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The real estate sector plays a crucial role in the global economy and social environment.

In particular, the commercial property sector offers the infrastructure needed for the growth and development of entrepreneurship and business, including offices, shops, industrial and logistics premises, and hotels. In Europe alone, commercial real estate represents a business of €8.5 trillion.

The real estate sector is also a fundamental source of employment. In 2019, the European real estate sector employed 4.2 million people – more than the car manufacturing and telecommunications sectors combined. Moreover, it provides residential accommodation and is seen as a tool to meet social and public needs. New types of properties are emerging and have increasingly been included in investment portfolios, such as senior living, student accommodation and life sciences. In addition, urban regeneration has become a key element of many decisions taken at EU level, boosting city renovation, decarbonisation and green transition. In this respect, the NextGenerationEU recovery fund will play a key role in supporting this transformation.

In this context, attracting investments from institutional investors such as pension funds, insurance companies and sovereign wealth funds is crucial for the growth of the real estate sector. In particular, it is desirable that those investors are involved in both financing large development projects and investing in properties held for rent.

Based on market practice, investments from foreign institutional investors are mainly carried out indirectly rather than through direct acquisitions, and particularly through specialised vehicles such as non-listed real estate funds, listed property companies and real estate investment trusts.

The emergency caused by the covid-19 pandemic over the past couple of years has affected the real estate sector like so many other sectors. Although any disturbance to private real estate valuations is normally only revealed over time, listed real estate stocks suffered a sharp decline in 2020. However, thanks to strategies put in place after the 2008 global financial crisis (GFC) (most notably restructuring of debt), the listed sector’s recovery was five time faster than that following the GFC. With investors increasingly focusing on thematic investment, the post-crisis landscape has been characterised by higher demand for alternative real estate sectors and assets, accelerating a process of transformation that was already ongoing.

After a deep recession in most of the European economies in 2020 due to the pandemic, 2021 has been characterised by an economic recovery that, in principle, was forecasted to continue on a more moderate path in 2022 and 2023.
However, in April 2022, inflation in the eurozone reached a record level (7.5 per cent) due to heightened uncertainty and geopolitical risks as well as skyrocketing energy and raw material prices caused by the war in Ukraine. This is not slowing down investments despite the uncertainty, because the sector has strong fundamentals.

Based on the above, national legislators are facing a new phase of uncertainty, inflation and geopolitical risks that will have an impact on new provisions aimed at stimulating or attracting selected investments in their countries. Part of the NextGenerationEU recovery fund might be reviewed in light of new ‘what if’ scenarios as well as tax credits and allowances resulting from increased costs of construction. Any review of national legislation should also take into account international sanctions against Russia.

We are convinced that the role of the real estate sector as an economic, employment and social catalyst needs to be supported by a legislative framework that increases transparency and competitiveness and simplifies, as well as standardises, bureaucratic processes.

However, within the European Union, the covid-19 crisis, the conflict between Russia and Ukraine and, consequently, the rise in inflation have all had different impacts on different countries. This will, of course, further exacerbate differences between the interventions made by legislators in the individual jurisdictions, with allowances, tax credits, and other tax provisions introduced and applied very differently from one Member State to another. Generally, these disparities reflect the level of impact those elements have in particular jurisdictions, the economic policies followed by their respective governments and the level of resources available to achieve those aims.

Correlatively, national legislators will need to adapt any new provisions to those pre-existing types of specialised real estate investment vehicles that currently benefit from tax exemptions or other advantageous tax allowances, for both direct and indirect tax purposes.

Given all of the above, the aim of this volume is to provide a useful guide to those international and institutional investors that are willing to invest in real estate properties located in Europe and elsewhere, and to illustrate in a comparative manner possible alternatives for the establishment of investment platforms in Europe and investment vehicles at a local level. In particular, each country-specific chapter provides insights from leading experts into key tax considerations and investment opportunities based on the relevant national legislation. Furthermore, in this edition, we have sought to provide indications of any allowances and facilitations introduced temporarily in response to the current economic crisis that might also present investors with investment opportunities in specific countries.

We would like to thank the authors of this volume for their extensive expertise and their efforts to ensure the successful outcome of this work. We hope that the reader finds this volume useful and we welcome any comments and suggestions for improvement for the next edition.

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