

Development of the Housing Market in Budapest over One and a Half Centuries

Introduction

The spatial extent, population and building stock of Budapest have been constantly expanding and changing over the past one and a half centuries, as a result of which an extraordinarily complex housing stock has been created. This chapter summarises the past and present trends in the housing market. The cyclical nature of housing construction in the Hungarian capital is fairly conspicuous when we look at the number of new dwellings built each year (*Figure 1*). From the unification of the city, four major periods can be distinguished in the history of Budapest regarding the pace of housing construction and the physical growth of the city. This chapter is structured according to these periods. Each cycle of housing construction coincided with the major periods of economic boom in the first place, however, this did not correspond to the demand arising from the changing rhythm of population growth, and it led to serious tensions in the housing market of the capital from time to time.

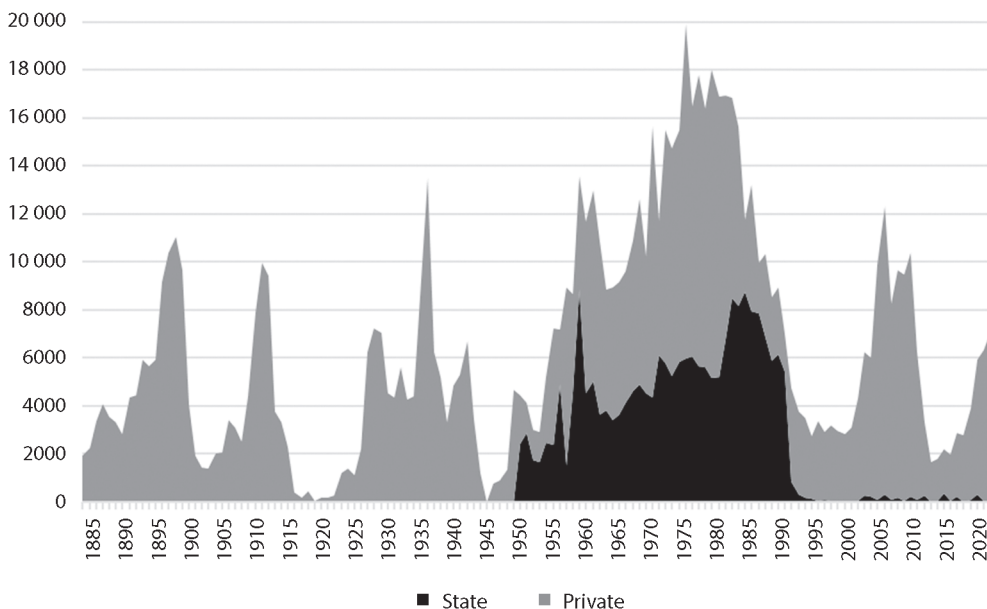


Figure 1: Number of newly built dwellings in Budapest by developer, 1885–2020

Source: compiled by the authors

1. Housing conditions from the city unification to the First World War

There is relatively little data available on the state of housing conditions before the unification of the city, but it can be concluded that the rate of housing construction – as in so many later periods – did not keep pace with the rate of population growth despite the marked boom in housing construction between 1860 and 1873. The population of the city of Pest grew by 50% between 1857 and 1872, but the number of dwellings only increased by 29%. Even though a characteristic feature of the period was the mass appearance of apartment blocks, the proportion of single-storey houses remained high (70%). Pest had predominantly single-storey residential buildings, looking more like the countryside compared with other European cities, as the proportion of single-storey houses was just 5% in Berlin, 8% in Paris and even in the rivalling Vienna, only 17%.

At the time of the city unification, the majority of developers who ordered the construction and paid for it were members of the aristocracy and the elite bourgeoisie (Germans), as well as the wealthy merchants (e.g. Serbs, Jews). There was no sign of the speculations that would become so characteristic by the end of the century, and housing investments were considered long-term but decent capital investments with a slow rate of return. The real estate market was highly concentrated, which is also shown by the fact that in 1873 a quarter of the residential buildings and 40% of all the related rental income, were in the hands of the one thousand largest taxpayers in Pest.

The first dynamic phase of urban growth (the “city explosion”) occurred in the last decades of the 19th century, when Budapest’s development was characterised by explosive population growth, followed by large-scale construction of housing and public utilities.¹ The later urbanisation of the city and the appearance of residential buildings were greatly influenced by the building regulations of the last third of the 19th century. The first building regulation, issued in 1870 and amended in 1873, which was limited to the most basic architectural requirements (e.g. building height), was followed by an extended regulation in 1886. The building regulation not only laid down the minimum size of building sites, the height of buildings and the percentage of built-in area for each zone, but also contained a number of social and public health provisions. For example, it banned the construction of additional basement dwellings, set a minimum size for residential rooms, regulated the range of building materials to be used, etc.

All those factors led to a significant change in the image of the city over the three decades following the unification of the city. The former, predominantly countryside character with single-storey houses had disappeared, and in its place a modern, vibrant metropolis was to be found by the contemporary visitor. The city became more and more like Vienna in appearance, expanding rapidly both horizontally and vertically. The proportion of buildings with three or more storeys rose from 8% to 27% in the last three decades of the 19th century.

After 1873, the pace of housing construction slowed down, despite the apparently intense building activities. In the year of unification, the total value of construction

¹ BELUSZKY 1999: 161.

amounted to HUF 18.4 million of which housing accounted for HUF 15.3 million (83%). By contrast, between 1875 and 1885, only 59% of the value of construction investments was spent on housing, the rest was assigned to public buildings and other basic infrastructure. The underlying reason for that was the economic recession that hit the country due to which private capital avoided investing in the housing market, as it was considered too risky. However, the city and the state, largely relying on foreign loans, were still able to finance the construction works that were so essential for Budapest to become an international capital. The increasingly dynamic recovery in housing construction restarted in 1880 and, apart from a brief temporary decline (1889–1891), it lasted until the turn of the century.

There were numerous changes occurring in housing construction compared to the previous period. The homeowner class that had earned great prestige among the investors were more and more squeezed out by speculative investors, and the former individual builders were replaced by joint-stock construction companies with increasing capital.² The most significant breakthrough, however, came with the financing of housing, with the emergence of the mortgage system. The impact of the introduction of this form of credit was seen by many as comparable to that of the merger of the three cities or the creation of the Public Works Council.

The development of the class structure characteristic of bourgeois societies was accompanied by the expansion of an urban lifestyle, most clearly reflected in the transformation of housing. While in 1881, only 24.9% of residential buildings had piped water supply, in 1901 as many as 81.1% had it. In practice, this meant that almost all the buildings in the inner part of the city (95.1%) had piped water supply. The proportion of basement dwellings fell from 7.6% in 1881 to 1.3% in 1901 as a result of the restrictive measures.

The main comfort indicator of the time was not the bathroom, but the kitchen. The proportion of dwellings without a kitchen was 19.4% in the 1881 census, but by the turn of the century this had decreased to less than 10%. Bathrooms were still an unattainable luxury for many people at this time, so much so that it was only in the 1901 census that they were counted for the first time. At that time, 18% of dwellings had a bathroom, but its rapid spread is signalled by this ratio rising to 25% by the First World War.

In general, we can say that the technical standard of the housing stock improved considerably in the last decades of the 19th century. There was also a slight improvement in dwelling density in the last three decades of the century, but the underlying reason was a widening gap between different parts of the city and different classes of dwellings, so there was an increase in segregation occurring.³

The widening of the gap between dwelling classes is reflected in the fact that while there was a spectacular increase in the number of 3–4 bedroom or larger flats with maid's rooms and bathrooms, at the other end of the scale, overcrowding was on the rise. From the 1880s onwards, the distressing conditions caused by overcrowding and the phenomena that predominantly accompanied such way of living (e.g. criminality) were increasingly

² GYÁNI 1992: 42.

³ CSANÁDI-LADÁNYI 1992: 45.

voiced in daily politics and became a favourite subject of journalism. A report by Ambrus Neményi, MP, on the housing situation in the capital in 1883, reveals the following:⁴ “Just a few steps away from our liveliest streets, from Kerepesi road [Rákóczi út], from the Avenue [Andrássy út], from Váci road [Bajcsy-Zsilinszky út], we are shocked to meet human figures that surpass all imagination. On 20 July [...] we saw a small wooden shed just a few steps from the People’s Theatre in which the policeman who was with us counted 37 individuals. Men, women, children, almost all of them half naked, were lying close together on the bare ground; there were no windows, of course, and the door was firmly closed. These tenants pay 5 or 6 or even 10 krajczars each for a night.”

Such immense overcrowding of dwellings and shelters suitable for habitation was due to the emergence of a growing mass of poor people, whose number was increasing as a result of rapid immigration, and due to the lack of cheap, affordable housing. To overcome this shortage, a complex chain of rentals, sublets and bed rents was created throughout the capital, which led to the development of the institutional system of rent usury described in the report. The period from the turn of the century to the First World War saw historically significant phenomena in housing construction, the first appearance of social housing and the first developments of the precursors of housing estates in the capital. The reasons for this were rooted partly in the increasing housing pressure of the lower social strata and the resulting tensions, and partly in the rise to power of the liberal urban policy, which was more sensitive to social issues. This policy was marked by the name of the Lord Mayor of Budapest, István Bárczy. As a matter of fact, the first workers’ housing estates built from 1908 onwards (such as the Gyáli Road estate) broke the exclusivity of tenement construction in Budapest, and there was a slow, even if not stormy improvement in the general housing situation of the lower social class.⁵

2. Housing between the two world wars

The First World War and the Treaty of Trianon (1920), which ended it, brought a fundamental change in the political geography of Central Europe, and within that of Hungary. The collapse of the war triggered a huge wave of refugees from the annexed parts of Hungary to the smaller homeland. According to contemporary data, between 1918 and 1924, some 350,000 people, mainly middle class civil servants and state employees, arrived in the country, many of whom settled in Budapest in the hope of finding work and a better livelihood.⁶ This put further pressure on the already depressed housing market in the capital. The word ‘wagon dweller’ came to be used as an established statistical term, which is just one of the signs referring to the dramatic shortage of housing. The train meant the mass of refugees arriving in the country, who were often forced to live in railway carriages in different stations for months or even years for lack of suitable

⁴ NEMÉNYI 1971: 38.

⁵ BELUSZKY 1999: 164.

⁶ BELUSZKY 1999: 370.

accommodation. Another peculiar feature of the housing economy of the period was the emergence of state barracks housing estates, originally intended as temporary housing, mainly in the workers' districts and suburbs (e.g. the housing estates called Mária Valéria, Augusztá, Zita, etc.). The estates proved to be more viable than planned, and by 1932, their number reached eighteen with some 6,400 one-room flats, mostly without any amenities.

Between the two world wars, the rate of population growth in the capital slowed down considerably.⁷ Although the capital's demographic growth accelerated slightly in the 1930s, reaching an annual average of 1.6%, following a brief recovery after the Great Depression, it bore very little resemblance to the great population peak at the turn of the century. The primary destination for the inflow of people from the countryside tended to be more and more the agglomeration ring around Budapest. The population of the edge settlements grew by 4.4% a year in the decade following the First World War, which was eerily similar to the explosion in Budapest thirty years earlier.⁸ The housing market played a major role in the rapid growth of the settlements on the edge of Budapest, as the capital, despite a chronic housing shortage, saw only a negligible number of dwellings built until 1927, largely due to the incredibly high land prices. In the suburbs, cheaper land prices, less strict building regulations and the advantages of kitchen gardens were also a major attraction.⁹

At the end of the 1920s, the gradual consolidation of the free housing market led to a slight boom in housing construction, which was abruptly halted by the Great Depression of 1929–1932. As a consequence of the recession, the number of dwellings built stagnated at around 4,000 a year for a long period between 1930 and 1935, and only the late 1930s saw a brief recovery, which came to an end with the outbreak of the Second World War. Overcrowding of housing in the capital barely decreased during the period, due to the presence of a large number of tenants and subtenants.

Taking into consideration the period between the two world wars, it can be found that the tenement form of housing construction was in sharp decline compared to the past. Between 1925 and 1939, half of the new houses built in the capital were detached houses, and the proportion of 2–3 apartment condominiums also increased significantly. In the 1930s, condominium construction accounted for nearly 20% of the capital invested in housing construction.

3. “Housing market” during the period of state socialism

The main characteristic feature of the post-1945 period, and one that distinguishes it from earlier periods, is that housing, including construction and maintenance, was largely removed from market mechanisms and the state became the main regulator of the housing sector. During the Second World War, from 1941 onwards, a system of fixed housing

⁷ KOVÁCS–DÖVÉNYI 2021: 135.

⁸ BELUSZKY 1999: 161.

⁹ KOVÁCS–DÖVÉNYI 2021: 135.

management was introduced, which essentially meant the elimination of the market from the housing supply.

A significant difference compared to the First World War is that in 1944, Budapest became a direct theatre in warfare, which led to the destruction or damage of part of the housing stock. According to contemporary statistics, 86% of Budapest's building stock suffered minor or major damage, 21% of the housing stock was 'severely damaged' and around 7% was completely destroyed. After the end of the war, the focus was on repairing the war damage, which was done relatively quickly with the help of private funding. Three quarters of the approximately 60,000 destroyed or badly damaged dwellings had been restored by the end of 1947.

The housing question was given a completely new perspective in the changed political and social environment, and the People's Democratic State, organised along the lines of Moscow, saw housing as one of the main means of combating social inequalities. Accordingly, housing gradually ceased to be a commodity, the general wage level was adjusted after the stabilisation of the forint to exclude the cost of acquiring housing, and housing (at least in the cities) was transferred directly to the state as a free state service under the scope of the re-distribution of state resources.¹⁰

There was not much money left for the development of housing and other residential infrastructure with the all-consuming extensive industrialisation until 1953, and as a result, only 3,500 dwellings were built in Budapest in the first three years after the war. Despite all that, the dwelling density had fallen slightly by the end of the period. The reduction in overcrowding was related to the redistribution of the housing of emigrants and those who had died during the Second World War as well as the internal partition and sharing of larger dwellings (Russian-style co-tenancy). This, however, proved to be only a temporary remedy to the problems, because from the late 1940s onwards, due to the population's increased migration, Budapest was again faced with a serious crisis in the housing market. At that time, however, market incentives for housing construction were out of question, as housing policy was completely dominated by Stalinist ideological considerations, culminating in the nationalisation of residential buildings with more than six rooms in 1952. As a result, by 1952, the majority (75%) of the housing stock in the capital had been taken over by the state, creating a dualism in the housing market that essentially lasted throughout the entire period of state socialism.

The post-1945 period also brought significant changes in terms of urban planning, as the emphasis shifted away from individual housing developments to housing estates. Accordingly, between 1956 and 1960, a third of new dwellings was built at housing estates, where the size of dwellings was fairly homogeneous (52% one-room flats), although they represented a clear improvement in terms of comfort compared to the previous period.¹¹

The majority of the housing estates of the 1950s were built in traditional workers' districts for demonstrative purposes (e.g. housing estates in Üllői út, Kerepesi út, Béke út, etc.), and with their characteristic three- and four-storey buildings and airy surroundings,

¹⁰ KOVÁCS–SZÉKELY 2021: 162.

¹¹ EGEDY 2001: 148.

they promoted the socialist realist architectural style of the period throughout Budapest. Most of these early housing estates were located in the inner districts or in the immediate vicinity because of their small space requirements, so the share of inner districts in the number of newly handed over dwellings was still quite high (12%) during the period. This share fell to 1.5% by the end of the 1970s, as housing construction shifted increasingly towards the periphery of the city.

Probably the most ambitious undertaking in the history of Budapest after World War II was the 15-year housing programme. Starting in 1960, the programme set a national target of building 1 million dwellings of which 250,000 were assigned to Budapest.¹² The original concept was that 80% of this was to be fulfilled by the state. But the reality was different. Private housing, which was to be cut back, contributed much more than expected (30–40%) to the achievement of the programme, and its share was particularly high in the first five years (63%).

State housing construction, coming under pressure by the extremely dynamic growth of housing demand, aimed at reducing the quantitative housing shortage and focused more and more on housing estates. The first half of the 1960s saw the construction of the József Attila housing estate (7,200 flats) on the site of the former Mária Valéria estate, which was the first truly large housing estate of high-rise blocks of flats in Hungary. It served as a testing ground for the subsequent wave of housing estate construction in many respects. After a while, the spatial requirement of the ever-increasing size of the housing estates could only be met in the undeveloped areas of the periphery of the city, where there was no need for redevelopment, which would have increased costs considerably.

The introduction of the new economic governance mechanism in 1968 and the internal contradictions of the deep subsidy system in the state housing sector forced the Hungarian Government to review its previous housing policy. The new concept was embodied in the housing reform measures of 1971.¹³ Among other things, the housing reform recognised the legitimacy of private housing and no longer regarded it as a temporary, necessary evil, and, moreover, recognised that the state alone was not able to solve the housing problem. State housing subsidies were reduced, and the new system distributed central subsidies more fairly and more widely among the poorer strata of society. From the early 1970s, the technology using prefabricated reinforced concrete elements to build high-rise blocks of flats increasingly came to the fore in the housing constructions of the capital.¹⁴ By 1975, four large housing factories were operating in Budapest with an annual capacity of 15,000 dwellings. In the following decade, two thirds of the newly handed over dwellings had prefab walling (*Figure 2*).

This highly concentrated construction industry erected a series of estates of prefab blocks of flats over the decade, which brought a rapid spatial growth similar to the city's expansion at the end of the last century. After all, in the 1970s, nearly twice as many dwellings were built in Budapest as in the previous two decades together, and two out

¹² KOVÁCS–SZÉKELY 2021: 162.

¹³ HEGEDÜS 2001: 948.

¹⁴ EGEDY 2001: 152.

of every three were built by the state. With their standard two-room flats, the dormitory towns built at that time were huge melting pots of socialism. In addition, the 1970s marked a significant step forward in the construction of detached houses and condominiums, not least as a consequence of rising living standards. The scene of these constructions was mainly concentrated in the area of Buda Hills (2nd and 12th districts) and in the traditional housing areas of Pest (Zugló, Mátyásföld, Pestimre, etc.).

At the beginning of the 1980s, a fundamental shift took place in housing policy.¹⁵ Due to the structural problems of the socialist economy and the worsening economic difficulties (indebtedness), the state gradually withdrew from the housing market, and consequently, the number of newly built dwellings fell sharply from the early 1980s.¹⁶ A combination of rent rises, concessions to the private sector and a sharp cutback of investments were signs of the state's dire economic situation. The number of centrally built dwellings shrank at a rapid pace, while an increase was observed in private construction despite the crisis. The number of newly built dwellings fell by 80% between 1981 and 1995, indicating the dramatic speed of the process. It is also a telling sign of the transformation brought about by the change of regime that in 1995, only 29 state-financed and 12 state-owned company flats were built in Budapest, compared with 15,000 in 1975.

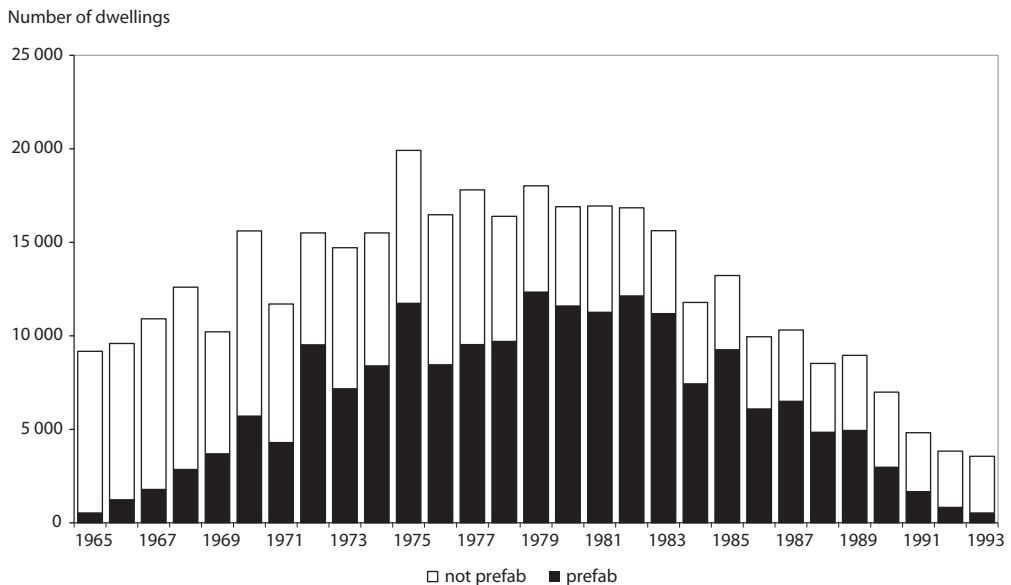


Figure 2: Share of high-rise prefab block of flats among newly built dwellings in Budapest 1965–1993

Source: compiled by the authors

¹⁵ HEGEDÜS 2018: 82.

¹⁶ FARKAS et al. 2004: 24.

4. Housing market processes after the regime change

The 1989–1990 regime change brought about radical changes in the housing market. To get rid of the huge costs of maintenance of the rental housing sector, the state embarked on large-scale privatisation, closing down housing factories and terminating state-owned real estate management associations.¹⁷ This marked a new stage in the development of the housing market in Budapest. After decades of state intervention, market mechanisms became predominant in the housing market once again.¹⁸ From the end of the 1990s, housing constructions gathered momentum again due to the combined effect of the establishment of housing market institutions, the emergence of investors, intermediaries and professional contractors, and after 2001 due to the introduction of mortgage lending and state-subsidised housing loans. However, the 12,000 new dwellings built in 2005, which was the ‘peak year’, was barely half the number built in the 1970s. Obviously, these dwellings far exceeded the size and quality of the mass housing of the 1970s: the average floor area of dwellings built in 1974 was 55 m², rising to 71 m² in Budapest in 2004.

In 2004, the state withdrew its support for housing loans, and from then on, the driving force for housing investment was the continuously expanding bank lending registered on a foreign currency basis, which initially seemed to be a good thing. The financial crisis of 2008 was made particularly acute in the domestic housing sector by the widespread expansion of foreign currency lending. After 2008, the number of newly built dwellings started to fall sharply. The bottom was hit in 2012 with 1,648 new dwellings. Based on the previous experience, the new housing recovery starting in the mid-2010s came with stricter control on lending. A characteristic feature of the period was the emergence of small private investors in the housing market. They bought one or a few apartments and rented them out for longer or shorter periods, which triggered a significant recovery and led to price increases, especially in the well-located inner-city areas of Budapest.

Another phenomenon of the post-change transformation was the emergence of foreign buyers in the Budapest housing market. Numerous buyers came from Germany and the neighbouring countries, but also from outside Europe (China, Vietnam, Israel). Those who came to work in Budapest were mainly looking for a dwelling in the capital, while the retired generation targeted resort areas in the countryside. High-value apartments in the inner districts of Budapest were mainly purchased by Chinese, Vietnamese, Russian and Ukrainian buyers who came for investment purposes. Their arrival contributed significantly to the rise in house prices in the capital. In 2019, purchases by foreigners in Budapest accounted for 9% of all apartments sold and 12% of the total market value. One third of the approximately 2,900 foreign buyers were Chinese and another 12% were Vietnamese. While Hungarians bought dwellings in the capital for an average of HUF 35 million, foreigners did for nearly HUF 50 million. The most expensive buyers were Western European citizens and Vietnamese, with an average spending of close to or even more than HUF 60 million. The Chinese, who were mainly active in the inner city

¹⁷ Kovács 1992: 62.

¹⁸ Székely 2001: 958.

of Pest and in the 10th District, bought dwellings for an average of HUF 50 million. In 2020, with the outbreak of the Covid–19 pandemic, the activity of foreigners, especially that of Asians, declined in the Budapest housing market. The number of Chinese buyers fell by 50%, whereas the number of Vietnamese buyers decreased by 60%, and there were also fewer buyers from Europe.

The housing stock of Budapest is in a constant change just like the population, dwellings constantly cease, and new ones are built. In the 2011 Census, the housing stock of the capital (the total number of dwellings, both occupied and unoccupied, and holiday homes used as dwellings) was 905,000. This was 10% higher than the 821,000 dwellings registered in 2001. The number of occupied dwellings was 787,000, 87% of the total housing stock. 118,000 dwellings were used for other purposes (e.g. offices, surgeries, guest accommodation) or were vacant. The number and share of unoccupied dwellings have been steadily increasing since the change of regime.¹⁹ Nearly 40% of them are concentrated in the inner city and the inner residential belt (*Figure 3*). In these zones, one in five dwellings is not used for its original purpose. Particularly noteworthy is the high share of the Buda side areas close to the Danube (surroundings of Várhegy and Gellérthegy). In contrast, the share of unoccupied dwellings is the lowest in the housing estates (7.9%).

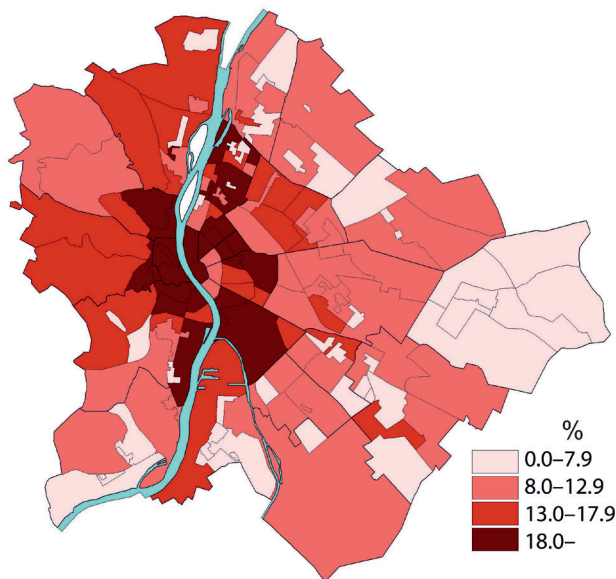


Figure 3: Proportion of unoccupied dwellings in Budapest, 2011

Source: compiled by the authors

¹⁹ KOVÁCS–WIESSNER 1996: 42.

Between 2001 and 2011, some 82,000 dwellings were built, while 8,000 were terminated. The share of both the terminated and the newly built dwellings was the highest in the inner residential belt (e.g. Közép-ső-Ferencváros, Közép-ső-Józsefváros) and in the rust belt (e.g. Angyalföld or Kelenföld), which underwent urban renewal. The housing market was the most affected here.

The housing stock grew dynamically in the first half of the 2000s, with a continued high rate of construction of between 8,000 and 10,000 dwellings per year until 2009, when the unfolding economic and housing market crisis threw construction back to an extremely low level: the total number of dwellings built between 2012 and 2015 did not even reach 8,000. The prolonged crisis started to come to an end in the second half of the decade, but the new recovery was lagging behind the previous one due to stricter housing loans and more cautious households, despite the newly introduced housing subsidies for young people. The housing market of the capital is dominated by the entrepreneurial sector, whose performance is more sensitive to cyclical effects than that of the owner occupiers, which explains the strong cyclicalities of housing construction in Budapest.

5. Characteristics of today's housing stock

In Budapest, 190,000 dwellings were recorded in the 2011 census, about 7,000 more than in the previous census. Two thirds of the city's dwellings in 2011 were houses with one household (single-family homes), similar to the previous census. The vast majority of single-family homes (85%) were concentrated in an area of detached houses on the edge of the city. A further 10% were located in the residential area of Buda, while the remaining 5% were distributed among the other zones. In Budapest, the different types of the built-up area are the result of the strict zoning regulations originating from the 1870s and 1880s, which sought to achieve higher densities and larger average building sizes in the city centre, therefore it was only possible to have a more airy arrangement of detached houses in the outer parts of the city.

The population of Budapest declined significantly during the great housing boom and then rose again during the crisis. At the same time, the housing stock of the capital was continuously growing, reaching 938,000 by the beginning of 2022, resulting in a steady decline in the dwelling density rate of the capital city, which now stands at 182 people per 100 dwellings in Budapest.

5.1. Age of the housing stock

Regarding the age composition of the housing stock in the capital, as a general characteristic, it is found that the farther away from the city centre, the younger the buildings are (*Figure 4*). Only the centres of the former suburbs (Újpest, Kispest, Pesterzsébet, etc.) show some exceptions to this trend. Nearly one third of the inhabited dwellings (31.7%) were built before 1945, which is significantly higher than the national average

(18.6%) and can be linked to the historical past of Budapest and its turbulent development after the Compromise (1867). The proportion of old housing is highest in the inner city (Belváros) (90.6%), but the average proportion for the inner residential belt is also over 70%. This poses a major challenge for the districts concerned, both from a technical and social point of view. Within the belt, larger numbers of newer dwellings can only be found in the core areas of the post-1990 urban regeneration (Középső-Ferencváros, Középső-Józsefváros, etc.).²⁰

Housing built between 1945 and 1990 accounts for more than half (53.2%) of the housing stock of the capital. Between 1945 and 1960, war damage repairs were overwhelming in Budapest, and new housing was built in larger numbers only from the 1960s onwards. “Socialist” housing construction reached its peak in the 1970s, thanks to the prefabricated housing technology. Accordingly, the spatial focus of housing construction between 1945 and 1990 was on the housing estates of the 1970s and 1980s²¹ (*Figure 5*). On the other hand, the construction of detached houses and condominiums also took a step forward due to the rising living standards and the concessions made to the private sector. The main focus of these developments was on the residential areas of Buda (2nd and 12th districts) and on the traditional detached housing areas on the Pest side (Sashalom, Mátyásföld, Rákoshegy, Pestszentimre, Budafok, etc.).

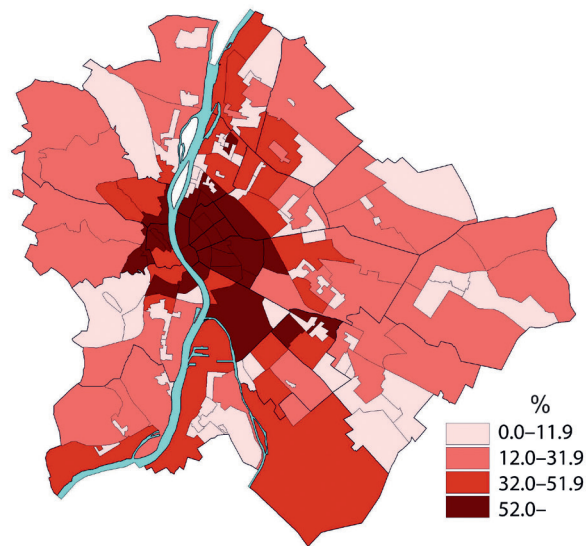


Figure 4: Proportion of dwellings built before 1945 in Budapest, 2011

Source: compiled by the authors

²⁰ KOVÁCS 2007: 62.

²¹ KOVÁCS–DOUGLAS 1996: 105.

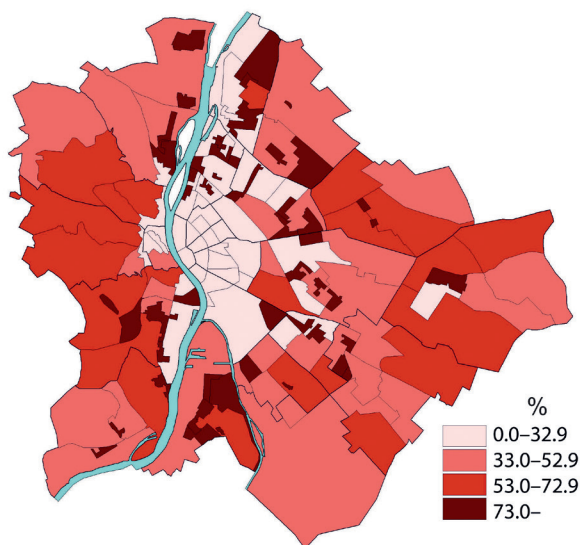


Figure 5: Proportion of dwellings built between 1945 and 1990 in Budapest, 2011

Source: compiled by the authors

Similarly to the whole country, the housing market in Budapest also underwent a radical change after 1990. The number of dwellings built by the state fell to a fraction of what it had been before, and the private sector was unable to make up for the shortfall. At the same time, people started to move out of the capital to the suburbs (suburbanisation), which significantly reduced the demand for housing in the inner areas of the capital. Between 1990 and 2011, a total of 118,000 new dwellings were built, representing only 43% of the value of the previous two decades. Two main features characterise the spatial distribution of dwellings built after 1990 (Figure 6). On the one hand, most of the new detached houses, condominiums and apartment complexes built in the 1990s were located in the outer areas of the city (Máriaremete, Testvérhegy, Táborhegy, Gloriét-telep, Szent Imre-kertváros, etc.), while on the other hand, the rehabilitation of the inner residential belt (Középső-Ferencváros, Középső-Józsefváros) and the former industrial brown belt (Kelenföld, Angyalföld) accelerated after the turn of the millennium. In areas that underwent reconstruction or lost their former function, more and more new housing was built, often exclusively for the better-off classes. Consequently, the spatial distribution of newly built housing (built after 1990) in Budapest is highly mosaic.

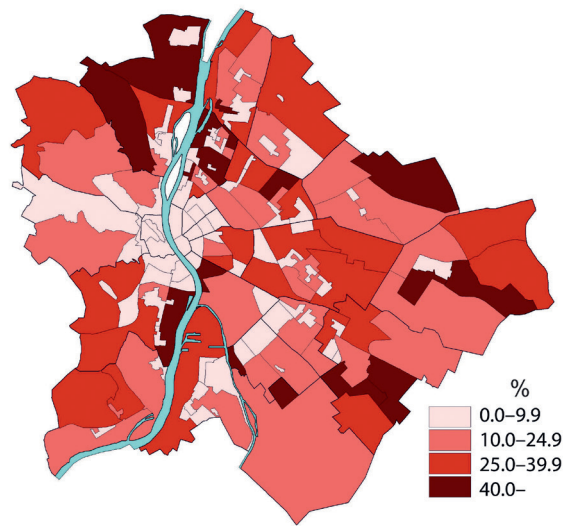


Figure 6: Proportion of dwellings built after 1990 in Budapest, 2011

Source: compiled by the authors

Examining Budapest as a whole, the oldest (built before 1919) and the newest (built after 1990) dwellings represent almost the same weight (15–17%) in the housing market of the capital. Looking at their zonal distribution, the majority of earlier built dwellings are still concentrated in the inner city (Belváros) and in the dense, urban inner residential areas. The proportion of new dwellings built since the change of regime is the highest in the Brown Belt, where they account for about one third of the housing stock. This is the consequence of the renovation and functional shift of the former industrial belt. Due to its relatively low prices, land in the brown belt, with good accessibility (e.g. metro lines) and a favourable location (e.g. the Danube bank), has been a major attraction for residential housing investments over the past two decades. The regeneration of the area is expected to continue in the future, partly due to the VAT rebate for investment in the rust belt and partly, on the demand side, due to the housing subsidies supporting the creation of homes.

5.2. Composition of housing stock by type of ownership and number of rooms

The number of occupied dwellings in Budapest increased by more than 50,000 between 2001 and 2011. The growth was most dynamic in the brown belt (31.5%) and in the outer zone of condominiums (15.2%). In both areas, the growth is linked to urban renewal and the regeneration or functional change of previously run-down areas. In contrast, the range of occupied dwellings in the inner city, the inner residential belt and in the neighbourhood

of housing estates hardly expanded since the turn of the millennium. The demand for the conversion of dwellings (e.g. into offices, private residences) and the merger of smaller dwellings into larger ones was the highest in the inner residential areas.²²

In 2011, 93.3% of the dwellings in the capital were owned by private individuals, 5.1% by municipalities and 1.6% by other institutions (e.g. MÁV, the Hungarian railway company). Private ownership is predominant in all the districts of Budapest. Its ratio exceeds 96% in the outer districts, which diminishes to 87–88% in the inner districts constituting the core of the city.

Before 1945, the weight of the state (social) housing sector in Budapest was negligible, but afterwards, due to nationalisations (which largely affected inner residential areas) and the start of state housing construction, the state rental sector expanded dynamically. At the time of the change of regime, 424,000 dwellings, i.e. 53.4% of the housing stock, were owned by the state.

In 1990, state-managed housing was transferred to municipal ownership, and then a large part of it was privatised as privatisation began. In 2001, 64,000 dwellings were still under municipal management, but in 2011, the number fell to 40,000. This is a sadly low figure compared with other major European cities. The spatial distribution of municipally owned housing is very uneven (*Figure 7*). The majority of them are concentrated in the inner residential belt (30.4%) and in the housing estate belt (24.5%) on the Pest side. It is true, however, that their share is the highest in the brown belt, with 13.6%.

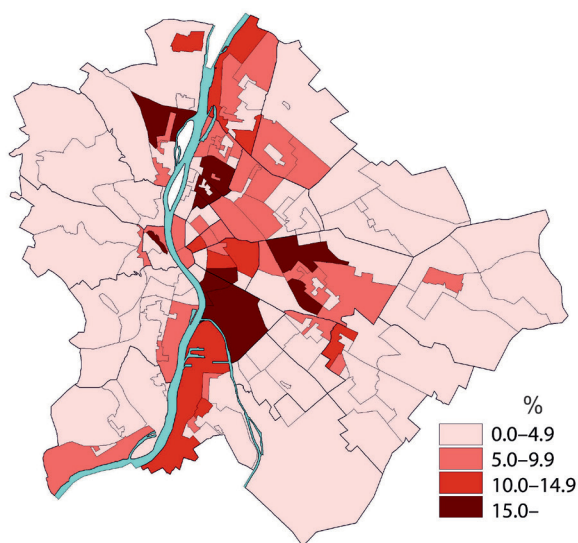


Figure 7: Proportion of municipally owned dwellings in Budapest, 2011

Source: compiled by the authors

²² KOVÁCS–WIESSNER 1996: 42.

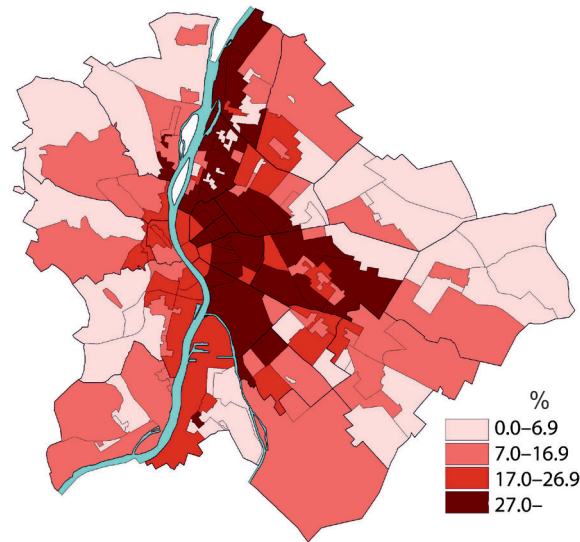


Figure 8: Proportion of one-room dwellings in Budapest, 2011

Source: compiled by the authors

After the regime change, but especially after the millennium, the composition of the housing stock in Budapest changed significantly regarding the number of rooms. The number and proportion of occupied one-room dwellings declined over the period. The explanation is that the newly built housing tended to increase the number of larger multi-room dwellings, while the increasing urban regeneration resulted more in the termination of smaller, one-room dwellings. While in 2001, one in five dwellings had only one room in Budapest, their ratio fell to 17.1% by 2011, although this is still almost double the national average. The proportion of one-room dwellings is the highest in the inner residential belt, on the Pest side (in the 7th and 8th districts) and in the brown belt. The majority of one-room flats are of older construction, have lower comfort rating and lower prestige (*Figure 8*).

6. Housing conditions, housing mobility, urban renewal

In many ways, the dwelling floor area per person is a measure of how well-off an individual is. The advantage of the Buda side compared to Pest is quite striking in this respect, though the southern part of Buda, where several large housing estates have been built due to the flat terrain (e.g. Órmező, Kelenföld), is of lower value (*Figure 9*). However, the Pest side is not homogeneous either: the relatively high average floor area of dwellings in the inner districts and the high proportion of one or two-person (elderly) households result in a high floor area per 100 inhabitants, and the same characterises the city-edge zones with detached housing area, especially in the suburbs near the Rákosszentmihály, Rákosfalva). However, in the districts located between the two, especially in the housing estates, there is a much lower floor area per inhabitant.

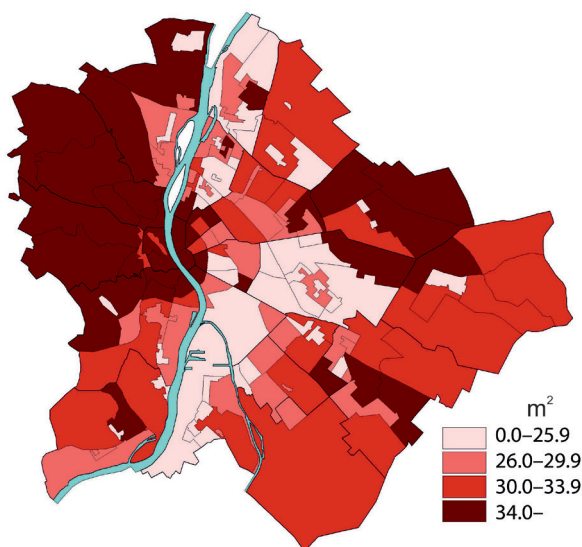


Figure 9: Housing floor area per inhabitant in Budapest, 2011

Source: compiled by the authors

The proportion of residents who moved into their current dwelling after 2001 is indicative of the post-millennium dynamics of residential mobility in the various parts of the city (Figure 10). The indicator is high in areas where many new dwellings have been created in the recent period, either through the construction of new dwellings (e.g. apartment complexes, terraced housing) or through the rehabilitation of the existing housing stock. The map shows the parts of the city that have undergone a spectacular value increase, i.e. the areas situated along the Danube axis, which used to belong to the industrial zone, the industrial districts on the Pest side, close to the city centre (e.g. Central Ferencváros) that have been renewed or undergone rapid transformation. Over the last two decades, there have been dynamic regeneration schemes of previously declining, obsolete residential areas with public or private funding resulting in an impressive renewal and population turnover (gentrification) of the neighbourhoods concerned.

The mobility of people living in single-family homes is generally lower than that of the people living in multi-family buildings. The detached house, especially in metropolitan contexts, is a successful end of a family's housing market lifecycle, where they move after having lived in several housing estates and/or condominiums and very few move on from there. This low mobility can be observed in the detached housing neighbourhoods of the outer suburbs. Although the housing market boom until 2008 made it possible for many families with children to buy a family house, they typically moved outside the capital, to the agglomeration.

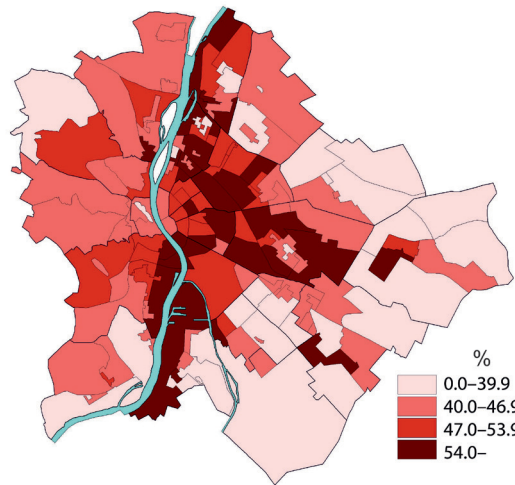


Figure 10: Proportion of residents moving into their current dwelling after 2001 in Budapest, 2011

Source: compiled by the authors

6.1. Housing market prices

Before the regime change, the housing market in Budapest was not unified, it did not work as a housing market in its current sense, there were several submarkets, legal and semi-legal housing channels operating side by side. The official way of housing allocation was the state and corporate designation of tenants and buyers, the sale of OTP (National Savings Bank) flats with a state loan, but there were also exchanges of apartments, the sale and inheritance of tenancy rights, and the subletting of dwellings. A few years before the regime change in 1984, 29% of the Budapest households surveyed (40,000 households) were planning to move to a council-owned apartment, 35% (50,000 households) were planning to exchange their apartments (this provided a transition from the private sector to the public sector, as it was legal to exchange such dwellings), and only 20,000 were considering the market solutions still available today: building or buying.

It is not by chance that the monitoring of house prices was not at all a central task assigned to the statistics of the time, since even if prices did appear in transactions, they were usually distorted or illegal. The scattered data found mainly reported the price levels of the state housing construction determined under the conditions of the planned economy, at least in a narrow circle of insiders. At the height of the housing boom in 1976, the database presenting the results of housing construction was still published in numbered copies, marked as ‘for official use’. It indicated that it was not only the families trying to get around in the housing sector, but also the authorities who were keen to keep secrets.²³ The booklet shows that in 1961, the cost of building a dwelling was HUF 150,000, rising to 327,000 by 1975. The cost per dwelling of prefabricated housing was

²³ SZÉKELY 2020: 648.

higher than that of brick housing, which the statisticians of the time attributed to the more expensive high-rise buildings, the increased costs of transport and the higher technical standards of prefabricated housing, such as wall-to-wall carpeting, more modern heating and “higher prices of imported materials”. This is a surprising result when one recalls the cost-effectiveness arguments in favour of mass housing.

However, data was also produced on the rental sector even if scattered. In 1984, in the context of a central rent increase, the microcensus examined rents in state-owned rental housing. We know from this that the average rent in Budapest was HUF 250 per month in 1982, rising to an average of HUF 600 in 1988. Obviously, such observations could not have been made about the quite significant sector of subletting and private rented housing.

Regular monitoring of house prices started years after the regime change. After the stagnation of the market in the 1990s, price developments in the housing market first attracted attention at the end of the decade, when prices of second-hand housing in Budapest doubled in two years. Even though there was already a risk of a market bubble, the emergence of subsidised loans after 2001 gave a new impetus to price growth, thus apart from a small setback, house price increases continued until 2008. House prices more than quadrupled over ten years, and although consumer prices doubled during this period, this was probably the first time that people in Budapest had experienced such a rise in the value of their homes. The next housing market cycle, which started with the crisis, also lasted almost for a decade and saw house prices fall. Housing prices also declined nominally: the bottom was hit in 2013 with a square metre price of HUF 225,000. The slow recovery was given a new boost by the family subsidies introduced after 2015, complemented by a number of incentives, ranging from VAT cuts to simplifying building administration. The recovery brought further price rises, which caused the prices in Budapest to move away from both general consumer prices and the growth rate of rural housing markets (*Figure 11*).

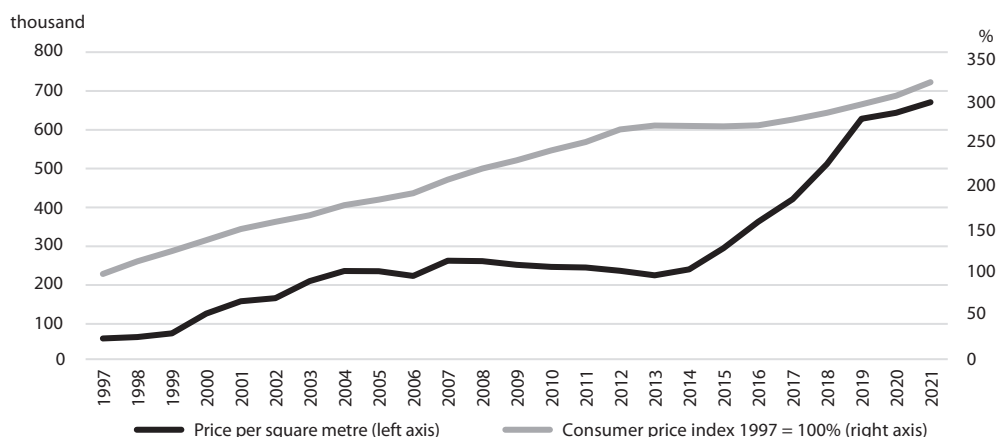


Figure 11: Development of the price per square metre of second-hand housing in Budapest

Source: compiled by the authors

In 2019, second-hand homes in Budapest cost three times as much as they did at the low point of the crisis. The price rises also rearranged price ratios within the city and led to a relative appreciation of the inner areas. Housing prices in the inner districts of Pest and the elite districts of Buda shifted away from prices in the outer districts in the same way as prices in the entire capital moved away from prices in the countryside. The Covid–19 crisis brought a setback in this respect and, even if not the entire housing market was shaken by the pandemic, it led to a reversal of the rising trend in housing prices in Budapest. The previous dynamic rise slowed down, and regional price ratios shifted in favour of the outer districts. The value of detached housing zones increased, and the trend towards moving out of the capital to the agglomeration resumed.

Summary

There are few areas of public policy where the past is as organically linked to the present as in urban and housing policy. It is not possible to understand the current housing situation in Budapest without gaining knowledge of the housing and urban history of the past decades, or rather the past 150 years, since everything that was built in the past is still shaping the image of the city today. This chapter summarises the development of the housing market in Budapest over the past 150 years, highlighting the main features of each period, the dynamics of housing construction, and the role of the underlying political and market factors driving the expansion of the housing stock.

The housing policy decisions of the past decades that were significant in respect of families' housing conditions and their access to housing are still exerting an impact, even if indirectly. It is well-known that, in addition to the extensive state support system, financial support between families and the transfer of assets through inheritance play a significant role in shaping the housing opportunities of Hungarian families. The generation born after the regime change and growing up now has access to completely different housing opportunities from those that were available for their parents and grandparents. Yet, the decisions today's young people make about housing include the inherited traditions, attachments and, not least, opportunities passed down to them from their ancestors.

Budapest's housing market is currently in a transitional phase. The Covid–19 pandemic of recent years has curbed the interest of foreign home buyers, while the Russian–Ukrainian war and the uncertainty and financial deterioration that followed have increased the value of housing as a value-preserving real estate for domestic investors. With the removal of the external hindering factors, we have good reason to believe that the housing market in the capital will continue to expand in the coming decades. New developers are entering the housing market, seeking to adapt to society's rapidly changing housing needs with new housing types. As a result of all that, Budapest's housing stock and the internal operation of the housing market are likely to become even more diverse and complex.

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