



European Construction Sector

Observatory

Policy Measure Fact sheet

Hungary

Family Housing Allowance
(*Családi Otthonteremtési Kedvezmény - CSOK*)

Thematic Objective 1

March 2016

Implementing body:	The Ministry of National Economy together with the Ministry of Human Capacities
Key features & Objectives:	Government subsidies and loan scheme for the construction or purchase of new or existing housing units for families with children
Implementation date:	2015-2020
Targeted beneficiaries:	Young families under the age of 40 with children (or committed to having children) under the ages of 20 (or 25 if in higher education)
Targeted sub-sectors:	Social housing; construction companies; real estate activities
Budget:	Open budget. For 2016: HUF 40 billion (EUR 129 million)

In a nutshell

In Hungary, around 1.5 million people (roughly 16% of the population)¹ continue to live in a state of housing poverty². While there is no shortage of flats in Hungary, a clear lack of affordable housing can be observed, particularly in the form of social housing.

In recent years, the Hungarian government has set up a number of housing initiatives, aimed to support the social housing and reanimate the construction sector. Housing is promoted with non-repayable grants (housing allowance for families), loans with subsidised interest and state-supported housing saving programmes.

The Family Housing Allowance (CSOK) scheme was first introduced in July 2015 by the Ministry of National Economy, as a replacement of the former and more stringent Social Policy Allowance scheme (SZOCPOL). The CSOK programme aims to provide support in the form of a governmental subsidy for the construction or purchase of dwellings for young families with children.

Unlike the previous programme, CSOK widened the scope of public support, extending it to include existing properties into the eligible dwellings. In February 2016, the conditions of the CSOK programme were amended to facilitate access to the subsidy.

General description

The Family Housing Allowance (CSOK) programme aims to provide subsidies and subsidised loans for the purchase or construction of new housing and

- purchase or renovation of existing housing

The CSOK foresees the following types of support, depending on a minimum floor area set up in relation to the number of children:

1. Government subsidy for purchase or construction of **new dwelling**

Number of children	Subsidy amount, HUF	Subsidy amount, EUR	Minimum floor area
1	600,000	1,935	-
2	2,600,000	8,380	-
3 or more	10,000,000	32,235	60 m ² for apartment; 90 m ² for house

2. Government subsidy for purchase of **existing dwelling**

Number of children	Subsidy amount, HUF	Subsidy amount, EUR	Minimum floor area
1	600,000	1,935	40 m ²
2	1,430,000	4,610	50 m ²
3	2,200,000	7,090	60 m ²
4 or more	2,750,000	8,865	70 m ²

State formula **“10+10”** (subsidy plus fixed interest rate loan) Families with three children may benefit from a HUF 10 million (EUR 32,300) grant for the construction or purchase of new housing, and they can co-finance the project with a low-interest loan up to another HUF 10 million. The amount of this subsidy is very significant: according to data from the Hungarian Central Statistical Office (KSH), the average net monthly earning was HUF 173,000 (about EUR 560) in October 2015, thus HUF 10 million is about 58 times greater than this amount. In case of construction, the reduced VAT rate of 5% (instead of 27%) can be applied up a maximum value of HUF 5 million (EUR 16,150)³. The maturity period of the government loan is 25 years with a fixed interest rate of 3%.

Eligibility criteria⁴:

- Applicants should be a married couple under 40 years old, living in the same household;
- Applicants should have children or commit to have the number of children (including adopted children) associated with the amount of support in the next 10 years;
- Children eligible for the programme are defined as fetuses after the 24th week, biological or adopted children living at home under the age of 20, or under the age of 25 for those at college or university.
- Applicants must show never to have committed a criminal offence, must not have tax arrears and must show they are up to date on their social insurance contributions.

The subsidies granted under the CSOK programme are provided only in national currency (Hungarian Forints – HUF). Applicants who are awarded the subsidies and later have more children than

planned may apply for a grant of HUF 400,000 (EUR 1,290) per child, as long as the money is used to repay their home loan⁵.

Commitments to have children are limited to three children for couples with no children, two for couples with one child and one for couples with two children. Couples have four years to fulfil their commitment to have one child, eight to have two children and ten to have three children.

Since the introduction of the programme in 2015, a number of simplifications have been applied to facilitate access to the subsidy. Thus, the initially enforced maximum limit value for existing properties (HUF 35 million or EUR 11,830) was removed, as well as the maximum price per square meter and the compulsory energy certification. The subsidies may be used for the purchase of homes which were completed on or after July 1st 2008, or for which a building permit was issued on or after that date⁶.

The CSOK programme is planned to run until 2020. The programme's budget is open and depends on the amount of applications. For 2016, that the government allocated HUF 40 billion (EUR 129 million) to the scheme in the yearly state budget⁷.

The CSOK housing allowance can be obtained through a number of commercial banks that have a specific permission from the Hungarian State Treasury: Erste Bank, OTP Bank, K&H Bank, MKB Bank, Unicredit Bank.

The CSOK programme aims to make the rural areas of Hungary more attractive for living and, consequently, to increase economic activity outside the main cities. However, the programme might create a growing demand for housing in the 13th and 14th districts of Budapest, where undeveloped land is still available and where there are many entrepreneurs ready to invest in the new projects after the crisis⁸.

Expected or achieved results

As the programme was launched in the second half of 2015, with some major changes in 2016, the specific results of the CSOK are not published yet. However, there are some market indicators on what could be expected from the programme's implementation in the short to medium term.

The Hungarian government believes that several hundreds of thousands of families will benefit from the CSOK⁹. The Ministry expects to provide 12,000 subsidies in 2016, while real estate market players expect that the programme will generate around 170-180 new transactions in 2016¹⁰.

The banks involved in the programme have reported an increasing amount of applications. Some 800 applications have been

submitted to OTP Bank since the programme's launch in January. So far, 42 applications have been made for the "10+10" formula, available only to families that have, or commit to having, three children. 70 applications have been received for VAT refunds from Hungarians building their own homes. About 21,000 people have asked for information about the home purchase subsidies, and one-fourth of these were interested in the "10+10" formula.

Throughout 2016, OTP expects 20,000 applications, with the average value of subsidies of HUF 1.5 million (EUR 4843) each. Applications submitted by beneficiaries buying new homes could account for 10-20% of the total, and applications by families with three or more children for 1-4%.

Takarékbank stated that about 2,000 applications for the subsidies had been submitted at savings cooperatives¹¹. MKB Bank has received fewer than 100 applications for the subsidies, mainly for resale of dwellings. FHB Bank has accepted more than 200 applications, almost 85% of which were for resale of dwellings. More than one-third of the applications were for housing in Budapest and the surrounding Pest County¹².

The real estate market shows a positive reaction to the programme. The number of smaller apartments (40-60 m²) under construction is increasing as a first result of the programme¹³. According to a survey held by the economic research institute GKI and the Confederation of Hungarian Employers and Industrialists (MGYOSZ)¹⁴, the number of households intending to buy or build homes increased by 41% in 2016, compared to October 2015. This represents a seven-year peak in market demand since 2009. Expectations for housing renovation and modernisation also improved: the ratio of beneficiaries intending to carry out these types of interventions went up by 11%, whereas the ratio of those inclined to do the same increased by 20%.

As for the geographical distribution, survey respondents engaged in real estate activities expect strongly improving market conditions in rural areas in the next 12 months, compared to the previous quarter. Prospects in Western Hungary remained considerably more favourable than those in Eastern Hungary¹⁵.

Perspectives and lessons learnt

From the **perspective of the government**, the programme is expected to bring awaited revival to the economy, coupled with forecasted positive demographic changes. However, the wide eligibility criteria and open budget approach set some risks in terms of the programme's burden on the Hungarian national budget. If new home sales and constructions reach 20,000-30,000 over the next two or three years, and if most of the buyers qualify for the HUF 10 million subsidy, the annual (gross) cost of the programme would be around HUF 150-250 billion (EUR 484-806 million), or 0.4-0.7% of GDP¹⁶.

Economists see the greatest risk on the side of the state budget. The promised fixed interest rate of 3% for the HUF 10 million loan might seem achievable with the current low inflation and low base interest rates. However, the substantial increase in the interest rate in the long term is expected to bring additional, non-foreseen, expenses for the state budget¹⁷.

From the **perspective of beneficiaries**, the CSOK was welcomed with high demand both for new and existing housing. The programme is considered to be most beneficial to young couples applying for the "10+10" option, taking into account that the market prices of houses in the countryside is currently averaging at about HUF20-30 million (EUR 64,475 - EUR 96,710)¹⁸. Some limitations, however, restrict the access to the CSOK programme for the socially vulnerable class. Civil servants, workers receiving their salary "in black", as well as the population with bad loans following the financial crisis of 2009 are likely to be considered as not creditworthy by financial institutions and would thus be ruled out of the programme. In this sense, the programme—designed to facilitate housing access for socially disadvantaged people—may not fully reach its target population.

From the **perspective of the real estate market**, the programme is not only linked with a substantial increase in transactions, but also with a sharp increase in prices. The drop of the VAT rate for CSOK applicants from 27% to 5% led to an increase of demand for newly built apartments, which were previously lacking demand. The housing market, supplied with a low amount of new housing in recent years, is unable to keep up with the increasing demand for new and already built homes in the short term, leading to price increases in the range of 5-25%. However, experts forecast this demand pressure to be a short-term phenomenon, and that home prices should normalise by 2017¹⁹.

From the **perspective of construction companies**, the supply of the new housing is limited by the lack of skilled construction labour. The country is currently facing difficulties in re-attracting the construction workforce that left Hungary during the crisis. Furthermore, due to the bad image of the industry, young workers are often not keen to initiate a career in the construction sector. The programme is expected to encourage skilled worker to come back to Hungary. However, it is estimated that it could take 3-4 years for the sector's labour pool to catch up with demand, which is precisely when a drop in demand is anticipated, and incidentally, when the CSOK subsidies are expected to wind down²⁰.

The construction market is also expected to benefit greatly from the CSOK by increasing its prices and trying to get back some of the profits it lost in the years following the financial crisis²¹. The industry expects an increase in real estate activities, along with an increase in the number of construction projects.

Dwellings purchased through the CSOK subsidy will most likely be situated in Budapest and surrounding areas, where the cost of homes is lower, as well as in countryside settlements, especially close to industrialised cities (such as Győr, Tatabánya, Komárom, and Esztergom)²².

Comparison with other analytical sources

This Fact Sheet concurs with other analytical sources:

- Country Fact Sheet Hungary²³ in the sections:
 - Access to housing;
 - Access to finance;
 - Innovation in the construction sector
 - National & Regional Policy & Regulatory Framework;
 - Current Status & National Strategy to meet Construction 2020 Objectives;
 - Outlook.

Endnotes

- ¹ Annual report on housing poverty in Hungary, Habitat for Humanity, 2014. http://www.habitat.hu/files/housing_report_hu2014_web_en.pdf
- ² Based on the UN definition, housing poverty occurs when the conditions of legal security, affordability of housing, accessibility of appropriate housing possibilities, location and quality of the dwelling and housing situation of vulnerable groups are not properly fulfilled.
- ³ The Budapest Time, Kiss of life for families, builders? January 2016. <http://budapesttimes.hu/2016/01/31/kiss-of-life-for-families-builders/>
- ⁴ Ministry of Human Capacities, CSOK Brochure : http://www.csalad.hu/wp-content/uploads/2016/02/CSOK_A5_szorolap_web1.pdf
- ⁵ Budapest Business Journal, Government details home purchase subsidies in decrees. February 2016. http://bbj.hu/politics/government-details-home-purchase-subsidies-in-decrees_111414
- ⁶ Ibidem.
- ⁷ Budapest Business Journal, Government allocates HUF 40 bln for CSOK in 2016 budget. February 2016. http://bbj.hu/politics/government-allocates-huf-40-bln-for-csok-in-2016-budget_111057
- ⁸ HGV.HU, Pár hét alatt milliókkal drágult az új lakás a CSOK-örületben, January 2016. http://hvg.hu/kkv/20160111_CSOKorulet_dragabb_lesz_tole_a_lakas_va_g
- ⁹ The Budapest Time, Kiss of life for families, builders? January 2016. <http://budapesttimes.hu/2016/01/31/kiss-of-life-for-families-builders/>
- ¹⁰ HGV.HU, Pár hét alatt milliókkal drágult az új lakás a CSOK-örületben, January 2016. http://hvg.hu/kkv/20160111_CSOKorulet_dragabb_lesz_tole_a_lakas_va_g
- ¹¹ Savings cooperatives are typically rural financial service providers, offering a more limited array of services than commercial banks. Their main focuses of activity are deposit collection and lending.
- ¹² Budapest Business Journal, Thousands apply for new home purchase subsidies, March 2016. http://bbj.hu/economy/thousands-apply-for-new-home-purchase-subsidies_112598

- ¹³ Portfolio, Lakást béreled? - Gondold át újra! January 2016. http://www.portfolio.hu/ingatlan/lakas/lakast_berel_gondolja_at_ujra.226048.html
- ¹⁴ GKI-MGYOSZ survey results, GKI-MGYOSZ real estate index at its nine-year peak, January 2016. http://www.gki.hu/wp-content/uploads/2016/02/ingatlansajto_160208_eng.pdf
- ¹⁵ Ibidem.
- ¹⁶ OTP Research, Flash Report – Government Deficit. January 2016. https://www.otpbank.hu/static/elemzesikozpont/other/elemzesek/4336_FlashReport_20160105_HU_Deficit.pdf
- ¹⁷ The Budapest Time, Kiss of life for families, builders? January 2016. <http://budapesttimes.hu/2016/01/31/kiss-of-life-for-families-builders/>
- ¹⁸ OTP Research, Flash Report – Government Deficit. January 2016. https://www.otpbank.hu/static/elemzesikozpont/other/elemzesek/4336_FlashReport_20160105_HU_Deficit.pdf
- ¹⁹ Budapest Business Journal, Analyst: CSOK will increase home sales, prices, February 2016. http://bbj.hu/real-estate/analyst-csok-will-increase-home-sales-prices_111656
- ²⁰ Budapest Business Journal, Report: Home purchase subsidies could cause labour bottleneck. February 2016. http://bbj.hu/business/report-home-purchase-subsidies-could-cause-labor-bottleneck_110783
- ²¹ Ibidem.
- ²² Budapest Business Journal, Analyst: CSOK will increase home sales, prices, February 2016. http://bbj.hu/real-estate/analyst-csok-will-increase-home-sales-prices_111656

Further information

Further official information can be found at (in Hungarian):

CSOK for purchase or construction of a new housing	http://officina.hu/letoltes/csok/CSOK-1-2016-febr-uj-lakas-epites-vasarlas.pdf
CSOK for HUF 10 million subsidized loan	http://officina.hu/letoltes/csok/CSOK-3-2016-febr-10-millio-hitel-kamattamogatas.pdf
CSOK for purchase of existing housing	http://officina.hu/letoltes/csok/CSOK-4-2016-febr-hasznlalt-lakas-vasarlas-bovites.pdf
Conditions for the VAT refund	http://officina.hu/letoltes/csok/CSOK-2-2016-febr-afa-visszaigenyles.pdf

- ²³ European Construction Sector Observatory, Country Fact Sheet Hungary, March 2016, http://ec.europa.eu/growth/sectors/construction/observatory/index_en.htm