

Contacts

Andrew Frost

Head of EMEA Living

+44 (0)20 7087 5566

andrew.frost@eu.jll.com

Adam Challis

Head of EMEA Living Research & Strategy

+44 (0)20 7399 5324

adam.challis@eu.jll.com

Philip Wedge-Bernal

EMEA Living Research & Strategy

+44 (0)20 3147 1148

philip.wedge-bernal@eu.jll.com

Tom Colthorpe

EMEA Living Research & Strategy

+44 (0)20 7087 5991

tom.colthorpe@eu.jll.com



jll.co.uk/living

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European

City Dynamics

Summer 2019



Contents

Foreword

Shifting population dynamics and changing social structures means that European housing demand has never been more varied. At JLL, we've brought together our global knowledge and expertise on student housing, coliving, residential and healthcare into a unified team. This convergence is JLL Living.

Living is fundamentally about people. It encapsulates the range of options available to individuals as they move from study, through working life, and into retirement. Understanding current and future demand pools in European cities is essential for a range of stakeholders in this space.

This report considers the interlinked trends affecting demand for the range of housing solutions required by Europe's urban population. Ageing populations are also more healthy. Younger generations face steeper unaffordability challenges, but also have different, tech-enabled expectations of the place they want to call home.

These trends are manifesting in unique ways across and within cities. This report is designed to highlight some of these differences and is part of a wider JLL Research study to understand Europe's changing Living markets.



Andrew Frost
Head of EMEA Living

Key highlights



Europe's population is increasingly urban – **76% of citizens will live in towns and cities by 2030**. Nine of Europe's largest cities will experience population growth of over 10% in the next decade.



Despite ageing populations, cities are projected to remain relatively youthful. **A third of major city populations will be under 30 in 2030**, down only one percentage point compared with current levels.



Household sizes are decreasing across countries (**falling from 2.30 to 2.24** over the next decade) and cities (**2.25 falling to 2.19**), driven by numerous lifestyle and demographic changes.



Affordability pressures and lifestyle choices mean more people are renting and for longer. German, Swiss, Austrian and Swedish cities have the **lowest home ownership rates**, many of which are **under 25%**.



The elderly population across Europe is growing significantly. There will be **20 million more** people aged 65 and over in the next decade, of which **5.2 million** will live in major metropolitan hubs.



19.6 million tertiary students studied in the EU in 2016, up **3.4%** from three years before. **4.8 million** live in the largest 30 student metropolises.



European overview

Europe's population has undergone significant structural changes over the last few decades, driven by trends at different scales: local, national, continental and global.

The ways in which people are living, both through choice and necessity, continues to evolve. This means that the continent of the future will look very different to the continent of today. The past decade has seen some important demographic changes.

- 66% of statistical regions (as defined by the EU) have experienced population growth over the last decade. These areas account for 70% of Europe's current population. The majority (59%) have had even higher rates of household growth.
- Most areas with a falling population have had high enough household formation rates that ensured household growth was still positive. Only 8% of regions had falls in both.

This report presents three main strands of understanding Europe's changing demographic landscape: where people are living, who they are, and changing patterns of how they are living. These three interlinked elements affect the current and future demand for homes across the continent.

European trends:



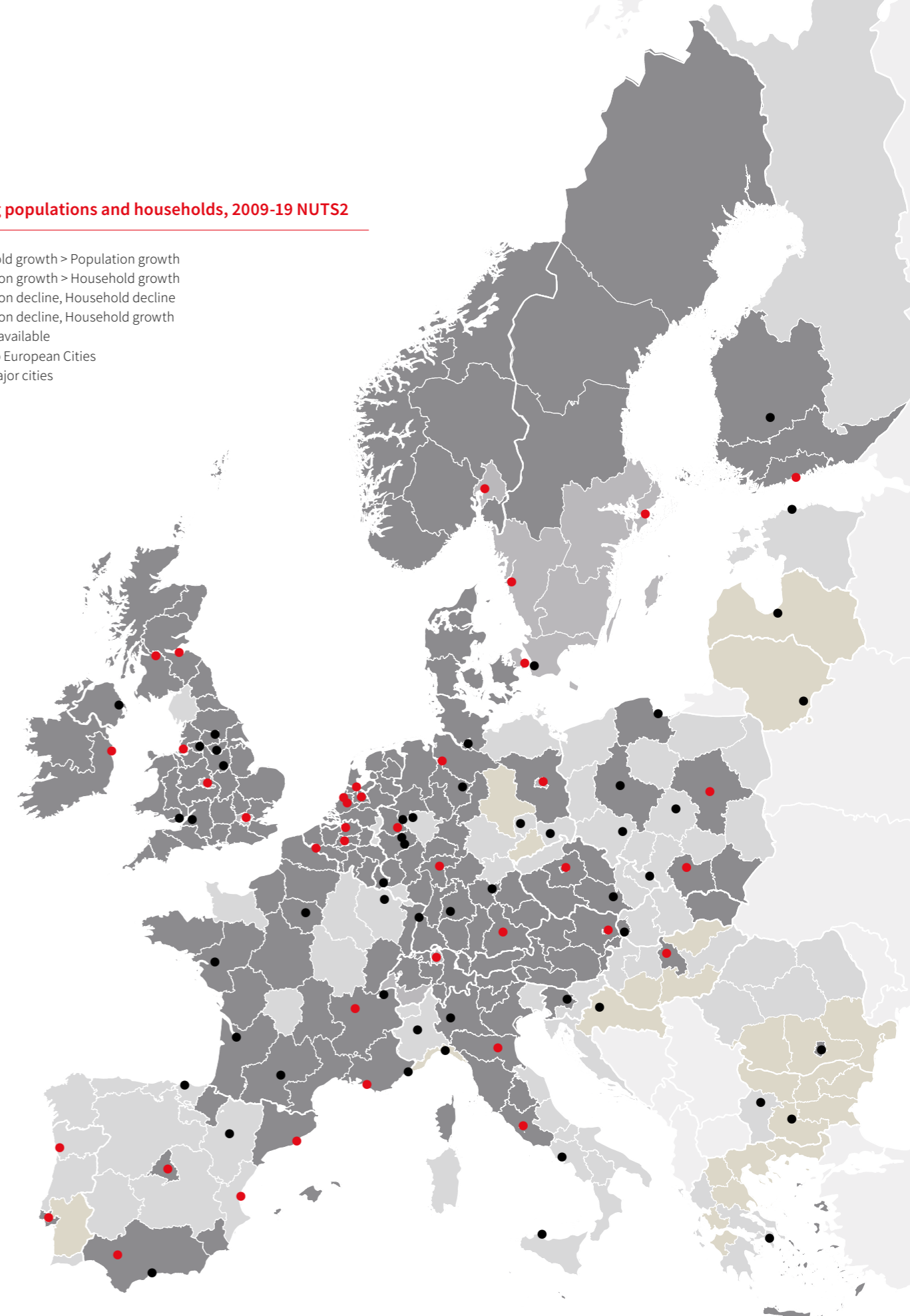
What is Living?

As an asset class, Living includes student housing, coliving, residential and healthcare.



Changing populations and households, 2009-19 NUTS2

- Household growth > Population growth
- Population growth > Household growth
- Population decline, Household decline
- Population decline, Household growth
- No data available
- JLL's Top European Cities
- Other major cities



JLL's Top European Cities are chosen based on a number of factors, including a population threshold (500,000+) and national market importance. JLL City Rankings are based on these 40 cities as defined by Oxford Economics (see pages 15, 19, 23, 25).

Source: JLL, Oxford Economics

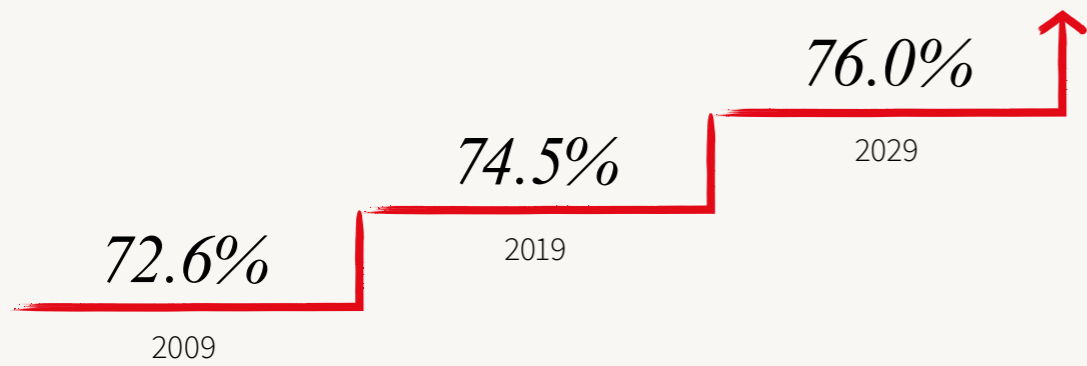
Where: urban Europe

In 2019, almost three quarters of Europeans live in cities and towns and this proportion is projected to grow.

The highest level of urbanisation in Europe is in Belgium (98%), followed by the Netherlands (92%), while Slovakia and Romania have less than 55% of residents living in cities. Portugal is the fastest urbanising country across the continent, with a forecast increase of 6.5 percentage points over the next decade. However, this is the result of a declining rural population and not necessarily strong growth at city level.

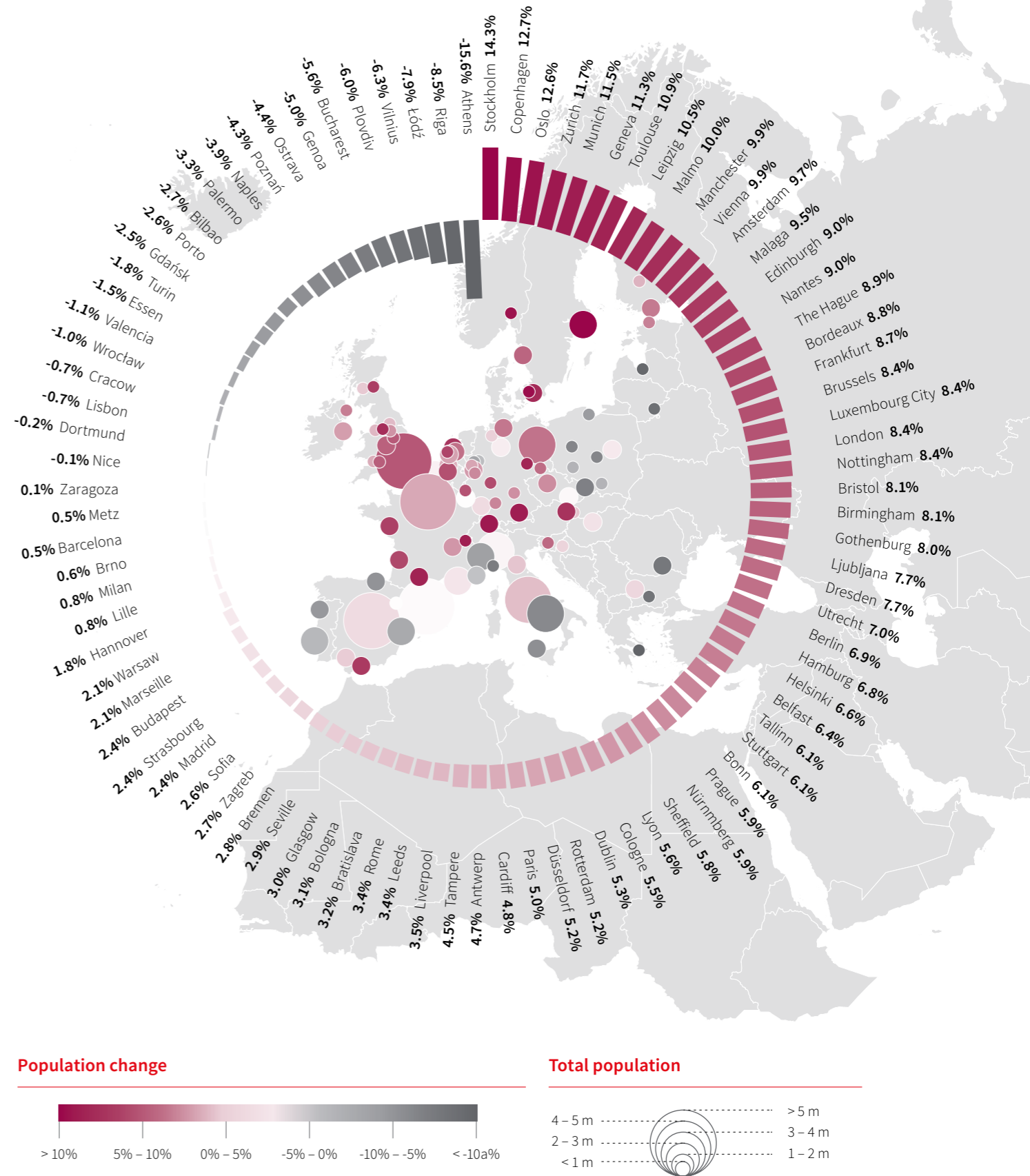
Cities are poles of economic and social activity that attract a broad range of individuals to study, work and live from the rest of the country and abroad. The demand for all types of Living solutions is, and will continue to be, most pressing in cities and towns.

Increasing urbanisation in Europe



Demand for new homes in most cities will come off the back of population growth, but also in their changing demographic composition. These shifting population dynamics exist on top of changing lifestyles and living preferences.

Cities in Europe, total population (2019) and % population change (2019-29)



Source: JLL, Oxford Economics. Note: some cities include wider regions

Who and how: changing ways of Living

Cities across Europe vary hugely in their age compositions and show a much wider diversity than countries.

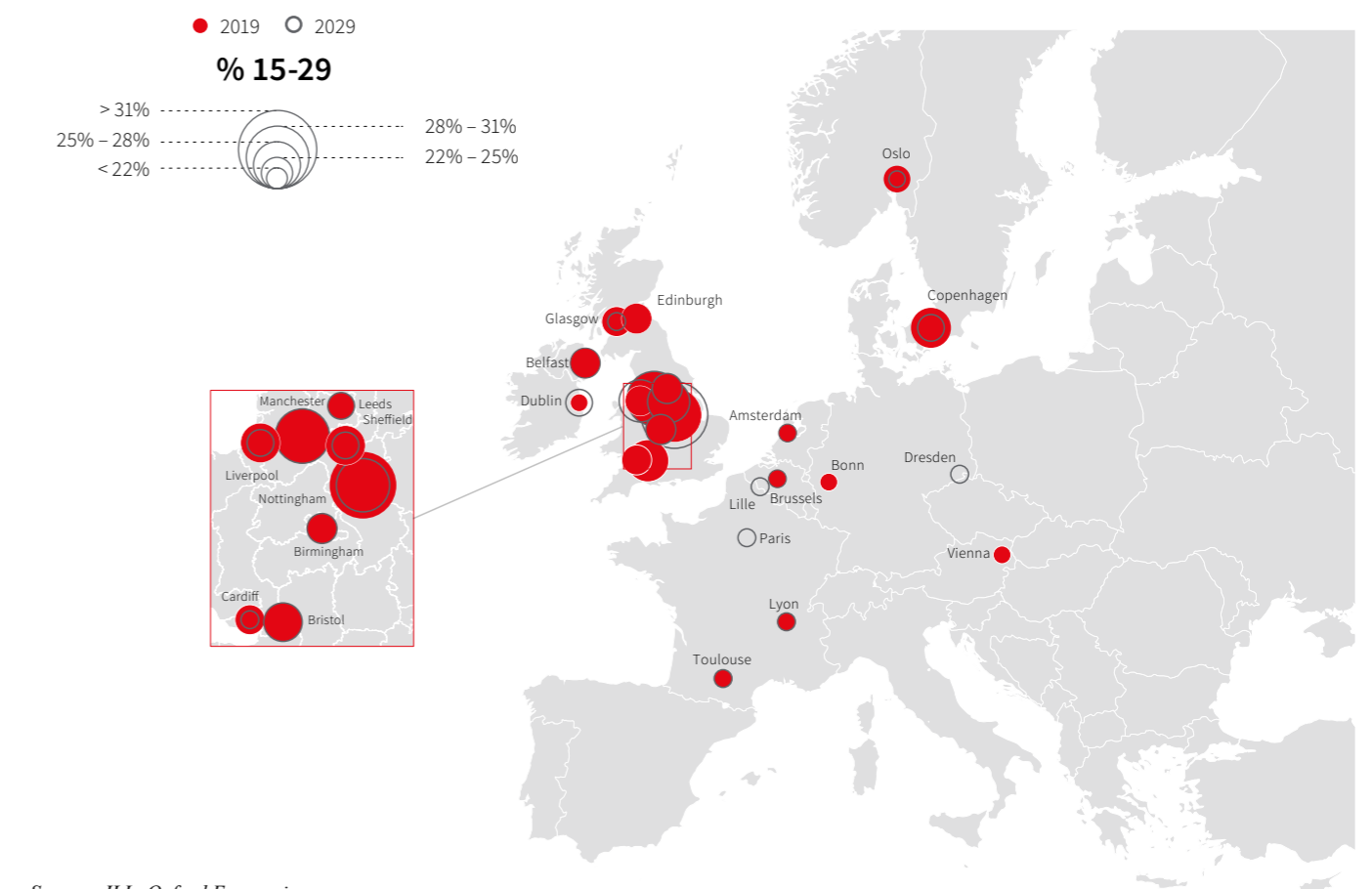
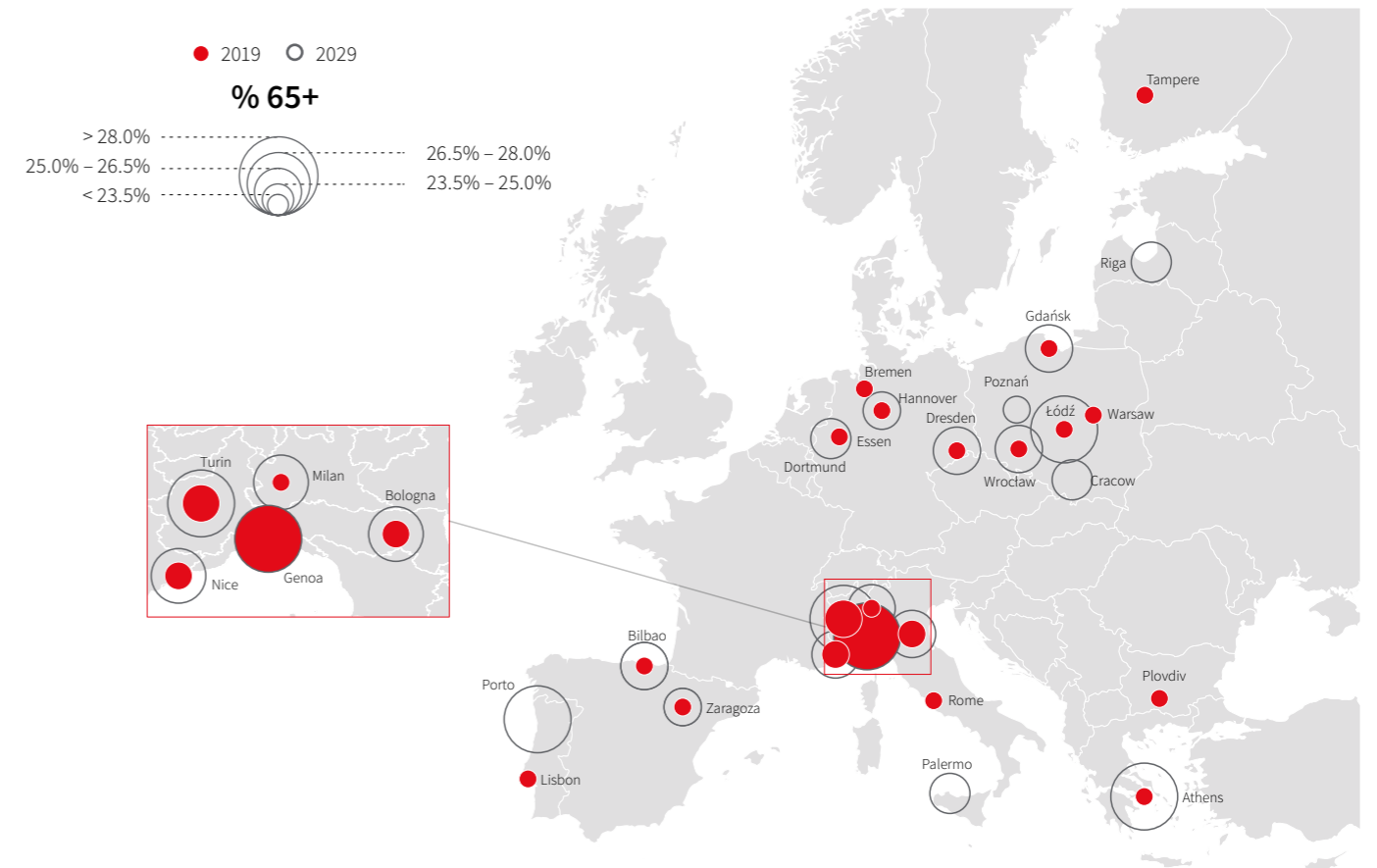
Comparing the proportion of the population between 15 and 29 against the population over 65, cities can be categorised as young, old, or somewhere in the middle, affecting the relative demand for different Living options.

European cities with the oldest populations tend to be located in the south and east of the continent. There is a particularly high concentration in Northern Italy, which is one of the oldest and fastest ageing countries in Europe. All major cities across the continent, except Budapest, are projected to have a higher proportion of residents aged 65+ in a decade's time, where a marginal absolute increase in retirees will be offset by strong growth (5%+) in middle-aged adults and their children.

Almost all cities are ageing, but nearly 40% of major cities also have an increasing proportion of those aged 15-29. However, while the remaining cities will show a declining proportion of young people over the next ten years, many have growing populations meaning the absolute number of young people is still increasing.



Oldest and youngest 20 major cities (2019 and 2029)



Source: JLL, Oxford Economics

Population age profiles

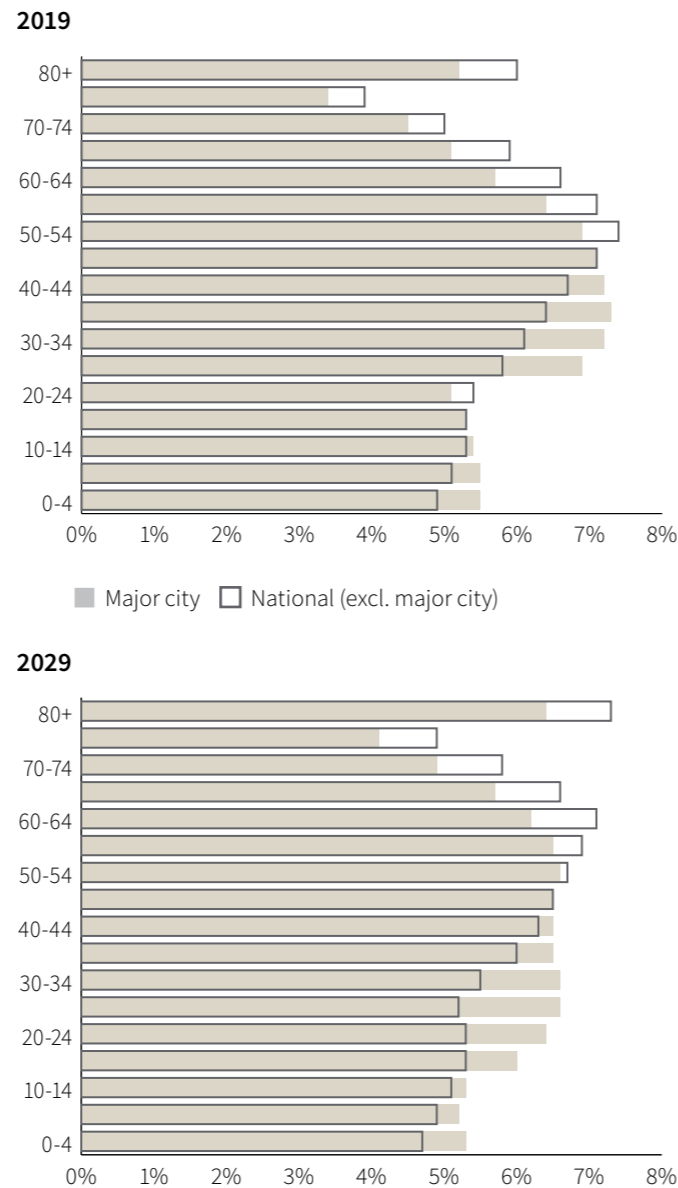
Demographic shifts are changing the make-up of Europe’s population and countries are ageing at an unprecedented rate.

Projections indicate that Europe’s median age will **rise from 43.1 in 2018 to 45.4 by 2030** and begin to plateau a decade later at around **46.5**.

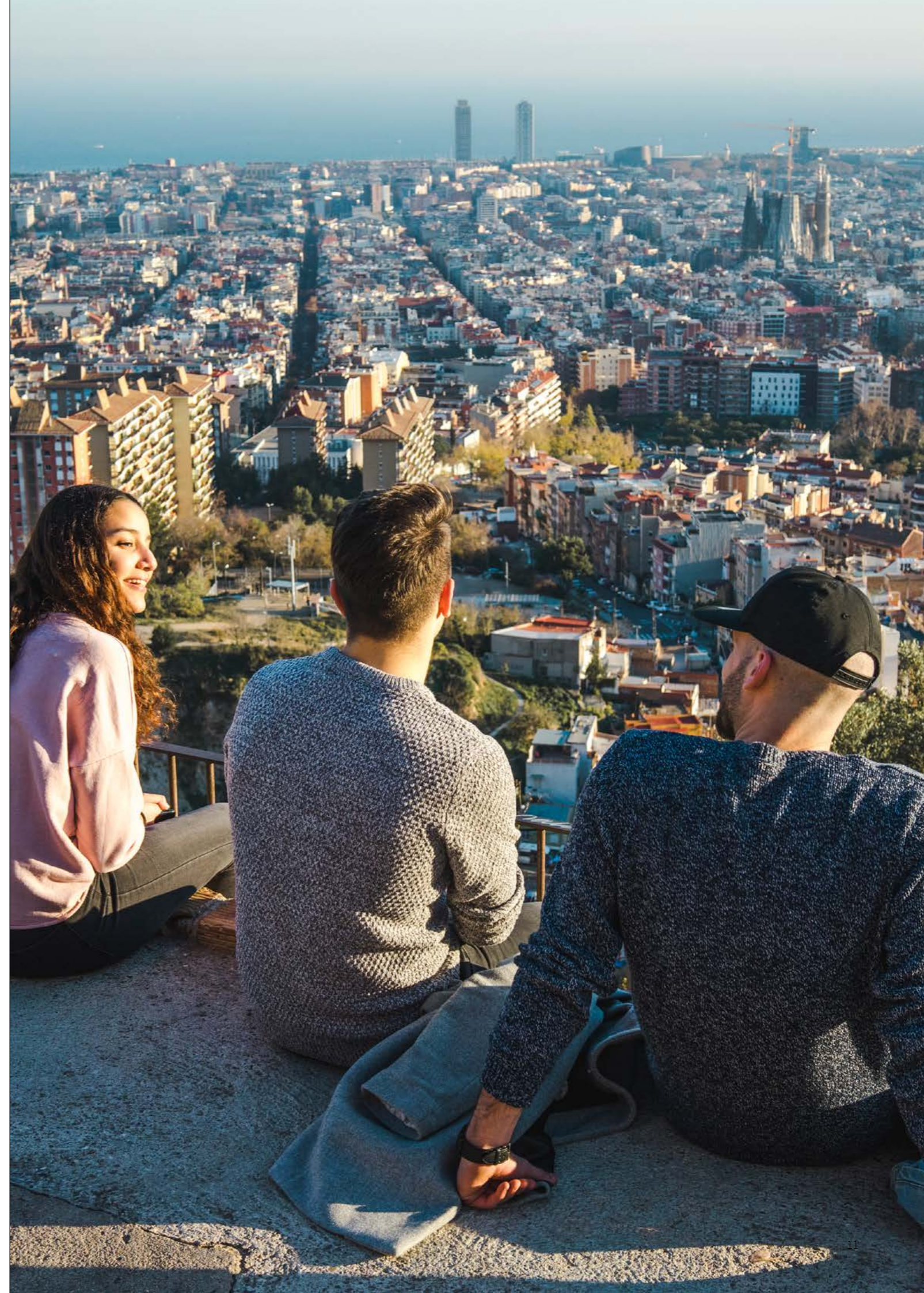
While many cities are ageing, they are not changing as quickly as countries, instead maintaining a relatively youthful look to their populations. Different age groups are likely to seek numerous types of accommodation. Younger populations suggest a higher demand for coliving and multifamily products, as home ownership becomes both less desirable and viable. Older populations may also require a much greater variety of housing solutions given increased longevity and quality of life, but also a higher disease burden. These range from retirement communities to more intensive healthcare facilities. Further, expectations for rented Living products are evolving and increasing. Tenants are likely to demand more from their housing offering, following time spent within professionally managed accommodation.

Cities are not, however, confined to administrative boundaries and many have an extensive influence beyond these artificial areas. Different socio-demographic groups are likely to live in different parts of the wider urban area. Data suggests that younger people (aged 20-44) prefer inner city living, while older age groups (44+) and their children are more likely to live in commuter locations. Planners, developers and operators of different Living products should be aware of this movement through the life cycle, and how it is likely to change given the city-level demographic shifts.

Major city vs. national population pyramid



Source: JLL, Oxford Economics

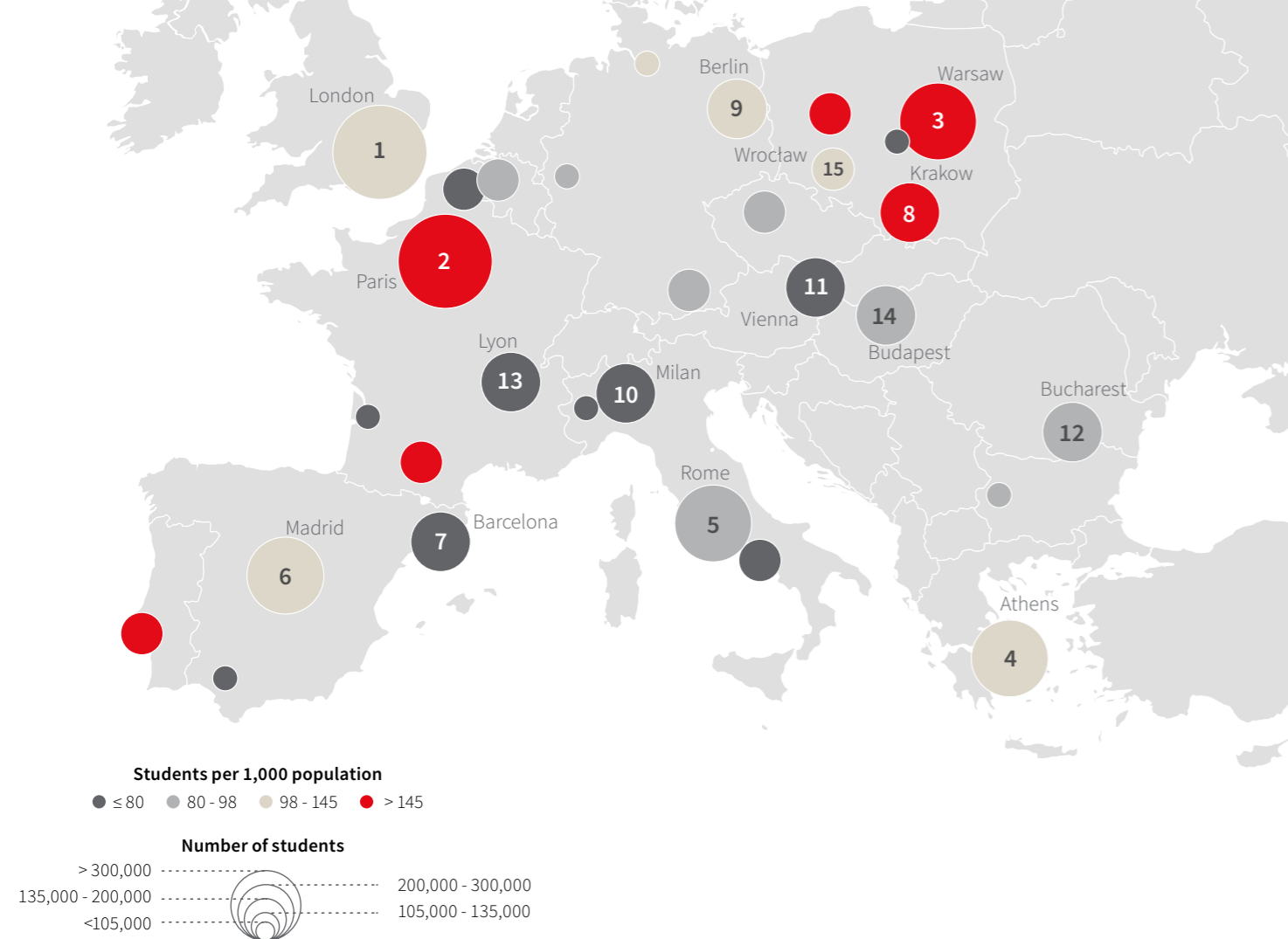


Student and graduate populations

With tertiary education becoming an increasingly popular choice for secondary school leavers across the continent, student populations are burgeoning in Europe.

Top 30 student cities

Where students choose to go depends on numerous factors, such as location, quality of institution, social norms, and availability of suitable accommodation.



Source: Eurostat. Latest available data. Top 15 cities (by absolute number of students) are labelled.

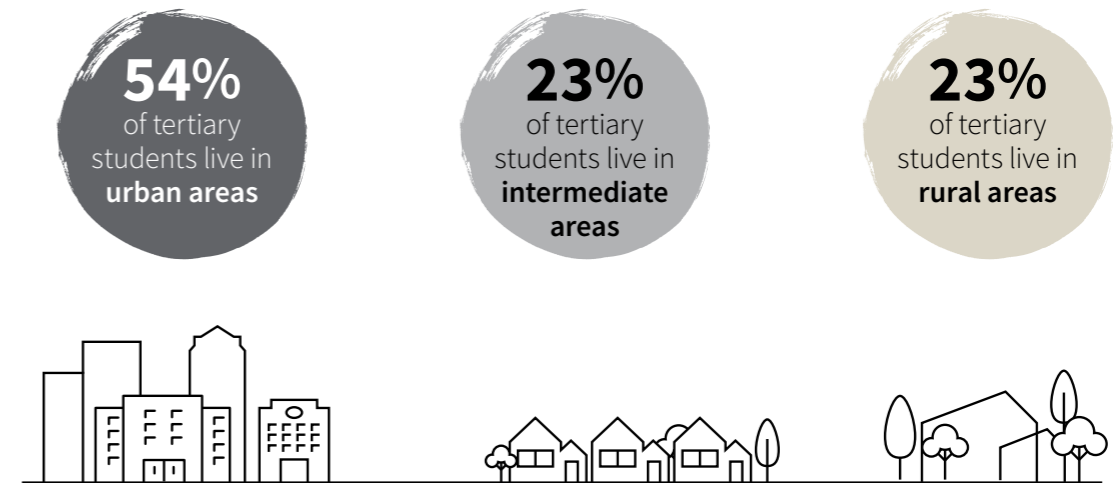
Current and future enrolment

National level enrolment rates show a diverse picture across the continent, but a general upward trend. Spain has one of the highest tertiary enrolment rates in the world, at 91.2%, up from 57.6% at the turn of the millennium. This increase has partially been stimulated by high youth unemployment following the financial crisis, as it is estimated that graduates' risk of being unemployed is a fifth lower than non-graduates. Finland, Ireland, Austria, Denmark, Norway, Slovenia and the Netherlands all also have enrolment rates above 80%, suggesting relatively high demand for student accommodation in major university centres.

Projections indicate that educational attainment for young adults will rise over the next decade. By 2030, 38% of 25-29 year olds will have a post-secondary qualification, up from 31% in 2015. This rise highlights the growing demand for tertiary education and subsequent demand for student housing.

Growing student numbers are creating a deeper demand pool for purpose-built student accommodation (PBSA), not only in traditional university locations, but also areas where new higher education institutions are emerging. Traditionally, PBSA has performed best in locations with a diversified source of potential tenants from two or more student bodies.

Students prefer cities and towns



Source: Eurostat, latest available figures

International student mobility

With the increased globalisation of higher education, international students form a core part of the student accommodation market in Europe – they are between 1.4 and 3.3 times as likely to choose PBSA compared with domestic students.

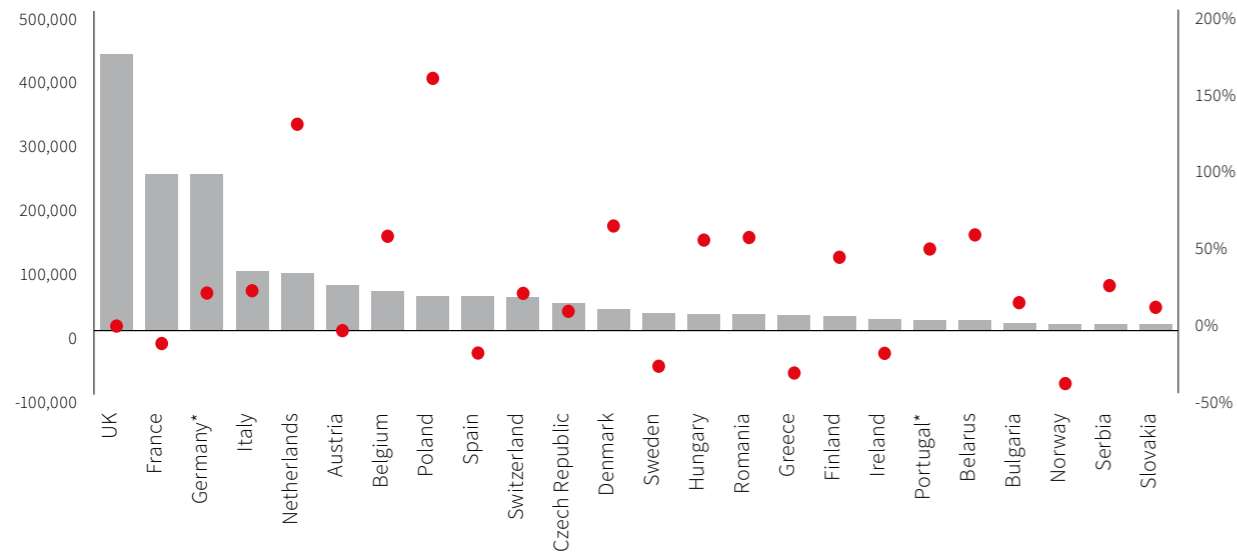
Programme, which is the largest of its kind in the continent. Analysis for the 2012/13 academic year found that students enrolled in this programme preferred capital cities and second-tier metropolitan university towns. For short-term students, the convenience, location and quality of PBSA is a significant attraction and offers opportunities for investors and operators to engage with this market.

There were more than 2 million overseas students studying in Europe in 2016, up from 1.3 million 10 years before.

The growth in outbound international students is projected to slow to an increase of only 1.7% per year from 2017-2027. This compares with previous levels of 5.7% per annum from 2000-2015. Continued growth in international student numbers is positive for the sector, and the current shortfall in provision in key European cities means strong demand is expected to continue into the foreseeable future.

This accounts for 40% of all international students globally. The largest pool (41%) is made up of other European students. International students study on both full courses and attend short-term exchange programmes, such as the EU's Erasmus

Inbound international students (2016) and 5-year change (%)



Source: UNESCO / UIS
 * Note: Germany change is from 2013-2016, as previous data is unavailable. Portugal data 2010-15. Countries receiving over 10,000 students only.

Graduation and post-education

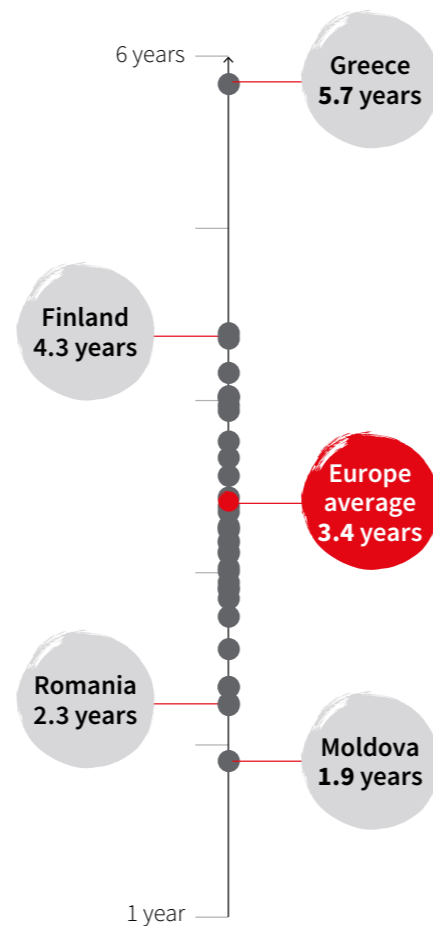
With more people entering tertiary education, there is greater demand for rental product during their studies, whether from PBSA or through the private rented sector (PRS). In professionally managed student halls, tenants become accustomed to hospitality-lite accommodation and higher amenity provision. Most PBSA assets are in well located neighbourhoods, driving the demand for city-centre living. This has a knock-on effect: likely increased demand for similarly managed multifamily rental product.

Once students graduate, there are several trends which affect how and where they want to live.

Only 1 in 5 international students across Europe decide to stay in their country of study.

Retention rates of international students vary from 46% in the UK to 6% in Greece. Most students base this decision on future employment prospects, and that often means moving to cities. There are larger cohorts of young adults in urban locations compared with towns and rural areas, and a high and increasing proportion of these are tertiary graduates.

How long do students stay in tertiary education?



Case study

Student Accommodation in Barcelona

Barcelona is one of the most popular student cities in Europe but has little purpose-built supply to accommodate students. This imbalance is driving a new wave of developments, including:

1. **Finistrelles:** Opening at the end of 2019, the residence will house 372 studios. Amenities include a gym with panoramic views, a rooftop swimming pool, a cinema, dining rooms and games room. It is being developed by WP Carey and funded by Temprano Capital Partners.
2. **Residencia Garbí:** Located on the western edge of Eixample, this 350-bed asset is due to open in September 2019. It is being developed by GSA and will be operated by NEXO Residences. It offers both full board and self-catered accommodation and a mix of one-beds and studios.

These properties are in well-located neighbourhoods, close to amenities, transport links, and university campuses. They offer alternative accommodation for the city's students, who are likely to live in the family home or shared rented flats. A 2018 survey found Spain was the most popular European country for international students, and so the demand for PBSA in the country is likely to grow.



Ranked **6th** for **size of student population in Europe** (190,000)



Ranked joint **3rd** for **number of top 450 European universities** (5 institutions)



Ranked **33rd** for **PBSA provision** (5%)

These rankings are based on JLL's Top European Cities (see map on page 5).



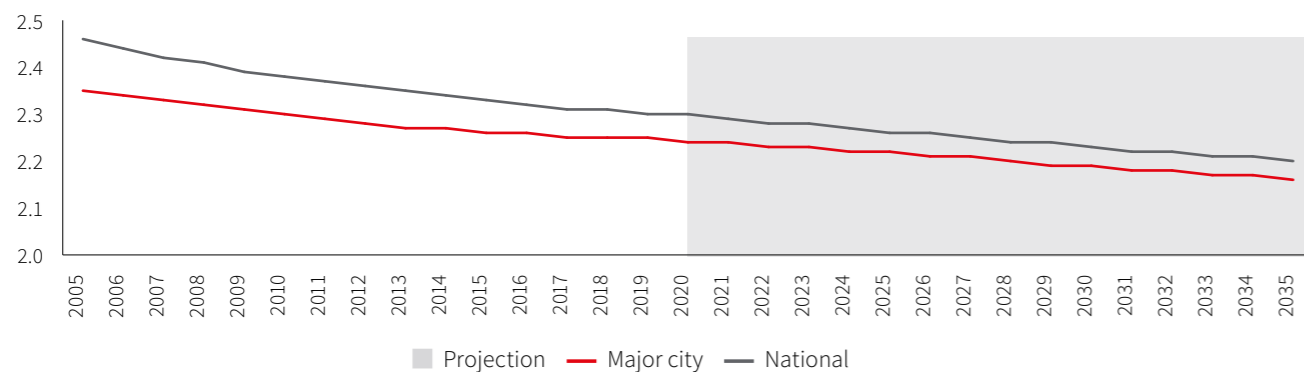
Working populations

The working age population (18-64 years old) is Europe's largest demographic segment but is diverse in its characteristics in both age and geography. Members of this group will likely live in a variety of homes throughout their lifetime.

Declining household sizes

European countries have some of the smallest household sizes in the world. While the continent's population has been rising, driven by strong city growth, the number of distinct households has increased at a faster rate. As a consequence the average size of households has fallen. This is caused by both the breakdown of existing larger households, as well as new populations living in smaller-than-average units.

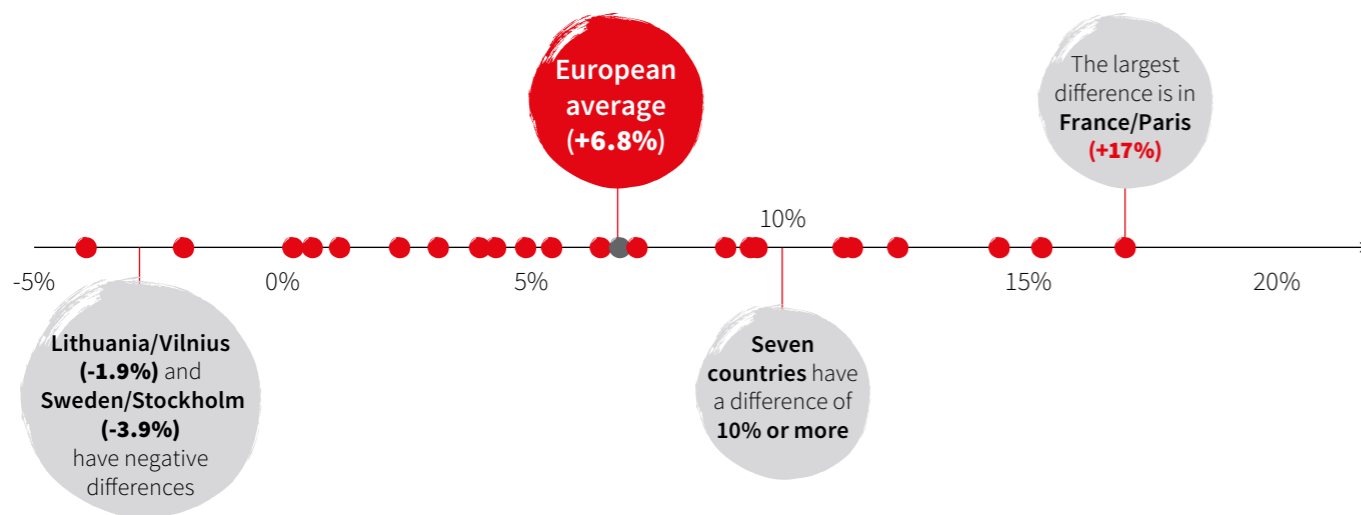
Household size (2005-2035) country vs. major city



Source: JLL, Oxford Economics

Cities tend to have a higher proportion of single-person households when compared with non-urban areas. This is particularly pronounced in capital cities, where the average proportion of these households is 6.8 percentage points higher than the country as a whole. Some capital cities have more than half their households comprised of single individuals.

Difference in proportion of single person households, capital city and country



Source: Eurostat, data for 2011.



29.4

Average age of first marriage, up from **27.2** ten years before



30.7

Average age of mother at childbirth, up from **29.7** a decade before



71%

of households have no children, up **3 percentage points** since 2009

Source: Eurostat, all figures latest available.

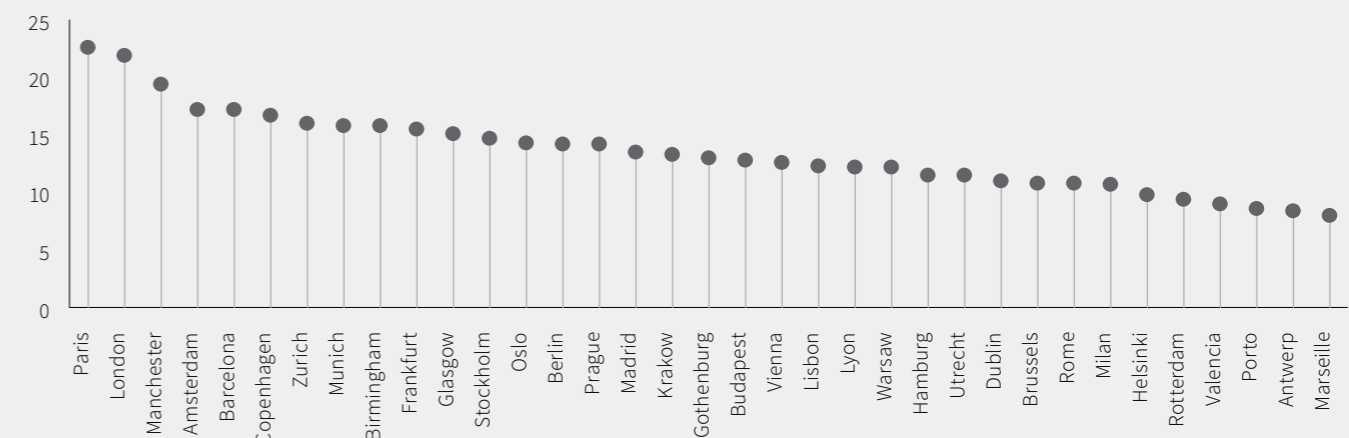
Delayed key life events such as marriage, childbirth and family formation contribute to smaller household sizes earlier on in life. Divorce rates are also rising, meaning single-person households in middle-age have become more common. Further, with an ageing population, old-age single-person households are growing in number.

For developers and operators, smaller household sizes mean reconsidering scheme unit mix in new developments, focusing more on one and two-bedroom units. At the city-level, there are also spatial factors to consider. Single-person households are likely to want to live in locations with good access to local amenities and transport, and could also live in denser neighbourhoods if suitable options are available.

There is also a greater desire for mobility, flexibility and independent living in all age groups, but especially in young adults. These are all fundamental societal shifts in the way adults are living across Europe, affecting how housing needs to be provided now and in the future.

In many cities and countries the prevalence of one-person households is highest at both ends of the age spectrum.

House price to income ratio (selected cities)



Source: JLL, Oxford Economics, national statistics. Latest available data (2017-18). House prices calculated for a 70sqm unit.

Affordability pressures

Incomes across many of Europe's major cities have seen only modest growth in real terms since the Global Financial Crisis. Rising housing costs have meanwhile ensured that affordability constraints are increasingly felt for those privately renting and aspirational homeowners. Nowhere is this affordability crisis felt more strongly than urban centres, as high demand for city-living coupled with chronic problems

of undersupply have meant house prices and rents have increased above earnings growth. An estimated one in eight urban households are classified as overburdened by the EU. This is defined as spending more than 40% of their income on housing costs. Private tenants are over five times more likely to be overburdened when compared with home owners.

Changing tenures

Aspirational homeowners across Europe are facing rising unaffordability and increasingly tight mortgage regulations.

Both of these factors mean that renting is becoming a financial necessity as well as a personal lifestyle choice. Those who do rent tend to do so for longer than previous generations. As a result, there has been a noticeable shift in tenure away from owner occupation and towards private renting.

Seven in ten households own their home across the EU. This varies substantially at a national and city level.

Home ownership levels are lowest in capital cities and other large urban areas. More acute affordability pressures and a lack of accumulated wealth amongst younger age groups fuel this disparity. Given the substantial and growing demand for city living, many European urbanites choose to privately rent.

Home ownership rates, top and bottom 12 European cities

Top 12		Bottom 12	
CITY	Home ownership rate	CITY	Home ownership rate
Łódź	90%	Geneva	6%
Katowice	90%	Zurich	9%
Bucharest	90%	Leipzig	11%
Zagreb	89%	Basel	13%
Wrocław	87%	Dresden	14%
Gdańsk	87%	Berlin	14%
Tirana	87%	Gothenburg	19%
Kraków	86%	Frankfurt	19%
Budapest	86%	Vienna	20%
Warsaw	85%	Copenhagen	22%
Bratislava	85%	Düsseldorf	23%
Bilbao	85%	Hamburg	23%

Source: JLL. Note: Selected major cities and national capitals only

Case study

Multifamily in Berlin

The rental market in the German capital is one of the largest and most dynamic in Europe. Private investor and public sector engagement with multifamily is high. The top 10 private investors have nearly 250,000 units under management across the city, while 300,000 dwellings belong to the largest six municipal housing companies.

There has been considerable rental growth in the last few years. In the most extreme, the districts of Marzahn-Hellersdorf and Tempelhof-Schöneberg have seen rises of in excess of 20% over the last two years. The city-wide increases have created a public backlash and institutional investors are often blamed, despite rents remaining relatively affordable compared to other major European cities.

This has caused policymakers to table new legislation around rent setting and rent increases. The City government agreed on the outlines of a draft law in June 2019 to freeze rents for a period of five years, though the finalised details are as yet unclear. The federal government, however, argues this legislation should fall under its responsibility, and clarity on the final outcome is expected by the end of 2019.



Ranked **2nd** lowest for home ownership (14.2%)



Ranked joint **8th** for population growth (+6.3% over the last five years)



Ranked **9th** for rental price growth over the last 2 years (+19.2%)

These rankings are based on JLL's Top European Cities (see map on page 5)



Changing homes

Population pressures and the availability of viable living space have created an evolution in the delivery of modern housing. Consumer preferences are flexing around a compromise between location, affordability and quality of homes. This relates to both the space within individual units and the density of homes across a neighbourhood. Against this backdrop, there is an opportunity for developers to deliver equitable, efficient and sustainable modern urban housing solutions.



60%

Six in 10 urban Europeans **live in flats**, compared to 42% of overall population.



+31%

Permissions for multi-dwelling buildings have risen nearly one third since 2015. Single unit permissions rose by only 18%.



16%

One in six households **are overcrowded**. Households with children are **2.5 times more likely** to be overcrowded.

Source: Eurostat, latest available data

While many are choosing, or being forced to live in smaller homes, overcrowding across the continent, and the relatively dense city regions in particular, has risen.



+1%

Pressure on space means more homes in capital cities have **less than 20sqm per occupant**, when compared with country averages.



-20%

Single-person urban households had an average one fifth less floorspace than all city homes.



-7%

City households are **noticeably smaller than national averages**, and as much as 24% smaller in Austria.

Source: Eurostat, data for 2011 and 2012.

Against the backdrop of these increasing housing pressures on cities, new forms of accommodation such as coliving are emerging, providing rental homes purposely designed for sharers. Coliving is driven by consumer demand and changes in lifestyle coupled with issues of supply and affordability. It seeks to optimise personal and shared space, whilst promoting social engagement between residents, through a hospitality-led management structure.

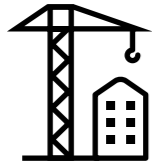
Alongside changing consumer habits, technological advancements and the rise of the sharing economy, consumers are increasingly seeking access over ownership. On the back of this, coliving operators are measuring the requirements for personal space alongside preferences in location, flexible tenancies, affordability, service levels and shared amenities. In this model, bedrooms or small studio apartments can be rented on flexible contract terms with 'all-inclusive' prices and are combined with extensive shared spaces, such as living and dining areas, health and wellbeing facilities, and coworking spaces.



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What is coliving?

Coliving is a Living subsector that is defined by the following characteristics:



is purpose-built or converted



is professionally managed and hospitality-led



multi-tenanted



comprises of individual leases or licences



is not restricted to a specific tenant demographic group



provides a combination of typically smaller private bedrooms supplemented with shared communal space and amenities

Coliving draws on elements from the student housing, multifamily and hospitality sectors, but is beginning to form its own distinctive character. In a small but growing market, asset and operator-specific preferences are shaping how these homes are being provided. Schemes show heterogeneity and blur lines between traditional understandings of different Living sectors.

Coliving assets have a higher provision of amenities and more shared space than traditional multifamily blocks, though the scale and nature of this provision can vary. Alongside this is a growing awareness that the place in which people live is intrinsic to their quality of life. An emerging emphasis from operators focuses on incorporating the types of spaces and services that aim to positively impact the health and wellbeing of residents. As such, alongside the physical characteristics that define the sector, there are also nonmaterial traits that are becoming increasingly synonymous with coliving.

This ethos can be seen in the inclusion of defined coworking spaces, lounge areas and professional-grade kitchens that facilitate social engagement, hold events and networking sessions and cultivate collaboration, interaction and a community-centric environment. The fitness and wellness spaces constitute more than just personal or groups training areas, enabling residents to also find quiet space and focus on relaxation and mindfulness.

Commercial floorspace can provide opportunities for food and beverage offers as well as a range of retail and exhibition spaces, drawing in residents from the surrounding community and acting as zones within the building for socialising, engaging with neighbours, developing friendships and building communities.

As the sector increases in maturity and operators continue to adapt to changing consumer habits, their understanding of which spaces and services residents value the most and how they can make the best use of space will also evolve.

Case study

Coliving in London

As an asset class, coliving is a newcomer to the Living spectrum, but London is already positioning itself as a European and global leading city. Demand-side factors are predicated on a growing pool of young professionals, drawn to the city by job opportunities, higher wages and changes in lifestyle, seeking high quality, flexible accommodation within an affordable price bracket.

It is, for the moment, a sector developing at considerable pace, yet without a specific planning policy framework. The value of communal amenities, shared facilities and high-quality management are key battlegrounds to convince planners to approve coliving schemes. There is some guidance from the London Plan, the city's spatial framework to which local planning authorities have to adhere. But there is no planning use class, nor detailed designation on what to expect and require from a coliving scheme. This could help provide clarity on how smaller personal units should be counterbalanced by shared spaces, amenities and management approach, in order to provide high quality living options that bear no resemblance to the spate of lower quality micro-living units which have been delivered recently.

With 33 such authorities in Greater London, coliving is currently being variably interpreted across the city. Currently consented schemes have done so through various use classes: sui generis, hotels and repositioned residential. As planners at the local and national levels navigate this new product type in the coming years, it is likely to be delivered in specific locations that will in themselves drive new local living characteristics.



Ranked **2nd** for **provision of coliving units** (1,250 beds)



Ranked **1st** for **coliving development pipeline** (3,650 beds)



Ranked **17th** for **proportional growth in young people** (aged 15-29) over the next decade (+4.6%), but **3rd** in absolute numbers (+84,300)

These rankings are based on JLL's Top European Cities (see map on page 5)



Elderly populations

Europe is experiencing a demographic time bomb. Increased longevity and declining birth rates across the continent are shifting age distributions towards the elderly. Whilst younger, mobile cohorts of immigrants are most likely to move to cities, this only partially offsets the broader movements towards older populations.

The number of over 65s is set to increase by 22 million, making up over 23% of the population by 2030.

Absolute population increases are projected to be most prominent amongst retirees (65+). The 75+ population is responsible for over 13 million of these extra retirees, an increase of 24%. Overall health and ability to live independently affects demand for different Living products in cities. When living without limitation or without disability, older people are likely to continue to want to stay at home or move to retirement communities to live with similarly aged and like-minded people. These products tend to be well located and have access to local social infrastructure and public transport. Later, there could be a necessity for a larger amount of support and care at home before moving to specialist housing and more operationally intensive healthcare facilities. While income profiles alter significantly on retirement, the potential

for individuals to live in rental housing in later life offers strong opportunities across the continent. Developers, investors and operators are increasingly willing to engage with a market that currently suffers from significant structural undersupply.

While cities, on average, are not ageing as quickly, their age profiles are nonetheless going to shift dramatically towards retirees. They attract young people for economic and lifestyle reasons, but the old-age population is still the fastest growing demographic in most urban areas.

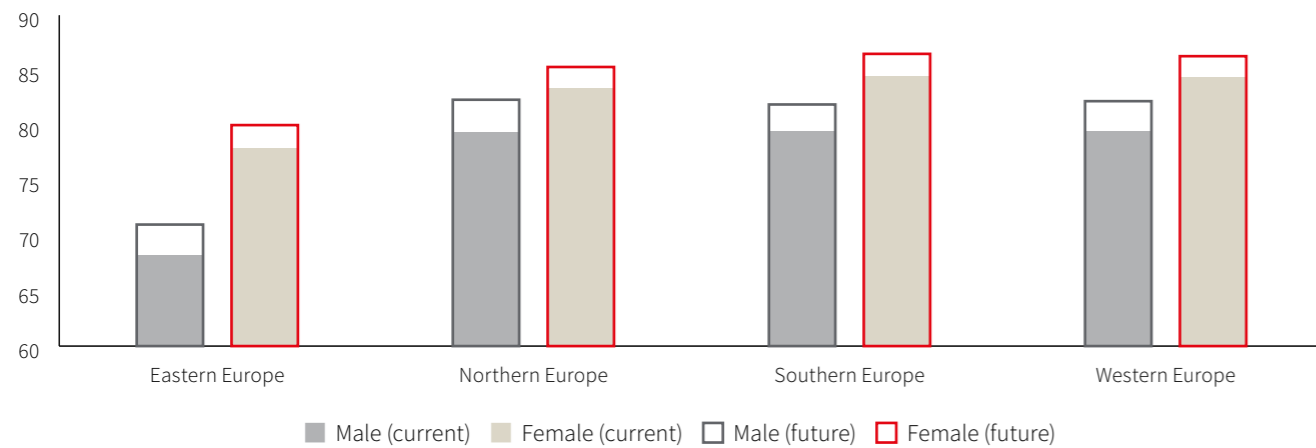


17.4% of over 75s reported use of **care at home**

58.7% of over 75s have **limitations in activity** due to ill health

Source: Eurostat, latest available

Life expectancy at birth (2015-20 and 2030-35)



Source: JLL, UN Population Division

Case study

Retirement living in Warsaw



Ranked **4th** for proportion of **population aged 65 and above** (21.1%)



Ranked **11th** for **median age of population** (41.4 years of age)



Ranked joint **33rd** for **growth in population aged 80+ over the next decade** (+20.2%)

These rankings are based on JLL's Top European Cities (see map on page 5)

The repatriation of university graduates, skilled members of the workforce and affluent retirees who moved westward since Poland joined the EU in 2004 will be met by almost no provision of purpose-built retirement living accommodation. This is coupled with low spending on long-term care, which is nationally only 0.4% of GDP, compared with a European average of 1%.

The elderly are currently poorly provided for in Warsaw and Poland. There are some beds in old public retirement homes for those without private insurance, and institutional provision broadly remains low. The elderly usually either buy new-build mainstream homes if they can afford to, paying for ad-hoc care, or spend time in hospital for more acute conditions.

Interest in the healthcare space from investors is growing but examples of institutionally owned retirement living facilities are rare. An early mover in the market has been ORPEA, a French domiciled company that operates most its Polish portfolio (22 facilities and 2,745 beds) in Warsaw and surrounding areas. Many of these, however, are in old hospital buildings and not purpose-built for modern care needs. Cross-border activity is not solely limited to European domiciled investors. ORIGIN Polska, an associate of Origin Active in Canada, focuses on rehabilitation, senior care and serviced senior apartments in Warsaw and Krakow. Its Warsaw facility has up to 160 beds across eight assets in south-eastern suburbs of the city, offering short and long-term stays for the elderly.



Life expectancies

Increasing longevity is the main driving force behind the ageing of Europe's population. Life expectancy at birth, across Europe, has risen from 73 at the turn of the millennium to 78 currently, although there is still a significant difference between Eastern Europe and other parts of the continent.

Europeans who are currently 60 can expect to live another 22 years on average. This rises to over 25 years in France, Switzerland, Spain and Italy, but is less than 20 years in seven Eastern European countries. This is predicted to continue rising over the next two decades, reaching nearly 25 on average.

Exiting the labour market

Retirement is an important Living milestone for a number of reasons.

1. 46% of 65+ households are under-occupied across the EU.

As children and dependents are likely to have left home, under-occupation and unwillingness to downsize creates a mismatch in the housing market. If the elderly were to be provided for in terms of age-appropriate accommodation, this could have a noticeable effect on available housing stock. These dwellings can often be found near central infrastructure, jobs and economic activity, and could provide appropriate housing for households looking to upsize.

2. Retirement age households hold 43% of household wealth across the Eurozone.

Exiting the labour market fundamentally alters people's income profiles. In some countries, public pensions are insufficient to maintain a similar quality of life compared with the pensioner's working years. Older individuals are likely, however, to have accumulated more wealth, most frequently through building equity in a house.



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3. Retirees are 0.5 percentage points more likely to live in the commuter belt than the city.

Retirement can affect where and in what kinds of homes people want to live. Retirees in cities, on average, are likely to live in suburban and commuter zones. The range in proportion of retirees in the commuter belt compared with the city proper varies from -9.8pp in Porto, to +8.3pp in Copenhagen. While this does not hold for all cities, it is clear there are different factors at play. Some individuals may want to move back into the city on retiring to avoid isolation and take advantage of amenities close by. By contrast, many retirement living products are often based in slightly more peripheral locations, where more space can make for higher quality of life. This may be subject to change in the near future given growing demand from this age segment for age-appropriate homes.

In Europe the effective labour market exit is often before official retirement ages.

Men and women in nearly two thirds of European countries exit the labour market, on average, before the legislated retirement age. There are questions to the extent this will last. New generations coming into retirement are likely to have enjoyed a less buoyant labour market during their working lives, and so may need to save longer to maintain the same quality of life during retirement. This is coupled with legislative change increasing retirement ages gradually across most of Europe over the next few decades.

Final word

The dynamics of Europe's urban populations are continuing to evolve. Alongside significant demographic shifts, there are numerous inter-related factors changing the way people are living, the type of accommodation they both want and need. At a broader level, there are shifts in personal interactions with cities in terms of both working and socialising.

Changes now will have profound consequences for the European Living sector for years to come. From both a demand and supply perspective, the suite of Living products is growing and evolving.

The increased desire for urban living means that many of these changes are felt most acutely in the continent's towns and cities.

Population dynamics are shifting

As the continent continues to age, projections suggest some Southern and Eastern European countries will have median ages of nearly 50 within a decade. Cities within these countries are also likely to be the oldest across the continent – three cities in northern Italy have a quarter or more of their population aged 65+, the highest proportions in Europe. But many cities are likely to retain a much more youthful look – young people are drawn to urban centres for economic reasons and are likely to have children while still there. The UK is home to many of the continent's youngest cities – it has 5 of the 6 European cities with over a quarter of residents aged 15-29 – the other is Copenhagen.

While continental trends are pervasive, local nuances are more complex. Individual cities, and indeed submarkets within them, will look different moving forward.

As a result, local nuance is needed by all stakeholders – from developers identifying a product to build, to local authorities planning future growth – to develop the best housing solution for the city's future.

The need for new Living products

Interlinked demographic and social factors are changing how adults, from their years in higher education to retirement and beyond, want to consume different types of housing across their lifespan – many of which are currently under-supplied. The lines between different types of housing are also starting, in some cases, to become blurred.

Rising rates of tertiary education enrolment, including significant recent growth in international students studying at some of Europe's top universities, means that demand for PBSA has never been higher. Universities are usually based in major cities, and students overwhelmingly live in urban and intermediate locations. Affordability issues are felt most keenly in cities, and the desire for more flexible living arrangements means the private rented sector is growing. And more specialised housing aimed at elderly individuals, from retirement communities to care facilities, are likely only to grow in importance given the burgeoning pool of over 65s across Europe.

The continent is changing, and those providing all types of housing are changing with it.