



# Financial Mechanisms for Renovation of the Housing Stock

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# General facts about KredEx

- Founded in 2001, 3 existing funds were merged
- Under the jurisdiction of the Ministry of Economic Affairs and Communications
- State guarantee limit for:
  - Export guarantees
  - SME guarantees
  - Housing loan guarantees
    - » Young families
    - » Young specialists
    - » Tenants of restituted buildings
    - » Apartment buildings
- Number of staff: 27

# General Information about Estonia

Population 1,4 million

Area 45 227 km<sup>2</sup>

Capital: Tallinn

75% of population in the multi-apartment buildings

~ 14 000 multi-apartment buildings

Inflation 3.0% in 2004, expected 3.4% in 2005

Income tax on salaries 24%, social taxes 33%, unemployment tax 0.5+1.0%

9 private commercial banks, no other kind of banks

2 major banks (75% of the loan volume)



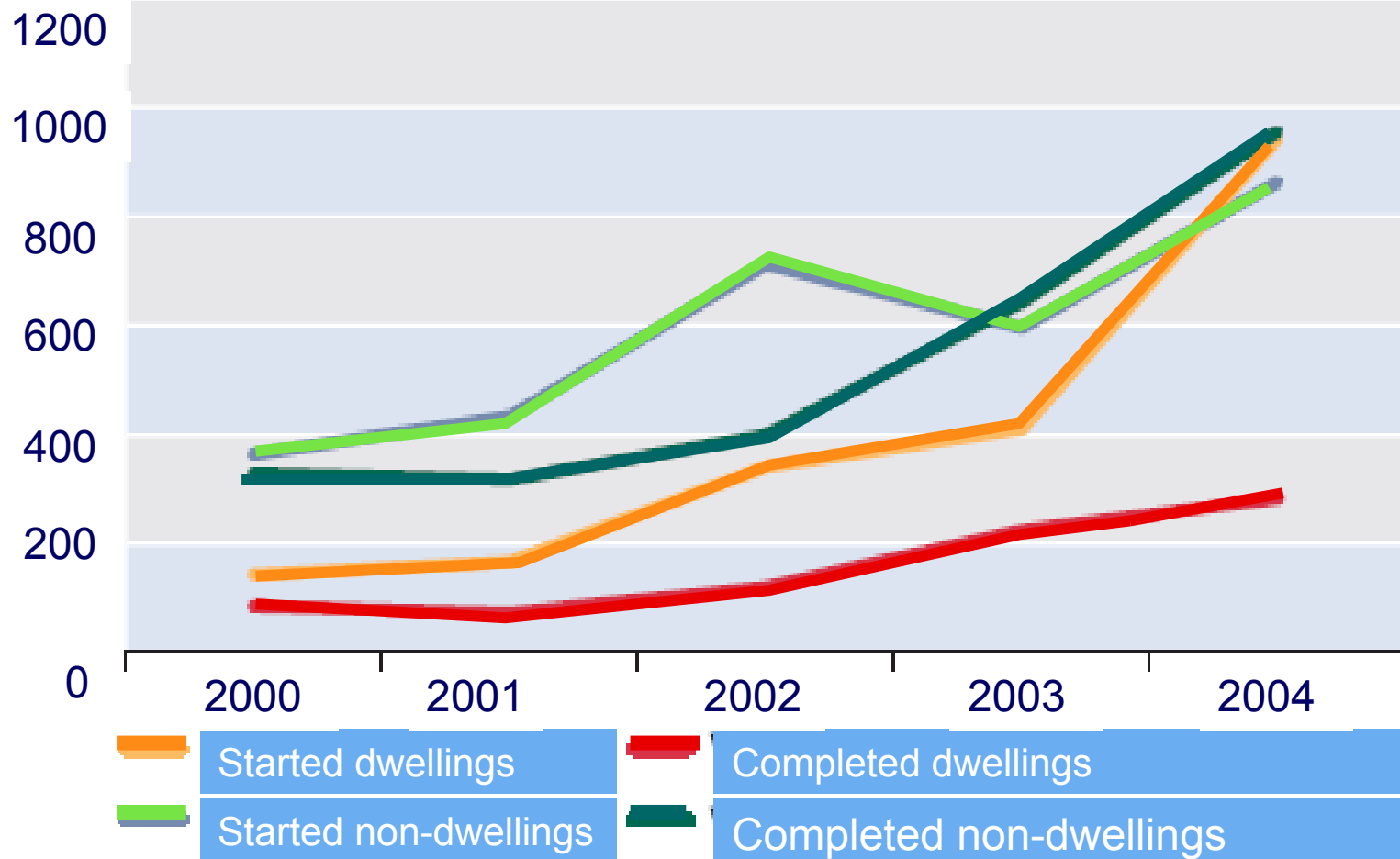
# Estonian Housing Stock



626 000 dwellings, floor in 1000 m<sup>2</sup> 37 760  
Dwellings per 1000 inhabitants 464  
Average floor area per inhabitant in m<sup>2</sup> 28  
Multi-apartment buildings ~ 14 000  
75% of population are living in the multi-apartment buildings

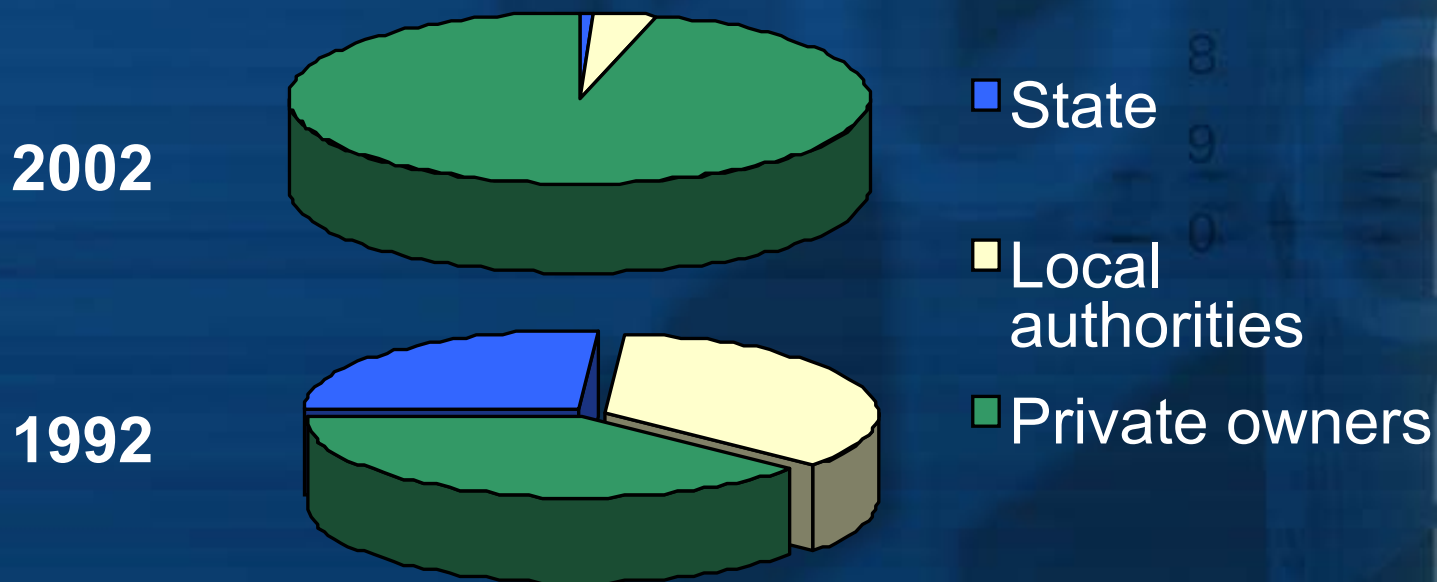


## Volume of new building (1000 m<sup>2</sup>)



# Housing reform in Estonia during 1992-2002

Change of ownership relations



# Major problems related to apartment buildings

According to Estonian Housing Development Plan for 2003 - 2008

## 1. Technical problems:

- Structural defaults
- Water-supply, heating and electrical system defaults
- Poor energy-performance

## 2. Social problems:

- Owners responsibility - rights and obligations
- Different household incomes
- Different cultural background

# Specific goals for state activities for the years 2003-2008

1. Maintenance of the existing housing stock.
2. Increasing the flexibility of the housing market and diversification of the types of dwelling.
3. Mitigating problems with housing finance.

# Grant for reconstruction of apartment buildings



Purpose: to preserve the existing housing stock

Target group: apartment unions, community of apartment owners, housing unions

Description of activity:

- The state supports the reconstruction of the main structures of pre-1990 apartment buildings and work to restore the electrical and gas system – 10% of the cost
- Conducting technical inspections – 50% of the cost
- Training and information dissemination related to the measure.

Implementer: KredEx

# Grants for multi-apartment buildings

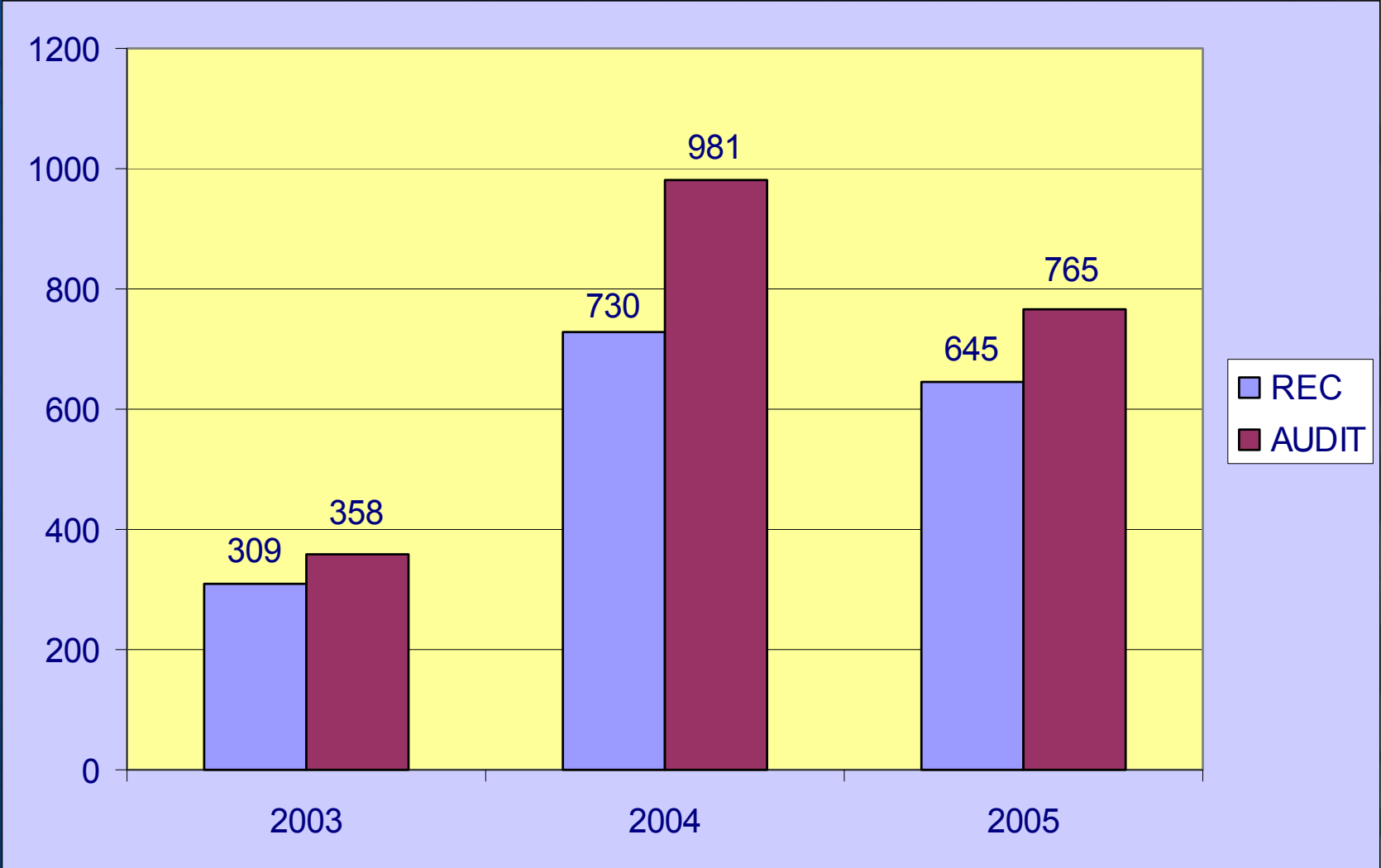
- **Grants for reconstruction**

- 2003.a. 12 mil EEK (769 000 euro)
- 2004.a. 16,4 mil EEK (~1 mio euro)
- 2005.a. 16,5 mil EEK (~1 mio euro)

- **Grants for technical inspection**

- 2003. a. 1 mil EEK (64 000 euro)
- 2004. a. 2,4 mil EEK (154 000 euro)
- 2005. a. 1,5 mil EEK (96 000 euro)

# Grants for apartment buildings



# Expanding the municipal rental housing stock

## Purpose of the measure:

- to solve the problems of tenants in returned houses through the expansion of the municipal rental housing stock;
- to support regional development by encouraging labor mobility.

## Target groups:

- tenants in houses returned to their legitimate owners, new labor
- arriving in the region (except for larger towns).

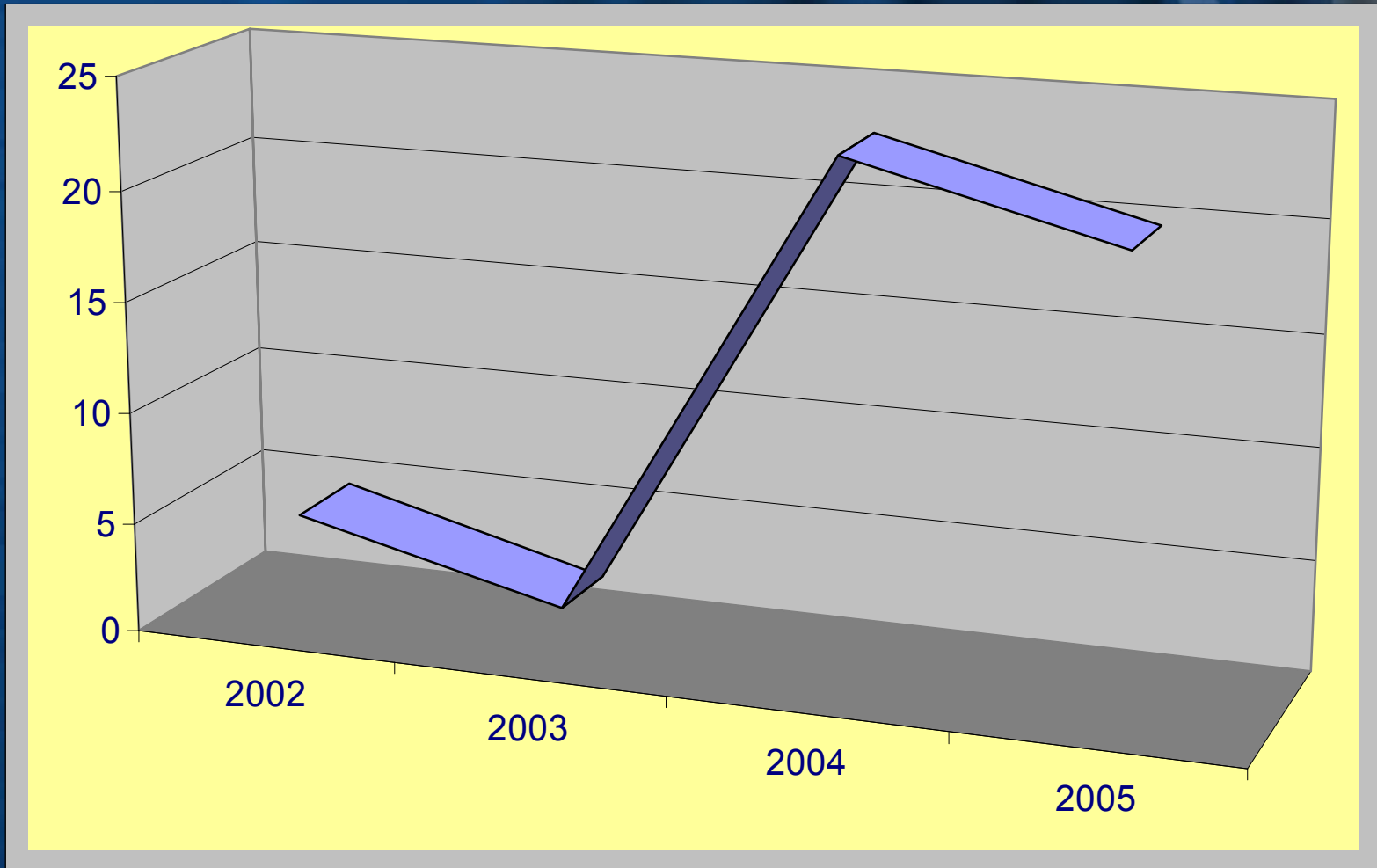
## Description of the activity:

- the state assists the construction of a rental building, the purchase
- of rental flats, or the renovation of an existing building or flat's), by
- covering 50% of the price of purchase, construction, or renovation.

# Loan guarantee for multi-apartment buildings

- **Target group:** apartment associations, cooperatives, community of apartment owners (represented by administrator)
- **Purpose:** building renovation
- **Amount of guarantee:** 75% of the loan amount proportionally until the end of the loan period. KredEx can take over loan payments for up to 12 months
- **Guarantee fee:** 1.2-1.7% a year on the amount of the guarantee

# Guarantees for apartment buildings

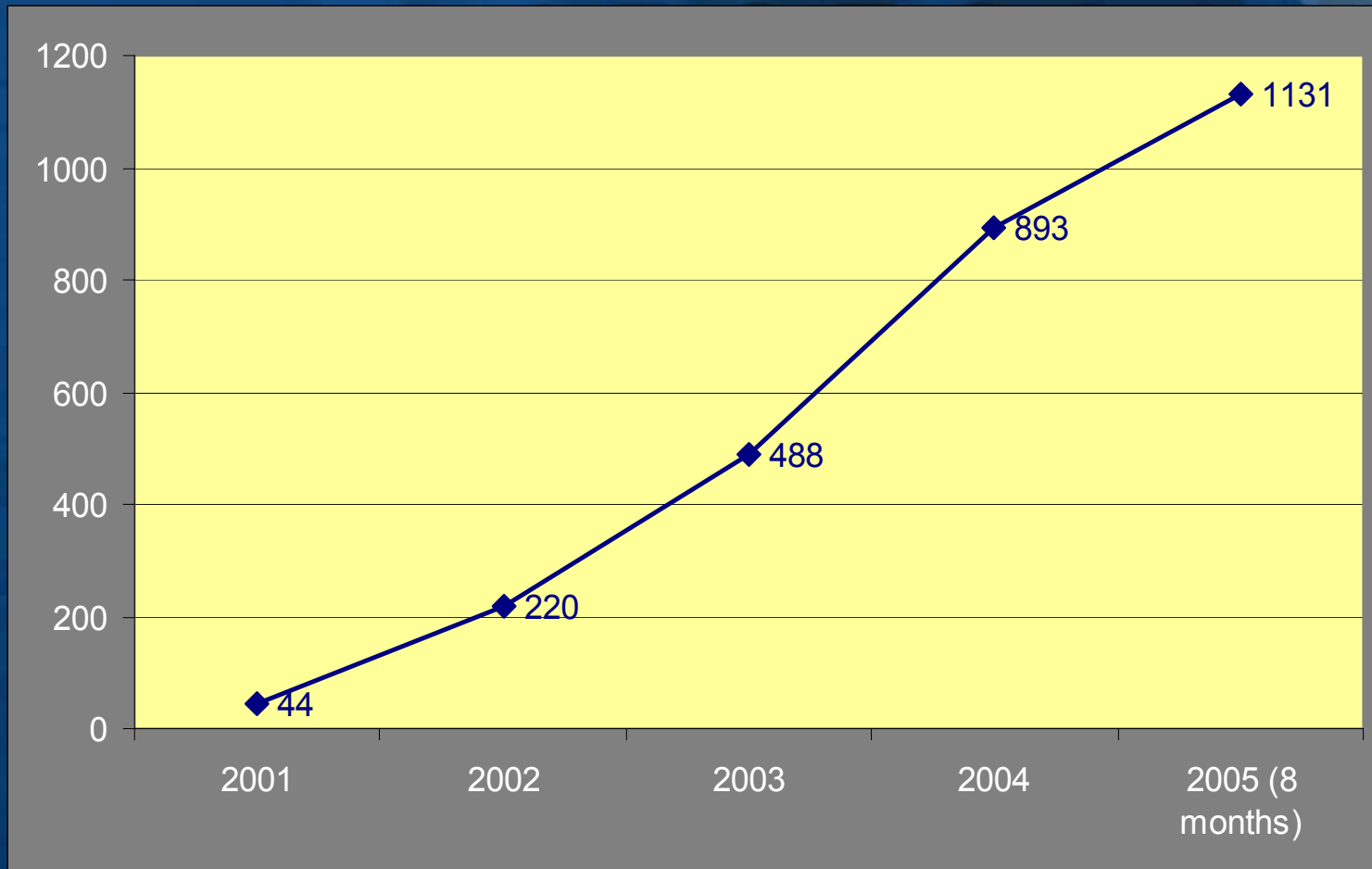


# Loan for renovation



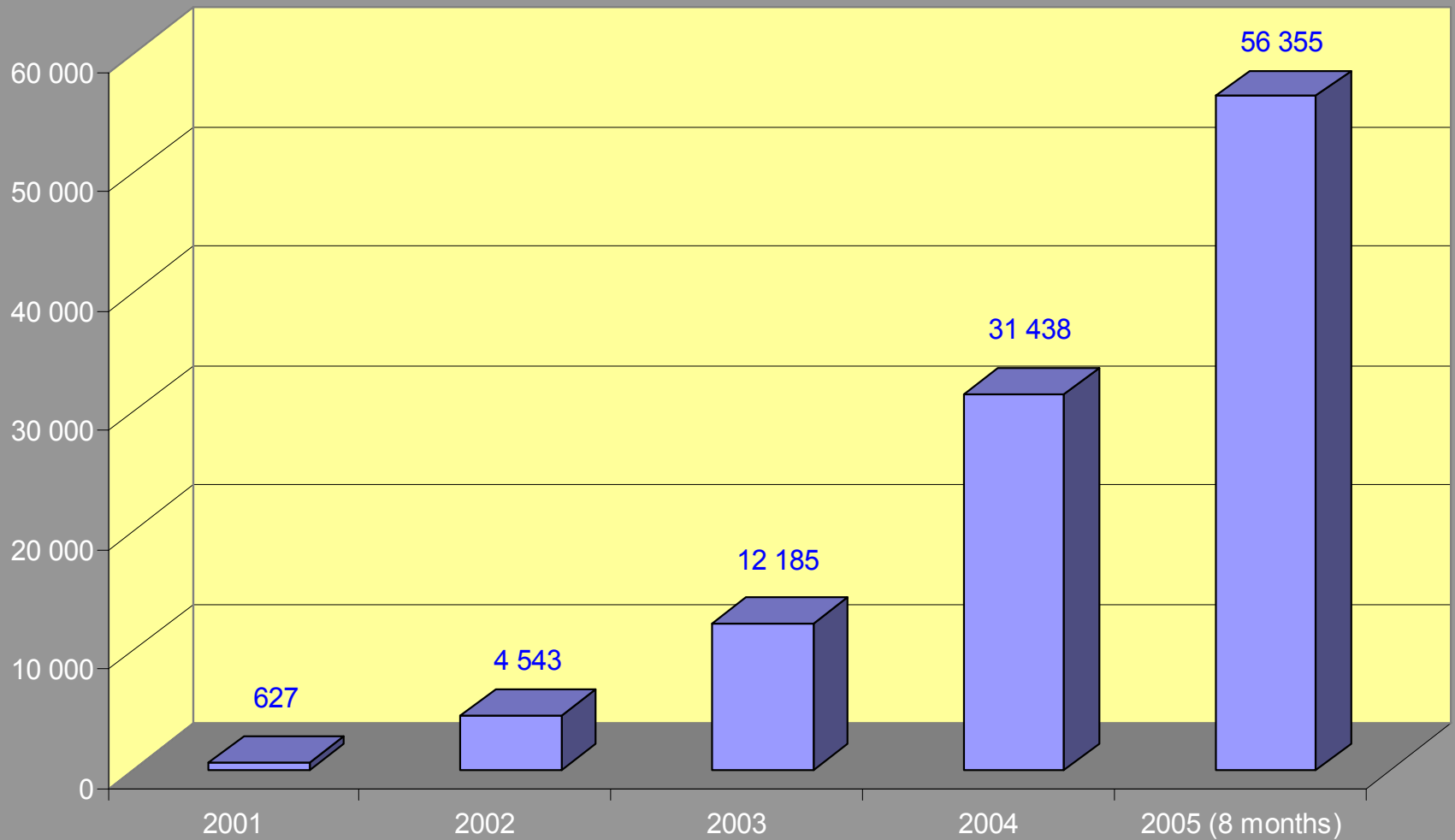
- Interest: from 3,8% per year
- Term of a loan up to 10 years.
- Repayment of a loan monthly.
- Self-financing from 0%.
- Loan is given against cash flow. Now collateral is needed. If needed bank is using guarantee of KredEx. For community of apartment owner guarantee is obligatory.

# Number of loans for multi-apartment buildings

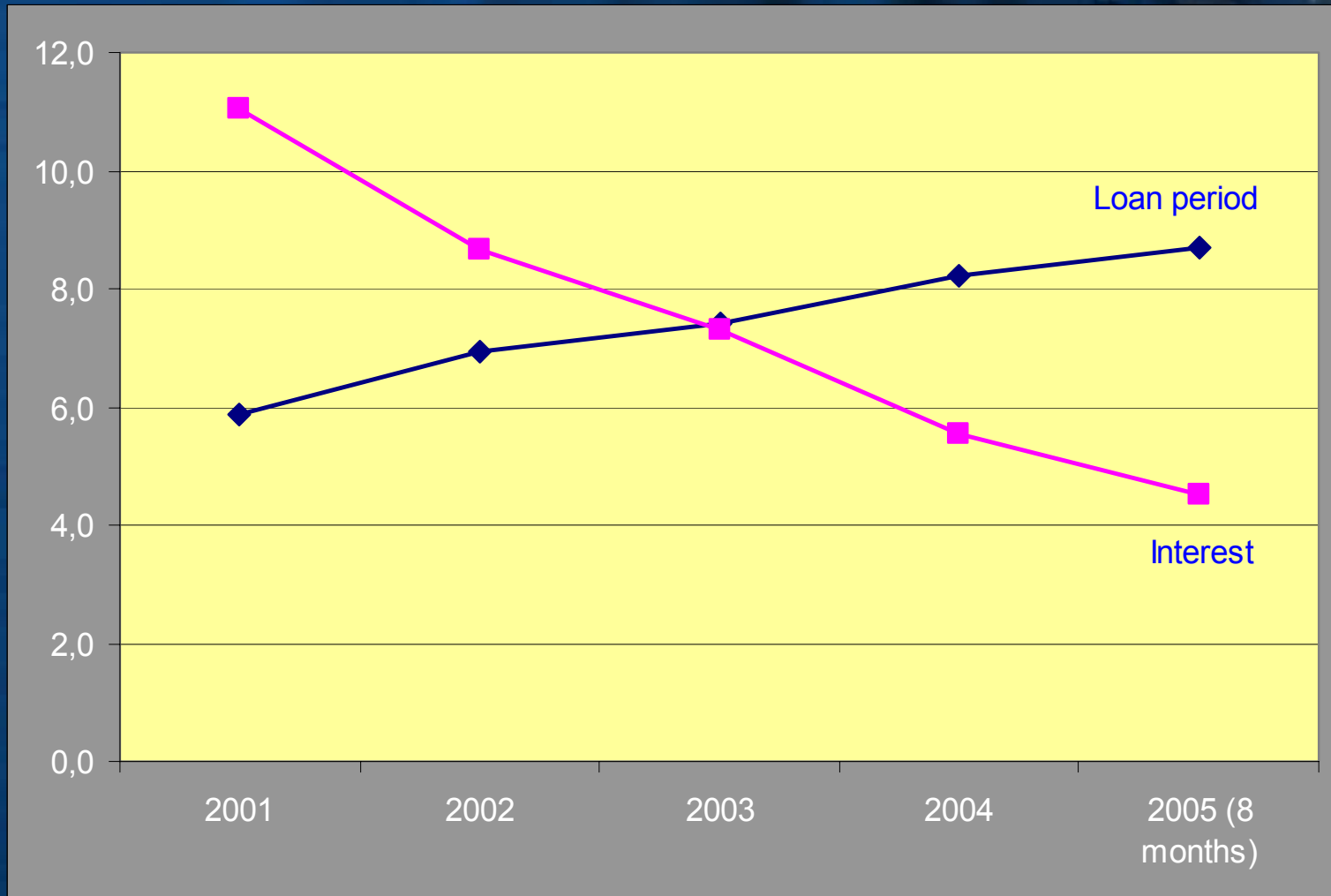


First loan was issued on 1996, on 2002 terms changed largely

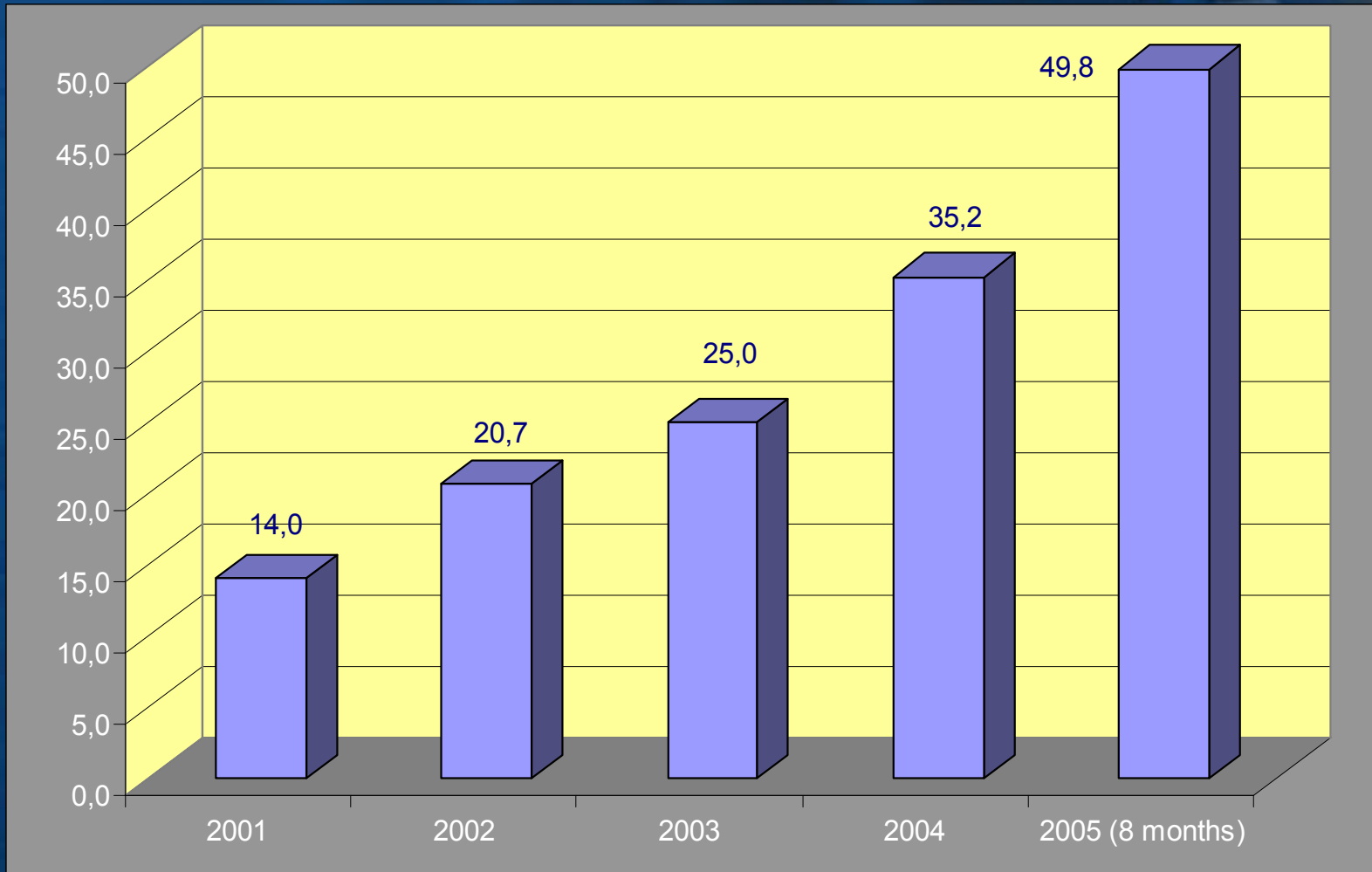
# Loan amount (th. Euro)



# Average interest and loan period



# Average loan amount (th. euro)

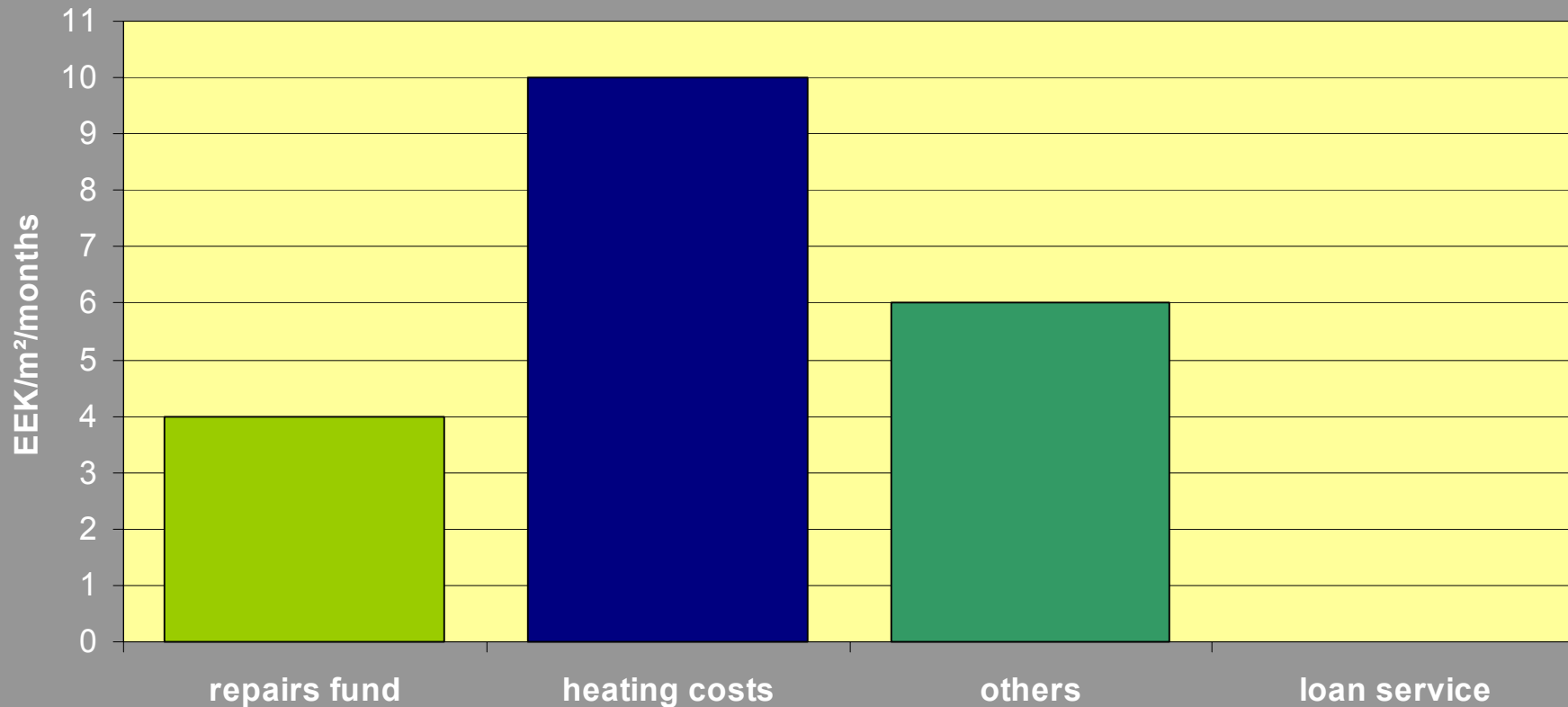


# How is it going for the buildings, which have taken the loan?

- Energy audits are showing that approximately 20% saving from heating costs is accomplishable
- Renovated walls and roof are significant factor for apartment market value;
- With repayments have so far now problems;
- Associations are coming to the bank to ask new loan amount – it shows that taking a loan is positive experience.

# Burden of payments for apartment owners 1

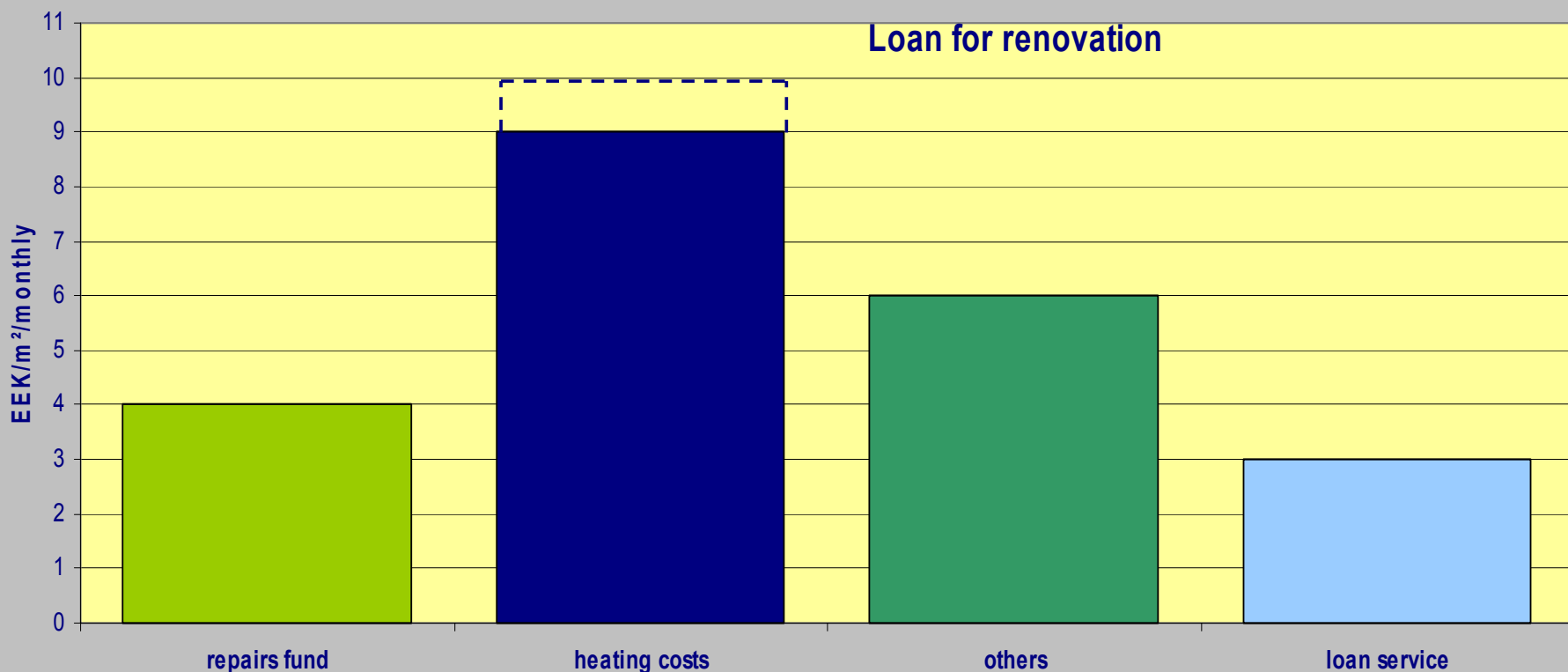
Before the loan



\* Example by the house of 3000 m<sup>2</sup>

# Burden of payments for apartment owners 2

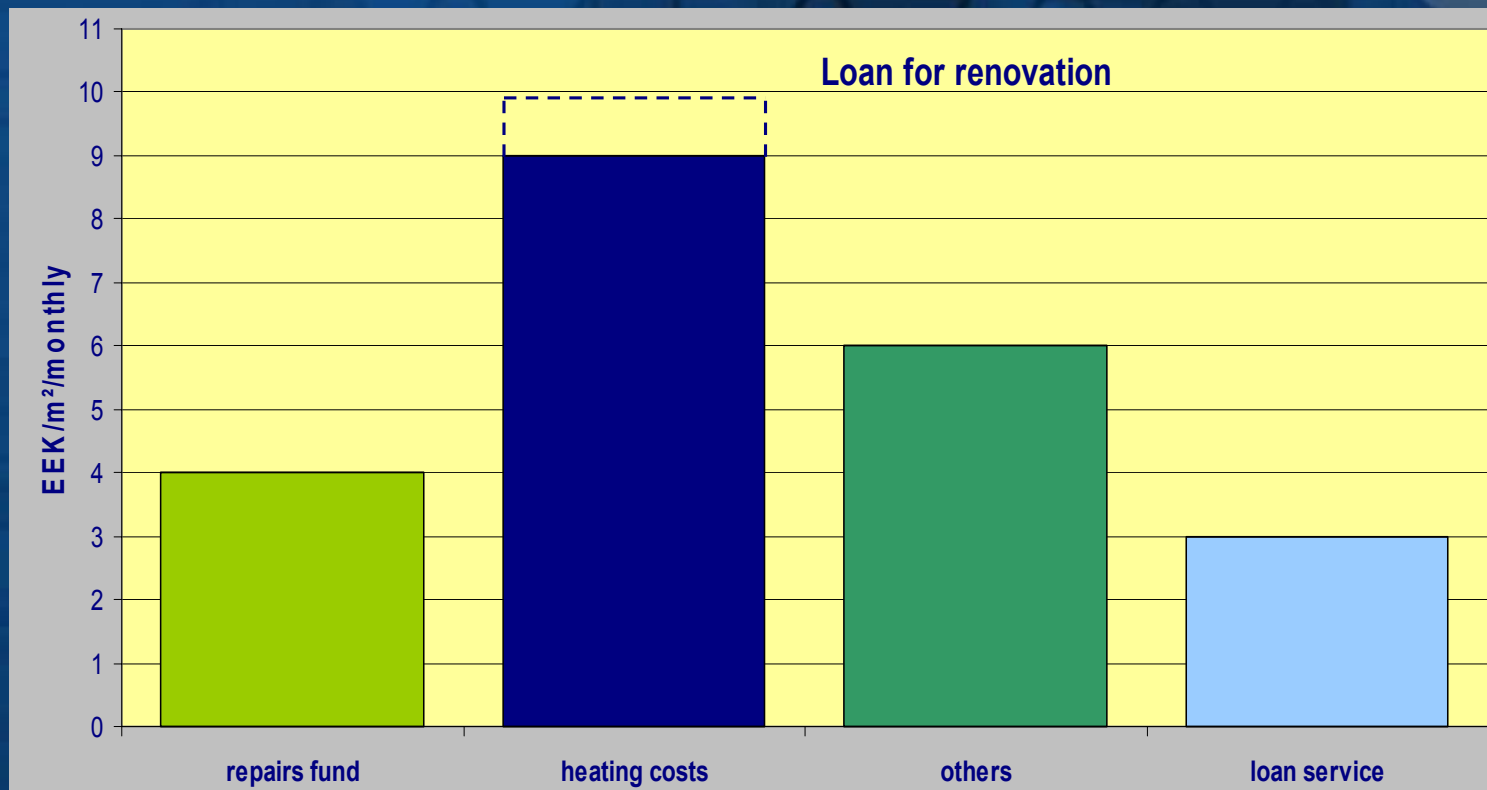
In the apartment building technical inspection (energy audit) is done and with the help of loan first important renovations are done



\* Loan repayments are paid from the repairs fund. Payments to the repairs fund are the same. Loan amount is 30 990 euro, term of a loan 5 years, interest 4.5% per year.

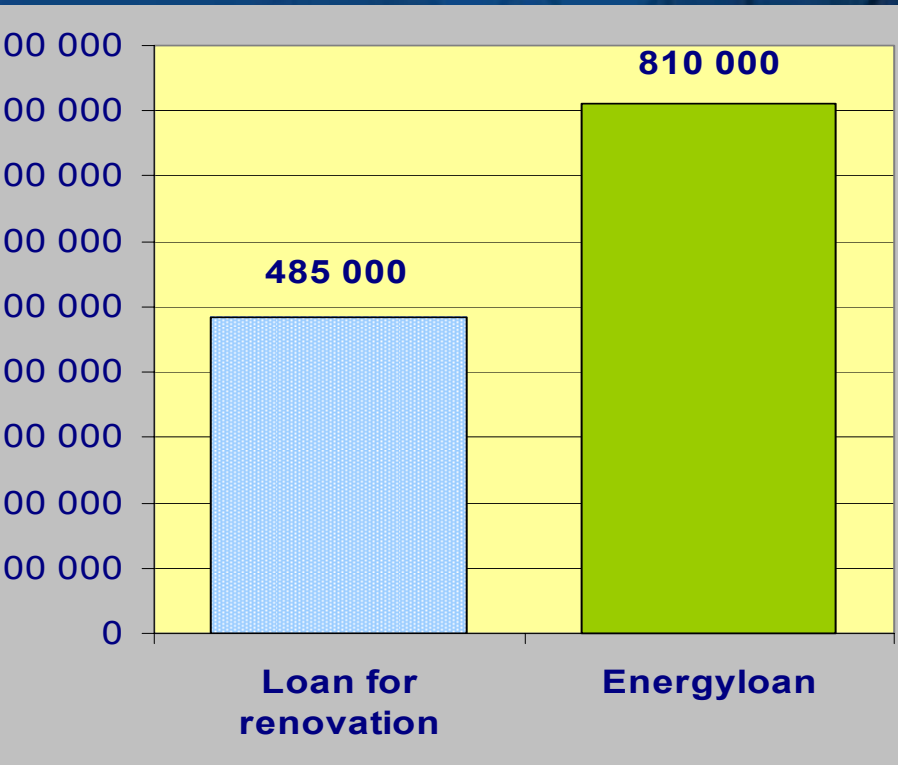
# Burden of payments for apartment owners 3

Energy audit is done. As a result from that first of all with the help of loan the renovation works which give energy savings are done.



\* The loan repayments are paid from the repairs fund. Payments to the repairs fund are risen for 2 eek. Loan amount is 51 760 euro, term 5 years, interest 4.5% per year. As heating costs have reduced for 3 kr/m² burden of payments for apartment owners dose not rise the other way round it is even fallen for 1 kr/m².

# Loan amount



If in energy audit is shown clear energy saving as a result of renovation, bank takes it into consideration in calculating burden of payments for apartment owners and maximum loan amount.

**As the heating costs will be lower, loan amount can be higher and more renovation works can be done.**

Thank you!

[www.kredex.ee](http://www.kredex.ee)