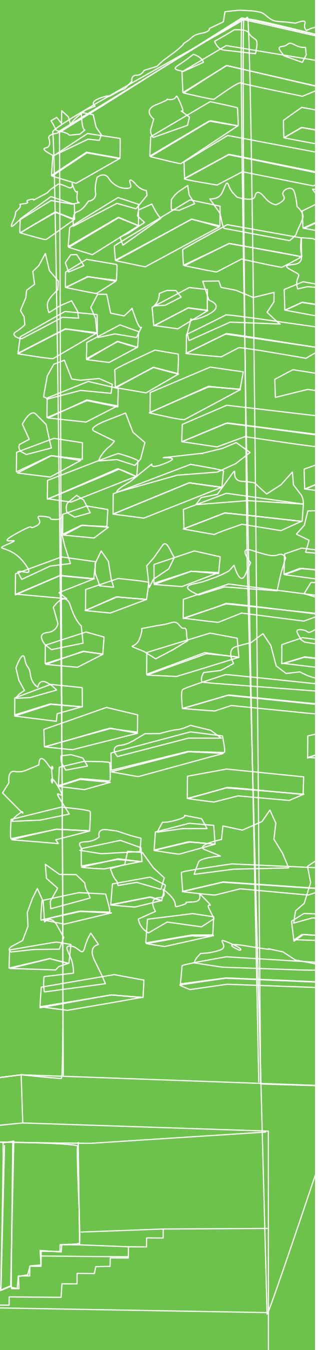

Institutional Investment in European PRS:
Strategies, barriers and pathways to supply

Research

March 2026

INREV is the European Association for Investors in Non-Listed Real Estate Vehicles. Our aim is to improve the accessibility of non-listed real estate vehicles for institutional investors by promoting greater transparency, accessibility, professionalism and standards of best practice.

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INREV
ITO Tower, 8th floor
Gustav Mahlerplein 62
1082 MA Amsterdam, The Netherlands
+ 31 (0)20 235 86 00
research@inrev.org | www.inrev.org

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Executive summary

> The establishment of the European Housing Alliance is an acknowledgement of the need for proactive engagement, continuous dialogue, and adaptive strategies.

> Investors recognise that regulatory oversight of housing is necessary. However, modest return levels are dependent on certainty. This requires consistency in policy.

> Fiduciary duty of investors and managers – and the consequences of failing to meet future pension obligations – is often not fully understood by policymakers and other stakeholders.

> Develop-to-hold strategies, which involve significant upfront capital and long term business plan horizons, are particularly vulnerable to regulatory change.

> Where policies are being revised, the implications for institutional capital and its capacity to contribute to housing delivery should be explicitly considered.

Europe's housing crisis is not simply a matter of insufficient capital or construction capacity – it is fundamentally a challenge of policy alignment and strategic partnership. Institutional investors are eager to provide long-term capital to accelerate the delivery of affordable and sustainable housing where it is consistent with their fiduciary duty to underlying pension holders and savers. However, unpredictable policy changes, regulatory complexity, and fragmented planning frameworks often undermine investment viability and capital deployment. Ultimately this truncates the delivery of much needed supply. Effective collaboration between policy makers and institutional investors is essential to unlock the full potential of institutional capital and deliver housing solutions at scale.

Key messages and recommendations:

> **Strategic partnerships:** Open dialogue and trusted relationships between governments, institutional investors, and third sector housing providers enable alignment of objectives and mobilisation of resources to accelerate supply.

> **Policy consistency and predictability:** Stable, transparent, and predictable policy frameworks are crucial for attracting and retaining institutional investment. Sudden or retrospective changes deter long-term capital and disrupt housing delivery plans. By increasing risk and uncertainty, they ultimately reduce affordability.

> **Land availability and planning certainty:** Public facilitation of access to land and streamlined planning processes reduce risk, shorten development timelines, and make projects more attractive to investors.

> **Balanced rent regulation:** Institutional investors understand that affordable housing warrants regulatory oversight and amid scarcity, that rental progression may sometimes need to be managed. Rent regulation should balance affordability for tenants with the need for investors to achieve modest, risk-adjusted returns. Mechanisms for indexation and capital expenditure recovery are vital for long-term investment viability.

> **Consideration of unintended policy consequences:** Policy changes must consider unintended consequences, such as the development of two-tier rental markets that often lead to market stasis as natural rates of churn evaporate, resulting in a misallocation of housing. This has knock-on effects for the economy and society such as declining labour mobility, overcrowding and a delay in lifestage decisions such as marriage or children. Equally, unintended consequences can create barriers to sustainability retrofitting strategies. Regulatory frameworks should allow for the recovery of costs related to energy efficiency improvements, supporting both affordability and environmental goals.

> **Support for modern methods of construction (MMC):** Greater standardisation of building and planning / zoning regulations within as well as between cities and regions can better enable the use of MMC, reducing costs, improving quality, and accelerating housing delivery.

Chapter 1

Introduction

The magnitude of Europe's housing challenge is escalating as demand continues to structurally outpace supply. Most stakeholders, including institutional investors, policymakers and householders, agree that increasing supply is the only durable solution to addressing housing need and affordability pressures. Recognising that access to affordable, sustainable, good-quality housing is impeding EU economic competitiveness and social cohesion, the EU commission launched the European Affordable Housing Plan in December 2025[1]. Its aim is to support expansion in the delivery of affordable and sustainable homes. The European Housing Alliance is established to aid implementation and accelerate progress, enabling collaboration and cooperation between member states, cities, EU institutions, public and third sector housing providers, industry and civil society. It is recognised that solving Europe's housing challenge at pace requires stakeholders from across the public, private and third sectors to join forces to achieve this common goal.

Institutions have already invested some €573 billion in European residential and this is highly concentrated in housing solutions for middle income households[2]. This paper explores how investment in housing has evolved over the past decade of accelerated capital allocations. Derived from in depth interviews with senior representatives of twelve global investors and investment managers, it considers the evolution in relationships between public, private and third sector stakeholders as they align to address Europe's housing challenge. There are good examples in some cities such as Madrid and Helsinki, where policy has evolved to appropriately harness institutional capital to deliver on housing need. However, in many other cities housing policy has evolved to weaken institutional investors' capacity to deploy capital.

Underlying this evolution in policy development is a lack of understanding as to how long-term institutional capital differs either from public monies, or from shorter term, capital growth focused private equity real estate capital. As a result, some policy developments have evolved to act as a barrier to institutional investment, impeding both new supply delivery and renovations, often with unintended consequences for existing tenants and those seeking rental accommodation. Yet, institutional investors and managers stand ready and eager to invest with purpose to address housing need. This is a wasted opportunity that Europe's economy and society can ill afford and should be readily addressed to accelerate progress.

This paper builds upon previous INREV research reports that consider the potential for institutional capital to deliver housing affordability for middle income Europe, the potential to integrate housing affordability with delivery of sustainability goals and how public policy objectives can be aligned to modest institutional long-term capital return objectives[3]. By considering institutional investors strategic objectives and how they may be aligned with public policy ambitions, the paper identifies the conditions under which different types of institutional capital can most effectively contribute to solving Europe's housing supply crisis. In particular, it identifies how policy frameworks can be employed to harness and accelerate housing delivery and conversely, how policy risk can extinguish long-term viability and deter investment.

In addition to housing delivery, the paper also considers how policy may impact on capital expenditure on existing housing, including retrofitting towards the energy transition. It also considers the unintended consequences of well-intended policies on the dynamics of housing tenancies. Distilling effective policy frameworks from analysis of the interview findings, the paper concludes with strategic recommendations to policymakers and investors on how to better enable the sustained development of affordable and mid-rent housing across Europe.

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1 https://housing.ec.europa.eu/document/756915b5-d1b1-4bde-ac82-03532d2d3d90_en
2 INREV (2025) Bridging the housing gap with institutional capital, snapshot
3 INREV (2024) Housing Middle Income Europe: the intermediary investment opportunity amid diverse residential market structures;
INREV (2024) Unlocking affordable PRS to address the twin challenges of housing need and decarbonisation;
INREV (2024) Solving Europe's housing challenge: Aligning institutional capital to public policy ambitions through an industrial strategy

Chapter 2

Alignment of long-term institutional investment strategies with the housing challenge

Long-term demographic trends point to a durable investment opportunity across the living sector which includes affordable housing across low and middle income households, a range of senior housing solutions, market rate housing for higher income and more transient knowledge worker households, purpose built student accommodation (PBSA), co-living, serviced apartments and hospitality. Each segment offers investors a different risk profile, particularly in terms of income. The trends are persistent across most cities globally and offer investors the capacity to develop strategies that are well-diversified by risk profile and geography.

The largest capital allocation has been to housing investments targeting second and third income quintile households, with target rents being anchored to accepted affordability metrics. Broadly, affordability is considered as a rent to net income ratio not exceeding 30%, or total occupation cost to gross income ratio not exceeding 40%[4]. However, as it is difficult to influence income, reference may also be made to achieving a meaningful discount to the prevailing market rent in a given local area.

From a public policy and tenant perspective, having institutional capital as stakeholders in housing offers a number of advantages. Institutional investors are seeking to develop long-term stable income streams, which involve high occupancy and low churn rates. Targeting affordable rental levels is central to this objective. Equally, investors stress that they are intentional in their efforts to build a community, not merely housing. Their experience of investing at scale across multiple cities and tenures has proven that a strong, stable and thriving community is at least as fundamental to achieving a stable investment as the quality of the individual housing units.

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This extends beyond matching services to the needs of residents, which can vary considerably across sociodemographic profiles and geography. For example, an interviewee explained that in some communities they have identified an opportunity to create social value through the provision of commercial space such as salon facilities, podcast studios or workspaces to foster the tenants' business growth and reduce social isolation of residents. In other communities, residents value an effective management service that solely focuses on a well-functioning built environment.

Importantly, institutional ownership will include having appropriate housing and risk management policies and capable staff in place to be able to respond appropriately to events as they arise. Tenants benefit from the focus on promoting long-term tenancy duration through the provision of high quality buildings and individual homes, amenities and services, supported by professional, reliable management and appropriate stewardship of the local environment.

The role of affordable housing in institutional portfolios is considered in a previous INREV paper that demonstrates that institutional investors are attracted to such housing's long-term, durable and predictable income streams[5]. Where long-term investment strategies are pursued, housing for modest and middle income households at affordable rents can generate a higher return absolutely and per unit of risk than either premium, market rate residential or rents inflated by scarcity value. However, the benefits of this income risk profile are dependent on certainty. Market risks are factored into projections however, major public policy changes are more difficult to predict.

4 There is no accepted definition of what constitutes 'affordable' and 'affordability', with definitions varying by jurisdiction, regulation, organisation as well as being user defined. For the most commonly accepted definitions please see INREV (2024) Housing Middle Income Europe: the intermediary investment opportunity amid diverse residential market structures

5 INREV (2024) Solving Europe's housing challenge: Aligning institutional capital to public policy ambitions through an industrial strategy

Institutional investors have a fiduciary duty to deliver an appropriate risk adjusted return to their underlying pension holders and savers. Long-term, predictable income streams from housing offer the potential for matching them with known pension liabilities. This allows for institutional investors to accept modest return profiles from housing investments. However, certainty is a foundation of this calibration. It also requires investors to deliver a higher return than low risk investments including bonds and other fixed income alternatives that require less expertise and involve no risk of timing. Equally, this segment needs to offer lower risk and uncertainty than other residential strategies.

Investors and managers recognise that the scale of housing undersupply is a crisis and are eager to contribute to the solution. However, many interviewees suggested that the fiduciary duty of investors and managers – and the consequences of failing to meet future pension obligations – was often not fully understood by policymakers and other stakeholders. In short, institutional capital is not public money and it carries an obligation to deliver an appropriate return to honour its fiduciary duty to its underlying stakeholders. Often this capital represents the pension and savings plans of public sector and other industry workers, and is working to satisfy the future pension provision of the same middle-income households that the housing delivery is targeting[6].

Policy changes which significantly undermine the viability of existing business plans are also jeopardising the fundamental basis of the opportunity itself. As a result, investors are adjusting risk management strategies and factoring in the risk of policy change into market risk. This impacts investment allocations to affordable housing strategies in three ways. First, this is resulting in an expansion of global portfolio diversification to hedge the risk. Second, the level of institutional activity in a market is considered to impact both policy and liquidity risk, with capital favouring markets that already have depth in institutional activity (Figure 1). Third, as income certainty declines, required return expectations increase. Often this leads to a viability gap that pushes capital away from affordable housing. Sometimes it may be reallocated to alternative living sector segments such as PBSA that offer a higher risk adjusted return. Equally, capital may be reallocated to fixed interest investments offering a similar return, but with considerably less effort or complexity.

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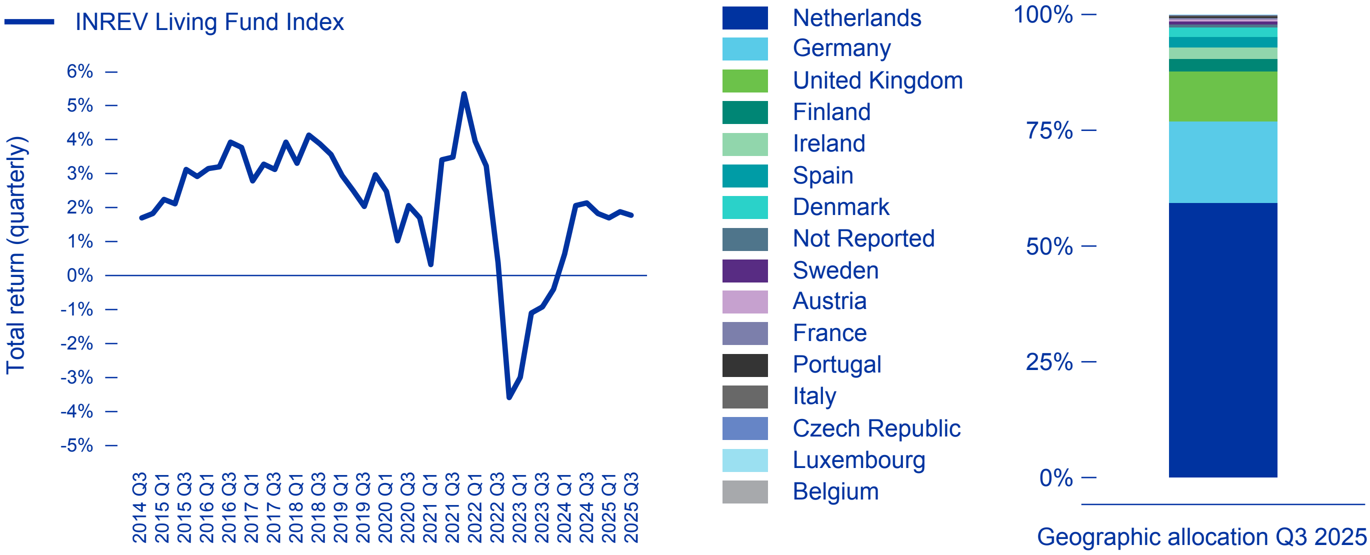
Institutions and investment managers vary in scale, risk appetite and depth of experience across markets and sectors. These characteristics strongly influence how investors form and execute their housing investment strategies. As the impact of housing policy development will vary across different investment strategies it can also shape how capital is invested. However, there is often an interdependence between strategies, especially related to the supply of investment product and propelling continued capital rotation, and that of housing supply. Policy-makers need to develop an understanding of the interconnectedness of different investment approaches.

Figure 1: INREV All Living fund index returns and geographic allocations



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Chapter 3

Span of strategic approach and development lifecycle

Broadly, four strategic approaches that span distinct areas of the development and investment lifecycle are identified, with scale and investment mode being determining factors. The development and investment lifecycle has five principal stages, with the degree of risk decreasing through each phase (Figure 2). First, the pre-planning stage which may involve the strategic acquisition of land and, through a long, complex process with an uncertain outcome, achieve zoning / outline planning permission for development. Second, planning and pre-development involving concept design and master-planning, technical studies, stakeholder engagement and achieving planning permission. Depending on public policy and market structures, this stage will also include the ratio of regulated social and affordable housing that will be cross-subsidised through the development and other contributions to infrastructure. Third, managing the construction on time, within budget, to the required specification and discharging all requirements. Fourth, the leasing-up phase and establishment of building and community management systems and services. Asset stabilisation is the final stage, where a stable predictable net income flow and occupancy rate can be demonstrated, also facilitating a lower cost of finance.

Clearly, a higher return is required to compensate for the higher risk and capital carrying costs associated with strategic land acquisition, planning and construction phases, than for the acquisition of a stabilised asset. Interviewees indicate that the scale of capital and breadth of expertise required for develop to hold strategies that span all stages limits its suitability to institutions with a large scale of capital. This approach involves having the capacity to bear the carry costs associated with an extensive execution timeline of ten to twelve years. Those capable of executing this strategy explain the importance of retaining control and oversight throughout the process, usually through a joint venture with a local partner that can be expanded in a market. Current blended returns across the spectrum of develop to hold strategies range from 7% to 11% and interviewees indicate that they are broadly consistent across global markets. Differences reflect market structure, maturity, liquidity and policy risks and related to that, the complexity of land acquisition.

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Figure 2: Lifestages of development and investment

Strategic Land	Pre-development & Planning	Construction	Lease-up	Stabilisation
• Market & location analysis • Review of planning / zoning • Site identification & purchase negotiations • Feasibility & financial appraisal	• Master-planning through to detailed design • Technical studies • Infrastructure services & connectivity • Planning application / negotiated requirements • Stakeholder engagement • Procurement / contractor • Appraisal, funding and finance	• Site clearance & preparation • Construction management • Quality assurance activity • Regulatory compliance • Discharge planning requirements • Fit out	• Certifications • Marketing • Complete landscaping & public realm • Install operational systems and management • Pre-letting, forward sales • Handover	• Achieve & maintain occupancy rate • Optimise operational costs • Net income stability • Track performance, tenant retention and rental development • Refinancing • Hold, sell

Develop to hold

Strategic land – create planning certainty → Value added – create asset with stabilised income → Core – stabilised income

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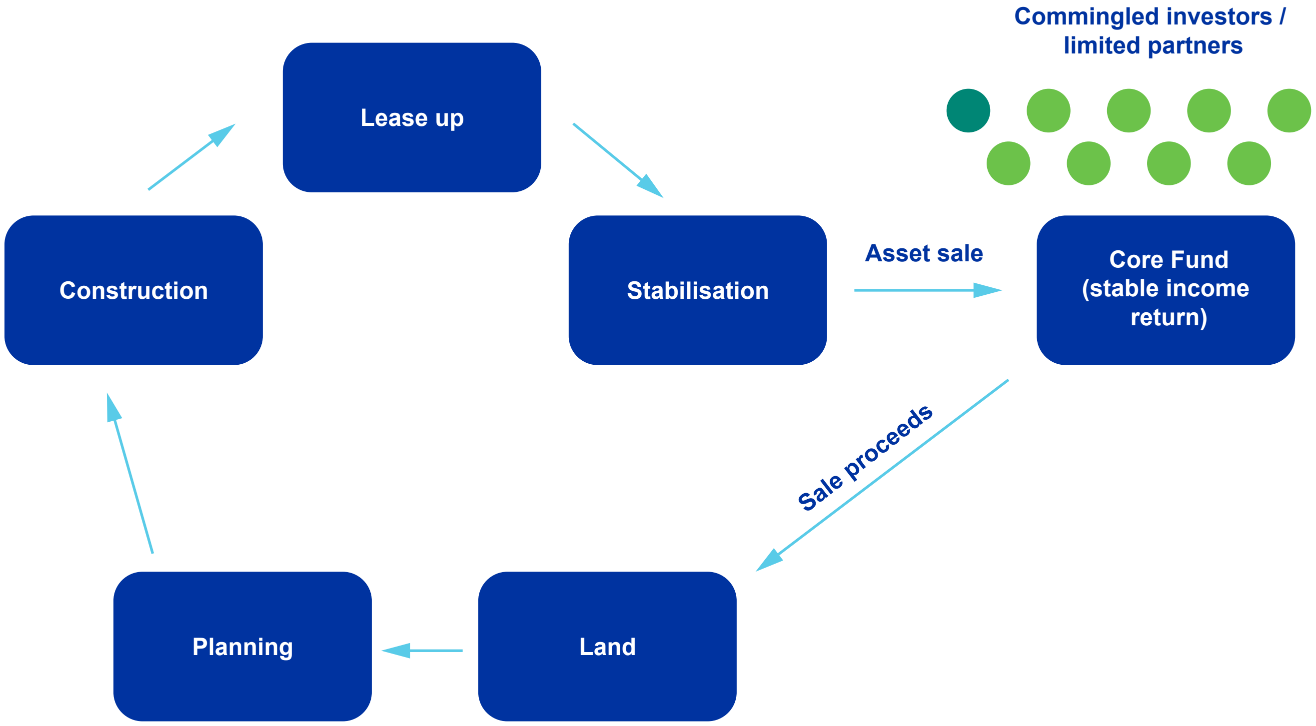
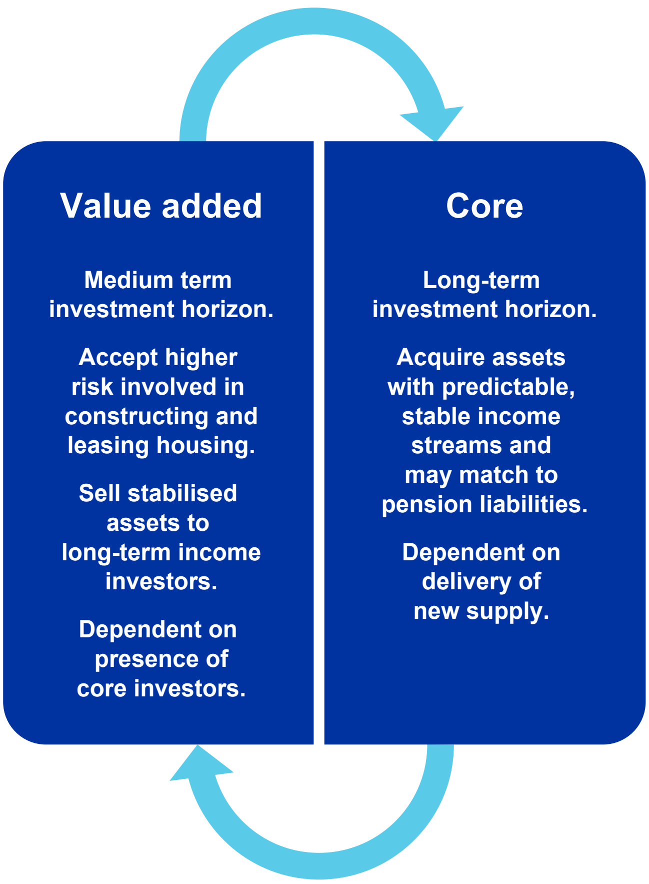
Figure 3: Rotation of capital through development lifecycle



At stabilisation, investors may hold assets directly or create listed or non-listed investment vehicles. These may provide an opportunity for other smaller scale institutions or those unable to manage development risk exposure to invest in stabilised assets. This enables a rotation of capital through the development lifecycle and also provides an opportunity for originating institutions to derive an additional return (Figure 3).

Investment managers develop a number of approaches that align with different aspects and span discrete phases of the development lifecycle. Core funds focus on stabilised assets in established markets in capital and large regional cities that offer liquidity and a stable net income return. Depending on whether permissible in fund terms, some may acquire assets through a forward sale and take on lease-up risk. Value added funds represent transitional assets. Depending on the structure of the market and underlying risk and uncertainty, strategies may span from planning or construction phase and once income stabilisation is achieved, sell to a core investor or manager. Again, this provides for a rotation of capital (Figure 4). Value added activity may also incorporate secondary cities or more evolving institutional PRS markets, or repositioning of existing assets.

Figure 4: Synergy between value added and core funds assists new supply delivery



Chapter 4

Global capital is dependent on local expertise

Although all institutional real estate is a blend of global capital and local market expertise, having partners with local expertise is critical to capital deployment across all housing strategies. The housing market remains very locally dominated and granular across multiple dimensions.

In comparison to commercial real estate (CRE) there are very few large, multi-regional or even national developers or contractors. Development requirements and regulations vary between countries, between municipalities and even within cities. For example, London has thirty-three separate boroughs which have different planning requirements. Similarly, while there are always differences in landlord and tenant law across jurisdictions, this is more extreme for housing relative to CRE. These differences require strong local market expertise to be integrated into a locally established platform. Consumption of housing is also very local and within any country needs to be managed at a municipal level, rather than centrally from a capital city. Cultural differences also shape both housing design and management.

> **Having partners with local expertise is critical to capital deployment across all housing strategies. The housing market remains very locally dominated and granular across multiple dimensions.**

Institutions with the capacity to develop to hold, identify local partners in each given market. This enables them to adjust their established business model to the characteristics of each market, integrating expertise and knowledge gained in other regions across platforms where transferable and appropriate (Figure 5). Value added investors and managers also require partnerships with local developers, contractors and other professionals.

Importantly, as well as having a deep understanding of how to align business plans to legal and structural frameworks, local partners will have established trusted relationships with regulatory authorities and policymakers. This enables business plans to be closely aligned to existing policy and to any anticipated change. As well as allowing tailoring, this approach allows new concepts and innovations to be transferred across markets where appropriate. This also extends into the operation and management of the asset.

Figure 5: Synergy of global and local partnership

Indeed, many interviewees identify the availability of operational management expertise as being a risk factor when prioritising investment market opportunities derived from structural demand and supply drivers. Markets that have a large and mature rental sector also offer market depth in operational management service providers. Although some investors or managers may seek to develop vertically integrated business models, this is more difficult to do across multiple cities, countries and global regions without scale or an aligned operational partner.

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The management of PRS requires strong interpersonal, consumer-facing skills that traditionally are not integral to investment management expertise. However, it is possible to import these skills from other industries where they are more fundamental, including hospitality. Some markets such as the Netherlands and Finland, which have traditionally had a large institutional rental segment within housing markets, have mature supporting operational management structures. Although this segment is more emergent in Spain and the UK, their large hospitality industries have developed supporting operational management service companies relatively quickly, whereas in some other markets a void persists. As this activity represents the customer service interface with residents, it is vital for tenant satisfaction, retention and ultimately, for performance as it lowers costs.

Chapter 5

Accelerating housing by better alignment of institutional capital and policy

Interviewees stressed that they understand the urgency of the housing challenge and express a willingness to contribute to its solution. However, they must also adhere to their fiduciary duty. They explain that they are seeking modest returns from investment in both regulated and unregulated PRS and are targeting affordable rents for middle income households. However, changing regulation, restrictive planning and other unpredictable policies have been increasing uncertainty, eroding viability and suppressing long term investment and new development. Crucially, investors state that they recognise that regulatory oversight of housing is necessary. However, modest return levels are dependent on certainty. This requires consistency in policy. Simply, institutional capital cannot invest where it cannot deliver a positive, net of inflation, long-term return. Where policies are being revised, the implications for institutional capital and its capacity to contribute to housing delivery should be explicitly considered.

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Institutional real estate investors understand market risk. Investment strategies are driven by identifying opportunities from structural trends in demographics that underpin demand and supply dynamics and through analysis of market risks including pricing, liquidity and transparency. This analysis is then placed in the context of regulatory frameworks including housing policy, development and planning systems, landlord and tenant law, environmental law and sustainability targets, which set the parameters of both risk and opportunity.

Across the interviewees, policy is identified as the greatest risk. Significant change to regulatory frameworks can enhance or entirely undermine business plans. The risk of policy volatility and political expediency is now being overlaid on investment strategies to identify markets with heightened risk and uncertainty.

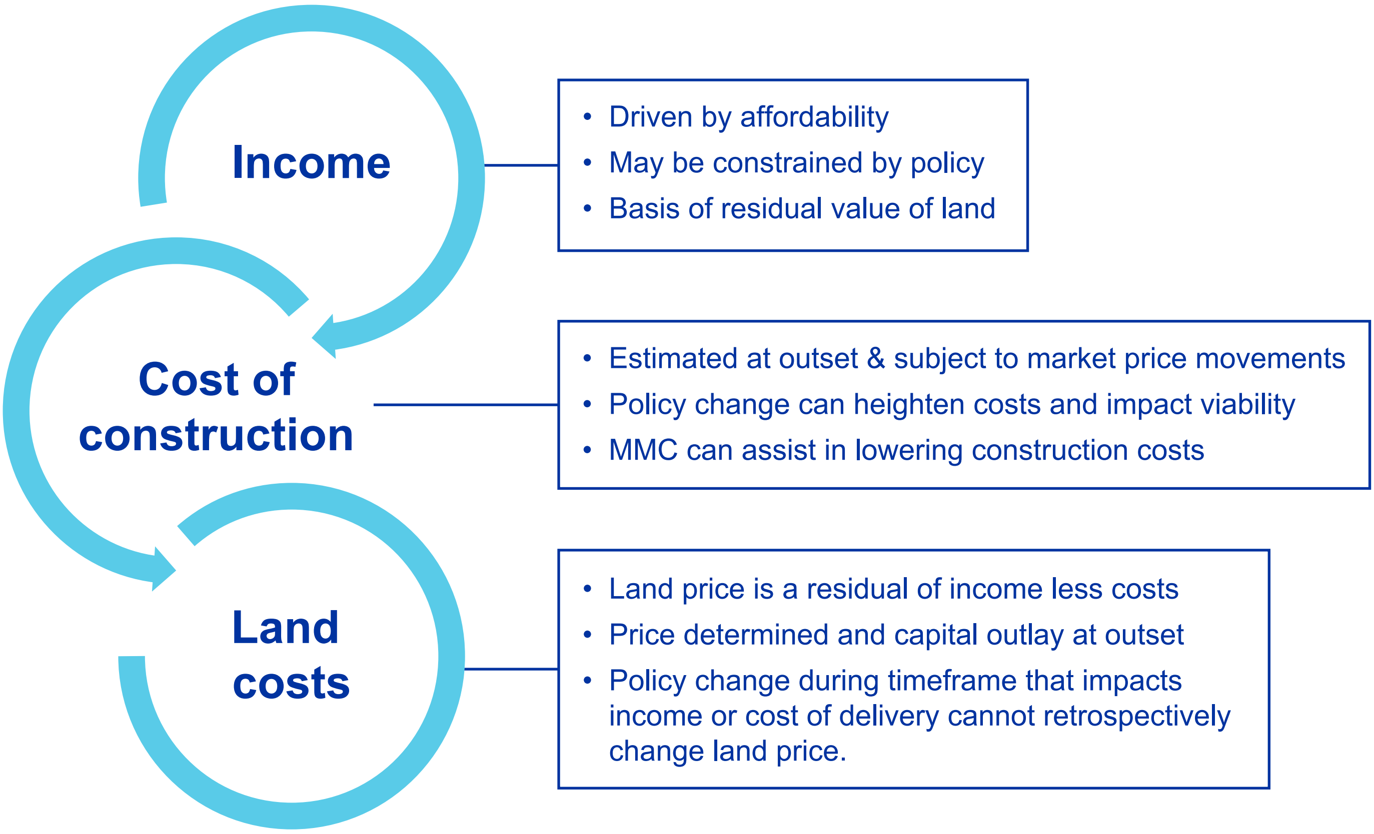
Across the interviewees, policy is identified as the greatest risk. Significant change to regulatory frameworks can enhance or entirely undermine business plans. A number of interviewees suggested that the long-term challenge of expanding housing supply to outpace demand is poorly aligned with medium term political cycles. This can lead to political expediency influencing housing policy which may prove electorally popular. However, it impedes delivering a long-term solution. The risk of policy volatility and political expediency is now being overlaid on investment strategies to identify markets with heightened risk and uncertainty.

This is most pronounced for develop to hold strategies that involve long strategic implementation time horizons as significant capital outlays are made at the outset, with pricing determined by the existing regulatory framework. This may be simplified into three components of value: land, construction and income (Figure 6).

Acquisition of land occurs at the beginning of the process and its price is determined as a residual of capitalised income, less costs and a margin of return. Income is determined by targeting affordable rents for middle income households with progression usually linked to inflation and a margin of 1 to 3% to allow for ongoing capital expenditure. Design and density drive both the cost of construction and total expected income, while planning uncertainty and delays increase the carrying costs of investment.

> **Markets that demonstrate policy inconsistency elevate the risk of policy change, undermining investment viability during the course of execution and as a result are less likely to attract institutional investment. Similarly, policy risk is red flagged in markets where the gap between affordable and market rents is accelerating, despite targeting affordable rents across their investments.**

Figure 6: Components of value and impact of policy on viability



Markets that demonstrate policy inconsistency elevate the risk of policy change, undermining investment viability during the course of execution and as a result are less likely to attract institutional investment. Similarly, interviewees focusing on core investments in stabilised assets indicate that policy risk is red flagged in markets where the gap between affordable and market rents is accelerating, despite targeting affordable rents across their investments. The uncertainty surrounding the exact form and impact of anticipated policy change generates excessive risk.

As a result, capital is impeded from contributing to housing delivery where it is most needed. Without regulatory frameworks that understand and respect institutional return requirements, there is a strong risk that capital will redirect to other housing segments, real estate sectors or to other asset classes that offer fixed income returns.

Many interviewees commented that round table dialogue between institutional investors and managers committed to long-term income strategies, regulatory authorities and policymakers, and other major stakeholders including affordable housing providers, is required to build trust. Ultimately, the development of trusted partnerships provides for a mutual understanding and alignment of objectives. This paves the way forward for the formulation of a housing strategy that uses all resources to best effect in an effort to solve the housing crisis.

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Ultimately, the development of trusted partnerships provides for a mutual understanding and alignment of objectives. This paves the way forward for the formulation of a housing strategy that uses all resources to best effect in an effort to solve the housing crisis.

Indeed, the interviewees' experience across global markets provides examples of how even small changes to policy can mobilise or impede institutional capital. The interviewees emphasised that while the structure and stability of rent regulation is an important risk factor, there are a wide range of other policies that directly and indirectly impact on the business model across land availability, planning and construction, and income. Related to this, interviewees also discussed instances where well-intended policy initiatives result in unforeseen consequences as to where the burden of housing scarcity falls across society. These include policies designed to manage rental progression, land availability and, planning and building requirements.

5.1. Rent regulation

Although change in regulation is considered a policy risk, most interviewees are comfortable with regulation that manages rental progression if it provides for some form of indexation that keeps pace with inflation and allows a buffer to enable ongoing capital expenditure. Mechanisms that allow for market growth - within the context of an affordable rental level - to be captured at intervals are also preferred.

> **Most interviewees are comfortable with regulation that manages rental progression if it provides for some form of indexation that keeps pace with inflation and allows a buffer to enable ongoing capital expenditure.**

It is noteworthy that Finland represents one of Europe's most liberal housing markets. The PRS market is a relatively large component of the housing market and institutional ownership is high relative to other markets.[7] It is also somewhat unique as it represents a well-functioning housing market with a small supply overhang currently. As a result, market rents have weakened, with rental recovery expected to return as surplus supply is absorbed. Policy measures anticipated the strong population growth in the Helsinki Metropolitan Area (HMA) and Turku, and facilitated an appropriate supply response. Rent control measures have not been necessary. Prevailing landlord and tenant law allows for rents to be linked to CPI and depending on market conditions, an additional 1 to 3% uplift. As there is no housing scarcity, tenants are able to negotiate with owners or move to alternative accommodation. Rent levels are attached to individual lettings, enabling rental levels to adjust upon new leasing events. Most interviewees consider that rent regulation that follows this approach is consistent with their investment objectives.

In contrast, rent regulation in other markets can be more obstructive to institutional capital deployment. For example, although different in structure, rent regulations in Berlin and Paris stifle investors as they impede their capacity to generate a modest – and in some circumstances – positive return.

Table 1 summarises the rent regulation for each city. In Berlin, attempts to impose a rental freeze were deemed unlawful. However, the capacity to achieve rental uplifts -both during the tenancy and upon lease renewals or reletting- are limited by a rental brake (Mietspiegel). Rents may only be adjusted every fifteen months and rental evidence from within a defined location is required. However, first lettings on new properties may be set to market rents. Equally, in Paris rent regulation determines a reference rent set administratively, with rents adjusted annually to a rate (IRL) linked to inflation, set by a central administration.

In Dublin, from 2015 rent indexation has been capped at the lower of 2% or CPI in rent pressure zones (RPZs). There was no opportunity to capture growth at future intervals as rents were also linked to the property, not the tenancy. Coupled with a lengthy,

Table 1: Comparison of rent regulation in selected cities

City	Rental regulation	Determination of rent	Mechanism	Capacity to capture cap ex improvements
Berlin	Yes	Existing stock: New rent cannot exceed 10% of local reference rent New stock: Market rent	Mietspiegel which acts as a rental brake Circularity of requirement for rental evidence	Yes. Explicit framework determining what is accepted.
Dublin	Yes	Lessor of CPI or 2% per annum. except new apartments which will be capped at CPI Rental progression has been linked to property, but from March 2026 ability to capture market rents every six years for new tenancies	Rent pressure zone rules which extend nationwide Introduction of six year tenancies from March 2026	No.
Paris	Yes	Rent determined by reference rent +20%. Increased annually by a centrally decreed inflationary rate	Encadrement des loyers determines rent on basis of location, size and quality factors	No.

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uncertain and costly planning process and design standard policies that increased the cost per housing unit excessively, institutional capital withdrew. More recent changes to housing policy are seeking to rebalance the need to moderate rental progression with institutional investment requirements in order to accelerate new supply (Box 1). Recent policies introduce a new six year tenancy from March 2026 and link rents to tenancies, allowing rents to be reset to market every six years.

Published in November, the wider housing policy initiative is attracting institutional investor attention. For the first time in fourteen years, the market has featured as a top 10 destination in INREV's 2026 investment intentions survey[8]. This demonstrates the capacity of public policy to harnesss capital through better alignment with institutional requirements. Good policy design can be used to direct capital to where it is most needed to meet public policy ambitions.

Box 1: Housing Policy Change, Ireland: Delivering Homes, Building Communities 2025-2030

Recognising that previous rent regulation amid a rising cost base has choked of institutional capital, recent policy initiatives are seeking to reengage with institutional capital (Box 1). Forming part of a wider industry strategy that covers all housing tenures, policy recommendations introduce a suite of initiatives that aim to deliver 300,000 homes over the five year horizon. The policy seeks to attract institutional capital to assist in the delivery of PRS apartments through the following reforms that address the viability gap:

Infrastructure ready, land availability: A plan led approach that provides zoned land and identifies development zones for housing expansion. Investment in critical infrastructure including transport links, utility capacity, supply and connection, to unlock housing land. This includes state owned land under the direction of the Land Development Agency (LDA).

Planning: National Planning Framework (NPF) clearly identifies locations and ongoing implementation of Planning and Development Act 2024 introduces statutory timeframes for planning decisions, removes unnecessary delays and reduces costs.

Rental reform: New tenancies set at market rent and introduction of new six year tenancy. Apartment rents linked to CPI and market rent captured at six yearly intervals, or earlier if tenant leaves voluntarily.

Tax measures: Package of tax measures to increase viability of apartment delivery including VAT reduction and enhanced corporation tax deduction for certain costs.

Lowering building costs: Reform of apartment standards lowering costs per unit, more flexibility on density and promotion of standard design approach that also facilitate the use of MMC.[9]

8 INREV (2026) Investment Intentions Survey
9 Government of Ireland (2025) Delivering Homes, Building Communities 2025-2030: An action plan on housing supply and targeting homelessness, November

5.1.1 The impact of unpredicted policy change

Institutional managers and investors are not opposed to regulation that is predictable, consistent and enables them to generate a modest return that compensates for their risk. Unpredicted changes in policy undermine business plans and can create significant losses for underlying pension holders and savers.

Recent policy changes in the Netherlands provides a good example of how policy can undermine the business plans of existing investors, weaken investor confidence and, at the same time, provide a predictable framework for new investments.

Institutional investors and managers that had invested in long-term Dutch residential holdings, or worse still, were in the process of executing a long-term development strategy, had their business plans completely undermined. Underwriting of investments had been based on existing rents which forms the basis of the price of land at the outset, design and building specification, and future income stream. Acquisitions of core investments has been priced on market rents and modest indexation. Value added strategies that had acquired assets with the aim of deploying capital expenditure to refurbish and decarbonise assets were also undermined, with asset management strategies that would have significantly improved the quality of housing stock shelved.

The impact of the well-intended tenant focused regulation led to unintended yet significant financial loss for owners. It sharply contracted institutional capital allocations, resulting in a two year hiatus in new supply. A number of interviewees explained that an alternative exit was provided for developments in progress. Investors were able to switch to a build-to-sell strategy, assisted by policy support measures for home-buyers. This enabled some investors to salvage their business plans. However, it is a departure from the intended purpose of acquiring long-term income investments.

Box 2: Affordable Rent Act, 2024 (Netherlands)

In the Netherlands, the Government introduced significant reform of Dutch rental regulations through the 2024 Affordable Rent Act. Effectively, this replaces a liberalised rent based system with a quality score based regulation that determines whether the rent for a housing unit is regulated or market rate. Previously, a quality point system had existed for public and private social rent housing, however, the starting rent level for a property determined whether it was deemed social, not the quality score. The new regulation made the quality score the determining factor. In addition, it created a new tier of 'Affordable' rented housing that extended the point system for regulated housing into the middle income rented housing market. The regulated rent thresholds awarded are considerably lower than market rents.

The impact of the well-intended tenant focused regulation led to unintended yet significant financial loss for owners. It sharply contracted institutional capital allocations, resulting in a two year hiatus in new supply.

For investors already holding leased assets, the solution is more complicated as they have to wait for tenant churn before being able to sell an individual home. This results in a long and protracted exit strategy, especially for investors holding thousands of housing units.

The experience has implications beyond the Netherlands. The interviewees explained that when underwriting an investment, the capacity to factor in multiple exit strategies has in itself become a risk factor. Likewise, the strength and depth of domestic institutions was considered beneficial to the challenge faced by international institutional investors. As a result, this characteristic is now of rising importance to consideration of market and liquidity risk across jurisdictions.

> **When underwriting an investment, the capacity to factor in multiple exit strategies has in itself become a risk factor.**

Although many investors are still working on market withdrawal as they limit losses, many others are investing following market repricing. The development pipeline has restarted, assisted by some flexibility in the cost of public land, although a number of interviewees suggest that the fiduciary requirement to achieve an appropriate risk adjusted return on institutional capital was not always well understood by public authorities. However, those newly acquiring stabilised assets placed value on the regulatory framework, with strong affordability leading to exceptionally high and stable occupancy resulting in a lower cost of capital. For income focused investors newly acquiring assets there is little downside risk. Indeed, there is some anticipation that the new Government may adjust the scope and severity of the Affordable Housing Act.

> **The fiduciary requirement to achieve an appropriate risk adjusted return on institutional capital was not always well understood by public authorities.**

Over-burdensome rental regulation in any market truncates institutional investment and curtails the expansion of housing supply. In addition, it can have a number of unintended consequences that are detrimental for the economy, society and the environment.

> **Over-burdensome rental regulation in any market truncates institutional investment and curtails the expansion of housing supply.**

5.1.2. Rental market lock-ins and housing market stasis

Many of the interviewees commented that they continually track affordability ratios across cities as this is an important risk metric. They observed that in cities such as Berlin and Paris regulation has led to improving affordability metrics as the ratio of rent to income declines. However, this is being driven as much by rising incomes as it is by lower rents, yet there are acute supply shortages. Although there are benefits for households in existing housing, it tends to exacerbate scarcity for those seeking secure, affordable housing as both supply and natural levels of churn decline.

> **In cities such as Berlin and Paris regulation has led to improving affordability metrics as the ratio of rent to income declines. However, this is being driven as much by rising incomes as it is by lower rents.**

In Paris, private sector rents are rising at significantly lower rates than wages, or indeed social rents (Figure 7). The rent regulation is blind to income, and the benefits of controlled rental levels are accrued across all private rental housing, regardless of income, or income progression. This creates stasis in the Paris housing market as the lack of supply limits the capacity of households to move to more appropriate accommodation as their circumstances change. At the same time, students, young professionals and other cohorts of more transient workers, who are often most in need of affordable accommodation, struggle to find housing. As demand greatly exceeds supply, they are often not favoured by landlords. This is due to their lower financial standing, tendency to have a shorter tenancy duration and the lifestyle choices associated with their lifestage.

Similarly in Berlin, rent regulation has created a two tier market between old and new stock. The mietspiegel regulation has dragged rental development, which lags behind market rates considerably. Again, this has led to stasis, with low churn rates in existing stock, given the wide differential with rental prices for new stock. It was commented that there is no incentive for tenants to downsize their space as their household size and space needs reduce. Available supply in new stock would likely require them to pay the same or more rent, even if their space requirements halved. This creates a rental lock-in, leading to market dysfunction. Again, those bearing the greatest housing cost burden are younger demographics joining the housing market, including students and younger age cohorts of workers.

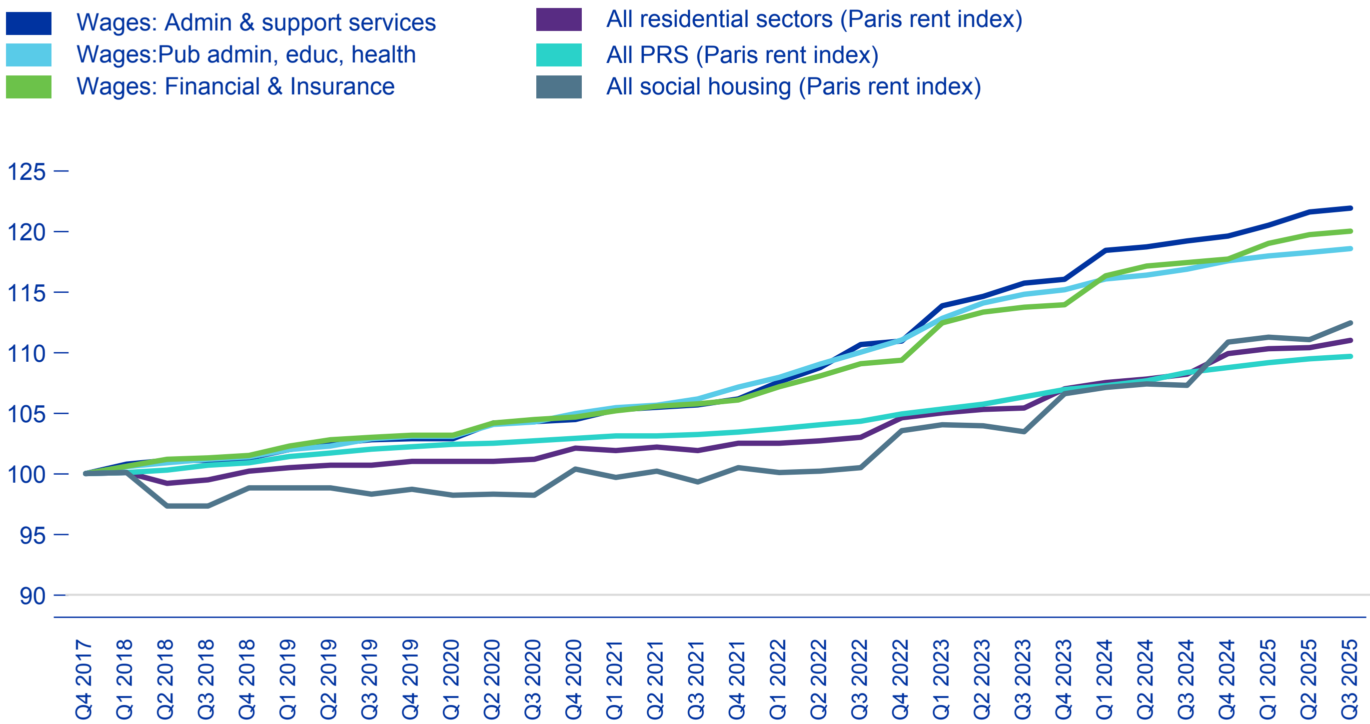
The interviewees understand the importance of rental affordability and also commented on how the absence of rent regulation in cities such as London continues to see unsustainable rents develop at a faster rate than wage growth. However, it was considered that rent regulation could be more forensic in design so that it facilitates a natural rate of movement through housing markets and doesn't unintentionally give a windfall to financially sound households while increasing the burden on those most in need of rental affordability.

> **Those bearing the greatest housing cost burden are younger demographics joining the housing market, including students and younger age cohorts of workers.**

> **In some markets rent regulation provides rent relief to those with housing regardless of need, disincentivising movement through the housing market. At the same time, it intensifies the housing crisis for those seeking housing or for those that are in housing that has become insufficient to meet their changed needs.**

It should also consider its impact on the continuation of supply delivery. It was considered that in some markets rent regulation provides rent relief to those with housing regardless of need, disincentivising movement through the housing market. At the same time, it intensifies the housing crisis for those seeking housing or for those that are in housing that has become insufficient to meet their changed needs.

Figure 7: Wage growth accelerating faster than rents (Paris)



Source INSEE (2026)

5.1.3. Rental regulation, capital expenditure and decarbonisation

Rent regulations can prohibit capital expenditure on improvements in investments beyond ongoing maintenance if the policy doesn't allow for that expenditure to be recouped. This is of particular importance to decarbonisation of existing stock. The synergy between decarbonisation strategies and housing affordability has been explored in detail in a previous INREV paper.[10] It explains that energy efficiency and installation of renewable supply can improve rental affordability – and investment feasibility - by reducing total occupation costs. Retrofitting existing assets requires significant capital expenditure. The investment required obviously varies with the location, age, scale and technical specification of assets. Broadly, interviews indicate that it may require between 10 to 25% of the value of the asset. Interviewees explained that they are not seeking to drive an additional return from this investment. However, they do require costs to be recoverable through rental uplifts that represent a share of the cost saving on utilities that lower total occupation costs for tenants.

> **Retrofitting existing assets requires significant capital expenditure.**

Decarbonisation strategies are important to investors and rely on this mechanism of being able to increase rents to cover capital expenditure, without exceeding the reduction in utility costs. Where rental regulation does not allow for this rebalancing it undermines feasibility, impedes decarbonisation progress and leaves tenants more exposed to energy insecurity. In Berlin and in rent-controlled stock in Denmark, an explicit regulatory framework allows for at least partial cost recovery and assists investor decision-making. In the Netherlands, works will be reflected in housing quality points allowing for some rental uplift, while the regulations in Paris do not allow for any recovery.

> **Investors are not seeking to drive an additional return from this investment. However, they do require costs to be recoverable through rental uplifts that represent a share of the cost saving on utilities that lower total occupation costs for tenants.**

The interviewees also explained there are further barriers to decarbonisation strategies in markets where affordability ratios are very high and at a ceiling, whether or not rents are regulated. An interviewee shared findings of a detailed analysis their organisation had undertaken which revealed that in very supply constrained markets such as Dublin, London, Munich and Paris, tenants are focused on finding a tenancy and, energy certification is a low ranking across their priorities. With rents already at an affordability ratio of 40 to 45%, there is no additional margin in their budget to pay for energy efficiency, and they do not factor in the impact on total occupation costs. However, in markets -especially secondary and regional cities- under less affordability pressure, energy efficiency is an important criteria for which tenants are prepared to pay a rental premium.

> **Investors remain committed to their sustainability goals and where possible will make incremental improvements.**

Despite these barriers, investors remain committed to their sustainability goals and where possible will make incremental improvements. Sustainability is already integrated into ongoing capital expenditure on management and maintenance. An interviewee explained that they have assessed the cost benefit of works on a cost / CO_2 saving to identify where possible capital expenditure can make the greatest impact. Photovoltaics offer the highest CO_2 reduction per unit of spend and have a relatively short payback of six years for leases that involve total occupation costs or allow for cost recovery on utilities from tenants. Window replacements also have a high reduction but require higher expenditure, and decisions on replacement heating systems may need to be aligned with wider initiatives. For example, in Germany it is prudent to align timeframes to the delivery of long distance heating.

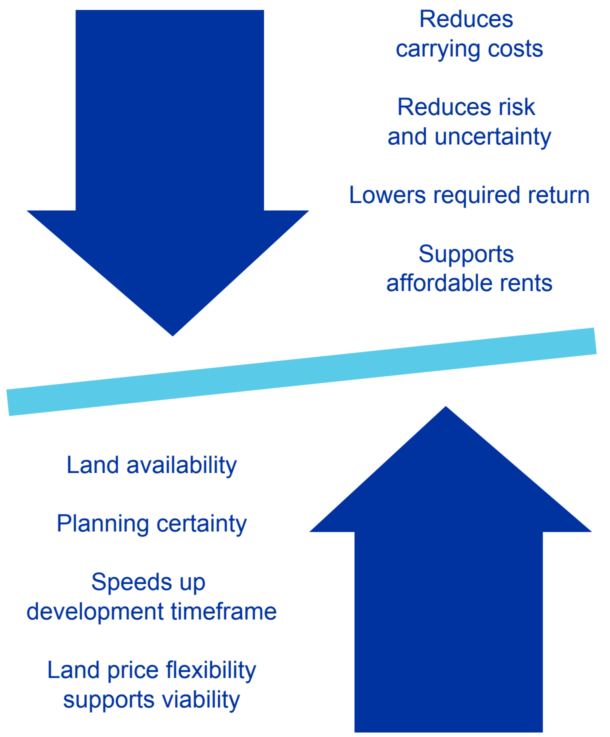
10 INREV (2024) Unlocking affordable PRS to address the twin challenges of affordability and decarbonisation

5.2. Availability of land

The availability and cost of land is identified as a primary agent enabling the delivery of affordable housing (Figure 8). Interview analysis indicates that reducing the risk and uncertainty associated with strategic land and planning can significantly accelerate supply. In turn, greater certainty of access to land, cost and planning certainty can contract the timeline associated with implementation. Where a government - local or national - has control over the land, there is greater potential to build frameworks that can harness institutional capital and allow for the delivery of mid-market and affordable housing.

In the Netherlands and Spain, the public authorities have exercised control of land and are active stakeholders in the process. This is beneficial as it removes a high risk element of the development process concerning the acquisition of strategic land and achieving zoning or outline planning for residential use. It also shortens the timeframe which reduces capital carrying costs and allows investors to lower required returns. The involvement of public authorities allows for more open discussions between stakeholders as to the financial viability of proposed developments, with the public landowner sharing the objective of housing delivery. It also provides for some flexibility as to the cost of land, the scale of the proposed development and required returns. This widens the opportunity to find workable solutions.

Figure 8: Land availability and planning certainty



In part, Finland's success in expanding housing supply in step with accelerating demand stems from the Government identifying future requirements and providing financial incentives to the municipalities to ensure sufficient zoning of land. These incentives took the form of temporary infrastructure subsidies, such as public transport expansion, utility connections and the provision of required social infrastructure. As a result, municipalities accelerated rezoning to residential use and investors benefitted from having access to infrastructure ready land, reducing associated risk and uncertainty. Again, as well as accelerating housing delivery this reduces the return requirements as it removes a high risk and time-hungry component of development strategy.

Many interviewees that have been active in the Communidad de Madrid commented on the trusted relationships between public authorities and institutional stakeholders. Clear frameworks have been developed to harness institutional capital in regulated housing using public land. Equally, zoning of private land for PRS investments targeting middle income households is flexible. Permissions are also faciliatory regarding density where increasing the number of floors can make a development of housing more viable and more affordable. In short, the authorities are focused on harnessing institutional capital to accelerate the delivery of affordable housing across multiple income quintiles.

In other markets such as the UK, the majority of land is in private ownership and the planning system is discretionary, making it open to legal challenge. With the exception of public private partnerships for urban renewal, this makes it considerably more challenging to remove the risk and uncertainty around strategic land, accelerate the timeline and lower institutional return requirements.

5.3. The impact of planning, building and design policies on cost

Europe lacks a unified residential development and investment landscape. This doesn't merely persist between countries, but at a regional, city and even at local authority level within cities. It results in unnecessary complexity and inconsistency for developers and investors. This makes the process slow, unpredictable and adds to costs as it negates any standardisation in process or design. In some markets, the standards can also vary between houses built for sale and those built to rent. From a quality and sustainability perspective this makes little sense. Moreover, its impact is to create an unlevel playing field between developers / investors pursuing these different strategies.

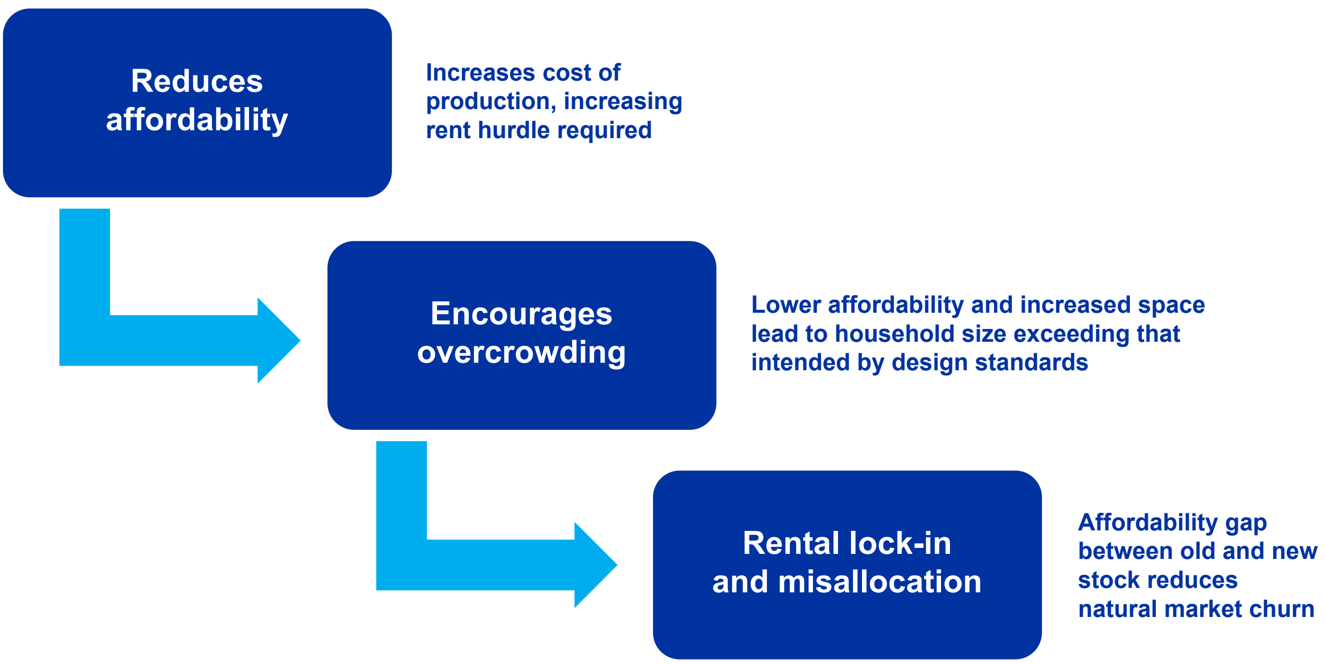
Divergence in regulatory frameworks and acceptable building standards inhibit institutional investors' capacity to deliver scalable housing solutions across municipalities within the same country, not merely between countries. This also increases the cost base.

It is widely acknowledged that the cost of building materials accelerated sharply through the early 2020s and while building cost inflation has moderated, costs remain elevated[11]. However, the interviewees reveal that layers of policy change have also driven cost inflation by increasing specification. In some markets, the introduction of new processes also create delays and increases uncertainty. Although some policy requirements are clearly necessary, there is a concern over the absence of any holistic view of the cumulative impact of the layering of policies from across multiple government departments and municipal authorities.

The interviewees accept that some strengthening of policy is required, for example, environmental standards and fire safety remedies. However, these are sometimes accompanied by processes that create additional bottlenecks and time delays. Poorly designed processes add additional cost, risk and uncertainty. Equally, some policy changes such as increasing minimum space requirements while seeking to improve affordability, ignore the economic realities. Several interviewees commented that in some markets there is a dislocation between national and local authorities, and between departments. This often results in requirements increasing the cost base and at the same time, an expectation of improvements in rental affordability.

There is also a concern that well-intentioned policy changes can be counterproductive. For example, increased minimum space requirements in undersupplied markets with stretched rent to income ratios may have unintended consequences (Figure 9). First, they make housing less affordable as it is impossible to build larger, better housing for less. Second, several interviewees indicate that in markets under heightened pressure, larger space requirements can lead to overcrowding. For example, increasing space requirements lowers the affordability of a housing unit intended for a single person, resulting in a couple using it, or similarly a two bedroom unit is inhabited by two couples. Third, it can lead to a rental lock-in and misallocation of housing, particularly in rent controlled markets.

Figure 9: Unintended consequences of policy change – space requirements



11 INREV (2024) Housing Middle Income Europe: the intermediary investment opportunity amid diverse residential market structures

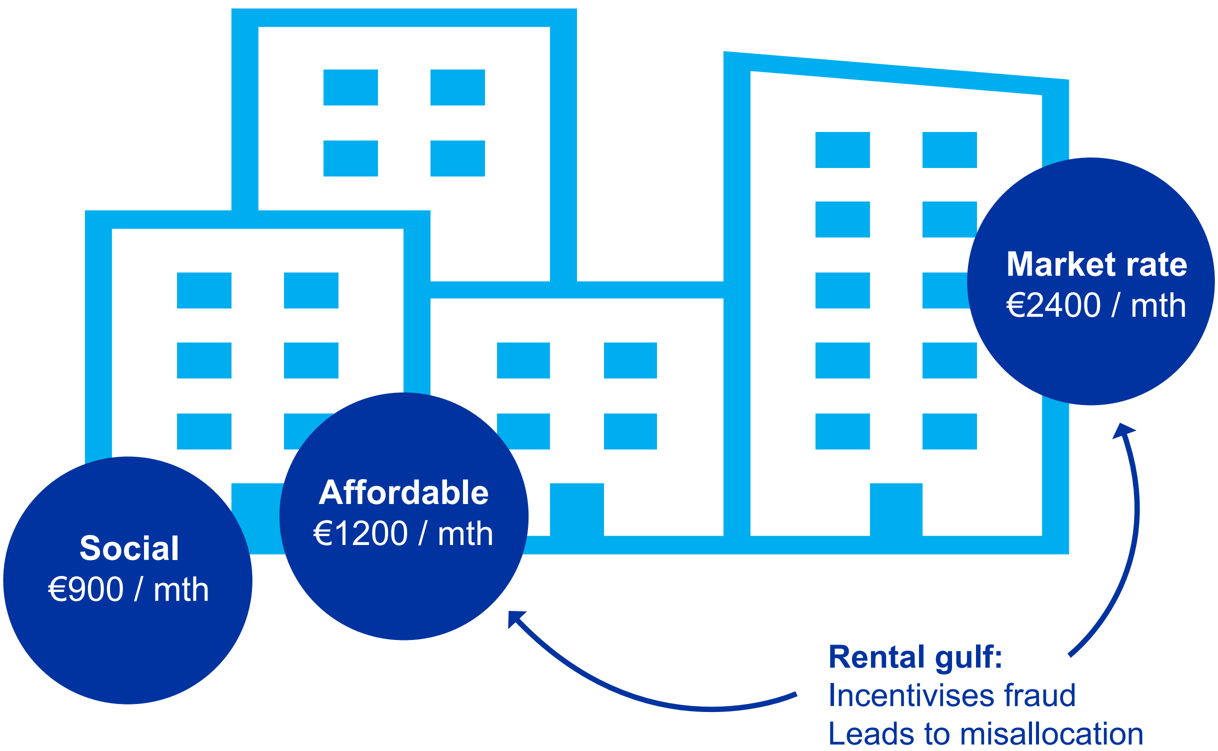
5.3.1. Cross-subsidisation, over-specification and stagnation in housing markets

In many markets, including Germany, the Netherlands and the UK, housing development involves a multi-tenure approach. Often this involves cross subsidising the delivery of regulated housing targeting lower income quintiles with housing targeting middle, as well as upper income households for rent, and housing for sale. Most interviewees agree that mixed tenure is beneficial for building sustainable, cohesive communities. Often the regulated social housing is sold or let to affordable housing providers at less than the cost of developing it.

In the Netherlands, the availability of public land provides for some subsidisation. Social regulated housing is heavily discounted and sold to affordable housing providers at significantly less than the cost of its construction. Affordable regulated housing -targeting second and third quintile households- is managed directly by institutional managers and investors, together with market rate housing. The housing specification across all tiers is high quality and beyond some differences in internal fit outs, there is little variation between the specification of the tiers of regulated housing. The market rate units are marginally larger, with the required cross subsidisation allowing for approximately an additional five square metres of space. However, the differential in rents is substantial, with new lettings for social rents capped at €900 per month and affordable at €1200 per month. In Amsterdam, market rate housing is likely to start at twice the affordable rental level, creating a gulf between regulated and market rate housing.

This creates a number of issues for the housing market (Figure 10). First, it generates strong incentives for households to qualify for regulated housing by misrepresenting their circumstances. For example, a two-person household submits an application for housing as a single-person household, using the lowest income to qualify for regulated housing. Second, as household income increase over lifestages, the large pricing differential between regulated and market rental rates against relatively small differences in size or amenity, disincentivises churn. This effectively creates a lock-in that leads to the misallocation of regulated housing stock, influences life decisions of tenants in respect of new employment / relocation, and results in overcrowding as households grow. Worst of all, it impedes the reallocation of regulated housing to qualifying households. This situation is also disincentivising investors as they consider the imbalance in subsidisation as a growing risk.

Figure 10: Rent regulation and housing misallocation, Netherlands



5.3.2. Zoning, planning and materials specification

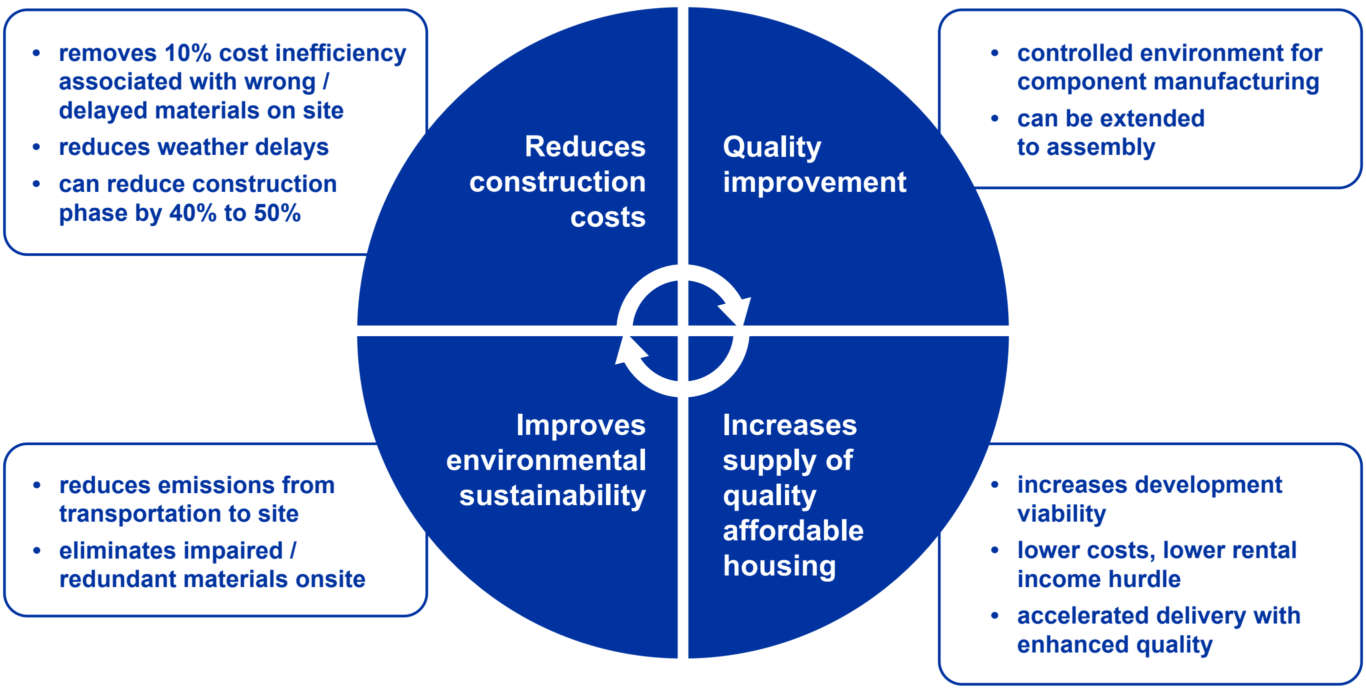
In a number of countries where zoning is used, zoning regulations are extremely detailed and include specification on all building components and materials. This is beneficial for ensuring quality and reduces risk for investors and managers using forward funding or forward sales to acquire assets. However, it can also unnecessarily raise the cost of construction and limit flexibility in cost management through the process. In the Netherlands, some effort has been made at simplifying standards at least within municipalities, which one interviewee observed to have reduced relative building costs between Germany and the Netherlands by around 20%. In markets such as Finland, the absence of any standardisation in such requirements between developments also acts as an impediment to the effective use of modern methods of construction (MMC) including prefabrication.

5.3.3 Contribution of modern methods of construction to the housing solution

MMC represents a more industrialised process of delivering housing which increases the quality and consistency of construction components, has the capacity to reduce costs through efficiency gains and, at the same time, lowers the environmental impact of construction activity (Figure 11). Quality is enhanced because components are made and potentially assembled in a controlled environment. It eliminates the 10% of inefficiency in impaired or redundant materials onsite, reduces weather delays, and greatly lowers emissions from transportation to site. This industrialisation also accelerates housing delivery, with interviewees suggesting that on a large development the construction phase could be shortened by 40 to 50%. Efficiency and quality gains are not necessarily at the expense of design. It does require some standardisation, perhaps reflected in a menu of interior layouts. However, there is also potential to adapt exterior design and to create unique features across the design of the landscape and public realm of the wider development.

This solution is used in the US and the Communidad of Madrid is using it effectively in the delivery of regulated housing. In a number of markets MMC companies have failed, principally due to an absence of scale and certainty of orders and production. However, if aligned with a housing strategy focused on delivering housing at scale as required over the next ten years, MMC has the capacity to be an important part of the housing solution. However, the divergence in standards between and within cities, over specification in zoning systems and uncertainty of discretionary planning can unintentionally act as barriers to its successful implementation across many markets.

Figure 11: Additionality of modern methods of construction



Chapter 6

Conclusion

Europe's housing crisis is not merely comprised of a shortage of housing, capital or construction, it is also a challenge of policy and strategic partnership between public, third sector and institutional stakeholders. The establishment of the European Housing Alliance is an acknowledgement of the need for proactive engagement, continuous dialogue, and adaptive strategies[12]. By aligning interests and fostering mutual understanding, all stakeholders can contribute to a more stable, sustainable, and prosperous housing ecosystem.

> **Institutional investors are not opposed to regulatory oversight and accept that the housing provision may require it. They can align their strategies to most policy frameworks that provide a net income return that keeps pace with inflation over the longterm.**

Effective policy design is critical to ensuring that Europe's housing supply offers households - those that have secured a home and those seeking one - access to good quality, affordable and sustainable housing. In the absence of deep public financing, ensuring that long-term institutional investment objectives are embedded within policy frameworks is pivotal to securing the capital required to solve Europe's housing crisis.

Institutional investors acknowledge the urgency of addressing Europe's housing challenges and are eager to contribute solutions where it is possible to align activity to their fiduciary duty. They are not opposed to regulatory oversight and accept that housing provision may require it. Indeed, institutional investors are flexible. They can align their strategies to most policy frameworks that provide a net income return that keeps pace with inflation over the longterm and allows for ongoing management and required reinvestment in the properties. This is essential to ensure the quality of housing is maintained and enhanced through its lifetime. However, they require certainty and consistency in policy to ensure investment feasibility over a long-term horizon.

Policy volatility and unexpected change that undermines business plans and investment structures retrospectively is much more difficult to absorb.

> **Policy uncertainty emerges as a primary risk and extends beyond rent regulation to any policy that impacts on income or cost.**

Across the interviewees, policy uncertainty emerges as a primary risk and extends beyond rent regulation to any policy that impacts on the income or cost of both developing and managing housing. Policy risk is exacerbated by a lack of alignment of short-term political cycles and the longer term horizon of meeting excess housing need. This mismatch can lead to political expediency in order to win short-term gains. Often these benefit existing tenants, but do little to secure the long-term housing supply that is required. Political short-termism benefits those already housed, while intensifying the crisis for those in need.

Develop-to-hold strategies, which involve significant upfront capital and long term business plan horizons, are particularly vulnerable to regulatory change. Markets perceived as having inconsistent policy are less likely to attract institutional investment, as the risk of policy change during execution is heightened. Even in core, stabilised assets, policy risk is significant if the gap between affordable and market rents widens unpredictably. Consequently, institutional capital may be diverted away from segments most in need of investment, undermining efforts to address housing shortages.

> **Political short-termism benefits those already housed, while intensifying the crisis for those in need.**

Well-designed policy can be compatible with investors' objectives and deliver on access to good quality, affordable and sustainable housing for society. There are a range of ways of achieving this, with the use of both public land and policy incentives to release land identified as being especially beneficial. Land availability and increased planning certainty reduce risk and also lower costs by shortening timeframes and/or having agility in land pricing. In turn, this supports affordability. Unpredictable policy changes, as seen recently in the Netherlands, can have severe unintended consequences, including financial

12 https://housing.ec.europa.eu/document/756915b5-d1b1-4bde-ac82-03532d2d3d90_en

> **Even in stabilised assets, policy risk is significant if the gap between affordable and market rents widens unpredictably. Institutional capital may be diverted away from segments most in need of investment.**

losses, market withdrawal, and supply interruptions. The ability to plan for multiple exit strategies has become a critical risk factor for institutional investment strategies. Indeed, policymakers should also develop contingency plans for policy-driven shocks that lead to a withdrawal of capital. Any policy revisions should explicitly consider the impact on institutional capital and its ability to support housing delivery.

Land availability and planning certainty are crucial for accelerating affordable housing delivery. Where public authorities control land and offer planning certainty - as in the Netherlands, Spain, and Finland - risk is reduced and timelines are shortened, enabling lower return requirements and more viable developments. In contrast, discretionary planning and fragmented land ownership, as in the UK, increase risk and slow delivery.

> **Any policy revisions should explicitly consider the impact on institutional capital and its ability to support housing delivery.**

Cross-subsidisation is common, but large rent differentials between regulated and market housing may incentivise misrepresentation and reduce market mobility.

As regards rental regulation, the most successful -including Finland and Spain- adopt an inflation-linked system that allows for operational management and re-setting to prevailing affordable rents at intervals or certain lease events. In contrast, more restrictive systems in Berlin and Paris can artificially constrain income returns and in turn, constrict supply. Overly restrictive rent regulation can also cause market stasis, with affordability improvements for existing tenants coinciding with acute shortages and limited mobility for those seeking housing - especially younger people.

> **Where public authorities control land and offer planning certainty, risk is reduced and timelines are shortened, increasing viability and affordability.**

Rent regulation can also hamper capital expenditure on decarbonisation strategies. Retrofitting for energy efficiency requires significant capital expenditure and is partially reliant on rental frameworks allowing for cost recovery through revised rents. This represents a proportion of the lower energy costs achieved by tenants.

Divergent building and planning standards across Europe create complexity, increase costs, and inhibit scalable solutions. Over-specification and poorly coordinated policies can undermine affordability and lead to overcrowding. Moreover, they are an obstacle to expanding the use of MMC which has the capacity to lower costs, increase sustainbaility and accelerate housing delivery. However, it requires standardisation and certainty of demand to succeed.

> **Large rent differentials between regulated and market housing may lead to housing misallocation.**

Institutional capital is crucial for solving Europe's housing crisis but can only be effectively mobilised when policy frameworks are consistent, predictable, and aligned with long-term investment objectives. Policy volatility, over-regulation, and fragmented standards deter investment, suppress supply, and risk unintended consequences for housing availability affordability, and sustainability.

> **Retrofitting for energy efficiency requires significant capital expenditure and is partially reliant on rental frameworks allowing for cost recovery through revised rents.**

This impact of policy risk on institutional investment underscores the need for the development of trusted alliances and constructive partnerships across all stakeholders. Such closer alignment requires policymakers and other stakeholders to understand the wider fiduciary obligations of institutional capital. Institutional capital providers also need to support policy makers by assisting them in distinguishing long term investment capital from other private capital investment strategies that may be less aligned with public and third sector stakeholder ambitions, or the long term needs of affordable housing tenants.

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