



**Doctoral School of Sociology
and Communication Science**

SUMMARY OF FINDINGS

for the Doctoral Dissertation of

Vera Csilla Horváth

Hungary's peri-urban middle-class

**How households without real estate wealth realize social
and personal aspirations**

Thesis Consultant:
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Visiting professor

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Institute of Social and Political Sciences

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1. Earlier Research and Relevance

The research presented in this paper takes an in-depth look into a specific group within present day Hungarian society: middle-income persons who live in peri-urban, not residentially zoned neighbourhoods. These areas, usually former allotment gardens or recreational zones for second homes, lack the residential infrastructure and amenities – paved roads, street lights, access to shops and services etc. – that make formal, residentially zoned areas convenient for permanent habitation. While this comes with a host of inconveniences for people who decide to permanently move to one of these areas, their obvious appeal is their relative affordability compared to formal residential zones.

Previous research was undertaken in comparable areas in part with a focus on low income and vulnerable populations in such areas (Vigvári 2016, 2022), and the related risk of segregation and marginalisation in such localities (Hegedüs et al. 2015, 2019). Other findings called attention to the heterogeneity of peri-urban areas in terms of spatial layout, social status, and future development expectations (HCSO 2016; Vasárus 2016, 2022). The direct inspiration of research was the realization that contrary to initial expectations during field research (for Hegedüs et al. 2019), higher status, financially stable, formally middle-class households were very clearly present in such areas. It was then assumed that such

households are led by an investment motive, i.e. buy a house in a peripheral area, and expect it to be residentially re-zoned and developed in the future. However, this assumption also proved unfounded: instead of being uniformly at risk of marginalisation, peri-urban recreational and former allotment garden areas turned out to be spontaneously emerging new suburban zones, with limited infrastructure but a mixed socio-economic profile. The basic question of the present research was therefore to understand how middle-class households end up in these peri-urban areas, in spite of the self-sorting that usually pushes residential areas towards socio-economic homogeneity (Marciniczak, Musterd and van Ham 2015; Musterd et al. 2015).

Regarding the context of research, it was found that this spontaneous suburbanisation takes place in the backdrop of a global urban renaissance, in which urban areas have been increasing in appeal, which in turn surfaced in worsening real estate affordability (OECD/EC 2020). This can be attributed to a number of factors, among which

- gentrification and financialisation, affecting housing markets globally (Czirfusz and Pósfai 2018; Hochstenbach and Musterd 2018, 2021);
- agglomeration economies, increased urban productivity, and better urban job and income prospects, leading to growing

regional economic polarisation, affecting not only cities, but broader regions as well (Krugman 1991, 1998; Fujita, Krugman and Venables 1999; Storper 2018);

- transforming urban housing markets, coupled with the limited supply in housing against continuous demand (Glaeser and Shapiro 2003; Kabisch and Haase 2011; Piketty 2015)
- the “cost disease” phenomenon, briefly meaning that the cost of housing increases historically compared to other consumer goods as their production efficiency increases, while the production of housing remains cost intensive (Baumol 2012; Piketty 2015).

In the end, however, these lead not only to increasing urban house prices, but through interrelated and increasingly global housing markets also to a steepening competition for real estate. In this context, housing ceases to primarily serve as a home, and increasingly and inevitably takes on the role of an investment good, for which private households compete with professional and institutional investors, as well as with one another. Additionally, residential real estate – usually a household’s primary residence – is also usually the most important item in a household’s asset portfolio, as well as the basis of long term wealth accumulation. These factors lead to increasing pressure on households, and has led to „low income suburbanisation” for a prolonged period

(Hochstenbach and Musterd 2018, 2021); and in the context of Hungary, may affect medium income populations as well.

Prior to the outset of research activities, middle-class persons were loosely defined based on various approaches, combining income-oriented, and value-oriented approaches, based on the idea that peri-urban middle-class residents will dispose of a combination of capital forms (financial, social-interpersonal, cultural etc.) which they are able to leverage over their life course. While a multitude of approaches addressed the question of defining Hungary's middle-class (Szelényi 2016; Sik and Szeidl 2016; Tóth and Szelényi 2019; Huszár et al. 2023), these diverged and showed little overlap. The study places these in a broader global context, only to find that it only complicates any attempt at a definition. For practical reasons, the study eventually grouped research subjects by a combination of a multi-factor approach used in the Great British Class Survey (Savage et al. 2015), and a simpler, robust categorization set up specifically for the practical description of Hungarian socio-economic groups (Hegedüs, Somogyi and Teller 2019). Nonetheless, it purposefully remained loose to the extent that it would be able to comprise a broad middle segment of Hungarian society.

Finally, it was assumed that people moving to a peri-urban, non-residential area have contrasted it to other housing alternatives

before making a decision to acquire their present home. While renting is present in these areas, it is usually the case for very low income, vulnerable residents; while middle-class peri-urbanites are outright owners of their home (Hegedüs et al. 2019). The primary residence is usually the most important asset in a household's portfolio; and to obtain home ownership, a household usually needs to combine its savings, bank lending, and intra-family support. Indeed, the role of family wealth in the housing opportunities has been growing since 1990. In acquiring home ownership, intergenerational transfers have long played a key role in Hungary (Székely 2018; Hegedüs, Somogyi and Teller 2019; Kováts 2021; Horváth 2022).

Additionally, with little public policy interest in improving the affordability and security of renting, home ownership remains a prerequisite of long term housing – and existential – security.

Taking this into account, the relative ease and affordability of peri-urban areas for securing home ownership becomes more pronounced, even for higher income, but potentially low wealth, residents.

2. Research Methods and Process

Since the research objectives were exploratory in nature, activities were structured by research questions rather than testable hypotheses. Data collection took place via qualitative methods, more precisely a mix of interview and ethnographic methods. Field research was planned in a selection of inhabited peri-urban areas – either former allotment gardens, or recreational areas of settlements, with starting localities based on previous research (Hegedüs et al. 2019). The direction of research was iterative, and was revised over the research process; while its geographic scope was also expanded and refined in light of findings.

Field research took place between 2019 and 2024, in a total of 15 inhabited neighbourhoods, situated around settlements in within the Functional Urban Areas (FUAs) Székesfehérvár and Budapest. In practice this covered three broader regions: five peri-urban settlements to the north and west of Székesfehérvár; five on the eastern side of Pest county; and another five in northern Pest county, largely in the Danube bend region. The selection of these broader regions was justified by their strong role as employment centres and commuting zones over vast areas. This function also means that their housing markets are dynamic and may be difficult to afford for many; but also that their broader metropolitan areas

accommodate a large population with good educational backgrounds, stable employment, and medium to high incomes.

Field research began by contacting local municipalities affected by peri-urbanisation to seek basic information, insight and perspective of representatives of the public sector. This also facilitated reaching out to residents, who could potentially be interview respondents or other informants in the field research.

The latter comprised of a series of in-depth interviews with peri-urban residents across the 15 selected neighbourhoods, with a total of 41 residents over a period of 4 years. (It was my intention to conduct follow-up interviews with as many of the respondents as possible, although this strongly depended on their availability and openness to this.) Interview data was embedded into the broader context of institutional interviews, but also triangulated against participant observation via repeated field visits over a prolonged period, and participation in events organised by and for peri-urban residents.

3. Main Findings

Field research and observations confirmed that spontaneously suburbanising peripheral areas are heterogenous not only compared to one another, but a single such neighbourhood tends to be socially diverse as well. The 2011 Census (HCSO 2016) found that the total peripheral population of Hungary was a mere 3.1 percent of the full population lived in peri-urban areas; but while smaller, remote peripheral settlements were shrinking, quasi-suburbs closer to major metropolitan areas were growing. Indeed, researchers noted that peri-urbanites could be among the fastest growing population in Hungary (Vasárus 2016, 2022). While this trend will become clearer by the time the respective results of the 2022 Census will be released, it is certain that many such peri-urban areas see a large number of newcomers along with conspicuous new housing construction.

Despite their rapid evolution and heterogeneity, a few conclusions can be drawn from the study of peri-urban areas; the following sections summarize these, and also place them in the context of previously existing research results.

3.1 Peri-urban middle-class in two major metropolitan areas

Two relatively larger groups can be outlined based on a mix of field observation, respondent life course accounts, and the other diverse forms of feedback of local informants:

1. Young couples and families decide to move to peri-urban zones to obtain home ownership without accessing significant financial help from their families; or with some level of intergenerational financial assistance, but with the aim to avoid or minimize reliance on institutional lending;
2. Ageing people may move to their existing second home, or buy a peripheral dwelling, to support the housing solution of adult children, either via leaving them the urban home, or by transferring them the proceeds of selling the previous family home.

The full image is, of course, more complex than this; both these two groups are the most prominent against the overall diversity of such areas. And while all affected groups are typically able to create their secure and good quality home in a peri-urban area, it is mostly true that a key motivation for relocation is seeking out an affordable housing solution, either because the household in question has own savings, but no access to significant intra-family support; or because the household itself is the one that provides the intra-family support.

3.2 The risks and opportunities of peri-urban home ownership

Research has found that securing home ownership in a safe (debt-free) and affordable manner is a key motivation for peri-urban newcomers. It is driven by a variety of factors: while rising urban or suburban housing market prices do deter potential buyers, or simply make these markets inaccessible for them, people moving into these areas also often accumulated years of increasingly poor experience in market rental apartments, and also clearly see the importance of a home in accumulating wealth over time. Often, they clearly perceive a growing gap between home owners and rents. However, there is another wealth gap: that between home owners in higher and lower price housing submarkets.

Notwithstanding, the field research undertaken here has found that

- (1) moving to a peri-urban area is usually not motivated by long term calculations of return on investment; and
- (2) if they were, this would be a very risky and extremely long term strategy.

While people do in a way consider their home as the foundation of long-term financial security, first and foremost they think of it as a home, not an asset. Respondents largely understood the long term implications of evolving housing market values over time; but in the end, they needed a safe place to live (alongside not having to pay increasing rent for a dwelling they cannot call home and

perhaps do not even like all that much). Indeed, some peri-urban neighbourhoods do get re-zoned and their area developed over time, even if a very prolonged period; decades more likely than years. Still, first and foremost people need a home. To obtain a home, people inevitably have to become investors, and not just residents; and if this investment comes with a risk over time, so be it. There is only so much calculation any layperson can undertake in this regard.

3.3 Development directions of peri-urban neighbourhoods

Municipalities only have the legal possibility to rezone peripheral non-residential areas as residential if they are directly adjacent to the existing residential area of the settlement, which is often not the case. If it is, and they do rezone the area, they generate their own legal obligation to develop appropriate residential infrastructure. This is only a feasible policy for municipalities if they have the adequate resources; the appropriately located peripheral zone is already quite densely inhabited, and therefore there is a political motivation to develop it; and even in this case the municipality can only realistically advance this process on a street-by-street basis due to the high financial and organisational costs.

As stated above, when people take a decision to move into a peri-urban area, they think as future residents in need of a home, not as

investors. In a similar vein, they may think of their new neighbourhood as an up-and-coming suburb; and often they do not realize that the local municipality has no legal obligation to invest into residential infrastructure in an area that is not legally categorised as residential. In many cases, this situation may lead to the emergence of conflicts between municipal officials and peri-urban residents. In the understanding of the municipal party, peri-urbanites should know where they are moving, and cannot realistically expect the settlement to undertake costly improvements beyond its means and obligations – or, from their point of view, make up for the lower value of peripheral real estate. Indeed, many peri-urban residents know precisely the implications of their new living environment, and are fully prepared to make do with their own devices. So while there is always a risk of conflicts in these areas, these remain contained, and due to legal and financial constraints, rarely result in any real infrastructural improvement. Still, affected municipalities are very much aware of their growing peri-urban populations, and do in fact attempt to improve conditions to the best of their abilities. Hardly sufficient to keep up with the expectation of some residents, but at the very least local decision makers do their best to accommodate residential needs in these unplanned, spontaneous quasi-suburbs. In some cases, settlements do gradually expand residential zones to

physically adjacent peripheral areas; but then again, viewed from the other side, the pace of this might feel glacial.

Ineed, rezoning an area does raise the value of real estate here. However, housing values already depend on a broad variety of characteristics: on the location and transport connections first and foremost, but the general appeal and attractiveness of the area also plays a role, along with other external factors. The result of these market developments is where eventually the risk undertaken by peri-urban residents will play out. Some might indeed see the value of their home increase over time. Most, however, will not be able to achieve the same level of wealth accumulation as urban and suburban home owners. They may have escaped the trap of long term renting, but they still risk to repeat their own predicament, and not be able to provide significant family support to their own offspring in the long run.

3.4 Summary

Securing home ownership in a peri-urban zone is, indeed, an affordable option for ensuring home ownership and housing security, especially for those who do not benefit from significant intergenerational financial transfers, and/or seek to avoid or minimise debt towards a financing institution.

It has, of course, its own risks. These include the short term risks stemming from the limited infrastructure of these areas; and a long term risk related to wealth accumulation over the life cycle, the most important element of which is the primary residents for most households. This gap that seems to be present within Hungary broader middle-class. Despite ambitions for property ownership and thorough it, financial – eventually, existential – security strongly depend on home owners' housing (sub)market position, and the differences thereof are likely to strengthen over time.

Yet the lack of residential amenities do not seem to deter newcomers. After all, they too expect to find a good quality, secure and affordable home, a combination that a growing number of people simply cannot afford, in many cases regardless of their income or social standing. This choice could be assessed as a poor long term investment: real estate in a non-residential area is unlikely to appreciate in the future at the same speed and extent as property in formal residential areas. It does not entail the same long term accumulation of wealth, which could provide safety for the future, and wealth for the housing of next generation. Still, most people do not think as investors upon acquiring a home; and staying on the urban peripheries may simply be an acceptable alternative to many against the backdrop of a housing market that an increasing number of people simply cannot afford.

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