

# Summary

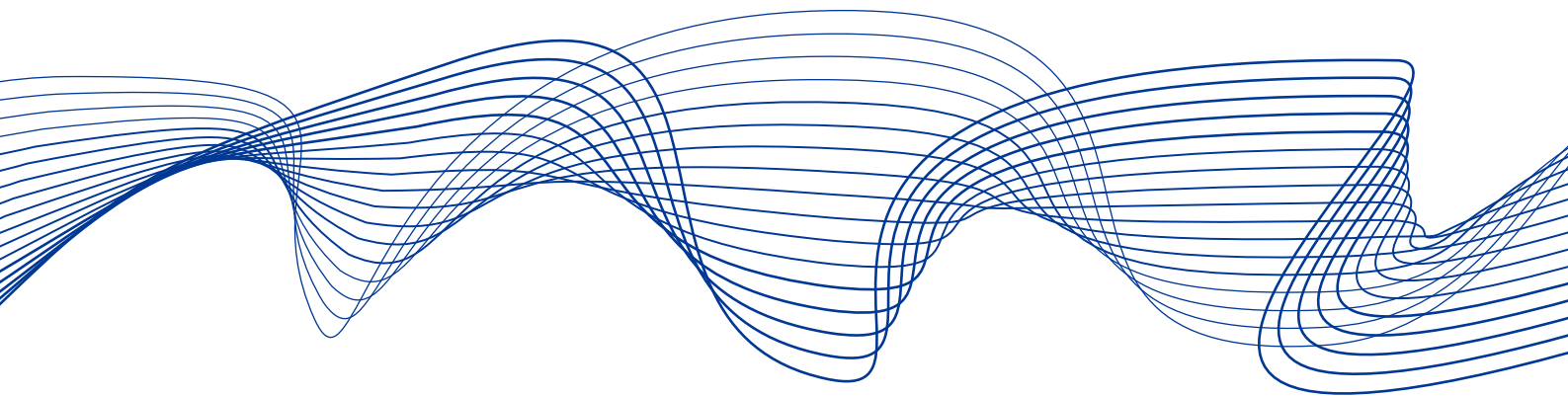
## Compliance report

February 2025

Assessment of compliance with:

Recommendation A of  
Recommendation of the ESRB of 1  
December 2022 on vulnerabilities in  
the commercial real estate sector in  
the European Economic Area  
(ESRB/2022/9), and

Recommendation F of  
Recommendation of the ESRB of  
31 October 2016 on closing real  
estate data gaps (ESRB/2016/14)



**ESRB**

European Systemic Risk Board

European System of Financial Supervision

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# 1 Introduction

**This report provides an assessment of compliance with two recommendations of the European Systemic Risk Board (ESRB) relating to risks stemming from the commercial real estate (CRE) sector**, namely Recommendation ESRB/2022/9 on vulnerabilities in the CRE sector in the European Economic Area (EEA)<sup>1</sup> and Recommendation ESRB/2016/14 on closing real estate data gaps<sup>2</sup>.

**Recommendations issued by the ESRB are not legally binding but are subject to an “act or explain” mechanism in accordance with Article 17 of the ESRB Regulation<sup>3</sup>.** This means that the addressees of these recommendations are under obligation (i) to communicate to the European Parliament, the Council, the Commission and the ESRB the actions they have undertaken in response to the recommendations, or (ii) to provide adequate justification for inaction.

**Based on the addressees’ submissions to the ESRB Secretariat using a dedicated template, the report assesses (i) their compliance with the recommendation, or (ii) their explanations for inaction.** In accordance with Section 2(3) of the recommendations, the Commission was requested to provide the ESRB with an explanation of the measures taken to comply with the Recommendation ESRB/2016/14 by 31 December 2023, and the addressees of Recommendation ESRB/2022/9 were requested to do so by 31 March 2024, or provide adequate justification for inaction. For the purpose of the above-mentioned reporting, reporting templates for both recommendations were sent to the addressees, who returned the completed templates to the ESRB.

**In order to perform the assessment, an Assessment Team was set up under the auspices of the Advisory Technical Committee (ATC)<sup>4</sup> in 2024.** The Assessment Team is composed of seven assessors and supported by ESRB Secretariat staff (its composition is provided in Annex I).

The assessment was conducted by duly taking into account:

- the criteria contained in Section 2(2) of the two recommendations;
- the methodology provided in the Handbook on the assessment of compliance with ESRB recommendations from April 2016<sup>5</sup> (hereafter the “Handbook”), which describes the procedure for the assessment of compliance with ESRB recommendations;

<sup>1</sup> **Recommendation of the European Systemic Risk Board of 1 December 2022 on vulnerabilities in the commercial real estate sector in the European Economic Area (ESRB/2022/9) (2023/C 39/01)** (OJ C 39, 1.2.2023, p. 1).

<sup>2</sup> **Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (ESRB/2016/14) (2017/C 31/01)** (OJ C 31, 31.1.2017, p. 1); **Recommendation of the European Systemic Risk Board of 21 March 2019 amending Recommendation ESRB/2016/14 on closing real estate data gaps (ESRB/2019/3) (2019/C 271/01)** (OJ C 271, 13.8.2019, p. 1).

<sup>3</sup> **Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board** (OJ L 331, 15.12.2010, p. 1).

<sup>4</sup> The Assessment Team was created in line with subsections 3.2 and 3.4 of the Handbook on the assessment of compliance with ESRB recommendations, Revised Handbook, April 2016.

<sup>5</sup> **Handbook on the assessment of compliance with ESRB recommendations**, Revised Handbook, April 2016.



- the implementation standards prepared by the Assessment Team, which specify the grading of each sub-recommendation based on the compliance criteria (the implementation standards are provided in Annex II);
- the principle of proportionality.

**This report reflects the implementation status as at December 2023 for Recommendation F of Recommendation ESRB/2016/14 and as at March 2024 for Recommendation A of Recommendation ESRB/2022/9<sup>6</sup>.**

**The report is structured as follows: Section 2 recalls the policy objectives taken into account during the process of drafting the recommendations. Section 3 summarises the methodology set out in the Handbook, which establishes the procedure for assessing compliance with ESRB recommendations and broadly presents the implementation standards that were drafted by the Assessment Team and used to assess addressees' compliance with the respective recommendations. Section 4 shows the main findings of the compliance assessment for both recommendations. Section 5 presents the main conclusions of the assessment.**

**Annex I provides a description of the composition of the Assessment Team, which is composed of seven assessors. Annex II contains the implementation standards, which specify the grade to be awarded for each sub-recommendation on the basis of the compliance criteria.**

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<sup>6</sup> However, information received at a later stage during the discussion of the Assessment Team's findings with the addressees of the Recommendation was also taken into consideration in the final assessment results and is reflected in the narrative of the assessment of each addressee. In particular, in the course of the dialogue that was launched in June 2024 and ran until July 2024, some addressees of Recommendation A of Recommendation ESRB/2022/9 provided additional information (see Section 3).



## 2 Policy objectives

The recommendations cover several specific policy actions, which will be addressed separately for ESRB/2016/14 and ESRB/2022/9.

### 2.1 Recommendation ESRB/2016/14

#### 2.1.1 Content and structure

**Recommendation ESRB/2016/14 aims to harmonise the definitions and indicators used for monitoring residential real estate (RRE) and commercial real estate (CRE) markets** and to address existing gaps in the availability and comparability of data on RRE and CRE markets in the European Union.

**Vulnerabilities relating to the real estate sector can be a source of systemic risk and may affect financial stability both directly and indirectly.** Addressing these vulnerabilities requires the implementation of a framework to monitor the developments in the real estate sector through the regular collection of comparable country data, so that real estate-related risks across Member States can be more accurately assessed and the use of macroprudential policy instruments compared. The recommendation provides target working definitions of RRE and CRE and recommends a common set of indicators that national macroprudential authorities should monitor in order to assess risks stemming from the two sectors, while equally specifying the dimensions and degree of granularity for each indicator, the scope of the envisaged information and the measurement of the indicators.

**Recommendation ESRB/2016/14 is divided into six recommendations (A, B, C, D, E and F), with Recommendation F addressed to the Commission (Eurostat)**, which is the focus of this analysis and report.

“Recommendation F – Establishment of a common minimum framework for the physical commercial real estate market

1. The Commission (Eurostat) is recommended to propose Union legislation establishing a common minimum framework for the development, production and dissemination of a database on indicators on the physical CRE market [and] [...] to develop and promote statistical standards, sources, methods and procedures for developing the database on the indicators on the physical CRE.”<sup>7</sup>

<sup>7</sup> For full text, consult [Recommendation of the European Systemic Risk Board of 21 March 2019 amending Recommendation ESRB/2016/14 on closing real estate data gaps \(ESRB/2019/3\) 2019/C 271/01](#) (OJ 271, 13.8.2019, p. 1).



## 2.2 Recommendation ESRB/2022/9

### 2.2.1 Content and structure

**Recommendation ESRB/2022/9 aims to address identified vulnerabilities in the CRE sector in the EEA that could pose risks to financial stability.** In order to prevent the identified risks from materialising, the ESRB considers it necessary for the addressees to continue monitoring the situation on the CRE market and to explore the use of microprudential and macroprudential measures to address CRE vulnerabilities while avoiding procyclical effects on the real economy and other segments of the financial sector. Adverse developments in the CRE sector can have a systemic impact on the financial system and the real economy.

**Recommendation ESRB/2022/9 is divided into four recommendations (A, B, C and D), with Recommendation A, which is the focus of this assessment and report,** addressed to authorities mandated to contribute to the prevention or mitigation of systemic risks to financial stability in the Union or in an EEA country.

#### **“Recommendation A – Improving the monitoring of systemic risks stemming from the CRE market**

*It is recommended that relevant authorities that have a role in financial stability:*

1. *closely monitor current and potentially emerging vulnerabilities related to commercial real estate (CRE), inter alia by:*
  2. *— assessing the cyclical stage of CRE markets and their outlook, taking into account the impact of financing conditions and the general macroeconomic outlook;*
  3. *— assessing CRE-related vulnerabilities across different risk categories or stretches, including, for example, monitoring of:*
    4. *(a) risks related to CRE prices (collateral stretch);*
    5. *(b) risks related to the income flows generated by CRE and investment activity on the CRE sector (income and activity stretch);*
    6. *(c) risks stemming from financing conditions and sources of CRE financing, including implications of CRE securitisations, if relevant from a financial stability perspective (financing stretch);*
    7. *(d) risks stemming from interconnectedness between economic and financial sectors in relation to CRE, as well as from cross-border CRE investment and financing (spillover stretch);*
  8. *— complementing the monitoring of systemic risk with an assessment of country-specific indicators including structural features.*



9. *monitor risks in the CRE markets under Recommendation A(1) on a regular basis but at least annually. In accordance with the principle of proportionality, the frequency of monitoring risks should be based on the relative size and importance of exposures.*
10. *closely coordinate and cooperate with each other and the European Systemic Risk Board (ESRB) in monitoring vulnerabilities related to CRE when fulfilling the risk monitoring under Recommendation A(1). Such coordination and cooperation should include exchange of information deemed necessary for the monitoring of vulnerabilities related to CRE, in particular in the context of cross-country and cross-sectoral spillovers. Exchange of information should be done on a best effort basis supported by the ESRB within the legal frameworks of different jurisdictions.”*

**Both recommendations also set out further detailed compliance criteria for each of the policy recommendations.**



### 3 Assessment methodology

**Under Article 17 of the ESRB Regulation<sup>8</sup> the ESRB is mandated with monitoring the compliance of addressees with the ESRB's recommendations. To this effect, and pursuant to Article 20 of the ESRB Rules of Procedure<sup>9</sup>, the ESRB assesses the actions and justifications communicated by the addressees of the ESRB recommendations.** The assessment is conducted in accordance with the "act or explain" mechanism. Based on this mechanism, described in Article 17 of the ESRB Regulation, the addressee of a recommendation can either (i) take action in response to a recommendation or (ii) adequately justify any inaction. The ESRB thus analyses the information provided by the addressees and assesses whether the action taken is effective in achieving the objective of the recommendation or whether the justification provided for inaction is sufficient. The analysis mentioned above results in the assignment to each addressee of a final compliance grade, which serves to reflect the extent of implementation by the relevant addressee.

**The assessment of compliance with Recommendations ESRB/2016/4 and ESRB/2022/9 was based on the submissions made by the addressees by the reporting deadline specified in Section 2(3) of the respective recommendation and on a further dialogue between the Assessment Team and addressees in the course of the assessment process.** The Assessment Team decided to engage in a dialogue with addressees of Recommendation A of Recommendation ESRB/2022/9 to ask for additional information or seek confirmation of assumptions drawn from the reported data. Since the quality and quantity of the information initially provided by the addressees differed, the Assessment Team developed a set of individually tailored questions to enable the addressees to supplement the information provided within the reporting deadline. To ensure the integrity of the process and the impartiality of the assessment, the Assessment Team took measures to guarantee that all addressees were given equal opportunity to be heard. Firstly, despite the fact that most of the grades awarded in the preliminary assessment were "Fully Compliant" or "Largely Compliant", addressees were invited to participate in the subsequent dialogue for a more informed compliance report. Secondly, if a specific question was identified as pertinent to all or a group of addressees, it was transmitted to the relevant parties. The dialogue was launched in June 2024 and concluded in July 2024.

**The detailed procedure for the assessment of compliance is set out in the Handbook<sup>10</sup>. The assessment of the two recommendations was carried out by an Assessment Team of seven assessors, with one Chair, endorsed by the ATC (Annex I of this report).** The Assessment Team conducted a four-eyes review, i.e. the compliance of each addressee was assessed by two assessors. In the first stage of the assessment, the assessors evaluated the compliance of a respective addressee with all recommendations/sub-recommendations. In the second stage of the assessment, the assessors evaluated the consistency of the assessments. The assessors were not

<sup>8</sup> **Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board** as amended by Regulation (EU) 2019/2176 (OJ L 334, 27.12.2019, p. 146).

<sup>9</sup> **Decision of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure** (ESRB/2011/1) as amended by Decision of the European Systemic Risk Board of 20 March 2020 (OJ C 140, 29.4.2020, p. 5).

<sup>10</sup> **Handbook on the assessment of compliance with ESRB recommendations**, Revised Handbook, April 2016.





directly involved in grading their respective authority's performance. The results of both assessors were subsequently cross-checked to prepare the final assessment.

**To ensure equal treatment of the addressees and to provide the highest degree of transparency and consistency, the Assessment Team conducted its work in accordance with the following six assessment principles mentioned in Section 4 of the ESRB Handbook:**

- Fairness, consistency and transparency – equal treatment of all addressees throughout the assessment process;
- Efficiency and appropriateness of procedures with regard to available resources, while ensuring high-quality deliverables;
- Four-eyes review – compliance of each addressee is assessed by at least two assessors who have not been directly involved in assessing the performance of the national authorities they come from;
- Effective dialogue – communication with the addressees is essential for filling in information gaps on compliance;
- Principle of proportionality – actions to be taken by the addressees are country-specific and proportionate to the intensity of risks targeted by the recommendation in the specific Member State;
- The ultimate objective being the prevention and mitigation of systemic risks to financial stability in the Union.

### 3.1 Assessment criteria

**The assessment criteria applied in this evaluation are based on best practices established in previous assessments of compliance with the ESRB recommendations.** The assessment criteria describe the actions required of the addressees in order to achieve the objectives of the recommendations. In this respect, the Assessment Team duly considered the implementation criteria set out in Section 2(2) of the respective recommendations. Grading was then guided by the relevant implementation standards, which specify how different actions or inaction for each recommendation/sub-recommendation should be reflected in the final grade.

The actions taken by the addressees were evaluated by the Assessment Team during the assessment to ascertain whether all aspects of the recommendations had been complied with.

**To ensure a consistent and fair analysis, the Assessment Team developed implementation standards for each recommendation/sub-recommendation, which were then used to assess the responses provided by the addressees (Annex II).** The establishment of the implementation standards was based on the key elements of the respective recommendation and the principle of proportionality. The Assessment Team agreed on the criteria to be applied in the assessment of each element of the recommendation and the weights allocated to those criteria.



## 3.2 Grading methodology

**In order to arrive at a single grade for each addressee as a final result of the follow-up assessment, a four-step grading methodology was employed, in accordance with the Handbook.** Such a methodology is necessary to ensure full transparency of the single overall compliance grade and to provide a high level of objectivity throughout the assessment process while still allowing room for high-quality expert judgement, which can easily be identified and reviewed to understand the rationale behind particular grades.

### **Step I – Assessing the compliance grade for each sub-recommendation**

For each recommendation/sub-recommendation, three constituent elements have been assessed:

- the content of the measure;
- its proportionality;
- the reporting of the measure to the ESRB.

These elements were each graded according to the following grading scale:



Table 1  
**Grading scale**

Grading scale for action	
<b>Fully Compliant (FC)</b>	The addressee complies entirely with the recommendation.
<b>Largely Compliant (LC)</b>	The objectives of the recommendation have been met almost entirely, and only negligible requirements are still to be implemented.
<b>Partially Compliant (PC)</b>	The most important requirements have been met; certain deficiencies affect the adequacy of the implementation, although this does not result in a situation where the given recommendation has not been acted upon.
<b>Materially Non-Compliant (MN)</b>	Requirements have been fulfilled to a limited degree only, resulting in a significant deficiency in the implementation.
<b>Non-Compliant (NC)</b>	Almost none of the requirements have been met, even if steps have been taken towards implementation.
Grading scale for inaction	
<b>Sufficiently Explained (SE)</b>	The addressee has provided a detailed and adequate justification of any inaction or departure from this recommendation, including any delays.
<b>Insufficiently Explained (IE)</b>	The explanation given for the lack of implementation is not sufficient to justify the inaction.

## Step II – Calculating the grades for each specific recommendation

Each compliance grade is converted into a numerical grade in order to be weighted and aggregated into a single compliance grade for each sub-recommendation (note that grades “IE” and “NC” are equal in terms of numerical value, as are “SE” and “FC”) as set out in the following table:



Table 2

**Conversion of compliance grades into numerical grades**

Compliance grade	Numerical grade
<b>Action</b>	
FC	1
LC	0.75
PC	0.50
MN	0.25
NC	0
<b>Inaction</b>	
SE	1
IE	0

**Step III – Calculating the overall grade for the single aggregated recommendation**

The numerical grades were then weighted for each element and, where applicable for each recommendation/sub-recommendation, aggregated into a single, overall numerical grade for compliance.

In establishing the weights, the Assessment Team took into consideration the importance of each constituent element and, where applicable, each recommendation/sub-recommendation for the achievement of the policy objectives as outlined in Section 2 of this report.

**Step IV – Converting the overall numerical grade into an overall level of compliance**

The overall compliance grade was ultimately determined by converting the single weighted numerical grade for each recommendation into a final grade for compliance using a conversion table (Table 3)<sup>11</sup>.

<sup>11</sup> The overall compliance grade of “SE” was assigned only if each of the elements and, where relevant, each sub-recommendation was assigned “SE” or “IE”.



Table 3

**Conversion of numerical grades into compliance grades**

Compliance grade	Numerical grade
<b>FC</b>	0.90 – 1.00
<b>LC</b>	0.65 – 0.89
<b>PC</b>	0.40 – 0.64
<b>MN</b>	0.15 – 0.39
<b>NC</b>	0.00 – 0.14
<b>SE</b>	0.65 – 1.00
<b>IE</b>	0.00 – 0.64

The level of compliance was then expressed in a colour-coded format (Table 4).

Table 4

**Colour codes for levels of compliance**

Positive grades	Mid-grade	Negative grades
<b>FC – Actions taken implement the recommendation in full</b>		<b>MN – Actions taken implement only a small part of the recommendation</b>
<b>LC – Actions taken implement almost all of the recommendation</b>	<b>PC – Actions taken implement only part of the recommendation</b>	<b>NC – Actions taken are not in line with the nature of the recommendation</b>
<b>SE – No actions were taken, but the addressee provided sufficient justification</b>		<b>IE – No actions were taken, and addressee did not provide sufficient justification</b>

### 3.3 Weights assigned by the Assessment Team

The weights assigned by the Assessment Team to the respective sub-recommendations of Recommendation F (ESRB/2016/14) and Recommendation A (ESRB/2022/9) are presented in



Table 5 below. Each sub-recommendation has three constituent elements, with the Assessment Team assigning a higher weight to the content of each measure, whereas the principle of proportionality and reporting were given lower, albeit equal, weights.

Table 5  
Individual weighting

Recommendation ESRB/2016/14	
Recommendation F	Weighting
Sub-recommendation F(1)	1/2
Sub-recommendation F(2)	1/2
Sub-recommendation F(1)	Weighting
Assessment of the content of measure	3/4
Proportionality	1/8
Reporting	1/8
Sub-recommendation F(2)	Weighting
Assessment of the content of measure	3/4
Proportionality	1/8
Reporting	1/8
Recommendation ESRB/2022/9	
Recommendation A	Weighting
Sub-recommendation A(1)	1/2
Sub-recommendation A(2)	1/4
Sub-recommendation A(3)	1/4
Sub-recommendation A(1)	Weighting
Assessment of the content of measure	3/4
Proportionality	1/8
Reporting	1/8



<b>Sub-recommendation A(2)</b>	Weighting
<b>Assessment of the content of measure</b>	3/4
<b>Proportionality</b>	1/8
<b>Reporting</b>	1/8
<b>Sub-recommendation A(3)</b>	Weighting
<b>Assessment of the content of measure</b>	3/4
<b>Proportionality</b>	1/8
<b>Reporting</b>	1/8



## 4 Assessment results

### 4.1 Assessors' findings for Recommendation F of ESRB/2016/14

#### EUROPEAN COMMISSION

##### Summary of the implementation of Recommendation F

Pursuant to the findings described in the following sections, the overall level of compliance of the European Commission with Recommendation F of ESRB/2016/14 is “fully compliant”.

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Overall grade for Recommendation F

Fully Compliant	Largely Compliant	Partially Compliant	Materially Non-Compliant	Non-Compliant	Sufficiently Explained	Insufficiently Explained
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#### Recommendation F – Establishment of a common minimum framework for the physical commercial real estate market

##### General Overview

In the context of the final progress report on CRE statistics, the addressee has not yet proposed Union legislation establishing a common minimum framework for physical CRE market indicators.

However, in relation to sub-recommendation F(1), the addressee plans to present a legislative proposal to the European Parliament and the Council in the second quarter of 2024. The **planned initiative** is published on the Have Your Say portal for public feedback. The initiative aims to provide a framework for the development, production and dissemination of statistics relating to CRE. The statistics covered should at least include indices on prices, rents as well as data on construction starts and completions. This initiative covers all CRE indicators described in ESRB/2016/14 (Recommendation F) except for rental yields and vacancy rates, where only very limited progress has been made by Member States. While this initiative is beneficial as a preliminary step in the process, it does not constitute a legislative proposal. In the final report, the addressee emphasised the importance of establishing a common minimum framework for CRE indicators. Compliance with the Recommendation ESRB/2016/14 (Recommendation F) should be reassessed once the legislative proposal has been presented.

In relation to sub-recommendation F(2), Eurostat has produced and publicly shared (see Commercial real estate indicators draft manual) four of the foreseen eight chapters of its planned methodological manual. The remaining chapters are currently in development, with the manual slated for completion in early 2025. The manual will be an important aid for the Member States in





developing and producing the indicators. Eurostat also provides technical assistance and training to compilers of CRE statistics.

In addition, there is no evidence that the addressee acted disproportionately. Lastly, the addressee reports to the ESRB using the reporting templates provided under Recommendation F.

The addressee received a 'largely compliant' grade for sub-recommendation F(1) and a 'fully compliant' grade for sub-recommendation F(2), resulting in an overall 'fully compliant' grade for Recommendation F.

Below is a breakdown of the individual weightings for sub-recommendations F(1) and F(2), highlighting their respective contributions to the overall compliance assessment in Table 1.

**Table 1**  
**Individual weighting for the sub-recommendations F(1) and F(2)**

Recommendation F	Weighting
Sub-recommendation F(1)	1/2
Sub-recommendation F(2)	1/2

### Compliance with sub-recommendation F1

#### *Final grade*

Pursuant to the findings below, it is considered that the overall level of compliance with sub-recommendation F(1) is "LC".

**Table 2**  
**Overview of grades for sub-recommendation F(1)**

Criteria for action	Weighting	Grade
Content of the measure	3/4	LC
Proportionality	1/8	FC
Reporting	1/8	FC
Grade for sub-recommendation F(1)		LC



## Comments regarding the implementation of sub-recommendation F(1)

### Content/substance

In relation to sub-Recommendation F(1), the efforts undertaken to date have not fully complied with the recommendation to establish Union legislation that ensures the development, dissemination, and production of harmonised CRE indicators. However, the addressee plans to present a legislative proposal to the European Parliament and the Council in the second quarter of 2024. The **planned initiative** is published on the Have Your Say portal for public feedback. The initiative aims to provide a framework for the development, production and dissemination of statistics relating to CRE. The statistics to be covered should include indices on prices and rents, as well as data on construction starts and completions. The initiative does not cover rental yields and vacancy rates, where progress is limited. The limited progress made on both indicators is sufficiently explained and illustrated by the 2023 Eurostat survey results. Most countries have yet to report any activity in developing indicators on vacancy rates and rental yields. For the remaining indicators, the overall level of harmonisation is not complete yet is at an appropriate level. Despite the progress, each indicator has a different harmonisation level. Notwithstanding persistent challenges, additional human resources at the national level and EU legislation will be instrumental to the successful harmonisation of data availability and quality across Member States.

Furthermore, the addressee has reported continuous efforts and several updates on the actions undertaken so far, including work performed by three task forces, as well as national pilot studies, grants to Member States, procurement of research, drafting of methodological documents and surveys of countries' practices. Since completion of the interim assessment, the new initiatives within each task force have included an outline for a new CRE indicators manual, training and technical assistance to countries with experts in the field and a Call for Evidence on CRE statistics.

Lastly, there is no evidence that the addressee has acted in a disproportionate manner. In addition, the addressee reports to the ESRB by making use of the published reporting templates under Recommendation F.

*The grade assigned for the above measure is "largely compliant".*

### Compliance with sub-recommendation F(2)

#### *Final grade*

Pursuant to the findings below, it is considered that the overall level of compliance with sub-recommendation F(2) is "FC".



Table 3  
Overview of grade for sub-recommendation F(2)

Criteria for action	Weighting	Grade
Content of the measure	3/4	FC
Proportionality	1/8	FC
Reporting	1/8	FC
Grade for sub-recommendation F(2)		FC

#### Comments regarding the implementation of sub-recommendation F(2)

##### Content/substance

The actions undertaken to date by Eurostat are described in detail in Section 2 of the Staff Working document entitled **“Progress report on commercial real estate statistics”**. It is comprised of three task forces. According to the report, the Task Force on Commercial Real Estate Indicators monitors and discusses ongoing pilot projects in participating countries – for example, on finding the most suitable data sources. The pilot projects contribute to discussions on the methodology for developing CRE indicators, with the aim of creating a methodological manual and legal framework. The Task Force for Commercial Real Estate Indicators related to Short-term Statistics initially focused on construction starts and vacancy rate indicators and was enlarged to include building permits and works completions. It established agreed definitions, a methodology, measurement units and classifications; it also drafted detailed data requirements for indicators on construction starts and works completions. Lastly, the Task Force on Vacancy Rates of Commercial Real Estate produced a draft set of recommendations with the aim of standardising the collection and compilation of statistics on vacancy rates for CRE properties.

In relation to sub-recommendation F(2), under work stream 1 (prices, rentals and rental yields) and in parallel with research studies and grants to Member States to develop CRE indicators, Eurostat has produced and publicly shared (see Commercial real estate indicators draft manual) four of the foreseen eight chapters of a future methodological manual. The remaining chapters are currently in development, with the manual slated for completion in early 2025. The manual will be an important aid for the Member States in developing and producing the indicators. Eurostat also provides technical assistance and training to compilers of CRE statistics.

The data used for the statistics will be sourced from existing administrative databases and from real estate organisations, or else statistical information already collected from businesses will be reused. There will, therefore, be little or no additional burden on households or businesses.



Despite the work and initiatives developed under the three work streams, the **2023 Eurostat survey on the development of physical CRE indicators by EU Member States** and EFTA countries restates the findings from the 2021 survey. The results indicate persistent differences across countries in terms of data sources, methodologies applied and progress level. Most countries have not yet started working on rental yield indicators or vacancy rates. The methodologies applied to compute CRE indicators also showed differing approaches. There will be challenges in meeting some requirements and definitions in the ESRB recommendation, such as the 'income-producing' element of the CRE definition or country differences with respect to 'prime/non-prime' definitions. In smaller countries or markets, quarterly data or some segments of the market may also be difficult to cover adequately. The 2023 Eurostat survey results on the feasibility of implementing potential requirements in a future legal framework also highlighted several problematic issues.

Although progress has not been uniform across all indicators or across all Member States, with challenges remaining, significant advancement has been achieved in developing physical CRE indicators. The addressee has continued to carry out work to promote and develop statistical standards, sources, methods and procedures for developing the indicators, ensuring their quality and minimising the reporting burden.

Lastly, there is no evidence that the addressee has acted in a disproportionate manner. In addition, the addressee reports to the ESRB by making use of the published reporting templates under Recommendation F.

*The grade assigned for the above measure is “fully compliant”.*

## 4.2 Assessors' findings for Recommendation A of ESRB/2022/9

**The assessment of compliance with the implementation of Recommendation A of Recommendation ESRB/2022/9 shows that, of the 34 addressees, 29 are graded “fully compliant” and 5 are graded “largely compliant”.**

The results of the assessment for Recommendation A are summarised in Table 6.

Table 6

### Overall compliance grades for Recommendation A

Addressees	Overall grade	Addressees	Overall grade
AT	FC	LI	LC
BE	FC	LT	FC
BG	LC	LU	FC



Addressees	Overall grade	Addressees	Overall grade
CY	FC	LV	FC
CZ	FC	MT	FC
DE	FC	NL	FC
DK	FC	NO	FC
EE	FC	PL	LC
ES	FC	PT	FC
FI	FC	RO	FC
FR	FC	SE	FC
GR	LC	SI	FC
HR	FC	SK	FC
HU	FC	ECB	FC
IE	FC	EIOPA	FC
IS	FC	ESMA	LC
IT	FC	EBA	FC

The overall compliance grade is determined using the conversion table, in accordance with the ESRB Handbook. After reaching a single compliance grade for each sub-recommendation, a final grade is calculated for Recommendation A using the weights assigned to each sub-recommendation and the conversion table (Table 5).

**The results of the assessment for sub-recommendation A1 are summarised in Table 7.** The compliance grade for each sub-recommendation is converted into a numerical grade, which is then weighted in accordance with the assigned weight.



Table 7

**Compliance grades for sub-recommendation A(1) of Recommendation A**

Addressees	Sub-recommendation A(1)		
	Content	Proportionality	Reporting
AT	FC	FC	LC
BE	FC	FC	FC
BG	PC	FC	FC
CY	FC	FC	FC
CZ	FC	FC	FC
DE	FC	FC	FC
DK	FC	FC	FC
EE	LC	FC	FC
ES	FC	FC	LC
FI	FC	FC	LC
FR	FC	FC	FC
GR	LC	FC	LC
HR	LC	FC	FC
HU	FC	FC	PC
IE	FC	FC	FC
IS	FC	FC	FC
IT	FC	FC	FC
LI	LC	FC	LC
LT	FC	FC	FC
LU	FC	FC	FC
LV	LC	FC	FC



Addressees	Sub-recommendation A(1)		
	Content	Proportionality	Reporting
MT	FC	FC	LC
NL	FC	FC	FC
NO	FC	FC	FC
PL	LC	FC	FC
PT	PC	FC	FC
RO	FC	FC	FC
SE	FC	FC	FC
SI	FC	FC	FC
SK	LC	FC	FC
ECB	FC	FC	FC
EIOPA	FC	FC	FC
ESMA	LC	FC	FC
EBA	LC	FC	FC

For **sub-recommendation A(1)**, which deals with monitoring vulnerabilities in CRE markets, the results demonstrate that most addressees have fully met the content-related requirements. The addressees assess the cyclical stages of the CRE market and associated risks effectively. Compliance with the principle of proportionality, which ensures that the frequency of monitoring aligns with the size and importance of exposures in the CRE market, is high, with all addressees adhering to this standard. In terms of reporting, while many addressees have fully complied, a few have been assessed as largely compliant, indicating that some have room for improving their reporting processes to fully meet the expectations under sub-recommendation A(1).

**The results of the assessment for sub-recommendation A(2) are summarised in Table 8.**



Table 8

**Compliance grades for sub-recommendation A(2) of Recommendation A**

Addressees	Sub-recommendation A(2)		
	Content	Proportionality	Reporting
AT	FC	FC	LC
BE	FC	FC	FC
BG	FC	FC	FC
CY	FC	FC	FC
CZ	FC	FC	FC
DE	FC	FC	FC
DK	FC	FC	FC
EE	FC	FC	FC
ES	FC	FC	FC
FI	FC	FC	FC
FR	FC	FC	FC
GR	FC	FC	FC
HR	FC	FC	FC
HU	FC	FC	FC
IE	FC	FC	FC
IS	FC	FC	FC
IT	FC	FC	FC
LI	FC	FC	FC
LT	FC	FC	FC





Addressees	Sub-recommendation A(2)		
	Content	Proportionality	Reporting
LU	FC	FC	FC
LV	FC	FC	FC
MT	FC	FC	LC
NL	FC	FC	FC
NO	FC	FC	FC
PL	FC	FC	FC
PT	FC	FC	FC
RO	FC	FC	FC
SE	FC	FC	FC
SI	FC	FC	FC
SK	FC	FC	FC
ECB	FC	FC	FC
EIOPA	FC	FC	FC
ESMA	FC	FC	FC
EBA	FC	FC	FC

In **sub-recommendation A(2)**, which emphasises the regular monitoring of CRE-related risks, compliance is notably strong. All addressees have been assessed as “fully compliant” with the content, demonstrating their commitment to monitoring these risks on at least an annual basis, in accordance with the ESRB’s guidelines. The principle of proportionality continues to be met across the board, ensuring that monitoring efforts are proportional to the size and importance of CRE exposures. Reporting compliance is similarly strong, though a small number of addressees have been rated as “largely compliant”, suggesting minor areas for enhancement.

**The results of the assessment for sub-recommendation A(3) are summarised in Table 9.**



Table 9

**Compliance grades for sub-recommendation A(3) of Recommendation A**

Addressees	Sub-recommendation A(3)		
	Content	Proportionality	Reporting
AT	FC	FC	LC
BE	FC	FC	FC
BG	FC	FC	FC
CY	FC	FC	FC
CZ	FC	FC	FC
DE	FC	FC	FC
DK	FC	FC	FC
EE	FC	FC	FC
ES	FC	FC	FC
FI	FC	FC	FC
FR	FC	FC	FC
GR	FC	FC	LC
HR	FC	FC	FC
HU	FC	FC	FC
IE	FC	FC	FC
IS	FC	FC	FC
IT	FC	FC	FC
LI	FC	FC	FC
LT	FC	FC	FC
LU	FC	FC	FC
LV	FC	FC	FC



Addressees	Sub-recommendation A(3)		
	Content	Proportionality	Reporting
MT	FC	FC	FC
NL	FC	FC	FC
NO	FC	FC	FC
PL	FC	FC	FC
PT	FC	FC	FC
RO	FC	FC	FC
SE	FC	FC	FC
SI	FC	FC	FC
SK	FC	FC	FC
ECB	FC	FC	FC
EIOPA	FC	FC	FC
ESMA	FC	LC	FC
EBA	FC	FC	FC

For **sub-recommendation A(3)**, concerning coordination and cooperation in monitoring CRE-related risks, the results show widespread compliance. Nearly all addressees have demonstrated effective collaboration with other authorities and the ESRB, supporting the timely exchange of information and coordinated efforts in risk monitoring. The principle of proportionality has been fully respected in all cases, and most addressees are fully compliant with the reporting requirements, although some have room for improvement in ensuring more comprehensive and timely exchanges of information.

**Overall, the findings indicate a high level of compliance with Recommendation A.** Most addressees are monitoring systemic risks in the CRE market effectively and cooperating closely with the ESRB and other relevant institutions. While the general standard of compliance is strong, it is suggested that a few addressees could focus on enhancing their reporting practices to ensure full alignment with the ESRB's recommendation.



## 5 Conclusion

This assessment of compliance with Recommendation F of ESRB/2016/14 and Recommendation A of ESRB/2022/9 was conducted in accordance with the implementation standards, which ensured that the evaluation criteria were applied consistently while providing clarity of interpretation. These implementation standards (set out in Annex II of the report) facilitate the assessment of the addressees' compliance with CRE-related vulnerabilities across different risk categories or stretches. The standards include guidance on using indicators defined by Recommendation ESRB/2016/14, adhering to the principle of proportionality and meeting reporting requirements. As for the weighting system for recommendations and sub-recommendations, there has been a discussion on assigning alternative weights to sub-recommendations A(1), A(2) and A(3) of ESRB/2022/9. For sub-recommendation A(1), the goal was to present an overview of the key actions undertaken to monitor current and emerging vulnerabilities related to CRE by considering the specific compliance criteria as outlined in the recommendation and Annex II of this report. In this respect, two options were presented: Option 1 with 50%-25%-25% weights; and Option 2 with 60%-20%-20% weights. The Assessment Team concluded that the first option provided a fairer assessment of the monitoring of vulnerabilities related to the CRE sector. The rationale given for this choice was that it provided a more granular acknowledgement of risk profiles while also taking into account the inherent difficulty, as addressees referred to very general terms when assessing multiple stretches (i.e. collateral and income).

As for Recommendation F of ESRB/2016/14, the Commission (Eurostat) showed strong overall compliance. While the Commission has not yet proposed Union legislation establishing a common minimum framework for physical CRE sector indicators, it has planned an initiative for providing a framework for the development, production and dissemination of statistics relating to CRE. In addition, it has produced and publicly shared four of the foreseen eight chapters of its planned methodological manual. The remaining chapters are currently being drafted, with the manual slated for completion in early 2025. The manual will be an important aid for the Member States in the development and production of the indicators. Lastly, the Commission also provides technical assistance and training to compilers of CRE statistics.

The overall level of compliance with Recommendation A of ESRB/2022/9 is very high. The addressees have been graded as either "fully compliant" ("FC") or "largely compliant" ("LC") with the recommendation. More particularly, the results demonstrate that, for sub-recommendation A(1), which deals with monitoring vulnerabilities in CRE markets, most addressees have fully met the content-related requirements. Regarding compliance with sub-recommendation A(2), which emphasises regular monitoring of CRE-related risks, all addressees have been assessed as "fully compliant" with the content, demonstrating their commitment to monitoring these risks on at least an annual basis, in accordance with the ESRB's guidelines. As for sub-recommendation A(3), which deals with coordination and cooperation in monitoring CRE-related risks, nearly all addressees have demonstrated effective collaboration with other authorities and the ESRB, supporting the timely exchange of information and coordinated efforts in risk monitoring.

Despite the high level of compliance with Recommendation A of ESRB/2022/9 as highlighted by the assigned grades of "FC" and "LC", the Assessment Team also explored the need for further



dialogue with the addressees on specific issues where detailed information was not provided or where greater clarification was required. In particular, questions were formulated pointing to the need for a more detailed analysis using the specific compliance criteria described in sub-recommendation A(1) of ESRB/2022/9, focusing on the determination of the cyclical stage of the CRE market and its outlook, the assessment of the liquidity and resilience of financial institutions with exposures to CRE and the evaluation of risks stemming from the interconnectedness between economic and financial sectors related to CRE. In addition, regarding sub-recommendation A(3) of ESRB/2022/9, questions were formulated specific to the exchange of information on the topic of the supervision of CRE-related risks, including whether there were any voluntary arrangements such as memoranda of understanding establishing, for instance, a general principle of mutual exchange of information in line with the principles of cooperation between relevant authorities. The feedback from the addressees provided a more detailed explanation of their initial responses given in the questionnaire. Although this did not lead to a significant change in the grades assigned to them, the exchange has been valuable, as the information obtained will help monitor future actions taken by the addressees.

One of the most significant challenges to ensuring horizontal consistency of grades for Recommendations ESRB/2016/14 and ESRB/2022/9 resulted from the varying levels of implementation of the framework among addressees. Not all addressees have implemented the framework uniformly, as in some cases the reporting deadline for the implementing actions taken following Recommendations C and D of ESRB/2016/14<sup>12</sup> is set for 31 December 2025. On the one hand, the framework for monitoring is less developed for some addressees because the full implementation of Recommendation ESRB/2016/14 is still pending and grading by the Assessment Team has therefore had to reflect addressees' current risk monitoring and assessment capabilities (subject of Recommendation ESRB/2022/9). On the other hand, addressees that have implemented Recommendation ESRB/2016/14 – either fully or to a large extent – can harness sophisticated possibilities for monitoring and assessing CRE risk. This affects expectations regarding the horizontal consistency of grading among addressees.

In conclusion, while this assessment provides a comprehensive overview of the addressees' compliance with the recommendations, it should not mark the end of their efforts. While the compliance assessment provides valuable insights and identifies areas for improvement, the dynamic nature of the CRE sector requires ongoing scrutiny and proactive measures to rectify any persisting weaknesses. All in all, CRE is a highly heterogeneous product, and significant efforts should be dedicated to obtaining more detailed information about this market. This issue could be addressed, for instance, by developing comprehensive CRE price indices for assessing systemic risk vulnerabilities in the CRE market.

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<sup>12</sup> See Recommendation ESRB/2016/4 as amended by Recommendation ESRB/2019/3, amendment 5(3), OJ C 271, 13.8.2019, pp. 6-7.



## Annex I: Composition of the Assessment Team

Chairperson	Institutions
Konstantinos Kanellopoulos	Bank of Greece
Assessment Team	
Federica Ciocchetta	Banca d'Italia
Simon Dagrain	Commission de Surveillance du Secteur Financier
Aurélien Espic	Banque de France
Simona-Mihaela Ichim	Banca Națională a României
Christoph Kimmel	Deutsche Bundesbank
Mário Roldão	European Central Bank



## Annex II: Implementation standards

### Recommendation F of Recommendation ESRB/2016/14

Description of grades		Sub-recommendation F(1)		
		Establishing a common minimum framework for the development, production and dissemination of a database covering indicators on the physical CRE market	Proportionality	Reporting of addressee
Positive grades	Fully Compliant (FC) – Actions taken fully implement the recommendation	<ul style="list-style-type: none"> <li>Based on the suitability of the definitions and breakdowns for the relevant indicators on the physical CRE market which are currently used within Member States, addressee proposes Union legislation establishing a common minimum framework for the development, production and dissemination of a database covering the relevant indicators with the aim of harmonising such indicators.</li> <li>The indicators are based on the definitions and breakdowns for the CRE market that are currently used within the Member States and those used for supervisory/financial stability purposes. The overall harmonisation of indicators is at a high level.</li> <li>Addressee ensures the alignment of the proposed legislation with the indicators and their definitions as used for supervisory or financial stability purposes, with the aim of avoiding an unjustified increase in the burden on reporting entities.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee provides evidence of having acted in a proportionate manner.</li> <li>There is no evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee submitted fully completed template to the ESRB Secretariat by 31 December 2023 at the latest.</li> <li>Addressee reports to the ESRB by making use of the published reporting template under Recommendation F.</li> </ul>
	Largely Compliant (LC) – Actions taken implement almost all of the recommendation	<ul style="list-style-type: none"> <li>Recommendation objectives have been met almost entirely; only minor requirements are still to be implemented.</li> <li>Addressee proposes Union legislation establishing a common minimum framework of</li> </ul>	<ul style="list-style-type: none"> <li>Addressee provides evidence of having acted in a proportionate manner.</li> <li>There is no clear evidence that addressee</li> </ul>	<ul style="list-style-type: none"> <li>Addressee submitted template as under "FC", with only minor elements missing.</li> </ul>



		Sub-recommendation F(1)		
Description of grades		Establishing a common minimum framework for the development, production and dissemination of a database covering indicators on the physical CRE market	Proportionality	Reporting of addressee
		indicators for the CRE physical market. The indicators are largely based on the definitions and breakdowns for the CRE market that are currently used within the Member States and those used for supervisory/financial stability purposes. The overall harmonisation of indicators is not complete yet is at an appropriate level.	has acted in a disproportionate manner.	
	Sufficiently Explained (SE) – No actions were taken, but addressee provided sufficient justification	<ul style="list-style-type: none"> <li>• Addressee has not completed Union legislation on a common framework for the CRE physical market; however, addressee has provided a detailed justification for any inaction or departure from this recommendation, including any delays.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed templates to the ESRB Secretariat by 31 December 2023 at the latest;</li> <li>or</li> <li>• addressee submitted fully completed templates later than 31 December 2023 but sufficiently explained the delay.</li> </ul>
Mid-grade	Partially Compliant (PC) – Actions taken implement only part of the recommendation	<ul style="list-style-type: none"> <li>• Most important requirements have been met; certain deficiencies affect the adequacy of implementation, although this does not result in a situation where the given recommendation has not been acted upon.</li> <li>• Addressee proposes Union legislation establishing a common minimum framework of indicators for the physical CRE market. However, the indicators are only partially based on the definitions and breakdowns for the CRE market that are currently used within the Member States and those used for supervisory/financial stability purposes. The overall harmonisation of indicators is partial;</li> <li>or</li> <li>• addressee is working towards Union legislation establishing a</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted templates to the ESRB Secretariat by 31 December 2023, but some essential information was missing;</li> <li>or</li> <li>• addressee submitted completed templates later than 31 December 2023 but sufficiently explained the delay.</li> </ul>





		Sub-recommendation F(1)		
Description of grades		Establishing a common minimum framework for the development, production and dissemination of a database covering indicators on the physical CRE market	Proportionality	Reporting of addressee
		common minimum framework for CRE indicators, but further work should be done to improve harmonisation and compliance with the definitions that are currently used within the Member States or those used for supervisory/financial stability purposes.		
Negative grades	Materially Non-Compliant (MN) – Actions taken implement only a small part of the recommendation	<ul style="list-style-type: none"> <li>• Addressee proposes Union legislation establishing a common minimum framework for the development, production and dissemination of a database covering the relevant indicators. The harmonisation is limited or legislation is based only marginally on the definitions and breakdowns for the CRE market that are currently used within the Member States or those used for supervisory/financial stability purposes;</li> <li>or</li> <li>• addressee has begun working towards Union legislation establishing a common minimum framework for CRE indicators, but the progress made is limited.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted templates to the ESRB Secretariat by 31 December 2023, but most of the essential information was missing;</li> <li>or</li> <li>• addressee submitted completed templates later than 31 December 2023 and insufficiently explained the delay.</li> </ul>
	Non-Compliant (NC) – Actions taken are not in line with the nature of the recommendation	<ul style="list-style-type: none"> <li>• Absence of any measures to implement the recommendation or the measures does not address the content of the recommendation.</li> <li>• Addressee has not proposed Union legislation establishing a common minimum framework for the development, production and dissemination of a database covering the relevant indicators for the CRE physical market;</li> <li>or</li> <li>• addressee is working towards Union legislation establishing a common minimum framework for CRE indicators, but the</li> </ul>	<ul style="list-style-type: none"> <li>• There is evidence that addressee has acted disproportionately;</li> <li>addressee has not provided any justification.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and did not provide any justification for inaction;</li> <li>or</li> <li>• addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and provided justification for inaction, which, however, was inadequate.</li> </ul>



Description of grades		Sub-recommendation F(1)		
		Establishing a common minimum framework for the development, production and dissemination of a database covering indicators on the physical CRE market	Proportionality	Reporting of addressee
		definitions are not compliant with the definitions that are currently used within the Member States or those used for supervisory/financial stability purposes.		
	Inaction Insufficiently Explained (IE) – No actions were taken, and addressee did not provide sufficient justification	<ul style="list-style-type: none"> <li>• Absence of any measures to implement the recommendation or measures does not address the content of the recommendation. Addressee has provided justification, which, however, is inadequate.</li> <li>• Addressee has not worked on Union legislation establishing a common minimum framework for the development, production and dissemination of a database covering the relevant indicators; addressee has provided justification, which, however, is inadequate.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and did not provide justification for inaction;</li> <li>or</li> <li>• addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and provided justification for inaction, which, however, was inadequate.</li> </ul>



Description of grades		Sub-recommendation F(2)		
		Developing and promoting statistical standards, sources, methods and procedures for the database covering the indicators	Proportionality	Reporting of addressee
Positive grades	Fully Compliant (FC) – Actions taken fully implement the recommendation	<ul style="list-style-type: none"> <li>• Addressee ensures the quality of the relevant indicators on the physical CRE market by developing statistical standards, sources, methods and procedures for developing the database covering the relevant indicators.</li> <li>• Addressee ensures that the implementation of the developed statistical standards, sources, methods and procedures relating to the database covering the relevant indicators on the physical CRE market does not lead to an unjustified increase in the burden on reporting entities.</li> <li>• Addressee promotes the implementation of the statistical standards, sources, methods and procedures developed for the production of the database covering relevant indicators on the physical CRE market.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee provides evidence of having acted in a proportionate manner.</li> <li>• There is no evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed template to the ESRB Secretariat by 31 December 2023 at the latest.</li> <li>• Addressee reports to the ESRB by making use of the published reporting template under Recommendation F.</li> </ul>
	Largely Compliant (LC) – Actions taken implement almost all of the recommendation	<ul style="list-style-type: none"> <li>• Addressee develops and promotes statistical standards, sources, methods and procedures as under “FC”, with only minor elements missing. The overall coverage is large, and the data quality is appropriate.</li> <li>• Recommendation objectives have been met almost entirely; only minor requirements are still to be implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee provides evidence of having acted in a proportionate manner.</li> <li>• There is no clear evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee submitted template as under “FC”, with only minor elements missing.</li> </ul>
	Sufficiently Explained (SE) – No actions were taken, but addressee	<ul style="list-style-type: none"> <li>• Addressee does not promote and develop statistical standards, sources, methods and procedures for indicators on the physical CRE market; however, addressee has provided a detailed justification for any</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed templates to the ESRB Secretariat by 31 December 2023 at the latest;</li> </ul>



Description of grades		Sub-recommendation F(2)		
		Developing and promoting statistical standards, sources, methods and procedures for the database covering the indicators	Proportionality	Reporting of addressee
	provided sufficient justification	inaction or departure from this recommendation, including any delays.		or • addressee submitted fully completed templates later than 31 December 2023 but sufficiently explained the delay.
Mid-grade	Partially Compliant (PC) – Actions taken implement only part of the recommendation	<ul style="list-style-type: none"> <li>• Addressee promotes and develops some statistical standards, sources, methods and procedures for indicators on the physical CRE market. The overall coverage is partial, and some improvements should be made in terms of data quality.</li> <li>• Most important requirements have been met; certain deficiencies affect the adequacy of implementation, although this does not result in a situation where the given recommendation has not been acted upon.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted templates to the ESRB Secretariat by 31 December 2023, but some essential information was missing;</li> <li>or</li> <li>• addressee submitted completed templates later than 31 December 2023 but explained the delay.</li> </ul>
Negative grades	Materially Non-Compliant (MN) – Actions taken implement only a small part of the recommendation	<ul style="list-style-type: none"> <li>• Addressee promotes and develops only few statistical standards, sources, methods and procedures for indicators on the physical CRE market. The overall coverage is limited and/or several improvements should be made in terms of data quality.</li> <li>• Recommendation requirements have been fulfilled to a limited degree only, resulting in a significant deficiency in the implementation.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted templates to the ESRB Secretariat by 31 December 2023, but most of the essential information was missing;</li> <li>or</li> <li>• addressee submitted completed templates later than 31 December 2023 and insufficiently explained the delay.</li> </ul>
	Non-Compliant (NC) – Actions taken are not in line with the nature of the recommendation	<ul style="list-style-type: none"> <li>• Addressee has not developed and promoted statistical standards, sources, methods and procedures for the database covering the indicators.</li> </ul>	<ul style="list-style-type: none"> <li>• There is evidence that addressee has acted disproportionately; addressee has not provided any justification.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and did not provide any justification for inaction;</li> <li>or</li> <li>• addressee did not submit templates to the ESRB Secretariat by 31</li> </ul>



		Sub-recommendation F(2)		
		Developing and promoting statistical standards, sources, methods and procedures for the database covering the indicators	Proportionality	Reporting of addressee
		December 2023 and provided justification for inaction, which, however, was inadequate.		
	Inaction Insufficiently Explained (IE) – No actions were taken, and addressee did not provide sufficient justification	<ul style="list-style-type: none"> <li>• Addressee has not developed and promoted statistical standards, sources, methods and procedures for the database covering the indicators.</li> </ul> <p>Addressee has provided justification, which, however, is inadequate.</p>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and provided justification for inaction, which, however, was inadequate;</li> <li>or</li> <li>• addressee did not submit templates to the ESRB Secretariat by 31 December 2023 and did not provide any justification for inaction.</li> </ul>



## Recommendation A of Recommendation ESRB/2022/9

Description of grades		Sub-recommendation A(1)		
		Monitoring of vulnerabilities related to CRE sector	Proportionality	Reporting of addressee
Positive grades	Fully Compliant (FC) – Actions taken fully implement the recommendation	<ul style="list-style-type: none"> <li>• Addressee assesses the cyclical stage of CRE markets and their outlook, taking into account financing conditions' impact and the general macroeconomic outlook.</li> <li>• Addressee assesses CRE-related vulnerabilities across different risk categories, or stretches, including, for example, monitoring of collateral stretch, income and activity stretch, financing stretch and spillover stretch.</li> <li>• Addressee complements the monitoring of systemic risk with an assessment of country-specific indicators, including structural features.</li> <li>• Addressee assesses developments in CRE prices and income flows generated by the properties in the context of cyclical and structural developments and changes.</li> <li>• When monitoring CRE financing, addressee distinguishes between flows and stocks of CRE loans and financing.</li> <li>• Addressee assesses the liquidity and resilience of financial institutions with exposures to CRE in view of potential materialisation of CRE risks.</li> <li>• Risk monitoring is done on best-effort basis. Whenever possible, addressee assesses the vulnerabilities separately for the different subsectors or segments. One or more subsectors or segments may be exempted if there is no evidence that financial institutions are taking significant risks when investing in the subsectors or segments.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee has provided evidence of having acted in a proportionate manner.</li> <li>• There is no evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed templates to the ESRB Secretariat by 31 March 2024 at the latest.</li> <li>• Addressee reports to the ESRB by making use of the published reporting templates under Recommendation A.</li> <li>• Reports should include the assessments and conclusions drawn from the monitoring, as well as provide information on the substance and timeline of the actions undertaken.</li> </ul>



Description of grades	Sub-recommendation A(1)		
	Monitoring of vulnerabilities related to CRE sector	Proportionality	Reporting of addressee
	<ul style="list-style-type: none"> <li>• Addressee uses indicators defined by Recommendation ESRB/2016/14 as guidance or applies own definitions and metrics, including information from market intelligence, where the definitions, metrics and information are deemed to better accommodate monitoring systemic risks arising from CRE, taking into account the specificities related to national requirements. If unavailable, market intelligence and other sources of soft information might be used as an alternative.</li> <li>• Addressee assesses CRE importance for the real economy and financial system, including effects of a potential CRE market downturn, financial institutions' interconnectedness and countries' interlinkages. Regulatory arbitrage is avoided.</li> <li>• Addressee assesses securitisation's role in CRE lending and identifies large CRE exposures in the insurance sector and investment fund sector, monitoring and assessing preparedness for the latter.</li> </ul>		
Largely Compliant (LC) – Actions taken implement almost all of the recommendation	<ul style="list-style-type: none"> <li>• Addressee monitors vulnerabilities related to the CRE sector as under "FC", with only minor elements missing.</li> <li>• Recommendation objectives have been met almost entirely; only minor requirements are still to be implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee provides evidence of having acted in a proportionate manner.</li> <li>• There is no clear evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee submitted template as under "FC", with only minor elements missing.</li> </ul>
Sufficiently Explained (SE) – No actions were taken, but addressee provided sufficient justification	<ul style="list-style-type: none"> <li>• Addressee has provided a detailed and adequate justification for any inaction or departure from this recommendation, including any delays.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed templates to the ESRB Secretariat by 31 March 2024 at the latest; or</li> <li>• addressee submitted fully completed templates later than 31 March 2024 but</li> </ul>



Description of grades		Sub-recommendation A(1)		
		Monitoring of vulnerabilities related to CRE sector	Proportionality	Reporting of addressee
				sufficiently explained the delay.
Mid-grade	Partially Compliant (PC) – Actions taken implement only part of the recommendation	<ul style="list-style-type: none"> <li>Most important requirements have been met; certain deficiencies affect the adequacy of implementation, although this does not result in a situation where the given recommendation has not been acted upon.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted templates to the ESRB Secretariat by 31 March 2024, but some essential information was missing;</li> <li>or</li> <li>addressee submitted completed templates later than 31 March 2024 but sufficiently explained the delay.</li> </ul>
Negative grades	Materially Non-Compliant (MN) – Actions taken implement only a small part of the recommendation	<ul style="list-style-type: none"> <li>Recommendation requirements have been fulfilled to a limited degree only, resulting in a significant deficiency in the implementation.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted templates to the ESRB Secretariat by 31 March 2024, but most of the essential information was missing;</li> <li>or</li> <li>addressee submitted completed templates later than 31 March 2024 but insufficiently explained the delay.</li> </ul>
	Non-Compliant (NC) – Actions taken are not in line with the nature of the recommendation	<ul style="list-style-type: none"> <li>Absence of any measures by national supervisory authorities to implement the recommendation or measures does not address the content of the recommendation.</li> </ul>	<ul style="list-style-type: none"> <li>There is evidence that addressee has acted disproportionately; addressee has not provided any justification.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and did not provide any justification for inaction;</li> <li>or</li> <li>addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and provided justification for inaction, which, however, was inadequate.</li> </ul>
	Inaction Insufficiently Explained (IE) – No actions were taken, and	<ul style="list-style-type: none"> <li>Absence of any measures by national supervisory authorities to implement the recommendation or measures does not address the content of the</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and did not provide</li> </ul>





		Sub-recommendation A(1)	
Description of grades		Monitoring of vulnerabilities related to CRE sector	Reporting of addressee
	addressee did not provide sufficient justification	recommendation. Addressee has provided justification, which, however, is inadequate.	<p>any justification for inaction;</p> <p>or</p> <ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and provided justification for inaction, which, however, was inadequate.</li> </ul>



		Sub-recommendation A(2)		
Description of grades		Regular basis of monitoring	Proportionality	Reporting of addressee
Positive grades	Fully Compliant (FC) – Actions taken fully implement the recommendation	<ul style="list-style-type: none"> <li>Addressee monitors risks in the CRE markets under sub-recommendation A(1) on a regular basis but at least annually.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee has provided evidence of having acted in a proportionate manner.</li> <li>There is no evidence that addressee has acted in a disproportionate manner.</li> <li>Frequency of monitoring risks should be based on the relative size and importance of exposures.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee submitted fully completed templates to the ESRB Secretariat by 31 March 2024 at the latest.</li> <li>Addressee reports to the ESRB by making use of the published reporting templates under Recommendation A.</li> </ul>
	Largely Compliant (LC) – Actions taken implement almost all of the recommendation	<ul style="list-style-type: none"> <li>Addressee monitors risks (more or less) annually.</li> <li>Recommendation objectives have been met almost entirely, with only minor requirements still to be implemented.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee has provided evidence of having acted in a proportionate manner.</li> <li>There is no clear evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee submitted template as under "FC", with only minor elements missing.</li> </ul>
	Sufficiently Explained (SE) – No actions were taken, but addressee provided sufficient justification	<ul style="list-style-type: none"> <li>Addressee does not monitor risks in the CRE markets on a regular basis, but addressee has provided a detailed justification for any inaction or departure from this recommendation, including any delays.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted fully completed templates to the ESRB Secretariat by 31 March 2024 at the latest;</li> <li>or</li> <li>addressee submitted fully completed templates later than 31 March 2024 but sufficiently explained the delay.</li> </ul>
Mid-grade	Partially Compliant (PC) – Actions taken implement only part of the recommendation	[NB: unlikely that this grade would be applied]	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted templates to the ESRB Secretariat by 31 March 2024, but some essential information was missing;</li> <li>or</li> <li>addressee submitted completed templates later than 31 March 2024 but sufficiently explained the delay.</li> </ul>
Negative grades	Materially Non-Compliant (MN) – Actions taken	[NB: unlikely that this grade would be applied]	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted templates to the ESRB Secretariat by 31 March</li> </ul>



		Sub-recommendation A(2)		
Description of grades		Regular basis of monitoring	Proportionality	Reporting of addressee
	implement only a small part of the recommendation			<p>2024, but most of the essential information was missing;</p> <p>or</p> <ul style="list-style-type: none"> <li>• addressee submitted completed templates later than 31 March 2024 and insufficiently explained the delay.</li> </ul>
	Non-Compliant (NC) – Actions taken are not in line with the nature of the recommendation	Absence of any measures by national supervisory authorities to implement the recommendation or measures does not address the content of the recommendation.	<ul style="list-style-type: none"> <li>• There is evidence that addressee has acted disproportionately; addressee has not provided any justification.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and did not provide any justification for inaction;</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and provided justification for inaction, which, however, was inadequate.</li> </ul>
	Inaction Insufficiently Explained (IE) – No actions were taken, and addressee did not provide sufficient justification	Absence of any measures by national supervisory authorities to implement the recommendation or measures does not address the content of the recommendation. Addressee has provided justification, which, however, is inadequate.	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and did not provide any justification for inaction;</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>• addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and provided justification for inaction, which, however, was inadequate.</li> </ul>



Description of grades		Sub-recommendation A(3)		
		Coordination and cooperation	Proportionality	Reporting of addressee
Positive grades	Fully Compliant (FC) – Actions taken fully implement the recommendation	<ul style="list-style-type: none"> <li>• Addressee closely coordinates and cooperates with other national authorities and the ESRB in monitoring vulnerabilities related to CRE when fulfilling risk-monitoring.</li> <li>• This should include exchange of information deemed necessary for the monitoring of vulnerabilities related to CRE, particularly in the context of cross-country and cross-sectoral spillovers. Exchange of information should be done on a best-effort basis, supported by the ESRB within the legal frameworks of different jurisdictions.</li> <li>• Addressee facilitates the exchange of information by means of arrangements within the scope of the applicable legal confidentiality regime.</li> <li>• Addressee ensures that any voluntary arrangements such as memoranda of understanding establish, inter alia, a general principle of mutual exchange of information in line with the principles of cooperation between relevant authorities.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee has provided evidence of having acted in a proportionate manner.</li> <li>• There is no evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed templates to the ESRB Secretariat by 31 March 2024 at the latest.</li> <li>• Addressee reports to the ESRB by making use of the published reporting templates under Recommendation A.</li> </ul>
	Largely Compliant (LC) – Actions taken implement almost all of the recommendation	<ul style="list-style-type: none"> <li>• Addressee coordinates and cooperates as under “FC”, with only minor elements missing.</li> <li>• Recommendation objectives have been met almost entirely, with only minor requirements still to be implemented.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee has provided evidence of having acted in a proportionate manner.</li> <li>• There is no clear evidence that addressee has acted in a disproportionate manner.</li> </ul>	<ul style="list-style-type: none"> <li>• Addressee submitted template as under “FC”, with only minor elements missing.</li> </ul>
	Sufficiently Explained (SE) – No actions were taken, but addressee provided sufficient justification	<ul style="list-style-type: none"> <li>• Addressee has provided a detailed and adequate justification for any inaction or departure from this recommendation, including any delays.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>• Addressee submitted fully completed templates to the ESRB Secretariat by 31 March 2024 at the latest; or</li> <li>• addressee submitted fully completed templates later than 31 March 2024 but</li> </ul>



		Sub-recommendation A(3)		
Description of grades		Coordination and cooperation	Proportionality	Reporting of addressee
				sufficiently explained the delay.
Mid-grade	Partially Compliant (PC) – Actions taken implement only part of the recommendation	<ul style="list-style-type: none"> <li>Most important requirements have been met; certain deficiencies affect the adequacy of implementation, although this does not result in a situation where the given recommendation has not been acted upon.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted templates to the ESRB Secretariat by 31 March 2024, but some essential information was missing;</li> <li>or</li> <li>addressee submitted completed templates later than 31 March 2024 but sufficiently explained the delay.</li> </ul>
Negative grades	Materially Non-Compliant (MN) – Actions taken implement only a small part of the recommendation	<ul style="list-style-type: none"> <li>Recommendation requirements have been fulfilled to a limited degree only, resulting in a significant deficiency in the implementation.</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee submitted templates to the ESRB Secretariat by 31 March 2024, but most of the essential information was missing;</li> <li>or</li> <li>addressee submitted completed templates later than 31 March 2024 and insufficiently explained the delay.</li> </ul>
	Non-Compliant (NC) – Actions taken are not in line with the nature of the recommendation	<ul style="list-style-type: none"> <li>Absence of any measures by national supervisory authorities to implement the recommendation or measures does not address the content of the recommendation.</li> </ul>	<ul style="list-style-type: none"> <li>There is evidence that addressee has acted disproportionately; addressee has not provided any justification.</li> </ul>	<ul style="list-style-type: none"> <li>Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and did not provide any justification for inaction;</li> <li>or</li> <li>addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and provided justification for inaction, which, however, was inadequate.</li> </ul>
	Inaction Insufficiently Explained (IE) – No actions were taken, and addressee did not	<ul style="list-style-type: none"> <li>Absence of any measures by national supervisory authorities to implement the recommendation or measures does not address the content of the recommendation. Addressee has</li> </ul>	[NB: unlikely that this grade would be applied]	<ul style="list-style-type: none"> <li>Addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and did not provide any justification for inaction;</li> </ul>



Description of grades		Sub-recommendation A(3)	
		Coordination and cooperation	Reporting of addressee
	provide sufficient justification	provided justification, which, however, is inadequate.	<p>or</p> <ul style="list-style-type: none"> <li>addressee did not submit templates to the ESRB Secretariat by 31 March 2024 and provided justification for inaction, which, however, was inadequate.</li> </ul>



# Imprint and acknowledgements

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