

KREDEX

How to finance renovation? Practices and positive impact in Estonia

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8th October 2019

About KredEx and why we support renovation

- Founded in 2001 by the Ministry of Economic Affairs and Communications
- For companies, we offer loans, venture capital, credit insurance and state-backed guarantees for faster development and safe expansion into foreign markets.
- **For private individuals, we offer state-backed guarantees and grants for purchasing housing and improving their energy efficiency.**

- **Apartment buildings:**

We aim to provide financial instruments and grants for renovating multi-apartment buildings, improving indoor climate and reducing energy costs

Why the emphasis on apartment buildings?

- 75% of the Estonian population lives in apartment buildings, from which about 90% are privately owned and most built before the 90s.

The evolution of renovation financing in Estonia

Renovation loan

Before 2008

- Short maturity, 8% or higher interest rate

Revolving fund 2009-2014

- KredEx+ERDF+CEB loan+State loan: to private banks
- Self-financing 15%, loan maturity up to 20 years, average interest 4% (10y fix). No collateral was needed, credit against cash flow.

2012 - ...

- Loan by private banks
- Usually no self-financing needed, loan maturity up to 20 years, interest rate about 2-3% (5y fix + 6mo EURIBOR)

The evolution of renovation financing in Estonia

Grants

2003-2007 (€12,8M)

- 10% with no requirements for energysavings.
About 3200 buildings.

2010-2014 (€38M)

- 15% - EPC class E / energy saving 20% or 30%, according to the size of the building
 - 25% - EPC class D / building envelope, heating system / energy saving >40%
 - 35% - EPC class C / roof, facade, windows, heating system, heat-recovery ventilation system / energy saving >50%
- About 660 buildings renovated**

2015-2020 (€102M) (round closed September 2017 due to high demand and the funds being covered in total with applications)

- 15% - EPC class E / energy saving 20 or 30%, according to the size of the building
 - 25% - EPC class D / building envelope, heating system / energy saving >40%
 - 40% - EPC class C / roof, facade, windows (lose thermal bridges), heating system, heat-recovery ventilation system / energy saving >50%
- About 400 buldings** (will be) renovated with **more than 90% being complex renovations** (class C)

2018-...(€18M+?)

- Regional advantages: 50% grant outside more densley populated areas, Tallinn/Tartu (biggest cities) 30%, no 15% grant as previous.

The evolution of renovation financing in Estonia

Loan guarantee

- Since 2002
- Up to 80% of the loan amount, no collaterals needed, fee 1,2-1,7%
- For use when risk is higher (debtors, rural areas, low market value) or when the cost of reconstruction cost per m2 is higher (complex reconstruction)
- 1078+ apartment buildings have used it since 2002.
KredEx' guarantee constitutes 61,2 million euros which has helped apartment associations get loans in total of more than 92,6 million euros.
- Significant rise since 2010, mostly used alongside with the grant.

Main challenges concerning financing

- **The of price of real estate in rural areas as collateral**, in conditions of continued urbanisation. Commercial banks may not fund projects outside bigger cities.

Ideas to tackle this challenge:

- Bigger reconstruction grant for apartment buildings in rural areas since 2019 (50%)
 - Pending idea of a new renovation loan
 - Possible housing loan guarantee for individuals wanting to relocate to rural areas. More people = higher real estate value + better solvency
- **The capacity of the construction sector.**
Also vital in keeping the reconstruction cost per m2 at a level where it's both acceptable (accessible) for homeowners and banks.

Consistent work on awareness of energy efficiency

It doesn't matter how much money you have to give out if people don't want to use it and don't opt for change

- Analysis and surveys – finding the best technical solutions for different housing and sharing that knowledge
- Best practices and sharing our experience
- Campaigns and informational materials

Impact

- Expected average heating saving of 65% (total ~80 GWh/year)
- More than 100 000 people are living in better conditions thanks to our work. That's the equivalent of the population of Tartu – the second largest city in Estonia.
- **Great awareness** about possibilities to finance renovation among apartment associations = acknowledgement, trust and **desired action**

Up to the point where you have **17,5 million** euros to give out as grants in 2019 and it vanishes in less than **1,5 minutes**.

Why? Because we have evoked a shift in peoples thinking about their homes, energy usage and quality of life.

Thank you!



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