

POLICY PROPOSAL - 2023 No.5

HOW SHOULD WE MAKE OUR CITIES MORE ATTRACTIVE?

The Equilibrium Institute's
proposals for managing
urban sprawl



**Equilibrium
Institute**

How should we make our cities more attractive?

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for managing urban sprawl

2023-07

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EXECUTIVE SUMMARY

01

The populations of major Hungarian cities have been shrinking while those of the urban agglomerations around them are expanding. The migration out of Budapest and the major urban areas known in Hungary as county seats and into the agglomerations surrounding them is accelerating. Between 1990 and 2022, the population of Budapest decreased by more than 300,000 people, while the population of the other regional centres decreased by around 200,000, with only four cities showing some growth. The main reason for this process, in addition to the decline in the country's overall population, is the migration of people from the cities to the agglomerations. Among the capital cities of the Visegrad countries, the Hungarian capital is the only one where more people are leaving than moving. If current trends continue, the population of the Hungarian regional centres will shrink by a further 290,000 people, or 11%, by 2051.

02

Although agglomeration and rural life have many advantages, in terms of national economy, competitiveness and environmental protection there are more arguments in favour of expanding and developing metropolitan centres. Well-functioning metropolitan centres are more sustainable, scale-efficient, and better able to exploit the intellectual and innovation capacities of employees than agglomerations. Compared to small agglomerations, people living in metropolitan areas have easier access to essential health, education, and social services, so well-organised metropolitan areas are also better for social mobility. The three main causes of urban sprawl are housing costs, factors determining the quality of life (the need for more green space and cleaner air, level of infrastructure), and travel costs. Thus, the policy interventions should also take these factors into account.

03

In the medium term, three trends will further reinforce suburbanisation: the rising cost of housing in large cities, the expected increase in remote work, and the ease of commuting. However, urban sprawl is not a foregone conclusion, but a process that can be influenced by policy instruments and conscious, long-term strategic plans. If we want Hungary to be a cleaner, smarter and more competitive country in the future, we need to make our cities more attractive and liveable.

.....

04

Let's make housing affordable! To this end, we encourage long-term renting of residential property: for contracts of more than one year, renting should be tax-free! To reduce risks in the private rental market, let's make contract templates and rental registration compulsory! Help to strengthen the business rental market by introducing reduced VAT on the renting of housing.

05

Let's move as many workplaces as possible from flats to office buildings! Limit the use of residential property for short-term rentals to 90 days a year! Tax permanently vacant apartments and apartments rented out for office!

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06

Local municipalities should be allowed to increase the supply of housing by renting out permanently vacant properties! Create municipal real estate property management companies responsible for increasing the value of the housing assets of cities, for the complex development of real estate, for renting and selling it! Targeted subsidy programmes and tax relief for the modernisation of dilapidated private and municipal housing stock! In condominiums, let's allow property owners to decide on modernisation investments with a two-thirds majority!

07

Cities should expand inwards, not outwards! To do this, we should increase the supply of housing by building on disused or underused brownfield sites and small plots – but only in areas well served by public transport and other infrastructure, and where we can agree with investors on the right scale of development! By 2028, Budapest should have a long-term tower block concept! Real estate developers should be allowed to build taller houses and increase the buildable area if at least one for every hundred flats built is given into municipal ownership!

08

Make urban centres more liveable! Let's make it our goal to increase the number of urban citizens who can get to parks, shops, doctors' surgeries, educational and health institutions without using their cars. Promote cycling, pedestrian accessibility and innovative forms of micromobility to achieve the 15-minute city!

09

To make urban life greener, let's introduce clean zones in cities! Urban green space coverage should reach 9 m² per capita by the end of the decade. Create greenways in the cities! Reduce the speed limit on smaller urban roads to 30 km/h!

10





Municipalities should set up a system of service certificates, which inform the buyer about the coverage of different services in the area! Let's assign mandatory infrastructure minimums for major development projects!

11

Our cities should attract innovative, creative people and companies! In cities of over 50 000 inhabitants, let's create Urban Development Centres for data-driven urban development! Create and operate digital replicas of our cities! The state should support jobs in the service and creative sectors instead of manufacturing! Increase the number of places in metropolitan dorms by 50% by 2030! Create creative and innovation hubs!

1. WHAT'S THE PROBLEM?

Urbanisation is one of the dominant trends in modern societies. Similarly to other developed countries around the world, the urban agglomerations of Hungarian cities are also continuously growing. At the same time, the relationship between the centre of each agglomeration and the ring surrounding it varies. **Between 1990 and 2022, the population of Budapest decreased by more than 300,000 people, while the population of the other regional centres decreased by around 200,000**, with only four cities showing some growth. The prevailing trends unequivocally show that **in the absence of targeted policy interventions, the process of suburbanisation, in other words urban sprawl, will continue to prevail in Hungary in the coming decades. This will entail a decline in the populations of urban centres and growing conurbations.** The process of shrinking cities has implications beyond the cities themselves; it is accompanied by many **unwanted side-effects**, above all the following:

-  **The environmental burdens stemming from continuously increasing levels of mass commuting.**
-  **The danger of slummification.**
-  **A decline in the quantity and quality of services available.**
-  **The failure to exploit the creative opportunities inherent in urban population hubs.**

A comparison of the histories of many cities in the 1980s and what is happening at this time sheds light on parallels that can help us better understand what we can expect in the medium term. Thus, for example, with the decline of heavy industry, Detroit has lost half of its population since the 1980s, and it has essentially turned into a ghost town. Similarly, the ongoing depopulation of Russian and Chinese urban areas is also accompanied by the decline

of industrial centres. Illustrative examples of this trend in Hungary are the declines of Dunaújváros and Miskolc after the regime change.

However, we should not forget that these are **neither uncontrollable nor immutable processes**: the everyday policy decisions affecting cities have long-term impacts. In the long run, zoning and housing market regulations, the distribution of financial resources between municipal governments, the development of infrastructure and transportation, and the shrinking or expansion of green areas all have a direct or indirect influence on people's decisions to move out of or stay in a given area. We must keep this in mind because the **consequences will have a proximate impact on the economy and thereby on our nation's long-term welfare and competitiveness.**

Between 1990 and 2022, the population of Budapest decreased by more than 300,000 people, while the population of the other regional centres decreased by around 200,000.

Experience shows that it is possible to direct and shape this process, and we should look at this as an opportunity. **Ensuring our major cities remain attractive could contribute to a more efficient, greener, and more just future.** The higher density of entrepreneurial spirit in a city can give rise to a more diverse spectrum of services, it is more likely to stimulate innovation and allows for a more efficient use of resources. Economy of scale is a concept that is often mentioned in the context of the emergence of cities, and through its impact on production and development, it yields greater economic efficiency. The relatively smaller slice of green area taken up by cities and the lower quantity of pollution from transportation makes

cities environmentally friendly. However, when the quality of life in the cities deteriorates, or if housing becomes too expensive for many, there will be increasingly fewer people who will find the urban environment attractive. In light of the above, it is of the utmost urgency to examine what **instruments policymakers have to support the centres of Hungarian urban agglomerations.**

When it comes to the future of cities, it is especially vital to thoroughly consider the long-term and indirect impacts of the relevant decisions because **Hungary cannot be competitive without competitive cities.** In the following, we will discuss processes that cannot succeed without deliberate planning and which will often involve decisions that will trigger conflicts – **however, a failure to take action will have consequences, too, and chances are that those will be the consequences we most want to avoid.**

2. SHRINKING HUNGARIAN CITIES

I 2.1. THE BENEFITS OF FLOURISHING CITIES

If the decline in the population of Hungarian cities continues, accompanied by urban sprawl, that will have numerous detrimental environmental, social, and economic effects, and it will also impair competitiveness. **By contrast, planned and managed efforts to shore up the agglomeration centres would yield several benefits.**

01 THE CENTRE IS MORE EFFICIENT

Cities operate with **better economies of scale**, especially since service industries have replaced traditional industrial activities as the main drivers of economic progress. Firefighting, waste collection, and public utilities can all be operated more cost-effectively in densely populated areas, **and developing dense transportation hubs is also more effective in areas with enough residents who can take advantage of these services.**

Cities with high economies of scale can also generate services that would not be offered in smaller municipalities because of the lack of purchasing power: this includes zoos, exotic restaurants, operas, and theatres. This wealth is even manifest in the public services available: cities boast schools that offer special curricula or their own pedagogical programmes, including music schools or schools that offer

junior varsity hockey training. And when the innovativeness of services is not purely a reflection of the purchasing power of residents but is also internationally competitive, it may give rise to such **globally competitive Hungarian enterprises** as UStream or Prezi. Budapest's geographical location and the skills of the local labour force make the Hungarian capital ideally suited to become a local hub of innovation.



02 THE CENTRE IS CLEANER - IF WE DO SOMETHING TO THAT END

Modern cities will make it easier to create a greener Hungary with less environmental pollution in the future. The expansion of suburban areas will claim more land from nature and result in higher levels of harmful emissions. **By contrast, urban centres allow residents to lead their lives with smaller chunks of land taken from forests and drive less.** Research shows that the **carbon footprint of a typical city resident (considering heating, electricity use, and transportation, among other things) is far lower than that of suburban residents.**¹ Since the residents of the most densely built cities tend to live in smaller apartments, their harmful emissions per capita also tend to be lower.

¹ Glaeser, Edward L. – Kahn, Matthew E.: The greenness of cities: Carbon dioxide emissions and urban development. Journal of Urban Economics 67(3): 404-418.

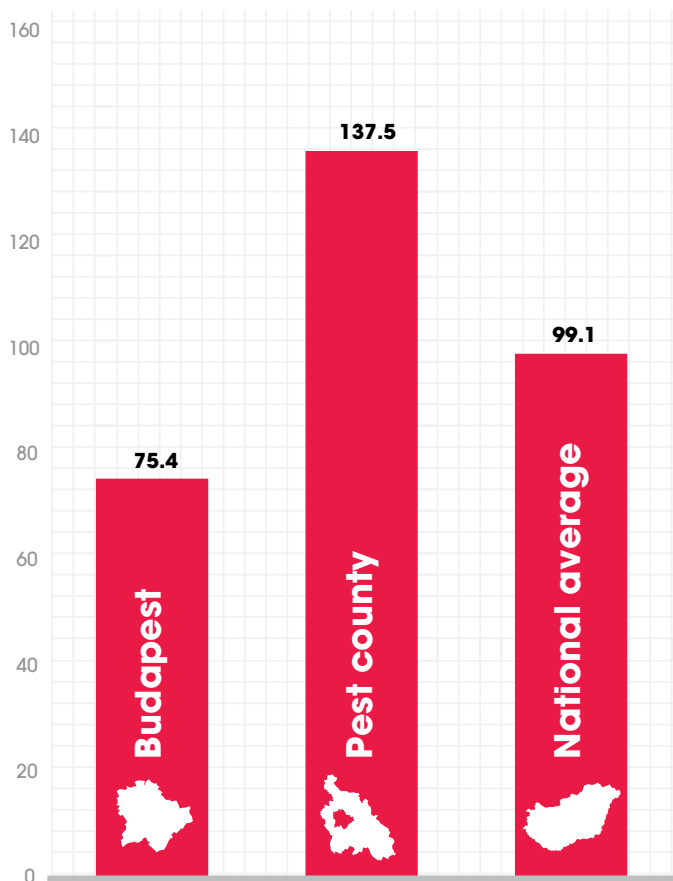


Figure 1: Average monthly gas consumption per household consumer, m³, 2021 (source: Hungarian Central Statistical Office)

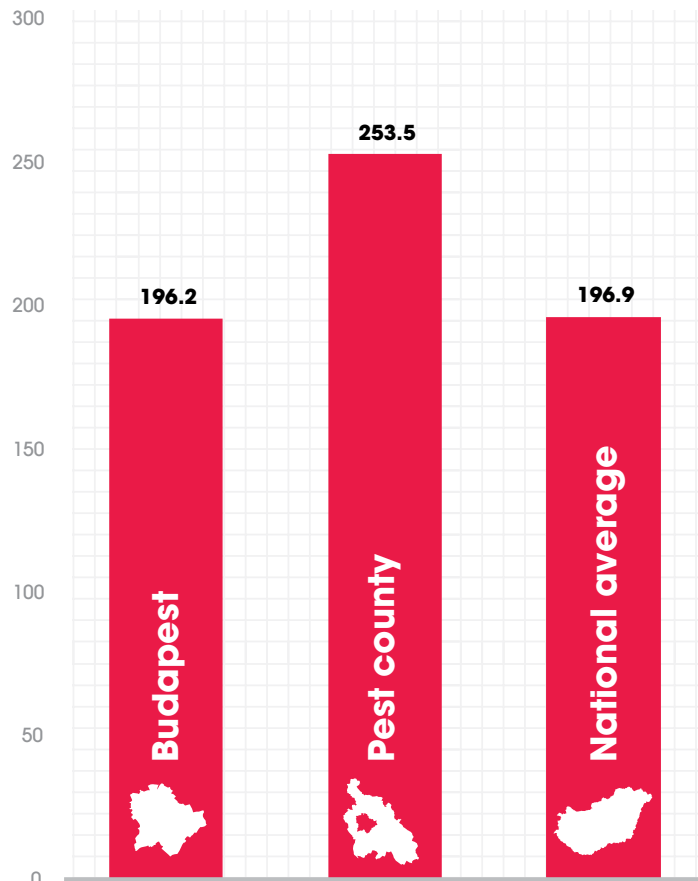


Figure 2: Average monthly electricity consumption per household consumer, kWh, 2021 (source: Hungarian Central Statistical Office)

Meanwhile, the car use that tends to accompany commuting from suburban areas significantly contributes to air pollution. Since access to essential services (healthcare, education, commerce, etc.) is more limited in sprawling and less densely populated cities, and, moreover, public transportation vehicles run less frequently, residents are more likely to rely on their personal vehicles, which further increases emissions. Naturally, a poorly organised city centre also has harmful air quality – still, the current global trends are moving toward stricter regulations concerning emissions in urban centres.

In modern urban planning, **preserving the green areas surrounding the city centre – that is the parks, forests, and agricultural areas – tends to be a priority.** A case in point is Copenhagen’s Finger Plan, which stipulates that the city can expand in five directions along the main traffic routes, but the green areas between these must be preserved. Another example is Leipzig, where the municipal government was involved in the effort to form a green ring around the city.

03 THE CENTRE IS FAIRER

Typically, **cities have more possibilities to combat socioeconomic inequalities and provide opportunities.** The reason is simply that a far larger number of people live in a relatively smaller area, and the economies of scale that result from this concentration also manifest themselves at the level of social policy and other public policy interventions. Although urban poverty and slummification are typically urban phenomena, there are far more instruments to combat these in the cities than in rural municipalities. At the same time, the wealth of services also provides low-income city residents with more opportunities in terms of school choice, for example, or in selecting the appropriate health services. **The smaller distances that need to be tackled exclude fewer people from access to essential services.**

That is why it is especially vital that urban housing remain affordable – affordable housing is the best instrument to ensure that those with lower incomes are not squeezed out of the cities. **This will have a positive impact on social mobility because institutions that provide essential services are more widely available in larger municipalities, and thus the impact of those factors that reproduce income and wealth inequalities is more limited.**

Urban living is not only fairer at the level of individuals but also at the level of municipalities. Situations in which residents live in one municipality while they go to work and seek leisure in other municipalities – be it by public transportation or by car – lead to severe conflicts and

inequities in the distribution of resources. Clearly, everyone is entitled to do so, but **in terms of the fair use of municipal resources, it is cleaner and fairer when locals use the public services in the areas where they reside.**

In terms of the fair use of municipal resources, it is cleaner and fairer when locals use the public services in the areas where they reside.

2.2. GROWING AGGLOMERATIONS, SHRINKING CENTRES

Hungary’s population has shrunk by some 800,000 people since the regime transition. During the same period, the emigration from villages was continuous. Based on data from 2022,² 65% of Hungary’s population,

or 6.3 million people live in cities and their suburbs. Urban agglomerations are responsible for a major slice of economic production and innovation, and that is where the vast majority of our university students study (*Figure 3*).

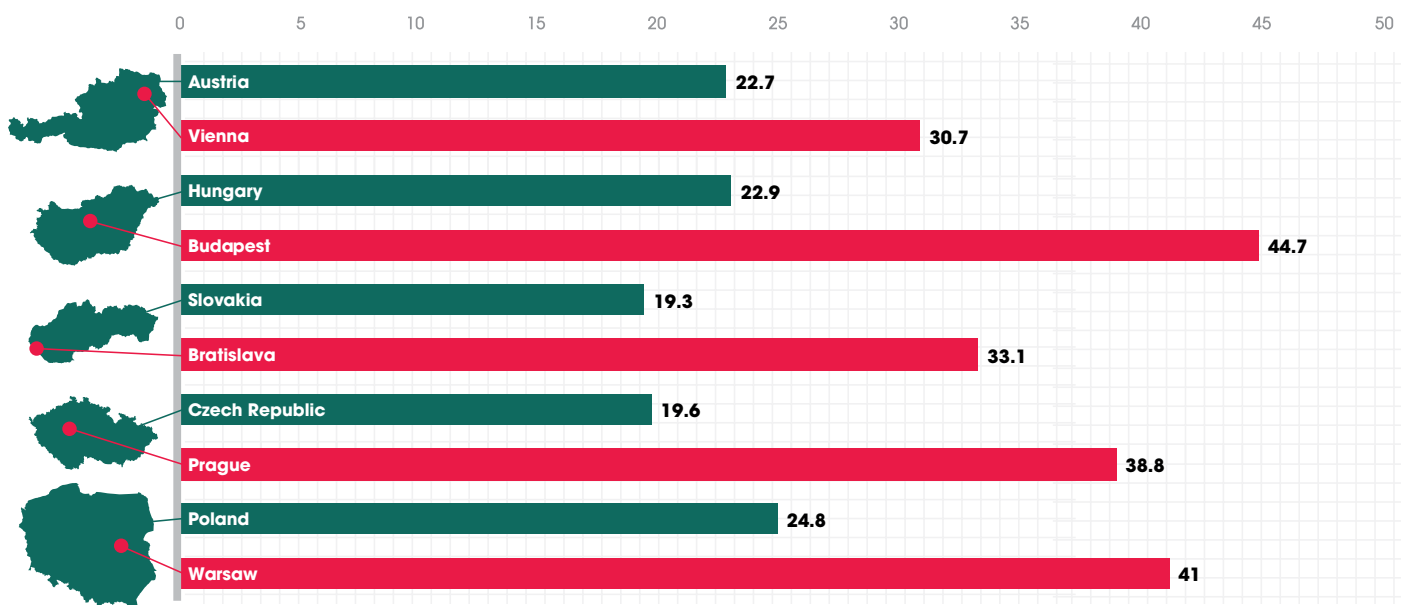


Figure 3: Persons with tertiary education working in science and technology in the countries of the region, as a percentage of the employed population, 2022 (source: Eurostat)

² Hungarian Statistical Office (KSH): Agglomerációkban, agglomerálódó térségekben, településegységekben élők száma [The number of residents living in urban agglomerations, regions that are in the process of turning into agglomerations, and conglomerations of municipalities. 1 January 2022. KSH, https://www.ksh.hu/stadat_files/fo/fo/fo0016.html

However, compared to international trends, the total population of Hungarian cities increases relatively slowly. The main reason is the population decline in the major urban centres. Thus, for example, the population of Budapest

dropped by over 300,000 between 1990 and 2022, while that of other regional centres shrank by 200,000 in total over the same period, only four cities show some growth. (Figure 4)

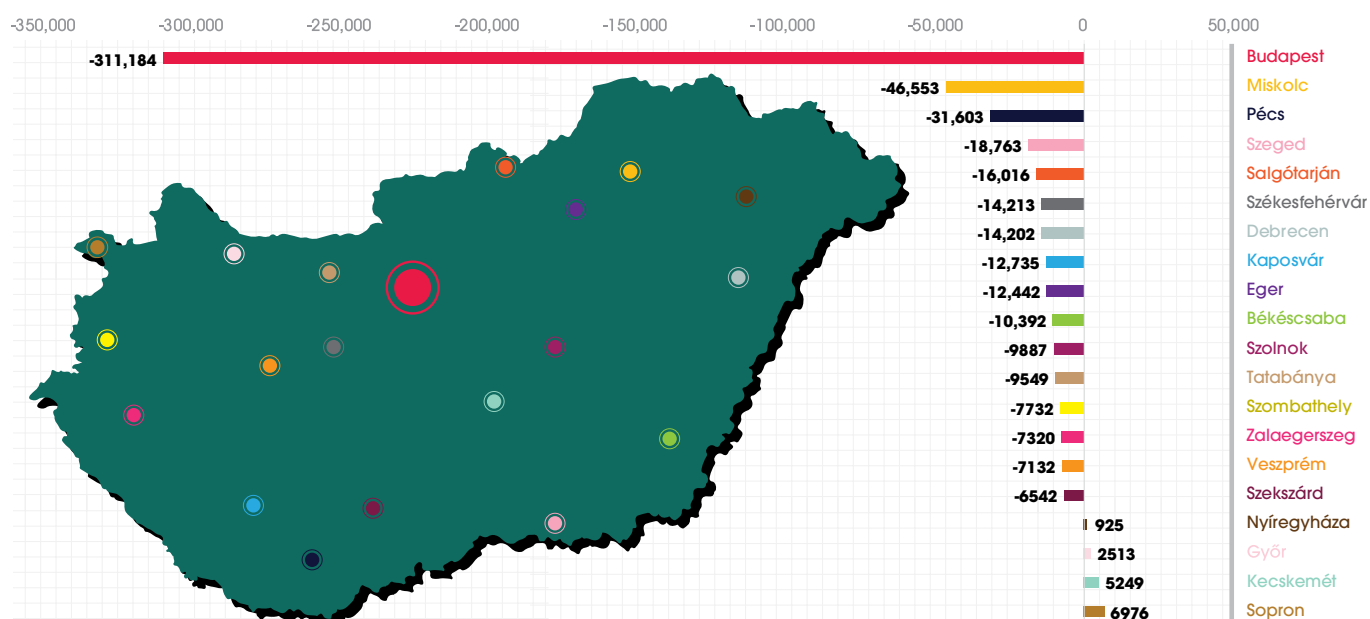


Figure 4: Population change in agglomeration centres between 1990 and 2021, headcount (source: Hungarian Central Statistical Office)

Even though there are many reasons that explain this phenomenon, from an urban policy perspective, the most important factor is the net balance of inward and outward migration – in other words, how many people move into the city and how many move out. This net balance is negative: even though we have seen a steady movement of people into

various cities, primarily from the smaller municipalities, and to a lesser extent from other major cities to Budapest, this broader trend coincided at the same time with many people moving from the cities to adjacent municipalities (Figure 5).

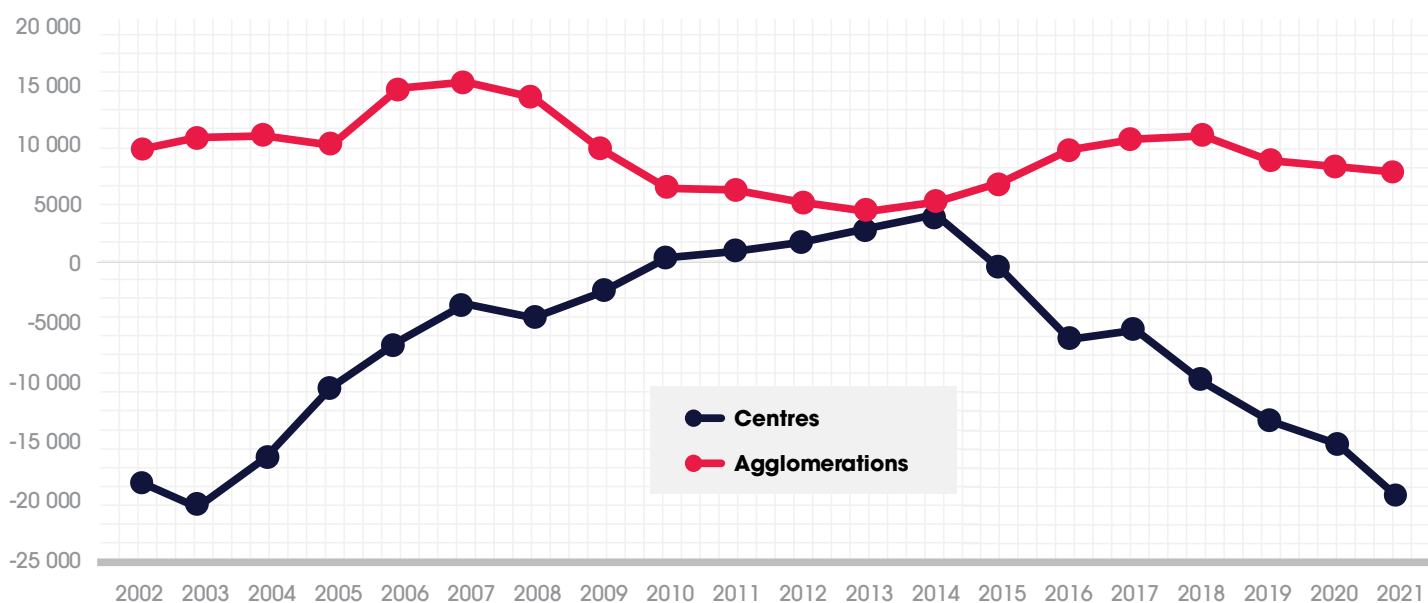


Figure 5: Difference between constant in-migration and out-migration for Hungarian centres and conurbations between 2002 and 2021, headcount (source: Hungarian Central Statistical Office)

It is worth looking at the trends in an international comparison: at the beginning of the previous decade, the difference between constant in-migration and out-migration in the Hungarian capital was at the average of

the region, but by the middle of the decade the difference was close to zero, and today **Budapest is the only city where the share of those moving out is much higher than the share of those moving in** (Figure 6).

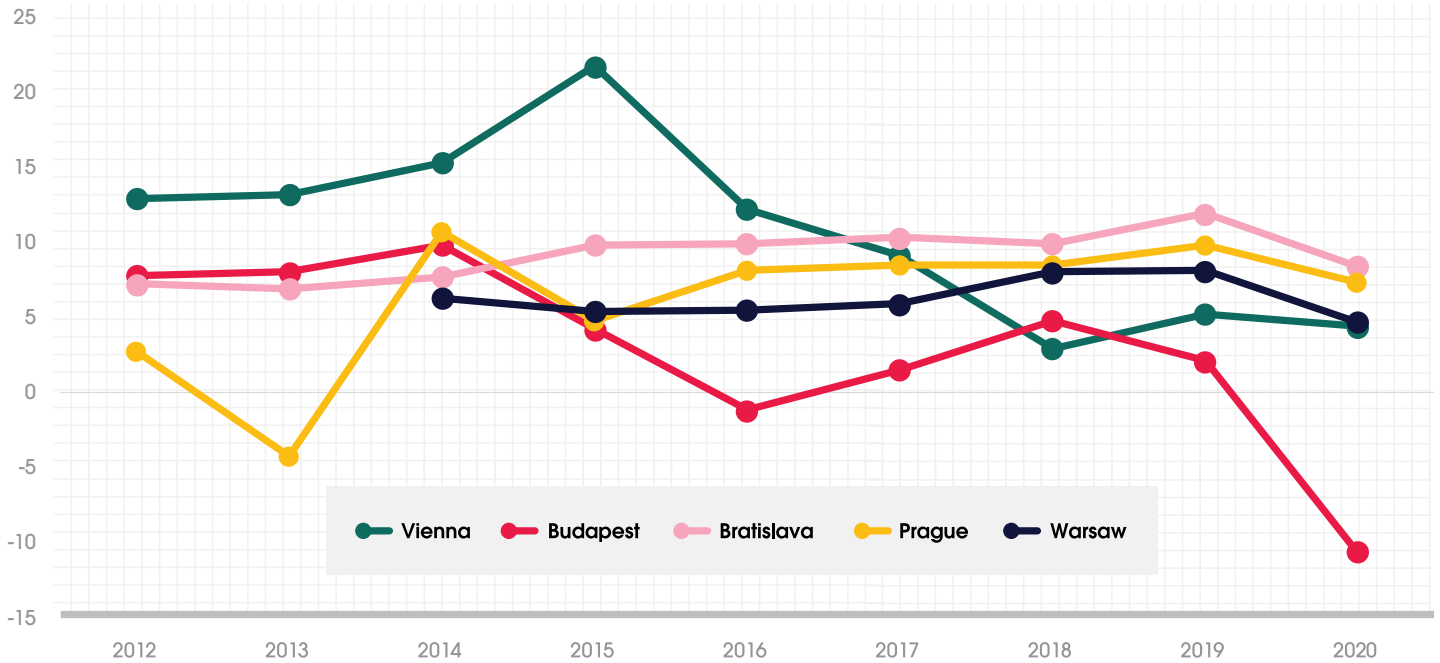


Figure 6: Difference between in-migration and out-migration in the capital between 2012 and 2020, thousand inhabitants (source: Eurostat)

Extrapolating the prevailing demographic trends, **the following three decades will see ongoing growth in the populations of municipalities surrounding cities, while the populations of urban centres will continue to decline.** If the current trends persist, by 2050 the population of regional centres will drop by 290,000 persons or 11%³ (Figure 7). As we will see, **this trend has a negative impact on the environment - mainly through air pollution and higher emissions - and is a handicap both for achieving our climate neutrality goals and for our country’s competitiveness.**

However, this process is not inevitable. **Municipal leaders, central governments, and various other factors influence the changes in the prevailing municipal structure.** We find international and domestic examples alike of cities that are surging demographically: thus, Győr’s almost three-decades-long persistent population growth runs counter to the trend of general urban population decline in Hungary, while Debrecen, Szeged, and Budapest also expanded between 2005 and 2015.

³ Lennert, József (2019): A magyar vidék demográfiai jövőképe 2051-ig, különös tekintettel a klímaváltozás szerepére a belső vándormozgalom alakításában. [The anticipated demographic future of Hungary’s rural areas with a consideration of the role of climate change in shaping internal migration]. Területi Statisztika, 59(5): 498-525.

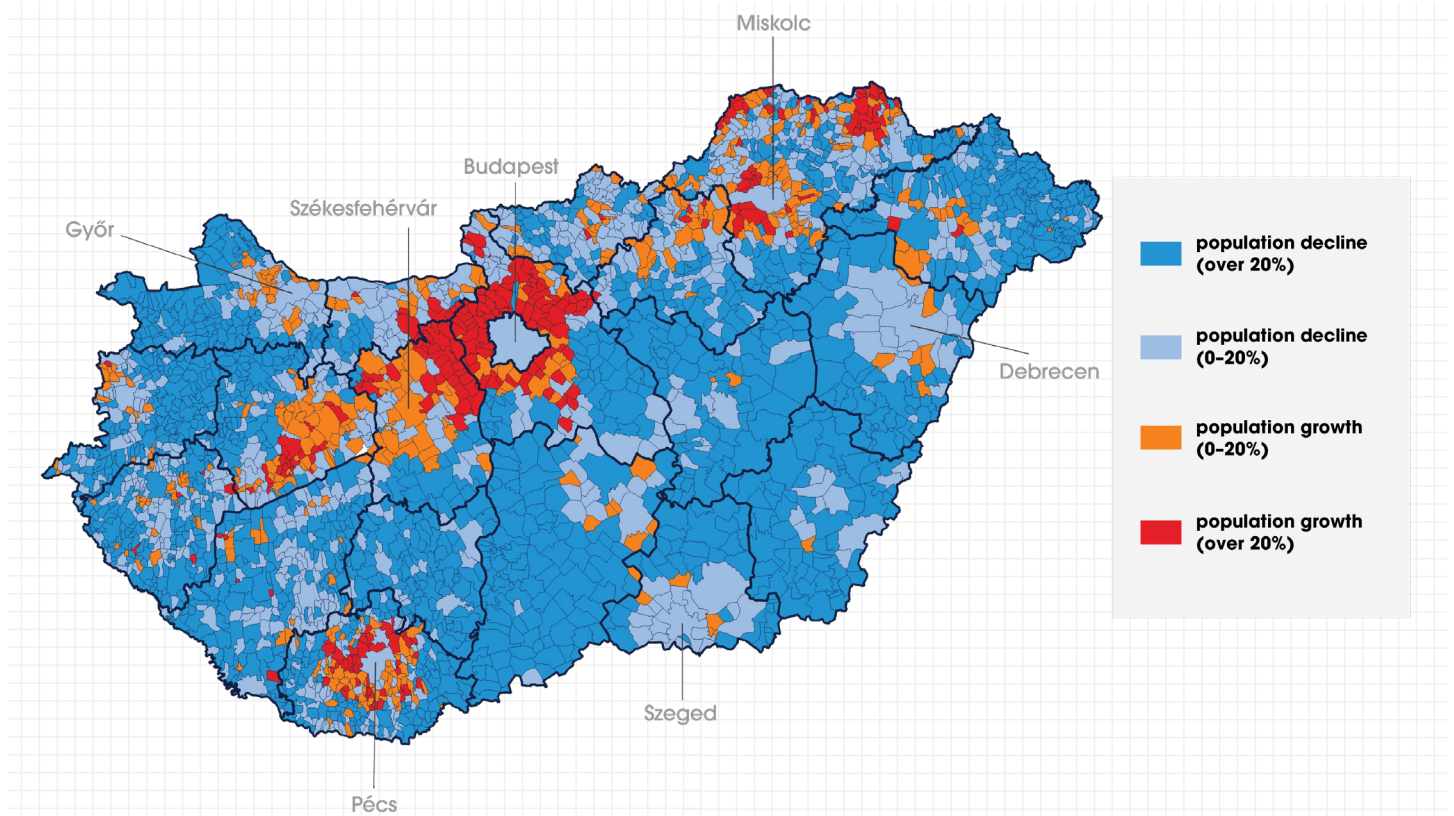


Figure 7: The projected population of Hungarian municipalities in 2051 as a percentage of the 2019 population (Source: ELTINGA calculation based on Lennert 2019).

In addition to domestic examples, the trends in many European cities also demonstrate that not all cities experience declining populations. The majority of the cities in the United Kingdom, the Netherlands, and Germany have not only managed to hold on to their existing populations, but in fact, in the years before the pandemic, they drew more people in. Although these urban centres are also traditionally targets of international migration, in our own Central and Eastern European region, Warsaw has also exhibited an ability to both retain its existing population

and attract new residents. Based on the above, we can assert that **reversing the decline of Hungarian cities is a realistic goal for urban planning.**

Reversing the decline of Hungarian cities is a realistic goal for urban planning.

2.3. THE HARMFUL COROLLARIES OF URBAN SPRAWL

Suburbanisation has more disadvantages than advantages, both locally and nationally. The influx often overburdens agglomeration infrastructure; the lack of adequate public transport alternatives means that commuters' vehicles cause significant damage to the environment; conflicts between long-time residents and newcomers from large cities can further degrade the quality of life experienced. Summer water shortages in the Buda conurbation, which occur year after year nowadays, or kilometre-long traffic jams on narrow two-lane roads during rush hour, are all part of the suburbanisation process.

In Hungary, two factors clearly show that **the conurbation of the capital in particular is not able to keep pace with population growth**: average school class sizes are growing faster than in Budapest, and drinking water supply is not

keeping pace with housing growth. This is compounded by **the difficulties experienced daily in relation to the inadequacy of the road network**: it is often quicker to get to Budapest by public transport from another county than, for example, from a municipality in the agglomeration. The situation is particularly acute in terms of congestion due to regular commuting: **on average, motorists spend the most time in traffic jams in Budapest in the whole region (86 hours in 2022, for example, the 8th worst in Europe)**; and even in cities like Berlin, Lisbon or Amsterdam, the situation is better (*Figure 8*). It is important to stress that **the difficulties of suburbanisation are not limited to Budapest – similar difficulties plague other urban centres outside the capital, such as Debrecen, Szeged, or Kecskemét.**

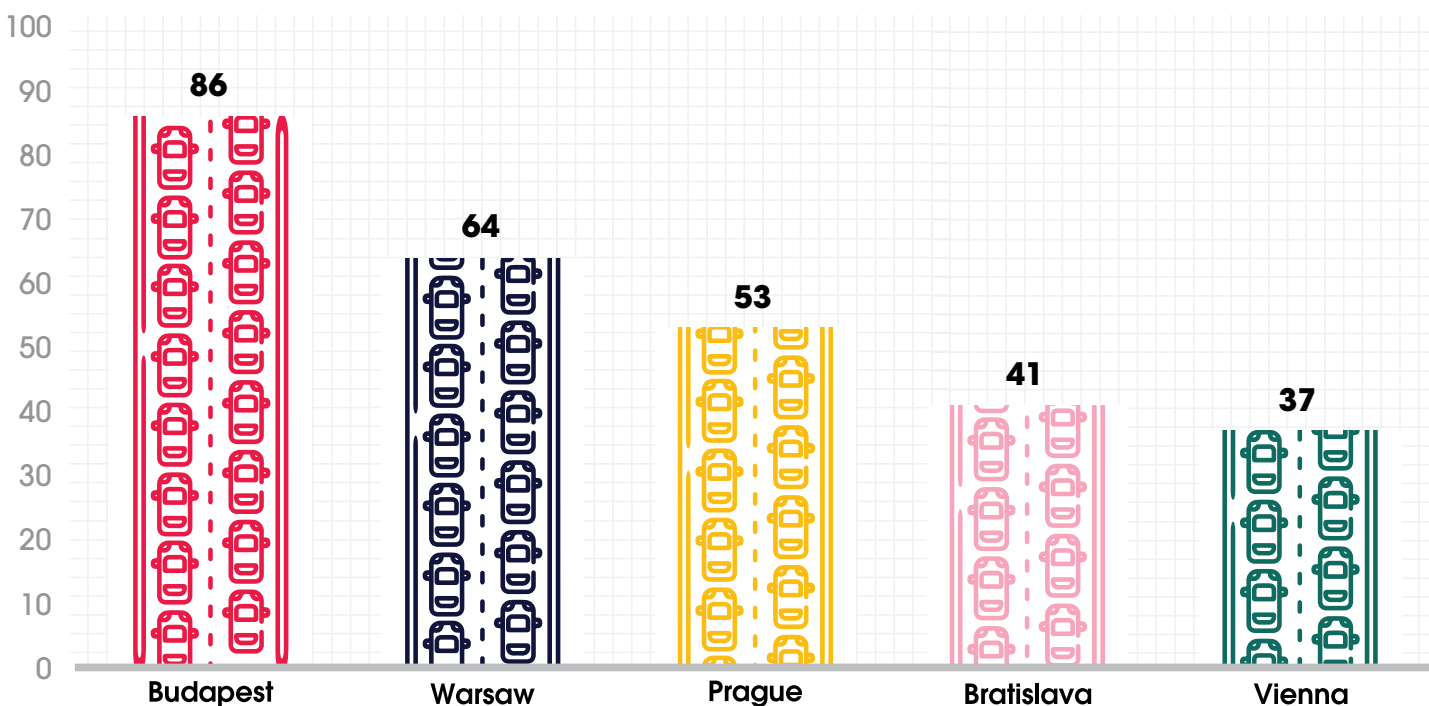


Figure 8: Average number of hours spent in traffic jams by motorists in the region's capitals, 2022 (source: Inrix)

If this is to be remedied by infrastructure development, it is also much more costly in a sprawling city: serving the agglomeration will obviously require longer and wider roads, more pipes and lines, more extensive public transport improvements, and higher operating costs than in a more densely populated urban centre.

It cannot be stressed enough that the negative effects of suburbanisation cannot be blamed on those who move out of city centres in order to exercise their right of free choice of residence, and indeed it is understandable why this is an attractive option for the individual. However, it should also be borne in mind that these effects ultimately have a negative impact on their quality of life. Hardly anyone

would want to see air pollution, which kills more than 10,000 people a year, increase rather than decrease. Wasting time in traffic jams does not make anyone's everyday life any happier. Nor is it good for anyone if our green spaces and arable land continue to shrink, nor if our common resources are spent on wasteful duplication of infrastructure. It would therefore be in everyone's interest if fewer and fewer Hungarians decided to move to the conurbation. That is why it is important to map out what exactly is driving them out of city centres – in other words, why individuals are making decisions that lead to consequences that no one wants.

I 2. 4. THE FACTORS THAT SHAPE THE TREND OF SUBURBANISATION: LIVEABILITY, HOUSING COSTS, TRAVEL COSTS

Data-based research has revealed that four factors are decisive in influencing the decision of residents to move away:

01 INCOME

When higher incomes can be earned in a given location, that will make the surrounding areas also more attractive, which could even motivate people to change countries of residence.

02 QUALITY OF LIFE

The factors that shape the quality of life in an area: the range and quality of services available, air quality, public safety, and the availability of green areas have a vital influence on the residents' experience of quality of everyday life.

03 PRICE OF HOUSING

The price of housing is also a primary consideration in selecting a place of residence – this refers to the ability of an individual or family to buy or rent a home in a given area.

04 TRAVEL COSTS

Travel costs exert their impact in combination with the above factors. Higher transportation costs and prolonged travel times will lead to fewer people acquiescing to commutes.

Among the four factors mentioned above, we can bracket the first in this context: choosing between the suburban areas and the city centre does not have a significant impact on incomes since the job opportunities in the given areas are practically the same. Thus, in the context of the present study, the three main factors that shape the decision are housing costs, quality of life considerations, and travel costs.

A long line of studies in Hungary also underlines this. The “demand for a more spacious, better apartment” has made the suburbs more attractive, and for many, the reasons for leaving the capital included “the high price of maintaining a flat” and that “life is too expensive” in Budapest;⁴ all the while, larger and more modern housing was more affordable in suburban areas.

Environmental considerations are typically mentioned among the factors that have an impact on the quality of life: “Quiet, suburban areas with good air and lots of green areas are most appealing.”⁵ Air pollution is a major factor in urban

flight, and, in some areas, so is **slummification**. Accounts of relocation decisions also emphasise the importance of **decent infrastructure, the proximity of key institutions, and good transportation**.

“The three main factors that shape the decision are housing costs, quality of life considerations, and travel costs.”

In another study,⁶ respondents indicated that “quick access to schools and jobs in the capital” was the most critical factor in influencing their choice of where to live (while it also emerged that those who move to the suburbs often underestimate commuting and travel costs). At the same time, it is true that as incomes have risen, car transportation has become widespread, and this has reduced the costs of commuting.

I 2.5. THE TRENDS THAT WILL SHAPE THE COMING DECADE: HOUSING COSTS, TELECOMMUTING, TRANSPORTATION DEVELOPMENTS

Along with numerous other factors, the trends outlined above will also boost the trend towards suburbanisation. Unless we do something about this, the combination of these trends will contribute to a further decline in the population of our major cities.

01 HIGHER HOUSING COSTS

When urban housing becomes even more expensive, that could result in even more people **relocating to smaller municipalities in the urban agglomeration** than in

⁴ Csanádi, Gábor – Csizmadya, Adrienne – Kocsis, János Balázs – Kószeghy, Lea – Tomay, Kyra (2010): Város, tervező, társadalom. [City, planner, society]. Sík Kiadó.

⁵ Studio Metropolitana: A 2-es metró felújításának lakossági megítélése 2006-ban. [The public assessment of the renovation of metro line No. 2 in Budapest]. Background briefing for a press conference, 21 December 2006.

⁶ Földi, Zsuzsa: A lakókönyezet minőségének szerepe a főváros migrációs folyamataiban, az 1990-es években. [The role of the quality of the living environment in Budapest's migration processes during the 1990s]. Tér és társadalom, 14(2-3): 219–228.

previous decades. Over the past decade, apartments in Budapest have seen their prices increase by around 20% as compared to the prices in the agglomeration, while in Debrecen, the price differential surged to 40% (Figure 9).⁷ One of the key reasons behind the increase in housing prices is the slow pace of expansion in the housing supply.

Between 2010 and 2021, the housing pool in the urban regional centres expanded by 5%, while it grew by 9% in the agglomerations. Unless there are changes in the regulatory framework, we have no reason to expect that this trend will be reversed or even substantially slow down.

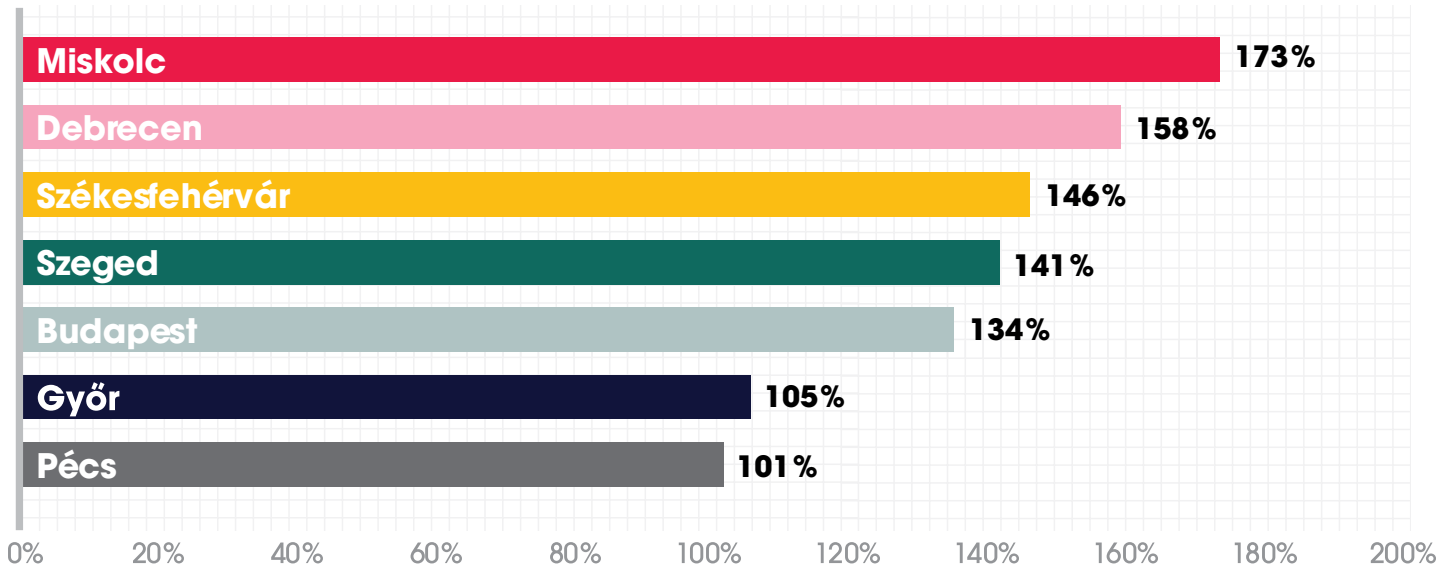


Figure 9: How much more expensive is an average flat in the city than in the agglomeration? (Source: ELTINGA's calculations based on data from the Hungarian Central Statistical Office (KSH))

As the population flows increasingly move in the direction of major urban areas, **the demand for residential real estate is steadily expanding. However, the pace of new construction lags far behind the optimal level.** At the same time, as tourism has picked up, **there has also been a surge in short-term rentals (primarily Airbnb) aimed expressly at foreign visitors who tend to be able to pay more,** which has further tightened the market for long-term rentals. In the meanwhile, many decide to keep their unused flats empty to protect themselves from the high risks associated with renting them out.

02 THE SURGE IN TELECOMMUTING

During the pandemic, **telecommuting expanded and often became institutionalised; the immediate need for its use, coupled with the emergence of the necessary technological prerequisites, led to a situation in which telecommuting suddenly developed by leaps and bounds.** The newest office buildings feature far fewer fixed workstations than their earlier peers, while they offer much more space devoted to meetings. In the near future, corporations are more likely to avail themselves of the opportunities stemming from telecommuting.

⁷ ELTINGA calculation based on data provided by the Central Statistical Office.

Surveys show that employers tend to think of the spread of telecommuting and hybrid work as a gradual process rather than a revolution. There is also a consensus that the **proliferation of telecommuting won't affect all types of work to the same extent**: work requiring a personal presence and performed in a workplace environment will remain essential in strategic and cooperative decision-making, fostering talent, nurturing corporate culture (and especially employee retention), as well as for creative and innovative developments. The limited demand for telecommuting was also manifest in surveys conducted during the pandemic, which showed that the overwhelming majority would return to traditional office work.⁸

Nevertheless, this does not change the long-term trends: **with respect to telecommuting, we can definitely expect progress as compared to the pre-pandemic period**. An international survey found that in the next 3-5 years, three-quarters of corporations will expect office workers to telecommute at least one day a week.⁹ One day spent working from home would cut commuting costs by 20%, **and the reduced total commuting time will likely increase the share of those who will opt for homes further from the city centre**. Although less commuting will end up reducing the total air pollution, from an environmental perspective, the best option would be to make cars entirely unnecessary.

03 MAKING COMMUTING EASIER

Over the past decade, access to Budapest by rail has improved in several respects. Among the major investments planned for the coming years, thus the Galvani Bridge, the H5 suburban railway line, and the southern rail connection will shorten the commute to Budapest from many municipalities in the agglomeration. The capital agglomeration rail strategy still regards transportation into the city as a priority area for development and has further plans to this end. Transportation into the city will become faster from the directions of Vác and Kecskemét-Lajosmizse. Building a railroad tunnel connecting the Déli and Nyugati (Southern and Western) railway stations is also still on the agenda. This would primarily make it easier for commuters coming from the Érd-Székesfehérvár-Balaton route trying to get to the Váci Road office corridor in Budapest. In the meanwhile, since 2021 Szeged has become directly connected to Hódmezővásárhely. **More comfortable and faster commutes to Budapest will make it more attractive for many to move from the city to the suburbs.**

⁸ Bloomberg: UBS Says One-Third of Staff Could Permanently Work Remotely. Bloomberg, 22 June 2020. <https://www.bloomberg.com/news/articles/2020-06-22/ubs-coo-says-one-third-of-staff-could-permanently-work-remotely-kbqky1vi?leadSource=verify%20wall>.

⁹ EY-ULI: Future of Work. ULI, <https://knowledge.uli.org/-/media/files/research-reports/2020/ey-uli-future-of-work.pdf?rev=0931d-121b0e5454988ffe4af72636030&hash=8B1A76A34D90BAC6C327159266303EFA>; KPMG: Real estate in the new reality. KPMG International, <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/08/real-estate-in-the-new-reality.pdf>.

3. THE EQUILIBRIUM INSTITUTE'S POLICY PROPOSALS TO MAKE CITIES MORE ATTRACTIVE

If we want Hungary to be cleaner, smarter and more competitive in the future, we need to make urban life more attractive and competitive. This requires making housing

more affordable, the urban environment more liveable and for cities to become centres of innovation and creativity.

I 3.1. LET'S MAKE URBAN HOUSING AFFORDABLE

The rise of urban housing costs cannot be fully neutralised, but it can be mitigated. **Such an effort would tackle the problem from several directions, including a better exploitation of the existing housing stock, expanding housing supply, broadening innovative housing solutions, as well as targeted benefits to assist those in need.**

▶ LET'S INCENTIVISE LONG-TERM RENTALS WITH TAX EXEMPTIONS

According to the current plans, **starting in 2024, a new EU-level regulation, which seeks to rein in the market tensions stemming from short-term rentals, will enter into effect.** The objective of the regulation is, among other things, to increase transparency, introduce stricter registration requirements for short-term rentals, and incentivise long-term rentals. **A consistent application of this regulatory package would constitute significant progress in itself,** and as compared to more radical and one-sided interventions (e.g., banning short-term rentals or using indirect methods to compel them to cease their operations), it has the added benefit that it would not deal a sudden blow to Hungarian tourism, effectively killing off a branch of the economy that has created many jobs and generated substantial incomes. Nevertheless, in many respects, the gravity of the situation that has emerged in

our country – as in other European countries – makes it necessary to take decisive steps towards promoting long-term rentals.

In 2018, the Hungarian state took a step that clearly made long-term housing rentals more attractive in terms of taxation: by removing the 14% health contribution on income from long-term rentals, such income is now only subject to a 15% income tax. Still, the profits that accrue to the providers of short-term rentals per unit of time are so much higher (up to two to three times) that **the measure failed to engender substantial shifts in the market.** If the state were to decide that it wants the greatest possible proportion of the housing pool to be used for the long-term housing of local citizens, it would have to take further targeted measures to that end.

Starting in 2024, the first year of income from rental contracts concluded for periods of three or more years should become fully tax-exempt to reduce the disproportional financial advantage of short-term rentals. Even this measure would only serve to somewhat reduce the existing disproportionality. Nevertheless, it would still mark progress compared to the present situation.

▶ LET'S MAKE THE USE OF CONTRACT TEMPLATES COMPULSORY IN THE PRIVATE RENTAL MARKET

Flat owners who have made plans to offer short-term rentals are often discouraged from switching to long-term rentals **by the outdated regulatory framework concerning long-term rentals, the higher risks, and the legal uncertainties.** An often-voiced complaint is that the applicable laws extend disproportional protections to the tenants, making it even impossible to get rid of them in some extreme cases (e.g., in the event of their failure to pay rents or utilities, inflicting damage to the common areas of the building, etc.). That is often true even if the rental contract was based not only on a verbal agreement but on a “homemade” written contract governing the lease. It should be a preeminent objective that flats do not remain vacant merely because of legal obstacles – the rights of landlords and tenants need more robust protections.

The state should incentivise the expansion of the private long-term rental market by offering centrally drafted contract templates that can be downloaded online. These contracts should take into account relevant experiences in protecting the rights of both tenants and landlords! This method has already proven effective in Belgium and Germany. **It is also important for the laws to distinguish between social housing and rentals offered by private persons or companies** – in the case of the latter (when the underlying goal of the rental is not the social protection of vulnerable groups and to improve their circumstances), there should be more room for reducing the risks stemming from long-term leases by shoring up the rights of landlords.

▶ COMPULSORY REGISTRATION FOR LANDLORDS

In addition to making the relationship between tenants and landlords more secure and predictable, **the mandatory registration of tenancies with a central authority within a certain timeframe would also serve the whitening of the private rental sector** and increase our knowledge about the main trends of the rental market. In Ireland, for example, landlords are obliged to register within one month of signing a tenancy agreement - the legislation incentivizes this not only by providing for severe fines but also by offering a

mortgage interest rebate. The registration authority also settles any disputes between tenants and landlords, which increases trust between the parties. **Public authorities should only recognise registered tenancies in Hungary.**

▶ THE MARKET FOR CORPORATELY OWNED RESIDENTIAL RENTALS SHOULD BE INCENTIVIZED WITH A REDUCED VAT RATE ON RENTS AND OTHER BENEFITS

While long-term rental agreements are at a competitive disadvantage compared to short-term rentals, long-term residential rentals by corporations are at a disadvantage compared to both of the aforementioned. In recent decades, investors' interest in this area was primarily held back by the **tax environment (above all, the VAT levied on the building and rental of new flats) and the low returns resulting from the latter, as well as the uncertainties stemming from the insufficient regulation of long-term rentals.** As a result of the above, corporate housing rentals make up a barely discernible slice of the market today.

“In recent decades, investors' interest in this area was primarily held back by the tax environment (above all, the VAT levied on the building and rental of new flats) and the low returns resulting from the latter, as well as the uncertainties stemming from the insufficient regulation of long-term rentals. As a result of the above, corporate housing rentals make up a barely discernible slice of the market today.”

Several expert proposals have been published in recent years to shore up the barely functioning institutional and corporate tenement market, and in fact the state has taken



steps to this end (especially through the reduced VAT on new construction and the “rust belt housing programme”). While retaining these, **the benefits provided to long-term rentals offered by corporations need to be expanded! One possible route is to make the 0% VAT rate that currently applies to rust belt areas applicable everywhere until the end of the decade. Further tax incentives could also be extended to long-term contracts and contracts with residents in disadvantaged situations.**

▶ **SHORT-TERM HOUSING RENTALS SHOULD BE LIMITED TO 90 DAYS - LET’S TRACK HOSTS THROUGH A CONTINUOUSLY UPDATED DIGITAL SYSTEM**

Short-term housing rentals have undeniable benefits, but the abusive use of this rental model yields more harm than benefits. **The original concept underlying Airbnb and similar intermediary services was to complement rather than replace traditional hotelling services.** Reverting to this original concept is the idea behind measures taken in other countries that try to create more transparent conditions in the housing market: international examples range from a maximum limit on short-term stays of 120 days (major French cities), 90 days (San Francisco) to 5 days (Madrid); in the meanwhile, Barcelona, for example, has banned short-term rentals completely.

The use of housing for short-term rentals should be limited to 90 days. In addition to implementing this restriction, it is just as important to effectively monitor short-term rentals to collect tourist taxes and ensure compliance with the applicable regulations. In the interest of effectively monitoring the continuously updated and changing pages featuring short-term rentals, we need to create a **data-driven, AI-based monitoring system to track them.** If they can effectively track what they are meant to monitor, such systems can quickly recoup their costs through increased revenues from taxes and fines.

▶ **LET’S TAX FLATS THAT ARE LEFT VACANT FOR EXTENDED PERIODS AND THE FLATS RENTED OUT AS OFFICES BY PRIVATE OWNERS**

One of the most evident instruments for expanding access to housing is to **shift vacant housing that can be rented out into the rental market.** Most recent data suggest that 17,7% of Budapest flats are vacant, and often their owners cannot be contacted at all¹⁰ – if the state decides to consider easier access to housing a priority, it cannot afford to forgo this resource.

Since these cases involve private property, evidently, there is **no option of direct regulatory intervention** (in other words, no one can be compelled to rent out their flat) – **but there are numerous potential indirect incentives to influence the decisions of owners.** To this end, several countries, including the United States, Israel, Scotland, England, and France, have levied some form of taxes on flats that are vacant for extended periods. Such measures increase supply in the housing market, giving more people access to affordable housing because previously unused flats enter the market.

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¹⁰ Hungarian Central Statistical Office (KSH): Mikrocenzus [Micro-census]. <https://www.ksh.hu/mikrocenzus2016/>.

Let's incentivise an expansion in the availability of rental flats by levying municipal taxes on flats that have been vacant for extended periods (2-3 years). Let's also extend this tax to privately owned flats rented out as offices to incentivise smaller enterprises to move into office buildings instead! Similarly to the French model, the tax rate should start from a relatively low base and increase each year during which the flat is vacant. **Municipalities should be obliged to use revenue from this tax to develop the local public housing stock (upgrades, new construction, or cooperation with the private sector).**

▶ MUNICIPALITIES SHOULD EXPAND THE POOL OF RENTAL HOUSING BY RENTING OUT FLATS THAT HAVE BEEN VACANT FOR A LONG TIME

In the event that the instrument outlined above fails to draw vacant flats back into the rental market (for example, because the owner prefers to pay the taxes to the hassle with rentals), **allowing for the possibility of using the flats as social housing units could also contribute to mitigating the scarcity of rental housing and stemming the increase in rental fees.**

At the end of 2021, it became easier for municipalities in Portugal to declare flats in their jurisdiction that were permanently unused to qualify as vacant real estate and then transfer them into public use. As part of this procedure, municipal governments were authorised to make the **owners an offer (insofar as the owners could be contacted) to rent out the given units as social housing.**¹¹

From 2024, let's include permanently vacant properties in the municipal housing supply in Hungary! Within the framework of a targeted program, the local governments should first register and assess the properties that can be considered, and then start negotiations with the owners on the conditions for communal use based on a schedule developed in advance!

▶ LET MUNICIPALITIES INCREASE THE SUPPLY OF HOUSING BY RENTING OUT PERMANENTLY VACANT PROPERTIES

If the above means fail to attract vacant flats into the private rental market (for example because the owner would rather pay taxes than rent out), **allowing them to be used as rental housing by municipalities could also help to expand the scarce supply of housing and curb the rise in rental prices.**

In Portugal, at the end of 2021, it was made easier for municipalities to declare vacant and permanently unoccupied housing in densely populated areas as vacant property and then to open it up for public use. Under this procedure, **municipalities can make a rental offer to the owner (if available), so that the property in question can then be rented out as a municipal rental flat.**

From 2024, let's include permanently vacant properties in the municipal housing supply in Hungary as well. Under a targeted programme, local authorities should first assess the properties available and then start negotiating with owners on the terms of community occupation based on a predetermined timetable.¹⁸

▶ LET'S ESTABLISH MUNICIPAL PROPERTY MANAGEMENT OFFICES

In the interests of comprehensive strategic planning and responsible, long-term property management, **municipal property management offices should be set up in our cities to deal with the development, leasing and sale of municipal housing property in cities. Their main objective, as defined by law, would be to increase the overall value of the property stock** (even by selling some of the properties and upgrading others) **and optimise its use** (thus balancing market and social aspects). The property management offices would have to operate on the basis of an annually agreed business plan, which would be audited by the State Audit Office alongside the municipality.

¹¹ The relevant regulations were further tightened in the spring of 2023, ultimately even allowing for compelling owners to rent out their real estate in some cases. This clearly raises serious fundamental rights concerns. However, in Hungary, taking even more moderate steps could substantially ameliorate the current situation.



▶ **LET'S INTRODUCE A TARGETED SUBSIDY PROGRAMME AND TAX BENEFITS FOR UPGRADING THE DILAPIDATED POOL OF PRIVATELY AND MUNICIPALLY OWNED HOUSING**

Let's renovate and upgrade those flats that can be redeemed with reasonable expenditures and are currently in disuse because of their condition. The money spent on upgrades should be deductible from the tax payable on vacant flats! Furthermore, municipal governments should receive subsidies to renovate flats as long as the upgrades improve the energy efficiency of the flat and achieve at least a BB certification.

▶ **LET OWNERS IN CONDOMINIUMS DECIDE ON MODERNISATION INVESTMENTS WITH A TWO THIRDS MAJORITY**

The rigidity of the Condominium Act, which requires 100% of owners to agree to essential investments, is a major obstacle to the timely modernisation of an extremely outdated housing stock - **meaning that even a single tenant can block energy upgrades or roof repairs**. Of course, no one can be obliged to bear the additional costs of an investment with which they disagree for some reason, or for which they would not be able to bear the extra costs. But this does not necessarily mean that upgrades are not carried out.

If those who vote yes can finance the share of the costs of the residents who opt out, the two thirds majority of the owners should be able to decide on the investment.

If those who vote yes can finance the share of the costs of the residents who opt out, the two thirds majority of the owners should be able to decide on the investment. Those residents who opt out should not have to bear the

increased burden - however, if their home is sold, the cost of the shortfall should be built into the price of the property and then paid to the house if it is successfully sold.

▶ **OUR CITIES SHOULD EXPAND INWARDS - MAKE USE OF UNDEVELOPED OPEN SPACES**

The general aim for **cities in Hungary is to expand inwards, rather than outwards**, so that the growth and congestion of agglomerations is replaced by the attraction of citizens to the unused, developable inner areas.

To this end, we will increase the supply of housing by building on unused, underused brownfield sites and brownfield land - but only in areas that are well served by public transport and other infrastructure and where we can agree with investors on the right scale of development.

In the summer of 2020, the Hungarian government announced the Rust Belt Action Plan, under which developers of neglected sites can receive recultivation grants and property development tax relief - but so far, few sites have been given the green light.

These developments would also be better encouraged if municipalities were interested in expanding the supply of housing, rather than just seeing them as noisy construction projects and new residents to serve with scarce institutional capacity. **If they could count on resources from property developers and the central budget that could be used to raise the living standards of existing residents as well, they would already be more likely to encourage local constructions.**

▶ **BUDAPEST SHOULD HAVE A LONG-TERM HIGH-RISE CONCEPT BY 2028**

The Hungarian capital is an extremely sparsely populated city by international standards (3250 inhabitants/km²), which is particularly perverse given the housing shortages resulting from the scarcity of supply. The examples of many large cities show that, with the right urban planning, even a multiple of this population density does not necessarily have to be at the expense of liveability (Copenhagen: 5793 inhabitants/km², Barcelona: 15 873 inhabitants/km², Paris: 20 359 inhabitants/km²).

In addition to expanding inwards i.e., building on under-utilised land, cities can also expand upwards: in other words, in the long term, **we need to review legislation on building height limits**. As a general rule, this should not mean abandoning urban design and heritage considerations - but the aim of increasing housing opportunities and creating competitive cities justifies making the most of under-utilised land by building high-rises where possible. In order to ensure that this is not done on an ad hoc basis or in accordance with momentary lobbying interests, **the capital should draw up a detailed concept for the development of high-rise housing within five years**. Among other things, this should define where and under what conditions tower blocks can be built (i.e. the demarcation of zones that are favourable to and protected from such developments); the urban design/heritage protection aspects that such an investment must comply with; and the mandatory infrastructure improvements that can be made to avoid mono-functional areas (i.e. to move towards a compact city).

▶ **FOR NEW DEVELOPMENTS, PROVIDE SERVICE HOUSING THROUGH DENSITY BONUS REGULATIONS**

Let's allow developers to build taller houses, increase buildability, if at least one for every hundred built is

municipally owned. The municipalities should provide housing for GPs, teachers and other public servants and civil servants who carry out public service work in the area in these new and modern housing units.

▶ **LET'S IMPROVE THE MUNICIPAL RENTAL HOUSING STOCK**

Preserving the municipal housing stock is a goal, expanding it is desirable. Municipalities have the opportunity to see their complex living situation through direct contact with residents, and thus allocate benefits more fairly. The City of Vienna builds between 4,000 and 6,000 subsidised housing units per year. **At present in Hungary, the realistic medium-term goal is rather to maintain and improve the quality of the existing stock.**

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I 3.2. MORE LIVEABLE URBAN CENTRES

The **compact city**, a concept that emphasises the importance of providing a full spectrum of functionalities at the levels of smaller regional units, has been a slogan that has actively shaped urban planning in Budapest, too. A more fashionable term to capture this concept is the **15-minute city**, which stresses that frequently used services should be available within 15 minutes on foot, by bicycle, or by public transportation. The underlying idea is that we should be able to perform our work, do our everyday shopping, and enjoy our leisure as close to home as possible. Not one city can fully live up to this ideal, but we need to try to approximate it. Our cities will become better places to live if the air quality is better, there is greater micromobility, a density of institutions providing public services, and increased social solidarity. The following proposals serve to improve the quality of urban life.

“**The underlying idea is that we should be able to perform our work, do our everyday shopping, and enjoy our leisure as close to home as possible.**”

▶ **LET'S INTRODUCE CLEAN ZONES IN MAJOR CITIES**

Air pollution is one of the primary reasons behind the decision to move into the agglomeration, which is why it is especially vital that Hungarian cities take substantial



measures to remedy this problem. The centres of numerous major European cities (London, Paris, Amsterdam, Hamburg, Madrid, etc.) feature so-called low-emission zones, in other words **clean zones where the most polluting cars may either not enter or may do so only in exchange for a high fee.**

Let's introduce clean zones in Hungarian cities as well. Only low- or zero-emission cars should enter the clean zones, protecting the health of city dwellers! (*The Equilibrium Institute has previously addressed the possibilities for reducing air pollution in Hungary in detail in its policy paper entitled How to get fresh air?*)

▶ **LET'S MAKE SURE THAT BY THE END OF THE DECADE, THE SUPPLY OF URBAN GREEN AREAS REACHES 9 M²/PERSON**

According to the World Health Organization, a modern city needs 9m² of green area for each resident. By contrast, this figure currently stands at 6 m²/person in Budapest. **Let's make sure that by 2030 the supply of urban green areas will be at least 9m²/person.**¹²

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▶ **LET'S CREATE GREENWAYS IN HUNGARIAN CITIES**

Greenways are **routes connecting the cities' traffic hubs which the residents may even prefer to public transportation because of the green area and the scenic walking routes they offer** – one example is the section connecting the Gudrunstrasse and the railroad station in Vienna. Such options for getting around the city simultaneously offer an incentive and an actual opportunity to exercise more (and use cars less), along with the possibility of using the green areas for recreational purposes. Thereby

they exert a favourable impact on physical and mental well-being and individual life satisfaction, not to mention the direct positive impact of green areas on air quality and climate adaptation.

There have been sporadic attempts (primarily civic initiatives) in Hungary since the early 2000s to develop greenways, but we have yet to exploit the opportunities these offer. Obviously, the preconditions and possibilities for creating greenways differ between cities, but it is nevertheless important for the state to incentivise and support such developments. **The state needs to help the development of greenways in major Hungarian cities by drafting a long-term development strategy that surveys the potential possibilities and instruments, incentivises action by municipal governments and civic organisations, and offers grants and targeted subsidies.**

▶ **LET'S SET REDUCED SPEED LIMITS OF 30 KM/H FOR SMALLER URBAN STREETS**

Similarly to other major European cities, **we need to reduce the transit traffic in Hungarian cities, steering cars towards the major roads, primarily by prohibiting transit traffic.** Reducing the speed limit would contribute to the latter objective, while it would at the same time also cut noise pollution and harmful emissions. To this end, **let's introduce a uniform speed limit of 30 km/h on all smaller urban streets.**

▶ **LOCAL GOVERNMENTS NEED TO CREATE A SERVICE AVAILABILITY CERTIFICATION SCHEME, WHICH INFORMS BUYERS ABOUT THE AVAILABILITY OF SERVICES NEAR THE DESIGNATED HOME**

Developers can be encouraged to provide more services - nurseries, doctors' surgeries - and mobility can be facilitated **if the service provisions in different neighbourhoods can be compared using a common methodology.** This could include, for example, the number of places in nurseries and kindergartens and the length of waiting lists, the number of classes in schools in the area and the results of competency

¹² Based on the definition provided by the national zoning and construction requirements (the so-called OTÉK4), a green area is a public area that is permanently covered by flora (public parks, public gardens), which serves the purposes of preserving or improving the climate of the given municipality, the protection of its ecological system, and providing leisure or exercise opportunities for the public.

tests, the availability of specialist clinics, and the availability of shops and private services. Let's introduce a system of service certificates, modelled on energy certificates.

▶ **LET'S SET INFRASTRUCTURAL MINIMUM FOR MAJOR DEVELOPMENT PROJECTS**

When entire city neighbourhoods are redeveloped or new developments are implemented, it is reasonable to expect that these will be accompanied by services and institutions that were once typical when the major housing projects in Hungary were built during the period of state socialism. There is a reason that Békásmegyér and the József Attila housing projects in Budapest remain popular among families with small children to this day, given their abundance of creches, kindergartens, schools, medical practices, local

cultural centres, and the playgrounds spread out between the buildings provide a wide array of useful services. This is the realisation of the compact city from the age when children are in prams all the way to the end of their elementary education. A similar selection of institutions and services must be expected when developments are realised that encompass thousands of flats. **Let's set infrastructural minimums (number of creches, kindergartens, medical practices, and green areas) for such developments! The creches, kindergartens, schools, specialised medical practices and general practitioners, and local cultural centres should all be within walking distance for at least two-thirds of residents in the area or accessible quickly by means of micromobility. For the remaining population, they should be accessible by public transport without having to transfer vehicles.**

I 3.3. HUNGARIAN CITIES SHOULD BE PARTICULARLY ATTRACTIVE TO INNOVATIVE AND CREATIVE INHABITANTS

If the main attractions of rural life are peace, quiet, and a clean environment, cities will always have the edge in terms of dynamism, cultural vibrancy, and innovation opportunities. **If we intend to create competitive, thriving cities, we need to make them attractive to creative residents and value-creating businesses.**

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▶ **DATA-DRIVEN URBAN PLANNING - LET'S CREATE URBAN DEVELOPMENT CENTRES IN LARGER CITIES**

Due to the specific system of local governments in the capital, the main obstacle to any large-scale vision or even comprehensive transport development in Budapest in recent decades has been **fragmentation, the predominance of partial interests over common interests, and competition for development resources.** The rebirth of the capital, on the other hand, requires the planning and implementation of a coherent, long-term strategy, which is hardly feasible under the current structure. **The opportunity must be created for Budapest to develop as a united city, rather than as 23 isolated districts going their separate ways.**

In Singapore, among other examples, it was precisely this need that created the Urban Redevelopment Authority in the 1970s, which, with its broad powers and resources, plans and implements the city's comprehensive, unified mid- and long-term strategies in cooperation with other state authorities. With the 'big picture' in mind, the authority prepares land use plans, supervises the real estate trade, evaluates and finances development investments, compiles urban planning or develops rules for car use and parking. In recent decades, from New York to Hong Kong to Barcelona, similar bodies have been established in many countries to make megastructures in metropolitan areas more livable.

Urban Development Centres should be established in the capital and in all cities with more than 50 000 inhabitants, to plan and coordinate urban development based on systematic research, to oversee investments in line with the long-term strategy, and to monitor and adapt international best practices. Such an authority could take charge of preparing and implementing many of the proposals set out here: designating potential 15-minute urban areas, developing under-utilised land and the concept of high-rises, developing greenways, promoting smart urban development, etc. **Such a body would have a particularly important role to play in the creative reimagining of public spaces, and in the development of local centres for community building and recreation**, which are inseparable from modern urban planning. Multifunctional spaces, rich in leisure facilities, should be created which provide spaces for family recreation, for dense interaction between residents, for sport, for cultural consumption or in fact for a proud sense of local identity in dispersed urban areas.

▶ LET'S CREATE AND RUN A DIGITAL REPLICA OF OUR CITIES

The digital forms of our regional centres, suitable for transport, energy or even air quality simulations, are essential for thorough planning. They are needed to monitor and intervene live, to analyse the impact of

interventions, whether in transport or urban development. We need to measure how much people travel in the city, count the number of cars on the roads and monitor the use of available services.

A digital city is also needed to implement periodic traffic management – for example, changing the direction of incoming lanes: inwards in the morning, outwards in the evening. Bike lanes are less needed in rainy and cold weather than on summer weekends. The ideal time for cycling to school in the morning also needs to be planned precisely.

▶ THE STATE SHOULD SUPPORT JOB CREATION IN THE SERVICE AND CREATIVE SECTORS RATHER THAN IN MANUFACTURING

In the everyday practice of the Hungarian State, both in its individual and sectoral aid, the manufacturing sector is a particular beneficiary, especially the mechanical engineering sector (electronics, machinery, car manufacturing) or, in recent years, the battery industry. Meanwhile, **value added in Hungary is mainly in the services and creative sectors, which also generate most of the attractive jobs in metropolitan areas.** Therefore, the system of state subsidies should also target these sectors as a priority.

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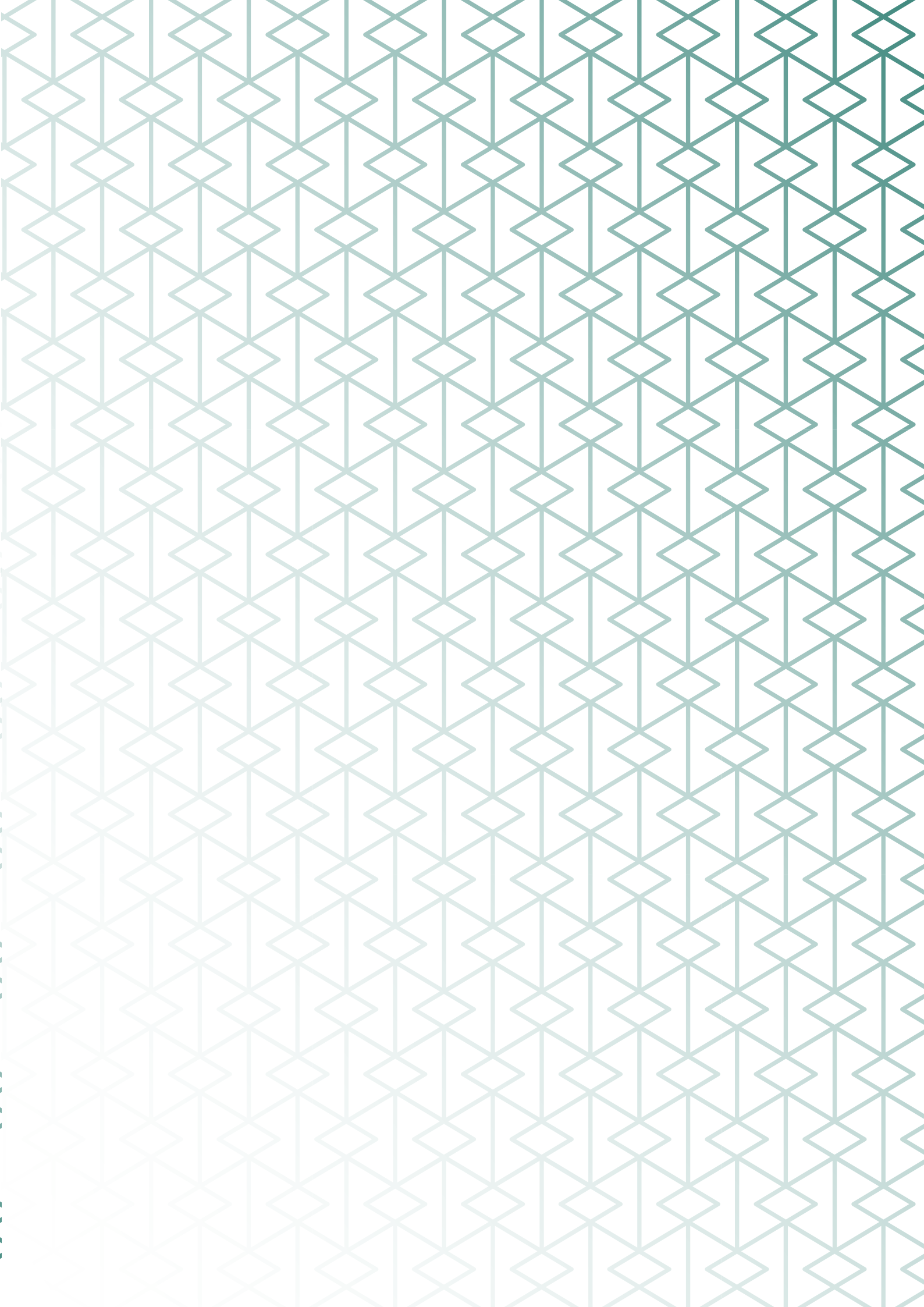
▶ LET'S MAKE OUR CITIES ATTRACTIVE FOR YOUNG PEOPLE – INCREASE THE NUMBER OF DORMITORY PLACES BY 50 PERCENT BY 2030

The low number of tuition-free places and the high cost of living make it **increasingly difficult for lower-income families to finance their children's higher education in**

Hungarian cities. This leads to an unfair reproduction of income inequality, while reducing the attractiveness of cities for young people. In Hungary, there are about 55,000 dormitory places, 14,000 of which are located in Budapest, while a total of 251,000 students are studying in higher education. The proportion of students living in halls of residence has fallen to 18-19% during the last decade, compared to 25% in the past. **Let's increase the number of dormitory places in cities with universities by 50% by 2030, so that students from rural areas, especially those in underdeveloped regions, do not have to face housing problems.** At the same time, let's launch a dormitory renovation programme to make dormitory a realistic and convenient option for students who cannot afford to rent.

 **LET'S CREATE COMMUNITY HUBS FOR CREATIVITY AND INNOVATION CLUSTERING**

A productive innovation ecosystem needs urban spaces, community places, and events. In these spaces, students can play sports together, play music, or read a book together, which offers opportunities for networking. **In cities, let's support community offices for start-ups or more confident entrepreneurs. These municipal spaces can even house learning communities, whose members can later become entrepreneurs.**



THE EQUILIBRIUM INSTITUTE'S POLICY PROPOSALS

AREA	PROPOSAL
AFFORDABLE HOUSING	Let's incentivise long-term rentals with tax exemptions
	Let's make the use of contract templates compulsory in the private rental market
	Compulsory registration for landlords
	The market for corporately owned residential rentals should be incentivized with a reduced VAT rate on rents
	Short-term housing rentals should be limited to 90 days
	Let's tax flats that are left vacant for extended periods and the flats rented out as offices by private owners. Municipalities should be obliged to use revenue from this tax to develop the local public housing stock
	Municipalities should expand the pool of rental housing by renting out flats that have been vacant for a long time
	Let's establish municipal property management offices
	Let's introduce a targeted subsidy programme and tax benefits for upgrading the dilapidated pool of privately and municipally owned housing
	Let owners in condominiums decide on modernisation investments with a two thirds majority
	Our cities should expand inwards - Make use of undeveloped open spaces
	Budapest should have a long-term high-rise concept by 2028
	Let's allow developers to build taller houses, increase buildability, if at least one for every hundred built will be municipally owned

TO MAKE CITIES MORE ATTRACTIVE

AREA

PROPOSAL

**MORE LIVEABLE
URBAN CENTRES**

Let's introduce clean zones in major cities

Let's make sure that by the end of the decade, the supply of urban green areas reaches 9 m²/person

Let's create greenways in Hungarian cities

Let's set reduced speed limits of 30 km/h for smaller urban streets

Local governments need to create a Service Availability Certification Scheme, which informs buyers about the availability of services near the designated home

Let's set infrastructural minimum for major development projects

**INNOVATIVE
CITIES**

Data-driven urban planning - let's create urban development centres in larger cities

Let's create and run a digital replica of our cities

The state should support job creation in the service and creative sectors rather than in manufacturing

Let's increase the number of dormitory places by 50 percent by 2030

ABOUT US

The Equilibrium Institute is Hungary's largest independent, future-oriented policy think tank.

In line with the vision of Hungary's future presented in our publication entitled Hungary 2030, the Equilibrium Institute works on creating a smart and environmentally cleaner nation rooted in a strong community. To this end, we write widely appealing and practical policy proposals that serve the development of our country, and we discuss these jointly with the best domestic and international experts.

Our goal is to ensure that the current and future political, economic, and cultural decision-makers learn about our recommendations, come to agree with them and implement them.

The staff members of the Equilibrium Institute and the members of its Advisory Board are renowned experts in Hungary who are considered to be among the best researchers and analysts in their respective fields. The work of the Institute is helped by more than 30 experts, including economists, sociologists, political scientists, lawyers, urbanists, and climate researchers.

OUR EXPERTS



TAMÁS BOROS

Executive director and co-founder of the Equilibrium Institute

Tamás Boros is the executive director and co-founder of the Equilibrium Institute. He serves as a member of the Scientific Council of a leading European think tank, the Brussels-based Foundation for European Progressive Studies (FEPS). He is the co-founder and co-owner of Policy Solutions, a consultancy and research institute. He is a recurring guest on a variety of political talk shows and often comments about public affairs for leading international media. He previously worked for the European Commission and the Hungarian Ministry of Foreign Affairs as an expert on communication and EU affairs. His research focuses on Hungarian and EU political communication and populism.



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Gábor Filippov is the director of research of the Equilibrium Institute. Previously he worked as an expert advisor in the Hungarian National Assembly and then as a political analyst and senior analyst at the Hungarian Progressive Institute. His analyses and op-eds have been published by numerous domestic and international media outlets, and he is frequently invited to talk about politics on television and radio shows. His research focuses on the European and the Hungarian far-right, on the histories of anti-Semitism and Islamophobia and their present-day manifestations, as well as the workings of contemporary authoritarian regimes.



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Dóra Csernus is the senior climate and environmental policy expert of the Equilibrium Institute. As an expert in environmental issues, she has worked for the Ministry of Environment and Water, the Office of the Parliamentary Commissioner for Future Generations and the Ministry of Public Administration and Justice, representing the Hungarian position in different EU, UN, and OECD fora. She later worked as Director for International Policy Development at Klímapolitika Research and Consultancy Ltd, and as an independent expert in climate and environmental issues. Her main focus is on climate policy, air-quality control and water policy.



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Analyst

Bertram Marek is an analyst of the Equilibrium Institute. He holds a BA in Political Science from ELTE, an MA in Communication and Media Studies from BME and an MSc in Political Psychology from the University of Kent. He is currently pursuing his PhD at ELTE PPK. His research focuses on the relationship between nostalgia and system criticism. Previously, he worked as a junior analyst at NielsenIQ. He is a fellow of the Friedrich Ebert Stiftung.



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