EUROPEAN FEDERATION FOR LIVING

EFL working group Finance & Investment

Edited by
Ad Hereijgers
bureau073 housing and planning consultants

Financing Affordable Housing in Europe

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ABOUT EUROPEAN FEDERATION FOR LIVING

Mission statement

European Federation for Living (EFL) is a European Forum that works in the interest of members to add value to their business and to build sustainable neighborhoods.

Vision

EFL's vision is to be at the forefront of affordable and sustainable housing community development in Europe, through quicker and better access to research, innovation and funding than by any other route.

EFL is results-driven. The members and associates are the key actors of EFL. They are committed to working together to create tangible results. In doing this, EFL collectively develops tools and services and co-operates in EU-funded programs.

Strength

EFL's strength lies in the participating partners engagement to share knowledge and experience and sustainable interests for cooperation. Members participate in EFL in order to accomplish their goals and to gain knowledge of participants within EFL (chain integration). They use newly acquired knowledge and give prominence to innovation of knowledge within their organization.

Value proposition

Membership – the membership base of EFL is unlike any other, combining (a) the shared knowledge and experience of social housing providers across Europe, (b) the cutting edge thinking of universities, and (c) earlier access than any other channel to private sector commercial property companies at the forefront of innovation.

Due to its focus on being at the cutting edge of affordable and sustainable community development, EFL members can hear about new research and innovations in property and community development quicker than anywhere else, see it in action quicker than anywhere else and speak to those involved in developing it quicker than anywhere else.
Ultimately that access to cutting edge thinking means that members have a head start on other similar organizations across Europe, when looking for EU-funding and therefore position themselves better for success and growth.
EFL breaks down the barriers that normally exist when looking at EU cross-border working and partnerships. It means that it doesn't matter what country a member comes from or what category of membership they are in, EFL facilitates and provides easy access to information and knowledge relevant to its members and in a format that members can handle best.

More information

European Federation for Living
Joost Nieuwenhuijzen
Managing Director
P.O. Box 67065
1060 JB Amsterdam
Netherlands

Website: www.ef-l.eu

Email: info@ef-l.eu

ABOUT EFL EXPERTISE

Platform of dedicated consultants

EFL Expertise is a platform of consulting companies responding to the needs and challenges of affordable housing companies and governments across Europe. Its goal is to foster European cooperation, the exchange of best practice and the development of common projects among the European housing industry with a focus on affordable housing.

Mission

Its mission is to create value for its clients by enhancing European cooperation among the affordable housing industry and providing solutions for their businesses.

Pan-European focus

Residential real estate plays a vital role in every aspect of European society, its economy and environment. For this reason, exchange of best practice and development and execution of European projects among housing companies become more important. Due to common European regulation, housing companies are now facing similar challenges on their national markets. As provider of professional services, EFL Expertise provides European answers to national challenges.
EFL Expertise understands the European market and works exclusively with renowned international know how. The company is a joint venture between EFL and its associate-members. Participants in EFL Expertise are trusted advisors who offer comprehensive answers to affordable housing challenges within its professional accredited platform powered by the European Federation for Living.

Value proposition

EFL Expertise provides services, no products.
Response to the needs and challenges of housing providers and stakeholders in the housing industry: both national and international, both non-profit as profit as public authorities.
Make use of the competitive advantages of expertise between the different national markets and from within EFL.
Offer a unique blend of expertise in the chain of housing, financing, development, IT and management.
Adapt new business models for its clients requirements in a cost effective way and uses international best practice.

Scope of services

EFL Expertise delivers a local presence and personal interaction in several countries. The answers for clients challenges are provided from a wide range of skills and experience. By relying on a national talent base, EFL Expertise assembles the skills required for specific assignments. Currently, consulting services offered by EFL Expertise relate to:

a. Strategy
b. Organization & Project Management
c. Facility Management
d. Mergers & Acquisitions
e. Corporate Finance & Investment, incl. EU-Funding
f. Digitalization
g. Energy
h. Research & Development

More information

EFL Expertise
RITTERWALD Unternehmensberatung GmbH
Berlin

Mathias Hain, partner:
mathias.hain@ritterwald.de

Mariya Terboven, consultant:
mariya.terboven@ritterwald.de

FOREWORD

Joost Nieuwenhuijzen, managing director European Federation for Living

It is a great pleasure to present you the EFL publication ‘Financing Affordable Housing in Europe’. Over the last decade the framework of financing and funding has been changed dramatically across Europe. The former financial landscape, state subsidy as the only funding source for social and affordable housing, has been developed in a wide array of funding opportunities. In many countries, the state has stepped back from post war subsidy programs and has given the market the chance to step into this gap. Social and public housing companies, the main providers of affordable homes, make nowadays use of a wide choice of funding and financing opportunities.

In Germany some formerly social housing providers developed into major real estate companies with shares listed at the German stock exchange. Other municipal housing companies have been sold to American Real Estate Investment Trusts (REITs). In the UK a considerable amount of financing derives from international equity investors. A road show along investment banks for selling corporate bonds, was 10-15 years impossible to imagine within the social housing sector, is nowadays common practice for UK’s largest housing associations. And even in the Netherlands, the country with the largest share of social housing in Europe, has already a long time ago left it’s system of state funded brick and mortar subsidies into a framework of public loan guarantees and cross-finance opportunities. Selling of social housing in order to earn money for new investments. And even in Netherlands the first foreign investors have taken stake in social residential property. The sale of social housing portfolios is expected to grow in the future and new players step into this market.

Within EFL the members cope with all the differences and have shared their experiences about financing and investments in the working group Finance & Investment. But more has happened than just learning from each other.

We have developed a practical Key Performance Indicator (KPI) tool for comparison of balance sheets and financial performance indicators. With this tool the members are able to see how they perform compared to their European peers. And improve their business performance once they have explored the differences.

Secondly, members benefit from the mutual financial expertise. The first cross country loan deals are being prepared to finance at most competitive interest rates. EFL literally opens borders for its members.

And finally this publication: a comprehensive report about financing affordable housing, including country- and company reports and latest trends.

We hope you like reading this report and that it will support your efforts to innovate the financial portfolio.

EXECUTIVE SUMMARY

Over the last decade the framework of financing affordable housing has been changed dramatically across Europe. The former financial landscape, state subsidy as the sole funding source for affordable housing, has been developed in a wide array of funding opportunities. In many countries, the state has stepped back from post war subsidy programs and has given investors the opportunity to enter this market. Social and public housing companies, the main providers of affordable homes, make nowadays use of a wide array of financing opportunities.

One of the most challenging topics for the future of social housing in Europe is 'financing the business'. Many European countries face withdrawing governments, reduced public spending or additional taxation. Furthermore, Europe faces a growing demand for social housing resulting from rising unemployment rates, the ageing society and more recently the influx of immigrants and refugees. In general, in most countries social and public housing providers focus on vulnerable groups, thus facing comparable challenges in order of avoiding or lowering the effect of segregation in neighborhoods.

Since 2015 members of the European Federation for Living (EFL) have shared their experiences in the working group Finance & Investment, resulting in this first publication. It is work-in-progress: the working group also has a future agenda.

Essentially, all professionals interested in the financing situation of social housing in Europe, first need to have an overview of the financial framework of each country. There is a wide diversity of used terms and definitions, so in order to actually compare countries and systems, you need to know what the financing characteristics of each market are and what the used terms exactly mean before making a comparison and asses the differences. Furthermore, one need to keep track of changes, as in many countries the financial framework is changing constantly. Getting a clear picture is one of the challenges the working group faced and solved initially by a thorough analysis of each individual market.

The second step is to come from the national level, to the different actors. Each country has different actors and there are sizable differences between the organizations and institutions responsible for providing social housing. We experienced these differences within the working group. Even per country there is a notable variation of organization typologies. So the second challenge was to get from the national financing system to the level of the providers itself. How do they fund their business? In order to get this insight, but also to compare business performances, the working group decided to create a real instrument: the EFL KPI-tool. A benchmark instrument, mainly based on the widely accepted and used IFRS appraisal methodology. With this tool the members are able to assess how they perform compared to their European peers. And improve their business performance once they have assessed the differences.

The third issue addressed in this publication is how to strengthen the European perspective in the provision of affordable housing. This is about the intersection of the broader economy and the financial sector. A fundamental question is whether social housing finance should be merely a part of the housing finance system or needs a fully separate treatment. This issue is embedded in a broader one: should the housing finance system itself be a part of the financial system?

Most Western European countries have been striving to integrate housing finance more and more into their financial markets, social housing is sometimes the only sector remaining off-market. In order to meet social housing demand in terms of volume, quality and affordability, access to capital is crucial. Housing is a capital good that has a long life cycle. Tradition in social housing is one of two separate worlds: either ‘the’ government or ‘the’ market. In long term financing, this separation is less relevant: in the global financial crisis, market, particularly banks, have proven not to be able to survive without strong government support (and taxpayer’s money for nationalization). Even today, with new risk management (Basel) in place, there is discussion about the balance sheets of commercial banks. At the same time, EU legislation regards social housing as activity of general economic interest. At least the principle of banning state aid can be questioned today in relation to the public intervention in the financial sector being justified by the need to avoid the bankruptcy of the system.

1. INTRODUCTION

Hendrik Cornehl, Project Manager Consulting
DR. KLEIN Firmenkunden AG
Chair working group Finance & Investment

BACKGROUND OF THIS WORKING GROUP

During EFL's General Assembly in London, November 2013, the members decided to intensify the networks capacity of learning between peers by installing several working groups. Groups composed by members of EFL, dedicated to share experiences and jointly develop common tools for daily practice. A working group is defined as a group of experts and practitioners, composed by member organizations within EFL and deriving from the countries within EFL.

During the London Conference five of these groups have been created, covering topics like "housing for elderly", "social domain", "energy efficient housing", "IT" and last but not least "finance and financial instruments".

One of the most challenging topics for the future of social housing in Europe is 'financing the business'. Many European countries now face withdrawing governments, reduced public funding or additional taxation. Furthermore, Europe noticed a growing demand for low cost housing resulting from rising unemployment rates, the ageing society and more recently the influx of immigrants and refugees. In general, in most countries social and public housing providers focus on vulnerable groups, thus facing comparable challenges in order of avoiding or lowering the effect of segregation.

Rents need to be affordable and the majority of low cost housing is rented below market rate levels or even below the actual costs. This makes this market not a main focus for commercial investors in residential real estate, particularly not for new social housing development. On the other hand, some countries show that stable cash flows of social housing in combination with a steady value growth are actually very attractive to private investors with a long term investment horizon. Particularly for investors in the existing housing stock. Germany has proven to be a thriving market for international asset managers.

With the wide scope of relevant financial issues in mind, the working group started to sort out the main topics first. Essentially, all professionals interested in the financing situation of social housing in Europe, first need to have an overview of the financial framework of each different country. There is a wide diversity of used terms and definitions, so in order to actually compare countries and systems, you need to know what the financing characteristics of each market are and what the used terms exactly mean before making a comparison and asses the differences. Furthermore, we need to keep track of changes, as in many countries the financial framework is changing constantly. Getting a clear picture is one of the challenges the working group faced and solved initially by a thorough analysis of each individual financing market.

The second step is to come from the macro- or national level, to the different actors in the field. Each country has different players and there are sizable differences between the organizations responsible for providing social housing. We experienced these differences within the working group. Even per country there is a notable variation of organization typologies. So the second challenge was to get from the national financing system to the level of the providers itself. How do they fund their business?

In order to get this insight, but also to compare the performances, the working group decided to create a real instrument: the EFL financial KPI-tool. A benchmark instrument, mainly based on the widely accepted and used IFRS appraisal methodology.

A third element in our aim to increase understanding the financial performance of social housing providers is extending our knowledge of rating. Rating Agency Moody's presented their assessment model and provided insight in their rating process and risk profiles of housing associations in Netherlands and the UK.

HOW WE WORKED

The working methodology of all EFL working groups is basically the same. This makes it possible to compare the effectiveness of the method and jointly evaluate and improve. The defined stages of the working group Finance & Investment:

Investigation phase
Investigation and comparison of the different financing systems for social housing across EFL countries.

Investigation of the financing arrangements on the level of a selected number of individual housing companies within EFL.

Development of a tool / instrument for practical use
Development of a benchmark and comparison tool based on the major financial KPIs (to be) used by housing companies according IFRS principles.

Producing publication
Production of publication describing the main findings of the working group.

The working group met between 2014 and Fall 2016 eight times on different locations (Berlin, London, Amsterdam, Lille, Copenhagen, Hennigsdorf). In between the meetings, individual working group members provided information concerning the national financing systems and worked jointly on the KPI-tool. Financial figures have been provided for the benchmark tool by Gewobag (Berlin, Germany), Circle (London, UK), Eigen Haard (Amsterdam, Netherlands) and Vilogia (Lille, France).

WHAT WE DID ACCOMPLISH

During the course of the last two years, the group developed deep insight in the wide variety of financing systems and how individual social housing providers finance their core business. Furthermore highly relevant input has been provided by external experts with an international perspective:

European Investment Bank (EIB) in Luxemburg: Financing Urban Regeneration and Smart Cities. An overview about credit programs by the EIB focused on social housing.
Moody's London: Ratings of European Housing Associations. How does the interactive rating process work and what inputs are required from the issuer? And how does Moody's assess housing associations?
As mentioned before, the main accomplishment of the group itself is the development of the KPI-tool and the ambition to develop it into a digital instrument, both accessible via the EFL website as via a dedicated app. In order to work focused on specified output, the aims and goals of the group have been summarized in the Terms of Reference, a standard working protocol for EFL working groups.

WHAT WE ARE GOING TO REPORT ABOUT

In this report you will find a complete overview of the findings of the working group over the last two years, country specific profiles and company profiles of a selected number of EFL members, based on the delivered financial KPI information and our agenda for the coming period: extension of the scope towards the investment market.

"The working group Finance & Investment within EFL has been very interesting and challenging for the comparison of KPIs and the sharing of specific knowledge regarding existing financing structures of participants of EFL. For Eigen Haard "a simple change" in the calculation of KPIs from per unit to square meters delivered a better insight and possibility to compare our figures to other housing associations in for example Germany, France or England. But what remained key (as always) in the interpretation of the outcome of a KPI was the local context and financing structures."

Dries Wijte, Treasurer at Woningstichting Eigen Haard Amsterdam

2. TRENDS AFFORDABLE HOUSING FINANCE

Ad Hereijgers
bureau073 housing and planning consultants

FUNDING AFFORDABLE HOUSING

Lack of affordable housing seems of all times, but is becoming more severe lately: the housing building industry is still recovering from the global financial crisis and the refugee crisis is requiring additional housing now. This also implies a greater need for financing. At first hand one would think that should not be a problem with current low interest rates. But many countries have not yet channeled funds into projects at required scale: either they are not able to do so or still lack the intermediary financial structures to do this effectively.

Affordable housing is an integral part of national housing systems that consist of several tenures, most commonly: home ownership, private rent and social rent. In all countries, governments play a significant role in shaping their housing systems through policymaking, financing and other forms of support. In most countries, national housing finance policies for home-ownership and rental housing are strongly related, at least they were until the 2009 global finance crisis. In this report, we focus on affordable housing in selected European member states.

Investing in affordable housing as such is not risky: it requires long term investments with stable but low returns on investment. Risk assessment is more important in the political and economic environment. In fact, in Europe at large it would help if the European Fund for Strategic Investments (EFSI, the Juncker Fund) would open up for affordable housing. Currently that is still a challenge (except for energy efficient retrofitting) because of the relatively small scale of -local- housing projects and the general economic context in some EU-countries.

At the same time, we notice that the European Investment Bank (EIB), an important channel thru which European financing is allocated, gains importance in funding affordable housing, either direct to the housing providers or indirect thru governments, banks and/or alternative intermediaries.

In the EFL working group Finance & Investment, we are driven by cross-border cooperation. Therefore we have to understand each other’s practices, also the financing regimes. We are all aware that any comparative analysis among EU countries shows shortcomings. This is also the case with affordable housing finance. Therefore, we went beyond comparing housing finance systems and looked into the workings of actual business models of our EFL-members relating to financing affordable housing. This resulted in the development of the KPI-tool.
Basically, all housing associations serve the same customers; households with low- and moderate incomes that need support in getting access to affordable housing. In order to serve in most cost-effective way, access to finance is crucial to be used in combination with supply-side and/or demand-side subsidies.

TRENDS AFFORDABLE HOUSING FINANCE

Government support

From supply side subsidies (brick and mortar) to demand-side subsidies (individual housing allowances). Important in guaranteeing financial stability and sustainability of social housing, because landlords can pay for capital costs (amortization and interest). In some countries these allowances are directly paid to landlord (UK); this turned out to be critical for gaining confidence from capital markets.

Less direct grants and subsidies from government. Also differences in extent of involvement of national governments: no housing system on national level in Germany (that is with the regional Lander), decentralized system in Austria (not part of this publication) and Finland (through National Housing fund ARA), and Denmark (National Building Fund) as well as France (through the Livret A system) a more centralized housing system with significant role for local authorities.

Increasingly used form of government support, although under discussion with EU, is the provision of guarantees by the state or local authorities on loan taken on the capital market (Netherlands, Finland, Denmark, Germany). It determines financing conditions to large extent.

Local authorities support affordable housing by providing land at discounted rates. Often in relation to planning and zoning legislation, including inclusionary zoning as requirement for building permits for private developers.

Among EU-countries there is still variation in fiscal regimes in which providers of affordable housing operate. Many countries provide a variety of tax abatements to -registered-providers of affordable housing such as reduced VAT-rates, property taxes and corporate taxes. Exception is the Netherlands, where providers are required to pay a landlord tax.

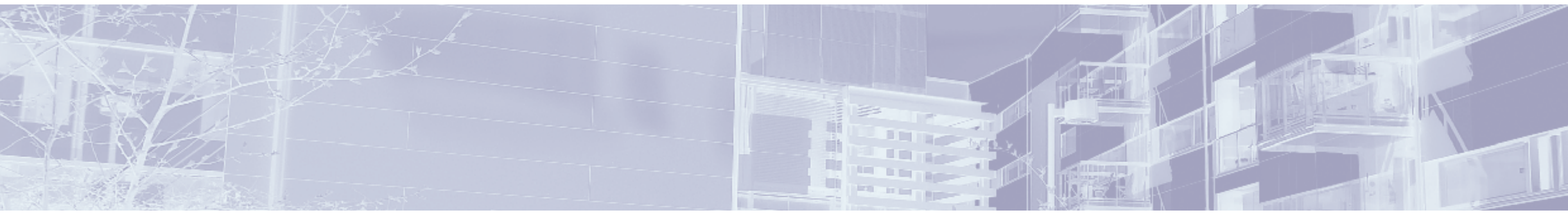
Access to capital markets: diversification in finance mechanisms

With governments withdrawing from direct supply side financial support, access to private funding is becoming increasingly important in all EU-countries. Private funding thru banks or thru capital markets (often thru financial intermediaries with government guarantees) require conditions. Particularly important is the issue of how the social housing sector is perceived by lenders and investors in terms of risks. This is where international rating agencies come in. Also, different countries are implementing ways of pooling risks (UK, Netherlands).

Access to capital markets: government remains sponsor

With the exception of Bulgaria, the countries under consideration in this publication primarily are known for its mature social housing sector. This also implicates a significant role for national and local governments in shaping housing finance policies.

A more fundamental question is whether affordable housing finance should be merely a part of the housing finance system or needs a fully separate treatment. In most Western European countries we see a trend that affordable housing finance is becoming part of the overall financial system (capital markets and banking systems). Tenures do effect each other: lack of access to mortgages does increase for rental housing, as latest global financial crisis has shown.



Traditionally, in most European countries, debt funding for social housing came from special circuits of finance where cost were significantly below market levels. In its access to capital markets, also thru intermediary structures, long term commitment and sustainable housing policies remain very important. Therefore, in most European countries there is financial assistance to support the cost of investing in new social housing through public funding or public guarantees, at both national and regional levels.

Affordable housing as new asset class

Due to long time continued Quantitative Easing (QE)-policy of European Central Bank, capital is readily available, but it is hard to making the yields. Rental housing is an attractive asset class for private investors: long time, low risk, inflation-hedged, strong demand.

Residential investments are appropriate to diversify. Depending on the investment strategy they come in the form of core (eg. buy & hold strategy), value-add (eg. underrented assets or residential property resale) and/or opportunistic investments (development projects in rural areas).

With residential property acquisition, attractiveness is a function of price. Key value considerations are: location (area economics and demographics and availability of services/amenities), property (construction quality, age, state of repair, freehold versus leasehold), tenants (occupancy, regulated versus unregulated, rent levels, rent arrears).

Next to liquidity and management structure, key investor concern is regulations in regard to: (a) rent increases: allowed by law, maximum rent levels, rent deposit, rent indexation, (b) cost development: allocation of maintenance, of operating costs, of modernization and of basic/decorative repairs and (c) lease term: limited/unlimited, automatic renewal.

Credit rating

Working group Finance & Investment has familiarized itself with the credit rating process of European housing associations by Moody's Investors Service; this firm is providing credit ratings, research, tools and analysis that contribute to transparent and integrated financial markets. Moody's does publish country outlooks for sector of housing associations.

A credit rating is an assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt of financial obligation.

Moody's does use the BCA-Scorecard to determine the rating. The BCA-Scorecard covers 5 factors and multiple subfactors:

1. Institutional Framework: Regulations, revenue flexibility, spending flexibility, extent of borrowing.
2. Issuer Profile: Size, geographical distribution
3. Financial Performance: Reliance of on low-risk activities (% revenues), reliance on low-risk activities (interest coverage), operating margin, total margin, capital expenditure
4. Debt and Liquidity: Debt burden, gearing, long –term interest coverage (recurrent cash interest coverage), short-term interest coverage (cash interest-coverage)
5. Governance and Management: Financial management, debt management, transparency and disclosure.

Among housing associations in Europe, we notice an increase in credit ratings (from multiple agencies) in order to diversify (re)financing options. It becomes more and more a mix of traditional financing (thru intermediary structures supported by government) and access to capital markets/private investors.

ON THE VERGE OF…..

Housing finance plays a critically important role at the intersection of the broader economy and the financial sector. This theme also brings together many aspects of a country's legal, cultural, financial, economic, and regulatory policies. A fundamental question is whether social housing finance should be merely a part of the housing finance system or needs a fully separate treatment. This issue is embedded in a broader one: should the housing finance system itself be a part of the financial system? Most Western European countries have been striving to integrate housing finance more and more into their financial markets, social housing is sometimes the only sector remaining off-market. In a number of countries, the funding for housing mortgages comes from international capital markets and this caused problems during the Global Financial Crisis. It destabilized not only the housing systems, but also national banking systems.

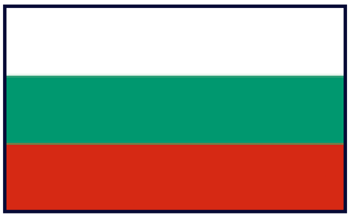
In order to meet social housing demand in terms of volume, quality and affordability, access to capital is crucial. Housing is a capital good that has a long life cycle. Tradition in social housing is one of two separate worlds: either 'the' government or 'the' market. In long term financing, this separation is less relevant: in the global financial crisis, market, particularly banks, have proven not to be able to survive without strong government support (and taxpayer's money for nationalization). Even today, with the new risk management (Basel) in place, there is a lot of discussion about the balance sheets of commercial banks. At the same time, EU legislation regards social housing as activity of general economic interest. At least the principle of banning state aid can be questioned today in relation to the public intervention in the financial sector being justified by the need to avoid the bankruptcy of the system (Ghekiere 2009).

"Lively yet professional discussions, learning about and from other European housing associations and overcoming intercultural barriers regarding financing topics has impressed me from the very first meeting with the group. I am looking forward to yet more input and creating tangible output together with this group of experts."

Hendrik Cornehl,
Project Manager Consulting, DR. KLEIN Firmenkunden AG, Berlin

3. COMPREHENSIVE COUNTRY PROFILES

BULGARIA



George Georgiev, Department of Architecture, New Bulgarian University

INTRODUCTION

The total housing stock in Bulgaria amounts to 3.9 million dwellings (2015). 96.5% of Bulgarian housing stock is owner occupied and 65% of the dwellings in the cities are located in multistory apartment buildings. Significant number of pre-fabricated apartment housing was built in Bulgarian bigger cities during the 1960s–80s in response to the forced urbanization, imposed by the former communist government. The existing housing is constantly degrading, due to a long-term undermaintenance and inadequate management by the owners. Therefore, a significant percentage of the housing stock needs modernization.

The residential sector is characterized by a low thermal efficiency and wasteful heat distribution systems. The energy consumption is 2.5 times higher than it is required by the current technical standards. As a consequence, it contributes significantly to the high level of energy use across the country. According to Bulgarian Energy Efficiency Action Plan the residential sector accounts for 23% of the overall energy consumption in Bulgaria.

Municipalities own a diminishing public rental stock (about 2% of the total stock), which is of bad quality. They have limited possibilities to maintain the existing stock and to build new social housing. Due to the lack of legal and financial framework, there is no new construction of municipal rental (social) housing. Housing associations that would build and maintain a rental stock of moderate prices are not yet established.

KEY FIGURES

Inhabitants	6,9 mln*
Housing stock	3,935,105*
Tenure:	
Social rent (state and municipality owned)	2.4% (92,560)*
Private rent	no statistical data available
Private dwellings (mostly owner occupied with 2-3% rented)	
Expert estimation	97.6% (3,842,545)*

*Source: National Statistical Office (2015)

By 2015 in Bulgaria there are 1.22 million vacant units, out of a total housing stock of 3.9 million housing units. Despite the fact that there is no overall housing shortage in Bulgaria, the estimated overcrowding rate is 44%, compared to an average 17% at EU level.

FINANCE

During the transition period towards market economy (1990-2015) the Bulgarian housing sector has contributed to slowing down the recovery of the economy. The housing investment as a share of GDP in Bulgaria is considerably lower than in other countries in transition. The state has withdrawn from funding housing provision, transferring this responsibility to the municipalities. However they recently suffer from a chronic shortage of funds. They have very limited possibilities to maintain their existing stock, even small, and there has been no investment in the construction of new public housing for more than two decades. Furthermore, municipalities have been selling the existing stock to current tenants according to administrative procedure.

The present rent policy in the very limited size Bulgarian public housing is regarded as a general indirect housing subsidy which is both socially and economically inefficient. The absence of a clearly defined housing allowance system together with the lack of sufficient social rentals are important factors preventing a more sustainable and socially just social housing policy in Bulgaria.

The low energy efficiency of the existing housing stock in Bulgaria can be regarded both as a serious problem and a great opportunity for achieving big energy savings and corresponding funds that could support large scale renovation of existing stock by means of relevant financial tools (ESCO based schemes in combination with long-term loans). Investments in improvement of energy efficiency of the large scale prefabricated housing estates, including an improvement of the district heating system itself and a new design for small and medium-scale co-generation units, can leverage additional investments in related fields.

ENERGY EFFICIENCY

Due to the high level of energy consumption of the housing stock, Bulgaria has the highest share in Europe of people that are not able to keep their home adequately warm (45% of the population) and the second highest share of people who have arrears on the payment of utility bills (34%). The deteriorated status of the existing housing, the energy saving obligations at EU and national level, together with inacceptable social issues impose the necessity of large scale actions for retrofit of existing multistory apartment housing in the bigger Bulgarian cities, where the problem is mostly observed.

The potential for energy savings resulting from home retrofitting is estimated at about 40-60% reduction of total energy use before renovation. According to actual data, the average monthly expenditure for energy per household is between €75 and €150 (an average €1,200 per year). Thanks to possible energy savings of about 60%, households could save the total amount of €720 per year. Since the average required investment per household is €5,000, the return on investment would be 14% per year, with payback period of 7 years. Therefore large scale energy efficient retrofit of existing housing can be considered as highly important tool for achieving three positive outcomes in Bulgarian housing sector: energy savings, diminishing of housing expenditures and increase of housing comfort.
Following this, several housing renovation programs are initiated in Bulgaria.

REECL Facility

The REECL facility aims to give homeowners an opportunity to realize the benefits of energy efficiency home improvements by providing them with loans and incentive grants through local participating banks. The program is divided in three stages – first and second stages were implemented successfully in the period 2005-2012 while the third stage has started in 2016. Loan money was provided by EBRD and the subsidy supplement was granted from "Kozlodui Fund". Householders can obtain incentive grants from €350 to €2,000.

Loans and grants are given to the following energy efficiency installations:

- Energy Efficient Windows

- Insulation of Walls, Roofs, and Floors
- Gas Boilers with or without associated controls, space heating and hot water storage systems
- Biomass Room Heaters, Stoves and Boiler Systems with or without associated controls, space heating and hot water storage systems
- Solar Thermal Systems with or without associated space heating and hot water storage systems
- Cooling and Heating Heat Pump Systems
- Photovoltaics in Buildings
- Lifts
- Balanced Ventilation

By 2016 the REECL Program has committed to nearly 30,000 energy efficiency home improvement projects, financed through personal loans totaling about €44,0 million with incentive grants amounting to €7.7 million. To date, the REECL financed projects have saved a total estimated electricity equivalent of 214,421 MWh per year. The REECL supported projects have brought reduction in CO2 emissions of 307,387 tons per year.

REECL program is the biggest operating housing energy efficiency scheme for Bulgaria since 2005. The weak point of REECL Program is that it was targeted initially at individual apartment owners from condominiums thus not creating incentives for building based energy efficiency activities. In the later stage of the project it was modified in a way, encouraging homeowners to receive increased grant to the loan amount for renovation activities at the scale of entire condominium building.

Another energy efficiency housing renovation program was ***"The Demonstration Project for the Renovation of Multifamily Buildings"***. It was launched in 2007 as a joint initiative of the Ministry of Regional Development and Public Works and the United Nations Development Program and was implemented until the 2011.

The Project aimed at developing a replicable scheme for renovation of multifamily buildings. It is expected that the project will contribute to preventing social exclusion by improving health and living conditions of targeted population through housing renovation, reducing greenhouse gas emissions and promoting good governance. The last of these three aspects is meant to be achieved in the process of building the real social capital in the city, by means of supporting voluntary associations of citizens.

The project has managed to achieve the following outputs:

- Renovation of 50 multifamily buildings, including 1,093 apartment dwellings
- Project expansion into 24 municipalities.

The weak points of the "The Demonstration Project for the Renovation of Multifamily Buildings" were:

- Small scale of project penetration
- Lack of bottom-up approach and direct communication with the residents
- Lack of financial engineering – apart from the big portion of subsidy for renovation the project did not introduce as anticipated schemes for complementary financing
- High level of subsidizing of the pilot buildings – on the average the renovation grant from the state budget was 80% from the total costs which cannot be a sustainable/replicable policy at national scale.

Operation 1.2 "Housing Policy" of the Operational Program "Regional Development"
EU Structural Funds co-subsidised program for energy efficient renovation of existing multi-storey condominium buildings was implemented by the government in the period 2012-2015. According to the adopted subsidy scheme, the apartment owners from 36 Bulgarian towns, participating in the program, could benefit up to 75% of the renovation costs. The funds available under the project (both from the EU and the national budget) amounted at €35 million. The program resulted in renovation of 156 condominium apartment buildings - approximately twice below the limits of available funding.

"National Program for Energy Efficiency of Multifamily Residential Buildings"

The project was financed by the national budget with 100% subsidy at a total amount of €500 million. It was started in 2015 with eligibility of households, living in condominium housing, in 36 biggest settlements of Bulgaria. The aims of the project are:

- To increase the energy efficiency of multifamily owner-occupied (condominium) housing
- To enlarge the lifespan of condominium buildings
- To contribute to decrease of the global air pollution

The project is coordinated by the Ministry for Regional Development and is implemented through the municipalities. This is the first housing energy retrofit project with local authorities responsible for preparation of the competitive bids for design, implementation of construction works technical supervision and approval of renovation works. So far the project has reached limited advantage with several buildings completed.

POLICY

Social housing in Bulgaria consists of municipally owned dwellings let to marginal social groups and represents less than 3% of the total housing stock in the country. Housing policies include also subsidies, supporting households for payment of energy bills, meant for both - the rental and owner occupied sector, as well as assistance to homeowners through subsidies for renovation of dwellings.

The Bulgarian Ministry of Regional Development and Public Works is responsible for the housing policy at national level. Municipalities own and manage the public rental stock, which is diminishing progressively. Municipalities allocate available dwellings on the basis of waiting lists. Criteria for the application for public housing include that applicants do not own real estate, have not made transactions with properties, have had a permanent address registration in the settlement for the last five years, do not have bank deposits and other properties, and 25% of their annual income cannot cover any rent on the free market. The allocation process is targeted at households with special needs: orphans, disabled, chronically ill, elderly and single parents.

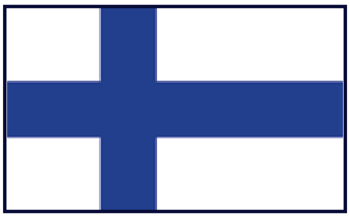
The framework document regulating housing policy in Bulgaria is the National Housing Strategy adopted by the Council of Ministers in 2005. The National Housing Strategy of Bulgaria focuses on two main strategic goals: tackle the deterioration process of the existing housing stock, and creating a working mechanism for provision of new affordable housing. The Government is currently preparing an update to the National Housing Strategy. In compliance with the National Housing Strategy a new Condominium Law was adopted by the parliament in 2009. It was targeted at improvement of management and maintenance of the condominium apartment housing that prevails in Bulgarian cities. Since it approval the law underwent several amendments. As a follow-up to the National Housing Strategy, the government has been working on a draft Housing Association Law, which should regulate the founding and operation of non-profit organizations for construction and management of social rented housing. At the moment, this law exists in a preliminary draft elaborated by the Ministry for Regional Development and Public Works.

TRENDS

Due to the continuing process of degradation of existing housing and widespread of fuel poverty, mainly in multistory owner-occupied apartment buildings, there is an urgent need for larger scale housing renovation activities in the context of the urban regeneration. There is also an urgent necessity for update of the National Housing Strategy and introduction of a Housing Association Law, allowing the development of newly built social rental housing, developed by independent non-profit organizations.

FINLAND

Kimmo Huovinen, ARA Housing Finance and Development Center of Finland



MARKET OVERVIEW AND KEY FIGURES

Two-thirds of Finland's housing stock consist of owner-occupied homes. Renting is more typical in urban areas, for example in Helsinki about half of dwellings are rented and percentage of social housing is 20 %.

The proportion of rented dwellings of all permanently occupied dwellings was 31%, but 1.3 million, or one quarter of the population, lived in rented dwellings. The reason for this difference is that smaller household-dwelling units live in rented dwellings than in owner-occupied dwellings. At the end of 2014, the total number of permanently occupied rental dwellings was around 824,000, of which 377,000 (46 %) were government-subsidized rental dwellings (so called ARA-dwellings). The share of ARA-rental dwellings of all permanently occupied rental dwellings decreased, as dwellings freed from restrictions. At the end of 2014, there were 38,000 right-of-occupancy permanently occupied dwellings in Finland. Forty-four per cent of them are located in Greater Helsinki.

Housing markets are strongly divided by regions. High demand of dwellings in growing cities especially in Helsinki metropolitan area. House prices are average twice as rest of the country. On the other hand in most areas housing markets are well in balance and highly depopulated areas vacant dwellings can be a problem. New housing construction is strongly focused in Helsinki metropolitan area and other growing regions.

FINANCING AFFORDABLE HOUSING:

Social rental

Social rental housing can be produced by 1) local authorities or other public corporations (i.e. principally Finnish municipalities), 2) corporations that fulfill certain preconditions laid down in regulations each time in force and designated by the competent authority, and 3) limited liability companies of various types in which one or more of the three organizations mentioned above have direct dominant authority. In many cases the limited liability company under dominant authority is a company owned by a Finnish municipality.
The second category corporations may include various borrowers such as organizations for social housing, old age housing associations and student housing associations. These organizations are engaged in providing social housing and they work within legislative framework.

Social rental dwellings are to be used as rental dwellings for 40 years. The rent in social rental dwellings is based on cost recovery principle. In Finland the allocation of social dwellings is regulated and dwellings are distributed according to need, income and wealth. Priority in entry is weighted according to need and the aim of the tenant selection is to guarantee that the dwellings are attributed to households who most need the dwelling while at the same time aiming for a diverse tenant structure within the building and a socially balanced neighborhood. There is no means testing for sitting tenants. Social housing regulations meet the EU criteria of Services General Economic Interest (SGEI).

The social housing is financed by interest subsidy loans. The loan is granted by a bank or other financial institution, nowadays mainly by Municipality Finance (special finance institution for public sector financing). Its market share of new lending is about 75%. The Housing Finance and Development Centre (ARA) accepts the loan thereby giving the loan a state guarantee and paying the interest subsidies. The interest subsidy loan covers a maximum of 95% of building costs and price of the land. The interest subsidy is paid only on the part of interest above 3.4%. In the first year the subsidy rate is 95% and decreases gradually so that the interest subsidy ends after 23 years.

Housing policy target is to encourage affordable housing production in Helsinki region. In addition there are grants (€10,000/dwelling) for new social housing in Helsinki region.

Housing for special groups (elderly, students, disabled, homeless) is carried out by investment grant system in addition to interest subsidy loan. Investment grant varies from 10% up to 50% of investment costs.

Right-of-occupancy

Right-of-occupancy housing is a housing tenure falling between owner occupancy and renting. Residents buy into the scheme by paying a specified percentage (15%) of the value of their home (this payment is redeemable at any time corrected with construction cost index). Residents also pay a monthly charge. The right-of-occupancy dwellings cannot be transformed to owner occupancy.

Right-of-occupancy housing can be produced and owned by the same organizations as social rental housing with the exception of corporations engaged in insurance business.

The monthly charge is based on cost recovery principle. The applicants to right-of-occupancy receive a queue number, on the basis of which they are chosen to right-of-occupancy dwellings. The eligible applicant may not own a dwelling that meets reasonable housing requirements in the same locality, or have the means to acquire one.

POLICY AND TRENDS

In 2015 totally 30,500 new dwellings were started. 7,500 (25%) of total amount were interest subsidized affordable rental or right-of-occupancy housing. Weak economic growth has been key to Finnish housing markets in recent years. New owner occupied housing production has decreased. Instead investments in free market rental has increased strongly because of low interest rates and good demand for rental dwellings. Housing funds and other institutional investors has been active and supply of rental dwellings has increased. However rents in new dwellings are significantly higher than rents in ARA flats. In Helsinki average free market rent is €18 /square meter in housing stock and over €20 typically in new dwellings. In ARA-dwellings rent is €12/square meter in housing stock.

State housing policy target is to increase affordable housing production especially in Helsinki region. New interest loan type (regulation time is 10 years instead of 40 year) launched to draw more private investors in affordable housing. Nowadays most of the investments in social housing is carried out by municipality owned social housing companies.

GERMANY

Hendrik Cornehl, DR. KLEIN Firmenkunden AG

INTRODUCTION

Germany provides a well-developed rental sector, being the only country in the European Union with a larger rental than owner occupied sector. Of the 40.5 million German dwellings, only 20% are owned by professional landlords such as corporate real estate companies, municipal housing companies and cooperative housing companies among others. However, all market participants – no matter the type or size of organization – may apply for subsidies and provide social housing.

German house prices have proven to be very stable and only experienced a clear upward trend after 2010 – even during the Financial Crisis, house prices remained rather stable. There is a shortage of housing especially in the affordable housing sector. Taking migration into account, the housing shortage is most significant in metropolitan areas such as Hamburg, Berlin and Munich.

Rural areas mostly in the East live by a severe loss of population resulting in structural vacancies leading to deconstruction and mergers. In total, 309,000 housing approvals have been granted in 2015 leaving Germany with a housing shortfall of 770,000 units. This shortfall is supposed to be decreasing over the next 5 years.

KEY FIGURES

Inhabitants	81.9 million (2016)
Housing stock	40.5 million (2015)
Tenure:	
Social rent	20% (8.3 million)
Private rent	37% (14.9 million)
Owner occupied	43% (17.3 million)

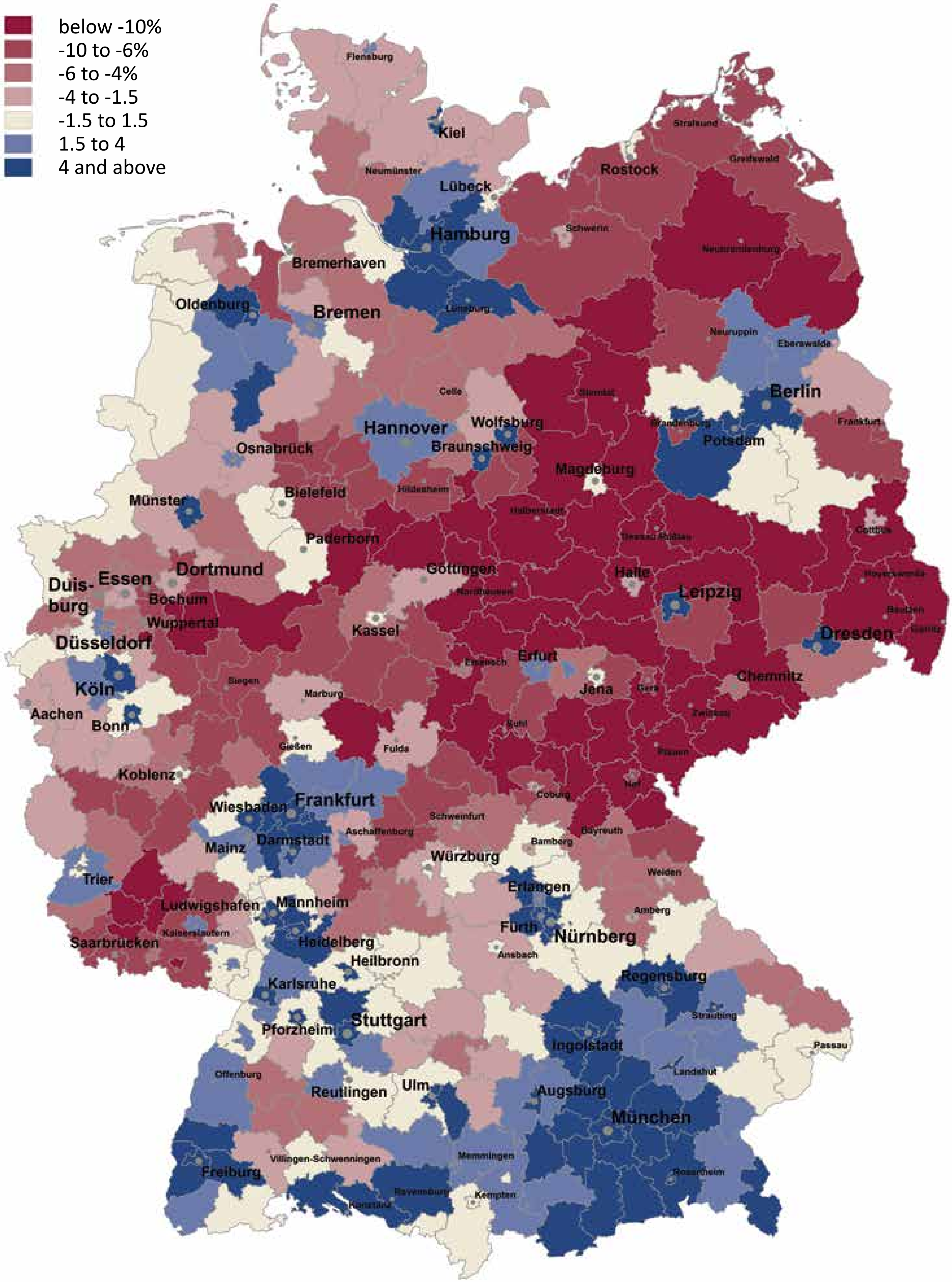
The largest association of housing associations in Germany is called the Federal Association of German Housing Associations and Real Estate Companies (Bundesverband deutscher Wohnungs- und Immobilienunternehmen e.V., GdW). Acting as an umbrella federation, GdW is the central association of Germany's housing sector. The 15 member federations of the GdW represent approximately 3,000 members being housing associations. In total, GdW represents approximately 6 million dwellings for ca. 13 million residents, which corresponds to 25% of the entire residential rental housing stock in Germany, 65% of which is owned by private individuals or smaller companies. Only 35% - or 8.4 million dwellings – is owned by commercial owners.

The second biggest organization of housing enterprises is the Federal Association of Free Real Estate Companies and Housing Associations (Bundesverband freier Immobilien- und Wohnungsunternehmen e.V. (BFW)). The 8 regional associations of the BFW represent 1,600 housing associations managing 3 million dwellings for 7 million residents.

Within GdW, a vacancy rate of 4.4% applied in 2014. However, there are still remarkable differences between Eastern and Western Germany as well as Northern and Southern Germany. Over the years, the highest ratios were usually to be found in Saxony and Saxony-Anhalt and the lowest in Hamburg and Bremen.

Referring to the German Federal Statistical Office, approximately 50% of the German population live in areas of high population density. Taking migration and the population's development into account, vast areas in the North, East and West are facing challenges regarding a loss of population.

Demographic forecast 2012 - 2030



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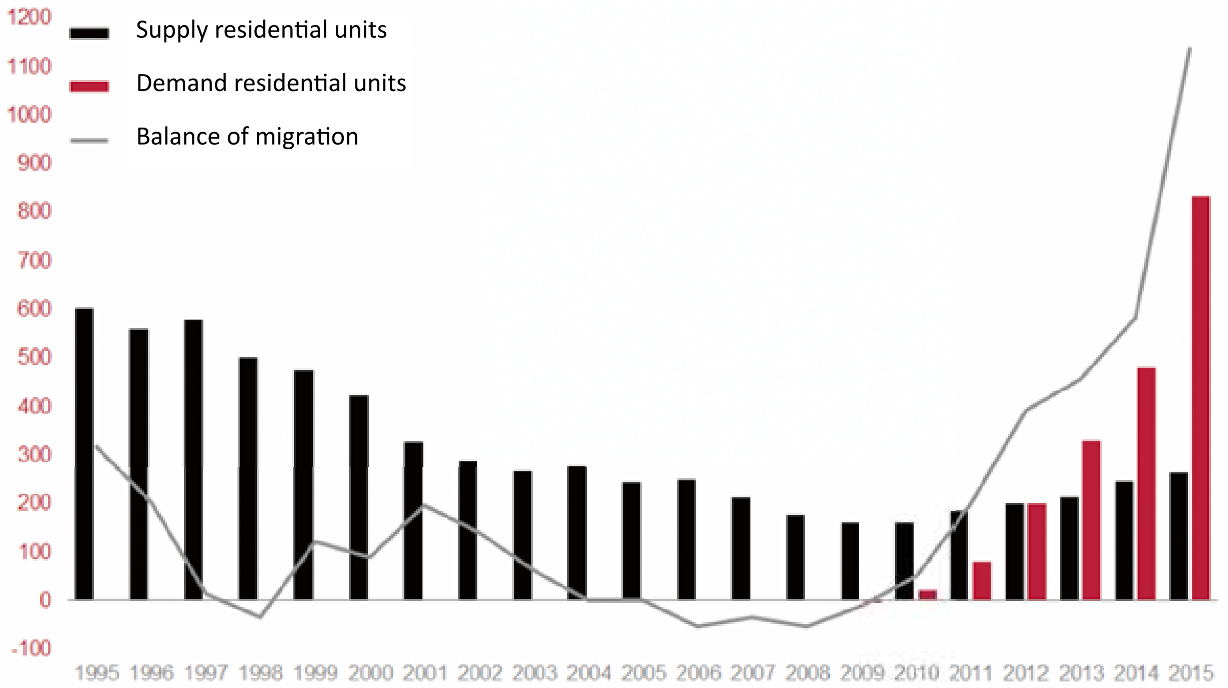
Growing areas, especially conurbations, are suffering from a heavy shortage of affordable residential units. In order to be able to supply the demand, approximately 200,000 new dwellings have to be built every year for the coming decade.

units is not a general means of financing, although sometimes in use. In general, there is only little movement within the property portfolio. Investment properties are being built for own stock. Portfolio transactions are rare to be found and usually serve concentra-



Scale in thousand, source: Statistisches Bundesamt, Eduard Pestel Institut e.V.

tion purposes or releasing minor portfolios outside the home market or in bad technical conditions.

Germany's housing market remained largely unaffected during and after the financial market crisis. Speculation regarding soaring market values and loan shortages had not been noted. Thinking holistically, the German housing and real estate market turned out to be one stabilizing element for the economy as a whole. Naturally, property and portfolio trades had been reduced due to the crisis.
With a decreasing population and a tendency towards living in single-person-households, an increasing amount of households is to be expected. Taking the recent years' positive balance of migration into account, a lack of residential units has become obvious. Rent in residential units increases by about 1% per year.

FINANCE

Principles

Germany's social housing associations tend to moderate growth by maintaining and building stock. Developing and selling single

Properties are being financed with 10+ years fixed interest rates in annuity loans, i. e. constant periodic installments consisting of a decreasing interest amounts and decreasing repayment amounts. In recent years interest rates were fixable for 20-30 years and based on the low interest rates, higher repayments seemed useful resulting in loans of e. g. 20 years maturity with complete repayment.
Lenders are mostly banks, insurance companies, savings banks and co-operative banks but also building finance associations (Bausparkassen).

In most cases, land charges, which are unlike the accessory mortgages, serve as securities. Land charges may be reused and their existence is not bound on an existing loan.
German subsidization can be subcategorized into subject-based and object-based funding. Every landlord is entitled to apply for object-

based social housing subsidies. In return, the landlord is committed to live by certain limitations, such as rent caps and occupancy control agreements. Inadequate occupancy does not play a role as it does in e. g. The Netherlands. Tenants may apply for rent allowance or in case of recipients of minimum social welfare accommodation cost subsidy. In 2013 the government provided housing allowances or similar payments to 4.8 million households, resulting in expenses of €17 billion for housing costs. About 12% of all households are recipients of housing assistance.

Furthermore, housing associations can apply for several subsidy programs with the Reconstruction Credit Institute (Kreditanstalt für Wiederaufbau - KfW). This financial institution is closely connected with the economic development of the Federal Republic of Germany and does not work as a regular bank. Banks receive the application for a KfW-program and hand out the loan, which they receive from the KfW, to the housing associations. Low interest mortgages from the KfW are the most typical form of subsidy, although sometimes combined with repayment grants.

Additionally, most states provide their own regional programs with grants and low interest rates for issues such as energy efficient building among others.

In spite of several ways of subsidization, the number of subsidized residential units has been decreasing over the last few years. Regular financing had become equally affordable and is being provided without rent caps or occupancy control.

Average monthly rent per square meter is €5.27 (2014). This amount is subject to increases through first time letting after construction, letting after modernization, with tenant fluctuation or by regular rent increases as entitled by law. GdW's fluctuation rate is 9.6%.

In 2004, 44% of the net rent had been used for interest and repayment, of which 26% served the interest coverage. In 2013, the interest and repayment decreased to 36%, half of which was used for interest coverage.

TRENDS

The government is promoting energy renovation activities in existing stock as well as energy standards regarding newly constructed buildings. The rental sector is governed by regulation of rent increases in combination with high security of tenure. Based on recent rent increases especially in metropolitan areas, regulation of rent increase has become a major political topic resulting in a so called 'rental price brake' for new contracts, i.e. for a period of five years rents in new contracts are not allowed to be raised by more than 10% in comparison to the rent for a similar dwelling with a comparable size and location.

Overall, housing associations are able to meet local housing demand with appropriate investments. In metropolitan areas, the lack of affordable housing is being transferred to the social housing associations and municipalities. For instance, the city of Berlin decided to have their 6 own housing associations carry the load of building or purchasing 10,000 residential units per year until 2025.

From 2005-2010 some cities decided to sell entire municipality owned housing associations or their stock. The refugee migration from 2015 raised the question of purchasing stock again or founding new municipality owned housing associations. Apparently, none of these new associations have been founded yet.

NETHERLANDS

Ad Hereijgers, bureau073
housing and planning consultants

INTRODUCTION

The Netherlands has to be held on a name when it comes to affordable housing. It does not only have the largest affordable housing stock in Europe, it is also the wealthiest country, except one (Luxemburg). Approx. 50% of its tenant receive a housing allowance. Stewardship with this more than a century long tradition is with the housing associations: private companies required to work within a strict legal framework. With the Housing Act 2015, housing associations are legally required to limit their business to accommodating low income households only. All commercial activities have to be abolished or separated. This creates room for new housing providers and managers on the –urban- housing markets, especially for moderate and middle income households: €34,000 and up. Housing Act 2015 also provides opportunities for joint ventures between housing associations and private investors in special purpose vehicles. This could also introduce new capital providers in the affordable housing sector in The Netherlands.

KEY FIGURES

Inhabitants	17.0 million (2016)
Housing stock	7.5 million (2015)
Tenure:	
Social rent	33% (2.3 million)
Private rent	7% (1.0 million)
Owner occupied	60% (4.2 million)

Currently (2014), Netherlands counts 363 housing associations (25 less than in 2011). More than 90% of them own and manage more than 3,000 units. More than 50% own and manage more than 12,000 units. One third of the total stock (2.3 million) is with 19 housing associations of 25,000 units and more; 5 of these with more than 50,000 units (Ymere, Eigen Haard, Portaal, Alliantie, Woonstad Rotterdam). As a result of the Housing Act 2015, local and regional governments have defined new regional housing markets. Therefore, it is expected, that housing associations serving multiple local markets, will scale down in size, either by disposition or demerger.

Definition and eligibility to social housing is determined by 2009 EU decision, that social housing is a Service of General Economic Interest (SGEI). Primary motivation for this EU-involvement is the provision of subsidized land and state guarantees in financing social housing.
As a result, for social housing, the administered price has a monthly rent of €710 or less (2016) and is meant for households with an annual income of maximum €34.229 (2016). As from January 1, 2016, eligibility is more restricted by new allocations to a maximum rent level for individual housing allowance: approx. €600.

About 90% of the association’s housing stock has rents <€710 and is therefore regulated, about 10% is >€710 and is part of the unregulated sector. Unregulated is growing over last couple of years. As from 2017, unregulated housing requires independent financing from regulated housing, due to SGEI-requirements.

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Principles

Main principle of financing affordable housing is its revolving characteristic: allocating the profits of selling and rental operations to new investments (primarily in energy efficient new construction and renovations), in order to sustain the affordable housing stock.

To give an idea: in 2014, 17,000 units were sold to current tenants and new buyers. The average net profit per units was €70,000. For each sale, the housing association can build and finance one new regulated rental unit, assuming an unprofitable investment of approx. €50,000.

The revolving character of affordable housing has come under pressure due to new taxations: introduction of corporates taxes, the increased solidarity tax (saneringsheffing) to save Vestia (and others), the social housing landlord taxes (0,381% of fiscal value of housing unit: for housing associations adding up from €17 in 2013 to €456 per unit in 2014). The latter tax can be compensated by adjusted income-related rent policy.

There is no public funding available for social housing. The only financial incentive from national government is the guarantee for loans that housing associations primarily attract from its sector banks (Bank Nederlandse Gemeenten and Nationale Waterschapsbank). The guarantee is provided by the Guarantee Fund for Social Housing (WSW) and is funded by the housing associations themselves and ultimately backed by national government. This does result favorable interest rates that keep rents affordable.

In meeting national climate ambitions, important contribution is being expected from CO2 reduction of existing housing stock. This needs robust investments in energy efficiency. For this purpose, an incentive program (STEP) and loan program (FEH) is put into effect. Most common energy label is C (approx. 30%), while only 25% of social housing stock has the targeted energy label A or B.

Operations

Average monthly rent per unit is €497 (2014). This is expected to increase to €569 in 2019 (assuming average 2.8% annual rent increase). As per 2017 housing association are required to apply a rent approach of inflation plus 1%. This allows them for more differentiations of rent settings within their housing stock.
As a result of the lack of public funding in construction of social housing, more than 1,2 million tenants (2012) receive a housing allowance from national government. Average monthly allowance is €153 (2012). In 2014, national government spent €3,3 billion on housing allowances, expected to increase to €3,9 billion in 2020.
Net operational results show increase: thru rent increase (+5,7%), decrease in management costs (-2,6%) and increase in maintenance costs (+4,2%).

Net average cash flow per housing unit (2014):

	2013	2014
Rent	5,575	5,907
Management costs	-1,365	-1,329
Maintenance costs	-1,270	-1,323
Land lease	-9	-8
EBIT	2,932	3,247
Interest	-1,484	-1,489
Social housing landlord tax	-17	-456
Corporate tax	-25	-22
Income from interest	83	60
Government contributions	13	8
Net earnings	1,552	1,348

Interest Coverage Ratio (ICR) is 1,71 (2014), down from 1,83 in 2013 due to higher social housing landlord tax.

Balance sheet

As per 2016, housing associations are required to use market value (as rented) on their balance sheet. Previously most housing associations used discounted cash flow, that was adjusted by the authorities as *volkshuisvestelijke exploitatiewaarde.*

Balance sheet of all housing associations (as per December 31, 2014):

	DCF	Market Value		DCF	Market Value
Intangible assets	121,762	224,343	Equity	46,642	141,632
Other assets	19,718	20,066	Reserves	2,418	2,418
			Long term loans	86,552	94,491
			Short term loans	5,868	5,868
Total assets	141,480	244,409	Total Equity &Liabilities	141,480	244,409

	DCF	Market Value
Operating Result	1,205	2,999
Solvency	33%	57,9%
Property value (vacant)		€135,000 (2014): value in 2009 was €160,000

Loan portfolio: Since 2012 the total nominal loan volume is slightly decreasing due to loan repayments and subsequently lower investments: nominal debt 2014: €87,4 billion (2013: €88,9 billion). Duration of new long term loans was 15 years. Approx. 2/3 of these loans with fixed rate (average of 2,7%) and approx. 1/3 with floating rate. Duration of overall loan portfolio is 12 years.

Sector banks Bank Nederlandse Gemeenten (BNG) and Nederlandse Waterschapsbank (NWB) are still market leader in bank loans (75% in 2014), but its market share is decreasing (2010: 92%). New capital providers are institutional investors (23% in 2014, 2,6% in 2010). Reason: Basel balance sheet regulations and increased interest from institutional investors for residential real estate as asset class.

Risk assessment

Risk assessment has become a strengthened competence of the treasurers of housing associations, particularly after the Vestia crisis. Stricter rules were introduced and enforced for the use of derivates. In that respect risk assessment has become part of regular business operations and is also on regular agenda of Board of Directors.

Overall risk assessment for housing associations lies in the hands of the Guarantee Fund. In imitation of regular credit rating agencies, the Guarantee Fund does assess financial risks (thru key performance indicators) and business risks (business performance and managerial skills). This results in a risk score for each individual housing association. This score determines the chance that a housing association cannot meet its loan obligations (repayment and interest). Risk score can be low, average, high. High risk score results in (very) limited or (temporary) no access to finance. In 2014, of 364 housing associations, 198 have average score (representing approx. €43,4 billion loan volume), 141 low (€32,7 billion) and 23 high (€8,9 billion); last category showed slight increase (7 housing associations) due to stricter risk assessment.

In 2014, 10 housing associations are under surveillance from authorities, primarily because of low solvency: minimum requirement is 25% (assuming DCF).

POLICY

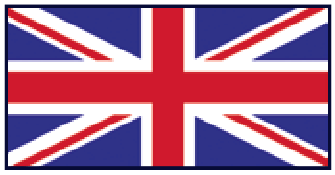
Since Housing Act 2015, primary responsibility for housing policy is on municipal level. This takes shape in periodic performance agreements between housing association, local government and tenant organization. Latter have been given more formalized role in designing and executing local housing policy.

National housing policy is now limited to affordability (rent levels) and availability (volume), energy efficiency of housing stock and senior citizen housing.Overall, housing associations are able to meet local housing demand with appropriate investments, although investments are no longer granted.

TRENDS

As from 2017 housing associations are required to split their company in a social division and market division. Main choice is between legal separation and administrative division. Most will, at least for time being, decide for administrative division. If a housing association decides for legal separation, this provides more favorable principles for cooperation with private investors. Local governments have to provide a formal opinion.

UNITED KINGDOM



Mike Ward, Circle Housing

INTRODUCTION

The UK affordable housing sector provides 18% of all homes in the country. Second only to The Netherlands in terms of overall size, UK housing associations and local councils provide 4.95 million affordable homes in the UK. Housing associations provide most of these homes (2.8 million) and are the main builders of new affordable housing.

Housing associations in the UK have been in existence for over 100 years with the very first being formed by wealthy individuals towards the end of the 19th century. The sector was quite small until the introduction of the 1988 Housing Act which saw all public funding for new affordable homes given to housing associations rather than local councils. This act also offered councils the chance to voluntarily transfer their homes to housing associations which a large number have since done. Housing association activities have been regulated by the Government through a separate "arm's length" organisation since 1964. The current regulator of social housing in the UK is the Homes and Communities Agency (HCA) which all housing associations must be registered with.

UK housing associations are involved in a wide range of commercial activities. The biggest area by far is building homes for sale but activities also includes providing care for people in their homes, management of leisure facilities such as public swimming pools and management of private rented accommodation. The Conservative government who came to power in 2015 are introducing policies that will lead housing associations to do more of these activities so new affordable homes can continue to be built.

KEY FIGURES

Inhabitants	65.4 million (2016 estimate)
Housing stock	28 million (2015)
Tenure:	
Owner occupied	63.1% (17.7 million)
Privately rented	19% (5.3 million)
Affordable rented	17.9% (5 million)

There are circa 1,500 housing associations registered with the HCA providing affordable housing in the UK. Most of these providers are very small with most owning less than 250 homes. Only 332 own more than 1,000 homes and they own 95% of all housing association units in the UK.

Eligibility for social housing varies between different locations and is usually set by local councils. In most cases when homes become vacant, housing associations have to go to local councils who select the next tenant from their housing register. Anybody can apply to be put on local council housing registers and homes are allocated on a priority needs basis. Priority needs are set by the local council and points are awarded based on the applicant's circumstances. Only those with high priority are likely to be allocated a home. In 2015, 1.24 million people were registered on local council waiting lists but just 268,000 housing association homes became vacant and were let in the same year.

Social housing rents are not linked to individual tenant's incomes unlike other countries. Systems for setting rents in the UK have changed over the years and have been linked to local income and average house prices in the past. Whilst some rents are still at very low levels (as low as 50% of market rates in some cases), the Government and the HCA have recently allowed housing associations to increase rents to generate income to develop new affordable homes. "Affordable Rents" as they are called can be set at up to 80% of local market levels although housing association can and often do set rents below this level, especially in high value areas like London. Local council can also block the use of higher Affordable Rents and have refused to adopt them in their boroughs. In 2015, the average Social Rent for a housing association home was £82 per week (£355 per month) whilst the average Affordable Rent was £112 per week (£485 per month).

Once set at letting, a housing association have usually only been able to increase rents once a year using a Government set formula which is linked to national inflation. The Government has recently changed this formula and for the next four years, housing associations are going to have to reduce rents by 1% a year.

FINANCE

Principles

Housing associations use their income to renovate and improve existing homes, provide services to tenants and to build new affordable homes. UK housing association's invested £1.9billion in improving existing homes in 2015 and built 46,000 new homes. The sector's ability to invest this much in the future is coming under pressure from a range of policies introduced by the current Conservative government. This includes the mentioned annual 1% rent cut for the next four years which will reduce association's income by a large amount. The national Office for Budget Responsibility states housing associations will be able to build 14,000 less new affordable homes over the four years as a result.

As mentioned, UK housing associations build many homes for private sales and shared ownership (where the housing association retains 50% equity in the home and charges the occupier a rent on this equity). Housing associations sold newly built property worth £571 million in 2015, 54% more than the previous year. Sales profits have been used to replace public funding for social housing which has been reducing over a period of time. Very little public funding is now available for new affordable rented homes.

Most of the funding for building new homes is raised by housing associations through private borrowing. In the past, this has been from UK banks (such as Barclays and Lloyds) on long term deals. Since the 2008 recession, UK banks have not offered as generous terms for loans to housing associations. Whilst housing associations still use banks for loans, many are now using the capital bond markets to raise finance as well. In 2015, 41 housing associations issued bonds raising £3.9bn and 63 were rated by either Moody's or Standard & Poor's.

UK housing associations will also shortly have to offer all tenants the Right to Buy their homes. The policy which has applied to most local council homes for 30 years is to be offered to housing association for the first time following changes put in place by Government. Tenants are offered a discount against the market value of their home of up to 70% (to a limit of £103,000 in London and £78,000 everywhere else) if they want to purchase. As part of a deal between housing associations and Government, the Government will pay for all of the discount. Housing associations will be expected to use this income to build further new homes and replace those being sold.

Operations

Housing associations in the UK generated £16.3bn through their activities in 2015 and received a further £638 million in income from the sale of new and existing properties. After allowing for all operating costs, housing association profit (known as surplus in the UK) was £3bn. The table below summarises income and expenditure for UK housing association in the last three financial years:

companies within which such activities take place and use tax features like Gift aid (where charities can claim tax back from donations) to reduce any tax paid to almost zero.

84% or £13.7bn of housing association income comes from the letting of affordable homes. 63.9% or 1.45m of affordable housing tenants in housing association homes receive Housing Benefit, Government sub-

	2015(£m)	2014 (£m)	2013(£m)
Turnover	16,268	15,634	14,860
Operating costs	(10,794)	(10,606)	(10,147)
Cost of sales	(873)	(848)	(852)
Exceptional items	(5)	(41)	(12)
Operating surplus	4,596	4,139	3,849
Surplus from sale of fixed assets	**638**	**630**	**466**
Gift aid	228	72	47
Other items	221	(25)	(13)
Interest received	231	217	182
Exceptional items15	(92)	(34)	(64)
Taxation	2	(12)	(15)
Surplus after tax	**3,010**	**2,362**	**1.946**

Housing associations in the UK generated £16.3bn through their activities in 2015 and received a further £638 million in income from the sale of new and existing properties. After allowing for all operating costs, housing association profit (known as surplus in the UK) was £3bn. The table below summarises income and expenditure for UK housing association in the last three financial years:
Nearly all housing associations are registered as Community Benefit Organisations and are viewed as charities, meaning that they benefit from tax advantages. No tax is paid on affordable housing activities. Associations are liable for tax on their commercial activities. Most however have separate commercial

sidy paid to them to help afford their rent. If tenants qualify for Housing Benefit, the amount given depends on their circumstances. Many receive enough to pay all of their rent. On average, tenants receiving benefit are left with £17 of their weekly rent bill to pay.
The regulatory body, the HCA measures interest cover in terms of EBITDA MRI. For the housing association sector, interest cover has continued to increase over recent years. Since 2013, it has risen from 138% to 155.6%. The HCA states that this is a result of improving profit margins, with margins increasing from 24.6% in 2013 to 28.7% in 2015.

Balance sheet

Housing associations use Existing Use Value subject to Social Tenancy for valuations on balance sheets. This valuation takes into account the restrictions that are in place if housing associations want to dispose of their homes on the open market and use discounted cash flows.

The balance sheet for all UK housing associations at the end of 2015 is below:

Of the housing associations rated by the HCA,

- 211 are rated as G1, 23 as G2, 4 as G3 and 1 as G4.
- 200 are rated as V1, 38 as V2 and 1 as V3.
- 188 landlords have a maximum G1/V1 rating.
- 5 are under regulatory surveillance.
- And two more are under review because of risk concerns.

	£m
Gross book value of fixed assets	138,007
Social housing grant	
(public subsidy)	42,487
Other capital grants	2,367
Depreciation	8,427
Net book value of fixed assets	**83,611**
Other fixed assets	4,536
Total fixed assets	**88,147**
Current assets	12,631
Current liabilities	5,543
Pension liabilities	(1,320)
Total assets less current liabilities	**93,915**

	£m
Financing and reserves	
Long term loans	50,858
Amounts owed to	
Group Undertakings	9,831
Finance lease obligations	167
Other long term creditors	1,682
Provisions	951
Accumulated surplus	19,036
Combined reserves	11,389
Total financing and reserves	**93,915**

The sector’s overall level of debt increased by £4.1bn or 6.9% during 2015 compared to 2014. As discussed, most of this new debt (£3.9bn) has been raised on the capital bond markets, usually on a long term basis. 69% of the sector’s debt is fixed with the remaining 31% being on a floating rate basis.

Risk monitoring

The HCA monitors the performance of all housing associations in the UK. Each housing association provides the HCA with a three monthly review of their financial position which the HCA monitors for any sign of problems. The HCA also review the performance of housing associations with more than a thousand homes on an annual basis, giving a score between one in four in the areas of Governance (how well it is run) and Viability (can it meet its financial obligations). A score of 1 in either area is highest, whilst a 2 is considered acceptable but with a need to improve. A score of either 3 or 4 usually leads to the HCA becoming involved in the running of the association to deal with problems.

The Government is currently reviewing what the HCA regulates. The Government wants to reduce the regulatory powers of the HCA so that the housing association sector is seen as independent of Government. This will mean that housing association debt is not accounted for as public debt in the future. The likely changes will include the HCA no longer having to approve mergers between associations and giving permission when a housing association wants to sell affordable homes. The results of the review and changes will be published later this year.

TRENDS

The UK housing association sector is seeing a number of mergers between larger providers as a result of measures in the Housing and Planning bill. At least ten mergers are underway and in the next six months, there will be at least two housing associations formed that own over 125,000 homes. More mergers are expected to take place over the next 2-3 years.

4. SELECTED COUNTRY PROFILES

BELGIUM

KEY FIGURES

Inhabitants	11,2 million (2016)
Housing stock	4,5 million (2015)
Tenure:	
Rent	34,0% (private rent 27,5% social rent 6,5%)
Owner-occupied	65,0%

Belgium has three regional housing markets: Flanders, Brussels regions and Wallonia. This brief profile only relates to the Flanders region. The institutional framework for social housing in Flanders consists of three levels:

1. The federal government has created the Mortgage Loan Law;
2. The regions (Flanders, Wallonia and Brussels) have the authority over social housing: social rent, private rent, acquisitions and loans. The Flemish Housing code is the basic decree;
3. The local municipalities have the role of initiator and director in local housing policy.

Social housing stock in Belgium is approx. 165,000 units, 6% of housing stock. Social housing is provided by sociale huisvestingsmaatschappijen (140,000), local municipalities (20,000) en sociale verhuurkantoren (5,000).

HOUSING FINANCE

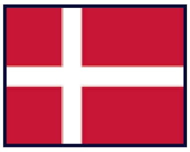
Investments by the sociale huisvestingsmaatschappijen are financed by interest-free loans (duration: 33 years) arranged by the Vlaamse Maatschappij Sociaal Wonen (VMSW). This Flemish Company for Social Housing is a public institution, an external privatized agency of the Flemish Government governed by law. VMSW is the leading expert partner for actors in social housing in Flanders. VMSW operates as the financial coordination center for the 100 housing associations in Flanders. VMSW borrows on the capital market and allocates this capital into loans with different terms and beneficiaries: housing associations, municipalities and private individuals. VMSW has a 100% guarantee from the Flanders Region: for principal and interest. Balance sheet (2013) was approx. €8,0 billion.

This organization funds these loans at capital market with subsidy from national government. Capital cost are being paid by rent revenues. If this is insufficient, due to (very) low income households, a subsidy is available. There is increasing demand on subsidies while government is reducing its spending on social housing.

Sociale huisvestingsmaatschappijen are private companies accredited by government. They have to meet strict standards to keep this special status.

Sources: Presentation Council housing in Flanders (Volkshaard) (2012), Information Brochure VMSW (2014) and The State of Housing in EU (2015).

DENMARK



KEY FIGURES

Inhabitants	5,5 million (2016)
Housing stock	2,7 million (2015)

Tenure:	
Rent	49,0%
Owner-occupied	51,0%

In Denmark affordable housing for rent at cost prices is provided by approx. 580 not-for-profit housing associations, owning approx. 7,700 estates with 550,000 dwellings (mostly family-sized apartments). This is 20% of the housing stock.

Social housing provision in Denmark is the legacy of the widespread cooperative movement that started mid-nineteenth century. A key feature has always been the high degree of tenant involvement. Social housing has become a cornerstone of the Danish welfare state. Therefore, in addition to a home, housing associations provide a wide scope of community services, including building schools, running local employment initiatives, care for special groups (youth, elderly and disabled). These services are discussed and agreed upon in local social development plans. Also, there is a lot of attention for energy-saving investments with renovations.

FINANCING

Social housing is financed by a mortgage, currently 88% and loans are obtained from the –uniformed- mortgage bond market. The municipality pays 10% of construction cost upfront thru an interest-free loan and the remaining 2% is covered by tenants' deposits. Moreover, the municipality guarantees that part of the mortgage that is above 60% of the property value. The National Building Fund is becoming more instrumental in financing arrangements for social housing.

By law, social housing must be rented at cost rents, which are based on historic costs: rents do not respond to market forces. Over the last decades, different types of mortgage loans have been used: variable-rate, index-linked, fixed-rate and covered bonds among others.

Debt repayments (and by extension, tenants' rent) on estates that were built after 1999 are, by law, set at 3.4% of historic building cost plus bank charges. This money goes to the government which services the mortgages. The level of payment is, however, independent of the actual interest rate. Given current low nominal interest rates, the estates/tenants actually pay more than the mortgage costs, so the state is making a profit from social housing built after 1999. These funds are now invested in renovations and new construction. Each of the 7,700 housing estates must balance its books; cross-subsidy between housing associations or between estates that belong to the same association is not allowed. The municipalities must approve housing associations' budgets and accounts.

Set up in 1967, the National Building Fund collects part of the surplus generated by rents in the social housing sector once the construction loans have been paid off. The Fund's level of investments as well as the concrete focus areas that can be supported within social development plans are laid down in political agreements made every 4 years by the Danish Parliament. Its resources have been used for renovation and repairs of existing social housing, but its income is set to grow in the coming years and the government and housing associations are discussing the best balance in the use of the funds between renovation and new construction.

Sources: Social Housing in Europe (2014) and The State of Housing in EU (2015).

FRANCE

KEY FIGURES

Inhabitants	66.6 million (2016)
Housing stock	34,6 million (2015); 28,4 million of main residences; 3,3 million of secondary residences and 2,9 million of vacant units
Tenure:	
Rent	39,3% (11,0 million) 17,4% public rent (4,8 million) 21,9% private rent (6,2 million)
Owner-occupied	57,7% (16,2 million)

Public spending for housing in France is very high: €46 billion in 2015 (tax cuts, reduced VAT rate at 5,5%, subsidies and housing benefit). This global amount represents 1,9% of French GDP vs an average of 1% in European Union and 0,46% in OECD countries.

The biggest public expenditure is the housing benefit: €20 billion in 2015. The second (€16 billion) is the fiscal expenditure for producers (tax cuts and reduced VAT rate).

Social housing, in France known as habitation à loyer modéré (HLM), accounts for 4.8 million units and accommodates more than 15% of households in France (more than 12 million people live in social housing).

Social housing has three levels: standard (PLUS), 'very social' housing for lower income households (PLAI) and upper income social housing (PLS). France's approx. 750 most deprived neighborhoods or Sensitive Urban Zones (ZUS) contain nearly 1.0 million HLM dwellings, about 25% of social housing stock. Every year about 100.000 social housing are build and 125.000 units are revamped.

Social rented housing are owned and managed by either public agencies (offices publics) of social housing companies (SA HLM): limited liability companies and private not-for-profit providers called Entreprises sociales pour l'habitat (ESH). Together they form the umbrella organization L'Union sociale our l'habitat (USH).

FINANCING

In general of social housing, 75% is financed by off-market loans, 10% by grants from the state and local authorities and the remaining 15% by equity from the HLM organization. For 'very social housing' (PLAI), required equity is 25%. Collateral for the loans is provided by the local authority or by a special Guarantee Fund for Social Housing named CGLLS (financed through contributions by all social housing organizations).

Social housing is financed at below market interest rates. The off-market loans are financed by funds deposited by private individuals in so-called Livret A accounts, a tax-free savings account available in all banks. Livret A is tax-free demand savings scheme; the maximum deposit is €22,950 and individuals may have only one account. There are some 55 million accounts, which contain nearly €330 billion. Some 65% of these deposits are centralized in a public bank : Caisse des Depots et des Consignations (CDC). CDC is a special financial institution which has approx. €220 billion under management and lends € 12 billion annually for social housing and urban renewal.

The loans are granted by CDC at cost (Livret A interest rate +0.6%) or even under cost (livret A -0,25% for PLAI). The terms and conditions are the same for all social housing organizations. Construction loans are granted for 40 years (20% financed on a 50-year or 60-year basis, and 15-30 years for refurbishment and modernization. The interest rate may be changed twice a year. Particularly the duration of the loan has no equivalent in the commercial market.

The low-interest off-market loans are not counted as state subsidies as they are funded by private savings.

In brief, French housing policy has proven to be resilient to the global crisis due to a wide diversity of actors and contributions to housing subsidies: State, Regions, Départements, Cities, and employers contributions (1%): in 1953, a 1% tax on wages was brought in to provide dedicated funds for housing investment, involving employers in provision of social housing.

Instrumental in financing was CDC as public bank and savings of households with the capacity to build 100,000 new social houses a year. Downside of this is the complex governance of local housing (more than 750 public and private companies) and land policies that need reform.

Public spending for housing is under pressure as budget deficits is beyond the 3% of GDP allowed under the Stability and Growth Pact (public deficit in France is expected at 3,3% of GDP in 2016).

Sources: Social Housing in Europe (2014) and The State of Housing in EU (2015).

5. KEY PERFORMANCE INDICATORS: KPI-TOOL AS BENCHMARK

Hendrik Cornehl, DR. KLEIN Firmenkunden AG

When it comes to business economics, finance and investment play a major role in almost every industry. In order to measure success, growth or assets, barely looking at a single balance sheet or other document rarely ever reveals what makes a company or a company's business year special. Interpretation of figures and comparison to a peer group enables stakeholders to gain insight and deduct knowledge.

A key performance indicator (KPI) is a metric that demonstrates how effectively a company is achieving its essential business objectives. KPIs are therefore an important tool in the affordable housing sector with its ongoing shortage of housing, limited financial resources, and increasing focus on efficiency. It is an indispensable tool in analyzing housing associations for financing and investment purposes.

Every industry has their own set of key performance indicators, which can create quick comparison among peers. Just as any other industry, the housing sector has certain distinctive features such as low volatility in cash-flows, a focus on long-term assets and long-term financing.

Comparison among national peers is being conducted by several groups of stakeholders, for instance owners, lenders, auditors, authorities, associations and competitors. As national regulations and market mechanisms differ between countries, and as housing associations usually stick to certain regions and areas, cross-border comparison among international peers seems to be challenging.

EFL's working group Finance & Investment decided to accept this challenge and created the goal of delivering a KPI-tool for international comparison of European housing associations' financial figures. The subsequent aim was, of course, to find certain differences in financial figures, reveal the differences' reasons and ideally identify best – or at least better – practice in order to improve performance.

The working group comprises of both financial experts and housing associations from several countries. Based on the group members' collective experience, a set of KPIs related to

- revenue and profitability,
- financial statements,
- employees and
- property portfolio

has been qualified.

To benchmark different definitions (e.g. local GAAP versus IFRS) and working methods among European countries, the working group started with analyzing and comparing KPI sets from Dutch Woningstichting Eigen Haard, based in Amsterdam, and German Gewobag Wohnungsbau-Aktiengesellschaft Berlin.

When comparing IFRS- and non-IFRS-bound housing associations' figures, certain "translations" have to be made in order to achieve comparability. Property valuation could also serve as a perfect example of different national standards and methods with completely different results.

The KPI-tool is available as a Microsoft Excel-file and is easy to handle. Figures of the past three business years are being taken into consideration, which enables a development's visualization as well as an overview over the most recent figures. The comparison and interpretation has to be covered by individuals as the tool does not provide automated interpretation. Furthermore, regional and national characteristics cannot be expressed in figures directly. Hence, dialogue with the working group is highly recommended and appreciated.

Currently the tool offers the following KPIs related to revenue and profitability:

a. Gross rental income
b. Earnings before interest, taxes, depreciation and amortization (EBITDA)
c. Profit
d. Funds from operations excl. sales result (FFO I) and incl. sales result (FFO II)
e. Adjusted funds from operations excl. sales result (AFFO)
f. Interest coverage ratio (ICR)
g. Debt service coverage ratio (DSCR)

In relation to financial statements, these are the embedded KPIs:

h. Balance sheet total
i. Investment property
j. Equity ratio
k. Financial liabilities
l. Loan to value (LTV)
m. Financial liabilities per square meter
n. Asset coverage ratios I and II
o. Gross asset value (GAV) and net asset value (NAV)

Regarding employees, the only figure is:

p. Employees as of December 31

From portfolio key figures, the working group chose the following:

q. Lettable units
r. Total lettable area
s. Rental units per employee
t. Fair value per square meter
u. Rent multiplier
v. Average residential net basic rent
w. Vacancy rate (residential)
x. Maintenance and repair per square meter and per unit
y. Management costs per square meter and per unit

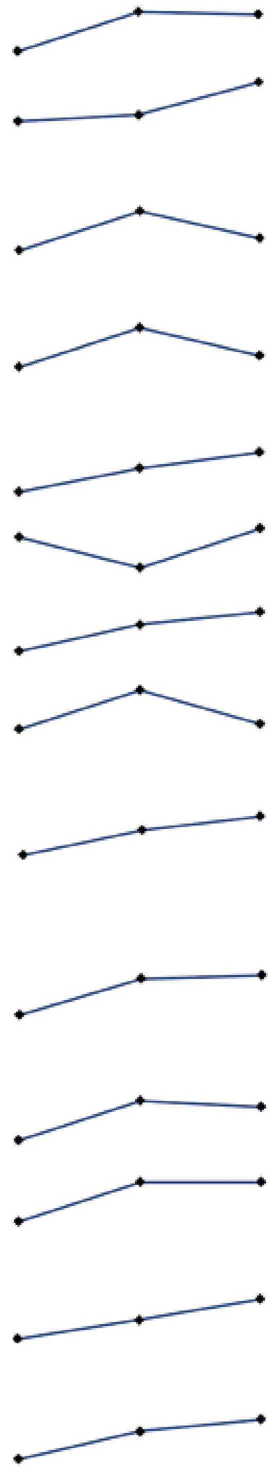
By discussing single KPIs, their different values and influencing figures, indications can be deducted towards e.g. efficiency or process-modelling.
After all, KPIs are just one tool, albeit an important one, to make financing and investment decisions on a corporate level. In other words, in addition to KPIs, other considerations could and should be taken into account in decision making.

"An effective and universal KPI-tool will help to both standardize financial reporting across Europe and, through effective comparatives, better enable the sharing of best practice, ultimately optimizing efficiency and our ability to deliver new homes and great service".

Paul Rickard,
Group Director of Finance & Resources
at One Housing London

Key Performance Indicators European housing associations

	unit	2012	2013	2014	Change 2014 -2013	Trend 2012 2013 2014
revenue and profitability						
FFO II (incl. sales result)	m.€	51,1	70,7	69,3	-1,4	
AFFO (adjusted FFO I)	m.€	9,4	14,4	39,7	25,3	
Interest Coverage Ratio ICR (EBITDA)	m.€	2,2	2,6	2,3	-0,3	
Debt Service Coverage Ratio DSCR (EBITDA)	m.€	1,0	1,1	1,0	-0,1	
financial statements						
Balance sheet total	m.€	2.664,1	3.041,2	3.294,4	253,1	
Equity ratio	%	38,2	35,9	38,9	3,0	
Financial liabilities	m.€	1.423,3	1.648,0	1.756,3	108,3	
Loan to Value Ratio (LTV)	%	53,7	55,0	53,9	-1,1	
employees						
Employees Dec. 31	number	507,0	527,0	538,0	11,0	
portfolio key figures						
Units (residential + commercial)	number	54.782	59.006	59.405	399	
Rental units per employee	number	136,6	151,3	149,0	-2,2	
Rent Mulitplier	x	11,7	12,7	12,7	-	
Average residential net basic rent	€/m²	5,3	5,4	5,5	0,1	
Vacancy rate (residential)	%	2,2	2,9	3,2	0,3	



Predominant Valuation Method for Residential Properties

	For Aquistition Purpose		For Accounting Purpose		For (Re-)Financing Purpose	
	Condominium	Apartment Housing	Condominium	Apartment Housing	Condominium	Apartment Housing
Belgium	Comparison Method	Comparison Method	Comparison Method	Comparison Method	Comparison Method	Comparison Method
Denmark	Comparison Method	Investment/DCF and benchmarked against vacant possession values	Comparison Method	Investment/DCF and benchmarked against vacant possession values	Comparison Method	Investment DCF and benchmarked against vacant possession values
Finland	For (state subsidized) rental use only: income approach		comparison		For rental & sales use: sales	
France	Either income capitali-zation method or direct comparison with discounts for occupancy and block sale	Direct comparison approach	Either income capitali-zation method or direct comparison with discounts for occupancy and block sale	Direct comparison approach	Either income capitali-zation method or direct comparison with discounts for occupancy and block sale	Direct comparison approach
Germany	Comparison Method	Investment Method	Comparison Method	Investment Method	Comparison Method	Investmend Method Mortgage Lending Value
Netherlands	Leased properties: DCF/comparison/ capitalisation Owner-occupied: comparison (Vacant Possession Value)	Leased properties: DCF/comparison/ capitalisation Owner-occupied: comparison (Vacant Possession Value)	Leased properties: DCF/comparison/ capitalisation Owner-occupied: comparison (Vacant Possession Value)	Leased properties: DCF/comparison/ capitalisation Owner-occupied: comparison (Vacant Possession Value)	Leased properties: DCF/comparison/ capitalisation Owner-occupied: comparison (Vacant Possession Value)	Leased properties: DCF/comparison/ capitalisation Owner-occupied: comparison (Vacant Possession Value)
UK	Generally by reference to vacant possession values (comparison)	Investment/DCF and benchmarked against vacant possession values	Generally by reference to vacant possession values (comparison)	Investment/DCF and benchmarked against vacant possession values	Generally by reference to vacant possession values (comparison)	Investment/DCF and benchmarked against vacant possession values

6. AGENDA WORKING GROUP FINANCE & INVESTMENT

In 2016, the group learnt about the Danish housing sector, investment calculations done by German Gewobag Wohnungsbau-Aktiengesellschaft Berlin and Hennigsdorfer Wohnungsbaugesellschaft mbH as well as risk management by Dutch member Parteon. Furthermore, some measures of on- and off-balance financing strategies have been covered.

Investment calculation, risk management and financing strategies, both on- and off-balance, will remain as reoccurring on the working group's agenda as well as learning about new member countries' characteristics. Additionally, the group is going to discuss and learn about further issues as they become topical – depending on markets, political developments and European legislative.

The group is going to rely on their proven pattern of three meetings per year in different locations. Berlin, Glasgow and Paris have been identified as meeting destinations for 2017. Please visit EFL's website for further information on the working groups' upcoming meetings.

7. COMPANY PROFILES OF WORKING GROUP MEMBERS

BERLINER BAU- UND WOHNUNGS-GENOSSENSCHAFT VON 1892 EG

Location Berlin
Size *6.800 dwellings in 10 out of 12 districts of Berlin*
Website *www.1892.de*

The housing cooperative 1892 looks back on a more than 120-year-old history which ranks among the cooperatives in the city with the richest tradition. It has more than 14,000 members and 6,800 dwellings in nearly every district of Berlin. Still 20% of the housing portfolio is regulated. 1892 has its own credit union, which allows members, their families and relatives to save their money at favorable rates. Approximately 60% of housing are listed buildings, 400 dwellings are listed since 2008 as UNESCO World Heritage. Since that time 1892 is part of the UNESCO-World Heritage and established the Foundation Stiftung Weltkulturerbe Gartenstadt Falkenberg und Schillerpark Siedlung.

The mission of 1892 means that cooperative living is something between renting and owning: Instead of rent, the cooperative member pays a moderate fee for using the flat to provide affordable housing to tenants who need it most, but takes corporate social responsibility to keep or make residential neighborhoods safe and attractive. The average rent is below the rent index in the city. More than 30% of our members have an age of 65 or more. Because of this fact we have 300 senior-dwellings and three housing-share for elderly who can´t live alone.

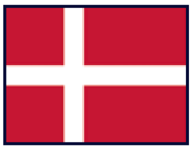
Our main business goals are:

- To provide affordable, good quality housing for our members;
- To put back the surpluses into the environmentally-aware maintenance and modernization of dwellings and the residential surrounding or paid back to the members in the form of dividends.
- To enhance safe and attractive neighborhoods;
- To offer guest apartments and concierge services;
- To sustain high quality real estate that matches even future tenants needs (including energy efficiency and housing for people with special needs);
- Professional organization: good governance, business performance, attractive employability.

Challenges in Berlin Metropolitan Area: availability of affordable housing for low and middle income groups, improvement of energy efficiency of the current housing stock and an aging tenant population with special needs. Therefore we modernize 100-200 dwellings per year and build in average 1% new dwellings per year of our stock.

BO-VEST

Location Glostrup
Size *10,700 units in the western suburbs of Copenhagen*
Website *www.bo-vest.dk*



BO-VEST is a non-profit housing management organization, owned by the 3 independent housing organizations Albertslund Boligselskab, Vridsloselile Andelsboligforening and Tranemosegard.

BO-VEST provides administration services for 10,700 dwellings in the western suburbs of Copenhagen.

The company has 250 employees, comprising administrative staff and property managers.

BO-VEST core activities are property management services, lettings, management of refurbishment and renovation projects, and services for the tenant's democracy. Furthermore, BO-VEST does administer social projects, funded by the National Building Fund, in the residential areas.

Facts about BO-VEST:

Number of dwellings	10,700
Number of residents	26,000
Large scale refurbishment projects	€600 million
Number of staff in social projects	20
Number of active tenant representatives	275

CIRCLE HOUSING GROUP

Location Southern England; including London, East Anglia, Surrey, Kent and the West Midlands

Size *67,000 residential units*
Website *www.circle.org.uk*

The first parts of the Group were founded in the nineteen sixties when groups of individuals who felt inspired to do something about the poor housing conditions in post-war Britain formed Circle 33 Housing Trust in London and Mercian Housing Association in Birmingham. Later, after legal changes were introduced in the 1980s other Associations were formed that took over ownership of the housing that had been built and previously owned by Local Authorities or Councils as they are sometimes called.
The present Group has been formed by bringing together those 'traditional' and 'stock transfer' associations first into two separate Groups and then through merger and growth into what exists today. Each of the Associations in the group operates under charitable rules to provide homes and services to people on low incomes and, in the case of rented social or affordable housing, to customers who are nominated as tenants by their local council. Circle is regulated by the Homes and Communities Agency and receives funding from the Government to help develop more of the affordable housing the UK so desperately needs. It combines this with Bank loans, operating surpluses and Bond finance to enable its development and regeneration programmes to continue even in the face of rent reductions.

Grant funding has reduced over recent years and Circle Housing Group now offers housing for sale, for shared ownership and homes for full market rent. Profits that it makes on these kinds of homes are reinvested to support the development of houses to be let at lower rents. Shared ownership is a tenure where the buyer purchases a leasehold interest for a fixed percentage of the property and pays a subsidized rent on the unpurchased equity. They can buy more of the equity or in most cases buy outright when their finances allow. For many years Circle has also provided homes for people with special needs, for disabled people and the elderly and it has a Care and Support Subsidiary called Centra which employs staff who deliver these support services.

Circle's Business plan goals for 2016-2017 are:

- to provide high-quality, safe and secure homes that are affordable to people on different budgets;
- to increase the supply of homes, ensuring we maintain or increase our portfolio of affordable homes;
- to support customers to become financially resilient and independent and fulfil their aspirations around;
- social mobility through a variety of services;
- to ensure we offer Value for Money through every area of our operations by being more efficient;
- to maintain our financial strength.

Challenges vary significantly between regions in the UK, with very high property prices in London and high market rents making it almost impossible for people on 'normal' incomes to afford to rent or buy. Outside London, especially in parts of the North of England and more remote rural areas low demand and lower house prices present a different set of challenges. Where there is low demand, homes may stand empty for long periods and where values are low, building for sale to cross-subsidize affordable housing may not be viable.

In the Autumn of 2016 Circle Housing Group will merge with another major provider, Affinity Sutton to create the country's largest registered landlord. It will own and manage around 127,000 homes. This merger will see the production of new homes increase to 50,000 in the first ten years of operation, representing a step change from the current joint production of a little more than 2,000 homes a year.

EIGEN HAARD

Location Amsterdam Metropolitan Region
Size *56,000 residential units*
Website *www.eigenhaard.nl*

Founded in 1909, Eigen Haard carries more than a century track record in social housing. It's housing portfolio consists of 56,000 units, of which 95% is regulated rent (<€710) and 5% unregulated (>€710). The remaining portfolio, approx. 6,000 units, is small offices, retail stores, garages and parking places.

The mission of Eigen Haard is to provide affordable housing to tenants who need it most. Along with its partners, Eigen Haard contributes to the high-demand housing market in the Amsterdam Metropolitan Region. Eigen Haard not only ensures good quality housing, but takes corporate social responsibility to keep or make residential neighborhoods safe and attractive.

It's main business goals are:

- To provide affordable, good quality housing for low-income households;
- To enhance safe and attractive neighborhoods (encouraging home ownership and community building);
- To sustain high quality real estate that matches (future) tenants needs (including energy efficiency and housing for people with special needs)
- Customer satisfaction (including active participation and co-production with tenants organizations);
- Accountability to stakeholders;
- Professional organization: good governance, business performance, attractive employability;
- Financially strong to meet future demand and challenges.

Challenges in Amsterdam Metropolitan Area: availability of affordable housing for low income and middle income households, improvement of energy efficiency of the current housing stock and an aging tenant population, that requires adjustments in and around their homes. Therefore, Eigen Haard's strategy is directed to encourage dynamics in the regional housing market and create opportunities to match supply and demand by selling 300-500 units per year, renovate 400-500 units per year and build 800 new units per year.

Management of condo-associations is a growing activity. This is a result of the strategy to convert rental buildings into mixed buildings with renters and home buyers. At present about 20% of Eigen Haard's tenants live in mixed buildings, owned by Eigen Haard and individual home buyers.

GEWOBAG WOHNUNGSBAUAKTIENGESELLSCHAFT

Location	*Berlin*
Size	*58,500 rented apartments and approximately 1,500 commercial units*
Website	*www.gewobag.de*

Gewobag
Die ganze Vielfalt Berlins.

With holdings of some 58,500 apartments and about 1,500 commercial units, Gewobag is one of the biggest real estate companies in Germany. As a firm that belongs to the city-state of Berlin, Gewobag always has a close eye on developments in the German capital and tailors its strategy to the future needs of the city-state.

This approach finds its expression in the growth strategy adopted in 2015 – the most extensive growth plan in the company's roughly 97-year history. Within the next ten years, Gewobag will invest approximately 2.5 billion euro in expanding its property portfolio, in response to Berlin's rapid growth as a city. In all, the plan foresees the construction of more than 10,200 new apartments and the purchase of an additional 4,400. This will create living space for 30,000 new residents of Berlin. That the company has the necessary commercial wherewithal for this huge expansion is underlined by its top ranking with the two leading rating agencies, Moody's and Standard & Poor's.

Gewobag's activities always combine commercial considerations with social thinking. Berlin is a diverse city which is constantly changing with the people who live in it. Preserving and promoting this great diversity of Berlin is one of Gewobag's main goals: hence the company's slogan "die ganze Vielfalt Berlins". The firm makes a point of creating residential space for all groups of society and also takes special needs into consideration with construction projects such as senior citizens' residences and shared accommodation for refugees.

Gewobag is involved in Berlin in many more ways than just building and renting out apartments. It actively promotes district development by sponsoring numerous cultural and social projects designed for their specific neighbourhoods. In 2013, Gewobag established the foundation Berliner Leben to increase its social involvement. Participation and integration remain important aspects of Gewobag's corporate strategy. The company pursues these goals not just through its role as landlord but also through its role as employer: the diversity of its tenants is reflected in the work force. Special, targeted programmes like the vocational training programme for refugees further contribute to this identity.

In addition to commercial viability and social district development, another essential plank of Gewobag's future-oriented concepts is climate protection: district electricity, electromobility and energy-efficient modernisation are already part and parcel of the Gewobag business model and the company invests considerable innovative energy in their further development.

HENNIGSDORFER WOHNUNGSBAUGESELLSCHAFT MBH

Location Hennigsdorf
Size *3,100 residential and commercial properties*
Website *www.wohnen-in-hennigsdorf.de*

The Hennigsdorfer Wohnungsbaugesellschaft mbH (HWB) manages a portfolio of 3,100 residential and commercial properties. Therefore it is the second largest housing lessor of Hennigsdorf. As a municipal company, it supplies the inhabitants of Hennigsdorf with affordable and modern equipped living space, since 25 years. It does not matter if you are a senior, if you have family or if you are searching for your first flat, everyone can find a home with the support of the HWB. Our customers take advantages of our “real estate-know-how”. Qualified staff and a modern administration system ensure high-quality services and fair prices.

Our company offers solar energy for ecologically friendly heat supply, a “garbage collection system” for the fairly distribution of costs, a powerful broadband cable network for fast Internet access and an innovative energy management. We find new and modern ways to furnish our apartments.

We also take intensely care about the quality of life and the neighborly coexistence of our tenants. Since years, the HWB promote the youth work in our town and support the work of neighborhood meetings in their own districts.

Additionally, our company rises to the challenge of integrating refugees. In the last 5 years 188 persons (in 87 households), from all conflict areas, found a new home by the HWB. A commitment that is unique when you compare the size of the HWB with other commercial companies from the metropolitan area of Berlin. Following our corporate strategy, it is our aim to complement “object profitability” and social requirements and not to contradict.

KOMMWOHNEN SERVICE GMBH

Location Görlitz
Size *6,500 housing units*
Website *www.kommwohnen.de*

The KommWohnen Görlitz Ltd., founded in 1990, is located in the easternmost city of Germany, in Görlitz. With a stock of around 6,500 housing units the KommWohnen Görlitz Ltd. is the biggest lessor at the local housing market. Their housing stock includes cooperative property houses, municipal flats and condominiums in all urban areas of Görlitz and for all classes of society.

In the field of urban renewal and urban development the KommWohnen Görlitz Ltd. is substantially involved in the implementation of numerous projects to let the town blossom out in her unique charm. Also in the areas of housing and urban redevelopment huge goals were achieved to improve the housing quality in Görlitz. For example in 2012 and 2013 the company redeveloped a lot of listed buildings in the historic section of town. So the townscape won enormously at elegancy and recognition value. Besides the KommWohnen Görlitz Ltd. reacts to the declining population in town. So they started in 2012 with the retrenchment of two till three floors by buildings made from prefabricated slabs – the so called "Abzonung". So the stand of empty dwellings could be currently reduced by seven per cent. Never there was such a project in this town before.

Together with B&O Wohnungswirtschaft from Germany and construction company Vastbouw from the Netherlands KommWohnen Görlitz Ltd. built the first EFL-house worldwide. The EFL-House is a house which is market with low building costs. So maximum chances of winning can reached very fast. Start of construction was July 1st 2013. The dwellings were ready for occupation in Autumn 2014.

But not just in the housing market the KommWohnen Ltd. is presented. Together with the town Görlitz and its mayor the company developed the so called "Strategiepapier" which is well-known about the border of Görlitz out. The "Strategiepapier" includes important ideas to play a part in the inhabitant development positively.

KommWohnen Görlitz Ltd. is employer of about 70 employees, which ensure optimal care for their customers with specific knowhow and big passion to their jobs. Besides the company employs its own craftsmen. So the needs of the tenants in the technical area can be currently fulfilled.

ONE HOUSING

Location South east England, including London
Size 15,000 residential units
Website www.onehousing.co.uk

One Housing is a modern social enterprise that builds and manages high-quality homes for people of all incomes. Its portfolio consists of 15,000 units and it has a development pipeline that will deliver over 3,000 further homes in some of the most desirable areas of the UK by 2021. The organization is diverse, with successful services and products ranging from social rented housing to elder care, hospitality (backpacker hostels and cafes), property services and luxury apartments. As a registered provider of social housing One Housing is regulated by the Homes and Communities Agency. One Housing has a diversified business model with £245m turnover.

There is a severe housing shortage in south east England, leading to huge demand and high housing costs. The shortage is most acute in London where all but the very wealthy struggle with housing costs. One Housing's mission is to help people at every stage of life and from every background live better. To do this means building as many new homes as possible. To fund building new affordable homes One Housing uses the profit from commercial activity, including selling and renting housing on the open market. In 2015/16 One Housing reported profits of £35m from housing sales

One Housing's corporate plan for 2015-19 identifies six core themes:

- Financial strength – increasing profit and ensuring financial security that can be reinvested in new housing and helping people live better;
- New homes – maximizing the number of new homes for people of all incomes and backgrounds and using the profits from homes sold and rented on the open market to build affordable homes;
- Our landlord services – investment in maintenance and tailored services will meet the requirements of our customers;
- Housing care and support – giving those who need support, including older people, access to great housing and working with the NHS to reduce bed-blocking through supported housing;
- Employment and partnerships – helping residents find work by offering training and opportunities
- People – recruiting and retaining high caliber staff with a wide range of skills.

One Housing is growing a number of valuable brands as it develops commercial strength to support its social heart. Its older people's brands Season, for the affordable and middle markets, and Baycroft, for the high end have a development pipeline of 1,000 units. The innovative SoHostel backpackers' hostel and Café in Soho has a strong reputation and is popular with visitors from East Asia. Citystyle, the commercial property arm of One Housing is preparing to offer wider property services to landlords.

PARTEON

Location	*Amsterdam Metropolitan Region, northern part: Zaanstreek*
Size	*15,959 residential units (not counting residential care complexes)*
Website	*www.parteon.nl*

Parteon is a social housing agency in the North-West of the Netherlands, the Zaanstreek, which is well known as characteristic Dutch region. With tourist attractions like the Zaanse Schans it is one of the regions with the richest cultural heritage in the Netherlands.

Together with our tenants and local government we work towards affordable and good social housing in the Zaanstreek. This means that we keep the amount of social housing properties up to the mark by building new residencies and maintaining our current properties. Parteon invests in sustainable and green solutions like insulating houses. We also invest in maintenance issues such as the removal of asbestos and drainage and foundation engineering.

We only rent our property out to tenants who are directly relying on social housing. Most of our tenants are elderly who need extra support and suitable assistance in order for them to be able to live in their own home. Another large number of our tenants are families who struggle with their finances. Together with our relevant social partners and tenants we strive to resolve these issues. We take care of the immediate residential areas around our property by keeping it safe, clean and whole. By reducing disturbances and damages we enhance liveability in and around our property.

Facts & Figures

Housing portfolio

Houses with a regulated rent of > € 389	2,915
Houses with a regulated rent of € 389 - € 556	8,417
Houses with a regulates rent of € 556 - € 699	3,756
Houses with a unregulated rent of € 699 - € 800	901

Customer satisfaction

Service overall	7.1
Service - moving in	7.3
Service - moving out	7.1
Service - repair request	7.0
Quality of the residence	7.1

Investments in maintenance

Day-to-day maintenance	€ 8,6 million
Planned maintenance and upkeep	€ 13,8 million

Organization

Total amount of employees	182
Employee satisfaction	7,1
Full time / part time employees	93 / 83
Male / female	79 / 103

VILOGIA

Location Paris, Lille, Strasbourg, Lyon, Marseille, Bordeaux, Nantes
Size 65,000 homes
Website www.vilogia.fr

Social real estate business group, Vilogia is backed by a property portfolio over 65,000 homes in the main tense areas: Paris, Lille, Strasbourg, Lyon, Marseille, Bordeaux and Nantes. The Group brings together 5 Companies specialized in the field of housing around Vilogia S.A., the 3rd Social Enterprise for Housing of France. This company was born more than a century ago and is a subsidiary of a network of North of France investors and entrepreneurs.

Vilogia deploys its strategy dedicated to low revenue employees seeking good quality housing in urban areas, because housing and jobs are at the heart of regional economy. As a real link between local authorities and business leaders, the Group operates throughout the French territory through its 3 main competences: builder, social landlord and urban developer for creating new living environments or refurbishment of existing housing stock.

Because the residential track in tense areas should no longer be an obstacle, Vilogia primarily does focus on the needs of its customers. Through a balanced settlement policy, Vilogia promotes social diversity in neighborhoods and works daily to improved quality of life. Today, more than 120,000 people benefit from a rental home in our social housing stock, 42% of them are working families. Each year, we offer a new housing solution to 12,000 people, representing over 5,400 allocations for social housing per year.

To enable low-income households access to property (In the new or old), Vilogia offers secure purchasing system: in 10 years more than 3,500 families were able to realize their dream. Finally, our teams will manage condominiums with proximity to our clients.

Vilogia is one of 6 social housing companies with national jurisdiction. With over 2,500 new housing units delivered per year, we are among the actors of the sector one of the most dynamic. Economic and energy efficiency, respect for mankind and his environment are among the fundamental values of Vilogia. Our mission is part of an ongoing commitment to reducing our carbon footprint by reduced consumption of energy of our buildings and thus cost control for our customers. With our certified operations Passiv'Haus, Cerqual or H & E, our customers enjoy considerable savings of energy loads in innovative life places. Committed to a proactive CSR, Vilogia is participating in economic life in our host regions. Every year more than 110 bids are awarded to 250 companies for an average annual purchase amount of € 140 million.

Objective: customer satisfaction! Our call center provide personalized responses to 2300 calls every day. On the field, our local teams (wardens and account managers) regularly work at the home of our customers.
Anticipate future needs: 20% of our tenants are over 65 years old. Tomorrow the seniors represent 35% of social housing tenants. For every people, Vilogia develops adapted housing solutions: an offer dedicated to seniors, student residences, specialized host structures.

A step ahead: Going out of the box to create new models, overcome barriers and address the legal, regulatory, financial, and human challenges! For Vilogia, Innovation means taking risks ... and advance! Since 2013, we are players of the Third Industrial Revolution in Nord-Pas de Calais, driven by Philippe Vasseur (President of the Regional Chamber of Commerce and former Minister). Throughour project called HEP (Habita(n)ts Positive Energies), Vilogia launches in Mouvaux, close to Lille, a new method of reclassification of a neighborhood in co-design with the inhabitants. The City of Tomorrow, producing energy and employment.

8. PARTICIPANTS IN EFL WORKING GROUP FINANCE & INVESTMENT

Name	Company	EFL-membership	Category	Country
Ad Hereijgers	bureau073 housing and planning consultants	associate	housing consultants	Netherlands
Arne Myckert	KOMMWOHNEN Services GmbH	member	housing association	Germany
Carola Brüst	Gewobag Wohnungsbau-Aktiengesellschaft Berlin	member	housing association	Germany
Dirk Lonnecker	Berliner Bau- und Wohnungs-genossenschaft von 1892 eG	member	housing association	Germany
Dries Wijte	Woningstichting Eigen Haard	member	housing association	Netherlands
Hans Heyse	Sociale huisvestings-maatschappij Volkshaard	member	housing association	Belgium
Hendrik Cornehl	DR. KLEIN Firmenkunden AG	associate	financial consultants	Germany
Holger Schaffranke	Hennigsdorfer Wohnungs-baugesellschaft mbH	member	housing association	Germany
Ines Cumbrowski	DR. KLEIN Firmenkunden AG	associate	financial consultants	Germany
Joost Nieuwenhuijzen	European Federation for Living (EFL)		managing director	Netherlands
Jurgen de Ruiter	Woningstichting Parteon	member	housing association	Netherlands
Marc Bonjour	Patrimone Epargne Retraite Logement (PERL)	associate	housing investor	France
Martien Post	Gewobag Wohnungsbau-Aktiengesellschaft Berlin	member	housing association	Germany
Michael Schlatterer	CBRE GmbH	associate	residential valuations	Germany
Mike Ward	Circle Housing	member	housing association	United Kingdom
Paul Rickard	One Housing	member	housing association	United Kingdom
Stephan Bachhuber	DR. KLEIN Firmenkunden AG	associate	financial consultants	Germany
Stephane Ganeman Valot	Vilogia	member	housing association	France
Steven Henderson	Wheatley Housing Group	member	housing association	Scotland
Ulrik Brock Hoffmeyer	BO-VEST Boligsamarbejdet pa Vestegnen	member	housing association	Denmark

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