

DG FISMA
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SUBJECT:

Public consultation – Retail investment strategy

The European Public Real Estate Association (EPRA) welcomes the opportunity to provide feedback on the retail investment strategy. EPRA is the voice of Europe's listed real estate companies and with more than 290 members (companies, investors, and their suppliers), EPRA represents over 840 billion EUR of real estate assets (European companies only) and 95% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

BACKGROUND

EPRA welcomes the EU retail investment package as a means to enhance greater retail participation in EU capital markets. While positive and promising developments were made, a more thorough examination is required to assess how the proposed set of additional rules will be implemented and effectively increase such participation.

Furthermore, it is equally crucial to highlight other obstacles that still deter retail investors from engaging in further cross-border investments. One of the obstacles arises from unintended instances of double taxation or increased taxation. In this regard, EPRA commends the European Commission's proposal to establish a unified EU-wide system for faster and safer relief of excess withholding tax.

Nonetheless, significant hurdles stemming from the current fragmented state of EU capital markets persist and impact investment sectors where retail investors could potentially derive significant benefits if these disparities were resolved. This is why EPRA holds the view that there is room for additional improvements to be made in connection with this proposal. This point was highlighted by Commissioner McGuinness during the recent joint EC-ECB Conference on European Financial Integration 2023 where she stressed the necessity to take down all the barriers that fragment the single market, irrespective of whether they are included in financial service legislation or not.

REITS AND CROSS-BORDER INVESTMENTS IN THE EU'S INTERNAL MARKET

Hence, we wish to direct your attention to the current situation regarding cross-border investments in the EU's internal market through the Real Estate Investment Trusts (REITs) vehicles, which have regimes currently established in 13 Member States.

REITs stand out as a notably secure option for retail investors, aligning well with the policy objectives of this proposal. The design of REIT structures is strategically aimed at mitigating risk through the imposition of constraints on both operational activities (operational risk) and financial leveraging (financial risk). Additionally, retail investors can invest in long-term and sustainable projects that address social and infrastructure needs in various Member States, rendering this asset class particularly attractive. We attach to this consultation a [condensed version of a study recently conducted by the Amsterdam School of Real Estate](#), where those points are further discussed and analysed.

The need for an intervention at the EU level stems from variations in the REIT regimes across the 13 Member States that hinder retail investors from fully harnessing the steady returns offered by the real estate sector. Indeed, these variations pose complications when it comes to cross-border investments in and by REITs. Investors who invest in REITs cannot count on a consistent framework but encounter variations in legal and regulatory aspects, with each Member State imposing distinct obligations and restrictions. Cross-border investments made by REITs are also limited due to the lack of harmonisation between the different REIT regimes in Europe. Both of these factors impede the further development of cross-border investment.

This is why, in connection with the retail investment package and other recent initiatives aimed at addressing barriers to cross-border investment, EPRA seizes the opportunity to highlight the necessity for European-level soft-law intervention, promoting mutual recognition of REIT legislation among Member States.

Given the need for further elaboration and in-depth understanding of the implications of such mutual recognition, EPRA eagerly anticipates engaging in active collaboration with the Commission in the forthcoming months to provide more extensive and detailed explanations.

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We remain entirely at your disposal to discuss these issues in greater detail. Should you need any other information, we are at your disposal: publicaffairs@epra.com

About EPRA

For 20 years, the European Public Real Estate Association (EPRA) has been the voice of Europe's listed real estate companies, investors, and their suppliers. EPRA achieves this through providing better information to investors and stakeholders, active involvement in the public and political debate, promotion of best practices, and the cohesion and strengthening of the industry. With more than 290 members (companies, investors, and their suppliers), EPRA represents over 840 billion EUR of real estate assets (European companies only) 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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