



Annual Report on Housing Poverty

2023

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Introduction

Dear reader!

Habitat for Humanity Hungary has been operating in Hungary since 1996. Our activities can be divided into three main groups:

- a) direct assistance – we support households throughout the country to improve their living conditions;
- b) advocacy work – research, analysis, studies and recommendations on housing and energy poverty; and
- c) improving public engagement for housing issues

As part of our advocacy work, since 2012 we are publishing our twelfth Annual Report on Housing Poverty in Hungary. This year's analysis looks at the impact of the energy crisis alongside national policies, the central budget and affordability.

Public policy changes in recent years have done little to address the specific situation of people living in housing poverty. National housing policy instruments still lack long-term planning and are not structured in a

coherent system. There continues to be a lack of predictable, means-tested housing renovation programmes to alleviate energy poverty and reduce housing poverty.

Subsidies designed to help people buy a home, such as the baby loan or the Family Housing Support Program (CSOK), are changing in a highly unpredictable manner. While the amount of subsidised loans available is increasing, it is available to fewer and fewer people - thus not helping to reduce housing poverty.

The government delegates the responsibility of solving the housing problems of people living in extreme poverty to church-run organizations and charities. However, due to the very limited resources available, this means very limited development opportunities: the poorest 300 settlements, with around 300,000 inhabitants, can apply for the construction or renovation of 2,000 properties under the FETE programme.

In recent years, the cost of housing has been on the rise, both for new and used property prices, as well as for rents. While residential utility prices have been suppressed by the government for a long time, the rules of the price regulation have also changed - therefore not only the cost of buying a home, but also the cost of maintaining it, is rising. All this, combined with falling real wages, is pushing wider and wider segments of society into housing poverty, even to the point of losing their homes.

The housing problems of refugees from Ukraine, or the housing conditions of migrant workers, are so far only discussed in press articles, not as part of government interventions.

We are trying to respond to the housing crisis outlined in the Housing Report through our local programmes, such as supporting the renovation of municipal rental housing and owner-occupied homes across the country; and by making the Rural Family Housing Support Program (CSOK)

available to families who would not be able to access this subsidy on their own. Our policy work is currently most effective at municipal level, and we hope to have an indirect impact on Hungarian policy by providing feedback to EU decision-making processes, supported by Habitat International's permanent representation in Brussels, established this year. In addition to this, we believe it is of the utmost importance to publicize housing issues and solutions.

We demonstrate the wide range of stakeholders who can be part of the change and the solutions of housing issues by engaging volunteers, sponsors and partners in our work and through our communication activities and events.

Our work is funded by a diverse range of donors and partnerships. Please support our work by making a donation or joining our renovation work as a volunteer!

We wish you good reading!

György Lukács, Advocacy Officer
Zsolt Szegfalvi, Executive Director

About the Authors



Katalin Ámon is a PhD student at the Central European University. Her research focuses on the co-constitutive relationship of housing and acts of citizenship in Hungary and Spain. Her past research experiences included studies on the criminalization of homelessness, women's homelessness, and housing affordability. She used to be a housing activist at the advocacy group „The city is for all”. She holds a Master's degree in International Relations from the Corvinus University of Budapest and a Master's degree in Gender Studies from the Central European University.



Márton Czirfusz is a geographer, a co-founder of Periféria Center, an external researcher at the Centre for Economic and Regional Studies, as well as a member of the Working Group for Public Sociology 'Helyzet'. His research focuses on the analysis of socio-spatial inequalities in Hungary, including housing policy and housing-related issues. He completed his undergraduate and doctoral studies at the Eötvös Loránd University in Budapest.



Nóra Feldmár is a policy and advocacy officer at Habitat for Humanity Hungary. Her focus is on energy poverty, including statistical analysis and research as well as practical field projects (e.g. biomass-based heating, energy efficiency). She holds a Master's degree in Industrial Ecology (MSc), a BSc in Product Design and a vocational qualification as a masonry heater builder.



Zsuzsanna Koritár is an energy efficiency expert at Habitat for Humanity Hungary. She has been working in the field of sustainable energy management for more than 20 years, with an increasing focus on energy efficiency in buildings and energy poverty. For several years she was the head of the Hungarian Energy Efficiency Institute. Her main focus has been on policy issues at national and EU level, providing analyses and proposals, but she also participates in field programmes to integrate practical experience into her professional work.



Márton Czirfusz

Government Policies and Budget Expenditures

Government Policies and Budget Expenditures

Márton Czirfusz

Periféria Policy and Research Center

Editing concluded on 2 September 2023.

Below is an excerpt, the full chapter can be downloaded at [this link](#) in Hungarian.

2022 was a turning point in housing sectoral policies, concluding the [fifth housing policy cycle since the regime change](#). **The general inflation, including the increase in household expenses for housing, more severely affected those living in housing poverty.** Public policy changes barely responded to the specific situation of those living in housing poverty. In 2023 and 2024, the government is significantly reducing support for middle-class housing.

In real terms, in 2022, budget expenditures under the title “Housing Subsidies” reached their highest value since the regime change – primarily due to record-high levels of requests for home renovation subsidy. The government will cut the expenditure maximum to the lowest point since the regime change in the coming years.

According to our summary, in 2024, the state’s budget expenditure for housing purposes will be HUF 1,363 billion at current prices. **The central government spends invisible amounts on socially targeted housing**

expenditures. In 2023 and 2024, two-thirds of housing expenditures are allocated to finance residential utility cost reduction, which is not a need-based targeted support.

Our most important suggestions for making housing policy socially just and reducing housing poverty are as follows:

- Housing policy should be based on a housing strategy developed with a situation analysis, wide-ranging social consultation, and the involvement of professional organisations, with transparent and regular monitoring. The primary goal of the strategy should be to mitigate housing poverty.
- A long-term, predictably operating housing support system is needed – the accessibility of housing policy tools should not be subordinated to short-term fiscal considerations.

- The proportion of need-based targeted tools must be significantly increased. This necessitates the transformation of utility cost reduction on a need basis, the expansion of access to current housing support tools, and the development of special programmes for the most needy.
- A comprehensive, long-term programme is needed to reduce energy poverty, focusing on the energy-efficient renovation of the housing stock.
- It is necessary to stop the state's withdrawal from socially targeted housing programmes and reverse the establishment of institutions parallel to the state. Local governments and their institutions, democratically elected, should be relied upon for the management of local housing supports and programmes, with secure financing from the central budget and in partnership with religious, charitable, and civil organisations.

1. Policy Changes

1.1. Transforming Family Policy Housing Supports

In 2022 and 2023, the government adjusted the conditions for the three major instruments of recent years: home renovation support, the Family Housing Benefit (CSOK), and the “baby expecting loan”, primarily for budgetary saving reasons.

- **Home renovation subsidy** was introduced by the government for the economic recovery after the coronavirus. Households with children could apply for this support in 2021 and 2022. [The programme resulted in renovations worth HUF 1775 billion, with HUF 770 billion](#)

[of state support on 380,000 properties. 43% of the investments included energy efficiency goals.](#) The support was not accessible for poorer households, even with the option of home renovation loans.

- The **baby expecting loan**, in its previous form, was available until December 31, 2023. From 2024, those under 30 can take out the loan with the previous conditions, with an increased amount of HUF 11 million. Those over 30 can still apply for support in the case of pregnancy until 31 December 2024, but not with a pre-committed child. [Only 11.9% of the applicants for the loan belong to the lowest income quintile.](#) The loan will become socially fairer from 2024 because fewer wealthier households will have access to it, and because the real value of state resources provided to the wealthier will decrease with the devaluation of the loan.
- The **Family Housing Benefit** (“CSOK”) introduced in 2015 will undergo significant changes from 2024. The support will be phased out in non-rural CSOK settlements, and the government has not yet proposed a new system for “urban” CSOK. The abolition of “urban” CSOK further increases the risk of territorial housing poverty, as it mobilises less wealthy applicants towards rural CSOK small settlements with lower property prices, where the accessibility of public services was already poor and has deteriorated in recent years. The state is simultaneously withdrawing from solving the affordability problems of urban housing.

1.2. Policy Changes in Home Loans

According to the data of the [MNB's May 2023 housing market report](#), the disbursement of **government and central bank subsidised housing loans** peaked in April 2022, with HUF 74.5 billion. The majority of this was accounted for by the Hungarian National Bank's Green Home Programme,

which closed in 2022. A total of HUF 85 billion was placed in 2021 and 2022 from the home renovation loan associated with the home renovation subsidy. The placement of subsidised CSOK loans decreased with the fall in CSOK applications and housing purchases. **A portion of those living in housing poverty do not have access to subsidised housing loans.**

The government extended the **interest rate freeze** affecting about 300,000 households until 31 December 2023. **The interest rate freeze is not socially just.** No government action has been taken to assess and comprehensively address the difficulties of households struggling with worsening affordability due to their household loans.

1.3. Changes Related to Utility Costs Reduction

The government reformed the utility cost reduction system in the summer of 2022, and these rules remain valid until the end of 2023, with minor modifications. According to analyses by [Habitat for Humanity Hungary](#), **the reform of the utility cost reduction system in 2022 worsened the affordability of energy costs among poorer households.**

Preserving the utility cost reduction system played a defining role in governmental disputes with the European Union in 2023. The European Commission in its country-specific recommendations suggested phasing out measures that support household energy costs without targeting.

Government plans related to energy policy [lack long-term perspectives and targeting of those living in energy poverty](#).

1.4. Charitable Organisations' Housing Programmes Funded by the State

The government increasingly outsources the assistance of those living in housing poverty to church and charitable actors.

Significant in reducing housing poverty and larger in scale than similar programmes in previous years is the [housing component](#) of the **Catching-Up Settlements** programme, to be implemented between 2022 and 2026. Within the framework of the programme, a social rental housing stock of 2000 units and solar power capacity to assist those living in energy poverty are being developed, geographically dispersed across the country's poorest municipalities, coordinated by the Hungarian Charity Service of the Order of Malta. The programme is implemented with European Union financing from the Recovery and Resilience Facility.

The former housing stock of the National Asset Management Programme, along with its tenants, was transferred to the ownership of **MR Közösségi Lakásalap Nonprofit Kft.** [MR Community Housing Fund Nonprofit Ltd.] on 1 January 2022. By the end of the year, the company, which is owned by two charitable organisations, managed properties worth HUF 16.1 billion. In 2023, the MR Community Housing Fund continued property sales and announced housing tenders for wealthier households. The company also undertakes additional tasks, such as managing and debt collecting for properties purchased in instalments by former asset management tenants and [addressing the housing needs of those affected by the June 2023 mudslide in Recsk](#).

1.5. Migrant Workers as a Growing Group Among Those Living in Housing Poverty

Due to labour shortages in Hungary, more and more third-country nationals have been arriving in recent years. [In 2022, 81,000 foreign nationals lived in Hungary](#), most of whom were employed by temporary staffing agencies. A portion of these workers is also **vulnerable in terms of housing**. Due to anti-migrant sentiment, the accommodation of foreigners is likely to increasingly occur away from settlements and local services, **exposing migrant workers to the risk of territorial housing poverty**.

1.6. Housing for Refugees from Ukraine

Based on [data from UNHCR](#), between 24 February 2022, and 27 August 2023, Hungary registered 52.3 thousand refugees from Ukraine. This figure does not include those who arrived before 24 February 2022, nor Ukrainian-Hungarian dual citizens. In the [UNHCR's questionnaire survey](#), **one-fifth of the refugees stated that their most urgent need was related to housing**.

The Hungarian state barely participates in providing housing for refugees. Organisations providing services for refugees **mainly offer short or medium-term housing solutions**, with some refugees facing the risk of eviction or inadequate living conditions. The task for 2023 and 2024 is to shift towards long-term housing solutions. [Habitat for Humanity Hungary also participated in assisting refugees](#), operating a solidarity housing offer and rent support programme in cooperation with the From Streets to Homes Association, and supporting five partner organisations with in-kind donations, thereby improving the housing conditions of refugees accommodated by them.

2. Budget Expenditures

The budget planning for housing policy became even less transparent in the past year than it had been before. In the last days of 2022, the Government bypassed the Parliament, rewriting the 2023 budget adopted in the summer of 2022, which was later approved retrospectively by the Parliament. The Government did not rewrite the chapter volumes containing detailed justifications of the budget, so, for example, the updated allocations for 2023 housing policy tools are unknown. The 2024 budget was adopted by the Parliament in July 2023.

2.1. Expenditures Under the “Housing Subsidies” Budget Title

The “Housing Subsidies” budget title includes most expenditures belonging to the Government’s key housing policy tools. In 2022, expenditures of HUF 635.3 billion at current prices were accounted for on this budget line. **In real terms, in 2022, expenditures under the “Housing Subsidies” budget title reached the highest value since the regime change, primarily due to the uptake of home renovation support.** According to the budget’s projections, the government will cut the expenditure maximum to the post-regime change low point in the coming years.

2.2. Detailed Data on Housing-Related Expenditures

Summarising housing-related budget expenditures was more difficult than in previous years due to the opacity and uncertainty of budget planning and significant modifications to the tools. It remains unchanged that **the central government essentially does not spend on socially targeted housing-related expenditures**. In 2023, primarily due to expenditures for utility costs reduction, housing-related budget expenditures will reach heights not seen since the years of regime change.

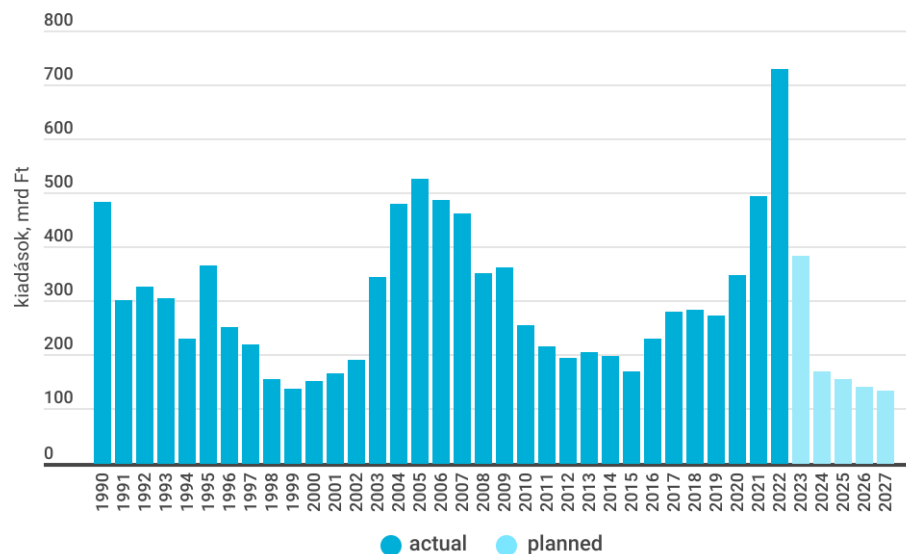


Figure 1.: Public spending under the budget heading 'Housing subsidies'
(HUF billion, at 2023 prices, 1990–2027)

sources: final accounts and budget proposals, Ministry of Finance: [2022 preliminary accounts](#),
Hungarian Central Statistical Office: [Consumer price index](#)

Data used are publicly available at [this link](#)

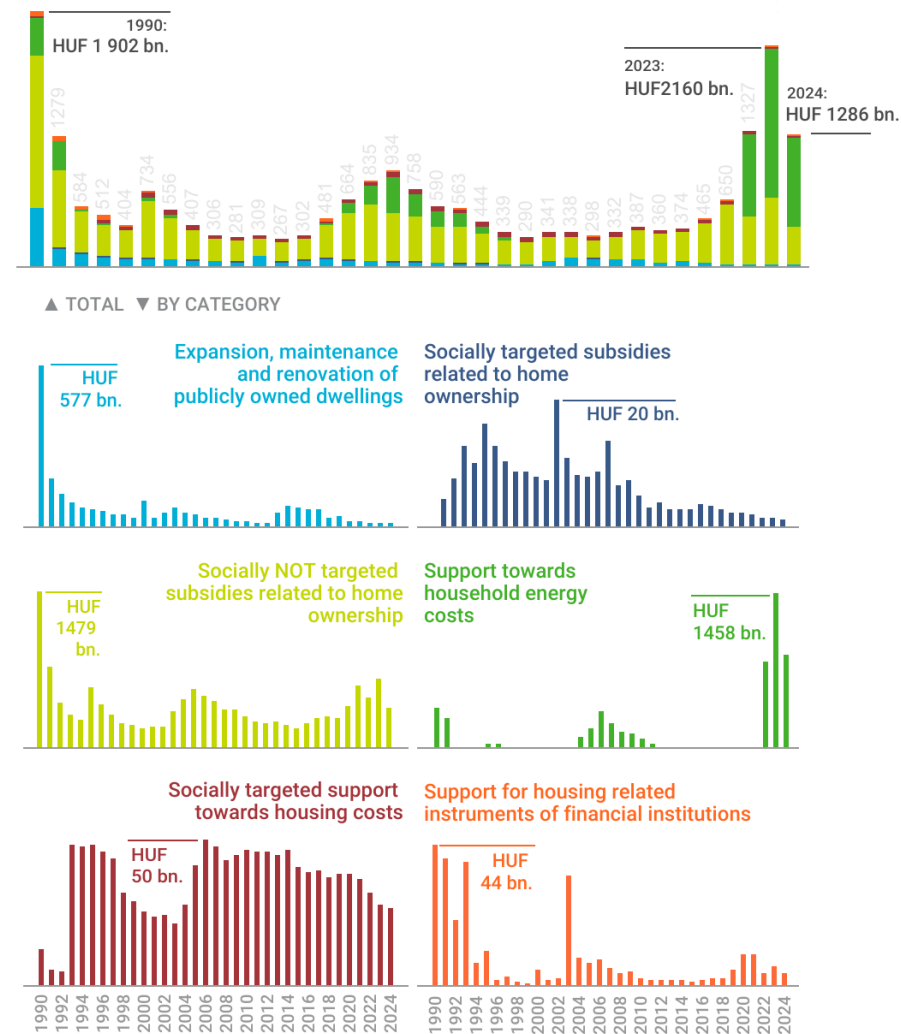


Figure 2.: Public spending on housing in Hungary (HUF billion, at 2023 prices, 1990–2024)

Data source: final accounts (1990–2021) and budget (2022–2024) laws,
Hungarian Central Statistical Office. Detailed data are publicly available at [this link](#).

- **The central state essentially does not spend on the expansion, maintenance, and renovation of publicly owned housing.** For the renovation of the municipal housing stock, the [local governments spent HUF 16.8 billion in 2022](#).
- **In terms of socially targeted housing-related supports,** only the Child Protection Housing Fund exists, which does not reduce the housing poverty risk of those leaving the child protection system.
- **For socially non-targeted housing-related supports, the Government plans to spend HUF 393.5 billion next year** (at 2023 prices), which is a significant decrease. In 2024, the baby expecting loan will be the leading tool in this category, with expenditures of HUF 220.6 billion (at 2023 prices). The budget allocation for the Family Housing Benefit (CSOK) in 2024 will be HUF 66.3 billion (at 2023 prices).
- **Support for residential energy costs makes up two-thirds of housing-related budget expenditures.** Next year (at 2023 prices), HUF 865 billion will be spent on residential utility cost protection according to government expectations. The utility crisis of the early 2020s is comparable in expenditure terms to the utility crisis of the late 2000s.
- **Among the socially targeted support for housing costs, local social benefit and social firewood subsidy are the two defining but increasingly-devalued tools.**
- **Support related to housing tools for financial institutions is decreasing,** as applications for housing support channelled through financial institutions are also decreasing.

For methodological reasons, some specific housing-related expenditures were not included in the chart. Their analysis is included in the longer version of the chapter, which can be downloaded in PDF format in Hungarian.

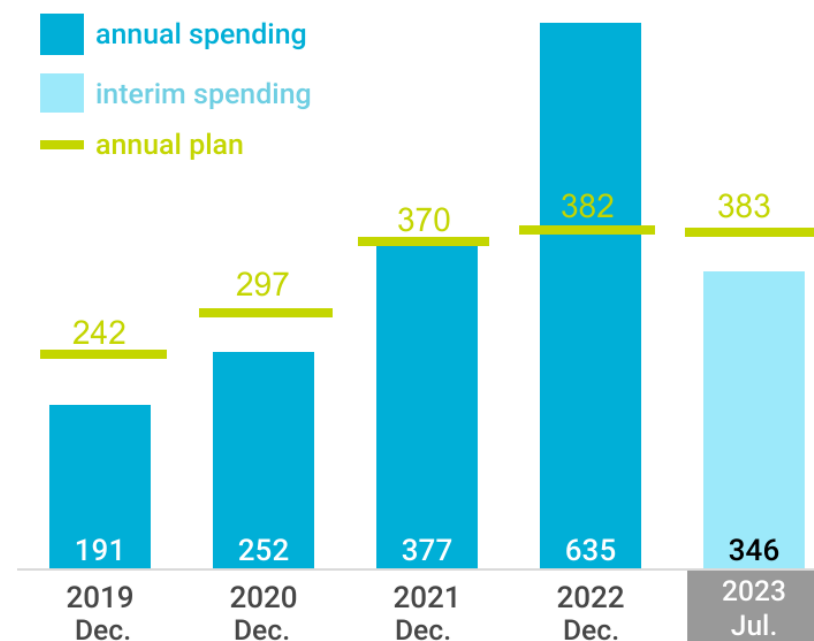


Figure 3: Evolution of public spending under the heading "Housing subsidies" (HUF billion, at current prices)

Data source: [public finance reports by the Ministry of Finance](#).



Katalin Ámon

Affordability

Katalin Ámon

Affordability

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Editing closed on 2 September 2023.

Below is an extract of the chapter, the full chapter can be downloaded at [this link](#).

In Hungary, the cost of living has increased dramatically over the past year, primarily due to a surge in housing costs, especially utility bills. Additionally, escalating prices are making it increasingly difficult to manage housing expenses.

Skyrocketing prices, diminishing wages

Housing affordability has been reduced over the past year by soaring prices and high housing costs:

- between June 2022 and June 2023, **consumer prices rose by 20.1%, with food prices rising by 29.3% and household energy prices by 34.3%.**¹

¹ KSH (2023). <https://www.ksh.hu/gyorstajekoztatok/far/far2306.html>

- Meanwhile, wage growth is not at all in line with the increase in consumer prices, including housing costs. Although average gross earnings increased by 0.8% year-on-year at the start of 2023, high inflation has kept real net earnings in decline since September 2022. As a result, **real net earnings fell by 19.6% from February 2022 to February 2023.**²
- According to the National Statistical Office (KSH) rent index, rents continue to rise: from June 2022 to June 2023, rents increased by 14% nationally and in Budapest by 15%.³ **Over the past eight years, rent prices have risen by 88% nationally.**

² KSH (2023). <https://www.ksh.hu/gyorstajekoztatok/ker/ker2302.html>

³ KSH (2023). <https://www.ksh.hu/s/kiadvanyok/kshingatlancom-lakberindex-2023-junius/kshingatlancom-lakberindex-2023-junius.pdf>

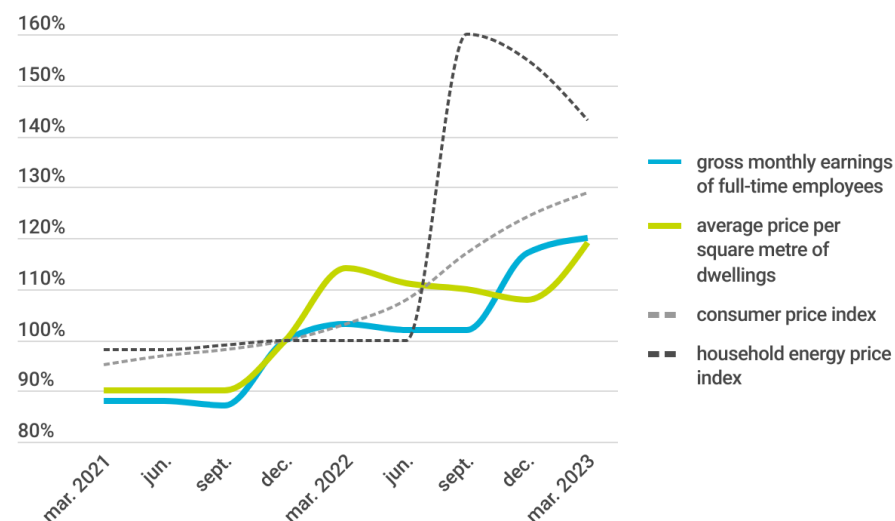


Figure 1. Changes in average gross income, house prices, consumer prices and household energy prices (100% = Dec. 2021)

data sources: [KSH 1](#), [KSH 2](#), [KSH 3](#), own elaboration

- Although private property prices, which have been rising steadily since 2014, have been decreasing since the second half of 2022,⁴ the price decline is more typical of rural towns and villages. In these municipalities, the price decrease was 2.9% and 6.6%, respectively, based on data for the last quarter of 2022, but only 1.1% in Budapest.⁵

Deepening affordability problems

The rise in consumer prices has also intensified the following long-standing housing affordability problems:

1. **The lower a household's income, the higher their share of housing costs⁶**, i.e. those who earn less pay a greater proportion of their income for housing. According to Eurostat's 2021 data⁷, housing costs account for 12.5% of households' disposable income, but this ratio rises to 25.1% for those earning less than 60% of the median income.
2. **Hungarian household incomes have not increased as much as private property prices and private rent prices in recent years.⁸**
3. **Lack of housing affordability leads to household indebtedness and loss of housing.** 11.2% of Hungarian residents were in arrears on their mortgage payments, rent or utility bills, compared to an EU average

⁴ "Kiadta számait a KSH: Így alakulnak Magyarországon a legfrissebb lakásárak, [KSH Releases its Figures: Here's How the Latest Housing Prices are Shaping Up in Hungary]" Portfolio.hu, April 27, 2023.

⁵ MNB (2023). <https://www.mnb.hu/kiadvanyok/jelentesek/lakaspiaci-jelentes/lakaspiaci-jelentes-2023-majus>

⁶ Pósfai, Zs. (2020). Is housing affordable? In: [Éves jelentés a lakhatási szegénységről 2020](#) [Annual Housing Poverty Report 2020].

⁷ Eurostat (2021). <https://ec.europa.eu/eurostat/cache/digpub/housing/bloc-2b.html?lang=en>

⁸ Pósfai, Zs. (2020). Is housing affordable? In: [Éves jelentés a lakhatási szegénységről 2020](#) [Annual Housing Poverty Report 2020].

of 8.9% in 2021, according to Eurostat.⁹ In Hungary, 3000 evictions take place every year.¹⁰

4. In Hungary, **a significant share of the population does not have a decent home** in terms of quality. 20.4% of residents live in a dwelling with a leaking roof; 1.5% in a property without a toilet or bathroom; and 5.4% cannot heat their home adequately.¹¹ 16.7% of the total population live in overcrowded housing, including almost a third (30.7%) of the population aged 0-17.¹²
5. The Hungarian **government's priority is to support home ownership, mainly in the context of family (demographic) policy.** Article 2(1) of Act CCXI of 2011 on the Protection of Families draws a sharp line between support for families with children and support for those in need: **"Support for families operates independently from the social welfare system based on financial need. The state primarily offers support in the form of subsidies to aid in the responsible upbringing of children. It strives to ensure that families raising minor children are provided with the necessary conditions for housing and home creation."**¹³ This perspective is also reflected in housing policy instruments, which mainly support the purchase of housing by the (upper) middle class.¹⁴

Difficulties of access to home ownership and rental

In the past year, not only have house prices declined, but also mortgage lending and new housing construction: the volume of residential loans has decreased by 34%¹⁵, the construction of new homes has reduced by 19%, and the number of dwellings planned for construction based on building permits and notifications has dropped by 39%.¹⁶ The difficult economic context has led to tighter conditions for taking out housing related loans, and from 2024 the government will significantly reduce state subsidies to help people access home ownership.

Although homeownership is more difficult for households to access, it is important to add that past and current state subsidies have actually helped better-off families access home ownership. The disproportionality of state subsidies is illustrated by the fact that the highest share of baby expecting loans, which are usually used primarily for housing, was taken up by the top income quintile:

For those without their own home, the significant increase in private property prices between 2014 and 2022, coupled with the sharp rise in rent prices, also makes it increasingly difficult to buy a home. The rise in rental prices has not stopped this year, with prices up 14% nationally and 15% in Budapest. According to OECD data¹⁷, **rents in Hungary have increased by 63.6% since 2015, higher than in the rest of the European Union, except Lithuania.**

⁹ Eurostat (2021).

¹⁰ Pósfai, Zs. (2020). Is housing affordable? In: [Éves jelentés a lakhatási szegénységről 2020](#) [Annual Housing Poverty Report 2020].

¹¹ Eurostat (2021).

¹² KSH (2021).

¹³ Act CCXI of 2011 on the Protection of Families: <https://net.jogtar.hu/jogszabaly?docid=a1100211.tv>

¹⁴ Csepregi, D.F. (2022), Pósfai, Zs. (2020)

¹⁵ MNB (2023).

¹⁶ KSH (2023).

¹⁷ OECD (2023).

Government subsidies for affordability still lacking

While the cost of living, including housing, is rising, public policies to promote access to housing or to reduce housing costs are still missing. **The government spent only 0.4% of GDP on social subsidies related to housing in 2021.**¹⁸

The programmes available are usually restricted to a small number of people or are only available at municipal level:

- The National Employment Service (NFSZ) only offers non-refundable housing support for rent and utility costs to jobseekers who need to move for work purposes, and only for a maximum period of 6 months.¹⁹ This support reaches a very limited group: according to 2022 data, only 47 people received such support in 2021, with a total of HUF 15.2 million.²⁰
- Municipalities also provide housing subsidies in the form of municipal allowance, but the amount of these subsidies that is actually used for housing purposes is unclear. Although this social benefit is the only form of support provided by the government for everyday housing expenses, both the number of beneficiaries and the level of support are low: in 2022, the number of beneficiaries was 830,982, with a per-case amount of HUF 11,336 (and only a fraction of this was spent on housing).²¹

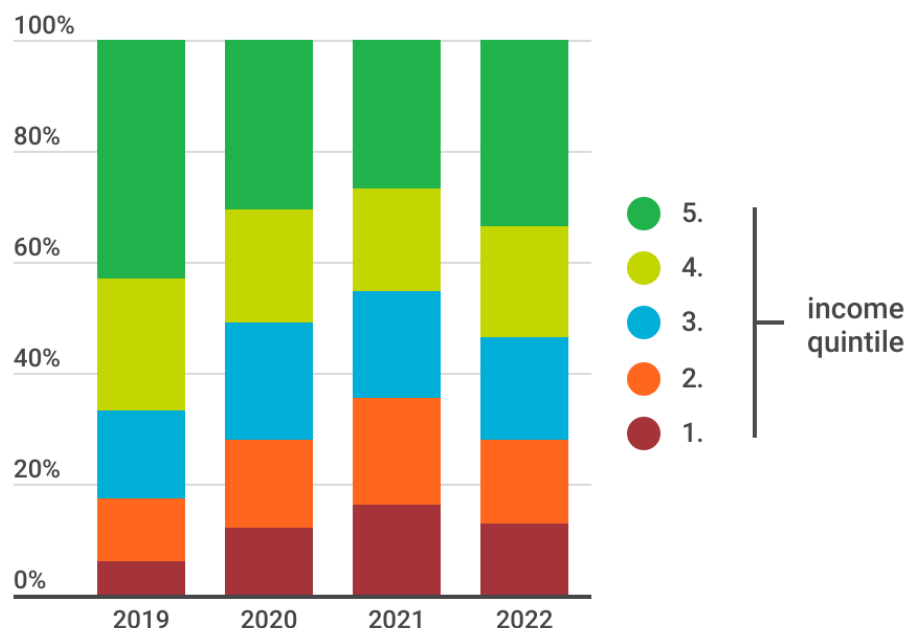


Figure 2: Distribution of „baby planning” loans by income quintiles

data source: [MNB](#)

¹⁸ KSH (2021). https://www.ksh.hu/stadat_files/szo/hu/szo0003.html

¹⁹ “[Lakhatási támogatás 2023: Felhívás álláskeresőkre részére](#).” (Housing benefits 2023: Call for jobseekers)” call for applications from the National Employment Service, 9 March 2023

²⁰ See: https://www.parlament.hu/irom42/01877/adatok/fejezetek/47_gfa.pdf

²¹ KSH (2022). https://www.ksh.hu/stadat_files/szo/hu/szo0022.html

Consequences

Lack of affordability can lead to indebtedness, loss of housing and homelessness. Many households face persistent affordability problems and are forced to live in precarious, poor-quality housing, often in temporary homes (homeless shelters, family transition homes, workers' hostels).

The consequences of unaffordability:

■ Indebtedness:

- In 2022, 10.3% of the population in Hungary had a housing loan, overdue utilities or rent arrears, which is slightly higher than the EU average (9.2%).²² These burdens are much higher for those earning less than 60% of the median income, with more than a quarter (26%) in debt, well above the EU average of 19.8% of low-income earners.²³
- Households combining subsidised and market housing loans may also be at risk: 45% of subsidised loans are taken out together with other debts, i.e. they apply to banks for a housing loan, a baby expecting loan and a CSOK (Family Housing Support Program). In their case, the average outstanding capital debt at the end of 2022 was HUF 29 million.²⁴

- **Loss of housing:** According to data from the MBVK²⁵, in 2022 and the first half of 2023, there were 800 instances of enforcement actions initiated based on housing-related decisions, resulting in the foreclosure auction and ownership transfer of 1,662 dwellings. There were 217 cases of evictions of unauthorised occupants and

5 cases of evictions by police coercion. In 2022, 369 families were evicted from municipal housing, 189 of them for arrears.²⁶

- **Homelessness:** The lack of affordability leads to situations where, over the long term and often affecting multiple generations, households live in precarious, poor quality, overcrowded housing, hostels, or without a roof, in non-residential spaces. The following figures illustrate the scale and scope of the problem:
 - **Poor quality housing:** 20.4% of the population, or around 1.9 million people, live in a property with a leaking roof and/or mould.²⁷ 1.5% of residents have no toilet, bath or shower in their home. That means 144,000 people. Also, 5.4% of the population²⁸, 518 thousand people live in a property which is not properly heated (2020 data). Every year, tens of people, usually elderly and sick, freeze to death in their own unheated homes.²⁹
 - **Overcrowding:** 16.7% of the population³⁰, i.e. 1.6 million people live in overcrowded housing.
 - **Uncertainty:** 4.5% of the population³¹, or about 432 thousand people, live in market-rented accommodation, 3.6%, or about 345 thousand people in non-market rented accommodation, and 0.7%, or 67 thousand people, are occupants in accommodation provided as a favour (under informal arrangements).
 - **Collective accommodation:** In 2022, 86,586 people lived in institutional housing, 9,308 of them in homeless shelters.³² Only 3,474 people lived in supported housing providing accommodation in flats.³³ The official number of places in family transition homes

²⁶ KSH (2022). https://www.ksh.hu/stadat_files/lak/hu/lak0004.html

²⁷ Eurostat (2023). <https://ec.europa.eu/eurostat/databrowser/view/tessi292/default/table>

²⁸ KSH (2020). https://www.ksh.hu/stadat_files/ele/hu/ele0006.html

²⁹ "That's how many people froze to death in Hungary this winter: many died in their unheated homes," Penzcentrum.hu, 7 February 2023

³⁰ KSH (2021). https://www.ksh.hu/stadat_files/ele/hu/ele0010.html

³¹ KSH (2019). https://www.ksh.hu/docs/hun/xstadat/xstadat_eves/i_zhc031b.html

³² KSH (2022). https://www.ksh.hu/stadat_files/szo/hu/szo0026.html

³³ KSH (2022). https://www.ksh.hu/stadat_files/szo/hu/szo0028.html

²² Eurostat (2022). https://ec.europa.eu/eurostat/databrowser/view/ILC_MDES05__custom_7481242/default/table?lang=en

²³ https://ec.europa.eu/eurostat/databrowser/view/ILC_MDES05__custom_7481248/default/table?lang=en

²⁴ ibid

²⁵ MBVK data (2023): <https://mbvk.hu/2790/ingatlanl-kapcsolatos-egy-es-vegrehajitasi-cselekmennyek-statisztikaja-2016-2023-q2/>

is 4,142, according to the Social Sector Portal's facility finder.³⁴ Interviews show that these shelters are constantly operating at maximum capacity, with a waiting list, and there is an increasing number of families where the second generation is already growing up in temporary homes.

- **Homelessness in public spaces:** There are no official figures on the number of people without shelter. The February Third Working Group's 2023 survey collected data on 1,530 homeless people living in public spaces.³⁵
- **Children in a temporary home, foster care:** In 2022, there were 7,386 children in children's temporary homes or family temporary homes³⁶, and 21,175 children were in specialised child protection care³⁷, of whom 14,859 were in foster care. Reports from practitioners suggest that while legally the removal from family and placement of children in temporary homes cannot be based solely on housing reasons, the lack of adequate housing is very often a factor in both cases.

- the government, in cooperation with local authorities, should create and implement a wide range of support instruments for households facing affordability problems, with a contribution based on the household's income. These include:
 - normative housing maintenance allowance and debt management services financed from the central budget,
 - consciously developing and increasing the municipal housing stock, based on existing good practices,
 - the introduction of housing solutions that have been successful in other countries, such as social housing agencies or housing cooperatives, which could include private market housing,
 - regulating the rental market and making it more transparent for both tenants and landlords,
 - pathways out of institutional housing.

Public policies for housing affordability are needed

To tackle housing affordability, indebtedness, loss of housing and homelessness, the following are required:

- the government should not detach support for families and housing without considering the means-testing principle and should create a housing strategy that consciously increases housing affordability for homeowners and non-homeowners alike,

³⁴ <https://szocialisportal.hu/szakmai-intezmenykereso/>

³⁵ See: <http://www.menhely.hu/index.php/magunkrol/media/8137-2023-evi-gyorsjelent-es-a-februar-har-madika-munkacsoport-eves-adatfelvetelerol>

³⁶ KSH (2022). https://www.ksh.hu/stadat_files/szo/hu/szo0041.html

³⁷ KSH (2022). https://www.ksh.hu/stadat_files/szo/hu/szo0043.html

Zsuzsanna Koritár – Nóra Feldmár

The Potential of Social Climate Policy After the Energy Crisis



The Potential of Social Climate Policy After the Energy Crisis

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Below is an extract of the chapter, the full chapter can be downloaded at [this link](#).

In recent years, the energy crisis has become a central factor of affordable housing across Europe, highlighting the problems of fossil fuel dependence and the climate crisis. Most EU countries have tried to mitigate residential energy prices through state intervention, while in Hungary, the opposite effect was triggered. The crisis has shaken the system of utility cost reduction (“rezsicsökkentés”), which seemed invulnerable until now and which, since its introduction in 2013, has been forced to undergo significant transformation for the first time: In 2022, a partial increase in residential energy prices occurred. The reform of the utility cost reduction has also highlighted that most of the residential buildings are in poor condition, and consume a lot of energy, thus the majority of the population is exposed to changes in energy prices and is not prepared to resist or adapt to a similar energy crisis.

Two-thirds of the housing-related spending of the central budget of 2023 and 2024 are allocated to financing the „residential utility cost reduction” programme. Due to the energy crisis, the utility cost reduction – even after its sudden limitation – represents a huge burden on the state budget, which is not sustainable in the long run. While more and more people are falling through the social safety net and their housing becomes uncertain, the affordability of energy will cause more problems in the future. If targeted support does not reach those who need it the most, and the majority of public funds support better-off families, many will find themselves in even more critical situations and remain vulnerable to changes in (state regulated) energy prices. Nevertheless, national policymaking still seems to miss the only sensible long-term solution: reducing the energy demand of the building stock and gaining public support in this direction.

1. Our energy-hungry buildings – A wasted decade

Housing conditions fundamentally determine quality of life, therefore the professional renovation of degraded dwellings would mean profound improvement for many households. In addition, quality housing has outstanding importance for the national economy due to its health, labour market, and environmental implications. Carefully planned and executed improvement of residential energy efficiency is not only a pledge for climate protection efforts and reducing energy dependence, but also for the real eradication of energy poverty.

Two-thirds of residential properties were built before 1980, and many people live in leaky, mouldy houses lacking basic comfort or amenities. Hungarian buildings are also in very poor condition in terms of energy: they use more than 1.5 times the energy for heating than the EU average, making us the second worst-performing country. 56% of the entire residential building stock falls into GG or worse energy classification (see Figure 1) and uses 2.5-3 times more energy than modern dwellings. Buildings have huge energy-saving potential; with significant renovations we could consume up to 60% less energy.¹

The majority of low-income households live in older single-unit homes and heat with solid fuels, which pose environmental and health risks.

In Hungary, the energy efficiency renovation of buildings is a shamefully neglected policy area; over the past decade, the government has missed or barely utilised numerous opportunities. National home renovation subsidies do not target energy efficiency and do not reach households in need. EU funds (e.g., the Recovery and Resilience Facility, KEHOP² Plus)

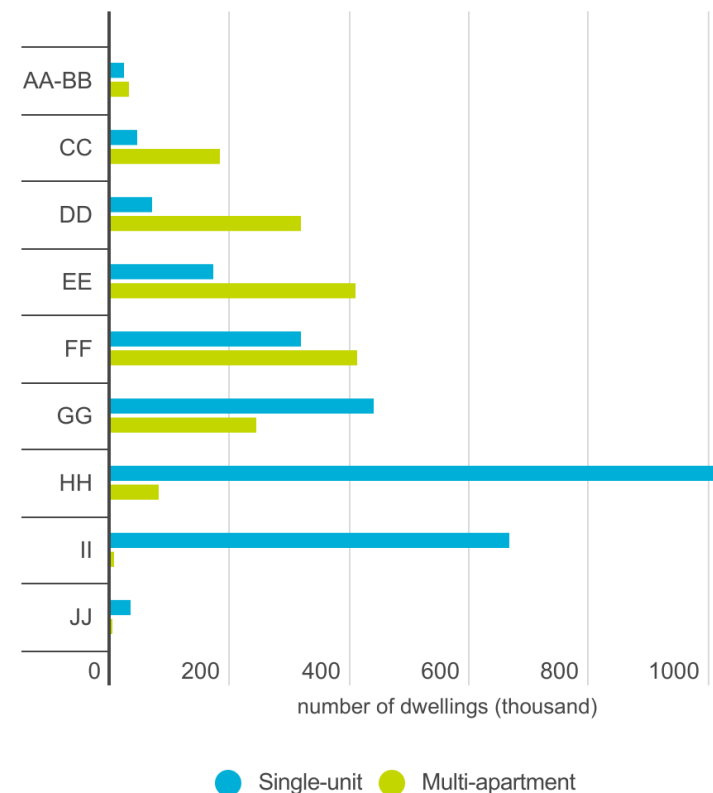


Figure 1: Distribution of estimated energy performance classification of dwellings in Hungary
Data source: [Central Bank of Hungary \(MNB\)](#)

¹ Significant renovations must meet the energy requirement of CC class according to the ÉKM Decree 9/2023 on determining the energy characteristics of buildings.

² [Environmental and Energy Efficiency Operative Programme](#)

are not adequately and appropriately allocated for housing modernisation. Yet, a renovation program would not only mean government spending but also direct revenue in the form of taxes and contributions. Moreover, in the case of low-income households, the monetary benefit of supporting energy efficiency renovation can be up to 2-3 times higher than for higher-income ones, due to co-benefits for the national economy.

To meet the 2050 decarbonization targets, an estimated 130,000 residential properties would need to undergo deep renovation annually, but current plans provide support for only a few tens of thousands. There is a lack of strategic grounding, long-term vision, and commitment in policymaking, which hinders the eradication of energy poverty and the achievement of climate protection goals.

1.1. Residential energy prices

Besides the energy efficiency of buildings, another main factor of energy poverty is residential energy prices. In Hungary energy expenses account for the largest share of average housing costs. Therefore, it's not surprising that the topic of utilities has been a central topic of public policy debates throughout the past three decades.

The utility cost reduction scheme was implemented in three steps between 2013 and 2014, reducing the prices of natural gas, electricity, and district heating in total by 20-25%. The prices set in 2014 remained unchanged until August 2022. The utility cost reduction (essentially a price cap) applies uniformly to all consumers, regardless of income or other life circumstances.

A major negative consequence of the price cap is that it does not encourage the conscious and economical use of fossil fuels, and in many cases, it even leads to excessive consumption. As a result, since 2014,

residential final energy consumption has been steadily increasing; the use of fossil-based energy services (electricity, natural gas, and district heating) which are regulated by the utility cost reduction increased by a total of 34% between 2014 and 2021, with gas consumption alone increasing by 43%. This is partly due to the shift from firewood to natural gas, but much of the increase was because people saved and economised less on energy. However, this level of consumption has made the utility cost reduction completely unsustainable in environmental and climate terms.

At the same time, the overall energy poverty reduction impact of the price cap is indisputable, as evidenced by the significant decrease in the share of the population in arrears with utility bills over the past decade. However, the poorest, most vulnerable households benefited little or none. This is partly due to their typically moderate consumption and partly because the price of firewood has not been regulated and has significantly increased over the years (by over 300% since 2012, see Figure 3) – unlike centralised energy services included in the price cap.

A significant modification of the rules of the utility cost reduction scheme came into effect on 1 August 2022, following months of soaring global energy prices. According to the new legislation, households consuming natural gas and electricity below the „average consumption” threshold set by the government (63 645 MJ or cca. 1729 m³ per year for gas, and 2523 kWh/year for electricity) still pay the previous capped price, but households consuming above this threshold have to pay the so-called market price for the excess amount – in the case of gas 6-7 times the previous price and double in the case of electricity. Thus, we have reached the end of a decade-long era; the illusion of perpetually cheap utilities has been replaced by the threat of sudden skyrocketing energy prices.

Following the panic and haste after the announcement of the reduction of support for utility costs, consumers began to adapt to the new situation in various ways. Households tried to reduce their gas consumption primarily

and their electricity consumption secondarily as much as possible. According to the Hungarian Energy and Public Utility Regulatory Authority (MEKH), in the 12 months following the announcement of price regulation, residential gas consumption fell by a quarter (about 1 billion cubic meters, see Figure 2), and electricity consumption decreased by 7% compared to the previous year.

The significant drop in gas consumption is partly due to the reduction of demand and partly due to a shift to other heating methods and sources. The war in Ukraine and the energy crisis also led to a drastic increase in the prices of firewood (see Figure 3), which also affected the pattern of residential energy consumption.

The recent period has highlighted globally, as well in Hungary, that a highly centralised energy supply based largely on fossil fuels makes us vulnerable not only from an environmental sustainability perspective but also economically and socially. In Hungary, the effects of the 2022 reform of the utility cost reduction scheme proved that households can react and adapt very quickly to new conditions. The public has certainly become significantly more informed about their energy consumption and various alternative technologies and energy upgrading solutions. However, there are groups (such as low-income, family house residents and those heating with firewood or electricity) who had to face much more difficulties than others (such as higher-income, modern apartment residents), while unfortunately, the state provided no targeted assistance for compensation.

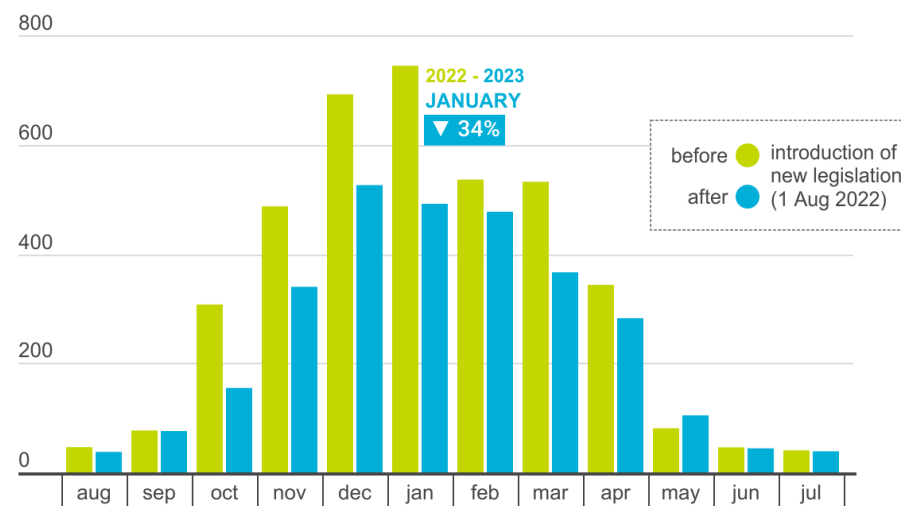


Figure 2: National residential gas consumption from August 2021 to July 2023 (thousand m³)
Source: [MEKH](#)

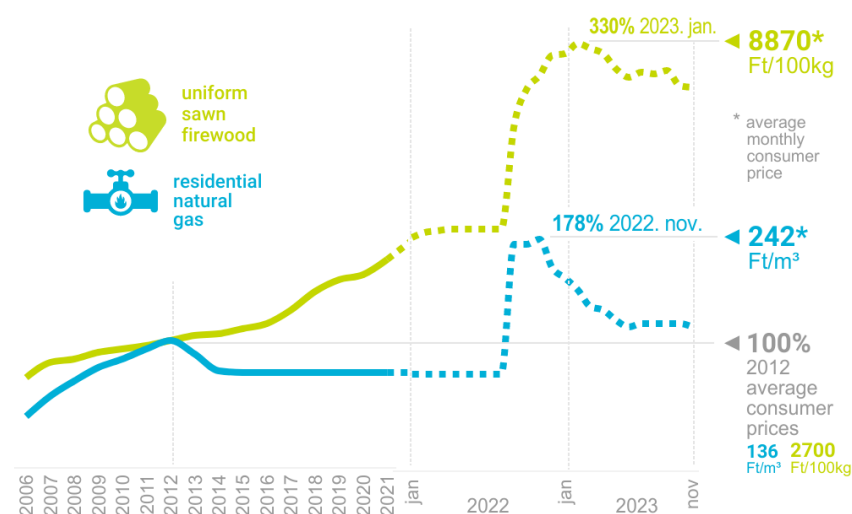


Figure 3: Evolution of residential gas and firewood prices relative to the 2012 average consumer prices (%)
Source: [KSH 1. 2](#)

1.2. A way out of the crisis: Fair utility and renovation subsidies

For the population to become less vulnerable to (extreme) changes in energy prices and more resilient in handling them, significant steps are needed by both individuals and at various systematic, governmental levels. Keeping energy prices indiscriminately low does not solve the problem of energy poverty if the energy efficiency of buildings are not improved.

While it may seem contradictory to meet climate protection and social objectives simultaneously, it is the only way we can prevent undesirable, even catastrophic societal outcomes. Affordable energy does not necessarily have to come from fossil fuels or other sources with heavy environmental burdens, while the energy needs and the wasted energy of buildings can be significantly reduced. With these measures and the transformation of energy pricing, a much fairer and more environmentally friendly future is achievable.

The European energy crisis and skyrocketing energy prices have highlighted the system's weaknesses. Thus, alongside achieving climate neutrality by 2050, reducing dependence on fossil fuels has become an even more urgent priority for Europe.

Both goals are served by the "Fit for 55"³ legislative package and process, under which several EU laws have been amended or created since 2022 to ensure Europe achieves a 55% reduction in CO₂ emissions by 2030, and carbon neutrality by 2050. One of the main focus areas of the package is the building sector, which is the largest energy consumer.⁴ Some of the new or amended legislation contains strict requirements for improving the energy performance of buildings and achieving carbon neutrality.

However, some of these requirements could lead to an increase in energy poverty⁵, therefore the EU also expects member states to adequately address this risk. To this end, not only do they set requirements, but they also provide numerous forms of aid to member states: policy recommendations, technical support for establishing the necessary legal and institutional framework, and most importantly, financial resources. Therefore, if member states take the requirements seriously, the issue of housing – including affordability and housing quality – can receive significant support through addressing energy poverty.

EU funds and carbon trading/taxation revenues provide opportunities for financing building renovations, however Hungarian national policies have not yet adequately utilised this potential. The European Union plans to counterbalance the rising energy expenses of households in the future by establishing the [Social Climate Fund](#), which will be financed from the revenues of the Emissions Trading System (ETS). The Fund's financial resources must be allocated by member states to specific measures towards energy poverty reduction, and a crucial criterion is that it must be used in a socially targeted manner, i.e. support can only be provided to households that are in need. The financial framework of the fund can be used for both short and long-term measures, ranging from direct utility support to building renovations. According to the regulation, in Hungary, approximately EUR 2.6 billion would be available for this instrument from 2026 to 2032; a sum that far exceeds the subsidies of the past years for such purposes (see Figure 4).

⁵ In European law, the definition of energy poverty was first determined as part of the "Fit for 55" legislative process in the amended Energy Efficiency Directive of 2023. According to the definition, those who cannot access the energy needed for basic, adequate standards of living and health, including adequate heating, hot water, cooling, lighting, and energy for electrical appliances, are considered energy poor. This is mainly influenced by three factors: low income, high energy costs, and poor energy efficiency of buildings.

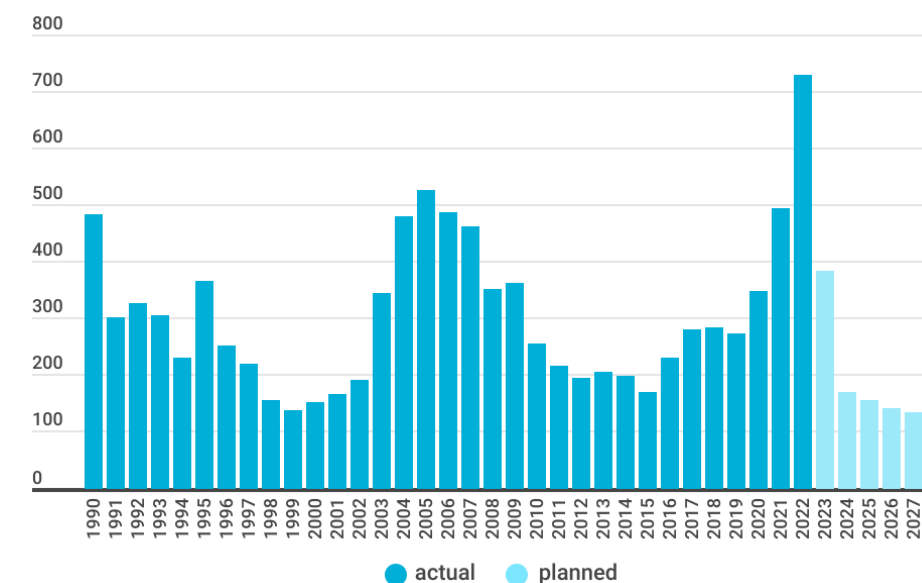
³ European Council. ["Fit for 55" – The EU Green Transition Plan](#)

⁴ European Commission. [Energy Performance of Buildings Directive](#)

Appendix: All figures from the full version of the report

Figure 1.1.

Public spending under the budget heading 'Housing subsidies' (HUF billion, at 2023 prices, 1990–2027)



sources: final accounts and budget proposals, Ministry of Finance: [2022 preliminary accounts](#), Hungarian Central Statistical Office: [Consumer price index](#)

Data used are publicly available at [this link](#)

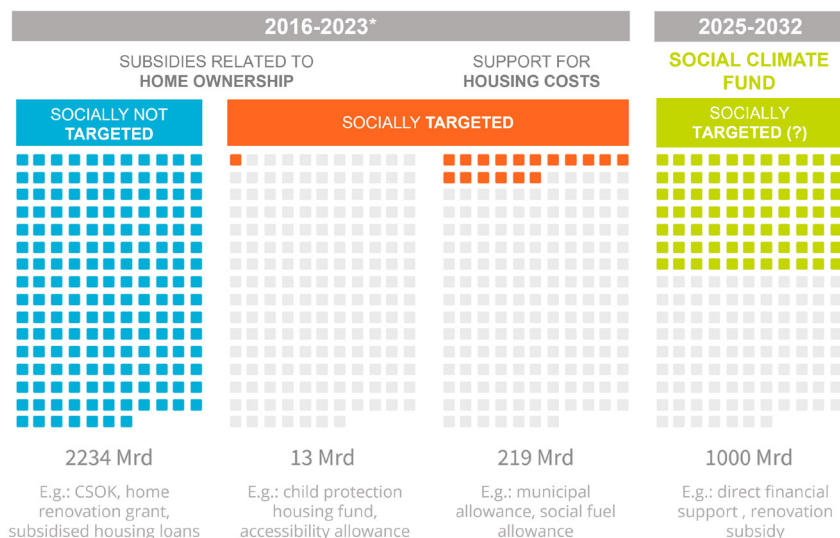
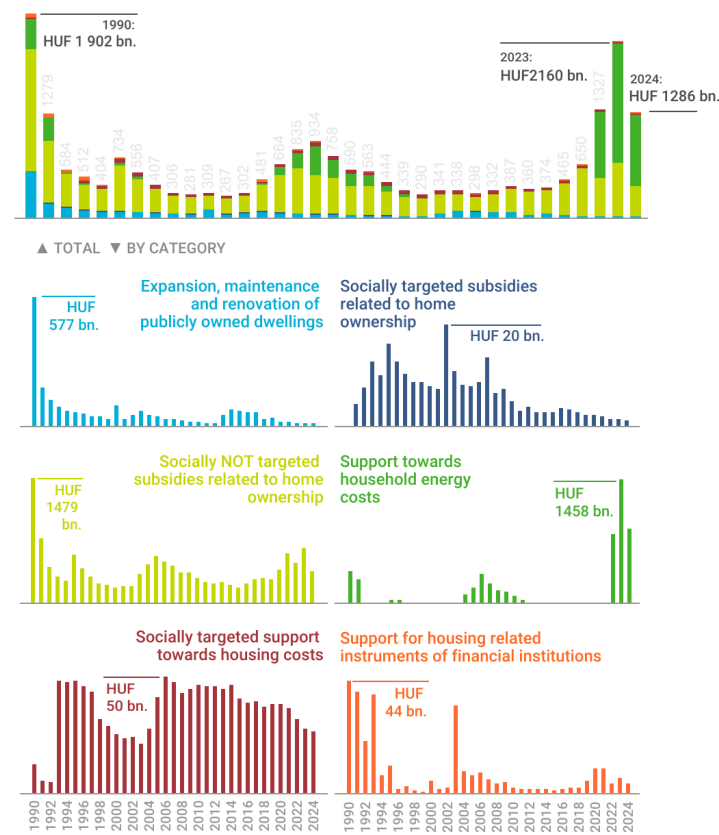


Figure 4: Housing support in the last 7 years and the projected amount of the Social Climate Fund (HUF)
* at 2021 prices
data source: [Czifrusz](#), [European Parliament and Council](#)

Supporting energy efficiency and renewable energy – along with well-targeted, normative housing benefits – is more economical and sustainable in the long run than energy price compensation and comes with numerous crucial benefits. The home subsidy system also needs significant reforms to primarily target energy efficiency and households in need.

Figure 1.2.

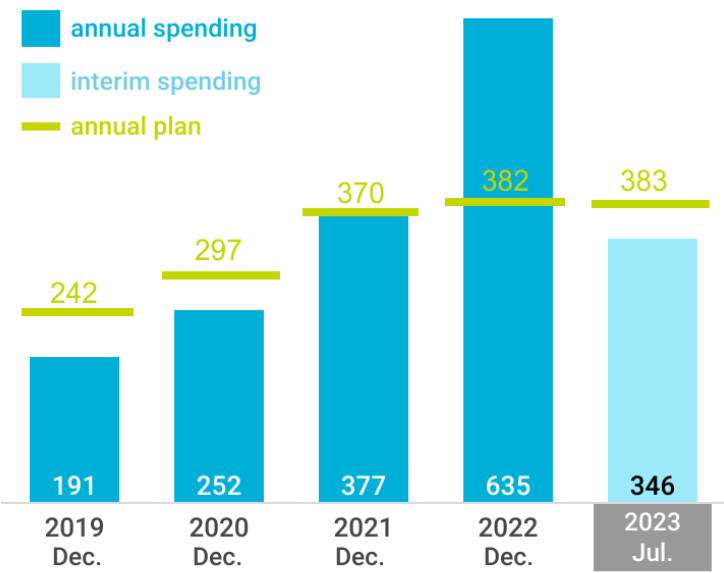
Evolution of public spending under the heading “Housing subsidies” (HUF billion, at current prices)



Data source: [public finance reports by the Ministry of Finance](#)

Figure 1.3.

Public spending on housing in Hungary (HUF billion, at 2023 prices, 1990–2024)

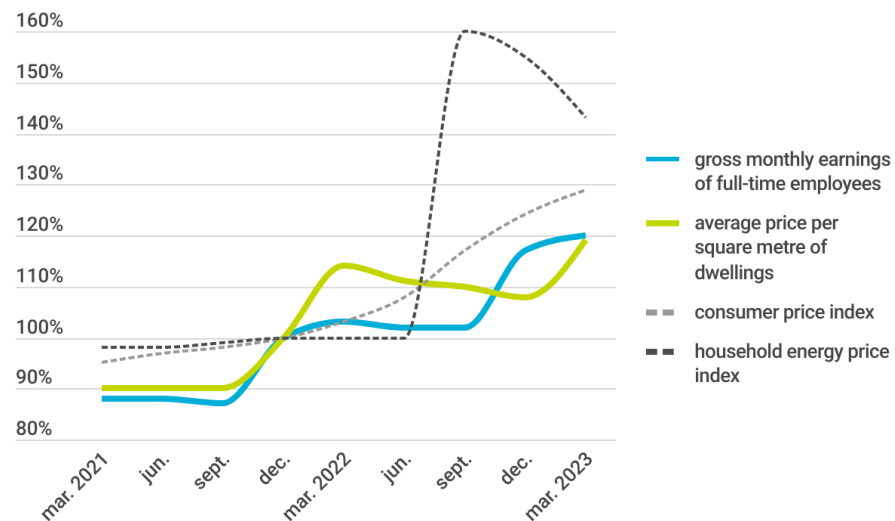


Data source: final accounts (1990–2021) and budget (2022–2024) laws, Hungarian Central Statistical Office. Detailed data are publicly available at [this link](#).

Figure 2.1.

Changes in average gross income, house prices, consumer prices and household energy prices

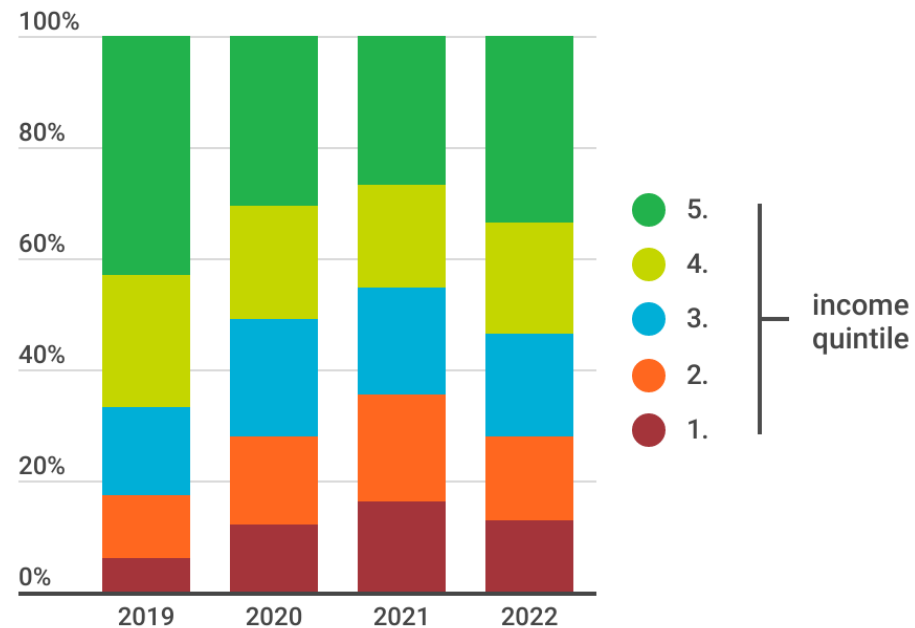
100% = Dec. 2021



data sources: [KSH 1](#), [KSH 2](#), [KSH 3](#), own elaboration

Figure 2.2.

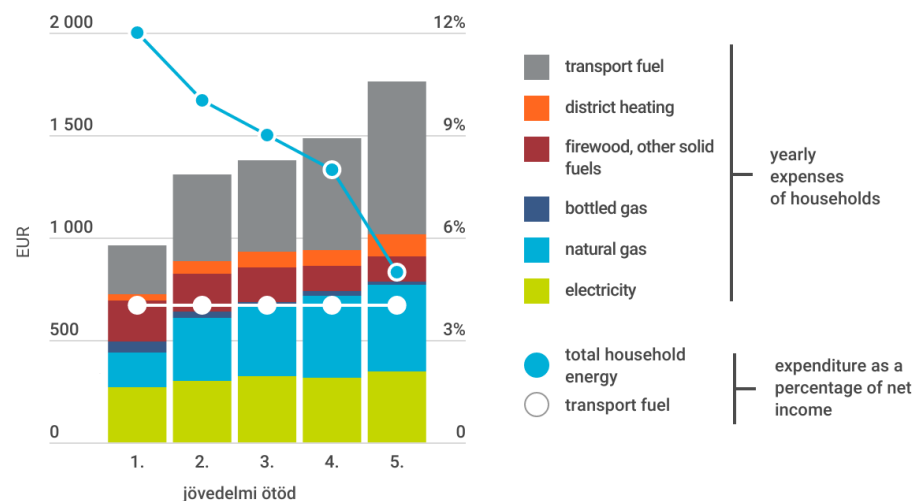
Distribution of „baby planning” loans by income quintiles



data source: [MNB](#)

Figure 2.3.

Distribution of household energy expenditures

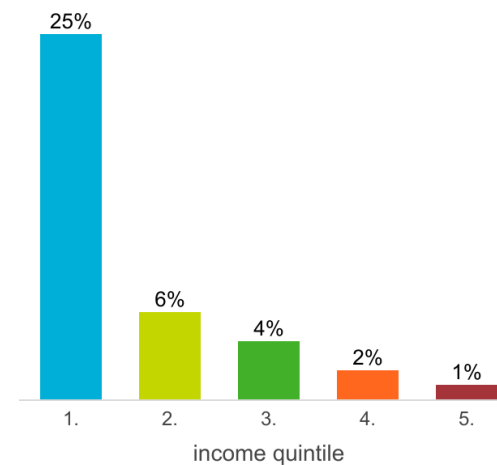


Data sources: [KSH](#), KSH HKÉF 2021, own elaboration

Figure 2.4.

Housing cost overburden rate by income quintile

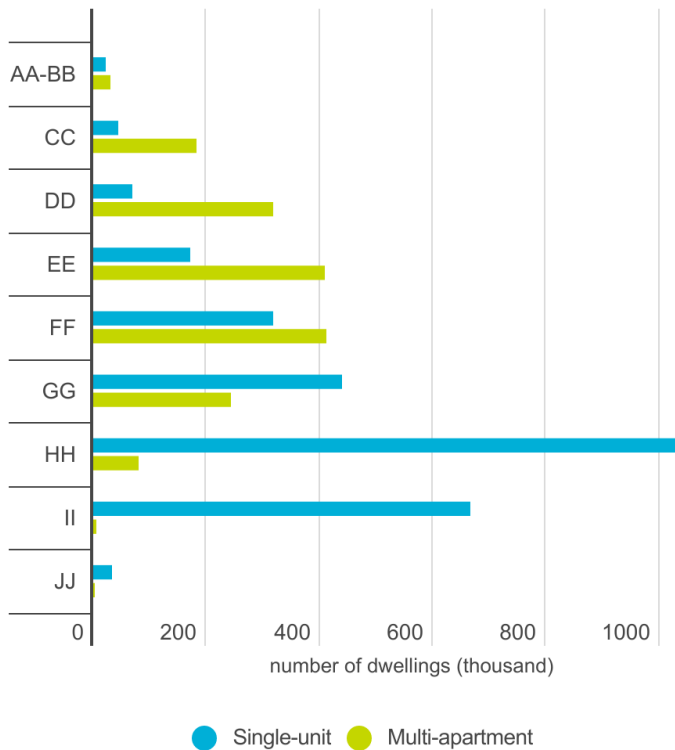
Percentage of people spending more than 40% of their income on housing costs by income quintiles



data source: [Eurostat](#)

Figure 3.1.

Distribution of estimated energy performance classification of dwellings in Hungary

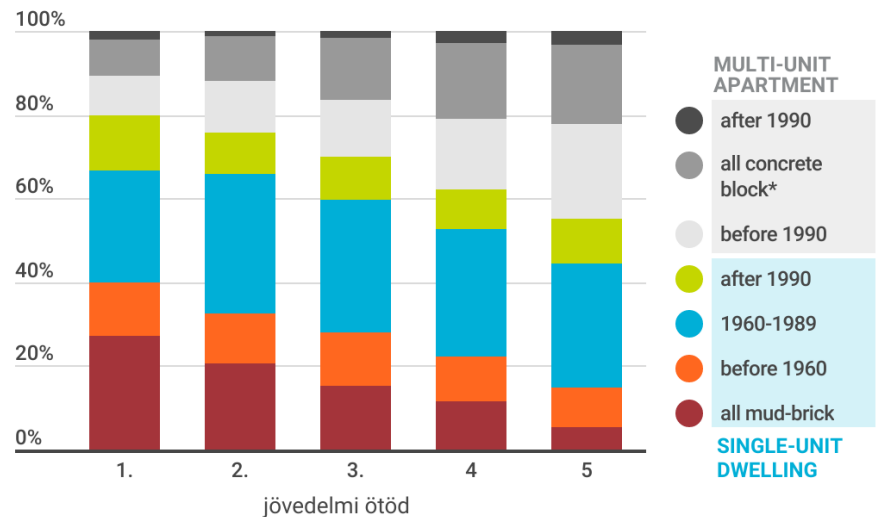


Data source: [Central Bank of Hungary \(MNB\)](#)

Figure 3.2.

Distribution of households by income quintile and building type

year of construction, material of walls



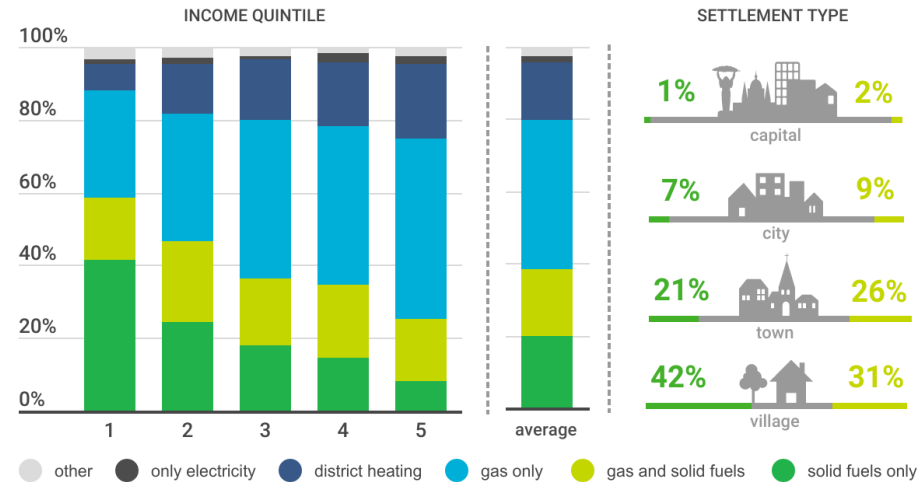
* All mud-brick dwellings.
** All apartment buildings built with prefabricated or other industrial technology between 1945 and 1989.
The other categories do not include these buildings.

* All mud-brick dwellings.
** All apartment buildings built with prefabricated or other industrial technology between 1945 and 1989.

The other categories do not include these buildings.
data source: KSH HKÉF 2018, own elaboration

Figure 3.3.

Heating system used by income quintiles and share of households using solid fuels by settlement type

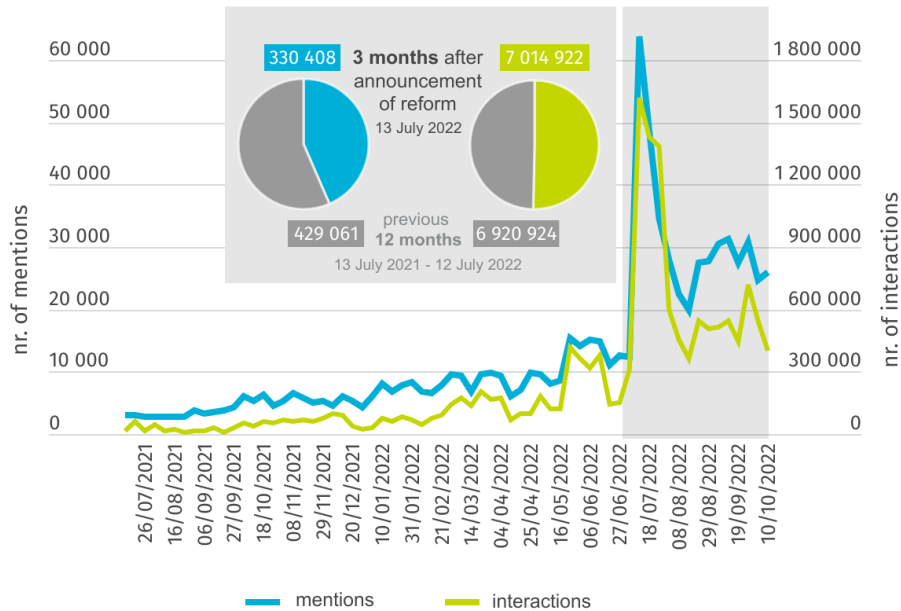


data source: KSH HKÉF 2020, own elaboration

Figure 3.4.

Trend of publications mentioning the utility cost reduction („rezsicsökkentés”)

weekly breakdown



data source: Habitat for Humanity Hungary & Ynsight Research

Figure 3.5.

Residential gas consumption in Hungary from August 2021 to July 2023

thousand m³

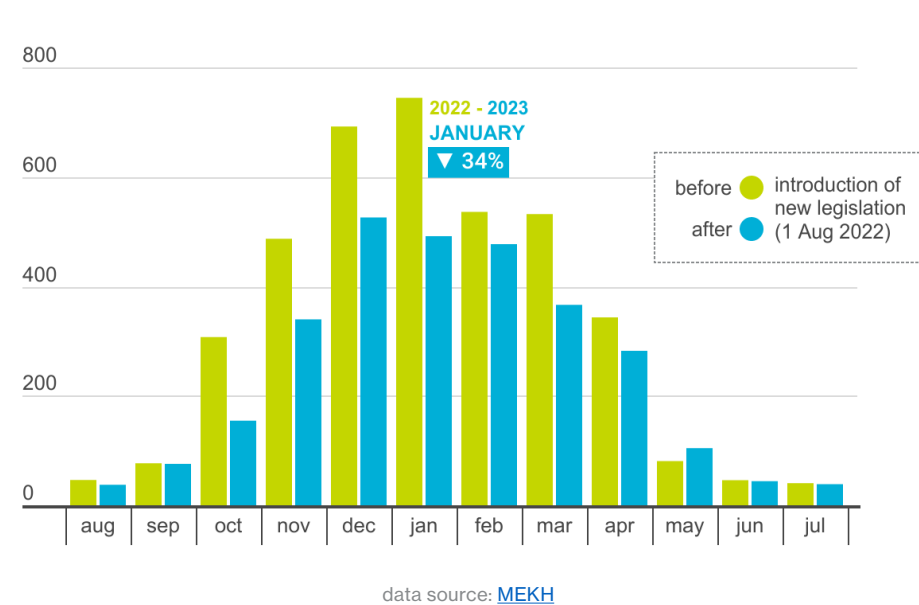


Figure 3.6.

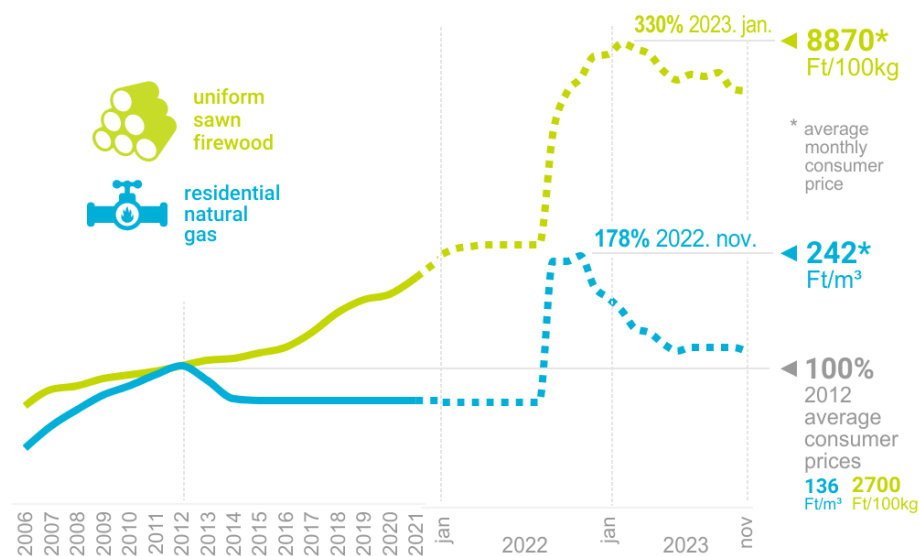
Subsidies towards residential energy consumption available nationally in 2022-2023

SUPPORT MECHANISM		MEANS-TESTING	AVAILABILITY
Schemes related to energy-use	Utility cost reduction scheme "Rezsicsökkentés" regulated prices for nat. gas, electricity, distr. heating	NO	PERMANENT
	Social solid fuel allowance in municipalities with less than 5000 inhabitants	PARTLY	
	Municipal allowance in the form of housing benefit	YES	
	Prepaid meters for protected consumers	YES	
	Installment and deferred payment for protected consumers	YES	
	Firewood programme state regulated firewood from national forestry	NO	19/09/2022 - 15/04/23
	Moratorium on winter disconnections for gas and electricity services	NO	20/12/2022 - 08/01/2023
Subsidies towards (energy) retrofits	Rural CSOK families with children in 2630 selected villages	NO	CONTINUOUS
	Solar panel programme single-unit dwellings and and max 6-unit buildings	PARTLY	06/12/2021 - 06/02/2022
	Home renovation subsidy families with children	NO	01/01/2021 - 31/12/2022

Figure 3.7.

Evolution of residential gas and firewood prices relative to the 2012 average consumer prices

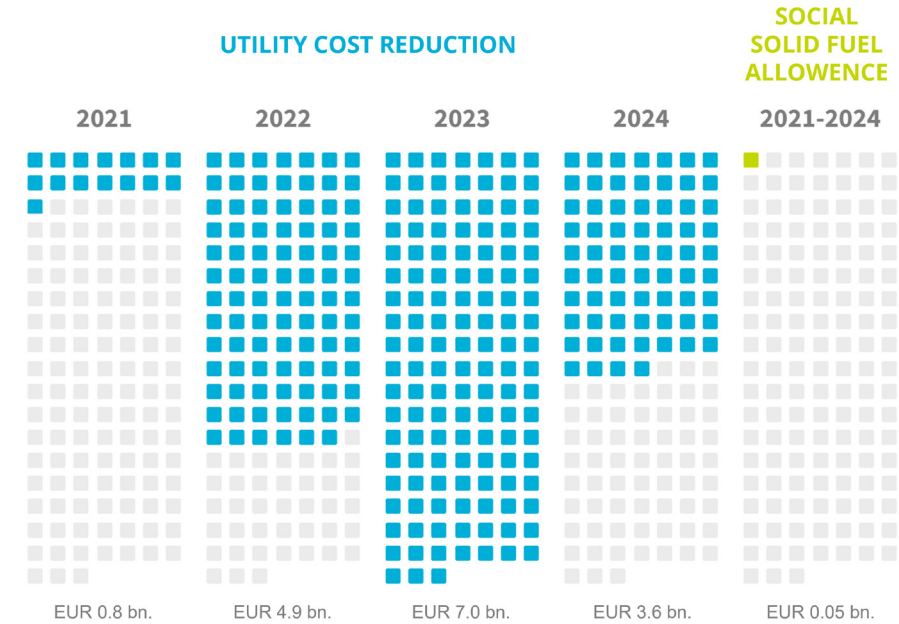
relative change (%)



[KSH 1, 2](#)

Figure 3.8.

Public spending on the utility cost reduction scheme and the social solid fuel allowance

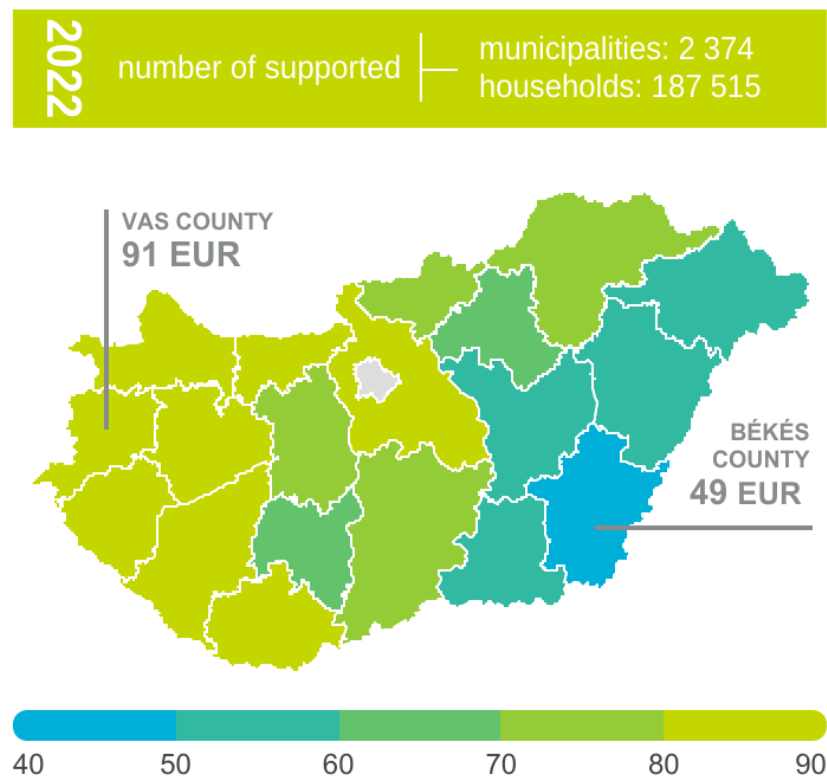


Data source: Hungarian National Bank, kormany.hu, Ministry of Interior

Figure 3.9.

Distribution of the social solid fuel support per household

average allowance per household, by county, 2022



Data source: Ministry of Interior, own elaboration

[LINK](#) to interactive infographic with more data.

Figure 3.10.

Policy-making model towards energy poverty alleviation

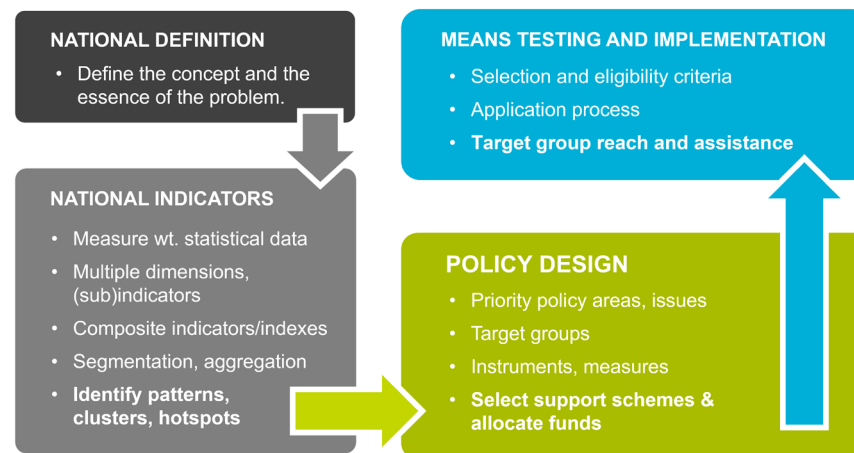
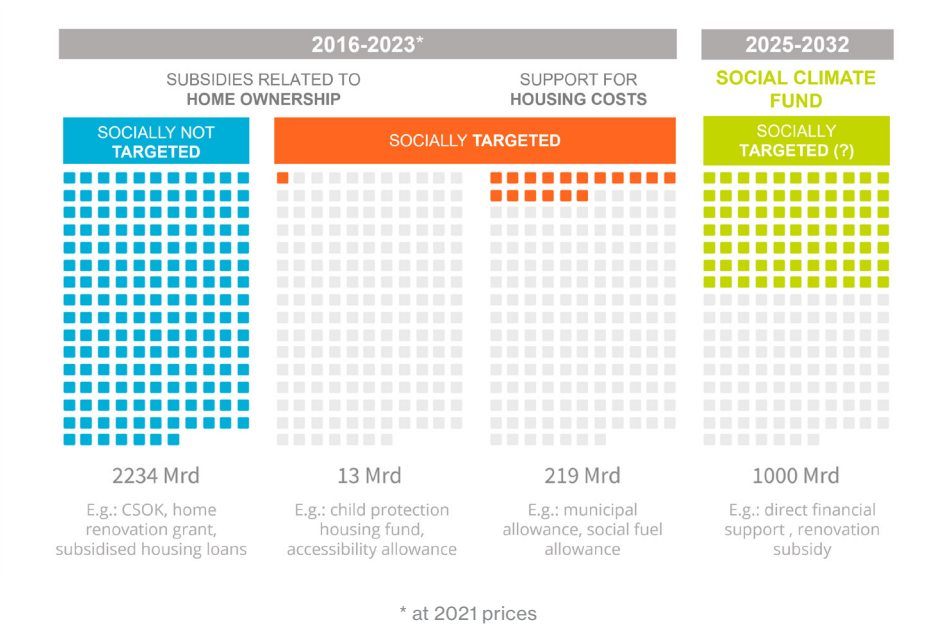


Figure 3.11.

Housing subsidies of the past 7 years and the projected budget of the Social Climate Fund

Hungary, HUF



data source: [Czifrusz](#), [European Parliament and Council](#)