

# Gentrification in a Global Context

The new urban colonialism

Edited by  
Rowland Atkinson and Gary Bridge



# 6 Gentrification in post-communist cities

Luděk Sýkora

## Introduction

Our knowledge of the gentrification of cities outside the west has often been limited by ideological and linguistic barriers as well as the more general impression that gentrification in other global regions has been muted or absent. However, it is increasingly clear that the implementation of market reforms in Eastern European 'post-communist' countries has often led to pronounced urban restructuring and neighbourhood changes that are, to some extent, similar to transformations mapped out for cities in the west. This chapter presents a review of current understanding of gentrification in selected post-communist cities. The post-communist world is both large and diverse and this chapter cannot cover the whole geographical area and encompass all the variety. It focuses on Budapest (Hungary), Prague (Czech Republic) and Tallinn (Estonia), three cities where gentrification has been researched and discussed, and builds upon this experience. Existing studies of other post-communist cities, such as Bratislava, Ljubljana or Warsaw, have not generally identified gentrification among the more important processes of urban change.

This chapter starts with three distinct stories of gentrification from Budapest, Prague and Tallinn. Then it will seek their implications for what we understand as gentrification more generally. Three particular areas affecting gentrification and the interpretation and explanation of neighbourhood change are scrutinised. First, urban decline during communism, second, models of housing privatisation and, finally, the rise of gentrifiers as a newly significant fraction of the middle classes. In conclusion we point to the specificities of gentrification in post-communist cities that might have some relevance for the general discussion of the process and its trajectories under differing systemic conditions.

## Neighbourhood transitions in Budapest: gentrification in question

Budapest is perhaps the most often discussed example of gentrification in a post-communist city. Research here dates back to Hegedüs and Tosics (1991), who used the term 'socialist gentrification' for the description of public urban rehabilitation projects affecting two blocks in run-down areas of inner Budapest. The rehabilitation involved the relocation of inhabitants to flats in other public housing (mostly in the inner city), physical refurbishment and consequent allocation of upgraded apartments to new public tenants. In aggregate, new tenants had higher social status than the original population as they accepted higher rents for refurbished flats.

Opportunities for a more fully developed gentrification of neighbourhoods opened with the establishment of capitalism in the country. In his influential book *The New Urban Frontier: Gentrification and the Revanchist City*, Neil Smith presents Budapest as a showpiece of gentrification in post-communist Europe (N. Smith 1996). He argues that 'gentrification emerges hand in hand with the capitalisation of the Budapest land and housing markets' (N. Smith 1996: 173). The gentrification itself Smith associated with a privatisation of housing. Privatisation

has led to a quite evident class shift in the composition of several Budapest neighbourhoods which are attracting large numbers of the newly emerging middle class. This gentrification is focused in several central districts, but as with gentrification in most cities it is highly visible, involves disproportionate amounts of new capital investment, and already has the momentum to become a major determinant of the new urban landscape.

(1996: 176)

The conclusions of Kovács and Wiessner's (1999) study of urban and housing transformation in Budapest stand, however, in sharp contrast with Smith's findings.

While renovation of the old building stock can often be observed in the case of business investments, we can hardly speak about it in relation to the housing sector, even in the privatised housing stock. Moreover, processes of physical upgrading and gentrification so typical for the western cities are practically unknown in Budapest until now.

(Kovács and Wiessner 1999: 76)

Their view is in line with the findings of Douglas (1997) according to whom 'there is not gentrification in Budapest in the western European or American sense of the word. ... it would be difficult to find one neighbourhood in Budapest that could be termed "gentrified"' (1997: 190).

While Smith builds his view on the conviction that inner Budapest is being changed by a 'dramatic, perhaps unprecedented, shift from minimal to maximal investment in a newly evolving land and housing market' (Smith 1996: 173), there are many other voices stressing urban decline in inner cities (Dingsdale 1999; Kok and Kovács 1999; Ladányi 1997). Ladányi and Szelényi (1998: 84) admit that 'inner urban areas in Budapest are eminently suitable for gentrification', however, the reality is different as 'the new upper-middle class is leaving the inner city and the vacated areas are being filled with lower status groups, especially with the Roma poor' (1998: 83).

Kovács' (1998) paper which considered 'Ghettoization or gentrification?' does not directly answer the posed question. He stresses that there are both upward and downward processes in inner Budapest. Without doubt there has been a huge inflow of investment into the CBD bringing the development of commercial spaces and outbidding housing from the area. Commercialisation (the increase in commercial properties as a proportion of built environment) dominates this landscape (Kovács 1994) and even if some single apartments become gentrified it often fails to influence the general character of the neighbourhood. The existence of 'the kind of expensive restaurants, clubs and nightspots that mark many gentrifying neighbourhoods' (N. Smith 1996: 174) cannot be interpreted as being direct markers of gentrification activity.

The socio-spatial structure of Budapest has been influenced by increasing social disparities among the population leading to growing differences between inner city areas (Kovács 1998). The upward moves are concentrated especially in villa neighbourhoods in the western part of the city (Buda) which have always been the highest status residential areas. Much of their upward trajectory is related not to the mobility and displacement of the resident population but is an outcome of the relative social mobility of the existing population. Even the mobility and change of inhabitants is difficult to associate with forced displacement and gentrification as these have always been areas dominated by owner-occupied housing.

The inner-city neighbourhoods that were most severely affected by disinvestments and decline during communism now continue on a downward spiral. Segregation of the poor in the eastern part of the inner city (Pest) dominates the neighbourhood change in Budapest. In particular, Erzsébetváros in district VII and Józsefváros in the VIIIth district are often seen as examples of slum and ghetto formation. In this area are two blocks rehabilitated under communism and termed 'socialist gentrification'. The rehabilitation process did not continue in the 1990s and renovated houses remained isolated pockets of higher social status in an otherwise depressed district.

Regeneration in Ferencváros (district IX) provides a stronger example of an upward trajectory. The renovation project in an area that was a slum since World War II started during communism and continued in the 1990s through a public-private partnership company with the local council as 51 per cent shareholder.

The whole project involved the construction of new buildings on vacant lots, demolition and replacement of abandoned buildings in dangerous conditions, rehabilitation of properties in sound conditions and regeneration of public spaces including pedestrianisation. As is usual with many such renovation projects, residents are relocated to alternative dwellings without the option of returning. Most of the new dwellings are for sale rather than for the public rental tenure (Douglas 1997). The whole project can be seen as the publicly administered cleansing of the area in favour of the wealthy. It is a rather special case, whose nature is quite distinct from the market-led gentrification processes in western cities. However, the rehabilitation can impact on the wider area and induce spontaneous market-led gentrification leading to the displacement of lower-income households though, at present, it is rather an island of renewal in a sea of decline.

### **New niches in Prague's property markets**

In Prague, gentrification developed in a small portion of the inner city, where it brought radical physical and social changes. Its significance within the overall urban change is not in its absolute extent but in the sharp contrasts between new and old within affected neighbourhoods. As gentrification is not the most significant process that shapes contemporary Prague it has not been significant in discussions of urban change. The central city and some adjacent inner city neighbourhoods were revitalised mostly through commercial developments including the displacement of residential by non-residential functions. In the second half of the 1990s, central and inner city urban development has been overshadowed by growing suburbanisation which is now the major process transforming Prague's metropolitan area. Within the residential environment, new developments are associated with suburban single-family homes and inner city condominiums. Nevertheless, from a qualitative perspective, gentrification is an important element of post-communist urban restructuring.

Old rental apartment houses have been reconstructed and transformed into both office spaces and luxury apartments in some zones of the historical core and nineteenth-century inner city neighbourhoods adjacent to the city centre. Gentrifying areas are densely built-up with four to five storey buildings with only few gaps allowing for new construction. Physical revitalisation takes the form of rehabilitation and refurbishment. Numerous commercial projects (office, retail, hotels) include full or partial demolition and new property construction. In housing, there are a few examples of condominiums being squeezed into the existing historic fabric.

The major gentrifying area is in Vinohrady, a neighbourhood that was originally an independent town growing in the second half of the nineteenth century outside the historic Prague fortification and was amalgamated to the city in 1922. Despite decline during communism, the area has always been seen as a good residential



### **6.1 Gentrification of multi-apartment rental housing in Prague's Vinohrady**

address. Vinohrady itself is a large neighbourhood with a population of around 60,000 and gentrification has affected only some areas within it. Despite several cases of housing converted to non-residential use, residential change plays a more significant role in this area.

Residential gentrification is also proceeding in some parts of the historic core, namely at Malá Strana (Little Side). However, residential change is, in these spaces, overshadowed by business and tourist related developments. The main process transforming the city centre is commercialisation i.e. a growth in the share of non-residential uses in the city. Commercialisation proceeds through new commercial buildings constructed on vacant lots, the replacement of less 'economic' uses and the displacement of residential by non-residential functions in originally residential properties. Despite the abundance of gentrified residential properties commercialisation prevails in Prague's central city areas.

Neighbourhood revitalisation through gentrification and commercialisation is reflected in population change. The number of inhabitants of two central districts of Prague 1 and 2 (historic core and Vinohrady) declined by nearly one-fifth between 1991 and 2001. While some of this decrease has been caused by natural change, over half of it results from out-migration, people especially being displaced by non-residential functions. Gentrification also contributes to population decline. During reconstruction, smaller and modest flats are often combined to form large luxurious apartments. Besides the reconstruction of existing properties, in a few instances new condominiums have been in-filled into the existing historic fabric bringing new population.

The social status of the population is also growing faster than in other parts of Prague. The share of university graduates rose particularly in the two central city

districts Prague 1 and 2 and also in Prague 6, which is traditionally the major area of upper-class residences (mostly owner-occupied villas). This points to displacement in neighbourhoods with existing high social profiles. It does not change the pattern of spatial distribution of population according to social status; it is strengthening existing differences. Nevertheless, it must be admitted that the social composition of gentrifying areas was socially mixed since the beginning of the communist period, when the dwellings of the bourgeoisie were subdivided and allocated to working-class households.

Despite gentrification occurring in areas where the social status of the population is already high, gentrifiers still significantly differ from the existing inhabitants. People who buy or lease renovated apartments are often western foreigners working in Prague who came to the city with the expansion of corporations into newly emerging markets. Also, more Czech nationals are taking part in this segment of the housing market. Gentrifiers substantially differ from the existing population by their income level and purchasing power. They usually work in the advanced services sector dominated by foreign-owned firms and where salaries are considerably higher than for other jobs.

The developers engaged in housing rehabilitation are often foreign owned firms aware of the potentially high gains from property refurbishment and have better access to foreign customers. They acquire whole buildings from private individuals who received these properties through 'restitution' (the return of properties confiscated during communism to former owners or their heirs), come to agreements with tenants who are then moved to replacement flats, refurbish housing to a high standard and either lease apartments or sell them to gentrifiers. In this way a special segment of Prague's residential property market developed, dominated by foreign developers and customers. This market segment is rather a small niche that affects only a limited number of housing units in certain areas of the central and inner city.

Gentrification in Prague had no pioneer stage in the way that many other western cities have. It started as a property-development business organised by foreign firms and targeted to a specific group of customers – generally western migrants working and living in Prague (Sýkora 1996). Local transformations, namely the establishment of property markets facilitated the process. Restitution transferred large numbers of properties to private hands (in the central zone and some segments of the inner city it was up to three quarters of all buildings) and created favourable conditions for the establishment of property markets and property redevelopment. The new owners have not had enough experience and capital to engage in property development and tended to sell newly gained property. Real estate in attractive locations quickly changed owners as real estate developers became aware of the possibilities to achieve high returns on their investments.

Gentrification in Prague is spatially very selective affecting only a small portion of the inner city. It is closely associated with commercialisation: the same



developers are engaged in the rehabilitation of old properties for both offices and housing and some projects involve a combination of these functions. It usually takes several years and decades to change a neighbourhood through gentrification. Therefore, we can speak about gentrifying areas but about gentrified neighbourhoods with greater difficulty. Gentrifying places are characterised by a mixture of original population and gentrifiers, old and new establishments, refurbished and not-yet-renovated properties.

### **Old and new Tallinn**

While central city and several inner city locations show signs of revitalisation in Tallinn, there is only one inner city area undergoing gentrification. Its name is Kadriorg. It has always been a desired residential location. Despite the lack of investment during Soviet times and physical decline it retained the image of a prestigious residential area. However, there were internal differences. Housing consists of two to four storey wooden and stone multi-family villas and apartment houses. There are also downgraded single-family wooden houses. The older wooden buildings deteriorated seriously, had few or no modern conveniences and were occupied by elderly and working-class people. Inter-war stone buildings were in better physical shape; they contained relatively large apartments and their tenants often came from the administrative elite and intellectuals.

In Kadriorg, 30–40 per cent of buildings were returned to private hands in restitution and of these an estimated 70 per cent were then sold to new owners (Feldman 2000a). Those real estate developers that purchase these properties tend to buy the existing tenants an apartment in Soviet-era housing estates or pre-Soviet wooden housing in a less central location. In many instances the displacement does not happen immediately as the new owners wait and speculate on future developments. The renovation of existing properties started in the mid-1990s and by 2000, 10–15 per cent of apartments were refurbished (Feldman 2000a). Virtually all of them are in stone housing while most wooden housing remained in poor condition. At present, multi-apartment wooden houses in better condition are undergoing upgrading. Furthermore, new condominium complexes were constructed in this area, often on land returned to private ownership in restitution, or replaced demolished wooden buildings (Feldman 2000a; Ruoppila and Kährik 2003). Residential upgrading is often accompanied by the location of fashionable restaurants, architecture firms and offices. Feldman (2000a) suggests that about 15–20 per cent of population in Kadriorg are gentrifiers residing in both renovated properties and new condominiums. In the neighbourhood, gentrifiers live side-by-side with elderly and other disadvantaged populations. Gentrification brings not only social upgrading but also lead to social polarisation within the area.

According to Ruoppila (2002) much of the new construction and reconstruction in Tallinn has concentrated on Kadriorg. As the new and renovated housing is



### 6.2 Gentrification of art nouveau style multi-family villas in Tallinn's Kadriorg

affordable only to the wealthy, the spatial concentration of construction and rehabilitation indicates the spatial concentration of better-off households. Kadriorg developed into the most clearly visible pockets of wealth in the inner city placed within otherwise socially mixed areas. The analysis of Ruoppila and Kährik (2003) found that despite the rapidly expanded income disparities and the liberalisation of the housing market there was still a generally low socio-economic differentiation between Tallinn's city districts. Nevertheless, Kährik's (2002: 52) analysis of trends between 1995–9 shows that in apartment housing the economically disadvantaged population tend to concentrate in cheaper apartments with a low level of facilities, while apartments with all facilities have become more often inhabited by the households belonging to higher income groups compared to lower income groups.

Despite most recent housing development in Tallinn being located in newly suburban locales (Kährik 2002; Ruoppila 2002) processes of inner city neighbourhood change will continue. Tenants living in restituted housing are vulnerable to displacement and this housing segment is most likely to be further gentrified provided it is located in an attractive area. According to Kährik *et al.* (2003), about 40 percent of the owners of restituted stock in Estonia intend terminating existing leases of their tenants to renovate the building and let it for several times higher rent or convert it to a non-residential space. The pressure in the capital city and its attractive neighbourhoods is likely to be much higher. At present, there are, however, strong obstacles to forced evictions. Rent contracts in restituted housing are protected to 2007 and local governments in some large cities including Tallinn regulate rent levels (Feldman 2000a; Kährik *et al.* 2003), if these regulations are removed displacement can proceed more quickly. Interestingly, in Tartu, another Estonian city, the local government supports displacement. If the owner of restituted housing is willing to support financially a new housing purchase by its tenant, local government will provide financial support at the same level to a maximum

of about US\$2300 and the rest of the apartment price must be paid by the tenant (Kährík 2003: 228).

## **The character of gentrification in former socialist cities**

In this chapter, gentrification is seen as a process of inner-city neighbourhood change by a simultaneous physical upgrading of dilapidated residential buildings and the displacement of the original population by more wealthy newcomers. The direct relationship between capital investment and displacement at the level of individual properties forms the nexus of gentrification. Property rehabilitation associated with the arrival of more wealthy inhabitants is likely to have wide implications for neighbourhood change. Residential gentrification is accompanied by the changing nature of restaurants, shops and other services located in the neighbourhood. Nevertheless, the side effects and accompanying features of gentrification should not be mixed with the core issue of the process, which is residential refurbishment and population displacement. Some authors like Cooper and Morpeth (1999) speak about 'commercial gentrification' in Prague. They mean central city upgrading associated with commercial functions. This process is in this chapter termed commercialisation, while gentrification is restricted to the residential field.

In this chapter, gentrification will be associated with established residential neighbourhoods, where old property is being refurbished. There can be new development on single lots or individual buildings extensions. Construction of large condominium complexes significantly contributes to urban restructuring through physical and social change, however, it is not considered here as gentrification.

The other crucial aspect of gentrification is displacement of original low social status inhabitants by a more wealthy population, often through eviction. Despite a number of unlawful cases of forced evictions in post-communist cities, tenants enjoy formal protection. Eviction is not a common mechanism behind displacement and gentrification. In rental stock, landlords interested in property refurbishment with an aim to lease or sell it for higher returns usually have to offer tenants replacement flats within city limits and attempt to come to an agreement to speed along their removal. This can be realised for the whole building, which is usually the work of institutional investors and developers. Some people can be pushed out from a revitalising area by rising prices and they usually move to more affordable housing in different parts of the city. Rent regulations, however, up to now largely prohibited such impacts. The replacement is often going on through voluntary moves out from the neighbourhood by a variety of people, while the new population consists of those who can afford to live there. Such a mechanism can gradually lead to the substantial shift in the aggregate composition of population.

Gentrifying neighbourhoods are often transformed simultaneously by a number of processes that contribute to general revitalisation. In the post-communist urban

context the functional transformation from residential to commercial uses often goes hand in hand with the conversion of dilapidated tenement housing to luxury renovated condominiums. Neighbourhoods are therefore often transformed by both commercialisation and gentrification at the same time.

### **The social geography of the socialist city**

Gentrification started to attract attention because it brought a significant reversal in the trajectories of suburbanisation in western metropolitan areas. In Eastern Europe the urban structure and socio-spatial pattern of socialist cities was somewhat different. City centres and some parts of the inner cities were traditionally high social status areas, while low social status people were generally located at the city periphery. The initial redistribution of inner city housing from bourgeoisie to working-class families often included the subdivision of large dwellings, which also brought a mixing of population and heterogeneity in the socio-spatial pattern. However, major changes were caused by a massive construction of new prefabricated blocks of flats in housing estates located on the city outskirts and uniformly allocated to the socialist middle class. Investment in new housing construction was the single priority and old inner city housing suffered from under-maintenance and dilapidation.

The implications of these changes were worse for inner-city working-class areas than for original upper social status neighbourhoods. Some inner-city housing was declared as uninhabitable. Entire buildings and their whole blocks were abandoned or used as warehouses and sometimes demolished and replaced by new structures. Households were allocated higher quality dwellings in new estates. However, a certain social bias was implicit in the administrative allocation concentrating less educated people, and especially gypsy minorities, into flats in dilapidated inner-city houses. Despite the general physical deterioration, there were significant differences between individual neighbourhoods. The inherently uneven nature of socialist inner-city decline, with original upper social status neighbourhoods keeping their character as 'good addresses' as well as deteriorating bad address districts, is a critical feature for understanding post-communist urban change and the urban geography of gentrification in particular.

Smith has asserted the role of disinvestment and capital devalorisation in the inner city as a crucial precondition for gentrification and has extended his analysis to the post-communist context: 'the opportunity for gentrification in Budapest lies in a protracted history of disinvestments' (N. Smith 1996: 175). However, physical degradation is a necessary but not a sufficient precondition for reinvestment and regeneration that are essential elements of the gentrification process. Smith's rent gap theory (N. Smith 1979) points to the crucial aspect: gentrification is likely to happen where the rent gap is widest or in other words where there is the best possibility for profit making from property redevelopment. In the context of

the post-communist city we may argue that the best possibilities for such profits are in areas that have declined, are well located, but which also have attractive features to their residential environment. In other words the rent gap is widest in areas where there are no slums and where the actual rent is not necessarily among the lowest in the metropolitan area.

The rent gap is large because these are locations and properties where the intentions of investors to redevelop and sell and customers to pay for refurbished housing meet at such a high level of potential rent that in contrast with the actual rent this produces a significant rent gap. The largest rent gap, therefore, can be in areas that do not belong to the most deprived, in both physical and social senses. The presented case studies show that gentrification is not a process that would transform the existing socio-spatial pattern through the revitalisation of most deprived neighbourhoods. Gentrification is happening in areas that had the best residential places before communism, declined during communism and are now being refurbished to their former glory while segments of the population housed in the areas during communism are now being displaced.

### **Pathways of privatisation and property refurbishment**

The rapid establishment of basic conditions for the development of a market economy, through privatisation and price liberalisation, led to a quick formation of real estate markets in East Central Europe (Ghanbari-Parsa and Moatazed-Keivani 1999). Properties could be traded and their price and nature of use began to be re-shaped by demand. After years of centrally-planned allocation of functions in urban space, households and firms could choose where to live, offer services or locate production. Their individual activity started to contribute to changes in the built environment, land use patterns and residential segregation. Provided there is demand for certain types of properties in certain locations, private institutional investors are certainly not missing new opportunities to realise profits on real estate development.

With regard to gentrification, the most influential factors have been housing privatisation and rent deregulation. In particular, different pathways in housing privatisation were crucial for both capital investments to physical refurbishment and the displacement of population bringing changes to neighbourhood social composition. Two forms of housing privatisation deserve particular attention: restitution and flat privatisation, that have created substantially different conditions for the mechanisms of neighbourhood change. The implications of both these privatisation approaches for gentrification must be considered in the specific context of inner city environments with prevailing multi-dwelling housing stock.

The restitution process returned property rights to former pre-communist owners or their heirs. In the context of the inner city, apartment buildings were transferred from the public landlord (state or local government) to private individuals. Former

public tenants suddenly became tenants of private landlords to whom the ownership was returned. Restitution has been applied in the Czech Republic, Estonia, Germany, Slovakia and Slovenia. Prague and Tallinn are two examples of cities, where urban change was shaped by the restitution process (Sýkora and Šimoníčková 1994; Eskinasi 1995; Ruoppila 1998; Ruoppila and Kährik 2003). In central Prague and some inner-city neighbourhoods as much as three-quarters of residential buildings were returned to private hands through restitution. In Tallinn, restitution affected a much smaller part of inner-city housing stock. However, this impacted significantly on some small areas.

In the inner-city context, restitution created a large pool of new private owners of rental housing. The important factor is that the building as a whole remains in single ownership and can be redeveloped as one integrated unit. During redevelopment, former rental houses can be converted to condominiums with individual dwellings offered for sale. However, the redevelopment process and displacement of former inhabitants can be organised by a single landlord for the whole building. This makes for a significant difference from flat privatisation.

Rent has been regulated in public and private rental housing in the case of lease contracts signed under communism. This meant that rents could not rocket in desired central and inner-city areas pushing tenants out of rental stock. However, once the flat becomes vacant it is not subject anymore to rent regulation. As market rents in attractive locations were many times higher than regulated rents, there has been a strong impetus for private owners to switch their property from the regulated to the deregulated sector. The removal of tenants opens such an opportunity. Once the formal rental house is empty, it can be converted not only to market rent luxury flats, but also to offices or other non-residential spaces for lease (provided land use regulations allow such change) or to apartments for sale.

Flat privatisation has occurred in most post-communist countries. In Hungary and Budapest it was the single strategy of housing privatisation and local councils listed most housing for privatisation. The Estonian government applied right-to-buy legislation (Kährik *et al.* 2003) and in Tallinn, nearly all former public housing that was not subject to restitution was privatised in this way. As the result of privatisation, public housing stock owned by the municipality of Tallinn diminished from 63 per cent in 1995 to 6 per cent in 1999 (Kährik 2002). Privatisation in the Czech Republic has been less intensive reducing the former public housing to one half by 2001. In inner Prague, local governments started to sell some of the inner city apartments that remained in their ownership after restitution and individual flats have been offered for sale in housing estates.

Budapest provides a good example of flat privatisation and its consequences for neighbourhood change. Between 1990 and 1994, about two-thirds of former state dwellings were privatised in Budapest and great majority of them for a negligible part of their market value (see Kovács 1998; Bodnár 2001). The results of privatisation had a distinctive spatial pattern. While nearly all dwellings were

sold in attractive and prestigious locations, it reached only 10–20 per cent in poor inner-city areas (Kovács 1998). Despite the low price, low-income people concentrated in eastern to southern inner-city areas could not afford to buy and were not interested in the purchase of dilapidated properties in undesirable neighbourhoods.

Huge discounts on the price mean that those who privatised dwellings in attractive locations could realise immense capital gains through sales or renting-out acquired property. Many people calculated these gains when they made decisions whether to purchase or not. Later gains from lease or sale of privatised flats allowed them to purchase or build new suburban homes. Their voluntary displacement while leaving the inner city provided them with an opportunity to capitalise the rent gap for their own pockets. Interestingly, flat privatisation in inner Budapest has contributed to suburban development while leaving the inner city in an uneasy situation.

The different methods of privatisation produce distinct ownership patterns within inner-city neighbourhoods that influence the pathways of neighbourhood change. Inner Prague is dominated by private owners of whole buildings, accompanied by local authority ownership of selected houses and a smaller share of owners of individual apartments. While some neighbourhoods in inner Budapest have very fragmented ownership of individual flats due to intensive privatisation, others still have large shares of local authority owned rental housing. In Tallinn, nearly all inner-city housing is in private ownership, whether it is restituted private rental stock, owner-occupied apartments or privately owned single-family villas. With regard to gentrification, restitution provided conditions for concentrated institutional investment and property refurbishment leading to gentrification. Fragmented ownership after flat privatisation has provided an obstacle for developers wishing to refurbish whole properties but in desirable places it can lead to a gradual physical revitalisation including population change.

### **Expatriates and local yuppies**

The question remains as to whether post-communist cities provide new containers for the class fractions which have provided the demand for gentrifiable properties in the west. The case studies of three post-communist cities in this chapter show that there is certainly a growing demand for inner-city housing. In Prague, this demand is often associated with expatriates – western foreigners that arrived to the city with their employers. There is a clear link between the establishment of producer services that are the key institutional infrastructure linking the Czech Republic to the wider global economy allowing western companies to exploit emerging markets, and the demand of their well-paid young employees, with their preference for urban living. The highest spatial concentration of expatriates is in upper status villa neighbourhoods in the north-western segment of Prague 6. However, large numbers also concentrate in city centre and some adjacent inner-

city areas, such as Vinohrady. As well as the ex-pats there are a growing number of local 'yuppies' most of whom prefer new condominiums as well as some older city quarters contributing to their gentrification.

The gentrifiers in Tallin's Kadriorg are young, well-educated, successful professionals of Estonian (compared to Russian) origin living as singles or couples without children. The presence of foreigners is not strong, as they are more spatially dispersed with a stronger presence in the Old Town, where change is, however, dominated by commercial building developments. Despite the strong internationalisation of Tallinn, the number of foreigners is not comparable with Prague where they form a distinct cluster in urban space and visibly impact on urban change in a particular neighbourhood. Budapest is a more tricky case. The city centre is full of the new rich showing conspicuous consumption habits (Bodnár 2001). While their places of consumption are clearly identifiable, it is less the case with their homes. As there is no true gentrification in inner Budapest, the question is rather who might be potential gentrifiers and what their alternatives are to inner city housing.

The growth of these professional groups has come about with the move in the economy and polity over the last decade or so. Many people now have opportunities to choose where to live limited only by their purchasing power which is growing for some groups. This is a very different situation from that under communism, when income differences were small and most of the urban population had no other possibility than to accept flats allocated by the authorities. The post-communist transition is characterised by much more pronounced social and income differentials shaped by two distinct but related forces: the transformation of the local economy and wider connections with the global economy.

The progressive edge of local economic restructuring including labour market changes, is associated with globalisation. The rapid liberalisation of local markets and removal of restrictions on foreign trade opened post-communist countries to the forces of global capitalism. Foreign companies established themselves to explore and exploit emerging markets. Major cities became spatial nodes within transforming economies, gateways linking individual countries with the global economy (Drbohlav and Sýkora 1996; Feldman 2000b). The infrastructure for this linkage was provided through the operation of newly established firms in the producer services sector. Well-paid employees of these firms, consisting of both western managers and specialists and a local, usually young labour force with good language and computer skills, form the core of emerging new middle class that is gradually building its presence in post-communist cities. This new middle class is an important social link of local urban life to international corporate culture (Bodnár 2001).

The lifestyle of these people, their consumption habits and presence in public spaces, has already changed the look of certain inner city localities (Temelová and Hrychová 2003). Despite these changes the new middle class is still small and



fragile, as Bodnár (2001) warns us in the case of Budapest, its ephemeral visual presence will take some years to materialise in the built environment of the city. Among the new middle classes there is a substantial proportion of younger middle-aged households with children preferring new single-family housing in the city hinterlands. The gentrification of the older inner-city neighbourhoods seems neither universal nor a major residential strategy of the new middle classes, but may become more pronounced in time.

## Conclusions

Gentrification is not generally a major factor in the transformations of post-communist cities. Nevertheless, it is significantly changing both the physical and social face of selected areas in many inner city neighbourhoods. Despite being linked to the housing demand of emerging new global middle classes, its realisation depends very much on local property market circumstances. Provided that ownership structures modulated by privatisation are favourable for the involvement of large private capital in housing refurbishment, the character of existing built structures can be rearticulated by developers and investors to meet the demand and realise profits. The pathways of housing privatisation are decisive in this aspect with restitution providing much better conditions than sales of individual flats.

Neighbourhood change through gentrification can be found in major economic centres, where wealth is created due to their role in the global economy and spent on quality housing. Property refurbishment is also evident in medium-sized and small towns, but in these locations it is more often associated with development of commercial properties. There are rare cases of small blocks of old housing that were refurbished and experienced a change of population. The scale of such change is so small that it does not constitute neighbourhood change. Certainly, gentrification has not descended the urban hierarchy down to, for example, to small market towns like Český Krumlov in the peripheral area of the Czech Republic, as N. Smith (2002) suggests.

The geography of gentrification is selective, not only at the level of settlement structure but also within cities. Gentrifying areas in post-communist cities are small islands in a wider sea of stagnation, decline as well as other forms of revitalisation. Urban change in post-communist cities has been primarily driven by commercial developments. Within the residential sector, suburbanisation dominates landscapes of post-communist metropolitan areas, whether in Budapest, Prague, Tallinn or other post-communist metropolises (Kok and Kovács 1999; Kährík 2002; Sýkora 1999). Gentrification is not an equal alternative to suburbanisation, however, it complements it as an expression of a growing variety of possible lifestyles and housing carriers.

Gentrification in Eastern Europe and in post-communist cities more generally is a result of a global-local interplay of markets in which local policies are

embracing changes which attract inward investment and the classes which service these changes. 'New' middle-class gentrifiers are growing from an international economy that is linked to post-communist economies via the infrastructure of advanced services residing in major cities. Their services to an international clientele provide them with good incomes that allow them wider choices within consumption-oriented lifestyles. Beside demand fuelled by internationalisation, the supply of gentrified properties is also highly associated with international investment circles. Major developers are foreign companies that are well aware of profits that can be made on locally small but globally significant housing markets for international executive and professional classes. International property developers and investors have been up to now rather neglected in the gentrification literature. The same applies to foreigners that are members of the international class. Their strong visibility in post-communist urban change is given by the highly unequal income disparity at the individual level and capital strength at the level of property investors.

Post-communist gentrification has had no pioneer phase with little sentiment or desire for inner-city living. The process is driven by utilitarian demand for housing in convenient and pleasant locations close to the places of work for professional elites. On the supply side, it is a property business in a specific niche of urban housing markets. Landscapes of new urban life are being articulated on the stage formed by refurbished buildings emptied of their former content. Local governments support this social upgrading. If gentrification does enter public debate, conservation issues dominate so that displacement and other social consequences have not been considered at all. Households and individuals increasingly live their lives around the market allocation of property in post-communist cities. In tandem with this process politicians suggest that these markets are moving post-communist cities back to what they see as their 'natural state'. It appears that gentrification is progressively seen as an integral part of this adjustment.

### **Acknowledgements**

The author greatly appreciates the advice of Anneli Kährrik and Sampo Ruoppila on gentrification in Tallinn.