HOUSING MARKET AND HOUSING INDICATORS

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This study presents the changes in the housing sector since 2000 in four steps. First, we evaluate the Hungarian housing situation in an international comparative context, looking for the connection between economic development and the housing consumption level of households. Then we divide the years after 2000 into three periods, in order to analyse macro-level developments related to the housing system (construction, house prices, transactions and so forth). Next, we separately examine developments in the housing situation of different social strata over the past 15 years. And finally, we take a look at recent housing market trends, which show signs of a post-crisis recovery, but at the same time indicate the re-emergence of pre-crisis problems.

1. Housing in Hungary: a European comparison

In terms of housing indicators, the post-transition new EU Member States (EU-11) differ markedly from the older Member States of Western and Northern Europe; meanwhile the Southern European countries seem to fall somewhere between these two country groups (*Figure 1*).[1] The basic indicators of socio-economic structure – income, demography and the share of the informal economy – show that:

- wage and income levels in the EU-11 lag significantly behind old Member State averages, despite narrowing socio-economic gaps;
- the countries of Central and Eastern Europe (CEE) face ongoing demographic decline, which is not counterbalanced by immigration;
- the role of the informal economy is significantly larger in the CEE countries than in the most developed European economies (*Table 1*).

[1] Country groups used in this comparison are based on the presumed (dis)similarity of their welfare and housing regimes; emphasizing that any housing policy initiatives originating from the EU have to take these differences into consideration (Hegedüs et al., 2016; Hegedüs, 2018). Nevertheless, this historico-political grouping can generally be considered arbitrary.

Figure 1 *The three European regions*

Country groups: Western and Northern European countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Luxembourg, the Netherlands, Sweden, the United Kingdom. Periphery I: Southern European countries: Cyprus, Greece, Italy, Malta, Portugal, Spain. Periphery II: new EU Member States: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia.

Table 1 *Weighted indicators in European country groups (regions) and in Hungary, 2012–17*

	Indicator	Northern and Western European MSs	Periphery I Southern European countries	Periphery II EU-11	Hungary	EU avg.[a] /total
I1	Per capita GDP, purchasing power parity (EUR) 2016	39,875	31,017	24,022	24,121	34,438
I2	Median household income (EUR/annum), 2016	21,922	14,040	5,407	4,772	16,561
I3	Households that struggle to make ends meet[b] (%), 2016	4	16	13	17.1	9.1
I4	Population change, 2005–16 (2005=100)	106.1	105.8	96.9	96.8	103.9
I5	Net migration, 2006–16 (per 1,000 persons)	7.2	16.1	-2.4	14.1	25.8
I6	Share of population born in another EU Member State (%), 2017	5.2	3.5	1.3	3.0	4.0
I7	Share of population born outside the EU (%), 2017	2.5	1.5	0.7	1.6	2.0
I8	Population (million), 2017	263.5	122.6	102.2	9.8	480.0
I9	Population as share of EU population[c] (%), 2017	54	26	21	2	
I10	Average house price (EUR/m^2), 2014	3,149	1,928	1,058	779	2,433
I11	Average market rent (EUR/dwelling/month), 2014	565	396	263	213	502
I12	Share of outstanding mortgages to GDP (%), 2016	54	34	18	12.5	47
I13	Change of residence in past five years (%), 2012	26	11	7	7	18
I14	Housing market transactions (percentage of housing stock), 2016	3.5	6.2	2.3	3.3	3.6
I15	Social rental dwellings (%), 2016	13	5	3	3	9
I16	Owner occupied housing (%), 2016	61	75	86	86.3	69
I17	Rooms per capita, 2016	1.8	1.6	1.2	1.2	1.6
I18	Average dwelling size (m^2), 2012	97.3	96.5	69.3	75.6	91.5
I19	Share of overcrowded housing[d] (%), 2016	8	18	39	40	17
I20	Share of population facing severe housing deprivation (%), 2016	2.0	6.0	11.7	17.1	4.8
I21	Share of housing expenditure in disposable household income (%), 2016	23.0	20.0	21.0	21.3	22
I22	Share of households in housing arrears (%), 2016	8.5	14.3	15.8	19	10.4
I23	Share of informal economy (% of GDP), 2012	11	20	23	22	14

[a]Indicators presented in the table are weighted averages, where the weights depend on the nature of the indicator (population, housing stock, etc.). [b]Share of households that reported struggling to make ends meet. [c]The population of Croatia included. [d] Eurostat considers a dwelling to be overcrowded if adult couples do not have a separate room; where children aged 12–17 of different genders cannot live in separate rooms; if more than two children under the age of 12 share a room; or if adults over 18 do not have a separate room.

Note: data were weighted by number of dwellings, or number of households, or population. The table does not include Croatia, unless specified. Source: I1: https://tradingeconomics.com (weighted by population); I2: Eurostat, EU-SILC (code: ilc_di04) weighted by the number of households (code: lfst_hhnhtych); I3: EU-SILC (code: ilc_mdes09); I4 and I5: Eurostat (code: demo_gind), corrected with the population of Croatia; I10 and I11: http://numbeo.com; I12 and I14: European Mortgage Federation (https://hypo.org/app/uploads/sites/3/2017/09/HYPOSTAT-2017.pdf); I14 Hungarian data: Hungarian Central Statistical Office; I13: Eurostat (code: ilc_hcmp05); I13 and I16: Eurostat EU-SILC (code: ilc_lvho02); I15: Housing Europe: The State of Housing in Europe 2017 (www.housingeurope.eu/file/614/download); I17: EU-SILC (code: ilc_lvho03); I18 and I19: EU-SILC (code: ilc_lvho05a); I20: EU-SILC (code: ilc_mdho06q); I21: EU-SILC (code: ilc_mded01); I22: EU-SILC (code: ilc_mdes05); I23: F. Schneider (2012). 'Size and development of the Shadow Economy from 2003 to 2012: some new facts', cited in IMF Country Re-ports: Republic of Lithuania: 2014 Article IV Consultation Selected Issues. Data were weighted to number of dwellings, number of households, or population, depending on the nature of the indicator.

Despite interregional convergence (Oblath, 2014), EU-11 countries still lag significantly behind the most developed European economies (of Northern and Western Europe). Per capita GDP in the EU-11 – including Hungary – is, on average, 30 per cent lower than in the old EU Member States, and 40 per cent lower than in the group of the most developed countries. In terms of median household incomes, the region falls further behind: its average level is just one third of the level in the most developed Member States.

Aside from a brief period of stagnation between 2009 and 2016, the population of the European Union has shown consistent growth; by contrast, population on the periphery has decreased steadily. Between 2005 and 2016, the EU-11 lost 3 per cent of their population, while the old EU Member States saw an average of 4 per cent population growth. Mitra (2001) characterized the transitional societies as 'grey and poor', referring to their ageing populations and low birth rates. These countries generally have negative migration balances, possibly with the occasional exception. According to Eurostat, the net migration rate in the CEE Member States was -2.6 per cent overall; it is mainly the most mobile labour force that has emigrated (Lakatos, 2015).

The quality of the housing stock and the level of house prices and market rents depend on overall economic development. The average size of a dwelling in the EU-11 is 80 per cent of the size in the old EU Member States, and the number of rooms per resident is 0.4 below the Western and Northern European average. On the other hand, the share of overcrowded dwellings in the CEE countries (including Hungary) is five times the average for the old Member States. House prices and market rent levels are, on average, 50 per cent of the equivalent rates in Western Europe (although the reliability of data in this field is questionable).

The discrepancies in the quality of the housing stock surface in the share of households with severe deprivation: in the CEE region, this indicator is five times greater than in Western and Northern European countries. In Hungary, 17 per cent of households suffer severe deprivation. Due to the shortage of affordable rental housing, low-income households must make do with the lowest segment of the private rental market or with poor-quality municipal social housing.

Housing market transaction and residential mobility indicators also show a systematically lower rate of housing mobility: on average, 7 per cent of people in the EU-11 have moved house in the past five years, compared to 18 per cent in Northern and Western Europe. This is both a cause and a consequence of the predominance of home ownership in the CEE countries, and links to housing market rigidity and demographic processes.[2] The massive privatization of formerly public rental housing in the transition countries of Central and Eastern Europe (with the sole exception of the Czech Republic) reduced the public social rental housing sector to 3 per cent or less of national housing stocks – as opposed to 10–12 per cent in the most developed countries, including in Northern and Western Europe. In the CEE's housing finance systems, outstanding mortgages account for about 18 per cent of GDP, in contrast to 47 per cent in the old EU Member States.

In the transition countries, the emerging predominance of the market sector was accompanied by a radical increase in income inequalities: the share of people who struggle to make ends meet is significantly higher than in most of the developed countries. EU-SILC surveys showed in 2011 that in the post-crisis context, some 40 per cent of CEE households had trouble making ends meet, compared to 15 per cent in Northern and Western European countries. Five years later, in 2016, the average figure was 4 per cent in the most developed European regions; 16 per cent in the Southern European Member States; and 13 per cent in the transition countries. In Hungary, 17 per cent of households struggled to make ends meet in 2016. The regional component of inequalities within the European Union is therefore significant.

The number of families in arrears with housing-related costs points to the shortcomings of the welfare system. Regional disparities within countries are usually related to the narrowing or retrenchment of welfare provisions, and to the low level and weak targeting of income benefit transfers. In the new EU Member States one fifth of households are in arrears with their housing payments, despite the fact that housing-related costs claim a similar share of household budgets across the European regions (20–23 per cent).

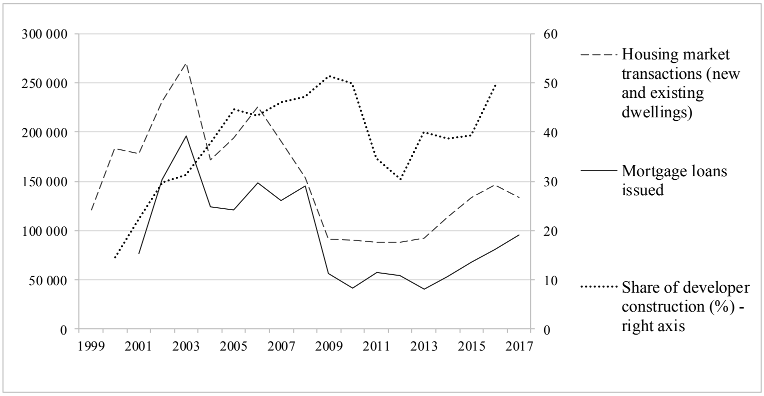
In terms of socio-economic and housing market trends, Hungary is comparable to other EU-11 countries, although indicators of the effectiveness of housing subsidies show systematically weaker performance. In summary, however, the overall differences in housing indicators are less stark than the differences between the EU-11 countries and the EU average in terms of economic development.

[2] On the one hand, low mobility generates less pressure on the urban housing market to provide rental housing; on the other hand, because of the regional disparities in housing prices and the high transaction cost of selling and buying privately owned homes, people have less chance to move from less-developed regions to more-prosperous urban areas.

2. Housing market trends and housing regimes between 2000 and 2018

In terms of housing policy direction and changes, the past 18 years can be divided into three periods, after the housing market recovery in 2000. The different housing regime periods occurred under various macroeconomic conditions and housing policy programmes (*Figure 2*).

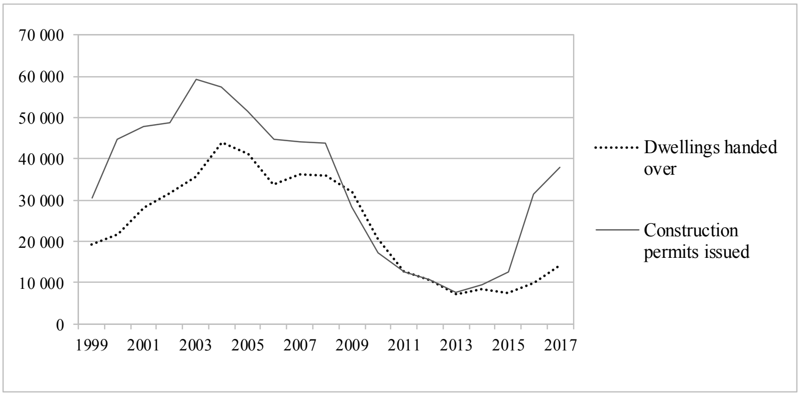
Figure 2 *Housing market trends (transactions, mortgage loans issued, and construction by entrepreneurs) 1999–2017*



Note: after the mandatory conversion of foreign exchange (FX) mortgage loans, the remaining outstanding FX mortgage portfolio accounted for 0.45 per cent of the mortgage stock.
Source: Hungarian National Bank.

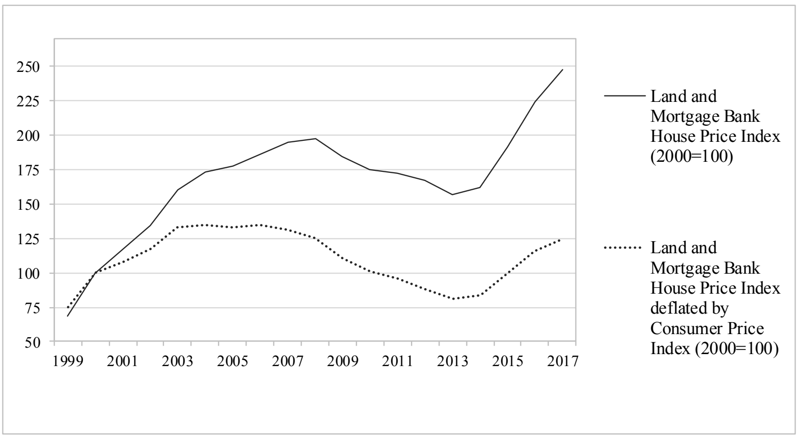
The first period was characterized by economic stabilization and house price increase, a rapid expansion of the mortgage market and a related growth in private sector housing construction. The second period began in 2008, when the impact of the global financial crisis reached Hungary; there followed six years of recession, modest economic development, and a decline in mortgage lending and construction. After 2015, the housing market stabilized, house prices began once again to increase, and households and developers revived their construction plans (although the sector's rigidity meant that actual construction remained at a low level, and the stock of outstanding loans continued to shrink, due to repayments) (*Table 2*).

Figure 3 *Construction permits issued and dwellings handed over, 1999–2017*



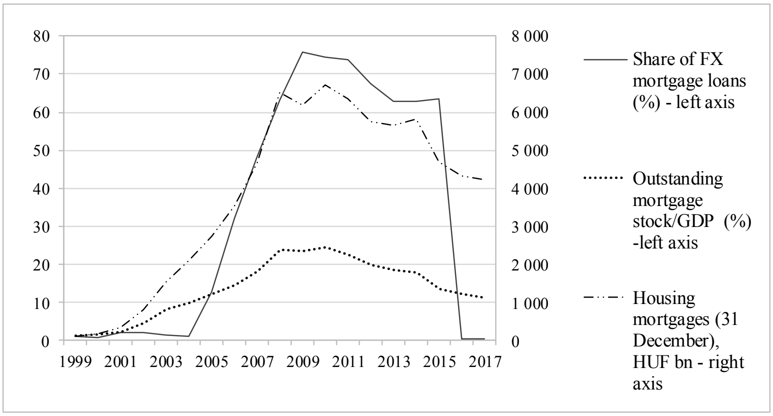
Source: Hungarian Central Statistical Office.

Figure 4 *House price change, 1999–2017*



Source: Hungarian Central Statistical Office.

Figure 5 *The stock of outstanding mortgage loans and the FX loan portfolio, 1999–2017*



Source: FHB House Price Index.

Table 2 *Indicators of housing regimes, 2000–17*

Period	Number of house sales (per annum)*	N of dwell-ings put to use (per an-num)	N of new construc-tion per-mits issued (per an-num)	House price change (%)**	Change in outstanding mortgage stock (bil-lion HUF)	Housing mortgage loans granted*** (billion HUF)
2000–08	200,056	34,198	49,166	48	6,380	624
2009–15	99,635	14,185	14,075	-21	-1,816	247
2016–17	140,259	12,192	34,778	25	-467	560

* New and existing dwellings.
** Changes between the beginning and end of multi-year period.
*** Housing mortgage loans issued only include mortgage loans for a specified housing purpose.
Source: Hungarian Central Statistical Office, Hungarian National Bank.

3. Upturn in housing investment, 2000–08

After the year 2000, housing investments began to increase thanks to an upturn in house prices two years previously, economic stabilization and the expansion of housing subsidies. At this point, the housing market took off. From the late 1990s, the number of housing market transactions began to grow: between

1999 and 2003, the number of dwellings sold doubled. In that same period, the number of newly constructed dwellings also doubled; and in 2004 more than 40,000 new units were built in a single year – a target considered necessary by policy makers (Farkas et al., 2004). In a novel development, there was an upsurge in construction by entrepreneurs: by 2004, one third of new dwellings were commissioned by real estate developers; and this figure reached one half by 2008. This housing market upsurge was clearly fuelled by disproportionately large loan subsidies, as a consequence of which the stock of outstanding mortgage loans grew eight-fold between 2000 and 2003 – from HUF 192 billion to HUF 1,548 billion. The generous subsidies were unsustainable, however, and were gradually phased out from 2003. Housing mortgage subsidies between 2000 and 2003 were highly regressive, and thus had a questionable social impact: 60 per cent of available subsidies went to the top income quintile, whereas the bottom 60 per cent of house-holds accessed only 20 per cent of the subsidies (Hegedüs and Somogyi, 2004; Hegedüs, 2006).

The drastic cut in housing subsidies only slowed down the market expansion temporarily. From 2005 onward, the number of market transactions was again on the rise, prompting upturns in construction and mortgage lending. The new market surge was fuelled by the introduction of foreign ex-change (FX) denominated mortgage loans; by 2006, these accounted for a third of the rapidly growing mortgage stock – and by 2008 for nearly two thirds. After their initially cautious approach, lending institutions entered into a sort of risk competition: underwriting procedures were significantly relaxed, and the outstanding mortgage stock increased more rapidly even than in the period prior to 2003 (Király and Nagy, 2008). The outstanding mortgage stock increased steeply to reach HUF 6,500 billion by 2008. Yet housing investment spending was lower than might have been expected from this level of increase, suggesting that a significant proportion of mortgage loans was used for purposes other than housing – such as business financing or personal consumption.

4. The global financial crisis in Hungary (2009–14)

When the global financial crisis struck, the housing market and mortgage lending virtually collapsed. Real house prices plummeted and by 2010 had sunk to below the 2000 level. The same trend was visible for new construction and housing market transactions (Székely, 2011). A rapid decline in employment and a fall in household incomes led to a steep rise in mortgage arrears: the share of non-performing loans rose from 3.6 per cent in 2008 to 20 per cent by 2014 (HNB, 2018). The emerging mortgage market crisis hit those people with FX-denominated mortgages particularly hard.

Housing subsidies were suspended in the aftermath of the crisis. The government coalition of the Hungarian Socialist Party and the Alliance of Free Democrats initiated programmes to manage the increasing crisis of people defaulting on their mortgages, but these measures were small in scale and largely ineffective. The second Fidesz government, from 2010 onward, launched several initiatives to bolster the situation of mortgage-indebted families. The most significant of these was the Early Repayment Scheme, which allowed a lump sum prepayment of FX-denominated mortgage loans at reduced FX rates between September 2011 and February 2012. Outstanding mortgage loans to the tune of HUF 984 billion were repaid under the scheme (calculated at a discount exchange rate of HUF 180 to the Swiss franc); 70 per cent of this sum was covered by household savings. The scheme involved 170,000 contracts, or 15–20 per cent of families with a mortgage. The scheme, however, only offered substantial help to higher-status social groups. Lower-income or unemployed debtors could join a programme run by the National Asset Management Company (NAMC), where-by the state (via the NAMC) purchased the mortgaged property of distressed borrowers, who could then stay on in the house as tenants at a preferential rent level. Approximately 35,000 dwellings were transferred into state owner-ship through the NAMC. Intermediate-income groups, which did not have sufficient savings to join the Early Repayment Scheme and did not meet the NAMC's strict criteria, received no effective government help; consequently, many faced – and indeed still do face – the threat of foreclosure.

We reckon that 20–25 per cent of mortgage holders lost their homes in 2009 – that is, they left their property either in the wake of foreclosure or voluntarily (before foreclosure). These households had no choice but to move to lower-status housing. According to the Hungarian Central Statistical Office's (HCSO) 2015 housing survey, 32 per cent of households in Hungary were still struggling with 'housing affordability problems' (Hegedüs and Somogyi, 2018). This just goes to show the overall severity of the problem.[3]

[3] The cited report defined a 'housing affordability problem' as either housing costs that are disproportionately high in relation to income; substandard housing; or insufficient disposable household income after paying for housing costs.

5. Signs of housing market recovery (after 2015)

The economy stabilized after 2013, thanks to the utilization of EU subsidies and economic reserves (including private pension funds, the centralization of public utility companies and delays to state investments); a significant share of the financial burden stemming from the crisis was also transferred onto foreign-owned companies through the tax system. Thanks in large part to EU subsidies, economic consolidation was largely achieved by 2015: unemployment was declining, incomes were beginning to recover, and housing investments had re-emerged from their post-crisis low, with the gradual expansion of mortgage lending supported by low interest rates. The government reintroduced housing support programmes to facilitate home ownership and benefit the middle class.

Construction permits (requested and issued) rose from 9,000 in 2014 to 38,000 in 2017. Real house prices increased by 25 per cent between 2015 and 2017. The number of mortgage loans issued reached 100,000 by 2017 (the same level as in 2001/02). And the value of the outstanding mortgage stock had reached HUF 640 billion by 2017. Nonetheless, debt repayment ensures that the share of the total outstanding mortgage stock remains low as a proportion of GDP (the lowest among the four Visegrád countries). In the meantime, the constant rise in house prices and rents means that the issue of housing affordability is becoming increasingly acute for low-income groups and young households with limited family support.

6. The housing market position of selected social groups in 2003 and 2015[4]

Socio-economic changes and housing market trends have modified the position of various social groups in different ways in the housing system. Based on the HCSO's 2003 and 2015 housing surveys, we defined four status groups, with middle-class pensioners as an additional, fifth group (see *Table 3* for the five groups). We maintain that socio-economic position is clearly reflected in the housing system, which supports the claim (already verified by research) that neither the welfare system nor the housing subsidy system is able to effectively compensate for differences in labour market status, and thus for differences in income.

[4] We hereby express our gratitude to Mrs Gábor Székely (HCSO) for her professional support, and particularly for providing input to this section of our study.

The lowest (marginalized) group and the high social-status group both represent 10–15 per cent of households, but there are significant differences between these two groups: the value of dwellings owned by persons with high socio-economic status is 2–3 times greater; meanwhile members of the lowest-status (marginalized) group are 4–6 times more likely to live in an overcrowded dwelling, and are seven times more likely to be in arrears with their housing-related expenses. The housing market position of households in the low-status, economically active group is closer to that of the marginalized group than it is to medium-status households. The two lower strata together account for a third of all households. Middle-class pensioners are located somewhere between the lower categories and the economically active, medium-status group, although the incidence of arrears among pensioners is lower.

Table 3 *Change in the housing situation of selected socio-economic status groups between 2003 and 2015*

	Year	High	Middle	Active, low	Pensioner, middle	Low (marginalized)	Total (average)
		status group					
Estimated value of property (HUF, million)	2003	14.7	11.3	8.3	8.3	6.2	9.3
	2015	18.5	14.3	9.5	10.8	8.1	11.9
Share of overcrowded dwellings (%)	2003	2.2	6.3	12.5	2.1	7.9	6.5
	2015	2.5	5.2	11.5	2.4	15.9	6.9
Share of substandard dwellings (%)	2003	3.6	7.0	13.6	14.8	28.7	14.1
	2015	2.5	3.4	10.9	6.8	21.0	8.2
Owner occupation rate (%)	2003	95.1	89.9	89.4	95.3	91.7	92.2
	2015	90.4	86.2	84.8	95.6	86.0	88.9
Changed dwellings in the past 5 years	2003	28.5	34.0	29.9	8.8	16.6	22.6
	2015	20.2	32.3	20.5	5.3	15.4	17.2
Average income (HUF 1,000/month)	2003	170.9	143.0	121.5	80.7	71.1	112.4
	2015	300.7	244.8	215.4	170.4	128.2	210.4
Housing expenses to income ratio (%)	2003	26.7	28.6	27.7	31.2	31.7	29.4
	2015	17.1	20.6	21.2	23.0	30.3	22.1
Share of households with housing arrears (%)	2003*	–	–	–	–	–	–
	2015	4.6	11.1	20.1	7.5	31.7	14.7
Share of households with a mortgage (%)	2003*	–	–	–	–	–	–
	2015	19.0	26.3	24.5	6.3	12.2	17.9
Share of households (%)	2003	13.3	18.4	24.5	25.6	18.2	100.0
	2015	12.3	24.0	24.9	27.0	11.9	100.0

*No comparable data for 2003.

Source: HCSO housing conditions surveys 2003 and 2015.

The data demonstrate clearly that differences in the housing market positions of the lower- and high-status groups increased between 2003 and 2015. In the meantime, the low-status, economically active group continued to approach the marginalized, lowest-status population.[5] The average estimated market value of dwellings was closer in 2015 for the two lowest socio-economic categories; and the high share (20 per cent) of arrears in the low-status, active group also points to this trend. The housing position of pension recipients improved during the time interval studied, while the relative position of the medium-status group remained largely stable.

The share of home ownership shows no significant variation across the different status groups; the main differences only become visible across generations. The share of market rental housing increased after the 2008 financial crisis, partly because younger persons had fewer opportunities to purchase housing, but also because higher-income groups increased their real estate investments. Privately rented housing is an important step in the housing mobility patterns of young persons – in 2017, 17–20 per cent of urban residents aged 23–29 lived in private rental housing[6] – but also in the housing opportunities of low-income, marginalized groups with no chance of purchasing their own property. The 2015 survey found that 10 per cent of households in the lowest income decile lived in private rental housing, and 8 per cent in municipal (social) rentals (Dóra and Székely, 2016).

Families in municipally owned rental housing are one of the highest-risk groups, due to the internal inconsistencies of the housing system: 38 per cent of municipal tenants are in arrears, and 1,000 families have been evicted annually from municipal rental dwellings over the past five years (Dóra, 2018).

Survey data from 2015 prove our earlier claims that low-income groups could previously access mortgage loans: lower-status, economically active groups took on loans more frequently than high-status households. Moreover, 12 per cent of households in the marginalized group took on mortgage loans. This further underlines the fact that affordability problems are gravest for families with an existing mortgage or who are living in municipal rental housing (Hegedüs and Somogyi, 2018).

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[5] This comparison is used solely to assess the relative position of status groups; their absolute position cannot be estimated on the basis of the survey data.

[6] The HCSO's 2000 and 2008 Youth Statistics survey found that 9–10 per cent of this age group reside in private rental dwellings (free or discounted accommodation and the halls of residence of educational institutions are also defined as forms of rental housing); a 2017 survey found this rate to be around 20 per cent, although this is representative only of Budapest and its outlying region.

7. Conclusion

Signs of economic recovery after the 2008 crisis have appeared in housing market trends, some elements of which are eerily similar to those in the period between 2000 and 2008: the housing market is gradually picking up; indebtedness is rising; and mortgage lending is again becoming the driving force of economic growth. Just as 20 years ago, the upturn is accompanied by moves to manage the debts of the previous period's 'casualties' (Kőnig, 2006); housing poverty is clear for all to see, and the number of foreclosures and evictions is soaring. But house price increases have not been preceded by an expansion of mortgage lending. We presume that the rise in residential real estate prices is rooted in households' portfolio decisions, the change in which is linked to the crisis of investment companies, the decreasing trend to move savings to foreign accounts, and investments from income earned from work abroad. Investment purchases rose from 20–25 per cent to 40 per cent of the Budapest housing market from 2012 to 2015, and the number of housing market transactions also increased by 30–40 per cent (HNB, 2018). Apart from the price hike, housing policy measures (VAT discount, the announcement and launch of the Family Housing Support Programme and the National Housing Funding Community) have also stimulated investment, which is reflected in the rising number of construction permit requests (sur-passing 30,000 in 2016 – comparable to the 1999 level); mortgage lending is also on the rise, reaching a scale comparable to the first half of the 2000s. Just as between 2000 and 2002, the upturn is driven by the expansion of housing subsidies. One key difference is that the Family Housing Support Programme and the VAT discount are one-off, lump sum obligations by the state, rather than a long-term financial commitment (as with the interest rate subsidies of the early 2000s). Family Housing Support has been requested by approximately 35,000 households; its average value is HUF 2.5 million, and the total subsidy disbursed amounts to HUF 87 billion. Some 70 per cent of the subsidy has been used for new construction, and 30 per cent for existing housing (HNB, 2018). Construction capacities contracted in the post-crisis phase of the economic cycle, and the slow recovery of the construction sector contrasts with the increased market demand, which further elevates the price of new dwellings. This price hike is curbing the effectiveness of housing subsidies: nominal house prices have increased by 30 per cent since 2015 – more than the average value of Family Housing Support in the case of an average dwelling.

Another similarity with the early 2000s is the reluctance of commercial banks and the HNB to open up lending to lower-income groups; they opt instead for a conservative approach, pegging the amount of the repayments to income, and steering borrowers toward longer-term fixed-interest deals. Competition and market demand may, however, override this approach.

The private rental market, on the other hand, differs from the early 2000s. The market rent level is estimated to have increased by 200 per cent between 2015 and 2018,[7] which has hit the younger demographic groups that would like to enter the housing market but do not have enough savings to access a mortgage loan. At the same time, investing in housing to let out privately is gaining ground as a portfolio decision for families with savings, despite the risks. The 'Airbnb phenomenon' has underpinned this trend, offering high-potential returns on a high-risk level. On the demand side, even middle-income households are forced to cut back on their housing consumption (single persons, for instance, often club together to rent something, in order to curb costs; nevertheless, they can still end up spending 25–35 per cent of their income on housing). A market in substandard dwellings is emerging in peripheral areas, offering affordable rentals for even people on the lowest incomes. This reinforces the ongoing trend toward the marginalization of the poor; but the private rental market is just one channel, since the purchase of substandard housing also follows this trend. Finally, the destitute must rely on the shrinking social rental sector. This consists of roughly 155,000 dwellings, of which 120,000 are owned by municipalities and 35,000 were recently acquired by the state and are now managed by the National Asset Management Company.

Housing policy continues, therefore, to reinforce social polarization. Some 90 per cent of housing subsidies target new construction, where income selection is paramount. The lowest-income households, with no family support, face severe affordability problems and opt for unacceptably low-quality housing. This presents a serious risk for poor and marginalized groups. Housing policy recommendations suited to the needs of the lowest-income strata and the lower-middle class at risk of impoverishment have received no political support in housing programmes since 2015.

[7] The private rental sector remains to this day a 'no-go zone' for sociologists: reliable information is unavailable about the sector's size or rent levels. Real estate agencies have a relatively broad overview of the market, but this too is often limited to recent rent levels and dwellings newly entering the market; as to realistic price levels, we have still to rely on estimates.

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