



## Informal Practices in Housing Financialisation: The Transformation of an Allotment Garden in Hungary

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**Abstract:** *Although financialization of housing is well known global concept, in our paper we attempt to present how financialization produces new spaces and household practises in a Central Eastern European semi-peripheral context. We approach this framework through an anthropological investigation, the transformation of allotment gardens what we consider as a combination of social and spatial transformations after the 1990s. In our case study we are curious how different waves of financialization influence the formation of the transformation of an informal housing space and how informal practices of the households could be an agency against financialization.*

**Keywords:** home ownership; homelessness and social exclusion; housing finance; migration, residential mobility and housing policy; East European housing; poverty neighbourhoods.



## Introduction

Housing markets in East and Central Europe have been historically sensitive to international financial flows and have reflected an uneven development between urban cores and rural hinterlands (Pósfai et al. 2017; Vigvári 2016).

Although international literature on housing financialisation focuses mainly on the effects of global financialisation around 2008, in our paper we follow the exposure of Hungarian households to international financial flows after 1989. Through a case study based in an informal settlement in a Budapest suburb, we show how households suffering from various effects of post-1989 financial exposure struggle to maintain geographic leverage provided by the vicinity of the capital.

Our case study of a Hungarian allotment garden fits into a long-term story of households negotiating hierarchies of uneven development within a national geography of global capitalist integration. In this struggle, strategies for moving—and settling—between urban-rural hierarchies are optimised by the informal labour and risk management of households to substitute for the lack of sufficient conditions for reproduction at a higher position of the geographical hierarchy. Reliance on informal extra labour to cover reproduction costs has been described as a long-term characteristic of semi-peripheral households (Dunaway 2014). In urban studies, the role of the urban fringe as a transition zone between urban-rural developmental hierarchies (Hirth 2007) and the importance of informal self-built housing in negotiating the costs of living in such zones (Fehérvári 2011; Ward 1982) are established areas of research. Our case study looks at a peri-urban area of Budapest and shows that the externalisation of the reproductive costs to informal housing solutions happens with each wave of market-led exclusions from the housing market.

## Waves of housing financialisation in post-socialist Hungary

### The role of privatisation

After the regime change, in an unprecedented sweep of property (Hegedűs et al. 1996), most of the former state housing stock was privatized to sitting tenants, reducing public housing to 3% of the entire housing stock, and making Hungary one of the ‘super home ownership’ states, with around a 90% owner occupation rate (Hegedűs et al. 2014). The position of former social housing owners was split according to their former housing position in the state-housing system, with those in better positions benefiting from greater ‘privatization gifts’ (Misétics 2017: 271). This was coupled with rising running expenses<sup>1</sup> due to the marketisation of public services, and an environment of surging unemployment due to industrial privatisation (Hegedűs and Somogyi 2016).

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<sup>1</sup> Utility costs in CEE countries rose relative to incomes with 5,8% of consumer budgets to 11,4% between 1990 and 1994 (Hegedűs et. al. 1996:116)



In consequence, the losers of the housing privatisation process were often displaced from the metropolitan areas to more peripheral neighbourhoods (Ladányi and Szelényi 2005). Poorer dwellers inheriting the maintenance costs of small and badly-equipped estates often could not maintain their flats, falling into a debt spiral. Often, they moved back to rural areas through their kinship networks (Vigvári 2016) or used other informal ways of housing, such as bungalows of former allotment gardens like the ones we discuss in our paper.

## **The role of mortgage lending: Crises and evictions**

The ownership-based structure of the housing market created a high demand for individual mortgages (Hegedűs et al. 1996; Pósfai et al 2017). The institution of mortgage lending was introduced in the context of the EU accession, as ‘an import form of spatial fix for surplus capital from the core of the European economy’ (Pósfai et al. 2017:6).

Mortgages were initially offered with state subsidies, according to criteria such as income, loan to value rate, etc. (Pelladini-Simányi et al. 2015). After 2004, subsidies were stopped due to the overburdening of state budgets, and mortgages became purely market-based as part of privatised Keynesian solutions (Crouch 2009; Pelladini-Simányi et al. 2015; Pósfai 2018). Foreign banks favoured mortgages in foreign currency, providing cheaper mortgages with exchange rate risks born by households, exposing households directly to the volatility of global financial markets (Hegedűs and Somogyi 2016). For a comparison with Western and Southern European cases, see Pósfai et al. 2017:7).

Between 2000 and 2008, the level of indebtedness of Hungarian households rose from 5% to 31% of GDP (Pósfai 2018). During 2007–8 the crisis, the mortgage exchange rate dramatically changed: monthly instalments rose by 30–75% (Misetics 2017; Pósfai et al. 2017). During the mortgage crisis, thousands of estates were sold by banks, with former owners having to enter the rent market or move to lower-status, peripheral neighbourhoods.

## **Housing market revitalisation**

Following a halt after 2008, since 2015 we have seen a revitalisation of the housing market due to an economic conjuncture and new state policies. Besides a new program for mortgage subsidies to (middle- and upper middle-class) households, VAT on new housing constructions have been reduced from 27% to 5%, which has pushed forward real estate investments. These measures aided the rise of housing and rental prices, parallel to the revitalisation in-line with the general trends of the financialised economic conjuncture in Europe.



## **Spatial marginalisation and informal solutions in three waves of housing financialisation since 1989: The case of a suburban allotment**

Our case study, an allotment garden in the vicinity of Budapest, provides a case of spatial marginalisation that can be seen in various metropolitan areas and smaller regional centres in Hungary. In the following, we show how allotment gardens became a residential area of the victims of financialisation, and what kinds of informal resources are at the disposal of households solving their housing in these areas. We present how physical conditions (such as the lack of public utilities or the ability to farm and other informal activities), and the ambiguous legal status of this area facilitate household agency vis-a-vis the effects of financialisation.

### **Physical and spatial context**

The allotment garden belongs to a small town situated at the edge of the eastern agglomeration area of Budapest, 35 km from the capital city. This town currently has about eight thousand inhabitants and has traditionally had a high blue-collar population who used to commute between the town and the capital. Even though the town has a good railway connection with Budapest, it has never become a destination for middle-class suburbanisation. The town and its neighbouring villages have traditionally attracted newcomers from the rural hinterlands who wished to settle close to the capital, and people who could not afford the living costs of the capital. In this sense, the town has traditionally served as a transition space for demographic flows between urban-rural developmental hierarchies characteristic of Central Eastern European suburbanisation (Sykora-Stanilov 2014). During the state socialist era, this effect was emphasized by administrative restrictions on rural workers who could not settle in the city (Tosics 2006).

The allotment garden of the town was developed in 1970. A state wine field was divided into small plots, which were first sold to local farmers, then to blue collar workers from Budapest in the 1980s. After the transition of the 1990s, recreational and farming activities declined due to the economic crisis of the former allotment owner class, and the allotment became a space for informal housing solutions for those expelled from the metropolitan areas by waves of housing financialisation.

In the allotments, the costs of housing is significantly cheaper due to the lack of public services. There is no central heating and gas network, and people instead use wood to heat their bungalows during the winter time. As there is no piped water system either, dwellers use private wells or public faucets. Only electricity can be found in the allotment as basic infrastructure. The lack of basic infrastructure, an aspect of spatial exclusion, also works as an advantage and attractive factor in terms of reducing costs. Replacing them with informal solutions, dwellers can achieve a status where they are not dependent on public services.

At the same time, the allotment is situated outside of the administrative area of the settlement. It is not registered as residential area; bungalows are officially not considered housing estates.



According to local regulation, the allotment is an agricultural area where housing is not permitted. The small houses and bungalows in which people live are officially listed as fruit stores or wine cellars, not buildings for housing. This situation defines new settlements as informal from the administrative point of view. However, the regulations include some contradictions. A national regulation declares that everybody can register any kind of building as long as they have an official postal address. The uncertainty of legal status and the lack of infrastructure contribute to low real estate prices, providing one of the cheapest housing solutions in the agglomeration of Budapest.

While this way of housing provides some advantages for those compelled to leave their previous dwellings due to financialisation, the new residents must use their own resources to make their estates habitable. The role of household work as self-building or farming activities is strongly connected with the abandoned character of the space which demands a new dwellers' own resources. The remoteness of these spaces is a social risk; however, it provides an opportunity to build leverage against market tensions by relying on informal solutions and household work. The present state of the allotment is similar to urban fringe zones where workers coming from the countryside built out informal dwellings before 1945 and in the second half of (Berkovits 1976) Socialism. A historical comparison of such waves requires further research. What we emphasize in this paper is the contemporary form of peri-urban informal dwelling, and its connection to the dynamics of financialisation.

## **Housing trajectories and financial waves: Household case studies from the allotment**

We can consider our case as a space in which the most important changes in economic and policy conditions that have informed housing possibilities since the regime change become personalised. Based on housing career interviews and a household ethnographic analysis with current dwellers, the following shows how trajectories mobilised by the conditions of post-1989 privatization, the 2008 mortgage crisis and the post-2015 market revitalization appear from the perspective of people mobilising informal solutions to cope with those conditions.

### **Case study 1: Victims of privatisation**

In our case, the victims of privatisation can be considered those who were unable to pay the rising utility costs after privatisation and moved (primarily from Budapest) to the allotments in the 1990s. They had lived in small and badly-equipped estates and could not maintain their flats, falling into debt. This group was characteristically middle-aged at the time of the transition, had often lost their jobs and had permanently been excluded from the labour market. They are part of a broader flow of people who were pushed to move to the countryside.

Attila (63) became a permanent resident in 1995 when he and his mother decided to give up their flat in Budapest. He was born in 1953 and grew up in one of the working-class neighbourhoods of the Hungarian capital. He served as vice-head of a department of a socialist company. After the privatization of the company, his department was closed and he became



unemployed. He had always lived with his mother in their public housing flat and owned a bungalow in the allotments. After 1989, his flat was privatized. Due to his unemployment they could not keep up both estates. They hesitated considerably, but finally decided to keep their bungalow in the allotment and sell their flat in Budapest. As Attila pointed out, they recognized that living in the allotments is cheaper and more sustainable compared to the city where public utility costs are high and alternative resources are scarce. In the allotments, utility costs were almost nothing due to the lack of public utilities, and farming helped to reduce household expenses. As Attila emphasised, moving to the allotments meant for him a definitive exclusion from the labour market. At that time, there was no street lighting, and during the winter it was impossible to get to the town and commute by train to Budapest. As he could not afford a car, during rainy or snowy weather they could not physically move elsewhere. They had to settle with a self-sustaining lifestyle, using the local neighbourhood network. After he reached retirement age, Attila's situation took a better turn. He bought a car and he could leave the allotments. As he said, 'After the regime change, those who wanted to take shelter here, they got it. Many poor people came here escaping from something. From the banks or from other stuff. I am very grateful that we built this bungalow during socialism, otherwise I don't know where I would live now.'

## **Case study 2: Victims of the mortgage crisis**

The second wave of settlers came with the mortgage debt wave of the second half of the 2000s. These people had taken mortgages during the boom of the 2000s and started having problems paying their monthly instalments. As a result, they lost their former higher-status housing and were pushed to lower-status, cheap neighbourhoods close to cities. In these situations, allotments represent a kind of 'least-worst' solution, providing cheap housing not so far from the city centres. These households usually arrive from the inner-ring of the agglomeration or Budapest's outskirts and from a class position higher than that of residents arriving after privatisation.

Zsolt (34) moved to the allotments with his family in 2012. He was born in Budapest in 1984, but he grew up in a suburban village close to the Hungarian capital. His parents took housing and consumer loans out during the 2000s, using half of their house as collateral. After 2008, due to surging exchange rates they could not pay back the loans. Their house was sold by the bank for a very cheap price in the middle of the economic crisis. It was bought by an investor, from whom they started to rent their former home. The family was destroyed by the economic crisis: The mother moved abroad, and the father had a stroke. Finding himself in the role of family provider, Zsolt decided to escape the unsustainable situation and get a new private home for himself and his family. He bought a cheap plot in the allotment, planning to build a light-structure house using only his own and his friends' labour. He bought all the necessary material on the black market to save money. The construction took one year, working on the house during his free time. As he said, 'I used to go to work on the train at 4:40 am, I got home at 3 pm, and immediately I started to build the house. Once, when I was working on a bathroom with one of my friends we just realized that "Oh my God, that is the alarm clock. It is morning. Let's finish for today because we have to go work again."' Zsolt is really proud of his house which was built by himself and is owned by him, not by a bank. 'This is ours' he said,



expressing a sense of pride and safety at the same time.

### **Case study 3: Victims of the housing market revitalisation**

Victims of the housing market revitalisation arrived to the allotment gardens by very different mobility patterns. Some of them were excluded from the rental market of Budapest because of increasing rent prices. Others were able to shift from renter status to private ownership by moving to this area. They describe their motivation as refusing to pay rent, making a compromise in terms of location. Some are young families striving to avoid rents or mortgages and obtain private homeownership as soon as possible. Here, the effects of the recent surge in rental prices are combined with households' appreciation of reproduction costs vs income and alternative resources in the long run.

Robert (32) was born in 1986 in Budapest. He bought his bungalow in 2012 for the purpose of housing and investment. He was looking for the cheapest real estate in the vicinity of Budapest and found his recent home. Before he came here, he worked in Germany for a year, and invested his saved money in the bungalow. For him there is nothing attractive about the rural lifestyle, he just wanted to own a private flat so as to be independent from his parents while avoiding paying large sums for rent. 'If I had the possibility, I would move immediately back to Budapest . . . The allotment is good for those who would like to hide from the world, who don't have anything. But if you are ambitious, you can produce what you need in your garden and you can get ahead step by step' he says.

### **Conclusion**

We followed how three waves of financial exposure can be traced in the trajectories of households moving to a former allotment garden. Since 1989, this space has become an informal settlement created by households squeezed out of more central locations. The movement of households to the allotment follows what we called the 'trickling down' of housing poverty across economic geographic hierarchy after 1989.

What appears in our cases as geographic downward mobility enforced through housing poverty (loss of homes due to utility prices in the 1990s, mortgages in the 2000s or an inability to pay rising rents after 2015), we see as part of a complex relationship between the reproductive potential of households, and their capacity to participate in market interactions; that is, in capital accumulation processes. A household's capacity to maintain a home and maintain it close enough to economic centres providing employment opportunities is a double condition that ensures the compatibility of their reproductive capacity and sustained market integration. Changes in economic conditions such as a boom of utility prices at a time of mass unemployment, or a rise in mortgage rates or rental prices, disturb this balance, raising the costs of market integration above levels where they can still be sustained without endangering reproductive capacities. Being forced to move down in the economic geographic hierarchy by not being able to sustain a home in core locations is a reflection of that imbalance. Our case studies show cases of informal solutions for dwelling which can be understood as efforts to balance out that situation through relying on unpaid labour and the reduction of comfort and



security. We believe that such informal household solutions, working within the gaps of market integration and reproductive capacity, are a major factor when investigating socio-economic change in relation to capital accumulation in Hungary.

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