

Mr. Valdis Dombrovskis
Vice President for the Euro and Social Dialogue, in charge of Financial Stability, Financial Services and Capital Markets Union
European Commission
Rue de la Loi 200
B-1049 Brussels
Belgium

Subject: **Capital Markets Union**

Dear Mr Dombrovskis,

The undersigned associations, all of which are active in diverse parts of Europe's commercial real estate (**CRE**) sector, would like first to congratulate you on your new role as Commissioner in charge of Financial Stability, Financial Services and Capital Markets Union.

To give some brief background information about our sector, the CRE industry directly contributed EUR 329 billion¹ to the European economy in 2015, representing about 2.5% of the total economy, which is nearly equal the size of the European automotive manufacturing industry and telecommunications sectors combined. The CRE sector also employs 3.7 million people, which, again, is not only more than the auto manufacturing industry and the telecommunications sectors combined, but is also greater than banking.

Beyond these figures, the CRE sector plays a vital role in every aspect of the European economy, society and environment. Businesses and society cannot function without the services of CRE, including the provision of offices, shops, logistics facilities and many other forms of real estate.

CRE straddles finance and the real economy, because CRE needs investment in the form of equity and debt financing in order to deliver and maintain the buildings Europe needs. The European Systemic Risk Board was right to recognise, in a December 2015 report, that it is crucial for financial stability to understand how CRE markets can influence both the financial system, and the real economy. Yet the Capital Markets Union (**CMU**) has so far largely failed to focus on how different policy initiatives affect the CRE market. As in the case of financial markets more generally, a balance must be struck between containing the impact our sector can pose to financial stability, and encouraging the contribution it can make to economic growth, places and communities.

As you know, the CMU was launched with a number of key goals:

- Creating more opportunities for investors: the CMU should help mobilise capital in Europe and channel it to companies, including SMEs, and infrastructure projects that need it to expand and create jobs. It should give households better options to meet their retirement goals.
- Connecting financing to the real economy: the CMU is a classic single market project for the benefit of all Member States. Member States have a lot to gain from channelling capital and investment into their projects.
- Fostering a stronger and more resilient financial system: Opening up a wider range of funding sources and more long-term investment, ensuring that EU citizens and companies are no longer as vulnerable to financial shocks as they were during the crisis.
- Deepening financial integration and increasing competition: the CMU should lead to more cross-border risk-sharing and more liquid markets which will deepen financial integration, lower costs and increase European competitiveness.

We strongly support these principles, which all have specific relevance to the CRE sector. Building on them, the CMU Call for Evidence initiated a comprehensive review of the cumulative impact and coherence of the financial legislation adopted in response to the financial crisis to assess the overall coherence of the existing European regulatory framework.

¹ INREV/EPRA Real Estate in the Real Economy, 2016.

Noting that “[g]iven the different pieces of legislation adopted over the past years and the numerous interactions between them, there is a risk that their collective impact may have some unintended consequences, which may not be picked up within individual sectoral reviews,” the Commission sought public input to provide evidence to justify changes in regulations that could help improve the investor environment in Europe. We agree completely with the Commission statement that it is important that EU legislation “strikes the right balance between reducing risk and enabling growth and does not create new barriers that were not intended”.

This initiative was a welcome step for the CRE industry along with much of the wider financial sector, as public input was sought on several specific issues, including unnecessary regulatory constraints on financing, excessive compliance costs and complexity, reporting and disclosure obligations, barriers to entry, links between individual rules and overall cumulative impact, definitions, overlaps, duplications and inconsistencies, risk and pro-cyclicality.

We strongly support this initiative as well and applaud your recent remarks in Bratislava at the Eurofi Financial Forum 2016 about the need to carry on this important work. We believe that it is critically important that the work of the CMU is continued with undimmed resolve. In particular, it should not be forgotten that a healthy and well-functioning CRE sector is important for jobs, growth and investment as well as mobility. Its importance, complexity and scale require a coherent and well-informed approach by European legislators.

The development of coherent and strategic policy depends on coordinated and cooperative engagement from affected industry sectors. As representative associations in the CRE sector, we stand ready to assist you in your efforts to carry the Capital Markets Union initiative through to a successful conclusion that will result in better regulation for Europe and its citizens.

Yours sincerely,

The 14 signatory associations.

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ASPIM
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DES SOCIÉTÉS
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FEDERATION

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Investmentvermögen

CREFC Europe

FASTIGHETSÄGARNA

IPF Investment
Property Forum

IVBN

RAKLI
Space for Life

ZIA
German Property Federation