Investor Report

Catalytic capital investment as an enabler of affordable rental and cooperative housing

in Central and South-Eastern Europe

Catalytic capital investment as an enabler of affordable rental and cooperative housing

in Central and South-Eastern Europe

Investor Report

Authors: Zsuzsanna Pósfai, Csaba Jelinek
Contributing author: Ivon Pavlović
Design and layout: Sara Dević
Publisher: Periféria Policy and Research Center
ISBN: 978-615-01-6907-1 (print), ISBN 978-615-01-6908-8 (pdf)

The full report is available for download at:
www.moba.coop/catalytic-capital-investment/

Supported by the Catalytic Capital Consortium Grantmaking.

Cover page photo: Levente Szczuka

December 2022.

Table of contents

Executive summary

The potential for catalytic capital investments in the housing sector of Central and South-Eastern Europe (CSEE) is structurally different from countries with a stronger economic position. This results from key challenges that characterize this region. The energy efficiency and quality of the housing stock is significantly low, there is a higher rate of housing deprivation and at least 20-30% of the population, including middle-class households, struggles with issues of housing affordability. The public housing sector is usually marginal in these countries, while the private rental sector is significantly underregulated, does not provide adequate stability and is too expensive for the majority of the population. Rental and cooperative housing sectors developed and managed by not-for-profit providers are not established yet.

However, according to our surveys, more than half of the population in four capital cities from the region (Budapest, Belgrade, Ljubljana, Zagreb) would welcome some type of change in their housing situation, and between 13 and 26% of the population fulfills both subjective (being open in principle to such an idea) and objective (they are above the financially most vulnerable segments of society) criteria to become users of new, affordable and secure rental and cooperative housing models, were they to be offered. Housing finance products currently available in the region are not able to fulfill these needs: housing loans for individuals are not accessible to large segments of society. This is even the case for many social groups whose monthly income is above average. In order to improve this housing situation, the research findings point to the need for a new non-profit sector for rental and cooperative housing to be developed.

There are, however, two main obstacles to the emergence of such a non-profit housing sector in the region: (1) currently available loans for organizations have a very short maturity, and (2) in the absence of minimally adequate financial tools, housing providers are not able to expand their capacities and upscale their activities.

The report offers a theory of change to overcome this catch-22 situation: bringing in new catalytic capital investments to bridge the gap of missing long-term finance. This could take the form of complementary financing next to a (mid-term) bank loan and can cover a rather significant part of the total investment needed at the start of a housing development. This catalytic capital investment mechanism can be of limited duration since it can offer to kickstart a necessary shift within the more mainstream housing finance landscape, and over time, conventional lenders can step into this developing market and introduce new, more adequate loan frameworks.

In this mechanism, it is necessary to have intermediary organizations, since catalytic capital providers have limited capacity to directly engage with the end beneficiaries (that is, startup housing providers). Intermediary organizations collect and structure capital, and issue it towards end beneficiaries, while also supporting them with capacity development to absorb the investments. Capacity development both on the local scale (for housing providers) and on the intermediate scale (for intermediary organizations) is crucial for the success of this impactful shift in housing finance.

Central and South- Eastern Europe

We define this region as European countries that were on the “Eastern” side of the Iron Curtain but have not been part of the Soviet Union. Out of the 14 countries fulfilling this definition, we selected eight countries as our research sites: Bosnia and Herzegovina, Bulgaria, Croatia, Czechia, Hungary, North Macedonia, Serbia, and Slovenia. We selected both EU and non-EU members, and we also kept diversity within the sample in the dimensions of size and economic development.

Catalytic capital investments

We define catalytic capital investments as “investments that are more patient, risk-tolerant, concessionary, and flexible than conventional capital”.
See: Catalytic Capital Consortium FAQ.[1]

1 See www.macfound.org, Catalytic Capital Consortium, Frequently Asked Questions.

Research background

Since the 2008 global financial crisis, numerous publications have described how a global housing crisis is currently taking shape and how it creates serious economic and social problems. Within Europe, these processes are especially prominent in the Central and South-Eastern European (CSEE) countries, where as part of the shock-therapy context of the 1990s, social housing sectors have been extremely rapidly privatized and radically downscaled, and where systematic investments into affordable housing solutions were practically non-existent ever since. The countries where this research has been conducted have experienced a lack of affordable housing and consequential hardship in society. With the intention to build up a robust evidence base for future progressive steps – including potential catalytic capital investments – we have set out with three research questions:

- What are the characteristics and the size of specific social groups in need of new forms of permanently affordable housing solutions whose needs are not met under the current market conditions?
- What are the characteristics of the actors and the products present in the housing finance market of this region? What are – historic or contemporary – examples of catalytic capital boosting affordable housing in the CSEE region?
- What are the bottlenecks preventing catalytic capital or impact finance from entering the sector of affordable and/or cooperative housing in CSEE? What steps should be taken to overcome these bottlenecks?

Methodology

The first phase of the research has been carried out as extensive desk research focusing on the housing sector (its current state and evolution), as well as on the existing housing finance instruments in eight countries of the Central and South-Eastern European (CSEE) region (see Figure 1). Desk research was supported by interviews with local housing experts from all eight countries.
In the next phase, four so-called “core countries” (Croatia, Hungary, Serbia, Slovenia) have been selected for representative surveys, more in-depth research on financial instruments, and expert interviews.
The surveys were conducted in four cities in May and June 2022 by the following market research companies: Smart+ (Belgrade), Ninamedia (Ljubljana), Promocija Plus (Zagreb) and Tárki (Budapest). The survey had 33 questions divided into two parts. Every respondent completed the first part of the survey, which had 13 questions. Based on three simple criteria, the respondents were then filtered, and only a so-called “Wide Demand Group” completed the second part with 20 additional questions. This two-step logic ensured to have a sound estimation of the ratio of this Wide Demand Group in the societies of these cities and also to have a deeper insight into the characteristics of this group. In each case, the first part of the survey was representative of gender and age groups for the adult population. The sample size varied according to the population of the respective cities (n=1341 in Belgrade, n=1762 in Budapest, n=1004 in Ljubljana, n=1052 in Zagreb). The primary mode of data collection was via phone, but web interviews were also used in up to 15% of the cases.

This Investor Report looks at the potential of catalytic capital investments in the housing sector of Central and South-Eastern Europe (CSEE), as explored by a research consortium from five countries during 2022. The empirical part of the research was concluded in October 2022.

A final, detailed report of the project was published in December 2022. The research was supported by a grant from the Catalytic Capital Consortium Grantmaking, a project of the New Venture Fund.

Figure 1: RESEARCH SCOPE. EIGHT COUNTRIES OF CSEE AND FOUR CORE COUNTRIES.

For the purpose of analyzing available financial instruments for individuals and for organizations and companies in the four core research countries, we have selected 39 relevant financial institutions. The types of financial institutions subjected to desk research are commercial banks, development banks, savings banks, housing funds, and development funds. Through desk research, we gathered publicly available information about available financial instruments on the market (websites, publications, reports and promotional materials).

We also conducted 17 interviews in the four core countries, identifying key financial actors and experts in the field of housing finance through previous knowledge of the field and through desk research. In addition, we also conducted 10 interviews with international experts, who were typically either representatives of financial institutions (EU financial institutions, public and private financial institutions from outside the region) with experience in the field of financing affordable housing, of foundations developing innovative financial tools for this purpose, or were actors with significant experience in developing innovative financial tools in the Central and Southeast European region.

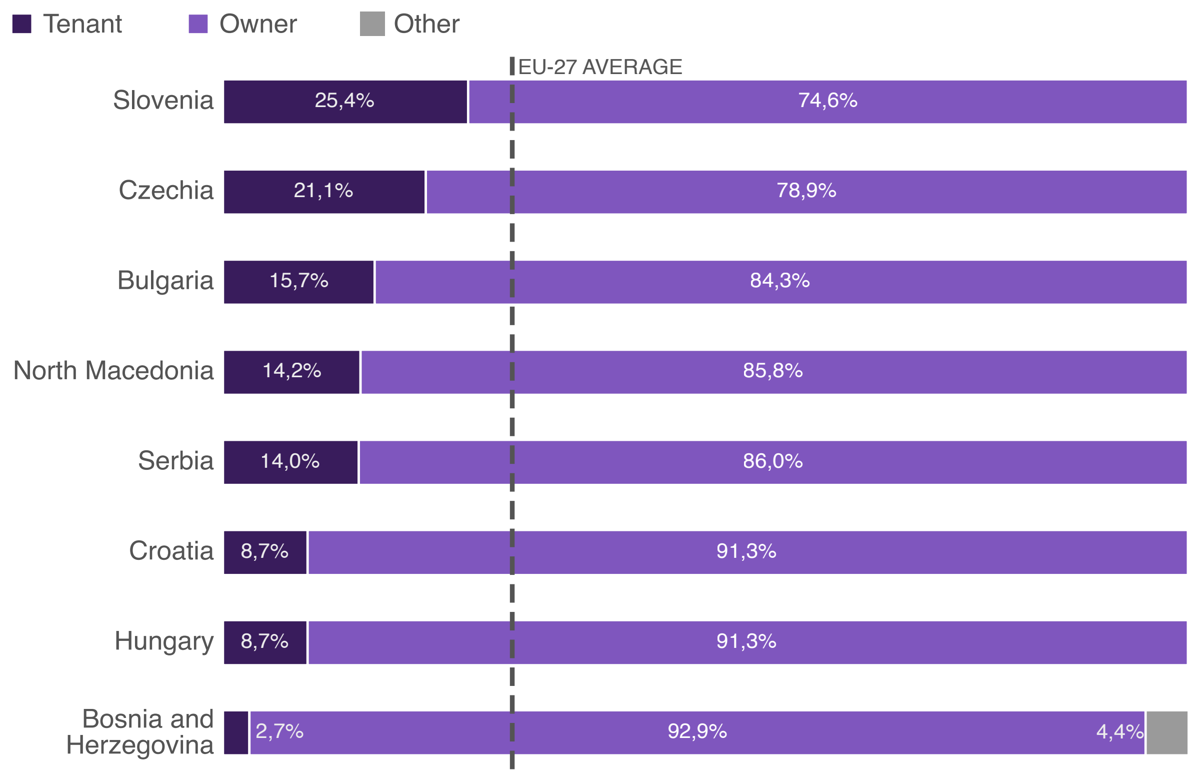
The information was gathered from April to October 2022. Thus, in our research, we faced the challenge of doing research during a highly volatile period in the midst of emerging crises.

Growing demand for affordable housing in CSEE

Findings from the desk research

- The potential for investments in the housing sector in CSEE is structurally different from those in countries in a stronger economic position. This results from key challenges that characterize this region: there is a higher rate of housing deprivation, and at least 20-30% of the population struggles with affordability issues, including middle-class households.
- This is coupled with “super-homeownership” regimes, where the proportion of public and social housing units is minimal, which hinders the resilience of the sector (see Figure 2).
- Private rental sectors are small but growing in each country. These sectors are insufficiently regulated, where both tenants and landlords are insecure.
- Informal housing solutions – such as illegal buildings, sharing dwellings with relatives and friends in an informal way, etc. – are widespread, especially in South-Eastern European (SEE) countries.
- Since 2015 significant sales price and rent hikes on the residential market further escalate these problems. Some countries of the region experienced the highest increase of housing price indices compared to EU averages (see Figure 3).
- In all of these countries, the energy efficiency of residential buildings is very low, and energy poverty is widespread (see Figure 4).
- In all countries, existing housing finance instruments are individual mortgages, in most cases complemented by state subsidies that can be used for home purchase and go with subsidized loans. These target preferential social groups, mainly young, middle-class families with children. There is a relatively low level of housing loan penetration and large segments of society are not reached.
- A not-for-profit affordable rental sector does not (yet) exist in these countries, but there are promising small-scale initiatives or ideas almost everywhere.

Figure 2: DISTRIBUTION OF POPULATION BY TENURE STATUS

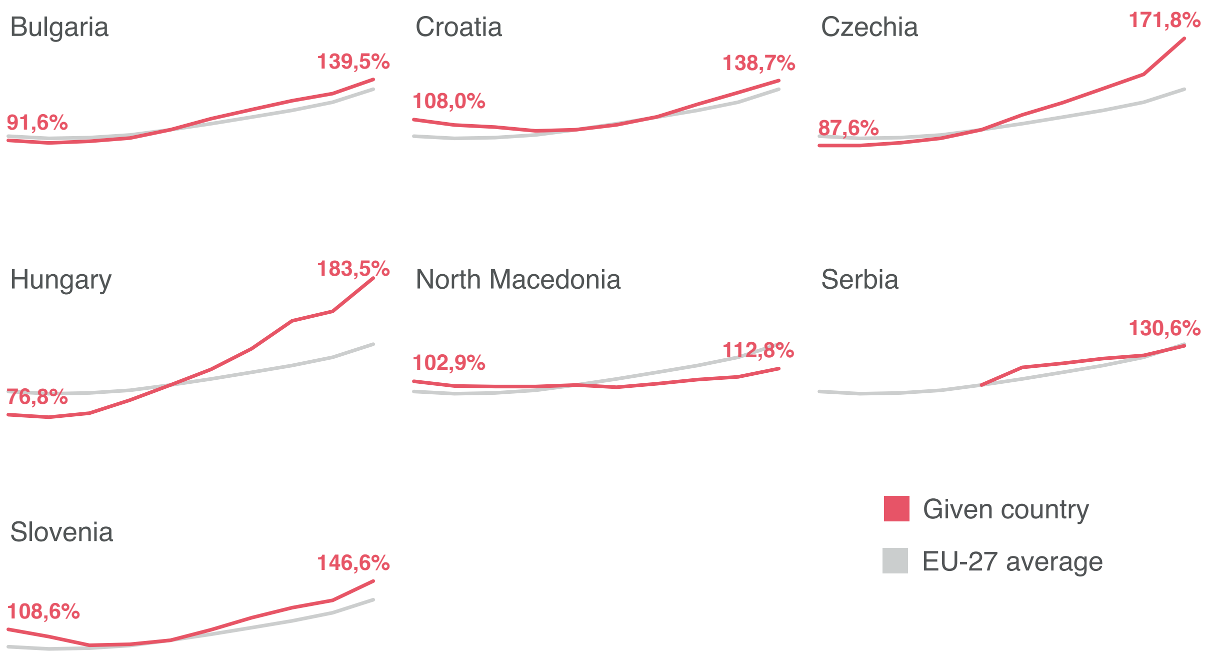


Source: EU-SILC database 2020, for Bosnia and Herzegovina: "Anketa o potrošnji domaćinstava 2015"

As a result, in wide segments of society there is a growing demand for affordable housing solutions, especially in the following social groups:

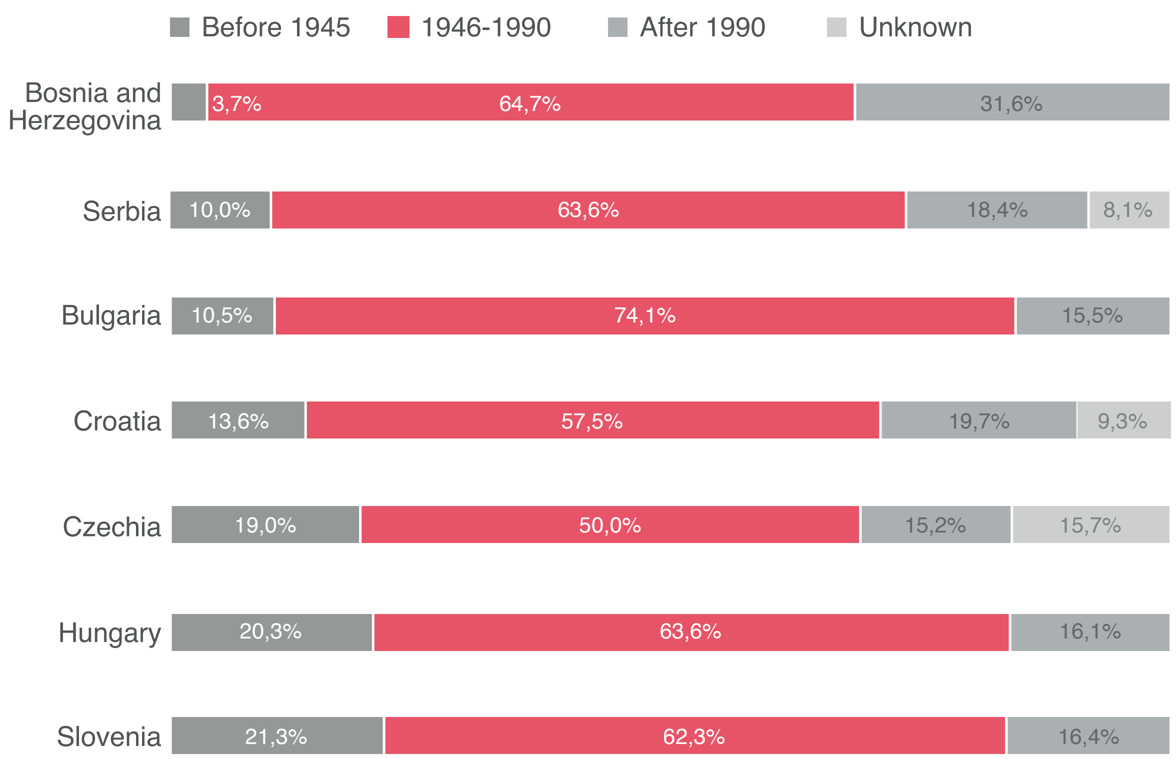
- **Young people,** who have difficulties to move out from their parents’ house;
- **Elderly people,** whose income is typically lower and who often live alone;
- **Single parents,** who often face affordability issues;
- **Tenants,** whose housing costs are larger and whose legal position is typically insecure.

Figure 3: HOUSE PRICE INDICES 2012-2021 (2016=100%)



Source: BG, HR, CZ, HU, SI, EU-27 av.: EU SILC, 2021, SR: Republic Geodetic Authority, 2021, MK: National Bank of the Republic of North Macedonia, 2021

Figure 4: HOUSING STOCK AGE



Source:
BA: Census 2013 (https://www.popis.gov.ba/popis2013/doc/Knjiga5/K5_B_E.pdf),
BG, HR, CZ, HU, SI: Census 2011 (Eurostat CensusHub)
RS: Census 2011 (https://www.stat.gov.rs/en-US/oblasti/popis/popis-2011/popisni-podaci-eksel-tabele)

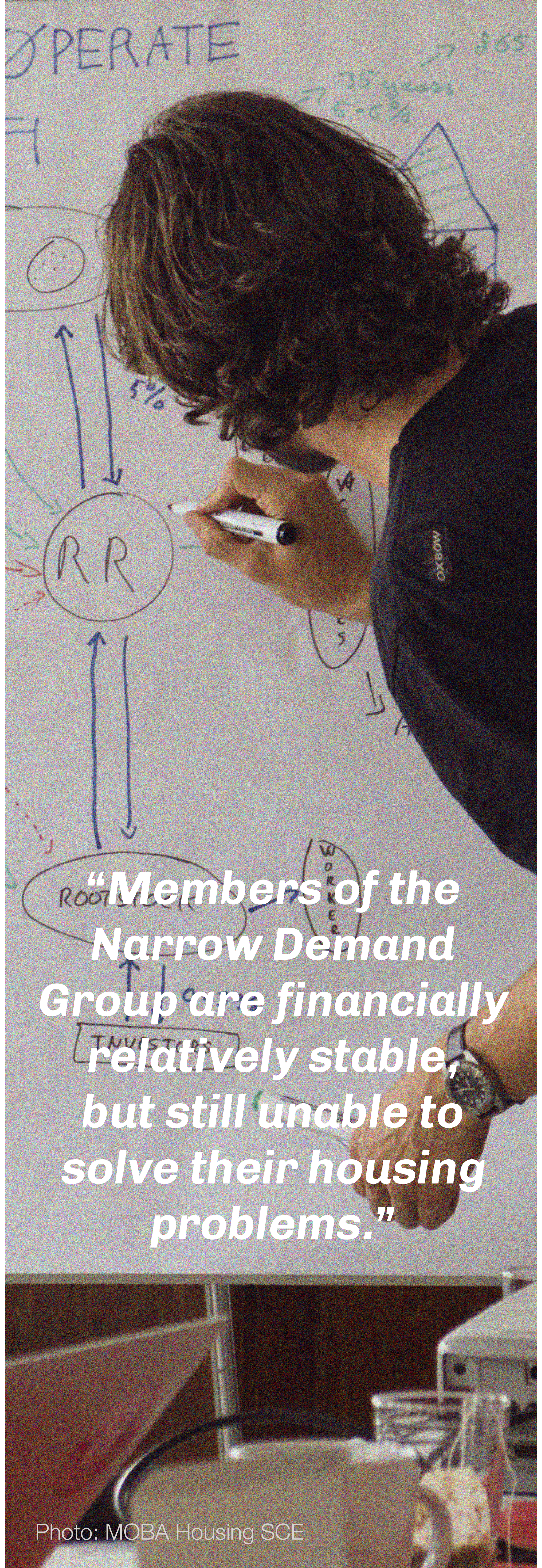
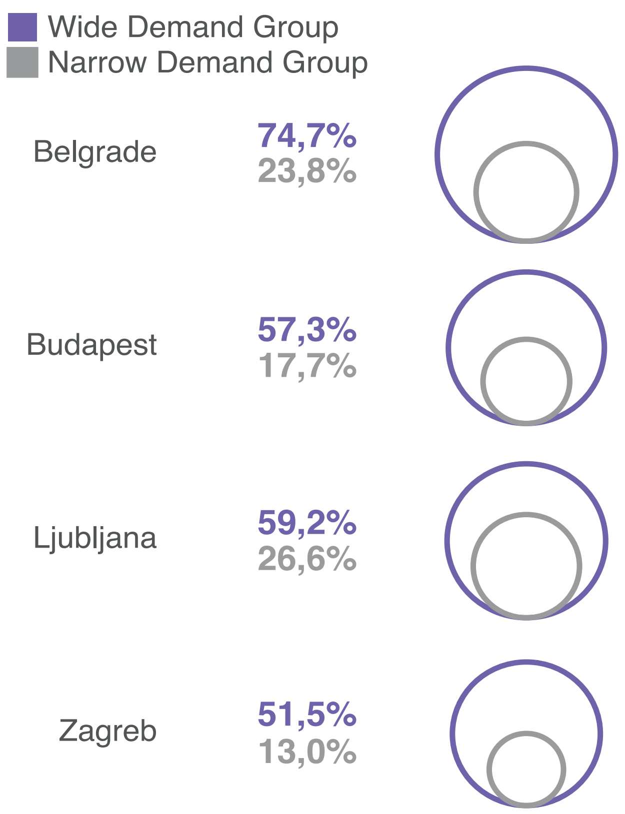


Photo: MOBA Housing SCE

Findings from the survey

- We found that 51-75% of the population in the four cities are part of a Wide Demand Group (WDG - see Figure 5), because they are:
  - not satisfied with their present housing conditions,
  - or they are worried about their future housing conditions,
  - or they want to move out of their dwelling in the next three years.
- 13-26% of the population belongs to a Narrow Demand Group (NDG - see Figure 5). They are people from the WDG who:
  - are, in principle, open to living in affordable and secure rental units for a longer period of time,
  - and are above the three lowest income deciles in their country of residence.
- Members of the NDG are typically younger (their average age is 43 compared to the average 52 of the total population), have more children on average, their average income is around the 6-7th income decile, and their average housing-related expenses are 20% higher than in the WDG.
- This suggests that **members of the Narrow Demand Group are financially relatively stable, but still unable to solve their housing problems. The potential demand of this group signals a niche in the housing finance market.**

Figure 5: RATIO OF THE DEMAND GROUPS OUT OF THE TOTAL POPULATION IN THE FOUR CITIES



Source: Own survey data, 2022

- The majority of the respondents in both demand groups agree that rents right now are too expensive in their cities (75-87%) and also that under existing unstable conditions renting cannot be a long-term solution to their housing problems (42-80%).
- The majority of the WDG (44-78%) agrees with or is neutral towards the idea of becoming a long-term tenant if the dwelling would be affordable and their tenant rights would be protected. In the case of tenants, it is approximately twice as likely that they are open towards such a housing arrangement (see Figure 6). **Our research proves that for the majority of the population the main ambition is not homeownership per se, but a secure and affordable dwelling, even if they are tenants.**

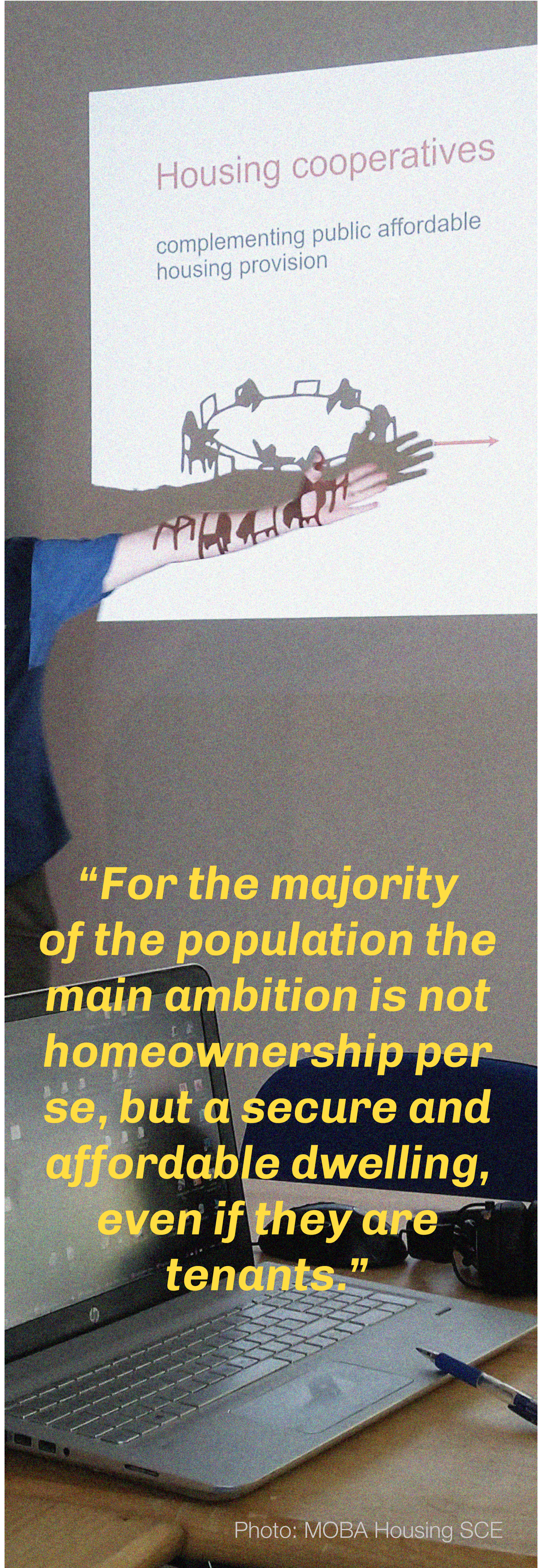
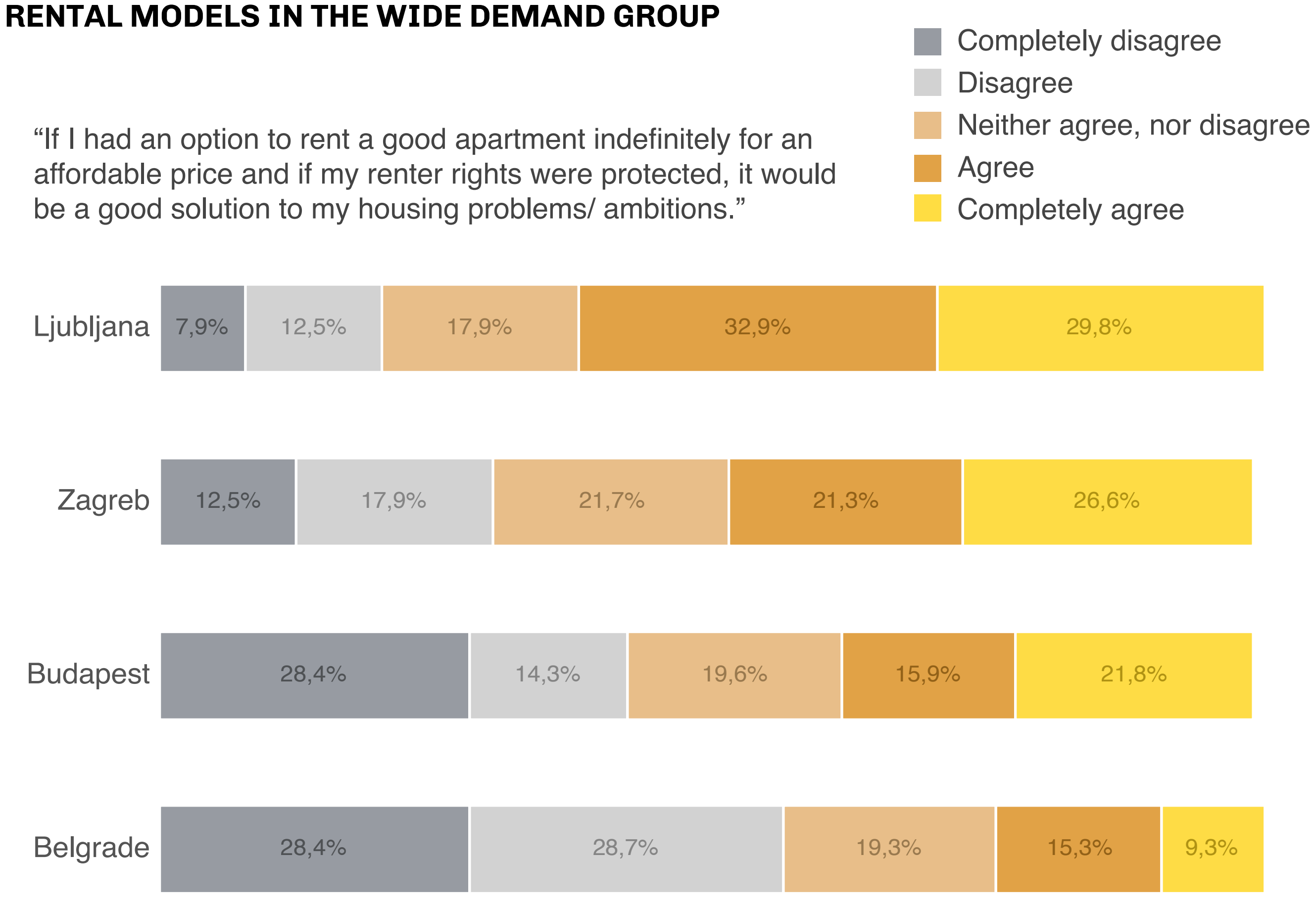


Photo: MOBA Housing SCE

Figure 6: ATTITUDE TOWARDS AFFORDABLE RENTAL MODELS IN THE WIDE DEMAND GROUP



Source: Own survey, 2022

Market gaps on the supply side of housing finance products

Banking sector overview

In the eight selected countries of the research, key financial market actors present in the field of housing finance have been identified (see Figure 7). Unlike in Anglo-Saxon countries, the most important financial actors in this region are typically large international banking groups dominated by groups from Austria, Italy and Belgium.

In the countries of our research, there are no ethical or alternative financial institutions, which would have developed products specifically for socially and environmentally sustainable housing projects.

Note: the banks represented here are only the ones which have a presence in multiple countries of our research.
Source: Aggregated data compiled from publicly available financial statements (described in the methodological annex)

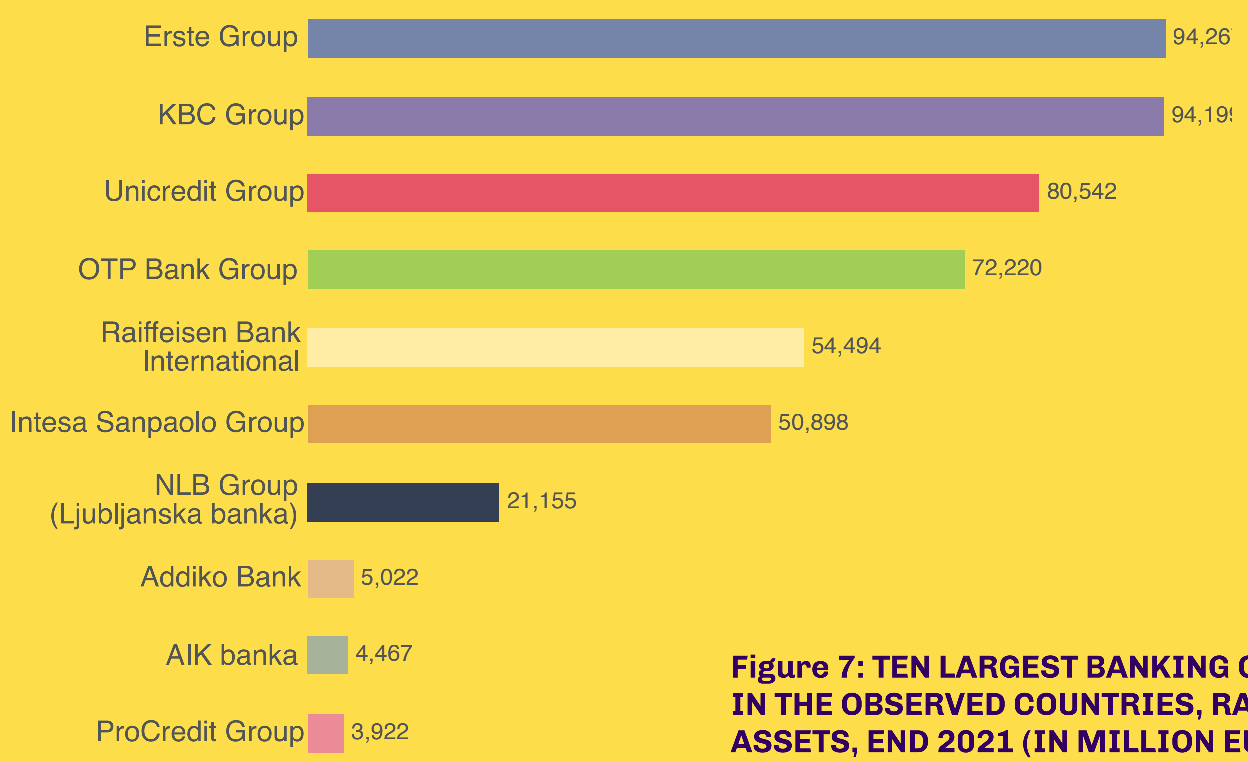


Figure 7: TEN LARGEST BANKING GROUPS IN THE OBSERVED COUNTRIES, RANKED BY ASSETS, END 2021 (IN MILLION EUR)

We mapped all the international financial institutions that are present in more than one country of our research (see Figure 8). This creates an opportunity for developing financial instruments that can be deployed throughout several countries. This process can be supported by their parent institutions' steps towards more rigorous ESG criteria. In terms of the volume of assets and the geographical presence of different banking groups, important differences can be noted. On the one hand, the Czech market stands out in the volume of banking assets, which can also be related to the size of its population and its general economic strength. Furthermore, EU membership has an important influence on the banking sector. EU member countries have banking sectors with significantly more assets, and also much higher levels of net profit. Finally, it is noteworthy to highlight that while Erste and UniCredit have a wide regional presence, with branches in almost every country of our research, KBC achieves its second (but nearly first) position in the regional ranking through only three subsidiaries. OTP - which has the fourth overall ranking in terms of assets - is the only bank originating in the region (Hungary), and recently expanding internationally.

Note: the banks represented here are only the ones which have a presence in multiple countries of our research.

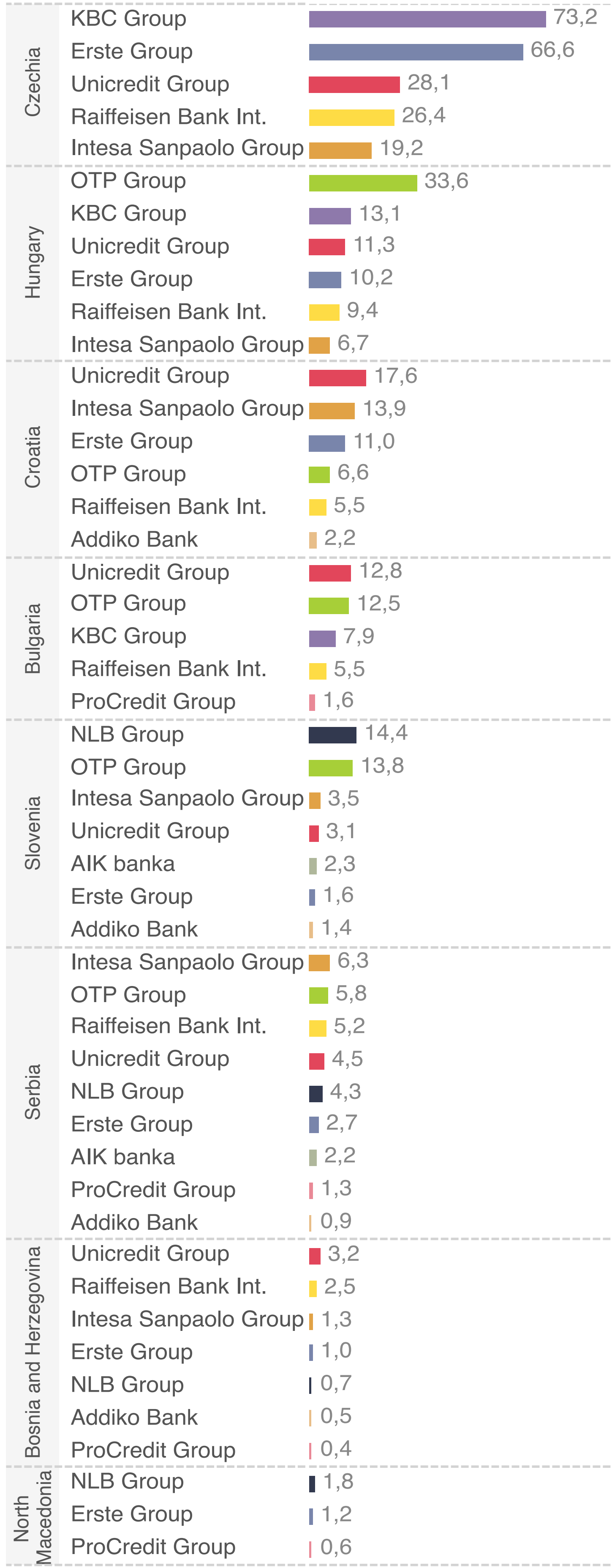


Figure 8: TEN LARGEST BANKING GROUPS IN THE OBSERVED COUNTRIES, RANKED BY ASSETS, END 2021 (IN BILLION EUR)

Source: Aggregated data compiled from publicly available financial statements (details to be described in the methodological annex)

Currently available housing finance products for individuals

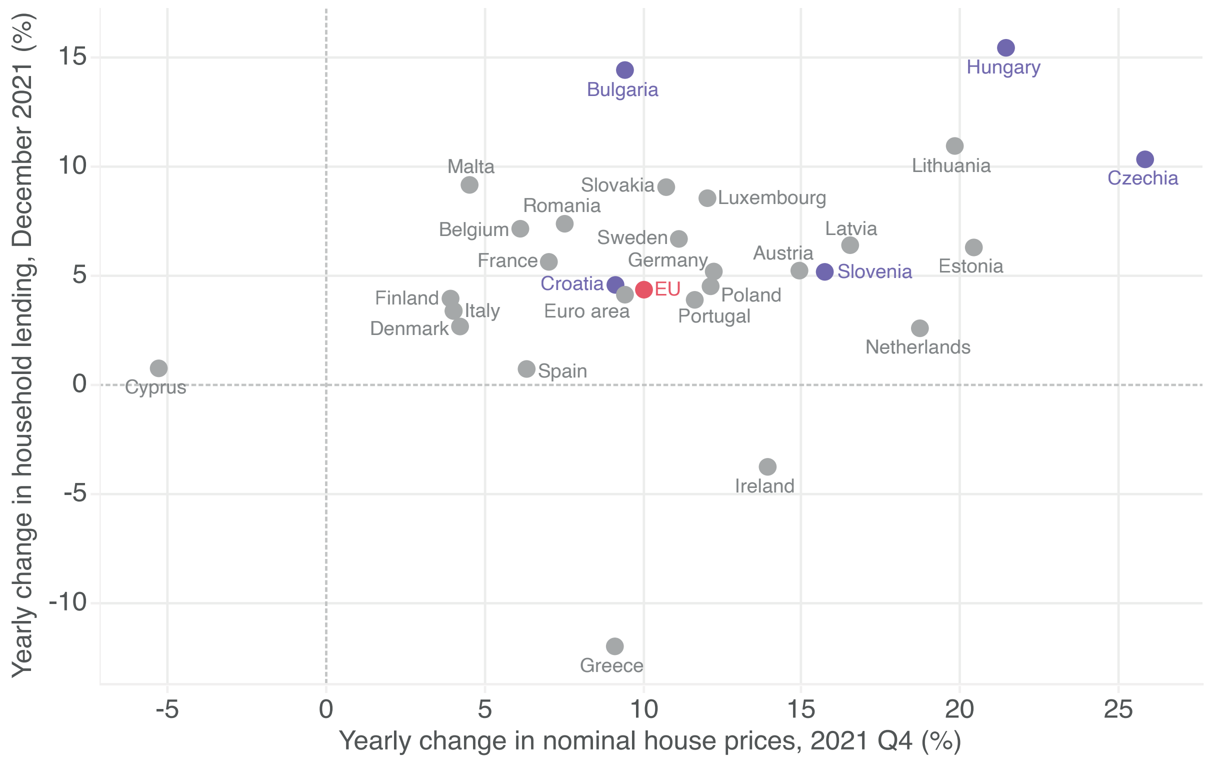
Reviewing the offer of 39 financial institutions in the region, we have established that in terms of housing finance products, most institutions are only offering standard mortgage loans for individuals. Many countries in the CSEE region have experienced a **rapid increase in the volume of new mortgage loans and - partially as a consequence - steep house price increases as well** (see Figure 9). Thus, even though the total volume of outstanding mortgage loans is still relatively low compared to Western European markets, **the structure of this lending is not sustainable.** A symptom of these factors is that the European Systemic Risk Board issued warnings related to residential real estate market vulnerabilities to four countries of the region in early 2022.

While these available mortgage loans meet the needs of clients that already have a certain level of economic security and stability, **they are unavailable for large segments of the population,** who are unable to meet the criteria of creditworthiness set by commercial banks. In our research we discovered that there are several factors that make these instruments unattainable to important parts of the population:

- Employment status - certain groups, although they have high incomes, lack indefinite employment contracts.
- Own capital - most banks require a minimum of 20% of own capital participation in real estate purchases, which is not affordable for certain groups.
- DSTI ratio - defined by central banks, this ratio represents the percentage of a consumer's monthly gross income that goes toward paying debts. The free part of the wage defined by the DSTI ratio is not enough for people with lower incomes to access an individual loan.

From our survey, it can be concluded that in the capital cities of the four core countries more than 57% of the respondents have already applied for a loan, or had someone in their households who did so. **20-30% of the respondents who have already applied for a loan experienced some kind of difficulties in the process.** In all of the cities, the majority of these difficulties were caused by a relatively low income. The second most typical problem was connected to the employment status of the applicants. **43% of the respondents from these four cities found it rather unlikely that they would get a loan approved if they applied.**

Figure 9: CHANGES IN NOMINAL HOUSE PRICES AND HOUSEHOLD LENDING IN EUROPEAN COMPARISON



Source: Hungarian National Bank, Housing Market Report, May 2022; source of data: Eurostat, ECB, BIS, MNB.

Currently available housing finance products for organizations

Housing finance instruments that are available for companies and organizations in the region are mostly **profit-oriented project financing models.** The field of project financing is considered more complex and is less standardized than individual mortgages and thus, each loan application needs to be assessed case-by-case in much more detail.

- Projects under a certain volume are of less interest due to the too large impact of associated overhead for the bank.
- Typical clients are the larger developers, as smaller ones often do not take credit but finance the projects from the pre-sale of the apartments during the construction period.
- These loans are characterized by short, 2-3 year maturities, since the predominant model for developers is to build for sale. This short-term financing is not enough for rental and cooperative housing projects as these are structured for long returns; paying off the investment from monthly rents.

Altogether, financial institutions in the region seem to be unable to meet the need for financial instruments that are necessary to make rental housing affordable to the target population.

From this can it be concluded that the market in CSEE is in general in need of patient forms of capital and long-term financing models in the affordable housing sector.

How to enable the emerging market of rental and cooperative housing through the potential of catalytic capital investment

What is the benefit of covering this market gap?

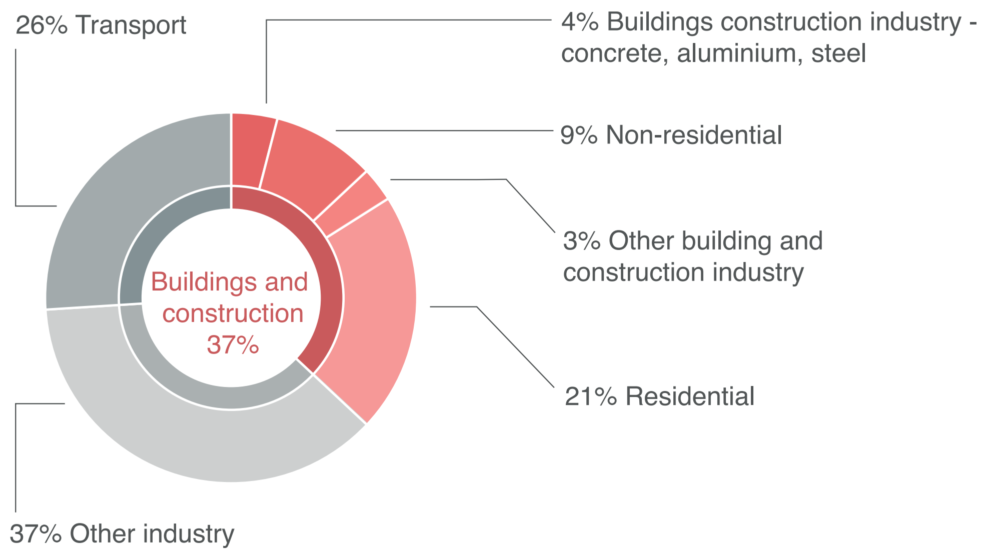
- Introducing long-term housing finance instruments (that would be adequate for rental and cooperative housing projects) could have a stabilizing effect more broadly on the economy and on the real estate sector.
  The short-termism that currently dominates these markets has far-reaching negative consequences both for market actors and for households.

- This sector can also enhance the development of highly energy-efficient buildings (either through renovation or newbuild). Since profitability is not the main criterion of these projects, and since long-term thinking is inherent to them, they will more often use pioneering energetical solutions.
  This sector also has attention to renovation, transformation of existing buildings and brownfield development, which market-based projects will not have. Altogether, by channeling investment into the residential real estate sector along a logic of social and environmental sustainability, the affordable rental and the cooperative housing sector have a significant contribution to the fight against climate change (see Figure 10).

- The creation of an institutional affordable rental and cooperative housing sector creates jobs and economic growth in a sustainable way (with potential positive spillover effects). As opposed to high-end real estate development projects, which are not accessible to large parts of the population, and which need to produce very high returns, affordable rental and cooperative housing projects can expand the real estate industry in a stable way.

- In the case of community-led cooperative housing, “soft benefits” such as internal mechanisms of solidarity and stepping up against isolation **make the residents’ community more resilient.** This is particularly important in times of crisis.

Figure 10: GLOBAL SHARE OF BUILDINGS AND CONSTRUCTION IN FINAL ENERGY DEMAND, 2021



Source: UN Environmental Program, Global Status Report for Buildings and Construction, 2022 (not only data source, but also source of the figure)

These investments are currently all the more timely because:

The affordable housing sector may have smaller yields than high-end investments, but it is built on more stable and persistent demand. Thus, it is a good and crisis-tolerant long-term investment opportunity. Furthermore, well-designed models can catalyze additional investments both from future residents and from public actors.

The current housing markets of Central and South-Eastern European countries have become unsustainable, and the pressure for new models to emerge is getting more and more important. At the moment, this is a pioneering, niche opportunity – where the first actors to start will have the most experience and credibility as this new segment expands.

The main bottlenecks to financing rental and cooperative housing in CSEE

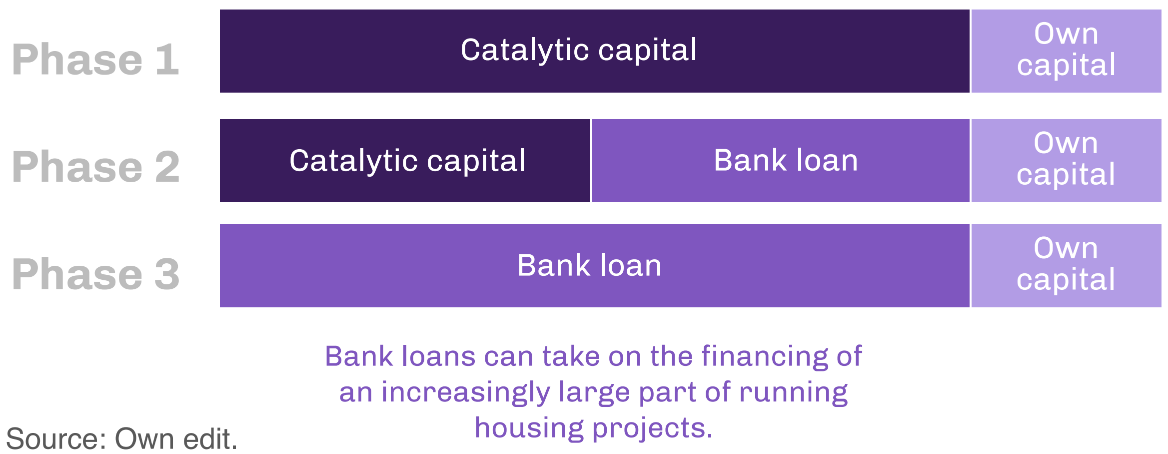
In countries with developed rental and cooperative housing sectors, these projects are almost always financed through long-term (25+ years) and affordable (under 5% interest rate) debt. However, in the CSEE region this model runs up against **two main bottlenecks** under the current market conditions: **the lack of long-term project finance, and the lack of robust, experienced housing providers.**

Loan durations are a major obstacle to the development of institutionally run rental housing projects or cooperative housing projects in the region. Project financing in the residential real estate sector is short-term, and designed for companies that build for sale. Under these conditions, the few actors that engage in market-based rental housing development do so from their own funds. The duration of finance available has a very direct implication for costs that need to be borne by residents. Thus in order to create affordable solutions, housing finance definitely needs to be long-term.

Interviewed financial actors identify the reasons for this short-term financial perspective in the lack of long-term financial resources in the region, the lack of adequate regulatory frameworks, and the **lack of end beneficiaries that would operate in this sector for a substantial amount of time.** The first two concern the general economic and political framework of the housing market, but the latter is a factor that can more easily be shifted. Experienced nonprofit housing providers do not exist in the region because this institutional infrastructure was dismantled in the 1990s under rapid privatization and liberalization. The currently existing small organizations cannot scale up because there is a lack of financial resources.

This produces a catch-22 situation: long-term financial solutions do not develop because they see no reliable organizations to lend to, while rental and cooperative housing providers cannot scale up because they do not have access to long term finance.

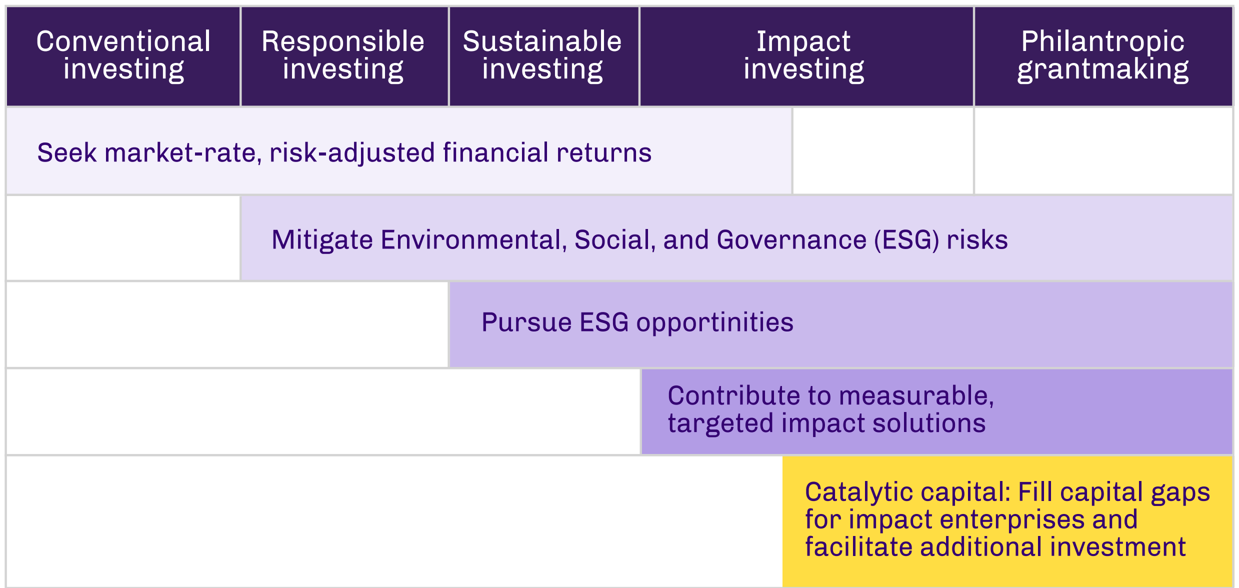
Figure 11: TEMPORAL ASPECT: THE FINANCIAL MIX OF THE TOTAL INVESTMENT VOLUME



Source: Own edit.

This impasse can be overcome by introducing an **element of time** (see Figure 11). Through our work in the past years, we have learned that these bottlenecks will not be overcome instantly as an immediate next step. **A process can be imagined, where catalytic capital is to play an important role in kickstarting the necessary change, drawing in more traditional financial actors, which can gradually shift their financial practice. In this process, more robust housing providers can also grow up.** Thus, the mid-term end result can be a similar setup which we know in developed rental housing markets: with long-term loans directly financing rental and cooperative housing development.

Figure 12: THE CONTINUUM OF CAPITAL



Source: www.macfound.org, Catalytic Capital Consortium, Frequently Asked Questions

Catalytic capital can kickstart a shift in the housing finance landscape

The solution we propose is to bring in catalytic capital to bridge the gap of missing long-term finance (see Figure 13). This could take the form of complementary financing next to a (mid-term) bank loan and can cover a rather significant part of the total investment needed in the beginning. **With time, as traditional lenders (banks) gain more confidence, the part of loan financing can be increased.** The traditional lenders which are most likely to engage in the beginning are banks that already show some openness to new instruments in the housing market.

The catalytic capital provided in the beginning needs to be very patient – thus, on the spectrum of capital investment from grants to conventional capital investment (see Figure 12), it should be on the more patient side. Later on, the return expectations can be diversified more. This initial very patient capital was historically often provided by different state actors, but in the current context of increasing awareness around catalytic capital provision and the CSEE context of systematically withdrawing states, this can be achieved through private initiative as well.

In order to channel this catalytic capital towards end beneficiaries (that is, startup housing providers), it is necessary to have intermediary organizations (see Figure 13). These collect and structure capital, and issue to end beneficiaries, while also supporting them with capacity development. This is a necessary scale since investors of catalytic capital will not be able to directly engage with the startup housing providers.

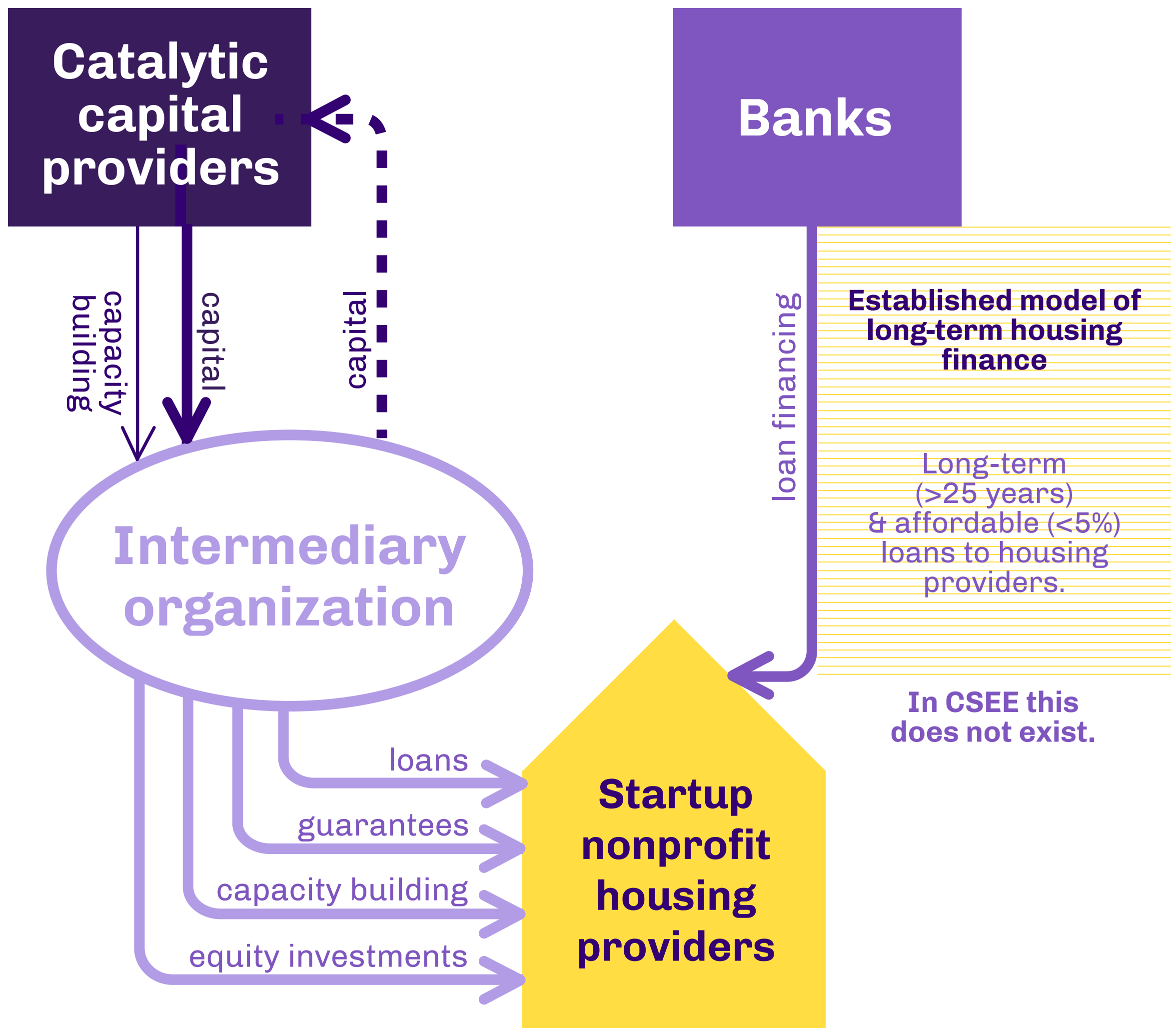
“The solution we propose is to bring in catalytic capital to bridge the gap of missing long-term finance.”

Photo: MOBA Housing SCE

Existing examples of funds operating in this logic in the region are the European Fund for Southeast Europe and Habitat for Humanity’s[2] revolving fund. However, both funds issue small loans to their end beneficiaries (the average loan amount from EFSE is 11.000 euros), since they mainly finance the home improvement of individuals. **In order to kickstart the sector of affordable rental and cooperative housing, and finance organizations and companies, much larger sums are needed.** This larger amount of capital can also be gathered in a regional intermediary organization, and **provided to the startup housing providers in the forms of equity investments, loans, or guarantees.** Thus, capacity building on the scale of intermediary organizations is also necessary in order to break the current deadlock.

From the perspective of financing organizations, capital put into the intermediary organization can be withdrawn since **the intermediary fund has a constant refinancing function as well.** However, the longer term the financing is, the more stable the operations can become.

Figure 13: CATALYTIC CAPITAL, BRIDGING THE GAP OF MISSING LONG-TERM FINANCE



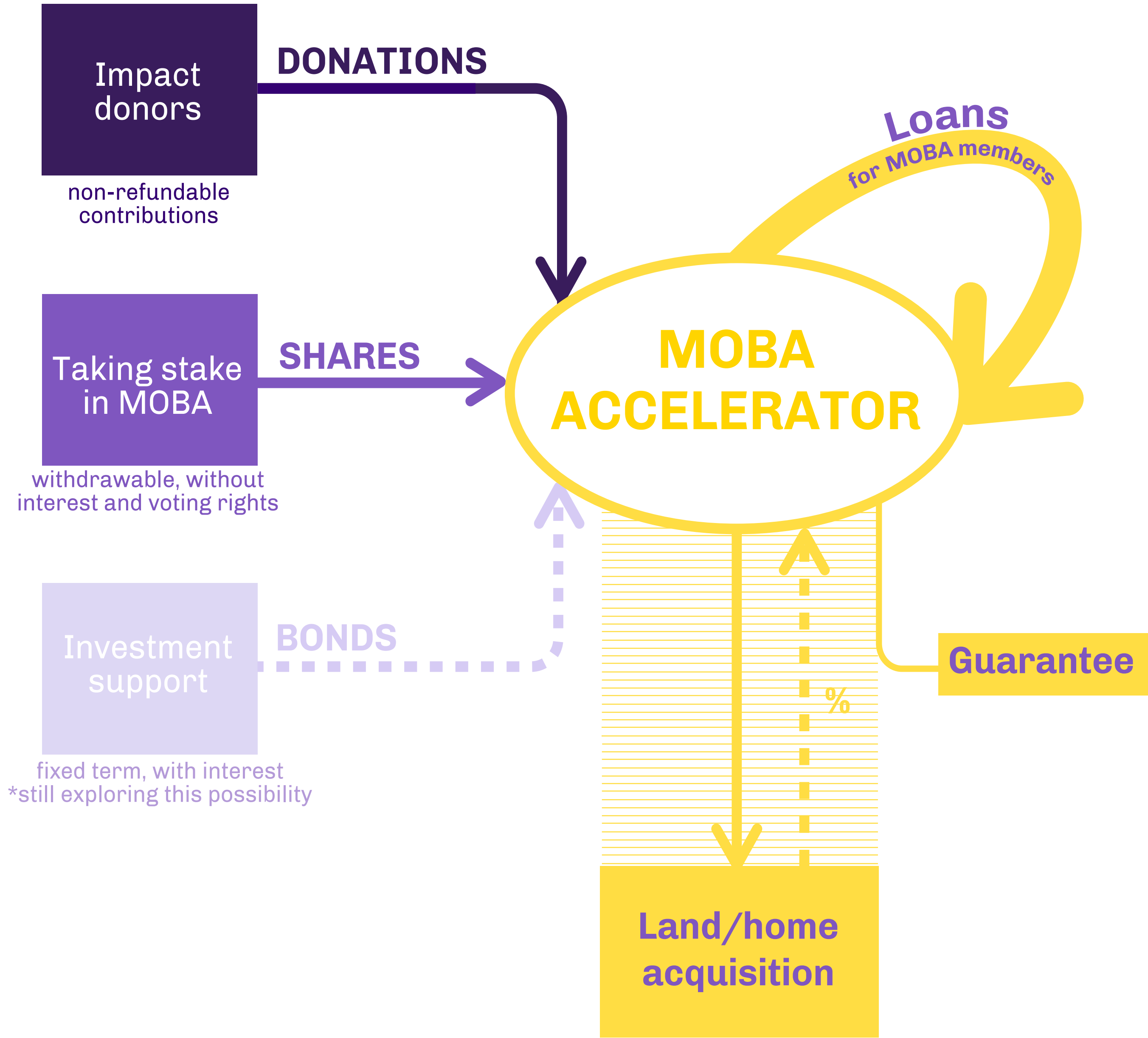
Source: Own edit.

2 See www.efse.lu and www.habitat.org.mk

Creating new instruments for cooperative housing finance: the case of MOBA Housing SCE as an intermediary organization

MOBA Housing SCE (MOBA) is a network of pioneering housing cooperative initiatives from the CSEE region. The organization is incorporated as a European Cooperative Society registered under Croatian jurisdiction since 2020, with full members from Czechia, Hungary, Slovenia, Croatia and Serbia. One of the main aims of MOBA is to become a regional financial intermediary for new rental-based and limited equity housing cooperatives. It was brought to life as a result of the recognition of some of the discussed bottlenecks, mainly the lack of adequate financial instruments for such cooperative housing providers. The main financial instrument of MOBA is the MOBA Housing Finance Accelerator, which works as a quasi-fund, collecting capital through donations, investment through shares, and potentially issuing bonds (see Figure 14). Thus, the Accelerator can collect capital all across the "impact investment" spectrum. The Accelerator finances full MOBA members through short-term bridge loans (or medium-term subordinated loans), and potentially also by equity investment (once this instrument is more capitalized). This mechanism allows startup housing cooperatives to move past the bottleneck of financing their initial investment. Since organizations in MOBA countries only have access to short-term bank loans, in order to be able to service these loans, only a smaller part of the project can be financed through them. However, starting housing providers also experience difficulties in providing high levels of own equity. Furthermore, as we saw from the survey conducted in this project, the potential target group of a rental-based cooperative model has only a limited amount of savings to invest. Thus, the mechanism of the MOBA Accelerator can finance the missing part, complementing own capital (of the cooperative and of the members), as well as the smaller bank loan. The financing provided by MOBA only needs to be temporary since as the project development phase is over and a stable revenue stream is demonstrated,

Figure 14: MOBA HOUSING FINANCE ACCELERATOR



Source: MOBA Housing SCE.

it can increasingly be refinanced through conventional loans. However, in the initial phase, it could provide a very significant part of the needed capital (potentially even as the exclusive source of external finance to a project), gradually being refinanced by longer-term resources.

Thus, the MOBA Accelerator can become a regional intermediary discussed in the previous section, collecting catalytic capital investments. **The type of finance needed in the MOBA Accelerator corresponds to the ways in which catalytic capital can support the development of affordable rental and cooperative housing in the CSEE region.** Currently, the MOBA Accelerator is in a fundraising phase, aiming to raise one million euros by the end of 2023. In the initial stage, non-refundable resources will also be required for capacity building and for setting up and testing lending mechanisms.

More information on MOBA and the MOBA Accelerator can be found here: www.moba.coop/moba-accelerator/.

Photo: Christelle Hayek, Unsplash

More information about the project **"Analyzing the potential of catalytic capital investments in the affordable housing sector of Central and South-Eastern Europe"** and about the project partners can be found here: www.moba.coop/catalytic-capital-investment/

The full research report is also available for download.