National Report on the Housing System from a Multi-Level Perspective: Hungary

An extract from Deliverable 4.2, '*National Reports on the Housing System from a Multi-Level Perspective',* of the ReHousIn project

August 2025

FOREWORD

This report is an extract from Deliverable 4.2, 'National Reports on the Housing System from a Multi-Level Perspective', of the ReHousIn project, which analyses housing systems in nine European countries, focusing on tenure-policy frameworks and housing supply dynamics.

The full version of the deliverable is available here.

Title	National Report on the Housing System from a Multi-Level Perspective: Hungary
Author(s)	József Hegedüs, Anna Katona, Kata Kepes (MRI)
Cite as	Hegedüs J. Katona A. Kepes K. (2025). *National Report on the Housing System from a Multi-Level Perspective: Hungary Deliverable 4.2, "National Report on the Housing System from a Multi-Level Perspective"*. ReHousIn: Contextualized pathways to Reduce Housing Inequalities in the green and digital transition https://rehousin.eu/sites/default/files/media/documents/National%20Report%20on%20the%20Housing%20System%20from%20a%20Multi-Level%20Perspective_Hungary.pdf
Dissemination level	Public
Submission date	August 2025
Work package	WP4: Changing housing systems & welfare regimes: filtering crises differently
Project title	ReHousIn: Contextualized pathways to Reduce Housing Inequalities in the green and digital transition.
Grant Agreement No.	101132540
Coordinator	Metropolitan Research Institute (MRI)

This document has been prepared in the framework of the European project ReHousIn – "Contextualized pathways to reduce housing inequalities in the green and digital transition".

The ReHousIn project aims to spark innovative policy solutions towards inclusionary and quality housing. To achieve this, it investigates the complex relationship between green transition initiatives and housing inequalities in European urban and rural contexts, and develops innovative policy recommendations for better and context-sensitive integration between environmentally sustainable interventions and socially inclusive housing.

This project is co-funded by the European Union. The UCL's work on this project is funded by UK Research and Innovation (UKRI) under the UK government's Horizon Europe funding guarantee. The ETH work on this project is funded by the Swiss State Secretariat for Education, Research and Innovation (SERI) under the Swiss government's Horizon Europe funding guarantee.

Co-funded by the European Union

UK Research and Innovation

State Secretariat for Education, Research and Innovation SERI

Table of Contents

1 Executive summary

Like other new EU Member States, Hungary dismantled a once strongly decommodified housing system, which had included a large stock of state-owned rental housing and a finance system protected from market forces. With widespread privatisation and the decline of state-led construction and financing, Hungary was left with a residualised rental sector and a heavily commodified owner-occupied sector. This shift occurred without a well-regulated housing finance system. Instead, a poorly regulated credit market (notably the foreign currency crisis) and an ad-hoc, unsustainable subsidy system strained the budget. A long-term housing policy remains absent.

By 2001, a tenure structure typical of former socialist countries emerged, with 2-3% of municipal property occupied by the worst-off families. Those without municipal housing turned to the poorest segments of the private-owned and rented housing market. A strong private rental sector has not developed due to political and policy barriers. In the owner-occupied sector, all social groups are represented, except for the lowest income groups.

Between 2000 and 2004, housing policy mobilised public funds to boost mortgage lending and support municipal rental housing. The two programmes - one commodifying and promoting market forces, the other decommodifying and reducing market dependence - were fiscally unsustainable. Mortgage finance soon shifted to foreign currency loans, transferring risk to borrowers. The rental programme was abandoned, and further privatisation shrank the social housing stock.

From 2008 to 2015, policies aimed to manage the foreign currency crisis. In contract to other countries, Hungary placed a heavier burden on both banks and borrowers, prolonging the crisis. Some support programmes promoted decommodification (e.g., rent subsidies and the National Asset Management Company), others commodification. The overall goal was to stabilise housing finance and prevent mass evictions.

Post-2015, housing policy targeted demographic decline through VAT reductions, subsidies, and the Childbirth Incentive Loan—forms of partial decommodification. Utility cost cuts also represented universal decommodification, albeit with regressive effects and fiscal strain.

By 2022, budget cuts led to reduced utility and loan subsidies, signalling a gradual recommodification. Despite declining powers and funding since 2010, local governments remain engaged through small-scale innovative programmes, pressuring the central government to revisit their one-sided homeownership oriented housing policy.

More recently, housing policies must be seen in relation to climate targets, highlighting a growing green-housing nexus – yet key barriers prevent an inclusive, climate-aligned transition: utility cost reduction policies distort price signals and disincentivise energy-efficient renovations; municipalities lack resources and land ownership to shape green development; and Hungary's tenure structure—dominated by private homeownership, a fragmented rental market, and a marginalised public sector—limits access to green investments. Without reform, the housing system risks reinforcing inequality while failing to meet environmental goals.

2 The housing debate

2.1 Housing privatisation in Hungary in the 1990s

One of the defining transformations of the post-communist era in Hungary was the privatisation of housing. The mass sale of state-owned rental properties fundamentally changed the country's housing policy and urban structure. The process was supported by numerous arguments, but it also attracted considerable criticism (Dániel, 1996; Székely, 2001; Hegedüs 2012).

The main arguments in favour of housing privatisation were that the sale of flats would relieve the state of the burden of maintenance and upkeep costs, which it was no longer able to bear effectively in the crisis-hit economy after the collapse of the state-socialist economies of Eastern-Europe. The low – often well below market value – purchase prices enabled tenants to become homeowners, which gave people a sense of social stability and security during an uncertain transitional period (although the sense of security was seriously damaged by lending after 2000). While privatisation also created serious inequalities, it was impossible to resist the pressure from tenants and the broader political landscape to privatise. This led to the majority of the public housing stock being sold by the end of the 1990s, if the tenant requested it (Central Statistical Office, 2016).

However, the arguments against it pointed out that rapid and cheap privatisation had serious long-term consequences. The rental housing stock declined dramatically, removing an important alternative from the housing market, especially for low-income earners. The lack of social housing remains a serious problem to this day. In addition, many new owners were unable to maintain or renovate their properties, leading to a deterioration of the building stock.

Furthermore, housing privatisation often reinforced urban social inequalities: better-off tenants in city centres were able to acquire more valuable properties more easily, while residents of disadvantaged neighbourhoods were less able to take advantage of this opportunity.

Overall, housing privatisation in Hungary was simultaneously an economic necessity, a social imperative and a political decision. Although it contributed to the stability of the transition in the short term, it had serious long-term consequences for housing policy and the urban social structure.

2.2 Housing and demography

At the core of the housing and demography debate lie two key questions: can and should demographic trends be influenced by housing policy? While we cannot say with certainty that this is possible, the Hungarian government has been actively attempting to influence fertility through various housing-related measures, especially since 2015. However, several major issues suggest that such policies might have limited or negligible effects on demographic trends – the Total Fertility Rate was 1.38 in 2024, the lowest in the last decade (Central Statistical Office, 2024).

First, the level of financial support provided to families after the birth of a child remains disproportionately small compared to the actual cost of raising children. As a result, these incentives are often insufficient to genuinely motivate families to have more children. Second, many households that shift childbearing earlier due to these programmes are ones that would have had children anyway. In such cases, policies may affect the timing rather than the overall number of children. Thus, fertility decisions appear to be influenced more by broader social and economic factors than by short-term financial incentives.

Beyond this debate, several technical questions complicate the issue. One major area of concern is the tension between new and existing housing. Hungarian policy—through instruments such as Family Home Support (CSOK, Hungarian acronym; see Appendix)—has prioritised newly built housing, creating a structural bias that favours higher-income families. New construction is more expensive and typically requires access to credit, which many households lack. This design aligns well with the interests of the construction industry and indirectly supports the banking sector, which benefits from larger mortgages. However, it leads to a distributional imbalance, where public subsidies disproportionately benefit those already well-off, exacerbating existing spatial and wealth inequalities, particularly between urban and rural areas.

Another central debate involves whether housing-related family support should be universal or targeted. Programmes like CSOK and the Childbirth Incentive Loan (CIL) have leaned toward quasi-universal access, with relatively few restrictions based on income or existing housing wealth. These programmes tend to reward "ideal" family types—married, employed, with multiple children—thus risking the reinforcement of structural exclusion. This approach can lead to inefficient use of public funds, increased inequality, and the undermining of redistribution principles. A more equitable model might involve restricting access to higher-income groups by setting property size limits or imposing income thresholds, which could improve cost-effectiveness and reduce market distortions. However, such restrictions could provoke political backlash or introduce excessive bureaucracy.

A further point of contention is whether state support should be proportional to the number of children. Hungarian housing policy is overtly pro-natalist, especially favouring families with three or more children. These families receive the most generous benefits, such as full loan forgiveness. While this approach aligns with demographic goals, it creates a regressive incentive structure. Families unable or unwilling to have more children receive significantly less support. This raises concerns about equity—should policy be designed to provide more gradual and inclusive support, or should it remain focused on maximising demographic impact by targeting larger families?

An equally pressing issue is the inclusion—or effective exclusion—of low-income households from these housing programmes. Although initiatives like CSOK and CIL are rhetorically universal, they are implemented through credit-based mechanisms that often act as gatekeepers. While Hungary adheres to the EU Mortgage Credit Directive (MCD), which mandates affordability assessments to protect vulnerable borrowers, in practice, this directive is applied selectively. Banks enforce strict creditworthiness checks that disproportionately exclude poorer families, particularly those without formal employment or savings, even when they meet state eligibility criteria. Simultaneously, the government often relaxes standards for politically favoured groups or exerts informal pressure on banks to approve loans. The result is a structurally regressive system, leaving lower-income and marginalised communities—especially in rural or Roma areas—effectively excluded. As a result, these benefits are becoming available to a shrinking segment of the population, which undermines their redistributive potential and leaves housing poverty largely unaddressed (Czirfusz et al., 2023).

Finally, there is the issue of the temporary versus permanent nature of these programmes. Although CSOK and CIL were introduced as temporary measures—typically planned for 2–3 years—they have been extended, reshaped, and renewed multiple times. For instance, CSOK, originally launched in 2015, was replaced by CSOK Plus in 2024. This ongoing modification creates policy uncertainty. The repeated extension of supposedly temporary measures discourages long-term planning and encourages short-term thinking, often guided more by electoral considerations than structural needs. It also complicates the evaluation of their long-term demographic and economic effects.

2.3 Debate on the utility price cap programme

Hungary's utility price cap policy, which has been a key element of the government's economic and social policy since 2013, has been heavily criticised by policy experts and economic analysts. Arguments for and against the policy generally fall into three categories: political, economic and social.

The most common argument by the government in favour of utility price caps is that they reduce the burden on households: the programme aims to protect households from the effects of rising global energy prices, thereby ensuring predictable and affordable utility bills. The government argues that the support helps lower-income households, especially in times of crisis, such as during the 2022 energy crisis. The government considers it a positive development that it has forced multinational companies out of public services, which also helps legitimise nationalist policies. Another common argument in favour of utility subsidies is that they limit inflation and contribute to the predictability of household budgets.

Most of the arguments against utility price cuts are based on economic rationality and social justice considerations. According to expert analyses, fixed residential energy prices distort market signals, do not encourage thrift, and perpetuate wasteful consumption in the long run. As a result, not only are energy efficiency investments neglected, but energy awareness itself is undermined. Furthermore, it is clear that the system is not targeted, meaning that the support does not necessarily reach those who really need it. Numerous studies have confirmed that higher-income households, which consume more energy, benefit proportionally more from the utility price cuts than low-income groups. The system is, therefore, socially regressive, as the distribution of state support is unfair.

Another critical issue is the budgetary sustainability of the system. State financing of utility price cuts places a burden of hundreds of billions of forints on the budget each year, especially at a time of soaring international energy prices. This burden is significantly higher than what the government spends on housing subsidies. In addition, public utility providers operating at regulated prices have become underfunded, leading to deteriorating infrastructure and delayed investments in many sectors (e.g. water utilities, district heating, waste management),

From a political perspective, the government has successfully used utility price cuts as an identity-building and campaign tool. International expert forums, such as the European Commission and the IMF, have repeatedly recommended that the system be transformed into market-based, targeted support that takes into account the income situation and consumption patterns of households.

2.4 Rental market failure

As mentioned above, it is up for debate whether the government's current focus on subsidy programmes that are promoting owner-occupation with a large demographic focus is an efficient way to tackle the housing crisis of the younger generations. Critiques argue that these programmes exclude those who lack the financial resources to be able to build new homes, even with the support from the government. Moreover, they also exclude an emerging generation of young people who would prefer not to own their home yet, given the owner-occupied tenure's less flexible nature.

The private rental market would be a good alternative for the second group. However, due to limited access to affordable housing and a deepening housing crisis driven by rising rents (especially in Budapest), the private rental market in Hungary is also at the centre of a growing debate. With a minimal and highly residualised social housing stock, many people are forced into the private rental sector out of necessity. The sector suffers from severe dysfunctions, including unaffordable and unstable rent levels, a lack of regulation, and insecure tenancy conditions. Rental agreements are typically liberal and offer little protection, while conflict resolution through the legal system is slow, expensive, and often ineffective, encouraging the use of informal, unregistered contracts. These informal arrangements exclude tenants from essential services like healthcare and social support. Both tenants and landlords face considerable risks, and a deep mistrust exists between the two. Discrimination is also widespread, particularly against Roma individuals and families with children. Despite high demand for housing, a significant number of dwellings remain vacant due to market and policy failures, further highlighting the need for systemic reform (Kováts, 2017; Hegedüs et al., 2016).

2.5 Lack of social housing

Taking care of the first group would be the task of the social rental market. Since the regime change, local governments are responsible for providing affordable housing to those who lack the resources to rent or buy on the market. However, the central government has adopted an increasingly centralised approach to social service finance. Conflicts between local authorities and the government have intensified, creating an intergovernmental fiscal policy problem, where the finances of towns and cities are heavily dependent on discretionary central government decisions, and local governments are often left without the necessary funding to fulfil their housing obligations (unfunded mandates).

This is especially problematic, as nearly one-third (31.8%) of households faced housing-related hardship, based on analysis done on data from the Hungarian Central Statistical Office in 2015 (Hegedüs & Somogyi, 2018). According to the analysis, around 13.4% of households had less than 60% of the national equivalent average income left after covering housing costs, 17.2% were living in inadequate or substandard housing conditions, and 13.4% were housing cost-burdened, spending more than 40% of their income on housing.

During the 2018 elections, the opposition-controlled municipalities' manifestos included the issue of tackling the affordable housing shortage, putting pressure on the government. Despite this pressure and ongoing criticism, no policy reforms have been implemented so far (Misetics, 2017).

2.6 Regions left behind

Lastly, an important debate around affordable quality housing focuses on a government programme launched in 2019 with EU financial support, aimed at reducing regional disparities. The Emerging Settlements (FETE) programme targets the 300 most underdeveloped settlements in the country, which were selected by eight key indicators: (1) proportion of young people, (2) birth rate, (3) taxable income per working-age person, (4) rate of long-term jobseekers, (5) proportion of children receiving regular child protection benefits, (6) proportion of substandard or inadequate housing, (7) number of registered crimes per 1,000 residents, (8) proportion of people aged 15+ without completing 8th grade (Németh, 2023). It follows the proven-to-be-effective presence-based approach, prioritising social work, community development, primary health care and screening, early childhood support, and affordable housing (Bőle, 2022). This kind of programme plays a dual role: it aims to improve living conditions for residents, while also trying to create the circumstances that would allow them to relocate if they choose to. However, the programme raises several questions — such as the appropriate tenure model for subsidised housing in these regions (whether to promote owner-occupied homes or social rental units), to what extent locals should be encouraged to move out, where those who leave would go, and how municipalities and existing residents in the target areas will react to incoming newcomers.

3 How the housing system has changed

3.1 Q1: Degree of commodification

I. *What is the direction of travel of the national / local housing system: are these becoming more de-commodified (universalist) or re-commodified (residualist) over time?*

After the political changes of 1989/1990, the privatisation of housing and the abolition of the socialist housing finance system led to the emergence of a clearly commodified housing model with a small (3%) residual social rental housing system by 2000 (see Appendix). At the same time, programmes aimed at decommodification were launched at various times throughout the last 35 years, but the budgetary impact of these could not be managed by the government. The impact of decommodification on inequalities was often regressive, i.e. it benefited higher income groups.

The social impact of this is that the lowest income groups were forced into municipal housing, which is of the poorest quality and accounts for 2-3% of the housing stock since 2010 (Misetics, 2017, Hegedüs, 2023a). The owner sector, on the contrary, accounts for the majority of dwellings (85-90% of households) and consists of mixed social groups. A, statistically difficult to quantify, private rental sector emerged. Its size was estimated by statistics at 4-6%, which is much lower than we would have expected in Hungary's market economy environment, knowing its main structure. Firstly, there is a poor quality housing stock (peripheral areas of cities, remote villages) occupied by low-income groups unable to pay for urban housing, who were pushed out of the owner-occupied sector. Secondly, there is also a better-quality urban private rental housing in this sector which is occupied by students, foreign workers and young professionals. This structure has not changed significantly since 2010. We know the least about the private rental sector, but as a result of the ownership-promoting programmes and regulations that have been in place since the change of regime, its role has always remained residual, in the sense that those who cannot find a solution in the first two tenures are forced to rent. However, the consequences of more diverse life strategies are more varied (see Figure HU1; Hegedüs & Horváth, 2018).

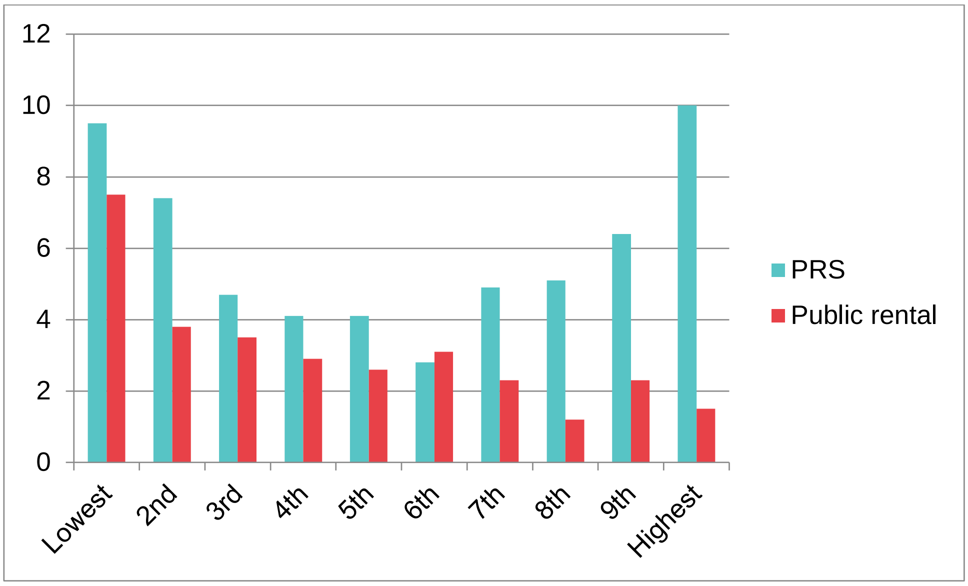

Figure HU1. Share of population in private and public task rentals by income decile (%), 2015 Source: HCSO, 2016

Numerous housing programmes were launched between 2000 and 2024, some of which are still ongoing. As explained in Appendix 6.1, we view the transformation of the housing system as a complex process involving numerous government and municipal programmes, as well as non-profit organisations, the most successful of which receive significant state support (primarily church organisations). These programmes can be divided into two types: an ‘enabling markets’ type and a ‘regulating markets’ type. It is sometimes difficult to determine the direction of a particular programme—whether it leans toward decommodification or commodification—which is an important issue from the theoretical perspective of this research. Moreover, it is questionable whether these (de)commodification tendencies are directly tied to the tenure structure at all, rather than being specific to the programmes themselves. We argue that both decommodification and recommodification can occur regardless of tenure type (see Appendix 6.1).

One notable example is the housing savings bank system (lakástakarékpénztárak), which helped households access the housing market through fixed-term savings plans. In return for saving regularly at below-market interest rates, participants qualified for low-interest loans. These schemes became popular in Hungary after the 2008 crisis due to their predictability, though initially they functioned mainly as savings accounts without offering loans. Their surge in popularity was largely driven by generous state subsidies - 30% of annual savings, much higher than in other countries - placing a heavy burden on the state budget. The subsidy was abolished in 2018 (Hegedüs, 2018a). However, the benefits primarily went to those who could afford to save, reinforcing existing social inequalities. An exception was a targeted refurbishment and infrastructure programme that operated through these banks. Instead of requiring upfront savings, an intermediary (e.g., a developer) provided the initial investment, and after four years the state subsidy—equivalent to saved contributions—was transferred in the beneficiary's name, alongside access to a subsidised loan. This model reached a broader population, including lower-income groups without savings.

Another examples is the ‘Social policy benefits’ programme, that supported the construction of new homes for families with children, and an increase in the benefits in 1994 (which was motivated by tax policy considerations) had an unexpected housing policy consequence, whereby contractors built low quality homes primarily for impoverished families with three children (often Roma) in poorer neighbourhoods, on very poor plots of land, but free of charge. This is certainly not a market-based intervention, and if it is decommodification, then it does not have an effect on the rental housing sector, but has instead unintentionally supported the poor. At the same time, the support was very ineffective, and within five years these dwellings became unacceptable in terms of quality.

This illustrates how programmes and the interactions they trigger can bring about change in a housing system. A similar example is the rent subsidy programme for the private housing sector introduced in 2004, which became unworkable due to mistrust on the part of landlords. The history of credit subsidies also reflects the struggle between the banking lobby and the construction industry lobby, which was won by the banking lobby in the early 2000s. Here, the interpretation of decommodification-commodification does not pose a problem, although market development has spread to the lower-middle class through foreign currency lending. Between 2004 and 2008, due to credit competition, social groups that would have had access to social/affordable credit in a more balanced system also entered the credit system (Pósfai et al., 2018). Finally, the Utility Cost Cap Programme (2013-2025) is also a decommodification programme, which has no specific effect on tenure and has a clear regressive income distribution effect.

The various programmes affected the situation of individual social groups, but did not address the fundamental elements of the system: a small municipal rental housing stock, the dominance of owner-occupied dwellings, the limited importance of credit and a very poorly functioning private rental market). Restrictions on the private rental sector were lifted, but comprehensive regulation did not help the sector to develop, and the state-integrated housing finance system was abolished. Interestingly, the reciprocal sector also lost its influence (see Appendix 6.1).

II. *Are there structural divergences (tensions) between the direction of travel (universalist - residualist) of the national housing system, and the local housing system?*

The radical transformation of the first decade, especially the rapid privatisation and the disappearance of state housing finance, was in the interests of both central government and local authorities. In 1993, parliament essentially passed the right to buy law, after which, even if local governments wanted to keep their housing, they could not (but politically it was impossible to resist the pressure to privatise anyway). The Local Government Act assigned social housing tasks to local authorities but did not allocate any resources to them (unfunded mandates). In the programmes between 2000 and 2004, local authorities cooperated with the central government in the construction of rental housing and the renovation of prefabricated buildings, but these were partial and temporary decommodification measures.

After 2010, local governments lost many of their functions, and serious centralisation took place. Before 2010, local governments, or more accurately municipal governments, had relative financial independence, with assets and tax revenues that could be redistributed by the central government, but radical change was difficult to implement because local governments had strong representation in parliament. This ended in 2010 with Fidesz gaining a two-thirds majority, and urban municipalities were also exposed to the central government's centralisation efforts. Centralisation was also one of the underlying motivations for the utility cost reduction programme. Deprived of resources, local governments played a negligible role in housing policy.

However, after the 2018 elections, opposition local governments came up with programmes to increase social housing, although they admitted that they had no resources, which left the central government in a difficult position. They focused on drawing down EU funds, which did not include housing programmes (unlike other new EU member states). The likely reason for this is that programmes involving many actors would have slowed down the drawdown of EU funds. After 2022, the country had less access to EU funds for political reasons, and the budget faced serious difficulties due to previous spending. Both the utility cost reduction programme and the mortgage subsidy programme had to be scaled back, which threatened to trigger a recession. At the same time, local governments are putting serious political pressure on the government to implement social housing programmes, but the government now has little room for manoeuvre, as it has so far been unwilling and is now unable to use EU funds.

Hungarian housing policy, similarly to that of other post-socialist New Member States, has largely failed to address two fundamental principles: a) providing affordable rental for socially vulnerable groups and b) ensuring that better income groups cannot capitalise on subsidies. It is justifiable to provide property subsidies for lower-middle income groups and also to parts of the middle class, but only in a way that does not allow beneficiaries to capitalise on the subsidy individually. If a family has bought a home with serious public subsidies, and their financial situation allows them to move to a better, bigger, more valuable home, they should not receive the subsidy part of the value of the home, because that will allow another needy family to benefit from it.

Since 2010, housing policy in Hungary has been dominated by helicopter-style cash transfer programmes, which are not embedded in a long-term institutional framework. These ad hoc schemes, motivated by demographic and economic growth objectives, construction industry lobbying, and political propaganda, lack predictability and continuity. Programs are typically announced for short periods, adjusted in response to political and popular feedback, and often disappear without leaving lasting institutional structures behind.

This policy approach operates within a fundamentally commodified housing system. While subsidies may temporarily reduce commodification by offering financial relief, they do not establish institutional guarantees for long-term decommodification. The design of these subsidies has primarily benefitted those who already have the financial means to save or invest, thereby reinforcing existing inequalities. Despite the high fiscal cost, their social targeting remains weak, and they fail to shift the structural dominance of owner-occupation.

Overall, the housing policy changes between 2015-2024 have led to a deepening of the housing crisis in terms of house prices and rents while the supply remained one of the lowest in Europe. The subsidised (mostly mortgage) loans granted for having children include a conditional liability. Firstly, in case a family fails to fulfil the requirement (no children are born), they have to pay back the loan without the subsidy. Secondly, it promotes childbearing that entails often unknown costs in the future as conditions might chance. In this respect, the situation is analogous to that of foreign currency lending, where the borrower assumes the exchange rate risks. Similarly, in the demography-focused schemes, the state transfers the risks of not having children as welll as childbearing to families in exchange for short-term benefits (Hegedüs et al., 2025).

Experiences have also shown that in lack of an efficient social housing system and adequate regulatory safeguards in other fields (such as in the field of tenancy law), the focus on subsidised mortgage loans has contributed to deepen the housing crisis. The exclusion of more vulnerable groups, the inclusion of higher income groups, and the increased risks in some programmes for more vulnerable families have negative implications for the Hungarian housing situation.

III. *What synergies and/ or conflicts exist between the vertical and horizontal governance levels?*

After the change of regime, a new law was enacted, whereby local governments were handed over to democratically elected leaders. This was a significant step towards decentralisation compared to the previous system. From the outset, decentralisation faced a number of serious shortcomings: 1) the central government retained unilateral control over the redistribution of resources (tax revenues), which only required the support of a parliamentary majority; 2) it was a highly fragmented system with many very small local governments; 3) a two-tier local government system was introduced in Budapest, with 23 district municipalities operating alongside the ‘Budapest‘ municipal government.

Local governments were given the assets necessary for public services and the task of managing those assets, within which the ownership and management of the housing stock was the most important from the perspective of housing policy. Until 1993, housing privatisation was optional for local governments, but after 1993, with the introduction of the right to buy law and support from both the central government and parliament, it became essentially mandatory to sell flats. However, as it was mentioned before on several occasions, local authorities were unable to resist privatisation, partly because they did not have the financial resources to run the sector (rents did not cover operating costs) and partly because they were unable (or unwilling) to resist pressure from tenants to privatise.

Local governments were not given any additional resources to perform their housing tasks beyond their housing assets, and consequently, their housing programmes had to be covered from general revenues. In practice, the municipalities had no housing programmes until 2000. The central government's housing programmes were also underdeveloped, and the economic (transformation) crisis also affected the housing system, which central (homeownership support) programmes were unable to compensate for.

Between 2000 and 2008, programmes were established in which cooperation developed between local authorities and the central government. However, apart from a rental housing programme between 2000 and 2004 (involving approximately 10,000 homes in the sector), programmes supporting home ownership dominated the housing subsidy system. These included the so-called panel programme for instance, which supported the refurbishment of multi-apartment buildings. It is characteristic of this period that between 2000 and 2004 more homes were privatised than were built through the rental housing programme. Both the rental housing programme and the panel programme can be considered a joint effort by central and local governments, and they were successful in those municipalities where local governments invested their own resources and organisational capacity in the programmes.

Local governments played no role in dealing with the negative effects of the 2008 economic crisis and resisted taking over apartments whose owners were unable to pay their mortgage costs. Therefore, the central government had to set up an organisation for this purpose.

After 2010, a process of centralisation began in the local government system (Hegedüs & Péteri, 2015, Kákai, 2021), which further weakened primarily urban local governments (by withdrawing tasks and public service assets) and reduced the chances of local government housing programmes. The basic principle of government housing policy was that Hungarian families wanted to own their own homes, and that support policies should follow this principle, which explains the dominance of home ownership. Local governments did not receive subsidies for housing, and the development of private rental housing also stagnated due to tenure-biased subsidy and tax policy principles. (A change will occur after 2018, but only at the level of intentions, not actions.)

In the 2018 local elections, opposition municipalities included the need for social housing programmes in their campaigns, but these were not followed by the development of serious programmes (due to a lack of support from the central government). Meanwhile, the Asset Management Agency, set up to deal with the crisis, privatised 90% of its 40,000 housing stock in 2019. As a result, virtually no change occurred in the tenure structure. After 2002, privatisation was again a matter for local government decision (the right to buy system was in place between 1993 and 2002).

The central government's housing programmes between 2015 and 2024 are programmes supporting homeownership, despite the fact that the housing crisis (rent and house prices rising faster than income levels) is affecting the younger generation (those aged between 25 and 40), whose tenure preferences have changed. Young people leaving the education system are postponing their plans to buy a home, and many prefer private rental (social housing is minimal), even those who could afford to buy a home. Furthermore, a significant proportion of families, primarily those who cannot rely on intergenerational transfers, are unable to buy a home if they do not qualify for state-subsidised programmes. This factor becomes politically significant between 2015 and 2024, and by 2024 the government reconsiders its public rental subsidy programmes (which have so far been blacklisted at government level). However, no real programme has been launched yet.

3.2 Q2: Impact of exogenous macro-trends, policies and crises: What have been the events that really made a change in each tenure?

Between 1990 and 2025, six major economic crises shaped the trajectory of the Hungarian economy and society. While these crises differed in nature and intensity, each had a discernible impact on the housing system, influencing the ownership structure, the housing subsidy regime, and the level of commodification within the sector.

The most transformative shift occurred with the regime change in 1990, which entailed not only political and economic transformation but also a fundamental restructuring of the housing system. State-owned rental housing was massively privatised, the public housing finance system was dismantled, and mortgage subsidies were significantly reduced. The collapse of the previous support system and the rise of market-oriented housing policy reshaped the functioning of the housing sector. These changes, however, increased the burden on many families: maintaining and operating the newly acquired homes often exceeded their financial capacity, and the repayment of so-called discounted loans (with partial debt forgiveness) resulted in widespread housing loss. A debt management program launched in 2001 was intended to mitigate some of these consequences, albeit retroactively.

The next crisis emerged around 1994–1995, when the government faced increasing difficulties in managing public debt and budget deficits. A series of austerity measures followed, most notably the 1995 stabilisation package known as the Bokros Plan. The reforms included cuts to housing subsidies and a narrowing of available housing support schemes. However, these reductions had limited practical consequences, as the prevailing economic uncertainty had already curbed housing investment by the population.

In the early 2000s, a new chapter opened with the launch of a generous and ambitious housing subsidy program under the first Orbán government around 2000. The program remained largely unaltered after the Socialist government took office in 2002, despite its long-term fiscal unsustainability. The combination of rising housing subsidies and expanding welfare expenditures created mounting budgetary pressure by 2004, prompting another wave of fiscal adjustment. One of the most significant measures was the scaling back of interest subsidies for housing loans, which in turn redirected households toward foreign currency-denominated mortgages. Neither the government nor the central bank intervened to regulate this shift, as both prioritised short-term economic growth. The resulting financial risks, however, were borne by households. In parallel, the national rental housing program was discontinued and would not reappear on the political agenda until 2025, when it resurfaced as a key issue in electoral competition among political parties.

The 2008 global financial crisis marked another major turning point, with Hungary particularly vulnerable due to the widespread reliance on foreign currency loans (Bohle, 2014). As subsidised forint-based mortgages had been withdrawn and interest rates remained high, many households had shifted to foreign currency lending, which—amid exchange rate volatility and income shocks—led to severe repayment difficulties, widespread housing loss, and growing social tensions. Between 2008 and 2015, housing policy became almost entirely subordinated to the goal of managing the foreign currency mortgage crisis. Housing subsidies were curtailed, construction activity declined sharply, and structural problems in the housing sector deepened further. One of the most notable policy responses was the National Asset Management Agency program, which purchased distressed properties from indebted households and converted them into rental housing. Although the initiative pointed toward a new model of social rental housing, the experiment ultimately proved short-lived: by 2022, approximately 90% of the agency's housing stock had been re-privatised.

The most recent crisis is linked to the COVID-19 pandemic in 2020 and its aftermath. While this was a global shock, its effects in Hungary were amplified by the structural weaknesses of the domestic economic model, including the prioritisation of high-risk, low-return investments with limited social utility. The crisis prompted new constraints on housing-related programs: the universal utility cost reduction scheme (rezsicsökkentés) was scaled back, limiting subsidies to average household consumption levels, and various housing support schemes were also reduced. The government recently announced a generous first-time homebuyer program, offering up to HUF 50 million in loans at a fixed 3% interest rate. The state would cover the difference between the market and subsidised interest rates, but the fiscal sustainability of the program has already been questioned. Consequently, regulatory constraints are expected to be introduced even before the program's official launch, which is scheduled for September 2025.

3.3 Q3: Capacity to filter crises: how does each housing system respond to macro-events and crises?

The economic crises between 1990 and 2025 radically reshaped the Hungarian housing system, housing policy, and the position of various social groups within the system. At the same time, housing institutions exhibit a certain inertia—a *path dependency*—that limits the pace and direction of change. As discussed in the previous chapter, the most profound transformation was triggered by the post-1990 regime change: the privatisation of public housing, the dismantling of the previous housing finance system, and the gradual establishment of a market-based policy framework.

Households responded by taking ownership of their dwellings en masse, but this shift soon revealed major internal inequalities and new structural tensions. Two key consequences of the 1990 changes shaped the long-term development of the system. First, the question arose as to how new owners could cope with the responsibilities of ownership—maintaining their homes, covering utility costs, and making repairs. This posed serious challenges especially for low-income families who had acquired poorly maintained, substandard dwellings. For these households, there was no effective housing support policy in place during the 1990s that could have mitigated their exposure.

The second critical issue involved the restructuring of housing loans. Many households were unable to repay their subsidised loans in time and were shifted into market-based loan contracts with extremely high interest rates under the new regulations. This led to widespread arrears and housing loss, particularly among vulnerable families. In this sense, the 1990 transition not only transformed the institutional structure but also generated significant hardship at the household level.

The 1994–95 budget crisis, and the stabilisation package known as the Bokros Plan, had a more limited effect on the housing system. By that time, residential construction had already slowed, and most households had withdrawn from the housing market, instead trying to adapt to their new conditions. The share of housing loans in GDP dropped sharply—from 15–20% in earlier years to just 1–2%—reflecting the collapse of lending activity.

More substantial changes followed the 2004 crisis. At that time, housing construction began to rise again, the housing market started to take shape, and competition among banks intensified. Households fell into a form of “rational short-term trap”: due to the reduced subsidy levels, foreign currency loans offered lower interest rates than state-supported forint loans, which made them more attractive. Banks actively promoted foreign currency lending, and the government did not intervene to limit the trend. Meanwhile, public rental housing programs were phased out entirely.

This undermined a core element of the early-2000s housing policy vision: the creation of a segmented rental housing system with market-rate, cost-based, and social (municipal) segments. This concept never materialised in practice. Instead, new construction initiatives were absorbed into the legacy framework, and inherited practices persisted. Rents remained far below market levels and insufficient to cover maintenance costs, making the municipal sector financially unsustainable.

The 2008 crisis was the second most serious structural shock to the system. The issue of foreign currency mortgages dominated government attention for nearly a decade. Unlike governments in similar positions—such as those of the Baltic states, where stricter and more rapid interventions were adopted—Hungary allowed the foreign currency mortgage problem to linger from 2008–2009 until approximately 2015. During this period, a variety of policy schemes were introduced, and the government's approach to housing policy became increasingly characterised by ad hoc, short-term responses. Policy tools were adjusted based on public reaction, without any coherent long-term strategy.

Despite this reactive logic, the creation of the National Asset Management Agency (NET) was an innovative move and hinted at the possibility of a new direction in housing policy. However, as discussed earlier, this opportunity was not fully realised: by 2022, around 90% of the agency’s housing stock had been re-privatised, closing the door on a more sustained rental housing initiative.

After 2015, the housing market stabilised and entered a period of rapid price and rent increases. This significantly exacerbated housing affordability problems. By the time the COVID-19 pandemic emerged in 2020, affordability had become one of the most pressing social issues in housing. In response, the government began to roll back several of its earlier, often politically motivated and improvisational support schemes. Among the most significant cutbacks were the narrowing of the utility cost subsidy program and the reduction of housing subsidies for families with children.

It is within this context that the most recent government initiative must be interpreted: a new housing support program offering generous terms for first-time buyers. The proposed plan would provide loans up to HUF 50 million with a fixed 3% interest rate, with the government covering the difference between the market and subsidised rates. While the announcement signals strong political intent, the projected fiscal burden is extremely high. As a result, the program is expected to be subject to strict eligibility conditions and limited accessibility upon its launch, currently scheduled for September 2025.

4 Concerns regarding the green-housing nexus

Green policies in the housing sector (energy retrofitting of residential units, applying nature-based solutions and implementing densification) can mitigate or generate housing inequalities depending on the specificities of the national or local housing systems (Koritár & Feldmár, 2023). The three main factors of the green-related housing characteristics can be summarised as 1) the withdrawal of market incentives due to capped utility prices, 2) marginalisation of the room of manoeuvre of localities and 3) dominance of private ownership in housing.

Capping the utility prices

The cap on household utility prices in Hungary, applied since 2013, results in the lowest electricity and gas prices in Europe. This policy is considered a major tool against energy poverty, while it is a major structural barrier to green development in the housing sector at the same time. While it lowers utility bills in the short term, it removes the financial incentive for households to invest in energy-efficient renovations (such as insulation, window upgrades, or heating modernisation).

Thus, the level of residential energy efficiency interventions is very low, as the investment cannot be motivated by market-based financial calculations, except the times when public subsidies appear. Public subsidies were generous in the 2000s, but they concentrated on multi-family buildings built by industrialised technology. After 2010, subsidy programmes remained marginal and the focus shifted from multi-family buildings to family houses. While access to subsidies for multi-family buildings depends less on the financial capacity of the owners as organisational aspects matter more, for family houses the ability to co-finance is the crucial issue besides the capability to follow the administrative requirements.

Instead of encouraging long-term efficiency, the cap on household utility prices basically traps households in outdated, inefficient buildings, missing the opportunity for energy transition through housing renewal, while simultaneously deepening social inequalities. Wealthier households, who tend to live in larger homes and consume more energy, gain greater absolute benefits from capped prices, when poorer households receive less benefit as they are the least likely to access renovation subsidies, leading to a widening gap in housing quality and energy efficiency.

Marginalisation of the room of manoeuvre of localities

Another major issue is the systemic neglect of public and social housing in both housing policy and green transition initiatives. The public rental housing in Hungary is an ever-shrinking share of the total housing stock reaching about 2.4% in 2024. It is home to some of the most vulnerable populations, including low-income households, the elderly, and marginalised groups. Despite this, state-funded renovation programs and energy-efficiency incentives rarely, if ever, include public housing. Most subsidies, such as CSOK, Childbirth Incentive Loan (CIL), or even retrofitting schemes, are tied to private ownership or demographic conditions like childbearing. This means public and municipal housing units—often the least energy-efficient—are left behind, deepening the energy divide. The result is a structural policy failure: those most in need of improved housing and lower energy bills are systematically excluded from state-led green investment, reinforcing spatial and class-based inequalities. Without a targeted and well-funded strategy for public housing retrofitting, Hungary's green transition risks becoming not only incomplete but socially unjust.

A further constraint on green and inclusive housing development in Hungary lies in the weak land ownership position of municipalities. Unlike in many Western European countries, where local governments own significant amounts of own resources (local tax revenue, property, etc.) urban land and can leverage it for social housing or sustainable development, Hungarian municipalities possess very limited land assets and authority. This severely reduces their capacity to initiate or control housing projects—especially in brownfield redevelopment, which in Hungary is largely driven by private investment with minimal public regulation –- resulting in market-led densification that favours private interests over social or environmental goals. Compounding the problem, Hungary lacks inclusionary zoning regulations—planning tools used elsewhere to require developers to include affordable or energy-efficient units in new projects. In the absence of such mechanisms, new urban development typically excludes lower-income residents, fails to meet climate targets, and deepens spatial inequality.

Dominance of private ownership in housing

97.6% of the housing stock in Hungary is in private hands, more than 90% of which is owner-occupied. It means that the energy efficient retrofits have to be initiated, financed and implemented by private owners, no matter how poor or energy poor they are. There are no non-profit or public housing organisations that take the administrative and financial burden from the inhabitants. In addition, the multi-family housing stock, which is dominant in urban areas, consists of private condominiums and cooperatives (Polgár & Szádeczky, 2017). For this stock, the financial problems of their socially mixed residents are coupled with the organisational difficulties of decision-making (Czifrus et al, 2015). That is why the implementation of retrofits of any kind has a slower pace and is even more slowed down by the state of local subsidy programmes, which Hungary has lacked in the last decades. The situation is further complicated by the fact that Hungary is the only member state not receiving the funds of the Recovery and Resilience Facility due to Rule of Law violations (Csaky, 2025).

The private rental market, while growing and reaching 8-9% nationwide and 15-20% in Budapest, remains fragmented, informal, and underregulated. Tenants face insecure tenancy, weak legal protections, and are entirely excluded from most renovation subsidies The split incentive between landlords and tenants discourages investment in energy upgrades, and where renovations do occur, rent prices might skyrocket and renovictions can follow, however this phenomena is not acknowledged yet in Hungary, most probably due to the relatively modest rate and dispersed nature of private rental properties. Given Hungary's weak tenant protections, these scenarios risk amplifying housing insecurity rather than addressing energy poverty.

While green gentrification—displacement driven by environmental upgrades—is a well-documented issue in Western European cities with large, flexible rental markets, its visibility is lower in Hungary. This might be explained by the high rate of homeownership, low mobility that limits rapid turnover or by the relatively low implementation of greening. However, Hungary faces a quieter but equally problematic form of green exclusion, as public investments and retrofitting tend to concentrate in higher-income, owner-occupied areas, while marginalised communities—especially tenants—are left behind. This reinforces spatial and class-based green inequalities without triggering the neighbourhood-based conflict seen elsewhere.

5 References

Bohle, D. (2014). Post-socialist housing meets transnational finance: Foreign banks, mortgage lending, and the privatization of welfare in Hungary and Estonia. *Review of International Political Economy, 21*(4), 913–948.

Bőle, T. (2022). *Steps For Catching Up*. Emerging Settlements. Available at: https://fete.hu/app/uploads/2023/06/FeTe_EN_22_01.pdf

Central Statistical Office. (2016). Miben élünk? A 2015. évi lakásfelmérés főbb eredményei. KSH. Available at: https://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/miben_elunk15.pdf

Central Statistical Office. (2024). 22.1.1.6. Élveszületések és teljes termékenységi arányszám. KSH. Available at: https://www.ksh.hu/stadat_files/nep/hu/nep0006.html

Csaky, Z. (2025). Freezing EU funds: An effective tool to enforce the rule of law? Center for European Reform. Available at: https://www.cer.eu/insights/freezing-eu-funds-effective-tool-enforce-rule-law

Czirfusz, M., Ámon, K., Feldmar, N., & Koritár, Zs. (2023). *Éves jelentés a lakhatási szegénységről 2023* (G. Lukács, Ed.). Habitat for Humanity Magyarország.

Czirfusz, M., Horváth, V., Jelinek, C., Pósfai, Z. & Szabó, L. (2015). Gentrification and rescaling urban governance in BudapestJo´zsefva´ros. Intersections. *East European Journal of Society and Politics, 1*(4), 55–77.

Dániel, Zs. (1996). A bérlakás-privatizáció paradoxona. Nemzeti ajándék vagy ráfizetés? *Közgazdasági Szemle, XLIII(3)*, 204–230.

Doling, J., & Ronald, R. (2010). Home ownership and asset-based welfare*. Journal of Housing and the Built Environment, 25*(2), pp. 165–173. (Appendix)

Forrest, R., & Hirayama, Y. (2009). The uneven impact of neoliberalism on housing opportunities. *International Journal of Urban and Regional Research, 33*(4), pp. 998–1013. (Appendix)

Hegedüs, J. (2012). Housing privatization and restitution. In J. Hegedüs, M. Lux, & N. Teller (Eds.), *Social housing in transition countries* (pp. 33–49). Routledge.

Hegedüs, J. (2018a). Mit veszítünk a lakástakarékpénztárak támogatásának megvonásával?. Mérce. Available at: https://merce.hu/2018/10/31/mit-veszitunk-a-lakastakarekpenztarak-tamogatasanak-megvonasaval/

Hegedüs, J. (2018b). Lakásrezsimek rendszerváltás előtt és után a posztszocialista államokban [Housing regimes before and after the transition in post-socialist states]. In: Bozóki, A. and Füzér, K. (eds.), *Lépték és Irónia: Szociológiai kalandozások [Scale and Irony: Adventures in sociology*]. Budapest: Hungarian Academy of Sciences, Centre for Social Science. (Appendix)

Hegedüs, J. (2020): Understanding Housing Development in New European Member States – a Housing Regime Approach. *Critical Housing Analysis, 7*(1), pages 49- 62. (Appendix)

Hegedüs, J. (2023a): Housing and welfare in Central East Europe – the case of Hungary in Grander, M. & Stephens, M. (eds.). The Routledge Handbook of Housing and Welfare. London: Routledge, 2023

Hegedüs, J. (2023b). The two housing finance crises in Hungary: Lessons for the housing policy transition. Housing Finance International, Spring, 28–34.

Hegedüs, J. & Horváth, V. (2018). Hungary: The Growing Role of a Hidden Sector. In Hegedüs, J.; Lux, M.; Horváth, V. (Eds.). *Private Rental Housing in Transition Countries: An Alternative to Owner Occupation?* Palgrave Macmillan, 235-260.

Hegedüs, J., & Péteri, G. (2015). Közszolgáltatási reformok és a helyi önkormányzatiság. Szociológiai Szemle, 25(2), 90–119.

Hegedüs, J., & Somogyi, E. (2018). A lakások megfizethetősége és a társadalmi egyenlőtlenségek – a KSH 2015-ös lakásfelvétele alapján (pp. 6–25). In Central Statistical Office (Ed.), *Miben élünk? A 2015. évi lakásfelmérés részletes eredményei*. KSH.

Hegedüs, J., Horváth, V. & Somogyi, E. (2016). A magánbérlakás-szektor működése és lehetséges szerepe a közösségi lakáspolitikában – a szociális lakásvállalatok koncepciója. *Esély, 2,* 29-61.

Hegedüs, J., Örkény, B., Somogyi, E., & Tosics, N. (2025). The impact of the MCD on housing credit in Hungary in the context of post-2015 housing policy interventions. In M. Anderson & E. Arroyo Amayuelas (Eds.), *The review of the mortgage credit directive: Toward a digital, sustainable and inclusive European market* (pp. 203-218). Europa Law Publishing.

Kákai, L. (2021). Centralisation in one step: Centralisation and decentralisation in Hungary from a public services perspective. *Politics in Central Europe, 17*(1S), 703–728.

Koritár, Z., & Feldmár, N. (2023). The potential of social climate policy after the energy crisis. In *Habitat report on housing poverty 2023*. Habitat for Humanity Hungary. https://habitat.hu/sites/wp-content/uploads/2024/02/Habitat_EvesJelentes2023_eng_240214-OK.pdf

Kováts, B. (2017). *A megfizethető bérlakásszektor felé*. Habitat for Humanity International.

Lawson, J. (2009). The current crisis in housing: From affordability to distributional disjunctures. *Journal of Housing and the Built Environment, 24*(4), pp. 403–416.

Misetics, B. (2017). Lakáspolitika és hajléktalanság. In Z. Ferge (Ed.), *Társadalom- és szociálpolitika, Magyarorszag 1990–2015* (pp. 267–286). Budapest: Osiris.

Németh, N. (2023). A Felzárkózó Települések program cél- és keretrendszer. *Kapocs*, *1*, 17-26.

Polgár, Z., & Szádeczky, T. (2017). Challenges of condominium management, especially protection of personal data (pp. E1–E11). https://core.ac.uk/download/pdf/85131454.pdf

Pósfai, Zs., Gál, Z., & Nagy, E. (2018). Financialization and inequalities: The uneven development of the housing market on the Eastern periphery of Europe. In S. Fadda & P. Tridico (Eds.), *Inequality and uneven development in the post-crisis world*. London: Routledge

Székely, G. (2001). Az önkormányzati bérlakások privatizációja. *Lakásviszonyok III. Társadalomstatisztikai Füzetek*, *31*, 32–51.

Szép, T. & Kashour. M. (2024). Price and Income Elasticities of Hungarian Household Energy Demand: Implications for Energy Policy in the Context of the Energy Crisis. *Green and Low-Carbon Economy, 2*(3), 174-183. (Appendix)

Weiner, Cs. & Szép, T. (2022). The Hungarian utility cost reduction programme: An impact assessment.' *Energy Strategy Reviews* 40. (Appendix)

6 Appendix

6.1 Analytical frameworks of housing systems – the role of the state and the market in the classification of housing regimes

1. Our starting point is the static classification of housing systems, which is based on the combination of the form of ownership of housing (municipal rental housing, private rental housing, owner-occupied housing) and the integration mechanism (state, market, reciprocity[1] – and solutions outside the formal housing system) (Hegedüs, 2018b).[2] This is illustrated in the following table:

1 Reciprocity was used by Károly Polányi as a form of integration in economic and social systems. In the literature on housing, authors considered intergenerational transfers, self-help housing solutions, and assistance within families and among friends to be the most important forms of reciprocity. Examples can be found for all three types of combinations with the form of reciprocity tenure. (Lawson, 2009; Doling & Ronald, 2010; Forrest & Hirayama, 2009)

		Forms of tenure		
		Public rental housing	**Private rental housing**	**Owner-occupied housing**
Integrative mechanism	**State/social integration**	„A": Council housing, rental cooperatives	„B": Social rental housing agency, significant housing subsidy models	„C": Singapore model, Land Trust, Spanish/Portuguese subsidized private ownership
	Market integration	„D": Social landlords enter the market (Netherlands, UK, Hungary)	„E": Typical private rentals, the owners are private individuals or institutional landlords	„F": Typical private ownership
	Reciprocative (family and friends)	„G": Sub-tenants move into social rental housing based on favor	„H": Favor-based rentals, special financial agreements	„I": Housing provided as a favor (e.g. between relatives)
	Exclusion, marginalization	"J": Homeless services	"K": Illegally occupied housing	"L" Sub-standard housing, slums

Table HU1. Analytical framework for the comparative study of housing regimes and illustrative international examples (housing sector matrix) Source: Hegedüs, 2018b, Hegedüs, 2020

The theoretical significance of these types is that they show that state integration mechanisms exist not only in the public rental sector, but also in owner-occupied and private rental sectors. Interventions typically take the form of subsidies or legal restrictions, which are identical to decommodification, but the distribution of benefits of state intervention depends on the structure of the specific programmes and the interactions between participants

2. The main question is how this approach can be adapted to modern theories, such as welfare regime theories, approaches examining commodification–decommodification (market dependence–independence), financialisation theories. According to our approach, progress can be achieved if we can understand the internal dynamics of individual cells and the movements between cells. However, this can only be reached through the analysis of specific housing solutions – e.g. housing programs with its interactions between individual and organisational actors.

The theoretical approach of the Rehousing project is based on the analysis of the relationship between decommodification (reducing market dependence), tenure structure and social inequality. Decommodification is the consequence of state intervention, that allows the housing of certain social groups of society (or for everybody) to be independent of certain market mechanisms within the housing system. Our analysis showed that decommodification does not necessarily strengthen the public rental sector (i.e. it can also be achieved through other forms of tenure), and decommodification does not necessarily reduce social inequalities.

Another important conclusion is that the processes taking place in the housing system are difficult to separate from socio-economic processes. Embeddedness means that processes within the housing system are not autonomous but are embedded in social, political, and institutional contexts. Housing policy programmes cannot be separated from other related economic, social or political aspirations. Indeed, as we have pointed out in this study, housing policy decisions are often subordinated to other social policy objectives.

3. The state housing policy programs (after 1980s) are fundamentally organised along two logics – they represent two different housing policy paradigms, that are summarised in the following table.

4. Our conclusion is that housing policy programmes (even if they are closely linked to other areas of public policy) need to be interpreted, with housing policy matrix and underlying policy paradigm.

	“Enabling markets” approach	“Regulating Market to make hausing for all
The challenge	State failures: overregulation, inefficient public solutions	Market failures: volatile housing market, vacant homes and homelessness
Economic and social structure	Stable social structure with a small fraction of low-income people	A fluid income structure with a broad middle class (precariat) in volatile position besides the very poor
Housing policy priorities	Housing is an economic good; policy must ensure efficient market, reduce regulations, separate social programmes from the market	Housing is a human right; policy must support regulations (housing finance, rent control, environmental framework) to integrate market and public solutions (PPP, etc.)
Weak/critical elements	Market failures: perverse incentives, weak institutional background (rule of law, etc.)	Regulations undermine markets; no viable financial/economic incentivization, conflicts between different income groups
Representative Institutions	World Bank, EU (partly), IMF	UN-Habitat, Housing Europe, EU (partly), Feantsa, OECD

Table HU2.Two defining housing policy paradigms Source: Hegedüs, 2023b

This approach affects two rows of the matrix in the first table. The function of state intervention can be construction of the market, correction of market failures, or coordination of market participants’ behaviour. This reflects the logic of the Enabling Market concept developed by the World Bank. In this sense, such interventions marketise (commodify) housing.

At the same time, state intervention can also aim to deactivate market relations and exempt social groups from the negative (or even positive) effects of the market through subsidies and regulations.

Consequently, in our approach, those housing policy programmes are in the centre that are related to those cells primarily in the first two rows of the matrix. These programmes describe the relationships and mechanisms that develop there and analyse the forces (processes) that determine the movements between the cells.

This approach is based on the principle of path dependence, since the cells are never “empty”: the programmes are always built on previous institutional solutions, also modifying, or reinterpreting them. Solutions that do not have some kind of historical predecessor are rare.

When analysing the cells of the third row, we emphasise the relations between social groups and the socio-economic embeddedness of individual life paths. In this case, the influence of state and market actors plays a secondary, subordinate role and the processes taking place here cannot be interpreted within the commodification–decommodification framework. Reciprocative solutions, such as kalákák, were especially widespread during Hungary’s socialist era, which can be explained by the lack of banks and free enterprises. However, with the emergence of a commodified housing model after the regime change, the significance of reciprocal processes diminished.

In the cells of the fourth row, the state already has a role, and the degree of decommodification can also be interpreted, although the processes are not only influenced by state intervention, but also by market and reciprocal mechanisms.

6.2 Utility price cap

Utility price cap were introduced by the government in 2013, covering residential electricity, natural gas and district heating, followed in 2014 by water and sewage services, residential waste management and chimney sweeping services.This meant a 10% reduction in service charges by decree. In some sectors, it introduced uniform prices (e.g. electricity and natural gas), but in other areas (such as district heating and water supply), price differences between individual service providers remained. (Between 2015 and 2021, prices remained virtually unchanged, while global energy prices fell.)

Utility price cuts played an important role and continue to play an important role in the government's political campaign, but they played at least as important a role in the centralisation of public services [and the exclusion of foreign service providers. Due to price freezes, services became loss-making, causing foreign owners to sell their interests and domestic service providers to rely on various state transfers. Budget expenditures are very difficult to estimate because they appear under several headings in the budget, such as price compensation, task financing, investment support and capital increases, and investment. Utitlity subsidies are a form of budget redistribution, largely financed by the state in an undeclared manner (Weiner & Szép, 2022). Between 2013 and 2021, the amount of subsidies is estimated at HUF 2,000 billion. In 2022, a new system was introduced for electricity and gas services. From 1 August 2022, a consumption cap was introduced for electricity and natural gas services, with consumption above this cap subject to market prices. As a result, not all households will receive utility subsidies up to the average consumption level. In the case of electricity consumption, the market price is twice the subsidised price and affects 25% of consumers (1.4 million households). In the case of natural gas, the market price is seven times the subsidised price and also affects 25% of consumers (9,000,000 households). In 2022, the Utility Protection Fund used HUF 1,400 million in subsidies, in 2023 HUF 3,630 million, and in 2024 approximately HUF 1,000 million. (Szép & Kashour, 2024) Analyses have shown that low-income households are more sensitive to energy price changes (high price elasticity), while the actual financial benefits were greater for higher-income households with higher consumption. Consequently, it was not the socially disadvantaged but the relatively better-off who benefited most from state support.

Utility price gap programs are embedded within broader political and institutional dynamics, including electoral strategies, processes of centralisation, and the exclusion of foreign service providers from the sector. While these measures are often justified as a means of reducing the cost burden on households, they also illustrate the complex consequences of decommodification, particularly its potential to reinforce social inequalities and undermine collective incentives for energy efficiency.

6.3 Family Home Support (CSOK)

"The CSOK housing support scheme[3], which was introduced in 2015 and ceased at the end of 2023, provided non-reimbursable support to families with children, and in addition offered a subsidised loan structure. A very strong motivating factor behind the scheme was to increase the number of children born, improve the fertility rate (which was 1.88 in 1991 and decreased to 1.44 by 2014)[4] and encourage housing construction and investment.

These two aspects dominated the internal structure of the scheme. Thus, if a family had more children, it received progressively more subsidies, and if it built a new dwelling, it received 4-5 times more than a family buying an existing dwelling.

The conditions of the subsidy changed over the years, removing income limits and restrictions on the size of the dwelling. The social targeting of the subsidy changed as well, as house prices rose rapidly, so that the subsidy increasingly favoured higher income families, while reduced the opportunities for middle-income groups, which meant a social risk. Families with arrears and applicants who could not prove a sufficient length of employment were excluded from this subsidy" (Hegedüs et al., 2025, pp. 210).

---

[3] 17/2016 (II. 10) Korm. Rendelet a használt lakás vásárlásához, bővítéséhez igényelhető családi otthonteremtési kedvezményről = Government Decree 17/2016 (II. 10) on the family housing allowance for the purchase or extension of a second-hand dwelling.

[4]See https://www.ksh.hu/stadat_files/nep/hu/nep0001.html.

Between 2016 and 2023, 251,000 families received CSOK subsidies, which was 22% of all transactions, with a total subsidy expenditure of HUF 609 billion, generating an additional HUF 1,342 billion in subsidised loans.[5] Thus, the CSOK scheme effectively contributed to the growth of outstanding loans but implied an increase in social risk by excluding significant groups from the housing support.

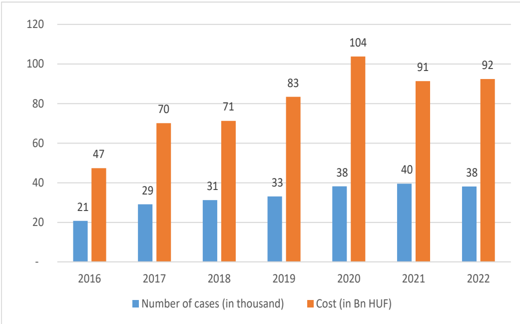

Figure HU2 Number and sum of CSOK subsidies

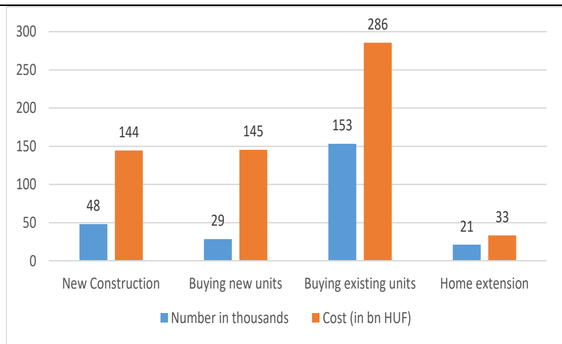

Figure HU3 The use of the CSOK subsidies (number and the sum of the grant)

Source: Lakáshitelezés 2023 (Housing Loans) [6]

6.4 VAT Reduction

The VAT reduction was introduced by the government in 2016 (amendment to Act CXXVII of 2007), under which builders of newly constructed residential buildings under 300 m² and newly constructed condominium units under 150 m² are eligible for a reduced tax refund of up to HUF 5 million instead of 27%. The measure was temporary in nature – it was planned to last until 2018 – and its aim was to boost housing construction, which was at an all-time low. The VAT reduction can typically be considered a form of support for the middle class, as it is primarily families in a better financial position who build or buy new homes. Furthermore, the fact that the reduction only lasted for a few years meant that developers and families brought forward their investments, which inevitably led to higher prices for materials and labour and capacity shortages. The subsidy can be claimed until 31 December 2023 for properties that had a building permit by 1 November 2018. This also means that prices for new homes will rise after that date.

[5] Financial Stability Report 2024 May (issued by HNB in 2024 May) 32, chart Available at:„https://www.mnb.hu/letoltes/financial-stability-report-may-2024-en.pdf„

[6] Housing loans of Household in 2023 (Online publication of the Central Statistical Office) Available at: https://www.ksh.hu/s/kiadvanyok/lakossagi-lakashitelezes-2023/index.html

The following factors should be taken into account when assessing the subsidy:

1. The VAT reduction did not reduce the prices of new homes because supply (primarily labour) was unable to respond flexibly to increased demand.

2. Among those who acquired a home between 2005 and 2015, the average household income of families benefiting from the VAT reduction was 20% higher, the value of their homes was on average twice as high, and those with higher education were nearly twice (1.87) as likely to benefit from the subsidy (i.e. build or buy a new home) as the sample as a whole (KSH, 2016).

3. According to the MNB Housing Market Report (2019)[, ‘After the reduction in VAT, the price of new homes fell by 9% compared to the price of used homes, meaning that 60% of the tax reduction did not benefit consumers.’

6.5 Childbirth Incentive Loan (CIL)

“A Childbirth Incentive Loan, not technically a home loan, can be used by families for anything, but surveys have shown that in 80 % of cases it is used to buy a home or replace existing loans. The childbirth incentive loan (CIL) has been made available to young couples since July 2019. The scheme was originally planned to be phased out by July 2022, but the deadline has been removed and it has become a long-term subsidised loan scheme.

A loan of HUF 10 million is made available to married couples, the debt for which is cancelled fully upon the birth of their third child. The wife has to be maximum 40 years of age, and at least one of the married parties has to have paid social security contribution (i.e. held a legal job) for at least 3 years, of which at least for 180 days in Hungary. Public employment is also accepted up to 1 year out of the necessary 3. At the beginning of 2024, the maximum loan amount was increased to HUF 11 million, but the maximum age of the wife at the time the loan is granted was reduced to 30 years.

The first child is expected to be born –or adopted– within five years; if this happens, the loan is interest free (except for a 0.5 percent ‘guarantee fee’), and repayment is halted for three years. Upon arrival of the second child, another three-year halt is granted; and the loan is written off entirely upon the birth or adoption of the third child. If the couple is divorced or does not have children, they must repay their debt within 120 days with interest; but exemption is granted if they provide a medical certificate of their inability to have children. Most of the families belong the category of ‘privileged costumers’ of the banks (that is, high income, educated costumers).

At the end of 2023, the amount of the outstanding CIL was HUF 2,061 billion[7] and more than 235,000 couple took out the loan[8]. In the first two years, the stock rapidly increased but its growth has slowed down since the beginning of 2022.

In assessing the impact of the scheme, there is already a significant risk of default if children are not born within the specified period. The group most at risk are families who took out the loan between 2019 and 2021, as in their case the birth of the first child is already due or will be due soon. In their case, the government has extended the deadline for the birth of the first child from 5 to 7 years. In addition, more than 1,000 families were already in arrears with their loan payments because of the high inflation period in 2022 and 2023[9] "(Hegedüs et al., 2025, pp. 211).

6.6 Village CSOK

"The 'Village CSOK'[10] scheme was introduced in 2019 and was scheduled to run until June 2022, but has since been extended. Around 85 percent, roughly 3,150 municipalities in Hungary are small rural communities, although only around a third of the country's population lives in these municipalities. The regulation allows for the inclusion of 2,486 small settlements in the Village CSOK scheme, specifically those with a declining population of less than 5,000.

The programme is specifically designed for the purchase and renovation, modernisation and extension of dwellings on remote farms, estates or small settlements, to encourage the preservation and modernisation of rural areas. However, with the abolition of the CSOK scheme, significant were made in the Village CSOK scheme: the amount of the subsidies was increased and the purpose of the use of the subsidy was expanded in 2024. Currently, a maximum amount of HUF 15 million (approximately EUR 37,500) grant subsidy is available for constructing new single houses or for purchasing and renovating existing dwellings where parents have or plan to have 3 or more children. The lowest amount (HUF 600,000, i.e. approximately EUR 1,500) is available for one child if only renovation of an existing dwelling is involved; differentiation is made according to the type of transaction and the number of dependent or planned children, and one of the married partners must be under 40 years of

[7] HNB, Trends in Lending, 2024 May, Chart 10. Available at: https://www.mnb.hu/en/publications/reports/trends-in-lending/trends-in-lending-may-2024

[8] Egyre több család bajban a babaváró hitelesek közül. (More and more families in trouble among baby loan borrowers). Article of Bankmonitor, 10.07.2024. Available at: https://bankmonitor.hu/mediatar/cikk/babavaro-hitel-hogyan-hat-a-most-bejelentett-valtozas-azokra-akik-felvettek/

[9] Ibid.

[10] 302/2023. (VII. 11) Korm. Rendelet a kistelepüléseken nyújtható otthonteremtési támogatásokról = 302/2023.(VII. 11) Government Decree on housing allowance grants in small settlements

age. Conditions also include the square meter footage, which depends on both the number of children and the intended purpose of the loan (purchase, building etc.). The claimant must have at least two years of social security entitlement and must not have a criminal record nor public debts.
As seen in Table 3, the rate of Village CSOK has drastically changed over the years. (Hegedüs et al., 2025, pp. 212)"

	Village CSOK (in bn HUF)	Home extension (in bn HUF)	Purchasing of used apartment (in bn HUF)	Purchasing of new apartment (in bn HUF)	Building of new apartment(in bn HUF)	Share of Village CSOK(%)
2016	0	23,2	10,6	31,9	65,7	
2017	0	25,1	23,2	38,2	86,5	
2018	0	27	25	31,5	83,5	
2019	22,2	20,5	27,4	32,3	102,4	22%
2020	61,5	20,7	18,6	20,5	121,3	51%
2021	57,6	27,1	20	22,1	126,8	45%
2022	49,9	20,3	21,6	20,5	112,3	44%
2023	27,1	15,5	8,8	7,9	59,3	46%
Total	218,3	179,4	155,2	204,9	757,8	29%

Table HU3 Composition of the total CSOK subsidies between 2016 and 2023
Source: Palkó, 2024[11]

6.7 CSOK PLUS

"A new subsidy has replaced the CSOK, named by CSOK Plus[12]. Young families have access to soft loans with a maximum interest rate of 3 %. Upon the birth of the second child (and for each subsequent child), HUF 10 million of the outstanding loan debt will be waived (so only children born during the term count). Families have to meet the following additional eligibility criteria: minimum 10 % down payment, it should be their first flat, and one of the members of the couple has to have two years social insurance contract. The maximum amount of subsidised credit depends on the number of children: The maximum amount is HUF 15 million for one child; the maximum amount for two children is HUF 30 million. For three or more

[11]Avalaible at: https://www.portfolio.hu/bank/20240626/bejelentest-tett-a-kormany-a-csok-pluszrol-es-a-falusi-csok-rol-694863

[12] Kormány rendelete a családok otthonteremtését támogató kedvezményes CSOK Plusz hitelprogramról 2023.11.23. Government decree on the CSOK Plus loan programme to support families in creating a home 2023.11.23

children, the maximum amount is HUF 50 million. The value of the property must not exceed HUF 150 million. In the case of couples' first home, the purchase price and construction costs must not exceed HUF 80 million. Families must promise to have another or a first child in order to benefit from this support. Only married couples can apply for this benefit. The other criteria, such as the age of the wife, the existence of social security and the exclusion of couples with criminal record and public debt are same as in the case of Village CSOK.

In the first five months of its existence, banks received 6,000 applications for the CSOK Plus, which was launched on 1 January 2024, for the amount of HUF 160 billion, with couples applying for a loan with an average amount of HUF 26 million. The preferential loan programme is therefore on track to meet the expectations of 12,000 contracts and over HUF 300 billion in applications for the whole year. As it is a loan, it must also comply with the bank's assessment rules" (Hegedüs et al., 2025, pp. 214).

6.8 Other New regulation of housing loan interest rate and small public rental programs

"On the 21th of October 2024, the Hungarian Government issued the New Economic Policy Action Plan (21 steps). Five of the 21 steps have an effect on the mortgage market. The most important is that the Ministry of National Economy asks banks to introduce a new voluntary APR cap. Under the plans, the total interest rate of a residential mortgage loan should not exceed 5%. The 5% APR ceiling is accompanied by an interest rate of around 4.7% (the remaining 0.3% is made up of other costs). [13] If the banks will accept that "suggestion" the available loan amount would increase by 14.8 percent. There is a debate among experts as to which of the banks will take the 5% maximum APR and how the vestiges of this will be compensated. It is likely to lead to a rise in house prices, depending on the consumer group for which preferential rates are made available. Furthermore, it is expected that the banks will marginalise lower income groups, for whom the risk of default is higher, and this will further reinforce the property subsidy effect of marginalising lower income groups. The government plans to allow employee benefits (the amount transferred to the employee's SZÉP card[14]) and amount accumulated in a self-managed pension fund to be used for housing" (Hegedüs et al., 2025, pp. 214).

[13] See https://bankmonitor.hu/mediatar/cikk/hogyan-hathat-az-ingatlanpiacra-az-5-os-onkentes-thm-plafon/

14 The SZÉP kártya (or SZÉP card) is similar to debit cards in appearance and in functioning. It is one of the forms of fringe benefits provided by employers. The amount on the SZÉP Card can be spent primarily for accommodation and related services in Hungary.

6.9 Green Loans

“Because of the importance to increase green modernisation of the housing stock, the HNB considers changing the rules on the green loans from early 2025. The proposal is to increase the LTV to 90 % and oblige banks to lower the interest rate of green loans by 0.5%. The justification is the following. A green lending turnaround is needed, as the housing stock is not in a good shape: its heating energy consumption is high and decreasing only very slowly, with the total energy consumption per dwelling being the 6th highest in the EU and 30% above the EU average. Lending can play a key role in the green turnaround, but green home loans are in their infancy in Hungary, with no price differentiation between green and non-green loans. Green loans are currently concentrated in the upper income brackets, attracting a more conscious clientele, but requiring more equity and a more strained income burden” (Hegedüs et al., 2025, pp. 215).

6.10 Stop the support for Housing Saving Banks

“The government paid a premium of 30 % of the money saved for housing purposes up to HUF 72,000 /year at the eligible financial institutions. The condominiums and housing cooperatives could also take part in the scheme. After four years' saving, the households (and condominiums/coops) were eligible for low interest rate loans.

The savings had to be used for housing purposes (but after eight years' savings it was not a requirement). One family was allowed to have more than one contract (spouse, children etc.). In 2018, the number of housing savings contracts was estimated at 1.3-1.5 million, while household surveys showed that only 6-7% of households have a housing savings fund contract. It was also estimated that most of the contracts belonged to the middle-class, while households belonging to lower and upper income groups were underrepresented in the LTP scheme. However, the government had abolished the state premium in 2018” (Hegedüs et al., 2025, pp. 215). The programme was discontinued not for housing policy reasons, but to improve the budgetary position (Hegedüs, 2018a).

7 Tables

	1935	1970	1980	1990	2001	2011	2021
Owner Occupied	75.0%	66.5%	71.5%	72.3%	90.0%	88.0%	86,8%
Municipal housing	2%	33.3%	28.3%	19.0%	3.7%	2.7%	4,4%
Corporate housing	2%	--	--	3.7%	1.0%	1.0%	-
Private rental and other	26%	0.3%	0.2%	5.0%	5.3%	8.3%	6,8%
Total	100%	100.0%	100.0%	100.0%	100.0%	100.0%	100%

Table HU4 Tenure structure (Source: Central Statistical Office)

	Real house price (1990= 100)	Average house price (million HUF) at 2022 price	Rents in municipal housing (HUF/month) for a unit 50 m2 (at 2022 HUF)	Market rents (50 m2 housing unit) HUF/month (at 2022 HUF)	Ratio of municip al rent to market rent	Rent to value ratio
1990 - 2000	57	11	11 619	107 207	11%	12%
2001-2008	75	17	13 908	72 961	19%	5%
2009-2015	58	15	20 748	61 342	34%	5%
2016 and after	101	23	23 143	109 049	23%	6%

Table HU5 Trend of house prices and rents in the different periods (Hegedüs et al., 2025)

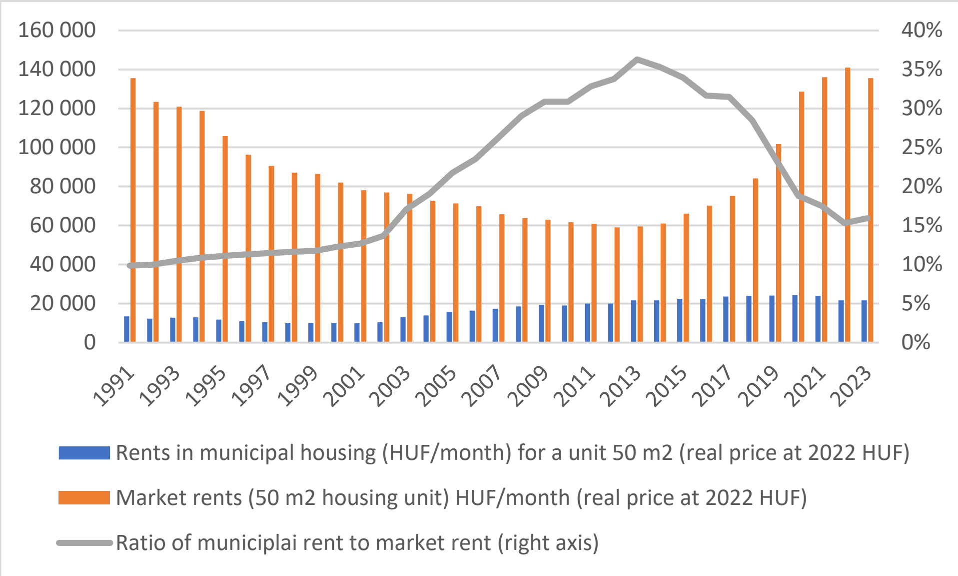

Figure HU4 Rents in the public sector and private sector (at 2022 price) and their ratio between 1991-2023 (Source: Hegedüs et al 2025)