

13. June 2008

**Position of GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen (German Head Federation of Housing and Real Estate Enterprises) regarding the Consultation Paper of CEBS (Committee of European Banking Supervisors) of 22.5.08 / Abolition of optional choice**

**Presentation of GdW and concerns of the housing sector**

The GdW Bundesverband deutscher Wohnungsunternehmen is the German Head Federation of Housing Enterprises, representing about 3,200 housing enterprises and housing co-operatives with a total stock of about 7 million dwellings. Their core business is the management of dwellings, i. e. rent-out of dwellings. In addition to that, they are carrying out development and financing schemes and offering services in connection with dwellings and real estate.

For the housing and real estate economy, the new Basel Accord (Basel II) and notably its implementation in an EU-Directive are of utmost importance, because investment in housing is characterised, on one hand, by very high investment volumes with, on the other hand, a fairly high share of borrowed capital. The equity capital used on average for real estate investments in Germany is usually in the range between 15 and 25%, so that a considerable part of the investment costs need to be borrowed on a long term basis.

The financing structure of housing investments in Germany is characterised by long term loans securitised by residential real estate (RRE). Good experiences have been made with this financing method in the past, because the long term orientation used to guarantee utmost security for investors in terms of planning and for the tenants, because increasing interest rates can result in rent increases.

**Component of medium sized enterprises within EU-directive RL 2006/48/EG (Annex VII, Part 2, Point 15)**

With regard to the EU-Directive 2006/48/EG facilitations for small and medium enterprises are incorporated. For our sector the effects of the component for medium sized enterprises are especially important. In this respect the member states have been enabled to exclude enterprises with their total assets and their annual turnover below 500 million Euros from overhead charges for the term of repayment within the IRB-approach. This regulation is especially important for member states with a long – term financing culture.

In the framework of the consultation process for the implementation of Basel II into the EU-directive, GdW – together with its European partner organizations – had advocated for a regulation, which considers adequate parameters for the significantly affected sector of housing and real estate. Especially the criterion of total assets of housing and real estate enterprises is an atypical one. The EU-guidelines respected that, as member states had an optional choice to deviate from the general criterion of 500 million Euros for their total assets and take a criterion of 1 billion Euros instead.

This optional choice had not only been taken in Germany, but also in other EU-countries (Austria, Malta, Portugal and Liechtenstein), which means especially in countries, where long-term real estate financing – like in Germany – is part of a long culture.

With regard to GdW-statistics for 2007 still nearly 100 affiliated housing enterprises are exceeding the criterion of 500 million Euros in total assets, although they have to be considered as medium sized enterprises. These housing enterprises are managing approximately 2 million dwelling units. There is no change for the necessary right of optional choice since the consultation process for the implementation of Basel II.

GdW is urgently advocating for the continuous keeping of the general optional choice also for housing and real estate enterprises according to the component of a medium sized enterprise within the EU-directive 2006/48/EG.

The disadvantage, caused by overhead charges for long – term repayment would have special negative effects for housing and real estate enterprises in Germany. Furthermore the past and above all the present experience show, that this way of financing is of low risk.

Therefore we are demanding this optional choice to be maintained for all member states.