

## Press statement

### **ZIA on agreement on EU banking package (Basel): Transitional relief for residential real estate positive, but financing of real estate projects will suffer**

**Berlin, 27 June 2023** - The German Property Federation (ZIA) considers today's agreement on the implementation of the Basel III regulation in the trilogue procedure to be generally adequate. "After years of discussion since the publication of the Basel package at the end of 2017, the industry finally has certainty as to how the regulation is to be implemented on a European level," says ZIA Vice President Jochen Schenk. A quick agreement was especially crucial, all the more the first rules are to be applied as early as 2025 and banks as well as borrowers have to adjust to the new framework. From ZIA's point of view, an additional key point is that the transitional relief for residential real estate financing, as envisaged in the trilogue, has been retained. ZIA regrets that the EU has not agreed on permanent solutions beyond the transitional period in the field of residential real estate financing. "However, due to the isolated bank failures in the USA and the circumstances surrounding Credit Suisse, the decision-makers' hands were evidently tied with regard to further relief," says Schenk.

Another problematic aspect is from ZIA's point of view the unequal treatment of commercial real estate financing in the Basel III implementation. Above all, the 150 per cent capital requirement for project developments is not appropriate, Schenk emphasises. This corresponds to the capital backing of a defaulted loan. "The financing of real estate projects and therefore the provision of affordable housing, will suffer under such regulation. These effects will be visible not just on the long but on the short term, and continuously so," predicts ZIA vice president Schenk.