

DG FISMA
Submitted electronically

Brussels, 26 February 2025

SUBJECT:

Call for evidence on the European Savings and Investments Union

Dear Sir/Madam,

The European Real Estate Association (EPRA) is the voice of Europe's listed real estate companies, their investors, and suppliers. With more than 290 members covering the entire spectrum of the listed real estate industry, EPRA represents over EUR 880 billion in real estate assets and 95% of the market capitalisation of the FTSE EPRA Nareit Europe Index. EPRA's mission is to promote, develop, and represent the European publicly listed real estate sector. We achieve this by providing better information to investors and stakeholders, actively engaging in public and political debates, promoting best practices, and fostering cohesion and strength within the industry.

In this role, we welcome the opportunity to present our recommendations for the Savings and Investments Union (SIU) as it presents a key opportunity to strengthen capital markets for long-term investments. It also allows for an assessment of competitive models within and beyond the EU. Indeed, while the precise structure of a comprehensive SIU is still being debated, insights from successful existing models can provide a valuable blueprint for its development.

To ensure the success of such an initiative, it is essential to build upon the strengths that the EU already possesses. The foundation is in place, but what is now required is a coherent and fully functional savings and investments framework that allows for scalability. To this end, every available tool must be leveraged at both the EU and Member State levels, including targeted tax incentives designed to encourage households to channel their savings into wealth creation and economic growth.

THE LISTED REAL ESTATE MARKET (LRE)

In the design of a future pan-European diversified long-term savings product, incorporating LRE would provide European citizens with accessible, high-yielding, and real-economy-linked investment opportunities. This will align with SIU's objectives of mobilising private capital, improving wealth accumulation, and financing Europe's long-term economic needs.

LRE is a significant market with around **€3 trillion of market cap globally**. LRE companies are guardians of our cities' high-quality assets, covering all types of real estate, from offices to retail, as well as an increasing presence in healthcare, retirement facilities, life science facilities, and data centres. In Europe alone, European LRE companies own over 12,000 commercial assets. These diversified portfolios are spread across 9 different sectors in 20 different countries.¹ They are also great contributors to GDP and to society as they represent hundreds of thousands of jobs in our continent.

¹ See Annex I, which showcases a set of data on the LRE market.

The LRE sector can be divided into two main categories: ordinary listed property companies and listed Real Estate Investment Trusts (REITs).² Operationally, there is very little difference between these two vehicles. REITs are property investment companies that benefit from special tax treatment in exchange for meeting certain conditions, such as restrictions on debt financing and an obligation to distribute the majority of their profits annually. Both standard listed property companies and REITs operate as regular listed companies with internal management structures. They are constituted with capital divided into tradeable shares (securities) and are managed by a CEO, CFO, board of directors, supervisory boards, and annual shareholders' meetings. They follow corporate governance and auditing requirements under national corporate and commercial rules, rather than investment fund rules such as AIFMD. Hence, their legal and operational structures resemble those of any industrial or commercial company that is publicly listed and traded.

Given its scale, diversity, and economic contributions, LRE presents a compelling case for inclusion in a diversified pan-European savings and investments product. Its stability, income-generating focus, and alignment with long-term investment strategies make it an attractive asset class for investors seeking exposure to real estate without the complexities of direct ownership.

KEY FEATURES FOR THE INCLUSION OF EUROPEAN LISTED PROPERTY COMPANIES IN A DIVERSIFIED PAN-EUROPEAN SAVINGS AND INVESTMENTS PRODUCT

Cost-effective, risk-adjusted, and yield-oriented investment

LRE investments offer competitive risk-adjusted returns while providing steady dividend-based income. As EUR 33.5 trillion in EU household savings remains parked to a large extent in low-yield bank deposits, LRE provides an opportunity to mobilise these funds into productive investments with a strong track record of total returns. Over the last 15 years, European LRE equities had a 5.60% annualised total return³, which includes a high average dividend yield, making it a privileged asset class in a diversified portfolio by providing crucial support in addressing the current income crisis. Moreover, incorporating LRE into a multi-asset portfolio enhances diversification, as its low correlation with other asset classes helps mitigate risk while optimising investor returns.⁴

On average, **institutional investors allocate approximately 3.6% of their equity portfolios** to LRE.⁵ This underscores the sector's relevance within diversified investment strategies.

It also offers other key advantages for retail investors:

- Compared to complex financial products, which often come with high management fees, opaque pricing, and illiquidity risks, LRE offers a more transparent and cost-efficient investment alternative.
- While some investment options, such as hedge funds or private equity real estate, require high minimum capital commitments and long lock-up periods, LRE remains highly liquid, accessible through publicly traded markets, and does not impose unnecessary financial barriers on retail investors.

Also, investors can rely on a comprehensive ETF infrastructure that tracks LRE indices, providing direct exposure to a diversified portfolio of LRE companies while further reducing entry barriers and administrative complexity.

² See Annex II, which showcases an infographic explaining REITs.

³ See Annex I, which showcases a set of data on the LRE market.

⁴ See Oxford economics paper "unlocking diversification: the strategic role of real estate in multi-asset portfolios", https://prodapp.epra.com/media/Oxford_Economics_EPRA_portfolio_optimisation_report_2024_1727092189655.pdf.

⁵ Based on research conducted on 40 institutional investors.

LRE companies are also included in broad European indices such as the *Stoxx 600*⁶, representing large, mid, and small capitalization companies among 17 European countries, covering approximately 90% of the free-float market capitalization of the European stock market.

However, while those possibilities exist and are well known to institutional investors, EU savers lack the necessary knowledge or the confidence to take advantage of them, underscoring the **urgent need to rethink and redesign strategies for increasing retail participation in capital markets**.

Automatic enrolment potential and ease of participation in capital markets

To enhance retail participation in capital markets, as highlighted in Letta's report⁷, we believe Member States should consider automatic enrolment mechanisms while also drawing lessons from successful models within and beyond the EU, as they offer a valuable blueprint for a comprehensive SIU framework. This need is further amplified by the varying levels of financial literacy across EU Member States and Europe's generally low equity investment culture, making reform an urgent priority.

On the other hand, countries such as Sweden, the Netherlands or Denmark have successfully channelled a significant portion of household savings into capital markets through structured pension systems that combine mandatory contributions with automatic enrolment mechanisms. However, such systems are not consistently implemented across the EU.

Similarly, the U.S. retirement system, through 401(k) plans and target-date funds, has successfully integrated REITs as a core component of long-term savings. According to NAREIT⁸, approximately 170 million Americans, or nearly 50% of the U.S. population, invest in REITs through their retirement accounts. The diversification, liquidity, and inflation-hedging benefits of REITs have made them a staple in American long-term investment strategies. This, in turn, gives U.S. REITs a competitive edge in pursuing opportunities, leaving the EU market far behind.

The EU and its Member States should learn from these models and introduce a new range of savings and investment products tailored for everyday citizens while undertaking a strategic rethink of the pension system. Backed by targeted tax incentives and structured to offer high stability and attractive returns through diversification, these products could serve as a cornerstone of a dynamic and resilient European capital market.

To this end, the inclusion of LRE in **automatic enrolment pension systems and broad-based pan-European savings and investment products** would ensure a stable and accessible investment pathway for European savers to a diversified portfolio of crucial buildings and infrastructure to the EU economy while also supporting long-term wealth accumulation.

Direct link to the real economy

Unlike abstract financial instruments, LRE companies directly impact local and national economies, providing financing for commercial and residential developments. LRE investments cover a broad range of real estate asset classes that are essential for the functioning and growth of the European economy. Spanning a diverse range of asset types, from residential properties, including social housing, healthcare, and senior housing, to offices, retail, self-storage, logistics hubs, data centers, and life science facilities, the **EU LRE property portfolio now stands at an impressive EUR 620.8 billion**.

Investments in LRE contribute to building and infrastructure expansion, employment creation, and urban development aligned with EU sustainability goals.⁹ By integrating LRE into a pan-European

⁶ See Annex I, which showcases a set of data on the LRE market.

⁷ E. Letta "Much more than a market", p. 30, <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>.

⁸ <https://www.reit.com/data-research/data/reits-numbers>.

⁹ See how real estate supports growth, job creation, and sustainability, https://www.epra.com/download_file/3187/187.

product, the SIU can mobilise capital toward productive assets, **bridging the gap between household savings and economic investment needs.**

Liquidity, maturity, transparency, and stability

LRE markets provide high liquidity, strict governance, and transparency, ensuring robust investor protection. Unlike direct real estate investments, which lack liquidity and require active management, LRE offers instant access to a diversified real estate portfolio without the constraints.

The LRE sector is also a mature and well-established industry, with decades of regulatory oversight, performance tracking, and investor participation. It has withstood multiple economic cycles, demonstrating resilience and long-term viability as an asset class. The absence of bankruptcies within the FTSE EPRA Nareit Developed Europe Index during the previous financial crisis highlights its stable nature.

The depth of the market, combined with strong governance frameworks, ensures predictability and stability, **key elements for any long-term investment product.**

POLICY RECOMMENDATIONS

Integrating the LRE sector into the SIU strategy will provide European citizens with accessible, high-yielding, and real-economy-linked investment opportunities. This approach will also align with SIU's objectives of mobilising private capital, improving wealth accumulation, and financing Europe's long-term economic needs.

Our recommendations:

- **Incorporate listed real estate companies into a future EU-wide automatic enrolment long-term savings product** to provide retail investors with low-cost, risk-adjusted, and high-yield investment opportunities.
- **Advance automatic enrolment options and comparable pension schemes at the national level**, drawing on successful models within and beyond the EU.
- **Facilitate discussions on tax incentives at the national level to boost retail participation in capital markets** and lessen reliance on low-yielding bank deposits.

We are confident that this step could deliver substantial benefits to the real economy and wealth accumulation for EU savers. In the meantime, EPRA is readily available to provide any additional information you may need. You can reach us directly at publicaffairs@epra.com.

About EPRA

For 25 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 880 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.

EU Transparency Register no. 09307393718-06

Annex I – Set of data on the LRE market



European Listed Real Estate



European listed property companies own over 12,000 commercial assets. These diversified portfolios are spread across 9 different sectors in 20 different countries



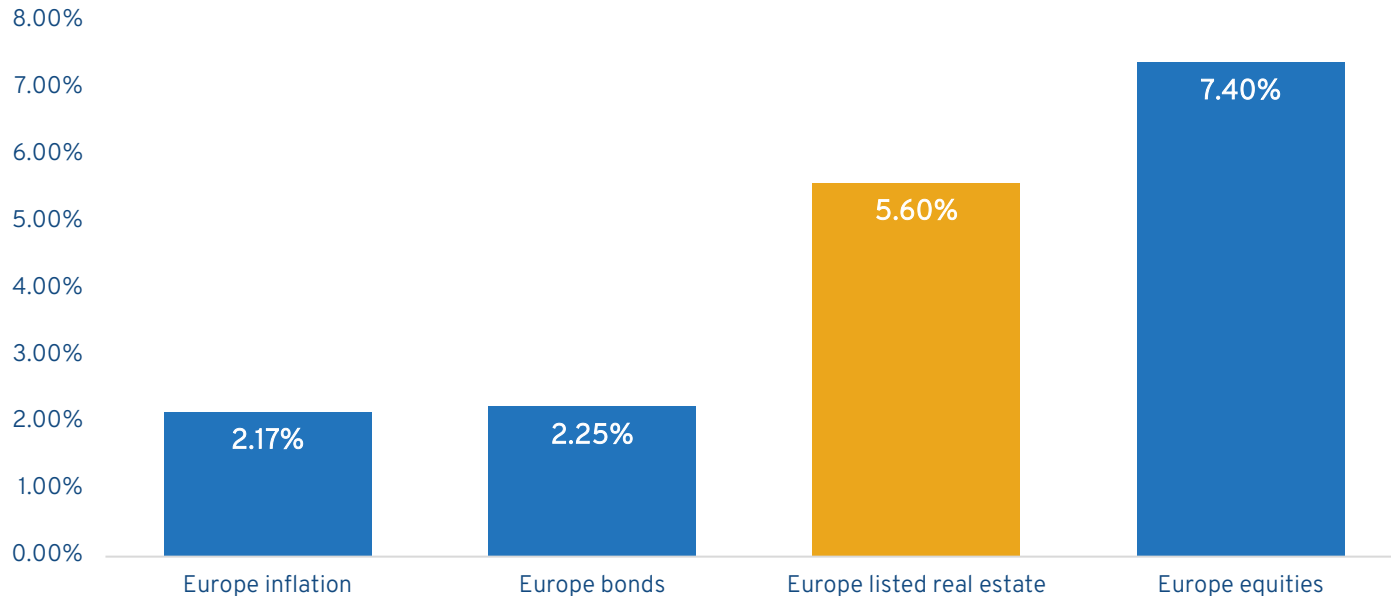
ESTATE ASSOCIATION



Pictures: URW, Segro, Merlyn Properties, Vonovia, Derwent London

Long-term performance of European Listed Real Estate

15-year annualised total return in EUR



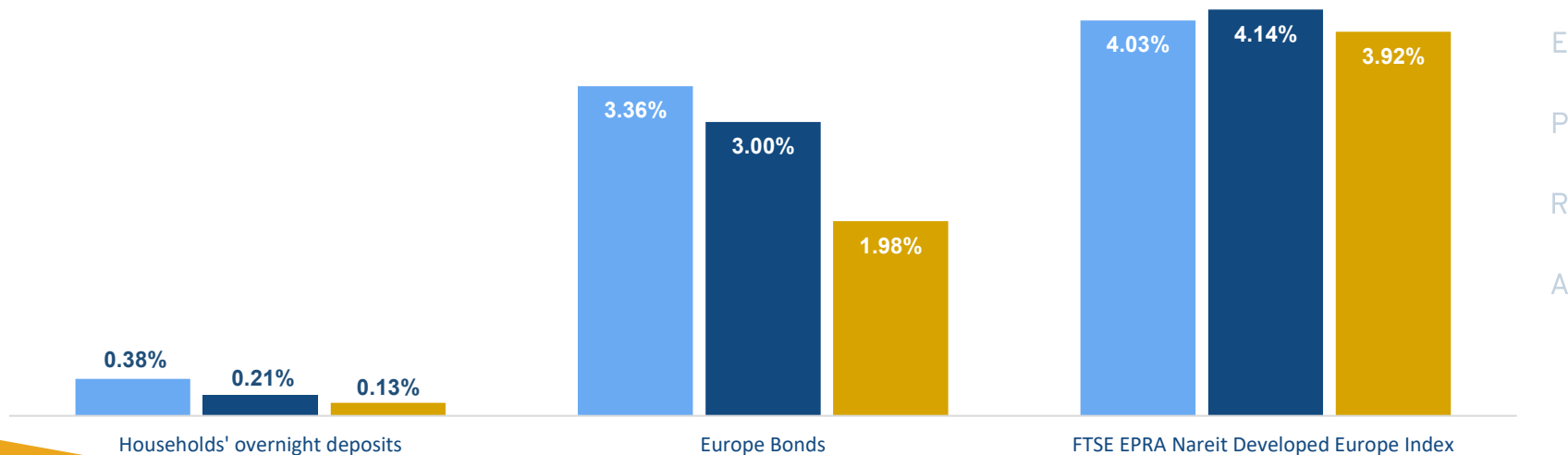
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Dividend Yields consistently higher than bonds and deposits

Providing valuable support to the immediate current income crisis needs

Measures of yield

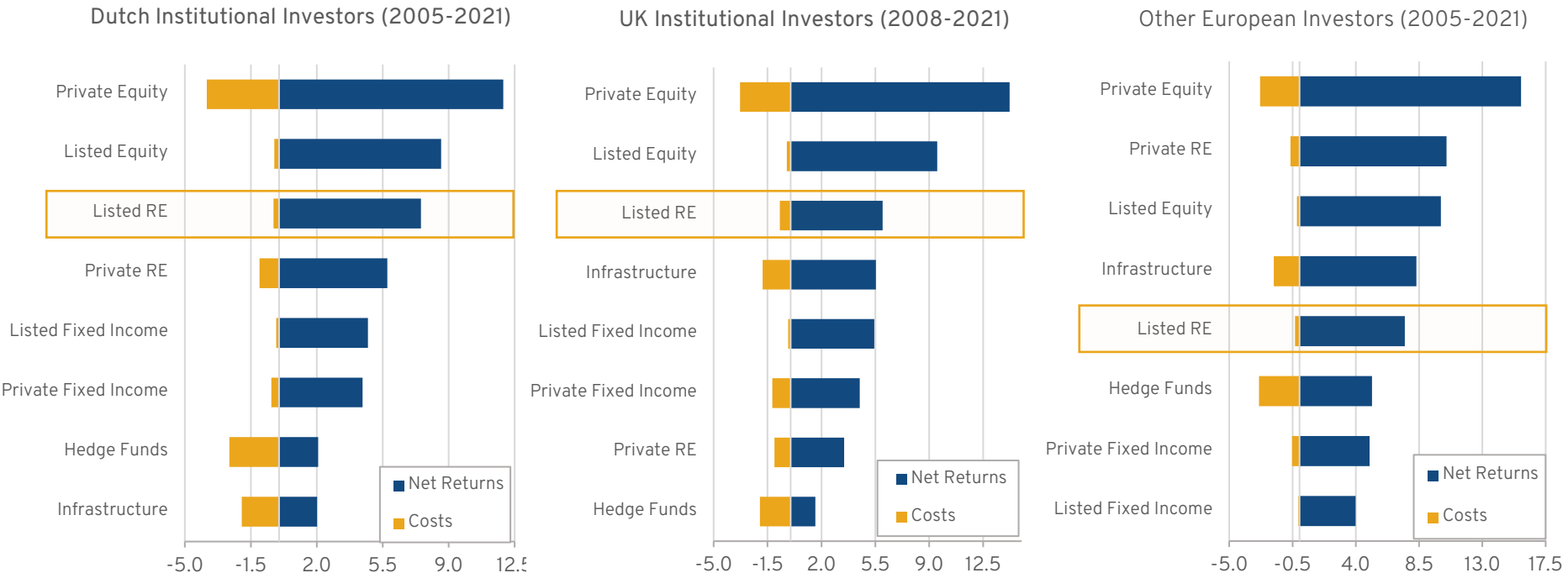
■ 1 Year ■ 3 Years ■ 5 Years



Allocation, cost & performance of international investors in Europe

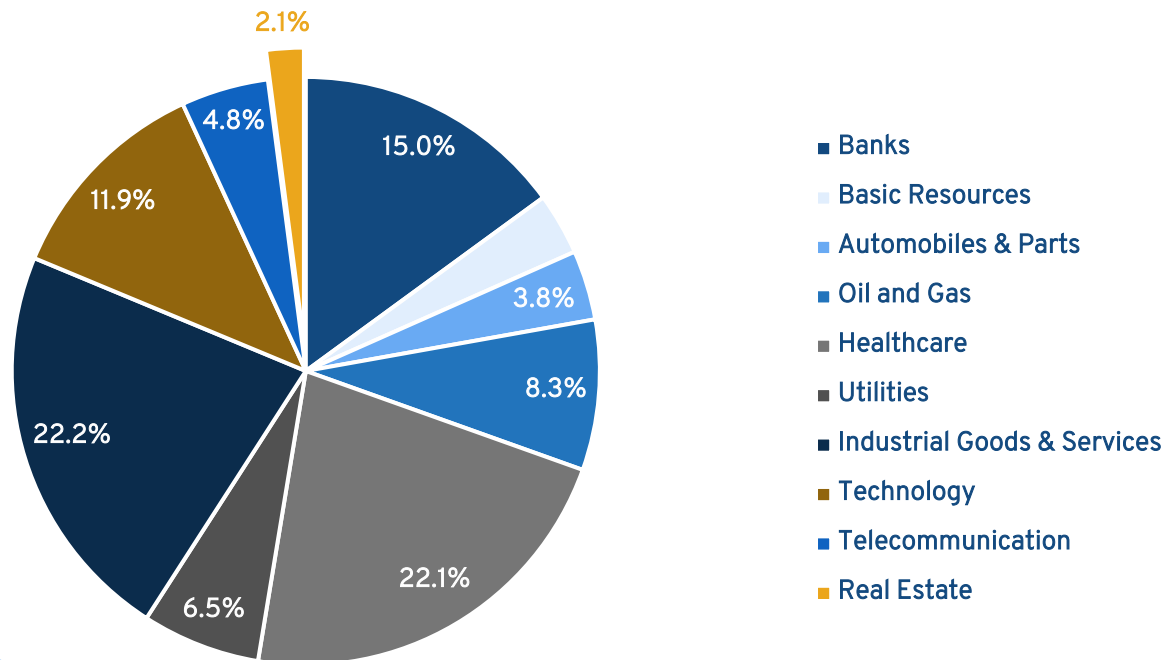
CEM Benchmarking studies show Listed RE among the top performers in the portfolio of institutional investors

Average of Reported Annual Net Total Returns per Asset Class – Netherlands. UK & Other European Countries



European Equity sectors' size as of December 2024

% weight of European equity sectors (STOXX 600 Index) in EUR billion



Annex II – Infographic on REITs and the Savings and Investments Union

Listed property companies

make essential buildings available for Europe's economic growth and its citizens' wellbeing.

REAL ESTATE INVESTMENT TRUSTS

Within the listed property companies 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, with a **mandatory high dividend payout**.

RESIDENTIAL

Including social and student housing to tackle housing shortages

OFFICES

Including flexible office spaces to serve business needs

RETAIL

To boost the liveliness of urban areas and sustain retail expansion

In addition to **residential, office, and retail spaces** essential for EU citizens and businesses, REITs play a crucial role in providing the necessary assets **to address emerging challenges and support EU economy**.

HEALTHCARE AND SENIOR HOUSING FACILITIES

To meet the needs of a growing aging population

DATA CENTRES

To meet our European needs in trustworthy data centres facilities

LOGISTICS

To ensure the continuity of the supply chain



REITs offer low-cost, effective, and liquid means to invest in a diversified real estate portfolio that would otherwise be inaccessible to investors. With more than **240 REITs listed across Europe**, investors not only gain exposure to high-quality assets in multiple EU Member States but also contribute to enhancing the flow of capital within the Single Market and into the EU real economy.

LIFE SCIENCE FACILITIES

To foster innovation and the development of assets for human health purposes

Capital Markets Union and listed property companies at work for the EU real economy and its citizens

In addition to bringing **long-term investments, growth, and jobs** to the European economy, REITs also provide a predictable income stream through regular and mandatory dividends as well as capital appreciation.

HOW?

By acquiring ownership in European REITs

to obtain regular dividend distribution

and ensure an additional income stream

institutional investors alongside **retail investors**, in Europe and beyond, can seamlessly buy shares in REITs, in the same way they would purchase stocks in companies such as Apple, Tesla, or Amazon.

owing to their legal obligation to distribute on average **90% of their rental income** to shareholders, REITs provide reliable and recurrent dividend payments over the long term.

REITs can significantly contribute to the **financial security of millions of European citizens**, especially as they retire, while supplying the private capital essential for the European real economy.

To help reduce Europe's pension gaps



In the United States, REITs form a crucial part of investment portfolios, including retirement savings, for **around 170 million Americans**, boosting income returns and reducing risks for retirement savers.

DID YOU KNOW?



In the EU, incorporating REITs into a pan-European pension or savings product would offer a **stable and secure path for citizens to build their retirement savings**, in line with the goals of the Savings and Investments Union.

Listed real estate

enables investment in the real economy and serves society



EPRA, the European Public Real Estate Association, is the voice of the publicly traded European real estate sector. Founded in 1999, EPRA is a not-for-profit association registered in Belgium. With more than 290 members, covering the whole spectrum of the listed real estate industry (companies, investors and their stakeholders), EPRA represents over EUR 880 billion of real estate assets and 95% of the market capitalisation of the FTSE EPRA Nareit Europe Index.

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