

Brussels, 23 June 2022

Letter to EU finance ministers and housing ministers on tackling the housing affordability crisis

Dear President of the Eurogroup, Mr Paschal Donohoe,
Dear EU Finance Ministers,
Dear EU Housing Ministers,

Taking into account the adoption of the European Parliament's report on Access to Decent and Affordable Housing for All in January 2021, and the publication of the Greens/EFA report 'My Home is an Asset Class: The Financialisation of Housing in Europe', in January 2022, we, members of the Greens/EFA group, are writing to underline the ongoing housing affordability crisis in Europe and the need for targeted action to address it and uphold the right to housing.

We very much welcome that the issue of decent and affordable housing has been high on the agenda of the Council as well in recent months, with this issue being addressed at the meeting of the Eurogroup on 4 April, 2022 and the first meeting of EU Housing Ministers in almost a decade organised by the French Presidency on 7 March, 2022, resulting in a common declaration of all EU Member States.

Europe's pre-existing housing crisis has been exacerbated by the COVID-19 pandemic and by current increases in the cost of living that are putting many European households under escalating financial pressure. Rates of homelessness in Europe have been rising dramatically in recent years. All of this, coupled with the energy price increases fueled by the war in Ukraine mean that housing precarity only stands to grow for many Europeans, unless action is taken, also at a European level.

House prices and rents have been on an upward trend over the past years. This trend has been observed globally as well as in the EU. The annual house price growth in the third quarter of 2021 has been the highest since 2013, coming in at 10% overall for the euro area, and reaching over 30% in eight countries. Exactly in this period many people saw their incomes fall. The ECB regularly flags that vulnerabilities are building up in housing markets and there are signs of overvaluation of housing prices. Current prices are higher than at the outbreak of the global financial crisis in 2008. This should signal alarm bells.

While housing remains a core competency of the Member States, we urge the European Union to acknowledge the major impact its policies have on housing affordability and to play its role in regulating housing markets and addressing the root causes of the affordability crisis, such as the financialisation of housing.

We are calling on EU housing ministers and finance ministers to increase their efforts to help ensure that the right to decent and affordable housing is upheld and homes remain for people,

and not purely for profit-making. We call on you to recognise there is an escalating housing crisis in Europe and to consider the following six recommendations:

1. Keep housing high on the European agenda

The upcoming presidencies of the Council of the EU should follow up on the commitment included in the Nice declaration to organise regular meetings of the EU housing ministers. We also call on the finance ministers to closely follow the rising house prices and rents and in particular to discuss the role of financial investors in this evolution in Europe. We believe a common meeting between the housing and finance ministers would lead to a fruitful exchange on the root causes of the housing crisis.

2. Close the investment gap in social and affordable housing

Since the financial crisis, there is an average annual investment gap in affordable and social housing of 57 billion euros per year.¹ Member States should be given space for housing investment under the revised Fiscal Rules. The European semester should not only focus on house prices as a risk-factor for macro-economic stability, but also look at the social consequences of rising rents and house prices. We invite you to follow the European Parliament in its call to broaden the target group definition for social and publically-funded housing under the Services of General Interest rules, which would give national, regional and local authorities the possibility to provide housing for more groups that need support. Finally, EU investment through InvestEU, the EIB and structural funds needs to be based on expertise and evidence and needs to be more accessible for the local and regional social and public affordable housing providers. We propose to set up a Housing High-Level Expert Group, mirroring the one existing on sustainable finance.

3. Stop EU financial rules from encouraging financialisation

Institutional investors, such as insurance companies, public and private pension funds, banks, sovereign wealth funds and asset managers, represent a growing share of the EU housing market. They act as vulture funds, with negative social impacts such as rising rents, evictions, and inflating house prices. The study 'My home is an asset class' convincingly exposes how EU regulation is driving the turn towards housing as an asset class. The benign neglect at best, or the deliberate regulatory push for larger institutional footprints in housing markets has been a systemic feature of European-level financial regulation, accelerated by the Capital Markets Union initiatives and following the 2009 financial crisis. We propose to take due account of the impact of the EU financial regulatory framework on housing, via a red-flag rule on new and existing regulation, starting with Solvency 2 Directive and Delegated Act and the Capital Requirements

¹ Report of the High-Level Task Force on Investing in Social Infrastructure in Europe: "Boosting Investment in Social Infrastructure in Europe"(2018).

Regulation (CRR) which are currently under review, and amend them as appropriate, including by extending the mandate of central banks to identify and prevent housing bubbles.

4. Stop the negative effect of short term rentals

The expansive growth of short-term holiday rental is removing housing from the market and driving up prices, and has a negative impact on liveability in urban and tourist centres. We welcome the plans of Commission to propose a short term rental initiative. We believe that authorities should be able to regulate holiday rental in line with the verdict of the Court of Justice in the *Cali Apartments* case² and access to data should be ensured in order to enforce the rules. For the latter we propose to put in place an EU online tool for information exchange between authorities and short-term rental platforms.

5. Mandatory transparency on real-estate ownership and transactions

Everyone should be able to know who owns their apartment or house. We call Member States to establish an encompassing asset registry that includes real estate ownership information. We also call to set up an EU asset registry to ensure a complete overview of beneficial ownership information in the EU.

6. Avoid social washing of affordable housing by investors

Housing should be treated as a special asset class within the Social Taxonomy. The aim is to both improve transparency across the board and to regulate institutional landlords in order to minimise social washing. Genuine social governance criteria should be integrated in the taxonomy, with a distinction between high, struggling, and poor performing housing assets, in such a way that prevents social-washing of housing and encourages high-performing assets.

Each of these proposals would signal a step forward towards a coordinated EU approach on affordable housing, while respecting the national competencies of the Member States. We look forward to receiving your answer and engaging in further exchange on the issue.

Yours faithfully,

Greens/EFA Members of the European Parliament

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² In the *Cali Apartments* case (cases C-724/18 and C-727/18) the Court recognised that combating the long-term rental housing shortage constitutes an overriding reason relating to the public interest under the Services Directive. This means local authorisation schemes can be justified for this reason under the Services Directive under Article 9(1)(b) if they are proportionate and necessary.

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