

MARKET-COMPLIANT METHODS IN THE SOCIALIST REAL ESTATE SECTOR. A CASE STUDY OF PAST HUNGARY

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Abstract

One of the main objectives of the system of state socialism was the abolition of private property. In this spirit, the market was also to be eliminated from the economic process as a method and instrument of price formation. The real estate sector has been the arena of state influence, but the state bureaucracy has never managed to achieve total control. In socialist Hungary, which served as a case study, the private real estate market survived. Partly in opposition to the bureaucracy of the State and partly in acknowledgement of it, a 'grey' market sector developed in which the methods of the market economy continued to operate. Such methods were to be found in property law, such as the creation and trading of tenancy and management rights, in the private market trading of state-owned companies in the field of real estate brokerage, and in small-scale, house-building organisations such as the "kaláka". This article describes these grey market methods and how they survive in a market economy. It concludes that market methods are emerging and taking root even in the strongest socialist polity.

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1. Introduction

The forty years of socialism in Hungary (1949-1989) can be seen as a great social experiment. There have been many analyses and studies of this experiment; researchers have examined this period from both social and economic perspectives (see examples as [1], [2], [3]). There is a library of literature available on socialism, its history, its system, society and the socialist man. The author of this article has dealt with the real estate aspects of the socialist period in previous studies [4], [5], [6]. The present article continues this line of thought and aims to illustrate that, partly against the backdrop of the bureaucracy of the State, and partly in acknowledgement of it, a 'grey' market sector emerged in which the methods of the market economy continued to operate. Such methods were to be found in property law, such as the creation and trading of tenancy and management rights, in the private market trading of public companies in the field of real estate brokerage, and in small-scale, house-building organisations such as the "kaláka" (neighbourhood collective works).

The market is the basis of real estate development. In this article, the term 'market' is used in its classical sense, i.e. the market is understood as a method of matching goods, buyers and sellers. Under socialism, there was the commodity - the property, there was the buyer - the user and the seller - in most cases the state itself. Thus, contradictory as it may sound, we can speak of a 'real estate market' under the socialist regime. The complex property-ownership relations of the existing socialism led to internal tensions and self-contradictions, and the differences in the ownership structure meant that centralised property management could only be introduced with certain restrictions and only for a limited range of property assets.

The market can be segmented in several ways. One possible way of segmentation is to divide the market into 'global' and 'local' segments. Modern, commercial (i.e. income producing) real estate is integrated into the global real estate market, following Western methods, trends and value relationships. However, the larger part of the market is a 'local' market, only indirectly influenced by the global

economy, with methods deeply rooted in the past. As we show in this article, in Hungary these roots go back primarily to the socialist past.

The real estate sector was not part of the 'front line' of socialist ideology, and so economic governance was more lenient in this area. Throughout the entire period of socialism, the real estate market has always maintained, and become increasingly vibrant, a second economy, which was in fact driven by pure capitalism. In addition to a regulated housing market, weekend plots and cottages were sold on the open market; after the economic reform that began in 1968, the right to rent apartments was also available on the market. The construction of detached houses in the countryside was carried out by the private construction industry, although its workers often worked part-time, often using tools 'brought home' from the state-owned company to incorporate materials that had become 'surplus'. This second economy was permeated by an informal network, which also included members of the state bureaucracy. Those who, for whatever reason, were excluded from the regulated socialist property economy could and did seek a solution for themselves in this second economy-driven market [6]. This included not only the vulnerable, but also the wealthy and the chosen, who exchanged the results of their extra work or their influence for property. This is how holiday homes were built, later condominiums in green belts, or how prominent business premises changed hands. The real estate sector slipped out of centralised economic management, with secondary market players constantly expanding the framework of state socialism, partly in compliance with the rules of the day and partly by slipping into the 'grey' zone of the economy.

2. Public housing policy and the private market

Massive public housing construction in Hungary started in the early 1970s, but it was accompanied by an increase in owner-occupied housing, mainly in rural settlements, in dynamically developing villages and small towns, which significantly improved the quality of the housing built. This latter change indicates that, in connection with the restructuring of the economic mechanism in 1968, a new source of income surplus was introduced into housing construction, namely the surplus income generated in the second sectors of the economy. Official acceptance of the market sector remained very limited, despite the rise in household incomes. The private market has played an important role in redistribution, although some market elements have emerged within the public and owner-occupied forms of housing. From the early 1980s, the crisis in the public sector was evident: even with the increase in the burden on the public sector, it was no longer possible to finance public housing at the previous level. Housing policy has therefore increasingly supported the private sector (e.g. by releasing land previously reserved for public housing, by providing public utilities, by allocating land for housing). As the share of owner-occupied housing has increased, the role of the market sector in official housing policy has also changed. During this period, market housing was already absorbing a significant amount of the capital generated in the monetary sectors of the second economy and capital that had been transferred from the public sector. The structural change in the composition of housing construction was accompanied by a steady decline in the rate of housing construction in the 1980s to the level of the early 1960s. The table 1. below shows how, in addition to the various forms of state-managed housing construction, 'family and condominium', or private construction, played an unprecedented and significant role in the total housing built.

Table 1. Residential units built in 1961-1987 Source: [8]

Year	State	Municipality	Cooperation sold by municipality	Cooperation sold by OTP	Self-cooperation	Family houses & condominiums	Total (%)	Total (units)
1961-65	9,8	14,4	9,4	1,8	0	64,7	100	283 643
1966-70	8,5	14,7	9,5	5,4	0	62	100	22 487
1971-75	4,5	17,1	12,8	12,5	1,6	51,5	100	439 604
1976-80	4,1	20,1	10,9	15,3	4,5	45,1	100	441 345
1981-85	2,7	13,1	6,2	24,6	4,5	49,1	100	371 761
1986-87	2,9	9,8	0	25,6	3,4	58,4	100	121 255

The large and permanent weight of private construction - the majority of the housing built each year - was a challenge to the very foundations of the socialist housing policy concept. The authorities of the time were aware of this contradiction and sought to reduce its weight on ideological and economic grounds, but for political reasons and in order to achieve the objectives of the plan, the elimination of private sources and construction was not considered a viable option. It was also considered feasible at a higher level of economic development.

Private construction was challenged and criticised by the bureaucracy, but from 1954 onwards it was acknowledged and in some cases encouraged. "From 1954 onwards, it was possible to build in the so-called 'organised individual way', with land being allocated centrally to those who deserved it. The General Secretary of the Budapest Party Committee explained. Many would be happy to accept it." [7]

The housing policy was followed - if we can call it that - by the land policy. In fact, within the domestic housing system, land policy in relation to private housing was only discussed in a negative sense until the second half of the 1970s. In the two and a half decades up to then, land policy instruments (including zoning regulations and building plans) served almost exclusively to prepare the ground for public housing construction. At the same time, the land survey of 1962-63, which showed that 29 000 of the 35 700 vacant building plots in the capital were in 'personal ownership', reflected the capital's potential.

As a result of inconsistent nationalisation and ill-considered land sale campaigns, even the negative influence of land policy was not successful, because the depletion of exchange plots led to a substantial increase in the cost of expropriation, which was made necessary by the construction of housing estates. As a result of the various forms of prohibition, a significant proportion of individual private housing construction was displaced from the better-off areas of the cities to the suburbs, the agglomeration villages and not least to the rural settlements - the current agglomeration settlement structure has its roots in this period. The logical consequence of this inconsistent housing and land policy has been a massive increase in unauthorised construction. According to a survey from the early 1970s, the number of unauthorised dwellings reached 60 000 nationwide, the main reason being the system of building bans. Land policy remained essentially unchanged until the early 1980s, when housing policy underwent a radical change and barriers to individual private housing were lifted [8].

3. The social background of the socialist property market

Let us start this chapter with the socialist man. In 1992, almost fifty years later, Máray describes the post-war society that later developed into a socialist one. " [...] They steal like magpies: from barges, from flats; but why shouldn't they steal? [...] The basic notions of private property are now undoubtedly loosened in the minds of men; no one knows what he wakes up to, what is his and for how long, and therefore everyone tries to get the necessities where and how he can. [...] Everybody steals. [...] There is something serene and beautiful in this, as in all harmony." [9] The serene harmony of immorality!

With the socialist man and his characterization of Máray, "everyone steals". Perhaps one of the first words that comes to mind when discussing the socialist economy is corruption. Konrád's thoughts in 1985 could not capture the overall social feeling of the time more accurately: 'As long as we are part of the block state, society can only console itself with reform and fur. The intellectuals blow the whistle on reform and decentralisation, the state driver in the black cab and the police officer practise the "bunda", the popular, self-defensive corruption, which is in fact a very significant form of class organisation, of popular solidarity of the new working class. Neither the lorry driver nor the police officer who does the checking is upwardly loyal. The money is in the ticket, the policeman is on top of the truck as a protective escort. It's not polite to check twice. Such must have been the safety of traders in the good old days. But the transport will be delivered to the customer, on time, as promised, at a controlled price on the Central European market.'" [10]

According to Szelényi and Konrád [3], the party leadership, which outwardly appeared to be unified, was formed into a unity in the grey labyrinth of bureaucracy. "There was a sometimes bitter struggle for the division of redistributive power between sectoral and functional ministries, but also between the Ministry of Finance and the Ministry of Plans, the ministries of industry and agriculture. The battle is between the Ministry of Construction, which has a territorial perspective, and the ministries of the economic productive sectors. The historian of the age could glean from the minutes of departmental meetings and

from the contradictory but strictly official analytical studies of a wide variety of expert groups the real dimensions of the social struggle, which he would not learn from parliamentary minutes."

The party's Central Committee, the Central Committee, was the real decision-making body, in which the "princes and counts of redistribution", i.e. the representatives of the professional class, were all present. Decisions are taken according to the interests of the section, the "princes and counts" being interested in increasing their own empire, i.e. basically in investment.

4. Forms of property law that operated on a market basis

Under socialism, forms of tenure that triggered property ownership developed. There was a huge gap between house prices and the value of the dwelling that could be recovered from the rent. This rent gap gave rise to an intermediate mechanism, the tenancy right. Tenancy right is a Hungarian speciality, although there is a similar instrument in the international real estate market, the 'Key Money', which allows a prospective tenant competing in the market to access the lease. The property value of tenancy right has evolved as a consequence of the tied tenancy system. Access to public (council-managed) housing was strictly limited by law, rents remained well below private market levels, and the rights of tenants in these council flats were strictly protected by the state. These factors led to the development of a right of property value, the so-called tenancy right (or rental right) [11]. This was contradicted by everyday practice and even violated by the state itself, which gave real estate agencies the right to buy the apartments offered. True, while in 1963 the City Property Agency (FIK) paid 25,000 for 'leaving', on the black market, 'deviously', three times that amount was paid, for example in painting fees. It was also well known that larger, more comfortable, better located and therefore more valuable council flats were exchanged only for allowances at various addresses [12]. Thus, an analysis in the late 1950s states that "in the 'black' housing market in the capital, for example, the price of the right to rent a two-room flat (the exit fee) had risen to 40-60 000 HUF, even though with this amount of money and state loan subsidies one could build one's own house or condominium." No precise survey of prices on the secondary market has been carried out, of course, but the practice of adjusting the price of the tenancy right to the market price of private housing, and setting it at about half of that price, seems to be common [13].

An example of the authorities' tacit acceptance of this is the court's practice that, in the event of divorce or dissolution of the marriage, shared use of the common home cannot be ordered because of the layout of the home or for other reasons, but one of the parties must be ordered to leave the common dwelling, the other party who remains in the dwelling is at the same time obliged to pay the party obliged to move out of the dwelling monetary compensation, which can be regarded as a quid pro quo for his share of the tenancy. What the law (apparently) did not allow, the market has forced. There was a shortage of housing, people wanted to live, and the various authorities one after the other took note of, and even covered, the need to allow those who could afford it to get council rented accommodation. It became accepted that it cost money to get a rented flat, so the right to rent - a Hungarian curiosity - had a value, which could be bought and sold or exchanged on the market, and which was linked to the property's properties and therefore ultimately to its market value.

However, from 1971 onwards, new tenants were also subsidised by the state, thus formalising the presence of the private sector in the housing market. According to Government Decree No 2/1971 (II. 8.), the tenant was obliged to pay a one-off housing construction contribution for the allocation of a new council flat and a one-off occupancy fee for the allocation of a vacant council flat. According to the Decree 16/1969 (X. 30.) of the Ministry of Economy and Finance, the value of the tenancy right is 70% of the market value of the property in the case of a condominium, and 50% of the market value in the case of a family house [14]. However, this was of little interest to market operators, who were increasingly open about their intention to sell or buy a tenancy. Not only for housing, but also for commercial premises, and in fact, there was virtually no other way to obtain commercial premises. Apart from the sanctions that followed the political trials of the 1950s and the initial period of 'class warfare' between citizens, control of the tenancy was transferred to the tenants. This led to a give-and-take of tenancy rights and the emergence of a secondary market. But in this market situation, the owners of the premises, the councils, had little say. The sale of the lease was freely negotiated between the seller and

the buyer, with no say for the owner of the premises, and no share of the sale price. Nor did the councils have the right to decide on the exchange of premises by the landlords [15].

Among the economic reforms of the 1980s, the most important was the freeing up of small forms of enterprise, such as the "gmk" (economic working communities). In 1980, the Central Committee ruled that "the secondary economy is a useful activity, filling a gap.... The secondary economy must be put at the service of our social progress in a more organised way..." [16] On this basis, from the early 1980s onwards, thousands of new small enterprises were set up, which, taking advantage of the flexibility and all the loopholes available to them, quickly became successful, partly, of course, by exploiting the knowledge and surplus labour of the large enterprises' workers. By 1985, there were already ten thousand SMEs and twenty thousand intra-company, so-called VMEs, operating in the country. At the same time, free-market catering (of a certain kind) was given the go-ahead, and the 'gebines' form of catering transformed the catering industry. It is estimated that by the mid-eighties, half to two-thirds of Hungarian families were already participating in the second economy, the backyard, the private enterprise, the partly unclear world of the "gmk", opaque because of changing rules, the increased grey economy [17]. These changes gave a boost to the hidden private property market and brought new uses to the surface, such as the sale and purchase of leasehold rights in retail.

The sale and lease of commercial premises during the privatisation period clearly showed how the 'grey' market that had been lurking until then had risen to the surface, and how the market mechanism, sellers and buyers, shaped prices. The transactions themselves were in most cases legal (e.g. the exchange of a privately owned dwelling for Council property) and the margin paid was effectively a function of supply and demand. Ownership of rental right functioned as a quasi-capital asset at the time, as rent was a vested and marketable right. This vested right of tenants was initially prohibited by housing legislation, but later, partly as a result of the growing scarcity situation, the transfer of ownership rights was essentially legalised. In 1971, the introduction of the occupancy charge, and from 1982 onwards, the ever-increasing compensation for the return or replacement of rental housing with smaller ones, which was adapted to the market and in some cases controlled the market price, essentially marked the formal acceptance of rental right as quasi-capital [8].

In addition to tenancy law, another Hungarian speciality of property law is the institution of the right of management. It is interesting to note that real estate management companies were established earlier, in 1949 (Government Decree 4028/1949 (12 May 1949) on the management of public and certain other real estate), than the legal definition of 'real estate management'. This was not done until 1950 (Decree No 244/1950 (X. 1.) MT on the ownership, management, registration and turnover of State real estate), from which we quote the second paragraph of the Decree: '(1) State real estate is managed by State authorities and State administration bodies, State institutions and institutions, State enterprises (establishments) and social organisations. (2) Management shall be understood to mean the proper use or utilisation, maintenance and upkeep of State property, its alteration without changing its proper use, and the bearing of public charges.' The Civil Code of 1959 (Law No. IV of 1959) defined the economic content of the right of management, as follows: "SPECIAL RULES ON SOCIAL PROPERTY. Management of State socialist property. § 170. State socialist property shall be unitary and indivisible. Article 171 (1) The right of the State to property shall not be affected by the fact that it entrusts certain of its assets to State organs, in particular State enterprises and State farms; the State shall direct and control the management of its organs and shall have the right to redistribute and redistribute the assets entrusted to certain organs. (2) The State body shall be obliged to use the assets placed in its custody in accordance with their intended purpose, in order to fulfil its plan or for the purpose specified in the State budget, and shall have all the rights necessary to fulfil this obligation. (3) The assets placed in the custody of a State body may be acquired only by virtue of an order of the administering State body or by enforcement for the recovery of a claim against it. The rights acquired in individual assets administered by a public body shall not be affected by the reallocation or redistribution of assets." The rules of administration, the right of administration, were amended several times in the Civil Code, and the changes affected not only the number of sections, but also, with varying degrees of intensity, the rights and obligations of the administrator.

In addition to this, the question of whether the management right has any value has been constantly raised. Yes, in a socialist sort of way, but there was. The holder of a management right could control the property, as he could always show that the building or plot was necessary for his plans (or perhaps his long-term plans), and he could argue at various levels of the bureaucracy to ensure that the property was not taken away from him. But there is no doubt that the company had no right to sell the property, at least not directly, nor could it formally assign its use to a third party. A little bit of yes - a little bit of not... By contrast, more than once during privatisation, the state sold management rights so that the buyer could use the property.

5. Real estate segments that were market-based

Enclosed gardens were created in the outskirts of municipalities as separate gardens for private use, removed from large-scale farming. These parcelled-out gardens became one of the most important living spaces during the Kádár era. The enclosed gardens first became the scene for the emergence of backyard farming: the self-sustaining agricultural activities carried out here allowed their owners to compensate for their low incomes from their jobs. From the 1970s onwards, the number and size of allotments and the number of owners gradually increased, thus reducing their agricultural function, as for many families they became more and more weekend homes where they spent their leisure time. Many people no longer referred to them as allotments, but perhaps more familiarly as 'the plots'. The weekend house and holiday function of the gardens built on the allotments also led increasingly to the emergence of the semi-residential function. Most of these developments were spontaneous, as many of the allotments were out of the reach of the authorities, which made it difficult to regulate them legally and in terms of building regulations. Because of their 'grey zone' location, the allotments were also characterised by a number of infrastructure deficiencies (poor road networks, lack of drinking water, gas and sewerage networks, non-existent public services). According to Végvári's major review of 2023, "the built-up peri-urban areas are a typical example of spatial-social marginalisation and displacement from the city due to their lack of infrastructure, their precarious regulatory situation and their spatial-social marginalisation" [18].

Socialism also saw the phenomenon of property speculation. The Party and the bureaucracy began to clamp down on this phenomenon, which was considered harmful, by means of the 1970 "land decree" (Joint Decree No. 7/1970 (IV. 16.) ÉVM-PM-IM), which stipulated that a family could own only two properties, for example an apartment and a plot of land, and that the surplus had to be sold by 1972 [19]. It is clear from this that even then, there were already property hoarders. The decree caused a public outcry, with publicists and analyses attacking the decision, in particular that it did not achieve its aim: there were few plots and many needs. For example, Bulcsú Berha, an acknowledged writer of the period, devoted a long essay to the problems of land speculation in the Balaton region [20]. Here, near Lake Balaton, the primacy of private over state land sales was quite spectacular: in Balatonfüred, for example, between 1970 and 1974, the state sold 39 plots and 240 were sold by private owners [21]. Gábor Rehák writes of a case in 1966 when someone bought an 800 square metre plot in Tihany for 160,000 forints, and two years later sold it on for 960,000 - and this second buyer was the Hungarian Journalists' Association... The official reason for the fight against land speculation was to prevent the acquisition of unlawful profits, but the reasons also included the need to plan land use and not to restrict the planned use of land [22]. Among the central provisions, another one soon appeared, the progressive land tax. However, the state was unable to curb speculation, in fact because the public took advantage of the small or large loopholes left by the regulations, such as the possibility of building on or dispossessing [23].

Back to the residential market! Classifieds tell all about the market, even if the official public did not want to know about the housing market. Here, for example, is the Magyar Nemzet (a well-known daily newspaper) of 24 September 1953, which included 17 classified ads for housing exchange and 21 real estate (for sale) ads. Eight of the latter are not involving an official real estate company (FIK), i.e. rural plots, orchards and holiday homes. The FIK advertises intensively and at a price for flats, detached houses and plots. There is also a search, a gem for example: 'We are looking for a dilapidated restorable detached house for your client on the Gellérthegy side or in Buda. FIK XI. Bocskai utca 1.' Wow, the client is thinking about property development with the knowledge of the socialist company? Are you

speculating? The housing exchange column (like all and any real estate advertisements) can hide family dramas. "I would like to exchange my large, terraced, two-room flat with a hall on the second floor of 9 Hadapród II for a one-room flat with central heating in the city centre or on the Danube." Had enough of a co-tenant? Separating after divorce? Or just need some cash? The latter, lack of money, may have been a common motive for exchanging flats, with six of the 1953 advertisements showing the advertiser wanting a bigger, better flat, obviously, in return for some extra payment.

Ten years later, on 24 September 1963 (which, it is true, falls on a Saturday, a day specifically devoted to advertising), the advertising page also became larger and the number of property advertisements increased significantly. There are 40 ads under the heading "Housing" and a further 39 under "Property". The professional players have appeared and of course there are also the naïve buyers. The professionals are both small and big: "At the beginning of Pasaréti road, for a condominium building, I am looking for a one- and a two-room flat with garage. Interest: after 20 hrs" and the speculative in the big: "I would take over a free-standing flat, on agreement. Calvin Square 2." On the market, there are also beginners trying their hand, this is a nice one: "Looking for a room to rent, 19-year-old, graduate, solid clerk in a job - linen provided. 'Temporary lodger until 48693' in the Liberation Square advertisement." And here's a typical, everlasting ad: "For the discerning, in Buda - 10 minutes by bus or tram from Margaret Bridge, immediately move-in, two-room, two-storey, two-bedroom, detached house with utilities for sale or exchange for a house in Debrecen – "9 Leányfalu u III".

23 September 1973 (Sunday), another ten years... - ads multiplied! Under "Housing" 59 ads, "Sublet" 18 ads, "Real Estate" 78 ads. Let's start again with a feature: 'Looking for a two-bedroom apartment in any solution up to 70,000. To the Liberation Square advertiser.' The vast majority are private sales, offering flats, houses and plots for sale. There are many development ideas and proposals, some of which smell of scam - an orchard for sale in Guggerhegy, suitable for building a family house... FIK has disappeared from the advertisers, but there are no (visible) agents for the time being, all the ads are from private parties. The advertisements are no longer just for flats, there are also 'shops suitable for boutiques', and more than once the formula 'OTP with takeover' is used in the flat advertisements.

Ten more years, 21 September 1983 - what has changed? The number of advertisements in the Saturday edition (known to be the best placement) had decreased, with 18 in the 'Housing' section, 5 in the 'Sublet' section and 50 in the 'Property' section. New features include the possibility to exchange a council flat for a private one, the stipulation of cash payment, and the legal criterion of being able to move in. The "Real Estate Agency" advertises itself, buying apartments and houses for cash. Awareness of the private market, e.g. "I would buy a holiday home, for an annuity. Owner can live there..." or a full example: "321 square meter plot on Endrődi Sándor Street, with all utilities, free of encumbrances, panoramic view, suitable for building a condominium (zone 04) for sale". And there is no getting in the way of the small businessman and his mentality: 'I'll buy a shop on Rákóczi út or Lenin körút. I'm also interested in ground floor apartments. Also interested in exchange.'

6. Companies that operated on a market basis

On the border between the private and public sectors, we can find a professional real estate developer: the OTP, the National Savings Bank, a retail financial institution owned by the state. OTP was a state-owned company specialising (among other activities) in property development. While the share of 'OTP housing' was 7 % in the period covered by the Third Five-Year Plan, by the Sixth Five-Year Plan (1981-85) it had risen to 30 %! [24] What is meant by 'OTP housing' is not easy to retrospectively ascertain from the scant documentation available, since OTP's role vis-à-vis the public was primarily that of a financier. On 1 March 1949, the National Savings Bank National Corporation, the predecessor of today's OTP Bank, was created. Its main task was the central management of retail financing. It took over the operations of the former "Pesti Hazai Erste Takarékpénztár", which had been closed down. In 1957, it added sports betting (lotteries, lotteries) to its profile. Initially a retail deposit-taking and lending institution, its activities gradually expanded and in the 1970s it was entrusted with the management of the finances of the councils. Following the establishment of a two-tier banking system, it began to provide financial services to companies in 1987.

The National Savings Bank's housing-related activities date back to the time of its creation. The periods of entry of these tasks are as follows:

- initially, until 1956, the National Savings Bank only performed tasks relating to housing loans;
- In 1957 and 1959, the activities were extended to include the construction of condominiums and the sale of these and cooperative apartments;
- From 1960 onwards, the Savings Bank was involved in the construction and sale of condominiums;
- From 1968, the OTP was responsible for the entire management of council housing - essentially public housing. [25]

Financing, building and selling: OTP was able to offer almost the entire spectrum of property development. What we have not listed here is the risk-taking in the development cycle: as a public company, OTP obtained its funds from the state budget. As housing loans were heavily subsidised by the State for social policy reasons, the State, through the bank, was taking on a very significant annual burden. The cost of preparing the building sites and of improving the utilities was also a burden on the State. Until 1970, condominiums were part of the public housing construction programme, and the Savings Bank received an annual budget for their construction. The financing of housing was thus a mixture of social policy and banking objectives, which OTP was able to exploit in its monopoly position. This monopoly position and the inconsistency of socialist economic policy meant that the bank could at the same time launch its activities on the housing market. From 1960 onwards, it also started to build its own apartments, which can be regarded as a quasi-free-market development activity. According to the contemporary account, the company determined the installation, the volume and the construction technology used, emphasising that it was seeking efficiency [25]. At the same time, the apartments were built with the help of the socialist construction sector - in other words, they were compulsorily contracted out to state construction companies. Hence the poor and the uncontrollable quality of the OTP as investor. The OTP not only built the flats itself, but also sold the flats of the colonial constructions 'commissioned' by the councils, i.e. it also acted as an agency. In this role, it had to sell 80-85 % of the new housing to a buyer appointed by the council, but sold the remainder on a 'market' basis, through competitive bidding. And in the next example of the apartment building, we see that a special idea or project slipped into the huge portfolio.

A good example of OTP's independent real estate development concept is the case of the Bajza Street Garzonház (Studio Building). The Garzonház, built in 1965-67 on the basis of plans by István Tóth and Éva Hejhál, was one of OTP's housing policy experiments based on the Western European model. In Germany, such 'housing combinations' were used to replace workers' hostels and tenements with room-kitchen, shared toilets and bathrooms.

Back then, in those days of housing shortages and depressingly low rents, it was a real joy to see such houses built. 145 "studios" of 34 square metres and countless communal rooms and services: restaurant, patio, lounge on each floor, sun terrace. The chosen ones were also taken in by the cheap offer: in 1965, they had to pay 58,000 forints for an apartment, the total price of which, with OTP credit, was 144,000 forints with a 2-year repayment. At that time, this price was quite high compared to other condominiums, but the return on investment is interesting: a flat cost 230,000 forints (890 forints per cubic metre). The planning started in 1960, the lead time was seven years!

The programme was as follows. The aim was to provide working couples and elderly people with a home-like accommodation, to provide meals and cleaning services in an organised manner and to meet certain community cultural needs in-house' [26]. The biggest problem was the cost of running the building - the many communal spaces could be maintained by paying much higher common charges than usual. The shortfall - then! - the common representative tried to make up for it by renting out the common rooms [27].

7. Conclusions

The Hungarian Gazette notes: 'Although the number of bogus contracts is already decreasing, and there is no doubt that the development of socialist social consciousness and its further development, and the

further raising of awareness of the rules of socialist social coexistence will lead to a further decrease in the number of such contracts, they are still not negligible in number.' So there were sham contracts, and they were considered by the court as contracts of sale and purchase! Thus the verdict: "... if a contract for the transfer of ownership is disguised by a sham contract whose essential content also includes and contains the transfer of ownership of the property, the disguised contract may be recognised as valid."

Train brokers, disguised contracts, tax savings: the private market flourished in the shadow of state socialism. This private market demanded special skills, special intelligence, which the small man in the Kádár era was perfectly capable of meeting; he understood the system of loopholes, the language of the classifieds. He gave and he bought, he bargained and he survived.

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