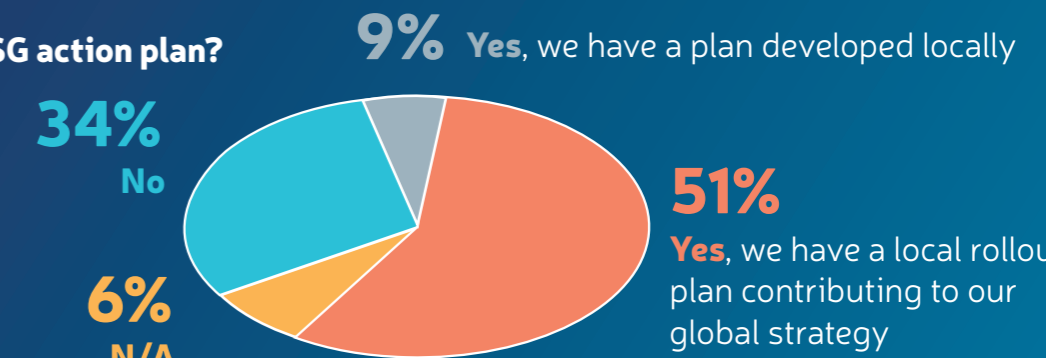
Nutrition & recreation
related activities



Activities that has been introduced in terms of the social aspect of ESG at the company-community level?



Do you have a local ESG action plan?



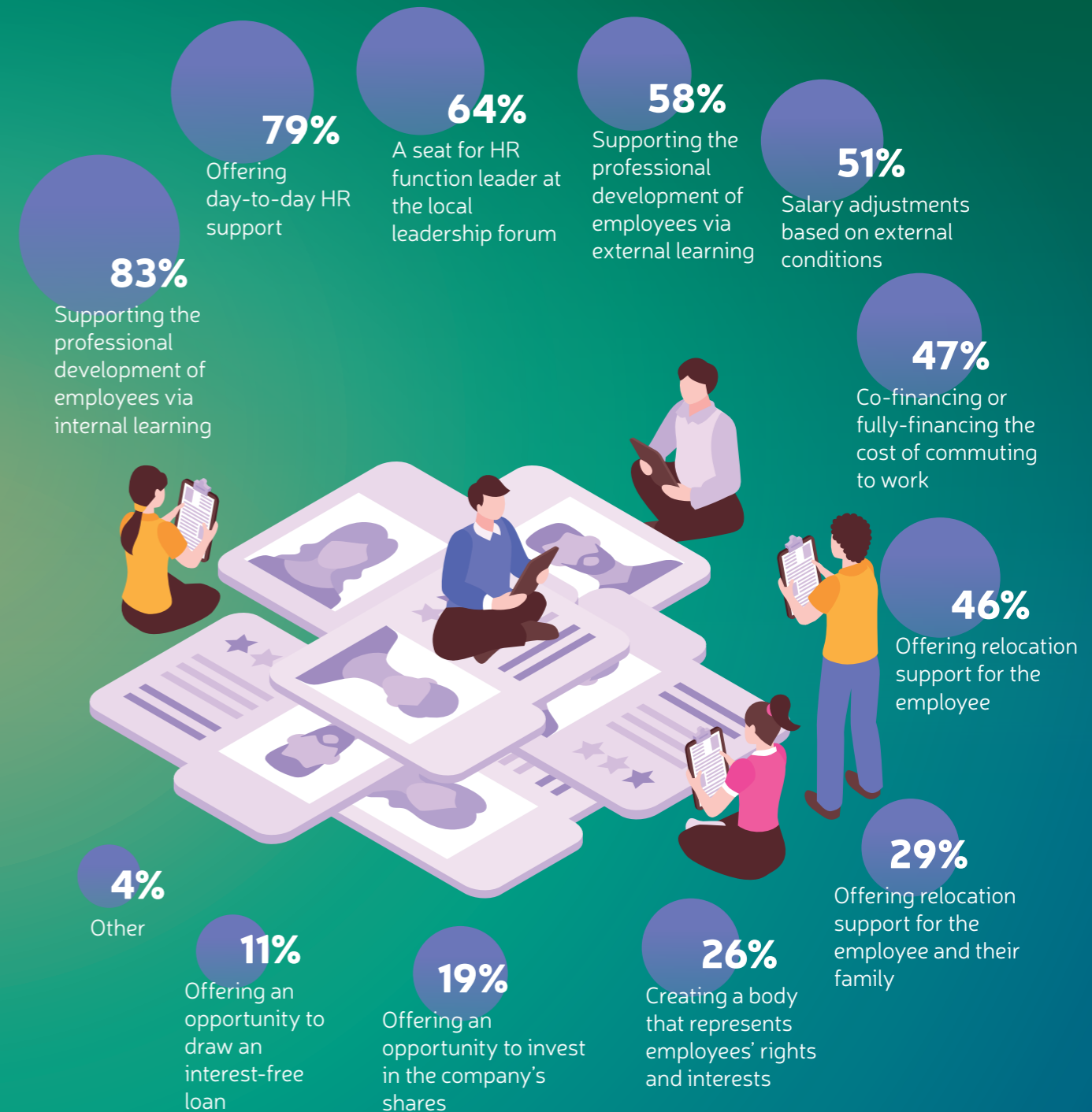
The array of activities that companies have introduced to support the social aspect of ESG at the company-community level showcases a robust commitment to ethical practices and community engagement. Companies reinforce their role as responsible corporate citizens by adhering to local laws, preventing unethical activities, and actively participating in community support through volunteering and donations. Additionally, investments in education and participation in business associations demonstrate a forward-thinking approach that benefits businesses and the communities in which they operate. While solid foundations are in place, particularly in compliance and community involvement, there is potential for further development in community consultation and anti-discrimination efforts. By enhancing their engagement with local communities, companies can create meaningful impacts and foster deeper connections that contribute to long-term sustainability and social well-being.

The variety of activities undertaken to support unique and social needs reflects a robust organisational commitment to inclusivity and employee welfare within the framework of ESG principles. Companies are fostering a compassionate workplace culture by implementing anti-discrimination measures, providing support for parents and caregivers, and offering individualized assistance for health and bereavement. Moreover, the emphasis on employee recognition and flexibility in work arrangements underscores the importance of adapting to employee needs in today's work environment. Organizations that continue to prioritize these initiatives enhance employee satisfaction and strengthen their overall reputation as socially responsible employers. Ultimately, these efforts contribute to a more engaged, productive, and diverse workforce well-equipped to succeed in a competitive landscape.

Social needs-related activities



HR policies-related activities as social aspect of ESG



The variety of HR policy-related activities organisations undertake demonstrates a solid commitment to the social aspect of ESG principles. By investing in both internal and external professional development opportunities, providing accessible HR support, and ensuring employee representation, companies are fostering a supportive and inclusive workplace environment. Furthermore, initiatives like relocation support, salary adjustments, and commuting assistance reflect a thoughtful approach to addressing the diverse needs of employees. Organizations prioritising these policies can enhance employee engagement, satisfaction, and loyalty, ultimately contributing to a healthier organizational culture. By aligning HR practices with social responsibility goals, companies improve employee welfare and strengthen their overall reputation as socially responsible employers.

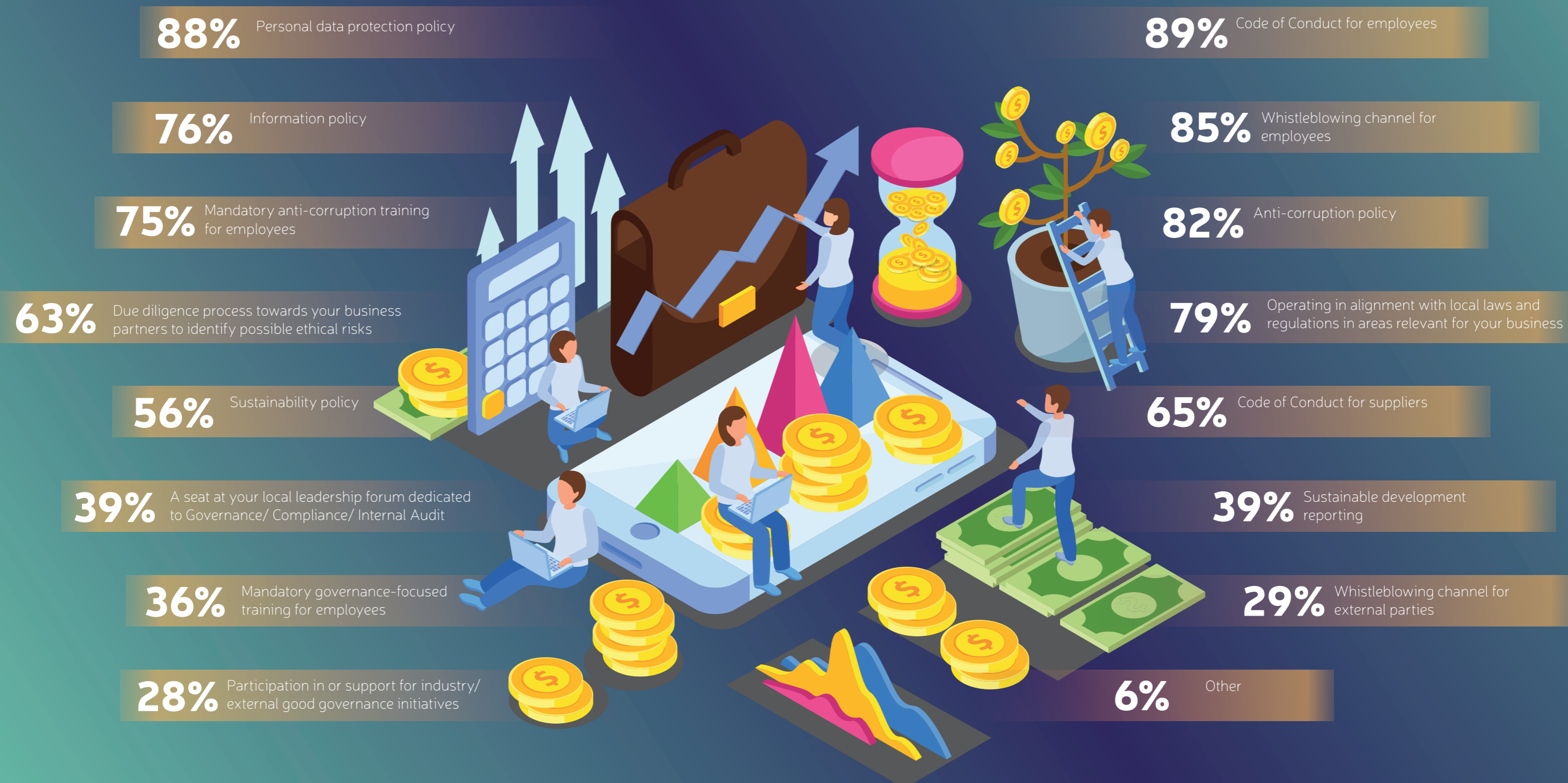
* e.g. for prayer during the day, breastfeeding, etc. ...

The range of activities companies have implemented concerning the governance aspect of ESG underscores a firm dedication to ethical practices, compliance, and accountability. Companies are fostering a culture of integrity and transparency by establishing comprehensive codes of conduct, whistleblowing channels, and anti-corruption policies. The commitment to aligning with local laws and investing in data protection and sustainability policies further reinforces their governance structures.

While notable strengths exist, particularly in employee training and operational compliance, there are opportunities for organizations to enhance their governance frameworks, specifically regarding external whistleblowing mechanisms and greater involvement in industry initiatives. By prioritising governance best practices, companies can protect their reputations and promote sustainable and responsible business operations that align with the broader goals of ESG.



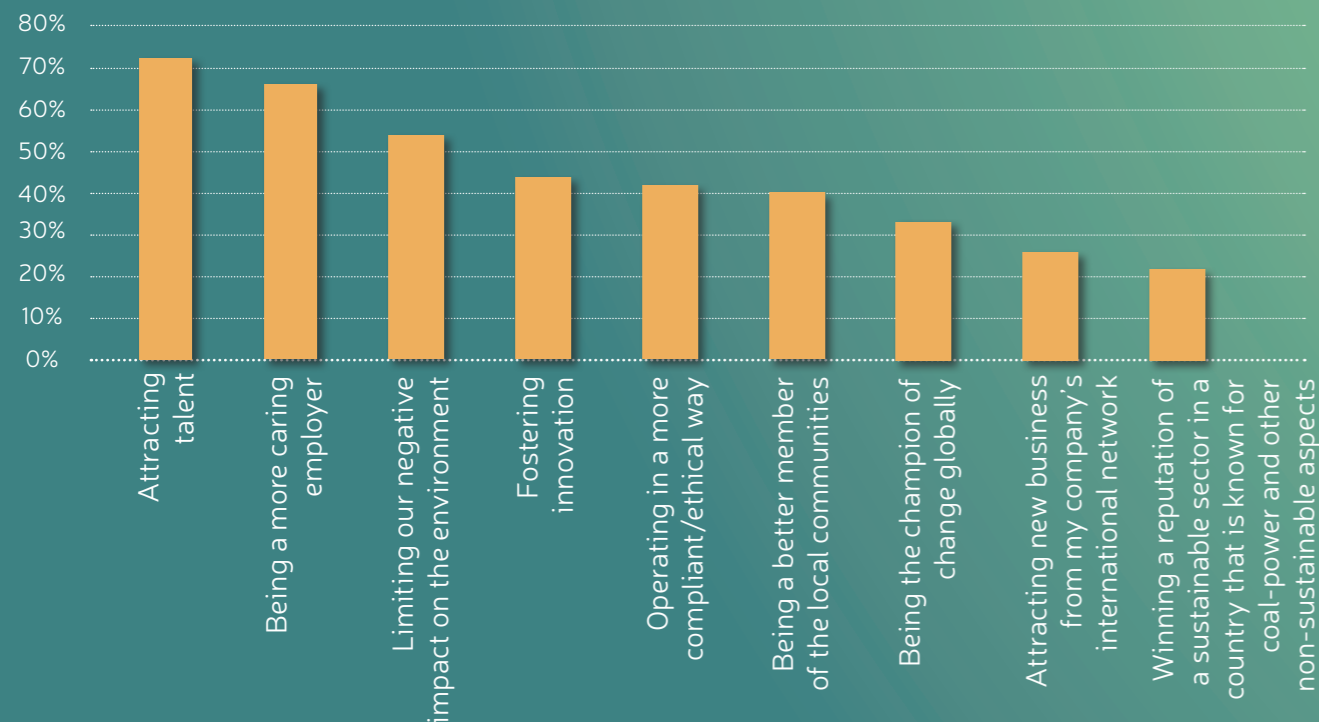
Activities that has been introduced in terms of the **governance aspect of ESG?**



The insights indicate that business service centers in Hungary have identified numerous opportunities for enhancing their ESG initiatives, particularly regarding employee engagement, talent attraction, and innovation. By becoming more caring employers, limiting environmental impact, and fostering community ties, these organizations can improve their competitiveness while contributing positively to society and the environment. Moreover, positioning themselves as leaders in ethical practices and sustainability can yield significant market advantages. As companies continue to embrace these opportunities, they can drive internal growth and enhance their reputation and influence as responsible corporate citizens in a challenging economic landscape. By capitalizing on these opportunities, business service centers can play a pivotal role in advancing the broader ESG agenda in Hungary.



What are the biggest opportunities for your BSC in Hungary in terms of ESG?

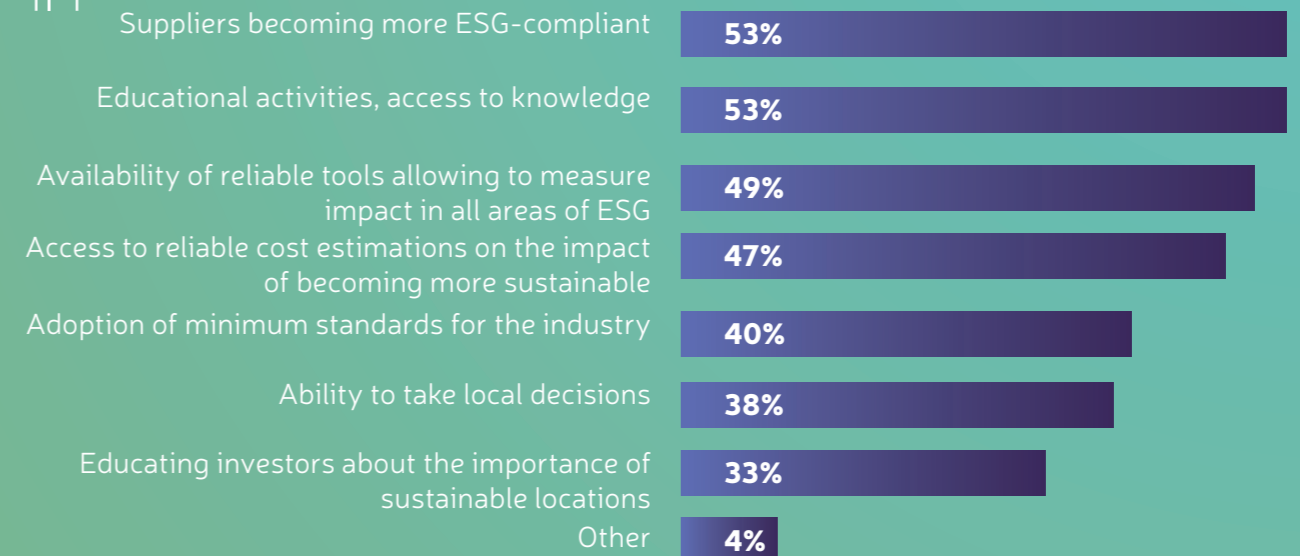


The insights gathered reveal a strong desire for improved resources and structural support to enhance readiness for ESG initiatives within the business services sector in Hungary. Key areas of focus include the need for reliable cost estimations, practical measurement tools, and a commitment from suppliers to comply with ESG standards. Moreover, enabling local decision-making and adopting industry minimum standards can facilitate more tailored and impactful

sustainability efforts. Education and knowledge-sharing are also critical components that can equip organizations with the necessary insights to navigate the complexities of ESG practices. By prioritizing these factors, businesses can improve their sustainability performance and contribute to a more resilient and responsible business services sector in Hungary, ultimately aligning with global sustainability goals.

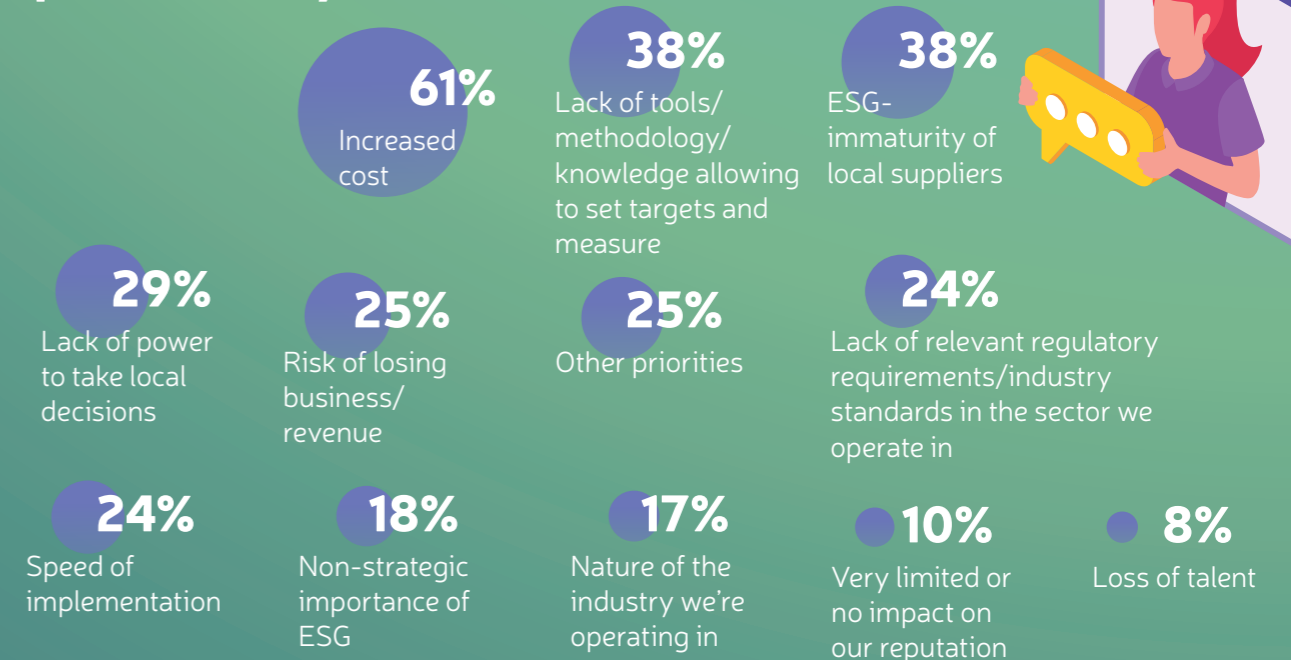


What would help the BSC sector in Hungary to be more ready for ESG aspects?



The research shows that companies in the modern business services sector are facing significant challenges in their efforts to be ESG-responsible. The main obstacle is increased costs, and other issues like the lack of proper tools and methods, regulatory gaps, and the immaturity of local suppliers are making the journey towards sustainability even more difficult. In addition, if leadership does not prioritize ESG, it could hinder meaningful progress. To overcome these challenges, businesses need to focus on developing strong ESG strategies that include local decision-making, improve collaboration with suppliers, and secure the necessary resources for implementation. By addressing these barriers together, organizations can progress towards more sustainable practices and make a positive contribution to the long-term resilience of the sector.

Biggest challenges in an ESG-responsible way

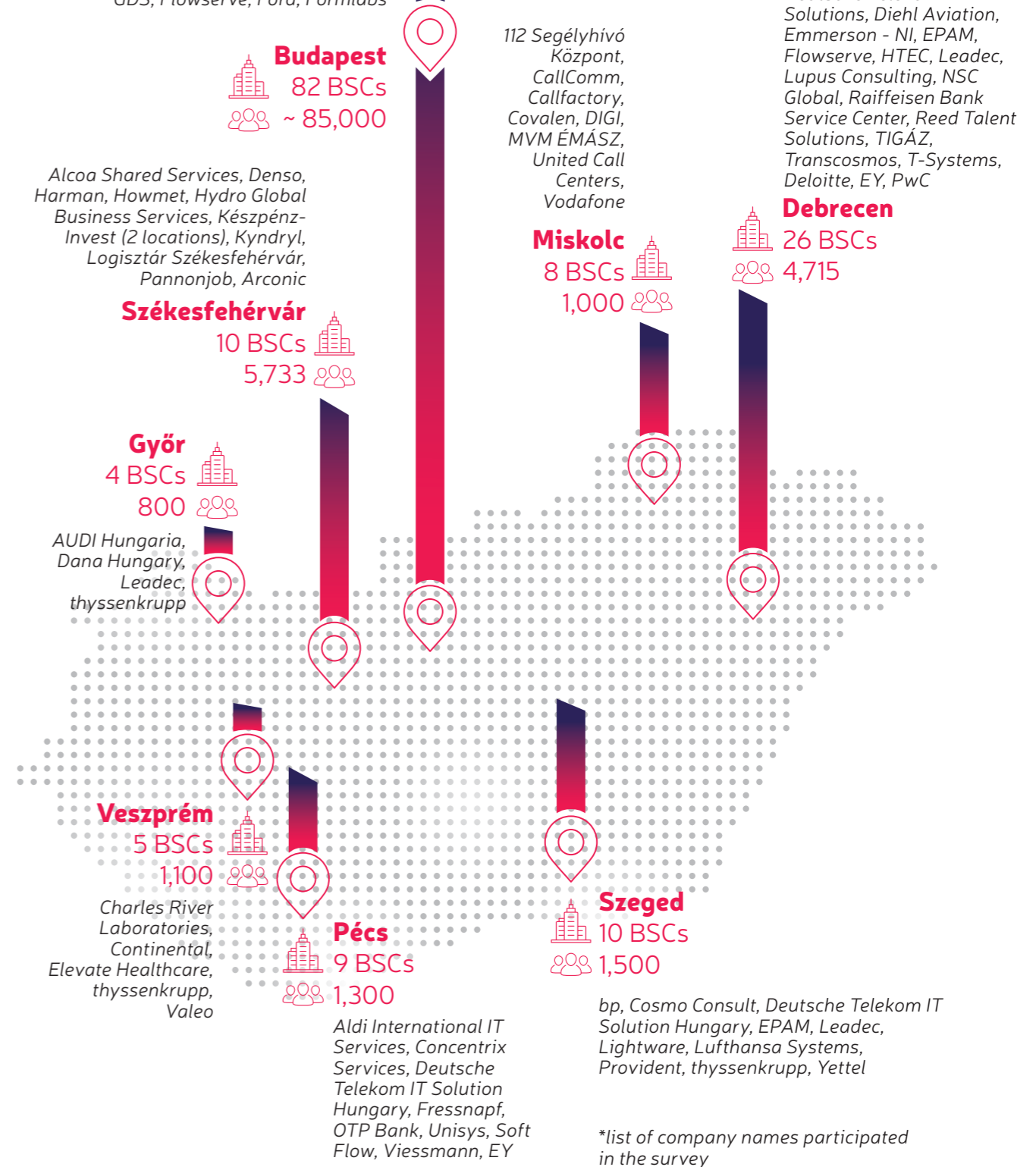


Business Services Locations in Hungary

Office Market Overview

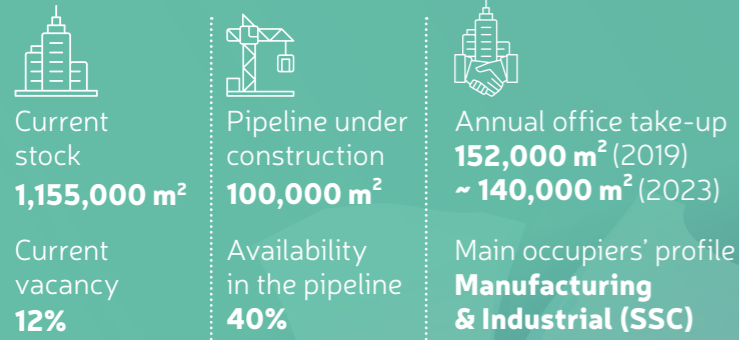
AGCO, Air France-KLM, Albemarle, ALDI International IT Services, Aleido, Arm, Avis Budget Group, Bayer, bp, BPiON Services, BT, CAE Engineering, Celanese, Citibank, Cognizant, Computacenter, Continental, Corning, Cosmo Consult, Covalen, CRH Üzleti Szolgáltatási Központ, Cushman & Wakefield Portfolio Services Center, Deutsche Telekom IT Solutions, DHL, Diageo, Diligent, DOQSYS Business Solutions, Eaton Business Services, Ecolab, Emerson – NI Hungary, Emirates, Epam Systems, Ericsson, ESAB, ExxonMobil, eSense, EY GDS, Flowserve, Ford, Formlabs

Major Hungarian BSC Locations



*list of company names participated in the survey

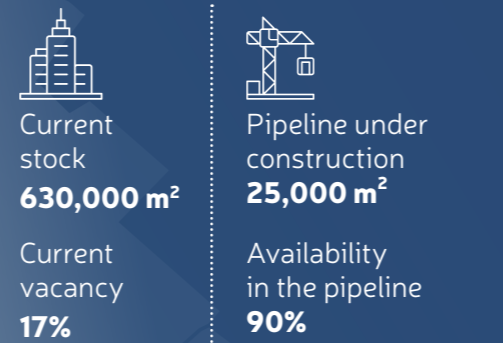
Váci Corridor



Largest BSC occupiers: Avis / British Petroleum / Citibank / Diageo / Ernst & Young / ExxonMobil / General Electrics / Givaudan / KPMG / Raiffeisen Bank / Roche / Sanofi

Budapest office submarkets Statistics

Ring Road Area

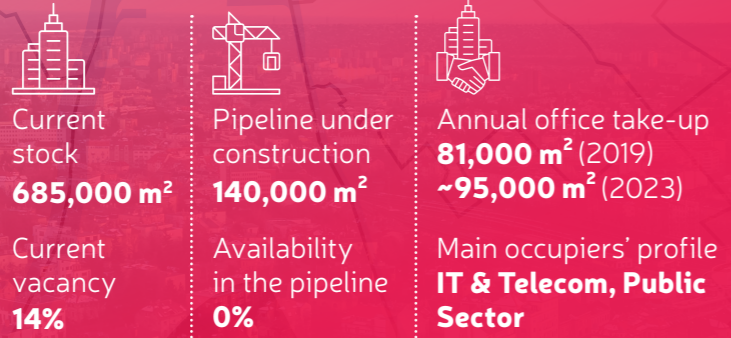


Annual office take-up
28,000 m² (2019)
~52,000 m² (2023)

Main occupiers' profile
IT & Telecom, Manufacturing

Bosch / Citi / Docler Services / K&H / ThyssenKrupp / TÜV Rheinland /

South Buda



Agco / Bayer / British Telecom / Colas / Ericsson / Estée Lauder / evosoft / IBM / TATA / ThyssenKrupp / Viacom /

Budapest / BSCs

82
Major BSCs in the city


Population
3,000,000+
(greater area)


~85,000
Employees of the sector

Budapest is the largest city, and the only metropolitan area in Hungary with 1.7 million people in the city and further 1.3 million living in the agglomeration (Central-Hungary, Pest County). For a decade now, Budapest has maintained its leading position in the CEE region in terms of liveability. The weight of the Budapest region in the country's GDP exceeds 45%, one of the highest proportions in the EU. This is the only region in the country where the population is growing - thanks to both domestic and international migration. According to various forecasts (incl. Oxford Economics), the city is forecasted to have one of the fastest growing economies in Europe over the medium term (2025-29). In terms of projected office-based employment growth, Budapest is second to Madrid only in Europe on the same time horizon.

AGCO, Air France-KLM, Albemarle, ALDI International IT Services, Aleido, Arm, Avis Budget Group, Bayer, bp, BPiON Services, BT, CAE Engineering, Celanese, Citibank, Cognizant, Computacenter, Continental, Corning, Cosmo Consult, Covalen, CRH Üzleti Szolgáltatási Központ, Cushman & Wakefield Portfolio Services Center, Deutsche Telekom IT Solutions, DHL, Diageo, Diligent, DOQSYS Business Solutions, Eaton Business Services, Ecolab, Emerson – NI Hungary, Emirates, Epam Systems, Ericsson, ESAB, ExxonMobil, eSense, EY GDS, Flowserve, Ford, Formlabs, Fressnapf International Business Services, FrieslandCampina, GE, Genpact, Givaudan, Howden, Hydro, IBM, International Flavors & Fragrances, Itron, Jaguar Land Rover, KOSTAL, KPMG Global Services, KUKA, Kyndryl, Lexmark, Lufthansa Systems, MagiCom, MOL GBS, Morgan Stanley, MSCI, MSX International, Nilfisk, NIO, Nissan, Nokia, Oracle, Process Solutions, Randstad Sourceright, Roche, Sanofi, SONY, Tata Consultancy Services, TechMahindra, Tesco Business Solutions, Thermo Fisher Scientific, thyssenkrupp, TK Elevator, Trivium Packaging, Unisys, VOIS, Xellia Pharmaceuticals

Higher education

43
Institutions


146,373
Students


44,845
University graduates


21,892
Foreign students



Budapest / Office Market

Office Stock:

4.5 M m²

The total modern office stock in the city has surpassed a new milestone with 4.5 million square meter, making Budapest the largest office market in the Central-Eastern European region second only to Warsaw. Although office completions in 2024 fell short to expectations, the future pipeline remains robust at over 520,000 sq m.



Development pipeline:

520,000 m²

For 2025, we foresee a delivery of 101,600 sq m of new office space of which 36% is already pre-committed. In 2026, 256,300 sq m of office space is expected to come onto the market, with a 93% pre-lease ratio. 85,400 sq m will be completed in 2027, where 96% has already been pre-committed. This extreme high pre-lease ratio is mainly due to the planned moving and consolidation within the public sector. Most of these purpose-built developments are taking place in Budapest 11 and Budapest 14. Therefore, the office construction activity is highly concentrated: Non-Central Pest submarket (37%), and South Buda (27%) carves out the biggest chunk while Váci Corridor remains 3rd with a 19% share. In the traditional city center (CBD and Central-Buda) only 7,800 sq m is under construction. In addition to this space being under construction, we are monitoring a further thirteen projects where construction has not started yet but planning is at an advanced stage. These have a total volume of 213,000 sq m and could be completed by 2027. The current economic and financial climate is not conducive to new starts on a speculative basis, so we expect these projects to commence after a reasonable level of pre-letting or owner-occupation.



Office demand:

+21%

Year-on-Year

Total Leasing Activity in the office segment reached ca 240,000 sq m in the first half of 2024, up 21% year-on-year. Excluding renewals, take-up was 130,000 sq m, up by 25% y/y. The top ten leasing deals in H1 2024 included seven renewals, two new deals and one owner-occupied deal. Two sizeable renewals were signed, both in multiple locations: one by a pharmaceutical and healthcare company and one by a finance company. Average deal size has increased by 8% year-on-year. Renewals dominated the demand: 46% of TLA was prolongation signed leases, following new leases with 34%, which suggests that many companies are looking to postpone wholesale relocations into new office space, thereby reducing their overheads during this uncertain period. The sectoral breakdown of take-up in 2024 so far was led by Manufacturing & Energy (21%), followed by Business Services (17%). These two sectors are typically driving the demand for BSC office space. Public Sector (15%), Financial Services (10%) were also more active in 2024 – whereas we observed less agility on the leasing market from IT related companies. Overall the occupied office stock has expanded by ca 35,000 sq m in six months, showing a stronger dynamics than in previous years. Geographically, the strongest net absorption was registered in Váci Corridor and in Central Buda, followed by Central Pest. We continue to see a growing interest for flexible solutions resulting in high demand for serviced offices. Based on our database the flex office stock in Greater Budapest stands at around 80,000 sq m at the end of Q2 2024- following the handover of Regus flex offices in non-central locations close to retail hubs in the agglomeration. Further expansions in regional cities are expected to appear soon.



Vacancy Rate:

13.9%
and expected to increase further

The vacancy rate increased to 13.9% (+1.7 pp y/y) and the vacancy in 'A' category stock was at 14.6% as of July 2024. Geographically, in Q2 2024 the vacancy rates increased in six office submarkets y/y, with the largest increases in Non-Central Pest and Central Buda. The lowest vacancy rates were seen in North Buda (7.7%), Central Buda (8.7%) and CBD (10.4%). As has been the case for over a decade, the largest vacancy rate was measured in the Peripheral submarket (33.2%).

We expect vacancy to increase further during the year and to surpass 15% by the end of 2024. Thereafter, given the enormous activity with the public sector consolidating into new "A" category, those buildings they vacate will significantly increase the "B" category vacancy higher. This will be further added to with other large consolidations. In general, we see and expect stronger demand for the rest of 2024 as the economy continues to grow. As a result, CBRE expects vacancy rates to start reducing from the beginning of 2025.

All submarkets except CBD and Periphery have higher vacancy rates at the end of H1 2024. There are four submarkets with vacancy rates above the city average: the Periphery (33.2%), Central Pest (18.0%), Non-Central Pest (17.7%) and South Buda (14.9%). It is important to note that the reported vacancy levels reflect the market and submarkets on an aggregate level, hence "real-time" availability from an occupier's perspective is much more limited, as the vacant space is generally not contiguous, and fragmented across buildings and floors.



Grade "A" Rent:

16.8 €/m²
/month

The average asking rent in vacant premises was 14.6 EUR / sq m pm as of Q2 2024, showing a slight increase (+2%) y/y. In case of ongoing developments, the typical range is between 20-22 EUR / sq m pm, moving slightly up y/y. Among 'A' category assets, the asking rent stands at 16.8 EUR / sq m pm (+2% y/y). Prime rents are edging up for centrally located, best-in-class premises. Currently we quote prime office rents at 25 EUR / sq m pm, (flat y/y). Comparing the average asking rents with those of Q2 2023, we see a significant increase in Central Buda (16.2 EUR, +7.9% y/y), Periphery (9.3 EUR, +6.8%) and CBD (19.6 EUR, +5.7%).



Debrecen



Population

960,000

(greater area)



26

Major BSCs
in the city



24

3*+ Hotels

4,715

Employees
of the sector

4iG, Aldi, BT, CallComm, Callfactory, Capgemini, Continental Autonomous Mobility, Cosmo Consult, DataExpert, Delaware Consulting Hungary, Deutsche Telekom IT Solutions, Diehl Aviation, Emerson - NI, EPAM, Flowserve, HTEC, Leadec, Lupus Consulting, NSC Global, Raiffeisen Bank Service Center, Reed Talent Solutions, TIGÁZ, Transcosmos, T-Systems, Deloitte, EY, PwC

Debrecen is the second largest city in Hungary and has a significant role in the nation's business services industry. As the major cultural, educational and economic center of Eastern Hungary, the city offers accessibility by road and rail, while the international airport operates regular flights to various destinations from Debrecen. In addition to this, the city provides a good combination of a dynamically evolving economic life and a liveable environment at affordable prices.



The city has a modern office stock of ca. 117,000 m² – making Debrecen the largest office market among the regional cities. The stock consists of several newly built and refurbished projects offering immediate availability on ca. 26,100 sq m as of end H1 2024. Ca. 75% of speculative stock is modern "A" grade office buildings. The office stock is evenly spread across the city at strategic locations with high visibility and good access by car or public transport. The office stock is evenly spread across the city at strategic locations with high visibility and good access by car or public transport. Average rental fees of category "A" offices range from 10-13 EUR/m²/m, whereas category "B" offices can be found from 7-8 EUR/m²/m.

Besides the existing availability, the future pipeline includes further projects on 13,400 sq m GLA. The planned completions include expansion, refurbishment and new office developments as well across various locations in the city, including the International Airport. Once realized, these new projects create great opportunity for new companies to establish their business in Debrecen. The city is already home to numerous international companies with a wide range of functions and sectors from IT and telecommunications through financial services to high added value engineering activities.



Transportation

220 km

from Budapest

5 km

from DEBRECEN

International Airport

In a survey by Financial Times, examining international capital flows and investments, Debrecen was included in the TOP 10 list of best investment promotion destinations in the world. Besides its importance as a key regional office hub, the city has emerged as the most important industrial hub in Eastern Hungary due to significant FDI inflow in recent years. In the Debrecen area speculative industrial stock hit 168,000 sq m as of August 2024. It has excellent infrastructure and three industrial parks covering 1,400 hectares that are home to Vitesco Technologies Kft., BHS Trans Kft., Semcorp Hungary Kft., CATL and BMW.

Higher
education

2
Institutions



7,075

Foreign
students



34,870

Students



7,011

University
graduates





Győr

Győr is the most important city of northwest Hungary, the capital of Győr-Moson-Sopron County and Western Transdanubia region, and—halfway between Budapest and Vienna—situated on one of the most important traffic artery of Central Europe. For almost three decades now Győr has been a top destination for international manufacturers, most notably Audi, who have established one of their leading engine and car factories here and as a result attracted a wide array of renowned suppliers. Although Győr is seen as a major industrial hotspot anchored by Audi, the city has a considerable service sector as well. The growing importance of the tertiary sector is reflected in the development of the office market. The largest office complex in the city is located directly in the city center on ca 23,000 sq m GLA with current availability around 4,000 sq m in three buildings. Besides the centrally located offices, there is a significant modern stock in the industrial park in the vicinity of the Audi plant with a considerable office element (ca 20,000 sq m across various buildings). Office space is available if the city for a rental rate of 10-13 EUR/sqm pm.

AUDI Hungaria, Dana Hungary, Leotec, thyssenkrupp



Population

780,000

(greater area)



10-13 €/m²/month
Average rental fee
'category A'



Transportation

121 km
from Budapest

153 km
from BUD Airport



4

Major BSCs
in the city



26

3*+ Hotels



800

Employees
of the sector

*AUDI Hungaria,
Dana Hungary,
Leotec, thyssenkrupp*

At the same time, the labor market situation in the region is becoming more and more difficult, and in the case of Győr, the limited supply of plots also hinders further growth. Therefore, the balance is increasingly tipping only towards investors who require higher education and are less labor-intensive. The growing importance of the tertiary sector is reflected in the development of the office market. Besides the centrally located offices, there is a significant modern stock in the industrial park in the vicinity of the Audi plant with a considerable office element (ca. 20,000 sq m across various buildings).

Higher education



1

Institution



12,676

Students



3,088

University graduates



718

Foreign students



Miskolc



Population

640,000

(greater area)



8
Major BSCs
in the city



1,000
Employees
of the sector

112 Segélyhívó Központ, CallComm, Callfactory, Covalen, DIGI, MVM ÉMÁSZ, United Call Centers, Vodafone



20
3*+ Hotels

Miskolc is the largest city in North-Hungary and is the seat of the most populous county in Hungary. Miskolc succeeded to transform its economic character and managed to shift the focus from heavy industry and mining to high value-added production and business services. The emergence of the service industry as a key economic driver is also reflected in the rampant growth of the office stock. The existing office stock has rather limited availability, and is scattered across several historical buildings in the city center.



11-14 €/m²/month
Average rental fee
'category A'



Transportation

187 km
from Budapest

180 km
from BUD Airport

120 km
from DEBRECEN
International Airport

Due to recent developments, the stock has significantly increased since our last survey. The existing office stock totaling ca. 37,000 m² and has rather limited availability and is scattered across several historical buildings in the city center.. Miskolc is a reasonable choice for cost-sensitive companies as rents start from 6-8 EUR/m²/m for "B" grade properties, while modern "A" category office space available at 11-14 EUR/m²/m.

On the demand side, Miskolc city is home not only to services directly linked to the buoyant manufacturing industry, but also to various other back-office operations, mostly customer service centers. There have been four major business service providers in Miskolc for 20 years already, employing currently ca. 1400 people. Close cooperation between the city, the University of Miskolc and the existing businesses are facilitating further growth in this sector. Besides attracting and retaining talented young people and an active workforce, the city is actively supporting the local Research & Development activities and working on a Smart&Green Miskolc concept to further increase the livability and attractiveness of the city.

Higher
education

1 
Institutions



10,263
Students



2,578
University graduates



443
Foreign students



Pécs



Population

450,000

(greater area)



9

Major BSCs
in the city



1,300

Employees
of the sector

Aldi International IT Services,
Concentrix Services, Deutsche
Telekom IT Solution Hungary,
Fressnapf, OTP Bank, Unisys, Soft
Flow, Viessmann, EY



21

3*+ Hotels

Pécs is the largest city in South-Transdanubia and is the main educational and cultural hub in the region. The city used to have an industry-driven economy focusing on mining, manufacturing and food; however, there has been a gradual development of high-tech industries establishing in the city (including electronics IT network manufacturing). Current modern office stock is estimated to reach 46,000 sq m - including properties with full occupation.



10-12 €/m²/month

Average rental fee

'category A'

The stock consists mostly of smaller floor plates in refurbished historical buildings or in 'B' category facilities. Newcomer companies can choose among several office buildings of various quality with a total immediate availability of ca. 7,000 sq m. Based on existing plans, further 14,600 sq m of office space can be developed upon tenants' enquiry at a later stage. The headline rents vary from 5-6 EUR/sq m/m in 'B' category properties up to 12 EUR/sq m/m in 'A' category stock.

As a milestone of this economic transformation, in 2006 Concentrix (Convergys) opened a customer service with 200 employees in Pécs. Since then other companies from a diverse range of industries opened their new service centers in town - including IT Services, Unisys and more recently Viessmann and Aldi. The shared service sector is estimated to employ ca 800 people with ambitious expansion plans in the future. Nevertheless, there is still room for other shared service centers to start operation in the city given the quantity and quality of the available labour pool. The economic backbone of the city is currently the domestic service industry and the smaller and medium sized enterprises present in the region. Nevertheless the skilled workforce coupled with relatively high unemployment and lack of other shared service operators create a great opportunity for new employers planning to set up operation in Pécs.



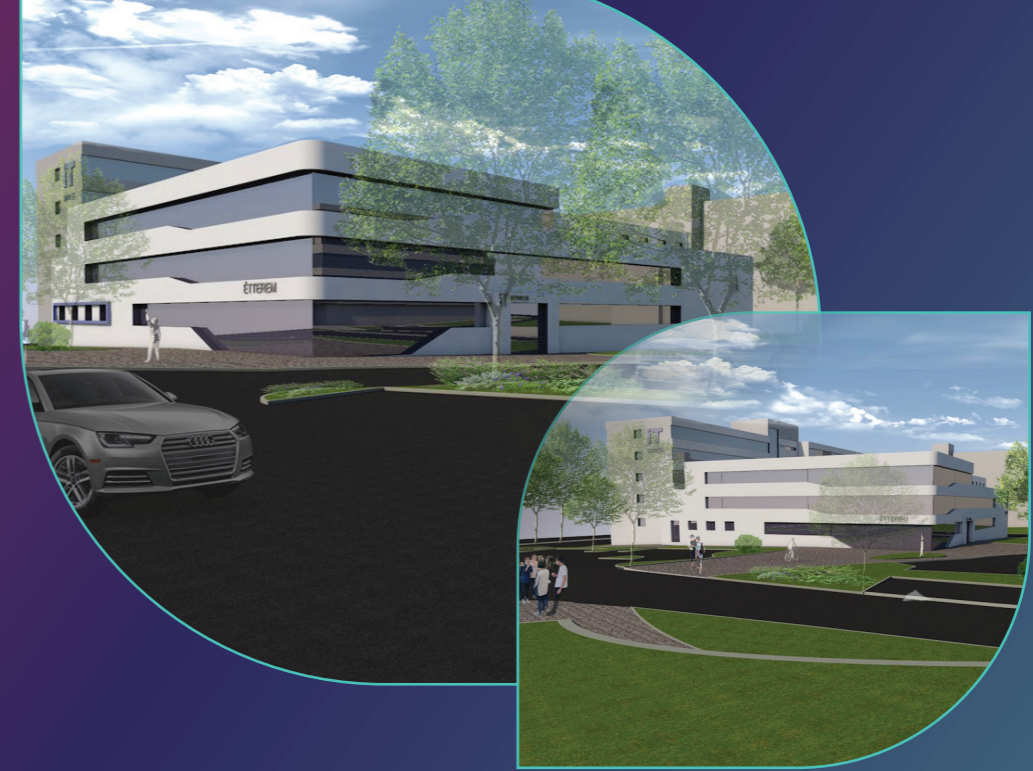
Transportation

198 km

from Budapest

10 km

from PÉCS-POGÁNY
Airport



Higher
education



1
Institutions



21,387
Students



3,927
University graduates



4,990
Foreign students



Szeged



Population

452,000

(greater area)



10

Major BSCs
in the city



1,500

Employees
of the sector

*bp, Cosmo Consult, Deutsche Telekom
IT Solution Hungary, EPAM, Leotec,
Lightware, Lufthansa Systems,
Provident, thyssenkrupp, Yettel*



20

3*+ Hotels

Szeged is not only the seat of the South-Great Plain region but also the EU's gateway city to Southeast Europe. The city is an important scientific center, home to various medical, biological & biotechnical research centers and to the ELI-ALPS laser research institution. The Science Park is a planned scientific research center to accommodate start-up businesses and innovative companies next to ELI-ALPS. The business services center industry has emerged as an important driver of the local economy.

The city has been a cultural and educational center of the region, hence its economy strongly relies on the service industry. Szeged gives home to service centers operated for EPAM, Deutsche Telekom and Lufthansa Technik. The city has proved to be attractive to a number of IT companies recently to locate here their core functions. While the industrial market is still elementary in the city, this will change soon following the recent announcement from the largest Chinese car manufacturer. The electric car manufacturer BYD is building a giga factory in Szeged, which could strengthen the region's position in the real estate market. Large companies, focus on food processing and boasts a mix of manufacturing, are based here include: Pick, Continental, Sole-Mizo, BP, Naturtex, Goodwill Pharma.

The current office stock is estimated at ca. 32,000 m², however, the majority of this space is occupied by long-term tenants. Currently there are two new projects under construction, both in the city center and all in all 7,600 m², to provide more opportunity for newcomers. There is over 33,000 m² of "A" grade office space in the pipeline, out of this 7,500 m² is under construction. The headline rent for new office space is in the range of 10-12 EUR/m²/m, whereas smaller office needs can be accommodated in current vacancies at a rent of 6-10 EUR/m²/m.



10-12 €/m²/month

Average rental fee

'category A'



Transportation

175 km

from Budapest

160 km

from BUD Airport

Higher
education

2
Institutions



23,343
Students



3,763
University graduates



3,974
Foreign students



Székes- fehérvár



Population

836,000

(greater area)



10
Major BSCs
in the city



8
3*+ Hotels



5,733
Employees
of the sector

Székesfehérvár, the largest city in Central Transdanubia with approximately ca 100,000 residents, serves as the economic hub of the region. Its closeness to the capital and its strategic placement along major railway and road networks have drawn numerous foreign investors to the city since the 1990s.

Alcoa Shared Services, Denso, Harman, Howmet, Hydro Global Business Services, Kézipénz-Invest (2 locations), Kyndryl, Logisztár Székesfehérvár, Pannonjob, Arconic



9-12 € /m² /month
Average rental fee
'category A'



Transportation

57 km
from Budapest

88 km
from BUD Airport

This influx of foreign direct investment has been pivotal in transforming the city into a key Hungarian economic center, contributing to one-third of the region's GDP. Additionally, Székesfehérvár has emerged as the focal point for electronic manufacturing in Hungary, while the service sector, particularly IT, is becoming increasingly significant. The business sector in the city employs around 3,000 individuals. Most of the modern office spaces are located in industrial parks within mixed-use facilities. Nonetheless, there is approximately 12,000 square meters of office space available in the city center, with rental rates starting at 8 EUR per square meter per month. Székesfehérvár, Hungary, is a key industrial hub known for its diverse manufacturing sectors, including automotive, electronics, and food processing. The city's strategic location and well-developed infrastructure facilitate trade and logistics, attracting both domestic and international investment. Additionally, Székesfehérvár's skilled workforce contributes to its reputation as a center for innovation and industrial growth. With a modern real estate stock of almost 700,000 sq m, the industrial parks serve as major business hubs in the city, offering modern workspace opportunity for occupiers without specific warehouse requirement as well.



Higher education

2
Institutions



1,107
Students



369
University graduates



37
Foreign students



Veszprém



Population

200,000

(greater area)



5
Major BSCs
in the city



1,100
Employees
of the sector

*Charles River Laboratories,
Continental, Elevate Healthcare,
thyssenkrupp, Valeo*

Veszprém, located in the Central-Transdanubian Region near Lake Balaton, is swiftly becoming a key destination for office space opportunities. Its geographic advantages and burgeoning economic landscape make it an appealing choice for businesses seeking growth and innovation. The city's proximity to the leisure destination of Lake Balaton enhances its attractiveness for potential residents and employees, while its connectivity to Budapest via expressways and railways makes commuting easy.



5
3*+ Hotels



6-9 €/m²/month
Average rental fee
'category A'



Transportation

115 km
from Budapest

140 km
from BUD Airport

This well-established infrastructure positions Veszprém as a viable location for office spaces. The city offers a variety of office space options, including modern premises in industrial parks and historic city center locations. Newly constructed buildings focus on high energy efficiency, appealing to environmentally conscious businesses. New office space can be created upon emerging demand from occupiers - plans are ready to cater to businesses seeking contemporary facilities. Rental prices in Veszprém are competitive, with older premises starting at 6 EUR/m²/month and newer developments from 9 EUR/m²/month. These rates, combined with the city's cultural richness and modern infrastructure, make Veszprém an attractive location for businesses looking for office space.



**Higher
education**

2
Institutions



4,816
Students



1,068
University graduates



301
Foreign students





Hungarian Investment Promotion Agency (HIPA) is the national investment promotion organization of Hungary.

We contribute to the economic development of the country by promoting Hungary as an ideal location for investments and by providing management consultancy services to investors and prospective investors. In the framework of our policy advisory activities we mediate between business and government and collect company feedback in order to prepare policy proposals to further improve the business environment. We are also responsible for investment incentives and work as the managing body of the VIP cash subsidy system based on individual government decision. We provide management consultancy services in the fields of location selection, supplier development and mergers and acquisitions in a one-stop-shop service model on a free of charge basis.

Before you make a decision, in the framework of our **one-stop-shop management consultancy** model we offer You the following services to address your business needs:



Information packages on the business environment, labour market, tax regulations, etc.



Meeting with HR and real estate agencies, law firms and other consultants based on your needs.



Location search, evaluation and site visits.



Reference visits at companies that are already established in Hungary.



Tailor-made incentive offers and assistance with your incentive application.

After You have successfully established your business in Hungary, we are **open for your feedback** to enhance business environment, also we offer **mediation between government and business** based on your inputs.

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www.absl.hu

ABSLS Hungary ABSLS Hungary - the Association of Business Service Leaders - is the leading professional non-profit organization in Hungary, dedicated to fostering cross-border collaboration, developing industry expertise, and positioning the business services sector as a key driver of the national economy. Through ABSLS Hungary, industry leaders and stakeholders deliver a unified, influential voice that is crucial in shaping the country's economic landscape. The purpose of the Association is to inspire collaboration in the regional industry, to achieve international knowledge sharing among companies in the business services sector, to exchange best practices, to inspire the company communities in the sector to continuously strive for excellence, and finally to promote the constant growth and strengthening the position of the sector in the region. ABSLS Hungary offers an array of membership benefits and partner advantages. Members can tap into diverse networking opportunities, connect with industry experts, and gain access to exclusive research and insights. They collaborate within a thriving community, share experiences, and have a voice in advocating industry best practices. Partners benefit from increased brand visibility, access to a wealth of knowledge for innovative projects, and opportunities to forge strategic alliances. By joining, you will be recognized as a company committed to shaping the future of the business services sector and contributing to meaningful initiatives. Whether you are seeking networking, international insights, or impactful collaborations, ABSLS Hungary provides the platform to unlock value in the business services landscape.

The American Chamber of Commerce in Hungary (AmCham)

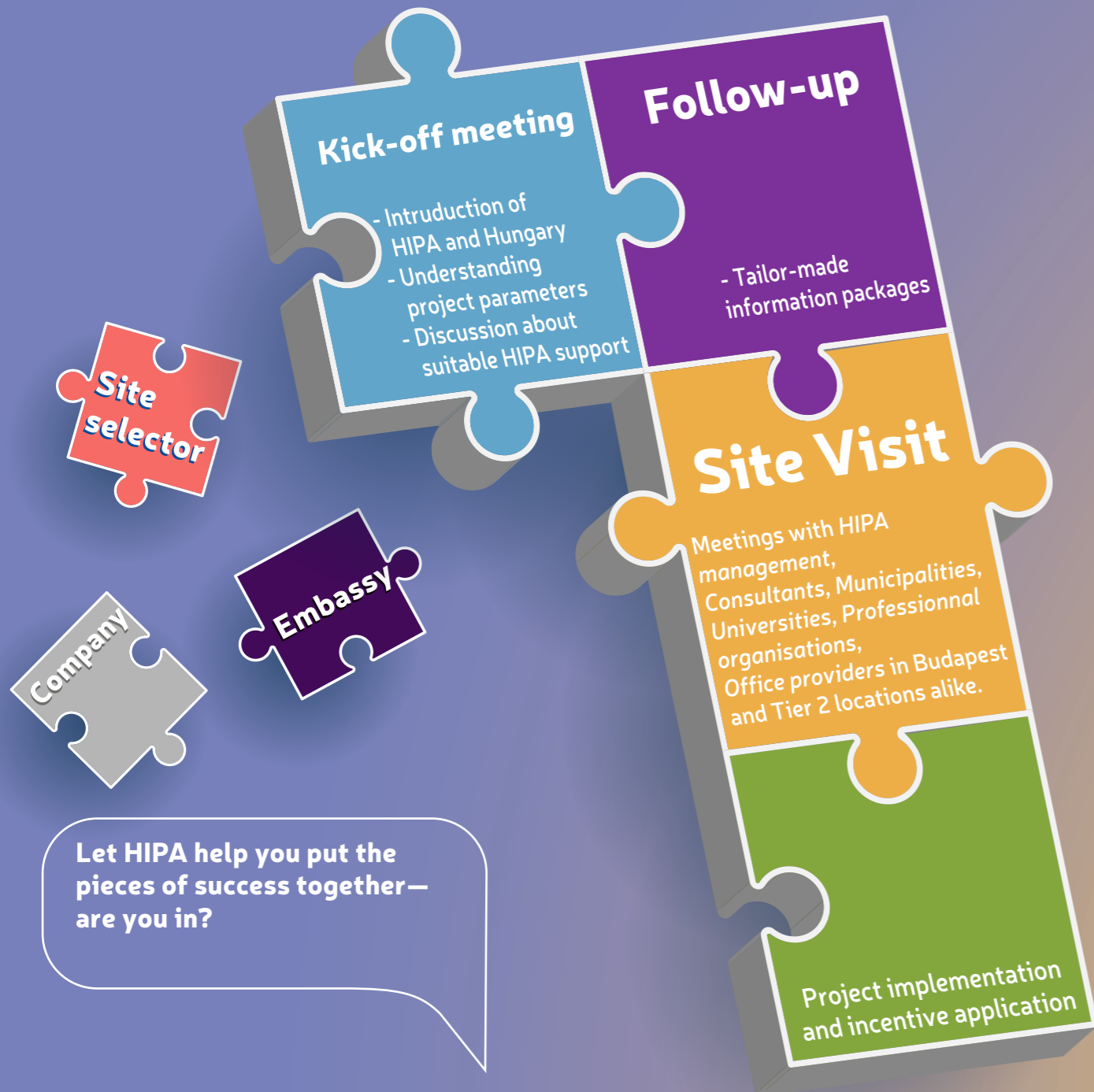
is one of the most influential and trusted business organizations in Hungary, representing local and international business interests since 1989. A member-funded, politically independent platform consisting of over 300 companies from a wide variety of sectors who share a firm commitment to the ideas of partnership, cooperation, and the exchange of best practices. In this sentiment, AmCham, together with 20+ member companies and in partnership with the Hungarian Service and Outsourcing Association launched the BSS Hungary working group in 2019, a very first industry cooperation on sector branding. Since the foundation, participating Business Services companies have been working together in an inspiring cooperation towards the common goal of being amongst the top 3 most attractive sectors in Hungary, and the number one choice for career starters. BSS Hungary has also established strong educational partnerships, involving university guest lectures and trainings to help students make more informed decisions about their future and career. The working group's mission has now evolved into being a platform for sharing knowledge and best practices among its members, and advocating for initiatives aimed at strengthening the sector's competitiveness both domestically, and in comparison to the international scene.



www.amcham.hu

www.bsshungary.com

Whether a **request comes** directly from a company, indirectly from a consultant, or through a Hungarian Embassy to HIPA, investors can benefit from the extensive support provided by our one-stop-shop service system. During the initial **kick-off meeting**, in addition to presenting Hungary's favorable investment environment, we assess the company's needs and, based on the planned project parameters, gather all relevant information—such as taxation, labor regulations, HR benchmarks, and office proposals—to be shared with the investor in a **follow-up letter**, potentially involving external consultants. If the company wishes to gain a first-hand perspective on the proposed opportunities, we organize **site visits** covering multiple cities, where the company can explore the possibilities offered by Budapest and other Tier 2 university towns. These visits include meetings with HIPA, local municipalities, universities, various consultants, and locally operating Business Service Centers. If certain criteria are met, we also provide comprehensive support in **applying for various incentives** that can further support the investment.



KOSTAL's BSC Success Journey in Hungary

Due to the significant growth of the group, German automotive supplier KOSTAL contacted HIPA at the end of 2021 with the plan to create a global, multifunctional business service center in Budapest. Following the initial enquiry, HIPA organised a kick-off meeting, a consultation with an HR consultant and reference visits to four major service centers in Budapest in less than 2 weeks. During the meetings, KOSTAL was fully informed about the business environment in Hungary, industry trends, as well as the automotive R&D activities, HR and education landscape. The company was presented with the range of cooperation opportunities with universities and the rules and regulations of the available state subsidies. In parallel an active discussion on incentive opportunities started.

From the first enquiry until February 2022, the company visited Hungary several times to participate in further decision support programmes organised by HIPA, and had the opportunity to meet four more reference companies. According to the feedback from KOSTAL, these reference visits had a significant impact on the decision making, as they could directly get independent, and objective market information about the sector and learn about business models that local actors use.

After much consultation, KOSTAL Group has finally chosen Budapest as the location for its BSC to support the company's global and European activities. The investment - supported by training subsidy - created 300 new jobs.

HIPA actively promotes and supports not only the market entry of new companies but also the reinvestment of existing investors. As a result, KOSTAL is also considering the opening of an R&D center with an even higher added value, which will further enhance its presence and activities in Europe and Hungary.

KOSTAL's decision to locate in Budapest wasn't solely based on the city's strong business service landscape. While it is possible to find somehow lower cost elsewhere, Hungary offers a high-quality talent pool that can meet any recruitment need – even beyond business services. The availability of international class talent enabled co-locating certain group functions next to the BSC. Furthermore, the location has proven highly attractive to expats because of the vibrant cultural scene, world-class infrastructure, excellent public transportation and a high standard of living at relatively affordable prices compared to Western Europe. These aspects, combined with Hungary's favourable business environment and proactive government support, made Budapest the perfect choice for KOSTAL's global service ambitions.



KOSTAL was named **Investor of the Year** at the **Business Services Hungary 2023**

KOSTAL

Investment incentives for BSCs



VIP cash subsidy and development tax allowance



For the establishment of a new business service center or for the expansion of BSCs different type of incentives are available in Hungary. The subsidies for training and R&D – in the form of cash grant – are available throughout Hungary. The VIP cash subsidy is available based on the individual decision of the Hungarian Government and may be combined with the development tax allowance (CIT allowance) up to the regional

maximum aid intensity threshold in locations that may be supported by regional aid according to the European regulations. The theoretical maximum amount of the subsidy – influenced by the number of jobs created by the implementation of the investment, the added value of the proposed service activity and the level of development of the region where the project will be implemented – depends on the location of the investment.

Regional aid map of Hungary (2022–2027)

Based on the new regional aid map, an investor classified as a large enterprise is entitled to receive subsidy up to 50% in Pest county. This excludes the area of Budapest city. Additionally,

capacity expansion projects carried out by large enterprises in Central Hungary region will no longer be excluded from receiving regional aid starting from 2022.



VIP cash subsidy for BSCs

The VIP cash subsidy is a non-refundable, post-financed cash grant, regulated by Gov. Decree No. 210 of 2014 (VIII. 27). The incentive procedure – managed within the framework of the one-stop-shop service system of HIPA – commences with the submission of an application form (request list) describing the investment to be subsidized.



Conditions and eligible costs

The VIP cash subsidy system is designed to support the establishment and the expansion of business service centers. The aim of the project to be subsidized determines those indicators (activity, number of new jobs), which shall be met for eligibility in respect to the subsidy. The activities to be performed by the investor company as a result of the subsidized investment – creating at least 25 new jobs – shall comply with the activities listed in Annex 1 of Gov. Decree No. 210 of 2014 (VIII. 27.). The eligible costs are 24 months of personnel related expenses of the newly hired employees within a three-year-period.



≥25
new jobs

Training Subsidy



The Hungarian Government also offers a VIP subsidy for the training of employees in case of establishment or expansion of business service centers. The subsidy is available to investors creating at least 25 new jobs in the field of business service activities. This subsidy is provided for internal or external training projects covering up to 50% of the eligible training costs (personnel related costs of trainees and trainers, cost of travelling and accommodation, material costs, etc.). The amount of the subsidy may not exceed EUR 5,000 per training participant and EUR 3 million per training project regardless the location of the project.



R&D Subsidy



The aim of VIP cash subsidy for R&D projects is to promote the R&D activity of large and medium enterprises with min. 100 employees, and the creation of R&D competence centers in Hungary. The incentive scheme provides the opportunity to grant aid for R&D projects implemented in Budapest and in other parts of Hungary if at least 10 new R&D position is created. The level of the cash incentive is based on several factors in relation to the R&D projects, namely, the location of the project, cooperation of the company with research partners, ownership of industrial property protection, etc. The amount of the incentive may not exceed 50% of the eligible costs of the subsidized R&D projects (personnel related costs, depreciation of assets, material costs, etc.).



Hungary
Smart.
Ambitious.
Competitive.

2024

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Survey Respondents, thank you for your co-operation!

