INSPIRenov insights - Estonia

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Estonian Union of Co-operative Housing Associations

15 June 2026

Co-funded by the European Union

This project has received funding from the European Union's Programme for the Environment and Climate Action (LIFE), under grant agreement No 101120723

Estonian Union of Co-operative Housing Associations

- EKYL is independent nonprofit housing federation (established 1996) working across Estonia to support apartment associations and to represent their interests
- **Membership and advocacy organization**, 1400 members today, offices in cities Tallinn, Tartu, Pärnu and Kuressaare
- **Training institution**
- **Think tank**
- Dissemination and campaign master
- Publisher (handbooks, housing magazine)
- Service provider for apartment associations
- **Member of Housing Europe**

www.ekyl.ee/en

LinkedIn: Estonian Union of Housing Associations EKYL

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Environment and Climate Action (LIFE), und

- In Tallinn, Estonia
- Charter Centre on Sustainable Housing
- Established 2016
- Supports the development of sustainable **cooperative housing** and sustainable management and energy efficiency in **multi-apartment building stock**, through the implementation of knowledge-based activities as training (curriculum development), consulting, advisory services, research, national and international cooperation projects etc.
- Works in Estonia and cooperates with housing organisations in countries with economies-in-transition in EU member states and Eastern neighborhood countries.

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Estonia

Estonia – 97% of housing is in private ownership. Most people live in multi-apartment buildings, which are managed by cooperative style Apartment Associations (HOA) .

Around 27 000 apartment associations – supported self-management

The main principle: 1 building is 1 HOA

Members of apartment associations are responsible for managing their buildings under legally defined frameworks which support their decision making.

This approach has been very successful; figures from Eurostat show that the percentage of low-income households in Estonia living in substandard dwellings has been declining steadily.

The Estonian Union of Cooperative Housing Associations and its members have had a significant role to play in this, upgrading and improving low-quality housing, driven by collective decision-making and enabling the management of buildings by residents.

Estonia's long-term strategy for building renovation:

by 2050 full renovation of buildings erected before 2000; 14 000 apartment buildings need renovation

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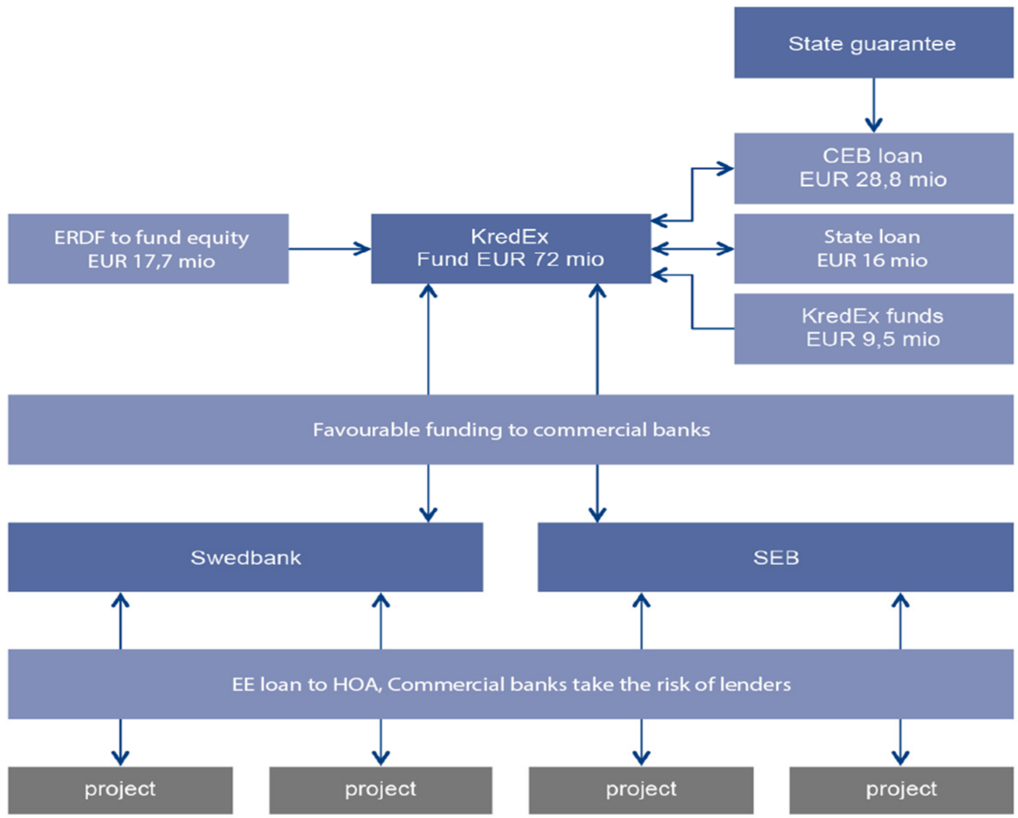
Illustration of how the Financial Instrument was organised in 2009 in Estonia (until 2014), by Fund KredEx



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Today in Estonia

- Low-interest-rate-loans are now offered by all commercial banks in Estonia directly to the non-profit apartment associations.
- The financial scheme in Estonia is to fund particularly ambitious, deep energy renovation.
- Legislation allows a combination of grants (usually between 30-50% (in special programs even higher) of the project cost depending on the region) and commercial bank loans to achieve energy efficiency and indoor climate conditions comparable to modern apartment buildings, with high upfront costs that need high capital investment.
- In addition to the loans from commercial banks, to support the renovation in more vulnerable districts and regions, also EIS (formerly) apartment **building renovation loans** are provided for apartment associations, that have received a negative response to their renovation loan application from a commercial bank or an offer with unreasonable terms; and **loan guarantees** for apartment associations who want to take a bank loan for financing work performed to raise the quality of life for their residents but whose risk is deemed by banks to be higher than normal.
- **High variety of costs are eligible for support and renovation loan,** including reconstruction and insulation of the facade, balconies, roof, basement, heating system, water supply system, electrical system, lifts, replacement of windows and doors, construction of a heat-recovery ventilation system, installation of equipment necessary for using local renewable energy, preparation of the building design documentation, carrying out the site investigation and building audit, use of the services of the technical consultant and owner supervision.

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Main principles and lessons learned from the Estonian case with renovation loans

In a situation where the majority of apartments are in private ownership, well-designed apartment ownership legislation is necessary to create the essential framework for financial solutions in cooperation of public and private partners. The combination of loans and grants addressed an urgent need for Estonians and was implemented in an efficient manner thanks to clear rules and guidelines for banks and recipients. A special legal act for the management of homeownership in multi-apartment buildings: Apartment Ownership and Apartment Associations Act https://www.riigiteataja.ee/en/eli/ee/519122023001/consolide/current

When it comes to financial instruments to support the renovation of multi-apartment buildings, **a combination of loans, grants, and guarantees has proved to be successful**, but there is a challenge now to continually reduce the grants and find affordable solutions for apartment owners to renovate their homes themselves using loans from commercial banks.

Challenges often outside the financing scheme: lack of knowledge of the owners, capacity of the construction market, long preparation and decision-making period in apartment associations. Although the scheme's implementation went smoothly, the most time-consuming process was obtaining agreement within apartment blocks. The financial instrument was promoted in a nationwide marketing campaign and with pilot projects.

The apartment owners' growing interest in deep renovation and renovation with prefabricated panels is positive but challenging for renovation without grants.

The core principle of the financing program for the renovation of apartment buildings in Estonia has been that **the loan and grant recipient is an apartment association not an apartment owner individually or a management company**. Collateral is the associatioin's claims against its members

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An Example: Renovation loan for apartment associations (data from LHV Bank)

Looking for financing for renovation of a residential building at favourable rates, lower energy consumption and a better quality of life for the residents? We offer the financing you need to get your renovation plans accomplished.

Interest rate of 1.29% + 6-month Euribor for improving energy performance

The offer applies to renovation of buildings aimed at reducing energy expenditures by at least 30%.

Building renovation

For renovation or construction

Courtyards renovation

For renovating yards, fences, parking areas or outbuildings

Engineering

Engineering services, audits, energy efficiency projects and installation of solar panels

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Price list and terms

For whom	Apartment association registered and operating in Estonia
Purpose	Construction and renovation work on apartment buildings, energy efficiency projects, engineering expenses and expert opinions, renovation of courtyard, establishing parking spaces etc.
Loan amount	Starting from 20,000 euros
Self-financing	Starting from 0%
Loan period	Up to 30 years
Grace period	Up to 12 months
Collateral	• Apartment association's claims against members • If necessary, surety from Credit and Export Guarantee Fund (KredEx) as additional collateral
Requirements for borrower	• Apartment association with at least 8 apartments • No record of payment problems

Why Banks Lend to Apartment Associations in Estonia?

Five Key Preconditions

Legal Foundations

- Apartment Associations Are Legal Entities - *can enter into contracts, borrow funds, and own assets.*
- Mandatory Contributions from Apartment Owners - *owners are legally required to pay maintenance and renovation charges.*
- Enforceable Claims Against Owners - *associations have legal rights to collect unpaid fees and contributions.*

Economic Foundations

- State-Backed Credit Risk Mitigation - *EIS (formerly KredEx) guarantees reduce lending risk for banks.*
- Renovation Increases Property Value - *Energy-efficient buildings have higher market values and lower operating costs.*

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Estonia's legal framework, mandatory owner contributions, enforceable claims, and value-enhancing renovations create a lending environment in which commercial banks can safely provide long-term financing to apartment associations.

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Thank you!

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