

SECURING RELIABLE CO-OPERATIVE CAPITAL WHILE GUARANTEEING MEMBER CONTROL FOR HOUSING CO-OPERATIVES

HSB /SWEDEN

NIKLAS WIDEBECK

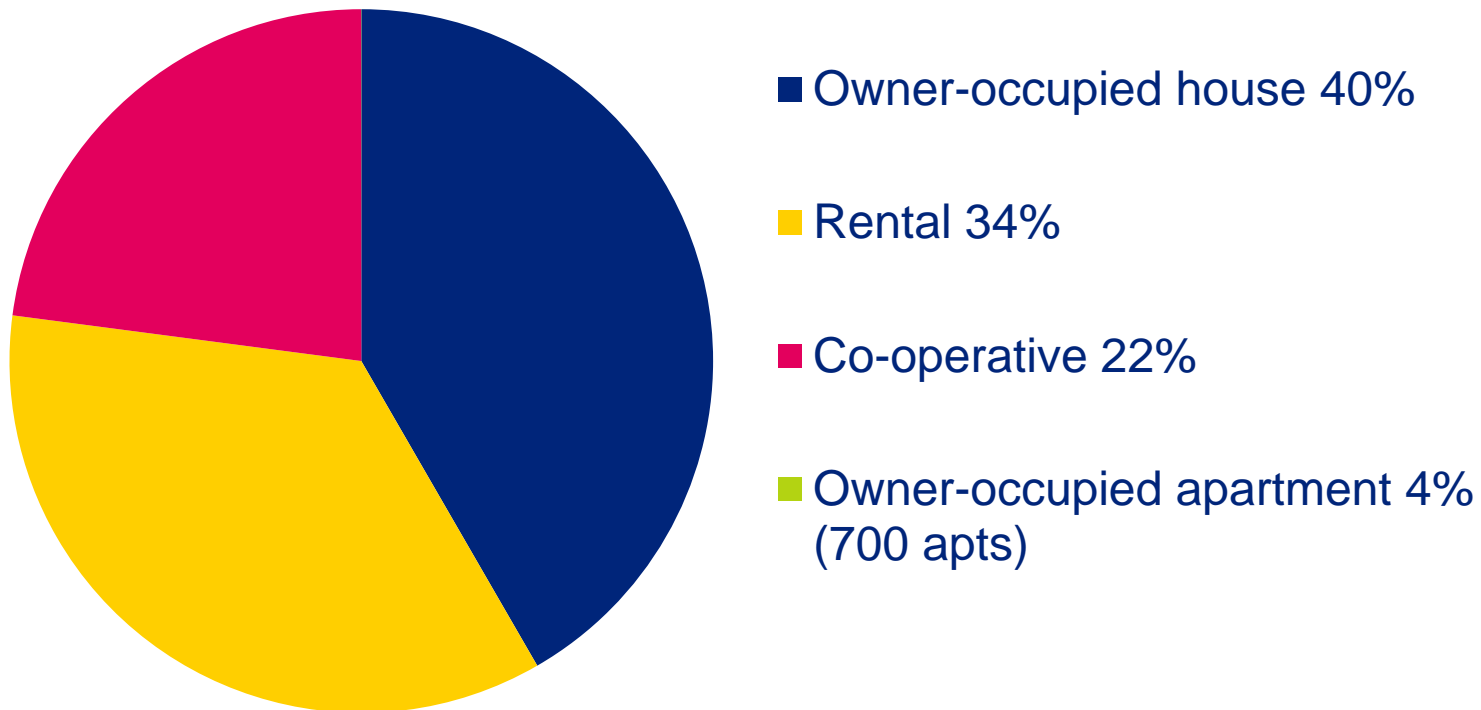
ANALYST/SENIOR ADVISOR



HSB – där möjligheterna bor

HOUSING IN SWEDEN

Type of ownership (Total 4 630 000 units)



CONSTRUCTION



2014

- 1 800 apartments
 - 1 540 co-operative
 - 211 rental
 - 28 direct ownership



2015

- 2 500 apartments planned

HISTORY

- *The first co-operative house had problems with both competence and capital -> 2,5 % of production cost were to be paid during 20 year to a mother co-operative (cooperative businesses or regional HSB-förening)*
- *The regional HSB-förening were supposed to provide services to existing co-operative houses in the area as well as building capital and competence for constructing new ones.*
- *The regional HSB-förening needed national co-ordination and formed HSB Riksförbund and a federation in three levels was established*



ORGANISATIONAL STRUCTURE



550' individual members



4000' co-operative houses



30' regional co-operative business



HSB Riksförbund

HSB ProjektPartner Ltd
(Construction)

THE TYPE OF HOUSING FOR WHICH CAPITAL IS NEEDED

- **Tenure Model:**

Ownership

- **Target Population(s):**

Home savers, members, the market possibility for each plot, read who is most likely the buyer.

- **Affordability Targets:**

Average and high income. Totally on market conditions since 1990 without any state subsidies for building houses.

THE TYPE OF HOUSING FOR WHICH CAPITAL IS NEEDED

Types of Construction:

Houses

Townhouses

Flats (medium & high-rise)



HSB100

HSB will try to solve the housing deficit by building apartments based on the ability of people to pay according to the average income of the area





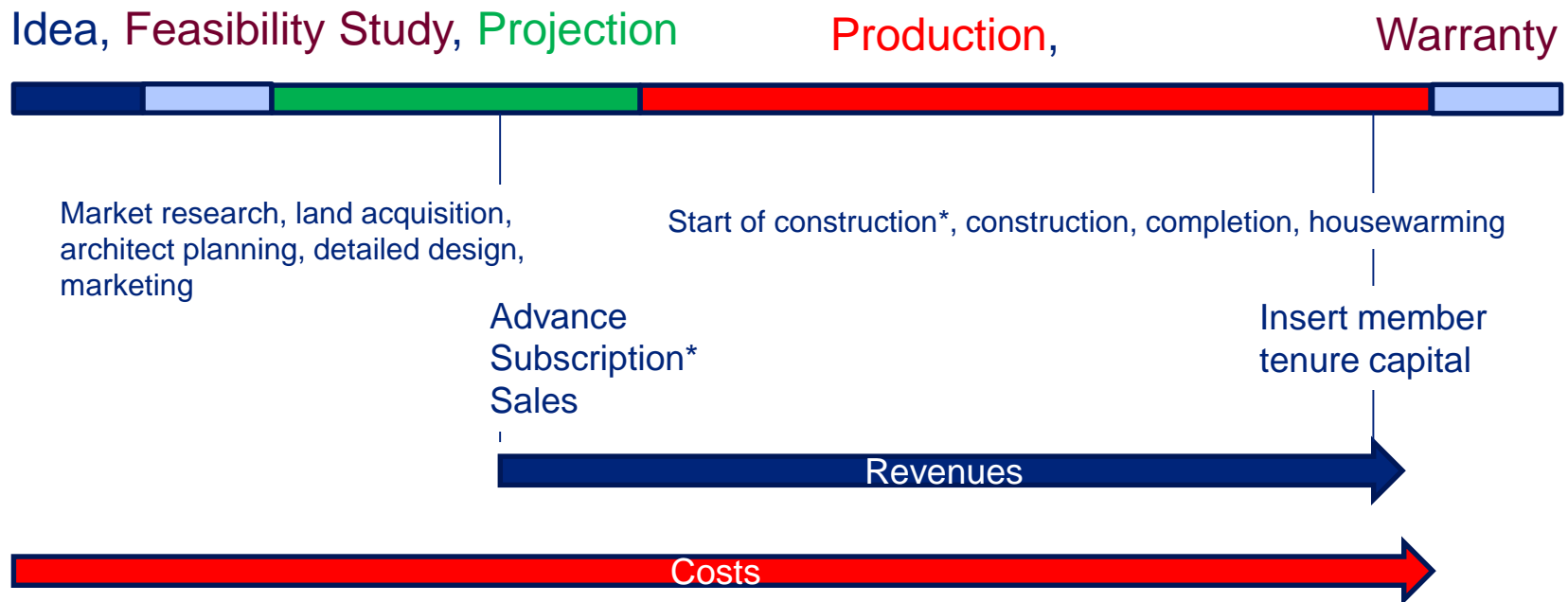
THE PURPOSE FOR WHICH CAPITAL IS NEEDED:

New development: *new co-ops!!!*

Renovation or redevelopment of existing co-op properties?

An unsolved question since co-operative housing very often lacks the ability to finance large redevelopments. This is a problem for houses in unpopulated areas with major maintenance issues such as plumbing or rooves.

PRODUCTION PROCESS



Joint venture and sales:
Regional HSB and National HSB
Project Partner Ltd

Co-operative housing buys the land
and construction from the joint
venture and takes loans during
construction

**Conditions for start of construction:
>10 % project net-margin
>30% Presales/Advance subscription*

SOURCES OF CAPITAL AND RELATED CHALLENGES IN SECURING CAPITAL:

Sources:

Private commercial lenders

(Normally one of the four big banks in Sweden)

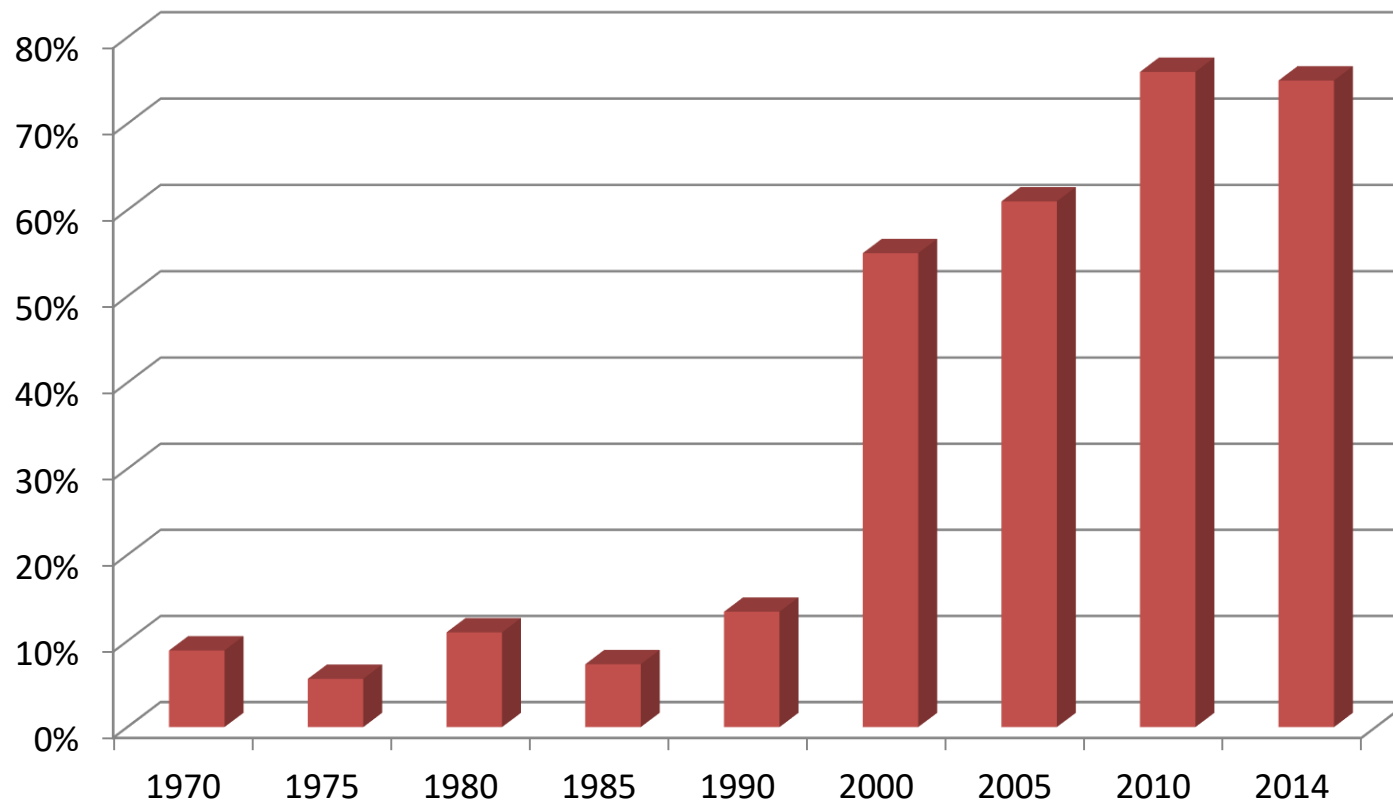
Swedbank 

Handelsbanken

Nordea 

SEB 

MEMBERSHIP EQUITY / TOTAL PRODUCTION COST FOR NEW CO-OPERATIVE HOUSES



ASSESSING THE SITUATION:

- **What can be achieved with the capital that is available?**
Today's production plan is 2 500 apt/year and approximately 750 more apartments in market opportunities with reasonable risk
- **What are the barriers to accessing capital?**
We grow organically and re-invest our surplus which means we do not experience the barriers today.
- **What is being done / what can be done to overcome those barriers?**
See above

SUMMARY

- HSB does not experience capital as a limited resource with the production volumes of today.
- Areas that restrict us more:
 - Market risk and lack of customer/member ability to pay the cost of the house
 - State/municipal planning process including opening new areas with infrastructure - roads, schools, public transportation
- We have a history where we solved the lack of housing together with the state & municipality but we work under market conditions today.