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## Non-planning and tourism consumption in Budapest's inner city

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### ABSTRACT

The relationship between urban planning and tourism consumption is presented through one of the most attractive and popular districts of Budapest (District VII). Budapest is the capital city of Hungary and has a population of 1.7 million inhabitants making it one of the largest metropolitan regions in Central Eastern Europe. Budapest is typical of many other post-socialist cities in that its urban development process has followed a somewhat different trajectory from many Western European cities until recently, for example the relatively slow rate of gentrification in the post-socialist years. The paper will focus in particular on one central district of the city (VII) which currently contains a high concentration of hospitality and entertainment facilities (especially 'ruin pubs') and attracts a large numbers of tourists. The planning and development history of the district will be explained, including many controversies and conflicts which have arisen over the years. In addition to analysing the significance of the areas' heritage and the intensive growth of the creative industries, the paper will also provide a case study about the Budapest-specific 'ruin bar' phenomenon, as well as data on the global issue of Airbnb, which is becoming an extremely topical and controversial issue in many other cities in the world today. 'Ruin bars' and Airbnb represent local and global examples of tourism consumption which have flourished despite or even because of an unstructured, often unregulated urban planning system. Through this examination, two main questions are addressed: to what extent has planning (or a lack of it) influenced urban development and the new trends of international tourism in Budapest? and what role has tourism played in the transformation of a central district within the inner city?

### 摘要

本文的目的是探讨布达佩斯一个极具吸引力、极受欢迎的街区(第七区)城市规划与旅游消费之间的关系。布达佩斯是匈牙利的首府,拥有170万居民,使之成为中东欧最大都市区之一(Földi, 2006)。由于继后社会主义时代不断变化的政治体制,分析中东欧城市过去及当今城市规划趋势是特别有趣的,此时国际旅游也开

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### 关键词

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始成为该城市的新特色。布达佩斯在很多其它后社会主义城市中具有代表性，因为它的发展遵循了一条不同于很多西欧城市的发展轨迹，比如，直到最近它保持了后社会主义时代相对较低的绅士化率。本文特别关注该城市的一个中心街区（第七区），因为该街区接待与娱乐设施（特别是废墟酒吧）高度集中并且吸引了大量的旅游者。本文分析了该街区的规划与发展历史，包括近年来出现的很多争议与冲突。本文除了分析该街区遗产的价值与快速发展的创意产业，也提供了布达佩斯特有的废墟酒吧现象的案例研究以及爱彼迎全球性问题的数据。爱彼迎的全球性问题已经成为当今世界很多其他城市非常有代表性和争议性的问题。废墟酒吧和爱彼迎代表了旅游消费由于非结构性甚至不受管制的城市规划体制而快速发展的地方性和全球性实例。本文旨在回答两个主要问题：(1) 是否拥有规划在多大程度上影响了布达佩斯城市发展和国际旅游发展的新趋势？(2) 旅游业在内城核心街区转型中起到什么作用？

## A brief overview of urban development in post-socialist cities

In many US and Western European cities, capitalist development tended to manifest itself in geographically uneven ways leading to the transformation of the inner city, but at the expense of local residents. This included gentrification and displacement as urban manifestations of geographically uneven development (Atkinson & Bridge, 2005; Nagy & Timár, 2012). Gentrification was defined as the change from working class to middle class residential composition in the inner city (Atkinson & Bridge, 2005).

Post-socialist city development tended to differ in some ways from that of its Western European counterparts. In some cities under post-socialist transformation there was a lesser degree of market-led gentrification and displacement than in others or new investment headed towards the suburbs (Brade, Herfert, & Wiest, 2009; Wiest, 2012). In many cases, the privatization of public housing functioned in such a way that sitting tenants were able to purchase their apartments at a very low price (Kovács, Wiessner, & Zischner, 2013; Sykora, 2005). As a result, a high degree of home ownership was evident in cities like Budapest compared to Western cities. However, the community of new owners did not have the financial resources to renovate the dilapidated houses in most cases (Sykora, 2005).

The gentrification of post-socialist cities intensified after the turn of the millennium. In the post-socialist countries, the process of gentrification depends primarily on the inflow of foreign capital, the extent of state subsidies, the regulations adopted, the development of the real estate market and the preferences of the population on the housing market. These processes have resulted in the spatial fragmentation of inner city areas and society (Marcinićzak & Sagan, 2011 so in Central and Eastern European cities polarization has become the dominant process rather than the social upgrading caused by gentrification (Berki, 2014; Benedek & Moldovan, 2015). In upgrading areas, high status residents and elderly or disadvantaged low social status groups live next to each other. The introduction of functional mix alongside the residential function in such neighbourhoods has led to the development of tourism, gastronomy (restaurants and pubs) and offices (i.e. commercial gentrification). Districts with purely residential functions have been slowly transformed into working, entertainment and investment areas, including hospitality and tourism enterprises (Ashworth & Tunbridge, 2000; Eldridge, 2010; Judd & Fainstein, 1999;

Roberts, 2009; Roberts, Turner, Greenfield, & Osborn, 2006). There have been a number of new urban developments in cities like Warsaw, Prague, Bratislava and also Budapest. This includes office buildings, shopping centres, industrial and technological parks and (luxurious) residential complexes (Grubbauer & Kusiak, 2012; Keresztély & Scott, 2012). State or local authority-led rehabilitation played an important role in these processes.

## Urban development and planning in Budapest

The gentrification of the inner city areas of Budapest was not very intense until relatively recently (Czirfusz et al., 2015; Kovács et al. 2013), despite predictions that the transition from socialist planning to a liberal market would create exponential gentrification (Smith, 1996). However, reinvestment and price increases were less significant than expected, and in the 1990s, the inner city districts actually started to decline instead (Kovács, 1998). Földi (2006) described how the legacy of more than 40 years of neglect by the socialist regimes led to a physically and socially dilapidated inner city. Higher-status residents tended to move away from the inner city to the suburbs or to higher status residential areas of Budapest on the Buda side (Csanádi & Csizmady, 2002; Csanádi, Csizmady, Kocsis, Kőszeghy, & Tomay, 2010). This also happened in many other cities in the region (Sykora, 2005).

On the other hand, displacement still occurred in the inner city areas, but not primarily because of market-led gentrification. The engines of socio-spatial changes were the local authorities and the state, and gentrification was most spectacular in designated rehabilitation areas of the city (Jelinek, 2010). Local authorities were unable and unwilling to preserve social housing stock, which led to the displacement and exclusion of the lowest status residents and the Roma (Ladányi, 2008; Nagy & Timár, 2012). The relatively slow adoption of the social dimension of urban renewal (Keresztély & Scott, 2012) and the competition for investment were a consequence of the lack of adequate funding for local authorities (Vigvári, 2008). The dismantling of the social housing system and aesthetic refurbishments of public spaces were part of an attempt to make the inner city of Budapest more desirable for middle class residents, and eventually (as could be seen later) for the tourism and hospitality sectors (Boros, Fabula, Horváth, & Kovács, 2016).

In terms of urban planning, Budapest has not been lauded as an exemplary model. Indeed, many harsh criticisms have emerged over the past few years. One of the main challenges to urban planning is the fact that the city is divided into 23 districts, all of which have their own political, economic, social and cultural structure, but with very little focus on governance or collaboration with other districts. District mayors are often also MPs or prominent cadres of political parties which can significantly affect power relations between districts and the City Council. When it comes to implementing social or housing policies, or launching regeneration programmes and plans, these districts enjoy a high level of autonomy (Kovács et al., 2013). According to the Statute of Local Government, tourism development and management is typically the responsibility of Budapest City Council, so the districts have a limited vested interest in tourism (Michalkó, 2001). On the other hand, some individual districts have developed their own tourism strategies (e.g. District I and V), but few tourists would be aware of (or even interested in) where one district ends and another begins within a city. This approach is arguably detrimental to tourism infrastructure which often spans 2-3 districts, as well as slowing down attractions development because of conflicts between district authorities. Although the Budapest City Council should

technically oversee district activities, in reality, the allocation of responsibilities and resources between the Municipality and the district governments is subject to constant political tensions and disputes, often resulting in complete inactivity for many years. This has affected major tourism areas of the city, for example, the Castle area or the City Park, where several municipality authorities could not agree on how to develop the areas further for tourism (Smith, Puczkó, & Rátz, 2009). Bontje, Musterd, Kovács, and Murie (2011) list this highly decentralized and bureaucratic system as being one of the most negative aspects of city development especially as it fails to solve the widespread deprivation and exclusion of lower skilled social groups in the inner city.

Even worse than the lack of coordination is the absence of legal and planning frameworks in the first half of the 1990s (Egedy, 2010) and frequent disregard for them thereafter, resulting in numerous scandals and corruption (Kauko, 2012). Barta, Beluszky, Czirfusz, Gyóri, and Kukely (2006) criticized some of the approaches that took place between 1990 and 2005, which are described as uncoordinated, irrational and unconsidered. He states that these often led to inefficient and incomprehensive conservation of architecture and heritage, created dubious 'science and technology parks', and cultural projects which tended to result in losses and missed opportunities. When the current government Fidesz was last in power from 1998 to 2002, 'flagship' architectural and cultural projects such as the House of Terror, Millennium Park and the National Theatre were constructed to establish a specific political vision and disrupt the existing urban flow (Palonen, 2013). Some of these have become tourism attractions too, for example, The House of Terror, but few international tourists are aware of the political intentions behind the construction and interpretation of such attractions (Smith & Puczkó, 2010). Kauko (2012) was especially critical of the period 2002–2010 in Hungary which he suggested resulted in economically and socially regressive developments. He states that 'during the period 2002–2010 in particular, Hungary has been nothing short of a disaster in terms of urban policy and planning issues' (Kauko, 2012, p.10). Unfortunately, there is little to suggest that urban planning has improved in recent years either. Since the election in 2010 when Fidesz won an unprecedented two thirds parliamentary majority and launched its radical re-shaping of the country, there have been numerous protests against the government's increasing centralization of power and abolition or takeover of formerly independent institutions (Akçalia & Korkut, 2015). Palonen (2013) suggests that similarly to 1998–2002, the government is busy re-writing the national past, changing plans made by the previous government, and creating political divisions. Unfortunately, however, urban renewal policies which benefit deprived areas have not been forthcoming, and a low level of funding has been available for developments of this kind (Keresztély & Scott, 2012).

## Tourism in Budapest

Although Budapest does not have a leading position among European capitals based on the number of guest nights, its position in Central and Eastern Europe is strong. Within the region its turnover lags behind Prague and Vienna, but it is far ahead of the capital cities of its neighbouring countries (CSO, 2016).

In Budapest, there is no longer a city agency which is responsible for tourism, as the Tourism Office of Budapest ceased to exist several years ago (the 'logic' being that tourists will come to Budapest anyway and that resources should be devoted to promoting the

rest of Hungary which is relatively under-visited). Smith et al. (2009) research had concluded that tourism planning and management is extremely fragmented in Budapest, and turnover of staff working in tourism has been increasingly rapid in recent years since 2010, and it is not altogether clear today which stakeholders are responsible for which developments in the city. The state-owned Hungarian Tourism Agency is mainly focused on marketing and communications rather than planning or development.

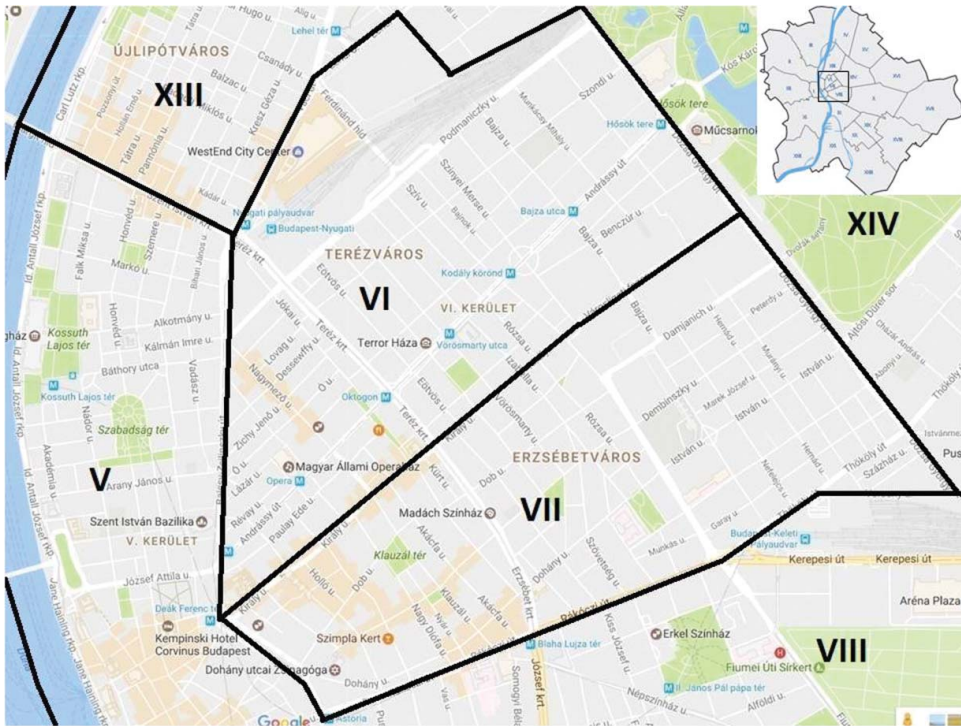
Although Budapest had traditionally focused on heritage tourism in its product development and marketing, the global popularity of creative tourism and creative cities has also had an impact on Budapest since the late 2000s (Smith & Puczko, 2012). Tourists are increasingly drawn to those cities which are deemed to be creative or to have creative districts or neighbourhoods (Marques & Richards, 2014). It will be seen later in this paper that the Districts in Budapest which have the highest concentration of Airbnb accommodation are those that would be considered to be the most creative. However, it is also well-documented that as creative districts become more popular with locals and tourists alike, gentrification often ensues, sometimes leading to displacement of the original inhabitants and erosion of the characteristics that made the area attractive in the first place (Zukin, 1987, 1995). The concomitant development of tourism can also risk turning such areas into enclaves and losing their appeal for creative people (Pappalepore, Maitland, & Smith, 2014).

The following analysis of District VII will show how the historical and contemporary processes of urban planning (or a lack thereof) have contributed to the development of a tourist area which often fails to consider the situation of local residents. Two phenomena are highlighted in particular: one is local and specific to Budapest, and that is the 'ruin bars', of which District VII has the highest concentration; the second is a global issue, which has started to impact negatively on numerous cities according to many of the authors in Colomb and Novy (2017), and that is the growth of Airbnb (also highly concentrated in District VII). 'Ruin bars' made Budapest much more desirable for tourism and it seems that this increased the demand for Airbnb too. However, the exact explanation behind the dynamics of the Airbnb phenomenon needs more research, some of which is provided in the latter part of this paper.

## Case study of District VII

Although the focus of this section is on one central, inner city district in Budapest, it is important to discuss the wider area, especially District VI which borders District VII (Figure 1) and shares many of its characteristics (one of its central streets Király Utca is the District boundary). Indeed, the relationship between District boundaries, planning and tourism in Budapest is a complex and opaque one. Although the physical environment and the social status of inner city districts can be quite similar, district authorities often apply very different policies (see Kovacs, Wiessner, & Zischner, 2015). On the other hand, tourists are largely ignorant of where one District ends and another begins and move fluidly and unconsciously between them.

Districts VI and VII are historic inner city districts with mostly nineteenth century densely built housing stock, and until recently, this area was mainly a residential district with about 15,000 inhabitants per 0.5 sqKm. Under socialism, it had been one of the most neglected parts of the city and many of its buildings had become ruined or even



**Figure 1.** Location of District VII in Budapest. Source: Authors' own.

collapsed. This was followed by a 'laissez faire' urban policy which mainly benefitted private investors, local government officials and friends of the political élite. 'Ruin bars' appeared in so-called rehabilitation areas in both of these Districts. Most of them can be found in District VII, however three bigger 'ruin bars' can be found in adjacent District VI (although one of them closed in spring 2017 to give way to a hotel construction).

The two districts are rather similar in many aspects: extremely dense urban residential and commercial neighbourhoods with dilapidated housing stock built at the end of the nineteenth century. However, District VI was always a somewhat higher status area, especially because of the prestigious World Heritage Site area, Andrassy Avenue, the national Opera house and other theatres in the inner part of the District that is also called the Budapest Broadway. The autonomous districts after 1989 had different urban policies: the privatization process was more complete in District VI and foreign investors started to buy apartments in the area earlier. Corruption during the privatization process was present in both districts, however the heritage buildings along Andrassy Avenue were better protected and speculative investors were not allowed to demolish them as happened in District VII in many instances. The different heritage and related policies meant different conditions for functional changes and for the hospitality and tourism industry. As a consequence, fewer venues opened in District VI and the local authority could be more restrictive in their regulation of the night time economy. This meant that luxury shops and office investments along Andrassy Avenue became alternatives to 'party' tourism. District VI also attracts more cultural tourists because of its heritage attractions and architecture. In

District VII many of the heritage buildings were in bad condition, therefore, a 100-year-old plan based on the so-called Madách-Promenade was resurrected in 1990 (Román, 1998). The 1990 Madách-Promenade plan promoted office developments and the plan also allowed the local authority to prevent flat-by-flat privatization of the housing stock. Whole buildings and housing blocks thus remained in the ownership of the municipality (Csanádi, Csizmady, & Olt, 2012). Although the plan was never fully implemented, it was still used in the mid-2000s to justify the demolition of dilapidated heritage buildings with social housing. The local authority could maintain a higher proportion of municipality owned housing after the housing privatization of the 1990s. As a consequence, more buildings could be vacated and sold to investors that also meant more 'ruin bars' after the real estate crisis.

Controversy arose over the heritage buildings in these neighbourhoods. Although most of the area was included in the UNESCO World Heritage Site buffer zone from 2004, many heritage buildings were still being demolished or were scheduled for demolition. Architects, historians and other supporters of the cultural heritage established a group called 'Óvás' in 2004 to protest against the demolition and to help protect the heritage. According to Óvás, by 2007 40% of the former built environment had been demolished or was in danger (Perczel, 2007). Overall, Keresztély (2007) suggested that the historic Jewish district clearly and sadly demonstrated the consequences of incoherent urban management. Property scandals and corruption involving local authorities and politicians were also rife from the mid-2000s onwards (Sipos & Zolnay, 2009).

In the mid to late-2000s, the socio-democratic characteristics of District VII consisted of a high rate of elderly widows; lowering social status compared with the early twentieth century; decreasing Jewish and an increasing Roma population; and no marked segregation of different residents (Földi, 2006). The profile of the area changed further with the arrival of young people, students, artists, and independent ex-patriates who bought or rented flats for a relatively low price (Csanádi et al., 2012; Keresztély, 2007). Since the early 2000s a growing number of students rented apartments in low quality inner city buildings. Thus, the first signs of 'studentification' appeared relatively early in the neighbourhood (Fabula, Boros, Kovács, Horváth, & Pál, 2017). Csanádi et al. (2012) showed that the proportion of apartments shared by non-family members increased from below 1% in 2005 to more than 7% in 2010. After the rapid growth of tourism in the 2010s tourism accommodation mainly priced out students from this area. According to our interviews with property managers, even foreign students who could afford the higher prices turned away from the party district because they also complained about the noise. The mix of social housing and newly built condos has created considerable polarization. For example, on the opposite side of the same street we recorded an interview with a young professional in the IT sector who paid 1000 EUROS per month for his flat in a recently built condominium (in a country where the average salary is less than half of this sum) and a middle aged lady who struggled hard to pay 100 EURO per month for her low quality social housing.

In terms of tourism, District VII plays a very important role in the city. Although there are no traditional tourist attractions located in the district, one tenth of the restaurants in Budapest and one fifth of private accommodation are located here, and District VII has the highest occupancy rate in commercial accommodation in Budapest (CSO, 2016). Table 1 compares District VII to two of the other most popular tourism districts in Budapest (V and I).



**Table 1.** Importance of District VII compared to Districts I and V in Budapest tourism.

	Number of catering units	Guest nights by foreigners (1000)		Number of hosts in private accommodation	Occupancy rate in commercial accommodation (%)
		Private accommodation	Commercial accommodation		
Budapest	11,082	1106	8195	4047	50.6
District VII	1018	203	1359	868	60.1
District I	278	48	542	157	54.2
District V	866	208	2022	801	57.4

Source: CSO (2016).

Academic literature sometimes tends to refer to the practice of accommodating tourists in private apartments as an innovative business solution (Dervojeđa et al., 2013). However, it is not a new trend in Budapest, as the utilization of the housing stock for tourism purposes dates back to the 1960s (Michalkó, 2001). As the annually rising demand could not be satisfied by the modest hotel capacity at that time, and the government did not possess the resources needed for investments, it seemed to be an obvious solution to use the housing stock in the tourism supply of Budapest. Since the mid-2000s, grand bourgeois homes have been turned into hostels. This trend continued after 2010 and it became possible for smaller apartments to be used for these purposes with the arrival of Airbnb around 2010. The current legislation defines the detailed conditions of operating a residential property as a tourist accommodation, and also regulates their administrative and tax obligations. Apartment rentals in Budapest are not restrained geographically or in terms of the number of guest arrivals, and the tax rules are particularly beneficial for hosts who operate only one apartment.

Many religious monuments and institutions can be found in this neighbourhood, for example, one of the largest synagogues in the world. The ghetto of Budapest was also located here between 1944 and 1945, and many tourists, often with Hungarian origins visit as part of remembrance and commemoration. The revival of the ghetto area was helped by Jewish families returning from Israel and U.S.A. after the change of regime (1990). These second or third generation Jews started to establish various enterprises which contributed to regeneration. However, as a typical example of the lack of planning and irresponsible political leadership during the rehabilitation of a building, the only remaining segment of the ghetto wall was demolished by the construction work. It was restored only with the help of the Óvás civil group. Thanks to their work tourists can still visit it.

The growing popularity of the area for tourists has partly also been due to the growth of the creative industries. In the late 2000s, there were a growing number of venues with artistic projects and art galleries as well as new cafés and restaurants (Csanádi et al., 2012; Keresztély & Scott, 2012). This area became the 'creative hub' of the city with a plethora of restaurants, bars, design shops, galleries, and festivals. In addition, the district hosts art exhibitions, workshops, and contains small theatres. In the heart of the area there is a renovated courtyard called Gozsdu Udvar which has a Sunday arts and crafts market as well as numerous restaurants, bars and cafés. The courtyard built in 1901 is a 200 m long promenade with seven buildings and six courtyards. After a long time of neglect, the run-down buildings were renewed between 2005 and 2008 (Photo 1).



**Photo 1.** Commercial gentrification with restaurants in the Gozdsu courtyard in District VII. Source: Authors' own.

The area's creative, aesthetic and atmospheric appeal has become attractive not only for tourists, but for artists and entrepreneurs as well (Tóth, Keszei, & Dúll, 2014). The historical buildings from the turn of the centuries (nineteenth and twentieth) combined with the creative environment of the present contribute to creating a unique tourist milieu (Michalkó & Rátz, 2006). However, one of the more recent developments since 2010 (when a new government was elected) was that artists in municipality-owned premises were forced to leave for political as well as economic reasons. The more profitable uses of bars and clubs priced out the creative mission especially after 2013. Artistic venues were squeezed out to the adjacent District VIII (not yet a flourishing tourism area), and most of them operate now in privately owned rather than publicly owned spaces.

The growth of the hospitality industry can also be partly explained by the 'ruin bar' phenomenon. The 2008 crisis stopped the real estate investment in the area and the in-between use of the empty buildings - the so-called 'ruin bars' (Csanádi et al., 2012; Lugosi, Bell, & Lugosi, 2010) - became a determinant factor of the development. Lugosi et al (2010) describe 'ruin bars' or pubs as temporary (often seasonal) or semi-permanent (open for several consecutive years but with an uncertain future) hospitality venues which have been established in abandoned residential or office buildings, many of which are dilapidated (Photo 2).

At first, only local residents (mainly creative and bohemian individuals) tended to frequent the 'ruin bars', but since the early 2010s (which also coincided with the development of Airbnb, as discussed in detail later) tourists have become the main consumers. Because of low cost airlines and low prices compared to Western cities, Budapest has become competitive as a weekend party capital. Since 2013, the former Jewish District brand has almost completely changed to the image of a 'party district' where hundreds of tourists go out every night causing a great deal of noise and some distress for local residents. Many of them are enjoying 'stag and hen party' tourism as Budapest is becoming a



**Photo 2.** The 'ruin bar' Kőleves (Stonesoup) in Kazinczy street in District VII. Source: Authors' own.

more and more popular destination for this form of entertainment (Iwanicki, Dłużewska, & Smith, 2016). Problems with 'party' or 'alcohol' tourism have similarly been noted in Lisbon (Colomb & Novy, 2017), Berlin (Novy, 2017) and Prague (Pixová & Sládek, 2017).

The following sections present empirical research on two of the aforementioned phenomena in Budapest, which are closely connected to tourism consumption. These are the 'ruin bar' phenomenon and Airbnb. These phenomena are closely connected as the highest concentration of Airbnb accommodation is located in the area which has the most ruin bars in the city.

## **Methodology for the empirical research**

It is acknowledged that several methods could have been used to illustrate the ways in which a lack of coherent planning and clear regulation has influenced urban development and tourism in Budapest. Airbnb is one of the most topical and controversial subjects in global tourism today, which is why it was selected for this study. The data from District VII is contrasted with other popular tourism districts to demonstrate the relative geographical concentration of accommodation. The 'ruin pub' phenomenon was selected because it is one of the current Unique Selling Propositions for Budapest's tourists and is thought to be one of the main causes for the increase in tourism and the growth of Airbnb in District VII (and to a lesser extent, VI). Research was, therefore, undertaken to analyse the development of 'ruin bars' in Budapest and their role in hospitality and tourism using qualitative data, and to examine the scope and concentration of Airbnb using big data.

### **'Ruin bar' research**

Ethnographic research on the regeneration and gentrification of District VII was undertaken from 2006 and the conflict between the residential and hospitality/ tourism function

emerged. From 2009, in-depth interviews were undertaken during which local residents were asked more specifically about their perception of the hospitality industry and tourism. Fifteen interviews were recorded with local residents which focused on their conflicts with the 'ruin bars' and the local authority between 2010 and 2014. In addition, non-participant observation took place during several (heated) civil forums about the night noise in the area. Five of these meetings were organised by different actors such as the local authority, active citizens or bar owners between 2011 and 2014. Some monthly meetings of bar owners were also attended. During this period, eight interviews were recorded with 'ruin bar' owners who talked about their enterprise and their conflicts with residents and the authorities. Attempts to approach local politicians were largely unsuccessful and their responses to questions were vague. Their interests are often conflictual, i.e. they need local entrepreneurs for income tax but have to appease residents to gain the popular vote. The role of the press played an important role in the conflict, therefore, 43 newspaper articles were analysed. In the early 2010s, many of the articles supported the freedom of entrepreneurship and the Hungarian success story of the 'ruin bars'. Later, the picture became more mixed as mass tourism and cheap alcohol became the main features of the area, and journalists became more critical about the party district.

### ***Airbnb research***

Airbnb like several other companies in the so-called 'sharing economy', operates a peer-to-peer market through its platform (Einav, Farronato, & Levin, 2015). The majority of the transactions in the sharing economy are internet-based, thus the buying processes (from the initial information search to the feedback events) generate a large amount of data, making the sharing economy one of the significant sources of publicly available 'big data' (Mayer-Schonberger & Cukier, 2013). It must be noted, however, that research methods based on 'big data' retrieved from the internet have some important limitations: firstly, the technical difficulties can make the data incomplete or imprecise, lowering the trustworthiness of the results; secondly, the interpretation of the results is not always straightforward, questioning the objectivity of the research (Boyd & Crawford, 2012).

In order to investigate the operational characteristics of Budapest's private accommodation market, data from the Internet was collected monthly between October 2014 and September 2016. The data collection was carried out with web-scraping technology, which means using a software that opens up the given pages of a website one after the other, and saves the information found on them in a database (Olmedilla, Martínez-Torres, & Toral, 2016). The homepage of Airbnb was the focus of the investigation from where all accessible data was collected apart from the users' written reviews. This involved listing data concerning properties and hosts as well. The main data groups included data on supply, demand and operation, as well as users' scores. Based on the observed data, several derivative data types were developed: the number of guest nights was estimated on the basis of occupation and capacity data, and the volume of revenues was modelled by adding the prices. Since the number of beds per listing varies between 1 and 16, the uncertainty of the estimation of guest nights is significant. In order to achieve a better approximation, a segmentation-based modelling was carried out using the data scraped from the Booking.com website, which contains information about the segment of the reviewers (solo travellers, couples, families, groups of friends, business travellers). The

majority of Airbnb properties may be suitable for more than one segment. In these cases, the number of guests was determined on the basis of the segment proportions observed on Booking.com and the various characteristics of the listing itself (e.g. number of beds, rooms, bathrooms, range of services, etc.).

As the database contains the geographical coordinates of properties, it is possible to plot their locations on a map. However, it should be noted that due to privacy protection reasons, Airbnb generally shows the position of properties somewhere within 100–200 m of their actual location; therefore, the maps used in this paper might also be slightly imprecise.

## Findings

### ***'Ruin bars': conflicts over residential and tourism functions***

The inner part of District VII and also a part of the adjacent District VI has become a world-famous party district according to Trip Advisor. The process of this functional change from a low status, dilapidated inner city area to a touristic attraction was completely unplanned and quite unexpected. As mentioned above, the original regeneration plans proposed a higher status residential area, however the corruption inherent in the privatization process slowed down this particular development. After the buildings were vacated, they remained in the hands of the local authority and stood empty for several years. Hospitality entrepreneurs operating in the area negotiated with the local authority to use the buildings temporarily for 'ruin bars' or 'gardens'. The venues operated only in the summer months and paid low rent to the municipality. The bars were so-called because they were operating in dilapidated or partly ruined buildings, and investment in these short-term venues remained minimal until the planned residential real estate investments actually took place (Lugosi et al., 2010).

After a few years of this uncertain operation, in 2005, the local authority decided to restrict the number and type of venues and gave out fewer licences and only for venues that had a cultural function as well. The licensing was in the hands of the local authority and they could deny the permission for operation without further explanation. The motivation for this restriction was clear: the success of the venues frequented mostly by the local bohemians of Budapest started to disturb local residents and the elections in 2006 were approaching. Most of the buildings remained empty that year and privatization progressed.

Because of the corrupt privatization process mentioned earlier, the area mainly attracted speculative investors and the buildings stayed empty for years even after privatization. The plan was simply to gain more on the increasing real estate prices. Some artists could make a deal with one of the owners and paid low rent for an empty building which was in poor condition to use it temporarily as a workshop, warehouse or even illegal housing. The most successful 'ruin bar', Szimpla Garden, also started to operate in a privately owned building in 2004 (Photo 3).

Meanwhile, other artists could occupy publicly owned buildings and retail spaces with one year contracts or even illegally. Everybody expected a rapid change, and imagined a short term operation, but as mentioned earlier, they were evicted only after 2010. The great change in the scene came after the 2008 crisis. The then privately owned



**Photo 3.** Szimpla Garden in District VII, the first 'ruin bar' in Budapest. Source: Authors' own.

buildings were utilized by their new owners as ruin bars, but this time with much longer (usually 5+5) year contracts and consequently with much bigger investments. Ruin bars started to operate in a 'pop-up' fashion in the early 2000s but after 2009 they rather operated as proper enterprises, which was made possible by the change of regulation as well. They contributed to the 'creative' atmosphere and increased the number of hospitality venues, as well as new accommodation such as small hotels and youth hostels.

The constant growth of the tourism industry and low cost airlines was an important factor in the commercial success of these bars. 'Ruin bars' are still not part of the official tourism marketing of the city; however, low cost airlines and other private tourism entrepreneurs heavily advertise the night life of Budapest. The number and capacity of venues has been growing constantly since 2009, and by 2013, there were more than 300 bars and pubs in the area and large capacity dance clubs appeared as well. Instead of the previous minimal investments of the early 2000s, some new venues opened after a few million EURO investments in the building and these places wanted to attract higher status consumers and better off foreigners. These new venues operate in vacated buildings but many of them are definitely not 'ruin bars', although they advertise themselves under this umbrella. The artistic flavour of these places often completely disappeared and there are only a few smaller clubs that have an offer beyond drinks and mainstream electronic music. Some bars also serve as restaurants and there are hostels or other forms of accommodation within the building as well.

Hungarian legislation tends to favour entrepreneurs and new investments instead of the right of residents for peace and quiet at night as declared by the ombudsman for civil rights in 2008. This results in situations where local residents feel helpless against night noise and neglected by authorities and politicians. In the Hungarian situation, the regulation of commercial activities changed according to the EU legislation in 2009 and the local authorities only had the right to restrict opening hours within their territory between 10 pm and 6 am if the service activity caused a 'dangerous amount' of noise. In District VI, the regulation introduced compulsory closing time after 10 pm with only a few exceptions when residents living close to the venue gave permission for late night operation. This regulation caused many heated debates in the press because the ruin bars were one of the few Hungarian 'success stories'. After 2012, the regulation changed the closing time to midnight and a local committee decided about exceptions rather than local residents.

In District VII, the local government did not react as quickly and the restriction of opening hours was introduced only in 2010, and even then, its implementation was controversial. In late 2012, the national level regulation changed which made it possible for the police to restrict opening hours or close down venues if they were 'dangerous' or causing 'too much trouble'. More than 20 pubs received some kind of fine or restriction in December 2012 in District VII. As the 'ruin bars' were even bigger success stories by then, the scandal was also greater than ever and even the initiator of the modification of the law explained that he did not intend to close down 'ruin bars'. By early 2013, there was no restriction of opening hours at all, and investment in hospitality venues grew exponentially.

Both regulations and planning measures were insufficient to control the functional change of the area and mitigate the negative social consequences of the changes. Residents feel displaced from their living environment and renters are priced out and excluded from the inner city where most of the low skilled service jobs often related to

tourism can be found. The changing nature of tourism played an important role in the gentrification of the inner city. This transformation was never intended and was only a consequence of the post-socialist privatization process and pervasive corruption. Because of the success of the 'ruin bar' scene, Budapest and especially District VII became real tourist hot spots, even if official marketing does not focus on this. The transformation changed the spatial structure of tourism in Budapest away from the more conventional or classic cultural tourism and World Heritage Site attractions. It also impacted on the accommodation sector and consequently inner city housing and gentrification.

### ***Main stakeholders and conflicts in the party quarter***

Conflicts between local government and residents in Budapest emerged after the change of regime in the 1990s because local governments refused to privatize apartments, residents could not purchase them, and the quality of housing and building stock deteriorated as a result (Pap & Boros, 2015). In the second half of the 1990s (when development increased exponentially), conflicts increased as non-governmental organisations (NGOs) and private investors became new stakeholders in the area. Investors' interest in a quick return on investment by destroying old buildings and constructing new ones often clashed with heritage protection lobbies. Local governments tended to support the former rather than the latter. The heritage protection agency is viewed by local government as inflexible and a barrier to regeneration. Profitable renovation becomes almost impossible (Pap & Boros, 2015). New constructions, therefore, transformed the housing stock in some places, for example, in the Gozdsu courtyard at the heart of District VII, where large old flats were replaced by expensive small ones which were less suitable for local residents.

Since the turn of the Millennium (the mature/consolidation phase of development), conflicts between local residents and tourists, as well as young people looking for entertainment, have emerged in the area. The conflicts during this period can be predominantly linked to the expansion of 'ruin bar' culture and its impact on night noise. The local population has repeatedly turned to the local government in protest (legal disputes, lawsuits against bars, letters to their local authority representative or the mayor, collecting signatures to put pressure on their local politicians, and Facebook groups) and the local authority has already introduced more silence regulations in order to remedy the problem, but the situation has not yet been fully resolved. The local authority decided to divide the district into two very differently regulated parts: in the most central part of District VII where the 'ruin bars' and most other bars can be found there is no restriction of opening hours, while outside the Great-Boulevard shops and bars have to close by midnight. (The regulation of commercial activities in accordance with the EU directives gives priority to entrepreneurial freedom, and the local authority can only restrict the opening hours.) The local authority politicians often complain that their hands are tied by the national level legislation and under this regulation they cannot restrict the function or the type of venues opened in the area. The local authority also decided to introduce a local tax for bars that are open after midnight in the central part of the district. However, the close negotiations with the entrepreneurs resulted in this amount being very low.

According to some NGOs, the local government plays a 'double game' in this case, because the revenue from the consumption of tourists is as important to them as the



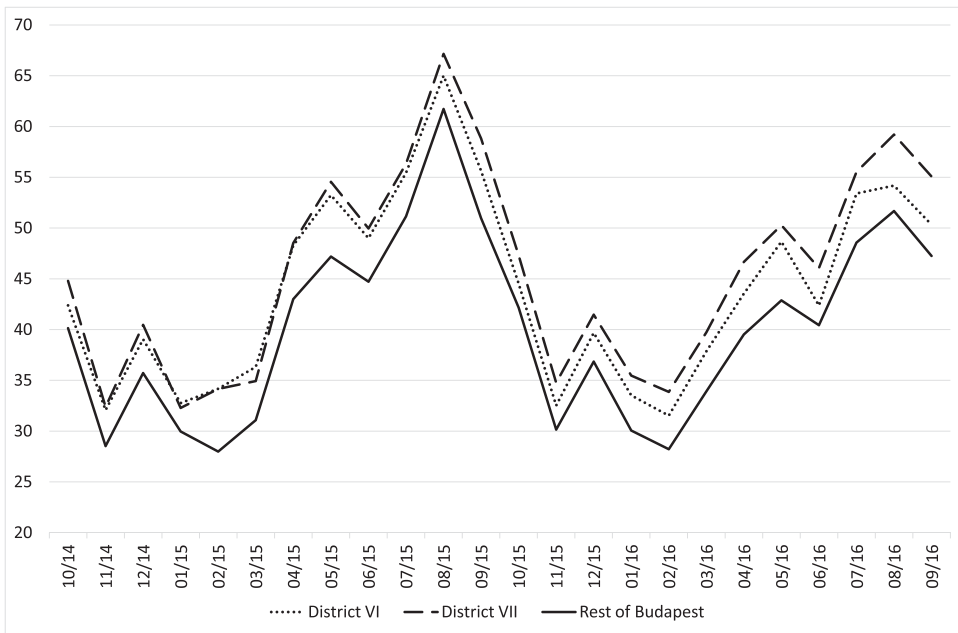
satisfaction of local residents. Thus, since 2013, the central part of District VII has become a party district and other parts of the district are regulated. In the near future, there will be an increase in the number of conflicts between investors, as the flourishing of the area is a good opportunity for profit making. Recently, big entrepreneurs and developers appeared in the area and a transformation and concentration process in the ownership structure of the 'ruin bar' market began. Although 'ruin bars' were expected to be temporary and the whole party area emerged as an unintended 'by-product' of unplanned urban processes, it has proved to be much more than a 'pop-up' phenomenon after 15 years of ongoing developments.

### ***The development of Airbnb in Budapest***

The use of apartments for tourism accommodation became a promising business opportunity which resulted in a demand side boom after 7 years of real estate crisis and nominal decrease of property prices after 2008. It is important to note that gentrification was not induced automatically by former disinvestment or by the demand of affluent residents or students, but rather the growth of tourism that was fuelled partly by the emergence of 'ruin bars'. This functional change in the apartment sector has a double displacement effect: first, rents and property prices increase because apartments become the competition for hotel rooms, and second, the noise generated by bars and guests of Airbnb apartments decreases the use value of these apartments and residents often have no other option than to leave (Cócola Gant, 2016).

In order to understand the geographical distribution of the Airbnb accommodation in Budapest, it is important to look firstly at the concentrations of tourist attractions within the city. The vast majority of tourists visit only the inner districts (Rätz, Smith, & Michalkó, 2008). This smaller area includes the Castle District and Gellért Hill (District I), the inner city, the Lipótváros and the embankment of the Danube (District V) as well as other inner districts on the Pest side (Districts V–VIII). It should be noted that District V is popular because of its elegant architecture and concentration of more classic cultural tourism and heritage attractions. Although District VII also offers some cultural attractions (e.g. architecture, museums and synagogues), the World Heritage Site attractions are located along Andrásy Avenue (District VI) stretching between Heroes' Square and the City Park (District XIV) at one end and the Castle District (District I) at the other end. Other popular places are Margaret Island (District XIII), as well as some parts on the Buda side (riverbank of the Danube in District II and surroundings of the Gellért Spa in District XI). Evaluating the geographical location of Airbnb accommodation, we can conclude that they spread over a much smaller area than the catchment area of the main tourist sites mentioned above. Seventy-seven per cent of all Airbnb properties are concentrated in the inner districts of Pest (Districts V–VIII). In Districts VI and VII the number of active Airbnb listings was slightly more than 1700 per district in September 2016. During the research period, the number of Airbnb properties constantly increased in District VII (but not in V and VI), which may be connected to the attractiveness of the party atmosphere and 'ruin pubs'.

The geographical distribution of apartments within the area is uneven and the majority of listings are located in the more central parts of the districts. Thus, the high density of Airbnb apartments is located in the so-called 'party area' where most of the 'ruin bars' are located. During the research period, the number of apartments registered on the Airbnb



**Figure 2.** Monthly occupancy of Airbnb properties in Budapest. Source: Authors' own.

platform increased significantly in the case study area. Between October 2014 and September 2016, the number of listings in Districts VI and VII increased by 230% and 280%, respectively. However, the data also shows that many hosts did not manage to run a successful operation, as more than a thousand properties per district were withdrawn from the platform during the same period.

The monthly occupancy was higher in the case study district than in other districts of Budapest for the entire research period. The advantage of District VII has grown steadily: in autumn 2016, the occupancy indicator here surpassed the respective figure of District VI by 10%, and of other districts of Budapest by 15%.

Analysis of the daily occupancy figures highlights the characteristics of the demand side of the Airbnb market (Figure 2). It can be observed that occupancy at the weekends is about 10–20 percentage points higher than on weekdays. This trend changes only during the Sziget Festival in August. Other periods with outstanding occupancy are Easter weekends, 1 May and during the Formula 1 race in July. The most popular period is New Year's Eve, when Airbnb properties are almost fully booked (see Figure 3).

Airbnb apartment prices in Budapest are close to the four-star hotel prices (see Table 2; the apartment prices were calculated for two guests). However, annual price volatility of private accommodation is much lower than that of hotels. It is worth noting that the average price level differs, for example, prices in District VI are 10%–15% higher than in District VII. Figure 3 shows the daily capacity of Airbnb properties in Budapest and Figure 4 shows a map of Airbnb listings.

A comparison of prices at district level is made difficult by the variation in apartment sizes (their capacity varies between 2 and 16 persons per apartment), and by the different pricing policies used by the owners (e.g. listing rate dynamics according to the number of

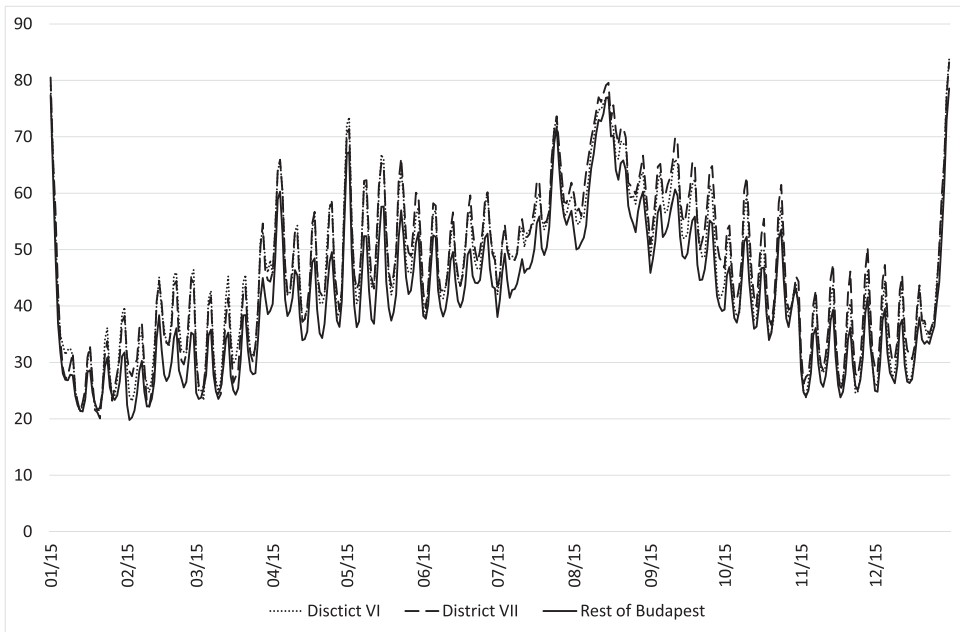


Figure 3. Daily capacity of Airbnb properties in Budapest. Source: Authors' own.

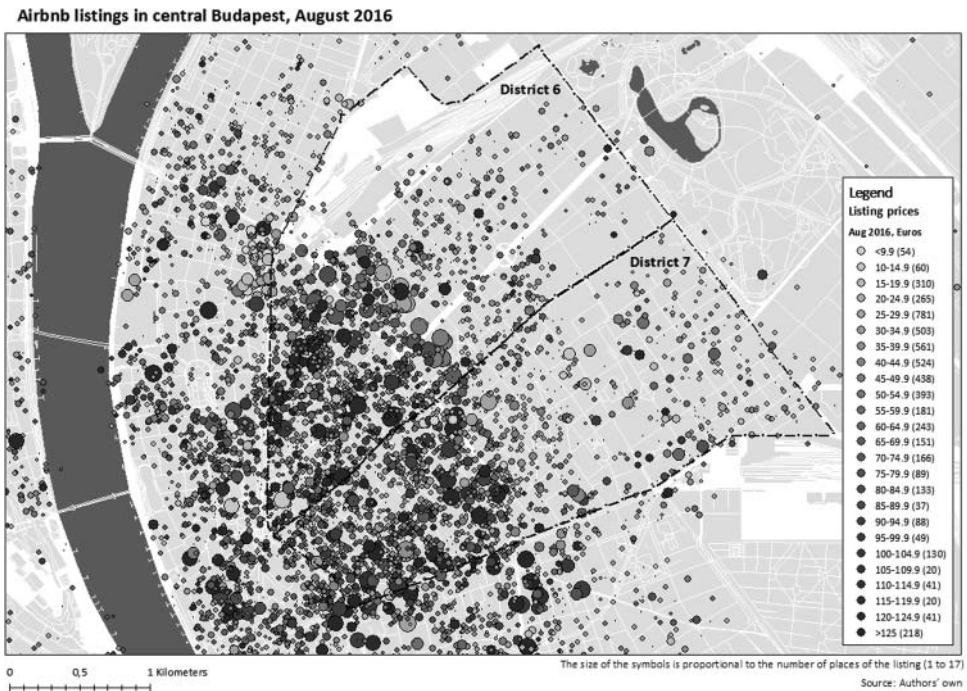


Figure 4. Airbnb listings in Central Budapest. Source: Authors' own.

**Table 2.** Airbnb listings in Budapest, September 2016.

District	Listings	Listings %	District	Listings	Listings %
I	324	4.0	XIII	481	5.9
II	238	2.9	XIV	144	1.8
III	75	0.9	XV	19	0.2
IV	25	0.3	XVI	20	0.2
V	1668	20.6	XVII	6	0.1
VI	1705	21.0	XVIII	10	0.1
VII	1714	21.1	XIX	20	0.2
VIII	863	10.6	XX	17	0.2
IX	399	4.9	XXI	10	0.1
X	10	0.1	XXII	15	0.2
XI	200	2.5	XXIII	5	0.1
XII	147	1.8	Budapest	8115	100.0

Source: Authors' own.

guests). Taking into account the prices calculated for two person-based occupancy, the differences are significant, and no clear spatial pattern can be drawn. However, our dataset shows that larger apartments located in the so-called 'ruin bar' quarter inside the Grand Boulevard are quite expensive for couples. This suggests that these accommodation facilities are supposed to be rented out by larger parties of travellers. In the party district, the guests of Airbnb apartments tend to be young groups who are often participants of stag and hen parties. Families with small children would probably avoid this area if they were well-informed enough about the nature of the District.

A much more homogenous picture of price levels appears if we analyse the prices per person at full apartment occupancy: the average price paid by guests in this case is around 15–20 EURO per night. Higher per capita rates (over 35 EURO) characterise the properties located closer to the city centre accommodating two–four persons. Actually, the 'ruin bar' quarter offers several affordable apartments also in this size category, making the area attractive for couples or families as well.

The data collected from the Airbnb website does not provide exact information about the characteristics of visitors, thus we cannot rely on it concerning segmentation. However, such information can be obtained with the help of data gathered from another platform which is Booking.com, as the guests' assessments are categorised by segments. The number of apartments registered in Booking.com is about 2000 in Budapest, of which around 450 are in Districts VI and VII. Table 3 shows the monthly average prices in 2015 and Table 4 shows that families and groups of friends generally make up a much larger proportion in private accommodation compared to the hotels. Furthermore, the ratio of couples and groups of friends in private accommodations and hotels, as well as the ratio

**Table 3.** Monthly average prices in 2015, EURO/night.

	1	2	3	4	5	6	7	8	9	10	11	12
All hotels	64,8	57,1	56,1	64,7	73,6	71,8	72,9	65,9	76,8	77,4	61,3	63,3
Three-star hotels	32,4	27,5	28,7	33,9	37,9	36,6	38,3	37,2	40,8	39,3	30,2	31,6
Four-star hotels	54,2	45,3	45,2	54,1	63,0	60,3	58,4	54,3	63,9	63,0	49,0	50,8
Five-star hotels	113,7	106,4	110,9	124,9	148,6	142,4	139,5	124,2	142,5	146,3	105,0	126,3
B&Bs	26,5	26,5	30,5	31,7	33,1	29,4	36,8	36,5	34,5	35,6	29,6	30,8
Airbnb (listing)	48,1	48,6	49,3	50,1	50,6	50,8	51,1	51,0	50,8	50,0	50,2	49,3
Airbnb District VI (listing)	52,5	52,7	52,8	52,9	52,9	52,9	52,7	51,9	52,2	51,4	51,2	50,1
Airbnb District VII (listing)	44,3	44,7	45,5	46,5	47,2	47,3	48,2	48,2	47,6	46,2	47,1	45,7

Source: Authors' own; Hotel and motel data – KSH (Central Statistical Office); Airbnb data – own research.

**Table 4.** Ratio of different guest segments in Districts VI and VII based on Booking.com data.

Accommodation type	Business	Solo	Couples	Families	Friends	Count
Hotels, District VI	10,41	16,10	46,44	11,46	15,59	22
Hotels, District VII	9,90	14,42	47,78	11,75	16,15	24
Apartments, District VI	6,23	10,25	34,17	23,54	25,81	454
Apartments, District VII	5,41	10,43	37,38	20,39	26,39	449
Hostels, District VI	3,94	39,96	21,74	4,17	30,19	32
Hostels, District VII	3,95	45,00	17,92	3,25	29,89	30

Source: Authors' own.

of single travellers in hostels are obviously higher in District VII. Our results presume that this area of the city appears to be a zone more suitable for parties and entertainment compared to other districts.

For now, it is still questionable whether and to what extent expanding the supply of Airbnb services causes one frequently mentioned undesirable consequence, which is the limitation of private housing facilities. Many properties in the affected districts are still neglected and a vast number of flats have been empty for the past few years. It has now become obvious, that in the districts of inner-Pest like VI and VII the process of perceptible gentrification has begun, with the Airbnb properties being its beneficiaries and to some extent, catalysts at the same time. The media and public opinion often tend to ascribe the negative effects of the above mentioned changes to Airbnb; however, there have not yet been any anti-tourism demonstrations, as there have been in some other popular destinations (Bock, 2015; Colomb & Novy, 2017).

## Conclusions

It can be seen that not only has there been little planning for tourism due to the fragmentation of the city in terms of district management, but there has been very little coherent urban planning altogether in the post-socialist years. Tourism in Budapest has nevertheless increased and flourished largely due to the post-EU accession influx of budget airline tourists, coupled with the growing reputation of the city as a location for cheap entertainment (namely alcohol) and parties. In line with many other European cities, there has been a parallel development of a creative quarter (Districts VI and VII), which affords locals and visitors 'bohemian' entertainment, mainly in the form of 'ruin bars', coupled with the rapid growth of Airbnb apartments and hostels. Most of this process has taken place within less than 10 years. It is difficult to say whether one might be the consequence of the other, but it is clear that the two phenomena are closely connected. The Airbnb data shows that there is a strong concentration of accommodation in District VII, especially in the areas where 'ruin bars' are located.

The nature of the accommodation seems to cater more for groups of friends, supporting the idea that this area is more suitable for parties in recent years than for other groups or forms of tourism. The needs of local residents have been largely disregarded both in terms of the rapidly increasing property prices and consequent displacement, and the unreasonable noise levels and behaviour of tourists. There is little evidence to suggest that coherent urban planning has been used to attract tourism consumption to these districts of the city nor to contain or regulate it. Both the 'ruin bar' and Airbnb phenomena appear to have flourished independently of any kind of identifiable planning objectives.

Local government(s) in District VII (and VI) eventually seemed to have recognized the potential of this 'party area'. However, despite the government's attempts at centralization at all administrative levels, there is still no clear vision for the further development of the area. Planning still seems to be characterised by random and unpredictable decision-making. A Daily News Hungary report (2015) suggests that tourism is growing year on year in Budapest (5.2% growth from 2013 to 2014) but that tourists spend significantly less than in Prague. The low spending is attributed to the popularity of 'low-budget party tourism' based on the 'age of ruin pubs' and a 'flourishing' Airbnb market. It is suggested that local residents need to tolerate it or to pack up and move out. The area is still in an early phase of development, but the big question remains as to how local residents who live in the party area could benefit from future developments. Will the quarter become integrated better into the overall urban fabric or become an exclave within the district? Another uncertain question relates to the question of Airbnb. Partly in response to the protests of the hotel sector, the national government may pass restrictions against Airbnb similar to what happened in the case of Uber (which has now been discontinued in Budapest). The sharing economy is still not fully understood or supported by governments around the world, therefore, the future of Budapest will also depend partly on how this relationship between the sharing economy and national governments develop. Evidence suggests that resistance to Airbnb and the 'sharing economy' among local residents in cities is also mounting (Colomb & Novy, 2017). The struggle over the night noise intensified in Budapest in 2017 when a group of residents started petitions, organised demonstrations and attracted the attention of the Hungarian media in the summer months. Pub and bar owners and their workers also demonstrated against the idea of an earlier closing time and highlighted the economic importance of tourism, which according to them, has increased because of the party district. At the time of writing, the decision of the local authority in District VII was still unclear, however adjacent districts introduced earlier closing times for terraces and open air venues and restricted the sale of alcohol in late night shops. It was decided that in order to represent the different stakeholders, a so-called 'night mayor' should be elected.

Despite the fact that Budapest shared a history that was more typical of former socialist cities, its future looks set to emulate that of many Western European or even global cities. It may become yet another tourist city featuring 'protest and resistance' like so many of those outlined in Colomb and Novy's (2017) recent book. The resistance to and rejection of the Olympic Bid in Budapest in 2017 was just one example. It is perhaps most similar to Prague, where the local residents are unhappier about the laissez-faire and corrupt approach of the municipal government than they are about tourism per se (Pixová & Sládek, 2017). Budapest is similarly grappling with the forces of property-led gentrification and a rapid growth in budget airline-fuelled party tourism based on the cheap availability of alcohol (albeit in the creative and bohemian milieu of the 'ruin bars'), reinforced by abundantly available and unregulated Airbnb options. The decentralised, fragmented and ad hoc approach to urban (tourism) planning arguably does not bode well for residents, even if it supports the current growth of tourism. Care must also be taken that these developments do not erode the very features that made them attractive to tourists in the first place.

### **Disclosure statement**

No potential conflict of interest was reported by the authors.

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