

September 2026

The European Association for Investors in Non-Listed Real Estate Vehicles (INREV¹) welcomes the opportunity to contribute to the European Commission's call for evidence on the forthcoming Housing Simplification Package. We support the Commission's objective of reducing unnecessary administrative burdens and costs to increase the supply of affordable, sustainable and high-quality housing across the EU. As the consultation recognises, simplification should support housing delivery while preserving the social, environmental and other public-interest outcomes underpinning Europe's housing policies.

Europe's housing shortage is structural. Addressing it requires a sustained increase in supply across tenures and local market conditions, supported by more predictable planning and permitting, access to land, construction capacity and long-term finance.

Housing needs and delivery models are local, but much of the capital needed for development and regeneration is European and global. Connecting locally designed housing opportunities with cross-border pools of long-term capital is therefore essential to investment at the scale required.

Simplification should address not only individual administrative requirements, but also the cumulative effect of EU and national rules governing investment funds, taxation, prudential treatment, sustainability and cross-border investment. Fragmented, duplicative or disproportionate requirements raise costs, create uncertainty and can reduce the viability of housing investment.

The objective should be a clearer, more coherent and proportionate framework that removes unjustified barriers without weakening social protections, environmental objectives, financial stability safeguards or tenant rights. In this response, INREV follows the housing investment chain from capital mobilisation and deployment to financing, delivery, operation and renovation.

The central test for the Housing Simplification Package should therefore be whether the combined EU framework enables long-term institutional capital to reach viable European affordable-housing projects efficiently, at sufficient scale and on terms compatible with durable affordability, sustainability and tenant protection.

¹ INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. We provide guidance, research and information related to the development and harmonisation of professional standards, reporting guidelines and corporate governance within the non-listed property funds industry across Europe.

INREV currently has over 530 members. Our member base includes institutional investors from around the globe including pension funds, insurance companies and sovereign wealth funds that provide critical income security for more than 172 million people, as well as investment banks, fund managers, fund-of-funds managers and advisors representing all facets of investing in non-listed real estate vehicles in the UK and the rest of Europe. Our fund manager members manage more than 500 non-listed real estate investment funds, as well as joint ventures, club deals and separate accounts for institutional investors.

European investment market rooted in local needs

There is no single European housing model. Housing markets differ significantly across Member States and often between regions and cities within the same country. Differences in tenure structures, planning systems, municipal responsibilities, tax regimes and affordability challenges mean that housing policy must remain responsive to local circumstances. The diversity of European housing systems is a strength that reflects distinct social, economic and political traditions. Therefore, a European approach should not seek to impose uniform solutions, definitions or delivery models where local conditions differ.

For this reason, primary responsibility for housing policy and housing delivery rests with Member States, regions and municipalities. Local authorities are best placed to assess housing needs, identify development priorities and design policies that reflect local realities. Effective housing solutions depend on local decision-making, local knowledge and a clear understanding of community needs. At the same time, local competence should be exercised through frameworks that are clear, predictable and capable of supporting delivery. Lengthy procedures, overlapping requirements and frequent changes to planning or regulatory conditions can constrain supply and deter the long-term investment needed to address local housing needs.

Delivering the volume of housing Europe requires will increasingly depend on partnerships between the public and private sectors. Successful housing markets are built on cooperation between public authorities, developers, housing providers and long-term institutional investors. Public-private partnerships can help combine local policy objectives with patient capital, development expertise and operational capacity. Such arrangements can support housing supply across different market segments while ensuring that projects remain aligned with broader societal goals. To be effective, these partnerships require a stable allocation of responsibilities and risks, transparent and neutral access to public support, and sufficient flexibility to reflect local affordability and viability conditions. Public intervention should be targeted at projects that would not otherwise attract sufficient investment, thereby mobilising additional capital and housing supply rather than replacing private financing already available on normal market terms.

The European dimension lies not in creating a uniform housing model, but in establishing the conditions that allow capital to move efficiently across borders and reach local housing projects. Investors require legal certainty, predictable regulatory frameworks and investment structures that can operate effectively across multiple jurisdictions. Europe can add value by supporting capital mobility, reducing unnecessary fragmentation and facilitating investable scale. For housing, investable scale does not necessarily require uniform or large individual projects. It can also be achieved by creating frameworks that allow multiple locally designed projects to be aggregated, financed or managed efficiently. A more integrated investment environment would enable long-term capital from pension funds, insurers and other institutional investors to support housing delivery throughout the EU.

Long-term institutional investors seek stable and predictable returns over extended investment horizons and can be closely aligned with the creation, maintenance and improvement of housing assets. Their investment can support new supply, regeneration and professional asset management. It may also provide the long-term stewardship and capital expenditure required to maintain housing quality, improve energy performance and extend the useful life of existing homes. Institutional capital is therefore not a substitute for public housing policy or public funding. Its contribution is to expand the financing capacity available for investable projects where affordability obligations, public support, risk allocation and long-term operating conditions are sufficiently clear.

The assessment of different investment models should be based on the nature and effects of the investment, rather than on how particular categories of investors are labelled. Relevant considerations include the investment horizon, whether capital contributes to additional or improved housing supply, the quality and continuity of asset management, and alignment with applicable affordability, sustainability and tenant-protection requirements. Policy frameworks should recognise this distinction and encourage investment models that contribute directly to long-term housing provision, market resilience and sustainable communities. Measures designed to address harmful speculative behaviour should be carefully targeted and evidence-based, so that they do not inadvertently reduce the availability of productive capital for housing delivery.

Together, these principles support a European approach that respects local housing competence while removing unnecessary barriers between long-term institutional capital and locally designed affordable-housing projects. The following sections consider how fund, tax, prudential and sustainable-finance rules can support or impede that objective.

Assessing the cumulative impact across the housing investment chain

The Commission's intention to map the combined impact of relevant EU legislation and its implementation is the right starting point. The assessment should distinguish burdens arising from EU requirements from those created by national implementation, so that simplification targets the source of delay, cost or uncertainty without weakening legitimate regulatory objectives.

The assessment should follow the full housing investment chain: raising and pooling capital, deploying it through investment vehicles, securing debt finance and/or public risk sharing, and developing, converting, renovating and operating housing assets.

Rules applying to buildings and housing providers are only part of this chain. Fund regulation, prudential treatment, taxation, sustainability disclosures and data requirements also influence whether capital can reach housing efficiently and at sufficient scale.

The effects are cumulative, particularly for cross-border investment. Requirements that appear proportionate in isolation can become materially burdensome when combined with duplicative authorisations, divergent national interpretations, additional reporting, uncertain tax treatment, financing constraints and changing asset-level obligations. For cross-border investment, that fragmentation can increase the cost of locally delivered housing.

The European Affordable Housing Plan appropriately recognises the need to mobilise additional public and private investment, including through a Pan-European Investment Platform developed with the European Investment Bank, national and regional promotional banks and other international financial institutions. INREV supports this direction. However, new investment platforms and risk-sharing mechanisms will achieve their full potential only if the wider regulatory framework allows private and institutional capital to be raised and deployed efficiently.

The Commission should therefore organise its assessment by investment function rather than by individual legislative file. This would show where requirements interact, duplicate one another or interrupt the flow of capital into new, converted, renovated and existing housing.

The assessment could build on positive work already under way: the Housing Simplification Package's focus on evidence and implementation; stronger supervisory convergence and capital-market integration; tax simplification; a more usable sustainable-finance framework; risk-sensitive prudential treatment; better alignment and coordination of housing-related funding under the next Multiannual Financial Framework; and action on permitting, renovation, construction productivity and modular construction.

These strands are complementary. Reform at project level will not unlock housing if capital cannot be raised and deployed efficiently, while capital-market reform and additional public funding will not increase supply if projects remain unviable because of permitting, financing or operating constraints. Public funding should therefore be designed to catalyse and complement private investment within a coherent regulatory framework.

Mobilising capital

Europe's housing needs cannot be met through public resources alone. Significant volumes of long-term private and institutional capital will also be required to finance the development, acquisition, refurbishment and management of homes, including through non-listed real estate funds, joint ventures, separate accounts and other professionally managed structures.

The regulatory framework must enable this capital to be pooled and deployed efficiently across borders while maintaining appropriate investor protection and financial stability. Fragmentation in fundraising and investment structures increases costs before capital reaches the underlying projects and can prevent otherwise viable housing strategies from achieving sufficient scale.

The direction of recent reform is encouraging. The review of the Alternative Investment Fund Managers Directive and the Market Integration and Supervision Package increasingly recognise the importance of simplification, harmonisation, proportionality and cross-border investment. In particular, the MISP seeks to eliminate national barriers to cross-border fund management and distribution, strengthen supervisory convergence and streamline regulatory processes.

These reforms could make it easier for housing strategies to raise capital from investors across the globe and channel it into new supply, the renovation of existing homes and the long-term management of residential assets. Their full benefit will, however, be realised only if EU-level reform removes, rather than overlays, divergent national procedures and if supervisory and reporting requirements remain proportionate to the characteristics of long-term, asset-based housing investment.

AIFMD and cross-border capital raising

The AIFMD created a transparent and regulated European framework for alternative investment fund managers. Its passport enables authorised managers to raise capital from professional investors across the EU and is therefore directly relevant to the ability of housing strategies to access a broader investor base and achieve an efficient scale.

Following the most recent review, the priority should be to preserve the Directive's core architecture while ensuring that it operates efficiently, proportionately and consistently across the Union. Regulatory stability is particularly important for housing investment. Homes are long-lived assets, development and refurbishment programmes extend over several years, and investment decisions

must take account of long-term operating costs, local demand, affordability conditions and changing environmental requirements.

In practice, the value of the AIFMD passport continues to be weakened by divergent national treatment of pre-marketing, reverse solicitation and marketing notifications, as well as by additional filing portals, language obligations and local facilities-agent or representation requirements. A manager seeking to raise capital for a housing strategy in several Member States may consequently need local legal advice and separate administrative processes in each market.

This fragmentation increases the cost, time and uncertainty associated with fundraising before capital reaches the underlying housing project. It can make smaller developments, refurbishment programmes and specialist housing strategies more difficult to finance, particularly where individual projects are too small to attract capital on a standalone basis. The burden falls disproportionately on small and medium-sized managers with valuable knowledge of local planning systems, development pipelines, tenant needs and asset-management requirements, but insufficient resources to repeat substantially similar regulatory processes in multiple jurisdictions. The passport may therefore exist in law without effectively connecting European institutional capital with local housing expertise and opportunities.

The MISP proposals move in a positive direction by seeking to simplify cross-border distribution, reduce national gold-plating and address divergences in the application of common EU rules. The proposed transfer of relevant cross-border marketing provisions from AIFMD to the directly applicable Cross-Border Distribution of Funds Regulation should help establish a more consistent framework and limit the ability of host Member States to impose duplicative requirements.

INREV particularly welcomes the proposed removal of the 36-month prohibition on pre-marketing a similar strategy in a Member State following de-notification of marketing arrangements. It also welcomes the proposed removal of the 18-month rule under which subscriptions following pre-marketing are treated as resulting from marketing. Housing strategies frequently need to be developed iteratively. Their scale, geographical scope, tenure mix, affordability objectives, renovation requirements and investment pipeline may depend on discussions among investors, managers, developers, local authorities and other public or private partners.

The removal of these restrictions would allow managers to test investor interest and shape viable housing strategies while suitable projects and partnerships are being assembled. It would not diminish applicable conduct, disclosure or investor-protection obligations.

INREV also supports the removal of duplicative host Member State procedures and related local requirements where these add to, or duplicate, harmonised EU requirements. Eliminating unnecessary filing portals, language obligations and local representation requirements could shorten fundraising timelines and reduce the fixed cost of bringing housing strategies to market. It could also improve the feasibility of strategies investing across several cities, regions or Member States, where pooling a pipeline of projects may be necessary to achieve diversification and investable scale.

Procedural simplification must be accompanied by predictable definitions and consistent supervisory practice. Managers should not continue to face materially different national interpretations of pre-marketing, marketing and reverse solicitation. Cooperation between home and host authorities should preserve investor protection without recreating national authorisation or registration requirements in practice.

The objective should be a genuinely European framework in which an authorised manager can engage professional investors and raise capital across the EU, while deploying that capital into housing in accordance with local needs and project fundamentals. This would broaden the potential investor pool and help viable housing strategies achieve sufficient scale across locations, tenure models and housing segments, without weakening the safeguards or accountability established under AIFMD.

Supervisory convergence and regulatory reporting

INREV supports effective supervisory convergence where it reduces inconsistent national implementation and helps housing strategies raise and deploy capital across Member States. It should not, however, create dual supervision or additional administrative layers that increase costs without improving oversight.

The MISP proposals take a constructive approach by retaining national supervision of AIFMs while strengthening ESMA's role in promoting convergence, resolving disputes and addressing practices that impede passporting rights. Any enhanced ESMA role should focus on clearly evidenced cross-border inconsistencies, preserve national authorities' knowledge of local real estate and housing markets and avoid overlapping information requests.

This balance is particularly important for housing. Common EU rules are necessary to support cross-border capital raising, but their application must recognise that housing markets differ considerably across Member States and cities. Tenure structures, affordability pressures, planning systems, rental regulation and the role of public and non-profit providers are shaped locally. Supervisory convergence should therefore ensure consistent application of fund rules without seeking to standardise the underlying housing markets or investment strategies.

These objectives could already be pursued through a stronger single rulebook, common supervisory expectations, effective cooperation between authorities and clear limits on national gold-plating.

The direction of current reform on regulatory reporting is also positive. An integrated fund-reporting framework based on common definitions, templates and submission channels could reduce duplicative national reporting. Simplification must, however, be assessed from the perspective of those providing the data and remain proportionate to the purpose of supervision.

Highly granular asset-level reporting, potentially extending to individual homes or leases, could impose disproportionate costs on housing funds. Residential portfolios may contain large numbers of individual units, tenants and leases. Reporting designed without regard to this operational structure could therefore be considerably more burdensome for housing than for strategies holding a smaller number of large commercial assets.

Such requirements could place professionally managed housing vehicles at a disadvantage compared with other forms of property ownership, even though regulated managers are already subject to governance, risk-management and investor-reporting obligations. The objective should therefore be to report information once and use it many times, rather than centralising an expanded set of duplicative requirements. Reporting should produce information that is genuinely necessary for supervision without increasing the cost of delivering, refurbishing or managing homes.

Enabling efficient scale

Efficient scale should not be confused with market consolidation. Europe's housing needs require a diverse range of large, medium-sized and specialist managers. Large strategies can aggregate projects and mobilise substantial volumes of capital, while smaller and specialist managers can contribute detailed knowledge of local housing needs, development opportunities and asset-management requirements.

Regulatory fragmentation imposes repeated fixed costs that can prevent credible strategies from expanding across borders and make smaller housing projects or specialist strategies economically unviable. This can be particularly damaging in areas where housing need is substantial but individual projects are too small, complex or locally specific to attract large investors directly.

Simplification should make it possible to pool such projects into investable strategies without displacing the local managers, developers and partners needed to deliver and operate them successfully. The objective is not to create a small number of homogeneous, pan-European housing platforms, but to allow European capital to support a diverse range of locally appropriate housing solutions.

The practical test should be whether a legitimate housing strategy can:

- approach professional investors across Member States under predictable and consistently interpreted marketing rules;
- use the AIFMD passport without duplicative host Member State procedures that recreate national authorisation or registration in practice;
- aggregate housing projects across locations where necessary to achieve diversification and investable scale;
- meet proportionate reporting and supervisory requirements that recognise the operational characteristics of housing portfolios; and
- expand across markets while retaining the local development, investment and asset-management capabilities needed to deliver and manage homes successfully.

A framework that meets this test would remove avoidable barriers to channelling capital into investable housing opportunities. It would help locally viable projects access a broader pool of investors while preserving the diversity, expertise and local knowledge of Europe's real estate investment-management market.

Priorities for action

The Housing Simplification Package should reinforce the positive direction of the MISP and the implementation of revised AIFMD by addressing the following priorities:

- preserve the core AIFMD architecture while ensuring consistent and proportionate implementation for long-term housing and other real estate strategies;
- complete the harmonisation and streamlining of cross-border marketing rules, including the removal of duplicative host Member State procedures and national gold-plating;
- provide predictable EU-wide treatment of pre-marketing, marketing, de-notification and reverse solicitation, allowing housing strategies to be developed in dialogue with prospective professional investors;

- pursue supervisory convergence without creating dual supervision or disregarding the local characteristics of housing markets;
- implement regulatory reporting on the basis that information should be reported once and used many times, with requirements reflecting the operational characteristics of housing portfolios;
- protect the diversity of the management market and the local expertise required to identify, deliver, refurbish and operate housing;
- evaluate the combined effect of these frameworks on whether capital can move from institutional investors, through regulated investment structures, into viable housing projects and long-term housing provision.

Structuring and deploying capital

Mobilising capital will not increase housing supply unless that capital can also be pooled and deployed efficiently into housing projects. Cross-border investment structures enable pension funds, insurers and other long-term investors to combine capital, diversify risk and invest at the scale required for development, renovation and long-term operation. However, duplicative reporting, tax leakage and uncertainty about the application of anti-abuse rules can increase the cost of this investment and reduce the capital available for housing.

For affordable housing, these costs matter because they either reduce the equity available for development and renovation, increase the return required from a project, or heighten the need for public support to preserve the same affordability outcome.

INREV therefore welcomes the simplification objectives of the European Commission's proposed Direct Taxation Omnibus and DAC recast. The proposed reforms seek to reduce complexity, reporting obligations and administrative burdens, including through changes to withholding-tax arrangements, ATAD and the DAC framework. Similarly to MISP, as both files remain under negotiation, their final content and practical effects cannot yet be assumed. The Housing Simplification Package could complement these processes by identifying where EU tax rules or their divergent national implementation create demonstrable barriers to cross-border housing investment.

Tax neutrality principle

Large housing projects and portfolios frequently require capital from several institutional investors. Under the principle of tax neutrality for collective investment, recognised in OECD work and reflected in EU legislation, investing through a regulated fund should not place investors in a less favourable tax position than investing directly in the underlying assets. Additional taxation arising solely from the collective investment structure would increase costs and reduce the capital available for housing construction, renovation and long-term operation. This is particularly important where pension funds and other institutional investors pool capital across borders, as additional taxation within the investment chain can influence where capital is deployed for reasons unrelated to underlying housing needs.

INREV therefore supports a tax framework that preserves neutrality between direct and collective investment and recognises the legitimate role of regulated funds and their holding structures. This is

particularly relevant to the Commission's proposed reforms of withholding tax rules. The proposed extension of withholding tax exemptions to pension institutions is welcome, but equivalent treatment should also be ensured where such investors invest through regulated funds or tax transparent vehicles rather than directly. Any final measures should facilitate legitimate cross-border investment without creating new disadvantages for tax transparent or tax-exempt vehicles commonly used by pension funds and other institutional investors.

DAC and duplicative reporting

Housing funds operating across several Member States can face overlapping reporting obligations and different national interpretations of the DAC framework. The resulting legal and administrative costs are ultimately borne by the investment structure, reducing efficiency without necessarily providing tax authorities with materially new information. The same transaction or arrangement may be reviewed under DAC reporting, anti-money-laundering requirements, fund regulation and national tax-compliance procedures, potentially using different definitions, formats and submission channels.

INREV welcomes the DAC recast's objective of streamlining the existing rules. In taking this work forward, the Commission and Member States should consider whether equivalent information is already available under another EU or national framework and whether differences in implementation generate unnecessary duplication. A report-once, use-many times approach, supported by common definitions and interoperable reporting formats, would allow authorities to reuse information already submitted rather than requesting it again from the fund or its manager. For housing investment, the priority should be proportionate and consistent reporting that gives authorities useful information without diverting resources from the financing and delivery of projects.

ATAD interest-limitation rules

Housing development and the improvement of existing buildings can require substantial upfront capital, part of which may be debt-financed. Where borrowing is used, ATAD's interest-limitation rule can restrict the deductibility of the associated financing costs, including during development, refurbishment, vacancy or lease-up. This can increase project costs before the housing asset generates stable income. The annual earnings-based calculation does not always reflect the economics of projects that incur financing costs during a multi-year development or deep-renovation phase but generate income only after completion and stabilisation.

INREV welcomes the review of ATAD within the proposed Direct Taxation Omnibus, including the consideration given to qualifying third-party borrowing and greater consistency across Member States. The final rules should continue to prevent artificial profit shifting while avoiding unintended constraints on genuine external financing used for housing construction and renovation. This could include appropriate treatment of independently financed projects serving recognised public-interest objectives, together with workable and consistently applied rules for carrying forward borrowing costs that cannot be deducted during development and renovation. Any separate proposal concerning unused interest capacity should be identified as such and assessed against the project's financing cycle. Particular attention should be given to long development periods, temporary fluctuations in project earnings and legitimate financing structures used to finance underlying housing projects.

Substance, beneficial ownership and legal certainty

Substance and beneficial ownership rules play an important role in preventing artificial arrangements. However, divergent interpretations can create uncertainty for regulated housing funds using cross-border structures for legitimate commercial, governance and risk-management purposes.

Housing is a long-term and operationally intensive investment. Structures used to pool and deploy capital should therefore be assessed according to their economic reality and the functions they perform, rather than on the mere presence of intermediary entities. Relevant evidence may include the allocation of decision-making authority, governance and oversight arrangements, assumption and management of risk, access to income and assets, and the commercial reasons for the structure. No single indicator, such as local employee numbers or the onward payment of income, should be treated as determinative in isolation. A practical and proportionate approach should distinguish artificial arrangements from genuine structures established to aggregate institutional capital and hold, develop, renovate or operate housing. Common evidentiary expectations and contemporaneous documentation guidance would reduce divergent national assessments and give investors greater certainty over the life of a long-term housing project.

Priorities for action

The Housing Simplification Package should not create a separate tax regime for housing. It could, instead, identify where existing EU rules, overlapping requirements or divergent national implementation increase the cost of pooling and deploying capital into housing.

INREV recommends that the Commission:

- assess the cumulative effect of EU tax and reporting requirements on cross-border housing investment;
- preserve tax neutrality where institutional capital is pooled through regulated investment structures;
- reduce unnecessary duplication in tax reporting and promote more consistent national implementation;
- ensure that interest-limitation rules do not unintentionally constrain genuine financing for housing development and renovation; and
- support proportionate and predictable application of substance and beneficial ownership requirements to legitimate investment structures.

These priorities would support the ongoing EU tax simplification work while keeping the Housing Simplification Package focused on its core objective: enabling more capital to reach viable housing projects efficiently and at scale.

Financing housing projects

Housing development, conversion, major renovation and energy-efficiency improvement require substantial upfront expenditure, while income is generated over much longer periods. The availability, cost and structure of finance therefore directly affect whether housing projects proceed, how quickly

homes can be delivered and whether they can remain financially viable under long-term affordability requirements.

These financing needs cannot be met through a single channel. Bank lending remains important, particularly during development and construction. Institutional investors, including pension funds and insurers investing through real estate funds and other non-listed vehicles, can provide equity and non-bank debt across the housing lifecycle. Public guarantees, concessional finance and other risk-sharing arrangements can help connect these sources of capital by addressing clearly identified risks that private investors cannot reasonably absorb alone.

EU financial regulation should maintain financial stability while allowing capital to reach viable housing projects. Its treatment should reflect the nature of the exposure, the stage of the project and the presence of effective risk mitigation, rather than relying on the housing or real estate label alone. At the same time, prudential requirements should not be reduced merely because an investment pursues a housing objective. The central question is whether the applicable treatment corresponds to the risk demonstrated by the project and its financing structure.

Bank lending and proportionate CRR treatment

Although INREV's principal perspective is that of institutional investment and non-bank finance, bank lending remains an important part of the housing financing chain, particularly during development, construction and major renovation. It can enable projects to progress to the stage at which they can be refinanced, forward-funded or held by long-term institutional investors.

Together with representatives of the European mortgage, banking, development and real estate sectors, INREV called for the CRR III transitional provisions for low-risk residential real estate exposures under Article 465(5) to be preserved. These provisions mitigate the effects of the output floor where residential exposures meet defined low-risk criteria. INREV's joint position calls for the treatment to be made permanent, applied consistently across the EU and considered for extension to banks using the standardised approach, while retaining the applicable low-risk conditions.

This would not create a general prudential preference for housing. Development, construction and other higher-risk exposures should remain subject to appropriate treatment. However, where residential exposures have a demonstrably low-risk profile, capital requirements should reflect the available evidence rather than impose costs disproportionate to the underlying risk. Preserving lending capacity is not, on its own, a guarantee of additional affordable homes. The housing-supply benefit depends on finance reaching viable development, conversion and renovation projects, rather than merely increasing purchasing power in markets where supply remains constrained. The Commission has subsequently recognised the need to assess the treatment of residential real estate exposures and committed to bring forward proposals addressing the output floor and its transitional arrangements for mortgage lending. With the substantive outcome still pending and proposals expected in the first quarter of 2027, its work on banking competitiveness provides an opportunity to preserve lending capacity for housing without weakening financial stability.

Institutional equity and non-bank debt

Institutional investors can provide both equity and non-bank debt for housing. Pension funds, insurers and other institutions manage capital on behalf of pension holders, policyholders and savers and must invest consistently with their fiduciary duties and agreed risk and return mandates. Their access to substantial capital does not mean that it can be allocated indiscriminately or used to absorb risks that have not been appropriately allocated and compensated.

Different forms of institutional capital can participate at different stages of the housing lifecycle. Some investors and specialist strategies can assume development, construction, letting or renovation risk. Others focus on completed and stabilised housing capable of generating durable and predictable income. Real estate debt funds and other private-credit providers can supplement bank lending and provide financing adapted to development, renovation, transitional and operational housing assets. This diversity should be recognised rather than treating institutional capital as a single source of finance with a uniform risk appetite.

Housing must nevertheless offer an appropriate risk-adjusted return. Institutional capital cannot compensate for projects made unviable by unstable regulation, unfunded affordability obligations or costs that have not been reflected in the financing structure.

Policy should instead make viable housing projects investable across their lifecycle. Public guarantees, co-investment, forward-funding arrangements and transparent affordability agreements can help connect development finance with long-term capital. In line with INREV's position on the State aid framework, support should be directly linked to the housing objective and equally accessible to qualifying public, non-profit and private providers.

Non-bank debt forms an important part of this financing mix. It can diversify the finance available to housing projects, supplement bank capacity and provide structures suited to different project stages. Regulation should support responsible non-bank lending through sound underwriting, transparency and effective risk management, while avoiding requirements that are disproportionate to the underlying activity or that unnecessarily restrict regulated real estate funds from financing viable housing projects.

Public support and risk allocation

Public-private partnerships can help an otherwise viable housing project proceed where a clearly identified financing, viability or delivery barrier cannot reasonably be addressed by private participants alone. The appropriate public contribution should reflect the source of the barrier and may include access to land and infrastructure, financial support, or measures that provide greater planning and delivery certainty.

Targeted public financial support can address identified financing and viability barriers without requiring the public sector to finance the full cost of a project. Support should be proportionate to the identified gap and should not compensate for risks that investors, lenders or developers would ordinarily be expected to manage. Where public financial support takes the form of a guarantee or other risk-sharing instrument, its regulatory treatment should reflect its actual risk-reducing effect, based on legally enforceable arrangements, clear eligibility conditions and transparent rules governing coverage and the allocation of losses. A housing project should not be treated as lower risk merely because it pursues a public-policy objective.

Public support should be directly connected to the housing objective and available on equal terms to qualifying public, non-profit and private providers. This can mobilise additional delivery capacity while avoiding distortions that displace private financing that would otherwise be available on viable terms.

The next Multiannual Financial Framework should provide a stable basis for such support. Housing should be effectively integrated into relevant EU funding programmes and national and regional investment plans, with better coordination across funding streams to reduce fragmentation and make support easier to access. The European Investment Bank and other public institutions can contribute by developing scalable financing structures and replicable documentation.

EU involvement should complement national and local housing policy, with Member States and municipalities retaining responsibility for determining housing needs, tenure models and affordability conditions. Once agreed, affordability obligations, subsidies, guarantees and rent arrangements should be sufficiently predictable, transparent and clearly defined to allow their financial effects to be assessed over the relevant investment period.

Connecting development and long-term capital

Increasing housing supply requires capital to move efficiently through the development lifecycle. Developers, banks, real estate debt funds and specialist investors may finance land, planning, construction, renovation and initial letting. Long-term investors may participate through forward-funding arrangements or invest once housing is completed and generating stable income.

The transfer or refinancing of stabilised housing releases capital for new development and allows each participant to assume risks consistent with its expertise and mandate. [INREV's research on housing](#) identifies this rotation of capital as an important feature of institutional investment across the development lifecycle.

Policy should therefore avoid unnecessary barriers between financing stages. Public guarantees and affordability obligations should, where appropriate, remain clear and effective following refinancing or a change in ownership. Regulatory frameworks should also allow different forms of equity and debt capital to participate without undermining the housing and affordability conditions attached to public support.

Stable conditions for long-term housing investment

Long-term housing investment depends on a sufficiently clear and predictable framework for rents, affordability obligations, operation, renovation and disposal. These conditions affect the financing of new housing because investors and lenders must assess the project over its full investment horizon.

Tenant protection and affordability objectives can be compatible with institutional investment where obligations are transparent, proportionate and capable of being reflected in underwriting. Unpredictable changes to these conditions can undermine the assumptions on which a project was financed and make future housing supply more difficult to finance. [INREV's research paper](#) identifies policy inconsistency as a significant risk to long-term residential investment.

Affordability arrangements should therefore be sufficiently clear and durable for their financial effects to be assessed at the point of investment. How those arrangements operate alongside renovation and other ongoing requirements is considered in the final section.

Priorities for action

To improve the financing environment for housing while maintaining financial stability, the Commission should:

- preserve proportionate CRR treatment for demonstrably low-risk residential exposures, consistently with INREV's joint industry position on Article 465(5), while maintaining appropriate treatment for higher-risk exposures;
- facilitate institutional equity and non-bank debt investment in housing, ensuring that regulation reflects the characteristics and risks of the relevant activity and does not unnecessarily restrict regulated real estate funds from financing viable housing projects;
- ensure that public guarantees and other risk-sharing mechanisms address clearly identified

financing or viability gaps, with recognition based on their enforceability and actual effect on risk;

- use the next Multiannual Financial Framework to scale up coordinated housing finance, including through the European Investment Bank, with equal access for qualifying providers and respect for national and local competence;
- enable capital to rotate across the housing lifecycle, allowing banks, developers, specialist lenders, public institutions and long-term investors to participate at stages consistent with their expertise and mandates;
- maintain stable and transparent housing frameworks, so that affordability obligations, subsidies, guarantees, rent arrangements and renovation requirements can support long-term underwriting and continued investment in housing supply.

Bank lending, institutional equity, non-bank debt and public finance perform different but complementary functions across the housing lifecycle. EU policy should enable these sources of capital to work together, while ensuring that public intervention addresses clearly identified risks or viability gaps and that regulation recognises genuine risk mitigation. This would support a diverse and resilient financing environment without weakening financial stability or expecting private capital to absorb uncompensated risk.

Delivering, operating and improving sustainable housing stock

Europe must both add new supply and preserve, operate and improve its existing housing stock. This requires long-term investment in maintenance, energy efficiency, decarbonisation, climate resilience and housing quality.

Institutional investors can contribute capital, professional asset management and long-term stewardship, provided the framework offers clear objectives, realistic transition pathways, comparable information and stable investment conditions. These conditions are particularly important for affordable housing, where the capacity to finance renovation may be constrained by long-term affordability commitments and limits on the extent to which capital expenditure can be recovered through rents.

The interaction of the Energy Performance of Buildings Directive, national energy rules, the EU Taxonomy and the Sustainable Finance Disclosure Regulation can create overlapping data demands, inconsistent definitions and classification uncertainty. These requirements influence whether capital can be raised for affordable housing, whether buildings requiring improvement can remain investable and whether renovation can be financed over an appropriate period. Alignment and a collect-once, use-many times approach would reduce cost without lowering transparency or environmental ambition.

EPBD and renovation pathways

INREV supports the objectives of the EPBD and the need to improve the energy performance of Europe's building stock. The Directive can provide an important long-term signal for investment in housing renovation and help establish a common direction across Member States.

The EPBD necessarily leaves important choices to Member States to reflect differences in building stocks, climate conditions, energy systems and housing markets. However, differences in calculation methodologies, energy performance certificates, renovation requirements and implementation timelines can reduce comparability and make it more difficult for investors to assess housing assets, aggregate information across portfolios and plan long-term renovation expenditure. The Commission's current implementation guidance confirms the range of choices available to Member States and

identifies limitations in the coverage, representativeness and consistency of building-performance data.

Necessary national flexibility should therefore be accompanied by stronger EU-level guidance on common definitions, minimum data fields, calculation principles, data quality and interoperability. This would preserve Member State competence over housing and building regulation while making the resulting information more comparable and usable for cross-border investment.

Comparable building information must also be accessible and verifiable in practice. Relevant data may be held by owners, residents, building managers, energy suppliers or public authorities. EU guidance and subsequent Taxonomy and SFDR requirements should distinguish information that an owner or investment manager controls, information it can reasonably obtain, and information outside its control. Common definitions and interoperable formats should allow reliable data to be collected once and used for several legitimate purposes, without requiring assurances that the available evidence cannot support.

Greater alignment between the EPBD and the EU Taxonomy is welcome. However, alignment based principally on national EPC classes would not, by itself, provide a stable and comparable basis for long-term housing investment. EPC classes remain nationally determined and can change as calculation methodologies, primary energy factors and the performance of the wider building stock evolve. The same EPC class may therefore represent different levels of performance across Member States and may not provide a sufficiently stable benchmark for assessing housing assets and portfolios over the long term.

The implementation of the EPBD should accordingly support credible renovation pathways and the measurement of improvements in absolute performance, rather than relying only on an asset's EPC class at a single point in time. This is particularly important for poorly performing housing, where acquiring and renovating an asset may deliver greater emissions reductions than investing only in buildings that already meet a high-performance threshold.

A staged renovation pathway may in some cases produce better results than requiring all improvements at once. Sequencing can align works with planned maintenance, residents' needs, contractor availability and the replacement cycles of major building systems. It can reduce disruption to residents, avoid inefficient repeat interventions and allow available capital to improve a greater number of homes.

Where renovation costs cannot be recovered through energy savings or other income, or where affordability commitments constrain rent increases, public support and risk-sharing mechanisms may be required. Decarbonisation requirements and housing-affordability objectives should therefore be considered together rather than through separate policy processes.

These building-level pathways and the information used to measure progress should provide the foundation for the treatment of housing renovation under the EU Taxonomy and SFDR.

EU Taxonomy

INREV supports the objective of the EU Taxonomy to create a common classification system and improve transparency regarding environmentally sustainable economic activities. A workable Taxonomy can help investors identify and communicate the environmental characteristics of housing investment and mobilise capital for the renovation of existing homes.

INREV also supports the Commission's objective of improving the usability, clarity and proportionality of the Taxonomy. As the proposed amendments to the Climate and Environmental Delegated Acts

remain under consideration, their final content and practical effects cannot yet be assumed. The current review should ensure that the final framework reflects the real estate investment model, focuses on operational performance, prioritises deep renovation and reduces unnecessary complexity.

To perform this function effectively, the Taxonomy should translate the renovation pathways described above into appropriate recognition of the economic activities and investment contributions that deliver them. For affordable housing, the principal test should be whether the Taxonomy helps attract capital to improve the existing stock. Much of that stock is older, occupied and unlikely to meet the highest performance standards when an investment is made. Its environmental contribution arises through the subsequent commitment of capital, active asset management and delivery of measurable improvements.

The Taxonomy could therefore not only recognise buildings that already perform well or award recognition only once an entire long-term renovation pathway has been completed. Such an approach would direct capital towards a limited pool of newer or efficient assets, while providing insufficient recognition for investors willing to acquire and improve housing with the greatest renovation needs and environmental improvement potential.

This is particularly important for value-add and brown-to-green strategies. Such investors may enter at the most capital-intensive and risk-bearing stage of the transition by acquiring underperforming housing and financing and delivering substantial improvements. Their investment period may, however, be shorter than the full pathway required to achieve the building's long-term performance objective.

The Taxonomy could consider how verified improvements delivered during successive investment periods, including through these strategies, could be recognised, subject to appropriate safeguards and reporting requirements, without equating interim progress with achievement of the final objective.

The relationship between Activities 7.1 on new construction, 7.2 on renovation and 7.7 on acquisition and ownership should also be clarified. Activity 7.7 should recognise that investors contribute to decarbonisation not merely by acquiring buildings, but by financing, owning, operating, maintaining and actively improving them. Together, these activities should ensure that the Taxonomy does not systematically favour new construction over substantial improvement of existing housing.

INREV supports the recognition of deep renovation and redevelopment within the technical screening criteria. Failure to recognise credible renovation and measurable operational improvement may encourage demolition and replacement, notwithstanding their whole-life carbon implications, rather than directing capital towards the effective renovation of existing housing.

Accordingly, the final framework should:

- align relevant concepts and definitions with the EPBD and other existing EU regulations;
- recognise acquisition, ownership, operation and active asset management as relevant stages in the improvement of existing housing;
- consider how verified improvements delivered during successive investment periods could be recognised, subject to clear safeguards and reporting requirements;
- prioritise deep renovation and measurable operational improvement;
- resolve overlaps and gaps between Activities 7.1, 7.2 and 7.7;
- simplify DNSH criteria and provide clear evidence pathways; and

- rely on information that housing owners, operators and investment managers can reasonably obtain and verify.

This would not lower environmental ambition or treat an incomplete renovation as equivalent to achievement of the long-term performance objective. It would help direct investment towards measurable improvement of Europe's existing housing stock, including affordable housing, rather than concentrating recognised sustainable finance on assets that have already completed their transition.

Sustainable Finance Disclosure Regulation

SFDR influences the ability of housing strategies to raise capital from investors seeking environmental or social outcomes. Clear and credible product categories can help investors identify strategies that finance affordable housing, renovate inefficient homes and deliver measurable environmental improvements. Conversely, categories that do not reflect the characteristics of real estate may restrict the capital available for precisely those activities.

INREV welcomes the overall direction of the Commission's proposal to revise SFDR, including the move towards greater legal clarity, simplification and proportionality, and the introduction of a dedicated transition category. The proposal seeks to replace the current Article 8 and Article 9 disclosure framework with product categories, including a category for investments or projects that are not yet sustainable but are on a credible transition path. However, the reform remains under negotiation, and its final categories, thresholds and implementation arrangements cannot yet be assumed.

Where the Taxonomy determines whether particular economic activities meet defined environmental criteria, SFDR determines how the strategy of a financial product is categorised and communicated to investors. A workable transition category must therefore be capable of recognising a product whose purpose is to finance and deliver improvements over time, even where its assets do not satisfy their long-term performance objectives at acquisition.

A dedicated transition category could be particularly important for mobilising capital for investment in the improvement of affordable housing. Real estate value-add and transition strategies may acquire buildings with weak current performance because those assets offer the opportunity for material improvement. Capital is then invested in refurbishment, energy efficiency, resilience, technical systems and building quality over a multi-year business plan.

The sustainability contribution therefore develops over the investment lifecycle. At acquisition, a housing asset may not meet its long-term performance objective. Nevertheless, the investment strategy may have committed capital, a defined renovation plan and measurable intermediate targets intended to improve its performance. This is a normal feature of real estate transition investment, not evidence that the strategy lacks a credible transition objective.

Transition vehicles are dynamic by nature. They acquire assets requiring improvement, implement the relevant transition plan and may then transfer the improved assets to investors with a different risk appetite and investment horizon. The capital released can subsequently be redeployed into other buildings requiring refurbishment.

As a result, both the composition and current performance of the portfolio evolve throughout the vehicle's life. A static portfolio-level threshold applied at a single point in time may therefore fail to reflect either the vehicle's transition strategy or the improvements it has delivered. Assessment should instead consider the vehicle's investment mandate, the credibility of asset-level renovation plans, progress against measurable targets and verified improvements achieved over time. This is

particularly important for affordable housing, where older and less efficient homes may require the greatest investment, while affordability commitments can constrain the recovery of renovation costs.

The transition category should therefore assess the credibility of the investment strategy and pathway. Relevant elements should include:

- an appropriate baseline;
- a credible and time-bound renovation or transition plan;
- committed capital expenditure;
- active ownership and asset management;
- measurable intermediate milestones; and
- transparent reporting on progress and realised outcomes.

The final framework should allow relevant improvements to be assessed at both asset and portfolio level, recognising that renovation programmes may be implemented over time and across a large number of homes.

Level 2 measures and real estate benchmarks

The effectiveness of the revised SFDR framework for housing investment will ultimately depend on how the product categories are translated into Level 2 measures. Level 1 should define the purpose, essential characteristics and legal boundaries of each category. Level 2 should then establish the metrics, methodologies, evidence requirements and reporting arrangements needed for their consistent application.

For housing strategies, these measures should permit progress to be demonstrated through credible asset-level renovation plans, committed capital expenditure, improvements in operational energy performance and greenhouse-gas reductions achieved over time. They should accommodate different building types and national housing markets without requiring every home to meet its long-term performance objective from the outset or prescribing a single transition pathway.

The measures should also recognise that Energy Performance Certificate methodologies and grades differ between Member States. A nominal EPC grade should therefore not be treated as directly comparable across jurisdictions without an appropriate methodology. Nor should compliance by housing funds depend, in practice, on a single private-sector benchmark unless its methodology, governance, coverage of different residential markets and accessibility have been properly assessed.

Above all, the framework should give housing funds sufficient certainty to establish credible long-term investment and renovation strategies. Material criteria and methodologies should be set through binding Level 2 measures following appropriate consultation, rather than being introduced or materially changed through subsequent supervisory interpretation. The measures should avoid duplicative reporting, recognise reasonable data limitations and provide adequate implementation and transitional periods.

Taken together, the EPBD, EU Taxonomy and SFDR should form a coherent chain. The EPBD should establish credible building-level renovation pathways and support more comparable information. The Taxonomy should recognise the activities and verified improvements that deliver those pathways. SFDR should enable investors to identify financial products that credibly finance them. Finally, Level 2

measures should operationalise that chain without introducing static tests or evidence requirements that exclude the housing most in need of investment.

Stable affordability agreements and proportionate operating regulation

Housing affordability is a legitimate and urgent public policy objective. Institutional investment can support the delivery and improvement of affordable housing but cannot on its own address all structural causes of housing shortages or affordability pressures.

Rent frameworks, tenant eligibility and other operating conditions are principally matters for Member States, regions and municipalities. The European framework should preserve this competence. Its role should be to identify where EU sustainability, financing, data and public-support rules interact with national operating requirements in ways that affect the financing of affordable housing.

The relevant issue is not whether affordability safeguards should exist, but how they are designed. Stable, transparent and durable affordability agreements can provide better outcomes than measures that change frequently or are introduced without assessing their effect on operating costs, renovation needs and future supply.

Where private capital is expected to deliver housing subject to affordability commitments, the duration of those commitments, the approach to rent adjustments, the allocation of renovation costs and the availability of public support should be sufficiently predictable to allow projects to be financed and operated over the long term.

Operating requirements should recognise that housing providers face costs relating to maintenance, building safety, energy performance, decarbonisation and service quality. Institutional investors must also manage capital prudently and seek appropriate risk-adjusted returns on behalf of pension scheme members, policyholders and other beneficiaries. If those costs cannot be reflected appropriately in the project's financial structure or supported through targeted public measures, investment may become financially unviable or capital may be allocated elsewhere. Necessary improvements may then be delayed, housing quality may deteriorate and future affordable supply may decrease.

Affordability objectives and the economics of long-term housing investment should not be treated as opposing considerations. A stable framework can protect residents while maintaining the conditions needed to finance renovation, improve the housing stock and provide additional affordable homes.

Modular and industrialised construction

Modular, prefabricated and other industrialised or off-site construction methods can support faster delivery, more efficient use of materials and greater construction productivity. Where they reduce delivery time and cost, they may improve the viability and financing of affordable housing projects.

The Commission's consideration of work on construction methods and standards may provide an opportunity to address fragmented technical requirements and separate approval processes that limit scale. EU action should focus on demonstrable cross-border barriers, including compatible standards, mutual recognition and proportionate approval processes, while preserving national and local competence over planning, design and delivery. Modular construction should be treated as one of the means of delivering affordable housing, not as a substitute for improvements to permitting, infrastructure and financing.

Priorities for action

The Housing Simplification Package should assess whether building-performance, sustainable-finance and operating requirements work together to enable long-term investment in affordable housing. It should build on the positive direction of the proposed EU Taxonomy and SFDR reforms, while recognising credible renovation pathways and the specific characteristics of real estate investment, by addressing the following priorities:

- support clear, stable and realistic national implementation of the EPBD;
- recognise credible renovation pathways that reflect investment cycles, technical constraints and residents' needs;
- assess decarbonisation and affordability requirements together, including the availability of public support and risk sharing;
- use the ongoing Taxonomy review to recognise operational improvement, active asset management and deep renovation of existing affordable housing;
- address the relationship between Taxonomy Activities 7.1, 7.2 and 7.7 and align relevant concepts with the EPBD;
- ensure that the proposed SFDR transition category can accommodate credible real estate value-add and renovation strategies;
- define real estate relevant category benchmarks, indicators and methodologies clearly through Level 2 measures developed with the sector;
- encourage stable, predictable and proportionate affordability and operating frameworks while preserving national and local competence; and
- address demonstrable cross-border barriers to modular construction where this can reduce the cost and increase the supply of affordable housing.

Conclusion

Europe's affordable-housing challenge cannot be solved through public funding, project-level simplification or capital-market reform in isolation. Public authorities must define local housing needs and affordability conditions, while the European framework should enable long-term institutional capital to be raised, pooled and deployed efficiently into projects that add, renovate and sustain affordable homes.

The Housing Simplification Package should therefore assess regulation across the full investment chain. Its practical test should be whether viable affordable-housing projects can access equity, debt and public risk sharing at appropriate cost and scale, while maintaining financial stability, environmental ambition, tenant protection and national and local competence.

INREV remains available to support the Commission's work on the Housing Simplification Package and the wider European housing agenda. We would welcome continued dialogue on how the EU regulatory framework and its implementation can better enable long-term institutional capital to support the development, renovation and operation of affordable housing across Europe.