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ANNUAL REPORT ON HOUSING POVERTY IN HUNGARY

- EXECUTIVE SUMMARY

2019



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PERIFÉRIA
POLICY AND
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KEY FACTS

- Basic trends show that housing poverty has been growing for the past years in Hungary.
- Both rental and property prices doubled between 2011 and the first half of 2019. Price increases were even higher in Budapest.
- One-tenth of the population paid more than 40% of its disposable income on housing; one-tenth of the population had arrears of payment of basic utilities in 2018.
- More than one third of children below 18 years lived in overcrowded dwellings in 2018.
- 62.7% of young people between 18 and 34 years lived with their parents in 2018; social inequalities of housing accessibility are reproduced intergenerationally.
- Privatisation of state property continued. Municipalities sold 1,315 housing units in 2017 (out of which 536 in Budapest). 27,500 tenants with bailed-out mortgages wish to buy back their former property from the National Asset Manager (which was previously built up as a new rental agency for defaulted mortgage debtors).
- One out of ten people lived in municipalities in which municipal social aid (which would help families also with housing affordability) was not available. In 2017, only 9.6% of the population was reached with this kind of assistance, with 23,000 HUF (74 euros) / year on average.
- The national government does not have a comprehensive housing policy. There is no dedicated ministry or state secretary for housing.
- In 2020, the Government will spend 11 times more money on middle-class housing policies than on policies focusing on the housing poor.
- Most of the key indicators of housing poverty show that Hungary performs worst among the Visegrád Four countries (Czechia, Hungary, Poland, Slovakia). For example, severe housing deprivation rates are the highest in Hungary among the four countries in all tenure types.

INTRODUCTION

Habitat for Humanity Hungary has published its Annual Report on Housing Poverty in Hungary for the eighth consecutive year in 2019. The Report tracks key trends related to housing poverty with an excessive data collection and analysis, summarises main policy changes at the national level, and formulates policy recommendations for alleviating the current housing crisis in Hungary.

The 2019 edition of the Report contains five chapters. The first two recurring chapters cover housing-related expenditures of the national budget (including national policy changes) and issues of housing affordability. The remaining three chapters cover current topics of the Hungarian housing crisis. Chapter 3 follows specific challenges of the youth in securing their housing-related needs. Chapter 4 compares key housing poverty indicators of Hungary with that of the other three Visegrád Four countries (Czechia, Poland and Slovakia). Chapter 5 discusses the role and room for manoeuvre of municipalities in tackling local challenges of housing poverty.

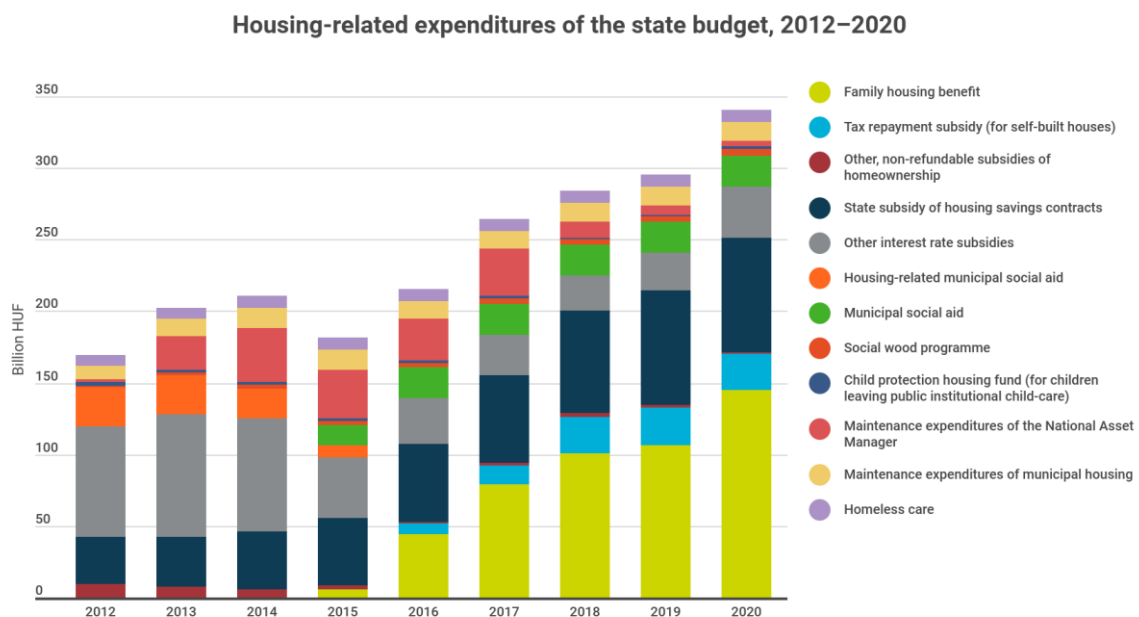
Housing poverty trends in Hungary did not change significantly compared to the previous year, and some indicators and policy changes predict a worsening situation. Policy measures by the central Government do not consider the problems of those in housing poverty. This will contribute to rising social and spatial inequalities of housing.

1. HOUSING-RELATED EXPENDITURES OF THE STATE BUDGET AND NATIONAL POLICY CHANGES

Housing-related expenditures of the state budget have constantly risen in Hungary in recent years, but have not reached most of the people in housing poverty. According to the national budget plans, the Government will spend approximately 300 billion HUF (940 million euros) on housing-related issues in 2019, which will rise to 350 billion HUF (1.1 billion euros) in 2020 (Figure 1).¹ This is 1.44% and 1.56% of all planned budget expenditures, respectively.

Most of the housing-related expenditures of the central state focus on middle-class families, thereby contribute to growing inequalities between those in housing poverty and those not. Current policy reforms are upfront about housing serving family policies and macro-economic goals. Many of the measures are available for affluent married heterosexual couples with children who would buy a new flat or house.

Figure 1.



Source: based on laws on the state budget and financial statements as well as Habitat for Humanity Hungary's Annual Reports on Housing Poverty. Some figures are based on estimations. • Made by: [Habitat for Humanity Hungary](#)

The largest portion of housing-related state expenditures is the so-called family housing benefit (*családok otthonteremtési kedvezménye, 'csok'*). This is a direct, non-refundable monetary subsidy for families with children for buying a flat or a house or upgrading

¹ Throughout this study, EUR-HUF annual exchange rates by Eurostat (<https://ec.europa.eu/eurostat/databrowser/view/tec00033/default/table?lang=en>) are used for calculating values in euros. For HUF values in 2019 and 2020 the 2018 exchange rate is used.

their existing property. The amount and the conditions of the benefit differ according to whether the parents are married or registered partners; the number of children (both already-born and planned children count); whether they buy a newly-built or a used property (higher benefits are available for newly-built homes). In 2018, 27 thousand contracts were signed in the amount of 84 billion HUF (260 million euros).² The non-refundable benefit might be complemented with a preferential loan, the subsidies of which are also represented in the expenditures.

Starting from July 2019, **a specific measure was introduced for small settlements below 5,000 inhabitants and decreasing population ('village csok')**. In these settlements families can get the same benefit for buying used property as in the case of newly-built homes in the general programme.³ With this measure, the Government wishes to reduce depopulation of the countryside. However, for poorer families the 'village csok' is not available (the conditions are stricter than in the general programme which is already biased for the middle-class). Migration towards these depopulating villages far from workplaces and basic services could also lead to different socio-economic challenges in the future.

The state support on new contracts of housing savings accounts (*lakástakarékpénztár*) was cancelled in 2018. This form of subsidy accounted to approximately 60 billion HUF (190 million euros) per year and will decrease slowly as contracts run out. Although this support was also biased towards the middle class (which was capable of savings), it was contributing significantly for buying and renovating dwellings in social strata not covered by the family-cum-housing policies of the state.

Tax reductions related to new housing construction are blowing the current housing bubble (increasing property prices and construction activities of residential buildings). These tax reductions are not present in the expenditures (as they are not-realised incomes from the perspective of the state budget), so their actual effect and amount is hard to quantify. According to a Government decision from November 2018, VAT of newly-built flats already in the construction pipeline will remain 5% until the end of 2023 (instead of the standard rate of 27%).⁴ Starting from 2020, VAT refunds for people will be available in small settlements for building, extending or renovating homes.⁵

Since 2018 the criminalisation of homelessness reached a new level. The Fundamental Law and an amendment to the Law on Misdemeanours **ban homelessness by prohibiting 'residing on public premises for habitation'**.⁶ The new provisions entered into force on the

² Data request from the Ministry of Finance by Habitat for Humanity Hungary.

³ <https://bit.ly/2PtjpKO>

⁴ <https://hungarytoday.hu/govt-to-extend-preferential-vat-until-2023-for-new-build-homes/>

⁵ <https://www.kormany.hu/en/ministry-for-national-economy/news/the-economy-protection-action-plan>

⁶ <http://utcajogasz.hu/en/resources/information-materials/the-criminalisation-of-homelessness-in-hungary/>

15th October 2018. Until the end of January, the infringement procedure was ‘only’ initiated 13 times.⁷ According to the Menhely Alapítvány (Shelter Foundation), ‘homeless people living in public spaces exceed the number of night shelters for homeless people’ in several municipalities.⁸

Since 2012 the National Asset Manager (*Nemzeti Eszközkezelő, NET*) established itself as the most important institutional solution for households with defaulting mortgages. NET bailed out families by paying back a portion of the loan to the banks (the remaining part was written off by banks), homes were transferred to state property, former owners remained in their homes as tenants. **Until 2018 the portfolio of the National Asset Manager reached approximately 35,000 properties, contributing significantly to reducing debt-related housing poverty in Hungary.** According to a Government decision from November 2018, NET will no longer buy new properties. Moreover, the Government decided for **privatisation: existing renters may buy back the state property managed by the National Asset Manager on preferential terms.** The Ministry informed that 89% of eligible clients wish to buy back, and only 11% wish to remain renting tenants.⁹

Nevertheless, and **contrary to Government communication, mortgages represent a ticking time bomb in the Hungarian housing sector.** Although decreasing, 110,000 mortgage contracts are still non-performing, as reported by the Hungarian National Bank.¹⁰ In 2018, 8.8 evictions were taking place on average each day.¹¹

POLICY RECOMMENDATIONS

Social inequalities related to housing are expected to rise following the Government policies focusing on better-off households. **Decreasing housing poverty is not an explicit aim of the Hungarian Government.** Therefore, we propose

- to prepare a long-term housing strategy, after consultation with relevant stakeholders;
- to secure that housing-related expenditures of the state budget reach people in housing poverty;
- to introduce social assistance to people in housing poverty, funded by the central government;
- to reallocate spendings from the family housing benefit to measures decreasing social inequalities;
- to extend and not to decimate publicly-owned housing stock.

⁷ <https://bit.ly/34wRyQi>

⁸ <https://bit.ly/2EtaSkM>

⁹ <https://bit.ly/2EpRTaP>

¹⁰ <https://bit.ly/2S0LESE>

¹¹ <https://hungarytoday.hu/central-bank-mnb-new-solution-forex-debtors/>

2. AFFORDABILITY

Affordability is one of the most important dimensions of housing poverty. Affordability means that households can cover the costs of an acceptable home, and the share of housing-related costs does not exceed 30-40% of their disposable income.¹²

According to a survey by the Hungarian Central Statistical Office, **32 per cent of households had difficulties with covering their costs of housing in 2015.**¹³ Data from the first half of 2018 shows that Hungarian households spent 20% of their disposable income on housing costs and utilities on average.¹⁴ Eurostat data from the same year shows that **in 9.6% of Hungarian households housing-related costs exceed 40% of the disposable income.**¹⁵

Affordability is constrained by growing rental and property prices. Although officially only 6.2% of the Hungarian dwellings are private rental (2016 microcensus data),¹⁶ this share has been growing for many years, and the share is estimated to be higher because of different informal arrangements in the private rental sector. **The Hungarian Government has no policy measures for a better regulation of the private rental market, serving affordability inter alia.** For example, tax-exemptions of rental subsidies given by the employer to employees was eliminated from January 2019.¹⁷

Different sources estimate different rental prices.

- According to 2018 data of the Hungarian Central Statistical Office, the national average of rental prices was 1,541 HUF (4.8 euros) / square meter, with significant differences according to settlement type and region. In villages 78% of private rentals are rented by relatives or acquaintances; these account for 37% in Budapest.¹⁸
- One of the largest online real estate websites, ingatlan.com reported that the average Budapest rental price was 160,000 HUF (500 euros), which is a 7% rise from previous year. Larger cities of the countryside witnessed average rental prices between 85,000 and 110,000 HUF (270 and 340 euros).¹⁹
- Another website, jofogas.hu reported 2,391 HUF (7.5 euros) / square meter national average for rental. **Average rental prices rose by 90% between 2011 and the first half of 2019; in Budapest by 130%.** In 2011, the average rental price of a 40 square meter flat was equal to the average per capita income of the fourth decile of the

¹² cf. Pittini, A. (2012): Housing affordability in the EU. Current situation and recent trends. CECODHAS Housing Europe's Observatory Research Briefing, 1. <http://www.housingeurope.eu/file/41/download>

¹³ Hegedüs, J., Somogyi, E., Teller, N. (2019): Housing market and housing indicators. In: Tóth, I. Gy. (ed.): Hungarian Social Report. Társi, Budapest, 258–274. https://www.tarki.hu/sites/default/files/2019-02/258_274_hegedus_etal.pdf

¹⁴ <http://www.ksh.hu/docs/hun/xftp/stattukor/haztfogy/haztfogy1806.pdf>

¹⁵ <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tespm140&plugin=1>

¹⁶ http://www.ksh.hu/mikrocenzus2016/docs/tables/02/02_00_national_1_5.xls

¹⁷ <https://www.ps-bpo.com/newsletters/changes-in-taxation-hungary-2019/>

¹⁸ <http://www.ksh.hu/docs/hun/xftp/stattukor/lakber18.pdf>

¹⁹ <http://realista.hu/ingatlanpiac/ismt-beindul-az-albrlet-gyr/136229>

population, in 2019 the price was equal to the average per capita income of the sixth decile.²⁰

Property prices have increased since 2013, in a similar trend as in rental housing. According to jofogas.hu data, **prices doubled in all size categories between 2011 and the first half of 2019, and tripled in properties larger than 80 square meters.**²¹ This trend exacerbates the housing crisis for a large share of the population. Although mainstream real estate experts and politicians often celebrate increasing real estate prices because owners profit from these processes, this explanation disregards the huge and growing regional inequalities of who profits and where.

Generally, lower classes and property owners in villages and less prosperous regions are negatively affected by price increases, as are people entering the homeownership market (largely the youth or households splitting up). **In 2018, 89.8% of Hungarian households lived in homeownership.**²² **Within the least wealthy ten per cent of the population only 28% of the households owned a house in 2017, whereas it was over 90% in the more affluent half of the population.**²³ **26% of households in the least wealthy ten percent had housing loans, compared to the 17% average of the whole population,** despite the fact that a poorer and less wealthy household has a lower chance to get a housing loan from a bank. **Current policies of the Government and the Hungarian National Bank envision an expansion of housing and other loans for lower-income households, therefore ‘solving’ the affordability crisis by increasing household indebtedness.**²⁴

Another source of housing unaffordability is arrears of payment of utilities. **11.1% of Hungarian households had arrears of payment of utilities in 2018** which is significantly higher than the EU28 average of 6.6% (in spite of a decrease of this figure in recent years).²⁵ Data from the Hungarian Energy and Public Utility Regulatory Authority shows that 11.8% of clients have arrears of payment regarding gas bills (2018), 23.8% regarding district-heating bills and 18.2% regarding electricity bills (Figure 2).²⁶

²⁰ Data request from jofogas.hu by Habitat for Humanity Hungary; Hungarian Central Statistical Office Data on household income by deciles: http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_zhc014a.html

²¹ Data request from jofogas.hu by Habitat for Humanity Hungary.

²² http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_zhc019a.html

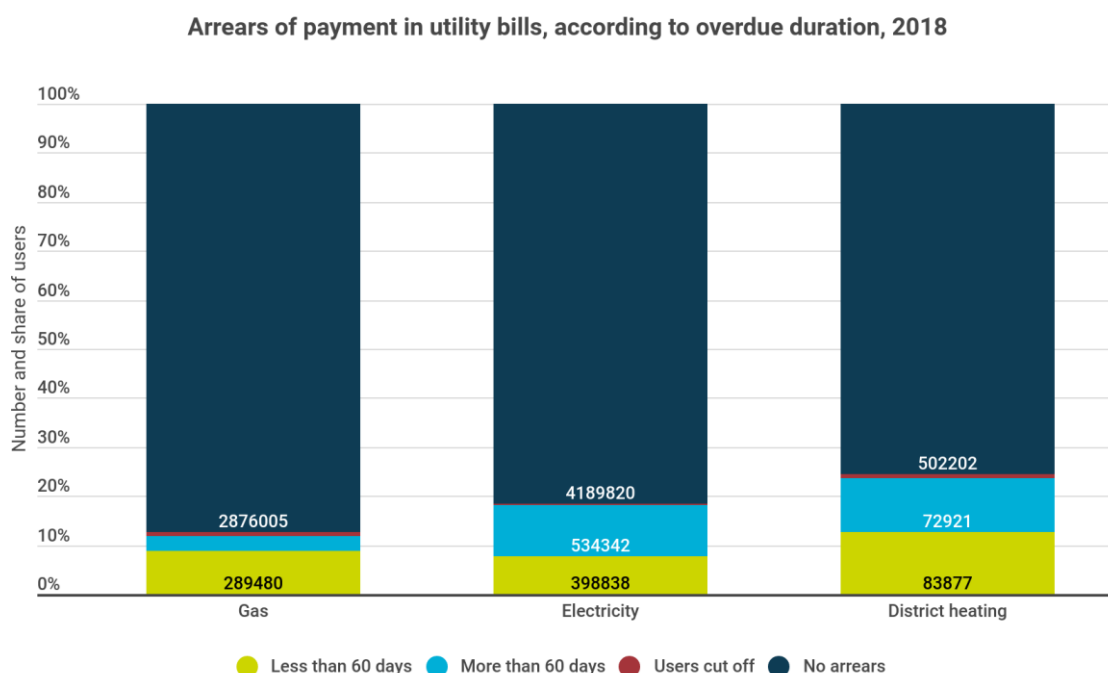
²³ <https://www.mnb.hu/letoltes/vagyonfelmeres-2017-web-en.pdf>

²⁴ <https://bit.ly/2PPxbGw>

²⁵ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdcs07&lang=en

²⁶ Data request from the Hungarian Energy and Public Utility Regulatory Authority by Habitat for Humanity Hungary.

Figure 2.



Source: Hungarian Energy and Public Utility Regulatory Authority. • Made by: [Habitat for Humanity Hungary](#)

Housing affordability is severely constrained by indebtedness of households. Personal household loans without overdue amounted to 5,556 billion HUF (17.4 billion euros) in the first quarter of 2019 (out of which 2,645 billion HUF (8.3 billion euros) housing loans); household loan volume with more than one year overdue amounted 211 billion HUF (660 million euros) (out of which 46 billion HUF (140 million euros) housing loans).²⁷ Overdues resulted in forced sales of 6,227 properties in 2018.²⁸

The Government introduced a new regime of bankruptcy for private individuals in 2015.²⁹ Although it was expected to contribute to a resolution of the forex mortgage crisis by covering non-performing housing loans, only 1,300 cases started ever since. In 2018 only 307 households initiated this debt resettlement process, courts decided in 150 cases in the same year.³⁰ Therefore **the effect of the personal bankruptcy law was marginal to solving the current housing crisis in Hungary.**

Affordability issues and arrears of payment may result in evictions, therefore households losing their homes. **The National Order of Hungarian Judicial Officers' database reported 3,212 evictions in 2018,** and 1,476 in the first half of 2019; most of them because of former forex

²⁷ <https://bit.ly/2sErbZ3>

²⁸ <https://bit.ly/2Pyq3Q1>

²⁹ <https://bit.ly/2EpuF4t>

³⁰ Data request from the Ministry of Justice by the Habitat for Humanity Hungary.

mortgages.³¹ According to current regulations, there is an eviction moratorium during the winter months. If a family with children loses its home and the family is unable to find a place to live, underage children must be taken away by the child protection service—although the child protection law prohibits that a child may be removed from a family because of its financial situation alone. Stopping these evictions of families was tabled to Parliament in 2018 but was voted against by the parliamentary majority.³²

POLICY RECOMMENDATIONS

In order to alleviate the affordability problems related to housing, we propose

- a comprehensive programme to subsidise families in private rental (measures may include rental subsidies, private rental agencies and a reform of private rental regulations);³³
- to introduce housing policy measures for the population which cannot afford buying a home;
- to introduce measures tackling household indebtedness instead of policies pushing lower-class households to growing indebtedness;
- to solve the utility arrears crisis and to reduce utility costs for poorer households.

³¹ https://www.mbvk.hu/letoltesek-web/ingatlan_kiuritesek_szama_2016-2019-II.pdf

³² <https://bit.ly/2EoZO7Z>

³³ See also: <https://bit.ly/2RZePp5>

3. THE YOUTH AND THE HOUSING CRISIS

The beginning of adulthood is also marked by changing housing arrangements: young people generally leave the parental household at this time. **The current Hungarian housing regime significantly curtails the possibilities of the youth in finding appropriate housing for their adulthood. The large share of homeownership and related accessibility problems, inequalities of access to housing subsidies, unsatisfactory regulatory environment of the private rental sector as well as affordability issues limit the chances of youth finding decent housing.**

Housing possibilities of the youth depend largely on family resources and state subsidies. Both are available unequally: **the state does not decrease housing accessibility problems of the youth, but rather increases the problems.** Family resources might include financial help for buying property, providing a second property for free or cheap use, mobilising family and acquaintance networks in finding private rental etc. State subsidies are generally available when combined with marriage and a decision to have children, and if beneficiaries work in a 'normal' employment relation.

Accessibility problems are reflected by official statistics. **62.7% of young people between 18 and 34 years lived with their parents in 2018**, and 42.4% of the 25–34 years old. Both values are roughly 15 percentage points above the EU average.³⁴ Almost every second young person living with their parents was employed in a full-time job. An average Hungarian person leaved the parental home at the age of 27.4 between 2005 and 2015.³⁵

Homeownership is still the dominant tenancy when moving from the parental household. Between 2005 and 2015 three out of four persons obtaining their first home moved to homeownership, 14% to private rental and only 3% to municipal housing. The importance of family resources increased since the 2008 crisis among first time buyers, partially because of decreasing accessibility of housing loans from banks. Young persons with financial help from the family could spend 1 million HUF more for housing compared to young persons without (Figure 3).³⁶ **Social inequalities of housing accessibility are therefore reproduced intergenerationally.** Loans cannot substitute fully for limited own financial sources, and a significant share of the youth does not possess considerable savings which might be mobilised for buying a property. A recent survey by the housing savings company Fundamenta found that 12% of the population planning to buy or build a new flat will do that in favour of their

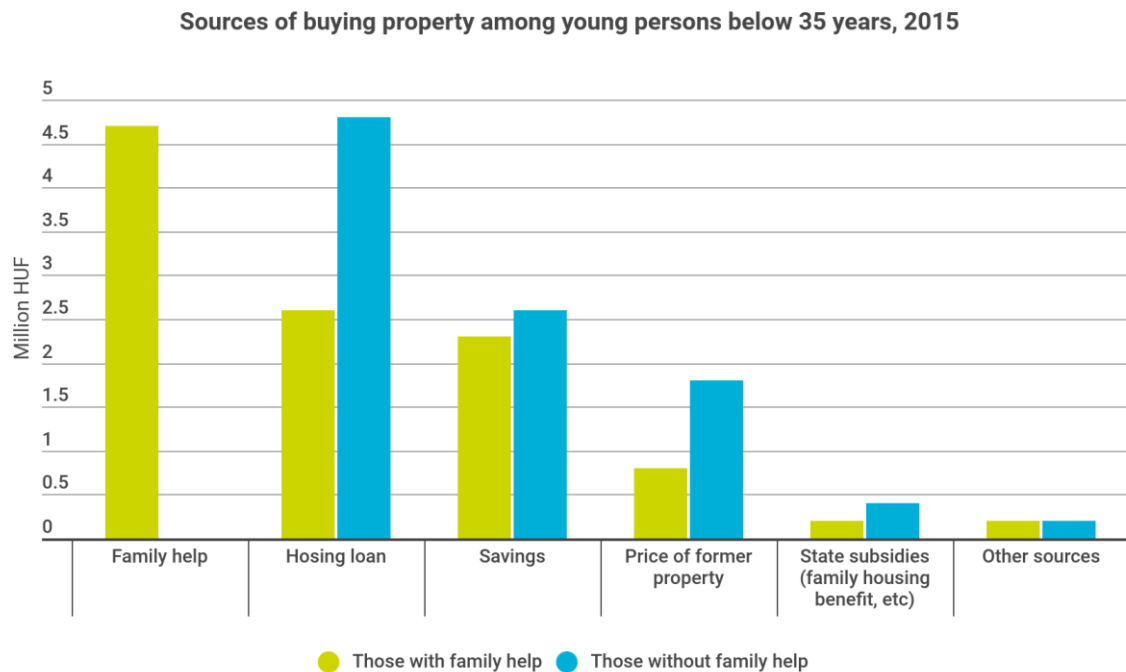
³⁴ http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_lvps08&

³⁵ http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/miben_elunk15.pdf

³⁶ Székely, J. (2018): A lakásvásárlás finanszírozása. In: Miben élünk? – A 2015. évi lakásfelmérés részletes eredményei. Központi Statisztikai Hivatal, Budapest. <https://bit.ly/2PtdUvu>

children and not for own needs; the same share was 30% among the age group over 50 years.³⁷

Figure 3.



Source: Hungarian Central Statistical Office. • Made by: [Habitat for Humanity Hungary](http://HabitatforHumanityHungary)

State subsidies for homeownership of the youth was marked by contradictory policy changes in 2018. The government ceased the preferential terms for new housing savings account (*lakástakarékpénztár*) contracts³⁸ which will limit the amount of savings for housing purposes in the upcoming years for the middle-class. (The preferential terms meant that the central state supplemented personal savings on these accounts by up to 30%, with a maximum of 72,000 HUF (225 euros) annually.)

The current form of family housing benefits (*csok*) is also biased for affluent couples. Fine-tuning of the scheme pushed lower-class clients out of the potential group of beneficiaries. **The introduction of the specific form of the family housing benefit in 2019** in villages below 5,000 inhabitants and with decreasing population (*village csok*) **might motivate young households for buying property in these settlements, far from workplaces and good-quality local services and with low property prices. Social problems might also arise in the future because family housing beneficiaries promised the birth of 45,000 new**

³⁷ <https://bit.ly/2sxS7tE>

³⁸ <https://reut.rs/36Jl1Wn>

children. If these promised children will not be born, families would have to pay back the benefits in one instalment with default interest.

In the Hungarian housing regime dominated by homeownership, young people can often enter only to the private rental market. **In 2015 three out of ten households with a head of household below 35 years lived in private rental,** which was a threefold increase since 1999.³⁹ A recent survey among young persons between 18 and 35 years living in Budapest reported affordability problems on the private rental market (partly driven by short-term rental), insecurity issues (such as unfavourably changing terms of rental contracts), poor conditions of the flat and overcrowdedness. Four out of ten young persons living in private rental expect to remain on the private rental market for several years, even decades.⁴⁰ This is a phenomenon dubbed by researchers as the appearance of the Generation Rent⁴¹.

However, the Hungarian Generation Rent shows some specificities. First, the regulatory background of private rentals is not beneficial for either parties. For example, **families with children are often seen as risky renters by owners, therefore they have limited opportunities to find a home in the private rental sector.** Vulnerable groups on the private rental sector include university students. 32% of students applying for student housing could not get a place in this subsidised accommodation in 2015, as cited by a Government strategy. Combined with skyrocketing private rental prices, this limits social and geographical mobility. The same Government strategy from 2016 also mentioned that 35,000 student accommodation places would be needed only in Budapest; which is three times the current capacity.⁴²

Alternatives to homeownership and private rental sector are scarce, not only for the youth. Last year's Annual Report on Housing Poverty in Hungary covered extensively the sector of exploitative rental housing and institutional housing (e.g. temporal shelters).⁴³ These options are also partly available for young adults. The exploitative rental sector offers low-quality, insecure, relatively expensive and mostly informal shelter for the least affluent households. Furthermore, many families, including young households, are living and circulating in institutions of the social service system. These institutions are originally meant to be temporary shelters responding to acute crisis situations, but currently house families whose real problem is the lack of affordable rental housing. Waiting lists for municipal housing (where it exists) are

³⁹ Csizmady A., Kőszeghy L. (forthcoming): 'Generation rent' in a superhomeownership environment: the case of Budapest, Hungary. Manuscript. Data source: Hungarian Central Statistical Office.

⁴⁰ ⁴⁰ Csizmady, A.,-Kőszeghy L. (2017): Bérleti generáció egy tulajdonorientált lakásrendszerben. Presentation at the Annual Conference of the Hungarian Sociological Association, Budapest, 26 October 2017.

⁴¹ <https://www.bl.uk/collection-items/reality-of-generation-rent-perceptions-of-the-first-time-buyer-market>

⁴² http://www.kormany.hu/download/d/a9/e0000/OKS%252020160904_clean.docx

⁴³ See the English Summary at: <https://bit.ly/2M5Oylh>

also extensive, and the limited scope of this kind of housing means that it does not offer systemic solutions to the housing poverty of young families. Bottom-up collaborative housing initiatives are scarce and lacking institutional and regulatory basis.⁴⁴

Moreover, a recent survey among homeless people in 2018 showed that **children who had grown up in public residential child-care institutions are more vulnerable to become homeless**. Every second homeless person below 29 years lived in such institutions during their childhood.⁴⁵ Nevertheless, the share of young persons among homeless people is comparably low.

POLICY RECOMMENDATIONS

The analysis showed that young persons have specific problems in all housing sectors. Policy recommendations are the following:

- the state should put forward housing policies focused on young adults, and not only family policies and macro-economic stimulus packages;
- state support should decrease social inequalities among first time buyers;
- re-regulation of the private rental sector is needed for solving the future problems of the Hungarian Generation Rent;
- a growth of publicly owned or publicly managed rental housing would help alleviate the housing poverty of the youth.

⁴⁴ <https://cooperativacity.org/2017/10/03/rakoczi-collective/>

⁴⁵ <https://bit.ly/2r1h5Bj>

4. HOUSING POVERTY IN HUNGARY FROM A CENTRAL AND EASTERN EUROPEAN PERSPECTIVE

Housing poverty across Central and Eastern Europe is largely determined by the housing regimes of the respective countries. This chapter analyses Hungarian housing poverty in comparison to the other three countries of the Visegrád Cooperation (Czechia, Poland, Slovakia).

In all four countries private ownership represented a significant share of the whole housing stock already around 1990. In Hungary, three out of four flats were owner-occupied, in Slovakia half of the flats, whereas in Czechia and Poland around 40%. The share of municipal housing was between 23 and 39% in 1990, the largest being in Czechia. Privatisation proceeded along two main scenarios: restitution (former owners got back their former property—in Czechia, 7% of publicly-owned flats were privatised this way), and privatisation to sitting tenants (being typical in Hungary, among other countries).⁴⁶ **According to the latest census data from 2011, 9 out of 10 flats were owner-occupied in Slovakia and Hungary, in Poland 8 out of 10, in Czechia 6 out of 10.**⁴⁷

The age of dwellings is similar throughout the four countries. 80–90% of dwellings are older than 30 years. **A large share of dwellings was built in the 1960s and 1970s, both in cities (prefabricated buildings) and in villages (largely privately-built family houses).** These dwellings are in need of renovation in order to reduce utility costs and offer good living standards for the current occupiers. In the past years, the **share of newly-built dwellings from the total housing stock annually were between 1% and 1.2% in the case of Poland, around 0.8% in Slovakia, around 0.6% in Czechia, and around 0.3% in Hungary.**⁴⁸ These figures are low, also compared to population trends of the respective countries.

People at risk of poverty or social exclusion is the highest in Hungary among the four countries, 19.6%. The same laggard position applies for most population groups, excluding people above 65 years. Czechia performs the best and below the EU28 average.⁴⁹

Overcrowdedness also represents a significant challenge regarding housing poverty. EU average of the overcrowding rate is around 15%, whereas 35–40% were typical proportions in all four countries in the region except for Czechia (15%), and despite a declining trend in the

⁴⁶ Hegedüs, J., Lux, M., Sunega, P., Teller, N. (2014): Social Housing in Post-Socialist Countries. In: Scanlon, K., Whitehead, C., Fernandez Arrigoita, M. (eds.): Social Housing in Europe. Wiley-Blackwell, Oxford, 239–253.

⁴⁷ <https://ec.europa.eu/CensusHub2/query.do?step=selectHyperCube&qhc=false>

⁴⁸ Data source: European Mortgage Federation Hypostat statistical report.

⁴⁹ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_peps01&lang=en

2000s.⁵⁰ **More than one third of children below 18 years lived in overcrowded dwellings in Hungary in 2018.**

Housing deprivation is also an important indicator of housing poverty. According to the Eurostat methodology, housing deprivation items are leaking roof, damp walls/floors/foundation, or rot in window frames or floor; lack of bath or shower in the dwelling; lack of indoor flushing toilet for sole use of the household; as well as problems with the dwelling: too dark, not enough light.⁵¹ In Hungary, these figures are worse than in the other three countries (especially regarding too dark dwellings). Regarding leaking roof, damp walls/floors/foundation, or rot in window frames or floor the dwellings in Visegrád Four countries are in better condition than the EU27 average, except for Hungary where it was almost twice the EU27 average in 2017 (13.3% and 24.8%, respectively).⁵²

If at least one item of housing deprivation is combined with overcrowdedness, the person is regarded as living in severe housing deprivation.⁵³ Severe housing deprivation rate is around 4–5% in the EU28 in recent years. **In Hungary, severe housing deprivation rates were three times of the EU28 average between 2010 and 2017, stagnating between 15–17% of the population. In the same time, all other three Visegrád Four countries experienced declining severe housing deprivation rates:** 2017 data were 2.1% in Czechia, 5.2% in Slovakia, 9.8% in Poland (compared to 15.9% in Hungary).

Severe housing deprivation rates are over 25% for the Hungarian youth below 18 years and did not decline in the past 10-15 years. This poses serious challenges for housing opportunities of the youth, and for the general life opportunities of generations growing up in housing poverty. In all other three Visegrád countries the same rate is significantly lower (such as below 5% in Czechia) or declined in the past years (such as in Poland, from 32% to 12% between 2007 and 2017).⁵⁴

Severe housing deprivation rates in owner-occupied dwellings decreased significantly in both EU28 and in Visegrád countries between 2007 and 2017, except for Hungary. The share of households in severe housing deprivation, however, rose from 9.9% in 2007 to 14.1% in 2017 in Hungary, contrary to the declining trend in the other three countries. **By 2017,**

⁵⁰ <https://ec.europa.eu/eurostat/databrowser/view/tessi170/default/table?lang=en> Note that rates are not always comparable and there are breaks in time series because of methodological changes (as in the case of Hungary between 2017 and 2018 when the rate declined from 41% to 20%).

⁵¹ <https://ec.europa.eu/eurostat/databrowser/view/tessi291/default/table?lang=en>

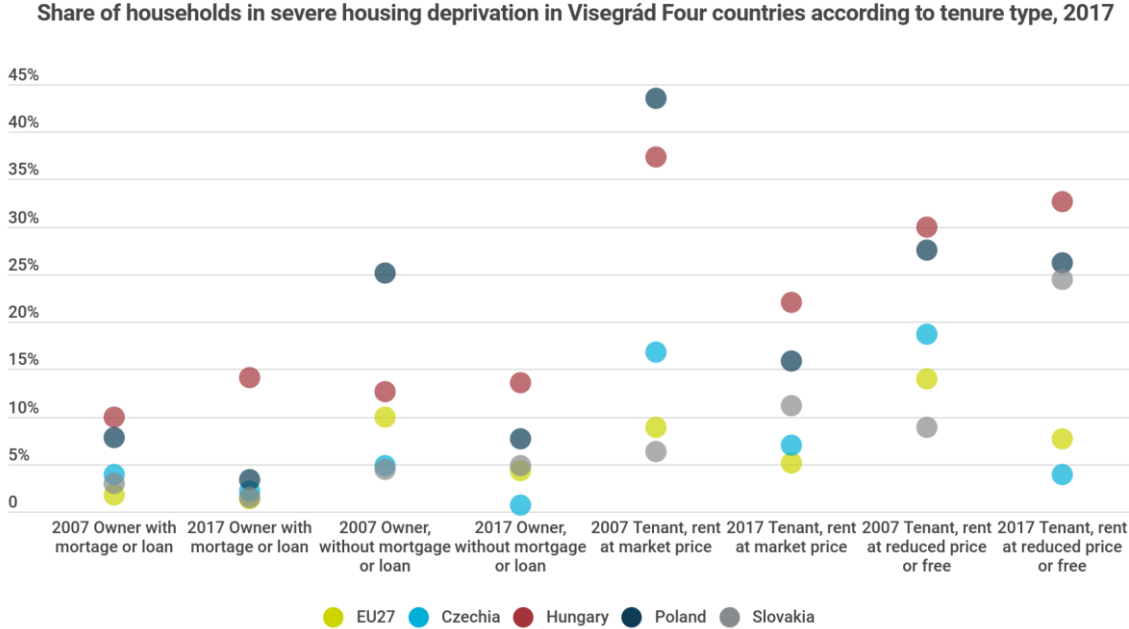
⁵² https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdho01&lang=en

⁵³ https://ec.europa.eu/eurostat/statistics-explained/index.php/Glossary:Severe_housing_deprivation_rate

⁵⁴ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdho06a&lang=en

severe housing deprivation shares were the highest in Hungary among Visegrád countries in all tenure types (Figure 4).⁵⁵

Figure 4.



Source: Eurostat, EU-SILC • Made by: [Habitat for Humanity Hungary](#)

Housing poverty is also influenced by affordability. **In Hungary, the difference between the poorer and the richer part of the population is high, regarding how much of the disposable income is spent on housing.**⁵⁶ Differences are 2.2–2.5-fold in Hungary, compared to 1.9–2.2-fold differences in the other three Visegrád countries. Same trends apply for income deciles. **Between 2010 and 2015 the share of housing and utility costs within disposable income slightly increased for the poorest 20% of the population in Hungary and decreased for the other 80% of the population.**⁵⁷ This is a unique and worrying trend among the Visegrád countries. **By degree of urbanisation, Hungary performs worst in all categories (cities, towns and suburbs, rural areas) regarding the share of housing costs in the disposable income of the household.** Housing and utility costs are typically higher in cities in all four countries.⁵⁸ Within housing and utility costs, rents are the main expenditures in Hungary (by nearly 60%) as in Poland and Slovakia (around 50%), whereas electricity, gas and other fuel costs represent more than 50% of housing and utility costs in Czechia.⁵⁹ In

⁵⁵ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdho06c&lang=en

⁵⁶ Poorer households: below 60% of median equivalised income; richer households: above this threshold. https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdho02&lang=en

⁵⁷ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hbs_str_t223&lang=en

⁵⁸ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hbs_str_t226&lang=en

⁵⁹ https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=hbs_exp_t121&lang=en

Visegrád countries, energy costs calculated in purchasing power parities are higher than in other EU countries; Hungarian prices are the lowest among the four countries because of Government policies reducing utility costs for household users.⁶⁰

The housing cost overburden rate (when total housing costs represent more than 40% of disposable income) is also the worst in Hungary among the country group with 10.7%, and slightly above the EU27 average in 2017.⁶¹ Regarding different tenure types Hungary performs the worst in most categories within the country group; shares are over the EU28 average in all categories.⁶² The overburden rate is influenced significantly by housing loans in all four countries.

Rental costs stagnated in Slovakia between 2011 and 2018, whereas increased significantly in the other three countries. Rental price increase was twice as fast in Hungary between 2015 and 2018 than in the other two countries with increasing prices.⁶³ Similar trends apply for housing prices: between 2015 and 2018 price changes were the highest in Czechia and Hungary. **Both in Hungary and in Czechia the differences between housing prices and net incomes are on the rise.**⁶⁴

⁶⁰ https://ec.europa.eu/eurostat/data/database?node_code=nrg_pc

⁶¹ <https://ec.europa.eu/eurostat/databrowser/view/tessi160/default/table?lang=en>

⁶² <https://ec.europa.eu/eurostat/databrowser/view/tessi164/default/table?lang=en>

⁶³ https://stats.oecd.org/Index.aspx?DataSetCode=HOUSE_PRICES

⁶⁴ <https://bit.ly/2PVjI5p> ; <https://bit.ly/2syGouQ>

5. THE ROLE OF MUNICIPALITIES IN ALLEVIATING HOUSING POVERTY

In 1990 a decentralised administrative structure was established in Hungary, with around 3,200 municipalities with elected members forming local councils and mayors leading these municipalities. For a country with roughly 10 million inhabitants, this administrative structure meant small local governments. The Local Government Act from 1990 dedicated several duties to the local level (municipal housing; solving local housing problems; local taxation; maintaining institutions for social assistance etc.), however, these local tasks have been underfinanced from the central state budget ever since. After the 2008 crisis problems exacerbated as a large share of municipalities was severely indebted.⁶⁵ **After 2010, the government reacted with centralisation: political and financial room for manoeuvre decreased significantly at the local level.** In 1991 the local government sector represented 15% of GDP, 12–13% around 2010, whereas only 7.6% in 2015.⁶⁶ This centralisation, however, did not change most of the housing-related duties of local governments.

Different tasks of the municipalities related to housing is financed in different ways. The first group is normatively financed tasks from the central budget (such as per capita funding for residential social care institutions). The second group is partly financed by the central budget, including municipal social aid (richer municipalities finance this from their own budget, poorer ones get funding from the central budget). Thirdly, some funding is available on application basis, such as within the “social wood” programme (municipalities apply to the Ministry of Interior and get funding from which they buy firewood distributed among local inhabitants). Fourthly, depending on the lobbying force of local mayors and elected MPs, the central Government may finance housing-related expenditures of municipalities on a case-by-case basis (such as building student accommodation). Fifthly, EU project funding is also available for solving housing-related challenges (such as for social urban regeneration projects). Lastly, maintaining the municipal housing stock is not financed in any way by the central budget.

The lack of national level housing policies is putting a significant burden on municipalities’ activities regarding housing issues. **Local governments should theoretically remedy housing problems caused by the lack of housing policies at the scale of the central government, but most of them are unable to do so because of a lack of funds.**

Local governments are relatively autonomous to decide on housing-related questions; thus local decrees and local acts vary considerably. Methodologically, this means that a thorough analysis should collect data from all 3,200 local governments and analyse housing-related

⁶⁵ For details, see Vígvári, A. (2010): Is the conflict container full? Some financial aspects for the assessment of the situation and the transformation of the system. Public Finance Quarterly, 3., 480–504.

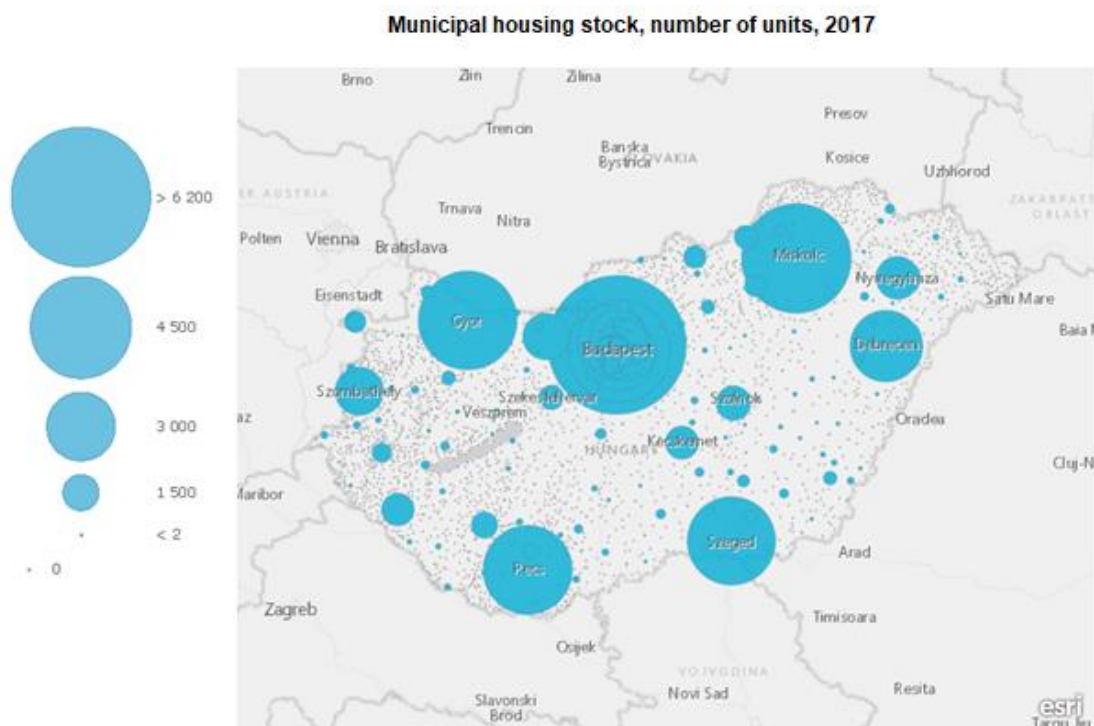
https://www.asz.hu/storage/files/files/Publikaciok/Szakmai_cikkek/Vigvari_Andras/psz2010030480.pdf

⁶⁶ <https://bit.ly/2Z2JL9x> ; <https://bit.ly/2YVAaRX>

policies in 3,200 local contexts. Nation-wide studies on local government practices are therefore scarce and are limited to topics on which national registers and national, harmonised data sources are available. Otherwise, an analysis based on a sample of municipalities is possible.⁶⁷

Regarding housing issues, one of the main tasks of local governments since 1990 has been to manage the municipal housing stock—which was transferred to them in the early 1990s from the central government. Privatisation proceeded rapidly, with about 0.5 million housing units sold in the 1990s (there were 4 million dwellings altogether in Hungary in 2000). **Share of the municipal housing stock in all dwellings decreased from 18.3% in 1990 to 2.4% in 2017.**⁶⁸ Because of the selectivity of privatisation, local governments currently own a large share of bad-quality housing units in which poorer families live. The municipal housing stock consisted of 119 thousand units at the end of 2017 (Figure 5), which is certainly below the needs. Measures should be taken to increase the number of publicly owned housing units. Maintenance of the buildings and flats is also below the needs: in 2017, only 107 thousand HUF (345 euros) was spent on maintenance per housing unit, which is a very low figure.⁶⁹

Figure 5.



Source: Hungarian Central Statistical Office: Yearbook of Housing Statistics, 2017.

⁶⁷ See for example Kováts B. (2015): Rezsitámogatás-csökkentés. Az új lakásfenntartási célú települési támogatások vizsgálata 31 önkormányzat példáján. *Esély*, 6., 29–60. <https://bit.ly/35vvcxJ>

⁶⁸ <https://bit.ly/34vdMjs> ; <https://bit.ly/2PSPOJz>

⁶⁹ http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_zrl001.html

Measures on the private rental market by local governments may help alleviate the housing crisis and reduce the share of flats serving investment purposes and not being permanently used. Local taxes on land, properties and on residents (*telekadó, építményadó, kommunális adó*) may be differentiated reflecting the local housing market (such as taxing empty flats or those used for short-term rental). However, the maximum of these taxes as defined by a law at the national level limits the possibilities of local governments. For example, the maximum of the local tax on properties (*építményadó*) is 1,898 HUF (6 euros) / square meter / year, which in a case of a smaller flat in central Budapest equals the price of a few nights' accommodation when used as short-term rental. Nevertheless, **local governments might play a more active role on the private rental market by mediating between different actors (such as companies, social organizations, private households) in solving the local housing crisis.**

According to the Local Government Act, social tensions resulting from housing poverty should be remedied by local governments. Thus, **local governments' interests have been to push out poorer families needing social assistance from their jurisdiction and shift the responsibility to other municipalities.** These processes were also driven by EU-funded urban regeneration projects in several cities, which did not concentrate on areas with the highest housing poverty, but rather renovated areas in which the lower middle class was predominant, or used these programs as an occasion for displacing poorer residents.

Urban development, planning and zoning did not decrease housing poverty either. Local governments might partner with developers for investments with community benefits in exchange for development rights. For example, if a developer builds several hundred housing units, an expansion of institutions providing services of general interest (education, healthcare, etc.) is also needed and might be financed by the developer.

The central government implicitly motivated local governments to reduce social expenditures locally. For example, **the housing-related municipal social aid and the debt repayment subsidy had to be given by local governments for inhabitants in need but were financed mainly from the budget of the central state until 2015. In the past 30 years these were the most important social measures reducing housing poverty in Hungary.** In 2015, however, the central government initiated a reform, and now municipalities should finance these forms of assistance largely from their own sources.⁷⁰ Currently, every tenth person in Hungary lives in municipalities where municipal social aid is not available.⁷¹ Nationally, the

⁷⁰ Misetics B. (2018): Sosem volt elég: Lakásfenntartási támogatás 2015 előtt. *Esély*, 6., 3–44.
http://esely.org/kiadvanyok/2018_6/esely_2018-6_1-1_mitlesics_sosem_volt_eleg.pdf

⁷¹ Misetics B. (2019): Kevesebbet, kevesebbeknek: a lakásfenntartás önkormányzati szintű támogatása 2015 után. *Esély*, 1., 3–41.

average municipal social aid was only 23,000 HUF (74 euros) per year in 2017.⁷² **Large differences are found among settlements regarding the municipal social aid: in cities and in economically prospering regions more aid is given to proportionally less people, whereas in villages and in economically less prosperous areas proportionally more people receive less money.**

Residential social service institutions are missing in several areas of the country (such as residential care for elderly people or for people with chronic psychiatric illness). Even if these institutions exist, their capacities are typically not sufficient, and in many cases institutions cannot find employees and social workers as a result of serious labour shortage in the social sector.

POLICY RECOMMENDATIONS

The lack of national level housing policies puts significant burden on municipalities' activities regarding housing issues. Local governments may only partially mitigate the effects of the current housing crisis. Measures might include:

- municipal real estate used for mitigating the housing crisis: increasing the municipal housing stock, community land trusts and other forms;⁷³
- municipalities should take part in and initiate social rental agencies;⁷⁴
- social urban regeneration programmes and rural housing development projects must reach the population in housing poverty;
- the amount and the share of population receiving municipal social aid should be increased and extended by debt management in order to reduce affordability problems;
- no evictions from municipal housing without temporary accommodation (somewhere to stay).

⁷² http://www.ksh.hu/docs/eng/xstadat/xstadat_annual/i_fsp013.html

⁷³ <https://urbact.eu/housing-local-municipalities>

⁷⁴ Hegedüs, J., Horváth, V., Somogyi, E. (2014): The Potential of Social Rental Agencies within Social Housing Provision in Post-Socialist Countries: The Case of Hungary. *European Journal of Homelessness*, 2., 41–67. <https://www.feantsaresearch.org/download/article-2-56529072930559942675.pdf>