

Doctoral School of Geosciences  
Department of Economic and Social Geography,  
Faculty of Science and Informatics, University of Szeged

## **REPRODUCING UNEVEN DEVELOPMENT ON THE HUNGARIAN HOUSING MARKET**

Theses of the PhD dissertation

**Zsuzsanna Pósfai**

Supervisors:

Dr. Erika Nagy

(Centre for Economic and Regional Studies, Hungarian Academy of Sciences)

Dr. Zoltán Kovács

(Department of Economic and Social Geography, University of Szeged)

Szeged  
2018

In the dissertation I have investigated the uneven socio-spatial development of the Hungarian housing market since the end of the 1990s. The focus of my investigation was the logic of investment in the housing market, and the strategies employed by firms active in this field. I have paid particular attention to the effects of the recent crisis of 2008 on the housing market and its institutions. My main research question has concerned how the corporate, institutional strategies of firms are translated to reproducing uneven development on the housing market. I conceptually position my research in relation to the notion of uneven development, and thus approach my study through the lens of understanding patterns of homogenisation and differentiation. This approach supports a relational understanding of cores and peripheries, as well as a focus on the mechanisms underlying the production of socio-spatial unevenness in housing, rather than merely giving an empirical observation of the existence of these inequalities.

I have conducted the research leading up to this PhD dissertation in the framework of a Marie Curie Initial Training Network, as part of a research project entitled “RegPol<sup>2</sup> – Socio-economic and Political Responses to Regional Polarisation in Central and Eastern Europe”. This has determined some of the main guiding elements of my research, most notably the focus on the mechanisms how subnational socio-spatial inequalities are reproduced in Central and Eastern Europe. I argue that these patterns of internal fragmentation cannot be understood without taking into consideration the integration of a given country in broader hierarchical and dependent economic relations. Thus, I see the dynamic tension between cores and peripheries as the main driving force of uneven development.

## **1. POSITIONING THE RESEARCH**

The economic crisis of 2008 brought the inherent links of global capitalism and housing to the surface, and also brought the strengthening of more structuralist theoretical approaches. Following this turning point, a number of studies critically engaging with the political economy of housing emerged in various contexts around the globe (see eg. Aalbers 2017). However, the majority of these analyses build their theoretical claims based on empirical material from the core of the global economy and often see the financialisation of housing as a consequence of the economic shifts happening since the 1970s. Thus, although I strongly build on these studies of the new “critical mainstream” in political economy and economic geography, I also aim to go beyond them in at least two respects. Firstly, I integrate the perspective of macroeconomic relations of dependency and the position in which Hungary is integrated in the hierarchically structured European and global economy (Becker et al. 2015). Furthermore, I do not see financialisation as merely the development of the past few decades, rather as a cyclically recurring phase in the *longue durée* perspective of capitalist development, when increasing amounts of surplus capital are systematically channelled into infrastructural and geographical fixes (Arrighi 1990).

Conceptually, I position myself in relation to research traditions of critical political economy and economic geography, drawing especially on studies that have emerged following the 2008 crisis and represent critical / more macroscopic approaches to understanding contemporary capitalist development. Within these disciplinary approaches I mobilise notions that can be related to the development of the housing market. This directs my attention to scholarly work that focuses on the ways how capital is invested in housing. Thus, I draw on the literature relating to the variegated financialisation of housing (linked to new developments in financial geography), and on studies of residential varieties of capitalism (in political science and political economy). I claim that households are included in the extractive logic of financial capitalism primarily through household credit - especially in the context of housing regimes

extremely dominated by individual homeownership (which is the case of Hungary). I believe that financial mechanisms available to the development of housing fundamentally determine what type of actors will be present on the housing market, and also to whom and under what conditions housing is accessible. Furthermore, in line with the tradition of critical political economy, I see crisis as an instance that reveals underlying mechanisms of channelling capital from the peripheries to the cores - thus, I continuously come back to the analysis of the turning point of the recent economic and financial crisis. In my view, the development of the Hungarian housing market in recent decades cannot be understood independently from broader relations of dependent integration in the European and global economic space. Thus, I strongly draw on scholars of dependency theories, particularly those who have employed this frame of thought to contemporary Europe.

I also understand the issue of subnational socio-spatial disparities in relation to these external dependencies, and argue that internal fragmentation within Hungarian society, economy, or in the spatial structure of the housing market can be linked to the semiperipheral position Hungary takes up in the global economy. I believe that inquiries about increasing spatial unevenness within peripheral European countries, and about the increasing marginalisation of certain local spaces will not have the necessary explanatory force without considering the broader logic of European integration they are embedded in. I propose a research agenda for such a multiscale understanding of uneven and dependent development. The housing market is a very apt empirical field for understanding how these extractive mechanisms play out on various scales.

In my analysis, I focus on corporate actors as the concrete conveyors of capitalist processes on the housing market. I am interested in how firms themselves are embedded in core-periphery relations, and on the other hand how they (re)produce socio-spatial patterns of unevenness. I aim to shed light on how corporate-level strategies are translated into uneven development. In this, I build on conceptual approaches that link corporate governance strategies to macroeconomic processes.

Beyond the resurging theoretical interest in the spatial unevenness of capitalist development, the research agenda proposed by the RegPol<sup>2</sup> research project was fundamentally one responding to a pressuring social and spatial phenomenon: the increasing inequalities within Central and Eastern European countries. Within this research agenda the focus on the issue of housing seemed particularly appropriate on the one hand because of its very direct implications for social and spatial equality, and the way how households are directly affected by this concrete aspect of uneven development; and on the other hand because it is a field where the interlinked effects that economic pressures and public policy interventions have on spatial patterns of unevenness can be well assessed.

## **2. AIMS AND RESEARCH QUESTIONS**

Under a capitalist housing regime it can, in the end, be seen as necessary - or, at the least, unsurprising - that the housing market should be geographically uneven: housing makes the inherently unequal spatial logic of capitalism explicit. A structuralist / marxist understanding of housing under capitalism suggests that patterns of unevenness and inequality will continue to be reproduced. While I adhere to this structuralist approach and emphasise the need to uncover the broader economic context in which housing develops locally, I think this approach can be brought into a productive tension with an understanding of the agency of actors engaged in this field. In the end, it is always concrete firms and concrete public institutions that create the circumstances for capital investment in housing, and they also have certain capacity to mitigate or alter these processes. Thus, I find it highly relevant to uncover the concrete

mechanisms through which capital is fixed in housing and the ways in which corporate actors and the state intervene in the development of national and local housing markets.

With the research project and dissertation I had both theoretical and empirical aims. Concerning the former, I aim to (1) strengthen the perspective of critical and political economy approaches to understanding housing in Hungary, reflecting on this domain in the context of the spatiality of financial capitalism. Second (2), I aim to contribute to these critical theories from a non-core position; recognising the importance of dependencies from the perspective of academia as well. Furthermore (3) – which leads on to methodological questions –, through the empirical field of housing I aim to link the conceptual toolbox of various disciplinary approaches (geography, political economy, sociology).

The empirical research questions guiding my inquiry were primarily motivated by the objective to shed light on processes of the Hungarian housing market from perspectives which have so far been little (or not at all) researched. Thus, (1) on the one hand, I was interested in where the money comes from that is invested in housing in Hungary. I have traced what the institutional and spatial patterns of this investment are, and how this lays out a structure of uneven development on the housing market. (2) Second, I aim to understand how corporate actors of the housing sector are themselves embedded in core-periphery relations, and how they navigate this uneven structure. (3) Third, I am interested in what consequences the institutional structure and corporate strategies of these firms have on the reproduction of socio-spatial unevenness. Finally, crosscutting the above themes, I focus on how the whole of this system is constantly shifting over time, in resonance with the cyclical development of capitalism. Thus, I will pay particular attention to what the condensing and turning moment of crisis in 2008 can uncover about the underlying mechanisms of unevenness and extraction through housing.

### **3. METHODOLOGY**

I employed a mixed methods research approach, iterating between quantitative and qualitative data sources, as well as between theory and empirics. My main data source were expert interviews conducted with representatives of various companies of the Hungarian housing market, which I complemented by statistical data analysis.

Accessing and analysing the necessary statistical data had been a long and iterative process; almost omnipresent throughout the years of the research project. There is a wealth of statistical data on housing available through the Central Statistical Office (CSO). The most important data for my research concerned house prices and transactions (although it was already a long process to come to this conclusion after going through endless excels of housing-related statistics). Data for transactions is available in a quite coherent way, statistics about house prices, however, were not collected before 2000 by the CSO, and only for cities between 2000 and 2008. For European-scale data I have used the database of the European Mortgage Federation. The cartographical and descriptive statistical analysis of these data sets is mainly included in two articles published as a partial output for the RegPol<sup>2</sup> research project (Pósfai-Nagy 2017, Pósfai-Gál-Nagy 2018), and the dissertation does not include all results from this analysis.

Another pool of data I was very keen to gain access to from the very beginning of my research came out of my conceptual focus on tracing capital flows into housing. After having identified that the main channel for investing capital in housing in Hungary was through mortgages, I sought to acquire spatially differentiated data on mortgage lending. To this end I had consulted with researchers at the Hungarian National Bank on various occasions, had done official data requests and had also met with the representatives of the company responsible for collecting data about non-performing mortgages (BISZ Zrt). All these attempts proved to be in vain, this

data not being accessible for research purposes in any way. Finally, I had managed to receive spatially differentiated long-term mortgage lending data from one of the high-ranking bank representatives I had interviewed - but this only concerns mortgages issued by this particular bank, and is only relative and not nominal data; comparing the regional share of mortgages disbursed by this bank every year.

My main source of empirical material were the expert interviews I had conducted with representatives of firms of the housing market between November 2016 and May 2017. In the interviews I focused on actors of three main groups of actors I have identified as important on the housing market. These were (1) companies active in new housing development, (2) real estate and credit agencies and (3) financial institutions (mainly banks active in mortgage lending). Furthermore, I also conducted one interview with a person responsible for housing policy in the Ministry of National Economy, with two representatives of the Hungarian National Bank, and with two professionals/ journalists of the real estate industry. As a result of my focus on relations between actors of the housing market, for the majority of the cases I found my interview partners through the contacts of people I had already interviewed. In this, I followed various strategies in order to have a certain representativity both geographically and in terms of institutional hierarchy. On the one hand, I spoke with various representatives of the same companies from various institutional positions or in various geographical locations. Furthermore, I complemented my snowballing method with interview partners who I could not reach this way (for example local real estate agents not engaged in national franchise networks).

Throughout the analysis I employed an iterative approach between quantitative and qualitative data sources, with the two constantly enriching each other. My aim was not to understand the mode of functioning of particular companies, but rather to understand the overarching institutional logic of how the housing market functions, and to uncover the relations between the various actors, I have not determined a geographically delimited case study area. In order to guarantee the anonymity of my respondents, the concrete companies I discuss are not recognizable in the dissertation, and company names are only mentioned when the information does not come from the interviews and is an element of explaining context. Similarly, when geographical locations are mentioned in relation to company strategies, they are anonymised, while in some contextual analysis I will mention concrete geographical localities.

In terms of temporality, I situate the beginning of my research in the last years of the 1990s / in 2000, the former marking the legislative changes allowing for contemporary housing market actors to emerge, and the latter marking the introduction of a law and state subsidy provoking the massive spread of mortgage lending in Hungary. For the conceptual reasons described above, I pay particular attention to the crisis of 2008 and to the consequences this had on the circle of actors present on the Hungarian housing market. The latest important chronological turning point is around 2014/ 2015, which marks the beginning of a new upswing of housing market activity, which is currently (early 2018) still ongoing. Although my analysis only covers the past two decades, it is important that my understanding of processes on the housing market is embedded in a long-term, cyclical view of capital investment in housing under capitalism.

## **4. SUMMARY OF RESEARCH RESULTS**

### **a. Results relating to theoretical questions**

Following the crisis, there was a resurgence of more macroscopic, structuralist explanations both in geographical and political economy approaches. These new analyses go back to understanding capitalism in the singular, and aim to explain systemic pressures while remaining sensitive to local specificities. This dual focus is often motivated by the shock of how quickly

the crisis of 2008 spread globally *and* hit in very specific ways locally – also often through the housing market. In both disciplinary fields (of economic geography and political economy) I highlighted new conceptual developments relating to the recognition that “there is one system”, but articulated in a varied way on different points of the global economy; to reflections on spatiality and subnational spatial inequalities; as well as to conceptual approaches to the firm. Based on these broader disciplinary developments I then identified three “conceptual building blocks”, which have formed the basis of my theoretical arguments.

#### *Housing as a crucial spatial fix under financial capitalism*

The main argument I put forward in this domain in the dissertation is that in cycles of financialisation, the role of housing as a spatial fix for investing surplus capital increases. As a result, social and spatial inequalities of the housing market increase. I have overviewed the work of three authors more in detail, whose research I have identified as most important reference points for doing research about housing from a perspective of political economy in a Central and Eastern European context (Aalbers 2017, Bohle 2017, Sokol 2017). I rely on their work to identify the concrete institutional mechanisms that translate broader capitalist pressures in the field of housing. However, I add the notions of dependencies to their more general approach to housing under capitalism. I have put forward a proposition for researching the uneven development of housing through the ebbs and flows of homogenisation and differentiation; for which my main empirical focus was to follow the flows and channels of capital investment through housing finance.

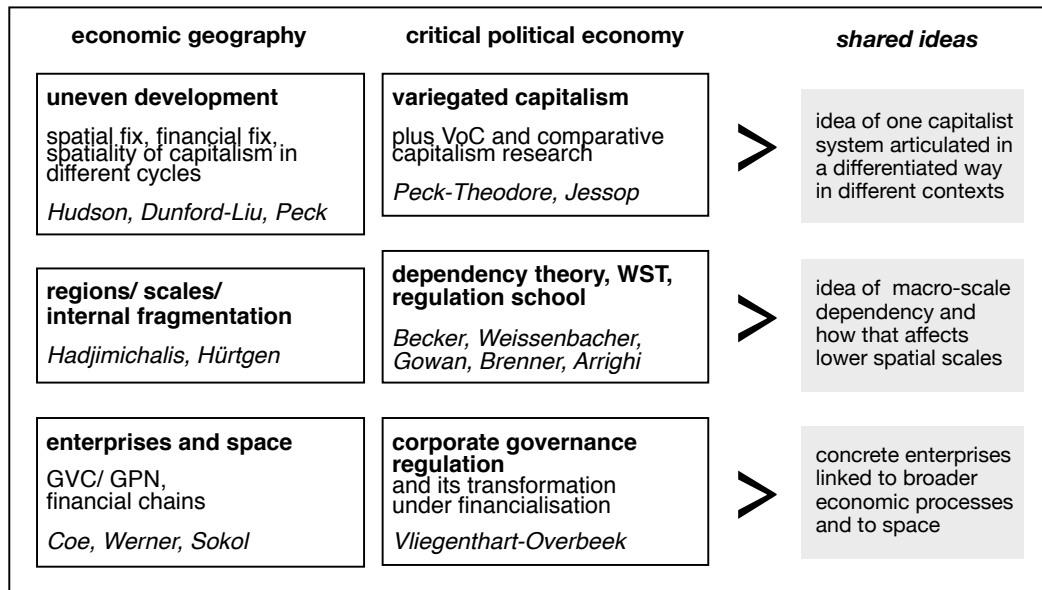
#### *External dependency built on internal fragmentation*

Concerning this conceptual element, the most important claim of the dissertation is that the resources available to housing finance are largely determined by the country’s position in the European and global economy. The main consequence of this is that on semiperiphery, and thus in Hungary as well, long-term resources for housing finance are systematically lacking, mainly as a consequence of the fact that actors investing in housing expect higher and faster yields in a semiperipheral context. This leads to more volatility and less affordability on the housing market, and is thus important in understanding subnational patterns of inequality as well. In core areas (on a national scale as well) financial resources to housing are available under better terms, and the housing finance mechanisms put in place systematically result in the extraction of resources from the peripheries towards the cores.

From a theoretical perspective I believe that highlighting the importance of this dependent integration is relevant because it sheds light on the fact that contemporary political economic approaches to understanding the housing market bypass important constraints encountered in (semi)peripheral locations because of a homogenising view of how financial capitalism affects patterns of the housing market.

**Figure 1.**

**Drawing on critical traditions of economic geography and political economy for constructing my conceptual building blocks**



**Housing in political economy** (chapter 1.2.1.)

- role of housing in the investment of surplus capital
- and in how the crisis of 2008 manifests - capital is systematically withdrawn from the peripheries in crisis
- systematic approach to housing under financialisation

Authors: Aalbers, Bohle, Sokol

Methodological implications:  
focusing on crisis + following the money

**Subnational unevenness in CEE** (chapter 1.2.2.)

- multiscale dependencies: internal fragmentation and external dependency
- core-periphery relations
- role of debt

Authors: Hürtgen, European dependency school in Vienna (Becker, Weissenbacher et al.)

Methodological implications:  
focusing on the debt relation + having a scalar approach

**A focus on enterprises** (chapter 1.2.3.)

- firms as the conveyors of macro-scale processes
  - understanding their role in transferring capital flows
  - and how financialisation changes their functioning
- relational approach to firms

Authors: Dixon, Vliegenthart

Methodological implications:  
focus on how firm strategy relates to space

### *Reproducing uneven development through firm strategies*

I have outlined conceptual propositions that reflect on how global pressures influence the corporate structure and strategy of firms, and specifically how firms are at the same time the operators and subjects of dependent structures of capitalist development in Central and Eastern Europe. I adhere to conceptual approaches to the firm that shift their analytical starting point from the institutional scale and national regulatory framework to the broader scale of the capitalist economy, and aim to understand the integration of firms in this system (Hudson 2015). While taking capitalism and its systemic pressures as their starting point, these authors scrutinise concrete mechanisms of corporate governance and firm strategies (Werner 2016, Dixon 2010). This means that the organisational form or market decisions of a company are not understood as endogenous, company-scale decisions, but in their relationship to global processes. This approach results in a more relational and inherently multiscale understanding of the firm, that focuses on the mechanisms at work in firm functioning instead of rigid institutional differences (Dixon 2010).

Based on the above outlined conceptual building blocks, and confronting them with the empirical field of the Hungarian housing market, I have responded to the theoretical questions previously put forward.

#### 4.1.1. Critical political economy perspectives in Hungarian housing research

In this field the main results of my research have been, on the one hand, to integrate aspects going beyond the national borders in how the local housing market develops. Empirically this has meant the analysis of European-scale statistical data, and also the inclusion of these broader, “international” questions in the framework of my interviews. A more general empirical consequence of this conceptual approach has been my focus on corporate actors of the field. I believe this approach has brought new perspectives to research about housing in Hungary, and has shown the relevance of investigating the factors determining housing market development beyond public policy interventions and beyond the national institutional framework.

#### 4.1.2. Contributing to critical theories from a non-core perspective

In this field I consider it to be an important result that I have demonstrated – at least in the field of housing finance – that the “mainstream critical” claim that the contemporary pressures of financialisation change the structure of housing everywhere, needs to be complemented by an understanding of the hierarchically structured nature of the global economy, and of the way different localities are integrated in this. Understanding these relations of dependency is also crucial for an analysis of subnational processes of social and spatial polarisation.

#### 4.1.3. Combining the conceptual toolbox of different disciplinary approaches

Through my approach of linking an institutional analysis of firms, as well as a broader political economic understanding of tracing the ebbs and flows of capital investment to spatial processes, I have demonstrated how the cyclical nature of capital investment and disinvestment produce overlapping spatialities of financial overinclusion and exclusion. I have also uncovered how corporate considerations of risk management and profit maximisation result in the reproduction of socio-spatial unevenness. Although the investigation of how firm practices affect spatial development is an existing research strand in Hungarian economic geography (see eg. Nagy 2005, Gál 2014), this kind of research does not exist in the field of housing.

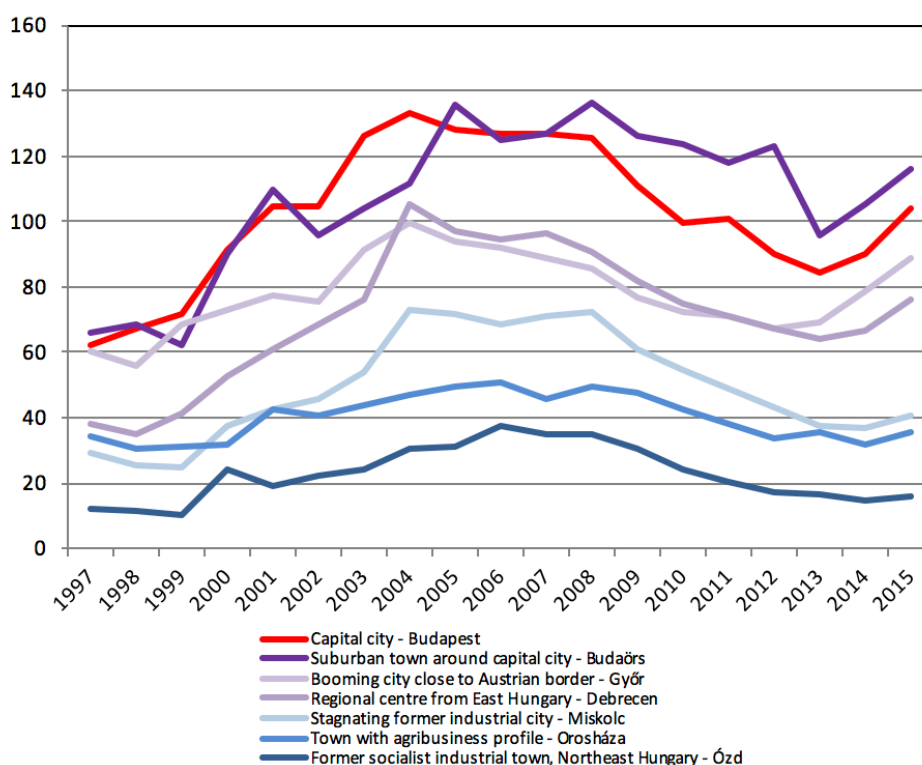


## **4.2. Results relating to empirical questions**

### **4.2.1. Housing in political economy and space, and the structure of uneven development this produces on the housing market**

The general conceptual claim here is that in cycles of financialisation capital is channelled into housing globally, and that currently we are witnessing such an upswing of investment in housing, which produces various patterns of unevenness. I have outlined the mechanisms of how this happens in the context of Hungary. On the one hand, we can see that the dependent integration of the Hungarian economy in the European and global economic space is determinant to what kind of resources are available to housing finance. Before the crisis, this rolled out a very clearly dependent form of housing financialisation, with an exponentially growing stock of individual mortgages being financed through the local subsidiaries of European banks, denominated in foreign currencies. This led to an important economic and social crisis in the aftermath of the crisis. Currently, housing finance is much less dependent internationally, but new forms of - partially more 'domestic' - housing financialisation unfold. The tendency of channelling surplus capital into housing is very clear and strong on various scales: on the one hand, there is an increasing push for a new roll-out of mortgage lending based on the deposits that have accumulated on banks' accounts since the crisis. At the same time, low interest rates push individual investors towards direct investment in the housing market, buying up properties in cash. Furthermore, new institutions and channels for investing capital in housing are developing (such as a new regime of mortgage lending backed by covered bonds; institutional investors entering the market of non-performing loans, or non-bank financial institutions' increasing role in housing finance).

Thus, the financialisation of housing has definitely not decreased (on the contrary!), but is merely unfolding in new forms. Due to the ongoing, currently shifting nature of these processes, it is, for the moment, difficult to see where exactly these new forms of housing financialisation will lead. What is sure, however, is that they further deepen existing patterns of unevenness on the Hungarian housing market — both in social and in spatial terms (for instance, differences in house prices among various cities is currently again on the rise – see Figure 2; source: Pósfai-Nagy 2017). Mortgage lending remains to be the dominant form of housing finance in Hungary; thus, the essence of how housing financialisation happens is unchanged compared to the pre-crisis period, but both the class base and the institutions channelling this new wave of mortgage lending have significantly shifted. In terms of social class, there is now a higher selectivity in who can access mortgages, while in terms of institutions there is a shift towards a dominance of domestic financial institutions.



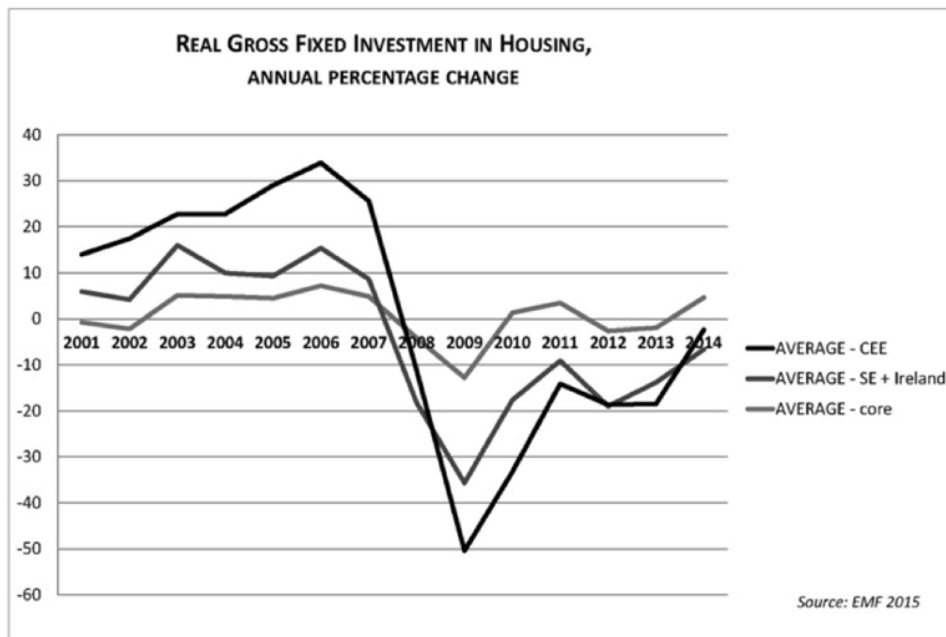
**Figure 2. Changes in house prices of selected cities, based on 1997 price level (HUF/sqm)**  
Source: The authors' own calculation based on Hungarian Central Statistical Office's – Settlement level data source, 2016.

This structure reveals certain tensions that will be interesting to follow in the coming period. On the one hand, the pressure of surplus capital on the accounts of financial institutions will likely push mortgage lending beyond the current safe markets, and potentially again start including increasing social and spatial segments in the mortgage-based debt relation. Another important question is whether these new forms of housing financialisation will be as globally/ internationally dependent in their nature as the pre-crisis housing regime was. I believe the current Hungarian housing finance regime is less dependent in a direct / immediate way (in the way forex mortgages were). However, the global position of Hungary fundamentally determines what forms of finance are available to housing (I refer here mainly to the fact that long-term, stable financial resources - which is often called patient finance - is not available in (semi)peripheral locations of the global economy), which, in turn, determines what kind of housing (at what costs, accessible to whom) can be produced. This is something that is also very clearly seen by corporate actors of the field, who interpret this situation as having to manage higher risks - which will be translated to higher costs in a capitalist logic. In order to intervene in this logic of housing production, most likely a non-market / non-capitalist source of finance, and a completely different mechanism of risk management would be needed.

It can be seen as the characteristic of semiperipheral housing finance that there are no housing finance mechanisms available that would be accessible for a broad number of households, and at the same time would be stable in the long term (for an illustration of how investment in housing was abruptly stopped on the European peripheries in the aftermath of the crisis see Figure 3<sup>1</sup>). This leads to a situation where individual ownership and household mortgages

<sup>1</sup> The countries with available data are grouped in the following way: 'core': Austria, Belgium, Denmark, Finland, France, Germany, Italy, Luxembourg, Netherlands, Sweden, United Kingdom; 'Southern Europe and

dominate the housing market. A housing regime built around the individual debt-relation inherently increases inequalities, and the dominant tendency in the activities of economic actors (not only of banks, but also of real estate and credit agents or developers) is to



**Figure 3.** The volatility of capital investment in housing on the European peripheries

include an increasing number of households in this relation. As long as housing finance is limited to individual mortgages, access to housing will remain difficult for those who cannot access a mortgage and do not have enough savings to acquire property themselves. This increasing part of the population will typically solve its housing situation through mobilising resources on the scale of the household (through intergenerational transfers, for example), or will resort to some kind of informal or precarious housing solution. A potential answer to this situation would be the development of a wider, less precarious rental housing sector. For this, new institutional capacities would have to be developed. However, there are currently no actors present on the Hungarian housing market which would be interested in, or have the institutional capacities and experience to engage with owning and managing housing. One of the reasons for this lack of institutional engagement is that owning housing only becomes profitable in the long term. On the short term, many other forms of investment are more profitable and require less management capacities. This kind of investment can be worthwhile in the long term, in a more stable economic context.

#### 4.2.2. External dependency built on internal fragmentation – and how corporate actors navigate this framework

The broader framework of external dependency and impatient housing finance builds on and also reinforces internal fragmentation in the domain of housing in Hungary. The way how this happens can be grasped both in the period when housing finance was explicitly externally dependent (pre-crisis forex mortgage lending), and when housing finance serves to recycle

---

Ireland': Cyprus, Greece, Ireland, Malta, Portugal, Spain; 'Central and Eastern Europe': Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia I base this categorisation primarily on Arrighi's notion of the semiperiphery (Arrighi 1990), modified by the type of housing regime these countries have (Fernandez and Aalbers 2016).

domestically accumulated capital in a socially and spatially selective way (current wave of mortgage lending). The internally fragmenting effects of purely market-based housing finance are very clear if we examine the social and spatial patterns of mortgage lending. The socio-spatial effects of different periods of mortgage lending are layered on each other: previous overinclusion determines current patterns of exclusion, and also produces typical geographical spaces (such as in-between zones where both mortgage lending and related state policies play an especially important role).

The mechanism of internal fragmentation in the context of external dependencies can be understood by the way how economic actors intervene in the housing market: the dependent position of a country is translated to corporate terms as higher risk; and with the experience of the financial crisis and how it had affected the peripheries of Europe much stronger than the cores, economic actors are currently more risk averse in these places. This means that they will systematically concentrate their activity on more profitable market segments and on economically better-off social groups, and will seek to invest their money on shorter duration. This increases inequalities within the country's housing market and also narrows the circle of households who can have access to homeownership through credit. In the meantime, however, there is a tension between an increasing amount of capital on domestic and international financial markets looking for a profitable form of investment and the more narrow channels for investment in housing determined by risk aversion and by regulatory constraints on mortgage lending. This results in a situation where places and households that can access a mortgage will be able to do so on very good terms - leading to even more resources being channelled into these selective locations.

The flipside of this phenomenon is that the economic actors which have a broader spatial and social presence and thus open access to housing markets for households who would otherwise be excluded (this was the case, for example, of widely expanding international banks in the pre-crisis period or large domestic banks and home savings and loan associations in the current period) are also more expensive. In this way, the result is often that they accentuate inequalities and channel resources from the peripheries towards the core.

It is interesting to investigate the minimum 70 percent of housing transactions that take place without institutional finances — that is, to uncover the pattern of housing-related investment in cases when individuals, households or companies acquire housing without a mortgage. This also shows a strong spatial segmentation, since the two dominant types of acquisitions without a mortgage are, on the one hand those purchasing for investment purposes, and on the other hand those who are not eligible for a mortgage. The former typically invest in the “most core” housing markets, where flats can easily be rented out and the value of real estate is sure to be stable. These are typically the inner-city areas of Budapest and a few larger university or industry cities. The other typical spatiality of investor-buyers are areas heavily affected by non-performing pre-crisis mortgage loans. Those who buy for their own housing purposes but without a mortgage (only with their savings or family transfers) will typically purchase lower value real estate in more peripheral areas. Between the two, the typical spaces of households eligible for mortgages and also for the family-based housing subsidy develop. In these areas the share of households taking mortgages is usually very high. Of course, these are not mutually exclusive, clear-cut spatial categories, and neither are the “profiles” of those buying properties. This overview does, however, provide insight into how the particular patterns of access to housing finance, as well as the ways how acquiring housing turns into a logic of investment under a financialised housing regime can lead to increasing social and spatial segmentation on the housing market.

A further example of the interdependence of internal fragmentation and external dependency is that prosperous housing markets outside of the prime Budapest areas are typically secondary

cities that have branches of different large transnational corporations. An increased demand for housing and the strong presence of investor-buyers on these local markets (resulting in house prices increasing much more rapidly than in other areas) is always linked to the presence of these TNCs - which, in turn, is dependent on broader patterns of hierarchical integration in the European economic space.

#### 4.2.3. Reproducing uneven development through firm strategies

Beyond the general framework of how more risk aversion in (semi)peripheral places translates to a higher concentration of capital invested in core locations, there are a number of mechanisms on the firm level that reproduce unevenness on the housing market. There is, for instance, a rhythm of ebb and flow inherent to the functioning of firms on the housing market, which results from the balancing of the two ever-competing drivers of profit realisation and risk management within a firm. This means that in shorter term cycles of economic expansion (understood here on the scale of the Hungarian national economy – and more specifically of the housing market – and not as long-term cycles of the global economy), when profit realisation becomes more important, there is a spatial spread-out of their activity, while in crisis cycles, when the internal logic of risk management dominates, there is a withdrawal and spatial concentration (for a demonstration of this pattern through newly issued mortgage loans see Figure 4<sup>2</sup>). Following the crisis the logic of concentration affected not only the spatial presence of economic actors but also their internal structure, with a number of companies becoming more hierarchical and centralised in their decision-making structures.

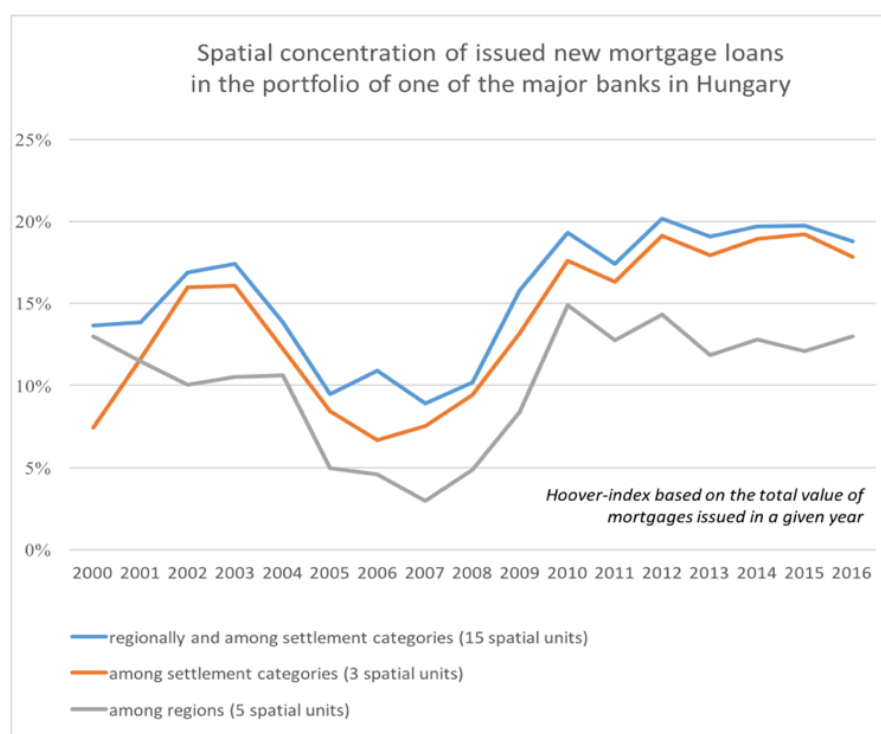


Figure 4. Spatial concentration of issued new mortgage loans 2000-2016

<sup>2</sup> The Hoover index describes spatial disparities of any given indicator. The value of the index shows how much of the given indicator (in this case, the stock of issued new mortgages per year) should be regrouped among the investigated spatial units to create a spatially even distribution.

Considering how various actors of the Hungarian housing market manage the lack of long term resources for housing finance, there is an overarching tendency to realise yields as fast as possible (and as high as possible), with a lack of actors interested in long-term investment. This can also be related to the overarching characteristics of impatient finance. If we consider property developers and construction companies: they build their business model on acquiring short-term project loans, which they repay within a 2-3 year cycle by rapidly selling new housing units (for an overview of the main types of actors on the Hungarian housing market see Figure 5). For this, they also need a customer base who will be able to buy new housing units - which can, for instance, be secured by simultaneous policy interventions on the demand and supply side of new housing construction (which happened in Hungary in early 2016). Banks financing both developers and consumers are not interested in giving long-term stable mortgages to households, because this would mean that they are the ones assuming the risks of a fluctuating economy. This, however, means that risks and costs will be pushed on households (to the extent made possible by regulatory intervention). The current source of mortgage lending is increased domestic savings, which, however, also does not have a stable base, since the long-term savings capacities of the majority of Hungarian households have not improved. Thus, it seems that the current upswing of the housing market is mainly a short-term possibility for reorganising the circle of institutions channelling capital into housing (strengthening a circle of domestic enterprises), that builds on the current situation of domestic capital available for this purpose. This is done in a way that benefits economically better-off households and geographical areas.

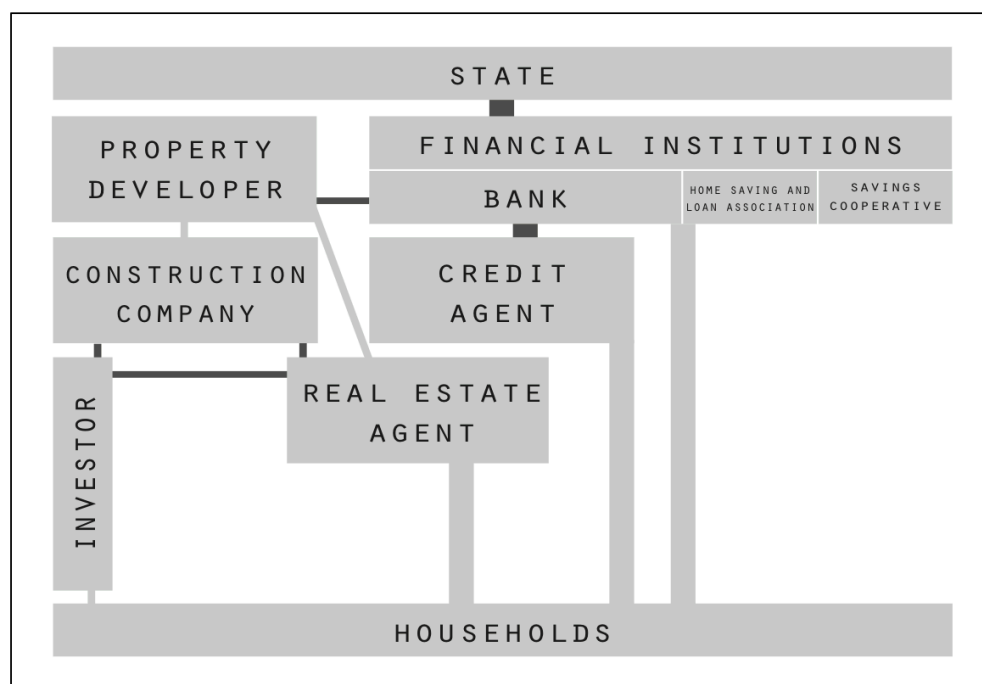


Figure 5. Mapping economic actors of the housing market and their relations

The position a given enterprise takes up in core-periphery relations (on various scales) also determines the kind of risk management strategies they employ. These different strategies can be observed in the current period of the post-crisis upswing. Those who concentrate on core markets and have access to capital even under more restrictive conditions usually choose to focus on small, safe and profitable market segments (such as high-end housing construction or a carefully selected client base). Smaller local actors (such as local real estate agencies) usually tend to diversify their scope of activities. National actors can choose to mitigate risk by big

numbers, continuing to have a wide spatial and social base and balancing for defaults in this way (which is the strategy of the largest domestic bank). These different strategies will of course affect their spatial presence and the way they channel capital in the uneven structure of the housing market.

The above described corporate-level strategies are in constant tension with household strategies for survival and housing provision. This produces a constantly moving frontline between the logic of housing as investment and that of housing as the sphere of social reproduction. This frontline can be grasped in spatial terms as well, and is also where the state intervenes through housing policy measures. One flagrant articulation of this frontline are the shifting redlining policies of financial institutions (see Figure 6), which have become much stricter following the crisis, but will potentially be eased in the near future.

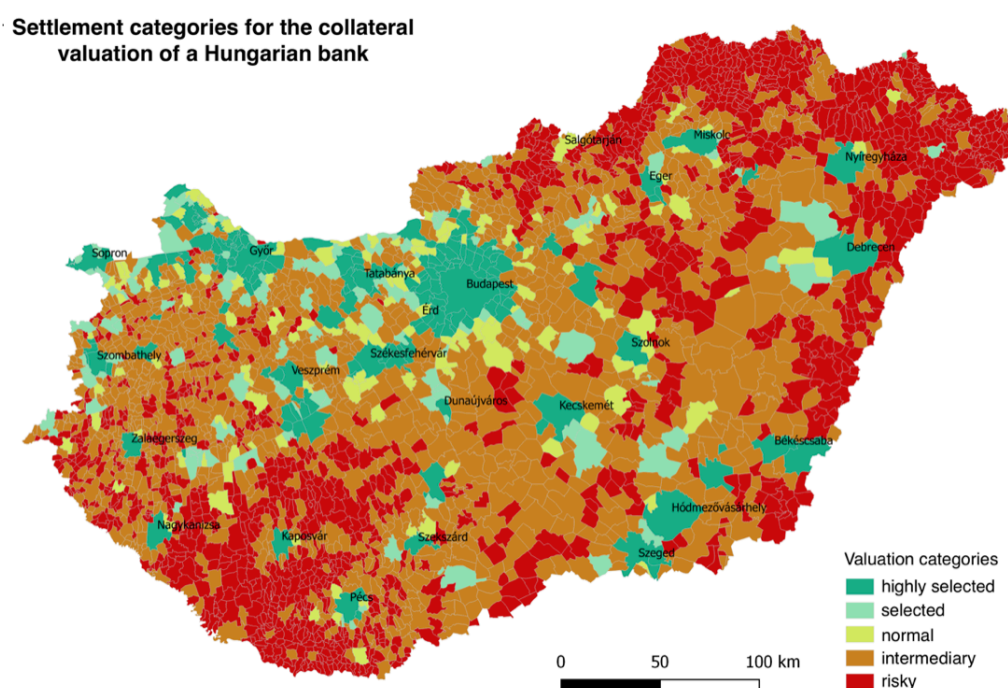


Figure 6. Settlement categories for collateral valuation. Source: one of the major banks

It may be claimed that it is not surprising that firms function according to a capitalist logic and thus produce uneven social and spatial patterns along the logic of profit maximisation and risk avoidance. This, of course, is true, and also highlights the need for not profit-oriented, not market-based interventions in the domain of housing. At the same time, there is also a characteristic of the housing market actors in Hungary that was highlighted by several of my interlocutors, and which could be an interesting conceptual experiment in how we think about their intervention in the field of housing. This relates to the fact that there is generally a lack of large, institutional actors on the Hungarian housing market apart from financial institutions and a few big property developers. The majority of actors are smaller-scale companies, usually not listed on the stock exchange and in many cases not as detached from concrete local housing markets as would be the case if the Hungarian housing market would be accessible to large institutional owners and investors. This could potentially open up avenues for more reflected, needs-based investment - if the money for this kind of investment would be available.



## 5. LIST OF PUBLICATIONS

### Publications directly used in the dissertation

- Pósfai Zs., Jelinek Cs. (2018): Reproducing socio-spatial unevenness through the institutional logic of dual housing policies in Hungary. In: Lang, T., Görmar, F. (ed.s): *Local and Regional Development in Times of Polarisation: Re-thinking spatial policies in Europe*. Palgrave, series: New Geographies of Europe; *forthcoming*.
- Pósfai Zs., Gál Z., Nagy E. (2018): Financialization and Inequalities: The Uneven Development of the Housing Market on the Eastern Periphery of Europe. In: Fadda, S., Tridico, P. (ed.s): *Inequality and Uneven Development in the Post-Crisis World*. Routledge, pp. 167-190.
- Pósfai Zs., Nagy G. (2017): Crisis and the reproduction of core-periphery relations on the Hungarian housing market. *European Spatial Research and Policy*, 24(2), pp. 19-40.

### Other publications

- Jelinek Cs, Gagyí Á, Szarvas M, Pósfai Zs (2017): Rákóczi Collective – Alternatives to individual homeownership (Budowanie od podstaw: Przypadek Kolektywu Rákóczi w Budapeszcie). *Autoportret*, 58(3), pp. 86-95.
- Czirfusz M., Pósfai Zs. (2015): Kritikus ponton?: Önkormányzati lakásgazdálkodás a gazdasági világválság után. *Területi Statisztika*, 55(5), pp. 484-504.
- Czirfusz M., Horváth V., Jelinek Cs., Pósfai Zs., Szabó L. (2015): Gentrification and Rescaling Urban Governance in Budapest-Józsefváros. *Intersections: East European Journal of Society and Politics*, 1(4), pp. 55-77.
- Jelinek Cs., Pósfai Zs. (2013): “A városi önkormányzattól a városi kormányzásig”; In: Jelinek, Cs., Bodnár, J., Czirfusz, M., Gyimesi, Z. (ed.s): *Kritikai városkutatók*. L'Harmattan, Budapest, pp 145-154.



## REFERENCES FOR THE SUMMARY

- Aalbers, M. B. (2017): The Variegated Financialization of Housing. *International Journal of Urban and Regional Research*, 41, pp. 542–554.
- Arrighi, G. (1990): The Developmentalist Illusion: A Reconceptualization of the Semiperiphery, in: Martin, W.G. (ed.) *Semiperipheral States in the World-Economy*. Greenwood Press, Westport CT: 11-42.
- Becker, J., Jager, J., Weissenbacher, R. (2015): Uneven and dependent development in Europe – the crisis and its implications. *Assymmetric crisis in Europe and possible futures [ed.s: Jager, J, Springler, E.]*, Routledge.
- Bohle, D. (2017): Mortgaging Europe's Periphery. *LSE 'Europe in Question' Discussion Paper Series*: LEQS Paper No. 124/2017.
- Dixon, A.D. (2010): Variegated capitalism and the geography of finance: Towards a common agenda. *Progress in Human Geography* 35(2), pp. 193–210.
- Gál, Z. (2014): Role of financial sector FDI in regional imbalances in Central and Eastern Europe, in: Gostyńska A., Tokarski P. (ed.s): *Eurozone enlargement: challenges for the V4 countries*. Warsaw: The Polish Institute of International Affairs, pp. 19-30.
- Hudson, R. (2015): Uneven Development, Socio-Spatial Polarization and Political Responses. In: Lang et al. (2015): *Understanding geographies of polarization and peripheralization – Perspectives from Central and Eastern Europe and Beyond*. Palgrave Macmillan, pp. 25-39.
- Lang, Th., Henn, S., Sgibnev, W., Ehrlich, K. (2015): *Understanding geographies of polarization and peripheralization – Perspectives from Central and Eastern Europe and Beyond*. Palgrave Macmillan.
- Nagy, E. (2005): Adaptation and differentiation: the corporate strategies of international investors in the emerging retail market of Hungary. In: *Foreign Investments and Regional Development in East Central Europe*. (ed. D. Turnock), Ashgate: London pp. 267–291.
- Pósfai, Zs., Nagy, G. (2017): Crisis and the reproduction of core-periphery relations on the Hungarian housing market. Forthcoming in *European Spatial Research and Policy*, 24(2), pp. 19-40.
- Raviv, O. (2008): Chasing the dragon east: exploring the frontiers of Western European finance. *Contemporary Politics*, 14 (3), pp. 297-314.
- Sokol, M. (2017): Financialisation, financial chains and uneven geographical development: Towards a research agenda. *Research in International Business and Finance*, 39, pp. 678–685.
- Werner, M. (2016): Global production networks and uneven development: Exploring geographies of devaluation, disinvestment, and exclusion. *Geography Compass*, 10(11), pp. 457–469.