Market characteristics of CSO retrofitting

What does CSO mean for business actors?

Collective self-organized (CSO) housing in the case of energy efficient renovation refers to a model in which the residents of the buildings can effectively influence the renovation process and throughout the process they become a better community. The phrase "CSO" in the case of renovation differs quite substantially from the "CSO" in the case of new construction. In new construction a community is directly formed in order to create their place of living, which presupposes a strong community to be established at first. In the case of renovation the community already exists as the residents already live in the building, the question is which residential communities are able to influence the renovation process and how strong the coherence among the residents should be in order to be influential partners in the renovation process (it may not require as strong community intentions as in the case of CSOs in the new construction process). As renovation decisions are in general made by the owners of the buildings we have to state that CSO communities in case of new construction are mostly owner occupied and not rental ones. There are some cases however (based on either cultural patterns or legal obligations) in which the approval of the tenants is required in order to implement a larger scale renovation process. In these exceptional cases the rental communities may be considered as CSOs.

As the share of owner-occupied flats in multi-unit buildings is extremely high in Central and Eastern Europe (over 90%), and also in the Mediterranean region (over 75%), CSOs are easy to find there. In Norway, where the share of multi-unit buildings is very low, but among them the owner occupation is very high (over 85%), CSOs are present in great numbers as well (this is not the case in Sweden and Finland). However, multi-family buildings tend to be rental in most Western and Northern European cities, and so CSOs consist of a marginal part of their housing stock.

	CEE and Baltic model	**German speaking areas**	**Northern model**	**Mediterranean model**	**Anglo-Saxon model + the Netherlands**
SIZE OF THE HOUSING SEGMENT OF CSOs	vast majority of the multi-family housing stock	marginal part of the multi-family housing stock	small part of the multi-family housing stock	significant part of the multi-family housing stock	marginal part of the multi-family housing stock

The social status of CSOs is also different in the different European Regions: as CSOs are more common is Central and Southern Europe they accommodate a social mixture of residents from lower to upper middle class families. In the Western and Northern part of Europe however, CSOs are much rarer, and as ownership in general is tied to higher income, CSOs also house middle to high income families.

Privatization and the conversion of cooperative ownership into owner occupation brings in new CSO opportunities in the UK, the Netherlands and Germany as new condominiums are created, and at the time of ownership conversation former tenants are more eager to influence their living environment and invest in the condition of their housing.

The energy efficient renovation of multi-unit buildings is very common in the rental housing stock in Western and Northern Europe, while it is also wide-spread in Central European countries concerning privately owned multi-unit buildings (thanks to the state and local subsidy schemes that have been available for decades).

What are the main characteristics of the CSO market?

- CSOs in the renovation sector are already set communities that have been operating for decades (hence they are primarily concerned about renovation). Most of them do not behave like an intentional community (a community where people choose to interact with each other), instead, they act as a group of people that have tasks that should be fulfilled together. They act based on strict rules and regulations that are provided by laws and by-laws. It means that there is no need for creating new rules for their interactions; instead, **existing rules should be applied** to the renovation process.

- The **composition of owners** (educational background, income level, cultural intentions) are more mixed in the Central and Southern European countries while more homogeneous in the Western and Northers European countries.
- The driving force for the CSOs to implement energy efficient renovation is a mixture of financial savings, the creation of a nicer and more comfortable living environment and the increase in real estate value. Experience of businesses shows that **non-financial benefits seem to be the most decisive factor to start a renovation process**. (In Netherlands for example the Energy Jump project proved that the renovation potential is lower in wealthier neighborhoods than in more disadvantaged ones).
- Although there is no need to create new communities for the renovation, CSOs still consist of several owners, the majority of whom have to be convinced to undertake the project. As a result, this sector is highly **emotionally driven,** despite the fact that CSOs in most cases are led by professionals (common representatives that are either companies or skilled owners from the community). These professionals still need assistance to convince the owners and coordinate the decision making process.
- One of the most interesting features of CSOs in the renovation process is that there is a trend towards **adjusting to the least affluent owners**. Theoretically a simple majority or 2/3 of the owners can decide on the renovation, a decision which is binding for all owners; but the situation of the less affluent is typically respected by the community, and it is considered unfair to force owners to go beyond their financial capabilities. As a result, renovation possibilities may be strongly limited.

Why enter the CSO market?

- CSO renovation market is a **mainstream market in the Central European member states** as the vast majority of the multi-unit buildings are CSOs, so entering in the renovation of residential buildings automatically means entering the CSO market. Thus it is a big market with a lot of opportunities, and as energy efficiency gains importance in Europe, it is foreseen to **remain a stable market**.
- CSO renovation is a **niche market in the Western and Northern European countries**. Taking into account that more affluent inhabitants live in this sector this may provide higher profit rate for companies. However the families living in CSO houses in this part of Europe do not seem to take financial savings from energy efficient interventions seriously (as they can easily pay higher energy bills), thus innovative technical solutions and the additional values of renovation should be highlighted.
- SMEs are in most cases in a sub-ordinate position in the renovation market, implementing a part of the renovation project (and being exposed to strong competition). If SMEs intend to **be in a leading positon,** they must become involved in the project planning phase, by offering complex, innovative solutions that are either innovative in technical terms, or provide user friendly solutions concerning financial or organizational schemes.
- Implementing renovation of CSO residential buildings **on a larger scale** (with several buildings) may result in economies of scale and can improve the cost position of the CSOs. However, neighborhood level interventions may exceed the financial and organizational capacity of SMEs; therefore a network of SMEs should be created either by informal or formal means.