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Prozesse und Perspektiven der Stadtentwicklung in Ostmitteleuropa

Titelbild: Sanierungsbedürftiges Wohngebäude (l.) und neuerrichteter Bürokomplex
(r.) in Budapest (Photos: R. WIESSNER)

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City-centre transformation in Bratislava: modernisation and financial sector invasion

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1 Introduction

Bratislava is the most suitable place for the documentation of processes that run in the centres of Slovak cities. Dimension of these processes here surpasses the dimensions in other Slovak cities. It seems, that it is the financial sector, that has been the most influential actor in the changes in the city centre during the initial years of the transitional period. Our previous research (BUČEK/PITOŇÁK 1996; BUČEK/PITOŇÁK/ZRUBCOVÁ 1996) demonstrates, that this sector has been going through unpredictable development, with undoubtedly an extraordinary boom in Bratislava. The financial sector with its different ties has influenced vigorously the extent of postsocialist urban transformation. The aim of this paper is to investigate the growth and impact of the financial sector on the development and modernisation of the city, and mainly of its centre. Various effects of financial services and their impact on urban development are subject to increased scientific interests, as demonstrated e. g. in the case of Los Angeles by DYMSKI and VEITCH (1996).

In the first section we provide a review of basic tendencies in the development of major functions that compete for space in the city centre – housing, shops, and offices. We outline the dramatic decrease in new housing construction and mention the growing role of shopping in the city centre. Other aspects of office demand are evaluated including the increase in government offices and corporate headquarters. In this part we also deal with business services, with exception of financial services, that are often considered a specific part of business services (e. g. MARSHAL 1984). In the next section we deal in detail with core types of financial sector activities – banking and insurance. Nor do we forget the presence of other quickly growing parts of the financial sector (investment funds, pension and health insurance funds, brokers etc.). They multiply the investigated effects by their functional and spatial proximity.

We also look at the modernising aspect, inspired in general by STENA (1996) and MACHONIN (1996), where we investigate the signs and consequences of financial sector concentration within the city. We consider modernisation in a more simple way, as the

activities oriented to the improvement and adaptation of the city's physical structure to present day requirements and visions.

2 Housing, retailing and offices in Bratislava city centre

Within the city centre traditionally three main groups of competitors fight over space – housing, shops (as the most typical functional space for consumer services) and offices. Their position and development has changed greatly since 1989.

- *Housing and shops*

One of the most typical features of post-1989 development in Bratislava was the stagnation of housing construction. Whilst during the 1980s thousands of new flats were completed annually (e. g. 1980: 6,800; 1985: 5,744), these numbers went down to a fifth or quarter by the early 1990s (e. g. 1994: 1,217; *Statistical Office of Slovak Republic* 1995). The reduction in state subsidies for new housing, the retreat from mass pre-fab construction, the complications concerning land ownership under new housing construction, the market price of new flats (including costs of land, infrastructure, construction, yield for investor) practically paralysed new construction for a few years. Unfinished housing construction, planned or started before 1990 will only be completed with great difficulty and delay. There are far reaching changes underway, but they have had no effect until now. Administratively pretentious restitutions and privatisation of council housing will take longer than expected. A large amount of investment in infrastructure is also needed.

Only gradually steps are taken that can lead toward real growth in the housing development. Building societies (Bausparkassen) are just entering the phase of extensive lending. New mortgage legislature has been passed, but with unclear effects and particular failures (e. g. concerning the right to repossess). State funds for housing development (Štátny fond rozvoja bývania) and other forms of state support are only starting to function, but with limited resources.

We cannot observe any substantial change concerning housing in the city centre, especially in its older parts. There were only 61 flats finished in central city neighbourhood Staré Mesto (with almost 50 thousand inhabitants) in 1994. This neighbourhood had a negative population growth -322 inhabitants (- 0,67 %) in 1994. Although it seems to be marginal decrease, it is part of the long term trend of population decrease dating from before 1989. The population of city quarter Staré Mesto decreased by 5 percent (2,545 inhabitants) in the last five years (1990-1994; December 31, 1990 = 100 %). Population development and stagnating housing construction demonstrate decreasing position of housing in the city centre, being replaced by shopping and administration.

One important limit concerning the speed of modernisation of housing stock in the city centre is the above average level of elderly population living in the central city quarter Staré Mesto. While in Bratislava the share of retired population is 17.8 %, in this city quarter it is 30.5 %. The privatisation of housing at favourable prices can generate a specific behavioural pattern. Elderly people prefer to stay in the place where they have lived for a long time. They have not got the money for repairs and do not intend to sell their flats soon, although they have the chance to make profit. This situation may lead to disinvestment and deterioration of the city centre.

Prestigious parts of retailing (boutiques, jewellery, sport goods, electronics, shoes, etc.), including shops of the more powerful Slovak and multinational companies (distributors or franchisers) are more and more common in Bratislava city centre. Other types of consumer services such as restaurants, cafés, pubs, travel agencies, city centre terminals of airlines, etc. are also much more numerous than before. The city centre is starting to be dominated by services that are able to bear the high costs and that serve the new, more affluent customers in the city centre.

- *Offices*

The demand for office space is the most dynamic factor in Bratislava since 1989. In the city centre especially for a capital city, we have to mention three groups of administrative activities – offices connected to governmental activities (state administration at all levels, local government, state agencies, foreign state representations), administrative offices of corporations active in other sectors (industry, construction, transport, trade etc.), and business services.

Institutions of central government are the first influential consumers of office space. The dynamics of their expansion directly through the market is not high. State institutions have sought to avoid the high costs of buying land or buildings on the free market. Mostly, existing buildings have been used, that were owned by the state earlier. Attempts were made to obtain other premises that are now in council property. Large amount of money is being spent especially on reconstruction and refurbishment.

The need to house rising numbers of foreign embassies has emerged in the city, when Bratislava became capital in 1993. Foreign embassies wanted of course to find premises in the city centre. In the historical core of the city, the French, Austrian, Hungarian, German, United States embassies, as well as foreign cultural institutions like Institute Française, British Council, etc. have found excellent premises. Other foreign diplomatic offices are located near the city centre in prestigious residential areas. Bratislava has tried to avoid creating a diplomatic city quarter, but a tendency toward concentration has already been observed.

Corporations in manufacturing, transport, construction, foreign trade and commerce are also aware of the advantages of a city centre location in Bratislava. According to TREND TOP 100 1995 (ranking of 100 largest companies in Slovakia), 9 of the 10 largest non-financial corporations in Slovak Republic are in Bratislava. The same is true for 20 companies from the first 50, and 30 of the total 100 companies are located in Bratislava. The largest section consists of holdings in the gas industry, energy, communications, transport, foreign trade, the headquarters of multi plant corporations, often combining production and distribution networks.

We must add to the corporations located in Bratislava others, that have their offices here. It is more or less the rule for successful and dynamic Slovak companies to have offices in Bratislava. According to our investigation it is the case for another 23 companies from corporations included in TREND TOP 100 1995, with location outside of Bratislava. These are running mostly trade representatives, marketing, research and development departments (sometimes as a sister company). They help to organise activities for top management of the corporation in Bratislava.

Many companies with foreign capital and representative offices of foreign companies are located in Bratislava. In the capital, 4,124 companies are registered with foreign capital (47.2 % of total organisations with foreign capital working in Slovakia December 31, 1995). The share of foreign capital located here is even higher – 62.1 %

of total Slovak volume. All these companies try to operate at good locations and represent great demand for administrative space. For their top management the most attractive spaces are in the core of the city centre. This is especially the case for global corporations (e. g. Unilever, SNAM, Hoechst, etc.).

Very intensive is the breakthrough of business services in the city – law, tax, accountancy and other advisory firms, architecture, engineering, research and development, marketing and advertisement companies, real estate agencies are located here, close to their best clients. In Bratislava there were 2,984 companies registered (41.5 % of Slovak total number) in business services at the beginning of 1996 (MICHALOVÁ 1996). *Table 1* documents their spatial concentration in central city quarters (Staré Mesto, Ružinov, Nové Mesto, Karlova Ves, Petržalka).

**Table 1: Companies in business services
(according to city quarters, December 31, 1994)**

	Number of companies	Population
Staré Mesto	701	48.036
Podunajské Biskupice	38	20.764
Ružinov	613	73.911
Vrakuňa	16	18.425
Nové Mesto	263	50.063
Rača	37	21.132
Vajnory	11	3.392
Devín	6	725
Devínska Nová Ves	17	16.379
Dúbravka	88	39.026
Karlova Ves	115	29.272
Lamač	15	7.339
Záhorská Bystrica	6	1.809
Jarovce	1	1.105
Rusovce	2	1.699
Čuňovo	2	782
Petržalka	252	126.917
Bratislava	2.183	450.776

Source: *Statistical Office of Slovak Republic 1995*

3 Banking and insurance in Bratislava

Expanding financial services began very quickly to take over the most attractive office locations available in the city centre after 1989. Top executives in banking and insurance were fully aware of the unique and unrepeatably situation of banking sector formation. They understood that it is necessary to create a sound position within a few years in order to be competitive in the new market economy. Banks pushed up prices on the real estate market. They were able to offer the best bid and were able to defeat

their competitors. The whole process was speeded up after Slovakia became independent, followed by growing demand for new banks, insurance companies and foreign banks offices.

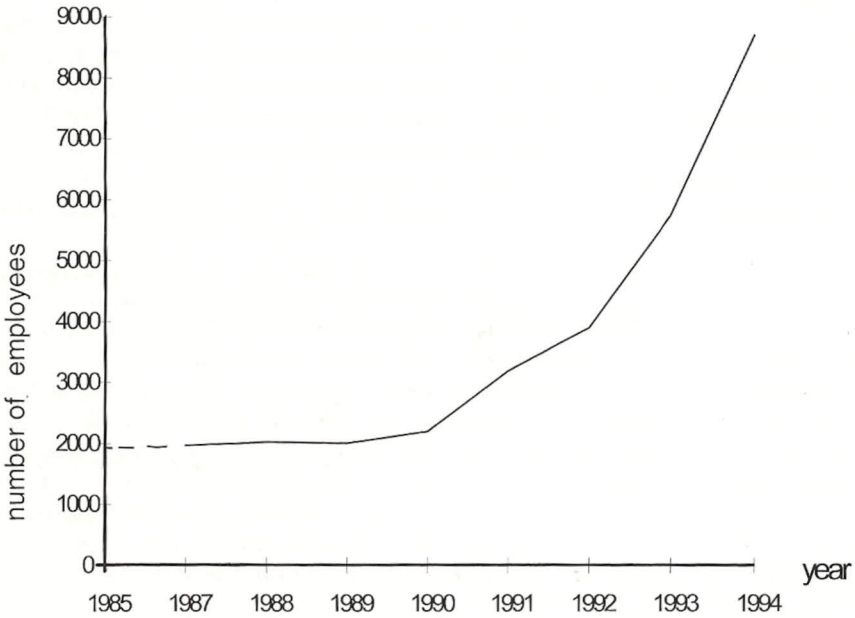
Bratislava is the main financial and banking centre of Slovakia. Its position in this field is becoming stronger. While in 1989, there were 21 bank branches in Bratislava in 1995 there were already 101 branches (BUČEK/PITOŇÁK/ZRUBCOVÁ 1996). This growth is extraordinary (e. g. in the second largest Slovak city Košice, in 1995 there was only 36 banking offices). Besides commercial banks, insurance offices, all other basic institutions that make for the financial centre of a country are located here – Ministry of Finance, the central bank (National Bank of Slovakia) and the stock exchange.

The position of Bratislava is strengthened by the fact that 24 active commercial banks, out of the 30 have their headquarters in Bratislava. Here are the headquarters of the most powerful banks (SLSP : Slovak Savings Bank, VÚB: General Credit Bank, IRB : Investment and Development Bank, Tatra Banka, Poľnobanka). All 13 foreign bank's representative offices are located in Bratislava (all data in this section as in June 1996). This massive development can be observed not only in the large number of offices in direct contact with customers, but also in the need for other, predominantly administrative spaces and other banking activities. Concentration in insurance sector is not so intensive. Thirteen of the 20 active insurance companies have headquarters in Bratislava as of January 1st, 1996. The ones that control the greatest part of the Slovak insurance market are among them – Slovenská Poist'ovňa (Slovak Insurance), Union, Kooperatíva, Allianz, Ergo, Nationale Nederlanden.

Another confirmation of the boom in the financial sector in Bratislava is provided by employment growth (*Fig. 1*). In 1989 state and cooperative enterprises in banking and insurance sector had 2,010 employees. In 1994 companies in this sector had 22,411 employees, of which 8,698 worked in the city (the whole sector employed 28,000 employees in Slovakia in 1994; *Statistical Office of Slovak Republic* estimation). The potential of the financial sector is reflected by the purchasing power of its employees – the total average wage in 1994 in Bratislava was 7,923 Sk, while in the financial sector it was almost double – 14,341 Sk (1994). This development is rather exceptionally, virtually unrepeatable and should logically have a big effect on the functional spatial structure and the built environment of the city.

The locational behaviour of the banks in the city is documented by accompanying maps. The growth in the number of retail offices after 1989 is accompanied by marked concentration in the city centre. The network of branches is quite limited on big housing estates and city quarters on the periphery (*Fig. 2*). They are concentrated in particular at main roads in the city centre and in certain high capacity administrative buildings in the wider city centre (*Fig. 3*). The location of financial institutions near important financial institutions of the state (Ministry of Finance, National Bank of Slovakia) in the city centre is also obvious. The main axis of territorial distribution is a crucial communication line passing through the city centre (Štúrova ul., nám. SNP, Štefánikova ul.), with some streets in the surrounding neighbourhood (Medená, Tallerova, Michalská, Vysoká, Lazaretská etc.; *Fig.3*).

Figure 1: Growth of employment in banking and insurance in Bratislava 1985-1994

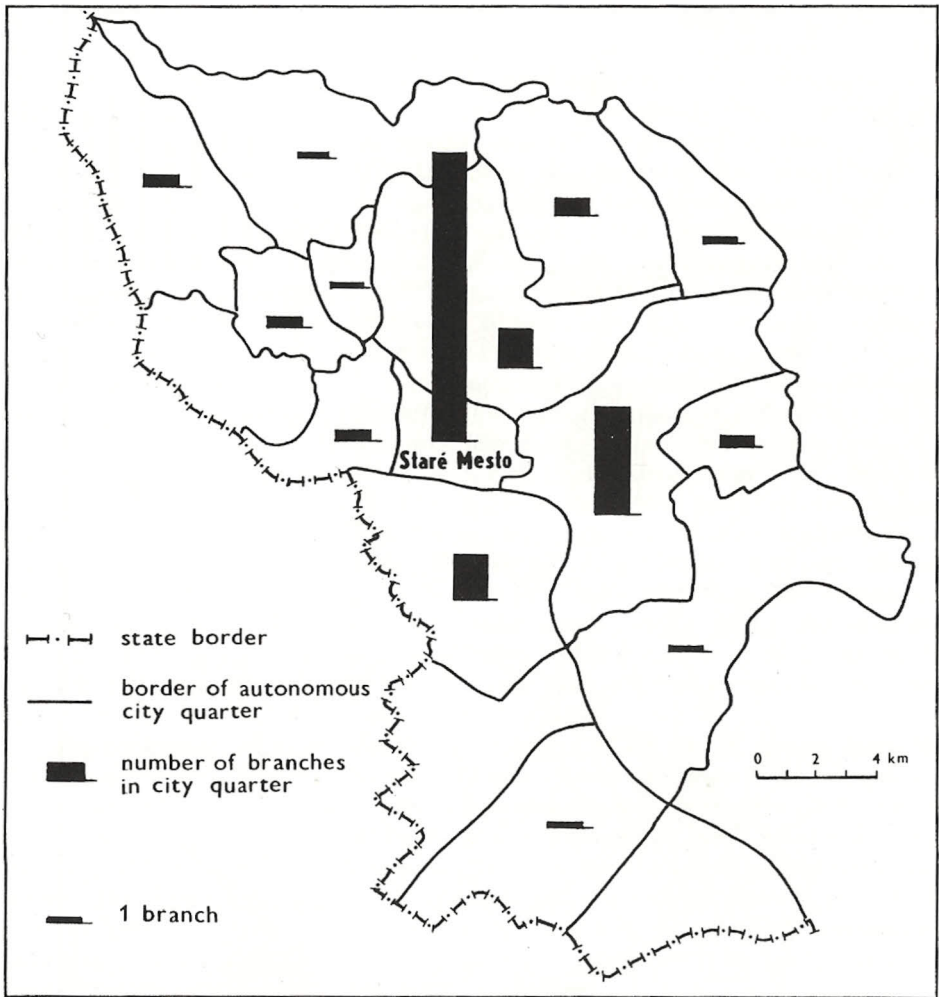


Source: *Statistical Office of Slovak Republic 1993 & 1995*

This basic axis is now extended by the newly developed administrative centre on Dostojevského rad and Mlynské Nivy. New, large administrative buildings of banking and insurance leaders VÚB bank and Slovenská Poist'ovňa insurance are the precursors of planned administrative centre on the bank of the Danube.

During the first phase of expansion, under the pressure of market competition, banks preferred the quickest formation of a located branch network. Many shops, restaurants, cafés were quickly converted. Interior changes and necessary adaptation works required only a few months to complete. Further growth, with rising number of employees, required new office space. Certain banks started to renovate whole buildings, sometimes quite old and delapidated. Old building reconstruction was applied by e. g. ČSOB (Czechoslovak Commercial Bank), Devín Banka, Kooperatíva insurance. Banks returned to the original historical bank buildings, that did not function for financial sector during the previous regime. Since 1994-1995 we can observe the attempt of banks to invest in new buildings, or to reconstruct older, but large buildings. Change of function in favour of banking and insurance, was sometimes the subject of disputes. New banking offices forced out popular places that were parts of city life, e. g. hotel/restaurant Palace (now VÚB), restaurant "Zelený dom" (now SLSP), and the café "Roland" on Hlavné námestie (main square in the historical core of the city centre).

Figure 2: Territorial distribution of bank branches in Bratislava in 1996



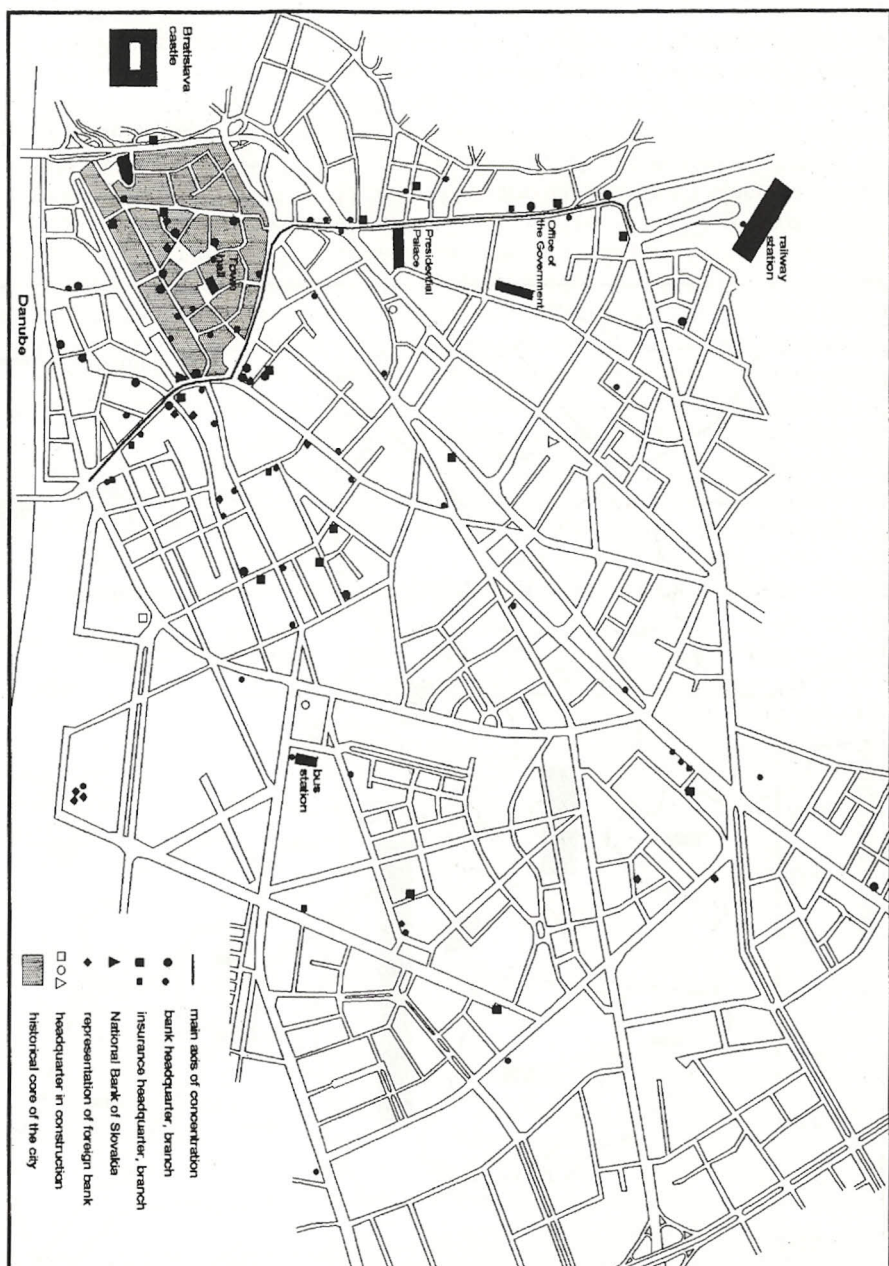


Figure 3: Banks and insurances in Bratislava city centre (June 1996)

The financial sector was attracted to the historical core of the city later, when the reconstruction work had got under way (mostly after 1993). One of the possible variants for future development is that it will remain the historical core, but it will also be the most prominent, prestigious and the most representative part of the city. The financial sector executives can maximise their status in the neighbourhood with diplomatic offices, high quality restaurants, shops and hotels. This could apply for banks unable to find or arrange suitable land for construction of new, big "glass palaces" in the narrow city centre. This could be a possibility for smaller, go-ahead banks, that need to build their prestige by location, if they do not intend to build new big headquarters in the near future. Head offices of ČSOB, Istrobanka, Devín Banka, Agrobanka Praha, representations of Dresdner Bank and Živnostenská banka are already located in the historical core. The new Poštová banka (Postal Bank) building is under reconstruction. Branches of VÚB, SLSP, Tatra Banka, insurances Slovenská Poisťovňa and Union are also placed in the historical part of the city centre.

We can see indices of diversification of administrative activities within the banks, and its spatial consequences. Head offices, with their own service bureaucracy and the offices in direct contact with customers, remain located in the narrow city centre. On the main axis of banking and insurance location (Štefánikova – nám. SNP – Štúrova – Dostojevského – Mlynské Nivy) will probably be located the most important banking branches. These streets will be typical with a high concentration of retail offices, due to the need for good access for clients. They are very close to mass transport lines and parking sites. This does not apply to branches inside the historical centre (limited car access and parking). Executive and routine operations of banks and insurance companies are being moved to administrative buildings on the edge or outside the narrow city centre. Bigger banks developed their reserve centres outside the city centre, e. g. IRB and Tatra Banka in the city quarter Petržalka.

The banking sector influences the development of the city in various ways. We have to mention the more or less indirect forms - banks contribute to the protection of certain urban public interests. Important financial supports for city budget are sale of land for the headquarters of VÚB and planned headquarters of NBS. Another form was the purchase of high-rise buildings with flats for housing of their employees. This money from the banks was used to complete other incomplete housing projects. In certain cases banks helped by using their know-how in providing sophisticated financial schemes of particular investments. Finally sponsorship has been extended to protection and reconstruction of architectural heritage.

4 Modernisation of the city centre and the financial sector

We have to stress the main modernisation effect – the quantitatively and qualitatively higher level of the whole range of financial services provision in Bratislava.

Adequate scope of investments is one of the first condition for every modernisation process. Numerous take-overs of buildings involve partial, or total reconstruction. Important betterment applying redevelopment and refurbishments concerned also numerous rented buildings. The situation in banking confirms the new continuity of interrupted modernisation role of the sector in the city. The return of financial activities

to the buildings used under socialism to different purposes is the best evidence. Construction activities for the sector have introduced new materials, technologies and technical standards application – modernisation in the construction industry. New investments have offered interesting creative opportunities that improve the appearance of the city centre. High aesthetic requirements of the sector significantly contribute to the return of the representational character of the city centre. The new administrative buildings of VÚB, and of NBS, will participate on trend toward “manhattanisation” of Bratislava (VÚB building has 24 floors). This sector has contributed the most to the extension of the city centre Eastwards after 1989. Important is the role of financial sector concerning revitalisation and commercialisation of the city centre. In this respect, processes in Bratislava are similar to those in other postsocialist cities, e. g. Prague (e. g. SÝKORA 1996), without reference to the dynamism and scope of changes. Financial services are now having a significant effect on the labour market and employment structure, due to its attractions. This development has brought a return and strengthening of one of the most typical and important city centre function.

The growth of banking and insurance till now has contributed the most significantly to the modernisation of physical and functional structure of the city centre. The behaviour concerning the banks and insurance offices in Bratislava is in many ways a textbook example (e. g. according to EVANS 1985), of course with some local specificities (activities in historical core) and understandable lag behind cities in the west.

5 Conclusion

There has been a virtual invasion of the financial sector in the city centre in the first years of economic transformation. Banking and insurance corporations were in various ways significantly involved in the first attempts at modernisation of the city built environment (and services delivery too). This shows that they are able to endure the high cost of reconstruction, new development, and the high level of rent costs in the city centre. Certain sections of the historical core could hardly have been reconstructed otherwise. Major parts of modernisation activities were connected with the financial sector. In future, we expect they will play a decreasing role in city centre development, but their position here will always be very stable.

The financial sector has presented its standard model of behaviour also in Slovak form. Final discussion concerns the question: Why is the financial sector so influential? As the first general reason, we may take into account good, liberal, competitive condition for activities in the sector, available since 1990. The second reason that helped the massive boom in the sector and its concentration in the city centre of Bratislava, were the time-space transformation issues. Banks and insurances were the most powerful (financially the strongest) actors during the difficult time of economic transformation in Slovakia. During the first five years of transformation processes other competitors had limited potential, being in deep depression. Their formation, or transformation was more painful. Only now started to be more influential competitors, that are normally active in the city centre development: local government, private developers, real estate agencies, state, and finally households. The increased activity of these participants is expected to protect the vital variability of the city centre, concerning the protection of particular share of housing and retailing in the city centre.

We have to avoid the formation of too big monofunctional administrative central business district, especially in Bratislava's historical core. As the city centre in Bratislava is on the way to the acquiring the typical commercial character of a national metropolis, will be needed to preserve particular sense of continuity, correct and desirable "city image".

Zusammenfassung: Der Wandel des Stadtzentrums von Bratislava – Modernisierung und Vordringen des Finanzsektors

Die Aktivitäten des Finanzsektors (Banken und Versicherungen) in Bratislava sind eines der sichtbarsten Merkmale der Umstrukturierung der postsozialistischen Stadt. Im Beitrag wird der Einfluß der Konzentration dieses Sektors auf die Entwicklung und Modernisierung des Stadtzentrums behandelt.

Im ersten Teil geben wir eine Übersicht über die Entwicklung von Nutzungen, die um Standorte im Stadtzentrum konkurrieren (Wohnungswesen, Handel, administrative Aktivitäten usw.). Wir zeigen den dramatischen Rückgang des Wohnungsbaus nach dem Jahre 1989 auf sowie die steigende Bedeutung des Handels im Zentrum der Stadt. Als dynamischer Faktor des Strukturwandels entwickelt sich die Nachfrage nach Büroräumen, wobei vor allem die obersten Behörden des Staates, Auslandsvertretungen, Niederlassungen bedeutender Gesellschaften und unternehmensbezogene Dienstleistungen Standorte im Zentrum bevorzugen. Der Hauptteil des Artikels beschäftigt sich mit den stadtentwicklungsrelevanten Aktivitäten der Finanzdienstleistungen, die sich im Zentrum von Bratislava konzentrieren und insbesondere in den historischen Stadtkern vordringen. Ein deutlicher Zuwachs der Beschäftigten von 2.012 im Jahre 1989 auf 8.698 im Jahre 1994 ist zu beobachten. Die jüngste Entwicklung in diesem Sektor besteht in der Errichtung von großen repräsentativen Verwaltungsgebäuden. Neben einer Stärkung des Angebots im Bereich der Finanzdienstleistungen tragen die Aktivitäten wesentlich zur Verbesserung des äußeren Erscheinungsbilds des Stadtzentrums bei. Neubauten und Sanierungen mit hohen ästhetischen Ansprüchen stärken den Repräsentationscharakter des Stadtzentrums.

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