Recent trends of the urban renewal in Budapest
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Key words:
social sustainability, urban renewal, gentrification, inner cities, housing market

Abstract:
In this article we try to draw an outline of the recent social processes in the inner city area of Budapest focusing on social sustainability and gentrification. Our goal is to show the potential social conflicts emerging in this area. We examine the recent history of the housing market and the areas of gentrification in the inner city. In the second part of the article we show the trends and the possible long term effects of real estate investments in the research area. As a conclusion we state also that the events of gentrification in the inner city area of Budapest could warn us social displacement and social exclusion in the future.

1. Introduction
The modern concepts of „sustainability” - as we show in our article - try to integrate other fields of research besides the relation between nature and humanity. We witness debates about the criteria of sustainability among the representatives of very different practical ideas and theoretical principles. There are strong and interesting arguments, but the common element is that most of them use normative approaches. Although these are honourable initiatives, our point of view in this article differs from them. Our goal is not to show the “right”, or “best” practices for urban renewal that lead to sustainability according to particular criteria. We will try to examine the social conflicts emerging in a city (or neighbourhood) instead and then attempt to draw lessons from these to see how the social aspects of sustainability apply in practice.1

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2. Sustainable inner cities

According to the basic documents of sustainable development, the Burtland report (WCED, 1987), and the Rio Treaty (UN, 1992), the different goals on the way to sustainability are equally important and supposed to be achieved only together. Practically most attention is devoted to the topic of environmental sustainability (McKenzie, 2004; Littig & Greißler, 2005; Lee, 2006). In one pillar models it generally means environmental sustainability, and social and economic aspects should be subordinated to environmental goals. The three pillar models try to be more general than the strictly environmental approach and seem to be more acceptable in discourse about sustainability. It is equally important for the three pillars environmental, economic and social sustainability to be preserved in favour of the next generations. Besides environmental and economic needs, cultural and social values are also represented among the demands of the future generations mentioned in the Burtland report’s definition.

Not surprisingly this model has received plenty of criticism: principally because of the choice of these three particular pillars. In addition to these the aesthetical-cultural, the religious-spiritual or the political-constitutional aspects should be taken into account. (Pfahl, 2005)

In practice environmental and economic sustainability pushes the third pillar into the background. On the one hand the economic and the environmental fields could be connected well by arguments for cost efficient solutions, on the other hand ecological and economic arguments seem to draw more public attention than social questions. (Littig & Greißler, 2005)

Furthermore the environmental and economical questions seem to be more operationalisable. (Omann & Spangenberg, 2002)

The three (or more) pillars of sustainability are closely interrelated. The ways they affect each other have not yet been fully researched by the scientific community. However a sustainable community does not mean only a community (i.e. a city) that functions properly without the constant need for outside support or intervention by governmental forces. The different fields of sustainability always have an effect on each other. For example, interactions between humans and nature fundamentally influence development (Littig & Greißler, 2005).

Many different opinions exist within the scientific community concerning the topic of social sustainability. We could almost say that every piece of research has a unique point of view, and it seems hard to even define the field of „social“. This paper does not aim to clarify all the questions existing in the discourse of sustainability. In fact it only tries to present a point view concentrating on social sustainability: the relation between gentrification and sustainability. For this purpose we examine the processes that have taken place in the inner city of Budapest after the change of the political system. Some of these could indicate the start of gentrification or make gentrification possible in the future.

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If the public uproar because of pollution affects politicians, they usually react with the most simplistic environmental regulations.
2.1. Socially sustainable inner city

Whereas the theoretical framework of social sustainability has not fully evolved yet, there are practical examples of socially sustainable cities. In the research project conducted by UNESCO MOST, ten large cities were compared in terms of governance, culture, infrastructure, housing, transport and employment. Considering the results, not only governmental policies but also local agendas seem to be important factors in achieving sustainable communities. The authors summarise their findings as follows: social sustainability is „development and/or growth that is compatible with the harmonious evolution of civil society, fostering an environment conducive to the compatible cohabitation of culturally and socially diverse groups while at the same time encouraging social integration, with improvements in the quality of life for all segments of the population.” (Polése & Stren, 2000:14)

Questions of social sustainability are closely related to those concerning the changes in the inner city. Gentrification has effects on almost every factor mentioned in the discourse about social sustainability. Of course not only in a negative way, like the shrinking of the public space usable for lower income residents. According to several observers, incoming residents of higher status are better able to articulate and defend the interests of the neighbourhood and assist economic development which could also benefit the poorer residents in the area. Looking at the problem from a city wide perspective, gentrification could generate a social mix and not another form of extreme segregation. It could be a step forward for sustainability as defined previously: it reduces the (local) environmental pollution when compared to suburbanisation, the explicit spatial segregation and the concentration of the urban poor. There are examples of inner cities where there were signs of gentrification but the results of renewal seem to be closer to the “ideal” of a sustainable city than the former situation with urban slum and sterile suburban idyll.

We have to mention here that some scientists, based on recent and former research evidence, strongly deny any positive effects of gentrification. Their concerns about social mix as a governmental agenda are collected for example at Lees (2008). Others state that by adequate governmental actions gentrification could be a way of sustainable urban renewal in terms of all three pillars, if it means the movement of new residents to empty, unused urban spaces (Hamnett, 2003). To present the whole discourse about gentrification is beyond the extent of our article. For an insightful analysis of the recent debates see for example Colomb (2007).

The reasons for gentrification are still under debate. Here we use a summary of the literature by Bridge (2001). Some researchers explain the process with the accumulation of capital and the re-evaluation of inner city real estates. Some of these areas became less valuable during deindustrialisation, and an ever widening gap between the market value and the potential value of central locations emerges. This gap between the market and potential value can be
realised by the residential renewal of the inner city areas, or in other words by gentrification (N. Smith, 1979, 1987). With this approach, if the movement of capital is explained, all the other processes become explainable.

Other research suggests that cultural changes are the most important factors in gentrification. These assume that higher educated middle class consumers have demands that they can satisfy only in the inner city and not in the standardised malls and hypermarkets of the suburbs. (Ley, 1980, 1986)

Some explanations attribute a central role to the changes in proportions among employment sectors. The ever growing weight of the third sector resulted in residential areas having to become closer to inner city workplaces. (A central location is vital for most service industries.) (Hamnett, 1991)

The growing number of female employees affected the number of single and two person households, and the inner city seems more appropriate for their different lifestyles and demands. (Bondi, 1991)

The phenomenon of marginal gentrification results in the growing number of single parent households in the inner city (mostly women and their children), where they have a better chance to find the amenities needed for their lifestyle than in homogeneous suburbs. (Rose, 1984)

It could also be an important factor that the costs of renewals and refurbishments were decreasing because of technical development. (Redfern, 1997)

Gentrification can be seen in many cities throughout the world, and in many cases resemble the colonial ages in enclaves, segregated from other areas of the city. Gentrification is a global process. Because of the expansion of the international companies, their employees become residents in different cities all around the globe with the same demands for consumption and amenities, which are typical in the inner cities of the West. For the satisfaction of their needs a new service-class emerges in these cities. (Sassen, 2000) These processes form inner city neighbourhoods worldwide, making them similar colonial enclaves of global capitalism. (Atkinson & Bridge, 2005)

Finally, we can summarise all this by referring with Hamnett’s opinion that a theory explaining gentrification should answer the question of where (both in the sense of geographical place and neighbourhood), who (the people involved in the process and why), and when (why in that period of time). (Hamnett, 1991)

For gentrification to emerge it is important to have some typical features of the urban environment. For example it should create cultural values which make the area desirable for social groups dissatisfied with the suburban way of life. It is also important to have certain groups of people (the potential inner city residents) with a particular way of thinking who find the opportunities of inner cities preferable to other forms of residence. This habitus cannot
incorporate the fear of heterogeneity, the fear of the unknown, and the desire for complete
safety and control over the environment. Some theorists of gentrification assume that the
social groups meeting these criteria are „producible”, and that their numbers are growing.
(Hamnett, 1991; D. Smith, 2005)³

Of course this balance of environmental supply and demand of the new residents is rarely
realised, maybe only in the first wave of gentrification, where most of the newcomers are
young professionals, artists and students. As soon as inner city living becomes fashionable
and venture capital sees an opportunity, newcomers become people who buy things simply
because they can (Lees, 2003). This could turn heterogeneous neighbourhoods into islands of
complete social segregation. This process often changes the architectural design of the area,
by building brutal enclosed fortresses for the rich. It can also change the use of space in the
area, and make the signs of social problems vanish by force. The result is an empty, boring,
nonliving urban space.

3. The gentrification in the inner city of Budapest
In this paper by the inner city of Budapest we mean the parts of districts VI, VII, VIII and IX
(all of them on the Pest side of the city) where most of the residential dwellings were
constructed at the turn of the 19th and 20th century and show the classical architectural design
of Pest. (Figure 1)

Figure 1: Maps of the inner city area.

Unfortunately there is no up-to-date accessible census data that could show the signs of
gentrification clearly. Still, there are neighbourhoods where signs of the process can be

³ The term „studentification” means the occupation of inner cities by university students in Britain. It could make
the city way of life normal and satisfactory for some of those who experienced it. The higher level of education
could mean different cultural and consumer needs, and maybe a different habitus towards the typical city
problems, mentioned above.
detected. Also we are able to use results of our representative survey conducted in one specific part of the inner city (Inner-Erzsébetváros).

First we need to have a look at the history of the area of possible gentrification in Budapest. This part of the city was almost untouched until the change of the political system. The most important features of the built environment were slow deterioration and decay. (Only a few urban rehabilitation pilot-projects were realised, limited to some blocks, without any spill-over effects.) Because of the economical decline in the first part of the 90s, no significant changes were to be seen for a longer period of time. The most important factors of the renewal were private residential developments started around the millennium, and the increasing number of these projects until recently. The process was not limited to the empty construction sites and - using the loopholes in regulations - in many cases it was done by demolishing of old buildings. The rise of the real estate industry was caused by the growing measure of solvent demand. This process was primarily facilitated by cheap subventioned loans for new home owners. After the era of cheap loans ended, and the global crisis struck in 2008, inner city building projects became very limited again. Still, these seven years after 2000 resulted in significant micro level changes in some neighbourhoods which still have important consequences for questions of sustainability as well. Now we will try to show the most important factors in our research area. The first of these should be the questions of ownership of the dwellings and the demolition and building of homes.

Rehabilitation and refurbishment are closely related to the structure of ownership. The dwellings of the inner city became privatised at an overwhelming rate. (In most cases, families who lived in the flat became the new owners.) This meant the end of the tenancy market in the inner city. The big rehabilitation projects could start only in neighbourhoods where the local council maintained ownership of the dwellings. This phenomenon occurred in the middle-part of district IX, which was declared to be a reconstruction area before privatisation so the ownership remained in the hands of the local council. The other two areas that have to be mentioned here are the since then demolished neighbourhood of the Corvin Promenade project and the social reconstruction area of the Magdolna-quarter, both in district VIII. In these cases the local government owned a much bigger proportion of the flats than in other parts of the inner city.

While the building projects before 2000 mainly used empty sites, later the fast-paced demolition of the inner city began. Houses that could have been saved and renovated became

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4 We have conducted a representative survey concerning social changes in the Inner-Erzsébetváros. The total sample size was 1585.

5 In Budapest it was only Ferencváros (district IX) that enforced its right and prohibited the sale of real estates situated in a rehabilitation area. Because of this - in spite of the strong pressure by the residents - 7300 dwellings remained banned from sale.
the casualties of investors’ and local council officers’ interests. If we examine the data between 2001 and 2006, the yearly averages of the indicator „number of demolished dwellings for hundred newly built dwellings” (calculated by the Hungarian Central Statistical Office) show the following numbers: approximately 8 in district VI, 12 in district VII, 8 in district VIII and 6 in district IX. In addition, the demolished dwellings were often not the ones in the worst conditions or the ones without bathrooms.

The demolitions were followed by constructions: Between 2002 and 2007 ten to sixteen times more dwellings had been built in districts VI and VII respectively than in the previous years. There was a smaller but also significant change in district IX, where this number is 3.5 and in district VIII where the number of newly built dwellings was 2.5 times more than before. Most of these flats were built for sale.\(^6\)

<table>
<thead>
<tr>
<th>District</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>VI.</td>
<td>5</td>
<td>51</td>
<td>31</td>
<td>43</td>
<td>269</td>
<td>219</td>
<td>73</td>
</tr>
<tr>
<td>VII.</td>
<td>44</td>
<td>54</td>
<td>49</td>
<td>204</td>
<td>434</td>
<td>222</td>
<td>273</td>
</tr>
<tr>
<td>VIII.</td>
<td>84</td>
<td>247</td>
<td>199</td>
<td>512</td>
<td>259</td>
<td>315</td>
<td>331</td>
</tr>
<tr>
<td>IX.</td>
<td>504</td>
<td>653</td>
<td>625</td>
<td>987</td>
<td>1008</td>
<td>663</td>
<td>1065</td>
</tr>
</tbody>
</table>


The investors - most of them Spanish and Israeli - were looking for sites to build large - sometimes many-hundred-flat - projects and the outcomes of these and the former image and use of the street were often very disparate. In addition, while the return of investment calculations of real estate developers and demand already pushed the market towards smaller dwellings\(^7\), the average size of the flats in this area was even smaller (47-59 square meter). Researchers and analysts dealing with this topic had had concerns for a long time about the long term negative effects caused by small flats. The common interests of investors with less capital and limited spending capacity buyers caused the lack of change in the trends.

Because of the growth of investor interest since 2003 we could see the rise of real estate value in the inner city of Pest which constitutes a good basis for gentrification. Next to residential developments new office buildings emerged, and this could be a step towards the working, functioning city described by Alex Marshall. According to his view a city is a place where there is revenue is created profit made and capital accumulates. The city that works, creates jobs and attracts “immigrants”. (Marshall, 2000) Naturally the amount of capital invested in

\(^6\) The investor interest was highest in district VIII (30 projects), then in district IX (20 buildings), district VII (19 project) and in district VI (10 projects).

\(^7\) In 2000 the average size of flats was 102 square meters, in 2004 71, and in 2007 only 54.
the given area and the quality of buildings and flats are important factors in the renewal process of the district/neighbourhood. These factors can also affect who finds the part of the city attractive. This could be a tool in the hands of investors to influence the future of a neighbourhood, since they consider which social groups could be attracted to the area when they decide about their prices. For example the prices of the bigger new projects in the Old Jewish Quarter of Pest were positioned over old dwellings in the area. The investors believed that their future clients would also trust the rising real estate prices in the quarter so there were going to be costumers looking for luxury in a run-down neighbourhood in the inner city. At this point the crisis had a strong effect on this process, investments stopped, and the transformation of the quarter - which had important social effects – faltered. One of the most important projects -Gozsdu Court- was finished almost exactly when the first wave of the crisis occured. The sale of overpriced flats and retail spaces went slowly. Because of the typical size and the central location of the dwellings we can imagine the clients the investor anticipated. He or she came from a foreign country, or belonged to a segment of younger clients who found it important to have a new, “clean” and above all safe flat. (These notions often came up in our interviews, especially with people moving to Budapest from the country.) They wanted to see the neighbourhood as a place where the temporarily run down environment (which is about to be renewed anyway) is compensated by the advantages of the central location. The decayed but still fascinating area with buildings from the late 19th and early 20th century was attractive and repulsive at the same time. The prices of the flats were almost double of others in a similar neighbourhood. As a result, most of the new owners (foreigners and locals) bought their flats as real estate investments, plenty of flats remained unsold, and therefore only a few people actually moved in. Currently we can describe Gozsdu Court as a desolate, empty, abandoned place. It is clean but maybe too clean and maybe this is why it is spiritless. The project had an important effect but not in the sense that it contributed to the higher quality of the area. Quite the opposite: it created an environment that cannot be integrated in the old one but is unviable on its own.

The future of another quarter in district VIII also depends completely on investors. The Corvin Promenade project⁸ resulted in the demolition of many residential blocks. The building project started in a big empty area, and the whole image of the quarter is changing. 19th century classicist houses have been changed for modern 21st century design, which is similar to the housing estates in terms of density and height. Beside the flats 150 000 square meters of office space and commercial outlets will be built. A city is being constructed within the inner city which works by its own laws and it remains a question how it will affect the broader neighbourhood. Is it going to be an enclosed, in a sense segregated area where people arrive by car to avoid the slum around it? Is it going to have a positive spill over effect on its

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⁸ The area bordered by Corvin cinema, Práter str., Szigony str. and Üllői av.
environment and will prices rise because of this (so the present residents lose ground after a while and the social characteristics of the area change completely)? Today both scenarios seem possible.

All these changes (demolitions, building projects, efforts for rehabilitation) set the real estate market in motion and in the six years between 2002 and 2008 we could see rising real estate prices in the inner city of Pest. The bigger scale rehabilitation projects or just the expectations about them raised the prices most significantly. In the Old Jewish Quarter the rise is about 40% and it shows the temporary success of reconstruction by bulldozers. There are many signs showing that this rise of real estate value is going to be short lived. On the one hand, these prices were calculated on an overheated real estate market. On the other hand the quality of buildings is often not good enough and the new residents are expecting not only high status flats, but a flourishing inner city life as well. The new sterile environment has a very different milieu and maybe it is less attractive than the heterogeneous colourful old one.

The biggest increase in prices can be seen in district VIII. In the Magdolna quarter it means 129% and it is not much lower at the Corvin Promenade project. This increase must have been caused by speculation and a general increase in prices, not by the actual effects of rehabilitation.

The changes in the real estate market in the inner city had numerous effects on the area. On the one hand many dwellings were developed, the market started up, and the area became important for a given segment of home buyers. The most important motivation for them was to have a newly built flat, and the presence of these could even make the environment more attractive. On the other hand - because of the subventionalized loans- many people decided to buy a flat instead of renting. (The monthly instalments were often the same as the monthly rent of a similar flat.) Quite a few university students or young employees (often moving to the city from the countryside) chose a first flat for the start of their independent life in this area. The third reason was the available cheap low expenses dwellings, the so called small flats (26-35 square meters). The long term negative effects of this process can already be seen, the lack of bigger flats will be a problem in the future. On the other hand, it could be a short term advantage for students, so they can find available flats in the inner city close to their university. This process could lead to studentification in the inner city (D. Smith, 2005).

As we mentioned before, the new trend of events was strongly influenced by the crisis. The demand generated by foreigners decreased in the inner city during the last year (for the newly built flats in districts VII-IX). In district VIII real estate prices rose slower than building costs, so it was not worth starting new projects. Finally investors were planning smaller, 100-150 dwelling projects instead of 200-400 ones, so they were also looking for smaller building sites. (The urbanists find this change a good sign though they still claim that even these
smaller projects are too big for the already dense area.) The crisis had a negative effect on the market (and naturally investors recognised this as a problem), on the other hand, at least temporarily it stopped reconstruction by bulldozers. There is a chance that for at least a few years fewer old houses are going to be demolished in the inner city, and maybe during the years of the crisis the views and approaches of the officers and politicians involved in urban planning will change. Maybe in the long term this could mean a more careful maintenance of the built cultural heritage in the inner city.

After the examination of the real estate market we should discuss the situation of residents in the area. Our main question is, if there is a certain part of the city that we can call a gentrified neighbourhood. In general we can say that according to the statistical data and other sources of data (surveys, databases of the local councils, case studies, etc.), at the moment there is no large-scale, radical gentrification in our research area. But at the same time the slowdown of the population loss is a clear sign of the beginning of gentrification. During the 90s the population loss was significant: by 2001 in district VI and VII the fall was about 25.8-22.6%, in district IX 19.7%, in district VIII 11.5%. After 2001 the decline became slower and the data from 2007 show only a few percent (2-5%) loss (while the average in Budapest was 4.6%).

Table 2: The population changes in the inner city districts, 2001–2007.

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>VI</td>
<td>44 141</td>
<td>41 839</td>
<td>74,2</td>
<td>94,8</td>
</tr>
<tr>
<td>VII</td>
<td>64 141</td>
<td>62 001</td>
<td>77,4</td>
<td>96,7</td>
</tr>
<tr>
<td>VIII</td>
<td>81 791</td>
<td>80 166</td>
<td>88,5</td>
<td>98,0</td>
</tr>
<tr>
<td>IX</td>
<td>62 999</td>
<td>59 992</td>
<td>80,3</td>
<td>95,2</td>
</tr>
<tr>
<td>all Budapest</td>
<td>1 775 203</td>
<td>1 696 128</td>
<td>88,2</td>
<td>95,4</td>
</tr>
</tbody>
</table>


The case of district VII is the most interesting in this respect, since the natural decrease was higher here than in other parts of the inner city, but the new residents moving in over-balanced this so the population loss was only 3.3%. We can see the first sign of gentrification here: the population of the run-down area is still decreasing but it is balanced by the new occupants. our survey data show that during the last (in fact pre-crisis) years the influx was substantial.
Table 3: Distribution of residents by period of moving in 2010.

<table>
<thead>
<tr>
<th>Moving in between</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1916–1969</td>
<td>25.6</td>
</tr>
<tr>
<td>1970–1989</td>
<td>22.1</td>
</tr>
<tr>
<td>1990–2001</td>
<td>19.9</td>
</tr>
<tr>
<td>2002–2005</td>
<td>9.1</td>
</tr>
<tr>
<td>2006–2010</td>
<td>23.3</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
</tr>
<tr>
<td>(N = )</td>
<td>(1541)</td>
</tr>
</tbody>
</table>


However, according to the changes in population dynamics we can only presume gentrification since these data cannot show the social status changes in the area. But according to our 2010 survey, in the last 8 years the proportion of the higher educated grew further and the rate of lower educated decreased in the Jewish Quarter. It is even more important, that the proportion of higher status groups among the new-commers is growing, while the weight of low status strata is decreasing. The two set of data shown in table 3 and 4 together show that the population change became faster in the last period and that the status of newcomers is higher than that of out-moving population. We could take this as a first sign of gentrification, as far as in gentrification literature one of the most important status indicators is the proportion of residents with higher education (see for example Atkinson, 2000; Seo, 2002).

Table 4: Level of education in survey area, 2001 and 2010.

<table>
<thead>
<tr>
<th>Highest level of education</th>
<th>2001</th>
<th>2010</th>
<th>Incomers between 2002-2005</th>
<th>Incomers between 2006-2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary</td>
<td>38,130.3</td>
<td>26.5</td>
<td>17.3</td>
<td></td>
</tr>
<tr>
<td>Secondary</td>
<td>38.2</td>
<td>37.8</td>
<td>36.4</td>
<td>44.1</td>
</tr>
<tr>
<td>Higher</td>
<td>22.7</td>
<td>32.0</td>
<td>37.1</td>
<td>38.6</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>(N = )</td>
<td>(18101)</td>
<td>(1539)</td>
<td>(140)</td>
<td>(359)</td>
</tr>
</tbody>
</table>


The changes in other dimensions are characteristic as well. For example the age structure is shifting to the younger strata. Although the population of this part of the city is still older than in others, the rate of the elderly decreased moderately in the inner side of the research area, and strongly outside the Boulevard. Among young adults the rate of 20-30-year-olds is exceptionally high around Mikszáth Square and along Ráday Street. Both areas were subject
to public space rehabilitation and this could indicate the success of these initiatives from a certain angle. We could take these facts as a sign of gentrification or studentification. The Jewish Quarter with its central location and relatively low prices is very similar to these places. The cheaper flats close to Semmelweis University could also be places for students. Currently it is typical for some students to share a bigger flat in this neighbourhood between Illés Street and Korányi Street. The 30-40-year-old age group is more typical in Central-Ferencváros because it was only here that the sizes of flats were suitable for raising children.

After the change of the political system higher status residents of the inner city moved to the suburbs of Budapest and there were no significant acts of rehabilitation to prevent suburbanisation. Still there were micro level changes which could indicate a potential increase of real estate value in the inner city. This holds the potential to improve the physical environment of the area and change the social composition of the population. The demolitions and new projects affected typically not the most run down and lowest social status areas of these four districts of inner city Pest. The actually renewed neighbourhoods had a social potential for a different way of rehabilitation. While assisting the most hopeless and vulnerable is cited as an important goal of reconstruction, the designated areas, the agents behind the projects, as well as the methods applied are all inconsistent with this. The motivation behind such actions is not the improvement of the situation but the changes on the real estate market. The relative economic boom around the millennium made the inner city area more interesting for investors\(^9\) and - not completely independently from that - more desirable for the different middle and higher status social groups.

4. Conclusions

There are many factors present on the supply for gentrification. Ornamented houses built at the turn of the 20\(^{th}\) century, and the special milieu of Budapest’s inner courtyards are consistent with the aesthetics of gentrification. (Jager, 1986; Zukin, 1987) The architecture of the houses is adaptable for flourishing commerce and the service industry in properties at ground level. The streets are narrow with a certain run-down charm and romantic atmosphere. Even artists arrived at some neighbourhoods with their autonomous projects (Boulevrad and Brezsnyev) or initiatives with more funding and a more commercial approach (VAM Design). The first longer term unlicensed project emerged in this area as well (Sirály).

There is also a significant risk in the situation. The real estate scandals of district VII (The mayor of the district is currently in custody and facing accusations of fraudulence and corruption) may remind us of the example of the rent gap theory where owners leave their buildings to their own devices, speculating for the turn of the market. The potential real estate value of the Jewish Quarter became so high (before the crisis) that the best way to make a profit seemed to be to build hotels, while a significant proportion of the residents wanted to

\(^9\) Investors were able to defend their interests not only on the local but at higher levels as well.
move away because of the uncertain situation. (Csanádi et al., 2006). The latest trends of the office market (more and more office space is built on the outskirts) are weakening the supply side pressure for gentrification. If the function of the inner city disappears, the area can lose all hopes, since there would be no reason for the middle class to move into the inner city close to their workplace.

According to our research and the scientific literature, the reason gentrification is not an even stronger phenomenon in Budapest is the relatively low level of demand. In the post-socialist economy, the lack of capital and poverty affected a considerable part of society. The social differences became wide and there is no strong middle class. Among these circumstances there is a need for strong reflection on the social status: having one’s own detached house and the attitude „my house is my castle” are important tools for that. The new suburban way of life could stay more exclusive for these social groups. This was also facilitated by the system of real estate subventions, which prefers newly built dwellings, and the real estate projects are also easier to realise in green field projects than in the turbulent inner city. It looks as if Hungarian society does not enough of the „new middle class” described in the gentrification literature. Still, there are signs of gentrification and some conditions are present, but the relative lack of potential gentrifiers has prevented the quick evolvement of the process for a while. (Hamnett, 1991).

The international examples show that there are different strategies to encourage some social groups to move to the inner city. The rehabilitation process had similar effects in Budapest but only in very limited areas. However during the last few years before the crisis, foreign real estate investment was substantial in some areas and most of the empty houses and building sites are now in hands of private investors. This could mean that the change of the economic trends in the future could generate radical changes in the inner city of Pest.

From the viewpoint of sustainability the most important question of this process (though not fully examined in this article) is its effect on lower status groups who were present in the gentrified areas. In some cases moving away from their neighbourhood is desirable for them as well. Because of the constant uncertainty in the rehabilitation process and the fear that they have to leave their home, many of the residents postponed the refurbishments, and now they feel stuck in their own council flats. It seems impossible to sell or do a swap. A lot of them only want to get in a less insecure situation. (Csanádi et al., 2007). For policy makers the “de-concentration of poverty” often seems to be good idea in the form of exporting it to other parts of the city, or to the country. The well-known policy is to buy cheap houses or apartments in the outskirts or in poor villages. The result is new concentration in less developed areas. (see descriptions in: Ladányi, 2008; Csanádi et al., 2010) On the other hand, these social groups are the most vulnerable and powerless ones in the articulation of their interests, so the question remains about price: do they have to pay for the reconstruction done in favour of higher status social groups.
Moving to the inner city can be an alternative for a particular group of the middle class. They can find a better quality of life there, and force the rehabilitation of the neighbourhood. Nonetheless segregation - sometimes in other parts of the city or in the countryside - gets stronger, and the falling living standards of the lower status groups could be a high price to pay for a more vital and liveable inner city.

References


