Renoinvest Panel discussion on 2nd Renoinvest International Roundtable event

Expert Insights: Financing Renovation in Central and Eastern Europe

A high-level panel discussion, moderated by Wolfgang Amann (CEO, Institute for Real Estate, Construction and Housing, Austria), brought together distinguished representatives from the public and private sectors to explore how financial innovation, legislative adaptation, and awareness-raising can collectively accelerate energy-efficient renovation in Central and Eastern Europe.

1. Picture: Roland Papp, Boštjan Udovič, Ildikó Rajné Adamecz, Martin Clemens Weber, Gyula Nagy, Wolfgang Amann

Panellists included Martin Clemens Weber (Head of Real Estate Department, Erste Bank, Austria), Roland Papp (Head of Department **Ministry for National Economy, Hungary), Gyula Nagy (CEO, MBH Mortgage Bank, Hungary), Ildikó Rajné Adamecz (Senior Financial Expert, Archenerg Cluster, Hungary), and Boštjan Udovič (Director of the Real Estate Management Division in the Chamber of Commerce and Industry of Slovenia).** Their dialogue reflected a shared recognition of the urgent need to modernise aging building stock across the region, particularly through a more strategic mobilisation of **subsidies**, **private finance**, enabling **legislation** and sustained **awareness raising**. The conversation addressed critical structural, social, and financial barriers, while identifying practical pathways toward a more effective, inclusive and climate-resilient future for the region's aging building stock.

A Regional Challenge: Aligning Finance, Policy and Market Practice

The panel discussion was grounded in the broader recognition that public funding alone is insufficient to meet the European Union’s climate goals. The European Commission estimates the refurbishment market at €335 billion annually, of which approximately 75% must come from private sources. Against this backdrop, the conversation focused on how Central and Eastern European countries can better integrate public and private resources to support large-scale renovation, while also addressing legislative barriers and fostering stakeholder awareness.

The urgency of this alignment is amplified by the forthcoming implementation of the Energy Performance of Buildings Directive (EPBD) — mandating nearly zero-emission standards for public buildings by 2028 and for all other buildings by 2030 — alongside the demands of the EU Energy Efficiency Directive (EED III). These ambitious legal obligations will pose significant challenges for all involved countries, requiring not only financial mobilisation but also administrative capacity and political coordination.

A central message that emerged early in the discussion was the need to direct a larger share of EU funding toward the private sector. Drawing on experience in Hungary, one speaker emphasized that while governments play a key role in policy setting, they are often not the most effective drivers of economic development. In contrast, private actors — more efficient, market-driven, and responsive — are better positioned to deliver renovation outcomes aligned with real societal needs. This perspective resonated across the panel, highlighting the importance of leveraging private sector innovation and investment.

While the financial landscapes in the three countries differ and reflect national specificities, the challenges are broadly similar, and several common issues emerged during the discussion.

- **Slovenia: When Public Aid Overshadows Market Development**

In Slovenia, the renovation landscape has been shaped predominantly by public subsidies. While such aid has successfully initiated numerous renovation projects, it has inadvertently impeded the development of a viable private financing market. Financial institutions show limited engagement, as the availability of state funding reduces the demand for credit products.

Socially vulnerable households are particularly reliant on subsidy schemes, and multi-owner buildings frequently face organisational and legal barriers. Moreover, banks remain hesitant to innovate within a regulatory framework that lacks standardised mechanisms for de-risking private investment.

The roundtable discussion further underscored this structural limitation, noting that in the absence of credit products tailored to renovation needs, Slovenia’s approach may lack long-term scalability. In order to unlock greater volumes of private capital, the country must refine its legislative instruments and financial infrastructure—particularly regarding loan collateralisation and the role of housing management companies in facilitating credit access for condominiums.

- **Hungary: Unlocking the Potential of Building Renovation**

Hungary's building renovation sector faces significant structural challenges, particularly in the tax and subsidy environment. A major disincentive is the current VAT regime: renovation works are subject to a 27% VAT, whereas new construction benefits from a reduced rate of 5%. This fiscal disparity creates a strong bias against refurbishment, despite the government's efforts to increase subsidised renovation activity.

Though some condominium communities have accumulated reserves and utilised customised bank financing, systemic issues persist. Green renovation loans often benefit from interest subsidies that expire after five years — well before most projects achieve return on investment. The recent roundtable discussion emphasised that short-term subsidies are fundamentally incompatible with the long-term nature of deep energy renovations.

In terms of private finance, Hungary also illustrates the limits of current green lending frameworks. The interest rate differential between conventional and green loans remains marginal — frequently around 0.1% — rendering sustainability-linked financing products unattractive for many homeowners. Moreover, limited awareness and a lack of national alignment with the EU Taxonomy weaken the incentives for both borrowers and lenders to pursue "green-labelled" renovation pathways.

Legislative adaptation remains a critical prerequisite for systemic improvement. Policy makers must consider reforms that align fiscal tools with climate objectives, enhance legal clarity for multi-owner properties and foster market confidence in long-term financing instruments.

- **Austria: Legal and Financial Innovation Driving Change**

Austria continues to stand out as a leading example of coordinated renovation policy. A central element of its approach is the legal and financial facilitation of phased redevelopment in older housing estates. Residents are temporarily relocated to newly constructed units, while their original dwellings undergo comprehensive refurbishment. State-backed guarantees ensure rent affordability throughout the process, preserving social stability.

Austrian legislation has also evolved to support decision-making within condominium communities. By lowering quorum thresholds, legal reforms have made it easier to reach consensus on major renovation investments, even in buildings with absentee or disengaged owners.

Insights from the roundtable discussion revealed that Austria's legal structure further supports renovation lending by placing contractual relationships with homeowners' associations (rather than individual owners), enabling secured refinancing through privileged liens. This arrangement not only reduces the administrative burden but also improves creditworthiness from the perspective of financial institutions.

Although Austria is currently transitioning away from a period of high public subsidies — due to national budget constraints — stakeholders hope that these legal and institutional frameworks will sustain the market's momentum and attract increased private sector participation.

2. Picture: 2nd International Roundtable

Green Finance and the Challenge of the EU Taxonomy

Across the region, green finance frameworks — particularly those tied to the EU Taxonomy and Environmental, Social and Governance (ESG) reporting obligations — are regarded with both optimism and scepticism. While these instruments establish vital criteria for defining sustainable investment, their operational implementation remains inconsistent.

Many financial institutions continue to rely on internal standards or alternative interpretations, citing unclear guidance and insufficient financial incentives as key obstacles. Without coherent definitions and measurable benchmarks for "green renovation," progress toward standardisation remains fragmented.

Participants in both the panel and the roundtable called for the simplification and harmonisation of sustainability criteria. Regulatory alignment between EU policy and national legislation will be indispensable to scaling investment in energy-efficient refurbishment.

Awareness as a Catalyst for Systemic Change

As in both discussions, awareness was identified as the most foundational enabler of renovation activity. When property owners understand the benefits — economic, environmental and comfort-related — they are more likely to initiate renovation projects and seek the appropriate financing channels.

This underscores the importance of trusted intermediaries: condominium managers, municipalities, and housing companies must be equipped to guide residents through decision-making processes. They also serve as critical conduits for translating complex legal and financial frameworks into actionable strategies. Awareness was not presented as an isolated issue but as an essential precondition for mobilising both public support and private capital.

The Urgency of Action: A Shared European Challenge

A calculation presented during the panel illustrated the challenge: with 4.5 million residential units in Hungary and a renovation rate of only 1% annually, it would take a century to upgrade the country's housing stock. Even a doubling or tripling of this rate would fall short of meeting the EU's 2050 climate objectives.

This sense of urgency is shared across Central and Eastern Europe. The transformation of the region's building stock requires a holistic approach: synchronised subsidies, robust legal frameworks, accessible private financing and deep behavioural change. Isolated measures will not suffice.

Conclusion: Building a Coordinated and Inclusive Renovation Ecosystem

The panel concluded with a strong message: There is no single solution to the renovation challenge. Governments must create predictable and supportive regulatory environments. Financial institutions must deliver accessible, long-term products tailored to the realities of homeowners. Citizens must be empowered with clear information and the confidence to act.

This discussion reaffirmed our commitment to helping bridge these gaps — by fostering dialogue, supporting innovation, and facilitating collaboration across sectors and borders. Achieving climate neutrality is a shared responsibility. By working together, we can accelerate the transformation of Europe's buildings, one renovation at a time.