

SOCIAL HOUSING: HOW TO FINANCE

Stichting(Foundation)

Dutch International Guarantees for Housing
(DIGH)

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SEE/CEE

TWO SEPARATED MARKETS

■ EXISTING STOCK

- affordable
- small
- management: poor
- maintenance backlog
- low savings for refurbishment
- financing: difficult
- mobility = low

■ NEW CONSTRUCTION

- small amounts
- higher incomes
- decent quality
- - management ??
- savings?
- mortgage schemes available
- mobility = low?
- underdeveloped real estate market.

HOUSING INVESTMENT POLICY

- Stimulate mobility :
 - > create new affordable houses
- On the mid term: new construction isn't alternative for existing stock:
 - > create schemes for reinvestment in existing stock.

3.2. 'Market' for Housing Finance Agency

SEE/CEE NEEDS
ON HOUSING MARKET



EXISTING FINANCING
CAPACITY



3.2b. Positioning for HFA



INSTITUTIONAL LOANS
FOCUS ON:

Affordable housing

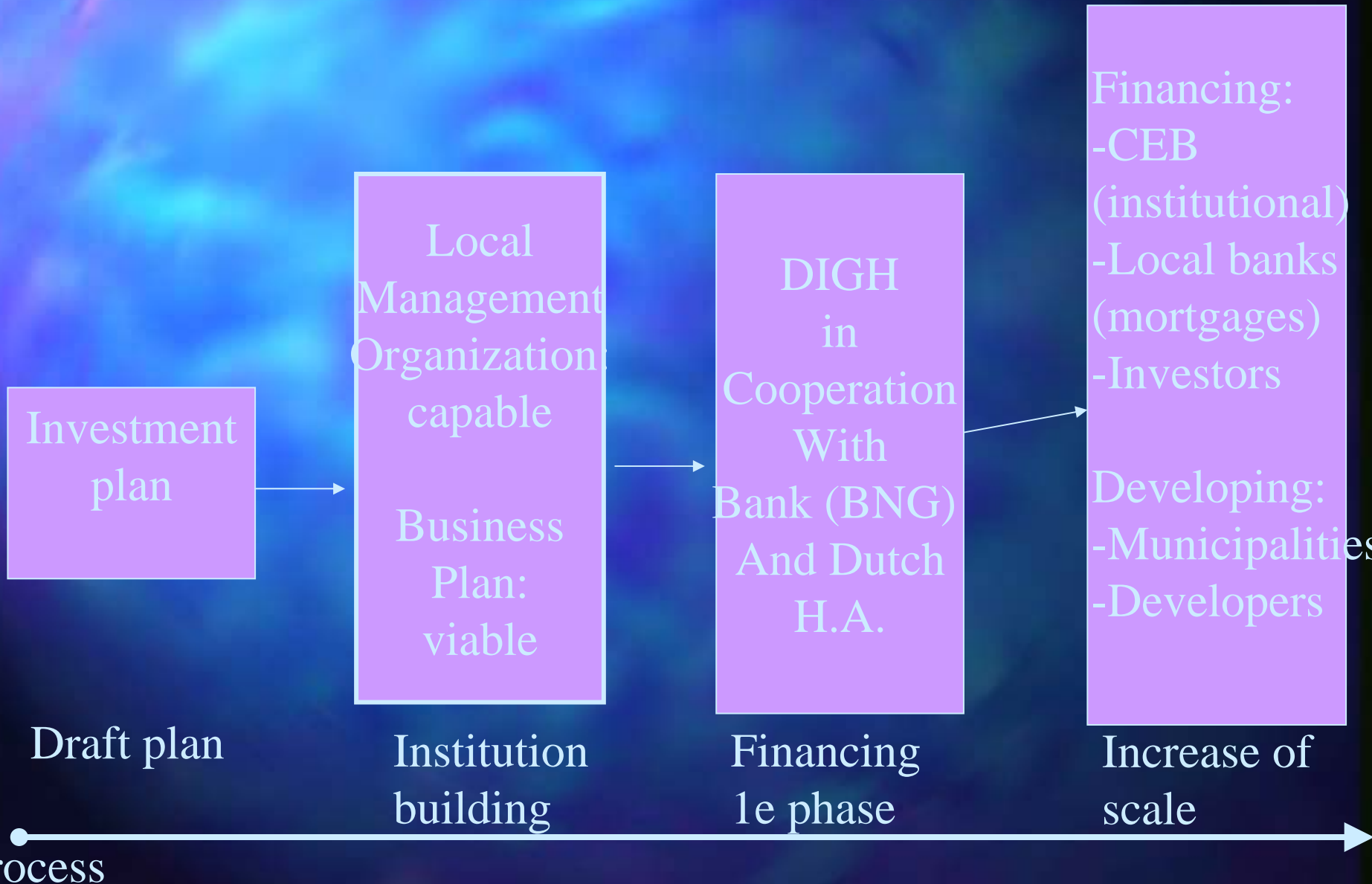
- 1. Lower middle incomes
- 2. Option:

On project level balance
between higher middle
& lower incomes

FHA as intermediary organization: funding by others



A CHAIN OF ACTIVITIES



LOCAL MANAGEMENT SOLUTIONS

HFA

A RECONSTRUCTION VEHICLE

Local Mortgage banks

Institutional loan
(20 years)

- Support Condominium
- Project Management
- Financial arrangements
- selling off Added Value

Block after block.....

Mortgages

Recapitalization
of vehicle

PRODUCTS:

Acting
Ass. Of owners

Businessplan

Reconstruction

Selling to
members

Dutch International Guarantees for Housing



DIGH loan structure



THREE CORNERSTONES

FINANCING
(on good conditions)



PROFFESIONAL
MANAGEMENT

VIABILITY
& SECURITIES

HFA: INSTITUTIONAL POSITIONING

- 2a. According to development banks
- 2b. HFA as intermediary organization

HFA: Added value according to development banks

- A: Council of Europe Development Bank (CEB)
 - development of institutional framework (legislation, management)
 - Assessments of project/ organization
 - Risk taking of first loss (by guaranties)

3.2c. HFA: Added value according to development banks

- B: European Investment Bank (EIB)
 - development of programmatic approach
 - intermediary organization
(minimum volume of programme: 25 mjn)
 - Assessments of project/ organization

3.2c. HFA: Added value according to development banks

- C: World bank (WB)

- D: UN Habitat

- Meeting next month

3.2d. HFA as intermediary organization

- Intermediary between:

A: projects :
governments/ municipalities
local institutions

B: guarantors (first loss)
municipalities/ guarantee funds (as DIGH)

C: financers
development banks; int. trade banks;
local banks; others

3.3. APPROACH of DIGH

- INSTITUTION BUILDING
- LOANS/ GUARANTEES

3.3. CONDITIONS

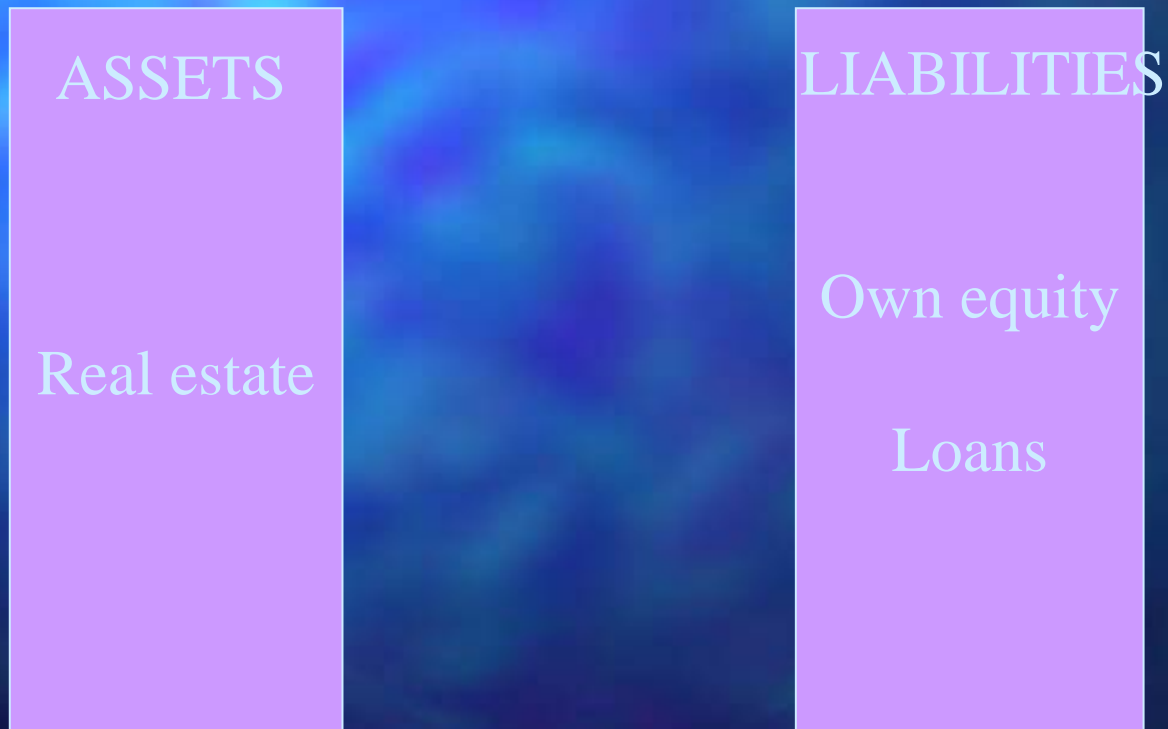
- a. Viability of investment plan
- b. Capability of local investor/ real estate management organization

3.3.a INVESTMENT PLAN

- New construction and/or reconstruction
- Investment volume
- added value of investments
- Cash flow prognosis
- Viability
- Financing

3.3.a ASSETS AND LIABILITIES IN ONE HAND

Balance sheet:



3.3.b REAL ESTATE MANAGEMENT

3.3.b LOCAL MANAGEMENT ORGANIZATION

- Administration
- Maintenance
- Incas so procedures
- Portfolio management
- Long term (investment) planning
- Project management
- Financing (attracting loans)
- Business plan

**3.3.c FINANCING of
SOCIAL HOUSING:**

**POSSIBILITIES of
DIGH**

DIGH 1



AIM

Support to activities outside the
Netherlands

dealing with housing

making a contribution to social
developments

(housing/labour/education/environment).

‘Get the wheel turning’: value-creation

CONDITIONS

- directly linked to
(re)investments/real estate
(financing/)
- necessity of local real estate entity

MEANS

- Securities (loans/mortgages)
- Loans

Standard-contracts

- securities
- loans

CONDITIONS FINANCING

- Total amount financed $\leq 75\%$ I
- accountability institutions giving securities (Dutch side)
- Quality of management of local real estate entity
- Viability of project (businessplan)

LOAN CONDITIONS

- In local currency (Euro also possible)
- Long term (till 30 years)
- Low interest rate (4,6 – 4,8%) + currency risk premium
- 0,3% premium for DIGH
- Volume per phase: 0,5-1,5 mjn. Euro
- Max. 75% of investment

Possibilities DIGH: limited

- Balance total Dutch HA: 90 billion
- 0,3 pro mille per year: 27 million
- Capital: +/- 300 – 400 million.
- Necessity: Matching