

PUBLIC CONSULTATION



**CONFINDUSTRIA
ASSOIMMOBILIARE**

**Call for evidence
"European Affordable Housing Plan"**

European Commission

June 4, 2025

1. WHO WE ARE

Confindustria Assoimmobiliare represents the entire chain of real estate operators nationwide. It brings together major institutional investors, such as asset management companies (asset managers)/real estate funds, Sicaf, listed and unlisted real estate investment companies and Re.oco., as well as the real estate divisions of banking institutions and insurance companies. Also part of the association are leading Italian and international developers, public companies managing large real estate assets, proptech companies, engineering and design companies, as well as the professional real estate services industry, which includes activities in asset valuation, due diligence, property management, brokerage, credit management, professional management of real estate assets (student halls, hotels, shopping centers, etc.), legal and tax services. The investment, management and advisory activities carried out by Assoimmobiliare Members cover all real estate asset classes: Office, Hotel, Residential (including Social Housing, Senior Living, university student halls), Retail/Mall Centers, Logistics Centers, Data Centers, Light industrial, Health Care Building (RSAs, hospitals).

2. BACKGROUND

Confindustria Assoimmobiliare welcomes the efforts underway within the European institutions to promote a concrete response to the housing crisis affecting many Member States, including Italy.

The proposal for a European Affordable Housing Plan, promoted by the European Commission, together with the recent establishment of a Special Committee of the European Parliament on the housing crisis, represent significant developments and essential prerequisites for launching a new phase of social housing development, which requires strategic decisions and targeted investment.

These European-level initiatives are mirrored by similar efforts already underway in individual Member States. In Italy, for example, the Government has included in the most recent Budget Law the approval of a national plan for public and social housing, known as “Piano Casa Italia”. This is intended as a strategic framework for the relaunch of housing policies—following the 2009 initiative—responding to the real needs of individuals and families.

Local areas are also taking action. The City of Milan recently launched a Housing Plan that provides for the construction of 10,000 new social housing units over ten years, primarily for rent (at around €80/sqm/year). Other cities such as Rome, Bologna, Florence, and Naples are also developing housing policies focused on social housing.

Finally, the macroeconomic scenario has become more favorable compared to the recent past. In the second half of the year, there has been a reversal in the cost of money, with falling interest rates, a recovery in wages, and a gradual normalization of costs along the production chain—though still at structurally higher levels than in the pre-pandemic period.

3. THE ITALIAN RESIDENTIAL MARKET

In recent years, the Italian residential market has experienced a gradual recovery in real estate transactions, reaching approximately 720,000 in 2024. This reflects a year-on-year increase of 1.3%

compared to 2023, a cumulative growth of 65% over the past decade, and a 19% increase since 2019, the pre-Covid period.¹

Within these broader trends, the market remains marked by significant heterogeneity in terms of size, location, and quality. Major cities such as Milan, Rome, Turin, Naples, Bologna, and Florence show growing demand driven by their attractiveness. This results in considerable pressure on the housing market, which is increasingly out of balance with the relatively stable supply of available residential properties. In contrast, many small towns and rural areas experience stagnant housing markets, primarily due to slow and gradual depopulation.

Italy's housing stock has about 35 million housing units, 78 percent of which are for residential use². A significant portion of this stock is obsolete: about 80 percent of residential buildings were built before the 1980s³, i.e., constructed at times when seismic or energy efficiency regulations did not reach current standards.

To meet emerging housing needs—particularly in the rental sector—it is estimated that around 635,000 new homes will need to be built in Italy over the next five years, mainly through the transformation and conversion of existing buildings in major metropolitan areas. The estimated investment required for this is approximately €170 billion, underscoring the scale and complexity of the challenge⁴.

However, newly built housing in Italy represents only a minority of the overall supply. The average annual production of new residential buildings, as measured by building permits issued, has dropped from about 250,000 per year in the early 2000s to fewer than 50,000 between 2015 and 2021⁵, contributing to the continued aging of the building stock.

In this regard, Italy remains at a significant disadvantage compared to other European countries. Since 2015, the authorized residential building area per capita has been below 0.20, compared to 1.1 in France, 0.8 in Germany, and 0.4 in Spain. Most new residential developments are concentrated in metropolitan areas, where demand is highly diverse ranging from households to the luxury segment, from students to the growing demographic linked to the silver economy.

Chart 1 clearly illustrates this contrast, showing urban areas under high and medium housing stress alongside large inland areas where supply exceeds demand.

The Italian residential real estate market has uneven indicators across territories, a shortage of supply in urban areas and strong demand pressure, which pushes up prices and rents. This makes it difficult, if not impossible, for households with limited income to access the market. In summary, it is possible to identify four main areas of criticality in the Italian residential sector:

¹ Agenzia delle Entrate (Italian Revenue Agency)

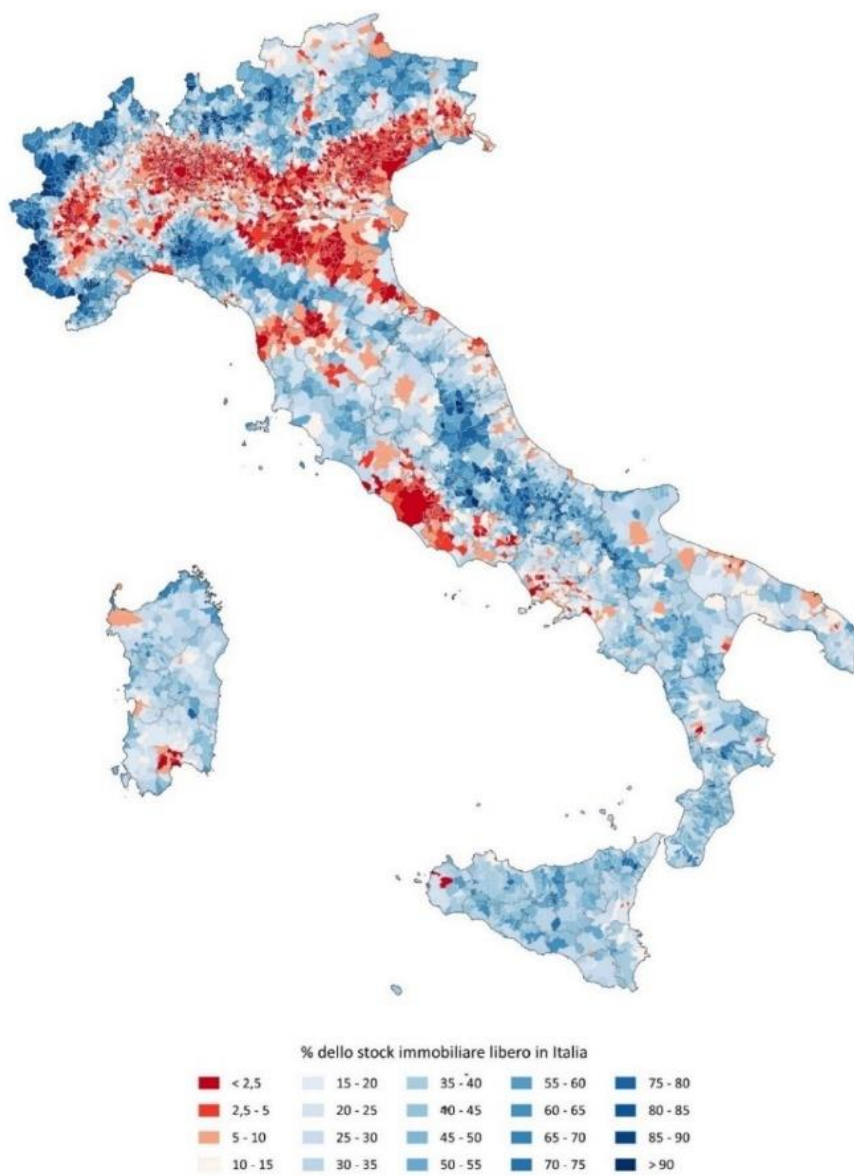
² Istat (2024)

³ Istat (2024)

⁴ Scenari immobiliari (2025)

⁵ Istat (2024)

Chart 1: Housing situation as of 2024: housing emergency vs. shortage of demand



Source: Scenari Immobiliari analysis on various sources

I. Shortage of rent and affordable housing

The strong performance of the national housing market, the attractiveness of metropolitan cities and certain dynamic areas, low levels of new housing production, rising construction costs, competition from short-term rentals, and the macroeconomic conditions of the past five years—combined with sustained pressure from ordinary demand—have significantly reduced the availability of affordable housing for middle- and low-income groups.

This phenomenon is particularly evident in major cities, where average prices and rents per square meter have reached record levels. For example, over the past five years, average prices per square meter have increased by 22.6% in Milan (currently around €5,400/sqm) and by approximately 9% in Rome (average price around €3,200/sqm⁶). The lack of effective housing policies and incentives for the construction of social and affordable housing further exacerbates the problem.

Market analysts widely agree that there is a significant imbalance between supply and demand for affordable housing in Italy, especially in large metropolitan areas and the most dynamic provincial cities. This gap is deepened by increased mobility linked to migration flows and the growing movement of people for education and employment. As a result, the "housing issue" is becoming increasingly severe, driven on one hand by steadily rising housing costs, and on the other by the gradual erosion of household purchasing power.

Typically, the demand for affordable housing comes from households with gross annual incomes between €15,000 and €40,000, who need housing solutions where rent or mortgage payments do not exceed 30–40% of their available income—as opposed to current market conditions, where costs can reach up to double that share. Depending on the region, it is estimated that up to 20% of the Italian population may be exposed to potential housing poverty.

In fact, in 2020, 19.6% of Italian households were living in dwellings with leaks, damp foundations, or mold—a figure that rises to 24.5% among the poorest households. Moreover, 28% lived in overcrowded conditions, with peaks of 39.2% among families below the poverty line. Lastly, 8.3% of households reported difficulties in heating their homes, a rate that rises to 17.2% among the poorest. Across all these indicators, Italy presents a more critical picture than the European average⁷.

Outside the public sector, the fight against housing hardship in Italy has historically been carried out by the social cooperation system—especially indivisible ownership cooperatives and third-sector entities—but always on a relatively small scale. Since the launch of the National Housing Plan in 2009, this effort has been supported by the Integrated System of Social Housing Funds, a network of local funds managed by Italy's leading asset management companies and backed by the Fondo Investimenti per l'Abitare (National Fund for Investments in Housing) of Cassa Depositi e Prestiti (CDP), alongside local banking foundations, institutional investors, cooperatives, and developers. This system has delivered around 30,000 new housing units⁸ at subsidized rents and prices (including traditional housing, university accommodation, and temporary residences).

⁶ Immobiliare.it (2024), considering the entire administrative territory of the respective municipalities.

⁷ Eurostat

⁸ Assoimmobiliare analysis based on CDP data

II. Bureaucracy and Regulatory Constraints

The real estate sector suffers from a complex regulatory framework and lengthy permitting and administrative processes, which slow down the implementation of new projects and urban regeneration. The fragmentation of competencies among local, regional and national authorities creates obstacles for developers, increasing costs and lead times. In addition, landscape and urban planning constraints, while necessary for the protection of cultural heritage, limit the supply of new housing in some areas of high housing demand.

III. Shortage of rental housing

Characterized by a strong preference for homeownership—about 75% of the population lives in homes that are owned, held in usufruct, or provided free of charge—the Italian residential sector suffers from a chronic shortage of rental housing managed by professional operators. Historically, the market has been dominated by the so-called Private Rented Sector (PRS), consisting of residential units not originally intended for rental but later placed on the market. This segment has long accounted for nearly all the country's rental housing supply. Only since the 2000s, driven by demographic changes, increased mobility, and evolving lifestyles, has the housing issue—and the need for a more structured rental offering—returned to the center of public and private debate.

FOCUS

Institutional investors are also beginning to enter the residential market in Italy, attracted by the sector's stability and the growing demand for rentals. Investment funds, asset management companies, and international operators are developing Build-to-Rent (BTR) projects—residential complexes intended exclusively for long-term rental. This model, already well established in markets such as the United Kingdom and the United States, is gaining traction in cities like Milan and Rome, where rental demand is driven by professionals, students, and families.

In Italy, following the example of similar developments in Europe and overseas, innovative housing models are gradually emerging. These integrate shared spaces and communal services into traditional rental residences, redefining how housing is conceived and how common spaces are organized. Such new solutions aim to go beyond the basic concept of "dwelling," transforming the home into more than just a place to stay, and instead creating environments designed to meet modern needs for flexibility, social interaction, and sustainability.

The BTR model seeks to distinguish itself by offering services that go beyond traditional housing, with a focus on comfort, adaptability, and community living. It also introduces long-term leases that can, in some cases, be more flexible than the traditional 4+4 rental scheme.

However, the full development of this segment in Italy remains hindered by several regulatory and fiscal disincentives, many of which stem from legacy frameworks that continue to favor homeownership over rental. For example, residential buildings are not recognized as assets used for economic activity, which prevents developers or owners from opting for VAT taxation instead of the default exemption regime. Additionally, companies or business entities engaging in professional rental activities cannot register such properties as instrumental assets—and therefore cannot benefit from traditional cost deductions. On the contrary, classifying these properties as speculative assets on the balance sheet creates significant tax burdens, discouraging professional involvement in the sector.

IV. Obsolescence of *Real Estate Assets*

Buildings constructed before the 1980s often do not meet modern standards of safety, affordability and energy efficiency, making them less competitive in the marketplace. Renovating these units requires significant investment, which is not always economically viable for owners or developers.

4. STRATEGIC PRIORITIES FOR RESPONDING TO THE HOUSING CRISIS

Confindustria Assoimmobiliare has therefore put forward a set of initial proposals to address the housing crisis. These suggestions, aimed at enhancing and revitalizing the affordable housing sector, are based on what are universally recognized as both barriers to entry and key enablers of its development:

- Availability of areas and/or properties to be redeveloped, ideally offered at very low entry costs, free of charge, or under long-term concessions—preferably from public and/or institutional sources—considering the often-substantial costs of site reclamation;
- Product and process innovations that improve affordability, efficiency, or quality of housing delivery;
- Access to debt financing and venture capital, both made available under capped costs and returns to ensure financial sustainability and social impact.

Availability of brownfield sites or properties for redevelopment at low entry costs

At the initiative of the Ministry of Economy and Finance, in collaboration with the Agenzia del Demanio (The Italian State Property Agency, a public economic entity managing the State's real estate assets), a process has been launched to identify, assess, and make available part of the vast public real estate portfolio for the development of social impact initiatives. These initiatives are to be implemented through public-private partnerships, with the primary objective of addressing collective needs.

At the core of this new approach is the growing recognition that the valorization of public real estate assets from a social perspective should ideally be supported by public-sector investment, to better align interests and ensure long-term impact.

However, the processes of valorization and divestment must be made more efficient and should be supported by urban planning and administrative tools that enable faster conversion into facilities suitable for affordable housing projects.

In particular, there is a clear need to:

- Ensure automatic change-of-use provisions for properties originally designated for other purposes (e.g., military barracks, hospitals, administrative or office buildings);
- Allow the land on which public properties are located to be granted to affordable housing operators at reduced rents under multi-year concessions, or, alternatively, free of charge.

Product and process innovations

In the development of affordable housing, continuous innovation in both products and processes represents a key enabling factor, as it generally helps to reduce production costs and enhance social

impact. Particularly relevant in this context are new technologies for the offsite production of housing modules, to be assembled on site.

Although still largely in the experimental research phase, these solutions—if supported by appropriate industrialization processes—could significantly contribute to lowering construction costs. On the process side, urban regeneration plays a leading role, having largely replaced new construction in line with the principle of limiting land consumption.

From a governance perspective, public-private partnerships—understood as the co-programming, co-design, and co-financing of interventions—appear to be the most suitable model for implementing projects of this nature. These are "social market economy" initiatives, aimed at addressing structural gaps that neither the public nor the private sector could tackle alone. The partnership model offers a synthesis between public policy direction and the fulfillment of collective needs, on one hand, and the private sector's capacity for implementation and efficiency, on the other.

Debt and equity financing

Among the main enablers of affordable housing is the availability of low-cost financing. In this regard, the role of specialized financial institutions is particularly important. These institutions provide funding—either directly or through commercial banks—at favorable rates (i.e., at the cost of borrowing). Notable examples include the European Investment Bank (EIB), the Council of Europe Development Bank (CEB), the European Bank for Reconstruction and Development (EBRD), as well as national institutions offering impact financing and/or green financing instruments. Equally critical is the availability of venture capital with capped returns, typically aligned with the expected returns from Services of General Economic Interest (SIEG), currently estimated at around 7–8% per year. This form of capital represents a key enabling factor for the development of affordable housing and differentiates it from the traditional or free-market housing segment. Historically, such capital has been provided by the cooperative movement and mission-driven institutional investors, such as national promotional institutions, local banking foundations, banks, insurance companies, and social security funds. However, the availability of venture capital with moderated returns has declined significantly in recent years, due to the structural changes triggered by the pandemic and ongoing geopolitical tensions. It is therefore essential to strengthen the instruments that facilitate access to such capital with a similar mission-driven focus, in order to reinvigorate the development of affordable housing.

5. FURTHER CONSIDERATIONS FOR ACTIVATING MEASURES TO ENHANCE/RELAUNCH AFFORDABLE HOUSING

Within the framework outlined above, it is believed that the revitalization of affordable housing should be promoted as a priority by the public sector. The public sector, in addition to fully sharing the objectives of affordable housing, is uniquely positioned to activate all the necessary levers—chief among them, co-financing, which is now more essential than ever. This mechanism not only signals a renewed public commitment to housing policies but also serves as a financial lever capable of helping to contain development costs.

It is therefore crucial to equip public-sector promotional efforts with financial resources aligned with these objectives, namely the ability to attract and stimulate private capital while simultaneously contributing to cost reduction.

In this regard, it would be appropriate to establish a single, large fund financed through national and/or EU budgetary resources, with the aim of supporting private affordable housing projects targeted at the most vulnerable groups, across all national territories of the Member States. The public share of funding allocated from this fund could be modulated, provided it never exceeds 49 percent of the total investment (including any in-kind contributions such as publicly owned assets). This threshold would prevent public over-dominance, incentivize the use of public over private assets, and reflect the added value of aligning affordable housing objectives with the strategic reuse of public property.

For instance, in projects based on publicly owned assets, public financing could reach up to the maximum threshold of 49 percent. In contrast, for projects involving privately owned assets, the public contribution should not exceed 30 percent.

Public funding could take several forms: non-repayable grants; zero or low-interest loans; venture capital with low or no return, disbursed after the investment phase; or guarantees on both equity and debt capital.

In response to this form of public promotion, it is believed that private venture capital—necessarily in a majority share—could be effectively mobilized:

- by the domestic and international market investors specializing in residential;
- by national promotional institutions, such as the Cassa Depositi e Prestiti, which recently established the FNA, Fondo Nazionale per l'Abitare (National Housing Fund), endowed with 100 million euros, 50 percent of which is a beneficiary of the *pari passu* guarantee provided by the InvestEu program, and such as the EIF, European Investment Fund, which is the *equity* investment arm of the European Investment Bank (EIB);
- by mission institutional investors, such as local foundations of banking origin, welfare institutions, including public ones, *impact investing* branches of banks and insurance companies;
- From the world of cooperative inhabitants, including those with undivided ownership
- By construction companies that also act as *developers*.