



**Bundesvereinigung
Spitzenverbände der
Immobilienwirtschaft**

16.06.08

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Position

of BSI (Bundesvereinigung Spitzenverbände der Immobilienwirtschaft) regarding the

Consultation paper of CEBS (Committee of European Banking Supervisors) of 22th May 2008 / Abolition of optional choice within the EU-directive 2006/48/EG (Annex VII, part 2, 1.3. point 15)

Presentation of BSI and Concerns of the Housing Sector

BSI (Bundesvereinigung Spitzenverbände der Immobilienwirtschaft) as a coordinating umbrella organisation of the most important housing and real estate federations is representing common positions towards politics and the public opinion. It is the aim of BSI to draw the attention to the extraordinary importance of real estate in Germany to politics and to the public opinion as well as to improve the political, legal and fiscal conditions of the sector.

BSI is consisting of the following head federations of real estate:

Bundesverband Freier Immobilien- und Wohnungsunternehmen (BFW): BFW is representing 1.600 members and affiliated enterprises, which are managing a housing stock of 3.2 million dwellings.

GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen: GdW is representing nearly 3.000 housing enterprises with 6.2 million dwellings, where approximately 13 million people are living.

Haus & Grund Deutschland: The homeowners' association Haus & Grund is representing the interests of nearly 850.000 homeowners and owners of freehold-flats and land properties. Nearly 31 million housing units belong to private homeowners, which are representing 80 % of the total stock, of which 14 million units are rental ones.

Immobilienverband Deutschland IVD Bundesverband der Immobilienberater, Makler, Verwalter und Sachverständigen: IVD was created through merging of RDM (Ring Deutscher Makler) and VDM (Verband Deutscher Makler) and is representing now 6.000 members as real estate agents, real estate administrators, financial service providers, building surveyors, building developers and other real estate consultants.

Bundesverband
Freier Immobilien- und
Wohnungsunternehmen

GdW Bundesverband
deutscher Wohnungs- und
Immobilienunternehmen

Haus & Grund
Deutschland

Immobilienverband
Deutschland IVD
Bundesverband der Immobilien-
berater, Makler, Verwalter
und Sachverständigen

Bundesfachverband
Wohnungs- und
Immobilienverwalter

Dachverband Deutscher
Immobilienverwalter

Verband deutscher
Pfandbriefbanken (vdpp)

VGF Verband
Geschlossene Fonds



Bundesfachverband Wohnungs- und Immobilienverwalter (BFW): BFW is representing nearly 400 members, which are administrating 550.000 housing and commercial units with a total value of 47 billion EUR.

Dachverband Deutscher Immobilienverwalter (DDIV): DDIV is actually the biggest professional organization of regular real estate administrators and managers in Germany. Their enterprises are organized in 10 regional federations and are administering a stock of 1.4 million housing units with 84 million square meters housing area.

Verband deutscher Pfandbriefbanken (vdp): vdp is one of the head federations of the german credit service sector. With a market share of more than 50 % in the financing of commercial real estate and nearly 25 % in housing their 34 affiliated credit institutes are the leading ones in the german real estate financing sector.

Verband Geschlossene Fonds (VGF): VGF is representing the sector of closed property funds, accumulating a yearly investment volume of 23.1 billion EUR. Their 46 members are representing a market share of nerly 16 billion EUR, which means two thirds of closed property fund providers.

For the housing and real estate economy, the new Basel Accord (Basel II) and notably the implementation of the EU-directive 2006/48/EG is 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 % an 25 %, so that a considerable part of the investment costs need to be borrowed on a long-term basis.

The financing structure of real estate investments in Germany is characterised by long-term mortgage 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 could result in rent increases.



Component of medium sized enterprises within EU-directive 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 EUR 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 the EU-guidelines respected, that, as member states had an optional choice to deviate from the general criterion of 500 million EUR for their total assets and take a criterion of 1 billion EUR 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. There is no change for the necessary right of optional choice since the consultation process for the implementation of Basel II.

BSI 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.