

# HUNGARY

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**Table 1: Ownership structure of dwellings, Hungary (2022)**

Ownership type	Number of dwellings	Percentage
Property of a private individual	4,402,536	96.1%
Property of the municipal government	110,033	2.4%
Property of another institution/organisation	67,969	1.5%
Total	4,580,538	

Source: 2022 Census. Note: figures include both occupied and unoccupied dwellings

**Table 2: Distribution of households by housing tenure status**

Distribution of households by housing tenure status	Percentage
Owner-occupied	89.3%
- Of which: Homeowners, and the property is mortgage-free	78.8%
- Of which: Homeowners, and the property is mortgaged	10.5%
Rented apartment – tenants paying market price	4.5%
Rented apartment – tenants paying below market price	3.1%
Apartment occupied by individuals with permission (not paying rent)	3.1%

Source: Central Statistical Office (SCO), figures for 2022.

### Brief historical overview

Before the 1990s, Hungary's social housing system was shaped by the 'Eastern European Housing Model' (EEHM), and functioned as part of the socialist welfare system. The state played a dominant role, controlling housing allocation, financing, and construction, with a significant portion of the housing stock under municipal ownership.<sup>1</sup>

The system had a dual structure: a state-controlled sector, which included council housing and state-built owner-occupied housing, and a nominally 'private' sector influenced by income and social networks, but which was still constrained by central planning.<sup>2</sup>

While early privatisation efforts began in the 1980s, it was following the regime change in 1990 that large-scale housing privatisation drastically reduced the size of the social rental

sector. It fell from 19% in 1990 to 2.4% in 2022 (i.e., the remaining stock of municipally-owned homes).<sup>3</sup> Publicly-owned housing was sold to sitting tenants who could afford it, leaving low-income households as the dominant group in what remained of the sector. This process reinforced the residualisation of social rental housing in Hungary, as it became a last-resort option for those unable to afford homeownership.<sup>4</sup>

During the early 2000s, homeownership was strongly favoured through government subsidies and tax incentives, further weakening the overall rental sector. A short-lived rental sector programme between 2000 and 2004 temporarily slowed this decline, but its impact was still limited.<sup>5</sup>

The global financial crisis of 2008 and subsequent mortgage rescue programmes

<sup>1</sup> Hegedüs, J. (2023). Housing and welfare in Central East Europe – the case of Hungary in Grandner, M. & Stephens, M. (eds.). *The Routledge Handbook of Housing and Welfare*. London: Routledge, 2023

<sup>2</sup> *Ibid.*

<sup>3</sup> 1990 Census and 2022 Census, available at: [https://www.ksh.hu/nepszamlalas/tablak\\_lakas](https://www.ksh.hu/nepszamlalas/tablak_lakas)

<sup>4</sup> Hegedüs J. (2013). Hungary: Ideas and plans without political will. In: Hegedüs; Lux; Teller (eds.): *Social Housing in Transition Countries*. New York: Routledge.

<sup>5</sup> *Ibid.*

forced many low-income households into rental housing, increasing demand in both the social and private rental sectors. However, no significant efforts were made to expand social rental housing, and municipal programmes remained limited.<sup>67</sup>

Since 2016, Hungary has experienced a housing boom, but without any programmes to support municipalities<sup>8</sup> the gap between homeownership and the rental sector has continued to widen. Key drivers of this trend include continuous privatisation, homeownership-focused subsidies, and tax incentives that discouraged the expansion of the rental market.

### What is meant by social housing?

Hungary does not have a legally defined concept of social housing or affordable housing. However, public housing programmes are primarily aimed at supporting lower-income families who would struggle to secure housing without financial assistance. While there is no official definition, municipal housing strategies increasingly use the concept of affordable housing as a guiding principle.<sup>9</sup>

Most public rental housing is owned by municipalities. The foundational 'Housing Act' distinguishes between three types of public housing according to the way the rent is determined: social, cost-based and market-based (not to be confused with actual market rents, which are significantly higher).<sup>10</sup>

In addition to municipalities, there are state- or municipally-owned organisations (companies, social organisations, etc.) and NGOs (e.g., religious organisations, social institutions) that

have a few below-market rented housing units. These, however, are not regulated by the Housing Act, but rather by the Civil Code and the Commercial Code.<sup>11</sup>

One example of an NGO providing social housing is ULE ("From Street to Home Association"), which mostly focuses on housing solutions for homeless individuals.<sup>12</sup>

Another notable organisation is the MR Community Housing Fund,<sup>13</sup> which was established to manage social rental housing at a national level (approx. 6,000 dwellings). It inherited its rental apartments from the NET (National Asset Management Company), which was established after the 2008 global financial crisis to support the most socially vulnerable mortgage debtors who were unable to meet their payment obligations.

Under certain conditions, NET purchased the debtor's residential property while allowing them to remain in the home as a tenant.<sup>14</sup> As such, MR now rents homes on 'social' terms, primarily to low-income households who had found themselves in mortgage distress.

### Financing and supports

The financing of social housing in Hungary is primarily reliant on municipal budgets, as there are currently no national government subsidies. Municipalities fund small-scale social housing investments and "low rent" schemes through their own resources, often supplemented by revenue from the sale of existing municipal properties or land.

Moreover, there are no specific supply-side subsidies for social rental housing at either the

<sup>6</sup> Ibid.

<sup>7</sup> Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025). National Report for Hungary; TENLAW: Tenancy Law and Housing Policy in Multi-level Europe.

<sup>8</sup> Hegedüs, J. (2023)

<sup>9</sup> Rosenfeld, O. (2017). Analysis of interpretations of the term affordable housing in the EU Urban Agenda Partnership for Housing, briefing note for DG REGIO and the EU Urban Agenda Partnership for Housing

<sup>10</sup> Act LXXVIII of 1993 on certain rules relating to the rental of apartments and premises and their alienation. Available at:

<https://net.jogtar.hu/jogszabaly?docid=99300078.tv>

<sup>11</sup> Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025).

<sup>12</sup> Utcáról Lakásba Egyesület. (2025). About Us. Available at: <https://utcarollakasba.hu/about-us/>

<sup>13</sup> MR Community Housing Fund. (2025). Available at: <https://mrkl.hu>

<sup>14</sup> Hungarian National Bank. (2012). Operation and Tasks of the National Asset Management Company. Available at:

<https://www.mnb.hu/fogyasztovedelem/sajtoszoba/a-nemzeti-eszkozkezo-tarsasag-mukodese-feladatai>

national or municipal level. As a result, providers of non-market dwellings must rely on alternative funding sources. Some non-governmental organisations play a role in financing social housing initiatives, though their contributions remain limited in scale.<sup>15</sup>

There was, however, a notable grant programme between 2000 and 2004, supporting public rental housing, energy-efficient renovations, rehabilitation and land development. The programme prioritised public rental housing, offering grants covering up to 75% of investment costs for social and cost-based rentals, young family housing, and retirement homes.

Demand for the programme exceeded available funding. However, the initiative had drawbacks, including high costs per unit, discretionary allocation of tenancies, and continued privatisation, which reduced the overall municipal housing stock. In 2004, due to fiscal constraints, the Government halted the programme.<sup>16</sup>

As one alternative, the Government proposed a rent allowance system, aiming to involve private landlords. The plan failed, though, as landlords would have had to register with tax authorities,<sup>17</sup> and the income cap for eligibility was too low, preventing participation.<sup>18</sup>

Currently, Hungary does not provide national demand-side subsidies, such as housing allowances, to support social rental housing. However, certain municipal and state institution programmes still offer limited assistance, and non-governmental organisations involved in homelessness programmes implement small-scale demand-side subsidies.

The regulation of social housing finance falls under both national and municipal governments. While municipalities have some autonomy in managing their social housing stock, the national government oversees the broader framework within which local fiscal policies operate. The

lack of dedicated financial support significantly constrains the expansion of social housing, leaving municipalities and non-governmental institutions to manage the sector with very limited resources.<sup>19</sup>

With no central budget support for maintaining and developing municipal rental stock, many local governments sought to privatise social housing rather than assume the on-going financial burden. While some municipalities introduced targeted rental subsidies, social housing remains severely inadequate overall.

### Accessing social housing

The 1993 Housing Law and its subsequent amendments form the key legal foundation for Hungary's social housing system. In 1990, the public housing stock managed by local councils was transferred to municipal ownership. While most municipalities supported privatisation, the 1993 Housing Law granted sitting tenants the right to purchase their homes, obligating municipalities to sell if a tenant wished to buy.

This right remained in effect until 1995, though tenants retained a pre-emption right until 2000, preventing municipalities from selling the property to a third party without the tenant's consent.

Even after 2000, privatisation continued, as municipalities sought to offload social housing stock due to the financial strain of maintenance. Between 1990 and 2011, 95% of the public housing stock was privatised.<sup>20</sup>

Under the Housing Law, municipalities have the right to set rental rates. Decision-making regarding rent levels, tenancy allocations, and housing rehabilitation falls under the jurisdiction of municipal social or housing committees, often in collaboration with relevant municipal departments. Technical management, on the other hand, such as rent collection and arrears handling, is often outsourced to specialised

<sup>15</sup> Hegedüs J. (2013); Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025)

<sup>16</sup> Hegedüs J. (2013)

<sup>17</sup> Note that Hungary has a large 'shadow' rental sector, where landlords do not officially register their rental properties with local authorities

<sup>18</sup> Hegedüs J. (2013)

<sup>19</sup> Hegedüs J. (2013); Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025)

<sup>20</sup> Hegedüs, J. (2023); Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025)

companies. In smaller municipalities with fewer housing units, a single department may handle all these tasks, while in other cases, service provision is contracted out to municipality-owned asset management companies. These two entities can also share the responsibilities.<sup>21</sup>

Municipalities use different methods to allocate social housing, with the two most common being waiting lists and individual tenders for new or vacant units. Local authorities are free to set their own income thresholds. While some municipalities set it as a multiple of the 'social reference base' (for example, in Budapest District XXII, the per capita income threshold is 550% of the 'social reference base', approximately €390<sup>22</sup>), others use a maximum equivalised income (in Budapest District VIII, the maximum net equivalised income is approximately €750<sup>23</sup>), among other methods. Although income eligibility is a primary factor, additional criteria—such as lack of private property ownership or a minimum residency period in the municipality—also play a role.<sup>24</sup>

In most municipalities, rent is set individually for each apartment based on local regulations, which typically include adjustment factors considering the unit's condition, location within the building, and available amenities. Public housing rents remain significantly lower than those in the private sector, though the extent of this difference varies by municipality.<sup>25</sup>

### Service delivery

The main providers of social housing are municipal governments who are responsible for owning and managing the social housing stock;

going some way to supporting low-income households to access affordable rental options.

Non-profit organisations also play a limited role in providing social housing. Institutions such as the non-profit ULE ("From Street to Home" Association), the Baptist Church, and the Hungarian Charity Service of the Order of Malta contribute by offering housing assistance and temporary shelter solutions, but they do not own or develop large-scale social housing projects.<sup>26</sup>

Unlike in some other European countries, private sector institutions are not active in social housing provision in Hungary. The production of social housing—through construction or conversion—is typically carried out by municipalities, who act as developers. Municipalities issue tenders for private construction companies to build social housing units, but large-scale projects remain rare.

While there have been some efforts to involve large factories and institutions in financing and investing in social housing—such as in the case of the 80 rental dwellings built as part of the 'Social Programme for the Construction of Family Houses' in 2013 in Ócsa for families that lost their homes in the currency crisis<sup>27</sup>—examples of similar initiatives are very scarce.<sup>28</sup>

From 2000 to 2004, a total of 8,900 rental units and 3,900 special accommodation units were developed, with an overall investment of 60 billion HUF (around €237 million).<sup>29</sup> Municipalities are currently building very few new apartments—since 2010, an average of only around 100 new dwellings have been constructed per year nationwide.<sup>30</sup>

Therefore, new social housing construction is rare and typically takes place on land already

<sup>21</sup> Hegedüs J. (2013); Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025)

<sup>22</sup> Utcajogász. (2025). Fővárosi Lakáspályázatok (március). Available at: <https://www.utcajogasz.hu/hirek/g2t7e4gv6i66dtlghscl4l2cvj1yr4-cdp8n-scw43-e298g-j82wb-byrd6-ky9jz-lzfzk-wte4y-efckr-hc26g-yvkwkwh-7w42l-fafkt-qx9r9>

<sup>23</sup> Ibid.

<sup>24</sup> Hegedüs J. (2013)

<sup>25</sup> Ibid.

<sup>26</sup> Hegedüs, J. (2023); Hegedüs J. (2013); Hegedüs, J., Horváth, V., Teller, N., & Tosics, N. (2014; 2025)

<sup>27</sup> Hegedüs, J., Horváth, V., Kullmann, Á., Somogyi, E., Teller, N., Csizmady, A., Horváth, Á., Székely, G. (2016). Bér lakás Konceptió. Budapest Fővárosi Önkormányzat.

<sup>28</sup> Based on municipal projects and an internal deliverable as part of the ReHousIn project (<https://rehousing.eu>).

<sup>29</sup> Hegedüs J. (2013)

<sup>30</sup> Central Statistical Office. (2024). 18.1.1.9. Lakásépítés, üdülőépítés, lakásmegszűnés.

owned by municipalities, as they cannot afford to acquire new land at market prices.

While municipalities are also working to improve their existing housing stock, unfortunately, in some cases they must sell public property or land to finance refurbishments and new developments, which contributes to a continued net decline in the size of the municipal housing stock.

### Integration with social policy

Municipalities can establish debt management services to support tenants, particularly those in municipal housing, who are at risk of losing their homes due to financial difficulties. By targeting the most vulnerable groups, these programmes aim to prevent eviction and housing loss. Tenants with significant arrears are required to

cooperate with debt management services, which also assist in improving their employment situation. While employment-related support is financed at the national level (unemployment benefits, etc.) local governments cover housing-related expenses (many municipalities also operate job-seekers' supports).<sup>31</sup>

Additionally, EU-funded area-based programmes focus on revitalising deteriorated neighbourhoods and segregated areas. These initiatives attempt to integrate social housing policies with affordability improvements, employment opportunities, and housing renovations. However, their impact has often been limited, highlighting the challenges of effectively combining social housing with broader social and economic policies.<sup>32</sup>

#### CASE STUDY / KEY POLICY FEATURE

##### Example of good practice<sup>33</sup>: *Budapest VIII. District Municipality (Józsefváros) Housing Policy*

Józsefváros owns a significant (by Hungarian standards) housing stock of approximately 4,100 flats; many of which are in poor condition and require substantial renovation or even demolition. The municipality's primary housing policy objectives are to improve the living conditions of residents in municipal rental housing, reduce the number of vacant properties, and reverse the long-term deterioration of its building stock. A core principle of the municipality's rental housing development programme is to dedicate a significant portion of the revenue generated from the sale of any part of its rental housing assets, including land from demolished buildings, towards the development of new and existing rental properties.

The municipality operates a two-tiered system of rent: market-based and non-market-based. The non-market category includes "cost-based" rents and "social rents"; the latter being determined based on the tenant's financial circumstances. Market-rent flats (which are still below real market rents) are managed by the Józsefváros Social Rental Agency, also operated by the Municipality. Non-market rent flats are managed by the Józsefvárosi Gazdasági Központ (JGK) under a public service agreement with the municipality. Strategic decisions regarding property management, such as setting rent levels and selecting tenants, are made by the municipality's Property Management Office and a relevant committee.

The target group for municipal housing is diverse, with a primary focus on low-income and disadvantaged families. This includes individuals and families in housing crisis, building caretakers, public sector employees, and homeless individuals. Tenant selection for these

<sup>31</sup> Current research at MRI

<sup>32</sup> Teller, N. et al. (2022). Evaluation Summary Report: Evaluation of the effectiveness of social settlement rehabilitation. Szechenyi 2020 program.

<sup>33</sup> MR-MRI 2024, Background paper MR – MRI Housing policy seminar 2024 (Hegedüs, J., Kepes, K. and Örkény, B.)

properties is determined by a committee of the municipality through a competitive tender process, with the level of housing need being the primary evaluation criterion.

Households are eligible for social rent support depending on their income, which translates to a lower rent than the “cost-based” rate. The most financially vulnerable households pay just 15% of the cost-based rent. Furthermore, households can receive additional housing support to limit their housing expenditure to a specific portion of their income, with the municipality covering the difference up to a maximum of 50,000 HUF (around €120) per month. The municipality significantly subsidises rents, with cost-based and social rents being only around 15% of average market rates and approximately 50% of the municipality’s defined “market” rents.

Tenancy agreements offered by the municipality can be for an indefinite period, a fixed term (up to a maximum of 10 years, with the possibility of extension), or tied to the occurrence of a specific event. Deposit requirements vary depending on the type of lease; they are required for cost-based and market-based rents, but are waived for temporary accommodation and social rent tenants. The JGK is responsible for the maintenance of the buildings, and the management of any rent arrears.

## Conclusions

Hungary’s social housing sector has shrunk significantly since the transition from socialism, with privatisation and homeownership-focused policies limiting its role. Municipalities manage social housing with no national support, struggling to maintain and expand their stock. Józsefváros, for example, is trying to manage with its limited resources, reinvesting revenues from property sales into renovations and subsidised rents.

Efforts to better integrate social housing with broader social policy objectives, including debt management and employment support, have had limited impact. Without a more coordinated national approach and sustainable financial support, Hungary’s social housing sector will likely remain marginal, unable to meet the growing demand for affordable rental housing.