

## EUROPEAN REAL ESTATE INDUSTRY RECOMMENDATIONS FOR THE NEXT MANDATE

The competitiveness of the built environment is crucial for the productivity of the European economy, the transition to a green economy and the wellbeing of its citizens. Real estate firms and managers, investors and lenders serve businesses and society by actively developing, managing, maintaining, and improving the built environment in which all aspects of our everyday lives take place.

Real estate is a vital and diverse sector, covering professionally managed residential rental property (including specialist accommodation for students or seniors) and new economy assets like data centres, as well as more traditional offices, retail, and logistics facilities. The built environment plays a crucial role in our day-to-day life and for our future – it influences every aspect of our society from energy efficiency and green building practices to community development and access to housing. At the same time, this capital-intensive industry contributes long-term income to the diversified investment portfolios of pension funds and insurance companies responsible for Europeans' savings and pensions of millions of Europeans.

The commercial real estate industry directly contributed EUR 427 billion to the European economy in 2021, representing about 2.8% of the total economy, which is comparable to the combined size of the European automotive industry and telecommunications sectors. It employs 4.2 million people, which is more than the combined employment of the auto manufacturing industry and the telecommunications sectors and equivalent to banking ([see more](#)). The real estate industry also makes a significant contribution to achieving both Europe's environmental and social sustainability goals.

To remain competitive on the global stage, real estate firms and professionals as well as their investors and lenders need a regulatory framework that allows them to attract capital and deploy it productively and profitably. With real estate central to many different policy areas, Europe would benefit from a more coordinated and strategic dialogue both between policymakers and the real estate industry, and across different EU institutions (including the ESRB, ECB, and the ESAs), to ensure they do not operate in separate silos.

### WHO WE ARE

A broad coalition of 17 organisations representing the European real estate market, including real estate investors and managers, companies, developers, and professionals, whether listed or non-listed, bank and non-bank lenders, and the consultants and service providers that support the industry, on a national, European, or international level.

This group was established to improve coordination on a European level in a spirit of open dialogue and exchange. Its objective is to improve the public awareness about investment in real estate and increase understanding not just of its social and economic value, while supporting the policy-making process affecting real estate investment in Europe.

## OUR PRIORITIES FOR THE NEXT EUROPEAN MANDATE

### PILLAR 1 - PROMOTING LONG-TERM INVESTMENTS BY PRIORITISING COMPETITIVENESS OVER REGULATION

The real estate sector has yielded predictable and consistent income returns for long term investors while generating positive social impacts for society and the environment, making it an essential component of the diversified investment portfolios of a wide range of investors such as pension funds and insurance companies.

Real estate stands out as a notably accessible and secure option not just for institutional but also for retail investors and aligning well with the policy objectives of the EU retail investment strategy. In recent years, more investors have recognised the attractive risk-adjusted returns of investing in real estate credit strategies – with the supply of debt no longer exclusively the preserve of banks. As both a capital-intensive industry and an important component of the investment universe, the real estate sector would strongly support a renewed effort to deliver the Capital Markets Union.

### PILLAR 1 - KEY DELIVERABLES

**PROMOTING LONG-TERM AND CROSS-BORDER INVESTMENT:** By creating a seamless investment environment, the EU can unlock the full potential of the internal market and stimulate capital flows. We endorse recommendations aimed at encouraging Member States to boost participation in capital markets through targeted tax incentives for long-term and cross-border investment by both institutional and retail investors. Real estate can be a prime vector of longer-term cross-border investments, and investing into it should be facilitated, including in any new initiatives regarding pan-European retail pension (*PEPP2*) or saving products. Loan originating funds and real estate debt securitisation could act as important additional channels for converting savings into productive long-term investments in Europe's built environment. Member States should be encouraged to eliminate obstacles to the full freedom of establishment, assuring a consistent fiscal and regulatory treatment for those investing in the built environment.

**APPLY BETTER REGULATION PRINCIPLES MORE CONSISTENTLY:** To address the impact of different local regulations on the real estate sector at a global level, it is imperative to apply better regulation principles more consistently. This includes a stronger focus on implementation of existing regulations, through impact assessments that measure the cumulative effects of various regulations. New regulation should have clear and measurable EU-wide goals that consider national and local conditions. The EU should consider reviewing the *de-minimis* threshold for the deduction of net interest expense in company taxation according to the *Anti-Tax Avoidance Directive (ATAD)*, to reflect local economic and interest rate factors in the EU.

**IMPROVEMENT OF THE CAPITAL MARKETS UNION:** Real estate has been significantly affected by the rising cost of capital resulting from higher interest rates. Policymakers can mitigate those challenges by delivering the *Capital Markets Union*, and existing thresholds for tax deductibility of interest according to the current EU framework should be examined to reflect current levels of interest rates. Furthermore, we support measures to cut down on red tape and facilitate capital growth at a lower cost for enterprises, like the *EU Listing Act* and the effective implementation of revised *Solvency II* rules with respect to long-term equity requirements which will be freeing up billions of EUR for institutional investors. The recently revised *ELTIF* regime could also serve as a blueprint for further measures relating to EU-wide infrastructure and real estate investments. This will in turn facilitate investments in essential buildings and infrastructure and hastening the green transition.

**INTEGRATE EUROPEAN RETIREMENT WEEK IN THE OFFICIAL EU CALENDAR:** Similar to other dedicated events series raising visibility about the contributions of holistic sectors providing benefits to EU citizens (like *EU Green Week* e.g.), we would appreciate the integration of the *European Retirement Week*, providing a platform to raise citizens' awareness of the need to save for retirement and achieve pension adequacy, in the official EU calendar.

## PILLAR 2 - DELIVERING THE GREEN TRANSITION

The built environment is responsible for about 40% of Europe's energy consumption and it is estimated that 80% of the buildings in Europe today will still be standing by 2050. Policy-makers should prioritise, and coordinate across policy areas and with the industry, the improved energy efficiency of buildings, including their financing through financial markets.

The *EU Taxonomy* was the cornerstone of the EU's sustainable finance framework during the last mandate. Today, the real estate sector is the second most EU Taxonomy aligned, and this coalition's members are committed to continuing this direction, ensuring that the real estate sector's alignment with the EU Taxonomy leads to meaningful progress toward the 55% emissions reduction target by 2030 and climate neutrality by 2050.

The real estate industry has played and will continue to play a crucial role in the green transition. Prioritising the renovation and transformation of existing building can have the most economic, environmental, and social benefits.

A suitable regulatory environment which learns from dialogue with industry can support the energy-efficient retrofit of Europe's buildings and increased capital investment. Given the EU's ambitious legislative efforts during the last five years to steer investments towards sustainability, the focus of the upcoming legislative period should be on effectively implementing these measures. This approach prevents overloading firms with new initiatives that divert their resources, addressing the market's pronounced need for regulatory stability.

By aligning economic interests with environmental and social responsibility, we can cultivate a real estate landscape that not only thrives economically but also contributes to a healthier and more equitable society. Access to affordable housing and property ownership can enhance social stability, promote wealth accumulation, and foster community cohesion, thereby positively impacting the lives of individuals and families.

## PILLAR 2 - KEY DELIVERABLES

**CREATING A COHERENT SUSTAINABLE FRAMEWORK:** To deliver the best transition possible, we ask to put together regulations in a coordinated and clear manner, to define what is sustainable and direct financial flows towards transition projects. Regulations must be coordinated, across the EU institutions but also with financial regulators, to achieve the greater goal of ensuring sustainable competitiveness of EU markets.

**MAKING SUSTAINABILITY REPORTING REQUIREMENTS FIT FOR THE REAL ESTATE SECTOR:** To work with the industry to establish clear, industry-specific standards, having regard to data availability that precisely reflect the sector's sustainability characteristics and progress. To include relevant indicators that improve the measurement and disclosure of energy transition advancements when reviewing the existing *Sustainable Finance Disclosure Regulation (SFDR)* and to develop a labelling framework that introduces a category specifically tailored to facilitate a transition strategy in real estate.

**SENDING CLEAR LONG-TERM MARKET SIGNALS ON REDUCTION OF ENERGY USE RELATED EMISSIONS:** We encourage energy efficiency through local initiatives to develop a comprehensive system for *energy performance certificates (EPCs)* and *nearly zero-energy buildings (NZEBs)* across the EU to ensure uniform standards and terminology, effectively allowing everyone to "speak the same language" regarding energy efficiency. Furthermore, we advocate for greater alignment between the *European Performance of Buildings Directive (EPBD)* and the EU's Taxonomy Regulation to ensure the EPBD's "worst-first approach" to building related emission reduction is mirrored in the EU Taxonomy.

Furthermore, we recognise the critical role of circularity and whole-life carbon calculation in achieving sustainable outcomes for the sector.

**EU STATE AID RULES MUST BE CLEAR AND SIMPLIFIED:** We propose targeted incentives for sustainable development, which may require direct subsidies and tax benefits for energy-efficient and renewable energy projects. There should be a significant increase in R&D support for green innovations, a decisive shift away from fossil fuel subsidies towards renewable resources, and the introduction of green financial instruments to fund environmentally beneficial projects. Regulatory reforms are proposed to prioritise green projects in state aid allocations, alongside capacity building initiatives for stakeholders to ensure effective implementation. Furthermore, we call for the promotion of public-private partnerships focused on sustainable infrastructure, signalling our commitment to a sustainable, efficient, and environmentally responsible future for European real estate.

**UNLOCKING INVESTMENT IN RENEWABLE ENERGY GENERATION INFRASTRUCTURE:** To deliver the infrastructure and the real estate sector's renewable potential, we call on the European institutions to unlock investment by the real estate industry in renewable energy generation infrastructure. Member States should be able to promote fossil free energy production for self-consumption with tax incentives, without running into state aid restrictions.

**MAKING MEMBERS OF THIS COALITION PART OF THE DIALOGUE ON GREEN TRANSITION:** As the voice of the real estate sector, we invite the co-legislators to consider the signatories of this paper as partners in the green transition dialogue.

## INTERNATIONAL / EUROPEAN ASSOCIATIONS

EPRA - EUROPEAN PUBLIC REAL ESTATE ASSOCIATION



INREV - EUROPEAN ASSOCIATION FOR INVESTORS IN NON-LISTED REAL ESTATE VEHICLE



CREFC EUROPE - COMMERCIAL REAL ESTATE FINANCE COUNCIL EUROPE



RICS - ROYAL INSTITUTION OF CHARTERED SURVEYORS



GRESB - GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK



## NATIONAL ASSOCIATIONS

AFG - ASSOCIATION FRANCAISE DE LA GESTION FINANCIERE



ALFI - ASSOCIATION OF THE LUXEMBOURG FUND INDUSTRY



AREF - ASSOCIATION OF REAL ESTATE FUNDS



ASPIM - ASSOCIATION FRANCAISE DES SOCIETES DE PLACEMENT IMMOBILIER



BPF - BRITISH PROPERTY FEDERATION



CONFINDUSTRIA ASSOIMMOBILIARE



FASTIGHETSÄGARNA - SWEDISH PROPERTY FEDERATION



FEI - FEDERATION DES ENTREPRISES IMMOBILIERES



IIP - IRISH INSTITUTIONAL PROPERTY



IVBN - ASSOCIATION OF INSTITUTIONAL PROPERTY INVESTORS IN THE NETHERLANDS



RAKLI - FINNISH PROPERTY OWNERS



ZIA - GERMAN PROPERTY FEDERATION

