

# An Unused Opportunity: The Activity of National Asset Managing Shared Company in Hungary

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## To cite this article:

Gabor Nagy. An Unused Opportunity: The Activity of National Asset Managing Shared Company in Hungary. *International Journal of Science, Technology and Society*. Vol. 10, No. 2, 2022, pp. 66-71. doi: 10.11648/j.ijsts.20221002.15

**Received:** March 28, 2022; **Accepted:** April 14, 2022; **Published:** April 28, 2022

**Abstract:** The main purpose of the paper was to analyse the effect of a specific governmental programme using the different statistical levels and hierarchical classes, to identify the main focus, of spending public sources (Home Protection Action Plan). The paper suggest, that the settlement hierarchical focus of National Asset Managing Shared Company (NET) turned to small and medium sized towns. The spatial focus of NET followed the economic and social crisis regions (on NUTS2 and 3 levels) quite well, these units concentrated a high number of bought flats/houses and high level of NET's investments. The activity of NET in the late crisis period (2013-2015) played crucial role in stabilising the activity of housing markets in villages and small towns in the Eastern regions. The NET bought appr. 36.000 apartments, family houses and all these stock went under direct state ownership. The former owners used their flats s renters, with a highly reduced fee. This legal form offered an opportunity to began redirecting the very weak social rental housing sector in Hungary, which became marginal after the mass privatisation of flats in the 1990s. As we try to point out, this unique opportunity was missed by the national government, when after a few years of global fiscal crisis the dominant share of these flats were offered to rebuy by the former owners. This decision strengthen the ownership based housing regime in Hungary and make the housing affordability much difficult for the younger generation a poorer families.

**Keywords:** Housing Markets, Spatial Inequalities, Global Crisis, Cycles in Real Estate Markets, National Asset Company

## 1. Theoretical Framework

The main pillars of the theoretical framework based on financialisation [1, 14], state rescaling [6, 17, 21, 3] and European peripheralisation process [8, 20, 5, 2, 18, 19] under the 'umbrella' of critical conception of social space by Henry

Lefebvre [9] and discussing it by Peck et al. [13]. Hungarian recentralization process in the post-2010 period was highlighted by Pálné [12] and Nagy E. [10] and with a special sectoral focus on housing by Nagy G. [11].

**Table 1.** Turning points of housing markets in Hungary after the regime change (1990-2020).

Label	Years	House building	Transactions	Financing	Credit conditions	Rental market
Transformation crisis	1990-1995	Decreasing from 60.000 to 20.000	Decreasing	Limited, strict conditions	No mortgage financing	Decreasing no. of flats from 17% to 10%
Stabilisation	1995-1997	Stable	Decreasing	Limited	No mortgage financing	Decreasing from 10% to 7%
Growth	1997-2003	Increasing from 20.000 to 28.000	Increasing, top 275.000 per annum	Growing, selective, state-led	Mortgage banks emerging, widening target groups	Decreasing from 7% to 5%
Growth with increasing instability	2003-2008	Increasing from 28.000 to 44.000	Stable, later decreasing 165.000	Growing, market-based	CHF, EUR, JPY based credits, instead of HUF	Stable
Global crisis, national crisis	2008-2013	Decreasing from 44.000 to 8.000	Decreasing less than 100.000	Frozen finance channels	Cut the non-HUF credits, limited crediting	Stable

Label	Years	House building	Transactions	Financing	Credit conditions	Rental market
Post-crisis	2014-2019	Increasing from 8.000 to 21.000	Increasing up to 165.000	State stimulated credit boom	Booming HUF-based crediting decreasing interest rates	Temporary increase – NET-effect
COVID-crisis	2020-	Decrease	Decrease	Limited, more strict conditions	Stable, later decreasing	???

Source: The author's own methodology.

## 2. Turning Points in the Housing Market of Hungary 1990-2018

Following the concept of Hegedűs and Horváth [7] about changing 'housing regime' in post-socialist countries we identified the milestones of transformation from a centrally state dominated to a market-based, highly financialised [4, 15, 16] housing market in Hungary (Table 1).

## 3. Databases, Data Sources

The number of built and destroyed houses/flats has long-term series of data collected by Hungarian Central Statistical Office (KSH) at the level of settlements (NUTS5/LAU2). The number of housing transactions began collected in 1997 (in the first decade only for towns). From 2007 we have structured information about the prices and volume of housing transactions, by regions (NUTS2), settlement types, newly built and existing flats, type of flats (housing estates, family houses, other block of flats) quarterly.

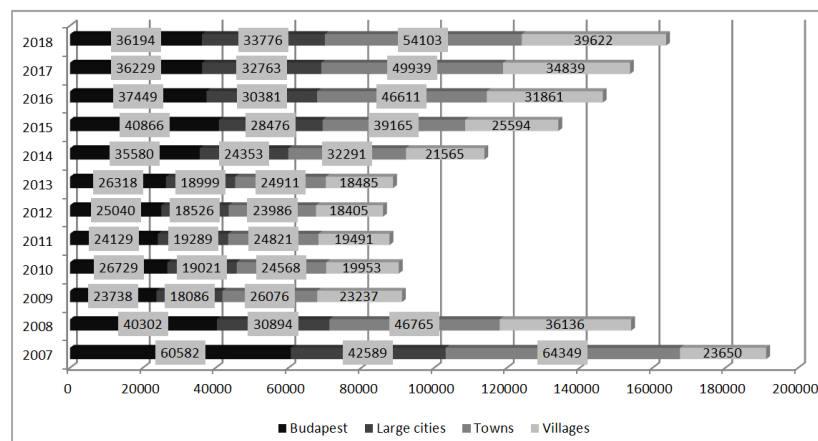
The KSH's Housing Statistical Yearbook is another crucial data source, covering the number of transactions, the house buildings by towns, and the activity of NET. Unfortunately the settlement types are just partly correlated with other sources. Solving this problem, we had an opportunity to buy extra data from KSH covering the 2007-2015 period. We got housing market indicators and county (NUTS3) level activity of NET in a more detailed form (number of flats, average spacefloor and prices).

## 4. Housing Markets' Characteristics in the 2001-2018 Period

### 4.1. Transactions and Activity Rate

In the pre-crisis period, the speed of yearly house-transactions were quite high (4-6 percent of total stock) and dominated by the capital city and towns. The crisis in 2009 decreased the selling activity first in Budapest and later the lower hierarchical levels, last the villages in peripheral areas. The 5 years long crisis period between 2009 and 2013 made the housing market close to the 'frozen' condition (Figure 1). The average speed of yearly transactions shrunk less than half comparing the 2007 level and the most stable elements of local markets became larger centres (Figure 1). The early years of post-crisis period (2014 and 2015) led to a spatially selective increased activity in the larger towns (in parallel with growing prices). The regeneration of smaller local markets began only after 2015, with a radically emerging selling activity in towns and villages. At the end of the 'booming' period after the housing crisis, the activity rate of transactions was close to the pre-crisis level, but far from the over-running period of the early 2000s.

The effect of the state policy, improving the activity of housing markets through social subsidies and benefits had influence on spatial structure of housing transactions, particularly the increasing share of smaller settlements. There is another important phenomena in the late crisis and early regeneration period between 2010 and 2015 when the dynamic of housing sub-markets by settlement hierarchical levels did not changed dramatically (Figure 1). The role of NET activity was concentrated into that period, so this must be a significant factor behind.



Source: KSH, House market prices, house price index, 2019q2.

Figure 1. Housing transactions by settlement types (no., excl. NET transactions), 2007-2018.

#### 4.2. Size of Housing Markets from 2007 to 2018

The changing size of housing markets in the investigated periods we try to calculate with the help of „House market prices, house price index” data source by CSO, Hungary. Filtering the distortion effect of inflation, we used even nominal and deflated prices (Table 2).

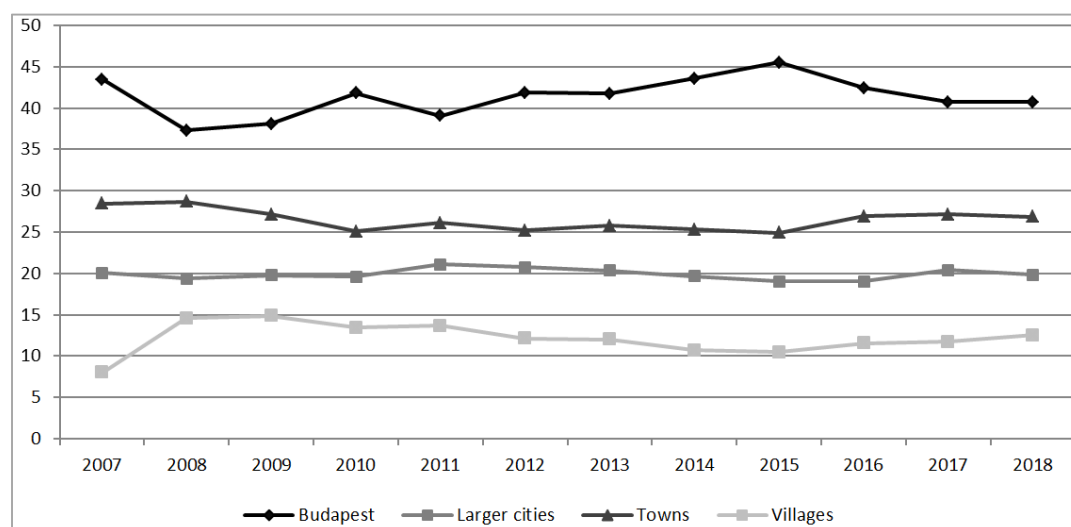
**Table 2.** Changing size of housing market in nominal and deflated prices in mHUF (with deflators) 2007-2018 and the role of NET between 2012 and 2018.

	Nominal market size	2007=100%	Deflated market price	2007=100%	Deflator	NET sources by year	NET's share in pc. of total market size
2007	2228836,6	100,0	2228836,6	100,0	1,00		
2008	1732461,0	77,7	1632856,4	73,3	1,061		
2009	962325,4	43,2	870440,0	39,1	1,105562		
2010	981459,2	44,0	846278,8	38,0	1,159735		
2011	909455,2	40,8	754757,2	33,9	1,204964		
2012	857913,9	38,5	673588,4	30,2	1,273647	1811,3	0,21
2013	867400,9	38,9	669653,0	30,0	1,295299	13294,1	1,53
2014	1184274,9	53,1	916118,7	41,1	1,292709	33030,0	2,79
2015	1572501,3	70,5	1217656,7	54,6	1,291416	30076,6	1,91
2016	1876104,6	84,2	1446961,8	64,9	1,296582	24659,7	1,31
2017	2180923,2	97,9	1642633,8	73,7	1,327699	24781,1	1,14
2018	2619120,0	117,5	1885888,3	84,6	1,388799	5331,2	0,20

Source: Own calculation based on the data of KSH STADAT, KSH Housing Yearbooks and KSH House market prices, house price index, 2019q2.

The size of housing market began to decrease before the global crisis, over the peak of CHF-based credit boom period. The effect of global financial crisis involved a fast shrinkage both in nominal and real prices. The stagnation period of the ‘frozen’ housing market between 2009 and 2013 was a slow but continuous reduction, when the 2014 year with its high dynamism means only a step back to the 2009 market size. The post-crisis years in nominal prices

suggest a fast regeneration of housing markets. The market size in 2018 was almost one-fifth larger comparing the pre-crisis peak. If we see real-prices the picture is not so bright. The fast increase as a trend seems true, but the level of regeneration is not complete. The size of housing market is one-sixth smaller comparing 2007, however, the size of housing market was tripled in comparison of 2013 level (Table 1).



Source: Own calculation based on the data of KSH, House market prices, house price index, 2019q2.

**Figure 2.** Share of housing sub-markets in the 2007-2018 period (in percent, excl. NET).

The role of capital city increased in the crisis period from 2009 to 2015 as a result of growing number of transactions and booming prices. After 2015 the stagnating-decreasing number of transactions in Budapest was partly compensated by the fast increasing prices, so the overall share of the capital in Hungarian housing market was slightly moderating at that period. The share of smaller towns increased after 2016 a year earlier than villages. As a result of crisis the

housing market transformed a spatially more concentrated form (Figure 2).

The only positive effect of crisis on housing market was the falling off the house prices compare to real wages. The opposite trend began in 2014 in Budapest, in 2015 in larger towns and leading touristic destinations, in 2016 in smaller towns. The advancing credit conditions were partly able to compensate this negative trend and the active role of state's

social policy played a similar role for a limited class (young well off large families). The rapidly increasing wages were not able to follow the booming house prices in the post-crisis period and the relative cheap flats (comparing neighbouring countries) give way to foreign investors' enter onto Hungarian housing market, too.

## 5. The Authority and Activity of NET

### 5.1. Legal Background, Goals

Founding a certain limited company for Housing Asset Management Ltd. Co. (NET) was based on the Law CLXX/2011 and the detailed frame of its daily routine was regulated in the Governmental Decree No. 128/2012 (26/05). Some less important part of daily functioning was fixed in the modification of other laws (e.g. law on flat renting, law on social subsidies).

The company and its function was a part of a wider national-level program, namely "*Home Protection Action Plan*" to secure the permission of reside of defenceless families with high level indebtedness as a result of global crisis. These families initiate to sell their flats/houses to the NET and become renters in their former housing units. As a result of this kind of agreement between families, Company and mortgage banks the remaining parts of the unpaid credits were cancel. The families should pay monthly (not very high) rental for NET. It was clear from the very beginning that NET has no defined spatial focus in its work.

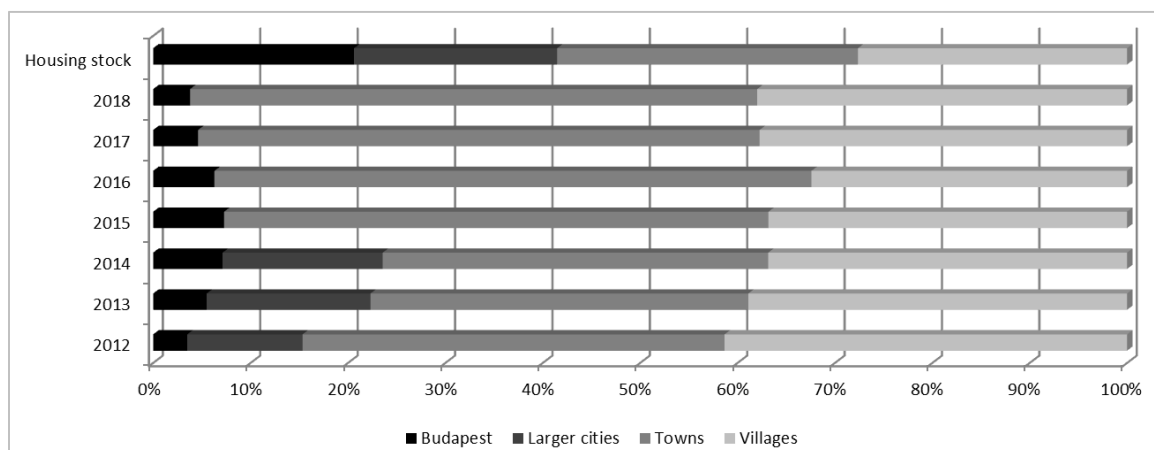
### 5.2. Activity and Preference of NET

The original frame of NET activity was buying 25 thousands of flats/houses, but till the end of 2014 there were more than 22 thousand offers from problematic families. So,

the frame was augmented up to 36 thousands through three steps. By the end of October 2018 there were over 45 thousands offers, and almost 9 thousands of them were rejected by different reasons. The NET closed 600 transactions in 2012, appr. 4200 in 2013, 9100 in 2014, 7500 in 2015, 6300 in 2016, 6700 in 2017 and 1350 in 2018. The overall rental stock at the end of 2018 was close to 36 thousands, but only 6 percent belonged to former owners from Budapest and 36-37 percent from villages. We may say, the majority of stock concentrated in cities and towns. This phenomenon reinforced the thesis of Zsuzsanna Pósfai [14], that non-rural families were much deeply affected by CHF-based credits. In the background of this phenomena she explored the 'spatial redlining' policy of crediting of banking and mortgage sectors from the early 2000s.

### 5.3. The Effect of NET-Activity onto Housing Markets in Crisis and Post-Crisis Period

The overall stock of houses were bought by National Asset Management Company was limited in every year of its operation, because the Company had well defined sources for transactions (in the Law of State Budget). The peak of its budget in 2014 was hardly over 33 Bn HUF (approximately 120 M EUR) and the overall budget of the company was 133 Bn HUF (appr. 450 M EUR) (Table 1). In the first and last years the NET's affect on housing markets were marginal. The number of flats/houses and the spent money was much less than 1 percent of total housing market activity. In the late phase of crisis period (2013) and the first phase of regeneration (2014 and 2015) covered the most active years of NET comparing the market-based activity of housing markets, so NET played a stabilising role in housing markets, which was decreased in parallel the growing number of market-based transactions.



Source: Own calculation based on KSH Housing Statistical Yearbooks 2012-2018.

**Figure 3.** The activity of NET and the share of housing stock by settlement hierarchy in %, 2012-2018.

The average price of a flat/house bought by NET was much cheaper comparing the market-based transactions, so the share of NET spending was significantly lower in the total market, comparing its share of number of transactions

(Table 1, Figure 4). The distribution of NET activity by housing types was close to market-based transactions' composition. The share of family houses covered almost one-third of bought units and flats took the rest. The settlement

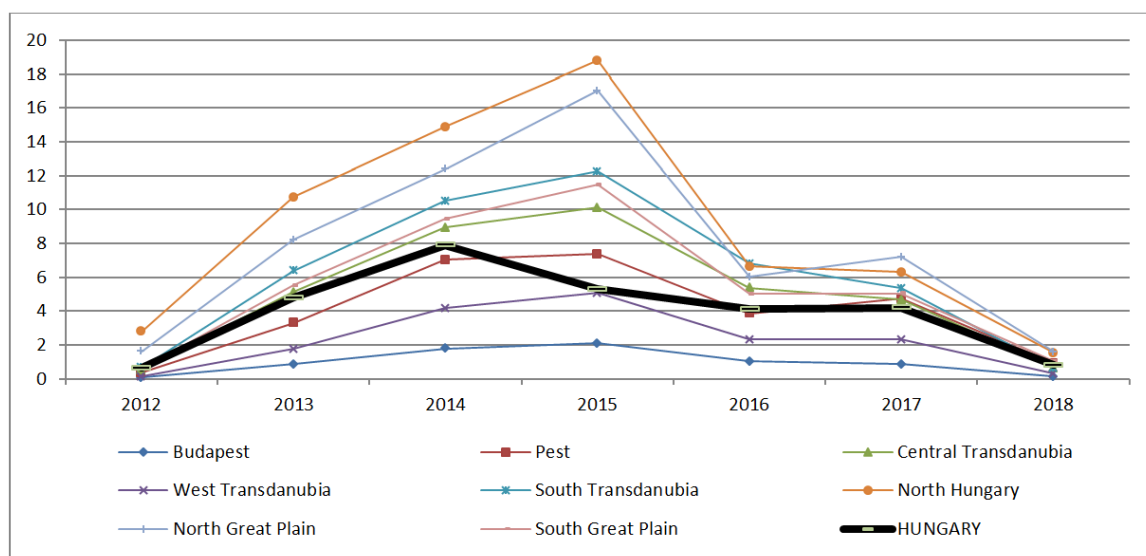
hierarchy influenced the spatial structure of NET spending (Figure 3). The capital city covered around 10 percent of the total, two-times higher as its share of number of transactions. In the case of villages, the share from transactions in every year was significantly (with 10 percent) higher than the spent money for buying houses. The spatial distribution of spending suggest, that NET's sources largely helped solving the problems of the families in larger and smaller centres, instead of the marginal small settlements.

#### 5.4. Regional (NUTS2) and County (NUTS3) Level Effects of NET

We have some basic information about the importance of National Asset Management Company at the level of NUTS2 regions, so we could estimate the share of NET's activity in

housing sub-markets.

In general, the major period of activity concentrated between 2013 and 2017, when 4,1-7,9 percent of total housing transactions moved through NET. In some regions this period was shorter and the peak was more moderate, e.g. in the capital city (Budapest) and in the region along Hungarian-Austrian border (West Transdanubia). The trends in the region around Budapest are close to the average. There are three other territorial units with higher peak of activity from 9 to 12 percent in certain years (2014 and 2015), however they are not in the worst position. In the remaining two regions (North Hungary, North Great Plain) the role of NET activity arose 17-19 percent in 2015, so the state owned company played a crucial role in revitalising housing markets there (Figure 4).



Source: Own calculation based on KSH Housing Statistical Yearbooks 2012-2018.

**Figure 4.** Share of regional NET activity in housing transactions (in percent) between 2012-2018.

Following the former trends over 48 percent of total NET transactions were concentrated in two NUTS2 regions with weakest (market-based) housing markets. Between 2012 and 2018 0,8 percent of total housing stock transformed from private owners to the state controlled rental sector. The so called 'NET-flats' covered less than 0,5 percent of the total in the regions /counties with stronger local economies and shorter post-crisis restructuring period. The yearly share of money spent in the regions with deepest problems moved from 31 to 41 percent, much less comparing the number of units, because of the lower price levels, in general, in problem areas.

The activity of NET seems less crucial in the capital city and in the larger centres and more important in the smaller towns and villages. In the last two categories the family house sub-market got a very important stimulus through the Company's activity. National Asset Management Company gave a strong effect to revitalise the almost 'sleeping' rural housing markets in the years 2013-2015. At that period from 8 to 13,5 percent of transactions connected to NET in small

sized settlements without any attraction for private investors.

## 6. Closing the NET activity

In the summer of 2018 the Hungarian Government declared the end of the activity of National Asset Management Company with closing the last 1-1.5 thousands of transactions till the end of November 2018. In parallel with this declaration a dispute began about the rental stock of NET. After a few months the Government presented its ideas. The most important element was to help families to buy their former flats/houses back and become owners again. The elaborated system based on favourable condition of credits with the opportunity to get extra reduction of payment if the renters pay in cash directly. The formerly paid hires were part of the overall price of flats/houses. After less than half year after the Governmental plan over 90 percent of renters declared they are ready to buy their former flats back. The high rate is not surprising, because Hungarian housing system based on ownership with a very limited share of

rental sector (municipal and market-based).

## 7. Conclusion

The housing policy of different Hungarian governments based on the family ownership of flats and houses, before the global crisis. The NET programme in the late crisis and post-crisis years offered a unique chance to partly rebuilt the rental sector not just in larger towns, but in villages, too, on extremely cheap price. Following the newly forming housing policy (after 2015) but the closing steps of NET's activity we identified a turn back to the former goals. The UN Habitat Reports (2018, 2019) however suggest and rapidly increasing need for rentable units, identifying an emerging 'rental generation' (one third of young adults) without any chance to buy flats, even they have well-paid jobs.

## Funding

This work was supported by the Hungarian Science Foundation (NKFIH K131534 – Transforming local housing markets in Hungarian larger centres).

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