Launch of the Greens/EFA study 'My home is an asset class' - Key messages

1. **Housing prices and rents have been on an upward trend over the past years.** This trend has been observed globally[1] as well as in the EU. According to Eurostat, housing prices have increased by 7.3% in the EU in the second quarter of 2021 compared to the same quarter in 2020[2], whilst in this period many people lost their jobs or saw their incomes fall. The ECB regularly flags[3] that vulnerabilities are building up in housing markets and there are signs of overvaluation of housing prices. This means that **housing is increasingly unaffordable for many Europeans.** One of the drivers of this surge of housing prices is the financialisation of housing.

2. **There has been an unprecedented growth of mortgage debt across the European Union within recent decades**. More mortgage financing has not made homes more affordable or home ownership more accessible. Instead, this abundance of mortgage credit has helped drive up house prices disproportionate to income levels, leaving an equally overheated private rental market as the only option for too many.

3. The different providers of social housing units have come under pressure **and social housing has not only been in decline in most European countries, but has also been targeting narrower parts of the population.**

4. **Institutional investors, such as Blackstone, 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.** This study takes as its central focus the transformation of housing into an asset class, captured by the increasing for-profit and financial orientation of actors in the housing market. The COVID pandemic threatens to accelerate this phenomenon. Institutional investors are uniquely placed to take advantage of collapsing housing bubbles.

5. **The big winners of the process are not even EU companies. The single most important institutional drivers of the financialisation of European housing are US pension funds and insurance companies,** whose real estate (RE) portfolios with housing allocations amounted to USD 650bn. In comparison, EU and UK pension funds and insurance companies together held USD 300 bn in RE assets that include housing. 15 out of the 20 Largest Fund Managers by Capital Raised are non-EU based.

6. **Blackstone is one of the largest institutional landlords in Europe**. At the end of 2020, it held 117.000 residential units across Europe. One single investment vehicle - of which Blackstone has many - Blackstone Property Partners Europe Holdings, held 6,399 units in Germany and Netherlands (largely in

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[1] See IMF blog post: https://blogs.imf.org/2021/10/18/housing-prices-continue-to-soar-in-many-countries-around-the-world/

[2] https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Housing_price_statistics_-_house_price_index

[3] See for instance speeches from Isabel Schnabel https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp211208_2~97c82f5cfb.en.html or Luis de Guindos: https://www.ecb.europa.eu/press/key/date/2021/html/ecb.sp211115_1~c86d858b33.en.html

Berlin and Amsterdam), at the end of 2020. Blackstone is Spain's largest landlord, with 40.000 housing units. Blackstone accounts for around 40% of all rental housing held in institutional portfolios in Spain.

7. **When it comes to institutional investors, the ownership structures are often highly opaque**. Private equity/funds are the visible layer of a complex network of institutional landlords that includes banks, pension funds and insurance companies, endowments and wealth managers; sovereign wealth funds. There is a need for greater transparency and disclosure of institutional ownership to ensure public accountability.

8. **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. The recent proposals for an EU Social Taxonomy may accelerate this trend.

9. **The EU needs to take its responsibility for the impact of European-level financial regulation on housing affordability.** The study puts forward a number of policy recommendations:

- A proposal to protect housing from social washing in the EU social taxonomy by a) regulating institutional landlords via a high-struggling-poor performance criteria for housing assets, and b) improving transparency on ownership structures via a mandatory disclosure regime for all institutional landlords with housing assets, c) a framework for aligning housing asset classes with the high-performance benchmark, including through progressively tighter penalties.
- A proposal for a European Housing Fund, to steer public and private investment into affordable and social housing and to mitigate the adverse impacts of the collapse of housing bubbles.
- A Housing Red Flag Rule that mandates European level regulators to ensure that future regulatory initiatives under the capital markets union do not de-risk housing asset classes for institutional landlords.
- An extended macroprudential mandate for European central banks to react to house price inflation through tighter, but socially just regulation of mortgage lending.