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Neighbourhood Dynamics in Inner-Budapest

A realist approach

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to my father
(apámnak)

Preface

This publication contains a comparative study of neighbourhood transformation taking place in different administrative parts of historical Inner-Budapest in Hungary. The research is based on the critical realist approach and aims to reveal what is going on behind the scene of neighbourhood upgrading in the post-socialist or rather neo-liberal national context under substantial global impacts.

To be able to write down this brief introductory paragraph based on the contents of the book, I needed years of studying and experiencing *the city*, being criticized from outside and from inside. Behind the pages of the book there are many discussions, walks in the neighbourhoods as well as hours of thinking and silent contemplation. Finally, I must say a dissertation cannot be completed in a couple of months...

In the past years two things about my dissertation have been for certain: firstly that it would be completed some day and secondly that it would be focusing on the residential environment in the city of Budapest. The research projects done in the early phase of my academic work (in the “pre-Utrecht” period of my PhD studies) concentrated on particular actors and processes of urban transformation (like choice in residential relocation, the role of local administrations in the process of residential environmental transformation). I was also swinging between the methods of sociology and regional science and on top of that, I over-theorised everything without substantial knowledge of the role and importance of selecting the proper scientific approach and consistently following the methodologies related to it.

It is also part of the truth that the changing topic of research indicated that in the first years – having just settled in the capital city – I did not have enough knowledge of Budapest and so I was absolutely hesitant about choosing one particular segment of the problem field that seemed to be worth doing research on for a dissertation.

The real change in my approach to academic research and to the elaboration of the topic came when my first research outcomes were assessed at an international conference in Groningen and due to all the inconsistencies received sharp but really helpful criticism.

Later in Utrecht I learnt the importance of research design and selecting the right approach for examining a precisely defined problem field. Meanwhile my attention turned more and more to the issue of complexity and as my colleagues in Utrecht were dealing with issues closely related to the process of globalisation my interest in finding a link between my topic and this process was also growing.

The greatest challenge was to find the most appropriate approach to examine the issue of dynamism (grabbing its complexity) on the neighbourhood level, in the context of a city (Budapest) that was in the turmoil of the post-socialist and already neo-liberal as well as global transformation.

Abandoning the positivist background of my training, I immediately went into another “extreme”, embracing the post-modern traits of social science, but soon realised that to understand how complex systems work I needed to use the tools of quantitative and qualitative methodologies in the same research project. I realised that in my research project only combined methodologies could give the answers to help to understand why some of the neighbourhoods in Budapest succeed in social and physical upgrading while others stagnate or decline when they are all parts of basically the same urban zone, the historical inner-city.

The clue was found in the approach of realist philosophy of science which – treating social systems as open – gave the chance to link the global with the local and also a chance to mix qualitative and quantitative methodologies consistently. It also provided the tools to show what is behind the statistical data presented in maps and graphs indicating spatial differences within the city and within districts and even neighbourhoods. By revealing the role and the complicated interactions of actors in the process of change as well as digging into the past of the neighbourhoods I got closer to the explanation of the different shades on the thematic maps. Examining and abstracting the so-called underlying structures of the scrutinised systems also gave me the chance to compare different neighbourhoods under different district administrations having versatile strategies for the renewal of neighbourhoods. Abstracting the basic process of neighbourhood change by realist principles and using the base model for presenting the empirical findings of the neighbourhood level research became the backbone of the study.

Critical sciences such as the particular version of realism applied in the book, when looking for the answer to the basic philosophical question “what ought it (the system) to be” can be deeply critical of the examined systems. In the book I tried to highlight those points in the systems on the discussed levels – from national to the very neighbourhood level – which could or could have been done differently to make the systems work in a more efficient way and to the contentment of actors other than that of the market exclusively, serving the principles of value preservation and the cohesion of the local communities. After all, by the elaboration of the topic by means of the critical realist approach I had the intention to target attention to the need of change in the operation of particular actors within the set of mechanisms, which have the power and/or the financial means to influence the direction and nature of neighbourhood change.

Acknowledgements

I must admit that I have been very lucky to have found people at every stage of my life, who have been most helpful and – sometimes even without being aware of that – determined the next step of my life leading to this point. I am greatly indebted to these people and will never forget their role in my life.

I remember that my interest in Geography was raised in the high school, in Eger by my teacher who – when sending me to competitions – did not know that I was just engaging myself with this science. At the university after making a contribution to launching a new course by translating a book on changing urban environments I started to feel that this was the topic for me. Ágnes Biróné Bardi and Dr. Katalin Martonné Erdős, thank You both for the early impulses.

A great challenge after university was teaching Geography in English. I am truly indebted to Dr. József Nagy B. my director at Xántus János Bilingual School, where I was always allowed to walk my own ways. Thank You and all those colleagues who helped a lot and have remained good friends ever since then: Katcsi, Szaba and Lucia!

The first steps in academic life took me to the Doctoral School of Regional Geography at Eötvös Loránd University, Budapest where I acquired my knowledge of regional science which proved to be extremely useful later in my work as a regional planner. All my respects are going to Prof. Dr. Ferenc Probáld, my early promoter and Prof. Dr. József Nemes Nagy the head of department for their help to an “outsider”. My attachment to ELTE University and the doctoral school was growing by having been admitted to the Cellar Club, an exclusive professional “secret society”... Some of the members are true friends now.

A conference in Groningen in 2001 made me realise how academic achievements are measured on an international scale. A year of big steps and a series of coincidences in both professional and academic respects. Dr. Ilaria Mariotti, my dear friend in Milan I remember you as an angel at this stage of my life. Without you informing me about the Huygens Scholarship I could hardly be travelling to Utrecht for a 6-month stay in September 2002. Many thanks to the Dutch Embassy of Budapest and the Huygens Program for finding my research proposal and my academic aims worth supporting!

What I call my pre-Utrecht life finished somewhere here. During the 6 months in Utrecht I learnt new rules, new cultures, new academic practises. I found great people from all over the world and hereby I wish all of them a successful and happy life!

Utrecht meant a new challenge and for succeeding I cannot express how grateful I am to Prof. Dr. Jan van Weesep, my promoter who supported me under all circumstances. I remember our first meeting in Budapest – it seemed as if I had known him for years. He always let me find and walk my own ways while also showed me the right direction in my work. Thank you also for your patience and our talks on science, arts and life. I have learnt a lot from You and I also hope very much that we will have lots of chances to work together in the future. I am also indebted

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On the Hungarian side of the continent there was Prof. Dr. Zoltán Kovács my co-promoter, who helped me not to get lost in theory and made me focus on the empirical part of the work in Budapest. Thank you for your criticism, which I found extremely useful all the way! I am also grateful to Drs. Balázs Szabó (HAS) and Zsuzsanna Pachmann (CSO, Budapest) for helping me to overcome the difficulties of acquiring and managing micro level data bases.

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I cannot forget all the nice people who helped me to use my time efficiently and feel comfortable when I turned up in Utrecht: from time to time! I am very much grateful to Erika for administrative work done for me and to the staff members of GeoMedia for the production of the book. Thanks for the trust and support from the Geography Department UU and also from URU which made the whole project feasible and also established the condition for going to international conferences and making this publication. I am very grateful to the members of my reading committee in Utrecht, Amsterdam and Budapest, who worked in summer, reading through my bulky manuscript!

I need to thank my boss, Ildikó Laky and my colleagues at Terra Studio Ltd. in Budapest for certain facilities and for their patience in recent times. Sorry, after the night shift of writing the dissertation for months I was not always very patient and understanding during the working day in the office. Especial thanks to Renáta Aradi for her help at the initial steps of learning map making.

There was a man who followed every single moment of this long process and managed to remain patient and understanding all the way. This man is my husband and love Peter Varga, whose praising should be stopped here to avoid making him too self-assured before we complete other “projects” like bringing up some children together.

This book is dedicated to my father, Zoltán Földi. Father, this is the fruit of our alliance and our “revenge” on all the miseries of life. Thank you for the characteristics that I inherited from You, which hardened me and gave the ability to complete this work and which may cause some complications in the future... or not, as I also have my mother’s nature. You mom, with your angel voice soften me when I tend to go into extremes. I love you both so much for everything you are.

This is a book published in a country where I do not live, on a city where I was not born, following a scientific approach known for me for just few years. After this research and lots of efforts behind I may say that I am starting to understand them, however I also see that this is only the beginning. Working on this book gave me knowledge, self-esteem and true friends!
THANK YOU!

Földi Zsuzsa
Budapest, September 2006.

1 Introduction

1.1 The problem field

The city as a geographic entity is always in the process of change responding to both minor and more fundamental socio-economic changes on national, regional and global levels. The scale and intensity of change is dependent on the unevenness of the world market shifting the cores of development (investment) in time and space, the historical context and last but not least the position and role of a given city in the world hierarchy of cities at a given time. What keeps changing along with the shifting economic conditions are the opportunities that cities can take hold of and make use of.

Nevertheless, besides the fundamental set of preconditions of urban change based on economic re-structuring it is the unavoidable partly forerunning but mostly parallel reformation of *regulation context* that is indispensable for establishing the conditions for the development of the new urban order. The need for regulations that make the system so flexible that it looks deregulated and more subjected to the “games” of market and the increasingly liberalised economic context requires new strategies from the central and local governments.

The process that globally affects urban systems and structures, and has already induced substantial socio-economic and socio-spatial changes on all spatial levels is globalisation, the evolution of the global village with an increasing number of interlinks, growing interdependence and the reduced importance of time-space dimensions. Globalisation can be understood as a transformation process leading from the fordist mode of production and in a broad sense from modernism to what is termed post-fordist and post-modern. What we are experiencing is the transformation itself and as for the end product even experts having elaborated various scenarios are uncertain.

Due to a series of changes the global economy as a new reality reaches out to the whole planet but does not include the whole planet. It links up valuable inputs, markets and individuals while switching off unskilled labour and poor markets (Castells, 2002). The developed world left behind the socially more sensitive ideology and everything going with it mainly the principle of caring state, instead adapting and pursuing the principles and practices of neo-liberalism. By doing so the First and the “Second” World have generated so much social exclusion within their own boundaries that researchers have rightly started talking about a Fourth World, meaning areas like the South Bronx in New York (distant periphery in the Global Centre) (Castells, 2002) or – to remain within the scope of our research and draw a probably not so firmly established parallel – Józsefváros in Budapest.

Partly because of all these global-level changes and more owing to history itself with its unknown and uncontrolled, or only partially controlled forces and processes, another kind of transformation took hold in Central and Eastern Europe, the need for and the preliminary sign

of which appeared at roughly the same time as those of the globalisation and new economy in the West.

Only few bigger changes have happened in such a short time in the past half a century than the collapse of the socialist (communist) system and the transition of the relevant countries to a market economy and a parliamentary democracy. Although the process of post-socialist transformation is a reworking of existing conditions the changes condensed so much in time were so immense and comprehensive that they hit the countries of the area like a shock. This shock was comparatively smaller in the countries, which are said to have been the most advanced during socialism like Poland, Czechoslovakia and Hungary. In these states as a reaction to the obvious signs of economic crisis socio-economic reforms had already been in progress when the political turn finally took place in 1989. The preliminary signs of change in these countries appeared roughly as early as the late 1970s and the early 1980s.

We may pose the question at this point if we should handle the seemingly distinct transformation processes (post-modern and post-socialist) as two separate types or more as two manifestations of basically the same transformation process. This argument is supported by the fact that it is the “from” that the two transformations differ in while the “to” with obvious variations seem to tend in the same direction.

Smaller as the shock might have been in Hungary relative to other countries like the former Soviet Union and Yugoslavia it was still too painful. The institutional forms and economic framework of the socialist era were brought down by 1993-94 (the deepest point of crisis in a macro-economic sense) but the worst was not over for the people by then. Unemployment beyond 20%, mass early retirement, homelessness, tuition fees, subsistence level existence, all scarcely known before became more and more planted in public consciousness. The society was in turmoil, reclassification was in progress with an attempt by every individual to reintegrate in the society of new times with the best future potentials. The aims were high for many but the outcome remained far from being satisfactory for the most.

By now these countries have joined the mainstream of globalisation even joining the European Union in May 2004 having adapted and operationalized neo-liberal economic principles. At the beginning of the 1990s the future of the countries going through the worst and least promising years of transition had a few times more scenarios than globalisation has ever had. As Hankiss outlined in his often quoted *Eastern European Alternatives* (1990) some of these already proved to be wrong immediately following a short experience of change.

The scenario that has proved to be the most relevant is that of path-dependent development (Enyedi, 1998; Eyal et al., 1998). It suggests that the new system is built upon the ruins of the past or even from the ruins of the past by the adaptation of guidelines from the to-be-followed market economies. According to Enyedi (1998) and others the same applies to the transformation of urban structures as well.

Urban structure is considered to be *dynamic* (Knox and Pinch, 2000) sensitively reacting to influences from higher and lower levels.

In the case of the cities of the classic western economic space all urban social and spatial phenomena – that are considered in this study – have been long acknowledged and treated as products of historic urban development. Had it not been for the hard line communist and later

“Goulash-communist” interval of almost 50 years, which produced the so called socialist city (some deny that anything like that ever existed), the Central European city as such would have been developing and producing the same features as most Western European ones, naturally with a regional twist and a certain time lag. And yet, the 1970s and 1980s gave space to more relaxed economic regulations along with the development of the so-called second economy. The ambitious aim to create an egalitarian society failed as when the opportunity was given people immediately started to improve their living standards some with more others with less success. These all created the condition of social polarisation (Szelényi, 1983), which had almost been eliminated in the 1950s (Hankiss, 1990). The series of immediate responses to the undeniable signs of economic crisis ended with the state withdrawing from a number of formerly highly subsidized spheres like e.g. the provision of low rent state housing (Kovács, 1993). As the regulatory force of the government loosened, suppressed and hidden social conflicts emerged.

Post-socialist socio-economic transformation (meaning the introduction and operationalisation of the market forces in a neo-liberal regulatory framework and the institutions of pluralism) with all the pitfalls of young democracies is definitely over in Hungary like in all the East Central European (ECE) countries.

The formation of a comprehensive new socio-economic framework of cities (mainly the most complex ones – the metropolises of East-Central Europe) sets the conditions for more subtle development of specific urban areas with old or completely new functions like industrial zones, the CBD and – what is the main concern of the dissertation – areas with mixed or purely residential function. As we have already hinted uneven socio-economic development does not only apply to global or national spatial levels but also affects the urban level even in the countries of the global semi-periphery (as the ex-socialist countries are labelled in a global perspective). The concept best describing what is going on in Central European cities at a lot higher intensity than in the classic western European ones, is *(re)-differentiation*.

The city differentiates or rather re-differentiates functionally by reordering the scale and location of urban land uses like residential, industrial, recreational, commercial, transportational, institutional areas. In specific functional areas like the ones with residential function differentiation occurs according class and race' (Harvey, 1973).

Transformation created not only new conditions institutionally and economically but also established new aspirations in people and this is even more fundamental concerning the spatial outcome of the recent changes. Changing aspirations go hand in hand with the strategies to realise them. Residential relocation as an example conditions the realisation of other aspirations or it can be an aspiration in itself.

Relocation from the viewpoint of the mover means change of dwelling and the immediate environment with all what it is made up of – people and place. From the viewpoint of the new and the left-behind areas it also means change as gaining or losing one element of the system always induces though minor alteration on the aggregate level.

After a real turmoil of about 10 years the large-scale movements within society were over and the new structural patterns within the city were clear by the turn of the new millennium. The social and physical reorganisation process of the urban space has slowed down, however along with the macro economic consolidation of the country within the reinterpreted structure of

the city new hot-spots emerged as focal points of development. Formerly neglected areas are giving space to commercial, cultural, residential and institutional projects. Recently, in a more consolidated period of the post-socialist urban development, due to various short and long-range considerations by investors (both public and private) formerly unknown attention has been given to the inner-city residential areas, the historical residential zone framing the CBD of Budapest.

In spite of the clear signs of re-urbanisation and the inner-city renewal at certain spots of Budapest, on the macro level the population of the city keeps decreasing. It is only partly due to the nationwide tendency of natural population decrease; the other main reason is that the number of people leaving the city for the agglomeration exceeds those of settling in the city. It also has an impact on the social composition of the city, as the ones leaving are mostly members of the young upwardly mobile middle-class families.

From the point of view of residential environmental quality the advantage of the suburb to the central areas or housing estates is undeniable but still different aspirations, life-styles may result in completely distinct needs regarding quality measures of residential environment.

In and outside the city it is always the institutional and market mechanisms that directly or indirectly affect the aspirations and at the same time attempt to meet the demands of people. Under the present stressful politico-economic situation caused by the neo-liberal economic context there is fierce fight for well situated young inhabitants, providing decent taxation revenues for the more and more self-supporting local governments. The circumstances suggest that there must be losers and winners in the game producing widely differing urban residential areas with fundamentally distinct social and built environmental features. The triumvirate of investment, dis-investment and re-investment is known and practiced under the cover of one municipality.

In the study residential environment – just as the city itself – is seen as dynamic and the engine of dynamics is the market and so capital flow. The areas having gone through or just being in the process of transformation by their existence increase the already relatively high segregation index. The areas with massive loss of market value have been the sources of people taking part in both the sub-urban movement and also of gentrifiers in particular inner-city areas.

In other words intense capital mobility or its completely passive behaviour are able to trigger such changes in the environmental quality that unavoidably and undeniably result in transformation in the social composition of neighbourhoods. Following this cumulative causation process one can hardly say which comes before the other. A type of built environment with mainly residential function being affected the most thorough and sometimes seemingly random capital reinvestment is the late 19th and early 20th century historic tenement buildings in the proximity of the very centre, which by the expanding of the CBD here and there started to transform into a mixed use business-residential area, but seem to keep its original function. It makes one ask why certain neighbourhoods and so residential environments of roughly the same age and condition invite investment for the reconstruction while others are left completely without it. Neighbourhoods going through upgrading by attracting major capital injections differ considerably regarding the degree of intervention into the original texture of the built environment and the importance of heritage preservation; neighbourhood renewal also differs by being consistent or sporadic. They share one common feature, which is the substantial exchange of the population for the higher status social groups.

Understanding the distinct forms of inner-city neighbourhood renewal requires an in-depth investigation of the causes, the underlying structure of the process of regeneration. The fact that all the 23 distinct municipalities apply different policy measures for improving the built environmental quality only partially explains the selective upgrading of the historic residential zone of the city as well as the different strategies applied.

The approach that offers appropriate theoretical foundation and methodological tools for an investigation complex as can be is *critical realism*.

1.2 Research questions

The research project summarised in the book aims at giving an explanation to the fact that in the transformed urban context of Budapest a once relatively unified but still culturally and socially varied functional zone: the inner-city, historical residential zone involving 40% of the housing stock of the city has become extremely diverse regarding the quality dimensions of the concerned neighbourhoods. It concerns an issue that has already been approached from several other points of view by other authors even taking the same context and city as the subject of closer observation. What makes it still new is that this study deals with the issue of dynamism in residential environment by applying a specific scientific approach, realism which conditions the researcher to treat the neighbourhood as an open system giving way to detecting all the internal and external, institutional and market causes of neighbourhood transformation that are in a dependency relation with the inhabitants of the residential areas.

The problem field in brief

The negative impacts of suburbanisation on the physical and social environment in the inner-city residential and mixed use area is well-known, yet sporadically there are complete neighbourhoods going through complex renewal including the betterment in the quality of built environment, appearance of upwardly mobile social groups and functional change. Due to the unique situation of districts in the two-tier administrative system – with especially high autonomy – the causes and the process of neighbourhood upgrading differ district by district and neighbourhood by neighbourhood.

The aim of the study

The study was designated to provide an insight into the way post-socialist and post-modern socio-economic urban transformation affected people, and the built environment in Budapest since 1990; and how the new types of interactions between the actors have resulted in spectacular changes in the quality of the residential environment in the inner-city historical residential areas in the capital city of Hungary.

The ultimate objective of the research project and the dissertation is to *explain* and *compare* – regarding their underlying structures – the complex physical and social renewal and so the upgrading of neighbourhoods experienced in the historical residential area of Budapest. The research happens in a framework formulated by using the principles of the critical realist approach. Another objective is to identify the way some strategies are successful and contribute to a more cohesive local community while others favour only the interests of the market

mechanisms while being disruptive in an aesthetic sense and from the viewpoint of the local communities.

Research questions and the way they lead to answer the research aim

1. How can critical realism be made instrumental in an investigation aiming at the analysis of urban dynamics?

Beyond the situation analysis of the selected residential areas by answering the first question the book proposes the way deeper and better understanding and a critique of the post-socialist urban inner-city upgrading process can be achieved. All by getting access to the underlying structures of the processes, which is conditioned by modelling analyses according to the principles of realism.

2. Why is it necessary and how is it feasible to link the phenomena and processes of globalisation to small-scale changes like neighbourhood transformation, which is basically of local concern?

Responding to the second question leads to a better understanding of the fact that Hungary is getting back in the blood circulation of global exchanges of goods and ideas and the more intense movement and adaptability of people in this context make the smallest units of urban space prone to change according to global taste, new needs, ideas and interests. So will the historically rooted characteristics and the nature of interrelationship between the two main component parts of residential environment (built and social components) change producing a “cosmopolitan” urban context.

3. In what ways have the post-socialist contextual changes influenced the urban renewal process in Inner-Budapest?

Without establishing substantial knowledge about the socio-economic structural changes having taken place on the contextual level of Budapest it would be impossible to understand the timing and preconditions of urban renewal on the local level. Legislation on housing privatisation (allowing for local alternatives), at the same time the consolidation of banking system and the development of mortgage system as well as the economic consolidation around 2000 all contributed to the fact that housing construction as such and so inner-city areas started to interest more and more the private sphere.

4. In what ways does the renewal process differ in the inner-city districts of Budapest and how are the local characteristics and the strategies combined to generate and implement neighbourhood upgrading?

By discovering the logic and operation of the underlying structures of urban renewal in the selected neighbourhoods and the concerned districts we can identify the factors that cause

different outcomes in the renewal process taking place at various locations in the inner-city urban space. The analysis of the role and relation of the mechanism acting in the background of the renewal process leads to finding what makes the neighbourhood renewal efficient, sustainable, community-friendly and aesthetically acceptable.

Identification of factors other than the underlying structures that influence the success of the regeneration processes helps to reinforce the assumption that local characteristics, historical path dependency and other locally innate features of the community are essential to understand and consider for constructing the most efficient strategy of complex renewal.

1.3 Selecting the approach

The approach to social science determines the whole procedure of scientific research. In a sense it restricts the range of aspects of the specific problem field to be considered during the analyses as well as the way they are examined. Nevertheless to a certain extent it assists to keep the researcher on track and provides a framework in the process of knowledge creation.

The mode and method in social science is characterised as a logical *set of processes* by which researchers seek and analyse data. The scientific method is considered as the logical structure of process by which the search of knowledge advances. This structure means a series of actions enabling the researcher to form explanations and also generalisations, which can be tested at a later stage of research. It applies to the *deductive* practice of creating knowledge. This way a general theory is constructed and after that particular cases are analysed to test and verify the theory (Panelli, 2004).

The option of procedure is followed by the option of philosophical approach, which determines in the selection of the ontologically based methodology applied to the actual verification of the theory.

To specify the place of critical realism among the other philosophies of science we found Panelli's (2004) table most appropriate (Table 1.1). As we have adopted the critical branch of realism in the study we fully rely on the analyses of the radical and critical thought to define the place of critical realism among other major branches of philosophy of science.

The three philosophically different approaches to human geography is not an exclusive categorisation and does not consider all sorts of post-modern approaches but helps to position the realist approach, that we found most appropriate for our analyses.

The aspect of residential environment central in the study, and meant to be analysed is innate in the process of transformation and refers to *changing quality*. Quality change is in close relation with structural change in economy and society.

Changes take place just everywhere even the apparent absence of change, in the community, the family or the organisation where people work is subject to development and transformation as experience accumulates. Sometimes the framework of it all may be subject to alteration, adaptation, slow erosion or radical upheaval. It is the cause and outcome of changes in the framework, the so-called structural change that always concerns the social theorists the most and gives reason to this study with especial focus on the consequences for the urban environment.

Table 1.1 Three philosophical approaches to social sciences. Source: Panelli, 2004 p. 18

Philosophical approach to science and social geography	Realist?	Naturalist?	Questions of the social world	Subject of research
Positivist and Empirical	YES The real world occurs irrespective of social constructions of it	YES The social world can be studied in a similar way to the natural world	What is it?	Material, sensible phenomena that can be observed or measured in some way
Hermeneutic and Humanistic	NO The world exists in the mind and reality is constructed through thought and language	NO The social world cannot be studied with scientific method because it does not effectively recognize non-empirical evidence: ideas, values etc.	What does it mean?	Actions, ideas, values and accounts that can be collected and interpreted
Radical and Critical	YES A real world occurs irrespective of social constructions of it	NO The social world cannot be studied with scientific method because it does not effectively recognize non-empirical evidence: ideas, values, etc.	What ought it to be?	Material and immaterial structures and relations that can be observed and critiqued and possibly changed

The theories, scenarios, aspirations concerning post-modern and mostly post-socialist structural change would all find relevance to some extent in the study. Yet, we stick to those the scientific application of which is the most relevant in the context and topic of the study. *Our work mainly aims at studying the process of change in the residential environment in terms of materialised transformation, manifested in space.*

In Table 1.1 we are giving a brief overview of the theoretical approaches and the related scientific methods potentially relevant in the fulfilment of the above-mentioned aim.

Discovering spatial differences in the quality of residential environment is relatively easy by strolling around and experiencing the town with its built elements and people. Since every observer defines acceptable, tolerable, decent in different ways it is basic to find a more objective way to characterize environment, and measure the often-immeasurable quality dimension. Residential environment is as complex as it may. In a holistic approach to the analysis of residential environment it is essential that we determine what defines complexity. Quality is hidden in complexity and if we look for the solution in naturalism it is still very complicated to find one single indicator that best describes quality as such and helps to translate the subjective discoveries of a pleasant (or unpleasant) walk into the language of geographical research. The

environmental typology (on any of the hereby concerned levels of complexity – built, urban, residential) is supposed to be fundamentally the same in Anglo-American literature and in the Central European research tradition. In our view what really makes the Western typologies inappropriate for the Central-European and so the Hungarian city is the following: Though transformation has resulted in capitalist mechanisms in society and economy the 45 years of socialism and the side effects of transformation produced a couple of urban processes and phenomena unknown in the western urban space in the holistic understanding of residential environment (such as a tenure structure almost fully based on ownership having done away almost completely with the alternative of social (council) housing and not having redeveloped private rent).

Studying exclusively the degree of change in the urban residential environment by using properly collected data is appropriate but would only lead to reinforcing the visible fact that the areas under scrutiny regarding their measurable (quantifiable) attributes have (been) transformed. There is one but firmly established reason why to reject the naturalist, positivist approach in this study: studying only trends and degree of change – whatever they may be – would leave the essence and *nature* of change hidden, which is the core issue in distinguishing neighbourhood change in Budapest at the moment. Nevertheless there is no doubt that the naturalist interpretation of transformation directs attention to areas and tendencies worth scrutinising. Yet, the research instrument in the study is only in part to draw up graphs and maps firmly founded upon statistical data.

Central to the positivist vision of science is the Humean theory of causal laws meaning that a constant conjunction of events is if not a sufficient it is not even a necessary condition for a scientific law. As Bhaskar (1978) holds the main objection to positivism is that it cannot show *why* or the *conditions under* which one certain experience is significant in science. Furthermore the problem with the adaptation of naturalism and the positivist model of the subject object relationship is that the two are completely separated (Smith, 1998). This way acceptably enough the “threat” of too much involvement of the scientist and so too much subjectivism is no doubt avoided.

Taking the practical methodological side of it all, choosing the positivist approach exclusively would necessitate a set of multi-dimensional indicators and mathematical methods to interpret change in the physical texture of the built environment and social content. We need to determine the factors that make a residential environment pleasant, or undesirable and translate them into measurable indicators. Is it the density of buildings, the degree of urbanisation the level of air pollution or the social composition of inhabitants that qualifies neighbourhoods the best? A quantitative analysis requires a fine breakdown of residential environment into components and all these need to be measurable.

The features can even be grouped into different categories on various levels of the residential environment. The basic division produces two sets of components: one including the fabric of the built environment in both physical and built sense – the place -, while the other includes the people – the population as well as the institutional and market mechanisms present. Though the components are ranked among rough categories they are interdependent and connected through an intrigue network of links. Who denies that the terrain determines the type of housing the building material and the building method and that the location of the residential area suggests

what income level or cultural orientation prevails in the neighbourhood? If one single element of the system or just one mechanism keeping them linked alters for any reason no change can be avoided in the complexity of the system.

Touching upon the opposite end of the pole by taking a humanistic turn while being less concrete on residential environment: "It is the relationality of people and places that is so important to geographical understanding... as people construct places and places construct people... Relationship between people and place are always in the state of becoming rather than of simply being." (Holloway and Hubbard, 2001) and that conditions dynamism.

The type, the direction and the degree of change that the urban environmental system is going through at a given moment is dependent on the external impacts it is subjected to.

This turn in the text implies another way of seeing urban environment that is through and with the tools of humanistic approach "which seeks to re-conceptualise place in the context of human experiences of living in the world" (Holloway and Hubbard, 2001). The key concepts of the humanistic school (home, belonging, meaning, identity etc.) obviously go beyond the world of numbers and equations "... humanistic conceptions of space and place are thick with human meanings and values" (Daniels, 1985 in Holloway and Hubbard, 2001. p.69.). This geographical school also leaves behind behaviourism, which although engaged with individuals consider them as "decision-making machines".

Humanists attach emotions and meaning to such environmental elements as home or the neighbourhood in the urban space. They also firmly insist that the elusive quality has a role in the relationship of attachment.

The essential element of the quality of the urban environment is not something that can be measured or even identified fully as it may well spring from a combination of factors relating to sense of place such as legibility, collective memory, and issues of historical continuum (Parfect and Power, 1997). Based on this the same authors claim that the most important factor in urban quality is *meaning* which is essential for the psychological well-being of the individual. The feeling of belonging helps the individual to find identity on national, local (town, neighbourhood) or on micro level (home). It is the idealist sociological theory that begins with the premise that social interaction is essentially meaningful. It develops the view that cultural factors, values, meanings and beliefs are what make the world intelligible and are ultimately what shape human actions.

In the study we try to experiment with various theories and sets of tools to define what is going on to residential environment at the beginning of a new century in a post-socialist country in a city aiming high in the Central European economic space. Both the advantages and the limitations of the various schools operating with different sets of tools are seen and that is exactly what inspires us not to take a side by any of these two.

In the search for the approach proper for studying social phenomena, like neighbourhood dynamism in a city well in the process of capitalist transformation it has been concluded that both above presented approaches focus on only part of the truth.

The *critical realist approach* is deeply critical of positivism and falsification but still attempts to use the methods and assumptions of natural science to study the social world. In addition realism tries to take on board some of the insights of idealist and conventionalist criticisms of the empirical approach. Realists argue that science only makes sense in open systems and claim

that things that we study all have properties dispositions and susceptibilities by virtue of their internal structure (Smith, 1998). Under the conditions needed to activate these properties they act in that certain way.

Opposing the positivist vision of science which emphasises the priority of causal laws scientific realism holds that a constant conjunction of events is insufficient and goes further arguing that is not even necessary (Bhaskar, 1978).

Turning to the principles and methods of realist approach we attempt to find and identify the *structures* and *mechanisms* social events are understood through. At the core of the theory is a conception or picture of a natural mechanism or structure at work (Bhaskar, 1978). We also focus on relations because each role in society – as Smith (1998) describes – exists only in relationship to other roles. It was a Neo-Weberian thinker Giddens (in Smith, 1998) who claimed that social structure and actions of agents are not two different things. He viewed the properties of social structure as both enabling and constraining for human actions and saw structure as both the medium and the outcome of social agency.

Using scientific realism as the conveyor of our scientific intentions in this study we search for the structure, the mechanisms and relationships of agents in the context of residential environment as a social product.

First we take residential environment apart in order to find the agents and the logic of their interactions. By the identification of the mechanisms and the way they affect interactions we get closer to understanding the system. This bit-by-bit analysis helps us to make the system predictable and probably designable. Being aware of the intricacy of the environment we can explain such complex multifaceted urban phenomena as gentrification with all the reasons for the local variations. We can highlight the point in the system that causes the local twist in the phenomenon.

1.4 The structure of the book

The book is structured to strictly follow the logic of the selected approach: realism. After detailing the approach and the related methodology found most appropriate for the research, as well as the general introduction of the examined urban phenomena the book takes a top-down (narrowing down) strategy for presenting the outcome of the project. Starting from the contextual level (global, European and national level), through the analyses of the socio-economic transformation of Budapest from the perspective of the mechanisms, the historical background and the spatial arrangement, finally the book arrives in the inner-city of Budapest and the very micro level of the examination of the case study neighbourhoods.

Laying the foundation of the research and introducing the reader into the topic of the book *Chapter 1* has dealt with the problem field, the research questions and the reasoning of selecting the approach by comparison with other scientific philosophical approaches. As a continuation *Chapter 2* deals with critical realism as a scientific approach in more detail and outlines the major principles guiding the researcher in building up a research project. The chapter also provides an insight into the methodological tools of realism and their appropriateness in the present research. The same chapter contains the basic model of residential environmental dynamics constructed by considering the logic of realism and its applicability to the problem field. The model we use

sets the logic and order of examinations necessary to complete the research aims. *Chapter 3* is about the subject of research – residential environment – and aims at explaining the factors that determine the quality of residential space. It also deals with the factors of up- and down-grading in the inner-city urban environment in general. In the second part of the chapter gentrification as a general explanation of inner-city neighbourhood upgrading is described. We also give the explanation why we do not use gentrification *par se* as a general explanatory concept for inner-city renewal in all the examined localities of the present study on Budapest.

Following the clarification of the aims, the approach and basic concepts *Chapter 4* launches the actual realist research. This part of the book contextualises the reader by describing the global processes of urbanism as well as the national socio-economic background dominated by post-socialist transformation in the past 15 years. Taking as basic that neighbourhood is treated as an open system, the analysis describes the context as a system of possible and real external impacts of neighbourhood change proving the importance of seeing the increasing connection between the “global” and the “local”. Besides, Budapest’s relation to and position in the two contextual levels (global as well as national) is examined.

The analyses on the national level change focus systematically on the political-administrative, economic – with special respect to the changes in the housing sector – and finally the social aspects of post-socialist transformation, besides presenting their aggregated spatial manifestation in the settlement system of Hungary.

Chapter 5 narrows the scope of research down onto the level of the city of Budapest. First we place Budapest and its agglomeration in the settlement structure of Hungary and present the spatial structure of the city describing briefly the functional zones of the present city structure. The chapter goes on with presenting the underlying structures that have formulated and resulted from the significant changes in the spatial structure of Budapest in the past 15 years.

We deal with the changes having happened to the underlying structures i.e. we examine the transformation occurred in the mechanisms influencing urban change including the public, private and the civil sphere. Besides, we also examine the changes with respect to the physical and social components of the residential environment in Budapest – including the aspects and outcome of the people’s social and spatial mobility and the status change having happened to the massively endangered neighbourhood types along with the older and most recent renewal attempts.

Chapter 6 is the “gate” to the case studies. This chapter gives specific information about the inner-city of Budapest especially about the historical development and so path dependency of the crucial ecological elements of the built environment. The chapter focuses on the factors that have always made the Pest side inner-city multicoloured and varied by districts and specific locations. For the presentation of the internal disparities the book presents urban planning unit level thematic maps too.

As the most extensive part of the book *Chapter 7* is devoted to the analyses of the case study neighbourhoods. Each neighbourhood belongs to a different district and by the nature of the two-tier administrative system of Budapest is under the impact of distinct urban renewal policies via the local governments. This makes it important to place the neighbourhoods in the context of their district both regarding the mechanisms and in a spatial sense – with the help of UPU level maps.

The neighbourhood analyses focus on areas 10-14 blocks large and show the aspect of micro level quality change via interviews with local actors, sets of micro-level thematic maps and

pictures. The neighbourhood dynamics for each neighbourhood are abstracted and summarised in the neighbourhood specific model of residential environmental dynamics presented in Chapter 2.

The book finishes with the final conclusions in *Chapter 8* comparing the nature and the efficiency as well as the impact of the urban renewal process on local communities in the examined neighbourhoods. Based on the conclusions the final part of the book critically assesses the operation of the underlying structures with the intention of urging re-consideration of the structure of mechanism and so the betterment of the chance for systematic urban renewal.

Notes

1. Though the issue of racism and racial based differentiation is less applicable to Central European countries it still has a relevance if not for the case of immigrants (bigger in number and the scale in Western European and US cities) but for the Roma population with an increasing representation within ECE societies.

2 Critical realism – the theoretical and methodological background of research

2.1 Realism as a philosophy of science

Realism has a long history as a philosophy of science both in natural and social science. Realism goes back to the Platonic-Socratic thought in which there exists a “real world of physical things which is independent of our senses and therefore is independent of our perception and cognition of those things” (Cloke et al., 1991 p. 132). John Locke also thought in realist terms: around the everyday experiences there is the real world (Relph, 1989 in Cloke et al., 1991).

Similarly to positivism and opposed to otherwise related Marxism its application to the social problem field sprang from the way it is applied in natural sciences. Besides this sole similarity realism defines itself in pure opposition to the positivist thought, however it is not hesitant to use its methodological tools as will be indicated later. Realism and its various forms emerged so as to criticise positivist philosophy and relativism as well as idealism in social science.

Realism has been able to offer an alternative model of scientific explanation. It challenges positivist thought of social sciences at various points like thinking in terms of closed systems, relying on empiricism, rejecting underlying structures. Epistemologically speaking:

“... , realists do not aspire to the universalist claims of positivism, but see knowledge as a social and historical product that can be specific to a particular time culture or situation.” (Robson, 2002 p. 34.).

Realism also rejects certain aspects of the humanistic approach with the highlighted importance of discourse and language bringing it on the same ground with positivism in a sense that both involve human senses and so a substantial amount of subjectivism: “for positivists, sense-experience is real; for post-positivists, discourses or inter-subjectivity is real” (Patomaki and Wight, 2000). Through these approaches we get something instead of the real that is too much spiced with “human attributes” representing a kind of anthropocentric philosophy (Bhaskar, 1987).

As for Marxism the existence of an ontological realm existing independently of our knowledge makes the fundamental distinction that divides critical realism from a subjectivist form of Marxist philosophy (Joseph, 1998).

The so-called “naïve realism” specifically in geographical sciences never went beyond the description of facts. However, in the adaptation of realist philosophy in the 1980s under realists like Bhaskar while keeping the notion of a “real” world also claimed that there are elements of this world that is not observable (Cloke et al., 1991). Accordingly in realism – like in all critical and radical approaches – the production of knowledge happens by identifying structures and

relations which underlie and reproduce the social world (Panelli, 2004). Critical realists claim that the world is composed not only of events, states of affairs, experiences (as positivists think), interpretations, and discourses (as the humanists claim) but also of underlying structures powers, and tendencies that exist, whether or not detected or known through experience and/or discourse (Bhaskar, 1975).

There have been several types of realist traits developed: scientific, empirical, transcendental and critical realism which all have common roots but still emphasize particular characteristics (Robson, 2002). Transcendental relative to empirical realism seems to be a more advanced stage as it places the object of research from reality limited to the actual experience to structures and processes beyond what is directly perceived (Chappell, 1991).

In their ontological argument realists claim that science only makes sense in open systems and hold it evident that things that we study all have properties dispositions and susceptibilities by virtue of their internal structure. As all objects share intrinsic properties and structures (mechanisms) and their capacity to act in certain ways (outcome) exist by virtue of these properties (Smith, 1998). Following an action needed to activate these properties to act in that certain way there are still factors (the context) conditioning the outcome. As long as there are factors blocking the effect of the action the existing properties fail to get activated and the expected outcome would not happen (Robson, 2002). Figure 2.1 presents the schematic interpretation of realist explanation.

Strangely enough some classic examples are related to destructive forces like the gun powder or a nuclear arsenal, which by the virtue of their structure have the potential of destruction but are activated in a particular context, only under specific conditions.

Critical realism is ontologically based and shifts the attention from the theory of knowledge (epistemology) to the theory of being (Joseph, 1998), what the world is really like (ontology) challenging the “Western philosophical dogma” which gives privilege to epistemological issues over ontological ones (Patomaki and Wight, 2000).

Accordingly, taking as basic that the world around us is stratified with layers of structures and mechanisms critical realism as a radical approach deals with the processes of *emergence* and *change* as central (Joseph, 1998).

The layers can be interpreted as domains of reality: the real, the actual and the empirical referring to the mechanisms, events and experiences respectively. The mechanisms are only present in the domain of the real. Since an event can occur without being experienced its domains are the real and the actual, nevertheless experience exists in all three domains (Bhaskar, 1978; Banai, 1995; Roberts, 1999).

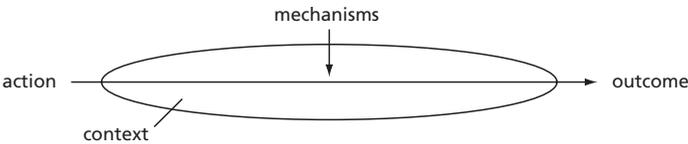


Figure 2.1 Representation of realist explanation. (Robson, 2002 p. 31)

Critical realism is not exclusively engaged with the analyses of structures but also with the critique of these structures and their effects (Joseph, 1998). The structures and relations once known and understood they are subjected to challenge and change. Like other critical approaches critical realism deals with “material and immaterial structures and relations that can be critiqued and possibly changed” (Panelli, 2004, p. 18.) Realism may turn out to be highly useful for the practical aspect of social sciences especially in our problem field as it might as well come up with answers to the critical “What ought it to be” question.

Well before talking about the practical applicability of the realist approach we rather look at the crucial stage in between theory and practice: the indispensable stage of methodology.

Typically of the realist way of examining the objects of social research, the ideas, beliefs, concepts, and knowledge held by people in societies must be understood as one part (Patomaki and Wight, 2000). It finds relevance in our research as the upgrading or downgrading trajectories of the neighbourhoods belonging to various districts may carry radically different subjectivized social attributes (meaning the context of action) despite on an abstract level they have nearly the same institutional background.

It is often claimed in literature that research methodology is rooted partly in ontological and partly in epistemic characteristics of the problem field, which can be more clearly detected in natural sciences than in social sciences. Debates concerning the matter of causal relatedness of theory and method reveal there will always be arguments for and against the causal relatedness. The fact that hardly anyone doubts that they are directly or indirectly related helps to take a step forward and deal with the methodology of critical realism.

2.2 Realist methodology

Scientific philosophy-based epistemology is often associated with methodology. Although as mentioned above the *scientific realist approach* is deeply critical of positivism and falsification but still attempts to use the methods and assumptions of natural science to study the social world. Yeung (1997) – doubting that realism has such firmly framed methodological foundation as positivism does – claims:

“...method in critical realist research has received much less attention in the Bhaskarian version of critical realism. Social scientists are thus confronted with a ‘realist’ philosophy in search of method.”

Bhaskar (1975) summarised the essential attributes of methodology in the type of realism applied in social sciences contrasting it with the attributes of transcendental realism the version used in natural sciences:

1. Process of abstraction and retrodution
2. Impossibility of experimentation
3. Possibility of direct awareness of structures and mechanisms
4. Theoretical (abstract) and empirical (concrete) research

The advocates of scientific realism being engaged with debating with the positivist position in the 1970s failed to reflect upon the methodological implications. Even now it is held that realism

is still a “methodologically handicapped philosophy” and only suggestions can be given claiming that “certain methodological guidelines are *more* relevant and useful than others. Three methods are mentioned by Yeung (1997): abstraction, grounded theory method and triangulation method as such *more* relevant tools of which we found the first and the last types to match the objectives of our research project.

Abstraction

The purpose of abstraction is to isolate causal mechanisms (the “real”) in relation to a concrete phenomenon and “to obtain knowledge of real *structures* or *mechanisms* which give rise to or govern the flux of real phenomena of social or economic life” (Lawson, 1989 in Yeung, 1997). Another important point is what Sayer (1992) considers as of high priority in realist research: “In making abstractions it is helpful to distinguish *relations* of different types: realism distinguishes the *internal (necessary)* and the *external (contingent)* relations between relevant objects and events”. This epistemological principle of realist research makes us turn to abstraction and so modelling relations.

Abstraction is a widely used method for not only realism but also for other philosophies of science like Structuralism, Marxism). Roberts (1999) distinguishes between *bad abstraction*, which is based on non-necessary relationship between certain objects failing to identify the internal powers associated with the objects and “*rational*” or *good abstraction* which “isolates the necessary and internal properties of the object, namely its generative and casual powers.”

To understand the reasons behind the new trends of residential environmental quality change (diversification, polarisation, deterioration – renewal dichotomy, investment – dis-investment decision) first we turn to the paradigms that scientific realism provides.

As hinted at above, in realist thinking these types of relation are combined. In the possibly created models related to our problem field (neighbourhood dynamics) we deal with the internal (necessary) type with more emphasis, while the contingent relations – representing impacts external to the neighbourhood as an open system are to be treated as important but as far reaching factors to be analysed.

As we hold and elaborate later the relationship of built environment and people living there is necessary (“what the object is dependent on is its relation to the other at least concerning particular attributes” – Sayer, 1984. p.84), while the global processes influential but distant are termed as contingent regarding the type of relationship with the elements of the neighbourhood (as the object).

Grounded theory

It is a mode of doing analyses for generating and testing theory – “a qualitative research method that uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon” (Strauss and Corbin, 1990 in Young, 1997). In Roberts’ (2002) interpretation the aim of grounded theory analysis is to generate theory to explain what is central in the data, where the task is to find a central core category which is both at a high level of abstraction and grounded in the data you have collected and analysed.

Young (1997) claims that grounded theory reinforces iterative abstraction by mediating between theory and practice. It is judged as especially complex:

- interpretations and data collection are guided by successively evolving interpretations

- theory must be conceptually dense with many concepts and linkages
- a detailed intensive and microscopic examination of the data is necessary

The grounded theory method is welcome and positively received especially in qualitative sociology, however in realist geography it is not only rare but also far from sufficient. In sociology – which does not consider ontological attributes of reality – grounded theory is used to discover theories based on empirical facts, while other realist researchers like the realist geographers use it for creating *iterative abstractions of necessary relations*.

Due to its complexity and insufficiency in realist geographical research looking for the ontological attributes of reality we have found grounded theory as a realist method inappropriate for our research.

Triangulation

Combined methodology carries a variety of different meanings: e.g. mixing the type of data-collection methods used, utilising different methodologies for different stages of research project (Philip, 1998).

The use of combined methods “helps to minimise the risk of generating erroneous findings” (Philip, 1998). *Triangulation* is a multi-method approach in social science based on the assumption that there are no fundamental contradictions between the purpose and capacities of the qualitative and quantitative research methods, probably except for the “primacy of verification or generation of theory” (Glasser and Strauss, 1967 in Yeung, 1997). Combined methods can do much to improve the validity and reliability of data collected, as the data sets of different nature complement each other as they approach the phenomena from distinct viewpoints (Yeung, 1997). Denzin (1970) recommends four ways of triangulation: data, investigator, theoretical and methodological triangulation of which we have found two relevant for our empirical research:

- Data triangulation with respect to time, place person and level
- Methodological triangulation via both between-method (dissimilar methods) and triangulation and within-method (variation within the same basic methodology) triangulation.

The question of level in housing research is held as crucial as it substantially influences the chosen method: the quantitative methods working with large volume of data are more appropriate for macro level research while micro level research makes possible and even requires the application of qualitative methods (the cultural turn showing more interest in the particular than the general), as they are suitable for “small scale intensive pieces of research” (Philip, 1998). However, there is a tendency that quantitative researchers are increasingly concerned with the development of statistical techniques aimed at the local rather than the global. This shift in emphasis reflects the increasing availability of large and complex spatial data sets (Fotheringham, 1997).

The issue of levels in selecting methodology regularly comes up as fundamental in housing research.

Combined methodology with special attention to levels was employed successfully by Ley (1996) – and few others – in his research about the process and outcome (spatial manifestations) of specific housing issue: gentrification, in Canadian cities. Though he calls attention to the contradiction between the necessity of quantification in positivist and interpretation and

quantitative approaches in post-positivist philosophies, he also openly admits the insufficiencies of the use of either alone especially in research comprising a number of locales.

“Findings derived from quantitative analysis of larger samples help frame the insights of intensive ethnographic research in one or a few places. Both forms of knowledge are valuable, indeed they permit the linkage of a case-study with a large set of observations.” (Ley, 1996, p. 26.)

He combines methodologies – what he calls *purposeful eclecticism* – not quite as triangulation suggests – so for the research outcomes supporting each other – but for finding focus approaching the particular from the general by using large data sets such as census material, street directories, electoral returns house price figures, and socio-economic indicators. For the research on particular neighbourhoods he turned to qualitative methods (analyses of talks and texts – discourse analysis) e.g. he made visits to the locales, conducted interviews with personalities most concerned with the process of gentrification – local experts: planners, politicians, academics; and analysed texts like news papers, planning reports and other occasional documents.

2.3 The methodological background of the study

The choice of scientific approach applied in the present study was strongly influenced by the complexity of the problem field. The intricate nature of the subject of research – residential environment – and the fact that we attempt to examine the dynamics of this system together support the choice of realist approach.

We find this commitment to realism supported by what Lawson and Staeheli (1990) claim on the three possible implications of the realist approach for the practice of geographic research. These have all been found instrumental in the research design and the implementation of our research:

1. Realists recognize a one-to many correspondence between cause and effect. In an open social world, a *single process may generate many outcomes and similar outcomes may emerge from different processes*. Accordingly realists are forced to focus on *processes* rather than on patterns in their research.
2. Through the use of abstraction operating at several levels, realists build *theories that explain the social world in place* at particular points in time.
3. Iteration demands that realists *combine methodologies* as different rounds raise different questions, some of which require qualitative and some of which require quantitative techniques. (Lawson and Staeheli, 1990, p. 18.)

They also note that the outcome of realist research is necessarily distinct from that of the positivist research. Realist research aims at identifying *processes and relations* and then to understand their *operation in time and space* – realists are not so much after creating laws as positivists are.

The implementation of the research behind the study comprises three stages (Table 2.1) and in accordance with the basic attributes of critical realism includes theoretical and empirical

Table 2.1 The methodological framework of the study (by the author)

	Scheme of research	Steps of research as applied in the presented research project	
Stage 1	Specification of the philosophical, epistemological and ontological foundations	<i>Critical realism</i> as a philosophy of science	
Stage 2	Methodology	Methodology of theoretical research – abstraction	<i>Methodology of empirical research</i> – combined methodology of qualitative and quantitative approaches – triangulation
Stage 3	Application of chosen methods: Conducting research	Conducting theoretical research – models of dynamics of residential environment	Conducting empirical research – combined methodology for the specification of the models – case studies in Budapest neighbourhoods

Table 2.2 Separation of structure and mechanisms in residential environment (by the author)

<i>Structure:</i>	
I	Static Environmental Components
I/1	Physical Environment
I/2	Built Environment
II	Dynamic Environmental Components
II/1	Social Environment
<i>Mechanisms:</i>	
I	(Primary – Internal): Municipal administration, market environment and civil initiatives – The GOVERNANCE
II	(Secondary – External): National, regional and global political, economic and cultural processes

research. The choice of approach narrows down the choice for method both in the theoretical and the empirical research phases.

The method of *abstraction* has been found appropriate as a methodological tool for theoretical research, while *triangulation*, the combination of qualitative and quantitative methods seem to be the most comprehensive approach in empirical research for our project. Using scientific realism as the conveyor of our scientific approach we are in search of the structure, the mechanisms and nature of their relationship in the context of residential environment as a social product.

As a precondition of modelling system behaviour, the definition of structural elements and the mechanisms is indispensable (Table 2.2).

What we define as *structural* elements, consist of *static* environmental elements comprising the passive built environment (both the physical and built components) as well as the *dynamic* environmental elements covering the active participants in the formation of neighbourhood change inside the system: the inhabitants.

Agents termed as *mechanisms* are not parts of the system in an organic sense but have the potential of affecting the nature of interaction between the structural elements forming the

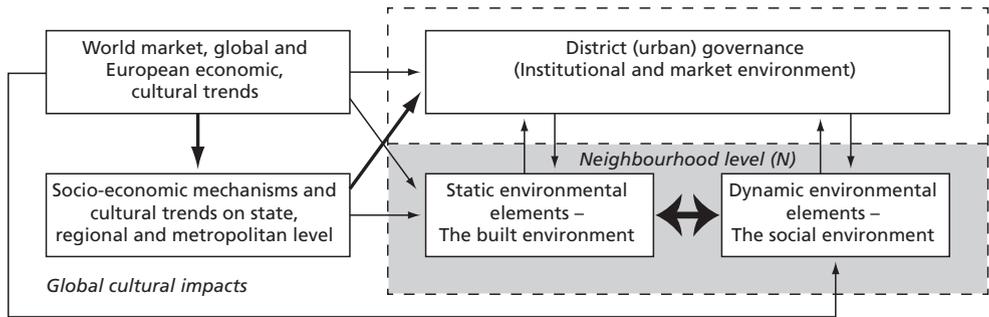


Figure 2.2 The realist interpretation of neighbourhood dynamics (by the author)

system. In this particular case mechanisms are meant to be the locally concerned municipalities, market actors, developers, investors. As the third type of actors in the circle of mechanisms, the civil organisations are regarded as important.

In the mechanisms we go further and determine higher level secondary or external mechanisms, which also have direct but more typically indirect impact on the level of the structure under examination. Indicating the existence of this circle of mechanisms we reinforce the necessity of analysing the links within the system as well as with the realm external to the system, when abstracting the relationships related to the operation of the system.

As the model emphasises (Figure 2.2), residential environment is far from being a closed system – neither on the conceptual nor on the spatial (neighbourhood) level. We feel that our statement is supported by Giddens (2001, pp. 245-246):

“Local transformation is as much a part of globalisation as the lateral extension of social connections across time and space. ... what happens in a local neighbourhood is likely to be influenced by factors –... – operating at an indefinite distance away from the neighbourhood itself.”

In the base model of the neighbourhood dynamics – besides the identification of the structural elements and the mechanisms and the external influences to the examined system – it is of crucial importance to analyse the nature of relationships between the component parts of the system the mechanisms and the externalities. By dealing with the necessary relationships of the neighbourhood we do not intend to “close” the subject of research we just narrow down the scope of examination while we also take it as evident that there may be and are necessary relationships between external factors (which, as hinted at above manifest themselves in mechanisms) and the elements internal to the system.

Naturally the structural elements, the components of the built and the social environment are equally influenced by state mechanisms directly and also indirectly, through the local institutional and market mechanisms which are undeniably under the influence of the means of state mechanisms such as legislation and the administrative systems. Besides the general direct and indirect influences (identifies as relationships), the dynamic elements – the people – might as well have very direct relationships with external factors to the system.

The dynamic elements relate themselves to their social and physical environment according to their material conditions and human aspirations. Human aspirations are taking shape continuously. They may have unchanged hard cores formed by family- and education-rooted values but the flesh on it is subjected to constant transformation and reformation by the internal and the external impacts. Amerigo (2002) points out that the specific facts outside the individual control keep changing the needs that gradually modify the individual aspirations.

This universal truth has gained increased relevance by the spreading of the network society, which necessarily comes along with capitalist development and globalisation.

“Processes of individualisation, information and globalisation make people more footloose, building their own networks independent from the location their home is coincidentally situated...” (Goetgeluk and Wassenberg, 2005. Introduction).

There are increasing number of people neglecting their community commitments and preferring network living willingly or unwillingly.

The same openness and outward orientedness applies to the built element itself as the investors and developers (the mechanisms) are not local people any more bringing their own taste and style of architecture from practically all over the world. The residential buildings do not reflect the taste of the local people any more, or this taste – meaning the nature of demand – is also influenced by external patterns as impacts on individual aspirations.

The relationship between people and environment has been formulated according to the same law in distant and more recent times too.

Taking it as evident that the mutual dependence of the individual and the community cannot be detached from the interdependence of the community and its environment Gutkind (1953) (in Schneller, 2002) saw the problem in the *adaptation to completely new environmental conditions while keeping the ability to establish a creative balance* between the environment and the individual as well as the individual and the community.

The organic interactions between the social and built environment got under full control of the mechanisms typically and especially where mechanisms have interest, power and willingness to intervene.

Due to the enhanced role of mechanisms the formation of the built environment is subordinated to short term, mainly profit making interests or strong individual ambitions. The areas concerned do show the signs of *upgrading but mostly in a physical sense* and only time will tell if the physical change by its characteristics assist people to establish the creative balance referred to above.

Other neighbourhoods do not attract so much attention and investments from the side of the mechanisms – either because the market actors do not find the areas worth the risk and the immense investments or because the concerned local governments – though have the will – are in lack of means to take an active part in neighbourhood formation. In these areas the natural (organic) relationship of the built and the social environment prevails. Local communities residing in these areas are not able to renew their potentials by themselves consequently the built environment is also dilapidating. The downward spiral of deterioration produce the crisis areas of the cities.

After all the core of the model (Figure 2.2) alone would not have had sufficient explanatory power for the processes of neighbourhood formation even one or two hundreds of years ago. However, it would have had more relevance with people relying more on their own resources and living in neighbourhoods rather than networks due to the limited means of communication and mobility.

Figure 2.2 is applicable to any “metropolitan” city of the new or traditional market economies as it stays on the absolute macro level and besides fails to go into detailing the internal part of the neighbourhood level. It provides the basis for elaborating versions applied later in the study one for specifically the neighbourhood level, one for highlighting the global complicated system of global impacts and one for even neighbourhood level of the transformation indicating the co-operation networks and the strength of connections between actors.

Because of the complexity of our research, the methodological approach that we find the most practical for the empirical part was *triangulation*.

The empirical part of our research follows Ley’s scientific “creed” that “theory should be empirically accountable” (Ley, 1996, p. 65). Trying not to lose focus in empirical research defined in the theoretical research – the nature of *complexity* in the process of quality change in residential areas in Budapest – in the empirical research such methodological tools have been chosen that support and complement the findings of the theoretical work. The theoretical foundation of the research project has been established via abstraction and in the empirical research we are trying to find evidences for the fact of dynamism in the districts and the selected neighbourhoods as well as the explanations for the variations of upgrading by examining the nature of relationships between the locally relevant actors.

When seeking the methods best serving the purpose of our empirical research, we seriously took into consideration the way Ley (1996) combined the qualitative and quantitative methods for empirical research in his frequently cited study. In the course of our research we had to realise that as the projects are different in time (relative and absolute) and space (socio-economic context) the methods cannot be one and the same either.

The spatial outcome of the recent reinvestment processes, though spectacular for the viewer, are not large scale projects and in the present break-down of data we cannot find them standing out much from the original context. The new investment projects as part of the inner-city renewal are often so recent in time that some of the dwellers have not even settled in the buildings¹ so prove to be insufficient for e.g. questionnaire surveys or interviews.

In the empirical research we are turning to different data-collecting methods and also work with the produced data set by employing a wide variety of methods rooted in distinct scientific approaches – all under the aegis of realism that allows us to do so.

Notes

1. In the course of a questionnaire survey conducted by under-graduates of the ELTE University, Budapest 2003, the name plates are on the post boxes and doors but the dwellers mostly have not moved in and also as census (2001) data they appear in a different locale.

3 Residential environment – the subject of research

It is essential that the book give a clear interpretation regarding the meaning of residential environment especially because it has interpretation on two levels: one on the conceptual and another on the spatial level. We need to see its relation to the general concepts of built environment and urban environment and to other specific functional environments of the city like industrial, logistics, transportation infrastructure, green corridors or business areas.

Residential environment is part of the built environment and so the urban environment and it is interrelated with all the other functions (other than residential) and accordingly the neighbouring functional areas and naturally all the infrastructure netting the city. We could even talk about dependency but since this is mutual it is more appropriate to see it as a net of interrelations. Environments of different function can be distinguished by the rate of one certain activity or function typical of the built environment (it is even relevant for parks or green corridors as they are far from being independent from the human activities).

The residential environment provides a place for daily life, which does not exclude other functions like retailing, transportation, even relatively small-scale production or business. A key criterion is that the residential function prevails. Some argue that a complete separation of functions in the city is totally artificial and sustainable only by means of regulations not allowing the mixture of more functions, which is far from organic development. This tendency has never been too characteristic of the European cities having had the tradition of mixed land use even in urban context, but has been more typical of some North American cities. The reason for the adaptation of what is presently judged as an outdated and far too artificial approach to city planning and growth was based on the attempt to act against the negative externalities present in the mixed functional urban environment. The ideal of the modern urban form represented by Le Corbusier (Honour and Fleming, 2002) does not seem to be sufficient for the post-modern urban ideal'. By contrast, post-modern urbanism is more for mixed land use in the urban context emphasising individual attainments even in the urban form and more or less organic growth with restricted land use regulations all risen to the level of development policy (Soja, 2000).

In spite of a lot of mixture of functions, it is still possible to separate the urban residential areas as morphological regions on the map of cities and consider them accordingly in planning, producing land use regulations, making decisions concerning the formation of the townscape. The spatial interpretation of residential environment applies to unit areas with a dominantly residential function, with a characteristic look and societal composition. Though we are aware that there is a diversity and difference in even the most homogeneous looking urban areas, the initial objective is to identify areas within cities that exhibit distinctive characteristics and that can be shown to be *relatively* homogeneous (Knox and Pinch, 2000).

The complexity of residential environment cries out for deconstruction and the analysis of the elements and mechanisms one by one so that we can put the outcome of separated analysis together by means of re-synthesis.

These morphological regions, urban social areas, neighbourhoods or residential environmental units² differ from each other by various attributes but the two basic sets of attributes are connected to the built (static) elements – *the space* – and the dynamic elements – the people – who use the area in the daily life as activity space and by doing so create *the place*.

Most studies dealing with residential environments take the dwelling units and the area immediately surrounding it – the neighbourhood – as the fundamental unit of analysis.

In Amerigo's interpretation (2002) dwelling and neighbourhood are typically studied from two perspectives: one focusing on physical characteristics relating to facilities and amenities and the other focusing on social aspects relating to the social network established both in the shared areas of the dwelling and in the neighbourhood. Thus the concept of residential environment includes three distinct dimensions: the dwelling, the neighbourhood, and the neighbours (the last representing the social dimension) (Amerigo, 2002).

As we have a specific goal our interpretation of residential environment takes another emphasis and involves such components, which in the general literature are treated as absolute externalities. Governance acting as mechanisms is “hanging inseparably on” the system. According to the principles of the realist approach agents may mean two sides of the coin: subjected to changes themselves and acting as “tools” inducing change (Smith, 1998).

3.1 The quality dimension and the research unit of residential environment

The “environment” is one of those terms which, while there seems to be an implicit consensus about their meaning, are frequently used without being defined and hence without really knowing what they mean (Rapoport, 1976).

Some interpretations of environment can be applied to the urban environment without an explicit declaration that it concerns specifically our issue in question. Ittelson (1960) defined environment as a socio-ecologic system proper, having seven categories:

1. the general ecological interrelationship of all the categories;
2. the perceptual area: important because of the primacy of the perception in man-environment interaction;
3. the expressive area: the effect on people of shapes, light, colours, textures, smells, sounds, and symbolic meanings;
4. the domain of aesthetic values: of a culture and, one could add, the whole domain of values;
5. the adaptive area: the extent to which the environment helps or hinders activities;
6. the integrative area: the kinds of social groupings which are facilitated or inhibited by the surroundings;
7. the instrumental area: the tools and facilities provided by the (socio-economic, cultural) environment.

In Lawton's categorization (1970) (urban) environment also falls into the realm of social ecology but he approaches the same issue from the viewpoint of components, therefore in his system he had five categories:

1. the individual,
2. the physical environment,
3. the personal environment, including individuals who are important sources of behaviour control – family, friends, authority figures, etc.
4. the supra-personal environment which refers to the environmental characteristics resulting from the inhabitants' modal personal characteristics (these might be old people, an ethnic group, and other specific subcultures)
5. the social environment consisting of social norms and institutions

The built environment can be also seen in an organisational interpretation. Most usefully it can be seen in terms of spatial organisation which is its most important and significant characteristic and most useful for comparison. As Rapoport (1976) holds it is the most fundamental property of the built environment. *Organisation of meaning* is also important and in this connection materials, forms, and details gain especial emphasis. While space organisation also expresses meaning and thus has communicative and symbolic properties, meaning tends to be expressed more through signs, materials, colours, forms, etc. Naturally, the environment is also temporal and it can be seen as the *organisation of time*. Finally, the spatial characteristics of the built environment also greatly influence and reflect the *organisation of communication*.

Though the first two definitions implicitly refer to urban systems as well (besides the general references) and cover roughly the same set of elements in a different organisation, we still try to focus and place residential environment in the ecological system interpreted on a general level. This is the third interpretation of urban environment though more focused, fails to place the system in a wider ecological structure.

According to Enyedi (1999) urban environment has three sub-systems: built environment including the transformed physical environment, economic environment and cultural-mental environment.

Urban environment – with residential environment as a functional and spatial component of it – is a part of the system formed by geographical environment, which merges the physical and the transformed, man-made environment. The urban environment has little to do with (1) the intact physical part of the system being fully transformed. What the general belief – incorrectly – calls natural environment in the cities is also the product of human activity since urban open space, green corridors in the urban area are all planned and built, maintained or somehow influenced by people. (2) The built (economic) environment is the system of man-made constructions technical achievements embedded in the already transformed natural environment. It expresses the aims, the kind of activities, the values of the given society and determines the possibility of further development. The economic environment has material and non-material elements. The built environment directly or indirectly serves the economic environment and is the reflection of its structure, material and employment needs and the technology it employs. In the economic environment there are such non-material elements as legislation, market

behaviour, consumption behaviour and the diffusion of information. (3) The third sub-system is the cultural-mental environment, which is the reflection of the environment in our minds based on the related values. This is the environment of the ideals, ideologies and taste. This mental environment influences the environment-related decisions of the individual. The decisions are individual-specific, however, the consequences of these decisions on aggregate level are many-fold and have large-scale effects for instance, on sub-urban residential changes. Environment-related decisions and judgements are dependent on the interests, education, social position, cultural values and the taste of the individual. These individual decisions are arranged into “groups” and form different cultural environments (Enyedi, 2000).

Yet, another way of understanding the urban environment is identifying it with the “Mumfordian” or “Lynchian” urban form. It is obvious that it is more than the physical urban form and more than a simple “urban look”. As a “container” (Mumford, 1980) it includes all the physical-spatial relationships in the system, all the various changes and forms of mobility. The “container”, which is the collection of socio-economic relationships, varies its shape in the period of prosperity at an extremely high speed while in the period of stagnation very slowly, almost unrecognisably. After an undeniably rapid and profound transformation urban change in the new market economies of East-Central Europe is still very intense. Urban form cannot be interpreted purely in its physical being, but in the relation of uniformity, differentiation and alternations in time instead (Nemes Nagy, 1998). The urban form and therefore the urban environment is dynamic, it is in constant change. In Hungary the driving force of this dynamism is a characteristic mixture of globalisation and the East-Central European post-socialist transformation with a Hungarian twist.

In Schneller’s (2002) interpretation however the built environment created and inhabited by people is not only the physical container of social life (housing) but the “inherited form of human behaviour”, which in its interpretation necessarily react upon the system of human behaviour and community activities i.e. the quality of (urban) residential environment is the *mirror and the shaper of the community* using it.

As a preliminary to it Norberg-Schulz (1971) in Schneller, (2002) defined the built environment as the concrete form of *human existential space*. In the same place he also claimed that the relation of man to the built environment partly springs from the way man tries to integrate the elements of built environment into his own schema of the surroundings and also translates his own schema into concrete architectural structures.

The essential element of quality the residential environment is not something that can be easily measured, or even identified fully, as it may well spring from a combination of factors relating to sense of place, such as legibility, collective memory and issues of historical continuum (Parfect and Power, 1997).

Quality – being concomitant of its elusive nature – can be hardly expressed in numbers, thresholds, complex indicators. There are methods to evaluate environment by the positivist, structuralist methodology all used by sociologists, geographers, etc. It is possible to apply complex multidimensional indicators using tools like factor analysis or see how one e.g. physical indicator correlates with some specific social attribute of the inhabitants. We can determine thresholds in the calculated figures and say what is good or bad environmental quality. To be more concrete, likeable as a qualifier gains different meanings in different people. The emotional attachment

between people and place are really multidimensional but is out of the scope of the positivist and behavioural thinking. *The direct emotional link that we have with our built environment is via that elusive element of quality* (Parfect and Power, 1997). Far from the propensity to discard the other methods and even using them in the study, we claim that the humanistic approach is instrumental in filling the gap between reality and the abstract projection of space and people as it seeks to re-conceptualise place in the context of human experiences of living in the world (Holloway and Hubbard, 2001). In the introduction we already quoted Daniels, but it is worth repeating that “the humanistic conception of space and place are thick with human meanings and values (Daniels, 1985. in Holloway and Hubbard, 2001. p. 69.). To be more concrete about residential environment the emotional link between people and places is nowhere more relevant than in the daily activity space of people where they live and spend most of their lives.

Environmental quality of housing (and so residential environment) is described as a set of attributes, obtained by disaggregating and can be represented as a profile (Rapoport, 1995). Evaluation goes from the neighbourhood to the yard, the outside of the house and finally to the house interior. It is what Rapoport (2001) calls the *environmental quality profile*. The environmental quality profile, merging all components together, gives the meaning, the most important factor in urban quality.

“The element of meaning in our surroundings is essential to our psychological well-being. A meaningless environment is the very antithesis of what we need and expect our urban surroundings to be. Without meaning, we are lost, and life is nothing. Absence of cohesiveness, lack of clarity, purpose or structure (illegibility), or absence of evidence of origin and manner of growth (whether organic or formally designed) are all manifestations of a meaningless environment, to which human beings can only react and respond negatively and uncaringly” (Parfect and Power, 1997, p. 135-136)

The built environment gains meaning through fixed-feature, semi fixed-feature, and non-fixed feature elements (Rapoport, 1982) as tools of non-verbal communication. These are defined as follows:

“Fixed-feature elements are the standard architectural elements – walls, ceilings, and floors – belong to that domain as do streets and buildings in cities. The ways in which these elements are organised (their spatial organisation), their size location, sequence, arrangement and so on, do communicate meaning, particularly in traditional cultures, but in all cases they are supplemented by other elements.

Semi-fixed-feature elements range all the way from the arrangement and type of furniture to street furniture, advertising signs, window displaying shops, garden layouts, lawn decorations and other urban elements (including the verbal and iconic message systems). These can, and do change fairly quickly and easily. These become particularly important in environmental meaning in our own context, when they tend to communicate more than the fixed-feature elements.

Non-fixed-feature elements are related to the human occupants or inhabitants of settings, their shifting spatial relations, their body positions and postures hand and arm gestures, facial expressions...” (Rapoport, 1982. pp. 88-101.).

For our study the most relevance is gained by the second set of elements, the semi-fixed feature elements, as it mixes the built and the human components of the urban environment concerning its meaning.

When regarding quality in residential environment we saw that actually it matters who observes and forms opinion about the environment, an insider or an outsider. As there are as many kinds of judgements about the same environment as the number of people observing it. Meaning differs according to one's degree of involvement in the local society but the evaluation of environment quality, differs according to lifestyle groups – determined by cultural attributes. It's the result of values, ideals, images, schemata, meanings and norms, expectations, rules, which are often related to status.

There are two major components of environmental quality: social and psychological aspects, each made of many components, which can be expressed by the environmental quality (Rapoport, 1995). Residential mobility housing choice can never be detached from the evaluation of environment. Specific “filters” and evaluative criteria define variable environmental quality profiles, helping to answer the question of *what is “good” or “better” environment, better for whom, why and how one knows it is better* (Figure 3.1).

The holistic approach to environmental quality just as to residential environment itself is too general a way to the understanding of mechanisms affecting it as we have already pointed out. “Holism” is impossible, deconstruction is a constant, a standard technique or approach and, scientific holism, re-synthesis at higher levels of abstraction is necessary.

Rapoport gives four interpretations of environment:

- The organization of space, time, meaning and communication
- A system of settings within which systems of activities (including their latent aspects) take place
- The cultural landscape
- Composed of fixed, semi-fixed and non-fixed elements

The second definition is the most applicable for studying residential environment and housing as closely related and interconnected fields of research. Being not too broad and complex (like the first one) and not so concrete as the last two and this way flexible in use.

However complex and multi-level residential environment may be in its quality dimension, one need to be able to abstract and essentialize and make a typology. To be able to conduct comparative research taking either the temporal or the spatial aspect of variety in residential

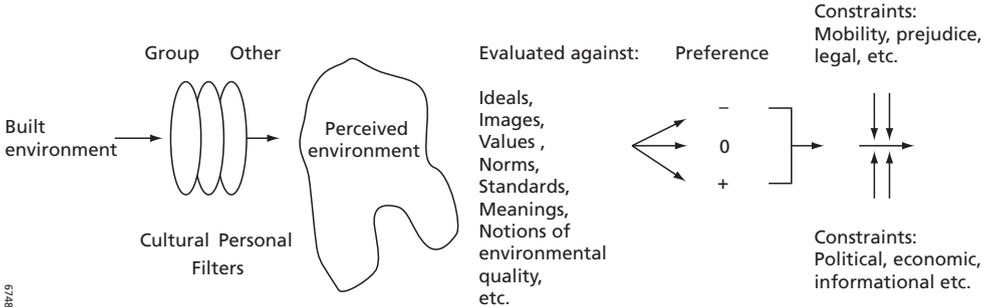


Figure 3.1 Model of evaluative process. Based on Rapoport (2001)

quality as central first it is essential that we chose the spatial scope of research and select the aspects of the examination (statistical indicators, historical path, urban ecological elements as determinants of spatial quality etc.).

Doing research on the level of neighbourhood is never easy due to the identification of spatial unit of research: the neighbourhood. Recently some authors having been involved in research on housing quality and housing and residential environment preference as well as spatial segregation noted that defining neighbourhood according to the administrative units or the zip codes is often misleading (Goetgeluk and Wassenberg, 2005).

Defining neighbourhoods according to the above mentioned parameters may result in the analyses or comparison of spatial units where the aggregated and this way homogenised data is the outcome of characteristics with large variance.

In our study the aim was to define neighbourhoods as composed of blocks (bordered by streets) which have been the smallest Census units in 2001. The four neighbourhoods analysed in the micro level research are identical neither regarding their size nor their population. They are not even homogeneous according to their present composition of population and age and state of housing stock. What we considered as highly important when marking the borders of the neighbourhoods was that each area concerned must have a more or less common path of development and more or less common social and physical characteristics up until the change of system in 1989. The fact that the comparative maps of the areas show striking internal difference within some areas will be indicative of systematic or random interventions of mechanisms. These factors will be analysed and detailed in the texts concerned.

What we intend to follow in the neighbourhoods selected is quality change, upgrading both in a physical and sociological sense, along with the negative consequences on the local communities that mechanisms cause by disrupting the organic relationship of people and their *place*.

3.2 Gentrification – an interpretation of neighbourhood quality upgrading

This section attempts to clarify the definition of gentrification – as an interpretation of neighbourhood upgrading, which has been used internationally for decades – through the investigation of various interpretations, besides it gives brief comparative overview of the development of the concept, and identifies parallels and contrasts in the practical implication of renewal initiatives in the process of central city quality change. Finally we reinforce the idea that gentrification regarding the product and probably more the underlying structures varies not only country by country and city by city but in the case of Budapest – due to the uniquely organised administrative system – within a city too. Nevertheless, as seen later in the text of the book we do not consistently refer to gentrification *par se* exactly because the neighbourhood renewal processes taking place in the city are far from being alike in the motivation of actors, the role of the local government and the social aspect of renewal.

According to the definition of the *International Encyclopaedia of the Social and Behavioural Sciences* (2001, p. 16040):

As cities age, their physical features gradually deteriorate. Buildings, public facilities, vegetation, open spaces and other elements may be involved. Careful maintenance and preservation can minimize

this process, but with the passage of time, nearly all structures, spaces, and other features will have to be restored, rebuilt, or replaced. This process, usually accompanied by negative economic and social conditions, is termed central city decline. Ameliorative responses to these forces are known as central city revitalisation. While improving the condition and appearance of buildings, parks, streets, and the other elements of the urban environment is the most obvious goal, closely linked are desires to improve economic and social circumstances for those who live in, work in or visit the city.”

The term – inner-city revitalisation – is often replaced with *gentrification*. This was invented by Glass (1964) and was intended to indicate the social group mainly involved in the change. The process used to and still is fed by the so-called urban “gentry” (Gale, 1984,) urban middle-class households (Van Weesep and Musterd, 1991). Gentrification has been identified in a large number of cities all over the world (independently from the current level of economic development) equally appearing but having different background of market and urban policy initiatives in New York, London, Paris, Mexico City, Istanbul, Budapest. However, in spite of the fact that since the 1970s it has spread widely especially in Western Europe, North America and Australia later in Asia and Latin America “it is still a relatively small scale and very geographically concentrated phenomenon compared to post-war suburbanisation and inner-city decline” (Hamnett, 1991). In contrast with the numerous, mainly locally handled aspects of the process like the physical, social, political, cultural, design, behavioural, and environmental ones its economic dimension – as the conceptual model of residential environmental change indicates – is far from being only a local concern. As the world has undergone increased economic restructuring the economic forces but also the institutional and social conditions of inner-city revival may vary even within the same country in accordance with the new urban regional level distribution of investments and so job opportunities (Gale, 1990). It gains especial importance in the case of our case study areas of Budapest, where the distinct administrative contexts alone have been enough to generate different underlying structures and so forms of urban renewal.

The process of inner-city revitalisation as an example of positive residential environmental quality change has meant a challenge to quite a few of the formerly prevailing and unquestioned theories. Before gentrification was discovered stage theories had dominated and even the caveat that neighbourhood decline might be reversed – in terms of apartment construction – was lost (Beauregard, 1990). As gentrification came into the common scientific knowledge it turned out that it contradicts the filtering process, which holds that the lower income groups move into the deteriorating housing. Gentrification also went against the idea that supported Alonso’s structural theory (1964) of the urban land market: the preference for space and low density is more important than the accessibility of the central city. Finally, it also contradicted the idea that finding a suburban dwelling is the final stage of one’s housing career (Hamnett, 1991).

Central city revitalisation is a complex process, unfolding over several years, even decades with multiple participants, complicated financial mechanisms and a multiplicity of people who are affected in various ways. Some, like Rose (1984) and Beauregard (1986) (in Beauregard, 1990) even call gentrification a “chaotic concept” as what seems to be a single dynamic of neighbourhood transformation comprises multiple processes instead so there is more to neighbourhood dynamics than growth, decline and stability (Beauregard, 1990).

In the Western world the first era of city revitalisation was under way by the 1950s. While the conditions varied nation by nation and city by city, urban renewal usually involved financing

and rules provided by the national government, with program implementation by the municipal and state governments. In spite of the fact that due to the radically different role of central planning initiatives in central city renewal the American and European experience diversified, gentrification used to have and still has a lot in common in the two regulatory, economic and cultural contexts. In American experience early gentrification was labelled as “sporadic” due to the fact that it was “thoroughly overshadowed by continued white migration to the suburbs...” (Smith, 2002, p. 4). As hinted above Hamnett also holds it important according to his experience in Europe (mainly London) to stress that gentrification is of small scale and concentrated independently from its location.

Taking an example from the Netherlands: during the 1960s comprehensive redevelopment of central areas were implemented with the intention to create room for expanding economic activities. New residential constructions prevailed mostly in the social housing sector. There was no need for the private sector and so it was not involved in the redevelopment (Van Weesep and Wiegersma, 1991).

In the American cities, under relatively high degree of governmental intervention – in contrast with the practice of the late 1970s on – in many cases hospitals and universities expanded into the cleared downtowns areas, pedestrian walkways, parking garages and office buildings were constructed. Often social housing for low and moderate-income households was erected (Gale, 1984).

In Western democracies it was generally assumed that the central government should intervene to protect declining regions and cities. No doubt, in the European developed societies the government policy was more far-reaching than in the US (Judd and Parkinson, 1990) yet compared to what came later even there it was of great importance.

We need to emphasise here that the early phase of gentrification labelled as *renewal* (though here and there it meant a lot more than inner-city development) in line with the principles of modern urbanism mostly meant the *replacement of old city fabric with new construction*. Preservation, conservation, historic continuity were not among the main guidelines of this wave of the process.

By the 1970s a combination of the high public costs of urban renewal, the politically and legally contentious issues of land acquisition and the social disruption of compulsory household relocation brought this form of urban renewal to a halt in several nations. This does not mean that urban renewal completely came to an end. A more selective approach started to be applied by the national governments. In this form of urban renewal a different strategy has been used: greater efforts to involve indigenous residents, businesses and institutions in planning for the future of their communities have been made. Instead of demolishing dilapidated neighbourhoods the stress was more on *preservation and urban conservation*. Among one certain kind of people – which cannot be categorised as middle-class, well educated, childless in contrast with much effort to do so – an interest awakened in architecture of the nineteenth and twentieth centuries. Besides the turn in individual interest various level governments and their planners also turned to a new strategy, to the model of the “compact city”. Smith (2003) calls this period “*anchoring gentrification*”.

As Van Weesep and Wiegersma (1991, p. 99) state it in connection with gentrification in the Netherlands:

“The planners adopted a strategic planning model, enticing the private sector to seize the new opportunities. This new planning approach and the open door to private developers is reflected in the change of the government’s attitude towards gentrification. Gentrification is typically a private-sector approach to urban renewal.”

This description of the second phase of urban revitalisation with no exception is relevant about urban morphological dynamics of the whole western world now already including the newly arising market economies.

By this time gentrification has developed into something more than a simple housing strategy. Besides the rehabilitated residential buildings the process more and more involves new restaurants shopping malls, parks, office towers in the city centre along with cultural complexes. Some, like Smith (2003) call it the third wave gentrification specifically: *gentrification generalised* which “represents the gentrification of the city as a highly integrated conquest of urban space in which the residential component cannot reasonably be dissociated from the transformed landscapes of employment, recreation and consumption (Smith, 2002, p. 9).” Already in the 1980s there were observations suggesting that it is more than the concern of pure housing. Some like Laska and Spain (1980) (in Beauregard, 1990) hinted that gentrification represents only part of a larger “revitalisation “of the city, a recentralisation of specific urban activities over and against the suburbs.

The supply oriented analysis of inner-city renewal and gentrification

The supply-oriented interpretation of gentrification concerns the real estate economic aspects of the process. It considers gentrification back to the city movement but a back to the city movement by capital rather than people (Smith, 1996, p. 96).

Within this field of studying inner-city reconstruction there are two distinguishable approaches one, the so-called *rent-gap theory* by Smith (1996, 2003) and another, the *value-gap explanation* by Hamnett and Randolph (1986), Hamnett, (2003). The two approaches can be interpreted as the critique of each other. It is especially the case with the value gap explanation, which came into being as a kind of critique of the interpretation based on American experience (by Smith). Researchers of European gentrification like Tonell on Stockholm or Hamnett himself on London find Smith’s theory inapplicable to the European conditions (Clark, 1991). The brief presentation of both supply-oriented (neo-Marxist) approaches are indispensable (also that of the demand oriented one!) as it helps to explain what makes inner-city neighbourhood upgrading different in Budapest from what is going on in the Western developed world.

The *rent-gap theory* says that the causes of gentrification lie in the geographical mobility of capital and the historical pattern of investment and disinvestment in the urban landscape (Smith, 2002). The term denotes “the disparity between the potential ground rent level and the actual ground rent capitalized under the present land use” where the potential ground rent is the amount that could be capitalised under the land’s highest and best use and capitalise ground rent is the actual amount appropriated given the present land use. The price of the property is equal to the building value plus capitalized ground rent. When the rent gap arises the owner of the property starts to neglect repair and maintenance and the building value declines, which affects the capitalized land rent negatively. Filtration applies to this stage of the process (Clark, 1991).

The *value gap explanation* puts the disparity between the “vacant possession value” of a property and its “tenanted investment value” central in the interpretation of the process of gentrification (Clark, 1991).

According to Dangschat (1989) in Clark (1991) “both theories fruitful for different modes of gentrification in distinct areas of the city, rent gap theory providing a better fit in the “zone of transition” adjacent to the inner-city, value gap theory fitting better in the former bourgeois inner-city” he even further develops the argument denying that the two approaches opposites and provides a common theoretical framework:

- a property will not have a value gap without also having a rent gap;
- the closure of a property’s value gap entails at least partial closure of its rent gap;

The demand oriented analysis of inner-city renewal and gentrification

Partly as the critique of any kind of supply oriented explanations (but mainly the rent gap theory) and partly on their own right another fundamentally different approach to gentrification appeared in the 1970s which instead of the housing market characteristics and the suppliers activity focus on the demand side of it all. By the demand side the literature means the gentrifiers themselves, who in contrast with the sharp generalisation cannot be all put into the category of young, upwardly mobile and professional.

On the basis of a series of surveys done in Canadian cities Ley (1996), in the study of inner-city renewal and gentrification as such, brings up lots of arguments that raise doubts about the fully fledged relevance of the neo-Marxist supply oriented viewpoint in examination of gentrification.

His analysis is based on the examination of characteristics of the gentrifiers, which goes briefly as follows:

- The participants of the gentrification movement are not exclusively young urban professionals⁴. In the course of a comparative research of Canadian cities he found that more and more middle-class families with children at home are present. There is a growing age spread in gentrified neighbourhoods, and the ratio of retired empty-nest households is rising⁵. He could also find the trace of so-called “marginal gentrifiers” (p. 36).
- Gentrification as “back-to-the-city movement” has no relevance as according to the findings of the surveys the source of inner-city dwellers is not the suburb but other inner-city neighbourhoods or areas within the city limits (p.37).
- Gentrifiers are not temporary dwellers but tend to stick to their residential area for a longer time “Clearly these people are resolutely and not reluctantly urban people” (p. 38).
- Either large publicly assisted projects started the renewal resulting socially mixed neighbourhoods (p. 37) or the first projects were undertaken by small enterprises of architect-developers and then the risky environment was passed over by large niche developers (p. 45).

This would not speak against the existence and the importance of the rent gap in itself but if we add that according to the Canadian experience the neighbourhoods that typically experience gentrification are not the ones with the highest rent gap but which were already middle-class districts or which were in the proximity of an existing elite area we see that the calculation of a risk factor remains crucial in all considerations of any anticipated profitable return. It is basically

because the thesis overlooks regulatory context, which “may well discipline capital’s freedom of expression” (Ley, 1996, p. 42).

The surveys⁶ compared by Ley showed the range of factors that underlie an inner-city home from the residents’ perspective. In the order of importance these are the followings:

- Central location (easy access work, shops and cultural activities)
- Environmental amenities (Physical environment (views, waterfront – where relevant); built environment (architecture, streetscapes etc.)
- Social quality of the neighbourhood (compatible or diverse neighbourhood)

In some instances affordability or reasonable rents are of main importance but it is not so general a concern as the ones mentioned above. And so is the investment potential, which evaluation was rather asymmetrical in the various neighbourhoods under comparison (p. 38).

The factors influencing central city location on the consumer side are to be considered in the fieldwork in Budapest. Our expectation is that besides the obvious advantage of central location and accessibility of various amenities investment potential will come out as major influential factor in central locality choice.

What makes the comparison of post-modern cities and cities of the new economies especially exciting with respect to gentrification is the characteristics of residents other than their demographics, such as their value-based motivations behind the decision. In this respect, looking for the existence gentrification cycle gains importance.

In those post-modern cities where gentrification was discovered stages of gentrification can be detected with respect to the motivations and characteristics of the dwellers.

At the early stage the arrival of “economically marginal members” is typical who sensitise the advantages of cultural and social diversity (Ley, 1996). It also means the arrival of cultural capital in the area, which upgrades the neighbourhood image for the financial capital (Ley, 2003). At a later stage as the cycle unfolds and house prices inflate, successively higher income households enter the market. The invasion of financial capital occurs and so changes the judgement of such neighbourhood and community factors transforms. Owners appear to have more of an economic than a social stake in the neighbourhood (Ley, 1996, p. 41).

Relying on our experience and resources we have doubts about the decisive role of cultural capital in neighbourhood upgrading so far. However, another aspect of culture does have a role in the attraction of investment capital in mainly the inner parts of the examined districts especially in Inner-Terézváros (6th district), where the concentrations of theatres and other institutions of high culture give prestige to the neighbourhoods concerned (see Chapter 7.1).

In 1991 Hegedüs and Tosics analysed the applicability of the supply-oriented explanations of gentrification for the Hungarian experience of gentrification at the time of the disintegration of socialist housing market and institutional background. They found both explanations limited for the situation prevailing in the city. Under the socialist conditions most inner-city housing was in state ownership and the rents were not enough even for regular maintenance (Chapter 7)

“...the actual capitalised ground rent was very low, in fact negative (...) Yet for individual renters it had a positive value. They could generate a material return through private transactions (...) there was a considerable difference between the present (positive) value of the future rent subsidies and the present (negative) value of rent income. This difference did not lead to substantial gentrification.” (Hegedüs and Tosics, 1991, p. 125)

Though the capitalist transformation substantially influenced the mechanism of urban renewal – and has made them similar to those of the traditional capitalist urban areas – the applicability of the general rules both regarding the rent and the value gap theories is still hard. One of the reasons is the distinct strategies of the local governments or on the contrary the complete lack of them. Further factors influencing the adaptability of theories are the listed status of residential buildings, relatively high rate of social housing in the most dilapidated buildings.

Summarising the relevance of the above described gentrification theories for now it seems that the supply-oriented explanations still find more relevance in the new capitalist city of Budapest. While supported by our experience we accept that inner-city renewal in Budapest – though at different stages of the process – is basically supported by private sector we also agree with the statement that gentrification is a multi-actor, multi-decision process. The two basic decisions in residential development are: the acquisition of the property and the definition of the project. The outcome of these decisions relate to four factors: characteristics of the site or building, the market, public policy, and the characteristics of the sponsors (Van Weesep and Wieggersma, 1991). These factors of renewal are presented in Chapter 7, which takes the case studies of inner-city renewal as central.

Notes

1. The principles embodied in the 1933 Athens charter of the Congress Internationaux d'Architecture Moderne (CIAM), stipulated a strict separation of land uses, which found wide-spread acceptance and also contributed to the uniformity of many post-war urban areas (Studer, 1987).
2. There are various terms for the same concept depending on the type of approach and semantic taste of researchers (Knox & Pinch, 2000). We prefer using neighbourhood and/or RE unit to be more targeted to the topic of the research.
3. The word “gentry” also exists in Hungarian and has a deep cultural and historical meaning. It was used for the social group of the impoverished nobility typical at the end of the 19th century who strived by all means to sustain the life-style pursued by their ancestors. Keeping up appearances was their main principle. The character of the charming and socially completely harmless gentry appears in a number of literary works conveying undeniable nostalgia for the good old days.
4. The generalized definition of gentrifies in Ley's interpretation: Well educated, upwardly mobile in a public or perhaps less commonly, a private sector occupation in a professional or managerial capacity, single or living with a working partner, and with adequate discretionary income to engage in the rituals of the culture of consumption expressing the canons of a good taste in a designer market place (Ley, 1996)
5. The tendency of back to the city after the children's leaving the parental home could also be detected in the authors survey conducted in 1999 (Földi, 2000)
6. The surveys were conducted in Montreal, Ottawa, Toronto and Vancouver

4 External influences on the transformation of neighbourhoods – the context of research

Although social systems, like all objects have intrinsic structures, the property that activates or blocks the system to act in a certain way is the context. Structurally alike systems fail to produce the same outcome in different contexts and the same context make objects and social systems with distinct structures act differently. One topical example is expressed in the way the globalisation process as a context relates to the late 20th century transformation process of states.

The global economy is part of the context of changes and – as experienced daily – affects the trajectories of social systems with distinct structures and properties radically differently, putting some in advantaged others in disadvantaged position. However, when there are only slight discrepancies in a structural sense – like among advanced capitalist countries – the socio-economic outcome is roughly the same. The example is profane and far too obvious but easy to see how it works with the distinguishable trajectories of neighbourhoods with distinct structures and properties.

This chapter is devoted to the analysis of the wider context of neighbourhood change which – according to the realist model of neighbourhood dynamics – appears in two levels (Figure 2.2). The first one is the global and the sub-global (European) context, meaning globalisation itself and the impact of Hungary's EU membership: these all take different forms and more often than not appear on the neighbourhood level indirectly, as the product of contingent relations.

The second is the national context, which is under the impact of the global pressure itself, so acts as filter but still produces its own contextual factors for changes on the neighbourhood level.

4.1 Global context – globalisation and the post-modern global urbanism

In recent years no study in social sciences has come to light without elaborating on the aspect of globalisation; in the given research topic let it be related to urban geography, economics, or even cultural studies. In this study it is even indispensable since our realist model – though more indirectly than directly – relates the neighbourhood level processes to global and sub-global events. In order to see the logic of interrelatedness, one needs to examine the post-modern global urbanisation debate itself and the ways the global-local interplay can be interpreted.

On the process of the terminologically hardly definable new context that led to a new kind of urbanism Amin states:

“... there is an emerging consensus in the social sciences that the period since the mid-1970s represents a transition from one distinct phase of capitalist development to a new phase. ... Terms such as “structural

crisis”, “transformation”, and “transition” have become common descriptions of the present, while new epithets such as “post-Fordist”, “post-industrial”, “post-modern”, “fifth Kondratiev” and “post-collective” have been coined by the academic prophets of our times to describe the emerging new age of capitalism.” (Amin, 1994 p. 1)

What was an emerging consensus, has now become evident and the multitude of terms quoted by Amin are all still relevant each with the intention to give a full-fledged explanation of new capitalism, though ingeniously or not grasping one characteristic of the change in the ways of capitalism. In this study, the author will stay with the term post-modern.

Globalisation and post-modern change are two overlapping processes (Soja, 2000). The doubled effect of the new century applies to a list of large cities of advanced capitalism. Post-modern urban change is concomitant of globalisation. Symptoms of globalisation are detectable almost exclusively in the cities or rather urbanised areas as we call the loose or tight organically linked conglomerate of settlements of different size. T. Hall (1998) by contrasting aspects of urbanism in modern and post-modern times that affect form and function gives the relevant aspects of global urbanism.

Had it not been for the change in the mode of production – to adopt a Marxist term used by Short (1996), which in the light of economic history was inevitable – there would not have been

Table 4.1 Contrasting features of modernism and post-modernism.

	Modern	Post-modern
Economy	Industrial; mass production economies of scale; production-based.	Service based; flexible production aimed at niche markets; economies of scope; globalised; telecommunications based; finance; consumption oriented; jobs in newly developed peripheral zones.
Urban structure	Homogeneous functional zoning; dominant commercial centre, steady decline in land value away from centre.	Chaotic multi-nodal structure; highly spectacular centres; large ‘seas’ of poverty; hi-tech corridors; post-suburban developments.
Urban government	Managerial – redistribution of resources for social purposes; public provision of essential services.	Entrepreneurial – use of resources mobile, international capital and investment; public and private sectors working in partnership; market provision of services.
Architecture, landscape	Functional architecture; mass production of styles.	Eclectic, “collage” of styles; spectacular; playful; ironic; use of heritage; produced for specialist markets.
Planning	Cities planned as totalities space shaped for social ends.	Spatial “fragments” designed for aesthetic rather than social ends.
Culture and society	Class division large degree of internal homogeneity within groups.	Highly fragmented, lifestyle divisions; high degree of social polarisation; groups distinguished by their consumption patterns.

Source: Hall, T. (1998) pp. 82-84.

an open debate on a *post-modern, glossy, non-place office building* constructed in the proximity of the neo-classical building of the Hungarian National Museum at the turn of the 21st century *on the website* of the Association of Hungarian Urbanists.

Capitalism at various historical stages has been marked by a specific structuring of space (Esser and Hirsch, 1994). The post-modern (post-fordist) economy of the late 20th century – thinking and acting in terms of global networks and division of labour – produced a new global-level spatial structure and new local patterns too. The new local patterns are manifested in the new urban order (Short, 1996).

By the reassessment of economic roles of urban centres, the economy of the post-modern era caused a multitude of shift in the development of urban centres destined the former centres of fordist production to decline until finding the new alternatives (this most affected the western cities in the late 1970s and 1980s, while it made its impact felt in the post-socialist countries, after the change of system).

Cities, while being in competition for position and influence in the global urban network have started to share more and more properties and problems. The hierarchy of world cities has never been more articulated and each centre strives to define itself by developing specialities to attain a higher influence'. Sassen (2002) reinforced the post-modern necessity of a new type of global centre: "National and global markets, as well as the globally integrated operations, require *central places* where the work of globalisation gets done." Sassen (2002, p. 163.). What Sassen (1994) calls global cities is the fruit of "the combination of the global dispersal of economic activities and global integration – (...) – that has contributed to the strategic role of certain cities..." (p. 4) besides, she also refers to those former centres that have become increasingly peripheral in the current phase of world economy.

Due to a series of changes the global economy as a new reality reaches out to the whole planet but does not include the whole planet. It links valuable inputs, markets and individuals while switching off unskilled labour and poor markets (Castells, 2002). The developed world left behind the socially more sensitive ideology and everything going with it mainly the principle of caring state, instead adapting and pursuing the principles and practices of neo-liberalism. By doing so the First and the "Second" World have generated so much social exclusion within their own boundaries that researchers have rightly started talking about a Fourth World, meaning areas like the South Bronx in New York (distant periphery in the Global Centre) (Castells, 2002).

The post-modern structural and institutional form of the cities seem to be going through the same kind of changes, each with local twist worldwide. After the global tendency of suburban growth and the decline of the inner-city residential areas evolving in the modernist times, city centre *par se* gains new meaning and importance in post-modern urbanism. It all related to the spreading of post-modern cultural trends and lifestyles which are connected to the city centre (Featherstone, 1994). Social tendencies started in the modernist era such as individualization are continuing due to social heterogenization and the imposition of new communication technologies (Esser and Hirsch, 1994).

An especially important aspect of post-modern urbanism is the necessity of change in the approach of the local authorities to city maintenance. The decline of the achievements of the welfare state, the subsiding sources from the state redistribution makes it indispensable for the local governments to adopt a more entrepreneurial approach. As Harvey (2002) pointed out urban governments have to be “much more innovative and entrepreneurial, willing to explore all kinds of avenues through which to alleviate their distressed condition and thereby secure a better future for their population.”

The shift from managerialism to entrepreneurialism means inter-urban competition for resources, jobs and capital. Producing competitive advantages has become the preoccupation of local governments. In Harvey’s (2002) view the centrepiece of the new approach is PPP (public-private-partnership), “in which traditional local boosterism is integrated with the use of local government powers to try and attract external sources of funding, new direct investments or new employment resources.” Urban governance as product of the logic guiding the formation of the new operational background of cities.

4.2 Approaching the local from the global – Budapest in the global and sub-global urbanisation process

Budapest is an international city which fits well in the network of the East-Central European capital cities and the larger cities of Europe (Barta, 1998). The past 15 years of transformation in East-Central Europe (ECE) rearranged the flows of capital, labour and goods and defined the new economic focal points of the reunified Europe in the cities of international importance. These places – more often than not – coincided with the cities which had international importance in the pre-1945 period. Presently, in the period of economic upgrading regarding their international status, the competition between the East-Central European capital cities (primarily Prague, Warsaw, Budapest) is becoming especially intense. They all strive to identify themselves and their role in the network of world cities by grabbing one or two specialities that distinguish them from their competitors and build their city marketing around these features. The economic power, the consistent development strategy and innovative activities taking place in the “hinterlands” of the cities, gained an especial importance. Meanwhile, as a reimbursement the prime city with its pulling power formed the public (and professional) opinion about the whole country, most important of all among the potential investors.

The re-integration of the ECE capital cities in the European urban networks has proved to be an intriguing and complex process, an ambivalent process of competition, co-operation and definition of identities.

From the analyses of Barta (1998) it came out clearly that Budapest has never had the chance to go for a global city ranking and has had not much to do on the highest levels of the hierarchy of world cities (Enyedi, 1999). However, in the context of socio-economic transformation and reintegration Budapest stood the chance in the European city competition in the following respects:

1. in the system of European cities – as a partial great regional centre
2. as the centre of cross border Central-European sub-regions
3. by special functions of international scope (financial centre, headquarters of trans-national companies and institutions, traffic and transport node etc.)

From the series of research projects² on the international role of Budapest almost a decade after the change of system, it was clear that Budapest's aspiration for any particular role or special sub-regional function like that of a financial centre, had failed to be realised (Ballon, 1998). In Central-Europe Budapest can only be placed in the position of a sub-centre – no activity can be identified in which Budapest would be *the* Centre (Enyedi, 1999).

The role that Enyedi (1999) judged possible is that of a gateway-city, the role which fits the most a cities located in the buffer zone of developed and under-developed regions, and is able to adopt, process and forward the flows of innovation, information, capital and goods. The role is not only that of the mediator but is potentially giving dynamics and prosperity to the city and its region.

Being the capital of a country in the very heart of Europe, in the crossroads of cultural, trading etc. highways, Budapest could never have stayed free of international economic and cultural influences. The global model of urbanisation, the stages of concentration, de-concentration, even the first signs of re-urbanisation along with the phenomena of sub-urbanisation, the trends of social segregation, gentrification have become manifested in the urban space of Budapest. The degree of the international economic, cultural etc. influence and the delay in the appearance of the urbanisation phases has always been up to the degree of integration in the European economy, and to the global status of the city – the last one ranging in time from a global city to only a national centre.

Both the formal and informal international influence on urban development were definitely much more intense in the urban development stage of concentration when at the turn of the 20th century Budapest as part of the Austro-Hungarian Monarchy went through the greatest ever economic boom, prospered and became a real competitor of Vienna. The construction fever reached its highest peak in 1900 when the city was called the “American Budapest” and some talked about “American speed” in urban development (Lukács, 1996 p. 62).

This period (between 1870-1918) Budapest is described as the small radius global city (Beluszky, 1998). The development potentials of the city were highly dependent on foreign capital investments and had an importance in the secondary distribution of foreign capital in the Balkan just as Prague did (Árvai, 2000).

The post-Trianon³ history brought forth a radically new situation regarding international connections. The city was not able to recover economically and along with the less extensive trading contacts than before it became culturally much less colourful with relatively poorer international intellectual contacts, which in the post- World War 2 communist period became even worse (Árvai, 2000). The country became isolated from global influences – especially the western intellectual ones – therefore these could only take shape in the urban space with a considerable delay and sometimes in a greatly misinterpreted form (Szirmai et al., 2003).

Post-war modernity knows one “totalitarian” system (and this is not of political but of economic nature): the world economy. However until 1991, a duality in the political, pragmatic consumption-technical realisation of globalisation had subsisted, which practically divided the world into two. The pragmatic Western product of globalisation – a market-based, liberal, consumerist, individualist product – is being successfully realised. By contrast the ideocratic Eastern type – the etatist, anti-liberal, ascetic-collectivist product collapsed (Szilágyi, 2002).

Szilágyi (2002) also claims that the communist product of modernism was destined to come to its end as by its very nature it could not keep pace with expectations of the post-modern age, when productivity is not measured by volumes of production.

In order to explain the way the first product of modernism replaced the other in Hungary (and also in East-Central Europe), Kovács J.M. (2002) tested two assumptions:

- the soviet civilisation left a vacuum behind that attracted foreign economic and cultural products into the country and also gave way to the revival of the national culture (Kovács J.M., 2002 p. 435)
- the other assumption is that after 1989 there was no vacuum left behind but the western globalist civilisation penetrated into the communist heritage (Kovács J.M., 2002 p. 441).

The second finds more justification in the socio-economic experience of late-socialism, which is rooted in the middle-way policy of the country. From the late 1960s slowly but surely the country and so the city opened up and more economic and cultural contacts and so influences were allowed. Budapest became the example of the safe and civilised communist city for the westerners and the embodiment of open communism the westernised socialist city for citizens of the hard-line communist countries. This was the so called “Goulash communism”.

As for the impacts of globalisation on the neighbourhood (Figure 2.2) level, those impacts that took shape in the changing aspiration of people, via the choice mechanisms to which the widening and gradually liberalised domestic market was free enough to respond. Along with the economic and cultural opening up and the development of the second economy the socialist “middle-class” became strikingly stronger with individualised needs. By the mid-1980s the change in the housing policy and tenure structure – partly due to the crisis of the socialist economy – also reflects the appearance of the globally gradually prevailing neo-liberal thinking with much less state intervention and with the first examples of housing privatisation.

As a conclusion we can state that the international economic, cultural (architectural) etc. influences changing in their intensity according to the historical situation and so the international connections, sometimes with considerable delay and in a misinterpreted form did appear in Budapest before the change of the system and left marks on the residential space too. The sub-urbanisation process and so the downgrading of the central historic residential zone started well before the political and socio-economic turn.

The global influences and globalisation naturally could only exert its full influence after the introduction of market economy, the liberalisation (probably over-liberalisation) of the economy and the introduction of the democratic political system.

The intensity of global influence changed radically with the socio-economic transformation. As a response to Soja’s (2000) assertion:

“What is distinctive about the contemporary era then, is not globalisation per se but its intensification in popular (and intellectual) consciousness and in the scope and scale of globalised social, economic, political and cultural relations.” (Soja, 2000, p. 191)

In spite of the fact that the “world” in various forms has always been present in Budapest global economic and cultural influence burst into the country in 1990 in its intensified form and took extreme forms in lifestyles, urban and architectural design and forms, segregation etc. just to mention the impacts manifested on the neighbourhood level.

We can say that what Musil (1993) projected for the post-socialist cities in general in part was realised by now mainly due to processes fuelled by the global flow of capital, labour and culture:

- sub-division of the central zone into specialised areas;
- the transformation of old transition zones by the expansion of the city centres;
- the transformation of new transition zones on the territory of old 19th century residential zones; and
- the expansion of cities beyond the periphery – i.e. sub-urbanisation.

With no exception in one way or another, all types of neighbourhoods have been affected by post-industrial re-structuralisation and globalisation. On the metropolitan level, functional change was at full speed in the mid-1990s due to the increasing need of investors for office space in downtown Budapest to which the peak of privatisation was the ideal response. The classic CBD image is stronger than ever in the south of the 5th district where by now the residential function has strikingly withdrawn, while the business function is spreading to the former transition zone of the late 19th century (Chapter 6 and Chapter 7.1; 7.2) (Kovács and Dövényi, 1998; Salier-Fliege, 1999).

The neighbourhood level impact of the late-coming sub-urbanisation and social segregation immediately became visible in the city after privatisation of the housing stock started and the housing market was liberalised. The classic universal urbanisation stage of des-urbanisation appearing with a 35-40 years of delay practically has determined the chance of the neighbourhoods with distinct locational and physical qualities for future development. Somewhat overlapping with the full speed suburban development and boom of the greenbelt area the trend of re-urbanisation also appeared in specific neighbourhoods in the dilapidating historic residential areas but first still somehow against the market driven processes, with high local governmental involvement.

At the time of the changes of regime despite the relative openness of the country – unlike the global cities of Western Europe – the capital stood out from its rural immediate surroundings as an urbanised island, industry was still more dominant than the tertiary sector and infrastructure was in a strikingly neglected state. The late stages of urbanisation and the state-socialist heritage determined the chances of becoming a global city for quite a while. By the second half of the 1990s after the deepest economic and moral crises Budapest revived and it became internationally agreed that from among the East-Central European capitals under the most favourable constellation of factors, three (Warsaw, Prague and Budapest) have had the potential to join the network of European metropolises (Barta, 1998).

Some, like Lengyel saw clear signs in 2000 of Budapest becoming a part of the globalised world, standing on one definite stage of it and identified the chances of Hungarian prosperity with that of its capital: “If Budapest does not pull the cart – which is to our luck the situation – we do not stand a chance” (Lengyel, 2000).

The *gateway-city status* allows for steadily increasing – though in international comparison still moderate – share of foreign capital investments, headquarters of all the major multinational companies spreading towards the Balkan and the East, presence of immigrants and refugees, crime rate unprecedented before 1990, etc.

Undeniably the global impacts listed, along with a number of other direct cultural influences via the global media and professional mediators – like architects – have exerted a substantial impact not only on the overall city-structure of the Hungarian capital but already on the neighbourhood level too.

The global local interplay has been extensively discussed in international literature. Like Giddens (1996 p. 367-368.) most authors concluded that globalisation would never be able to destroy the “local contexts of action” just invades them. It would be pointless to search for unrecognisable districts in the city that have been completely transformed and become direct manifestations of the global forces, however the city centre and some traffic arteries are worth a look.

Figure 4.1 is based on Figure 2.2 and is more focused on the relationship of the global level and the neighbourhood level. As indicated, the process of globalisation is affecting the process of neighbourhood transformation through the flow of *global capital, labour and culture*. In the case of Budapest – as hinted above – the relationship is more often contingent (indirect) than necessary (direct).

All neighbourhoods as parts of the “big whole” have gone through the social and spatial reorganisation of the local society and came out as winner or loser. The transformation and related globalisation trend favoured selected areas and social groups while other areas and groups felt only the disadvantages (Szirmai et al. 2003).

The process would definitely have been much slower had it not been for the global capital investments, global cultural influences and professional aid of foreign expertise.

As pointed out above what we call global impact is hard to detach from those economic cultural etc. influences that would be coming along with the transition into market economy anyway. As the Hungarian state, as a higher rank mediating level between the local and the global has developed a market economy of far too liberal general direction – with natural anomalies by

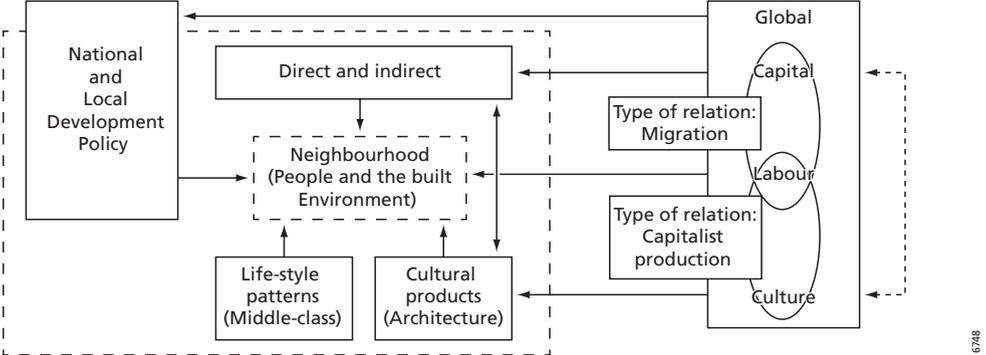


Figure 4.1 Global impacts affecting neighbourhood transformation in Budapest (by the author)

the subsequent governments – it is of no surprise that global capital and culture had a wider scope of action than elsewhere in the region.

Budapest as a city of regional importance has obviously more to do with foreign capital investments and foreign immigration and multi-culturalism than any of the other parts of the country but due to the above mentioned liberalised system there are huge contradictions and imbalances in the distribution of the direct “fruits” and “dirt” of globalisation within the city.

What we consider global impact in the book is everything that is not Hungarian regarding its origin independently from its national affiliation be it Romanian, Chinese, Israeli or American.

Here we have arrived on the level of the neighbourhood analyses: To discover the impacts of globalisation on the neighbourhood level we need to follow the flow of global capital, labour and culture in the areas of residential function one by one and distinguish the wide variety of ways that take shape on the neighbourhood level and interact with one another. These quasi direct impacts are examined in the following in brief.

Foreign capital flows have the potential of influencing the process of neighbourhood transformation in two ways, on the one hand via direct investments in residential building projects and via indirect means like the construction of commercial developments, which generate an upgrading process on formerly devaluing areas. In the second case the appearance of a new commercial development project (office complex, shopping centre, conference centre etc.) ideally tell the housing developers that the area is about to upgrade, is worth attention and the upgrading process slowly but surely commences on the neighbourhood level too.

Along with capital which can be mobilised very quickly *labour* is also a form of global flow though moving into the focal points of production at a considerably lower intensity. Global labour flows have not reached the city of Budapest at a scale typical of the global cities but they may and will intensify in the near future due to the EU accession of the country and the integration of the Hungarian economy in both the European and the global net of trade and production (Chapter 4.3.3).

The appearance of international migrants can be considered as a socio-economically and culturally influential factor on the neighbourhood level. By its very nature the flow of labour is inseparable from either the global capital or cultural flows (as indicated in the flow chart).

The *flow of global culture* on the neighbourhood level appears in three forms, partly in the cultural products with the mediation of professional “producers” like architects, urban planners adaptive of global influence and partly in the changing life-style of people especially the spread of middle class norms in housing, daily life, free-time activities etc., and via the immigrants bringing their own cultural products with themselves.

Typically enough the global flows take shape in the urban fabric, and contribute to the further differentiation of neighbourhoods already varied in social and physical qualities and distinct in social identity.

The neighbourhood-specific global flows and their effects will be presented in the neighbourhood analyses of the book in Chapter 7. Below we deal with another contextual factor in neighbourhood transformation in Budapest, the post-socialist socio-economic transformation, which mixed with the globalisation impacts produced the new capitalist urban phenomena: the new capitalist capital city.

4.3 The main characteristics of post-socialist socio-economic transformation in Hungary

In the immediate post-socialist period there were two theories on the true nature of transformation in the post-socialist countries of East-Central Europe: the evolutionary and the involutory theories (Eyal et al., 1998). The *evolutionary* theory has been represented and advocated by almost all contemporary Central European politicians and neo-classical economists and the western media. It was not without any political or economic interest as the aim was to have these newly arising market economies accepted and supported by the general public and the politicians of the leading economies. The evolutionary theory emphasises that the East-Central European region – including Hungary – is on a trajectory from communism to advanced capitalism; and ready to take over the institutional as well as market economic patterns from the western countries. The assumption is that people in these states are ready to learn, adapt and change all what they had built (all good and bad) in accordance with the expectations of the western supporters.

By contrast others have been talking about *involutionary* transformation. In its extreme form it covers nationalistic tendencies along with the rejection of cosmopolitanism, argument for national culture and even protectionist economic measures. The advocates are right wing politicians (Eyal et al., 1998).

Less politically biased, and more scientifically founded is what Stark and Bruszt (1998) argue for. He claims that Central-European countries follow a path-dependent involutory route to transformation. He suggests that rather than experiencing progress or evolution, societies and social actors use old ideas, behaviours and social logics to adapt to new conditions. Kolosi and Sági (1997) also claim that the new structural mechanisms cannot be separated from the former economic and social structure.

As Putman (1993) – relying on his Italian experience of path-dependent socio-economic development – puts it “where you get to depends on where you are coming from”. By Eyal et al. (1998) transition is preferred to be seen in a more complex way. These authors place actors in the centre of their analysis and aim at creating a synthesis of the neo-classic and path-dependent models of development. The life trajectory of these actors is shaped by their ability to position themselves against other actors. Examining “trajectory adjustment” strategies we may get an insight into the dynamism of social transformation as related to an economic and mainly political one. Probably the sole common feature of transformation among the post-socialist countries is that in all of them the transition leads from state socialism to capitalism. The form of capitalism – accepting the relevance of path-dependent development – and the way to it widely varies by cross-nationally (and sub-nationally) variant historical legacies and current conjunctures (Harloe, 1996).

Price liberalisation, opening the economy to foreign trade and competition, and institutional reform including the legal system and the functioning of the state all contributed to the macro-economic stabilisation (Grime, 1999).

Looking back on the past 15 years of the Hungarian macro-economic tendencies, one can conclude that besides the undeniable effect of the political affiliation of the majority in the parliament and the consequent changing governmental approach to privatisation, strengthening of domestic market, investor-friendly governmental decrees etc. world economic tendencies have

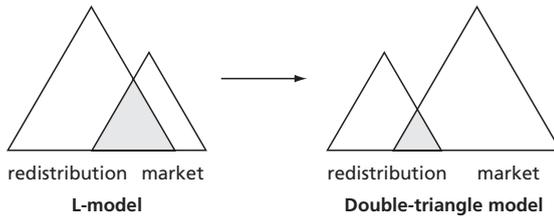


Figure 4.2 Structural transformation of the East-Central European societies – the L-model and the Double-triangle model. Source: Kolosi, 1987.; Szelényi, 1990

never left untouched the macro-economic indicators in Hungary. As shown later, it took some 7-8 years to recover from the shock caused by the far too sudden and drastic changes, which was “optional”. While the country is carrying the long-term consequences of those decisions both on its economic and social structures. The first few years practically placed the country on an economic trajectory which led finally to the EU membership. However, its efforts to meet the economic requirements left the country’s social and welfare system without fundamental transformation. This produced such great degree of polarisation in society as have not been seen for a long time. All these left their mark on urban development including the re-structuralisation of the functional, physical and social characteristics.

In this chapter the inseparable economic and social aspects of post-socialist (capitalist) transformation is dealt with on the national level. By the presentation of changes regarding the most relevant macro-economic indicators and factors affecting social and spatial mobility of people a better understanding of the urban transformation and so neighbourhood dynamics can be achieved.

According to Kolosi and Sági (1997), – who hold that the co-existence of *redistribution* and *market* is (was) not only the characteristics of the transition societies but also of all the developed western countries – the presence and relative role of these two organising forces (dimensions of economy and society) determine the modern social structure⁴. This is interpreted through the L-model (Kolosi, 1987) or the double-triangle-model (Szelényi, 1990).

The transformation of the East-Central European societies can be described with the shift in the weight of the two organising forces mentioned above (Figure 4.2). In the L-model (represented by the first part of the model) – which is relevant for the time of the socialist period – the market was considerably smaller, while the rate of people involved in the second economy while having a regular job financed by the state was relatively large (the overlapping part of the two triangles). However, in the post-socialist period, while the two organising forces remained their relative rate naturally changed with the market growing stronger. Also, the connection between the two dimensions have become much weaker (the triangles are more apart), which suggests that there seem to be two dimensions existing in parallel. People have had to take a side either in the redistribution or in the market dimension. Being connected to both is hardly possible any more (Kolosi and Sági, 1997).

Ferge (2002) however, doubts that the change of the socio-economic system was only a question of shift in the role and the relative power of the two organising forces (redistribution

and market). She claims that when we talk about post-socialist transition it means deeper structural change i.e. the structuralizing forces changed. It is in line with our notion on the contextual level i.e. understanding underlying structures (the structuralizing forces) lead to a better understanding of change.

The main objective during the first years of socio-economic transition – gradually catching up with the *European Union* in economic terms and becoming a member – finally has been realised. The expenses of economic maturity for joining the Union manifest in the social conflicts. Szoboszlai (2004) claims that Hungary's joining the European Union – which happened in the 1st of May 2004 – was taking place with a leap over one very important stage in socio-economic development. He refers to the fact that while the economic institutional background fully evolved under the pressure of the EU enlargement conditions, a national welfare political consensus failed to be reached and so did the mechanisms able to effectuate it. The EU enlargement found the country in a situation when a system is to be reformed in harmony with the EU standards had not even been fully developed.

4.3.1 Political and administrative changes

The first signs of disintegration in the socialist economy became obvious in the 1980s. Both the macro-economic complications, the encouraging progress of political opening in the USSR and the consequential loosening control of the “big brother” gave way to the birth of pluralism. The political parties of today's parliament were established before the actual change of regime – the Hungarian Democratic Forum in 1987, the Young Democrats in 1988 and in the same year the Independent Smallholders –, by the time of the disintegration of the Communist Party the new political forces were ready to fight for power in the new democratic system. Hungary together within Poland were in the lead in formally rejecting the Communist regime (Kolosi and Rose, 1999).

The first parliamentary elections were held on 25 March 1990. The elections ended in the failure of the reform successor of the Communist Party: the Hungarian Socialist Party. The Hungarian Democratic Forum won and established the first democratic government with two other conservative parties. The deconstruction of the former structures brought forth the symptoms of deep crisis which manifested in the worsening standard of living and dissatisfaction of people. No surprise that the next elections (1994) just following the recession were not won by the conservative coalition. Any kind of government would have failed the second elections. Full of nostalgia for the relative social security of the Kádár-regime the Socialist Party with the reform communists returned to power in alliance with the Alliance of Free Democrats, a liberal party.

The new coalition accelerated market reforms, cut public spending and devalued the Hungarian currency. Finally Hungary was accepted in the circle of OECD countries (Kolosi and Rose, 1999). The country was never more welcoming to foreign capital investments, privatisation was going at full-speed. The so-called second round economic reforms necessary for establishing the conditions for the development into a real market economy also had far-reaching consequences on people's living standards in the short run to the negative. While in a macro-economic sense Hungary was on the right track and started to do well, the first two governments had no capacity and resources to re-establish social security.

In 1998 the elections brought conservative forces back into power with the leadership of the formerly liberal Alliance of Young Democrats. The deep economic reforms carried out by the previous government established the conditions for an increase in the general standard of living. However, the relation of the national economy to foreign capital changed, with the government following a more protectionist economic policy than the previous one.

The first three governments had only few common strategic objectives, one of these was to lead Hungary back to Europe. Lots of economic, social, legal considerations were carried through with the set of criteria determined by the *European Union* in mind. Hungary was holding a leading role among the post-socialist countries aiming at the same goal, EU membership, for most of the 1990s. Finally, on 1 May 2004 Hungary with nine other mainly post-socialist states joined the European Union. After the long period of preparation full of hope, by the time of the big date most people had become sceptical.

Starting with equal chances the 2002 elections were finally won by the socialist-liberal coalition. The preceding contradictory four years had been full of internal tensions in the government, the Socialist Party and the coalition, which half-way led to the resignation of the prime minister. The government in an attempt to fulfil the promises of the campaign had accumulated an enormous budget deficit, which may cause complications in meeting the convergence criteria for the introduction of the common European currency the euro by 2010. The newly elected socialist-liberal government (April 2006) faces the responsibility and task of stabilising the economy again.

Besides, the reform of the political and socio-economic structure it was also necessary to reorganise the *administration of the country*.

As one of the first measures of the new democratically elected parliament in the post-socialist transformation determining the future of the Hungarian settlements was the Local Government Act (1990. LXV.) which – according to Beluszky (1999) was more a critique of the socialist “Council Acts” than the foundation of a modern administrative system. The Act produced a dual structure in local government: the municipalities (settlement local governments) and the county level with no subordinated relationship between them.

The 1990 Act made *the* settlement (towns, villages) local governments (municipalities) the main actors of the local governmental system.

Decentralization manifested – among other things – in the process of transferring the property of the state organizations to the settlements (Tasan, 2003) – such was the stock of state housing too. Ever since then it has been a basic right of the settlements to elect their own local government (body of representatives). After the Local Government Act was passed the joint councils (the joint administrative conglomeration of smaller villages) immediately split up even the smallest settlements starving for autonomy. In contrast with 782 socialist councils in 1994 there were 1528 settlements with their own local governmental apparatus (with a notary⁵) while there were 499 regional-notaries (with a larger centre)). (Beluszky, 1999).

The local governments have obligatory tasks and voluntary tasks. The obligatory tasks are financed by the state, while for the fulfilment of the voluntary ones the local governments may use funds, their own incomes such as local taxes (Kiss, 2004). The local governments are entitled to establish and maintain institutions (schools, kindergartens etc.). Each local government is an individual economic unit with its own budget. The income of the local governments is based on *normative central support*.

The nominal equality of the settlements was assured by the support the settlements on the basis of per capita quotas and the normative support based on the services provided by the services. These are the same amounts independently from the status of the settlements. Two-thirds of the overall income of the local governments originate from state redistribution (service (task) finance). The remaining third comes from local taxes levied by the local governments themselves⁶.

As described above in the post-socialist neo-liberal economic context is more to the decent sustainability and prosperity than normative central support. The size, absolute and relative location and numerous other factors have caused the polarization of settlements. The locally levied taxes also reflect the unequal chances as those places have been collecting more from the enterprises (under the name of trade/industrial/business tax) where they are proportionately greater in number and size and the volume of production. These settlements are the ones that have been doing better in the competition for capital investment. The possibility of levying taxes by the local governments was restricted in 2003. This step further worsened the financial situation of those settlements where the socio-economic environment had been problematic anyway.

The change in the settlement hierarchy gradually was affected by market mechanisms and the state has had less and less chance and means to influence the transformation (Beluszky, 1999).

The means used in the socialist system besides the arbitrary redistribution of resources to the councils was the extra financial support of the regional power centres such as the county centres. With their radically shrunk scope of action the dramatically reduced power of the counties themselves resulted a loss of growth potential (and plus development support) in some of them (middle-sized towns). The 1994 Amendment of the Local Government Act centred around the strengthening of the regional level, the county, but after hot debates on the protection of the interests of municipalities the Amendment did not produce a real breakthrough in the position of the counties (Pálné, 1999).

During the positional fights between the settlement and the county level local governments for the power distribution and scope of service provision and the related central financing, Budapest obtained an unparalleled situation – the urban government of Budapest operates in a *two-tier system*. There is Budapest itself as the capital city of Hungary, and besides there are the 23 district governments having exactly the same rights and obligations towards the inhabitants. The dual system is a blessing and a curse at the same time, experience shows that experts – and also the inhabitants – could make a longer list of the disadvantages. Some make the organizational structure responsible for the lack of communication. In our view it is not the system itself but the unclear distribution of competences that is to blame⁷ for the chaos-like management structure.

The present planning and administrative *territorial (regional) units* of Hungary bear the signs of historical development and professional planning – and naturally most recent political interests. The oldest historically rooted territorial level is the county system. Hungary has 19 counties plus the capital city since 1950. The county system was used extensively by the socialist administration as a mezo-level of power in a way continuing the pre-socialist traditions with the county assembly and the county-hall. According to recent tendency by the establishment of the Regions (NUTS II. level according to the EU regional division for support) the counties' future is uncertain in the long-range.

The Regions (7) are artificial regional units of Hungary made up by counties. Presently these are the areas for receiving and distributing the Structural Fund support. Another territorial system, also connected to an old system, that of the “districts” (“járás”) – an area including



Figure 4.3 The administrative and planning territorial units (regions – EU NUTS II areas (7); Counties (19); and small regions (168)) of Hungary, 2005

settlements not further than one day walking distance from a centre). This system was kept in the socialist period but was reformed recently for mainly political reasons increasing their number to 168. The level of small regions (NUTS IV) – as presently titled – is the proposed scene of project implementation. Figure 4.3 shows regional units along with the six major urban centres of the country.

4.3.2 Economic transformation

The macro economic achievements and productive capacity of Hungary sharply decreased after 1989. The economic change required structural reforms, which were undertaken soon after the political change (Hegedüs and Somogyi, 2005). The structural reforms shook the foundations of the economy and consequently the political and social transformation resulted in economic recession. The drastic fall in economic productivity stopped in 1994 and two years of stagnation followed (Salamin, 2004). These seven years saw a dramatic increase in prices, fall in net real wage, and the consequent drop in consumption. The year of 1991 was the lowest point, while unemployment needed more time to skyrocket in 1993 (Figure 4.4).

Sipos (2005) studying the long and short term cycles in the Hungarian and European economy found that the change of system and the related recession fell in the declining period of the fourth Konratieff cycle, which started in the 1970s and is to reach the deepest point in 2030. The two cycles strengthened each other, the case of *interference* realised and made the 7 years of recession even harder than it would have been anyway (Sipos, 2005).

From 1996 the economy of the country started to grow dynamically (Salamin, 2004). As Hegedüs and Somogyi (2005) interpreted the causes: the recession and the deterioration in

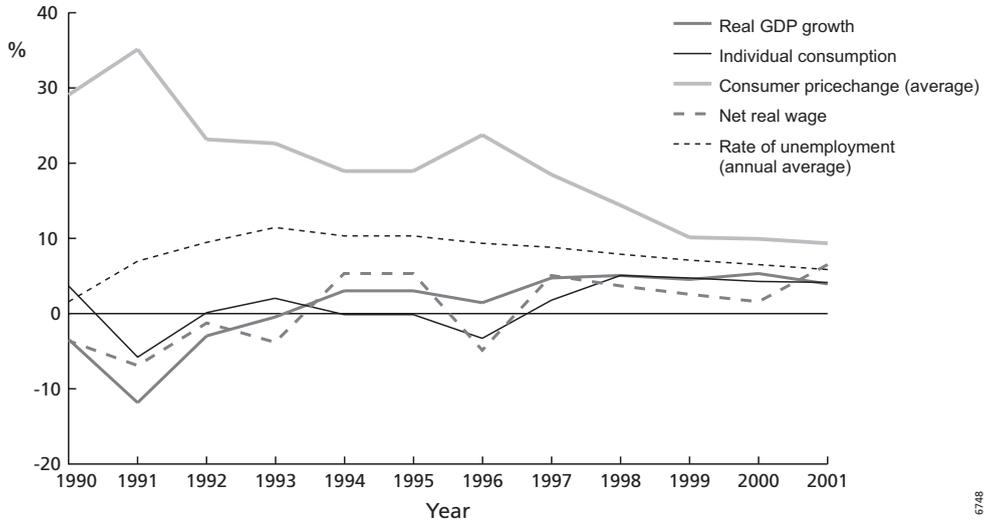


Figure 4.4 The macro-economic indicators of Hungary between 1990 and 2001 (in % of the previous year). Source: CSO, 2003

macroeconomic performance cried out for the "second round of deep and far-reaching reforms". These reforms undertaken between 1995 and 1998 concerned the enterprise, banking and public sector all these were supported by a firm fiscal stabilization package. Meanwhile the government consistently carried through policies regarding the management of macro-economy (Hegedüs and Somogyi, 2005). Needless to say that the impact of reforms on the level of the common man was painful as it necessarily brought a stagnation, even a decrease in the standard of living.

Nevertheless without them the unparalleled boom in economy after 1996 could not have started. The annual GDP growth amounted to 4-5% (on average 4.4%). The country got a real impetus and achieved remarkable results in competitiveness. Since 2000 growth was going on but its intensity slowed down, investments stagnated and though the government generated greater domestic consumption it was not able to counterbalance the lack of continuous capital injections. The year of 2003 and 2004 brought a new tendency. The economic growth was speeding up due to the leap in export growth and the re-intensification of investments. However, the dynamics of growth relative to the other new EU members proved to be weakening, by 2003 Hungary slipped back to the sixth place among the eight East-Central European EU countries regarding growth dynamics (Salamin, 2004).

Figure 4.4 clearly suggests that after especially 1997 the economy was beginning to show the signs of being *normalised*. Sipos (2005) studying the short term economic cycles – using absolute figures to each indicator – realised that each selected indicator – including the changes in housing construction – showed smaller and smaller amplitudes and an increasing tendency, which all support the claim that the economy was stabilising.

By the following spatial analyses the relative position of the capital city and its agglomeration is interpreted:

As heavy industry was most hit by recession, extensive crises zones evolved in the former heavy industrial axes in North and North Eastern Hungary, as well as in the mining areas of the Transdanubian Range. The spatial structure of economy was transformed by the targets of investments. Especially from 1997 those branches and areas prospered, which were close to the western border, had well qualified labour force, good traffic connections with or were close to the capital city.

On the national level the growth of investments has slowed since 1998 (Salamin, 2004). The largest part of entrepreneurial investments have been realised in the most developed North-Western part of the country, while in Pest (with Budapest), Heves and Tolna counties it was of similar scale (for location see Figure 4.3)

As for state investments serving equalising development potentials among the counties with different economic potentials Budapest leads the list of state investments per capita. Budapest won the prime position regarding the per capita investments both in the 1997-1999 and the 2000-2002 periods. It also applies to the value of per capita GDP for 1998 and 2001. However, Budapest slipped back to the second position with respect to the growth of GDP between 1998 and 2002. The statistical region that preceded the capital city was Pest county including the dynamically growing agglomeration of Budapest (Salamin, 2004).

Studying the change of GDP helps us to see how the relative position of regions (consisting of counties altered by the end of the 1990 compared to the mature socialist times with the spatial arrangement of socialist industrialisation fully developed.

Figure 4.5. shows the per capital GDP relative to the national average (100%) in four years. The change of GDP by 1994 to 1975 shows the positional change immediately after the change of system – until 1989 the regions though artificially with diminishing governmental

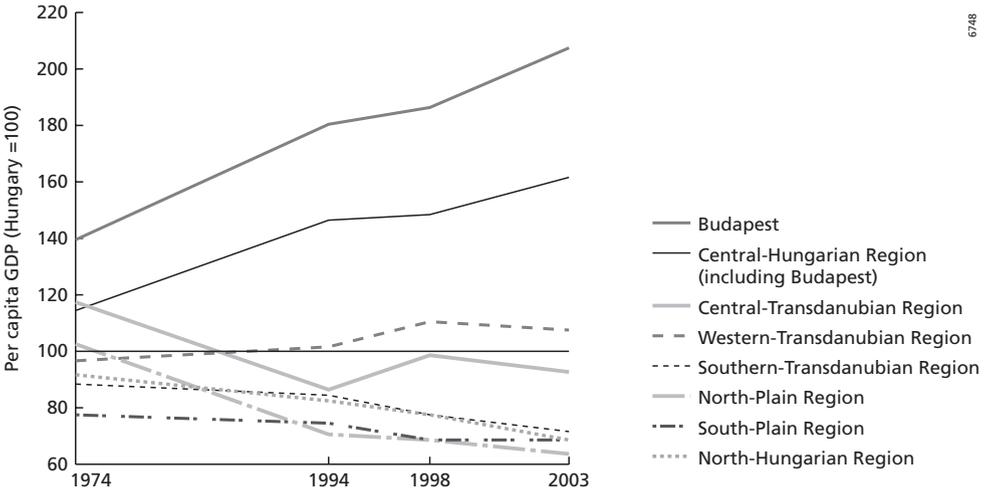


Figure 4.5 Change in the level of development in the regions of Hungary 1975-1998-2003. Source of data: 1975 estimation of Nemes Nagy; 1994, 1998 – CSO, In: Nemes Nagy and Szabó, 2001; 2003 CSO. (See Figure 4.3 for the identification of the regions)

support were able to keep their position – in the time when the Hungarian economy was just over the worst and the decline halted. The change by 1998 to 1994 indicates the tendency of development in the period of stabilisation and the beginning of massive economic growth in the second half of the 1990s.

What strikes the analyst first is that in 1975 the regions were all close to the national average. The socio-economic change caused the GDP of the regions to increasingly deviate. It is characteristic of all the regions (except for the Central Transdanubian Region which turned from decline into increase after 1994) that they followed the trend that had been taken on until 1994, thereafter the deviation among them kept increasing year by year. The 2003 data only reinforces this tendency.

There are four striking region-specific conclusions:

- the regions that concentrated the factories of socialist industrialisation suffered the biggest loss by 1994 compared to 1975 and kept declining even afterwards (the North-Hungarian Region and the Central Transdanubian Region) up to 2003;
- some regions, mostly agricultural in character, kept their low position or their situation became even worse (Regions of the Great Plain), stabilizing on a low level after the turn of the century;
- the Western-Transdanubian Region formerly disadvantaged by the reason of its geographical position in the country (too close to the iron curtain so no strategic industry was settled here and no major sources of development were allocated to the area) by the mid 1990s became the most rapidly growing area due to the same reason that handicapped it before. However, growth slowed down and even a little relative decline can be observed by 2003;

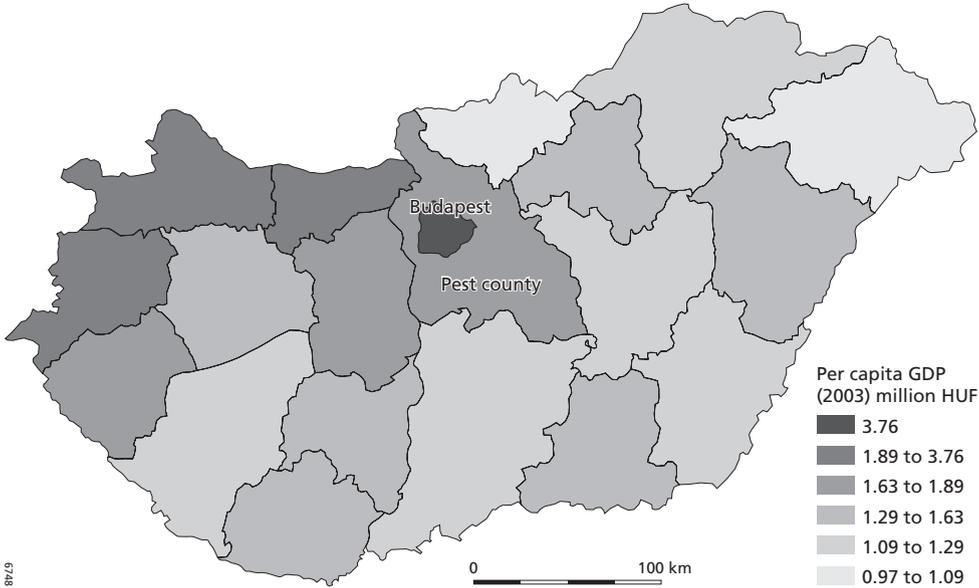


Figure 4.6 The macro-economic situation of the counties in Hungary according to the per capita GDP index 2004. Source of data: CSO, 2004

- The figures of Central Hungary including *Pest county and Budapest* show a good tendency but it has been mostly produced by Budapest itself counterbalancing the then slowly increasing GDP of the county surrounding it (Nemes Nagy and Szabó, 2001).

The regions that produced positive change to the previously examined year are called dynamic, the ones keeping position were stagnating while the ones lowering GDP were the declining ones (Nemes Nagy and Szabó, 2001). The two regions that showed positive shift in both periods (between 1975 and 1994 on the one hand and between 1994 and 1998 on the other hand) were the Central Hungarian Region and the Western Transdanubian Region. Budapest alone was dynamic in both periods and also after 1998.

As part of the macro-economic changes the *consolidation and privatisation of the banking system* is to be noted as it supports the conclusions made on the development of housing finance and along with the development of loan portfolios the increasing consumption potential of the population.

As the unavoidable effect of the transition, most state owned banks lost their capital by 1992. In the course of the 1993-94 bank consolidation program the banks were given capital injections from the state. Meanwhile the privatisation of banks which already started in the late 1980s continued. After the consolidation period privatisation got a new impetus. The investors were foreign banks. By the end of the 1990s the foreign share in the banking system was as high as 60%, while the representation of the Hungarian state shrank to only 21% (Hegedüs and Várhegyi, 2000) – the rest (about 19%) was in the hands of the Hungarian private investors.

Liberalisation and privatisation conditioned the improving ratios of capital adequacy and profitability. The presence of banks in the everyday life of firms and people became stronger the credit reserves of firms multiplied in the second half of the 1990s and people placed their personal savings in the banks (Hegedüs and Várhegyi, 2000) as a justification of growing trust and expected profit. However housing remained a taboo for banks otherwise increasingly active in lending till the 2000 turn (detailed later), which gave guarantees for the profit (Chapter 4.4.3).

4.3.3 Social aspects of transformation

Recent demographic trends in Hungary

Before starting to talk about the post-socialist restructuring of the Hungarian society that has had an immense impact on the intra-national migrations, urbanisation, suburbanisation process and the decline of the downtown residential zones as such, a brief outline of the demographic changes in Hungarian society is presented.

The most recent demographic processes and trends have been producing the characteristics of the highly advanced Western European countries, which have an immense effect on the economic potentials and competitiveness of the country measured by international standards. The domestic economic balance is prone to malfunction when the number of inactive people is disproportionately high.

The Hungarian population has been declining since 1980, when it was 10.71 million. According to the last Census (2001) the population is 10.17 million. Breaking the population loss down into decades it was greater in the 1980s (334 000) while in the 1990s the decrease slowed

down. The country lost 177 000 people. Since 2001 the Hungarian population decreased by 77 304 (CSO, 2004).

In Kovács's view (2004a) it is the diminishing social security, negative consequence of work and unhealthy lifestyle that contributed to the population loss. The fact that decline already started in 1980 proves this. At the same time there must be something in the value system and the consequential approach of people to reproduction. As the rough generalisation goes, in Goulash Communism people were more eager to multiply their property and spend on their own convenience than to multiply themselves. It was already in the 1970s that the mortality rate steadily approached the fertility rate.

So it was the low fertility to be made responsible for the decline and the aging population. Immigration did not play a significant role in either the betterment or the worsening of the situation before 1990. However, according to Kovács (2004a) in the post-socialist era the immigration of people of Hungarian nationality from the neighbouring countries contributed to the decrease in the formerly larger degree population decrease.

As referred to above, aging is another main problem in Hungarian population having dramatic effects on the economic productivity. The statistics suggest that the population age structure is more and more like that of the aging traditional capitalist economies typified by a narrow base with the youngest generations, swelling middle section with the middle aged, and wider top, with higher peaks produced by the higher life expectancy. In January 2004 (CSO, 2004) only 15.6% of the Hungarian population was younger than 15 while 21% of the citizens were over 60.

Some distinguished groups of people (ethnic or religious groups) such as the Roma population has positive balance of fertility and mortality, which produces the gradual increase and representation of this group within the overall population.

Domestic migration naturally does not influence the trend of demographic change but causes the internal rearrangement of people. The direction in the domestic migration is in line with the economic centre-periphery relations between settlements and regions within the country. The urban agglomerations have had considerable gains from short-distance migration in general, while the ones taking advantage of both short and long-distance movements are Western Hungary, Lake Balaton and the Central Hungarian Region (Kovács, 2004a). In the Central Hungarian area Budapest is an exception as the capital city has had a massive loss of inhabitants due to sub-urbanisation movements and the nationally characteristic low fertility.

The longer distance migrations were in the relation of the economically more prosperous regions and the ones having done badly in the competition of places. The migrants are young, well-educated intellectuals. The heads of poorer households participate in long distance weekly commuting leaving behind their families for the working days. It is because of the higher costs of living and significantly higher costs of housing in the more prosperous areas. The spatial rearrangement of the Hungarian population is a form of segregation on the macro level, undoubtedly caused by the social polarisation of people. The following part of the book highlights the reasons, the process and the consequences of the oversized magnitude of polarisation in the Hungarian society.

A highly polarised Hungarian society – the product of post-socialist re-structuralisation

As long as transition means re-structuring, it is not hard to accept that only that society can go through re-structuring that was structured before. Socialist structure was on the ideological level based on egalitarianism but surprisingly enough only the statistics could detect and present the data proving it.

Starting with a conclusion: the huge social inequalities detected nowadays in the Hungarian society cannot be only derived from the post-socialist capitalist transformation but roots in the period well preceding it. Research concerning social inequalities was pursued already in the 1960s. In these years the social distances were quickly narrowing down (Ferge, 1969). Typically the position of women and the Roma was improving regarding the level of education and employment as well as regarding their income producing abilities.

However, in contrast with lots of quantitative evidence from the socialist era showing decreasing income inequalities, expanding educational opportunities, and the shrinking prestige gap between manual and non-manual occupations the “pessimistic” view minimizes the successes of the egalitarian reform and emphasizes the inequalities that persisted (Szelényi, 1998). In line with Szelényi, Ferge (2002) claims that the socialist system was carrying on lots of inherited and newly created means of social differentiation. Nevertheless supported by the ideology the social structure remained suppressed: spontaneous movements, the ability to enforce interests, individual identities gradually came to the surface. The limitations of spontaneity and autonomy remained limited even during the years of soft dictatorship, the Goulash Communism.

In Kolosi and Sági (1997) interpretation socialist inequalities originate from the practice of redistribution with preference for the nomenclature, which was counterbalanced by the tolerated presence of market mechanisms (the second economy) on the scene since the 1970s when macro-economic decline started to manifest in the everyday life of people.

When the rate of market mechanisms exceeded that of redistribution practically society became divided into *marketable* and *non-marketable* spheres.

In the socialist period, the second economy was tolerated besides the dominant central redistribution. Redistribution not only limited but conditioned the operation of the second economy. After the change of system, the role of market forces to redistribution was two-thirds, which is roughly the situation typical of the welfare states in Western Europe. The pure market conditions eliminated the advancing role of second economy. As the market conditions do not allow for second economic activities, two parallel dimensions lived together.

Meanwhile in the 1980s, market fundamentalism in the advanced capitalist countries started to restrict the social achievements based on the right to work and the social rights. The change of regime in East-Central Europe occurred when the neo-liberal economic structures seemed to be rapidly replacing the welfare systems in most western countries, which brought forth the limitation of the social rights achieved in the 1960s. In this international context the attempts to enforce formerly suppressed individual interests left a marked structural impact on the Hungarian society. Such suppressed interests concerned property rights and the right for enrichment, whose enforcement was supported by the strengthening neo-liberal ideology (Ferge, 2002).

The increase in social inequalities was coupled with the internal restructuring of these inequalities: The difference in income increased in the relation of managers and employees, white

and blue collar workers, among workers in various branches of economy, the private and the public sphere. Meanwhile the standard deviation of income increased among the intellectuals and decreased among the physical workers (Kolosi and Sági, 1997). Social re-structuralization occurred on the micro level, the level of the individuals, which produced major intra-generation mobility and marked polarisation in society.

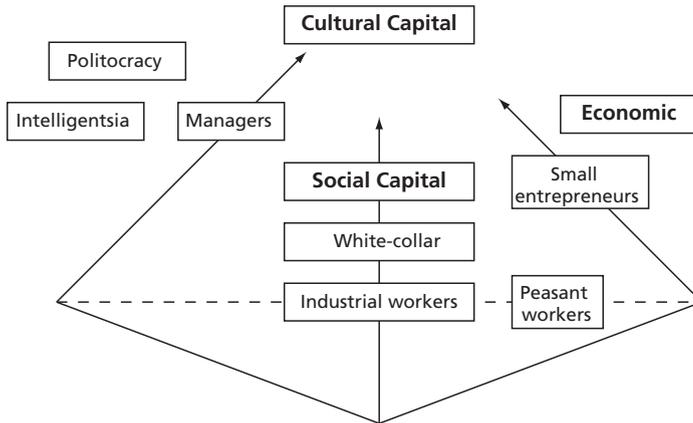
Another interpretation of re-structuralisation originates from Bourdieu (1984) who derived social re-structuralisation from the role of three forms of symbolic capital (economic, social and cultural). Social inequality in the socialist era can be seen as the outcome of constant re-evaluation of the value of these forms of capital important in positioning the individual in society.

Bourdieu (1984) set up a model of France in the 1980s and emphasized that in countries like France and England economic capital is still the most important to achieve a high position in society. On the base of the model Eyal et al. (1998) claim that in Germany and Central Europe these days it is the cultural capital that counts as the most determinant factor in social upward mobility. They draw charts for each main historic stage of social development in the 20th century in Central Europe: pre-socialist, socialist and post-socialist eras. In the post-feudal and pre-socialist times social capital with the traditional status honour seemed to be the most essential while others were almost as important. During the communist times especially under Stalinist-form of socialism economic capital was even a disadvantage in social mobility. What counted was political capital as a special form of social capital. Cultural capital was also negligible at those times. Cultural capital along with economic capital with a little time lapse were becoming more and more important in reform communist times especially in Hungary and Poland (not so much in Czechoslovakia) mainly in the 1970s and 1980s.

Eyal et al. (1998) claim that cultural capital became the dominant form of capital in post-communist times. Accordingly the main winners in the transformation society are the highly educated middle-aged men. The losers are the less educated people in their fifties especially those who were employed in the formerly highly subsidized sectors of economy. Another group of losers are the uneducated state-socialist clients who could not turn their meanwhile devalued political capital into re-valued cultural or economic kinds. Figure 4.7 helps to interpret the situation for the post-communist period, which indicates the priority of cultural capital. Still what even sociologists find noteworthy is that the most enduring feature of Central European social structures has been the relative dominance of social capital in all its different forms up to the post-communist era. Despite all changes in each successive social formation the question of social origins has emerged as the predominant way to plot the safest social trajectory in new and changeable conditions.

In the light of what Figure 4.7 suggests about the value of social capital in the process of transformation, seemingly the situation was not promising at the very beginning of the 1990s. He claims that societies which are characterized by dense networks of interpersonal communication that are “horizontal”, that is joining agents of equivalent status and power, have the facility to develop the social capital that is the basis for democracy.

By contrast, societies that are dominated by “vertical” networks linking unequal agents in asymmetric relations of hierarchy and dependence are likely to demonstrate the traits of the uncivic community (Harloe, 1996).



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Figure 4.7 The social space of post-communist society. Source: Eyal et al. (1998) based on Bourdieu

The change in the stratification system, particularly in occupational stratification, was rather dramatic especially for the new middle-class as the supposedly biggest part of a well-established and functioning market economy with the highest efficiency of democracy.

Ladányi and Szelényi (1998) outlined the dimensions of this change as follows:

- There was a dramatic drop in employment, which was coupled with the impoverishment of the middle of the social hierarchy;
- the socialist embourgeoisement was interrupted and the middle-class instead of growing, lost influence at the beginning of the 1990s;
- social inequalities generally increased; rapid growth of affluence at the top; expansion of poverty at the bottom and decline of the formerly socialist middle class (Ladányi and Szelényi, 1998).

The change of system was followed by an extremely deep crisis, which affected a large part of society. The most typical phenomenon was the dramatic drop in the standard of living, the termination of hundreds of thousands of jobs and for most people the loss of a secure livelihood. Society was going through the most painful times of rearrangement as inequalities grew incredibly and polarisation became striking.

Indicative of the speed of increase regarding social inequalities, in 1987 the difference between the lowest and the highest income deciles was less than five-fold, in 1995 7.2-fold while in 2000 it was already ten-fold (Ferge, 2002). As Kolosi and Sági (1997) assume, the reason for the fast increase regarding inequalities is hidden in the trend that the income of the highest income deciles grew more intensely than that of the lowest deciles compared to the average income.

Analysing the relevant income data they conclude that in the immediate post-socialist period it was not the poor who lagged behind the average but the “average” income decreased markedly. Right after 1989, the polarisation in individual incomes started to increase as the total income of the population dropped by 10%, only the 10% of the population with the highest income could increase their savings considerably (Beluszky, 1999b).

The rise of average income remained below the inflation rate between 1992 and 1995. The real income of households decreased by more than 20% on average. The relative position of the

middle-class worsened the most and they suffered the most from lowering living standards in this period. It was the income deciles of people with the highest incomes or even a narrower circle who found positions (at western companies) producing incomes comparable with the higher-middle class of the contemporary western societies (Kolosi and Sági 1997).

There have been various theories about the reproduction of the *elite* in the Hungarian society: A preconception by Hankiss (1990) and also by Szalai, E. (1990) was that the old elite reproduces itself and converts its political power into economic power. By contrast, Kolosi (1991) argued for the victory of the secondary communist politicians who had the information but did not fill high positions in the communist party. Szelényi (1990) further developed his interrupted embourgeoisment theory which refers to the “sleeping” potentials of the old bourgeois families from before socialism awakening with the change of regime. Kolosi and Sági (1997) refer to the symbolic capital forms analysed above and claim that the social circles who accumulated all kinds of symbolic capital during the last period of socialism were the potential winners of the capitalist transformation. The power of these “elite” groups was swelling while the living standards of the masses was decreasing (Beluszky, 1999b).

The transformation caused dramatic changes in the field of employment in Hungarian society. Jász (2004) blamed this as the cause of re-stratification and mass impoverishment which in her interpretation reached the highest rate in 1995-97. At the highest risk of impoverishment were the children, one parent families, families with three and more children, people with low level of education, long-term unemployed, village dwellers and the Roma.

Impoverishment became general and according to Jász (2004) affected 50-70% of the population. Naturally not all of these ended as homeless people in the street. However, there was a layer of society, the deeply impoverished, who were on the periphery of society even in the last decade of socialism (Jász, 2004). During the first five years of transformation – in the worst years – the economic stabilization of the country became the preoccupation of the political leadership, social issues represented secondary importance.

Distinguishing between temporary and permanent poverty gained real meaning in this period as well as the category of the income-livelihood and the cumulative poor. The second covers the category of the deeply poor, the excluded the group of fall-behinds (Jász, 2004). The group of the first type of poor, the impoverished of the early 1990s never became excluded from the main stream of society. By the second half of the 1990s in accordance with the shaping of macro-economic indicators (Figure 4.4) most people's situation normalised except for the deeply impoverished who had neither reserves nor the ability to find their place in the reorganised structure of society (Szalai, E., 2002; Jász, 2004). Another tendency was that while most of the impoverished escaped the vicious circle it was not enough to get back into the capitalist middle class, and they remained in the lower class segment of society. Beluszky (1999b) concludes that what the Hungarian new capitalist economy and society was really in need of, *the middle class, could not evolve again* – as it never could in the course of Hungarian history.

Social exclusion has been defined as the outcome of individual fate and family background at the same time. Jász (2004) identified certain externalities such as the place of living and the ethnic origin as factors causing further disadvantages in life chances, which are prone to heighten the risk of exclusion.

Szoboszlai (2004) also calls attention to the fact that the nature and depth of impoverishment sharply differs by continents as well as by regions within countries. In Hungary these distinctions were much more marked at the beginning of the transition period. The poorest of the north-east of Hungary were in a strikingly more desperate situation than those in the north-west or central Hungary⁸. Nevertheless, in the past years the stratification factor seem to have levelled out (Mitev, 2001).

The distance between the living standards of rural and urban Hungary is growing, however the centre-periphery dichotomy seems to overwrite this tendency. In peripheral urban settlements living standards are worse than in the rural settlements in the agglomeration of Budapest.

Today the permanently poor mostly live in small villages, and small towns by type of settlement and in the north east of Hungary by region (Jász, 2004).

Spatial exclusion, segregation has strongly magnified on the national level, as well as on the local level. So segregation has been developing in two scales; on the one hand on the national level and on the other hand on the level of settlements. With respect to Budapest in the first scale, the capital city and its immediate surroundings concentrates proportionately much less poverty than any other region, at the same time segregation within the city reaches the greatest extremes in both range of material conditions and living standards of the inhabitants and in the degree of segregation⁹.

Special social groups in Hungary with impact on old and new neighbourhood characteristics in urban settlements – a historical perspective

In this part of the book, those groups of Hungarian society are dealt with which have had marked influence in present neighbourhood characteristics and transformation in Budapest. It is important to deal with these groups on the contextual level, as their role in the social re-structuralization in Budapest cannot be understood without a brief historical and national level overview. The Roma “issue” has developed into the greatest social and welfare tension of the past 15 years, which gets manifested from the smallest villages to the capital city. The examination of the Jewish population – mainly in historical dimensions – is also important to understand more some features of the built environment in Inner-Budapest.

As a third issue, we deal with those international migrants, who opted to stay in the country for a shorter or longer period of time either on a voluntary base or as refugees. Their impact on the inner-city neighbourhoods is also getting larger and in our realist interpretation these people – be they present in cohesive communities or as individuals – are considered as one form of global impact, an impact originated from the international flow of people (working force).

The Jewish population – a historical perspective

Until the end of the 18th century, the Jewish population was concentrated in settlements other than the free royal towns such as Pest. Gradually in the course of the 19th century the restrictions became looser and the Jewish communities in towns increased in size. Nevertheless settling and living in these Christian majority places required many to give up some of their distinguishable customs, and assimilate.

Not all agreed with the price of integration¹⁰. During the 50 years of Dualist system (Austro-Hungarian Monarchy), neologism increased its share within the overall Jewish population but remained a minority compared to the orthodox trend. The incredible pace of urbanisation in this

period – which pressurized the traditional religious structures through the interwoven impacts of secularisation, assimilation and capitalist modernisation – resulted in neologism being stronger in urban settlements especially in Budapest¹¹ (Zeke, 1990a).

In 1869 only 29.9% of the Hungarian Jewish community lived in urban settlements, by 1910 it had swollen to 50.8%. After the Trianon Peace Treaty (1920) this rate grew to 72.7% due to the impacts of further urbanisation and the fact that the rural Jewish population lived mostly in villages located in areas detached from Hungary (Zeke, 1990b). The gradual expansion of neology to orthodoxy is especially striking after the Holocaust, when it was mostly the Jewish community of the capital city – which had already a neolog majority – who avoided and survived deportation. Since the 1949 Census there are no official data on the Hungarian Jewish population (Zeke, 1990a).

The high rate of segregation between the Jewish and non-Jewish communities in Budapest were not the urban ecological symptoms of religious-ethnic conflicts in the times of late 19th century capitalist modernisation of Budapest.

As early as the times when the Jews were first allowed to settle in the capital city they were influenced in the selection of dwellings by the proximity of the market square¹² and the fact that the aristocracy of the times living close to the centre were more willing to rent their apartments out to Jewish tradesmen than the new capitalist bourgeois (Bácskai, 1995). The most well-known example was the Orczy House (also called Judenhof) owned by the Orczy aristocratic family, located on the edge of today's Terézváros, which was rented fully out to Jewish tradesmen¹³. According to Bácskai (1995) at the end of the 1840s, 72% of the Jews of Budapest were concentrated in today's Teréz- and Erzsébetváros and 22% – mainly the more affluent families – chose to live in the more posh and elegant Lipótváros area (north of today's 5th district).

Anti-semitism decreased along with the advancement of capitalist modernisation up until about the turn of the 20th century. When economic growth slowed down in the early 20th century anti-semitist voices became louder. As the result many Jewish changed religion which led to a new statistical category “people with Christian religion but of Jewish origin” (Ladányi, 2003).

The means of assimilation in the Post-Trianon context – which was soaked with nationalist ideology and a return to the feudal social norms – besides becoming Christian was to identify themselves with the national ideas and ideals. As history showed this was not the way to integration. The nation the Jews wished to get accepted by and integrated into, stood by silently during the deportations.

As the consequence of the Holocaust, which hit the Jewish population in the countryside most, the share of Budapest in the overall Jewish population had changed to 67.2% by 1946 from 48.8% in 1941 (Ladányi, 2003).

The Jewish communities developed their special building forms all serving the smooth management of community life. In Inner-Terézváros, it is the building forms and not the ornaments that have been bearing the signs of this Jewish heritage¹⁴.

Two building forms that reflect the presence of a larger Jewish community were the system of residential buildings connected through an arcade shortening the way out and to the synagogues in the densely built inner-city areas, the other building form was the residential buildings connected to workshops and smaller factories. In Percel's assessment (2003) about the second type it was found that the majority of these buildings have already been demolished.

The building forms regarded as the manifestations of a special culture and community life have been left behind as fixed feature elements (see Chapter 3) while the shops, street atmosphere, sign-boards gradually disappeared from the neighbourhoods. In spite of the fact that the Hungarian Jewish population practically survived in frictions, typically it was not Holocaust that made the community life and so the non and semi-fixed features elements of the built environment fade away in the relevant neighbourhoods.

In the post-war period after the Holocaust, the demographic, social situation as well as the geographical distribution changed radically (Ladányi, 2003).

In Budapest until 1956 the rate of Jewish population in the Inner Buda area was increasing, while their share and absolute number diminished in Inner-Pest (Erzsébet and Józsefváros). The district which experienced a continuous growth of its Jewish population was Újlipótváros, the Inner part of 13th district. The turning point when the share of Újlipótváros exceeded that of Erzsébetváros was 1970⁵. By 1999 it reached one-fifth of the overall Jewish population of Budapest.

After the change of system, the outward migration of especially young Jewish individuals and households became a dominant phenomena. Even in the 13th district according to Ladányi (2003), middle-aged Jewish people are over-represented. Typically of the traditionally preferred urban lifestyle though their rate in the countryside increases it means villages in the agglomeration or the immediate suburbs of larger urban concentrations such as Budapest and never real rural settlements.

The importance from our point of view is that in Inner-Budapest on the Pest side the rate of Jewish population is decreasing which is especially sad as it is the young generations that refuse to live the traditional urban lifestyle and do not contribute to the revival of the Jewish community life in e.g. Erzsébetváros, in the old Jewish Quarter (Chapter 7.2).

In the relevant chapters of the dissertation on the micro more subjective level, we will see that the tendency is not as discouraging compared to what the statistical data suggest.

The Roma

Talking about the Roma ethnic group within the framework of the dissertation is especially important as this ethnic group acts as a source of serious social and spatial conflicts in the examined areas of Budapest via the tendency of segregation and extensive social marginalisation. This segregation means the accumulation of poverty, run down neighbourhoods nearly meeting the criteria of ghettos, in the very heart of the capital city. Below we put the situation of the Budapest Roma in the national context in order to develop a deeper understanding of their absolute and relative situation in the Hungarian society.

As the outcome of a survey⁶ conducted in 1994 aimed at getting a clear picture of the Hungarian Roma population, it was estimated that there were 107 833 Roma households and 482 000 Roma people in Hungary (Havas and Kemény, 1999). This means that 5 % of the Hungarian Population was of Roma origin. The same authors in 1971 estimated the number of Roma to 320 000. This means a 50% increase in 23 years. This indicates that the natural increase of the Roma population far exceeds that of the non-Roma people.

The fact that being Roma is immediately associated with poverty and uneducatedness is supported by the educational and employment data of the census.

As the conclusion of the comparison Havas and Kemény state that though the average level of education rose among the Roma, the distance from that of the non-Roma grew in the same 23 years.

Typically, 80% of the Roma youngsters complete their elementary school studies nowadays, while only about 15 % graduate from vocational schools. These two data show considerable improvement compared to what was the case in 1971. At the same time the rate of graduates from high school did not change, remained at the rate of 1.5%. As for higher education it never exceeds 1% and even worsened (Havas and Kemény, 1999).

In spite of the fact that the social distance was narrowing in the post-socialist period, during the socio-economic transition quick and dramatic ethnic differentiation occurred (Szoboszlai, 2004).

It was manifested among other things in the employment situation, which in the post-1989 era for the Roma worsened very rapidly as it was the unskilled and lowly skilled workers who were first made redundant during the factory shut-downs. Actually the nearly 100% employment among Roma male population started to worsen already in the mid-1980s when the signs of economic collapse became visible. At the beginning of the 1990s the rate of unemployment was 38% (without the passive unemployed) and 48% (with the passive unemployed) (Havas and Kemény, 1999).

There have been sharp regional distinctions concerning the employment situation. Lack of work for the Roma is still the most serious in the north-east of the country. According to Szoboszlai (2004) the distinction between the equality of chances between Roma and non-Roma male population is also the greatest here. The best situation prevails in the Central Hungarian Region with the capital city where every second adult Roma has a job.

After the worst years of transition, by the beginning of the new century new employment possibilities were created in Budapest. Meanwhile in the towns and more in the villages the situation became worse. According to Szoboszlai (2004) in 2003 in Budapest two-thirds of the Roma male population works as employee, entrepreneur, irregular quite often black (not registered) worker while in the villages only one-fifth. It is not surprising after all that temporarily or permanently more and more Roma men go to the capital city and after stabilising their position they take the families too.

In 1971 only 8% of the overall Roma population lived in Budapest which grew to 9.1% by 1994 (Havas and Kemény, 1999) the increase has been continuing and it already exceeds 10%. The living conditions of Roma – just like the employment situation – have been varying by regions. In spite of the governmental decree to eliminate the Roma segregated colonies in 1965, in 1971 still 65.1% of the Roma people lived in one of these colonies low standard dwelling places. In the same year 44% of the Roma houses lacked electricity and only 8% had running water. The low standard colonies were all eliminated by recreating segregation within the settlements. It means that the Roma families were provided with higher standard dwelling units at a very favourable loan construction but these were placed in the settlements in a concentrated way so the rate of residential segregation did not diminish.

In Havas and Kemény's (1999) analyses, the rate of those whose neighbourhood exclusively or mostly Roma people live is only 6.5%¹⁷.

When we refer to the fact that ethnic origin and the impoverishment are closely related, we refer to the Roma population. According to Jász (2004), ethnic-based poverty hits two-thirds of the Roma population in Hungary.

The achievement of the socialist period that the absolute and relative distance between the Roma and non-Roma population was artificially decreased disappeared all of a sudden after the change of system. The socialist welfare network meant a relatively firm and safe background for life (work, education, provision of housing, loans on favourable conditions). Along with the disappearance of the socialist welfare institutions and the mass impoverishment of the socialist middle-class, the Roma people have often been identified as scapegoats (Jász, 2004). Being engaged with their own survival, the majority of the society did not feel responsible for the Roma who were already in a vicious circle of being prejudiced for criminal inclinations and often labelled as the residue of the society. No surprise that due the prejudiced approach of non-Roma people they tried to leave areas and neighbourhoods burdened with a higher rate of Roma population. That led to the fact that e.g. in Baranya county there are villages where almost 100% of the inhabitants are Roma. Practically the same tendency manifests itself in the urban space of Budapest.

The segregation and residential relocation of the various social groups – among others the Roma – in Budapest is detailed in Chapter 5.

Migrants to Hungary

The globalisation of production generated a globalisation of labour which means the larger than ever movement of people to the major centres of capitalist production (Soja, 2000). Hungary, in the footsteps of the developed capitalist world has become the temporary or final destination for thousands of people not only from the neighbouring and less developed countries like Romania but also from the far east and the old EU countries. Foreigners stay in the country in two kinds of status: the refugees and other immigrants. Fortunately, after the end of the war in Yugoslavia the second type of status is becoming proportionately larger (Keresztély, 1998; Ekéné, 1998).

In Hungary there are about 11 000¹⁸ immigrants (CSO, 2002) holding residence permit. Nearly 85 % of them are from European countries especially from the neighbouring countries. About 10% originate from the EU countries. As for the immigrants from neighbouring countries, Romania has by far the largest representation although its share in the newcomers shrank from 79% in 1990 to 44% in 2000¹⁹. Three-fourth of the immigrants staying in Hungary are members of the Hungarian minority groups as citizens of other countries. The non-European countries do not have a high representation among the immigrants: Asia 12%, America 3% and Africa 1.2% (CSO, 2003).

Budapest as the economically most rapidly growing part of the country with 18% of the overall population is the most popular destination of the immigrants. However, according to the statistics the immigrants from the neighbouring countries besides Budapest also prefer the border regions neighbouring their states²⁰. It is not quite the case with e.g. the Chinese immigrants who almost exclusively choose to settle in the capital, and accordingly 82% of the Chinese immigrants live there (Nyíri, 2002).

Those groups are considered as most influential on the neighbourhood level who have the greatest visible impact on some neighbourhoods manifested in semi-fixed and non-fixed feature elements. These are the group of the EU²¹ and North-American citizens and that of the Asian, more exactly Chinese immigrants.

The immigrants arrive for mainly economic purposes and the geographical origin of the immigrants mostly determine their position in the labour market, the society of Budapest and consequently their geographical concentration and location in the city.

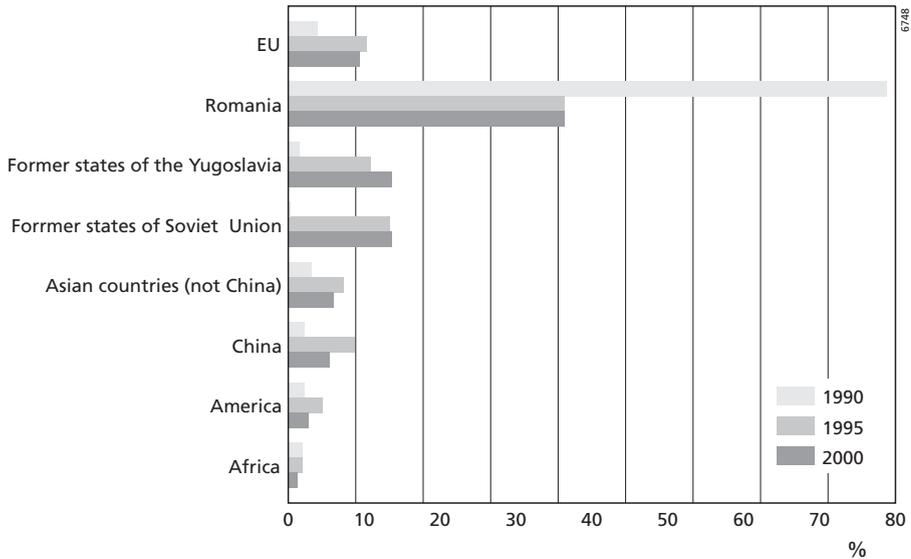


Figure 4.8 Time series of international migration by the citizenship of the immigrants (CSO, 2003)

The “immigrants” from America and Western Europe mostly arrive to represent multinational companies often upon the orders of their managers (Keresztély, 1998), but we often bump into artists, fortune hunters and simple swindlers too.

The group of foreigners of western origin staying for years does not mean a large part of immigrants in Budapest but by their economic power, influence, and special demands have been able to substantially influence the housing and rental market, range of services provided etc. It was especially typical at the beginning of the 1990s when the share of the occupational groups of professionals, governmental officials and managers among the immigrants from Western Europe was somewhat higher (53%) than now (42%) (CSO, 2003).

Though, foreigners from developed countries staying for years in the Central European capitals tend not to form closed communities due to the fact that culturally speaking they are not that distinct from us, the general standard of living is close to the western standards and the safety is absolutely assured they still tend to be markedly concentrated in the areas preferred by the middle and upper class segments of the Budapest society. Naturally these are the districts of the city where they have been able to contribute the most to the transformation of the residential areas as well (Chapter 5).

4.3.4 Building a new democracy from below – non-profit organizations in Hungary in the post-socialist era

Civil organizations in Hungary

In spite of the undeniable fact that the civil sphere in the new market economies still lags in efficiency and spontaneity in decision-making according to the ones active in the older democracies experts such as Kuti (2002 p. 3.) insist that "...Hungarian voluntary organisations were quite active in the democratisation process of the early 1990s, especially at a local level."

The post-socialist civil movements rooted in the 1980s socio-economic context when the loosening control conditioned the establishment and operation of civil organisations. People involved in education, culture, medication, social work launched their professional forums (Zám in Civil World, 2003 p.16).

The legal background of the civil sphere was established by passing the Unification Law in 1989. Lots of voices have criticised it since then especially because the same rules apply to the tiniest organisations and the national civil movements. Nevertheless, this was the law that provided sovereignty for the non-profit sphere i.e. they were only to register not licensed – which was an unbelievable achievement in 1989.

The 1997 non-profit law brought a new situation in the financing of the non-profit sphere. In relation with the taxation law uniquely in European taxation practice, individuals were allowed to transfer 1% of their income tax to a non-profit organisation. The organisations received this measure with a relief but later it turned out that it would not bring much better times in financial respect. It was especially true about the small organisations with local scope of action and interest (the neighbourhood level organisations).

The number of civil organisations in Hungary has been increasing since 1989. Suddenly, individuals, groups sharing the same interest, people doing social and charity work, the local municipalities put some of their activities in a non-profit frame (Csegény and Kákai, 2001).

Nevertheless, in the initial phase of the post-socialist transformation Beluszky (1992) judged the society of Budapest as immature with respect to the activity and involvement of the civil sphere in urban matters. He claimed that the vacuum left behind by the withdrawing paternalism of "real socialism" was not filled with sufficient weight and authority by the civil organisations, autonomous unions etc. In order to fill the vacuum new offices were created and regulations were prepared which generating *new paternalism* (reminiscent of the socialist times) did not let them evolve.

The increase in the number of the organisations has not been even in the past 15 years. According to the data provided by the CSO till 1997 the number of non-profit organisations was rapidly growing, but has stagnated since then. The period between 1989 and 1997 is called the extensive phase of development, a dynamic phase that ended with the sector's becoming over-saturated. By this time, the number of non-profit organisations became more than five times bigger than in 1989 (CSO, 2001). The first year of stagnation in the number of the civil organisations was 1997 and at the same time the more mature new capitalist economy and society required their professionalization. Szabó (expert interview 2004) calls this period the period of *internal clearance*.

This second phase of development refers partly to the structural change of the non-profit sector, the increase of professional and practical knowledge as well as the increase of the rate of

Table 4.2 The rate of the civil organisations specialised in settlement development by settlement category.

Field of activity	Budapest	County centres	Other towns	Villages
Population, 1999	1 811 552 inhabitants (18% of the total population of Hungary)	4 550 046 inhabitants 45% of the total		3 681 626 inhabitants 36% of the total
Construction, maintenance	10	4.3	4.6	5.6
Settlement preservation	1.8	0.9	1.8	2
Settlement beautification	14	11.6	9.4	21.1
Education	18.4	16.8	10.6	6.7
Organisation of the local community life	44.3	41	52.7	46.3
Lobbying	6.3	7.3	5.1	3.3
Communal service	2.6	6.7	3.8	4.4
Regional development	1.5	8.6	6.9	2.3
Local development	1.1	2.8	5.1	8.3
%	100	100	100	100

Source: CSO, 1999

organisations providing services which formerly belonged to the scope of activity of the local municipalities and state organisations. (Csegény and Kákai, 2001).

There are basically four legal forms of non-profit organisations: the foundations, the public foundations (foundations established mostly by municipalities), the associations, the public benefit companies. Some specific types of activities such as education, settlement development, cultural services and social care, typically take the form of a foundation. Associations are more often organised around sport, hobby, leisure activities and culture. Public benefit companies mostly deal with economic and regional, settlement development. The activities that may have impacts on the transformation of the residential environment (with activities of settlement development, culture, social care) appear in the organisational form of foundations.

The different non-profit organizations tend to react to the economic context differently. There are non-profit organisations whose task is to provide services that were handed over by the state or the municipality or alternatively that they take on as a reaction to the special needs of the population. In the first case, the state or the municipality guarantees the resources while the second case the organisation has to seek funding (expert interview with Kuti, 2004).

As for the distribution of civil organisations by settlement categories (Table 4.2), it is Budapest, the smaller towns and the villages where the civil life is more intense while in the 19 county centres, meaning larger towns (with inhabitants of 200 000 and 50 000) Statistics (CSO, 2002) show that it is becoming increasingly moderate. Civil activity must be connected to the cultural relatedness of people to the more mature societies like that of the Austrian as besides Budapest it is the West-Transdanubian Region where the organisations keep increasing in number and visibly participate in decision making. Nevertheless, regarding their absolute number, the North and the South Plain Regions are where the organisations are the greatest in number (CSO, 2002). All in all, slightly more than 25 % of the organisations are based and active in Budapest (CSO, 2002). According to Csegény and Kákai (2001) it is due to the weight of Budapest

as a service centre in the country, the concentration of organisations with nation-wide scope of activity as well as the fact that it attracts the organisations from the neighbouring counties.

Typically enough while Budapest concentrates one-quarter of the civil organisations the ones with a settlement development purpose represent the lowest rate in the capital city compared to the counties. The indicator that clearly shows it is the number of organisations of this type per 100 000 inhabitants. In Budapest it is 15 per 100 000 inhabitants, while in three Western Transdanubian counties it exceeds 40 per 100 000 inhabitants. It is due to the size and structure of the city that the activities taken on by these kinds of civil organisations are not typical and furthermore these activities are carried out by larger companies in Budapest.

Co-operation between the municipalities and the civil organizations

As for the participation of civil organisations in the decision-making process of the municipalities, a serious contradiction can be discovered. According to the present “closed” system of decision making, the civil organisations’ only way to influence the decisions directly is to get into the body of representatives, the assembly, which is against the function and objective of the civil sector. Typically and naturally enough especially when they become part of a coalition, this way establishing the majority in the assembly they cannot represent the interest of a smaller community or an interest group any more but that of the coalition. This necessarily makes them politically biased (expert interview with Sebestény, 2004).

Another alternative is to influence the decisions by their professional activity and their work in the local community, without becoming part of the actual decision-making body. The civil organisations have a basic mediator role between the individuals and the (local) government. In Hungary, the organisations related more closely to politics – according to the popular belief – have a more substantial impact on decisions on the local level than the civil organisations.

In the analysis of Csegény and Kákai (2001) based on a questionnaire survey conducted among municipalities in Hungary, in the towns, and the city of Budapest the decision-making process is monopolised by the body of representatives and the committees. The impact of the non-profit organisations on decision formation does not seem to be important, although the situation is better in Budapest than in other towns.

There has always been an air of suspicion regarding the activity of the civil organisations. This attitude has not been eased but transformed into passing on certain tasks to the non-profit sector to get rid of fields of activities which are criticized by the civil organisations and under financed in the hands of the municipalities.

As indicated in Figure 4.9 the interactions of non-profit organisations and the local government are mostly one sided (which can hardly be called *inter-action*). Even among the types of real interactions, one can hardly discover forms that suggest that non-profit organisations are welcome in any stage of the decision-making procedure.

After the change of system, local governments were left with compulsory tasks and tasks that can be carried out on a voluntary base. The state redistribution has been calculated on the basis of the tasks done on compulsory basis (elementary education, health care, etc.). The support of locally based or active civil organisations has never belonged to this scope of tasks. The local governments economise with the part of budget that is left behind after fulfilling the basic responsibilities.

When in 1987 the first Unification Act was ratified, until 1990 the newly established non-profit organisations had to get registered at the Department of Administration, local government. The Department of Administration informed the department concerned about the existence of the new local organisations e.g. the department of cultural and sports and this way they had the chance to cooperate on matters when needed.

When these departments were eliminated in 1990, the same responsibility of the new non-profit organisations remained but towards the Metropolitan Court. The court is not obliged to inform the concerned local government about the establishment of a new civil organisation. Practically it made it impossible to keep count of their number and life course. The local governments has only information about the ones getting in touch with them on voluntary basis (when applying for support, when contracting with them on passing on responsibilities etc.). The last counting of the civil organisations was in 1999 by CSO (expert interview with Fehérváriné, 2005).

When the law on the right of unification came out in 1987 the organisations were all normal civil organisations. Later they were given the possibility to re-qualify themselves to privileged civil organisations. The third category was that of the public beneficiary companies. Only the last one is entitled to take over basic responsibilities from the local governments on a contract basis (expert interview with Fehérváriné, 2005).

Normally civil organisations are interested in close co-operation due to their defencelessness and more effective assertion of their interests. According to a renown civil activist of Józsefváros, Budapest (Templom Józsefné), the civil sector is divided along different values and interests. It

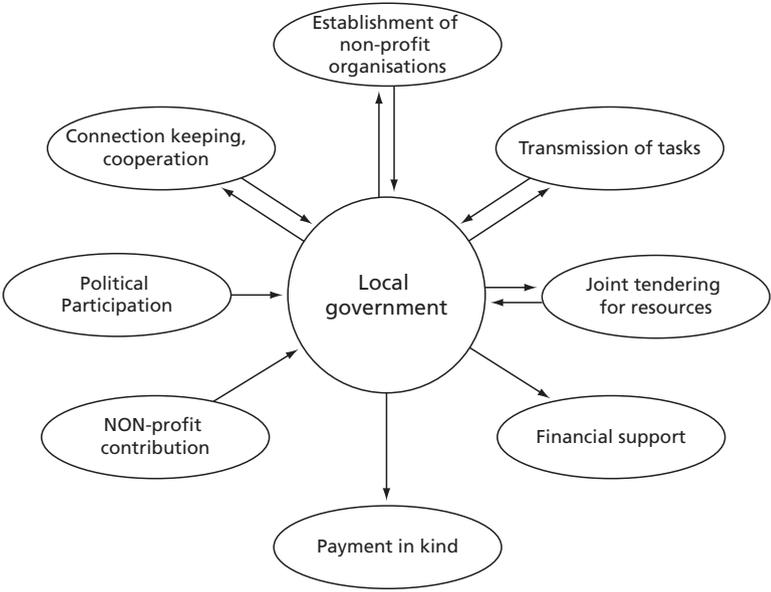


Figure 4.9 Types of relations between the local governments and the non-profit organisations. Source: Sebástény, 2000 p. 16

is well known that lots of civil organisations have been established by political parties. This fact causes mistrust between civil organisations. Besides, civil organisations are protective of their independence. Another reason of weak co-operation is that the organisations are rivals for the very limited sources allocated for supporting the non-profit sector (Templom in Civil World, 2003).

4.4 The evolution of the housing market in the new economic context

4.4.1 Historical perspective

Apart from the numerous distinctions the East-Central European new economies used to and do share lots of characteristics in economic organisation and social order. This was the case with the structure and the organisation of housing though like in the case of the Western European countries there were numerous distinctions in the organisation, financing and forms of housing. These inclusive and exclusive distinctions became even more marked after the demise of state socialism. Countries of post-socialism walked different paths of transformation adjusting their policies to the local conditions and the legacies of previous policies (Balchin, 1996, Tosics et al., 2001) and so the disparities having existed during state socialism magnified in the post-1990 period.

The main characteristics of the urban housing model under state socialism were

- Absolute state dominance (50-60% of the housing stock was directly owned and operated and a further 20 to 30% was organised and built under state direction) (Wiessner and Kovács, 1994)
 - Significant state ownership of the land and the housing stock in cities (as a consequence of confiscation at the beginning of the 1950s)
 - Strong and direct state control over land use, leading to very specific land-use patterns expressing the preferences of the socialist state (Bertaud-Buckley, 1997 in Tosics et al., 2001)
 - Administrative limitation of housing consumption (one housing unit per family and one summer bungalow or site)
 - State control over certain housing policy factors (state financed housing constructions, social housing policy, subsidised private housing constructions, loan origination, construction industry and materials, etc.)
 - Control over the private housing market (private rent etc.) and indirect regulation of the self-financed form of housing construction
 - Administrative limitation of the size and development of major cities (control over the inflow of population, over industrial growth)
 - Direct control over the financial resources of the cities and over the political decision-making process (Weclawowicz in Tosics et al., 2001)
- Central European countries were often on the order of 3 to 5% of GNP regarding housing expenses and comprised, next to food subsidies, the most important consumer subsidy
- Physical decline in the centre – expansion on the periphery
- Low level of segregation (Wiessner and Kovács, 1994)

The transformation of the economies brought forth different strategies for the management of the housing sector in the concerned countries. As Hegedüs and Várhegyi (2000) described the transformation of the housing sector in Hungary:

The real estate market has quickly transformed

- former huge construction companies were split and privatised
 - the sale of construction materials was liberalised
 - restrictions on owning property were lifted, and
 - a significant portion of the state owned housing sector was privatised
- all these measures paved the way to the market oriented housing model.

Hegedüs and Somogyi (2005) divided the past 15 years into three periods according to the housing policy of the national government shaping the background of housing market. The first period lasted until 1994 and is called the period of “*crisis management*”. The government introduced series of measures aiming at a rapid withdrawal from the housing sector e.g. by decreasing the subsidies, diminishing its direct role, one means of which was decentralisation i.e. “the local governments were assigned to manage the housing allowance program partly financed from their resources”. Besides, laws such as the one on the privatisation of the rental sector and the one on social/welfare issues (both in 1993) proved that the state as a provider of welfare services such as housing is did not take responsibility any more.

Between, 1995-2000, however something new started to be built on the “ruins” of the old housing sector. The *institutional and legal background were being established*. While the subsidies kept decreasing two new financial institutions were brought into life: the contract saving banks and the mortgage banks. As basically an inflationary environment surrounded the attempts to implement changes in the subsidy system was not very efficient.

The third period started in 2000 when the government supported by the promising macro-economic changes launched an active housing program.

As shown in Figure 4.10 the tendency of housing constructions does not exactly reflect the macro-economic changes through the past 15 years.

As Hegedüs and Somogyi (2005) pointed out “the macro economic changes had not influenced the housing investments before 2001”. Sipos’s (2005) analysis of economic cycles suggests the same. In his diagram the cyclic movement is strong, the depressions were in 1993 and 1999 while the peaks took place in 1997 and 2003. The length of cycle is 6 years. Presently (2005) we are in the declining phase of the cycle which may moderate the trend of increase²².

In the analyses of Csabai (2004) the 1994 drastic increase in the welfare supports launched the process leading to the 1997 peak, while the 1997 aggravation regarding the conditions as well as the high interest rates lead to the 1999 depression.

Housing prices were changing quickly in the past 15 years. Until 1998 the real housing prices decreased by 40-50% while in 1998-2000 a 100% sudden increase occurred. The price increase was caused by lots of coincidental factors but not by the new mortgage program – as the public belief goes. The causes need to be looked for in stock market changes, interest rate decrease, and the role of foreign investors (Kiss, 2002 in Hegedüs and Somogyi, 2005). According to the data provided by the CSO, 1993 holds the negative record in absolute and relative sense. In that year merely 2.5 % of the GDP was spent on housing construction while by 1997 it almost doubled and reached 4.7%. Meanwhile the role of loans in financing housing constructions indicated by

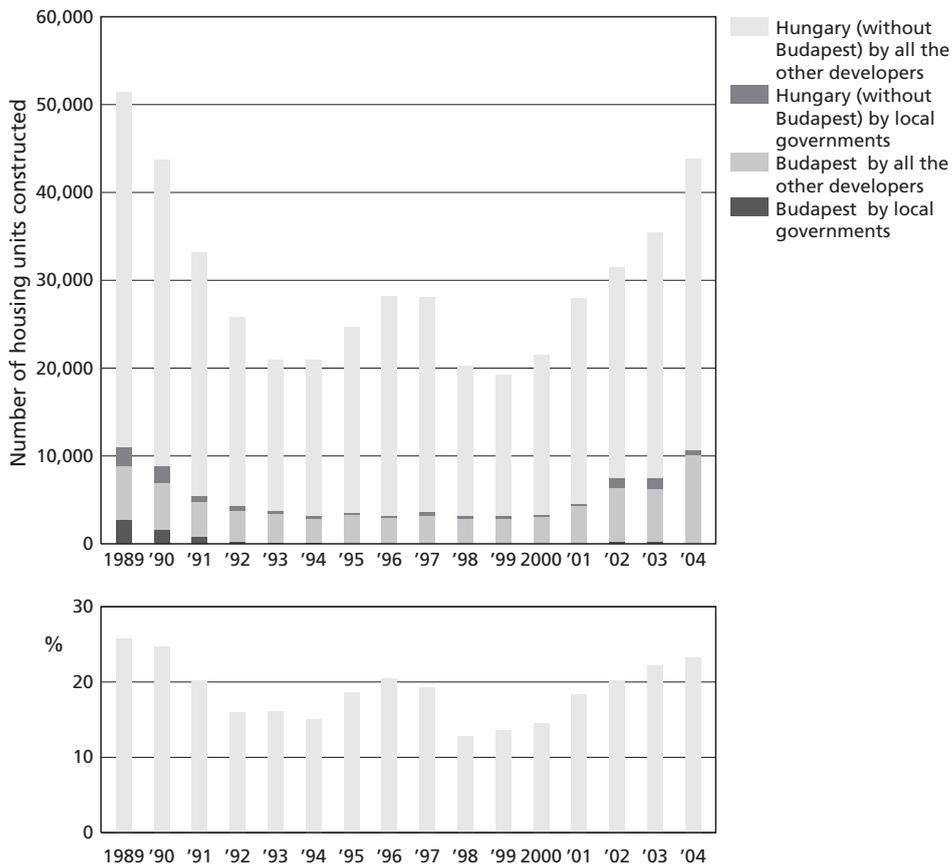


Figure 4.10 New housing constructions in Hungary by location and type of developer compared to the share of national budgetary expenditures on housing between 1989 and 2004. Source: CSO Housing Statistics, 2004.

the loan/investment ratio dropped to merely 2% by 1997 from almost 10% in 1991 (Hegedüs and Várhegyi, 2000). This means that the increasing volume of housing construction was financed from other sources than loans.

The statement that the construction of new housing units has hardly been influenced by the macro-economic processes is also supported by the assessment of Kovács et. al (2005). They make certain factors responsible for the changes regarding the housing market – including housing constructions – in recent years, on the national level. These factors are: *the decreasing population of the country; the aging tendency of the population*²³; *the economic recession and the polarization of incomes; quick privatisation and deregulation on the market; and the appearance of the foreign capital*. Having analysed the housing market of the Hungarian settlements by examining four indicators²⁴ a classification of the settlements was carried out defining groups of settlements with dynamic, stagnating and declining housing markets.

As reasons for a settlement's having dynamic housing market economic prosperity, impact of sub-urbanisation, and demographic reasons (population growth) were found²⁵ Budapest was classified as a stagnating housing market, while the settlements in the agglomeration of the capital city with no exception were classified as dynamic. The dynamism of the settlements in the Budapest agglomeration was reasoned by the impacts of sub-urbanisation and the intense economic development together while in some cases demographic processes also contributed to the dynamism.

Among the most influential factors affecting the post-socialist development of the housing sector privatisation was indicated as the determining influence. Below the process of housing privatisation is interpreted, which was judged already in 1992 by Kovács as extremely quick, even compared to the speed of privatisation in the other ECE countries.

4.4.2 Housing privatisation in Hungary²⁶

Besides the numerous features in common, the process in which the individual ECE countries have differed the most is their privatisation strategy. Needless to say that the strategy and process of privatisation in post-socialist countries can not be seen separately from other socio-economic processes going on in these states.

Privatisation was "merely" one element in the process of transition from the socialist to the market economy. But the simultaneous undertaking of these activities, the fact that everything was in transformation lacking a fixed or absolute framework to fit the new systems let lots of social conflicts come to the surface.

The speed at which transformation took place differed significantly among the ECE countries. There were two approaches to the role of the state in housing (and the economy in general): the shock therapy aiming at quick privatisation and the gradualist approach attempting to build the new systems on the existing institutions. In an attempt to make the new system irreversible most ECE countries followed the first approach. The removal of the old outdated institutional forms gave reason to be optimistic but it also meant uncertainty for millions by the withdrawal of the welfare protection in housing from one moment to another. Typically of the speed, between 1990 and 1994 more than three million flats (almost one third of the former public dwelling stock) were sold to the tenants in the ECE countries (CSO, 1996).

Owner occupation became a dominant element of housing tenure in all post-socialist states but to a different degree. The new structure of housing tenure in the capital cities of Poland, Hungary and the Czech Republic, Warsaw, Budapest and Prague respectively clearly expresses the distinct privatisation strategies of the three countries. In 1995 Budapest had the highest proportion of owner occupiers at 84%, that of Warsaw was at 50% but Prague was lagging behind with only 15%.

As for other forms of housing it has to be noted that co-operative housing almost disappeared from the Hungarian capital while it still represent quite a share in the other two cities. In Prague the growth of the private rented sector was the most spectacular. In the Czech Republic restitution became an important form of privatisation. Here entire old tenement blocks were returned to the original owners or their heirs. This led to the quick emergence of the private rented sector (Grime, 1999). Whilst in the other two countries the return of private sector into the housing tenure was impossible due to their privatisation strategy where restitution as

such was out of the question after the changes. The former owners or their heirs got symbolic compensation in the form of vouchers.

The different nature of the privatisation in the ECE countries contributed to the development of housing conditions differently. The largest part of the former public housing stock was privatised in Hungary, Budapest where private ownership became outstandingly important by the mid-1990s. Presently the owner occupation rate reaches 95% in Budapest and nationally too, by contrast it is only about one-fourth of the housing stock in Prague, Czech Republic. A similarly significant change happened in Estonia – to compare the ECE countries to an ex-USSR member state – where now 94% of the total stock belongs to the private housing units leaving only 6% to the public sector (Paadam and Liias, 2001).

As hinted at above with the change of regime the state passed many responsibilities to the newly established local governments. The Property Transfer Act (1991) conditioned transferring the state housing property and so the related responsibility of maintenance to the local governments (Hegedüs and Tosics, 1992).

At the beginning of the 1990s the most important characteristics of the Hungarian rental sector were:

- low rents (on average 5-7% of the income per household)
- neglect of maintenance: systematic maintenance and renewal did not occur during communism because the income from the rents was almost half of the amount spent on basic maintenance.
- the ownership rights of the tenants (Hegedüs et al.,1993)

No surprise that the local governments left with shrinking central resources opted for extensive privatisation.

Privatisation resulted in the transformation of the housing tenure. Owing to the quick privatisation the share of the owner-occupation has risen significantly. Clearly enough this form of ownership following the biggest wave of ownership change did not meet all the criteria of the market based, privately owned flats. As Hegedüs and Tosics (1998) claimed the privatised houses of East-Central Europe differed in two basic characteristics from the market-based housing forms of the Western countries:

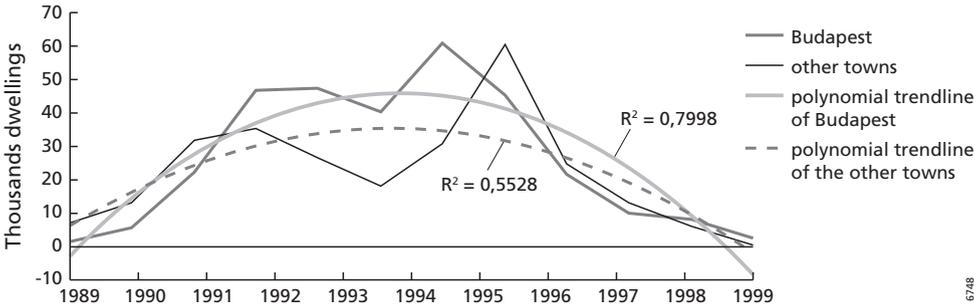


Figure 4.11 The dynamism of housing privatisation in Hungary 1988-1999. Source: Földi, 2002

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- The legal and organisational framework essential for the operation and maintenance of the condominium buildings had not existed before the privatisation started. In lots of countries concerned – among others in Hungary – people became owners without having had the conditions and rules of maintenance laid down.
- Sufficient financial background was also missing: mortgages were practically unknown, loans were provided on low, strongly subsidised fixed interest rates.

In Hungary the state housing sector represented 25% of the total housing stock before the transition and its role was decisive in the urban areas (Hegedüs and Somogyi, 2005).

A little more than half of the public housing stock was concentrated in the capital – 55% in 1990 (CSO) – while the rest in the county centres and the towns which had gone through rapid growth during the socialist industrialisation and so a fast increase in population. The basic distinction regarding the social housing stock in Budapest and the other towns was the age and the characteristics of the buildings. In the capital a major share of state housing were century-old tenement buildings, which were nationalised in the 1950s. The other half of the stock was the product of state housing programmes in the 1960s, 1970s and the 1980s. In the towns old tenements represented a relatively small share in state housing while the housing estates formed the majority of the stock. In the towns two-thirds of the state housing was built after 1960.

In Figure 4.11 the diagram reflects how governmental measures controlling privatisation affected the intensity of privatisation during the transformation period. Until 1991 the number of privatised dwellings was increasing steadily, then in 1992-93 it slowed owing to uncertainties about forthcoming measures having been in the air since 1991. Finally, the law on the privatisation of public housing was passed in 1993 ensuring until 1995 the substantive right of every dweller to purchase the flat they were renting.

Almost all previously existing restrictive elements of the law were lifted giving way to non-selective, mass-privatisation. The impact of this law can be clearly seen in the diagram showing a peak in 1995 and the sudden decline again in 1996 both in Budapest and in the other towns.

It also means that the local governments simply ran out of the marketable rental units²⁷ (CSO, 1998). Although about half of the state housing stock was in Budapest at the beginning other towns had bigger impetus in privatisation, while later lagged far behind the capital city. The polynomial trend lines best fitting the figures suggest that privatisation in Budapest was carried out more quickly and was more intense – the “arch” formed by the polynomial trend line reaching higher – than in the rest of the country where the whole process took longer and was more evenly distributed in time. Owing to the relatively young age and probably the more care taken the stock in the towns was more uniform. Partly for this reason the quality and so the prices of dwellings did not show such high standard deviation in the individual towns as in the capital city (Székelyné, 2001).

Examining the psychological side of privatisation as a reason for the high rate of privatisation the tenants tried to buy their safety and terminate the feeling of defencelessness (Farkas et al., 1995).

Privatisation in Hungary was the so-called “give away” privatisation, as the result an unparallel low rate of public housing (4% of the total housing stock, CSO, 2003) was left. Since prices – as the most essential element of the housing market – are influenced by the number of owner occupied houses, privatisation “freeing up” a large share of housing stock livened up the housing market. According to Farkas et al. (1997) 15-20% of the privatised units were sold within

one or two years after the privatisation. The privatised housing units appeared on the market in masses and enlarged the supply side which produced a price reduction. However, the inner-city rents appeared on the office market segment especially in Budapest and few larger towns and these more valuable units were realised at a higher price (Farkas et al., 1995).

4.4.3 Housing programs and the instruments – the evolution of the mortgage system in Hungary

The housing market situation in Hungary – besides privatisation – has been most affected by the handicapped housing finance system for about ten years, which was cured by the new institutional and legal background formed in the late 1990s and a firm economic background evolved by also the same period. A brief outline of the housing finance in the pre-1989 period helps to understand how serious the housing finance crisis in the 1990s was.

The socialist ideology insisted on a model which was anti-luxury housing and followed the closed cities and the one family one unit policy. In the socialist period of about 40 years when the housing sector was strongly supported by state subsidies and there was an over-consumption of housing proved by the high rate of housing expenditure compared to the GDP²⁸ home buyers had access to fixed rate loans, with an interest rate as low as 3% for 35 years. The new constructions enjoyed especial priority. Besides the highly subsidized loans an up-front subsidy was also provided by the state which was dependent on the household size (Hegedüs and Várhegyi, 2000).

The same authors critically note that the subsidy system was undoubtedly expensive, insufficient from the aspect of welfare, placed the costs on the future generations and increased social inequality. All in all “Hungary spent a lot on housing in a wasteful and socially unfair manner” (Hegedüs and Várhegyi, 1999).

In the first 6-8 years of the post-socialist transformation the role of loans was not simply low but almost equalled zero. It was not a unique phenomenon as in all ECE countries the housing credit portfolio²⁹ decreased (Hegedüs and Várhegyi, 2000). When all the subsidies were drawn out of the housing sector due to the lack of proper housing finance system, the existence of no or absolutely disadvantageous loan portfolios and the impoverishment of large part of the society the housing market was suffering from a deep crisis, yet it was still functioning. In spite of the fact that the average price of housing units was at a light year distance from the household incomes³⁰ still thousands of transactions were registered annually.

In these early years of transformation into market economy, when only 20-30% of the total price of the housing units could be borrowed from the banks yet only 37 % of the purchasers used this possibility (Farkas et al., 1995).

There were sporadic and uncertain attempts to heal the *problem of proper housing finance system*. The most complicated step was to first get in the housing market. If the family was unable to assist a young couple to put together 70-80 % of the price this was practically impossible. Those where the family had a “surplus” smaller unit to be realised “only” the price difference was to be contributed to take a step further in the housing career. The consequence was that the demand for the small units grow intensely and the price on the market of the smallest units was proportionately higher to the prices in others.

Another alternative was the *exchange of units*, when the clients had to come to a mutual agreement on the price difference.

Some braver households sold their flats and moved to rent (private) until finding the proper house. Typically of the low demand due to the lack of finance some sellers ventured into payment in instalments, which was rather risky. As the most inventive alternative of the times Farkas et al. (1995) also mentions the alternative of housing buyers club. It worked as little private saving banks and as the result of the annual savings of the members one or two units could be purchased every year. Needless to say that this housing financing form needed the deepest trust among the partners.

These alternative solutions were most characteristic in the period of crisis management and the beginning of the period when the institutional and financing background by the bank privatisations and consolidations started to be developed.

As mentioned above bank consolidation and privatisation did not bring immediate improvement in the field of housing finance. The governmental subsidies guaranteed were still missing all the way in the 1990s. The housing loan subsidy system was introduced in January 2000. By this time the three types of banks providing housing finance were already on the scene: commercial banks, mortgage banks³¹ and contract savings banks.

The conservative government launched the Finance Program of private housing, social housing, and the old age pensioners' housing run by churches and local governments in 2000-2001.

According to Csabai (2004) these caused the upswing of the construction industry and made access of the middle class to housing easier. The new financing programmes naturally brought a mortgage program along.

As Hegedüs and Somogyi (2005) interpreted the new housing loan subsidy system, it gave interest rate subsidy to housing loans, which had two types: interest rate subsidy to the mortgage bonds and interest rate subsidy for loans connected to new constructions. The third subsidy program was the Personal Income Tax Program, which was not judged as influential as the ceiling was too low³².

The eligibility of the subsidised loans was expanded from first home buyers buying new homes to the buyers of newly built homes (who were not necessarily first buyers). The support of the mortgage bond was targeted to buying and building new homes and for buying existing units too. There were also privileged groups for loans such as the public servants which gave a guarantee to them up to the difference between the value of the home and the loan given³³. In spite of the fact that experts forecast that the program would not be sustainable in the long run the government³⁴ insisted to keep the favourable conditions. After the elections of 2002 (May) the new left-wing government changed the conditions of the mortgage program in June 2003. In the protection of the restrictions Csabai (2004) referred to these measures as tools to reduce the misuse of the favourable conditions – for which cases are well-known – and as means that only reduced the profit of the banks.

As the macro-economic indicators (i.e. budget-deficit) became warning it was inevitable to go further and introduce substantial changes in December, the same year and in 2004. The macro-economic cost of the program came to surface by then. Meanwhile, however a new possibility appeared on the “loan market”, by the introduction of the foreign exchange dominated mortgage loan.

The program launched in 2000 had undoubted impact on the housing market, but not as big as it was expected. According to Hegedüs and Somogyi (2005) the pre-mortgage program price boom had a real impact on the housing investments, while the increase in mortgage loans

National Housing Program (2003):

The earlier housing programmes were all built on the dominant role of the state. The program passed in 2003 by contrast is based on the initiatives that create the conditions and the incentives for the market to build, realise and rent out as many units of housing as possible. Besides the new constructions, the state subsidy is targeted at building more rentals, to protect architectural values and to stimulate housing renovations. The realisation of the program is projected to take 15 years.

According to the objectives:

- the state is to take part in the formation of housing but the role taken is to be adjusted to the economic productivity of the country;
- social housing program in which it is not the rent but the beneficiary to be subsidized, pre-saving and loans for the first buyers;
- renewals resulting energy saving to reduce the costs of expenses related to dwelling; rehabilitation of housing estates and residential environment as such;
- establishment of the legal background for the condominiums, real estate cadastre.

The program defines the main problems to which the objectives give the response. These are the rigid, immature market, problems with the accessibility of housing for a large share of society, and the macro-economic sustainability problems of housing production. The program estimates the expenses of approaching the general housing standards of Hungary to the EU average in the following 15-20 years for 60 billion euro. (Otthon Euróában, www.kancellaria.gov.hu).

did not have a considerable effect as most of the surplus demand appeared in the market of the existing housing stock not on the market of new constructions.

Furthermore, the fiscal burden would have only been manageable had the interest rates been going down. The real cost of subsidy was unpredictable in the inflationary environment. Hegedüs and Teller, 2004 – in Hegedüs and Somogyi, (2005) estimated the value of the subsidy commitments connected to the loans issued in 2002 and 2003 as high as 3.6% of the GDP.

The withdrawal of the state subsidies and the increase of the various taxes related to housing worsened the position of both the supply and the demand sides of the market in 2004-2005. According to the analyses of Varjasné (2005, www.malosz.hu)³⁵, the reasons for the shrinking housing market in 2004 and 2005 were all deduced from the uncertain, instable situation created by the government as reactions to the macro-economic warning signs. Besides there seem to be no proper governmental tool to give an impetus to the market. The National Housing Program including the Nest-building Program (for the young couples under 30)³⁶ and the Social Rent Program (for the socially disadvantaged) prepared and modified by the left-wing government seem to have failed or – the least to say – has not achieved the expected impacts.

Varjasné (2005) called attention to the negative impacts of withdrawing the subsidies and the increasing tax burden on the construction companies. The taxes levied on the builders have increased the price, while the extensive limitations of the subsidies shrank the demand side markedly. She underpins her worries by the statistics e.g. the demand-supply index fell from 63%

in 2003 to 39% in 2005. Another indicator is the tendency in the housing prices, which by 2005 increased on average 12% to the prices of 2003. In 2005 the unsold (“on stock”) supply of newly constructed housing was 166% compared to the year of 2003³⁷.

Studying the conditions of loans, which had changed very quickly, it was clear that the new law was clearly favouring the middle and upper middle class people by providing “access to the housing loans with a shallow subsidy system” (Hegedüs and Somogyi, 2005). Regarding the social impacts of the mortgage system the same authors concluded that the subsidy has been allocated among the income groups in a regressive way³⁸. The weakest point of the system from social perspective is that the condition of get subsidised loans is to have considerable amount of savings (40-50% of the value of the house). Therefore the system left out the groups of lower income groups and the young first time buyers from the possible circles of beneficiaries³⁹.

Notes

1. Sassen (1994) judged the situation of Budapest regarding internationalisation as most outstanding in Eastern Europe due to it being a “...rather glamorous Western-looking international business enclave...”
2. Carried out by the Hungarian Academy of Sciences, published in 1998
3. Trianon Peace Treaty, 1920 – Hungary lost 2/3 of its territory with most minorities and more than 3 million Hungarians.
4. Manchin and Szelényi (1987) regarding the source of inequalities claimed that in the capitalist countries it is the market that generates inequalities and the redistribution moderates the effects while in the communist countries redistribution created the inequalities and the market diminished its effects.
5. The notary is a state employee (he/she represents the authority). Smaller settlements have their elected local government but often do not have their own notary. They belong to a regional notary (körjegyzőség), which is located in a larger settlement nearby.
6. The Hungarian government is projecting the elimination of the locally levied industrial tax based on turnover (not the profit) and in 2007 to make up for the lost income resources will introduce another type of local tax this measure awaits (Világgazdaság, 28 09 2005).
7. Lack of communication is a “folklore” in the Hungarian administration as will be shown how even departments of the same local governmental apparatus do not communicate sometimes (remark by the author).
8. A comparison between Budapest and Szabolcs -Szatmár Bereg County in the far east of the country: the HDI in 1999 was 0,866 for Budapest and 0,773 for Szabolcs County. The GDP per capita was 20 400 USD and 5900 USD respectively. (Jász, 2004. Table 3. p. 51.).
9. The paradoxical result of segregation is that not only the socially excluded poor but also the well-to-do get segregated in luxurious ghettos (Szoboszlai, 2004), this is most characteristic in the larger towns and the capital city.
10. The Jewish Congress of Hungary was summoned (1867-69) which instead of strengthening the unity, ended with breaking the community into the Orthodox and the Neolog denominations. While soon after a third trend came into being, the so-called Status Quo Ante insisting on the community values of the times before the break-up. Zeke (1990a) in his extensive studies details the history and geographical location of other denominations besides these three.
11. Zeke adds that still in Budapest there were 30 000 Orthodox Jewish people.

12. By profession more than 50% of the Jews of Budapest were making their living on trading and commerce, while an increasing rate turned to craftsmanship in the course of the 19th century. Towards the end of the century in line with the “expectations” of capitalist modernisation more and more men were sent to higher education instead of following the traditions of trading and with the increasing rate of urban Jewish assimilation occupied official status in the administration (Bácskai, 1995).
13. The house no longer exists. In its golden days it was a two-storey building, with three courtyards, it contained 48 housing units, 284 tenants. Besides the flats there were 37 storerooms two synagogues, three restaurants, a café, a butcher’s, a ritual bath. It provided all the services a Jewish person needed at those times (Bácskai, 1995).
14. According to Perczel’s (2003) assessment the use of Jewish symbols as ornaments was not common however they do appear on few buildings especially built in secession style.
15. In this year 13% and 14.7% of the Jews of Budapest were living in Erzsébet- and Újlipótváros respectively (Ladányi, 2003).
16. The survey had to be done as in the Census questionnaire in the past 50 years the question related to the ethnic identity of people was missing and the Statistical Office had no information on the situation of Roma people.
17. It is 35.6% in the towns and 30.5% in the villages.
18. Between 1990 and 2000 over 200 000 immigrants obtained a residence permit for a longer or shorter period. Most of them only made a longer stop-over in the country and left for the EU soon (CSO, 2003).
19. The real international labour flow does not consist of these westerners but the masses of people staying in Hungary and mainly in the capital from e.g. Romania. At the beginning of the 1990s thousands of people of Hungarian nationality left Romania for a better living and got Hungarian citizenship. Among Romanian immigrants citizenship is not that popular they either go further to the west or stay temporarily, like guest workers. They do not form permanent communities in the city but tend to find rents in the poorer parts of the Pest side. In spite of the fact that they are large in number they stay invisible not influencing the residential space with their cultural impacts. They are mainly engaged in the construction industry and send most of their income home to their families.
20. Only 20% of the immigrants from the Ukraine live and work in the Hungarian capital, the rest live scattered, a larger concentration of 40% has been registered in the county just by the Ukrainian border (CSO, 2002).
21. Here I mean the members before the enlargement
22. Due to the shortness of the examined period Sipos in his study (2005) could not examine the way the past 15 years fits in the Kuznets cycle (construction cycle where three Kuznets cycles make one Konratieff cycle) (Sipos, 2005).
23. The housing situation – according to Hegedüs and Somogyi (2005) – improved in the mid-1990s because there was *no demographic pressure on the housing sector*, and the demand for housing had been postponed.
24. Rate of housing constructed between 1990-2002, change of occupied housing units (1990-2001), built units per 1000 inhabitants between 1988 and 2001, building permits per 1000 inhabitants between 1990-2002
25. As a fourth reason *tourism* was identified
26. The privatisation of the social housing sector in Budapest is discussed with the privatisation policy of the district governments in Chapter 5.
27. In the meantime the state totally got rid of the public dwelling stock handing it over to the local councils).
28. According to Hegedüs and Somogyi (2005) using the World Bank data base, the total budget and off-budget subsidies to the sector amounted 7.5% of the GDP in 1989 which decreased to 1.2% by 1998 through the bank sector consolidation and above outlined privatisation of the public housing sector.

29. Until late 1990s the housing lending market was concentrated and dominated by OTP (National Savings Bank). It was only from 1996 when other commercial banks started to enter housing finance market (Hegedüs and Somogyi (2005).
30. In these years according to (Farkas et al., 1995) 10-15 years of income of an individual and a 5-6 years of income of an average household was needed to purchase an average flat in e.g. Budapest.
31. The establishment of mortgage banks was conditioned by the Act 1997/XXX on Mortgage Credit Institutions and Mortgage Bonds. In 2005 there were three mortgage banks in the market (Hegedüs and Somogyi, 2005)
32. The major practical consequences: tax refunding became six-fold, at the beginning the maximum loan – both for new and second hand units – was as high as 30 million HUF, civil servants buying flats with no own share (Csabai, 2004).
33. It was possible to purchase housing units with no or minimal own share, which was a real privilege being not available for other home buyers (the author also experienced the advantage of the measure her husband being a public servant). This measure was also seriously limited in July 2003 (Hegedüs and Somogyi, 2005).
34. Coalition of the FIDESZ and Small Holders' Party (right-wing)
35. Varjasné is the president of MALOSZ (National Association of Hungarian Housing Constructors) besides the manager of the Quadrat Ltd., which has had a significant role in the success of the Ferencváros Rehabilitation Programme (see Chapter 7.4)
36. The upper age limit of the program was increased to 35 years in 2005. According to the critical assessment of the program by the end of 2005 the number of couples using the possibility was much less than it was originally projected.
37. Source: MALOSZ (National Association of Hungarian Housing Constructors) for 12 216 units in Varjasné, 2005.
38. The upper 20% of the households (classified according to income) get 60% of the subsidy and the upper 40% get 80%.
39. In reality the situation is not as bad as the statistical data suggest, and “the intergeneration transfers” has still been found significant in real situations.

5 Post-socialist change in Budapest – the immediate context of research

5.1 Budapest in the Hungarian settlement system

The urban network of Hungary can be best described as: *over-centralised*. The relative position of Budapest in the spatial structure of Hungary can be presented via the rank-size regularities of all the settlements (Cséfalvay, 1994; Short, 1996). As Figure 5.1 shows below, the general type of rank-size regularities identified for Hungary is the primate type. According to Auerbach's rank-size regularities, Hungary can be considered as an extraordinary case in Europe with the

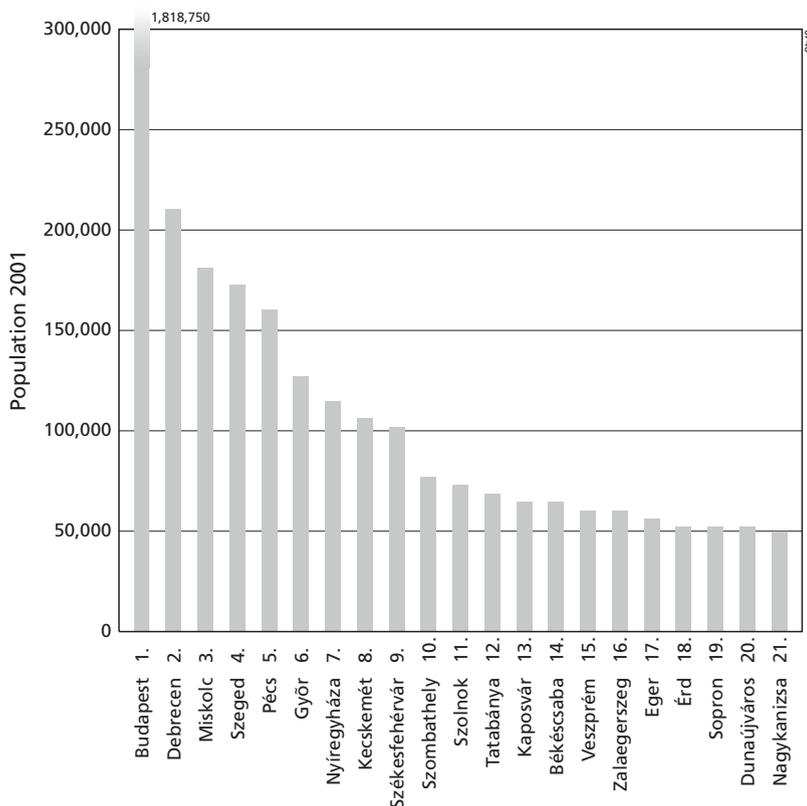


Figure 5.1 Population of the largest Hungarian urban settlements 2001. The rank-size regularities of the 21 largest Hungarian urban settlements. Source of data: CSO, 2001 Census

population of the second largest city (Debrecen) hardly exceeding 10% of that of Budapest. Even though there are other spatially centralised Western European countries like France, Austria or Belgium still the internal primacy of Budapest is remarkable (Nemes Nagy and Szabó, 2001).

Studying the population of the Hungarian settlements it is striking that after Budapest there is a large gap in the list. The category of cities with population between 200 000 and 1 million is completely missing, which makes economic and cultural decentralisation almost completely infeasible (Cséfalvay, 1994). The historical path dependency of the settlement structure and hierarchy is explained by the economic history and the territorial changes of Hungary¹. Due to the physical distance from the mainstream capitalist states as well as further factors related to the geopolitical position of the country and historical calamities, the grand steps in mode of production and related social transformation have all happened with a considerable delay and with somewhat less intensity than in the Western states. This produced marked distinctions in the nature in the stages of urbanisation. Enyedi (1982) claimed that the urban boom, which took place in Western Europe in the 18th and 19th century and caused a spatially more or less evenly distributed social-economic transformation in few decades, took almost a hundred years in Hungary. This hundred years of urbanisation can be divided into three eras regarding the intensity of the urbanisation process. The first period happened as the consequence of the capitalist modernisation including rapid industrialisation of the 1860s and was only concentrated to Budapest. It did not notably affect the lower segments of the settlement hierarchy then. The engines of the late industrialisation of the 19th century were not the towns as it was the case with the advanced capitalist countries, but it was generated by external impacts such as foreign capital investments and the high number of people of foreign origin in the capital city (Cséfalvay, 1999). The spatially uneven degree of urbanisation was due to the fact that Hungary concentrated only few, less capital intensive branches of industry such as food processing, milling industry, manufacturing agricultural machinery. These industries were unable to accumulate the amount of capital needed for the economic consolidation of towns and the whole settlement system (Cséfalvay, 1999). The only advantage of this over-concentrated industrialisation and urban development was that new waves of production technologies, technical civilisation, social ideology, various cultural and artistic trends took root in the capital city (Beluszky, 1992; Cséfalvay, 1999).

Budapest as the mediator of the capitalist development attracted all capital, the intellectual power and the related infrastructure developments. Because of its favourable geographical position and the systematic concentration of the development potentials, all the traffic routes, railways, roads were developed in a mono-centric arrangement. The mutual dependency of the city and the countryside further strengthened the mono-centric structure of the major traffic infrastructure. The secondary city line was located on the market line stretching on the rim of the Carpathian Basin and created a relative balance in the settlement structure. This line of larger towns consisted of places like Kosice; Uzsgorod; Oradea and Timisoara; Novi Sad, belong to Slovakia; the Ukraine; Rumania and Serbia respectively. The mono-centric traffic and settlement system became a serious problem when the ring of the secondary cities linked with lateral traffic connections, which produced relative symmetry in the space structure, was detached from the country in 1920. The Post-World War I period with governments thinking in terms of revision did not produce any measures neither for the formation of a new strong secondary city ring nor

for the lateral traffic connections (Flesicher, 1998). The period coincided with the aforementioned stagnation in economic and urban development, as defined by Enyedi (1982).

Socialist industrialisation generated the second major urbanisation boom. In the beginning of the communist period the over-centralised traffic and settlement system perfectly reflected the centralised power structure (Flesicher, 1998). Following the extensive period of socialist-industrialisation concentrating all resources in the development of heavy industry, mining and machine industry, a new era of intensive economic development commenced in the late 1960s.

The urban population growth appeared in the settlement system more evenly than in the first urban boom having seen almost only Budapest attracting state investments for new industries and so new industrial labour force.

However, the number of towns increased only by 11 between 1945 and 1960. The pace of increase intensified later². As the consequence of the socialist urbanisation based on the planned economy, the network of middle- and large-sized towns³ developed quickly but industrialisation was not coupled with the development of sufficient infrastructural background (including housing) for everyday life⁴. The lack of proper infrastructure background became the major source of tension in the socialist urban transformation.

In spite of the fact that the socialist industrialisation diverted growth from Budapest to the middle-sized towns by artificial means and openly favoured the evolution of the town network, socialist urbanisation in the sense of living standards and quality of life never managed to level development equally among the settlements. Budapest and the other larger towns always – and ever since then – tend to stick out as islands from the sea of traditional villages and agricultural towns.

As early as 1971, Konrád and Szélényi revealed the contradictions of socialist urbanisation. The social tensions of the times were attributed to under-urbanisation by which they referred to the slow pace of urbanisation. Practically it meant the lack of the small-sized town network and the lack of infrastructure (including housing) needed for proper urbanisation. Comparing to what Enyedi calls the two periods of urbanisation growth, Konrád and Szélényi (1971) claimed that the urbanisation was a lot more moderate between 1941 and 1970 than in the late 19th century⁵.

As the outcome of the decentralisation of production the consequential decentralisation of the settlement system took place in the 1970s (Enyedi, 1982) and was the result of the new economic strategy. The growth of towns slowed down especially that of the larger ones. At the same time the number of small towns was increasing. The urban agglomeration areas appeared by 1980 60% of the population lived in settlements belonging to some agglomeration.

The political economic and social change exerted what Schneller (2002) calls *positional shock effect* on the settlement system of Hungary, primarily on the medium-sized and big cities, especially on Budapest and its immediate surroundings. As he explains it means the change regarding the value in the positionality and locality of certain built and natural elements of various scale in the geographical environment; a kind of quick up and downgrading with respect to certain towns, neighbourhoods, houses, real estate and lands of agricultural use.

“These radical changes seemingly not connected directly to the internal structure of the settlement in reality exerted an immense impact on them transforming the value of particular parts and their relatedness to one another. That is what I call “shock effect” (Schneller, 2002, p. 129)

In spite of the fact that the positional shock effect caused by post-socialist transformation gains relevance at the neighbourhood level, we quote it here as it seems relevant on the level of the settlement system too. The indirect socio-economic effects aforementioned, manifested in terms of globalisation in the competition of places made the Hungarian settlement system radically re-structure. Beluszky (1999a) in his analyses of the post-socialist transformation of the settlement system, assessed the economic, social, administrative, regional development and demographic conditions of re-evaluation of places and the consequential re-structuralisation in the settlement-system.

The economic and social conditions have already been detailed above, but are summed up below from the perspective of the settlement system:

- Budapest managed to keep its leading position in the hierarchy, partly relying on its agglomeration
- Due to the economic re-structuralisation, the socialist industrial towns, which were not able to change profile in time, suffered a considerable loss of population and prestige
- The historical towns having lived up their traditions and improving their architectural heritage especially in the west of the country, upgraded and became places of interest for tourism
- Along with the harmonisation to the EU regional policies and the strengthening role of regions the traditional centres gained further impetus
- Along with the suburban movements the settlements of agglomerations – independently from their size and administrative status – especially around the largest towns upgraded
- The villages with their aging population not belonging to developed economic zones and located out side agglomerations are the real losers in the game
- The polarised society segregates on the national and on the settlement level too

The administrative and institutional changes also greatly contributed to the re-evaluation and re-structuring of the settlement hierarchy. The legislation on the role of redistribution versus self-help is of immense importance as it determines the development potentials of the local governments.

5.2 The outcome of spatial re-structuralization in the Budapest urban region

In Chapter 5.2 we deal with the *spatial manifestation* of the interplay between the constituent parts of the built environment and the influence of mechanisms in Budapest urban region (Budapest and the agglomeration). This descriptive analyses is supported with the detailed analyses of the underlying structures in Chapter 5.3. We involve the agglomeration and the process of suburbanisation in the assessment as this adds to the deeper understanding of the processes connected to the city centre at present. The chapter analyses each functional zone of the Budapest urban region regarding its historical origin and the recent socio-economic processes.

However, as an introduction to the spatial analyses we elaborate on the applicability of post-modern factors of capital and residential relocation and their applicability for Budapest.

According to the concept of global urban hierarchy – advocated by Hall, Friedman, Sassen – the structure of the city depends on its position in the global urban network (Phe and Wakely, 2000). Cities in the circuit of capital are prone to appear more similar to one another than to other urban settlements in their own countries.

Post-modern urban restructuring affects those World Cities that attract substantial amounts of capital and are able to join the above mentioned circuit. As described in the contextual part of the dissertation, Budapest has joined the lower segment of this exclusive club and is under the impact of constant change generated by foreign capital investment (see Chapter 4.2).

According to Phe and Wakely (2000) the new times do not allow for the application of the old theories on residential location (the market and the non-market approach) – upon which the theories of city structure were traditionally built. Among the phenomena that the market approach – such as the access/space trade-off, which stresses a purely economic, rational and mechanistic behaviour of the residents – fails to explain is gentrification.

The same authors enlist factors that are not taken into consideration in the classic residential location theories but turned out to be fundamental in post-modern city development.

As restructuring of the post-modern city is based on the tendency that in the new system the target areas of people and capital have changed. New centres have arisen besides the very city centre while extensive car use by individuals as well as efficient public transportation systems weaken the importance of access. These shake the relevance and applicability of the classic theories for the ongoing urban restructuring processes.

In the following, the chapter lists the new or formerly ignored factors of transformation. Besides, comments by the author are attracted to each issue on its relevance for the Budapest urban region:

- In the decision-making process related to residential location a great role has been attached to the social status – especially in societies with strongly stratified structure (Phe and Wakely, 2000)
It has special significance in Budapest though the stratification is still not as intense as in the third world cities but high enough to make this point especially important. The strong social segregation by European standards described in Chapter 5.4.1 is one marked manifestation of this factor.
- Physical distance has become less and less important with the dispersal of employment centres and increased personal mobility (Phe and Wakely, 2000)
It finds relevance and proof in the sub-urbanisation of the economy, the evolution of traffic and urban sub-centres or division centres as Ivan (1994) calls them and the development of office constructions as shown in Chapter 5.3.2.
- The demand for living space is often sacrificed to other needs determined by values (culture and tradition) (Phe and Wakely, 2000)
As the country has adopted a great deal of the Western culture, attachment to places due to cultural and traditional affiliations is less and less significant, status and material conditions are more decisive. However, in a minor segment of society as a reaction to this trend the opposite “resistant” attitude has become typical.

- The historically and culturally conditioned perception of the significance of the place is playing a leading role in decision-making processes i.e. the place has more than the observed physical properties (Phe and Wakely, 2000)
It is more typical of the cities with more tradition-oriented peoples – non-Western cultures; however, there are attempts to recreate the image and significance of place in Budapest too but that is for market interests mainly e.g. Jewish Quarter of the 7th district with hardly any Jewish people left.

Due to the characteristics of late 20th and 21st century urbanisation – urban sprawl, suburbanisation – referring to a city means referring to the city *par se* and a spatially integrated belt around, the agglomeration. Consequently in a study analysing urban processes by means of an approach handling social systems as open, one cannot stop at the administrative border and treat the city and its agglomeration separately.

This methodological decision is supported by Csanádi (in Csanádi and Csizmadya, 2004) who before the changes examined urban sociological processes in Budapest without the agglomeration (Csanádi and Ladányi, 1992). However, he found it more adequate to examine the two administrative units together following the change of system. Presently it is clear that the spatial and social procedures within the city limits cannot be understood without considering its wider context.

Budapest is located in Pest county, the administration of the two areas is independent of each other. The capital city and Pest county together form the Central Hungarian Region. As indicated in Chapter 4.3.1 the Region is the most dynamic in Hungary in economic terms mainly due to the dynamism of the city itself and its agglomeration. The agglomeration – according to a Governmental decree (1997) – consisted of 79 settlements. By now it is 81 because of the settlement detachments (CSO, 2004).

The evolution of the agglomeration – the relationship of the city and the suburbs, the degree of interdependence, and the related formation of structural elements – has been determined by the changing national and international importance and accordingly function of the capital city (Koszorú, 2004).

Koszorú (2004) identified the development and spread of areas of industrial use and the invasion of residential areas as factors of modernisation that determined the relationship of the capital city and the contemporary suburbs in the early 20th century. Right from the beginning of the agglomeration development, the mutual dependency of the city and its suburbs was expressed in the rapidly expanding suburban traffic network and railways, which indicated the first dynamic agglomeration period⁶. During this period the 16 villages and 7 towns – today forming districts of the capital city – practically grew on the contemporary Budapest of a smaller size. This period of modernisation – decades after it would have been timely⁷ – ended with the official foundation of Greater Budapest in 1950. The enlargement was also part of the socialist urbanisation strategy i.e. urban development was characterised with a special kind of duality: on the one hand aversion from the heritage of the evolving classic capitalist city and on the other hand favouring the socialist industrial town inhabited by industrial working class people. By melting the working class population of newly attached Csepel and Újpest into the developed capitalist “civic” society of Budapest, the government managed to make it a truly socialist city, at least statistically (Cséfalvay, 2004).

The urban basic functions (living and working) could not always be realised in Budapest in the socialist period. As the intensive industrialisation required an increasing amount of workers. The masses of labour leaving the countryside and agricultural activity for the city, with a hope to find work in industry were in need of permanent homes. As all the resources of the country were concentrated on industrialisation, housing was only a marginal issue to deal with. Finally, to limit migration, a ban on settling down was introduced. Masses of workers and their families were practically forced to settle in the agglomeration settlements. Even later in spite of the extensive housing estate constructions, the city was never capable of keeping pace with the demand, there was a permanent quantitative housing shortage. The consequence was that the suburban settlements were given an important role in housing the labour force employed in the industrial factories of the capital city. Meanwhile legislation ignored the extra requirements arising in these settlements concerning the need to improve the quality of facilities and infrastructure and so it failed to happen. The state had no or hardly any investments in communal infrastructure, institutional development and services in the suburbs (Kok and Kovács, 1999). The redistribution of normative support of these settlements were exactly the same as that of the settlements in the remote corners of Hungary. As the agglomeration officially did not even exist, no uniform subsidisation could be applied. Only in 1971, the 1005/1971 (II.26.) government decree finally officially recognised the Budapest agglomeration including 44 settlements (Beluszky, 1999).

Deriving from the product, the – never declared – set of reasons of including or excluding settlements from the agglomeration was not in line with general requirements⁸. Commuting was not an important criterion, while recreational functions enjoyed primacy (Beluszky, 1999).

The second great period of agglomeration started in the initial years of post-modern economic transformation in the 1980's, but could fully evolve after the change of system. It is only since 1987 that the urban ring has grown faster than the urban core due to the outward migration of people from the city (Kok and Kovács, 1999).

The accelerated economic and residential suburbanisation was the result of the socio-economic re-structuralisation, of the preferences of mobilised foreign and domestic capital investments, the evolving new upper middle class life-style, and besides some other not that universally typical mobility patterns of the lower classes.

Due to the processes detailed below, the area of the agglomeration was revised in 1997 by the 89/1997. (V. 28) government decree and accordingly the number of settlements involved increased to 79. As Beluszky (1999) judged it was much less a decision based upon academic research, as again settlements to the south of the agglomeration of 1971-1996 having had close commuting dependency (more than half of the active population worked in Budapest) were left out again. Meanwhile “elite” connections – as the academician refers to it meaning the recreational functions, the potential destinations of the middle class outward migration – were highly regarded as important.

The continuous movement of the population towards the agglomeration and beyond resulted in the increase of the number of settlements with more than 10 000 inhabitants, the growing number of places with town status, and in general the degree of urbanisation. As Table 5.1 shows in the agglomeration of the city the density of towns is remarkably high, higher than in the wider context of the agglomeration, the Central Hungarian Region⁹.

Table 5.1 Comparative data of the Budapest Urban Region 1990 and 2001.

Zone of the	Population		Dwelling units							
	1990	2001	Change between 1990 and 2001		1990	2001	Change between 1990 and 2001		Built 1990-2001	
			Number	%	Number	%	Number	%	Number	%
City	124 247	88 385	-35 862	-28.8	53 668	42 286	-11 382	-21.2	134	0.3
old tenements (subject of research)	493 006	401 771	-91 235	-18.5	217 345	192 567	-24 778	-11.4	5 929	3.0
brown field	95 143	87 991	-7 152	-7.5	36 794	35 706	-1 088	-2.9	1 770	4.9
housing estates	729 444	618 068	111 376	-15.2	268 925	257 653	-11 272	-4.1	6 099	2.3
garden city	441 154	448 149	6 995	1.5	166 170	166 422	252	0.1	19 959	11.9
Buda villa quarter	126 631	120 575	-6 056	-4.7	49 030	48 159	-871	-1.7	5 628	11.6
Budapest	2 009 625	1 764 939	-244 686	-12.1	791 932	742 793	-49 139	-6.2	39 519	5.3
agglomeration	566 861	674 401	107 540	18.9	198 623	240 476	41 853	21.0	38 691	16.0
Budapest Urban Region	2 576 486	2 439 340	-137 146	-5.3	990 555	983 269	-7 286	-0.7	78 210	7.9

Source: Kovács, 2005, (CSO, 2001)

The Budapest agglomeration – as mentioned above – consists of 79 settlements including the city itself. The number of administrative units is more than that as Budapest is considered to be “23 in one” due to the special administrative division.

As hinted at above, in the urban region of Budapest (Budapest agglomeration) there has been a marked spatial rearrangement regarding the population. Comparing the relevant demographic data Kovács (2005) found that the population of the urban region produced a more significant decrease in the number of inhabitants than the national average. In the examined period the population of Budapest diminished by almost a quarter of a million (244 000). He also concluded that the suburbanisation of the population affected the areas over the agglomeration zone especially the ones along the main traffic routes (railway lines and highways), which all joined the commuting zone of the capital city. The list of data in Table 5.1 clearly indicates the tendency that the most dynamic part of the urban region is the agglomeration.

5.2.1 The process of suburbanisation in the Budapest region

As hinted above the population loss of Budapest is the outcome of suburbanisation and the natural decrease together, while the increase in the agglomeration is due to the fact that the massive population inflow (from the capital and to a lesser degree from the countryside) outweighs the otherwise also characteristic natural decrease in the agglomeration of the city.

In the socialist era (especially in the 1960s and 1970s) a specific suburban development took place. The source of people settling in the outskirts was not the central city but the countryside. People were attracted by the new job opportunities created during the industrial boom in the city. However, owing to the housing shortage and legal constraints, they could not settle in the city.

The first recognisable signs of classic sub-urbanisation appeared at the beginning of the 1980s however, it required even more thorough socio-economic changes to evolve. The inner districts of Budapest statistically showed a slow population decrease in the period between 1980 and 1989 (-6.9/1000) while the outer districts still had a population increase of +6.5/1000. It was partly due to the younger age structure of the housing estates and in 30% to the positive migration balance (CSO, 1999).

Following the liberalisation of the housing market even the outer districts of the city started to show a little loss which for the period between 1990 and 1996 was 0.9/1000 inhabitants. For the same period the loss in the inner districts was as high as 14.9/1000. Considering the whole city 60% of the loss was due to the negative population increase and 40% to sub-urbanisation (Novotnyé Pletscher, 1998).

While between 1990 and 2001 the population of Budapest decreased by 14.3% that of the agglomeration grew by 18%. The share of the population in the agglomeration was 22% in 1990 and 27.6% in 2001. The suburban movement of people rearranged the spatial structure of the housing market not only the population of the urban region. The housing units of the agglomeration grew by 21% in 11 years (Kovács, 2005).

Beluszky (1999) attributed people's motivation to move to the sub-urban areas simply to their wish for better housing and living circumstances. Csanády and Csizmady (2004) partly revising Beluszky's view went further by claiming that the sub-urban movement in Budapest does not only mean the outward movement of the middle class but also that of the lower classes. Kok and

Kovács (1999) also insisted that the suburbanisation of Budapest is a highly segregated process meaning that the higher-status and the lower status people – having distinct motivations in adapting the housing and neighbourhood situations to the aspirations of the household – have different destinations. Besides, they tend to cluster in homogeneous areas just as they do in the city.

Csanádi and Csizmady (2004) classified the motivations according to the way of privatisation of social housing influenced people’s financial possibilities to move (see Figure 5.2).

- Those who bought a flat in good state in good neighbourhoods and owned additional resources moved to the high status part of the agglomeration (typically to the north- west part in the Pilis and Budai mountains, where the rate of growth by 2001 relative to 1990 was among the highest) (Csanádi and Csizmady, 2004). This part of the agglomeration has been the most popular destination from the very beginning of the intense suburbanisation. Here we can find the settlement with the highest growth rate: Telki (indicated in Figure 5.2).

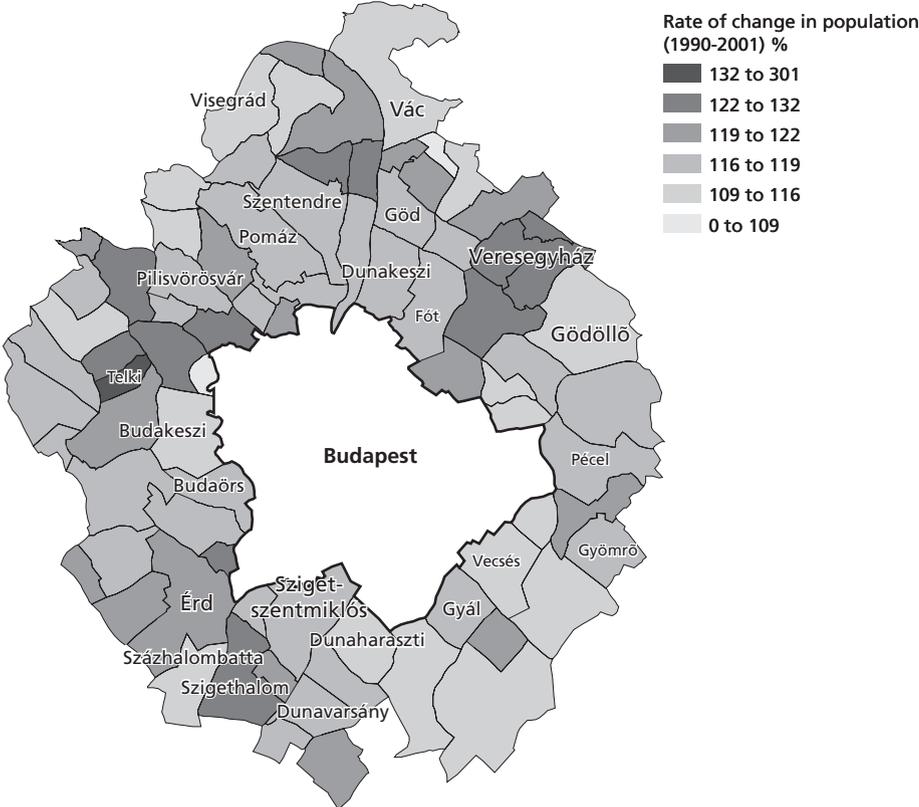


Figure 5.2 The change of population in the settlements of the Budapest agglomeration by 2001 relative to 1990. Source of data: CSO. Note: The settlements indicated by names have town status except for Telki.

The statistics show that the north-east of the agglomeration became fashionable from the late 1990s as the settlements in the west of the agglomeration became extremely expensive. The Gödöllő hills in the north-east of the agglomeration are reminiscent of the hills in the west of the agglomeration, providing similar living environment, however the status of the area will never be the same. The settlements have become a popular destination of middle class people and the prices of building sites and houses have been increasing rapidly.

- The ones who originally bought their flat in less prestigious parts of Budapest and the additional capital was more moderate typically moved to the eastern, south-eastern parts of the agglomeration (here the increase was less intense according to the statistics) (Figure 5.2) (Csanády and Csizmady, 2004).
- Lastly those for whom the privatisation exerted higher expenses moved to settlements outside the agglomeration where the prices were (are) a lot more moderate. In these cases the selection of the destination was often influenced by the old family ties (Csanády and Csizmady, 2004).

The districts of Budapest which have suffered massive population loss – mainly the most affluent Buda side districts and the run-down inner-city Pest districts – turned out to be the major sources of population increase in the agglomeration settlements.

Kok and Kovács (1999) also connected the suburbanisation movement to privatisation but used a simpler scheme: The ones who could marketise the high standard properties acquired at an disproportionately low price had the chance to make a windfall profit and moved to the agglomeration, while the low status households who did not get hold of property for some reason “marginalized on the housing market and stuck in the inner-city ghettos”.

Neither of the two models seems to be fully applicable since many of households from any of the categories of the general schemes often opted to stay. This tendency indicates that simply the possibility to move or the restrictive forces have not meant enough motivation and have often been counterbalanced by other factors (such as availability of jobs, insufficient commuting facilities, large family, etc.).

Typically of the link between the temporal changes in regulation and local administrative restrictions and the shift in the destinations first the western part of the agglomeration started to increase its population. Later – as hinted at above – when the prices skyrocketed, the middle-class households discovered the north-eastern part of the agglomeration too. As the temporal factor is not considered in Csanádi’s model, we can say that it is relevant for only the middle of the 1990s. Later especially after the introduction of the subsidised bank loans (2001), some settlements in the east became almost as costly as those in the west and attracted mostly the better-off.

In the socialist era, the suburban settlements were degraded to only a source of labour for Budapest. The suburban settlements lacking proper road connections and other infrastructural developments remained basically rural both in their social structure and regarding people’s life style. Moreover, the local economy remained unimportant as 40-60% of people were employed in Budapest.

After 1989, the suburbanisation process proceeded at a much higher speed and changed in nature. Finally, a homogenisation in the lifestyle and standard of living between Budapest and the agglomeration commenced due to the liberalisation of the movement of capital and people. Its most expressive manifestation was the strengthening of the local economy in the villages and towns of the agglomeration.

What happened was

- the development of local municipality institutions (schools, health care, day nursery, social service etc.
- some of the former commuters became local entrepreneurs establishing a balanced local supply-demand relation for one another (Barta, 1998).

Besides the building of local entrepreneurship, the growth of local economy also meant the settling of green field foreign investments. Meanwhile the suburban movement of Hungarian companies originally based in Budapest did not become typical.

The degree of mono-centricity in the Budapest agglomeration is diminishing due to the suburban movement and development of economy and people and to the strengthening of new sub-centres like Szentendre, Vác, Gödöllő etc. (Figure 5.2).

High on the agenda of the National Development Scheme is the improvement of the suburban traffic infrastructure and services, no surprise that the project gained priority in the list of projects financed by the EU Cohesion Fund between 2007-2013.

5.2.2 The functional zones of Budapest in change

The map below (Figure 5.3) shows the functional zones of Budapest as interpreted by Kovács, 2005. In the course of city development a relatively regular concentric zonal arrangement of functions evolved on the Pest side of the city, while the Buda side being morphologically more complicated is fairly mono-functional in the middle, only the northern (Óbuda) and the southern (Újbuda) parts join in the zonal system as continuums of the relevant zones reaching across River Danube from the Pest side.

The *CBD* is traditionally concentrated on the Pest side as on the opposite bank of the Danube the old city, the Castle Hill is located, which lost its administrative function long time ago. The *historical residential zone* can be found on both sides of the river, while a considerably larger proportion is found on the Pest side. The former industrial zone (today's *brown field area*) is concentrated on the Pest side, as shown in the map in Buda only the northern and southern waterfront areas attracted significant industrial activity. The *housing estates* – except for some smaller concentrations in north and south Buda – are also concentrated on the Pest side and intermingle with the two previously mentioned functions in the urban space. The *garden city* – with village-like town-scape – are in the districts which were independent settlements before 1950, so mostly in the districts on the edge of the city. The *villa quarter* – traditionally the residential area of the aristocracy and the upper classes – is connected to the hills of Buda in the 2nd and the 12th districts.

The city

The zone that maintained its prime position and even managed to reinforce it is the City. The CBD of Budapest more or less means the 5th district but as the quick spreading of business and retail functions does not respect administrative borders, it is gaining ground in the inner part of the historical districts of the Pest side. As indicated in the map (Figure 5.3) it has nearly reached the Grand Boulevard.

According to Lampel and Lampel, (1998), the spreading process dates as far back as the 1880s when the city having become saturated with commercial functions started to spread out to the booming Boulevards of the present day historical residential zone.

The administrative centre (the 5th district) on the Pest side is easily distinguishable as until 1730s, a wall surrounded it and the line of the wall is followed by the so-called Little Boulevard. The location of the old city wall gates leading into the contemporary city are suggested by the junctures of the Small Boulevard and today's radial system of streets continuing in the main



Figure 5.3 The functional structure of Budapest according to Kovács, 2005. Modified with the district numbers by the author

roads of national importance. The remnant of old times is the irregular layout of the side streets as well as the wide variety of facades (Lampel and Lampel, 1998).

The City and Lipótváros forming the 5th district have traditionally been high status areas (Kovács, 1998). The proximity of the Danube and its central position under all circumstances prevented the area from downgrading. Before 1989, two main functions dominated the centre: the residential function and the state administrative and institutional function (mainly in the northern half in the Lipótváros area).

Traditionally the north of the district has been the administrative centre with the ministries, the eclectic building of Parliament, High Court, the Hungarian Academy of Sciences, National Bank, etc. The southern part is more commercial regarding its function though university buildings, the magnificent buildings of the Budapest City and the Pest County Local Government intermingle with the residential buildings with spaces of commercial use on the ground floor. There are considerably fewer public buildings in this part of the city centre than in the northern area.

Already at the beginning of the 1990s, the liberalisation of the housing market, the overheated interest of the multinational companies in renting or buying office space as well as the advanced privatisation processes, foreshadowed the functional conversion of the inner-city. It meant the shrinking of residential function, the booming of business tourism and service functions (Kovács, 1992). What was only forecast in 1992 had materialised in 1998. By this time the inner quarters of Budapest had gone through a remarkable upgrading process as a massive concentration of capital meant the concentration of international and multinational companies and a massive demand for office space evolved (Kovács, 1998). Due to the office building boom financed mainly by foreign capital, a few years after the change the vacant sites were built up in the downtown area and the construction fewer shifted to the Buda side and to the 7th district but not so much to the vacant areas of the 8th and 9th districts situated across the Little Boulevard. Constructing more office space in the City meanwhile became extremely costly as the developers had to calculate the construction of the proportionate size of parking space in the building costs. The rents and prices was skyrocketing but the demand just would not diminish. The solution was buying or renting residential units for office use and so the hidden functional conversion commenced.

According to Kovács and Wiessner (1996) the main scene for the shrinking residential function and the invasion of the city function was the Pest side, more exactly in the 13th and 6th districts by the Little and Grand Boulevards and it was much less typical in the south of the area (8th and 9th districts).

Besides the market mechanism having resulted spontaneous functional conversion in the downtown area, the district local governments also consciously contributed to the changes (Kovács and Wiessner, 1996). The most well-known project is the rehabilitation of the southern section of Váci street expanding the fancy northern shopping street towards the less frequented parts of the 5th district. By executing this plan the local government managed to enlarge the area of commercial and business function. This municipal project is often mentioned as the example of the *rehabilitation with architectural value preserving purpose* (Szabó, 2004.b).

Parallel with the shrinking residential function in the 5th district, there is still a need to be living in the CBD. For lack of vacant plots to be built, a popular form of housing has been introduced in the local housing market: the lofts (Chapter 5.3.2). The rate of overall housing

construction in the 5th district will not be able to make up for the loss of apartments resulted from functional conversion, it only slows the process (Kubik, 2005).

The historical residential zone – the subject area of research^o

What is called the inner-city residential zone is the area of administrative, commercial and mainly residential function situated in between the historical core of the city and the so-called primary industrial zone (the rust belt) on the Pest side. It can also be found on the Buda side, where it occupies a narrower band and reaches into the valleys and hills of Buda.

The main distinguishing feature is sociological in nature as traditionally the historical residential area on the opposite sides of the river have been inhabited by distinct social groups. The Pest side was resided by the new capitalists of the time of capitalist modernisation as well as the proletariat, while aristocrats and the intelligentsia lived in the apartments of Buda.

On the Pest side, the outer border of the zone is difficult to define precisely as approaching its edge there is a mix of land use. The rust belt here and there penetrates into the first residential belt with transport (railway stations), former production, institution and residential function (but of different type). On the Buda side, the zone embraces the Castle district and penetrates into the villa quarter, traditionally the most prestigious area of Budapest.

The historical residential area of the Pest side has seen a much more dynamic development and growth and has been more varied and tolerant than its smaller Buda side counterpart. No surprise that we chose to deal with the Pest side in details as this dynamism has remained the same up the present times.

The Grand Boulevard forms the backbone of the Pest side historical residential zone. In spite of the fact that due to the massive spreading of the “city” functions both the most recent Zoning Plan of Budapest and Figure 5.3 indicate the border of the CBD with the Grand Boulevard, we treat the area from the Small Boulevard to the rust belt area as the subject of research.

The architecture of this zone is dominated by the multi-storey tenement blocks by the major traffic arteries. These residential buildings were built for all sorts of contemporary social classes; accordingly in all standards from palaces on the Andrassy street to the crowded lower-middle-class and working class tenements in the side streets. A unique architectural feature of the area is that at the time of construction, which was between 1880-1914, the upper-class residential areas showed linear and not spatial spreading. They were concentrated along the Boulevards while especially in the south, south-east of the zone (the present 8th and 9th districts) the low standard tenements were built in the side streets hidden from sight.

The texture of the zone changes leaving the central areas and moving towards the zone of transition. A general feature is extremely high density in the core which becomes looser especially beyond the Grand Boulevard as in the side streets the four-six storey buildings quite often neighbour one-storey buildings from pre-metropolitan times and empty plots due to extensive demolitions (Szabó, 2004a).

In order to understand the present physical and socio-economic state and status and to a certain extent the stigmatisation of this area, a historical perspective is needed. The historical context and the contemporary mechanisms and interactions are essential to be clarified as the history of the late 19th early 20th century Budapest is more or less the history of the present historical residential zone. The structural elements now determining the present face of Budapest – among other things city-plan, traffic network, the public utilities, some major built elements of

the city scape – are the product of this period, which is a must to study as an immense share of the urban conflicts are related to these areas (Vörös, 1971).

The rust belt – the zone of transition

The historical residential zone of the city is surrounded with what was the pre-1945 industrial belt. As mentioned before this zone is non-residential but in spite of its declared industrial characteristic contained and still contains in a scattering of smaller neighbourhoods mostly of poor quality, waiting for rehabilitation. The housing stock is more varied than that of the inner residential zone as it originated from different times and were built in differing styles and forms. The only common thing is that they were constructed to satisfy the needs of working class families, and were all built in relatively poor quality with low standard utilities. They represent a heavy burden on the concerned local municipalities with the cumulated problems originating from the low social and the related environmental status.

According to Beluszky and Gyóry (2004b) the terms (zone of transition, brown field zone, rust belt) used for the zone under scrutiny are varied, however, with minor differences they refer to the same part of the city.

The zone of transition refers to the area in between the inner-city residential zone and the outer village and garden city like residential areas, which include the brown field, extensive agricultural land, green areas such as cemeteries, parks, sports fields, and the sites reserved for transportation and traffic. Brown field is defined as the traditional industrial zone with enclaves of traffic and residential function. The rust belt is the part of the brown field area which has not gone through the renewal process.

When in Hungary industrialization started in the early 19th century in Budapest the factories settled mainly on the bank of the Danube and also in and around the residential areas. The residential and production function did not separate forming functional zones. In the 1870s and 1880s the situation changed especially after the strict “zoning schedule” was introduced.

Because of its central geographical location within the country, Budapest became the most important node of the railway network. In the city the major railway stations were constructed at the edge of the contemporary residential areas they came into being first in the north then in the east and finally in the south, which also means the temporal order of the development of the radial lines.

- Budapest-Vác railway line since 1846: North-Pest industrial zone (Angyalföld, Váci street, Újpest: *Western railway station* (13th and the 4th districts)
- Budapest-Hatvan-Szolnok railway line since 1848: Outer-Józsefváros and Kőbánya: *Józsefváros railway station* (8th but mostly the 10th district)
- Budapest-Szabadka railway line since 1881: South-Pest industrial zone (Ferencváros) *Ferencváros industrial station* (9th district) (Beluszky and Gyóri, 2004a).

When Budapest came into being in 1873 and – as mentioned – even before, the proposals for the development of functional zones in the city played a major role in the present location of the rust belt. The area of a mainly industrial function did in the course of its development not grow into a real continuous belt (Kovács, 2004). It was concentrated in six major industrial areas at around the same distance from the central residential area. Three of these areas – with no production

function at the moment – are located on the Pest side and developed due to the proximity of the transportation nodes and railway connections mentioned above. The contemporary proposals for the location of industry favour neither the North Pest-industrial zone (13th district), the Outer-Józsefváros industrial zone (8th district) nor the Kőbánya area (10th district) but that of the Ferencváros zone (9th district) (Beluszky and Győri, 2004a). Csepel Island in the very south of the city (21st district), the Kelenföld industrial concentration (11th district) in south and the Óbuda industrial area (3rd district) in north Buda came into being a bit later in the early 20th century.

In the case of the northern Pest industrial patch the function was shifting continuously to the north and gave way to construction for residential purposes. When the north wing of Grand Boulevard was built, the value of the land went considerably up and the land use changed shortly afterwards. By contrast in Ferencváros in the south, industrial areas remained part and parcel of the townscape and remained located in the very proximity of the southern wing of the Grand Boulevard. Today this is one of the most valuable development sites where regeneration and new mega-projects are equally popular targets of investment capital (Photo 5.1) (see Chapter 7.4).

The residential function was of secondary importance in the industrial belt both regarding the absolute number of residential buildings and the size of area the function occupied. As



Photo 5.1 The complex redevelopment of the Ferencváros railway and industrial area from the top of the new Palace of Arts. (A clear plot for developing a new conference centre in the foreground, old industrial complexes and new housing developments in the background) Photo: by the author, 2005

mentioned above, only 1.8% of the housing stock of Budapest is located here but even this number of buildings cause tremendous conflicts in the social and built environment for the concerned districts. About 33% was built between the World War 1 and World War 2 (1914-1945) while 16.3% of the total housing stock dates back to the period before 1914.

As the development of these residential areas started a few decades later than the inner-city residential area (partly overlapping in time) and as the social composition of the residents (the working class) was distinct, the type of buildings, the purpose of developments and the developers differed radically from those of the tenements of the inner-city residential zone.

Kovács (2004) classified the housing types of the zone, as follows:

- *Multi-unit scattered tenements* representing almost half of the total housing stock of the brown field zone. In Szabó's description (2004a) these tenements were built in the spatial continuation of the residential zone but according to the new demands in higher standards though the swelling working class occupied most of the units. Between the two world wars the modern urban development principles in force brought forth the open courtyard covered with greenery and also the higher standards. Still the tenements of the brown field zone is diversified in location and standards and this has a major consequence on their renewal potentials.
- *Colony-like constructions* (35% of the stock) Szabó (2004a) interprets the two types of colony as small residential areas organically integrated in the old industrial function of the zone. The first type of the colonies is physically attached to the old factory buildings, and was a crucial element of factory development projects. The second is the working class colony built according to a standard regulation system (small plot, small detached houses supported with special financing solutions). An example of the second type is the so-called *Tisztviselőtelep*¹¹ (Clerks' Quarter) in the 8th district which represents a relatively high standard in the housing market of detached houses (Körner, 2004).

The first type of colonies taking a low position in the housing market, poses a lot more problems to the concerned district municipalities than the second kind for the factories (companies) these colonies housed the workers of have all been shut down. Besides, this type of housing is completely isolated from the compact residential areas of Budapest. They concentrate many kinds of social problem – crime, poverty, squatting.

- *Detached houses* (11.2% of the overall housing stock of the rust belt) This form of housing is the product of the socialist period. Approximately 60% of them were built between 1945 and 1990. Further 20% originates from the period after the change of system, which forecast one possible utilisation of the brown field zone (Kovács, 2004).
- *One storey-rows of houses* (4.7%) This form of housing became especially popular after the change of system. In the rust belt almost 40% of the houses built in rows were constructed after 1990. Another large share dates back to the pre-World War 2 period (almost 50% in this kind of housing). The two generations differ in architectural style and the social composition to the advantage of the latest constructions (Kovács, 2004).

As for the physical state of the overall housing stock in the zone – according to the survey based on field research by ELTE University – around 13% of the units are to be demolished and 10% need immediate intervention (Kovács, 2004).

The brown field area of Budapest is facing comprehensive regeneration, the first projects of which have been realised and a lot more exists in blueprint form. Both the public and the private sphere are determined to join forces to utilize the sites and buildings concerned.

The zone of housing estates

The housing estates (as discussed later in Chapter 5.4.2) are the products of the socialist modernisation and are not exclusively characteristic of the socialist city. Housing estates in Budapest housed 36% of the population at the end of the 1980s (Kovács, 2005).

As in we detail in Chapter 5.4.2 the sociological and aesthetic problems as well as the topical regeneration programmes related to the estates, here we only refer to the distribution and location of the dwelling units involved in housing estates among the districts

In Figure 5.3 it is seen that the largest housing estates – in absolute and relative sense – are located in a fairly scattered way but mostly in the transition zone between the inner-city and the outer districts. Larger concentrations are found intermingled with the brown field (rust belt) areas. Meanwhile, only few smaller estates are found in the villa quarter and the inner-city districts. In the most intensive years of housing construction (between 1970-79) the largest number of dwellings were built in the 4th district, while according to the statistics the favourite location of the early construction period (1945-59) was the 11th district.

Housing estates hardly concern our study area, the only exception is the 8th district where a smaller neighbourhood “intrudes” into the zone of the historical residential zone. As it was supposed to be an efficient way of neighbourhood regeneration (the bulldozer type) luckily no other similar regeneration project found a source of financing in the 1980s.

Housing estates share characteristics with the inner-city old dilapidated areas as similar signs of downgrading can be observed in the form of physical and social dilapidation.

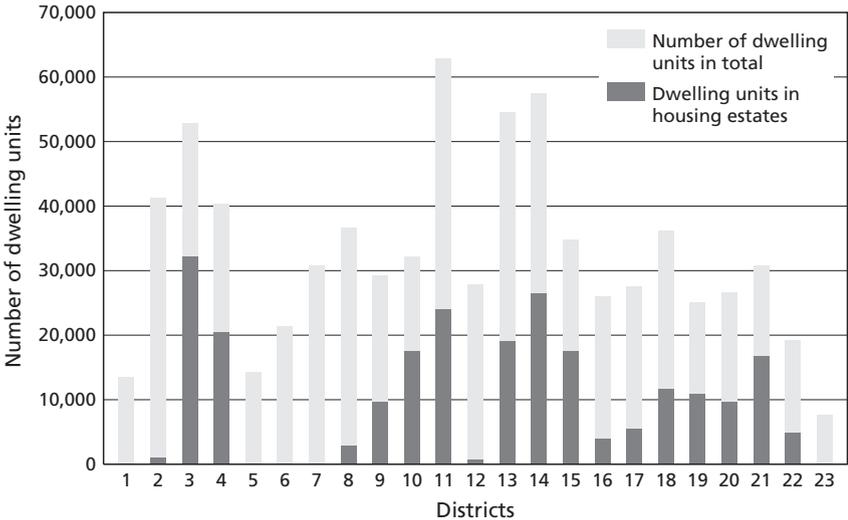


Figure 5.4 The number of dwelling units in housing estates within the total number of dwelling units in the districts of Budapest. Source: CSO, 2001. and Preisich, 1998 p. 111

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Garden city belt

The garden city area is found in those outer districts of mainly the Pest side which – before the establishment of today's Budapest (1950) – were independent settlements. These contemporary suburban places consisted of detached houses with larger plots. This is the type of neighbourhood, which even at the time of intense suburban movement of the population is able to produce positive population change and attract new residents. Within the administrative borders of Budapest the districts with this kind of residential environment (16th 17th 18th districts) produced moderate population increase, while all the others lost a considerable share of their population between 1990 and 2001. Kovács (2005) attributes new dynamism to this zone and ascribes it to features such as “its low rise character with lots of green spaces, the relatively good accessibility and the unlimited quantity of plots for new developments.” The atmosphere of these residential areas is quite similar to that of the smaller towns or even villages, except for the availability of public transportation and other services which are not quite typical.

Because at the time of the formation of today's administrative borders enormous vacant land was also attached to the capital city there is still a lot of vacant area waiting for development. As indicated in Chapter 5.3.2 the largest recent residential projects found big enough plots with infrastructure in these areas and so became the popular destination of developers.

Villa quarter of Buda

This is the highest status area of Budapest. It includes the 2nd and the 12th districts and parts of the 3rd and 11th (Figure 5.3). In spite of the fact that due to the pleasant environmental conditions it managed to keep its highest position it cannot be called dynamic. After 1990 numerous housing projects were completed and the housing stock increased 12%, nevertheless the population has decreased. Another characteristic feature of the area is the high representation of old aged people. The rate of 60+ people has grown to 23% by 2001 (CSO, 2001).

The villa quarter of Buda has traditionally seen the highest concentration of the intelligentsia (the rate of people with higher educational diploma is historically outstanding). Dynamism is also restricted as the availability of vacant plots for new developments is limited. On the western side the area is bordered by a natural reserve, which also restricts further developments.

As a *conclusion* it can be stated that the functional zones of Budapest have gone through a significant transformation since the change of system. The main characteristic of this transformation is *polarisation* (Kovács, 2005). Some urban functional zones became extremely dynamic and valuable part of the housing and property market, while others stagnated or started to decline.

As it is outlined in the following sub-chapter (Chapter 5.3) the extreme polarisation experienced in the post-socialist period in Budapest was due to the fact that the city was lacking the kind of firm urban policy which could have been consistently carried out. This way market forces dominated the processes and those urban zones went through dynamic growth and development which – serving the interest of the market – are globally favoured by investors.

These areas are the CBD of Budapest and the suburban zone. The city centre and the suburban zone became the most favoured target areas of global capital investments. Besides, the villa quarter and the garden city belt – both keeping their residential function -also went through a significant, but a relatively moderate upgrading.

The kind of areas that – with almost no exception – suffered the most from the market-based capitalist development of the city were the housing estates, which have been experiencing massive physical and social downgrading since well before the change of system. As shown later in Chapter 5.4.2 this zone can be called the absolute loser of post-socialist urban transformation.

The picture is more ambivalent in the case of the historical residential zone – central in the study – and the brown field (rust belt) zone. It is because in both zones there are areas of dynamic growth, while in the same urban zone at other locations signs of ghetto formation are clearly detectable. These functional zones are the most complex due to their potentials.

In the following part of the book the underlying structure of city-level polarisation is detailed.

5.3 The underlying structure of post-socialist urban change in Budapest: the mechanisms

Chapter 5.1 and 5.2 showed the place of Budapest in the settlement structure of Hungary and also gave a descriptive analysis of the structure of the Budapest urban region.

In the following, the logic of analyses becomes harmonised with the model based on the realist way of seeing the social systems. In order to establish a firm base to support what is described in Chapter 5.2 dealing with the product of socio-spatial reorganisation having taken place in Budapest, we need to look behind the scene and talk about the underlying processes of transformation on the level of the Hungarian capital city.

5.3.1 The public sector – local government on two levels

De-centralisation of power in Budapest

As hinted at in the general description of the changes in the administrative system (Chapter 4.3.1) the two-tier administrative system of Budapest was developed by the 1994 Amendment of the Local Government Act and by the 2001 Act No. XXIV. The state transferred all the properties to the local governments along with various responsibilities mainly related to the operation of institutions such as elementary school, social and health care. As a consequence of this act the local government of the capital city (Budapest City Government) now has properties located on the territory of various districts. Regulatory measures can only be brought by the City Government for these areas in spite of the fact that they are located on land of a local (district) government. Besides, the high autonomy of districts makes development projects overarching district borders extremely complicated.

In spite of the fact that the 1994 Amendment of the 1990 Local Government Act reduced the districts' competence, it did not reform the system itself.

As the result of the two tier administrative structure of the capital city, Budapest has drifted to the verge of complete disfunctioning. The districts are often separated by distinctive urban ecological elements like wider thoroughfares, squares, which produced the situation that two kinds of regulations apply to the two sides of the same street. This is much less painful in the case of the outer districts of the Pest side, where there are immense derelict stretches of land in between the administrative units. In the inner-city however it is a real nightmare. By the

introduction of almost complete autonomy of the districts and equal rights with the territorially superior capital city, a real mess of administration planning and living was created. The districts are entitled to implement their own decrees on many issues. The issue of privatisation was also decided on their own accord. In housing policy the City Government is an agent establishing *regulation framework*, which allows the district governments to elaborate their policies according to their specific needs and conditions (Hegedüs and Teller, 2005). Besides, they all have distinct parking systems, social support systems, etc.

The relationship of the Budapest City Government and the national government is even more contradictory. This relationship is completely based on the political power relations. Budapest has traditionally had a liberal major (having been re-elected for four subsequent periods), while the national government has been taking turns by political wings (Chapter 4.3.1). The tension went extremely high after the 1998 elections when a conservative government was established. They claimed that rural areas deserved more attention, especially the urban sub-centres, where the new government found the allies in the local governments. In the City of Budapest, a number of governmental subsidies were withdrawn. The city and the districts alike were more and more dependent on their own revenues. According to Tasan Kok (2004) this situation drove the local governments into being more market-oriented, doing city marketing, attracting investors and sometimes making compromises for the realisation of larger commercial investments. The conflicts between district governments originating from distinct political inclination, unequal potentials and chances in the competition of places for years determined the fate of projects overarching district borders. After 10 years of conflicting interests and ideological reasoning politicians also realized that the voters need compromise and visible signs of their activity in the urban space in their own interest. Such a success story was the case of Király street project, which was realized in the alliance of two inner-city districts (see Chapters 7.1 and 7.2) and the City Government².

Another proposal has been initiated by the 7th district for the alliance of the inner district local government and the city government, which will most surely remain another political gesture as the 9th district – though being integrated part of this ecological unit – has not joined.

Most surely until a firm will on all political sides makes the concerning legislation change (which needs a the assent of the two-thirds of the representatives), the large fragmentation and the city development lacking coordination will remain.

Post-socialist urban planning in Budapest

In the section below, the book deals with the most notable milestones in the planning of the post-socialist Budapest, and analyses the relevance of the planning documents for our subject area – the historical residential area of Budapest. The chapter mostly relies on the accounts of the best informed participant of the planning process, the chief architect of Budapest, István Schneller, but uses assessments from other experts too.

In the socialist period, urban planning and accordingly spatial planning was not the main concern of central government. Planning for quality officially did not exist, however via strict regulation the aim at least was always to maintain the traditional city scape in the central areas. For decades the main concern of the central government was to sustain growth, therefore the municipalities were given neither the legal nor the financial means for planning (Tasan Kok, 2003).

As for zoning until the recent years the German model was in use, which involved a general zoning plan (ÁRT) and a more elaborated development plan (RRT). In 1991 by the Act on Local Government, ÁRT was classified as a preparatory land use plan needed for the decision-making process of the local governments, while RRT became the land use plan in the development control procedure (Locsmánci et al., 2000).

The plans that have been prepared since 1990 are mainly connected to various sectors of urban life and pointed out general objectives as well as proposals for the ways to achieve them. Looking back on this period, sometimes it is hard to follow which conceptual plan (laying down the major objectives, ideas, guidelines for development) forms the base for which strategy, but at least can find the attempt that planners were striving for bringing plans in harmony with one another. Along with the changing political relationship of the national government and the city, the city and the districts, the planning principles, the objectives and the action areas kept changing but some objectives consistently remained part and parcel of the plans coming in sequences. Seeing them in the process of realization confirms that in the new economic context those objectives find the way to realization which unite the interest of the public and the private sector. Yet, after 15 years, we can conclude that more often it was the market actors that dictated development and the only role of regulation was to moderate the spatial impacts of the changes caused by the “new” element of mechanisms according to our realist model – the private sphere.

As the chief architect of Budapest claimed in 2000 (Schneller, 2000), the common point in these plans was that all had to face the need to make up for decades-long lag of development. Following the milestones of planning, the strategy of making up for the lag and for keeping pace with the new requirements of a post-modern urban planning can be detected.

Right after the change of system, the *Program proposals of the Free Democrat Mayor*³³ of Budapest (1991) was the first document which put a special stress on the problems connected to suburbanisation, the co-existence of the capital city with the agglomeration, the dissolution of the over-centralised city centre (decentralization), and the preference of rehabilitation. *The development objectives of Budapest in the middle-run* (1992) presented the major priorities of city planning in space marking the action areas of development. These two documents were complements of one another.

A less successful attempt to harmonize the concept and the strategy is the case of the document: *Second Millennium – New Scenarios for Budapest* (1992-1994) and the *General Zoning Plan* (1992-1994). Second Millennium criticized the daily practice of planning and called attention to the existence of alternative planning ideas in the urban space. The document was a real advocate of those urban development strategies which attributed a high importance to rehabilitation of the city centre, the Historical residential zone, and the first industrial zone, the ‘rust belt’. The General Zoning Plan followed another planning logic, the *location-sensitive urban regulation*, claiming that Budapest in its present form is fragmented not purely due to the two-tier administrative structure but by the fact that it was not produced as the result of a systematic planning progress. The areas of different character require distinct strategies in development. It proposes a division to follow: internal zone, transitory zone, a suburban zone, the hills zone and a zone by the Danube. The document defined the dichotomy of the overall city interest as well as the local interest and determined a new base of regulation.

As seen above, the subject areas of the study gained more and more attention in the planning documents and the necessity of rehabilitation and value preservation of the inner-city areas became evident. The first planning document dealing with the renewal of historical Budapest was a program outline: *The renaissance of Budapest – urban rehabilitation Concept*, (1994). The document attributes special importance to the renewal of the built environment of the inner-city historical neighbourhoods as physically and morally essential but also as this area plays an immense role in the structural development of the city i.e. keeping the higher status “good taxpayer groups”.

The document directed more attention to rehabilitation and proposed the establishment of the Rehabilitation Fund (Chapter 6). Following this line of planning in 1997, the *Rehabilitation Program of Budapest* was accepted. The Program determined the action areas of rehabilitation. As defined, the *action area* is such a to-be-developed area that conditioning the concentration of the means of rehabilitation should be able to radiate and generate development in the surrounding neighbourhoods too.

Returning to the more general level of planning in the chronological order of the documents *Budapest Urban Development Concept – Spatial structure* (1994) after assessing the physical, cultural and social assets of Budapest attempted to determine a European – not American – route of urban development. The concept was shifting the emphasis of urban development to the improvement of quality in the existing urban fabric: reurbanisation of the areas utilized in an extensive way, decentralization (development of sub-centres), rehabilitation, infrastructural development of the urban services by the provision of land, improving public space quality, preservation of the city as a cultural heritage.

Though the *Urban structure and land use plan of Budapest* (1995-96) was more regulatory in nature, it still had some basic conceptual principles. It directed attention to the quickly diminishing population of Budapest, it openly fought against the extensive development projects especially on the rim of the city consuming reserved land, dealt with the spatial consequences of the competition between the city and the agglomeration settlements. Its main objective was to create land use units functionally as mixed as possible in order to increase the complexity of urban life.

There have been radical changes in regulation compared to previous practices since 1997 (induced by the Act on the Formation and the Protection of the Built Environment, 1997). The *District Regulatory Plans* had to be brought in harmony with the so-called *Keret Szabályozási Terv* (*Framework Regulatory Plan*) (1998), which is prepared under the authority of the Budapest City Government for the whole area of the capital city. Consequently, while with respect to administration the city and the district levels are equal, with regards to planning the districts are subordinated (Sóki-Tóth, 2000). Nevertheless, the system introduced in 1997 has been judged as giving more freedom in effectuating local planning aspects.

After a long discussion phase, the new *Urban Development Concept of Budapest* was adopted in 2003. The strategic objectives of the city were formulated in a way that the concept makes up for the numerous still existing urban needs and for following to some extent the global urbanization processes, which would make the city a winner in the global competition of places. The concept holds as evident that Budapest is a European city – in roots and in all aspects of development – and keeps to the values of local culture too. The concept determines seven major strategic objectives:

1. Supporting the city's economic role, geographical and historical character

2. Developing the transport system
3. Improving the quality of the built environment
4. Protecting the natural environment
5. The city of culture and leisure
6. Sustainable society and social welfare
7. Spatial integration of the city and its vicinity

The third of these objectives is the most concerned with our subject area, as it requires the rehabilitation of the residential buildings, the public spaces of the historical residential zone as well as utilizing the brown field areas of the rust belt. Besides, all the six other objectives have relevance for the development of the inner-city.

The seventh point is only seemingly an odd one out. By the new millennium the conflict of the city and its vicinity became acute enough to treat it to the same extent as the urban decay in the city centre¹⁴.

Another reaction to the already outlined problems affecting Budapest was the *Podmaniczky Program* (passed by the Assembly of Budapest City Government in June 2005), which can be considered as the operative phase of the most recent planning procedure. The plan has a temporal scope of 9 years and proposes 130 projects for implementation with an overall costs of 2100 billion HUF (about 8,1 billion euro). According to the intention of the Budapest City Government about 5% of this amount would be provided by the city, 10-15% by EU funds and the Hungarian Government while the rest about 80% is to be raised from private investors. As Ikvai Szabó¹⁵ in an interview given to Csík (2005) interpreted, the program is intended to be a change in the approach of the city government to urban development. In the past 15 years, most of the large projects were proposed by investors who came forth as initiators with concrete project ideas and location preferences to whom the district or the city governments mostly surrendered. According to the Podmaniczky Plan, the order changes and the city is to determine what, where, with whom to build in Budapest. In line with this firm strategy, the city government will give favourable conditions to those developers and investors who prove to be real partners in the project implementation and keep to the main points of the project.

The preliminaries – the social rental sector before 1990

Social housing *par se* was underdeveloped before World War I in Budapest. Some business organisations tried to ease the dwelling problems of workers by building their few tenement blocks but there was no comprehensive social housing policy (Lukács, 1996) Private rent, as the dominant form of housing in the inter-war period, generated striking spatial segregation (Lampel & Lampel, 1998). The overt aim of the state socialist housing policy in the 1950s was to reduce social inequalities by changing the market-based rental for state (social) housing. In reality the aim was to reduce private ownership to the lowest possible degree and so to keep everyone under control.

The birth of Greater Budapest in 1950 – the unification of the city with the old agglomeration – coincided with a population boom in the city. It was due to the growing natural increase and the massive inflow of village people and industrial workers to find

work in the rapidly industrialised city. The newcomers were mainly from the lower strata of the society. There were restrictions on the number of people settling in the capital city so the majority settled in the surrounding villages and commuted to work. In the 1950s, owing to the special stress on industrial investments, state (social) housing could grow only by nationalisation. The private tenement buildings built around the turn of the century in the central districts and the luxurious villas of the elite neighbourhoods were affected the most by these measures. The overall number of dwellings did not grow while the share of state rent reached as high as 70% in 1955. Only in the 1960s did the actual housing stock start to rise significantly in number while the social rent gradually started to decrease in a relative sense.

The rise in the number of dwellings was due to the new housing policy called the Fifteen Year Housing Development Plan which was launched in 1960 and was supposed to satisfy the needs arising with the severe housing shortage suppressed and handled in extreme ways in the previous decade. The new housing development programme aimed at adding 1 million new dwellings nationally mainly in the form of highly concentrated estates of high-rise blocks relying on prefabricated technology. The physical quality of these estates, the contemporary priority of quantity over quality now is the cause of the relatively low market value of these flats. Though the number of dwellings was increasing evenly, the share of social rent never again reached 70% (in Budapest). By the end of the 1970s it was as low as 60% (Kovács, 1992).

As for the aesthetic and liveability aspects of the social housing stock built in the early 60s, we can say that the principles of modern architecture with its minimalist and functionalist ideals came in due time to give an overt reasoning for what was rooted in the aim of concentrating as many people as possible in as little space as possible, at the lowest possible building costs. The Taylorian minimalist ideas and ideals prevailed in mass housing constructions. The ministry in charge was more interested in numerical than liveability aspects of housing (Iván, 1996; Preisich, 1998). The situation improved by the end of the 1960s as the share of single-roomed flats decreased to 20% from the 60% of the early 1960s (CSO). As the severe housing shortage seemed to ease, more attention was paid to increasing the living standards. From the end of the 1970s, easing the qualitative shortage in housing gained priority over the quantitative shortage. The 1980s saw the average size of the flats growing. In state financed constructions, the average size of a flat increased from 52.6 to 55.1 m² on average. However, the ambitious aims of another housing development plan of the 1970s could not be kept to. Along with the deepening financial crisis and the mounting state debts, the state subsidised constructions shrunk, while the share of non-state constructions grow rapidly. The more liveable four-storey, roofed blocks – now representing the highest market value in the category of former state housing – were built in smaller estates. Higher standards were due to the fact that along with the withdrawal of the state, more private capital was involved in the often co-operative forms of construction, which generated a neighbourhood-conscious attitude of the dwellers (Preisich, 1998).

The approaches to public housing and privatisation in the districts of Budapest

The chapter below takes the privatisation policy and the approach of the district governments to social housing as central. This topic is dealt with below where the mechanisms are discussed as it is one of the most important sphere of influence exercised by the district governments having determined the chance of built and social environmental renewal up to now.

After the change of system, the 1990 Act of Local Government rendered the formerly nationally owned and coordinated social housing stock under the local governments' sphere of responsibility. The local governments, in the case of Budapest the districts were entitled to apply their own strategy to deal with the social housing stock. The pressure however from the inhabitants and the desperate financial situation of the local governments with increasingly limited resources from redistribution¹⁶ often proved to be rather determinant.

As described in the general introduction (Chapter 4.3.1), privatisation in Budapest just like in the other settlements of Hungary was the so-called "give away privatisation" selling dwellings to the tenants at a very low price (Hegedüs and Tosics, 1991) As a result, the social housing stock left has gone through serious *residualisation*¹⁷ becoming more and more the shelter of marginalized households and further worsening the neighbourhood quality (see below). By contrast with Budapest, in Prague the social composition of tenants in social housing does not suggest the residualisation of the stock, at least not in the central areas of the capital. Compared to the privatisation in Hungary, in Poland and in the Czech Republic the process was slower. Besides, it did not lead to residualisation and the formation of extremely high degree of segregation as in Budapest (Kovács, 1997b).

It follows from the brief comparison of the post-socialist cities that residualisation was not a necessary and unavoidable consequence of privatisation. It was all dependent on the strategy, including the governmental preference of certain forms of housing to others and on the speed of the process. Residualisation was not the only consequence of privatisation – as shown later – it had and immense impact on the renewal prospects of inner-city neighbourhoods.

Privatisation of social housing is not exclusively the product of the change of system. What happened before the change acted as deterministic in the formation of the privatisation policy after 1989¹⁸.

The aim of the local governments was to reduce the maintenance costs of the building stock. The fact that the early privatisation (in the socialist period) was not very successful had various

Table 5.2 Characteristics of the social housing stock right after the change of system in Budapest.

Aspect of social housing	Data
Number of social units	400 000 units
Total value	625 billion HUF
The estimated costs of maintenance work deferred	95,5 billion HUF
Total income from rents	4.6 million HUF
Rent subsidy	21.3 million HUF
Value gap	168.8 billion HUF

Source: Hegedüs et al. 1993.

reasons. The buildings were already in such bad condition that the tenants rejected the deal. They were all aware that the costs of renewal would have to be covered by themselves. The old tenants did not feel ready to deal with the expected problems with the neglected houses. Issues like urban heritage protection as the responsibility of the state, block rehabilitation as a task to be carried out by the state and the protection of interests regarding the old age pensioners also arose as “counter-arguments” (Lampel and Lampel, 1998).

Between January 1990 and January 1992, 20% of the social housing stock was purchased by the sitting tenants (only 10% of this stock was passed on or rented out). After the changes the motivations for purchasing the rental flat were very strong.

In the early 1990 before the culmination of privatisation, two alternatives were open for the district governments: (1) selling most of the social housing stock, or alternatively (2) taking administrative steps to terminate large-scale sellings by e.g. increasing the prices to slow down the rate of purchasing. The choice of the local governments – as indicated above – was influenced by financial and political considerations.

On the one hand, there was a strong *political motivation*. The selling of the residential units at such a low price was a tool to gain votes for the subsequent elections.

However, it was foreseen (Hegedüs and Tosics, 1991a) that without a community housing stock, the possibilities of a social housing policy – as means of social policy – would shrink. Furthermore, social housing left over would be strongly segregated (residualised), the poorest families would occupy them and there would not be enough money for maintenance.

Besides the political motivations, the financial motivation was also at work. The losses of the renting system were suffocating. The difference was covered from the revenues from renting out the non-residential units and from the sales.

Many districts were planning to increase the rents but they did not find it politically feasible. This contributed to the growing eagerness of the districts to get rid of this burden.

On the whole the local governments of the towns and Budapest followed the measures of the privatisation law uniformly, but taking a closer look at aspects of privatisation reveals district strategies. As hinted before, the district governments applied different privatisation strategies keeping in mind basically the same interests but with different weight. For all of them the portfolio of new property assets was a valuable potential source of revenue. The strategy selected was dependent on the quality of the housing stock, the age structure, the historically inherited character (function) of the district, which together influenced the district-specific social composition of the individual areas. In Kovács's interpretation (1997a), the rate of privatisation in Budapest was determined by three factors: the condition of the dwelling, the general image of the neighbourhood, and the social status of the household.

The purchase price of the flats was determined on the basis of the estimated market value (which generally lagged far behind the real value). The tenants had to pay 15% of the estimated market value if the building had not been renovated for 15 years, 30% if it was renewed in 15 years and 40% if the renovation happened less than 5 years before (Hegedüs and Tosics, 1991a). The tenant did not have to pay the whole amount immediately; only 10% of it and the rest in 35 years with 3% interest rate. Those who paid in cash got 40% reduction for the amount over the mentioned

10% (Kovács, 1992) As there was no significant regional differentiation in the prices of state dwellings the tenants of the most fashionable districts faced a windfall profit from privatisation.

The most valuable units of the stock in the fashionable districts of the Buda side of the capital city (representing 17% of the total state housing before) had already been privatised by the end of the 1980s (Székelyné, 2001) Less valuable smaller units were sold to the tenants at a later stage of privatisation, after 1993.

The social housing stock used to be concentrated on the Pest side of the city. From the 400 000 public rental flats of 1990, 63% was in the old tenement buildings of the central residential area, in fairly bad condition. The remaining 37% could be found in the housing estates, scattered all over, mainly in the outer districts and in the transitional zone of the capital city (Székely, 1997).

Among the consequences of privatisation the following main points can be concluded:

- The privatisation policies of the district reduced the rate of social housing units in Budapest to a dangerously low level.
- The diverse policies strengthened the effects of social polarisation and contributed to segregation.
- The remaining social housing stock shows signs of residualisation.

Among the households still in social rent, a growing share of disadvantaged families can be seen: more families with more than three children, divorced women with children, elderly people, etc. These people could not afford to buy their homes, so as the result of an indirect selection they became real social clients (Székely, 1997). Maintenance and renovation of these flats caused lots of debate as neither the owners nor the government wanted to pay the costs (Székely, 1997).

In addition to the social and environmental problems arising from privatisation, an additional factor complicated the housing situation of the post-socialist period namely the fact that due to the new role played by the city in the European economic space, lots of new office space had to be made available for various foreign and domestic investors. This fact strengthened the unequal chances among districts and their inhabitants giving the advantage to the areas with a relatively good ecological position.

As the closing of this part, the statistical analyses of the outcome of the privatisation is presented. Figure 5.5 shows the decrease of the social housing stock in the districts of Budapest between 1990 and 2003. The tendency reflects the outcome of the applied privatisation strategies. Five of the seven districts (indicated with thicker broken lines in the diagram) starting the privatisation with a social housing stock of over 25 000 units, are located in the central area of the capital (all subjects of the dissertation), while two more (the 11th and the 14th) have relatively large housing estates. Typically the districts where the large social housing stock consisted of prefabricated housing units, which have a better ecological position¹⁹ both went under 5000 in stock by 2003, while four of the five being or reaching well into the historical residential zone remained beyond this number. Examining the linear trend-lines of the inner-city districts it came out clearly that the 7th district went through the largest relative decline in the 13 examined years. This shows that their generous and short term considerations in privatisation has had an immense impact on the present situation (see later in Chapter 7.2).

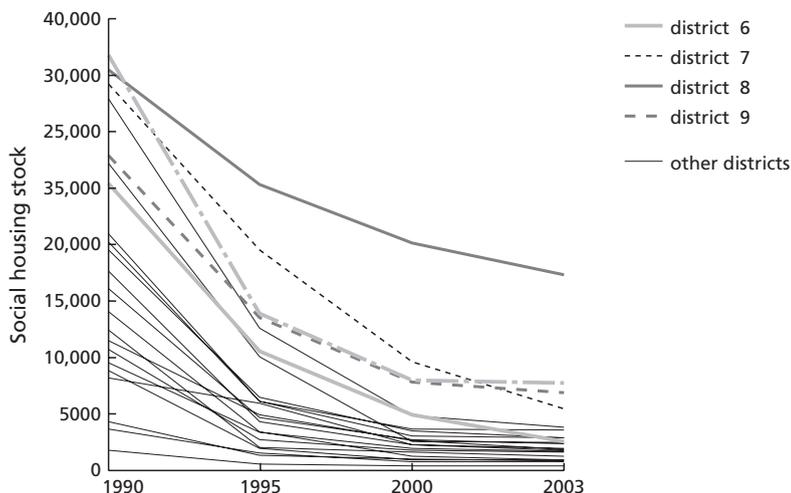


Figure 5.5 The change of social housing stock in the districts of Budapest 1990-2003. Source: Central Statistical Office

The order of the districts by the reserved number of social housing units reflects the local governments' approach to privatisation. Naturally the absolute numbers count a lot. As the order suggests, the 8th district reserved the highest number of social housing, which was mainly due to the low quality of housing and the low social status of the tenants. The 13th and the 9th districts were also among the leaders with respect of the total of social housing. As shown in the chapter dealing with the district renewal policies (Chapter 7), it has a major role in the success of the regeneration projects.

Under the influence of the new National Housing Policy, the number of social rentals is projected to increase in the forthcoming years in Budapest and in the larger towns of Hungary. So far local governments have not ventured into large-scale projects the welfare support system being uncertain national level support. Indicative of the threats of non-sustainability the social housing units built so far have been allocated to households whose social status, e.g. state employees with regular income, assures the sustainability of the projects (www.lakás.hu 2004 p. 21).

5.3.2 The private sector – property development in Budapest in the past 15 years

The evolution of the property market in Budapest since 1990

It took quite a while to make the old actors understand that the new urban development was going to be based on a new paradigm, that of the market. In the years preceding 1990, the urban development model was based on the redistributive central budget and centrally planned investment policy. This socialist urban development model interpreted urban space as a spatial entity whose development is optimised within administrative borders, and which can be influenced by means of regulation.

Urban development under the market paradigm however has proved to be more a process built from (mosaic or collage-like) projects with a number of actors often having sharply

contrasting interests as owners and developers. Urban development more and more fails to consider the existence of administrative borders and induce a new organically developed urban order (Baross and Soóki Tóth, 2000). The ones controlling the budget have gained immense power over the planners and architects around the world.

“it is the property developer, not the architect, who is principally responsible for the current incarnation of the western city. Large-scale speculative developments – offices, shopping centres hotels and luxurious housing – shape the fabric of the present-day city, not public housing and civic buildings... The developer... chooses the architect and he sets the budget.” (Sujic 1993 34-35, in Hall, 1998 p. 87)

The dynamics of the Budapest property market were constant but time after time different types of investments kept the dynamism at a high level. The market mechanisms were not completely new in the post-socialist era, the more lenient and market-oriented period of the 1980s already saw large hotel investments in Budapest mainly with riverside location. After the change of system the commercial development prevailed, first with the investment target of the offices which faded in the middle of the decade gradually giving the scene to large shopping complexes. In 2000, Baross and Soóki Tóth judged the housing construction to be the greatest loser of the change of system on the property market of Budapest.

As for the spatial preferences of property investments independently from the type of investment, an absolute primacy was given to the city centre at the beginning of the transition period. Beluszky (1992) estimated the per hectare entrepreneurial capital investment in 1991, at 120 million HUF in the City and only 1 million HUF in the outer districts (15th, 16th, 17th, 20th, 22nd districts) in total. Beluszky – like other researchers – realised very early that the supply of property and free sites available for development was very limited and far lagged the demand. By the spreading of the city functions into the historical residential zone such functional architectural elements were forced into the traditional built environment that caused dramatic changes in the use of space. New office complexes attracted more cars into narrow streets of these neighbourhoods and made living intolerable.

Due to the skyrocketing prices in the downtown areas the preferences for the outer city locations grow stronger in the middle of the decade. The property investments started to have clearly diversified preferences for location. The developers of various office projects, later hypermarkets and shopping plazas as well as the more and more segmented housing investments, found their ideal locations. It happened in close cooperation with the local governments which were ready to give their vacant and to-be -redeveloped sites over to the developers, this way leaving little chance and scope of influence for themselves to affect the realised projects.

The impact of these commercial developments on the residential areas and neighbourhood development is striking. The shopping centres and the shiny, glossy, bank centres, office blocks with their exclusive and at the same time non-welcoming appearance, have directly or indirectly caused a certain degree of change in the surroundings. Depending on the intentions of the developers, the effect can be positive in the immediate surroundings like in the case of the Süba office block in Nagymező street (Photo 7.4 in Chapter 7.1). The new projects however are prone to result in massive downgrading in the former centres of shopping, the traditional downtown



Photo 5.2 The very downtown of Budapest, Kossuth Lajos street: archetypical socialist department store in the process of demolition in the middle, rows of vacant shops on the left and new office complex on the right hand side. Photo: by the author, January 2006

shopping streets (Photo 5.2), the target areas of family shopping Saturdays, the big joy of the late socialist times.

Below the chapters deal with the most important segments of the property market, the ones that have had some kind of impact on the formation of the neighbourhood dynamics too. Among the property market segments, housing is highlighted in a later chapter presenting the new kinds of housing types hardly known before the change of system.

Commercial properties and their impact on the neighbourhood transformation

The first target of property developments in Budapest were the *office buildings* in the early years of the transition. Entering the era of the market economy, the city proved to be short of office space. At the beginning, the office market made do with the privatised housing units with excellent central location but naturally these buildings were far from ideal. As function change rarely affected whole tenement buildings renovation works financed by the new investors were restricted to either the office itself or only to floors so their presence did not bring much renewal in the old residential buildings. By the mid 1990s, the office space had grown nearly seven-fold (Kovács and Dövényi, 1998).

As they were not planned to be offices there was a functional mismatch between the demands of the users and the property.

The office buildings construction reached an output of 20-30 000 m² per year which grew to 50-60 000 m² by the middle of the 1990s. This tendency led to oversupply and growth slowed down just to take a new impulse and produce 170-180 000 m² in 2000 and 2001. Presently the overall net floor area of modern newly built office space in Budapest is over 1 million m², a quarter of which remains vacant. Vacancy is not a general phenomena in all segments of the market, but is typical in the downtown office buildings built on vacant sites in the early 1990s in absolutely improper surroundings.

At that time the demand – originated from the western market economies – concentrated at the inner-city as it was a question of prestige to have the headquarters of the representations downtown (Soóki Tóth, 2002 www.epiteszforum.hu). Due to preferences related to location, from 1994 sites with good accessibility by both cars and public transport got in the forefront of investment. In the third wave offices started to suburbanise and appeared in masses in the south-



Figure 5.6 The location and the typology of shopping malls in Budapest, Source: Tasan, 2003

west sector of the agglomeration in towns such as Budaörs (see Figure 5.1) (Soóki Tóth, 2002 www.epiteszforum.hu; Tasan, 2003).

This first wave of office boom – with a focus on the Inner-city residential areas up to the Grand Boulevard – left numerous architecturally strange landmarks in the middle of the eclectic 19th century historical residential area.

Another type of commercial developments, with direct and indirect impact on neighbourhood transformation, were the shopping malls.

The first *shopping malls* (Figure 5.6) built in the style not known before²⁰ in Budapest was constructed in the first year of economic consolidation, in 1996. In the first two waves of shopping mall-building unified box-shaped identical shopping centres were constructed in the hope of quick returns. It was only the third generation that brought new post-modern architectural forms more acceptable and even pleasing for the demanding architecture's eyes. The plazas have become "intruders" in the inner-city built environment appearing on the edge of the historical centre on redeveloped sites "deserted" by industries and transportation services (Sikos T. and Hoffman, 2003, www.selyeuni.sk). The more demanding third generation plazas were almost without an exception developed on such brown field sites in the proximity of the City. The most well known and popular is the Westend City Centre (over 110 000 m²), MOM park (on a redeveloped site), Mammut I-II. all concentrating various services other than shops in their complexes²¹.

The residential areas in the proximity of the shopping malls not only stagnate regarding their market value but tend to lose some of it due to the increased traffic and high level of environmental pollution (Siklaky, 1999 www.levego.hu). As for the judgement of their role as messengers of post-modern lifestyle and taste exported from the West, these buildings mediate something not seen before, but it is not multiculturalism. It is only the culture of multinational firms that they bring in the city (Siklaky, 1999 www.levego.hu). However, there are cases when the new development means a striking upgrading in the overall urban environment, attracting higher status people and services around the development than before. The above mentioned Westend City is such an example of a post-modern exclusion domesticated in Budapest.

Connected to neighbourhood types the plazas have either been constructed in exclusive residential areas such as the ones with posh shops in the 2nd district or on the other extreme on the Pest side, where they were constructed in the middle of the lower class neighbourhoods with families on a very low standard of living. The developers in these cases were so much concerned with the short term returns that they failed to pay attention to the upgrading of the immediate surrounding of the project. As the product of such an approach, the commercial development fails to contribute to the betterment of the living conditions. This behaviour can backfire: as the run-down, dilapidated nearby neighbourhoods can easily spoil the "popularity" of a shopping mall. It is the risk of the investor not to pay enough attention to the neighbourhood context of the development (quoted from Sándor Demján²² in Péterfi, 1998)²³.

The commercial developments – not known before – have become ordinary morphological elements of the urban structure. As outlined above they cannot be judged on the same criteria regarding their impact on the narrower and wider surroundings. As it turned out it is always the

developer's term of economic considerations that decides if these projects cause a neighbourhood to improve in quality and prestige or decline.

Private actors, trends in the Budapest housing sector

After the change of system, new actors appeared on the scene of housing. As indicated above, housing as an investment with low profit and long term return did not belong to the main target projects of the developers.

The already privatised classic construction companies having no capital to invest remained in the field of implementation of construction projects. The main advantage was that in the case of an unsuccessful project there was no lost investment, but it also happened that the developer failed to pay for the construction works carried out (Ingatlan és Befektetés, May 2002). Housing construction was a real risk with no proper mortgage system to back it up to the late 1990s (Béres, 2002) Few larger prototypes of the new types of housing projects appeared in the early



Figure 5.7 The location of major residential development projects in Budapest. 2002, Source: Béres, 2002

1990s – quite understandably – on the Buda side, where the more affluent households – in no need of mortgage – were looking for new residential opportunities. An upswing in demand indicated by the growing number of larger developments has emerged since 1998. As Figure 5.7 suggests, besides highly desirable residential environment of Buda, on the Pest side there are large waterfront housing projects as well as larger developments in the outer Pest districts (Béres, 2002). Since 2002, an increasing number of projects have been launched by private developers in more central locations – such as our case study areas – with high building density, where due to the small-size vacant plots small scale developments prevail. Some recent redevelopment projects in the inner-city residential zone are either tied to historical – quite often listed – buildings such as the Gozdsu Arcade in the 7th district (Chapter 7.2.) or new construction on consolidated sites gained from extensive demolitions.

While at the beginning of the construction boom developers preferred green field developments, due to the marked increase in the values of dilapidated inner-city sites, interest has turned to more expensive but more profitable inner-city projects.

By the new century not only the density and size of the new housing projects has grown but also the role of the actors in the market. The developers and the constructing companies are fewer and larger; besides, construction companies have started to take on the role of developers. It is mainly due to the already much more mature banking system – to assist project financing – and the realisation of one very important fact: holding property development and project implementation in one hand saves a lot of money (Ingatlan és Befektetés, May 2002).

Another tendency has been the massive appearance and presence of companies – both Hungarian and foreign (whose representation among the housing constructors and investors was almost none until 1997), which were coming from other fields of activity and became involved in the financing or the actual construction of housing when the market boomed²⁴. Driven by this impetus many of them started to venture in bigger or smaller housing projects. The impact of globalisation appeared in two major forms after 2000: in the form of risk capital investors (mainly Israeli ones), whose profile by their very nature is not the actual implementation of the project – they contracted with Hungarian general-contractor – and foreign housing developers (Austrian, Belgian, German) whose original activity was far from estate development (expert interview with Soóki-Tóth, 2004).

Residential parks

As indicated above, right after the change of system, the lack of a proper mortgage and loan system resulted by the disastrous macro-economic conditions, made that housing was not the priority of investors and property developers. One exception was the uppermost segment of the housing market, the category of the luxurious villas and later posh residential parks targeted to the elite in the Budapest society and also the number of wealthy newcomers from Western Europe.

Already in 1992, Beluszky was talking about a dynamic new segment of the property market, that of the green belt luxurious housing units. He connected it to the greater importance of the quality aspect of demand. Looking back on the processes prevailing in the early 1990s, it was the social polarisation and the exchange of elite that produced the new market segment. The demands of the new elite even in the least promising years of transformation were worth

following and satisfying. These residential projects were large villas for only one family with 200-400 m² with lots of extras and extensive backyards.

By the middle of the 1990s, the residential park, a concentration of residential units with extra services appeared as a new segment of residential market²⁵.

Residential parks were associated with the gated communities as they are known in the US, which have already spread along with the magnified tendencies of neo-liberal social polarisation and spatial segregation. In Knox and Pinch's interpretation (2000, p. 407), the gated communities are:

"...residential areas of cities with protective measures such as barriers, fences, gates and private security guards designed to exclude social groups deemed undesirable and dangerous."

Statistical data on both social polarization and crime suggest a need for some kind of permanent defence, but the situation does not cry out for voluntary prison-like segregation. In Hungary living in a gated community is as much a means of *self identification* (Berényi, 2001) expressed in the choice of place of residence as a way of satisfying the need for safety. Besides these two factors, the classic residential parks provide pleasant green areas, large backyards with playgrounds and green environment accessible only for the residents, services like reception, fitness and wellness, swimming pool etc.

To make these projects more distinguished in the widening market, the developers gave fancy names to the developments such as Cézár and Kleopátra (both located in the 13th district).



Photo 5.3 Gated community in the 3rd district, Buda side. Photo: by the author 2004

According to leading Hungarian architects, these new, posh residential complexes reflect global uniformism or fake classicism, rude eclecticism and disgustingly over-emphasized folkish architectural elements. This harsh criticism applies both to private buildings and residential parks – gated communities –, which they see as culturally rootless in the city (Photo 5.3). The new building forms originate from the new life-style patterns adopted from global sources (Bárczy, 2004, www.ingatlanbefektetes.hu; Csík, 2004).

As the macro-economic conditions improved and the transformed mortgage system conditioned lower income groups to appear on the housing market as buyers, the supply of the middle and lower segment of the market livened up. Naturally the complexes, except for the new architectural solutions and aesthetic elements, are more often like ten-storey prefabricated housing blocks. These projects however advertise themselves with the same strategy as the high standard residential complexes. For the purpose of better turnover the developers often call projects “residential parks” although these do not provide extra services (Kozár, 2005).

Béres in her MSc thesis (2002) classified the new residential complexes advertised under the name residential park into five categories: real residential parks, luxurious condominium buildings (condos with high standard services), simple condominiums (with no extra services, pure condos), apartment houses (inner-city residential complexes like Kleopatra in the 13th district and the buildings of the rehabilitation area of Middle-Ferencváros), and sites infrastructurally prepared for construction.

Treating larger residential projects as residential parks, there were 50 residential parks in Budapest and further 30 in the agglomeration. The average size of the projects was 130 dwelling units but there were considerably larger ones. The investors of the larger projects were always foreign companies (Béres, 2002).

As for the sales strategy of the companies there is a sharp difference between the international and Hungarian firms. According to the experience the larger international investors realised the construction relying on their own resources and sold the units after completing the projects, while the strategy of the smaller Hungarian investors was to sell the units before the project was completed and finance the construction from the income for the to-be-constructed units (Béres, 2002).

The lofts

The Budapest housing market uses the same term for two types of projects. The type connected to buildings of industrial and storage use – which is actually the classic loft in Western literature – is as common in Budapest as the other interpretation of the term. In the second interpretation the term refers to the utilization of the top floor (the attic) in the mostly hundred, or even hundreds years old residential buildings. It has become typical in those densely built inner-city districts where the neighbourhoods are in short of vacant sites, and where due to over privatisation this is the only chance of condominiums to get the building renovated by the investors.

The traditional use of the term applies to the brown field areas of Budapest especially the buildings which are located on or near upgrading residential areas, where they functionally integrate in the urban structure but can still be free of the regulations applied for the historical residential heritage. However, the projects need to be integrated with the rust belt rehabilitation strategies and methods. According to Sütő et al. (2004), following the western European trends and driven by the necessity of re-integration of the deserted industrial, traffic infrastructure and

warehouses, the loft has already become a movement in Budapest. The buildings formerly in industrial or storing use would be converted into office buildings at the beginning – there are numerous examples in Budapest. The residential use of the brown field complexes was brought forth by post-modern men with their new relation to mobility and urban space conditioned by technological info-communication. The new market segment targeted by these projects is still quite limited.

The rehabilitation and utilization of old industrial buildings are regulated by heritage protection and influenced by technical and market conditions. There is a contradiction between the technical parameters of the buildings and the short-term demand. In the office, market the demand for the one space, large offices is limited while in the case of residential use the realistic pricing policy sets the limits. It is important to add that the administrative and institutional framework of residential use of industrial buildings is still to be clarified, which will come along with the increasing demands. As hinted above the residential utilisation of brown field areas is possible in the industrial enclaves within an area of mainly residential use or in the proximity of residential area.



Photo 5.4 Loft construction in the 5th district, Váci street southern section. Photo: by the author February 2006

In Budapest, ideal project sites are located in the Danube zone of the 3rd, 11th and 13th districts (Photo 5.1). The building complexes and areas freed up by the big traffic and transportation companies are also suitable targets of such projects, nevertheless mixed use is more advisable as these sites are located near busy traffic arteries (there are sites like that in the 14th district) Sütő et al. (2004).

In the other interpretation of the term, loft is the residential unit converted from the attics of the old residential buildings, or additional floors built on the top. This form of loft building is especially popular where the land use intensity is especially high.

The 5th district is one of the areas leading with respect to the number of projects (Photo 5.4). There have been 10–15 permissions issued by the authorities for loft utilizing each with resulted 2 to 10 dwelling units. In absolute number it is not remarkable but as for its rate within the newly constructed flats in the district it is not negligible. One-third of them is loft (Kubik, 2005).

For the local government one possible way of assisting the investors to carry out loft projects is undertaking the “penalty” for not being able to create a sufficient number of parking lots²⁶. Another mode of assistance is giving free way to construct in the 100% municipality-owned buildings and in return the tenant can stay for free in the “rent” for a given period of time calculated on the base of the magnitude of investment.

More and more enterprises are involved in loft construction, which is still a risky field as the regulation is still not clear. The current procedure is that 85% of the dwellers need to vote for the project, while 100% need to assent the amendment of the basic regulation (*alapszabály*) of the condominium building and indicate what they need as a compensation for giving the loft over to the investor (new elevator, change of major pipe systems, new roofing, etc.). Then the assessment of the actual state of the building follows and tackling with the bureaucratic ways to acquire the necessary permissions (Kubik, 2005).

It is more difficult to achieve spectacular results where the district local government does not own a larger number of lofts in its area. The 6th district sold 65 loft in one package to a Hungarian company and also have condos with the same project. In these cases, the only task of the local authorities is proper regulation. By contrast the 7th district did not keep any former social housing units and so it is difficult to promote such kind of projects.

Condominiums

The condominium is a new type of housing in the Budapest as an operational form. At the beginning of the 1990s, along with the intense privatisation of the social housing units, the former management organisations²⁷ practically ceased to operate from one day to another.

Residential buildings were turned into condominiums before privatisation started. As long as through privatisation 50% of the units were purchased by the renters, the owners had the right to decide upon the form of management in the building (Hegedüs and Teller, 2005).

In many cases the local government remained the owner of few housing units or of the attic, which complicated the management of the condominiums. According to the 2001 Census, only 2655 buildings were fully owned by the local governments.

The transformation of the tenement buildings into condominiums proved to be especially complicated as the new owners (old tenants) had to adopt a managerial attitude, which besides the property itself naturally meant the problem of maintenance, new costs and tasks.

The new terms that new owners had to get used to were unknown before: foundation charter, condominium representative (the person looking after the management of the building), common costs (monthly payment for the common expenses).

The most important document of the condominium is the *condominium charter*. This contains the parameters of the building the rules and regulations related to the parts of buildings in common use, determines the common costs and the way the common budget is used. All the owners need to agree to modify the charter. Modification is needed e.g. if the building makes a contract with a company for utilising the loft.

In the case of new buildings, the foundation charter needs to be completed before the construction starts to avoid questionable situations related to e.g. the use of the common property.

At the beginning the little enterprises were managed by representatives, who dealt with money, mediated personal conflicts between residents, legal issues, as well as technical complications. They were not trained for what they were responsible for and in extreme cases the representatives yielded to the temptation of handling lots of money...

In the condominiums, the monthly contribution of the households were placed on two accounts. One account was used for the daily expenses of the building, while the other served as reserve for unexpected expenditures and renewal. The accounts were handled by the representatives who could move amounts from one to the other.

With time it turned out that managing a building is not easy and the larger the number of units, the greater the difficulty to find consensus needed for decisions of greater importance.

Recently a new scale of housing management enterprises appeared following the Western European patterns, these are companies which are specialised in the management of condominium buildings. These companies have property lawyers, experts for managing technical complication, do professional accountancy work, etc. (Bárczy, 2004 www.ingatlanbefektetés.hu).

According to Hegedüs and Teller (2005) 40% of the condominiums are managed by one of the residents and only 26% is managed by professional organisations.

The new *Condominium Law* clarified many uncertain points about the establishment and operation of condos. The new law was passed in 2003 (No. CXXXIII.) The intention is that it will simplify the management tasks of the condominiums and will assist the communities to get access to state and local governmental resources.

According to assessors the law took over most of the measures contained in the previous law, at the same time established numerous new legal bodies. A positive characteristic of the law is that it made compulsory to the condos containing more than 6 housing units to produce and operate according to the documents of the Organisational and Operational Regulations and the Rules of the House. The deadline of completing and assessing the completed and inhabited condos was January 2005.

A very important point in this legal document is that action can be taken against households failing to pay the monthly contribution to the operational costs (common costs). This has been an thorny problem of condos as important maintenance works and daily expenses cannot be covered due to the irresponsible owners. According to the new law, a lien can be placed against the property of the households not paying for six months.

Another important point is that unlike before 2003 when all the owners had to ascent to any changes to the foundation charter – which often made decision-making extremely complicated

– now a four-fifth majority is enough. The management of the condos – especially if it is done on a professional base – requires special qualifications.

5.3.3 The non-profit sector in Budapest

The fact that the non-profit sector is in practice much less active than it could and should be in the new socio-economic context has – besides many other things – a historical cause. As indicated in Chapter 4.3.4 it is just the social base of the civil organisations, the middle class that has always lacked even in Budapest. By contemporary Hungarian standards there was an active life of craftsmen associations, workers unions, charity workers in the late 19th and early 20th century, but compared to the cities in Germany or in Britain they had much less influence on the overall city development. What is more, charity work, the social care and social house building with the related activities were all carried out by rich aristocrats and to a certain extent by the rich capitalists, the factory owners.

Later the socialist socio-economic context required the destruction of all kinds of existing autonomy. Public administration represented the state will instead of assisting the local (self)government. In order to be able to keep everything under control, the state did away with all autonomous unions and associations for the protection of interests during the state socialist period.

Regarding city development all the roles like the elaboration of ideology concerning urban development, urban planning, investments, the property matters, authorising and controlling urban growth etc. formerly played by different actors got into one single hand, that of the state. No opposing interests like those of the city dwellers were allowed to be articulated. The new situation radically changed the relationship and attitude of people to the city, they weren't burgers any more, just citizens of a nation who happened to reside in Budapest (Beluszky, 1992).

After the change of system neither the social base nor a strong early 20th century tradition assisted the civil organisations to revive as there was hardly anything to revive. And yet, partly based on the underground movements of the 1980s especially typical of the larger towns and Budapest non-profit organisations came to life in a relatively great numbers. Some suggests that all these must have operated beforehand and when the time came only took an official form.

According to the Law on the Local-governments No 65./1990. described in Chapter 4.3.1, the financial support, the existence of the institution of the civil rapporteur (an official responsible for contact keeping with civil organisations) and the involvement of the civil organizations in the decision-making process of the district government is regulated by the Organisational and Operational Regulations²⁸

Like almost all the policy measures of the largely independent districts of Budapest the degree and the nature of involvement of the civil organisations in the decision-making process varies markedly district by district. In the comparison of the districts regarding the involvement of the civil organizations in the decision-making process, the data base of an all-embracing questionnaire survey was used, which was conducted in 1999 among the district municipalities of Budapest²⁹. The original analyses (Szabó, 2000) included only general conclusions naming none of the districts. The secondary analyses of the data base done by the author made it possible to see what inferences apply to the districts of the inner-city, and specifically to the five (6th, 7th, 8th and 9th) districts under examination.

In the study for the general comparison of the districts of Budapest, the SPSS data base the survey was used. The information on the four districts where the neighbourhoods in question are situated was updated by interviews. The original CSO questionnaire examined three issues:

- involvement of the civil organisations in the decision-making process
- the financial interrelatedness of the local governments and the civil organisations
- the institution of the civil rapporteur (official in charge of the contact keeping between the civil organisations and the local government)

The representation of the civil organisations in the body of representatives depends on the results of the local elections. According to the 1999 survey, there were 10 district bodies which involved representatives of non-profit organisations. Even their weight was not remarkable except for three districts exceeding 4 representatives. The total number of representatives varies according to the population of the districts (from 18 in the newly established 23rd district to 41 members in the most populous 11th one). It is the 23rd district where the civil representatives have the greatest share³⁰ (with 8 members, almost 45%).

As for the districts of the historic residential areas, it is only the 7th district where there is a civil representative in the body of representatives.

Even if there is no representative in the body, there is still a way for the non-profit organisations to make their voice heard allowed by the Organisational and Operational Regulations. There are also 10 district municipalities which gave official way for the civil organisations to stand up for their interests. Around half of this circle of districts is identical with the ones having had civil representatives. From the inner districts, it is the 9th (since 1994) and the 13th (since 1995) districts which have the so-called Civil Consultation Forum. These districts were among the first ones to introduce this form of harmonising interests. Except for one district (the 20th one) these forums assemble less frequently than once a month.

In 16 districts the civil organisations participate in the preparation of the decisions in any of the following forms: permanent members of committees, participants in ad-hoc committees, as invited experts.

The introduction of the institution of the civil rapporteurs is a possible way to coordinate the relationship of the civil organisations and the local governments. Compared to the Forums, this institution came into being a few years later (the first 1996 and the rest after 1998). From the total of 7 districts with the institution of the civil rapporteurs, two were from the examined inner districts (7th and 8th districts).

Civil organisations and local initiatives have much less influence on the renewal of neighbourhoods than their counterparts in the Western European urban areas. The possible fields of influence on the formation of neighbourhoods is varied and changes according to the nature of renewal in the residential areas. The classification of the fields of intervention on the part of the non-profit organisations follows the logic of rehabilitation types.

In the case of the rehabilitation with the objective of *value preservation*, the civil organisations aim at enriching the cultural value and so the attractiveness of the area in question. Such is the area in the 6th district e.g. Liszt Ferenc Sq. (see Chapter 7.1) As the areas with special architectural value to be preserved are typically not suffering from dramatic social conflicts, the field of intervention does not concern the social aspect of the neighbourhood transformation.

In the case of the *social rehabilitation*, the non-profit organisations have more chances to intervene. As social rehabilitation is more than property development and handles the issue in a complex way, the three aspects of rehabilitation provide various chances of action. In the economic development aspect the main issue is the reintegration of the socially disadvantaged people into the labour market. The role of civil organisations is to orient the unemployed to the appropriate field of training. Being aware of the characteristics of the local unemployed, they are able to promote the right form of cooperation with the potential employers. Regarding the social aspect of rehabilitation they may gain an even more crucial role: social care activity, activity to develop local identity, organisation of community activities for the youth. Finally, the *development of the physical (built) environment* is the aspect of social rehabilitation which requires the activity of non-profit companies more than civil organisations. This is a field of activity originally in the scope of responsibility of the local municipality that is mostly passed on to non-profit organisations. These organisations are under the strict control of the local municipalities, while remaining outside their organisational framework. The task is to bring decisions connected to the council property and building stock.

The civil organisations that the author met during the research were all interested in either the social or physical aspect of neighbourhood renewal and revitalisation. Typically of the professionalisation of the organisations as the product of clearance amongst the movements the stronger ones started to seek cross administrative border connections or joined forces under the aegis of umbrella organisations. Such organisations were even able to achieve the modification of the technical plans of the future metro line which according to the original ideas would have been led very close to the surface causing potentially damage to the old buildings of the inner-city area (Chapter 7.3).

5.4 The underlying structure of the post-socialist urban change in Budapest: the agents – the people and the built environment

Any change concerning the quality of the residential environment in its complexity takes place as the consequence of cumulative causation (the continuous interaction of the various forms of the static and dynamic elements of residential environment with the mediation of the rules of the driving mechanisms described). Any degree of betterment or degradation happening in the neighbourhoods can only be interpreted in the light of both sets of components meaning attributes in their qualitative sense.

In an attempt to relate mobility as a social aspect of change to the change in the quality of the urban environment, mobility must be (social and spatial) related to the urban environment and to see the interaction of search, choice and impacts on the changing neighbourhoods of cities and on their population composition.

It is essential to understand how urban structural change interacts with the mobility decision especially in the final choice. The decision to move and the choice are in the hands of the households. The urban structural change, which happens alongside the changes in land use and the improvement of certain urban environments, for some people widens, for others narrows the number and the size of the possible search areas.

5.4.1 Social and spatial re-organisation of the population in Budapest

One of the most striking consequences of the post-socialist socio-economic transformation of Hungary has been the social and spatial mobility of people. Budapest has always concentrated the widest possible spectrum of society with the highest degree of mobility. In the mature stage of the post-socialist transformation, the general trend is that along with the widening gap between the poorest and richest strata of society there have been a stronger class, ethnicity, and life-style based segregation in progress in Budapest.

Residential mobility used to be restricted by many regulations, which made the smooth housing market transactions in Budapest limited (Chapter 4.3.2). As state ownership was increasingly disappearing and incomes increasingly polarised, the better-off strata of the society had more opportunities to realise their plans to change residence.

Those who proved to be competitive in the new post-socialist society by activating their social or cultural capital and were able to make use of the property acquired in the hastily conducted privatisation process became increasingly concentrated in the most desirable residential areas of the capital city (Kovács, 1998). The losers of the socio-economic transformation were prone to remain in socially and physically downgrading areas, segregated spatial concentrations of low status, socially disadvantaged people.

At the very heart of change in the dynamic (human) component of the residential environment of various neighbourhoods, there are two basic micro level alternatives, which are communicated on the aggregate level through the transformation of social composition as one component of residential environment quality:

- The *first alternative* of spatial behaviour is more graspable and detectable by statistic in the short run as it refers to the “exchange” of inhabitants and directly results in a better or worse composition by means of *residential mobility* (in- and out-moving of individuals or households into and from a given neighbourhood). According to Clark and Dieleman, (1996) most moves are local, taking place within the administrative limits of cities. The intra-locality and shorter distance moves account for very high proportion of all moves. This is important, because these are what can be called *adjustment moves* within the housing market, which is of great relevance in the post-socialist re-structuralisation in Budapest
- The *second alternative* of spatial response is less detectable by means of statistics. It is the *strategy of staying* and adjusting the endogenous and exogenous conditions to each other by applying the means of tolerance or lowering aspirations (Brown and Moore, 1970). This strategy, seemingly static in the short run, tends to hide long-term consequences of the slow adjustment process of households. Even though for the decision-maker the process does not end in a move – a physical change of residence – it is still a move from an environmental point of view, as the residential environment in its complexity rarely stays intact especially in socio-economic conditions in turmoil – such as the post-socialist transformation. Those who stay, go into a series of trade-offs. To put this hypothesis into a theoretical framework we found *static change* the best descriptor of the phenomena. Static change is the way of perceiving the residential environment by the ones staying in the same neighbourhood.

In the context of Budapest those social groups chose the second alternative who – being losers of the change of system – finally could not leave their social rents and watch their neighbourhoods worsen in liveability and quality, and deteriorate regarding services. Some parts of Middle-Józsefváros are the quintessence of this phenomena (Chapter 7.3) Inner-Erzsébetváros can also be mentioned as typical example (Chapter 7.2). Some of the large bad quality housing estates also residualize in the same way.

By and large, both strategies (moving or staying) viewed in relation to the residential location are generated by micro level (endogenous) or macro level (exogenous) changes, which are caused by transformation. It unavoidably includes a decision-making process – preceding the actual action of move or the determination to stay.

Both the strategies mentioned are ways of responding to the stress created by the mismatch between micro and macro level conditions (Wolpert, 1965), which have been widely dealt with in the *behaviourist literature*. However, the reason behind the actual decision related to the new residential place goes beyond what can be revealed by means of the behavioural approach and the structuralist analysis of the movers themselves.

The *life course theory* brought new colour into residential relocation research. The change in the individual value hierarchy causes stress. Pursuing a goal or the upgrading of a value generates and increases the intention to move, while pursuing another goal might suppress or decrease it (Mulder, 1993). Life-course theory considers not cultural but occupational, demographical, status characteristics of individuals in a structuralist way. It talks about life course trajectories or careers that influence the trajectory of relocations in two distinct ways. The progression in one parallel life course trajectory will trigger the move (that is, provide the motive for moving), while parallel careers will also condition the actual relocation through their effect on the choice people have. The conditioning careers either generate resources for or impose restrictions on the move.

In order to see residential relocation from a more humanistic perspective, factors such as values, goals and attitudes, which for long were not much considered in residential preference studies need to be introduced in the research.

Our understanding of this interpretation of relocation suggests that *neighbourhoods of certain characteristics attract people sharing the same kind of attitude and same pattern of behaviour* – theoretically independently from class belonging – best matching the circumstances the area can provide. By claiming this we do not mean to deny that status, income and other factors too much affecting the resources and restrictions on the micro level are influential in migration decisions. We rather claim that besides all these rather objective determinants there are more subjective factors driving residential aspirations. This result explains the fact that more and more upper class families move to inner-city neighbourhoods contrary to what would be expected from them on the basis of their class-behaviour model.

Similarly to value-based choice, environmental properties of the residential location have not always been held central in affecting housing and location-related choice. The various disciplines concerned with different aspects of decision-making (psychology, sociology etc.) and residential relocation decisions have all established their own relevant theories. Fundamentally (covertly and overtly) they all have been based on matching some sort of endogenous and exogenous assets. In the modelling of residential choice the degree of involvement of residential environmental quality among the externalities has kept changing – actually meaning its deeper and deeper integration into the models as time goes by.

Two spatial aspects in the relocation process are *site* and *situation*. *Site* refers to the characteristics of a place itself: its physical layout, its social composition, it also covers the characteristics of the dwelling (size, quality, tenure). *Situation* refers to the position of a place in relation to other places. It is also known as “relative location”. *Site* seems to be a collection of attributes in an absolute sense and finds congruence with both the built and social environmental elements. *Situation* is relative and has more to do with physical environmental characteristics of the residential environment suggesting relativity in its components like relative distance to the centre or to the nearest green area.

After all it is no surprise that in case of Budapest the most popular destinations of moves are locations with the most pleasant site characteristics. Motorisation has reduced the importance of situation or at least changed the point of references, it is not the city centre but the transportation lines that count – be it public transportation or roads. *Site*, according to the present situation defeated *situation* in the Budapest agglomeration, and this statement is supported by the suburbanisation.

The above mentioned theoretical foundations find relevance in the mobility tendencies of the population of Budapest and the whole country. However, we can state that in accordance with the experience of the housing market, the theories taking the changes in the status and material conditions of the household heads as central had more relevance in the 1990s, while the value and attitude centred ones are becoming relevant recently by the Hungarian society’s reaching a more mature stage in the process of social transformation³¹.

Residential mobility in Hungary is still lower than the general socio-economic problems would justify (Kovács, 1989, Kok, 1997). Hegedüs and Teller (2005) claim that even in Budapest households generally are unable to adapt their housing conditions to their own changing housing needs. There are households whose housing “consumption” lags what they could afford while there are also households consuming in excess of their necessities and financial possibilities e.g. lots of individual old age pensioners live in large privatised rental units with extremely high costs of amenities. According to the same authors, in Budapest 37% of the households reside in dwelling units that are larger or smaller than what would fit their income and social status.

In spite of the rigidity of housing market of Budapest the urban-to-rural migration became dominant, in fact, intensified. The destination areas of these migrations are mostly within commuting distance, which indicates the fact that the late-coming wave of suburbanisation not only reached Central Europe but became the dominant process of residential mobility (Kok,1997). Statistics show that while Budapest has lost over 270 000 inhabitants since 1980, (76% after 1990) the surrounding region (Central Hungarian Region) has experienced a massive increase (Chapter 5.2.1).

To study the forces behind residential relocation – the stress factor – the findings of a survey conducted by the Central Statistical Office (2000.) was taken as a basis for the survey on Budapest. Due to the lack of similar surveys from the period before 1989, a comparison of the driving forces to move before and after the demise of socialism is not possible and would also be pointless as due to the strongly limited housing market the dissatisfaction with any aspect of dwelling hardly ended in moving.

According to the figures of the CSO, in 2000 25% of Hungarian households were dissatisfied with their place of dwelling. The stress which drives people to move is complex, however,

Survey on the residential preferences of Budapest middle-class, 2000

The idea of “investigating” among the newly arising middle class about their residential relocation motives arose in the author too³².

In the life of these households – as they admitted – radical changes occurred in the 10 years of transition as most of them took advantage of the more liberal economic system.

They were questioned about the number of times they had moved in the 1990s and their motivations for the move(s). It turned out that in 73% the positive status change was coupled with residential relocation 1990s. As their financial position improved the desire to live in an environment of better quality became one of the key driving factors.

When analysing the answers to the reasons to move, the importance of the urban environment³³ in the decision-making in the different age groups was considered (Figure 5.8). In the youngest studied age group (18-30) only few respondents considered this factor as there were several more decisive motives. 40% of the people aged between 31-40 and 41-50 claimed that the factor in question played a significant role in the last move, in the second age group (31-40) only 6% moved only for this reason, while in the third age group (41-50) it reached 20%.

In the fourth group the importance of urban environmental quality is outweighed by the high costs of living in a relatively big house. The diagram suggests that in Hungary at the end of the 1990s the time when the households ideally could afford to consider only this factor for residential relocation is between age 41 and 50³⁴ – household heads age.

It was appropriate to examine the present form of housing of those who moved due to being discontented with the residential environment. A sharp difference between those who moved only for this reason and those who considered it a partial reason to move was found. The housing estates and the old tenement blocks in the inner-city area are not necessarily associated with intolerable residential environment³⁵, nevertheless, for people in the survey moving only for the environment, a good residential environment means moving to the classic garden city area in the green belt or the outer districts of Budapest.

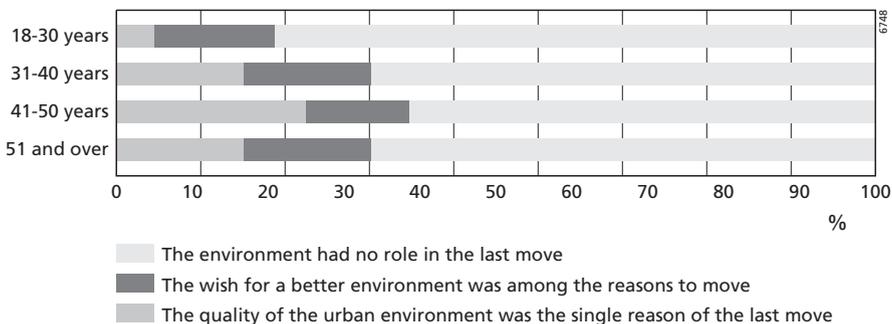


Figure 5.8 The role of environmental (neighbourhood) quality in the last move according to the age groups. Source: questionnaire survey 1999. Földi, 2000

The survey aimed at revealing the desired next target area of move had the respondents no limits in funding. Figure 5.9 shows the spatial location of preferences. It turned out that 33% of the respondents would feel most comfortable in the agglomeration (not presented in the map Figure 5.9). It was found that the most popular target areas of relocation within Budapest would be on the Buda side. The darker the colour in Figure 5.9, the more likely the respondents would choose to live in the given district. (The dividing line between the positively and the negatively ranked areas is between category 4 and 5.)

Much worse was the general opinion about the central districts (lighter shades) on the Pest side (subject of the present study). Although there are sharp differences in each district concerning the quality of the urban environment, people tended to generalise and they have a stereotypical 7th or 8th district in mind.

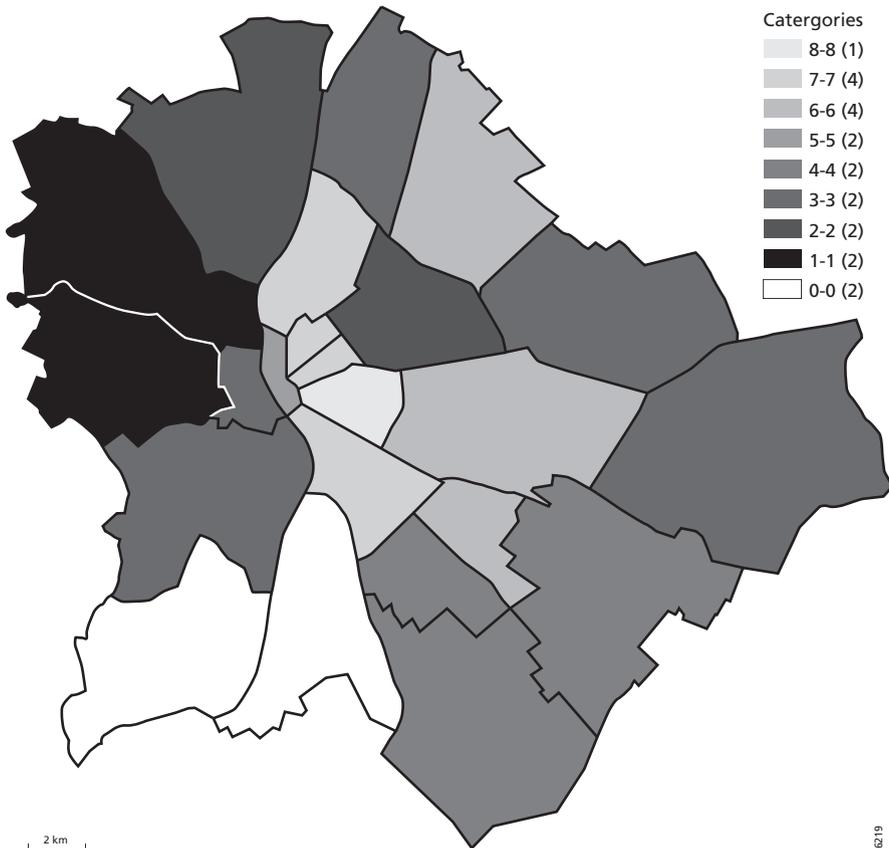


Figure 5.9 Preferences of people for the ideal dwelling place with respect to the quality of the urban environment (There was no data for category 0)

The assessment and the evaluation of the districts changed when the respondents were asked to identify the areas which were realistic target neighbourhoods – with the least trade-off – considering their financial situation. In this case the districts having the darkest shades in Figure 5.5 were ranked as less accessible. It means that although the respondents in the survey had no day to day financial difficulties generally they could not afford more exclusive districts such as the 2nd or the 12th, indicated with the darkest shades. They would rather choose the little less pleasant but still above average areas with moderately high prices – but still too high for people with average income (naturally here we refer to the average prices). These districts (3rd, 11th, 14th) are indicated with the second darkest shade in the map (Figure 5.9).

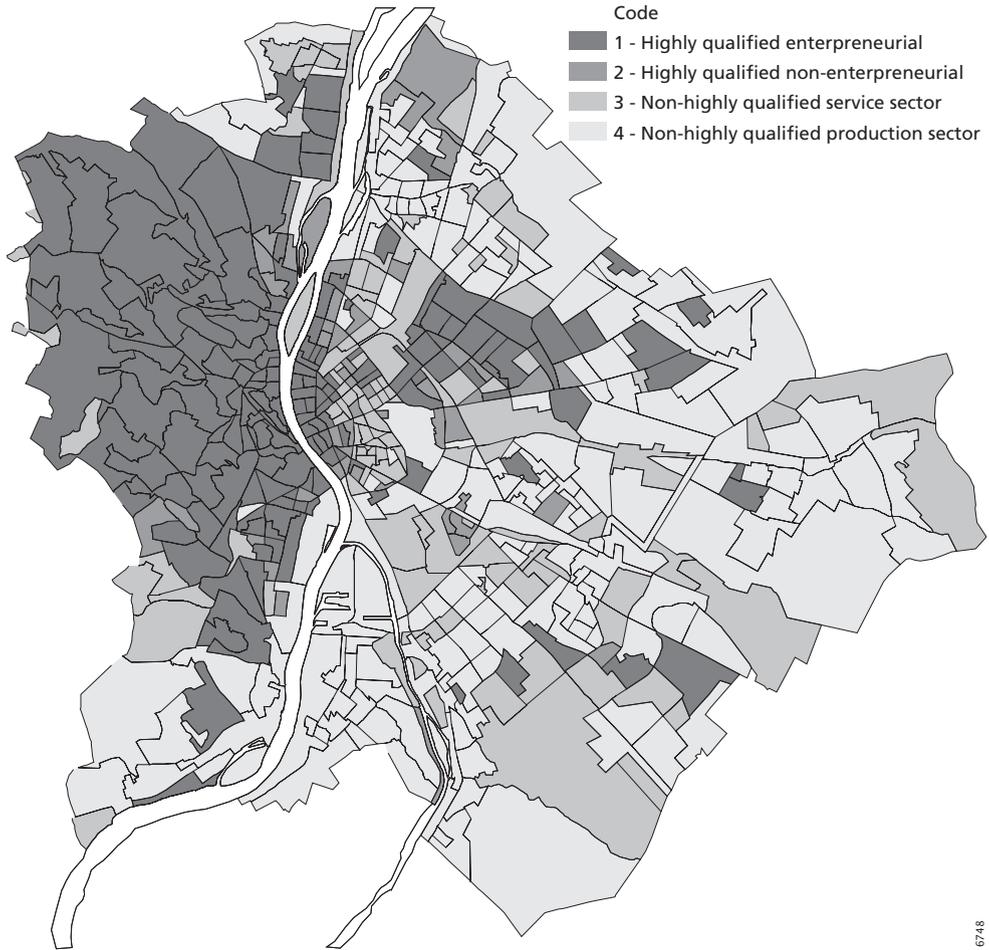
The least desirable districts are located in the centre of Budapest and are coloured light grey. These districts were totally excluded for the respondents when defining the search areas of the next possible move.

Even this little survey supports the claim that ambitions and reality have not been in line with each other even in the middle class segment of the Budapest society. Mobility at the time of the survey was still limited for lack of proper mortgage system and the high standard residential projects existed only on the planning desks.

there is always a cause which is the most influential. The financial difficulties of the times of the households was reflected in the answers: 25 % of the respondents claimed that primarily the high daily costs of amenities forced them to move. The respondents in the survey were the most dissatisfied with their housing conditions, followed by the quality of their residential environment. It suggests that at the end of the decade, the housing market could not meet the needs of people with respect to the quality of the residential environment and housing. Shortage in quality housing still exists, more so for people with moderate or very low income. Shortage appears also in housing of satisfactory size, with fairly good environments and acceptable prices.

Based on the above described analyses the close link between spatial and social mobility is obvious: the high degree of social polarisation, the fact that the market opportunities opened up, the flexible housing supply is meeting the demands of an already markedly stratified society. The tendency of social polarisation manifested in the gradually growing degree of spatial segregation. Segregation research has a long tradition (Probáld, 1975; Ladányi, 1988; Rédei, 1994) in Budapest which indicates the fact that even in the socialist era it was admitted that the social composition of the various residential areas highly differs along characteristics like education, occupation, age structure etc. It is also clear that the degree of spatial distinction has very much increased in the past decades (Rédei, 1994).

For the interpretation of the present situation we considered the 2001 Census data. For lack of income or taxation data, we took a complex indicator derived from educational and occupational data to categorise urban planning units (Figure 5.10)



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Figure 5.10 Population by education and occupation in Budapest by urban planning units, 2001. Source: CSO. Census, 2001.

For the presentation of the educational and occupational characteristics of the population we used four types of data:

- the rate of *people with a higher educational diploma* as percentage of the total population
- *entrepreneurs as percent of the employed people,*
- *employed people in the industrial and construction sector relative to all employed people*

The categories and the method of setting them up:

1. *highly qualified entrepreneurial:* first component is above the city average, the second is also above the city average – These are areas where the higher and the upper middle class people live.

2. *highly qualified non-entrepreneurial*: first component is above the city average, the second is below the city average – These are the areas where the middle income intelligentsia live (teachers, civil servants, young intelligentsia)
3. *non-highly qualified tertiary sector*: first component is below the city average, the third is below the city average
4. *non-highly qualified industrial*: first component is below the city average the third is above the city average – Unskilled, lowly skilled labour work in the building industry, even in industry that is typical of Budapest (e.g. some electronic industry)

The concentration of the well-educated and entrepreneurial population is marked on the Buda side of the city especially in the middle and northern part of it (2nd, 12th, 3rd and certain parts of the 11th district). There is another concentration of the dynamic social group on the Pest side in the 14th district (Zugló area), which is often referred to as a Buda type Pest district, as well as in particular parts of the outer Pest side districts. In Figure 5.9 these areas come out as most desired destinations of the moves.

The map does not precisely indicate the areas with high representation of the socially disadvantaged people. The overrepresentation of the non-highly qualified people however narrows down the possible areas. In this case the map is more useful together with the map in Figure 5.13, which shows the age and type of housing.

With the knowledge of general housing quality it is easier to identify the low status ghetto or nearly ghetto areas on the Pest side.

Besides representing very low standards in housing quality these areas are also more associated with poverty, criminal elements, constant fear of violence. As the level of poverty is much higher among the Roma, they are highly represented in these areas (Kovács, 1998). Ethnicity and low status seem to be closely interrelated in Budapest: almost half of the Roma population live in the increasingly slumming inner parts of Pest, mostly built-up with old, state-owned houses, and their share here increases dramatically (Ladányi, 1997).

Ladányi (1989) shows that low status ethnic and the low status other population groups have completely different patterns in Budapest. The Roma seem to be more and more concentrated in certain neighbourhoods while the poor in general are more scattered throughout the city.

5.4.2 The residential environment in Budapest

Based on the 2001 comprehensive Census data the categorisation and mapping of the housing stock by UPUs draw the picture of the arrangement of Budapest residential areas.

The chapter also reviews the endangered neighbourhood types of Budapest and deals with growing social and physical problems of housing estates – leaving the core of the research – the inner-city residential zone to Chapter 6.

Budapest and its agglomeration concentrates 25% (19% and 6% respectively) of the total housing stock in Hungary. The number of residents per 100 dwelling units is much lower than in the other settlements (230 and 269 respectively) (Hegedüs and Teller, 2005).

In 2001, the year of the last Census, the housing stock in Budapest numbered 747 597 inhabited dwelling units (818 899 together with the uninhabited ones) which were in 179 491 residential buildings.

The pie diagrams (Figure 5.11 and 5.12) show the distribution of the residential buildings and the dwelling units by period of construction. Comparing the two diagrams, besides the age composition, the connection between the representation of the buildings and units and the type of housing dominantly constructed in the given period in Budapest can be seen.

There are two periods when the share in the residential buildings is low but the share among the units is considerably higher: these are tied to the period of early capitalist modernisation with the related housing boom before 1919 and to the socialist housing construction boom in the period of 1970-79. In both periods residential buildings with high number of units were needed to meet the demand originating from the incredible population growth generated by the high demand for workforce. In the period of stagnation – between the two world wars and right after the World War 2 – the distinction between the two representations is the other way round. Typically smaller residential buildings were built containing one or just few dwelling units due to the fact that neither speculative private capital nor the state found it reasonable – for different reasons in different periods – to venture into large scale housing projects. Something similar happened in the post-socialist era up to 2001.

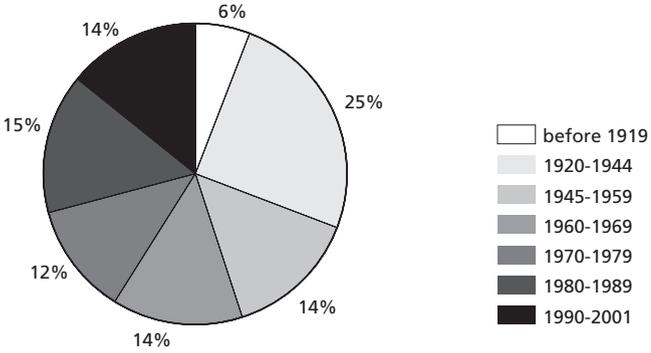


Figure 5.11 The residential buildings of Budapest by period of construction, 2001. Source: CSO, 2002

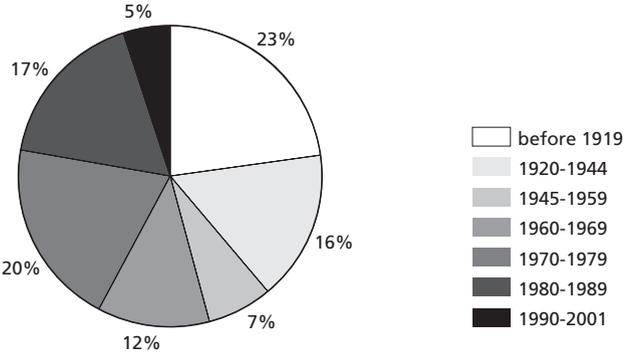


Figure 5.12 The dwelling units of Budapest by period of construction, 2001. Source: CSO, 2002

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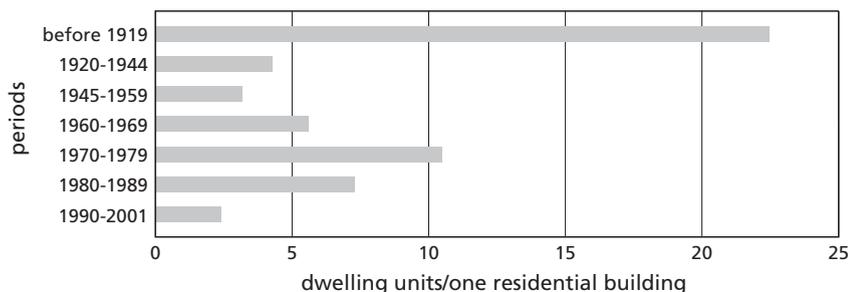


Figure 5.13 The dwelling units/residential building index in Budapest for the statistical periods.

Source: CSO, 2001

Figure 5.13 shows that the residential units per one residential building index was extremely high before 1919 while later it decreased drastically until the post-war socialist housing constructions started. A smaller peak in the index is seen in the 1970s, which is connected to the construction of the large housing estates. The index shows gradual decrease ever since then.

Explaining the spatial arrangement of housing types in Budapest, Hegedüs and Teller (2005) point out that as a consequence of the extraordinary urban development of the East-Central European cities moving away from the city centre the density of building decreases – so far similarly to the western European model – then primarily due to the housing estates it grows and then decreases again.

The spatial pattern is depicted in Figure 5.14, which shows the dominant type of housing by urban planning units. It is more the categorisation of UPUs by neighbourhood types than that of the housing stock⁶. For the categorisation of the urban planning units (UPU) we used the following method. Two types of data were taken into consideration:

- the number of *inhabited dwelling units* relative to all *residential buildings*;
 - the ratio of the *dwelling units built after 1960* to all dwelling units.
1. *Spacious up-to date housing stock* (the number of *inhabited dwelling units* relative to all *residential buildings* is above the city average while the ratio of the *dwelling units built after 1960* to all dwelling units is also above the city average)
 2. *Crowded up-to date housing stock* (first below city average second above city average)
 3. *Spacious obsolete housing stock* (first above city average second below city average)
 4. *Crowded obsolete housing stock* (first below city average second below city average)

The map (Figure 5.14) shows the arrangement of the UPUs characterised according to the dominant housing (neighbourhood) types, studying the map one can draw the following conclusions:

- The *first category* (spacious up-to date housing) is connected to the villa quarter of Buda and to the garden city area (Chapter 5.2) on the Pest side. The presence of detached or semi-

detached buildings constructed after 1960 is high. These are – as will be shown below – desirable housing types and the areas have a good position in the housing market, especially on the Buda side.

- The *second category* (crowded up-to-date housing) includes the housing estates. Naturally this does not mean that there are no other UPUs including this type of housing, but in these UPUs their representation is extremely high. As indicated later the position of this kind of housing is slipping in the housing market. At the same time diversification according to the period of construction and so the size and quality of buildings can be observed. The smaller



Figure 5.14 Housing stock by density and modernity by urban planning units in Budapest, 2001.
Source: CSO. Census, 2001

scale better quality estates would not even show on the map because of their a small share in the given UPU.

- The *third category* (spacious obsolete housing) characterises the less dynamic outer districts of Pest (the core are settlements that were independent before 1950 when greater Budapest was formed) and also the UPUs in the transitional zone (the brown field) where the smaller industrial colonies were constructed between the two world wars. The housing market position of these areas varies greatly, depending on many factors.
- Finally the *fourth category* (crowded obsolete housing) is concentrated in the core area of Budapest. Our study area can be found here. Their market position on the average is lower but as analysed in details in the case studies this is far from being general due to the upgrading (gentrified) neighbourhoods.

From the neighbourhood types shown above there are two categories that under the present social-economic situation count to be endangered and no more sustainable in the long run. Representing such large segment of Budapest housing stock both require state intervention by programming and funding their rehabilitation as well as the active participation of market actors and the non-profit sphere, otherwise massive deterioration continues turning these area more into urban slums and ghettos.

Below the book deals with these two types of areas especially with the housing estates, the inner-city residential area being the subject of research and detailed in Chapter 7.

Endangered neighbourhood types in Budapest

The existence of deprived and depressed areas is directly linked to and explained by general processes of segregation, social exclusion and increasing poverty in cities. The deprived neighbourhoods are often called “pockets of poverty”, meaning the spatial concentration of poor and excluded people.

The processes that seem to directly contribute to the development of deprived neighbourhoods are global and local economic restructuring and the defective welfare policies (Andersen et al., 2002). However, Andersen also points out that there is many evidences that segregation and deprivation continue in situations where the national and local economy is booming and social inequality is decreasing (e.g. Finland, Denmark).

In the new capitalist societies, the traditional explanation seem to be relevant in the explanation of deprivation and depression on the neighbourhood level. It is the tendency that areas dominated by certain types of tenure and buildings tend to produce more symptoms of dilapidation than others. The self-perpetuating process pulling the neighbourhoods into a downward spiral is hard to stop and recovery from the process is seldom successful if the neighbourhood relies on its on resources.

The danger is that the deprived neighbourhoods act as magnetic poles that attract poverty and social problems and repel people and economic resources in a way that influences other parts of the urban space too (Andersen et al., 2002).

Under the conditions of capitalist urban development controlled mainly by market forces, there are two types of residential areas in Budapest – characterised by specific tenure and building types – in especially endangered status. One type is associated with the *historical residential zone*³⁷ (multi-unit tenement buildings from the late 19th early 20th century, high degree of social rent,

low quality rentals privatised after 1993) the other covers the *housing estates* especially those built in the late 1960s and 1970s (lower quality prefabricated housing blocks, in a relatively isolated location and improper services which have started to show the clear signs of residualisation and the segregation of the lower class people (Egedy, 2001). International examples and case studies show that in the same building and neighbourhood categories not all the areas are subject to the same risk regarding dilapidation. The factors that tend to worsen the chance of stabilisation and improvement regarding residential environmental quality are: the historically rooted socio-economic backwardness of an area along with the innate prejudice and aversion of the better-to-do segment of the urban society towards the area (e.g. the case of Middle-Józsefváros area in Budapest); the presence of an urban ecological element of the built environment that spoils the liveability of the area and damages the position of the housing units (e.g. the neighbourhood under the impact of the Nyugati Station in the 6th district). Besides many other, sometimes undetectable features of the social and built environment, these two can be considered as major factors enhancing the possibility of dilapidation.

As Chapter 7 is fully devoted to the structural analyses of the inner-city residential zone, the following part of the book only describes in brief the housing estates along with the causes of being especially prone to dilapidation as well as the attempts to rehabilitation of the complexes.

The housing estates and the prospects of renewal

One of today's most sensitive segments of housing once was one of the most remarkable achievements of the and the socialist regime. The quantitative housing shortage that characterizing the early socialist times was to be eliminated by the nationalization and physical restructuring in the 1940s and 1950s. This policy was soon given up on seeing the immense demand for decent housing in the period of intensive post-war industrialization. In the late 1950s and 1960s, the central government launched a program for the development of industrialized housing production³⁸.

The most extensive production of housing estates happened in the 1970s (Figure 5.15), when it also meant the chance to substantially improve the living standards of people.

In need of large vacant plots of land these large-scale achievements of modern urbanism were located in the peripheral areas and did not affect the traditional urban texture. The production was financed by the central government, which established large construction companies with the capacity and the proper technical background for the standardized production of new housing estates.

Soon after completing the first estates, experts such as Konrád and Szelényi (1969) realized the sociological problems generated by the socialist housing allocation system generating segregation and the downgrading of inner-city neighborhoods. Interestingly enough, the

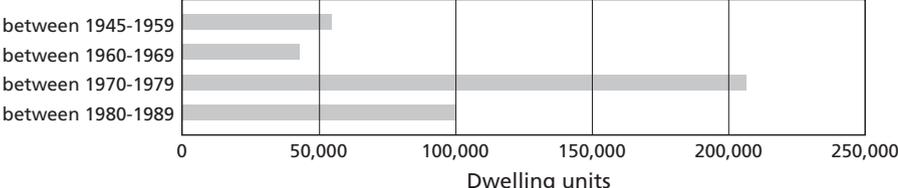


Figure 5.15 Production of dwelling units in the housing estates. Source: Preisich, 1996

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problem defined then was the same as today – segregation and the extension of slums in the city center – but all at the advantage of the housing estates, which – as hinted above – were the peak residential forms at the time of their construction for the socialist middle class and working class.

The issue of segregation and the problem of slums remained topical up to now and became magnified in the new socio-economic system; nevertheless, nowadays, the housing estates are on the losing side.

By the 1990s, socialist housing estates lost their former popularity and became sources of outward migration of the better-off households to the suburban areas. The residualization – both physical and social – characterizing this housing form is typical of the generation of estates dating back to the 1970s, the time of mass production, when the objective was to eliminate quantitative housing shortage and quality and sustainability were of secondary importance.

Kovács and Douglas (1996) talks about housing estates as “time bombs” of socialism expanding the problem to the housing type – especially from the period of the 1970s, Egedy’s (2003) *housing estate syndrome* also refers mainly to the estates dating back to the 1960s and 1970s.

The syndrome is familiar not only in Budapest and not only in the post-socialist cities: the architectural monotony, lack of green space, decreasing security and high costs of amenities (especially heating) as well as the related sociological problems are identifiable all over Europe. However, as Csizmady (2005) points out, in the case of the Western European estates better quality materials were used, the layout of the buildings was more sensible and services have always been of better standards.

Between 1990 and 2001, more than 110 thousand people left the housing estates in Budapest, meaning a 15.2% decrease (Kovács, 2005.a). Residualisation in a sociological sense covers a change in the composition of society and concomitant complications like crime, vandalism, disappearance of shops and services. The households with no other options are stuck in the high-rise buildings against their will. The shares of elderly and socially disadvantaged rapidly increased in these housing types.

The residents’ degree of discontent with the generations of housing estates varies greatly. Most objections are against the largest estates of poor quality (1970s) (Egedy, 2003). While people show less discontentment with the generations of estates from the 1950s (low rise, brick) and 1980s (4-5-storey, with spacious units, green areas), which consequently have much better position in the housing market (Csizmady, 2005).

The renewal of the pre-fab housing estates has become a hot issue and right after the change of system it was forecast that the housing estates would quickly become a source of social and economic tension. Bearing in mind that the life expectancy of these buildings is about 80-100 years comprehensive maintenance required in every 30 years.

It presently means the necessity of the regeneration of about 200 thousands dwelling units in ten years only in Budapest (Csizmady, 2005). Egedy (2003) estimates the number of dwellings in need of immediate physical renewal to be 18 000 at the end of the 1990s.

However, the already outlined period of crisis and the even more urgent tasks of the consolidation at the end of the 1990s gave no priority to the renewal program. The program

launched by the government in 1995 based on German loans could not induce a large scale regeneration action due to inadequate management of privatized estate buildings, the lack of own share and organizational problems.

A new program³⁹ aiming to support the renewal, including fitting-in energy-saving solutions was launched in 2001. The local governments could apply for state support grants, where the state makes a commitment to finance up to one third of the renewal expenses while the rest was to be financed by the local governments and the households. Up to the summer of 2002, more than 6000 dwelling units were given the support especially (in 73%) for insulation (Egedy, 2003).

The new National Housing Program also deals with the rehabilitation of the housing estates, but the funding behind the program installment is scarce.

Budapest has no program for the regeneration of its housing estates. The renewals however can be supported from the fund available for condominiums, which does not discriminate between housing types. The contribution of the City Government is 25-30% while the rest is to be provided by the district municipalities. The problem as ever is with the contribution by the households.

This shows that along with the devaluation and social downgrading of the housing estates, funds are needed to provide for a larger share of the expenses or offer a loan construction that is affordable for the lower income households as well.

5.4.3 Housing prices in Budapest – affordability and the spatial synthesis of complex analyses

Hegedüs and Teller (2005) identify affordability of housing as a key concept of modern housing policy. Affordability depends on the household income, financial situation, prices and the accessibility of mortgages. In line with the general economic tendency outlined in Chapter 4.3.2 – especially with real wages – the real value of housing prices decreased in the first half of the 1990s. The housing affordability in Budapest has always been worse than in the rest of the country. The average housing prices were 40-50% higher than the national average while the household incomes were only 15-20% higher. The prices grew by 35% between 1992 and 1998 while they doubled between 1999 and 2003. Wages did not quite follow the trend, affordability still improved considerably after 2000 due to state support of loans for housing. This greatly influenced housing mobility in the city, but left almost untouched the spatial pattern of housing prices in the Hungarian capital.

House prices reflect various attributes of not only the marketized dwelling units themselves but the physical and social characteristics of their neighbourhood, distance from the centre, institutional background, transportation, general image of the area etc. Budapest in the era of transition offers a good example of the influence of general image and the neighbourhood quality on prices.

While the type and age of housing affect the prices the most, it is also typical that similar housing types are ranked absolutely differently in the housing market simply because they are located on the Pest or the Buda side of the city. It is a general truth that price is a complex indicator derived from a large number of attributes of the housing unit and the neighbourhood.

Looking at the map of Budapest showing the average prices for the zip code areas (Figure 5.16)⁴⁰ the sharp contrast between the left and the right hand sides of the city are striking.



Figure 5.16 The average housing prices (price/m²) by zip code areas in 2004. Source: Tóth, 2005. www.ingatlanpiac-info.hu/toth-krisztina.pdf based in Ingatlan – online data base

Thinking back the map of educational-occupational categories of the population (Figure 5.10), the categories of the housing stock and the quality of the environment (Figure 5.13) the link between the prices and the social status of inhabitants and the type of housing stock is clear.

There are also hidden attributes of neighbourhoods and whole districts that do not come out as obvious from e.g. the physical characteristics of the housing stock (Figure 5.14), nevertheless, they are built into the prices, which determines the social status of the population.

The highest prices (thousand HUF per m²) are on average four times higher than the lowest (Tóth, 2005 www.ingatlanpiac-info.hu/toth-krisztina.pdf). The highest prices are connected to most of the Buda side, mainly to district 1st, 2nd, 3rd, 12th and 11th. The villa quarter of Budapest in the valley and hillsides of the Buda and Pilis mountains covers these areas. In reality villas intermingle with high standard sometimes rather old condominiums having traditionally higher status inhabitants. In the former regime they were mainly from the nomenclature and intelligentsia and now – as shown in Figure 5.10 – besides cultural and social capital, financial capital is indispensable to reside here.

On the Buda side somewhat lower prices are recorded in the housing estates of the 3rd and the 11th districts – which are still higher than the prices for the same quality housing on the Pest side. The odd one out is the 22nd district at the very south of the Buda side which show prices as low as the worst Pest side areas. It is due to the industrial plants and polluting activities and the much less attractive neighbourhood layout and the bad accessibility.

Another concentration of higher prices is found on the Pest side in the 14th and 16th district and also in particular areas of other outer districts. These areas belong to the garden city belt of Budapest (Figure 5.3) and include higher status population too. Yet, up to now, these areas have not been able to achieve the same status as the Buda hills, in spite of the fact that the housing stock and the neighbourhood quality as well as the criminal statistics are especially favourable. The Hungarian urban geographers recently started to call these districts the target areas of “internal suburbanisation” as they almost exclusively showed an increase in the number of inhabitants between 1990 and 2001 (Figure 5.2).

The *lowest average prices* are in the inner-city districts, the 6th, 7th, 8th and also in the former industrial strongholds such as the 21st district in the south of the city (Csepel Island). The slums of the 8th district – quite understandably – are in the worst possible position in the market. No surprise that they function as a trap for the residents. No investment in the housing unit will ever be returned, with this thought in mind the inhabitants do not invest but wait for central action (see later in Chapter 7.3).

Typically enough an almost identical pattern of prices was found by Kovács and Wiessner (1996), which indicates that no radical changes have been achieved by the mechanisms behind the market, which would have influenced the city structure fundamentally.

In her study Tóth (ingatlanpiac-info.hu, 2005) compared the prices of 1996 and 2004, and examined the down and upgrading areas of Budapest. She examined the absolute as well as the relative change of prices. In the inner-city districts Tóth found the relative price change especially marked in specific streets and blocks, which had seen considerable investments. The area cannot be treated as a homogeneously downgrading area any more as it started to show increasing diversification due to the sporadic, but increasingly consistent regeneration – detailed in Chapter 7.

Tóth’s conclusion was that the housing market of Budapest is characterised by serious spatial disparities expressed in the house prices and no or hardly sign of levelling can be observed up to 2004. This tendency keeps social segregation growing as the lowest income families cannot break out of their neighbourhood, while the segregation of the well-off is assured by the skyrocketing prices, which act as an invisible wall around them.

Notes

1. Short’s statement (1996. p. 40.) that “a country’s economic history, as well as its economic geography is made manifest in the changing form of its urban hierarchy” is undeniably true and relevant for the more or less historically stable states like Great Britain, United States but not so much for the Central European countries where besides the economic history and geography the recent and more remote border changes have also made their mark on the settlement pattern and so rank size regularities (Cséfalvay, 1994, p. 312.).

2. By 1983 it doubled compared to 1945 while a little more than 10 years were needed for the second doubling (Beluszky, 1999).
3. The industrial towns were concentrated in the mountain ranges, or along favourable traffic routes like international waterways (The Danube, River Tisza), where local as well as import natural resources were processed in the plants of metallurgy, steel production, aluminium industry, petrol refineries etc. These towns were the classic examples of socialist industrial towns striving for survival, successful structural change and the problems of unemployment and diminishing population following the change of socio-economic system.
4. In contrast to the 19th century urbanisation period when ca. 60% of the overall investments went into infrastructure, much smaller amounts were spent on infrastructure during socialist industrialisation.
5. In the 1890s there were 20 flats per 1000 inhabitants built in the city of 0.5 million while it hardly exceeded 5 flats per 1000 inhabitants in a city of nearly 2 million in 1960.
6. The second agglomeration period started in the 1980s due to the start of classic sub-urbanisation and the related extensive use of car and the consequential road and highway building (Koszorú, 2004)
7. Proposals for the formation of a larger Budapest by expanding its administrative borders dates back to the very beginning of the 20th century (Beluszky, 1999).
8. In Beluszky's (1999) definition these are: daily connections of settlements (not only commuting), advanced stage of urbanisation (urban employment structure, high standards of infrastructure, urban way of life), proximity (the physical nearness of places), infrastructure connection (suburban traffic lines, common sewage and water pipe system), demographic processes (increasing population, migration gain).
9. The Structural Plan of the Central Hungarian Region, Terra studio Kft. 2002).
10. A more focused and sophisticated description of the Pest side historical residential zone – as the subject area of the dissertation – can be found in Chapter 7.
11. A special “colony” for lower middle class middle class officials (Körner's classification p.52., 2004). Located in the outermost part of the district actually penetrating into the rust belt.
12. How much it was only a gesture towards the public is indicated by subjective remarks made by some of the interviewees from both district governments attributing the initiation of cooperation to their side (Note by the author).
13. Budapest has had the same mayor in the past 15 years, Gábor Demszky is a politician of the Alliance of Free Democrats (the Hungarian liberal party). The citizens elect the Mayor of Budapest directly.
14. Approaching the tend of the 1990s, the tensions between the city and its agglomeration were mounting even though more and more planning documents with city-wide scope emphasized that the city and the agglomeration were to be treated as one macro level planning unit. There were finally two important documents which aimed to reestablish peace between the two competing spatial units (the capital city and its agglomeration). The first was the *Budapest Agglomeration Spatial Regulation Plan*, the other was the *Budapest Agglomeration Development Concept*. Both documents pointed out that the irresponsible land use practice of the local governments located on and near the edge of the city, generates a spontaneous, chaotic development, which being uncontrolled is wasting the resources and is environmentally not sustainable, what is more harmful to the natural environment. The Budapest Agglomeration Development Concept treats the Budapest agglomeration as a metropolitan area where the settlement and the infrastructure connecting them form a cohesive, mutually dependent conurbation of places.
15. Imre Ikvai-Szabó was the Vice-Mayor of Budapest in 2005
16. Subsidies from the national budget commenced to diminish rapidly and the direct subsidisation of the social rent sector ceased completely. From this time on the district councils got the subsidy – a radically reduced amount further diminishing step by step – which could be distributed according to local needs (Dániel, 1997).

17. The term is taken from Harloe's (1995) theoretical scheme and covers all the processes included in the residual model: withdrawal of the state, concentration of low-status people, deprivation of the public housing stock.
18. Privatisation in Hungary is connected to and explained by the consequences of the new economic mechanism introduced in 1968, which finally resulted in a governmental decree on giving free way to the sitting tenants of tenement buildings of certain types. The buildings were in mixed private and public ownership (Lampel and Lampel, 1998). Naturally people living in council flats raise their voice at the local council about the exclusivity of the decision. Finally, in 1969 the government issued a decree about the extension of the entitlement to privatise. However it was still limited for tenants living in buildings with less than 12 flats. The privatisation process was going very slowly. Between 1971 and 1983, only 2300 flats were privatised from the potential 76 300. A turning point was 1983 when the Housing Act made privatisation more feasible with greater discounts and the ability to privatise in buildings with more than 12 units (Lowe and Tosics, 1988). The privatisation was communicated openly via all media but still only 2625 proposals were submitted. Most of the marketed flats were located in the green Buda side while in the inner Pest areas e.g. in Terézváros (6th district) from the 28 000 flats only 2-300 were sold till 1989 (Lampel and Lampel, 1998).
19. The 11th district is located in the south of the Buda side with the largest population and territory in Budapest in relatively desirable but varied housing conditions and residential environment, while the 14th district is the so called Buda type district located on the Pest side of the capital city, with socio-economic indicators similar to the districts of the Buda side.
20. The first shopping centres in Budapest were built in the 1970s with a net floor area smaller than 10 000m² and with no proper parking facilities (Flórián, Skála) – these were purely state investments. The second generation shopping centres date from the 1980s and besides the state, multinational companies were represented – such a place was the Sugár centre. Naturally all these have been located in intra-modal transportation nodes of the city where hundreds of thousands of people passed by to and from work (Dékány, 2001 www.sulinet.hu/eletestudomany/archiv/2001/0149/07.html; Sikos T. and Hoffman, 2003, www.selyeuni.sk).
21. In Budapest presently there are 31 shopping centres and numerous hypermarkets
22. Demján is a prosperous businessman involved in estate development – Trigránit Co.
23. The contrast is striking in the case of Pólus Center built in the place of a former Russian military camp with a run-down neighbourhood nearby. The investor only concentrated on the actual project with no attention to the immediate surrounding of it (Péterfi, 1998).
24. Trigránit Co., Autoker Holding are two of the largest and most well-known developers in Budapest partly because they are involved in several other fields of economy and have residential mega projects. Trigránit more and more allocates its forces in the Millennium City centre in the south of Pest (Palace of Arts, luxury residential buildings), while Autoker has made its presence in numerous larger high standard residential projects in mainly the 13th (Cézár-ház, Kleopátra ház, Római kert. and 6-7th districts (Király udvar, Heléna ház, Guzsdudvar etc.) all found in our study area.
25. At the same time the housing market was not very successful in looking for ways to meet the demands arising on the part of the lower middle and lower class people.
26. The builders are obliged to create a number of parking lots belonging to the newly constructed residential building proportionate to the number of units.
27. Before the change of system in Budapest the management of about 65 000 units was carried out by the housing cooperatives, while that of further 44 000 units by 22 immobile management companies (IKV).
28. Szervezeti és Működési Szabályzat (SzMSz) = Organisational and Operational Regulations
29. The data base in SPSS format for secondary analyses was provided by István Szabó (presently the head of the Department of Publicity in Central Statistical Office Budapest).
30. No surprise as they proposed the establishment of the district in 1993

31. There are new impacts on the social and spatial structure of Budapest, which effectuate themselves partly via the decisions on the target area and targeted housing type of the next relocation. The global cultural flows influence the spatial pattern of the Budapest society. The three major forms are:
- a. the direct cultural impact of the global media setting new life-style patterns especially in the middle and upper-middle-class groups (new demands regarding migration destinations and architectural designs, interiors)
 - b. global professional (architectural) impacts (closely connected to global investment – capital – flows)
 - c. the immigrants forming their closed communities, changing the original character of certain neighbourhoods via their culture-specific life-style elements which appear in the residential space in the form of semi-fixed and non-fixed feature elements (closely connected to the global labour flows) (Földi, 2004)
32. The author conducted a survey which comprised a sample of 361 middle and upper-middle class respondents having relatively higher standard of living and higher social status in the society of Budapest. Sampling on the basis of income and social status is quite complicated as people tend to refuse to give answers to questions concerning these issues. As a teacher at the time of the survey at a semi-private school with a relatively high number of students, the author had the chance to distribute the questionnaires among the students asking them to return the sheets after having them completed by their parents and close relatives (grandparents, brothers, sisters over 18). Out of 500 questionnaires 393 were returned and 361 were found to have been satisfactorily completed.
33. Urban environment here means not only the physical condition of the constructions and the green areas but also the social environment which, among other things, determines public safety.
34. It is in contrast with what is indicated in the statistics on the age composition of the new residential area in the suburban areas. It indicates that in the new households the household head is between 30 and 40, so there are relative young families with children.
35. There are fine examples constructed in the 1980's near the bank of the river.(eg. Római part)
36. While our method analysing the age and the density of the building stock tells more about the dominant *neighbourhood* type in the UPUs, Hegedüs and Teller's (2005) method for the categorisation is more focused on the housing types as housing market segments: They distinguish four categories too, which partly overlaps with ours: housing estates, city dwellings (in condominiums), condominiums (neither in the inner city nor in housing estate), detached houses with garden.
37. Here we also think of the residential areas of the rust belt area which fall outside the scope of case studies.
38. For the new housing programs new technology was needed, the first housing factories were imported from Denmark and the USSR. In the 1970s four factories provided Budapest and its immediate region with the proper amount of prefabricated panel elements. To be able to keep to the plans the floor plan of the flats was simplified, the façade and the way grouping the buildings were also simplified.
39. Within the framework of comprehensive Széchenyi Plan
40. One Euro is 250 HUF on the average. The minimal wage per month in 2005 was 57 000 HUF (about 230 Euro).

6 The inner-city historical residential area of Budapest – the study area of research

Chapter 6 deals with the very study area of the book, the historical residential area of Budapest. Besides the historical development of the area, we also analyse the present spatial and social characteristics highlighting the differences among the urban planning units and derive the causes of anomalies from the historical path of development as well as the actual work of the mechanisms. We treat the rehabilitation attempts initiated and carried out by various actors in both the socialist and the post-socialist eras.

This chapter is intended to be an introduction to Chapter 7 on the very Pest-side districts and neighbourhoods most affected by the recent upgrading process.

As hinted in the previous chapter, it is complicated to draw the border of the inner-city historical residential zone precisely. It stretches over the Danube and can be found on both sides of the river, however on the Buda side the area is restricted to the banks of the river and the thoroughfares on the floodplain. On the Pest side, a regular arrangement of boulevards and side streets are found which were facilitated by the flatness of the land, the regular layout being the testimony to the modern capitalist vision of a city, with tough regulations and planning.

6.1 Historical path dependency in the inner-city residential zone

What we call the historical residential zone is the product of the era up to World War I. By the early 18th century Pest, on the left side of the Danube had outgrown the city walls (now the line of Little Boulevard) which had become an obstacle to development and the related spatial expansion. Even before the inhabitants of the city had started to occupy more and more land arbitrarily in the area which had been used as pasture and cultivated for the food supply of the city. Besides land cultivation they also started to build manor houses. The land occupation was going with no control. It was only in 1717 when registration of the plot limits took an official form. By the middle of the 18th century the contemporary suburbs had grown so large that the local authorities, to be able to keep the area under control, decided to divide the outskirts into two parts: Lower and Upper Suburbs. For some historically unclear reasons – but most probably after Empress Maria Teresa – the Upper part, more or less meaning the present 6th and 7th district was named Terézváros (Teresa town) (Bán and Maraffai, 1997).

The land in agricultural use was gradually occupied by buildings and the building sites followed the layout of the plots and so became extremely dense. This *spontaneous* urban development was going on for more than a century and when the first regulation plan was born, the area was fully built up.

The city was already booming economically and also regarding its population. The capitalist modernisation finally reached the country and the new capital city was becoming the competitor of Vienna. In the 1860s, the country was in a great shock of a lost revolution (1848-49) and was in a tension-laden, fully dependent relationship with Austria in a still half-feudal state. The contemporary influential middle-of-the-road politicians in the early 1860s identified the conditions of economic and social revitalisation and named – among others – the development of one European metropolis as the key to revival. The to-does were also seen which were the political compromise (1867) with the Austrian Empire and joining the European economic circulation, the reinforcement of the administrative background as the foundation of systematic city planning and construction, and a booming economy that was expected to place the capital and the country on the track of rapid development (Csapó and Karner, 1999). One thing was for certain: Budapest was the key to catching up with the advanced capitalist states.

The answers were:

- After the Compromise of Hungary and Austria in 1867, the Austro-Hungarian Monarchy was born and this created the political background for rapid development. Hungary regained its sovereignty and was in need of a capital for country of 20 million people (historical Hungary).
- The administrative condition of the realisation of a capital was fulfilled by the establishment of the *Metropolitan Board of Public Works* (1870), whose task was determined with a unified capital in mind. The three settlements (Pest, Buda and Óbuda) were unified and named Budapest in 1873¹. The contemporary zoning plans onwards were prepared in the spirit of creating a new European metropolis.
- New legislation adopted under the new stable political conditions, removed all obstacles to capitalist development. The new legislation regulating industry and commerce (1872) was made in the spirit of liberalism and gave free rein to the capital (Csapó and Karner, 1999). The 1880s saw an impressive development in all fields of the economy. The accumulated commercial capital flowed into estate speculations and the development of industry.

The population of Pest, Buda and Óbuda had hardly exceeded one hundred thousand (106 900) in 1840. The annual increase of the population was 1.9% until 1851. In 1869 the population was 270 476. The annual increase by then was 3.7%. At this time the number of buildings was 9351 with altogether 52 583 residential units (Faragó, 1998).

Due to the industrial growth, the population of the capital was increasing rapidly. By 1900 5% of the total national population was concentrated in the city. Typical of the growth between 1890 and 1900, the increase was 22.5 thousands per year (Beluszky, 1999). The labour force attracted by the growing industry was coming from all parts of the country speaking all kinds of languages and needed to be placed somewhere. At the same time a strong need for higher standard residential buildings also arose on the part of the new capitalist elite and the old feudal aristocracy.

Meeting the demands of this increasing number of people could not go unregulated and by the time the swelling of the population became critical the regulatory plan for the Pest side prepared by the Metropolitan Board of Public Works was already at hand (Csapó and Karner,

1999). This was extremely important in the physical growth of the city as it determined the structure and the road network of the city that we see now.

The two major achievements of the plan were the Andrassy Boulevard and the crescent shaped Grand Boulevard now two major attractions and traffic arteries of the historical residential area. Andrassy Bld. is more like an exclusive shopping mall, a tourist attraction with a function as a radial traffic artery while the Grand Boulevard has a great importance especially in managing the flow of traffic via the city. The proposed structure of the city definitely resembles of that of Vienna (the Ring). After a little “detour” due to the economic recession in 1873, the 2.32 km long Andrassy street was developed by the Board of Public Works and most of the representative palaces were complete by 1880 (the architecturally so characteristic Opera House was completed and opened in 1884).

The Grand Boulevard (the backbone of the historical residential area under scrutiny) was originally proposed to be a canal of the Danube (Lukács, 1996). The idea was discarded in the 1860s and the new aim was to create an axis, to attract concentrated development instead of scattered patches of developed areas. Its completion took more than 30 years from 1872 to 1906 (Csapó and Karner, 1999). First the boulevard was expected to evolve organically by estate development, but in spite of the allowances such as 30 years of tax-free operation offered, the strategy failed. Later the infrastructure (sewer, water, street lighting, pavement etc.) was prepared beforehand and understandably the intensity of construction got an impetus (Official Report, 1884). Typical for the long-term thinking of the planners, the sewer running under the Grand Boulevard still has spare capacity!

By building these two major – and many other significant and secondary – arteries the frame of the texture of the area was fixed. The physical features of land determined to a great extent the spatial expansion. While on the Buda side due to the intense relief the growth was multi-focal, the plains of Pest conditioned a mono-focal growth. It meant a concentric spatial pattern as no relief posed an obstacle to the spread of the city (Izsák, 2003).

The economic prosperity between 1874 and 1890 generated a construction fever. The number of buildings almost doubled in 25 years between 1869 and 1894 (Lukács, 1996). The number of buildings grew by 7000 from 1870 to 1900 (Novotny, 1995). In the 1880s, 10-11 thousand residential units were constructed annually (Beluszky, 1999). The turning point was 1899 when the pace gradually slowed. The increase in the number of residential buildings was due to the intensive city-bound migration but it was only fast enough not to let the housing situation get worse. With doubling the housing stock the dweller per unit ratio hardly improved in the same period (5.0 dweller/unit in 1870 4.8 in 1900). Regarding absolute growth most of the increase was realized in the category of the one-roomed flats but in relative terms the increase in the 2-3 and more-roomed units was considerably bigger, which means a clear improvement (Novotny, 1995). At the end of the most intensive period of city growth still more than half of the population lived in one-roomed units, with 4 or more people. Typically of the social polarization, the two-roomed flats were occupied by 2.6 people on average while the larger ones by less than 2 dwellers.

The Metropolitan Board of Public Works regulated the construction very strictly. The regulations – as hinted above – served the aim of building a city with the appearance of a real metropolis. The fact that the areas of residential function and industrial function did not mix but were clearly distinguished was due to two causes.

A *housing tax* was introduced to concentrate the residential function as close to the centre as possible and to prevent scattered house building in the contemporary outer areas. The housing tax law was issued before the unification of the capital city (1868. XXII.tc.), it provided temporary tax exemption for houses built within the contemporary customs-line. It varied in accordance with the distance from the core areas from 12 to as much as 25 years. The closer the construction took place, the longer the tax exception (Locsmáncsi, 2004). Another means of functional detachment was the so-called “*zonal scheme*” which was to direct industry to definite parts of the city. Such an area was the southern part of Ferencváros (present 9th district) perfectly accessible by water and by rail (see for details later) (Locsmáncsi, 2004).

In the central residential area, the regulations imposed high intensity of construction on the developers. 80-85% of the sites were allowed to be built up. On each site 3-5 storey tenements² were built fully enclosing the small and deep courtyards. The regulations did not condition the construction of neighbourhoods of distinct architecture type. No areas for garden cities, villa quarters were designated in the regulations. Consequently, segregation developed not in the relation of quarters and structural units of the city like nowadays but with respect to main and side streets as well as frontal and rear sections of the tenement buildings (Beluszky, 1999). The largest and highest standard units were located on the 1st and the 2nd floors in the front of the building. Such structures were not unique as these kinds of tenements were wide-spread in the larger cities of Central-Europe. The style of the buildings also originated from the same “source”. The outcome of the construction fever and the regulations was the sea of houses mainly in German neo-classic style (Lukács, 1996). However, if the architectural trend of the times is to be typified it must be as *eclecticism*. This style was created by many elements and factors like the prevailing romanticism, historical consciousness, and the rise of the affluent classes. By the end of the 19th century, eclecticism did not only rule the residential buildings but few of its elements decorated public buildings too. At the same time Art Nouveau was already taking over in Paris, Vienna, Barcelona. In Budapest the first buildings in eclectic-art nouveau style were public buildings and appeared only a few years after the turn of the century (Lukács, 1996, p. 56-57.).

Besides the residential function as expected from a new metropolis, the number of restaurants, coffee houses, and in the more fashionable areas the palace-like headquarters of insurance companies quickly increased in number. On the darker side of the districts hidden from the busy arteries the streets were narrow, the buildings crowded and crime, prostitution prevailed.

The neighbourhoods along the Grand Boulevard were part of the 6th, 7th, 8th and 9th districts (Terézváros, Erzsébetváros, Józsefváros, and Ferencváros respectively). The townscape of the first two districts was rather monotonous with the densely built 3-4 storey tenement blocks behind the fancy boulevards. In both districts the atmosphere was very much determined by the composition of the population. The population of the Teréz- and Erzsébetváros was one-third Jewish. The most populous was Erzsébetváros where each residential building housed 67.7 residents on average (when the city average was 44.2). In the extremely densely built area stretching from the Small Boulevard to the Grand Boulevard (behind the Synagogue) the

concentration of poor Jewish families was as high as 70%: this area developed into the infamous Jewish Ghetto during the World War 2 (Lukács, 1996, p. 54). As life was community centred in this part of Erzsébetváros (and partly Terézváros) the neighbourhoods were lively and functioned well in spite of the crowded circumstances (Amichay, 2004. www.epiteszforum.hu).

As shown in Table 6.1 already in the early 20th century the 6th and 7th districts were dominated by the multi-storey tenement buildings and this has not changed much ever since the time of construction, where around 90% of the building stock was built before 1919 in both districts.

The area beyond the Grand Boulevard was equally densely built. The quality of housing was poorer than in the area closer to the centre and socially it became a very problematic area already by the 1920s. It was the so-called “Chicago” (Geróházi, et al., 2004 www.epiteszforum.hu). Though crime rate was higher than average, the name originates from the pace of urban growth in the area (Lukács, 1996).

Architecturally speaking the 8th and 9th districts were distinct from Erzsébet- and Terézváros. Besides the growing number of tenement buildings in the side streets, mainly due to the exhausting sources of investment, numerous one-storey buildings remained, giving the area the atmosphere of the agricultural towns of the Great Plain or the middle-sized towns of Central Europe (Geróházi, et al., 2004 www.epiteszforum.hu; Lukács, 1996; Szabó, 2004a,b). The activity and life style of the local tradesmen, carriers etc. also contributed to town-like milieu. This area was the home of lower-middle and lower class people of mixed nationality.

Typically of the 8th and 9th districts to the east of the described residential area as early as the 1870s, the residential blocks of the proletariat quarter started to evolve in the proximity of the blossoming breweries, slaughterhouses, factories and railway stations.

By contrast, the 6th and 7th lacked the immense proletariat population mainly due to their structural features in the city. In the zone where the unhealthy factories were located in József and Ferencváros, there were the Millennium Monument and the City Park in Terézváros.

The table shows what rate of the residential building stocks falls into the category of the multi-storey and multi-unit block from the period before 1919 and before 1944 when most of the concerned area was constructed. Except for the 1st district, where the historical centre is situated and part of the housing stock have foundations from the 14th century, it is in the 5th, 6th, 7th, 8th, 9th and the 13th districts where the representation of the 5+ unit residential buildings from before 1919 is the highest. These districts are characterised with an especially high density of buildings as shown in the map in Figure 5.14.

The representation of the old buildings is not only marked in the total of each district but also regarding their share in the total building stock of this age in the city. Almost 10% of the 5+ unit residential buildings were constructed before 1919 meaning 8125 buildings. Altogether 61% of this number is located in the above mentioned six districts (with a share of 8, 12, 13, 15.7% respectively), while none of the other districts exceeds 5% representation from the total of the city.

Going back to the age structure of the building stock of the inner-city districts, it clearly comes out that the 6th and the 7th districts have the highest representation of the old building stock. None of the 8th or 9th districts have such high shares. It is due to the fact that these former

Table 6.1 The distribution of the 5+ unit residential buildings in the districts of Budapest by age.

District	Total number of residential buildings	The number of residential buildings with 5+ units	The share of residential buildings with 5+ units	The share of residential buildings with 5+ units built before 1919	The share of residential buildings with 5+ units built before 1944
1st	1240	993	80%	38%	66%
2nd	11826	2757	23%	14%	39%
3rd	10089	1931	19%	5%	17%
4th	6085	1855	30%	18%	31%
5th	836	780	93%	79%	94%
6th	1129	1078	95%	92%	97%
7th	1283	1242	97%	87%	97%
8th	1946	1546	79%	77%	88%
9th	1474	1356	92%	39%	58%
10th	4171	1479	35%	17%	38%
11th	9359	3073	33%	8%	35%
12th	5803	2082	36%	12%	37%
13th	3596	2323	65%	21%	48%
14th	9554	3094	32%	10%	36%
15th	10290	1127	11%	22%	33%
16th	16958	641	4%	5%	10%
17th	18918	417	2%	2%	3%
18th	200007	801	0%	6%	15%
19th	7867	977	12%	36%	50%
20th	11369	872	8%	19%	41%
21st	9853	971	10%	3%	9%
22nd	10570	512	5%	13%	22%
23rd	5268	173	3%	27%	49%
Total:	359491	32080	9%	25%	44%

Source: CSO, Census data, 2001.

districts reach more deeply into the area of the old industrial zone (now rust belt) embracing the historical residential zone where buildings of younger age with less than 5 units intermingle with the plots formerly in industrial use. It is the most striking in the 9th and the 13th district where the share of 5+ residential units dating back before 1919 falls under 40%, but still the rate of the same type of building but from the period before 1944 is around 50%.

This impressive conglomerate of the architectural products of the late 19th and early 20th century can equally be found on the Buda and the Pest side of the city but interestingly enough, people associate this type of built environment with Pest. It is due to its considerably larger representation, regular crescent zonal shape and the related social tensions and physical determination. The Buda-side tenement zone has always had a better standard housing stock and the social status was also higher. On the Pest side – as a sort of continuation the south of the 13th district has had a similarly homogeneously distributed higher status population. Újlipótváros (the south of the 13th district) gained the impetus for growth at a later stage of

capitalist modernisation so the buildings are often 20-30 years younger here than in any of the district discussed above. This is one reason for the selection of the case study districts and neighbourhoods (see the criteria of selection later in Chapter 7).

Between the two world wars there was almost nothing left from the great impetus of housing development so characteristic of the late 19th century capitalist modernisation. The large developers withdraw from housing provision and it became reflected in the structure and number of dwellings. Only 16% of the housing stock originate from the period between 1920-1944, when the value of the dwelling units/residential building index (Figure 5.13) dropped drastically compared to the previous period. This means that tenement blocks were no more constructed in such a great number as beforehand. The form of residential buildings housing larger number of households were the workers' colonies typically built in this period by the larger by the state and private companies, partly as the result of welfare measures (Körner, 2004).

6.2 Failures and achievements of renewal in the inner-city – the socialist and the post-socialist experience

After the communist takeover in 1948, the approach to housing provision fundamentally changed. The city diverted from the normal way of urban development based on the free mobility of actors in the property and labour market (Kovács, 2005a.). Housing including commissions, implementation, planning and construction by the centralised state organisations was brought under the control of the state and so the communist party (Preisich, 1998).

The inner-city tenement buildings started to be nationalised in 1952 and therefore, 38% of the national housing stock became stately owned. In Budapest this share was considerably larger the majority of which was located in the inner-city. In the inner-city districts more than 95% of the housing stock became nationalised in the 1950s. As in the post-war era in the period of reconstruction the right to housing was considered as basic. As no major housing construction happened due to the communist resource allocation principles, the shared rent system was revived³.

In 1949 there were already 42 300 shared rents which was 15-20% of the tenements of the Pest side (Lampel and Lampel, 1998). Another method of creating new housing units was transformation of the large apartments of the former higher classes by subdividing them with separation. This way the functional units of the new flats were insensibly arranged, e.g. kitchen transformed into a bathroom or toilet next to the kitchen while bathroom placed at the opposite end of the flat.

After nationalisation the rent to be paid in the old buildings was kept low, for political reason. The low rents were not enough even to cover the operational costs of the buildings. The maintenance and the renovation of the buildings remained the responsibility of the state which – at that time – ignored the seriously worn state of the housing stock.

In the late 1940s and early 1950s, the housing shortage was becoming an surmountable problem and after applying such inhumane means as freeing units by displacing (practically deporting) the families belonging to the former ruling class to the countryside, the last reserves were used up. The state could not postpone the construction of new housing (see Chapter 5.2.2 and 5.2 on the housing estates). The 1950s brought forth the increasing dissatisfaction with the state of the

old tenement buildings which the politicians could no longer ignore. As the maintenance and quality problems of the existing housing stock was labelled as a “qualitative housing shortage”, the politicians supposed that the treatment of the problem was of secondary importance and therefore gave it less priority than meeting the demands arising from the serious quantitative housing shortage.

In spite of the fact that after the 1956 Revolution, the private sector also got some rights to act on the market⁴ the old buildings remained intact for another 10 years. The 1968 introduction of the new economic mechanism, when a certain degree of competition was allowed among companies, did not bring any noticeable change in the approach to the rehabilitation of the old inner-city tenement buildings (Lampel and Lampel, 1998). Except for some facade renovations along the main thoroughfares no work was carried out- at least not any which would have been financed by the state. The tenants, however had the right to get smaller renovations completed by small entrepreneurs, whose activity was legalised by the new economic mechanism. The costs of repairs paid by the tenants were allowed to be subtracted from the amount of rent.

Meanwhile the 15 years housing construction program launched in 1960 was being implemented at full speed, the resources were directed to this program (Kovács, 2005a).

As the 1970s brought forth the structural problems of the planned economy, the state more and more counted on the ability of the households to solve their housing problems. With respect to the old tenements it meant that the households, which were able to accumulate income from the second economy, left the old inner-city tenements for the then fashionable housing estates or alternatively moved to the green belt.

Along with the physical residualisation of the historical residential zone the social residualisation became more and more obvious to the politicians as it led to dilapidation and the segregation of the disadvantaged people mainly old-age pensioners, people with poor educational background, and the Roma people⁵ (Ladányi, 1992).

Seeing the overwhelming residualisation and segregation, there were proposals as early as 1971 for the reform of the housing policy, whose most sensitive element would have been raising the rents. It would have been indispensable in favour of establishing the fund for at least the proper maintenance of the old buildings. The other issue on the agenda was to differentiate among the rents according to the location and quality of the housing units. There were also ideas about the gradual withdrawal of the state from housing and giving room to private initiatives. Rising rents would have caused a series of consequences regarding the centrally controlled wage and price system. Finally none of the radical reform measures were realised, therefore the large-scale housing construction (housing estates) were going on and the private sector remained limited. Besides, what concerned our study area the most – no steps were taken for housing reconstructions.

The construction of new housing estates happened on green field areas and also on plots regained by the demolition of the old outdated urban and sub-urban texture. One example is the 8th district (Middle-Józsefváros) where a full change of the urban texture including one-floor, low convenience housing happened according to the 1964 Zoning Plan of the city. This form of hard rehabilitation⁶ – eliminating completely the old structure and replacing it with new panel buildings – occurred at this scale only in the 8th district, however the same method was intended for the Middle-Ferencváros area, which finally did not happen for lack of resources and a change of policy (Chapter 7.4).

The tendency of population decline and aging urged BUVÁTI (a state urban planning company) to propose a rehabilitation plan for some of the most deteriorated blocks of the 6th and the 7th districts. The company recommended various degrees of intervention for the different blocks in distinct general state. Finally Block No 15 in the 7th district (Chapter 7.2) was chosen as an experimental block in 1978 for rehabilitation. In the same year the communist party openly admitted (in a party decree) that the rehabilitation of the old tenements was as important as the construction of new housing. By this time, the crisis of the socialist economy became far too obvious and the time to slow down the large housing programmes arrived. In spite of the central decision regarding the change of strategy in principles, almost nothing noteworthy happened for years in practice. In 1984 another party decree was dedicated to the cause urging a higher pace to the – not yet launched – rehabilitation program. The idea was to implement a classic urban rehabilitation model, aimed at carrying out major structural changes in the texture of the city (Kovács, 2005a.). The rehabilitation of Block No 15 finally happened in 1985 and proved to be extremely costly resulting the exchange of population to a large extent. This project was often mentioned as an example of “socialist gentrification” (Hegedüs and Tosics, 1991) (Chapter 7.2).

In 1986, the Council of the Capital City proposed to the state government the following details: Out of 999 blocks assessed in the historical residential area of Budapest, 394 (with 104 000 residential units) were found in urgent need of rehabilitation. 45% of these units had never been renewed since the construction (Lampel and Lampel, 1998). The proposal reached an operative stage by setting a schedule for the implementation: until 2000 173 blocks should have been renewed. The costs of the entire program was estimated to 140-160 billion HUF when in 1985 the annual budget for housing in the country (!!) was 9.6 billion HUF (Lampel and Lampel, 1998).

Yet, the most successful rehabilitation happened in the late 1980s in the 9th district, in Middle-Ferencváros where three blocks were finally rehabilitated in the 1st phase of what later was developed into the Ferencváros Rehabilitation Program. The banking sector was fully involved in the project from the very beginning, the rehabilitation of the three blocks was finished in 1994 (the program is detailed in Chapter 7.4).

Between 1975 and 1985 the volume of housing construction fell by 10 % and at the same time maintenance and renovations increased. These tasks were carried out by the smaller companies, which came into being after the fragmentation of the socialist housing factories brought forth by the terminated housing programs of the late 1970s and early 1980s. These companies were not dependent on the ministries unlike the large factories before and were not subsidised. Competition appeared again and the state companies were also allowed to compete with the smaller private (cooperative) ones. The cooperatives represented a small share in production (14%).

The change of system found the historical residential area especially on the Pest side in almost 100% state ownership, with an extremely deteriorated housing stock, an aging and diminishing population, mounting problems of segregation of lower class people and especially a high representation of the Roma people. Crime, and prostitution became serious in some of neighbourhoods.

Privatisation became a key issue for the district local governments (Chapter 5.3.1) after 1990. As the result of extensive privatisation, the local governments kept only the most run down housing stock – very small units without amenities.

The large scale privatisation of the inner-city housing stock made classic rehabilitation programmes impossible. Locsmáncsi (2004) (lecture material from Technical University of Budapest) indicated four criteria of the classic rehabilitation:

- Strict and consistent regulation of constructions
- High rate of property in public ownership
- High rate of regular public investments
- High rate of properties transferable to private developers at low costs

By the end of the privatisation process hardly any neighbourhoods met the requirements for launching a complex rehabilitation program. Kovács (2005) pointed out more factors that proved to be of limiting impact on the inner-city rehabilitation in the post-socialist era (most have been already analysed in other parts of the book):

- In a two-tier administrative system and a fragmented decision-making system, no comprehensive large scale programmes can possibly be implemented due to the conflicting interests and the large autonomy of the districts in housing matters. Larger scale – almost city-wide in the case of Budapest – rehabilitation should be based on a consistent policy for the whole area concerned. The fact that there are two levels of administration and housing policy mean that there are 22 (from 1994-23) different housing policies in the city of Budapest.
- Another obstacle of political nature was the opposition of the capital city and the national government (Chapter 5.3.1).
- Even after the EU accession, Budapest is not eligible for the Funds supporting the neighbourhood scale rehabilitation initiatives.
- Housing market condition also hindered the evolution of a proper urban rehabilitation practice: The distinct district policies applied to the rehabilitation of social housing too (Chapter 5.3.1), which lead to proportionately unequal shares of social housing even in districts with similar standard housing stock.
- A crucial problem is that privatisation happened on the housing unit level, not on the level of buildings or blocks, which resulted in mixed ownership within buildings. The social housing remaining in the ownership of the district governments became very scattered.

In the socialist era rehabilitation – if happened – was fully financed by the state, except for the actions in the late 1980s when e.g. banks such as the National Savings Bank were involved. By contrast, under market conditions the local governments and the city government have a role in regulations and efforts to mobilise as much private investments with as little public finance as possible to carry out urban renewal projects.

At the same time only few district governments were long-sighted enough to consider the conditions of rehabilitation and act accordingly after the change of system. Short-range interests always overwrote those of the long-range. These were the local governments of the districts with especially low quality housing. They restricted privatisation and initiated complex renewal by the establishment of formally independent management companies for controlling the rehabilitation programmes. Actually only two of the local governments ventured into the establishment of rehabilitation management companies with a considerable share in them, in the other districts, the property department of the local administration keeps rehabilitation – if happens – under control. The rehabilitation management company in the 9th district (SEM IX) taking care of

Urban rehabilitation in the inner city neighbourhoods is defined as the renewal of the residential buildings, residential units, community institutions, and infrastructure. The aim is not to disturb the characteristic texture and the layout of the area and to save the valuable part of the building stock.

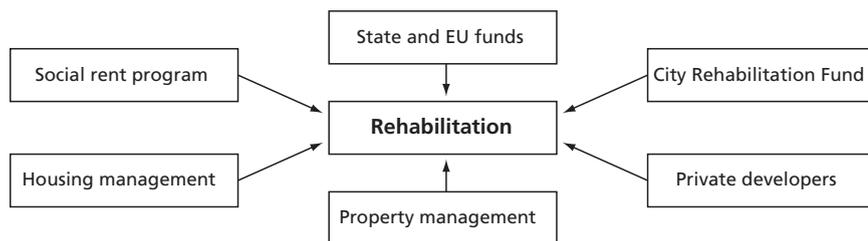
Urban renewal is most often categorized according to the degree of intervention i.e. considering the degree of intervention into the texture of the neighbourhood: *Renovation* means the renewal of residential buildings and units causing no radical changes in the layout. *Rehabilitation*, however often results in the reshaping of building or street structure. The categorization of rehabilitation (soft or hard) can happen by the consideration of the rate of buildings needed to be demolished (Egedy and Kovács, 2005). Sárkány and Szeifried (2003) distinguishes between *restoration* – for complex renewal of individual residential buildings or preparation for functional change e.g. into an office blocks. The types of neighbourhood renewal: The aggravated product of individual restorations including renewal of public space; rehabilitation with smaller scale interventions in the urban texture; radical reconstruction of the neighbourhood even if it results the complete disappearance of the old texture.

Further categorisation is possible by the *objective* of the renewal: urban *rehabilitation with value preservation purpose (the city of Budapest is the initiator)* aims at saving the architectural value of an area as an urban historical heritage, while *social rehabilitation (initiated by the city of Budapest)* aims at a complex socio-physical renewal which does not result in the full exchange of population in the rehabilitated neighbourhood and is sustainable in the long run, *rehabilitation with property development purpose initiated by local governments* on areas where it has considerable public property transferable to the market actors (Locsmándi, 2004 course material).

the Middle Ferencváros rehabilitation can be considered as the offspring of the successful block rehabilitation launched in the late socialist period, while the other company in the neighbouring 8th district came into being in the late 1990s for the rehabilitation of a considerable part of the southern neighbourhoods in Middle-Józsefváros. (Chapter 7.3 and 7.4).

The most crucial point in inner-city rehabilitation besides planning and management is the issue of finance: Who is paying for the renewal? The city having no housing stock, the districts which have privatised most of their housing and fight for the ability to run their institutions, or the new owners themselves or alternatively market actors. What can the city and the district governments do to mobilise the market investments and what can legislation (especially in taxation) do to make private investors interested in financing costly renewals. Which neighbourhoods cannot count on the appearance of investment capital, how can they be saved? The questions have been numerous and for now the following situation has evolved, which is far from the ideal conditions:

Egedy and Kovács (2005) interpreted the sources of rehabilitation and the actors possibly involved in rehabilitation in the following way distinguishing between the kinds of finance coming from “below” and from “above” Figure 6.1.



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Figure 6.1 Possible sources of rehabilitation in Budapest, Source: Egedy, 2005. p. 17

In our realist interpretation a neighbourhood consists of the people and the built environment and what people do and who they are manifest in the form and quality of the neighbourhood. Due to various factors – mainly ones outside the system examined (the neighbourhood) – renewal does not have the proper regulatory, financial and administrative background to take place in larger scales. The renewal of a neighbourhood is the least dependent on the relation of the locals to the built environment and on their wish for and intention of producing neighbourhood quality change.

Below we deal with those ways of intervention mainly in financing and programming (see for post-socialist programming in Budapest in Chapter 5.3.1) that were intended to be instrumental in achieving complex and comprehensive regeneration in the inner-city area by mechanisms both internal (local government) and external to the system. We also talk about alternative ways of raising funding for condominium and neighbourhood level initiatives referring to the strategies for the involvement of the private sector, while we do not forget a factor that normally makes renewal easier if there is firm governmental support and taxation measures: the high number of buildings listed as monuments.

After the districts had come in the possession of the social housing stock, they rushed to get rid of it to avoid the responsibility of maintenance by passing it on to the former tenants, now owners.

In spite of the fact that administratively Budapest has had neither a housing stock nor population (the districts have them all), the city was obliged by law to perform a rehabilitation programme partly connected to the rehabilitation sub-program of the *General Regulation Plan* (ÁRT) adopted in the same year. In 1997 the *Rehabilitation Program of Budapest* was accepted by the Assembly of Budapest too. The program takes the form of a Process rather than a Plan. The Program proposed to integrate urban regulation, financial support and urban institutional and infrastructural developments to serve urban rehabilitation. The main principle of the Program is *concentration* i.e. as the problem, subject to the program far exceeds the financial potentials of the city it is a must to concentrate financial and human resources into selected areas.

The program determined the action areas of rehabilitation, the to-be-developed areas that by concentrated investment should be able to generate development in the surrounding neighbourhoods too. One action area includes 4-5 blocks (Erő and Sárkány, 1998). Presently there are 11 action areas and 8 are located in the inner-city of Pest. These are not necessarily the worst neighbourhoods but areas where the local governments and the assessors saw the chance of launching and completing a sustainable renewal program by attracting market actors too.

The financial means – the fund allocated for the action areas – of the Program has been limited, therefore right from the beginning the target of the program was more to improve the public space quality in contrast with the classic block rehabilitation program where the residential buildings themselves are central.

At the end of the 1990s it was already obvious that the action area status would only help to realise some isolated renovations or redevelopments and would not produce the required impact on the surroundings. For certain funds such as the *Urban Rehabilitation Fund* (1994) the eligibility was dependent on if the subject of the application was within one of the rehabilitation action areas.

The operation of the Rehabilitation Fund is regulated by the decree of the Assembly, which has been amended twice. This is an indication of the inconsistency in the guiding principles and the needs. Originally, the Rehabilitation Fund was raised from the districts which deposited 50% of their privatisation revenues. In the beginning only the local governments were eligible for the Fund to carry out rehabilitation works on the residential buildings in their possession. As the big wave of privatisation died out, new resources needed to be involved and the eligibility expanded. By the amendment in 1997 new resources were involved: a funding allocated from the budget of the City of Budapest plus the repayments of the interest-free loans provided by the Fund (minimal). Besides the local governments, condominiums with mixed or purely private ownership structure also became eligible for the Fund. The assistance consisted of grants and interest-free loans (for infrastructural investments and programs). By 1997 the rehabilitation action areas were marked out and they became one of the primary beneficiaries of the Fund. In 2000, an amendment of the decree placed more stress on the support of the complex programs rather than the rehabilitation of individual condominiums (Efficiency Assessment of the Rehabilitation Fund).

Though since 2000 the Fund was to serve rehabilitation programs to a larger degree than before – in order to carry out public space rehabilitation besides the renewal of the individual buildings – for lack of larger areas without versatile ownership structure it was used to support the renewal of individual buildings. The complex programmes are restricted to two or three action areas (where large areas in public ownership remained e.g. Middle Ferencváros, Józsefváros, and Kőbánya in the 10th district) the rest of the action area programs work with limited success or have brought no results at all.

The source of the Fund had to be changed because while at the peak of the privatisation the local governments contributed to the budget with more than 1 billion HUF, by 2001 it diminished to 40% of the original amount. The participation of the districts in the program has never been obligatory but only those applicants were eligible for the appropriate block (A, B, C later D with different content and circle of potential beneficiaries) of the Fund whose local government was among the contributors. Out of the 23 districts 10 have turned to the Fund for support. From among the inner-city districts the 13th and the 6th as well as the 7th elected to stay outside the program.

As the support always needs a contribution from the local government or the condominium, there have been many cases when the support was approved but needed to be withdrawn as in lack of the own share the project could not be realised. A major share of the approved support (42%) went to the 9th district, and about 18% to the 8th district. No surprise as both districts – as

hinted above – have consistently executed rehabilitation programs and the programs have firm managements behind.

As started above, the action areas of the Urban Rehabilitation Program are not the neighbourhoods with the worst renewal potentials. Practically none of them involve any of the real crisis areas and only few condominiums have been successful in getting support from the City Rehabilitation Fund. The so-called crisis areas are dominated by one-roomed units with no indoor amenities. The tenants have mounted large debts being unable to pay for electricity and water just to mention the most basic needs of a household.

By the time of economic consolidation (1999), a new initiative was outlined in urban policy, which became the *Social Rehabilitation Program* providing more assistance for the complexes (economic, social, physical) renewal of these ghetto or ghetto-like areas, which in the market-based rehabilitation programs stand no chance (Geróházi et al., 2004., www.epiteszforum.hu). The aim is not to gentrify these neighbourhoods, but to make them self-sustainable mainly relying on their own resources in the long-run. In 1999 crisis areas were identified on three criteria: technical-physical state and the state of the ecological environs, social characteristics, and the economic-functional potentials (Geróházi et al., 2004, www.epiteszforum.hu). The three identified concentrations of crisis areas in 1999 were:

- The neighbourhoods of the 8th and 9th districts beyond the Grand Boulevard
- The enclaves far from the main thoroughfares in the 6th and the 7th districts (here the Jewish district was also included)⁷
- Neighbourhoods in the transitional zone (the rust belt) of the 13th district

The assessment concluded that the largest run-down areas were located in between the Grand Boulevard and the Hungária Ring, except for Inner-Erzsébertváros (the Jewish Quarter) (Chapter 7.2).

The aim of the welfare rehabilitation is to keep most of the original population but to dilute the thick, conflict-laden atmosphere of these areas to eliminate stigmatisation. The fields of intervention are intended to touch upon the following elements:

- The development of the local economy, improving the job opportunities for the local population
- Improving the standards of public services (education, welfare services, culture), public space security, local community development, strengthening social integration
- Reversing the process of physical down-grading: public space rehabilitation, re-structuralisation of the social housing stock (demolitions, rehabilitation, new construction) support for the renewal of condominiums (Geróházi et al., 2004).

The implementation of the program requires a complex interdisciplinary approach and multi-actor action. Most of all, the program needs a coordinator or management team similar to the ones existing in the 8th and the 9th districts. Furthermore the program needs a firm *social rehabilitation funding system* based on national initiatives and support. It is especially important for the new programming period of 2007-2013, when the national development resources will form the local contribution to EU financed projects. As long as the social rehabilitation is left

out of the Second National Development Plan of Hungary (with the main target programs of the country awaiting EU support) finance is at risk.

The government has other means to contribute to the success of the program. The interest support for the banks made them interested in housing finance between 2000 and 2003. This was terminated due the over-spending. A similar measure could revive the housing market and this could also help the crisis area renewal to be launched (Gerőházi et al., 2004.).

An experiment area of the Social Rehabilitation Program has been initiated in the 8th district in the so-called Magdolna Quarter (see the introductory map in Chapter 7.4).

Besides the city level programming and funding system, the local (district) municipalities are expected to develop their own strategies to initiate and to supervise the rehabilitation actions. The district rehabilitation plans – if they exist at all – are coupled with *district rehabilitation funds*. These funds are allocated from the budget of the districts and from interest-free loans. The application is open mostly to those condominiums where the local government still has at least one social housing unit or some kind of property. The condominiums in full private ownership have more limited possibilities.

One chance of raising money for the structural renewal of the residential buildings is selling the loft of the buildings to a developer or construction company to convert them into more valuable residential units (see Chapter 4.3.2). The possibilities are versatile and condos without social housing units can also turn to it.

Local governments may initiate complex projects such as the 6th district, which sold the attics of several buildings in one package to a developer, who in return performs renovation works in the buildings; the local government can also contribute from its Fund to the excess costs over the contracted compensation. In that case even more substantial renewal can be carried out. Naturally, the opportunity is open to individual condominiums with or without a local governmental share of property. Lots of examples are known from the 5th, 6th and the 13th districts. This alternative way of rehabilitation is not common in the 8th and the 9th districts as there are more efficient forms of complex rehabilitation in these areas.

This method is popular in those neighbourhoods where the district has no other tool to generate renewal process (i.e. not part of the Urban Rehabilitation Program, has no action areas, has no larger areas with noteworthy proportion of public housing, no chance of complex neighbourhood renewal).

Besides the lofts there are further possibilities to raise funding for getting renewal work done. Fixing *giant net advertisements* on the facade of inner-city buildings⁸ has been a practice for only few years and for quite a while it was illegal⁹. In cases when the condominiums are located at busy traffic junctions or simply at a busy point of the city where enough traffic is flowing through they stand a good chance to raise money for the renovation in this alternative way.

The Assembly of Budapest – under strict regulation – permitted the use of net advertisements for fund raising, however the method has proved to be rather controversial.

This special way of advertising is a multi-actor market, where there are two major factors to be considered. First of all the location of the building i.e. a sufficient number of passers-by drivers and passengers (publicity) is a basic requirement, the other factor is that the whole action needs to be manageable.



Photo 6.1 A giant net advertisement – a recent way of raising funding for the renewal of facades, Oktogon Square at the crossroads of Andrásy Boulevard and the Grand Boulevard. Photo by the author, February 2006

The nets are allowed to be in place for the maximum of 6 months. In case of residential buildings a maximum of 60% of the facade can be covered 400 m², much smaller in the case of buildings listed as monuments (up to 20%). The contradiction of the method is that only 20% of the rent gets into the rehabilitation budget of the building, while the rest to the agency and the public space management company organising the process (Dombi, 2005). It also often happens that the advertisement is on the facade and no works are going on behind. Urbanists and the ones concerned about the look of the inner-city raised their voice against this unfair practice but the buildings are defenceless.

Photo 6.1 shows Oktogon Square – an extremely busy traffic junction, and popular inner-city meeting point – at the cross-roads of Andrásy Boulevard and the Grand Boulevard. Each corner building facade has been or is being renovated by using this method. At the time of writing the dissertation two are netted and one has already been completed (across the Boulevard). The picture shows the bay of Andrásy Bld. – listed as part of the World Heritage – the dark colour of the buildings in the Boulevard clearly shows that the residential buildings listed as monuments cry out for more systematic renewal and more attention from the side of legislation.

In this part of the book it is also essential to mention the *individual initiations* of renovation. These are restricted to only few m² of wall surfaces and in a micro level perspective make the immediate surroundings more attractive and pleasant. It is more characteristic of the ground

floor level, where the shops carry out renovation work (mostly colour-washing). This kind of individual initiative can also be observed on higher floors on the balconies of residential units.

Photo 6.2 shows good examples of both kinds of partial renovation, which make the facades look like urban patchworks and so definitely do not serve as ultimate solution to the problem.

We also need to note here that besides these pioneering works outside the inner-city residential buildings lots of work has been done inside the residential units. The owners of these units often have spent a lot of money on remodelling the interior of their homes. It also indicates the fact that people are aware of the value of these old buildings and look forward to the opportunity to find and co-operate with investors under reasonable conditions. Many household level investments happened in listed buildings as the owners know that these buildings cannot be demolished and the investments would soon have a good return. Nevertheless, we need to see that under the present conditions finding an investor for the renovation of a listed residential building is not easy at all.



Photo 6.2 Individual initiatives in the 7th district, volunteering partial facade renovation at the expense of the owner or the residents. Photo: by the author, May 2005

Listed status and its consequences on the chances of renewal

Due to its age and the uniqueness of architecture the Inner-city of Budapest is full of monuments. There is a high concentration of listed residential buildings in the 6th and the 7th district. Andrásy Boulevard leading to the Heroes Square became part of the World Heritage in 2002, while the Jewish Quarter of the 7th district is its buffer zone. The oldest buildings of the city are located in the Castle District dating back to the Middle Ages and these complexes gain the deserved protection and care. However, in the Pest districts mentioned the listed buildings are left to the mercy of the private actors. Nevertheless, in contrast to the practices of other EU countries, the protected status of residential buildings in Budapest worsens the chance of renewal. The reasons are many-sided. Most importantly, the expenses of restoration of listed buildings are double those of the restoration of a normal building. This naturally goes with the character of the project and the accompanying requirements, but in Hungary there are no governmental incentives, subsidies or tax allowances to urge the market actors to get involved in these projects.

Following the logic of investors it does not pay to invest in listed residential buildings, only if the target group of the projects is high enough in status. To satisfy this condition the building must have extremely good location and image (historical significance or a renown person connected, etc.), which potentially contribute to the marketability of the development.

There are various levels of protection. The most strict and restrictive (after World Heritage) is national protection. These buildings cannot be demolished and can only be restored under strict oversight of the relevant administrative authority (National Office of Cultural Heritage).

In Hungary anyone can propose a building to become a listed. As long as the building meets the requirements examined by a board delegated by the *National Office of Cultural Heritage*, it receives the protected status. The procedure and the set of criteria were changed in 2004. The law also gives a possibility for a temporary protected status for areas with potentially valuable buildings which lasts until a thorough historical and architectural examination is conducted (www.koh.hu).

The buildings located in the area of World Heritage (such as the buildings of Andrásy street) are all considered as protected. The protected buildings were national property but at the request of the districts they were transferred to them. The only condition was to restore them within a set period. By now it has turned out that the budget of these districts would not facilitate the reconstructions. Practically as no extra funding can be expected for the renovations from the state, the protected buildings have become burdens on the district governments. No surprise that against the original intention more and more buildings are put on the market on very strict conditions. The 6th district is an example of this practise being in the process of selling out the palaces of Andrásy street to private investors (Gyenis, 2005) (Chapter 7.1).

All in all, in spite of the minor and few larger undeniable results of urban rehabilitation Kovács (2005a) judged the post-socialist rehabilitation unsuccessful:

After the change of system, the inner-city rehabilitation started very slowly and no breakthrough has happened so far. The statistics are very clear: from the 250 000 residential units in need of rehabilitation, only 5000 have been renewed or replaced with up-to-date housing units in the past 15 years. These are mainly concentrated in the Middle Ferencváros rehabilitation zone (see Chapter 7.4) (Egedy, et al. 2002).

The rehabilitation cannot be considered as a success from social point of view either, as so far all activity has resulted the renewal of the buildings and caused substantial population change, while

Table 6.2 The priorities and aspects of rehabilitation in the socialist and post-socialist era.

	Stage and nature of rehabilitation	Period	Characteristics
Socialist era	Prestige and politics	1940s and 1950s	The objective is to eliminate the disgrace of the city, the districts of the poor (working colonies in today's rust belt area)
	Socialist housing politics	1970s	Time of extensive housing development: panel housing programme. Hard rehabilitation at the periphery of the inner-city; demolition of low standard old housing stock, replacement with panel blocks (Józsefváros)
	Establishment of the principles of complex approach in rehabilitation	1980s	Massive downgrading of the inner-city area, signs of slum forming in some neighbourhoods. Adoption of Western European patterns of rehabilitation, the breakthrough of sociology in urban planning. In practice, however, architectural aspects of renewal are felt (demolition of back wings, the instalment of amenities in the units, enlargement of units by consolidation of flats) Specimen: Block No 15 (7th district)
	Market-like rehabilitation with poor social content	end of 1980s	The objective is the complex rehabilitation of an entire area Means: upgrading of public space, block rehabilitation Handicapped PPP solution with no real market content, social urban rehabilitation without community participation
Post-socialist era	Public space rehabilitation	early 1990s	Privatisation damages the feasibility of complex rehabilitation Social aspects of rehabilitation are pushed to the background by the administrative fragmentation of the city Diminishing central funds for rehabilitation Only intervention is public space rehabilitation and buildings in full possession of local governments
	Strengthening housing market aspects	mid-1990s	The market conditions change the objectives of complex rehabilitation: Market position of the rehabilitation action area is to be improved The share of private capital is to be increased Social objective: gentrifying the area through displacement of population
	Means adjusted to the housing market situation	mid- and late 1990s	The administrative fragmentation of the capital city increasingly hinders rehabilitation, discontent is swelling among the population and the experts. The City of Budapest – in spite of its limited scope of action – is ready to intervene in the situation. Urban Rehabilitation Programme – Rehabilitation Fund • Centralisation of resources • Identification of action areas for rehabilitation • Support for dealing with rehabilitation in a complex way • Support of the condominiums

Based on Szabó, 2004

many experts, such as Geróházi et al. (2004) and Kovács (2005a) pointed out that social interests were offended and local cultural values were lost.

As the summary of this section: Table 6.2 shows the characteristics of rehabilitation in subsequent periods in the past 60 years.

6.3 Spatial differences in the historical residential area and its immediate surroundings

From the historical description of the inner-city residential area (Chapter 6.1) one can conclude that despite the area's origin from the period of capitalist modernisation, on the micro level it has always showed a high degree of fragmentation and diversification. This diversification in social, functional and architectural respects is rooted in the early regulations, images based on contemporary impressions, the tendency of class, culture and identity-based segregation.

By the 21st century in the macro level examinations the area has become homogenised – partly because the city is larger and partly due to the consequences of post-modern urban development.

Massive population loss as well as the *aging of the population* has hit all the inner-city neighbourhoods high share of old age pensioners, which caused a settling of the socially most disadvantaged people, mainly Roma people with especially high concentration at particular places, where the tendency of ghetto formation is clearly present.

These social trends are the immediate consequences of the 40-50 years of physical neglect of the built environment, which – when the opportunity was given – drove the better-off younger families out of the inner-city.

On the macro level (the level of Budapest agglomeration), due to these overwhelming general “powers” in the background, the internal anomalies tend to remain hidden. However, even district or urban planning unit level examinations reveal sharp internal contrasts.

The formation of internal anomalies are two-sided: on the one hand they are derived from *the path dependency* of the development of particular areas where the negative effect of the trends are moderated or exacerbated, on the other hand they are caused by the socialist and mainly by the post-socialist re-evaluation of the neighbourhoods based on the housing market.

The widening social gap and the intensified mobility of people accelerated segregation, while by the end of a painful 10 years transition period (1990-2001), the market has selected those areas which – due to the enormous rent gap – were found worth getting involved in. Happened it all, where the local governments had not initiated an efficient measure for keeping the ownership of tenement buildings, which is very few.

The maps below are based on the 2001 Census. By this time, the relative balance returned into economy and the mechanisms potentially generating physical and social transformation in the inner-city urban environment were at work (Chapter 4.3.2 and 5.3.2 on housing market) The changes visibly manifested by the time of the census could only be detected at the block level – except a single larger area in the 9th district. UPU level analyses (above the block level) is useful to support the general description of spatial differences. The following three maps depict the situation analyses of the wider study area at the beginning of the new century.

The map (Figure 6.2) – in line with the link between residualisation and privatisation described in Chapter 5.4.1 – shows the location of those planning units where due to the high rate of lower standard housing stock the share of the residential units owned and managed by the local government is still higher than average. As shown in the map, the UPUs with higher than 16 % rate are mainly connected in the rust belt area dominated by larger urban planning units. Also larger concentrations – meaning proportionately higher number due to the higher absolute number and density of residential buildings – can be found in the middle part of 8th and the 9th districts (over the Grand Boulevard). These are the intervention areas of the local government and are mostly listed as crisis areas so subject of Social Rehabilitation (see Chapter 6.2 above).

The 6th and 7th districts do not represent high concentration of public housing units suggesting that the housing stock is still in better condition than the middle part of the previous two districts and also that the local government was ready to yield to the high demand of privatisation, which



Figure 6.2 Rate of social housing units in Inner-Budapest, Source: Census 2001

appeared on the part of the local population. An exception is found within the Grand Boulevard in the 7th district, where especially the old buildings – many listed as monuments – of the Jewish quarter can (could) be found. The inner 13th district (just over the Boulevard) has an evenly low rate of social housing. Here the housing standards are higher as shown later in Figure 6.3. The 5th district (the City) shows similar characteristics without big anomalies but evenly low rates.

The situation on the Buda side is the reflection of the almost full-scale privatisation. The only exception is the Castle Hill in the 1st district where the high share of listed buildings causes the high local governmental ownership. If we link social housing to low income families – which is the case in Hungary – then this housing stock up on the Castle Hill could hardly be ranked among social housing, especially if we consider the social composition of the area with high rate of intelligentsia.

Figure 6.3 is the rough “translation” of the previous map showing the rate of residential units with all amenities¹⁰. In the inner parts of Pest (within the Boulevard) this rate is considerably



Figure 6.3 Rate of housing units with all amenities (full comfort), Source: Census 2001

higher as well as in the 13th district – again an evenly higher standard building stock characterises the area showing similarities with the 5th district. The Buda side and the 14th district (outside our study area on the Pest side) show the highest representation of full comfort residential units (with all amenities).

The “patch” in the middle of the otherwise lower standard 8th district is a housing estate which is considered as the quintessence of bulldozer rehabilitation, which produced a markedly higher standard but dull neighbourhood (see above). In Figure 6.4 is another proof of the tendency that the higher standard private housing is often used by the highly educated – and so more probably better income – people. The rate of people with higher educational diploma is over 31% in UPUs on the Buda side. Evenly high rates are found in the inner part of the 13th and in the 5th district. In the other inner-city districts, the UPUs closest to the city centre seem to have higher rates of intelligentsia. The lowest rates are connected to the middle part of the 8th and 9th district where the rate of social housing was the highest.

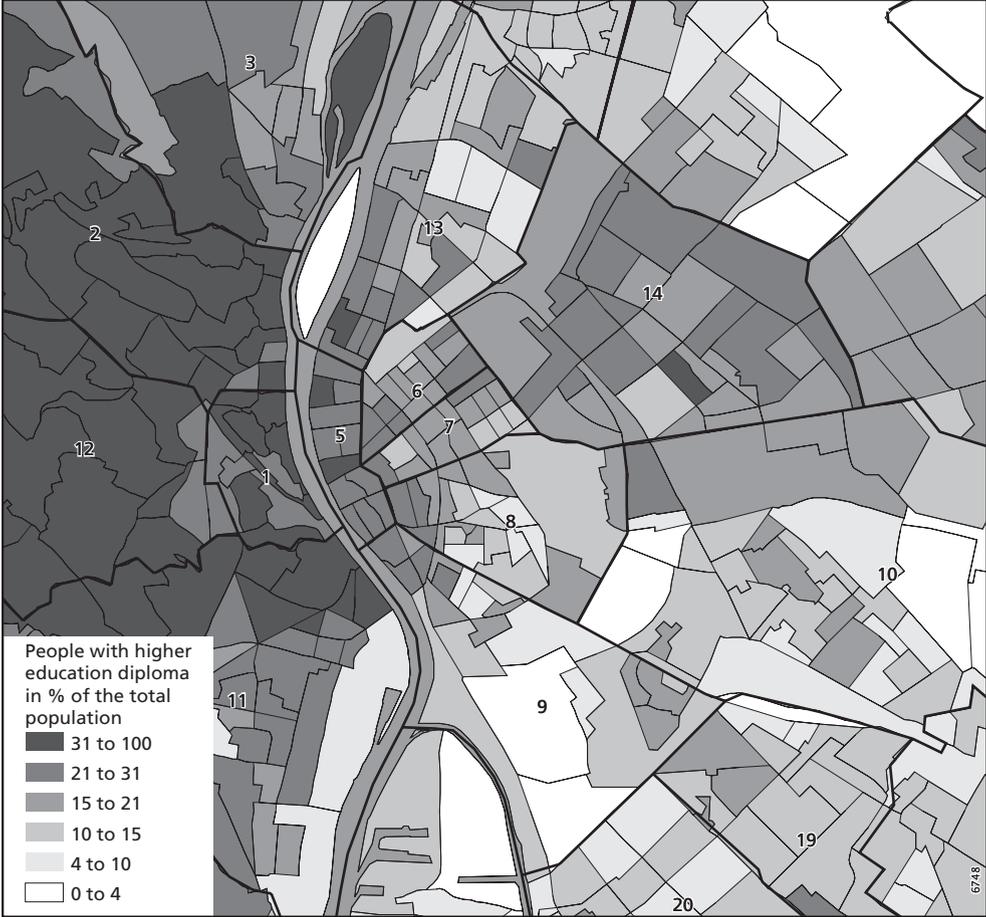


Figure 6.4 Share of people with higher education diploma, Source: Census, 2001

Regarding the change in the rate of the people with higher education diploma, Kovács (2005) concluded that in the areas in the maps above, the most dynamic (with over 10% increase in the rate) was the 14th district – which is not quite the classic inner-city of Budapest¹¹. The Buda side, except for the fairly aging Castle District, also showed considerable increase. While the only inner-city example was the UPU in Middle-Ferencváros (9th district), where the rehabilitation had been going on for more than 10 years at the time of the Census.

Whereas in the rest of the classic Pest side districts almost no change (below 7%) had taken place in the inner and middle part of the 8th district, middle and outer parts of the 9th district and in the inner part of the 7th district. The rest of inner Pest was rather mixed, a mosaic of UPUs with hardly detectable moderate increase in the index.

The explanation is that the areas with an increase had originally housed a considerable representation of the intelligentsia and their children – especially after the change of system when the number of higher educational institutions more than doubled – went to university or collage with more chance than the children in the lower status areas. The other reason is closely related to the regeneration (gentrification) process at work, however between 1990 and 2001 only Middle-Ferencváros (one UPU) bore this characteristic, here the massive inward flow of young people with diploma statistically stood out.

Notes

1. After the unification, the city occupied 194.44 sq km.
2. “Americanisation” – as Lukács (1996) called it – was only characteristic of the pace of urban growth but not e.g. the height of the buildings, the Board of Works kept an eye on it too.
3. The intervention in the housing distribution commenced even before the World War 2 when the socially disadvantaged people were allocated housing units where the level of the rental unit was regarded as larger than reasoned by the number of family members. In the post-war period the same method was used to ease the quantitative housing shortage. Sometime two or even three households were living in one rental unit (Lampel and Lampel, 1998). This shared rental system existed up to the 1970s.
4. It is to be noted here that before the state denied that housing market exists at all. In this respect the period after 1956 meant a change in the political approach to housing as the state accepted that the housing market exists and the housing units are commodities (Lampel and Lampel, 1998).
5. As we already indicated the segregation processes prevailing nowadays commenced well in the socialist era, but were exacerbated in the post-socialist period via the greater social and spatial mobility (Ladányi, 2005).
6. This “hard” rehabilitation was widely in practice in East Germany (Kovács, 2005).
7. In the dissertation we discuss two neighbourhoods from the circle of Rehabilitation Action Areas (Middle Ferencváros and Middle Józsefváros) and one from the Welfare Rehabilitation crisis areas (part of the Jewish Quarter).
8. The method can also be seen on panel buildings near busy highways.
9. In the press cases were discussed when the condominiums had to pay a fine which was more than the money raised this way for the renewal.
10. The term *housing units with all amenities* covers flats with at least one room larger than 12m², a kitchenette or a kitchen, a bathroom, a water closet within the bathroom or separately, sewage connection, running water, electricity, hot water, central heating. (terminology by Central Statistical Office)

7 Neighbourhood dynamics in Inner-Budapest – case studies

Chapter 7 deals with the transformation of neighbourhoods in the inner-city of Budapest on the very micro level. We focus on the *internalities* of the general model of neighbourhood dynamics shown in Figure 2.2, while we also consider and refer to the key necessary relations with the actors and factors outside the system, which vary neighbourhood by neighbourhood.

Each of the four neighbourhood analyses contained in the chapter is built upon the logic of realist interpretation of change summarised in the model below (Figure 7.1).

Mechanisms are considered on the district level as it is not the neighbourhood where the relevant regulations are born but the local administration. In the model we suggest that there are number of a neighbourhoods (N) under the impact of one circle of mechanisms. The model also suggests that the interpretation of neighbourhood transformation changes according to the nature of intervention by the mechanisms. Besides, various other local factors such as relative location, rent gap, state of housing stock, ownership structure, composition of the population etc. are influencing the transformation processes.

Mechanisms with direct influence on the neighbourhood transformation include local government (district government) policies, private developers active in the area and to a modest extent local civil organisations. The city government remains part of the externalities since in Budapest it has only influence on the city-wide infrastructural and institutional structures. The existence and operation of *governance*¹ is still occasional. In real life especially in the districts where there are no large comprehensive rehabilitation areas the strength of cooperation between the private and public sector changes project by project and cannot be brought and analysed on levels higher than the project itself. There are no mature or institutionalised forms of cooperation between the local administration, the private sector and the civil organisations. Consequently, the model separates the public and the private sector which – as indicated – join forces occasionally for projects.

The model even leaves the civil (non-profit) organisations out of the circle of mechanisms as they have so little influence on the actual formation of the neighbourhoods. We refer to them as an impact on decision-making from the local population.

The process and the criteria of selecting the case study neighbourhoods is outlined below. Each of the sub-chapters presented afterwards is devoted to one study neighbourhood. All sub-chapters start with a general and spatial description of the social and the built environment of the district, where the neighbourhoods are located. This assists the reader to see the relative position of the broad study area within the district (supported by thematic maps of the district) as well as the impact of different types of urban ecological factors on the socio-economic characteristics and development potentials of distinct neighbourhoods in the districts. This way we reveal why certain neighbourhoods have started to improve in qualities, while others remained stable or even saw their potentials worsen.

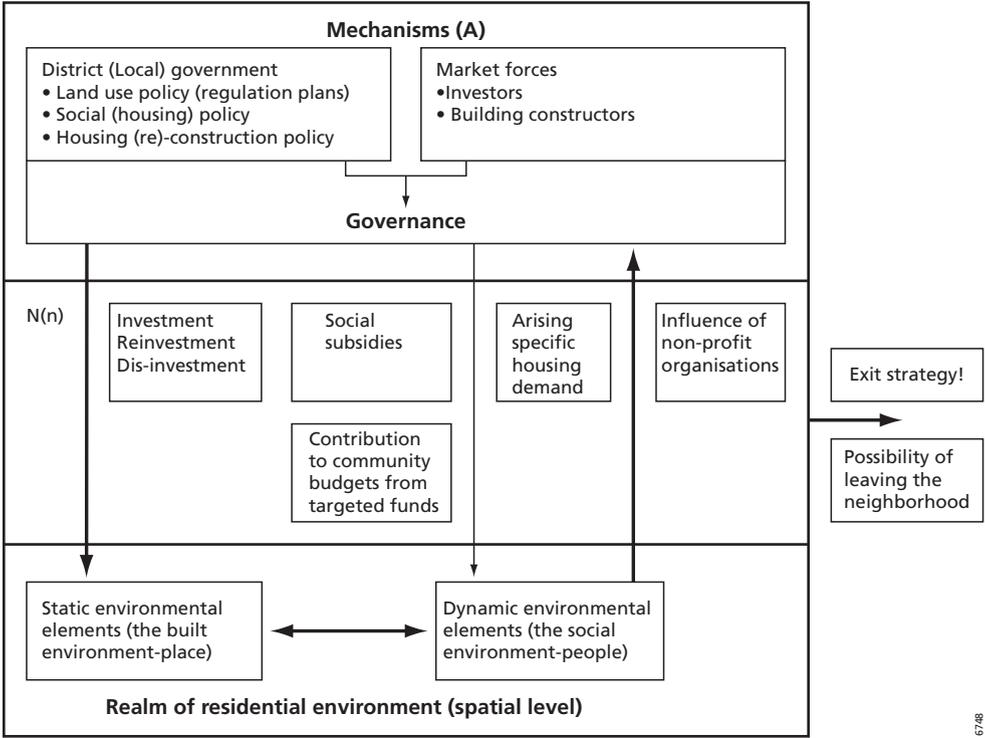


Figure 7.1 Modelling neighbourhood dynamics – the interactions of the internalities on district level (by the author)

The sub-chapters go on by the analyses of the mechanisms especially the role of the local government. This point is always decisive as it is still the local authority and its approach to urban development (expressed in policies) that determines the potential direction and means of upgrading. The examination of the role and scope of action of the private and the civil spheres are also parts of this section.

After the analysis of this immediate context of the study neighbourhoods, with numerous references to the contextual chapters, the interpretation of the actual micro level study area follows. The analysis is supported by block level data analyses, where it contributes to the understanding of the progress.

Each sub-chapter closes with a model adaptation based on the description detailed beforehand, which is also an abstracted summary of the detailed upgrading process of the examined neighbourhoods.

Selection of the case study neighbourhoods

The purpose of this chapter is to show *dynamics* in the inner-city built environment of Budapest by the analyses and comparison of case studies. To select the neighbourhoods proper for the analyses first the search area was limited to the *Pest side* of the historical inner-city. This strategic decision was supported by personal experience and the statistical fact that – apart from a narrow

riverside stripe – the central areas of the Buda side are all fairly homogeneous high status neighbourhoods, where dynamism has not become that striking compared to the socio-economic state that had prevailed before (Figures 6.3, 6.4, 6.5).

Dynamism is more exciting and rewarding to examine at locations where it only meant stagnation or downgrading for a long time and where upgrading started in recent times. That is why the search area was confined to the Pest side inner-city having been subject to physical neglect, socio-economic deterioration and residualisation for long decades.

Besides detectable upgrading, another criterion was that the *neighbourhoods examined are located in different districts* within the Pest side inner-city. The reason is well established if we think back on the administrative system of Budapest. This selection criterion makes comparison especially interesting as the local government – the main element of the MECHANISMS (see Figure 2.2 and Figure 7.1) – substantially influences the process of neighbourhood transformation by the application of its own development policy and strategy.

During the preliminary studies narrowing down the search areas, five districts were considered: the 13th, the 6th, the 7th, the 8th, and the 9th districts. Two of them (the 6th and the 7th) are fully included in the historical inner-city, while the other three are more extensive and

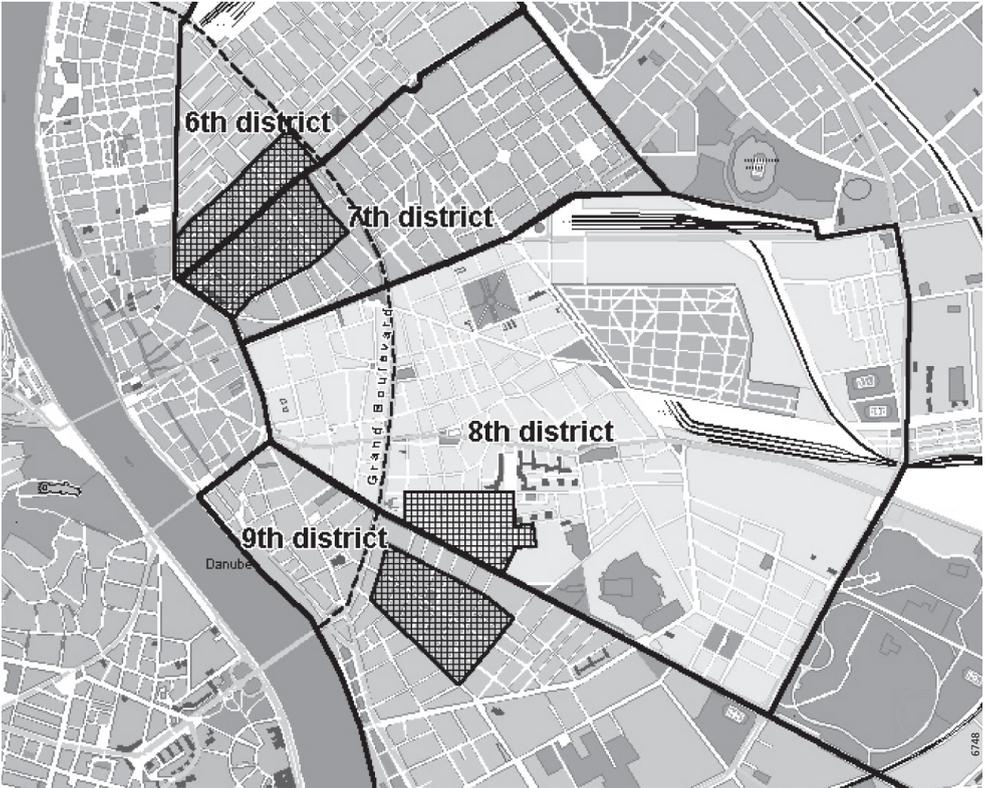


Figure 7.2 The location of the study neighbourhoods in Inner-Budapest. Map by the author.

Table 7.1 Approaches and basic conditions for renewal in the 6th, 7th, 8th and the 9th districts of Budapest (by the author)

Subsequent strategy-making Characteristic more of the Teréz- and Erzsébetváros areas (6th and 7th districts)	Early strategy-making Characteristic more of the József- and Ferencváros areas (8th and 9th districts)
<p>The local government strategy-making follows the local initiatives. Typically the local government first opposes the initiatives, while on realising the success or the public backing they stand by them (VOTES!!!!) and build a strategy around. The initial risk is not taken by the local government</p>	<p>The local government has strategy supported by the thorough examination and assessment of the districts by experts. The action is built around the conclusions. The PPP projects are for the long run, and include number of actors.</p>
<p>The local government has limited tools of intervention due to the high degree of privatisation and so the ownership structure.</p>	<p>The scope of intervention of the local government is wider as privatisation was not extensive, especially in the most dilapidated areas. The government saved a considerable amount of property.</p>
<p>The strategy-making is not rooted in the comprehensive surveys and plans of the late-socialist period as hardly any were prepared</p>	<p>The districts have been surveyed thoroughly due to the highly disadvantaged position even before the change of system</p>
<p>The new strategies talk about the selection and development of <i>focal points</i> in the urban space counting on the ripple effect of quality improvement relying on the market actors</p>	<p>The strategy applies the selective use of means as well as the involvement of actors and sources for the redevelopment of <i>neighbourhoods</i> in different state and with different conditions</p>
<p>The civil organisation are strong and influential actors in the local arena (this has ambiguous impact sometimes promoting sometimes blocking neighbourhood quality improvement; the self organising force of local people, entrepreneurs is strong but the organisations are segmented and isolated. There are frequent clashes of interest between them.</p>	<p>Civil organisations are present; they are characterised with micro-level and thematic scope of action; co-operation with the local government exists but it is still far from satisfactory</p>
<p>Due to the location and further ecological factors the inner-city areas of these districts represent increasingly higher values on the property market. The huge rent gap coupled with the lack of local governmental strategy and tools to intervene give space for speculation</p>	<p>Lower market values on average, strong and determined local government with a firm neighbourhood specific renewal strategy. This is not that attractive for speculative investments</p>
<p>Absolute reliance on the private sector – more often on market than PPP base, attempts to acquire resources from contextual and macro level sources with moderate or no success (World Heritage and its Buffer Zone)</p>	<p>Reliance on contextual and macro level sources with proper eligibility and rational PPP based involvement of the market actors on the basis of an elaborated strategy</p>
<p>As the consequence of having no proper long-range strategy, the tools and management of renewal is not concentrated in one hand – the districts have no proper organisational background for the management of larger projects – which are impossible anyway due to the ownership structure</p>	<p>Has proper organisational background with the market based but government controlled organisations which were set-up for the management of one larger regeneration but by now their scope of action has been extended</p>

stretch into the outer functional zones (Chapter 6.2) involving bits and pieces of the rust belt and the housing estates.

However, after these preliminary examinations including interviews at the local authorities (chief architect, head of construction department) it turned out that the intensity of development in the inner 13th district is more like that of the Buda side and the CBD (5th district) than what we were in search of on the Pest side.

The inner part of the 13th district (Újlipótváros) with older housing stock – which is still the youngest among the inner-city districts – is not subject of any systematic local rehabilitation program and not especially favoured by the private developers mainly due to the fact that there is no detectable rent gap in these neighbourhoods. The area is in a fairly good ecological position within the city with an evenly much better social composition than the case study areas detailed in Chapter 7, all with versatile chances for regeneration². Figures 6.3, 6.4, 6.5. in the previous chapter also supported our ultimate decision to leave 13th district out of the neighbourhood level examination. In the remaining four districts more versatile, on average lower status and long neglected but increasingly valuable neighbourhoods are found (Figure 7.2).

In the next phase of the search for the most distinguishable dynamic neighbourhoods we focused on the location and the way mechanisms influence the process of upgrading. We found common and distinctive points in the approach of the local governments to renewal, which determined where dynamism shows the highest intensity. We found the 6th and the 7th district as well as the 8th and the 9th districts quite similar. Table 7.1 summarises the common and distinctive points which finally led us to choose the neighbourhoods in the inner parts (between the Small and the Grand Boulevards) in the 6th and the 7th districts while from the middle parts (over the Grand Boulevard) in the 8th and the 9th districts.

7.1 The 6th district – Terézváros

Introduction

The 6th district of Budapest is a symbol of the late 19th century modernisation and capitalist urbanisation. The district was named after Empress Maria Teresa (Queen of Hungarians) on the occasion of her visit to Budapest in 1751. Terézváros is the second smallest district after the neighbouring Erzsébetváros. It is hard to follow the changes that happened to its administrative borders in the course of the past centuries, which caused gradually the shrinking of its territory³ (Varsányi, 1998). Today the district stretches from the 5th district to the City Park (14th district). In the north the 13th while in the south the 6th districts border its area.

In spite of the fact that during the socialist period the district lost greatly from its elitist status, by means of its fixed feature elements (Andrássy Boulevard with its representative buildings, palaces, institutions) Terézváros managed to keep its former prestigious look and image.

By the turn of the 20th century the texture of the district was complete. By the standards of the times the largest and most expensive housing projects were completed here which were not any smaller and less richly decorated than those of Vienna (Lukács, 1996).

The axis of the district is the Andrássy Boulevard, reminiscent of the French city planning tradition of the times. However, the projected system of boulevards remained incomplete for lack

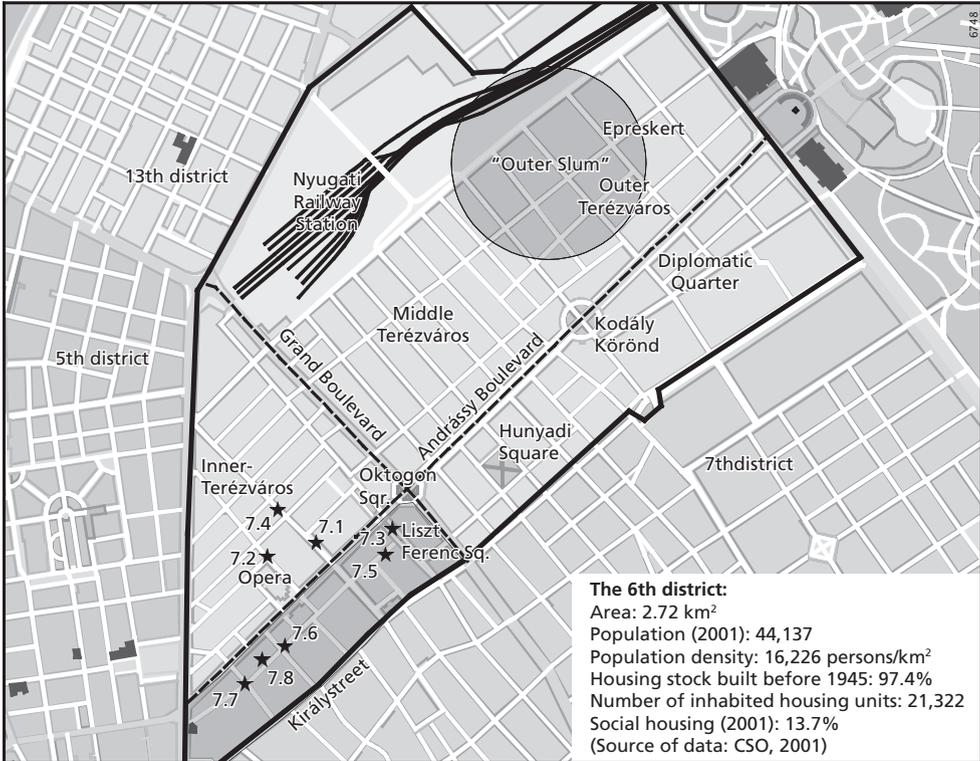


Figure 7.3 The 6th district (Terézváros)

of economic potential (Lukács, 1996; Szegő, 2002). The eclectic style Andrassy Bld. was ready by 1885 and complemented with the Millennium Underground by 1896, the first underground line on the continent. The planning and architectural achievement in 2002 finally was taken on the list of the UNESCO World Heritage (Tétényi, 2002). Another traffic artery of Terézváros is the Grand Boulevard. The two axes attracted the magnificent palaces including upper and upper-middle class apartments, public and later private institutions, e.g. the State Opera of Hungary, theatres etc (Spirilusz, 1992; Török, 2001). The high social prestige used to be undeniable, and survived in the villa quarter, now concentration of diplomatic representations and embassies.

The Inner-Terézváros and the City park to the east of the district have always – even in socialist period – concentrated high standard culture and public entertainment with the theatres, night clubs (the Pest Broadway), restaurants, cafes and places of entertainment the like which generated an image of a cultural and night life quarter. All these cultural and architectural riches were not enough to prevent the district from massive population loss, aging population and the neglect of the what had become almost fully social housing.

In the most recent Zoning Plan of Budapest, the district shows almost the same pattern as the 7th district. The Grand Boulevard means the divide between the mixed business and residential inner district area and the area of dominantly residential function further outwards.

Due to its limited territory the district does not reach into the brown field zone. Yet, the Nyugati Railway Station and its adjacent area has been a major ecological factor in both the social and physical downgrading of the north-east of Terézváros.

In the last few decades no comprehensive rehabilitation initiative was carried out in the area neither on the command of the socialist state nor by the initiation of the democratic local government and by inner-city standards a large share of the former public housing stock was privatised. Nevertheless, due to the historical path dependency of Terézváros the district stands a better than average chance to see upgrading in most of its neighbourhoods.

7.1.1 The residential environment

The built and the social environment

In the beginning of the 21st century there were 1129 residential buildings in the 6th district. It means 25 143 flats in total, of which 21 322 were inhabited. It is Terézváros where the largest share of the residential buildings were constructed before 1919. It is a city-wide record of 92 %. An indicator of the higher standards of the residential units is the average net floor area of residential units, which exceeds the city average (58 m²) by 5 m² (Spirilusz, 1992). Another indicator of the same feature is that the rate of four and four plus-roomed flats exceeds 8% of the total units while no other examined district shows a value higher than 5.8% (CSO, 2001).

Further proofs are that while the rate of three-storey buildings is higher, that of the buildings including 21-50 units is lower by 10% than in the neighbouring 7th district. On average larger residential buildings include smaller number of flats, which underpins the statistical data on the higher than average net floor area of the housing units (Figure 7.4 and 7.5).

As for the ownership structure of the residential units the rate of social housing (95%) in 1990 diminished to 13.7% by 2001 (CSO, 2001) and less than 10% by 2005 (expert interview with Szemethy, 2005).

In 2005 there remained only 40 residential buildings fully owned by the Terézváros local government (expert interview with Mihályfi, 2005). These tenement buildings are – with no exception – listed as monuments. Listed buildings have two main concentrations in Terézváros:

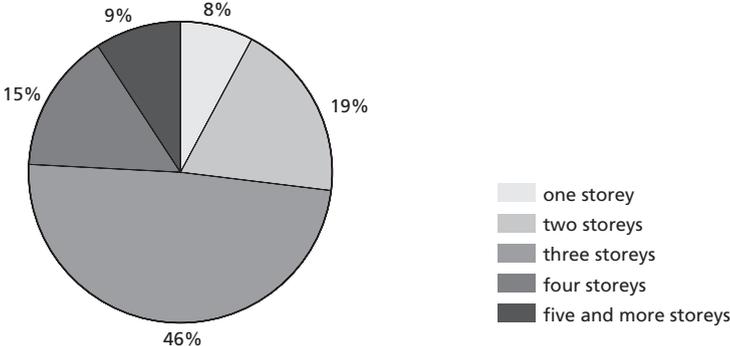


Figure 7.4 The distribution of residential buildings in Terézváros by the height of the buildings. Source: CSO, 2001

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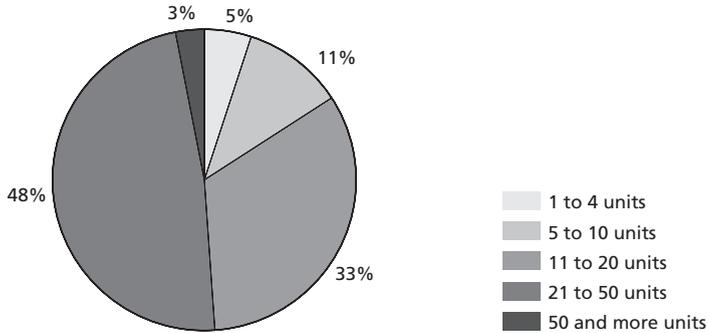


Figure 7.5 The distribution of residential buildings in Terézváros by number of housing units.
Source: CSO, 2001

along the Andrásy Boulevard, and our case study area in the south-west of the district, where the oldest buildings of the district are located. This area borders and is organically related to the Jewish Quarter of Erzsébetváros, Király street means only an administrative dividing line.

Despite the district average values of most indicators reflect a better situation than the ones in the other examined inner-city districts, there are sharp disparities regarding the housing standards and social characteristics within Terézváros just like elsewhere in the city.

To understand these internal spatial disparities the ecologically determinant elements of the built environment need to be analysed. These have always had a substantial influence on the housing standards, the prices and indirectly on the composition of the population. There are ecological factors with positive effects such as the traffic axes (the Grand and the Andrásy Boulevards) the City Park, which generated the development of a higher status residential area (today's diplomatic quarter) which causes upgrading even in the neighbouring Erzsébetváros area.

At the same time, Nyugati Railway Station located in the north of the district, with the extensive, neglected, heavily polluted brown field areas has been a nuisance in ecological sense. As the railways (see introductory map) have always acted as a physical divide between the north of the 6th district and the higher status Újlipótváros area in the neighbouring district the lower standards became frozen, which in the new socio-economic system caused a massive downgrading (see later).

As shown in Figure 7.6, in Inner-Terézváros the relative deviation of the rate of housing units with all amenities is lower than to the east of the Grand Boulevard. Further towards the City Park the impact of the mentioned ecological factors are striking. The diplomatic quarter (identifiable on the introductory map) – is contrasted by the area across Andrásy Bld. These areas with the worst average quality of housing coincide with the areas concentrating the highest rate of social housing (Figure 7.7). In the district the only exception is the case study neighbourhood where – in spite of the relatively high rate of housing with all amenities – the rate of social housing is also relatively high. The reason is the high number of listed buildings (TEKVE SZ, 2003). In the mid-1990s already two slum-like areas (nothing compared to the real slums in Middle-Józsefváros) were described by Dövényi and Kovács, (1997). One of these areas

The Andrassy Boulevard – World Heritage (2002)

The Castle District and the panorama of the Danube has been listed by UNESCO's World Heritage since 1987. Andrassy Bld. as a momentum of the 19th century urban architecture and the significant city development at the turn of the 19th and 20th century is considered as an organic extension of the already existing World Heritage area. The extension covers the Andrassy Bld. itself, the buildings along the street, the Liszt Ferenc square, the Heroes Square, and the Millennium Underground. The protected area is surrounded by a quarter nominated as protective-transitory zone (the buffer zone) including the Inner City- Lipótváros area, the old Jewish quarter of Pest, the area of cultural quarter the so called Pest Broadway as well as the City Park as green open space providing the facilities of recreation (Tétényi, 2002).

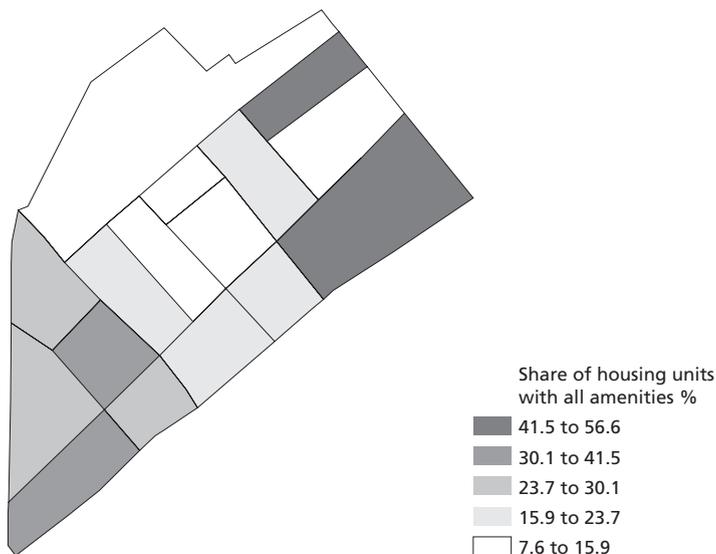
As one of the strongest structural and urban ecological factors in the Inner city of Budapest, the Boulevard needs a special approach in regeneration as being divided into three sections of different styles, modes of building and functions the renewal requires distinct district strategies (Román, 2002).

The *first section* forms part of downtown and stretches from the Bajcsy-Zsilinszky street to Oktogon (the junction with the Grand Boulevard). This part of the thoroughfare concentrates the State Opera, the greatest department store in the times of 19th century modernisation (Divatcsarnok) – presently undeservedly under-utilised – renowned cafes and theatres in the side streets. Besides the city functions residential function also occupied the four-storey palaces as dwelling places of the contemporary higher classes, the bourgeoisie. The *second section* has a residential function, however some public buildings intermingle with the residential ones. Another striking difference is the existence of the service road (once riding track) that helps to manage the constant flow of traffic and separate transit traffic from the “local”. It used to be more the classic late 19th century Pest residential area of the lower-middle classes. Integration of various social classes was nowhere else more typical than around this section of the Andrassy Bld.

The *third part* starts at Kodály körönd, a junction framed by fancy residential blocks whose shape forms the circle that creates the circus (körönd). It is also a residential area but bearing the signs and architectural characteristics of the late 19th century aristocratic residents demands. The mode of building is strikingly different as front-gardens appear with villas and real palaces behind (Török, 2001). The World Heritage status morally upgrades any area and this is what the Terézváros local government, the initiator of the procedure was well aware of (expert interview with Tasnádi, 2005). This moral upgrading is expected to cause physical and social upgrading in both the protected area and in its buffer zone (Román, 2002).

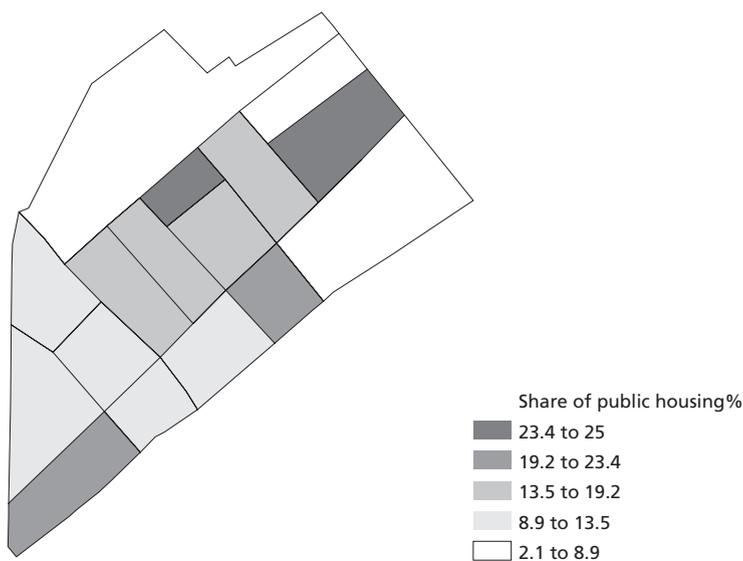
was the so called “*inner slum zone*” situated within a “triangle” embraced by Andrassy and the Grand Bld. in Inner-Terézváros.

Under the mature market-economic conditions the excellent ecological position of the area in the proximity of downtown Budapest with the Andrassy Bld. nearby seems to be quickly healing the problem of downgrading⁴. This area has recently gone through extensive pedestrianization,



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Figure 7.6 The share of housing units with all amenities in the 6th district. Source: CSO, 2001.



6748

Figure 7.7 The share of public housing in the 6th district. Source: CSO, 2001.

public space redevelopment and numerous private investments on the vacant sites. This area also enjoys the upgrading effect of the “Pest Broadway”. The Pest Broadway occupies the “estuary” of Nagymező street running into Andrásy Bld.

The most attractive section of the street with a number of theatres, numerous coffee houses has been redeveloped recently by the City Government of Budapest³ (Photo 7.1.). The works



Photo 7.1 The revitalised Pest Broadway (northern section). Photo by the author, June 2005 (for location see Figure 7.3 (7.1))

started very quickly before the general and local elections of 2002. There was almost no time for sending out the plans for adjustment to the civil organisations concerned, finally the Broadway Association (see later) and the theatres were given the possibility to check the plans and made numerous suggestions, none of which were considered. The traffic control was one of these points. Traffic was not banned and according to a survey (traffic counting) carried out by the Broadway Association in 2005 about 2000 vehicles pass by half a metre from the terrace zone every day – public transport means only 1-1,5% of them (expert interview with Pusztási, 2005). There was no reaction from the City Government to the proposals to change the system.

Dövényi and Kovács (1997) in their research found another more clearly distinguishable deteriorated zone, they called it the “*outer slum zone*”. As mentioned above the cause of massive downgrading is the proximity of the Nyugati Railway Station, which isolated this neighbourhood from the higher status Újlipótváros area (also subject of our study) (Geróházi et al, 2004 www.epiteszforum.hu). It was marked as a crisis area in the Social Rehabilitation Program of Budapest (see Chapter 6.2).

This outer slum zone reaches even the status quo area of the Andrásy Bld. In spite of the fact that isolated rehabilitation projects and small-scale renovations have been carried out in the past 15 years, these are the most run-down neighbourhoods in the district. The renovations of the 1980s which affected about 10% of the buildings have hardly any visible signs by now (Geróházi et al., 2004 www.epiteszforum.hu) The same authors point out that in the area in question most buildings have not gone through any kind of renewal for more than 60 years i.e. the ornaments

of the facades have completely worn off. Collapsed balconies and columns warn the passers-by to the constant danger. In the past 15 years with the re-awakening of retailers some of the residential buildings have seen varied degree of renovation on the ground floor both in- and outside (Dövényi and Kovács, 1997). These private initiatives are not stand-alone, but widespread in the inner districts.

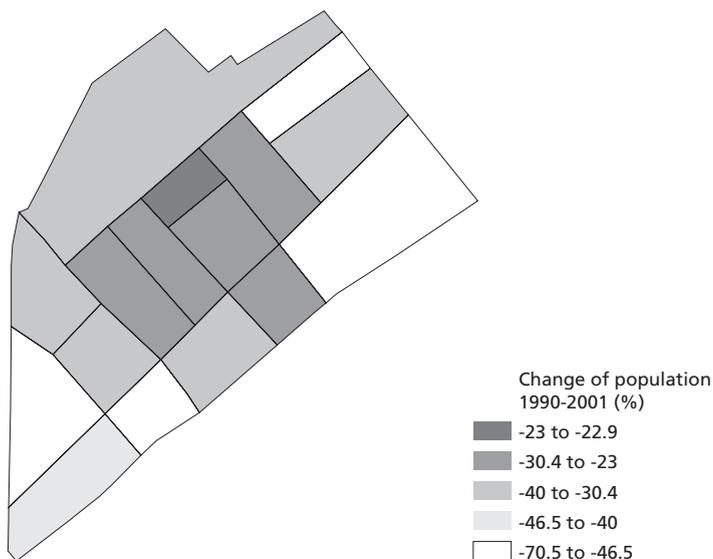
In these neighbourhoods intelligentsia is under represented and the intention or the possibility of leaving the area is much weaker. The population decrease is much less intense than elsewhere in the district. The Roma population with lower social status is the most numerous in these neighbourhoods⁶. According to Tasnádi (expert interview, 2005) in the early 1990s the liberal majority in the local assembly was far too generous regarding welfare support, probably the most generous among the inner-city districts, which caused the swelling of the low status jobless Roma households into the area. He also claimed that squatting became widespread. The local government has had to hire guards to save tenement buildings vacant from families occupying the vacated flats at nights.

The changes concerning the population of Terézváros show similar tendencies as in the other inner-city districts. Terézváros is still a densely populated part of the city, but this was even more characteristic in the early 20th century when it reached its peak with 101 000 inhabitants in 1910. Since then the population has almost halved. Demographic tendencies of an area are dependent on its relative position within the city. Terézváros suffered the most from the demographic consequences of socialist housing policy. Population decrease has been going on for almost a century and is not the consequence of the recent suburban movement of people exclusively. Dövényi and Kovács (1997) following the trend of demographic change in the 20th century concluded that even in the times of the greatest population growth in Budapest the 6th district stagnated or lost population⁷. Terézváros was one of the four districts where no housing estates were built during the socialist period and the migration tendencies reflect this fact too.

The population of Terézváros not only diminished by 50 000 within ninety years by the new millennium but by now almost nothing reminds of its pre-WW2 social composition. The most striking feature of the population is that almost every fourth male and third female inhabitant is over 60 years. In 2001 27% of the population was over this age.

The ageing index⁸ of the local population in 1997 was 207, which in the light of the value of 147 for the whole of Budapest is strikingly high (Dövényi and Kovács, 1997). The age composition of people influence the type of services the local government needs to secure, the nature of everyday problems and even the activity of the local civil organisations. This is also a factor that makes the local government put the attraction of younger generations high on the agenda when formulating a local social development strategy (expert interviews with Egedy and Mihályfi, 2005).

Figure 7.8 indicates that the decrease of the population has not affected the district to the same degree in all UPUs. The link between the rate of population loss and rate of population with a higher educational diploma is clear. Those areas has suffered from the greatest loss of inhabitants where the rate of intelligentsia and so the tendency of the middle class suburban movement is greater i.e. the Inner-Terézváros and the Outer-Terézváros UPUs such as the diplomatic quarter (CSO, 2001).



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Figure 7.8 The rate of population change by 2001 relative to 1990 in the UPUs of the 6th district. Source: CSO, 1990 and 2001.

As for the long term change in the inhabitants regarding social status and occupation it is essential to note that in contrast with the southern districts of the inner-city Terézváros remained for a long time the residential area of the “petit” bourgeoisie. In 1949 two-thirds of the local inhabitants were employed in the service sector while the city average hardly exceeded 50%. Despite industrial development on the territory of the district, the rate of industrial workers increased in the period of socialist industrialisation to a lesser degree. This industrialisation of the population was temporary and by the 1970s Terézváros was again on the top of the list containing the districts with the highest rate of active population employed in the service sector. Terézváros in the 1990s had twice as many jobs as its active population mostly in the service sector (Dövényi and Kovács, 1997).

7.1.2 The mechanisms

The public and private sectors

In the latest development concept of the district, the openly declared aim of the local government is to make the district a new high-status quarter, a new city centre of Budapest. The chief architect in a personal interview (László Mihályfi, 2005) identified three strategic tasks to reach this goal:

- The physical improvement of residential buildings – strengthening the residential function against any other functions
- (Re)-development of public space – selected action areas by enlarging the green areas and redeveloping public buildings
- Solving the traffic and parking problems by working out a new traffic system and by providing a lasting solution to the acute parking situation.

The three major development priorities will affect five action areas in Terézváros (see on the introductory map): Andrásy Boulevard – Broadway + Liszt Ferenc Square; Kodály Körönd (a Square on the Andrásy Bld.)⁹; Hunyadi Square (old market – large underground development + new green areas); Epreskert area; Nyugati Railway Station area (see introductory map).

Compared to this list of objectives the one given by the private secretary of the district mayor (Barna Kabai) was completed with two soft elements:

- Strengthening the cultural and entertainment function
- Deepening the elite image

In the course of the 1990s, the Terézváros local government lost its ability to take the moral and financial responsibility for the district renewal. In lack of proper financial means it lost control over the renewal process apart from the loft-programme and public place development. It is not only the insufficient legislation regarding redistribution on governmental level but also the irresponsible property management that led to this defenceless situation. In the times of abundance, in the mid-1990s the incomes from the selling¹⁰ of the most valuable properties and the social housing stock was recycled into the revitalisation of the built environment only to a moderate extent. The rest went to cover unwarranted non-material expenses (expert interview with Tasnádi, 2005). Being unable even to look after the listed buildings (the management of which was left on the local administration by law) Terézváros local government – under very strict conditions – started to put these monuments on the market too (expert interview with Szemethy, 2005) (see also Chapter 6.2).

Strategic thinking, in contrast with the poorer southern districts of Inner-Budapest, started too late and by this time almost no property remained in the hands of the district.

In order to realise the recent objectives the Terézváros local government has been trying to attract financially well funded investors such as banks, insurance companies and multinational corporations, which via their investments are able to generate major changes in the quality of the built environment (expert interview with Tasnádi, 2005). As mentioned above, the initiation of the Andrásy Boulevard's being taken on the Unesco's World Heritage list went also with the hope that this will assist the district government in raising funding for the regeneration works.

Both the chief architect and the private secretary of the mayor emphasized that the major restricting factor of new project initiatives is the lack of uninterrupted large vacant sites owned by the Terézváros local government, which is due to the privatisation policy practiced beforehand. The district originally had relatively few vacant sites compared to the larger districts, and as indicated above what it owned was privatised either before 1989 or in the course of the 1990s¹¹. Unlike in the 7th district there are no extensive demolitions in the 6th district due to the relatively better (but still run-down) state of the housing stock. There have been demolitions in the north-eastern crisis area of Terézváros but these are not of the site size that mega projects would require. On top of that, these sites with tenement buildings which can possibly be cleared in the near future do not have the kind of location preferred by investment capital.

As for the measures taken to make up for the handicaps of the local government due to the scarcity of properties, the Terézváros assembly in 2005 allocated 300 million HUF (1.2 million

euro) for the re-development of the mixed ownership condominium buildings. In spite of the fact that the fund is increasing every year, this resource is still scarce and requires the own share of the buildings to a great extent. This is often impossible to provide due to the large number of low income old-age pensioners and lower class tenants in the middle part of the district.

The district has had no other choice but to adapt development strategy that encourages market actors' involvement and to pass such measures in the district *regulation plan* that assists the smoother process of contracting with the investors.

The local government encourages the *loft program* (detailed in Chapter 5.3.2). The condition of the programme was that the local government had not privatised the lofts of the tenement buildings. It was a conscious step by the district even though the local government did not quite see what it would be good for and how it would promote the renewal of the district (expert interview with Mihályfi, 2005). Up to 2005, lofts of 65 buildings were converted into housing units and sold on the market, while all these buildings were renovated. The same number of residential buildings went through a certain degree of regeneration. All the 65 lofts were sold by the local government in one package. The investor group was Hungarian. The contract contained the deadline and form of completion of the construction works (expert interview with Mihályfi, 2005).

As for the practical side of it all as long as the loft is local governmental property, the contract with the developer on realisation fixes the type of reconstruction work which is to be carried out.



Photo 7.2 The Hajós street public space re-development project by the State Opera House. Photo: by the author, June 2005 (for location see Figure 7.3 (7.2))

While when the loft is the property of the condominium the tenants can apply for the *rehabilitation fund* available for the condominiums. The fund has annually different targets. 2004 was the year of facade renovation while in 2005 the condos can apply for money for chimney reconstruction. This type of projects are concentrated in the south of Inner-Terézváros (Káldy Gyula and Székely Mihály streets which fall on the area of the case study neighbourhood. While intensive facade renovation took place in the crisis area described above (expert interview with Kardos, 2005).

Another way of compensating for a lost opportunity and long lack of consistent urban renewal policy is *public space development*. This strategy – as in the four other examined districts – is supposed to be a key means of neighbourhood upgrading but here with respect to the traditional functions of the district is even more essential.

Banning out the polluting, noisy industrial activities was already the goal of the socialist district council in the late 1980s. One can hardly believe that today's Liszt Ferenc Square in 1986 was a busy traffic artery with a filling station, lots of basement metal and leather workshops. In 1987 the local decision was to bring such measures that would softly but surely force these functions out of the district to give space to higher prestige functions. Traffic was banned to enter the street and this way the cars and customers had no longer access to these services. Finally the shops left the area “voluntarily” (expert interview with Tasnádi, 2005). These days the process continues and the projected means of success is pedestrianization, creating more green surfaces, solving the parking problems by taking parking underground and on this basis further improving the conditions for the spreading of the elite-cultural image. The local government openly



Photo 7.3 Summer afternoon atmosphere on the Liszt Ferenc square. Photo: by the author, June 2005 (for location see Figure 7.3 (7.3))

promotes the inclusion of private investors in the improvement of public space. The fact that the Andrassy Boulevard in 2002 was awarded the World Heritage title, the side streets are gradually occupied by the pedestrians around the Opera House (Hajós street in Photo 7.2 is ready) and the terraces have already fully covered Liszt Ferenc Square (Photo 7.3) further contributing to the improving public image of Inner-Terézváros.

From another aspect other than that of the local administration, the cultural revitalisation of Inner-Terézváros is far from its real possibilities. As Pusztási (expert interview, 2005) interpreted the situation the district government is satisfied with what the spontaneous local initiatives have achieved and has no strategy to consistently utilize the further potentials of the area.

In spite of the fact that the Terézváros local government is reluctant to invest directly in the “Broadway project”¹² the local politicians do not hesitate to call it a flagship project of tourism, cultural and public space revitalisation and are proud of it. No doubt the cultural livening up has proved to be an efficient means of marketing for the surrounding areas such as our case study neighbourhood¹³.

Another key issue in the district however, is the limitation of transit traffic and finding a *solution to the parking difficulties*. The objective in this field is to make the main arteries suitable for letting through the transit traffic while in other streets traffic needs to be limited to car use of the locals.

In some of the action areas of public space re-development parking is also included. In all these cases parking is placed underground. In these relatively small scale projects the local government gives the to-be-developed site to the investors for free and as a compensation gets hold of 25% in the undivided common property in the new development.

An example is the project of the Hunyadi Square market¹⁴ re-development and the construction of underground parking space, Jókai Square in front of Liszt Ferenc Square and the south section of Nagymező street (Pest Broadway) (see introductory map). Many feasibility studies and technical plans were composed and approved by the architectural board in charge, even the proper investors were found but before the last step some civil organisations have always opposed to implementation. It is because the construction works would cause cutting down trees. The local government has number of court cases initiated by civil organisations and consequently no underground parking places have been realised so far¹⁵ (expert interview with Mihályfi, Érdi-Krausz and Tasnádi, 2005). The resistance is inconsistent and sometimes senseless, though – as the chief architect interpreted – the district would finally gain more than could compensate for the loss of some old trees.

Public space development is not only the concern of the local government but also that of the City Government. There are lots of points where the city and the district’s authority overlap, creating source of tension and misunderstanding. One example of multi-ownership problem is Szondi street in the crisis area. The street is divided into two sections: one is in local ownership and management while the section with public transportation is the property of the district but managed by the City Government. The local municipality is placing new pavement on the section it manages however, regarding maintenance other roads enjoy priority on the agenda of the city government. Even if Terézváros local government is ready to finance the renewal of the other section as well the project would need the ascent of the city government (expert interview with Pálffy, 2005).

The green space rehabilitation is another case and important to be noted as it contributes to the neighbourhood quality. Besides certain streets the management of the vegetation of the main roads (Liszt Ferenc Square, Jókai Sq. Hunyadi Sq., Nyugati Sq. Nagymező street) is also the responsibility of the City Government. Communication between the two levels is so limited that sometimes the local government is not even informed about the vegetation maintenance works carried out by the city government (expert interview with Pálffy, 2005).

As reflected from the main priorities of the district social issues would represent only secondary importance (Gerőházi et al. 2004 www.epiteszforum.hu). Nevertheless, there have been local initiatives for social housing construction serving not the lowest income groups but the young middle income families. In 2002, the district applied for funding from governmental funds, which supported the construction of 22 new social rental units. The units, ranging in size from 29 m² to 69 m², are rented out on cost-base (on average half of the market prices) to tenants who are competing. The rent is 490 HUF/m² (about 2 euro/m²) (expert interview with Szemethy, 2005). In 1990 there were 25 338 registered social housing units in the district (Dövényi and Kovács, 1997) of which only 13.7 % remained by 2003 and the number is still diminishing. According to the head of the Property Management Office (expert interview with Kovács, P., 2005) by May 2005 only 10 residential buildings remained in 100% local government property. There are buildings registered as structurally insufficient and life-threatening. In these cases the tenants are moved to vacant social housing units. As long as the local government is in short of them they rent housing units on the market. The vacated buildings are sold in a vacated state, the investors demolish them for the site (expert interview with Szemethy, 2005).

The inner part of Terézváros belongs to the area in mixed residential and business function in the Zoning Plan of Budapest, recent tendency suggests that the residential function was more a subject of investments until 2004 than the business and service sector. According to the most recent macro-economic conditions (2005), the pace of housing constructions has slowed down, although the inner-city projects do not suffer so much from low demand as the ones further out in the brown field zone. At the same time, the office sector is also under-utilised, however the recently sold listed buildings of the Andrassy Boulevard have partly been converted into offices besides the luxurious apartments.

The *functional conversion* that Dövényi and Kovács found noteworthy in 1997 in Terézváros has slowed down and even business functions withdraw since the mid-1990s (expert interview with Kardos, 2005). Before 1997, functional conversion was taking place at the expense of residential function.

Open functional conversion with its new post-modern office buildings breaking the neo-classical and eclectic row of residential buildings was limited to the Inner-Terézváros area e.g. Suba Office Centre (Photo 7.4) and Generali Centre. The local government welcomed the banks and powerful investors as protecting their image they simply did not accept worn off facades of the surrounding buildings but renovated them with a relatively low contribution of the local government (expert interview with Tasnádi, 2005).

The office space oversupply and the housing construction boom practically terminated this transformation by the turn of the new century (expert interview with Kardos, 2005). The so-called *hidden conversion* already became striking by the mid-1990s especially in the residential



Photo 7.4 Suba Office Centre among the recently renovated residential buildings in Inner-Terézváros. Photo: by the author, September 2004 (for location see Figure 7.3 (7.4))

buildings along the Little and Grand Boulevards. The functional conversion of the Andrassy Bld. commenced later as the privatisation of the tenement buildings took an intensive pace only more than 10 years after the change of system. Dövényi and Kovács (1997) revealed other concentration of hidden conversions in the north of Outer-Terézváros, away from the main thoroughfares, while they found it absolutely missing from the diplomatic quarter – for obvious reasons.

The civil organisations and their relation to the local government

In Terézváros the birth of the first civil organisations sprang from the need for the protection of tenant interests. As privatisation gained significance and became the main concern of the local people, movements protecting the interests of the tenants were launched in quite a number, such as the Social Housing Purchasers' Association, the Housing Owners' Association, the Tenants' Association etc., all serving basically one purpose (Spirulisz, 1992). Naturally by now most of these movements lost their timeliness and have transformed or ceased to operate. These were the prototypes of civil movements organised for one specific purpose, which losing topicality lost the mass support and die out.

The most numerous type of civil organisations in the district are the ones established by old age pensioners and those for the younger generations. It derives from the demographic features of Terézváros, the large share of the aging population. The old age pensioners run their minimal budget, support-based organisations themselves, while the organisations for the young families are more or less top-down initiatives aiming at keeping the young families by making the district more attractive for them.

The third kind of activity around civil sphere is organised is protection of the values in the built environment. The centre of the nation-wide Urban Protecting Association is situated near the Grand Boulevard. The local organisation to protect the architectural treasures of the district is one of the most active movements in Terézváros.

In spite of the fact that Terézváros local government does not have an officer in charge of contact keeping with the civil organisations – the head of cultural department is responsible for civil contact keeping – in order to rationalise the expenses it still contracts out certain responsibilities (services) to the non-profit sector (Chapter 4.3.4 and Chapter 5.3.3). The hottest issues and problem fields in Terézváros are indicted by the fields of activity of the civil organisations involved in such contract based co-operation: *street cleanliness, hygiene; social care of the retired and the needy, cultural life, old age pensioners clubs.*

The most important organisation taking an active part in improving the image of Inner-Terézváros is the *Broadway Association*. The organisation of the restaurant and bar keepers of Liszt Ferenc Square was established in 1996 with the purpose of protecting their interest against the local government and the local inhabitants (expert interview with Pusztai, 2005). Later the objectives completed with carrying out activities in order that the immediate environment of these restaurants and bars, would improve in quality. The bar keepers look after the hygiene and safety of the public space. In spite of the tasks carried out by the Association it is not supported by the local government, the allowance of the owners is the 25% reduction from the public space rental for the terraces. The City Government provides an amount annually which covers 25% of the costs of hiring the guards. The Association has proposed various actions and changes supported by studies carried out by its activists. None of these proposals have been considered so far. In Pusztai's view the problem is that even the bar keepers themselves are passive. If they see a handsome enough profit they are pleased. They do not support the idea of making summer cultural life on Liszt Ferenc Sq. more lively complaining that the invested energy and money does not bring that much more profit. In this respect he judged the Ferencváros local government (9th district) more far-sighted and so a good example. As he judged in contrast with the 6th district what the local government is doing there can be called image building generating neighbourhood upgrading (see relevant chapter) in reality.

Major civil organisations which indirectly contribute to the neighbourhood dynamics in the district are the Terézváros Green Circle launched as a local civil initiation to improve the livability in particular neighbourhoods of Terézváros and Mai Manó Association¹⁶ a progressive initiative for cultural events, exhibitions, and all kinds of performances – located in the Mai Manó House (on the Pest Broadway).

A typical phenomena of the district is that the old age pensioners resist all the changes that influence their lives. As a number of streets have been pedestrianized by the Andrassy street lots of new restaurants and bars have appeared and brought life back to these areas. At the beginning when the local inhabitants felt only the disadvantages with the crowd and constant noise they were not satisfied and even established their anti-Broadway civil initiation (it was also the case in Hajós street by the State Opera). After a series of compromises and the inhabitants' realising that the new functions increased the value of their flats, the conflicts have all been settled (expert

interview with Németh, and Pusztai 2005). The tenants also started to feel safer as two guards look after the public safety from May until September every year. The service is financed by the Broadway Association.

The proof that the new functions bring more investors to these streets is that even though the area is suffering from the scarcity of vacant sites, loft projects appeared on both Andrásy Bld. and in Liszt Ferenc Square. The value of the housing units went up so much in these buzzing centres of night and community life that it is worth investing more time and creativity into the physical plans of the lofts in order to make them meet the strict regulations of the National Office of Cultural Heritage.

7.1.3 Neighbourhood dynamics in the south of Inner-Terézváros

The neighbourhood under scrutiny is located in the south west of the district and renowned for including the largest proportion of residential buildings listed as monuments in the district. (see maps in Chapter 7.2) (In the 15 blocks examined, 40% of the residential buildings are under protection by national governmental or Budapest Assembly decree, which is extraordinary.

The area is framed by the Grand Boulevard the Small Bld., the Andrásy Bld. as well as the Király street as a border of the 7th district (see introductory map). The factors influencing the dynamism of the area are many-fold. The most important factor is the relative location of the neighbourhood near the centre, the fact that it is practically the continuation of the historical Jewish district of the 7th district and finally that the Andrásy Bld and Broadway are integrated into the area. The neighbourhood is surrounded by numerous urban ecological phenomena that are prone to generate upgrading by attracting capital investment into the area. However, there are other reasons, mainly internal to the neighbourhood – such as the listed status of most buildings and the larger than ideal rate of privatised housing units, the scarcity of sites and long-term property speculation – that make the progress of renewal slower and lacking consistency. This makes the study neighbourhood altogether the least dynamic among the case study areas discussed in the book. The historical path dependency as well as the rehabilitation attempts in the area are factors internal to the neighbourhood having had immense impact.

The oldest housing stock of the district can be found in our case study area. There are buildings even from the 1800s. Intervention of the local government in the socialist period was limited and what they did caused the loss of architectural values such as the 1972 demolition of the Dobler Bazaar – stretching between Király street and the backbone of our neighbourhood, Paulai Ede street. Architecturally and functionally the building was reminiscent of the Gozdsu Arcade and meant a link with the neighbouring Jewish district (see Chapter 7.2) (Haba, 2002). The site has not been built up ever since the demolition happened but being in the immediate proximity of downtown has been subject of property speculation and numerous plans for multifunctional mega projects never realised.

The *rehabilitation* in the examined neighbourhood of the 6th district was the brain child of the manager of the IKV (Property Management Company) itself. As the rehabilitation of the area was not included in any scheduled rehabilitation plans and the buildings were in an extremely run down state the manager of IKV came forth with an unusual idea. Well ahead of his time he proposed the involvement of foreign companies at certain stage of the renewal process (expert interview with Tasnádi, 2005). Although a decree of the contemporary communist party and

Historical path dependency – the cultural mission of the area

The Inner-Terézváros, the neighbourhood bordered by the Király street the Little and the Grand Boulevards and the Andrásy street used to be the quintessence of Budapest nightlife in the golden age of capitalist modernisation. The Pest Broadway attracted the most renowned Hungarian artists, writers, poets by offering the widest range of coffee houses where Puccini, Mahler and Ibsen paid their visit during their stay in the Hungarian capital city. The Parisian style cafes were the places of contemplation and exchange of news and the cradle of the most distinguished masterpieces of Hungarian literature. Coffee houses were all over the area. The same scene gave way to merry-making at night in the contemporary orfeums (music hall) cabarets and what we would call night clubs today.

The orfeum was a place of light entertainment with popular cabaret and later with operetta music. In these places the audience was even allowed to eat during the performances. The Orfeum specialised in operetta and finally in 1922 was transformed into today's Operetta Theatre. As the main rival Moulin Rouge with the red mill settled next door at around the same time. After World War I. the orfeums and cabarets were mostly turned into theatres and eating was not allowed any more... (Szabó, 2005. www.epiteszforum.hu).

Light entertainment was replaced by more serious theatrical art in the 1930s when theatre companies first found their permanent "homes". The change was gradual, and was due to the years of economic crisis.

The mode of entertainment changed but the cafes remained and even in the last year of peace in 1938 altogether 167 were registered in the whole of the contemporary Budapest (Murányi, 1997).

After World War II. in the 1950s the intimate meeting places were all nationalised and mostly closed as they were considered to be the potential places of conspiracy. However the theatres and the night clubs were saved (with transformed repertoire) and remained the focus of light entertainment up to now.

the government in 1982 emphasised the necessity of urban renewal and even the promotion of private initiatives the proposal did not get support from the central budget.

- The plan was to modernise all the housing units of the old buildings and the tenants were to be given the possibility of buying their rental with advantageous state loans.
- On the vacant sites new residential buildings were to be built with the objective of selling them to companies or foreign investors.
- New open spaces were to be opened up by demolishing some backyard wings.
- The number of flats was to increase from 287 to 525 (Lampel and Lampel, 1998).

The manager of IKV attempted to break up with the inefficient bureaucratic practices of the times in the period of loosening state control, which still meant a absolutely uncertain financing of the project (expert interview with Incze, 2005). Being aware of this, the planners working on the feasibility of the rehabilitation elaborated a proposal for self-financing. The state loans

provided on favourable conditions were not permitted besides the tenants objected to the projected demolition. Although in 1984 a new plan was produced by another planning company with no demolitions and smaller green space due to the worsening macro economic conditions, the project was never realised (Lampel and Lampel, 1998).

The so-called A, B, C and D blocks – located sequentially from the Little Boulevard to Nagymező street (Pest Broadway) – roughly overlapping with the case study area. The concept behind the project was to produce the costs of rehabilitation of the existing housing stock by involving market investors into the development of the existing and new gaps created by demolitions. For what is the practice today in the 1980s the macro-economic context was not welcoming and the actors were scared of involving the market sphere. The project in 1980s was considered as a revolution. There have been numerous version for the implementation of the regeneration project. One common thing was the functional conversion of the block “A”. In 1986 tourism industry livening up in Hungary due to its openness necessitated the construction of new hotel capacity.



Photo 7.5 A site 50 m from the bustling Liszt Ferenc Square awaiting development. Photo: by the author, 2005. (for location see Figure 7.3 (7.5))

As the product of 7 years planning and 6 month implementation works only two buildings were completed by 1987, where the tenants moved back afterwards in the block “A” the project practically terminated. Another factor that caused the fiasco was a theatre nearly collapsing in block “C”, which caused the resources be shifted. The renovation of the theatre also meant modernisation, which necessitated the partial demolition of the neighbouring buildings and the conversion of the cellars and basements to develop community spaces for the theatre (Lantos, 1992).

The privatisation “scandals” detailed above most affected the rehabilitation area and the short-run “victory” of the locals achieving the privatisation of the non-listed residential buildings (about 60% of all in the area) practically made systematic block rehabilitation impossible for good.

In spite of the fact that unlike in the 9th and 8th districts Terézváros local government has had no clear concept and strategy and management company for rehabilitation, overarching governmental circles the *cultural revitalisation* of the Inner-Terézváros area is well in process.



Photo 7.6 Paulai Ede street, an almost 200 years old building beautifully renovated. Photo: by the author, 2005 (for location see Figure 7.3 (7.6))

The process has contributed a lot to the slow but sure upgrading of our neighbourhood. This tendency caused each vacant site be subject of property speculation changing owner twice or three times. As Pusztási (interview 2005) claims the time seems to have come when from purely trading the sites no more large profit can be earned, so the actual development of them is to start now (Photo 7.5).

The effect of the Andrassy Bld. functional conversion broke into the neighbourhood as early as the beginning of the 1990s. However, it soon turned out that the neighbourhood is not appropriate for large-scale office developments due to the layout and the parameters of the streets (Photo 7.6).

The best example is the project which was intended to be the backside continuation of an Andrassy Bld. Palace. The result is an enormous glass and steel building leaning towards the street where it is not wider than 12 metres. The plan was objected on all professional levels but the investors found a way to realise the plan.

The project would show more in an open space (glassy surface on the right hand side of Photo 7.7). For this site probably a moderate, structurally more harmonious construction would have done more to improve the aesthetic quality of the neighbourhood.

As part of functional conversion on the ground floor both in the over 150 years old and the somewhat younger buildings restaurants, pubs and seemingly little shops with huge basement stocks selling mainly home interiors ornaments returned. The shops had been converted into social housing units after WW 2. but they have regained their old functions.



Photo 7.7 The renovated old and the recently constructed new both find their place in the eclectic environment. Photo: by the author, 2005. (for location see Figure 7.3 (7.7))

Photos 7.6 and 7.7 prove that contrast exists not only on the macro or mezo spatial levels but on the very neighbourhood level too, especially where there is no consistent renewal strategy but the built environment is developing spontaneously (organically) absolutely relying on the intentions of the market actors. In one single street there are vacant sites, centuries old nicely redeveloped listed buildings and completely new residential developments.

In the same neighbourhood there are unbelievably run down, deteriorated buildings, where tenants are aware how much their property is worth on the market, how difficult it would be to realise it in such a state. Listed monuments stay unattended, while the residents waiting for an investor or a local governmental measure try to improve the look with some flowers (Photo 7.8).

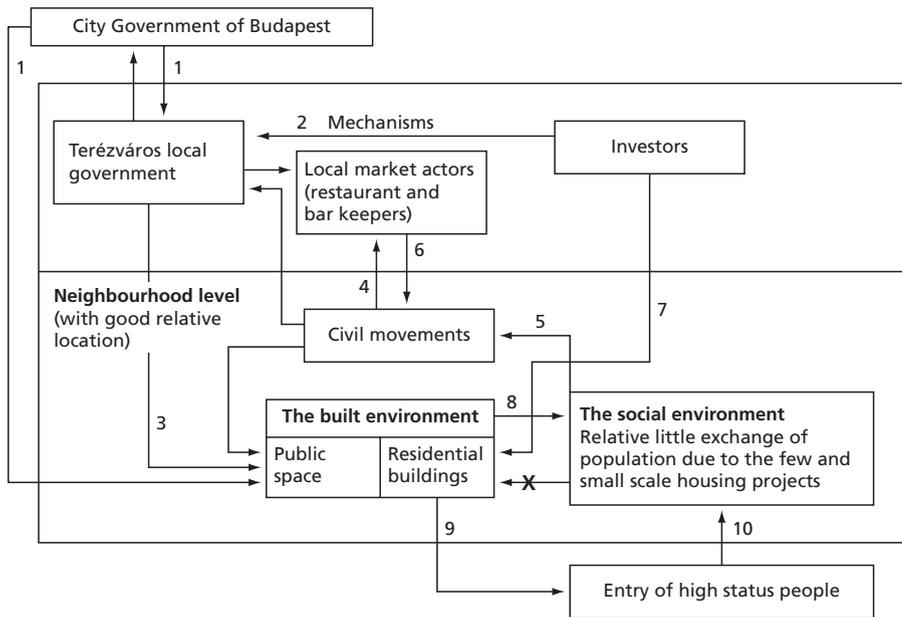
As the neighbourhood is especially rich in listed buildings and the rate of social housing units is already too low, there are practically no more residential buildings in the case study neighbourhood in 100% local government possession, which would make a PPP mini-project for regeneration possible. On the margin, no intention of the local government has been seen to initiate projects around it. The regeneration of this old neighbourhood is absolutely expected from the radiating effect of the Andrassy Bld, and the initiations forming the Pest Broadway – also not the achievements of the local government.

Summary: The model of neighbourhood dynamics in the Inner-Térézváros area

Depicting schematically what is happening in this relatively small study area is a lot more complicated than those neighbourhoods, where there is a comprehensive renewal strategy has



Photo 7.8 A worn-off facade on a listed building in Inner-Térézváros, Paulai Ede Street. There is not much more means to improve the look than some flowers. Photo: by the author, 2005 (for location see Figure 7.3 (7.8))



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Figure 7.9 The model of neighbourhood dynamics in the Inner-Terézváros area

been applied for years. The actors in the process of neighbourhood change vary by building and the physical proximity of certain types of ecological factors – streets and areas with entertainment function (Nagymező street, Liszt Ferenc Sq.), business function (Andrássy Bld.), the impact of the Király street public space redevelopment.

Consequently the model is more complicated than the ones prepared either for the 8th or the 9th districts and shows more similarity with the neighbouring 7th district, except for the fact that there is no actor so powerful and project such big as the ones in the Jewish district.

The most important externality in the model is the City Government of Budapest. Due to its special management role in some of the streets involved in the study, it does have a hand in the upgrading of the public spaces. Most important example is the work done in alliance with the 7th district and Terézváros local government, the Király street redevelopment project (detailed in Chapter 7.2) (1). It also has its individual actions when it initiates green surface maintenance and public space rehabilitation on its own.

Another important impact from outside the system (the neighbourhood) is the lack of proper legislation related to the protection and renovation of listed buildings, which gets internalised due to the high rate of the monuments in the study area of the 6th district.

In our study area the direct role of the Terézváros local government in the renewal of the neighbourhood is minimal for lack of means for comprehensive intervention (extensive privatisation and the lack of a consistent renewal strategy). Public space redevelopment and the indirect contribution to the image building activity of local organisations are the tools left. The PPP based underground parking places – which could also contribute to the improving image

of the area solving out one of the most aching problems – are destined to fail until some of the local civil organisations stop objecting to any kind of interventions causing the cutting of trees.

The civil sector is present and active in the neighbourhood, but their role cannot be judged uniformly positively as some of them are advancing while others are hindering the complex renewal and image building. They do have an impact on the built environment and functions that are prone to upgrade the area in the housing market. They come from the market actors organisations (4) or from the local inhabitants (5) – in the last case protecting more their own interests than that of the upgrading and changing image of the district.

The area has a big appeal for the capital by its relative location within the city. It upgrades the sites so much that the neighbourhood has remained more a subject of property speculations up to the most recent times (2005). The investors investing money into sites or buildings in the area have been more interested in turning them on at a higher price instead of carrying out real developing activity. In recent years, it has changed and the number of constructions with residential purpose is increasing (7). The private sector does not really get access to being involved in larger PPP projects due to the above mentioned reasons so though they are willing and have the capacity still do not have real impact on the public space redevelopment.

The built environment does not have much impact on the inhabitants (8). The area is suffering from population loss but as there is no systematic vacating the population is more or less stagnating. The few new constructions and loft projects definitely attract (9) higher class young individuals and young couples (10).

The model suggests that the transformation of the neighbourhood is mainly based on the location and the ecological factors such as the Andrassy street, Broadway and the Király street. The public space development initiated by the local government is still scarce though undoubtedly present, however its impacts on dynamism far lags the potential.

The market actors carry out activities causing neighbourhood upgrading. The property market is so deterministic and the local government has such a lack of funds that, protected palaces of the Andrassy Bld. are being transferred to market actors. Even projects of badly planned and architecturally out of style buildings may be implemented as the locals do not have the proper means to act against them (see office construction above).

7.2 The 7th district – Erzsébetváros

Introduction

Erzsébetváros is considered to be a record keeper in many respects in Budapest. The administrative area of Erzsébetváros is the smallest among the Pest side districts while its population density far exceeds all the others'. Erzsébetváros as an administrative unit is not so old as the area itself. It was established in the same year as Budapest was born, in 1873 by being detached from the present Terézváros (6th district) along the historical Main street of Budapest (Király street) connecting the City Park situated on the edge of the 19th century city with the centre. The district was only named after long hesitation in 1881 after Emperor Francis Joseph's wife, Elizabeth (Sisi), the popular and beloved Queen of Hungarians. (Bán and Maraffai, 1997). The district was originally six times larger than today, 11,63 km² (Michalkó, 1998).

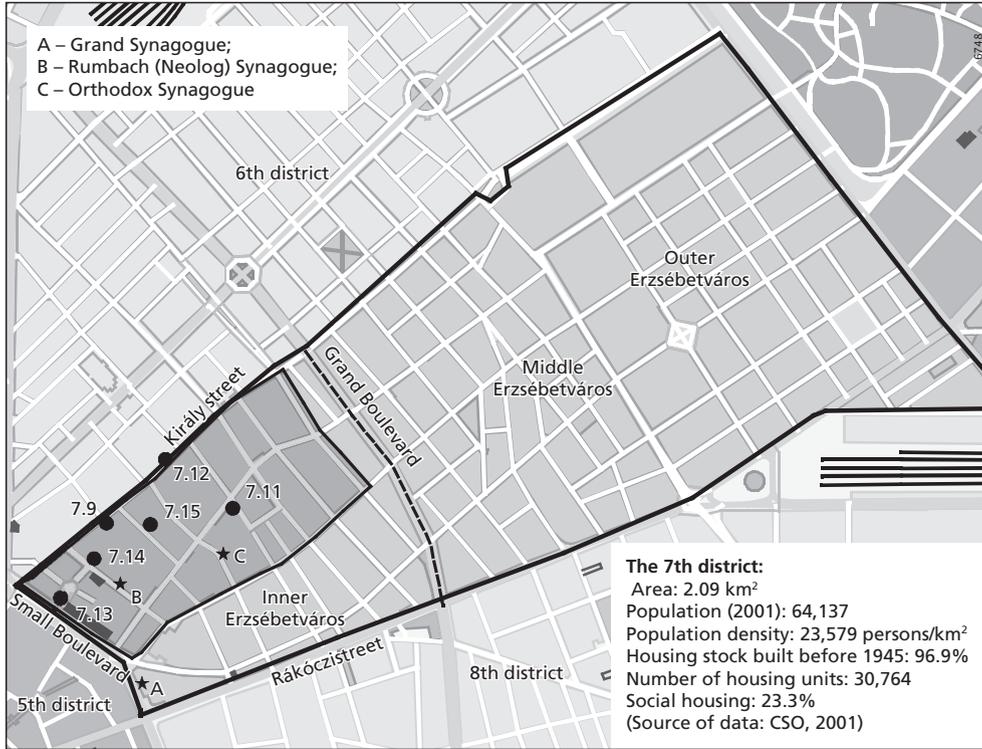


Figure 7.10 The 7th district (Erzsébetváros)

Erzsébetváros had also reputation for being the most tolerant area of the city having melted people of all nationalities and religion for quite a while. This is the area where the historically so ambiguous Jewish Quarter is located. The once extensive neighbourhood of rich architectural heritage and lively, coherent community and later for a while the place of terror and death as the Jewish Ghetto existed here from late 1944 till the winter of 1945.

Both in architectural and social terms the district shows more in common with the Terézváros (6th district) to the north of it than with the Józsefváros (8th district) to the south. In radial direction Rákóczi street is more a traditional divide from Józsefváros than the artificially drawn border, the considerably narrower Király street stretching between Teréz- and Erzsébetváros (see introductory map). The divide towards today's CBD (5th district) is the Small Boulevard, which runs on the line of the old city walls. In the north-east Dózsa György street, the place for military parades of the communist times separates the district from the City Park (14th district).

The Grand Boulevard (called Erzsébet körút on the section concerned) like everywhere in the historical residential area is structurally crucial concentrating all sorts of commercial and entertainment functions (theatres, four-star hotels etc.). It was balancing on razor-edge for years but recently capital rediscovered it and in contrast with the neighbouring Józsefváros section it seems to have strengthened its position among the shopping areas of Budapest.

The district is structurally divided into three major parts: Inner-, Middle- and Outer-Erzsébetváros, these are also the planning areas of the district. On the recently approved Zoning Plan of Budapest, the inner part is marked as a mixed business and residential zone with very little green open space. In Middle-Erzsébetváros, the same function prevails along the Grand Boulevard and the Rákóczi street, while behind the buildings of these thoroughfares, being further away from the shadow zone of the CBD the residential function is dominant. In the outer district areas public institutional functions (e.g. hospital) in need of larger sites appear and proportionately the rate of residential use in space is shrinking.

The district is compact, there is hardly any space for greenery left. The most serious lack of greenery characterizes the Inner-Erzsébetváros, where our study area is located.

As for the political affiliation of the local government and therefore the relationship with the Metropolitan Government ever since the changes of 1989-90 there has been a socio-liberal majority in the district assembly with a socialist but never the same mayor. Nevertheless, this apparent advantage – the Metropolitan Government of Budapest having been socialist-liberal all the way so far – has not meant any special lobbying advantage for the realisation of the local ambitions in halting the decline in physical and social attributes of the area.

7.2.1 The residential environment

The built and the social environment

According to the data of the Census in 2001 there were 1283 residential buildings in the district and 89% of the housing stock was constructed before 1919. The oldest building, which is situated in Inner-Erzsébetváros, dates back to the 1830s. In spite of the extensive demolitions of the past 50 years, the inner part of the district concentrates the largest number of old early 19th century residential buildings in Budapest. What makes the area unique besides the large share of old housing is the form and morphology of the buildings hardly seen elsewhere in the city. These unique architectural forms originate from the unparalleled urban morphology produced by the Jewish community which existed here since the middle of the 19th century (Perczel, 2003). The decline in the pace of construction occurred in between the two world wars, only 10% of

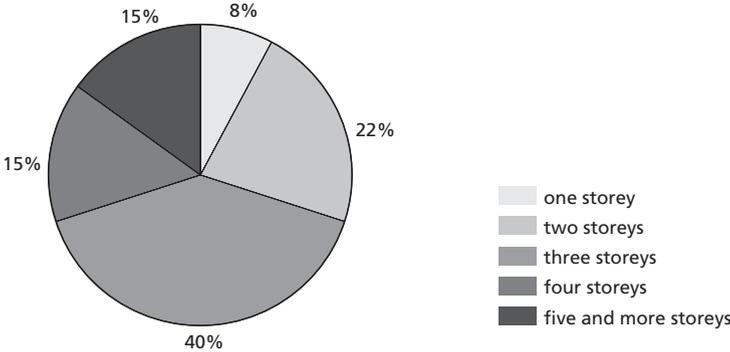


Figure 7.11 The distribution of residential buildings in Erzsébetváros by number of storeys. Source: CSO, 2001

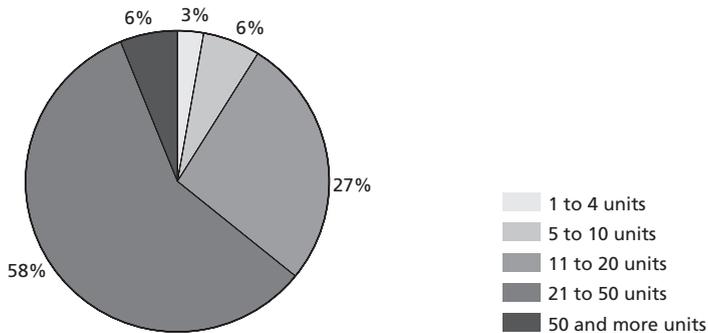


Figure 7.12 The distribution of residential buildings in Erzsébetváros by number of housing units. Source: CSO, 2001

the buildings dates back to this period. Due to the extensive housing construction policy only 1% of the stock originates from the socialist period, while until 2001 the dynamism of housing construction equalled almost zero with only four buildings (CSO).

Since 2001, new construction has increased especially compared to the previous periods. As for the morphological attributes of the area, 58% of the building stock include 21-50 residential units (Figure 7.11) and altogether 70% of them higher than three storeys, are (Figure 7.12) 30% taller than four floors. The density of buildings due to the organic development and the speculative housing constructions of the district is extremely high. The standards of housing measured by the rate of housing units with all amenities is relatively low, on average only 17% of the housing units is equipped with all amenities. Spatial distinctions (Figure 7.13) within the district strikes out as the Inner-Erzsébetváros four UPUs (Urban Planning Units) exceed the district average, the innermost by the Small Boulevard reaching 50%, still there are noticeable block level distinctions as shown later. The UPUs in Outer-Erzsébetváros do not even near it with the lowest value of 5,7%.

Over 90% of the housing stock was social housing during the socialist period. These days the rate is still diminishing, in 2001 it was on average 23%. Examining the same year by UPUs (Figure 7.14) the highest rates dominated the Inner-Erzsébetváros area with over 30% each and the UPU including the Jewish Quarter, has the highest rates.

Slightly lower rates characterise the UPUs in Outer-Erzsébetváros where the inhabitants are lower status people. These are the urban planning units where the rate of housing units with all amenities is the lowest too (see Figure 7.13). What has physically characterised the inner-city area in the past few decades (scaffoldings, timber pillars supporting the balconies etc.) has been the most typical of the inner part of the 7th district with the oldest housing stock.

As there has been no funding for the redevelopment of the buildings, since World War 2., the worst damaged buildings were demolished, and this “policy” proceeded for the subsequent decades up to almost now. The tenement buildings in life threatening state were not renewed but vacated and demolished leaving behind many vacant sites used as parking areas. Large bare wall surfaces were left behind which became the hallmarks of the neighbourhood.

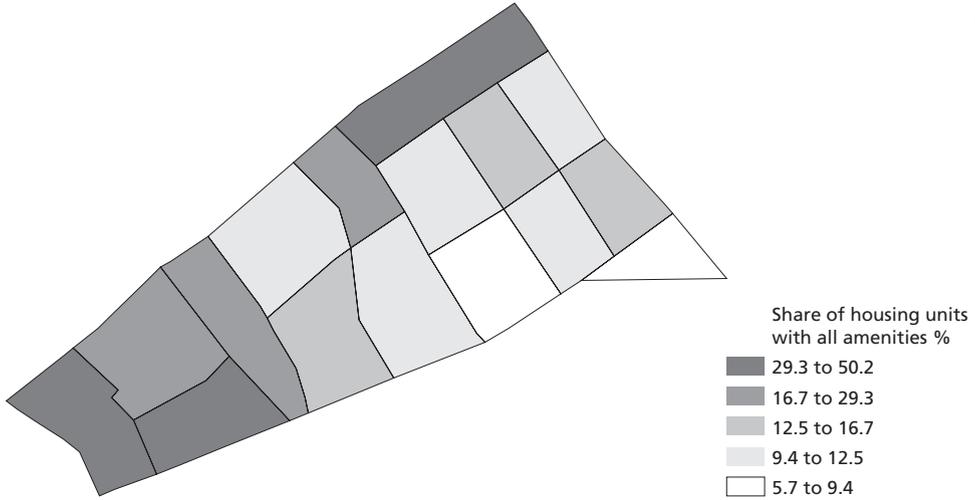


Figure 7.13 The share of housing units with all amenities in the 7th district. Source: CSO, 2001

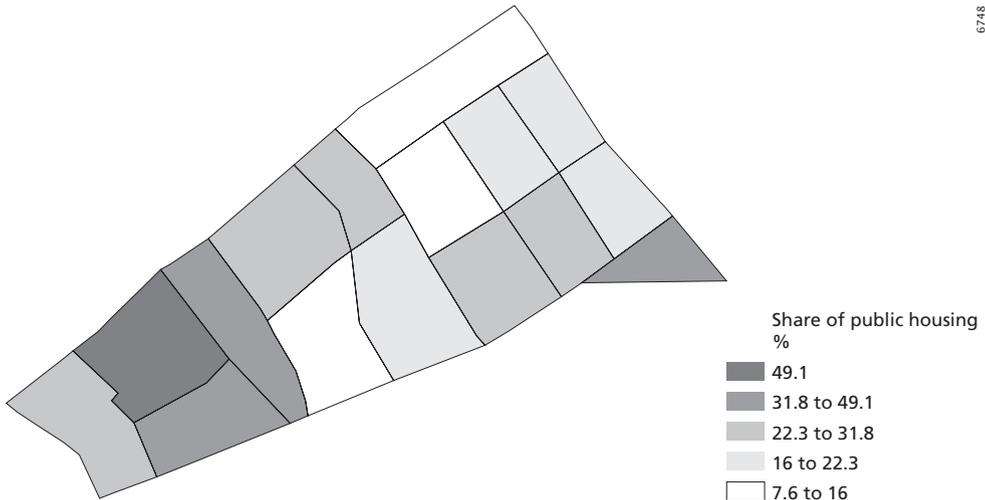


Figure 7.14 The share of public housing in the 7th district. Source: CSO, 2001

During the 1990s, gradually the vacant sites were built up first during the office boom with office buildings and later from the late 1990s onwards with parking houses and residential buildings (expert interview with Müller, 2005). After the housing construction boom described in Chapter 4.3.2) there were almost no vacant sites left for new constructions therefore demolition became more intensive.

From the late 1990s, the developers relied on the swelling middle class, with their growing purchasing power along with the developing mortgage system, and started to take advantage of the huge rent gap, by upgrading the inner-city areas (Hegedüs and Tosics, 1994).

“...the relatively low quality of the inner-city housing stock is compensated for by its relatively good ecological position” (Hegedüs and Tosics, 1994)

As the practice was going the developers got hold of the buildings by optional contracts with the tenants. It is the developers' job to vacate the building as quickly as possible – as their market interest dictate – to start demolition and construction. Clearly, re-newing and upgrading the physical environment in the district was happening at the expense of the old architecturally and historically valuable building stock (expert interview with Marinov, 2005). Numerous buildings which represented unparalleled architectural value were lost in some 5 years up to 2004 (see later).

Due to administrative changes in the 1920s when from the more than 11 km² large district the 14th district was detached, the “old-new” 6th district with 2.09 km² became the most densely populated administrative unit in Budapest. In 1930, the population density was 54 708 inhabitants per km². Owing to the population boom of the late 19th century, which was caused by migration and the large family model, the district became saturated by the turn of the century. However, the increase remained unbroken until the 1940s. The population of the district declined by 43% by 1990 (Michalkó, 1998).

Between the first year of democratic order 1990 (82 864 inhabitants) and the year of the last Census in 2001 (62 815 inhabitants) the district lost a little more than 20 000 inhabitants adding up from the faster natural decrease and the exit strategy of the younger generations. Since 2001, the decrease has been ongoing with further 2000 people lost until 2004 (Budapest Statistical Year Books 1990, 2001, 2004, CSO).

The presently so striking aging process of the population is nothing new. Already by 1941 the rate of children aged up to 15 diminished to 13.3% from 26.8% in 1890 (Michalkó, 1998).

Originally in the late 19th century, the population of Erzsébetváros was 57.6% Hungarian by the mother tongue. Germans accounted for 32.2%, the Slovaks for 7% of the population. It was not more mixed than any other parts of the capital city (Michalkó, 1998). In 50 years, however, this ethnically varied population changed radically and not only statistically (Lukács, 1996). In the 1941 Census almost 100% of the population claimed that they were Hungarian by nationality (Michalkó, 1998). The extensive ethnic assimilation was characteristic of all the states which formerly belonged to the Austro-Hungarian Monarchy.

More striking than the ethnic colours of the district was its religious multi-coloured nature. In the beginning of the 19th century, the rate of Roman Catholics was 15% lower than in the other districts of the city, while by Budapest standards, a high concentration of Jewish population could be detected. The concentration of the Jewish population cannot be connected strictly to administrative units. 70% of the Jewish population in Budapest resided in Erzsébet-, Teréz- and Lipótváros (today's 5th district) in the area to the north and north-east of the city centre (Fragó, 1998). The commercial function and the synagogues attracted orthodox, neolog Jewish families equally. The rate of Jewish population never exceeded 40% in the very 7th district (Ladányi, 2003). In spite of this fact due to their activities as tradesmen and craftsmen, owning little workshops in the yards and shops on the street front it created a unique, buzzing atmosphere then.

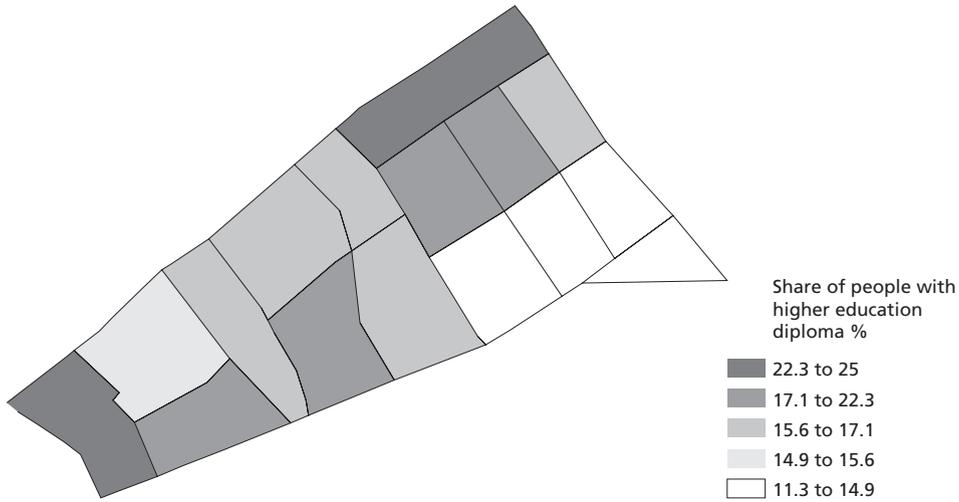


Figure 7.15 The share of inhabitants with higher educational diploma from the age group over 24,
Source: CSO, 2001

From the very beginning of the 20th century, the high status Jewish population was continuously flowing out to the Lipótváros area (north of the 5th district) and they were replaced by orthodox Jewish people, which contributed to sustaining the truly Jewish nature of the quarter in between the two world wars (Zeke in Ladányi, 2003 p. 39).

After World War 2, the 7th district population was rapidly changing for low status. The population diluted and this diluted population remained for the rest of the century (expert interview with Marinov, 2005). The housing units left behind by deported Jewish families were populated with working class families from the countryside. Later in the socialist period, especially in the 1970s, the population decrease gained dramatic intensity. The vacated units were partly filled with Roma families. In the mid-1980s approximately 5000 Roma people lived in the 7th district while another estimate by Demeter (in Michalkó, 1998) from the late 1990s went as high as 15 000. The same research attributes this drastic increase to the mass migration from the countryside rather than to the large natural growth of these families (Michalkó, 1998, p. 180). In spite of the large number of Roma population, the segregation and ghetto formation can only be observed in the lowest status UPUs in Outer-Erzsébetváros. In other urban planning units the Roma population remained much more dispersed.

The social indicators of education (Figure 7.15) show a mixed society with upper and lower class people equally being represented in the Inner-Erzsébetváros. While no marked segregation can be traced, there are still social differences by the ecological position of the neighbourhoods. Typically the UPUs closest to the Keleti Railway Station in Outer-Erzsébetváros bear the lowest values of the same indicator and resemble the 8th district ghettos the most. The map also reveals that one of the UPUs with the highest representation of intelligentsia is located next to the high prestige diplomatic quarter of the 6th district.

The UPU with a similarly high value of the indicators is connected to another ecologically well-positioned UPU, the one closest to the centre.

These findings are in line with what Hegedüs and Tosics (1994) concluded in their study on the inner-city of Budapest. They could not find huge segregation in the inner-city areas – their study covered the 5th, and the inner parts of the 6th and 7th districts. The reason according to their research was that the different quality housing categories are mixed within blocks – which is even more characteristic now in 2005 as the re-development is selective – and even within houses due to the typical mixed status buildings of Central Europe. In brief the following social characteristics can be attributed to Erzsébetváros:

- Aging population with especially high rate of old aged widows,
- Lowering social status compared to the early 20th century,
- Decreasing Jewish and increasing Roma population,
- No marked segregation of high or low status people – social mix

7.2.2 The mechanisms

The public and the private sectors

At the beginning of the socio-economic transformation process Erzsébetváros and so its newly elected local government were suffering from the heritage of a neglected housing stock, aging population, massive lack of investments, an sharply declining inner district area having lost its traditional lively atmosphere. Being left alone with its restricted budget and limited revenues the local government was not able to continue the rehabilitation carried out in the second half of the 1980s in Block No.15 (Chapter 6.2 and later in this Chapter).

By its privatisation policy, the district first restricted the sale of the social housing stock especially in the Inner-Erzsébetváros for the reason of the protected status of numerous buildings. By 2005 there were 997 condominium buildings with mixed public-private ownership, while the number of buildings in full local governmental possession was only 91 (expert interview with Lampert, 2005).

The district did not join the Metropolitan Rehabilitation Fund (Chapter 6.2), that could have helped the rehabilitation of the newly established condominiums (the old tenement buildings). It meant that all the earnings from the sale of the social housing stock went straight into the district budget and financed the daily maintenance of the local institutions. Certain shares flowed into the district rehabilitation fund, which amounted to 280 million HUF (cca. 1.2 million euro) in 2005 (expert interview with Müller, 2005).

The government has not built social housing units since the change of system. Recently there have been firm ideas about the construction of new social housing but even this project would cause the demolition of an old buildings in Inner-Erzsébetváros (professional tour in the district, Percel, 2005).

From the beginning of the 1990s, the Erzsébetváros local government has belonged to those districts that lacked a consistent strategy regarding the systematic renewal of the run-down residential areas.

In the early 1990s the intended *flagship project* of the district was the so called Madách Promenade project, which was taken out from the drawer for lack of a better idea (see later). In 1992 the local government made a contract with an international, experienced consulting

company (Coopers and Lybrand) on disadvantageous terms for the preparation of the Madách Promenade feasibility study (expert interview with Marinov, 2005). The most painful point of the contract is that no realisation of residential buildings would be allowed without the participation of the Corporation and a certain brokerage is to be given to the Co. after each transaction. In case of realisations without the involvement of the Co. (now called Price Waterhouse Coopers) an expert is sent to estimate the market value of the building and the Co. is entitled to gain the contracted percent of brokerage whatever the real price of sale was. These terms of contract were definitely a nuisance by 2005 when, as shown below, an absolutely new situation had arisen.

By the end of the 1990s, the district put together what the administration called a district strategy in the District Development Program (1999-2002), which is more a list of objectives. The strategy does not contain a commitment to be met on the part of the local government it is more based on the participation of market mechanism.

Gerőházi et al. (www.epiteszforum.hu, 2004) in their study which was intended to lay the foundation of the Welfare Urban Rehabilitation Program of the Metropolitan Government (Chapter 6.2) suggest that the strategy involved in this Program focused on the market-based utilisation of the vacant sites as the result of which many of these sites have been filled with e.g. parking houses in especially the Outer-Erzsébetváros area. In the framework of the Program all the buildings to be demolished were recorded. As Gerőházi et al. (www.epiteszforum.hu, 2004) concluded: the rehabilitation strategy of the district was built upon the policy of multi-focal, concentrated re-development (quite similar to the late strategy of the 6th district discussed in Chapter 7.1) – public space development conditioning the participation of entrepreneurial capital – which expectedly radiates into their immediate and wider surroundings. The Király street, Garai Square, the Madách Promenade, Rózsák Square were marked as such focal points. The strategy had no open welfare objectives; the welfare elements can be discovered in the proposed construction of new municipal tenement blocks in order to make the eviction processes easier and smoother in the to be demolished buildings (Gerőházi et al., 2004. www.epiteszforum.hu).

According to Saáry (expert interview, 2005), one reason for the formation of a consistent redevelopment strategy was that after each election, there have been different mayors, although from the same socialist-liberal side. As a result in the past 15 years the district has been developing spontaneously like it did in its early years of development in the 18th century. The district still has no sufficient number of flagship projects. There are hardly any projects initiated by the local government that could attract and encourage market actors and take the form of PPP projects. The exception is the Király street redevelopment carried out in cooperation with the neighbouring 6th district and the Metropolitan Government. Otherwise the scattered development projects are all market initiated and so far have had hardly any impact on the overwhelming renewal of the neighbourhoods (expert interview with Saáry, 2005).

Because of its limited financial power the municipality has only been able to contribute to the renewal of condominiums but not to complex neighbourhood redevelopment. They have been making attempts to acquire funding from the limited EU resources. The municipality set up a department whose task was to co-ordinate the application procedure for EU resources in Brussels and in Hungary.

According to the head of this department (expert interview with Czetző, 2005) the problem with the TOR⁷ of the available EU funds – the district was eligible for – was the fundamental

differences regarding average physical state of the to be re-developed area, i.e. in the old EU countries the local authorities and the owners would never let historical housing area deteriorate to such an extent as it happened in the socialist era. The TOR of the funds took it as evident that such valuable areas need only preservation and not complex structural renewal, as the case of inner-city Budapest. In the year of 2005 the municipality was preparing a number of projects with a budget of over 100 million HUF each. None of the applications so far have been successful. It seems that the municipality completely relies on successful applications for EU funds (expert interview with Czető, 2005).

The painful lack of national and city level resources, the separated preparation of the regulation plans by the inner-city districts, the fragmentation of district level lobbying and financial power have been more and more often blamed for the lack of systematic inner-city renewal. In a public debate organised by the *Óvás!* civil movement, the mayor announced that the 7th district initiated an alliance of inner-city districts in May 2004 including the 5th, 6th, 7th and 8th districts and the metropolitan government (with the 9th district's voluntarily staying away). The purpose was to unify the fragmented potentials of the inner-city administrative units at the expense of giving up a certain parts of their autonomy regarding the affairs of the inner part of their districts in need of being treated as one unified area both in architectural and social terms (Ágoston et al., 2005. p. 69.)

In alliance with the local governments (not only of Budapest districts) where the listed monuments are considered to be obstacles in the way of neighbourhood renewal due to the additional expenses, the mayor of the 7th district proposed amendments to the Acts on taxation i.e. the VAT related to the rehabilitation works should be reduced to 5% instead of the 25%¹⁸. As the proposal goes the investors developing listed building are to get tax relief to invest (Ágoston et al., 2005. p. 69.). One can hardly forget that these noble gestures happened on the part of the mayor half way to the next general elections and after a serious conflict with the finally successful *Óvás!* civil movement having achieved the temporary territorial protection of the inner district area (Chapter 6.2).

As for the activity of the *private developers* and their relationship with the local government, it can be stated that compared to even the late 1990s, the intensity of housing construction by private developers has multiplied in magnitude by 2005. The office development boom in the early 1990s also made itself felt in the inner part of the district, with quite a number of office blocks left behind (Photo 7.14).

In the newly constructed residential buildings, small units are the most popular and so the developers adjusted to the demand, more than half of the units offered are single room flats. The target group of the residential developments are young childless people (classic gentrifiers), the courtyards are open green and pleasant, half-private spaces. More and more foreign people buy units definitely with long-term investment purposes (the most common are the Irish and the French) (expert interview with Müller, 2005). As Müller ironically noted, there were hardly any Irish and French residents compared to the number of units purchased by them.

Loft projects are not that widespread (expert interview with Müller, 2005). In contrast with the 6th district lofts are no 100% owned by the local government that could be sold to private developers (expert interview with Saáry, 2005).

Due to the physical characteristics of the district – being densely built and without proper parking facilities – the local government forced the developers by law to construct parking lots underneath the buildings. As the new dwellers rejected to buy the parking places as “attachments” of the apartments – on average it would mean further 10-15% of the purchase price of the flat – the lots were realised or rented out for outsiders. Meanwhile, the owners of the new flats keep parking their cars in the streets generating more tension in the already critical parking situation. Characteristically of the attitude of developers they recently stopped to provide parking places for the residential buildings. The district assembly brought a decision: as long as the investor contributes with 2.5 million per one housing unit to the municipality fund allocated for building parking houses elsewhere in the district, they are free from the obligation of constructing parking places below the residential building itself. (expert interview with Müller, 2005). This policy of the local government is judged as absolutely against the intention to rationalise the traffic system in the district (expert interview with Ignéczi, 2005).

One of the largest developers in the district is the *Autoker Holding Corporation*. It has long been active in the 13th district. It also started with new constructions in the 7th district and all the units being sold almost from the planning desk. One of them is in Király str. In this project 30% of the 143 flats were sold to foreigners¹⁹. Re-development is a new venture for the international Corporation and Gozsdu Arcade is a big bite. *Autoker* also purchased some sites in the proximity of Gozsdu Arcade where the residential buildings not quite fitting in the atmosphere of the Jewish Quarter are being built (see later).

Besides the residential developments there are also high prestige investments in the ecologically well positioned parts of the district. On the Grand Boulevard there have been *large developments such as the* five star Royal Hotel, where the developers involved two more sites behind the main complex into the project, which serve the purpose of parking and apartment house. Another complement of the project is the three-level basement of the neighbouring building where a pool will be renovated in its original form and serve the visitors of the hotel (expert interview with Müller, 2005).

After an adventurous history and quite a number of owners finally the legendary New York Place has also been re-developed by Italian investors. The palace is converted into a five star hotel. According to the contract the developer is obliged to re-establish the national heritage New York Café on the ground floor of the building which belong(ed) to the authentic Grand Boulevard spirit. The developer purchased the whole block and is about to start to develop the service buildings along with a lower status hotel and an apartment house (expert interview with Müller, 2005).

In the Outer-Erzsébetváros, Garai square is the major investment, the “flagship project”: The former market building has been demolished, there is a full scale reconstruction (expert interview with Müller, 2005). Ignéczi (personal communication, 2005) expressed the general worries of the local civil “experts” about the project as three residential buildings have already started to sink due to the enormous hole dug in the square for the new commercial and residential mixed function development.

Gozsdu Arcade

The Gozsdu Arcade consists of seven buildings connected via gates between the six courtyards, stretching between No 13. Király str. and No 16. Dob str. The complex was built in 1902 and was the centre of cultural and commercial life in Central Budapest before World War II. The myth of the Gozsdu has lasting: a rich Jewish family hid its treasure...

The Gozsdu Arcade was named after Mano Gozsdu, a lawyer and patron of Romanians living in Hungary in the 19th century. His fortune formed the base of a Foundation supporting the Greek Orthodox Romanian students, the complex was built to be a student hostel for them. After the shameful Ghetto years, the building was converted into social housing and it shared the massive neglect during the decades of state socialism. In the late 1990s, Magyar Ingatlan Kft. intended to buy the complex but just before the takeover, the building became listed as national heritage and remained in the ownership of the local government. It took about ten years until the local government managed to come to terms with the tenants and vacated the building. Magyar Ingatlan Kft. was persistent and finally got hold of the complex but at the expense of going bankrupt.

The Gozsdu Arcade was finally taken over by Autoker Holding Co. from the Magyar Ingatlan Kft. in 2004. The 8 billion HUF rehabilitation work will involve the renewal of the facade, the construction of 120 apartments, 28 commercial units and restaurants. As an integrate part of the project three more residential buildings in Holló street (126 flats, parking house with 238 lots (Holló str. 6.) in the basement 93 parking lots and wellness centre) will also be included.

With the costly investment, the company is targeting the exclusive section of the housing market. The management assumes that there is a growing demand for exclusive apartments with central location in Budapest. One square metre is expected to cost as high as 600 000 HUF (2400 euro) when the average price for newly built apartments is between 300 and 400 000 HUF (1200-1600 euro). This is the first rehabilitation work of the company so far exclusively involved in new constructions. What they hold important is that a huge complex with its long traditions and cultural heritage will be reproduced as a reminiscent of Covent Garden concerning its functions. They are trying to combine the buzzing shopping plaza with the atmosphere of bohemian quarters. There will be art galleries, cafes, high standard restaurants, shops of exclusive designers. The objective is the revival of the lively, buzzing historical Jewish Quarter atmosphere.

The project is being advertised in Hungary and abroad too. There are potential buyers from England and Ireland already.

Part of the Gozsdu building complex has been demolished. According to the recent plan – approved by the office – the demolished part will be reconstructed (expert interview with Sajti, 2005)

The civil organisations and their relation to the local government

There are 76 active civil organisations in the 7th district. The local assembly has no civil representative however, the civil organisations have had a delegate on the committee meetings and also the assembly sessions almost from the middle of the 1990s. The experience of the delegates is that the committee members independently from their political affiliation would prefer them sitting silent and not standing out for their opinions. The civil organisations have the right to give an opinion on strategic matters e.g. regulation plans before the ultimate decisions are made but they have no right to put a veto on them. Their expert opinions in most of the cases are ignored. The civil organisations object to both the limited rights and to the practice of being left out of the professional preparatory phase of the decrees and measures (expert interview with Ignéczi).

“Being involved in only the final stage of the decisions will never be effective especially with no right to practically change the content of the decrees” (expert interview with Ignéczi).

One official in the local government office is responsible for the civil affairs, especially for contact keeping. It is typical of the “speed” of information flow and the communication between departments that even this official’s access to information on civil matters is limited. It is not self evident that the official has all the information about e.g. the contracts made by the departments with non-profit organisations.

The official deals with the direct support for the organisations and also attends the events organised by the civil sphere.

The residents characteristically being involved in civil movements are middle aged or elderly people “from the two ends of the education pole” either poorly educated, low income, old age pensioners (mainly women) or highly qualified, active professionals who are real experts of certain professional fields (expert interview with Ignéczi). Typical of the financial background of the organisations, most of them have only the membership fee and the regular support from the municipality 50 000 up to 100 000 HUF per year (200-400 euro) for the operation. Only 4 of the organisations have a home-page on internet (expert interview with Bodzsár, 2005). It is typical of the attitude of the politicians that they are suspicious of the civil organisations and hostile to their initiatives especially if their “interfere” in causes of greater significance and they come into collision with various interest groups. Such cause is the physical transformation of the built environment especially in the Inner-Erzsébetváros area where the old, obsolete housing stock occupies the most valuable sites in the proximity of the very centre of Budapest.

The most active civil organisations in the district are a local organisation of the national Széchenyi Association for the Protection of Environment and an “umbrella organisation” called LAKSZ (Lakóközösségi Szervezetek Szövetsége – Association of Residents’ Community), which unify 37 civil organisations by managing their acquisition of resources, contact building etc.

The major tools of civil organisations to influence the quality of the built environment are

- Evaluating the layout plans – which is not efficient due to the limited scope of rights,
- Greening the district by planting trees, organising flower markets: (1) the organisation has submitted proposals to the local government to plant trees in the district where the rate of open space is 0.1 m²/person, even though the trees were provided by a tree nursery for free

the local government did not approve the proposals; (2) every year they organise civil flower market to be planted by the residents (not trees as they are not allowed).

- They initiated a soil revitalisation program with a fund: the courtyards of the old tenement buildings are covered with cobblestones. In order to rehabilitate the soil underneath, the condominiums can apply for funding to open the yard up and plant trees in the renewed soil.
- In 1996 a parking system proposal was submitted, which was not even considered by the district assembly; 8 years later they resubmitted the proposal and partly realised it without mentioning the origin of the idea.

The general impression of the President of LAKSZ is that residents are disappointed and passive. Were there louder voices among the residents, the ability to enforce interests would be better. “Silent people are not aware of their interests and legal possibilities.” (expert interview with Ignéczi). There is a tendency that slowly but surely on the consultation days of the organisation more and more people just turn up with various problems and ask for professional help.

7.2.3 Neighbourhood dynamics in the Jewish Quarter

Our study area in the 7th district is located in Inner-Erzsébetváros and consists of 16 blocks, which on average are larger than in the case of the 6th district. What makes this area especially interesting is its historical heritage in architectural and cultural sense, and the dynamism it has recently got from especially market initiatives. It also demands attention due to the situation arising from the clashing interests of an inconsistent local government balancing between serving the interests of the market actors which have the means to do substantial re-development in a neighbourhood where it was insufficient to act efficiently beforehand and the public interests represented by civil movements based on professional and patriotic considerations. The Jewish Quarter is a dynamic area now, where apart from some PPP projects the market is the dominant mechanism. This is a neighbourhood where the mechanisms and classic process of gentrification are taking place, based upon the massive rent gap produced by the past 50 years of neglect and the local government left without efficient tools to influence the processes of regeneration. The factors considered below are the historical path dependency of the area, the earlier rehabilitation attempts, the activity of civil organisations and possibility of the Jewish cultural revival.

The area of the Jewish Quarter exceeds the borders of our study neighbourhood, yet, from the viewpoint of dynamism, the number of actors and actions taking place we found this consistent group of blocks worth a closer look in the dissertation.

The historical path dependency

As described in Chapter 6.1, the texture of today's 7th district developed spontaneously in the 18th century and most of the 19th century. The present texture of Erzsébetváros was ready by 1930. Only 24% of the buildings were one-storey buildings. The buildings with two or more storeys represented 76%.

The reason why there are still one- and two storey buildings full of units below 40 m² (and the minimum amenities) in Inner-Erzsébetváros near the Grand Boulevard (see Figure 7.16.) is that at the time of the construction boom in the late 19th century those who built on empty sites were tax free. As the sites in Inner-Erzsébetváros had already been built up, on hearing about the taxation allowances developers' attention shifted to the outer areas (what is now Middle-

and Outer-Erzsébetváros) leaving the lower standard residential area behind in the Inner district area. This measure has its impacts on neighbourhood quality up to these years. Behind the fancy facades and buildings of the Boulevard Inner-Erzsébetváros remained the concentration of densely built, one-three storey buildings with narrow streets, narrow courtyards with no direct sunshine, badly aired streets and almost no green open spaces. Naturally, there are differences among blocks in this respect, which have a great influence on the scene of market intervention as shown later.

There have been numerous ideas and concrete plans for freeing up more space in the Inner-Erzsébetváros area in the past 100 years. One of the many plans from the 1930s was another radial Boulevard roughly parallel to Andrassy street the ghost of which is haunting even in today's regulation plans concerning the area (Madách Promenade – see later).

This densely built neighbourhood had a unparalleled atmosphere that was partly attributed to the built environment itself and partly to the people who lived here. Though the Jewish population – the area was named after – never exceeded 40% in the district, their way of living and the undeniably unique landmarks built in the neighbourhood made this place home for the Jewish community.

The two most important types of “fixed feature elements” are the special forms of residential buildings with series of courtyards forming arcades (Photo 7.9), which cut through the buildings making the way to the synagogues and other ritual places like ritual baths shorter (Perczel, 2003).



Photo 7.9 An example of the special housing forms the Gozsdu Arcade in summer 2005 before the re-development started. Photo: by the author, 2005 (for location see Figure 7.10 (7.9))



Photo 7.10 The late 19th century spirit of the Jewish Quarter. Source: Brochure of the Óvás! Civil organisation and the National Office of Cultural Heritage

This building form can not be seen elsewhere in Budapest. These built elements of the old Jewish neighbourhood have been more or less saved, while almost all the semi and non-fixed feature elements (see for the terms in Chapter 3), such as the shop and craftsmanship sign-boards disappeared during the 40 years of socialism (Photo 7.10).

Even today when only 7% of the overall Jewish population live here this is the meeting place of the people sharing the same identity. The part of community that sustain the kosher services are the orthodox Jews who make up only about 5% of the Jewish in Budapest but are all concentrated in the Quarter (expert interview with Heisler, 2005). For the possible cultural revival of the area see later the same chapter.

Early rehabilitation attempts in the district and the neighbourhood

As mentioned in the contextual part of the work due to the intensive policy of housing development in Budapest responding to the quantitative shortage of housing by large housing estate projects, the maintenance of the historical residential zone was neglected. The same applied to the 7th district historical quarter. In 1968 a proposal was brought up and remained on

the planning desk without any part of it having been realised. The plan was promising with many green areas in between the densely built blocks. Had the plan been realised, a great number of buildings would have been demolished (Michalkó, 1998).

A milestone in the rehabilitation story of Budapest and that of the 7th district occurred in 1978 when the City Council of Budapest Executive Committee issued a decree on the rehabilitation of Inner-Erzsébetváros. The plan was ambitious and in its original form would have affected the whole area. As in the whole historical residential area any kind of construction was prohibited, it took two years to resolve the prohibition for the renowned 15th block bordered by Klauzál, Wesselény, Dob and Sip streets (see Figure 7.16). The plan went through number of changes and finally in 1984 the final version was approved (Michalkó, 1998).

There was a big debate between the ones arguing for better housing quality by carrying out structural changes in the buildings and thereby reducing the number of housing units, while the central decision level supported the idea of cost efficiency still sticking to meeting quantitative demands (expert interview with Müller and Bártfai, 2005).

According to the original financial plan of the project it would have been 100% financed from state budget but later other financial resources proved to be indispensable to involve, from the parts of the National Savings Bank and the Ministry of Defence at the expense of handing over a number of units to the Ministry with the right to allocate them on their own accord.

The project has been mentioned as an example of a socialist gentrification (a contradiction in itself) which was more called gentrification-like as in certain aspects of the social renewal it would not show the outcomes the term requires.



Figure 7.16 The share of housing units below 40 m² in the 6th and 7th district study areas. Source of data: Census 2001. CSO

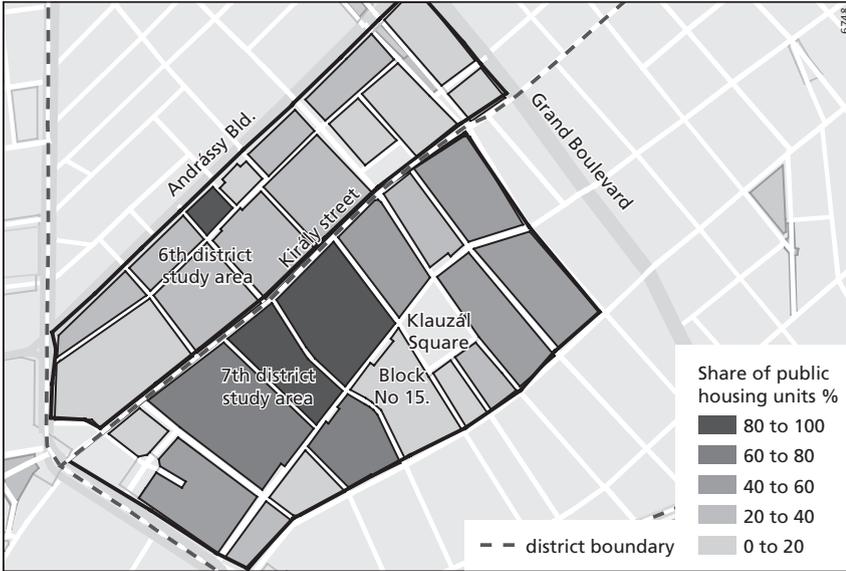


Figure 7.17 The share of public housing in the 6th and 7th district study areas. Source of data: Census 2001. CSO

The vacating of the residential units started in 1981. Out of the three choices offered to the tenants i.e. going to a housing estate to a larger, better quality but higher rent unit, moving to another small, damp, low rent unit and staying in the same unit after renovation more than 80% of the people concerned opted for staying in the same category of housing. It was mainly due to sustainability problems most of the tenants being middle aged or old age pensioners (Hegedüs and Tosics, 1991).

Some tenants who wished to stay in the buildings onwards during the rehabilitation works were staying in the buildings. This was in practice in the early phase of the 9th district rehabilitation. (The tenants were moving within the building or in their own units from one room to next until the works finished).

In the physical attributes of the 15th block the rehabilitation project achieved the followings (Photo 7.11): change of roofing, installing full plumbing to the units, constructing loft units, the whole public utility system renewed, larger apartments were formed (Figure 7.16) (expert interview with Müller and Bártfai, 2005). According to Hegedüs and Tosics (1991) an increase in the social status of the block could be indirectly detected. The increasing number of higher status families was due to the selective mechanisms of “sorting out the families with higher status and removing those with lower status characteristics” (Hegedüs and Tosics, 1991 p. 131.). Socialist equalizing policy was already at a decline nearing the end of the 1980s when the project ended. The newly rehabilitated apartments were allocated through three agents – only one existing nowadays: the Bureau of Rehabilitation Management (with 70% of the units allocated), Department of Housing of the Council of Budapest (with 20% of the units allocated), Ministry of Defence (with 10% of the units allocated). The allocation policy of all three aimed at the exclusion of underclass and welcomed the intelligentsia and young professionals by indirect



Photo 7.11 A part of block No 15 in Inner-Erzsébetváros. Photo: by the author, 2005. (for location see Figure 7.10 (7.11))



Figure 7.18 The share of people over 24 with higher education diploma. Source: Census, 2001. CSO

means. They were looking for tenants who seemed to be able to pay the relatively high rents. With regards to the by that time highly differentiated income and social status, the project achieved to generate gentrification (Figure 7.18). However, the same authors also point out that the aging attribute of the population would not firmly underpin the socialist gentrification hypothesis.

Public space development and re-development attempts in Inner-Erzsébetváros

The Király street project realised

According to the local experience, the state of the public spaces has been of secondary importance until recently, when the local government realised that there are hardly any areas left open for intervention into the processes happening in the inner part of Erzsébetváros. Even public space redevelopment is taking place by the involvement of other partners from both the public and the private sectors.

Király street re-development is the flagship project representing the will of the inner-city districts to act on a co-operative base after a long decade of stubborn individualism. The participants of the project: the questor the 7th district local government, the 6th district and the Budapest City Government, which contributed with non-returnable support from the Structural Fund (384 million HUF) (expert interview with Hangyál, 2004). The Király Street is the border line between the 6th and 7th districts and also a divide between our two study areas lying in two districts.



Photo 7.12 The Király street re-development project on the border of Inner-Erzsébetváros and Inner-Terézváros. Photo: by Varga, P., May, 2005 (for location see Figure 7.10 (7.12))

The works lasted for three years resulting in the street being renewed from the deep foundations to the lamp posts. The project cost 600 million HUF (2.4 million euro). The best quality materials were used for the works: 4650 m² of the street is covered with granite while further 22 000 m² with other good quality coverage. There are art nouveau style lamp posts, cast-iron benches, even the dustbins fit the renewed atmosphere of the street; there are young plantations in huge casks there as well.

In the once so busy street traffic has been limited to one lane and there are “tricks” used to slow down traffic. The pedestrians are protected from the cars with stone columns. There are parking lots too, by the renewal of the street the number of lots decreased only by 14 making altogether 117 (Photo 7.12). The project is not coupled with the rehabilitation of the buildings (Terézváros Herald, 2005 February). There is a contradiction between the quality of the building stock and that of the street, and representing a practical point of view, many claim that the ongoing renewal of the residential buildings – which have started as expected, partly due to this PPP project – and the related intense truck traffic wear off the new pavement (expert interview with Hangyál, 2004). The street is pretty dynamic these months (2005–2006) almost each building is in the progress of re-development. Cafes and restaurants opened up and the shops seem to specialise in home interior design, which definitely fits the area (Népszabadság 27. 01. 2005).

The two districts concerned have expressed their willingness to renew the remaining section of the street and rightly expect contribution of the City Government of Budapest as it is a trolley bus route and so is in the maintenance of the City Government. The public procurement for the renewal of the outer section of Király street was announced in January 2005, (expert interview with Hangyál, 2004).

An ambitious project and its consequences...

As hinted above, the vision of the Madách Promenade has been on the political and professional agenda for a long while. First it was brought up as an idea and plan in the mature phase of urban development at the turn of the 20th century. The early local politicians referring to the urban morphological reasons and concerns about health of the residents (the urban texture being so dense) proposed opening up another axis in the heart of the 6th district parallel to Andrassy Bld. and Rákóczi street. It was clear though that the true reason was vanity and competition.

The idea of the so-called Madách Promenade has been brought up several times and about a hundred versions have been prepared for the street now starting nowhere and leading nowhere. The layout has been changed from straight radial street to a modest curve leading back into Király street – again with no function decreasing the project from a boulevard to a promenade.

In 1937 the proposed new boulevard was opened up with a grand Mussolini style arch and a 100 metre street torso (Photo 7.13). World War 2 degraded the high prestige area to a slaughterhouse during the times of the Jewish Ghetto and the post war silence lasted for decades. The issue of the Madách project was brought back – by the local politicians – to the common knowledge in the 1990s when it was considered to become the flagship PPP project with the potential of generating the large scale redevelopment of Inner-Erzsébetváros. By the time the local government achieved to include the Madách project in the approved regulation plans of Inner-Erzsébetváros and could hand the whole area over to the developers, even one part of the Gozdsu Promenade (see above) was demolished in the name of this project. Meanwhile, typically of the chaotic regulatory situation a huge office block was erected right in the way of the project (Madách Centre) during the office boom (Photo 7.14).



Photo 7.13 The Madách Gate intended to open the Madách Promenade. Photo: by the author, May 2005 (for location see Figure 7.10 (7.13))



Photo 7.14 Madách Centre in the way of the Promenade. Photo: by Varga, P., May 2005 (for location see Figure 7.10 (7.14))

In the regulation plan of the district passed at the end of the 1990s, the Madách Promenade concept was supported widely. In this plan one-third of the building stock was designated to be demolished or indicated as buildings that can be demolished if the developer wishes. In its way three of the 19 to be demolished buildings had already been pulled down (expert interview with Marinov, 2005). Not long after the approval of this plan in June 2002, Andrásy street with its protected zone bordered by Small Boulevard, Dohány street, Nagydíófa street and Paulay Ede street (see the map) were put on the UNESCO World Heritage list (Chapter 7.1).

Because the World Heritage status does not mean automatic protection for the area according to the Hungarian law, demolitions were going on undisturbed. Radical steps had to be taken to avoid further losses (Borsos, 2004).

The Office of Cultural Heritage Protection in June 2004 placed the whole area of the Jewish Quarter under temporary territorial protection for one year (see Chapter 7.2). The measure was initiated by a civil organisation called *Óvás!*²⁰ acting against the extensive demolition and construction works in the area destroying the historical atmosphere and uncoupled heritage of the Jewish community.

In the case of the Jewish Quarter, the measure serves the purpose of revising which buildings are to be put on the final list of protected monuments following a painstaking historical, architectural examination and static assessment of each construction.

From the announcement of the measure no intervention in the architectural texture of the neighbourhood concerned can occur without the Office being informed. On the basis of the scientific documentation a list of buildings is put together as a proposal which is discussed by a so called protection committee finally with the assistance of the Office of Cultural Heritage Protection the Cultural Heritage Protection Ministry approves the decision (Gergely, 2004).

The local government has had another point of view and reacted to the temporary protection with fear. In an interview the mayor of the district summarised why it could negatively effect the renewal potential of Inner-Erzsébetváros:

Óvás! (Veto!) – a civil voice heard

The members are prominent internationally renowned writers like György Konrád, architects, sociologists (János Ladányi often referred in this book), historians, economists and local people of the quarter. They decided to give voice to their indignation on witnessing how the most valuable architectural achievements of Budapest are being destroyed in Inner-Erzsébetváros. As a symbol of their protest a golden target cross was drawn on the gate of the buildings that they saw and felt endangered. They also organised demonstrations against the demolition of art novo residential buildings standing in the way of the infamous Madách Promenade project (expert interview with Marinov, 2005).

The organisation does not intend to conserve the Jewish Quarter in its original form so their activity is not concentrated on keeping the listed buildings in their present form. They acting against the transformation of the atmosphere of the area by placing monumental complexes in the unified gaps completely out of style and function of the historical area (Borsos, 2004).

“Until 2001 all the gaps in the district were filled, only then did the developers start to show interest for the residential buildings with tenants. According to the experience it is not that popular among the developers due to the complications with the tenants. Sometimes it takes years to empty the buildings. The buildings (the potentially protected ones) are in such bad condition that almost no developer would take on the responsibility and the costs of renovation. The sites however are worth a lot... “ (Sinka, Vasárnapi Reggel, 20., 06. 2004)

The same conclusion came out of the interview with the 7th district Chief Architect and the Head of the Technical Department (Bártfay and Müller, 2005). They also shared the worries of the mayor especially as the local government originally intended to realise whole blocks to investors giving the possibility to unify sites for mega-projects. The listed buildings cause a lot of complications now in selling the sites together (expert interview with Müller, 2005).

Yet, the success of the heritage protectors cannot have been complete as official demolition decrees which had been issued before the temporary protection was effectuated are valid and even the National Office has no competence for intervention (Photo 7.15 and 7.16).

Surprisingly enough on this matter the reaction of the local civil organisations was basically the same as that of the local government. In spite of the fact that the local organisations basically shared the view that the area is to be preserved, the fact that Óvás! coming from outside the



Photo 7.15 Unified sites for mixed use mega projects on the block between Holló and Kazinczy streets, in the very proximity of the Gozsdu Arcade. Photo by Varga, P., May 2005 (for location see Figure 7.10 (7.15))



Photo 7.16 New residential project on the verge of the unified site in the very heart of the Jewish Quarter. Some more are planned to be constructed..., Photo by Varga, P., May 2005 (for location see Figure 7.10 (7.16))

district did not square the matters with the local civil sphere annoyed them. As LAKSZ the “umbrella organisation” of the local civil organisations represent the interests of the local residents besides that of the built environment, they needed to articulate the worries of the locals about the shrinking possibility of attracting developers (expert interview with Ignéczi, 2005 May). The local civil organisations even initiated a local collaboration between the residents and the local civil sphere against Óvás!, but after discussions the sides showed readiness to compromise (personal interview with Bodzsár, 2005).

All considered the temporary protection and the expected final list of protected buildings was a pain for the local government in summer 2004, as they assumed it would keep the investors away when they bump into the list of extra expenses related to the renovation of listed buildings. A few months later well in 2005, the mayor was more optimistic and claimed that after the panic connected to the protection interest of the developers renewed. He accepted that the regulation plan of the area with the Madách Promenade project sacrificing old buildings was to be reconsidered (Népszabadság, 09 02 2005). Typically of the slow information flow in the local authorities, local experts interviewed in spring 2005 articulated such doubts about the future of the area that had already been overruled by the positive experience – suggested above – by then.

The *Jewish community* has a limited scope of action in the revitalisation process of the Jewish Quarter as they only possess the ritual places – not even all of them.

In the late 1990s the Association of the Hungarian Jewish Communities thought that the active promotion of the investment possibilities in the area could be an efficient means of neighbourhood upgrading. One outcome of this approach was a colour bi-lingual brochure on the investment possibilities in the Jewish Quarter. After 2000 under a new leadership the strategy changed substantially. The Association does see its role in the process of re-establishing the early identity of the area from a different angle now.

In spite of the fact that this umbrella organisation of the communities also joined the mission of the Óvás! movement they emphasized all the way that their purpose is the revitalisation of the area as a whole i.e. they never fought for individual buildings. The Association chose the “soft” tools of revitalisation by attracting Jewish people to the area to spend at least part of their days and liven the area up. As the residing Jewish population is small, the only way to revive the old atmosphere is to attract members of the community from elsewhere in the city. As part of this initiative they launched a community building club. This was a top-down initiative and admittedly was not instrumental in attracting the young Jewish generation in spite of the fact that there have been programmes and activities organised especially for them. As Heisler (2005) commented:

“We – the leadership – could do nothing but accept that the spontaneous initiations (cafés, pubs some of them situated in the courts of the half ruined buildings) were more the heaths of community building than the top-down initiatives”.

The Association accepted that organic development would be the key to identity building as well as the promotion of the area by all possible means. The Association contacted the Hungarian Tourism Co., and achieved that the corporation has already started to offer the Jewish Quarter as an individual tourism product named the “Golden triangle” symbolising the three synagogues and all the related attractions in between the complexes.

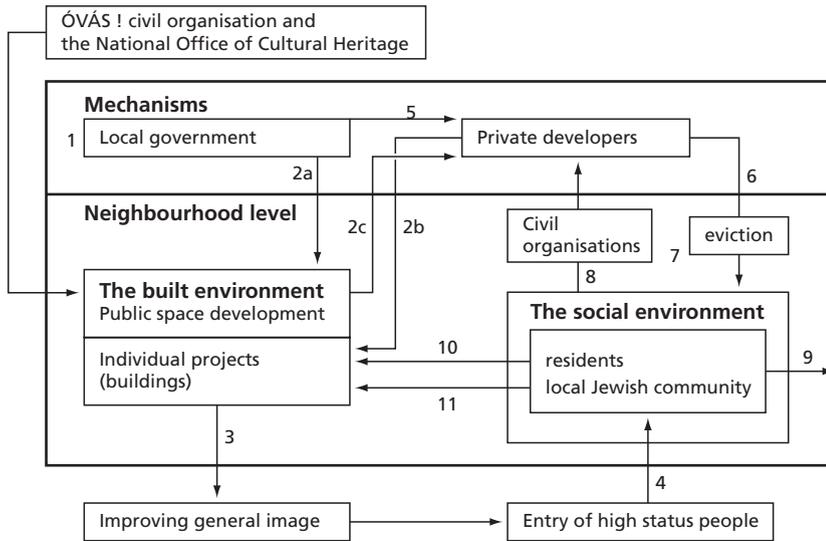
Heisler (2005) pointed out that besides spontaneous community building actions, tourism and the rising interest of foreigners will potentially generate a more lively street-life and higher standards in services as well as the revival of kosher services on demand.

Summary: The model of neighbourhood dynamics in the Inner-Erzsébetváros area – the upgrading of the Jewish Quarter

The characteristic that differentiates this neighbourhood from the other four are the extremely old building stock and the fact that they are or potentially are becoming listed as monuments. The area represents a unique urban heritage uncoupled in Budapest.

The model analyses the interactions of actors resulting in the mosaic-like renewal pattern of the neighbourhood. As the most important particularity of the scrutinised neighbourhood in the 7th district, the impact from “outsiders” must be mentioned. In no other neighbourhood examined in the study have actors from outside had as large importance in the process of neighbourhood change. The fact that the ÓVÁS! civil organisation supported by the National Office of Cultural Heritage achieved to get the whole neighbourhood listed as protected temporarily seemed to transform the nature of all the interactions between the actors and changed the character of neighbourhood transformation in the area.

As the result of the act of placing the area under temporary territorial protection the demolitions partially stopped, the developers retreated, the local government panicked about



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Figure 7.19 The model of neighbourhood dynamics in the Inner-Erzsébetváros area

losing investors (1.). The governments only tool was to carry out public space rehabilitation (2.a), which attracts developers (2.b), who put potentially money in the re-development and development of residential and office buildings. This improved the general image of the area (3) and inspired prosperous people (even from abroad) to purchase (not necessarily settle!!) in the neighbourhood (4). In spite of the obstacles raised by the civil sector, the local government keeps selling buildings to the private developers with optional contracts (5). The developers evict the original population and practically try everything to invite new higher status residents (6). Local people protect their interest to both the local government and the private developers (7) mainly through the assistance of the local civil organisations (8) mostly without any impact. Lots of the local people need to chose to leave (9) the neighbourhood.

The remaining residents attempt to improve the quality of their environment on their own, but they do not build a real community (10) so these remain only isolated, individual actions. However, the Jewish community influences the identity of the area by top-down initiatives (11) and also by spontaneous actions, which only contribute to the improving image but not the actual renewal of the area, though has the potential of attracting more attention to the hidden values of the area.

7.3 The 8th district – Józsefváros

Introduction

The district dealt with in this chapter has been subject of planning documents and scientific papers, and political debates much more frequently than any of the other three districts discussed in the dissertation. Józsefváros, where ghetto formation is not only a prospect, is full of tensions regarding both the physical and social environment. Neighbourhoods have reached

a degree of deterioration as nowhere else in Budapest. Within the mosaic of neighbourhoods extremes of architectural forms, housing standards and lifestyles can be observed. In the chapter explanation is sought for the great spatial diversification by neighbourhoods which necessitates the application of different renewal strategies from the local government. The case study area – which roughly overlaps with the Corvin-Szigony Project – will be detailed as an outstanding example of PPP-based comprehensive action areas.

The 8th district (Józsefváros) is located in the south-east of the historical residential zone. It is bordered by the 7th district in the north, the 10th in the east, the 9th in the south (Üllői street as a major thoroughfare marks the dividing line) and the 5th in the west. The district is traditionally divided into three main parts: Inner, Middle- and Outer-Józsefváros. Outer-Józsefváros reaches far into the so called "Rust Belt" (Chapter 5.2.2) with its public spaces (Kerepesi cemetery, trotting race course²¹, Józsefváros Railway Station) all in need of large sites. There are still smaller "colonies" in between these huge sites. From the three sub-districts mentioned, Middle-Józsefváros is the worst hit by the social and physical downgrading and deterioration not only by the general standards of Budapest but also relative to the rest of the same district.

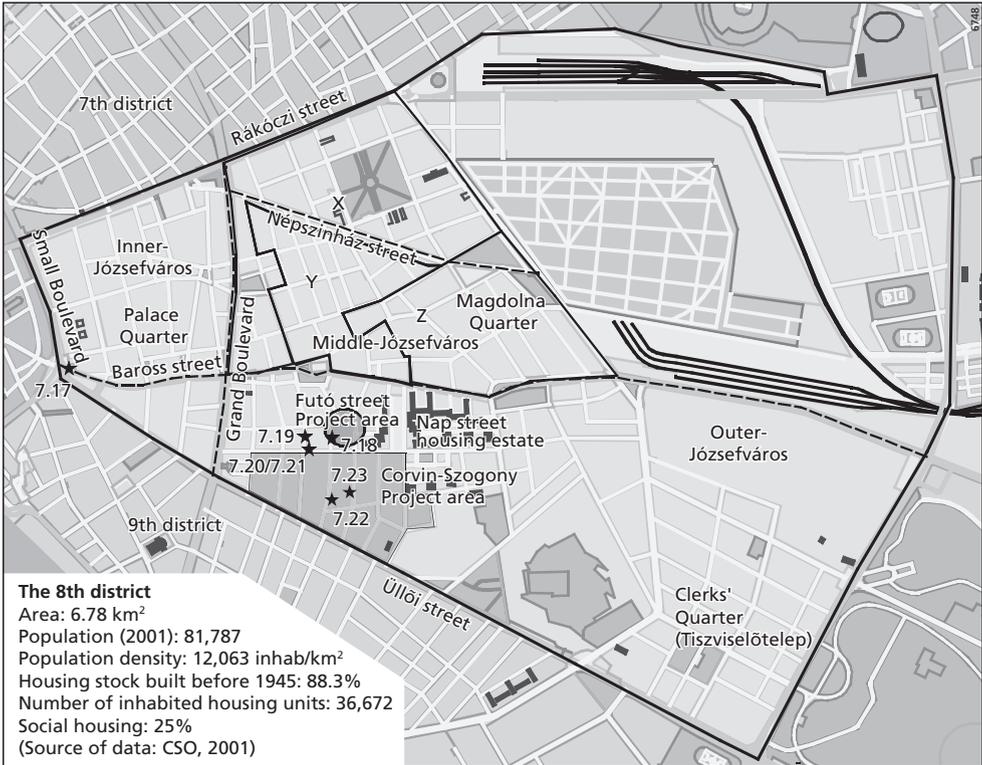


Figure 7.20 The 8th district (Józsefváros)

Józsefváros was named in 1777 after Josef II. (heir to the Hapsburg throne at the time). Originally it meant the whole Lower outskirts, consequently included today's Ferencváros as well. Later it suffered considerable territorial losses when finally in 1950 by the establishment of Greater Budapest it was reduced to its present territory of 6,78 km² (Varsányi, 1998).

The district in general has a negative reputation, probably the worst in the city, most people think extremely negative about it. Józsefváros is associated with crime, prostitution and higher than average concentration of a low status Roma population. No surprise that in the questionnaire survey on the relocation preferences of middle class families the district was put on the top of the least desirable residential areas in Budapest (Földi, 2000). The tendency is that the image impinge upon the whole district and people see the district as one homogeneous area. At the same time the neighbourhood quality varies according to the distance from the centre of Budapest and with the presence of ecological factors as shown later.

The urban conflicts and the negative image related to the middle part of the district are not the recent outcomes of the new socio-economic system but are deeply rooted in the past. Ever since the first rehabilitation plans it has been obvious that sporadic rehabilitation interventions would not be enough to cause comprehensive territorial regeneration in Józsefváros. The district cried out for complex social and physical renewal requiring besides the local resources the involvement of private capital as well as the community building activity of civil organisations (Perczel, 1992; Erő and Sárkány, 1998).

The role and place of Józsefváros in the urban development of Budapest have had a far -fetched impact on the present state and the image of Middle-Józsefváros. Nevertheless, Ladányi (1992) insisted that what was already going on in Middle-Józsefváros (accelerated segregation, ghetto formation) in the early 1990s had not been a necessary and the only possible outcome of urban expansion but purely one of the many alternative paths of urban development.

7.3.1 The residential environment

The built and the social environment

Drawing conclusions on the characteristics of the built environment in the 8th district in general is a lot harder than it was in the case of the 7th or the 6th district. It is because the two districts located to the north of the great divide (Rákóczi street) – due partly to their smaller sizes – show a more homogeneous look, with a more homogeneous local society. The other more determinant reason is the pure size of the 8th district – roughly three times larger than any of the previously discussed two districts. The more extensive administrative area means enough space to include a wider variety of housing forms and morphological elements. Although still 78% of the residential buildings were built before 1919 in the area, there are working class colonies from the 1930s and even housing estates reminiscent of the socialist bulldozer rehabilitation.

The two diagrams (Figure 7.21 and Figure 7.22) show a more even distribution of residential buildings among the morphological types, and also emphasize marked heterogeneity. The dominance of three storey buildings so typical in the 6th and the 7th districts is not that characteristic any more. The other four building types altogether exceed 60% in total (each with about the same share within this rate). A special label of the district is the incomparably high

rate of the one storey 1 to 4 units buildings, which is more typical of the Hungarian middle sized towns than of inner-city Budapest. Yet this is the element of the built environment, along with the spontaneously developing street texture that distinguishes Józsefváros in urban morphological terms from the other inner-city areas. The reasons were detailed in Chapter 6.

Indicative of the low standards of the housing stock in 2001, 77% of the housing units (flats) were one or two-roomed and the rate of the one-roomed flats exceeded that of the two-roomed ones. Within the total of housing units only 25% of the flats were equipped with all amenities and 12% had no toilet inside the flat.

As referred to in Chapter 6 in the late 19th century, the Zonal Regulation imposed upon Budapest by the Board of Public Works (Közmunkatanács) fancied the city as a system of subsequent homogeneous zones with decreasing intensity of land use. According to the regulation Inner-Józsefváros was completely transformed but by the time the wave of transformation reached the outer area it died out and had capacity only to give metropolitan look to the major thoroughfares and not to the side streets. Unlike in the 6th and the 7th districts instead of a homogeneous zone a completely mixed area evolved in the middle part of the district (Ladányi, 1992; Lukács, 1996). Typical of the texture of the district, no attention was

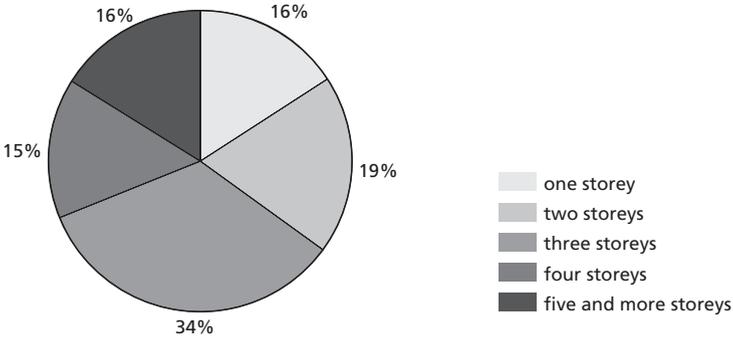


Figure 7.21 The distribution of residential buildings in Józsefváros by height. Source: CSO, 2001

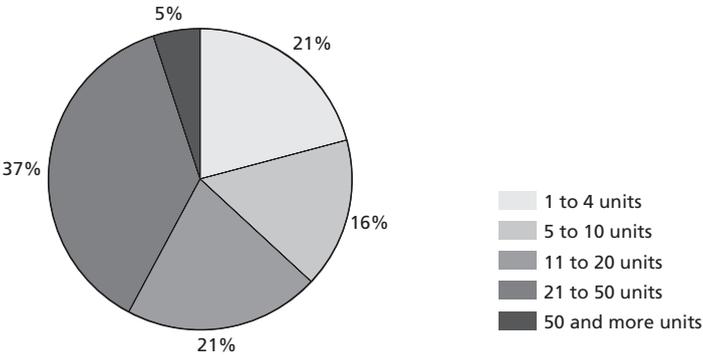


Figure 7.22 The distribution of residential buildings in Józsefváros by number of housing units per building. Source: CSO, 2001

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ever paid to leaving space for public green, as a result of the greediness of the contemporary early 20th century developers and the later urban policies by 1990 there was only 2,2 m² green surface per inhabitant²² (Galambos and Tózsza, 1990).

In 1990, 97% of the housing units was owned by the local government, by 2001 it was reduced to 25%, which is still the highest rate after the 1st district (the Castle District). The ratio has been decreasing ever since privatisation started. The fact that the local government kept such a high share of public housing back from privatisation is due to more than one reason but these are rooted in the deteriorated state of the housing stock and the poverty of the tenants:

1. The tenants could not afford to buy the flats at even such a low price offered;
2. Even if they had the funding for buying it was clear they would not be able to maintain their homes on their own²³;
3. The local government also withheld whole tenement buildings by putting them on the “prohibition list”. These were buildings in the worst physical state, which were saved from privatisation with the hope of once finding the way to comprehensive regeneration.

The thematic map (Figure 7.23) shows the distribution of the public housing within the district according to the urban planning units (UPUs)²⁴. The lowest rates are seen in the UPUs by the Grand Boulevard and in Inner-Józsefváros, where rates are low because of the better quality of housing. Another area with the minimum rate of public housing is in Outer-Józsefváros in the south east of the district in the area called Tisztviselő telep (Clerks’ Quarter)²⁵.

The residential areas with around 50% public housing are concentrated in the south of Middle-Józsefváros. As will be shown later, these are the areas where the Corvin-Szigony project, (our neighbourhood case study) and the Magdolna Quarter are located. In these cases all the three factors mentioned above played a role in keeping the high proportion of public housing.

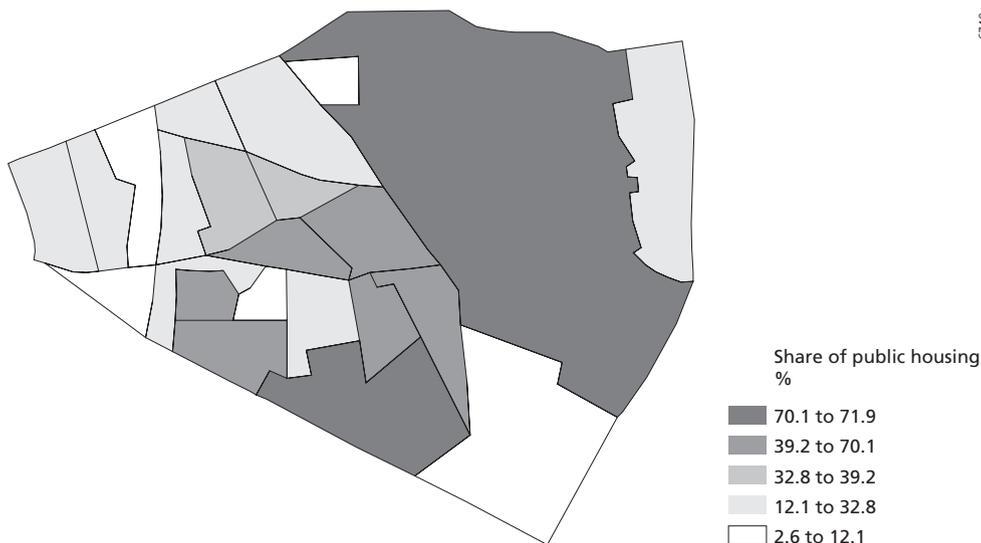


Figure 7.23 The share public housing in Józsefváros. Source: CSO, 2001

The map in Figure 7.23 with the rate of public housing is like the complete reversal of the map showing the rate of housing with all amenities (Figure 7.24). It also supports the tendency that the housing units representing the lowest standards were kept as social housing. In the 8th district there are fewer buildings listed as monuments than in either the 6th or the 7th district; consequently this factor was not so important in the privatisation.

In the past centuries the *people* of Józsefváros have been most diversified by social status and nationality. As for the tendency of population change, like in the neighbouring inner-city districts the tendency has been negative ever since the 1920s²⁶. However, this is the area of inner Budapest which has seen the least degree of population loss in relative terms in the past 15 years²⁷ (CSO, 1990, 2003). In the age of capitalist modernisation, Józsefváros had the highest population density. In 1910 the density of population was 452 people per hectare, though by this time the population density of Erzsébetváros was already higher. Indicative of the intensity of spatial mobility in the same year only one-third of the population was born in Budapest while the rest were first generation Józsefváros inhabitants mainly from the countryside (Várhelyi, 1998). The population reached its peak in 1917 with 167 086 inhabitants in total, and after a decline of 30% by the end of World War 2, in the 1950s the population started to grow again until the early 1960s. Since then every decade meant a loss of about 20 000 inhabitants (Várhelyi, 1998). In 1990, 92 386 people lived in the district which further decreased by 12 000 by 2003 (CSO, 2004). The trend was due to the ageing and so the natural decrease of the population but the negative migration balance was even more deterministic in the decrease.

Poverty, coupled with low standard housing has always been the most extensive in the middle part of the district here right next to the Ferencváros lower class area now under extensive rehabilitation²⁸. In the early period of the 20th century, Józsefváros had no considerable Roma



Figure 7.24 The share of housing units with all amenities in Józsefváros. Source: CSO, 2001

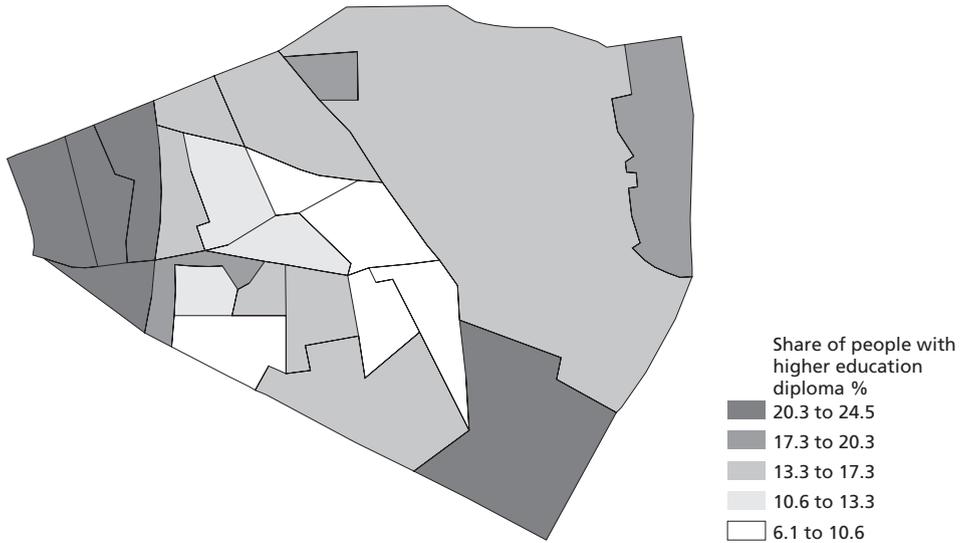


Figure 7.25 The share of population with a higher educational diploma in 2001 in the 8th district.
Source: CSO, 2001

population, at least it was not registered as a minority group. Yet, the Roma Musician had a location preference in the north of Middle-Józsefváros and had a real prestige among the locals²⁹. These days the Roma represent a large segment of local society.

This high representation is the product of the massive downgrading process of the area started in the socialist times.

The process of residualisation was most articulated in the 8th district where the vacant rentals – left by better-off young families – were inhabited with the lowest status families whom the new socialist apparatus could not or did not intend to provide with new apartments in the housing estates. These families included the large Roma families from the illegal colonies eliminated when clearing sites for the housing estates in the outskirts of the city (Ladány, 1992). Due to their high rate of natural increase their growth soon became self-sustainable. What is more, after 1989 the relatives from the villages most hit by high rates of unemployment in the most disadvantaged areas of Hungary³⁰ came and joined the family members in Budapest with hope of greater state support.

The location of the ghetto problem is reflected in Figure 7.25. The ghetto is located where the rate of people with higher educational diploma is the lowest.

By contrast, the Inner-Józsefváros area and Tisztviselőtelep leads with respect to the rate of highly educated people, the same areas have gone through the highest ratio of population loss in 15 years.

The composition of the households in the district is extremely heterogeneous. Besides the high rate of one person households (old age pensioners) large families also have a high representation. Behind the data there are large Roma families, with 4 and more children, high rate of unemployment among the parents.

7.3.2 The mechanisms

The public and the private sectors

The socio-spatial picture described above makes Józsefváros occupy a special place in the socio-spatial structure of Budapest. Eliminating – or at least diminishing – the undoubtedly disadvantageous position and highly prejudiced popular image have been put high on the local political agenda since the change of system. The local government in its *District Development Strategy (1996)* identified the district as an area in Budapest which accumulated various symptoms of social and physical backwardness and deterioration to a great extent. The major objective of the strategic plan in 1996 was to “*improve the living conditions*” of the inhabitants in Józsefváros i.e. “*to stop the social-economic downgrading and – if possible – to reverse it*”. The identified tools were “*rehabilitation connected with complex territorial development*”.

The key points of the 1996 strategy having had an immense impact on the renewal were:

- the proposal for the establishment of a management company (later called Rév8);
- the fact that the action areas of housing rehabilitation were shifted from Inner-Józsefváros to Middle-Józsefváros;
- the possibility of condominium level rehabilitation;
- a list of housing units prohibited to be privatised³¹ (expert interview with Molnár, 2005).

The Józsefváros Rehabilitation Programme, 1998 elaborated by Rév8 Joint Stock Company made the regeneration strategy more systematic. The new wave of rehabilitation which started in 1998 was a real breakthrough in Inner-Józsefváros and sporadically in Middle-Józsefváros. It comprised the renewal of public buildings, mixed ownership housing, public spaces and infrastructural systems in Inner-Józsefváros, and in Middle-Józsefváros large scale housing projects were initiated (Futó street, Tolnai street, Illés street). The program for the first time clearly determined and specified development strategies for neighbourhoods (expert interview with Molnár, 2005).

The District Development Concept of Józsefváros (2001) the tasks were rendered to the local administration. A new objective was laid down i.e. to *promote the evolution of a more balanced spatial structure*. It was meant to diminish the striking spatial inequalities and to avoid treating the various quarters within the district in a subordinated relation but in harmony with one another. The plan distinguished between four types of neighbourhoods according to the prevailing conditions and prospects for renewal and the necessary direct involvement of the local government:

- improving areas e.g. Inner-Józsefváros;
- stabilised areas e.g. Tisztviselő telep (Clerks' Quarter, the Grand Boulevard);
- stagnating areas e.g. north of Middle-Józsefváros
- crisis areas e.g. Magdolna Quarter.

The long-range (15 year) District Development Strategy of Józsefváros was prepared in 2004. It proposed a spatial division of the district into 11 quarters each having its specific image and character. According to the strategy the diversified treatment of the quarters, serves the development of their individual look and competitiveness. Each quarter practically has a development programme, which identifies the problems and the prospective direction of development, in addition to the tools to achieve the specific objectives³².

In the late 1980s and early 1990s the rehabilitation programme of the 8th district was the classic block-rehabilitation using state funds and sporadically took place in both Inner- and Middle-Józsefváros.

After the rehabilitation of a few blocks in Inner-Józsefváros using substantial amount of money from the Rehabilitation Fund (Chapter 6), the 8th district realised that this strategy was not sustainable; the rehabilitation of the whole stock could not be financed via the same strategy. There were numerous factors that hindered the Ferencváros type block by block rehabilitation in the 8th district:

- Timing: it was already too late in the 1990s to commence a similar process as the macro-economic conditions had changed substantially;
- Structural issues: in Middle-Józsefváros the buildings were in extremely bad condition;
- Social issues: the occupants were generally lower income households;
- Funding: The local government was in a lot worse financial situation.

The backbone of the new strategy elaborated by the experts of the Rév8 (see later) was that the tenement houses still owned by the local government would be renewed only partially, not including the housing units themselves. The main structural works would be renewed from the local budget and by the support from the City Government Rehabilitation Fund. Only units lacking basic amenities went through substantial transformation. The objective was not to construct high quality housing but to increase the quality of the whole housing stock and raise the market value of the apartments.

By using this strategy between 1998 and 2002, 11 buildings and 280 apartments were renewed in Inner and Middle-Józsefváros. The costs were one-third of the amount that would have been spent had the Ferencváros pattern been adapted (Alföldi et al. 2003). Besides the lower expenses, another difference was that by keeping the occupants in place they managed to keep most of the original population. Besides achieving financially sustainable rehabilitation the main objective was to save as many of the buildings as possible and to cause as little disturbance in the cohesion of the local community as possible.

The local government of Józsefváros had no clearly defined approach to the privatisation of its inherited social housing stock. No doubt the maintenance of the stock was a burden on the shrinking budget of the district. The fact that still 25% of the housing units are social rent is indicative of the general state of the housing stock referred to above. The 12 000 housing units owned and maintained by the local government (in the process of diminishing) represents approx. 20% of the total stock in Budapest. 10-15% of the tenants are not able to cover even the basic expenses related to their dwelling. These tenants naturally could not and never intended to privatise the rentals with sometimes a net floor area of 17-23 m² with no built in amenities.

Compared to the neighbouring districts the intensity of privatisation was far more moderate. The high rate of non-privatised units is considered an advantage with respect to the eviction procedure related to rehabilitation programmes affecting whole neighbourhoods such as Corvin-Szigony project, Futó street rehabilitation. In these cases thousands of households had to be moved out to start the clearance of sites.

The local government assessed the social housing stock and classified according to their future utilization.

- Proposed for renovation and remain social rent;
- Proposed for renovation and to be sold;
- Proposed to be demolished.

Józsefváros is planning to look after the tenants most in need of help by replacing the social housing stock classified as to-be-demolished with newly built social units. The eligibility to the rentals of this project would be limited to the ones most in need. The rents are projected to be higher than what the tenants pay these days for the far lower quality housing. It is mainly because the costs of long-term maintenance is planned to be built into the rent. Evidently not everybody will be able to pay the higher rents so the social housing programme will include a support system strictly based on the tenants' lack of means.

For the management of the rehabilitation programme, in 1996 the local government of Józsefváros initiated the establishment of a joint stock company called *Rév8* in alliance with the Metropolitan Government and the OTP Bank (Hungarian National Savings Bank) as share holders. By creating the new actor, the local government intended to concentrate all necessary means of rehabilitation in one organisation (Székely, 2003). The tasks of the company were originally the *preparation of decisions, the coordination, management tasks and professional mediation* related to all rehabilitation action areas of Józsefváros.

Rév8 can easily harmonise interests and strategies with the market actors and act in harmony with the quickly changing market conditions. Being organisationally more or less removed from the local government, the company remained relatively independent, if not fully as the directorate consisting of 9 persons included politicians or the delegates (expert interview with Molnár, 2005).

Since its establishment, the shares of the National Saving Bank have been purchased by the local government which owns 60% of the shares today. Meanwhile the management and consequently the ideas about the feasible rehabilitation strategies changed (expert interview with Sárkány, 2004). These days the company is mostly associated with the *Corvin-Szigony Project* (our case study area), however it carried out the management tasks of the Futó street rehabilitation programme in the late 1990s. *Rév8* after putting Corvin-Szigony on the right track recently ventured into the socio-spatial assessment and strategic programming of other crisis neighbourhoods such as Magdolna Quarter as well.

Meanwhile the original scope of activities has largely expanded by taking on additional responsibilities all related to urban planning and development.

Though *Rév8* is politically linked to the Józsefváros local government in its management work it has practically a free hand by the virtue of its reliability, reputation, experience and expanding responsibilities. Presently the company works with more than 22 experts from various fields such as urban planning, architecture, social work, social policy, urban geography etc. as their professional work is based on an interdisciplinary approach. They also involve students in their assessing field work and are open to co-operate in scientific research (expert interview with Sárkány, 2005).

The civil organisations and their relation to the local government

As referred to above, the activity of civil organisations was particularly intense between the two world wars. In the second half of the 1980s, organisations for the protection of various interests were allowed to operate as they had no declared political message (Zám in Civil World, p.16, 2003) the other source of civil organisations were the cultural institutions as cradles of community activities and initiatives; furthermore, the national level movements established their local organisations in the 8th district as well (expert interview with Fehérvériné, 2005). By the change of political system, the local civil movements had already done a lot and were ready to join decision-making and operative work which the area of Józsefváros was badly in need of. However, it soon turned out that with no proper funding and willingness on the part of the local government to co-operate the civil organisations would not be able to fulfil their mission.

The local government lost track of the evolution of local civil organisations when their responsibility to register the organisations locally was transferred to the Metropolitan Court in 1990. According to the 1999 nation-wide enumeration of the civil organisations carried out by CSO there were 500 civil organisations³³ active in the district. Presently the local government of Józsefváros is in contact with about 50-70 organisations annually since this is the number that turns to the municipality for support regularly (expert interview with Fehérvériné, 2005). As Faragó (expert interview, 2005) pointed out, the change regarding the number and the composition of civil organizations has been following the national trend i.e. their number is slightly diminishing, the larger ones become stronger, increasingly professional and influential in local decision making.

As for the relationship of civil organisations and the local government between 1998-2002 the local assembly in Józsefváros appointed a representative (one person) who was responsible for civil matters. In the new assembly (2002-2006) the one-person system was eliminated and a committee was formed (Committee of Social Contacts) instead with the same field of activity. In the staff of the Józsefváros local government there is one official dealing with the applications for local resources³⁴ on the operational level (expert interview with Fehérvériné, 2005).

The general experience of the local civil organisations with the political parties (and the work of the committees formed by their representatives in the assembly) was laid down in a straightforward way by the leader of the Nap Klub Foundation, one of the most well organised and professional civil movements in Józsefváros (Templom in Civil World, 2003):

“Parties represented in the assembly of elected representatives consider and judge local community development through the filter of their political aims and practices. Their relationship to the civil organisations depends on whether this relationship would contribute or not to their victory at elections. They do not seek co-operation, they seek appropriation (...) and they are only interested in what can bring them some more votes at the elections. In the possession of the power obtained at the elections they distribute grants, contracts and trust.” (quoted from the original English version, Templom, 2003. p. 290)

Similar experience applies to the local government:

“There are no interests that would stimulate officials to co-operate with civil organisations and citizens. From the point of view of the officials civil initiatives only add to their workload. Elected

representatives and officials are equally counter-interested in the decentralisation of the tasks of the local authority. Good relations established with officials in one governmental term are fragile because of the change of civil servants after the new elections.” (Templom, 2003. p. 290).

In apparent contradiction with the message of the quotation above, the Józsefváros local government allocated a fund of 4 million HUF (1600 euro) of its own accord, in the budget to be distributed among the organisations on a competition base. The competition for the fund is announced twice a year. The Committee of Social Contacts cannot decide upon whom to be awarded. After the assessment of application documents it has the right to propose civil organisations for support³⁵. According to the proposals, the local assembly makes the final decision (expert interview with Fehérvériné, 2005).

The civil movements often compete for funds other than that of the local government. In the case that there is a winning project and the beneficiary (a local civil organisation) is unable to provide the matching of the budget, the local government has a fund to contribute to the self-part. The condition is that the local government agrees with the objectives of the project and finds it in harmony with the strategic plan of Józsefváros. This is the Self-part Fund, holding an amount of 1 million HUF (4000 euro) per year for the purpose.

Beside this form of support, each specific committee has a budget which is distributed to the organisations concerned. The committees are entitled to contract out local governmental responsibilities to civil organisations (public benefit companies). In these cases, the contracts determine precisely the amount of support received, which is expectedly needed for the proper execution of the contracted tasks. Depending on the field of activity these are millions of HUF per year (expert interview with Fehérvériné, 2005).

In Józsefváros the most experienced and renowned non-profit organisation is *Nap Club Association* with Nap Klub Foundation. The community development initiative was launched in 1993 by a group of enthusiastic and experienced experts. The activity was and still is concentrated on the community building of housing estate called Nap street Estate, the product of a “bulldozer” type urban rehabilitation, which is in the immediate proximity of our study area. The neighbourhood concentrates a community of a larger village (more than 5000 people) of middle, lower-middle and lower class people with quite a number of Roma families. The area is in the immediate proximity of the Corvin-Szigony Project area (see introductory map).

The initiators of the two organisations (the association and the foundation) insisted that in order to make their residential environment more viable, they were to undertake the management of their own affairs themselves. From the three types of community development models (development of locality, social planning and social action) quoted in the literature, the initiative originally had the intention to follow the *locality development* model and to a certain extent the *social planning* type too (Templom in Civil World, 2003). Nap Club has managed a number of self-help-organisations (families with small children, Gordon Club, communities of blocks of condominiums). Community development work resulted in regular programmes for the whole community, for specific age and interest groups. The “headquarters” in the action area is open every day with professional social workers and group leaders (expert interview with Faragó, 2005).

As Józsefváros has no central building for civil initiatives, the smaller organisations ask for secretarial and administrative help and also for professional assistance from Nap Club. The

“management” of the Club is involved in committee work in the local power. By 2005 Nap Club with the Foundation at the background became a real “professional institution” with a clearly worked-out strategy and finely elaborated network of relationships.

Another efficient civil initiative is KEKEC (the Interest Group of Communities of Tenement Buildings) which was called forth by the helplessness of elderly tenants who after purchasing their council flats needed help in maintaining them. The initiator, returning to Hungary after a long stay in Germany having learnt the patterns of community thinking, first became the representative of his own condominium and later established the Association.

The activities of the organisation are many-fold: it provide the condominiums with information concerning their operation, it does counselling on legal matters and general issues (writing applications for funds for regeneration), they organise forums and trainings too. The counselling task has been contracted out from the local government with annually 0.25 million HUF (1000 euro) budget. KEKEC is in close contact with ETKE and LAKSZ (see relevant parts in Chapter 7.2.2), which indicates that on issues overarching the districts, co-operation is possible³⁶ (expert interview with Prengly, 2005).

The strong and viable civil organisations such as Kekec and Nap Club Association welcome movements and individuals from other neighbourhoods and districts and are ready to assist but they are determined to remain active in the local arena.

7.3.3 Neighbourhood types in Józsefváros

In the analyses of the neighbourhoods and neighbourhood types in Józsefváros, in line with the realist base model the chapter deals with the social and the physical constituents of each as well as their interactions; furthermore we take into account the way mechanisms influence their relationship. The neighbourhoods described are indicated on the introductory map.

Inner-Józsefváros is the closest to downtown and has the highest prestige in the district. It is also called the Palace Quarter which refers to the original character of the area.

The old aristocratic quarter evolved around the National Museum (built between 1837 and 1847) at the time when the contemporary house of representatives was constructed. Between 1860 and 1900, it meant an unparallel place of grandeur, art and politics.

According to the chief architect of the district (expert interview with Balázs, 2004), CBD functions have always been present in Inner-Józsefváros in the form of public institutions, services in the socialist era and today with small retail shops, office projects and banks. However, in contrast with Inner-Teréz- and Erzsébetváros the office boom affected Inner-Józsefváros to a lesser degree since it was further from the core area of Budapest and was found less attractive by the investors. Besides, the number of vacant sites was also smaller. The office construction boom left a real nuisance behind and has called for debates of urbanists and architects alike ³⁷ (Figure 7.21).

The present higher status is striking from the maps (Figure 7.23; 7.24; 7.25); the rate of public housing remains below 15 % and it only exceeds this value in the heart of the area further from both Boulevards. The rate of housing with all amenities is the second highest after the housing estate in Middle-Józsefváros. As indicated above, the social status (indicated by the rate of people with higher educational diploma) is still the highest in spite of the fact that this area shows



Photo 7.17 City functions on the edge of Inner-Józsefváros. Photo by the author, 2004 (for location see Figure 7.20 (7.17))

almost the greatest decrease of population since 1990. The relatively better social status does not automatically mean a much better state of the housing stock.

Due to its better relative position in Inner-Józsefváros and the better state of residential buildings no more housing rehabilitation managed by the local government is happening. By its better quality and the pure ecological advantages the building stock represents a big enough value on the market to leave its renewal to market mechanisms. The impetus to be given to the upgrading is looking after the regeneration of public spaces. There is no involvement of civil organizations in the decisions regarding the delineation of the area for renewal, however there is a necessary relation with metropolitan-wide organizations as the subject of renewal often concerns places of historic importance (listed buildings, monuments etc.). The regeneration of the mixed ownership tenement buildings has recently gained impetus in the same area. Civil organisations like KEKEC have had an immense impact on the quality of the built environment in the neighbourhood (expert interview with Prengy and Fehérvériné, 2005).

Baross street is the traffic axis that crosses Inner-Józsefváros (see introductory map), it stretching out to the east, and after the Grand Boulevard runs into the heart of *Middle-Józsefváros* where it forms a divide regarding neighbourhood quality and renewal strategy.

The area to the north of Baross street is cut into three regarding the characteristics and renewal strategy. The division distinguishes between an area with metropolitan features (marked X in the introductory map), an area with a mixture of characteristics both of large and smaller

urban settlements (marked Y), and the urban edge type Magdolna Quarter lagging far behind even the other two (marked with Z in the map) (Perczel, 1992)

The northernmost area (X) is considered as a continuation of the higher-prestige Inner-Józsefváros area. It is framed by thoroughfares and extensive squares. The area is uniformly built up with three storey, higher-standard tenement buildings, sometimes with the same standard as the buildings of Andrásy Boulevard. There are hardly any gaps and buildings slated for demolition. As shown in the thematic maps the area is identical with the Inner Józsefváros area in all examined features. However, because of the presence of the national traffic arteries, the air is heavily polluted and the noise – even in the side streets is unbearable. This was the area of Middle-Józsefváros where the first rentals were privatised. It has good quality services and hosts national institutions like Erkel Theatre and renowned secondary schools (Perczel, 1992). The divide towards *area Y* is the Népszínház street. Y, in the very heart of Middle-Józsefváros, is the product of speculative tenement building with narrow streets and relatively small, deep but narrow construction sites (narrow courtyards, with no air and direct sunshine). It is a real mosaic of 19th century architectural forms (one to three storey buildings, workshops, 4-5 storey gorgeous corner buildings).

There is no greenery at all. Here, right behind the Boulevard till recently the area was hit most seriously by the effects of prostitution and related crime³⁸. Sporadic investors appeared and started construction on vacant sites (expert interview with Molnár, 2004). There are institutions of local importance looking after the needs of the locals.

The area (Z) most burdened by social and physical problems consist of the *Magdolna Quarter* and the *Orczy quarter* (bordered by Nagyfuvaros str. – Népszínház str. – Fiumei str. – Baross str. – Koszorú str. – Mátyás sqr.) close to the former city edge – now an extensive brown field area with the Józsefváros railway station ³⁹ – closed in 2005 by the Hungarian Railways -, and Kerepesi Cemetery. *Magdolna Quarter* is the area of Budapest – with the largest extension – where the deteriorated physical environment, the socio-economic backwardness and the high concentration of disadvantaged families are clearly detectable. The area is home to an unemployed, mainly Roma population, where the standard of education is the lowest (Gerőházi et.al, 2003). Regarding its economic potential and the employment situation, the area is ranked as the worst positioned even by Józsefváros standards. As the result of the spiral of social decay, the quarter lags more and more behind the rest of the district.

Typical of the social status of the inhabitants that their incomes are critically low. 70 people in every one thousand receives regular welfare support from the local government. The Roma population is over-represented, yet at the same time, they lack of any form of community building forums. They seem not capable of organising themselves into movements safeguarding their own interests. The relatively low representation of welfare and charity organisations also show that the neighbourhood is on the way to become a classic ghetto area.

Regarding the present state of the *Magdolna Quarter*, the experts of Rév8 who made the complex territorial (physical, social, institutional, communal) assessment of the area, found it completely improbable to get the quarter involved in the classic gentrification process (expert interview with Sárkány, 2005 and Alföldi et al., 2004). That is why it was one in the list of crisis areas and became the experimental (flagship) area in the Social Rehabilitation Programme detailed in Chapter 7.2 (Gerőházi et al., 2003).

To the south of Baross street, the age composition of the residential buildings becomes truly varied. This area concentrates cultural, health and higher educational institutions, a housing estate, much new construction mainly built after 2000 and our case study neighbourhood (Corvin-Szigony project area) in the process of selective and systematic demolition.

The area located between Baross street and our case study area is the heart of the district with the district “town” hall in the very centre⁴⁰. Here the rehabilitation action area concerns four blocks. In the past 5 years according to the rehabilitation strategy elaborated by Rév8 there has been extensive clearance as well as renovation with extensive loft utilization. (Székely, 2003). The pace of renewal is striking (Photo 7.18). Now the task is to launch the evolution of a real local community which is served by the *Futó Street Partnership Programme* supported by the EU. By strengthening community cohesion, and encouraging local entrepreneurs, the establishment of the Futó street trademark seems to be feasible. The program relies on the involvement of the local inhabitants for which the Futó Street Neighbourhood Association is a guarantee (www.rev8.hu; expert interview with Sárkány, 2005).

This newly founded association intends to learn from the Nap Club Association, which works on the community building initiative in the neighbouring Nap street *housing estate*. The district level thematic maps above, show higher quality regarding the amenities and even relatively higher social status for the housing estate. This morphologically contrasting area is the product of the “bulldozer rehabilitation” strategy used in the 1970s replacing the outdated housing stock but also breaking up the earlier social bounds (Erő and Sárkány, 1998).



Photo 7.18 The Futó street renewal. Photo by the author, May 2006 (for location see Figure 7.20 (7.18))

The representative of Nap Club Association, and the management of Rév8 in the interviews expressed their intention that the Futo street development area, the Nap street housing estate and the Corvin Szigony Project share their neighbourhood development initiatives with one another. It is partly pure knowledge transfer, nevertheless nobody denies that it also has an economic background. It is not anything desirable to have 21st century urban scene and the deepest poverty next door. The local government, Rév 8 Co. and the local civil organisations believe that the neighbourhoods between Baross street and Üllői street can only achieve sustainable upgrading if they strengthen one another. This initiative postulates that mechanisms behind each neighbourhood upgrading strategy have a shared understanding regarding the conditions of neighbourhood quality change.

Last but not least the easternmost neighbourhood of the district is discussed briefly. *Tisztviselőtelep* (Clerks' Quarter) was the first quarter of Józsefváros which was symmetrically planned and consisted of detached houses. To complete it took about 40 years and ended in 1932. In 1883 as the reaction to the initiation of the House Building Society of Office Clerks, almost 120 building sites were formed: According to the local regulation only maximum two storey buildings could be constructed with two flats at most. It has been a high standard neighbourhood with lively community life, where not only clerks but artists and writers settled (Varsányi, 1998). *Tisztviselőtelep* is still the odd one out in Józsefváros regarding the living standards of the inhabitants. Nevertheless, lacking social cohesion, community life is not that lively any more and outward mobility has become characteristic recently.

7.3.4 Neighbourhood dynamics in the Corvin-Szigony Project area

For the Józsefváros case study area, a neighbourhood has been selected that does not show too many signs of regeneration to the passers-by at present except for the vacated ghost buildings awaiting demolition, as well as some vacated sites.

Who would think that it is already the last phase of an immense work that has been in progress for about 8 years. Some of the immediate neighbourhoods like the above detailed Futó street housing project area went through a complete change of look due to the market driven renewal strategy pursued. At the same time the Corvin-Szigony Project area, being the subject of a completely different regeneration strategy required a longer preparation phase. This is another indication of the fact that the district has a mosaic of strategies for the mosaic of neighbourhoods.

The idea of a large scale, complex project dealing with social, urban morphological issues and the need for image improvement under one coverage led by one comprehensive concept with one management company and developer is unparalleled in Budapest. The project has been flexibly brought in harmony with the newly arising macro-economic situation and management problems, which is due to the rehabilitation concept applied.

The idea of the Corvin-Szigony Project did not come out of the blue as the location had been the subject of numerous never-realised plans. The value of the area on the property market has been well known due to its relative position and not only for the property developers. The map in Figure 7.26, showing the rate of housing units under 40 m² reflects that the general quality of housing was extremely low in both the Futo street project area and on the Corvin Szigony project area.



Figure 7.26 The rate of housing units below 40 m² net floor area before the rehabilitation of the Futó street Project area and on the Corvin-Szigony Project area. Source: Census, 2001

The *plan* laying down the principles of urban development for the Corvin-Szigony Project was based on an unusual approach by the Hungarian urban planning practice. The approach assumes that the city is in the process of constant transformation which is developing on its own – being an open system – under various influential factors. It is the factors that need to be modified if one wants to see the urban space changing. This strategy is in line with the critical realist analyses of social structures where the underlying structure as well as context are taken as central for the explanation of the assessed socio-spatial phenomena.

Urban development needs only a “frame” which leads to the identified objectives regarding the changes proposed in the urban space. Urban planning has more to do with *process management* than to follow a rigidly laid down structural plan.

In this respect, the *regulation plan* is an essential tool. In the approach followed it is crucial that the lay-out plan gives loose frames to the development in order that in the long run the development of the given urban space can flexibly go after the macro economic conditions and changing social needs. This way a project remains sustainable in the long run too.

The technical plan of the Corvin-Szigony area was approved by the assembly in March 2002, which was a crucial condition for the meanwhile changed Developers group to raise bank loans for the site purchase.



Photo 7.19 Vajdahunyad street by the Corvin Szigony-Project Area – a reminder of the state of the neighbourhood under renewal. Photo by the author May 2006 (for location see Figure 7.20 (7.19))

However, for the development of this low standard residential area (Photo 7.19) (the Corvin-Szigony project area) the proper strategy was missing in lack of sufficient local government funding. When the PPP based regeneration came on the agenda – elaborated by Rév8 Rt. – the method and the location seemed to match perfectly. There have been factors that automatically excluded other neighbourhoods in similarly deteriorated state regarding the application of a similar PPP strategy (expert interview with Molnár, 2004).

Circumstances that were indispensable for launching a process like this were not met in all the neighbourhoods of Józsefváros in need of immediate intervention. Conditions that made this particular area suitable for this PPP program were (1) the fact that the major share of the housing stock was still the property of the local government, (2) there were already many vacant sites, (3) the physical state of the residential buildings were mostly intolerably bad with no basic amenities built in the housing units⁴¹ (expert interview with Balázs, 2004; Molnár, 2004). Besides, (4) the relative position of the area is a lot more favourable than that of the other deteriorated neighbourhoods such as the Magdolna Quarter, furthermore (5) the project area is bordered by two busy thoroughfares: by the Grand Boulevard in the west and by Üllői street leading to Budapest airport in the south (see introductory map). The constellation of these five factors – not relevant in the other areas in decay – was considered to be essential to attract enough private investors to implement the programme according to the proposed scheme.

Like PPP-based neighbourhood regeneration projects all over the world, Corvin Szigony Project also consists of two larger groups of constituents: the project components implemented by the public sphere (community project elements) and components carried out by the market actors. What does change project by project is the number as well as the type of participants and the degree of their involvement in project planning and implementation.

As the project was intended to be more than another successful property development story besides the architectural chapters the rehabilitation program plan included economic and social chapters which were furthermore fortified with cultural pillars too. This fact suggested from the beginning that the role played by the public sphere would be unusually great.

The *mechanisms* behind the project necessarily includes the *public sphere*: the local government of Józsefváros, the City Government of Budapest. They allied for the establishment of the joint stock company, Rév8, in order to get the project prepared in the possibly most professional way (see Mechanisms above).

To give green light to the project, the legal framework of the rehabilitation was established in 2001 when the Józsefváros assembly passed a local decree regarding urban rehabilitation on the concerned area (No. 32/2001. (X.26.)). The *City Government of Budapest* has a right of pre-emption for the area as well as its own ideas and preferences regarding the functional classification determined in the Budapest City Development Plan. The role of the City Government is to provide the most favourable conditions in the Budapest Development Concepts for the fulfilment of the project objectives, to give professional support and to give the right of pre-emption up in the interest of the project (www.rev8.hu).

As Sárkány (expert interview, 2004) sees the involvement of the City Government in the project managing joint stock company means no advantage for the financing of the public project components, nevertheless the project area – like other rehabilitation action areas – is evidently eligible for the City Government funds allocated for rehabilitation and public space development.

The initiative for the application of this particular rehabilitation strategy was coming from the local government whose “professional tool” has been Rév8 since 1997.

Rév8 has been in contact with the committees of the local government via the so-called *Corvin-Szigony Project Office* (a department of the local government) (expert interview with Tóth, 2004). As Tóth (2004) described, the Project Office has had mainly controlling role over the work done by Rév8, being responsible for keeping an eye on it if the deadlines are kept to the project schedule. The Project Office has also borne the responsibility of passing on the measure proposals to the committees as well as – following each phase of the complicated project – the accounts completed by Rév8 sent for assent to the local assembly.

According to Sárkány (expert interview, 2005) these jobs have been done sometimes with an over-bureaucratized way making the decision-making process longer and more complicated in the course of years instead of making it faster and smoother. Most of the large phases of the project on the part of Rév8 have been completed in the following order.

(1) After the sociological surveys⁴² architectural assessment⁴³ and other analytical works all done or controlled by Rév8, the preparation of the area for clearance by moving the dwellers elsewhere started.

(2) Vacating the tenement buildings which were marked for demolition (buildings in extremely bad physical condition, not listed as monuments). This task has taken the longest



Photo 7.20 The office of Rév 8 on the rim of the project area. Photo by the author, July 2006 (for location see Figure 7.20 (7.20))

time as Rév8 philosophy was to treat each household separately in accordance with its actual housing conditions and needs. This has been a sore spot of the project requiring cautious and diplomatic attitude. The communication with the local people affected by the project (approx. 2500 households) has been considered to be a crucial issue and educated experts (sociologists, social workers, urban geographers) have been dealing with the job in a truly professional way.

The practice has been that the tenants either got paid for the flat or chose another flat offered by the Rév8 elsewhere in the district or in the city. Elderly, retired people living alone could chose to move into Homes for the elderly. Most of the households have gone for the second option as they would not be able to get a sufficient flat for the money offered and the offered apartments are always in better state than where they were coming from (personal communication with Sárkány, 2004). In spite of the fact that among other options returning to the area after the property development is done was also proposed, almost no household went for this possibility.

Communication with the locals has been a crucial part of the project. The – for safety reasons “fortified” – headquarters of Rév8 is located on the rim of the project area (Photo 7.20). This was part of the communication strategy as this way contact keeping with the tenants has been going

in a smoother way. By placing an information board on the facing building – already gone as one of the buildings chosen to be demolished – the locals were kept informed about what they were part of.

The discussions with the tenants took place in an – by Hungarian standards – unusually informal way, in a room of Rév8 (Photo 7.21).

As Sárkány (expert interview, 2005), admitted it was a real relief to make the deal with some of the more difficult tenants. The experts needed a lot of patience.

“Looking back there have been really difficult cases when the tenants could not match their possibilities with their dreams and were almost hopeless to convince that they could not get access to a much higher standard unit in return for their rentals when the ones offered were already of higher quality.”⁴⁴ (expert interview with Sárkány, 2005)

(3) Finding and contracting the enterprises carrying out the demolitions and afterwards (4) arranging site unifications at the locally competent Registry of Title Deeds were also completed by Rév8. Only after this step could the area contracted be handed over to the developer.

Rév8 has played a mediating role between the local government, the tenants and the developer. The communication dependency is the most essential type of the direct (necessary) relation in the whole network of relations in the process of this residential change. The major tasks cover lots of sub-tasks, continuous communication with the local government and the committees as



Photo 7.21 The room for negotiations with tenants in the Rév8 office. Photo by the author, July 2006 (for location see Figure 7.20 (7.21))

Rév8. has had no decision-making power. Each single step was in need of approval on the part of the Committees concerned and the Józsefváros Assembly.

The *private sector* – in contrast with the Ferencváros rehabilitation area – was never projected to involve numerous investors. With respect to the physical state of the neighbourhood and the strategy to treat it within a comprehensive regeneration program, there was no word about involving more than two developers. After weighting up the pros and cons of the two possibilities (one or two developers) the “one developer one project” version succeeded.

After a failure with a developer first selected, which could not keep the deadlines for paying the deposits for the sites, a new one was selected as the result of a multi-round competition in 2002–2003. The winner was the CORVIN Property Development and Urban Rehabilitation Joint Stock Company which included four construction companies (expert interview with Tóth, 2004). In the summer of 2004 FUTUREAL Group purchased 75% of the shares which made this company the major investor of the project. The change of developer caused only few months delay to what had been scheduled (expert interview with Sárkány, 2005).

The costs of emptying the area including the moving of people was covered by the Józsefváros local government. The expenses are covered partly from selling the cleared area to the developers’ consortium. The developer, according to the original contract received the vacant area for an amount of 900 million HUF (about 3.5 million euro). This amount means the major source of the costs of emptying the area to be demolished.

At the earlier stage of the project, when there was a housing market boom, the proposed function of the project area was mainly residential. Since 2003, the tendency has changed due to decline of the housing market (Chapter 4) and the focus of the development altered accordingly. The project area is divided into three parts each having its dominant function. As planned earlier, retail shops, cafes, offices, cultural functions and hotels⁴⁵ will all be concentrated in the third of the area closest to the Grand Boulevard. Residential function will be also present but to a smaller degree. The middle part with six blocks will have a residential function. There is a lot of green surface projected in this part of the project. The third part furthest from the Boulevard (closest to the Medical University) will concentrate educational, research and institutional functions.

The cultural components of the project are seen as essential especially as it will contribute to the creation of *place* on the scene of an immense property development. This initiative is based on the already existing Corvin Movie Palace⁴⁶ which is the starting point of the proposed new promenade. At the far end of the project area the closing phase being in the proximity of two

The basic data about the project:

The overall territory of the project is 208 341 m², of which 90 458 m² is investment territory. It conditions the creation of gross 315 000 m² construction area. According to the development plans there will be a new construction area of 255 000 m² for residential and at least 60 000 m² area for commercial and institutional purposes. On the project area, the total number of housing units was 2 500. 1 414 units are to be demolished, and the rest is to be saved and renewed. An area of nearly 20 000 m² will be handed over for public space utilisation. Approximately 50 buildings will be regenerated within the project area including one school. (www.rev8.hu)

universities will have more to do with conferences, and R+D activities. More basic education will be also brought on the required higher level in order to look after the demands of the expectedly middle and higher middle class young and middle aged families (Alföldi et al., 2003).

Typically of the strong contact between the Rév8 and the FUTUREAL and their openness, the planning stage of the work saw the involvement of post-graduate students from Harvard University (who made comprehensive view plans of the project areas) and students from the Technical University of Budapest (preparing the individual technical plans for buildings). They already considered the new strategy and prepared the view and technical plans accordingly.

On the project area about half of the buildings (1130 flats) are to be demolished. The demolitions are in progress in spring 2006 (Photo 7.22). The competition for the demolition works were announced late 2004. According to the economic principles of the program – namely that the project implementation contributes to easing the employment problems in the neighbourhood – local entrepreneurs were welcome and finally five enterprises started to pull down the selected buildings⁴⁷.

There will be a marked intervention in the layout of the streets. New public spaces are planned to be opened up including a wide promenade (a 36 metre-wide pedestrian precinct).

This approach is even more radical than in the 9th district where apart from opening up courts by demolishing parts of buildings there have not been re-structuralization in the texture the street network (soft rehabilitation). The renewal process projected in the Corvin-Szigony



Photo 7.22 Demolition in process on the Corvin-Szigony Project area, Józsefváros. Photo by the author, July 2006 (for location see Figure 7.20 (7.22))



Photo 7.23 The dimensions of demolition works in the Corvin-Szigony Rehabilitation Area. Photo by the author, July 2006 (for location see Figure 7.20 (7.23))

project falls into the category of *hard rehabilitation* (Photo 7.23) (Chapter 6; personal interview with Balázs, 2004).

As for the *social aspect* of the project in the course of vacating there were quite a number of possibilities offered among others coming back into the social rents. Nevertheless, very few households are planning to return to the area as they cannot take on the higher expenses and they simply would not “fit in” the area intended for the upwardly mobile social groups (Szalai, 2004). In spite of the fact that the few dozen residential buildings kept and to be renovated will hold the original tenants, the social composition of the area will expectedly change substantially but it is not an intentional displacement policy of Rév8 and the Józsefváros Local Government.

There have not been civil organisations built in the scheme of the Corvin-Szigony Project (expert interview with Molnár, 2004). The few newspaper headlines – sometimes heated by political malignity – claiming that the tenants rights are seriously offended – caused indignation among those who did not know much about the principles and practice of vacating. On these occasions Roma organisations turned up but when the waves of media scandal died out they disappeared from the scene.

In all respects this is a flagship project, a new approach for Budapest regarding its ambitions, scale, and projected consequences. The project is to be completed by 2013. Beyond the marketable dimensions of the project, the area is carrying the chance for the evolution of a new Józsefváros identity. It is intended to be a morphologically crucial place in the city as becoming multi-functional it offers enough to become a new agora (a meeting place) for people. The project is

openly expected to generate the upgrading of the immediate neighbourhood and the change image of the whole district.

However, nobody being able to foresee the practical outcome of the development process, it is still one of the strategies of renewal that cannot be applied just anywhere. Just like all the other projects this is also unique. The combination of local and general contextual elements, the variety of interactions, dependency and power relations of the mechanisms and structural elements necessitate the elaboration of neighbourhood-specific strategies to achieve the comprehensive renewal of a whole district.

Summary: The model of neighbourhood dynamics in the Corvin-Szigony project area in Józsefváros

Below we are modelling by applying the realist base model of neighbourhood change what has been found about the dynamism of the Corvin-Szigony project area. The neighbourhood is treated as a system where quality change (upgrading) is happening, although what is seen is the initial phase of the physical and social transformation.

In the Corvin-Szigony Project the interaction of the built and social elements can only be forecast. Nevertheless, so many changes have happened in the underlying structure of the system that the physical manifestation of it in the urban space is only the question of time. In this regard this model is reflecting the projected future.

Corvin-Szigony Project is an initiative of the Józsefváros local government, which – in alliance with the City Government (1) – established its “means” to carry out the related management works. By forming Rév8. Co. the local government practically freed itself from building direct relationship with either the local inhabitants or the developers. Its role is limited to decision-making and the controlling work via the Corvin-Szigony Project Office (2) physically present in the area.

By creating this professional mediating organisation the network of relationships and connections became much simpler and more clear-cut than in e.g. the 7th district, which was definitely the intention here. The relation of the social environment to the completely transforming built environment is influenced by Rév8 by their vacating activity (3). As the intervention on the part of the investors (8) and the local government (4) will transform the layout, function and so the quality of the built environment immensely the presently negative image of the area improves (9). This makes higher status people settle in the project area (10). The original local residents owing to vacating temporarily or – what is the case mostly – permanently have already left the area (11) even the ones living in the to be rehabilitated buildings. Only those people move back who are able to keep up with the “expectations” of the upgraded neighbourhood (5).

The higher standards and so the higher price of dwellings, higher rents and the more expensive services will act as means of selection regarding the inhabitants and for quite a while people will have very little chance to create the semi-fixed and non-fixed feature elements that make the area their own and by which the project area becomes a home for a cohesive community (12). By the improvement of the existing local institutions the local government means to act for community building and besides the civil organisations of the neighbouring areas are ready to initiate the community building activities like it happened in some cases already.

The system does not contain the civil sector among the mechanisms. It cannot be forecast right now in what ways they are going to influence the project outcome.

As the project is a long-term one being unusually large, the externalities to the open system (the neighbourhood), the macro-level economic context being the changing needs arising on the housing market may influence what is constructed on the scene. These external impacts will go through the filter of the developer who reacts to the tendencies arising on the macro and the contextual levels.

The developer and Rév8 involve external expertise from Hungarian and foreign universities in the planning process (7). Meanwhile, Rév8 looks after the communication with the externalities including the neighbouring areas, national and international experts, possible sources of funding for the public space rehabilitation project element.

7.4 The 9th district – Ferencváros

Introduction

Twenty years ago, Ferencváros was one of those districts in Budapest which suffered the most from social and physical deterioration, both in its historical residential zone and in the industrial quarters both kinds of areas having no real prospects for renewal. However, by 2005 it has turned out to be one of the most dynamically upgrading areas in Budapest. The upgrading has four main focuses of action: the regeneration of extensive historical residential areas, magnificent residential and cultural waterfront projects, re-development in the old industrial zone, and besides the “hard” interventions, a soft element: strengthening local identity via cultural and entertainment projects.

Compared to the other districts under scrutiny, the 9th district is large, twice the size of the neighbouring 8th district. Besides the historical residential areas dating back to the late 19th and early 20th centuries it includes extensive brown field areas inclusive of the most expansive break-yard of the Hungarian Railways (Ferencváros Railways Station). Furthermore one of the ten largest housing estates of Budapest with 8400 flats can also be found here.

The district is situated in the south of Inner-Budapest and is bordered by the Little Boulevard in the north, the 8th in the north-east, and by the 10th and 19th districts in the east. The western border is the Danube itself, while in the south west, crossing the river Csepel Island, with the most extensive partly derelict industrial sites⁴⁸ of Budapest is situated.

The main spatial division of Ferencváros follows the structure of the other examined districts, Grand Boulevard being the dividing line between Inner, and Middle-Ferencváros. Outer-Ferencváros, however is extremely expansive and the name is not in common use. Due to its size the area is subdivided according to functions and types of morphology (housing estate, low prestige workers' colonies).

It cannot come as a surprise that another Habsburg was made immortal through the name of Ferencváros: Emperor Franz I., Maria Teresa's grandson. The district was already registered as the suburbs of Pest in 1792 under this name (CEBA, 1998).

Due to the industrial traditions, the district has historically been a working class area but at the same time there are educational, cultural, science and health institutions in great numbers. The development of Ferencváros has closely been connected to the Danube. It was a blessing and – until the controlling of the river – a curse at the same time, for reason of frequent floods.

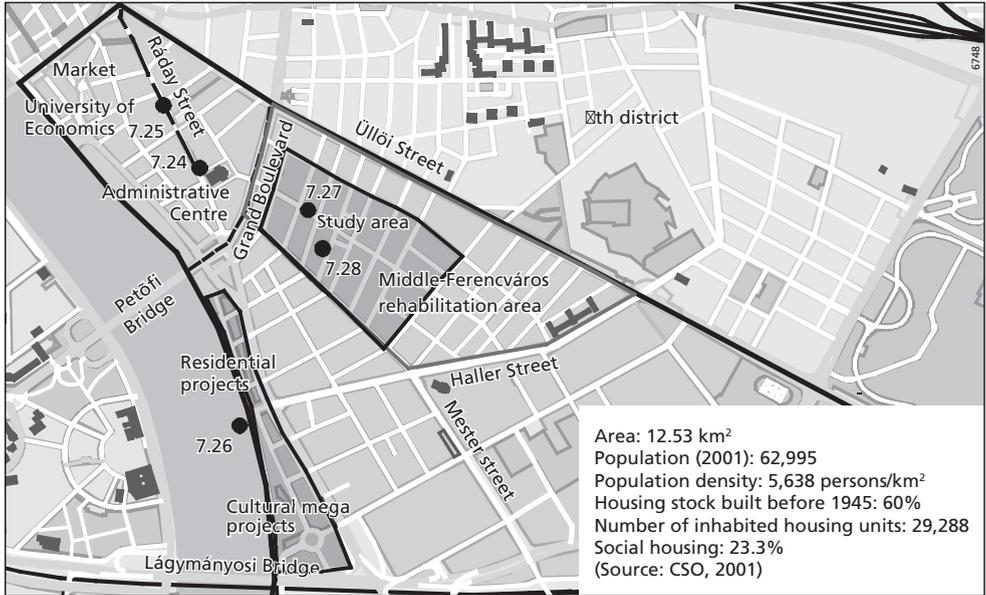


Figure 7.28 The 9th district (Ferencváros)

The cheap waterway transport stimulated the rapid growth of commerce and the infrastructure related to processing industry. Nowhere else in the city did the industrial functions sustain until the late 20th century in such closeness to the Grand Boulevard as in the 9th district, the industrial railways stretching as far as the Petőfi Bridge (the starting point of the Grand Boulevard in the south of Inner Budapest).

Ferencváros after a period of 50 years of decay has been in the process of revival in the past 15 years and has become the quintessence of urban renaissance. In accordance with the macro economic changes it has found the strategy of regeneration for almost all of its problem areas using their own potential (situational advantages such as location by the river, large extensive vacant areas, industrial areas with – often listed – industrial buildings waiting for re-development). The inner district has gained a new cultural image, which invited investors. Middle-Ferencváros is already a classic example of gentrification while on the waterfront located to the south of Petőfi Bridge, the Millennium Budapest is being built with the 21st century monumental developments such as the National Theatre and the Palace of Arts and luxurious residential projects (with second highest prices in the Hungarian capital).

Ferencváros shows the most in common with the neighbouring 8th district due to the nearly common history, social composition and urban morphology. The district more in structural than morphological sense has also a lot in common with the 13th district, partly owing to extensive waterfront area and both reaching out well into the industrial zone (today's brown field) of Budapest. These shared characteristics cause the shared renewal strategies but the underlying structures producing them differ as shown later.

7.4.1 The residential environment

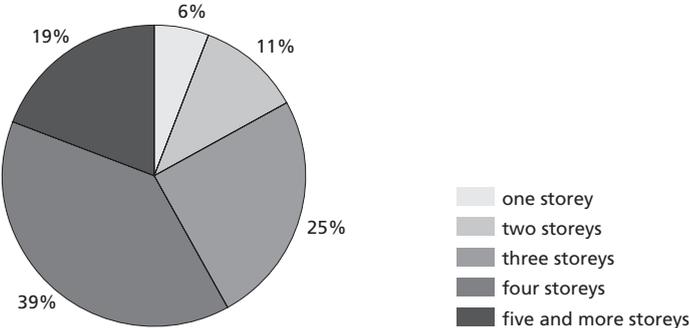
The built and the social environments

Due to the large size of the district, morphologically and functionally speaking Ferencváros shows the pattern of concentric zones. The classic zonal urban growth produced quarters differing not only in function but also residential building forms by the age of construction. Inner- and Middle-Ferencváros is divided by the Grand Boulevard and like in the neighbouring Józsefváros, the inner part is more a mixed institutional, cultural and entertainment area with higher standard residential buildings. By contrast the middle part, over the Grand Boulevard underwent the capitalist construction boom and related morphological transformation to a lesser extent than either the 6th or the 7th district. In this respect, Ferencváros shows more similarities with Middle-Józsefváros. As Lukács (1996) pointed out, the metropolitan transformation – from the organically developing urban texture with one storey buildings to the planned multi-storey tenements had no chance to be carried through. There were two main reasons: one is the nearby industrial sites, riverside traffic and industrial activities along with the social composition of the area which was not attractive surroundings for the speculative capital; the other reason was that by the time large-scale constructions reached Ferencváros along the Grand Boulevard in the early 20th century, the first signs of economic decline appeared and the initial impetus of the new capitalist construction boom exhausted. Therefore the building stock of Ferencváros remained “provincial” full of one, to three-storey buildings. The first half of the 20th century brought forth the large scale construction of workers colonies established by growing capitalist companies. These were definitely not high standard residential areas, were imbedded in the industrial areas and had hardly any organic connection with the central city. In spite of the improvements having

been carried out producing the increased living standards, by now some of these colonies have become crisis areas both in social and physical respect (Polgár, 2004). The socialist urbanisation left one clear sign behind in the form of a large housing estate⁴⁹. The estate involves four storey blocks from the 1950s too and ten storey ones from the later decades. The estate has its own local government and a certain degree of autonomy within Ferencváros⁵⁰. It counts to be a middle standard estate with organised community life.

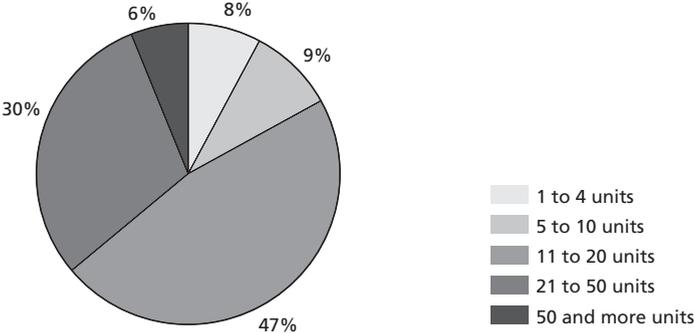
The share of buildings built before 1919 hardly exceeds 40%. This means 12.6% of the buildings constructed and registered from the period before 1919 in the city (CSO, 2001)⁵¹. The rate of low standard housing was extremely high due to the lower status social classes the residential buildings were made for.

Another striking difference to the district previously discussed is that in Ferencváros the three-story buildings represent a lot smaller share than the four-storey buildings: which reaches nearly 40% (Figure 7.29). As for the housing units per building in contrast with the dominance of the 21-50-unit buildings in the other examined administrative areas is that in Ferencváros the 11-20-unit buildings makes up the largest category (Figure 7.30).



6748

Figure 7.29 The distribution of residential buildings in Ferencváros by storeys. Source: CSO, 2001



6748

Figure 7.30 The distribution of residential buildings in Terézváros by number of housing units. Source: CSO, 2001

The quality of housing varies by building type and the stage of rehabilitation achieved so far. The rate of housing with all amenities is the highest in the easternmost “corner” of the district, which spatially covers the housing estate (Figure 7.31).

Indicative of the fact that the rehabilitation and physical transformation of the historical residential area is far from being complete, the figures hardly exceed 30%. The only exception is the UPU (urban planning unit), where rehabilitation is taking place. It is also striking that in the UPUs belonging to the project area but being put on the later stage of the implementation the same indicator is below 10% (Figure 7.31).

As for the rate of social housing, the 22% district average (CSO, 2001) is far exceeded in the UPUs mentioned above, waiting for their turns in block rehabilitation. Their rehabilitation since the census of 2001 has already commenced and it alters this picture a little (see later). The highest rates dominate the extremely low standard old workers’ colonies⁵². Compared to the average Hungarian living conditions it is like living in shanty towns of a Latin American metropolis, and treating the problems requires the intervention and contribution of the City Government besides local resources and welfare efforts (expert interview with Seršliné, 2005).

These colonies are surrounded by industrial sites and the area of the national railways⁵³. The district has been part of a rapid and consistent renewal process in the past 15 years, which was founded well before 1990. The revitalisation is happening on a number of “fronts” and it means not only the construction of more than average new residential buildings compared to other parts of Inner Budapest but also the physical rehabilitation and transformation (modernisation) of many existing buildings.

By and large there are three major types of residential areas requiring completely distinct approaches and strategies and also some other scattered smaller areas, enclaves – mentioned above – located in areas of basically traffic and industrial use.

The major principles and objectives – to improve the living standards, to make the district more attractive for people etc. – behind the distinct renewal strategies remain the same it is only the order of importance that changes in accordance with the potentials and characteristics of the areas (expert interview with Seršliné, 2005).

The population of Ferencváros has almost halved since 1970 (CSO, 2001). Another interesting point about the population is the strikingly uneven spatial distribution. Owing to the land use pattern described above, the population is concentrated in the inner and middle parts of the district. Even these days almost 70% (68.2%) of the inhabitants live in these two areas. Another 25% is concentrated in the housing estate (see introductory map). The share of the large UPUs with brown field areas concentrate only 4% of the residents.

Due to the capitalist and later to the socialist industrialisation, the population of Outer-Ferencváros doubled in the first half of the 20th century while the other two main parts already stagnated by then (CEBA, 1998).

As for the social composition of the area – as hinted above – it has never been a concentration of higher class people. In Inner-Ferencváros, in contrast with Inner-Józsefváros the number of aristocratic palaces was lower, there were a larger number of middle class “bourgeois” tenement buildings and public buildings instead. As mentioned above in line with the architecture and building forms and the proximity of the industrial sites, the inhabitants of Middle-Ferencváros



Figure 7.31 The share of housing units with all amenities in the 9th district. Source: CSO, 2001



Figure 7.32 The share of public housing in the 9th district. Source: CSO, 2001



Figure 7.33 The share of population with a higher education diploma in 2001 in the 9th district.
Source: CSO, 2001

were lower working class (the proletariat of the early 20th century) or at best, lower-middle class office workers.

The highly educated people have always had a higher representation near the centre and the universities. However we need to note here that compared to the fact that there are two renowned universities located in Inner-Ferencváros, the rate is comparatively low. As indicated in Figure 7.33 the only UPU nearing the city average rate of people with higher educational diploma is the one where by 2001 the rehabilitation works induced exchange of population for the higher educated and higher status residents.

It even exceeds the inner district planning units where – as hinted above – traditionally the rate is higher relative to the district averages. The southernmost UPUs with mainly non-residential functions have not only the lowest rate of people with higher educational diploma but every fifth person over 15 has not completed the elementary school (CEBA, 1998).

Indicators under analyses show the higher status and attractiveness of the rehabilitated residential areas in Middle-Ferencváros. Though the population is decreasing here too, the rate is the lowest among the UPUs around. The new, higher status population is already visible even on this higher spatial level of analyses. This is the sole district where the rehabilitation actions – as long as they exist at all – can be shown on the UPU level by using the 2001 Census data.

7.4.2 The mechanisms

The public and private sectors

In contrast with the previously discussed districts, it is hard to describe the activity of the local government of Ferencváros in terms of composing series of comprehensive conceptual and strategic plans as well as thematic proposals for the district. It does not mean that in Ferencváros the local administration failed to get them prepared in time⁵⁴.

On the contrary, the Ferencváros local government presently is more busy with the implementation of these strategic plans than with the making of them. Following the neighbourhood specific strategies with no substantial change in the objectives, only the actors and the tools have needed to be changed from time to time as the macro-economic transformation required. The work left has been to carry out the consistent implementation phase and to treat flexibly the issues of all the quarters with different functions and potentials. As seen later in the neighbourhood analyses, the major achievement of the district government roots in the 1980s while as described below, the capitalist transformation and the appearance of investment capital brought forth purely market-based mega-projects too, even with the involvement of the state. Naturally these less concern the residential function but still largely assist in developing the prestige of the district. This contributes to the success of the local neighbourhood level projects too.

Part of the strategy was the cautious privatisation of the housing stock. In spite of the financial difficulties, meaning a heavy burden on the local governments in Ferencváros, the administration did not yield to the temptation of temporarily healing the budgetary wounds by getting rid of the housing property. With the prospect of renewal, there were hardly any local resistance about the limitations – similarly to the reaction of the Józsefváros inhabitants.

In the early 1990s, based on the 1980s rehabilitation initiatives and some concrete projects, the local government proved to be firm regarding putting together the prohibition list. The already regenerated areas today with below district average rates of public housing had the same values for this indicator (over 70%) as the neighbouring UPUs in 2001. This privatisation strategy was applied in Middle-Ferencváros and was unparalleled in Budapest at those times. It was a conscious, concentrated and strategic initiative with the prospect of the continuation of the socialist gentrification.

Below the chapter analyses the strategies of physical and social interventions elaborated and applied in other quarters of the district as our study area⁵⁵.

With respect to the strategies used for the different quarters of the district one can easily find similarities with those of the Józsefváros area. The patterns were not taken from one another as owing to the local specificities and the distinct actors and not all the elements of the strategies could be taken over. The strategies were adopted and transformed according to the local needs. No doubt, Ferencváros local government showed the way – among others – to the 8th district in how to involve market actors in public initiatives and how to keep a larger area on the track of one marked trajectory consistently.

As Ernő Garamvölgyi, from the Board of Housing and Public Constructions (expert interview, 2005) stated:

“Due to the large proportion of the industrial areas (2/3 of the total area) the functional change is the major issue”.

According to what Sütő et al. (2004) considered as a general tendency for Budapest recently, the industrial function is clearly moving out of the centre by means of the buildings' – located closer to the centre – transformation into residential, cultural (Keresztély, 2004) or business functions.

Functional change is not intended to be coupled with large-scale demolitions but redevelopment⁶⁶ project. This way Ferencváros only becomes participant of the Loft programme as interpreted by Sütő et al., 2004. (see in neighbourhoods of strategic importance).

Besides the success stories of Ferencváros there are also neighbourhoods where apart from smaller interventions, the local government is unable to act efficiently. For the complex rehabilitation of the unbelievably deteriorated Outer-Ferencváros old workers' colonies the local government is still looking for the most acceptable and financially feasible solution. The task to improve the living conditions as well as the public safety in these not too large but almost completely isolated/disintegrated neighbourhoods – most important of all the Dzsumbuj area. Increasing the efficiency of the related attempts requires the cooperation of various departments in the local administration and the involvement of external actors, especially for financial assistance. Such assistance could be coming from the Social Rehabilitation Programme announced by the City Government (see Chapter 6). The overall budget of the programme is 1.8 billion HUF (7.2 million euro) one-third of this amount is projected to cover the social rehabilitation works of Ferencváros provided that the district has a social rehabilitation programme approved by the local assembly (Garamvölgyi, 2005). At the command of the local government, the crisis neighbourhood has been thoroughly surveyed by experts. The local administration established the so-called Dzsumbuj Help Bureau whose efficiency is not quite what they expected (expert interview with Serliné, 2005). For the description of the neighbourhood see later.

Successful rehabilitation programmes require a systematic task distribution among the departments concerned. In contrast with the local administration of the districts discussed before – where sometimes even the flow of information is completely blocked not to mention the cross department program or project management – the interviews and the praising voices of experts from other districts suggest that Ferencváros local government starts to show resemblance to a management spirited local power.

An example is the property management related to the rehabilitation areas either in Middle-Ferencváros or concentrated to individual buildings owned by the local government.

The Chief Architect's Office assesses the building stock and makes a list of buildings to be cleared – the office has been using set of criteria for the selection which had been worked out long time ago by the staff. They distinguish between the buildings, where eviction is carried out in the given year while the other group of buildings are being prepared for the next year's eviction. The district assembly agrees the proposal containing the list of buildings to be preserved and renovated as well as the list of the ones stated for demolition. Once the proposal is accepted by the Assembly, the buildings in question are "sent" further in two directions according to their prospects (Figure 7.34.).

The buildings for renovation are dealt with by the City Management Office and the Investment Department while the buildings to be demolished get under the management of the Property Managing Department⁶⁷ which looks after the clearing of the buildings (expert interview with Madár, 2005).

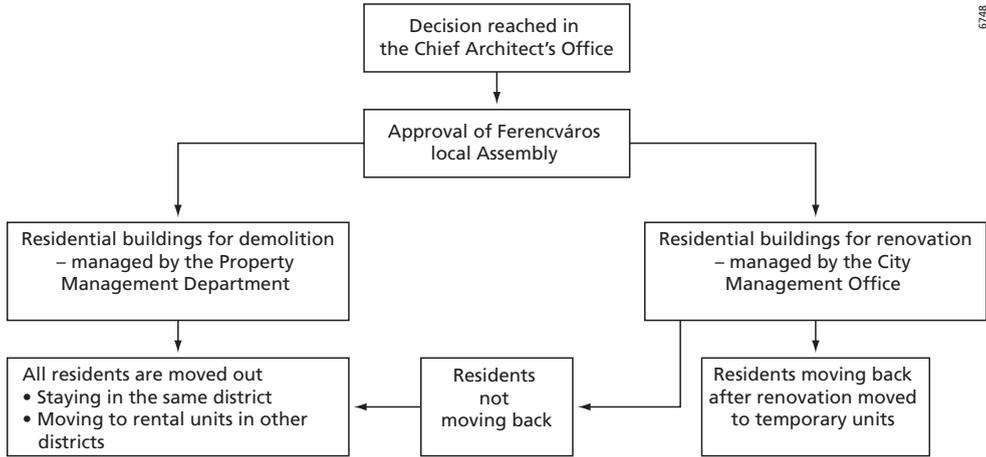


Figure 7.34 The process of property management and the actors involved within the local administration of Ferencváros, (by the author)

The process of vacating is carried out by the local government department – this is a difference from the practice in the 8th district, where the vacating is carried out by the Rév8 Co..

The tenants are offered two choices: a social rent in any of the districts (including the 9th district naturally)⁵⁸: The period between receiving the call for moving and occupying the new units takes around 3-4 months on the average. There are difficult cases which may last up to a year. The longest case took 5 years when a middle-aged man being hesitant where to move prevented demolition for years⁵⁹.

The other possibility of the tenants is getting maximum 90% of the market value of the flats in cash and leave. The value of the units is assessed by property experts. Relatively few households choose this option⁶⁰. When finally the building is completely vacated and ready to be demolished, SEM IX. (see later) takes it over.

Ferencváros local government has often been blamed for exporting poverty into other districts. From the above outlined description of the vacating procedure it is obvious that the residents do have the choice of staying in the district. On the margin, the local administration has not worked out a strategy for keeping them back from leaving the area. The tendency went as follows in the past two years:

In 2003 117 dwelling units were vacated while in 2004 it was, 121. The average size of the units was 43 m² in 2003 and 38 m² in 2004. Regarding the quality and amenities of the vacated units in 2003, 26% of the flats were with minimum degree of built-in amenities while in 2004 it was as high as 38%. Typically, very few households tend to choose financial refunding: it was only 13 in 2003 and with 8 units it was even less in 2004.

To show the contradiction between the rumours and reality, the analyses of the data provided by the Property Management Department are used. The data set shows that in 2003, 48% of the newly contracted rents were/are located in the 9th district, it was even higher in 2004 with 56% of the newly contracted units. The further on average half of the rentals were purchased in 14 more districts in 2003 and 13 in 2004. In most cases it means 1-2 units per district. The districts

where the most flats have been purchased are the 7th, 8th 10th, 14th 19th, 20th where 5 to 14 units are purchased annually each at varied locations (Source of data: the Property Management Department).

Like in the neighbouring Józsefváros, Ferencváros local government also established its own company for the management of the rehabilitation programme. It is discussed below as part of the mechanisms on the public side, however just like in the case of Rév8. market philosophy penetrated into its operation substantially. SEM IX. Urban Development Company preceded the Józsefváros initiative, Rév8 and as hinted above served as a model with the necessary alterations according to the distinct macro level and economic contextual conditions.

SEM IX. Urban Development Company

The company came into being in 1992-93 with 51% local government, 24.5% National Saving Bank and 24.5% French partner. When the local government of Ferencváros was looking for a partner ready to finance the rehabilitation, a French bank financing urban development including rehabilitation programmes (CDC – Caisse des Depots et Consignations) found them and together they established SEM IX. (Locsmándi, 2005) As Aczél interpreted, the French partner was looking for a venture partner who was ready to take the risk and test the method long been in practice in the EU (interview with Aczél in Middle-Ferencváros Rehabilitation⁶¹ 2004). The reason why the French company chose the 9th district was that the World Expo of 1995 was under preparation and the district was expected to be upgrading. The other even more important factor was that the management of the municipality was ready to find a progressive solution to the problem of massive downgrading and was open to adapt already tried out solutions.

At the beginning the French partner wanted to force French solutions onto the Hungarian conditions, which did not work. The process got underway very slowly. The new units of high quality with green areas in the courtyards could be sold at a relatively moderate price.

The French partner left the program as they intended it to be a bigger project to make themselves more attractive for the potential partners in the other districts of Budapest. According to Aczél (interview in Middle-Ferencváros Rehabilitation, 2004), had they been more patient and build the network of banks and developers – the possibility of which was given – they could have achieved by now a leading position in the property development market in Hungary.

SEM IX. is an independent company though close to the local municipality having the right to bring its own decisions, but obliged to give account of its activity to the local assembly. The company is carrying through the management works of the rehabilitation. The task of the company is to sell the to be demolished buildings and the vacant sites. SEM IX. conducts open competitions for the construction rights and signs contracts with the winning companies. The income from the completed businesses are fully turned back into rehabilitation (interview with Lakos in Middle-Ferencváros Rehabilitation, 2004).

The civil organisations in Ferencváros

Like everywhere in Budapest, Ferencváros only has information about the civil organisations active in the district from the applications for support. As for their influence on the decision-making level, there is no civil representative in the local Assembly, which – according to the officer in charge of civil contact keeping (expert interview with Mihályi, 2005) – is indicative of the fact that the civil organisations are still not taken as seriously as should and could be.

It is true that in our examination no such influential organisation as Óvás! in Erzsébetváros or Nap Club in Józsefváros was found, which – having a look at the long list of supported organisations and their activities – does not necessarily mean that the district has no firm civil sector. However, it is no doubt that their presence in decision-making is weaker than elsewhere in Inner-Budapest.

The Ferencváros local government contracted only cultural tasks out to civil organisations neither social nor counselling tasks have been passed on to the non-profit sector. All in all the local government has four contracts (public service contract) three on cultural organisational and one – signed in spring 2005 – serves socio-political purposes (service provision contract) (expert interview with Mihályi, 2005).

In the case of the contracts, the organisations gain a long-term annual support for the activity (ties) named in the contract: These can be operational expenses, implementation of a target program or simply purchase of stationary goods. Besides the few regular support contracts – which must serve the improvement of the district image, the living standards etc. but under all conditions in line with the strategic objectives of Ferencváros – the local government provides funding for occasional support too. This support is on competition base. The terms of reference are made out by the committees of specific fields. The committees are only entitled to assess the applications but it is the assembly that approves the assent to the proposals. Besides the civil organisations the beneficiaries can also be private people as long as they pursue some art or science activities, and in certain cases public institutions too.

The third form of assistance to civil organisations is rent allowance for the organisations that rent offices or club rooms for their activities (Local Municipality Report on the Activity of Civil Organisations, 2004).

7.4.3 Neighbourhoods of strategic importance in Ferencváros

The chief architect of the district sees the key of success regarding the multi-front regeneration program in Ferencváros in factors which were all dependent on the Ferencváros local government:

- The Ferencváros local government has been able to place the overall interest of the district over the political interests;
- Restricted privatisation – resisted the temptation of privatising the social housing stock but put together a limited list containing the buildings in the worst state;
- The district has a pro-culture Municipality which well understood that the pure physical renewal is far from enough for the true regeneration of the district;
- Shrinking of the brown field areas, the brown field areas are disappearing from the inner part of the district as well as from Middle-Ferencváros.

The sub-chapter deals with action areas of the local government and the investment capital other than the case study area and one neighbourhood presenting that in some critical cases the local initiatives are simply not sufficient for regeneration.

Inner-Ferencváros is a transitional area between the City and Middle-Ferencváros regarding its functions as well as the quality and characteristics of the building stock. The area has a good

location within Inner-Budapest though it was not as promising even in the early 1990s for the developers as either the 6th or the 7th districts. It was due to the relatively bad reputation and the fact that the area is a little further away from downtown Budapest.

Just like in the neighbouring Inner-Józsefváros, the area is extremely densely built-up, the building stock consists of richly decorated eclectic and classical two- to four-storey buildings. In addition there are large public, administrative buildings and institutions like hospitals, universities, museums, the Market Hall (Vásárcsarnok), the buildings of the district Municipality, and besides all these warehouses in neglected state on the riverside⁶². Almost no obsolete one storey building intermingle with the tenement blocks, which except for the listed buildings⁶³ were privatised in contrast with the middle part of the district.

This area has also been suffering from the neglected state of residential buildings⁶⁴ parking and traffic organisation problems, and the ageing population. The relative location and the potentials hidden in the better organisation of traffic and local decrees promoting the operation of places of entertainment gave the key to the upgrading in the neighbourhood. The renewal strategy of the Inner-Ferencváros area was worked out later than that of the Middle-Ferencváros area and was generated by the “jealousy” evoked by the success of the rehabilitation area.

The most deterministic factors that to be born in mind when thinking over the most sufficient renewal strategy for the area were the *high proportion of privatised dwelling units* and the *proximity of the centre* with the mixed business, entertainment, institutional and residential use.



Photo 7.24 The end of Ráday street where it meets the administrative centre (Bakáts Square) of the district. Photo by the author, 2005 (for location see Figure 7.28 (7.24))

Culture and rehabilitation in Inner-Ferencváros

The Ráday Soho is the most noteworthy project of Inner Ferencváros. In time it came after the rehabilitation of the Tompa and Angyal streets in Middle Ferencváros. As it falls in the same axes with the streets mentioned Ráday street forms a symbolic and physical link between the city centre and the rehabilitation area of Middle-Ferencváros (see introductory map).

In line with the strategy worked out for Inner-Ferencváros, the target of action were improving the conditions of the places of entertainment restaurants, art galleries.

The project was preceded by a long preparation process regarding the reorganisation of traffic as the result of which the traffic in the street is now limited to one lane (Photo 7.24), the street has been semi-pedestrianized. Cleverly enough public transportation service has not been banned out therefore, the street remained easily accessible by all means of transportation, even by cars. As part of the project *underground parking lots* and parking houses have been constructed in order to reduce the unbearable parking complications. It has always been a problem but strengthened with the backing of business functions and the increasing number of office buildings.

The focus of physical renewal was the public space regeneration including the street pavement, installing street furniture, new street lightening. Shops and the by Hungarian standards extremely high concentration of pubs, restaurants, bars, clubs occupied the vacant, to be rented ground floor commercial units. The physical transformation coupled with functional change with the newly created atmosphere fully altered the image of the area. It took just few years and made the street extremely popular among the university students and young professionals. The street becomes very lively and inviting in summer time when rows of terraces appear on both sides of the street (Photo 7.25). In spite of the fact that the number of places is ample it becomes a real challenge to find a free table.

Most of the bars and restaurants are municipal rentals and the ones running them willing to take on the responsibility of renovation and substantial maintenance work are entitled to get a *long-term lease*. The local government uses measures as a long-term incentive for having renewal and maintenance work done in the street by the ones running the places.

No matter how popular the area is among the young ones, the local rather old population do not quite like the up-heated atmosphere and the noise going along with highly spirited people. They initiated resistance and achieved few compromises with the bar and restaurant keepers regarding primarily the opening hours of the places. The situation is quite similar to what has been happening in the 6th district Broadway area. The interest of the Ráday street restaurants and cultural centres are protected by the *Ráday Soho Entertainment Quarter Cultural Association* whose main objectives – besides the safeguarding of interests – are organisation of cultural events and festivals (Retkes, 2004; www.kavechazak.hu).

The first factor excluded the centrally organised rehabilitation programme and made the renewal much more capital intensive.

The second factor together with the understanding and the intention to exploit this potential turned the backbone of Inner-Ferencváros into a success story. As referred to it in the previous chapters, it is something to be jealous of even in the Boulevard of Inner-Terézváros – which has much better location and traditionally a richer cultural life.

At the end of the Ráday street as the continuation of the project, the Bakács square is to be renovated and to further improve parking conditions an underground parking place is planned to be constructed. It is the real administrative centre of Inner Ferencváros, besides, by now almost 50 cultural events are organised every summer for the amusement of the locals and to improve the image of the district (Ferencváros Summer Festival).

Due to the high rate of privatised units in Inner-Ferencváros the only way to assist the condos is the 100 million HUF (400 thousand euro) municipality fund per year allocated for aiding the regeneration of residential buildings. The amount has always been fully used and could be well multiplied to satisfy the ever increasing demands.

Earlier in time another strategy was started to be implemented in the middle part of the district just behind the tenements of the Grand Boulevard. The classic rehabilitation area is smaller than *Middle-Ferencváros* but as it covers most of it, the name is commonly used as a synonym. The rehabilitation area (indicated in the introductory map) is situated between the



Photo 7.25 The Ráday street summer atmosphere. Photo: by the author, 2005 (for location see Figure 7.28 (7.25))

Grand Boulevard and Haller street and does not stretch as far as the Danube but is bordered by Mester street, which runs parallel to the river⁶⁵.

The elongated UPU, which means the area between Soroksári street and Mester street – by the Danube is in the proximity of the classic rehabilitation area, due to the mixed residential and industrial function and the higher rate of privatised residential units. However, the preparation program for systematic renewal is just taking place (2005). Private sector had already discovered the area by the time systematic planning could have started. There are 8-10 residential complexes proposed each with 150-200 dwelling units. Konkordia Mill will be transformed into an office building for the EU central offices. Gizella Mill, which was originally to be turned into an office building is now planned to be the first real loft project.

The area by the Danube is an elongated piece of land with the most recent highlights of Budapest in the *Millennium city centre*. This land (see introductory map) used to be an end-of-the-world area. The clearance of the area, which used to be the property of the Hungarian Railways reaching as far as the Petőfi Bridge (beginning of the Grand Boulevard) resulted a huge site which was found ideal for the organisation of the planned 1996 World Expo with Vienna. When the project was abandoned in 1994, the area was segmented into 15 sites, three of which by the Petőfi Bridge was soon sold and built up. The 12 sites left unsold were tendered several times (Schweitzer, 2000). What considerably increased the value of the site was the construction of a



Photo 7.26 A view of the new millennium centre with the cultural and residential mega-projects from the Petőfi Bridge. Photo: by the author, 2006 (for location see Figure 7.28 (7.26))

new bridge⁶⁶ (Lágymányos Bridge) further to the south, which practically made the Outer Ring complete and made accessibility of the area in question excellent.

The 11 sites were finally purchased by Trigránit Rt. belonging to a Canadian investors groups. The 12th site was kept for the *Hungarian National Theatre* – which was completed by 2002. The investment group at the time of site purchase scheduled high standard residential complexes, a conference centre, hotels, the Museum of Modern Arts (Schweitzer, 2000). The list was long and by 2005 two projects were completed both at the foot of different bridges: at the Lágymányos Bridge the monumental Palace of Arts, while at Petőfi Bridge two luxurious residential projects – with the second highest prices in Budapest – were built. The cultural mega-project was implemented with guarantees from the national government while on the neighbouring site the Budapest Conference Centre project is awaiting for the same guarantee to be launched.

There is no doubt, the physical proximity of the new southern city centre of Budapest is contributing to the improving image of the district. The new cultural centre, the transforming industrial zone and the renamed residential project complement one another. In 2006, on the site in between the two poles of the area (with residential and cultural function) new blocks are being developed (Photo 7.26).

In spite of the above detailed success stories of the district, the chief architect of Ferencváros when interviewed did not seem fully contented due to the existence of truly critical areas, even though these are much smaller in size. Sersliné in the interview described the so called *Dzsumbuj* area as one of the scenes of deepest urban poverty in Budapest (see for location in the introductory map). The crisis area is located in Outer-Ferencváros with mostly brown field area where the dominant form of housing is the colony. In the 1930s, the city administration constructed the three buildings making up the little colony with 426 dwelling units of 28 m² in order to house the poorest working class families (two in one unit). Though the buildings were extremely crowded according to a dweller having lived here for more than 60 years, the flats were neat and even flower gardens were maintained round the buildings (interview in article by Garamvölgyi, 2004). By now the situation has radically changed regarding the approach of the local people to the environment. What made the stabilisation of the small neighbourhood possible was the fact that it was an enclave. The three residential buildings are completely isolated from other residential areas of the district so it cannot be integrated (expert interview with Sersliné, 2005). There used to be small shops selling the basics for everyday life, which by now all disappeared save only one little grocery shop. Even the most essential welfare services are missing, including the family doctor (Garamvölgyi, 2004).

Its physical and social conflicts worsen the market position of the surrounding areas, in spite of the fact that they are of industrial use. In the socialist period these buildings were used for placing households who were squatting elsewhere in the city. So understandably families and individuals from the lowest social classes have concentrated in these three buildings. There is definitely no short-term solution for the neighbourhood's problems; were the actions immediately started, it would still last 10-15 years to establish a liveable neighbourhood here.

The *Dzsumbuj Help Office* is an initiative by the local government were everything is known about the little isolated colony and the people. The area is not without civil help, the *Dzsumbuj Civil Organisation* for safeguarding local interest has more than 20 activists and assist the households in various matters (Garamvölgyi, 2004). Yet, poverty and crime have reached such an extent that is already beyond the control of local government. According to one proposal of

Ferencváros, one of the buildings will have to be demolished. The local government would not export the people in groups to another area of the city. Even though a district social rehabilitation program is being worked out in lack of a national social network system it will remain hanging in the air not having the indispensable national level sources of finance (expert interview with Sersliné, 2005).

7.4.4 Neighbourhood dynamics in Middle-Ferencváros

The case study neighbourhood in Ferencváros is well known among urban geographers and almost everything has been said and published about it that is of interest for researchers. The reason for choosing this project area as a case study is to make the inner-city analyses complete with the description and realist analyses of the process and to draw parallels between this flagship and other recently launched projects like the neighbouring Corvin-Szigony in the 8th district.

The project area is located in Middle-Ferencváros (see Figure 7.28). The analysed area covers the core part of it including fully rehabilitated blocks and blocks where renewal is sporadic due to the below described changed strategy of rehabilitation.

Project preliminaries

Today's successful programme is rooted in the rehabilitation initiatives of the 1980s. As Locsmándi⁶⁷ (2005). interpreted the preliminaries, after the fiasco of the demolition and replacement of the 19th century residential quarters located over the Grand Boulevard with the socialist prefab technique – whose examples are visible even by Haller street⁶⁸ and in Józsefváros (see Chapter 7.3) – City Council charged the Department of Urban Development of Technical University to work out the rehabilitation program of today's rehabilitation area with no real guarantee for implementation. The plan proposed to keep the street structure and to unify buildings by forming the “commons”, a courtyard in the back of the buildings. This concept was modified later with the consideration of widening streets, creating passages and little squares with lots of newly planted street vegetation and courtyards with parks.

In 1983, on the assignment by the chief architect of Budapest the study was elaborated into a detailed technical plan. Before launching the implementation, the Demolition Board had to examine the buildings projected to be demolished and was also responsible for the decision which part of the rehabilitation area was to be started the rehabilitation works at. Finally the blocks closest to the Grand Boulevard were chosen due to the low rate of buildings to be demolished, no presence of privatised buildings (1984!) and its proximity to the major thoroughfare, the Grand Boulevard. The plan was expected to assure that more housing units would be produced than the number of the demolished ones. The project covered 65 hectares.

Originally, the rehabilitation was based on a technical renewal program, which had no social plan behind. The households were practically told if they can move back or be moved to another – no doubt, of higher standard – housing unit nearby.

What we call mechanisms in the realist approach in the early phase of the project – before the 1990 changes – covered numerous actors⁶⁹, which by our present model would make no sense to discuss because of the centralised administrative system. In this system the district level administration had only limited, though over time undoubtedly increasing decision-making competence and rights.

However, the project co-ordination was done by the *Rehabilitation Operative Committee* on the district level with the representation of each actor. Locsmándi evaluated as a great

achievement that even the public utility companies adjusted the scheduling of their works with that of the housing rehabilitation program⁷⁰.

The originally cleared sites of Middle-Ferencváros were intended to be built up with council flats, which was never realised as the per m² costs of rehabilitation in the old buildings was as high as 80% of the new units. Finally the Hungarian National Savings Bank (OTP) ventured into the project as a developer and an investor at the same time. Being the only public bank and so having social responsibilities, the bank had to realise some of the units under favourable conditions with welfare allowances, while only a part of them could be sold at market rate. Besides, the bank was all the way worried about the success due to the bad reputation of the run down neighbourhood. To make the project more attractive but basically driven by its worries the bank made the planners change few elements: this way today most of the courtyards with gardens and parks are not accessible for the public and no passages connecting streets were built in below the buildings (Locsmándi, 2005).

The breakthrough was the opening up of the Tompa street (Photo 7.27). The street as a public space was semi-pedestrianized. Traffic was limited, new street pavement and furniture was part of the renewal. This convinced the investors about the success.

After 1990, the renewal process slowed down considerably, OTP left the project and ventured into office projects, which sounded and truly were more profitable in those initial years of market economy.

The fact that with difficulties but the program went on was due to a constructing company called *Quadrat Ltd.* For the sake of survival the company – originally contracted with OTP for the implementation of the project plans – took on responsibilities (investments, development, marketing etc.), which normally would not belong to the sphere of activity of constructing companies (Varjas in Locsmándi, 2005).

The preparation of the new wave rehabilitation started in 1992 by the making of the technical plan for the 44 blocks located on the rehabilitation area. It was also the time when SEM IX. was established (see above). The layout plan came on the best time as the 1993 law on the privatisation of social rent makes only few exceptions under compulsory privatisation if the tenants wish to buy their rental units. One exception was if the unit was located in a building part of a rehabilitation area, with approved technical plan (Locsmándi, 2005). That is why this pattern of neighbourhood rehabilitation cannot be replaced in the same strategy anywhere in Budapest by now (expert interview with Sersliné, 2005).

In the first years of the rehabilitation process the local government insisted on the block by block rehabilitation. They did not start to empty blocks at random but kept the order determined in the plan of the rehabilitation area. This way the unity of the rehabilitation area and the consistency of the process were possible to be kept. The rehabilitation was concentrated and the area was more attractive (expert interview with Sersliné, 2005; Gerőházi et al., 2004).

The change in the strategy happened in 2000 when after a number of Hungarian and international awards, the project bumped into the problem of slowing down. The diminished impetus was due to the fact that so large and complicated blocks were to be vacated that the local government could not hold on being efficient enough. The clearing and demolition of the buildings and so making vacant sites available for the investors was going slowly (Gerőházi et al., 2004; expert interview with Sersliné, 2005). There was a threat that if the local government would

Four pillars of the successful Middle-Ferencváros rehabilitation

In the present form of the rehabilitation the strategy and the concept behind is based on four pillars (expert interview with Sersliné, 2005).

Value preservation (1): The rehabilitation of the architecturally valuable buildings and the modernisation of the dwelling units in these buildings. For the realisation of this a substantial and very thorough examination of the values and physical state of the buildings was necessary. It aimed at selecting which buildings are to be kept and which ones are to be demolished. This assessment of buildings started as early as 1991. In 1993 a preliminary plan was already approved and since 1995 the district always has a decision with the force of a decree on the actions to be done in the rehabilitation area. There have been some cases when buildings representing high architectural value were kept although according to its physical state they should have been demolished. These are exceptional cases. The problem with value preservation is that the local governments have been prohibited to decide on local value preservation according to a decision of the Budapest City Government. As the 9th district had brought this decision before this order came out and decisions made before were not to be eliminated they have a valid value preserving list that also differentiates in the awarding of financial assistance (see point 4 below).

The *involvement of investors' capital (2):* the renewal of the old buildings could be partly financed from the realisation of the sites with the obsolete buildings cleared off. The involvement of investors' capital has also been crucial in the construction of both residential buildings, office complexes as well as hotels. This way the evolution of the projected mixed function area has been on the way.

Changing the overall image of the area: development of *public space quality (3)*, the limitation of traffic access into the neighbourhood, more attention to green inner courtyards. To change the image and to generate interest in the investors, the local government judged as crucial to improve the quality of public space.

Assisting the new condominium buildings (4) (mostly mixed ownership buildings) to achieve their attempts to regenerate their buildings. The amount allocated every year is 100 million HUF (400 000 Euro) and accessible by competition. It is open not only for the condos of the rehabilitation area but for the whole district. This limited locally available fund is only enough to regenerate some selected parts of the building and there are priorities. The primacy goes to the interventions saving the statistical reliability of the building while the second is always the quality improvement of the facade.

have insisted on the block by block rehabilitation, the investors might look for other areas and flee. The time coincided with the period of housing construction boom, the market was heated.

As Sersliné assessed the situation in 2005, the renewal of the old buildings could not keep pace with the thirst for the vacant sites. At this pace the rehabilitation area would run out of the vacant sites in 2-4 years. The regeneration of the buildings to be reconstructed (task of the municipality) was lagging behind and would take 10-15 more years (expert interview with Sersliné, 2005).



Photo 7.27 Tompa street – the first action area of the program. Photo by the author, 2005 (for location see Figure 7.28 (7.27))

The new strategy was to launch the process in other blocks too. This way the rehabilitation would not be so concentrated any more but signs of renewal have already appeared in all the blocks involved in the classic rehabilitation area. There have been two major public investments assisting the new objectives large public space development in the middle of the rehabilitation area the Holocaust Museum supported by the Metropolitan Municipality and the state government.

The two developments as public investments and serve putting the neighbourhoods concerned into the focus of attention, upgrading the area out of the completed rehabilitation area and making them attractive for further investors (expert interview with Seršliné, 2005).

On the part of the SEM IX: managing the program, the terms of contracting are getting more and more strict. By setting these rules the intention is not to let plots accumulate in few hands for speculative purposes. As the aim is to develop the area, the contracts contain a tight deadline for the completion of the buildings, high penalty for late or no performance, right to re-purchase on the part of the local municipality.

The rules are also strict for the buildings under construction. The investors under every condition are to keep to the townscape parameters.

The Board of Housing at the local government is responsible for checking if the technical parameters of the plans meet the requirements of the general and local regulation plans. The parameters are set by the chief architects' office. Whatsoever, it is only the height and the basic parameters that are under their sphere of authority, what is behind the facade (the internal division of the buildings) cannot be influenced by the Board.

The Paris practice of keeping the facade and building a completely new structure behind is still not widespread. The only one is Mester str.14. The permissions related to the renewal of the listed buildings are not to be issued by the Board but by the Cultural Heritage Protection Office (expert interview with Garamvölgyi, 2005). The so popular elsewhere loft program so widespread in the 6th district – is not on the agenda in Ferencváros due to the successful rehabilitation program. The few examples are concentrated in Inner-Ferencváros but never in the rehabilitation area. According to Garamvölgyi it was more popular before the changes, when the possibility of renewal was more limited, but until 2003 no permission was asked for and given out for utilizing lofts.

In the rehabilitation area, the terms of reference remained strict and more consistent than any time before and is relevant for all the companies competing – even for the first company appearing on the scene and keeping the process alive in the most difficult years. By using this competition strategy SEM IX. intended to keep the competition clean from biases. There were 15-20 regular applicants for the vacant houses and sites. The investors were mixed regarding their nationality. The 2000 boom in the housing market could have been partly foreseen and the investors immediately reacted to it. The boom undoubtedly gave an impetus to the rehabilitation (expert interview with Sersliné, 2005).

As a result of the competition system, the residential buildings have been built to higher and higher standards and their very good quality improved the prestige of the rehabilitation area. The



Photo 7.28 An example of the enclosed gardens in the rehabilitation area. Berzenczey street.
Photo by the author, February 2006 (for location see Figure 7.28 (7.28))

district also had to spend a lot on the regeneration of public space. According to the account of Szeifried, (2005) some of the public spaces and their plantings have been in need of rehabilitation as it has been more than 10 years that these areas were first affected by rehabilitation e.g. Tompa street.

The local government has also kept in mind that the income from the sale of the building sites will gradually diminish. To speed up the process, SEM IX. counts on resources from the Metropolitan municipality or thinks in terms of EU support too. One project, the public space rehabilitation of Liliom street has been financed from a successful PHARE competition won in 2003.

The investors present in the district can also be involved in the regeneration and building of parks, after the completion of the residential complexes the constructing company is obliged to get the park planned and built in the courtyard although the land remains in the possession of the local government (Szeifried, 2005).

So far altogether 160 buildings have been demolished which means 1500 housing units. 35 buildings have been renewed creating 800 units (4 billion HUF). 20 more buildings have been partly regenerated (500 units). The company has spent 2 billion HUF on public space redevelopment and spent about 5 billion HUF on moving the tenants into new flats.

Between 1992 and 2000 1200 new housing units were built while between 2000 and 2003 the number was even bigger: 1500. (Gerőházi et al. 2004).

The maps below (Figure 7.35, 7.36, 7.37) clearly show the results of the project expressed in various kinds of statistical data. The half of our examined area closer to the Grand Boulevard was already completed by the 2001 Census. The rate of social housing is strikingly lower here, as most of the new and rehabilitated units were sold at market rates. very few of the original tenants moved back taking on the extra expense of higher rents. Nothing can be a better indicator of

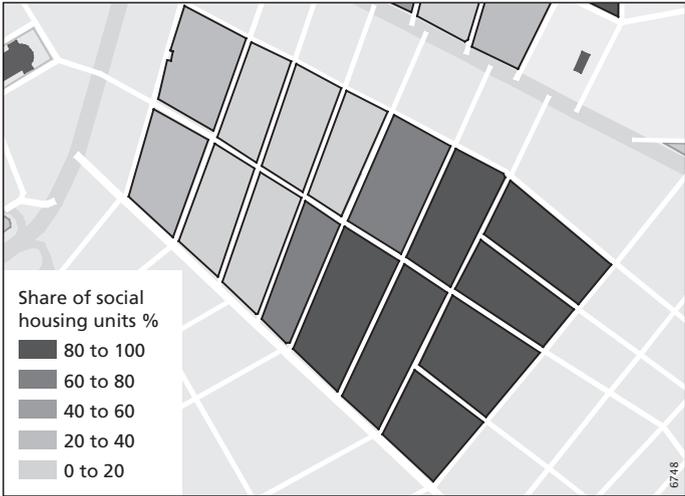


Figure 7.35 The share of social housing units, Source of data: Census, 2001, CSO

the gentrification process on a rehabilitation than the rate of people with higher educational diploma. The maps shows that the rehabilitation area in 2001 was consisting of two distinct worlds in physical and social terms as well. This situation is in the process of change as obviously low status and low standard block – sporadically though – are in the progress of physical and social renewal in 2006.

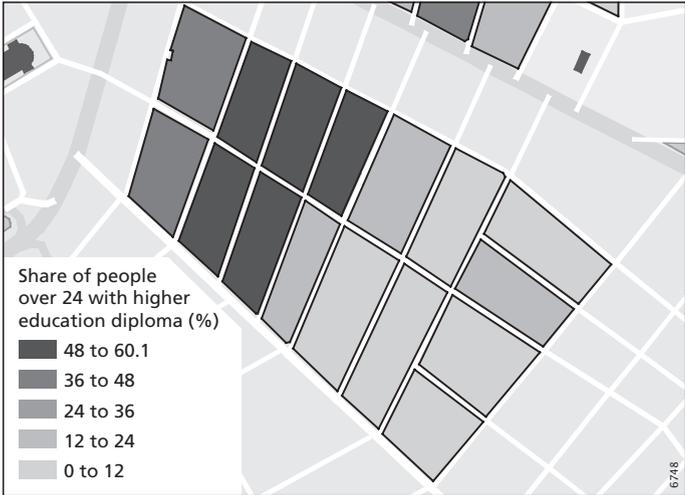


Figure 7.36 The share of people with higher educational diploma Source of data: Census, 2001, CSO



Figure 7.37 The share of housing units with less than 40 m² net floor area. Source of data: Census, 2001, CSO

The local government has paid a lot of attention not only to the practical implementation of the rehabilitation program, but to the *communication* of the results to the public, investors and the various forums of professionals and academics⁷¹. As for the communication with the locals besides the news boards placed on the area, the local government organises forums where the local inhabitants can share their experience with the representatives of the developers and the local government. The local Ferencváros Herald is also an appropriate channel of information. SEM IX. also looks after the presentation means of communicating the outcomes, in 2004 they published a brochure full of interviews, pictures and statistics, some of which are presented in this work too.

Summary: The model of neighbourhood dynamics in the Middle-Ferencváros area

The Middle-Ferencváros rehabilitation program is a flagship project of Budapest regarding urban renewal and even the process of gentrification. The underlying structure and the process of renewal shows similarities with what we found in the 8th district but in this case the 9th district was followed more or less by the 8th district.

In the Ferencváros rehabilitation area neighbourhood dynamics – presently – are not much more influenced by externalities in contrast with any other examined neighbourhoods in Budapest. The old French connection that assisted to bring forth the operation of SEM IX. Company has left the program. The key actors remained the local government, who in contrast with the 8th district has left more work with itself including vacating the buildings to be renewed or demolished.

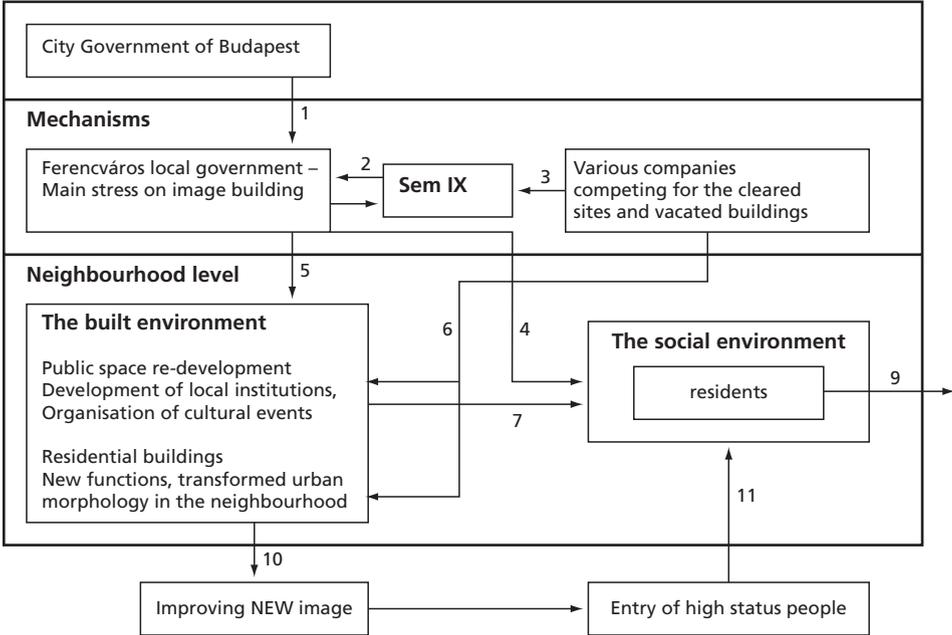


Figure 7.38 The model of neighbourhood dynamics in the Middle-Ferencváros area

Another striking difference is that instead of one developer the system works on a competition base and each building and site has to be competed on firm conditions.

(1) The City Government contributes to the neighbourhood upgrading process via the Rehabilitation Fund and the occasional participation in larger – image building – projects. The heart of the program and (mechanisms) SEM IX: is a joint stock company and due to the ownership structure is in the closest possible connection (mutual) with the local government. (2). As for the relation with other companies present and active in the area, they are kind of subordinated to the managing company of the rehabilitation as SEMIX: decides upon the contracts upon the evaluation of the competition document of the construction companies (3). The actual hand in the neighbourhood causing physical upgrading is the local government (5) via public space redevelopments and the construction companies contracted with SEM IX. (6, 6b)) who participate in reconstruction, construction works on residential buildings and more and more often public spaces.

As the local government has direct connection (4) with the local residents when deciding on the fate of a residential buildings, the deal is to be done with each household. As the program is not coupled with a firm social complementary social program the original population moves out and never returns to the area (9).

The changing image causes more and more young, middle class household to move in the neighbourhood, which would result the complete exchange of population by the end of the program (10, 11).

Notes

1. Governance: All the methods by which societies are governed. The term is used to indicate the shift away from direct government control of the economy and society towards indirect control via diverse non-governmental organizations (Knox & Pinch, 1998).
2. According to Csonka (expert interview, 2005) renewal happens on the level of condominium complexes – they initiate the work, often by selling the lofts to developers and even these projects being condominium initiations are scattered. There are numerous gaps filled with new constructions or are subject of speculation especially as further to the north where the old buildings and new constructions mix to a great extent. There are no major anomalies within Újlipótváros compared to the other four districts subject of this chapter. Even the chief architect of the 13th district (expert interview with Arató, 2005) pointed out that: *“when looking for dynamism in the 13th district it is not the right choice to search in the area located closest to the centre (Újlipótváros)”* The river side in the far north of the district is the location of housing mega-projects, while run down areas along the Outer Ring are the concerns of the Urban Rehabilitation Program placing them high on the list of action areas and crisis areas.
3. The neighbouring Erzsébetváros was detached from the Terézváros in 1873 as described in Chapter 7.2.4 In the beginning of the 1990s the spreading of the business functions also contributed to the upgrading of the area earlier identified as a potential slum and also many other areas with good location (see later).
5. Due to the two-tier administrative system the owner of the area is the district government but for the street sections used by means of public transportation City Government takes the responsible of maintenance.
6. Along with the downgrading of the built environment they started to move in the back yard lower standard flats in the 1960-70s. In the 1990s these families on hearing that the tenants of the to be demolished buildings

with social housing units get compensation in the form of higher standard flats had as many family members from the countryside as possible registered as tenants.

7. Despite between 1946 and 1960 both natural growth and migration increased the population, the growth was already far from the rate of growth in the other districts. The 1956 revolution largely contributed to the diminishing tendency, when 6200 people left the country from the district (mainly young people). In the 60s and 70s it was the 5th and the 6th districts where the rate of outward migration already exceeded that of the inward migration (Dövényi and Kovács, 1997).
8. Aging index= (number of people over 60 years/number of people below 15 years) x 100
9. The re-development project proposal failed the competition for the EU Structural funding (expert interview with Egedy, 2005)
10. Owing to the fact that the housing stock – according to the popular belief and the statistical data – was in general more valuable than in the neighbouring districts privatisation was a great source of conflicts between the local government and the local population. The great number of articles on the topic in the contemporary daily press indicates that the significance of the issue does not compare to the local concern in any other districts. It was caused by the hesitation of the local government on the list of buildings forbidden to be privatised (expert interview with Incze and Kovács, 2005). As nobody wanted to miss the great opportunity of establishing the family fortune. The population of the affected neighbourhoods (among others the area of our case study) went as far as demonstrating in front of the district town hall. The conflict went as far as turning the mayor as a politician and the assembly against each other whereby the mayor promoting public interests while the assembly and the committees promoting experts' opinion about rehabilitation. Finally the expertise surrendered and the list was shortened considerably.
11. Those districts can cope with the acute lack of budget resources which still have brown or green field areas to marketise. This source of income may contribute to the renewal of the less dynamic areas in the administrative area of the districts.
12. It is more or less an organic development to which private developers (bar keepers' renovations) contribute. The local government has more than 10 million HUF income only from the public space rents of the terraces plus the tax revenues and still it practically has not put any money into it.
13. In 2003 when most district governments increased the public space occupation fees of the pubs and restaurants considerably, Terézváros went for keeping the original rents and what is more offered a 30% reduction to the terrace owners of the Liszt Ferenc Square (Népszabadság, 06. May 2003.).
14. In Budapest all the market buildings built in the late 19th century were given over to the City Government for management except for the one on Hunyadi square. The Terézváros Assembly insisted that the market remains district property but it proved to a big bite as for renovation. Meanwhile all the other markets were re-developed including the one in the 8th district and the so called Vásárcsarnok in the 9th district (expert interview with Tasnádi, 2005).
15. The Contracts fix even the number and species of the trees to be replanted after construction. On the margin, less cars would drive around on the way to one of the numerous theatres finding parking place and meanwhile heavily polluting the air were the environmentalist civil-organisations a bit more considerate.
16. The Association occupies almost a whole mixed ownership tenement. The publicly owned units are rented out to the Association for a symbolic amount. The local government contributed to the smooth operation of the Association by renewing the staircase of the building.
17. Terms of Reference
18. For now (February 2006) no such amendment has been put through legislation, at the same time VAT was reduced to 20%, which is not a big advantage compared to the previous taxation regulations.

19. Typically of the foreign interest in investments in their recent project in the 6th district (Léda House) half of the buyers are foreigners.
20. The word has two meanings: veto and protection.
21. Closed in 2005 to make room for a new shopping centre.
22. This indicator has improved slightly due to the massive population loss and not to the planting programmes.
23. As Prenghy (interview, 2005) described the situation, the tenants who had had no experience in looking after themselves, making decisions and thinking in terms of common interests would have needed years to be transformed into real community people in the tenement buildings.
24. In Outer-Józsefváros a large UPU is out of the question regarding the features of the residential environment, as indicated it is part of the first industrial zone today's Rust Belt with large areas of no residential but other traffic or public functions.
25. The highest rates in Outer-Józsefváros are misleading as public institutions dominate the ownership structure.
26. It is important to note that due to the frequent changes of administrative borders it is hard to follow the change in the number of inhabitants; for the conclusion made here we used the statistical data in CEBA which was calculated for today's area of Józsefváros.
27. In Józsefváros it was only -8.5%, while in the 6th district -19.4%, in the 7th district -17.5% while in Ferencváros -14.6% (CSO, 1990 and 2003).
28. Poverty showed the most serious signs between the two world wars. Statistical data on the rate of people in need of constant support is available because of the high number of charity organisations active in today's Middle-Józsefváros area. According to the registry of the Red Cross in 1931 and 1932 the rate of people dependent on charity was 12,2% and 21,4% respectively, which was extremely high rates for the time (Várhelyi, 1998).
29. They played everywhere in the city from the elegant hotels and restaurants to the small pubs of Józsefváros. These were not like the cafes of the 6th and the 7th district. They reflected the needs of the lower-middle class people, the craftsmen and carriers, the domestic servants from the countryside. These pubs mixed folkish elements with a modern urban life. These pubs had such unique atmosphere that attracted people of all social status and occupation from even the elite parts of the city (Lukács, 1996).
30. Sometimes well exceeding 50% in the north-east of the country.
31. In contrast with the 6th district there was no protest on the part of the tenants, they gladly accepted that their neighbourhood became a rehabilitation area (expert interview with Molnár, 2005).
32. The proposal was referred to the civil organisations to report on and the comments were built in the final version of the Program (2004) (expert interview with Molnár, 2005).
33. Székely (2003) mentions 900 organisations. We have to note here that non-profit organisations naturally involve political parties. Sometimes the "every civil organisation is non-profit but not every non-profit is civil" principle is not considered when making enumerations or estimations.
34. Indicative of the little importance attributed to the involvement of civil organisations in managing the district by the local administration of this person is also responsible for cultural matters in the district.
35. In the 8th district there are lots of mini-civil organisations. Their only source of funding is the fund of the local government. Their activities are dependent on the support. Smaller organisations involved in cultural, educational, sports activities have two big programmes a year depending on the distribution of the annual support twice a year: In spite of the fact that the natural "clearance" of civil organisation started in the late 1990s the majority of the organisations are small and fully dependent on the local government support (expert interview with Fehérvériné, 2005).
36. One cause is the possible dangers of the new metro line for the 19th early 20th century buildings stock. During the planning stage of the new metro line (M4, from the south of Buda to Keleti Station) expectedly

- upgrading the affected neighbourhoods in the 8th district, the civil organisations discovered that the shallow depth of the tunnel is prone to cause damages to the old and neglected buildings of the inner city neighbourhoods. They challenged the technical plans by claiming the establishment of a 5 billion HUF fund for immediate compensation for damages to condominiums. They lost the court case, but achieved that the tunnel is now projected to be constructed at greater depth. (Prengly, 2005)
37. The greatest failure of office building boom in the late 1990s called Calvin Centre (still standing empty – April 2006) found place on the edge of the district in the very proximity of the historical old buildings (Photo 7.17 left hand side building).
 38. At the age of capitalist modernisation there were licensed brothels around (Lukács, 1996) while during socialism the old industry remained in its uncontrolled, unlicensed form. The area was hit also by especially high crime rate. The local government simply placed cameras and now the police continuously monitoring the streets. This way they managed to stop downgrading (expert interview with Balázs, 2004).
 39. Józsefváros railway station once played a crucial role in the provision of food supply to Budapest. Some of the street names (Fuvaros meaning Carrier) are indicators of the activity of the people living here. It was also the destination of people from the countryside. The area was a mixture of Roma, Jewish, Hungarian, German mainly working class people and also of refugees e.g. Galicia (expert interview with Molnár, 2004). The inhabitants in the area worked as craftsmen, ragmen on the nearby rag-fair, carriers, pubs or as the last alternative became outlaws.
 40. The area was one of the four case study neighbourhoods in the NEHOM – Neighbourhood Housing Models international project.
 41. On the project area there were 2530 housing units almost half of them were social rents. The average net floor area was 41m². In half of the social rents there was no built in lavatory, and 40% of them had no bathroom.
 42. One survey ordered by Rév8 was completed under the title Housing Conditions 2000 and was based on interviewing 600 households in the tenement buildings and 300 in the mixed condominiums. The interviews were made by the household heads and touched upon issues such as income, properties, state of the housing unit and the building, and the attachment of the dwellers to the neighbourhood.
 43. The architectural and structural assessments contributed to the selection of buildings for demolition, which determined the group of tenants to start the negotiations with.
 44. At the time of the interview (2005) there were still two tenants with especial demands.
 45. The hotel developments – partly because of the proximity of the airport – the increasing demand for the inner city middle- and low-price accommodation.
 46. The Movie has a historical importance as it was the stronghold of the freedom fighters during the 1956 Revolution. After a renovation in 1996 the Movie seems to stand the competition with the multiplex movies of the Shopping Plazas.
 47. The enterprises were run by Roma people and were competing who is carrying out the job faster and with better efficiency. They proved to be absolutely reliable (expert interview with Sárkány, 2005).
 48. The famous Ganz Machine Factory, which was nationalised well into the socialist period and renamed Csepel Művek (Csepel Works).
 49. The estate was named after a Hungarian poet from the early 20th century Attila József, who in the socialist period was called the proletarian poet.
 50. The rights of these local governments are limited compared to those of the district itself and included in the local governmental decrees.
 51. In the five examined districts there are altogether 4903 residential buildings constructed before 1919 (CSO, 2001).

52. It is important to note that the largest UPUs in the middle of the district are the large industrial sites. In these planning units residential function is represented by the already mentioned 70-100 years old workers' colonies of extremely low standards. Interpreting them in the introductory map to the 9th district distorts the picture as they only amount to a few hundred housing units.
53. The Ferencváros station covers an immense area of 130 ha including 102 pairs of rails of which only 7 are in use. The area is ripe for re-development. The owner of the area and some roads nearby is the Hungarian National Railways (HNR). As the Hungarian government needs to support the company with billions of HUF every year to keep it alive it is of no surprise that HNR attains to sell its property at an extremely high price. The company has once offered to sell one road surface to the local government at the price of a building site (expert interview with Sersliné, 2005). This makes transactions between the HNR and the local government immensely complicated.
54. The systematic preparation of the renewal – with concentration on the Middle-Ferencváros area – was launched in 1992 which resulted the Ferencváros Zoning/Structural Plan (Sersliné, 2004).
55. The analysis is mainly based on the interview with the chief architect of Ferencváros Sersliné Kócsi Margit Dr.
56. It would be impossible anyway as a large part of the industrial buildings are on the national list of monuments and even more are locally protected.
57. The task of the department is to clear the buildings to be demolished and to rent out and sell the property of the municipality. The case of the buildings to be renovated does not belong to this department only those residents are directed back to the department who would not move back to the renovated buildings but opt to move to another social rental flat (Figure 7.34). The residential buildings they are dealing with are all in 100% municipality ownership. In these buildings there is no problem of mixed ownership of the units unlike in most condominiums. At the beginning they were registered as municipality property that cannot be sold.
58. The local government buys flats on the property market in other districts and also in the 9th district. In finding units to purchase they are assisted by estate agents. The department offers possible acceptable properties to the dwellers, who can choose from a selection of 5-6, sometimes 10 new rents. The relevant law says that it is enough/sufficient to provide the same quality rent (size, degree of comfort) to the dwellers but the local government offers units of better quality and larger size to make the whole process faster. They also complete some request in the course of renewal after the final decision is made and the tenants choose the new rent. The law 1993./No 78 regulates when one can be *sent the notice to vacate*. The local government does everything to negotiate and come to terms with them to both sides' satisfaction. In the course of the past decade it happened only in few exceptional cases that they went as far as that (it never reached the stage of taking the case to court, finally they could always come to a decision).
59. From this example and what Sárkány mentioned in connection with the displacement in the 8th district it is never the poorest, socially disadvantaged people who are the most difficult to come to terms with but the bit more educated ones who are aware that the rehabilitation can only be commenced if they co-operate. They think that they are in the position of setting a high price for that.
60. The rentals are mostly of small size (mostly less than 30 m²) and of low quality and so are not worth much on the property market. The dwellers are aware that for the refunding received for the units they would not be able to buy anything on the free market.
61. A joint publication of SEM IX. and Ingtatlan és Befektetés (Property and Investment) June 2004
62. In order to renovate the institutional buildings, the municipality together with the higher educational institutions present in the inner part of the district (University of Economics, Medical University) initiated a PPP co-operation. As the result of the action, old former warehouses have been taken over by the University of Economics and transformed into educational function and use. Last remnants of “public” warehouses (közraktár) connected to the traffic connection provided by the Danube now in the very proximity of

the University of Economics in Inner-Ferencváros are planned to be demolished. Due to administrative complications i.e. the owner is the Metropolitan Government which rented it out to the CSAPI. Indicative of the communication block between the Ferencváros district and Budapest city governments on the fate of this valuable site there is still a half ruined building functioning as storage for plastic flowers. Investors have already indicated their will to redevelop the area into the “Covent Garden” of Budapest but the present designation of the area in the Zoning Plan of Budapest as part of the Public park zone further complicates the case.

63. There are a high number of listed buildings, which under the present conditions restrict the possibility of regeneration (See Chapter 7) The listed ones are in almost the worst physical state.
64. In spite of the relatively higher standard of the residential buildings there are still units with no basic amenities.
65. The strategy for the waterfront area being the immediate proximity of the case study area is discussed in the neighbourhood case study section, as recently upcoming influential ecological factors on the upgrading of the neighbourhood.
66. The bridge conditioned avoiding the city centre by the transit traffic – pity that the continuation on the Buda side was not a central issue – and besides meant the connection between two formerly out of use waterfront areas on both sides of the Danube.
67. Locsmáncsi was involved in the process right from the beginning as the professor of Technical University, which carried through the preparation of the rehabilitation physical plans with experimental nature originally.
68. One bit of the Middle-Ferencváros area by Haller street was demolished and few prefab panel buildings replaced the old tenement houses – on a smaller scale than in the neighbouring Józsefváros. According to the Chief architect of Ferencváros (expert interview with Sersliné, 2005) their presence was crucial as the experts could face the politicians with the contrast of the few already renewed buildings and the pre-fab solution.
69. Various departments of the Budapest City Council (Dept. of Urban Zoning, Dept. of Investments), the Budapest Flat Exchange Dept.; Budapest Investment Company (owned by the Budapest City Council); Ferencváros District Council; District Property Management Company (IKV); Rehabilitation Chief Engineering Company (ran by IKV); Hungarian National Saving Bank (OTP), building companies, planning companies.
70. It often happened – sometimes still happens – that with no communication between the companies responsible for the public utilities a road surface had to be broken up for the maintenance of the sewage system below and few years later for the water pipe system too.
71. No surprise that the Ferencváros rehabilitation has become subject of the university curriculum at the technical university as well as in urban geography courses and these institutions often organise field trips to show the results – note by the author.

8 Summary and conclusions

8.1 Introduction

The research forming the subject of this book was carried out in Budapest, the capital city of Hungary, which has gone through a significant degree of change since the political and socio-economic transformation into market economy. From the various aspects of the especially complex urban transformation, residential environment was selected as a central topic in the research project and the historical residential zone of Budapest was chosen as the study area. The choice was due to the fact that in the post-modern urban development, this urban zone has gained new meaning and functions. Global impacts are making their presence felt via the flows of capital, labour and culture and – as their synthesis – trends of urban development tend to leave their marks on the Hungarian capital city too. Comparing the local variations of post-modern urban transformation with a twist of local flavour is an exciting challenge both on a global and a regional (continental, sub-continental) scale. Yet, with our comparative work we stayed on the national level and even within the boundaries of one city, Budapest, and made comparisons between some of its neighbourhoods.

The *objective* of the dissertation was to give a comparative analysis of neighbourhood dynamics in the inner-city of Budapest, under the post-socialist and at the same time globalised, new market economic circumstances. The urban phenomena that urged us to take inner-city neighbourhood transformation as central in the study were the increasingly overwhelming change in the texture of the badly dilapidated historical residential area of Budapest and the fact that the renewal shows fairly varied patterns by neighbourhoods belonging to different districts.

Renewal varies by being systematic or random; some goes along with extensive demolitions other projects show sensitivity to and the obvious intention of architectural heritage preservation. Nevertheless, whatever the strategy might be they all share one characteristic, which is the substantial population increase of the better-off. Meanwhile, in the same type of area there are still neighbourhoods devoid of interest for the investors. Besides, in spite of the increasing attention of the local authorities expressed in plans and strategies, the limited local resources, and the ownership structure hinder the halt to dilapidation. While the book deals mainly with the type of *neighbourhood dynamism*, meaning positive change in the quality of neighbourhoods, it also highlights the causes of stagnation and decline in other areas in the four districts discussed.

In spite of the fact that the process under scrutiny falls in the scope of academic research on *gentrification* – which we hold as evident – instead of examining the validity and applicability of various gentrification theories we chose another way of analysing the processes of neighbourhood regeneration, which focuses on the underlying structures, the relationship of actors in the process as well as the wider context and the historical path dependency of the neighbourhoods concerned, all based on the theoretical foundations of critical realism.

In the dissertation we were looking for the answers to four research questions (theoretical and empirical in nature). Accordingly, the book became divided into two parts dealing with: the theoretical and the empirical research (Table 2.1). In the first steps of research we aimed at finding the proper scientific philosophical foundations for elaborating on the methods of both theoretical and empirical examinations. The determination of the methodological guidelines proved to be essential so that we could go on and carry out the more specified research. The specified theoretical research culminated in identifying the problem field itself and in creating a base-model according to the philosophical principles of realism. The empirical research started only after specifying what phenomena, actors and relationships were to be examined closely to be able to see neighbourhood transformation in its complexity in the study areas and to apply the base model to these specific cases.

By firmly founding the research on the ground of realist philosophy, we intended to keep the topic and the scope of research on a manageable track. Accordingly, by establishing a base model and selecting the applied methodology we identified what we intend to elaborate on and in what ways we would carry that out. Realism providing tools for analysing especially complex systems such as the urban environment also tempted us to deal with everything that might possibly have something to do with the process under scrutiny. In our research in both the contextual part of the book (Chapter 5 and 6) and the case studies (Chapter 7) we strived to focus on spatial analyses of physical and social aspects of the urban environment and associated the quality of neighbourhoods with urban ecological factors and policy measures in the background of the given patterns as underlying structures.

The other focus of attention was on the mechanisms – the local government, private sector and the non-profit sector – with a special focus on the first one having still substantial influence on the processes taking place in Budapest and in its districts (Chapter 5,6,7).

In order to summarize the findings the following part of the book is structured around the four research questions systematically referring to the parts of the book that detail the results.

8.2 The theoretical foundations

Research question:

How can critical realism be made instrumental in an investigation aiming at the analysis of urban dynamics?

To be able to create a framework of research assisting most efficiently our intention of finding out what is behind the wide range of renewal patterns in the urban texture of Inner-Budapest we found *critical realism* to be the most appropriate approach: regarding both its basic principles and related research methodology.

In contrast with the positivist, empirical and also humanistic approaches – bringing them on the same ground by claiming that they all involve human senses and so a substantial amount of subjectivism – critical realism claims that beyond the experienced world there is the real world,

formulated as the underlying structure. Subjectivism can be avoided by discovering the real world under the experienced world.

Accordingly, realism is process oriented instead of pattern oriented. Realists treat the examined social systems as open, therefore contextuality is important in the research and also a condition of understanding the process examined. Openness gains relevance not only in space but in time too, which suggests that historical path dependency is also of crucial importance.

There is a substantial impact of the philosophical approach on the technical organisation of the research as it determines the ranges of methodological tools. Realism – to be able to fulfil its mission – uses many methodologies in combination. It does not hesitate to use positivist methods while it also accepts the relevance of the humanistic methodology of subjective interpretation of phenomena along with value judgement.

As realists hold that a single process may generate many outcomes and similar outcomes may emerge from different processes, it is the *processes* and not the patterns that are central in the realist research. In our interpretation: neighbourhood renewal as a phenomenon can be generated by many processes involving lots of actors and sets of relationships. Furthermore, similar neighbourhood renewal patterns can be caused by similar underlying structures but there might as well be completely different mechanisms in the background. It gains real meaning in the *context* of Budapest with its two-tier administrative system and the large autonomy of the districts, which are prone to and potentially produce urban changes in a different way.

In methodology, *abstraction* was selected as fundamental means to clearly identify *the process* (neighbourhood renewal) and its local variations. In line with our methodological strategy we abstracted neighbourhood dynamics to interpret the basic relationships of the immediate components of the residential environment (built and social environment) and the mechanisms that influence their interactions.

Although ideally the process of quality change is the product of the interactions between the social and the built environment, we need to realise that in post-modern societies it is indispensable to consider the way urban ecological factors such as location, mechanisms including institutional means such as policy making, the actors that express market interests, and finally more and more often the public and private partnerships (PPP projects especially in urban renewal) that directly or indirectly affect this natural relationship.

The specific analysed systems to which the basic model of neighbourhood dynamics was adapted – the case studies – are four neighbourhoods in transformation belonging to four distinct administrative units. To make comparison possible after a substantial examination at the contextual level and regarding the underlying structures of the renewal process in the neighbourhoods the created model adaptations show the actors: their interactions and their impacts on the built environment and the population of the neighbourhood (negative, positive and neutral equally).

Preparing the neighbourhood level case studies had a double purpose. First of all we wanted to show how the realist model and realist way of analysis can contribute to a better understanding of spatial processes, which have both qualitative and quantitative aspects and concern both the built and the social environments. For this purpose, however, the realist analysis of one neighbourhood would have been sufficient while we have four of these neighbourhood analyses. The explanation of the number and the selection forms the second purpose of carrying

out the empirical part of the dissertation: besides presenting the applicability, we also wanted to make the model instrumental in the comparison of renewal patterns, which differ substantially while the neighbourhoods belong to the same urban functional zone.

By identifying structures and relations in specific cases (the case study neighbourhoods) and by the analyses of the patterns born as the products of the processes analysed, we can highlight what we find damaging and advantageous from the socio-economic, community and architectural aspects of neighbourhood renewal. This way we can formulate the critiques of the process challenging it as a whole or in its particular elements. One might also make proposals for changes regarding the activity (coverage, intensity) of the mechanisms as well as the nature of interactions in process to make the produced pattern socially and physically more acceptable.

8.3 Budapest in post-socialist and global transformation

Research question:

Why is it necessary and how is it feasible to link the phenomena and processes of globalisation to small-scale changes like neighbourhood transformation, which is basically of local concern?

In research projects aiming at providing a better understanding of urban processes and phenomena in the post-modern, global socio-economic context we cannot avoid considering globalisation and its consequences for urban transformation.

Regarding globalisation there are two aspects of analysis covered in the dissertation. One aspect is the relative position of Budapest in the global network of cities: the rank and role at the East-Central European regional level. The other aspect is the impact of global flows on the neighbourhood level. The first aspect undoubtedly has an immense effect on the second as the importance of the city as a global centre influences the amounts and targets of global investment as well as the appeal of the city to attract the flow of labour (people).

Looking for global impacts on the very local level gains special importance in cities where global impacts could not appear in the early stages of the globalisation process, the post-socialist capital cities such as Budapest. These effects practically burst into the cities with the change of political system. Since the early 1990s, the post-socialist countries as well as their cities have been in a situation when they have needed to tackle the transformation of the institutional, economic, social, etc. structures from socialist into capitalist system, while managing a new situation of being open and at the same time subject to the impact of formerly limited flows of foreign capital, people and culture. The intensity of these flows is further aggravated by the next step of the political transformation: membership of the EU and the adoption of the EU regulations.

The re-integration of the East-Central European capital cities in the European urban networks has proved to be an intriguing and complex process, an ambivalent process of competition, co-operation and definition of identities. In the context of socio-economic transformation and reintegration Budapest stood the chance in the European city competition to gain a specific function at the international level: The role that Enyedi (1999) judged possible is that of a

gateway-city, the role which fits the cities located in the buffer zone of developed and under-developed regions, and which are capable to adapt innovations; this enables them to process the flows of information, capital and goods and forward them to the less advanced areas of Europe.

As for the impacts of globalisation on the neighbourhood level, it can be stated that the international economic, cultural (architectural) etc. influences appeared in Budapest before the change of the system albeit with considerable delay and in a misinterpreted form; they left marks on the residential space too. The suburbanisation process, which led to the downgrading of the central historic residential zone, started well before the political and socio-economic turn.

Budapest and its neighbourhoods became part of the “big entity” through globalisation and so went through the social and spatial reorganisation of the local society and came out as winner or loser. The transformation and related globalisation trend favoured selected areas and social groups while other areas and groups felt only the disadvantages (Szirmai et al., 2003). As for areas, the obvious winners are the suburban areas, the villa quarter of Buda and the garden city zone as well as sporadically the old residential and brown field areas – especially those parts, which are the closest to the centre, have favourable ownership structure, and have available vacant sites for development. In society winners were those who proved to be the most resourceful, mobile and dynamic with large enough accumulated social, financial and cultural capital; the elderly, the disadvantaged, marginalized and slipped to the periphery of society. That was an adaptation of the neo-liberal global patterns.

At the beginning of the transition period in the inner-city neighbourhoods, global capital investments appeared first in the form of large-scale office constructions, which – from among the examined districts – most affected the inner parts of the 6th and the 7th districts. The 8th and the 9th district inner-city neighbourhoods remained less influenced by the office-boom for they were further from the city centre and had fewer vacant sites for construction.

Only with economic consolidation during the second half of the 1990s did foreign investments start to gain a foothold in the housing market as well. When the macro-economic situation assured that less profit intensive investments would also guarantee long term strong market positions and profits, foreign investors alone or jointly with Hungarian companies took larger and larger positions in the housing market. The primary target group was the higher income new upper and upper-middle class in the garden city and villa quarter areas of Budapest. However especially after 2000, foreign developers made their appearance in the inner city areas and besides the targeting Hungarian groups they also started to advertise in EU countries with great success.

The inflow of global capital has been massive appearance and has had a major impact on the neighbourhood quality where the area had appeal due to its relative location, where the local regulations were loose enough and where the local government lost its main potential of intervention in the built environment by the over-privatisation of its former state housing stock. This was especially typical of the inner parts of the 6th and 7th districts.

Global architectural aesthetics influence the appearance of non-place buildings as global impacts is massive independently from the national origin of investors.

The global flow of people influenced the neighbourhoods of Budapest distinctively. Due to their lower status and lower position in the housing market of Budapest, large communities of Chinese

and muslim immigrants appeared mainly in the 8th and the 9th districts where especially at the beginning of the transition period housing was affordable for the first wave immigrants. The neighbourhoods have been slightly affected by their arrival. The immigrants change only the non-fixed feature elements of the neighbourhoods, especially along the main thoroughfares by establishing their shops and restaurants.

According to the principles of realism, in the research forming the base of the dissertation neighbourhood as a social system was treated as open, subject to the impacts of all kinds of processes outside the system. Globalisation and the openness of the country have had both direct – as outlined above – and indirect impacts on the neighbourhood level. In spite of the fact that the direct influence of global flows appears in a more and more articulated way in Budapest, regarding their overall impacts the indirect influences are more significant and spatially more overwhelming. The mediator of the indirect influences is the national level legislation (Figure 2.2) i.e. called forth by the EU membership and the associated adaptation in legislation; as well as macro-economic regulatory forces at the national level such as the banking system. The macro economic expectations towards and requirements by the European Union, World Bank, etc. are firm regarding the indicators but the transitional countries have always had a free hand to choose the way of meeting the expectations.

Research question:

In what ways have the post-socialist contextual changes influenced the urban renewal process in Inner-Budapest?

The study points out that the most essential precondition of inner-city renewal in the new market economic conditions has been the formation of the new macro-level structures in the Hungarian administration, economy and society. In the centralised socialist period and even before, it was always the national level circumstances, which ultimately determined what was going on in the city of Budapest. The socialist system had its priorities among economic sectors, among settlement types (concentrating resources on industrial middle sized towns), and differentiated treatment was also relevant for certain types of urban areas within the city. The system had its specific approach and solutions to housing problems, the built environment and local communities. This approach concentrated on finding a solution to the problem related to the qualitative housing shortage, while value preservation and housing quality in the old and new neighbourhoods remained of secondary or no importance. As the inner city neighbourhoods (and neighbourhoods in general) were mostly considered as a pure concentration of housing units of the same kind, apart from some new prestigious housing estates, no attention was paid to development and renewal of the local communities. The relationship of people and their environment, as well as the people to people relations, were not of high priority in the urban context.

The heritage of more than 40 years of socialism in the inner-city area was a badly dilapidated built environment with high representation of socially disadvantaged and elderly people, where marginalisation of the disadvantaged people (the losers of change – the elderly, the poorly educated) was also in progress.

In the new capitalist socio-economic system the issue of extensive renewal immediately arose on the part of the professionals regarding this highly disadvantaged area: *who, under what conditions and for whom* will we invest and carry out renewal activities in the badly dilapidated inner-city area.

The answers were not forthcoming for quite a while because of the need for clarification of the macro-level conditions by re-structuralisation. National level strategies for the macro-economic stabilisation of the country were first on the agenda realised via a series of substantial and overwhelming reforms. The complete re-structuralisation on all levels (administration, macro-economic frameworks, society) got a real impetus after the actual political change of system and the first democratic elections in 1990. The reforms were carried out in two waves. The first wave affected the administrative system having pulled down the old administrative frameworks, transferring responsibilities to the newly established local governments from the state level (among other tasks taking responsibility for housing maintenance). Besides, the macro-economic structures went through substantial transformation. The state suddenly withdrew from direct participation in the economy too and minimised the budgetary expenses related to financing state responsibilities (health care system, education, increasing welfare payments). This tendency affected all the sectors of the economy including housing construction. Extensive privatisation in the economy left only economically sustainable productive activities alive, while the activities formerly relying on state support were closed-down.

Macro-economic changes had an immense impact on the social re-structuralisation of the population with a substantial impact on spatial mobility. Owing to the increasing unemployment a considerable share of the population drifted to the margin of society, and the firm socialist middle-class shook on its foundations. Meanwhile, an exclusive group of people arose as the new elite in society. They emerged relying on their social and financial capital acquired in the socialist period and in the course of the rather confused era of ownership change. Polarisation in society reached extremes never seen before, no surprise that it evoked nostalgia in many people for the apparent security of the socialist period, especially among the impoverished retired and the families headed by unskilled workers.

The macro-economic situation was continuously improving until the mid-1990s, when the need of the second round of reforms arose, with the necessity of further structural transformation. This second round of reforms finally put the country on the track of economic consolidation and growth, which became mature by the turn of the millennium.

By this time Hungary found its place in the world economy, recovered from the loss of its former economic partners, and built a new network of connections. The international and national economy became completely interwoven, the new macro level structures of dependency fully evolved. The new millennium found Hungary in a relatively consolidated state regarding its economy and social re-structuring of society also seemed to be completed.

The situation regarding society showed the following pattern: most types of households which drifted to the margin of sustainability recovered and found their new place in society generally on a lower but consolidated level. Cultural capital definitely grew in importance compared to the first period of transformation, which conditioned inter-generation upward social mobility for the

younger generations. These emerging groups means one – but not exclusive – source of gentrifies for the inner city social change.

At the same time due to the sudden neo-liberal track of development, the historical chance to let a firm capitalist middle class evolve seemed lost again. Because of the neo-liberal tendencies, society tore apart even before the real social and public service reforms could be carried out to heal it. Social polarisation, going hand in hand with an extremely polarised distribution of means and living standards, was reflected in accelerated spatial segregation on a national and on city levels too. On the national level the urban-rural, East-west dichotomy increased. In Budapest, the Buda side districts and the western part of the agglomeration grew in prestige, while most of the area of the inner-city districts (parts of middle and outer 6th, 7th, 8th, and 9th districts) and the districts with large housing estates with a negative reputation in the outer zones of Budapest on the Pest side concentrate the socially disadvantaged.

The impact of transformation took shape in the urban system and urban environment too. On the larger scale, processes such as sub-urbanisation strengthened and larger towns as well as Budapest experienced a massive loss of well-to-do households leaving for the immediate surroundings of the towns. It was a higher level of spatial segregation, which was also taking place within the city limits.

Social re-differentiation became manifest in many attributes of life: education, travelling, and above all, housing. People's demands related to housing and the available means to satisfy them depended on the position they achieved in the transformation and re-structuralisation process. Where and in what kind of housing and neighbourhood people live has become a real issue and a status symbol in Hungarian society. It is not enough to live on the Buda side; it must be on one of the hills too.

It should be no surprise that in the early years of the 1990s, construction activities were concentrated in the higher standard green belt and higher status areas. Market actors kept their distance from inner city construction and rehabilitation in Budapest, as they did not see the macro-level guarantees for the marketability of the new products – the safety of the investments. By the end of the 1990s the housing market revived parallel to the relative consolidation of the economy.

Early uncertainties – besides many other factors – were due to ownership transformation of housing property.

Privatisation of the former social housing stock took place everywhere in the country but it had the greatest impact in the capital city. Political and financial motivations drove the local governments to marketize the social housing stock, and the national government by the related legislation entitled them to do so. Although the long-range disadvantages of over-privatisation in housing could have been foreseen, no measures were taken to avoid the consequences. Nationally the rate of social housing shrank to a dangerously low level; privatisation strengthened the effects of *polarisation* and *segregation* especially within Budapest, and the remaining social housing stock shows signs of *residualisation*. Residualisation is the consequence of over-privatisation when finally only the housing stock of the worst quality remains with tenants who – because of their low status in society – are unable and not willing to buy their rented flats.

On the level of the districts of Budapest privatisation has become a key issue in the renewal chances and methods and causes the diversified approaches of the districts to neighbourhood renewal.

Local governments of urban settlements all over the country, relying on their resources and the limited national funds for social housing construction, attempt to re-establish the balance by starting to construct cost-based council housing for young households. As it only means a very limited number per year, the national, lower than 3% social housing share will hardly increase in even the long-run, which has lots of negative consequences in a social respect and regarding the housing market.

Along with economic consolidation, the necessary transformation and evolution of the banking and mortgage system as well as the state housing support program, the attention of developers and construction companies shifted more to housing. The market was steered by the introduction of the supported favourable bank loans for housing purpose. Due to the fact that by the program the possibility of buying or building a house opened up for the lower segments of society too (still mainly for upwardly mobile young household), a shift from the higher to the middle-segment of the housing market happened all over Hungary. The formerly neglected inner city areas of Budapest also found themselves in the forefront of interest by housing investors and home-buyers after having been only targets of office construction with the hope of quick returns.

The Housing Program resulted in a real boom in the housing market that lasted until the end of 2003. But the national budget capacity allocated for loan interest support was overestimated and soon restrictions had to be applied. In the long-term, the support system was not sustainable. Various limitations ultimately narrowed the circle of households potentially using it.

The developers and builders attempted to keep the volume of housing construction high but ever since then the companies have a large unsold inventory. The needs also changed in no time e.g. instead of the economical mini flats below 40m² net floor area, the 1.5 and two-roomed units became more popular. Because of the EU accession, new markets have opened up and this segment seems to favour high standard housing with inner-city locations for mainly investment purposes. On realising the trend, developers started to specialise themselves.

A national level rehabilitation program as such has not been elaborated; it only exists on the level of the city with especially shaky and limited resources and definitely in its present form does not serve the purpose of larger scale renewals. The legislation also needs improvements to be able to provide incentives to the developers working on old neighbourhoods in need of value preservation.

8.4 Diversity in the dynamics of the inner-city – causes and consequences

Research question:

In what ways does the renewal process differ in the inner-city districts of Budapest and how are the local characteristics and the strategies combined to generate and implement neighbourhood upgrading?

The renewal of the old historical residential area on the Pest side of Budapest after about a decade of hesitant and random interventions took an impetus in the 1990s and in the new

millennium and is happening at high speed and with great efficiency but very sporadically. No doubt, the effects of transformation have not reached all the corners of the inner-city historical residential zone and there are areas treated with distinction. It is due to the size, the segmented administration of the area and therefore the lack of a comprehensive development policy by the concerned administrative units, the districts.

In the study, four neighbourhoods were chosen as case study areas for comparison. The common point in them was that all four are going through massive renewal, which is not restricted to few buildings but affects whole blocks. As the *pattern* of the renewal in the examined neighbourhoods proved to be different we went after the *process* that produced the differences in the product of regeneration. (It is important to note that we also had prior knowledge about processes which substantially influenced the selection of the study areas, selection was also influenced by the interviews with the local experts.) This way we could consistently follow the principles of critical realism and by using model adaptations of our base-model of neighbourhood dynamics, we pointed out the common and different points as well as the negative and positive consequences of the regeneration processes running parallel.

Our neighbourhood examinations were carried out mainly by expert interviews, analyses of articles on topical issues (mainly of critical voice), and by the analysis of data sets from the 2001 Census. We looked for the factors that caused the difference in the process between the operation and types of mechanisms, urban ecological factors, historical rootedness of image, etc.

The examinations justified forming two groups from the four neighbourhoods mainly on the basis of the approach of the local governments to renewal – the neighbourhoods belonging to different administrative units. Criteria of grouping was based on the experience that in spite of the fact that on the city level for a long time, market “dictated” where and what to build – as the Podmaniczky Program openly admitted – on the district level. The local governments have had the potential of orienting the actors and actual processes by fundamental decisions.

Accordingly, we distinguished between districts of *subsequent* and *early strategy making*. The first group includes the 6th and the 7th districts (Teréz- and Erzsébetváros) while the second contains the 8th and the 9th districts (József- and Ferencváros). The districts are all in the inner-city zone of Budapest and can be divided into inner, middle and outer districts. In the 6th and 7th districts, the study areas are in the inner parts of the districts, where the effect of relative location is extremely big in renewal, and the market mechanisms dominate the process with no consistent local governmental strategy. Meanwhile the 8th and 9th districts study areas are in the middle part of the examined administrative units with a different kind of appeal to market mechanisms, which is the existence of clear strategy, a renewal programme with clear roles of the actors on both the public and private sides.

The different locations could be one substantial reason were it not for the fact that while in the 6th and 7th districts there was no choice other than the inner parts for the analysis – as no comprehensive renewal is experienced elsewhere –, in the 8th and 9th district experience change all over the district with a firm local strategy in the background.

Below, we summarise the factors in the processes that caused the evolution of different patterns regarding renewal in the four examined districts on the neighbourhood level.

One reason for the diversified nature of neighbourhood renewal leads back to the macro level explanations: the reform of the administrative system and the establishment of the local

governments, which affected Budapest in a way that nowhere else in the ECE countries can be experienced.

The two local governments with subsequent strategy-making (Teréz- and Erzsébetváros) have limited tools for intervention in the built environment due to the high degree of privatisation and consequently the ownership structure, while early strategy-makers of the *József-* and especially *Ferencváros* local governments certainly had a wider scope of intervention as privatisation was not that widespread and extensive, especially in the most dilapidated areas in need of action. Partly as the product of decisions and partly due to the local socio-economic conditions, these districts saved a considerable share of their properties, which now them to manage large-scale renewal programs.

Categorisation of districts as “subsequent” and “early” strategy makers originates from the way the local governments approach development in their districts and especially in the examined neighbourhoods: In case of Terézváros and Erzsébetváros (6th and 7th districts) the local government have only a weakly based development strategy. These districts were less in the focus of investigations too, as the social tensions were never as alarming as e.g. in the 8th district.

Post-socialist development strategies could not be consistent either due to the limited scope of intervention rooted in the ownership structure. What we found in these districts is that the local administrations are still in the phase of trying-to find the ideal solution to a situation when they have almost no property left and the only way of intervention is via the regulations. On a local scale, we found that strategy-making in the inner parts of these districts mostly follows local initiatives. Typically the local government first opposes such bottom-up initiatives, while on realising the success or the public backing they stand by them and build a strategy around them. This was a case of the Liszt Ferenc square cultural terraces in the 6th district and the initiative of the Óvás Civil movement for the protection of the Jewish Quarter in the 7th district. By leaving the first steps to the initiators who test the ideas and take the risk, the local governments can join in and support an already successful project or programme and can be successful themselves.

Originating from the nature of renewal and as the consequence of not having a proper long-range strategy, the districts have no proper organisational background for the management of larger projects, as such projects do not exist.

Accordingly, the civil organisations are strong and influential actors in the local arena. This has an ambiguous impact, sometimes promoting, sometimes blocking neighbourhood quality improvement; the self-organising force of local people and entrepreneurs is strong but the organisations are segmented and isolated. There are frequent clashes of interest between them.

In the 8th and 9th district, the local governments have strategies based on thorough examination and assessment of the districts by experts. Research has firm foundations well back in the socialist period, and even the present actions themselves date back to the late years of the socialist regime. The current concrete renewal actions are founded firmly and are preceded by a long preparation process based on the more or less consistent strategy. The two selected case study areas share many characteristics mainly on the basis of the degree of local governmental involvement. Both the PPP projects are for the long run, and include a number of actors with properly defined tasks. Both areas have a proper organisational infrastructure with government controlled but market-oriented organisations, which were set-up for the management of the programmes.

Civil organisations are present; however they are characterised by a micro-level and thematic scope of action; co-operation with the local government exists but it is still far from satisfactory compared to the magnitude of work they could carry out with larger resources.

As for the *territorial aspect* of strategy making, for lack of a larger spatial concentration of property in the 6th and 7th districts, the new strategies deal with the selection and development of *focal points* in the urban space, counting on the ripple effect of quality improvement relying on the market actors. Meanwhile with a larger physical scope of action, the strategies of the 8th and the 9th districts think in terms of whole *neighbourhoods* and apply the selective use of means as well as the involvement of actors and resources for the redevelopment for the areas in different states and with different conditions. In both of these districts, our study areas are “just” one of these areas of strategic importance.

Market position still favours more the districts with no consistent renewal strategy: in this group of districts due to the location and factors such as cultural heritage, the inner-city areas represent increasingly higher values on the property market. The huge rent gap coupled with the lack of local governmental strategy and tools to intervene give room to speculation and “unlimited” actions of the market actors.

At the other end of the range, in spite of the fact that the 8th and the 9th districts try hard to raise their positions on the market, the properties here still have lower values on average, which is partly due to image, which is already in change especially in the 9th district. On the other hand, a district with a strong and determined local government with a firm neighbourhood specific renewal strategy is not a very attractive place for speculative investments.

The limited access to resources restricts the possibility of intervention. The 6th and the 7th districts have attempted to acquire resources from contextual and macro level sources with moderate or no success (World Heritage and its Buffer Zone). The formerly extremely run down districts (8th and 9th districts) with a firmly established strategy tend to be more successful in obtaining financial support from higher level organisations because they are armed with proper eligibility and rational PPP-based involvement of the market actors on the basis of an elaborated strategy.

8.5 What has critical realism (as a comprehensive analysis) revealed that would have been difficult to unearth with a standard approach?

Realist thinking and the scientific approach based on its major philosophical principles is a very old, traditional way of seeing the world. Understanding that under the experienced world there is a real world and complex explanations are needed to comprehend complex systems has been a need of thinkers for centuries.

However, the fact that realism as a scientific philosophy obtained a foothold and fully evolved only in the 20th century reveals that by now, the social world has become so complex, that there are so many actors, spheres of activity, interests, and types of interaction that it has become imperative to see the social phenomenon we want to understand from more than only one aspect.

The city is such an extremely complex social system, which consists of similarly complicated sub-systems. The urban sub-systems can be classified by their function and within one urban functional system we can further break down space into smaller units, – in the case of residential areas – the neighbourhoods. We might as well reach the same level by taking administrative units instead of functional zones as basic.

Neighbourhoods are not administrative units, but there is plenty of objective (age and form of buildings, social characteristics of people) and subjective (history, image etc.) knowledge about them that allows us to say this is a type of neighbourhood.

The content (people and the built environment), the administrative rules applied in the area, and also the informal criteria of calling a built-up area a neighbourhood call for a complex way of seeing it.

Standard approaches such as e.g. positivism, structuralism, even the post-modern scientific philosophies examine the experienced world with a limited number of concepts and with a limited set of methodological tools. In the case of neighbourhoods, these could be e.g. the changes of the housing stock in the housing market, the mobility of people in the area, the impact of administrative changes on the construction activity, etc.. Parallel to the selected aspect of analysis, the tools are also limited either to the data analysis, relying on statistical data or on subjective accounts of actors.

In our dissertation the focus of research was on some selected neighbourhoods of Inner-Budapest that are in the process of physical and social upgrading. Standard approaches to the process of renewal in these neighbourhoods would reveal that there is extensive, systematic demolition in the area and that those buildings are replaced with new construction. They would also reveal the age of the buildings demolished and the building type. They would lead to the conclusion that the renewal of Middle-Józsefváros and Inner-Erzsébetváros is more or less identical.

What they would not reveal is what disappears with the demolition works: a major part of the old Jewish Quarter of Budapest in Erzsébetváros with buildings that could have been saved and restored had it not been for the extensive privatisation of the listed and potentially listed buildings and for lack of legislation on heritage protection.

The standard approaches would reveal the slower renewal of the Inner-Térváros, but would say little about the terraces of Liszt Ferenc Square and the renewal of Pest Broadway that in addition to its central location, has led to the upgrading of the market position of local housing and attracted investors both public and private.

Standard approaches would definitely talk about the post-socialist changes in the administrative system, they would even talk about the disadvantages of the two-tier administration of Budapest and make this system responsible for the different privatisation strategies of the districts to which the neighbourhoods belong.

What they probably would not analyse is an issue rooted in the Hungarian administrative system: the consequences of traditional no-information-flow, the tradition of waiting for orders and the lack of managerial approach in administration. They would probably be looking for the reason why the 8th and the 9th district have been successful in carrying out systematic regeneration among many other factors, but probably these analyses would ignore the fact that one person or a small group of people in the administration need to initiate and push through

measures that would bear fruit only in 10–15 years. As the case studies of the 8th and the 9th district neighbourhoods proved there is always a way out from seemingly hopeless situations, while even areas with good potential and sufficient financial backing can go in the wrong way when the local administration loses control over its territory (some neighbourhoods in the 6th and 7th districts).

The case studies have a message on the conditions of competitiveness at the neighbourhood level but they also have much to say about the position of Budapest in the international competition among ECE capital cities. As neighbourhoods make up the city it does matter what is going on the smallest level of the city. This makes consistent policy making and putting the principles into practice more and more important. The original prime position of Budapest among the post-socialist capital cities is a thing of the past and it is due to both the macro and the micro level inconsistencies.

Construction producing lasting building always starts with the planning process carried out by architects, professionals and goes on with laying the foundations. The house consists of bricks put down by bricklayers, professionals, who mix the up-to-date with the traditional knowledge. It should be considered on the macro-level too...

Samenvatting en conclusies

Buurtverandering in centraal Budapest

Een kritisch-realistische analyse

Inleiding

Deze dissertatie behelst een vergelijkende analyse van buurtontwikkelingen in de binnenstad van Budapest sinds het eind van het socialisme. Sindsdien gelden er nieuwe economische verhoudingen door de herinvoering van marktmechanismen en de opkomende mondialisering. De reden om de processen van binnenstedelijke transformatie als kern voor de studie te kiezen was dat het sterk vervallen historische woongebied van Budapest aan grondige verandering onderhevig was. Daarnaast was er een tamelijk sterke variatie in het patroon van vernieuwing tussen de buurten die deel uitmaken van de onderscheiden wijken van de stad.

De vernieuwing kan een regelmatig of een willekeurig patroon vertonen; soms gaat het samen met omvangrijke sloop, andere vernieuwingsprojecten gaan juist omzichtig om met het architectonische erfgoed. Maar wat de strategie ook moge zijn, alle ingrepen leiden tot een sterke toename van welvarende huishoudens. Maar tegelijkertijd bestaan er in hetzelfde type gebied buurten waarvoor ontwikkelaars uit de particuliere sector geen enkele belangstelling vertonen. Daarbij komt dat ondanks de toenemende belangstelling van de lokale overheid, die uit tal van vernieuwingsplannen en voorgenomen strategieën voor aanpak blijkt, het stoppen van het verval verhinderd wordt door twee omstandigheden: het gebrek van financiële middelen en de versnippering van het eigendom. Terwijl deze studie vooral gaat over de toename van de kwaliteit van de buurten, brengt het ook aan het licht wat de oorzaken van de stagnatie en het verval zijn in andere deelgebieden van de vier bestudeerde wijken.

De dissertatie was bedoeld om antwoorden te vinden op een viertal onderzoeksvragen van theoretische en empirische aard. Bijgevolg werd gekozen het boek uit twee delen te laten bestaan die op hun beurt de theoretische en empirische bevindingen presenteren. De eerste stappen van het onderzoek waren bedoeld om de meest geëigende wetenschapsfilosofische grondslagen te bepalen voor de te kiezen methoden van onderzoek. Het bepalen van deze methodologische richtlijnen is van wezenlijk belang voor het uitwerken van het onderzoek zelf. Uiteindelijk leidde de gekozen theoretische aanpak ertoe dat het probleemveld duidelijk in beeld kwam en dat er een basismodel geconstrueerd kon worden met behulp van de theoretische uitgangspunten van het realisme. Het empirische onderzoek kon eerst beginnen nadat bepaald was welke verschijnselen, actoren en relaties nader onderzocht moesten worden om de buurtverandering in de onderzoeksgebieden in haar hele complexiteit te kunnen analyseren en het basismodel op deze gebieden te kunnen toepassen.

De theoretische grondslagen

Als het meest geëigende onderzoekskader voor het identificeren van wat er steekt achter de grote variatie aan vernieuwingsstrategieën in de binnenstad van Budapest is gekozen voor het *kritisch realisme*, om zowel de filosofische grondslagen ervan als vanwege de ermee verbonden onderzoeksmethodologie.

Anders dan de positivistische en ook de humanistische benaderingen, stelt het kritisch realisme dat achter de direct observeerbare werkelijkheid een echte werkelijkheid ligt die bepaald wordt door de onderliggende structuur. Realisten zien de onderzochte sociale systemen als open en daarom is de inkadering van belang omdat dat de mogelijkheid biedt voor de juiste interpretatie van de onderzochte processen. De openheid heeft niet alleen betrekking op de ruimte maar ook op de tijd, hetgeen betekent dat ook de historische padafhankelijkheid van wezenlijk belang is.

De technische uitvoering van het onderzoek wordt grotendeels bepaald door de wetenschapsfilosofische benadering omdat die het pakket van beschikbare instrumenten aangeeft. Om de gestelde ambitie te verwezenlijken maakt het realisme gebruik van een combinatie van onderzoeksmethoden. Zo wordt er niet gearzeld om methoden uit het positivisme in te zetten terwijl tegelijkertijd de relevantie van de subjectieve interpretatie van het humanisme wordt erkend, compleet met de daarbij horende waardeoordelen.

Met betrekking tot de methode is gekozen voor abstraheren om daardoor het proces (buurtvernieuwing) met alle daaraan verbonden variaties duidelijk in beeld te kunnen krijgen. Conform onze methodologische strategie worden de buurtontwikkelingen veralgemeniseerd om daardoor de kern van de relaties van de afzonderlijke onderdelen van de buurten (zowel met betrekking tot de gebouwde als de sociale omgeving) te kunnen interpreteren. Dit alles leidt tot inzicht in de mechanismen die hun interactie bepalen.

De specifieke systemen die middels aanpassingen van het basismodel van buurtverandering geanalyseerd zijn – de case studies – zijn vier buurten die in de greep zijn van een omvorming, ieder gelegen in een andere wijk. Deze wijken zijn zelfstandige bestuurlijke eenheden die hun eigen beleid kunnen formuleren en uitvoeren. Tussenconclusies worden in de vorm van variaties van het model gepresenteerd. Deze maken het tevens mogelijk om na afloop van de analyse een vergelijk van de buurten te kunnen maken door deze te betrekken op de relevante kaders van het vernieuwingsproces. Deze variaties van het model brengen ook de actoren in beeld. Zowel hun onderlinge interactie als de invloed van hun acties op de gebouwde omgeving en de bevolkingsopbouw van de gebieden (positief, negatief of neutraal) zijn in de deelmodellen weergegeven.

Doordat zij deel uitmaken van het ruimere stedelijke, nationale en zelfs internationale kader vertonen de onderzoeksbuurten – in verschillende mate – de gevolgen van wat er zich op deze niveaus aan ontwikkelingen afspeelt. Onze studie nam ieder van deze niveaus in beschouwing, onderzocht de ontwikkelingen ervan afzonderlijk en in samenhang met elkaar, vooral met betrekking tot het niveau van de buurt.

De omvorming van Budapest onder invloed van processen op wereldschaal

Twee aspecten van de analyse zijn verbonden met de mondialisering. Ten eerste gaat het daarbij om de relatieve positie van Budapest in het wereldomspannende netwerk van steden: concreet gaat het om de plaats in de rangorde en de rol op het niveau van Oost-centraal Europa. Het tweede aspect is de invloed van de internationale stromen op de buurten. Beide aspecten zijn

natuurlijk niet onafhankelijk van elkaar. Het eerste aspect is van grote invloed op het tweede omdat het gewicht van de stad als wereldstad van belang is voor de omvang en de aard van internationale investeringen en voor de aantrekkingskracht op migranten.

Het traceren van internationale invloeden op het laagste ruimtelijke niveau is vooral van belang voor postsocialistische steden als Budapest waar dergelijke invloeden niet eerder tijdens de opkomende mondialisering konden optreden. Deze invloeden explodeerden welhaast in samenhang met de verandering van het politieke systeem. Sinds 1990 bevinden de voormalige socialistische landen en hun steden zich in een situatie waarin ze de volledige transformatie van hun instituties en van hun economische, sociale en andere socialistische structuren naar marktgerichte moesten volbrengen. Dat moest gebeuren met een voor hen ongewone openheid terwijl ze moeten leren omgaan met de invloed van grote stromen van kapitaal, mensen en culturele invloeden. De intensiteit van deze stromen werd verder gevoed door de daarop volgende stap in de politieke omvorming: het toetreden tot de Europese Unie en de ermee gepaard gaande invoering van de Europese regelgeving.

Met betrekking tot de invloed van de mondialisering op het buurtniveau mag worden gesteld dat de eerste invloeden op tal van gebieden in Budapest al merkbaar werden voor de omvorming van het systeem, alhoewel met een aanzienlijke vertraging en niet altijd in herkenbare vorm. Deze vroege invloeden hebben ook hun sporen nagelaten op het terrein van het wonen.

Internationale investeringen in de vorm van grootschalige kantoorpanden werden voor het eerst zichtbaar in de buurten van de binnenstad aan het begin van de recente periode van maatschappelijke verandering. Ze zijn terug te vinden in de meeste van de case studiegebieden maar deze zijn er niet allemaal in dezelfde mate door beïnvloed. Pas tijdens de economische stabilisering in de tweede helft van de jaren negentig kregen ook buitenlandse investeringen in de woningmarkt voet aan de grond. Na 2000, werden buitenlandse ontwikkelaars actief in de binnenstad; zij richtten zich niet alleen op potentiële Hongaarse kopers maar hadden ook veel succes met de verkoop in de landen van de EU. De toestroom van internationaal kapitaal was zeer omvangrijk. Het heeft een grote invloed gehad op de kwaliteit van de gebieden die aantrekkelijk gelegen zijn, waar de beperkingen van overheidswege minder stringent zijn en waar de greep op de ontwikkelingen door de lokale overheid verzwakt was door een te grote privatisering van de voormalige publieke woningsector. De toestroom van buitenlandse migranten had ook een herkenbare maar onderscheiden uitwerking. Immigranten uit Aziatische landen kwamen vooral terecht in de minder aantrekkelijke en daardoor betaalbare stadsdelen, waarbij hun gemeenschappen grotendeels in tact bleven. De meer welvarende migranten uit vooral de Verenigde Staten en Westeuropa bleven ruimtelijk goeddeels onzichtbaar; zij raken gemakkelijker geïntegreerd in de hogere lagen van de samenleving in Budapest.

Zowel de internationalisering als het open karakter van de nationale samenleving hadden een directe en indirecte invloed op wat er in de buurten gebeurde. Maar hoewel de directe effecten van de mondiale stromen steeds beter zichtbaar zijn, zijn de ruimtelijke effecten van de indirecte invloeden toch van groter belang.

De postsocialistische ofte wel neoliberale transformatie van Budapest

Het onderzoek heeft aangetoond dat de belangrijkste voorwaarde voor de vernieuwing van de binnenstad onder de huidige marktvoorwaarden gelegen is in het ontstaan van nieuwe macrostructuren in het Hongaarse bestuur, het economisch systeem en de samenleving. Tijdens

de socialistische periode met het sterke centrale gezag – en zelfs daar voor – waren het de nationale ontwikkelingen die uiteindelijk bepaalden wat er zich in Budapest afspeelde.

De postsocialistische herstructurering (bestuurlijk, macro-economische kaders, samenleving) kwam pas goed op gang in 1990 na de verandering van het politieke systeem en de eerste democratische verkiezingen. Twee golven van hervormingen vonden er plaats. De eerste veranderde het bestuurlijk systeem doordat het oudere gesloopt werd waarbij allerlei bevoegdheden werden overgedragen van de nationale overheid aan nieuw geformeerde lokale overheden (dat betrof onder andere het beheer over de woningvoorraad). Daarnaast ondergingen de macro-economische structuren een grondige transformatie. De staat trok zich ook plotseling terug uit actieve deelname aan de economie en bezuinigde sterk op de uitgaven voor gangbare overheidstaken zoals gezondheidszorg, onderwijs, sociale zorg. Deze ontwikkeling had zijn weerslag op alle maatschappelijke terreinen inclusief de woningbouw. Door de vergaande privatisering bleven alleen de economisch gezonde productieve activiteiten in stand terwijl degenen die tot dan afhankelijke waren van overheidsfinanciering verdwenen. De macro-economische veranderingen hadden ook een enorme invloed op de verandering van de sociale bevolkingsopbouw die zich ook vertaalde in effecten voor de ruimtelijke mobiliteit.

De macro-economische omstandigheden verbeterden gestaag tot het midden van de jaren negentig, maar toen ontstond opnieuw een noodzaak tot verandering. De daarop volgende hervormingen zetten het land eindelijk op het spoor van economische bestendiging en groei die tot volwassenheid kwam rond de eeuwwisseling.

Wat betreft de samenleving vonden de meeste typen huishoudens waarvan het bestaan dreigde te marginaliseren opnieuw vaste grond onder de voeten, zij het op een wat lager bestaansniveau dan voorheen. Het belang van cultureel kapitaal was duidelijk toegenomen tijdens de eerste periode van verandering waardoor de jongere generaties de mogelijkheid kregen hun positie te verbeteren in vergelijking met die van hun ouders. Het opkomen van deze groepen is duidelijk een – maar niet de enige – oorzaak van het erop volgende proces van gentrification dat tot grote veranderingen leidde in de sociale structuur van de binnenstad.

Het effect van de transformatie werd ook zichtbaar in het stedelijk systeem en in de stedelijke omgeving. Het had grote gevolgen als suburbanisatie waarbij vanuit de middelgrote steden evenals uit Budapest grote aantallen welvarende huishoudens naar de ruimere omgeving verhuisden. Ook ontstond er een hoger niveau van ruimtelijke segregatie binnen de steden.

Sociale herschikking werd zichtbaar in tal van aspecten van het leven: onderwijs, reizen, en bovenal het wonen. De woonwensen en de beschikbare middelen om die te vervullen waren afhankelijk van de positie die was opgebouwd tijdens de transformatie en herstructurering. Waar mensen wonen en wat de kwaliteit is van hun woning en woonomgeving is een kwestie van groot gewicht en een belangrijk statussymbool geworden in de Hongaarse samenleving. Het is niet meer goed genoeg om aan de Buda-kant van de stad te wonen; de woning moet ook in de heuvels liggen.

De vroegere onzekerheden van woningbouwers en ontwikkelaars waren – naast tal van andere factoren – vooral verbonden aan de eigendomsomzetting van de woningvoorraad. De privatisering van de voormalige sociale huursector vond plaats in het hele land, maar had nergens zoveel invloed als in de hoofdstad. Politieke en financiële overwegingen streden om voorrang bij de motieven van de lokale overheden om hun sociale woningen te verkopen; de nationale overheid verschafte hun de middelen om de privatisering door te voeren. Hoewel de nadelen op

de lange termijn voorzien hadden kunnen worden, werden geen maatregelen genomen om de gevolgen af te zwakken en bijgevolg is de resterende sector geresidualiseerd. Dit is het gevolg van het feit dat alleen de minst aantrekkelijke woningen zijn overgebleven als sociale huurwoningen omdat hun bewoners door hun achtergestelde positie in de samenleving de middelen noch de ambitie hadden hun woning te kopen. Op districtniveau is de privatisering een heet hangijzer geworden dat van cruciaal belang is voor de mogelijkheden tot vernieuwing en dat de verschillen in aanpak vergaand bepaalt.

Met de economische consolidatie, de noodzakelijke ontwikkeling van de financiële sector en het nationale programma ter ondersteuning van het woningeigendom, verschoof de aandacht van ontwikkelaars en bouwondernemingen naar de woningsector. De markt werd opgepompt door de invoering van aantrekkelijke, gesubsidieerde leningen. Het woningbouwprogramma resulteerde in een hausse die tot 2003 aanhield. Maar er was een te optimistische inschatting gemaakt van de ruimte in de nationale begroting voor de gesubsidieerde leningen en al snel moesten er beperkingen worden toegepast. Op de lange duur kon het systeem van steun voor de woningsector niet gehandhaafd worden. De onvermijdelijke capaciteitsbeperkingen versmalden de gebruikersgroep.

Er is geen nationaal programma voor het verbeteren van de oude, lang verwaarloosde woningvoorraad tot stand gekomen. Een dergelijk programma bestaat slechts binnen de stad maar de financiële pijlers waarop het rust zijn smal en wankel en in zijn huidige vorm komt het in het geheel niet tegemoet aan de noodzaak van vernieuwing op grote schaal. De regelgeving behoeft ook verbetering om ontwikkelaars die hun werkterrein hebben in de oude buurten voldoende aanleiding te geven aan de instandhouding van de voorraad bij te dragen.

Verscheidenheid van buurtontwikkelingen – oorzaken en gevolgen

De vernieuwing van de historische woonwijken in het stadsdeel Pest kreeg na een tiental jaren van stagnatie en onsamenhangende stimuleringsmaatregelen een nieuwe aanzet vanaf de jaren negentig; op dit moment is de herontwikkeling in volle gang, maar er is nog te weinig samenhang. Ongetwijfeld hebben de effecten van de transformatie nog niet alle uithoeken van de historische stad bereikt en worden niet alle deelgebieden gelijk behandeld. Dat is een gevolg van de omvang van het gebied, het gesegmenteerde bestuur en daarmee samenhangend het gebrek aan een totale aanpak door de betrokken districtsbesturen.

Voor deze studie werden vier buurten ter vergelijking geselecteerd als case studie gebieden. Ze hebben gemeen dat ze allen onderhevig zijn aan grootschalige vernieuwing, die niet beperkt is tot afzonderlijke gebouwen maar het hele gebied van karakter doet veranderen. Omdat het patroon van de verandering in de onderzochte gebieden verschillend bleek te zijn, concentreerde het onderzoek zich op het proces dat de oorzaak was van de verschillende uitkomsten van de herontwikkeling. (Het is van belang om te vermelden dat de selectie van de buurten mede is ingegeven door voorkennis van de processen die zich daar voordeden en dat de selectie ook werd beïnvloed door de interviews met lokale informanten.) Hierdoor konden de principes van het kritisch realisme systematisch worden toegepast. Door op grond van de uitkomsten variaties te specificeren van het geconstrueerde basismodel van buurtontwikkelingen kwamen overeenkomsten en verschillen in beeld evenals negatieve en positieve gevolgen van de herontwikkeling.

De buurtstudies bestonden grotendeels uit gesprekken met sleutelinformanten, analyses van relevante publicaties (grotendeels kritisch van toon), en de analyse van diverse tabellen

uit de Volkstelling van 2001. De analyse richtte zich op de factoren die de verschillen in de ontwikkelingen veroorzaakten naar mechanismen, kenmerken van de stedelijke omgeving, de historische bepaaldheid van de reputatie van buurten, enz.

Het onderzoek leidde tot de beslissing om de vier buurten in twee groepen in te delen, vooral op basis van de keuze van de vernieuwingsstrategie door de districtsbesturen. Dit leidde tot het onderscheid tussen districten die hun beleid vroeg bepaalden (initiatiefnemers) en districten die als trendvolgers te typeren zijn. De eerste groep omvat het 6e en het 7e district (Teréz- en Erzsébetváros), de tweede groep het 8e en 9e district (József- en Ferencváros). Alle districten liggen in de binnenstad van Budapest en ieder kan worden opgedeeld in centrale, midden en randgebieden. In het 6e en 7e district liggen de onderzoeksgebieden aan de kant van het stadscentrum; hier is het effect van de relatieve ligging op de aard van de vernieuwing erg groot en domineren markt mechanismen het proces dat rust op een consistente overheidsstrategie. In het 8e en 9e district liggen de onderzoeksgebieden daarentegen in het centrale deel en daardoor hebben ze een andere marktpositie; deze wordt bepaald door een uitgesproken vernieuwingsprogramma met een duidelijk omschreven rol voor zowel de particuliere als de publieke sector.

De twee lokale overheden met een volgstrategie (Teréz- en Erzsébetváros) hebben slechts beperkte middelen om in te grijpen in de gebouwde omgeving door de erg omvangrijke privatisering die zich daar heeft voorgedaan en bijgevolg een erg specifieke eigendomsstructuur. De lokale overheid van József- en vooral Ferencváros hadden meer mogelijkheden om in te grijpen omdat de privatisering er niet zo massaal was, vooral in het meest vervallen deel van het district waar de noodzaak van ingrijpen het grootst is.

De typering van districten als trendvolgers of initiatiefnemers is gebaseerd op de manier waarop de lokale overheden omgaan met de ontwikkelingen in hun district en vooral in de case studie buurten. In het geval van Terézváros en Erzsébetváros (6e en 7e district) hebben de lokale overheden slechts een zwakke ontwikkelingsstrategie. Deze buurten speelden ook een minder prominente rol in het onderzoek omdat de sociale spanningen er nooit zo hoog opliepen als bijvoorbeeld in het 8e district. Onze interpretatie is dat de lokale besturen nog op zoek zijn naar de ideale oplossing in een situatie waarin ze door het kleine aandeel sociale huurwoningen weinig machtsmiddelen hebben; ze kunnen slechts terugvallen op regelgeving. Op lokale schaal is het duidelijk dat de strategie in de aan het centrum grenzende delen van de districten gewoonlijk een afgeleide is van de lokale initiatieven.

Door het gebrek aan ervaring met grote projecten en het ontbreken van een goede lange termijn strategie, blijkt dat de districten niet de juiste organisatorische kwaliteiten hebben om grote projecten te beheren.

De besturen van het 8e en 9e district hebben uitgesproken strategieën ontwikkeld op basis van een grondige analyse van de situatie door ingehuurde adviseurs. Dat onderzoek werd al ingezet in de socialistische periode en zelfs de huidige ingrepen gaan voort op de resultaten uit die tijd. Dit betekent dat de stadsvernieuwing wel overwogen is waarbij de ingrepen worden voorafgegaan door een grondige voorbereiding. De publiek-private samenwerkingsprojecten hier hebben een lange termijn perspectief waarbij diverse actoren zijn betrokken in een organisatie met een duidelijke structuur en een goede taakverdeling; er is toezicht door de overheid op marktgerichte organisaties die verantwoordelijk zijn voor de uitvoering van de programma's.

Diverse maatschappelijke organisaties zijn bij de vernieuwing betrokken, maar deze zijn kleinschalig en thematisch gericht; hun samenwerking met de lokale overheid is verre van

bevredigend en ze zijn financieel niet of nauwelijks toegerust voor de grote taken die ze zouden moeten aanpakken.

Vanuit de markt gezien zijn de districten met een zwakke vernieuwingsstrategie het meest aantrekkelijk. Binnen deze groep zijn vooral de centraal gelegen buurten aantrekkelijk voor de particuliere sector wegens hun gunstige ligging en hun historische, monumentale bebouwing. In combinatie met de grote waardekleef is het ontbreken van een overheidsstrategie en van instrumenten om effectief in te grijpen gunstig voor het optreden van speculatie en het ongebreideld optreden van de marktpartijen.

De waarde van het onroerend goed in het 8e en 9e district ligt aan het andere uiteinde van de schaal ondanks verwoede pogingen van hun besturen om hun aantrekkelijkheid voor de markt te verbeteren. Dat ligt ten dele aan hun reputatie, hoewel die van vooral het 9e district begint te verbeteren. Maar juist een district met een sterke, vastbesloten overheid en een uitgesproken herontwikkelingsstrategie blijkt minder aantrekkelijk te zijn voor speculatieve investeringen, waardoor de ontwikkeling daar lijkt te stagneren.

Wat heeft de toepassing van het kritisch realisme (als totaalanalyse) opgeleverd dat met een meer conventionele benadering verhuld zou zijn gebleven?

De denkwijze van het realisme en de wetenschappelijke benadering die op de erin vervatte filosofische principes berust is een traditionele wijze van wereldbeschouwing en manier om de onderliggende structuren te analyseren. Maar als wetenschappelijke benadering werd het pas in de 20e eeuw uitgewerkt. Inmiddels is de sociale wereld zo complex geworden en zijn er zo veel belanghebbenden en actoren, werkterreinen, belangen en vormen van interactie dat de sociale verschijnselen die het onderwerp van onderzoek zijn van diverse kanten beschouwd moeten worden.

De stad is een bij uitstek complex sociaal systeem die uit even complexe deelsystemen bestaat. Deze deelsystemen kunnen op grond van hun functie benoemd worden en binnen een functioneel stedelijk systeem kan ook de ruimte in deelgebieden worden opgedeeld – als het gaat om het wonen: in buurten. Hetzelfde niveau kan geïdentificeerd worden door uit te gaan van bestuurlijke eenheden in plaats van functionele. De inhoud – de bewoners en de gebouwde omgeving – de regelgeving die op het gebied van toepassing is, en de informele criteria die gebruikt worden om een deel van de gebouwde omgeving als buurt te kunnen typeren, vereisen een complexe interpretatiewijze van dat deel van de werkelijkheid.

De traditionele benaderingen zoals bijvoorbeeld het logisch positivisme, het structuralisme en zelfs de postmoderne wetenschapsfilosofen benaderen de zichtbare wereld met een beperkt aantal begrippen en een beperkt aantal methoden. Met betrekking tot buurten heeft dat bijvoorbeeld betrekking op de veranderingen in de woningvoorraad, de mobiliteit van de bewoners, het effect van veranderingen in de bestuurlijke structuur, op de hoeveelheid nieuwbouw, enz. In samenhang met de gekozen onderwerpen van analyse zijn de instrumenten ook beperkt tot die voor de analyse van bijvoorbeeld statistische gegevens of de subjectieve interpretaties van informanten.

Deze studie is gericht op enkele geselecteerde buurten in de binnenstad van Budapest die fysieke en sociale vernieuwing ondergaan. Een traditionele benadering van het vernieuwingsproces in die buurten zou bijvoorbeeld laten zien dat er op uitgebreide schaal gesloopt wordt en dat de afgebroken gebouwen vervangen worden door nieuwbouw. Het zou ook documenteren hoe oud de gesloopte bebouwing was en wat voor type huizen het betrof. Op

grond daarvan zou de conclusie zijn dat de vernieuwing in het centrumgebied van Erzsébetváros en Józsefváros min of meer gelijk is.

Maar wat het niet zou laten zien is wat er door de sloop verdwijnt: een belangrijk deel van de historische Joodse wijk van Budapest in Erzsébetváros. Hier hadden de gebouwen gered kunnen worden door renovatie, ware het niet dat de privatisering van de historische bebouwing hier zo ver voortgeschreden was. Ook had er een effectieve bescherming van het erfgoed ingesteld moeten zijn.

De standaardbenaderingen zouden de langzame voortgang van de vernieuwing in het centrumgebied van Terézváros hebben aangetoond maar weinig hebben onthuld over de rijtjesbouw van het List Ferencplein of de vernieuwing van de 'Broadway' van Pest. Samen met de centrale ligging van het gebied heeft dit bijgedragen aan het verhogen van de marktpositie van de lokale woningvoorraad en heeft het een onweerstaanbare aantrekkingskracht uitgeoefend op zowel particuliere als publieke investeerders.

Standaardbenaderingen zouden ongetwijfeld spreken van de bestuurlijke veranderingen die in de postsocialistische tijd zijn doorgevoerd, ze zouden zelfs de nadelen van de bestuursstructuur van Budapest in twee lagen voor de verschillende privatiseringsstrategieën van de districten hebben besproken.

Wat waarschijnlijk aan de aandacht zou zijn ontsnapt is een kwestie die diep geworteld is in de Hongaarse bestuurlijke cultuur: de gevolgen van het gebrek aan informatie-uitwisseling, de traditie van het wachten op opdrachten en het gebrek aan ondernemingszin in het bestuur. Er zou wellicht onder tal van mogelijke oorzaken gezocht worden naar de redenen waarom het 8e en 9e district zo veel succes hebben gehad met hun systematische vernieuwing. Maar daarbij zou waarschijnlijk over het hoofd gezien zijn dat een individu of een kleine groep binnen het bestuur het initiatief moest nemen, maatregelen moest doordruwen, die uiteindelijk na 10 tot 15 jaar vrucht zouden dragen. Zoals de case studies in het 8e en 9e district aantonen is er altijd een oplossing ook voor wat op het eerste gezicht hopenloze omstandigheden lijken te zijn; terwijl omgekeerd gebieden waar alle voorwaarden vervuld lijken te zijn voor een succesvolle aanpak kunnen stagneren. Ook waar voldoende middelen beschikbaar lijken te zijn kan de ontwikkeling de verkeerde kant op gaan als het lokale bestuur haar greep op de lokale ontwikkelingen verliest, zoals in het 6e en 7e district het geval is.

De case studies behelzen een boodschap over de concurrentiepositie op het niveau van de buurt, maar ze vertellen ook een verhaal over de positie van Budapest in de internationale concurrentieverhoudingen tussen de hoofdsteden van de Europese Unie. Omdat het de buurten zijn die de stad als geheel vorm geven, is het van belang wat er zich op dit laagste schaalniveau afspeelt. Dat betekent dat consistent beleid en de toepassing van de juiste principes steeds van groot belang zijn. Maar inmiddels is de van oorsprong leidende positie van Budapest onder de hoofdsteden van het postsocialistische Europa helaas verloren gegaan vanwege beleidsinconsistenties op micro en macro niveau.

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Interviews

Name	Occupation	Institution	Date of interview
Sebestény, István Dr.	sociologist	CSO	03 09 2004
Kuti, Éva Dr.	sociologist	College of Entrepreneurial Studies	19 08 2004
Szabó, István Dr.	sociologist	CSO	11 2004
Barta, Györgyi Dr.	Director of institute	HAS, Regional Research Centre	26 08 2004
Keresztély, Krisztina, Dr.	Vice-director of institute	HAS, Regional Research Centre	26 08 2004
Sóki-Tóth, Gábor	real estate consultant	Ecorys Ltd.	27 08 2004
György Arató	Chief architect	Local government of the 13th district	23 03 2005
Tamás Csonka	Head of Construction Department	Local government of the 13th district	23 03 2005

Térézs város

Interviewee	Occupation	Institution	Date of interview
Krisztina Bodó dr.	Local contact	Local Government of the 6th district	21 02 2005 Continuous contact
László Mihályfi	chief architect		25 02 2005
György Érdi -Krausz	Coordinator of traffic system development and environmental matters	Chief Architect's Office	25 02 2005
Barna Egedy	Private secretary to the mayor		25 02 2005
Diána Kardos	Head of department	Dept. of Building matters	11 03 2005
Szemethy Antalné	Official in charge of housing affairs	Dept. Housing management	11 03 2005
Ágnes Pálfi	Head of dept.	City management	11 03 2005
Andrea Németh	Official in charge of civil contact	Dept. of cultural and sports matters	18 03 2005
Péter Kovács	Financial director	Property management Co.	12 04 2005
Márta Incze	Managing Director	A planning company for rehabilitation	21 06 2005
András Tasnádi	Coordinator of construction matters	Chief Architect's Office	11 08 2005
Attila Pusztási	president	Broadway Association	15 08 2005

Erzsébetváros

Name	Occupation	Institution	Date of interview
Saáry Tibor Dr.	Head of the personnel department - Local contact	Local Government of the 7th district	Continuous contact
Miklós Bártfai	Chief architect		24 03 2005
Simonné Katalin Müller	Office head	Technical department	24 03 2005
Zoltán Czető	Office head	EU working group	24 03 2005
István Lampert, dr	Deputy head	Dept. of Property management	24 03 2005
Imre Hangyál	Office head	Investment group	24 03 2005
Zsuzsa Hajmási	Official in charge of media contacts	Local Government of the 7th district	01 04 2005
Frigyes Bodzsár	Official in charge of civil contacts	Local Government of the 7th district	28 04 2005
Tibor Ignéczi	president (LAKSZ)	Alliance of Residents'Community Organisations	02 05 2005
Marinov Péter	president	Óvás! Civil organisation	06 05 2005
Heiszler András	president	Association of the Hungarian Jewish Communities	18 05 2005
Perczel, Anna	Former chief architect of the 8th district	Professional Tour in the Jewish Quarter	08 05 2005
Ladányi, János Dr. Konrád, György Marinov, Péter	Professor of Sociology Sociologist, Writer President of the ÓVÁS! Civil organisation		

Józsefváros

Interviewee	Occupation	Institution	Date of the interview
Csilla Sárkány	Manager –	Rév8 Plc.	22 04 2004 26 07 2005
László Balázs	Chief Architect	Józsefváros Local Government	23 04 2004
Ildikó Tóth	Staff member	Corvin-Szigony Project Office	23 04 2004
György Molnár Dr.	Counsellor of Urban and housing affairs	Józsefváros Local Government	17 05 2004 revision of the text on Józsefváros 08 2005
Zoltán Prengly	President	KEKEC Civil Organisation	20 07 2005
Fehérváriné Erzsébet Jancsó	Official in charge of culture and civil organsiations,	Department of Education, Culture and Sports, Józsefváros Local Government	22 07 2005
Mária Faragó	Vice-president	Nap Klub (SUN CLUB) Association	27 07 2005

Ferencváros

Interviewee	Occupation	Institution	Date of interview
Sersliné Margit Kócsi Dr.	Chief architect	Local Government of the 9th district	11 03 2005
Mihályi Szabolcsné	Official in charge of civil contacts		22 02 2005
Éva Madár	Office Head	Department of Property Management	23 02 2005
Ernő Garamvölgyi	Office head	Department of Construction	03 02 2005

Biography

Zsuzsa Földi was born in Eger, in July 2, 1973. She grew up in the village of Kompolt. She graduated as a teacher of Geography and English from Kossuth Lajos University, Debrecen in 1996. She started to work in the same year as a teacher in Xántus János Bilingual Secondary School for Tourism and Hotel Management, where she taught Geography in English and was involved in international contact keeping. While still teaching, in the autumn of 1998 she was admitted to the Doctoral School of Regional Geography at Eötvös Loránd University of Sciences, Budapest and started to do research on the post-socialist urban transformation with special respect to the transformation of residential areas in Budapest. She attended conferences and prepared publications on the examined topics. After her first international conference in 2001 in Groningen she won a scholarship to Utrecht University, which was financed by the Huygens Program. She was staying and doing research in Utrecht from September, 2002 until February, 2003. Having submitted a research proposal, at the end of her stay she was accepted by Utrecht University, Department of Urban Geography and the Urban Research Centre, Utrecht (URU) as a PhD student in Utrecht. However, she continued to live and work in Budapest. During the years of being an Utrecht PhD student she participated in various international conferences where she presented preliminary findings of her research already based on methods and principles of critical realism. Meanwhile, still in autumn 2001 she left teaching for another profession, regional and urban planning. Until the summer of 2006 she worked as a project manager of Terra Studio Ltd., a company for regional planning and consultancy, based in Budapest. Presently she is working as an independent expert of the same enterprise.