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**Empty Spaces
to Homes**

Social housing and empty spaces landscapes in Hungary

Authors: Csaba Jelinek, Márton Czirfusz, Zsuzsanna Pósfai
Contributors: Lilla Jani-Dán, Klára Nagy
Periféria Policy and Research Center

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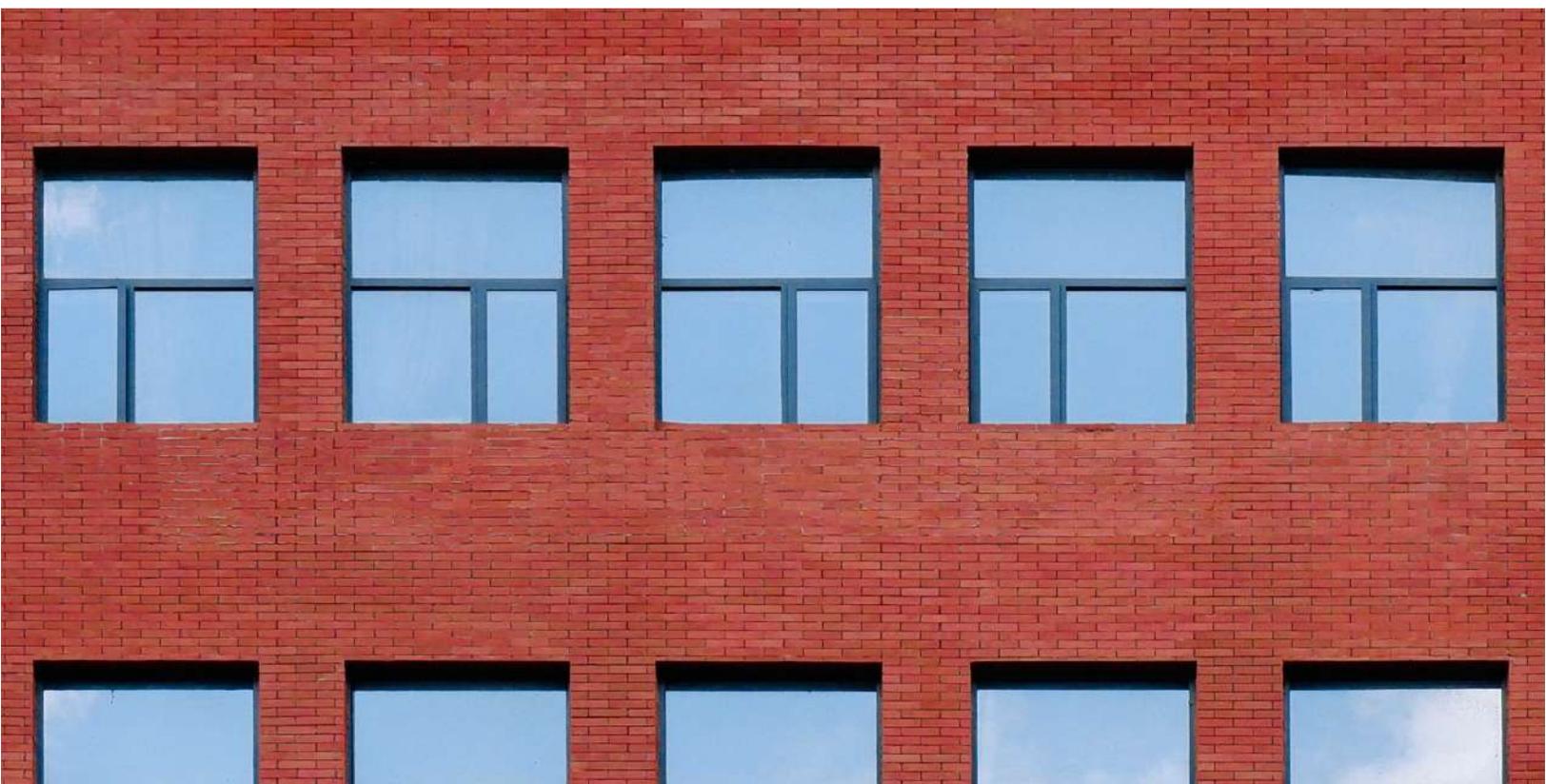


Table of contents

LIST OF FIGURES	4
LIST OF TABLES	5
EXECUTIVE SUMMARY	6
LIST OF ABBREVIATIONS	9
INTRODUCTION AND METHODOLOGY	10
1. HOUSING POLICY LANDSCAPE IN HUNGARY AND SOCIAL HOUSING	13
1.1. THE LEGAL FRAMEWORK OF HUNGARIAN HOUSING POLICY.....	13
1.2. THE MULTISCALAR GOVERNANCE OF HOUSING	15
1.3. HOUSING STRATEGIES OF THE CENTRAL GOVERNMENT	19
1.4. HOUSING POLICY LOGIC(S) SINCE 1990	20
1.5. MAIN HOUSING POLICY TOOLS SINCE 1990	22
2. FOCUSING ON THE SOCIAL HOUSING SECTOR	24
2.1. THE REGULATORY FRAMEWORK OF SOCIAL HOUSING PROVISION	24
2.2. MAIN TRENDS IN THE MUNICIPAL HOUSING SECTOR	26
2.3. ALTERNATIVES TO THE MUNICIPALITY-OWNED PUBLIC HOUSING SECTOR	27
2.4. GOOD PRACTICES IN THE SECTOR	29
3. HOUSING NEEDS AND THE DEMAND SIDE OF AFFORDABLE HOUSING	32
3.1. HOUSING, URBANIZATION AND SOCIAL STRATIFICATION	32
3.2. HOUSING STOCK IN HUNGARY	35
3.3. HOUSING POVERTY IN HUNGARY	37
3.4. TARGET GROUPS OF AFFORDABLE HOUSING	40
4. EMPTY SPACES LANDSCAPE	46
4.1. TYPOLOGY OF EMPTY SPACES	46
4.2. RESIDENTIAL EMPTY SPACES	48
4.3. NON-RESIDENTIAL EMPTY SPACES.....	53
4.4. BOTTLENECKS IN UTILIZING EMPTY SPACES	55
4.5. ENTRY POINTS AND THE POTENTIAL FOR UTILIZING EMPTY SPACES.....	57

4.6. PRE-EXISTING EXAMPLES AND LESSONS LEARNED	60
5. HOUSING FINANCE LANDSCAPE.....	66
5.1. INVENTORY OF HOUSING FINANCE SCHEMES	66
5.2. BOTTLENECKS AND POTENTIAL MEANS OF OVERCOMING THEM.....	71
6. KEY HOUSING ACTORS – FIELD ANALYSIS.....	74
6.1. PUBLIC STAKEHOLDERS	74
6.1.1. CENTRAL GOVERNMENT	74
6.1.2. HUNGARIAN NATIONAL ASSET MANAGER INC. AND OTHER PUBLIC COMPANIES	75
6.1.3. HUNGARIAN DEVELOPMENT BANK.....	76
6.1.4. HUNGARIAN CENTRAL BANK.....	77
6.1.5. MUNICIPALITIES	78
6.1.6. EU-LEVEL INSTITUTIONS	79
6.2. FINANCIAL ACTORS (NON-GOVERNMENTAL)	80
6.2.1. COMMERCIAL BANKS.....	80
6.2.2. IMPACT INVESTORS	80
6.3. HOUSING PROVIDERS AND INTERMEDIARY ORGANIZATIONS.....	81
6.4. REAL ESTATE DEVELOPERS AND CONSTRUCTION COMPANIES	82
6.5. NATURAL PERSONS AS OWNERS OF UNOCCUPIED DWELLINGS	83
7. CONCLUSIONS AND RECOMMENDATIONS	84

List of figures

Figure 1 – Housing policy logic in Hungary since 1990.....	21
Figure 2 – General government expenditure on housing in Hungary (1995-2024, as % of GDP).....	21
Figure 3 – Main housing policy tools in Hungary since 1990 (people reached and money spent).....	23
Figure 4 – The ten largest functional urban areas in Hungary	33
Figure 5 – Population change in Hungarian municipalities between 2011 and 2022 (%).....	34
Figure 6 – Newly constructed dwellings in Hungary (thousand units). Note: excluding holiday homes since 1981	36
Figure 7 – Distribution of housing stock in Hungary by building type (% , 2015)	36
Figure 8 – Share of rental in housing tenure by settlement type (% , 2022)	39
Figure 9 – Housing-workplace mismatch in Hungarian municipalities (2022).....	44
Figure 10 – Share of unoccupied dwellings in the housing stock (% , 2022).....	50
Figure 11 – Proportion of unoccupied dwellings in old and new buildings (2022).....	52
Figure 12 – Ownership structure of the Budapest brownfields.....	59

List of tables

Table 1 – List of interview partners	11
Table 2 – Housing duties associated with the three scales of government in Hungary.....	17
Table 3 – The ten largest functional urban areas in Hungary (2023).....	32
Table 4 – Municipalities with at least 3,000 housing units needed for commuting workers (2022)	44
Table 5 – Typology of empty spaces	46
Table 6 – Number of unoccupied dwellings	49
Table 7 – Proportion of unoccupied dwellings according to different comfort categories	51
Table 8 – Inventory of existing funding schemes.....	66
Table 9 – Potential pilot project scenarios	88

Executive Summary

- Hungary has a population of 9.6m people (7.5% decrease since 1990) and a total stock of 4.58m dwellings (19% increase since 1990), according to the most recent census from 2022. The population is projected to decrease further to 8.5m people by 2050.
- The country is a super homeownership regime with 90.2% of households being owners of their dwellings. At the same time, the proportion of tenants rapidly increased in the recent decade in Budapest.
- The housing crisis in Hungary is not caused by quantity but rather by quality and affordability issues.
- The empty spaces approach does not organically fit into pre-existing Hungarian housing policy tools, but this is partly because since 1990, no government has had comprehensive housing strategy documents.
- The room for maneuver of local governments – currently the most important actors in delivering social housing in Hungary – has been seriously narrowed down since the 2008-2009 global financial crisis, which is a serious limitation for any bottom-up reform of the social housing landscape. Currently there are only ca. 100.000 municipality-owned dwellings, and the sector is continuously shrinking.
- There are two especially important “good practices” in the municipal housing sector: energy-efficiency renovations of vacant, municipally owned dwellings and the social housing agency model. Both may inform future empty spaces interventions in the country.
- Beyond the municipal housing sector, the operation of the MR Fund (with ca. 6.000 properties) is an interesting and rare example of setting up new public institutions in the field of social housing provision, but unfortunately, there is very little transparency about their longer-term strategy.
- Energy demand in the housing sector is high. To achieve the 2050 decarbonization goals, the deep renovation of 130,000 dwellings per year would be needed.
- Housing poverty affects some 2-3 million people in Hungary. 8.7% of the population is overburdened with housing costs, which is a smaller share than the EU average of the same year (8.8%). However, tenants renting at market prices are highly affected, of whom 42.5% are overburdened. Owners with mortgages are also overburdened at above-average rates at 14.7%
- We carried out two demand estimations for affordable housing with various tools:
 - Our workplace-housing mismatch calculation shows that there is need for 108,000 housing units in municipalities where more people are working than living.

- Our survey results proved that a so-called narrow demand group in Budapest for affordable housing is 21% of the adult population of the city, 290,000 persons. These people belong to the fourth or higher income decile (i.e., they have a higher income than the target groups for social rent) and would be open to moving into an affordable rental housing sector if this existed.
- The most up-to-date statistics about unoccupied dwellings are provided by the 2022 census. In 2022, 12.49% of the total housing stock was vacant, which means that more than 570,000 dwellings were statistically unoccupied. However, some of these dwellings have suboptimal location or inadequate technical qualities.
- There are several non-residential empty spaces in the country, but there is no comprehensive database of these. Typically, empty offices and institutions can be the best fit for future empty spaces programs.
- The most important bottlenecks for empty spaces projects to be rolled out organically:
 - The location of empty spaces
 - Technical/architectural qualities of empty spaces
 - Lack of incentives due to the tax regime
 - Lack of national housing and renovation strategies
 - Hindering regulations connected to the building code, including strict regulations on the number of new parking spaces required
 - Lack of available financial tools (mainly: long-term and affordable loan-based financing for affordable reconversions)
- We identified three potential entry points for future empty spaces projects in the current regulatory environment:
 - Current brownfield zoning and regulation could be made more enabling with a few modifications
 - With the tools of “zoning and development contracts” local municipalities can facilitate local empty spaces projects
 - The current protocol of fast-tracking priority investments could be used for empty spaces projects in the future
- We highlighted three pre-existing examples that are similar to the empty spaces approach. Their learnings are invaluable assets for designing future projects and scaling them up:
 - Municipalities partnering with NGOs to renovate their housing stock
 - Municipalities renovating their properties from EU funds
 - Social housing agencies

- After a thorough stakeholder analysis, we conclude the report with four potential pilot scenarios:
 - Catalyze and support municipal empty spaces projects financed through new financial products
 - Foster civil-municipal collaborations in converting vacant dwellings into affordable homes
 - Scale up and expand the field of social rental agencies
 - Foster civil-private collaborations for converting privately owned non-residential buildings into mixed-use properties, including affordable homes

List of abbreviations

ACRED – Alliance for Collaborative Real Estate Development (*Szövetség a Közösségi Ingatlanfejlesztésért – SZAKI*)
CEB – Council of Europe Bank
COFOG – Classification of the Functions of Government
CSR – Corporate social responsibility
EC – European Commission
EIB – European Investment Bank
ESG – Environmental, social, and governance framework
EU – European Union
FSHA – From Streets to Homes Association (*Utcáról lakásba! Egyesület – ULE*)
GDP – Gross Domestic Product
HCSO – Hungarian Central Statistical Office (*Központi Statisztikai Hivatal, KSH*)
HNAM – Hungarian National Asset Manager Inc. (*Magyar Nemzeti Vagyonkezelő, MNV*)
IFK – Real Estate Developer Roundtable (*Ingatlanfejlesztői Kerekasztal Egyesület*)
MÁV – Hungarian State Railways (*Magyar Államvasutak*)
MFB – Hungarian Development Bank (*Magyar Fejlesztési Bank*)
MNB – Hungarian Central Bank (*Magyar Nemzeti Bank*)
NGO – Non-governmental organization
TLE – Association for Homebuilding and Home-renovation (*Társaság a Lakásépítésért és Lakásfelújításért Egyesület*)
UNHCR – Office of the High Commissioner for Refugees, the UN Refugee Agency
VAT – value-added tax

Introduction and methodology

This study was commissioned by Habitat for Humanity International (HfHI) in October 2024 and implemented by Periféria Policy and Research Center, as set out in the Professional Services Agreement between the two parties. The study was prepared between November 2024 and January 2025 by a research team at Periféria Center in the framework of HfHI's ESTHer project. The main goal was to provide an analysis of both the social housing and the empty spaces landscape of Hungary. The main logic of the study is based on the Terms of Reference provided by HfHI.

The study is strongly influenced by the overarching idea of the ESTHer project, the cornerstone of which is the so-called “empty spaces approach.” By this, we mean the idea that if empty spaces (both residential and non-residential ones) can be turned into affordable homes on a large scale, then various social problems (such as the housing and environmental crisis) may be tackled at once. Throughout the study, for the sake of simplicity, we will refer to this idea as “the empty spaces approach.”

The topic of empty spaces is often discussed in the media in Hungary, and based on our previous fieldwork experience, it is a commonly held opinion in society that the problem of having unused spaces and vacant dwellings is widespread. In spite of this, no comprehensive studies have scrutinized the issue in a holistic manner so far. With this study, we attempt to provide a holistic and synthetic perspective. This means that we analyze the legal, social, technical/architectural, political, urbanistic, and economic aspects of why certain spaces are empty and under which circumstances the latter could be utilized as affordable homes. Given the space limitations and the complexity of the issue, our analysis cannot be entirely comprehensive. However, we have extensively cited various sources in the footnotes, so certain aspects can be explored in more depth.

The study was completed using a mixed-methods approach, building both on qualitative and quantitative data. During November and December 2024, the research team conducted nine semi-structured interviews. Each interview was between 30 minutes and 90 minutes in length. Our interview partners were selected with the ambition of covering the most important types of stakeholders. As a result of this selection procedure, we interviewed employees/representatives of four different real estate developers, two financial institutions, two NGOs, a construction company, a public research institution, and a municipality (some interview partners represented more than one type of stakeholder). Most of our interview partners requested to remain anonymous, while two of them agreed to be mentioned by name. In [Table 1](#), we have compiled a list of these interview partners. During the interviews, we followed an interview guide, which contained questions both about empty spaces in Hungary in general and the specific perspectives and experiences of the interview partners.

Table 1 – List of interview partners

Name of interview partner	Affiliation	Type of institution
Anonymous	Real estate developer	Real estate developer
Anonymous	Real estate developer	Real estate developer
Anonymous	Real estate developer	Real estate developer
Anonymous	Construction company	Construction company
Anonymous	Public research institution	Public research institution
Anonymous	Commercial bank	Financial institution
Anonymous	Real estate holding	Real estate developer + Financial institution
Vera Kovács	From Streets to Home Association	NGO + Municipality
Zsolt Szegfalvi	Habitat for Humanity Hungary	NGO

Besides the interviews, we relied on various secondary sources. First, we did extensive desk research, through which we collected and analyzed the most important legal regulations, policy documents, and scholarly articles. Second, we also implemented a secondary analysis of the following pre-existing statistical databases:

- The public database of the most recent census (conducted in 2022).
- A database on governmental spending on housing between 1990-2023, which was compiled and has been updated regularly by one of the authors of this study using the annual Acts on governmental budgets.
- A database compiled by the Hungarian Central Statistical Office on the management of the municipal housing stock between 2016 and 2023.
- A survey database on the demand side of affordable housing in Budapest created by Periféria Center in 2022.

For more recent developments, we used media articles and reports and relied on our own practical experience gathered through our active involvement in the operation of the Budapest-based Alliance for Collaborative Real Estate Development and the regional MOBA Housing SCE. As some of the authors are also engaged in various practical and advocacy projects in the field of affordable housing, we put special emphasis on utilizing the advantages of such a vantage point and avoiding the possibility of biased conclusions. For the sake of transparency, at certain points in the text, we have highlighted this specific perspective.

The structure of the study is as follows. In Chapter 1, we introduce the main cornerstones of the housing policy landscape in Hungary. We briefly explain the most important legal regulations, analyze the basic governance structures, and review the most important housing policy tools from the last three decades. In Chapter 2, we focus on the public and social housing system of Hungary: we highlight the crucial role of local municipalities, we describe the most important non-municipal forms of social housing provision, and we quickly summarize the most important forms of existing good practices. In Chapter 3, we explore the demand side of affordable housing provision, listing some of the most vulnerable groups but also underlining the fact that demand goes well beyond the most marginalized groups in society. In Chapter 4, we show the different types of empty spaces (both residential and non-residential) and analyze the potential pros and cons of turning them into affordable housing. We summarize the most important bottlenecks that currently hinder the empty spaces approach in Hungary from being rolled out, but we also demonstrate that there are potential entry points – both in the form of pre-existing practices and specific regulatory frameworks – that could be used in the future for mainstreaming the approach. In Chapter 5, we zoom in on the domain of housing finance as one of the crucial bottlenecks that prevents the affordable housing sector from being expanded. Finally, in Chapter 6, we provide a stakeholder analysis, where we not only show the current roles of different actors but describe their potential functions according to more ideal future scenarios. The study finishes with a conclusion, which briefly points towards potential future steps for integrating the empty spaces approach into the housing landscape of Hungary.

1. Housing policy landscape in Hungary and social housing

1.1. The legal framework of Hungarian housing policy

This section summarizes the legal framework of the Hungarian housing policy. The focus of this section is how the legal framework and the governance of housing enable and limit certain segments of the empty spaces landscape from emerging.

The Fundamental Law of Hungary is the country's constitution, adopted in 2011. Article XXII summarizes the housing-related functions of the state:

“(1) The State shall provide legal protection for homes. Hungary shall strive to ensure decent housing conditions and access to public services for everyone.

(2) The State and local governments shall also contribute to creating decent housing conditions and to protecting the use of public space for public purposes by striving to ensure accommodation for all persons without a dwelling.

(3) Using a public space as a habitual dwelling shall be prohibited.”¹

In relation to this political credo, the following aspects are important from the perspective of empty spaces:

- The state underlines the **protection of private property**, which also limits how the state can intervene in the usage of privately owned housing, including empty spaces in private ownership.
- The state **does not acknowledge a fundamental right to housing**. The state will not ensure decent housing conditions; it will only strive to achieve this.
- There is a **division of labor between the central state and municipalities** in housing policies.
- The third section **criminalizes homelessness** without taking the responsibility to solve this problem.

In terms of **public ownership of land, buildings and housing**, the main legislation is Act CVI of 2007 on state assets (*2007. évi CVI. törvény az állami vagyonról*) and Act CXCVI of 2011 on national assets (*2011. évi CXCVI. törvény a nemzeti vagyonról*).² The two pieces of legislation define the fundamental aspects of how the central state and municipalities govern public ownership. Management of state assets by non-state entities and the privatization of state

¹ [The Fundamental Law of Hungary](#)

² [2007. évi CVI. törvény az állami vagyonról](#); [2011. évi CXCVI. törvény a nemzeti vagyonról](#)

assets are also governed by these acts. The following aspects are important from the perspective of empty spaces:

- As in many other countries, this legislation defines a **contradictory role for the state that involves the provision of public services and the function of supporting the public good vis-à-vis the economic management of public ownership in terms of maintaining the financial value of public assets.**
- **Publicly owned housing is marketable by definition** and cannot be excluded from privatization. This is a limitation regarding removing housing from rent-extraction processes.
- **Housing is largely excluded from this legislation**, and the management of housing in public ownership is relegated to other legislation.
- Hungarian National Asset Management Inc. (*Magyar Nemzeti Vagyonkezelő Zrt.*), a 100% state-owned company, exercises the **ownership rights of real estate for assets owned by the central state**, including housing units owned by the central state.

The so-called “**Housing Act**” of 1993 (*1993. évi LXXVIII. törvény a lakások és helyiségek bérletére, valamint az elidegenítésükre vonatkozó egyes szabályokról*)³ is a multi-purpose piece of legislation on the privatization of publicly-owned housing as well as framework legislation for rental housing (both in public and private ownership) and non-housing rented real estate. From the perspective of empty spaces, the following issues are relevant and may be mentioned:

- In terms of the **private rental market, the legislation does not adequately secure the rights of owners and tenants.** This somewhat limits privately owned empty housing units from entering the long-term rental housing sector. Legislative reform is needed according to housing organizations, for which conceptual guidelines were outlined by Habitat for Humanity Hungary a few years ago.⁴
- The Act **regulates the rental use of both public and private housing. However**, the two sectors have different aims in the housing market: publicly owned housing should be more focused on people in housing poverty, whereas the private sector covers a wider target group. Because of the lack of a widespread institutional private rental sector in Hungary, private rental housing is largely rented out by natural persons.
- **Nonprofit forms of rental housing**, such as rental housing agencies and rental housing cooperatives, are almost non-existent in Hungary, besides some marginal actors.⁵

³ [1993. évi LXXVIII. törvény a lakások és helyiségek bérletére, valamint az elidegenítésükre vonatkozó egyes szabályokról](#)

⁴ For the situation analysis and the proposals, see the [thematic website of Habitat for Humanity Hungary](#) (in Hungarian).

⁵ The largest stock of this kind is owned by the nonprofit charitable organization [MR Community Housing Fund](#), with approximately 6,000 rental housing scattered across Hungary. Also notable are the nonprofit rental housing agencies run by municipalities, as well as small-scale housing programs of NGOs, such as the [From Streets to Homes Association](#). See Chapter 4 for details.

Upscaling pilot projects in this sector could be one of the central aspects of the success of the empty spaces approach.

Condominiums are the main legal forms of multi-family houses in private ownership. Their operation is regulated by Act CXXXIII of 2003, “Act of Condominiums” (*2003. évi CXXXIII. törvény a társasházakról*).⁶ Condominiums are legal entities considered a special form of collective property. Housing cooperatives, as legal forms, are very similar to condominiums in terms of their operation and ownership; they are regulated by Act CXV of 2004 on housing cooperatives (*2004. évi CXV. törvény a lakásszövetkezetekről*).⁷ There are about 40,000 condominiums and 1,300 housing cooperatives in Hungary.⁸ It is important from the perspective of the empty spaces approach that condominiums are often poorly managed, and decision-making is troublesome because of scattered ownership structures.

The **duties of local governments in housing policy** are regulated by Act CLXXXIX of 2011 on local governments (*2011. évi CLXXXIX. törvény Magyarország helyi önkormányzatairól*).⁹ Municipal housing, solving local housing problems, local taxation, zoning, and maintaining institutions for social assistance are the key policy fields related to housing. Municipalities undertake these tasks partially using resources from the central state budget and partially their own resources. Local governments act autonomously in deciding on various local housing-related questions; they govern by local decrees and acts. This leads to large inequalities among the 3,178 municipalities across Hungary.¹⁰ The roles of municipal social assistance – for example, the provision of temporary and permanent institutional accommodation for vulnerable social groups (people experiencing homelessness, those with psychiatric issues, those affected by addiction, women fleeing domestic abuse, etc.) – are regulated by Act III of 1993 on social assistance (*1993. évi III. törvény a szociális igazgatásról és szociális ellátásokról*), as well as Act XXXI of 1997 on child protection (*1997. évi XXXI. törvény a gyermekek védelméről és a gyámügyi igazgatásról*).¹¹ All in all, given the current legal framework outlined above, besides the potential regulatory role of the central state, **municipalities could be key actors in mobilizing empty spaces and promoting affordable housing because of their wide range of competencies.**

1.2. The multiscalar governance of housing

Hungary is a unitary state with a two-tier local governmental system. The national scale has the most competencies in policymaking and legislation and is the main executive level of

⁶ [2003. évi CXXXIII. törvény a társasházakról](#)

⁷ [2004. évi CXV. törvény a lakásszövetkezetekről](#)

⁸ Paulson, J. (2016) [Comparative law II. Legal regulation of the condominium management and the economy - the Hungarian and the Swedish legal practice](#). *Jegyző és Közigazgatás*, 18 (3).

⁹ [2011. évi CLXXXIX. törvény Magyarország helyi önkormányzatairól](#)

¹⁰ For details, see Chapter 4 of Czirfusz, M. (2019) [Annual Report on Housing Poverty 2019 - Executive Summary](#). Budapest: Habitat for Humanity Hungary.

¹¹ [1993. évi III. törvény a szociális igazgatásról és szociális ellátásokról](#), [1997. évi XXXI. törvény a gyermekek védelméről és a gyámügyi igazgatásról](#)

state policies. Some public administration tasks are undertaken by government offices, which are deconcentrated bodies. County-level governments (Hungary consists of 19 counties) are weak. The municipal level is fragmented, with 3,178 local governments with a large scope of local policy tasks. [Table 2](#) summarizes the main duties associated with the different levels of government.

Budapest has a specific local governmental structure with a two-tier system. The Municipality of Budapest, as well as the 23 district municipalities, are not subordinated to one another. Both tiers have directly elected mayors and councils. The Act on Local Government defines which policies are implemented at the Budapest level (caring for people experiencing homelessness is the main housing-related duty at this level) and which policies are at the level of the district municipalities (most policies related to housing).

Concerning government expenditure in 2023, the central government accounted for 87% of expenditure, and local governments for only 13%.¹² Therefore, among the different scales of governance, **the national scale is the most important in shaping housing policies.** The central government defines the main priorities of housing policies and manages most housing policy measures. The Hungarian Parliament has an important role in adopting the budget bills proposed by the Government.

The public policy domain of Housing has been divided between several ministries of the central government since 1990. This division of responsibilities hampers the overall planning and implementation of housing policies. In 2024 the Ministry of National Economy is responsible for housing policy at a strategic level, the Ministry of Finance implements housing policy measures and is responsible for housing finance, while the Ministry of Culture and Innovation intervenes in housing policies due to its responsibilities in family policy. **The issue of housing is not even associated with a sole responsible person at the deputy state secretary level.** Given the “splintered” nature of housing policymaking, advocating for better policies is challenging.

The central state does not own a significant amount of housing stock: there are approximately 2,000 dwellings under central state ownership.¹³

¹² HCSO (2024) [21.1.1.17. Main aggregates of General Government.](#)

¹³ [National Inventory data](#) of 2022.

Table 2 – Housing duties associated with the three scales of government in Hungary

Thematic fields	Central government	Counties	Municipalities
Housing stock	Responsible for framework regulation; Owner of 2,000 dwellings	Not relevant	Local regulation; Owner of ca. 102,000 dwellings
Zoning	Responsible for national frameworks; Provides exemptions for “priority investments”	Coordination; County-level plans	Local planning
Social assistance	Provides framework regulation; Financing certain social institutions	None	Local regulation; Municipal social benefit and other allowances; Institutional, residential care; Local, voluntary housing initiatives
Taxation	Provides framework regulation (but no national housing-specific taxes)	None	Local taxes related to housing: land tax, building tax, tourism tax (restricted freedom in issuing these)
Housing finance	Main housing finance instruments (preferential housing loans, non-refundable subsidies, etc.) → main source	None	Loans and subsidies for renovation for local people (voluntary task) → Typically only small amount of support
Private rental	Provides framework regulation	None	Regulating short-term rental

County-level local governments have directly elected councils. They have some responsibilities in coordinating and outlining planning and zoning regulations in their jurisdiction. **County-level zoning regulations have relatively little impact on how empty spaces can be utilized in affordable housing provision.**

Municipalities are relatively strong actors in shaping the local housing situation because of the diverse roles related to housing.

- **Municipalities own around 102,000 flats.** This is only about 2.2% of the total housing stock, but the latter are still important actors in local housing markets as owners of housing (and other public buildings). As there is a significant amount of poor-quality, uninhabited municipal housing stock, this can be mobilized for affordable housing using the empty spaces approach. Local governments do not receive financing for publicly owned housing stock from the central government budget. On the details of the social housing stock, see Chapter 2 in this report.
- **Municipalities have local planning duties and zoning competencies.** Thereby, they can specify where areas designated for housing are located, as well as the main characteristics of what may be built on the plots (such as building height, density, and streetscape). Zoning regulations can limit unused land and unused buildings to qualify for affordable housing development and might open up areas for development. Large-scale developments selected by the central government may be made exempt from

aligning with local zoning regulations (“priority investments” involving a fast-tracking procedure that sidesteps the need to engage in public consultations and regulations).¹⁴

- **Municipalities have local social-assistance-related duties.** The “municipal social benefit,” a non-compulsory local allowance, is a relatively widespread measure that is intended to alleviate affordability issues for low-income households. The lack of financing from the central government means, however, that lower-income municipalities are not able to provide a significant allowance to a large share of local households. Local municipalities or their alliances operate most residential, institutional housing for vulnerable groups. **The integration of local social policies with the empty spaces pilot projects might be crucial to creating the best local solutions to affordability issues.**
- **Local taxes** include land and building tax. Owners of land and buildings may be subject to this tax. Tax rates are defined by municipalities but capped by national-level legislation, and the room for maneuvering is tight. Providing exemptions is also limited by the national framework legislation. Most municipalities use square-meter-based calculations, whereby the maximum tax is a few euros per square meter per year. Exemptions are widespread and usually include natural persons owning dwellings.¹⁵ **Land and building tax regulations in their current form do not incentivize the development and use of unused buildings or plots for housing purposes.**
- Municipalities may offer **local subsidies for housing finance.** These might include non-refundable subsidies or preferential loans for condominiums for renovation purposes; non-refundable homeownership subsidies for selected social groups (such as young couples); rent-to-buy schemes; cheaper public land for housing development; or debt management allowances for people experiencing housing poverty. As framework legislation on the national scale is lacking, there is a huge variety in what municipalities provide in the housing finance segment.
- **Hungarian municipalities have relatively few options to regulate the private rental market.** Municipal governments cannot regulate rental prices. Short-term rentals can be limited by municipalities, but only through the definition of how many days per year a property can be rented out for touristic purposes as a short-term rental.

The relative independence of municipalities also means that there is a huge variety of local housing policies. Some municipalities have introduced relatively progressive, well-integrated housing policy toolkits to tackle housing poverty in recent years, and others have not.¹⁶ Local governments also lack the financial resources to systematically intervene in local housing markets.

¹⁴ For details, see Lukács, A. (2021) [Growing protests against priority investments in Hungary](#). Prague: Heinrich-Böll-Stiftung.

¹⁵ See PwC’s [Worldwide Tax Summaries - Hungary - Corporate - Other taxes](#) for more details.

¹⁶ For a recent overview, see Kőszeghy, L. (2024) [Local government and housing – extract from the chapter](#). In: Lukács, Gy. (ed.) Annual report on housing poverty in Hungary 2024. Budapest: Habitat for Humanity Hungary, 25-29.

1.3. Housing strategies of the central government

Since 1990, **no government has had comprehensive housing strategy documents.** Attempts by different governments to adopt and comply with a strategic document for housing policy at the national scale have been unsuccessful. Draft documents or policy outlines have been prepared several times, such as in 1999, 2003, and 2011, but all failed to be approved by the cabinet, mainly due to the financial constraints associated with the budget. In several instances in the past 15 years, the government has communicated about a “housing program,” which was, in reality, an unrelated set of policy instruments without impact assessment and monitoring. The lack of a housing strategy is due to two interrelated factors: one is the lack of strong representation of the housing issue in the ministerial structure, and the other is that the government can more flexibly react to short-term challenges without a binding long-term strategy.¹⁷

On the one hand, **the lack of an overarching housing strategy at the national level limits opportunity structures for upscaling progressive pilot interventions in housing and prohibits programs with longer life cycles.** On the other hand, **the lack of an overarching housing strategy increases the value of out-of-the-box thinking, with pilot projects highlighting niche opportunities for housing provision.**

Two developments in 2024 might open up new opportunities for enhancing the uptake of the empty spaces approach in affordable housing provision:

- One development is taking place at the EU level: with a dedicated commissioner for energy and housing, and the plans of the new EU Commission to **release the first-ever European affordable housing plan**,¹⁸ more strategic thinking in the Hungarian government, policy transfer across Member States, and new financing mechanisms for affordable housing may occur.
- The Hungarian government started an intensive communication campaign on affordable housing in Autumn 2024. This is a significant narrative shift, as the government formerly denied the existence of a housing crisis in Hungary. **The government has introduced a “new economic action plan” that includes ten housing policy instruments for affordable housing** to invigorate economic growth in 2025-2026. These instruments do not seem to change the housing policy environment systematically but will channel considerable financing into housing development in the coming years.¹⁹ Most funds will likely flow into non-affordable homeownership, but niche opportunities for affordable housing development by non-profit actors might also open up.

¹⁷ For more details on the lack of housing strategy, see: Czirfusz, M., Jelinek, Cs. (2022) [Housing policies and housing affordability in Hungary after 1990](#). In: Vankó, L. (ed.) *Annual report on housing poverty in Hungary 2021*. Budapest: Habitat for Humanity Hungary, 79-132.

¹⁸ von der Leyen, U. (2024) [Europe's choice. Political guidelines for the next European Commission 2024-2029](#). Strasbourg.

¹⁹ The bias towards boosting the construction industry and housing finance is evident from the news; see, for example, the government's English-language news website: About Hungary (2024) [National Economy Minister discusses government measures to ensure affordable housing](#).

The lack of a housing policy document also means that housing policy instruments are not stable. The **policy emphasis of housing finance on subsidizing homeownership** has been constant for the past 50 years, but the detailed regulations related to the individual instruments change relatively often – especially compared to the fact that households need to make long-term decisions about homeownership and housing in general, which necessitates the stability of such instruments. Means-tested policy instruments are scarce. **Housing policy that goes beyond home ownership is rarely present in the policy toolkit of the government – therefore, the results of the empty spaces approach might be more transformative in Hungary in terms of policy thinking than in many other European countries.**

1.4. Housing policy logic(s) since 1990

The Government's housing policy has been influenced by four institutional logics since 1990 (Figure 1).²⁰

- **Housing as a financial issue.** From this perspective, the crucial question is housing finance, particularly financial instruments that subsidize homeownership. This institutional logic was dominant between 1994 and 2002 and has been a primary institutional logic since 2012.
- **Housing as a construction industry issue.** This approach focuses on buildings and not people. The main issue is to ensure the construction and renovation of buildings. This logic was dominant between 2002 and 2006. Between 2010 and 2012, the focus on energy-efficient renovation was relatively strong, but this aspect has faded since then. New measures introduced in late 2024 have a strong focus on boosting the construction industry.
- **Housing as a social policy issue.** According to this logic, the Government is responsible for developing housing policy instruments that support people experiencing housing poverty. A subset of this group, the **family policy focus**, combines the demographic goal of raising the number of children with housing policy aims, particularly helping families to attain homeownership with housing finance tools (subsidized loans and cash allowances). This was a prominent logic underlying housing policy between 2015 and 2022. The current form favors affluent families – underemployed households with children cannot access the family-policy-related subsidies.
- **Housing as a local government issue.** Housing as a local government issue was the dominant institutional logic between 1990 and 1998, during the times of mass-scale privatization. Housing policy was the responsibility of the ministry overseeing local governments between 2006 and 2010.

²⁰ This part is a modified version of Czirfusz, M., Jelinek, Cs. (2022) [Housing policies and housing affordability in Hungary after 1990](#). In: Vankó, L. (ed.) *Annual report on housing poverty in Hungary 2021*. Budapest: Habitat for Humanity Hungary, 79-132.

1.5. Main housing policy tools since 1990

Figure 3 summarizes the main housing policy tools since 1990. In the following we briefly summarize these main tools:

- **The privatization of publicly owned dwellings** was a wide-reaching policy tool. During the privatization process, tenants could buy publicly owned property at discounted prices. These discounts are termed “national gifts” in the literature. Privatization peaked in the 1990s (more than 500,000 dwellings were privatized in this decade), but the process is still ongoing on a reduced scale.
- There was a **state-subsidized expansion program** of municipal public housing in the early 2000s, resulting in almost 20,000 newly acquired public housing units. The program did not reach too many households. Nevertheless, it was the only central governmental program since 1989 to explicitly aim at expanding municipal housing stock.
- The **National Asset Manager** program ran between 2012 and 2021. The state acquired housing stock with defaulted forex mortgages; the previous owners remained in their homes as renters. 90% of the ca. 40 thousand units of housing stock have been privatized in the past years, while the remaining stock was transferred to a newly established housing provider institution led by two religious charities.
- **Housing allowance and debt management services** involve socially targeted cash or in-kind support for people in housing poverty. Currently, municipalities run these programs from their own budgets, and since 2015, the government has ceased to provide normative finance for such activities.
- The bulk of the housing policy tools are **socially non-targeted subsidies linked to homeownership**. The government provides non-refundable cash grants (social policy allowance/family housing benefit), mainly for families with children; interest-rate-subsidized mortgages are also available. Offering state subsidies for contractual savings dedicated to housing was a wide-reaching program that ended in 2018. Renovation programs were ad hoc: one scheme was specially designed for renovating socialist-era blocks. The other was an ad hoc subsidy for families with children that ran between 2021-2022 and continued in a limited way from 2024. The renovation program running between 2021-2022 did not cover energy-efficiency aspects.
- **Subsidies for energy costs** are also an important means of supporting housing affordability related to utility costs. Households received means-tested subsidies to cover the cost of gas in the late 1990s and early 2000s. There is now a program for municipalities, financed by the central government, to provide firewood to lower-income households. The figure below does not show the costs of the “utility price reduction” scheme, i.e., the price cap on several utilities applied since 2013 (the central government reimburses some of the costs of utility companies from the state budget).

Figure 3 – Main housing policy tools in Hungary since 1990 (people reached and money spent) ²¹

Group	Policy tool	In operation	Peak year	Reach in peak year	Annual expenditure in peak year (2024 prices)
“National gift”	Housing privatization	1990-	1995		€ € € €
Public housing	State-subsidized expansion of municipal public housing	2000-2005	2003		€ €
	National Asset Manager	2012-2021	2014		€ €
Socially targeted support for housing costs	Housing allowance (reform in 2015)	1994-	2006		€
	Debt management service	2000-2015	2010		€
Socially non-targeted subsidies linked to homeownership	Interest rate subsidies	1990-	2005		€ € €
	Social policy allowance/family housing benefit	1990-	1995		€ € €
	Top-up for contractual savings for housing	1990- (phasing out)	2019		€ € €
	Renovation of socialist-era apartment blocks	1996-2018	2008		€
	Home renovation subsidy	2021-2022, 2024-	2022		€ € € €
Subsidies for energy costs	Gas price subsidy	1990-2011	2006		€ € €
	Social firewood	2011-	2020		€

: under 50 thousand; : 50-100 thousand; : 100-500 thousand : above 1 million
 €: under 100 Million; € €: 100-200 Million; € € €: 200-1000 Million; € € € €: above 1000 Million €

The takeaway from this section is that **the empty spaces approach does not organically fit into pre-existing Hungarian housing policy tools**. On the one hand, this is a potential limitation to upscaling the approach to national housing policy; on the other hand, it represents an opportunity to introduce a novel measure.

²¹ Updated version of Czirfusz, M., Jelinek, Cs. (2022) [Housing policies and housing affordability in Hungary after 1990](#). In: Vankó, L. (ed.) *Annual report on housing poverty in Hungary 2021*. Budapest: Habitat for Humanity Hungary, 79-132. HUF amounts for 2024 prices are based on EUR at the January-November 2024 average EUR-HUF exchange rate. A full database of all housing policy tool expenditures in Hungary is accessible [here](#).

2. Focusing on the social housing sector

2.1. The regulatory framework of social housing provision

According to the latest census conducted in 2022, 96.12% of flats are owned by natural persons in Hungary, and only the remaining 178,002 units are owned by legal entities. The majority of these legal entities are local governments, which owned 110,033 dwellings in 2022, accounting for 2.4% of the total stock.²² The remaining legal entities include companies, non-profit organizations, and other public entities; these other legal entities owned only 1.48% of the total stock in 2022. It is telling to look at the historical dynamics behind these numbers: the census in 1990 found that only 77.27% of non-vacant dwellings were owned by natural persons, and the remaining 22.73% were owned by legal entities.²³ In 1990, 19.04% were owned by local governments. The reason for this radical shift is the rapid privatization of the public housing stock, which happened in around 1990; **during the 1990s alone, more than half a million dwellings were sold by local councils to natural persons, mainly to the sitting tenants.**²⁴

Currently, the majority of the remaining public housing stock is owned by local municipalities. Thus, it is essential to provide a brief review of the regulatory context of the local government system. During the regime change, the formerly centralized and non-democratic system was decentralized, and the newly elected local governments inherited a long list of responsibilities along with a variety of public assets. As we have already shown in the previous sections, housing provision became one of the important tasks of these new local governments, and thus, they became owners of the public housing stock formerly owned by the socialist state. However, as researchers have highlighted, this decentralization was carried out without enabling genuine subsidiarity.²⁵ The reason for this was that local governments became underfinanced. A common way to deal with such systematic budgetary deficits was to facilitate the privatization of their inherited properties. Through this mechanism, the loss of public housing stock contributed to the prolongation of systematic financial problems for the local government system.²⁶ These hidden structural problems spectacularly came to the fore in the aftermath of the global financial crisis in 2009: local governments accumulated record amounts of debt, taking many of them to the edge of bankruptcy. The government implemented a large-scale bail-out program in subsequent steps between 2011 and 2014, nationalizing the debt of

²² [HCSO Census Database](#)

²³ Központi Statisztikai Hivatal (1993) [1990. Évi népszámlálás 26. - A lakások adatai](#). Budapest: KSH.

²⁴ Czirfusz, M., Jelinek, Cs. (2022) Housing policies and housing affordability in Hungary after 1990. In: Vankó, L. (ed.) [Annual report on housing poverty 2021](#). Budapest: Habitat for Humanity Hungary, 79-132.

²⁵ Vígvári, A. (2008) [Szubszidiaritás nélküli decentralizáció. Néhány adalék az önkormányzati rendszer magyar modelljének korszerűsítéséhez](#). *Tér és Társadalom*, 22(1): 141-167.

²⁶ Czirfusz, M., Pósfai, Zs. (2015) [Kritikus ponton? Önkormányzati lakásgazdálkodás a gazdasági világválság után](#). *Területi statisztika*, 55(5): 484-504.

the local governments (through spending 1.34 billion HUF²⁷), but this came with a few regulatory strings.²⁸ On the one hand, the autonomy of local governments regarding their potential indebtedness was seriously curtailed. **Since 2011, local governments have needed governmental approval to take out larger loans, and a recent study showed that local governments with right-wing mayors have tended to systematically receive more approvals than opposition ones.**²⁹ On the other hand, in recent years, **there has been a wave of recentralization involving numerous responsibilities being taken away from local governments and even potential sources of local revenues being channeled away**³⁰. All in all, the room for maneuver of local governments – currently the most important actors in delivering social housing in Hungary – has been seriously narrowed down since the 2008-2009 global financial crisis, which is a serious limitation for any bottom-up reform of the social housing landscape.

Besides these regulatory limitations affecting the whole local governmental sector, from a legal point of view, local governmental housing provision is regulated mainly by the “Housing Act”³¹ and by the “Act on National Assets”.³² **There are three main categories of municipal rental housing provision outlined in the Housing Act: social, cost-based, and market.** Based on this legal framework, in principle, only the first two categories may be considered affordable housing provisions. However, in reality, most of the municipality-owned public housing stock is rented out at below-market rent levels. While the average rent on the rental market in 2023 was approximately 4,000 HUF/sqm in Budapest and 2,000 HUF/sqm in more peripheral cities, the average rent was 589 HUF/sqm in the municipal public housing sector in the same year. Even in the “market” rent category of the municipal housing sector, the average rent level was 983 HUF/sqm; in the “social” category, it was only 446 HUF/sqm.³³ At the same time, the composition of the different rent categories has been shifting in recent years. While in 2016, 62% of the dwellings were rented out as “social housing,” in 2023, this figure was only 47.4%.

The above-mentioned national acts provide a general regulatory framework for municipal housing provision, while each local government that owns dwellings has its own local housing regulation. The main parameters that can be – and in some cases, must be – defined by these regulations are the following:

- Whether the publicly owned dwellings are managed by the local government or by a **local asset manager** (often along with other publicly owned properties, such as commercial units).

²⁷ Roughly 4.3 million EUR; exchange rates from 2013.

²⁸ Lentner, Cs. (2014) [A magyar önkormányzatok adóssághozsólidációja](#). *Pénzügyi Szemle*, 3: 330-344.

²⁹ Vasvári, T., Pocsai, E. (2024) [Kontrollok az önkormányzati hitelezésben - az elmúlt évtized tanulságai](#). *Közgazdasági Szemle*, 71(8): 881-914.

³⁰ Hegedüs, J., Péteri, G. (2015) [Közszolgáltatási reformok és a helyi önkormányzatiság](#). *Szociológiai Szemle*, 25(2): 90-119.

³¹ [1993. évi LXXVIII. törvény a lakások és helyiségek bérletére, valamint az elidegenítésükre vonatkozó egyes szabályokról](#)

³² [2011. évi CXCVI. törvény a nemzeti vagyonról](#)

³³ HCSO (2024) [18.1.1.4. Municipal housing management](#)

- The **rent level** associated with different categories.
- The specific **conditions of municipal tenancy and social tenancy**.
- The specific **channels of allocating public housing** (e.g., using a “waiting list system” or issuing specific calls for specific vacant dwellings).

As all these parameters might vary from municipality to municipality, **the current municipal housing sector can be described as heterogeneously regulated; consequently, monitoring the sector is a demanding task.**

A comprehensive study published in 2021 by the Street Lawyer Association analyzed the local (district-level) housing regulations from a legal point of view in Budapest. Their main findings were that several municipalities applied discriminatory, unjust, or even unlawful elements in their local regulations.³⁴

2.2. Main trends in the municipal housing sector

In Hungary, each local government that owns at least 10 dwellings is obliged to report annually on the main parameters of the sector through a standardized survey issued by the Hungarian Central Statistical Office.³⁵ In this subsection, we provide a short overview of the local governmental housing sector based on this database.³⁶

The first overarching trend is that the municipal housing stock is constantly shrinking. While in 2000, more than 176,000 dwellings were owned by local governments, in 2023, the number was only 101,145. The construction of new dwellings or acquisition of used dwellings is extremely rare: in the last three years (2021-2023), municipalities only built 243 new dwellings and purchased 1,158. During the same period, 2,679 dwellings were sold, and 2,022 were demolished or eliminated.³⁷

This shrinking trend is puzzling when we look at the budgetary statistics of the municipal housing sector. Looking only at the largest cities (the municipalities of Budapest, the Budapest districts, and the county seats) in the last eight years (2016-2023), the sector has had, on average, an annual surplus of more than 10.5 billion HUF. In other words, **local governments have systematically had more income from rents and from selling their dwellings than they have spent on the maintenance, renovation, management, and expansion of municipal dwellings.** This approach also partially explains the main trends regarding the quality of municipally owned dwellings. While in absolute terms, the number of low-comfort³⁸

³⁴ Utcajogász (2021) [“Kérem adjanak lakást!” - az Utcajogász Egyesület problématérképe a fővárosi önkormányzati lakásrendszerről.](#) Budapest: Utcajogász Egyesület.

³⁵ The so-called [OSAP 1080 survey](#)

³⁶ For deeper insight, see our [thematic webpage](#) with dozens of infographics in Hungarian. Most of the figures in this subsection are cited from the analysis published on this webpage.

³⁷ “Elimination” might happen, for example, when two adjacent dwellings are merged into one.

³⁸ We define “low comfort” in line with the HCSO [definition](#), whereby a dwelling is classified as low comfort when either there is no single room with more than 12 sqm, or there is no toilet, or there is no bathroom.

dwellings has constantly been shrinking in recent years (with more than 5,600 units among the largest cities), **the proportion of low-comfort dwellings in municipally owned housing stock is still more than four times as high (ca. 14%) as among the total housing stock in the country (3.17%)**. This trend can be partially explained by the fact that, on average, a municipality only spends 10,000-20,000 HUF³⁹ monthly on the renovation and maintenance of an average unit, which is clearly not enough to compensate for the amortization of the stock in the long run.

If we focus on the tenants, we see that, **on average, annually, only 5,500 new contracts are drawn up in the municipal housing sector in Hungary**. These new contracts include those cases when an expiring contract is renewed with the sitting tenant. Furthermore, **only 20% of these newly allocated contracts are provided through a transparent public application procedure**. Other methods include the provision of dwellings in emergency cases, provision for municipal employees, or provision by third parties. Half of the allocations fall under the “other” category and may happen through the direct involvement of the mayor, which usually means unaccountable, non-transparent, and ad hoc processes.

In general, there are no up-to-date statistics about the social profile of municipal tenants. It is very likely that these households have a lower-than-average social status, but it is also likely that most municipalities try to push the average social profile “upwards” through various techniques, such as “other” ways of allocating new units or increasing the number of “market” rentals. Another way of getting rid of undesirable and lower-income tenants is to evict them. In recent years, annually, ca. 300 households were evicted from municipal dwellings in larger cities. While this number decreased to zero during the COVID pandemic when there was a moratorium on evictions, it has started to increase again in the last two years.

2.3. Alternatives to the municipality-owned public housing sector

While the municipal housing sector is the backbone of the social housing landscape in Hungary due to the specific regulations and policies, other alternatives could be labeled social housing opportunities. In this subsection, we briefly introduce the three most important alternative forms of social housing in contemporary Hungary.

After the 2008-2009 global financial crisis, Hungarian society experienced an FX loan crisis in the housing sector⁴⁰. During the 2000s, hundreds of thousands of families took out housing loans denominated in foreign currencies, but in the aftermath of the crisis, the Hungarian currency lost its value vis-à-vis other currencies, so the monthly installments of numerous families skyrocketed, and they became unable to pay back their loans. The Hungarian state responded to this crisis with several targeted programs, one of which was the establishment of

³⁹ 25-50 EUR

⁴⁰ Hegedüs, J., Somogyi, E. (2016) [Moving from an Authoritarian State System to an Authoritarian Market System. Housing Finance Milestones in Hungary between 1979 and 2014](#). In: Lunde, J., Whitehead, C. (eds.) *Milestones in European Housing Finance*. John Wiley & Sons.

the National Asset Manager, a public company that purchased more than 36,000 properties of defaulted debtors from banks. The original owners of these properties could avoid eviction, and the Asset Manager became their new landlord. In the framework of this program, the public housing stock experienced a 25% expansion in eight years, which was an exceptional achievement in post-1989 Hungary⁴¹. However, the state reprivatized 90% of the dwellings owned by the Asset Manager in 2021 for the original owners. The remaining ca. 10% of the stock (ca. 4,000 inhabited and 2,000 vacant dwellings) was transferred to the newly established **MR Community Housing Fund** in 2021. The Fund was established by two religious charitable organizations that have since received support from the state to manage this housing stock. The stock typically comprises low-quality dwellings in peripheral rural areas scattered throughout several settlements. The rent level is around 60-70% of the market rent level (estimated by the Fund itself), and the tenants are typically low-status households. Altogether, 15,000 people live in dwellings owned by the Fund, which recently became a member of Housing Europe. In October 2024, 587 vacant apartments were offered for sale by the Fund⁴². All in all, the operation of the Fund is an interesting and rare example of setting up new public institutions in the field of social housing provision, but unfortunately, there is very little transparency either about the longer-term strategy of the organization or about the specific details of how they operate.

A second alternative to municipal housing provision is the tiny stock of dwellings operated by **various non-profit housing providers**. Based on our estimation, there could be a few dozen such dwellings country-wide managed by small NGOs, who typically lack the resources to think or act strategically. These dwellings are typically provided for specific target groups, such as people with disabilities, single mothers with substance abuse problems, refugees, etc. Some of these providers can be seen as pilot projects with the potential to scale up. The most interesting and most visible organization in this field is the From Streets to Homes Association. Their activity will be discussed in more detail in Chapter 4.

A third alternative for municipal housing provision is the classical field of **institutional shelter provision**. The activity of these organizations – which could be run by municipalities, NGOs, or religious organizations – is regulated by the Social Act.⁴³ As these institutions take over governmental duties, they become eligible for monetary support from the central budget, but these normative funds are typically not enough to provide good quality services.

According to the 2011 census, more than 12,000 thousand homeless people were living in Hungary, but based on more recent surveys, annually, 50,000 people use the different services provided by homeless shelters. In 2023, more than 9,000 people were living in homeless shelters. Besides these shelters, there are also specific institutions for children in state care. In 2024, a series of scandals investigated by different media outlets and political parties from the opposition shed light on the systematic underfinancing and structural problems of the childcare system. According to the previously mentioned surveys, ca. 20% of homeless people lived in

⁴¹ Csizmady, A., Hegedüs, J., Vonnák, D. (2019) [A housing regime unchanged: The rise and fall of foreign-currency loans in Hungary](#). *Corvinus Journal of Sociology and Social Policy*, 10(2): 3-33.

⁴² Kozák, L. (2024) [Új programra készül a hatezer ingatlannal rendelkező, a máltaiak és reformátusok kezében lévő bérlakásalap](#). *Hvg.hu*, October 11.

⁴³ [1993. évi III. törvény a szociális igazgatásról és szociális ellátásokról](#)

state care institutions throughout their childhood⁴⁴. There are also specific temporary shelters for families in larger settlements, where families in need can move for a limited amount of time. Another institutional form of shelter provision is connected to the field of disabilities. In Hungary, 4.9% of the population has some form of disability, which affects 9.3% of families. Eight percent of people living with disabilities are housed in specific institutions (39,000 people)⁴⁵. There are also public and private elderly care institutions with 55,000 places. More than 50% of these places are managed by public institutions, while the rest are managed by religious, non-profit, or for-profit entities⁴⁶.

The main problem of institutional shelter provision in Hungary is twofold. First, in almost all the above-mentioned segments, demand is much greater than the institutional capacity, while the institutions are seriously underfinanced and understaffed. Second, there are hardly any ways out of these institutions into social or private rentals, let alone toward homeownership. This situation creates a notably lower-income and marginalized segment of the population that circulates among the above-mentioned institutions and the lowest, predatory segment of the private rental market without a realistic future vision of satisfying their housing needs humanely and securely in the future, barring any systematic change.

2.4. Good practices in the sector

In the previous sections, we have shown that the social housing landscape in Hungary is currently very limited and dysfunctional from many perspectives. The regulatory environment creates an inadequate context for local governments to create progressive local housing models. However, there is still some room for maneuvering, as outlined by previous policy proposals⁴⁷. In 2024, Habitat for Humanity Hungary issued a call for “best practices” in the municipal housing sector, afterward offering prizes in three categories for the most innovative municipalities. In this subsection, we will summarize the main conclusions of this process – especially those potentially connected to the empty spaces approach – based on a recent study published by Periféria Center. We will mention additional “good practices” collected from the interviews in Chapter 4 and 6, but we will briefly review here the housing-related plans of the Municipality of Budapest, which plans to invest a record amount of EU funds into the housing sector in the coming years.

The report analyzing the “best practices” submitted by the municipalities for Habitat for Humanity Hungary’s call outlined 11 fields where innovative local policies can be identified:

- **Tenant-friendly housing policies:** in a highly splintered and seemingly chaotic regulatory environment, it can have a huge impact if municipalities provide adequate and “user-friendly” information on available housing-related national and local programs.

⁴⁴ Györi, P. (2024) [Jelentés a 2024. évi hajléktalan-adatfelvétélről](#). Menhely Alapítvány.

⁴⁵ Lakhatási Koalíció (2022) [Lakhatási minimum – Szakpolitikai háttéranyag](#)

⁴⁶ Gyarmati, A. (2019) [Idősödés, idősellátás Magyarországon. Helyzetkép és problémák](#). FES Budapest.

⁴⁷ Lakhatási Koalíció (2022) [Lakhatási minimum – Szakpolitikai háttéranyag](#)

- **Anti-segregation programs:** these programs are typically financed by the ERDF and ESF funds of the EU and tackle segregated and marginalized neighborhoods with “hard” and “soft” measures. If they are implemented correctly, these can be crucial in fighting housing poverty and stigmatization through a complex, place-based approach.
- **Services targeting households in low-comfort units:** these services (e.g., public laundries) address the issue that tens of thousands of people still live in homes without proper amenities.
- **Programs designed for housing young people:** similarly to other countries on the periphery of Europe, young adults are more exposed to housing affordability problems, while local societies are struggling with the negative effects of an aging population. These programs typically offer cheap municipal rental units for young people.
- **Legal consolidation of tenants:** based on current regulations, municipal tenants can relatively easily become “illegal” tenants if they go into arrears or are faced with changes within the family (e.g., divorce or the sudden death of relatives). These programs help in the process of legalizing/re-legalizing municipal tenants.
- **Energy-efficiency renovations of municipal dwellings:** energy poverty is a widespread problem in Hungary, and quality problems are more prevalent in the municipal housing stock. Several municipalities are addressing these problems with renovations, many of them financed by grants provided by the EU’s ERDF.
- **“Social firewood” programs:** a special aspect of energy poverty is that low-income households tend to heat with wood-burning stoves, while the price of firewood has radically increased in recent years. Some municipalities provide cheap or free firewood for households in need during the winter season (partially financed through a central governmental project).
- **Temporary emergency shelter provision:** as capacities in institutional shelter provision are scarce, and as the Hungarian housing sector cannot be that flexible due to the small share of rental apartments, low-income households that face various emergencies (such as natural disasters, sudden health problems, accidents, etc.) might easily get into trouble. These programs create and maintain extra (temporary) housing capacities for such circumstances.
- **Expanding the municipality-owned housing stock:** while financially, this is the most challenging program for municipalities, these strategies can have a crucial impact in the long run. “Expansion” can mean the building, acquisition, or renovation of previously uninhabitable units.
- **Leasing dwellings:** this is a rare type of intervention through which the municipality buys dwellings on the market, and instead of renting them out, they create leasing agreements with households. The households pay a monthly fee, and after a certain period (when the purchase price is paid back), the households become the owners of the property. In the mid-term, the program can be self-sufficient if the fees are channeled into a revolving

fund and new acquisitions are financed through this. This program is typically suitable for smaller, more peripheral settlements where house prices are relatively low.

- **Social rental agency:** through these programs, the municipality creates an agency that mediates between the owners of vacant dwellings and people in need of housing. The municipality provides a guarantee for the owners and may provide monetary support (often coupled with social services if needed) for tenants. For a more detailed description, see Chapter 4.

From the perspective of this report, **there are two important “good practices”:** **energy-efficiency renovations of vacant, municipally owned dwellings and the social housing agency model. Both of these will be detailed in the following chapters.**

From a future-oriented perspective, it is also important to mention here the **plans of the Municipality of Budapest for the coming years**, both because this is the largest municipality in the country and because of the strategic approach they have towards housing. These plans are all related to the **2021-2027 EU budgetary cycle**, through which the municipality of Budapest could potentially get access to 11.5 billion HUF. Although the operative program regulating the thematic framework for using these grants is in effect, the managing authority has not yet issued the calls, referring to the ongoing political debate between the central government and the European Commission. It is hard not to interpret the withholding of the call as political pressure against the opposition-led Municipality of Budapest, as all other Hungarian municipalities already have access to similar funds. However, once the funds are made accessible, the Municipality plans to implement the following projects:

- Renovation of low-quality municipality-owned dwellings
- Creation of new dwellings in publicly owned, non-residential vacant buildings
- Expansion of the social rental agency of the municipality
- Financing pilot projects of the Climate Agency of the Municipality

3. Housing needs and the demand side of affordable housing

3.1. Housing, urbanization and social stratification

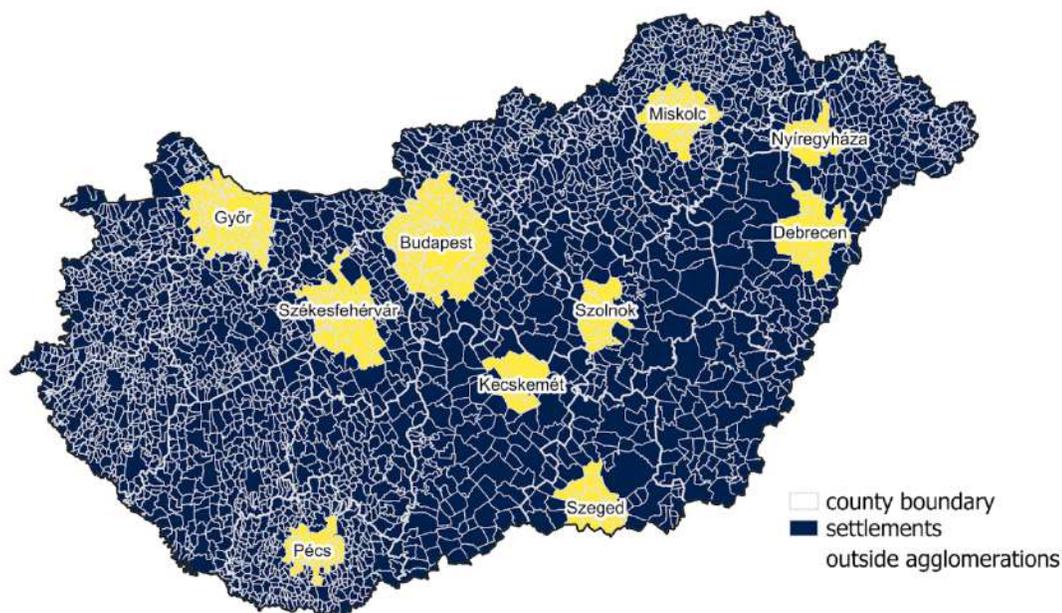
On January 1, 2024, Hungary had a population of **9.585 million people**. The number has been in continuous decline since 1980. More than two-thirds (70.2%) of the population live in cities,⁴⁸ and 6.2 million people are living in the 19 functional urban areas in Hungary. The ten largest functional urban areas are listed in Table 3 and mapped on Figure 4. The Budapest functional urban area has the largest population, with almost three million people, of whom 1.6 million live in the central area of the city. The second largest functional urban area is Debrecen, only a tenth of the size of the Budapest agglomeration; the core city has less than 200,000 people. Only eight cities have a population of 100,000 inhabitants.

Table 3 – The ten largest functional urban areas in Hungary (2023). Data source: Eurostat, HCSO

Functional urban area	Population of functional urban area	Population of core city
Budapest	2,968,809	1,623,343
Debrecen	326,052	193,979
Miskolc	277,659	148,906
Székesfehérvár	271,967	92,220
Győr	256,468	120,883
Pécs	244,247	140,422
Szeged	239,983	156,051
Nyíregyháza	230,552	116,834
Kecskemét	186,581	107,477
Szolnok	152,723	66,004

⁴⁸ HCSO (2024) [22.1.2.4. Population by type of settlement, 1 January](#)

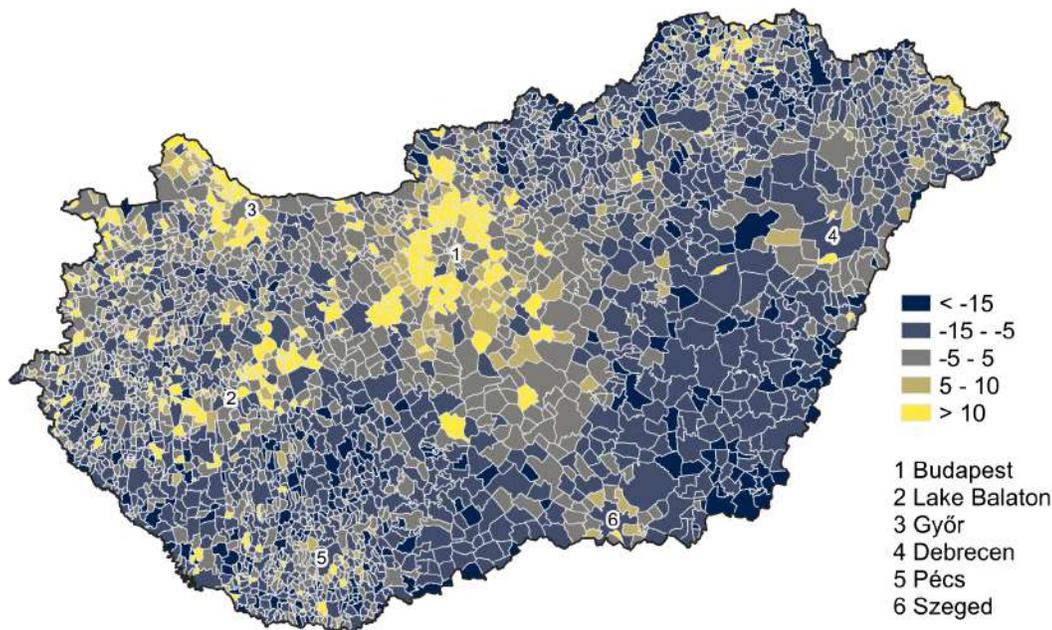
Figure 4 – The ten largest functional urban areas in Hungary. Data source: HCSO



Between the two last censuses (2011 and 2022), the following **demographic trends** may be considered important when assessing current and future housing needs (Figure 5):

- The Budapest agglomeration experienced large population growth, mainly due to internal migration towards economically prosperous areas. The population of Budapest is in decline due to its age structure and partly due to suburbanization processes.
- Northwest Hungary also experienced an increase in population, mainly due to the economic boom around the city of Győr, as well as the inflow of people from neighboring Slovakia and Austria (commuters across the border).
- The Lake Balaton area in Central Transdanubia has become a popular residential destination, as upper-class people are moving in to combine telework opportunities with the touristic opportunities associated with the region. Foreigners are also moving into this part of the country.
- Agglomeration and suburbanization processes have shaped the villages around several larger cities, such as Debrecen, Pécs, and Szeged, leading to an increase in the population.
- Most of the country experienced population decline, both because of the age structure of residents, with a high share of elderly people, and internal migration and moving abroad.

Figure 5 – Population change in Hungarian municipalities between 2011 and 2022 (%). Data source: [HCSO](#)



According to the population forecast, **the population of Hungary will have decreased to 8.5 million people by 2050**. The spatial patterns of this decline will be uneven: some regions will see a decline of more than 20%; the population of Budapest and the Northwestern part of Hungary (Western Transdanubia) will stagnate, the population of Pest county (surrounding Budapest) will increase by 23%.⁴⁹ These future trends will put significant pressure on housing markets in the Budapest agglomeration and some other locations, which must be considered in current housing policies.

The 2022 census registered **4.01 million households** in Hungary. The average household size is 2.35 persons, decreasing from 2.57 persons in 2001. Every third household is a single-person household.⁵⁰

The aforementioned demographic trends mean that a **universal housing policy is not adequate for solving the housing issues in different parts of the country**. Whereas the current government has reacted to these housing challenges by providing higher-value homeownership subsidies in declining rural areas, this approach is only pushing households out to areas where there are no jobs, and the quality of public services is worse. The empty spaces approach needs to take into account the geographical unevenness of demographic trends.

⁴⁹ Obádovics, Cs., Tóth G., Cs. (2023) [A magyarországi régiók népességének előreszámítása 2050-ig. Statisztikai Szemle](#), 101 (9): 763-792.

⁵⁰ HCSO (2023) [Census 2022. Final data – Main population characteristics \(national and regional data\)](#)

3.2. Housing stock in Hungary

Hungary is a typical Eastern European country with a super-homeownership tenure structure. **The 2022 census registered 90.2% of households as owners of their dwellings.**⁵¹

Hungary is one example of the Eastern European housing regime. Housing scholar József Hegedüs highlights the following aspects of this housing model:

- The housing privatization of the 1990s led to a super-homeownership tenure structure;
- the restructuring of housing finance has been contradictory (housing loans are not widely available, foreign-currency denominated mortgages are present in some countries – but not in Hungary anymore);
- the prefabricated housing estates of the 1970s and 1980s represent a significant share of the total housing stock;
- informality in the private rental sector is widespread;
- intergenerational transfers play a prominent role in acquiring adequate housing;
- there is some residual impact of “familialism” – reciprocity matters in supporting household reproduction, including self-help and self-built housing;
- the most vulnerable social groups are marginalized, including in terms of housing.⁵²

The current housing stock consists of 4.58 million units (census 2022 data). The housing stock is increasing despite the declining population: the housing stock was only 3.85 million units in 1990. The average quality of housing has increased significantly since 1990: in 1990, only 74% of dwellings had flush toilets, which number had increased to 97% by 2024.⁵³

Seventeen percent of the housing stock was built before 1945, 47% between 1946 and 1980. Only 5% of the housing stock was built after 2010.⁵⁴ Housing construction has fluctuated considerably in recent decades (Figure 6): the peak was during state-socialist times, with a record of 100,000 built units in 1975. The number of **new constructions** has been below the 40,000 threshold **since 1990 (which would roughly mean the full substitution of the housing stock after 100 years)** and was even below 10,000 units in the aftermath of the 2008 crisis. The government could only sustain the slow rejuvenation of the housing stock with a significant amount of subsidies for households and the construction industry. A part of these subsidies flows into new-built housing for investment, particularly in the saturated housing markets of Budapest and larger cities, thereby does not remedy housing demand.

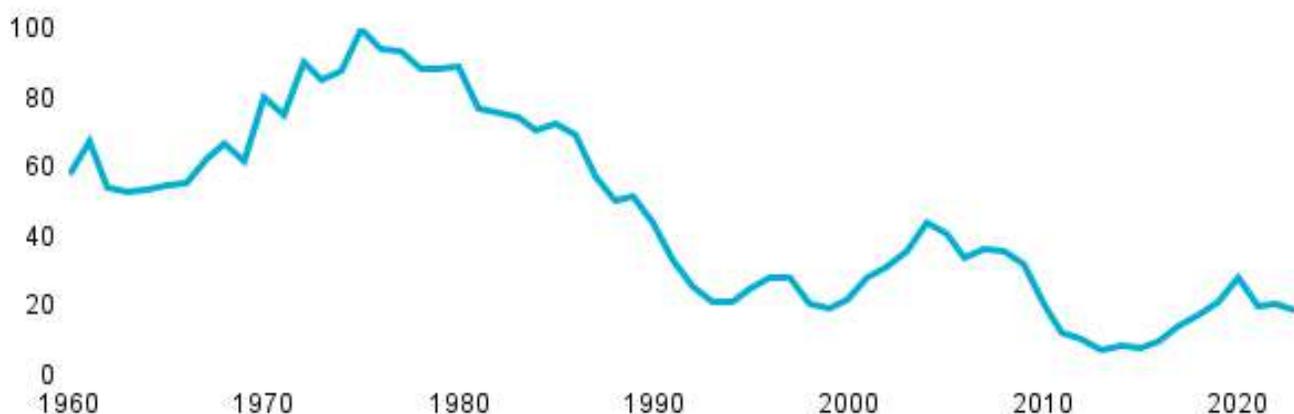
⁵¹ [HCSO Census Database](#)

⁵² Hegedüs, J. (2020) [Understanding housing development in new European member states - a housing regime approach](#). *Critical Housing Analysis*, 7 (1): 49-62.

⁵³ HCSO (2024) [18.1.1.2. Dwelling stock, inhabitants density within dwellings, 1 January](#).

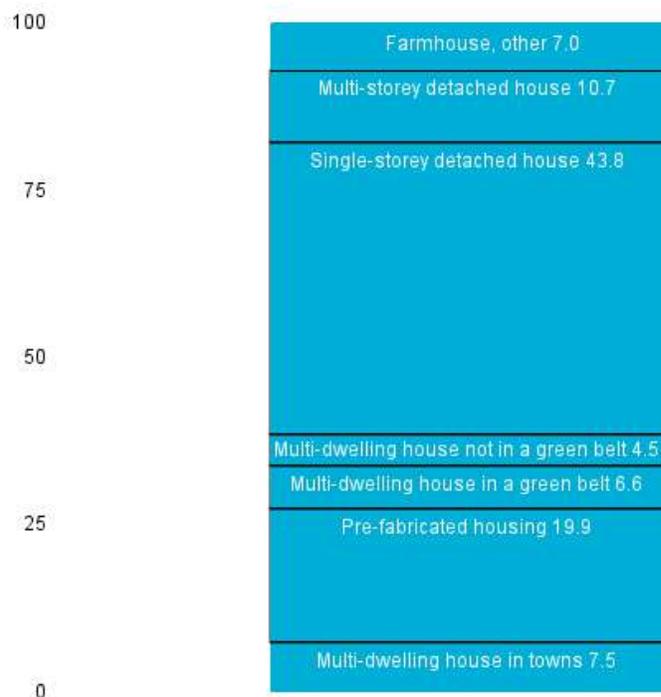
⁵⁴ [HCSO Census Database](#)

Figure 6 – Newly constructed dwellings in Hungary (thousand units). Note: excluding holiday homes since 1981. Data source: [HCSO](#)



Housing stock by building type is presented in [Figure 7](#). About **half of the housing stock consists of detached houses; one-fifth is in prefabricated socialist housing blocks, and the rest is in multi-dwelling buildings.**

Figure 7 – Distribution of housing stock in Hungary by building type (% , 2015). Data source: [HCSO](#)



According to the housing survey of 2015, 61% of dwellings are in need of renovation, as estimated by the tenants. Renovation need is structured mainly by building type: multi-story

detached houses are in the best condition (only 45% of those needing renovation), whereas the renovation need is 73% for multi-dwelling houses in towns and 78% for farmhouses.⁵⁵

The energy demand of the current housing stock is high. A recent expert calculation showed that only 3% of the detached housing stock is “modern” in terms of energy demand (energy classifications AA, BB, and CC combined). Of the 2.8 million detached houses, 2.15 million fall into the lowest three (GG, HH, and II) categories. In condominium flats, 10% are “modern” (energy classifications CC and better).⁵⁶ **To achieve the 2050 decarbonization goals, the deep renovation of 130,000 dwellings per year would be needed, which is several times higher than current renovation rates. People living in housing with high energy consumption are more likely to end up in energy poverty as well.**

3.3. Housing poverty in Hungary

Housing poverty affects some 2-3 million people in Hungary. This number has not changed considerably since 1990, according to expert estimations. People in housing poverty are not a homogeneous group. Various aspects of housing poverty affect different numbers of people, and many categories overlap due to multiple deprivation.

Following the categorization of the *Annual Report on Housing Poverty in Hungary*, published since 2012, the following aspects of housing poverty are considered here:

- housing affordability;
- housing quality and energy poverty;
- geographical aspects of housing;
- legal aspects of housing.⁵⁷

Housing affordability is often measured using the **housing cost overburden rate**. This refers to “the percentage of the population living in households where the total housing costs (‘net’ of housing allowances) represent more than 40% of disposable income”.⁵⁸ According to the latest figures from 2023, **8.7% of the population is overburdened, which is a smaller share than the EU average of the same year (8.8%).**⁵⁹ Overburden intersects predominantly with tenure, household type, and the income of the population. Regarding tenure structure, **tenants renting at market prices are highly affected, of whom 42.5% are overburdened.** Owners with

⁵⁵ HCSO (2018) [Miben élünk? A 2015. évi lakásfelmérés főbb eredményei.](#)

⁵⁶ Bene, M., Ertl, A., Horváth, Á., Mónus, G., Székely, J. (2023) [Estimating the Energy Demand of the Residential Real Estate Stock in Hungary Based on Energy Performance Certificate Data.](#) *Financial and Economic Review*, 22 (3): 123-151.

⁵⁷ Jelinek, Cs., Pósfai, Zs. (2018) [Bevezető.](#) In: Pósfai, Zs., Jelinek Cs., Czirfusz, M. (eds.) Éves jelentés a lakhatási szegénységről 2018. Budapest: Habitat for Humanity Magyarország.

⁵⁸ Eurostat (n.d.) [Glossary: Housing cost overburden rate.](#)

⁵⁹ Eurostat (n.d.) [Housing cost overburden rate by age, sex and poverty status.](#)

mortgages are overburdened at above-average rates at 14.7%.⁶⁰ Regarding the household type, single-person households (17.3% overburdened) and households with dependent children (9.4%) are overburdened above the national average.⁶¹ Every third person in the first income quintile is overburdened.⁶² The overburden share also varies according to geography, being slightly higher in cities than in rural areas.⁶³ Housing cost overburden rates have been relatively stable in the past two decades. **From the perspective of empty spaces, young single-person households in market-price rentals may represent a considerable focus group for such a program if the latter targets people with affordability issues.**

Some aspects of **housing quality** have already been discussed in the previous section. An overarching indicator used across Europe is the share of the population living in a dwelling with a leaking roof, damp walls, floors, or foundation, or rot in window frames or floors. 12.6% reported such housing quality issues in 2023, **the share being higher in households in the first income quintile, people living in villages, and households with inactive members.** These quality problems often overlap with amenity-related issues of the dwelling, such as the lack of a bathroom.⁶⁴ **Mobilizing empty spaces could be a substitute for some renovation needs of the existing housing stock, but mobilizing empty spaces cannot substitute for a massive and large-scale renovation program of the currently used housing stock.**

Energy poverty overlaps with housing affordability and housing quality. Detailed calculations are missing in Hungary, but experts estimate that **at least 10% of the population is living in energy poverty.**⁶⁵ Price caps on residential energy prices have reduced the prevalence of energy affordability challenges over the past decade. However, price caps are making energy-efficient renovations financially unsustainable, motivating affluent households to consume more energy; thereby, costs and gains are distributed unequally within society.

Overcrowdedness is affecting 17% of the population, particularly those living in rural areas, households with children, and those with low income (first income quintile).⁶⁶ Specific programs are needed for different segments of this group; transforming empty spaces into affordable housing may be an adequate solution for them.

The third aspect of housing poverty is the **geographical aspect** of housing. We consider that people are in housing poverty if they are living in areas far from workplaces and in areas with inadequate public services. In particular, people living in smaller villages in regions with a declining population are affected by this type of housing poverty. The same applies to homeowners who are stuck in the regions where they live, as they cannot sell their property because nobody wants to buy one in their municipality. Others might be able to sell their

⁶⁰ Eurostat (n.d.) [Housing cost overburden rate by tenure status.](#)

⁶¹ Eurostat (n.d.) [Distribution of population by housing cost burden and household type.](#)

⁶² Eurostat (n.d.) [Housing cost overburden rate by income quintile.](#)

⁶³ Eurostat (n.d.) [Housing cost overburden rate by degree of urbanisation.](#)

⁶⁴ Lukács, Gy. (2024) [A lakhatási szegénység - számokban.](#) In: Lukács, Gy. (ed.) *Éves jelentés a lakhatási szegénységről 2024.* Budapest: Habitat for Humanity Magyarország, 9-25.

⁶⁵ Feldmár, N. (2020) [Energiaszegénység.](#) In: Gosztanyi, Á. (ed.) *Éves jelentés a lakhatási szegénységről 2020.* Budapest: Habitat for Humanity Magyarország, 42-56.

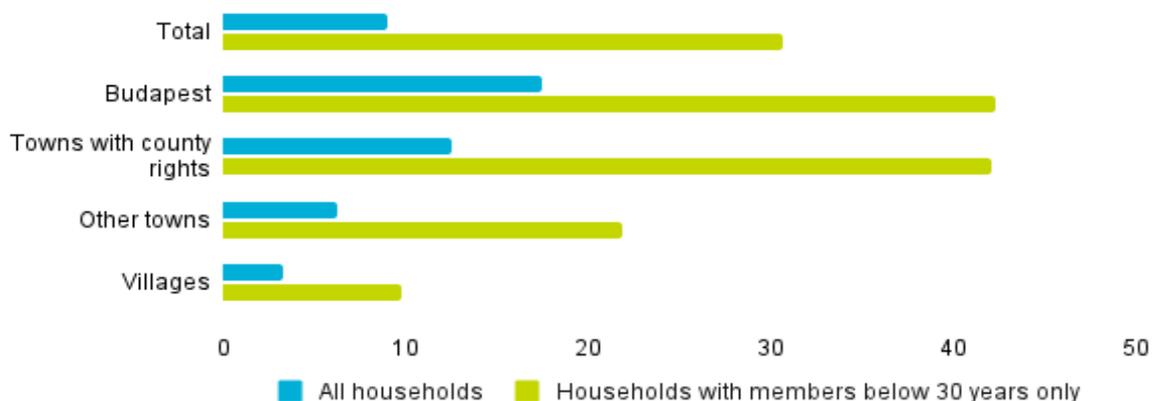
⁶⁶ Lukács, Gy. (2024) [A lakhatási szegénység - számokban.](#) In: Lukács, Gy. (ed.) *Éves jelentés a lakhatási szegénységről 2024.* Budapest: Habitat for Humanity Magyarország, 9-25.

dwelling but cannot buy another home of the same quality in another region where better public services and more workplaces are available. **High homeownership rate, therefore, reduces the mobility of households within the country.** Based on 2001 and 2011 census data, we estimated that about **one-sixth of the population was living in a marginalized area of the country where a large share of the population is either pushed out from better-off regions or where a large share of the population is immobile and living in low-quality housing.**⁶⁷ These marginalized areas probably should not be the primary focus areas of an empty spaces approach, but people living in these marginalized areas should: **empty spaces can serve as important stepping stones for households mobilizing towards areas of economic prosperity,** particularly in relation to better jobs and public services.

Legally vulnerable populations are hard to measure, and expert estimates are also rare. These groups include informal renters (without rental contracts or with rental contracts that make them vulnerable to losing their accommodation) and people living for free or below market rent under a formal or informal courtesy agreement. Some of these rental opportunities are highly exploitative. People not able to enter even this segment of the rental market often end up in residential units in the social care sector or as people experiencing homelessness.⁶⁸

Also, a segment often considered in the literature is “generation rent,” i.e., young people unable or unwilling to enter homeownership.⁶⁹ **Figure 8** shows the share of rental tenure according to settlement types. The figure includes both the residualized publicly owned rental sector and the private rental sector. The rental share has been on the rise in the past two decades because of private rental. **Young households living in Budapest and towns with county rights (25 cities in Hungary) are overrepresented in the rental sector. Therefore, they can serve as one target group for the empty spaces approach.**

Figure 8 – Share of rental in housing tenure by settlement type (% , 2022). Data source: [HCSO](#).



⁶⁷ Czirfusz, M., Pósfai, I., Pósfai, Zs. (2018) [A lakhatási szegénység területi folyamatai](#). In: Pósfai, Zs., Jelinek Cs., Czirfusz, M. (eds.) *Éves jelentés a lakhatási szegénységről 2018*. Budapest: Habitat for Humanity Magyarország.

⁶⁸ Ámon, K., Balogi, A. (2018) [A magánbérleti piac alsó szegmense](#). In: Pósfai, Zs., Jelinek Cs., Czirfusz, M. (eds.) *Éves jelentés a lakhatási szegénységről 2018*. Budapest: Habitat for Humanity Magyarország.

⁶⁹ Csizmady, A., Kőszeghy, L. (2022) [‘Generation Rent’ in a Super Homeownership Environment: The Case of Budapest, Hungary](#). *Sustainability*, 14, 8929.

3.4. Target groups of affordable housing

The long-term renovation strategy of Hungary, on the basis of EU Directive 2018/844, written in 2020, defined two target groups for subsidized renovation: large families living in detached houses or villages and single-person retired households.⁷⁰ According to the strategy, these two groups are not able to finance renovation activities because of the poor quality of the dwellings, which would necessitate costly renovation, and their lower household income. Renovation measures proposed in the strategy include awareness-raising, ad hoc measures for some housing segments (providing electricity to scattered farms), and a housing program run in the poorest 300 villages by a charitable organization. **Both the delimitation of the vulnerable groups and the proposed measures are insufficient to solve the affordability issues of a majority of Hungarian households.**

Vulnerable social groups that can be the target groups of repurposed empty spaces are as follows:

1. People experiencing homelessness entering independent housing in Housing First!-related program elements

The 2022 census registered 2,685 people experiencing homelessness in Hungary. Approximately another 165 thousand people were living in institutional accommodation.⁷¹ The latest report of FEANTSA and the Abbé Pierre Foundation showed that **1695 people were sleeping rough in 2022, and 5295 persons were living in emergency shelters and accommodations for people experiencing homelessness.**⁷² An evaluation of recent Housing First! projects in Hungary that reached 160 households concluded that specific programs are needed for people experiencing homelessness with high support needs (a subgroup being young people experiencing homelessness) and those with lower support needs (a subgroup being those who need quick-access housing units).⁷³ **Some Hungarian cities and NGOs that support homeless people have acquired significant knowledge of running smaller-scale housing programs for this target group.**

2. Roma persons living in marginalized housing

Roma households face housing poverty in Hungary in larger proportions: they are more liable to live in segregated communities where basic utilities are lacking, housing quality is poor, and affordability problems prevail due to poverty and widespread discrimination. More than half (51%) of the Roma population suffered from severe material deprivation in 2022.⁷⁴ The 2011 census registered 1,384 segregated communities in Hungary, in which 2.8%

⁷⁰ ITM (2020) [Long Renewal Strategy on the basis of Directive \(EU\) 2018/844 with a view to fulfilling the eligibility conditions for the payment of cohesion funds for the period 2021-2027.](#)

⁷¹ [HCSO Census Database](#)

⁷² FEANTSA, Abbé Pierre Foundation (2023) [Eighth overview of housing exclusion in Europe 2023.](#)

⁷³ Somogyi, E., Horváth, V., Katona, N. (2021) [Elsőként lakhatás program értékelése \(EFOP-1.1.4-16 és VEKOP-7.1.5-16\).](#) Budapest: Slachta Margit Nemzeti Szociálpolitikai Intézet.

⁷⁴ KSH (2023) [A háztartások életszínvonalá.](#) Budapest: KSH.

of the population were living.⁷⁵ **Municipalities, NGOs, and charitable organizations are already running integrated programs for this target group, mainly from EU-funded projects.**

3. Refugees and immigrants

As of January 1, 2024, 251 thousand foreign citizens were residing in Hungary. Of them, the 7.5 thousand persons under international protection are the most vulnerable.⁷⁶ Those entering Hungary as asylum seekers were extremely limited in number in recent years because of regulatory changes (in 2023, only 31 asylum-seekers arrived in Hungary). **Systemic housing programs for beneficiaries of international protection are lacking; uncoordinated** small-scale programs are run by charitable organizations and NGOs. The number of people without the proper documents to stay in Hungary is relatively small, according to experts.⁷⁷

Ukrainian nationals arriving after the launch of the full-scale war in 2022 might apply for temporary protection status – 38 thousand people received this status as of September 2024. According to UNHCR statistics, 4.8 thousand people were provided with temporary accommodation (less than 30 days), and 4.5 thousand people were supported with mid-and long-term accommodation.⁷⁸ **Systemic state-funded housing programs are lacking for Ukrainian refugees;** NGOs and municipalities are running small-scale programs.

Over 100,000 foreign citizens are residing in Hungary for employment purposes. For third-country migrant workers arriving from outside the European Union, accommodation is often organized by agency companies and employers. The quality of workers' accommodation varies widely; it may include workers' hostels, rented detached houses, or temporary dwellings. Because of the organized accommodation for the latter provided by market actors, this segment is beyond the reach of the empty spaces approach.

4. Young adults

It has become increasingly difficult for young adults to enter affordable housing. "Generation rent" is also emerging in Hungary. Most housing policies only target creditworthy young adults who are planning to have children. In 2022, 64 thousand households were registered whose household members were under 30 years old and in rental tenure. Of these, 27 thousand were in Budapest and 22 thousand in county seats.⁷⁹ Also, the shortage of dormitory spaces in higher education limits the housing opportunities of young people in larger cities. **Young adults are, therefore, one possible target group of an empty spaces program.**

⁷⁵ EMMI (2016) [Felhívás a szegregált élethelyzetek felszámolásának megvalósítására. \(EFOP-1.6.2-16\)](#)

⁷⁶ HCSO (2024) [22.1.1.25. Foreign citizens residing in Hungary by purpose of stay, 1 January.](#)

⁷⁷ Pósfai, Zs., Szabó, L. (2021) [Policy analysis and proposal for the improvement of the housing of beneficiaries of international protection in Hungary.](#) Warszawa, Budapest: Institute of Public Affairs, Menedék-Migránsokat Segítő Egyesület.

⁷⁸ UNHCR (2024) [Hungary: RCF - Ukraine Situation 2024 Q3 Indicator Report](#)

⁷⁹ [HCSO Census Database](#)

5. Elderly people living alone

The number of households with all household members 65 years or older has increased significantly in the past two decades. Of the 4 million households, 907 thousand belonged to this category in 2022, rising from 706 thousand in 2001. For this group, rental housing covers only a small fraction: 4.0% countrywide and 7.4% in Budapest. Single-member households might be one target group of affordable rental housing measures in Hungary: there are 614 thousand single-member households with individuals over 65 years old, of whom 31 thousand rent. For overburdened single-member elderly homeowners, affordable rental housing might be one way out of housing poverty.

6. Households unable to enter social housing

Because of the small share of municipal public housing, only a fraction of it is being used as social housing, and due to the low turnover rate of vacancies, vulnerable groups, being the primary target group of social housing, cannot enter this tenure type. Some municipalities have application statistics for social housing, while others do not, so it is hard to get an overall picture of social housing overdemand. In Budapest and county seats, only 5,500 municipal housing units were allocated to new tenants yearly on average between 2016 and 2022. This shows the limited reach compared to the 1.67 million households living in these two settlement types. Only a fifth of the 5,500 units were allocated through application procedures; almost half of them were allocated by “other means,” representing individual, potentially untransparent mechanisms.⁸⁰ **Easing the pressure on social housing may be a significant contribution of an empty spaces approach.**

Besides the six target groups analyzed above, two other estimations are helpful for planning the empty spaces demand side. One estimate is a recent survey on rental housing demand in Budapest; the other considers the mismatch between housing and workplaces.

The first estimate is based on research conducted by Periféria Policy and Research Center in 2022.⁸¹ The goal of this research was to **arrive at an estimation of the target group for affordable rental housing in Budapest.**

- The wide demand group for the affordable rental housing sector in Budapest consisted of 60% of the adult population of the city, more than 800,000 persons. These include people not satisfied with their current housing situation, worried about their housing situation in the future, or planning to move within three years.

⁸⁰ Jelinek, Cs. (2024) [Önkormányzati bérlakásszektor. 2016 utáni KSH adatok elemzése](#). Budapest: K-monitor, Periféria Közpolitikai és Kutatóközpont.

⁸¹ Jelinek, Cs., Czirfusz, M. (2023) [Megfizethető bérlakásszektor Budapesten? Egy kérdőíves felmérés eredményei](#). Budapest: Periféria Közpolitikai és Kutatóközpont. (Periféria Tanulmányok; 5.) See also the English report featuring slightly different numbers due to unweighted figures: Pósfai, Zs. et al. (2023) [Catalytic capital investment as an enabler of affordable rental and cooperative housing in Central and South-Eastern Europe. Full Research Report](#). Budapest: Periféria Policy and Research Center.

- The narrow demand group for affordable housing is 21% of the adult population of the city, 290,000 persons. As a subset of the wide demand group, they belong to the fourth or higher income decile (i.e., they have a higher income than the target groups for social rent) and would be open to moving into an affordable rental housing sector if this existed.

The size of the narrow demand group of affordable housing in Budapest would ensure that an empty spaces approach could be upscaled based on demand. It would be meaningful to develop new housing models for this group or a subset of it because of its size.

The second estimate considers the **mismatch between workplaces and homes**. Homeownership can be a limitation for households planning to migrate for jobs. If distances are smaller, commuting can be a reasonable compromise. In urban areas of economic prosperity, particularly in the Budapest agglomeration and the agglomerations around many cities of county rights, the availability of affordable housing is a significant burden. The current labor shortage also necessitates the development of affordable housing solutions for workers.

Figure 9 shows the lack of housing compared to the number of workplaces on the municipal level. The map shows municipalities with commuting gains, i.e., where the number of people commuting in is higher than the number commuting out. Besides absolute numbers, the commuting gain is also expressed in the percentage of local employment (people living and working locally plus people commuting in for work). Two hundred and eighty-five municipalities out of 3,155 have commuting gains. The commuting gains total 791 thousand persons. This means that if all local workplaces were first filled by local residents, 791 thousand people would still need to commute from other localities to fill all local workplaces. To calculate the uncovered housing need of these people, we divided the 791 thousand people by 1.68, the average number of employed household members in households having at least one employed member. The housing need calculated that way would be 470 thousand units. There are 362 thousand vacant dwellings in municipalities with commuting gains that could be theoretically used by commuters. If we subtract the number of existing vacant dwellings, **the current workplace-housing mismatch is 108,000 housing units in municipalities where more people are working than living.**

Municipalities with at least 3,000 missing housing units are listed in Table 4. Among them, we find several larger cities in Hungary, but also some medium-sized settlements of between 10,000 and 20,000 inhabitants (Hatvan, Nyírbátor, Tiszaújváros).

Of course, it is not expected and not needed for commuting to be fully eliminated, but the most serious housing shortages of workers could be identified with the previous method. In municipalities with vacant housing units, different policies are needed compared to in settlements with an absolute lack of housing units. Our calculation underestimates the workplace-housing mismatch, as housing shortages can be significant in municipalities due to outcommuting as well, and because it does not cover people who are unable to commute but are stuck in their current settlements, far from potential workplaces.

Figure 9 – Housing-workplace mismatch in Hungarian municipalities (2022). Data source: [HCSO Census Database](#). For abbreviations and labels see [Table 4](#).

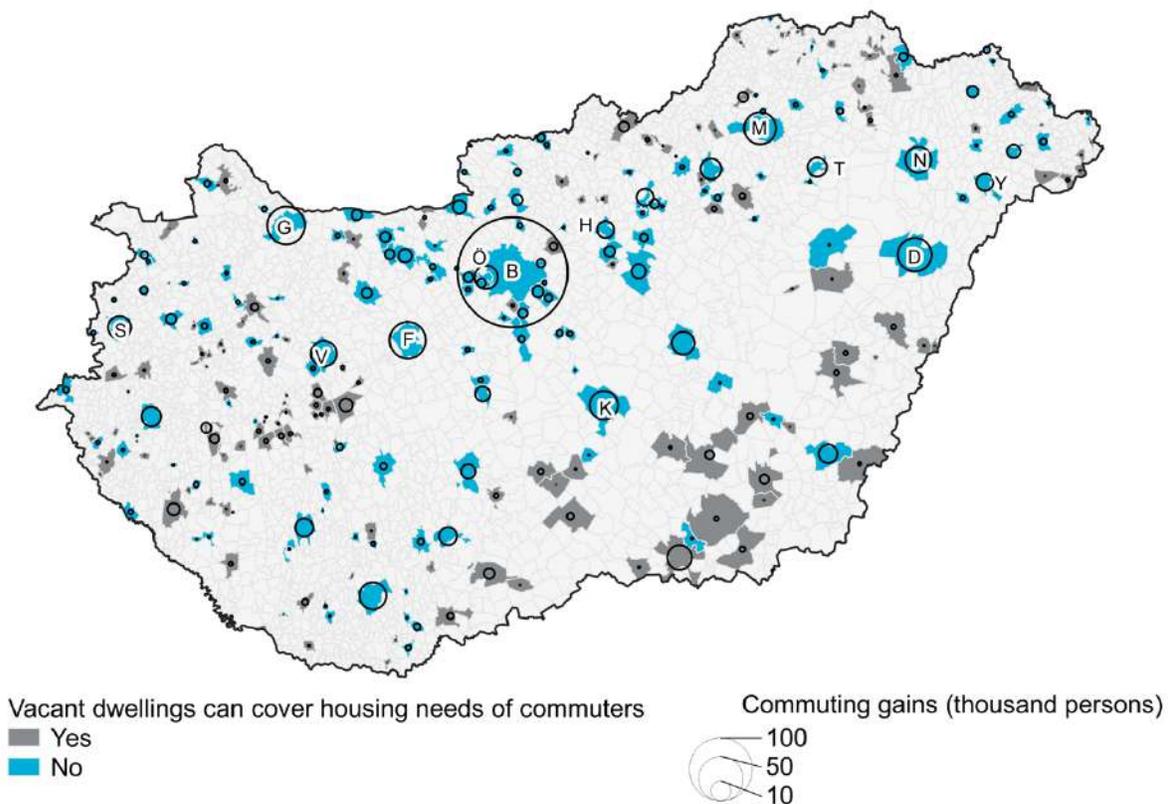


Table 4 – Municipalities with at least 3,000 housing units needed for commuting workers (model calculation using data from 2022). Abbreviations in brackets show the labels in [Figure 9](#).

Municipality	Estimated number of missing housing units
Budapest [B]	21,189
Győr [G]	14,119
Székesfehérvár [F]	13,821
Budaörs [Ö]	7,824
Veszprém [V]	5,959
Nyíregyháza [N]	5,551
Tiszaújváros [T]	4,858

Debrecen [D]	4,762
Szombathely [S]	4,757
Kecskemét [K]	3,994
Nyírbátor [Y]	3,992
Miskolc [M]	3,781
Hatvan [H]	3,325

4. Empty spaces landscape

As described in the previous chapter, **the housing crisis in Hungary is not caused by quantity but rather by quality and affordability issues**. As the country’s population has been continuously shrinking over the last four decades while the housing stock has been expanding, it is puzzling that the same large segment of society – 2-3 million people – is still affected by housing poverty, as was affected in 1990. In our interpretation, this is the result of the inadequate housing policies of the last three decades. In this chapter, we will explore the so-called “empty spaces” landscape of Hungary. This means that we will scrutinize the availability of empty spaces and analyze to what extent these could be used to tackle housing poverty through more progressive housing policies in the future.

4.1. Typology of empty spaces

The first task is to define and categorize what we mean by empty spaces. In our analysis, we will deal with both residential spaces (mostly single dwellings) and non-residential empty spaces. We will use a very broad definition: **we consider “empty spaces” as properties that have not been used for any function for a considerable amount of time. It is important to highlight that “emptiness” does not automatically mean that these properties could easily be utilized for any meaningful function, such as providing affordable housing.**

As Igor Sebastian Costarelli highlighted,⁸² unused buildings may be categorized both as “empty” and as “abandoned,” where empty means that they are in an “acceptable” state, and abandoned means that they are unsuitable in their present state for various reasons. Building on but also extending this distinction, we propose using a matrix to differentiate between four basic categories of empty spaces (see Table 5). One dimension of the matrix measures the technical/architectural state of the building, while the other dimension represents the aptness of its location for its future desirable use. Both dimensions should be imagined as a spectrum along which numerous positions are possible between the two extremes. However, for the sake of simplicity, we visualize only 2X2 types in our matrix.

Table 5 – Typology of empty spaces

	Suboptimal location	Optimal location
Technically/architecturally suboptimal	Type D	Type C
Technically/architecturally optimal	Type B	Type A

⁸² Costarelli, I. S. (2023) Social housing landscape in Milan metropolitan area. Repurposing empty spaces for vulnerable population. Habitat for Humanity International.

If we are interested in turning empty spaces into affordable homes, Type D spaces could be ruled out by default, as upgrading these structures would most probably not be logical given their suboptimal location. Type B buildings should be treated carefully, as suboptimal locations can easily lead to segregation in the domain of housing, and it is important to prevent the segregation and marginalization of people already in need of housing. However, Type C and Type A buildings might be the most interesting ones from the perspective of this report.

Once we focus our attention on these two types, it is essential to elaborate on the two dimensions of the matrix. From the perspective of technical/architectural issues, we can list several dimensions that are important when assessing empty spaces. The most important ones are:

- **Floor plan and basic spatial parameters:** depending on the original function of the empty space, some buildings can be unsuitable for re-using as residential units. Typical problems arise due to the height, width, and length of the structures. For example, while abandoned factories are rarely turned into adequate housing units, empty office buildings might represent suitable structures for reconversion.
- **Public utilities and connectivity issues:** again, it is crucial whether public utilities can be provided, and this depends on the previous function of the empty space. For example, abandoned non-residential properties might need substantial upgrades in terms of plumbing and sewage systems, while empty hotels may already have a much more optimal public utility grid pre-installed.
- **Construction materials, quality of building engineering:** depending on the age, original function, and state of repair of the empty space, it is a crucial question whether the different materials that make up the structure are suitable for future residential use (for example, if asbestos has been used, or if the main structures are made of wood, then a reconversion can be very costly, and is sometimes not even possible).
- **Site layout in relation to sunlight/daylight:** old and unused structures might have been built before modern planning regulations, while contemporary regulations prescribe strict benchmarks for the layout and sunlight characteristics of residential dwellings. In certain cases, the original structures might not be suitable for meeting these strict regulations.
- **Heritage issues:** in the case of unused but listed/protected buildings, redevelopment and reconversion might be extremely costly or even impossible (e.g., if the non-residential buildings are required to retain some of their original architectural characteristics).

From the perspective of location, we can also list several dimensions that matter a lot when assessing the suitability of unused properties for the purpose of turning them into affordable housing units. The most crucial ones are:

- **Transportation opportunities:** some unused buildings are left behind because, with socio-spatial changes, their location has shifted from being optimal for certain functions towards being peripheral and suboptimal. For example, there are some former working-class settlements in peripheral locations with high vacancy rates that were built near

industrial production facilities and have since closed down. In such cases, utilizing these vacant dwellings might be irrational if they are no longer easily accessible.

- **Access to basic services:** Similar to the previous point, some unused buildings might be located in places where basic services (healthcare, education, shopping, etc.) are not easily accessible. This aspect has become increasingly important in Hungary, as in the recent decade, the peripheralization of certain rural areas has increased.⁸³ This means that there is a growing number of locations where basic services are not accessible.
- **Contamination:** unused spaces are often left behind because there is some form of contamination connected either to the building or to its surroundings. An obvious example is post-industrial landscapes, where the former industrial activities have left their traces in the form of contaminated land, etc. Another example might be when, in reindustrializing areas, new production activities lead to health and environmental hazards because of lax regulations and their problematic enforcement. A third example is when the building structures themselves are contaminated (e.g. when they contain asbestos).

All in all, when assessing the adequacy of empty spaces to be turned into affordable homes, all the above-mentioned aspects need to be kept in mind and properly researched. This also means that what at first sight and statistically may count as an empty space might, in the end, not have the potential to be used with new functions. Based on research on Hungary's socio-spatial restructuring, the main dividing line is between high-pressure urban markets and peripheral rural regions. **While with the first category, a suboptimal location may be less common, in the second category, location-related problems are much more prevalent.**

4.2. Residential empty spaces

In this section, we focus on empty spaces that had a residential function before becoming unused. Given the characteristics of the property market and the specific details of how privatization happened,⁸⁴ the most common residential empty spaces are single dwellings, not whole residential buildings.

The most up-to-date statistics about unoccupied dwellings are provided by the 2022 census. In 2022, 12.49% of the total housing stock was vacant, which means that more than 570,000 dwellings were unoccupied.⁸⁵ As we can see in [Table 6](#), there has been a continuous increase in these figures over the last two decades.

⁸³ Nagy, G. (2019) [Ellátás és ellátatlanság - Köz. és piaci szolgáltatások területi-települési egyenlőtlenségei a vidéki Magyarországon](#). *Földrajzi Közlemények* 143(2): 124-143.

⁸⁴ Unlike in Czechia, restitution was not a widespread option during the large wave of privatization of state socialist flats during the 1990s in Hungary. This means that the former owners of whole buildings were not allowed to claim back their properties; only sitting tenants were allowed to buy their properties from local municipalities. As a result of this, the gentrification and commercialization of urban centers proceeded more slowly in Hungary as the ownership structure became more fragmented.

⁸⁵ [HCSO Census Database](#)

Table 6 – Number of unoccupied dwellings. Source: [HCSO Census Database](#)

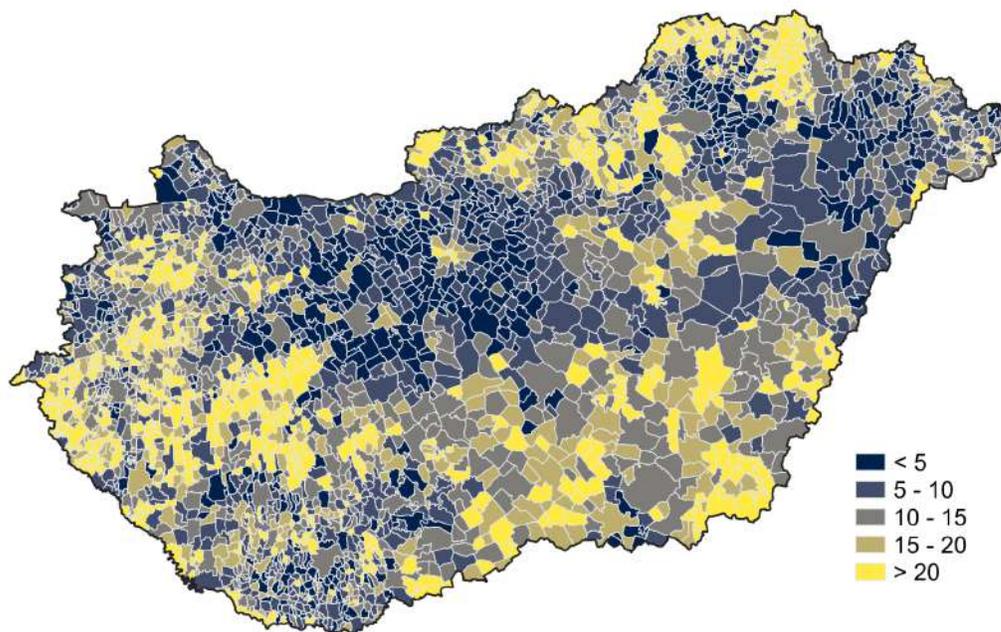
	2022	2011	2001
Total housing stock	4,580,538	4,390,302	4,064,653
Unoccupied dwellings	571,997	477,873	373,880
Proportion of unoccupied dwellings in total stock	12.49%	10.89%	9.2%

According to the methodology used by HCSO, an unoccupied dwelling has no regular dweller. This category does not contain vacation homes, which are not used as proper homes. A vacation home is defined as “a dwelling, which is not suitable for living all year round, and which was typically built for temporary, recreational use.” As a result of this, unoccupied vacation homes are not counted in the total housing stock. Another important methodological issue is that, according to statisticians, the official numbers are most probably exaggerated for a specific reason. In Hungary, the private rental market is still, to a large extent, part of the grey or black market, which means that landlords do not pay taxes, and often, there are no written contracts between landlords and tenants. It was widely experienced during the census by interviewees that owners of rental units were reluctant to report their tenants during the survey as they were afraid of negative repercussions. As a result of this, **a significant amount of private rentals might have been counted as unoccupied dwellings during the census.**

If we visualize the spatial distribution of unoccupied dwellings, we can identify a few patterns in their geography ([Figure 10](#)). First, the smallest proportion of unoccupied dwellings can be found in the suburbs of larger cities. This can be explained by the fact that since the 1980s, suburbanization has been a prominent phenomenon in Hungary.⁸⁶ Since 2015, another wave of suburbanization has occurred around Budapest and other larger cities, which is mainly fueled by rapidly increasing house prices in the inner areas of settlements.

⁸⁶ Hardi T. (2022) [A szuburbanizáció és az urban sprawl vizsgálata a beépített felszínek terjedése alapján: Budapest, Bukarest, Pozsony. City.hu 2\(3\): 75-98.](#)

Figure 10 – Share of unoccupied dwellings in the housing stock (% , 2022). Data source: [HCSO Census Database](#)



Second, the share of unoccupied dwellings is high in certain specific locations:

- **In the inner city of Budapest and other larger cities.** One reason for this is the high number of speculative property transactions in recent years: in 2024, 25% of property transactions in the country (and 30% in Budapest) were investment-led.⁸⁷ In these cases, the owners may only be speculating on an increase in housing prices and leaving the dwellings unoccupied until they cash out from the investment at a later point. Another reason for this phenomenon is the high number of flats informally converted into offices in these markets. These dwellings might appear in statistics as unoccupied dwellings. A third explanation is that it is typical in these markets that owners informally rent out their properties on the black market. As mentioned above, because of distrust in the census process, these dwellings might be reported as unoccupied.
- **In the regions frequently visited by tourists, and especially around Lake Balaton.** The demand for vacation houses has skyrocketed since the COVID-19 period, in parallel with a large increase in property prices in touristy areas. As a result of this, numerous previously residential dwellings have been converted into short-term rentals or sold to investors, which may increase the proportion of unoccupied dwellings in the statistics.
- **In peripheral regions, the large share of unoccupied dwellings is associated with disadvantageous job opportunities and inadequate access to basic services.** In this category, we find cities and small settlements alike, and the spatial pattern resembles those maps that show the shrinking population of different areas in Hungary. These areas are concentrated in the northeast and southern parts of Hungary that had

⁸⁷ MNB (2024) [Housing Market Report 2024 November](#). MNB: Budapest.

either a prominent role in agriculture (southeastern Hungary) or in heavy industry (northeastern Hungary) before 1989.

Besides the geographical patterns, it is also telling to analyze the characteristics of unoccupied dwellings. First, 93.3% of unoccupied dwellings are owned by natural persons, and only 6.7% (38,415 dwellings) by legal persons (including municipalities). In 2011, the figures were 91.8% and 8.2%, respectively, which shows that vacancies among dwellings are dominantly a phenomenon connected with the private market.⁸⁸ Second, as we can see in [Table 7](#), **vacancies among low-comfort dwellings are significantly more widespread**. More than one-third of low-comfort dwellings are unoccupied, and there has been a significant increase in this share over time. From another perspective, while the proportion of low-comfort dwellings is 4.3% of the total housing stock, it is 12.4% among unoccupied dwellings.⁸⁹

Table 7 – Proportion of unoccupied dwellings according to different comfort categories. Source: [HCSO Census Database](#).

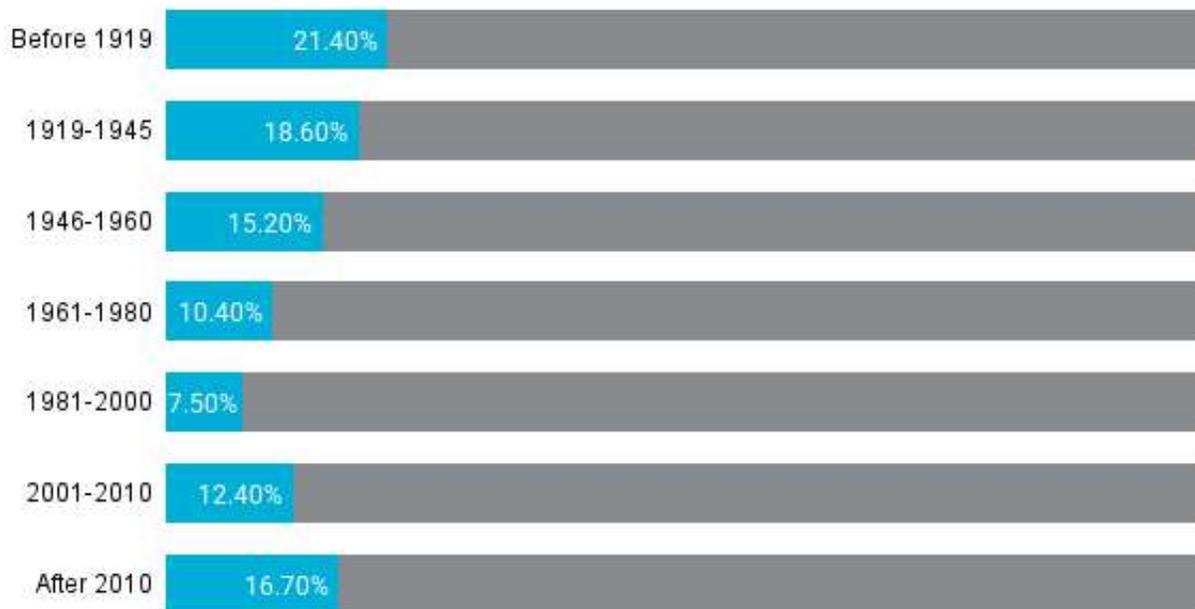
	2022	2011	2001
Total housing stock	12.5%	10.9%	9.2%
Dwellings with basic amenities	11.4%	9.2%	7.0%
Low-comfort dwellings	35.7%	27.6%	18.1%

Third, if we look at the year of construction of the unoccupied dwellings ([Figure 11](#)), we see an interesting trend. Not surprisingly, **older dwellings have an above-average vacancy rate**, which can be explained by the correlation between the age of buildings and quality issues. However, **there is also an above-average vacancy rate among newly built dwellings, which probably shows the level of speculation associated with the purchase of these new flats**.

⁸⁸ HCSO [Census database](#)

⁸⁹ HCSO [Census database](#)

Figure 11 – Proportion of unoccupied dwellings in old and new buildings (2022). Source: [HCSO Census Database](#)



We can conclude that while at first sight, the more than half a million unoccupied dwellings look like a shockingly high number, we have to be careful how we interpret this data. As we illustrated above, this statistical figure covers different property types. **There are at least two main clusters that have to be distinguished and analyzed separately.** The first one is the unoccupied dwelling stock in **high-pressure markets** (in larger cities and touristy areas), while the second one is the vacant dwellings of **peripheral areas**. In the first cluster, we might suppose that the official numbers are higher than the reality (given the potentially non-reported rental units and the dwellings that are used for short-term rentals and for touristic reasons), and the average quality of vacant dwellings is probably higher. At the same time, in the second cluster, the vacant dwellings are probably in worse condition, and these have suboptimal locations.

Above, we argued that from the perspective of the social housing landscape, public housing stock is of crucial importance, so it can be interesting to focus on vacancies within this sector as well. Based on data from 2023, there were **14,528 unoccupied municipality-owned dwellings, which is 14.4% of the total municipal housing stock**. This also means that the proportion of unoccupied dwellings is slightly greater in the case of municipality-owned dwellings than in the total stock (12.5%). The same proportion of municipal housing stock was 13.59% in 2016, so there was only a minor increase from a historical perspective. In 2023, 6,538 of these unoccupied dwellings were reported to be unsuitable for habitation. In the case of the **MR Housing Fund**, the most recent data was published in a media article in October

2024.⁹⁰ Here, the Fund reported that they own ca. 6,000 dwellings, of which **587 are currently unoccupied and for sale, which is a slightly lower vacancy rate than in the municipal sector.**

4.3. Non-residential empty spaces

In Hungary, there are many empty buildings, but no database contains a comprehensive list of them. In order to analyze and discuss the relevance of non-residential empty spaces, we briefly list the different types of empty non-residential spaces in this section. While our list will not be entirely exhaustive, the selection is based on our interviews, and thus, we believe that the most important categories are mentioned. From the perspective of potentially converting these empty buildings into affordable housing, a crucial factor is ownership. We will signpost here the typical owners of different categories of empty buildings and elaborate on the potential practical consequences of this in Chapters 6 and 7.

The first important category is empty **office spaces**. Within this category, there are two main types of empty spaces. The first is office spaces typically located in the inner city of Budapest and larger cities that are in residential condominiums and were converted from flats into offices around the 1990s. During this time, when the country opened up its markets, and the economy experienced rapid restructuring, there was a shortage of office buildings, especially in central locations. As a bottom-up reaction to this, new companies in need of offices started to rent or buy larger flats (which were relatively cheap at this time) and convert them into office spaces. In recent years, as the office segment of the real estate sector has expanded and several new offices have been built, the vacancy rate of former flat-based offices started to increase. However, in parallel with this process, residential real estate prices in the inner cities started to increase. Thus, owners of these spaces typically reacted to this situation by reconverting the offices into premium flats and renting or selling them on the market for residential purposes. As a result, and since the owners are typically private entities, it is highly unlikely that these empty spaces could be utilized as affordable housing.

At the same time, restructuring is going on in the market for entire office buildings. In Budapest, there is currently 4,463,695 sqm of modern office space, and the overall vacancy rate is around 14%.⁹¹ From a historical perspective, the vacancy rate was around 20% in the aftermath of the 2008-2009 global financial crisis; then it went down to 6% by 2019.⁹² Since the COVID pandemic, vacancy rates have once more been on the rise. In terms of geography, vacancy rates are higher in the suburbs of Budapest (around 30%) and lower in more central locations. **Based on our interviews with real estate professionals, both from a technical/architectural and from a location perspective, office buildings may be good structures for converting into affordable housing.** The expectation of our interview partners is that with new office developments in the near future and with decreasing demand (due to the

⁹⁰ Kozek L. (2024) [Új programra készül a hatezer ingatlannal rendelkező, a máltaiak és reformátusok kezében lévő bérlakásalap](#). *HVG.hu* October 11.

⁹¹ BIEF, BRF (2024) [Budapesti Irodapiaci Jelentés - 2024 Q3](#)

⁹² CBRE (2024) [Office Figures 2024-Q3 Budapest](#)

post-COVID restructuring of work arrangements towards more home office possibilities), certain segments of the market, typically the office buildings from the 1980s, 1990s, and 2000s, could become obsolete regarding their original functions. The main challenge from this perspective is that these buildings are typically owned by private actors, mainly institutional investors, who have strict expectations about profit related to these assets.

The next interesting category is **former institutional buildings**. Within this category, we can find buildings with different institutional functions, such as schools, social institutions, community centers, kindergartens, etc. Based on our interviews, most of these buildings are in public ownership. In the case of schools and social institutions, municipalities were typically responsible for managing and operating them. However, given the centralization going on in the local governmental sector and the shrinking population in various places in Hungary, several former institutions have been abandoned. According to the HCSO, the country's population will further decrease⁹³ thus further vacancies in this real estate segment can be expected in the future years and decades. Both from an architectural/technical and from a location perspective, these buildings could potentially be easily reconverted into residential functions. While there are several international examples of these types of reconversions, in Hungary, there are only two projects that are currently in the planning phase. The first project, entitled AHA Budapest, is being executed by a consortium led by the Municipality of Budapest and financed by the EU through the European Urban Initiative⁹⁴ with ca. 5 million EUR. Through this project, a municipality-owned former school building will be converted into 26 affordable rental homes. The second project is being implemented by an international consortium entitled ENERGY4ALL – Communities for positive energy districts, where the Municipality of Budapest is responsible for executing a pilot project called Ascend. Through this pilot, the municipality will prepare another reconstruction project through which another abandoned school building will be turned into an affordable and energy-efficient residential building.⁹⁵

Another category is **vacant buildings in the hospitality sector**. These buildings are typically empty hotels and motels, and we also include here vacant workers' hostels. From an architectural/technical point of view, these buildings may be perfect for residential purposes. However, as they are typically owned and managed by private actors, their abandonment can be a sign of location problems. Often, empty hotels are located next to tourist attractions that are outside of cities. At other times, they are close to busy roads, which can be a clear disadvantage if they are used for residential purposes. Furthermore, as they are typically owned by private institutional investors, the strict profit expectations can be similarly problematic as in the case of empty office buildings. Recently, there were examples of successful reconversions of such types of buildings into residential buildings in the Budapest real estate market. One example is the Metrodom Young project in District III of Budapest, where a former workers' hostel was converted into a 257-unit condominium in 2016.⁹⁶ Another one is the luxury condominium "Elysium" in one of the most expensive neighborhoods of Budapest, which was

⁹³ See, for example, [this visualization](#) by the HCSO.

⁹⁴ We introduce this project below. For details, see [this page](#).

⁹⁵ See the entry about this pilot on the project [website](#).

⁹⁶ See the real estate developer's [webpage](#).

converted in 2020 from a trade union-owned hotel after decades of abandonment.⁹⁷ While this proves the technical feasibility of such reconversions, in all of these examples, the end-products were premium flats developed by private real estate developers whose prices are very far from the affordable price level.

Besides these categories, we also provide a short list of other types of non-residential empty spaces. Based on our interviews and our desk research, these types of spaces will not be so relevant in the framework of this project, but it is worth briefly mentioning them:

- **Vacancies in the retail sector:** while there are several abandoned shops, most of these are either too small or architecturally challenging to be converted for residential purposes.
- **Vacant industrial buildings:** since 1989, because many previous industrial factories went bankrupt during the regime change, there have been a significant number of empty industrial spaces in the country. In these cases, both architectural/technical features and location could be problematic. Furthermore, potential contamination of the buildings and their surroundings is almost always a problem, depending on the specific industrial sector in which they operated.
- **Former military barracks:** while architecturally, these buildings can typically be easily converted for residential purposes, they are often located on the outskirts of settlements. With this category, the owner is typically public.
- **Attics of older condominiums:** there are several older condominiums in the inner cities of larger cities where local zoning regulations would allow for the construction of new residential units over the top floors. The attics of these houses are owned collectively by the members of the condominium. There are several examples in the real estate market, such as private developers purchasing these attics from the condominiums and building new flats for sale. While, in theory, this method could be tweaked into a version wherein the main motivation of such investment is not profit-making, our interview partners unequivocally said that they could not imagine this model in contemporary Hungary. The main challenges they mentioned were mainly connected to the demanding process of negotiating with the whole membership of condominiums (for such investments, typically, the written agreement of the majority of dwellers is needed). In sum, this process might be very difficult to scale up, even if, in some cases, it could work. The main potential may be in those cases when entire residential buildings are owned by municipalities.

4.4. Bottlenecks in utilizing empty spaces

As we have seen above, there are a significant number of empty spaces associated with different categories of dwellings in Hungary, and there is also a significant demand for affordable housing. In spite of this, **we have not yet experienced any systematic wave of**

⁹⁷ See a Hungarian language description [here](#).

reconverting empty spaces into affordable homes. In this section, we will explore the main bottlenecks which hinder such reconversions at the present.

The first distinction that must be made is connected to the **ownership of empty spaces**. As stated above, there is a huge difference between the private and public ownership of an empty space. When an owner is private, then profit motives play a crucial role in decisions about the future of the empty property. When the regulatory framework and the legal and economic context do not enable the creation of affordable homes, then private owners will typically not pursue this avenue. Our interview partners from the private sector unanimously referred to this logic; one of them colloquially said that “if the math doesn’t work out,” then there is a low chance of seeing the systematic creation of affordable homes from empty spaces. On the other hand, in principle, public ownership in itself might be an enabling factor for utilizing empty spaces as affordable homes. Public bodies might value socially and environmentally sensitive goals and prioritize them over purely financial gains. For this to happen, however, political will is required, which is not evident in Hungary at the governmental level at the moment. In the following, we will detail some specific aspects that act as bottlenecks and barriers either to private or public owners in relation to turning their empty spaces into affordable homes.

First, as we have described in the first part of this chapter, **the location and the technical/architectural qualities of empty spaces can easily hinder or prevent their potential use as affordable homes**. Thus, these two perspectives can be counted as basic bottlenecks. A significant number of properties are in disadvantageous locations and of dubious technical quality, which might be the very reason for their emptiness. In the case of certain locations (e.g., peripheral places with a lack of jobs and services), even an enabling framework would not be enough to catalyze turning empty spaces into affordable homes.

Second, in Hungary, **construction prices have skyrocketed in recent years**. The construction producer price index, on a 2015 basis, was 233.7 in Hungary in 2023 Q4 (the highest among the EU Member States), while the EU average was only 140.9 in 2023 Q3.⁹⁸ Thus, construction activities usually target the prime market, and strong incentives would be required for the construction of affordable housing. In the case of empty non-residential buildings, when usually only the basic structures can be left intact in the case of a renovation project, only 15-20% of construction costs can be saved compared to a greenfield new development.

Third, **the unfavorable regulatory environment can be seen as the main bottleneck for transforming those empty spaces that are in a favorable location and of satisfactory technical/architectural quality**. By regulation, we refer to several different fields. The most general problem is the lack of an overarching housing policy, as we have described in Chapter 1, since potential stakeholders prefer not to engage in non-standard activities given the lack of stable frameworks. It is also problematic that the tax regime does not currently provide strong incentives. There are only incentives for building new residential units (5% VAT instead of 27%), renovating listed heritage buildings for cultural purposes (corporate tax base reduction), and buying new dwellings in brownfield developments (0% VAT for natural persons). We will analyze this latter measure in the next section, as it can be understood as a potential entry point for

⁹⁸ Eurostat [database on Construction producer prices or costs, new residential buildings - quarterly data](#).

making the current regulatory environment more enabling. Finally, various elements of the building code are also problematic. The most typical problem mentioned by our interviewees is connected to the regulation that for each new residential unit, the real estate developer has to create one new parking space.⁹⁹ This rule significantly increases construction costs and might also have negative urban and environmental effects. Some interview partners also mentioned the regulations connected to the minimum size of certain types of rooms and spaces in a dwelling, along with the strict energy efficiency regulations for new residential buildings. While these elements of the building code certainly increase construction costs, their partial enforcement seems necessary from a quality of life and environmental and climate point of view.

Finally, **a serious bottleneck can be identified on the supply side in relation to the availability of financial tools for the reconversion of empty spaces into affordable housing.** This aspect will be examined in detail in Chapter 5.

All in all, the main bottlenecks preventing the creation of affordable homes from empty spaces are the following:

- The location of empty spaces
- Technical/architectural qualities of empty spaces
- Lack of incentives due to the tax regime
- Lack of national housing and renovation strategies
- Hindering regulations connected to the building code, including strict regulations on the number of new parking spaces required
- Lack of available financial tools

4.5. Entry points and the potential for utilizing empty spaces

In this section, we will list three selected elements of the current regulatory framework that might provide an entry point for creating affordable housing from empty spaces. While most of these measures cannot be described as explicitly enabling or supporting the implementation of the empty spaces framework, they can provide the stepping stone for future reforms and modifications.

Brownfield zoning and incentives:

After 2000, several research projects focused on brownfield zones in Hungary.¹⁰⁰ According to estimates based on contrasting various databases, a study in 2017 concluded that there are

⁹⁹ This is currently regulated by [Governmental Decree 282/2024 \(IX.30.\)](#). In certain cases, local exemptions can be obtained if backed by a study and accepted by the national chief architect.

¹⁰⁰ For a thorough summary of previous research and available databases, see Dannert, É., Pirisi, G. (2017) [Rusty Hungary: New insights in brownfield research](#). *European Spatial Research and Policy*, 24(1): 5-22.

20,000-40,000 hectares of brownfields in Hungary in 300 settlements, of which ca. 150 have less than 5,000 residents. A survey conducted among municipalities with brownfields in their territory concluded that 70.4% of all the areas have buildings on them, out of which ca. one quarter need to be demolished, and almost half of them need substantial renovation. For one-quarter of these territories, the municipalities had no plan for future development, but for two-thirds of them, plans were available. Residential functions were only mentioned in 26% of the cases as potential future functions.¹⁰¹

In 2020, the Hungarian Parliament passed the so-called Rustbelt Act,¹⁰² which created various incentives for real estate developers to develop residential buildings in brownfield areas. The basic idea was to prioritize brownfield developments over greenfield developments and boost the production of new dwellings along with the construction industry. The Act and the following governmental decrees¹⁰³ established the Rustbelt Committee¹⁰⁴ – appointed by the national government – which is responsible for labeling different territories “rustbelt action areas.” Real estate developers should apply for this label, and in the case of approval, they get several advantages. First, their development projects will be considered as being “in the specific interest of the national economy,” which translates both into being fast-tracked through most mandatory bureaucratic processes during their development and being exempt from some. From a planning perspective, this “priority investment” status also means that local municipalities have very limited space to shape these development projects. Second, VAT on newly constructed dwellings in such action areas has been decreased to 5%, while buyers who are natural persons can also claim back this 5% VAT after the transaction. While this approach towards brownfield zones has some positive elements, some aspects are criticized by various actors. The first usual critique is that the application and approval process is not transparent, and typically, government-friendly oligarchs are prioritized as beneficiaries. Real estate developers have already suggested that a territorial logic, i.e., a database of all the “rustbelt action areas” country-wide, would be a more transparent and accountable way of labeling them. From an environmental point of view, it is also problematic that there are no incentives to use already existing buildings; in the absence of such requirements, the typical approach of the developers is to demolish buildings and build new ones. Until 2024, 69 “rustbelt action areas” had been approved, a majority of which are in Budapest.

While currently, there is no national database of brownfield areas, the Municipality of Budapest has a detailed cadaster of brownfield territories. Drawing up this cadaster was recommended during an EU-funded planning and partnership project concluded in 2014, where various stakeholders suggested that an open-access publication of such areas could be beneficial.¹⁰⁵ Since 2016, the cadaster has been updated annually. According to the definition they use, the

¹⁰¹ *ibid.*

¹⁰² [2020. évi LXXVII. Törvény a rozsdaovezeti akcióterületek létrehozásához szükséges intézkedésekről](#), whose content was later included in the Architectural Act, passed in 2023: [2023. Évi C. törvény a magyar építészetéről](#).

¹⁰³ Most importantly, 619/2021. (XI. 8.) [Korm. rendelet a rozsdaovezeti akcióterületek kijelöléséről és egyes akcióterületeken megvalósuló beruházásokra irányadó sajátos követelményekről](#), which also lists all the approved “action areas.”

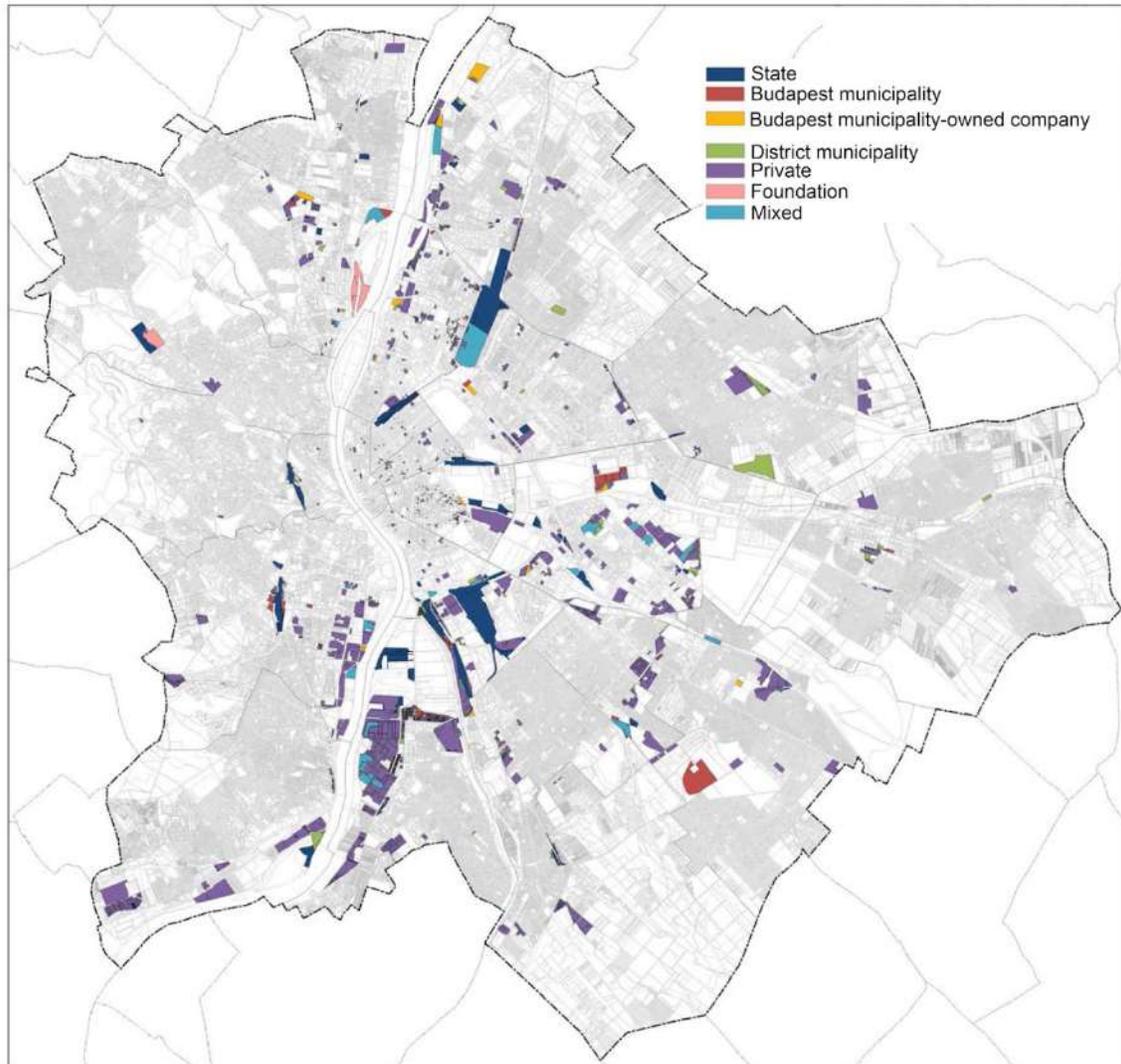
¹⁰⁴ See their [webpage](#).

¹⁰⁵ See the archived webpage of the project [here](#).

cadaster contains vacant buildings and plots as well. According to the newest 2024 edition,¹⁰⁶ there are 2712.5 hectares of brownfield areas in Budapest in 311 different locations. Since 2016, 400 hectares have already been used for development. The majority of the properties from the cadaster are owned by private companies, but the largest properties are typically owned by the central government (Figure 12). The municipality of Budapest and the district municipalities typically own a few properties.

All in all, while currently, the main function of the regulations connected to brownfield areas is to boost the construction of new, typically not affordable homes, with a few modifications and incentives, the system could be an engine behind the conversion of empty spaces into affordable homes in the future. For this to happen, the example of the Budapest brownfield cadaster should be upscaled to a national level.

Figure 12 – Ownership structure of the Budapest brownfields. Source: [BFVT \(2024\)](#), p. 38.



¹⁰⁶ The [current version](#) was presented to the Local Council of Budapest at their meeting on 29 January.

“Zoning and development” contracts

The “zoning and development” contract is a specific tool allowed by Hungarian planning regulations. It can be drawn up between municipalities and private developers, and it can set out the basic framework of a certain real estate development, including the potential additional investments of the private developer. In principle, as in other countries, these contracts could serve as a means of capturing land value. As with municipal planning, the value of certain properties could significantly increase, and the municipalities could ask for “compensation” for this value increase. This could happen in the form of creating affordable housing or providing properties for the municipality that can be turned into affordable housing. While, according to our knowledge, such contracts would be legally possible, we do not know if municipalities would use these tools to expand the local affordable housing stock. In the future, the utilization of this process in the empty spaces approach could be further investigated and tested.

Fast-tracking “priority investments”

Since the 2010s, the legal category of “public benefit investments” has been used more and more often by the government to fast-track and enable certain types of investments. Originally, this legal category was introduced in 2006 with the aim of helping to absorb EU funds after Hungary's 2004 accession. However, since the right-wing Fidesz came to power in 2010, the function of this legal tool has started to shift. In general, with the “public benefit investment” label, investments can bypass certain proceedings usually instituted by public authorities, be fast-tracked in some other cases, and may be exempt from certain legal regulations. Without presenting the legal details, it should be noted that from the perspective of this report, it is crucial that “public benefit investments” can be more easily and rapidly implemented. While this could theoretically be a progressive tool, it is currently often used to favor politically loyal oligarchs, overcome the potential negotiating power of opposition-led municipalities, and push forward controversial investments. While the current practical use of this legal tool is worrying, in the future, we can imagine using similar tools to help projects that are, in reality, in the best interest of the general public, such as turning empty spaces into affordable homes.

4.6. Pre-existing examples and lessons learned

In this section, we will introduce three examples of projects that are similar to those the empty spaces framework aims to catalyze. While we have shown in the previous parts of the report that in Hungary, the reconversion of empty spaces into affordable housing is not a widespread phenomenon, we did identify a few examples when this happened on a small scale. In the following, we will briefly introduce these cases and provide a short analysis guided by the following questions:

- Who were the main stakeholders, and what motivated them?
- How were these cases financed?
- Which elements of the projects could be scaled up?

- Which elements of the projects would it be challenging to scale up?

Municipalities partnering with NGOs to renovate their housing stock

There are at least two NGOs and in Hungary that were involved in converting empty spaces into affordable housing. In both cases, municipality-owned single dwellings were renovated in partnership with the municipalities themselves. The first case involves the From Streets to Homes Association (FSHA).¹⁰⁷ At the time the association was founded in 2013, it started a partnership with the municipality of the 10th District of Budapest within the framework of its “From huts to homes” program.¹⁰⁸ The municipality had vacant and dilapidated dwellings but did not have the financial resources to renovate them. The association was able to collect donations and execute most parts of the renovation with the involvement of numerous volunteers, including the future tenants. The municipality also took care of some of the structural components of the renovation. Once the dwellings were habitable again, the municipality ensured that the new tenants would be charged the lowest possible rent (“social rent”) and provided access to its housing allowance scheme. The new tenants were selected by the association; all of them were homeless people who had previously been living in huts in a nearby urban forest. The whole program was inspired by the Housing First approach, and as it was successful, it was followed by several similar small-scale renovation projects. By 2024, the FSHA had executed 25 similar renovations in this district and six others in three other districts of Budapest.

The second case is connected to the Habitat for Humanity Hungary.¹⁰⁹ Together with the FSHA, they executed a very similar renovation project in District IV of Budapest in 2014 after a large flood that washed away several homeless camps in the district. They started a partnership with the district municipality and a program similar to FSHA’s. Their Housing First program ran until 2019, during which 20 dwellings were renovated in a few Budapest districts.

In both cases, the drivers of these projects were NGOs from the field of housing, while the main partners were municipalities, and the beneficiaries were homeless people. In both cases, vacant municipality-owned dwellings were renovated with the involvement of donations and volunteers, collected and organized by the NGOs. From the perspective of potential scaling up, it is important that through these projects a legal, technical, and organizational protocol was worked out that could be used in other locations as well. However, given that local regulations that apply to the public housing sector can be very different from those for different municipalities, this does not mean that the protocols may be copied without modification. At the same time, the financial side of these projects is, at the moment, far from sustainable. There is a constant need to secure donations and/or volunteers. Thus, in the case of potential scaling up, a more stable financial stream would be needed, potentially in the form of public subsidies, as yields are not likely to be produced by such a framework.

¹⁰⁷ See their [webpage](#).

¹⁰⁸ Kovács V. (2014) [A Város Mindenkié csoport “Utcáról lakásba” kísérlete Kőbányán](#). *Esély*, 26(1): 92-106.

¹⁰⁹ See their [webpage](#).

Besides these two cases, the so called “Lakni kell!” initiative follows a similar strategy, but instead of an NGO, the main partner in this case is the Faculty of Engineering and Information Technology of the University of Pécs. Architectural students plan various interventions – among them renovation of vacant and bad quality municipality owned dwellings – NGOs are helping with their know-how and volunteers, and donations are collected for covering construction costs¹¹⁰.

Municipalities renovating their properties from EU funds

Since Hungary’s EU accession, and especially since the 2007-2013 EU framework program, the EU’s Cohesion Fund has been an important source of funding for urban regeneration. Since 2007, EU regulations have required each Member State to spend at least 5% of its ERDF funds on integrated urban development. In Hungary, this resulted in subsequent national calls for socially sensitive urban regeneration projects targeting segregated neighborhoods. Some of the projects carried out within these frameworks involved renovations of empty spaces, mainly dilapidated municipality-owned dwellings. From the perspective of segregated neighborhoods, this was a crucial source of funding, as no comparable source was available with such social targeting. However, altogether, only a few hundred dwellings were affected nationwide. A monitoring study of such activities was created for the 2014-2020 period,¹¹¹ but unfortunately, no data is available specifically about renovations. Based on the case studies and the conclusions of the report, we can assume that renovations happened in a few dozen municipalities, and low-status tenants could move into formerly vacant municipality-owned rental units. At the same time, the case studies in the report indicate that some of these projects encountered serious hardships, including serious delays in implementation, not necessarily cost-effective and technically sound renovations, problems with targeting and inclusion, etc. It is also important to mention that all of these projects had to be “integrated” ones, meaning that besides renovation, multiple other tasks were carried out, such as infrastructural investment, the acquisition of new dwellings and demolition of old ones, social work, cultural and community programs. Thus, renovations were not the focal point of these projects.

Similarly to the NGO-led renovations, the empty spaces in these projects were municipality-owned dwellings. The projects were financed 100% from EU funds. The most important innovation of these projects was the demonstration of how integrated development projects can be efficient, i.e., that “hard” investments benefiting low-income communities should be carried out in parallel with “soft” interventions. In the case of potential scaling up, this approach should definitely be maintained. However, the strict, top-down nature of the project regulations caused serious hardship for municipalities, especially smaller ones. This learning suggests that in scaling up associated with smaller municipalities, either simpler regulatory frameworks should be used with minimal administrative burdens or a genuine effort should be made to develop local project management and administration capacities. Another lesson is that several municipalities face hardships when they need to work with low-status beneficiaries in a

¹¹⁰ See this [media article](#) about their most recent intervention.

¹¹¹ See the report and its annexes [here](#).

supposedly inclusionary and participative setting. This implies that NGOs and third-sector housing providers could be important partners for municipalities in any empty spaces project.

Besides urban regeneration projects carried out within the framework of national-level operative programs, in three cases, municipalities received grants directly to implement pilot projects involving reconvert empty buildings into affordable homes. Between 2019 and 2023, the municipality of District XIV of Budapest implemented the E-Co-Housing project with a network of partner organizations. Within the project, a derelict and unoccupied, municipality-owned residential building was renovated, and 20 households were able to move into an energy-efficient and affordable building.¹¹² The project received ca. 4.5 million EUR funding in the framework of Urban Innovative Action (UIA), financed from the ERDF budget. In 2024, a consortium led by the Municipality of Budapest started a similar project, this time financed by the European Urban Initiative with ca. 5 million EUR from ERDF. The project, entitled Affordable Housing for All, is attempting to reconvert a vacant, municipality-owned school building into an energy-efficient, affordable residential building in District IV in Budapest.¹¹³ The project will last until 2027, and the project team is currently preparing the public tender for the renovation work. A third project is funded through the Driving Urban Transition framework of the EU, entitled ENERGY4ALL.¹¹⁴ Within a larger international consortium, the Municipality of Budapest is participating in a pilot project¹¹⁵ focusing on the energy-efficient renovation of another school building, potentially turning it into an affordable residential building that could serve as a crucial stepping stone towards a positive energy district. The project will last until 2026, and it covers the planning phase of this reversion.

Social housing agencies

In recent decades, one of the few innovations in the field of housing policy in Hungary was the introduction of social housing agencies. Currently, there is one NGO and a few municipalities that run social housing agency programs. The basic model here is that a mediating agency – the social housing agency – connects the owners of vacant dwellings with potential tenants in need of affordable housing. From the perspective of this report, the social housing agency model is especially relevant, given the high number of unoccupied dwellings reported in the 2022 census.

The introduction of the social housing agency model – as part of a complex, country-wide housing reform – was already proposed in a joint publication of the Metropolitan Research Institute and Habitat for Humanity Hungary in 2013.¹¹⁶ While the proposal was not taken over

¹¹² See the project [page](#) on the Urban Innovative Action website.

¹¹³ For more information, see the [webpage](#) of the project.

¹¹⁴ See the project [webpage](#).

¹¹⁵ The pilot's project acronym is ASCEND, which refers to another parallel international project consortium that is running between 2023 and 2028 and experimenting with planning and creating positive, clean energy districts. See ASCEND's webpage [here](#).

¹¹⁶ Hegedüs, J., Horváth, V., Somogyi, E. (2013) [A szociális lakásügynökségek - egy innovatív lakáspolitikai megoldás](#). Városkutatás Kft. - Habitat for Humanity Magyarország.

by the government, there is one NGO-run and a few municipality-run social housing agencies currently in Hungary, which, to a large extent, follow the basic principles.

The only NGO-run social housing agency belongs to the From Streets to Home Association (FSHA), already mentioned above. Currently, they manage ca. 40 dwellings. All of these are owned by natural persons who sign a contract with FSHA, provide their homes for FSHA as managers/maintainers, and usually ask a below-market price for this. In exchange, FSHA takes care of the homes and organizes for tenants in need of affordable housing. Most of the time, the tenants are helped by the social workers from FSHA as well, as the main target group is homeless or low-status people. In recent years, FSHA has started to collaborate with trade unions, and in some dwellings, trade union members live for slightly higher rents without the need to be assisted by social workers. Another specific target group is young people leaving state care institutions – this program is currently being implemented.

Besides FSHA, there are the municipalities of Szombathely and Budapest's Districts VIII and I, which have also started similar programs in recent years. In these cases, the agencies are part of the municipalities, which, on the one hand, involves some more bureaucratic constraints, but on the other hand, tenants can directly access housing allowances. These programs currently manage a few dozen dwellings.

The main learning from these programs is that they are doable on a small scale, both in an NGO-managed and municipality-led way, even in the absence of central governmental subsidies. Financially, these programs are not self-sufficient; either donations and grants or municipal subsidies (housing allowances for tenants and core grants for the organization) are needed for a positive cash flow. In the case of potentially scaling up, these sources could be substituted by central governmental subsidies. From a financial perspective, it seems that in the short term, more impact can be achieved with a social housing agency program that uses the same amount of subsidies than simply expanding the social housing system, especially in historical periods when there are many unoccupied, privately owned dwellings. Thus, there is great potential in contemporary Hungary for scaling up this program, especially because there are several publications that share the accumulated lessons and know-how so far.¹¹⁷

Summarizing the learnings from existing projects and programs that are similar to the empty spaces approach, we conclude with the following points:

- Currently, only municipalities and NGOs have accumulated knowledge about systematically reconverting empty spaces into affordable homes. National-level public bodies and private developers have not yet engaged in such activities.
- Three specific types of empty spaces have been involved in these pre-existing programs: unoccupied private dwellings (through social rental agencies), vacant municipality-owned dwellings, and, to a lesser extent, vacant municipality-owned non-residential buildings. Vacant privately owned non-residential buildings and government-owned buildings have not yet been part of any similar projects.

¹¹⁷ See the FSHA [website](#).

- From a financial point of view, three financial tools have so far been mobilized and tested: private donations, EU grants, and municipality sources. If we consider scaling up these programs, government subsidies and/or loans/investments from capital markets will probably also be required.
- Regarding know-how and technical/legal/organizational protocols, the above-mentioned programs have already accumulated considerable knowledge, most of which is already accessible in publicly available reports and articles. However, it has not yet been fully explored how exactly these programs could be taken to the next level – involving larger quantities of empty spaces being reused or reconverted. For this to happen, either governmental or financial actors will be required to enter the picture and contribute with their specific perspectives and knowledge.

5. Housing finance landscape

This chapter outlines housing finance mechanisms enabling or constraining the transformation of empty spaces into affordable homes in Hungary. Pre-existing funding models and public subsidies for housing are described in terms of how these might be channeled into the empty spaces landscape. Next, bottlenecks to financing empty space renovations are highlighted, with proposals for overcoming these obstacles.

We will not provide an analysis of standard housing finance tools (such as standard housing loans for households and standard project loans for developers) for two reasons. On the one hand, these are not enabling in their present form for the empty spaces framework. On the other hand, we have recently analyzed these financial products in the framework of a collective research project, including HFHI.¹¹⁸

5.1. Inventory of housing finance schemes

This section provides an inventory of recent and currently existing housing finance funding schemes. The main conclusion of the inventory is that public housing subsidies in Hungary are not planned and implemented in a strategic way, there are few instances of enabling subsidy schemes, and private funding is not incentivized to invest in affordable housing, including the transformation of empty spaces. The housing finance schemes are summarized in [Table 8](#).

Table 8 – Inventory of existing funding schemes

Eligible stakeholders	Name of funding scheme	Appropriateness for the empty spaces approach
Private persons	Non-reimbursable cash grants (e.g., family housing benefit)	A small fraction is probably used for buying empty residential units.
	Subsidized loans	A small fraction is probably used for buying empty residential units.
	Renovation schemes	Applies only to residential properties; dwellings must often be already in use to be eligible.
Legal entities	VAT reduction	Incentivizes new constructions and not renovations.

¹¹⁸ Pósfai, Zs. et al. (2022) [Catalytic capital investment as an enabler of affordable rental and cooperative housing in Central and South-Eastern Europe. Full Research Report](#). Budapest: Periféria Policy and Research Center

	Bond purchase as a non-conventional monetary policy instrument	Not appropriate in its current form. Can be appropriate for financing specific programs geared toward empty spaces.
	Government providing financing to invest in real estate funds	Not appropriate in its current form, as non-profit real estate funds for affordable housing are so far non-existent.
	Conventional loans by financial institutions	Relatively expensive form of financing; financing with long maturity not available.
	Philanthropic funding	Almost non-existent in the housing sector.
	Crowdfunding/crowdfinancing	Volumes are inappropriate for relatively expensive housing projects; legal environment is not fully adequate yet.
Municipalities and other publicly-owned entities	EU funds as direct funding for specific projects	Appropriate for pilot projects.
	EU funds in national-level operational programs	Theoretically appropriate for upscaling, if introduced in a targeted way.
	Grant funding from national resources	Some of the projects turned empty spaces into homes.

The first group of pre-existing funding schemes and financial incentives are targeted at private persons. As homeownership is currently the most dominant form of housing tenure, most housing finance schemes target natural persons. All policy tools in this group are typically available for households with relatively high earnings and secure employment; poorer households are not creditworthy and cannot receive the non-reimbursable cash grants either. Some of the loans also incentivize buying property for investment purposes, which increases the number of empty residential units on the Hungarian housing market instead of decreasing their presence.

Non-reimbursable cash grants for natural persons to buy or renovate housing have been present in the housing finance policy toolkit for several decades in Hungary. The current “family housing benefit” scheme (“*falusi csok*”) provides 0.6-15 million HUF cash grants for families with children to buy, build, renovate, or extend houses in designated rural areas with declining population numbers. The size of the cash grants depends on the number of children (current and future) and the proposed use of the grant. Smaller amounts are available for renovation of existing property; larger amounts can be acquired for buying new-built property for families with at least three children. Between 2016 and 2023, 38 thousand families received this funding.¹¹⁹ In early 2024, two-thirds of applicants used the grant to buy property, and only one-third used it for renovation or extension.¹²⁰ We have no information on how many applicants used the

¹¹⁹ Papházi, T., Trieb, M. (2024) [A Családi Otthonteremtési Kedvezmény \(CSOK\) igénybevételének eredményei 2016. január 1. és 2023. December 31. között \(MÁK adatok alapján\)](#). Kopp Mária Intézet a Népességért és a Családokért.

¹²⁰ MNB (2024) [Housing Market Report, May 2024](#). Magyar Nemzeti Bank.

grant to turn an empty property into a permanent family residence. We assume that the funding scheme incentivizes homeownership and renovation in more peripheral locations to a large extent. The current funding mechanism is not geared towards revitalizing empty homes. The cash grant cannot be used for the functional change of non-residential property into residential space.

Subsidized loans for natural persons have been a key policy tool in recent years and are provided by the Hungarian government to support homeownership and, partially, renovations. One of the current tools is the “family housing benefit plus” (“*csok plusz*”) scheme, which is a fixed, 3% interest rate mortgage of a maximum of 50 million HUF. The central government budget pays the difference between the market interest rate¹²¹ and the 3% fixed interest rate. Only families who agree to have children in the future can apply for these subsidized loans, and the loan threshold depends on the number of future children to be expected. Loans can be used to buy, build, or extend residential property. Renovations are not eligible. Ten million HUF of the loan is forgiven after the birth of a second child and another 10 million HUF after a third.¹²² The mechanism incentivizes acquiring property; revitalizing empty spaces is not part of the policy aims of the tool.

A second key type of subsidized loan is the ‘baby-expecting loan’ (“*Babaváró támogatás*”), which is an unsecured loan for married couples under 35 years who expect children. The loan of a maximum of 11 million HUF is interest-free, and its use is unrestricted. The difference between market rates and the 0% fixed interest rate is paid by the central government budget. Previous research showed that most applicants used the loan for housing-related purposes, either for buying or for renovation.¹²³ As in the case of “*csok plusz*”, after the birth of the second and third child, a certain amount of the loan is forgiven as well. The baby-expecting loan does not promote turning empty spaces into affordable homes, but as an unrestricted loan, it can be used by creditworthy households for such purposes.

A special, **subsidized mortgage scheme was available between 2021 and 2022 for buying and building energy-efficient residential properties**. As an “unorthodox” monetary policy instrument, the Hungarian National Bank (*Magyar Nemzeti Bank - MNB*) provided refinancing for credit institutions (at a 0% interest rate) that provided mortgages to natural persons with a fixed 2.5% interest rate.¹²⁴ Dwellings were eligible if their yearly energy consumption was less than 80 kWh per square meter. The financial mechanism was geared towards affluent households buying newly built energy-efficient homes, either as residences or as investments. Three hundred billion HUF for 8,600 households was channeled into boosting the construction industry and the mortgage market via this scheme, without any consideration of how this money would be most effectively spent (e.g., through combining the societal and environmental aspects of housing provision).

¹²¹ Currently, the base rate set by the central bank is 6.5%.

¹²² Palkó, I. (2025) [Itt a CSOK Plusz 2025: feltételek, táblázatok, részletek egy helyen!](#) Portfolio.hu

¹²³ Fellner, Z., Marosi, A., Szabó, B. (2021) [A babaváró kölcsön hitelpiaci és reálgazdasági hatásai.](#) *Közgazdasági Szemle*, 68 (February): 150-177.

¹²⁴ For details of the program, see Komlóssy, L. (2023) [Sustainability aspects in housing loans: the FGS Green Home Programme.](#) In: Pulay, Gy. (ed.) *From the turnaround in lending to the green transition*. Budapest: Magyar Nemzeti Bank, 57-66.

Private persons can currently apply for support for renovating residential properties from two sources. **One, an energy-efficiency-oriented renovation program, will be financed by an EU-funded operational program** between 2025 and 2027. This combines interest-free loans and cash grants for approximately 25 thousand detached houses. This scheme does not specifically target energy-poor households, and the application procedure is bureaucratic. Only already inhabited residential properties are eligible for funding,¹²⁵ which excludes the opportunity to reconvert empty spaces using this scheme. **The second renovation program has been running using central government sources** since January 2025. The cash grant is available for families living in designated depopulating rural municipalities. It covers 50% of renovation costs up to 3 million HUF.¹²⁶ Only residential properties owned by applicants are eligible for funding, which makes it extremely difficult or even impossible to channel this funding scheme into the functional reconversion of non-residential property. It is expected that funding will be channeled into renovations in peripheral locations (Types B and D, Chapter 4.1.) in the case of the renovation of empty residential units.

The second large element of the housing finance toolkit comprises central government public funding schemes and financial measures for legal entities, particularly developers. The currently available tools are typically geared towards new-built residential properties to be sold swiftly by the developers.

Conventional project loans for real estate developers, provided by private financial institutions, are the standard way of financing build-to-sell residential projects. In the Hungarian context, these project loans are short- to medium-term and optimized for such projects. Project loans for affordable build-to-rent housing are nonexistent in the Hungarian context. Pilot projects might be needed to show the financial viability of such projects, including the empty spaces to homes approach so that financial products for affordable housing are developed by financial institutions. Also, significant risks to both parties stem from the higher interest rates in Hungary compared to the eurozone, from the fact that Hungary is outside of the Eurozone, and also because of the “country risk” rooted in the economic exposure of the country. These factors translate into relatively costly project loans that make these typical for-profit housing projects unaffordable for vulnerable social groups. New constructions are typically accessible only to buyers with relatively high incomes and wealth. However, subsidized financing mechanisms for developers and other market actors are also available, even if these subsidies typically do not contribute to more accessible or affordable projects but rather to the increased activity and/or profitability of market actors.

One subsidized financial mechanism is **the reduction of the 27% VAT rate to 5% applicable to sales of residential property by legal entities**. The VAT reduction was introduced in 2016 as an interim measure to boost the construction industry, but it was permanently renewed and will be available until 2030. The VAT reduction did not lead to a decrease in house prices. In fact, the VAT reduction in its present form incentivizes selling new-built housing as fast as possible to ensure that buyer demand exists and to minimize developers’ financial risks. When combined with the “family housing benefit” scheme (*“falusi csok”*) in designated rural

¹²⁵ See the program’s info sheets as well as the documentation [here](#) and [here](#).

¹²⁶ [Government decree 389/2024 \(XII.11.\)](#)

municipalities, VAT can be reimbursed in full, which means an effective 0% VAT rate for these newly built units.

Another initiative used by for-profit housing developers is the active non-conventional monetary policy toolkit of the MNB (the National Bank of Hungary). Between 2019 and 2021, MNB purchased bonds of domestic non-financial corporations with a value of 1550 billion HUF, with a maturity of 3-30 years. This program, the Bond Funding for Growth Scheme, provided cheaper and more secure financing for some real estate developers.¹²⁷ A similar scheme could be used for developers involved in the upscaling of an “empty spaces to homes” program. To function effectively, a dedicated amount would need to be allocated to affordable housing bond programs, with guarantees that the developed real estate is indeed affordable. Also, such funding would need to be available for a longer time to be institutionalized effectively.

As a short-term measure for boosting the construction industry, the government launched a **capital investment program into real estate funds** for the period between March and December 2025. Two hundred billion HUF will be allocated to real estate funds to help construct 30 thousand housing units in five years. The details are unknown at the time of writing this report, but to maximize financial gains and increase the circulation of capital, we assume that build-to-sell investments will be incentivized through the conditions of the scheme.

On the international scene, **philanthropic funding** is used to co-fund affordable housing projects. In Hungary, the philanthropic scene is relatively small, and housing projects run from such resources are not typical. **Crowdfunding and crowdfinancing are also less widespread in Hungary than in Western Europe and the United States, and so far, they have been unable to finance larger-scale** housing projects reliably. Crowdfinancing also needs to be approved by the financial oversight authority, the MNB.

A third group of stakeholders are **municipalities and other publicly owned entities**, which are eligible for non-reimbursable grants from the European Union or national sources. Section 4.6 introduced some of such housing programs in detail. In this section, we focus only on financing mechanisms.

Grants from direct European Union sources are important in financing pilot projects associated with empty space reconversions. In recent years, a few empty space reversion projects in Hungary have been realized using such financial resources. One district municipality of Budapest renovated an unused building for social housing, including community-building and eco-friendly solutions.¹²⁸ The financial source was the Urban Innovative Actions initiative, which aims to test new and unproven solutions to address urban challenges. A second project, financed by the European Urban Initiative, is currently run by the Budapest Municipality. The aim is to renovate an unused school building and establish affordable housing units in it. This project will also generate knowledge on how such renovations can be upscaled.¹²⁹ Generally, pilot projects have so far failed to build long-lasting institutional structures and financial mechanisms that would help upscale these initiatives.

¹²⁷ For details on the program, see the [website of Magyar Nemzeti Bank](#).

¹²⁸ See the project info sheet [here](#).

¹²⁹ See the project info sheet [here](#).

Funding from the European Union is also channeled by national governments in operational programs. **Operational programs would theoretically serve as stepping stones between pilot projects and long-lasting structural and institutional solutions.** This is, however, not the case in Hungary. While some calls connected to operational programs were able to fund municipal housing renovation, construction, and conversion projects, these have been one-off financing mechanisms during an EU budgetary period of seven years. Thus, municipalities cannot strategically plan on such calls being available. In the current and past programming periods of the EU, such funding was available for Hungarian municipalities to renovate or build new public housing units. As resources were limited, renovation projects were incentivized instead of new constructions. Most municipalities also defined target groups of tenants, for example, young persons (to counterbalance depopulation) or locals working in public services (teachers, public servants, social workers, etc.). EU funding covered most of the renovation costs.

The national government launched some smaller **public housing expansion programs for certain target groups** in which municipalities were key stakeholders. This source of financing is also unreliable, as it is typically available only for a few years and discontinued afterward. As municipalities cannot reliably count on these sources, they are disincentivized to think strategically about their public housing stock and its financing. The first program was aimed at reducing labor shortages by building workers' hostels. An accommodation capacity of 10,000 has been established in the past few years, partly by private actors and partly by municipalities. Many of these projects reconverted empty spaces (such as former military barracks). Recently, the program changed to fund private entities establishing workers' hostels instead of projects run by non-profit actors. The second program was available for small settlements to establish housing units for public workers, especially general practitioners and pediatricians. This program reacted to the shortcomings of public services in rural areas. In most cases, municipalities built new houses instead of renovating empty buildings, as new constructions were not incentivized in the call. Another limitation is that tenants are eligible to buy these properties after five or ten years, leading to the siphoning off of public funds for private financial gain. Between 2019 and 2022, more than 500 units were built or renovated nationwide with the financial assistance of the program.¹³⁰ The program has been merged into a general call for renovating buildings in public ownership in rural areas since then.

5.2. Bottlenecks and potential means of overcoming them

In order to kickstart and upscale the empty spaces approach in affordable housing provision, the bottlenecks of financing need to be identified and overcome. In this section, we identify four key steps through which some financial bottlenecks could be overcome. In Chapter 6, we will also analyze the potential role of different stakeholders in ideal future scenarios.

¹³⁰ See the program website [here](#). For a discussion of the results, see Czirfusz, M. (2022) Kormányzati szakpolitikák és költségvetési kiadások. In: Vankó, L. (ed.) *Éves jelentés a lakhatási szegénységről 2022*. Budapest: Habitat for Humanity Magyarország, 8-24.

Step 1. Securing long-term and affordable loan-based financing. Long-maturity loans with low interest rates are the backbone of affordable housing projects throughout Western Europe. In Central and Eastern European homeownership-dominated countries, such loans are not present in the portfolio of financial institutions, as the main channel of housing finance is mortgages for private persons buying property. Loans for legal entities are generally short-term project loans and similar financing mechanisms. Therefore, the institutional rental market sector is also missing, as real estate developers cannot access long-term financing for rental housing projects. From the perspective of financial institutions, the lack of legal entities and institutions in affordable housing provision discourages them from developing products for long-term loan-based financing for affordable housing.¹³¹ Regulatory changes, as well as the active role of the central government and MNB as a supervisory authority, could encourage the development of loan-based funding mechanisms for affordable housing projects, including the empty spaces approach. For example, the limitations on municipalities obtaining loans need to be lifted. According to current regulations, local governments need the approval of the national government to take out loans, but pre-defined criteria concerning how the national government decides on such matters are missing. This leads to insecurities when planning affordable housing projects with loan elements.

Step 2. Facilitating investment-based financing. The lack of long-term financing for affordable housing projects might be bridged by investment-based financing, including that applicable to empty spaces. A previous report¹³² found that patient capital seeking lower interest rates with sustainable and social missions might be incentivized to invest in affordable housing projects. Such actors might include the investment branches of financial institutions, including social banking branches, and other impact investment sources. Ideally, to upscale such projects, intermediary organizations are needed to collect investments and finance individual projects, which might also serve as a revolving fund for housing projects. In the pilot phase, project-specific collections of funds might be acceptable to show market actors that the legal and financial plans of such projects are viable. Intermediary institutions can also help bridge the demand for long-term loans and the supply of short-term loans with constant refinancing. Such intermediary organizations are currently missing in Hungary. For scaling up and introducing the empty spaces approach, capacity-building is also needed.

Step 3. Creating financial mixes. As shown in Section 5.1, grants and subsidies are a relatively unreliable source for affordable housing projects in Hungary, as the strategic planning of housing finance is completely lacking. As international examples show, grants and subsidies by public actors are necessary elements of affordable housing finance. In the Hungarian context, only the central government budget has the appropriate resources to launch programs

¹³¹ For details, see Pósfai, Zs. et al. (2022) [Catalytic capital investment as an enabler of affordable rental and cooperative housing in Central and South-Eastern Europe. Full Research Report](#). Budapest: Periféria Policy and Research Center - especially Section 4.2.

¹³² Pósfai, Zs. et al. (2022) [Catalytic capital investment as an enabler of affordable rental and cooperative housing in Central and South-Eastern Europe. Full Research Report](#). Budapest: Periféria Policy and Research Center; Section 4.3.

for affordable housing finance that utilize empty spaces on a larger scale. Municipalities lack the legal capacity and financial means to launch such projects because of their very limited budgets. At the EU level, the new European Commission (2024-2029) is expected to channel cohesion policy funding into housing. If such channels open up, the empty spaces approach could be introduced on a much larger scale if such calls are launched by the government in EU operational programs. Also, regulatory changes would be needed to open up financing mechanisms for interest-subsidized housing loans that support legal entities, preferably in the non-profit sector, to finance affordable housing projects. Other subsidies and investments might be allocated through the state-owned Hungarian Development Bank, which, until now, has not moved strategically into the housing sector.

Step 4. Decrease risks through guarantees and public frameworks. Public sector participation in affordable housing projects might take the form of guarantees. Land lease rights and participation in community land trusts are increasingly used in several countries. Hungarian experience with such contracts is lacking, but an empty spaces pilot project could help better explore how such contracts would help non-profit housing developers provide affordable housing in the form of novel institutional arrangements.

6. Key housing actors – field analysis

In this section, we will provide a short analysis of the Hungarian “field of empty spaces,” where we will focus on different stakeholders. In each case, we will first show what an ideal role different stakeholders could play in applying the empty spaces perspective in Hungary. After that, we will contrast their ideal roles with their current, actual roles. Finally, we will introduce ideas about how to make the actual roles closer to the ideal roles of different actors. We have grouped the stakeholders into six larger types, and in some cases, we will further subdivide these types into sub-types where we feel it is necessary.

6.1. Public stakeholders

Looking at international examples of utilizing empty spaces as affordable homes, we cannot find a single case where public stakeholders are not involved, at least to some extent. In an ideal scenario, public entities would create an enabling regulatory environment with clearly defined strategic policy goals, provide adequate financial subsidies, and manage publicly owned empty spaces in a progressive and economical manner. The central government would create enabling rules and financial sources specifically for municipalities, who would work together in partnership with local stakeholders to turn empty spaces into affordable homes. Ideally, public subsidies would be paired with EU funds, and national programs would learn from international examples of good practice.

In reality, public actors are currently not committed either to creating affordable homes or to utilizing empty spaces (with a handful of exceptions, mainly at the municipal level, as introduced above). Housing policy regulations are typically weak and dysfunctional, municipalities lack adequate financial resources to manage their housing stock, and cooperation between EU-level and governmental actors is weak or non-existent. Thus, the absorption of potentially available EU-level financial resources is minimal.

6.1.1. Central government

Since 2010, the Hungarian state has moved towards centralization in various domains.¹³³ Under such circumstances, the central government would be a crucial actor in reforming housing policies. Ideally, the central government should be the actor that defines a long-term strategic framework for housing policy that includes facilitating turning empty spaces into affordable homes. Moreover, the central government would have the legislative power to guide local municipalities towards more progressive local housing policies. The central government

¹³³ Jelinek, Cs. (2020) [“Gúzsba kötve táncolunk”: Zsugorodás és a kontroll leszivárgásának politikai gazdaságtana magyarországi középvárosokban.](#) *Szociológiai Szemle*, 30(2): 115-136.

would also have a key role in channeling available grants and loans from the EU level towards the affordable housing sector.

Currently, none of this is happening. No housing strategy has been accepted by any government since 1990, and the currently available housing policy instruments typically support already more well-off households buying their own homes. There is no holistic regulatory framework for utilizing empty spaces. The policy measures that are connected to the issue – such as the Rustbelt Act – only focus on newly built homes, and affordability is not among the priorities. The local governmental system systematically asserts budgetary control over larger municipalities, especially those with leaders from the political opposition, and municipalities can only take on loans with governmental approval. Thus, municipal investment capacity in the affordable housing sector is extremely limited. On top of that, Prime Minister Orbán has repeatedly associated rental housing with allegedly obsolete state socialist practices, which seems like the most crucial political obstacle to any meaningful reform.

It follows that, for the introduction of the empty spaces approach in Hungary, several steps would be needed from the central government; thus, this can be identified as a crucial target for future policy advocacy. Interestingly, at the end of 2024, central governmental communication started to thematize the issue of the “housing crisis” and promised to focus on this policy field in the coming months. This has happened in the context of coming parliamentary elections in 2026 and with the rapidly increasing popularity of a new opposition party called “Tisza.” This narrative U-turn of the central government, with the coming electoral campaign starting in 2025, might provide a window of opportunity for advocating for reforms in the housing system.

6.1.2. Hungarian National Asset Manager Inc. and other public companies

In an ideal scenario, vacant government-owned properties could be an important asset for running programs in the empty spaces framework. As we have shown previously in Chapter 4, the central government owns very few residential dwellings in Hungary, but there are a considerable amount of non-residential properties in public ownership. According to the legislation, the Hungarian National Asset Manager Inc. (HNAM), a 100% public company, is responsible for managing these assets. In some specific cases, larger public companies also have their own real estate portfolio; a notable case is MÁV, the national railway company,

Currently, one central problem with HNAM is that there is no national cadaster of vacant properties. Besides this, our interview partners unanimously stated that it is very hard to negotiate or communicate with HNAM, especially in the absence of clear and transparent guidelines about how to manage public properties. A notorious recent case nicely illustrates the problems associated with HNAM and MÁV. In 2024, one of the largest brownfield areas (ca. 100 hectares) in Budapest, around Rákospuszta railway station, was sold without public consultation or a tender to Eagle Hills, a United Arab Emirates-based real estate developer.¹³⁴

¹³⁴ For further details, see this [article](#).

This developer has a dubious track record of creating supposedly luxurious projects with catastrophic urbanistic consequences, often surrounded by corruption scandals, such as the “Belgrade Waterfront.” The future of Rákosrendező is still unknown, as the Municipality of Budapest is trying to legally challenge the acquisition, which might result in a lengthy legal process. However, this case nicely illustrates how far HNAM and MÁV are from operating according to an ideal empty spaces approach. In order to decrease this distance, the first step should be to create a publicly available national cadaster of vacant buildings based on the example of the Municipality of Budapest, after which a thorough analysis could follow, focusing on the potential utilization of these buildings.

6.1.3. Hungarian Development Bank

The Hungarian Development Bank (MFB) is a 100% government-owned bank with the mission of “supporting long-term economic development” and providing “loans with favorable conditions” to Hungarian households and companies.¹³⁵ MFB has several subsidiary companies, including one that specializes in providing public guarantees (Garantiqa Hitelgarancia Zrt), one that specializes in investment (MFB Invest Ltd.), and one is a real estate developer and manager (MFB-Property Development Ltd.). Ideally, as has happened in numerous international cases, the MFB group could be an intermediary between EU-level banks (such as EIB or CEB) and Hungarian stakeholders in a program that focuses on reconverting empty spaces into affordable homes. The diversity of MFB group (it includes almost a dozen subsidiaries), as well as the various financial tools it already deploys (subsidized loans, guarantees, equity investments, social bonds, etc.), could make MFB an ideal stakeholder and the financial engine behind a larger empty spaces program. However, based on publicly available records, MFB currently has no plans similar to this ideal scenario. Based on information gained from interviews, it seems that the current approach of the national government toward housing policy prevents MFB from taking any steps toward developing an empty space or affordable housing program. It follows that the potential role of MFB in any future project hinges upon advocacy at the governmental level.

This advocacy activity could build on pre-existing MFB-led programs that have at least some elements of what would be needed for them to play a leading role in an empty spaces program. These (selected) programs are the following:

- In 2023, MFB already secured a 50 million EUR loan from CEB for financing its Energy Efficiency Loan Programme, through which the energy efficiency renovation or renewable energy projects of micro, small, and medium enterprises were financed.¹³⁶ The Programme had no specific housing-related goals.

¹³⁵ See their [webpage](#).

¹³⁶ See this [article](#).

- During 2024 and 2025, the government launched an energy-efficient renovation program for households in two waves, supposedly¹³⁷ with the help of EU grants. MFB has been involved as an implementer of these programs,¹³⁸ through which 20,000 homes are planned to be renovated.
- According to governmental plans, starting in March 2025, MFB will invest 200 billion HUF (ca. 500 million EUR) in new or already existing real estate funds, with the aim of boosting the construction of dormitories and housing. MFB's share of the funds will be capped at 70%, as it is expected that private investors will contribute to the investments. While the details of this program have not yet been announced, it seems certain that the reconversion of empty spaces will not be a focus, and it remains to be seen whether the affordability of these newly created units will be a requirement (and if so, how this will be defined).¹³⁹

6.1.4. Hungarian Central Bank

From an orthodox economics point of view, the main role of central banks in the domain of housing could only be to keep inflation rates low and thus to prevent the polarizing effects of increasing (real estate) prices. However, the Hungarian Central Bank (MNB) has been explicitly endorsing “unorthodox” measures over the last decade, which suggests the possibility that MNB could be a crucial actor in an ideal empty spaces program.¹⁴⁰ In such an ideal scenario, MNB would not only enable market actors to provide and obtain access to cheap capital through regulation activities but also implement various programs for catalyzing the reconversion of empty spaces into energy-efficient affordable homes. There are at least two MNB interventions from recent years that are worth mentioning in the context of this report as potential references for advocating for progressive activities in the future:

- In 2013, MNB started its Funding for Growth Scheme (FGS), which provided interest-free capital for commercial banks to be lent on to SMEs with a maximum 2.5% interest rate and a maximum ten-year maturity. While this post-crisis instrument was not channeled towards real estate and housing, in our interviews, we learned about real estate reconversion projects from this period being financed by this cheap loan. The Scheme was later readjusted in several rounds, and since 2021, it has been geared towards financing “green homes.” Until 2022, a 300 billion HUF “green home” loan was disbursed to households with a maximum 2.5% interest rate and 25-year maturity by commercial banks (who got this capital as an interest-free loan from the central bank). The main condition was that new, energy-efficient homes had to be built or bought, but renovations were also allowed. According to an analysis, 80% of this loan was spent on

¹³⁷ Given the uncertainties around whether the EC will freeze Hungary's access to certain EU grants, the program might end up being financed by governmental sources instead of EU funds.

¹³⁸ For details on the program, see Chapter 5.

¹³⁹ See this [article](#).

¹⁴⁰ Lybek, T. (2023) [Hungarian Monetary Policy Operations Before, During, and After the Pandemic](#). IMF Selected Issues Paper (SIP/2023/005). IMF: Washington DC.

constructing new detached houses, mainly in rural settings.¹⁴¹ This program made no reference to affordability, and renovations were not prioritized over new constructions.

- Since 2021, MNB has had a “Green Preferential Capital Requirement Programme,” which allows a reduction in the proportion of required capital for commercial banks in relation to their sustainable green bond and green loan portfolios. As a result of the program, by the end of 2023, 880 billion HUF (ca. 2.2bn EUR) had been mobilized, of which 122 billion HUF involved green housing loans, 675 billion corporate loans, and 85 billion green bonds.¹⁴² The detailed regulation of the program does not include any reference to affordability, and renovations are not prioritized over new buildings. Altogether ca., 45% of all mobilized capital was invested in the installation of solar power plants by corporations. The program was criticized by our interview partners for its targeting, but in spite of this, it can be used as a benchmark for similar, better-targeted future programs.

As MNB became the first bank in Europe to include in its statutes a commitment to “green” activities, future advocacy activities could put special emphasis on proposing future programs that are more socially oriented and work with a more developed definition of what a truly green home could look like.¹⁴³

6.1.5. Municipalities

In an ideal scenario, municipalities play an essential role in facilitating or even implementing projects involving the reconversion of empty spaces into affordable homes, preferably with meaningful, inclusive local partnerships. From regulation to land policy or subsidized loans, there are several tools that local municipalities can deploy to utilize empty spaces. As we have shown in the previous chapters, Hungarian municipalities also have a crucial role in managing the public housing sector in the country, which is currently the backbone of the affordable housing sector. Despite this important political and administrative role, municipalities currently lack the necessary resources to create efficient local housing policies. This is mainly due to the recentralization of the local governmental system, which is partly motivated by the right-wing central government trying to assert control over opposition-led local municipalities. This politically motivated fiscal and regulatory pressure is especially visible in the case of Budapest. One specific controlling mechanism must again be highlighted here: local municipalities currently need governmental approval to borrow money; this is a serious limitation to scaling up local pilot projects in the lack of a more enabling national regulatory environment coupled with financial subsidies.

At the same time, it is very likely that in the case of any local pilot projects in the empty spaces framework, partnership with local municipalities should be strongly considered. Even if potential

¹⁴¹ Komlóssy, L. (2022) Fenntarthatósági szempontok a lakáshitelezésben: az NHP Zöld Otthon Program bemutatása. In: Pulai, Gy. (ed.) [Hitelezési fordulattól a zöld átmenetig: Tanulmánykötet a Növekedési Hitelesprogram eddigi kilenc évéről 2013-2022](#). MNB: Budapest.

¹⁴² MNB (2024) [Green Finance Report](#). MNB: Budapest: 57-66.

¹⁴³ Ibid page 5.

subsidies might be limited for structural reasons, municipalities typically have invaluable local knowledge and play the main role in creating local urban development plans. Moreover, the good examples in the field of empty spaces (introduced in Chapter 4), are typically connected to open-minded local municipalities.

6.1.6. EU-level institutions

In relatively small and peripheral countries, such as Hungary, funding from the EU level is typically a crucial component of public investment. In the 2007-2013 period, more than 90% of government investments were financed by cohesion policy funding in Hungary, while in the 2014-2020 period, this proportion decreased to ca. 45%.¹⁴⁴ In an ideal scenario, an empty spaces program could build on several types of EU sources; it could combine cohesion policy funds, loans from EU banks, and direct grants for municipalities and non-governmental stakeholders. Currently, in the operative programs for the 2021-2027 period, the reconversion of empty spaces into affordable homes is not a priority activity, and given that we are close to the last phase of this period, it is highly unlikely that any targeted calls will be published by the managing authorities. However, advocating for the inclusion of similar programs in the next financial period could be a realistic objective.

Regarding EU-level loans, two specific institutions need to be highlighted: the European Investment Bank and the Council of Europe Bank. In other contexts, both banks can play a crucial role in financing the affordable housing sector and its energy-efficient renovations. In 2024, the EIB Group disbursed 314 million EUR in loans to Hungary, equivalent to 0.2% of GDP. This proportion is the smallest of any country in Central and Eastern Europe.¹⁴⁵ In June 2024, ca. 698 million EUR of loans were taken out in Hungary from CEB, accounting for 3.17% of the total outstanding loan portfolio of the bank.¹⁴⁶ This proportion is not significantly smaller than in other similar countries, but the total amount is not that high either. These outstanding loans in Hungary are not channeled towards the domain of affordable housing. In the future, a strategic opportunity for the Hungarian government could be to start negotiations with EIB and CEB about making cheap loans available for housing programs. Ideally, these could be channeled through the MFB.

Finally, for realizing pilot projects, grant sources like the European Urban Initiative or the Driving Urban Transition partnership could be important sources for local municipalities. In Chapter 4, we have already mentioned a few good examples in this regard, mainly from Budapest.

¹⁴⁴ Dijkstra, L. (ed.) (2021) [Cohesion in Europe towards 2050. Eighth report on economic, social and territorial cohesion](#). Publications Office of the EU: Luxembourg, page 243.

¹⁴⁵ EIB (2025) [Priorities for prosperity. European Investment Bank Group Activity Report 2024](#). EIB: Luxembourg.

¹⁴⁶ CEB (2024) [Half-Year Financial Report](#).

6.2. Financial actors (non-governmental)

In most of the international examples of expanding the affordable housing sector, non-governmental financial actors play a pivotal role. The most common financial instrument that is used in such projects is long-term cheap loans disbursed to housing providers, typically by commercial banks. Alternatively, financial actors might also pursue capital investments through various instruments (such as bonds or investment funds) with various yield expectations. As we have shown in Chapter 5, these specific financial products are so far non-existent in the Hungarian – and, more broadly, in regional – financial markets. This is a serious bottleneck regarding any future affordable housing projects, including a future empty spaces program.

6.2.1. Commercial banks

In an ideal scenario, ethical or socially sensitive banks exist whose mission goes beyond profit-making as they pursue social and environmental goals. Even though there is one such Hungarian bank – Magnet Bank¹⁴⁷ – which is a member of the Global Alliance for Banking on Values, they have not yet developed alternative financial products that are significantly more advantageous for socially and environmentally oriented clients than the already available financial products. Erste Bank is also present in the Hungarian market, and even though they announced in 2022 a new investment program focusing on affordable housing, there are no information about the start of the project¹⁴⁸. None of the other commercial banks have signaled any interest in developing new products related to affordable housing or environmentally friendly renovations yet. As the structural context – inflation and the base rates of the central banks, the systematic devaluation of the Hungarian currency, the country risk associated with Hungary on capital markets, etc. – does not support commercial banks taking steps towards offering long-term cheap loans targeted at supporting the reconversion of empty spaces into affordable homes, the stronger commitment of the public sphere – potentially the central government – could potentially bypass this catch-22 situation, as could the involvement of patient, catalytic capital. Regarding the latter case, we have already defined a potential scenario in a previous report.¹⁴⁹

6.2.2. Impact investors

Besides cheap and long-term loans, another typical means of financing affordable housing projects in other countries is the involvement of impact investments. Our previous report explains in detail how a spectrum can be established, from traditional for-profit investments to

¹⁴⁷ See their webpage [here](#).

¹⁴⁸ See a short [media article](#) on the announcement.

¹⁴⁹ Pósfai, Zs. et al. (2023) [Catalytic capital investment as an enabler of affordable rental and cooperative housing in Central and South-Eastern Europe. Full Research Report](#). Budapest: Periféria Policy and Research Center

philanthropic investments, with ESG-led investment, impact investment, and catalytic investment in between.¹⁵⁰ On the periphery of the EU, impact investors and catalytic investors could play an important role in balancing the lack of long-term affordable loans. If such investors could provide equity for new projects in their initial (acquisition/construction/renovation) phase, more risk-averse banks could also join with their loans and refinance the projects later on, already in the management phase. At the moment, it is hard to see any “impact investor” type of stakeholders in the Hungarian market who could take on this ideal role. While there are examples of donations from natural persons or companies (as part of their CSR activities), we have no information about more traditional patient capital investments in the Hungarian market in the field of affordable housing or environmentally friendly renovations. However, since there are similar actors in different domains – mainly connected to start-up ventures – housing providers and intermediary process organizers should explore this future avenue.

6.3. Housing providers and intermediary organizations

Affordable housing projects cannot work without housing providers. These are the organizations that conceive, implement, and manage specific residential projects. In an ideal scenario, and especially in cases when the field of housing providers is not yet robust and complex enough, intermediary organizations can be essential for connecting housing providers with each other, with potential financial sources, and with decision-makers. A good example of the importance of intermediary organizations is how Sostre Civic and La Dinamo emerged in the last decade in Barcelona as process organizers and umbrella organizations for new housing cooperative initiatives.¹⁵¹

As we have described in Chapter 2, in Hungary, currently, the most important housing providers are the municipalities themselves, who manage the remaining public housing stock. The problem with municipalities, as we discuss above, is that they lack sufficient financial resources to expand their activities and innovate. Besides the local municipalities, there are also non-governmental housing providers. The largest of these is the MR Housing Fund, which we have introduced in Chapter 2. The MR Housing Fund recently became a member organization of Housing Europe, and our interview partners informed us that they are currently exploring opportunities for expanding their operations. While the MR Housing Fund gets most of its funding from governmental sources on a yearly basis, there are also much smaller but independent non-governmental housing providers. The most well-known is the From Streets to Homes association, whose empty space reconversion activities we also introduced in Chapter 2. There are further smaller organizations with portfolios of a few dwellings that typically target narrowly defined social groups in need (such as refugees or migrants), but so far, a comprehensive overview of this field is still missing.

¹⁵⁰ Ibid.

¹⁵¹ For the details of the Barcelona housing strategy see: Barcelona City Council (2023) [Housing Barcelona 2015-2023](#). Ajuntament de Barcelona, Barcelona Regional: Barcelona.

If we look for intermediary organizations, it is hard to find any robust ones¹⁵² in Hungary. There is the Budapest-based Alliance for Collaborative Real Estate Development (ACRED), with the ambition of becoming the first community-led non-profit real estate developer in the country, but so far, this organization has not started its first development.¹⁵³ Their activity revolves around managing two pre-existing collaboratively owned buildings (only one of which is a residential project) and preparing their first investment.¹⁵⁴ The other example worth mentioning is MOBA Housing SCE, a regional-level network of pioneering housing cooperative initiatives with the ambition to aggregate Eastern European projects and attract financial resources both on the international and local scales.¹⁵⁵ MOBA also has a Hungarian member, ACRED, which is currently working on establishing a revolving fund called the MOBA Accelerator, which aims to help local projects in their first (building/renovation) phase.

Given the financial weakness of local municipalities and the lack of robust housing providers and intermediary organizations, an essential part of any empty-spaces-inspired project should be capacity building: Without this, it is hard to imagine the scaling-up of any successful pilot projects.

6.4. Real estate developers and construction companies

If housing providers and public stakeholders do not have developer and construction capacities, or if the buildings are in private ownership, then real estate developers can also be important stakeholders in an empty spaces framework. For successful projects, real estate developers should be available who are knowledgeable not only about deep renovation but also about designing affordable homes for different types of social groups in need. According to our interview partners, while several Hungarian real estate developers have experience and knowledge about sustainable building and renovation technologies and methods,¹⁵⁶ there is a lack of experience in designing affordable homes, especially if the target groups' social status is low. In other words, there is still a lot to do to make green building/renovation practices socially sensitive in Hungary. If we look at the available higher educational or postgraduate programs, we find that obtaining know-how about the affordability of social sensitivity is typically not an integral part of curriculums, and there are no specialized educational programs. Thus, one specific intervention could be the development of specialized educational programs for professionals who can potentially take part in the future reconversion of empty spaces into affordable homes.

Currently, in Hungary, real estate developers and some construction companies are well organized. The so-called Real Estate Developer Roundtable Association (*Ingatlanfejlesztő*

¹⁵² Two authors of this report are also members of the two organizations mentioned in this paragraph. All the necessary efforts were made to rule out the possibility of a biased analysis.

¹⁵³ See their webpage [here](#).

¹⁵⁴ In 2024, [the project idea](#) won the New European Bauhaus Prize.

¹⁵⁵ See MOBA's webpage [here](#), and the following article: Pósfai, Zs. et al. (2024) [MOBA: Rethinking Needs and Financing for Affordable Rental and Cooperative Housing in Central and South-Eastern Europe](#). *Radical Housing Journal*, 6(1): 221-235.

¹⁵⁶ See, for example, the activities of the [Hungary Green Building Council](#).

Kerekasztal Egyesület, IFK) is an active interest group with 27 members who regularly advocate for various regulatory changes.¹⁵⁷ During the recent wave of housing-related reforms in 2024, they actively negotiated with the relevant ministries.¹⁵⁸ Another active professional organization is the TLE (*Társaság a Lakásépítésért és Lakásfelújításért Egyesület* – Association for Homebuilding and Home-renovation),¹⁵⁹ whose members are companies from the construction material industry. Besides running a thematic online news portal, the Association regularly publishes its opinion about relevant political and economic issues. They have been advocating for a government-funded rental housing construction program for years. In sum, the professional associations of real estate developers and construction companies could be important allies in future empty space programs, especially because numerous empty buildings are owned by private developers.

6.5. Natural persons as owners of unoccupied dwellings

As we stated in Chapter 4, there are hundreds of thousands of unoccupied dwellings in Hungary, most of them owned by natural persons. In an ideal scenario, those unoccupied dwellings that are in a relatively good location could be used as rental dwellings. This way, the supply of available rental units could be increased, helping decrease rents.

At the same time, neither adequate regulations nor robust institutions currently incentivize these owners to utilize their dwellings. Regarding regulation, no taxes have been introduced in Hungary that target empty homes. The introduction of such a tax would not only raise serious practical questions (how can we measure ‘emptiness’?) but also probably catalyze widespread political discontent. Regarding mediating institutions, we have already described (Chapter 4) the pre-existing social rental agencies that are trying to turn unoccupied homes into affordable rental units. While their activity is currently limited to a few dozen units country-wide, it would be an important step forward if, in the future, the social rental agency field could be strengthened through enabling regulations and governmental subsidies. In an ideal future scenario, subsidies for renovations could be connected to the utilization of bad-quality, unoccupied homes. For these programs, the implementation capacities of municipal and non-governmental social rental agencies would be essential.

¹⁵⁷ See their webpage [here](#).

¹⁵⁸ See, for example, this [article](#).

¹⁵⁹ See their webpage [here](#).

7. Conclusions and recommendations

In the previous six chapters, we have analyzed the Hungarian social housing and empty spaces landscapes from various perspectives. In this last chapter, we will summarize the main lessons of the analysis, compile the most important recommendations, and finally outline four possible future scenarios that might be the next steps in mainstreaming the empty spaces approach in Hungary.

Regarding the **social housing landscape**, the most important lessons are the following:

- Hungary can be considered a super homeownership regime, where the overwhelming majority of dwellings are owned by natural persons, and the most dominant form of tenure is owner-occupancy (90.2%).
- However, in recent years, the housing crisis has deepened, and there has been a significant increase in rental units, especially in Budapest and in larger cities. The private rental market is not adequately regulated.
- Hungary has a relatively small and continuously shrinking social housing sector. Most affordable dwellings are provided by municipalities (2.4% of the total housing stock), but there are also newly established non-governmental housing providers.
- The recent centralization of the local governmental system, along with the strict control of municipal indebtedness, is a serious barrier to managing the municipally owned public housing sector in an effective way.
- The regulatory framework for public and social housing is outdated and does not incentivize the expansion of the affordable housing sector. The lack of non-governmental housing providers and intermediary organizations can also be explained by the fact that there are no housing finance products on the market currently that could be used for investing in affordable housing.
- Large segments of Hungarian society need affordable housing, but the housing policies of the central government typically support homeownership instead of rental housing and relatively affluent citizens instead of members of the most marginalized groups.
- A serious problem is the lack of a long-term housing strategy and the “splintered” nature of governance of the domain of housing.

Regarding the **empty spaces landscape**, the most important lessons are the following:

- Similarly to other Eastern European countries, a large proportion of the housing stock (ca. half a million units, 12.49% of the total housing stock) is unoccupied. At the same time, a significant share of the unoccupied dwellings are either suboptimally located or have serious issues with quality.

- The social context of this large proportion of unoccupied dwellings is that the country's population has been continuously shrinking over the last four decades while the housing stock has been expanded. The housing stock should be divided into (at least) two different clusters: high-pressure urban markets (most prominently, the functional urban area of Budapest) are characterized by completely different processes than depressed rural markets in marginalizing regions. Most probably, the empty spaces approach could be piloted in the former cases, as demand is much higher in the first cluster. In sum, a significant number of unoccupied dwellings are unsuitable for catering to the emerging demand for affordable housing.
- While there is no national-level cadaster of non-residential empty spaces, it is very likely that there is a significant number of the latter. From the perspective of the empty spaces approach, the most promising ones could be those in public ownership formerly used as offices and social/public institutions (such as schools).
- So far, the conversion of empty non-residential spaces into affordable homes has not started to happen in Hungary. There are several bottlenecks that explain this: the regulatory environment lacks targeted schemes and incentives for such activities; there is currently a lack of political commitment to this cause; non-residential empty spaces are often in suboptimal locations and characterized by suboptimal technical features; and the housing finance system lacks adequate financial products for encouraging long-term investment.
- At the same time, some pre-existing elements of the regulatory environment (for example, the Rustbelt Act, the practice of fast-tracking "priority investments," and the legal possibility for "zoning and development" contracts) could be important building blocks of a future empty spaces program if some of their specific details are modified.
- There are also interesting examples of when small-scale projects that fulfill the basic criteria of the empty spaces approach were implemented. We have provided examples of NGOs partnering with municipalities to renovate vacant municipality-owned dwellings for people experiencing homelessness, and we have also described how certain municipalities have used EU funds to renovate vacant dwellings or non-residential buildings. The know-how and the lessons learned by these projects should be built upon if the empty spaces approach is tested in Hungary.
- Our stakeholder analysis showed that there are several public and non-governmental actors in Hungary whose past activities or specific institutional positionality could be mobilized in an empty spaces approach. Based on these insights, several stakeholder configurations may be imagined both in terms of piloting and scaling up the reconversion of empty spaces into affordable homes.

Recommendations:

Throughout the study, while analyzing certain aspects of the social housing and empty spaces landscapes, we already formulated recommendations for policy change or future advocacy. In

this section, we highlight the most important of these that would be beneficial for mainstreaming the empty spaces approach, irrespective of which future piloting scenarios are tested.

- First of all, based on recent shifts in policy-making and political narratives, it seems that there is currently emerging advocacy momentum for progressive interventions in Hungary. Surprisingly, the central government has started to thematize the issues of the housing crisis and affordability problems, and negotiations are ongoing between for-profit actors and the government about new policy tools.
- It is essential that the central government creates a long-term housing strategy that is the result of consultations with various stakeholders. For the implementation of such a strategy, it would be important to unify the different aspects of governing the domain of housing in one ministry under a sufficiently staffed Housing Department.
- While investment in brownfield zones is already a political priority, the reconversion of empty spaces into affordable homes is not yet incentivized in any way. Incentives could be provided through tax reform and various types of targeted funding schemes (potentially involving the central government, the MNB, and the Hungarian Development Bank).
- It would be crucial to have a national cadaster of empty spaces. The example of the Brownfield Cadaster of the Municipality of Budapest could be followed as a good example.
- Once there is a cadaster, a detailed analysis should follow from the perspective of potential utilization as affordable housing.
- Some exemplary programs could be scaled up, ideally with normative governmental funding. These are:
 - Social housing agencies operated by NGOs or local municipalities
 - Municipality-led renovations of vacant and dilapidated dwellings
 - Municipality-led reconversion of vacant non-residential buildings
- There are considerable knowledge and institutional gaps in the current stakeholder map of the field of empty spaces. Capacity building and technical assistance programs would be required, as well as new higher educational programs for training future experts on affordable housing development & management.

Potential future scenarios for piloting the empty spaces approach:

Based on the findings of the study, it is clear that there are several different types of empty spaces; thus, for converting them into affordable homes, different tactics should be followed. In the following, we will outline four potential future scenarios, all of which could be pursued as the next steps to rolling out pilot projects aligned with the empty spaces framework. Naturally,

all of these potential pilot projects could have a much larger impact if the recommendations listed above were implemented by the central government.

1. Catalyze and support municipal empty spaces projects financed through new financial products

Currently, municipalities are the backbone of the social housing system in Hungary.

In 2023, there were 14,528 unoccupied municipality-owned dwellings, along with numerous municipality-owned vacant non-residential buildings. The two main reasons why municipalities do not design programs to utilize these spaces are, on the one hand, the lack of financial sources to invest and, second, the lack of capacity to carry out such projects. A pilot project could experiment with new financial products (to be developed by impact investors) that are in line with the strict rules of municipal indebtedness. In parallel with this, technical assistance could be provided for the municipalities that take part in the project. There are a number of municipalities that have been thematizing the issue of unaffordable housing; we expect that many of them could come on board if new financial streams were made available. The main advantage of these types of pilot projects is that municipalities can be empowered, and in the case of changes in national housing policies, they would be available to absorb national subsidies that target turning empty spaces into affordable homes.

2. Foster civil-municipal collaborations in converting vacant dwellings into affordable homes

There are already dozens of municipality-owned bad-quality dwellings that have been turned into affordable social housing units with the help of NGOs. These partnerships could be taken as examples, and similar programs could be fostered in other locations. Currently, these projects are typically financed by donations collected by the NGOs. Either this model of fundraising could be professionalized, or new financial tools could be developed by involving impact investors. The financial stability of the pilots would be increased if the target groups (and their financial capacities) were more diverse. The necessary know-how is already present in the pioneering NGOs, and since there are still more than 14 thousand unoccupied municipality-owned dwellings, there are multiple suitable locations for pilots.

3. Scale up and expand the field of social rental agencies

There are already several examples of municipality or NGO-led social rental agencies that connect dwellings owned by natural persons with people in need of affordable housing. As there are hundreds of thousands of unoccupied dwellings owned by natural persons, there should be potential for expansion and scaling up if the economy of scale of the pilot(s) is adequately planned. The advantage of NGO-led models is flexibility, while municipality-led models can build on the latter's institutional capacities. If the target groups are from the less affluent part of society, then demand-side subsidies will probably be needed. These could come from the municipalities or charitable sources.

4. Foster civil-private collaborations for converting privately owned non-residential buildings into mixed-use properties, including affordable homes

For-profit private companies (typically real estate developers) own several vacant non-residential buildings. They could work together with housing provider NGOs and municipalities to create mixed-use developments where affordable homes are also part of the mix, and where cross-financing between different functions can work. These collaborations could be facilitated by “zoning and development” contracts that require the creation of a certain proportion of affordable units. Given the profit expectations of private owners, these projects could mostly target relatively more affluent groups, e.g. the lower segments of the middle class, young people, key workers, etc.

Table 9 – Potential pilot project scenarios

	1. Municipal investments	2. Municipality-NGO collaborations	3. Social rental agencies	4. Civil-private-municipal collaborations
Type of empty space utilized	Residential or non-residential	Unoccupied dwellings	Unoccupied dwellings	Non-residential empty buildings
Owner of empty space	Municipality	Municipality	Natural persons	Private actors
Stakeholders involved	Municipality, patient capital provider	Municipality, NGO,	Municipality, NGO, natural persons	Private company, Municipality, NGO
Funding streams	New financial products, grants	Donations, grants, municipal sources, impact investment	Municipal sources, grants, impact investment	Private sources, bank loans, impact investment
Target groups	Wide	Wide	Wide	More affluent
Implementation of projects	Municipality	NGO and/or municipality	NGO or municipality	Private developer
Management of affordable dwellings	Municipality	Municipality	NGO or municipality	NGO or municipality

Contact details:
emea@habitat.org



habitat.org/emea



habitat-for-humanity-emea



Habitat_EME