

Ladies and Gentlemen

I am very pleased to present to you the financing system of the housing cooperatives of Switzerland.

As an introduction I would like to give you some general information about the Swiss housing cooperatives

Switzerland is a small country in the middle of Europe with not quite 8 million inhabitants. Most housing cooperatives are not very big and operate locally. There are about 1800 of them, which have an average of 100 apartments. The cooperative which I am the president of is the biggest one and owns about 5000 apartments.

Switzerland is a country of „renters“. Around 70 % of all apartments are rentals, but lately, there is a trend to more owner-occupied apartments. Most of the housing cooperatives lease their apartments to their members and are not involved in the real estate sector.

The percentage of apartments owned by cooperatives amounts to 5 %. In urban areas it is higher, in the countryside lower. This percentage also contains terraced houses which are no longer built nowadays.

The target group of the housing cooperatives are mainly people with small or medium income as well as families. But if somebody lives in a cooperative and the income increases, it cannot be a reason to terminate the rent contract.

The cooperatives lease their apartments at cost price value, in which sufficient allowances for write offs and renewal reserves are included though. The grounds and the buildings are withdrawn from speculation and thus rents are normally more affordable than on the free market.

In Switzerland most are privately organised. Contrary to housing cooperatives in the neighbouring countries Germany and Austria, they get only little financial back up from the government.

Now - how are housing cooperatives financed in Switzerland

Normally finance institutes finance up to 80 % of the net value of a property. There is a first mortgage of up to 65 % which has cheaper interest, and a second mortgages of up to 80 %, which costs more interest and must be paid off annually.

So 20 % are left. In Switzerland, this is the amount of capital which the owner has to supply. In case of housing cooperatives, these 20 % are financed through shares bought by members. But especially for new cooperatives it is very difficult to obtain this capital. For these cases the government has made a revolving fund, which gives out subordinate loans with low interest of up to 10 %. These loans are counted as owner's equity and but must be refunded within 20 years.

Therefore only 10 % remain to be financed via shared capital by the members of the cooperative.

There are further instruments which help finance cooperatives in Switzerland:

- a) A surety cooperative with many members. This cooperative guarantees a part of the owner capital which leads to more money being paid by finance institutes
- b) General sureties. For instance the town of Zurich gives out a second mortgage up to 94 % out of its pension funds. With this the owner equity falls to 6 %.
- c) Subsidized apartments: The state or local government give interest-free loans to the housing cooperatives. The difference in interest finances apartments for people with small incomes and help reduce the amount finance institutes supply, which leads to better conditions.

While paying off the outside capital the owner's equity gradually rises. As the grounds and the buildings are withdrawn from speculation, this leads to rents gradually falling over the years.

Which other funding instruments are there in Switzerland:

Many communities give land in the building law to housing cooperatives to guarantee low priced accommodation. The rents in Switzerland, especially in cities are very high. City employees but also bus drivers or vendors often cannot afford those rents but have to live in the area. Therefore it is very important for the state to have low priced apartments. Some communities build the apartments themselves and others work together with the housing cooperatives and hand over the land in the building law.

But real subsidies do not exist for housing cooperatives. Only private homeowners get tax alleviations. This distorts the market as private homeowners favoured by tax alleviations are ready to pay more for the land, which becomes too expensive for cooperatives.

The main problem for fresh housing cooperatives is the owner's equity. Therefore our association tries to aid there. For this we have a national solidarity fund as well as a foundation which co-finances newly founded cooperatives.

I hope this presentation was able to give you a small insight into the workings of the housing cooperatives in Switzerland

Cooperatives are counted among the most innovative in the apartment industry. This, because they are not solely interested in the highest possible return, but also in value. So they promote good architecture, environmental friendliness and different forms of cohabitational living. And to conclude, I would like to show you some examples from my hometown, Zürich: