



EPRA

EUROPEAN PUBLIC
REAL ESTATE ASSOCIATION

**EUROPEAN ELECTIONS
2024 MANIFESTO**

Investing in Real Estate: Building our Future

#buildingEU

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Recommendations



PILLAR ONE

Promoting long-term investments to the EU economy and its citizens

- Further coordination for an enhanced Capital Markets Union
- Prioritise competitiveness over regulation in the EU equity market
- Ensure adequate and fair treatment of European property companies in taxation
- Consistently and effectively implement the revised Solvency II rules with respect to long-term equity requirements



PILLAR TWO

Delivering on the green transition

- Make sustainability reporting requirements fit for the real estate sector
- Harmonise approaches to accurately reflect buildings' real energy performance
- Unify the approach when implementing the newly adopted Emissions Trading System framework for the building sector
- Facilitate the participation of the listed real estate sector in green transition dialogues



PILLAR THREE

Boosting growth opportunities for Europe and its Member States

- Promote and develop the European REIT concept to facilitate real estate investments across the EU
- Establish soft-law initiatives to promote the mutual recognition of the 13 established REIT regimes in the EU



PILLAR ONE

Promoting long-term investments to the EU economy and its citizens

Listed real estate companies shall become a key additional source of financing for the European real economy and help deliver on the green transition while playing a crucial part in providing retirement security to millions of people.

During the last mandate, the **Capital Markets Union (CMU)** Action Plan has been a driving force behind numerous initiatives to build an economy that benefits people by enhancing the flow of capital in the EU single market. The forthcoming legislative period will be crucial in ensuring these initiatives deliver tangible benefits for citizens and enhance their financial well-being.

Recognising the magnitude of these challenges, **the listed real estate sector stands as a strong ally**. Its capacity to address these pressing and decisive issues positions it as an indispensable player in the broader strategy.

Indeed, listed real estate companies have continuously yielded stable and strong long-term performance while generating positive social impacts for society and the environment.¹ Investing in listed real estate today is investing in needed buildings and infrastructure: data centers, healthcare and senior housing facilities, warehousing, or student housing: **buildings and infrastructure critical to Europe's competitiveness and its citizens' quality of life**. In addition to bringing long-term investments to the European economy, it provides a predictable income stream through regular dividends and capital appreciation, making it a compelling

choice for a wide range of investors such as pension funds and insurance companies. Furthermore, listed real estate stands out as a notably simple, transparent, and secure option for retail investors aligning well with the policy objectives of the **Retail Investment Strategy (RIS)**.

To further harness the potential of the listed real estate sector and ensure its expansion aligns with our broader economic goals, **increased capital investment, and an enabling regulatory environment are essential**. This will help create a more supportive environment that allows the sector to thrive and continue contributing significantly to the goals of the CMU.

¹ For more insights, please consult the comprehensive report made by Amsterdam School of Real Estate on the role of Real Estate Investment Trusts in the European economy



OUR PROPOSAL TO EU LEGISLATORS:

1. Improvement of the Capital Market Union

Further coordination for an enhanced CMU that works for the people.

Improving the Capital Markets Union will be key to bringing financial security to EU citizens and finance the sustainability, digital, and competitiveness transitions. Understanding the pivotal role that national tax policies and business environments play in enhancing participation in the EU capital market, we strongly support the recommendations made by the Eurogroup to improve the functioning of European capital markets. Specifically, we endorse recommendations aimed at encouraging Member States to boost participation in capital markets through targeted tax incentives for institutional and retail investors to make more long-term and cross-border investments in equity. The European Commission should use all levers to enhance coordination among Member States to achieve a coherent shift of incentives across the EU. Listed real estate can be a prime vector of longer-term investments, and facilitating investment in this sector, including within any new initiatives related to **Pan-European Retail Pension (PEPP2)** or saving products, should be prioritised.

2. Prioritise competitiveness over regulation in the EU equity market

We support additional measures to cut down on red tape and facilitate capital growth at a lower cost for companies.

EPRA has welcomed the ambition during the last mandate to boost the EU equity market's competitiveness, as easier access to capital is a fundamental factor for growth. Additional measures like the **EU Listing Act**, aimed at cutting down on red tape and facilitating capital growth with fewer regulatory constraints, are welcomed by our sector. We invite the Commission to consider additional measures to reduce the regulatory burden within the EU's financial market framework. This would facilitate the expansion of the equity market and increase the availability of capital for the real economy, thereby enhancing the EU's competitiveness relative to other global markets.

3. Ensure adequate and fair treatment of European property companies in taxation

We advocate for tax legislation that thoughtfully accounts for the distinctive features of real estate investment vehicles with carve-outs where necessary to maintain the stability and growth of EU real estate markets.

This will ensure they remain a competitive investment proposition for investors, safeguarding the availability of the necessary capital flows to respond to the dual challenges of limited housing availability and renovation needs. Listed real estate companies are guardians of our cities' high-quality assets, covering all types of real estate assets, from offices to retail, and increasingly healthcare and retirement facilities. They are stable contributors to GDP and society as they represent hundreds of thousands of jobs in our continent. Ensuring fair taxation and treatment is crucial to avoid disruption within the EU real estate market as it has been significantly affected by the rising cost of capital resulting from higher interest rates. Policymakers can mitigate these challenges by re-examining the existing thresholds for tax deductibility of interest according to the current EU framework, to better reflect the current interest rate levels.

4. Solvency II long-term equity investments

Consistently and effectively implement the revised Solvency II rules with respect to long-term equity requirements.

EPRA welcomes the agreement on Solvency II and the improved requirements for investment in long-term equities. This will benefit investment flows by insurance companies, freeing up billions for the equity market, facilitating further investments in essential buildings and infrastructure, and hastening the green transition.





PILLAR TWO

Delivering on the green transition

Listed real estate plays a crucial role in the green transition and prioritising the renovation and transformation of existing building stock can provide the most economic, environmental, and social benefits.

The building sector is responsible for about 40% of Europe's energy consumption. This includes both residential and commercial buildings, which contribute significantly to overall energy use due to heating, cooling, lighting, and other operational needs. It is therefore essential to make energy-efficient buildings in Europe a priority, including their financing through financial markets. Particularly, the most sustainable activity that we can currently perform for the European built environment is to renovate and ensure that the existing buildings are on the way to net zero.

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 EPRA through its membership is committed to continuing this trend, 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.

A suitable regulatory environment is also paramount to support the energy-efficient renovation of Europe's buildings. This entails **two key actions**.

- First, it is crucial to ensure that any new legislation is carefully weighted against the long-term needs of investors and businesses for a stable regulatory environment, **especially after a decade of rapid changes**. Indeed, real estate projects have lifecycles spanning multiple decades from inception to full payoff, and regulatory uncertainty can heighten risk perceptions and discourage investors.
- Second, refining the existing frameworks **to better accommodate the specific needs of the energy transition for real estate assets**.



OUR PROPOSAL TO EU LEGISLATORS:

1. Make sustainability reporting requirements fit for the real estate sector.

We recommend establishing clear, industry-specific standards that precisely reflect the sector’s sustainability achievements within the European Sustainability Reporting Standards (ESRS) framework.

EPRA remains dedicated to enhancing transparency and accountability in ESG reporting. Our commitment extends to actively engaging with developing the ESRS framework, ensuring they cater to the unique characteristics of the listed real estate sector. This will facilitate informed decision-making and foster a culture of continuous improvement in sustainability practices.

We recommend including additional, relevant indicators that improve the measurement and disclosure of energy transition advancements under the Sustainable Finance Disclosure Regulation (SFDR).

EPRA strongly recommends that, when reviewing the existing SFDR framework, efforts be made to facilitate transition finance by incorporating more relevant indicators to support the disclosure of energy-efficiency advancements. We also support the creation of a labelling framework that introduces a category specifically tailored to facilitate a transition strategy in real estate.

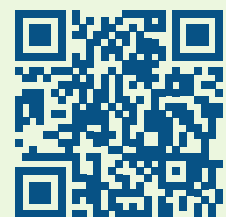
We recommend further alignment between SFDR and ESRS to avoid creating further discrepancies.

Given that most large listed real estate companies are mandated under the **Corporate Sustainability Reporting Directive (CSRD)** to report on certain ESG metrics pertaining to their real estate assets, it would be more efficient and conducive to consistency for the SFDR framework to leverage these pre-existing data points rather than requiring investors to collect and report on additional metrics. This approach would not only streamline the reporting process but also foster a common language between investors and investee companies, enhancing overall transparency and comparability. We also strongly underline **the need to bridge the gap between the different sustainable finance frameworks.**

2. Harmonise approach to accurately reflect buildings’ real energy performance.²

We recommend developing a unified and comprehensive system for energy performance certificates (EPCs), nearly zero-energy buildings (NZEBs) as well as for the new zero-emissions buildings (ZEBs) standards.

² For more details on the specific recommendations, please consult the comprehensive factsheet made by EPRA and the World Green Building Council on the implementation of the EU taxonomy in the built environments



The implementation and content of EPCs vary quite considerably across the Member States, reflecting different levels of ambition regarding energy performance. The recent revisions to the **Energy Performance of Buildings Directive (EPBD)** fell short of addressing these discrepancies. Therefore, we advocate for the establishment of a unified and comprehensive system for EPCs across the EU to ensure uniform standards and terminology, effectively allowing us to “speak the same language” regarding energy efficiency.

NZEB standards are based on divergent methodologies, broadly split between absolute or relative energy requirements (e.g. to a reference building) and based on different **Primary Energy Demand (PED)** and floor space measurement approaches. Thus, the energy performance thresholds (PED/m²) aren't directly comparable across countries. A unified and comprehensive system will equally help harmonising it across the EU. To proactively address potential discrepancies, a comparable approach should be established for the ZEBs standard under the newly revised EPBD.

Furthermore, we advocate for greater alignment between the EPBD and the EU's Taxonomy Regulation to ensure the EPBD's ‘worst-first approach’ philosophy is mirrored in the EU Taxonomy.

We recommend formally amending the Climate Delegated Act to enable the use of proxies to EPC (e.g. BREEAM, LEED, DGNB) where the use of EPCs is not possible or available.

For example, the Climate Delegated Act could include the following text from the additional guidelines from 19 December 2022: “Where [building standards (LEED, BREEAM, DGNB)] can help demonstrate compliance with the technical screening criteria (TSC), they can be accepted for compliance with the TSC.”

We recommend incorporating real annual energy performance measurements into the EU Taxonomy.

By incorporating real energy performance measurement of buildings into the regulatory framework investors would be able to better understand the true climate impact of the assets in their portfolio. This data could be used, for example, to inform the alternative criteria of the 15% top performers.

3. Unified approach when implementing the Emissions Trading System for the building sector.

EPRA advocates for an ambitious start to amplify its long-term success.

The integration of the building sector into the **EU Emissions Trading System framework (EU ETS II)** is a crucial move towards our sustainability goals, notably contributing to the necessary EUR 275 billion annual investment for energy-efficient building renovations. EPRA underlines the necessity to consider national specificities such as energy systems, including infrastructure but also financial, economic, and social aspects to avoid a one-size-fits-all approach that may not adequately address the unique challenges and opportunities each class presents. A progressive and ambitious carbon pricing strategy and social justice consideration to have a fair distribution of financial responsibilities between landlords and tenants should also be considered.

4. Facilitate the participation of the listed real estate sector in the green transition dialogue.

EPRA would welcome the opportunity to contribute our sector's expertise.

EPRA, as the voice of Europe's listed real estate companies, has an important role in sharing our sector's perspectives, strengths, and commitment to contribute to sustainability targets in Europe. Given the specificities of our sector and its pivotal role in decarbonising the building stock, EPRA would welcome the possibility of participating in expert or working groups during the tenure of the forthcoming Commission, allowing us to share our industry inputs on key files such as SFDR, CSRD, EU Taxonomy, EPBD, ETS II as well as upcoming initiatives on the **Whole Life Carbon (WLC)** in the building sector.





PILLAR THREE

Boosting growth opportunities for Europe and its Member States

Thirteen EU Member States have adopted REIT legislation, recognising a public benefit to incentivise real estate investment through public markets. This should be considered when designing legislation at the EU level.

Within the global real estate landscape, Real Estate Investment Trusts (“REITs”) are companies that own, operate, develop, and manage real estate assets to obtain returns from rental income and capital appreciation. REITs help communities grow, thrive, and revitalise and provide an investment opportunity that makes it possible for everyday citizens as well as large institutional investors to benefit from valuable real estate, dividend-based income, and total returns.

Thirteen EU countries have already recognised a public benefit to incentivise real estate investment through public markets and have introduced REIT legislation in their jurisdiction. This trend is gaining momentum, with additional Member States contemplating the adoption of similar REIT frameworks. This progressive shift reflects a growing recognition of **the pivotal role that real estate investments play in the broader economic landscape of Europe.**

Therefore, it is paramount that the specifics of these regimes are taken into account when designing legislation at the EU level to avoid disruptions and market fragmentation. The OECD e.g. has demonstrated an understanding of the functioning and contributions of REITs with a carve-out from its global tax framework **GloBE Pillar II**, providing customised solutions where necessary and adequate.

Moreover, the European REIT regimes are facing challenges that impede their ability to thrive and attract further investments, beneficial for millions of EU citizens. This situation contrasts sharply with the situation in the United States, where REITs form a crucial part of investment portfolios, including retirement savings, for around 150 million Americans. Actions need to be undertaken to make investments in and by REITs more attractive, which could bring significant benefits not only to investors but also to society at large.

OUR PROPOSAL TO EU LEGISLATORS:

1. Promote and develop the European REIT concept to facilitate real estate investments across the EU.

We call on the EU legislators to recognise the importance of REITs for the European economy.

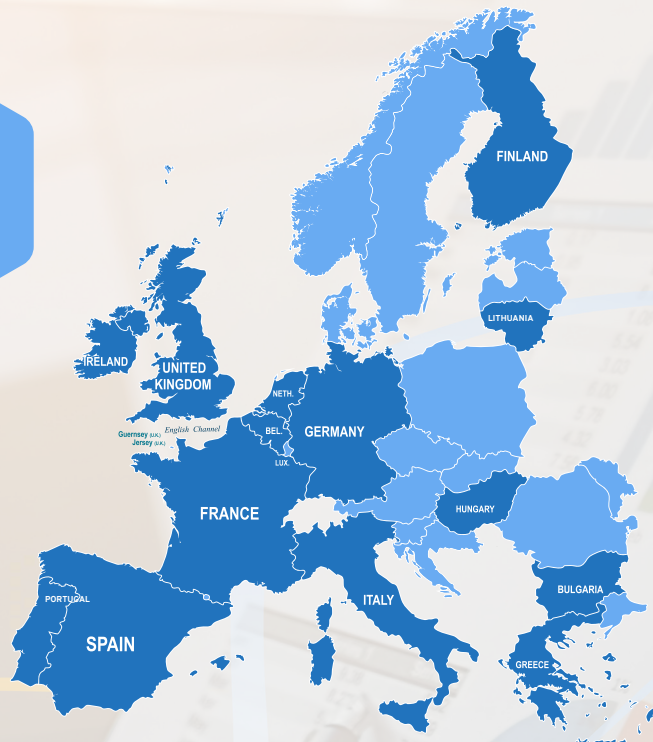
This can be achieved by encouraging Member States to further develop, introduce, or preserve their retail and institutional investor-friendly regimes to facilitate real estate investments while building a strong, prosperous, and sustainable Europe.

2. Establish Soft-law initiatives to promote the mutual recognition of the 13 established REIT regimes in the EU.

We call for EU soft-law interventions, which could pave the way for mutual recognition of REIT legislation among Member States.

Given that 13 countries in the EU have already acknowledged the public benefit of establishing a national REIT framework to incentivise property investment through public markets, we recommend the development of an EU recommendation for the mutual recognition of REIT regimes. This approach aligns with the Commission's objectives to advance CMU through non-legislative actions, thereby enhancing the EU single market and benefiting the entire EU economy.





EUROPE - REIT REGIMES



LISTED REITs IN EUROPE

Listed Real Estate Investment Trusts (“REITs”) are companies that **own, operate, develop and manage** real estate assets for obtaining returns from rental income and capital appreciation. They help communities grow, thrive, and revitalise and provide an investment opportunity that makes it possible for everyday citizens as well as large institutional investors to **benefit from valuable real estate, dividend-based income and total returns**. As societies in Europe are facing challenges to provide for their rapidly greying populations, **REITs play a crucial part in providing retirement security to millions of people**, by offering long-time investors like pension funds and insurers stable and highly competitive assets to invest in. Fourteen European countries have already recognised a public benefit to incentivise real estate investment through public markets and have introduced REIT legislation in their jurisdiction. Providing an overarching framework for mutually recognising REIT legislations across jurisdictions would bring a significant boost to cross-border investments in Europe.

Five-fold increase
since 2008

Further potential compared with:
US REITs market cap is 5 times larger than the overall size of the European Listed REITs market

Real Estate 11th sector
in GICS and ICB

REITs in Europe

240 
COMPANIES

OF WHICH **67**
INDEX CONSTITUENTS*

VALUE OF THEIR ASSETS**

€326bn

TOTAL MARKET CAP**

€120bn

FREE FLOAT***

84.1%

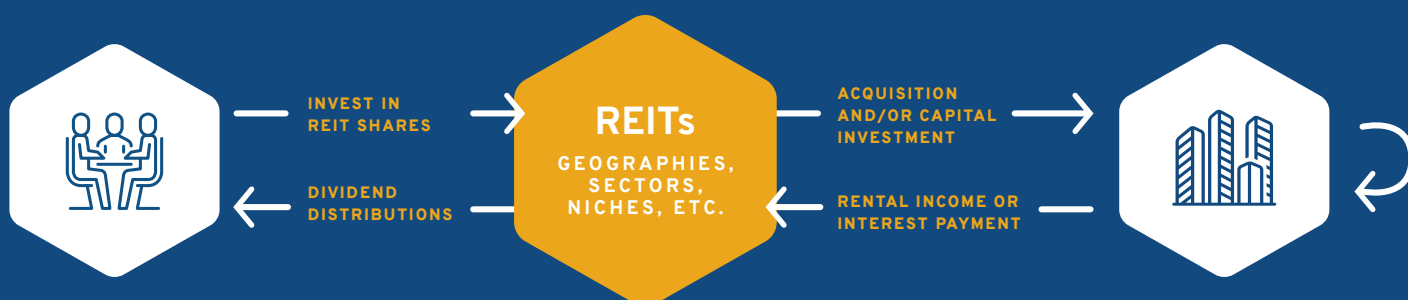
* EPRA developed and emerging Europe index constituents in the EU and the UK as of December 2022
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 *** Free float represents the amount of shares available to investors on the market as of December 2022

How does a REIT regime work?

Anyone, from retail investors to large institutional investors, can invest in the underlying assets of publicly quoted REITs, **the same way as investing in other industries** - through purchasing shares. The shareholders of a REIT earn a share of the income produced, without actually having to go out and buy, manage or finance property. Most of the income from the properties, on average 90%, **must be paid directly to investors as a dividend on a regular basis**. Conditional on the mandatory high dividend pay-out, REIT regimes waive corporate income tax on the trusts. Investors therefore pay tax once, on dividends at their personal rate, rather than incur double taxation at both the REIT level, and the personal level. Next to the 14 countries establishing REIT frameworks, **more European countries are looking to initiate specific legislation**. Although some governments fear a loss of tax income, studies have shown that REITs actually result in high tax revenues due to their economic activity.

REITs operate like a real estate vehicle, but more efficiently

HIGHER LIQUIDITY, LOWER TRANSACTION COSTS
AND BETTER LONG-TERM RETURNS



REIT framework characteristics:

- ✓ democratise real estate ownership;
- ✓ help build national retirement savings in an efficient and stable manner;
- ✓ effectively deepen capital markets and investment opportunities in a jurisdiction;
- ✓ support economic development, generate social capital and other non-financial dividends;
- ✓ generate attractive and long-term total returns;
- ✓ promote professional management;
- ✓ encourage the free flow of equity within domestic markets and across borders;
- ✓ provide liquidity by ensuring real asset securities are easily tradeable;
- ✓ contribute to a more transparent and trusted marketplace;
- ✓ enable property companies to scale up their investment in sustainable real estate;



EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. With more than 290 members, covering the whole spectrum of the listed real estate industry (companies, investors and their suppliers), EPRA represents over EUR 840 billion of real estate assets* and 95% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

Find out more about our activities on www.epra.com



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**THE EUROPE WHERE WE
LIVE, WORK AND THRIVE**

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