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Call for Evidence for the European Affordable Housing Plan

Spanish Rental Housing Association (ASVAL)

Submitted to:
European Commission

SUBJECT

CALL FOR EVIDENCE FOR THE EUROPEAN AFFORDABLE HOUSING PLAN

1. INTRODUCTION AND EXECUTIVE SUMMARY

1.1. The Spanish Rental Housing Association (ASVAL) welcomes the European Parliament's initiative to develop a comprehensive European Affordable Housing Plan, as part of the Union's broader commitments under the European Pillar of Social Rights, the Green Deal, and the 2030 Agenda. Founded in 2020, ASVAL is the most representative rental housing association in Spain, bringing together over 6,000 members — including individual landlords, build-to-rent developers, real estate funds, and professional property managers — who collectively manage a substantial share of the country's rental housing stock.

1.2. ASVAL firmly supports a unified European response to the housing crisis. We share the goal of increasing the availability of affordable, quality, and sustainable rental housing. However, this objective will only be achieved if the right conditions are in place to leverage private investment on a scale, complementing public efforts and preserving the diversity of national housing models.

1.3. To this end, ASVAL urges the inclusion of the following key policy recommendations in the European Affordable Housing Plan:

- Respect the principle of subsidiarity and safeguard Member States' competences in housing, tenancy law, and urban planning.
- Create a favourable tax framework for affordable rental housing, including a harmonised reduced VAT regime and tax-neutral treatment of institutional operators.
- Modernise EU State aid rules to support energy-efficient and socially oriented affordable housing initiatives.

- Promote public-private partnership (PPP) models with clear accounting and regulatory guidance.
- Ensure political and regulatory consistency to restore investor confidence and facilitate long-term capital mobilisation.
- Strengthen property rights and legal certainty to improve investment conditions and support supply-side responses.
- Promote measures to ensure the energy efficiency renovation of rented houses, especially those located in vulnerable neighbourhoods.

1.4. These measures are essential to unlock the full potential of institutional capital in delivering a resilient, professional, and inclusive rental housing sector across the EU.

2. CONTEXT AND CHALLENGES

2.1. The EU housing market is facing a growing imbalance between supply and demand, particularly in urban areas and among vulnerable and younger populations. Rising construction costs, land scarcity, high interest rates, and regulatory uncertainty are exacerbating supply shortages. Spain is a paradigmatic case: rental demand has increased significantly, but supply has not kept pace, resulting in affordability stress and social tension.

2.2. ASVAL's members, ranging from small private landlords to major institutional players, have demonstrated their ability to deliver and professionally manage affordable rental housing under various models — including regulated rents, income-linked contracts, and public-private partnerships. These actors bring long-term capital, expertise, and operational efficiency, all essential to scaling up supply in a sustainable manner.

2.3. However, regulatory fragmentation and uncertainty — including ad hoc rent control measures, fiscal disincentives, and burdensome administrative procedures — are discouraging investment in affordable rental housing. Without a stable and predictable policy environment, the EU risks failing to mobilize the private resources required to meet its housing targets.

2.4. Europe must articulate a coherent and investment-friendly policy framework, which balances social goals with economic viability, and supports a diverse ecosystem of housing providers, including private institutional actors.

3. POLICY RECOMMENDATIONS

3.1. Legal Certainty and Subsidiarity

Establishing a stable and predictable regulatory environment is essential to attract private investment and ensure the economic viability of affordable housing projects. In this regard, legal certainty and respect for the principle of subsidiarity must be foundational pillars of the European Affordable Housing Plan. While access to adequate housing is a recognized social right at the EU level, the diversity of national housing models calls for an approach that aligns common goals with full respect for Member States' competences in housing, tenancy law, and urban planning. The following recommendations from ASVAL aim to enhance legal clarity, promote cross-border investment, and safeguard institutional diversity across the Union.

To that end, ASVAL puts forward the following recommendations:

- The Commission should issue guidance clarifying the interplay between EU-level funding tools (e.g., InvestEU, ERDF, RRF) and national rules on tenancy, planning, and housing allocation, ensuring legal certainty for cross-border projects.

- Any EU-level regulatory initiatives on housing should strictly respect the principle of subsidiarity, recognizing the diverse legal and institutional traditions of Member States.

- EU institutions should avoid endorsing politically driven measures — such as generalised rent controls — that undermine legal certainty and investment without addressing the root causes of housing unaffordability.

3.2. Investment and Fiscal Framework for Affordable Rental Housing

Given the urgency of both increasing the housing supply and addressing the social impact of housing exclusion, all Member States should commit to allocating a minimum of 2% of their national GDP to housing-related expenditure. This budgetary target should be aimed at both mitigating the structural supply shortage and addressing emergency housing needs, particularly for vulnerable households. The cost of inaction — in the form of negative social and economic externalities — is likely to far exceed the budgetary impact of reaching this threshold. In countries such as Spain, where public investment in housing remains below this minimum, increasing the allocation is both a fiscal necessity and a social imperative.

In addition, ASVAL strongly supports the inclusion of tax incentives to boost investment in affordable rental housing. In this regard, we propose the following:

- Establish a harmonised super-reduced VAT rate (e.g., 4% or lower) for:
  - Construction, acquisition, and renovation of homes earmarked for affordable rental.
  - Leasing of such homes by operators fulfilling affordability criteria.

- Ensure fiscal neutrality for institutional providers of rental housing, by:
  - Granting VAT exemptions for management services.
  - Offering CIT relief for affordable housing entities.
  - Providing exemptions or reductions in property transfer taxes, subject to affordability conditions.
  - Align the fiscal treatment of institutional operators with that of traditional social housing providers, eliminating competitive distortions.

These measures would enhance the financial viability of affordable rental projects and ensure fairer competition among housing providers in the internal market. Tax benefits should be accessible to both public and private actors, provided they operate within an affordability framework.

3.3. Reform of State Aid Rules

ASVAL considers the current EU State aid framework to be a major obstacle to scaling up private-sector investment in affordable rental housing and building renovation.

We call on the Commission to:

- Update the State aid framework to explicitly allow targeted support for private rental housing schemes, especially when they contribute to climate and social objectives.

- Increase de minimis thresholds or block-exempted schemes to make it easier for private actors to participate in energy and housing-related projects and clarify the eligibility of energy-efficient renovation as a service of general economic interest (SGEI).

- Recognize that support schemes aligned with EU objectives—such as the Green Deal and social inclusion—should not be considered distortive of competition when justified by public interest goals.

3.4. Public-Private Partnerships (PPPs)

We believe the Affordable Housing Plan should actively promote new models of public-private cooperation to develop and manage affordable rental housing.
In particular, we recommend that the European Commission:

- EU-level guidance on risk-sharing mechanisms and performance indicators.
- Assess the possibility of excluding public investments and PPPs in affordable rental housing from national public debt calculations, in cooperation with Eurostat and national authorities, provided they meet fiscal sustainability criteria and clear risk-sharing arrangements.
- Stable and predictable rules governing the long-term regulatory and tax treatment of PPP operators.
- Prioritise innovative financing models and public land release strategies that crowd in private capital without undermining public control over affordability criteria.
- The pan-European investment platform for affordable and sustainable housing launched with the support of the European Investment Bank should ensure the financing small-scale projects, especially in countries like Spain, where property ownership is highly fragmented. Institutions need adequate human and material resources to study and manage these smaller projects effectively.
- Basel II should incentivize financial institutions to finance public-private partnerships (PPPs) and rental housing projects. This framework can enhance the financial viability of such projects by providing a stable regulatory environment.
- We propose the establishment of direct financial support for public-private partnership (PPP) projects aimed at the creation of affordable rental housing stock. These initiatives, when properly designed and regulated, can significantly enhance the capacity of local and regional authorities to respond to housing needs by leveraging private investment in alignment with public interest goals. Targeted EU funding would incentivize sustainable and inclusive development models, accelerate project implementation, and help scale up affordable housing supply across member states.

This would remove a major barrier to investment and help Member States meet their housing targets without breaching fiscal rules.

3.5. Regulatory Clarity and Institutional Support

While the competence to define affordable housing lies with each Member State, the European Affordable Housing Plan should provide clear guidelines. This definition should explicitly include not only public or social housing, but also homes built, owned, or managed by private actors, provided they meet objective affordability criteria. Such criteria should account not only for household income levels, but also for rental prices that are meaningfully below market benchmarks.

In this regard, it is essential to improve transparency and promote the collection of reliable and replicable rental market data, to ensure that affordability thresholds and eligibility frameworks across Member States are robust, evidence-based, and comparable. Boosting transparency and data collection is crucial to ensure the reliability and replicability of indexes or systems used by EU Members, providing an accurate market picture.

We call on the Commission to:

- Political backing and regulatory consistency from the Commission and national governments are crucial to restoring investor confidence and enabling long-term commitments.

- Streamline administrative procedures related to affordable housing (e.g., registration of operators, access to funding, reporting obligations), while ensuring transparency and oversight.

- Shift from input-heavy to outcome-based reporting, focusing on affordability performance, environmental impact, and tenant satisfaction.

3.6. Property Rights and the Rule of Law

Strengthening the rule of law and protecting property rights are foundational to a functioning housing market. A stable and predictable legal environment is a prerequisite for private capital mobilisation in affordable housing.

In Spain, the persistence of illegal property occupations and deliberate delinquency ("okupaciones" and "inquiokupaciones"), combined with long judicial processes and the failure of public administrations to provide adequate housing alternatives, has resulted in a growing climate of legal uncertainty and disincentive to invest in the rental market.

In this context, we recommend that the European institutions:

- Reaffirm the protection of property rights as a core principle of the Union, in line with Article 17 of the EU Charter of Fundamental Rights.
- Promote transparent, proportionate, and evidence-based regulation, avoiding politically motivated measures that undermine investor confidence.
- Ensure that any future EU initiatives are subject to rigorous legal and economic impact assessments, with the participation of relevant stakeholders, including private housing providers.

3.7. Energy efficiency renovation and rental housing

Energy renovation of the existing housing stock is essential to meet the EU's climate targets. However, additional policy tools are needed to ensure that investment reaches those buildings most in need—particularly older, inefficient multi-family buildings and homes occupied by vulnerable households.

We recommend the adoption of specific measures to promote energy-efficient renovation of rental housing. Given that landlords often lack sufficient incentives to invest in energy upgrades—while tenants benefit from reduced energy bills—targeted support mechanisms are needed to overcome this split-incentive barrier. EU-level instruments should include dedicated funding lines, tax incentives, and regulatory frameworks that encourage renovation in the rental sector, especially in affordable and social housing, thereby contributing to climate goals while ensuring housing affordability and quality.

In addition, we propose the establishment of a more favorable treatment of carbon rights within the EU Emissions Trading System (EU ETS), specifically for the residential renovation sector. In cases where comprehensive renovations are carried out in low-efficiency buildings or those occupied by vulnerable households, carbon rights could become a valuable source of co-financing. The sale of these carbon rights should be supported by simplified mechanisms and accompanied by a strong regulatory framework to ensure transparency.

Moreover, income derived from the sale of carbon rights generated by improvements to multi-family residential buildings owned by individual landlords should be exempt from personal taxation, to reinforce participation and incentivize early action.

4. NEXT STEPS

4.1. ASVAL and its members would welcome the opportunity to engage with the European Parliament and Commission to further elaborate these proposals and share best practices from the Spanish rental housing sector.

4.2. With a balanced policy mix that embraces private sector contributions, the European Union can deliver on the promise of sustainable, inclusive, and affordable housing for all.

4.3. ASVAL is fully committed to contributing to the objectives of the European Affordable Housing Plan and the European Pillar of Social Rights. We believe that an inclusive and pragmatic approach—recognizing the role of private landlords, financial viability, legal certainty, and the safeguarding of fundamental rights—is essential to delivering lasting results.

4.4. We invite the European Commission to integrate these recommendations into the final design of the Plan and look forward to contributing actively to its implementation.