



EU RegCORE Client Alert

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When housing policy hits the balance sheet: Financing and investment implications of the EU Affordable Housing Act Proposal

QuickTake

On 9 September 2026 the European Commission proposed an Affordable Housing Act (**AHA**).¹ The AHA is presented as housing-market legislation but it may do much more. For financial institutions and real estate investors, its more consequential effect may be to connect local housing intervention with asset use, cash flow, valuation, collateral and ultimately prudential risk. The AHA package combines a proposed Regulation with a non-binding Recommendation; the State of the Union process on 16 September² kept housing as a major political priority but did not create a new EU housing-finance programme. References to specific

¹ See details [here](#).

² See our Client Alert [here](#).

articles and recitals in this Client Alert are to the Commission's proposal of 9 September 2026; article numbers and content may change during the legislative process.

The financing challenge is larger than the headline law. The Commission estimates that Europe requires an additional EUR 150 billion of housing investment each year over the next decade.³ The policy response therefore combines rules for stressed housing markets with State-aid flexibility, promotional finance, public land, guarantees, concessional debt, equity and project aggregation.⁴

Six points matter most for boards, credit committees and transaction teams: (1) "housing stress" could become a new geographic underwriting variable; (2) restrictions on use or acquisition can transmit into NOI, valuation, LTV, refinancing and exit assumptions; (3) the proposal protects the act of creditor enforcement but not necessarily the economics of recovery; (4) affordable housing is fundamentally a capital-stack problem rather than simply a call for more bank lending; (5) the revised SGEI State-aid framework may be more immediately relevant to bankability than the headline Act; and (6) neither the AHA nor the Pan-European Investment Platform creates automatic prudential relief or a general EU guarantee.

One provision merits particular attention. Recital 28 expressly acknowledges that housing measures may affect "property values, financing conditions or investment" and contemplates cooperation with authorities under Article 458 CRR and Article 133 CRD.⁵ That is an unusually explicit bridge from housing policy to the prudential architecture.⁶

A political priority, a Commission proposal, a recommendation, an adopted State-aid measure and an applicable prudential rule are different things. This Client Alert therefore distinguishes legal status from financing consequence. The practical question is not merely whether more capital can be "mobilised", but which balance sheet supplies it, which balance sheet absorbs the affordability gap, who carries downside risk and what creditors can actually enforce.⁷

The Affordable Housing Act's key implications for financial markets and real estate

From a financial-services and real-estate perspective, the AHA is not one self-contained financing package. The tables below distinguish the proposed Regulation, the non-binding Recommendation, the already applicable State-aid framework and existing prudential rules, and state their practical significance as at 26 September 2026.

³AHA Recommendation (n 2), recital 33. The Commission estimates that an additional EUR 150 billion annually is required over and above existing public funding and private investment.

⁴AHA Recommendation (n 2), recitals 33–37 and point 16, referring inter alia to grants, concessional loans, equity, guarantees, cheaper access to land, blended finance, revolving funds, PPPs, co-investment structures, promotional banks and very long-term debt.

⁵AHA Proposal (n 1), recital 28, expressly referring to possible implications for "property values, financing conditions or investment".

⁶AHA Proposal (n 1), recital 28. The recital refers to consultation and cooperation with competent or designated authorities under art 458(1) Regulation (EU) No 575/2013 (CRR) and art 133(3) Directive 2013/36/EU (CRD).

⁷AHA Proposal (n 1), explanatory memorandum, especially pp 2–6. The Commission states that the proposal does not harmonise housing policy, create a new EU-law power to restrict short-term rentals or property acquisition/use, or prescribe particular substantive measures.

Regulation, valuation and prudential transmission

Thematic area	Development / status as at 26 September 2026	Practical financing / investment significance
1. Legal perimeter	The proposed Regulation establishes common EU-law conditions for certain national, regional and local housing measures. It does not harmonise housing policy or itself create a new power to restrict short-term rentals or property acquisition/use. ⁸	For transactions, the legal question remains jurisdiction-specific: identify the national power, the local measure and the AHA conditions that constrain its use. A European policy label does not replace local-law due diligence.
2. “Housing stress” designation	Article 6 proposes a price-to-income ratio of at least 8, together with trend and forward-looking conditions; where the ratio reaches 10, one historical condition falls away. Areas can be defined at granular subnational level. ⁹	Location could become a regulatory risk attribute alongside vacancy, rent regulation, planning and tax. Portfolio monitoring may need to move below country or city level.
3. Use / acquisition measures	The proposal covers, among other matters, measures affecting short-term accommodation outside a host’s primary residence and acquisition or use of land and residential property not acquired or used as a primary residence. ¹⁰	A change in permitted use can alter achievable income without changing legal title. Underwriting should test whether the business plan depends on a use that may become restricted.
4. Collateral and enforcement	The definition of “acquisition” expressly excludes “the realisation of security by a creditor”. ¹¹	The carve-out helps preserve the legal act of enforcement. It does not guarantee recovery value: restrictions on use, purchaser eligibility, rent or onward sale may still affect proceeds.
5. Valuation / LTV / exit	Recital 28 expressly recognises potential effects on property values, financing conditions and investment.	Credit papers and valuations should distinguish legally available use from sponsor-preferred use. Re-test NOI, LTV, DSCR, refinancing and exit assumptions where the regulatory perimeter changes.
6. Prudential interface	Recital 28 contemplates consultation and cooperation with authorities under Article 458(1) CRR and Article 133(3) CRD.	The AHA does not itself change risk weights or buffers. It nevertheless recognises a possible transmission channel from housing intervention to credit and financial-stability risk.
7. Portfolio monitoring	The proposal creates an EU framework for designating stressed areas and reviewing measures, but the substantive intervention remains national/local.	Banks, insurers, funds and servicers should consider a geographic exposure register combining regulatory designation, use assumptions, valuation sensitivity and refinancing dates.

⁸AHA Proposal (n 1), explanatory memorandum, pp 2–6; see also arts 5–9 on scope, housing-stress designation and the conditions applying to measures.

⁹AHA Proposal (n 1), arts 6–7. Article 6 proposes the price-to-income thresholds of eight and ten and associated conditions; art 7 addresses territorial scope and permits subnational and granular geographic areas.

¹⁰AHA Proposal (n 1), arts 5–7. Article 5 identifies relevant classes of measures, including certain restrictions on short-term accommodation services and acquisition or use of land and residential property.

¹¹AHA Proposal (n 1), art 4(7), excluding “the realisation of security by a creditor” from the proposed definition of acquisition.

Thematic area	Development / status as at 26 September 2026	Practical financing / investment significance
8. Legislative status	The proposal entered Council technical work on 22 September 2026, with further working-party meetings scheduled. The Level 1 text is therefore not settled. ¹²	Do not hard-wire proposed thresholds or powers into long-dated documentation as if enacted. Use scenarios, representations on current use and change-in-law/regulatory-risk analysis instead.

Capital stack, State aid and bankability

Thematic area	Development / status as at 26 September 2026	Practical financing / investment significance
9. Financing gap	The Recommendation ¹³ contemplates grants, concessional loans, equity, guarantees, cheaper land, blended finance, revolving funds, PPPs, co-investment and very long-term debt. ¹⁴	These instruments solve different problems. A guarantee reallocates credit risk; a grant reduces funding need; long tenor reduces annual debt service; equity absorbs first loss; public land reduces project cost.
10. SGEI State aid	Decision (EU) 2025/2630 already provides a specific affordable-housing SGEI framework. ¹⁵ The Commission describes qualifying compensation as exempt from prior notification without a compensation cap, subject to the Decision's safeguards. ¹⁶	This can materially alter project economics before the AHA Regulation is adopted. State-aid availability should therefore be tested alongside planning and financing, not treated as an afterthought.
11. Eligible support / affordability	The SGEI framework ¹⁷ recognises affordability measures including rent-to-income, mortgage-payment-to-income and price-to-income indicators and can cover construction, land, conversion, renovation and certain operating costs. ¹⁸	Public support can target the parts of the capital stack that make below-market housing unbankable. But the eligibility and entrustment conditions become part of the credit proposition.
12. State-aid credit due diligence	The SGEI Decision requires a specific entrustment, compensation parameters, controls on overcompensation and recovery. ¹⁹ Compensation is limited to net cost plus reasonable profit. ²⁰	Where public compensation services debt, State-aid compliance becomes credit due diligence. Documentation should address eligibility, reporting, overcompensation, clawback, distributions and events jeopardising support.

¹²Council of the European Union, Working Party on Competitiveness and Growth (Internal Market), meeting of 22 September 2026, listing the Affordable Housing Act proposal and related materials; the Council calendar records further working-party meetings in October 2026 <<https://www.consilium.europa.eu/en/meetings/mpo/2026/9/wp-on-competitiveness-and-growth-compgro-internal-market-%28369904%29/>> accessed 26 September 2026.

¹³AHA Recommendation (n 2), recitals 33–37 and point 16, including references to combinations of grants, concessional loans, equity, guarantees and cheaper access to land, as well as Member State models based on regulated savings and long-term concessional lending.

¹⁴AHA Recommendation (n 2), recital 33.

¹⁵Commission Decision (EU) 2025/2630 of 16 December 2025 on the application of Article 106(2) TFEU to State aid in the form of public service compensation granted to certain undertakings entrusted with the operation of services of general economic interest and repealing Decision 2012/21/EU [2025] OJ L 2025/2630 (**SGEI Decision**) available [here](#).

¹⁶European Commission, "Financing for sustainable and affordable housing in areas under housing stress" (n 17), describing the affordable-housing SGEI category as exempt from prior notification without a compensation cap, subject to the safeguards in Decision (EU) 2025/2630.

¹⁷SGEI Decision (n 18), recital 20, referring to affordability indicators including rent-to-income, mortgage-payment-to-income, price-to-income, housing-cost-overburden and years-of-income measures.

¹⁸SGEI Decision (n 18), recital 21 and the operative compensation framework. Eligible costs for affordable-housing SGEI may include construction and land, acquisition and conversion or renovation of buildings, accessibility, environmental and climate-resilience expenditure and, where necessary, operating costs.

¹⁹SGEI Decision (n 18), arts 4–7 and recitals 32–33, requiring a specific entrustment and parameters governing public-service obligations, compensation, control of overcompensation and recovery.

²⁰SGEI Decision (n 18), arts 5 and 7. Compensation is limited to the net cost of performing the public-service obligation, including a reasonable profit, and relevant overcompensation must be recovered.

Thematic area	Development / status as at 26 September 2026	Practical financing / investment significance
13. Platform / aggregation	The Pan-European Investment Platform is intended to coordinate existing EU, national and local instruments and improve pipelines and aggregation. ²¹ The Commission expressly says it will not create new EU funding. ²²	Aggregation can create scale and reduce transaction costs, but cannot cure an underlying affordability gap. Separate “funding infrastructure” from subsidy and risk-bearing capital.
14. Existing public capital	The Commission records material Cohesion Policy, InvestEU and EIB Group support, including EUR 6 billion of targeted EIB Group affordable/sustainable housing support in 2026. ²³	Identify the actual obligor, instrument and conditions. Do not aggregate mobilisation targets, grants, guarantees, promotional-bank loans and private co-investment as though they were equivalent committed cash.
15. Public land / permitting	The Recommendation ²⁴ encourages long-term lease or land/building separation structures and also faster approvals, including where relevant 60-day permitting periods and tacit approval for specified steps. ²⁵	Public land can reduce capital cost while complicating security, step-in and exit. Faster permitting can reduce carry, construction inflation exposure and equity IRR leakage without increasing subsidy.
16. CRR3 / ADC	Affordable housing does not automatically receive preferential CRR treatment. EBA ADC Guidelines permit a 100% rather than 150% risk weight only where qualifying conditions are met and include specific treatment of public-housing/not-for-profit structures. ²⁶	Underwrite capital treatment separately from policy status. As public/private affordable-housing structures expand, the boundary between ordinary development, public housing, SGEI and not-for-profit models will matter to financing economics.

Making sense of the key changes

In our view, the most important conceptual change is that housing regulation and housing finance are no longer analytically separate. The proposal itself identifies a transmission mechanism from restrictions on property use into value, financing and investment. At the same time, the Recommendation and State-aid framework try to alter the opposite side of the equation by making new supply more financeable.

The policy chain now looks roughly like:

²¹AHA Recommendation (n 2), recitals 33–37 and point 16, including the Pan-European Investment Platform, national financing hubs, aggregation and stronger project pipelines.

²²European Commission, “Commission launches the European Housing Alliance” (12 May 2026), stating that the Pan-European Investment Platform will coordinate existing EU, national and local instruments and “will not create new EU funding” Details available [here](#).

²³European Commission, “Financing for sustainable and affordable housing in areas under housing stress”, recording Cohesion Policy, InvestEU and EIB Group support, including EUR 10.4 billion initially planned, EUR 4.7 billion of additional proposed reprogramming by 2 September 2026 and EUR 6 billion of targeted EIB Group support in 2026 – available [here](#).

²⁴AHA Recommendation (n 2), points 14–15, recommending consideration of long-term leases or separation of land and building ownership, as well as resale restrictions, limits on capital gains and mandatory buy-back arrangements.

²⁵AHA Recommendation (n 2), point 5, addressing prioritisation of approvals, maximum processing periods and, where relevant, 60-day permitting periods and tacit approval for certain permitting steps.

²⁶European Banking Authority, Guidelines on ADC exposures to residential property under CRR 3, applicable from 4 November 2025. The EBA explains that ADC exposures ordinarily attract a 150% risk weight and specifies conditions for a 100% risk weight for qualifying residential ADC exposures, including treatment of public-housing and not-for-profit entities. Available [here](#).

housing-stress designation → permitted use → income → valuation/collateral → credit and prudential effect

AND

public land / subsidy / guarantee / concessional finance → capital stack → bankability → institutional and bank capital

Those chains meet on the balance sheet. For an existing portfolio, the question is whether regulation changes the income and recovery assumptions on which the exposure was originated. For a new project, the question is whether public intervention changes cost, cash flow or risk sufficiently to support the required private capital.

Four things the AHA does not do

First, it does not harmonise national housing policy. Second, the Pan-European Investment Platform does not create a new EU funding pot. Third, an “affordable housing” label does not itself produce a lower CRR risk weight. Fourth, the package does not create one fungible European affordable-housing asset class. National property law, subsidy regimes, rent rules, enforcement, tax and planning remain decisive.

Duration matching matters as much as headline funding

Affordable housing supported under the SGEI framework is in principle to remain available for that purpose for a minimum of 20 years, subject to the Decision’s conditions and exceptions.²⁷ The Recommendation refers back to that minimum when encouraging sufficiently long affordability periods.²⁸

Financiers should nevertheless map at least five separate timelines: the affordability obligation; the public-support or compensation commitment; debt maturity and amortisation; the term of any leasehold or public-land right; and the assumed refinancing or exit date. A 40-year financing supported economically by a 20-year payment stream still needs an answer to a simple question: what services the debt in year 21?

International comparison: different ways of financing affordability

There is no single affordable-housing finance model. Different systems solve different parts of the same problem. The EU package is best understood as an enabling architecture under which Member States may combine several of these functions rather than as an attempt to reproduce one national model.

Model	Principal mechanism	Financing lesson for the EU
Austria	Limited-profit provider model, cost-based economics and recycling of capital.	Constrains returns and retains capital within the housing system; the provider model, rather than an individual subsidy alone, supports long-duration affordability.

²⁷SGEI Decision (n 18), recital 26 and the affordable-housing conditions in the Decision. Affordable housing is in principle to remain available for that purpose for a minimum period of 20 years, subject to specified exceptions.

²⁸AHA Recommendation (n 2), recital 17 and point 9(d), referring to sufficiently long designation periods and to the minimum period required under Decision (EU) 2025/2630 where applicable.

Model	Principal mechanism	Financing lesson for the EU
France	Regulated household savings are channelled through Caisse des Dépôts / Banque des Territoires into very long-term public-interest lending, including social housing.	Institutionalises patient debt capital and provides a direct SIU comparison: household savings are transformed into long-duration housing funding.
Netherlands	WSW guarantee architecture supports qualifying housing corporations' interest and principal obligations and monitors provider/sector risk.	Shows what "de-risking" requires in practice: eligibility, monitoring, loss allocation and an institution standing behind the guarantee.
Germany	Federal/Länder support is delivered through programme-specific grants and preferential finance, typically with rent/occupancy restrictions. For banks, insurers, funds and real estate investors operating in Germany, the AHA proposal does not displace existing federal and Länder social-housing support. The programme-specific grant and preferential-finance structures administered at Land level—typically accompanied by rent and occupancy restrictions—remain the primary domestic subsidy channel. The EU framework sits above, rather than replacing, these arrangements.	Illustrates why EU policy labels do not replace programme-level due diligence on support, restrictions, duration and security.
United States	LIHTC converts fiscal support into investor tax equity for qualifying affordable rental housing.	Addresses an equity gap rather than simply making debt cheaper, reducing the amount of debt restricted rents must service.
Canada	CMHC MLI Select links mortgage-insurance flexibilities to affordability, efficiency and accessibility outcomes and can support high LTC/LTV and long amortisation within programme conditions.	Translates public policy into a recognisable financing product. Risk allocation changes even though project leverage does not disappear.
Australia	Housing Australia structures can combine concessional finance, grants and 25-year availability payments intended to bridge the gap between below-market rents and provision costs.	Closest to project finance: a long-duration public payment stream can address the revenue gap, while funding aggregation and concessional capital solve different problems.

The comparative conclusion is that the EU is likely to develop European policy architecture sitting above heterogeneous national financing systems. That is compatible with the Savings and Investments Union (SIU) objective of channelling more European savings into productive investment, but it means standardising information, legal risk and project pipelines may be as important as aggregating capital.²⁹

²⁹ European Commission, "Savings and investments union: better financial opportunities for EU citizens and businesses" (19 March 2025), describing the SIU objective of channelling savings towards productive investment and noting the scale of EU household savings held in bank deposits – available [here](#).

Further Germany-specific considerations

The following considerations assume the AHA Regulation is adopted in broadly its proposed form. Firms should monitor the legislative process: thresholds, definitions and scope may change during Council and Parliament negotiations.

For banks, insurers, funds and real estate investors operating in Germany, the AHA proposal would not displace existing federal and Länder social-housing support. The programme-specific grant and preferential-finance structures administered at Land level—typically accompanied by rent and occupancy restrictions—remain the primary domestic subsidy channel. The EU framework would sit above, rather than replace, these arrangements.

- **Interaction with Länder programmes.** German social-housing support (*sozialer Wohnungsbau*) is delivered through federal financial assistance to the Länder, which design and administer individual programmes. Where Länder support qualifies under the SGEI Decision—most notably for affordable rental housing with rent or income restrictions—the revised EU State-aid framework may provide additional legal certainty without changing programme economics. The key practical question is whether the entrustment and compensation mechanics of a given Land programme already satisfy the Decision's conditions or require adjustment.
- **Housing-stress designation.** Several German cities would likely meet the price-to-income thresholds currently proposed. If those thresholds are enacted at or near the proposed levels, banks and investors should identify exposures in locations that may be designated and assess whether business plans depend on uses—such as short-term letting or secondary-residence sale—that could become subject to local measures under the AHA framework.
- **Prudential treatment.** German credit institutions should not assume that financing affordable-housing projects would automatically attract preferential CRR risk weights. The EBA ADC Guidelines apply in Germany as elsewhere: a 100% rather than 150% risk weight for residential ADC exposures depends on qualifying conditions, including specific treatment of public-housing and not-for-profit structures. Underwrite capital treatment on each exposure separately from the project's policy status.
- **KfW and promotional-bank finance.** KfW and the Landesförderinstitute already provide concessional housing finance alongside Länder grant programmes. The Pan-European Investment Platform contemplates coordination with national promotional banks, but the Commission has stated that the Platform will not create new EU funding. For German transactions, the question remains which promotional instruments are available, on what terms and with what conditions—not whether a general EU housing programme can be relied upon.

Strategic and operational considerations for financial markets and real estate

Firms should consider bringing the terms of the proposed AHA into existing origination, portfolio-management, valuation, capital-planning and regulatory-change processes. The following are suggested management responses; they are not obligations created by the proposal.

- **Establish a housing-stress exposure map.** Identify assets whose cash flow or valuation depends materially on short-term rental, secondary-residence demand, vacancy, conversion or another use potentially affected by local measures.
- **Underwrite the legally available use.** Separate current lawful use, planning position and contractual assumptions from the sponsor's preferred or highest-value use. Re-test NOI, LTV, DSCR, refinancing and exit under plausible restrictions.
- **Test enforcement economics, not merely enforceability.** The proposed creditor carve-out is valuable, but recoverability depends on what the lender or purchaser can do with the asset after enforcement and on any surviving restrictions.
- **Reconcile the capital stack.** Distinguish grant, concessional debt, guarantee, public equity, land contribution, operating subsidy and mobilisation target. Identify the actual recipient, obligor, duration and conditions of each.
- **Treat State aid as credit due diligence.** Where public compensation supports debt service, test entrustment, eligibility, compensation mechanics, overcompensation, clawback and continuing compliance in the same way as other material cash-flow dependencies.
- **Duration-match support and financing.** Build a single timeline for affordability restrictions, public payments, debt amortisation, leasehold/public-land rights and exit/refinancing assumptions.
- **Keep prudential treatment separate from policy status.** Confirm ADC and other CRR classification on the actual exposure. Do not infer capital relief from an affordable-housing designation.
- **Price execution dependencies.** For public land and accelerated permitting, identify consent, termination, step-in, planning, procurement and implementation conditions and quantify the carry or valuation consequence if they do not occur on time.
- **Standardise investor information.** If housing projects are to be aggregated for institutional capital, standardise data on subsidy, rent rules, property rights, security, public support, operating costs, energy performance and exit restrictions—not merely project labels.

Outlook

The EU's AHA package should not be read solely as another piece of residential regulation. Its financial-services significance lies in the interaction between housing intervention, public support, collateral value, prudential rules and the attempt to mobilise long-duration private capital.

The revised SGEI framework is already usable; EIB and promotional finance already exist; the CRR3 ADC rules already apply. The proposed Regulation may add a common framework for stressed housing markets, but the financing outcome will continue to depend on national and local implementation, project documentation and the legal form of support.

Note: The revised SGEI Decision (EU) 2025/2630 and the CRR3 ADC Guidelines are already applicable. The analysis of those instruments in this Client Alert does not depend on adoption of the AHA Regulation.

For banks and investors, the key distinction is between policy endorsement and bankability. A political commitment does not create a payment obligation. A guarantee does not create project cash flow. Aggregation does not eliminate an affordability gap. A long affordability period does not by itself fund long-maturity debt. And legal enforcement does not guarantee economic recovery.

The four questions that matter are therefore:

1. *Who supplies the capital?*
2. *Who absorbs the affordability gap?*
3. *Who carries the downside risk?*
4. *What can creditors enforce?*

That is where the AHA ceases to be merely housing policy. It becomes a balance-sheet issue.

Firms should build optionality into processes rather than hard-wiring proposed thresholds. If the Regulation is not adopted, is materially amended during the legislative process or enters into force with different definitions or scope, monitoring frameworks and stress-test assumptions will need to be recalibrated accordingly.



About us

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Moreover, we use a number of RegTech and SupTech tools for supervised firms, including the Rule Scanner technology within a trusted set of managed solutions from PwC Legal Business Solutions. These solutions support horizon scanning and risk mapping of legislative and regulatory developments, sanctions and fines from thousands of legislative and regulatory policymakers and other industry voices across more than 170 jurisdictions impacting financial services firms and their business.

Equally, in leveraging Rule Scanner technology within those managed solutions, we offer clients a further solution to digitise financial services firms' internal policies and procedures, create a comprehensive documentation inventory with an established hierarchy and embedded glossary, maintain version control across a defined backward- and forward-looking timeline, map critical-path dependencies and flag legislative and regulatory developments that may require corresponding changes across related policies and procedures.

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If you would like to discuss any of the developments mentioned above, or how they may affect your business more generally, please contact any of our key contacts or PwC Legal's RegCORE Team via de_regcore@pwc.com or our [website](#).



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