

# Bridging legal deficits

Strengthening of housing legislation  
by a new model of housing financing

Wolfgang Amann

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## The Hen or the egg

- ➔ Different speed
- ➔ Only vaguely the same direction
- ➔ Different preconditions



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## Privatisation of the housing stock

- Privatisation law relatively easy to introduce
- To give capital in the hand of individuals
- Privatisation has stuck in many cases half way
- Owners mostly not able to convert property to capital
- Market obstructions?
- Financing obstructions?
- Legal obstructions?



## Legal Deficits in SEE-Countries

- ➔ Legal relations between owners in multi-storey buildings
  - owners, any kind of association of owners and the public
  - in some countries dwellings privatised but not buildings
  - in some countries associations of owners as legal bodies
  - in some countries housing cooperatives
  - in recent years laws on condominium



## Legal Deficits in SEE-Countries

- ➔ Legal relations between owners in multi-storey buildings
- ➔ Management and maintainance
  - ⌚ devison of common costs not specified sufficiently
  - ⌚ massive underinvestment
  - ⌚ management of multi storey housing estates is a dull and difficult business with quite limited prospects of profit
  - ⌚ privatisation of management companies with mediocre success



## Legal Deficits in SEE-Countries

- ➔ Legal relations between owners in multi-storey buildings
- ➔ Management and maintainance
- ➔ Improvement of private capital market
  - ⌚ no sufficient supply of long-term low interest rate financing
  - ⌚ reasons?  
legal deficits in registration system, registering of mortgage collateral, inefficient repossession procedures, valuation of property, housing developer contract law etc.
  - ⌚ reasons?  
deficits in financing: funding of capital, insufficient refinancing instruments, low saving rates, insecurity etc.



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- ➔ Housing supply for lower income groups and young households



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- ➔ Improvement of private capital market
- ➔ Housing supply for lower income groups and young households
- ➔ Introduction of schemes of housing subsidies
  - ⊗ no western country goes without housing subsidies in any form
  - ⊗ only make sense, if closely related to private capital market
  - ⊗ efficiency of a limited-profit housing sector



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- ➔ Introduction of schemes of housing subsidies
- ➔ Enforcement of planning and building regulations



## A financing instrument with bridging function: A housing investment bank for CEE/SEE countries

- ➔ Acquisition of guarantees
- ➔ Capital provision
- ➔ Provision of capital through local banks
- ➔ Advisory services
- ➔ Temporary interest in banks
- ➔ Own projects



## Conclusion: what can be achieved?

- ➔ Social stabilisation
- ➔ Stabilisation of migratory pressures
- ➔ Stable employment
- ➔ Gradual building of national wealth
- ➔ Forming of private capital
- ➔ Strengthening industry and the craft trades
- ➔ Strengthening local business cycles and
- ➔ Establishing an efficient SME sector

